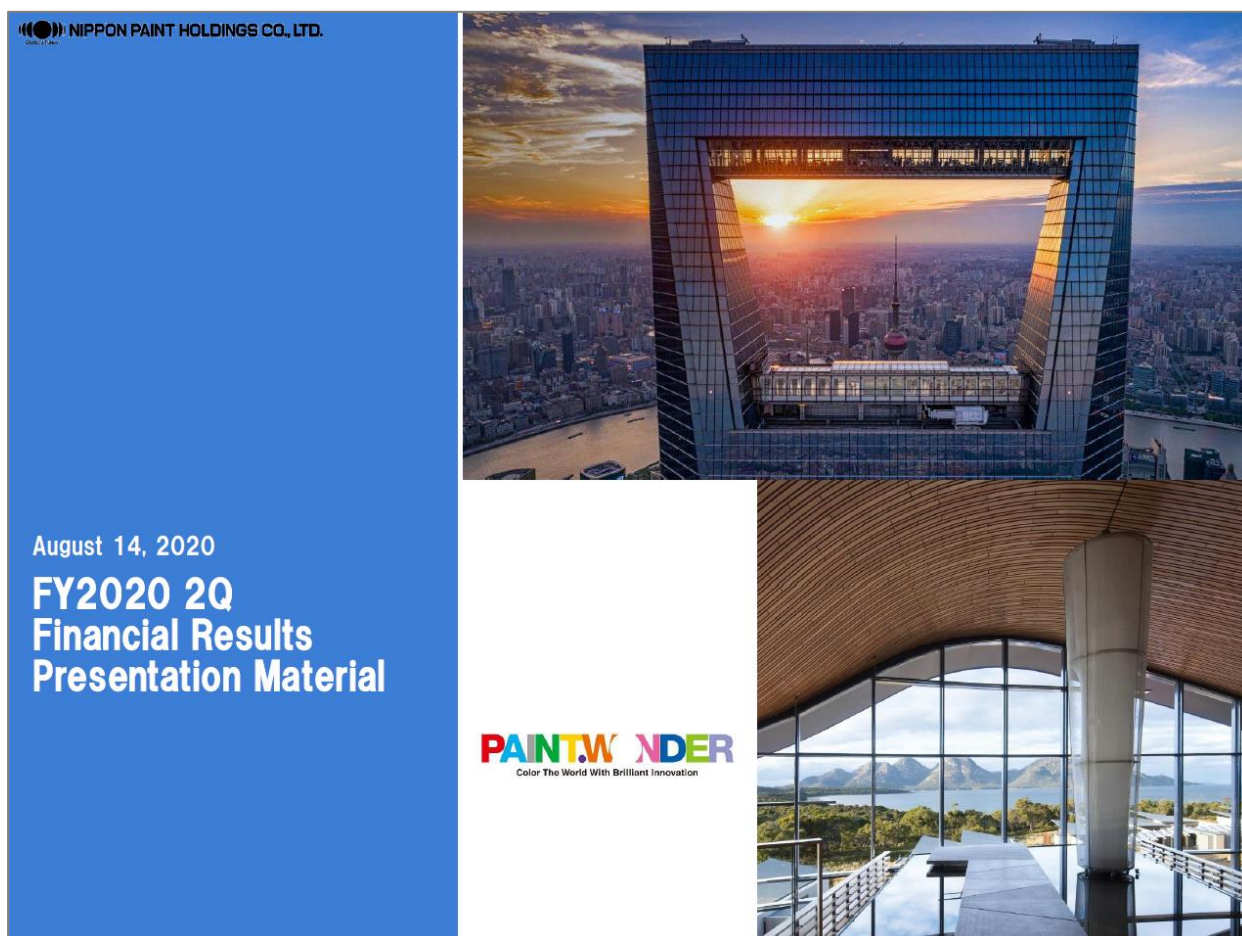


FY2020 2Q Financial Results Conference Call Presentation Summary

August 14, 2020



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

Thank you for taking the time late in the evening during the Bon holiday to participate in our conference call regarding the financial results for FY2020 2Q.

This teleconference is held in both Japanese and English on a trial basis with simultaneous interpretation. We would like to continue this service if it is well received. We appreciate your feedback.

Today's Summary (1)

FY2020 2Q YoY Growth



('Tanshin')

Revenue: +10.6%
Operating profit: -10.9%

('Non-GAAP')

Revenue: -11.6%
Operating profit: -39.8%

•FY2020 2Q Results (YOY) :

'Tanshin' /Revenue: +10.6%, operating profit: -10.9%

'Non-GAAP' /Revenue: -11.6%, operating profit: -39.8%

•NIPSEA China saw recovery and had higher revenue and profit YoY in 2Q mainly due to market re-opening after lockdown. Project had improved demand while DIY still weaker as consumer spending remained low and remain cautious

•Automotive coatings saw revenue and profit decline across regions due to COVID impact continuing from 1Q, with further fall in auto production

•DuluxGroup and Betek Boya, group companies acquired last year, steadily contributed to earnings ('Tanshin'), driven by demand growth following relaxation of lockdown for Betek and continued high demand from stay-at-home restrictions for DuluxGroup

•Lower raw material costs across regions, notably in Japan and Asia, contributed to profit

I would like to begin by summarizing our results of operations on page 3.

