

Consolidated Financial Results for the Nine Months Ended September 30, 2019 [IFRS]



November 14, 2019

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 filing the quarterly securities report: November 14, 2019
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly 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, 2019 (January 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	495,119	4.3	66,479	(0.5)	65,928	(3.8)	47,689	(6.0)
September 30, 2018	474,482	—	66,810	—	68,529	—	50,758	—

	Profit attributable to owners of parent		Comprehensive income	
Nine months ended	Million yen	%	Million yen	%
September 30, 2019	32,697	(6.6)	(2,790)	—
September 30, 2018	35,017	—	37,149	—

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2019	101.95	101.92
September 30, 2018	109.19	109.17

The Group has adopted IFRS starting from the fiscal year ended December 31, 2018. Accordingly, changes from the previous corresponding period for the nine months ended September 30, 2018 have not been provided.

(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, 2019	1,417,522	652,274	526,185	37.1
As of December 31, 2018	953,988	647,618	520,047	54.5

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2018	Yen —	Yen 22.00	Yen —	Yen 23.00	Yen 45.00
Fiscal year ending December 31, 2019	—	22.00	—		
Fiscal year ending December 31, 2019 (Forecast)				23.00	45.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen 640,000	% 2.0	Million yen 77,000	% (11.0)	Million yen 78,000	% (12.4)	Million yen 39,000	% (14.0)	Yen 121.60

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

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: Yes

New: 4 companies DuluxGroup Limited
 DuluxGroup (New Zealand) Pty Ltd
 Alesco Corporation Pty Ltd
 Betek Boya ve Kimya Sanayi Anonim Sirketi

(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

(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, 2019: 325,402,443 shares

December 31, 2018: 325,402,443 shares

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

September 30, 2019: 4,655,147 shares

December 31, 2018: 4,689,703 shares

3) Average number of shares during the period:

Nine months ended September 30, 2019: 320,724,704 shares

Nine months ended September 30, 2018: 320,701,656 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 results forecast and other notes

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are judged to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc. may differ greatly from the forecast figures depending on 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, 2019, consolidated revenue of the Company and its group companies (collectively, the “Group”) increased by 4.3% from the corresponding period of the previous year (the “previous year”) to ¥495,119 million due to the acquisition of ownership of Australian Paint Manufacturer DuluxGroup Limited and Turkish Paint Manufacturer Betek Boya ve Kimya Sanayi Anonim Sirketi, despite the effects of yen appreciation. Consolidated operating profit decreased by 0.5% from the previous year to ¥66,479 million due to the subsidy income related to the removal of factories resulting from an environmental regulation in China for the previous year. Consolidated profit before tax decreased by 3.8% from the previous year to ¥65,928 million, and profit attributable to owners of parent decreased by 6.6% from the previous year to ¥32,697 million.

Results by business segment are as follows.

“Oceania” has been added as a reportable segment since the third quarter ended September 30, 2019.

Japan

In this region, revenue for automotive coatings was higher than the previous year due to factors such as favorable shipments of premium design and high value-added coatings in addition to a higher number of automobiles manufactured than the previous year. As for industrial coatings, revenue was higher than the previous year due to factors such as an increase in demand in line with restoration works following the natural disasters that occurred in the previous year. As for trade-use paints, under solid market conditions, revenue was higher than the previous year due to factors such as efforts to expand sales in the retail sector.

As a result, consolidated revenue for the Japan segment increased by 2.2% from the previous year to ¥136,501 million. Consolidated operating profit decreased by 8.8% from the previous year to ¥32,816 million due to factors such as an increase in raw material prices and the recording of share acquisition-related expenses associated with the corporate acquisition announced in April 2019. ¥13,585 million of dividend income from overseas group companies (¥14,012 million in the previous year) is included in the consolidated operating profit. All of this dividend income is eliminated under intersegment eliminations and other adjustments as it is an internal transaction.

Asia

In this region, revenue for automotive coatings was significantly lower than the previous year due to a decrease in the number of automobiles manufactured in China, India and Thailand from the previous year. As for trade-use paints, a mainstay business in Asia, revenue was higher than the previous year as a result of focusing on sales promotion activities for mainstay interior residential paints and achieving favorable sales of decorative paints for exterior in China, in spite of stagnant market conditions in Singapore, etc.

