

# Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [IFRS]



February 10, 2021

Company name: NIPPON PAINT HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

URL: <https://www.nipponpaint-holdings.com/>

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Scheduled date of annual general meeting of shareholders: March 26, 2021

Scheduled date of commencing dividend payments: March 29, 2021

Scheduled date of filing the securities report: March 29, 2021

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 December 31, 2020 (January 1, 2020 to December 31, 2020)

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

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
December 31, 2020	781,146	12.9	86,933	11.4	88,715	11.6	68,175	21.2
December 31, 2019	692,009	10.3	78,060	(9.8)	79,518	(10.7)	56,267	(15.2)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Fiscal year ended				
December 31, 2020	44,648	21.6	51,070	56.3
December 31, 2019	36,717	(19.0)	32,664	(9.5)

	Basic earnings per share	Diluted earnings per share	Return on equity	Profit before tax to total assets	Operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended					
December 31, 2020	139.17	139.14	8.0	5.7	11.1
December 31, 2019	114.48	114.45	6.8	6.5	11.3

Reference: Share of profit of investments accounted for using equity method:

Fiscal year ended December 31, 2020: ¥1,649 million

Fiscal year ended December 31, 2019: ¥1,438 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of December 31, 2020	1,615,384	699,805	568,398	35.2	1,771.49
As of December 31, 2019	1,478,646	687,979	552,922	37.4	1,723.75

### (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	Million yen	Million yen	Million yen	Million yen
December 31, 2020	88,561	(36,368)	60,869	232,134
December 31, 2019	92,076	(352,769)	254,018	123,300

### 2. Dividends

	Annual dividends					Total dividends paid	Consolidated dividend payout ratio	Consolidated dividend on equity attributable to owners of parent
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2019	—	22.00	—	23.00	45.00	14,435	39.3	2.7
December 31, 2020	—	22.00	—	23.00	45.00	14,439	32.3	2.6
December 31, 2021 (forecast)	—	5.00	—	5.00	10.00		35.1	

Note 1: The Company's Board of Directors approved a resolution on February 10, 2021 to implement a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 will be split into five shares. The per share dividend for the fiscal year ended December 31, 2019 and the fiscal year ended December 31, 2020 is the dividend before the stock split. The dividend forecast for the fiscal year ending December 31, 2021 is the per share dividend forecast based on the number of shares after the stock split. For more information, please see the "Notice Regarding Stock Split and Associated Amendment to the Articles of Incorporation" dated February 10, 2021.

Note 2: Breakdown of the dividend forecast for the 2nd quarter of the fiscal year ending December 31, 2021: ordinary dividend: ¥4.00 yen; commemorative dividend: ¥1.00 for the 140th anniversary of foundation

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	890,000	13.9	87,000	0.1	88,000	(0.8)	67,000	50.1	29.17

Note 1: Third-party allotment for value: The Company issued new shares through a third-party allotment on January 25, 2021. As a result, the total number of issued shares increased by 148,700,000 to 474,102,443 shares.

Note 2: Basic earnings per share takes into consideration the third-party allotment for value and the stock split described in footnote, "2. Dividends."

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: No  
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

Newly consolidated	-	Excluded	-
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- (2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: Yes

- (3) Total number of issued shares (common shares)

- 1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2020: 325,402,443 shares

December 31, 2019: 325,402,443 shares

- 2) Total number of treasury shares at the end of the period:

December 31, 2020: 4,543,825 shares

December 31, 2019: 4,635,484 shares

- 3) Average number of shares during the period:

Fiscal year ended December 31, 2020: 320,810,818 shares

Fiscal year ended December 31, 2019: 320,732,869 shares

\*These consolidated financial results are outside the scope of audit by Certified Public Accountants or auditing corporations.

\*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 contain risks and uncertainties. Actual results, etc. may differ greatly from the forecast figures depending on various factors.

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## 1. Overview of Operating Results

### (1) Overview of Operating Results for the Period under Review

During the fiscal year ended December 31, 2020, consolidated revenue of the Company and its group companies (collectively, the “Group”) increased by 12.9% from the previous fiscal year to ¥781,146 million due to the consolidation of Australian paint manufacturer DuluxGroup Limited and Turkish paint manufacturer Betek Boya ve Kimya Sanayi Anonim Sirketi into the Company’s subsidiaries and the strong sales of decorative paints in China, our mainstay business in Asia, due to the recovery of the Chinese economy, despite the impact of COVID-19 pandemic on all Group businesses. Consolidated operating profit increased by 11.4% from the previous fiscal year to ¥86,933 million due to higher revenue and lower raw material procurement costs, despite the absence of insurance income recorded in the previous fiscal year.

