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## Consolidated Financial Results for the Three Months Ended March 31, 2017 [Japanese GAAP]



May 12, 2017

Company name: NIPPON PAINT HOLDINGS CO., LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 4612  
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 Scheduled date filing quarterly securities report: May 15, 2017  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: Yes  
 Schedule of quarterly financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2017 (January 1, 2017 to March 31, 2017)

(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	%
Three months ended March 31, 2017	135,780	-	16,074	-	15,665	-	5,856	-
June 30, 2016	121,410	1.0	17,007	31.0	14,547	(0.6)	6,142	31.4

Note: Comprehensive income: Three months ended March 31, 2017: ¥(2,397) million [ - % ]  
 Three months ended June 30, 2016: ¥(13,745) million [ - % ]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2017	18.26	18.26
June 30, 2016	19.15	19.15

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016, receiving approval of Partial Amendments of the Articles of Incorporation at the 191st Annual General Meeting of Shareholders held on June 28, 2016. Accordingly, because the consolidation period for the three months ended March 31, 2017 (from January 1, 2017 to March 31, 2017) differs with the previous consolidation period for the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016), changes from the previous corresponding period have not been provided.

Additionally, for the three months ended June 30, 2016 for the Company and subsidiaries with fiscal year ended March 31, the consolidation period was the three months from April 1, 2016 to June 30, 2016 and for subsidiaries with fiscal year ended December 31, the consolidation period was the three months from January 1, 2016 to March 31, 2016.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2017	856,419	576,222	54.1
As of December 31, 2016	827,996	585,757	57.2

Reference: Equity: As of March 31, 2017: ¥463,087 million  
 As of December 31, 2016: ¥473,337 million

## 2. Dividends

	Annual dividends				
	1st quarter -end	2nd quarter -end	3rd quarter -end	Year-end	Total
Fiscal year ended December 31, 2016	Yen -	Yen 20.00	Yen -	Yen 20.00	Yen 40.00
Fiscal year ending December 31, 2017	-				
Fiscal year ending December 31, 2017 (Forecast)		20.00	-	22.00	42.00

Note: Revision to the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(% 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	280,000	-	37,500	-	39,000	-	15,500	-	48.33
Full year	577,000	-	81,000	-	84,000	-	37,000	-	115.37

Note: Revision to the financial results forecast announced most recently: Yes

Due to a change in the fiscal year, the previous consolidated fiscal year was the nine months starting on April 1, 2016 and ending on December 31, 2016.

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

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Restatement: No
- (4) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):  
March 31, 2017: 325,402,443 shares  
December 31, 2016: 325,402,443 shares
  - 2) Total number of treasury shares at the end of the period:  
March 31, 2017: 4,699,013 shares  
December 31, 2016: 4,698,228 shares
  - 3) Average number of shares during the period:  
Three months ended March 31, 2017: 320,703,804 shares  
Three months ended June 30, 2016: 320,705,807 shares

\*These consolidated financial results are outside the scope of audit.

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

(Caution concerning forward-looking statements)

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, and the Company does not in any way guarantee the achievement of the projections. 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 “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 4 of the Attachment.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

The period of consolidation for the three months ended March 31, 2017 is the three months from January to March 2017.

Additionally, the Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016, receiving approval of Partial Amendments of the Articles of Incorporation at the 191st Annual General Meeting of Shareholders held on June 28, 2016.

As a result, comparisons in each segment are compared with reference figures calculated with the three months from January to March 2016 as the “corresponding period of the previous year.”

During the three months ended March 31, 2017, consolidated net sales of NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) increased by 9.6% from the corresponding period of the previous year (the “previous year”), to ¥135,780 million. Consolidated operating income decreased by 8.1% from the previous year, to ¥16,074 million partly due to recording expenses related to the acquisition of stock in DUNN-EDWARDS CORPORATION during the three months ended March 31, 2017, and consolidated ordinary income decreased by 2.7% from the previous year, to ¥15,665 million. Profit attributable to owners of parent increased by 20.6% from the previous year, to ¥5,856 million. This is due to a tax burden during the previous year for dividends received from overseas group companies.

