

**FY2024 3Q Financial Results Conference Call Presentation Summary
November 14, 2024**



NIPPON PAINT HOLDINGS CO., LTD.
Dance & Grow

November 14, 2024

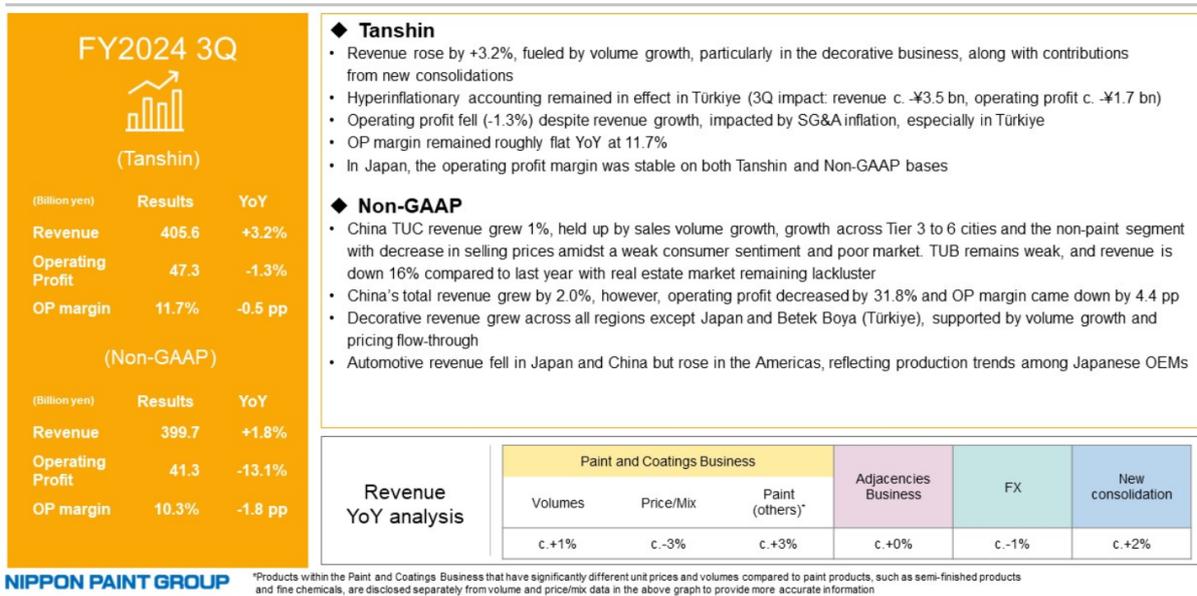
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Good afternoon, everyone. I'm Yuichiro Wakatsuki, Co-President of Nippon Paint Holdings.

Thank you for taking the time to join us today as we present and discuss our financial results for the third quarter of 2024.

1. FY2024 3Q Operating Results –Record Revenue Achieved with Second-Highest OP Attained



Let me begin with a brief overview of our financial performance for the third quarter of 2024.

On a Tanshin basis, revenue grew by 3.2% year-on-year, reaching 405.6 billion yen, while operating profit declined slightly by 1.3% year-on-year to 47.3 billion yen. Although revenue hit a record high for the third quarter, operating profit remained largely unchanged. As shown in the revenue analysis table at the bottom of the presentation, the increase in revenue was driven by higher volumes in our paint and coatings business, along with contributions from the adjacencies business and new consolidations. However, foreign exchange fluctuations and price/mix effects negatively impacted our overall revenue.

On a Non-GAAP basis, revenue increased by 1.8% year-on-year, while operating profit decreased by 13.1% year-on-year. In NIPSEA China's decorative paints business, which faced challenging market conditions, the TUC segment achieved a 1% year-on-year increase in revenue, while the TUB segment saw a 16% year-on-year decline. Overall, NIPSEA China's total revenue rose by 2%, but operating profit dropped by 32%, primarily due to the exclusion of subsidies in the Non-GAAP calculation. To address these challenges, NIPSEA China has intensified cost-control efforts, including streamlining operations, which are expected to enhance margins starting in the fourth quarter.

In some respects, our performance in the third quarter fell slightly below expectations. Weak results were particularly evident in China, Türkiye, and DGL (Europe), with France facing notable challenges. However, in other regions, our performance held up relatively well despite the difficult market environment.