In 2Q of FY2020, revenue increased and profit decreased YOY on a 'Tanshin' basis (figures based on legal disclosure), while both revenue and profit decreased YOY on a 'non-GAAP' basis, as with our 1Q results. The main factors for the difference between 'Tanshin' and 'non-GAAP' figures were acquisition effects and foreign exchange effects, as with the 1Q results.

The key difference from the 1Q results is that our Chinese business recovered to deliver increase in both revenue and profits YOY. Otherwise, we saw no major changes in our business trends, as the automotive coatings business continued to be impacted by COVID-19 pandemic, while both DuluxGroup and Betek Boya made steady profit contributions. In particular, DuluxGroup enjoyed strong performance thanks to demand driven by stay-at-home restrictions from March. Betek Boya was on a recovery path despite the rapid spread of COVID infection in around April. Both of these companies achieved a revenue

growth on a YOY basis, while these are reference figures because they were not consolidated last year.

A decline in raw material prices has also contributed to profits as with 1Q.

Today's Summary (2)

FY2020 Consolidated Earnings Forecast

Revenue: ¥730 bn
Operating profit: ¥66 bn



- COVID impact varies across regions and industries and remains difficult to reasonably estimate market conditions for final demand due to uncertain factors such as impact of COVID second wave and governments ending economic stimulus programs. Updated FY2020 guidance based on certain assumptions at this time
- FY2020 forecast revised upward from the previous forecast (Revenue: +1.4%; Operating profit: +4.8%)
- Major assumption differences between May 15 and this time as follows:
 - ↑ Improvement in decorative paints business (Project) at NIPSEA China
 - ↑ Improvement at Dunn-Edwards (Americas) and Betek Boya (Europe)
 - ↓ Prolonged COVID impact on market in Japan
 - ↓ Yen appreciation against major currencies compared to 1Q assumptions
 - ↓ Higher raw material cost assumptions due to rise in crude oil prices
- Full-year forecast for Betek Boya: Revenue: ¥31 bn; Operating profit: ¥2.6 bn (before PPA depreciation)

FY2020 EPS Forecast

87 yen



- EPS at 87 yen (-27 yen YoY/+9 yen from previous forecast)
- 2Q-end half year dividend at 22 yen (same as FY2019 2Q)
- Annual dividend forecast at 45 yen (same as FY2019)

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Please look at page 4. I would like to explain the revision to our earnings forecast for FY2020.

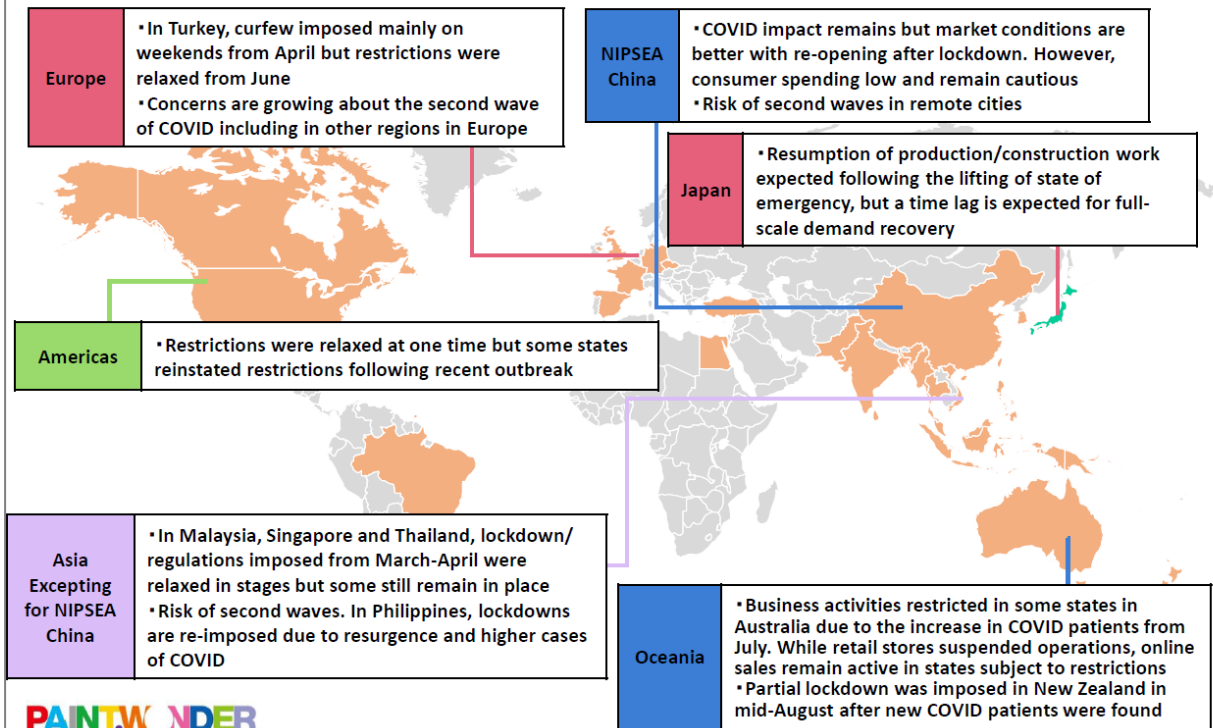
As I mentioned at the time of the financial results announcement for 1Q, the impact of COVID-19 has remained uneven and varying across regions. Accordingly, it is still difficult to make reasonable estimates. However, based on the idea that an update of the base case with certain assumptions would be necessary, we renewed the guidance within the scope of voluntary disclosure. We have upwardly revised the previous forecast for revenue, operating profit, and EPS.

