

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [IFRS]



February 14, 2023

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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

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Scheduled date of annual general meeting of shareholders: March 28, 2023

Scheduled date of commencing dividend payments: March 29, 2023

Scheduled date of filing the securities report: March 29, 2023

Availability of supplementary briefing material on consolidated financial results: Yes

Schedule of consolidated financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022

(January 1, 2022 to December 31, 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	%
Fiscal year ended								
December 31, 2022	1,309,021	31.1	111,882	27.7	104,495	20.9	79,452	16.6
December 31, 2021	998,276	29.2	87,615	0.0	86,467	(3.3)	68,112	1.0

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Fiscal year ended				
December 31, 2022	79,418	17.5	234,247	49.6
December 31, 2021	67,569	53.8	156,608	211.3

	Basic earnings per share	Diluted earnings per share	Return on equity	Profit before tax to total assets	Operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended					
December 31, 2022	33.82	33.82	7.5	4.8	8.5
December 31, 2021	29.41	29.41	8.8	4.8	8.8

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

Fiscal year ended December 31, 2022: ¥ (577) million

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

Note: NPHD implemented a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 was split into five shares, with April 1, 2021 as the effective date. Basic earnings per share 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.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of December 31, 2022	2,442,340	1,155,358	1,148,824	47.0	489.19
As of December 31, 2021	1,955,083	968,694	959,518	49.1	408.61

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	112,351	(165,107)	145,767	242,598
December 31, 2021	67,428	(102,355)	(62,309)	138,813

2. Dividends

	Annual dividends					Total dividends paid	Consolidated dividend payout ratio	Consolidated dividend on equity attributable to owners of parent
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2021	—	5.00	—	5.00	10.00	23,482	34.0	2.6
December 31, 2022	—	5.00	—	6.00	11.00	25,832	32.5	2.5
December 31, 2023 (forecast)		6.00		7.00	13.00		31.2	

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	1,400,000	7.0	140,000	25.1	134,000	28.2	98,000	23.4	41.73

*** 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):

December 31, 2022: 2,370,512,215 shares

December 31, 2021: 2,370,512,215 shares

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

December 31, 2022: 22,078,717 shares

December 31, 2021: 22,286,657 shares

- 3) Average number of shares during the period:

Fiscal year ended December 31, 2022: 2,348,322,430 shares

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

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

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are deemed rational and contain risks and uncertainties. Actual results, etc. may differ greatly from the forecast figures depending on various factors.

Table of Contents

1. Overview of Operating Results	2
(1) Overview of Operating Results for the Period under Review	2
(2) Overview of Financial Position for the Period under Review	3
(3) Overview of Cash Flows for the Period under Review	3
(4) Future Outlook	4
2. Basic Approach to Selection of Accounting Standards	4
3. Consolidated Financial Statements and Primary Notes	5
(1) Consolidated Statements of Profit or Loss and Comprehensive Income	5
(2) Consolidated Statement of Financial Position	7
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	10
(5) Notes to Consolidated Financial Statements	11
(Notes on going concern assumption)	11
(Financial reporting in hyperinflationary economies)	11
(Changes in presentation)	11
(Segment information)	12
(Business combinations)	14
(Discontinued operations)	21
(Per-share information)	22
(Significant subsequent events)	22

1. Overview of Operating Results

(1) Overview of Operating Results for the Period under Review

The Nippon Paint Group approved a resolution at the Board of Directors meeting of NPHD on August 10, 2021 to dissolve and liquidate Nippon Paint (Europe) Ltd. (NPE). In addition, the Nippon Paint Group transferred shares of Nippon Paint (India) Private Limited (NPI), Nippon Paint Automotive Europe GmbH (NP AE), 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 are reclassified and restated to the amounts for continuing operations excluding discontinued operations. For more information, see “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Discontinued operations).”

