

Consolidated Financial Results for the Six Months Ended June 30, 2022 [IFRS]



August 10, 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: August 10, 2022
 Scheduled date of commencing dividend payments: September 7, 2022
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of consolidated financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 1, 2022 to June 30, 2022)

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

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
June 30, 2022	622,049	29.1	44,202	(9.7)	41,998	(13.2)	28,604	(14.8)
June 30, 2021	481,787	—	48,961	—	48,361	—	33,574	—

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Six months ended				
June 30, 2022	28,557	(14.2)	258,985	172.5
June 30, 2021	33,274	—	95,047	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
June 30, 2022	12.16		12.16	
June 30, 2021	14.82		14.81	

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 22 of the accompanying material.

Note 3: The year-on-year percentage changes in figures for the second quarter of the fiscal year ended December 31, 2021 are not provided because retrospective adjustment have been applied to the amounts for the above-mentioned discontinued operations and due to a change in the accounting policy for configuration or customization costs in a cloud computing arrangements 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 June 30, 2022	2,538,712	1,193,033	1,186,019	46.7
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	—	5.00			
Fiscal year ending December 31, 2022 (Forecast)			—	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	1,320,000	32.2	105,000	19.8	100,000	15.7	72,000	6.6	30.66

Note 1: Revision to the financial results forecast announced recently: Yes

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):

June 30, 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:

June 30, 2022: 22,190,512 shares

December 31, 2021: 22,286,657 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2022: 2,348,268,890 shares

Six months ended June 30, 2021: 2,245,795,614 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, we 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 percentages show changes from the same period of the previous year in the items for continuing operations. For more information, see “2. Consolidated Financial Statements and Primary Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (Discontinued Operations)”.

During the six months ended June 30, 2022, consolidated revenue of the Nippon Paint Group increased by 29.1% from the corresponding period of the previous year (same hereafter) to ¥622,049 million. This is primarily due to the acquisition on January 20, 2022 of European paint manufacturer Cromology Holding SAS (Cromology) and the acquisition on May 31, 2022 of European paint manufacturer DB JUB delniška družba pooblaščenka d.d. (JUB) by NPHD, as subsidiaries, and the depreciation of the Japanese yen, combined with the strong 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 9.7% to ¥44,202 million due mainly to raw material price increases in every region and recording of an additional provision for potential credit loss in China. Consolidated profit before tax decreased by 13.2% to ¥41,998 million, and profit attributable to owners of parent decreased by 14.2% to ¥28,557 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 six months ended June 30, 2021 that have been restated to reflect the change in reportable segments.

Japan

Revenue from sales of automotive coatings decreased because the number of automobiles manufactured declined as a result of semiconductor chip shortage and other factors. Industrial coatings revenue increased, driven by solid new housing starts and other favorable market conditions. Decorative paints revenue increased due to improved market conditions.

As a result, consolidated revenue increased by 1.0% to ¥87,466 million. Consolidated operating profit decreased by 64.1% to ¥2,533 million because of raw material price increases. Beginning with the first quarter, 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 appropriately reflect the operating results of each reportable segment.

Nipsea

Revenue from sales of automotive coatings increased due to a positive foreign exchange impact and other factors, despite a decline in the number of automobiles manufactured in China because of semiconductor chip shortage, disruptions of parts supply, lockdowns caused by the pandemic, and other factors. Revenue from decorative paints was higher owing to the sustained 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 24.7% to ¥340,083 million. Consolidated operating profit decreased by 39.7% to ¥22,382 million due primarily to increases in raw material prices.

DuluxGroup

Cromology’s earnings are consolidated on the Nippon Paint Group’s financial statements beginning with January 2022 and of JUB beginning with June 2022. Revenue from sales of decorative coatings increased due to progress with selling price increases

in Oceania and Europe. Revenue in the paint related business was robust due to progress with selling price increases of every brand in Oceania, and strong sales of External Thermal Insulation Composite Systems (ETICS) in Europe.

As a result, consolidated revenue increased by 74.8% to ¥147,115 million, and consolidated operating profit increased by 46.2% to ¥16,095 million.

Americas

Revenue from sales of automotive coatings increased, driven by higher production of automobiles in the United States, a core region, backed by vigorous demand, despite continuing semiconductor chip shortage and other factors. Decorative paints revenue increased because of factors such as solid housing demand and favorable weather.

As a result, consolidated revenue increased by 23.3% to ¥47,383 million. Consolidated operating profit increased by 85.0% to ¥5,065 million.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased by ¥583,629 million from the end of the previous fiscal year to ¥2,538,712 million.