The dividend was undecided at the 1Q results announcement in May, but the Board has resolved to distribute the same amount of interim dividend that was paid last year and decided on the annual dividend forecast that is also the same as in the previous fiscal year. While the dividend payout ratio exceeds our target of 30% based on this forecast, we have decided to maintain the same level of dividends as in the previous fiscal year.

because we place priority on maintaining stable dividends and we have enough cash to cover the dividend payments based on this forecast.

COVID Impact Around the Globe

COVID impact varies across regions but the overall impact remains to be seen



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This page shows the current status of economic impact of COVID-19 pandemic.

The impact remains varying across regions, and we need to be properly on guard for the risk of the second wave hitting anywhere including Japan. In Australia, some states are currently under restrictions of business activities, while in New Zealand, a partial lockdown was re-imposed.

There have been no change to our three basic policies to respond to the COVID-19 outbreak, i.e., placing the highest priority on protecting employees and their families from COVID infection and etc. In fact, we recently announced to conduct PCR tests at the expense of the Company for all interested employees in Japan. We believe that it is important to continue to do what we can to protect the safety of employees, not just waiting for the government to take action.

Summary of Market and Business Conditions in Major Operating Regions (1)

Market and business conditions in major operating regions

Japan	<p>Decorative: 2Q market tone weaker than expected as COVID impact became apparent from March. Market climate slow to recover in 2H due to bad weather and heavy rainfall damage in western Japan, with business expected to be slower than 1Q assumptions</p> <p>Industrial: Market sluggish in 2Q across sectors as with 1Q assumptions due to COVID impact. Recovery to previous year's level unlikely in 2H</p>
NIPSEA China	<p>Decorative (DIY): Achieved prior-year level 2Q sales due to recovery demand for painting and lifting of lockdown. 2H revenue is however expected to be lower due to cautious consumer spending. Full-year sales projected to fall YoY in view of risk of second wave of COVID and overall weakness in market sentiment</p> <p>Decorative (PRJ): 2Q revenue grew YoY due to re-opening of market after lockdown is lifted and gradual resumption of work at construction sites. Despite concerns in 2H on heavy rainfall, flooding impact in July and risk of second wave of COVID, modest full-year revenue growth can still be expected, supported by growth in Tier 2 cities</p> <p>Industrial: 2Q saw lower sales as compared to prior-year level due to lockdown and COVID impact. Revenue slow to recover in 2H as with 1Q assumptions due to heavy rainfall, flooding impact and overall weakness in market</p>
Asia Excepting for NIPSEA China	<p>In 2Q, saw overall lower sales for Malaysia, Singapore and Thailand as market remained weak. Further earnings decrease expected in 2H as Thai market expected to worsen and deteriorate beyond 1Q assumptions while Malaysia and Singapore is expected to remain largely the same</p>

This section provides a summary of market and business conditions in each region.

Let me explain about the decorative paints business in Japan first. Revenue for this business declined due to suspension of construction work and delays in ordering in early May, around the Golden Week holidays, due to the COVID impact, coupled with the impact of the stretch of unfavorable weather. In the second half of the fiscal year, we still do not see good news coming, with heavy rainfall damage hitting many parts of the country and other factors. However, with weather getting fine now except that it's hot and humid following the end of the rainy season, we see some signs of recovery.

Regarding the decorative paints business at NIPSEA China, the DIY segment recorded sales at the same level as previous year, while the Project segment saw the restart of work at construction sites pick up in pace, recovering the loss of the busy season in March to record a 32% YOY growth in revenue. Although there are some concerning factors such as delays in construction work in the Project segment that occurred due to the heavy rainfall and flooding in July, cautions consumer sentiment for the risk of the second wave

of COVID infection, and concerns about possible economic slowdown, we expect that we can manage to bring the decorative paints business to deliver a full year positive growth YOY.

In Asia excepting for NIPSEA China, the market conditions are challenging overall due to the COVID impact that worsened from April through June, and we expect recovery in this region to be slower than our assumptions prepared in May.