In the fiscal year ended December 31, 2022, consolidated revenue of the Nippon Paint Group increased by 31.1% from the previous year (same hereafter) to ¥1,309,021 million. This is primarily due to the acquisition on January 20, 2022 of European paint manufacturer Cromology Holdings SAS (Cromology) and the acquisition on May 31, 2022 of European paint manufacturer DP JUB delniška družba pooblaščenka d.d. (JUB) 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 27.7% to ¥111,882 million due to the 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 20.9% to ¥104,495 million, and profit attributable to owners of parent increased by 17.5% to ¥79,418 million.

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Results by business segment are as follows.

As stated in “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Segment Information),” we changed our reportable segments beginning with the fiscal year ended December 31, 2022. The year-on-year comparisons in the segment information are based on amounts for the fiscal year ended December 31, 2021 that have been restated to reflect the change in reportable segments.

Japan

Revenue from sales of automotive coatings was about the same as previous year because the number of automobiles manufactured during the year was flat due to the semiconductor chip shortage and other factors. Industrial coatings revenue increased because of flow through of selling price increases, although market conditions such as new housing starts remained unchanged from the previous year. Decorative paints revenue increased due to selling price increases, although market conditions remained unchanged from the previous year.

As a result, consolidated revenue increased by 6.9% to ¥186,062 million. Consolidated operating profit decreased by 44.5% to ¥5,296 million because of raw material price increases and other factors. Beginning with the current year, 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, despite the semiconductor chip shortage and other factors. Revenue from decorative paints was higher owing to consistently firm paint demand for repainting interiors of existing homes in China, despite the impact of lockdowns and other factors, combined with aggressive selling price increases in major markets including China, Malaysia, Indonesia, and Türkiye.

As a result, consolidated revenue increased by 24.0% to ¥708,515 million. Consolidated operating profit increased by 5.6% to ¥72,695 million.

DuluxGroup

The earnings of Cromology are included in the Nippon Paint Group's consolidated financial statements beginning in January 2022 and those of JUB beginning in 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 was higher than the previous year due to 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 78.7% from the previous year to ¥314,902 million, and consolidated operating profit increased by 55.8% to ¥29,673 million.

Americas

Revenue from sales of automotive coatings increased, driven by higher production of automobiles in the United States, a core region, 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 year, despite the impact of interest rate hikes in the second half of the year.

As a result, consolidated revenue increased by 30.3% from the previous year to ¥99,540 million. Consolidated operating profit increased by 124.3% to ¥8,077 million.

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

Total assets at the end of the fiscal year ended December 31, 2022 increased by ¥487,257 million from the end of the previous fiscal year to ¥2,442,340 million.

Current assets increased by ¥164,897 million mainly due to an increase in cash and cash equivalents. Non-current assets increased by ¥322,359 million mainly because of an increase in goodwill as a result of acquisition of Cromology.

Liabilities increased by ¥300,593 million to ¥1,286,982 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥186,664 million to ¥1,155,358 million. This was mainly attributable to an increase in foreign currency translation adjustments.

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 47.0%.

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

In the fiscal year ended December 31, 2022, operating activities resulted in an inflow of ¥112,351 million, investing activities resulted in an outflow of ¥165,107 million, and financing activities resulted in an inflow of ¥145,767 million, resulting in cash and cash equivalents ("funds") of ¥242,598 million, an increase of ¥103,785 million compared with the end of the previous year.

(Cash flows from operating activities)

Net cash provided by operating activities increased by ¥44,923 million from the previous year to ¥112,351 million. Primary factors include a cash inflow (excluding increases and decreases in operating capital) of ¥152,268 million, reflecting mainly non-cash expenses such as depreciation and amortization on profit before tax from continuing operations, a decrease in funds of ¥7,059 million due to an increase in operating capital, and income taxes paid of ¥32,857 million.

