

NOTICE: For the convenience of capital market participants, NIPPON PAINT HOLDINGS CO., LTD. makes efforts to provide English translations of the information disclosed in Japanese, provided that the original Japanese version prevails over its English translation version in the case of any discrepancy found between the original and translation.

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2016
[Japanese GAAP]



May 12, 2016

Company name: NIPPON PAINT HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4612
 URL: <http://www.nipponpaint-holdings.com/>
 Representative: Tetsushi Tado, Representative Director and President
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 Scheduled date of annual general meeting of shareholders: June 28, 2016
 Scheduled date of commencing dividend payments: June 29, 2016
 Scheduled date of filing the securities report: June 29, 2016
 Availability of supplementary briefing material on consolidated financial results: Yes
 Schedule of consolidated financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-------|------------------|-------|-----------------|------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2016 | 535,746 | 105.6 | 71,352 | 111.4 | 74,606 | 51.4 | 30,020 | (83.5) |
| March 31, 2015 | 260,590 | 0.0 | 33,751 | 1.1 | 49,271 | 5.2 | 181,477 | 464.4 |

Note: Comprehensive income: Fiscal year ended March 31, 2016: ¥24,284 million [(87.5) %]
 Fiscal year ended March 31, 2015: ¥193,771 million [279.7%]

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Total assets Ordinary income ratio | Net sales Operating income ratio |
|----------------------------------|--------------------------|----------------------------|--------------------------|------------------------------------|----------------------------------|
| Fiscal year ended March 31, 2016 | Yen 93.61 | Yen 93.60 | % 6.3 | % 9.3 | % 13.3 |
| March 31, 2015 | 650.04 | - | 53.8 | 8.7 | 13.0 |

Reference: Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2016: ¥1,115 million
 Fiscal year ended March 31, 2015: ¥14,103 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|---------------------|---------------------|--------------|----------------------|
| As of March 31, 2016 | Million yen 791,459 | Million yen 567,748 | % 59.3 | Yen 1,464.06 |
| As of March 31, 2015 | 810,727 | 589,923 | 59.2 | 1,496.16 |

Reference: Equity: As of March 31, 2016: ¥469,533 million
 As of March 31, 2015: ¥479,829 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended March 31, 2016 | Million yen 63,101 | Million yen (5,308) | Million yen (24,699) | Million yen 108,271 |
| March 31, 2015 | 34,419 | (86,966) | 85,298 | 78,702 |

2. Dividends

| | Annual dividends | | | | | Total dividends paid (Total) | Dividend payout ratio (Consolidated) | Dividend /Net assets (Consolidated) |
|---|------------------|------------------|------------------|----------|-------|------------------------------|--------------------------------------|-------------------------------------|
| | 1st quarter -end | 2nd quarter -end | 3rd quarter -end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended March 31, 2015 | - | 10.00 | - | 12.00 | 22.00 | 6,455 | 3.4 | 2.0 |
| Fiscal year ended March 31, 2016 | - | 15.00 | - | 20.00 | 35.00 | 11,224 | 37.4 | 2.4 |
| Fiscal year ending December 31, 2016 (Forecast) | - | 20.00 | - | 20.00 | 40.00 | | 37.7 | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (April 1, 2016 to December 31, 2016)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Basic earnings per share |
|------------|-------------|-------|------------------|-----|-----------------|-----|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 260,000 | (1.2) | 34,000 | 6.1 | 36,000 | 6.9 | 17,000 | 28.0 | 53.01 |
| Full year | 500,000 | - | 71,000 | - | 74,000 | - | 34,000 | - | 106.02 |

The Company plans to change its fiscal year-end from March 31 to December 31 from the fiscal year ending December 31, 2016, subject to the approval of Partial Amendments of the Articles of Incorporation at the 191st Annual General Meeting of Shareholders scheduled to be held on June 28, 2016. Accordingly, for the Company and its subsidiaries with the fiscal year end of March 31, the consolidation period for the fiscal year ending December 31, 2016, which will be the transition period, will be the nine months starting on April 1, 2016 and ending on December 31, 2016, assuming the change of fiscal year end. For subsidiaries with fiscal year ending December 31, the consolidation period is the 12 months starting on January 1, 2016 and ending on December 31, 2016, as before.

As a result, full-year changes from the previous corresponding period have not been provided.

*** Notes:**

- (1) Changes in significant subsidiaries during the period ended March 31, 2016 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - March 31, 2016: 325,402,443 shares
 - March 31, 2015: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2016: 4,696,460 shares
 - March 31, 2015: 4,694,319 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended March 31, 2016: 320,706,841 shares
 - Fiscal year ended March 31, 2015: 279,177,386 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|-------------------|-------------|--------|------------------|-------|-----------------|--------|-------------|--------|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 31, 2016 | 47,359 | (35.6) | 39,503 | 166.7 | 39,624 | 82.1 | 36,995 | 104.2 |
| March 31, 2015 | 73,561 | (43.5) | 14,812 | (9.7) | 21,759 | (23.5) | 18,113 | (14.6) |

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Fiscal year ended | Yen | Yen |
| March 31, 2016 | 115.36 | 115.35 |
| March 31, 2015 | 64.88 | - |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2016 | 314,695 | 287,264 | 91.3 | 895.60 |
| As of March 31, 2015 | 296,089 | 264,074 | 89.2 | 823.41 |

Reference: Equity: As of March 31, 2016: ¥287,225 million

As of March 31, 2015: ¥264,074 million

* Presentation regarding the implementation status of the audit procedures

These consolidated financial results are outside the scope of audit procedures under the Financial Instruments and Exchange Act, and audit procedures for the consolidated financial statements have not been completed.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are judged to be reasonable. Actual results, etc. may differ greatly from the forecast figures depending on various factors. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to "Analysis Regarding Operating Results" on page 2 of the Attachment.

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1. Analysis Regarding Operating Results and Financial Position

(1) Analysis of Operating Results

During the fiscal year ended March 31, 2016, consolidated net sales of NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) increased by 105.6% from the corresponding period of the previous year (the “previous year”), to ¥ 535,746 million, due to the acquisition of equity of joint venture companies in the Asian region (making them into subsidiaries) in the previous year. Consolidated ordinary income increased by 111.4% from the previous year, to ¥71,352 million, as a result of the effects of acquiring equity in the joint venture companies and the recording of related amortization expenses for goodwill and intangible assets in selling and administrative expenses. Consolidated ordinary income increased by 51.4% from the previous year, to ¥74,606 million. Profit attributable to owners of parent decreased by 83.5% from the previous year, to ¥30,020 million partly due to posting of gain on step acquisitions of ¥148.8 billion as extraordinary income during the previous year, following the conversion of the aforementioned companies into subsidiaries.

Results by business segment are as follows. Overseas group companies, with the exception of some companies, adopt a December fiscal year-end, and a corresponding period for the period ended March 31, 2016 is from January to December 2015.

Categories of reportable segments have been changed starting from the current fiscal year. Details of this change are as stated in “5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment information, etc.) 2. Changes to reportable segments” .

Japan

In this region, as a result of efforts to expand market share amid the decreasing number of automobiles manufactured, net sales of automotive coatings remained at the same level as the previous year. As for industrial coatings, in line with a decline in market conditions, decreased sales of coatings for construction materials and construction machinery and other factors led to lower net sales compared to the previous year. With respect to trade-use paints, while performance has been weak in the overall market, owing to efforts in sales promotion activities including new products, net sales increased compared to the previous year.

