

FY2020 3Q Financial Results Conference Call Presentation Summary

November 13, 2020



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

Thank you for taking the time today to participate in our conference call regarding financial results for 3Q of FY2020.

Today's teleconference is being streamed live (voice only) on YouTube.

As with second quarter conference call, this conference call is held in both Japanese and English with simultaneous interpretation.

1-1. Summary of Today's Presentation (1)

FY2020 3Q YoY Growth Rate



('Tanshin')

Revenue: +18.7%

Operating profit: +17.3%

('Non-GAAP')

Revenue: +6.8%

Operating profit: +6.7%

•FY2020 3Q Results (YoY) :

'Tanshin' /Revenue: +18.7%, operating profit: +17.3%

'Non-GAAP' /Revenue: +6.8%, operating profit: +6.7%

•China economy has grown 4.9%. NIPSEA China business has achieved higher revenue 18% and profit 38% comparing with last year. Project has increased 33% from new construction project from Northern and Western region. DIY gradually recovered from 2Q and grew 9%. Auto has grown 17%

•Automobile coatings business revenue declined as global automobile production recovered faster than expected but automobile production in Japan remained below prior-year levels

•3Q 'Non-GAAP' results include 1 month (September) for Dulux Group and 3 months (July-September) for Betek Boya, which are group companies acquired in 2019

•Steady contribution from Betek Boya due to higher demand resulting from restart of economic activities and sales promotion activities and from DuluxGroup with higher demand continuing, influenced by COVID enhanced home improvement activity

•Lower cost of raw materials contributed to earnings in all regions, primarily Japan and Asia

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

In 3Q of FY2020, both revenue and operating profit increased YoY on a 'Tanshin' basis (figures based on legal disclosure) and 'Non-GAAP' basis, which are figures principally without the effects of acquisitions.

We made a somewhat conservative forecast by incorporating economic uncertainty, especially for NIPSEA China business, when we announced our second quarter financial results in August. But NIPSEA China business posted strong sales in September, the second-biggest demand period after March, and achieved a substantial YoY revenue and profit growth.

Our automotive coatings business continued to be affected by COVID but recovered gradually in 3Q. In addition, both DuluxGroup and Betek Boya contributed consistently to our earnings. Betek Boya has been consolidated since 3Q of FY2019, and their earnings are included also in our 'Non-GAAP' results. DuluxGroup has been consolidated since

September 2019. Therefore, please note that 'Tanshin' results include one month of earnings at DuluxGroup in 3Q of FY2019 and three months of earnings in 3Q of FY2020.

1-1. Summary of Today's Presentation (2)

FY2020 Consolidated Earnings Forecast

Revenue: ¥760 bn
Operating profit: ¥76 bn



- COVID impact easing globally but the risk of market deterioration remains in some regions due to the resurgence of new cases. Still difficult to reasonably estimate final demand but updated FY2020 guidance to reflect strong 3Q earnings
- FY2020 forecast revised upward from the August 14 forecast (Revenue: +4.1%; Operating profit: +15.2% vs. previous forecast)
- Major assumption differences between August 14 and now:
 - ↑ Improvement in decorative paints business (Project/DIY) at NIPSEA China
 - ↑ Earnings improvement at Betek Boya (Europe)
 - ↑ Earlier than expected recovery in automotive coatings
 - ↓ Higher expenses for sales promotion measures at overseas Group companies
- Increased full-year forecast for Betek Boya:
Current forecast (Revenue: c. ¥32.0 bn, Operating profit: c. ¥4.0 bn^{※1})
Previous forecast (Revenue: ¥31.0 bn, Operating profit: c. ¥2.6 bn^{※2})

FY2020 EPS Forecast

109 yen



- EPS forecast is 109 yen (-5 yen YoY/+22 yen from previous forecast)
- Annual dividend forecast is 45 yen (same as FY2019)

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※1 Calculated by applying exchange rate as of 2Q FY2020 financial results announcement in November/before PPA depreciation
※2 Calculated by applying exchange rate as of 3Q FY2020 financial results announcement in August/before PPA depreciation

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Please look at page 4. I will explain revision to our earnings forecast for FY2020.

Nine months into FY2020 we now have rough estimates of COVID impact on our operations for this year. Nevertheless, this impact has continued to vary across regions around the globe. For instance, COVID impact is worsening in Europe and the U.S. In Asia, which is less affected by COVID, Malaysia put lockdowns back in place in October. As a result, I believe uncertainties remain in our markets.

However, we renewed the guidance on a voluntary disclosure basis. We have upwardly revised the previous forecast for revenue, operating profit, and EPS to reflect our strong third quarter earnings.

Please note that we had to cope with exceptional market conditions during first three quarters of this year. For instance, our marketing expenses were naturally lower than in a normal year, and we plan to increase investments and expenses in 4Q for growth in

FY2021 and afterward. Our full-year forecast, especially for earnings, reflects these factors.

The dividend forecast is unchanged.

