

# Consolidated Financial Results for the Nine Months Ended September 30, 2020 [IFRS]



November 13, 2020

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 13, 2020

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, 2020 (January 1, 2020 to September 30, 2020)

### (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, 2020	562,294	13.6	63,314	(4.6)	63,572	(3.4)	48,197	1.2
September 30, 2019	495,119	4.3	66,367	(0.7)	65,816	(4.0)	47,609	(6.2)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Nine months ended September 30, 2020	31,637	(3.0)	11,319	—
September 30, 2019	32,616	(6.9)	(2,871)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	98.62	98.59
September 30, 2019	101.70	101.67

The provisional treatment relating to business combinations carried out during the third quarter ended September 30, 2019 was finalized at the end of the fiscal year ended December 31, 2019. Therefore, relevant figures for the third quarter ended September 30, 2019 have been adjusted retroactively to reflect the results of the finalization of provisional 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, 2020	1,502,949	682,208	537,022	35.7
As of December 31, 2019	1,478,646	687,979	552,922	37.4

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2019	Yen —	Yen 22.00	Yen —	Yen 23.00	Yen 45.00
Fiscal year ending December 31, 2020	—	22.00	—		
Fiscal year ending December 31, 2020 (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, 2020 (January 1, 2020 to December 31, 2020)

(% 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	760,000	9.8	76,000	(2.6)	76,000	(4.4)	35,000	(4.7)	109.10

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

**\* Notes:**

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

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

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

- (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, 2020: 325,402,443 shares

December 31, 2019: 325,402,443 shares

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

September 30, 2020: 4,568,918 shares

December 31, 2019: 4,635,484 shares

- 3) Average number of shares during the period:

Nine months ended September 30, 2020: 320,798,977 shares

Nine months ended September 30, 2019: 320,724,704 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 contain risks and uncertainties. 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

The Company finalized the provisional accounting treatment relating to business combinations carried out during the nine months ended September 30, 2019 at the end of the fiscal year ended December 31, 2019. As a result, the financial figures for the nine months ended September 30, 2019 have been adjusted to reflect the finalized provisional accounting treatment, and year-on-year comparisons were made with figures adjusted retroactively.

During the nine months ended September 30, 2020, consolidated revenue of the Company and its group companies (collectively, the “Group”) increased by 13.6% from the corresponding period of the previous year (the “previous year”) to ¥562,294 million due to the conversion of Australian paint manufacturer DuluxGroup Limited and Turkish paint manufacturer Betek Boya ve Kimya Sanayi Anonim Sirketi into subsidiaries. Consolidated operating profit decreased by 4.6% from the previous year to ¥63,314 million due to the absence of insurance income recorded for the Japan segment in the previous year and the impact of the COVID-19 pandemic on all Group businesses. Consolidated profit before tax decreased by 3.4% from the previous year to ¥63,572 million, and profit attributable to owners of the parent company decreased by 3.0% from the previous year to ¥31,637 million.

\*DuluxGroup Limited is an Australian company that owns the Dulux<sup>®</sup> trademark in Australia, New Zealand, Papua New Guinea, Samoa and Fiji only. DuluxGroup Limited is not associated with, and has no connection to, the owners of the Dulux<sup>®</sup> trademark in any other countries, nor does it sell Dulux<sup>®</sup> products in any other countries.

Results by business segment are as follows.

#### **Japan**

In this region, revenue for automotive coatings was lower than in the previous year due to a decrease in production of automobiles due to COVID-19. Industrial coatings revenue was lower than in the previous year due to factors such as continued production cuts due to COVID-19 and weak market conditions accompanied by fewer new housing starts. Decorative paints revenue was lower than in the previous year due to COVID-19.

As a result, consolidated revenue for the Japan segment decreased by 15.3% from the previous year to ¥115,631 million. Consolidated operating profit decreased by 77.2% from the previous year to ¥7,470 million. Consolidated operating profit includes ¥2,568 million of dividend income from overseas group companies (¥13,585 million in the previous year). All of this dividend income is eliminated as an internal transaction under “intersegment eliminations and adjustments.”

#### **Asia**

In this region, revenue for automotive coatings was lower than in the previous year because of soft market conditions including a decrease in the number of automobiles manufactured in China and Thailand due to COVID-19. Revenue for decorative paints, the mainstay business in Asia, was lower than in the previous year due to the deterioration of market conditions in Malaysia, Singapore, and other Asian nations caused by COVID-19, despite a recovery in demand for new housing construction and repainting existing housing in China.