As a result of these factors, consolidated net sales for the Japan segment decreased by 6.9% from the previous year, to ¥174,280 million. Consolidated operating income increased by 67.3% from the previous year, to ¥57,287 million due to the transition to a holding company that occurred on October 1, 2014 leading to the recording of dividend income from overseas group companies (recording ¥28,127 million for the fiscal year ended March 31, 2016), and continued activities to reduce costs. All of this dividend income is eliminated as an internal transaction under “Inter-segment transaction eliminations and other adjustments.”

Asia

In this region, net sales and operating income increased substantially due to the acquisition of equity of joint venture companies in the Asian region (making them into subsidiaries) during the previous year. Particularly, in China, the core region of the Asia segment, net sales were robust for trade-use paints such as paints for housing interiors. However, due to making the companies into subsidiaries, share of profit of entities accounted for using equity method decreased.

As a result of these factors, consolidated net sales for the Asia segment increased by 623.5% from the previous year, to ¥317,396 million, consolidated operating income increased by 733.3% from the previous year, to ¥37,748 million, and share of profit of entities accounted for using equity method decreased by 91.5% from the previous year, to ¥1,203 million.

Americas

In this region, net sales increased due to an increase in the number of automobiles manufactured. Furthermore, in addition to reduced expenses for the import of raw materials from Japan due to a strong dollar (a weaker yen), continued activities to reduce costs led to a significant improvement in profitability.

As a result, consolidated net sales for the Americas segment increased by 28.5% from the previous year, to ¥33,156 million, and consolidated operating income increased by 92.8% from the previous year, to ¥5,177 million.

Other

Consolidated net sales for this geographic segment increased by 193.3% from the previous year, to ¥10,912 million due to the consolidation of a German paint manufacturer, and consolidated operating income or loss amounted to a loss of ¥897 million (income of ¥69 million in the previous year) partly due to an increase in amortization of goodwill.

Outlook for Next Fiscal Year

Since the Company plans to change its fiscal year-end in the next period (period ending December 31, 2016), consolidated performance outlook for the next period is for the nine-month period from April to December for the Company and subsidiaries with fiscal year ending March 31 and is for twelve-month period from January to December for subsidiaries with fiscal year ending December 31.

Domestically, although a moderate economic recovery is expected, it is forecast that the future will remain uncertain due to the increase in the consumption tax scheduled for the fiscal year ending December 31, 2017. Under such circumstances, for automotive coatings, amid forecasts for automotive production to increase slightly, the Company will aim to increase market share and enter new markets for parts manufacturers. We will continue efforts to increase our trade-use paints market share in the next fiscal year by moving forward with the introduction of new products to the market that match customer needs, and aim to establish a reputation in important markets through measures such as introducing new products to the market for residential materials coatings in industrial coatings.

Additionally, while price fluctuations in crude oil and naphtha are unpredictable, the three low-price strategies the Group has been pursuing (design / procurement / production) will continue to be implemented, ensuring profits by working toward the continued reduction of costs.

In Asia, deceleration is forecast to continue in emerging markets, mainly in China. Under such circumstances, the Company will work to share business strategies with the NIPSEA Group (*), a joint venture in the region, and by executing business operation as a unified group, aim to further increase added-value for products and services. Additionally, in China, which serves as the core market, the Company will continue with efforts to reduce raw materials costs under the Chinese Survival Challenge (Lean for Growth), achieving cost competitiveness and creating and rousing demand against a backdrop of high brand strength.

In the Americas, which is centered on automotive coatings, it is forecast that automotive unit production will continue to trend favorably, and the Company will aim to maintain and expand net sales and profits. In other regions, it is forecast that automotive unit production will trend strongly in Europe, and through the German paint manufacturer newly consolidated in April 2015, the Company will aim to expand market share and improve profitability.

As a result of the above factors, our outlook for next fiscal year's consolidated business performance is ¥500.0 billion in net sales, ¥71.0 billion in operating income, ¥74.0 billion in ordinary income, and ¥34.0 billion in profit attributable to owners of parent.

(*) Asian joint venture together with WUTHELAM HOLDINGS LTD., a collaborative partner based in Singapore

Consolidated performance outlook for the fiscal year ending December 31, 2016

(Million yen)

| | For the fiscal year ending December 31, 2016(Forecast) (Nine months) | < At constant scope and exchange rates> (April 1, 2016 to December 31, 2016) | For the fiscal year ended March 31, 2016 (Actual) (April 1, 2015 to March 31, 2016) | Rate of change (%) |
|--|---|---|--|--------------------------|
| Net sales | 500,000 | 550,000 | 535,746 | 2.7 |
| Operating income | 71,000 | 77,000 | 71,352 | 7.9 |
| Ordinary income | 74,000 | 80,000 | 74,606 | 7.2 |
| Profit attributable to owners of parent | 34,000 | 36,000 | 30,020 | 19.9 |

(Note) The Company plans to change the fiscal year end to December 31. For the period ending on December 31, 2016, the transition period, the consolidation period for the Company and its subsidiaries with fiscal year ending March 31 is the nine months between April and December and for subsidiaries with fiscal year ending December 31, the consolidation period is the 12 months starting on January 1, 2016 and ending on December 31, 2016, as before.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities, and Net Assets

Total assets decreased by ¥19.27 billion from the end of the previous fiscal year to ¥791,459 million. Of these, current assets increased by ¥17.91 billion from the end of the previous fiscal year, mainly due to an increase in cash and deposits, offset in part by a decrease in securities. Non-current assets decreased by ¥37.18 billion from the end of the previous fiscal year, primarily caused by factors such as the application of the Accounting Standard for Business Combinations etc. which led to a decrease in goodwill, and a decrease in investment securities, despite an increase in property, plant and equipment.

Liabilities increased by ¥2.91 billion from the end of the previous fiscal year to ¥223,710 million. The increase was mainly attributable to an increase in interest-bearing debt, despite a decreased in notes and accounts payable - trade.

Net assets including non-controlling interests decreased by ¥22.18 billion from the end of the previous fiscal year to ¥567,748 million. This was mainly attributable to a decrease in foreign currency translation adjustment, as well as a decrease in capital surplus due to the application of the Accounting Standard for Business Combinations, etc., despite an increase in retained earnings stemming from the recording of profit attributable to owners of parent.

As a result, equity ratio rose from 59.2% at the end of the previous fiscal year to 59.3%.

2) Status of Cash Flows

Business operations for the fiscal year ended March 31, 2016 resulted in an inflow of ¥63,101 million, investing activities resulted in an outflow of ¥5,308 million, and financing activities resulted in an outflow of ¥24,699 million, resulting in cash and cash equivalents (hereinafter “cash”) of ¥108,271 million, an increase of ¥29.57 billion compared to the end of the previous consolidated fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥63,101 million (an increase of ¥28.68 billion compared to the previous fiscal year). Primary factors include an inflow of ¥91,366 million resulting from depreciation and amortization expenses applied to profit before income taxes, offset in part by income taxes paid of ¥28,264 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,308 million (a decrease of ¥81.66 billion compared with previous fiscal year). This was mainly attributable to purchase of property, plant and equipment of ¥16,953 million and acquisition of shares of subsidiaries of ¥2,236 million, despite an inflow of ¥11,476 million as a result of the redemption of securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥24,699 million (inflow of ¥85,298 million in the previous year). Primary factors include cash inflows of ¥8,224 million as a result of an increase in loans payable, offset by cash dividends paid of ¥32,380 million.