1-2. Summary of Market Conditions in Major Regions (1)

Market and business conditions in major regions

Japan	<p>Decorative: 3Q demand remained weak due to COVID and to a long rainy season and typhoons. Demand to recover from weakness in 2019 following the consumption tax hike. However, slow recovery seen, notably for house renovation projects. Overall, 4Q market expected to be unchanged from 2019</p> <p>Industrial: Market remained weak in all sectors due to COVID. Gradual recovery expected but recovery to prior-year levels unlikely in 4Q</p>
NIPSEA China	<p>Decorative: (DIY) 3Q sales YoY growth 9%, due to improved consumer confidence after COVID. Demand recovery for repainting of existing houses following lifting of restrictions on entry to repainting sites. We expect momentum continue and extend to 4Q</p> <p>Decorative: (PRJ) 3Q sales YoY growth 33%. Mainly from new construction project in Northern and Western region. Focus and strengthen partnership with key and strategic customers. 4Q Project to be lower compared to a very high market growth in 4Q of 2019</p> <p>Industrial: Industrial coatings improved 9% from GIU such as agricultural construction equipment and Protection Coating thanks to market recovery from COVID with less import from overseas</p>
Asia Excepting for NIPSEA China	<p>In 3Q, Malaysia Group showed a lower single digit growth, recovering gradually from COVID albeit showing lower growth. Thailand Group continued to suffer from COVID, border closed and political instability, and declined 28% in 3Q with the weakness may likely extend into 4Q. Overall, lower revenue for this region. In 4Q, Thailand likely to see lower earnings growth, and Malaysia requires attention with lockdowns back in place in October</p>

This section provides a summary of market and business conditions in our operating regions.

In the decorative paints business in Japan, revenue was slightly lower compared to 3Q of FY2019, when there was a last-minute surge in demand prior to the consumption tax hike in October. However, we expect 4Q revenue to recover roughly to the previous year's level.

As I mentioned at the beginning of my presentation, NIPSEA China posted strong 3Q earnings in the decorative paints business, with DIY revenue growing 9% YoY and Project revenue rising 33% YoY. Heavy rain and floods that hit China in July delayed construction projects in the Project segment, but these projects were back on schedule in August and September. Demand is usually not particularly high in 4Q. However, demand was very strong in 4Q of FY2019, especially in the Project segment with 42% YoY revenue growth. Compared to this strong 4Q, I expect 4Q YoY growth at NIPSEA China to be slightly

slower this year. Still, I believe the momentum will remain strong overall in our Chinese business.

In Asia excepting NIPSEA China, COVID impact is subsiding overall compared to the severe impact in April-June quarter. We have maintained our conservative outlook for 4Q because of factors including lockdowns in Malaysia and political instability in Thailand.

1-2. Summary of Market Conditions in Major Regions (2)

Market conditions in major regions

Oceania	Higher YoY sales across all business (+9%/reference value) with COVID enhanced home improvement activity continuing, regardless of stay-at-home restrictions. While DIY activity remained very strong in 3Q, trade DIFM* activity was also positive. We anticipate the COVID positive influence on demand to progressively normalize in 4Q and 1Q of FY2021
Americas (Dunn-Edwards)	Revenue grew 5% YoY driven by the strong construction market due to easing of COVID restrictions and low interest rates. Firm market tone expected to continue in 4Q but the possibility of an economic slowdown due to a COVID resurgence a cause for concern
Europe (Betek Boya)	3Q revenue surged by 84% YoY driven by strong market due to easing of lockdowns and restart of economic activities, coupled with sales promotion activities. 4Q revenue to decrease due to backlash to higher revenue in 3Q resulting from sales promotion actions, etc.
Automotive coatings	<p>Japan: Market gradually recovered during 3Q but quarterly automobile production continued on decline (-13% YoY). 4Q automobile production to remain below prior-year levels despite stronger recovery expected than the August assumptions</p> <p>NIPSEA China: 3Q automobile sales YoY growth 17% due to 14% growth in automobile production mainly from Japanese and Korean car makers, driven by support from various government stimulus programs to help cope with COVID impact. In 4Q, market growth likely to be slow compared to high market growth in 4Q of 2019</p> <p>Americas: 3Q automobile production recovered to prior-year levels as automakers increased production to maintain inventories. Concerns remain about a possible slowdown in production after the inventory build-up is completed</p> <p>Europe: Automobile production is slow recovering but remains below prior-year levels. The COVID resurgence a cause for concern for 4Q</p>

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※ DIFM (Do It For Me) : Painting by professional painters

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At DuluxGroup in the Oceania segment, home improvement demand remained high across all businesses in 3Q, in areas both under stay-at-home restrictions and not. As a result, DuluxGroup maintained its strong momentum, achieving 9% YoY growth in revenue based on reference figures. Meanwhile, we expect a considerable positive impact from COVID-enhanced front-loaded demand overall. We assume that the strong momentum we enjoyed until 3Q will normalize progressively from 4Q. Therefore, we plan to make investments in 4Q for growth in the next fiscal year and beyond.

Revenue at Dunn-Edwards, our decorative paints operations in the Americas segment, increased compared to the same period a year ago, driven by the strong housing market in the United States.

Betek Boya, our decorative paints operations in Europe, benefited from strong market conditions following the restart of economic activities in Turkey. Owing to aggressive sales promotion activities during these favorable market conditions, Betek Boya achieved 84% YoY revenue growth at a constant exchange rate. Betek Boya was consolidated in July

2019 and its earnings have been included in our 'Non-GAAP' results in 3Q. I will discuss this later, but we project that both revenue and operating profit at Betek Boya will be slightly higher than our full-year forecast announced in August, despite unfavorable effect of exchange rates.

