

# Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [IFRS]



February 14, 2022

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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

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Scheduled date of annual general meeting of shareholders: March 29, 2022

Scheduled date of commencing dividend payments: March 30, 2022

Scheduled date of filing the securities report: March 30, 2022

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, 2021 (January 1, 2021 to December 31, 2021)

### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

|                   | Revenue     |      | Operating profit |     | Profit before tax |       | Profit      |      |
|-------------------|-------------|------|------------------|-----|-------------------|-------|-------------|------|
| Fiscal year ended | Million yen | %    | Million yen      | %   | Million yen       | %     | Million yen | %    |
| December 31, 2021 | 998,276     | 29.2 | 87,615           | 0.0 | 86,467            | (3.3) | 68,112      | 1.0  |
| December 31, 2020 | 772,560     | —    | 87,594           | —   | 89,443            | —     | 67,448      | 19.9 |

|                   | Profit attributable to owners of parent |      | Comprehensive income |       |
|-------------------|---|------|----------------------|-------|
| Fiscal year ended | Million yen                             | %    | Million yen          | %     |
| December 31, 2021 | 67,569                                  | 53.8 | 156,608              | 211.3 |
| December 31, 2020 | 43,921                                  | 19.6 | 50,300               | 54.0  |

|                   | Basic earnings per share | Diluted earnings per share | Return on equity | Profit before tax to total assets | Operating profit to revenue |
|-------------------|--------------------------|----------------------------|------------------|-----------------------------------|-----------------------------|
| Fiscal year ended | Yen                      | Yen                        | %                | %                                 | %                           |
| December 31, 2021 | 29.41                    | 29.41                      | 8.8              | 4.8                               | 8.8                         |
| December 31, 2020 | 27.38                    | 27.38                      | 7.8              | 5.8                               | 11.3                        |

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

Fiscal year ended December 31, 2021: ¥2,186 million

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

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 conducted at the beginning of the fiscal year ended December 31, 2020.

Note 3: The Nippon Paint Group approved a resolution at the Board of Directors meeting of NPHD on August 10, 2021 to dissolve and liquidate Nippon Paint (Europe) Ltd. (NPE), a consolidated subsidiary of NPHD. In addition, the Nippon Paint Group transferred to Isaac Newton Corporation (INC) the shares in Nippon Paint (India) Private Limited (NPI) held by NPHD, the shares in Nippon Paint Automotive Europe GmbH (NPAE) held by NPE, and the shares in Berger Nippon Paint Automotive Coatings Private Limited (BNPA) held by NPHD's consolidated subsidiary Nippon Paint Automotive Coatings Co., Ltd. (NPAC) on August 27, 2021. As a result, these businesses have been classified as discontinued operations. Revenue, operating profit, and profit before tax for the fiscal year ended December 31, 2021 have been reclassified and restated to the amounts for continuing operations excluding the amounts for discontinued operations. Consequently, the year-on-year percentage changes in these items have not been provided. For more information about the discontinued operations, please

see “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Discontinued Operations)” on page 19 of the accompanying material.

(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, 2021 | 1,955,083    | 968,694      | 959,518                                 | 49.1  | 408.61  |
| As of December 31, 2020 | 1,614,580    | 699,002      | 567,594                                 | 35.2  | 353.80  |

(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 |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                                     | Million yen                          | Million yen                          | Million yen                          | Million yen                                |
| Fiscal year ended December 31, 2021 | 67,428                               | (102,355)                            | (62,309)                             | 138,813                                    |
| December 31, 2020                   | 87,633                               | (35,440)                             | 60,869                               | 232,134                                    |

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 |                      |                                    |  |
|                                     | Yen              | Yen             | Yen             | Yen      | Yen   | Million yen          | %                                  | %  |
| Fiscal year ended December 31, 2020 | —                | 22.00           | —               | 23.00    | 45.00 | 14,439               | 32.9                               | 2.6  |
| December 31, 2021                   | —                | 5.00            | —               | 5.00     | 10.00 | 23,482               | 34.0                               | 2.6  |
| December 31, 2022 (forecast)        |                  | 5.00            |                 | 6.00     | 11.00 |                      | 31.9                               |  |

Note 1: 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 2: Composition of the dividend for the second 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, 2022 (January 1, 2022 to December 31, 2022)

(% 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 | 1,200,000   | 20.2 | 115,000          | 31.3 | 113,000           | 30.7 | 81,000                                  | 19.9 | 34.49                    |

Note: Revenue, operating profit, and profit before tax figures are for continuing operations. The year-on-year percentage changes are changes in these items for continuing operations from the previous year.

**\* 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 | - |
|--------------------|---|----------|---|

- (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: Yes  
3) Changes in accounting estimates: No

Note: For more information, please see “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 11 of the accompanying material.

- (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, 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:

December 31, 2021: 22,286,657 shares

December 31, 2020: 22,719,125 shares

- 3) Average number of shares during the period:

Fiscal year ended December 31, 2021: 2,297,235,901 shares

Fiscal year ended December 31, 2020: 1,604,054,092 shares

Note 1: NPHD issued new shares through a third-party allotment on January 25, 2021. As a result, the total number of shares issued 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. Total number of issued shares (common shares) is calculated assuming that the stock split was conducted 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 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

The Nippon Paint Group approved a resolution at the Board of Directors meeting of NPHD on August 10, 2021 to dissolve and liquidate NPE. In addition, the Nippon Paint Group transferred shares of NPI, NP AE, and BNPA to INC on August 27, 2021. As a result, these businesses have been classified as discontinued operations for the purpose of preparing the consolidated financial statements. Based on this accounting treatment, revenue, operating profit, and profit before tax are reclassified and restated to the amounts for continuing operations excluding discontinued operations. The percentage changes from the previous year are changes in these items for continuing operations from the previous year. For more information, see “3. Consolidated Financial Statements and Primary Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (Discontinued Operations)”.

During the fiscal year ended December 31, 2021, consolidated revenue of the Nippon Paint Group increased by 29.2% from the previous year to ¥998,276 million due to the acquisition of 100% ownership of the Asian JVs, the acquisition of the Indonesia business owned by the Wuthelam Group (Wuthelam Holdings Limited (“Wuthelam”) and Mr. Goh Hup Jin (collectively, “Wuthelam and Mr. Goh”) and by Mr. Goh, Wuthelam’s subsidiaries, and companies substantively controlled by Wuthelam, and the strong performance of the decorative paints business in China, which is a key business of the Nippon Paint Group. Consolidated operating profit increased by 0.0% from the previous year to ¥87,615 million on higher revenue despite raw material price increases around the world.

