

Consolidated Financial Results for the Six Months Ended June 30, 2021 [IFRS]



August 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 filing the quarterly securities report: August 10, 2021

Scheduled date of commencing dividend payments: September 9, 2021

Availability of supplementary briefing material on quarterly 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 Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 2021)

(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	%
Six months ended								
June 30, 2021	497,662	44.1	48,655	40.3	48,195	41.8	34,032	29.3
June 30, 2020	345,440	10.6	34,669	(17.3)	33,991	(19.8)	26,310	(14.4)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Six months ended				
June 30, 2021	33,731	99.7	95,541	—
June 30, 2020	16,890	(19.3)	(9,847)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2021	15.02	15.02
June 30, 2020	10.53	10.53

Note 1: NPHD 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.

Note 2: NPHD implemented a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 was split into five shares, with April 1, 2021 as the effective date. Basic earnings per share, profit, and diluted earnings per share are calculated assuming that the stock split was at the beginning of the fiscal year ended December 31, 2020.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2021	1,918,019	927,107	918,465	47.9
As of December 31, 2020	1,615,384	699,805	568,398	35.2

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2020	Yen —	Yen 22.00	Yen —	Yen 23.00	Yen 45.00
Fiscal year ending December 31, 2021	—	5.00			
Fiscal year ending December 31, 2021 (Forecast)			—	5.00	10.00

Note 1: Revision of the most recent dividend forecast: No

Note 2: NPHD implemented a 5-for-1 stock split of its common stock, with March 31, 2021 as the record date and April 1, 2021 as the effective date. The dividends for the fiscal year ended December 31, 2020 are the dividends before the stock split.

Note 3: Composition of the dividend forecast for the 2nd quarter of the fiscal year ending December 31, 2021: ordinary dividend of ¥4.00; commemorative dividend of ¥1.00 for the 140th anniversary of the company's founding.

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,010,000	29.3	102,000	17.3	101,000	13.8	78,000	74.7	33.95

Note: Revision of the most recent financial results forecast: Yes

*** 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: No

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

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

June 30, 2021: 2,370,512,215 shares

December 31, 2020: 1,627,012,215 shares

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

June 30, 2021: 22,466,935 shares

December 31, 2020: 22,719,125 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2021: 2,245,795,614 shares

Six months ended June 30, 2020: 1,603,937,838 shares

Note 1: NPHD 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.

Note 2: NPHD implemented a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 was split into five shares, with April 1, 2021 as the effective date. The total number of issued shares (common stock) was calculated assuming that the stock split was at the beginning of the fiscal year ended December 31, 2020.

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

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

(Caution concerning forward-looking statements)

Earnings forecasts and other forward-looking statements are based on information currently available and contain risks and uncertainties. Actual results and other aspects of performance may differ greatly from the forecast depending on various factors.

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

(1) Explanation of Operating Results

During the six months ended June 30, 2021, consolidated revenue of Nippon Paint Holdings (“NPHD”) and its group companies increased by 44.1% from the corresponding period of the previous year (the “previous year”) to ¥497,662 million due to the acquisition of 100% ownership of the Asia JVs and the Indonesia business owned by the Wuthelam Group (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”), coupled with the strong performance of the decorative coatings business in China, which is a key business of the Nippon Paint Group. Consolidated operating profit increased by 40.3% from the previous year to ¥48,655 million on higher revenue despite raw material price increases across regions. Consolidated profit before tax increased by 41.8% from the previous year to ¥48,195 million, and profit attributable to owners of parent increased by 99.7% to ¥33,731 million.

Results by business segment are as follows.

Japan

Revenue for automotive coatings increased from the previous year due to a higher number of automobiles manufactured despite the impact of semiconductor shortage. Industrial coatings revenue increased due to solid market conditions such as new housing starts and the recovery from the COVID downturn in the construction machinery market. Decorative paints revenue was on a par with the previous year due to factors such as delays in construction projects and sluggish new paint project orders due to the resurgence of COVID infections.

