

FY2019 4Q Financial Result Conference Call Presentation Summary
February 13, 2020

Major Changes regarding Disclosure Policy

- ① **Quarterly financials to be disclosed. Accrual basis also disclosed for reference**
- ② **NIPSEA China※ financial information to be separately disclosed within Asia segment**
※Only refers to China operations within NIPSEA and does not include non-NIPSEA China
- ③ **Both Reported Base (“Tanshin”) and Adjusted Base (“Non-GAAP”) financials are disclosed**
 - Non-GAAP adjusts for F/X, additional M&A effects and one time gains/losses in order to clarify continuing operation trends year on year
 - Qualitative comments in this presentation primarily refers to Non-GAAP unless stated otherwise
 - Non-GAAP incorporates adjustments mainly for the following items. Please see section in appendix (Page 31-) for more information
 - F/X constant
 - Subsidies, insurance payments received, gains on sales of fixed assets
 - Expenses for mergers and acquisitions
 - Asset impairment losses
 - Newly consolidated subsidiaries

Good day everyone. I am Yuichiro Wakatsuki, chief financial officer of Nippon Paint Holdings.

Thank you for participating in this conference call about our earning results for FY2019 fourth quarter.

I will begin with an explanation of the changes to our disclosure policy for financial information beginning with this announcement. There are three primary changes.

Firstly, in the past we provided information based on results of operations from the beginning of the fiscal year. From now on, we are providing information for individual quarters. Cumulative fiscal year figures will also be provided for reference.

Secondly, we are disclosing financial information of NIPSEA China separately within the Asia segment. NIPSEA China does not include businesses in China operated directly by Nippon Paint Holdings.

Thirdly, we are disclosing financial information on both a reported basis, which is the data in our tanshin, and an adjusted, or non-GAAP, basis. Non-GAAP information

shows the year on year change in earnings of our continuing operations. There are adjustments for M&A activity and one-time factors. The numbers and comments in this material are basically on a non-GAAP basis.

The non-GAAP basis includes adjustments to eliminate the effects of foreign exchange, revenue from subsidies, insurance payments and other one-time revenue, and one-time gains and losses. We also eliminate M&A and asset impairment expenses as well as the effect of recently acquired companies, which are DuluxGroup and Betek Boya. Excluding all of these items makes “apple to apple” comparisons possible with the prior year.

I would like to add one more point. In the past, we provided additional numbers in order to answer your questions. From now on, we will not disclose these numbers verbally. We will provide only the numbers in presentations and other disclosure materials and make qualitative comments about our performance as needed.

Nippon Paint Holdings is always considering ways to improve our disclosure activities. We look forward to receiving your feedback in order to continue making improvements.

Today's Summary

- Revenue increased 3.5% and operating profit increased 7.0% YoY
- Strong growth in revenue (+15.1% YoY) and operating profit (+40.6% YoY) at NIPSEA China as the decorative paints business continued to perform well
 - Strong growth from project segment with 42% YoY
- Decline in raw material cost also contributing
- Challenging environment in automobile sector; China automotive coatings revenue was unchanged YoY. As previously announced, impairment losses posted for automotive coatings operations in Europe and India
- Recently acquired DuluxGroup and Betek Boya contributed to results of operations as expected (based on "Tanshin")
 - 4Q revenue 41.7 bn yen, operating profit 4.6 bn yen (Before 0.5 bn yen of PPA depreciation※ adjustment)
- We will withhold the announcement of FY2020 forecast given the continued evolvement of novel coronavirus outbreak whereby the effect at this point is not quantifiable in a reasonable manner
 - No employee within NPHD Group affected by virus to date. We place highest priority in our employee safety when considering resumption of operations
 - Novel Coronavirus Emergency Headquarters established and BCP monitored on a daily basis. Limited effects outside of China operations to date
 - We plan to announce FY2020 forecast as soon as practical, post peak out

NIPPON PAINT HOLDINGS GROUP

※ Depreciation of PP&E and intangible assets as a result of purchase price allocation (PPA)

4

This page is a summary of our non-GAAP results of operations. I will talk about DuluxGroup and Betek Boya separately, as they are not included in non-GAAP financial information.

In the fourth quarter of FY2019, compared with one year earlier, revenue increased 3.5% and operating profit increased 7.0%. The decorative paints business of NIPSEA China performed very well with revenue up 15.1% and operating profit up 40.6%. The project segment, which is exterior paint, made a large contribution to this growth by posting a 42% increase in revenue.