As a result of the effects of yen appreciation in addition to the aforementioned factors, consolidated revenue for the Asia segment decreased by 1.1% from the previous year to ¥271,063 million. Consolidated operating profit decreased by 1.1% from the previous year to ¥40,028 million due to factors such as the subsidy income related to the removal of factories resulting from an environmental regulation in China for the previous year, despite a decline in raw material prices.

Oceania

In this region, the profit or loss of DuluxGroup Limited since September 2019 has been reflected in the Group’s consolidated financial results. The trade-use paint business and the paint peripheral business remained solid by virtue of sales promotion activities and a share increase under weak new housing market conditions in Australia.

As a result, consolidated revenue for the Oceania segment was ¥13,148 million, and consolidated operating profit was ¥2,897 million.

Americas

In this region, revenue for automotive coatings decreased from the previous year due to factors such as the sluggish production of automobiles in the United States, a core region. In trade-use paints, revenue increased from the previous year due to the sales expansion of high value-added products and an increase in the number of shops.

As a result, consolidated revenue for the Americas segment increased by 0.4% from the previous year to ¥56,911 million. Consolidated operating profit decreased by 7.3% from the previous year to ¥3,974 million due to an increase in selling, general and administrative expenses resulting from factors such as a personnel increase.

Other

In this segment, revenue for automotive coatings decreased from the previous year due to the effects of yen appreciation in addition to the sluggish production of automobiles in the region. The financial results of Betek Boya ve Kimya Sanayi Anonim Sirketi, whose profit or loss since July 2019 has been reflected in the Group's consolidated financial results, remained solid.

As a result, consolidated revenue for the segment increased by 70.1% from the previous year to ¥17,493 million, and consolidated operating profit increased by 936.4% from the previous year to ¥352 million.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review increased by ¥463,533 million from the end of the previous fiscal year to ¥1,417,522 million. Current assets increased by ¥61,845 million from the end of the previous fiscal year mainly due to factors such as an increase in trade and other receivables, despite a decrease in cash and cash equivalents. Additionally, non-current assets increased by ¥401,687 million from the end of the previous fiscal year. The increase was primarily attributable to factors such as an increase in property, plant and equipment in line with the application of IFRS 16 and increases in property, plant and equipment and intangible assets resulting from the acquisition of DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi.

Liabilities increased by ¥458,877 million from the end of the previous fiscal year to ¥765,247 million mainly due to factors such as an increase in borrowings in line with the acquisition of DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi.

Equity increased by ¥4,656 million from the end of the previous fiscal year to ¥652,274 million. This was mainly attributable to factors such as an increase in retained earnings due to the recording of profit attributable to owners of parent, despite a decrease in foreign currency translation adjustment.

As a result, equity attributable to owners of parent to total assets fell from 54.5% at the end of the previous fiscal year to 37.1%.

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

There are no revisions from consolidated financial results forecast for the full year ending December 31, 2019 announced on February 13, 2019.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

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

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine Months Ended September 30, 2019

(Million yen)

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2019
Revenue	474,482	495,119
Cost of sales	(289,726)	(299,220)
Gross profit	184,756	195,898
Selling, general and administrative expenses	(125,142)	(134,016)
Other income	8,582	6,160
Other expenses	(1,386)	(1,562)
Operating profit	66,810	66,479
Finance income	3,034	3,522
Finance costs	(2,142)	(4,755)
Share of profit of investments accounted for using equity method	826	681
Profit before tax	68,529	65,928
Income taxes	(17,770)	(18,238)
Profit	50,758	47,689
Profit attributable to		
Owners of parent	35,017	32,697
Non-controlling interests	15,741	14,992
Profit	50,758	47,689
Earnings per share		
Basic earnings per share (yen)	109.19	101.95
Diluted earnings per share (yen)	109.17	101.92

Third Quarter Ended September 30, 2019

(Million yen)

	Third quarter ended September 30, 2018	Third quarter ended September 30, 2019
Revenue	161,264	182,694
Cost of sales	(99,460)	(110,383)
Gross profit	61,804	72,311
Selling, general and administrative expenses	(42,424)	(49,536)
Other income	2,830	2,443
Other expenses	(272)	(683)
Operating profit	21,938	24,534
Finance income	1,394	1,172
Finance costs	(746)	(2,412)
Share of profit of investments accounted for using equity method	250	224
Profit before tax	22,837	23,519
Income taxes	(5,692)	(6,573)
Profit	17,145	16,945
Profit attributable to		
Owners of parent	11,203	11,758
Non-controlling interests	5,942	5,186
Profit	17,145	16,945
Earnings per share		
Basic earnings per share (yen)	34.93	36.66
Diluted earnings per share (yen)	34.93	36.65

