

# Consolidated Financial Results for the Three Months Ended March 31, 2023 [IFRS]



May 15, 2023

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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

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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 Three Months Ended March 31, 2023 (January 1, 2023 to March 31, 2023)

### (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	%
Three months ended								
March 31, 2023	330,213	15.8	34,909	59.4	33,441	56.5	25,383	89.2
March 31, 2022	285,096	—	21,898	—	21,372	—	13,414	—

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Three months ended				
March 31, 2023	25,340	91.6	59,120	(60.1)
March 31, 2022	13,225	—	148,199	—

Note 1: Beginning with the six months ended June 30, 2022, Nippon Paint Holding consolidated the financial statements of its Turkish subsidiaries after adjusting for hyperinflationary accounting in accordance with IAS No.29, "Financial reporting in hyperinflationary economies." The year-on-year percentage changes in figures for the first quarter of the fiscal year ended December 31, 2022 are not provided because retrospective adjustment has been applied to figure for this period.

Note 2: The provisional accounting treatment related to business combination conducted in the first quarter of the fiscal year ended December 31, 2022 was finalized at the end of the fiscal year ended December 31, 2022. Figures for the first quarter of the fiscal year ended March 31, 2022 reflect the finalized provisional accounting treatment.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2023	10.79	10.79
March 31, 2022	5.63	5.63

### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of March 31, 2023	2,477,030	1,200,182	1,193,489	48.2
As of December 31, 2022	2,442,340	1,155,358	1,148,824	47.0

## 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, 2022	—	5.00	—	6.00	11.00
Fiscal year ending December 31, 2023	—				
Fiscal year ending December 31, 2023 (Forecast)		6.00	—	7.00	13.00

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

## 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,400,000	7.0	140,000	25.1	134,000	28.2	98,000	23.4	41.73

Note 1: Revision to the financial results forecast announced recently: No

**\*Notes:**

- (1) Changes in significant subsidiaries during the period under review (Changes in specified subsidiaries resulting in changes in the scope of consolidation): No

Newly consolidated	-	Excluded	-
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- (2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: No  
2) Changes in accounting policies other than 1) above: No  
3) Changes in accounting estimates: No

- (3) Total number of issued shares (common shares)

- 1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2023: 2,370,512,215 shares

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

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

March 31, 2023: 22,022,822 shares

December 31, 2022: 22,078,717 shares

- 3) Average number of shares during the period:

Three months ended March 31, 2023: 2,348,458,099 shares

Three months ended March 31, 2022: 2,348,246,820 shares

\*These consolidated financial results are outside the scope of audit by Certified Public Accountants or auditing corporations.

\*Explanation of the proper use of financial forecasts 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 certain assumptions that are deemed reasonable. These statements are not guarantees of future performance. Actual results 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

During the three months ended March 31, 2023, consolidated revenue of the Nippon Paint Group increased by 15.8% from the corresponding period of the previous year to ¥330,213 million. Growth was mainly attributable to the acquisition on May 31, 2022 of European paint manufacturer DP JUB delniška družba pooblaščenka d.d. (JUB), the weaker yen, and the volume growth in the decorative paints business in China, which is a core business of the Nippon Paint Group.

Consolidated operating profit increased by 59.4% to ¥34,909 million. Consolidated profit before tax increased by 56.5% to ¥33,441 million, and profit attributable to owners of parent increased by 91.6% to ¥25,340 million.

Results by business segment are as follows.

#### **Japan**

Automotive coatings revenue increased due mainly to a rebound in the number of automobiles manufactured from the downturn a year ago caused by semiconductor chip shortage and other problems. Industrial coatings revenue increased due to price increases despite weaker market conditions than a year ago. Decorative paints revenue increased driven by flow through of price increases on stronger market conditions than a year ago.

As a result, consolidated revenue increased by 12.4% from the previous year to ¥46,989 million, and consolidated operating profit increased by 810.5% to ¥2,635 million.

#### **NIPSEA**

Automotive coatings revenue increased due to flow through of price increases in all areas of the NIPSEA Group segment including Thailand. However, there was a decline in the number of automobiles manufactured in China, notably at Japanese OEM manufacturers which have a slower traction in the growing electric vehicle (EV) market. Revenue from decorative paints was higher due to the progress of normalization of economic activities following the lifting of lockdowns and other COVID restrictions in China, the continuing strength of paint demand for repainting interiors of existing homes in China, and flow through of price increases in major markets including Malaysia, Indonesia, and Türkiye.

As a result, consolidated revenue increased by 15.9% from the previous year to ¥178,028 million, and consolidated operating profit increased by 48.8% to ¥24,559 million.

#### **DuluxGroup**

Revenue from decorative paints increased due to flow through of price increases in Oceania and Europe. Revenue in the adjacencies business was higher than a year ago due to flow through of price increases in every brand in Oceania and Europe.

