



Acquisition of Betek Boya

April 26, 2019

Nippon Paint Holdings Co., Ltd.

Executive Summary

- **Betek Boya is a leading player in the Turkish decorative paint for construction market – a market with high growth potential**
- **Nippon Paint Holdings Co., Ltd., by acquiring Betek Boya, will achieve a No.1 market share in Turkey in addition to Asia, where the company has long had a strong presence in, and the Pacific region, where a separate acquisition was recently announced**
- **Strong strategic implications aligning with the company’s core strategy of “Achieving Regional No.1 Share” following the acquisition of DuluxGroup (No.1 market share in ANZ)**
- **Acquisition price is to be disclosed upon closing. Funds will be raised through borrowings from banks. No issuance of additional shares are expected for this transaction**
- **Immediately EPS accretive contributing to the maximization of equity value**
(*including one-time costs)

Today's Agenda

1. Background & Strategic Significance of the Acquisition

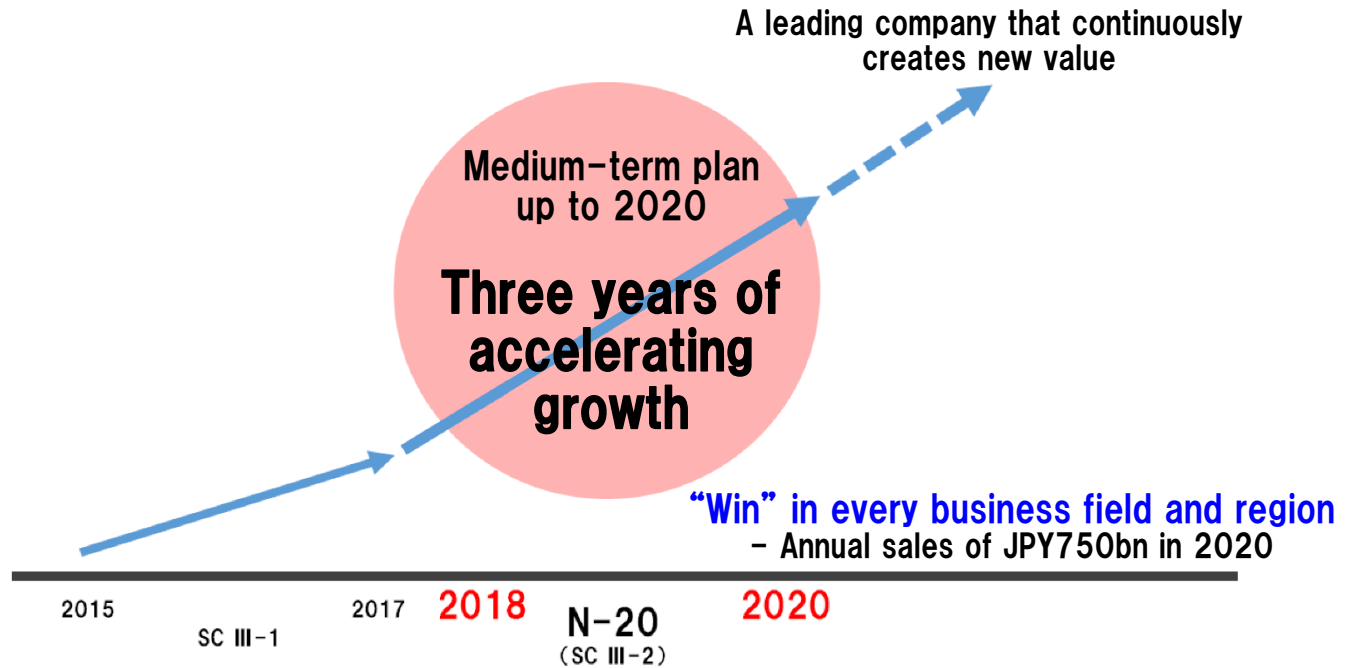
2. Overview of Betek Boya

3. Transaction Overview

4. Expected Synergies

1. Background & strategic significance: in the context of Medium-term Plan “N-20”

Medium-term management plan “N-20” to implement a growth strategy towards 2020



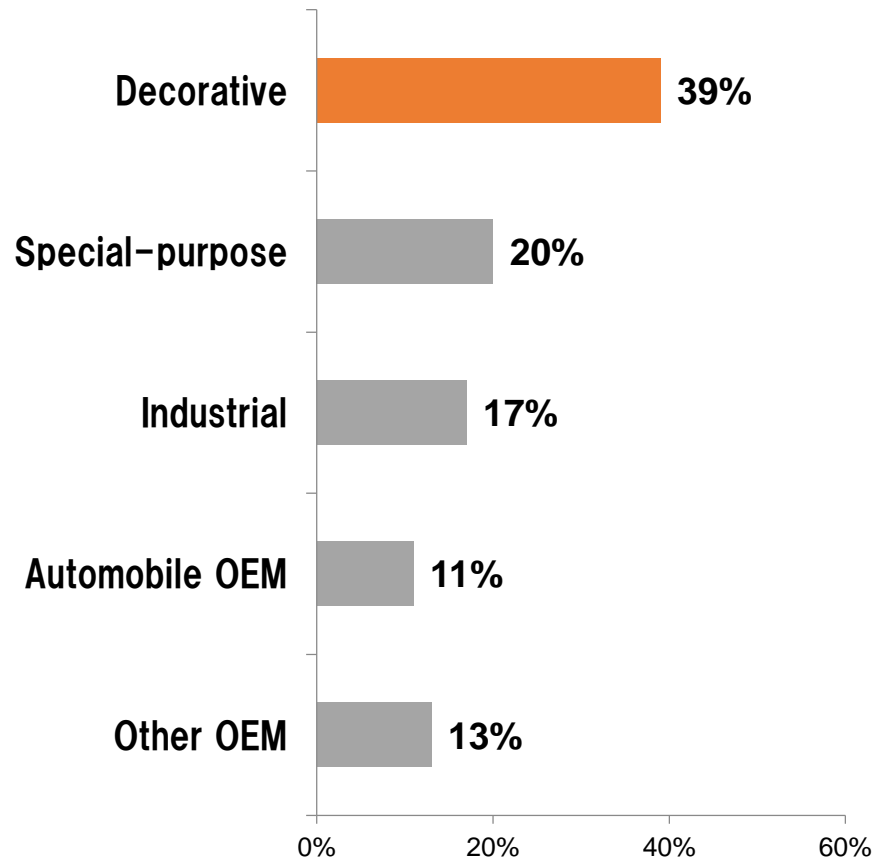
Priority measures

- 1 Robustly reinforce existing segments
- 2 Accelerate portfolio expansion (pursue M&A)
- 3 Boost profitability (achieve an operating margin of 14% after growth investment)
- 4 Strengthen “Global One Team” administration

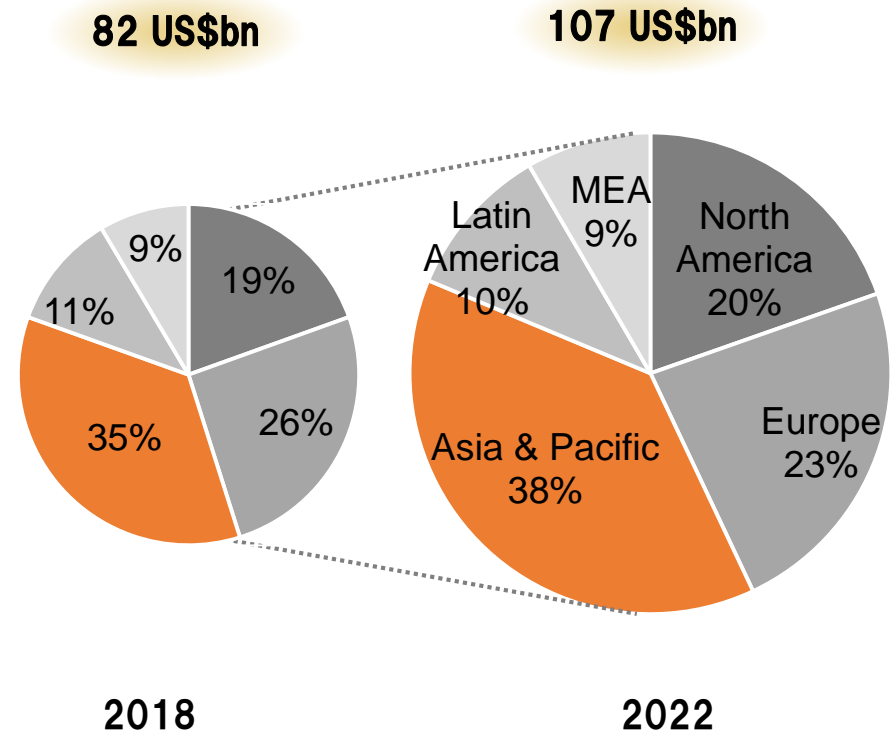
1. Background & Strategic Significance: Global Market Structure

Establish an unassailable position in two domains : Decorative paints & Asia-Pacific

Share of each segment of world paint/coating market (2018)