Condensed Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended September 30, 2019

(Million yen)

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2019
Profit	50,758	47,689
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,713)	1,312
Remeasurements of defined benefit plans	(25)	(18)
Total of items that will not be reclassified subsequently to profit or loss	(1,739)	1,294
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(11,108)	(18,479)
Cash flow hedges	—	(32,626)
Share of other comprehensive income of entities accounted for using equity method	(761)	(669)
Total of items that may be reclassified subsequently to profit or loss	(11,869)	(51,775)
Total other comprehensive income	(13,609)	(50,480)
Comprehensive income	37,149	(2,790)
Comprehensive income attributable to		
Owners of parent	25,961	(11,730)
Non-controlling interests	11,188	8,939
Comprehensive income	37,149	(2,790)

Third Quarter Ended September 30, 2019

(Million yen)

	Third quarter ended September 30, 2018	Third quarter ended September 30, 2019
Profit	17,145	16,945
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	51	1,021
Remeasurements of defined benefit plans	(49)	(6)
Total of items that will not be reclassified subsequently to profit or loss	1	1,015
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	6,134	(4,513)
Cash flow hedges	—	(12,315)
Share of other comprehensive income of entities accounted for using equity method	105	(295)
Total of items that may be reclassified subsequently to profit or loss	6,239	(17,123)
Total other comprehensive income	6,241	(16,108)
Comprehensive income	23,386	837
Comprehensive income attributable to		
Owners of parent	17,339	(1,582)
Non-controlling interests	6,047	2,419
Comprehensive income	23,386	837

(2) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	129,633	124,941
Inventories	65,807	90,458
Trade and other receivables	179,269	220,235
Other financial assets	59,775	55,758
Other current assets	9,456	14,216
Subtotal	443,941	505,611
Assets held for sale	272	449
Total current assets	444,214	506,060
Non-current assets		
Property, plant and equipment	140,550	231,729
Goodwill	203,722	511,409
Other intangible assets	95,496	94,203
Investments accounted for using equity method	11,612	11,619
Other financial assets	40,942	52,021
Other non-current assets	14,374	3,250
Deferred tax assets	3,075	7,228
Total non-current assets	509,774	911,461
Total assets	953,988	1,417,522

(Million yen)

	As of December 31, 2018	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	121,999	147,808
Bonds and borrowings	51,583	395,302
Other financial liabilities	5,050	23,387
Income taxes payable	4,735	12,285
Provisions	992	3,332
Other current liabilities	31,415	42,072
Total current liabilities	215,776	624,188
Non-current liabilities		
Bonds and borrowings	37,881	50,206
Other financial liabilities	5,558	41,398
Retirement benefit liability	19,572	23,490
Provisions	385	876
Other non-current liabilities	1,209	1,618
Deferred tax liabilities	25,986	23,468
Total non-current liabilities	90,593	141,059
Total liabilities	306,370	765,247
Equity		
Share capital	78,862	78,862
Capital surplus	63,247	62,869
Treasury shares	(6,444)	(6,401)
Retained earnings	390,287	408,538
Other components of equity	(5,905)	(17,683)
Total equity attributable to owners of parent	520,047	526,185
Non-controlling interests	127,570	126,089
Total equity	647,618	652,274
Total liabilities and equity	953,988	1,417,522

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

(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, 2018	78,862	63,262	(6,454)	360,249	15,471	511,392	125,549	636,941
Profit	—	—	—	35,017	—	35,017	15,741	50,758
Other comprehensive income	—	—	—	—	(9,055)	(9,055)	(4,553)	(13,609)
Comprehensive income	—	—	—	35,017	(9,055)	25,961	11,188	37,149
Purchase of treasury shares	—	—	(4)	—	—	(4)	—	(4)
Disposal of treasury shares	—	0	0	—	(1)	0	—	0
Dividends	—	—	—	(14,110)	—	(14,110)	(12,325)	(26,436)
Share-based payment transactions	—	—	—	—	43	43	—	43
Changes in ownership interest in subsidiaries	—	(33)	—	—	—	(33)	(197)	(231)
Change in scope of consolidation	—	—	—	—	—	—	521	521
Transfer from other components of equity to retained earnings	—	—	—	56	(56)	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	—	—	—	—
Capital increase of subsidiaries	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	(21)	(21)
Total transactions with owners	—	(32)	(4)	(14,054)	(13)	(14,105)	(12,024)	(26,129)
Balance as of September 30, 2018	78,862	63,229	(6,458)	381,212	6,402	523,248	124,713	647,961