As a result, consolidated revenue increased by 5.9% from the previous year to ¥80,214 million. Consolidated operating profit increased by 6.9% to ¥7,347 million. From the first quarter of the current fiscal year, headquarters expenses incurred by NPHD, which were previously allocated to the Japan segment, are classified as “Adjustments” that do not belong to any reportable segment in order to more accurately reflect the performance of each reportable segment.

Asia

The earnings of the Indonesia business have been included in the consolidated performance of the Nippon Paint Group from January 2021. Revenue for automotive coatings increased from the previous year due to the continuing market recovery as shown in the increase in the number of automobiles manufactured in China and Thailand. Revenue of decorative paints, a mainstay business in Asia, was higher than in the previous year as a result of contributions from the earnings of the Indonesia business, the continuing recovery in demand for new housing construction and repainting interiors of existing homes in China, and market share gains due to aggressive marketing activities in the major markets including China, Malaysia, Singapore, and Indonesia.

As a result, consolidated revenue increased by 74.9% from the previous year to ¥263,142 million, and consolidated operating profit increased by 58.2% to ¥33,688 million.

Oceania

Revenue for decorative paints increased from the previous year due to the absence of the adverse effects incurred by bushfires and floods in the previous year, coupled with the robust demand for home renovations. Revenue for the paint related business increased due to the robust demand for home renovations.

As a result, consolidated revenue increased by 25.9% from the previous year to ¥84,169 million, and consolidated operating profit increased by 35.4% to ¥11,243 million.

Americas

Revenue for automotive coatings increased from the previous year due to a higher number of automobile manufactured in the

United States, a core region, despite automobile production adjustments due to the semiconductor shortage, as well as robust sales of auto parts. Decorative paints revenue increased due to factors such as stable housing demand and favorable weather.

As a result, consolidated revenue increased by 17.4% from the previous year to ¥38,400 million. Consolidated operating profit increased by 131.0% to ¥2,738 million.

Other

In Other region, automotive coatings revenue increased from the previous year due to the continuing market recovery from the impact of COVID, although at different paces from country to country as a result of the semiconductor shortage and other factors. Revenue for decorative paints and paint related businesses increased due to the continuing brisk market conditions and successful marketing activities.

As a result, consolidated revenue increased by 61.6% from the previous year to ¥31,734 million, and consolidated operating profit increased by 156.3% to ¥2,362 million.

(2) Explanation of Financial Position

Total assets at the end of the second quarter increased by ¥302,634 million from the end of the previous fiscal year to ¥1,918,019 million.

Current assets decreased by ¥32,940 million from the end of the previous fiscal year. This was mainly attributable to a decrease in cash and cash equivalents. Non-current assets increased by ¥335,575 million. The increase was mainly attributable to an increase in goodwill as a result of the acquisition of the Indonesia business.

Liabilities increased by ¥75,332 million from the end of the previous fiscal year to ¥990,911 million mainly due to an increase in trade and other payables.

Equity increased by ¥227,302 million from the end of the previous fiscal year to ¥927,107 million. This was mainly attributable to an increase in share capital as a result of the issuance of new shares through a third-party allotment.

As a result, equity attributable to owners of the parent company to total assets increased from 35.2% at the end of the previous fiscal year to 47.9%.

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

We have revised our consolidated earnings forecast for the fiscal year ending December 31, 2021 that was announced on February 10, 2021. For more information, please refer to the press release titled “Notice Regarding Revision of Consolidated Earnings Forecast (IFRS),” which was released today.

Revision of the Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	890,000	87,000	88,000	67,000	29.17
Revised forecast (B)	1,010,000	102,000	101,000	78,000	33.95
Amount of change (B – A)	120,000	15,000	13,000	11,000	
Percentage change (%)	13.5	17.2	14.8	16.4	

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

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

Condensed Quarterly Consolidated Statement of Profit or Loss

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Revenue	345,440	497,662
Cost of sales	(202,886)	(303,732)
Gross profit	142,554	193,930
Selling, general and administrative expenses	(108,610)	(147,081)
Other income	2,016	3,454
Other expenses	(1,291)	(1,647)
Operating profit	34,669	48,655
Finance income	2,091	3,249
Finance costs	(3,080)	(2,878)
Share of profit (loss) of investments accounted for using equity method	310	770
Loss on step acquisitions	—	(1,601)
Profit before tax	33,991	48,195
Income taxes	(7,680)	(14,163)
Profit	26,310	34,032
Profit attributable to		
Owners of parent	16,890	33,731
Non-controlling interests	9,419	300
Profit	26,310	34,032
Earnings per share		
Basic earnings per share (yen)	10.53	15.02
Diluted earnings per share (yen)	10.53	15.02

Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2020	Second quarter ended June 30, 2021
Revenue	182,524	266,236
Cost of sales	(108,016)	(168,025)
Gross profit	74,508	98,210
Selling, general and administrative expenses	(55,836)	(76,103)
Other income	1,427	1,064
Other expenses	(664)	(777)
Operating profit	19,434	22,394
Finance income	1,127	916
Finance costs	(485)	(1,179)
Share of profit (loss) of investments accounted for using equity method	(78)	298
Profit before tax	19,997	22,431
Income taxes	(3,913)	(6,177)
Profit	16,084	16,253
Profit attributable to		
Owners of parent	9,420	16,046
Non-controlling interests	6,663	207
Profit	16,084	16,253
Earnings per share		
Basic earnings per share (yen)	5.87	6.83
Diluted earnings per share (yen)	5.87	6.83

Condensed Quarterly Consolidated Statement of Comprehensive Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Profit	26,310	34,032
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	(4,347)	2,303
Remeasurements of defined benefit plans	(35)	(43)
Total of items that will not be reclassified subsequently to profit or loss	(4,382)	2,260
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(31,180)	58,972
Cash flow hedges	16	43
Share of other comprehensive income of entities accounted for using equity method	(611)	232
Total of items that may be reclassified subsequently to profit or loss	(31,775)	59,248
Total other comprehensive income	(36,157)	61,508
Comprehensive income	(9,847)	95,54
Comprehensive income attributable to		
Owners of parent	(14,472)	94,88
Non-controlling interests	4,625	659
Comprehensive income	(9,847)	95,54

Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2020	Second quarter ended June 30, 2021
Profit	16,084	16,253
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,477	1,447
Remeasurements of defined benefit plans	(2)	1
Share of other comprehensive income of investments accounted for using equity method	—	(1)
Total of items that will not be reclassified subsequently to profit or loss	1,475	1,448
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	23,197	(3,441)
Cash flow hedges	(71)	7
Share of other comprehensive income of entities accounted for using equity method	33	12
Total of items that may be reclassified subsequently to profit or loss	23,160	(3,422)
Total other comprehensive income	24,635	(1,973)
Comprehensive income	40,719	14,279
Comprehensive income attributable to		
Owners of parent	34,357	14,054
Non-controlling interests	6,362	224
Comprehensive income	40,719	14,279

(2) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	232,134	132,626
Inventories	94,055	128,909
Trade and other receivables	231,995	284,439
Other financial assets	66,915	46,730
Other current assets	17,468	17,628
Subtotal	642,569	610,333
Assets held for sale	927	222
Total current assets	643,496	610,556
Non-current assets		
Property, plant and equipment	248,302	288,725
Goodwill	424,168	637,050
Other intangible assets	230,099	292,506
Investments accounted for using equity method	13,174	29,006
Other financial assets	49,939	55,205
Other non-current assets	3,124	3,410
Deferred tax assets	3,078	1,557
Total non-current assets	971,887	1,307,463
Total assets	1,615,384	1,918,019

	(Million yen)	
	As of December 31, 2020	As of June 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	161,525	192,508
Bonds and borrowings	68,133	88,910
Other financial liabilities	25,534	26,155
Income taxes payable	8,796	11,428
Provisions	2,945	4,058
Other current liabilities	48,611	58,245
Total current liabilities	315,547	381,306
Non-current liabilities		
Bonds and borrowings	467,627	458,919
Other financial liabilities	46,917	47,130
Retirement benefit liability	20,763	22,729
Provisions	775	942
Other non-current liabilities	4,344	5,324
Deferred tax liabilities	59,602	74,558
Total non-current liabilities	600,030	609,605
Total liabilities	915,578	990,911
Equity		
Share capital	78,862	671,432
Capital surplus	63,320	—
Treasury shares	(6,268)	(6,202)
Retained earnings	444,639	211,896
Other components of equity	(12,156)	41,338
Total equity attributable to owners of parent	568,398	918,465
Non-controlling interests	131,407	8,642
Total equity	699,805	927,107
Total liabilities and equity	1,615,384	1,918,019

