

FY2015

Nippon Paint Holdings Group Business Briefing

24 November, 2015



Today's Agenda

1. Performance highlights
2. Topics
 - 2-1. Chinese business
 - 2-2. Progress on mid-term management plan and strategic alliance
 - 2-3. Progress on mid-term management plan
Automotive coatings business : Mitsuo Yamada, CEO of NPAU
 - 2-4. Progress on mid-term management plan
Decorative paints business : Shingo Aida, CEO of NPTU
3. Q&A session

1H 2015

Net Sales & OP increased!

(JPY 100 million, %)

	FY2015 2Q	FY2014 2Q	Variance	Variance		
				Newly consolidated companies in Asia	Consolidated- adjustments, Other factors	Currency
Net sales	2,632.7	1,272.5	+1,360.2	1,355.2	-55.7	+54.6
Operating Profit (before amortization)	320.5 (393.7)	156.9	+163.6	206.1	-67.1	+11.8
OP margin (before amortization)	12.2 (15.0)	12.3	-	-	-	-
Ordinary income	336.9	226.6	+110.3	218.2	-	-
Net income*	132.8	156.0	-23.2	-	-	-

* Net income attributable to owners of the parent company

Revised outlook for FY2015

Net Sales & OP increase!

(JPY 100 million , %)

	Revised outlook	Original outlook	FY2014	Variance (%) vs original	Variance (%) vs FY2014
Net sales	5,300	5,600	2,605.9	-5.4	+103.4
Operating profit (before amortization)	700 (850)	740 (890)	379.5	-5.4 (-4.5)	+84.5 (+124.0)
OP margin (before amortization)	13.2 (16.0)	13.2 (16.0)	14.6	-	-
Ordinary income	730	765	492.7	-4.6	+48.2
Net income ^{*1}	320	300	326.8 ^{*2}	-3.0	+76.3

*1 Net income attributable to owners of the parent company

*2 Exclude 148.8 billion yen as extraordinary income

Reason for revised outlook:

Economic slowdown in Asia segment, mainly China, and slow demand recovery in Japan

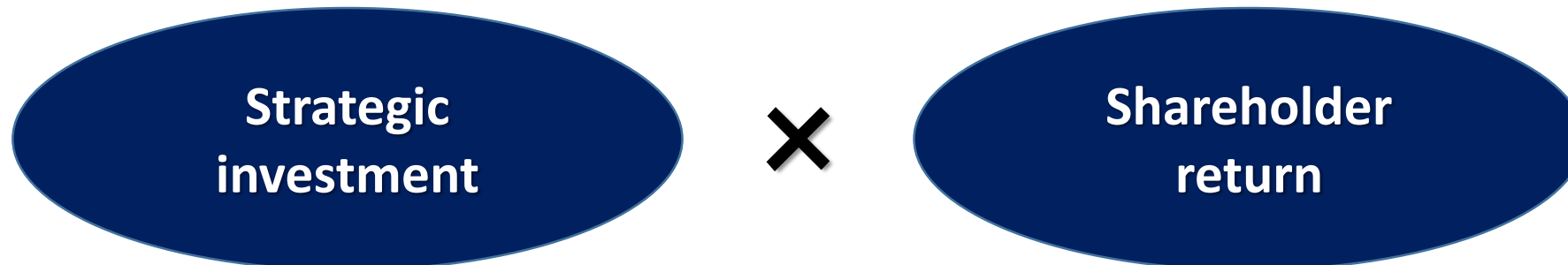
Calculated on:

exchange rate of JPY 119.9/USD, JPY 19.0/RMB, naphtha price of JPY 39,000

Shareholder return policy

*Dividend increase announcement
on 6 Nov 2015
JPY 11 → 15
for interim & year-end*

- ✓ Upgrade shareholder return to global level
- ✓ Maintain dividend policy (“dividend according to performance”)
 - Calculate payout ratio based on net income before amortization,
with a view to IFRS adoption from FY2018
 - Dividend payout ratio : 20 to 30%
- ✓ Balance strategic investment & shareholder return,
aim continuous dividend increase trend