For the Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

(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, 2019	78,862	63,247	(6,444)	390,287	(5,905)	520,047	127,570	647,618
Profit	—	—	—	32,697	—	32,697	14,992	47,689
Other comprehensive income	—	—	—	—	(44,427)	(44,427)	(6,052)	(50,480)
Comprehensive income	—	—	—	32,697	(44,427)	(11,730)	8,939	(2,790)
Purchase of treasury shares	—	—	(6)	—	—	(6)	—	(6)
Disposal of treasury shares	—	104	49	—	—	153	—	153
Dividends	—	—	—	(14,433)	—	(14,433)	(12,047)	(26,481)
Share-based payment transactions	—	—	—	—	9	9	—	9
Changes in ownership interest in subsidiaries	—	(481)	—	—	—	(481)	(441)	(922)
Change in scope of consolidation	—	—	—	—	—	—	475	475
Transfer from other components of equity to retained earnings	—	—	—	(13)	13	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	32,626	32,626	—	32,626
Capital increase of subsidiaries	—	—	—	—	—	—	1,618	1,618
Other	—	—	—	—	—	—	(25)	(25)
Total transactions with owners	—	(377)	43	(14,447)	32,649	17,867	(10,420)	7,447
Balance as of September 30, 2019	78,862	62,869	(6,401)	408,538	(17,683)	526,185	126,089	652,274

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2019
Cash flows from operating activities		
Profit before tax	68,529	65,928
Depreciation and amortization	14,220	17,746
Interest and dividend income	(1,420)	(2,648)
Interest expenses	941	2,860
Share of loss (profit) of investments accounted for using equity method	(826)	(681)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(3,742)	(1,040)
Decrease (increase) in inventories	(374)	(2,634)
Decrease (increase) in trade and other receivables	(12,476)	(13,428)
Increase (decrease) in trade and other payables	(1,372)	1,609
Increase (decrease) in retirement benefit liability	(29)	(348)
Increase (decrease) in provisions	(1,910)	412
Other	(3,632)	7,062
Subtotal	57,904	74,838
Interest received	855	1,998
Dividends received	1,070	1,353
Interest paid	(962)	(2,406)
Income taxes paid	(15,907)	(16,990)
Net cash provided by operating activities	42,959	58,793
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,546)	(526)
Net decrease (increase) in short-term investment securities	11,139	1,823
Purchase of property, plant and equipment	(14,339)	(15,115)
Proceeds from sale of property, plant and equipment	4,695	2,817
Purchase of intangible assets	(1,111)	(1,621)
Purchase of investment securities	(126)	(161)
Proceeds from sale of investment securities	240	6
Purchase of investments in subsidiaries	(1,215)	(318,655)
Payments for sale of investments in subsidiaries	—	(57)
Payments for loans receivable	(567)	(3,639)
Other	(363)	(36)
Net cash used in investing activities	(3,196)	(335,167)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,040)	315,096
Proceeds from long-term borrowings	351	—
Repayments of long-term borrowings	(7,080)	(21,200)
Repayments of lease liabilities	(469)	(5,788)
Capital contribution from non-controlling interests	—	1,611
Dividends paid	(14,110)	(14,433)
Dividends paid to non-controlling interests	(902)	(1,225)
Other	71	(6)
Net cash provided by (used in) financing activities	(24,181)	274,052
Effect of exchange rate changes on cash and cash equivalents	(868)	(2,371)
Net increase (decrease) in cash and cash equivalents	14,713	(4,692)
Cash and cash equivalents at beginning of period	101,876	129,633
Cash and cash equivalents at end of period	116,590	124,941

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

The major standard which the Group has applied since the first quarter ended March 31, 2019 is as follows.

IFRS	Details of new/amended standard
IFRS 16 “Leases”	For all leases of a lessee, in principle, the rights to use the assets and the obligations associated with payments shall be reflected in the consolidated financial statements.