Summary of Market and Business Conditions in Major Operating Regions (2)

Market and business conditions in major operating regions

Oceania	YoY growth achieved, driven by strong demand in decorative paints and paint related business due to stay-at-home restrictions. Demand expected to normalize in 2H
Americas (Dunn-Edwards)	2Q revenue down 4% YoY due to downturn in April despite relaxation of COVID restrictions and price increase last December. Although COVID impact remains a concern, solid growth expected in 2H in view of coming season with stable climate
Europe (Betek Boya)	2Q revenue grew 17% YOY (for reference) exceeding expectations due to demand recovery for mainstay decorative paints and insulating materials following lockdown relaxation. YOY growth to continue in 2H, driven by strong decorative paints demand
Automotive coatings business	<p>Japan: 2Q auto production continued to fall (-48% YOY) due to economic downturn and COVID impact. Prolonged COVID impact likely to keep auto production down in 2H</p> <p>NIPSEA China: 2Q auto production up YOY due to recovery from COVID impact and government's various stimulus programs. 2H auto production varies across automakers but overall production expected to decrease YOY</p> <p>Americas: Production halt that began in March gradually lifted from May-end but market remained challenging with YOY production fall continuing as with 1Q. In 2H, production likely to fall YOY although acceleration of production expansion expected in 3Q to secure dealers' inventory</p> <p>Europe: Auto production to continue falling YoY through 2H despite recovery from production halt from May, due to production cuts reflecting weak demand</p>

With regard to DuluxGroup in the Oceania segment, revenue increased 18% YOY based on reference figures, owing to demand driven by stay-at-home restrictions that continued from March. In the second half of the fiscal year, however, we need to assume the possibility that such special demand could slow down, as well as the impact of the second wave of COVID, so for the full year forecast, we are not assuming the same level of growth to continue.

Revenue at Dunn-Edwards, our decorative paints operations in the Americas segment, declined slightly compared to the same period a year ago. Although the situation does not allow optimism, with the spread of COVID infection in California and Arizona, where many of our stores are located, our stores have stayed open, and we only had a slight decrease in revenue for the quarter, offsetting the decline in April.

Regarding Betek Boya, our decorative paints operations in Europe, the market was very weak in April but demand has recovered following the relaxation of lockdown. As a result, we achieved a 17% YOY growth in revenue based on reference figures. Although we

cannot predict changes in the economic situation, such as exchange rate fluctuations for Turkish liras, our collaboration with NIPSEA in spider web management has been very successful, e.g. the procurement of raw materials. We have decided to publish the full-year earnings forecast for Betek Boya, which we withdrew in May, with revenue of 31.0 billion yen and operating profit of 2.6 billion yen before PPA* depreciation.

* Purchase Price Allocation: categorization of the purchase prices into the assets and liabilities acquired

Lastly, with regard to the automotive coatings business, the market was very challenging across regions in 2Q. We cannot be optimistic for the full year, even though the Chinese market is recovering. NIPSEA China also deals in export of parts, but is experiencing sluggish demand in this business.

This is the outline of the explanation. Now I will go into the details, but I will not cover all the pages because I am going to provide supplemental explanation to what I have described heretofore.

1-1. FY2020 2Q Highlights

(Billion yen)	Results (Tanshin)			Results (Non-GAAP)			
	FY2019 2Q	FY2020 2Q	YoY (%)	FY2019 2Q	FY2020 2Q	YoY (Amount)	YoY (%)
Revenue	165.1	182.5	10.6%	165.0	145.7	-19.2	-11.6%
Operating profit	21.8	19.4	-10.9%	22.0	13.2	-8.7	-39.8%
OP margin	13.2%	10.6%	-2.6pt	13.3%	9.1%	-	-4.2pt
Profit before tax	22.0	20.0	-9.2%	22.2	14.2	-8.0	-36.1%
Profit*	10.3	9.4	-8.4%	10.9	5.9	-4.9	-45.6%

* Profit attributable to owners of parent

Revenue

- Higher revenue (+10.6% YOY) on 'Tanshin' base due to consolidation of new subsidiaries, etc.
- Decorative paints saw recovery in China (notably, Project) and strong demand in Australia, etc., while demand deteriorated in Japan and Asia excepting for NIPSEA China due to COVID impact
- Continuing from 1Q, global downturn in automobile market impacted automotive coatings business across regions

Operating profit

- Lower operating profit but OP margin ('Tanshin' base) recovered from 1Q (9.4%) to a double-digit percentage
- Higher profit at NIPSEA China due to revenue increase factors following lifting of the lockdown

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Page 9 shows the Group's consolidated 2Q financial results both on the 'Tanshin' and 'non-GAAP' base.

As you can see here, we managed to return to a double-digit revenue growth and a double-digit operating profit margin, albeit on 'Tanshin' base, despite the challenging market environment.

