



Nippon Paint Group New Medium-Term Plan (FY2021-2023)

~Enriching our living world through the power of Science + Imagination~

March 5, 2021

Nippon Paint Holdings Co., Ltd.

Masaaki Tanaka, Chairman, President & CEO

Today's Agenda



1. Introduction

2. Strategy by Region and Business

3. Our Purpose

4. Sustainability Strategy

5. Capital Expenditure

6. M&A Strategy

7. Financial Plan

Introduction



1-1. Policies for Formulating the New Medium-Term Plan

1 Formulating the Medium-Term Plan through proactive involvement of our partner companies

With a focus on maximization of our Group's comprehensive power to ensure the feasibility of plan, this Medium-Term Plan was formulated through involvement of our partner companies in the formulation process to create a business plan of the Nippon Paint Group

2 Setting a shared “Purpose” of our Group

We set the “Purpose” that defines shared “Identify” of the Nippon Paint Group and respects the autonomy and accountability of our partner companies

3 Setting a Medium-Term milestone based on the long-term perspective

We always look five years into the future and update our management goals according to changes in actual business circumstances. This Medium-Term Plan is formulated to set a three-year milestone

1-2. N-20 (FY2018-2020) Review (1)

- 1 Business expansion through acquisitions in Oceania, Turkey and Indonesia
- 2 Completing the nearly 60-year partnership with Wuthelam, thereby building foundation for sustainable growth
- 3 Introducing advanced governance structures ensuring the protection of interests of minority shareholders
- 4 Synergy creation and top-level management partnerships across group entities through Spider Web Management
- 5 Commencement of globally integrated operations of the automotive coatings business (NPAC)

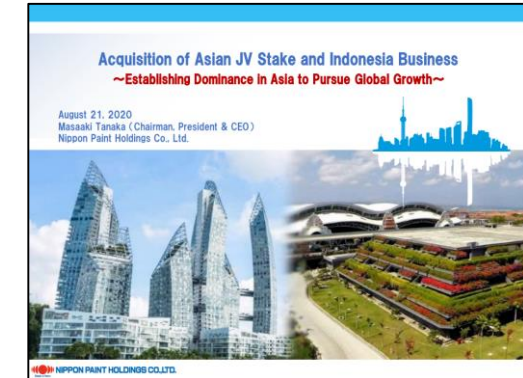
- ✓ We steadily strengthened our organizational framework for a future sustainable growth
- ✓ We achieved record-high revenue and operating profit in FY2020 despite the COVID-19 pandemic
- ✓ Investments for DX transformation and ESG engagement to ensure sustainable growth remain challenges to be addressed

1-3. N-20 (FY2018-2020) Review (2)

Although revenue and operating profit reached record highs in FY2020, OP margin was below the projected target due to the impact of COVID-19. Key challenges in the new Medium-Term Plan are to improve sustainability and profitability margins in the medium to long term

(Billion yen)	FY2017 Results	FY2020 N-20 Plan	FY2020 Results
Revenue	610.2※	750.0	781.1
Operating Profit	85.4	105.0	86.9
OP margin	14.0%	14.0%	11.1%

※ Reconciled to International Financial Reporting Standards (IFRS)





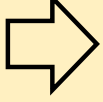


N-20 Review and Challenges

- ✓ Completed two M&A projects (DuluxGroup/Betek Boya) and achieved strong growth in Asia business
- ✓ Strengthened management, business and financial bases looking ahead to the new Medium-Term Plan, including the introduction of governance structures securing minority shareholders' interests, the acquisitions of 100% ownership of the Asian JV stakes and Indonesian business, and the establishment of NPAC, amongst others
- ✓ Although our operating profit margin reached 13.8% in FY2018, targets were not achieved in both FY2019 and FY2020 due to respectively impairment losses and the impact from COVID-19. Revenue growth and profit margin improvement are challenges to be addressed in the new Medium-Term Plan
- ✓ Finding new business opportunities through ESG engagement and the efforts towards carbon neutral emissions are underway; these remain priority challenges to be addressed in the new Medium-Term Plan
- ✓ The effects of conservative capital expenditures to secure earnings have resulted in aging facilities, requiring us to systematically implement capital expenditures including in DX transformation to address this problem






1-4. Key Pillars of the New Medium-Term Plan (FY2021-2023) (1)