In applying IFRS 16, the Group has applied transitional provisions stipulated in paragraph C5 (b) and recognized the cumulative effect of initial application at the date of initial application (January 1, 2019). Due to transition to IFRS 16, right-of-use assets increased by ¥32,985 million, lease liabilities increased by ¥20,860 million, and other non-current assets decreased by ¥12,429 million. Right-of-use assets and lease liabilities are included in property, plant and equipment and other financial liabilities (current and non-current), respectively.

The Group has used practical expedients stipulated in paragraph C10 (a)-(e) of IFRS 16 when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

(Segment information)

(1) Summary of reportable segments

The reportable segments of the Group categorize the business composition of the Group for which separate financial information is available and are subject to periodical evaluation by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding management resource allocation and performance assessment. The Group’s primary businesses are the paint and coating business which manufactures and sells automotive coatings, trade-use paints, industrial coatings, fine chemicals and other paints, and the paint peripheral business which manufactures and sells paint-related products such as adhesives. The Company and separate local companies are responsible for domestic activities, and overseas, separate local companies are responsible for the Asia, Oceania, Americas, and other regions. Each company is an individual management unit, and concerning which items to carry, comprehensive strategic proposals are made for each region to foster business growth.

As a result, the Group consists of segments divided by region with manufacture and sales structure as a base, and the four reportable segments are “Japan,” “Asia,” “Oceania” and “Americas.”

“Other” contains business activities by overseas subsidiaries in Europe, etc. Those business activities are managed individually, but are not material enough to be disclosed separately as an independent segment of the Group.

(Changes in reportable segments)

“Oceania” has been added to the reportable segments as a result of the acquisition of all shares in DuluxGroup Limited and the inclusion of the company and its 42 subsidiaries in the scope of consolidation in the third quarter ended September 30, 2019.

Segment information for the nine months ended September 30, 2018 is presented based on the changed reportable segment categories.

(2) Performance by reportable segment

For the Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

	Reportable segment					Other	Total	Adjustment (Note)	(Million yen)
									Condensed quarterly consolidated financial statements
	Japan	Asia	Oceania	Americas	Subtotal				
Revenue									
Revenue from external customers	133,553	273,958	—	56,683	464,196	10,286	474,482	—	474,482
Intersegment revenue	29,891	2,816	—	175	32,882	555	33,438	(33,438)	—
Total	163,444	276,775	—	56,859	497,078	10,841	507,920	(33,438)	474,482
Segment profit	35,990	40,481	—	4,289	80,761	33	80,795	(13,985)	66,810
Finance income									3,034
Finance costs									(2,142)
Share of profit of investments accounted for using equity method									826
Profit before tax									68,529

Note: Adjustments to “intersegment revenue” and “segment profit” are primarily due to intersegment eliminations.

For the Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

	Reportable segment					Other	Total	Adjustment (Note)	(Million yen)
									Condensed quarterly consolidated financial statements
	Japan	Asia	Oceania	Americas	Subtotal				
Revenue									
Revenue from external customers	136,501	271,063	13,148	56,911	477,625	17,493	495,119	—	495,119
Intersegment revenue	28,541	2,874	—	107	31,523	630	32,153	(32,153)	—
Total	165,043	273,938	13,148	57,018	509,148	18,124	527,272	(32,153)	495,119
Segment profit	32,816	40,028	2,897	3,974	79,717	352	80,069	(13,589)	66,479
Finance income									3,522
Finance costs									(4,755)
Share of profit of investments accounted for using equity method									681
Profit before tax									65,928

Note: Adjustments to “intersegment revenue” and “segment profit” are primarily due to intersegment eliminations.

(3) Information on products and services

Sales categories by business have been changed to the “paint and coating business” and the “paint peripheral business” since the third quarter ended September 30, 2019.

Revenue for the nine months ended September 30, 2018 is presented based on the changed sales categories by business.