(Million yen)

	For the three months ended March 31, 2016 (Reference)	For the three months ended March 31, 2017	Change (%)
Net sales	123,927	135,780	9.6
Operating income	17,499	16,074	(8.1)
Ordinary income	16,092	15,665	(2.7)
Profit attributable to owners of parent	4,855	5,856	20.6

Note: For comparison with the three months ended March 31, 2017, figures for the previous year are unaudited reference figures for the period between January and March 2016.

Results by business segment are as follows.

#### Japan

In this region, net sales of automotive coatings were higher than the previous year due to factors such as an increase in the number of automobiles manufactured and favorable shipments of premium design and high value-added coatings. As for industrial coatings, as the residential construction materials market performed strongly owing to factors such as an increase in new housing starts, net sales were higher than the previous year. As for trade-use paints, net sales decreased from the previous year due to factors such as the effects of a decline in personal consumption in the retail sector. Regarding other coatings, net sales were lower than the previous year due to a pullback following a large-scale project in the facilities sector that was received during the previous year.

As a result of these factors, consolidated net sales for the Japan segment decreased by 5.5% from the previous year, to ¥41,291 million. Consolidated operating income decreased by 53.3% from the previous year, to ¥9,093 million. This is attributable to the dividend income received from overseas group companies of ¥11,683 million during the previous year (compared to ¥1,825 million for the period under review). 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 for automotive coatings were higher than the previous year as a result of an increase in the number of automobiles manufactured in China, a core region. As for trade-use paints, net sales were significantly higher than in the previous year, owing to factors such as making a Chinese coatings manufacturer a subsidiary in January 2017, and the implementation of sales promotion activities ahead of price revision. In industrial coatings, net sales were higher than the previous year owing to strong net sales in coatings for construction machinery and construction materials.

In the Asia region excluding China, there were effects from a decline in the number of automobiles manufactured in Thailand. In India, in line with an expansion in the partnership with BERGER PAINTS INDIA LIMITED, net sales increased for automotive coatings. In trade-use paints, net sales were strong, particularly in Vietnam and Sri Lanka.

As a result of these factors, consolidated net sales for the Asia segment increased by 15.7% from the previous year, to ¥78,870 million. Consolidated operating income increased by 7.0% from the previous year, to ¥8,516 million.

### **Americas**

In this region, net sales for automotive coatings decreased from the previous year as the number of automobiles manufactured declined in the United States, a core region.

In addition to the above, as business results for DUNN-EDWARDS CORPORATION, consolidated in March 2017, are included from the three months ended March 31, 2017, consolidated net sales for this geographic segment were ¥12,052 million, an increase of 38.2% from the previous year. Consolidated operating income was ¥70 million, a decrease of 95.4% from the previous year, owing to factors such as the recording of expenses related to the acquisition of stock in DUNN-EDWARDS CORPORATION.

Furthermore, on an existing business basis, both net sales and income decreased.

### **Other**

Consolidated net sales for this geographic segment were ¥3,566 million, an increase of 6.7% from the previous year due to efforts for business expansion, and consolidated operating income was ¥220 million, compared to an operating loss of ¥21 million during the previous year.

## **(2) Explanation of Financial Position**

Total assets at the end of the first quarter of the fiscal year under review increased by ¥28.42 billion from the end of the previous fiscal year to ¥856,419 million. Current assets decreased by ¥42.32 billion from the end of the previous fiscal year, mainly due to an increase in accounts receivable – trade and inventories, offset by a decrease in cash and deposits and securities. Non-current assets increased by ¥70.75 billion from the end of the previous fiscal year, primarily caused by factors such as an increase in goodwill in line with the acquisition of DUNN-EDWARDS CORPORATION.

Liabilities increased by ¥37.96 billion from the end of the previous year to ¥280,197 million. The increase was mainly attributable to an increase in loans payable in line with the acquisition of DUNN-EDWARDS CORPORATION.

Net assets decreased by ¥9.53 billion from the end of the previous fiscal year to ¥576,222 million. This was mainly attributable to decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result, equity ratio fell from 57.2% at the end of the previous fiscal year to 54.1%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

As DUNN-EDWARDS CORPORATION was made a wholly-owned subsidiary on March 1, 2017, net sales will be revised. However, as the allocation of the acquisition cost following the acquisition of DUNN-EDWARDS CORPORATION has yet to be determined and requires further inspection, operating income, ordinary income, profit attributable to owners of parent, and basic earnings per share will remain at the figures announced on February 24.

