

Consolidated Financial Results for the Nine Months Ended September 30, 2023 [IFRS]



November 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 filing the quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of consolidated financial results briefing session: Yes

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2023 (January 1, 2023 to September 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	%
Nine months ended September 30, 2023	1,085,878	10.8	131,625	60.8	127,042	59.5	93,993	71.5
September 30, 2022	979,916	33.1	81,831	23.8	79,627	21.9	54,799	9.5

	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share		Diluted earnings per share	
	Million yen	%	Million yen	%	Yen		Yen	
Nine months ended September 30, 2023	93,444	70.8	268,953	(14.4)	39.79		39.79	
September 30, 2022	54,695	10.1	314,310	182.8	23.29		23.29	

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 third 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 September 30, 2023	2,740,879	1,386,567	1,377,651	50.3
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)				8.00	14.00

Note: Revision to the dividend forecast announced most recently: Yes

For the detail of the revision to the dividend forecast, please see “Notice Regarding Earnings and Dividend Guidance” released today.

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	168,000	50.2	158,000	51.2	115,000	44.8	48.97

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

For the detail of the revision to the consolidated financial results forecast, please refer to “Notice Regarding the Earnings and Dividend Guidance (IFRS)” released today.

*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 12 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):

September 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:

September 30, 2023: 21,936,067 shares

December 31, 2022: 22,078,717 shares

- 3) Average number of shares during the period:

Nine months ended September 30, 2023: 2,348,512,845 shares

Nine months ended September 30, 2022: 2,348,294,534 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 nine months ended September 30, 2023, consolidated revenue of the Nippon Paint Group increased by 10.8% from the same period of the previous year to ¥1,085,878 million. Growth was mainly attributable to 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 60.8% to ¥131,625 million. This growth was primarily attributed to the improvement in gross profit margin, driven by the positive impact of the flow-through of price increases and the absence of credit loss provision in China, which was recorded in the same period in the previous year. Consolidated profit before tax also increased by 59.5% to ¥127,042 million. Furthermore, profit attributable to owners of parent increased by 70.8% to ¥93,444 million.

Results by business segment are as follows.

Japan

The rise in revenue for automotive coatings can be primarily attributed to the recovery in automobile manufacturing numbers, bouncing back from the downturn experienced a year ago, which was a result of the semiconductor chip shortage and other issues. Although market conditions for industrial coatings were weaker compared to a year ago, revenue remained steady, thanks to the implementation of price increases. Decorative paints revenue held steady at the same level as the previous year, as the flow-through of price increases offset the impact of construction project delays caused by unfavorable weather conditions.

Consequently, there was a 9.1% increase in consolidated revenue from the previous year to ¥146,999 million, while consolidated operating profit went up by 189.8% to ¥12,494 million.

NIPSEA

The rise in revenue for automotive coatings can be attributed to the recovery in automobile manufacturing across all segments of NIPSEA Group, including Thailand. This growth occurred despite a slowdown in automobile production, particularly among Japanese OEM manufacturers, amid the expanding electric vehicle (EV) market. Decorative paints revenue saw an increase driven by the normalization of economic activities in China post-lockdowns, sustained demand for repainting interiors of existing homes in China, and the flow-through of price increases in key markets such as Singapore, Malaysia, and Indonesia.

As a result, consolidated revenue increased by 9.8% from the previous year, to ¥591,846 million. Simultaneously, consolidated operating profit rose by 73.9% to ¥87,104 million.

DuluxGroup

The earnings of DP JUB delniska druzba pooblasценка d.d. began contributing to the full-year results starting from the nine months ended September 30, 2023. The increase in revenue from decorative paints was driven by the flow-through of price increases in the Pacific and Europe, overcoming weaker consumer demand influenced by interest rate hikes. Additionally, revenue in the adjacencies business surpassed that of the previous year, propelled by price increases across all brands in the Pacific and Europe.

Accordingly, consolidated revenue increased by 15.0% from the previous year to ¥266,227 million. In tandem, consolidated operating profit increased by 21.8% to ¥28,314 million.

Americas

The increase in revenue for automotive coatings was fueled by the resurgence in the production of automobiles in the United States, a pivotal region in the automotive coatings sector. This rebound came after a downturn caused by semiconductor chip shortages and other challenges, complemented by consistently robust demand. Conversely, decorative paints revenue remained unchanged, attributed to the economic slowdown and housing market deceleration in the United States, adverse weather conditions in California.