A decline in prices of raw materials was one reason for the growth in fourth quarter earnings.

In the automotive coatings business, as the automobile market remained challenging, performance in China was about the same as one year earlier. However, as we announced on January 24, we posted impairment losses for automotive coatings operations in Europe and India.

On a tanshin basis, DuluxGroup and Betek Boya, which we acquired in 2019, contributed to our performance. Fourth quarter revenue of the two companies was 41.7 billion yen and operating profit was 4.6 billion yen. These numbers are the sum of

revenue and operating profit of the two companies. After a 0.5 billion yen amortization resulting from purchase price allocation adjustment, the two companies contributed 4.1 billion yen to the fourth quarter consolidated operating profit.

We are not announcing a FY2020 forecast because the novel coronavirus outbreak makes it impossible to determine a reliable forecast at this time.

As you see here, there are currently no novel coronavirus infections within our group and the safety of our people is our highest priority concerning the resumption of operations at factories affected by this problem. Based on the latest information, most factories started to resume operations on February 10. I will provide more information about this subject later.

We established a Novel Coronavirus Emergency Headquarters on January 28 and are monitoring this crisis closely in accordance with our business continuity plan. This headquarters held another meeting today.

Our view is that while the impact on China, including the supply chain, is limited, we expect to see some impact on China's domestic market.

However, based on the fact that the infection is still spreading, we believe that our business performance could fluctuate significantly due to factors beyond our control, such as the timing of the subsidence. Of course, we are examining various scenarios, but we have decided that it would be very difficult to disclose our business performance forecasts using a single figure at this point, and we have decided not to disclose them.

We plan to announce a forecast promptly once the situation returns to normal or we reach the point where we can foresee when the business climate will return to normal. We will announce this information in accordance with the Tokyo Stock Exchange guidelines for the disclosure of forecasts.

1-2. FY2019 4Q Highlights

(Billion yen)	Results (Tanshin)			Results (Non-GAAP) (excluding the adjustment items' effect)			
	FY2018 4Q	FY2019 4Q	YoY (%)	FY2018 4Q	FY2019 4Q	YoY (Amount)	YoY (%)
Revenue	153.2	196.9	28.5%	153.1	158.5	5.4	3.5%
Operating profit	19.7	11.6	-41.3%	17.9	19.2	1.3	7.0%
OP margin	12.9%	5.9%	-7.0pt	11.7%	12.1%	-	0.4pt
Profit before tax	20.5	13.6	-33.9%	18.7	21.5	2.8	14.7%
Profit [※]	10.3	4.0	-61.1%	9.6	11.3	1.8	18.6%

※ Profit attributable to owners of parent

- ✓ Revenue: China decorative paints business continued to perform well
Global automotive market weakness negatively affected automotive coatings business in Japan and all other regions
Decorative paints sales in Japan fell below the prior-year level because of unfavorable weather and other reasons
- ✓ OP profit: Higher as revenue growth in China and the lower cost of raw materials

NIPPON PAINT HOLDINGS GROUP

6

This page shows our earning results for FY2019 fourth quarter.

On a non-GAAP basis, fourth quarter revenue increased 5.4 billion yen, or 3.5%, year on year to 158.5 billion yen. Operating profit increased 1.3 billion yen, or 7%, to 19.2 billion yen.

On a tanshin basis, which includes DuluxGroup and Betek Boya, revenue increased 28.5% and, due to impairment losses, operating profit was down 41.3%.

1-3. Revenue & Operating Profit by Region (4Q)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP) (excluding the adjustment items' effect)			
		FY2018 4Q	FY2019 4Q	YoY (%)	2018年 4Q	2019年 4Q	YoY (Amount)	YoY (%)
Japan	Revenue	49.3	46.1	-6.5%	49.3	46.1	-3.2	-6.5%
	Operating profit [※]	7.6	4.2	-45.4%	7.6	5.2	-2.4	-31.6%
Asia	Revenue	81.8	88.1	7.8%	81.7	90.8	9.1	11.2%
	Operating profit	11.9	10.7	-10.0%	10.1	13.6	3.4	34.0%
Oceania	Revenue	-	34.4	-	-	-	-	-
	Operating profit	-	3.0	-	-	-	-	-
Americas	Revenue	18.5	17.7	-4.4%	18.5	18.2	-0.3	-1.5%
	Operating profit	0.7	1.0	48.0%	0.7	1.1	0.4	53.5%
Others	Revenue	3.6	10.5	191.3%	3.6	3.3	-0.3	-7.4%
	Operating profit	-0.6	-7.3	-	-0.6	-0.7	-0.1	-
Total	Revenue	153.2	196.9	28.5%	153.1	158.5	5.4	3.5%
	Operating profit	19.7	11.6	-41.3%	17.9	19.2	1.3	7.0%

