

Consolidated Financial Results for the Nine Months Ended September 30, 2022 [IFRS]



November 14, 2022

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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

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Scheduled date of 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 Nine Months Ended September 30, 2022 (January 1, 2022 to September 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	%
Nine months ended September 30, 2022	979,916	33.1	82,428	24.7	80,224	22.8	55,290	10.5
September 30, 2021	736,257	—	66,086	—	65,337	—	50,028	—

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Nine months ended September 30, 2022	55,185	11.1	314,853	183.3
September 30, 2021	49,657	—	111,130	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2022	23.50		23.50	
September 30, 2021	21.78		21.77	

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 year-on-year percentage changes in figures for the third quarter of the fiscal year ended December 31, 2021 are not provided because a retrospective adjustment has been applied to the amounts for the third quarter of the fiscal year ended December 31, 2021 as a result of a change in the accounting policy for configuration or customization costs in a cloud computing arrangements implemented in the fiscal year ended December 31, 2021.

(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 September 30, 2022	2,613,213	1,235,568	1,228,542	47.0
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: 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):

September 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:

September 30, 2022: 22,127,512 shares

December 31, 2021: 22,286,657 shares

- 3) Average number of shares during the period:

Nine months ended September 30, 2022: 2,348,294,534 shares

Nine months ended September 30, 2021: 2,280,136,216 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 Nippon Paint (Europe) Ltd. (NPE). In addition, we transferred shares of Nippon Paint (India) Private Limited (NPI), Nippon Paint Automotive Europe GmbH (NPAE), and Berger Nippon Paint Automotive Coatings Private Limited (BNPA) to Isaac Newton Corporation (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 for the previous year 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 nine months ended September 30, 2022, consolidated revenue of the Nippon Paint Group increased by 33.1% from the corresponding period of the previous year (same hereafter) to ¥979,916 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 increased by 24.7% to ¥82,428 million due to flow through of selling price increases, despite raw material price increases in every region and an additional provision for potential credit loss in China. Consolidated profit before tax increased by 22.8% to ¥80,224 million, and profit attributable to owners of parent increased by 11.1% to ¥55,185 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 comparisons in the segment information are based on amounts for the nine months ended September 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 the 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 4.5% to ¥134,715 million. Consolidated operating profit decreased by 47.6% to ¥4,311 million because of raw material price increases and other factors. 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 included in “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 primarily to an increase in the number of automobiles manufactured in China and Thailand during the nine months ended September 30, 2022, despite the semiconductor chip shortage. Revenue from decorative paints was higher owing to the consistently firm paint demand for repainting interiors of existing homes in China, despite the impact of lockdowns and other restrictions, combined with aggressive selling price increases in major markets including China, Malaysia, Indonesia, and Türkiye.

As a result, consolidated revenue increased by 27.7% to ¥538,939 million. Consolidated operating profit increased by 1.7% to ¥50,092 million.

DuluxGroup

Cromology's earnings are included in the Nippon Paint Group's consolidated financial statements beginning with January 2022 and of JUB beginning with June 2022. Revenue from sales of decorative paints increased due to progress with selling price increases in Oceania and Europe. Revenue in the paint related business exceeded the previous year 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 81.2% to ¥231,586 million, and consolidated operating profit increased by 47.8% to ¥23,838 million.

Americas

Revenue from sales of automotive coatings increased, driven by higher production of automobiles in the United States, a core region, backed by very strong demand, despite the continuing semiconductor chip shortage and other factors. Decorative paints revenue increased, driven primarily by solid housing demand and favorable weather through the first six months of the current fiscal year.

As a result, consolidated revenue increased by 29.6% to ¥74,675 million. Consolidated operating profit increased by 83.9% to ¥7,246 million.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by ¥658,130 million from the end of the previous fiscal year to ¥2,613,213 million.

Current assets increased by ¥231,500 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥426,629 million mainly because of an increase in goodwill resulting from the acquisition of Cromology.