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the Six Months Ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2020	78,862	62,927	(6,378)	411,941	5,568	552,922	135,056	687,979
Profit	—	—	—	16,890	—	16,890	9,419	26,310
Other comprehensive income	—	—	—	—	(31,363)	(31,363)	(4,794)	(36,157)
Comprehensive income	—	—	—	16,890	(31,363)	(14,472)	4,625	(9,847)
Issuance of new shares	—	—	—	—	—	—	—	—
New share issuance expenses	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	(5)	—	—	(5)	—	(5)
Disposal of treasury shares	—	166	59	—	—	225	—	225
Dividends	—	—	—	(7,378)	—	(7,378)	(2,397)	(9,775)
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(39)	39	—	—	—
Other	—	—	—	—	—	—	(35)	(35)
Total transactions with owners	—	166	54	(7,417)	39	(7,157)	(2,432)	(9,590)
Balance as of June 30, 2020	78,862	63,093	(6,323)	421,414	(25,755)	531,292	137,249	668,541

For the Six Months Ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2021	78,862	63,320	(6,268)	444,639	(12,156)	568,398	131,407	699,805
Profit	—	—	—	33,731	—	33,731	300	34,032
Other comprehensive income	—	—	—	—	61,150	61,150	358	61,508
Comprehensive income	—	—	—	33,731	61,150	94,881	659	95,541
Issuance of new shares	592,569	592,569	—	—	—	1,185,139	—	1,185,139
New share issuance expenses	—	(3,619)	—	—	—	(3,619)	—	(3,619)
Purchase of treasury shares	—	—	(5)	—	—	(5)	—	(5)
Disposal of treasury shares	—	335	70	—	—	405	—	405
Dividends	—	—	—	(7,380)	—	(7,380)	(96)	(7,476)
Changes in ownership interest in subsidiaries	—	(912,321)	—	—	(7,033)	(919,354)	(124,174)	(1,043,529)
Transfer from retained earnings to capital surplus	—	259,715	—	(259,715)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	830	830
Transfer from other components of equity to retained earnings	—	—	—	622	(622)	—	—	—
Other	—	—	—	—	—	—	16	16
Total transactions with owners	592,569	(63,320)	65	(266,473)	(7,655)	255,185	(123,424)	131,761

Balance as of June 30, 2021	671,432	—	(6,202)	211,896	41,338	918,465	8,642	927,107
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(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from operating activities		
Profit before tax	33,991	48,195
Depreciation and amortization	14,368	17,047
Gain on bargain purchase	—	(1,528)
Loss on step acquisitions	—	1,601
Interest and dividend income	(1,665)	(1,878)
Interest expenses	2,988	2,736
Share of loss (profit) of investments accounted for using equity method	(310)	(769)
Decrease (increase) in inventories	216	(19,560)
Decrease (increase) in trade and other receivables	(14,215)	(29,217)
Increase (decrease) in trade and other payables	(16,020)	12,338
Increase (decrease) in other current liabilities	4,141	4,105
Other	2,689	(933)
Subtotal	26,183	32,135
Interest received	1,194	1,202
Dividends received	1,575	1,125
Interest paid	(3,022)	(2,734)
Income taxes paid	(10,215)	(10,568)
Net cash provided by operating activities	15,716	21,160
Cash flows from investing activities		
Net decrease (increase) in time deposits	(2,172)	13,458
Net decrease (increase) in short-term investment securities	20,608	20,161
Purchase of property, plant and equipment	(11,249)	(14,440)
Proceeds from sale of property, plant and equipment	917	564
Purchase of intangible assets	(1,429)	(1,907)
Purchase of shares of subsidiaries	(1,453)	(98,371)
Payments for purchase of investment in shares accounted for using equity method	—	(16,999)
Payments for acquisition of businesses	(259)	(1,043)
Payments for loans receivable	(20)	(4,769)
Other	577	(94)
Net cash used in investing activities	5,518	(103,443)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(330,648)	(106)
Proceeds from long-term borrowings	371,777	40,700
Repayments of long-term borrowings	(14,980)	(32,958)
Repayments of lease obligations	(4,568)	(4,212)
Proceeds from issuance of shares	—	(5,214)
Dividends paid	(7,379)	(7,379)
Dividends paid to non-controlling interests	(629)	(1,335)
Dividends paid to former shareholders of newly consolidated subsidiaries	—	(10,011)
Other	3	(16)
Net cash used in financing activities	13,573	(20,534)
Effect of exchange rate changes on cash and cash equivalents	(4,356)	3,309
Net decrease in cash and cash equivalents	30,452	(99,507)
Cash and cash equivalents at beginning of period	123,300	232,134
Cash and cash equivalents at end of period	153,752	132,626

