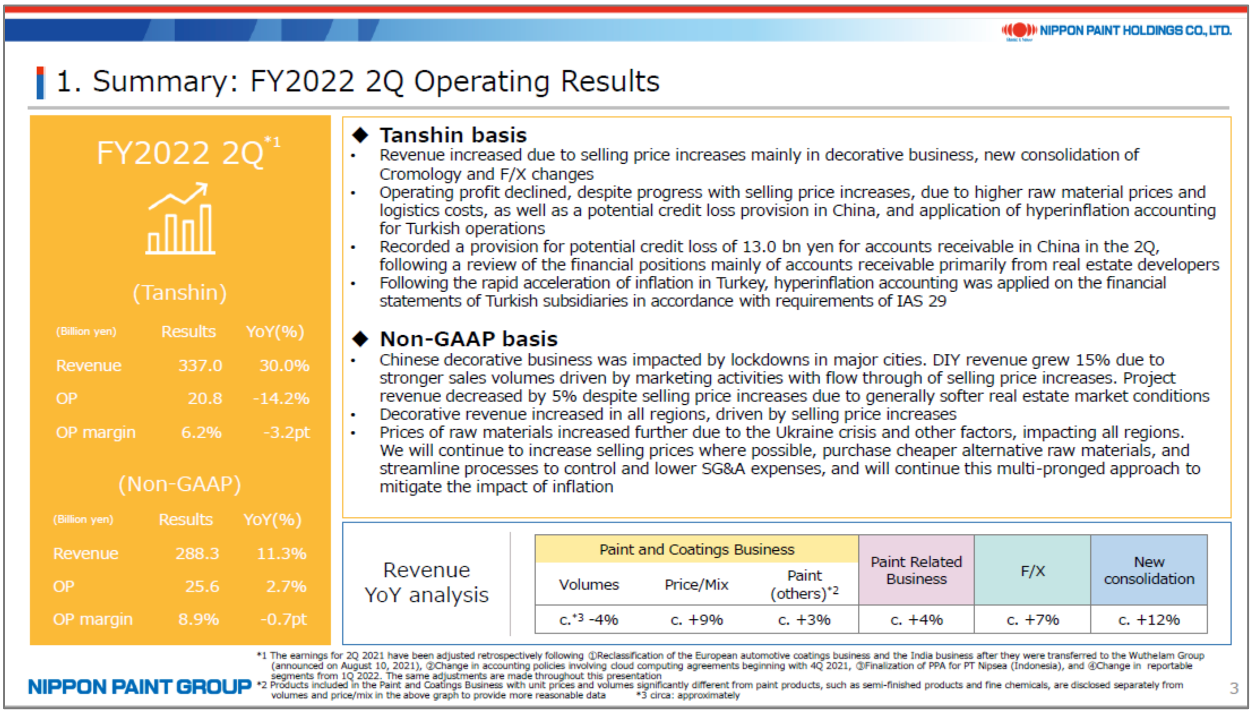
FY2022 2Q Financial Results Conference Call Presentation Summary
August 10, 2022

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 2Q of FY2022.

