

# Revision of FY2019 Performance Forecast Presentation Material

January 24, 2020

Nippon Paint Holdings Co., Ltd.  
**NIPPON PAINT HOLDINGS GROUP**

Notes :

1. This is an English translation from the original presentation in Japanese.
2. Round off to the first decimal place (the same shall apply hereafter).

## 1-1. Summary

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- FY2019 full-year outlook for DuluxGroup and Betek Boya contribution is almost finalized  
(Revenue: 63.0 bn yen; Operating profit: 8.4 bn yen)**
- Expect to post final purchase price allocation figures at the end of FY2019  
(Estimated amortization of c. 0.5 bn yen for FY2019)**
- China decorative paint business continued to perform well in FY2019 4Q**
- The earnings forecast revision reflects the lower than expected cost of raw materials**
- Conservative revisions of business plans in Europe and India due to challenging automotive market conditions  
(Impairment loss of c. 11 bn yen)**

# 1-2. Summary

## Increase in revenue, no change in operating profit, decrease in profit attributable to owners of parent forecasts

- ✓ Revenue: Forecast increased due to acquisitions of DuluxGroup and Betek Boya and strong performance of decorative paint business in China; revision also includes cancellation of Chinese industrial coating manufacturer acquisition originally built in
- ✓ Operating Profit: No change in forecast as a result of the benefits of increase in sales forecast and lower than expected cost of raw materials, offset by impairment loss in automotive business
- ✓ Profit: Forecast reduced due to non-tax effect for impairment

(billion yen)

	Forecast FY2019		GAP		GAP Breakdown	
	Initial plan	Revised forecast	Amount	%	Impairment loss	Impact of new acquisitions
Revenue	640.0	694.0	54.0	8.4%	-	63.0
Operating profit (Excluding impairment loss)	77.0	88.0	11.0	14.3%	-	7.9
Operating profit	77.0	77.0	-	-	(11.0)	7.9
OP margin	12.0%	11.1%	-	-	-	-
Profit before tax	78.0	78.0	-	-	(11.0)	7.5
Profit <sup>※1</sup>	39.0	35.5	(3.5)	(9.0%)	(9.0)	5.5

※1 Profit attributable to owners of parent

※ 1RMB=15.8JPY, 1USD = 109.2JPY, 1AUD =74.7JPY

## 2. Performance of DuluxGroup and Betek Boya and Purchase Price Allocation

Both companies performed well in FY2019

Plan to use 10–20 year periods for the depreciable assets as a result of purchase price allocation

### DuluxGroup

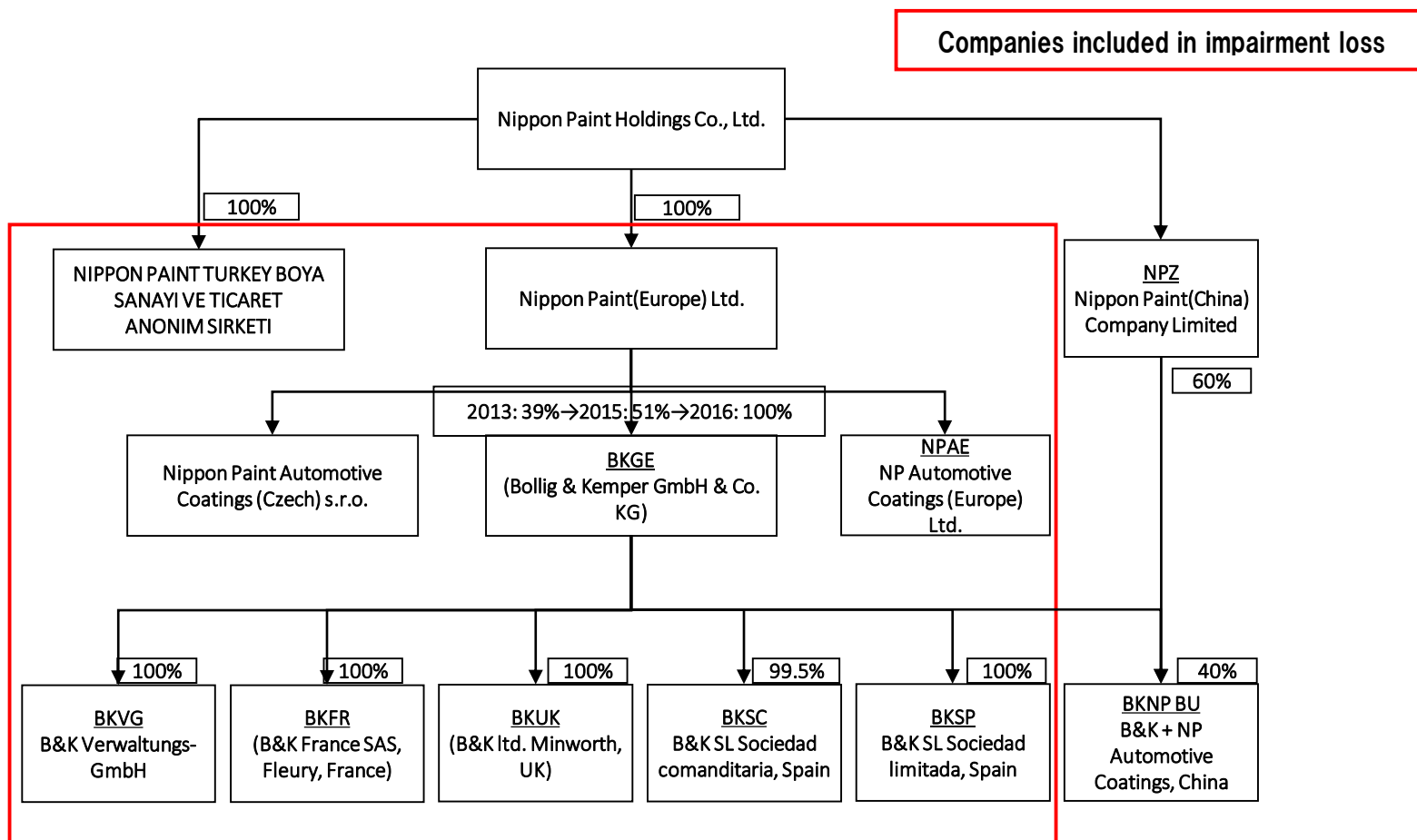
1) FY2019 (4 months)	Revenue: 47.6 bn yen; Operating profit: 6.3 bn yen
2) Depreciable assets	c. 26 bn yen of PP&E and intangible assets
3) Non-depreciable assets	c. 296 bn yen of trademark right and goodwill
4) Depreciation	c. 0.4 bn yen in FY2019 and c. 1.3 bn yen in FY2020