※Excluding dividends from overseas group companies (FY2018 4Q:-, FY2019 4Q:-)

- ✓ Japan: Revenue decreased because of lower automobile production and the negative effects of natural disasters and the October 2019 consumption tax hike
Earnings decreased due to lower revenue and higher personnel and other SG&A expenses
- ✓ Asia: Increase in earnings due to higher revenue contributed by the strong performance of the decorative paints business of NIPSEA China and lower prices of raw materials than in FY2018

NIPPON PAINT HOLDINGS GROUP

7

This page shows regional revenue and earnings on a tanshin and non-GAAP basis.

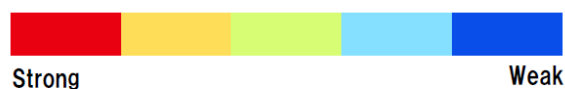
Generally speaking, lower revenue and earnings in Japan was offset by the strong performance in Asia in the fourth quarter. There are no non-GAAP numbers for Oceania, which is the DuluxGroup, because it is a new segment.

On a tanshin basis, DuluxGroup had revenue of 34.4 billion yen and operating profit of 3 billion yen. Betek Boya is included in Others and only tanshin financial information is available. Therefore, the fourth quarter performance of Betek Boya is the difference between tanshin and non-GAAP figures for Others.

2-1. Market & Business Environment (4Q)

	Japan	Asia (China)	Oceania	Americas
Automotive coatings				
Decorative paints		<div>DIY</div>	<div>Project</div>	

■ Market (YoY)



■ Business (vs. Market※)



※Own estimation

- ✓ Automotive: Automobile production volume in Japan fell below the prior-year level in 4Q FY2019, signs of a recovery are emerging in China, and sales remained weak in the Americas
- ✓ Decorative: Slow sales in Japan due to natural disasters and the consumption tax hike and in the Americas due to unfavorable weather and other reasons
In China, a double-digit increase from FY2018 in real estate market indicators (Development investments and other statistics)
Difficult market conditions in Australia due to the uncertain outlook for housing starts

NIPPON PAINT HOLDINGS GROUP

9

On this page, we are using this format for the first time to show our performance.

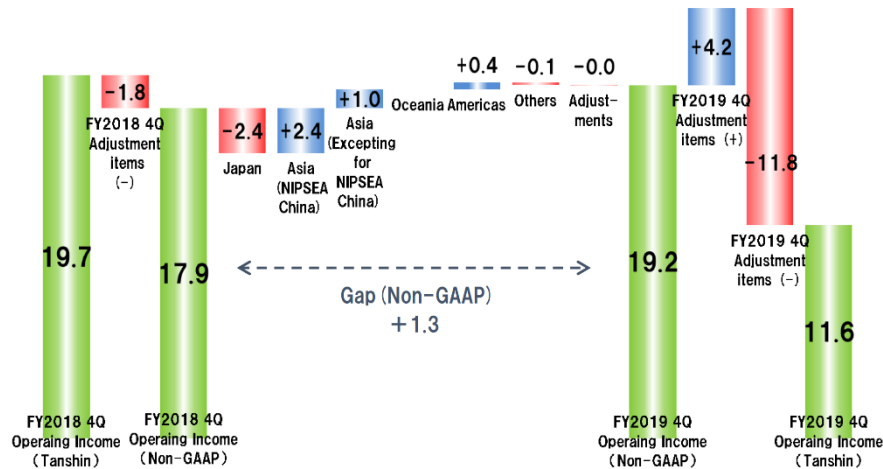
The market benchmark shows whether we have outperformed (increased market share), inline (maintained market share), or underperformed (lost market share). Rather than simply being positive or negative, it is also positive or negative compared to the market.

Note that the colors chosen for business climates and the arrows for market share changes are both based on our own views and estimates. Furthermore, because these are only estimates, this information is not intended to encompass every region and business segment. As a result, this chart includes only the automotive coatings and decorative paints businesses and four regions: Japan, Asia (China), Oceania and the Americas.

Although the global automobile market is generally challenging, small indications of a recovery are starting to appear in China. In the decorative paints business, we are outperforming the market despite the lack of growth in China's DIY segment. In the project segment, there was strong growth in revenue and earnings and we raised our market share too.