Consolidated profit before tax increased by 11.6% to ¥88,715 million, and profit attributable to owners of parent increased by 21.6% to ¥44,648 million.

\*DuluxGroup Limited is an Australian company that owns the Dulux® trademark in Australia, New Zealand, Papua New Guinea, Samoa and Fiji only. DuluxGroup Limited is not associated with, and has no connection to, the owners of the Dulux® trademark in any other countries, nor does it sell Dulux® products in any other countries.

Results by business segment are as follows.

#### **Japan**

In this region, automotive coatings revenue was lower than in the previous fiscal year as a result of a decrease in automobile production due to COVID-19. Industrial coatings revenue was lower than in the previous fiscal year due to factors such as continued production cuts due to COVID-19 and weak market conditions accompanied by fewer new housing starts. Decorative paints revenue was lower than in the previous fiscal year due to COVID-19.

As a result, consolidated revenue for the Japan segment decreased by 12.6% to ¥159,625 million. Consolidated operating profit decreased by 10.1% to ¥33,251 million. Consolidated operating profit included ¥26,079 million of dividend income from overseas group companies (¥13,585 million in the previous fiscal year.) All of this dividend income is eliminated as an internal transaction under “intersegment eliminations and adjustments.”

#### **Asia**

In this region, automotive coatings revenue was lower than in the previous fiscal year because of soft market conditions including a decrease in the number of automobile production in Thailand due to the COVID-19 pandemic. For decorative paints, the mainstay business in Asia, revenue increased due to a strong recovery in demand for new housing construction and repainting existing houses in China. This increase in demand more than offset the impact of COVID-19 pandemic during the first six months of the fiscal year under review.

As a result, consolidated revenue for the Asia segment decreased by 0.7% to ¥356,609 million and consolidated operating profit increased by 8.2% to ¥54,957 million.

#### **Oceania**

In this region, the profit and/or loss of DuluxGroup Limited has been reflected in the Group’s consolidated financial results since September 2019. The performance in the decorative paints business remained strong, driven by consistently strong demand brought by enhanced home improvement activity resulted from the COVID-19 pandemic. Performance in the paint related business was robust due to strong home improvement demand.

As a result, consolidated revenue in the Oceania segment increased by 211.7% to ¥148,290 million, and consolidated operating profit increased by 175.0% to ¥16,118 million.

## **Americas**

In this region, there was a decline in automotive coatings revenue because of decreased production of automobiles in the United States, a core region, due to the COVID-19 pandemic. Decorative paints revenue increased due to the brisk demand for housing accompanied by favorable weather.

As a result, consolidated revenue for the Americas segment decreased by 6.1% to ¥70,068 million and consolidated operating profit decreased by 10.0% to ¥4,507 million.

## **Other**

In this segment, the profit and/or loss of Betek Boya ve Kimya Sanayi Anonim Sirketi has been reflected in the Group's consolidated financial results since July 2019. Automotive coatings revenue decreased from the previous fiscal year due to a sharp decrease in the production of automobiles in this region as a result of the COVID-19 pandemic. On the other hand, revenue for decorative paints and paint related businesses increased, driven by growth in housing starts and sales of existing houses in Turkey.

As a result, consolidated revenue for the Other segment increased by 66.2% to ¥46,552 million and consolidated operating profit was ¥4,209 million (an operating loss of ¥6,972 million in the previous fiscal year).

## **(2) Overview of Financial Position for the Period under Review**

Total assets as of December 31, 2020 increased by ¥136,737 million from the end of the previous fiscal year to ¥1,615,384 million.

Current assets increased by ¥136,280 million mainly due to an increase in cash and cash equivalents resulting from the acquisition of 100% ownership of the Asian JVs and Indonesia business. Non-current assets increased by ¥457 million despite a decrease in other financial assets mainly because of an increase in property, plant and equipment.

Liabilities increased by ¥124,911 million to ¥915,578 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥11,826 million to ¥699,805 million. This was mainly attributable to a decrease in foreign currency translation adjustment and an increase in retained earnings due to profit attributable to owners of parent.

As a result, equity attributable to owners of parent to total assets decreased from 37.4% at the end of the previous fiscal year to 35.2%.

## **(3) Overview of Cash Flows for the Period under Review**

In the fiscal year ended December 31, 2020, operating activities resulted in an inflow of ¥88,561 million, investing activities resulted in an outflow of ¥36,368 million, and financing activities resulted in an inflow of ¥60,869 million, resulting in cash and cash equivalents of ¥232,134 million, an increase of ¥108,833 million compared with the end of the previous fiscal year.