As a result, consolidated revenue increased by 8.2% from the previous year, to ¥80,805 million. However, consolidated operating profit decreased by 23.7% to ¥5,529 million, primarily due to the absence of a gain on the sale of fixed assets recorded

in the same period one year ago.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by ¥298,538 million from the end of the previous fiscal year to ¥2,740,879 million.

Current assets increased by ¥129,460 million mainly due to an increase in trade and other receivables. Non-current assets increased by ¥169,078 million mainly because of an increase in goodwill due to exchange rate fluctuations.

Liabilities increased by ¥67,330 million to ¥1,354,312 million. This was mainly attributable to an increase in trade payables and other current liabilities.

Equity increased by ¥231,208 million to ¥1,386,567 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 increased from 47.0% at the end of the previous fiscal year to 50.3%.

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

We have revised the consolidated earnings guidance released on August 10, 2023. For further details, please refer to the “Notice Regarding Revision to Earnings and Dividend Guidance” issued today.

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

(Billion yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous guidance (A)	1,450	158	151	110	46.84 yen
Revised guidance (B)	1,450	168	158	115	48.97 yen
Amount of change (B-A)	-	10	7	5	
Percentage change (%)	-	6.3%	4.6%	4.5%	

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 Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Revenue	979,916	1,085,878
Cost of sales	(618,768)	(654,665)
Gross profit	361,148	431,213
Selling, general and administrative expenses	(288,202)	(309,685)
Other income	10,955	12,164
Other expenses	(2,069)	(2,066)
Operating profit	81,831	131,625
Finance income	4,890	5,950
Finance costs	(8,390)	(12,242)
Share of profit (loss) of investments accounted for using equity method	1,295	1,707
Profit before tax	79,627	127,042
Income taxes	(24,827)	(33,048)
Profit	54,799	93,993
Profit attributable to		
Owners of parent	54,695	93,444
Non-controlling interests	104	549
Profit	54,799	93,993
Earnings per share		
Basic earnings (loss) per share (yen)	23.29	39.79
Diluted earnings (loss) per share (yen)	23.29	39.79

Third Quarter Ended September 30

(Million yen)

	Third quarter ended September 30, 2022	Third quarter ended September 30, 2023
Revenue	357,866	392,953
Cost of sales	(225,446)	(236,842)
Gross profit	132,419	156,110
Selling, general and administrative expenses	(98,849)	(109,259)
Other income	6,557	1,581
Other expenses	(400)	(544)
Operating profit	39,726	47,887
Finance income	2,129	2,600
Finance costs	(2,614)	(6,074)
Share of profit (loss) of investments accounted for using equity method	484	674
Profit before tax	39,727	45,087
Income taxes	(11,945)	(12,298)
Profit	27,781	32,788
Profit attributable to		
Owners of parent	27,723	32,546
Non-controlling interests	57	241
Profit	27,781	32,788
Earnings per share		
Basic earnings (loss) per share (yen)	11.81	13.86
Diluted earnings (loss) per share (yen)	11.80	13.86

Condensed Consolidated Quarterly Statement of Comprehensive Income

Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit	54,799	93,993
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,587)	2,502
Remeasurements of defined benefit plans	(262)	(1)
Share of other comprehensive income of equity method affiliates	—	0
Total of items that will not be reclassified to profit or loss	(1,850)	2,501
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	264,106	172,913
Cash flow hedges	(797)	30
Share of other comprehensive income of investments accounted for using equity method	(1,948)	(485)
Total of items that may be reclassified to profit or loss	261,360	172,457
Total other comprehensive income	259,510	174,959
Comprehensive income	314,310	268,953
Comprehensive income attributable to		
Owners of parent	312,918	267,831
Non-controlling interests	1,391	1,122
Comprehensive income	314,310	268,953

Third Quarter Ended September 30

(Million yen)