For the Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	133,553	273,958	—	56,683	10,286	474,482
Automotive coatings	33,210	55,689	—	20,599	9,541	119,041
Trade-use paints	33,824	180,894	—	33,682	—	248,401
Industrial coatings	29,465	21,569	—	—	190	51,225
Fine chemicals	6,556	5,100	—	2,277	546	14,481
Other paints	30,496	10,705	—	124	7	41,332
Paint peripheral business	—	—	—	—	—	—
Total	133,553	273,958	—	56,683	10,286	474,482

For the Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	136,501	271,063	7,075	56,911	15,667	487,221
Automotive coatings	34,689	49,598	—	19,763	8,807	112,859
Trade-use paints	36,434	185,176	6,582	34,702	4,651	267,547
Industrial coatings	30,273	19,929	493	—	922	51,618
Fine chemicals	6,580	4,493	—	2,299	767	14,140
Other paints	28,524	11,865	—	146	518	41,055
Paint peripheral business	—	—	6,072	—	1,825	7,898
Total	136,501	271,063	13,148	56,911	17,493	495,119

(Business combinations, etc.)

For the Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

There is no relevant information.

For the Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

(Acquisition (acquisition of ownership) of Australian DuluxGroup Limited)

(1) Overview of business combination

1) Name and business of acquiree

Name of acquiree : DuluxGroup Limited and its 42 subsidiaries
Description of business : Manufacture and sale of premium branded paint & coatings and home improvement products mainly in Oceania

* DuluxGroup Limited has an associate accounted for using equity method.

2) Date of acquisition

August 21, 2019

3) Percentage of voting equity interests acquired

100%

4) Method of obtaining control of acquiree

Share acquisition in exchange for cash as consideration

5) Primary reasons for the acquisition

Although the paints market in Australia and New Zealand (hereinafter referred to as “ANZ”) is an attractive market that continues to grow steadily even in developed countries, DuluxGroup Limited has the largest share of the ANZ paints market. DuluxGroup Limited is a leading company in ANZ with a wealth of iconic brands especially in the decorative paint segment and continues to expand its market share ahead of the No. 2 ranking player. Therefore, it is expected that the share acquisition will further strengthen the business foundation of the Company, since the share acquisition enables the Company to secure a strong position in the decorative paint business, which has a great demand for paints in the world and high potential for growth, and to balance the Company’s portfolio in both fast-growing regions and stable-growth expected regions, and will greatly contribute to the progress of the medium-term management plan of the Company. Therefore, the Company decided to conduct the share acquisition.

(2) Fair values of assets and liabilities as of the date of business combination

	(Million yen)
	Fair value
Cash and cash equivalents	2,906
Property, plant and equipment	47,672
Intangible assets	5,710
Other assets	52,342
Fair value of liabilities assumed	(96,380)
Fair value of assets acquired and liabilities assumed, net	12,251

Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade receivables	18,924	18,541
Receivables	163	163
Total	19,087	18,704
Best estimate of contractual cash flows not expected to be collected	(382)	—
Net total	18,704	18,704

The amount of assets acquired and liabilities assumed is provisionally calculated based on currently available information as the allocation of cost has not yet been completed at the end of the third quarter ended September 30, 2019. Accounting treatments at acquisition will be revised if a revision or addition to the aforementioned amount is required as new information arises within one year from the date of the acquisition about the facts and circumstances which existed on the date of transaction.

(3) Consideration transferred and goodwill

	(Million yen)	
	Amount	
Consideration transferred (cash)	A	262,932
Basis adjustments	B	31,720
Fair value of assets acquired and liabilities assumed, net	C	12,251
Non-controlling interests (Note 1)	D	(156)
Goodwill (Note 2)	A+B-(C-D)	282,244

Note 1: Non-controlling interests are measured at the proportion of non-controlling interests to the fair value of the acquiree's identifiable net assets.

Note 2: Goodwill primarily reflects the ability to generate excess earnings in the future and synergies with existing businesses. The goodwill does not include any amount which is expected to be deductible for tax purposes.

(4) Acquisition-related expenses

Line item	: Selling, general and administrative expenses
Amount	: ¥1,425 million

(5) Effects on the consolidated statement of profit or loss

1) Acquiree's financial results on and after the date of acquisition recognized in the consolidated statement of profit or loss

	(Million yen)
	For the fiscal year ending December 31, 2019 (From September 1, 2019 to September 30, 2019)
Revenue	13,148
Profit	1,826

2) Effects on the consolidated statement of profit or loss in the case where the business combination is assumed to have been executed at beginning of period

	(Million yen)
	For the fiscal year ending December 31, 2019 (From January 1, 2019 to September 30, 2019)
Revenue	103,747
Profit	5,069

The pro forma information (unaudited information) has not been reviewed.