### **(Cash flows from operating activities)**

Net cash provided by operating activities decreased by ¥3,514 million from the previous fiscal year to ¥88,561 million. Primary factors include a decrease in funds of ¥1,605 million due to an increase in operating capital and income taxes paid of ¥26,682 million, despite a cash inflow (excluding increases and decreases in operating capital) of ¥131,249 million, reflecting mainly non-cash expenses such as depreciation and amortization on profit before tax.

### **(Cash flows from investing activities)**

Net cash used in investing activities decreased by ¥316,400 million from the previous fiscal year to ¥36,368 million. This was mainly attributable to an inflow of ¥6,942 million due to a decrease in time deposits, an outflow of ¥25,214 million due to the purchase of property, plant, and equipment, an outflow of ¥6,284 million

due to an increase in marketable securities, and an outflow of ¥3,641 million due to payments for acquisition of businesses.

(Cash flows from financing activities)

Net cash provided by financing activities decreased by ¥193,149 million from the previous fiscal year to ¥60,869 million. Primary factors include an inflow of ¥95,861 million due to an increase in borrowings, an outflow of ¥27,249 million due to dividends paid and an outflow of ¥7,405 million due to repayments of lease liabilities.

#### (4) Future Outlook

During the fiscal year ending December 31, 2021, the economic outlook is expected to remain uncertain due to the resurgence of COVID-19 around the world. However, the global economy is projected to return to growth due to factors including vaccinations and more rigorous infection prevention measures.

The Group integrated its automotive coatings operations globally in order to provide products and services that more accurately meet the requirements of customers and expand the automotive coatings business in Japan and overseas. In addition, we completed the acquisition of 100% ownership of the Asian JVs and the Indonesia business on January 25, 2021 to accelerate the implementation of our strategic management initiatives. Furthermore, the Group companies in Japan and overseas are using seamless collaboration through spider web management and pursuing autonomous growth to gain market share in their respective business fields.

Our consolidated earnings forecast for the fiscal year ending December 31, 2021 takes into account this outlook. We forecast consolidated revenue of ¥890,000 million, consolidated operating profit of ¥87,000 million, profit before tax of ¥88,000 million and profit attributable to owners of the parent of ¥67,000 million.

Based on this earnings forecast, we plan to pay the annual dividends of ¥10 per share for the fiscal year ending December 31, 2021.

## 2. Basic Approach to Selection of Accounting Standards

In order to further promote global management, improve the comparability of financial information, and enhance disclosure by standardizing accounting procedures among group companies, the Group has been voluntarily adopted International Financial Reporting Standards (IFRS) for consolidated financial statements in its annual securities reports since the fiscal year ended December 31, 2018.

### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Statements of Profit or Loss and Comprehensive Income

##### Consolidated Statement of Profit or Loss

(Million yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Revenue	692,009	781,146
Cost of sales	(416,359)	(457,685)
<b>Gross profit</b>	275,649	323,460
Selling, general and administrative expenses	(190,435)	(238,319)
Other income	6,717	5,495
Other expenses	(13,871)	(3,703)
<b>Operating profit</b>	78,060	86,933
Finance income	5,749	6,129
Finance costs	(5,729)	(5,996)
Share of profit of investments accounted for using equity method	1,438	1,649
<b>Profit before tax</b>	79,518	88,715
Income tax expense	(23,251)	(20,539)
<b>Profit</b>	56,267	68,175
<b>Profit attributable to</b>		
Owners of parent	36,717	44,648
Non-controlling interests	19,550	23,526
<b>Profit</b>	56,267	68,175
<b>Earnings per share</b>		
Basic earnings per share (yen)	114.48	139.17
Diluted earnings per share (yen)	114.45	139.14



Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
<b>Profit</b>	56,267	68,175
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	3,229	(2,406)
Remeasurements of defined benefit plans	(828)	1,907
Share of other comprehensive income of investments accounted for using the equity methods	–	387
Total of items that will not be reclassified to profit or loss	2,400	(111)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	7,080	(16,578)
Cash flow hedges	(32,737)	(38)
Share of other comprehensive income of investments accounted for using equity method	(346)	(376)
Total of items that may be reclassified to profit or loss	(26,003)	(16,992)
<b>Total other comprehensive income</b>	<b>(23,602)</b>	<b>(17,104)</b>
<b>Comprehensive income</b>	<b>32,664</b>	<b>51,070</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	14,929	29,414
Non-controlling interests	17,735	21,655
<b>Comprehensive income</b>	<b>32,664</b>	<b>51,070</b>

