

Revision of FY2021 Forecast Conference Call Presentation Summary
Oct 12, 2021

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Nippon Paint Holdings Co., Ltd.

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Good afternoon, everyone. I'm Yuichiro Wakatsuki, Co-President of Nippon Paint Holdings. Thank you very much for taking the time today, despite the last-minute notification, to participate in our conference call regarding the revision of our consolidated earnings forecast for FY2021 released on 15:30 today.

I would like to begin by explaining the background to the revision of the consolidated earnings forecast we announced today.

We upwardly revised the consolidated revenue forecast to 1,010 billion yen from 890 billion yen announced on August 10, 2021. The reasons are that we assumed the strong market conditions to continue in the decorative paints business of NIPSEA China and Betek Boya and robust demand in other regions except in Japan. The upward revision was also attributable to the weak yen against major currencies. For the Japan segment, we assumed that demand would remain weak in Japan due to COVID.

As for operating profit, our previous forecast factored in the shortage and increases in raw materials prices worldwide to a certain degree. However, we assumed that the raw material availability issue will reach a peak in 3Q and calm down considerably in 4Q. Based on this assumption, we upwardly revised the operating profit forecast from 87.0 billion yen to 102.0 billion yen in August. A rough breakdown was: an around 6.0 billion yen increase due to higher revenue and cost reduction in our operating regions, a 6.0 billion yen increase due to the reduction of HD expenses, and a 3.0 billion yen increase due to the transfer of subsidiaries.

Taking into consideration our recent performance trends, we revised the revenue forecast to 1,000 billion yen, basically assuming that the revenue growth will follow the same trend we anticipated, with some plus or minus, when we made the previous forecast in August. The overall market conditions for decorative paints have remained firm. Actually, decorative paints revenue of NIPSEA China is slightly higher than our August forecast. In our automotive coatings business, on the other hand, customers cut production, in particular in September and October due to the shortage of semiconductor chips and parts availability issue due to COVID. As a result, our sales are falling below the August forecast. All in all, we expect that our consolidated revenue will be roughly on par with the August forecast.

On the profit front, our assumption as of August was wrong that the raw materials price inflation would reach a peak in 3Q. In fact, the crude oil prices have continued to rise as of today. The prices of other raw materials have been on an upward trend as well. Based on the preliminary 3Q figures as of the end of September and the estimated figures for 4Q, we expect that our operating profit for FY2021 will be lower than we forecast in August due to the above factors.

We may have been able to provide more information if we had waited until the announcement of our 3Q financial results in November to release the update of the consolidated earnings guidance. However, we made the announcement today thinking that we should break the news to the market earlier than later from the viewpoint of timely disclosure. Please note that the figures provided are somewhat rough numbers.

1-1. Summary of Today's Presentation

(Billion yen)	Tanshin					
	FY2020 Results	Feb. Forecast	FY2021 Aug. Forecast	Oct. Forecast (Revised)	FY2020 Results vs. Oct. Forecast	Aug. Forecast vs. Oct. Forecast
Revenue	781.1	890.0	1,010.0	1,000.0	28.0%	-1.0%
Operating profit (before Asian JV acquisition costs, etc.)	86.9	92.0	107.0	85.0	-2.2%	-20.6%
OP margin (before Asian JV acquisition costs, etc.)	11.1%	10.3%	10.6%	8.5%	-2.6pt	-2.1pt
Asian JV costs, etc.	-	-5.0	-5.0	-5.0	-	-
Operating profit	86.9	87.0	102.0	80.0	-8.0%	-21.6%
OP margin	11.1%	9.8%	10.1%	8.0%	-3.1pt	-2.1pt
Profit*	44.6	67.0	78.0	60.0	34.4%	-23.1%

Analysis vs. Aug. forecast

- Revenue is expected to be roughly in line with the forecast due to the following reasons:
 - Decorative revenue steadily grew in our operating regions except for some regions
 - Lower car production due to global chip shortage and COVID across Japan AU, PT NIPSEA, and the Americas, etc. As a result, automotive revenue is projected to fall below the forecast
- Operating profit is expected to fall below the forecast due to the following reasons:
 - Prolonged and worsening raw material inflation and other factors impacting China Decorative segment profitability, sales decline impact in auto segment, Covid and raw material impact in other regions
 - Taking counter measures such as increase in selling price, procuring substitutes, reviewing SG&A expenses which are work in progress