(Reference) Change in cash flow-related indexes

| | 187th Period Year Ended March 31, 2013 | 188th Period Year Ended March 31, 2014 | 189th Period Year Ended March 31, 2015 | 190th Period Year Ended March 31, 2016 |
|--|--|--|--|--|
| Equity ratio (%) | 56.0 | 60.0 | 59.2 | 59.3 |
| Equity ratio based on market valuation (%) | 86.2 | 125.8 | 174.1 | 101.2 |
| Interest-bearing debt to cash flow ratio (times) | 0.7 | 0.5 | 0.4 | 0.4 |
| Interest coverage ratio (multiplier) | 80.1 | 88.8 | 181.1 | 171.1 |

*Equity ratio: Ownership equity / Total assets

Equity ratio based on market valuation: Market capitalization / Total assets

Interest-bearing Debt to Cash Flow Ratio: Interest-bearing debt / Cash flow

Interest Coverage Ratio: Cash flow / Interest payment

1. All values are calculated using financial values on a consolidated basis.

2. Market capitalization calculated on a basis of total number of issued shares excluding treasury shares.

3. Cash flow values used are operating cash flow.

4. Interest-bearing debts are all liabilities that pay interest among liabilities calculated on the consolidated balance sheet.

(3) Fundamental Policy Regarding Profit Sharing and Dividends for the Fiscal Year Ended March 31, 2016 and Next Fiscal Year

As disclosed in the “Revisions to Dividends from Surplus and Dividends Forecasts” announced on November 6, 2015, the Company holds as its policy in determining the amount of dividends to shareholders to utilize assumptions on an IFRS basis that includes amortization of goodwill.

Additionally, concerning year-end dividends for the fiscal year under review, business results for the fiscal year ended March 31, 2016 set new records for net sales, operating income, and ordinary income, and as the full-year business results forecasts announced on November 6, 2015 were achieved, based on the above dividend policy, the Company plans on a year-end dividend of ¥20 per share, an increase 5yen, making the full-year dividend ¥35 per share. As a result, total dividends including interim dividends will be ¥35 per share, and the consolidated dividend payout ratio will be 37.4% (IFRS base 27.8%).

Additionally, we plan a full-year dividend of ¥40 per share for the next fiscal year.

2. Business Combination Status

The Group consists of the Company, 120 subsidiaries, 7 affiliates, and 4 other related companies, and its primary business is the manufacturing and sales of paints and fine chemicals.

Additionally, the Company corresponds to a specific listed company, etc., and of the minor criteria for significant matters with regard to the insider trading regulation, the numerical standards that are set by comparison with the size of listed companies, shall be determined based on figures on a consolidated basis.

The positioning and relationship to segments of the business of the Company and the Company's related companies are as follows.

Categories of reportable segments have been changed starting from the fiscal year ended March 31, 2016. Details of this change are as stated in “5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment information, etc.) 2. Changes to reportable segments” .

| Consolidated subsidiaries | Entities accounted for using equity method |
|--|--|
| <p>- Japan -</p> <p>NIPPON PAINT AUTOMOTIVE COATINGS CO., LTD. NIPPON PAINT INDUSTRIAL COATINGS CO., LTD. NIPPON PAINT CO., LTD. NIPPON PAINT SURF CHEMICALS CO., LTD. NIPPE TRADING CO., LTD. NIPPON PAINT MARINE COATINGS CO., LTD And 7 other companies</p> <p>- Asia -</p> <p>NIPSEA CHEMICAL CO., LTD. (South Korea) ASIA INDUSTRIES, LTD. (Taiwan) NIPPON PAINT (THAILAND) COMPANY LIMITED NIPPON PAINT (H.K.) COMPANY LIMITED (Hong Kong) NIPPON PAINT (CHINA) COMPANY LIMITED GUANGZHOU NIPPON PAINT CO., LTD. (China) NIPPON PAINT (CHENGDU) CO., LTD. (China) NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED NIPPON PAINT (M) SDN. BHD. (Malaysia) PAINT MARKETING CO. (M) SDN. BHD. (Malaysia) NIPPON PAINT PHILIPPINES, INC. NIPSEA TECHNOLOGIES PTE. LTD. (Singapore) And 61 other companies</p> <p>- Americas -</p> <p>NIPPON PAINT (USA) INC. And 8 other companies</p> <p>- Other -</p> <p>NIPPON PAINT (EUROPE) LTD. (U.K.) NIPPON PAINT BOYA SANAYI VE TICARET LIMITED SIRKETI (Turkey) And 8 other companies</p> | <p>- Japan -</p> <p>1 company</p> <p>- Asia -</p> <p>NOROO AUTOMOTIVE COATINGS CO., LTD. (South Korea) NIPPON PAINT (INDIA) PRIVATE LIMITED NIPSEA MANAGEMENT COMPANY PTE. LTD. (Singapore) And 4 other companies</p> |

(Note) The Company does not have any consolidated subsidiaries available in domestic securities markets.

(Japan)

In this region, the Company are involved in the paint business in areas such as automotive paint, trade-use paint, and industrial paint, as well as the fine chemical business.

Automotive paint is manufactured by NIPPON PAINT AUTOMOTIVE COATINGS CO., LTD. and is sold by the company and authorized dealers.

Trade-use paint and automotive repair paint are primarily manufactured or procured and sold by NIPPON PAINT CO., LTD. and AS PAINT CO., LTD. Additionally, heavy-duty and concrete anticorrosive paint is manufactured and sold by NIPPON PAINT ANTI-CORROSIVE COATINGS CO., LTD.

Industrial paint is manufactured and procured by NIPPON PAINT INDUSTRIAL COATING CO., LTD. and is sold by the company and authorized dealers.

Aside from the above-mentioned companies, there is also NIPPON PAINT MARINE COATINGS CO., LTD., which manufactures and sells marine paint, NIPPE HOME PRODUCTS CO., LTD., which manufactures and sells home-use paints, and NIPPE TRADING CO., LTD., a trading firm specializing in import and export, along with 3 paint manufacturing subsidiary companies and 1 company that conducts sale and installation of facilities equipment affiliated with NIPPON PAINT AUTOMOTIVE COATINGS CO., LTD. and AS PAINT CO., LTD.

In the fine chemicals business, surface treatment chemicals are manufactured and procured by NIPPON PAINT SURF CHEMICALS CO., LTD., and display-related materials, electronic materials, and particulate materials, etc., are manufactured and procured by NIPPON PAINT INDUSTRIAL COATINGS CO., LTD. and sold by the company and authorized dealers.

As for entities accounted for using equity method, we have 1 company that designs and constructs road traffic safety facilities.

(Asia)

In this region, for South Korea, Taiwan, China, Hong Kong, various Southeast Asian nations, and India, the Company is involved in the paint business in areas such as automotive paint, trade-use paint, and industrial paint, as well as the fine chemical business.

