



Acquisition of DuluxGroup Limited

April 17, 2019

Nippon Paint Holdings Co., Ltd.

Executive Summary

- DuluxGroup is a leading player in the decorative paint market in the Pacific region where the demand is expected to grow, and is a blue-chip company with stable and continuous track record of profit growth since its demerger in 2010.
- Nippon Paint Holdings Group strengthens its No.1 position in Asia & Pacific region with DuluxGroup by incorporating the Pacific market into Asia where Nippon has already secured a leading edge.
- By incorporating the Pacific region, Nippon optimizes the balance between the fast-growing regions like China/Asia and the stable-growth regions like Japan, US, Europe, which ensures Nippon's further strong business structure.
- The value of the transaction (equity acquisition price) will be 300.5 billion yen, funded by borrowings from financial institutions, and Nippon is not planning to raise funds through the issuance of new shares.
- The acquisition will be EPS accretive from the first year of the transaction*, and will maximize the shareholders' value.
(* adjusted for one-time expenses)

Today's agenda

1. Background & strategic significance of the acquisition

2. Overview of DuluxGroup

3. Overview of the acquisition

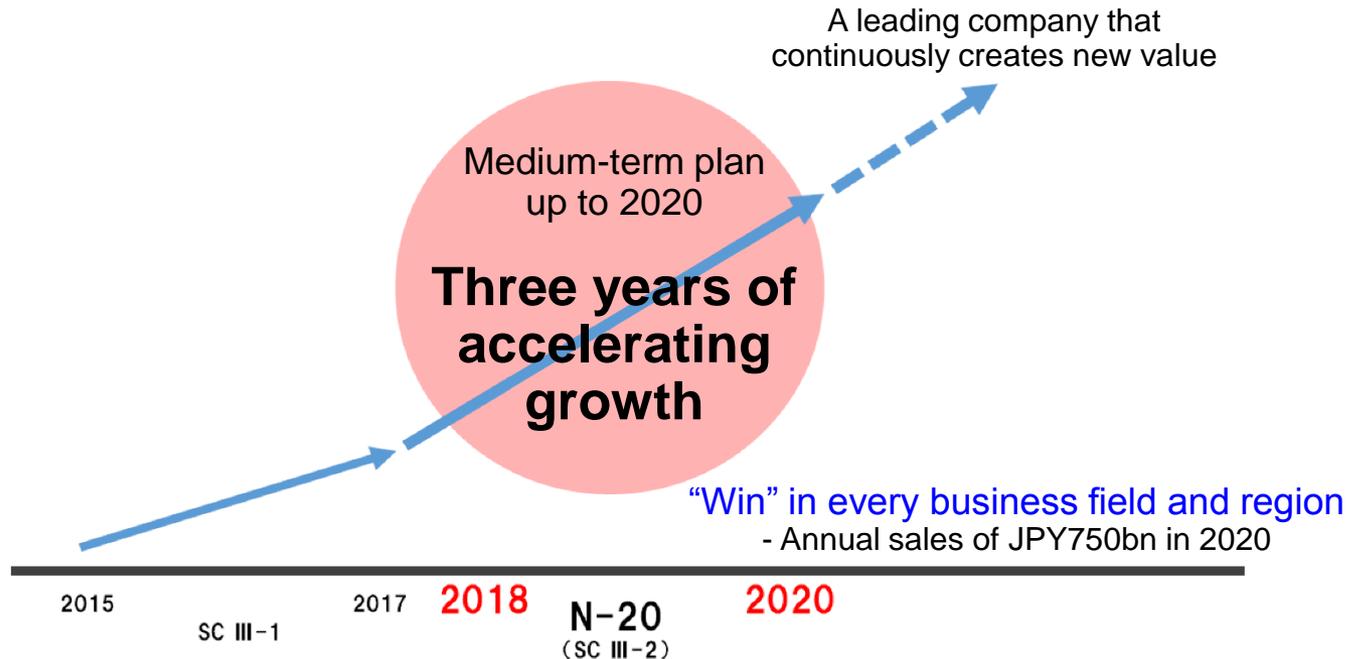
4. Financial impact

5. NPHD's governance and growth strategy

NPHD stands for Nippon Paint Holdings

1. Background & strategic significance: in the context of Medium-term Plan “N-20”

Medium-term management plan “N-20” to implement a growth strategy towards 2020



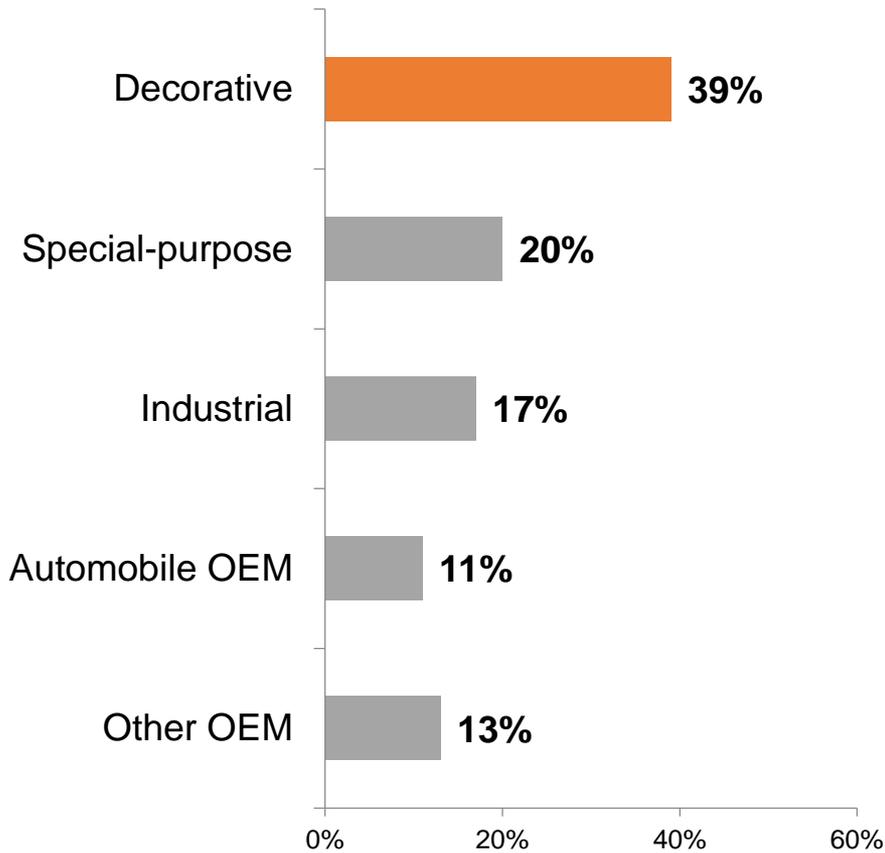
Priority measures

- 1 Robustly reinforce existing segments
- 2 Accelerate portfolio expansion (pursue M&A)
- 3 Boost profitability (achieve an operating margin of 14% after growth investment)
- 4 Strengthen “Global One Team” administration

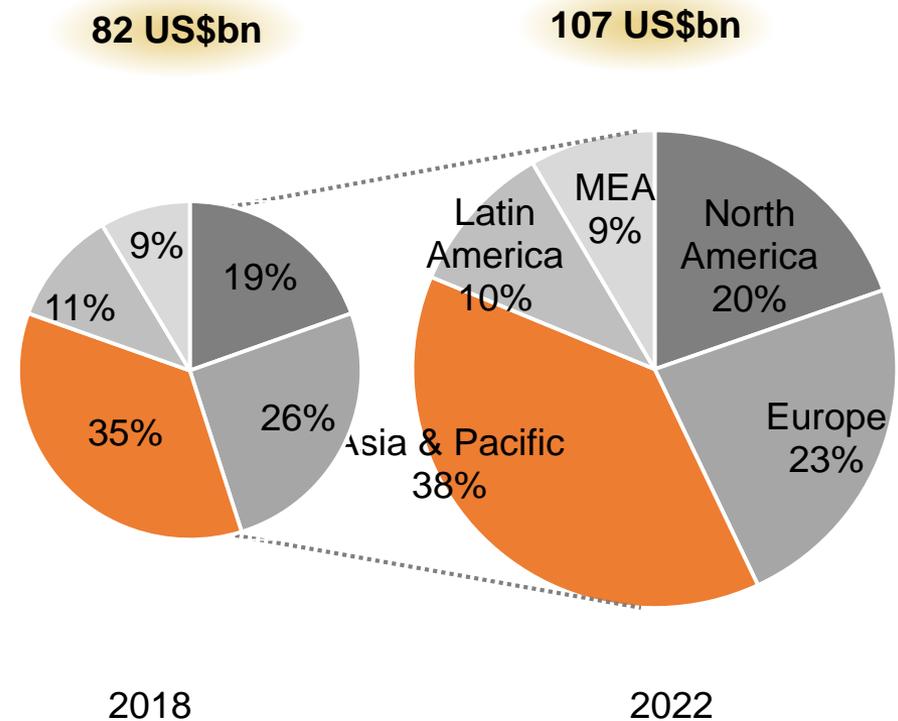
1. Background & strategic significance: Global market structure

Establish a leading position in two domains : Decorative paints & Asia-Pacific

Share of each segment of world paint/coating market (2018)