Liabilities increased by ¥391,256 million yen to ¥1,377,645 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥266,873 million to ¥1,235,568 million. This was mainly attributable to an increase in foreign currency translation adjustment.

As a result, the ratio of equity attributable to owners of parent to total assets decreased from 49.1% at the end of the previous fiscal year to 47.0%.

(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 in "Notice of Revision of Earnings Forecast (IFRS) released on August 10, 2022.

2. Consolidated Financial Statements and Primary Notes

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

Consolidated Statement of Profit or Loss
Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2021 Restated (Note)	For the nine months ended September 30, 2022
Continuing operations		
Revenue	736,257	979,916
Cost of sales	(455,288)	(618,342)
Gross profit	280,969	361,574
Selling, general and administrative expenses	(216,890)	(288,032)
Other income	4,481	10,955
Other expenses	(2,474)	(2,069)
Operating profit	66,086	82,428
Finance income	3,652	4,890
Finance costs	(4,250)	(8,390)
Share of profit (loss) of investments accounted for using equity method	1,450	1,295
Loss on step acquisitions	(1,601)	—
Profit before tax	65,337	80,224
Income taxes	(16,200)	(24,933)
Profit from continuing operations	49,137	55,290
Discontinued operations		
Profit (loss) from discontinued operations	890	—
Profit	50,028	55,290
Profit attributable to		
Owners of parent	49,657	55,185
Non-controlling interests	371	104
Profit	50,028	55,290
Earnings per share		
Basic earnings (loss) per share (yen)		
Continuing operations	21.34	23.50
Discontinued operations	0.43	—
Total	21.78	23.50
Diluted earnings (loss) per share (yen)		
Continuing operations	21.34	23.50
Discontinued operations	0.43	—
Total	21.77	23.50

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

Consolidated Statement of Profit or Loss
Third Quarter Ended September 30

(Million yen)

	Third quarter ended September 30, 2021 Restated (Note)	Third quarter ended September 30, 2022
Continuing operations		
Revenue	254,470	357,866
Cost of sales	(161,892)	(226,330)
Gross profit	92,577	131,535
Selling, general and administrative expenses	(75,552)	(99,467)
Other income	1,056	6,557
Other expenses	(957)	(400)
Operating profit	17,124	38,225
Finance income	550	2,129
Finance costs	(1,379)	(2,614)
Share of profit (loss) of investments accounted for using equity method	680	484
Profit before tax	16,975	38,225
Income taxes	(2,096)	(11,539)
Profit from continuing operations	14,878	26,685
Discontinued operations		
Profit (loss) from discontinued operations	1,574	—
Profit	16,453	26,685
Profit attributable to		
Owners of parent	16,382	26,628
Non-controlling interests	70	57
Profit	16,453	26,685
Earnings per share		
Basic earnings (loss) per share (yen)		
Continuing operations	6.30	11.34
Discontinued operations	0.67	—
Total	6.98	11.34
Diluted earnings (loss) per share (yen)		
Continuing operations	6.30	11.34
Discontinued operations	0.67	—
Total	6.98	11.34

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

Condensed Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2021 Restated (Note)	For the nine months ended September 30, 2022
Profit	50,028	55,290
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,769	(1,587)
Remeasurements of defined benefit plans	(74)	(262)
Total of items that will not be reclassified to profit or loss	2,695	(1,850)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	58,260	264,159
Cash flow hedges	73	(797)
Share of other comprehensive income of investments accounted for using equity method	73	(1,948)
Total of items that may be reclassified to profit or loss	58,407	261,413
Total other comprehensive income	61,102	259,563
Comprehensive income	111,130	314,853
Comprehensive income attributable to		
Owners of parent	110,380	313,462
Non-controlling interests	750	1,391
Comprehensive income	111,130	314,853

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

Third quarter Ended September 30

(Million yen)

