

Consolidated Financial Results for the Six Months Ended June 30, 2024 [IFRS]



August 8, 2024

Company name: Nippon Paint Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4612

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

Representative: Yuichiro Wakatsuki, Director, Representative Executive Officer & Co-President

Wee Siew Kim, Director, Representative Executive Officer & Co-President

Contact: Ryosuke Tanaka, Executive General Manager, Investor Relations, Sustainability and Public Relations

Phone: +81-50-3131-7419

Scheduled date of filing the Semiannual Securities Report: August 8, 2024

Scheduled date of commencing dividend payments: September 11, 2024

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 Six Months Ended June 30, 2024 (January 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	817,143	17.9	94,490	12.8	91,922	12.2	67,148	9.7
June 30, 2023	692,925	11.4	83,738	98.9	81,954	105.4	61,205	126.5

	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Million yen	%	Million yen	%	Yen	Yen
June 30, 2024	66,339	8.9	276,998	38.4	28.25	28.24
June 30, 2023	60,898	125.8	200,096	(22.2)	25.93	25.93

(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 June 30, 2024	3,098,106	1,614,989	1,601,122	51.7
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
Fiscal year ended December 31, 2023	Yen —	Yen 6.00	Yen —	Yen 8.00	Yen 14.00
Fiscal year ending December 31, 2024	—	7.00			
Fiscal year ending December 31, 2024 (Forecast)			—	8.00	15.00

Note: 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	1,600,000	10.9	184,000	9.0	174,000	7.7	124,000	4.7	52.80

Note: Revision to the financial results forecast announced recently: None

***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	-
--------------------	---	----------	---

- (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):

June 30, 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:

June 30, 2024: 21,827,432 shares

December 31, 2023: 21,905,017 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2024: 2,348,653,365 shares

Six months ended June 30, 2023: 2,348,489,296 shares

*Semiannual financial results reports for the interim period are exempt from review by certified public accountants or audit 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 Interim Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	3
2. Condensed Interim Consolidated Financial Statements and Primary Notes	4
(1) Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income	4
(2) Condensed Interim Consolidated Statement of Financial Position	8
(3) Condensed Interim Consolidated Statement of Changes in Equity	10
(4) Condensed Interim Consolidated Statement of Cash Flows	11
(5) Notes to Condensed Interim Consolidated Financial Statements	12
(Segment information)	12
(Notes on going concern assumption)	14
(Significant subsequent events)	14

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

(1) Explanation of Operating Results

For the six months ended June 30, 2024, Nippon Paint Group's consolidated revenue increased by 17.9% compared to the same period last year, reaching ¥817,143 million. This growth was largely driven by higher sales volumes in China and other key markets for NIPSEA Group, and with the depreciation of the yen providing additional support.

Consolidated operating profit increased by 12.8%, reaching ¥94,490 million, while profit before tax saw a 12.2% increase, to ¥91,922 million. Furthermore, profit attributable to owners of parent grew by 8.9%, to ¥66,339 million.

Results by business segment are as follows.

Japan

In Japan, revenue from automotive coatings decreased due to reduced automobile manufacturing. Industrial coatings revenue remained stable compared to a year earlier as the positive impact of price increases offset weaker market conditions. Revenue from decorative paints fell, largely as a result of the consumer spending restraint and a shift towards lower-priced products driven by inflation, despite the flow-through of price increases and successful implementation of sales promotion measures.

As a result, consolidated revenue dropped by 0.0% from the previous year to ¥97,280 million. However, consolidated operating profit rose by 13.8% to ¥9,049 million, benefitting from an improved gross profit margin due to the successful implementation of price increases.

NIPSEA

NIPSEA Group experienced an increase in automotive coatings revenue, despite a decline in automobile manufacturing in Thailand, thanks to higher automobile production levels in China. Additionally, revenue from decorative paints saw an uptick, fueled by increased sales volumes in China and other key markets, including Malaysia, Singapore, and Türkiye.

As a result, consolidated revenue increased by 22.9% from the previous year to ¥458,279 million, and consolidated operating profit increased by 16.1% to ¥63,734 million.

DuluxGroup

Revenue from decorative paints increased, largely supported by the depreciation of the yen, despite lower sales volumes due to softened market conditions in the Pacific and Europe. Revenue from the adjacencies business also grew, despite soft market conditions, due to contributions from new acquisitions in the Pacific and European adjacencies manufacturer N.P.T.s.r.l., which was acquired in July 2023.