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information)

(1) Summary of reportable segments

The reportable segments of the Group categorize the business composition of the Group for which separate financial information is available and are subject to periodical evaluation by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding management resource allocation and performance assessment. 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 related business which manufactures and sells paint-related products such as adhesives. NPHD and separate local companies are responsible for domestic activities, and overseas, separate local companies are responsible for the Asia, Oceania, 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 four reportable segments are "Japan," "Asia," "Oceania," and "Americas."

"Other" contains business activities by overseas subsidiaries in Europe, etc. Those business activities are managed individually, but are not material enough to be disclosed separately as an independent segment of the Group.

(2) Matters regarding changes, etc. of reportable segments

From the first quarter of the current fiscal year, headquarters expenses incurred by Nippon Paint Holdings, which were previously allocated to the Japan segment, are classified as "Adjustments" that do not belong to any reportable segment in order to more accurately reflect the performance of each reportable segment. The segment information for the first quarter of the previous fiscal year has been revised for consistency with this change.

(3) Performance by reportable segment

For the Six Months Ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

	Reportable segment					Other	Total	Adjustments (Note)	(Million yen)
	Japan	Asia	Oceania	Americas	Subtotal				Condensed quarterly consolidated financial statements
Revenue									
Revenue from external customers	75,772	150,471	66,844	32,718	325,807	19,633	345,440	—	345,440
Intersegment revenue	8,000	1,969	37	54	10,062	391	10,454	(10,454)	—
Total	83,773	152,440	66,882	32,773	335,869	20,025	355,894	(10,454)	345,440
Segment profit (loss)	6,871	21,298	8,307	1,185	37,662	921	38,584	(3,915)	34,669
Financial income									2,091
Financial costs									(3,080)
Share of profit of investments accounted for using equity method									310
Profit before tax									33,991

Note: Adjustments for segment profit of ¥-3,915 million include headquarters expenses of ¥-7,111 million that do not belong to any reportable segment and intersegment eliminations of ¥3,196 million

For the Six Months Ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

	Reportable segment					Other	Total	Adjustments (Note)	(Million yen)
	Japan	Asia	Oceania	Americas	Subtotal				Condensed quarterly consolidated financial statements
Revenue									
Revenue from external customers	80,214	263,142	84,169	38,400	465,927	31,734	497,662	—	497,662
Intersegment revenue	11,490	2,688	149	44	14,373	374	14,747	(14,747)	—
Total	91,704	265,831	84,319	38,445	480,300	32,109	512,410	(14,747)	497,662
Segment profit (loss)	7,347	33,688	11,243	2,738	55,018	2,362	57,381	(8,726)	48,655
Financial income									3,249
Financial costs									(2,878)
Share of profit of investments accounted for using equity method									770
Loss on step acquisitions									(1,601)
Profit before tax									48,195

Note: Adjustments for segment profit of ¥-8,726 million include headquarters expenses of ¥-12,249 million that do not belong to any reportable segment and intersegment eliminations of ¥3,523 million.