2-2. Operating Profit Gap Analysis (Based on Non-GAAP Results)

(Billion yen)



- ✓ Japan: Lower earnings because of weakness in the automotive, decorative and industrial market sectors, higher personnel expenses and other reasons
- ✓ Asia: Increase in earnings due to the strong performance of the NIPSEA China decorative paints business and lower cost of raw materials than in FY2018

NIPPON PAINT HOLDINGS GROUP

10

This page shows the changes in our fourth quarter operating profit on a tanshin and non-GAAP basis.

As you can see, fourth quarter non-GAAP operating income increased by 1.3 billion yen from 17.9 billion yen in FY2018 to 19.2 billion yen in FY2019.

On a tanshin basis, fourth quarter operating profit decreased to 11.6 billion yen because of the adjustments shown in this diagram. The addition of 4.2 billion yen is mainly for the recently acquired companies and the deduction of 11.8 billion yen is mainly for impairment losses.

More information about operating profit is on pages 32 and 33.

4- (3) - 1. Breakdown of the Adjustment Items (4Q)

(Billion yen)		FY2018 4Q						FY2019 4Q					
		FX	Subsidy, Insurance, etc.	M&A related cost	Impair- ment loss	New acqui- sitions	Total	FX	Subsidy, Insurance, etc.	M&A related cost	Impair- ment loss	New acqui- sitions	Total
Japan	Automotive	-	-	-	-	-	-	-	-	-	-	-	-
	Decorative	-	-	-	-	-	-	-	-	-	-	-	-
	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
	Fine chemicals	-	-	-	-	-	-	-	-	-	-	-	-
	Others※	-	-	-	-	-	-	-	-	-	-	-	-
	Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Oceania	Operating profit	-	-	-	-	-	-	-	-	-0.2	-0.8	-	-1.1
	Decorative	-	-	-	-	-	-	-	-	-	-	18.0	18.0
	Industrial	-	-	-	-	-	-	-	-	-	-	1.5	1.5
	Paint related business	-	-	-	-	-	-	-	-	-	-	14.9	14.9
Americas	Revenue	-	-	-	-	-	-	-	-	-	-	34.4	34.4
	Operating profit	-	-	-	-	-	-	-	-	-	-	3.0	3.0
	Automotive	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2
	Decorative	-	-	-	-	-	-	-0.3	-	-	-	-	-0.3
Others	Fine chemicals	-	-	-	-	-	-	0	-	-	-	-	0
	Others※	-	-	-	-	-	-	0	-	-	-	-	0
	Revenue	-	-	-	-	-	-	-0.5	-	-	-	-	-0.5
	Operating profit	-	-	-	-	-	-	0	-	-	-	-	0
Others	Automotive	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1
	Decorative	-	-	-	-	-	-	-	-	-	-	4.2	4.2
	Industrial	-	-	-	-	-	-	-	-	-	-	0.9	0.9
	Fine chemicals	-	-	-	-	-	-	0	-	-	-	-	0
	Others※	-	-	-	-	-	-	-	-	-	-	-	-
	Paint related business	-	-	-	-	-	-	-	-	-	-	2.2	2.2
Others	Revenue	-	-	-	-	-	-	-0.1	-	-	-	7.3	7.2
	Operating profit	-	-	-	-	-	-	0	-	-	-7.8	1.1	-6.6

※ The "Others" business includes marine, auto refinish business and etc.

4- (3) - 2. Breakdown of the Adjustment Items (4Q)