Lastly, in the automotive coatings business, the market is recovering from the lows of 2Q. Upward momentum is projected to continue in the Chinese market, although at a slightly slower pace compared to high market growth rate in 4Q of FY2019.

This is the outline of my presentation.

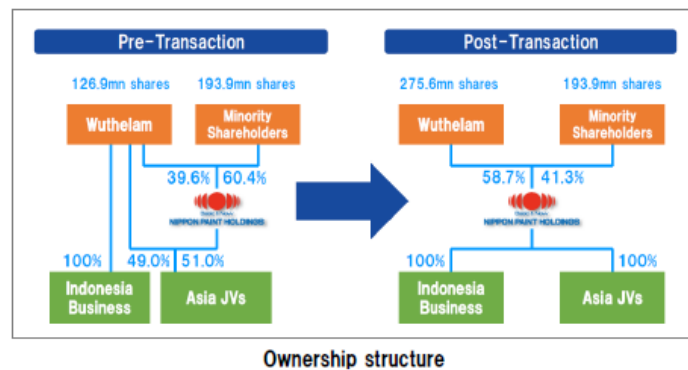
1-3. Major Topics After the 2Q Results Announcement ①

Acquisition of Asian JV Stake and Indonesia Business (announced on August 21)

- Decided to acquire 100% ownership of Asian JVs and Indonesia Business
- Transaction will enable full capture of growing Asian businesses, realizing substantial profit growth, minority shareholder protection, and maximization of shareholder value
- Closing scheduled for January 1, 2021



Presentation material released on August 21



Now I will briefly discuss significant events following our financial results announcement for FY2020 2Q in August.

On August 21, we announced the acquisition of Asian JV stake and Indonesia business and we are making progress towards the closing scheduled for January 1, 2021.

Just as a reminder, we will maintain the current balance sheet structure until the end of December, and the year-end dividend for FY2020 will be based on the number of shares currently outstanding.

1-3. Major Topics After the 2Q Results Announcement ②

Developed “PROTECTON,” a new brand specialized in anti-viral and anti-bacterial products (announced on September 4)

- Anti-viral and anti-bacterial products, not limited to paint, are to be developed using this new brand, with applications ranging from home-use paint to industrial paint and other products
- The first product is PTOTECTON Interior Paint Premium, Japan’s first water-based paint with anti-viral and anti-bacterial properties derived from photocatalysis for DIY and home use (launched on September 4)
- The second product is PROTECTON Interior Wall VK-200, paint using a visible light-responsive photocatalyst and offering better workability than conventional products with ultra-low VOC at an affordable price (launched on October 28)



The logo of PROTECTON series products



PROTECTON Interior Paint Premium

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We launched the PROTECTON brand for a line of anti-viral products. This new brand reflects the priority we place on solving social issues. We already sell PROTECTON products for the DIY and professional-use markets. We plan to add more brands for premium and high-performance products going forward.

1-3. Major Topics After the 2Q Results Announcement ③

Launched a new company commercial in Japan from October 3 featuring the excitement and fascination of paint (announced on September 28)

- Actress Mikako Tabe is the brand ambassador to promote PAINT.WONDER, a world of paint and coatings technology with exciting possibilities for the entire world
- Miniature objects coated with our paint convey the excitement and fascination of paint and its functions, which go beyond simply adding color and provide our daily life with protection and a rich variety of vivid colors



Graphical image

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A scene from the commercial

※The commercial and the making of this commercial are on [Nippon Paint's official YouTube channel](#) (only in Japanese)

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We created a corporate commercial to tell people about various functions of paint and tremendous potential of paint.

The commercial can also be viewed on YouTube. I encourage everyone to visit our YouTube channel.

1-3. Major Topics After the 2Q Results Announcement ④

Published Integrated Report 2020 (released on September 30)

- New content and design from the previous year's report
- The report explains the strategic story of aiming for the Maximization of Shareholder Value (MSV), which is our paramount mission, by pursuing a global business strategy that incorporates ESG and the SDGs
- To serve as an effective tool for sound communication with investors and analysts



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We have published our Integrated Report for this year.

There are significant changes from last year's report in terms of content, design, quality and volume, but it still has much room for improvement. I appreciate your taking a moment to review this report, which is an efficient tool for communications with investors, and welcome your feedback and suggestions for improvements.

1-3. Major Topics After the 2Q Results Announcement ⑤

Improving information disclosure through the IR website (contents launched successively by September 30)

- Enhanced the content of our IR website to provide information necessary for communications with Japanese and international investors and analysts in a timely and equitable manner
- Content includes English translations of presentation texts and Q&A summary, disclosure documents, live streaming of financial results conference calls (Japanese/English), analyst ratings and analyst consensus



IR website

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Presentation script



Q&A summary



Analyst ratings

In addition, our IR website is undergoing improvements and enhancements. We would also appreciate your feedback about the IR website and suggestions for improvements.