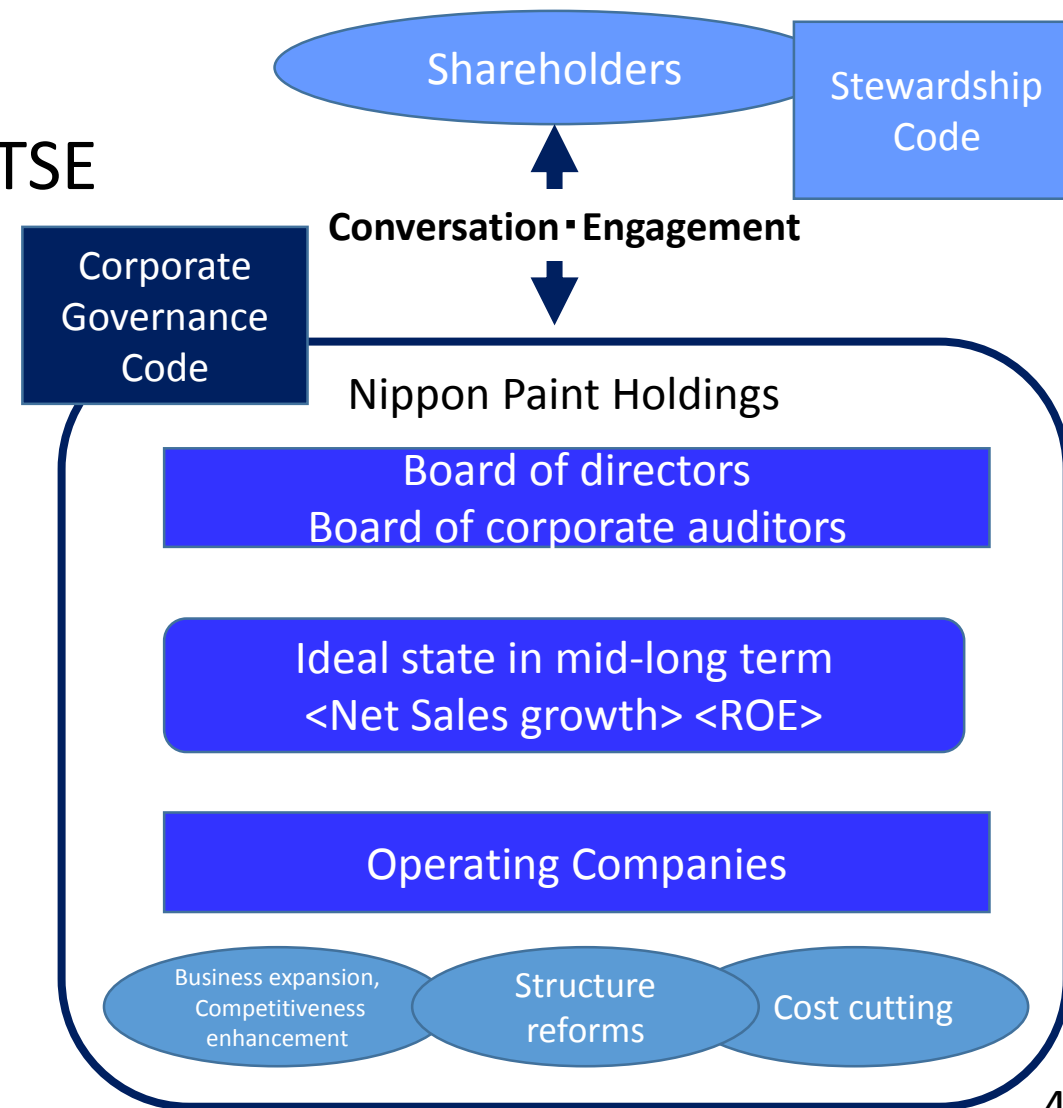
Corporate Governance Code

On 20 November 2015

- ✓ Submit “Corporate Governance Report” to TSE
- ✓ Establish “Corporate Governance Policy”

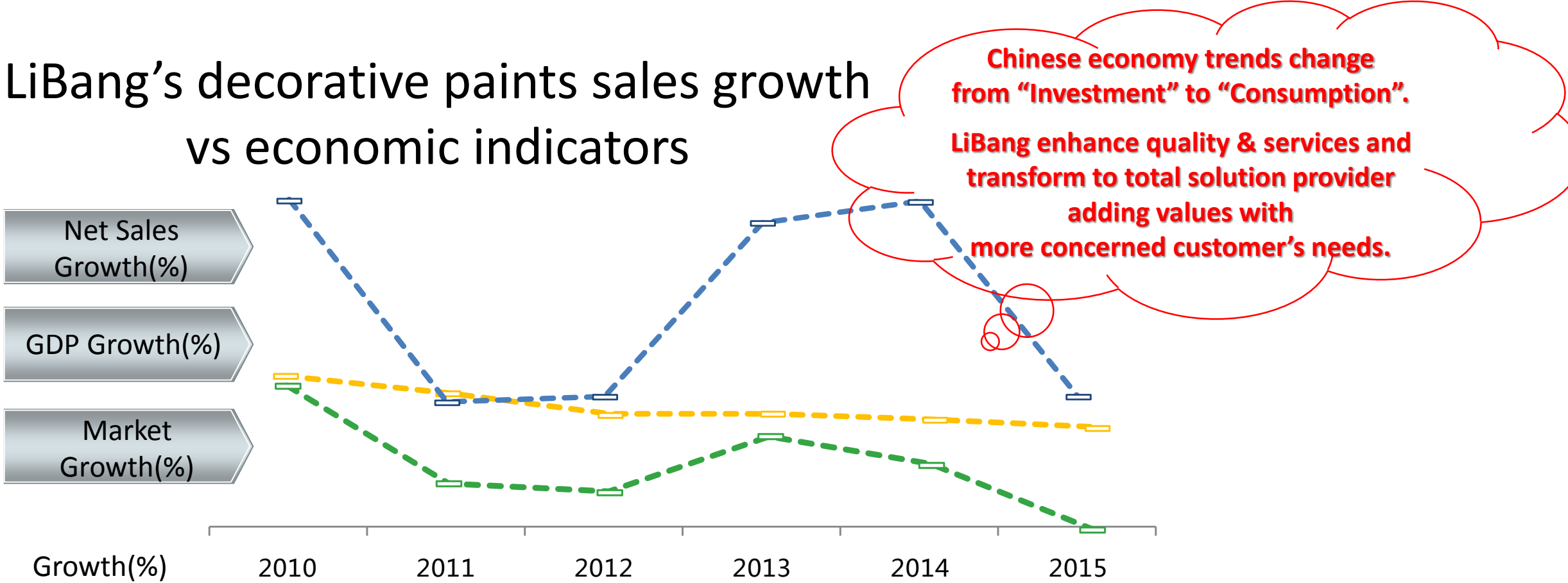
(Principle)

Nippon Paint Holdings continues to enhance and strengthen corporate governance on an ongoing basis aiming to create a management mechanism that enables Nippon Paint Holdings to respond to changes in the management environment promptly and effectively and to realize high management transparency, for the purpose of realizing the sustainable growth and medium/long-term enhancement of the corporate value of the Nippon Paint Group by putting into practice its “Management Philosophy” and “Nippon Paint Group Vision,”.



