

Fiscal Year 2014

Nippon Paint Holdings group

# Mid-term Management Plan

May 22, 2015

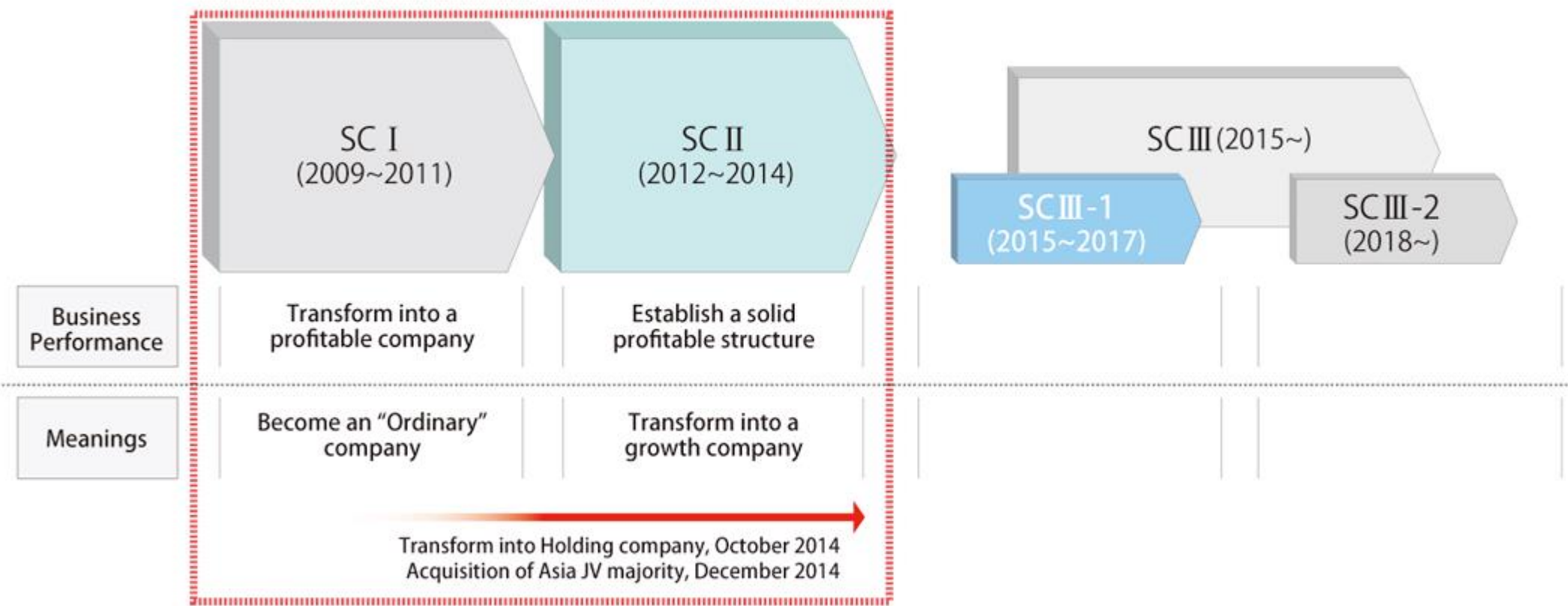


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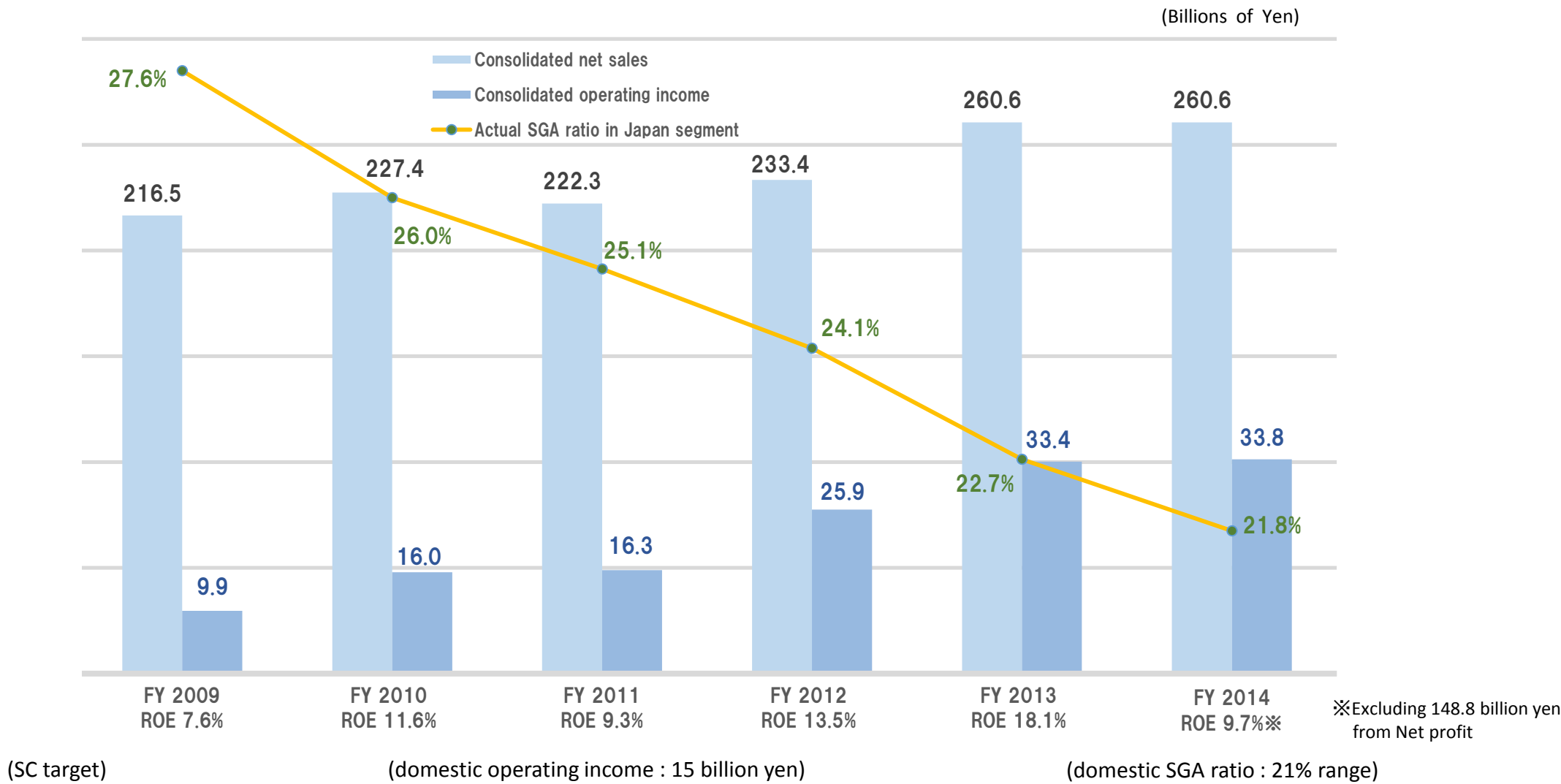
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# Review of SC I ~ II