	Third quarter ended September 30, 2021 Restated (Note)	Third quarter ended September 30, 2022
Profit	16,453	26,685
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	466	(519)
Remeasurements of defined benefit plans	(31)	(227)
Total of items that will not be reclassified to profit or loss	435	(746)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(676)	31,507
Cash flow hedges	30	34
Share of other comprehensive income of investments accounted for using equity method	(158)	(1,612)
Total of items that may be reclassified to profit or loss	(805)	29,929
Total other comprehensive income	(370)	29,182
Comprehensive income	16,083	55,868
Comprehensive income attributable to		
Owners of parent	15,991	55,791
Non-controlling interests	91	76
Comprehensive income	16,083	55,868

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 September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	138,813	227,246
Inventories	132,798	188,139
Trade and other receivables	266,908	372,954
Other financial assets	39,924	28,172
Other current assets	18,430	15,469
Subtotal	596,876	831,981
Assets held for sale	3,860	255
Total current assets	600,736	832,237
Non-current assets		
Property, plant and equipment	301,706	393,893
Goodwill	652,692	892,917
Other intangible assets	300,200	415,508
Investments accounted for using equity method	31,406	34,562
Other financial assets	51,448	30,399
Other non-current assets	11,873	6,479
Deferred tax assets	5,019	7,215
Total non-current assets	1,354,346	1,780,976
Total assets	1,955,083	2,613,213

(Million yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	209,686	275,365
Bonds and borrowings	65,115	74,581
Other financial liabilities	28,701	38,372
Income taxes payable	11,105	17,005
Provisions	2,478	5,674
Other current liabilities	55,546	89,360
Total current liabilities	372,633	500,359
Non-current liabilities		
Bonds and borrowings	457,919	670,843
Other financial liabilities	56,288	80,670
Retirement benefit liability	18,570	18,523
Provisions	777	1,188
Other non-current liabilities	6,157	9,183
Deferred tax liabilities	74,040	96,874
Total non-current liabilities	613,754	877,285
Total liabilities	986,388	1,377,645
Equity		
Share capital	671,432	671,432
Treasury shares	(6,153)	(6,109)
Retained earnings	228,009	244,475
Other components of equity	66,230	318,743
Total equity attributable to owners of parent	959,518	1,228,542
Non-controlling interests	9,176	7,026
Total equity	968,694	1,235,568
Total liabilities and equity	1,955,083	2,613,213

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the Nine Months Ended September 30, 2021 (From January 1, 2021 to September 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	—	—	—	49,657	—	49,657	371	50,028
Other comprehensive income	—	—	—	—	60,723	60,723	379	61,102
Comprehensive income	—	—	—	49,657	60,723	110,380	750	111,130
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	—	447	93	—	(4)	536	—	536
Dividends	—	—	—	(19,121)	—	(19,121)	(99)	(19,220)
Changes in ownership interest in subsidiaries	—	(912,321)	—	—	(7,033)	(919,354)	(123,774)	(1,043,129)
Transfer from retained earnings to capital surplus	—	259,603	—	(259,603)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	(245)	(245)
Transfer from other components of equity to retained earnings	—	—	—	590	(590)	—	—	—
Transfer from other components of equity to non-financial assets and other items	—	—	—	—	—	—	—	—
Put option liabilities over non-controlling interests	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	(12)	(12)
Total transactions with owners	592,569	(63,320)	88	(278,134)	(7,628)	243,574	(124,132)	119,442
Balance as of September 30, 2021	671,432	—	(6,179)	215,401	40,895	921,549	8,026	929,575