	For the third quarter ended September 30, 2022	For the third quarter ended September 30, 2023
Profit	27,781	32,788
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(519)	611
Remeasurements of defined benefit plans	(227)	13
Share of other comprehensive income of equity method affiliates	—	0
Total of items that will not be reclassified to profit or loss	(746)	625
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	31,591	35,431
Cash flow hedges	34	43
Share of other comprehensive income of investments accounted for using equity method	(1,612)	(32)
Total of items that may be reclassified to profit or loss	30,012	35,442
Total other comprehensive income	29,266	36,068
Comprehensive income	57,047	68,856
Comprehensive income attributable to		
Owners of parent	56,970	68,246
Non-controlling interests	76	610
Comprehensive income	57,047	68,856

(2) Condensed Consolidated Quarterly Statement of Financial Position

(Million yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	242,598	251,659
Inventories	176,049	180,846
Trade and other receivables	311,305	393,778
Other financial assets	17,254	49,783
Other current assets	18,125	18,930
Subtotal	765,333	894,998
Assets held for sale	301	96
Total current assets	765,634	895,095
Non-current assets		
Property, plant and equipment	376,835	405,726
Goodwill	825,525	917,083
Other intangible assets	400,052	434,804
Investments accounted for using equity method	31,390	34,099
Other financial assets	26,063	33,227
Other non-current assets	9,558	12,033
Deferred tax assets	7,279	8,810
Total non-current assets	1,676,706	1,845,784
Total assets	2,442,340	2,740,879

(Million yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	256,835	280,497
Bonds and borrowings	95,970	78,196
Other financial liabilities	34,153	23,055
Income taxes payable	8,192	18,066
Provisions	3,436	4,465
Other current liabilities	69,622	88,807
Total current liabilities	468,211	493,090
Non-current liabilities		
Bonds and borrowings	626,087	640,945
Other financial liabilities	78,027	95,726
Retirement benefit liability	16,355	16,080
Provisions	1,164	1,230
Other non-current liabilities	5,555	5,624
Deferred tax liabilities	91,580	101,614
Total non-current liabilities	818,770	861,221
Total liabilities	1,286,982	1,354,312
Equity		
Share capital	671,432	671,432
Treasury shares	(6,096)	(6,057)
Retained earnings	272,527	326,979
Other components of equity	210,961	385,296
Total equity attributable to owners of parent	1,148,824	1,377,651
Non-controlling interests	6,533	8,916
Total equity	1,155,358	1,386,567
Total liabilities and equity	2,442,340	2,740,879

(3) Condensed Consolidated Quarterly Statement of Changes in Equity

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

(Million yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of January 1, 2022	671,432	—	(6,153)	228,009	66,230	959,518	9,176	968,694
Hyperinflationary accounting adjustments	—	—	—	(21,021)	—	(21,021)	—	(21,021)
Beginning balance reflecting hyperinflationary accounting adjustments	671,432	—	(6,153)	206,988	66,230	938,497	9,176	947,673
Profit	—	—	—	54,695	—	54,695	104	54,799
Other comprehensive income	—	—	—	—	258,223	258,223	1,287	259,510
Comprehensive income	—	—	—	54,695	258,223	312,918	1,391	314,310
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	103	44	—	(33)	113	—	113
Dividends	—	—	—	(23,483)	—	(23,483)	(50)	(23,533)
Change in ownership interest in subsidiaries	—	(3,845)	—	—	675	(3,169)	(3,512)	(6,682)
Transfer from retained earnings to capital surplus	—	4,831	—	(4,831)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	36	36
Transfer from other components of equity to retained earnings	—	—	—	10,616	(10,616)	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	4,212	4,212	—	4,212
Change in non-controlling interest put option liabilities	—	(1,089)	—	—	—	(1,089)	—	(1,089)
Other	—	—	—	—	—	—	(15)	(15)
Total transactions with owners	—	—	43	(17,698)	(5,762)	(23,417)	(3,541)	(26,958)
Balance as of September 30, 2022	671,432	—	(6,109)	243,985	318,690	1,227,998	7,026	1,235,024