Chinese business

LiBang's decorative paints sales growth vs economic indicators



Growth(%)	2010	2011	2012	2013	2014	2015
Net Sales	23.6	9.1	9.5	22.0	23.6	9.5
GDP	10.4	9.2	7.7	7.8	7.4	6.8
Market	10.6	2.8	2.1	6.6	4.3	-0.9

To be “Total Service Provider” from “Paint Manufacturer”,
in order to improve quality & service level from customer’s perspective,
according to changes of economic environment and consumer behavior.



Create Repainting Market, Establish Services & Standards

The advertisement for Lixian Repainting Service is divided into two main sections. The top section illustrates a six-step process: 1. Free inspection (using a handheld device), 2. Formulating a plan (writing on a clipboard), 3. Moving and protection (covering furniture), 4. Professional sanding (using a power sander), 5. Cleaning and positioning (tidying up the room), and 6. One-year warranty (holding a warranty card). Below this, a 'Service Content' bar lists: solving wall problems, renewing wall color, artistic wall effects, and renovating wooden furniture. The bottom section features a QR code, the slogan '立邦刷新服务不用你动手' (Lixian Repainting Service, no need for you to do it), the phone number '400 821 5757', and the Lixian logo with the tagline '立邦 为你刷新生活' (Lixian, refreshing your life for you).

Now on "repainting!"



Repainting Service Shop

立邦为你刷新生活



98%

NPS improvement

2014 65% → 2015 98%

NPS: Net Promoter Score
Index of possibility to recommend products or services to your friends or colleagues

Gain more Market Share & Enrich “LiBang” Brand further



DIY market share

25.7%(2014) → **27.0%**(2015)

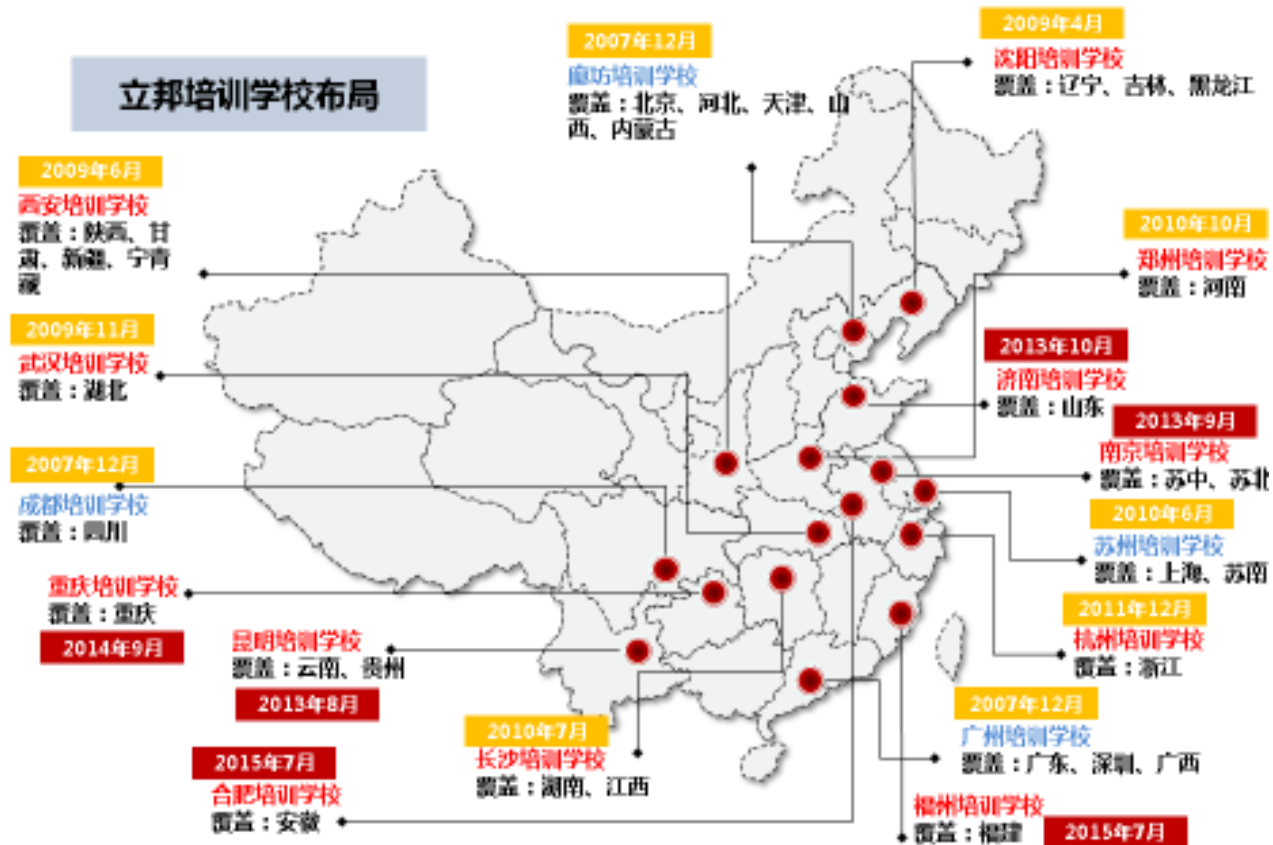
Launch 1st One-Stop-Service Store (Promotion Shop in Shanghai)



