

# FY2018–FY2020 Nippon Paint Holdings Group Medium-term Management Plan “N-20”

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## NPHD: Nippon Paint Holdings

■ Earnings were converted using the following forex rates unless otherwise specified

	2014	2015	2016	2017	2018–20
¥/USD	106.4	121.0	109.4	112.0	110.0
¥/RMB	17.2	19.2	16.4	16.6	16.0

# NPHD Group Medium/Long-term Corporate Plan

[Goal in 2030]

**The Leading company committed to  
continuously create new value**



Moving towards  
our goal

**Future Pull**



[Commitment in 2020 in the FY2018–20 Medium-term Management Plan]

**Become the top leader  
in all business domains & regions**

- Net sales target 750 billion yen in 2020
- Maximize value for all stakeholders ⇒ Maximize shareholders' value

# New Management Philosophy

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Enacted January 2018



**The leading brand bringing colors & joy to everyday life through innovative coating solutions**

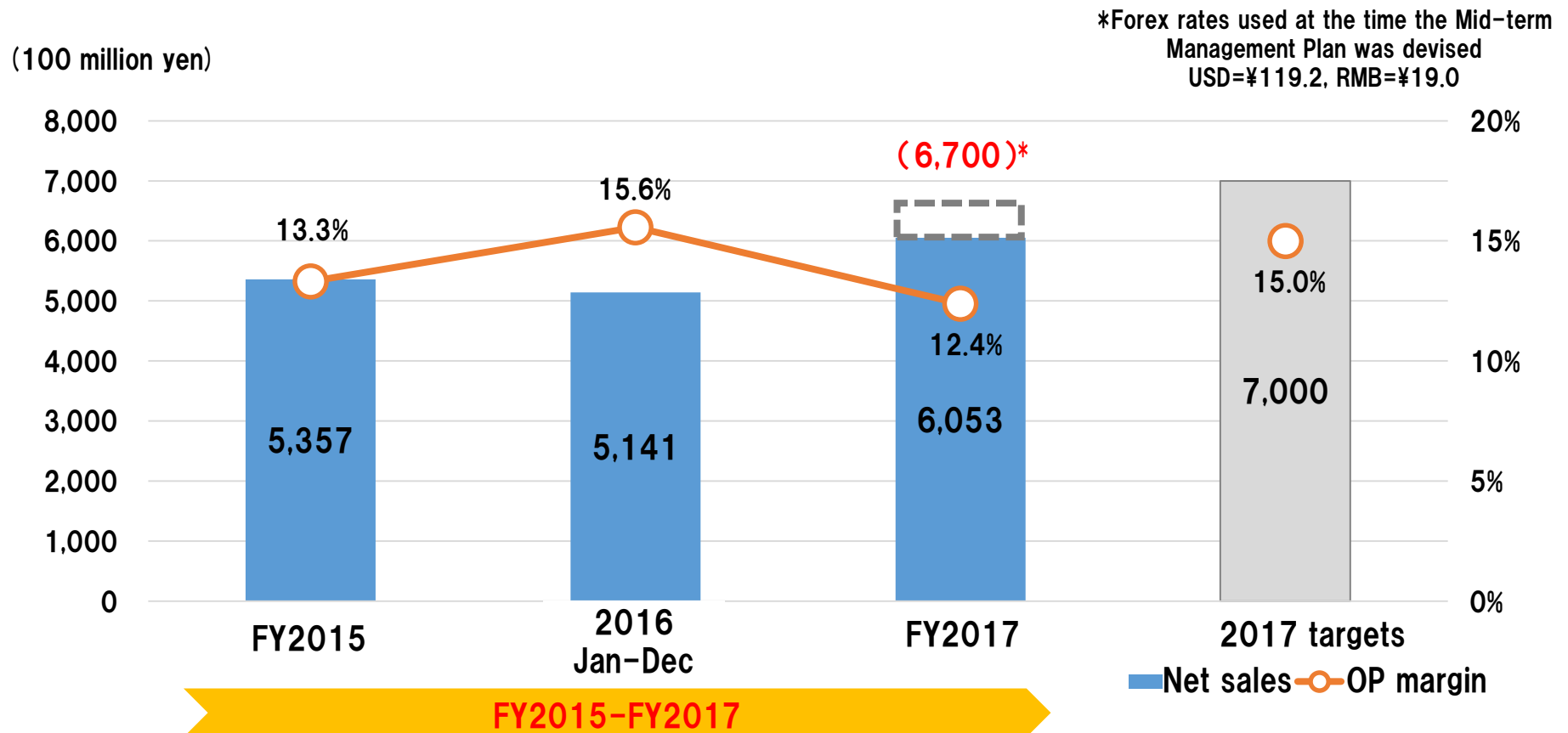


**To be the industry leader driven by passionate people using our strong business foundations to create value & inspire all stakeholders**