(Cash flows from investing activities)

Net cash used in investing activities increased by ¥62,751 million from the previous year to ¥165,107 million. This was mainly attributable to an inflow of ¥25,440 million from sales of investment securities, an outflow of ¥37,442 million due to the purchase of property, plant, and equipment, and an outflow of ¥171,752 million due to the purchase of shares of subsidiaries.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥145,767 million (net cash used of ¥62,309 million in the previous year). Primary factors include an inflow of ¥203,574 million due to an increase in borrowings, an outflow of ¥23,533 million due to dividends paid, an outflow of ¥14,776 million due to payments for redemption of bonds, and an outflow of ¥12,586 million due to repayments of lease liabilities.

(4) Future Outlook

In the fiscal year ending December 31, 2023, developed countries are expected to see softening market conditions caused by economic slowdowns and inflation. China and other Asian countries are expected to recover from the pandemic and supply chains are likely to be restored in the automobile industry.

The Nippon Paint Group is implementing a three-year New Medium-Term Plan (FY2021-2023), which ends in the fiscal year ending December 31, 2023. In accordance with this plan, we will further strengthen the foundation for growth in existing businesses and use M&A to add highly skilled people and powerful brands. Our actions include initiatives for more growth in the decorative paints business backed by the flow through of selling price increases in every region and for strengthening the paint related business, including ETICS and adhesives. The goals are to generate additional earnings and achieve sustained growth. We will continue activities to increase our market share in every region and business field by actively promoting the autonomous management of our group companies around the world.

Based on this outlook, we forecast consolidated revenue of ¥1,400,000 million, operating profit of ¥140,000 million, profit before tax of ¥134,000 million and profit attributable to owners of the parent of ¥98,000 million.

Based on this earnings forecast, we plan to pay a dividends of ¥13 per share for the fiscal year ending December 31, 2023.

2. Basic Approach to Selection of Accounting Standards

In order to further strengthen global management, improve the comparability of financial information, and enhance disclosure by standardizing accounting procedures among group companies, the Nippon Paint Group has been voluntarily using International Financial Reporting Standards (IFRS) for consolidated financial statements in its annual securities reports since the fiscal year ended December 31, 2018.

3. Consolidated Financial Statements and Primary Notes

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

Consolidated Statement of Profit or Loss

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Continuing operations		
Revenue	998,276	1,309,021
Cost of sales	(619,953)	(821,487)
Gross profit	378,323	487,534
Selling, general and administrative expenses	(294,322)	(383,367)
Other income	7,528	12,875
Other expenses	(3,914)	(5,159)
Operating profit	87,615	111,882
Finance income	4,201	4,997
Finance costs	(5,934)	(11,806)
Share of profit (loss) of investments accounted for using equity method	2,186	(577)
Loss on step acquisitions	(1,601)	—
Profit before tax	86,467	104,495
Income taxes	(19,245)	(25,042)
Profit from continuing operations	67,221	79,452
Discontinued operations		
Profit (loss) from discontinued operations	890	—
Profit	68,112	79,452
Profit attributable to		
Owners of parent	67,569	79,418
Non-controlling interests	542	33
Profit	68,112	79,452
Earnings per share		
Basic earnings (loss) per share (yen)		
Continuing operations	28.98	33.82
Discontinued operations	0.43	—
Total	29.41	33.82
Diluted earnings (loss) per share (yen)		
Continuing operations	28.98	33.82
Discontinued operations	0.43	—
Total	29.41	33.82

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Profit	68,112	79,452
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,387	(1,632)
Remeasurements of defined benefit plans	1,921	3,242
Share of other comprehensive income of investments accounted for using the equity methods	(11)	(99)
Total of items that will not be reclassified to profit or loss	3,297	1,510
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	87,811	155,366
Cash flow hedges	(3,183)	(862)
Share of other comprehensive income of investments accounted for using equity method	570	(1,218)
Total of items that may be reclassified to profit or loss	85,198	153,284
Total other comprehensive income	88,496	154,795
Comprehensive income	156,608	234,247
Comprehensive income attributable to		
Owners of parent	155,628	233,204
Non-controlling interests	979	1,043
Comprehensive income	156,608	234,247