Upgrade & Expand product line-up “Total Painting System”

用途	墙面加固	防水处理	石膏板接缝	底层找平	面层收光	底漆	面漆
	Wall Enhancement	Waterproof	gap filler putty and tape	Leveling putty	Putty paste	Primer	Top coat
解决方案							
产品	水性墙面加固剂	柔性/通用型防水涂料	嵌缝膏+接缝带	透层腻子	腻子膏	底漆	面漆
全程无胶水 环保更彻底							

LiBang University – Educational Institution for Professional Painters



- ✓ Total 16 sites in China
- ✓ Over 5,000 graduates
- ✓ Over 100 trainers



Variety of learning and training programs



- ✓ On-demand learning
- ✓ Mobile learning
- ✓ Class room lecture
- ✓ Painting training etc.



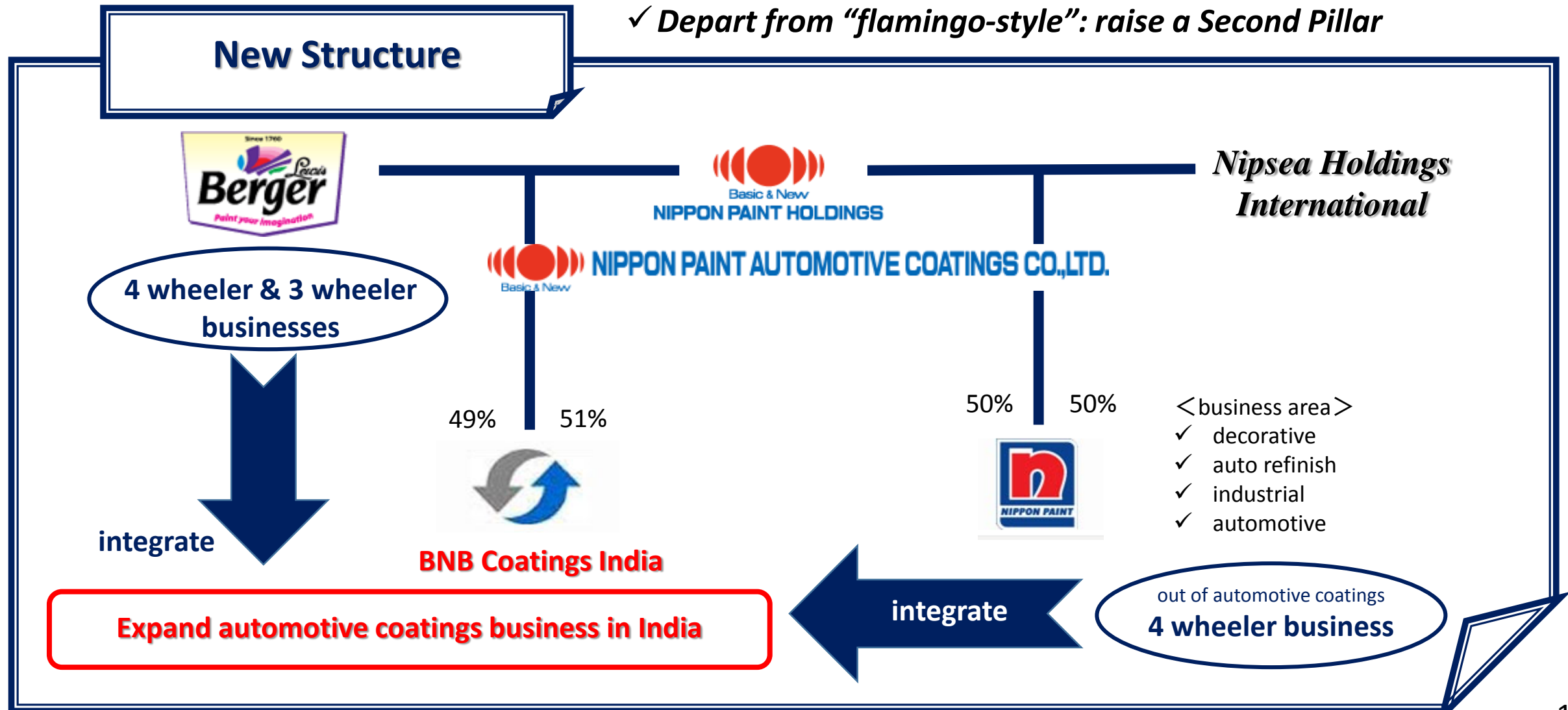
Strategic Alliance with Berger Paints India

✓ *Shift in Indian business Strategy :*

expand cooperation area with #2 player in India

✓ *Boost presence in promising sustainable growth Indian market*

✓ *Depart from “flamingo-style”: raise a Second Pillar*



Strategic Alliance with Berger Paints India



Forbs India's List of
Super 50 Companies

<Company outline>

Year established	1923
Business	Manufacture and sales of decorative, automotive, industrial paints & coatings
Size of Business	INR 43.6B (second largest player in India)
Number of Employee	2,500
Listed stock exchange	Mumbai (BSE) • National (NSE) • Kolkata (CSE)