Consolidated profit before tax declined by 3.3% from the previous year to ¥86,467 million, and profit attributable to owners of parent increased by 53.8% to ¥67,569 million.

\*DuluxGroup Limited is an Australian company that owns the Dulux® trademark only in Australia, New Zealand, Papua New Guinea, Samoa and Fiji. 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

Revenue for automotive coatings increased from the previous year although the number of automobiles manufactured declined as a result of the semiconductor chip shortage and other factors. Industrial coatings revenue increased due to firm market conditions such as strong new housing starts and the recovery from the COVID-19 downturn in the construction machinery market. Decorative paints revenue increased due to factors such as progress at delayed construction projects despite the impact of a resurgence of the pandemic.

As a result, consolidated revenue increased by 1.6% from the previous year to ¥164,635 million. Consolidated operating profit declined by 36.2% to ¥10,289 million due to higher prices of raw materials. Beginning with the fiscal year ended December 31, 2021, 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

Earnings of the Indonesia business have been included in the consolidated performance of the Nippon Paint Group since January 2021. Revenue for automotive coatings increased from the previous year, despite the ongoing impact of the semiconductor chip shortage and other factors, due to 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 Indonesia business, the continuing recovery in demand for repainting interiors of existing homes in China, and market share gains due to aggressive marketing activities in major markets including China, Malaysia, and Indonesia.

As a result, consolidated revenue increased by 49.6% from the previous year to ¥530,216 million, and consolidated operating profit increased by 10.1% to ¥60,862 million.

## Oceania

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

As a result, consolidated revenue increased by 18.8% from the previous year to ¥176,237 million, and consolidated operating profit increased by 23.7% to ¥19,048 million.

## Americas

Revenue for automotive coatings increased from the previous year although the number of automobiles manufactured in the United States, a core region, remained at the previous year's level due to production adjustments at automobile manufacturers as a result of the semiconductor chip shortage. Decorative paints revenue increased from the previous year due to factors such as stable housing demand and favorable weather.

As a result, consolidated revenue increased by 9.0% from the previous year to ¥76,408 million. Consolidated operating profit declined by 20.1% to ¥3,600 million due to higher prices of raw materials.

## Other

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 35.0% from the previous year to ¥50,778 million, and consolidated operating profit increased by 31.5% from the previous year to ¥7,141 million.

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

Total assets at the end of the fiscal year ended December 31, 2021 increased by ¥340,502 million from the end of the previous fiscal year to ¥1,955,083 million.

Current assets decreased by ¥42,759 million mainly due to a decrease in cash and cash equivalents. Non-current assets increased by ¥383,262 million mainly because of an increase in goodwill as a result of acquisition of the Indonesia business.

Liabilities increased by ¥70,809 million to ¥986,388 million mainly due to an increase in trade and other payables.

Equity increased by ¥269,692 million to ¥968,694 million. This was mainly attributable to an increase in share capital as a result of issuing new shares through a third-party allotment.

As a result, equity attributable to owners of parent to total assets increased from 35.2% at the end of the previous fiscal year to 49.1%.

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

In the fiscal year ended December 31, 2021, operating activities resulted in an inflow of ¥67,428 million, investing activities resulted in an outflow of ¥102,355 million, and financing activities resulted in an outflow of ¥62,309 million, resulting in cash and cash equivalents of ¥138,813 million, a decrease of ¥93,320 million compared with the end of the previous year.

### (Cash flows from operating activities)

Net cash provided by operating activities decreased by ¥20,205 million from the previous year to ¥67,428 million. Primary factors include a cash inflow (excluding increases and decreases in operating capital) of ¥115,582 million, reflecting mainly non-cash expenses such as depreciation and amortization on profit before tax from continuing operations, a decrease in funds of ¥22,568 million due to an increase in operating capital, income taxes paid of ¥22,859 million, and a net cash outflow from operating activities from discontinued operations of ¥2,725 million.

### (Cash flows from investing activities)

Net cash used in investing activities increased by ¥66,915 million from the previous year to ¥102,355 million. This was mainly attributable to an inflow of ¥31,860 million due to a decrease in time deposits, an inflow of ¥15,525 million due to a decrease in marketable securities, and a net cash provided by investing activities from discontinued operations of ¥13,809 million, an outflow

of ¥34,928 million due to the purchase of property, plant, and equipment, an outflow of ¥98,791 million due to the purchase of shares of subsidiaries, and an outflow of ¥20,093 million due to the purchase of shares of investments accounted for using the equity method.

(Cash flows from financing activities)

Net cash used in financing activities was ¥62,309 million (net cash provided of ¥60,869 million in the previous year). Primary factors include an outflow of ¥13,782 million due to a decrease in borrowings, an outflow of ¥31,357 million due to dividends paid, an outflow of ¥8,213 million due to repayments of lease liabilities, and an outflow of ¥5,214 million due to issuance of shares.

(4) Future Outlook

During the fiscal year ending December 31, 2022, the momentum of the global economic recovery is expected to slow down due to concerns about the resurgence of the pandemic and continuing disruptions in supply chains, coupled with the impact of prolonged hyperinflation due to the rise in the price of crude oil and other factors.

The Nippon Paint Group is implementing a three-year New Medium-Term Plan (FY2021-2023), which started in the fiscal year ended December 31, 2021. In accordance with this plan, we will further strengthen the foundation for growth in our existing businesses and use M&A to add highly skilled people and powerful brands. These actions are aimed at generating additional earnings and achieving sustained growth. These actions include initiatives for more growth in the decorative paints business, including in Asia and Oceania, and for strengthening ETICS, adhesives and other paint related business. At Cromology Holding SAS (Cromology), which we acquired on January 20, 2022, we plan to accelerate its growth by sharing the Nippon Paint Group's expertise and knowhow. We will continue activities to increase our market share in every operating region and business field by driving the autonomous management of our group companies in Japan and other countries.

Based on this outlook, we forecast consolidated revenue of ¥1,200,000 million, consolidated operating profit of ¥115,000 million, profit before tax of ¥113,000 million and profit attributable to owners of the parent of ¥81,000 million.

Based on this earnings forecast, we plan to pay a dividends of ¥11 per share for the fiscal year ending December 31, 2022.