Current assets increased by ¥175,304 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥408,324 million mainly because of an increase in goodwill resulting from the acquisition of Cromology.

Liabilities increased by ¥359,290 million yen to ¥1,345,679 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥224,338 million to ¥1,193,033 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 46.7%.

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

The consolidated earnings forecast for the fiscal year ending December 31, 2022 released on February 14, 2022 has been revised. For more information, please see “Notice of Revision of Earnings Forecast (IFRS)” released today.

Revision of the earnings forecast for the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022)

	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
Previous forecast (A)	1,200,000	115,000	113,000	81,000	34.49
Revised forecast (B)	1,320,000	105,000	100,000	72,000	30.66
Amount of change (B-A)	120,000	-10,000	-13,000	-9,000	
Rate of change (%)	10.0	-8.7	-11.5	-11.1	

2. Consolidated Financial Statements and Primary Notes

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

Consolidated Statement of Profit or Loss
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2021 Restated (Note)	For the six months ended June 30, 2022
Continuing operations		
Revenue	481,787	622,049
Cost of sales	(293,395)	(392,011)
Gross profit	188,391	230,038
Selling, general and administrative expenses	(141,337)	(188,564)
Other income	3,425	4,398
Other expenses	(1,517)	(1,669)
Operating profit	48,961	44,202
Finance income	3,102	2,760
Finance costs	(2,870)	(5,775)
Share of profit (loss) of investments accounted for using equity method	770	810
Loss on step acquisitions	(1,601)	—
Profit before tax	48,361	41,998
Income taxes	(14,103)	(13,393)
Profit from continuing operations	34,258	28,604
Discontinued operations		
Profit (loss) from discontinued operations	(684)	—
Profit	33,574	28,604
Profit attributable to		
Owners of parent	33,274	28,557
Non-controlling interests	300	47
Profit	33,574	28,604
Earnings per share		
Basic earnings (loss) per share (yen)		
Continuing operations	15.08	12.16
Discontinued operations	(0.26)	—
Total	14.82	12.16
Diluted earnings (loss) per share (yen)		
Continuing operations	15.08	12.16
Discontinued operations	(0.26)	—
Total	14.81	12.16

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

Consolidated Statement of Profit or Loss
Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2021 Restated (Note)	Second quarter ended June 30, 2022
Continuing operations		
Revenue	259,108	336,953
Cost of sales	(161,804)	(215,151)
Gross profit	97,303	121,802
Selling, general and administrative expenses	(73,372)	(103,464)
Other income	1,037	3,070
Other expenses	(706)	(603)
Operating profit	24,262	20,804
Finance income	842	652
Finance costs	(1,176)	(2,793)
Share of profit (loss) of investments accounted for using equity method	298	462
Profit before tax	24,227	19,125
Income taxes	(6,446)	(5,060)
Profit from continuing operations	17,781	14,065
Discontinued operations		
Profit (loss) from discontinued operations	(642)	—
Profit	17,139	14,065
Profit attributable to		
Owners of parent	16,931	14,206
Non-controlling interests	208	(141)
Profit	17,139	14,065
Earnings per share		
Basic earnings (loss) per share (yen)		
Continuing operations	7.45	6.05
Discontinued operations	(0.24)	—
Total	7.21	6.05
Diluted earnings (loss) per share (yen)		
Continuing operations	7.45	6.05
Discontinued operations	(0.24)	—
Total	7.21	6.05

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

Condensed Quarterly Consolidated Statement of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2021 Restated (Note)	For the six months ended June 30, 2022
Profit	33,574	28,604
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,303	(1,068)
Remeasurements of defined benefit plans	(43)	(35)
Total of items that will not be reclassified to profit or loss	2,260	(1,103)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	58,937	232,652
Cash flow hedges	43	(831)
Share of other comprehensive income of investments accounted for using equity method	232	(335)
Total of items that may be reclassified to profit or loss	59,212	231,484
Total other comprehensive income	61,473	230,380
Comprehensive income	95,047	258,985
Comprehensive income attributable to		
Owners of parent	94,388	257,670
Non-controlling interests	659	1,314
Comprehensive income	95,047	258,985

