

Consolidated Financial Results for the Six Months Ended June 30, 2023 [IFRS]



August 10, 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 filing the quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: September 11, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of consolidated financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 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	%
Six months ended								
June 30, 2023	692,925	11.4	83,738	98.9	81,954	105.4	61,205	126.5
June 30, 2022	622,049	29.1	42,104	(14.0)	39,900	(17.5)	27,018	(19.5)

	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share		Diluted earnings per share	
	Million yen	%	Million yen	%	Yen	Yen	Yen	Yen
Six months ended								
June 30, 2023	60,898	125.8	200,096	(22.2)	25.93		25.93	
June 30, 2022	26,971	(18.9)	257,262	170.7	11.49		11.48	

Note: The provisional accounting treatment related to the business combination 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 second quarter of the fiscal year ended December 31, 2022 reflect this finalized accounting treatment.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2023	2,662,669	1,341,006	1,334,074	50.1
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	—	6.00			
Fiscal year ending December 31, 2023 (Forecast)			—	7.00	13.00

Note: 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	1,450,000	10.8	158,000	41.2	151,000	44.5	110,000	38.5	46.84

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

*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: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No

Note: For more information, please refer to “(5) Notes to Condensed Consolidated Quarterly Financial Statements ‘Changes in Accounting Policies’ in 2. Condensed Consolidated Quarterly Financial Statements and Primary Notes” on page 13 of the attached document.

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

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

June 30, 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:

June 30, 2023: 21,961,122 shares

December 31, 2022: 22,078,717 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2023: 2,348,489,296 shares

Six months ended June 30, 2022: 2,348,268,890 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 six months ended June 30, 2023, consolidated revenue of the Nippon Paint Group increased by 11.4% from the same period of the previous year to ¥692,925 million. Growth was mainly attributable to the acquisition on May 31, 2022 of European paint manufacturer DP JUB delniška družba pooblaščenka d.d., the weaker yen, and the normalization of economic activities in the decorative paints business in China, which is a core business of the Nippon Paint Group, following the lifting of lockdowns and other pandemic restrictions.

Consolidated operating profit increased by 98.9% to ¥83,738 million due primarily to the gross profit margin improvement because of the flow through of price increases and the absence of credit loss provision in China in the same period of the previous year. Consolidated profit before tax increased by 105.4% to ¥81,954 million, and profit attributable to owners of parent increased by 125.8% to ¥60,898 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 the semiconductor chip shortage and other problems. Industrial coatings revenue was flat, despite weaker market conditions than a year ago, due to the flow through of price increases. Decorative paints revenue increased because of the flow through of price increases, despite the impact of unfavorable weather such as heavy rain.

As a result, consolidated revenue increased by 11.3% from the previous year to ¥97,324 million, and consolidated operating profit increased by 214.0% to ¥7,954 million.

NIPSEA

Automotive coatings revenue increased due to a recovery in the number of automobiles manufactured in all areas of the NIPSEA Group segment including Thailand due to a rebound in China from the downturn a year ago caused by the semiconductor chip shortage, lockdowns, and other problems. Revenue from decorative paints was higher due to the normalization of economic activities following the lifting of lockdowns and other pandemic restrictions in China, the continuing strength of paint demand for repainting interiors of existing homes in China, and the flow through of price increases in major markets including Singapore, Malaysia, and Indonesia.

As a result, consolidated revenue increased by 9.6% from the previous year to ¥372,893 million, and consolidated operating profit increased by 145.3% to ¥54,896 million.

DuluxGroup

Revenue from decorative paints increased due to the flow through of price increases in Oceania and Europe, despite weaker consumer demand caused by interest rate hikes. Revenue in the adjacencies business was higher than a year ago due to the flow through of price increases in every brand in Oceania and Europe.

As a result, consolidated revenue increased by 16.1% from the previous year to ¥170,728 million, and consolidated operating profit increased by 32.0% to ¥18,476 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, as well as by consistently solid demand. Decorative paints revenue was flat due to the slowdown of the US economy and housing market and unfavorable weather in California.

As a result, consolidated revenue increased by 9.7% from the previous year to ¥51,979 million. Consolidated operating profit decreased by 31.9% to ¥3,449 million due to the absence of a gain on sale of fixed assets recorded in the same period a year ago.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year increased by ¥220,328 million from the end of the previous fiscal year to ¥2,662,669 million.