For the Nine Months Ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(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, 2022	671,432	—	(6,153)	228,009	66,230	959,518	9,176	968,694
Adjustments for hyperinflation	—	—	—	(21,021)	—	(21,021)	—	(21,021)
Beginning balance reflecting adjustments for hyperinflation	671,432	—	(6,153)	206,988	66,230	938,497	9,176	947,673
Profit	—	—	—	55,185	—	55,185	104	55,290
Other comprehensive income	—	—	—	—	258,276	258,276	1,287	259,563
Comprehensive income	—	—	—	55,185	258,276	313,462	1,391	314,853
Issuance of new shares	—	—	—	—	—	—	—	—
New share issuance expenses	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	103	44	—	(33)	113	—	113
Dividends	—	—	—	(23,483)	—	(23,483)	(50)	(23,533)
Changes in ownership interest in subsidiaries	—	(3,845)	—	—	675	(3,169)	(3,512)	(6,682)
Transfer from retained earnings to capital surplus	—	4,831	—	(4,831)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	36	36
Transfer from other components of equity to retained earnings	—	—	—	10,616	(10,616)	—	—	—
Transfer from other components of equity to non-financial assets and other items	—	—	—	—	4,212	4,212	—	4,212
Put option liabilities over non-controlling interests	—	(1,089)	—	—	—	(1,089)	—	(1,089)
Other	—	—	—	—	—	—	(15)	(15)
Total transactions with owners	—	—	43	(17,698)	(5,762)	(23,417)	(3,541)	(26,958)
Balance as of September 30, 2022	671,432	—	(6,109)	244,475	318,743	1,228,542	7,026	1,235,568

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the nine months ended September 30, 2021 Restated (Note)	For the nine months ended September 30, 2022
Cash flows from operating activities		
Profit before tax from continuing operations	65,337	80,224
Depreciation and amortization	25,132	34,337
Gain on bargain purchase	(1,528)	(25)
Loss on step acquisitions	1,601	—
Interest and dividend income	(2,521)	(2,578)
Interest expenses	4,110	5,972
Share of loss (profit) of investments accounted for using equity method	(1,450)	(1,295)
Decrease (increase) in inventories	(23,876)	(15,837)
Decrease (increase) in trade and other receivables	(34,848)	(41,600)
Increase (decrease) in trade and other payables	21,941	2,123
Increase (decrease) in allowance for doubtful accounts	3,411	11,857
Increase (decrease) in other current liabilities	6,935	12,436
Other	(3,885)	(3,593)
Subtotal	60,358	82,022
Interest received	1,787	2,022
Dividends received	1,492	2,111
Interest paid	(4,515)	(6,014)
Income taxes paid	(15,600)	(22,610)
Net cash provided by (used in) operating activities from discontinued operations	(2,725)	—
Net cash provided by (used in) operating activities	40,796	57,531
Cash flows from investing activities		
Net decrease (increase) in time deposits	14,456	(496)
Net decrease (increase) in short-term investment securities	17,533	17,815
Proceeds from sale of investment securities	650	25,431
Purchase of property, plant and equipment	(24,267)	(30,119)
Proceeds from sale of property, plant and equipment	917	5,032
Purchase of intangible assets	(1,858)	(2,874)
Purchase of investments in subsidiaries	(98,791)	(169,987)
Purchase of shares in investments accounted for using equity method	(20,093)	—
Payments for transfer of business	(1,374)	(928)
Payments for loans receivable	(6,514)	(2,086)
Collection of loans receivable	341	3,534
Other	(1,592)	(1,167)
Net cash provided by (used in) investment activities from discontinued operations	13,809	—
Net cash provided by (used in) investing activities	(106,782)	(155,845)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(246)	(3,084)
Proceeds from long-term borrowings	40,692	270,067
Repayments of long-term borrowings	(34,059)	(59,932)
Payments for redemption of bonds	(3,329)	—
Repayments of lease obligations	(6,224)	(8,922)
Payments for issuance of shares	(5,214)	—
Dividends paid	(19,065)	(23,427)
Dividends paid to non-controlling interests	(1,963)	(5)
Dividends paid to former shareholders of newly consolidated subsidiaries	(10,011)	—
Purchase of additional shares of subsidiaries	—	(6,680)
Other	(319)	(41)