<History along with Nippon Paint>

- from 2007 Form JV of Plastic Coatings
- from 2015 Integrate coatings for four wheeler cars
- ➡ expand area of business cooperation
- from plastic coatings to coatings for four wheeler cars



Brand Ambassador of SILK product line,
Katrina Kaif, Bollywood star

Nippon Paint Automotive Coatings Co., Ltd. Business Briefing




"To be a global top automotive coatings manufacturer"

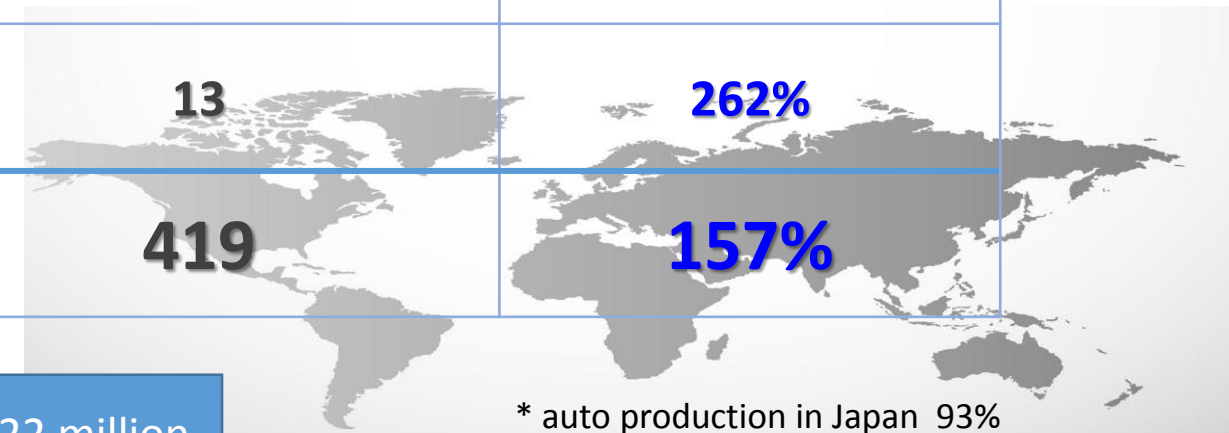
【Net Sales of Automotive coatings】

Gaining market share in key areas

(JPY 100 million)



	FY2015 1H	FY2014 1H	Y on Y
Japan	191	196	97% *
Asia (including China)	286	103	278%
North America	145	107	136%
Europe and others	34	13	262%
Total	657	419	157%



Newly consolidated : Nipsea + JPY 173 million, B&K + JPY 22 million

* auto production in Japan 93%

【Overseas business】 Advancing steadily as a Global-Supplier!



Major achievements in FY2015 1H

- ✓ Enter into European OEMs
- ✓ Increase Chinese OEMs business
- ✓ Increase Japanese OEMs business in Southeast Asia
- ✓ Start business promotion to major auto parts makers
- ✓ Start business expansion in Central & South America



长城汽车



北汽集团
BAIC Group

DENSO



faurecia



Mercedes-Benz



Audi



RENAULT



PEUGEOT

【Overseas business】

Accelerate new investments for expanding business!

USA: Warehouse expansion & renovation



Germany: E-coat facility



China (Jinshan): New plant



China (Yancheng) : New plant



Mexico: second plant



Turkey: E-coat and Waterborne facilities



Indonesia: New plant



Brazil: New plant



India: New plant



Indonesia: New plant for E-coat



【Domestic business】

Gain share & advance new businesses in shrinking market!

Major achievement in FY2015 1H

OEM coatings (Body & Bumper)

- ✓ Gain market share Y-o-Year in shrinking market
- ✓ Achieve significant increase in market share of Bumper coatings
- ✓ Contribute to value-added cars with high designed color & new technology, receiving several awards from OEMs



Parts & Ancillaries coatings (Plastic, metal parts & others)

- ✓ Increase market share in interior coatings
- ✓ Promote new business of super hydrophilic coatings & decoration film for in-car accessories
- ✓ Put Color E-coat & color film into practical use



AISIN

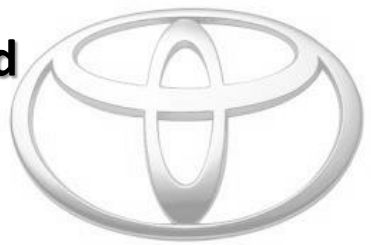
ALPINE
Driving Mobile Media Innovation



【AWARDS】

Receive high evaluation with innovative technology & high color design !

TOYOTA CE award
"Air Yellow"



Nissan Innovation-award
"Dark Matt Grey"



Mazda
Prime Minister's Award
at Sixth Monodzukuri Nippon Grand Award
New paint system "Aqua Tech Paint System"



第6回 ものづくり日本大賞



Crown's 60th anniversary
Special edition color
"Grass Green" & "Sky Blue"



Nippon Paint Co., Ltd.
Decorative Paints Business Briefing



Nippon Paint's measurements

★1H market condition ⇒ 1H result: lower than previous year

- Actual economic growth rate by Japan Center for Economic Research

1H +2.18% (April forecast) ⇒ ▲0.33% (October results) ▲2.51pt downward -revision

- JPMA forecast questionnaire survey of Architectural paints

1H 102.9% (forecast) ⇒ 98.3% (result) ▲4.6pt

★2H market condition ⇒ Forecast for Decorative paints market: same level
in spite of outlook for slow economic recovery