# Review of FY2015–FY2017 Medium-term Management Plan

## Achieved goals as strategic measures progressed in line with plans

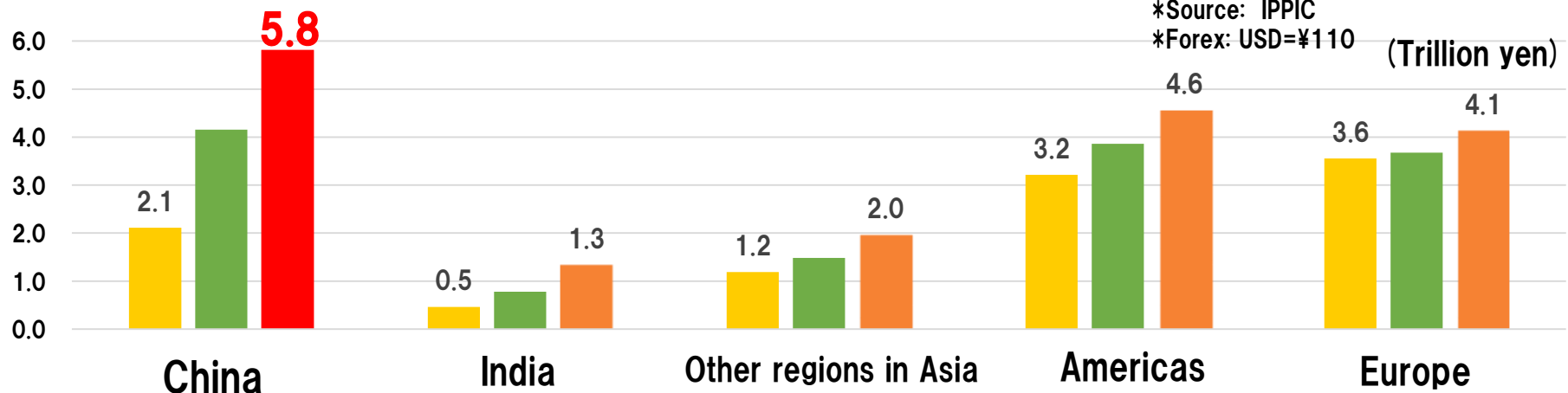
- Achieved expansion in net sales & profits
- Built an foundation for securing a Leading Position



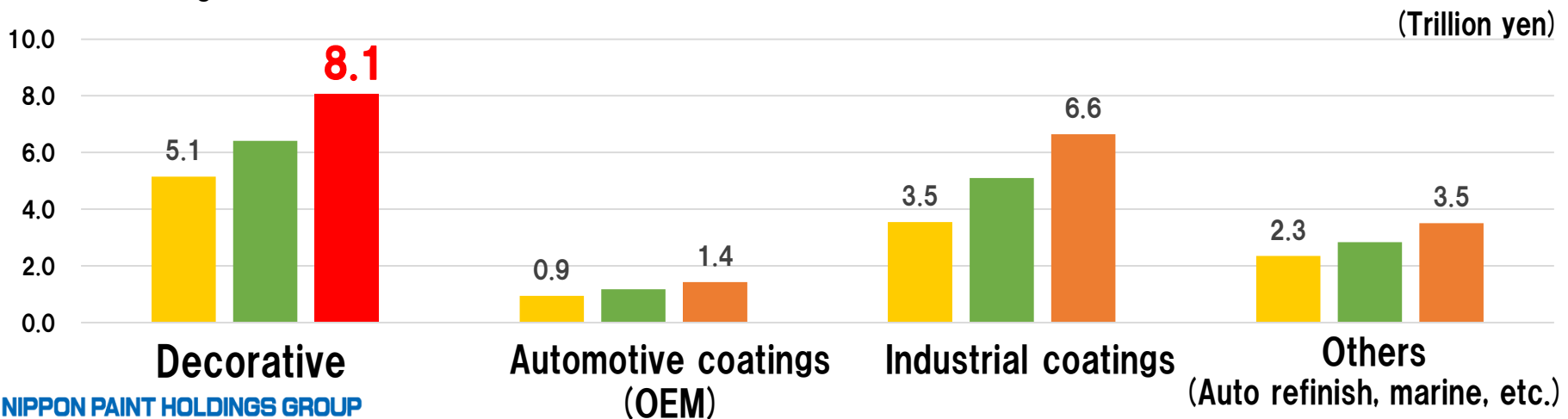
# Review of FY2015–FY2017 Medium-term Management Plan