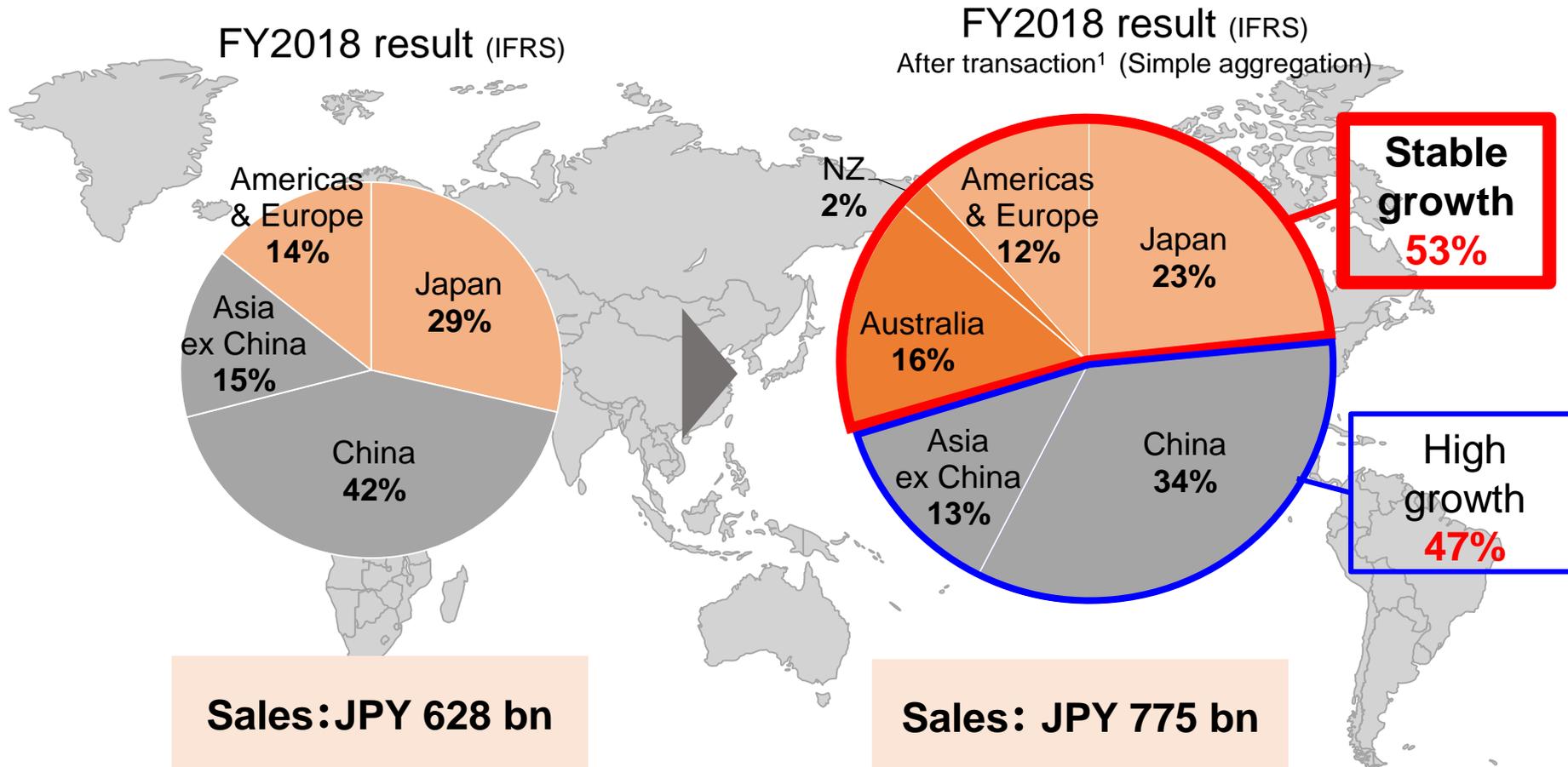
World paint/coating market (projected share in each region)



1. Nippon Paint Holdings Estimate

1. Background & strategic significance: Global business area balance

Establish well-balanced region portfolio through transaction :
 fast-growing region (Asia & China) vs stable-growth region (Japan, Americas, Europe & Pacific)



1. For DuluxGroup results, A\$=JPY80

1. Background & strategic significance: five factors contributing to the maximization of value

The acquisition of DuluxGroup significantly contributes to the creation of the corporate & shareholder value

Well-balanced regional portfolio

- By incorporating the Pacific region, optimizes the balance between the fast-growing regions like China/Asia and the stable-growth expected regions like Japan, US, Europe

Entry into the stable Pacific market

- Attractive market with continuous population and GDP growth
- Decorative paint market is expected to grow steadily supported by sustainable renovation demand



Household name company with established history in the Pacific region

- Portfolio of premier brands
- Strong sales network in the Pacific region

Attractive management resources

- High-caliber management team with strong business execution capabilities and highly-talented employees
- Cutting edge factory equipment