As a result, consolidated revenue increased by 20.2% from the previous year to ¥81,745 million, and consolidated operating profit increased by 38.2% to ¥7,289 million.

#### **Americas**

Automotive coatings revenue increased, driven by a rebound in production of automobiles in the United States, a core region in the automotive coatings business, from the downturn caused by semiconductor chip shortages and other difficulties. Decorative paints revenue decreased due to the slowdown of the US economy and housing market and periods of heavy rainfall in California.

As a result, consolidated revenue increased by 8.3% from the previous year to ¥23,449 million, and consolidated operating profit decreased by 13.7% to ¥744 million.

## (2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased by ¥34,689 million from the end of the previous fiscal year to ¥2,477,030 million.

Current assets increased by ¥8,965 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥25,724 million mainly because of an increase in goodwill due to exchange rate fluctuations.

Liabilities decreased by ¥10,133 million to ¥1,276,848 million. This was mainly attributable to a decrease in trade and other payables.

Equity increased by ¥44,823 million to ¥1,200,182 million. This was mainly attributable to an increase in foreign currency translation adjustment.

As a result, equity attributable to owners of parent to total assets increased from 47.0% at the end of the previous fiscal year to 48.2%.

## (3) Explanation of Consolidated Financial Results Forecast

There are no changes in the consolidated earnings forecast for the fiscal year ending December 31, 2023 in the financial report for the fiscal year ended December 31, 2022 that was released on February 14, 2023.

## 2. Condensed Consolidated Quarterly Financial Statements and Primary Notes

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

#### Condensed Consolidated Quarterly Statement of Profit or Loss Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Revenue	285,096	330,213
Cost of sales	(177,996)	(200,345)
<b>Gross profit</b>	107,099	129,868
Selling, general and administrative expenses	(85,463)	(95,854)
Other income	1,327	1,594
Other expenses	(1,065)	(698)
<b>Operating profit</b>	21,898	34,909
Finance income	2,108	1,327
Finance costs	(2,982)	(3,258)
Share of profit (loss) of investments accounted for using equity method	348	462
<b>Profit before tax</b>	21,372	33,441
Income taxes	(7,958)	(8,057)
<b>Profit</b>	13,414	25,383
<b>Profit attributable to</b>		
Owners of parent	13,225	25,340
Non-controlling interests	188	43
<b>Profit</b>	13,414	25,383
<b>Earnings per share</b>		
Basic earnings (loss) per share (yen)	5.63	10.79
Diluted earnings (loss) per share (yen)	5.63	10.79

Condensed Consolidated Quarterly Statement of Comprehensive Income

Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
<b>Profit</b>	13,414	25,383
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	768	1,032
Remeasurements of defined benefit plans	(55)	(50)
Share of other comprehensive income of equity method affiliates	—	0
Total of items that will not be reclassified to profit or loss	713	981
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	134,524	32,656
Cash flow hedges	(969)	0
Share of other comprehensive income of investments accounted for using equity method	517	98
Total of items that may be reclassified to profit or loss	134,071	32,755
<b>Total other comprehensive income</b>	134,785	33,736
<b>Comprehensive income</b>	148,199	59,120
<b>Comprehensive income attributable to</b>		
Owners of parent	147,557	58,851
Non-controlling interests	642	269
<b>Comprehensive income</b>	148,199	59,120



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

(Million yen)

	As of December 31, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	242,598	211,045
Inventories	176,049	177,207
Trade and other receivables	311,305	344,467
Other financial assets	17,254	24,702
Other current assets	18,125	16,926
<b>Subtotal</b>	<b>765,333</b>	<b>774,349</b>
Assets held for sale	301	250
<b>Total current assets</b>	<b>765,634</b>	<b>774,600</b>
<b>Non-current assets</b>		
Property, plant and equipment	376,835	379,565
Goodwill	825,525	842,169
Other intangible assets	400,052	404,627
Investments accounted for using equity method	31,390	31,434
Other financial assets	26,063	28,031
Other non-current assets	9,558	9,551
Deferred tax assets	7,279	7,050
<b>Total non-current assets</b>	<b>1,676,706</b>	<b>1,702,430</b>
<b>Total assets</b>	<b>2,442,340</b>	<b>2,477,030</b>

(Million yen)

