

# Consolidated Financial Results for the Three Months Ended March 31, 2021 [IFRS]



May 14, 2021

Company name: NIPPON PAINT HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of consolidated financial results briefing session: Yes

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

## 1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (January 1, 2021 to March 31, 2021)

### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

|                    | Revenue     |      | Operating profit |        | Profit before tax |        | Profit      |        |
|--------------------|-------------|------|------------------|--------|-------------------|--------|-------------|--------|
|                    | Million yen | %    | Million yen      | %      | Million yen       | %      | Million yen | %      |
| Three months ended |             |      |                  |        |                   |        |             |        |
| March 31, 2021     | 231,426     | 42.1 | 26,260           | 72.4   | 25,764            | 84.1   | 17,778      | 73.8   |
| March 31, 2020     | 162,916     | 10.6 | 15,234           | (24.3) | 13,993            | (31.3) | 10,226      | (32.2) |

|                    | Profit attributable to owners of parent |        | Comprehensive income |   |
|--------------------|---|--------|----------------------|---|
|                    | Million yen                             | %      | Million yen          | % |
| Three months ended |   |        |                      |   |
| March 31, 2021     | 17,685                                  | 136.7  | 81,261               | — |
| March 31, 2020     | 7,470                                   | (29.9) | (50,566)             | — |

|                    | Basic earnings per share |  | Diluted earnings per share |  |
|--------------------|--------------------------|--|----------------------------|--|
|                    | Yen                      |  | Yen                        |  |
| Three months ended |                          |  |                            |  |
| March 31, 2021     | 8.25                     |  | 8.25                       |  |
| March 31, 2020     | 4.66                     |  | 4.66                       |  |

Note: NPHD implemented a 5-for-1 stock split of its common shares with March 31, 2021 as the record date and April 1, 2021 as the effective date. Basic earnings per share and diluted earnings per share are calculated by assuming that the stock split was implemented at the beginning of the fiscal year ended March 31, 2020.

### (2) Consolidated Financial Position

|                         | Total assets | Total equity | Equity attributable to owners of parent | Equity attributable to owners of parent to total assets |
|-------------------------|--------------|--------------|---|---|
|                         | Million yen  | Million yen  | Million yen                             | %   |
| As of March 31, 2021    | 1,862,032    | 912,616      | 904,275                                 | 48.6  |
| As of December 31, 2020 | 1,615,384    | 699,805      | 568,398                                 | 35.2  |

## 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, 2020             | —                | 22.00           | —               | 23.00    | 45.00 |
| Fiscal year ending December 31, 2021            | —                |                 |                 |          |       |
| Fiscal year ending December 31, 2021 (Forecast) |                  | 5.00            | —               | 5.00     | 10.00 |

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

Note 2: NPHD implemented a 5-for-1 stock split of its common shares with March 31, 2021 as the record date and April 1, 2021 as the effective date. The dividends for the fiscal year ended December 31, 2020 are the dividends before the stock split.

Note 3: Composition of the dividend forecast for the 2nd quarter of the fiscal year ending December 31, 2020: ordinary dividend: ¥4.00; commemorative dividend: ¥1.00 for the 140th anniversary of the company's founding.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% 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 | 890,000     | 13.9 | 87,000           | 0.1 | 88,000            | (0.8) | 67,000                                  | 50.1 | 29.17                    |

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

Note 2: Third-party allotment for value

NPHD issued new shares through a third-party allotment on January 25, 2021. As a result, the total number of new shares issued increased by 148,700,000 shares to 474,102,443 shares.

Note 3: Basic earnings per share was calculated by taking into consideration the third-party allotment for value and the stock split described in footnote, "2. Dividends."

**\* 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 | - |
|--------------------|---|----------|---|

- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes in accounting policies required by IFRS: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
    - March 31, 2021: 2,370,512,215 shares
    - December 31, 2020: 1,627,012,215 shares
  - 2) Total number of treasury shares at the end of the period:
    - March 31, 2021: 22,538,180 shares
    - December 31, 2020: 22,719,125 shares
  - 3) Average number of shares during the period:
    - Three months ended March 31, 2021: 2,143,589,706 shares
    - Three months ended March 31, 2020: 1,603,885,038 shares

Note: NPHD implemented a 5-for-1 stock split of its common shares with March 31, 2021 as the record date and April 1, 2021 as the effective date. The total number of shares issued at the end of the period, total number of treasury shares at the end of the period, and average number of shares during the period are calculated by assuming that the stock split was implemented at the beginning of the fiscal year ended December 31, 2020.