## Global paint & coatings demand: Mainly driven by demand in China and decorative paint business

<Region>



<Business Segments>

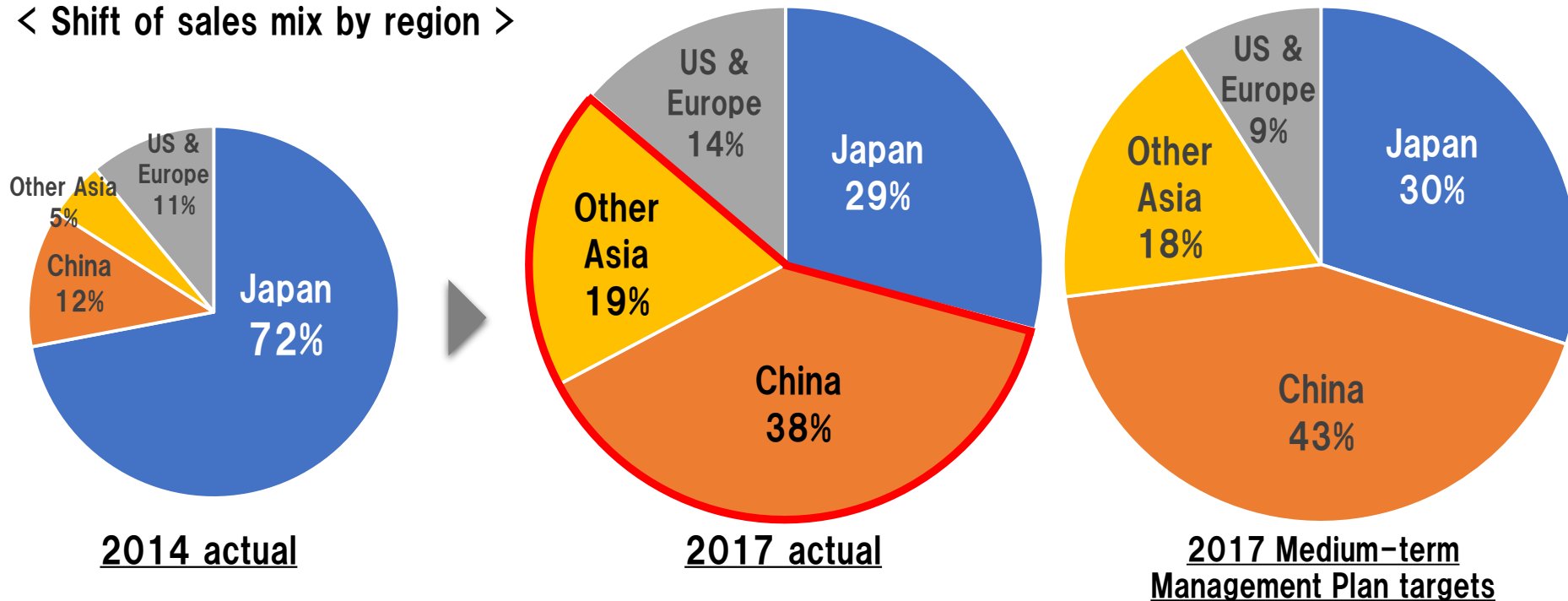


# Review of FY2015–FY2017 Medium-term Management Plan

## Sales by region: Strong business structure based in growing market, Asia

(1) Enforced existing businesses and (2) implemented M&A to capture growing demand in Asia, our largest market, and to achieve growth in the Americas & Europe

### < Shift of sales mix by region >



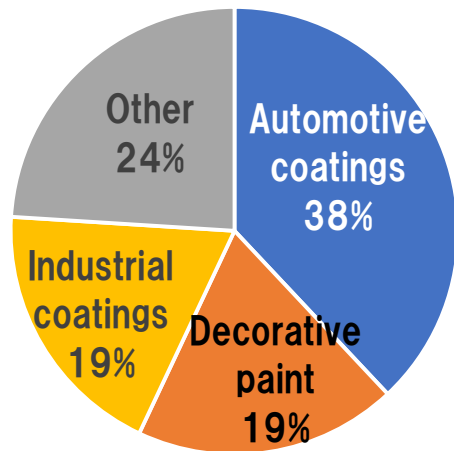
**Asia ratio: 57%**

# Review of FY2015–FY2017 Medium-term Management Plan

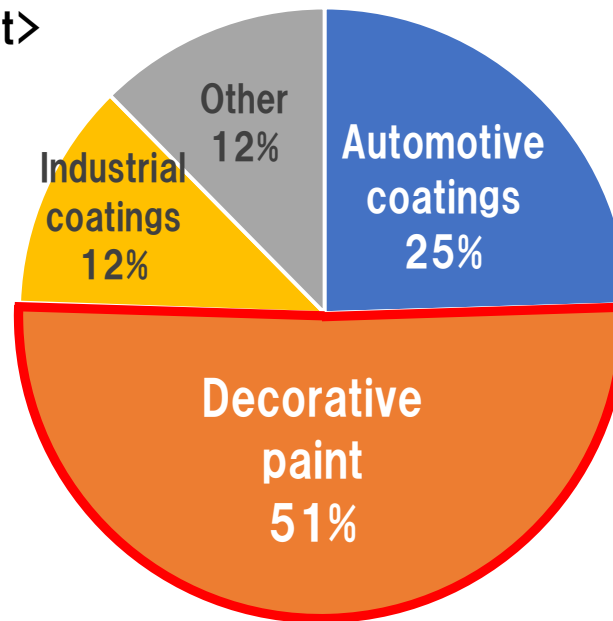
**Sales by business: Focus on decorative paint, which is highly growing & profitable segment**

Implemented (1) growth strategies in existing business, and (2) M&A to achieve further growth of largest market, the decorative paints business