As a result, consolidated revenue decreased by 6.4% from the previous year to ¥253,747 million. Consolidated operating profit decreased by 4.0% from the previous year to ¥38,430 million.

#### **Oceania**

In this region, the profit and/or loss of DuluxGroup Limited since September 2019 has been reflected in the Group’s consolidated financial results. The performance of decorative paints remained strong, driven by continuing high demand influenced by COVID enhanced home improvement activity. Performance in the paint related business was robust due to high home improvement demand.

As a result, consolidated revenue increased by 714.7% to ¥107,117 million, and consolidated operating profit increased by 388.4% to ¥13,715 million.

### **Americas**

In this region, revenue for automotive coatings decreased from the previous year, reflecting a sharp fall in production of automobiles in the United States, the core market in this region, due to COVID-19. Revenue for decorative paints increased from the previous year due to the brisk demand for housing accompanied by favorable weather.

As a result, consolidated revenue decreased by 8.4% from the previous year to ¥52,144 million. Consolidated operating profit decreased by 15.3% from the previous year to ¥3,367 million.

### **Other**

In this segment, the profit and/or loss of Betek Boya ve Kimya Sanayi Anonim Sirketi since July 2019 has been reflected in the Group's consolidated financial results. Revenue for automotive coatings decreased from the previous year due to a sharp decrease in production of automobiles in this region as a result of COVID-19. On the other hand, revenue for decorative paints and the paint related businesses increased from the previous year, driven by growth in housing starts and sales of pre-owned houses in Turkey.

As a result, consolidated revenue increased by 92.4% from the previous year to ¥33,654 million, and consolidated operating profit increased by 770.1% from the previous year to 2,864 million.

## **(2) Explanation of Financial Position**

Total assets at the end of the third quarter of the fiscal year under review increased by ¥24,302 million from the end of the previous fiscal year to ¥1,502,949 million.

Current assets increased by ¥43,001 million from the end of the previous fiscal year. This was mainly attributable to an increase in trade and other receivables resulting from the recovery of revenue in the Chinese business. Non-current assets decreased by ¥18,698 million from the end of the previous fiscal year. The decrease was mainly attributable to a decrease in goodwill and other intangible assets due to changes in exchange rates.

Liabilities increased by ¥30,072 million from the end of the previous fiscal year to ¥820,740 million mainly due to an increase in bonds and borrowings.

Equity decreased by ¥5,770 million from the end of the previous fiscal year to ¥682,208 million. This was mainly attributable to a decrease in foreign currency translation adjustment.

As a result, equity attributable to owners of the parent company to total assets fell from 37.4% at the end of the previous fiscal year to 35.7%.

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

The impact of the COVID-19 pandemic is subsiding worldwide, but the degree of the recovery varies across regions and industries. In some regions, the number of new cases has started to rise again, creating a risk that market conditions may worsen. Therefore, it is still difficult to determine a reasonable earnings forecast. However, we have upwardly revised our consolidated earnings forecast for the fiscal year ending December 31, 2020, taking into consideration our financial results for the nine months ended September 30, 2020 and the near-term trends in our performance.

During the third quarter of the fiscal year under review, the decorative paints business in the Asia segment saw a strong recovery in demand for new housing construction and repainting existing housing in China, as well as higher performance than in the previous year in Malaysia. The performance of the decorative paints business in the Oceania segment was supported by consistently strong demand for home improvements. The performance of the decorative paints business in the Other segment reflected solid demand and successful sales promotion

measures such as launch of new brand strategies in Turkey. In addition, the automotive coatings business in all our operating regions benefited from a greater-than-expected near-term recovery in automobile production.

Revision of the Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2020  
(January 1, 2020 – December 31, 2020)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Profit per share
Previously announced forecast (A)	Million yen 730,000	Million yen 66,000	Million yen 65,000	Million yen 28,000	yen 87.28
Revised forecast (B)	760,000	76,000	76,000	35,000	109.10
Amount of change (B-A)	30,000	10,000	11,000	7,000	
Percentage change (%)	4.1	15.2	16.9	25.0	

## 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

(Million yen)