1-3. Major Topics After the 2Q Results Announcement ⑥

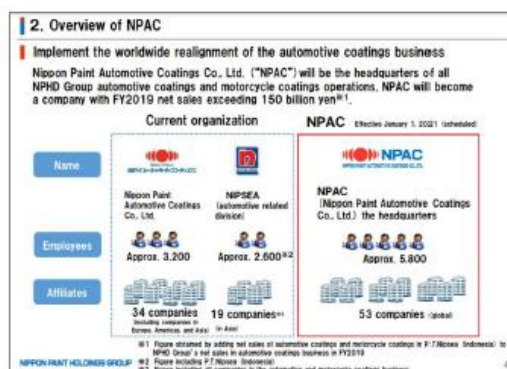
Global integration of automotive coatings business (announced on October 1)

- Realign automotive coatings and motorcycle coatings operations in Japan, China and other Asian countries, Europe and the Americas on January 1, 2021, with Nippon Paint Automotive Coatings Co., Ltd. (NPAC) as the global headquarters (NPAC will have net sales exceeding 150 bn yen based on simple sum of FY2019 results)
- Appoint customer account managers who operate multinationally and establish global sales and R&D structures to function as a one-stop source of information and services for customers



Presentation material published on October 1

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Overview of NPAC

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This page explains the global integration of the automotive coatings business within our Group, which we announced in October.

After the acquisition of 100% ownership of Asian JVs, our decorative paints business will continue to focus on local production for local consumption based on a regional axis. Meanwhile, our automotive coatings business has customers worldwide and will integrate its operations globally, shifting from partial optimization to total optimization of operations. The simplified ownership structure following our acquisition of Asian JV stake will allow us to smoothly switch to the new operating structure.

1-3. Major Topics After the 2Q Results Announcement ⑦

Established an ESG Statement and Identified Materiality (released on October 30)

- The ESG Statement, which sets forth our basic policy on ESG management, was established with the participation and input of our overseas partner companies
- Materiality critical to sustainability of businesses was identified based on the ESG Statement through discussions with the ESG Committee members, overseas partner companies and external stakeholders
- We will set KPIs for each identified materiality and implement materiality initiatives

— ESG Statement (established in August 2020) —

At Nippon Paint Holdings Group we aim to conduct our business activities to support and enable sustainable development everywhere we operate. We aim to include the three elements – economic, social and environmental – in a balanced and integrated manner.

Creating paints and coatings to add color, comfort, and safety to people everywhere has been our mission since the company was founded.

Finding solutions to global sustainability challenges is our responsibility to future generations and is a driving force for our continued growth and success. To achieve this, we will:

- Pursue technologies across the value chain to create sustainability benefits through innovative products and services, and new business opportunities.
- Engage and work with our stakeholders to meet their expectations and together deliver on our shared sustainability commitments, responsibilities, and challenges.
- Establish effective governance frameworks to ensure the transparency, objectivity, and fairness of the management of our company and earn society's trust everywhere we operate.
- Respect, support, and enable our diverse employees and company associates to achieve their full potential and create innovative, sustainable value for all.
- Support the 2030 Agenda for Sustainable Development (SDGs) through delivery of sustainability improvement plans that create new business opportunities and maximize shareholder value (MSV)*.

* MSV is predicated on fulfillment of our duties to customers, employees, suppliers and society, setting us apart from the concept of "shareholder primacy".

ESG Statement

Materiality

- ① Climate change
- ② Resources and environment
- ③ Diversity & Inclusion
- ④ Safe people and operations
- ⑤ Growth with communities
- ⑥ Innovation for a sustainable future

My final topic is our ESG Statement and identification of materiality.

We established ESG Promotion Department in January 2020 and we formulated ESG Statement with participation and input of our partner companies around the globe. The aim is to foster recognition among everyone at our group that promotion of ESG initiatives is your own goal. Identifying materiality is not the goal in and of itself. The most important point is to set KPIs for each identified materiality and implement materiality initiatives. Management has a strong commitment to promoting ESG-oriented initiatives.

We have placed priority on enhancing disclosure activities and emphasizing communication with investors since the beginning of this year. At the same time, we have rapidly implemented numerous measures. We intend to continue our efforts for deepening communications with investors and analysts while maintaining speedy management decision-making. I would like to ask for your continued feedback and encouragement.

2-1. FY2020 3Q Highlights

(Billion yen)	Results (Tanshin)			Results (Non-GAAP)			
	FY2019 3Q	FY2020 3Q	YoY (%)	FY2019 3Q	FY2020 3Q	YoY (Amount)	YoY (%)
Revenue	182.7	216.9	18.7%	182.7	195.1	12.5	6.8%
Operating profit	24.4	28.6	17.3%	23.6	25.2	1.6	6.7%
OP margin	13.4%	13.2%	-0.2pt	12.9%	12.9%	-	-0.0pt
Profit before tax	23.4	29.6	26.4%	22.6	26.6	4.0	17.9%
Profit [※]	11.7	14.7	26.3%	11.9	12.9	1.0	8.4%

※ Profit attributable to owners of parent

Revenue

- Higher revenue both on 'Tanshin' basis (+18.7%) and 'Non-GAAP' basis (+6.8%) due to acquisitions and market recoveries
- Regarding decorative paints, Project and DIY in China recovered and Australia and Turkey remained strong, but the recovery was slow in Japan because of COVID
- Automotive coatings are recovering slowly in every region but remained below prior-year levels

Operating profit

- Higher operating profit both on 'Tanshin' basis (+17.3%) and 'Non-GAAP' basis (+6.7%)
- Higher profit at NIPSEA China due to sales growth, driven by post-COVID market recovery
- OP margin remained flat from 2019 due to actions to reduce raw material costs and fixed cost reduction

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This page shows highlights of 3Q results, which I have already explained. Please turn to page 16.