# Review of SC I ~ II

## Successful result of profitability and efficiency



# Review of SC I ~ II

Established solid profitability in Japan segment

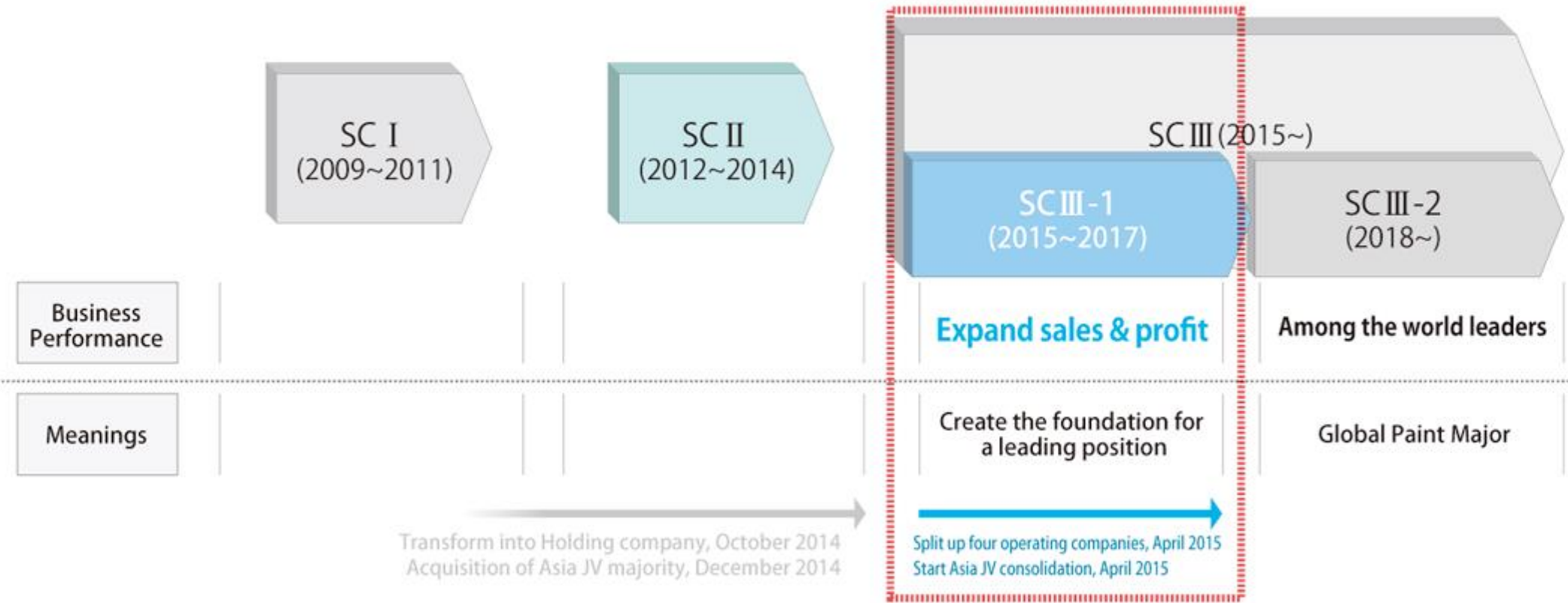
					(Billions of Yen)
	Japan segment		Consolidated		
	FY2008	FY2014	FY2008	FY2014	
Sales	199.1 ※1	200.6 ※1 ※2	239.6	260.6	
Operating Profit	3.0	26.4 ※2	3.1	33.8	
OP margin	1.5%	13.2%	1.3%	13.0%	
SGA ratio	27.7%	21.8%			

※1 Including internal transaction.

※2 Excluding dividend from oversea to Holding company, 7.8 billion yen, which is posted into operating income in Japan segment.

# Position of SC III -1

Period to realize both growth and profitability



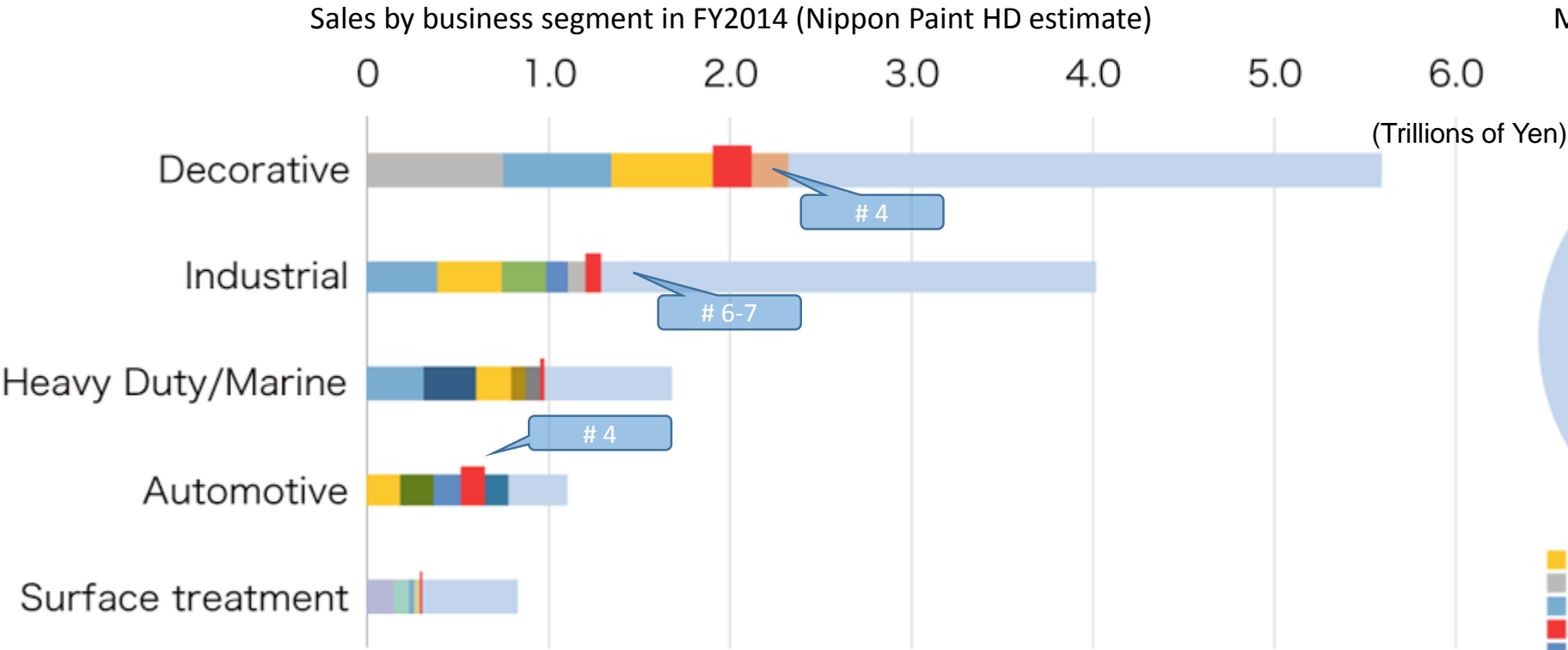
### Altered Vision to start Mid-term Management Plan

- We will deliver **satisfaction and deep impression to our customers** by providing excellent specialty chemicals products and services, centering coatings technology
- We will **grow globally** based on respect for the cultures and values of entire world
- We will pursue corporate culture that accumulates people with **challenging sprits and enthusiasm**

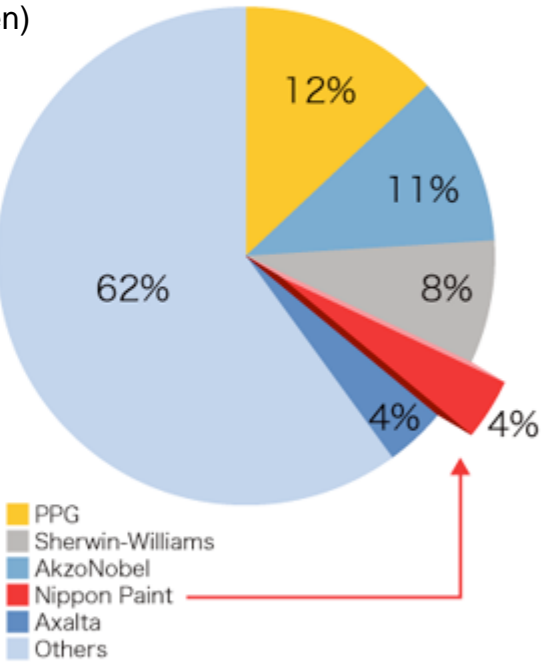


# Global Market Position

Room for challenges, yet powerful competitors exist



Market share FY2014





Global Paint Major

**<Nippon Paint HD definition>**  
**Attain Leading Position\* globally in paint & coatings  
and related businesses**

**Leading Position: among the top 3 position in sales of each business segment**

Ideal state in 3 years towards future goal

Goal(Big Picture) = **Global Paint Major**

2017~

Goal in 3 years from now, based on Big Picture perspective = Certain fulfilment

2016

Review the plan in accordance with environmental changes (rolling)