## (2) Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2019	As of December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	123,300	232,134
Inventories	92,860	94,055
Trade and other receivables	212,844	231,995
Other financial assets	65,158	66,915
Other current assets	12,623	17,468
<b>Subtotal</b>	506,787	642,569
Assets held for sale	428	927
<b>Total current assets</b>	507,216	643,496
<b>Non-current assets</b>		
Property, plant and equipment	240,319	248,302
Goodwill	427,091	424,168
Other intangible assets	230,986	230,099
Investments accounted for using equity method	12,680	13,174
Other financial assets	54,381	49,939
Other non-current assets	2,818	3,124
Deferred tax assets	3,151	3,078
<b>Total non-current assets</b>	971,430	971,887
<b>Total assets</b>	1,478,646	1,615,384

(Million yen)

	As of December 31, 2019	As of December 31, 2020
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	153,277	161,525
Bonds and borrowings	384,049	68,133
Other financial liabilities	12,470	25,534
Income taxes payable	6,739	8,796
Provisions	2,197	2,945
Other current liabilities	39,413	48,611
<b>Total current liabilities</b>	598,147	315,547
<b>Non-current liabilities</b>		
Bonds and borrowings	58,147	467,627
Other financial liabilities	44,681	46,917
Retirement benefit liability	24,382	20,763
Provisions	900	775
Other non-current liabilities	1,847	4,344
Deferred tax liabilities	62,560	59,602
<b>Total non-current liabilities</b>	192,519	600,030
<b>Total liabilities</b>	790,667	915,578
<b>Equity</b>		
Share capital	78,862	78,862
Capital surplus	62,927	63,320
Treasury shares	(6,378)	(6,268)
Retained earnings	411,941	444,639
Other components of equity	5,568	(12,156)
<b>Total equity attributable to owners of parent</b>	552,922	568,398
<b>Non-controlling interests</b>	135,056	131,407
<b>Total equity</b>	687,979	699,805
<b>Total liabilities and equity</b>	1,478,646	1,615,384

## (3) Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2019	78,862	63,247	(6,444)	390,287	(5,905)	520,047	127,570	647,618
Profit	—	—	—	36,717	—	36,717	19,550	56,267
Other comprehensive income	—	—	—	—	(21,787)	(21,787)	(1,815)	(23,602)
Comprehensive income	—	—	—	36,717	(21,787)	14,929	17,735	32,664
Purchase of treasury shares	—	—	(11)	—	—	(11)	—	(11)
Disposal of treasury shares	—	162	77	—	(5)	234	—	234
Dividends	—	—	—	(14,433)	—	(14,433)	(12,047)	(26,481)
Share-based payment transactions	—	—	—	—	10	10	—	10
Changes in ownership interest in subsidiaries	—	(481)	—	—	—	(481)	(441)	(922)
Change in scope of consolidation	—	—	—	—	—	—	493	493
Transfer from other components of equity to retained earnings	—	—	—	(629)	629	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	32,626	32,626	—	32,626
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	1,793	1,793
Other	—	—	—	—	—	—	(47)	(47)
Total transactions with owners	—	(319)	66	(15,063)	33,261	17,945	(10,249)	7,695
Balance as of December 31, 2019	78,862	62,927	(6,378)	411,941	5,568	552,922	135,056	687,979
Profit	—	—	—	44,648	—	44,648	23,526	68,175
Other comprehensive income	—	—	—	—	(15,233)	(15,233)	(1,871)	(17,104)
Comprehensive income	—	—	—	44,648	(15,233)	29,414	21,655	51,070
Purchase of treasury shares	—	—	(19)	—	—	(19)	—	(19)
Disposal of treasury shares	—	392	129	—	(4)	517	—	517
Dividends	—	—	—	(14,437)	—	(14,437)	(25,009)	(39,446)
Share-based payment transactions	—	—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	(552)	(552)
Change in scope of consolidation	—	—	—	—	—	—	(82)	(82)
Transfer from other components of equity to retained earnings	—	—	—	2,487	(2,487)	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	343	343
Other	—	—	—	—	—	—	(3)	(3)
Total transactions with owners	—	392	109	(11,950)	(2,491)	(13,939)	(25,304)	(39,243)
Balance as of December 31, 2020	78,862	63,320	(6,268)	444,639	(12,156)	568,398	131,407	699,805