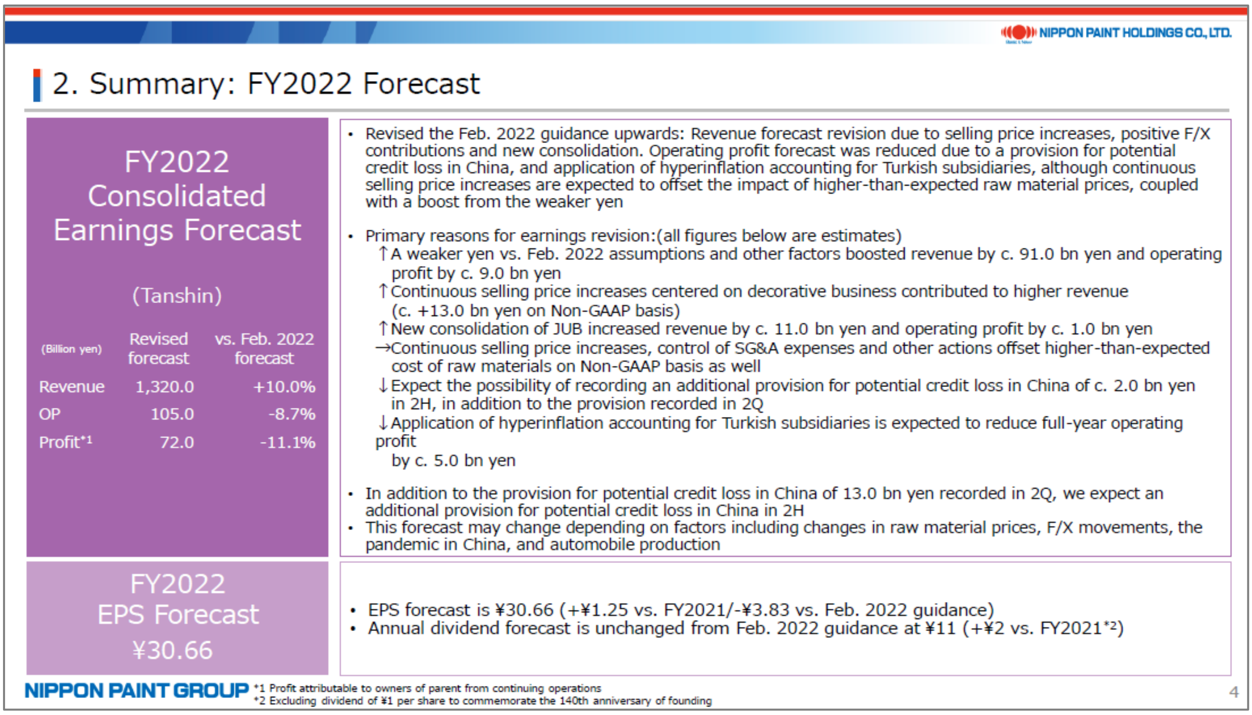


I would like to begin by summarizing the financial results for the 2Q of FY2022.

Revenue increased by 30% on a Tanshin basis to 337.0 bn yen, staying on a strong growth path continuing from the 1Q. Unfortunately, operating profit decreased by 14%. This revenue growth was attributable to the new consolidation of Cromology, the weaker yen, as well as a price/mix improvement that offset lower volumes and higher revenue in the paint related business. Operating profit declined, despite the contribution from foreign exchange gains and the new consolidation, due to the impact of lockdowns in China on our operations in the April-June quarter and a provision for potential credit loss mainly on receivables from Chinese real estate developers totaling 13.0 bn yen as we announced in May.

On a Non-GAAP basis, revenue and operating profit from our existing businesses, excluding the effects of the new consolidation, exchange rate movements, and one-off expenses, increased by 11% and 2.7%, respectively. I believe this reflects the strength of our business fundamentals.

The operating profit margin improved by around 9% and slightly declined from a year earlier on a Non-GAAP basis. However, the margin did not improve as much as we had expected and was unchanged compared to the 1Q due to the impact of the pandemic in China, combined with the application of hyperinflation accounting in Turkey, which I will explain later. Regardless of these unforeseen events, we were able to consistently expand our businesses. This, I believe, reaffirms the resilience of Nippon Paint Group. We will continue to implement selling price increases and control SG&A expenses in the 3Q and thereafter in order to improve our operating profit margin.



This page explains revisions to our guidance announced in February 2022.

Revenue exceeded the previous guidance by around 13 bn driven by business growth. In addition, seven months of JUB revenue of around 11 bn yen was newly consolidated, while the acquisition of this company had not been finalized when the previous guidance was announced. There were also contributions from the application of hyperinflation accounting for our Turkish subsidiaries of around 5 bn yen on a full-year basis based on rough estimation at this time, and from the weaker yen of slightly over 90 bn yen. All in all, we increased our revenue guidance by 10% to 1,320.0 billion yen.