The Company directly holds 11 consolidated subsidiaries including NIPPON PAINT (CHINA) COMPANY LIMITED, 2 entities accounted for using equity method including NIPSEA MANAGEMENT COMPANY PTE. LTD., 10 paint manufacturing and sales companies, 1 fine chemical manufacturing and sales company, 2 paint sales companies, 1 presiding company, and 1 research and development company.

10 consolidated subsidiaries, 1 entity accounted for using equity method, 10 manufacturing and sales companies for plastic paints, and 1 sales company are affiliated with NIPPON PAINT AUTOMOTIVE COATINGS CO., LTD.

7 consolidated subsidiaries are affiliated with NIPPON PAINT MARINE COATINGS CO., LTD., and all conduct the manufacturing and sales of marine paint.

Additionally, there are 44 consolidated subsidiaries and 3 entities accounted for using equity method affiliated with consolidated subsidiaries directly held by the Company.

(Americas)

In this region, the Company is primarily involved in the automotive paint business.

The company uses the directly-owned consolidated subsidiary NIPPON PAINT (USA) INC., as a presiding company, under which are 6 consolidated subsidiaries, 3 paint manufacturing and sales companies, and 1 paint sales company affiliated with them.

Additionally, 2 consolidated subsidiaries are affiliated with NIPPON PAINT AUTOMOTIVE COATINGS CO., LTD., a manufacturer and seller of plastic paints.

(Other)

In other regions, the Company is primarily involved in the automotive paint business.

The Company uses the directly-owned consolidated subsidiary NIPPON PAINT (EUROPE) LTD., as a

presiding company in the United Kingdom, and 8 consolidated subsidiaries are affiliated with it that manufactures and sells paints.

Additionally, there are 1 consolidated subsidiary that manufactures and sells paints.

3. Management Policy

(1) Basic Corporate Management Policy

Since its establishment in 1881, the Company's management principles state that "The Nippon Paint Group is committed to contributing to the welfare of society as a whole through its business activities, working together for the mutual prosperity and benefit of everyone," and upon these principles have put forth the following managerial vision to share its values.

- We will deliver satisfaction and deep impression to our customers by providing excellent specialty chemicals products and services, centering coatings technology
- We will grow globally based on respect for the cultures and values of entire world
- We will pursue corporate culture that accumulates people with challenging spirits and enthusiasm

Based on this fundamental approach, we recognize that the Group's social responsibility is to create a relationship of trust with all stakeholders and to contribute to society, and will strive to conduct continued and expansive corporate activities with it in mind.

(2) Medium-term Corporate Management Strategy

The Group's performance suffered due to effects of the global financial crisis that took place in 2008, and thus began the "Survival Challenges" (hereinafter "SC") stage I beginning in fiscal 2009 in an attempt to return to profitability. Additionally, "SC Stage II," which ended this fiscal year, was launched in fiscal 2012 in an attempt to establish firm profitability. The company also transitioned to a holding company structure in October 2014, and in December 2014 acquired equity of joint ventures (turning them into subsidiaries) in order to maintain its structure and become a growing company. The company also transitioned to a holding company structure in October 2014, and in December 2014 acquired equity of joint ventures (turning them into subsidiaries) in order to maintain its structure and become a growing company.

In "SC Stage III" beginning in fiscal 2015, the Group has established as its goal to become a global paint major that "Has a leading position in the coatings and other related business in each global region, or a top 3 net sales position in each business region." As the first stage, the Company has set targets for the fiscal year ending December 31, 2016 as net sales of ¥700.0 billion, an operating profit margin of 15% or more, and ROE of 10% or more.

(i) Domestic Business

On October 1, 2014, the Company changed its trade name to Nippon Paint Holdings Co., Ltd., and the Group transitioned to a holding company structure. In April 2015, the Company reorganized its domestic business, newly reorganizing into various businesses that deal in automotive, trade-use, and industrial paint businesses as well as the surface treatment chemical business under placing them under the Company.

Beginning with these business firms, the Group has strengthened its control by managing as one all its companies in Japan, Asia, Americas, and Europe, proposing business strategies, financial strategies, and human resources strategies in order to do what is best for the group as a whole.

Each business firm has proposed their own growth measures appropriate for the business models of their business and region and are now attempting to implement them. Additionally, by gradually pursuing delegation of authority from the Company and by accurately understanding and rapidly responding to consumer and market needs that differ depending on business and region, the Company is attempting to increase its market share in the domestic economy, in which it is difficult to hope for significant future market growth, as well as to enter new fields. Additionally, proactive cooperation is being pursued with overseas Group companies, and a role is being played in order to lay the foundation needed to become a global paint major.

(ii) Oversea Business

In 1962, the Company began an Asian joint venture together with WUTHELAM HOLDINGS LTD., a Singapore-based company, which has since then established a firm position as an Asian paint manufacturer that, among other achievements, holds the top market share for interior residential paint in China, Malaysia, and Singapore. In December 2014, moves were made to become the majority owner of this joint venture. The Company will strengthen the business foundation in Asia through further expansion of net sales and profit in various business domains, with the China business as a core.

Additionally, in 2013, it acquired 39% of the stock of a German paint manufacturer that has strong business ties with European automobile manufacturers, and by making it a wholly-owned subsidiary in January 2016 to further deepening the Company's relationship, the expansion of use and delivery of the Group's products by automotive manufacturers in Europe is being accelerated. Additionally, in November 2015, the Company agreed with a local major coatings manufacturer in India to expand its partnership, and by concentrating the automotive coatings businesses of both companies in the joint venture, the Company seeks to expand business and improve presence in the Indian market, where further growth is expected in the future.

In "SC Stage III," the Company will significantly change its business structure to serve as the base for its growth strategy, increase the composition of the coatings for construction materials, an area of high growth and profitability, and aim for business expansion in the high-growth Asia region, while also expand entrance into untapped global markets for each business area.

4. Basic Approach to Selection of Accounting Standards

In order to increase international comparability of financial statements, increase quality and efficiency of group management, and strengthen governance, preparations are being made with the goal of adopting IFRS (International Financial Regulation Standards) by the time of the fiscal year 2018 annual securities report.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2015 | As of March 31, 2016 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 89,007 | 112,941 |
| Notes and accounts receivable - trade | 136,694 | 140,748 |
| Securities | 43,752 | 31,783 |
| Merchandise and finished goods | 29,600 | 30,305 |
| Work in process | 3,476 | 2,890 |
| Raw materials and supplies | 20,201 | 19,923 |
| Deferred tax assets | 7,218 | 6,247 |
| Other | 14,962 | 18,089 |
| Allowance for doubtful accounts | (3,179) | (3,283) |
| Total current assets | 341,736 | 359,646 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 105,066 | 106,616 |
| Accumulated depreciation | (61,496) | (62,905) |
| Buildings and structures, net | 43,570 | 43,711 |
| Machinery, equipment and vehicles | 93,547 | 95,942 |
| Accumulated depreciation | (69,968) | (72,111) |
| Machinery, equipment and vehicles, net | 23,578 | 23,830 |
| Tools, furniture and fixtures | 26,714 | 25,796 |
| Accumulated depreciation | (21,939) | (21,715) |
| Tools, furniture and fixtures, net | 4,775 | 4,081 |
| Land | 20,288 | 20,754 |
| Leased assets | 2,073 | 2,101 |
| Accumulated depreciation | (705) | (834) |
| Leased assets, net | 1,368 | 1,266 |
| Construction in progress | 7,349 | 10,655 |
| Total property, plant and equipment | 100,930 | 104,300 |
| Intangible assets | | |
| Goodwill | 210,538 | 183,750 |
| Trademark right | 54,017 | 49,578 |
| Other | 53,518 | 49,902 |
| Total intangible assets | 318,073 | 283,231 |
| Investments and other assets | | |
| Investment securities | 47,284 | 39,260 |
| Deferred tax assets | 917 | 1,816 |
| Net defined benefit asset | 183 | 138 |
| Other | 1,775 | 3,241 |
| Allowance for doubtful accounts | (174) | (176) |
| Total investments and other assets | 49,987 | 44,280 |
| Total non-current assets | 468,991 | 431,812 |
| Total assets | 810,727 | 791,459 |

