



Shinji Takedagawa
President & Representative
Director of the Board

PROFILE

Shinji Takedagawa joined the former Nippon Paint Co., Ltd. after graduating from Rikkyo University College of Economics in 1984. He built his career for nearly 37 years in sales, planning, and management in the automotive coatings business. He became Executive in 2016 and Managing Director in 2018, and was appointed Deputy President and Executive Corporate Officer of Nippon Paint Automotive Coatings Co., Ltd. (NPAC) in January 2021. He was appointed President and Representative Director of the Board in August 2021 and has since been leading the automotive coatings business of the Nippon Paint Group. As the President of NPAC, he will drive growth of the company to become the leading player in the automotive coatings industry as the most trusted partner for its customers.

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Solid business foundation as a major global player in automotive coatings • Comprehensive ability to provide the entire spectrum of automotive coatings from coatings for auto bodies to interior and exterior plastic components • Customer support system with a global sales network expanding from Asia 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Weak competitiveness in Europe and America (business restructuring in Europe and construction of a new production base in the U.S. are in process to become more competitive)
<p>Opportunities</p> <ul style="list-style-type: none"> • The automotive industry continues to show significant growth potential, particularly in emerging markets • Growing need for environmental products due to tightening environmental regulations in many countries • Numerous opportunities for business expansion from new technological innovations, such as CASE (Connected, Autonomous, Shared & Services, and Electric) 	<p>Threats</p> <ul style="list-style-type: none"> • Decreasing opportunities for existing business due to new alternative coating methods • Economic slowdown and reduced automobile production due to the COVID-19 pandemic • Impact on earnings from changes in raw material market conditions

Market features and outlook

- Ongoing recovery from COVID-19 led downturn in 2020 expected to continue in relevant markets
- The ongoing severe impact of semiconductor shortages on the automotive industry may last until the first half of 2022
- Relevant markets projected to regain 2019 levels by 2023
- New business opportunities from the major innovations in the automobile industry

Growth strategy for FY2021-2023

- Vastly increase China market share
- Strengthen our competitive advantages in Asia
- Leverage the three large electrodeposition plants overseas
- Enter the decorative film and other new businesses

Market growth rate (automotive: global)^{*1}



Market share (automotive: global)^{*2}



Performance^{*3}



*1 Source: NPHD based on IHS Markit data *2 NPHD estimate based on 2019 data
*3 FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

Nippon Paint Automotive Coatings Co., Ltd. (NPAC)



NPAC is the world's leading automotive coatings manufacturer capable of seamlessly providing the entire spectrum of automotive coatings from pretreatment, electrodeposition coating, primer, base coat, and clear coat coatings for auto bodies to coatings for plastic bumpers and interior components. NPAC operates in 15 locations in Japan and 22 countries and regions around the world.

Corporate data

Employees: c.1,000 (Japan)
Headquarters: Osaka, Japan
Ownership Ratio: 100.0%

Market features and outlook

The automotive coatings industry is currently being strongly impacted by the reduced automobile production due to the COVID-19 pandemic. In addition, the impact of semiconductor shortages on the automotive industry may last until the first half of 2022. However, automobile production is projected to recover to 93 million units in 2023, exceeding the pre-pandemic level in 2019.

Following the global trend for tightening environmental regulations, the Japanese automobile industry is accelerating measures aimed at achieving GHG emissions neutrality by 2050 committed to by the Japanese government. As a part of this, automotive coatings manufacturers are being asked to develop products with less environmental impact.

With a wave of technological innovations called CASE sweeping the automobile industry, automotive coatings manufacturers around the

world are advancing R&D activities to meet customer needs arising from those innovations.

The automotive coatings industry is facing major changes on various fronts, which in turn are opening new business opportunities to meet the new needs and serve new customers. At the same time, these developments make it essential that we review our current paint products, paint application processes, and value chains.

Growth strategy for FY2021-2023

NPAC is determined to become the leading company in the automotive coatings industry. To accomplish this, we will identify new customer needs, which are becoming increasingly complex while the auto industry undergoes a major transformation. At the same time, we will enhance our technological capabilities and reinforce our quality assurance system.

In Japan, we will focus on our

business for Japanese customers, which is the core area of our business. We will improve our existing coatings and promote next-generation coatings, meeting new needs in the automobile industry by accelerating the development of environmental water-based paint, anti-viral paint, and paint products for the CASE concept. We will also further develop our Premium Color lineup of products with high designability and other technologies to continue raising end user satisfaction with our products.

NPAC is also reinforcing its production and sales systems in all geographic regions so it can respond faster and provide higher quality services for Japanese customers with overseas businesses as well as with the aim of acquiring new customers overseas.

For the rapidly expanding Chinese market, NPAC is broadening its market reach by leveraging the extensive network sales capabilities in Asia and China of the Group partner company, NIPSEA, and by combining Group technological development capabilities of Japan and China to generate synergies.

In the Americas, we are constructing a new automotive coatings plant in Chattanooga,

Tennessee, U.S.A. to be the base for business expansion in the region. The Chattanooga plant is designed with energy-efficient, environmental, and nature-friendly features meeting Leadership in Energy and Environmental Design (LEED^{*4}) standards for sustainable manufacturing. The base will play a central role as we enhance customer support and increase our presence in the Americas region.

The business climate has been changing significantly in Europe and India due to factors including the impact of COVID-19. Under these circumstances, we decided that we need to take significant measures for fundamental business restructuring and enhancement in order to improve our corporate value in the medium and long term, and decided to transfer the shares of our subsidiaries in these regions to the Wuthelam Group. The transfer of shares has brought us an option to benefit from further growth in the European and Indian market in the case where restructuring measures are successful, as we have call options to buy back the subsidiaries in the future. On the other hand, this transfer can also shield us from any associated short term risk of the enhancement measures above, including expenses

for business restructuring (For additional information, please see the relevant press release^{*5}).

We are also mobilizing a full-scale entry into the film business with the aim of establishing it as a new core business. The film market is growing rapidly with the automotive industry's shift to next-generation automobiles. NPAC has been developing coating technology for films (decorative films) as a new business field since 2015. NPAC is fortifying its organizational structure to support the entry to the film business while also accelerating the global expansion of the decorative film business for automobiles and broadening its scope to other fields, including industrial coatings and decorative paints. We plan to add coated films to augment its offerings of coatings for films in 2022. NPAC's existing paint business and the new film business will provide high-quality products meeting the diverse needs of its customers.

*4 Developed and operated by U.S. Green Building Council, LEED is the leading program for green building evaluation worldwide
*5 "Notice Regarding Transfer of Shares Accompanying Change in Consolidated Subsidiary" (released on August 10, 2021): https://www.nipponpaint-holdings.com/en/news_release/20210810ir02/