As a result, consolidated revenue rose by 16.3% year-on-year to ¥198,483 million. Consolidated operating profit increased by 0.5% to ¥18,563 million, primarily due to an improved gross profit margin, despite an increase in SG&A expenses driven by inflation.

Americas

In the Americas, revenue from automotive coatings revenue saw an uptick, driven by a recovery in automobile production in the United States, a core market for this segment, along with the successful implementation of price increases. Despite a slowdown in the U.S. economy and housing market, revenue from decorative paints also increased, thanks to the flow-through of price increases and a reduced impact from unfavorable weather in California compared to the same period a year earlier.

As a result, consolidated revenue increased by 21.4% from the previous year to ¥63,100 million, while consolidated operating profit climbed by 40.4% to ¥4,844 million.

(2) Explanation of Financial Position

At the end of the second quarter of the current fiscal year, total assets grew by ¥384,764 million compared to the end of the previous fiscal year, reaching ¥3,098,106 million.

This increase was driven by a ¥123,891 million rise in current assets, primarily due to higher trade and other receivables, and a ¥260,873 million increase in non-current assets, largely attributed to a growth in goodwill.

Liabilities also increased by ¥137,880 million, to ¥1,483,117 million, mainly due to an increase in other financial liabilities.

Equity increased by ¥246,884 million, reaching ¥1,614,989 million, primarily driven by a rise in foreign currency translation adjustments.

Consequently, the ratio of equity attributable to owners of parent to total assets improved from 50.1% at the end of the previous fiscal year to 51.7%.

(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 Interim Consolidated Financial Statements and Primary Notes

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

Condensed Interim Consolidated Statement of Profit or Loss Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Revenue	692,925	817,143
Cost of sales	(417,823)	(486,481)
Gross profit	275,102	330,662
Selling, general and administrative expenses	(200,425)	(238,668)
Other income	10,583	4,074
Other expenses	(1,522)	(1,576)
Operating profit	83,738	94,490
Finance income	3,350	5,449
Finance costs	(6,167)	(9,515)
Share of profit (loss) of investments accounted for using equity method	1,033	1,496
Profit before tax	81,954	91,922
Income taxes	(20,749)	(24,773)
Profit	61,205	67,148
Profit attributable to		
Owners of parent	60,898	66,339
Non-controlling interests	307	808
Profit	61,205	67,148
Earnings per share		
Basic earnings (loss) per share (yen)	25.93	28.25
Diluted earnings (loss) per share (yen)	25.93	28.24

Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2023	Second quarter ended June 30, 2024
Revenue	362,711	432,823
Cost of sales	(217,477)	(258,883)
Gross profit	145,234	173,940
Selling, general and administrative expenses	(104,571)	(123,524)
Other income	8,989	2,346
Other expenses	(824)	(936)
Operating profit	48,828	51,826
Finance income	2,023	3,235
Finance costs	(2,909)	(5,196)
Share of profit (loss) of investments accounted for using equity method	571	712
Profit before tax	48,513	50,577
Income taxes	(12,692)	(13,961)
Profit	35,821	36,616
Profit attributable to		
Owners of parent	35,557	36,059
Non-controlling interests	264	556
Profit	35,821	36,616
Earnings per share		
Basic earnings (loss) per share (yen)	15.14	15.35
Diluted earnings (loss) per share (yen)	15.14	15.35

Condensed Interim Consolidated Statement of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Profit	61,205	67,148
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,890	1,119
Remeasurements of defined benefit plans	(14)	(192)
Share of other comprehensive income of equity method affiliates	0	0
Total of items that will not be reclassified to profit or loss	1,876	926
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	137,481	208,636
Cash flow hedges	(13)	9
Share of other comprehensive income of investments accounted for using equity method	(453)	277
Total of items that may be reclassified to profit or loss	137,014	208,923
Total other comprehensive income	138,891	209,849
Comprehensive income	200,096	276,998
Comprehensive income attributable to		
Owners of parent	199,584	274,732
Non-controlling interests	511	2,266
Comprehensive income	200,096	276,998

Second Quarter Ended June 30

(Million yen)

	Second quarter ended June 30, 2023	Second quarter ended June 30, 2024
Profit	35,821	36,616
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	858	(717)
Remeasurements of defined benefit plans	36	65
Share of other comprehensive income of equity method affiliates	0	(0)
Total of items that will not be reclassified to profit or loss	894	(652)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	104,824	128,036
Cash flow hedges	(13)	(30)
Share of other comprehensive income of investments accounted for using equity method	(551)	289
Total of items that may be reclassified to profit or loss	104,259	128,295
Total other comprehensive income	105,154	127,643
Comprehensive income	140,976	164,259
Comprehensive income attributable to		
Owners of parent	140,733	162,900
Non-controlling interests	242	1,358
Comprehensive income	140,976	164,259