Consolidated Financial Results Forecast for the Six Months Ending June 30, 2017 (January 1, 2017 to June 30, 2017)

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (yen)
Previous forecast (A)	265,000	37,500	39,000	15,500	48.33
Revised forecast (B)	280,000	37,500	39,000	15,500	48.33
Difference (B-A)	15,000	—	—	—	
Rate of change (%)	5.7	—	—	—	

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (yen)
Previous forecast (A)	540,000	81,000	84,000	37,000	115.37
Revised forecast (B)	577,000	81,000	84,000	37,000	115.37
Difference (B-A)	37,000	—	—	—	
Rate of change (%)	6.9	—	—	—	

2. Quarterly Consolidated Financial Statements and Primary Notes  
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2016	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	136,778	82,807
Notes and accounts receivable - trade	135,139	149,183
Electronically recorded monetary claims - operating	13,713	11,761
Securities	50,787	40,441
Inventories	55,594	62,877
Deferred tax assets	7,553	8,230
Other	17,052	19,424
Allowance for doubtful accounts	(3,698)	(4,131)
Total current assets	412,920	370,595
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,692	56,494
Other, net	63,977	69,786
Total property, plant and equipment	107,669	126,281
Intangible assets		
Goodwill	166,362	221,544
Trademark right	44,279	42,676
Other	47,055	46,520
Total intangible assets	257,696	310,740
Investments and other assets		
Investment securities	45,418	43,739
Deferred tax assets	1,210	1,071
Other	3,250	4,087
Allowance for doubtful accounts	(170)	(95)
Total investments and other assets	49,709	48,802
Total non-current assets	415,076	485,824
<b>Total assets</b>	<b>827,996</b>	<b>856,419</b>

(Million yen)

	As of December 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	70,732	75,581
Electronically recorded obligations - operating	21,512	17,497
Short-term loans payable	30,495	50,883
Income taxes payable	7,866	5,326
Other	57,325	59,692
Total current liabilities	187,932	208,982
Non-current liabilities		
Bonds payable	—	2,391
Long-term loans payable	3,457	18,606
Deferred tax liabilities	23,270	22,913
Provision for directors' retirement benefits	142	138
Provision for environmental measures	294	238
Net defined benefit liability	19,124	18,409
Other	8,016	8,517
Total non-current liabilities	54,306	71,214
Total liabilities	242,238	280,197
<b>Net assets</b>		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,451	63,434
Retained earnings	361,074	360,516
Treasury shares	(6,444)	(6,447)
Total shareholders' equity	496,944	496,365
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,120	8,391
Foreign currency translation adjustment	(28,512)	(37,544)
Remeasurements of defined benefit plans	(5,214)	(4,125)
Total accumulated other comprehensive income	(23,606)	(33,278)
Subscription rights to shares	85	99
Non-controlling interests	112,334	113,036
Total net assets	585,757	576,222
Total liabilities and net assets	827,996	856,419

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended March 31, 2017

(Million yen)

	For the three months ended June 30, 2016	For the three months ended March 31, 2017
Net sales	121,410	135,780
Cost of sales	69,443	79,818
Gross profit	51,966	55,961
Selling, general and administrative expenses	34,959	39,887
Operating income	17,007	16,074
Non-operating income		
Interest income	195	295
Dividend income	399	95
Share of profit of entities accounted for using equity method	304	131
Gain on investment of securities	162	370
Other	700	610
Total non-operating income	1,762	1,503
Non-operating expenses		
Interest expenses	96	228
Foreign exchange losses	3,941	1,539
Other	185	144
Total non-operating expenses	4,223	1,912
Ordinary income	14,547	15,665
Extraordinary income		
Gain on sales of non-current assets	11	11
Total extraordinary income	11	11
Extraordinary losses		
Loss on sales and retirement of non-current assets	57	80
Other	15	—
Total extraordinary losses	73	80
Profit before income taxes	14,485	15,596
Income taxes	4,296	5,298
Profit	10,188	10,298
Profit attributable to non-controlling interests	4,046	4,442
Profit attributable to owners of parent	6,142	5,856