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2020
Revenue	495,119	562,294
Cost of sales	(299,220)	(329,244)
<b>Gross profit</b>	195,898	233,050
Selling, general and administrative expenses	(134,128)	(170,644)
Other income	6,160	2,955
Other expenses	(1,562)	(2,047)
<b>Operating profit</b>	66,367	63,314
Finance income	3,522	3,945
Finance costs	(4,755)	(4,489)
Share of profit of investments accounted for using equity method	681	800
<b>Profit before tax</b>	65,816	63,572
Income taxes	(18,206)	(15,375)
<b>Profit</b>	47,609	48,197
<b>Profit attributable to</b>		
Owners of parent	32,616	31,637
Non-controlling interests	14,992	16,559
<b>Profit</b>	47,609	48,197
<b>Earnings per share</b>		
Basic earnings per share (yen)	101.70	98.62
Diluted earnings per share (yen)	101.67	98.59



## Third Quarter Ended September 30

(Million yen)

	Third quarter ended September 30, 2019	Third quarter ended September 30, 2020
Revenue	182,694	216,854
Cost of sales	(110,383)	(126,358)
<b>Gross profit</b>	72,311	90,495
Selling, general and administrative expenses	(49,649)	(62,033)
Other income	2,443	939
Other expenses	(683)	(756)
<b>Operating profit</b>	24,422	28,645
Finance income	1,172	1,854
Finance costs	(2,412)	(1,408)
Share of profit of investments accounted for using equity method	224	490
<b>Profit before tax</b>	23,406	29,580
Income taxes	(6,542)	(7,694)
<b>Profit</b>	16,864	21,886
<b>Profit attributable to</b>		
Owners of parent	11,677	14,746
Non-controlling interests	5,186	7,139
<b>Profit</b>	16,864	21,886
<b>Earnings per share</b>		
Basic earnings per share (yen)	36.41	45.97
Diluted earnings per share (yen)	36.40	45.95

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

(Million yen)

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2020
<b>Profit</b>	47,609	48,197
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,312	(4,266)
Remeasurements of defined benefit plans	(18)	(30)
Total of items that will not be reclassified subsequently to profit or loss	1,294	(4,296)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(18,479)	31,969
Cash flow hedges	(32,626)	(34)
Share of other comprehensive income of entities accounted for using equity method	(669)	(575)
Total of items that may be reclassified subsequently to profit or loss	(51,774)	(32,580)
<b>Total other comprehensive income</b>	<b>(50,480)</b>	<b>(36,877)</b>
<b>Comprehensive income</b>	<b>(2,871)</b>	<b>11,319</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	(11,810)	(1,825)
Non-controlling interests	8,939	13,144
<b>Comprehensive income</b>	<b>(2,871)</b>	<b>11,319</b>

## Third Quarter Ended September 30

(Million yen)

	Third quarter ended September 30, 2019	Third quarter ended September 30, 2020
<b>Profit</b>	16,864	21,886
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,021	80
Remeasurements of defined benefit plans	(6)	5
Total of items that will not be reclassified subsequently to profit or loss	1,015	85
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(4,512)	(789)
Cash flow hedges	(12,315)	(51)
Share of other comprehensive income of entities accounted for using equity method	(295)	35
Total of items that may be reclassified subsequently to profit or loss	(17,122)	(805)
<b>Total other comprehensive income</b>	(16,107)	(719)
<b>Comprehensive income</b>	756	21,166
<b>Comprehensive income attributable to</b>		
Owners of parent	(1,662)	12,647
Non-controlling interests	2,419	8,519
<b>Comprehensive income</b>	756	21,166

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

(Million yen)

	As of December 31, 2019	As of September 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	123,300	141,191
Inventories	92,860	91,199
Trade and other receivables	212,844	245,014
Other financial assets	65,158	57,312
Other current assets	12,623	15,176
<b>Subtotal</b>	506,787	549,894
Assets held for sale	428	323
<b>Total current assets</b>	507,216	550,217
<b>Non-current assets</b>		
Property, plant and equipment	240,319	243,806
Goodwill	427,091	418,721
Other intangible assets	230,986	222,204
Investments accounted for using equity method	12,680	12,010
Other financial assets	54,381	49,168
Other non-current assets	2,818	3,012
Deferred tax assets	3,151	3,806
<b>Total non-current assets</b>	971,430	952,731
<b>Total assets</b>	1,478,646	1,502,949