2015

Picture ideal state that can achieve the goal  
“Future Pull”

2014

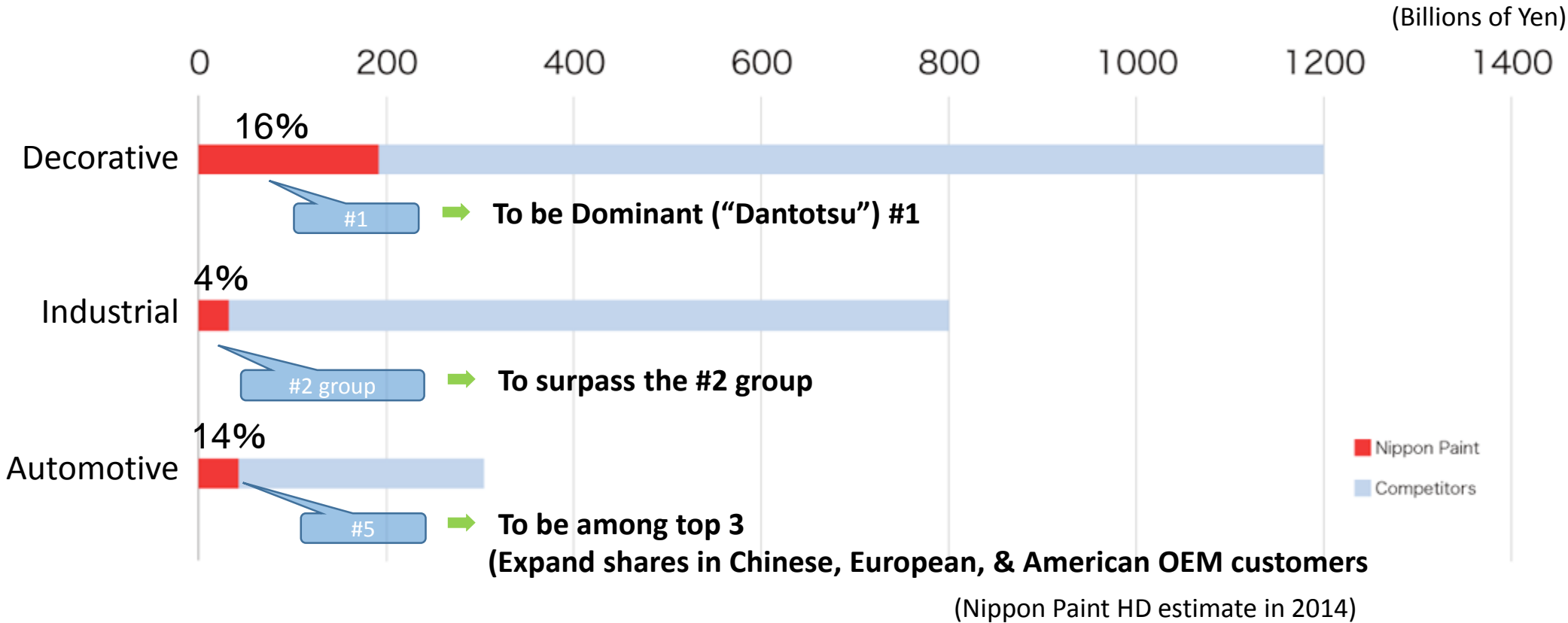
# Mid-term Management Plan 2    Primary & Important domains

Business	Japan	China	Other Asia	Americas	Europe
Decorative	◎	◎	◎		
Industrial		◎	○		
Heavy Duty / Marine		◎	◎	○	
Automotive		◎	○	○	○
Surface treatment		◎	◎		

◎: Primary domains, ○: Importanto domains

# Mid-term Management Plan 3 China: Presence and Goal in 2017

Create the foundation to be dominant at primary market, China



Decorative : including Floor and Wood paint  
Industrial : Heavy Duty and Powder coating

## China: Driving Force for the growth

Create the foundation to be dominant at primary market, China

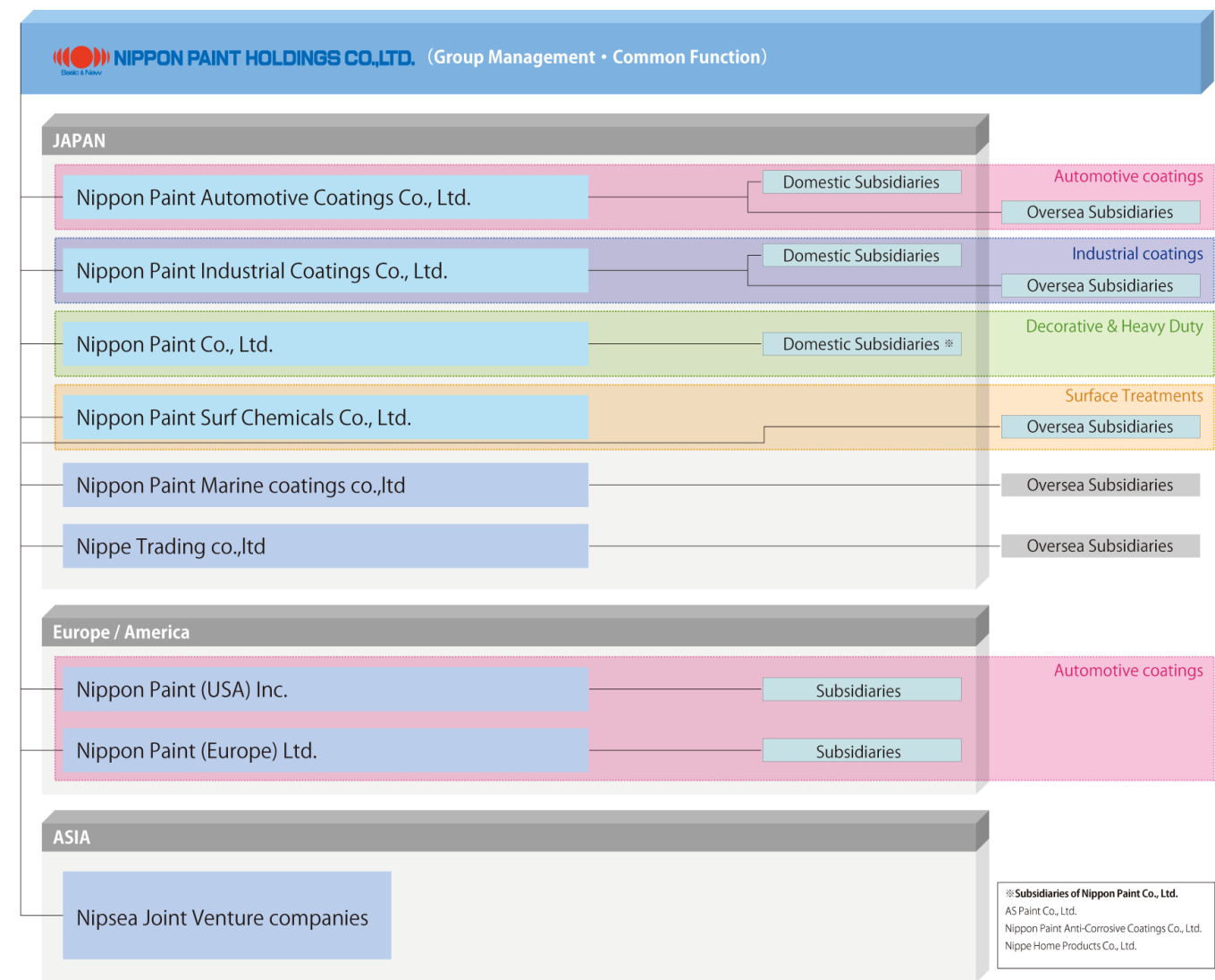
- ✓ Expanding business area by aggressive M&A to get a dominant position as “Decorative No1”, including Floor and Wood paint segment