(2) Condensed Interim Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents	289,647	283,219
Inventories	175,617	206,076
Trade and other receivables	317,940	429,454
Other financial assets	84,146	77,301
Other current assets	22,005	17,305
Subtotal	889,357	1,013,358
Assets held for sale	199	89
Total current assets	889,557	1,013,448
Non-current assets		
Property, plant and equipment	409,984	480,189
Goodwill	897,751	1,011,633
Other intangible assets	430,763	472,658
Investments accounted for using equity method	28,198	31,485
Other financial assets	35,161	64,188
Other non-current assets	14,381	15,704
Deferred tax assets	7,543	8,799
Total non-current assets	1,823,784	2,084,658
Total assets	2,713,341	3,098,106

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	262,152	296,053
Bonds and borrowings	55,995	123,479
Other financial liabilities	21,908	26,975
Income taxes payable	14,770	14,997
Provisions	4,310	4,150
Other current liabilities	78,564	94,247
Total current liabilities	437,701	559,904
Non-current liabilities		
Bonds and borrowings	683,771	649,681
Other financial liabilities	96,480	133,103
Retirement benefit liability	17,130	17,884
Provisions	1,366	2,200
Other non-current liabilities	6,073	5,796
Deferred tax liabilities	102,714	114,546
Total non-current liabilities	907,536	923,212
Total liabilities	1,345,237	1,483,117
Equity		
Share capital	671,432	671,432
Treasury shares	(6,049)	(6,028)
Retained earnings	351,205	385,500
Other components of equity	341,721	550,217
Total equity attributable to owners of parent	1,358,310	1,601,122
Non-controlling interests	9,793	13,866
Total equity	1,368,104	1,614,989
Total Liabilities and equity	2,713,341	3,098,106

(3) Condensed Interim Consolidated Statement of Changes in Equity
For the Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(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, 2023	671,432	—	(6,096)	272,527	210,961	1,148,824	6,533	1,155,358
Profit	—	—	—	60,898	—	60,898	307	61,205
Other comprehensive income	—	—	—	—	138,686	138,686	204	138,891
Comprehensive income	—	—	—	60,898	138,686	199,584	511	200,096
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	74	32	—	(33)	74	—	74
Dividends	—	—	—	(14,090)	—	(14,090)	(57)	(14,148)
Change in ownership interest in subsidiaries	—	27	—	—	—	27	(63)	(36)
Transfer from retained earnings to capital surplus	—	243	—	(243)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(18)	18	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	48	48
Change in non-controlling interest put option liabilities	—	(345)	—	—	—	(345)	—	(345)
Other	—	—	—	—	—	—	(41)	(41)
Total transactions with owners	—	—	32	(14,353)	(14)	(14,335)	(113)	(14,449)
Balance as of June 30, 2023	671,432	—	(6,064)	319,071	349,634	1,334,074	6,931	1,341,006

For the Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

(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, 2024	671,432	—	(6,049)	351,205	341,721	1,358,310	9,793	1,368,104
Profit	—	—	—	66,339	—	66,339	808	67,148
Other comprehensive income	—	—	—	—	208,392	208,392	1,457	209,849
Comprehensive income	—	—	—	66,339	208,392	274,732	2,266	276,998
Purchase of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposal of treasury shares	—	54	21	—	(22)	53	—	53
Dividends	—	—	—	(18,789)	—	(18,789)	(62)	(18,851)
Transfer from retained earnings to capital surplus	—	13,129	—	(13,129)	—	—	—	—
Change in the scope of consolidation	—	—	—	—	—	—	1,569	1,569
Transfer from other components of equity to retained earnings	—	—	—	(125)	125	—	—	—
Increase or decrease in equity due to capital increase of subsidiary	—	—	—	—	—	—	15	15
Change in non-controlling interest put option liabilities	—	(13,184)	—	—	—	(13,184)	—	(13,184)
Other	—	—	—	—	—	—	285	285
Total transactions with owners	—	—	21	(32,043)	102	(31,920)	1,806	(30,113)
Balance as of June 30, 2024	671,432	—	(6,028)	385,500	550,217	1,601,122	13,866	1,614,989