(2) Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	138,813	242,598
Inventories	132,798	176,049
Trade and other receivables	266,908	311,305
Other financial assets	39,924	17,254
Other current assets	18,430	18,125
Subtotal	596,876	765,333
Assets held for sale	3,860	301
Total current assets	600,736	765,634
Non-current assets		
Property, plant and equipment	301,706	376,835
Goodwill	652,692	825,525
Other intangible assets	300,200	400,052
Investments accounted for using equity method	31,406	31,390
Other financial assets	51,448	26,063
Other non-current assets	11,873	9,558
Deferred tax assets	5,019	7,279
Total non-current assets	1,354,346	1,676,706
Total assets	1,955,083	2,442,340

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	209,686	256,835
Bonds and borrowings	65,115	95,970
Other financial liabilities	28,701	34,153
Income taxes payable	11,105	8,192
Provisions	2,478	3,436
Other current liabilities	55,546	69,622
Total current liabilities	372,633	468,211
Non-current liabilities		
Bonds and borrowings	457,919	626,087
Other financial liabilities	56,288	78,027
Retirement benefit liability	18,570	16,355
Provisions	777	1,164
Other non-current liabilities	6,157	5,555
Deferred tax liabilities	74,040	91,580
Total non-current liabilities	613,754	818,770
Total liabilities	986,388	1,286,982
Equity		
Share capital	671,432	671,432
Treasury shares	(6,153)	(6,096)
Retained earnings	228,009	272,527
Other components of equity	66,230	210,961
Total equity attributable to owners of parent	959,518	1,148,824
Non-controlling interests	9,176	6,533
Total equity	968,694	1,155,358
Total liabilities and equity	1,955,083	2,442,340

(3) Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2021	78,862	63,320	(6,268)	443,878	(12,199)	567,594	131,407	699,002
Profit	—	—	—	67,569	—	67,569	542	68,112
Other comprehensive income	—	—	—	—	88,058	88,058	437	88,496
Comprehensive income	—	—	—	67,569	88,058	155,628	979	156,608
Issuance of new shares	592,569	592,569	—	—	—	1,185,139	—	1,185,139
Share issuance costs	—	(3,619)	—	—	—	(3,619)	—	(3,619)
Purchase of treasury shares	—	—	(5)	—	—	(5)	—	(5)
Disposal of treasury shares	—	571	120	—	(10)	681	—	681
Dividends	—	—	—	(19,121)	—	(19,121)	(122)	(19,243)
Changes in ownership interest in subsidiaries	—	(912,321)	—	—	(7,033)	(919,354)	(123,774)	(1,043,129)
Transfer from retained earnings to capital surplus	—	266,904	—	(266,904)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	685	685
Transfer from other components of equity to retained earnings	—	—	—	2,586	(2,586)	—	—	—
Transfer from other components of equity to non-financial assets and other items	—	—	—	—	—	—	—	—
Put option liabilities over non-controlling interests	—	(7,424)	—	—	—	(7,424)	—	(7,424)
Other	—	—	—	—	—	—	0	0
Total transactions with owners	592,569	(63,320)	114	(283,438)	(9,629)	236,295	(123,211)	113,084
Balance as of December 31, 2021	671,432	—	(6,153)	228,009	66,230	959,518	9,176	968,694
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	—	—	—	79,418	—	79,418	33	79,452
Other comprehensive income	—	—	—	—	153,785	153,785	1,009	154,795
Comprehensive income	—	—	—	79,418	153,785	233,204	1,043	234,247
Issuance of new shares	—	—	—	—	—	—	—	—
Share issuance costs	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	135	57	—	(37)	155	—	155
Dividends	—	—	—	(23,483)	—	(23,483)	(109)	(23,592)
Changes in ownership interest in subsidiaries	—	(3,892)	—	—	675	(3,216)	(3,638)	(6,855)
Transfer from retained earnings to capital surplus	—	4,300	—	(4,300)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	36	36
Transfer from other components of equity to retained earnings	—	—	—	13,904	(13,904)	—	—	—
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	—	(543)	—	—	—	(543)	—	(543)
Other	—	—	—	—	—	—	25	25
Total transactions with owners	—	—	56	(13,879)	(9,053)	(22,876)	(3,686)	(26,562)
Balance as of December 31, 2022	671,432	—	(6,096)	272,527	210,961	1,148,824	6,533	1,155,358

