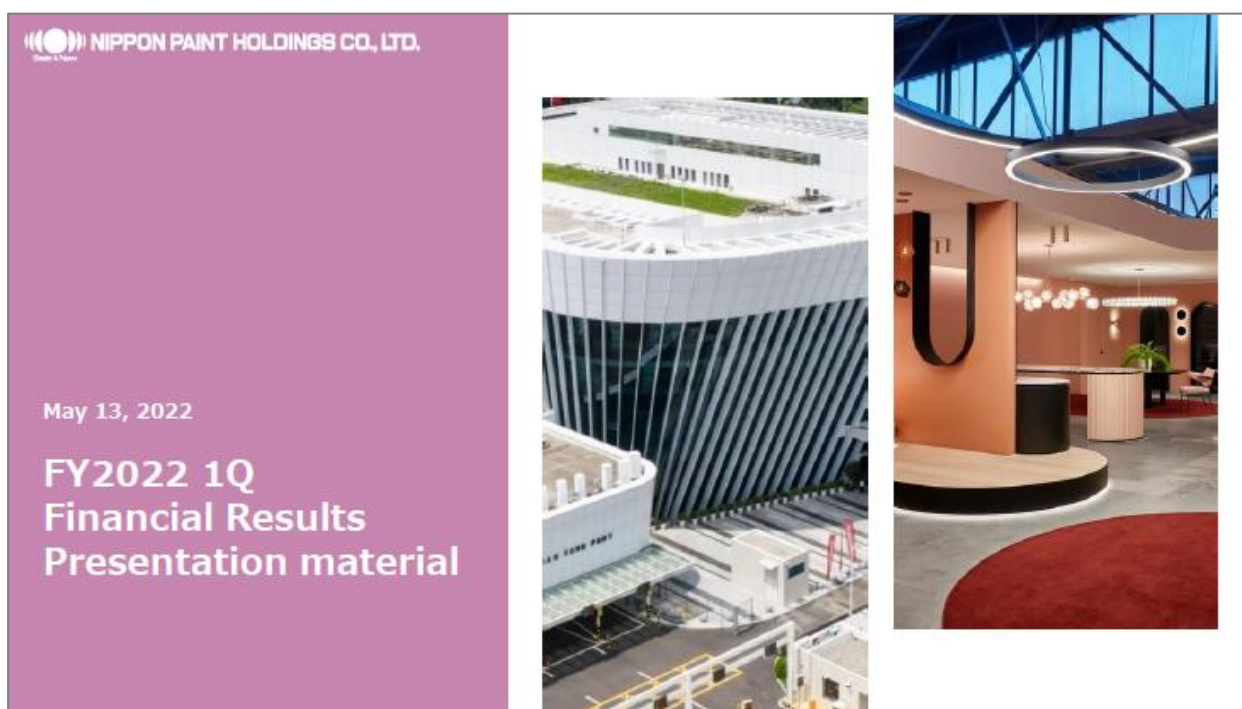


## **FY2022 1Q Financial Results Conference Call Presentation Summary**

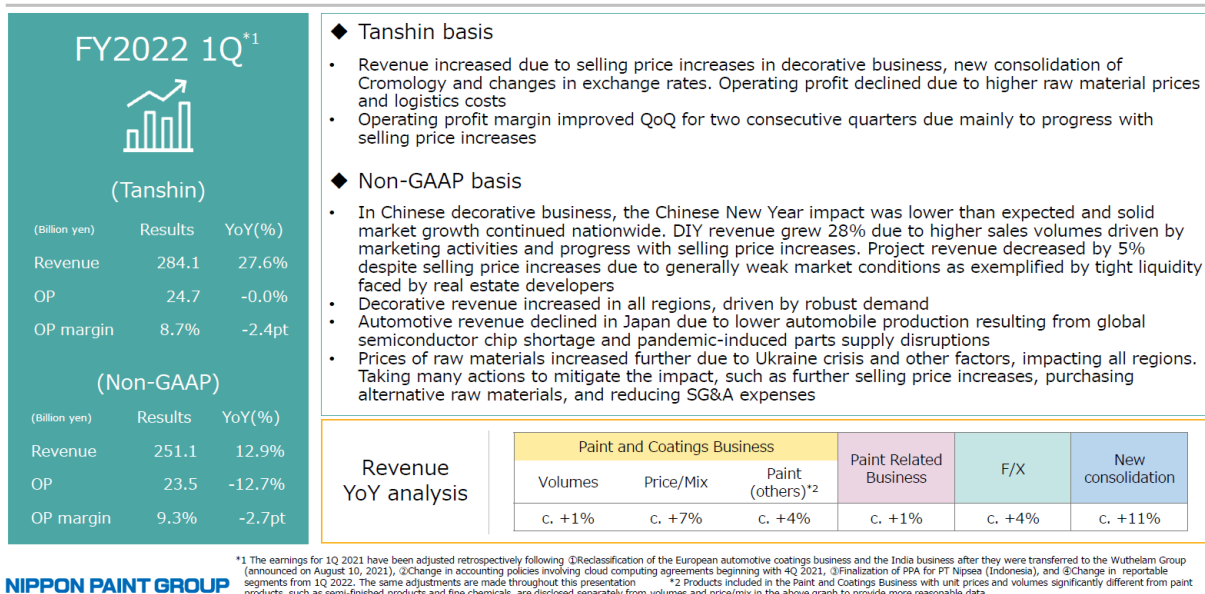
### **May 13, 2022**



Good afternoon, everyone. I'm Yuichiro Wakatsuki, Co-President of Nippon Paint Holdings.