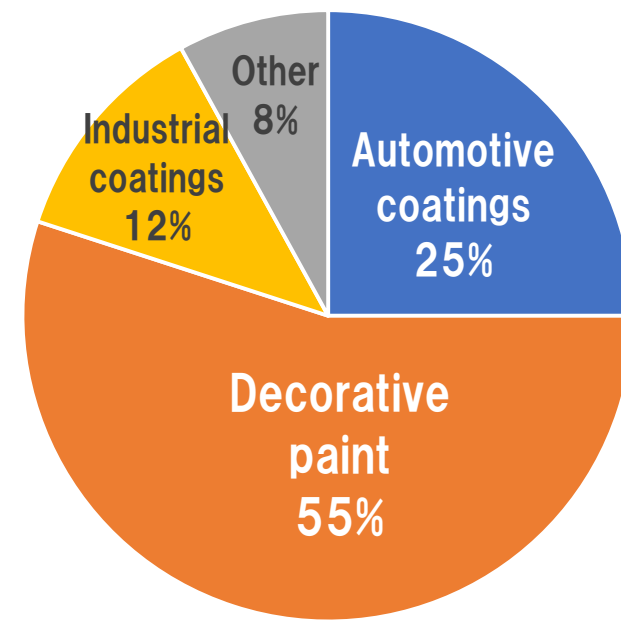
<Sales mix by business segment>



2014 actual



2017 actual



2017 Medium-term Management Plan targets

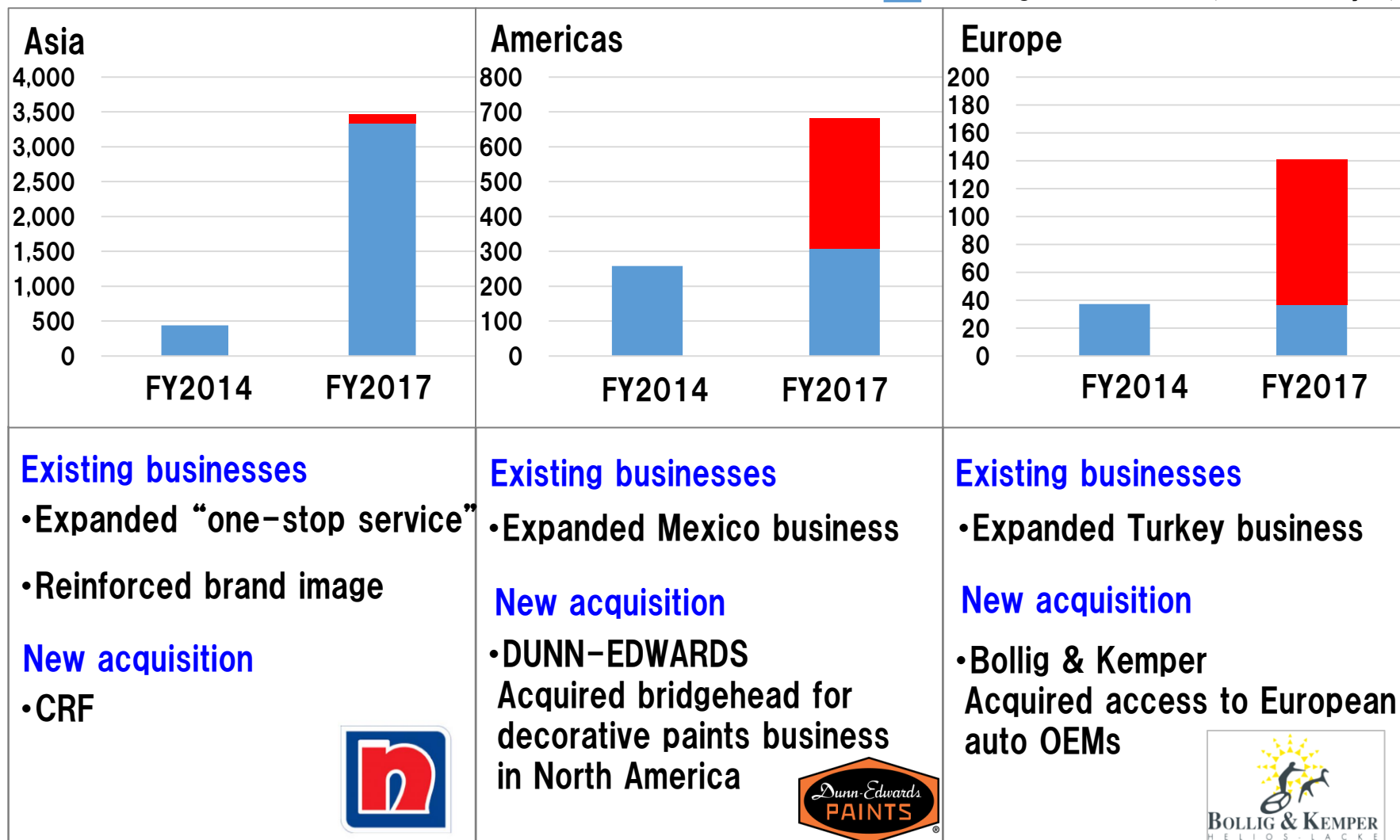
**Decorative paint ratio:  
more than 50%**



# Review of FY2015–FY2017 Medium-term Management Plan

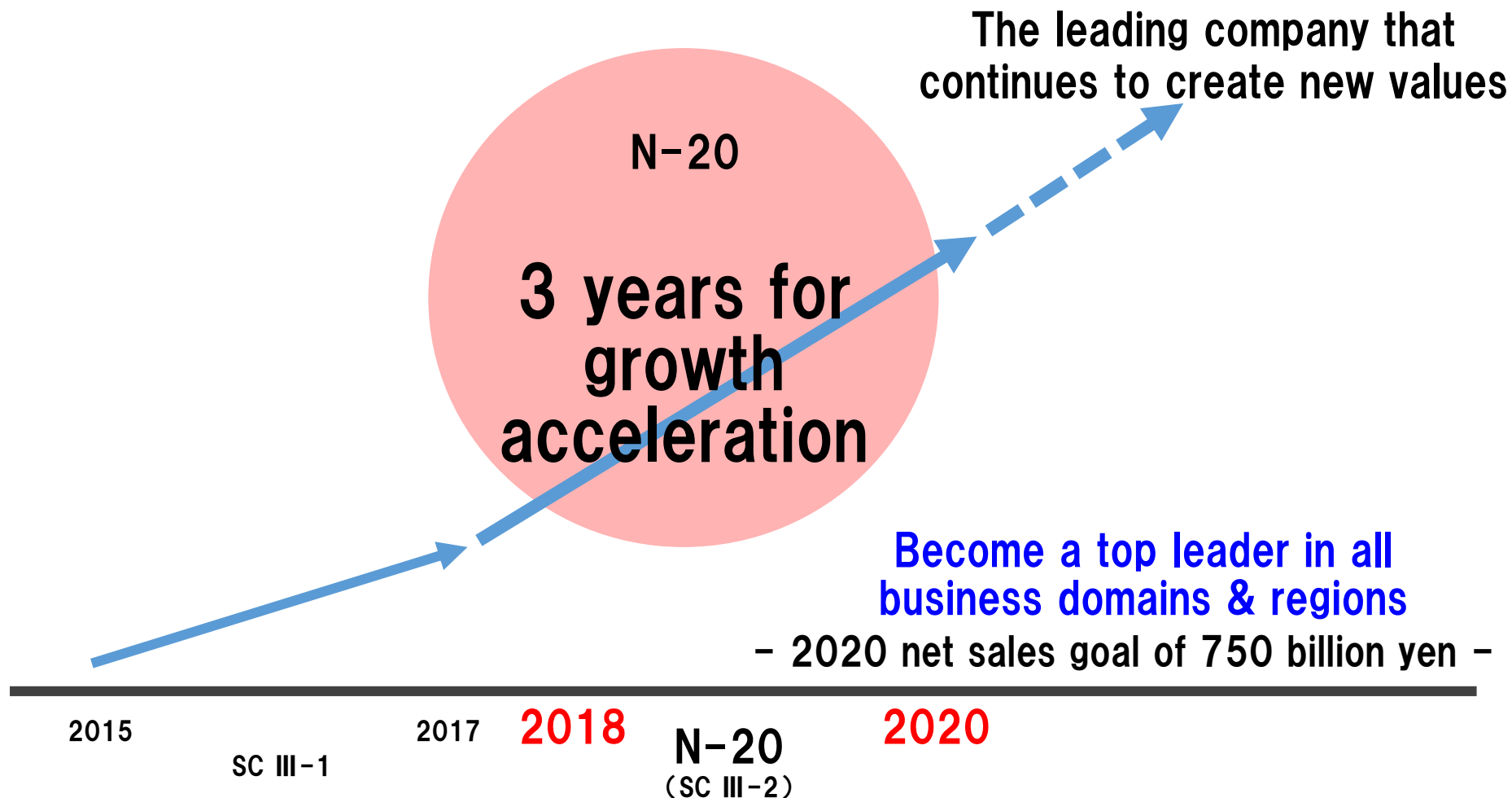
## Business expansion in Asia, the Americas & Europe