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 using 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<br>December 31, 2020<br>(Adjusted and restated (note)) | For the fiscal year ended<br>December 31, 2021 |
|--|--|--|
| <b>Continuing operations</b>   |  |  |
| Revenue  | 772,560  | 998,276  |
| Cost of sales  | (451,336)  | (619,953)                                      |
| <b>Gross profit</b>  | 321,224  | 378,323  |
| Selling, general and administrative expenses                               | (235,468)  | (294,322)                                      |
| Other income   | 5,292  | 7,528  |
| Other expenses   | (3,454)  | (3,914)  |
| <b>Operating profit</b>  | 87,594   | 87,615   |
| Finance income   | 6,173  | 4,201  |
| Finance costs  | (5,973)  | (5,934)  |
| Share of profit (loss) of investments<br>accounted for using equity method | 1,649  | 2,186  |
| Loss on step acquisitions  | —  | (1,601)  |
| <b>Profit before tax</b>   | 89,443   | 86,467   |
| Income taxes   | (20,043)   | (19,245)                                       |
| <b>Profit from continuing operations</b>                                   | 69,400   | 67,221   |
| <b>Discontinued operations</b>   |  |  |
| <b>Profit (loss) from discontinued operations</b>                          | (1,951)  | 890  |
| <b>Profit</b>  | 67,448   | 68,112   |
| <b>Profit attributable to</b>  |  |  |
| Owners of parent   | 43,921   | 67,569   |
| Non-controlling interests  | 23,526   | 542  |
| <b>Profit</b>  | 67,448   | 68,112   |
| <b>Earnings per share</b>  |  |  |
| Basic earnings (loss) per share (yen)                                      |  |  |
| Continuing operations  | 28.49  | 28.98  |
| Discontinued operations  | (1.11)   | 0.43   |
| <b>Total</b>   | 27.38  | 29.41  |
| Diluted earnings (loss) per share (yen)                                    |  |  |
| Continuing operations  | 28.49  | 28.98  |
| Discontinued operations  | (1.11)   | 0.43   |
| <b>Total</b>   | 27.38  | 29.41  |

Note: Please refer to “(5) Notes to the Consolidated Financial Statements ‘Changes in Accounting Policies’”.



# Consolidated Statement of Comprehensive Income

(Million yen)

|  | For the fiscal year ended<br>December 31, 2020<br>Restated (Note) | For the fiscal year ended<br>December 31, 2021 |
|--|---|--|
| <b>Profit</b>  | 67,448  | 68,112   |
| Other comprehensive income   |   |  |
| Items that will not be reclassified to profit or loss  |   |  |
| Net change in fair value of equity instruments<br>designated as measured at fair value through<br>other comprehensive income | (2,406)   | 1,387  |
| Remeasurements of defined benefit plans  | 1,907   | 1,921  |
| Share of other comprehensive income of investments<br>accounted for using the equity methods                                 | 387   | (11)   |
| Total of items that will not be reclassified to<br>profit or loss  | (111)   | 3,297  |
| Items that may be reclassified to profit or loss   |   |  |
| Exchange differences on translation of<br>foreign operations   | (16,621)  | 87,811   |
| Cash flow hedges   | (38)  | (3,183)  |
| Share of other comprehensive income of investments<br>accounted for using equity method                                      | (376)   | 570  |
| Total of items that may be reclassified to profit or loss  | (17,035)  | 85,198   |
| <b>Total other comprehensive income</b>  | (17,147)  | 88,496   |
| <b>Comprehensive income</b>  | 50,300  | 156,608  |
| <b>Comprehensive income attributable to</b>  |   |  |
| Owners of parent   | 28,645  | 155,628  |
| Non-controlling interests  | 21,655  | 979  |
| <b>Comprehensive income</b>  | 50,300  | 156,608  |

Note: Please refer to “(5) Notes to the Consolidated Financial Statements ‘Changes in Accounting Policies’”.

## (2) Consolidated Statement of Financial Position

(Million yen)

|   | As of<br>December 31, 2020<br>Restated (Note) | As of<br>December 31, 2021 |
|---|---|----------------------------|
| <b>Assets</b>                                 |   |                            |
| <b>Current assets</b>                         |   |                            |
| Cash and cash equivalents                     | 232,134                                       | 138,813                    |
| Inventories                                   | 94,055  | 132,798                    |
| Trade and other receivables                   | 231,995                                       | 266,908                    |
| Other financial assets                        | 66,915  | 39,924                     |
| Other current assets                          | 17,468  | 18,430                     |
| <b>Subtotal</b>                               | 642,569                                       | 596,876                    |
| Assets held for sale                          | 927   | 3,860                      |
| <b>Total current assets</b>                   | 643,496                                       | 600,736                    |
| <b>Non-current assets</b>                     |   |                            |
| Property, plant and equipment                 | 248,302                                       | 301,706                    |
| Goodwill                                      | 424,168                                       | 652,692                    |
| Other intangible assets                       | 229,140                                       | 300,200                    |
| Investments accounted for using equity method | 13,174  | 31,406                     |
| Other financial assets                        | 49,939  | 51,448                     |
| Other non-current assets                      | 3,110   | 11,873                     |
| Deferred tax assets                           | 3,248   | 5,019                      |
| <b>Total non-current assets</b>               | 971,084                                       | 1,354,346                  |
| <b>Total assets</b>                           | 1,614,580                                     | 1,955,083                  |

(Million yen)

|  | As of<br>December 31, 2020<br>Restated (Note) | As of<br>December 31, 2021 |
|--|---|----------------------------|
| <b>Liabilities and equity</b>                        |   |                            |
| <b>Liabilities</b>                                   |   |                            |
| <b>Current liabilities</b>                           |   |                            |
| Trade and other payables                             | 161,525                                       | 209,686                    |
| Bonds and borrowings                                 | 68,133  | 65,115                     |
| Other financial liabilities                          | 25,534  | 28,701                     |
| Income taxes payable                                 | 8,796   | 11,105                     |
| Provisions   | 2,945   | 2,478                      |
| Other current liabilities                            | 48,611  | 55,546                     |
| <b>Total current liabilities</b>                     | <b>315,547</b>                                | <b>372,633</b>             |
| <b>Non-current liabilities</b>                       |   |                            |
| Bonds and borrowings                                 | 467,627                                       | 457,919                    |
| Other financial liabilities                          | 46,917  | 56,288                     |
| Retirement benefit liability                         | 20,763  | 18,570                     |
| Provisions   | 775   | 777                        |
| Other non-current liabilities                        | 4,344   | 6,157                      |
| Deferred tax liabilities                             | 59,602  | 74,040                     |
| <b>Total non-current liabilities</b>                 | <b>600,030</b>                                | <b>613,754</b>             |
| <b>Total liabilities</b>                             | <b>915,578</b>                                | <b>986,388</b>             |
| <b>Equity</b>  |   |                            |
| Share capital  | 78,862  | 671,432                    |
| Capital surplus                                      | 63,320  | —                          |
| Treasury shares                                      | (6,268)                                       | (6,153)                    |
| Retained earnings                                    | 443,878                                       | 228,009                    |
| Other components of equity                           | (12,199)                                      | 66,230                     |
| <b>Total equity attributable to owners of parent</b> | <b>567,594</b>                                | <b>959,518</b>             |
| <b>Non-controlling interests</b>                     | <b>131,407</b>                                | <b>9,176</b>               |
| <b>Total equity</b>                                  | <b>699,002</b>                                | <b>968,694</b>             |
| <b>Total liabilities and equity</b>                  | <b>1,614,580</b>                              | <b>1,955,083</b>           |

Note: Please refer to “(5) Notes to the Consolidated Financial Statements ‘Changes in Accounting Policies’”.