1-2. FY2020 2Q Highlights (Revenue & Operating Profit by Region)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP)			
		FY2019 2Q	FY2020 2Q	YoY (%)	FY2019 2Q	FY2020 2Q	YoY (Amount)	YoY (%)
Japan	Revenue	46.3	35.7	-22.9%	46.3	35.7	-10.6	-22.9%
	OP profit*	6.0	-0.2	-	6.8	-0.2	-7.0	-
Asia	Revenue	95.2	88.1	-7.5%	95.1	93.2	-1.9	-2.0%
	OP profit	14.2	14.3	0.8%	13.5	13.7	0.2	1.5%
Oceania	Revenue	-	35.0	-	-	-	-	-
	OP profit	-	4.8	-	-	-	-	-
Americas	Revenue	20.3	15.1	-25.6%	20.3	15.5	-4.8	-23.6%
	OP profit	2.1	0.4	-82.3%	2.1	0.4	-1.7	-82.5%
Others	Revenue	3.3	8.6	163.4%	3.3	1.4	-1.9	-58.5%
	OP profit	-0.3	0.1	-	-0.3	-0.6	-0.3	-
Total	Revenue	165.1	182.5	10.6%	165.0	145.7	-19.2	-11.6%
	OP profit	21.8	19.4	-10.9%	22.0	13.2	-8.7	-39.8%

* Excluding dividends from overseas group companies (FY2020 2Q: ¥0.5 bn, FY2019 2Q: ¥11.9 bn)

Main reasons for changes

- **Japan** With global market environment remaining weak, both Japan and Americas segments, which account for large percentages of automotive coatings sales, saw significant revenue and profit decrease
- **Asia:** Automotive market was sluggish for the entire Asia, but decorative paints in China continued to growth to record profit at prior-year level

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Page 10 provides operating results by region.

In Asia, in particular, there is a large gap between the 'Tanshin' figures and the 'non-GAAP' figures. The major reason for this is the appreciation of the yen against the Chinese yuan to ¥15.3 this year, compared to ¥16.2 in 2Q of the previous fiscal year. Since there are no M&A effects in this region, we can see that revenue declined by only about 2% on the 'non-GAAP' base.

In the Japan segment, we posted operating loss. I would like to provide supplemental explanation on the following two points about profit margin for this segment.

1. The decrease in sales in the automotive coatings segment includes a decline in royalty income from overseas subsidiaries, which impacted the profit level for this segment more than necessary; and
2. Although NPHD's headquarters costs need to be allocated globally, we have historically allocated all such expenses to the Japan segment. With the globalized

operations and reinforced business foundations such as we have now, this cost allocation policy is penalizing the Japan profitability more than necessary.

We would like to review the allocation practice of such headquarters costs going forward.

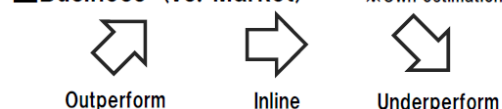
2-1. Market & Business Environment (2Q)

	Japan	Asia (NIPSEA China)		Oceania	Americas
Automotive coatings	➡	➡			➡
Decorative paints	➡	DIY ➡	Project ➡	➡	➡

■ Market (YoY)



■ Business (vs. Market) ※



※Own estimation

Market analysis

- ✓Automotive: Auto production in China recovered slightly but remained weak in other regions
- ✓Decorative: Market went weak in 2Q in Japan as COVID impact became apparent from March
China Project saw YOY growth following the resumption and catch up of construction work at major customers upon lifting of lock down in Q2; as for DIY, market sentiment is weak overall
In Australia, strong decorative paints demand continued in 2Q, driven by stay-at-home restrictions
The US market was flat, with housing market relatively solid under COVID restrictions

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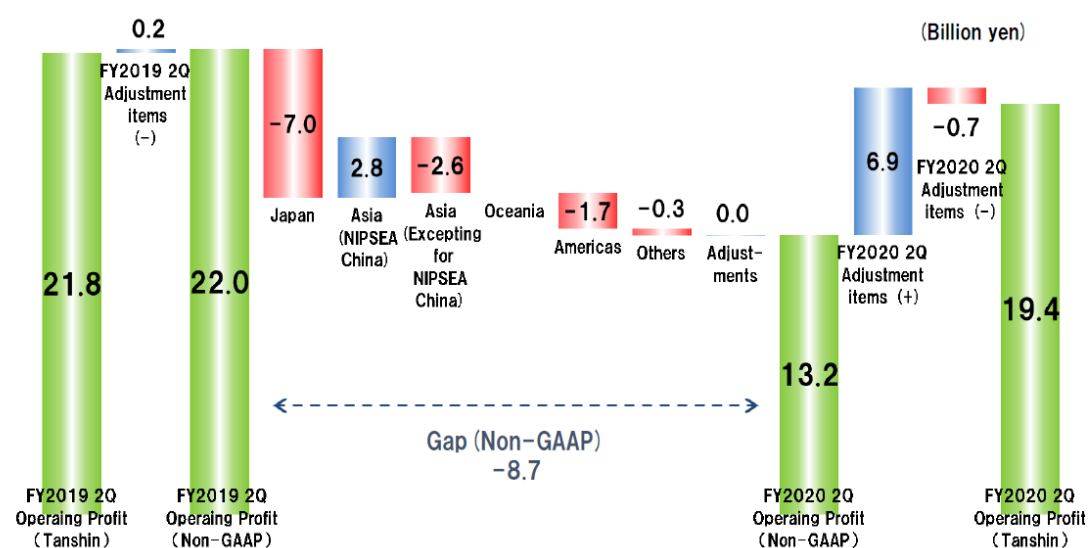
This page shows the heat map for 2Q.