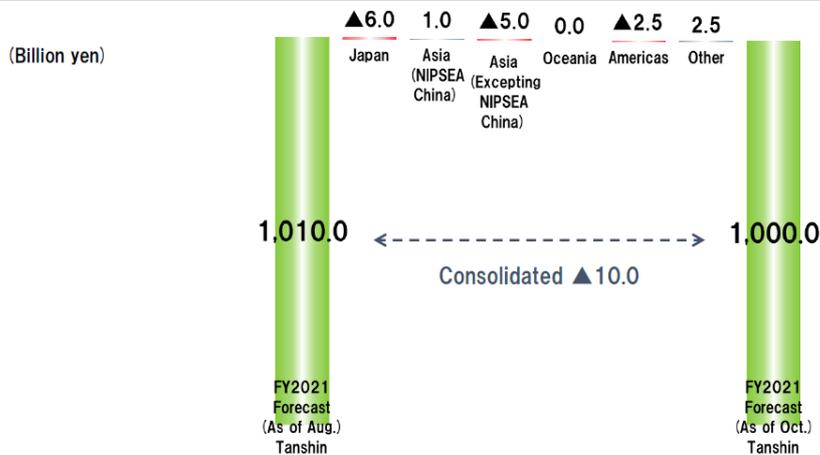
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The overview of the revision is as I just explained: the forecast for consolidated revenue was revised downward by 1% and that for operating profit, profit before tax, and net income by 20-plus % compared with the forecast released in August.

There is no change to the assumptions for exchange rates. In this sense, this earnings guidance is on a constant exchange rate basis compared with the guidance released in August.

1-2. Revenue Gap Analysis (As of Aug. vs. Oct.)



Major reasons for changes (Analysis Aug. forecast vs. Oct. forecast)

- ✓ Japan/Americas : Lower automobile production due to semiconductor chip shortage and the COVID pandemic
- ✓ NIPSEA China : Higher decorative revenue in both DIY/Project segments. Automotive revenue downward revised due to lower automobile production
- ✓ Asia Excepting NIPSEA China : Revised the forecast due to the impact of lockdowns affecting Singapore Group and Indonesia and lower automobile production in Indonesia

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This page shows the breakdown of revision to the revenue forecast from August.

The biggest factor for the revision was the Japan segment, with a 6.0 billion yen decrease from the August forecast. The automotive coatings business was the biggest contributor, but the decorative coatings and marine coatings businesses were subject to downward revision as well. On the other hand, we increased the revenue forecast for NIPSEA China by 1.0 billion yen. Of this, the forecast for decorative paints revenue was raised slightly while that for industrial coatings revenue was lowered slightly. As a result, the overall revenue forecast was slightly above the August forecast.

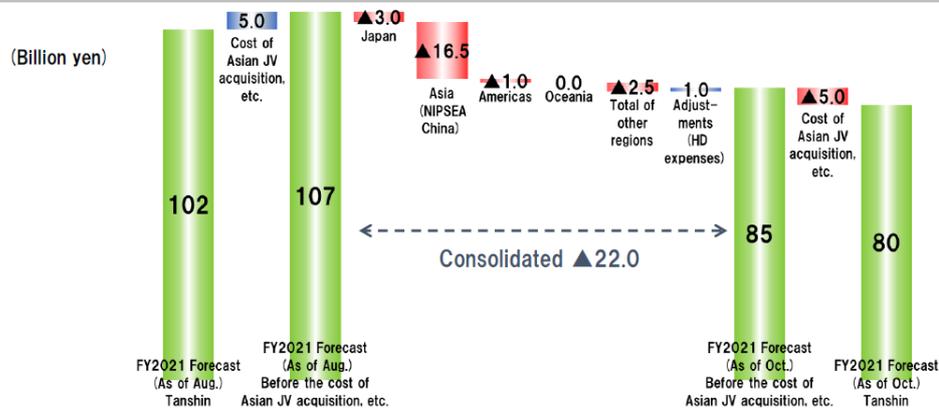
As for Asia (Excepting NIPSEA China), the biggest factor was Indonesia, where we operate both the decorative paints business and automotive coatings business, followed by Singapore Group that includes Vietnam.

In Oceania, we project that revenue will be roughly in line with the forecast, despite factors that could drive down revenue such as lockdowns and raw materials price inflation.

In North America, decorative paints business has remained strong, while the automotive coatings business was the major factor for the downward revision.

Betek Boya in Other region has maintained strong revenue.

1-3. Operating Profit Analysis (As of Aug. vs Oct.)



Major reasons for changes (Analysis Aug. forecast vs. Oct. forecast)

- ✓ Japan/Americas :Mainly in automobile production decline impacting sales and profit, coupled with raw material Inflation
- ✓ NIPSEA China :Prolonged and worsening raw material inflation and other factors impacting China Decorative segment profitability, sales decline impact in auto segment
- ✓ Total of other regions :Impact by raw material inflation and also stagnant sales due to Covid 19 in Asia
- ✓ Adjustments (HD Cost) :Continued review of overhead leading to cost reduction

This page shows the breakdown of revision to the operating profit forecast from August.