Thank you very much for taking the time today to participate in our conference call regarding financial results for the 1Q of FY2022, at this late hour for people attending this call in Japan.

## 1. Summary: FY2022 1Q Operating Results



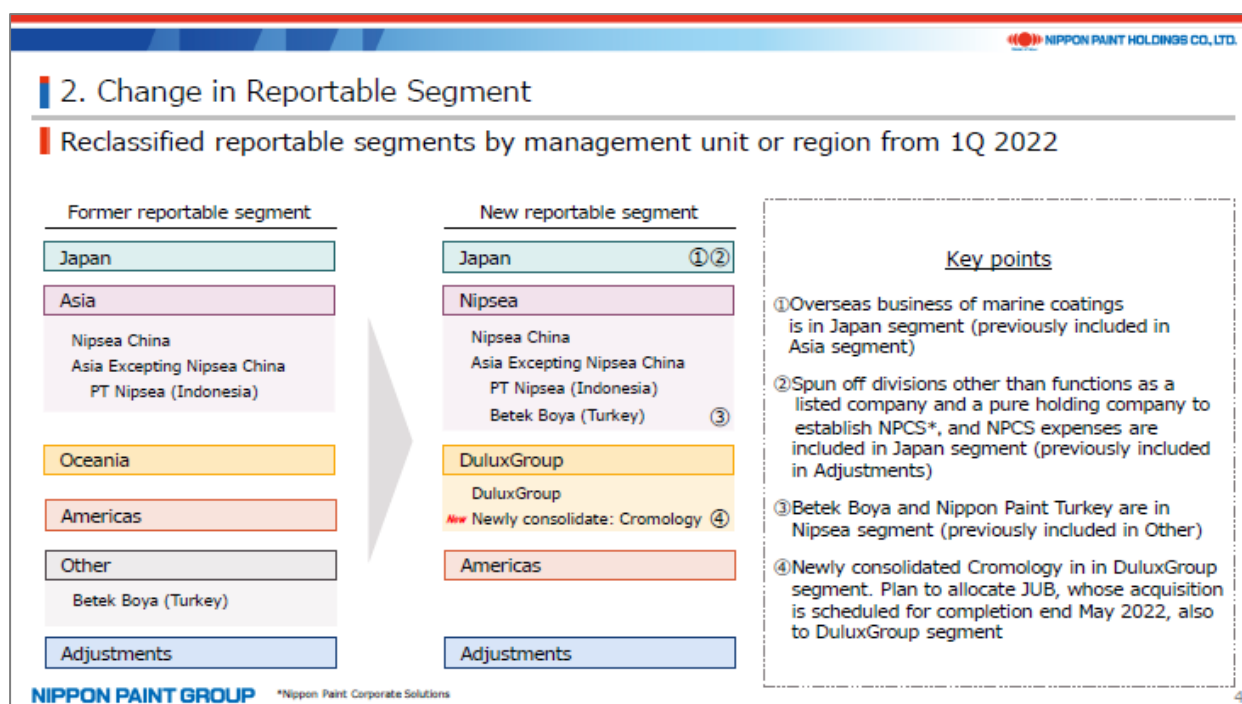
I would like to begin by summarizing the financial results for the 1Q of FY2022.

