

# Consolidated Financial Results for the Three Months Ended March 31, 2022 [IFRS]



May 13, 2022

Company name: Nippon Paint Holdings Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 4612  
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 Scheduled date of filing the quarterly securities report: May 13, 2022  
 Scheduled date of commencing dividend payments: -  
 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 Three Months Ended March 31, 2022 (January 1, 2022 to March 31, 2022)

### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	284,096	27.6	24,335	(1.5)	24,913	3.2	18,264	11.1
March 31, 2021	222,678	—	24,699	—	24,134	—	16,435	—

	Profit attributable to owners of parent		Comprehensive income	
Three months ended	Million yen	%	Million yen	%
March 31, 2022	18,072	10.6	123,808	55.0
March 31, 2021	16,342	—	79,855	—

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2022	7.70	7.70
March 31, 2021	7.62	7.62

Note 1: 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, 2021.

Note 2: The Board of Directors of NPHD approved a resolution 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 of Nippon Paint (India) Private Limited (NPI) held by NPHD, the shares of Nippon Paint Automotive Europe GmbH (NPAE) held by NPE, and the shares of Berger Nippon Paint Automotive Coatings Private Limited (BNPA) held by NPHD's consolidated subsidiary Nippon Paint Automotive Coatings Co., Ltd. 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 discontinued operations. For more information about the discontinued operations, see "2. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Discontinued Operations)" on page 19 of the accompanying material.

Note 3: The year-on-year percentage changes in figures for the first quarter of the fiscal year ended December 31, 2021 are not provided because retrospective adjustment have been applied, beginning with the first quarter of the fiscal year ended December 31, 2021, to amounts for discontinued operations and due to a change in the accounting policy for configuration or customization costs in a cloud computing arrangement implemented in the previous fiscal year.

(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 March 31, 2022	2,355,742	1,080,821	1,070,992	45.5
As of December 31, 2021	1,955,083	968,694	959,518	49.1

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	5.00	—	5.00	10.00
Fiscal year ending December 31, 2022	—				
Fiscal year ending December 31, 2022 (Forecast)		5.00	—	6.00	11.00

Note 1: Revision to the dividends forecast announced most recently: No

Note 2: Composition of the dividend forecast for the 2nd quarter of the fiscal year ended December 31, 2021: ordinary dividend: ¥4.00; commemorative dividend: ¥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 1: Revision to the financial results forecast announced recently: No

Note 2: 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	-
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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):  
March 31, 2022: 2,370,512,215 shares  
December 31, 2021: 2,370,512,215 shares
  - 2) Total number of treasury shares at the end of the period:  
March 31, 2022: 22,248,972 shares  
December 31, 2021: 22,286,657 shares
  - 3) Average number of shares during the period:  
Three months ended March 31, 2022: 2,348,246,820 shares  
Three months ended March 31, 2021: 2,143,589,706 shares

Note: NPHD implemented a 5-for-1 stock split of its common shares with March 31, 2021 as the record date and April 1, 2021 as the effective date. Total number of shares issued (common stock) is calculated by assuming that the stock split was implemented at the beginning of the fiscal year ended December 31, 2021.

\*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 and other notes

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements in this report are based on information currently available and contain risks and uncertainties. Actual results, etc. may differ significantly from the forecast due to various factors.

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

### (1) Explanation of Operating Results

The Board of Directors of NPHD approved a resolution on August 10, 2021 to dissolve and liquidate NPE. In addition, the Nippon Paint Group transferred shares of NPI, NPAE, 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 “2. Consolidated Financial Statements and Primary Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (Discontinued Operations)”.

During the three months ended March 31, 2022, consolidated revenue of the Nippon Paint Group increased by 27.6% from the corresponding period of the previous year to ¥284,096 million due to the acquisition on January 20, 2022 of European paint manufacturer Cromology Holding SAS (Cromology) by NPHD, making it a subsidiary, and the depreciation of the Japanese yen, coupled with the strong first quarter performance underpinned by continuous selling price increases in the decorative paints business in China, which is a key business of the Nippon Paint Group. Consolidated operating profit decreased by 1.5% from the previous year to ¥24,335 million due to raw material price increases around the world. Consolidated profit before tax increased by 3.2% from the previous year to ¥24,913 million, and profit attributable to owners of parent increased by 10.6% to ¥18,072 million.