(4) Information on products and services

For the Six Months Ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	75,772	150,471	38,468	32,718	15,168	312,599
Automotive coatings	15,762	23,800	—	8,465	3,513	51,541
Decorative paints	21,375	106,475	35,947	22,849	9,300	195,949
Industrial coatings	17,443	10,884	2,520	—	1,562	32,410
Fine chemicals	3,713	2,360	—	1,301	698	8,074
Other paints	17,476	6,950	—	102	94	24,623
Paint related business	—	—	28,376	—	4,464	32,841
Total	75,772	150,471	66,844	32,718	19,633	345,440

For the Six Months Ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	80,214	261,860	46,583	38,400	23,124	450,183
Automotive coatings	18,677	38,268	—	12,243	5,268	74,458
Decorative paints	21,812	189,393	43,107	25,523	14,219	294,056
Industrial coatings	18,602	19,565	3,476	—	2,333	43,977
Fine chemicals	3,972	3,256	—	627	1,257	9,113
Other paints	17,149	11,374	—	6	46	28,577
Paint related business	—	1,282	37,585	—	8,610	47,479
Total	80,214	263,142	84,169	38,400	31,734	497,662

(Business combinations)

For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

There is no relevant information

For the six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(Acquisition of the 100% ownership of the Asian JVs and the Indonesia business)

Main reasons for the business combinations

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 NPHD's sustainable growth in terms of both market size and growth rate. NPHD acquired approximately 100% ownership of the Asian JVs (the "Target JVs," collectively with the Indonesia business, the "Target Businesses") with the Wuthelam Group 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 a third-party allotment to NIPSEA International Limited and Fraser (HK) Limited, which are 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 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, which will 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 shifting the industrial coatings business from a regional focus to a business focus and constructing 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 shareholder value.

The transaction includes the following business combination and acquisition of non-controlling interests.

(1) Business combination

(i) Summary of business combination

(a) Name and description of businesses of companies acquired

Name of companies acquired: Neave Limited and its subsidiary PT NIPSEA Paint and Chemicals (the Indonesia business)

Business activities: Manufacture and sale of paint

(b) Date of acquisition

January 25, 2021

(c) Percentage of equity interests with voting rights acquired: 100%

(d) Method of acquisition of control: By acquisition of shares

(ii) Fair value of assets acquired and liabilities assumed at the date of business combination

	(Million yen)
	Fair value
Cash and cash equivalents	1,062
Property, plant and equipment	18,079
Intangible assets	48,010
Other assets	15,444
Fair value of liabilities assumed	(18,055)
Fair value of assets acquired and liabilities assumed, net	64,542

Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade and other receivables	7,249	6,980
Accounts receivable-other	97	93
Total	7,346	7,074
Best estimate of contractual cash flows not expected to be collected	(272)	—
Net total	7,074	7,074

Note: The acquisition price is allocated to assets and liabilities based on the fair value at the date of obtaining control. The allocation of the acquisition price was completed during the six months ended June 30, 2021. The details of adjustments from the initial provisional amounts are as follows.

Property, plant and equipment	¥11,277 million increase
Intangible assets	¥47,985 million increase
Other assets	¥1,329 million increase
Fair value of liabilities assumed	¥12,118 million increase
Non-controlling interests	¥48 million increase
Goodwill	¥48,424 million decrease

(iii) Consideration transferred and goodwill

	(Million yen)		
	Amount		
Consideration transferred	(Cash)	A	100,000
	(Claim for payment of consideration) (Note 1)	B	135,490
Fair value of assets acquired and liabilities assumed, net		C	64,542
Non-controlling interests (Note 2)		D	64
Goodwill (Note 3) A+		A+B-(C-D)	171,012

Note 1: NPHD issued new shares through a third-party allotment in exchange for a contribution in kind.

Note 2: Non-controlling interests are measured as the ownership ratio of non-controlling shareholders of the fair value of identifiable net assets of the acquired company

Note 3: Goodwill primarily reflects the ability to generate excess earnings in the future and synergies with existing businesses. Goodwill does not include any amount which is expected to be deductible for tax purposes.