\*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 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 contain risks and uncertainties. Actual results, etc. may differ significantly from the forecast due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

During the three months ended March 31, 2021, consolidated revenue of Nippon Paint Holdings (“NPHD”) and its group companies (collectively, the “Group”) increased by 42.1% from the corresponding period of the previous year (the “previous year”) to ¥231,426 million due to the acquisition of 100% ownership of the Asia JVs and the Indonesia business owned by the Wuthelam Group (Wuthelam and Mr. Goh Hup Jin collectively, “Wuthelam and Mr. Goh”; Wuthelam and Mr. Goh, Wuthelam’s subsidiaries, and companies substantively controlled by Wuthelam and Mr. Goh collectively, the “Wuthelam Group”), coupled with the strong performance in the decorative coatings business in China, which is a key business of the Group. Consolidated operating profit increased by 72.4% from the previous year to ¥26,260 million on higher revenue. Consolidated profit before tax increased by 84.1% from the previous year to ¥25,764 million, and profit attributable to owners of parent increased by 136.7% from the previous year to ¥17,685 million.

Results by business segment are as follows.

#### **Japan**

In this region, revenue for automotive coatings was on a par with the previous year despite a lower number of automobiles manufactured than the previous year due to factors such as the shortage of semiconductor chips. Industrial coatings revenue was on a par with the previous year despite weak market conditions such as new housing starts, contrary to expectations of a market recovery from the COVID downturn. As for decorative paints, revenue was lower than the previous year due to factors such as delays in construction projects and sluggish new paint project orders due to new waves of COVID infections.

As a result, consolidated revenue decreased by 0.4% from the previous year to ¥39,907 million. Consolidated operating profit decreased by 13.7% to ¥4,383 million. From the first quarter of the current fiscal year, headquarters expenses incurred by the Company, which were previously allocated to the Japan segment, are classified as “Adjustments” that do not belong to any reportable segment in order to more accurately reflect the performance of each reportable segment.

#### **Asia**

In this region, the earnings of the Indonesia business have been included in the consolidated performance of the Group from January 2021. Revenue for automotive coatings increased from the previous year due to the continuing market recovery as shown in the increase in the number of automobile manufactured in China and Thailand. Revenue of decorative paints, a mainstay business in Asia, was higher than in the previous year as a result of contributions from the earnings of the Indonesia business and the continued recovery in demand for new housing construction and repainting interiors of existing homes in China.

As a result, consolidated revenue increased by 88.2% from the previous year to ¥117,394 million. Consolidated operating profit increased by 175.2% to ¥19,248 million.

#### **Oceania**

In this region, revenue for decorative paints increased from the previous year due to the absence of the adverse effects incurred by bushfires and floods in the previous year, as well as robust demand for home renovations. Revenue for the paint related business increased due to robust demand for home renovation.

As a result, consolidated revenue increased by 30.5% from the previous year to ¥41,518 million, and consolidated operating profit increased by 67.1% to ¥5,853 million.

#### **Americas**

In this region, revenue for automotive coatings increased from the previous year due to factors such as robust sales of automotive parts in the United States, a core region, despite automobile production adjustments due to the shortage of semiconductor chips. Revenue for the decorative paints increased due to factors such as stable housing demand and favorable weather.

As a result, consolidated revenue increased by 0.3% from the previous year to ¥17,703 million. Consolidated operating profit increased by 12.6% to ¥925 million.

## **Other**

In this region, revenue for automotive coatings increased from the previous year due to the continuing market recovery from the impact of COVID, although at different paces from country to country. Revenue for decorative paints and paint related businesses increased due to successful marketing activities.

As a result, consolidated revenue increased by 35.5% from the previous year to ¥14,902 million, and consolidated operating profit increased by 72.1% to ¥1,387 million.

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

Total assets at the end of the first quarter of the current fiscal year increased by ¥246,647 million from the end of the previous fiscal year to ¥1,862,032 million.

Current assets decreased by ¥57,754 million mainly due to a decrease in cash and cash equivalents. Non-current assets increased by ¥304,401 million mainly because of an increase in goodwill resulting from the acquisition of the Indonesia business.

Liabilities increased by ¥33,836 million yen to ¥949,415 million mainly due to an increase in trade and other receivables.

Equity increased by ¥212,810 million to ¥912,616 million. This was mainly attributable to an increase in share capital due to an issuance of new shares through a third-party allotment.

As a result, equity attributable to owners of parent to total assets increased from 35.2% at the end of the previous fiscal year to 48.6%.

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

There are no changes in the consolidated earnings forecast for the fiscal year ending December 31, 2021 provided in the financial report for the fiscal year ended December 31, 2020 that was released on February 10, 2021.

## 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

Three Months Ended March 31

(Million yen)