In the Japan segment, the biggest factor for the revision was the automotive coatings business, as with the revenue forecast revision, with a 3.0 billion yen decrease from the August forecast.

In terms of operating profit, NIPSEA China was the biggest factor for the forecast revision, with a 16.5 billion yen decrease. The ongoing power shortage in China has had no direct impact on our factory operations. However, it has forced raw materials manufacturers to cut production, which is one of the factors that have driven the prices of raw materials. This operating profit forecast revision of 16.5 billion yen includes potential provision for bad debt. Please note that this provisioning is only based on our internal estimation and not agreed with our auditors.

In the Americas, the main contributor of revision was the automotive coatings business. Total of other regions is the sum of Asia (Excepting NIPSEA China) and other regions.

In total of other regions, no single region was a big contributor. For Betek Boya, for instance, we forecast a revenue growth, but expect a lower operating profit than the August forecast due to the depreciation of Turkish lira considering the company's high dependence on imports for the necessary raw materials.

As for adjustments (HD expenses), we factored in an additional decrease of around 1.0 billion yen after further reviewing the overhead in view of our operating environment. As a result, adjustments are forecast to decrease by around 7.0 billion yen compared with the February forecast.

1-4. Assumptions for FY2021 Forecast (1)

		FY2020 Results (Tanshin)		FY2021 Forecast (As of Feb.)*		FY2021 Forecast (As of Aug.)*		FY2021 Forecast (As of Oct.)*	
		Revenue	OP margin	YoY (Revenue)	YoY (OP margin)	YoY (Revenue)	YoY (OP margin)	YoY (Revenue)	vs. As of Aug. (OP margin)
Japan	Revenue	159.6	10.1% (exc HD expenses)	c. +5%	→	c. +5%	↘	±0%	Slightly Below
	Automotive	34.7		±0%		c. +10%		±0%	
	Decorative	43.7		c. +10%		c. +5%		c. +5%	
	Industrial	35.3		c. +15%		c. +10%		c. +10%	
NIPSEA China	Revenue	268.1	16.4%	c. +10%	→	c. +30%	↘	c. +30%	Below
	Decorative (DIY)	216.0		c. +10%		c. +30%		c. +30%	
	Decorative (PRJ)			c. +20%		c. +30%		c. +30%	
	Automotive	31.8		+5~10%		c. +10%		c. +5~10%	
Asia Excepting NIPSEA China	Revenue	88.5	12.5%	+5~10%	→	+20~25%	→	+20~25%	Below

*Forecasts are in local currencies

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1-4. Assumptions for FY2021 Forecast (2)

		FY2020 Results (Tanshin)		FY2021 Forecast (As of Feb.)*		FY2021 Forecast (As of Aug.)*		FY2021 Forecast (As of Oct.)*	
		Revenue	OP margin	YoY (Revenue)	YoY (OP margin)	YoY (Revenue)	YoY (OP margin)	YoY (Revenue)	vs. As of Aug. (OP margin)
Indonesia	Revenue	30.3	33.8%	(For reference) +10~15%	→	(For reference) +25~30%	→	(For reference) +15~20%	Slightly Above
Oceania	Revenue	148.3	11.6% (before PPA)	+0~5%	↗	c. +5%	→	c. +5%	Inline
Americas	Revenue	70.1	6.4%	c. +5%	→	c. +5%	→	c. +5%	Slightly Below
	Automotive	21.0		+5~10%		c. +5%		±0%	
	Decorative	46.5		c. +5%		+5~10%		c. +5%	
Other	Betek Boya	36.2	13.8% (before PPA)	c. +10%	→	c. +40%	↘	c. +45%	Slightly Below

*Forecasts are in local currencies

<Exchange rate for P/L (average rate) >

	FY2020		FY2021	
	Full Year	Full Year (Feb. Forecast)	Full Year (Aug. Forecast)	Full Year (Oct. Forecast)
JPY / USD	106.4	105.0	109.0	109.0
JPY / RMB	15.4	15.7	16.8	16.8
JPY / AUD	73.7	75.0	82.0	82.0
JPY / TRY	15.2	14.0	13.2	13.2

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Please note that the figures on pages 5 and 6 are very rough. The far right column on the table shows the revised forecast as of October. YoY figures show the comparison with the FY2020 revenue results. The colored arrows indicate a revision of YoY revenue forecast from the August forecast. For operating profit margin, a downward revision from the August forecast is indicated by “Below” or “Slightly Below.” We hope this information is useful.

This completes my presentation. Thank you for your attention.