(iv) Acquisition-related expenses

Account item: Selling, general and administrative expenses

Amount: ¥385 million

(v) Effects on the condensed consolidated statement of profit or loss

Financial results of the acquired company on and after the date of acquisition recognized in the condensed consolidated statement of profit or loss

	(Million yen)
	For the six months ended June 30, 2021
Revenue	19,850
Profit	4,265

(vi) Effects of business combination on cash flows

	(Million yen)
	Amount
Consideration paid for acquisition	100,000
Cash and cash equivalents	(1,062)
Purchase of shares of subsidiaries	98,937

(2) Acquisition of non-controlling interests

In the three months ended March 31, 2021, NPHD acquired additional shares of the following companies in order to establish a foundation for growth through the integration of the Group's Asian operations.

As a result, non-controlling interests declined by ¥124,174 million, capital surplus by ¥912,321 million, and other components of equity by ¥7,033 million. Due to these changes, capital surplus became negative, and ¥259,715 million was transferred from retained earnings to capital surplus to make capital surplus zero.

Company	Voting rights ownership ratio (indirect ownership)		
	Prior to acquisition	Additional acquisition	After acquisition
Nippon Paint (China) Company Limited (Note)	51%	49%	100%
	(—%)	(49%)	(49%)
Guangzhou Nippon Paint Co., Ltd. (Note)	51%	49%	100%
	(—%)	(49%)	(49%)
Nippon Paint (Chengdu) Co., Ltd. (Note)	51%	49%	100%
	(—%)	(49%)	(49%)
Nippon Paint (H.K.) Company Limited (Note)	51%	49%	100%
	(—%)	(49%)	(49%)
Nippon Paint Marine Coatings Co., Ltd. (Note)	60%	40%	100%
	(—%)	(40%)	(40%)
Nippon Paint Materials Co., Ltd. (Note)	60%	40%	100%
	(—%)	(40%)	(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: Company owned indirectly through Nippon Paint Holdings SG Pte. Ltd.

NIPSEA Pte. Ltd. changed name to Nippon Paint Holdings SG. Pte. Ltd. on May 17, 2021.

(Significant Subsequent Events)

(Loss of control of subsidiary)

(1) Dissolution and liquidation of a consolidated subsidiary

(i) Summary

NPHD adopted a resolution at its board of directors meeting held on August 10, 2021 to dissolve and liquidate a consolidated subsidiary, Nippon Paint (Europe) Ltd. (NPE).

	Voting rights ownership ratio
Nippon Paint (Europe) Ltd.	100%

(ii) Reasons

NPHD implemented a business restructuring in the automotive coatings business in Europe to become more competitive last year, and launched a new operating structure on April 1, 2021. Under the new operating structure, Nippon Paint Automotive Europe GmbH (NPAE), a wholly-owned subsidiary of NPE, has started operating as the European headquarters for the automotive coatings business. As a result, we have decided to dissolve and liquidate NPE because it has finished its role as the European headquarters.

The impact of this transaction has not been determined at this time.

(2) Transfer of shares accompanying change in consolidated subsidiary

(i) Summary of the share transfer

NPHD adopted a resolution at its board of directors meeting held on August 10, 2021 to transfer to Isaac Newton Corporation (“INC”), which is a member of Wuthelam Group (“Wuthelam Group” means collectively the Company’s major shareholder Wuthelam Holdings Limited (“Wuthelam”), its parent company and Mr. Goh Hup Jin, persons substantively controlled by Wuthelam, its parent company and Mr. Goh Hup Jin, and subsidiaries of Wuthelam; hereinafter the same), the shares in Nippon Paint (India) Private Limited (NPI) held by NPHD, the shares in Nippon Paint Automotive Europe GmbH (“NPAE”) held by NPHD’s consolidated subsidiary Nippon Paint (Europe) Ltd. (NPE), and the shares in Berger Nippon Paint Automotive Coatings Private Limited (“BNPA,” and collectively with NPI and NPAE, the “Target Companies”) held by NPHD’s consolidated subsidiary Nippon Paint Automotive Coatings Co., Ltd. (“NPAC”; that transfer, the “Share Transfer”) and that NPHD and INC executed a Master Agreement, and NPHD and NPAC respectively executed Share Purchase Agreements with INC, on the same date.