Operating profit from our existing businesses was roughly in line with our forecast. With revenue expected to be higher than initially expected, we expect to be able to offset higher expenses so that there will be no impact on our earnings. However, we expect a slight decrease in the operating profit margin. Our operating profit guidance was lowered by 10.0 bn yen, from 115.0 bn yen in the February 2022 guidance to 105.0 bn yen. The breakdown is as follow. There was a foreign exchange gain of around 9 bn yen, a revenue gain from the new consolidation of JUB of around 1 bn yen, a negative impact from recording a potential credit loss provision of around 15 bn yen, which includes 13.0 bn yen recorded in the 2Q and a potential additional provision, and the application of hyperinflation accounting for Turkish subsidiaries that is expected to reduce operating profit by around 5 bn yen on a full-year basis.

This revised guidance incorporates the following factors that were not included in our outlook in May when we released the 1Q FY2022 results: ① we now have a more accurate outlook about the potential credit loss provision in China, ② we estimated the foreign exchange impact when there were six months left in this year, although the impact is naturally subject to change, ③ increases in raw material prices have settled down to a certain extent, giving us a better outlook for price levels in the 2H, and ④ the acquisition of JUB closed at the end of May. In addition to these factors, there were also the following factors that led to the revision of our guidance this time.: ⑤ our outlook for lockdowns in China was extremely uncertain as of May but has become clear to a certain extent, although the situation remains unpredictable and ⑥ the new application of hyperinflation accounting for our Turkish subsidiaries, which we did not expect as of May.

We made this guidance by factoring in numerous external factors and uncertainties that continue to impact our operating environment, such as exchange rate movements and inflation, as well as the pandemic. When our assumptions change significantly, we will make an announcement promptly whenever possible without being restricted by the criteria for the disclosure of earnings forecast revisions.

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3. Raw Material Market Conditions and Our Responses

Strategic pricing actions will continue for improving OP margin from 2H

2Q 2022

- Crude oil prices have remained above USD100 due to bans on Russian oil imports because of the Ukraine crisis and production capacity restrictions at oil producers. The high price of oil, combined with the weaker yen, have driven naphtha prices up by 30% vs. the 1Q level. Raw material suppliers are raising selling prices frequently
- Supply and demand is unlikely to ease with the peak summer demand period approaching
- Logistics uncertainties are continuing due to factors such as labor-management negotiations in North America and container logistics disruptions worldwide
- Increased selling prices of decorative paints mainly in China DIY, Asia except China, and Japan
- Gross profit margin improved QoQ in 3Q and 4Q 2021 but declined QoQ in 2Q 2022 due to further increase in raw material prices

◆Gross profit margin

2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	YoY	QoQ
37.6%	36.4%	37.2%	38.5%	36.1%	-1.5pt	-2.4pt

3Q 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
- Expect raw material prices to decline in 2H from the 1H levels. Combined with selling price increases, we expect gross profit margin will improve in 3Q
- Good medium to long-term prospects for margin recovery through selling price increases

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This page explains conditions in raw material markets.

Our operating profit margin improvement in the 2Q did not progress as much as we had expected despite our continuous pricing actions due to the prolonged Ukraine crisis, cooling of consumer sentiment, and lockdowns in China. But we achieved solid growth including market share gains in every region. Therefore, we are capable of improving our operating profit margin in the 2H if the pace of raw material price increases eases as we expect.

We do not assume that raw material prices will decrease in the 2H. If prices decline, our operating profit margin may improve even more.