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before tax from continuing operations	86,467	104,495
Depreciation and amortization	33,889	47,116
Gain on bargain purchase	(1,528)	(21)
Loss on step acquisitions	1,601	—
Interest and dividend income	(3,914)	(4,235)
Interest expenses	5,594	8,363
Share of loss (profit) of investments accounted for using equity method	(2,186)	577
Decrease (increase) in inventories	(29,000)	(12,717)
Decrease (increase) in trade and other receivables	(27,126)	3,016
Increase (decrease) in trade and other payables	33,557	2,641
Increase (decrease) in allowance for doubtful accounts	3,461	12,021
Increase (decrease) in other current liabilities	1,700	(2,380)
Other	(8,335)	(10,990)
Subtotal	94,181	147,886
Interest received	2,743	3,280
Dividends received	1,706	2,590
Interest paid	(5,617)	(8,548)
Income taxes paid	(22,859)	(32,857)
Net cash provided by (used in) operating activities from continuing operations	(2,725)	—
Net cash provided by (used in) operating activities	67,428	112,351
Cash flows from investing activities		
Net decrease (increase) in time deposits	31,860	(273)
Net decrease (increase) in short-term investment securities	15,525	16,682
Proceeds from sales of investment securities	688	25,440
Purchase of property, plant and equipment	(34,928)	(37,442)
Proceeds from sales of property, plant and equipment	1,165	5,132
Purchase of intangible assets	(4,454)	(3,575)
Purchase of shares of subsidiaries	(98,791)	(171,752)
Purchase of shares of investments accounted for using the equity method	(20,093)	—
Payments for acquisition of businesses	(1,752)	(928)
Payments for loans receivable	(6,560)	(2,047)
Collection of loans receivable	4,129	5,509
Other	(2,954)	(1,852)
Net cash provided by (used in) investment activities	13,809	—
Net cash provided by (used in) investing activities	(102,355)	(165,107)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,250)	(5,715)
Proceeds from long-term borrowings	40,694	270,070
Repayments of long-term borrowings	(51,226)	(60,781)
Redemption of bonds	(3,340)	(14,776)
Repayments of lease obligations	(8,213)	(12,586)
Payments for issuance of shares	(5,214)	—
Dividends paid	(19,119)	(23,483)
Dividends paid to non-controlling interests	(2,226)	(50)
Dividends paid to former shareholders of newly consolidated subsidiaries	(10,011)	—
Payments for additional investments in subsidiaries	—	(6,854)
Other	(278)	(55)
Net cash provided by (used in) financing activities from discontinued operations	(122)	—

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net cash provided by (used in) financing activities	(62,309)	145,767
Effect of exchange rate changes on cash and cash equivalents	3,917	9,989
Adjustments for hyperinflation	—	784
Net increase (decrease) in cash and cash equivalents	(93,320)	103,785
Cash and cash equivalents at beginning of period	232,134	138,813
Cash and cash equivalents at end of period	138,813	242,598

(5) Notes to Consolidated Financial Statements
(Notes on going concern assumption)

There is no relevant information.

(Financial reporting in hyperinflationary economies)

Beginning with the fiscal year ended December 31, 2022, we applied the hyperinflationary accounting standards in 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 by using the exchange rate at the end of the reporting period when consolidating cash flows and comprehensive income of its Turkish subsidiaries. The application of this method in the Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2022 caused revenue to increase by ¥1,939 million, operating profit to decline by ¥6,372 million, profit by ¥9,498 million, and profit attributable to owners of parent to decline by ¥8,998 million.