Results by business segment are as follows.

As stated in “2. Consolidated Financial Statements and Primary Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (Segment Information)”, we changed our reportable segments beginning with the first quarter of the fiscal year ending December 31, 2022. The year-on-year comparison in the segment information below are based on amounts for the three months ended March 31, 2021 that have been restated to reflect the change in reportable segments.

#### **Japan**

Revenue for automotive coatings decreased from the previous year because the number of automobiles manufactured declined as a result of semiconductor chip shortage and other factors. Industrial coatings revenue was flat from the previous year due to the continuing impact of the pandemic despite solid new housing starts and other favorable market trends. 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 decreased by 1.9% from the previous year to ¥41,796 million. Consolidated operating profit decreased by 93.2% to ¥289 million due to raw material price increases and other factors. In the first quarter of the current fiscal year, all businesses other than businesses related to functions as a listed company and a pure holding company whose expenses were previously presented under “Adjustments” were spun off and moved to the Japan segment. The aim of this change is to more properly reflect the operating results of each reportable segment.

#### **Nipsea**

Revenue for automotive coatings increased from the previous year, despite the impact of the semiconductor chip shortage and other factors, due to the increase in the number of automobiles manufactured in China. Revenue for decorative paints, a mainstay business in Asia, was higher than in the previous year due to the continuing strengths of paint demand for repainting interiors of existing homes in China and aggressive selling price increases in major markets including China, Malaysia, Indonesia, and Turkey.

As a result, consolidated revenue increased by 26.3% from the previous year to ¥152,628 million. Consolidated operating profit decreased by 8.5% to ¥17,807 million due to increases in raw material prices.

#### **DuluxGroup**

Earnings of Cromology are included in the consolidated performance of the Nippon Paint Group beginning with January 2022. Revenue for decorative coatings was robust overall due to progress with selling price increases in Oceania and Europe. Revenue in the paint related business was robust due to strong consumer DIY and trade DIFM sales in Oceania, coupled with strong sales

of External Thermal Insulation Composite Systems (ETICS) in Europe.

As a result, consolidated revenue increased by 63.8% from the previous year to ¥68,027 million, and consolidated operating profit increased by 11.7% to ¥6,408 million.

#### **Americas**

Revenue for automotive coatings increased from the previous year, driven by the weaker yen, despite lower production of automobiles compared to the previous year in the United States, a core region, 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 solid housing demand and favorable weather.

As a result, consolidated revenue increased by 22.2% from the previous year to ¥21,644 million. Consolidated operating profit decreased by 6.8% to ¥862 million due to higher prices of raw materials.

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

Total assets at the end of the first quarter of the current fiscal year increased by ¥400,658 million from the end of the previous fiscal year to ¥2,355,742 million.

Current assets increased by ¥112,004 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥288,654 million mainly because of an increase in goodwill resulting from the acquisition of Cromology.

Liabilities increased by ¥288,531 million yen to ¥1,274,920 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥112,126 million to ¥1,080,821 million. This was mainly attributable to an increase in foreign currency translation adjustment.

As a result, equity attributable to owners of parent to total assets decreased from 49.1% at the end of the previous fiscal year to 45.5%.

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

There are no changes in the consolidated earnings forecast for the fiscal year ending December 31, 2022 provided in the financial report for the fiscal year ended December 31, 2021 that was released on February 14, 2022.

## 2. Consolidated Financial Statements and Primary Notes

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

Consolidated Statement of Profit or Loss  
Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2021 Restated (Note)	For the three months ended March 31, 2022
<b>Continuing operations</b>		
Revenue	222,678	284,096
Cost of sales	(131,590)	(174,841)
<b>Gross profit</b>	91,088	109,255
Selling, general and administrative expenses	(67,965)	(85,180)
Other income	2,388	1,325
Other expenses	(810)	(1,065)
<b>Operating profit</b>	24,699	24,335
Finance income	2,259	2,124
Finance costs	(1,694)	(1,893)
Share of profit (loss) of investments accounted for using equity method	471	348
Loss on step acquisitions	(1,601)	—
<b>Profit before tax</b>	24,134	24,913
Income taxes	(7,657)	(6,649)
<b>Profit from continuing operations</b>	16,477	18,264
<b>Discontinued operations</b>		
<b>Profit (loss) from discontinued operations</b>	(42)	—
<b>Profit</b>	16,435	18,264
<b>Profit attributable to</b>		
Owners of parent	16,342	18,072
Non-controlling interests	92	191
<b>Profit</b>	16,435	18,264
<b>Earnings per share</b>		
Basic earnings (loss) per share (yen)		
Continuing operations	7.64	7.70
Discontinued operations	(0.01)	—
<b>Total</b>	7.62	7.70
Diluted earnings (loss) per share (yen)		
Continuing operations	7.63	7.70
Discontinued operations	(0.01)	—
<b>Total</b>	7.62	7.70