- ✓ Boost “repaint demand” and capture demand through new channels
- ✓ Aggressive investment for production capacity expansion and environmental regulation  
to be conducted accordingly from 2015

# Established 4 main operating companies

Company split-up for the purpose of setting appropriate strategy and quick action to primary domain



## <Purpose of transferring to Holdings>

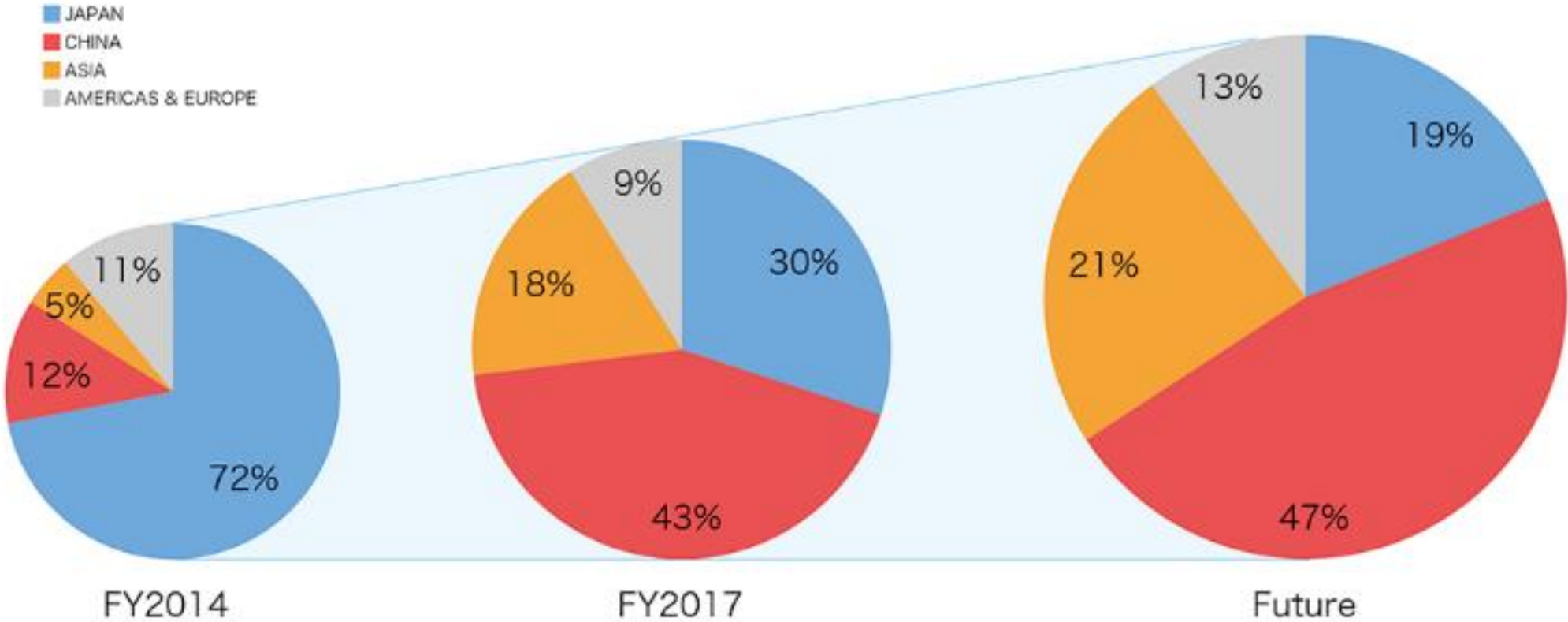
- ✓ **Portfolio management**  
Optimum resource allocation to group companies
- ✓ **Governance in group companies**  
Establish foundation of management to realize best portfolio

Our performance for our growth strategy

- ✓ December, 2014  
Acquisition of Nippon Fine Coatings 100% shares
- ✓ March, 2015  
Sale of 80% shares of Nippon Liner

# Mid-term Management Plan 4 by region

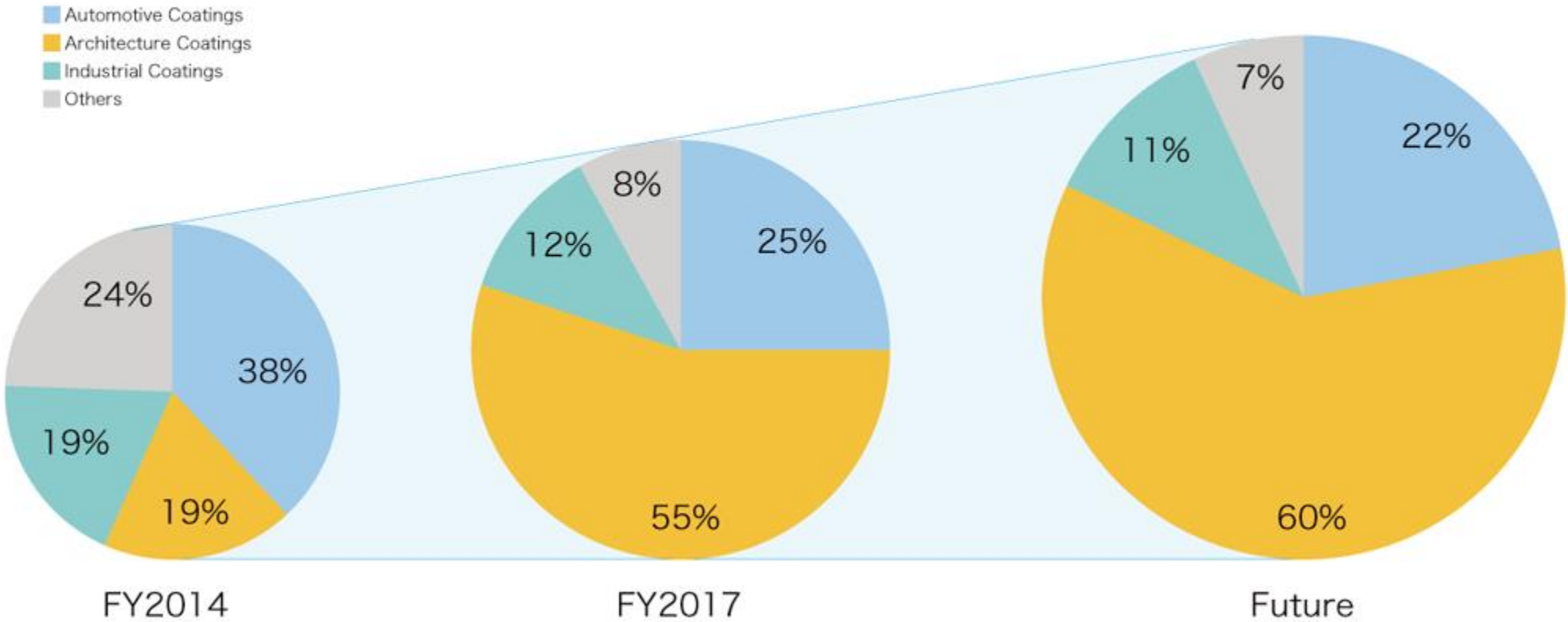
Further focus on Asia region, changing business structure dramatically!