(Changes in Presentation)

(Matters related to the consolidated statements of cash flows)

Increase (decrease) in allowance for doubtful accounts, which was included in other under cash flows from operating activities in the previous fiscal year, has been presented separately due to an increase in its significance beginning with the fiscal year ended December 31, 2022. The consolidated financial statements for the previous fiscal year have been restated to reflect this change.

As a result, other of ¥(4,874) million in cash flows from operating activities in the consolidated statements of cash flows in the previous year has been restated as increase (decrease) in allowance for doubtful accounts of ¥3,461 million and other of ¥(8,335) million.

Proceeds from sales of investment securities, which was included in other in cash flows from investing activities in the previous fiscal year, has been presented separately due to an increase in its significance beginning with the fiscal year ended December 31, 2022. The consolidated financial statements for the previous year have been restated to reflect this change.

As a result, other of ¥(2,266) million in cash flows from investing activities in the previous fiscal year has been restated as proceeds from sales of investment securities of ¥688 million and other of ¥(2,954) million.

(Segment information)

(1) Summary of reportable segments

Nippon Paint Group's operations are classified into reportable segments for which separate financial information is available and are subject to periodic evaluations by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding management resource allocation and performance assessments. The Nippon Paint 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 company in Japan and companies overseen by this company are responsible for business activities in Japan, and independent companies, led by Nipsea and DuluxGroup, are responsible for the Asia, Oceania, and other overseas regions. Other independent companies are responsible for Americas. Each company constitutes an individual management unit which makes decisions about products to manufacture and sell and comprehensive regional strategies for business growth.

As a result, the Nippon Paint 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 Nippon Paint 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 will more appropriately reflect our current organizational structure.

As a result, beginning with the fiscal year ended December 31, 2022, we changed to 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 segment information for the fiscal year ended December 31, 2021 has been restated based on the new reportable segments.

(3) Information on reportable segments

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

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amounts in consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	174,018	571,611	176,237	76,408	998,276	—	998,276
Intersegment revenue	14,911	3,825	231	35	19,004	(19,004)	—
Total	188,930	575,437	176,468	76,444	1,017,280	(19,004)	998,276
Segment profit (loss)	9,541	68,821	19,048	3,600	101,012	(13,396)	87,615
Finance income							4,201
Finance costs							(5,934)
Share of profit of investments accounted for using equity method							2,186
Loss on step acquisitions							(1,601)
Profit before tax							86,467
Other items							
Depreciation and amortization	3,395	16,152	7,742	4,875	32,167	1,722	33,889
Impairment loss	162	282	—	—	445	—	445
Capital expenditures (Note 2)	7,530	28,549	4,308	8,187	48,575	937	49,513

Note 1: Adjustments for segment profit of ¥(13,396) million include headquarters expenses of ¥(20,953) million that do not belong to any reportable segment and intersegment eliminations of ¥7,556 million.

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

For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amounts in consolidated financial statements
	Japan	Nipsea	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	186,062	708,515	314,902	99,540	1,309,021	—	1,309,021
Intersegment revenue	17,556	4,412	500	62	22,532	(22,532)	—
Total	203,619	712,927	315,403	99,603	1,331,553	(22,532)	1,309,021
Segment profit (loss)	5,296	72,695	29,673	8,077	115,742	(3,859)	111,882
Finance income							4,997
Finance costs							(11,806)
Share of profit of investments accounted for using equity method							(577)
Loss on step acquisitions							—
Profit before tax							104,495
Other items							
Depreciation and amortization	4,820	19,283	17,114	5,633	46,851	264	47,116
Impairment loss	29	70	—	—	100	—	100
Capital expenditures (Note 2)	6,936	17,367	15,289	10,217	49,811	8	49,820

Note 1: Adjustments for segment profit of ¥(3,859) million include headquarters expenses of ¥(3,392) million that do not belong to any reportable segment and intersegment eliminations of ¥(467) million.