Revenue increased significantly and operating profit decreased slightly on a Tanshin basis. The positive factors were the new consolidation of Cromology and changes in exchange rates, while the negative factors continued to be increases in raw material prices and logistics costs.

Revenue increased by around 13% on a Non-GAAP basis, which excludes the effects of M&A and exchange rate changes. However, operating profit decreased by around 15%. In our Chinese decorative paints business, the DIY business delivered a strong performance and revenue declined in the Project business even after taking into consideration selling price increases.

The operating profit margin declined compared to the 1Q of FY2021, when raw material prices were not as high as they are now, but improved QoQ. This is in line with the quarterly earnings growth image we provided in the FY2022 forecast in February. On a monetary basis, we believe we have made more progress with passing on raw material price increases and achieving volume growth than we initially expected.

However, we believe that events worldwide remain unpredictable as described in this page. We are taking actions in every region to respond to this uncertainty.



This page explains the change in reportable segments, which I have mentioned previously.

We changed our reportable segments to segments divided by management unit or region from segments divided by region. There are four major changes.

Firstly, the marine coatings business is included in the Japan segment, along with the overseas business, which was previously included in the Asia segment, following a change in organizational structure with the goal of achieving a greater operational integration on a global level. This change will increase revenue in the Japan segment by around 10 billion yen on a full-year basis and will reduce revenue in the Nipsea segment by the same amount.

Secondly, the launch of Nippon Paint Corporate Solutions (NPCS) has resulted in an increase in expenses allocated to the Japan segment. Expenses of functions as a pure holding company are the main expense item included in Adjustments on a consolidated basis. I will mention it later, but the impact of the cost transfer in the 1Q was around 1.3 bn yen.

Thirdly, Betek Boya in Turkey and Nippon Paint Turkey Boya San (NPTR), our Turkish automotive coatings unit, are managed by Nipsea. Therefore, these companies are included in the Nipsea segment. We will disclose information about Betek Boya and PT Nipsea (Indonesia) separately as much as possible.

Fourthly, we newly established the DuluxGroup segment. This segment comprises DuluxGroup, which represented the Oceania segment previously, newly consolidated Cromology, and JUB, which is scheduled to join our Group. As you can see, the DuluxGroup segment is our Oceania business and European business combined.

This change in reportable segments may cause some inconvenience to analysts, and I would appreciate your understanding.

### 3. Raw Material Market Conditions and Business Impact

#### Strategic pricing actions expected to drive gradual OP margin improvement beginning in 2Q 2022

##### 1Q 2022

- Prices of crude oil and naphtha increased further, with prices unlikely to decline within a short period, due to continuing unstable supply caused by disruptions of international logistics, intermittent manufacturing outages, and US and UK bans on Russian oil imports
- In China, lockdown, movement restrictions and zero COVID strategy, coupled with supply chain restrictions, continued to impact raw material production and logistics networks. Difficult to estimate the impact of zero COVID strategy because the situation is in flux
- Prices increased further due to continued increases in ore prices, higher utility and logistics costs, and supply and demand imbalances. Unlikely for supply to improve and prices to decline anytime soon
- Raised selling prices of decorative paints in Chinese DIY, Asia Excepting Nipsea China, and Japan
- Gross profit margin declined YoY but improved QoQ for two consecutive quarters after bottoming out in 3Q 2021

##### Gross profit margin

1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	YoY	QoQ
40.9%	37.6%	36.4%	37.2%	38.5%	-2.4pt	+1.3pt

##### 2Q 2022 and beyond

- FY2022 guidance announced in February assumed Japan naphtha price would remain above 60,000 yen during 1H 2022. The price has risen to the 80,000-yen range due to higher crude oil and naphtha prices resulting from US and UK bans on Russian oil imports and the yen's depreciation
- Continuing to increase selling prices to keep up with raw material price increases
- Assumed operating profit margin would start improving gradually in 2Q due to progress with selling price increases. However, expect margin improvement to be delayed due to current crude oil and naphtha price trends
- Good prospects over medium and longer horizons for margin recovery through selling price increases