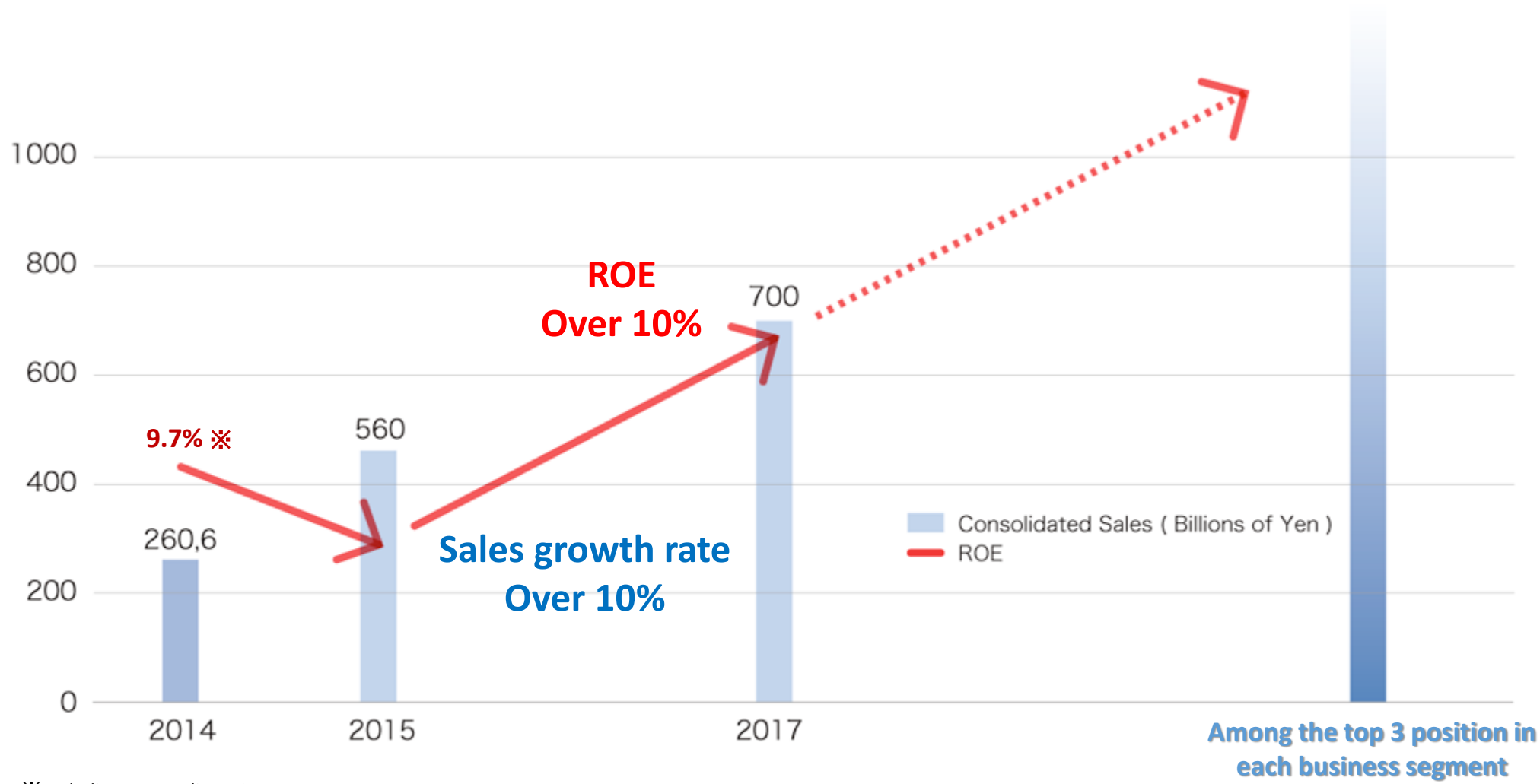


# Mid-term Management Plan 5 by business segment

Shift to high-growth and profitable Decorative, changing portfolio drastically !



Mid-term Management Plan 6 Target



※Excluding extraordinary income, 148.8 billion yen, from Net income.

# Financial Strategy

## Fund generation

Cash flow from operating activities	<ul style="list-style-type: none"> <li>▪ Aim to create over 200 billion yen in three years net cash flow</li> <li>▪ Aim to achieve over 15% in operating income margin by increasing profit</li> </ul>
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Funding	<ul style="list-style-type: none"> <li>▪ Loans or borrowing facility for growth strategy (targeting EBITDA ratio up to 1.5, considering financial stability)</li> </ul>
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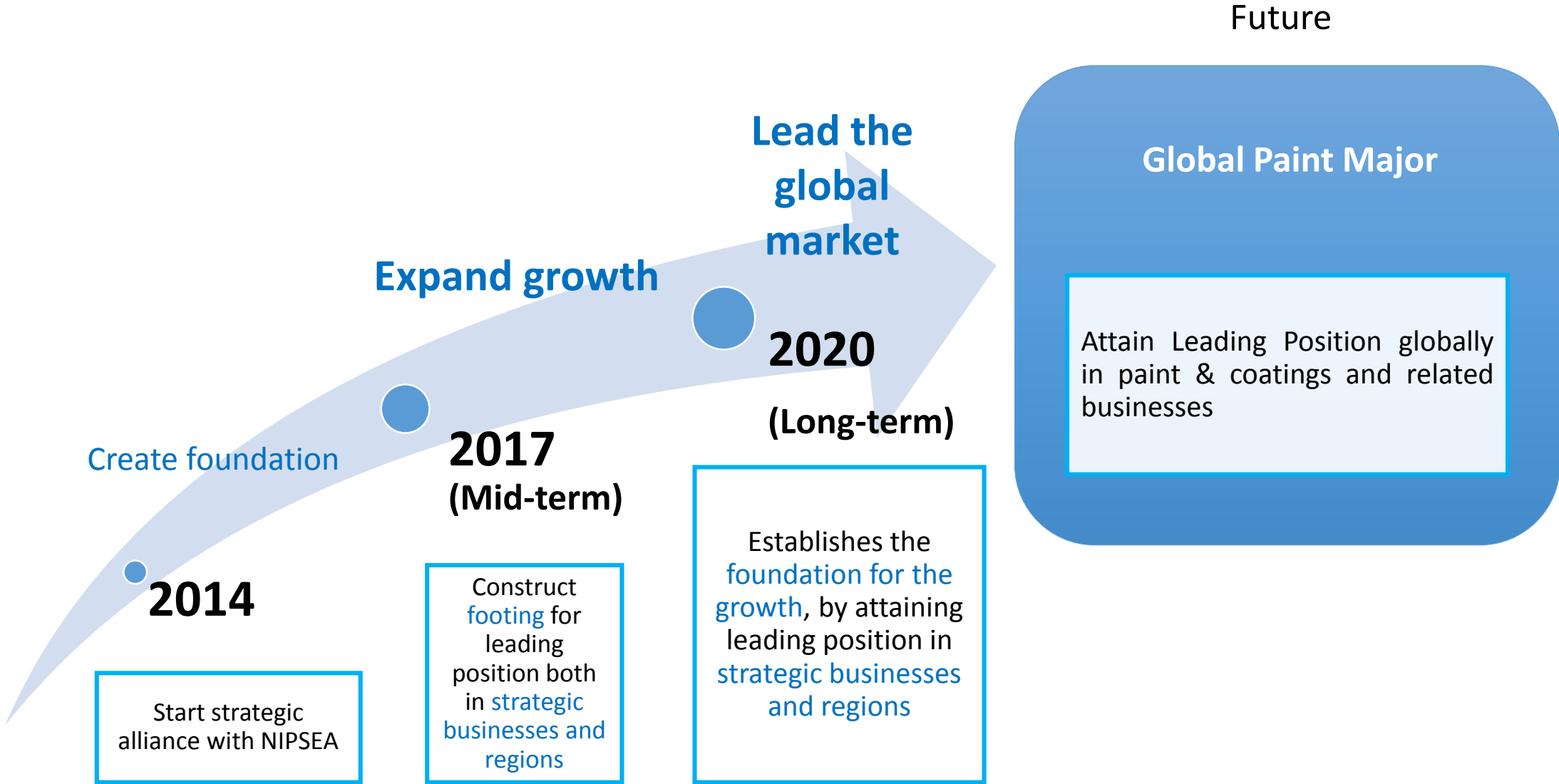
## Distribution

