

Consolidated Financial Results for the Three Months Ended March 31, 2024 [IFRS]



May 15, 2024

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

URL: <https://www.nipponpaint-holdings.com/en/>

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Scheduled date of filing the quarterly securities report: May 15, 2024

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, 2024 (January 1, 2024 to March 31, 2024)

(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, 2024	384,319	16.4	42,664	22.2	41,344	23.6	30,532	20.3
March 31, 2023	330,213	15.8	34,909	59.4	33,441	56.5	25,383	89.2

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Three months ended				
March 31, 2024	30,280	19.5	112,739	90.7
March 31, 2023	25,340	91.6	59,120	(60.1)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
March 31, 2024	12.89		12.89	
March 31, 2023	10.79		10.79	

(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, 2024	2,889,081		1,452,232		1,440,007	49.8
As of December 31, 2023	2,713,341		1,368,104		1,358,310	50.1

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, 2023	—	6.00	—	8.00	14.00
Fiscal year ending December 31, 2024	—				
Fiscal year ending December 31, 2024 (Forecast)		7.00	—	8.00	15.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% indicates changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,600,000	10.9	184,000	9.0	174,000	7.7	124,000	4.7	52.80

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

***Notes:**

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

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

- 1) Changes in accounting policies required by IFRS: 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, 2024: 2,370,512,215 shares
December 31, 2023: 2,370,512,215 shares

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

March 31, 2024: 21,847,547 shares
December 31, 2023: 21,905,017 shares

- 3) Average number of shares during the period:

Three months ended March 31, 2024: 2,348,636,531 shares
Three months ended March 31, 2023: 2,348,458,099 shares

*These consolidated financial results are outside the scope of audit by Certified Public Accountants or auditing corporations.

*Explanation of the proper use of financial forecasts and other notes

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions that are deemed reasonable. These statements are not guarantees of future performance. Actual results may differ significantly from the forecast due to various factors.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operational Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	3
2. Condensed Consolidated Quarterly Financial Statements and Primary Notes	4
(1) Condensed Consolidated Quarterly Statements of Profit or Loss and Comprehensive Income	4
(2) Condensed Consolidated Quarterly Statement of Financial Position	6
(3) Condensed Consolidated Quarterly Statement of Changes in Equity	8
(4) Condensed Consolidated Quarterly Statement of Cash Flows	9
(5) Notes to Condensed Consolidated Quarterly Financial Statements	10
(Notes on going concern assumption)	10
(Segment information)	10
(Significant subsequent events)	12

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

(1) Explanation of Operational Results

For the three months ended March 31, 2024, Nippon Paint Group's consolidated revenue increased by 16.4% compared to the same period last year, reaching ¥384,319 million. This growth was primarily driven by an increase in sales volume within our core business, the decorative paints segment in China, and was further supported by the depreciation of the yen.

Consolidated operating profit increased by 22.2% to ¥42,664 million, while profit before tax rose by 23.6% to ¥41,344 million. Additionally, profit attributable to owners of parent increased by 19.5% to ¥30,280 million.

Results by business segment are as follows.

Japan

Revenue from automotive coatings decreased due to a decline in automobile manufacturing. Meanwhile, industrial coatings revenue remained stable, with the impact of flow-through of price increases offset by softer market conditions compared to the previous year. Despite the flow-through of price increases, revenue from decorative paints decreased due to consumer spending restraint and a rising demand for lower-priced products due to inflation.

Consequently, consolidated revenue fell by 1.2% from the previous year to ¥46,445 million. However, consolidated operating profit increased by 40.7% to ¥3,709 million, benefitting from an improvement in gross profit margin driven by flow-through of price increases.

NIPSEA

Despite a decrease in automobile manufacturing in Thailand, automotive coatings revenue within NIPSEA Group increased due to higher automobile production in China. Additionally, revenue from decorative paints rose, driven by ongoing demand for repainting interiors of existing homes in China. This increase was further supported by higher sales volumes and flow-through of price increases in key markets, including Malaysia, Singapore, and Türkiye.

As a result, consolidated revenue increased by 21.5% from the previous year to ¥216,250 million, and consolidated operating profit grew by 28.0% to ¥31,431 million.