2. FY2024 9M Operating Results –Both Revenue and Operating Profit Reached Record Highs

FY2024 9M

(Tanshin)

(Billion yen)	Results	YoY
Revenue	1,222.7	+12.6%
Operating Profit	141.8	+7.7%
OP margin	11.6%	-0.5 pp

(Non-GAAP)

(Billion yen)	Results	YoY
Revenue	1,146.7	+5.7%
Operating Profit	126.2	+1.9%
OP margin	11.0%	-0.4 pp

◆ Tanshin

- Revenue rose by +12.6%, driven by volume growth, especially in the decorative business, along with expansion in the adjacencies business, FX impacts and new consolidations
- Hyperinflationary accounting continued in Türkiye (9M impact: revenue c. +¥0.4 bn, OP c. -¥4.2 bn)
- Operating profit rose (+7.7%) driven by higher revenue
- OP margin remained roughly flat YoY at 11.6%
- Japan's OP margin improved by 0.8 pp on both Tanshin and Non-GAAP bases, primarily due to a better RMCC ratio

◆ Non-GAAP

- China TUC revenue grew 7%, held up by sales volume, growth across Tier 3 to 6 cities and the non-paint segment, particularly in 1H. TUB remains weak, and revenue is down 14% compared to last year with real estate market remaining lackluster
- China's total revenue grew by 6.2%, however, operating profit was roughly stable and OP margin came down by 0.8 pp
- Decorative revenue grew across all regions except Japan and DGL (Europe), driven by volume growth and pricing flow-through
- Automotive revenue decreased in Japan but rose in China and the Americas, reflecting production trends among Japanese OEMs

	Paint and Coatings Business			Adjacencies Business	FX	New consolidation
	Volumes	Price/Mix	Paint (others)*			
Revenue YoY analysis	c.+2%	c.-0%	c.+3%	c.+1%	c.+5%	c.+2%

*Products within the Paint and Coatings Business that have significantly different unit prices and volumes compared to paint products, such as semi-finished products and fine chemicals, are disclosed separately from volume and price/mix data in the above graph to provide more accurate information

Next, let me provide an overview of our financial performance for the nine-month period.

Both revenue and operating profit have reached record highs during this time. While there have been slight variations in earnings across different regions and quarters, overall, our businesses and regions continue to deliver strong performance.

3. FY2024 Guidance (1) –Outlook Unchanged; Record-High Earnings Expected

(Billion yen)	Tanshin			Tanshin (For reference)		FY2024 9M Actual	FY2024 4Q Forecast
	FY2023 Results	FY2024 Feb. Guidance	YoY (%)	FY2023 4Q Results	FY2024 4Q Forecast YoY (%)		
Revenue	1,442.6	1,600.0	10.9%	356.7	c. +15%	151.6	149.4
Operating profit	168.7	184.0	9.0%	37.1	c. +15%	21.1	21.0
OP margin	11.7%	11.5%	-0.2pp	10.4%	Slightly above	100.5	100.2
Profit before tax	161.5	174.0	7.7%	34.5	+15~20%	164.6	162.4
Profit ^{*1}	118.5	124.0	4.7%	25.0	+5~10%	4.2	4.4
						0.0095	0.0097

Outlook for 4Q

- OP margin is expected to be maintained or improved through strict management of the RMCC ratio and SG&A expenses
- The raw material market is anticipated to remain relatively stable

Outlook for FY2024

- Assuming current exchange rates hold, revenue is projected to exceed the FY2024 guidance by c. 2%, with OP anticipated to surpass guidance by c. 0.5-1%
- Regarding the buyback of the two India businesses, NPI and BNPA, approval from the authorities has been obtained. These businesses are expected to start contributing to consolidated earnings from FY2024 4Q

NIPPON PAINT GROUP *1 Profit attributable to owners of parent *2 Closing rates are used following the application of hyperinflationary accounting

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Regarding the FY2024 guidance, we have decided not to revise our projections, considering slightly weaker performance in certain regions on a local currency basis, as mentioned earlier, despite the continued depreciation of the yen.

That said, we anticipate full-year results to surpass our initial guidance. Based on the exchange rates for FY2024 4Q outlined in the upper-right corner of the presentation, we expect both revenue and operating profit on a Tanshin basis to grow by approximately 15% in the fourth quarter.

For our FY2024 outlook, as outlined at the bottom of the presentation, we expect revenue to exceed the initial guidance by approximately 2% and operating profit by around 0.5–1%.

We have received approval from Indian authorities for the buyback of our two businesses in India; however, the transaction has not yet been finalized. We anticipate these businesses will begin contributing to consolidated earnings in the fourth quarter. As the impact on our overall performance is expected to be minimal, I will refrain from discussing further details.