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5. Summary of Operating Results in Major Segments (2Q FY2022)

(Billion yen)		Tanshin		Non-GAAP		Overview
		2Q 2022	YoY	2Q 2022	YoY	
Japan	Revenue	45.7	4.0%	45.2	2.9%	▸Decorative: Higher revenue due to stronger market conditions compared to 2Q 2021, coupled with higher unit prices due to pricing actions ▸Automotive: Lower revenue due to continued YoY decrease in automobile production because of semiconductor chip shortage and parts supply disruptions due to the pandemic
	OP	2.2	-19.9%	2.2	-21.3%	*Expenses related to the functional company in Japan (NPCS*2) are allocated to the Japan segment beginning with 1Q 2022 (The amount corresponding to these expenses for 2021 is included in Adjustments)
Nipsea China	Revenue	121.6	18.6%	105.4	2.8%	▸Decorative (DIY): DIY revenue up 15% YoY despite COVID lockdowns in Shanghai and other metropolitan areas, due to stronger sales driven by higher volumes, flow through of selling price increases and expansion of distribution points ▸Decorative (Project): Project revenue down by 5% YoY due to softer real estate market conditions and weaker buyer sentiments for new homes
	OP	-1.8*1	-	9.3	-4.1%	▸Automotive: Lower revenue due to lower automobile production because of semiconductor chip shortage, parts supply disruptions, and COVID lockdowns
Asia Excepting Nipsea China	Revenue	64.8	31.5%	71.5	45.0%	▸Asia Excepting Nipsea China: Revenue grew 45.0% YoY overall. Higher revenue at Malaysia Gr. and Singapore Gr. due to continued growth and selling price increases. Higher revenue at Thailand Gr. due to increased share mainly with parts manufacturers, despite lower automobile production caused by semiconductor chip shortage ▸PT Nipsea: Higher revenue due to selling price increases, expansion of distribution network, increase of distributors, more CCM*3 installed, and sales growth of industrial business
	OP	7.6	-0.0%	7.5	-1.9%	▸Betek Boya: Higher revenue due to selling price increases and successful implementation of brand strategy continuing from previous year, despite the rapid pace of inflation in Turkey
Dulux Group	Revenue	79.1	85.4%	44.7	4.7%	▸DuluxGroup (Decorative): 2Q revenue higher, primarily due to price rises (in response to higher raw material costs). 2Q volumes were slightly up due to share growth in a flat market ▸Cromology: Sales volumes declined due to soft market conditions mainly in the French business. However, higher revenue driven by selling price increases (in response to higher raw material costs) and higher ETICS*4 sales
	OP	9.3	76.8%	5.4	3.2%	▸JUB: Revenue increase driven by selling price increases (in response to higher raw material costs) and higher ETICs sales
Americas	Revenue	25.7	24.3%	21.6	4.3%	▸Decorative: Higher revenue primarily driven by the cumulation of past price increases despite lower demand and an unfavorable US economic environment ▸Automotive: Higher revenue, despite semiconductor chip shortage, due to higher automobile production driven by very strong demand
	OP	4.2	131.8%	2.0	11.4%	*Including a gain on sale of Dunn-Edwards' headquarters building and other assets on Tanshin basis
Adjustments	Revenue	-	-	-	-	*Only HQ Expenses related to functions as a listed company and a pure holding company are included in Adjustments beginning with 1Q 2022
	OP	-0.8	-	-0.8	-	

NIPPON PAINT GROUP *1 Including provision for potential credit loss in China of -13.0 bn yen *2 Nippon Paint Corporate Solutions *3 Computerized Colour Matching *4 External Thermal Insulation Composite System 7

This page summarizes the operating results in our major segments. For more information, please see the Reference Data that starts on page 14.

To give you some supplementary information, our operating profit of 2.2 bn yen in Japan includes expenses related to Nippon Paint Corporate Solutions (NPCS). When we reverse the additional allocation of NPCS-related expenses of around 1.2 bn yen to make a comparison based on the same conditions as in the prior year, the operating profit would be around 3.4 bn yen (OP margin: 7.4%). Then, compared with operating profit of around 2.8 bn yen (OP margin: 6.4%) in 2Q FY2021 and around 1.6 bn yen (OP margin: 3.8%) in 1Q FY2022, you can see that our operating profit margin is improving.