### (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, 2020  | 78,862                                  | 62,927          | (6,378)         | 411,941           | 5,568                      | 552,922   | 135,056                   | 687,979     |
| Cumulative effect of change in accounting policy                                     | —                                       | —               | —               | (34)              | —                          | (34)      | —                         | (34)        |
| Opening balance reflecting change in accounting policy                               | 78,862                                  | 62,927          | (6,378)         | 411,907           | 5,568                      | 552,888   | 135,056                   | 687,944     |
| Profit   | —                                       | —               | —               | 43,921            | —                          | 43,921    | 23,526                    | 67,448      |
| Other comprehensive income   | —                                       | —               | —               | —                 | (15,276)                   | (15,276)  | (1,871)                   | (17,147)    |
| Comprehensive income   | —                                       | —               | —               | 43,921            | (15,276)                   | 28,645    | 21,655                    | 50,300      |
| Issuance of new shares   | —                                       | —               | —               | —                 | —                          | —         | —                         | —           |
| Share issuance costs   | —                                       | —               | —               | —                 | —                          | —         | —                         | —           |
| 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)    |
| Changes in ownership interest in subsidiaries  | —                                       | —               | —               | —                 | —                          | —         | (552)                     | (552)       |
| Transfer from retained earnings to capital surplus                                   | —                                       | —               | —               | —                 | —                          | —         | —                         | —           |
| Change in scope of consolidation   | —                                       | —               | —               | —                 | —                          | —         | (82)                      | (82)        |
| Transfer from other components of equity to retained earnings                        | —                                       | —               | —               | 2,487             | (2,487)                    | —         | —                         | —           |
| Capital increase of consolidated subsidiaries  | —                                       | —               | —               | —                 | —                          | —         | 343                       | 343         |
| Change in financial liability for put options written over non-controlling interests | —                                       | —               | —               | —                 | —                          | —         | —                         | —           |
| 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)         | 443,878           | (12,199)                   | 567,594   | 131,407                   | 699,002     |
| Profit   | —                                       | —               | —               | 67,569            | —                          | 67,569    | 542                       | 68,112      |
| Other comprehensive income   | —                                       | —               | —               | —                 | 88,058                     | 88,058    | 437                       | 88,496      |
| Comprehensive income   | —                                       | —               | —               | 67,569            | 88,058                     | 155,628   | 979                       | 156,608     |
| Issuance of new shares   | 592,569                                 | 592,569         | —               | —                 | —                          | 1,185,139 | —                         | 1,185,139   |
| Share issuance costs   | —                                       | (3,619)         | —               | —                 | —                          | (3,619)   | —                         | (3,619)     |
| Purchase of treasury shares  | —                                       | —               | (5)             | —                 | —                          | (5)       | —                         | (5)         |
| Disposal of treasury shares  | —                                       | 571             | 120             | —                 | (10)                       | 681       | —                         | 681         |
| Dividends  | —                                       | —               | —               | (19,121)          | —                          | (19,121)  | (122)                     | (19,243)    |
| Changes in ownership interest in subsidiaries  | —                                       | (912,321)       | —               | —                 | (7,033)                    | (919,354) | (123,774)                 | (1,043,129) |
| Transfer from retained earnings to capital surplus                                   | —                                       | 266,904         | —               | (266,904)         | —                          | —         | —                         | —           |
| Change in scope of consolidation   | —                                       | —               | —               | —                 | —                          | —         | 685                       | 685         |
| Transfer from other components of equity to retained earnings                        | —                                       | —               | —               | 2,586             | (2,586)                    | —         | —                         | —           |
| Capital increase of consolidated subsidiaries  | —                                       | —               | —               | —                 | —                          | —         | —                         | —           |
| Change in financial liability for put options written over non-controlling interests | —                                       | (7,424)         | —               | —                 | —                          | (7,424)   | —                         | (7,424)     |
| Other  | —                                       | —               | —               | —                 | —                          | —         | 0                         | 0           |

|                                 |         |          |         |           |         |         |           |         |
|---------------------------------|---------|----------|---------|-----------|---------|---------|-----------|---------|
| Total transactions with owners  | 592,569 | (63,320) | 114     | (283,438) | (9,629) | 236,295 | (123,211) | 113,084 |
| Balance as of December 31, 2021 | 671,432 | —        | (6,153) | 228,009   | 66,230  | 959,518 | 9,176     | 968,694 |

## (4) Consolidated Statement of Cash Flows

(Million yen)