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

Second quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2021 Restated (Note)	Second quarter ended June 30, 2022
Profit	17,139	14,065
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,447	(1,837)
Remeasurements of defined benefit plans	1	19
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	1,448	(1,817)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,415)	98,394
Cash flow hedges	7	137
Share of other comprehensive income of investments accounted for using equity method	12	(853)
Total of items that may be reclassified to profit or loss	(3,395)	97,679
Total other comprehensive income	(1,947)	95,861
Comprehensive income	15,192	109,927
Comprehensive income attributable to		
Owners of parent	14,968	109,254
Non-controlling interests	224	672
Comprehensive income	15,192	109,927

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 June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	138,813	188,219
Inventories	132,798	183,174
Trade and other receivables	266,908	355,234
Other financial assets	39,924	31,840
Other current assets	18,430	17,234
Subtotal	596,876	775,704
Assets held for sale	3,860	336
Total current assets	600,736	776,041
Non-current assets		
Property, plant and equipment	301,706	384,334
Goodwill	652,692	909,751
Other intangible assets	300,200	365,732
Investments accounted for using equity method	31,406	34,545
Other financial assets	51,448	54,907
Other non-current assets	11,873	5,531
Deferred tax assets	5,019	7,869
Total non-current assets	1,354,346	1,762,671
Total assets	1,955,083	2,538,712

(Million yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	209,686	267,920
Bonds and borrowings	65,115	77,845
Other financial liabilities	28,701	36,642
Income taxes payable	11,105	11,735
Provisions	2,478	4,890
Other current liabilities	55,546	77,533
Total current liabilities	372,633	476,569
Non-current liabilities		
Bonds and borrowings	457,919	670,907
Other financial liabilities	56,288	77,915
Retirement benefit liability	18,570	18,465
Provisions	777	1,201
Other non-current liabilities	6,157	12,823
Deferred tax liabilities	74,040	87,796
Total non-current liabilities	613,754	869,110
Total liabilities	986,388	1,345,679
Equity		
Share capital	671,432	671,432
Treasury shares	(6,153)	(6,127)
Retained earnings	228,009	220,976
Other components of equity	66,230	299,738
Total equity attributable to owners of parent	959,518	1,186,019
Non-controlling interests	9,176	7,013
Total equity	968,694	1,193,033
Total Liabilities and equity	1,955,083	2,538,712

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(Million yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
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	—	—	—	33,274	—	33,274	300	33,574
Other comprehensive income	—	—	—	—	61,114	61,114	358	61,473
Comprehensive income	—	—	—	33,274	61,114	94,388	659	95,047
Issuance of new shares	592,569	592,569	—	—	—	1,185,139	—	1,185,139
New share issuance expenses	—	(3,619)	—	—	—	(3,619)	—	(3,619)
Purchase of treasury shares	—	—	(5)	—	—	(5)	—	(5)
Disposal of treasury shares	—	335	70	—	—	405	—	405
Dividends	—	—	—	(7,380)	—	(7,380)	(96)	(7,476)
Changes in ownership interest in subsidiaries	—	(912,321)	—	—	(7,033)	(919,354)	(124,174)	(1,043,529)
Transfer from retained earnings to capital surplus	—	259,715	—	(259,715)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	830	830
Transfer from other components of equity to retained earnings	—	—	—	622	(622)	—	—	—
Transfer from other components of equity to non-financial assets and other items	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	16	16
Total transactions with owners	592,569	(63,320)	65	(266,473)	(7,655)	255,185	(123,424)	131,761
Balance as of June 30, 2021	671,432	—	(6,202)	210,678	41,259	917,168	8,642	925,810

For the Six Months Ended June 30, 2022 (From January 1, 2022 to June 30, 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
Adjustments for hyperinflation	—	—	—	(20,543)	—	(20,543)	—	(20,543)
Beginning balance reflecting adjustments for hyperinflation	671,432	—	(6,153)	207,465	66,230	938,974	9,176	948,151
Profit	—	—	—	28,557	—	28,557	47	28,604
Other comprehensive income	—	—	—	—	229,113	229,113	1,267	230,380
Comprehensive income	—	—	—	28,557	229,113	257,670	1,314	258,985
Issuance of new shares	—	—	—	—	—	—	—	—
New share issuance expenses	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	70	26	—	(24)	73	—	73
Dividends	—	—	—	(11,741)	—	(11,741)	(45)	(11,787)
Changes in ownership interest in subsidiaries	—	(3,845)	—	—	675	(3,169)	(3,512)	(6,682)
Transfer from retained earnings to capital surplus	—	3,774	—	(3,774)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	36	36
Transfer from other components of equity to retained earnings	—	—	—	469	(469)	—	—	—
Transfer from other components of equity to non-financial assets and other items	—	—	—	—	4,212	4,212	—	4,212
Other	—	—	—	—	—	—	43	43
Total transactions with owners	—	—	26	(15,046)	4,395	(10,625)	(3,477)	(14,103)
Balance as of March 31, 2022	671,432	—	(6,127)	220,976	299,738	1,186,019	7,013	1,193,033