Current assets increased by ¥84,279 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥136,049 million mainly because of an increase in goodwill due to exchange rate fluctuations.

Liabilities increased by ¥34,680 million to ¥1,321,663 million. This was mainly attributable to an increase in other current liabilities.

Equity increased by ¥185,647 million to ¥1,341,006 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 50.1%.

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

We have revised the consolidated earnings forecast for the fiscal year ending December 31, 2023 released on February 14, 2023. For more information, please refer to the “Notice of Revision of Earnings Forecast (IFRS)” released today.

Revision of the consolidated earnings forecast for the fiscal year ending December 31, 2023 (January 1, 2023 to December 31, 2023)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	1,400,000	140,000	134,000	98,000	41.73
Revised forecast (B)	1,450,000	158,000	151,000	110,000	46.84
Amount of change (B-A)	50,000	18,000	17,000	12,000	
Percent change (%)	3.6	12.9	12.7	12.2	

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 Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Revenue	622,049	692,925
Cost of sales	(393,321)	(417,823)
Gross profit	228,728	275,102
Selling, general and administrative expenses	(189,352)	(200,425)
Other income	4,398	10,583
Other expenses	(1,669)	(1,522)
Operating profit	42,104	83,738
Finance income	2,760	3,350
Finance costs	(5,775)	(6,167)
Share of profit (loss) of investments accounted for using equity method	810	1,033
Profit before tax	39,900	81,954
Income taxes	(12,881)	(20,749)
Profit	27,018	61,205
Profit attributable to		
Owners of parent	26,971	60,898
Non-controlling interests	47	307
Profit	27,018	61,205
Earnings per share		
Basic earnings (loss) per share (yen)	11.49	25.93
Diluted earnings (loss) per share (yen)	11.48	25.93

Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2022	Second quarter ended June 30, 2023
Revenue	336,953	362,711
Cost of sales	(215,324)	(217,477)
Gross profit	121,628	145,234
Selling, general and administrative expenses	(103,888)	(104,571)
Other income	3,070	8,989
Other expenses	(603)	(824)
Operating profit	20,206	48,828
Finance income	652	2,023
Finance costs	(2,793)	(2,909)
Share of profit (loss) of investments accounted for using equity method	462	571
Profit before tax	18,527	48,513
Income taxes	(4,923)	(12,692)
Profit	13,604	35,821
Profit attributable to		
Owners of parent	13,745	35,557
Non-controlling interests	(141)	264
Profit	13,604	35,821
Earnings per share		
Basic earnings (loss) per share (yen)	5.85	15.14
Diluted earnings (loss) per share (yen)	5.85	15.14

Condensed Consolidated Quarterly Statement of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	27,018	61,205
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,068)	1,890
Remeasurements of defined benefit plans	(35)	(14)
Share of other comprehensive income of equity method affiliates	-	0
Total of items that will not be reclassified to profit or loss	(1,103)	1,876
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	232,515	137,481
Cash flow hedges	(831)	(13)
Share of other comprehensive income of investments accounted for using equity method	(335)	(453)
Total of items that may be reclassified to profit or loss	231,347	137,014
Total other comprehensive income	230,243	138,891
Comprehensive income	257,262	200,096
Comprehensive income attributable to		
Owners of parent	255,947	199,584
Non-controlling interests	1,314	511
Comprehensive income	257,262	200,096

Second Quarter Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	13,604	35,821
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,837)	858
Remeasurements of defined benefit plans	19	36
Share of other comprehensive income of equity method affiliates	–	0
Total of items that will not be reclassified to profit or loss	(1,817)	894
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	97,990	104,824
Cash flow hedges	137	(13)
Share of other comprehensive income of investments accounted for using equity method	(853)	(551)
Total of items that may be reclassified to profit or loss	97,275	104,259
Total other comprehensive income	95,458	105,154
Comprehensive income	109,062	140,976
Comprehensive income attributable to		
Owners of parent	108,389	140,733
Non-controlling interests	672	242
Comprehensive income	109,062	140,976