	(Million yen)	
	As of December 31, 2019	As of September 30, 2020
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	153,277	152,451
Bonds and borrowings	384,049	73,648
Other financial liabilities	12,470	13,336
Income taxes payable	6,739	9,643
Provisions	2,197	3,063
Other current liabilities	39,413	51,872
<b>Total current liabilities</b>	598,147	304,014
<b>Non-current liabilities</b>		
Bonds and borrowings	58,147	383,546
Other financial liabilities	44,681	46,276
Retirement benefit liability	24,382	23,406
Provisions	900	739
Other non-current liabilities	1,847	3,919
Deferred tax liabilities	62,560	58,837
<b>Total non-current liabilities</b>	192,519	516,725
<b>Total liabilities</b>	790,667	820,740
<b>Equity</b>		
Share capital	78,862	78,862
Capital surplus	62,927	63,207
Treasury shares	(6,378)	(6,294)
Retained earnings	411,941	429,106
Other components of equity	5,568	(27,859)
<b>Total equity attributable to owners of parent</b>	552,922	537,022
<b>Non-controlling interests</b>	135,056	145,186
<b>Total equity</b>	687,979	682,208
<b>Total liabilities and equity</b>	1,478,646	1,502,949

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

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

(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, 2019	78,862	63,247	(6,444)	390,287	(5,905)	520,047	127,570	647,618
Profit	—	—	—	32,616	—	32,616	14,992	47,609
Other comprehensive income	—	—	—	—	(44,427)	(44,427)	(6,052)	(50,480)
Comprehensive income	—	—	—	32,616	(44,427)	(11,810)	8,939	(2,871)
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	—	—	—	—	—	—	493	493
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	(10,402)	7,465
Balance as of September 30, 2019	78,862	62,869	(6,401)	408,457	(17,683)	526,105	126,107	652,212

For the Nine Months Ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

(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, 2020	78,862	62,927	(6,378)	411,941	5,568	552,922	135,056	687,979
Profit	—	—	—	31,637	—	31,637	16,559	48,197
Other comprehensive income	—	—	—	—	(33,463)	(33,463)	(3,414)	(36,877)
Comprehensive income	—	—	—	31,637	(33,463)	(1,825)	13,144	11,319
Purchase of treasury shares	—	—	(10)	—	—	(10)	—	(10)
Disposal of treasury shares	—	279	93	—	—	372	—	372
Dividends	—	—	—	(14,437)	—	(14,437)	(2,469)	(16,907)
Share-based payment transactions	—	—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	(552)	(552)
Change in scope of consolidation	—	—	—	—	—	—	(82)	(82)
Transfer from other components of equity to retained earnings	—	—	—	(35)	35	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	—	—	—	—
Capital increase of subsidiaries	—	—	—	—	—	—	43	43
Other	—	—	—	—	—	—	46	46
Total transactions with owners	—	279	83	(14,472)	35	(14,074)	(3,014)	(17,089)
Balance as of September 30, 2020	78,862	63,207	(6,294)	429,106	(27,859)	537,022	145,186	682,208

## (4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Profit before tax	65,816	63,572
Depreciation and amortization	17,858	21,578
Interest and dividend income	(2,648)	(2,742)
Interest expenses	2,860	4,300
Share of loss (profit) of investments accounted for using equity method	(681)	(800)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(1,040)	314
Decrease (increase) in inventories	(2,634)	(1,279)
Decrease (increase) in trade and other receivables	(13,428)	(40,632)
Increase (decrease) in trade and other payables	1,609	3,340
Increase (decrease) in retirement benefit liability	(348)	(621)
Increase (decrease) in provisions	412	1,142
Increase (decrease) in other current liabilities	6,012	13,379
Other	1,050	4,696
<b>Subtotal</b>	<b>74,838</b>	<b>66,248</b>
Interest received	1,998	1,910
Dividends received	1,353	2,159
Interest paid	(2,406)	(4,693)
Income taxes paid	(16,990)	(16,692)
<b>Net cash provided by operating activities</b>	<b>58,793</b>	<b>48,932</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	(526)	(4,600)
Net decrease (increase) in short-term investment securities	1,823	11,684
Purchase of property, plant and equipment	(15,115)	(18,679)
Proceeds from sale of property, plant and equipment	2,817	1,018
Purchase of intangible assets	(1,621)	(2,242)
Purchase of shares of subsidiaries	(318,655)	(1,937)
Payments for sale of shares of subsidiaries	(57)	—
Payments for transfer of business	—	(2,652)
Payments for loans receivables	(3,639)	(71)
Proceeds from collection of loans receivables	—	162
Purchase of other financial assets	—	(1,538)
Other	(191)	23
<b>Net cash used in investing activities</b>	<b>(335,167)</b>	<b>(18,834)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	315,096	(338,341)
Proceeds from long-term borrowings	—	371,849
Repayments of long-term borrowings	(21,200)	(16,265)
Repayments of lease obligations	(5,788)	(6,057)
Capital contribution from non-controlling interests	1,611	43
Dividends paid	(14,433)	(14,390)
Dividends paid to non-controlling interests	(1,225)	(2,091)
Other	(6)	(605)
<b>Net cash provided by (used in) financing activities</b>	<b>274,052</b>	<b>(5,859)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,371)</b>	<b>(6,346)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,692)</b>	<b>17,891</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>129,633</b>	<b>123,300</b>
<b>Cash and cash equivalents at end of period</b>	<b>124,941</b>	<b>141,191</b>