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the six months ended June 30, 2021 Restated (Note)	For the six months ended June 30, 2022
Cash flows from operating activities		
Profit before tax from continuing operations	48,361	41,998
Depreciation and amortization	16,801	21,094
Gain on bargain purchase	(1,528)	(24)
Loss on step acquisitions	1,601	—
Interest and dividend income	(1,762)	(1,696)
Interest expenses	2,728	3,653
Share of loss (profit) of investments accounted for using equity method	(769)	(810)
Decrease (increase) in inventories	(16,887)	(15,292)
Decrease (increase) in trade and other receivables	(31,215)	(30,535)
Increase (decrease) in trade and other payables	12,312	1,628
Increase (decrease) in allowance for doubtful accounts	293	12,304
Increase (decrease) in other current liabilities	3,718	3,153
Other	19	582
Subtotal	33,671	36,056
Interest received	1,136	1,126
Dividends received	1,125	1,784
Interest paid	(2,726)	(3,562)
Income taxes paid	(10,518)	(15,337)
Net cash provided by (used in) operating activities from discontinued operations	(2,038)	—
Net cash provided by (used in) operating activities	20,650	20,067
Cash flows from investing activities		
Net decrease (increase) in time deposits	11,335	(170)
Net decrease (increase) in short-term investment securities	20,161	10,994
Purchase of property, plant and equipment	(14,029)	(19,267)
Proceeds from sale of property, plant and equipment	563	4,184
Purchase of intangible assets	(1,428)	(1,537)
Purchase of investments in subsidiaries	(98,371)	(168,397)
Purchase of shares in investments accounted for using equity method	(16,999)	—
Payments for transfer of business	(1,043)	(928)
Payments for loans receivable	(4,769)	(2,157)
Collection of loans receivable	343	3,351
Other	(389)	1,801
Net cash provided by (used in) investment activities from discontinued operations	1,694	—
Net cash provided by (used in) investing activities	(102,933)	(172,126)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(106)	559
Proceeds from long-term borrowings	40,700	270,160
Repayments of long-term borrowings	(32,958)	(59,910)
Repayments of lease obligations	(4,120)	(6,198)
Payments for issuance of shares	(5,214)	—
Dividends paid	(7,379)	(11,741)
Dividends paid to non-controlling interests	(1,335)	(7)
Dividends paid to former shareholders of newly consolidated subsidiaries	(10,011)	—
Purchase of additional shares of subsidiaries	—	(6,680)
Other	(16)	(74)
Net cash provided by (used in) financing activities from discontinued operations	(92)	—
Net cash provided by (used in) financing activities	(20,534)	186,105

	(Million yen)	
	For the six months ended June 30, 2021 Restated (Note)	For the six months ended June 30, 2022
Effect of exchange rate changes on cash and cash equivalents	3,309	14,494
Adjustments for hyper inflation	—	865
Net increase (decrease) in cash and cash equivalents	(99,507)	49,405
Cash and cash equivalents at beginning of period	232,134	138,813
Cash and cash equivalents at end of period	132,626	188,219

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 (related to 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 six months ended June 30, 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 six months ended June 30, 2021, selling, general and administrative expenses increased by ¥457 million and operating profit, profit before tax, profit from continuing operations, and profit decreased by ¥457 million each. In the consolidated statement of cash flows for the six months ended June 30, 2021, profit before tax from continuing operations decreased by ¥457 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 ¥0.20 each.

(Financial reporting in hyperinflationary economies)

Beginning with the six months ended June 30, 2022, we applied the hyperinflationary accounting standard IAS29 “Financial Reporting in Hyperinflationary Economies” to consolidate our Turkish subsidiaries. The financial statements of the Turkish subsidiaries were included in the consolidated statements after restating the units of measurement at the end of the reporting period in order to reflect the impact of inflation in Turkey on financial statements. As required by IAS 21 (“The Effects of Changes in Foreign Exchange Rates”), the Nippon Paint Group translates amounts using the exchange rate at the end of the quarterly period when consolidating cash flows and comprehensive income of its Turkish subsidiaries. The application of this method to the Consolidated Statement of Profit or Loss for the six months ended June 30, 2022 caused revenue to increase by ¥3,029 million, and operating profit to decline by ¥3,304 million, profit by ¥5,989 million, and profit attributable to owners of parent by ¥5,703 million.