(Billion yen)		FY2018 4Q						FY2019 4Q					
		FX	Subsidy, Insurance, etc.	M&A related cost	Impairment loss	New acquisitions	Total	FX	Subsidy, Insurance, etc.	M&A related cost	Impairment loss	New acquisitions	Total
Asia	Automotive	0.1	-	-	-	-	0.1	-0.3	-	-	-	-	-0.3
	Decorative	-0.4	-	-	-	-	-0.4	-1.2	-	-	-	-	-1.2
	Industrial	0.2	-	-	-	-	0.2	-0.7	-	-	-	-	-0.7
	Fine chemicals	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1
	Others※	0.2	-	-	-	-	0.2	-0.4	-	-	-	-	-0.4
	Revenue	0.1	-	-	-	-	0.1	-2.7	-	-	-	-	-2.7
	Operating profit	-	1.8	-	-	-	1.8	-0.3	0.1	-	-2.6	-	-2.8
■ Breakdown of Asia													
NIPSEA China	Automotive	0.1	-	-	-	-	0.1	-0.6	-	-	-	-	-0.6
	Decorative	-0.4	-	-	-	-	-0.4	-1.1	-	-	-	-	-1.1
	Industrial	0.2	-	-	-	-	0.2	-0.6	-	-	-	-	-0.6
	Others※	0.2	-	-	-	-	0.2	-0.2	-	-	-	-	-0.2
	Revenue	0.1	-	-	-	-	0.1	-2.5	-	-	-	-	-2.5
	Operating profit	-	1.8	-	-	-	1.8	-0.2	0.1	-	-	-	-0.1
Excepting for NIPSEA China													
	Revenue	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2
	Operating profit	-	-	-	-	-	-	-0.1	-	-	-2.6	-	-2.7
Total													
	Revenue	0.1	-	-	-	-	0.1	-3.3	-	-	-	41.7	38.4
	Operating profit	-	1.8	-	-	-	1.8	-0.3	0.1	-0.2	-11.3	4.1	-7.6

※ The "Others" business includes marine, auto refinish business and etc.

The tables on pages 32 and 33 show the fourth quarter adjustments in the business segments of each region. The total net adjustment is negative 7.6 billion yen, which is on the far right of the last line on page 33. This is the difference between the 4.2 billion yen addition and 11.8 billion yen deduction that I discussed earlier.

For the non-GAAP basis, we deduct subsidies and others of 0.1 billion yen, 4.1 billion yen for new acquisitions, 11.3 billion yen for impairment losses, and 0.2 billion yen for foreign exchange rate changes.

The total net adjustment in the fourth quarter of FY2018 was an addition of 1.8 billion yen, which was for a subsidy received in Asia.

4- (3) -3. Breakdown of the Adjustment Items (Full Year)

		FY2018						FY2019					
		FX	Subsidy, Insurance, etc.	M&A related cost	Impair- ment loss	New acqui- sitions	Total	FX	Subsidy, Insurance, etc.	M&A related cost	Impair- ment loss	New acqui- sitions	Total
Japan	Automotive	-	-	-	-	-	-	-	-	-	-	-	-
	Decorative	-	-	-	-	-	-	-	-	-	-	-	-
	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
	Fine chemicals	-	-	-	-	-	-	-	-	-	-	-	-
	Others※	-	-	-	-	-	-	-	-	-	-	-	-
	Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Oceania	Operating profit	-	2.3	-	-	-	2.3	-	2.0	-2.2	-0.8	-	-1.0
	Decorative	-	-	-	-	-	-	-	-	-	-	24.6	24.6
	Industrial	-	-	-	-	-	-	-	-	-	-	2.0	2.0
	Paint related business	-	-	-	-	-	-	-	-	-	-	21.0	21.0
Americas	Revenue	-	-	-	-	-	-	-	-	-	-	47.6	47.6
	Operating profit	-	-	-	-	-	-	-	-	-	-	5.9	5.9
	Automotive	-	-	-	-	-	-	-0.3	-	-	-	-	-0.3
	Decorative	-	-	-	-	-	-	-0.5	-	-	-	-	-0.5
Others	Fine chemicals	-	-	-	-	-	-	0	-	-	-	-	0
	Others※	-	-	-	-	-	-	0	-	-	-	-	0
	Revenue	-	-	-	-	-	-	-0.8	-	-	-	-	-0.8
	Operating profit	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1
Others	Automotive	-	-	-	-	-	-	-0.9	-	-	-	-	-0.9
	Decorative	-	-	-	-	-	-	-	-	-	-	8.8	8.8
	Industrial	-	-	-	-	-	-	0	-	-	-	1.7	1.7
	Fine chemicals	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1
	Others※	-	-	-	-	-	-	0	-	-	-	0	0
	Paint related business	-	-	-	-	-	-	-	-	-	-	4.6	4.6
	Revenue	-	-	-	-	-	-	-0.9	-	-	-	15.1	14.2
	Operating profit	-	-	-	-	-	-	0	-	-	-7.8	2.2	-5.6

※ The "Others" business includes marine, auto refinish business and etc.