## (4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
<b>Cash flows from operating activities</b>		
Profit before tax	79,518	88,715
Depreciation and amortization	25,769	29,521
Impairment loss	11,315	272
Interest and dividend income	(4,640)	(4,514)
Interest expenses	4,782	5,663
Share of loss (profit) of investments accounted for using equity method	(1,438)	(1,649)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(918)	667
Decrease (increase) in inventories	(2,306)	(2,939)
Decrease (increase) in trade and other receivables	(586)	(25,454)
Increase (decrease) in trade and other payables	4,706	12,389
Increase (decrease) in retirement benefit liability	(820)	(755)
Increase (decrease) in provisions	(834)	816
Increase (decrease) in other current liabilities	2,237	9,876
Other	(2,200)	2,393
<b>Subtotal</b>	<b>114,583</b>	<b>115,001</b>
Interest received	2,543	2,825
Dividends received	2,095	3,141
Interest paid	(4,297)	(5,724)
Income taxes paid	(22,849)	(26,682)
<b>Net cash provided by (used in) operating activities</b>	<b>92,076</b>	<b>88,561</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	(4,518)	6,942
Net decrease (increase) in marketable securities	(1,167)	(6,284)
Purchase of property, plant and equipment	(22,764)	(25,214)
Proceeds from sale of property, plant and equipment	4,205	1,440
Purchase of intangible assets	(2,679)	(3,547)
Purchase of investments in subsidiaries	(318,655)	(1,934)
Payments for sale of investments in subsidiaries	(57)	–
Payments for acquisition of businesses	(2,622)	(3,641)
Payments for loans receivable	(3,612)	(3,602)
Collection of loans receivable	–	176
Purchase of other financial assets	–	(1,558)
Other	(896)	855
<b>Net cash provided by (used in) investing activities</b>	<b>(352,769)</b>	<b>(36,368)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	301,178	(359,863)
Proceeds from long-term borrowings	7,054	472,306
Repayments of long-term borrowings	(21,209)	(16,581)
Repayments of lease obligations	(8,133)	(7,405)
Capital contribution from non-controlling interests	1,881	343
Dividends paid	(14,433)	(14,439)
Dividends paid to non-controlling interests	(12,310)	(12,810)
Other	(8)	(680)
<b>Net cash provided by (used in) financing activities</b>	<b>254,018</b>	<b>60,869</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>341</b>	<b>(4,228)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,333)</b>	<b>108,833</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>129,633</b>	<b>123,300</b>
<b>Cash and cash equivalents at end of period</b>	<b>123,300</b>	<b>232,134</b>

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in presentation)

(Consolidated statement of cash flows)

“Increase (decrease) in other current liabilities,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, has become significant, and is separately presented from the fiscal year ended December 31, 2020. To reflect this change, the consolidated financial statements for the previous fiscal year have been revised.

As a result, “Other” of ¥36 million, which was included in “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year, has been restated as “Increase (decrease) in other current liabilities” of ¥2,237 million and “Other” of negative ¥2,200 million.

“Purchase of investment securities” of negative ¥237 million, which was separately presented in “Cash flows from operating activities” on the consolidated statement of cash flows during the previous fiscal year, has been included in “Other” of negative ¥896 million.

(Changes in accounting estimates)

Trademark rights (other intangible assets) of NIPPON PAINT (H.K.) COMPANY LIMITED, etc., that were recognized when these companies became consolidated subsidiaries of the Company in December 2014, had been amortized with estimated useful life of 20 years. However, we have reexamined the amortization period of these trademark rights by taking into consideration the consistently strong brand recognition of these trademark rights and other factors. As a result, the estimated useful life of the trademark rights was changed to an indefinite useful life at the beginning of the fiscal year ended December 31, 2020.

As a result of this change, amortization of trademark rights (selling, general and administrative expenses) decreased ¥2,256 million in the condensed consolidated statement of profit or loss for the fiscal year ended December 31, 2020.

The change has affected the results of operations for the Asia segment

(Segment information)

(1) Summary of reportable segments

The reportable segments of the Group are based on business units for which separate financial information is available and are subject to periodic evaluations by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding resource allocation and performance assessments. The Group’s primary businesses are the paint and coating business which manufactures and sells automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints, and the paint peripheral business which manufactures and sells paint-related products such as adhesives. The Company and other companies are responsible for activities in Japan, and overseas, companies based in other countries are responsible for the Asia, Oceania, Americas, and Other regions. Each company is an individual management unit that is responsible for determining products to manufacture and sell and establishing comprehensive regional strategies for growth.

As a result, the Group consists of four reportable segments divided by region with the manufacturing and sales structure as a base: Japan, Asia, Oceania, and Americas.

“Other” contains business activities by overseas subsidiaries in Europe and other regions. Those business activities are managed individually, but are not material enough to be disclosed separately as an independent segment.