	As of December 31, 2022	As of March 31, 2023
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	256,835	238,112
Bonds and borrowings	95,970	81,187
Other financial liabilities	34,153	35,040
Income taxes payable	8,192	12,400
Provisions	3,436	4,056
Other current liabilities	69,622	73,086
<b>Total current liabilities</b>	<b>468,211</b>	<b>443,883</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	626,087	640,957
Other financial liabilities	78,027	77,150
Retirement benefit liability	16,355	16,005
Provisions	1,164	1,219
Other non-current liabilities	5,555	6,233
Deferred tax liabilities	91,580	91,399
<b>Total non-current liabilities</b>	<b>818,770</b>	<b>832,965</b>
<b>Total liabilities</b>	<b>1,286,982</b>	<b>1,276,848</b>
<b>Equity</b>		
Share capital	671,432	671,432
Treasury shares	(6,096)	(6,081)
Retained earnings	272,527	283,617
Other components of equity	210,961	244,520
<b>Total equity attributable to owners of parent</b>	<b>1,148,824</b>	<b>1,193,489</b>
<b>Non-controlling interests</b>	<b>6,533</b>	<b>6,692</b>
<b>Total equity</b>	<b>1,155,358</b>	<b>1,200,182</b>
<b>Total Liabilities and equity</b>	<b>2,442,340</b>	<b>2,477,030</b>

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

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

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2022	671,432	—	(6,153)	228,009	66,230	959,518	9,176	968,694
Hyperinflationary accounting adjustment	—	—	—	(21,021)	—	(21,021)	—	(21,021)
Beginning balance reflecting hyperinflationary accounting adjustment	671,432	—	(6,153)	206,988	66,230	938,497	9,176	947,673
Profit	—	—	—	13,225	—	13,225	188	13,414
Other comprehensive income	—	—	—	—	134,331	134,331	453	134,785
Comprehensive income	—	—	—	13,225	134,331	147,557	642	148,199
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	36	10	—	(7)	39	—	39
Dividends	—	—	—	(11,741)	—	(11,741)	(0)	(11,742)
Change in scope of consolidation	—	—	—	—	—	—	20	20
Transfer from other components of equity to retained earnings	—	—	—	197	(197)	—	—	—
Transfer from other components of equity to nonfinancial assets, etc.	—	—	—	—	4,212	4,212	—	4,212
Other	—	—	—	—	—	—	1	1
Total transactions with owners	—	36	10	(11,543)	4,007	(7,490)	21	(7,468)
Balance as of March 31, 2022	671,432	36	(6,143)	208,670	204,569	1,078,564	9,840	1,088,404

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2023	671,432	—	(6,096)	272,527	210,961	1,148,824	6,533	1,155,358
Profit	—	—	—	25,340	—	25,340	43	25,383
Other comprehensive income	—	—	—	—	33,510	33,510	226	33,736
Comprehensive income	—	—	—	25,340	33,510	58,851	269	59,120
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	36	15	—	(9)	42	—	42
Dividends	—	—	—	(14,090)	—	(14,090)	(47)	(14,138)
Changes in ownership interest in subsidiaries	—	27	—	—	—	27	(63)	(36)
Transfer from retained earnings to capital surplus	—	101	—	(101)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(58)	58	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	48	48
Change in non-controlling interest put option liabilities	—	(165)	—	—	—	(165)	—	(165)
Other	—	—	—	—	—	—	(47)	(47)
Total transactions with owners	—	—	15	(14,250)	48	(14,186)	(110)	(14,297)
Balance as of March 31, 2023	671,432	—	(6,081)	283,617	244,520	1,193,489	6,692	1,200,182

## (4) Condensed Consolidated Statement of Cash Flows

(Million yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before tax from continuing operations	21,372	33,441
Depreciation and amortization	10,742	12,043
Interest and dividend income	(487)	(972)
Interest expenses	1,753	2,076
Share of loss (profit) of investments accounted for using equity method	(348)	(462)
Decrease (increase) in inventories	(7,974)	2,965
Decrease (increase) in trade and other receivables	(19,120)	(31,980)
Increase (decrease) in trade and other payables	(3,993)	(21,880)
Increase (decrease) in allowance for doubtful accounts	271	1,362
Increase (decrease) in other current liabilities	469	3,030
Other	(1,120)	3,462
<b>Subtotal</b>	<b>1,563</b>	<b>3,086</b>
Interest received	805	849
Dividends received	1,394	71
Interest paid	(2,173)	(1,935)
Income taxes paid	(8,209)	(7,811)
<b>Net cash provided by (used in) operating activities</b>	<b>(6,618)</b>	<b>(5,739)</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	1,071	(859)
Net decrease (increase) in short-term investment securities	13,670	(920)
Purchase of property, plant and equipment	(9,786)	(7,429)
Proceeds from sale of property, plant and equipment	572	624
Purchase of intangible assets	(1,210)	(1,198)
Purchase of investments in subsidiaries	(141,888)	—
Payments for loans receivable	(1,956)	(1,967)
Collection of loans receivable	1,324	108
Other	833	157
<b>Net cash provided by (used in) investing activities</b>	<b>(137,368)</b>	<b>(11,484)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	173,833	115
Proceeds from long-term borrowings	30,000	20,022
Repayments of long-term borrowings	(9,001)	(20,262)
Repayments of lease obligations	(2,848)	(3,105)
Dividends paid	(11,688)	(14,023)
Purchase of additional shares of subsidiaries	(3,350)	—
Other	(237)	3
<b>Net cash provided by (used in) financing activities</b>	<b>176,707</b>	<b>(17,251)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,872</b>	<b>2,374</b>
<b>Adjustment from hyperinflationary accounting</b>	<b>777</b>	<b>547</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,370</b>	<b>(31,553)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>138,813</b>	<b>242,598</b>
<b>Cash and cash equivalents at end of period</b>	<b>178,184</b>	<b>211,045</b>