Revenue in NIPSEA China increased by 2.8% overall on a Non-GAAP basis due to the weaker yen. Revenue in the decorative business, which accounts for 80% of total NIPSEA China revenue, grew by 7.1%. Of this, DIY revenue increased by 15% and the Project business decreased by 5%. On the other hand, our automotive and industrial businesses were impacted significantly by lockdowns and revenue in these segments decreased by 12% and 24%, respectively, although they are a small portion of total revenue.

Turning to Asia Excepting NIPSEA China, we performed well in every market, including Indonesia and Turkey. In nominal terms, earnings growth in Turkey appears greater due to inflation. We shouldn't talk about "what if", but we could have achieved operating profit growth both on a Tanshin and Non-GAAP basis without the negative profit impact from the application of hyperinflation accounting for our Turkish subsidiaries.

DuluxGroup has continued to grow consistently in Australia and New Zealand with steady progress with selling price increases. At Cromology, although cooling of consumer sentiment in Europe is a concern, we are raising selling prices and reducing expenses whenever and wherever we can. Cromology's contribution to consolidated operating profit is expected to be about 5 bn yen, a must-achieve target, after one-off expenses in the first year after the acquisition. It's encouraging that following the completion of JUB's acquisition, collaboration with the new JUB team has started not only with the DuluxGroup team and Cromology team but also with the Betek Boya team in Turkey.

In the Americas, our automotive revenue increased slightly and our decorative paints revenue at Dunn-Edwards continued to increase in the 2Q amid heightened uncertainty about the outlook for the US market. As a side note, our Tanshin-base earnings in the Americas include a gain on the sale of Dunn-Edwards' headquarters building and other assets of around 1.8 bn yen.

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6. Major Topics ①

Application of hyperinflation accounting for Turkish subsidiaries

- Outline and background
  - IAS 29 of IFRS requires the financial statements of a company with a functional currency that is hyperinflationary to be restated for changes in the general pricing power of the functional currency
  - This accounting policy has been in place under IFRS, but the Turkish subsidiaries were the first Nippon Paint Group companies to use this accounting policy
  - Hyperinflation accounting was applied because the cumulative inflation rate in Turkey over three years has exceeded 100%

- Impact on our earnings

Application period	Start of application: 2Q FY2022 End of application: Will continue until hyperinflation ends in Turkey
Impact on financial statements	◆ Betek Boya's statement of financial position (B/S) • Non-monetary items (inventories, non-current assets, share capital, etc.) will be restated to the price level at year-end • Monetary items (cash and deposits, accounts receivable, accounts payable, borrowings, etc.) are stated at fair value and will not be restated, but effective declines in value will be included in financial cost/income in P/L ◆ Betek Boya's statement of profit or loss (P/L) • All account items will be restated from the price level during the period to the price level at year-end ◆ Consolidated statement of profit or loss (P/L), consolidated statement of cash flows (C/F) • All account items will be converted by using the year-end exchange rate
Monetary impact	Revenue is estimated to increase by c. 5.0 bn yen, and operating profit is expected to decrease by c. 5.0 bn yen compared to FY2022 forecast announced in February 2022

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This page explains hyperinflation accounting that was applied beginning with the 2Q of FY2022 because the cumulative inflation rate in Turkey over three years has exceeded 100%.

This accounting policy is nothing new and was applied to countries including Argentine, Iran, and Sudan before. However, this is the first case in which the accounting policy was applied to Nippon Paint Group companies. Also, Betek Boya was a successful acquisition by Nippon Paint Holdings, so I will explain a little more about this.

The key point is that hyperinflation accounting requires adjustments of income statement and balance sheet items according to changes in the local price index. Therefore, revenue will be higher after adjusting for inflation but the prices of raw materials and inventories, which are normally held for a relatively long time until sales are recorded, will be adjusted at even higher inflation rates. These inflation adjustments, combined with the inflation adjustment for non-current assets and other expense items, will put pressure on profits.