For the Nine Months Ended September 30, 2023 (From January 1, 2023 to September 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	—	—	—	93,444	—	93,444	549	93,993
Other comprehensive income	—	—	—	—	174,386	174,386	573	174,959
Comprehensive income	—	—	—	93,444	174,386	267,831	1,122	268,953
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	99	39	—	(33)	105	—	105
Dividends	—	—	—	(28,182)	—	(28,182)	(296)	(28,479)
Changes in ownership interest in subsidiaries	—	27	—	—	—	27	(63)	(36)
Transfer from retained earnings to capital surplus	—	10,828	—	(10,828)	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	1,572	1,572
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	—	(10,955)	—	—	—	(10,955)	—	(10,955)
Other	—	—	—	—	—	—	(0)	(0)
Total transactions with owners	—	—	39	(38,992)	(51)	(39,005)	1,260	(37,744)
Balance as of September 30, 2023	671,432	—	(6,057)	326,979	385,296	1,377,651	8,916	1,386,567

(4) Condensed Consolidated Quarterly Statement of Cash Flows

(Million yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Cash flows from operating activities		
Profit before tax	79,627	127,042
Depreciation and amortization	34,508	38,437
Interest and dividend income	(2,578)	(4,327)
Interest expenses	5,972	6,660
Share of loss (profit) of investments accounted for using equity method	(1,295)	(1,707)
Decrease (increase) in inventories	(15,411)	12,653
Decrease (increase) in trade and other receivables	(41,600)	(51,121)
Increase (decrease) in trade and other payables	2,123	(4,317)
Increase (decrease) in allowance for doubtful accounts	11,857	4,393
Increase (decrease) in other current liabilities	12,436	12,129
Other	(3,618)	(528)
Subtotal	82,022	139,314
Interest received	2,022	3,836
Dividends received	2,111	1,087
Interest paid	(6,014)	(6,559)
Income taxes paid	(22,610)	(28,864)
Net cash provided by (used in) operating activities	57,531	108,815
Cash flows from investing activities		
Net decrease (increase) in time deposits	(496)	(3,226)
Net decrease (increase) in short-term investment securities	17,815	(25,193)
Proceeds from sales of investment securities	25,431	85
Purchase of property, plant and equipment	(30,119)	(21,010)
Proceeds from sale of property, plant and equipment	5,032	2,814
Purchase of intangible assets	(2,874)	(1,796)
Purchase of investments in subsidiaries	(169,987)	(6,980)
Payments for transfer of business	(928)	(3,472)
Payments for loans receivable	(2,086)	(2,103)
Collection of loans receivable	3,534	169
Other	(1,167)	(1,024)
Net cash provided by (used in) investing activities	(155,845)	(61,739)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,084)	(3,633)
Proceeds from long-term borrowings	270,067	60,002
Repayments of long-term borrowings	(59,932)	(60,939)
Repayments of lease obligations	(8,922)	(10,408)
Dividends paid	(23,427)	(28,113)
Dividends paid to former shareholders of consolidated subsidiaries	—	(12,106)
Purchase of additional shares of subsidiaries	(6,680)	(36)
Other	(46)	0
Net cash provided by (used in) financing activities	167,972	(55,235)
Effect of exchange rate changes on cash and cash equivalents	17,869	16,503
Adjustment from hyperinflationary accounting	904	716
Net increase (decrease) in cash and cash equivalents	88,432	9,060
Cash and cash equivalents at beginning of period	138,813	242,598
Cash and cash equivalents at end of period	227,246	251,659

(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)

Effective from the six months ended June 30, 2023, Nippon Paint Group has adopted amendments to IAS 12 Income Taxes. These amendments include a temporary exception to the stipulations related to deferred tax assets and liabilities, which are implemented or substantively enacted to comply with the Pillar Two model rules published by the Organization for Economic Cooperation and Development (OECD). Additionally, there are new disclosure requirements introduced by these amendments.

Nippon Paint Group has applied the temporary exception retrospectively, as outlined in the amendments, to recognize and disclose information concerning deferred tax assets and liabilities related to income taxes arising from the implementation or substantive enactment of tax rules aligned with the Pillar Two model rules. This retrospective application commenced from the six-month period ended June 30, 2023.

(Segment information)

(1) Summary of reportable segments

Nippon Paint Group's operations are organized into distinct business segments, each with its own set of available financial information. These segments undergo regular evaluation by the Board of Directors, the highest decision-making body, to facilitate decisions related to business resource allocations and performance assessments. Nippon Paint Group primarily engages in the paint and coatings business, encompassing the manufacturing and sale of automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints. Additionally, the adjacencies business focuses on manufacturing and marketing related to products such as adhesives. A stand-alone company and entities under its supervision handle business operations in Japan. Independent entities, spearheaded by NIPSEA and DuluxGroup, manage business activities in Asia, Oceania, and various other regions. Additional autonomous local companies oversee operations in the Americas. Each company functions as a distinct management unit, responsible for deciding on product offerings and formulating comprehensive regional growth strategies.