2-2. FY2020 3Q Highlights (Revenue & Operating Profit by Region)

(Billion yen)		Results (Tanshin)			Results (Non-GAAP)			
		FY2019 3Q	FY2020 3Q	YoY (%)	FY2019 3Q	FY2020 3Q	YoY (Amount)	YoY (%)
Japan	Revenue	46.4	39.9	-14.0%	46.4	39.9	-6.5	-14.0%
	OP profit [※]	5.2	2.0	-62.5%	6.3	2.1	-4.2	-67.4%
Asia	Revenue	93.4	103.3	10.6%	93.3	104.5	11.1	11.9%
	OP profit	14.4	17.1	19.4%	12.4	16.5	4.0	32.3%
Oceania	Revenue	13.1	40.3	206.3%	13.1	13.7	0.6	4.5%
	OP profit	2.8	5.4	92.6%	2.8	1.9	-0.9	-32.2%
Americas	Revenue	19.1	19.4	1.6%	19.1	20.0	0.8	4.3%
	OP profit	1.3	2.2	69.4%	1.3	2.2	0.9	72.6%
Other	Revenue	10.7	14.0	31.0%	10.7	17.1	6.4	60.0%
	OP profit	0.8	1.9	155.7%	0.8	2.5	1.7	224.5%
Total	Revenue	182.7	216.9	18.7%	182.7	195.1	12.5	6.8%
	OP profit	24.4	28.6	17.3%	23.6	25.2	1.6	6.7%

※ Excluding dividends from overseas group companies (FY2020 3Q: ¥0.2bn, FY2019 3Q: ¥0.2bn)

Major reasons for changes

- Japan : Lower revenue and profit due to slow recovery from impact of a long rainy season, typhoons and COVID, combined with automotive coatings market still not fully recovered
- Asia : Higher sales due to strong growth in decorative paints and automotive coatings in China. However, this was offset by weaker earnings in other part of Asia, e.g. Thailand
- Other (Betek Boya) : Higher revenue on strong construction market conditions in Turkey due to restart of economic activities, coupled with sales promotion activities

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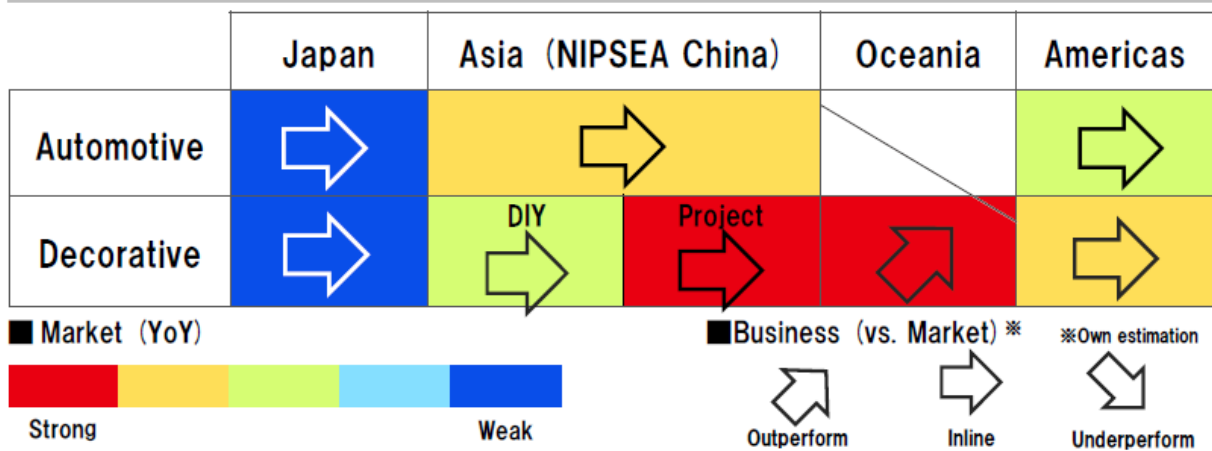
This page is a regional analysis of revenue and operating profit.

As you can see, our Japan segment turned around from an operating loss in 2Q to a profit in 3Q. Our Asian segment delivered a strong performance.

Operating profit at DuluxGroup decreased YoY on a 'Non-GAAP' basis. As I mentioned before, this is because DuluxGroup's operating profit for September 2019 was exceptionally large due to adjustments affected local monthly settlement of accounts. DuluxGroup's performance was certainly strong in 3Q of this year.

The Other segment shows our performance in Europe. Betek Boya has been consolidated since July 2019, so their earnings are included in our consolidated earnings both on a 'Tanshin' basis and a 'Non-GAAP' basis. The foreign exchange translation adjustment is the major reason for the difference between their 'Tanshin' revenue and 'Non-GAAP' revenue.

3-1. Market & Business Environment (3Q)



Market analysis

- ✓Automotive: Automobile production is recovering in most regions, although the pace of the recovery varies
- ✓Decorative: In Japan, the market remained weak due to the 2019 consumption tax hike and a long rainy season and typhoons this year
 In China, both DIY and Project markets were strong as entry restrictions to repainting sites were lifted and continued recovery of housing market boosted Project demand
 In Australia, market conditions remained favorable due to continued high home improvement activity, particularly from COVID enhanced DIY demand
 In the Americas, the market was stronger than in 2019 as the housing market remained relatively firm due to easing of COVID restrictions

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This page shows heat map for our 3Q performance.