Regarding the decorative paints business in China, as I mentioned earlier, the Project segment saw a rebound to offset the loss of busy season in March. Additionally, market was favorable compared to the same quarter a year ago. Under such circumstances, we took measures that by no means fall behind the competition but placed far greater focus on meeting the needs of customers. So, according to the local management, our market share has remained unchanged. This is strictly based on our estimates.

On the other hand, in Oceania, we estimate that DuluxGroup's dominant market share in retail stores and others have enabled the share to rise further.

In Japan, both the automotive coatings and decorative paints markets were weak. However, decorative paints sales were down 13.5%, while automotive coatings sales were down about 50%; although the overall color is the same and dark blue, the situation is different for these two businesses.

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



Major reasons for changes

- ✓ Japan/Americas/Asia Excepting for NIPSEA China: Lower profit due to weak performance in automotive coatings business
- ✓ Adjustment items (+): Both DuluxGroup and Betek Boya continued growing steadily from 1Q and made profit contribution

This page shows the operating profit gap analysis for 2Q.

As you can see, the acquisition effects contributed significantly to our 'Tanshin' base operating profit.

2-3. Result Analysis by Region (Japan)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP)			
		FY2019 2Q	FY2020 2Q	YoY (%)	FY2019 2Q	FY2020 2Q	YoY (Amount)	YoY (%)
Revenue	Automotive coatings	11.4	5.5	-51.7%	11.4	5.5	-5.9	-51.7%
	Decorative paints	12.8	11.1	-13.5%	12.8	11.1	-1.7	-13.5%
	Industrial coatings	10.2	8.4	-18.2%	10.2	8.4	-1.9	-18.2%
	Fine chemicals	2.2	1.7	-23.6%	2.2	1.7	-0.5	-23.6%
	Others ^{※1}	9.6	9.0	-6.2%	9.6	9.0	-0.6	-6.2%
	Total	46.3	35.7	-22.9%	46.3	35.7	-10.6	-22.9%
Operating profit		6.0	-0.2	-	6.8	-0.2	-7.0	-
OP margin		12.9%	-0.5%	-13.3pt	14.7%	-0.5%	-	-15.2pt

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

Major reasons for changes

- Automotive: Lower revenue due to lower auto production (-48% YoY^{※2}), combined with lower export and loyalty income
- Decorative: Lower revenue resulting from construction project suspension and ordering delays due to COVID impact, combined with bad weather from late May
- Industrial: Lower revenue reflecting production adjustment beginning fully at customers in coil coatings business, lower export in construction machinery market, and sluggish housing market
- OP profit: Lower profit due to higher SG&A expenses including headquarters expenses, in addition to the above reasons for revenue decrease

※2 Compiled by NPHD using figures released by domestic automakers

Starting from page 14 is the operating results analysis of each region.

As shown on this page, 2Q this year was a very challenging quarter for the Japan segment, notably in the automotive coatings business due to a significant COVID impact that hit the segment from April to June. However, I believe that the market has bottomed out and is now on a recovery trend.

2-3. Result Analysis by Region (Japan) (Topic)

Concluded Industry-Academia Co-creation Agreement with the University of Tokyo

- Concluded an industry-academia co-creation agreement on May 18 aimed at high level comprehensive joint research and exchange of human resources
- The agreement is for 5 years from 2020 to 2025, with approx. 1 billion offered as research funds
- Establish a social cooperation course titled “Construction of Innovative Coating Technologies” at Graduate School of Engineering of the University of Tokyo

<Three directions of joint research activities>

- ① Research on coating technologies with antiviral functions and functions to prevent the spread of infection
- ② Research on coating technologies that can support the foundation of a smart/remote society as envisioned in the future and contribute to improving efficiency in society
- ③ Research on coating technologies that will contribute to reducing environmental loads and control social costs



Right) Masaaki Tanaka, Chairman, President & CEO, Nippon Paint Holdings Co., Ltd.
Left) Makoto Gonokami, President, The University of Tokyo

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Under these circumstances, we have concluded an industry-academia co-creation agreement with the University of Tokyo, as described on page 15, and announced that we will work together to resolve social issues using coating technologies.

We believe that we can apply our existing technologies including virus inactivation technology to a variety of fields, and we are aiming for joint research that goes beyond mere development of antivirus coatings. We expect that the antivirus coatings market has a huge growth potential not only in Japan, but also on a global scale. We are considering a variety of products and measures centering on Japan first, and will make an announcement on these as soon as the details are worked out.