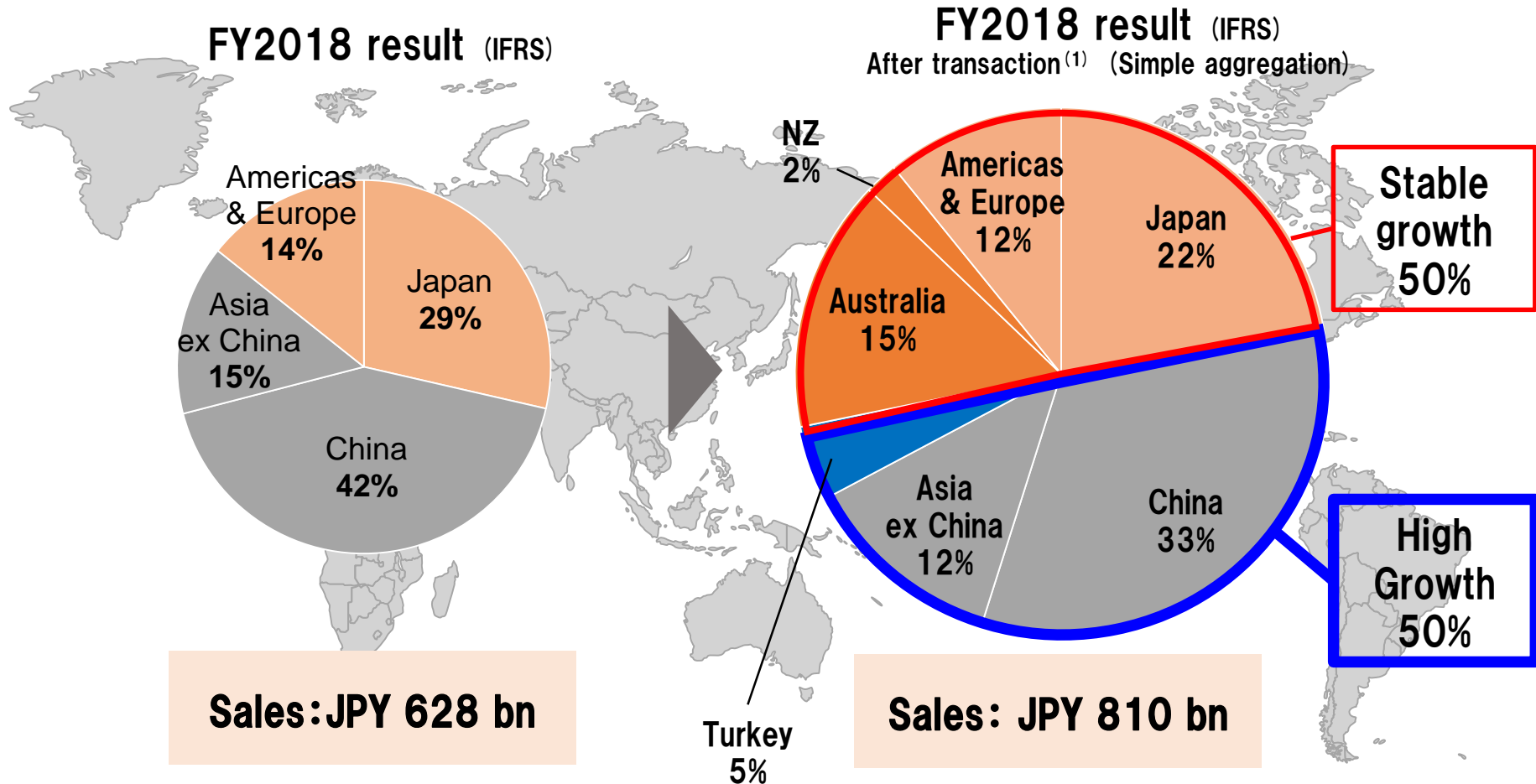
World paint/coating market (projected share in each region)



Nippon Paint Holdings Estimate

1. Background & Strategic Significance: Global Business Area Balance

Establish well-balanced region portfolio through transaction :
 fast-growing region (Asia & China) vs stable-growth region (Japan, Americas, Europe & Pacific)



(1) Used 1AUD=JPY 80 as conversion rate
 Used 1TL=JPY 20 as conversion rate

1. Background & Strategic Significance: 5 Key Strategic Rationale

Acquisition of Betek contributes to the enhancement of enterprise value and equity value

Acquisition of Regional No.1 Share Company

- Enhancement of business foundation by acquiring a company with strong position in Turkey where future growth is expected

Attractive Turkish Market

- Attractive market with population increase and high GDP growth
- Expected high growth of decorative paint due to the expansion of the reform market



Betek's Key Strength

- Highest market share in Turkey
- Brand portfolio with high recognition
- Strong distribution network in Turkey

Acquisition of Excellent Management Resources

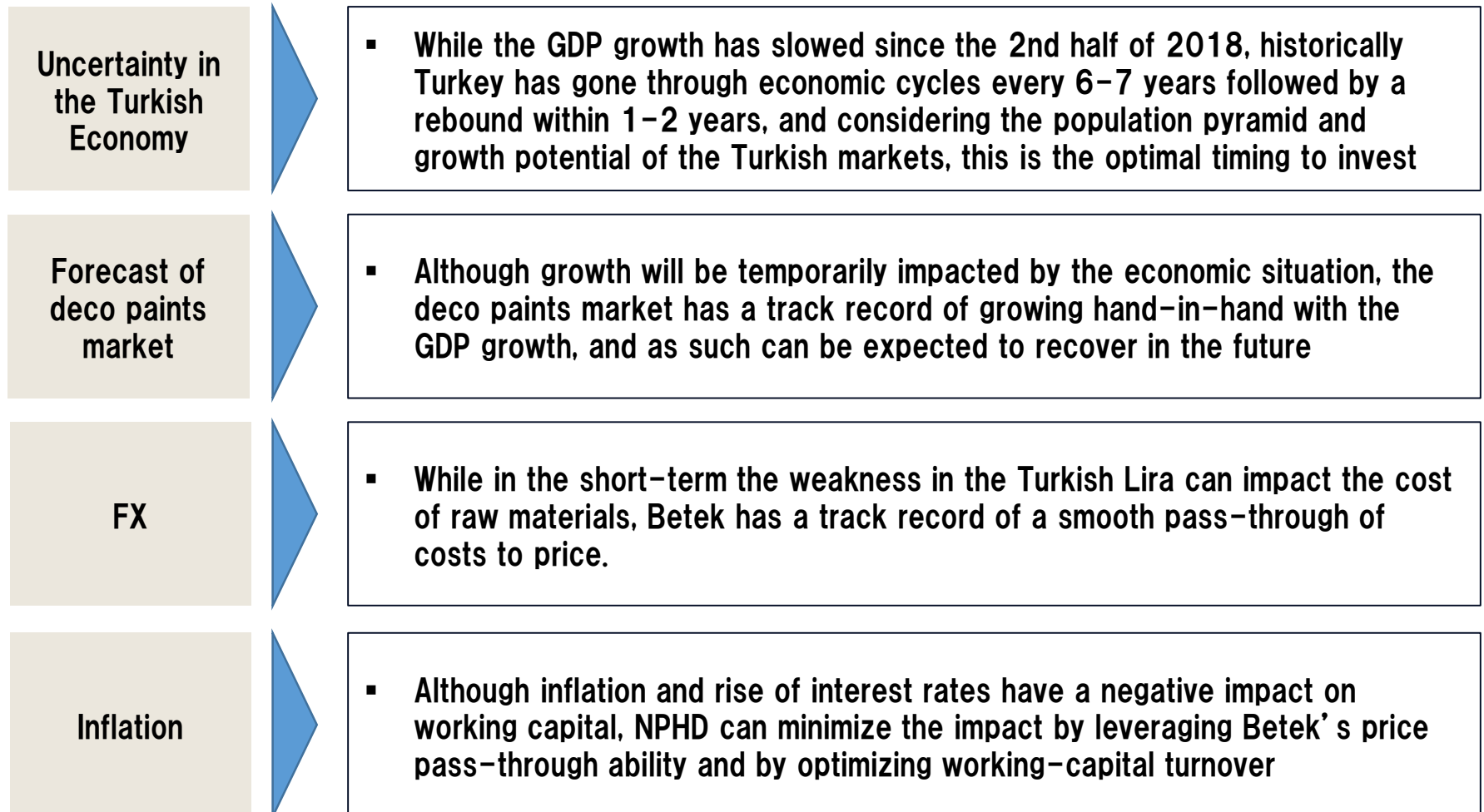
- Outstanding and well experienced management with a track record of expanding the business
- Modern and the largest production facility in Turkey