In the decorative paints business in China, performance was strong in both the DIY and Project segments, as I mentioned earlier. Market conditions were also favorable. Therefore, based on our own estimates, our market share in China remained unchanged.

On the other hand, in Oceania, we estimate that DuluxGroup's dominant market share in retail stores and other channels enabled this company to further raise this share under favorable market conditions.

In Japan, both the automotive coatings and decorative paints markets remained weak. However, automotive coatings sales were down around 22% YoY in 3Q compared to around 50% in 2Q, which is a significant improvement.

I will discuss information in the next page onwards more thoroughly during the Q&A session. Now, I would like to explain the full-year earnings forecast for FY2020 on page 27.

4-1. FY2020 Forecast

(Billion yen)	Results (Tanshin)					Constant Exchange Rate Basis ^{※1}				
	FY2020 Forecast					FY2020 Forecast				
	As of May	As of Aug.	As of Nov. (current)	vs. Previous Forecast (%) (May vs. Nov.)	vs. Previous Forecast (%) (Aug. vs. Nov.)	As of May	As of Aug.	As of Nov. (current)	vs. Previous Forecast (%) (May vs. Nov.)	vs. Previous Forecast (%) (Aug. vs. Nov.)
Revenue	720.0	730.0	760.0	5.6%	4.1%	720.0	740.0	770.0	6.9%	4.1%
Operating profit	63.0	66.0	76.0	20.6%	15.2%	63.0	67.0	78.0	23.8%	16.4%
OP margin	8.8%	9.0%	10.0%	1.2pt	1.0pt	8.8%	9.1%	10.1%	1.3pt	1.0pt
Profit before tax	60.0	65.0	76.0	26.7%	16.9%	60.0	66.0	78.0	30.0%	18.2%
Profit ^{※2}	25.0	28.0	35.0	40.0%	25.0%	25.0	29.0	36.0	44.0%	24.1%

※1 Constant exchange rate figures are rough estimates calculated by applying exchange rate as at our earnings forecast announcement in May 2020.

※2 Profit attributable to owners of parent

Current forecast (vs. forecast as of August)

- Higher 3Q growth than assumed due to growth in China decorative paints (Project/DIY), COVID enhanced home improvement activity continuing in Oceania, brisk demand and sales promotion activities in Turkey
- Automotive coatings to benefit from further global automobile production recovery compared to August assumptions, contributing to upward revision of full-year forecast
- Step up in sales promotions to further drive sales at NIPSEA China and DuluxGroup, etc. beginning in 4Q

Assumptions for exchange rates and raw materials costs underlying current forecast

- Higher yen-denominated raw materials costs expected in 4Q ('Tanshin' basis) due to stronger yen against Turkish lira compared to August assumptions
- Assumptions for naphtha price in Japan unchanged from August at ¥34,000 for 4Q

<Exchange rate for P/L (average rate)>

	FY2019	FY2020 (as of May)	FY2020 2H (as of Aug.)	FY2020 4Q (Current forecast)
JPY/USD	109.2	107.0	107.7	105.8
JPY/RMB	15.8	15.5	15.2	15.5
JPY/AUD	74.7	75.0	73.9	75.5
JPY/TRY	18.9	18.2	15.8	13.6

※Average rate

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Due to our commitment to sound communications with our investors, we updated the FY2020 guidance again, but this time on a voluntary disclosure basis.

The forecasts on right side of table give you a general picture of changes from the May forecast, assuming constant exchange rates. Exchange rates have not changed much since August, but 'Tanshin' forecast figures reflect a slight yen appreciation compared to the May forecast.

4-2. FY2020 4Q Forecast

(Billion yen)	Results (Tanshin)			
	FY2019 4Q Results	FY2020 4Q Forecast (as of Nov.)	YoY (Amount)	YoY (%)
Revenue	196.9	197.7	0.8	0.4%
Operating profit (excl. impairment loss in FY2019)	22.9	12.7	-10.2	-44.5%
Operating profit	11.6	12.7	1.1	9.5%
OP margin	5.9%	6.4%	-	0.5pt
Profit before tax	13.6	12.4	-1.2	-8.8%
Profit [※]	4.0	3.4	-0.6	-15.0%

※Profit attributable to owners of parent

Revenue

- Overall revenue to grow slightly YoY with market conditions varying across regions and businesses
- Growth of decorative paints at NIPSEA China and DuluxGroup is a positive revenue factor, but the strong 3Q at Betek Boya and slow automotive coatings recovery from COVID are negative 4Q revenue factors

Operating profit (excluding impairment loss in FY2019)

- Lower profit projected mainly because of lower revenue in the automotive coatings business and Betek Boya
- Headquarters expenses projected to increase from 2019, especially in advertising and personnel expenses
- NIPSEA China expects higher decorative paints revenue. Higher advertising and sales promotion expenses planned for future growth
- DuluxGroup projected to remain on growth path and plans to increase marketing and innovation expenses for future growth

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With our performance in first three quarters now finalized, our 4Q forecast can be obtained by subtracting our 9-month results from the full-year forecast. We are providing our 4Q forecast on this page for your convenience.

I would like to touch on two points here.