Note: Please refer to “(5) Notes to the Consolidated Financial Statements”.

Condensed Quarterly Consolidated Statement of Comprehensive Income  
Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2021 Restated (Note)	For the three months ended March 31, 2022
<b>Profit</b>	16,435	18,264
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	855	768
Remeasurements of defined benefit plans	(44)	(55)
Share of other comprehensive income of investments accounted for using equity method	1	—
Total of items that will not be reclassified to profit or loss	811	713
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	62,352	101,070
Cash flow hedges	36	3,242
Share of other comprehensive income of investments accounted for using equity method	219	517
Total of items that may be reclassified to profit or loss	62,608	104,829
<b>Total other comprehensive income</b>	63,420	105,543
<b>Comprehensive income</b>	79,855	123,808
<b>Comprehensive income attributable to</b>		
Owners of parent	79,420	123,177
Non-controlling interests	435	631
<b>Comprehensive income</b>	79,855	123,808

Note: Please refer to “(5) Notes to the Consolidated Financial Statements”



## (2) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2021	As of March 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	138,813	178,184
Inventories	132,798	161,800
Trade and other receivables	266,908	322,257
Other financial assets	39,924	24,613
Other current assets	18,430	22,526
<b>Subtotal</b>	<b>596,876</b>	<b>709,382</b>
Assets held for sale	3,860	3,358
<b>Total current assets</b>	<b>600,736</b>	<b>712,741</b>
<b>Non-current assets</b>		
Property, plant and equipment	301,706	346,900
Goodwill	652,692	843,694
Other intangible assets	300,200	344,848
Investments accounted for using equity method	31,406	32,430
Other financial assets	51,448	54,674
Other non-current assets	11,873	12,707
Deferred tax assets	5,019	7,745
<b>Total non-current assets</b>	<b>1,354,346</b>	<b>1,643,000</b>
<b>Total assets</b>	<b>1,955,083</b>	<b>2,355,742</b>

(Million yen)

	As of December 31, 2021	As of March 31, 2022
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	209,686	238,178
Bonds and borrowings	65,115	259,917
Other financial liabilities	28,701	33,374
Income taxes payable	11,105	12,623
Provisions	2,478	5,588
Other current liabilities	55,546	68,213
<b>Total current liabilities</b>	<b>372,633</b>	<b>617,896</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	457,919	469,286
Other financial liabilities	56,288	71,964
Retirement benefit liability	18,570	18,886
Provisions	777	1,088
Other non-current liabilities	6,157	11,413
Deferred tax liabilities	74,040	84,385
<b>Total non-current liabilities</b>	<b>613,754</b>	<b>657,023</b>
<b>Total liabilities</b>	<b>986,388</b>	<b>1,274,920</b>
<b>Equity</b>		
Share capital	671,432	671,432
Capital surplus	—	36
Treasury shares	(6,153)	(6,143)
Retained earnings	228,009	234,538
Other components of equity	66,230	171,128
<b>Total equity attributable to owners of parent</b>	<b>959,518</b>	<b>1,070,992</b>
<b>Non-controlling interests</b>	<b>9,176</b>	<b>9,828</b>
<b>Total equity</b>	<b>968,694</b>	<b>1,080,821</b>
<b>Total Liabilities and equity</b>	<b>1,955,083</b>	<b>2,355,742</b>