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

(4) Information on products and services

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

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coatings business					
Automotive coatings	35,308	74,096	—	23,339	132,744
Decorative paints	45,386	419,504	90,406	51,817	607,115
Industrial coatings	38,132	39,282	7,384	—	84,798
Fine chemicals	8,393	6,753	—	1,252	16,399
Other paints	46,797	11,461	—	—	58,259
	174,018	551,098	97,791	76,408	899,316
Paint related business	—	20,513	78,446	—	98,959
Total	174,018	571,611	176,237	76,408	998,276

For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Million yen)

	Japan	Nipsea	DuluxGroup	Americas	Total
Paint and coatings business					
Automotive coatings	35,089	96,455	—	32,291	163,837
Decorative paints	47,824	514,044	199,946	65,707	827,524
Industrial coatings	40,027	46,277	9,120	—	95,425
Fine chemicals	8,636	8,741	—	1,541	18,919
Other paints	54,485	13,762	—	—	68,247
	186,062	679,282	209,067	99,540	1,173,954
Paint related business	—	29,232	105,834	—	135,067
Total	186,062	708,515	314,902	99,540	1,309,021

(Business combinations)

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

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

Main reasons for the business combinations

The many applications of paint include residential and commercial construction, transport applications such as cars and trains, and infrastructure such as bridges and roads. Consequently, demand for paint increases in step with population growth and urbanization. Asia is becoming a key region for NPHD's sustainable growth in terms of both market size and growth rate. NPHD acquired approximately 100% ownership of the Asian JVs (collectively with the Indonesia business, the "Target Businesses") by purchasing the equity interest of the Wuthelam Group (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 due to its correspondence to population and per-capita GDP growth. Acquiring the Indonesia business gives the Nippon Paint Group a powerful base for its "Asia x Construction" business model, which has the goal of establishing a dominant market position. Furthermore, by increasing its equity and enhancing its financial soundness by issuing new shares through a third-party allotment to Nipsea International Limited and Fraser (HK) Limited, which are both members of the Wuthelam Group, the Nippon Paint Group will be in an even better position to use M&A for the maximization of shareholder value. This is expected to further accelerate growth.

The acquisition of the Target Businesses will also enable the Nippon Paint Group to fully capture earnings of the non-controlling interests of the Asian JVs that previously belonged to the Wuthelam Group, as well as the earnings of the Indonesia business, which will be part of the Nippon Paint Group's earnings. This is expected to increase basic earnings per share (EPS) and enable the Nippon Paint Group to optimize the allocation of resources by reducing the outflow of earnings. Furthermore, the consolidation of the Asian JVs and Indonesia business will allow shifting the industrial coatings business from a regional alignment to a business alignment and constructing a unified global system. This will enable faster decision-making and business execution and is expected to increase operating profit. Therefore, these acquisitions are expected to contribute to the maximization of shareholder value.

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

(1) Business combination

(i) Summary of business combination

(a) Name and description of businesses of companies acquired

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

Business activities: Manufacture and sale of paint

(b) Date of acquisition: January 25, 2021

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

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

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

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

Trade and other receivables

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

Note 1: The acquisition price is allocated to assets and liabilities based on the fair value at the date of obtaining control. The allocation of the acquisition price was completed during the six months ended June 30, 2021. The details of adjustments from the initial provisional amounts are as follows.

Property, plant and equipment	¥11,277 million increase
Intangible assets (Note 2)	¥47,985 million increase
Other assets	¥1,329 million increase
Fair value of liabilities assumed	¥12,118 million increase
Non-controlling interests	¥48 million increase
Goodwill	¥48,424 million decrease

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

(iii) Consideration transferred and goodwill

			<u>(Million yen)</u>
			<u>Amount</u>
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)	<u>171,012</u>

Note 1: NPHD issued new shares through a third-party allotment in exchange for a contribution in kind of the claim for payment of consideration for the shares.