|  | For the three months ended<br>March 31, 2020 | For the three months ended<br>March 31, 2021 |
|--|--|--|
| Revenue  | 162,916                                      | 231,426                                      |
| Cost of sales  | (94,869)                                     | (135,706)                                    |
| <b>Gross profit</b>  | 68,046                                       | 95,719                                       |
| Selling, general and administrative expenses                     | (52,774)                                     | (70,978)                                     |
| Other income   | 589  | 2,389  |
| Other expenses   | (626)  | (869)  |
| <b>Operating profit</b>  | 15,234                                       | 26,260                                       |
| Finance income   | 964  | 2,333  |
| Finance costs  | (2,594)                                      | (1,699)                                      |
| Share of profit of investments accounted for using equity method | 389  | 471  |
| Loss on step acquisitions  | —  | (1,601)                                      |
| <b>Profit before tax</b>   | 13,993                                       | 25,764                                       |
| Income taxes   | (3,767)                                      | (7,985)                                      |
| <b>Profit</b>  | 10,226                                       | 17,778                                       |
| <b>Profit attributable to</b>                                    |  |  |
| Owners of parent   | 7,470  | 17,685                                       |
| Non-controlling interests  | 2,756  | 93   |
| <b>Profit</b>  | 10,226                                       | 17,778                                       |
| <b>Earnings per share</b>  |  |  |
| Basic earnings per share (yen)                                   | 4.66   | 8.25   |
| Diluted earnings per share (yen)                                 | 4.66   | 8.25   |

Condensed Quarterly Consolidated Statement of Comprehensive Income  
Three Months Ended March 31

(Million yen)

|  | For the three months ended<br>March 31, 2020 | For the three months ended<br>March 31, 2021 |
|--|--|--|
| <b>Profit</b>  | 10,226                                       | 17,778                                       |
| Other comprehensive income   |  |  |
| Items that will not be reclassified to profit or loss                                      |  |  |
| Financial assets measured at fair value<br>through other comprehensive income              | (5,824)                                      | 855  |
| Remeasurements of defined benefit plans  | (33)   | (44)   |
| Share of other comprehensive income of<br>investments accounted for using equity<br>method | —  | 1  |
| Total of items that will not be reclassified to<br>profit or loss                          | (5,857)                                      | 811  |
| Items that may be reclassified to profit or loss   |  |  |
| Exchange differences on translation of<br>foreign operations                               | (54,378)                                     | 62,414                                       |
| Cash flow hedges   | 88   | 36   |
| Share of other comprehensive income of<br>investments accounted for using equity<br>method | (645)  | 219  |
| Total of items that may be reclassified to<br>profit or loss                               | (54,935)                                     | 62,670                                       |
| <b>Total other comprehensive income</b>  | (60,793)                                     | 63,482                                       |
| <b>Comprehensive income</b>  | (50,566)                                     | 81,261                                       |
| <b>Comprehensive income attributable to</b>  |  |  |
| Owners of parent   | (48,829)                                     | 80,826                                       |
| Non-controlling interests  | (1,737)                                      | 434  |
| <b>Comprehensive income</b>  | (50,566)                                     | 81,261                                       |

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

(Million yen)

|   | As of<br>December 31, 2020 | As of<br>March 31, 2021 |
|---|----------------------------|-------------------------|
| <b>Assets</b>                                 |                            |                         |
| <b>Current assets</b>                         |                            |                         |
| Cash and cash equivalents                     | 232,134                    | 121,600                 |
| Inventories                                   | 94,055                     | 118,479                 |
| Trade and other receivables                   | 231,995                    | 270,426                 |
| Other financial assets                        | 66,915                     | 54,874                  |
| Other current assets                          | 17,468                     | 19,970                  |
| <b>Subtotal</b>                               | 642,569                    | 585,350                 |
| Assets held for sale                          | 927                        | 391                     |
| <b>Total current assets</b>                   | 643,496                    | 585,742                 |
| <b>Non-current assets</b>                     |                            |                         |
| Property, plant and equipment                 | 248,302                    | 273,457                 |
| Goodwill                                      | 424,168                    | 689,976                 |
| Other intangible assets                       | 230,099                    | 245,364                 |
| Investments accounted for using equity method | 13,174                     | 8,661                   |
| Other financial assets                        | 49,939                     | 52,850                  |
| Other non-current assets                      | 3,124                      | 3,068                   |
| Deferred tax assets                           | 3,078                      | 2,909                   |
| <b>Total non-current assets</b>               | 971,887                    | 1,276,289               |
| <b>Total assets</b>                           | 1,615,384                  | 1,862,032               |

(Million yen)