## (2) Information on reportable segments

For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Reportable segment					Other	Total	Adjustment (Note 1)	Consolidated financial statements
	Japan	Asia	Oceania	Americas	Subtotal				
Revenue									
Revenue from external customers	182,585	359,213	47,578	74,618	663,996	28,012	692,009	—	692,009
Intersegment revenue	34,028	4,051	—	142	38,221	846	39,067	(39,067)	—
Total	216,614	363,264	47,578	74,760	702,218	28,858	731,077	(39,067)	692,009
Segment profit (loss)	36,990	50,769	5,861	5,010	98,632	(6,972)	91,659	(13,599)	78,060
Finance income									5,749
Finance costs									(5,729)
Share of profit of investments accounted for using equity method									1,438
Profit before tax									79,518
Other items									
Depreciation and amortization	4,284	13,491	2,169	4,617	24,562	1,207	25,769	—	25,769
Impairment loss	734	2,630	131	—	3,497	7,818	11,315	—	11,315
Capital expenditures (Note 2)	7,077	15,651	1,383	7,313	31,426	3,836	35,263	—	35,263

Note 1: Adjustments to “intersegment revenue” and “segment profit (loss)” are primarily due to intersegment eliminations.

Note 2: These mainly consist of expenditures for property, plant and equipment and intangible assets.

For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Million yen)

	Reportable segment					Other	Total	Adjustment (Note 1)	Consolidated financial statements
	Japan	Asia	Oceania	Americas	Subtotal				
Revenue									
Revenue from external customers	159,625	356,609	148,290	70,068	734,593	46,552	781,146	—	781,146
Intersegment revenue	43,668	4,191	160	89	48,109	722	48,832	(48,832)	—
Total	203,294	360,800	148,450	70,158	782,703	47,274	829,978	(48,832)	781,146
Segment profit (loss)	33,251	54,957	16,118	4,507	108,835	4,209	113,045	(26,111)	86,933
Finance income									6,129
Finance costs									(5,996)
Share of profit of investments accounted for using equity method									1,649
Profit before tax									88,715
Other items									
Depreciation and amortization	4,789	12,142	6,777	4,674	28,384	1,137	29,521	—	29,521
Impairment loss	169	88	12	—	271	1	272	—	272
Capital expenditures (Note 2)	7,009	16,899	6,783	5,536	36,228	2,676	38,904	—	38,904

Note 1: Adjustments to “intersegment revenue” and “segment profit (loss)” are primarily due to intersegment eliminations.

Note 2: These mainly consist of expenditures for property, plant and equipment and intangible assets.



(3) Information on products and services

Sales categories by business have been changed to the “paint and coating business” and the “paint peripheral business” in the fiscal year ended December 31, 2019.

Revenue for the previous fiscal year is presented based on the changed sales categories by business.

For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	182,585	359,213	26,582	74,618	23,462	666,462
Automotive coatings	44,879	67,070	—	25,915	11,777	149,643
Decorative paints	48,248	243,671	24,577	45,389	8,804	370,690
Industrial coatings	40,690	25,643	2,004	—	1,832	70,170
Fine chemicals	8,693	6,047	—	3,135	1,043	18,920
Other paints	40,074	16,779	—	177	4	57,036
Paint peripheral business	—	—	20,996	—	4,550	25,547
Total	182,585	359,213	47,578	74,618	28,012	692,009

For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	159,625	356,609	82,803	70,068	35,344	704,451
Automotive coatings	34,685	58,414	—	21,046	8,748	122,895
Decorative paints	43,692	252,629	77,124	46,480	20,977	440,904
Industrial coatings	35,317	24,444	5,679	—	3,734	69,176
Fine chemicals	7,713	5,384	—	2,375	1,480	16,954
Other paints	38,216	15,735	—	165	403	54,520
Paint peripheral business	—	—	65,487	—	11,207	76,694
Total	159,625	356,609	148,290	70,068	46,552	781,146

(Per-share information)

The basis of calculations of basic earnings per share and diluted earnings per share is as below.

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Profit attributable to owners of parent (million yen)	36,717	44,648
Adjustment to profit used in the calculation of diluted earnings per share (million yen)	—	—
Diluted earnings (million yen)	36,717	44,648
Weighted-average number of common shares issued (thousands of shares)	320,732	320,810
Increase in the number of common shares used in the calculation of diluted earnings per share (thousands of shares)	72	74
Increase due to exercise of stock options (thousands of shares)	52	50
Increase due to restricted share compensation plan (thousands of shares)	20	23
Weighted-average number of common shares used in the calculation of diluted earnings per share (thousands of shares)	320,805	320,885
Basic earnings per share (yen)	114.48	139.17
Diluted earnings per share (yen)	114.45	139.14

(Significant subsequent events)

(Acquisition of additional equity interests in the joint ventures in the Asia region and acquisition of an equity interest in the Indonesia business)

On January 25, 2021, the Company completed the acquisition of additional equity interests in its joint ventures with the Wuthelam Group (WUTHELAM HOLDINGS LIMITED (“Wuthelam”) and its representative Mr. Goh Hup Jin (Wuthelam and Mr. Goh Hup Jin collectively, “Wuthelam and Mr. Goh”; Wuthelam and Mr. Goh, Wuthelam’s subsidiaries, and companies substantively controlled by Wuthelam and Mr. Goh, collectively, the “Wuthelam Group”) in the Asia region; acquisition of an equity interest in the Indonesia business (conversion to subsidiary), which is operated by the Wuthelam Group and in which the Wuthelam Group owns 99.9% of the equity interests; pay-in procedures for issuance of new shares through a third-party allotment; and change in parent company.