3. FY2024 Guidance (2)

(Billion yen)		FY2023 results (Tanshin basis)		FY2024 forecast (In local currency)				
		Revenue	OP margin	Aug. forecast		Latest forecast		
				YoY (Revenue)	YoY ^{*1} (OP margin)	YoY (Revenue)	YoY ^{*1} (OP margin)	YoY (OP margin) vs Aug. forecast
Japan	Segment total	201.5	9.5%	c. ±0%	→	c. ±0%	→	Slightly above
	Automotive	42.1		c. -10%		c. -5%		
	Decorative	48.5		+0~5%		+0~5%		
	Industrial	39.7		+0~5%		c. ±0%		
NIPSEA China	Segment total	482.7	12.5%	+5~10%	→	+5~10%	→	Slightly below
	Decorative (TUC)	408.2 ^{*2}		+10~15%		+5~10%		
	Decorative (TUB)			c. -5%		-10~15%		
	Automotive	50.4		+0~5%		c. +5%		
NIPSEA Except China	Segment total	288.8	17.4%	+10~15%	→	+10~15%	→	Inline
	Malaysia Grp. Singapore Grp. Thailand Grp.			+5~10%	→	+5~10%	→	Slightly above
	PT Nipsea (Indonesia)	60.9	32.9%	+0~5%	→	+0~5%	→	Slightly below
	Betek Boya (Türkiye)	75.2	10.9%	c. +30%	↘	c. +30%	↘	Inline
	Alina (Kazakhstan)	22.9 ^{*3}	20.2% ^{*3}	+5~10%	→	c. +5%	→	Slightly below

NIPPON PAINT GROUP *1 ↑ : ⬆ +2%, ↗ : +1~2%, → : -1~+1%, ↘ : -1~2%, ↓ : ⬇ -2% *2 Including "Other" *3 Pro-forma (unaudited)

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3. FY2024 Guidance (3)

(Billion yen)		FY2023 results (Tanshin basis)		FY2024 forecast (In local currency)				
		Revenue	OP margin	Aug. forecast		Latest forecast		
				YoY (Revenue)	YoY ^{*1} (OP margin)	YoY (Revenue)	YoY ^{*1} (OP margin)	YoY (OP margin) vs Aug. forecast
DuluxGroup	Segment total	360.4	9.6%	+5~10%	→	c. +5%	→	Inline
	DGL (Pacific)	222.5	12.8%	+5~10%	→	c. +5%	→	Slightly above
	DGL (Europe)	137.9	4.4%	+5~10%	↗	+0~5%	→	Slightly below
Americas	Segment total	109.2	6.5%	c. +5%	→	c. +5%	→	Slightly below
	Automotive	40.9		+0~5%		+0~5%		
	Decorative	66.4		+5~10%		c. +5%		

NIPPON PAINT GROUP *1 ↑ : ⬆ +2%, ↗ : +1~2%, → : -1~+1%, ↘ : -1~2%, ↓ : ⬇ -2%

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Pages 6 and 7 provide updates on revenue growth and margin trends for each business on a local currency basis, as outlined in our full-year forecast initially projected in August of this year.

4. Raw Material Market Conditions and Operational Impact

Despite price variations across regions and raw materials, significant fluctuation in the RMCC ratio not anticipated

FY2024 3Q

- Crude oil prices have fallen by 7% and naphtha spot prices by 6% since the end of June, influenced by persistent global economic weakness, Saudi Arabia's shift away from its oil price target, and expectations of a temporary ceasefire signaling the potential end of the Middle East conflict
- In China, raw material prices have generally remained soft and on a slight downward trend
- Japanese chemical manufacturers have maintained a strategy of increasing prices to protect profit margins and counter rising costs, which has contributed to a sustained increase in raw material prices
- Under these conditions, our gross profit margin improved by 0.1 pp YoY (-0.4 pp QoQ)

