Achievements of Value Creation

Financial Highlights

Fiscal year-end for FY2015 was March 31, whereas fiscal year-end from FY2016 to FY2019 was December 31. Figures for FY2015 to FY2017 are based on JGAAP, whereas those for FY2018 and FY2019 are based on IFRS.

Due to the transitional period that followed the change to the accounting period, revenue in FY2016 reflected nine-month results and thus decreased from FY2015. From FY2017 onwards, results reflect the 12-month periods in each year as we acquired overseas paint manufacturers, including Nippon Paints Australia, China, and Japan.

Operating profit in FY2016 reflected nine-month results due to the change in the accounting period but increased from FY2015 as a result of high valued-added products, repositioned cost reduction activities, and to be effective. Although operating profit of FY2017 decreased from the previous fiscal year due to the realisation of impairment losses and M&A-related costs, as well as a decrease in subsidy income.

Earnings per share (EPS) in FY2016 reflected nine-month results due to the change in the accounting period but increased from FY2015. EPS grew marginally in proportion to changes in profit items such as operating profit. In FY2019, EPS declined from the previous fiscal year due to a decrease in operating profit.

Return on equity (ROE) / Return on invested capital (ROIC)

ROE has been increasing yearly since FY2015 in line with the trend of increasing dividends and share prices. In FY2019, although the amount of dividends was unchanged from the previous fiscal year, EPS was more than two times higher than TGRX (dividends included), as comparative index, due to strong share price movements.

Total shareholder return (TSR)

TSR mostly stayed around 7% from FY2016 onwards, but declined from the previous fiscal year due to a decrease in net income. Accordingly, net debt remained in negative territory until FY2018. In FY2019, net debt improved significantly to a positive figure due to the procurement in funds through borrowings from financial institutions, which we used for the acquisition of DuluxGroup and Behl Bele.

Net debt / Net D/E ratio

Net debt improved year by year. NPHD believes that employees are an important management asset for value creation, and is working on employment maintenance, skill development, and personal growth assistance of employees. NPHD has maintained the No.1 position in the decorative paints market in Japan for a long period of time. In addition, we have aggressively expanded the Asian business since 1967, which has led to a successive increase in the number of countries/regions where NPHD has the No.1 market share.

Non-Financial Highlights

Due to strong share price movements, a comparative index, due to a decrease in return on invested capital as a result of acquisitions, as well as a fall in operating profit margin.

Non-Financial Highlights

Free cash flow

Capital investment costs in the paint industry are relatively low allowing for cash flow generation. Accordingly, free cash flow tends to remain in positive territory. However, free cash flow showed negative figures due to an increase in extraordinary items that resulted from our company: Dulux-Eskadros in FY2019.

Number of countries/regions

NPHD has maintained the No.1 position in the decorative paints market in Japan for a long period of time. NPHD continuously re-invests the free cash flow from profits into long-term projects such as R&D and M&A activities in order to maintain a growth trajectory in revenue.

Employee satisfaction level

As for the employee satisfaction level, NPHD is working on employment maintenance, skill development, and personal growth assistance of employees.

Shipment ratio of water-based paints

With the increase in environmental awareness and tightening of environmental regulations around the world, demand for water-based paints is rising. NPHD has proactively developed water-based paints that have high competitive advantages in each business by leveraging the basic technologies in technological capabilities.

Non-Financial Highlights

Received Outstanding Brand Award at the China Economic Summit

For 3 consecutive years.

Achieved No.1 geographical position in 9 countries/regions.

Following the increase in environmental awareness and tightening of environmental regulations around the world, demand for water-based paints is rising. NPHD is working on employment maintenance, skill development, and personal growth assistance of employees to retain and expand the No.1 market share in decorative paints. NPHD is successfully expanding the business to overseas regions, and is working on employment maintenance, skill development, and personal growth assistance of employees to retain and expand the No.1 market share in decorative paints.