Investment for the growth	<ul style="list-style-type: none"> <li>▪ Proactive M&amp;A and strategic alliance(300 billion yen in 3 years)</li> <li>▪ Capex: about 50 billion yen in 3 years</li> </ul>
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Return to shareholders	<ul style="list-style-type: none"> <li>▪ Remain dividend increasing by profit growth through aggressive investment</li> </ul>
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Plan to disclose Securities Report, based on IFRS from FY2018

- ✓ To improve management quality with actions, such as appropriate and immediate reorganization, by unifying globally evaluation for operation
- ✓ To reinforce governance and improve operation efficiency by standardization of financial standard in each country where we are operating
- ✓ To enhance convenience to domestic and oversea investors, and expand of investors range
- ✓ To improve comparability with peer companies



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## 〈Supplement〉

※Significant changes in financial results of FY2015 by the acquisition of equity-method affiliates in Asia



# Consolidated Financial Results

## 【Consolidated PL】

(100 million Yen)			
	FY2014 Results	vs FY2013	
		Gap	Actual Gap ※1
Net sales	2,605.9	+0.1	▲3.5
Operating income	337.5	+3.6	▲6.1
Equity in earnings of affiliates	141.0	+28.3	+22.0
Ordinary income	492.7	+24.4	+14.1
Extraordinary income	※2 1,488.9	+1,487.3	-
Net income	1,814.8	+1,493.2	-

## 【Consolidated Net Sales by Business Segment】

(100 million Yen)			
	FY2014 Results	vs FY2013	
		Gap	Actual Gap ※1
Paint Business	Automotive coatings	+8.4	▲3.9
	Decorative and Heavy Duty	▲42.7	▲19.4
	Industrial coatings	▲11.1	▲13.1
	Other paints and coatings	+36.9	+29.8
	Sub-total	▲8.5	▲6.6
Fine Chemicals business	155.0	+8.6	+3.1
Total	2,605.9	+0.1	▲3.5

※1 Actual gap excluding the effect of exchange rate fluctuations, business sale of Powder coating unit in North America(November, 2013), and transferring Decorative paint business in Thailand to equity method affiliates(July, 2014).  
(Exchange rate in PL in FY2014: JPY106.4 / USD (FY2013: JPY98.0 / USD))

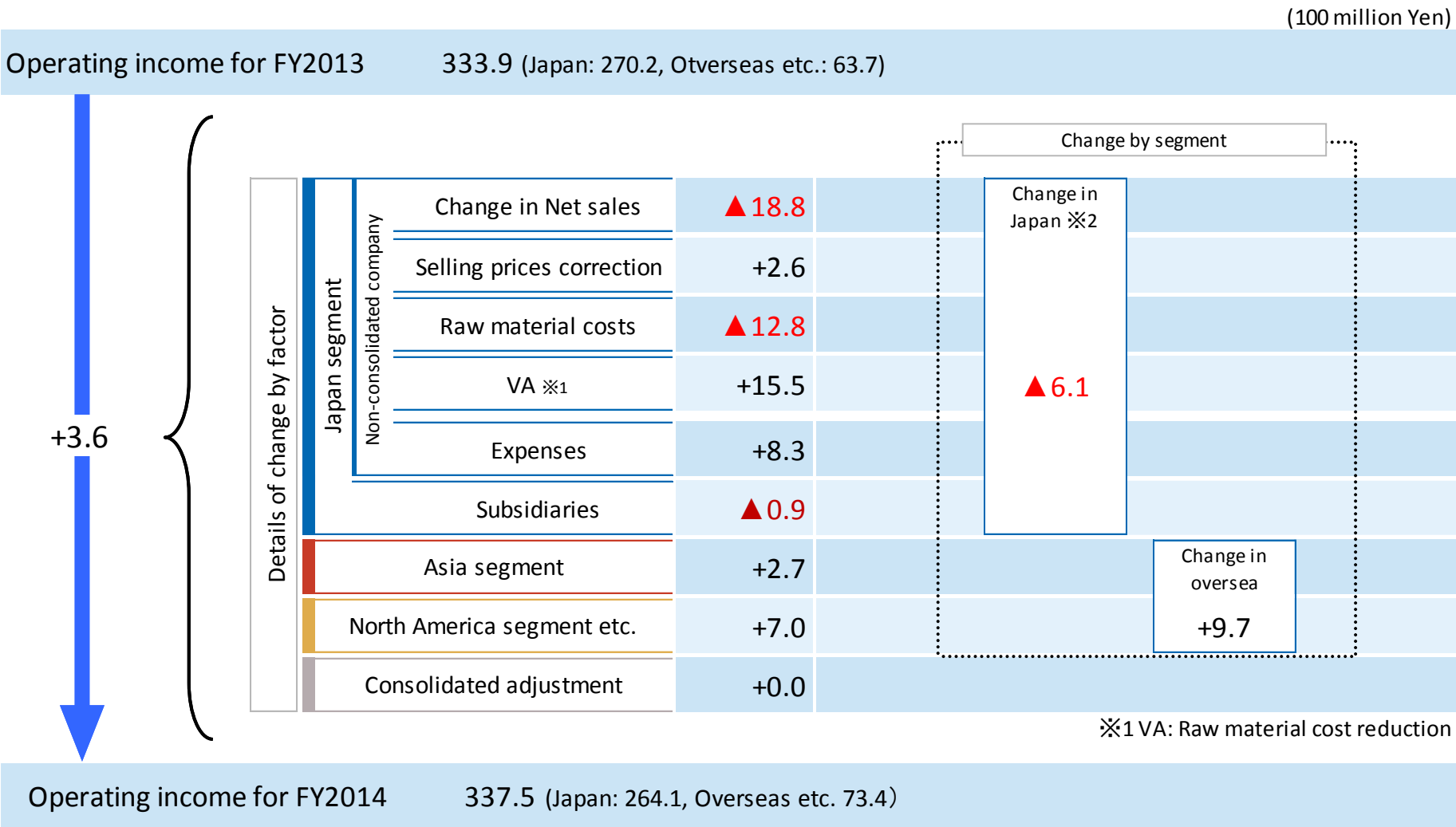
※2 148.8 billion yen is posted as extraordinary income related to gain on step acquisition of joint venture in Asia.

※3 Actual operating income excluding dividends from oversea affiliates.  
Operating income from 2H of 2014 includes dividends, in accordance with a transfer to holding company in October, 2014(Consolidated adjustment).

## 【Consolidated Net Sales and Operating Income by Region】

(100 million Yen)				
		FY2014 Results	vs FY2013	
			Gap	Actual Gap ※1
Japan	Net sales	1,872.0	▲2.7	-
	Operating income	※3 264.1	▲6.1	-
Asia	Net sales	438.7	▲18.4	▲19.2
	Operating income	45.3	+2.7	▲1.3
	Equity in earnings of affiliates	141.8	+29.1	+22.0
North America	Net sales	257.9	+22.4	+22.6
	Operating income	26.8	+7.1	+2.4
Other	Net sales	37.2	▲1.2	▲4.2
	Operating income	0.6	▲0.1	▲1.1
Total	Net sales	2,605.9	+0.1	▲3.5
	Operating income	337.5	+3.6	▲6.1

# Operating income Gap Analysis in FY2014 vs FY2013



※Actual operating income excluding dividends from overseas affiliates.  
 Operating income from 2H of 2014 includes dividends, in accordance with a transfer to holding company in October, 2014.