■ New acquisition ■ Existing businesses (100 million yen)



# **Medium-term Management Plan “N-20”** **Moving toward 2020**

**Establish overwhelming position in Asia to accelerate global growth**



# Key Initiatives

## Implement 1.–3. key measures through “Global One Team”

1. Strengthen the businesses in existing segments

- ✓ Increase share
- ✓ Enhance strengths

Accelerate growth in each business segment

2. Accelerate expansion of portfolio

- ✓ Generate growth momentum
- ✓ Rapid synergy effects

Implement M&A & accelerate PMI

3. Improve earning capacity

- ✓ Increase operating profit
- ✓ Effectively use management resources

Operating profit margin of 14% after growth investment

4. Enhance structure of “Global One Team”

- ✓ Reinforce global management with Region x Business
- ✓ Enhance global collaboration with the functional departments

Global deployment of GNN model

# Key initiative: 1–1. Strengthen the Existing Segments

Transform from No. 1 into “overwhelming position”

## Asia Business

### Nippon Paint South East Asia...NIPSEA

- Gain further market share in architectural paints market in Asia & China
  - Accelerate brand penetration and enforce “one-stop services”



- Accelerate growth in newly entered markets (e.g. coatings for wood furniture)
- Expand portfolio and acquire new markets by implementing M&A
- Ensure compliance with environmental regulations
  - Establish overwhelming competitiveness by business opportunities and strengthened supply chain
- Expand the lineup of eco-friendly products
  - Differentiate by strengthening development of water-based paints

# **| Key Initiative: 1–2. Strengthen the Existing Segments**

## **| 3 major operating companies: Measures to accelerate growth**

### **Automotive Coatings**

**Nippon Paint Automotive Coatings Co., Ltd.**

- Increase market share in OEM business
  - Major Japanese customers: Acquire the top share in global
  - Accelerate promotion to non-Japanese customers
- Expand plastic coating market share among US/European Tier-1 customers

### **Industrial Coatings**

**Nippon Paint Industrial Coatings Co., Ltd**

- Increase domestic share of core businesses
- Secure an overwhelming position in domestic powder coatings business
- Build up a basement of “competitive-edge” model of Japan to deploy Asia with the collaboration of group companies

### **Trade-use Paints**

**Nippon Paint Co., Ltd.**

- Capture the top market share in the domestic trade-use paints business
- Build the base for future growth in the US decorative paints market