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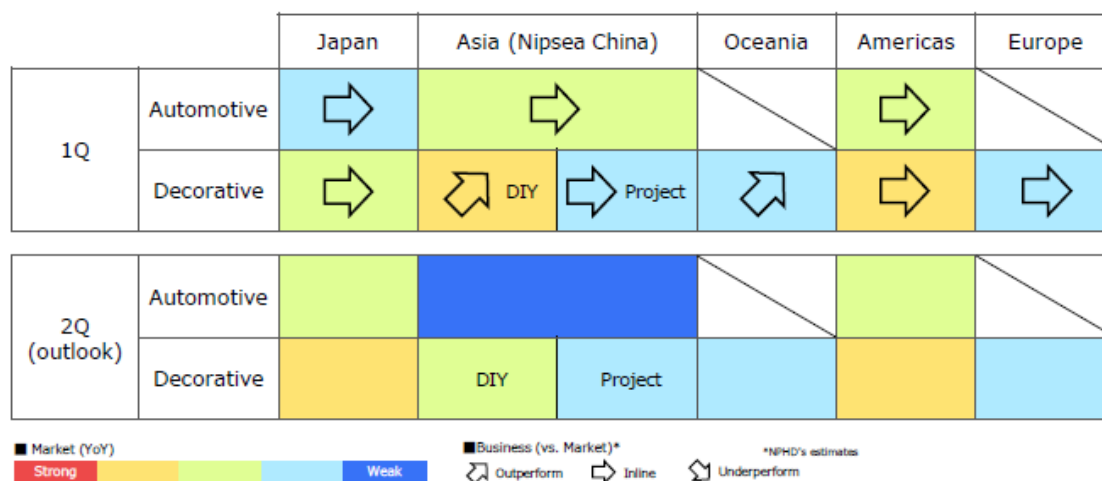
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The raw material market conditions, explained on page 5, have not changed much from our previous explanation. We maintain our outlook that raw material prices are unlikely to decline anytime soon, and we will take actions to reduce costs and pass on raw material price increases wherever and whenever possible.

To supplement my comments, we assume a gradual margin improvement will continue in the 2Q but see a possibility that the pace of this margin improvement will be slower than we anticipated. Factors contributing to the slowing of margin improvement include raw material prices remaining elevated as a result of the crisis in Ukraine, cautious buyer sentiment, and lockdowns in China.

## 4. Market & Business Environment

Decorative markets expected to remain relatively robust in Americas and Japan



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Page 6 shows a heat map for the market and business climate.

We newly added a heat map for the decorative business in Europe for Cromology. Please note that Turkey is not included in Europe on this heat map.

While the overall market climate is rather weak, the Chinese DIY market achieved considerable growth in the 1Q. In addition, we believe our Chinese DIY business succeeded in increasing market share by leveraging its brand power and distribution networks.