|  | For the fiscal year ended<br>December 31, 2020<br>Restated (Note) | For the fiscal year ended<br>December 31, 2021 |
|--|---|--|
| <b>Cash flows from operating activities</b>                                      |   |  |
| Profit before tax from continuing operations                                     | 89,443  | 86,467   |
| Depreciation and amortization  | 29,446  | 33,889   |
| Gain on bargain purchase   | —   | (1,528)  |
| Loss on step acquisitions  | —   | 1,601  |
| Interest and dividend income   | (4,513)   | (3,914)  |
| Interest expenses  | 5,658   | 5,594  |
| Share of loss (profit) of investments accounted for using equity method          | (1,649)   | (2,186)  |
| Decrease (increase) in inventories   | (3,331)   | (29,000)                                       |
| Decrease (increase) in trade and other receivables                               | (24,279)  | (27,126)                                       |
| Increase (decrease) in trade and other payables                                  | 12,216  | 33,557   |
| Increase (decrease) in other current liabilities                                 | 9,640   | 1,700  |
| Other  | 2,912   | (4,874)  |
| <b>Subtotal</b>  | <b>115,544</b>  | <b>94,181</b>                                  |
| Interest received  | 2,825   | 2,743  |
| Dividends received   | 3,141   | 1,706  |
| Interest paid  | (5,719)   | (5,617)  |
| Income taxes paid  | (26,673)  | (22,859)                                       |
| Net cash provided by (used in) operating activities from continuing operations   | (1,484)   | (2,725)  |
| <b>Net cash provided by (used in) operating activities</b>                       | <b>87,633</b>   | <b>67,428</b>                                  |
| <b>Cash flows from investing activities</b>                                      |   |  |
| Net decrease (increase) in time deposits   | 7,286   | 31,860   |
| Net decrease (increase) in short-term investment securities                      | (6,284)   | 15,525   |
| Purchase of property, plant and equipment  | (24,039)  | (34,928)                                       |
| Proceeds from sale of property, plant and equipment                              | 1,439   | 1,165  |
| Purchase of intangible assets  | (2,627)   | (4,454)  |
| Purchase of investments in subsidiaries  | (2,246)   | (98,791)                                       |
| Purchase of shares of investments accounted for using the equity method          | —   | (20,093)                                       |
| Payments for acquisition of businesses   | (3,641)   | (1,752)  |
| Payments for loans receivable  | (3,601)   | (6,560)  |
| Collection of loans receivable   | 175   | 4,129  |
| Purchase of other financial assets   | (1,558)   | —  |
| Other  | 876   | (2,266)  |
| Net cash provided by (used in) investment activities                             | (1,218)   | 13,809   |
| <b>Net cash provided by (used in) investing activities</b>                       | <b>(35,440)</b>   | <b>(102,355)</b>                               |
| <b>Cash flows from financing activities</b>                                      |   |  |
| Net increase (decrease) in short-term borrowings                                 | (357,424)   | (3,250)  |
| Proceeds from long-term borrowings   | 472,306   | 40,694   |
| Repayments of long-term borrowings   | (16,581)  | (51,226)                                       |
| Redemption of bonds  | —   | (3,340)  |
| Repayments of lease obligations  | (7,201)   | (8,213)  |
| Payments for issuance of shares  | —   | (5,214)  |
| Dividends paid   | (14,439)  | (19,119)                                       |
| Dividends paid to non-controlling interests                                      | (12,810)  | (2,226)  |
| Dividends paid to former shareholders of newly consolidated subsidiaries         | —   | (10,011)                                       |
| Other  | (637)   | (278)  |
| Net cash provided by (used in) financing activities from discontinued operations | (2,342)   | (122)  |
| <b>Net cash provided by (used in) financing activities</b>                       | <b>60,869</b>   | <b>(62,309)</b>                                |
| <b>Effect of exchange rate changes on cash and cash</b>                          | <b>(4,228)</b>  | <b>3,917</b>                                   |

|   | (Million yen)   |  |
|---|---|--|
|   | For the fiscal year ended<br>December 31, 2020<br>Restated (Note) | For the fiscal year ended<br>December 31, 2021 |
| <b>equivalents</b>  |   |  |
| <b>Net increase (decrease) in cash and cash equivalents</b> | 108,833   | (93,320)                                       |
| <b>Cash and cash equivalents at beginning of period</b>     | 123,300   | 232,134  |
| <b>Cash and cash equivalents at end of period</b>           | 232,134   | 138,813  |

Note: Please refer to “(5) Notes to the Consolidated Financial Statements ‘Changes in Accounting Policies’”.

## (5) Notes to Consolidated Financial Statements

### (Notes on going concern assumption)

There is no relevant information.

### (Changes in accounting policies)

#### (Configuration or customization costs in a cloud computing arrangement)

In April 2021, the IFRS Interpretations Committee published the agenda decision on “Configuration or customization costs in a cloud computing arrangement (IAS 38)”. The agenda decision clarified the accounting treatment of upfront costs incurred by a customer to receive cloud computing services in a cloud computing arrangement.

Some Nippon Paint Group companies had been capitalizing costs associated with configurations to enable customers to receive cloud computing services or customizations to tailor cloud computing services to customer specifications. Based on discussions leading up to the agenda decision published by the IFRS Interpretations Committee in April 2021, we have changed our accounting policies involving configuration or customization costs in a cloud computing arrangement to a method whereby costs will be recognized upon delivery of cloud computing platform configurations or customizations.

This accounting policy change is applied retrospectively. The consolidated financial statements for the previous year have been adjusted to reflect this change.

As a result, compared to the amounts prior to the retrospective application, in the previous year’s consolidated statement of profit or loss, selling, general and administrative expenses increased by ¥887 million, operating profit and profit before tax decreased by ¥887 million each, and profit from continuing operations and profit decreased by ¥726 million each. In the consolidated statement of financial position for the previous year, intangible assets decreased by ¥959 million, other non-current liabilities decreased by ¥13 million, and deferred tax assets increased by ¥169 million. In the consolidated statement of cash flows for the previous year, profit before tax from continuing operations decreased by ¥887 million.

Basic earnings per share and diluted earnings per share from continuing operations and the total of earnings per share and diluted earnings per share from continuing operations and discontinued operations for the previous year decreased by ¥0.45 each.

The cumulative effect of this accounting policy change was reflected to equity at the beginning of the previous fiscal year. As a result, the beginning balance of retained earnings in the consolidated statement of changes in equity for the previous year decreased by ¥34 million compared to the amount prior to the retrospective application of the revised accounting policy.

### (Changes in presentation)

#### (Changes resulting from the classification as discontinued operations)

In accordance with a resolution approved by the Board of Directors on August 10, 2021, the Nippon Paint Group dissolved and liquidated NPE and transferred the shares of NPI, NPAE, and BNPA to INC on August 27, 2021. Following these actions, these businesses have been classified as discontinued operations. As a result, the consolidated statement of profit or loss and consolidated statement of cash flows and related notes to the consolidated financial statements for the previous year have been partially restated.

#### (Matters related to the consolidated statement of cash flows)

Impairment loss, loss (gain) on sale and retirement of property, plant and equipment, and intangible assets, Increase (decrease) in retirement benefit liability, increase (decrease) in provisions, which were presented separately under cash flows from operating activities in the previous fiscal year, have been presented under other beginning with the fiscal year ended December 31, 2021 due to a decrease in their significance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change.

As a result, impairment loss of ¥270 million, loss (gain) on sale and retirement of property, plant and equipment, and intangible assets of ¥665 million, Increase (decrease) in retirement benefit liability of ¥(797) million, and increase (decrease) in provisions of ¥816 million presented under cash flows from operating activities in the previous fiscal year have been restated as other of ¥2,912 million.