4- (3) -4. Breakdown of the Adjustment Items (Full Year)

		FY2018						FY2019					
		FX	Subsidy, Insurance, etc.	M&A related cost	Impairment loss	New acquisitions	Total	FX	Subsidy, Insurance, etc.	M&A related cost	Impairment loss	New acquisitions	Total
Asia	Automotive	0.4	-	-	-	-	0.4	-2.2	-	-	-	-	-2.2
	Decorative	-1.2	-	-	-	-	-1.2	-10.5	-	-	-	-	-10.5
	Industrial	0.7	-	-	-	-	0.7	-1.6	-	-	-	-	-1.6
	Fine chemicals	-	-	-	-	-	-	-0.3	-	-	-	-	-0.3
	Others※	0.2	-	-	-	-	0.2	-0.6	-	-	-	-	-0.6
	Revenue	0.1	-	-	-	-	0.1	-15.1	-	-	-	-	-15.1
	Operating profit	-	7.1	-	-	-	7.1	-2.1	2.8	-	-2.6	-	-1.9
■ Breakdown of Asia													
NIPSEA China	Automotive	0.4	-	-	-	-	0.4	-1.8	-	-	-	-	-1.8
	Decorative	-1.2	-	-	-	-	-1.2	-10.2	-	-	-	-	-10.2
	Industrial	0.7	-	-	-	-	0.7	-1.0	-	-	-	-	-1.0
	Others※	0.2	-	-	-	-	0.2	-0.1	-	-	-	-	-0.1
	Revenue	0.1	-	-	-	-	0.1	-13.1	-	-	-	-	-13.1
	Operating profit	-	7.1	-	-	-	7.1	-2.1	2.8	-	-	-	0.8
Excepting for NIPSEA China	Revenue	-	-	-	-	-	-	-2.1	-	-	-	-	-2.1
	Operating profit	-	-	-	-	-	-	0.0	-	-	-2.6	-	-2.7
Total		0.1	-	-	-	-	0.1	-16.9	-	-	-	62.7	45.8
	Operating profit	-	9.4	-	-	-	9.4	-2.1	4.8	-2.2	-11.3	8.0	-2.7

※ The "Others" business includes marine, auto refinish business and etc.

The tables on pages 34 and 35 show the FY2019 full year adjustments.

As you can see on page 35, the total positive adjustment is 12.9 billion yen. There are additions of 8 billion yen for new acquisitions and 4.8 billion yen for subsidies and insurance. The 4.8 billion yen consists of a 2.8 billion yen subsidy in China and an insurance payment of 2 billion yen received in the automobile coatings business. Negative adjustments are 15.6 billion yen, the sum of an impairment loss of 11.3 billion yen, M&A expenses of 2.2 billion yen and 2.1 billion yen for foreign exchange rate movements. These positive and negative adjustments match the FY2019 adjustments on the right side of page 22.

We have disclosed these numbers in as much as detail as possible. This completes my explanation of the adjustments.

The section starting on page 11 presents information about the performance of Japan, NIPSEA China, Asia other than NIPSEA China, and other segments. I will discuss this performance by focusing on the NIPSEA China information on page 12.

2-4. Result Analysis by Region (NIPSEA China)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP) (excluding the adjustment items' effect)			
		FY2018 4Q	FY2019 4Q	YoY (%)	FY2018 4Q	FY2019 4Q	YoY (Amount)	YoY (%)
Revenue	Automotive coatings	9.4	9.1	-4.1%	9.4	9.7	0.3	2.9%
	Decorative paints	40.3	47.7	18.3%	40.7	48.8	8.1	19.9%
	Industrial coatings	4.6	4.0	-14.2%	4.4	4.6	0.2	4.7%
	Others※1	1.0	0.5	-55.5%	0.8	0.6	-0.2	-24.5%
	Total	55.4	61.2	10.4%	55.3	63.7	8.4	15.1%
Operating profit		7.8	8.3	6.7%	6.0	8.4	2.4	40.6%
OP margin		14.1%	13.6%	-0.5pt	10.8%	13.2%	-	2.4pt

※1 The "Others" business includes marine, auto refinish business and etc.

【Major reasons for changes】

- Automotive: Automobile production remained low but increased in the 4Q (+3.4% YoY※2); Production increased at Japanese and Chinese automakers – Higher revenue
- Decorative: DIY segment premium and economy product sales up due to continued success of promotions – Higher revenue (+5% YoY)
Project segment sales increased due to increase in construction projects – Higher revenue (+42% YoY)
- Industrial: Sales in the heavy machinery/construction machinery sectors remained weak but higher sales for building materials and home appliances in the coil coating business – Higher revenue
- OP profit: Increased due to revenue growth and improvement in the RMC※3 ratio from 60% to 56% – Higher earnings

※2 Japan Automobile Manufacturers Association

※3 Raw Material Cost

NIPPON PAINT HOLDINGS GROUP



The new product “投影漆” for home projection scene launched on Nov. 2019

As I said earlier, NIPSEA China posted fourth quarter decorative paints revenue growth of 5% in the DIY segment and 42% in the project segment year on year. DIY revenue increased even though we believe this market in China is flat. This is why we decided on green with an upward arrow for DIY on page 9.