## Key Initiative: 2. Accelerate Expansion of Portfolio

 Generate growth momentum & rapid synergy effects



### **Asia:**

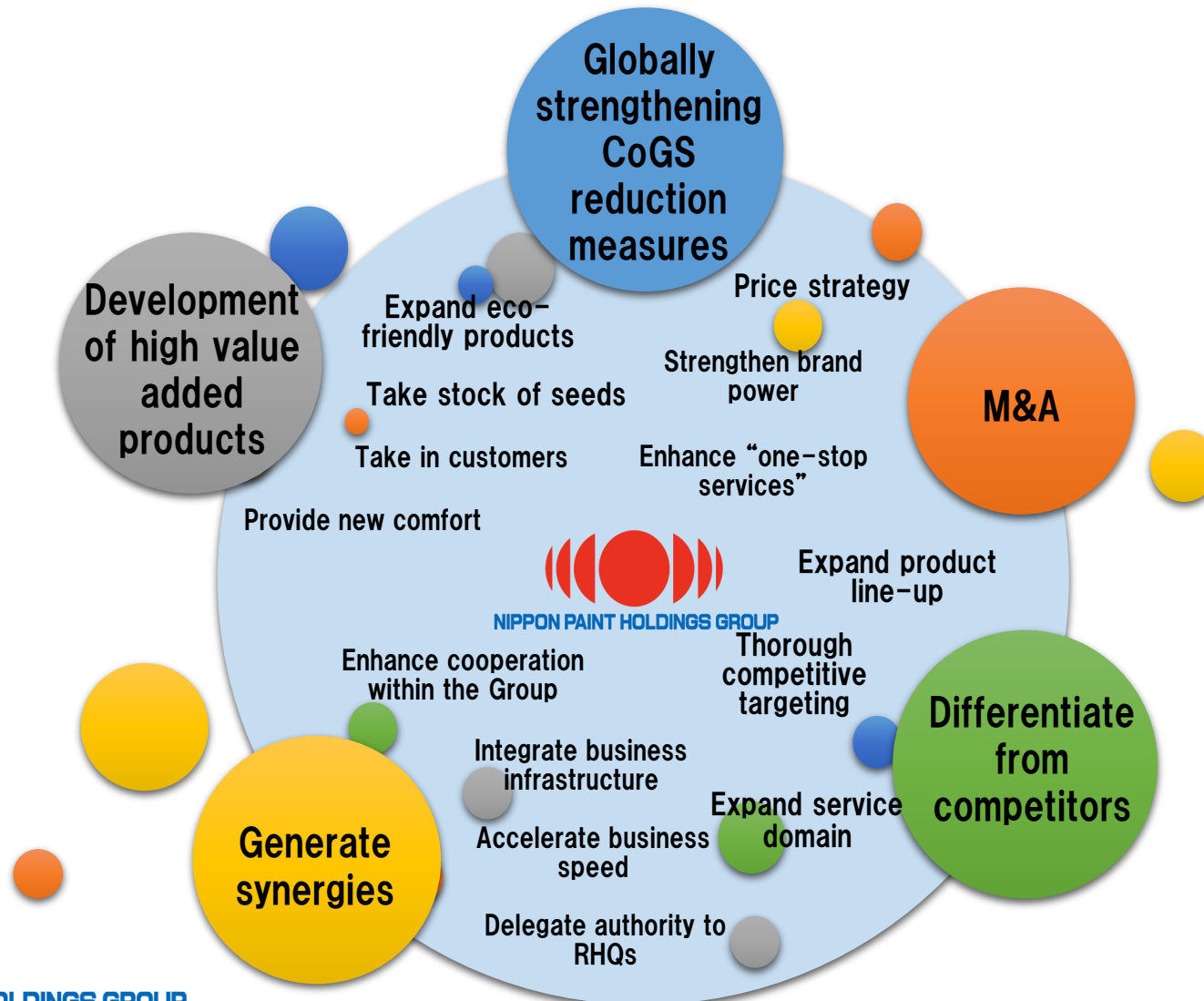
Focus on reinforcing existing businesses to establish an “overwhelming position”

### **Regions outside of Asia:**

Focus on reinforcing the earnings base of existing businesses and seek for growth opportunities

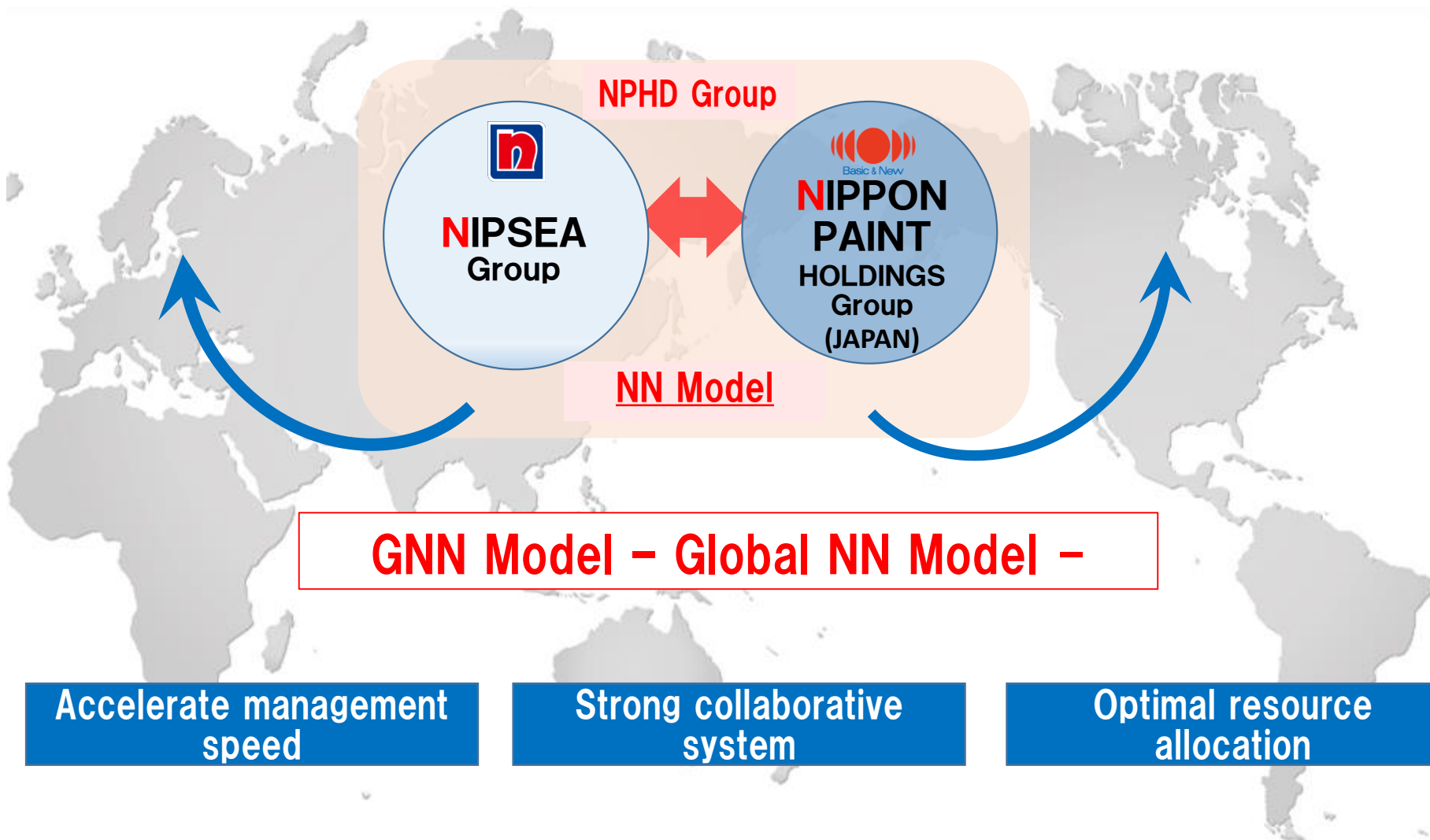
## Key Initiative: 3. Improve Earning Capacity