## (5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting estimates)

Trademark rights (other intangible assets) of NIPPON PAINT (H.K.) COMPANY LIMITED, etc., recognized when these companies became consolidated subsidiaries of the Company in December 2014, had been amortized over 20 years. However, we have reexamined the amortization period of these trademark rights by taking into consideration that the trademark rights have maintained high brand recognition and other factors. Accordingly, the Company has changed the estimated useful life of the trademark rights to an indefinite useful life from the beginning of the three months ended March 31, 2020.

As a result of this change, amortization of trademark rights (selling, general and administrative expenses) decreased ¥1,694 million yen in the condensed quarterly consolidated statements of profit or loss for the nine months ended September 30, 2020.

The change has affected the results of operations for the Asia segment.

(Segment information)

### (1) Summary of reportable segments

The reportable segments of the Group categorize are based on the business units 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 resource allocations and performance assessments. The 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 paint related business which manufactures and sells paint-related products such as adhesives. The Company and separate companies are responsible for activities in Japan; and overseas, separate companies are responsible for the Asia, Oceania, Americas, and Other regions. All companies are individual management units that conduct business operations based on comprehensive strategies for products in the regions where they operate.

As a result, the Group consists of four reportable segments divided by region and based on manufacturing and sales infrastructures: Japan, Asia, Oceania, and Americas.

Other consists of business activities at 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.



(2) Performance by reportable segment

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

	Reportable segment					Other	Total	Adjustment (Note 1)	(Million yen)
	Japan	Asia	Oceania	Americas	Subtotal				Condensed quarterly consolidated financial statements
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 (loss)	32,816	40,028	2,808	3,974	79,627	329	79,957	(13,589)	66,367
Financial income									3,522
Financial costs									(4,755)
Share of profit of investments accounted for using equity method									681
Profit before tax									65,816

Notes: 1. Adjustments to “intersegment revenue” and “segment profit (loss)” are primarily due to intersegment eliminations.

2. The provisional treatment relating to business combinations carried out during the third quarter ended September 30, 2019 was finalized at the end of the fiscal year ended December 31, 2019. Therefore, relevant figures for the third quarter ended September 30, 2019 have been adjusted retroactively to reflect the results of the finalization of provisional accounting treatment.

For the Nine Months Ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

	Reportable segment					Other	Total	Adjustment (Note)	(Million yen)
	Japan	Asia	Oceania	Americas	Subtotal				Condensed quarterly consolidated financial statements
Revenue									
Revenue from external customers	115,631	253,747	107,117	52,144	528,640	33,654	562,294	—	562,294
Intersegment revenue	14,491	2,922	97	67	17,578	543	18,121	(18,121)	—
Total	130,122	256,669	107,214	52,211	546,218	34,197	580,416	(18,121)	562,294
Segment profit	7,470	38,430	13,715	3,367	62,983	2,864	65,848	(2,533)	63,314
Financial income									3,945
Financial costs									(4,489)
Share of profit of investments accounted for using equity method									800
Profit before tax									63,572

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

### (3) Information on products and services

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
Decorative 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 related business	—	—	6,072	—	1,825	7,898
Total	136,501	271,063	13,148	56,911	17,493	495,119

For the Nine Months Ended September 30, 2020 (From January 1, 2019 to September 30, 2020)

(Million yen)

	Japan	Asia	Oceania	Americas	Other	Total
Paint and coating business	115,631	253,747	60,140	52,144	25,849	507,513
Automotive coatings	24,599	39,453	—	14,845	5,840	84,739
Decorative paints	31,956	181,799	55,994	35,221	16,140	321,113
Industrial coatings	25,906	17,619	4,145	—	2,586	50,257
Fine chemicals	5,474	3,728	—	1,941	1,005	12,149
Other paints	27,694	11,145	—	135	277	39,252
Paint related business	—	—	46,976	—	7,804	54,781
Total	115,631	253,747	107,117	52,144	33,654	562,294

(Business combinations, etc.)