The fair value of acquired assets and liabilities, etc. are not disclosed because the initial accounting treatment for business combination has not been completed.

## 1. Summary of business combination

### (1) Main reasons for the business combination

The many applications of paint include residential and commercial construction, transport applications such as cars and trains, and infrastructure such as bridges and roads, meaning that demand for paint increases in step with population growth and urbanization. Asia is becoming a key region for the Company’s sustainable growth in terms of both market size and growth rate. The Company acquired approximately 100% ownership of the joint ventures with the Wuthelam Group (“the Target JVs,” collectively with the Indonesia business, the “Target Businesses”) due to the outlook for increasing demand in Asia because of the projected demographic and economic growth in Asia. The Indonesia business operates in the growing Indonesian market and has a large share of the decorative paints market, which has significant growth potential due to its correspondence to population and per-capita GDP growth. Acquiring the Indonesia business gives the Company a dominant position with its “Asia x Construction” business model. Furthermore, by increasing its equity and enhancing its financial soundness by issuing new shares through the third-party allotment to NIPSEA INTERNATIONAL LIMITED and FRASER (HK) LIMITED, both members of the Wuthelam Group, the Company will be in an even better position to use M&A for the maximization of shareholder value. This is expected to further accelerate the Company’s growth.

The acquisition of the Target Businesses will also enable the Company to fully capture in the non-controlling interests of the Asian JVs that previously belonged to the Wuthelam Group, as well as the profits of the Indonesia business to be consolidated into the Company’s earnings. This is expected to increase basic earnings per share (EPS) and enable the Company to optimize the allocation of resources by reducing the outflow of profits. Furthermore, the consolidation of the Asian JVs and Indonesia business will allow the Company to shift its industrial coatings business from a regional focus to a business focus and construct a unified global system. This will enable faster decision-making and business execution and is expected to increase operating profit. Therefore, these acquisitions are expected to contribute to the maximization of the Company’s shareholder value.

### (2) Cost of acquisitions

Total: ¥1,285,139 million (of which ¥235,490 million is for the acquisition of the equity interest in the Indonesia business)

(3) Name and description of businesses of companies to be acquired

① Major companies that will become subsidiaries or affiliated companies

Company	Description of business	Ownership ratio of voting rights		
		Prior to acquisition	Additional acquisition	After acquisition
NIPSEA PTE. LTD. (Note 1)	Investment holding company	—%	100%	100%
NIPPON PAINT (INDIA) PRIVATE LIMITED (Note 1)	Manufacture and sale of paint	50%	49.9%	99.9%
NEAVE LIMITED (Note 1 and Note 2)	Management and operation of subsidiaries and paint trading	—%	100%	100%
NIPPON PAINT (SABAH) SDN. BHD.	Manufacture and sale of paint	12%	37%	49%

Note 1: Transaction falling under a business combination

Note 2: Company constituting the Indonesia business

② Acquisition of the non-controlling interest

Major changes in non-controlling interests are as follows. The difference between the acquisition cost of equity interests in consolidated subsidiaries which will continue to be controlled by the parent company and the carrying value of non-controlling interests will be recognized as a decrease in capital surplus. When the capital surplus on the Consolidated Statement of Financial Position is negative, the negative balance of capital surplus shall be zero and the negative balance shall be deducted from retained earnings.

Company	Ownership ratio of voting rights (indirect ownership)		
	Prior to acquisition	Additional acquisition	After acquisition
NIPPON PAINT (CHINA) COMPANY LIMITED (Note 1)	51% (—%)	49% (49%)	100% (49%)
GUANGZHOU NIPPON PAINT CO., LTD. (Note 1)	51% (—%)	49% (49%)	100% (49%)
NIPPON PAINT (CHENGDU) CO., LTD. (Note 1)	51% (—%)	49% (49%)	100% (49%)
NIPPON PAINT (H.K.) COMPANY LIMITED (Note 1)	51% (—%)	49% (49%)	100% (49%)
NIPPON PAINT MARINE CO., LTD. (Note 1)	60% (—%)	40% (40%)	100% (40%)
NIPPON PAINT MATERIALS CO., LTD. (Note 1 and Note 2)	60% (—%)	40% (40%)	100% (40%)
NIPPON PAINT COATINGS (TAIWAN) CO., LTD.	51% (—%)	49% (—%)	100% (—%)
NIPSEA CHEMICAL CO., LTD.	51% (—%)	49% (—%)	100% (—%)
NIPPON PAINT (MALAYSIA) SDN. BHD.	51% (—%)	49% (—%)	100% (—%)
PAINT MARKETING CO. (M) SDN. BHD.	51% (—%)	49% (—%)	100% (—%)
NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	51% (—%)	49% (—%)	100% (—%)
NIPSEA TECHNOLOGIES PTE. LTD.	51% (—%)	49% (—%)	100% (—%)
NIPPON PAINT (THAILAND) COMPANY LIMITED	51% (—%)	48.9% (—%)	99.9% (—%)