|  | As of<br>December 31, 2020 | As of<br>March 31, 2021 |
|--|----------------------------|-------------------------|
| <b>Liabilities and equity</b>                        |                            |                         |
| <b>Liabilities</b>                                   |                            |                         |
| <b>Current liabilities</b>                           |                            |                         |
| Trade and other payables                             | 161,525                    | 167,697                 |
| Bonds and borrowings                                 | 68,133                     | 73,351                  |
| Other financial liabilities                          | 25,534                     | 26,429                  |
| Income taxes payable                                 | 8,796                      | 12,716                  |
| Provisions   | 2,945                      | 5,788                   |
| Other current liabilities                            | 48,611                     | 54,014                  |
| <b>Total current liabilities</b>                     | <b>315,547</b>             | <b>339,998</b>          |
| <b>Non-current liabilities</b>                       |                            |                         |
| Bonds and borrowings                                 | 467,627                    | 468,917                 |
| Other financial liabilities                          | 46,917                     | 47,781                  |
| Retirement benefit liability                         | 20,763                     | 23,192                  |
| Provisions   | 775                        | 964                     |
| Other non-current liabilities                        | 4,344                      | 4,383                   |
| Deferred tax liabilities                             | 59,602                     | 64,176                  |
| <b>Total non-current liabilities</b>                 | <b>600,030</b>             | <b>609,417</b>          |
| <b>Total liabilities</b>                             | <b>915,578</b>             | <b>949,415</b>          |
| <b>Equity</b>  |                            |                         |
| Share capital  | 78,862                     | 671,432                 |
| Capital surplus                                      | 63,320                     | —                       |
| Treasury shares                                      | (6,268)                    | (6,221)                 |
| Retained earnings                                    | 444,639                    | 195,684                 |
| Other components of equity                           | (12,156)                   | 43,379                  |
| <b>Total equity attributable to owners of parent</b> | <b>568,398</b>             | <b>904,275</b>          |
| <b>Non-controlling interests</b>                     | <b>131,407</b>             | <b>8,341</b>            |
| <b>Total equity</b>                                  | <b>699,805</b>             | <b>912,616</b>          |
| <b>Total Liabilities and equity</b>                  | <b>1,615,384</b>           | <b>1,862,032</b>        |

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

For the Three Months Ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

(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, 2020                                 | 78,862                                  | 62,927          | (6,378)         | 411,941           | 5,568                      | 552,922  | 135,056                   | 687,979      |
| Profit  | —                                       | —               | —               | 7,470             | —                          | 7,470    | 2,756                     | 10,226       |
| Other comprehensive income                                    | —                                       | —               | —               | —                 | (56,299)                   | (56,299) | (4,493)                   | (60,793)     |
| Comprehensive income  | —                                       | —               | —               | 7,470             | (56,299)                   | (48,829) | (1,737)                   | (50,566)     |
| Issuance of new shares  | —                                       | —               | —               | —                 | —                          | —        | —                         | —            |
| New share issuance expenses                                   | —                                       | —               | —               | —                 | —                          | —        | —                         | —            |
| Purchase of treasury shares                                   | —                                       | —               | (0)             | —                 | —                          | (0)      | —                         | (0)          |
| Disposal of treasury shares                                   | —                                       | 61              | 27              | —                 | —                          | 89       | —                         | 89           |
| Dividends   | —                                       | —               | —               | (7,378)           | —                          | (7,378)  | (1,897)                   | (9,275)      |
| Changes in ownership interest in subsidiaries                 | —                                       | —               | —               | —                 | —                          | —        | —                         | —            |
| Transfer from retained earnings to capital surplus            | —                                       | —               | —               | —                 | —                          | —        | —                         | —            |
| Change in scope of consolidation                              | —                                       | —               | —               | —                 | —                          | —        | —                         | —            |
| Transfer from other components of equity to retained earnings | —                                       | —               | —               | (43)              | 43                         | —        | —                         | —            |
| Other   | —                                       | —               | —               | —                 | —                          | —        | (8)                       | (8)          |
| Total transactions with owners                                | —                                       | 61              | 27              | (7,421)           | 43                         | (7,289)  | (1,905)                   | (9,195)      |
| Balance as of March 31, 2020                                  | 78,862                                  | 62,989          | (6,350)         | 411,990           | (50,688)                   | 496,803  | 131,413                   | 628,216      |

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(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, 2021                                 | 78,862                                  | 63,320          | (6,268)         | 444,639           | (12,156)                   | 568,398   | 131,407                   | 699,805      |
| Profit  | —                                       | —               | —               | 17,685            | —                          | 17,685    | 93                        | 17,778       |
| Other comprehensive income                                    | —                                       | —               | —               | —                 | 63,141                     | 63,141    | 340                       | 63,482       |
| Comprehensive income  | —                                       | —               | —               | 17,685            | 63,141                     | 80,826    | 434                       | 81,261       |
| Issuance of new shares  | 592,569                                 | 592,569         | —               | —                 | —                          | 1,185,139 | —                         | 1,185,139    |
| New share issuance expenses                                   | —                                       | (3,619)         | —               | —                 | —                          | (3,619)   | —                         | (3,619)      |
| Purchase of treasury shares                                   | —                                       | —               | (3)             | —                 | —                          | (3)       | —                         | (3)          |
| Disposal of treasury shares                                   | —                                       | 218             | 50              | —                 | —                          | 269       | —                         | 269          |
| Dividends   | —                                       | —               | —               | (7,380)           | —                          | (7,380)   | (95)                      | (7,476)      |
| Changes in ownership interest in subsidiaries                 | —                                       | (912,321)       | —               | —                 | (7,033)                    | (919,354) | (124,174)                 | (1,043,529)  |
| Transfer from retained earnings to capital surplus            | —                                       | 259,832         | —               | (259,832)         | —                          | —         | —                         | —            |
| Change in scope of consolidation                              | —                                       | —               | —               | —                 | —                          | —         | 748                       | 748          |
| Transfer from other components of equity to retained earnings | —                                       | —               | —               | 573               | (573)                      | —         | —                         | —            |
| Other   | —                                       | —               | —               | —                 | —                          | —         | 21                        | 21           |
| Total transactions with owners                                | 592,569                                 | (63,320)        | 46              | (266,639)         | (7,606)                    | 255,050   | (123,500)                 | 131,549      |
| Balance as of March 31, 2021                                  | 671,432                                 | —               | (6,221)         | 195,684           | 43,379                     | 904,275   | 8,341                     | 912,616      |