Share & develop our “strengths”, improve earnings capacity



# Key Initiative: 4. Reinforce the Structure of “Global One Team”

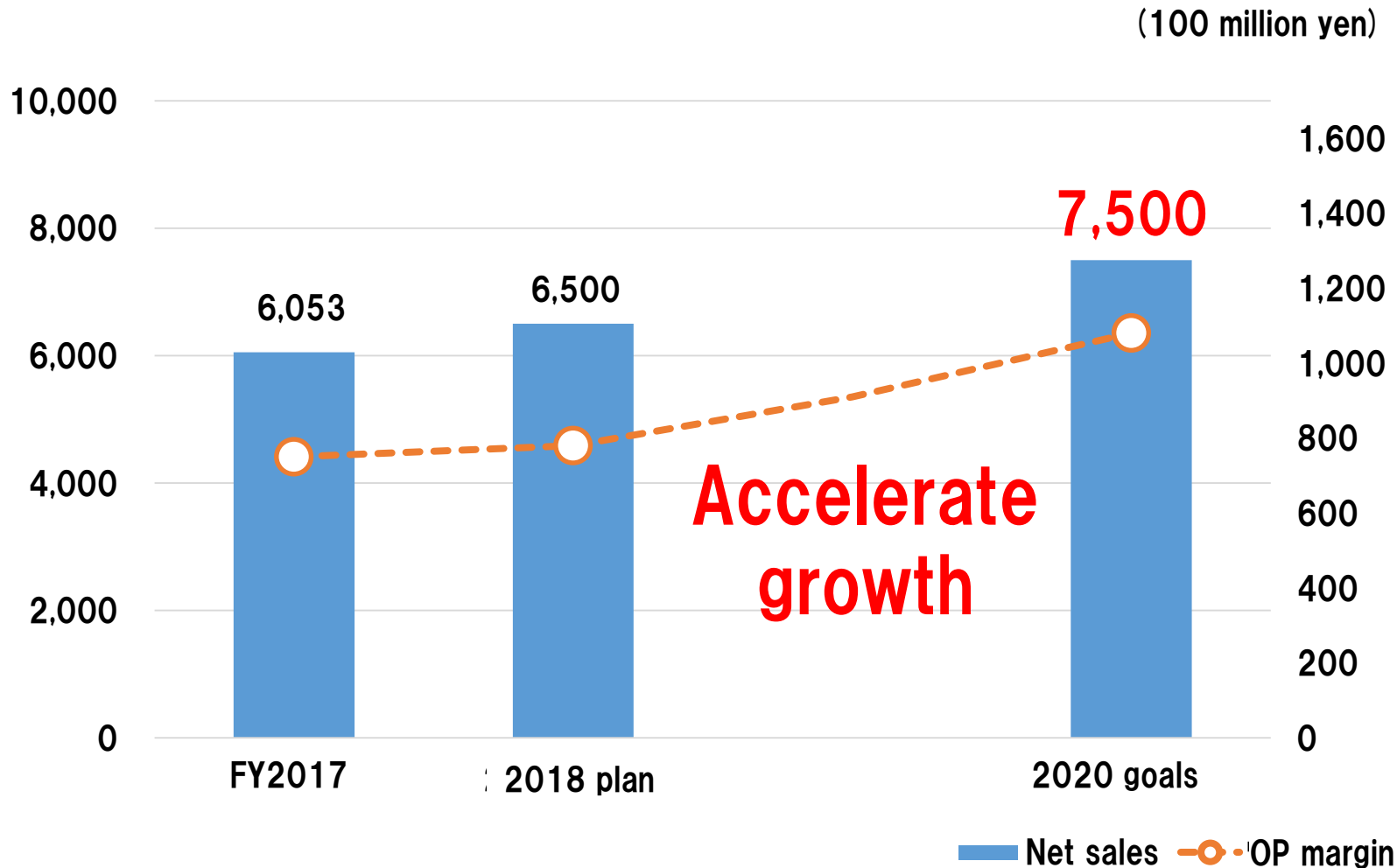
Globally expand the source of growth in Asia & unique management model





# FY2018–FY2020 Consolidated Earnings Plan

FY2020 goals: Net sales 750 billion yen & OP margin 14%



# NPHD's Group Value Creation: Maximizing Shareholders' Value

ESG management = Implement 'co-existence & co-prosperity'