Strong Growth as a Group through Synergies

- Significant business growth by cooperation mainly with Nipsea within the NPHD group
- Generation of revenue and cost synergies

1. Background & Strategic Significance: Risk Consideration (1)

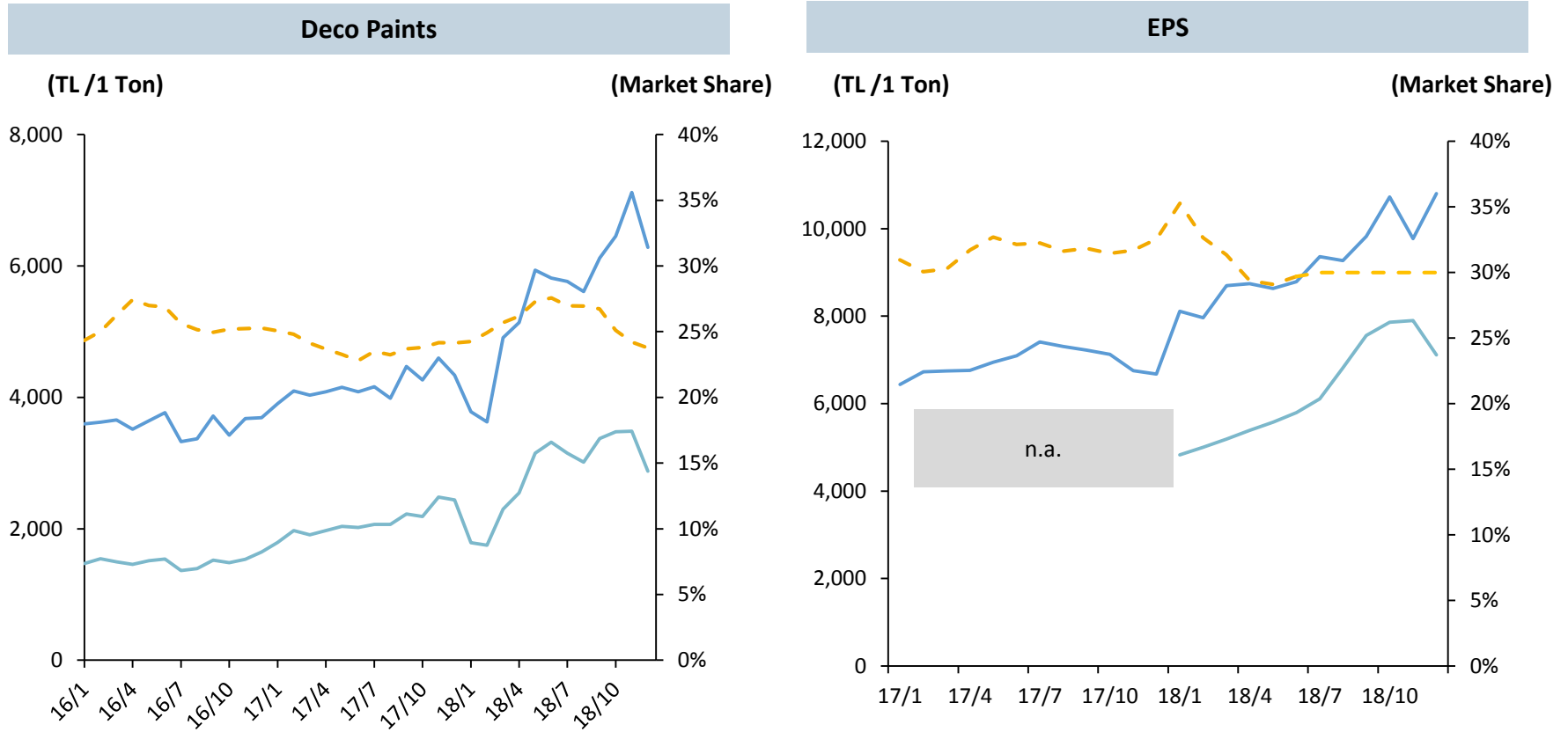
Decided acquisition upon sincere discussion about risk factors below