3-1. FY2020 Forecast

(Billion yen)

	Results (Tanshin)			Constant Exchange Rate Basis			
	FY2020 Forecast (previous)	FY2020 Forecast (current)	vs. Previous Forecast (%)	FY2020 Forecast (previous)	FY2020 Forecast (current)	vs. Previous Forecast (Amount)	vs. Previous Forecast (%)
Revenue	720.0	730.0	1.4%	720.0	740.0	20.0	2.8%
Operating profit	63.0	66.0	4.8%	63.0	67.0	4.0	6.3%
OP margin	8.8%	9.0%	0.2pt	8.8%	9.1%	-	0.3pt
Profit before tax	60.0	65.0	8.3%	60.0	66.0	6.0	10.0%
Profit*	25.0	28.0	12.0%	25.0	29.0	4.0	16.0%

※Profit attributable to owners of parent

Current forecast (vs. previous forecast)

- Earnings forecast revised upward due to higher-than-expected growth in decorative paints (notably Project in China, earnings of Dunn-Edwards due to relaxation of COVID restrictions in Americas, and at Betek Boya due to successful sales promotion measures such as adoption of new brand strategy)
- Employment subsidies by Chinese government also contributed to upward revision of operating profit forecast

Assumptions for exchange rates and raw material costs underlying current forecast

- Earnings in yen ('Tanshin' base) expected to be eroded by stronger yen against Chinese yuan, Australian dollar, and Turkish lira compared to the initial assumptions
- Previous assumption for naphtha price was ¥25,000 for 2Q-4Q; current assumption is ¥28,000 for 3Q and ¥34,000 for 4Q

	FY2020 (Previous forecast)	FY2020 (2Q results)	FY2020 (2H forecast)
JPY/USD	107.0	108.2	107.7
JPY/RMB	15.5	15.3	15.2
JPY/AUD	75.0	71.1	73.9
JPY/TRY	18.2	16.6	15.8

※Average rate

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Now, I would like to explain the full-year earnings forecast.

As I mentioned at the beginning of this conference, there has been no major change in the forecast figures. As the COVID impact has continued to vary by region and industry, it is difficult to prepare rational estimates. However, as we have promised to focus on communicating with our investors, we believe that we need to prepare some base case scenario and inform the difference between actual results and the assumptions. Accordingly, we updated the FY2020 guidance to a small scale.

The table on the right side of this page has forecast figures to show you a rough image of the changes from the previous forecast, assuming constant exchange rates. The 'Tanshin' figures on the left side reflect the yen's appreciation against major currencies.

3-2. Market & Business Environment (3Q)

	Japan	Asia (NIPSEA China)		Oceania	Americas
Automotive coatings					
Decorative paints		DIY	Project		

Market (YOY) Strong Weak

Market analysis

- ✓ Automotive: In Japan, production slowdown due to COVID impact peaked in 2Q but remains weak in 3Q
In China, recovery in 2Q to continue through 3Q barring any shocks and second waves
In Americas, 3Q auto production to recover temporarily to prior-year level for inventory accumulation purpose
- ✓ Decorative: In Japan, market shows signs of recovery from August onwards despite heavy rainfall damage
In China, demand expected to remain weak for DIY and PRJ to have moderate growth despite concerns about heavy rainfall, flooding impact in July and second wave
In Australia, demand from stay-at-home restrictions that arose in 1H is likely to normalize
In Americas, demand to be robust assuming market becoming buoyant in 3Q backed by favorable weather

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3-3. Market & Business Environment (4Q)

	Japan	Asia (NIPSEA China)		Oceania	Americas
Automotive coatings					
Decorative paints		DIY	Project		

Market (YOY) Strong Weak

Market analysis

- ✓ Automotive: In Japan, weak auto production expected, with full production cut expected at automakers in 3Q
In China, lower production expected in 4Q following termination of government's stimulus programs in 3Q
In Americas, auto production expected to continue falling YOY after customers' inventory accumulation in 3Q
- ✓ Decorative: In Japan, demand expected to be at prior-year level, which was weak due to a backlash to the consumption tax hike, with COVID impact and heavy rainfall damage remaining
In China, demand expected to remain weak for DIY and PRJ to be lesser and slower due to winter seasonality
In Australia, demand from stay-at-home restrictions that arose in 1H is likely to normalize
In Americas, demand to remain robust from 4Q onwards but depend on future COVID impact

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Pages 23 and 24 show our forecast for market conditions that was used to prepare the FY2020 earnings forecast.

There is basically no change to our assumptions that the V-shaped recovery in the second half of the fiscal year is unlikely. We made relatively cautious estimates for the decorative paints business in China. In the meantime, while we project that automobile sales in the U.S. are rather weak, we assume that production is recovering at automakers as inventory level of new automobiles is running low.