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Financial reporting in hyperinflationary economies)

Beginning with the six months ended June 30, 2022, the Nippon Paint Group applied the hyperinflationary accounting standards in IAS29 “Financial Reporting in Hyperinflationary Economies” to consolidate 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 three months ended March 31, 2023 caused revenue to increase by ¥999 million, operating profit to decline by ¥1,300 million, profit by ¥4,089 million, and profit attributable to owners of parent to decline by ¥4,086 million.

(Segment information)

(1) Summary of reportable segments

The Nippon Paint Group’s operations are divided into business segments for which separate financial information is available. Segments are subject to periodic evaluations by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding business resource allocations and performance assessments. The Nippon Paint Group’s primary businesses are the paint and coating business, which manufactures and sells automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints, and the adjacencies business which manufactures and sells adjacencies products such as adhesives. An independent company and companies overseen by this company are responsible for business activities in Japan. Independent companies, led by NIPSEA and DuluxGroup, are responsible for business activities in Asia, Oceania, and other regions. Other independent local companies are responsible for the Americas. Each company constitutes an individual management unit which makes decisions about items to sell and determines comprehensive regional strategies for growth.

As a result, the Nippon Paint Group consists of four reportable segments divided by management units or regions based on manufacturing and sales infrastructures: Japan, NIPSEA, DuluxGroup, and the Americas. The Japan segment includes the overseas marine coatings business.

## (2) Performance by reportable segment

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

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	41,796	153,627	68,027	21,644	285,096	—	285,096
Intersegment revenue	4,126	980	129	21	5,257	(5,257)	—
Total	45,923	154,608	68,156	21,665	290,353	(5,257)	285,096
Segment profit (loss)	289	16,506	5,272	862	22,931	(1,033)	21,898
Financial income							2,108
Financial costs							(2,982)
Share of profit of investments accounted for using equity method							348
Profit before tax							21,372

Note: Adjustments for segment profit is due to Headquarters expenses that do not belong to any reportable segment and intersegment eliminations.

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	46,989	178,028	81,745	23,449	330,213	—	330,213
Intersegment revenue	3,628	1,075	185	13	4,903	(4,903)	—
Total	50,617	179,104	81,931	23,463	335,117	(4,903)	330,213
Segment profit (loss)	2,635	24,559	7,289	744	35,228	(319)	34,909
Financial income							1,327
Financial costs							(3,258)
Share of profit of investments accounted for using equity method							462
Profit before tax							33,441

Note: Adjustments for segment profit is due to Headquarters expenses that do not belong to any reportable segment and intersegment eliminations.

## (3) Information on products and services

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

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	8,651	21,151	—	6,970	36,774
Decorative paints	10,413	111,793	44,285	14,306	180,799
Industrial coatings	9,087	9,399	1,913	—	20,400
Fine chemicals	1,951	2,082	—	366	4,400
Other paints	11,692	2,886	—	—	14,578
	41,796	147,313	46,199	21,644	256,953
Adjacencies business	—	6,313	21,828	—	28,142
Total	41,796	153,627	68,027	21,644	285,096

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	10,436	21,809	—	9,212	41,458
Decorative paints	11,146	132,283	53,125	13,849	210,405
Industrial coatings	9,281	9,652	2,007	—	20,941
Fine chemicals	2,005	2,116	—	387	4,509
Other paints	14,119	3,732	—	—	17,852
	46,989	169,594	55,133	23,449	295,167
Adjacencies business	—	8,433	26,612	—	35,046
Total	46,989	178,028	81,745	23,449	330,213

(Business combinations)

For the three months ended March 31, 2022 (January 1, 2022 to March 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 Holding SAS (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 adjacencies 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. The condensed consolidated quarterly financial statements for the three months ended March 31, 2022 have been adjusted retrospectively following the finalization of provisional accounting treatment.

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 quarterly statement of profit or loss

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

	(Million yen)
	Amount
Revenue	22,648
Profit	(367)

(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

For the three months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

There was no significant business combination.

(Significant subsequent events)

There is no relevant information.