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

(Million yen)

|   | For the three months ended<br>March 31, 2020 | For the three months ended<br>March 31, 2021 |
|---|--|--|
| <b>Cash flows from operating activities</b>                                 |  |  |
| Profit before tax   | 13,993                                       | 25,764                                       |
| Depreciation and amortization   | 7,135  | 8,417  |
| Gain on bargain purchase  | —  | (1,528)                                      |
| Loss on step acquisitions   | —  | 1,601  |
| Interest and dividend income  | (675)  | (826)  |
| Interest expenses   | 1,658  | 1,528  |
| Share of loss (profit) of investments accounted for<br>using equity method  | (389)  | (471)  |
| Decrease (increase) in inventories  | (3,414)                                      | (9,915)                                      |
| Decrease (increase) in trade and other receivables                          | (4,639)                                      | (14,991)                                     |
| Increase (decrease) in trade and other payables                             | (18,722)                                     | (8,487)                                      |
| Increase (decrease) in other current liabilities                            | 183  | (823)  |
| Other   | 3,650  | 2,029  |
| <b>Subtotal</b>   | <b>(1,221)</b>                               | <b>2,297</b>                                 |
| Interest received   | 787  | 881  |
| Dividends received  | 869  | 32   |
| Interest paid   | (2,092)                                      | (1,930)                                      |
| Income taxes paid   | (6,803)                                      | (5,639)                                      |
| <b>Net cash provided by (used in) operating activities</b>                  | <b>(8,460)</b>                               | <b>(4,358)</b>                               |
| <b>Cash flows from investing activities</b>                                 |  |  |
| Net decrease (increase) in time deposits                                    | (2,610)                                      | 5,929  |
| Net decrease (increase) in marketable securities                            | 12,538                                       | 17,406                                       |
| Purchase of property, plant and equipment                                   | (6,518)                                      | (7,566)                                      |
| Proceeds from sale of property, plant and equipment                         | 193  | 171  |
| Purchase of intangible assets   | (504)  | (891)  |
| Purchase of shares of subsidiaries  | (1,453)                                      | (98,280)                                     |
| Payments for loans receivable   | (20)   | (3,005)                                      |
| Other   | 460  | 233  |
| <b>Net cash provided (used in) investment activities</b>                    | <b>2,083</b>                                 | <b>(86,002)</b>                              |
| <b>Cash flows from financing activities</b>                                 |  |  |
| Net increase (decrease) in short-term borrowings                            | (322,163)                                    | 2,607  |
| Proceeds from long-term borrowings  | 321,762                                      | 693  |
| Repayments of long-term borrowings  | (13,067)                                     | (928)  |
| Repayments of lease obligations   | (2,398)                                      | (2,243)                                      |
| Payments for issuance of shares   | —  | (5,214)                                      |
| Dividends paid  | (7,378)                                      | (7,334)                                      |
| Dividends paid to non-controlling interests                                 | (153)  | (1,325)                                      |
| Dividends paid to former shareholders of<br>newly consolidated subsidiaries | —  | (10,011)                                     |
| Other   | 284  | (31)   |
| <b>Net cash provided by (used in) financing activities</b>                  | <b>(23,114)</b>                              | <b>(23,788)</b>                              |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>         | <b>(4,901)</b>                               | <b>3,616</b>                                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>                 | <b>(34,393)</b>                              | <b>(110,534)</b>                             |
| <b>Cash and cash equivalents at beginning of period</b>                     | <b>123,300</b>                               | <b>232,134</b>                               |
| <b>Cash and cash equivalents at end of period</b>                           | <b>88,906</b>                                | <b>121,600</b>                               |

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

(Notes on going concern assumption)

There is no relevant information.

(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, decorative paints, industrial coatings, fine chemicals, and other paints, and the paint related business which manufactures and sells paint-related products such as adhesives. NPHD and separate local companies are responsible for activities in Japan, and separate local companies are responsible for the Asia, Oceania, Americas, and other overseas regions. Each company is an individual management unit which makes decisions about items to carry and strategies for each region to foster business growth.

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

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

### (2) Matters regarding changes in reportable segments

From the first quarter of the current fiscal year, headquarters expenses incurred by Nippon Paint Holdings, which were previously allocated to the Japan segment, are classified as “Adjustments” that do not belong to any reportable segment in order to more accurately reflect the performance of each reportable segment. The segment information for the first quarter of the previous fiscal year has been revised for consistency with this change.