### (3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 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
Cumulative impact of changes in accounting policies	—	—	—	(760)	(42)	(803)	—	(803)
Beginning balance reflecting changes in accounting policies	78,862	63,320	(6,268)	443,878	(12,199)	567,594	131,407	699,002
Profit	—	—	—	16,342	—	16,342	92	16,435
Other comprehensive income	—	—	—	—	63,077	63,077	342	63,420
Comprehensive income	—	—	—	16,342	63,077	79,420	435	79,855
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	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury shares	—	218	50	—	—	269	—	269
Dividends	—	—	—	(7,380)	—	(7,380)	(95)	(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	—	259,832	—	(259,832)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	797	797
Transfer from other components of equity to retained earnings	—	—	—	573	(573)	—	—	—
Other	—	—	—	—	—	—	21	21
Total transactions with owners	592,569	(63,320)	46	(266,639)	(7,606)	255,050	(123,451)	131,598
Balance as of March 31, 2021	671,432	—	(6,221)	193,581	43,271	902,064	8,391	910,455

For the Three Months Ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(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, 2022	671,432	—	(6,153)	228,009	(66,230)	959,518	9,176	968,694
Profit	—	—	—	18,072	—	18,072	191	18,264
Other comprehensive income	—	—	—	—	105,104	105,104	439	105,543
Comprehensive income	—	—	—	18,072	105,104	123,177	631	123,808
Issuance of new shares	—	—	—	—	—	—	—	—
New share issuance expenses	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	36	10	—	(7)	39	—	39
Dividends	—	—	—	(11,741)	—	(11,741)	(0)	(11,742)
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	20	20
Transfer from other components of equity to retained earnings	—	—	—	197	(197)	—	—	—
Other	—	—	—	—	—	—	1	1
Total transactions with owners	—	36	10	(11,543)	(205)	(11,702)	21	(11,681)
Balance as of March 31, 2022	671,432	36	(6,143)	234,538	171,128	1,070,992	9,828	1,080,821

## (4) Consolidated Statement of Cash Flows

(Million yen)

	For the three months ended March 31, 2021 Restated (Note)	For the three months ended March 31, 2022
<b>Cash flows from operating activities</b>		
Profit before tax from continuing operations	24,134	24,913
Depreciation and amortization	8,356	10,198
Gain on bargain purchase	(1,528)	(32)
Loss on step acquisitions	1,601	—
Interest and dividend income	(765)	(487)
Interest expenses	1,523	1,734
Share of loss (profit) of investments accounted for using equity method	(471)	(348)
Decrease (increase) in inventories	(7,346)	(10,557)
Decrease (increase) in trade and other receivables	(16,023)	(22,380)
Increase (decrease) in trade and other payables	(8,198)	(1,506)
Increase (decrease) in other current liabilities	(1,239)	620
Other	2,554	270
<b>Subtotal</b>	<b>2,597</b>	<b>2,426</b>
Interest received	839	804
Dividends received	32	1,394
Interest paid	(1,926)	(2,154)
Income taxes paid	(5,615)	(8,163)
Net cash provided by (used in) operating activities from discontinued operations	(517)	—
<b>Net cash provided by (used in) operating activities</b>	<b>(4,590)</b>	<b>(5,690)</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	5,758	1,071
Net decrease (increase) in short-term investment securities	17,406	13,670
Purchase of property, plant and equipment	(7,370)	(9,775)
Proceeds from sale of property, plant and equipment	169	536
Purchase of intangible assets	(666)	(1,210)
Purchase of investments in subsidiaries	(98,280)	(141,888)
Payments for loans receivable	(3,004)	(1,956)
Collection of loans receivable	169	1,324
Other	93	633
Net cash provided by (used in) investment activities from discontinued operations	(47)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(85,771)</b>	<b>(137,592)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	2,607	173,836
Proceeds from long-term borrowings	693	30,000
Repayments of long-term borrowings	(928)	(9,001)
Repayments of lease obligations	(2,200)	(2,849)
Payments for issuance of shares	(5,214)	—
Dividends paid	(7,334)	(11,688)
Dividends paid to non-controlling interests	(1,325)	—
Dividends paid to former shareholders of newly consolidated subsidiaries	(10,011)	—
Purchase of additional shares of subsidiaries	—	(3,350)
Other	(31)	(237)
Net cash provided by (used in) financing activities from discontinued operations	(42)	—
<b>Net cash provided by (used in) financing activities</b>	<b>(23,788)</b>	<b>176,710</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,616</b>	<b>5,944</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(110,534)</b>	<b>39,370</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>232,134</b>	<b>138,813</b>

	(Million yen)	
	For the three months ended March 31, 2021 Restated (Note)	For the three months ended March 31, 2022
<b>Cash and cash equivalents at end of period</b>	<b>121,600</b>	<b>178,184</b>

Note: Please refer to “(5) Notes to the Consolidated Financial Statements”.