- Forecast economic growth rate by Japan Center for Economic Research

3Q +1.85% (July forecast) ⇒ +1.37% (October forecast) ▲0.48pt revised

4Q +1.83% (July forecast) ⇒ +1.59% (October forecast) ▲0.24pt revised

★Sale condition ⇒ **Gain market share steadily even in tough condition**

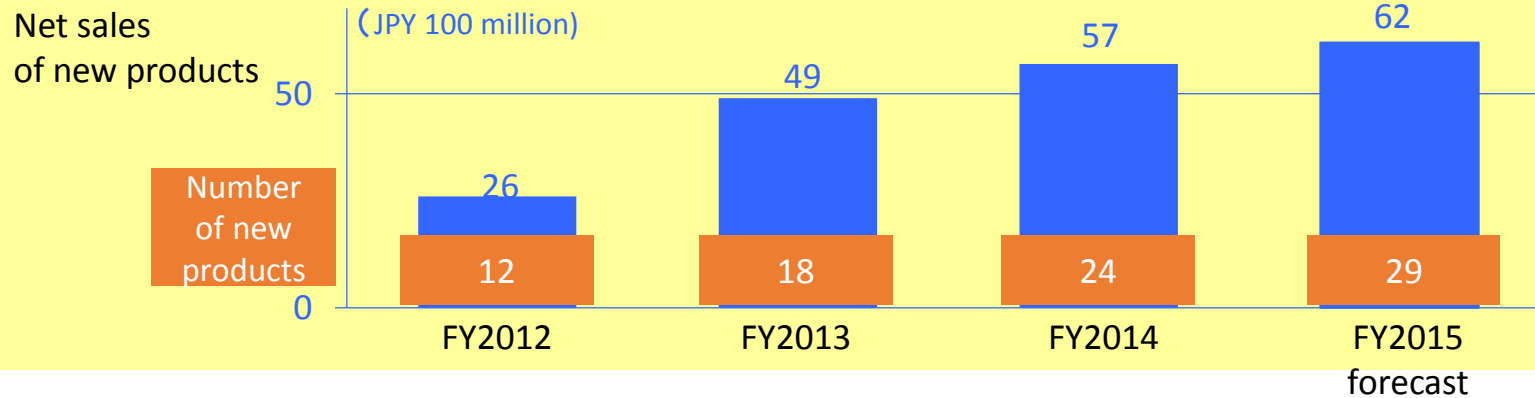
©Nippon's measurements



Introduce new products in a stream - Boosting sales

◎141% sales growth of new products even in stagnant market

- ★ Upgrade & Expand product line-up with 60 new products since 2012
- ★ Leap percentage of new products sales : 8%(2012) to 18%(2014)



Measurement to tap market
Replacement of high profit products

Retail market

Series of differentiated products

Easy to paint & salable products developed by "Painter's perspective"
選ぶなら、「完璧」という名の塗料。
パーフェクトペイントシリーズ

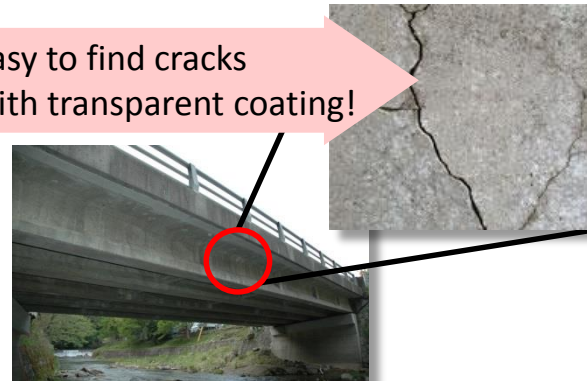


Concrete construction

Innovative products

Develop transparent paint, visible cracks, with Public Works Research Institute

Easy to find cracks with transparent coating!



Auto-Refinish

Innovative auto-refinish products

Launch safe & easy handle "Waterborne" computer weighing system



Aggressive investment for infrastructure - create support system for sales expansion

◎ Enhance production & distribution capacity in Kanto area, key market

★ Complete expansion of Kanto Distribution Center

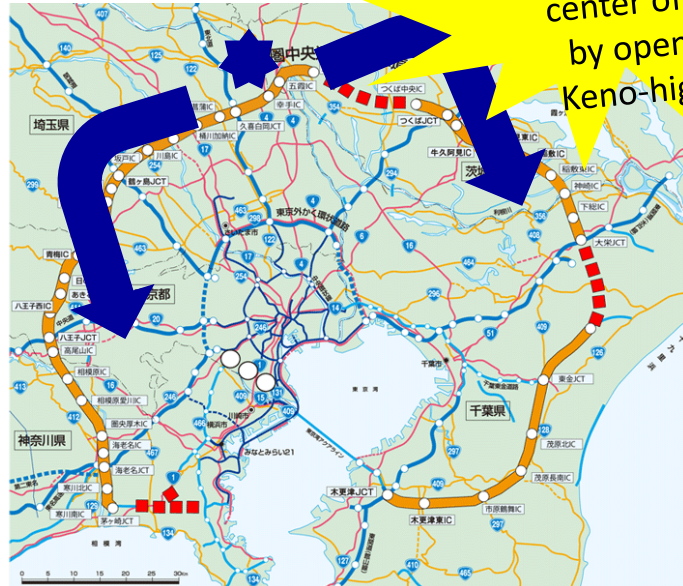
Total area 24,070 sq m (expansion 11,003 sq m)