(Million yen)

| | As of March 31, 2015 | As of March 31, 2016 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 82,272 | 70,769 |
| Electronically recorded obligations - operating | 11,456 | 12,187 |
| Short-term loans payable | 10,868 | 19,584 |
| Current portion of long-term loans payable | 240 | 963 |
| Income taxes payable | 9,931 | 10,020 |
| Other | 52,208 | 60,043 |
| Total current liabilities | 166,977 | 173,568 |
| Non-current liabilities | | |
| Long-term loans payable | 2,612 | 1,684 |
| Lease obligations | 1,198 | 945 |
| Deferred tax liabilities | 27,404 | 23,836 |
| Provision for directors' retirement benefits | 172 | 126 |
| Provision for environmental measures | 304 | 328 |
| Net defined benefit liability | 16,763 | 16,343 |
| Other | 5,370 | 6,877 |
| Total non-current liabilities | 53,826 | 50,141 |
| Total liabilities | 220,804 | 223,710 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 78,862 | 78,862 |
| Capital surplus | 78,338 | 63,451 |
| Retained earnings | 314,743 | 339,113 |
| Treasury shares | (6,432) | (6,439) |
| Total shareholders' equity | 465,513 | 474,989 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 12,218 | 7,078 |
| Deferred gains or losses on hedges | 13 | (0) |
| Foreign currency translation adjustment | 4,307 | (9,533) |
| Remeasurements of defined benefit plans | (2,224) | (3,000) |
| Total accumulated other comprehensive income | 14,316 | (5,455) |
| Subscription rights to shares | - | 39 |
| Non-controlling interests | 110,094 | 98,176 |
| Total net assets | 589,923 | 567,748 |
| Total liabilities and net assets | 810,727 | 791,459 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

| | For the fiscal year ended March 31, 2015 | For the fiscal year ended March 31, 2016 |
|---|---|---|
| Net sales | 260,590 | 535,746 |
| Cost of sales | 168,039 | 312,402 |
| Gross profit | 92,550 | 223,343 |
| Selling, general and administrative expenses | 58,798 | 151,991 |
| Operating income | 33,751 | 71,352 |
| Non-operating income | | |
| Interest income | 161 | 1,201 |
| Dividend income | 876 | 848 |
| Share of profit of entities accounted for using equity method | 14,103 | 1,115 |
| Foreign exchange gains | 2,057 | - |
| Gain on investment of securities | - | 1,118 |
| Subsidy income | 68 | 1,308 |
| Other | 1,006 | 2,459 |
| Total non-operating income | 18,273 | 8,051 |
| Non-operating expenses | | |
| Interest expenses | 173 | 389 |
| Compensation expenses | 625 | 671 |
| Foreign exchange losses | - | 2,671 |
| Share issuance cost | 462 | - |
| Other | 1,492 | 1,063 |
| Total non-operating expenses | 2,754 | 4,796 |
| Ordinary income | 49,271 | 74,606 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 23 | 40 |
| Gain on sales of investment securities | 61 | 40 |
| Gain on step acquisitions | 148,800 | - |
| Gain on transfer of business | - | 250 |
| Total extraordinary income | 148,885 | 330 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 195 | 556 |
| Impairment loss | 46 | 323 |
| Other | 45 | 35 |
| Total extraordinary losses | 286 | 915 |
| Profit before income taxes | 197,869 | 74,022 |
| Income taxes – current | 12,165 | 23,710 |
| Income taxes – deferred | 1,814 | (189) |
| Total income taxes | 13,980 | 23,521 |
| Profit | 183,889 | 50,500 |
| Profit attributable to non-controlling interests | 2,412 | 20,480 |
| Profit attributable to owners of parent | 181,477 | 30,020 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | For the fiscal year ended March 31, 2015 | For the fiscal year ended March 31, 2016 |
|--|---|---|
| Profit | 183,889 | 50,500 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,508 | (5,113) |
| Deferred gains or losses on hedges | 25 | (24) |
| Foreign currency translation adjustment | 6,080 | (19,832) |
| Remeasurements of defined benefit plans, net of tax | 1,437 | (805) |
| Share of other comprehensive income of entities accounted for using equity method | (3,169) | (440) |
| Total other comprehensive income | 9,882 | (26,216) |
| Comprehensive income | 193,771 | 24,284 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 190,009 | 10,248 |
| Comprehensive income attributable to non-controlling interests | 3,761 | 14,036 |

(3) Consolidated Statements of Changes in Equity

For the Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Million Yen)

| | Shareholder's equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 27,712 | 27,187 | 140,270 | (6,389) | 188,782 |
| Cumulative effects of changes in accounting policies | | | (1,268) | | (1,268) |
| Restated balance | 27,712 | 27,187 | 139,002 | (6,389) | 187,513 |
| Changes of items during period | | | | | |
| Issuance of new shares | 51,150 | 51,150 | | | 102,300 |
| Dividends of surplus | | | (5,735) | | (5,735) |
| Profit attributable to owners of parent | | | 181,477 | | 181,477 |
| Purchase of treasury shares | | | | (44) | (44) |
| Disposal of treasury shares | | 0 | | 1 | 2 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 51,150 | 51,150 | 175,741 | (42) | 277,999 |
| Balance at end of current period | 78,862 | 78,338 | 314,743 | (6,432) | 465,513 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 6,827 | (1) | 2,618 | (3,661) | 5,783 | - | 13,149 | 207,715 |
| Cumulative effects of changes in accounting policies | | | | | | | | (1,268) |
| Restated balance | 6,827 | (1) | 2,618 | (3,661) | 5,783 | - | 13,149 | 206,446 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 102,300 |
| Dividends of surplus | | | | | | | | (5,735) |
| Profit attributable to owners of parent | | | | | | | | 181,477 |
| Purchase of treasury shares | | | | | | | | (44) |
| Disposal of treasury shares | | | | | | | | 2 |
| Net changes of items other than shareholders' equity | 5,391 | 15 | 1,688 | 1,436 | 8,532 | - | 96,945 | 105,477 |
| Total changes of items during period | 5,391 | 15 | 1,688 | 1,436 | 8,532 | - | 96,945 | 383,476 |
| Balance at end of current period | 12,218 | 13 | 4,307 | (2,224) | 14,316 | - | 110,094 | 589,923 |