## (5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(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 beginning with the end of the fiscal year ended December 31, 2021.

This accounting policy change is applied retrospectively. The consolidated financial statements for the three months ended March 31, 2021 have been adjusted to reflect this change.

As a result, compared to the amounts prior to the retrospective application of this accounting policy change, in the consolidated statement of profit or loss for the three months ended March 31, 2021, selling, general and administrative expenses increased by ¥205 million and operating profit, profit before tax, profit from continuing operations, and profit decreased by ¥205 million each. In the consolidated statement of cash flows for the three months ended March 31, 2021, profit before tax from continuing operations decreased by ¥205 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 ¥0.10 each.

(Changes in presentation)

Profit or loss from businesses classified as discontinued operations is separately presented on the condensed quarterly consolidated statements of profit or loss, net of income taxes, under profit from continuing operations. The condensed quarterly consolidated statements of profit or loss, condensed quarterly consolidated statement of cash flows, and relevant notes to the condensed quarterly consolidated financial statements for the three months ended March 31, 2021 have been partially reclassified for businesses classified as discontinued operations.

(Segment information)

(1) Summary of reportable segments

The Nippon Paint Group’s operations are classified into business segments 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 assessments. The Group’s primary businesses are the paint and coating business which manufactures and sells automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints, and the paint related business which manufactures and sells paint-related products such as adhesives. An independent local company and companies overseen by this company are responsible for business activities in Japan, and independent local companies, led by Nipsea and DuluxGroup, are responsible for the Asia, Oceania, and other overseas regions. Other independent local companies are responsible for Americas. Each company constitutes an individual management unit which makes decisions about items to carry and comprehensive strategies for each region to foster business growth.

As a result, the Group consists of four reportable segments divided by management unit or region with a manufacturing and sales structure as a base: Japan, Nipsea, DuluxGroup, and Americas. The Japan segment includes the overseas marine coatings

business.

The Board of Directors of NPHD approved a resolution at the Board of Directors on August 10, 2021 to dissolve and liquidate NPE and the shares of NPI, NPAE, and BNPA were transferred 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 three months ended March 31, 2021 are amounts for continuing operations only, excluding discontinued operations.

(2) Matters related to changes in reportable segment

The Group previously reported its financial results based on four reportable segments divided by region with the manufacturing and sales structure as a base: Japan, Asia, Oceania, and Americas. However, we have determined that reportable segments divided by management unit or region with a manufacturing and sales structure as a base would more appropriate reflect our current organizational structure.

As a result, we changed our reportable segments to segments divided by management unit or region with a manufacturing and sales structure as a base: Japan, Nipsea, DuluxGroup, and Americas. The Japan segment includes the overseas marine coatings business. The segment information for the three months ended March 31, 2021 has been restated based on the new reportable segments.

## (3) Performance by reportable segment

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	42,625	120,821	41,518	17,712	222,678	—	222,678
Intersegment revenue	3,855	882	109	11	4,859	(4,859)	—
Total	46,481	121,704	41,628	17,723	227,537	(4,859)	222,678
Segment profit (loss)	4,252	19,466	5,736	925	30,380	(5,680)	24,699
Financial income							2,259
Financial costs							(1,694)
Share of profit of investments accounted for using equity method							471
Loss on step acquisitions							(1,601)
Profit before tax							24,134

Note: Adjustments for segment profit of ¥5,680 million include Headquarters expenses of ¥7,278 million that do not belong to any reportable segment and intersegment eliminations of ¥1,597 million.

For the Three Months Ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	41,796	152,628	68,027	21,644	284,096	—	284,096
Intersegment revenue	4,126	980	129	21	5,257	(5,257)	—
Total	45,923	153,609	68,156	21,665	289,354	(5,257)	284,096
Segment profit	289	17,807	6,408	862	25,368	(1,033)	24,335
Financial income							2,124
Financial costs							(1,893)
Share of profit of investments accounted for using equity method							348
Loss on step acquisitions							—
Profit before tax							24,913

Note: Adjustments for segment profit of ¥1,033 million includes Headquarters expenses of ¥933 million that do not belong to any reportable segment and intersegment eliminations of ¥100 million yen.