## 5. Summary of Operating Results in Major Segments (1Q FY2022)

(Billion yen)		Tanshin		Non-GAAP		Overview	
		1Q 2022	YoY	1Q 2022	YoY		
Japan	Revenue	41.8	-1.9%	41.5	-2.5%	▶Decorative	Higher revenue due to progress at delayed construction projects, despite impact of resurgence of pandemic
	OP	0.3	-93.2%	0.3	-93.0%	▶Automotive	Revenue decreased due to lower automobile production vs. 1Q 2021 resulting from semiconductor chip shortage and pandemic-induced parts supply disruptions
Nipsea China	Revenue	96.3	32.0%	85.4	17.4%	▶Decorative (DIY)	Revenue up 28% due to strong sales, mainly from increased volume, positive impact from price increase, and lower-than-expected impact of Chinese New Year
	OP	8.0	-14.9%	6.9	-24.2%	▶Decorative (Project)	Revenue down 5% due to continuing tight liquidity and challenging market condition for real estate developers, cautious buyer sentiment
Asia Excepting Nipsea China	Revenue	56.3	17.6%	60.6	26.5%	▶Automotive	Higher revenue due to higher automobile production, despite pandemic-induced parts supply disruptions and semiconductor chip shortage
	OP	9.8	-2.7%	10.5	6.0%	▶Asia Excepting Nipsea China	Revenue up 27% overall. Higher revenue in Malaysia Gr. and Singapore Gr., driven by price increase and higher volume. Higher automotive revenue in Thailand Gr., despite lower automobile production vs. 1Q 2021, due to share gain in Auto OEM and Parts
Dulux Group	Revenue	68.0	63.8%	44.0	5.9%	▶PT Nipsea	Higher revenue due to selling price increases, wider coverage of distribution network, expansion of distributors, more CCM*1 systems installed, and higher industrial coatings revenue
	OP	6.8	18.1%	6.0	5.4%	▶Betek Boya	Higher revenue due to success in brand strategy continuing from 2021, coupled with continuing strength in paint demand and selling price increases
Americas	Revenue	21.6	22.2%	19.7	11.1%	▶DuluxGroup (Decorative)	Higher revenue due to price rises (in response to higher raw material costs). Volume slightly down due to floods impacts in Feb/Mar and 1Q 2021 impact of COVID enhanced "DIY" demand
	OP	0.9	-6.8%	0.8	-15.1%	▶Cromology	Higher revenue due to price rises (in response to higher raw material costs) and increased Southern European ETICS*2 sales. Offset by reduced volumes from softer French market conditions
Adjustments	Revenue	-	-	-	-	▶Decorative	Higher revenue due to selling price increases, robust demand, favorable weather, and easing of pandemic-related restrictions
	OP	-1.0	-	-1.1	-	▶Automotive	Flat revenue due to lower automobile production because of production adjustments caused by semiconductor chip shortage and pandemic-induced parts supply disruptions

**NIPPON PAINT GROUP** \*1 Computerized Colour Matching \*2 External Thermal Insulation Composite System

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This page briefly summarizes the operating results in our major segments. More information is provided in the Supplemental Material that starts on page 12.

The operating profit in the Japan segment declined significantly from 4.3 bn yen in the 1Q of FY2021 to 0.3 bn yen in the 1Q of FY2022. As I mentioned earlier, around one-third of the operating profit decrease of 4.0 bn yen is attributable to the cost transfer beginning with the 1Q of FY2022 and the remaining 2.7 bn yen resulted from lower earnings in business operations.

Although the automotive coatings business was impacted more than we expected by the decrease in automobile production, the decrease in the 1Q FY2022 operating profit in the overall Japan segment, compared to the 1Q FY2021 when raw material prices were not as high as they are now, was within our expectations. Based on a sequential comparison of the operating profit in the Japan segment that excludes NPCCS expenses, the 1Q FY2022 operating profit margin improved slightly at 3.8% over the 4Q FY2021 operating profit margin at 2.9%. In the Japan segment, we have raised selling prices based on agreements with customers and are taking many actions to improve productivity. Needless to say, the Japan segment team is not satisfied with this margin level.

By the way, the DuluxGroup segment started to feel the impact of the raw material price increases, falling slightly behind other segments. We fully expect that this segment will achieve growth both in revenue and operating profit on a full-year basis by taking actions including selling price increases during the 1H of FY2022.

In the Americas segment, decorative paints revenue remained strong. On the other hand, automobile production, in particular at Japanese manufacturers, has been impacted by supply disruptions of parts. As a result, automotive coatings revenue in this segment was lower than expected.



## 6. Major Topics①

### ■ Possibility of an additional allowance for potential credit loss on receivables relating to Chinese business (announced on May 13)

- Examining and reassessing financial positions of ~15 major Chinese real estate developers, focusing on receivables, due to weak real estate market and cautious buyer sentiment caused by the pandemic in China and taking into consideration the present situation of real estate developers and competitors
- Based on one estimate, an additional allowance for potential credit loss on receivables in China of c. 10.0 bn -15.0 bn yen may be recorded in 2022 if credit risk increases considerably

#### ◆ Financial impact

- No change at this time to earnings forecast for full year 2022 announced on February 14, 2022
- Amount of allowance for potential credit loss will be determined going forward. We must consider our solid earnings due to progress with selling price increases globally, revenue boost from the weaker yen, top-line growth contribution from completion of JUB acquisition, and assessment of raw material price trends. An announcement will be made promptly if a revision to the earnings forecast is necessary

#### ◆ Allowance for potential credit loss on receivables in China

FY2021 (Results)	FY2022 (possibly recording additional allowance)
¥3.6 bn	¥10.0 bn – 15.0 bn (based on one estimate)

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As shown on page 8, we issued a press release on the possibility of recording an allowance for potential credit loss.