(2) Condensed Consolidated Quarterly Statement of Financial Position

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	242,598	257,716
Inventories	176,049	180,145
Trade and other receivables	311,305	364,732
Other financial assets	17,254	32,153
Other current assets	18,125	15,086
Subtotal	765,333	849,835
Assets held for sale	301	78
Total current assets	765,634	849,913
Non-current assets		
Property, plant and equipment	376,835	399,462
Goodwill	825,525	900,813
Other intangible assets	400,052	429,085
Investments accounted for using equity method	31,390	33,283
Other financial assets	26,063	31,179
Other non-current assets	9,558	10,890
Deferred tax assets	7,279	8,040
Total non-current assets	1,676,706	1,812,755
Total assets	2,442,340	2,662,669

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	256,835	261,359
Bonds and borrowings	95,970	77,859
Other financial liabilities	34,153	34,817
Income taxes payable	8,192	14,978
Provisions	3,436	3,996
Other current liabilities	69,622	80,953
Total current liabilities	468,211	473,965
Non-current liabilities		
Bonds and borrowings	626,087	640,775
Other financial liabilities	78,027	85,563
Retirement benefit liability	16,355	16,015
Provisions	1,164	1,281
Other non-current liabilities	5,555	5,248
Deferred tax liabilities	91,580	98,813
Total non-current liabilities	818,770	847,697
Total liabilities	1,286,982	1,321,663
Equity		
Share capital	671,432	671,432
Treasury shares	(6,096)	(6,064)
Retained earnings	272,527	319,071
Other components of equity	210,961	349,634
Total equity attributable to owners of parent	1,148,824	1,334,074
Non-controlling interests	6,533	6,931
Total equity	1,155,358	1,341,006
Total Liabilities and equity	2,442,340	2,662,669

(3) Condensed Consolidated Quarterly Statement of Changes in Equity

For the Six Months Ended June 30, 2022 (From January 1, 2022 to June 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
Hyperinflationary accounting adjustment	—	—	—	(20,543)	—	(20,543)	—	(20,543)
Beginning balance reflecting hyperinflationary accounting adjustment	671,432	—	(6,153)	207,465	66,230	938,974	9,176	948,151
Profit	—	—	—	26,971	—	26,971	47	27,018
Other comprehensive income	—	—	—	—	228,975	228,975	1,267	230,243
Comprehensive income	—	—	—	26,971	228,975	255,947	1,314	257,262
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	70	26	—	(24)	73	—	73
Dividends	—	—	—	(11,741)	—	(11,741)	(45)	(11,787)
Change in ownership interest in subsidiaries	—	(3,845)	—	—	675	(3,169)	(3,512)	(6,682)
Transfer from retained earnings to capital surplus	—	3,774	—	(3,774)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	36	36
Transfer from other components of equity to retained earnings	—	—	—	469	(469)	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	4,212	4,212	—	4,212
Other	—	—	—	—	—	—	43	43
Total transactions with owners	—	—	26	(15,046)	4,395	(10,625)	(3,477)	(14,103)
Balance as of June 30, 2022	671,432	—	(6,127)	219,390	299,601	1,184,296	7,013	1,191,310

For the Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(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, 2023	671,432	—	(6,096)	272,527	210,961	1,148,824	6,533	1,155,358
Profit	—	—	—	60,898	—	60,898	307	61,205
Other comprehensive income	—	—	—	—	138,686	138,686	204	138,891
Comprehensive income	—	—	—	60,898	138,686	199,584	511	200,096
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	74	32	—	(33)	74	—	74
Dividends	—	—	—	(14,090)	—	(14,090)	(57)	(14,148)
Changes in ownership interest in subsidiaries	—	27	—	—	—	27	(63)	(36)
Transfer from retained earnings to capital surplus	—	243	—	(243)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(18)	18	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	48	48
Change in non-controlling interest put option liabilities	—	(345)	—	—	—	(345)	—	(345)
Other	—	—	—	—	—	—	(41)	(41)
Total transactions with owners	—	—	32	(14,353)	(14)	(14,335)	(113)	(14,449)
Balance as of June 30, 2023	671,432	—	(6,064)	319,071	349,634	1,334,074	6,931	1,341,006