## (4) Information on products and services

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	10,203	18,631	—	6,169	35,003
Decorative paints	9,936	85,461	21,538	11,228	128,165
Industrial coatings	9,026	8,897	1,553	—	19,476
Fine chemicals	2,250	1,592	—	314	4,156
Other paints	11,209	2,612	—	—	13,822
	42,625	117,194	23,092	17,712	200,624
Paint related business	—	3,627	18,426	—	22,053
Total	42,625	120,821	41,518	17,712	222,678

For the Three Months Ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	8,651	21,151	—	6,970	36,774
Decorative paints	10,413	111,261	44,285	14,306	180,266
Industrial coatings	9,087	9,286	1,913	—	20,287
Fine chemicals	1,951	2,082	—	366	4,400
Other paints	11,692	2,886	—	—	14,578
	41,796	146,667	46,199	21,644	256,307
Paint related business	—	5,960	21,828	—	27,788
Total	41,796	152,628	68,027	21,644	284,096



(Business combinations)

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 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 the Group'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 (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 are collectively, 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 us 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, we 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 us 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 us 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 business activities 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. Following the finalization of provisional accounting treatment, the consolidated financial statements for the three months ended March 31, 2021 have been restated retrospectively.

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+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 percentage of non-controlling interests 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 three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)
Revenue	9,910
Profit	1,835

(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 ¥259,832 million was transferred from retained earnings to capital surplus to make capital surplus zero.

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

Note: Companies owned indirectly through Nippon Paint Holdings SG Pte. Ltd.

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Acquisition of shares of Cromology Holding SAS)

Main reasons for the business combinations

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 and has 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 company operated stores in 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 and fillers.

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

(1) Business combination

(i) Overview of business combination

(a) Name and business activities of the acquired company

Name: Cromology Holding SAS

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

(b) Date of acquisition: January 20, 2022

(c) Percentage of equity interests with voting rights acquired: 99.8%

(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	9,530
Property, plant and equipment	21,821
Intangible assets	22,146
Other assets	30,424
Fair value of liabilities assumed	(64,326)
Fair value of assets acquired and liabilities assumed, net	19,596

## Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade and other receivables	8,454	7,967
Accounts receivable-other	5,313	5,007
Total	13,767	12,975
Best estimate of contractual cash flows not expected to be collected	(791)	—
Net total	12,975	12,975

Note: The amounts of assets acquired and liabilities assumed are provisionally calculated based on the information available at this time because the allocation of acquisition cost had not been completed as of March 31, 2022. Accounting treatment at the time of the acquisition will be modified if any revisions or additions to the above amounts are needed because NPHD becomes aware of new information about facts and circumstances that existed at the date of the acquisition within one year of the acquisition date.

## (iii) Consideration transferred and goodwill

			(Million yen)
			Amount
Consideration transferred	(Cash and other assets)	A	153,768
Fair value of assets acquired and liabilities assumed, net		B	19,596
Goodwill (Note)		A-B	134,172

Note: 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: ¥1,083 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 three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)
Revenue	22,648
Profit	757

## (vi) Effects of business combination on cash flows

	(Million yen)
	Amount
Consideration paid for acquisition	150,600
Cash and cash equivalents	(9,530)
Purchase of shares of subsidiaries	141,070

(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 three months ended March 31, 2021 have been reclassified as discontinued operations. Profit and loss and cash flows from the discontinued operations for the previous year have been restated and presented separately.

(1) Financial results of discontinued operations

	(Million yen)	
	For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)	For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)
Profit and loss from discontinued operations		
Income (Note)	8,859	—
Expenses (Note)	(8,857)	—
Profit (loss) before tax from discontinued operations	2	—
Income taxes	(44)	—
Profit (loss) from discontinued operations	(42)	—

(2) Cash flows from discontinued operations

	(Million yen)	
	For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)	For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)
Cash flows from discontinued operations		
Cash flows from operating activities	(517)	—
Cash flows from investing activities	(47)	—
Cash flows from financing activities	(42)	—
Total	(607)	—

(Significant subsequent events)

There is no relevant information.