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 acquired company

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

\* DuluxGroup Limited has an affiliate accounted for using the equity method.

2) Date of acquisition

August 21, 2019

3) Percentage of voting equity interests acquired

100%

4) Method of obtaining control

Share acquisition in exchange for cash

5) Primary reasons for the acquisition

The paints market in Australia and New Zealand (“ANZ”) is an attractive market that continues to grow steadily even in developed countries. The 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 this acquisition will further strengthen the business foundation of the Company. The acquisition gives the Company a strong position in the decorative paint business, which accounts for a large share of worldwide demand for paint and has significant growth potential. The acquisition also gives the Company a balanced portfolio in both fast-growing regions and regions where growth is expected to be stable. Furthermore, the acquisition is expected to contribute greatly to the progress of the medium-term management plan of the Company. Therefore, the Company decided to conduct this 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	54,141
Intangible assets	125,809
Other assets	52,342
Fair value of liabilities assumed	(134,350)
Fair value of assets acquired and liabilities assumed, net	100,848

## 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

Note: The acquisition price is allocated to assets and liabilities based on the fair value at the date of obtaining control. A provisional accounting treatment was applied for the third quarter ended September 30, 2019 because allocation of acquisition price had not been completed. However, this allocation was completed at the end of the fiscal year ended December 31, 2019. Accordingly, amounts shown in the Condensed Quarterly Consolidated Financial Statements for the nine months ended September 30, 2019 and the third quarter ended September 30, 2019 have been adjusted retroactively. The details of adjustments from the initial provisional amounts are as follows.

Property, plant and equipment	¥6,468 million increase
Intangible assets	¥120,099 million increase
Fair value of liabilities assumed	¥37,970 million increase
Goodwill	¥88,597 million decrease

## (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	100,848
Non-controlling interests (Note 1)	D	(156)
Goodwill (Note 2)	A+B-(C-D)	193,647

Note 1: Non-controlling interests are measured at the proportion of non-controlling interests to the fair value of the acquired company'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) Acquired company'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	1,763

- 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	4,482

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 acquired company

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

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

Share acquisition in exchange for cash

5) Primary reasons for acquisition

The decorative paint market in Turkey is an attractive market with good prospects for strong growth. Betek Group, which is the group of companies in which the Company is purchasing stock, was founded in 1988 and handles decorative paints and industrial coatings as well as ETICS (External Thermal Insulation Composite System: insulation materials) and other products. 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. The acquisition of the leading player in Turkey will allow the Company to benefit from the high growth potential of this market. The Company has had a strong presence in Asia and China for many years. Furthermore, giving Betek Boya ve Kimya Sanayi Anonim Sirketi access to the know-how and business resources the Company has accumulated through its Asian paint and coatings business is expected to further increase the speed of this company's growth. Accordingly, the Company decided to conduct this acquisition, firmly believing that the transaction will greatly contribute to the progress of the Company's medium-term management plan and the achievement of its medium/long-term management goals.

(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	7,917
Other assets	22,623
Fair value of liabilities assumed	(36,812)
Fair value of assets acquired and liabilities assumed, net	5,777

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

Note: The acquisition price is allocated to assets and liabilities based on the fair value at the date of obtaining control. A provisional accounting treatment was applied for the third quarter ended September 30, 2019 because allocation of the acquisition price had not been completed. However, this allocation was completed at the end of the fiscal year ended December 31, 2019. Accordingly, the figures shown in the Condensed Quarterly Consolidated Financial Statements for the nine months ended September 30, 2019 and the third quarter ended September 30, 2019 have been adjusted retroactively. The details of adjustments from the initial provisional amounts are as follows.

Intangible assets	¥7,897 million increase
Fair value of liabilities assumed	¥1,584 million increase
Non-controlling interests	¥18 million increase
Goodwill	¥6,295 million decrease

(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	5,777
Non-controlling interests (Note 1)	D	531
Goodwill (Note 2)	A+B-(C-D)	22,116

Note 1: Non-controlling interests are measured at the proportion of non-controlling interests to the fair value of the acquired company'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) Acquired company'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	1,017

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	112

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

(6) Effects of business combination on cash flows

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

For the Nine Months Ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.