DuluxGroup

Revenue from decorative paints increased, buoyed by the yen's depreciation, despite sluggish sales volumes resulting from softening market conditions in the Pacific and Europe. Meanwhile, revenue from the adjacencies business grew due to higher sales volumes of External Thermal Insulation Composite Systems (ETICS) in Europe. This growth was further supported by contributions from new acquisitions in the Pacific and European adjacencies manufacturer N.P.T. s.r.l., whose acquisition was completed on July 6, 2023.

Consequently, consolidated revenue rose by 13.9% over the previous year to ¥93,120 million, while consolidated operating profit fell by 1.5% to ¥7,181 million, mainly attributed to an increase in SG&A expenses due to inflation.

Americas

Revenue from automotive coatings rose, fueled by a rebound in automobile production primarily by Japanese-based automakers in the United States, a key region, and the flow-through of price increases. Despite the slowdown in the US economy and housing market, revenue from decorative paints also increased, thanks to a lesser impact from unfavorable weather in California compared to the same period a year earlier.

As a result, consolidated revenue climbed by 21.6% from the previous year to ¥28,503 million, while consolidated operating profit increased by 60.6% to ¥1,196 million.

(2) Explanation of Financial Position

At the end of the first quarter of the current fiscal year, total assets increased by ¥175,739 million from the previous year's end, to ¥2,889,081 million.

This rise was a result of a ¥65,275 million increase in current assets, mainly due to higher trade and other receivables, and a ¥110,464 million increase in non-current assets, largely from an increase in goodwill.

Liabilities rose by ¥91,611 million, to ¥1,436,849 million, primarily due to an increase in bonds and borrowings.

Similarly, equity grew by ¥84,128 million to ¥1,452,232 million, chiefly due to an increase in foreign currency translation adjustments.

Consequently, the ratio of equity attributable to owners of parent to total assets decreased from 50.1% at the end of the previous fiscal year to 49.8%.

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

There are no changes to the consolidated earnings forecast for the fiscal year ending December 31, 2024, as reported in the financial report for the fiscal year ended December 31, 2023, released on February 14, 2024.

2. Condensed Consolidated Quarterly Financial Statements and Primary Notes

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

Condensed Consolidated Quarterly Statement of Profit or Loss Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Revenue	330,213	384,319
Cost of sales	(200,345)	(227,598)
Gross profit	129,868	156,721
Selling, general and administrative expenses	(95,854)	(115,143)
Other income	1,594	1,727
Other expenses	(698)	(640)
Operating profit	34,909	42,664
Finance income	1,327	2,214
Finance costs	(3,258)	(4,318)
Share of profit (loss) of investments accounted for using equity method	462	784
Profit before tax	33,441	41,344
Income taxes	(8,057)	(10,812)
Profit	25,383	30,532
Profit attributable to		
Owners of parent	25,340	30,280
Non-controlling interests	43	252
Profit	25,383	30,532
Earnings per share		
Basic earnings (loss) per share (yen)	10.79	12.89
Diluted earnings (loss) per share (yen)	10.79	12.89

Condensed Consolidated Quarterly Statement of Comprehensive Income

Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Profit	25,383	30,532
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,032	1,836
Remeasurements of defined benefit plans	(50)	(258)
Share of other comprehensive income of equity method affiliates	0	0
Total of items that will not be reclassified to profit or loss	981	1,578
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	32,656	80,599
Cash flow hedges	0	40
Share of other comprehensive income of investments accounted for using equity method	98	(11)
Total of items that may be reclassified to profit or loss	32,755	80,628
Total other comprehensive income	33,736	82,206
Comprehensive income	59,120	112,739
Comprehensive income attributable to		
Owners of parent	58,851	111,831
Non-controlling interests	269	907
Comprehensive income	59,120	112,739

(2) Condensed Consolidated Quarterly Statement of Financial Position

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	289,647	279,977
Inventories	175,617	192,187
Trade and other receivables	317,940	383,213
Other financial assets	84,146	80,025
Other current assets	22,005	19,349
Subtotal	889,357	954,753
Assets held for sale	199	78
Total current assets	889,557	954,832
Non-current assets		
Property, plant and equipment	409,984	442,083
Goodwill	897,751	955,597
Other intangible assets	430,763	444,194
Investments accounted for using equity method	28,198	29,160
Other financial assets	35,161	40,087
Other non-current assets	14,381	14,817
Deferred tax assets	7,543	8,308
Total non-current assets	1,823,784	1,934,249
Total assets	2,713,341	2,889,081