# Consolidated Financial Forecast

## 【Consolidated Financial Forecast】

(100 million Yen)

	FY2015 forecast	Gap	Newly consolidated portion in Asia ※3	vs FY2014 Existing consolidated portion	Newly consolidated portion outside Asia ※4	Effect of Foreign Exchange ※5
Net sales	5,600	+2,994.1	2,778.9	88.9	43.6	82.7
Operating income	740	+402.5	330.8	63.8	▲ 1.9	9.8
Equity in earnings of affiliates	17	▲ 125.0	▲ 127.5	2.0	0.5	0.0
Ordinary income	765	※2 +272.3	209.2	55.1	▲ 1.8	9.8
Net income ※1	330	+3.2	▲ 38.0	29.7	3.7	7.8

※1 Net income attributable to shareholders of the Company

※2 Excludes 148.8 billion yen as Extraordinary income in FY2014.

※3 Actual effect of additional consolidation which excludes consolidation adjustment.

※4 Effect of acquisition of German paint manufacturer.

※5 Exchange rate in FY2015: JPY 119.2 / USD (JPY 106.4 / USD in FY2014).

※6 Actual operating income excluding dividends from overseas affiliates.  
Operating income from 2H of 2014 includes dividends, in accordance with a transfer to holding company in October, 2014 (Internal transaction).

## 【Consolidated Net Sales by Business Segment】

(100 million Yen)

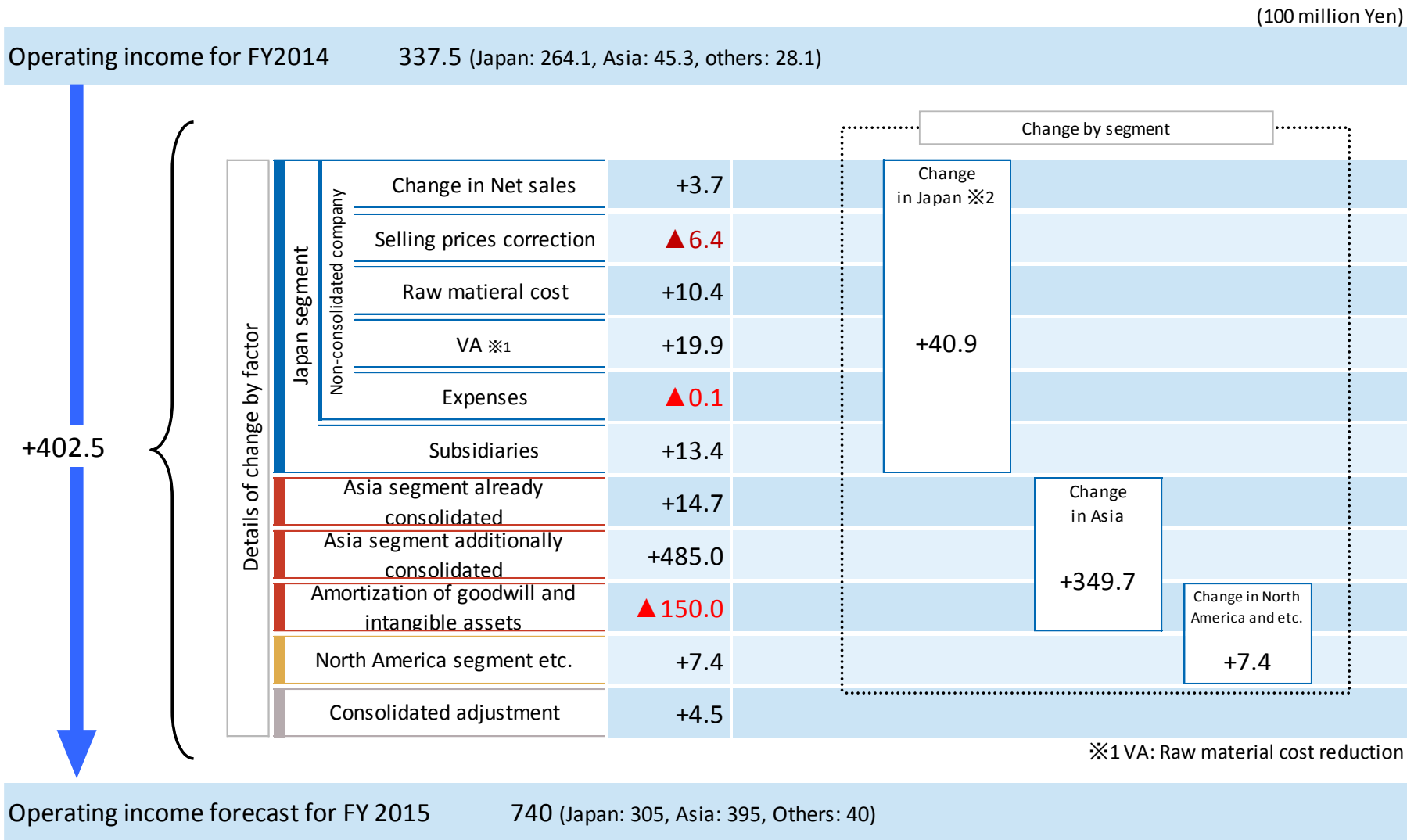
	FY2015 forecast	Gap vs FY2014	Newly consolidated Net Sales in FY2015 forecast
Paint Business	Automotive coatings	+501.5	357
	Decorative and Heavy Duty	+2,167.1	2,169
	Industrial coatings	+355.5	300
	Other paints and coatings	▲ 38.0	30
	Sub-total	+2,986.1	2,857
Fine Chemicals business	163	+8.0	3
Total	5,600	+2,994.1	2,860

## 【Consolidated Net Sales and Operating Income by Region】

(100 million Yen)

	FY2015 forecast	Gap vs FY2014	Newly consolidated Net Sales in FY2015 forecast
Japan	Net sales	▲ 72.0	-
	Operating income ※6	+40.9	-
Asia	Net sales	+2,956.3	2860
	Operating income	+349.7	335
	Equity in earnings of affiliates	▲ 124.8	-
North America	Net sales	+57.1	-
	Operating income	+11.2	-
Other	Net sales	+52.8	-
	Operating income	▲ 3.7	-
Total	Net sales	+2,994.1	2,860
	Operating income	+402.5	335

# Operating income Forecast and Gap Analysis in FY2015 vs FY2014



※Actual operating income excluding dividends from oversea affiliates.  
Operating income from 2H of 2014 includes dividends, in accordance with a transfer to holding company in October, 2014.

## Consolidated Financial Results

	FY2011		FY2012		FY2013		FY2014		FY2015	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H forecast	Full-year forecast
Net sales	1,068.3	2,222.6	1,193.3	2,333.8	1,269.0	2,605.8	1,272.5	2,605.9	2660	5600
Operating income	50.2	163.2	135.5	258.6	165.5	333.9	156.9	337.5	※ <sup>1</sup> 335	※ <sup>1</sup> 740
Equity in earnings of affiliates	24.4	43.3	22.1	48.9	51.1	112.7	62.7	141.0	8	17
Ordinary income	64.7	201.9	146.5	329.6	226.9	468.3	228.3	492.7	350	765
Net income ※ <sup>4</sup>	35.3	123.1	78.3	200.2	153.0	321.6	156.0	※ <sup>2</sup> 1,814.8	140	330
ROE (%)	-	9.3	-	13.5	-	18.1	-	※ <sup>3</sup> 53.8	-	6.5

※<sup>1</sup> Operating income forecast in 2015 reflects 15 billion yen as amortization of goodwill and intangible assets related to acquisition of joint venture in Asia.

※<sup>2</sup> 148.8 billion yen in 3Q 2014 is posted as extraordinary income related to gain on step acquisition of joint venture in Asia.

※<sup>3</sup> ROE is 9.7%, after extraordinary income is excluded from Net income.

※<sup>4</sup> Net income attributable to shareholders of the Company.