	(Million yen)	
	For the nine months ended September 30, 2021 Restated (Note)	For the nine months ended September 30, 2022
Net cash provided by (used in) financing activities from discontinued operations	(122)	—
Net cash provided by (used in) financing activities	(39,864)	167,972
Effect of exchange rate changes on cash and cash equivalents	3,253	17,869
Adjustments for hyper inflation	—	904
Net increase (decrease) in cash and cash equivalents	(102,597)	88,432
Cash and cash equivalents at beginning of period	232,134	138,813
Cash and cash equivalents at end of period	129,536	227,246

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 nine months ended September 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 nine months ended September 30, 2021, selling, general and administrative expenses increased by ¥651 million and operating profit, profit before tax, profit from continuing operations, and profit decreased by ¥651 million each. In the consolidated statement of cash flows for the nine months ended September 30, 2021, profit before tax from continuing operations decreased by ¥651 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 ¥0.29 each.

(Financial reporting in hyperinflationary economies)

Beginning with the nine months ended September 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 Türkiye 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 nine months ended September 30, 2022 caused revenue to increase by ¥4,032 million, and operating profit to decline by ¥4,712 million, profit by ¥7,611 million, and profit attributable to owners of parent by ¥7,212 million.

(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 coatings business which manufactures and sells automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints, and the paint related business which manufactures and sells paint-related products such as adhesives. 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.

(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 appropriately 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 nine months ended September 30, 2021 has been restated based on the new reportable segments.

(3) Performance by reportable segment

For the Nine Months Ended September 30, 2021 (From January 1, 2021 to September 30, 2021)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	128,875	421,965	127,776	57,640	736,257	—	736,257
Intersegment revenue	10,861	2,829	156	36	13,884	(13,884)	—
Total	139,736	424,794	127,932	57,677	750,141	(13,884)	736,257
Segment profit (loss)	8,234	49,239	16,123	3,940	77,537	(11,451)	66,086
Financial income							3,652
Financial costs							(4,250)
Share of profit of investments accounted for using equity method							1,450
Loss on step acquisitions							(1,601)
Profit before tax							65,337

Note: Adjustments for segment profit of ¥-11,451 million include Headquarters expenses of ¥-16,664 million that do not belong to any reportable segment and intersegment eliminations of ¥5,213 million.

For the Nine Months Ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	134,715	538,939	231,586	74,675	979,916	—	979,916
Intersegment revenue	12,474	3,348	335	58	16,217	(16,217)	—
Total	147,190	542,288	231,921	74,734	996,134	(16,217)	979,916
Segment profit	4,311	50,092	23,838	7,246	85,489	(3,061)	82,428
Financial income							4,890
Financial costs							(8,390)
Share of profit of investments accounted for using equity method							1,295
Loss on step acquisitions							—
Profit before tax							80,224

Note: Adjustments for segment profit of ¥-3,061 million includes Headquarters expenses of ¥-2,670 million that do not belong to any reportable segment and intersegment eliminations of ¥-390 million yen.

(4) Information on products and services

For the Nine Months Ended September 30, 2021 (From January 1, 2021 to September 30, 2021)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	26,364	53,084	—	17,809	97,258
Decorative paints	33,248	312,074	65,136	38,955	449,415
Industrial coatings	28,161	29,231	5,386	—	62,779
Fine chemicals	6,633	4,833	—	875	12,342
Other paints	34,466	8,065	—	—	42,532
	128,875	407,289	70,523	57,640	664,328
Paint related business	—	14,676	57,253	—	71,929
Total	128,875	421,965	127,776	57,640	736,257

For the Nine Months Ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	25,073	65,985	—	23,713	114,772
Decorative paints	35,103	401,724	147,352	49,900	634,082
Industrial coatings	29,568	31,692	6,705	—	67,967
Fine chemicals	6,494	6,345	—	1,061	13,900
Other paints	38,475	9,997	—	—	48,473
	134,715	515,746	154,058	74,675	879,195
Paint related business	—	23,192	77,527	—	100,720
Total	134,715	538,939	231,586	74,675	979,916

(Business combinations)

For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021)