I want to clarify that this press release is strictly intended to announce a possibility to the capital markets and is not based on an event that has occurred.

The situation is changing day by day in China. In particular, the impact of lockdowns has been increasing since April. We are examining the necessity of recording an additional allowance for potential credit loss mainly on receivables from around 15 major Chinese real estate developers, along with the amount of this allowance if we decide to do so. Based on one estimate, there is a possibility that we will record an additional allowance of 10.0 billion-15.0 billion yen in FY2022. Our accounting auditor has not agreed with these figures and we will make an announcement as soon as the amount is finalized.



Regarding the impact of the situation in China on our full-year earnings, there are both positive and negative factors. As a result, we do not have sufficient reasons to revise our full-year guidance at this time. Exchange rates basically have moved towards a weaker yen compared to our assumptions at the beginning of the period, which is a positive factor. In addition, we are now confident about completing the acquisition of JUB at the end of May, which is not included in the initial guidance and is therefore a positive factor. On the other hand, the possibility of recording an additional allowance relating to the Chinese business is not a positive factor. Lockdowns in China and the Ukraine crisis will probably have a negative impact on our businesses. We are hoping to be able to release a clearer earnings guidance when we announce our 2Q FY2022 results, which is scheduled for August.

 NIPPON PAINT HOLDINGS CO., LTD.



## 6. Major Topics②

### M&A updates

- ◆ Cromology (acquisition closed on January 20, 2022)
  - Cromology welcomed as a partner company within DuluxGroup
  - Collaboration on future growth opportunities underway
- ◆ JUB (acquisition announced on October 29, 2021)
  - Final regulatory approval granted
  - Closing scheduled for completion end May 2022
- ◆ Five Chinese automotive consolidated subsidiaries (acquisition announced on November 2, 2021)
  - Approval obtained by competition authorities and undergoing formalities for change of registration at registration offices of individual companies in China. Closing is scheduled in June 2022

Business location in Champagne

JUB Group

JUB's office buildings and plants

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This page provides our M&A update.

We completed the acquisition of Cromology in January and moved on to the next stage for collaboration with this company. As for JUB, we have already obtained all the approvals required from the antitrust authorities and expect the acquisition will close at the end of May. In addition, we have obtained the approval of the relevant authorities for the acquisition of our consolidated automotive coatings subsidiaries to make them wholly-owned subsidiaries. We expect that the acquisition can be completed during June.



## 6. Major Topics③

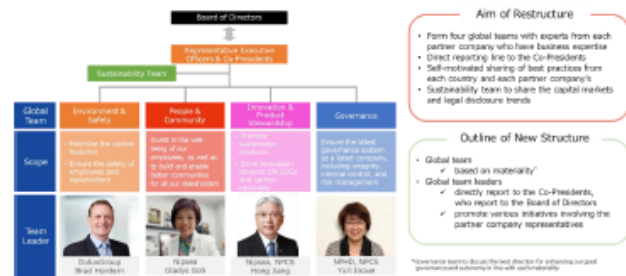
### Selected for FTSE Blossom Japan Sector Relative Index (Announced by NPHD on April 4)

- This index is used by Japan's Government Pension Investment Fund (GPIF) as a benchmark for passive ESG investment management
- Remain committed to materiality related to sustainability identified from a global perspective based on a structure that strengthens the link between sustainability initiatives and businesses

#### Selected as constituent of following sustainability indices



#### Sustainability structure launched in 2022



\*From presentation for Medium-Term Management Plan Progress Briefing on March 16

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This page explains our selection as a constituent of an FTSE index as we announced on April 4.

We will continue to disclose information in a timely and appropriate manner under the new sustainability structure, which we hope will attract new investors.

## 6. Major Topics④

### Nipsea China's LiBang brand granted various awards

- Continuous award-winning is proof of trust of customers and consumers. Continue to improve products and services as brand providing value



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Along with our efforts to further strengthen our DIY business in China, Nipsea China's LiBang brand has received various awards. Since such a powerful brand cannot be built overnight, LiBang has become one of the strengths that differentiates us from competitors.

Thank you for your attention.