Supply capacity **1.5 times**

Tinting capacity **2.2 times**

★ Kanto Distribution Center

(Shiraoka, Saitama)



Enhance customers' convenience

Responding to "Quick delivery" & "Small lot order" is winning key

Achieve top service level in the industry

Delivery system

Double number of service

Delivery time of tinting paints

Next day delivery rate

50% → **90%**

<Supplement>

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

Consolidated Financial Results

	FY2011		FY2012		FY2013		FY2014		(100 Million Yen) FY2015	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year forecast
Net sales	1068.3	2222.6	1193.3	2333.8	1269.0	2605.8	1272.5	2605.9	2632.7	5300
Operating income	50.2	163.2	135.5	258.6	165.5	333.9	156.9	337.5	※ ¹ 320.5	※ ¹ 700
Equity in earnings of affiliates	24.4	43.3	22.1	48.9	51.1	112.7	62.7	141.0	4.3	13
Ordinary income	64.7	201.9	146.5	329.6	226.9	468.3	228.3	492.7	336.9	730
Net income ※ ⁴	35.3	123.1	78.3	200.2	153.0	321.6	156.0	※ ² 1814.8	132.8	320
ROE (%)	-	9.3	-	13.5	-	18.1	-	※ ³ 53.8	-	6.6

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

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

※³ ROE is 9.7%, after extraordinary income is excluded from Net income

※⁴ Net income attributable to parent company shareholders

Consolidated Sales and Incomes by Region

		FY2011		FY2012		FY2013		FY2014		FY2015	
		1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year Forecast
Japan	Net sales	822.0	1723.3	895.8	1745.2	909.1	1874.8	916.3	1872.0	862.7	1770
	Operating income	47.9	152.7	116.9	224.4	134.1	270.2	122.1	※ ¹ 342.3	※ ¹ 297.3	※ ¹ 525
Asia	Net sales	163.0	324.0	186.3	370.7	225.5	457.1	216.4	438.7	1564.6	3100
	Operating income	7.3	13.6	11.7	24.5	19.1	42.6	21.2	45.3	※ ² 160.5	※ ² 360
	Equity in earnings of affiliates	24.4	43.3	22.1	48.9	51.1	112.7	62.8	141.8	5.8	15
North America	Net sales	71.1	150.8	98.2	191.4	119.5	235.5	120.2	257.9	163.1	320
	Operating income	-4.4	-2.8	5.8	9.2	11.5	19.8	11.8	26.9	25.0	50
Others	Net sales	12.2	24.5	13.1	26.5	14.9	38.4	19.4	37.2	42.3	110
	Operating income	-0.3	-0.4	-0.2	-0.8	0.2	0.8	0.9	0.7	0.4	-3

※¹ Operating income from 2H of 2014 includes dividends, in accordance with a transfer to holding company in October, 2014(Internal transaction)

※² This number includes 15 billion yen, as amortization of goodwill and intangible assets related with the Asia equity method consolidation in December, 2014

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	Full-year Forecast
Paint business	Automotive coatings	328.7	724.1	414.7	812.9	457.4	925.1	450.9	933.5	657.5	1354
	Decorative paints (including Heavy duty)	191.9	397.6	220.0	437.7	243.4	500.6	236.0	457.9	1257.3	2487
	Industrial coatings	211.2	421.3	220.1	436.4	233.5	475.6	232.2	464.5	339.1	690
	Other paints and coatings	268.3	545.0	272.8	516.9	262.7	558.1	277.6	595.0	290.3	595
	Sub-total	1000.1	2088.1	1127.5	2203.9	1197.0	2459.4	1196.7	2450.9	2544.2	5126
Fine chemical business		68.2	134.5	65.8	129.9	72.0	146.4	75.8	155.0	88.5	174
Total		1068.3	2222.6	1193.3	2333.8	1269.0	2605.8	1272.5	2605.9	2632.7	5300

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	Full-year Forecast
Paint business	Automotive coatings	176.8	415.5	224.7	428.2	217.8	444.3	218.9	446.0	191.4	393
	Decorative paints (including Heavy duty)	173.1	363.2	198.2	395.0	215.8	446.9	211.8	427.0	213.5	437
	Industrial coatings	189.5	380.4	198.9	394.6	207.5	424.5	207.1	409.3	187.9	384
	Other paints and coatings	228.8	457.5	222.5	427.7	216.8	455.7	227.4	487.9	225.1	458
	Sub-total	768.2	1616.6	844.3	1645.5	857.9	1771.4	865.2	1770.0	817.9	1672
Fine chemical business		53.8	106.7	51.5	99.7	51.2	103.4	51.1	102.0	44.8	90
Total		822.0	1723.3	895.8	1745.2	909.1	1874.8	916.3	1872.0	862.7	1762

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	Full-year Forecast
Paint business	Automotive coatings	73.9	143.8	84.5	179.1	111.7	222.6	102.6	212.6	286.3	576
	Decorative paints (including Heavy duty)	18.8	34.4	21.8	42.7	27.6	53.7	24.1	30.9	1043.8	2050
	Industrial coatings	21.7	40.9	21.2	41.8	26.0	51.1	25.1	55.2	151.1	306
	Other paints and coatings	34.2	77.1	44.5	76.9	39.4	86.7	39.9	87.1	60.2	127
	Sub-total	148.6	296.2	172.0	340.5	204.7	414.1	191.7	385.7	1541.4	3059
Fine chemical business		14.4	27.8	14.3	30.2	20.8	43.0	24.7	53.0	23.2	47
Total		163.0	324.0	186.3	370.7	225.5	457.1	216.4	438.7	1564.6	3106