For the Fiscal Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Million Yen)

| | Shareholder's equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 78,862 | 78,338 | 314,743 | (6,432) | 465,513 |
| Cumulative effects of changes in accounting policies | | (14,886) | 3,008 | | (11,877) |
| Restated balance | 78,862 | 63,451 | 317,752 | (6,432) | 453,635 |
| Changes of items during period | | | | | |
| Issuance of new shares | | | | | - |
| Dividends of surplus | | | (8,659) | | (8,659) |
| Profit attributable to owners of parent | | | 30,020 | | 30,020 |
| Purchase of treasury shares | | | | (7) | (7) |
| Disposal of treasury shares | | | | | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 21,360 | (7) | 21,353 |
| Balance at end of current period | 78,862 | 63,451 | 339,113 | (6,439) | 474,989 |

| | Accumulated other comprehensive income | | | | | Subscription rights to share | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 12,218 | 13 | 4,307 | (2,224) | 14,316 | - | 110,094 | 589,923 |
| Cumulative effects of changes in accounting policies | | | | | | | | (11,877) |
| Restated balance | 12,218 | 13 | 4,307 | (2,224) | 14,316 | - | 110,094 | 578,046 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | - |
| Dividends of surplus | | | | | | | | (8,659) |
| Net income | | | | | | | | 30,020 |
| Purchase of treasury shares | | | | | | | | (7) |
| Disposal of treasury shares | | | | | | | | - |
| Net changes of items other than shareholders' equity | (5,140) | (14) | (13,841) | (775) | (19,772) | 39 | (11,918) | (31,651) |
| Total changes of items during period | (5,140) | (14) | (13,841) | (775) | (19,772) | 39 | (11,918) | (10,297) |
| Balance at end of current period | 7,078 | (0) | (9,533) | (3,000) | (5,455) | 39 | 98,176 | 567,748 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | For the fiscal year ended March 31, 2015 | For the fiscal year ended March 31, 2016 |
|---|--|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 197,869 | 74,022 |
| Depreciation | 5,895 | 16,182 |
| Amortization of goodwill | 1,075 | 10,351 |
| Interest and dividend income | (1,038) | (2,050) |
| Interest expenses | 173 | 389 |
| Share of (profit) loss of entities accounted for using equity method | (14,103) | (1,115) |
| Loss (gain) on sales and retirement of property, plant and equipment | 172 | 516 |
| Loss (gain) on sales and valuation of investment securities | (54) | (27) |
| Loss (gain) on step acquisitions | (148,800) | — |
| Decrease (increase) in notes and accounts receivable - trade | 1,874 | (8,613) |
| Decrease (increase) in inventories | 1,724 | (212) |
| Increase (decrease) in notes and accounts payable - trade | (358) | (8,894) |
| Increase (decrease) in net defined benefit liability | (1,117) | (369) |
| Other, net | (1,198) | 7,268 |
| Subtotal | 42,114 | 87,445 |
| Interest and dividend income received | 5,833 | 2,143 |
| Interest expenses paid | (190) | (368) |
| Income taxes paid | (13,338) | (28,264) |
| Income taxes refund | — | 2,145 |
| Net cash provided by (used in) operating activities | 34,419 | 63,101 |
| Cash flows from investing activities | | |
| Net decrease (increase) in short-term investment securities | (173) | 11,476 |
| Purchase of property, plant and equipment | (4,184) | (16,953) |
| Proceeds from sales of property, plant and equipment | 131 | 1,784 |
| Purchase of investment securities | (21) | (1,599) |
| Proceeds from sales of investment securities | 133 | 76 |
| Purchase of shares of subsidiaries | (5,772) | — |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (76,860) | (2,236) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 418 | — |
| Other, net | (638) | 2,145 |
| Net cash provided by (used in) investing activities | (86,966) | (5,308) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (933) | 11,591 |
| Proceeds from long-term loans payable | 210 | 941 |
| Repayments of long-term loans payable | (7,517) | (4,308) |
| Repayments of lease obligations | (359) | (527) |
| Purchase of treasury shares | (44) | (7) |
| Cash dividends paid | (5,735) | (8,659) |
| Dividends paid to non-controlling interests | (2,162) | (23,721) |
| Proceeds from issuance of common shares | 101,837 | — |
| Other, net | 2 | (9) |
| Net cash provided by (used in) financing activities | 85,298 | (24,699) |
| Effect of exchange rate change on cash and cash equivalents | 1,818 | (3,524) |
| Net increase (decrease) in cash and cash equivalents | 34,569 | 29,569 |
| Cash and cash equivalents at beginning of period | 43,787 | 78,702 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 346 | — |
| Cash and cash equivalents at end of period | 78,702 | 108,271 |

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Basis of presentation of consolidated financial statements)

There are no major changes from the content of the most recent securities report (submitted June 29, 2015), and so it will be omitted.

(Changes in accounting policies)

Effective from the fiscal year ended March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013; hereinafter the “Business Combination Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statement Accounting Standard”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestiture Accounting Standard”), and along with recording differences in the Company’s holding value for subsidiaries for which control continues as capital surplus, expenses related to acquisition are recorded in the consolidated fiscal year in which they are incurred. Furthermore, concerning business combinations which occur at or after the beginning of the fiscal year ended March 31, 2016, the method has been changed to reflect revisions to distribution amounts for acquisition costs resulting from settlement of provisional accounting treatment to the consolidated financial statements for the consolidated accounting period to which the business combination applies. Additionally, changes in presentation in net income, etc. as well as a change in presentation from “minority interests” to “non-controlling interests” have been made. In order to reflect these changes in presentation, reclassifications have been made in the consolidated financial statements for the fiscal year ended March 31, 2015.

The application of Business Combination Accounting Standard, etc., have been adopted in accordance with transitional treatments stipulated in Business Combination Accounting Standard, Paragraph 58-2 (3), Consolidated Financial Statement Accounting Standard, Paragraph 44-5 (3), and Business Divestiture Accounting Standard, Paragraph 57-4 (3), and the amount of the cumulative effect as of the fiscal year ended March 31, 2016 when the new accounting standards are retroactively applied to all previous periods has been added to or subtracted from capital surplus and retained earnings.

As a result, as of the beginning of the fiscal year ended March 31, 2016, goodwill and capital surplus decreased by ¥11,753 million and ¥14,886 million, respectively, while retained earnings increased by ¥3,008 million. In addition, for the fiscal year ended March 31, 2016, operating income increased by ¥1,040 million, and ordinary income and profit before income taxes each increased by ¥1,050 million.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows resulting from purchase or sales of shares of subsidiaries not resulting in change in scope of consolidation are classified as “cash flows from financing activities,” and cash flows arising from purchase of shares of subsidiaries resulting in change in scope of consolidation, or cash flows relating to expenses arising from purchase or sales of shares of subsidiaries not resulting in change in scope of consolidation, are now classified in “cash flows from operating

activities.”

As a result of reflecting cumulative effects on net assets at the beginning of the consolidated fiscal year, the beginning balance of capital surplus on the consolidated statement of changes in equity decreased by ¥14,886 million, while the beginning balance of retained earnings increased by ¥3,008 million.

Effects on per share information are described where appropriate.

(Unapplied accounting standards, etc.)

- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016)

(1) Summary

The accounting treatment on recoverability of deferred tax assets, in principle, follows the framework of the Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets outlined in the JICPA Industry Audit Committee Statement No. 66, i.e. a framework for estimating deferred tax assets by classifying entities into 5 categories and calculating the amount according to those categories, but it has made the following necessary revisions on treatment.