The leading company committing to continuously create new values

# ESG: Vision & Goals

Theme	Vision	Issues	FY2020 Goals (degree of achievement)
<b>Governance</b>	Governance system capable enough to compete globally	<ul style="list-style-type: none"> <li>• Share the new <b>management philosophy</b></li> <li>• Establish <b>RHQ management system</b> (Americas, Europe, Asia)</li> </ul>	<p>In global</p> <ol style="list-style-type: none"> <li>(1) Penetrate the new management philosophy</li> <li>(2) Establish CSR promotion system</li> <li>(3) Deploy <b>NN model</b></li> </ol> <p>“Overall harmony of global governance”</p>
<b>Environment</b>	Create value by dealing with environment and expand businesses and earnings	<ul style="list-style-type: none"> <li>• Create and spread <b>eco-friendly products</b></li> <li>• Proper management of chemical substances</li> </ul>	<p>In global</p> <ol style="list-style-type: none"> <li>(1) Promote development and expansion of eco-friendly products</li> <li>(2) Manage properly and reduce emission of chemical substances</li> </ol>
<b>Diversity</b>	“Diversified knowledge” by gathering diverse personnel	<ul style="list-style-type: none"> <li>• Collaboration among <b>diverse personnel</b></li> <li>• Decision-making should be done by diverse personnel</li> <li>• Safe and secured workplace</li> </ul>	<p>In global</p> <ol style="list-style-type: none"> <li>(1) Build an <b>HR system with uniform standards</b></li> <li>(2) Retain high-skilled personnel and provide diverse workstyle</li> <li>(3) Secure personnel that are active to work on a <b>world-wide level</b></li> <li>(4) Zero serious accidents</li> </ol>



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# P/L

( 100 million Yen )

	FY 2015	2016 Jan-Dec	FY 2017	2018 plan	2020 goal
Net sales	5,357.5	5,140.8	6,052.5	6,500.0	7,500.0
Operating profit	713.5	800.0	749.6	780.0	1,050.0
Operating profit margin	13.3%	15.6%	12.4%	12.0%	14.0%
Ordinary income	746.1	827.8	768.2	820.0	—
Net income※1	300.2	360.1	371.2	355.0	—

※1 Net income attributable to owners of the parent

# Net sales & OP by region

( 100 million Yen )

		FY 2015	2016 Jan-Dec	FY 2017	2018 plan
Japan	Net sales	1,742.8	1,716.1	1,759.1	1,775
	Operating profit <sup>※1</sup>	291.6	320.6	306.3	294
Asia	Net sales	3,174.0	2,977.5	3,470.3	3,800
	Operating profit	377.5	433.4	408.3	458
Americas	Net sales	331.6	321.7	682.3	780
	Operating profit	51.8	51.5	31.7	62
Others (Mainly Europe)	Net sales	109.1	125.5	140.8	145
	Operating profit	-9.0	-3.7	2.5	4
TOTAL	Net sales	5,357.5	5,140.8	6,052.5	6,500
	Operating profit	713.5	800.0	749.6	780

※1 Excluding dividends from overseas group companies

# Net sales by business segment

( 100 million Yen )

	FY 2015	2016 Jan-Dec	FY 2017	2018 plan
Automotive coatings	1,387.6	1,393.8	1,484.4	1,553
Decorative paints (Including heavy duty)	2,533.5	2,368.8	3,088.5	3,465
Industrial coatings	682.8	682.9	730.5	716
Others ( Marine & Auto refinishes, etc)	579.7	514.9	560.4	566
Coatings total	5,183.6	4,960.4	5,863.7	6,300
Fine chemicals	173.8	180.4	188.8	200
Total	5,357.5	5,140.8	6,052.5	6,500



# Net sales by region & business segment

		( 100 million Yen )			
		FY 2015	2016 Jan-Dec	FY 2017	2018 plan
Japan	Automotive coatings	396.5	404.2	434.3	437
	Decorative paints (Including heavy duty)	437.4	423.7	415.2	432
	Industrial coatings	380.1	393.4	397.0	414
	Others ( Marine & Auto refinishes, etc)	439.6	408.5	422.3	399
	Fine chemicals	89.2	86.2	90.3	93
Asia	Automotive coatings	599.5	584.2	646.8	690
	Decorative paints (Including heavy duty)	2,096.1	1,940.5	2,299.2	2,578
	Industrial coatings	302.7	286.9	328.4	300
	Others ( Marine & Auto refinishes, etc)	128.1	113.4	136.2	165
	Fine chemicals	47.5	52.6	59.8	67
Americas	Automotive coatings	297.9	289.5	275.8	290
	Decorative paints (Including heavy duty)	–	–	374.1	455
	Fine chemicals	31.1	30.4	31.1	33
Others (Mainly Europe)	Automotive coatings	93.5	110.1	127.5	136
	Fine chemicals	6.1	5.8	7.7	7
Total		5,357.5	5,140.8	6,052.5	6,500



# Capital expenditures, depreciation, R&D expenses, dividends

( 100 million Yen )

		FY 2015	2016 Jan-Dec	FY 2017	2018 plan
Capital expenditures		190.3	221.5	248.1	220
Depreciation	Property, plant and equipment	94.4	83.0	105.1	-
	Intangible assets	67.4	61.8	73.2	-
	Total	161.8	144.8	178.3	180
R&D expenses		151.8	147.7	148.1	160

## <Dividends>

	FY 2015		FY 2016		FY 2017		2018 plan	
	1H	Full year	1H	Full year	1H	Full year	1H	Full year
Dividends (yen/share)	15	20	20	20	20	42	22	45
Payout ratio ( %) ※	-	27.8	-	29.2	-	27.6	-	30.4

※ IFRS basis



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