2-6. Result Analysis by Region (Oceania)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP) (excluding the adjustment items' effect)			
		FY2018 4Q	FY2019 4Q	YoY (%)	FY2018 4Q	FY2019 4Q	YoY (Amount)	YoY (%)
Revenue	Decorative paints	-	18.0	-	-	-	-	-
	Industrial coatings	-	1.5	-	-	-	-	-
	Paint related business	-	14.9	-	-	-	-	-
	Total	-	34.4	-	-	-	-	-
Operating profit		-	3.0	-	-	-	-	-
OP margin		-	8.6%	-	-	-	-	-
OP margin (Before PPA depreciation)		-	9.7%	-	-	-	-	-



Dulux Color Forecast 2020

【Major reasons for changes】※YoY changes using “Tanshin” and local currencies

- Decorative: Higher revenue as strong sales at major retailers offset negative effect of partial inventory adjustments
- Paint related business: Lower revenue due to low levels of infrastructure expenditures and construction starts
- OP profit: No change as positive and negative factors offset each other

Oceania includes the recently acquired DuluxGroup, which is excluded from the non-GAAP data.

On the tanshin basis, fourth quarter revenue was 34.4 billion yen and operating profit was 3 billion yen. After excluding the purchase price allocation deduction, the operating margin was 9.7%.

I will now move on to page 18 because I will take questions about the other regions later.

3. FY2020 Forecast (1)

I We will withhold the announcement of FY2020 forecast given the continued involvement of novel coronavirus outbreak whereby the effect at this point is not quantifiable in a reasonable manner

- No employee within NPHD Group affected by virus to date. We place highest priority in our employee safety when considering resumption of operations
- Novel Coronavirus Emergency Headquarters established and BCP monitored on a daily basis. Limited effects outside of China operations to date
- We plan to announce FY2020 forecast as soon as practical, post peak out

I Resumption of factory operations in China

- Decision will be based on employee safety first and close coordination with government authorities
- Delayed return of factory personnel could affect certain locations with a large number of employees from other regions

I Impact on raw material procurement

- Limited impact on the supply of raw materials in China. Possible delays in the supply of certain imported materials. Also considering alternative materials/sources
- Limited impact on supply of raw materials in Japan or other Asian countries
- Continue to monitor the situation while also monitoring inventories, logistics and other items

I would like to explain the outlook for 2020.

As I have already explained, we have not disclosed a forecast for FY2020.

Regarding factories in China, we are considering a resumption of operations while cooperating with government authorities. The safety of employees will be our utmost priority concerning this decision.

As of February 10, all of our more than 50 factories in China except three factories were slowly restarting operations.

Two of the three plants that have not yet resumed operation are in Hubei Province, and there is no prospect of resumption at this point in time in accordance with government policy. The third factory is in the municipality of Tianjin. We are working on the timing to restart this factory while cooperating with government authorities.

All other factories have resumed operations with the permission of their local governments. These locations are currently operating at about 30% to 40% of capacity.

We do not expect to achieve 100% of capacity soon because of the difficulty of the movement of people at the factories with large numbers of employees from other regions in China. Furthermore, the output of these factories also depends on the level of production at the customers. We plan to increase output in China while closely monitoring changes in the production activities of our customers.

What I can tell you now is that almost all of our factories in China are already starting to resume operations.

Raw material procurement is the third subject of this page.

Right now, the novel coronavirus outbreak is having only a small impact on the supply of raw materials in China. There may be delays for some imported raw materials. However, these are all materials where we believe we can use alternative suppliers. There are no bottlenecks in our manufacturing activities caused by the inability to procure critical materials.

In addition, there are currently no problems concerning the procurement of raw materials in Southeast Asia and Japan.

We are monitoring the situation every day due to the possibility of a change resulting from the further spread of the outbreak. There could be negative effects on logistics, our inventories and our customers' demand for our products.

Nippon Paint Holdings Group has a workforce of about 9,000 in China. We are monitoring the health of everyone on a daily basis. As of now, there have been no novel coronavirus infections.