1. Accounting treatments of entities not satisfying any of the category criteria from (Category 1) to (Category 5).
2. Category criteria of (Category 2) and (Category 3).
3. Accounting treatments of unschedulable deductible temporary differences for entities in (Category 2).
4. Accounting treatments for reasonably estimated period for taxable income before temporary difference adjustments for entities in (Category 3).
5. Accounting treatments for entities satisfying the category criteria of (Category 4) and also falling in (Category 2) or (Category 3).

(2) Scheduled date of application

These are scheduled to be applied from the beginning of the fiscal year ending December 31, 2016.

(3) Effect of application of the aforementioned accounting standards

The amounts of effects are under evaluation at the time of preparation of financial statements for fiscal year ended March 31, 2016.

(Changes in methods of presentation)

(Consolidated statements of income)

"Subsidy income," which was included in "other" of "non-operating income" during the previous fiscal year, has exceeded 10/100 of the total amount of non-operating income, and is presented separately from the fiscal year ended March 31, 2016. To reflect this change, the consolidated financial statements for the previous fiscal year have been rearranged.

As a result, "other" of ¥1,074 million which was presented in "non-operating income" on the consolidated statement of income during the previous fiscal year has been rearranged to "subsidy income" of ¥68 million and

“other” of ¥1,006 million.

"Restructuring cost," which was separately presented in "non-operating expenses" during the previous fiscal year, is no longer significant in value, and is included in “other” from the fiscal year ended March 31, 2016. The amount of “restructuring cost” presented in “non-operating expenses” during the previous fiscal year was ¥528 million.

"Gain on sales of investment securities," which was included in “other” of “extraordinary income” during the previous fiscal year, has exceeded 10/100 of the total amount of extraordinary income, and is presented separately from the fiscal year ended March 31, 2016. To reflect this change, the consolidated financial statements of income for the previous fiscal year have been rearranged.

As a result, “other” of ¥61 million which was presented in “extraordinary income” on the consolidated statement of income during the previous fiscal year has been rearranged to “gain on sales of investment securities” of ¥61 million.

(Consolidated Statements of Cash Flows)

"Amortization of goodwill," which was included in “other” of "cash flows from operating activities," is presented separately from the fiscal year ended March 31, 2016, due to increased significance in value. To reflect this change, the consolidated financial statements for the previous fiscal year have been rearranged.

As a result, the ¥(123) million which was presented in “other” of "cash flows from operating activities" on the consolidated statement of cash flows during the previous fiscal year has been rearranged to “amortization of goodwill” of ¥1,075 million and “other” of ¥(1,198) million.

"Net decrease (increase) in short-term investment securities," which was included in “other” of "cash flows from investing activities", is presented separately from the fiscal year ended March 31, 2016, due to increased significance in value. To reflect this change, the consolidated financial statements for the previous fiscal year have been rearranged.

As a result, the ¥(811) million which was presented in “other” of "cash flows from investing activities" on the consolidated statement of cash flows during the previous fiscal year has been rearranged to “net decrease (increase) in short-term investment securities” of ¥(173) million and “other” of ¥(638) million.

(Additional information)

(Revision to the amount of deferred tax assets and deferred tax liabilities due to changes in the income tax rate)

In line with the enactment of the “Partial Amendment of the Income Tax Act, etc.” and “Act to Amend the Local Taxation Act” in the Diet on March 29, 2016, the statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 (limited to those that are resolved on or after April 1, 2016) has been changed from the 32.2% in the previous fiscal year to 30.9% for those that will be paid or collected during the period between April 1, 2016 and December 31, 2018, and to 30.6% for those that will be paid or collected on or after January 1, 2019.

As a result of this change, the amount of deferred tax assets (amount after deduction of deferred tax liabilities) increased by ¥31 million, and income taxes – deferred (debit), valuation difference on available-for-sale securities

(credit), and remeasurements of defined benefit plans (debit) have increased by ¥98 million, ¥161 million, and ¥31 million, respectively.

(Segment information, etc.)

1. Summary of reportable segments

The reportable segments of the Company categorize the business composition of the Company for which separate financial information is available and are subject to periodical evaluation by the Board of Directors in order to make decisions regarding management resource allocation and performance assessment.

The Group's primary business is the manufacture and sale of paint for automotive, general, industrial, and other uses, and fine chemicals. The Company and separate local companies are responsible for domestic activities, and overseas, separate local companies are responsible for the Asia, Americas, and other regions.

Each company is an individual management unit, and concerning which items to carry, comprehensive strategic proposals are made for each region to foster business growth.

As a result, the Group consists of segments divided by region with manufacture and sales structure as a base, and the three reportable segments are "Japan," "Asia," and "Americas."

2. Changes to reportable segments

From the consolidated fiscal year under review, in line with changes in accounting categories, the name of the reporting segments has been changed from "North America" to the "Americas," and business activities of the local Brazilian company, which were previously included in "Other," have been transferred to "Americas."

The impact of this change on segment information is insignificant.

Additionally, segment information for the previous consolidated fiscal year are also shown with revised naming.

3. Calculation methods for net sales, profit and loss, assets, liabilities, and other items by reportable segment

Accounting treatment methods for reportable segments are nearly the same with those described in "Basis of Presentation of Consolidated Financial Statements."

Profits for reportable segments are figures based on operating profit. Inter-segment net sales or transfers are based on actual market prices.

As stated in "Changes in Accounting Policies," the method for recording expenses related to acquisition has been changed to recording in the consolidated fiscal year in which the expenses were incurred, along with recording differences in the Company's holding value for subsidiaries for which control continues as capital surplus.

Due to this change, compared to the previous method, segment income during the fiscal year ended March 31, 2016 has increased by ¥974 million in the "Japan" segment and by ¥66 million in the "Asia" segment, respectively.

Additionally, as of the beginning of the current fiscal year, goodwill has decreased by ¥10,475 million in the "Japan" segment and by ¥1,277 million in the "Asia" segment, respectively.

4. Information on net sales, income (loss), assets, liabilities, and other figures by reportable segment
 Previous fiscal year (April 1, 2014 - March 31, 2015)

(Million yen)

| | Reportable segment | | | | Other (Note) | Total |
|---|--------------------|---------|----------|-----------|-----------------|-----------|
| | Japan | Asia | Americas | Subtotal | | |
| Net sales | | | | | | |
| Net sales to outside customers | 187,204 | 43,870 | 25,794 | 256,869 | 3,720 | 260,590 |
| Inter-segment net sales or transfers | 21,261 | 3,928 | 140 | 25,330 | 1,064 | 26,394 |
| Total | 208,466 | 47,798 | 25,934 | 282,200 | 4,784 | 286,984 |
| Segment income (loss) | 34,232 | 4,530 | 2,685 | 41,448 | 69 | 41,517 |
| Share of profit (loss) of entities accounted for using equity method | – | 14,180 | – | 14,180 | (77) | 14,103 |
| Segment assets | 524,437 | 551,340 | 26,491 | 1,102,269 | 5,756 | 1,108,025 |
| Other items | | | | | | |
| Depreciation | 3,792 | 1,122 | 938 | 5,854 | 41 | 5,895 |
| Increase in property, plant, and equipment and intangible assets | 3,247 | 344,986 | 747 | 348,981 | 61 | 349,042 |

Notes: 1. “Other” represents business segments that are not included in the reportable segments, and contains business activities by overseas subsidiaries in Europe, etc.