Firstly, earnings of DuluxGroup and Betek Boya were included in our earnings for 4Q of 2019, so we project our 4Q revenue to be flat from the previous year assuming a slight yen appreciation against major currencies.

Various assumptions for business segments are on page 33. We forecast revenue growth for NIPSEA China and DuluxGroup and flat revenue or a slight decrease for other regions and business segments.

Betek Boya has achieved significant revenue growth in first three quarters, but expects a temporary revenue decline in 4Q after strong 3Q revenue. Even so, the overall momentum remains favorable for Betek Boya.

Secondly, operating profit essentially is projected to decrease approx. 10 billion yen compared to operating profit before impairment losses recorded in 2019 for our Europe and India businesses totaling over 10 billion yen. The main reason for operating profit decrease are increases in cost of marketing and sales promotion initiatives in all operating regions for growth in the next fiscal year onwards. In addition, higher headquarters expenses are planned to continue at NPHD to build a foundation for growth.

I explained our outlook for 2H and FY2020 in August. Subsequently, I received some comments that our assumptions were rather conservative. In fact, we achieved better operating results in 3Q than we assumed back in August. I understand the possibility that our forecast this time will again turn out to be conservative. However, market is highly volatile and we expect market will remain extremely uncertain. NPHD Group is pursuing growth from a long-term perspective. I would appreciate your understanding that we plan to make aggressive investments for sustainable growth in the next year and beyond, rather than being satisfied with benefiting from COVID-enhanced demand.

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

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

 Market (YoY)
  Strong
 
 Weak

Market analysis

- ✓ Automotive: In Japan, car production recovery to continue from 3Q but remain below prior-year level
In China, market growth likely to be slow compared to high market growth in 4Q of 2019
In the Americas, a possible market slowdown a cause for concern after the 3Q production increase for inventory build-up
- ✓ Decorative: In Japan, 4Q market to remain flat due to slow recovery from COVID even after taking into consideration weak market following the October 2019 consumption tax hike
In China, 3Q market conditions in DIY to largely continue into 4Q. Project market expected to be firm in 4Q
In Australia, we expect the abnormal positive COVID impact on home improvement demand to progressively normalize in 4Q and FY2021 1Q
In the Americas, strong market tone in 3Q to continue but COVID resurgence may impact market conditions

P29 shows heat map for 4Q.

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

NIPSEA China

Revenue	YoY (Forecast as of Nov.※)	YoY (Forecast as of Aug.※)	Qualitative Information
NIPSEA China	0%~+5% 	0%~-5%	
Decorative (DIY)	0%~+5% 	-5%~-10%	Improved Chinese consumer post COVID. Demand recovery for repainting existing houses following lifting of restrictions on entry to repainting sites. The momentum will extend to Q4. Expected full-year revenue to register single digit growth
Decorative (PRJ)	+15%~+25% 	+5%~+10%	New construction project from Northern and Western region. Focus and strengthen partnership in key and strategic customers and wider product range in project. Steady growth to continue into 4Q due to sales driven activities, although sharper growth seen in 2Q and 3Q unlikely. Full-year revenue to exceed August assumptions
Automotive	-5%~-10% 	-10%~-15%	1H decrease to be offset by car production recovery from 3Q onwards. Full-year revenue to recover to prior-year level

Asia Excepting for NIPSEA China

Asia	No change	-10%~-15%	
Automotive	No change	-25%~-30%	4Q gradually recover, but given large COVID impact up till 3Q, forecast for decrease in full-year revenue remained unchanged
Decorative	No change	-5%~-10%	Recovery to progress in 2H at a pace varying from country to country but in line with August assumptions. Full-year growth forecast unchanged. Note that Malaysia requires attention with lockdowns back in place in some areas in October

※Figures are in local currencies ※ Indicate revisions from August forecast

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

Japan

Revenue	YoY (Forecast as of Nov.※)	YoY (Forecast as of Aug.※)	Qualitative Information
Japan	No change	-10%~-20%	
Automotive	-20%~-30% 	-25%~-35%	A smaller revenue decline due to slightly stronger recovery of auto market compared to August assumptions
Decorative	No change	-5%~-10%	Lower revenue projected despite measures aimed at market share gains, due to slow recovery from COVID, a long rainy season and typhoons in 3Q
Industrial	No change	-10%~-20%	Market deterioration projected due to expanded and prolonged COVID impact in line with August assumptions. Partial market recovery expected but forecast unchanged

Oceania

Oceania	For reference c. +10% 	For reference c. +5%	Full-year forecast upwardly revised based on high COVID enhanced home improvement activity continuing longer than assumed in August. Investment in marketing and growth initiatives planned in 4Q
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※Figures are in local currencies ※ Indicate revisions from August forecast

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

Americas

Revenue	YoY (Forecast as of Nov.※1)	YoY (Forecast as of Aug.※1)	Qualitative Information
Americas	No change	-5%~-10%	
Automotive	-20%~-25%	-25%~-30%	3Q production increased as assumed in 2Q due to low inventory at customers, but the market slowdown remains a cause for concern after the inventory build-up ends in 4Q. The full-year forecast revised
Decorative	No change	0%~+10%	Favorable market to continue, with housing market underpinned by easing of COVID restrictions and government's stimulus measures. But with concerns about resurgence of COVID infections in 4Q, August assumptions are unchanged