As factories restart operations, we are asking production workers to return to factories to the possible extent. We are asking office workers and others who can do their jobs from home to work from home as much as possible rather than coming to work.

3. FY2020 Forecast (2)

Current view regarding novel coronavirus impact on FY2020 financials

- Close correlation with timing of peak out. Effect on 1Q inevitable but possible to recover within fiscal year
- For China decorative paints business, DIY segment may be more affected
- For China automotive and industrial coatings business, closely coordinating with our customers
- Sufficient liquidity secured regarding financing
- We are confident of Nipsea Group's ability to quickly recover once soothing takes place. NPHD Group fully supporting the recovery

Other assumptions regarding FY2020 outlook

- Plan to invest more in Japan in order to build a sound base for sustainable growth
- Cautious automobile industry outlook, in Japan and other parts of the world
- Constant raw material cost
- Full year contributions from DuluxGroup and Betek Boya (based on "Tanshin")
 - FY2020 plan: DuluxGroup revenue 143.0 bn yen, OP profit 17.0 bn yen**
 - Betek Boya revenue 34.0 bn yen, OP profit 3.1 bn yen**

※Before PPA depreciation

My next subject is how the novel coronavirus will affect our sales and earnings.

We believe that the timing of the abatement of infection is strongly correlated with performance. We believe that a negative impact on performance in the first quarter of FY2020 is unavoidable. But we think a recovery in our performance is quite possible once this outbreak is under control.

At this time, it is impossible to determine if this crisis will end in April, May or even later. We are working on business continuity plans for various contingencies. The effect of this crisis on our revenue and earnings will change depending on upcoming events.

In the China decorative paints business, we expect a relatively large negative impact in the DIY segment, which consists of retail sales. This is partly due to people being hesitant to allow others into their homes for repainting work due to the risk of an infection. As a result, demand for paint used for residential repainting is currently weak. On the other hand, we believe that the Project will be able to recover its delays. A large number of construction project managers and construction companies have told us that work restarted on February 10.

We are having mixed results concerning activities involving logistics and people. In general, we are making rapid progress in China toward returning operations to normal.

For automotive coatings and industrial coatings, we are closely monitoring our relationships with customers. As was reported in the media, Japanese automakers plan to restart production in China on February 17. We are making preparations to resume full-scale operations as well in order to meet the requirements of these automakers. We have heard that most Chinese automakers restarted production on February 10. Rather than restarting our factories vertically, our plan is to step up production as employees gradually return.

At the time of resumption, I am confident of our group's strong capability to restart quickly, and the Chinese teams are working very hard with the intention of actively recovering after the recovery.

Financial strength is of critical importance during an emergency in order to maintain sufficient liquidity. The NIPSEA Group has sufficient financial resources and, if necessary, this group can receive support from Nippon Paint Holdings Group.

To summarize these points, we believe the novel coronavirus outbreak will definitely impact our first quarter performance and effects on subsequent quarters will depend on when this crisis is brought under control.

Real demand for our products will not disappear. However, there is a risk of delays in sales and negative effects on our overall performance. We are confident that we can use the strengths of Nippon Paint Holdings Group to maintain a framework that can satisfy our customers' operations and avoid problems.

I would like to end today's presentation with a discussion of other assumptions concerning our FY2020 business plan.

We are making substantial investments in Japan as one way to aim for sustained growth. Due to these investments, we expect to post expenses in FY2020 that are needed to establish a sound base for this growth.

For automobiles, we have a cautious outlook for Japan and the automobile market worldwide. This forces us to establish somewhat cautious assumptions about this business sector.

For prices of raw materials, we foresee no change from last year at this time. The cost of naphtha and other materials have declined significantly. A crisis may be a good opportunity to buy raw materials while maintaining the proper balance with inventories. At the very least, we do not think the cost of raw materials will be higher than in 2019.

We are announcing FY2020 revenue and operating profit plans for DuluxGroup and Betek Boya because the novel coronavirus outbreak should have a relatively small impact on these two companies.

For DuluxGroup, the plan is revenue of 143 billion yen and operating profit of 17 billion yen, before the purchase price allocation deduction. For Betek Boya, the plan is revenue of 34 billion yen and operating profit of 3.1 billion yen, before the purchase price allocation deduction.

I will not go through the section starting on page 21 because of cumulative fiscal year figures.

We plan to hold an investor briefing at 15:30 on Friday February 21 where president and CEO Masaaki Tanaka will speak. I hope that you will also join us.

Thank you again for taking the time to participate in today's conference.