## (3) Performance by reportable segment

For the Three Months Ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

|  | Reportable segment |        |         |          |         |          | Other   | Total   | Adjustments<br>(Note) | (Million yen)   |
|--|--------------------|--------|---------|----------|---------|----------|---------|---------|-----------------------|---|
|  |                    |        |         |          |         | Subtotal |         |         |                       | Condensed<br>quarterly<br>consolidated<br>financial<br>statements |
|  | Japan              | Asia   | Oceania | Americas |         |          |         |         |                       |   |
| Revenue  |                    |        |         |          |         |          |         |         |                       |   |
| Revenue from external customers                                  | 40,081             | 62,361 | 31,826  | 17,645   | 151,915 | 11,001   | 162,916 | —       | 162,916               |   |
| Intersegment revenue   | 4,739              | 1,009  | 1       | 25       | 5,776   | 177      | 5,953   | (5,953) | —                     |   |
| Total  | 44,821             | 63,370 | 31,827  | 17,671   | 157,691 | 11,178   | 168,869 | (5,953) | 162,916               |   |
| Segment profit (loss)  | 5,080              | 6,993  | 3,502   | 821      | 16,398  | 806      | 17,205  | (1,970) | 15,234                |   |
| Financial income   |                    |        |         |          |         |          |         |         | 964                   |   |
| Financial costs  |                    |        |         |          |         |          |         |         | (2,594)               |   |
| Share of profit of investments accounted for using equity method |                    |        |         |          |         |          |         |         | 389                   |   |
| Loss on step acquisitions  |                    |        |         |          |         |          |         |         | —                     |   |
| Profit before tax  |                    |        |         |          |         |          |         |         | 13,993                |   |

Note: Adjustments for segment profit of ¥-1,970 million include Headquarters expenses of ¥-3,612 million that do not belong to any reportable segment and intersegment eliminations of ¥1,641 million.

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

|  | Reportable segment |         |         |          |         |          | Other   | Total   | Adjustments<br>(Note) | (Million yen)   |
|--|--------------------|---------|---------|----------|---------|----------|---------|---------|-----------------------|---|
|  |                    |         |         |          |         | Subtotal |         |         |                       | Condensed<br>quarterly<br>consolidated<br>financial<br>statements |
|  | Japan              | Asia    | Oceania | Americas |         |          |         |         |                       |   |
| Revenue  |                    |         |         |          |         |          |         |         |                       |   |
| Revenue from external customers                                  | 39,907             | 117,394 | 41,518  | 17,703   | 216,524 | 14,902   | 231,426 | —       | 231,426               |   |
| Intersegment revenue   | 5,604              | 1,113   | 109     | 19       | 6,847   | 181      | 7,028   | (7,028) | —                     |   |
| Total  | 45,511             | 118,507 | 41,628  | 17,723   | 223,371 | 15,083   | 238,454 | (7,028) | 231,426               |   |
| Segment profit   | 4,383              | 19,248  | 5,853   | 925      | 30,409  | 1,387    | 31,797  | (5,537) | 26,260                |   |
| Financial income   |                    |         |         |          |         |          |         |         | 2,333                 |   |
| Financial costs  |                    |         |         |          |         |          |         |         | (1,699)               |   |
| Share of profit of investments accounted for using equity method |                    |         |         |          |         |          |         |         | 471                   |   |
| Loss on step acquisitions  |                    |         |         |          |         |          |         |         | (1,601)               |   |
| Profit before tax  |                    |         |         |          |         |          |         |         | 25,764                |   |

Note: Adjustments for segment profit of ¥-5,537 million includes Headquarters expenses of ¥-7,222 million that do not belong to any reportable segment and intersegment eliminations of ¥1,684 million yen.

## (4) Information on products and services

For the Three Months Ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

(Million yen)

|                            | Japan  | Asia   | Oceania | Americas | Other  | Total   |
|----------------------------|--------|--------|---------|----------|--------|---------|
| Paint and coating business | 40,081 | 62,361 | 18,321  | 17,645   | 9,025  | 147,435 |
| Automotive coatings        | 10,253 | 12,358 | —       | 6,011    | 2,615  | 31,239  |
| Decorative paints          | 10,259 | 40,514 | 17,048  | 10,879   | 5,182  | 83,884  |
| Industrial coatings        | 9,092  | 5,053  | 1,272   | —        | 841    | 16,259  |
| Fine chemicals             | 2,006  | 1,214  | —       | 720      | 345    | 4,286   |
| Other paints               | 8,469  | 3,221  | —       | 34       | 40     | 11,765  |
| Paint related business     | —      | —      | 13,505  | —        | 1,975  | 15,480  |
| Total                      | 40,081 | 62,361 | 31,826  | 17,645   | 11,001 | 162,916 |