Accordingly, Nippon Paint Group comprises four reportable segments categorized by management units or regions, based on manufacturing and sales infrastructures: Japan, NIPSEA, DuluxGroup, and the Americas. The Japan segment encompasses the overseas marine coatings business.

(2) Performance by reportable segment

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

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	134,715	538,939	231,586	74,675	979,916	—	979,916
Intersegment revenue	12,474	3,348	335	58	16,217	(16,217)	—
Total	147,190	542,288	231,921	74,734	996,134	(16,217)	979,916
Segment profit (loss)	4,311	50,092	23,241	7,246	84,893	(3,061)	81,831
Financial income							4,890
Financial costs							(8,390)
Share of profit of investments accounted for using equity method							1,295
Profit before tax							79,627

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

For the Nine Months Ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	146,999	591,846	266,227	80,805	1,085,878	—	1,085,878
Intersegment revenue	11,894	4,242	356	21	16,514	(16,514)	—
Total	158,893	596,088	266,584	80,827	1,102,393	(16,514)	1,085,878
Segment profit (loss)	12,494	87,104	28,314	5,529	133,443	(1,817)	131,625
Financial income							5,950
Financial costs							(12,242)
Share of profit of investments accounted for using equity method							1,707
Profit before tax							127,042

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

(Million yen)

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

For the Nine Months Ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	30,904	71,344	—	29,551	131,799
Decorative paints	35,874	441,166	168,354	49,981	695,376
Industrial coatings	29,221	30,972	6,963	—	67,157
Fine chemicals	6,610	7,022	—	1,272	14,906
Other paints	44,388	13,699	—	—	58,088
	146,999	564,204	175,318	80,805	967,327
Adjacencies business	—	27,641	90,909	—	118,551
Total	146,999	591,846	266,227	80,805	1,085,878

(Business combinations)

For the nine months ended September 30, 2022 (January 1, 2022 to September 30, 2022)

(Acquisition of shares of Cromology Holding SAS)

Primary Drivers for the Business Combination

The global paint market, with Europe as the second-largest contributor after China, demonstrates promising potential for steady growth. Cromology Holding SAS (Cromology) stands as the fourth-largest architectural paint manufacturer in Europe. Positioned as a frontrunner in the architectural paint sector, Cromology has an extensive presence across multiple European countries, boasting a substantial market share. Specifically, it ranks among the top three in key markets such as France, Italy, Spain, and Portugal.

Under the ownership of Nippon Paint Group, the integration of the group's financial resources and expertise in brand management, marketing, and innovation, combined with Cromology's renowned brands and robust trade and retail relationships, is expected to drive growth in France, Spain, Italy, and Portugal, along with other European markets, including Eastern Europe. Cromology's significant scale, volume, and manufacturing capabilities will serve as a strategic foundation for establishing a decorative paint and coatings business in Europe, offering a platform for additional acquisitions. Cromology's wholly-owned integrated network of company-operated stores in France, Portugal, and Switzerland offers a chance to harness DuluxGroup's operational expertise in managing trade centers. Additionally, this network serves as a robust foundation to capitalize on DuluxGroup's strengths in catering to do-it-yourself (DIY) consumers through retail channels, including major home improvement stores and independent hardware outlets. Furthermore, Cromology's store network offers a prospect to introduce new brands into the DuluxGroup's portfolio, encompassing brands focused on woodcare, texture coatings, as well as 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 purchase price allocation was completed in the fiscal year ended December 31, 2022. The subsequent adjustments from the initial provisional amounts are outlined below. The condensed consolidated quarterly financial statements for the nine months ended September 30, 2022 have been retrospectively adjusted after finalizing the 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		74,569
Profit		2,817

(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	(9,530)
Purchase of shares of subsidiaries	<u>141,070</u>

For the nine months ended September 30, 2023 (January 1, 2023 to September 30, 2023)

There was no significant business combination.

(Significant subsequent events)

There is no relevant information.