I understand the risk of declines in monetary and non-monetary values in a hyperinflationary state. But in reality, I feel there is a discrepancy between intuition and judgment of the local management and the accounting rules. For instance, raw materials which were stocked in anticipation of price increases in the future need to be reevaluated. I believe we need to adopt some new approaches to business operations while responding to the application of these accounting principles.

Hyperinflation accounting was applied to our Turkish subsidiaries beginning with the 1H of FY2022. The application is estimated to increase revenue by 3.0 bn yen and reduce operating profit by around 3.3 bn yen in the 1H of FY2022. The impact on a full-year basis is estimated to be an increase in revenue of 5.0 bn yen and a decrease in operating profit of 5.0 bn yen. These estimates are also reflected in our Non-GAAP results.

Our profit before tax may decrease even more because a loss on net monetary position will be recorded as a non-operating expense.

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6. Major Topics ②

"Next Career Plan" voluntary early retirement program (announced on June 17)

- Implement a Next Career Plan early retirement program targeting employees within certain age groups from Group companies in Japan. The aim is to transform our organizational structure for high growth potential, efficiency, and productivity.
  We are focusing on earnings improvement of operations in Japan by becoming a resilient organization that can tackle new challenges and deliver results quickly

- The program also enables placing the right people in the right posts to achieve rapid growth; drive a transformation; and revitalize the organization; another goal is to give every employee an opportunity to pursue new career paths and to fully exploit their abilities
- The financial impact of this early retirement program will be disclosed around early October

◆Outline of the "Next Career Plan"

Target companies	8 Group companies in Japan and their subsidiaries and indirectly-owned subsidiaries in Japan
Target number of applicants	Not specified
Application period	September 2022 (scheduled)
Date of retirement	December 31, 2022 (scheduled)
Support program	Provision of special retirement benefits and job-placement assistance

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We are currently implementing the Next Career Plan, so I cannot tell you much about it. What I can tell you is that this plan targets employees in certain age groups in order to review our businesses from every aspect. We want to create an efficient and lean organization with the goal of enhancing the growth potential of the Japan segment, as I have mentioned on various occasions.

We have no set limit on the number of people who can apply for the plan, and therefore its impact on our earnings is undetermined. However, this plan is scheduled for completion at the end of this year. Therefore, I believe I can tell you about the plan's impact on our operating results to a certain degree in early October or November when we announce our financial results for the 3Q of FY2022, at the latest.

6. Major Topics ③

M&A updates

◆ JUB (acquisition closed on May 31, 2022)

- Started the shift to a new management structure as a partner company of DuluxGroup
- JUB started contributing to consolidated earnings from June 2022

◆ Five Chinese consolidated automotive coatings subsidiaries (acquisition closed on May 31, 2022)

- Integrated our Chinese automotive business entities to transition integrated operations
- Aiming to increase market share in the growing Chinese market

JUB's office buildings and plants

Best Practice Award in Integrated Report Award 2021 of Nikko Research Center, Inc. (NRC) (announced on June 13)

- Our Integrated Report 2021 was selected from among all the integrated reports evaluated by NRC as the best report for meeting the needs of investors
- The main reasons are: "the report received high scores overall in NRC's seven evaluation items", "the management message clearly conveyed management philosophies and personalities of the management team", and "the report provides much information not found in the Annual Securities Report, such as the Board of Directors' discussions on the selection process for the President and concerning the protection of minority shareholders"
- We will continue activities to improve our Integrated Report and strengthen engagement with shareholders, investors, and stakeholders around the world

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We have completed the acquisition of JUB and full integration of our Chinese consolidated subsidiaries. By making the Chinese subsidiaries wholly owned subsidiaries, our plan is to integrate our automotive OEM business and automotive plastic business, which have been operated separately, in order to further increase efficiency.

Our integrated report 2021 received very high evaluations. This year's report, which is expected to be published by the end of August, will have even more improvements and enhanced content. I appreciate your taking a moment to review this report and welcome your feedback and suggestions for improvements.