1. Background & Strategic Significance: Risk Consideration (2)

Betek historically has realized the successful pass-through of rising material costs to price

Transition of Share of Market, Average Sales Price and Raw Material Cost



(Left) ■ Avg. Sales Price ■ Avg. Cost of Raw Material ■ (Right) Market Share

Source: Betek Management

2. Overview of Betek: Corporation Overview

Established in 1988, a leading player of Turkish decorative paint and construction materials

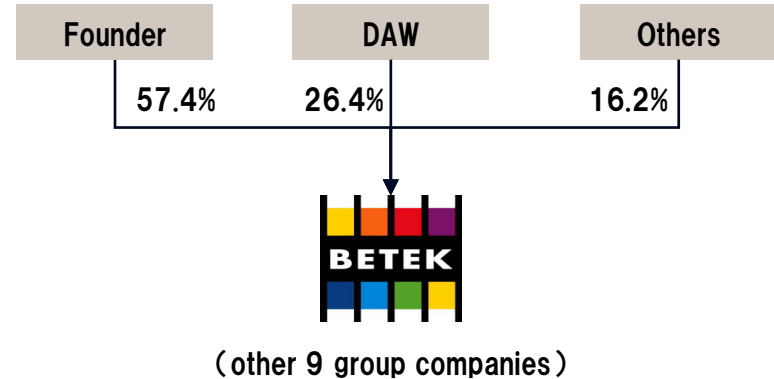
Overview

- Date of Establishment: 1988
- Headquarters: Istanbul, Turkey
- Market leader in Turkish deco paints with c. 25% market share
- Strong distribution network leveraging 25 distributors, 10 warehouses and about 5,600 dealers in Turkey
- Over 1,300 employees
- 5 facilities in Turkey and 1 facility in Egypt
- Leading player in Turkish ETICS (insulation material) accounting for about 30% market share

History

- 1988 Established
- 2001 Achieved the top market share in deco paints
- 2003 Entered the ETICS business
- 2004 Established a large paint production facility in Gebze
- 2009 Established an EPS production facility in Gebze
- 2011 Established an ETICS production facility in Kayseri

Corporate Structure



Betek HQ



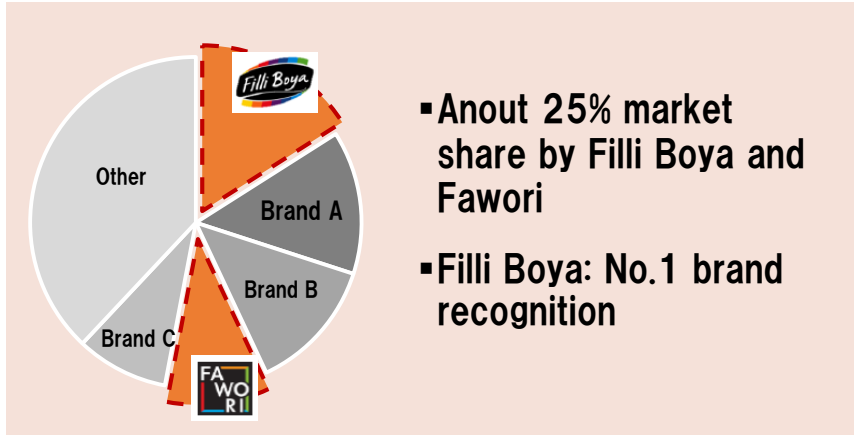
Gebze production facility



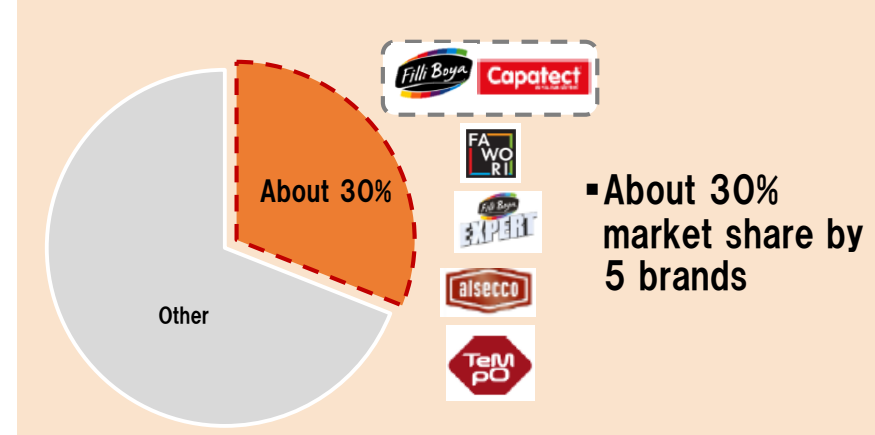
2. Overview of Betek: Product Portfolio and Business Overview

Top market share in Decorative Paint and ETICS (Insulation Materials)

Turkish Decorative Paint Market Share (weight base)



Turkish ETICS Market Share (volume base)



Deco paints

- Offers deco paints in which Betek has been a leading player in Turkey for 17 years

Industrial & Furniture Coating

- Offers coating products for industrial and furniture

ETICS

- Offers a wide range of ETICS components such as EPS, stone wool etc.