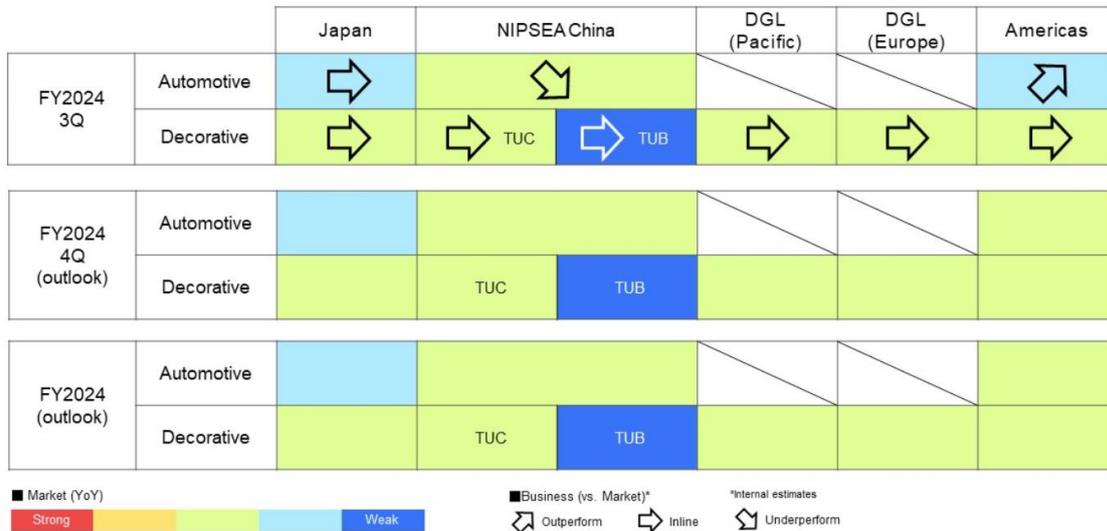
◆ Gross profit margin

FY2022 1Q	FY2022 2Q	FY2022 3Q	FY2022 4Q	FY2022
37.6%	36.1%	37.0%	38.4%	37.2%
FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2023
39.3%	40.0%	39.7%	40.6%	39.9%
FY2024 1Q	FY2024 2Q	FY2024 3Q	YoY	QoQ
40.8%	40.2%	39.8%	+0.1 pp	-0.4 pp

FY2024 4Q and beyond

- As of the end of October, crude oil prices were down 1.1%, while naphtha spot prices had increased by 7.6%, compared to the end of September. Crude oil prices have currently been fluctuating within a narrow range
- Concerns remain over the potential impact of speculative capital inflows and rising commodity prices, driven by the escalating Middle East conflict and economic stimulus measures in China
- In China, raw material prices are expected to remain soft due to the weak consumer sentiment and the slower economic growth
- In Japan, there are concerns about price hikes as suppliers raise prices to protect margins and pass on increased costs, alongside the effects of yen depreciation and rising naphtha prices. Close monitoring of this situation will be essential
- Despite regional and raw material price fluctuations, we do not expect substantial changes to the Group's overall RMCC ratio

5. Market & Business Environment



The overall raw material market conditions are expected to remain stable. For a comprehensive view of the market and business environment, please refer to the heat map.

6. Summary of Operating Results in Major Segments

(Billion yen)		Tanshin		Non-GAAP		Overview
		FY2024 3Q	YoY	FY2024 3Q	YoY	
Japan	Revenue	52.4	+5.4%	52.1	+4.9%	Higher revenue, driven by strong sales in the marine and other segments that offset the impacts of soft market conditions in the automotive, decorative, and industrial segments
	OP	4.9	+7.0%	4.8	+6.3%	Higher profit due to higher revenue, despite increased RMCC ratio
NIPSEA China	Revenue	142.4	+4.8%	138.4	+2.0%	Revenue roughly flat, with slightly higher TUC sales driven by sales volume growth in Tier 3-6 cities and the non-paint segment offsetting the lower TUB sales resulting from the weak property market
	OP	16.1	-13.0%	12.2	-31.8%	Lower profit due to increased RMCC% resulting from the higher discount
NIPSEA Except China	Revenue	80.4	-3.2%	82.6	-0.7%	Revenue flat, with inflationary economic conditions faced at Betek Boya offsetting growth from Malaysia Group, Singapore Group, and Thailand Group
	OP	13.9	+1.7%	12.3	-10.2%	Lower profit from the lower revenue, increased SG&A due to inflation, etc.
DGL (Pacific)	Revenue	63.8	+7.8%	61.0	+3.1%	Organic sales flat due to soft market volumes, with growth driven by small-scale acquisitions of local businesses
	OP	8.7	+20.1%	8.4	+12.3%	Profit higher mainly due to lower SG&A%, driven by timing of marketing spend and cost activity to offset softer revenue
DGL (Europe)	Revenue	36.6	+0.8%	35.6	-2.2%	Lower revenue from weaker ETICS and non-paint sales, and mix impact in France.
	OP	2.3	-8.6%	2.3	-12.7%	Profit lower from sales shortfall and SG&A inflation, with partial mitigation from GM% normalization
Americas	Revenue	30.1	+4.4%	30.0	+4.2%	Higher revenue driven by strong sales in decorative business, despite roughly flat sales in automotive business
	OP	2.1	+2.9%	2.2	+4.2%	Higher profit achieved through higher revenue and an improved RMCC ratio in the automotive business resulting from flow-through of price increases, despite increased investment* in Northern California in the decorative business

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*Opened 17 new stores by the end of May at locations where a competitor had closed their stores. Although upfront costs were incurred, these new stores are expected to gradually contribute to our earnings

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Regarding the summary of operating results for the major segments, I will elaborate on two key points, leaving other details for discussion during the Q&A session.