Capital contribution from non-controlling interests of ¥43 million, which was presented separately under cash flows from financing activities in the previous fiscal year, has been included in other of ¥(637) million beginning with the fiscal year ended December 31, 2020 due to a decrease in significance.

## (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 coatings 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. 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.

The Group adopted a resolution at the Board of Directors on August 10, 2021 to dissolve and liquidate NPE and transferred the shares of NPI, NPAE, and BNPA to INC on August 27, 2021. As a result, these businesses have been classified as discontinued operations and excluded from the segment information. The segment information for the fiscal year ended December 31, 2020 represent amounts for continuing operations only, excluding amounts for discontinued operations.

### (2) Matters regarding changes, etc. in reportable segments

Beginning from 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 previous fiscal year has been revised for consistency with this change.



### (3) Information on reportable segments

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

(Million yen)

|  | Reportable segment |         |         |          |          | Other  | Total   | Adjustment<br>(Note 1) | Consolidated<br>financial<br>statements |
|--|--------------------|---------|---------|----------|----------|--------|---------|------------------------|---|
|  | Japan              | Asia    | Oceania | Americas | Subtotal |        |         |                        |   |
| Revenue  |                    |         |         |          |          |        |         |                        |   |
| Revenue from external customers                                  | 162,032            | 354,520 | 148,290 | 70,093   | 734,937  | 37,623 | 772,560 | —                      | 772,560                                 |
| Intersegment revenue   | 15,221             | 4,188   | 160     | 64       | 19,634   | —      | 19,634  | (19,634)               | —                                       |
| Total  | 177,253            | 358,708 | 148,450 | 70,158   | 754,571  | 37,623 | 792,194 | (19,634)               | 772,560                                 |
| Segment profit (loss)  | 16,119             | 55,297  | 15,403  | 4,507    | 91,328   | 5,429  | 96,757  | (9,162)                | 87,594                                  |
| Finance income   |                    |         |         |          |          |        |         |                        | 6,173                                   |
| Finance costs  |                    |         |         |          |          |        |         |                        | (5,973)                                 |
| Share of profit of investments accounted for using equity method |                    |         |         |          |          |        |         |                        | 1,649                                   |
| Profit before tax  |                    |         |         |          |          |        |         |                        | 89,443                                  |
| Other items  |                    |         |         |          |          |        |         |                        |   |
| Depreciation and amortization                                    | 3,890              | 12,114  | 6,749   | 4,674    | 27,429   | 1,130  | 28,559  | 886                    | 29,446                                  |
| Impairment loss  | 169                | 88      | 12      | —        | 271      | —      | 271     | —                      | 271                                     |
| Capital expenditures (Note 2)                                    | 4,912              | 16,850  | 6,040   | 5,536    | 33,339   | 1,501  | 34,840  | 1,926                  | 36,767                                  |

Note 1: Adjustments for segment profit of ¥(9,162) million include headquarters expenses of ¥(15,527) million that do not belong to any reportable segment and intersegment eliminations of ¥6,364 million.

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

For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Million yen)

|  | Reportable segment |         |         |          |          | Other  | Total     | Adjustment<br>(Note 1) | Consolidated<br>financial<br>statements |
|--|--------------------|---------|---------|----------|----------|--------|-----------|------------------------|---|
|  | Japan              | Asia    | Oceania | Americas | Subtotal |        |           |                        |   |
| Revenue  |                    |         |         |          |          |        |           |                        |   |
| Revenue from external customers                                  | 164,635            | 530,216 | 176,237 | 76,408   | 947,498  | 50,778 | 998,276   | —                      | 998,276                                 |
| Intersegment revenue   | 18,137             | 5,748   | 231     | 35       | 24,153   | —      | 24,153    | (24,153)               | —                                       |
| Total  | 182,773            | 535,965 | 176,468 | 76,444   | 971,651  | 50,778 | 1,022,430 | (24,153)               | 998,276                                 |
| Segment profit (loss)  | 10,289             | 60,862  | 19,048  | 3,600    | 93,801   | 7,141  | 100,943   | (13,327)               | 87,615                                  |
| Finance income   |                    |         |         |          |          |        |           |                        | 4,201                                   |
| Finance costs  |                    |         |         |          |          |        |           |                        | (5,934)                                 |
| Share of profit of investments accounted for using equity method |                    |         |         |          |          |        |           |                        | 2,186                                   |
| Loss on step acquisitions  |                    |         |         |          |          |        |           |                        | (1,601)                                 |
| Profit before tax  |                    |         |         |          |          |        |           |                        | 86,467                                  |
| Other items  |                    |         |         |          |          |        |           |                        |   |
| Depreciation and amortization                                    | 3,324              | 14,956  | 7,742   | 4,875    | 30,899   | 1,268  | 32,167    | 1,722                  | 33,889                                  |
| Impairment loss  | 162                | 282     | —       | —        | 445      | —      | 445       | —                      | 445                                     |
| Capital expenditures (Note 2)                                    | 7,363              | 25,339  | 4,308   | 8,187    | 45,198   | 3,376  | 48,575    | 937                    | 49,513                                  |

Note 1: Adjustments for segment profit of ¥(13,327) million include headquarters expenses of ¥(20,953) million that do not belong to any reportable segment and intersegment eliminations of ¥(7,625) million.

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

(4) Information on products and services

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 coatings business |         |         |         |          |        |         |
| Automotive coatings         | 34,684  | 56,324  | —       | 21,071   | 1,428  | 113,509 |
| Decorative paints           | 43,692  | 252,629 | 77,124  | 46,480   | 20,977 | 440,904 |
| Industrial coatings         | 35,317  | 24,444  | 5,679   | —        | 3,661  | 69,103  |
| Fine chemicals              | 7,886   | 5,384   | —       | 2,375    | —      | 15,646  |
| Other paints                | 40,451  | 15,736  | —       | 165      | 348    | 56,701  |
|                             | 162,032 | 354,520 | 82,803  | 70,093   | 26,415 | 695,865 |
| Paint related business      | —       | —       | 65,487  | —        | 11,207 | 76,694  |
| Total                       | 162,032 | 354,520 | 148,290 | 70,093   | 37,623 | 772,560 |