Complementary Products

- Offers roller, brushes and adhesives which are complementary for paint business

Overview

Products

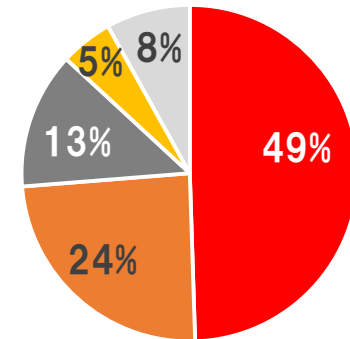
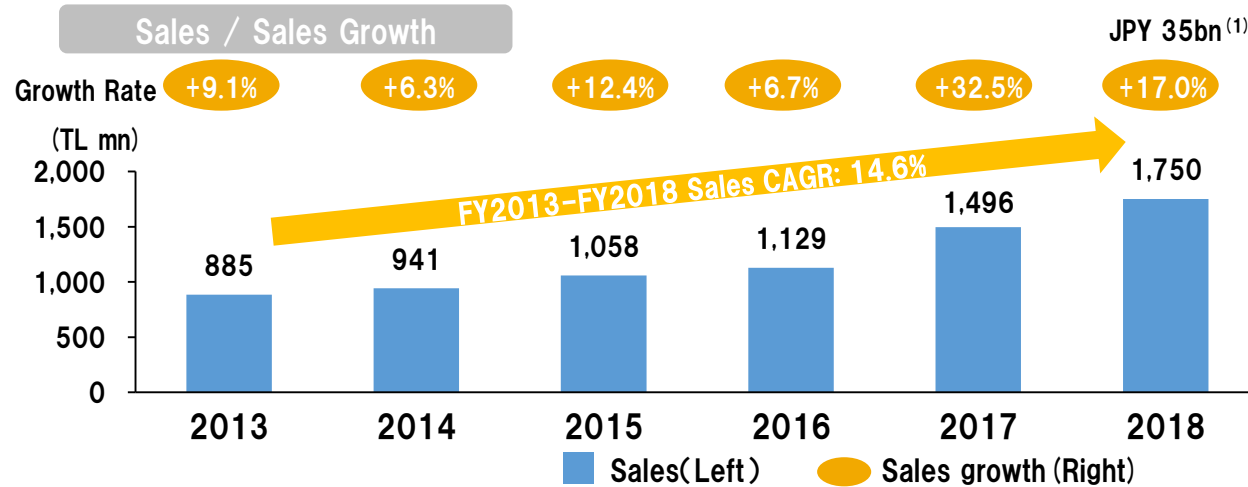


2. Overview of Betek: Performance and Segment Breakdown

Recorded strong revenue growth and significant business expansion

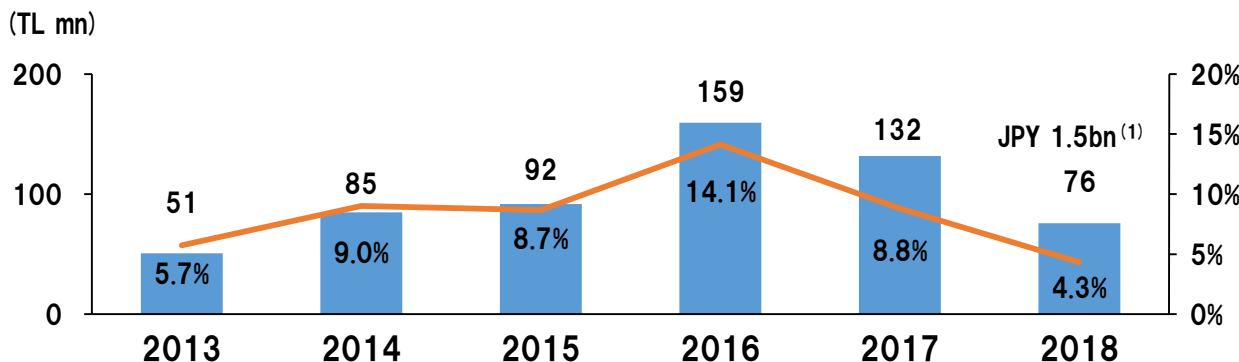
Sales & Profit (TL mn)

Sales by Business Segment (Dec 2017)



- Deco Paints
- ETICS
- Industrial & Furniture Coating
- Complementary Products
- Other