### Betek Boya

1) FY2019 (6 months)	Revenue: 15.5 bn yen; Operating profit: 2.1 bn yen
2) Depreciable assets	c. 2.0 bn yen of intangible assets
3) Non-depreciable assets	c. 5.6 bn yen of trademark right and goodwill
4) Depreciation	c. 0.1 bn yen in FY2019 and c. 0.1 bn yen in FY2020

# 3-1. Impairment loss (Europe Automotive Business Group ①)

## Profile of the Europe Automotive Business Group



## **3-2. Impairment loss** (Europe Automotive Business Group ②)

### **Profile of major companies posting impairment loss**

**Bollig & Kemper GmbH & Co. KG Group (B&K; Workforce of c. 300)**

- 1919 Established
- 2008 Established joint venture in China with Nippon Paint Holdings (NPHD) Group for the sale of automotive coatings
- 2013 NPHD Group purchased 39% of B&K (Increased ownership to 51% in 2015)
- 2016 B&K became a wholly owned subsidiary of NPHD Group

### **Impairment**

c. 8 bn yen for goodwill and non-current assets

### **Main reason**

Declining revenues and earnings caused by slow automobile sales in Europe and the inability to respond with enough speed to the needs of customers

### **Upcoming actions**

- 1: Develop new products that meet customers' requirements
- 2: Review and improve major products
- 3: Renewal of management structure
- 4: Technological support by providing people from other NPHD Group companies

## **3-3. Impairment loss** (Berger Nippon Paint Automotive Coatings Private Limited)

### **Profile of company posting impairment loss**

**Berger Nippon Paint Automotive Coatings Private Limited (BNPA: Workforce of c. 240)**

- 2007 Established joint venture with Berger Paint India Limited (BPIL),  
to manufacture coatings for automotive plastic parts
- 2016 Established BNPA following transfer of automotive coatings business  
from group company in India and automotive coatings business of BPIL

### **Ownership**

**NPHD Group 51%, BPIL 49%**

### **Impairment**

**c. 3 bn yen for goodwill and non-current assets**

### **Main reason**

**Stagnant automobile sales market in India, delays in local procurement of parts  
and manufacturing operations in India**

### **Upcoming actions**

- 1: Lower procurement and manufacturing expenses in India**
- 2: Continue to take actions to capture larger market share**
- 3: Focus investments on selected items and lower expenses**

## 4. FY2019 Trend by region segment

(billion yen)

		Forecast FY2019		
		Initial plan	Revised outlook for FY2019	
Japan	Revenue	184.2	Inline	In line performance in automotive, decorative and industrial business
	Operating profit	27.4	Below	M&A expenses of 2.2 bn yen
Asia	Revenue	365.5	Below	China decorative paints business performing well; canceled acquisition: automobile market slowing down
	Operating profit	47.5	Above	Strength of China decorative paints business will offset automotive and India impairment loss and other items
Oceania	Revenue	-	Above	Contribution of newly consolidated DuluxGroup
	Operating profit	-	Above	Contribution of newly consolidated DuluxGroup
Americas	Revenue	76.9	Below	Decorative paint and automobile business performance slightly below plan
	Operating profit	5.8	Below	Decorative paint and automobile business performance slightly below plan
Others	Revenue	13.4	Above	Contribution of newly consolidated Betek Boya
	Operating profit	(0.4)	Below	Impairment loss of c. 8 bn yen for European operations
Total	Revenue	640.0	694.0	
	Operating profit (Excluding impairment loss)	77.0	88.0	
	Operating profit	77.0	77.0	

※Details will be disclosed in the FY2019 financial result on February 13

- ✓ **NIPSEA China: Strong performance in decorative paints business (DIY, projects); the lower than expected cost of raw materials**
- ✓ **DuluxGroup and Betek Boya: Both performed well**
- ✓ **Automotive business: The global decline in automobile production has affected performance of NPHD Group automotive operations worldwide**





NIPPON PAINT HOLDINGS CO.,LTD.

Investor Relations

E-mail: [ir\\_kouhou@nipponpaint.jp](mailto:ir_kouhou@nipponpaint.jp)

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