1. NIPSEA Except China: Revenue and operating profit declined year-on-year, primarily due to persistent inflationary pressures and the impact of hyperinflationary accounting in Türkiye. Excluding Türkiye, NIPSEA Except China achieved revenue growth of approximately 5.4%. Notably, Indonesia saw a 7.9% increase in revenue, signaling positive signs of recovery.
2. DuluxGroup: Both the Pacific and Europe segments continued to face challenging market conditions. However, the Pacific segment achieved a 3.1% increase in revenue and a 1 percentage point improvement in operating profit margin, driven primarily by contributions from small-scale acquisitions in the adjacencies area. In Europe, the difficult market environment was concentrated in France, resulting in a decline in revenue.

7. Major Topics (1)

“IR Day 2024” is scheduled for December 2

- Our first-ever “IR Day,” aimed at institutional investors, is set for Monday, December 2, from 13:00 to 16:40 JST

Time	Program	Speaker
13:00 - 13:10	Opening Remarks	Yuichiro Wakatsuki Director, Representative Executive Officer & Co-President
13:10 - 13:50	Brand Strategy by DuluxGroup	Patrick Houlihan DuluxGroup Chairman and Chief Executive Officer
13:50 - 14:30	Brand Strategy by NIPSEA Group	Gladys Goh NIPSEA Group Senior Vice-President, Strategic Innovation & Marketing
14:30 - 14:40	Break	
14:40 - 15:50	NIPSEA Group Business Strategy	Wee Siew Kim Director, Representative Executive Officer & Co-President
15:50 - 16:40	Governance	Masayoshi Nakamura Lead Independent Director and Board Chair
16:40	Closing	

“Integrated Report 2024” briefing (held on September 6)

- Our second briefing, following last year’s inaugural event, to present the Integrated Report 2024, which was published at the end of July 2024
- Focused on emphasizing key elements of our strategic initiatives designed to achieve Maximization of Shareholder Value (MSV)
- Aim to leverage investor feedback and insights gathered during the briefing to support the maximization of PER and for the development of the 2025 edition of the Report

Let me move on to the key topics.

The first topic is our inaugural IR Day event, scheduled for Monday, December 2. This event aims to enhance the capital markets' understanding of our Group from multiple perspectives. Notably, we will introduce new programs focused on our brand strategy. DuluxGroup will present their brand strategies tailored to Western markets, while NIPSEA Group will highlight their brand strategies designed for Asian markets. Additionally, Co-President Wee Siew Kim will provide an overview of the overall business strategy for NIPSEA Group, and Lead Independent Director and Board Chair Masayoshi Nakamura will address governance issues.

The second topic is the Integrated Report briefing held on Friday, September 6. We received valuable feedback from investors both during and after the event, for which I am sincerely grateful. Moving forward, we will continue to focus on producing Integrated Reports that are both more readable and insightful.

7. Major Topics (2)

Acquisition of AOC, a global specialty formulator (announced on October 28)

- Supported by its excellent business systems and strong cash flow generation from low capital expenditure requirements, AOC is expected to contribute an EPS increase of 15-17 yen annually starting in its first year
- The closing is scheduled for the 1H of 2025, with the acquisition to be financed through cash and debt, with no plan for equity financing

For more information, please see the press release (https://www.nipponpaint-holdings.com/en/ir/news_release/20241028r01/) and the presentation material (https://www.nipponpaint-holdings.com/en/ir/iraru/materials/20241028_06/)

As a specialty formulator, the company is engaged in the formulation development, manufacturing, and distribution of unsaturated polyester (UP), vinyl ester (VE), and other solutions for CASE (Coatings, Adhesives, Sealants, and Elastomers), colorants, and composites. These products are used in construction, infrastructure, transportation, marine and other applications.



The third topic is the acquisition of AOC, announced on Monday, October 28. I will be happy to address any questions regarding this transaction during the Q&A session.

Thank you for your attention.