Operating Profit / OP Margin

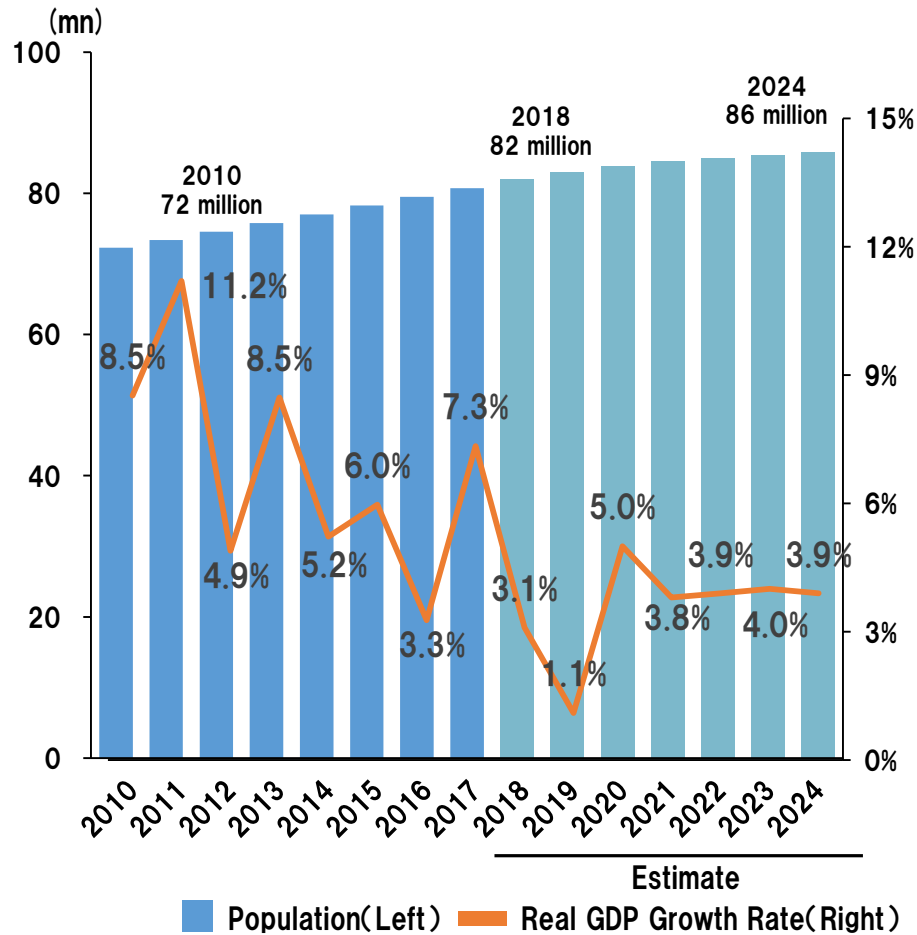


Source: Betek Management
 (1) Used 1TL=JPY 20 as conversion rate

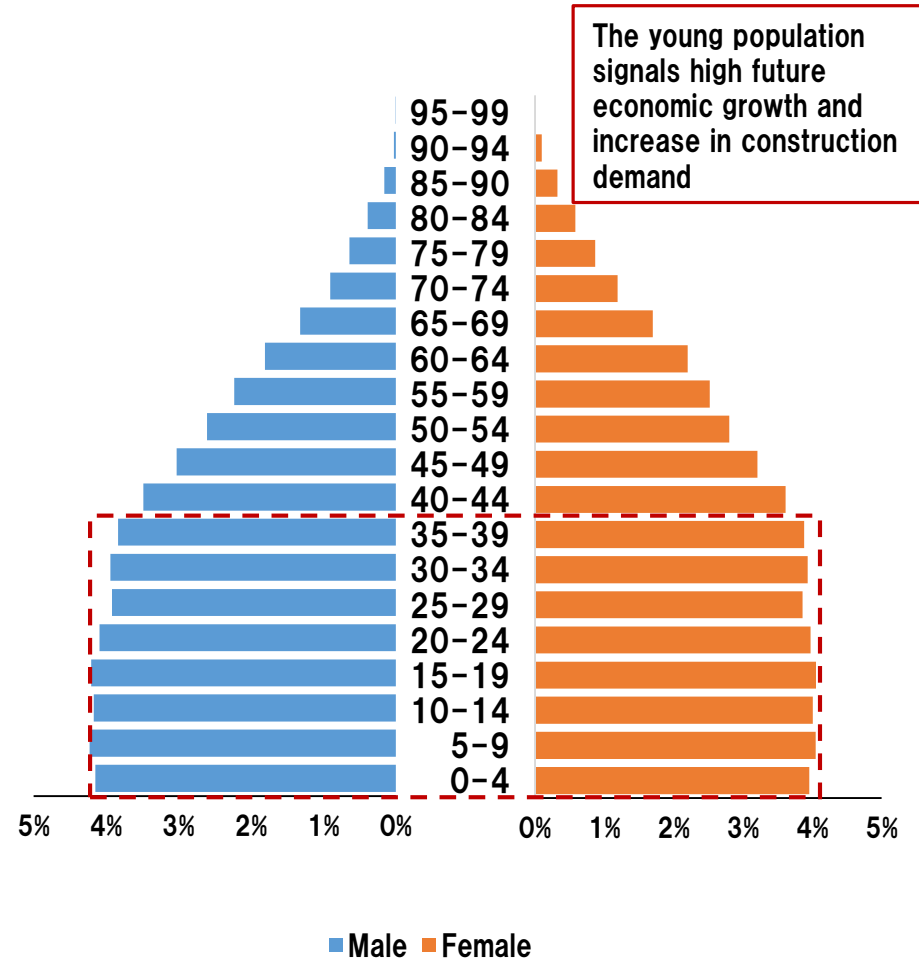
2. Overview of Betek: Turkish Market Forecast

Strong expected economic growth due to the young and growing population

Population Forecast (mn) and Real GDP Growth Rate(%)



Turkish Population Pyramid



2. Overview of Betek: Turkish Market Potential

An appealing Turkish market with strong expected growth

Overview of Turkish Decorative Paint Market

Value Base

4.3bn TL (2017)
(About JPY 8.6bn⁽¹⁾)