Stable long term performance with solid financial base

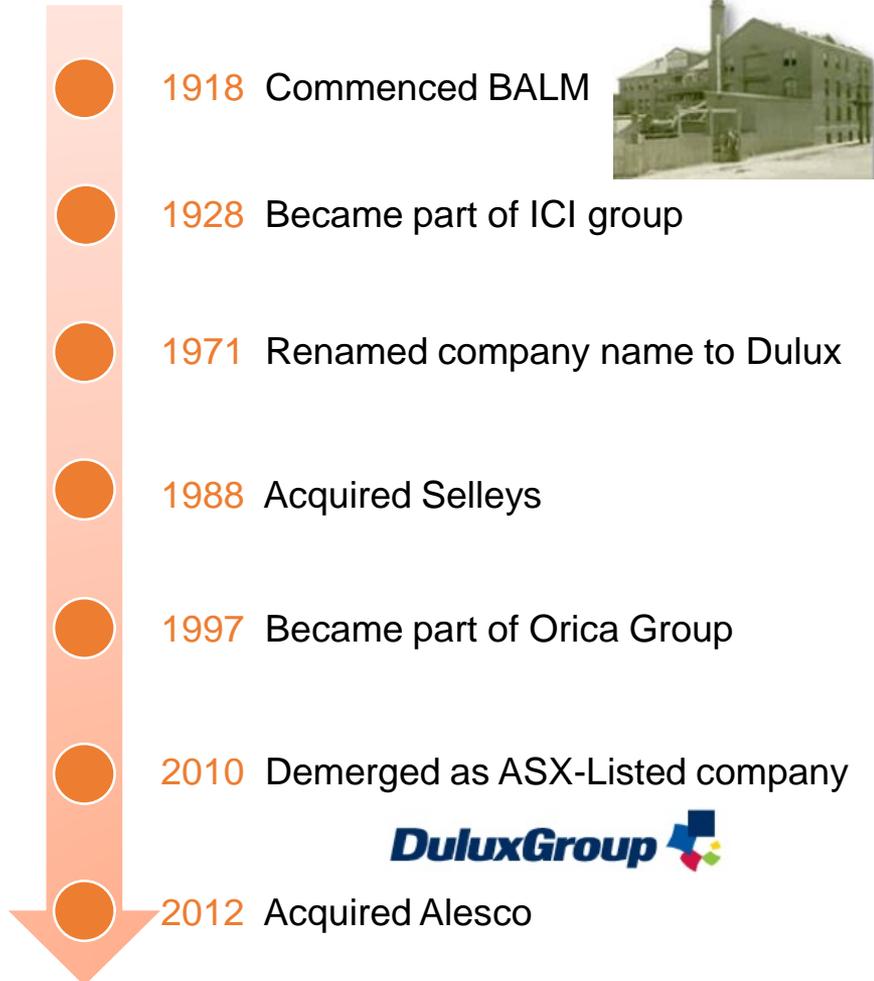
- Operational ability to maintain high growth and profitability since demerger
- Financial discipline to support high growth

2. Overview of DuluxGroup: History and Market share

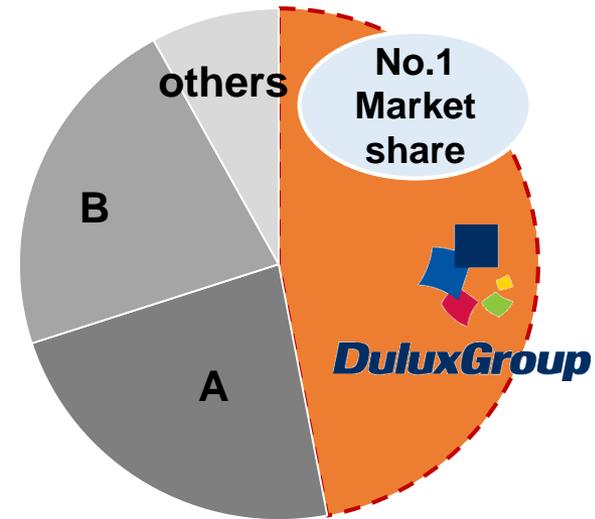
ANZ : Australia and New Zealand

Established in 1918, household brand in ANZ market, with high consumer recognition

DuluxGroup's History



Market share in ANZ paints & coatings¹

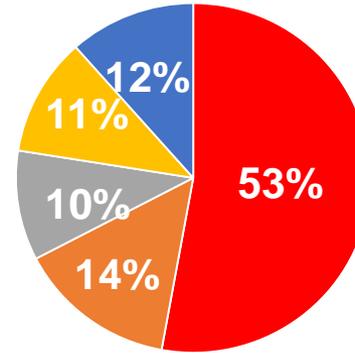


Representative paint brand (2017, retail price basis)

Ranking	1 	4 	5 
Brands			

2. Overview of DuluxGroup: Business/ Product portfolio

Leading company in the ANZ market. Diversified business and product portfolio



- Dulux ANZ
- Selley's & Parchem ANZ
- B&D Group
- Lincoln Sentry
- Other Businesses

Paint business

Home Improvement businesses

Other businesses

Overview

Paints & Coatings ANZ

- Industry-leading premium brand for decorative paint

Selley's & Parchem ANZ

- Leading player for adhesives, sealants, filters, paint-related materials.