For the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Million yen)

|                            | Japan  | Asia    | Oceania | Americas | Other  | Total   |
|----------------------------|--------|---------|---------|----------|--------|---------|
| Paint and coating business | 39,907 | 117,394 | 23,092  | 17,703   | 11,275 | 209,372 |
| Automotive coatings        | 10,177 | 19,294  | —       | 6,160    | 2,883  | 38,516  |
| Decorative paints          | 9,935  | 82,120  | 21,538  | 11,228   | 6,708  | 131,532 |
| Industrial coatings        | 9,026  | 9,044   | 1,553   | —        | 1,069  | 20,693  |
| Fine chemicals             | 1,923  | 1,592   | —       | 314      | 612    | 4,442   |
| Other paints               | 8,844  | 5,342   | —       | —        | 1      | 14,187  |
| Paint related business     | —      | —       | 18,426  | —        | 3,627  | 22,053  |
| Total                      | 39,907 | 117,394 | 41,518  | 17,703   | 14,902 | 231,426 |

(Business combinations)

For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

There is no relevant information

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Acquisition of the 100% ownership of the Asian JVs and the Indonesia business)

Main reasons for the business combinations

The many applications of paint include residential and commercial construction, transport applications such as cars and trains, and infrastructure such as bridges and roads, meaning that demand for paint increases in step with population growth and urbanization. Asia is becoming a key region for NPHD's sustainable growth in terms of both market size and growth rate. NPHD acquired approximately 100% ownership of the Asian JVs (the "Target JVs," collectively with the Indonesia business, the "Target Businesses") with the Wuthelam Group due to the outlook for increasing demand in Asia because of the projected demographic and economic growth in Asia. The Indonesia business operates in the growing Indonesian market and has a large share of the decorative paints market, which has significant growth potential due to its correspondence to population and per-capita GDP growth. Acquiring the Indonesia business gives the Company a dominant position with its "Asia x Construction" business model. Furthermore, by increasing its equity and enhancing its financial soundness by issuing new shares through a third-party allotment to NIPSEA International Limited and Fraser (HK) Limited, which are both members of the Wuthelam Group, the Company will be in an even better position to use M&A for the maximization of shareholder value. This is expected to further accelerate growth.

The acquisition of the Target Businesses will also enable the Company to fully capture in the non-controlling interests of the Asian JVs that previously belonged to the Wuthelam Group, as well as the profits of the Indonesia business, which will be consolidated into the Company's earnings. This is expected to increase basic earnings per share (EPS) and enable the Company to optimize the allocation of resources by reducing the outflow of profits. Furthermore, the consolidation of the Asian JVs and Indonesia business will allow shifting the industrial coatings business from a regional focus to a business focus and constructing a unified global system. This will enable faster decision-making and business execution and is expected to increase operating profit. Therefore, these acquisitions are expected to contribute to the maximization of shareholder value.

The transaction includes the following business combination and acquisition of non-controlling interests.

(1) Business combination

(i) Summary of business combination

(a) Name and description of businesses of companies acquired

Name of companies acquired: Neave Limited and its subsidiary PT NIPSEA Paint and Chemicals (the Indonesia business)

Business activities: Manufacture and sale of paint

(b) Date of acquisition

January 25, 2021

(c) Percentage of equity interests with voting rights acquired: 100%

(d) Method of acquisition of control: By acquisition of shares

(ii) Fair value of assets acquired and liabilities assumed at the date of business combination

|  | (Million yen) |
|--|---------------|
|  | Fair value    |
| Cash and cash equivalents                                  | 1,062         |
| Property, plant and equipment                              | 6,802         |
| Intangible assets  | 25            |
| Other assets   | 14,115        |
| Fair value of liabilities assumed                          | (5,937)       |
| Fair value of assets acquired and liabilities assumed, net | 16,069        |

## Trade and other receivables

|  | (Million yen)          |            |
|--|------------------------|------------|
|  | Contractual amount due | Fair value |
| Trade and other receivables  | 7,249                  | 6,980      |
| Accounts receivable-other  | 97                     | 93         |
| Total  | 7,346                  | 7,074      |
| Best estimate of contractual cash flows not expected to be collected | (272)                  | —          |
| Net total  | 7,074                  | 7,074      |

The amounts of assets acquired and liabilities assumed are provisionally calculated based on the information available at this time because the allocation of acquisition cost had not been completed as of March 31, 2021. Accounting treatment at the time of the acquisition will be modified if any revisions or additions to the above amounts are needed because NPHD becomes aware of new information about facts and circumstances that existed at the date of the acquisition within one year of the acquisition date.

## (iii) Consideration transferred and goodwill

|  |   |   | (Million yen) |  |
|--|---|---|---------------|--|
|  |   |   | Amount        |  |
| Consideration transferred                                  | (Cash)  | A | 100,000       |  |
|  | (Claim for payment of consideration) (Note 1) | B | 135,490       |  |
| Fair value of assets acquired and liabilities assumed, net |   | C | 16,069        |  |
| Non-controlling interests (Note 2)                         |   | D | 16            |  |
| Goodwill (Note 3) A+B-(C-D)                                |   | E | 219,436       |  |

Note 1: NPHD issued new shares through a third-party allotment in exchange for a contribution in kind.