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

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

(iv) Acquisition-related expenses

Account item: Selling, general and administrative expenses

Amount: ¥385 million

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

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

		<u>(Million yen)</u>
		<u>Amount</u>
Revenue		40,132
Profit		8,934

(vi) Effects of business combination on cash flows

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

(2) Acquisition of non-controlling interests

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

As a result, non-controlling interests declined by ¥124,174 million, capital surplus by ¥912,321 million, and other components of equity by ¥7,033 million. Due to these changes, capital surplus became negative, and ¥266,904 million was transferred from retained earnings to capital surplus to make capital surplus zero.

Name	Voting rights ownership ratio (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: Company 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 third quarter of the fiscal year ended December 31, 2021. 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.

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.

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 fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Acquisition of shares of Cromology Holding SAS)

Main reasons for the business combination

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 countries 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 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) Overview of business combination

(i) Name and business activities of the acquired company

Name: Cromology Holding SAS

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

(ii) Date of acquisition: January 20, 2022

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

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

(2) 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	23,413
Intangible assets (Note 2)	65,317
Other assets	32,927
Fair value of liabilities assumed	(76,869)
Fair value of assets acquired and liabilities assumed, net	54,318

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

Note1: The purchase price was allocated to assets and liabilities based on their estimated fair value at the acquisition date. The allocation of purchase price was completed during the fiscal year ended December 31, 2022. The adjustments from the initial provisional amounts are as follows.

Property, plant and equipment	¥1,591 million increase
Intangible assets (Note 2)	¥43,170 million increase
Other assets	¥2,503 million increase
Fair value of liabilities assumed	¥12,543 million increase
Goodwill	¥34,722 million decrease

Note 2: Intangible assets primarily comprise ¥36,415 million of trademark rights and ¥27,449 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.

(3) 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	54,318
Goodwill (Note)		A+B-C	99,450

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.

(4) Acquisition-related expenses

Account item: Selling, general and administrative expenses

Amount: ¥1,486 million

(5) 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	97,467
Profit	2,629

(6) 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 fiscal year ended December 31, 2021 have been reclassified as discontinued operations. Earnings and cash flows from the discontinued operations for the previous year have been restated and presented separately.

(1) Financial results of discontinued operations

	(Million yen)	
	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Profit and loss from discontinued operations		
Income (Note)	21,504	—
Expenses (Note)	(20,668)	—
Profit (loss) before tax from discontinued operations	836	—
Income taxes	53	—
Profit (loss) from discontinued operations	890	—

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

(2) Cash flows from discontinued operations

	(Million yen)	
	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 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	—

(Per-share information)

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

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Profit attributable to owners of parent from continuing operations (million yen)	66,578	79,418
Profit (loss) attributable to owners of parent from discontinued operations (million yen)	991	—
Profit attributable to owners of parent (million yen)	67,569	79,418
Adjustment to profit used in the calculation of diluted earnings per share from continuing operations (million yen)	—	—
Adjustment to profit used in the calculation of diluted earnings per share from discontinued operations (million yen)	—	—
Diluted earnings (million yen)	67,569	79,418
Weighted-average number of common shares issued (thousand shares)	2,297,235	2,348,322
Increase in the number of common shares used in the calculation of diluted earnings per share (thousand shares)	260	211
Increase due to exercise of stock options (thousand shares)	234	169
Increase due to restricted share compensation plan (thousand shares)	25	42
Weighted-average number of common shares used in the calculation of diluted earnings per share (thousand shares)	2,297,496	2,348,534
Basic earnings (loss) per share (Note)		
Basic earnings (loss) per share from continuing operations (yen)	28.98	33.82
Basic earnings (loss) per share from discontinued operations (yen)	0.43	—
Total (yen)	29.41	33.82
Diluted earnings (loss) per share (Note)		
Diluted earnings (loss) per share from continuing operations (yen)	28.98	33.82
Diluted earnings (loss) per share from discontinued operations (yen)	0.43	—
Total (yen)	29.41	33.82

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

(Significant subsequent events)

There is no relevant information.