3-4. Various Assumptions for FY2020 Forecast (1)

NIPSEA China

Revenue	YoY (Current forecast)	YoY (Previous forecast)	Qualitative Information
NIPSEA China	0%~-5%	-5%~-10%	
Decorative (DIY)	No change	-5%~-10%	With market expected weak in 2H, various promotional measures planned but not enough to offset 1Q decrease. Full-year revenue decline expected
Decorative (PRJ)	+5%~+10%	0%~-5%	Revenue increase expected for full year, driven by earlier restart of construction work by major real estate developers from 2Q onwards and supported by growth in Tier 2 cities
Automotive	-10%~-15%	-15%~-20%	Production recovery expected in 2Q in line with 1Q assumptions, but full-year production to remain below prior-year level

Asia Excepting for NIPSEA China

Asia	-10%~-15%	-5%~-10%	
Automotive	-25%~-30%	-10%~-15%	COVID impact on 1H auto production greater than 1Q assumptions and market expected to remain challenging in 2H. Full-year revenue projected to decline YOY
Decorative	No change	-5%~-10%	Advertising and sales promotion activities to be stepped up from 2H, but lower revenue expected for full year in line with 1Q assumptions

※Figures are in local currencies

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3-4. Various Assumptions for FY2020 Forecast (2)

Japan

Revenue	YoY (Current forecast)	YoY (Previous forecast)	Qualitative Information
Japan	-10%~-20%	-5%~-10%	
Automotive	No change	-25%~-35%	Lower revenue expected in line with 1Q assumptions due to lower auto production reflecting economic slowdown and COVID impact
Decorative	-5%~-10%	0%~-10%	Lower revenue expected, despite promotion of share expansion measures, due to delay in construction work restart compared to 1Q assumptions due to COVID impact, combined with bad weather and heavy rainfall damage
Industrial	-10%~-20%	-5%~-15%	Further market deterioration expected compared to 1Q assumptions due to wider and prolonged COVID impact. Overall revenue expected to decrease further

Oceania

Oceania	No change	For reference c. +5%	1H performance in retail DIY facing businesses, including decorative paints, was stronger than 1Q assumptions. Although demand is likely to normalize in 2H, full-year revenue growth is projected
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※Figures are in local currencies

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3-4. Various Assumptions for FY2020 Forecast (3)

Americas

Revenue	YoY (Current forecast)	YoY (Previous forecast)	Qualitative Information
Americas	-5%~-10%	-15%~-25%	
Automotive	-25%~-30%	-30%~-40%	Market remained challenging as with 1Q assumptions and some automakers likely accelerate production resumption in 2H, but lower full-year revenue expected due to lower auto production YOY
Decorative	0%~+10%	0%~-10%	Compared to 1Q assumptions, COVID restrictions relaxation from 2Q to contribute to earnings. Full-year revenue growth expected, backed by firm market due to continuing favorable weather, combined with price increase last December

Others

Automotive	No change	-20%~-30%	Slight recovery expected in 2H as with 1Q assumptions, but full-year revenue to decrease due to weak market
Decorative (Betek Boya)	For reference +20%~+30%	For reference 0%~+10%	Full-year forecast: Revenue: ¥31 bn; Operating profit: ¥2.6 bn (before PPA depreciation). Higher revenue achieved in 1H due to relaxation of lockdown and promotion of sales promotion measures. Revenue growth expected to continue in 2H, as well as on full-year basis

Raw material costs

Raw material costs	Previous assumption for naphtha price was ¥25,000 for 2Q-4Q; current assumption is ¥28,000 for 3Q and ¥34,000 for 4Q		
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Pages 25 onwards show our assumptions for each region.

Our assumptions for NIPSEA China was revised upward, while those for Asia excepting for NIPSEA China were revised downward as shown on page 25; our assumptions for the Japan segment were revised downward and those for the Oceania segment were unchanged as shown on page 26; as for the Americas segment, as well as the Betek Boya in the Others segment, we assume improvement, as described on page 27. Regarding operating profit margins, we assume a slight increase in raw material price assumptions, and this will erode operating profit to some extent. Overall, we assume an improvement in operating profit margins.

Page 29 onwards provide the 1H figures and the details of adjustment items for use as reference materials.

Before concluding this conference, I would like to mention two more point.

First, as we published a press release on June 19, 2020, we made some revisions to the Financial Results Presentation Material for FY2019 4Q and FY2020 1Q published in February and May, respectively.

There were no changes to the earnings for the Asia segment as a whole and the 'Tanshin' figures. However, there were some errors in the calculation of the breakdown of the Asia segment between China and Asia excepting for NIPSEA China. The presentation materials available on our IR website have been revised, but please allow me to take this opportunity to apologize for this.

Second, we received requests from investors to provide a comparison of breakdown of the adjustment items between FY2018 and FY2019, and we published the comparison for 1Q in the FY2020 1Q Financial Results Presentation Material in May. In addition, we did our homework and made available the comparison between 2Q and 3Q of FY2018 and FY2019 from P41 to P44.

This completes my presentation, and I will now take questions.