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6. Major Topics ④

Selected for the first time as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index (announced on June 20)

Selected for the first time as a constituent of MSCI Japan ESG Select Leaders Index (announced on July 4)

- NPHD has been selected as a constituent of all the following five ESG investment indexes for Japanese stocks adopted by the Government Pension Investment Fund (GPIF)

  FTSE Blossom Japan Index
  FTSE Blossom Japan Sector Relative Index
  MSCI Japan ESG Select Leaders Index
  MSCI Japan Empowering Women Index (WIN)
  S&P/JPX Carbon Efficient Index

- We will continue to proactively address material issues for sustainability identified from a global perspective based on a framework that strengthened the link between sustainability initiatives and business operations

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

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This page summarizes the status of our inclusion in ESG indexes. We remain committed to ESG initiatives in order to expand our investor base.

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6. Major Topics ⑤

Expect to meet the listing maintenance criteria for the TSE's Prime Market as a result of increase in our stock free float ratio

- Non-tradable shares held by some shareholders have been confirmed to be for pure investment purposes and traded within the past five years. If TSE's escape clause on free float ratio is applied, we have met the listing maintenance criteria with a free float ratio of more than 35% based on our estimate using the shareholder registry as of June 30, 2022

Revised some figures in FY2022 1Q results presentation material

- Consolidated earnings and DuluxGroup's earnings in "FY2022 1Q Financial Results Presentation Material", released on May 13, 2022, have been partially revised as follows

◆Consolidated earnings for FY2022 1Q (figures in red are corrected)

(Billion yen)

	Results (Tanshin)			Results (Non-GAAP)			
	FY2021 1Q	FY2022 1Q	YoY (%)	FY2021 1Q	FY2022 1Q	YoY (Amount)	YoY (%)
Revenue	222.7	284.1	27.6%	222.5	251.1	28.7	12.9%
Operating profit	24.7	24.3	-1.5%	26.9	22.8	-4.1	-15.2%
OP margin	11.1%	8.6%	-2.5pt	12.1%	9.1%	-	-3.0pt
EBITDA	31.5	34.5	9.4%	-	-	-	-
EBITDA margin	14.2%	12.1%	-2.0pt	-	-	-	-
Profit before tax	24.1	24.9	3.2%	27.9	23.4	-4.5	-16.0%
Profit*1	16.4	18.1	10.4%	19.9	17.3	-2.6	-13.1%

	Results (Tanshin)			Results (Non-GAAP)			
	FY2021 1Q	FY2022 1Q*2	YoY (%)	FY2021 1Q	FY2022 1Q*2	YoY (Amount)	YoY (%)
Revenue	222.7	284.1	27.6%	222.5	251.1	28.7	12.9%
Operating profit	24.7	24.7	-0.0%	26.9	23.5	-3.4	-12.7%
OP margin	11.1%	8.7%	-2.4pt	12.1%	9.3%	-	-2.7pt
EBITDA	31.5	34.9	10.6%	-	-	-	-
EBITDA margin	14.2%	12.3%	-1.9pt	-	-	-	-
Profit before tax	24.1	25.3	4.7%	27.9	24.1	-3.8	-13.6%
Profit*1	16.4	18.4	12.6%	19.9	17.9	-2.0	-10.2%

NIPPON PAINT GROUP *1 Profit attributable to owners of parent from continuing operations *2 Figures before application of hyperinflation accounting

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This page explains the listing maintenance criteria for the Prime Market of the Tokyo Stock Exchange.

I have explained that the secondary offering at the beginning of this year would only increase our free float ratio to around 32%, which is below the required 35%. However, this ratio has exceeded 35% as of June 30 based on our estimate. We will need to wait until the end of this year for the final eligibility decision, but we do not expect the number of our free float shares to decline during the remainder of 2022.

Finally, please note that we revised DuluxGroup's earnings in the presentation material for 1Q FY2022.

Thank you for your attention.