B&D Group

- Large manufacturer of garage doors, automatic doors, etc. homes and commercial facilities in the Pacific region

Lincoln Sentry

- Major wholesaler of home fixtures, hardware, tools,

Other Businesses

- Yates gardening brand, other international paint businesses, and adhesive/sealant businesses

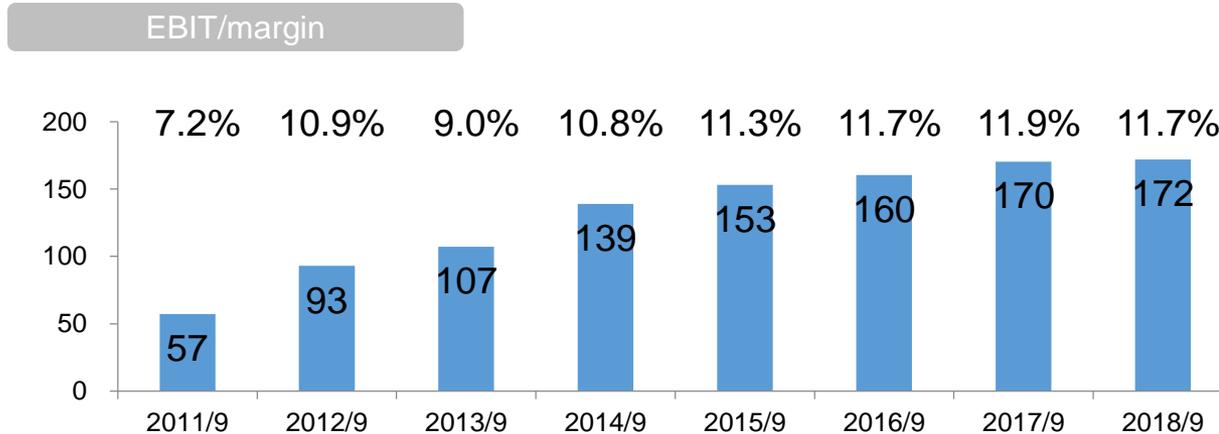
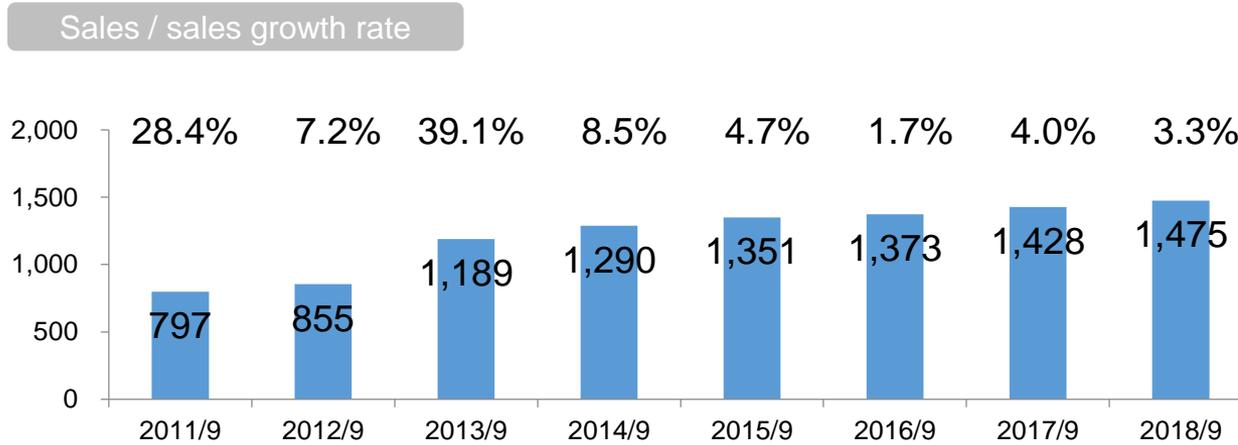
Example products



2. Overview of DuluxGroup

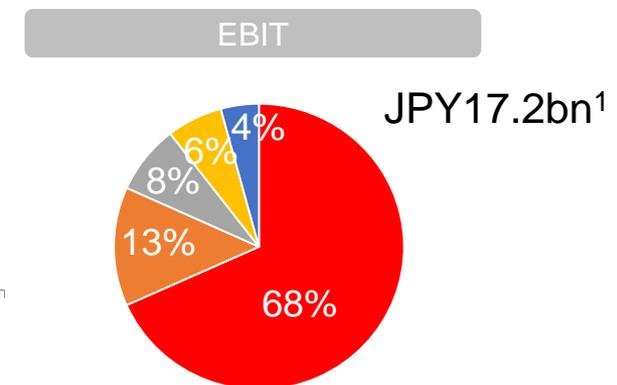
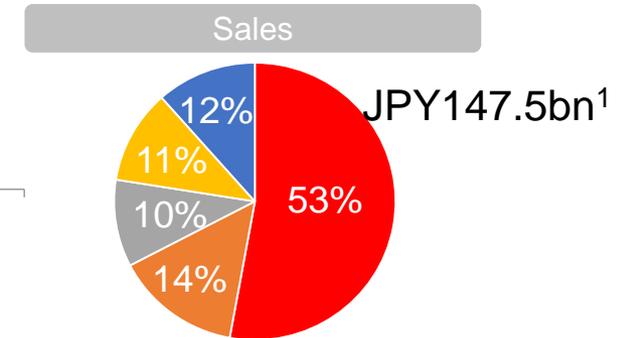
Since 2010 demerger, delivered high growth and solid profitability for eight consecutive years