For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Million yen)

|                             | Japan   | Asia    | Oceania | Americas | Other  | Total   |
|-----------------------------|---------|---------|---------|----------|--------|---------|
| Paint and coatings business |         |         |         |          |        |         |
| Automotive coatings         | 35,308  | 72,497  | —       | 23,339   | 1,598  | 132,744 |
| Decorative paints           | 45,386  | 392,424 | 90,406  | 51,817   | 27,080 | 607,115 |
| Industrial coatings         | 38,132  | 34,247  | 7,384   | —        | 5,034  | 84,798  |
| Fine chemicals              | 8,393   | 6,753   | —       | 1,252    | —      | 16,399  |
| Other paints                | 37,414  | 20,845  | —       | —        | —      | 58,259  |
|                             | 164,635 | 526,768 | 97,791  | 76,408   | 33,713 | 899,316 |
| Paint related business      | —       | 3,448   | 78,446  | —        | 17,065 | 98,959  |
| Total                       | 164,635 | 530,216 | 176,237 | 76,408   | 50,778 | 998,276 |

(Business combinations)

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

There is no relevant information

For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Acquisition of 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. Consequently, 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 (collectively with the Indonesia business, the "Target Businesses") by purchasing the equity interest of 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 Nippon Paint Group a powerful base for its "Asia x Construction" business model, which has the goal of establishing a dominant market position. 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 Nippon Paint Group 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 Nippon Paint Group to fully capture earnings of the non-controlling interests of the Asian JVs that previously belonged to the Wuthelam Group, as well as the earnings of the Indonesia business, which will be part of the Nippon Paint Group's earnings. This is expected to increase basic earnings per share (EPS) and enable the Nippon Paint Group to optimize the allocation of resources by reducing the outflow of earnings. Furthermore, the consolidation of the Asian JVs and

Indonesia business will allow shifting the industrial coatings business from a regional alignment to a business alignment 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 1: 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 (Note 2)        | ¥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 |

Note 2: Intangible assets comprise ¥43,570 million of trademark rights and ¥4,415 million of customer-related assets. Fair market value of trademark rights is determined using the royalty exemption method and customer-related assets using the excess earnings method in order to allocate the acquisition price.

(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 fiscal year ended<br>December 31, 2021 |
| Revenue |  | 40,132   |
| Profit  |  | 8,934  |

(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 first quarter of the fiscal year 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 ¥266,904 million was transferred from retained earnings to capital surplus to make capital surplus zero.

| Company  | Voting rights ownership ratio<br>(indirect ownership) |                           |                      |
|--|---|---------------------------|----------------------|
|  | Prior to<br>acquisition                               | Additional<br>acquisition | After<br>acquisition |
| Nippon Paint (China) Company Limited (Note)      | 51%<br>(—%)   | 49%<br>(49%)              | 100%<br>(49%)        |
| Guangzhou Nippon Paint Co., Ltd. (Note)          | 51%<br>(—%)   | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint (Chengdu) Co., Ltd. (Note)          | 51%<br>(—%)   | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint (H.K.) Company Limited (Note)       | 51%<br>(—%)   | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint Marine Coatings Co., Ltd. (Note)    | 60%<br>(—%)   | 40%<br>(40%)              | 100%<br>(40%)        |
| Nippon Paint Materials Co., Ltd. (Note)          | 60%<br>(—%)   | 40%<br>(40%)              | 100%<br>(40%)        |
| Nippon Paint Coatings (Taiwan) Co., Ltd.         | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Nipsea Chemical Co., Ltd.                        | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Nippon Paint (Malaysia) Sdn. Bhd.                | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Paint Marketing Co. (M) Sdn. Bhd                 | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Nippon Paint (Singapore) Company Private Limited | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Nipsea Technologies Pte. Ltd.                    | 51%<br>(—%)   | 49%<br>(—%)               | 100%<br>(—%)         |
| Nippon Paint (Thailand) Company Limited          | 51%<br>(—%)   | 48.9%<br>(—%)             | 99.9%<br>(—%)        |

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.

## (Loss of control of subsidiaries)

The Nippon Paint Group transferred shares of NPI, NPAA, and BNPA to INC during the third quarter of the fiscal year ended December 31, 2021. As a result, the Nippon Paint Group's ownership ratio of voting rights changed as follows. The Nippon Paint Group no longer has control of the following companies, and these companies have been excluded from the scope of consolidation.

| Name  | Voting rights ownership ratio |                             |
|---|-------------------------------|-----------------------------|
|   | Before the share<br>transfer  | After the share<br>transfer |
| Nippon Paint Automotive Europe GmbH (Note 1)            | 100%                          | 0%                          |
| Nippon Paint (India) Private Limited (Note 2)           | 99.99%                        | 0%                          |
| Berger Nippon Paint Automotive Coatings Private Limited | 51%                           | 0%                          |

Note 1: Nippon Paint Automotive Europe GmbH holds shares in the following companies.

| 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%                          |
| BK&NP Automotive Coatings (Shanghai) Co., Ltd.  | 40%                           |

Note 2: Nippon Paint (India) Private Limited holds shares in the following companies.

| Name                                       | Voting rights ownership ratio |
|--|-------------------------------|
| PCTS Specialty Chemicals (India) Pte. Ltd. | 100%                          |
| Nippon Paint Middle East FZE               | 100%                          |

The main assets and liabilities of the companies which ceased to be subsidiaries of NPHD due to the sale of shares as of the loss of control, consideration received, and proceeds from the sale of shares are as follows.

|   | (Million yen)                                  |
|---|--|
|   | For the fiscal year ended<br>December 31, 2021 |
| Breakdown of assets at the loss of control                    |  |
| Current assets  | 25,248   |
| Non-current assets  | 7,333  |
| Breakdown of liabilities at the loss of control               |  |
| Current liabilities   | 11,578   |
| Non-current liabilities                                       | 1,355  |
|   | (Million yen)                                  |
|   | For the fiscal year ended<br>December 31, 2021 |
| Consideration received in cash                                | 18,607   |
| Cash and cash equivalents of assets<br>at the loss of control | (6,480)  |
| Proceeds from sale of subsidiaries                            | 12,126   |

(Discontinued operations)

The NPHD Board of Directors approved a resolution on August 10, 2021 to dissolve and liquidate NPE. In addition, the Nippon Paint Group transferred the shares of NPI, NPAE, and BNPA to INC. As a result, earnings and cash flows pertaining to these businesses for the nine months ended September 30, 2021 have been reclassified as discontinued operations. Earnings and cash flows from the discontinued operations for the previous year have been restated and presented separately.

(1) Reportable segments

Reportable segments of the discontinued operations are as follows.