(4) Condensed Interim Consolidated Statement of Cash Flows

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit before tax	81,954	91,922
Depreciation and amortization	24,718	29,634
Interest and dividend income	(2,322)	(4,384)
Interest expenses	4,127	6,950
Share of loss (profit) of investments accounted for using equity method	(1,033)	(1,496)
Decrease (increase) in inventories	8,256	(7,544)
Decrease (increase) in trade and other receivables	(37,018)	(72,658)
Increase (decrease) in trade and other payables	(12,257)	1,519
Increase (decrease) in allowance for doubtful accounts	3,353	(583)
Increase (decrease) in other current liabilities	6,088	5,344
Other	496	4,917
Subtotal	76,363	53,622
Interest received	2,060	4,118
Dividends received	832	1,318
Interest paid	(3,992)	(6,957)
Income taxes paid	(18,680)	(26,746)
Net cash provided by (used in) operating activities	56,583	25,355
Cash flows from investing activities		
Net decrease (increase) in time deposits	(2,430)	(17,821)
Net decrease (increase) in short-term investment securities	(7,552)	13,221
Purchase of property, plant and equipment	(15,294)	(23,236)
Purchase of investments in subsidiaries	—	(25,125)
Payments for transfer of business	(3,374)	(426)
Other	(795)	61
Net cash provided by (used in) investing activities	(29,447)	(53,326)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,374)	658
Proceeds from long-term borrowings	60,002	73,000
Repayments of long-term borrowings	(60,614)	(45,483)
Repayments of lease obligations	(6,746)	(8,253)
Dividends paid	(14,087)	(18,784)
Other	(28)	(9)
Net cash provided by (used in) financing activities	(24,849)	1,128
Effect of exchange rate changes on cash and cash equivalents	13,248	18,846
Adjustment from hyperinflationary accounting	(416)	1,569
Net increase (decrease) in cash and cash equivalents	15,118	(6,427)
Cash and cash equivalents at beginning of period	242,598	289,647
Cash and cash equivalents at end of period	257,716	283,219

(5) Notes to Condensed Interim Consolidated Financial Statements

(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 Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	97,324	372,893	170,728	51,979	692,925	—	692,925
Intersegment revenue	7,787	2,566	259	13	10,627	(10,627)	—
Total	105,112	375,460	170,987	51,992	703,552	(10,627)	692,925
Segment profit (loss)	7,954	54,896	18,476	3,449	84,777	(1,039)	83,738
Financial income							3,350
Financial costs							(6,167)
Share of profit of investments accounted for using equity method							1,033
Profit before tax							81,954

Note: Adjustments for segment profit are the headquarters expenses not allocated to any reportable segment, along with intersegment eliminations.

For the Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

(Million yen)

	Reportable segment					Adjustments (Note)	Condensed quarterly consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	Total		
Revenue							
Revenue from external customers	97,280	458,279	198,483	63,100	817,143	—	817,143
Intersegment revenue	9,455	3,570	174	20	13,221	(13,221)	—
Total	106,735	461,849	198,657	63,121	830,365	(13,221)	817,143
Segment profit (loss)	9,049	63,734	18,563	4,844	96,192	(1,701)	94,490
Financial income							5,449
Financial costs							(9,515)
Share of profit of investments accounted for using equity method							1,496
Profit before tax							91,922

Note: Adjustments for segment profit are the headquarters expenses not allocated to any reportable segment, along with intersegment eliminations.

(3) Information on products and services

For the Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	20,386	45,833	—	19,099	85,320
Decorative paints	23,827	278,706	110,486	32,056	445,076
Industrial coatings	19,129	19,704	4,395	—	43,228
Fine chemicals	4,217	4,445	—	822	9,485
Other paints	29,763	8,824	—	—	38,588
	97,324	357,513	114,881	51,979	621,698
Adjacencies business	—	15,380	55,846	—	71,226
Total	97,324	372,893	170,728	51,979	692,925

For the Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	Total
Paint and coating business					
Automotive coatings	18,454	49,558	—	23,932	91,945
Decorative paints	23,711	347,895	126,806	37,931	536,345
Industrial coatings	19,267	22,856	5,258	—	47,382
Fine chemicals	4,421	5,208	—	1,237	10,867
Other paints	31,425	12,989	—	—	44,414
	97,280	438,508	132,065	63,100	730,955
Adjacencies business	—	19,770	66,418	—	86,188
Total	97,280	458,279	198,483	63,100	817,143

(Notes on going concern assumption)

There are no applicable items.

(Significant subsequent events)

There are no applicable items.