Sales & profit (JPY 100mn)¹



Sales & EBIT by business segment (Sep 2018)

- Dulux ANZ
- Selleys & Parchem ANZ
- B&D Group
- Lincoln Sentry
- Other Businesses

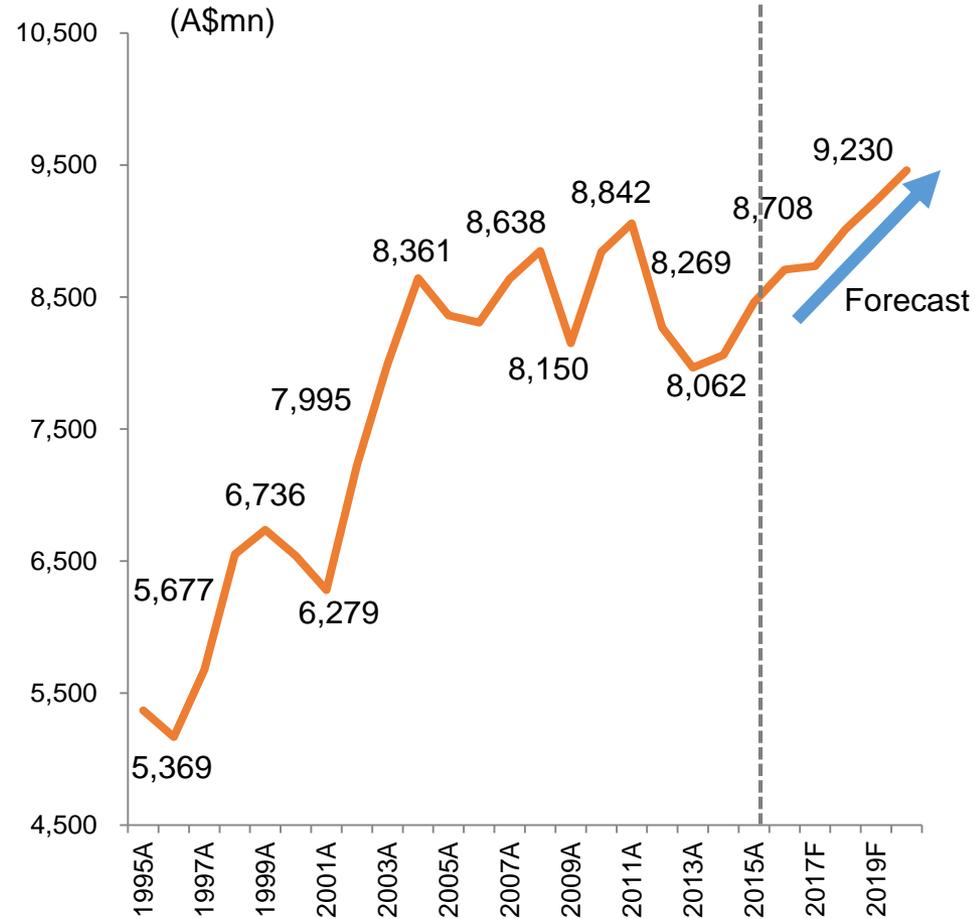
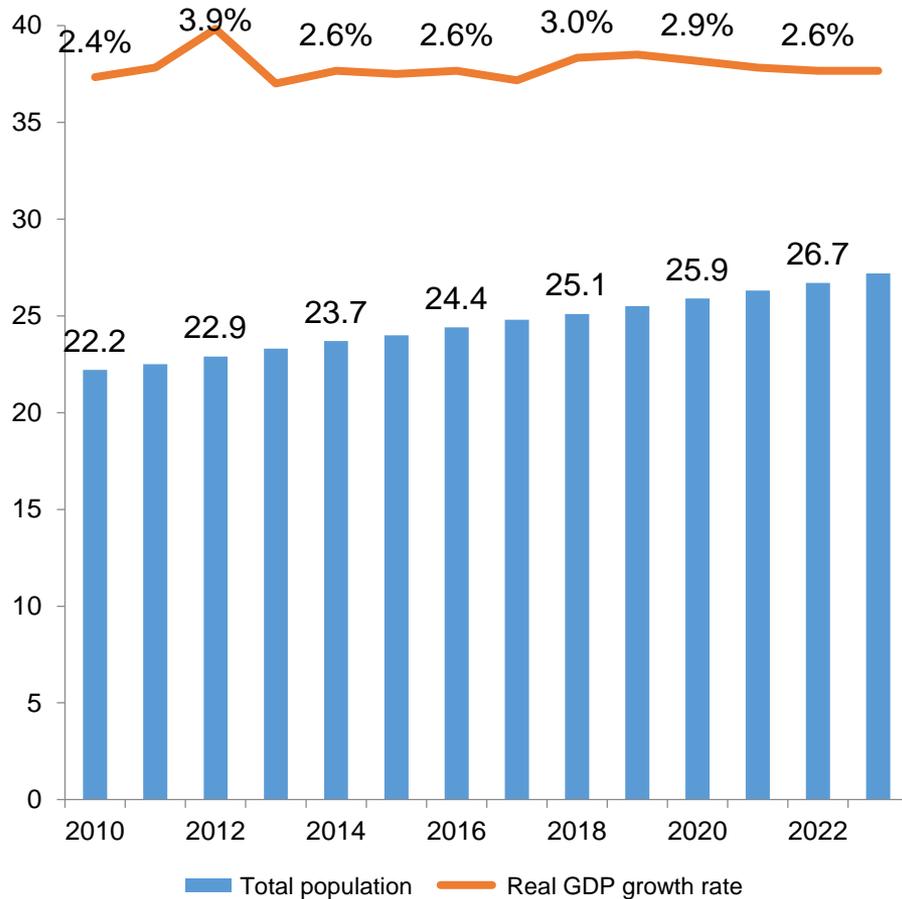