Note 2: Non-controlling interests are measured as the ownership ratio of non-controlling shareholders of the fair value of identifiable net assets of the acquired company

Note 3: 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.

## (iv) Acquisition-related expenses

Account item: Selling, general and administrative expenses

Amount: ¥387 million

## (v) Effects on the condensed consolidated statement of profit or loss

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

|         | (Million yen)   |  |
|---------|---|--|
|         | For the three months ended<br>March 31, 2021<br>(From January 1, 2021 to<br>March 31, 2021) |  |
| Revenue | 9,910   |  |
| Profit  | 2,971   |  |

## (vi) Effects of business combination on cash flows

|                                    | (Million yen) |
|------------------------------------|---------------|
|                                    | Amount        |
| Consideration paid for acquisition | 100,000       |
| Cash and cash equivalents          | (1,062)       |
| Purchase of shares of subsidiaries | 98,937        |

## (2) Acquisition of non-controlling interests

In the three months ended March 31, 2021, NPHD acquired additional shares of the following companies in order to establish a foundation for growth through the integration of the Group's Asian operations.

As a result, non-controlling interests declined by ¥124,174 million, capital surplus by ¥912,321 million, and other components of equity by ¥7,033 million. Due to these changes, capital surplus became negative, and ¥259,832 million was transferred from retained earnings to capital surplus to make capital surplus zero.

| Company  | Ownership ratio of voting rights<br>(indirect ownership) |                           |                      |
|--|--|---------------------------|----------------------|
|  | Prior to<br>acquisition                                  | Additional<br>acquisition | After<br>acquisition |
| Nippon Paint (China) Company Limited (Note)      | 51%<br>(-%)  | 49%<br>(49%)              | 100%<br>(49%)        |
| Guangzhou Nippon Paint Co., Ltd. (Note)          | 51%<br>(-%)  | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint (Chengdu) Co., Ltd. (Note)          | 51%<br>(-%)  | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint (H.K.) Company Limited (Note)       | 51%<br>(-%)  | 49%<br>(49%)              | 100%<br>(49%)        |
| Nippon Paint Marine Coatings Co., Ltd. (Note)    | 60%<br>(-%)  | 40%<br>(40%)              | 100%<br>(40%)        |
| Nippon Paint Materials Co., Ltd. (Note)          | 60%<br>(-%)  | 40%<br>(40%)              | 100%<br>(40%)        |
| Nippon Paint Coatings (Taiwan) Co., Ltd.         | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| NIPSEA Chemical Co., Ltd.                        | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| Nippon Paint (Malaysia) Sdn. Bhd.                | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| Paint Marketing Co. (M) Sdn. Bhd                 | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| Nippon Paint (Singapore) Company Private Limited | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| NIPSEA Technologies Pte. Ltd.                    | 51%<br>(-%)  | 49%<br>(-%)               | 100%<br>(-%)         |
| Nippon Paint (Thailand) Company Limited          | 51%<br>(-%)  | 48.9%<br>(-%)             | 99.9%<br>(-%)        |

Note: Company owned indirectly through NIPSEA Pte. Ltd.

(Significant subsequent events)

Based on the resolution of the Board of Directors on February 10, 2021, NPHD implemented a stock split and partially amended the Articles of Incorporation with April 1, 2021 as the effective date.

(Stock split)

(1) Purpose of the stock split

The purpose of the stock split is to improve the liquidity of NPHD's stock and make the stock more accessible to a broader base of investors as well as our Group's employees and others by reducing the price per investment unit.

(2) Outline of the stock split

(i) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the final register of shareholders as of the record date of March 31, 2021 was split into five shares.

(ii) Number of shares increased by the stock split

|  |                      |
|--|----------------------|
| Total number of issued shares prior to the stock split:      | 474,102,443 shares   |
| Number of shares increased by the stock split:               | 1,896,409,772 shares |
| Total number of issued shares following the stock split:     | 2,370,512,215 shares |
| Total number of authorized shares following the stock split: | 5,000,000,000 shares |

(iii) Schedule of the stock split

|                               |                |
|-------------------------------|----------------|
| Public notice of record date: | March 12, 2021 |
| Record date:                  | March 31, 2021 |
| Effective date:               | April 1, 2021  |

(3) Effects on per share information

Effects on per share information are described where appropriate.

(Partial amendment to the Articles of Incorporation)

(1) Reason for the amendment

In conjunction with the stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, NPHD has amended Article 6 (Total Number of Authorized Shares) of its Articles of Incorporation.

(2) Details of the amendment

(Changes are underlined)

| Prior to the amendment  | Following the amendment  |
|---|--|
| (Total Number of Authorized Shares)   | (Total Number of Authorized Shares)  |
| Article 6 The total number of shares authorized to be issued by the Company shall be <u>one</u> billion shares. | Article 6 The total number of shares authorized to be issued by the Company shall be <u>five</u> billion shares. |

(3) Schedule of the amendment

Effective date: April 1, 2021

(Other)

The amount of stated capital did not change as a result of this stock split.