Note 1: Company owned indirectly through NIPSEA PTE. LTD.

Note 2: NIPPE TRADING CO., LTD. was renamed NIPPON PAINT MATERIALS CO., LTD. on January 1, 2021.

## 2. Issuance of new shares through the third-party allotment and change in parent company

Of the total payment of ¥1,285,139 million for the acquisition of the Asian JVs and Indonesia business, ¥100,000 million was paid in cash as part of the cost of the acquisition of the Indonesia business. The remaining amount of ¥1,185,139 million was paid by issuing new shares of the Company through a third-party allotment in exchange for a contribution in kind from NIPSEA INTERNATIONAL LIMITED and FRASER (HK) LIMITED consisting of the claim for payment of consideration. The pay-in procedure was completed on January 25, 2021.

### (1) Outline of the offering

	Before capital increase	Increase through capital increase	After capital increase
Total number of issued shares	325,402,443 shares	148,700,000 shares	474,102,443 shares
Amount of capital stock	¥78,862 million	¥592,569 million	¥671,432 million
Class of shares	Common stock		
Amount to be paid in	¥7,970 per share		
Total amount to be paid in	¥1,185,139 million (Note)		
Method of allotment	Third-party allotment		
Subscribers and number of shares to be allotted	NIPSEA INTERNATIONAL LIMITED FRASER (HK) LIMITED	131,700,000 shares 17,000,000 shares	

Note: No cash payment was required because the new shares were issued in exchange for contribution in kind consisting of the claim for payment of consideration.

### (2) Change in the parent company

The following companies became parent companies of the Company.

NIPSEA INTERNATIONAL LIMITED

NIPSEA HOLDINGS INTERNATIONAL LIMITED

WUTHELAM HOLDINGS LIMITED

RAINBOW LIGHT LIMITED (final parent company)

### (Stock split)

The Board of Directors of the Company approved a resolution on February 10, 2021 to implement a stock split and amend the Articles of Incorporation.

#### 1. Purpose of the stock split

The purpose of the stock split is to improve the liquidity of the Company's stock and make the stock more accessible to a broader base of investors as well as our Group's employees and others by reducing the price per investment unit

## 2. Outline of the stock split

### (1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the final register of shareholders as of the record date of March 31, 2021 will be split into five shares.

### (2) Number of shares to be increased by the stock split

Total number of shares prior to the stock split	474,102,443 shares
Number of shares to be increased by the stock split	1,896,409,772 shares
Total number of issued shares following the stock split	2,370,512,215 shares
Total number of authorized shares following the stock split	5,000,000,000 shares

### (3) Schedule of the stock split

Public notice of record date	March 12, 2021
Record date	March 31, 2021
Effective date	April 1, 2021

## 3. Impact on per share information

Per share information assuming that the stock split was performed at the beginning of the fiscal year ended December 31, 2019 is as follows.

	Fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019)	Fiscal Year Ended December 31, 2021 (January 1, 2020 to December 31, 2020)
Equity attributable to owners of the parent company per share (yen)	344.75	354.30
Basic earnings per share (yen)	22.90	27.83
Diluted earnings per share (yen)	22.89	27.83

## 4. Associated amendment to the Articles of Incorporation

### (1) Reason for the amendment

In conjunction with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, the Company will amend Article 6 (Total Number of Authorized Shares) of its Articles of Incorporation.

(2) Details of the amendment

(Changes are underlined)

Prior to the amendment	Following the amendment
<p>(Total Number of Authorized Shares)</p> <p>Article 6 The total number of shares authorized to be issued by the Company shall be <u>one</u> billion shares.</p>	<p>(Total Number of Authorized Shares)</p> <p>Article 6 The total number of shares authorized to be issued by the Company shall be <u>five</u> billion shares.</p>

(3) Schedule of the amendment

Effective date: April 1, 2021

5. Other

(1) The amount of stated capital will not change as a result of this stock split.