Asia  
Other

(2) Financial results of discontinued operations

|   | (Million yen)                                  |  |
|---|--|--|
|   | For the fiscal year ended December<br>31, 2020 | For the fiscal year ended December<br>31, 2021 |
| Profit and loss from discontinued operations          |  |  |
| Income (Note)   | 8,789  | 21,504   |
| Expenses (Note)                                       | (10,405)                                       | (20,668)                                       |
| Profit (loss) before tax from discontinued operations | (1,616)  | 836  |
| Income taxes  | (335)  | 53   |
| Profit (loss) from discontinued operations            | (1,951)  | 890  |

Note: Gain on sale of ¥1,629 million and loss on sale of ¥832 million from sale of the Target Companies' businesses for the fiscal year ended December 31, 2021 are included.

(3) Cash flows from discontinued operations

|   | (Million yen)                                  |  |
|---|--|--|
|   | For the fiscal year ended December<br>31, 2020 | For the fiscal year ended December<br>31, 2021 |
| Cash flows from discontinued operations |  |  |
| Cash flows from operating activities    | (1,484)  | (2,725)  |
| Cash flows from investing activities    | (1,218)  | 13,809   |
| Cash flows from financing activities    | (2,342)  | (122)  |
| Total                                   | (5,045)  | 10,961   |

(Per-share information)

The basis of calculation of basic earnings (loss) per share and diluted earnings (loss) per share is as below.

|   | For the fiscal year ended December<br>31, 2020 | For the fiscal year ended December<br>31, 2021 |
|---|--|--|
| Profit attributable to owners of parent from continuing operations (million yen)                                      | 45,703   | 66,578   |
| Profit (loss) attributable to owners of parent from discontinued operations (million yen)                             | (1,781)  | 991  |
| Profit attributable to owners of parent (million yen)   | 43,921   | 67,569   |
| Adjustment to profit used in the calculation of diluted earnings per share from continuing operations (million yen)   | —  | —  |
| Adjustment to profit used in the calculation of diluted earnings per share from discontinued operations (million yen) | —  | —  |
| Diluted earnings (million yen)  | 43,921   | 67,569   |

|  | For the fiscal year ended December<br>31, 2020 | For the fiscal year ended December<br>31, 2021 |
|--|--|--|
| Weighted-average number of common shares issued<br>(thousand shares)   | 1,604,054                                      | 2,297,235                                      |
| Increase in the number of common shares used in the<br>calculation of diluted earnings per share (thousand<br>shares)  | 372  | 260  |
| Increase due to exercise of stock options (thousand<br>shares)   | 254  | 234  |
| Increase due to restricted share compensation plan<br>(thousand shares)  | 117  | 25   |
| Weighted-average number of common shares used in the<br>calculation of diluted earnings per share (thousand<br>shares) | 1,604,426                                      | 2,297,496                                      |
| Basic earnings (loss) per share (Note)   |  |  |
| Basic earnings (loss) per share from continuing<br>operations (yen)  | 28.49  | 28.98  |
| Basic earnings (loss) per share from discontinued<br>operations (yen)  | (1.11)   | 0.43   |
| Total (yen)  | 27.38  | 29.41  |
| Diluted earnings (loss) per share (Note)   |  |  |
| Diluted earnings (loss) per share from continuing<br>operations (yen)  | 28.49  | 28.98  |
| Diluted earnings (loss) per share from discontinued<br>operations (yen)  | (1.11)   | 0.43   |
| Total (yen)  | 27.38  | 29.41  |

(Note): 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.

#### (Significant subsequent events)

##### (Acquisition of shares of Cromology Holding SAS)

The Nippon Paint Group acquired shares of Cromology, which is a European company engaged in the manufacture and sale of decorative paints and other paint-related products, on January 20, 2022. Cromology is an indirectly owned subsidiary of NPHD through DGL International (UK) Ltd., which was newly established by NPHD's consolidated subsidiary DuluxGroup Limited (DuluxGroup).

The fair value of acquired assets and liabilities is not disclosed because the initial accounting treatment for business combinations has not been completed.

##### (1) Overview of the acquired company

Name: Cromology Holding SAS

Business activities: Manufacture and sale of paints and paint-related products

Total assets: EUR 899 mil (FY2020)

Revenue: EUR 628 mil (FY2020)

Profit: EUR 8 mil (FY2020)

##### (2) Reasons for the acquisition of shares

The European paint market is the world's second largest\* following the China market and has good prospects for stable growth. Cromology is the fourth largest architectural paint manufacturer in Europe. As a market leader in the architectural paint market, Cromology operates in many markets in Europe with a high market share, ranking among the top 3 in France, Italy, Spain and Portugal.

Under the Nippon Paint Group's ownership, the combination of the group's financial resources and skill involving brand management, marketing and innovation, with the well-known local brands and strong trade and retail relationships of Cromology is expected to result in growth in France, Spain, Italy and Portugal as well as in other European markets, including eastern Europe.



Cromology will provide the right level of scale, volume and manufacturing capabilities to serve as the entry point for building a decorative paint and coatings business in Europe and provide a platform to bolt on other acquisitions. Cromology's integrated wholly owned network of 386 company operated stores across France, Portugal and Switzerland presents an opportunity to leverage DuluxGroup's operational capabilities for operating trade centers. This network also provides a strong platform to leverage DuluxGroup's capabilities in selling to DIY consumers in retail channels such as big box home improvement and independent hardware stores. In addition, Cromology's store network provides an opportunity to launch new brands in the DuluxGroup's portfolio, including brands for woodcare and texture coatings and for sealants, adhesives & fillers.

\* Source: Global Market Analysis for the Paint & Coatings Industry (2019-2024) published by American Coatings Association:  
<https://paint.org/market>

- (3) Closing date of the acquisition  
January 20, 2022
- (4) Number of shares acquired, acquisition price and percentage of shareholding after the share acquisition  
 Number of shares to be acquired: 52,582,555 shares  
 Acquisition price: JPY 150,600 mil (EUR 1,128 mil)  
 Percentage of shareholding: 99.8%
- (5) Method of financing and payment for the transaction  
 Financing method: Borrowings from financial institutions  
 Payment method: Cash

(Significant borrowing)

NPHD obtained the following loan on January 19, 2022 to fund the acquisition of shares of Cromology.

- (1) Lender: Sumitomo Mitsui Banking Corporation, MUFJ Bank, Ltd.
- (2) Amount: ¥172,700 million
- (3) Rate: Interest rate based on market rate
- (4) Date: January 19, 2022
- (5) Period: One year
- (6) Security: Unsecured/Unguaranteed
- (7) Financial covenant: Certain financial covenants are applicable.