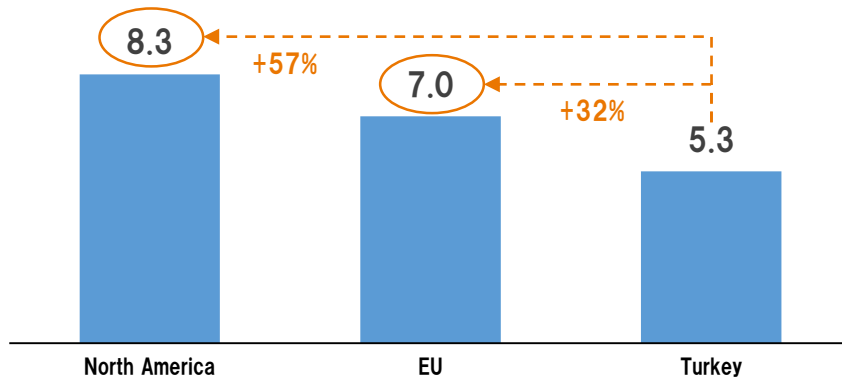
5th

Largest Market in Europe

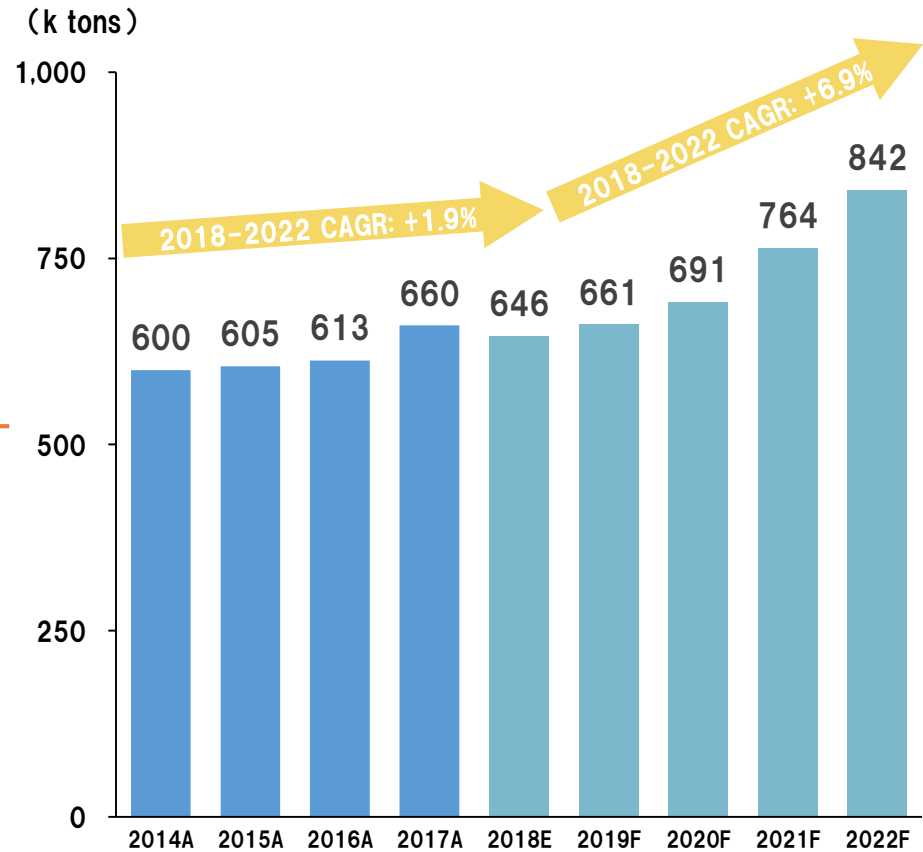
Weight Base

660 k tons (2017)

Deco Paint Volume per Capita (lt)



Turkish Decorative Paint Market (weight base)



Source: Betek Management

(1) Used 1TL=JPY 20 as conversion rate

3. Transaction Overview

Transaction Consideration	<ul style="list-style-type: none"> ■ Acquisition price is to be disclosed upon closing
Source of Financing	<ul style="list-style-type: none"> ■ Borrowings from financial institutions (No issuance of additional shares for this transaction)
Structure	<ul style="list-style-type: none"> ■ Acquisition of shares by Nippon Paint Holdings Co., Ltd. ■ Expected acquisition of 95.915% of Betek shares
Process until completion	<ul style="list-style-type: none"> ■ Expected to close by the end of June, 2019
Financial Impact	<ul style="list-style-type: none"> ■ Immediately EPS accretive ■ Debt to increase temporarily – focus on improving financial soundness post-acquisition ■ Financial management to be conducted to sustain a credit rating in the A-range ■ Goodwill, intangible fixed assets, etc. to be disclosed once finalized
Shareholder return policy	<ul style="list-style-type: none"> ■ No change in shareholder return policy (Target 30% dividend payout ratio, with the goal of further increasing)

4. Expected Synergies

Expected synergies in a variety of fields

Expected Synergies

1

Management

- Nipsea team to lead management post-acquisition

2

Sales Expansion

- Increase in product range
- Integration of know-how in advertisement and marketing to enhance brand value

3

Cost Reduction

- Cost reduction through group procurement

4

Financial Structure Improvement

- Leveraging the group's favorable cost of capital



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