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2017

(Million yen)

	For the three months ended June 30, 2016	For the three months ended March 31, 2017
Profit	10,188	10,298
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,451)	(1,674)
Deferred gains or losses on hedges	3	—
Foreign currency translation adjustment	(21,323)	(12,298)
Remeasurements of defined benefit plans, net of tax	297	1,099
Share of other comprehensive income of entities accounted for using equity method	(460)	176
Total other comprehensive income	(23,934)	(12,696)
Comprehensive income	(13,745)	(2,397)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(12,938)	(3,816)
Comprehensive income attributable to non-controlling interests	(807)	1,418

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses have been calculated by multiplying profit before income taxes by an effective tax rate, which is reasonably estimated after the application of tax effect accounting to profit before income taxes for the consolidated fiscal year including the first quarter of the fiscal year under review.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2016

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	41,169	68,175	8,721	118,067	3,343	121,410
Inter-segment net sales or transfers	5,201	1,017	87	6,306	248	6,555
Total	46,371	69,193	8,809	124,374	3,591	127,966
Segment income (loss)	7,762	7,920	1,523	17,206	(21)	17,184

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

2. Difference between total reportable segment income (loss) and the amount recorded in the quarterly consolidated statements of income, and major details of said difference (matters related to adjustments of differences)

(Million yen)

Income	Amount
Total reportable segment income	17,206
Segment loss from “Other”	(21)
Inter-segment transaction eliminations and other adjustments	(177)
Operating income recorded in the quarterly consolidated statement of income	17,007

Note: “Inter-segment transaction eliminations and other adjustments” for the three months ended June 30, 2016 includes inter-segment dividend income.

3. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous year (%)
Paints	116,928	0.1
Automotive	34,393	10.5
Trade-use	53,880	(2.5)
Industrial	16,466	(1.6)
Other paints	12,188	(11.2)
Fine chemicals	4,481	35.6
Total	121,410	1.0

Note: Consumption taxes are not included in these amounts.

II. For the three months ended March 31, 2017

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	41,291	78,870	12,052	132,213	3,566	135,780
Inter-segment net sales or transfers	7,303	755	46	8,105	233	8,338
Total	48,594	79,625	12,098	140,318	3,800	144,119
Segment income	9,093	8,516	70	17,680	220	17,900

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

2. Difference between total reportable segment income (loss) and the amount recorded in the quarterly consolidated statements of income, and major details of said difference (matters related to adjustments of differences)

(Million yen)

Income	Amount
Total reportable segment income	17,680
Segment income from "Other"	220
Inter-segment transaction eliminations and other adjustments	(1,826)
Operating income recorded in the quarterly consolidated statement of income	16,074

Note: "Inter-segment transaction eliminations and other adjustments" for the three months ended March 31, 2017 includes inter-segment dividend income.

3. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiary)

During the three months ended March 31, 2017, segment assets in the "Americas" segment increased by ¥76,668 million compared to December 31, 2016 due to the inclusion of DUNN-EDWARDS CORPORATION in the scope of consolidation.

4. Information regarding impairment loss on non-current assets or goodwill, etc. by reportable segment  
(Significant changes in amounts of goodwill)

During the three months ended March 31, 2017, ¥56,694 million of goodwill occurred in the “Americas” segment due to the inclusion of DUNN-EDWARDS CORPORATION in the scope of consolidation.

Additionally, the amount of goodwill due to this event is a provisional calculation, as the allocation of the acquisition cost has not been completed as of March 31, 2017.

5. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous year (%)
Paints	131,215	—
Automotive	36,935	—
Trade-use	64,550	—
Industrial	17,548	—
Other paints	12,180	—
Fine chemicals	4,564	—
Total	135,780	—

Notes: 1. Consumption taxes are not included in these amounts.

2. During the previous fiscal year, the fiscal year-end was changed from March 31 to December 31. As a result, the period for comparison for the three months ended March 31, 2017 differs, and change from the previous year is not provided.