The Share Purchase Agreement between NPE and INC (collectively with the aforementioned Master Agreement and the Share Purchase Agreements, the “Share Purchase Agreements”) is scheduled to be executed prior to the closing date of the Share Transfer.

Name	Voting rights ownership ratio	
	Before the share transfer	After the share transfer
Nippon Paint Automotive Europe GmbH (Note)	100%	0%
Nippon Paint (India) Private Limited	99.99%	0%
Berger Nippon Paint Automotive Coatings Private Limited	51%	0%

(Note) Nippon Paint Automotive Europe GmbH owns shares of the following consolidated subsidiaries of NPHD.

Name	Voting rights ownership ratio
Nippon Paint Automotive (France) SAS	100%
Nippon Paint Automotive Coatings (Czech) S.R.O.	100%
Nippon Paint Automotive (Slovakia) S.R.O.	100%
Nippon Paint Automotive (UK) Ltd.	100%
Bollig & Kemper Ltd.	100%
BK&NP Automotive Coatings (Shanghai) Co., Ltd.	40%

(ii) Transfer price

18,607 million yen

(iii) Reasons for the share transfer

In order to achieve maximization of shareholder value (MSV), which is NPHD's management mission, NPHD has strengthened its growth strategy in each region and business and implemented a variety of measures, such as actively proceeding with M&A. In addition, NPHD has established a dominant No. 1 management base in Asia that overwhelmingly surpasses all others through the acquisition of full ownership of joint ventures in Asia and the completion of acquisition procedures for the Indonesia business on January 25, 2021 and continues to accelerate global development while at the same time constantly reviewing its group portfolio from the perspective of MSV.

Under these circumstances, while two of the three companies subject to transfer this time and that are mainly engaged in the Automotive coatings business, namely NPAE and BNPA, remain important in Europe and India from a strategic perspective based on the policy of globally integrated management of the automotive coatings business conducted by NPAC, there have been significant changes in the business climate, with market stagnation due to the novel coronavirus and recent shortages in semiconductors and rising raw material prices, among other factors. As a result of review its strategy, NPHD has determined that in order to improve its corporate value in the medium and long term, it needs to take significant measures for fundamental business restructuring and enhancement. In addition, NPI, which is mainly engaged in the decorative paints, industrial coatings, and automotive refinish businesses in India, has similarly been affected by market stagnation due to the novel coronavirus and rising raw material prices in the short term, and competition is expected to become even fiercer. Therefore, NHD has determined that further structural reinforcement, implementation of bold promotions, and other similar measures will be necessary in order to bolster NPHD's presence in the continuously promising Indian market in the medium and long term.

However, in order to proceed with fundamental business restructuring and enhancement, and structural reinforcement and promotions described above, NPHD bears financial burdens as a result of recording significant additional investments and costs in its accounts in the short term, and those burdens could affect the allocation of capital for promoting future M&A. As a result, there is a possibility that the promotion of those measures will not contribute to MSV. In addition, there is a risk of uncertainty regarding the success of the reorganization of the three companies through these restructuring measures and the duration required to complete such restructuring measures, and in light of these issues, NPHD examined all possible options, including a sale of the three companies to a third party. Under these circumstances, a sale to a third party would significantly limit our future strategic options in the European and Indian market, so in order to enable the Company to benefit from further growth in the European and Indian market in the case where restructuring measures are successful while shielding it from any associated short term risk or uncertainty. For this purpose, NPHD has executed the Share Purchase Agreements that include call options for NPHD to buy back the shares in the three companies at a future point in time following consultation and negotiation with the Wuthelam Group.

Based on the above, the Company will secure sustainable growth in the medium and long term and will diversify risk by having the Wuthelam Group bear additional investments and costs for restructuring in the short term and any uncertainty of the restructuring plan. The Company has determined that the Share Transfer is reasonable from the standpoint that the transfer of the Target Companies contributes to NPHD's EPS and NPHD has options to buy back the shares in the Target Companies with mid-to long-term potential growth, as well as from the standpoint of protecting minority shareholders and Maximization of Shareholder Value (MSV).