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	262,152	278,802
Bonds and borrowings	55,995	163,445
Other financial liabilities	21,908	24,322
Income taxes payable	14,770	18,769
Provisions	4,310	4,191
Other current liabilities	78,564	89,024
Total current liabilities	437,701	578,554
Non-current liabilities		
Bonds and borrowings	683,771	609,758
Other financial liabilities	96,480	117,153
Retirement benefit liability	17,130	17,433
Provisions	1,366	2,047
Other non-current liabilities	6,073	5,441
Deferred tax liabilities	102,714	106,458
Total non-current liabilities	907,536	858,294
Total liabilities	1,345,237	1,436,849
Equity		
Share capital	671,432	671,432
Treasury shares	(6,049)	(6,033)
Retained earnings	351,205	351,178
Other components of equity	341,721	423,429
Total equity attributable to owners of parent	1,358,310	1,440,007
Non-controlling interests	9,793	12,225
Total equity	1,368,104	1,452,232
Total Liabilities and equity	2,713,341	2,889,081

(3) Condensed Consolidated Quarterly Statement of Changes in Equity

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of January 1, 2023	671,432	—	(6,096)	272,527	210,961	1,148,824	6,533	1,155,358
Profit	—	—	—	25,340	—	25,340	43	25,383
Other comprehensive income	—	—	—	—	33,510	33,510	226	33,736
Comprehensive income	—	—	—	25,340	33,510	58,851	269	59,120
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	36	15	—	(9)	42	—	42
Dividends	—	—	—	(14,090)	—	(14,090)	(47)	(14,138)
Changes in ownership interest in subsidiaries	—	27	—	—	—	27	(63)	(36)
Transfer from retained earnings to capital surplus	—	101	—	(101)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(58)	58	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	48	48
Change in non-controlling interest put option liabilities	—	(165)	—	—	—	(165)	—	(165)
Other	—	—	—	—	—	—	(47)	(47)
Total transactions with owners	—	—	15	(14,250)	48	(14,186)	(110)	(14,297)
Balance as of March 31, 2023	671,432	—	(6,081)	283,617	244,520	1,193,489	6,692	1,200,182

For the Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(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, 2024	671,432	—	(6,049)	351,205	341,721	1,358,310	9,793	1,368,104
Profit	—	—	—	30,280	—	30,280	252	30,532
Other comprehensive income	—	—	—	—	81,551	81,551	655	82,206
Comprehensive income	—	—	—	30,280	81,551	111,831	907	112,739
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	38	15	—	(22)	31	—	31
Dividends	—	—	—	(18,789)	—	(18,789)	(53)	(18,842)
Transfer from retained earnings to capital surplus	—	11,338	—	(11,338)	—	—	—	—
Change in the scope of consolidation	—	—	—	—	—	—	1,569	1,569
Transfer from other components of equity to retained earnings	—	—	—	(178)	178	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	15	15
Change in non-controlling interest put option liabilities	—	(11,377)	—	—	—	(11,377)	—	(11,377)
Other	—	—	—	—	—	—	(7)	(7)
Total transactions with owners	—	—	15	(30,306)	156	(30,134)	1,524	(28,610)
Balance as of March 31, 2024	671,432	—	(6,033)	351,178	423,429	1,440,007	12,225	1,452,232