(4) Condensed Consolidated Quarterly Statement of Cash Flows

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from operating activities		
Profit before tax	39,900	81,954
Depreciation and amortization	21,882	24,718
Interest and dividend income	(1,696)	(2,322)
Interest expenses	3,653	4,127
Share of loss (profit) of investments accounted for using equity method	(810)	(1,033)
Decrease (increase) in inventories	(13,981)	8,256
Decrease (increase) in trade and other receivables	(30,535)	(37,018)
Increase (decrease) in trade and other payables	1,628	(12,257)
Increase (decrease) in allowance for doubtful accounts	12,304	3,353
Increase (decrease) in other current liabilities	3,153	6,088
Other	557	496
Subtotal	36,056	76,363
Interest received	1,126	2,060
Dividends received	1,784	832
Interest paid	(3,562)	(3,992)
Income taxes paid	(15,337)	(18,680)
Net cash provided by (used in) operating activities	20,067	56,583
Cash flows from investing activities		
Net decrease (increase) in time deposits	(170)	(2,430)
Net decrease (increase) in short-term investment securities	10,994	(7,552)
Purchase of property, plant and equipment	(19,267)	(15,294)
Proceeds from sale of property, plant and equipment	4,184	2,255
Purchase of intangible assets	(1,537)	(1,551)
Purchase of investments in subsidiaries	(168,397)	—
Payments for transfer of business	(928)	(3,374)
Payments for loans receivable	(2,157)	(2,022)
Collection of loans receivable	3,351	149
Other	1,801	372
Net cash provided by (used in) investing activities	(172,126)	(29,447)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	559	(3,374)
Proceeds from long-term borrowings	270,160	60,002
Repayments of long-term borrowings	(59,910)	(60,614)
Repayments of lease obligations	(6,198)	(6,746)
Dividends paid	(11,741)	(14,087)
Purchase of additional shares of subsidiaries	(6,680)	(36)
Other	(82)	7
Net cash provided by (used in) financing activities	186,105	(24,849)
Effect of exchange rate changes on cash and cash equivalents	14,494	13,248
Adjustment from hyperinflationary accounting	865	(416)
Net increase (decrease) in cash and cash equivalents	49,405	15,118
Cash and cash equivalents at beginning of period	138,813	242,598
Cash and cash equivalents at end of period	188,219	257,716

(5) Notes to Condensed Consolidated Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in Accounting Policies)

(International Tax Reform –Pillar Two Model Rules, Amendments to IAS 12)

Beginning with the six months ended June 30, 2023, the Nippon Paint Group is applying the amendments to IAS 12 Income Taxes. The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities enacted or substantively enacted to implement the Pillar Two model rules, published by the Organisation for Economic Cooperation and Development (OECD), and additional disclosure requirements.

The Nippon Paint Group has retrospectively applied the temporary exception provided for in the amendments to recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from the tax rules implemented to enact or substantively enact the Pillar Two model rules beginning with the six month period ended June 30, 2023.

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

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	87,466	340,083	147,115	47,383	622,049	—	622,049
Intersegment revenue	8,524	2,133	280	41	10,979	(10,979)	—
Total	95,990	342,217	147,395	47,425	633,029	(10,979)	622,049
Segment profit (loss)	2,533	22,382	13,997	5,065	43,978	(1,873)	42,104
Financial income							2,760
Financial costs							(5,775)
Share of profit of investments accounted for using equity method							810
Profit before tax							39,900

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

For the Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	97,324	372,893	170,728	51,979	692,925	—	692,925
Intersegment revenue	7,787	2,566	259	13	10,627	(10,627)	—
Total	105,112	375,460	170,987	51,992	703,552	(10,627)	692,925
Segment profit (loss)	7,954	54,896	18,476	3,449	84,777	(1,039)	83,738
Financial income							3,350
Financial costs							(6,167)
Share of profit of investments accounted for using equity method							1,033
Profit before tax							81,954

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

(Million yen)

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

For the Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	20,386	45,833	—	19,099	85,320
Decorative paints	23,827	278,706	110,486	32,056	445,076
Industrial coatings	19,129	19,704	4,395	—	43,228
Fine chemicals	4,217	4,445	—	822	9,485
Other paints	29,763	8,824	—	—	38,588
	97,324	357,513	114,881	51,979	621,698
Adjacencies business	—	15,380	55,846	—	71,226
Total	97,324	372,893	170,728	51,979	692,925

(Business combinations)

For the six months ended June 30, 2022 (January 1, 2022 to June 30, 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

Note 1: 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 six months ended June 30, 2022 have been adjusted retrospectively following the finalization of provisional accounting treatment.

Property, plant and equipment	¥1,591 million increase
Intangible assets	¥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	50,772
Profit	1,832

(6) Effects of business combination on cash flows

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

For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

There was no significant business combination.

(Significant subsequent events)

There is no relevant information.