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

Main reasons for the business combinations

The many applications of paint include residential and commercial construction, transport applications such as cars and trains, and infrastructure such as bridges and roads. Consequently, demand for paint increases in step with population growth and urbanization. Asia is becoming a key region for the Nippon Paint 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, are 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 because this market increases with population and per-capita GDP. Acquiring the Indonesia business gives us a dominant position with the Nippon Paint Group's "Asia x Construction" business model. Furthermore, by increasing its equity and strengthening 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 incorporate the non-controlling interests of the Asian JVs that previously belonged to the Wuthelam Group, as well as the earnings of the Indonesia business, which will be consolidated into NPHD'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 earnings. 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 second quarter 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)
	Amount
Revenue	28,215
Profit	5,734

(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, 2022, 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 ¥259,603 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.

(Loss of control of subsidiaries)

The Nippon Paint Group transferred to INC the shares of NPI, NPAE, and BNPA during the nine months ended September 30, 2022. This transaction changed NPHD's voting rights ownership ratio in these companies changed as follows and caused NPHD to lose control over these companies. Accordingly, we excluded these companies from the scope of consolidation.

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

Note 1: NPAE holds shares in the following companies.

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

Note 2: NPI holds shares in the following companies.

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

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

	(Million yen)
	Amount
Breakdown of assets at the loss of control	
Current assets	25,248
Non-current assets	7,333
Breakdown of liabilities at the loss of control	
Current liabilities	11,578
Non-current liabilities	1,355
	(Million yen)
	Amount
Consideration received in cash	18,607
Cash and cash equivalents of assets at the loss of control	(6,480)
Proceeds from sale of subsidiaries	12,126

For the nine months ended September 30, 2022 (From January 1, 2022 to September 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 steady 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 stores 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	22,393
Intangible assets (Note 2)	64,414
Other assets	32,085
Fair value of liabilities assumed	(76,105)
Fair value of assets acquired and liabilities assumed, net	52,317

Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade and other receivables	8,454	7,719
Accounts receivable-other	5,313	5,256

Total	13,767	12,975
Best estimate of contractual cash flows not expected to be collected	(791)	—
Net total	12,975	12,975

Note 1: Assets acquired and liabilities assumed are provisionally calculated based on the information available at this time because the allocation of the acquisition cost had not been completed as of September 30, 2022. The acquisition price is allocated to assets and liabilities based on the fair value at the date of obtaining control. The adjustments from the initial provisional amounts are as follows.

Property, plant and equipment	¥571 million increase
Intangible assets	¥42,267 million increase
Other assets	¥1,660 million increase
Fair value of liabilities assumed	¥11,778 million increase
Goodwill	¥32,721 million decrease

Note 2: Intangible assets primarily comprise ¥36,415 million of trademark rights and ¥26,545 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 and other assets)	A	149,556
Basis adjustments		B	4,212
Fair value of assets acquired and liabilities assumed, net		C	52,317
Goodwill (Note)		A+B-C	101,450

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: ¥1,479 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)
	Amount
Revenue	74,569
Profit	2,901

(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, NPAAE, and BNPA to INC. As a result, earnings and cash flows pertaining to these businesses for the nine months ended September 30, 2021 have been reclassified as discontinued operations. 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 nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021)	For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)
Profit and loss from discontinued operations		
Income (Note)	21,504	—
Expenses (Note)	(20,668)	—
Profit before tax from discontinued operations	836	—
Income taxes	53	—
Profit from discontinued operations	890	—

Note: The figures include gain on sale of discontinued operations of ¥1,629 million and loss on sale of discontinued operations of ¥832 million from the sale of discontinued operations during the nine months ended September 30, 2021

(2) Cash flows from discontinued operations

	(Million yen)	
	For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021)	For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)
Cash flows from discontinued operations		
Cash flows from operating activities	(2,725)	—
Cash flows from investing activities	13,809	—
Cash flows from financing activities	(122)	—
Total	10,961	—

(Significant subsequent events)

There is no relevant information.