(4) Condensed Consolidated Quarterly Statement of Cash Flows

(Million yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Cash flows from operating activities		
Profit before tax	33,441	41,344
Depreciation and amortization	12,043	14,364
Interest and dividend income	(972)	(1,530)
Interest expenses	2,076	3,228
Share of loss (profit) of investments accounted for using equity method	(462)	(784)
Decrease (increase) in inventories	2,965	(4,776)
Decrease (increase) in trade and other receivables	(31,980)	(53,185)
Increase (decrease) in trade and other payables	(21,880)	2,867
Increase (decrease) in other current liabilities	3,030	5,959
Other	4,824	2,404
Subtotal	3,086	9,892
Interest received	849	1,419
Dividends received	71	0
Interest paid	(1,935)	(3,152)
Income taxes paid	(7,811)	(8,555)
Net cash provided by (used in) operating activities	(5,739)	(394)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(859)	(1,434)
Net decrease (increase) in securities	(920)	14,104
Purchase of property, plant and equipment	(7,429)	(11,333)
Purchase of investments in subsidiaries	—	(25,125)
Other	(2,274)	199
Net cash provided by (used in) investing activities	(11,484)	(23,588)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	115	543
Proceeds from long-term borrowings	20,022	33,000
Repayments of long-term borrowings	(20,262)	(5,212)
Repayments of lease obligations	(3,105)	(4,004)
Dividends paid	(14,023)	(18,706)
Other	3	(1)
Net cash provided by (used in) financing activities	(17,251)	5,618
Effect of exchange rate changes on cash and cash equivalents	2,374	8,035
Adjustment from hyperinflationary accounting	547	660
Net increase (decrease) in cash and cash equivalents	(31,553)	(9,669)
Cash and cash equivalents at beginning of period	242,598	289,647
Cash and cash equivalents at end of period	211,045	279,977

(5) Notes to Condensed Consolidated Quarterly Financial Statements

(Notes on going concern assumption)

There are no applicable items.

(Segment information)

(1) Summary of reportable segments

The Nippon Paint Group's operations are divided into business segments for which separate financial information is available. Segments are subject to periodic evaluations by the Board of Directors, which is the highest decision-making body, in order to make decisions regarding business resource allocations and performance assessments. The Nippon Paint Group's primary businesses are the paint and coating business, which manufactures and sells automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints, and the adjacencies business which manufactures and sells adjacencies products such as adhesives. An independent company and companies overseen by this company are responsible for business activities in Japan. Independent companies, led by NIPSEA and DuluxGroup, are responsible for business activities in Asia, Oceania, and other regions. Other independent local companies are responsible for the Americas. Each company constitutes an individual management unit which makes decisions about items to sell and determines comprehensive regional strategies for growth.

As a result, the Nippon Paint Group consists of four reportable segments divided by management units or regions based on manufacturing and sales infrastructures: Japan, NIPSEA, DuluxGroup, and the Americas. The Japan segment includes the overseas marine coatings business.

(2) Performance by reportable segment

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	46,989	178,028	81,745	23,449	330,213	—	330,213
Intersegment revenue	3,628	1,075	185	13	4,903	(4,903)	—
Total	50,617	179,104	81,931	23,463	335,117	(4,903)	330,213
Segment profit (loss)	2,635	24,559	7,289	744	35,228	(319)	34,909
Financial income							1,327
Financial costs							(3,258)
Share of profit of investments accounted for using equity method							462
Profit before tax							33,441

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

For the Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	46,445	216,250	93,120	28,503	384,319	—	384,319
Intersegment revenue	4,777	1,670	64	5	6,518	(6,518)	—
Total	51,223	217,921	93,184	28,509	390,838	(6,518)	384,319
Segment profit (loss)	3,709	31,431	7,181	1,196	43,518	(853)	42,664
Financial income							2,214
Financial costs							(4,318)
Share of profit of investments accounted for using equity method							784
Profit before tax							41,344

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

(3) Information on products and services

For the Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	10,436	21,809	—	9,212	41,458
Decorative paints	11,146	132,283	53,125	13,849	210,405
Industrial coatings	9,281	9,652	2,007	—	20,941
Fine chemicals	2,005	2,116	—	387	4,509
Other paints	14,119	3,732	—	—	17,852
	46,989	169,594	55,133	23,449	295,167
Adjacencies business	—	8,433	26,612	—	35,046
Total	46,989	178,028	81,745	23,449	330,213

For the Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	9,298	23,705	—	11,764	44,768
Decorative paints	10,735	164,471	58,881	16,126	250,215
Industrial coatings	9,248	10,124	2,442	—	21,815
Fine chemicals	2,099	2,497	—	611	5,208
Other paints	15,064	6,422	—	—	21,487
	46,445	207,220	61,324	28,503	343,494
Adjacencies business	—	9,029	31,795	—	40,825
Total	46,445	216,250	93,120	28,503	384,319

(Significant subsequent events)

There are no applicable items.