# Consolidated Sales and Incomes by Region

( 100 million Yen)

		FY2011		FY2012		FY2013		FY2014		FY2015	
		1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H forecast	Full-year forecast
Japan	Net sales	822.0	1723.3	895.8	1745.2	909.1	1874.8	916.3	1872.0	885	1800
	Operating income	47.9	152.7	116.9	224.4	134.1	270.2	122.1	※1 342.3	※1 149	※1 572
Asia	Net sales	163.0	324.0	186.3	370.7	225.5	457.1	216.4	438.7	1595	3395
	Operating income	7.3	13.6	11.7	24.5	19.1	42.6	21.2	45.3	※2 168	※2 395
	Equity in earnings of affiliates	24.4	43.3	22.1	48.9	51.1	112.7	62.8	141.8	8	17
North America	Net sales	71.1	150.8	98.2	191.4	119.5	235.5	120.2	257.9	160	315
	Operating income	-4.4	-2.8	5.8	9.2	11.5	19.8	11.8	26.9	19	38
Other	Net sales	12.2	24.5	13.1	26.5	14.9	38.4	19.4	37.2	20	90
	Operating income	-0.3	-0.4	-0.2	-0.8	0.2	0.8	0.9	0.7	1	-3

※1 Operating income in Japan segment in FY2014 includes dividends from affiliates in accordance with a transfer to holding company on October 1, 2014.  
(Dividends from affiliates in 2H of FY2014 : 7.8 billion yen, forecast 1H of 2015 : 0.3B, Full-year : 26.7B)

※2 This number includes 15 billion yen, as amortization of goodwill and intangible assets related with the Asia equity method consolidation.

# Consolidated Net Sales by Business Segment

		(100 million Yen)									
		FY2011		FY2012		FY2013		FY2014		FY2015	
		1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H forecast	Full-year forecast
Paint business	Automotive coatings	328.7	724.1	414.7	812.9	457.4	925.1	450.9	933.5	670	1435
	Decorative and Heavy Duty	191.9	397.6	220.0	437.7	243.4	500.6	236.0	457.9	1252	2625
	Industrial coatings	211.2	421.3	220.1	436.4	233.5	475.6	232.2	464.5	392	820
	Other paints and coatings	268.3	545.0	272.8	516.9	262.7	558.1	277.6	595.0	266	557
	Sub-total	1000.1	2088.1	1127.5	2203.9	1197.0	2459.4	1196.7	2450.9	2580	5437
Fine Chemicals business		68.2	134.5	65.8	129.9	72.0	146.4	75.8	155.0	80	163
Total		1068.3	2222.6	1193.3	2333.8	1269.0	2605.8	1272.5	2605.9	2660	5600

# Consolidated Net Sales by Business Segment

## Japan

		(100 million Yen)									
		FY2011		FY2012		FY2013		FY2014		FY2015	
		1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H forecast	Full-year forecast
Paint business	Automotive coatings	176.8	415.5	224.7	428.2	217.8	444.3	218.9	446.0	215	440
	Decorative and Heavy Duty	173.1	363.2	198.2	395.0	215.8	446.9	211.8	427.0	220	445
	Industrial coatings	189.5	380.4	198.9	394.6	207.5	424.5	207.1	409.3	209	420
	Other paints and coatings	228.8	457.5	222.5	427.7	216.8	455.7	227.4	487.9	188	389
	Sub-total	768.2	1616.6	844.3	1645.5	857.9	1771.4	865.2	1770.0	832	1694
Fine Chemicals business		53.8	106.7	51.5	99.7	51.2	103.4	51.1	102.0	53	106
Total		822.0	1723.3	895.8	1745.2	909.1	1874.8	916.3	1872.0	885	1800



# Consolidated Net Sales by Business Segment

## Asia

(100 million Yen)

		FY2011		FY2012		FY2013		FY2014		FY2015	
		1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H forecast	Full-year forecast
Paint business	Automotive coatings	73.9	143.8	84.5	179.1	111.7	222.6	102.6	212.6	286	615
	Decorative and Heavy Duty	18.8	34.4	21.8	42.7	27.6	53.7	24.1	30.9	1032	2180
	Industrial coatings	21.7	40.9	21.2	41.8	26.0	51.1	25.1	55.2	183	400
	Other paints and coatings	34.2	77.1	44.5	76.9	39.4	86.7	39.9	87.1	67	143
	Sub-total	148.6	296.2	172.0	340.5	204.7	414.1	191.7	385.7	1568	3338
Fine Chemicals business		14.4	27.8	14.3	30.2	20.8	43.0	24.7	53.0	27	57
Total		163.0	324.0	186.3	370.7	225.5	457.1	216.4	438.7	1595	3395

# Consolidated Capital Expenditure, Depreciation, R&D Expenses

	FY2011		FY2012		FY2013		FY2014		(100 million Yen) FY2015
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	Full-year forecast
Capital Expenditure	18.9	35.5	27.2	51.1	27.8	59.8	23.3	51.3	215
Depreciation	37.5	75.3	31.7	64.2	30.0	61.1	29.3	59.0	105
R&D Expenses	33.0	65.7	30.6	60.2	29.1	59.2	28.5	59.9	120

## Consolidated Cash Flows

(100 million Yen)

	FY2011		FY2012		FY2013		FY2014	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year
Cash flows from operating activities	21.6	224.8	101.8	318.5	75.5	269.2	145.8	344.2
Cash flows from investing activities	-14.0	-37.1	-26.2	-69.2	-29.2	-71.7	-20.7	-869.7
Cash flows from financing activities	-85.4	-119.4	-153.8	-187.4	-171.4	-210.3	-112.4	853.0

Foreign Exchange Rates(Term Average)

	FY2011		FY2012		FY2013		FY2014		(Yen)
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	Full-year forecast
US Dollar	81.8	79.7	79.8	80.1	95.9	98.0	102.2	106.4	119.2
Chinese Yuan	13.0	12.9	12.6	12.7	15.5	16.0	16.6	17.2	19.0
Thai Baht	2.77	2.68	2.56	2.58	3.20	3.17	3.13	3.27	3.68

## Main Consolidated Indicators

	FY2011		FY2012		FY2013		FY2014	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year
Gross profit margin(%)	31.6	33.0	34.7	35.2	36.4	35.9	35.8	35.5
Operating income margin(%)	4.7	7.3	11.4	11.1	13.0	12.8	12.3	13.0
Ordinary income margin(%)	6.1	9.1	12.3	14.1	17.9	18.0	17.9	18.9
Net income margin(%)	3.3	5.5	6.6	8.6	12.1	12.3	12.3	※ <sup>1</sup> 69.6
BPS(Yen)	485.8	514.5	531.9	609.2	684.8	746.3	786.0	※ <sup>1</sup> 1496.2
EPS(Yen)	13.3	46.5	29.6	75.6	57.9	122.5	59.9	※ <sup>1</sup> 650.0
Capital equity ratio(%)	49.7	49.7	52.8	56.0	59.9	60.0	63.3	59.2
Ratio of ordinary income to total assets(%)	-	7.5	-	11.7	-	15.3	-	8.7
Consolidated payout ratio(%)	-	19.4	-	18.5	-	16.3	-	※ <sup>2</sup> 3.4

※<sup>1</sup> 148.8 billion yen in 3Q 2014 is posted as extraordinary income related to gain on step acquisition of joint venture in Asia.

※<sup>2</sup> Actual dividend payout ratio is 21.4%, excluding extraordinary income, 148.8 billion yen.

Market Conditions: Japan-Produced Naphtha Prices

	(Yen/KL)			
	1Q	2Q	3Q	4Q
FY2011	59,000	54,900	51,700	54,100
FY2012	60,600	49,800	55,800	63,800
FY2013	65,500	63,900	67,800	72,000
FY2014	69,900	70,900	66,000	47,000
FY2015 ※	47,000			

※ The figure of FY 2015 is the Company’s estimate.

Market Conditions: the Number of Automobiles Produced in Japan

	( 10,000 units )		
	1H	2H	Full-year
FY2011	390	537	927
FY2012	490	465	955
FY2013	474	517	991
FY2014	478	481	959
FY2015 ※	940		

※ The figure of FY 2015 is the Company’s estimate.



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