Consolidated Capital expenditure, Depreciation, R&D Expenses

(100 Million Yen)										
	FY2011		FY2012		FY2013		FY2014		FY2015	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year Forecast
CAPEX	18.9	35.5	27.2	51.1	27.8	59.8	23.3	51.3	97.7	215
Depreciation	37.5	75.3	31.7	64.2	30.0	61.1	29.3	59.0	79.1 [※]	156 [※]
R&D expenses	33.0	65.7	30.6	60.2	29.1	59.2	28.5	59.9	67.6	120

Each item increases in accordance with acquisition of joint venture in Asia from FY2015

Consolidated Cash Flow

(100 Million Yen)									
	FY2011		FY2012		FY2013		FY2014		FY2015
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H
Cash flow from operating activities	21.6	224.8	101.8	318.5	75.5	269.2	145.8	344.2	137.1
Cash flow from investing activities	-14.0	-37.1	-26.2	-69.2	-29.2	-71.7	-20.7	-869.7	-72.6
Cash flow from financing activities	-85.4	-119.4	-153.8	-187.4	-171.4	-210.3	-112.4	853.0	-43.9

Foreign Exchange Rates(Term Average)

	FY2011		FY2012		FY2013		FY2014		FY2015	
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year Forecast
USD	81.8	79.7	79.8	80.1	95.9	98.0	102.2	106.4	120.5	119.2
RMB	13.0	12.9	12.6	12.7	15.5	16.0	16.6	17.2	19.4	19.2

Main Consolidated Indicators

	FY2011		FY2012		FY2013		FY2014		FY2015
	1H	Full-year	1H	Full-year	1H	Full-year	1H	Full-year	1H
Gross income margin (%)	31.6	33.0	34.7	35.2	36.4	35.9	35.8	35.5	40.8
Operating income margin (%)	4.7	7.3	11.4	11.1	13.0	12.8	12.3	13.0	12.2
Ordinary income margin (%)	6.1	9.1	12.3	14.1	17.9	18.0	17.9	18.9	12.8
Net income margin (%)	3.3	5.5	6.6	8.6	12.1	12.3	12.3	※ ¹ 69.6	5.0
BPS (yen)	485.8	514.5	531.9	609.2	684.8	746.3	786.0	※ ¹ 1496.2	1492.4
EPS (yen)	13.3	46.5	29.6	75.6	57.9	.122.5	59.9	※ ¹ 650.0	41.4
Capital equity ratio (%)	49.7	49.7	52.8	56.0	59.9	60.0	63.3	59.2	58.2
Ratio of ordinary income to total assets (%)	-	7.5	-	11.7	-	15.3	-	8.7	-
Consolidated payout ratio (%)	-	19.4	-	18.5	-	16.3	-	※ ² 3.4	-

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

※² 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
FY2010	49,700	42,700	45,100	52,400
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	48,800	47,200	39,000 [※]	

※ The company estimates

Market Conditions: the Number of Automobiles Produced in Japan

	(100 Million unit)									
	2011		2012		2013		2014		2015	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	
Japan [※]	390	537	490	465	474	517	478	480	445	
China	917	926	954	973	1,075	1,138	1,179	1,194	1,210	
North America (USA, Canda, Mexico)	662	678	806	760	837	801	874	850	895	
Thailand	81	65	107	138	134	112	95	93	93	

Source : Japan Automotive Manufacturers Association, Federation of Thai Industries

※ 1H starts from April, and 2H from October

Market Conditions: Shipment and Production quantity in Japan and China

	FY2011		FY2012		FY2013		FY2014		FY2015
	1H	2H	1H	2H	1H	2H	1H	2H	1H
Shipment volume in Japan	82.3	87.8	87.0	84.5	85.7	89.7	84.6	86.8	86.6

(10 thousand tons)

Source : Japan Paint Manufactures Association

	FY2011		FY2012		FY2013		FY2014		FY2015
	1H		1H		1H	2H	1H	2H	1H
Production volume in China	1,080		1,272		699	829	771	877	779

(10 thousand tons)

Source : National Bureau of Statistics of China

Market Conditions: Japanese other indexes

	FY2011		FY2012		FY2013		FY2014		(10 thousand) FY2015	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H Forecast
Housing starts	43.3	40.9	44.3	45.0	49.9	48.8	44.1	43.9	47.2	45.6

Source : Ministry of Land, Infrastructure, Transport and Tourism
 Research Institute of Construction and Economy(2H forecast)

	FY2011		FY2012		FY2013		(10 thousand unit) FY2014		FY2015
	1H	2H	1H	2H	1H	2H	1H	2H	1H
Production volume of Construction Machinery	16.0	18.1	18.0	16.7	18.3	20.6	21.0	20.8	18.8

Source : Japan Construction Equipment Manufacturers Association

	FY2013		FY2014		(10 thousand unit) FY2015
	1H	2H	1H	2H	Jan-Aug
Production volume of Machine Tool	2.7	3.4	5.3	5.7	4.5

Source : Japan Machine Tool Builder's Association



The forward-looking statements in this document are based on information available at the time of preparation and involve inherent risks and uncertainties. Accordingly, the actual results and performance of Nippon Paint Holdings Co., Ltd. and the Nippon Paint Holdings Group may be significantly different from the forward-looking statements.

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