Other

Automotive	No change	-20%~-30%	Modest recovery to continue in 4Q in line with August assumptions, but YoY revenue decrease forecast is unchanged due to soft market
Betek Boya	For reference +30%~+40%	For reference +20%~+30%	Previous full-year forecast: Revenue: ¥31.0 bn; Operating profit: ¥2.6 bn※2 Current forecast: Revenue: ¥32.0 bn; Operating profit: ¥4.0 bn※3 Higher demand in every business compared to August assumptions, combined with effects of sales promotion activities. A slight downturn expected in 4Q but the August forecast was increased

Raw materials costs

Raw material costs	Assumption for naphtha price in Japan kept unchanged from August assumptions at ¥34,000 for 4Q
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※1 Figures are in local currencies ※ ↑↓ indicate revisions from August forecast
 ※2 Calculated by applying exchange rate as of financial results announcement in August/Before PPA depreciation
 ※3 Calculated by applying exchange rate as of financial results announcement in November/Before PPA depreciation

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Page 30 to page 32 provide the full-year growth forecasts for our operating regions. Arrows indicate regions and segments where the August forecast was revised.

At NIPSEA China, for instance, the overall growth forecast was revised upward to 0%~5% YoY growth from a 0%~5% YoY decrease in the August forecast.

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

Revenue	Current FY2020 Forecast (YoY Growth Rates ^{※1})		FY2019 Results (¥ bn)	
	Full-year	4Q	Full-year	4Q
NIPSEA China	0%~+5%	0%~+5%	257.5	61.2
Decorative (DIY)	0%~+5%	+5%~+10%	202.7	47.7
Decorative (PRJ)	+15%~+25%	+10%~+20%		
Automotive	-5%~-10%	-5%~-10%	33.8	9.1
Asia Excepting for NIPSEA China	-10%~-15%	±0%	101.7	27.0
Automotive	-25%~-30%	-10%~-15%	—	—
Decorative	-5%~-10%	+5%~+10%	—	—
Japan	-10%~-20%	-5%~-15%	182.6	46.1
Automotive	-20%~-30%	-10%~-20%	44.9	10.2
Decorative	-5%~-10%	±0%	48.2	11.8
Industrial	-10%~-20%	-10%~-20%	40.7	10.4
Oceania	c. +10%	c. +10%	138.1 ^{※2}	34.4
Americas	-5%~-10%	0%~-5%	74.6	17.7
Automotive	-20%~-25%	-10%~-15%	25.9	6.2
Decorative	0%~+10%	0%~+5%	45.4	10.7
Other: Automotive	-20%~-30%	0%~-5%	11.8	3.0
Other: Betek Boya	+30%~+40%	-5%~-10%	29.2 ^{※2}	7.3

※1 Growth rates are based on figures in local currencies

※2 Pro forma (unaudited) figures

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Page 33, as with page 28, shows rough estimates for 4Q growth rates and revenue calculated by subtracting our 9-month results from the FY2020 forecast.

We are disclosing this information to reflect our investors' feedback. We appreciate continued advice and feedback from our investors, although we cannot accommodate all the requests we receive.

5- (4) . Partial Revision of Adjustments for Prior Periods ①

- 'Non-GAAP' adjustment figures shown in Breakdown of Adjustment Items in FY2020 2Q Financial Results Presentation Material, dated August 14, 2020, were partially revised to conform to figures disclosed for prior periods
- No change was made to figures shown in the financial statements and other disclosure documents
- For details, see the revised presentation materials on our website

✓ P.42 4- (3) -6 Breakdown of the Adjustment Items (FY2018 2Q vs. FY2019 2Q)

4- (3) -6. Breakdown of the Adjustment Items (FY2018 2Q vs. FY2019 2Q)

(Billion yen)	FY2018 2Q					FY2019 2Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

Before revision

4- (3) -6. Breakdown of the Adjustment Items (FY2018 2Q vs. FY2019 2Q)

(Billion yen)	FY2018 2Q					FY2019 2Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

After revision

※Revised figures are shown in red

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5- (4) . Partial Revision of Adjustments for Prior Periods ②

✓ P.43 4- (3) -7 Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

4- (3) -7. Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

(Billion yen)	FY2018 3Q					FY2019 3Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

Before revision

4- (3) -7. Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

(Billion yen)	FY2018 3Q					FY2019 3Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

After revision

✓ P.44 4- (3) -8 Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

4- (3) -8. Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

(Billion yen)	FY2018 3Q					FY2019 3Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

Before revision

4- (3) -8. Breakdown of the Adjustment Items (FY2018 3Q vs. FY2019 3Q)

(Billion yen)	FY2018 3Q					FY2019 3Q				
	FX	Subsidiaries	Other	FX	Subsidiaries	Other	FX	Subsidiaries	Other	Total
Assets										
Intangible Assets	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Goodwill	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Other Liabilities	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Total	2.0	-	-	2.0	-	-	2.0	-	-	2.0

※The "Other" business includes marine, auto, vehicle and etc.

After revision

※Revised figures are shown in red

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Lastly, page 48 and page 49 are partial revisions to the August presentation for 2Q financial results.

Revisions are not for figures pertaining to FY2020 but for breakdown of adjustments for quarterly results in FY2018 and FY2019. This information is provided in response to our investors' requests. There are no changes to the financial statements and main content of presentation materials.

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