Source: DuluxGroup Annual Report
 1. Exchange Rate A\$=80

2. Overview of DuluxGroup: Market environment surrounding DuluxGroup

Attractive Australian paint market offering stable growth, where the growth is expected to continue

Australia real GDP growth rate (%) Population Outlook (m) Home Renovation market in Australia (Monetary Value)



3. Overview of the acquisition

Transaction amount	<ul style="list-style-type: none"> ■ Equity Consideration : A\$3,756mn (JPY300.5bn *A\$=JPY80) <ul style="list-style-type: none"> ✓ A\$9.65 per share (paid by cash) ✓ DuluxGroup shareholders will be receiving A\$9.80 per share in total, inclusive of A\$0.15 per share as interim dividend for the six months ended March 31, 2019. ✓ Represents 27.8% premium to the closing price of DuluxGroup shares on April 16, 2019
Funding method	<ul style="list-style-type: none"> ■ Funded by loans from financial institution (no new share issuance)
Structure	<ul style="list-style-type: none"> ■ To be implemented under a Scheme of Arrangement (SOA) pursuant to the Corporations Act of Australia <ul style="list-style-type: none"> ✓ SOA is a common procedure for acquisitions under Australian law, and is a amicable method of acquisition whereby following agreement by the Board of Directors, the acquisition can be effected with approval at shareholders meeting (approval by at least 75% of the votes cast and a majority (by number) vote of the shareholders present and voting, in person or by proxy) and from Australia ✓ The DuluxGroup Board of Directors has unanimously recommended the acquisition proposal
Process leading up to completion of the acquisition	<ul style="list-style-type: none"> ■ Obtain approval from shareholders meeting and from the Supreme Court of Victoria ■ Notify and obtain authorizations from Australia and New Zealand foreign investment authorities ■ Execute the SOA and close the transaction by around mid-August, 2019
Financial impact	<ul style="list-style-type: none"> ■ Preliminary estimates indicate that EPS impact will be accretive from the first year ■ Although leverage will increase on a short-term basis, we will endeavor to improve financial condition post the acquisition Maintain financial health that enables our credit rating to stay in the A rating zone ■ Details of goodwill, intangible fixed assets will be disclosed as soon as they are finalized
Shareholder returns policy	<ul style="list-style-type: none"> ■ No change in current dividend policy (aiming for dividend growth with target payout ratio of 30%)

4. Financial impact (PL&BS)

EPS accretion almost immediately after the transaction. Maintains healthy financial condition.



FY2018
(Dec.2018)



FY2018
(Sep.2018)

After Acquisition
(historical pro forma)

	NIPPON PAINT HOLDINGS FY2018 (Dec.2018)	DuluxGroup FY2018 (Sep.2018)	After Acquisition (historical pro forma)
Sales	JPY627.7bn	JPY147.5bn	JPY775.2bn
Operating profit¹	JPY86.5bn	JPY17.9bn	JPY104.4bn
<i>Operating profit margin</i>	14%	12%	13%
EPS	JPY141	JPY31	Increase Full-year basis
Net D/E ratio²	-0.2x	0.9x	Approx. 0.4x⁴ Immediately post acquisition
Net Debt to EBITDA²	-1.0x	1.5x	Approx. 1.8x⁴ Immediately post acquisition

1: "Total Operating Profit Before Tax" is presented as a proxy for Operating profit for DuluxGroup for FY2018

2: Net Debt are corporate bonds, loans, etc. minus cash and other financial assets. USPP hedging effect is not reflected in the calculation

3: A\$=JPY80

4: One-time items are not included for each financial estimates. Net D/E ratio and Net Debt to EBITDA are calculated based on Net Debt, Total Equity Attributable to Ordinary Shareholders, EBITDA (FY19E) and DuluxGroup's EBITDA (FY19E). Degree of EPS accretion is calculated based on the Net Profit (FY19E) and DuluxGroup's Net Profit (FY19E).