(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 six months ended June 30, 2021 and the second quarter ended June 30, 2021 have been partially reclassified for businesses classified as discontinued operations.

(Segment information)

(1) Summary of reportable segments

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 six months ended June 30, 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, beginning with the three months ended March 31, 2022, 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 six months ended June 30, 2021 has been restated based on the new reportable segments.

(3) Performance by reportable segment

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

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	86,558	272,644	84,169	38,414	481,787	—	481,787
Intersegment revenue	7,536	1,911	149	31	9,629	(9,629)	—
Total	94,095	274,555	84,319	38,445	491,416	(9,629)	481,787
Segment profit (loss)	7,054	37,133	11,009	2,738	57,936	(8,974)	48,961
Financial income							3,102
Financial costs							(2,870)
Share of profit of investments accounted for using equity method							770
Loss on step acquisitions							(1,601)
Profit before tax							48,361

Note: Adjustments for segment profit of ¥-8,974 million include Headquarters expenses of ¥-12,472 million that do not belong to any reportable segment and intersegment eliminations of ¥3,497 million.

For the Six Months Ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	87,466	340,083	147,115	47,383	622,049	—	622,049
Intersegment revenue	8,524	2,133	280	41	10,979	(10,979)	—
Total	95,990	342,217	147,395	47,425	633,029	(10,979)	622,049
Segment profit	2,533	22,382	16,095	5,065	46,076	(1,873)	44,202
Financial income							2,760
Financial costs							(5,775)
Share of profit of investments accounted for using equity method							810
Loss on step acquisitions							—
Profit before tax							41,998

Note: Adjustments for segment profit of ¥-1,873 million includes Headquarters expenses of ¥-1,679 million that do not belong to any reportable segment and intersegment eliminations of ¥-193 million yen.

(4) Information on products and services

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

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	18,735	37,054	—	12,262	68,053
Decorative paints	21,814	197,668	43,107	25,523	288,114
Industrial coatings	18,602	19,341	3,476	—	41,420
Fine chemicals	4,661	3,256	—	627	8,545
Other paints	22,744	5,429	—	—	28,173
	86,558	262,751	46,583	38,414	434,308
Paint related business	—	9,893	37,585	—	47,479
Total	86,558	272,644	84,169	38,414	481,787

For the Six Months Ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	16,013	41,500	—	14,579	72,092
Decorative paints	23,165	252,028	95,974	32,122	403,291
Industrial coatings	19,322	20,849	4,214	—	44,386
Fine chemicals	4,238	4,126	—	681	9,046
Other paints	24,727	6,345	—	—	31,072
	87,466	324,850	100,188	47,383	559,889
Paint related business	—	15,233	46,926	—	62,160
Total	87,466	340,083	147,115	47,383	622,049

(Business combinations)

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

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

Main reasons for the business combinations

The many applications of paint include residential and commercial construction, transport applications such as cars and trains, and infrastructure such as bridges and roads, meaning that demand for paint increases in step with population growth and urbanization. Asia is becoming a key region for 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.

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 six months ended March 31, 2021 (From January 1, 2021 to June 30, 2021)
Revenue	19,850
Profit	4,265

(vi) Effects of business combination on cash flows

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

(2) Acquisition of non-controlling interests

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

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

Company	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 six months ended June 30, 2022 (From January 1, 2022 to June 30, 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 June 30, 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	149,556
Basis adjustments		B	4,212
Fair value of assets acquired and liabilities assumed, net		C	19,596
Goodwill (Note)		A+B-C	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: ¥1,141 million

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

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

	(Million yen)
	For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)
Revenue	50,772
Profit	3,301

(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 six months ended June 30, 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 six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)	For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)
Profit and loss from discontinued operations		
Income (Note)	16,073	—
Expenses (Note)	(16,697)	—
Profit (loss) before tax from discontinued operations	(624)	—
Income taxes	(60)	—
Profit (loss) from discontinued operations	(684)	—

(2) Cash flows from discontinued operations

	(Million yen)	
	For the six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)	For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)
Cash flows from discontinued operations		
Cash flows from operating activities	(2,038)	—
Cash flows from investing activities	1,694	—
Cash flows from financing activities	(92)	—
Total	(435)	—

(Significant subsequent events)

There is no relevant information.