2. Increases in “Segment assets” in the “Japan” segment and the “Asia” segment, as well as in “Increase in property, plant and equipment and intangible assets” in the “Asia” segment are primarily the result of consolidating joint venture companies between the Company and WUTHELAM HOLDINGS LTD.

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(Million yen)

| | Reportable segment | | | | Other (Note) | Total |
|---|--------------------|---------|----------|-----------|-----------------|-----------|
| | Japan | Asia | Americas | Subtotal | | |
| Net sales | | | | | | |
| Net sales to outside customers | 174,280 | 317,396 | 33,156 | 524,833 | 10,912 | 535,746 |
| Inter-segment net sales or transfers | 49,747 | 5,153 | 242 | 55,143 | 1,058 | 56,201 |
| Total | 224,027 | 322,549 | 33,399 | 579,976 | 11,971 | 591,948 |
| Segment income (loss) | 57,287 | 37,748 | 5,177 | 100,214 | (897) | 99,316 |
| Share of profit (loss) of entities accounted for using equity method | 58 | 1,203 | - | 1,262 | (146) | 1,115 |
| Segment assets | 513,033 | 513,048 | 30,603 | 1,056,685 | 11,725 | 1,068,411 |
| Other items | | | | | | |
| Depreciation | 3,641 | 11,332 | 1,049 | 16,023 | 158 | 16,182 |
| Increase in property, plant, and equipment and intangible assets | 3,784 | 13,274 | 1,795 | 18,854 | 3,422 | 22,276 |

Notes: 1. "Other" represents business segments that are not included in the reportable segments, and contains business activities by overseas subsidiaries in Europe, etc.

2. Increases in "Segment assets" and "Increase in property, plant and equipment and intangible assets" in the "Other" segment are primarily the result of consolidating a German paint manufacturer.

5. Difference between total amount for reportable segment and the amount recorded in the consolidated financial statements, and major details of such difference (matters related to adjustments of differences)

(Million yen)

| Net sales | For the fiscal year ended March 31, 2015 | For the fiscal year ended March 31, 2016 |
|--|---|---|
| Total reportable segment sales | 282,200 | 579,976 |
| Net sales from "Other" | 4,784 | 11,971 |
| Inter-segment transaction eliminations and other adjustments | (26,394) | (56,201) |
| Net sales recorded in the consolidated financial statements | 260,590 | 535,746 |

Note: "Inter-segment transaction eliminations and other adjustments" includes inter-segment dividend income.

(Million yen)

| Income | For the fiscal year ended March 31, 2015 | For the fiscal year ended March 31, 2016 |
|--|---|---|
| Total reportable segment income | 41,448 | 100,214 |
| Segment income (loss) from "Other" | 69 | (897) |
| Inter-segment transaction eliminations and other adjustments | (7,765) | (27,964) |
| Operating income recorded in the consolidated financial statements | 33,751 | 71,352 |

Note: "Inter-segment transaction eliminations and other adjustments" includes inter-segment dividend income.

(Million yen)

| Net assets | As of March 31, 2015 | As of March 31, 2016 |
|--|----------------------|----------------------|
| Total reportable segment assets | 1,102,269 | 1,056,685 |
| Net assets from "Other" | 5,756 | 11,725 |
| Inter-segment transaction eliminations and other adjustments | (354,868) | (358,874) |
| Total company assets (Note) | 57,571 | 81,922 |
| Net assets recorded in the consolidated financial statements | 810,727 | 791,459 |

Note: Total company assets consist of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and deferred tax assets.

(Million yen)

| Other items | Total of reported segments | | Other, net | | Adjustment | | Consolidated financial statements total | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|---|----------------------------------|
| | Previous consolidated fiscal year | Current consolidated fiscal year | Previous consolidated fiscal year | Current consolidated fiscal year | Previous consolidated fiscal year | Current consolidated fiscal year | Previous consolidated fiscal year | Current consolidated fiscal year |
| Depreciation | 5,854 | 16,023 | 41 | 158 | - | - | 5,895 | 16,182 |
| Increase in property, plant and equipment and intangible assets | 348,981 | 18,854 | 61 | 3,422 | - | - | 349,042 | 22,276 |

(Omissions)

Regarding notes on lease transactions, transactions with related parties, tax effect accounting, financial instruments, available-for-sale securities, derivative transactions, retirement benefits, stock options, etc., business combinations, asset retirement obligations, and rental and other real estate, these have been omitted as they are not considered to have a high necessity for disclosure.

(Information on per share)

| | Previous consolidated fiscal year (From April 1, 2014 To March 31, 2015) | Current consolidated fiscal year (From April 1, 2015 To March 31, 2016) |
|----------------------------|--|---|
| Net assets per share | ¥1,496.16 | ¥ 1464.06 |
| Basic earnings per share | ¥650.04 | ¥93.61 |
| Diluted earnings per share | - | ¥93.60 |

(Notes) 1: Diluted net income per share for the previous consolidated fiscal year is not listed as latent shares such as bonds with subscription rights to shares did not exist.

2: The basis of calculations of basic earnings per share and diluted earnings per share are as below.

| | Previous consolidated fiscal year (From April 1, 2014 To March 31, 2015) | Current consolidated fiscal year (From April 1, 2015 To March 31, 2016) |
|--|--|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (million yen) | 181,477 | 30,020 |
| Amount not attributable to common shareholders (million yen) | - | - |
| Profit attributable to owners of parent relating to common shares (million yen) | 181,477 | 30,020 |
| Average number of shares during the period (thousands of shares) | 279,177 | 320,706 |
| | | |
| Diluted earnings per share | | |
| | | |
| Profit attributable to owners of parent (million yen) | - | - |
| Increase in the number of shares of common stock (thousands of shares) | - | 10 |
| (Subscription rights to shares included in the above) (thousands of shares) | (-) | (10) |
| Descriptions of potential shares that were not included in the computation of diluted earnings per share because of their anti-dilutive effect | | - |

3 As stated in "Changes in Accounting Policies," the application of Business Combination Accounting Standard, etc., have been adopted in accordance with transitional treatments stipulated in Business Combination Accounting Standard, Paragraph 58-2 (3), Consolidated Financial Statement Accounting Standard, Paragraph 44-5 (3), and Business Divestiture Accounting Standard, Paragraph 57-4 (3).

As a result, net assets per share during this fiscal year decreased by ¥33.76, while basic earnings per share and diluted earnings per share increased by ¥3.28, respectively.

(Significant subsequent events)

There is no relevant information.

6. Other

(1) State of Sales Performance

(Million yen)

| | Previous consolidated fiscal year (From April 1, 2014 To March 31, 2015) | Current consolidated fiscal year (From April 1, 2015 To March 31, 2016) | Compared with previous fiscal year (%) |
|------------------------|---|--|--|
| Paint business | 245,093 | 518,364 | 111.5 |
| Automotive paint | 93,354 | 138,755 | 48.6 |
| Trade-use paint | 45,787 | 253,354 | 453.3 |
| Industrial paint | 46,446 | 68,281 | 47.0 |
| Other paint | 59,504 | 57,973 | (2.6) |
| Fine chemical business | 15,496 | 17,381 | 12.2 |
| Total | 260,590 | 535,746 | 105.6 |

(Note) Amounts do not include consumption tax, etc.