5. NPHD's governance and growth strategy

Establishing a forward-looking governance structure offering high levels of expertise and transparency

Directors of the Board as of 27 March 2019



Masaaki Tanaka
Executive Chairman
of the Board
Representative Director
of the Board



Tetsushi Tado
President & CEO
Representative Director
of the Board



Manabu Minami
Managing Executive
Officer,
Representative Director
of the Board



Seiichiro Shirahata
Managing Executive
Officer,
Director
of the Board



Atsushi Nagasaka
Managing Executive
Officer,
Director
of the Board



Hup Jin Goh
Director of the Board



Hisashi Hara
Independent Director
of the Board



Takashi Tsutsui
Independent Director
of the Board



Toshio Morohoshi
Independent Director
of the Board



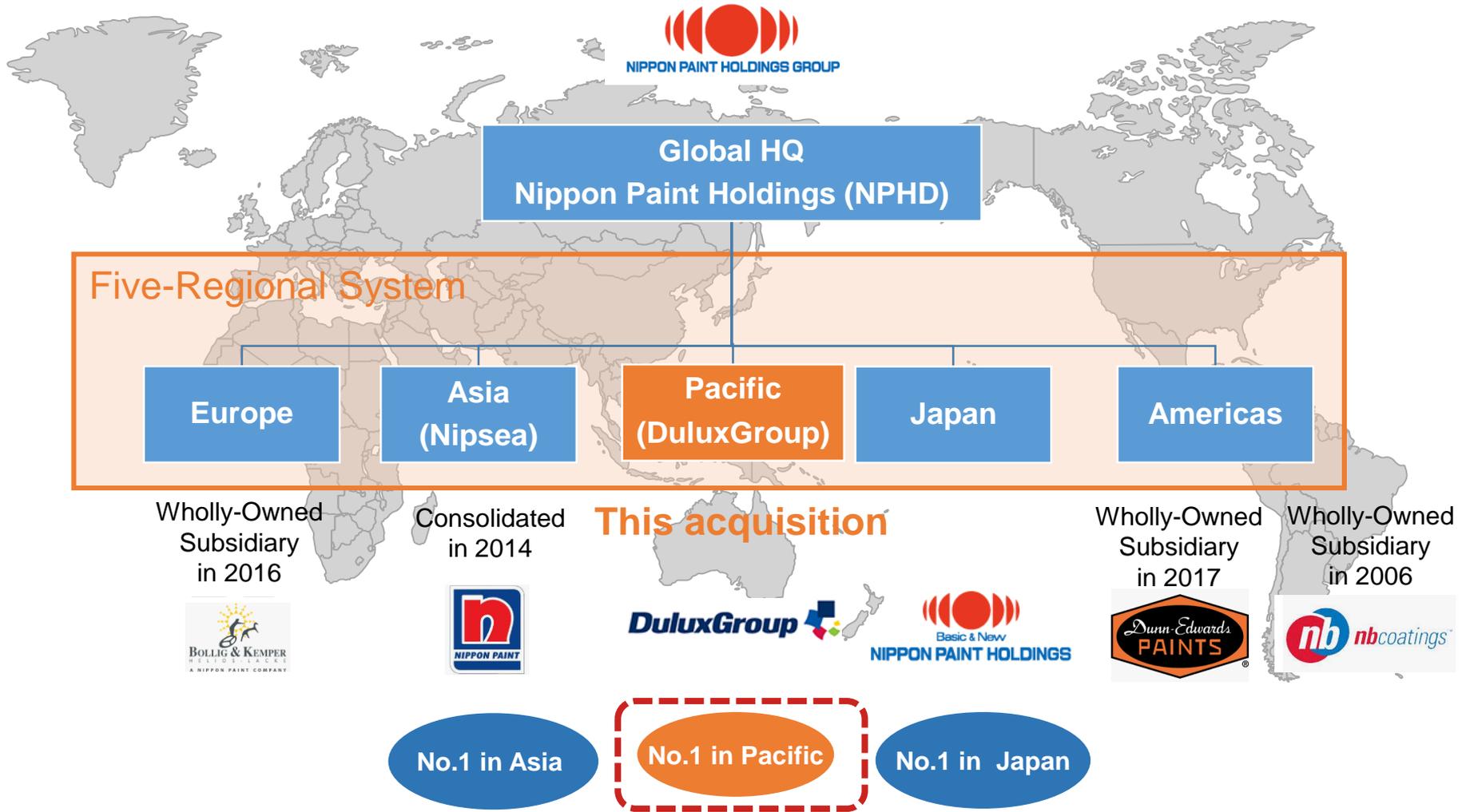
Yasunori Kaneko
Independent Director
of the Board



Masayoshi Nakamura
Independent Director
of the Board

5. NPHE's governance and growth strategy

Accelerates growth strategy under group governance: five-regional system under the global headquarters



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- The value of the transaction (acquisition price) will be 300.5 billion yen, funded by borrowings from financial institutions, and Nippon is not planning to raise funds through the issuance of new shares.
- The acquisition will contribute to EPS accretion from the first year of this transaction*, and will maximize shareholder value.
(* adjusted for one-time expenses)
- Our strategy to wholly acquire the shares of Asian JVs in the future is unchanged. Nippon continues to explore this option among other M&A opportunities to consider external growth, without sticking to the timing.



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