(6) Effects of business combination on cash flows

	(Million yen)
	Amount
Consideration paid for acquisition	294,652
Cash and cash equivalents	(2,906)
Purchase of shares of subsidiaries	291,745

(Acquisition (acquisition of ownership) of Turkish Betek Boya ve Kimya Sanayi Anonim Sirketi)

(1) Overview of business combination

1) Name and business of acquiree

Name of acquiree : Betek Boya ve Kimya Sanayi Anonim Sirketi and its 8 subsidiaries

Description of business : Manufacture and sale of decorative paint and construction materials

* Betek Boya ve Kimya Sanayi Anonim Sirketi has an entity accounted for using equity method.

2) Date of acquisition

July 10, 2019

3) Percentage of voting equity interests acquired

99.71%

4) Method of obtaining control of acquiree

Share acquisition in exchange for cash as consideration

5) Primary reasons for acquisition

The decorative paint market in Turkey is an appealing market for which high growth is expected. Betek Group, which is the group of companies the Company is acquiring shares, was founded in 1988 and handles ETICS (External Thermal Insulation Composite System: insulation materials), etc. in addition to decorative paint and industrial coatings for construction. Betek Group is a leading company that has the top share in the decorative paint market in Turkey. Its major brands Filli Boya and Fawori have a large market share and a high brand-recognition level. In addition to the regions in Asia and China, where the Company has had a strong presence, the Company will position itself as a leading player in the Turkish markets with strong expected growth, capturing the high growth potential of the Turkish markets. Furthermore, by contributing know-how and business resources the Company has accumulated through its Asian paint and coatings business into Betek Boya ve Kimya Sanayi Anonim Sirketi, it will be possible to further accelerate the speed

at which Betek Boya ve Kimya Sanayi Anonim Sirketi will expand its business. Accordingly, the Company decided to conduct the share acquisition, firmly believing that the transaction will greatly contribute to the progress of the Company's medium-term management plan and the realization of its medium/long-term management policies.

(2) Fair values of assets and liabilities as of the date of business combination

	(Million yen)
	Fair value
Cash and cash equivalents	3,813
Property, plant and equipment	8,235
Intangible assets	19
Other assets	22,623
Fair value of liabilities assumed	(35,228)
Fair value of assets acquired and liabilities assumed, net	(536)

Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade receivables	17,251	14,566
Receivables	327	327
Total	17,579	14,893
Best estimate of contractual cash flows not expected to be collected	(2,685)	—
Net total	14,893	14,893

The amount of assets acquired and liabilities assumed is provisionally calculated based on currently available information as the allocation of cost has not yet been completed at the end of the third quarter ended September 30, 2019. Accounting treatments at acquisition will be revised if a revision or addition to the aforementioned amount is required as new information arises within one year from the date of the acquisition about the facts and circumstances which existed on the date of transaction.

(3) Consideration transferred and goodwill

	(Million yen)	
	Amount	
Consideration transferred (cash)	A	26,456
Basis adjustments	B	906
Fair value of assets acquired and liabilities assumed, net	C	(536)
Non-controlling interests (Note 1)	D	512
Goodwill (Note 2)	A+B-(C-D)	28,411

Note 1: Non-controlling interests are measured at the proportion of non-controlling interests to the fair value of the acquiree's identifiable net assets.

Note 2: Goodwill primarily reflects the ability to generate excess earnings in the future and synergies with existing businesses. The goodwill does not include any amount which is expected to be deductible for tax purposes.

(4) Acquisition-related expenses

Line item : Selling, general and administrative expenses
Amount : ¥556 million

(5) Effects on the consolidated statement of profit or loss

1) Acquiree's financial results on and after the date of acquisition recognized in the consolidated statement of profit or loss

	(Million yen)
	For the fiscal year ending December 31, 2019 (From July 1, 2019 to September 30, 2019)
Revenue	7,825
Profit	1,035

2) Effects on the consolidated statement of profit or loss in the case where the business combination is assumed to have been executed at beginning of period

	(Million yen)
	For the fiscal year ending December 31, 2019 (From January 1, 2019 to September 30, 2019)
Revenue	21,960
Profit	167

The pro forma information (unaudited information) has not been reviewed.

(6) Effects of business combination on cash flows

	(Million yen)
	Amount
Consideration paid for acquisition	27,362
Cash and cash equivalents	(3,813)
Purchase of shares of subsidiaries	23,548

(Significant subsequent events)

There is no relevant information.