Regional and Business Strategy – Further solidify our strong growth platform and proactively address emerging challenges

- 1 High-growth markets such as Asia (including China) and Turkey: Grow profits through revenue expansion while maintaining margins
- 2 Stable-growth market of Oceania: Secure revenue and profit growth outperforming the market growth
- 3 Japan: Make investments in updating and streamlining production facilities with a medium to long-term perspective. Secure competitive advantage and improve productivity while creating new demand
- 4 Automotive coatings: Assuming recovery of automobile production, aim to increase market share and acquire new customers by capturing customer needs on a global and reinforcing technological strengths and quality assurance system
- 5 Paint-related businesses: Expansion of business into China and the wider Asian region by applying the experiences of DuluxGroup's SAF^{※1}, CC^{※2} and Betek Boya's ETICS^{※3}

	Revenue FY2021-2023 CAGR targets	OP margin FY2023 targets ^{※4} (Local currency)
NIPSEA China	c. ^{※5} +10%	
Asia Excepting NIPSEA China	+5~10%	
Betek Boya	+10~15%	
DuluxGroup	c. +5%	
Japan (excl. NPHD's expenses ^{※6})	c. +5%	
Automotive coatings	+5~10%	

※1 Sealants, Adhesives & Fillers ※2 Construction Chemicals ※3 External Thermal Insulation Composite System

※4 vs FY2020:  (≥+2%)  (+1~2%)  (-1~+1%)  (-1~-2%)  (≤-2%); Hereinafter the same shall apply in this document ※5 circa : approximately

※6 NPHD's expenses: NPHD's expenses include expenses incurred in our Group's global operations in accordance with our internal regulations (hereinafter the same shall apply in this document).
The direction of arrow in Japan segment shows the OP margin trend estimated based on comparison between FY2023 OP margin target and FY2020 OP margin result (excluding NPHD's expenses) in Japan

1-5. Key Pillars of the New Medium-Term Plan (FY2021-2023) (2)

Sustainability/M&A Strategy – Key strategies for sustainable growth and operating profit margin improvement

- 1 Define the “Purpose” of Nippon Paint Group**
 Define Group’s shared “Identity” while respecting the autonomy, history and values of each partner company
- 2 Commitment to SDGs/ESG**
 SDGs/ESG engagement across our Group. Solving social issues simultaneously with capturing business growth opportunities
- 3 Operational transformation through digitalization**
 Accelerate operational efficiency and strengthen risk resilience, and enhance customer and employee experiences
- 4 Supply chain reform**
 Achieve sustainable growth, competitive advantages and productivity improvement in the Japanese market by leveraging knowledge of partner companies
- 5 Aggressively pursue M&A opportunities**
 Premised on a commitment to the success of “Spider Web Management” (DuluxGroup, Betek Boya) and contribution to EPS acceleration

**Aiming to achieve revenue of 1,100 billion yen,
operating profit of 140 billion yen, and EPS of 225 yen^{※1} in FY2023**

Strategy by Region and Business



2-1. Revenue Growth Targets by Business

Aiming for high growth in each business centered on the automotive coatings and decorative paints

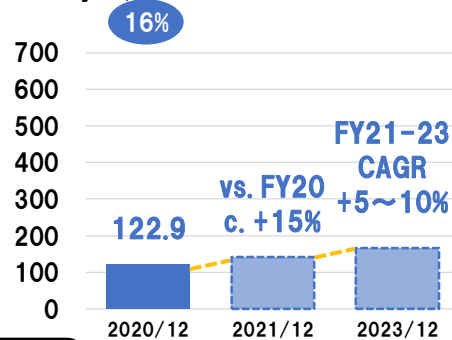
Paints/Coatings Business

Paint-related Businesses

Automotive

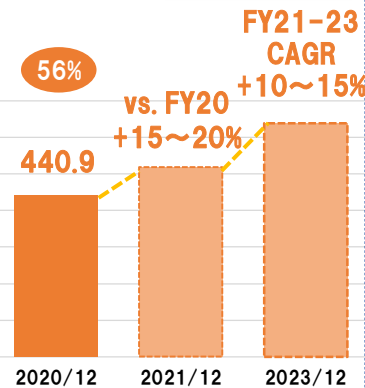


Revenue by business
(Billion yen)



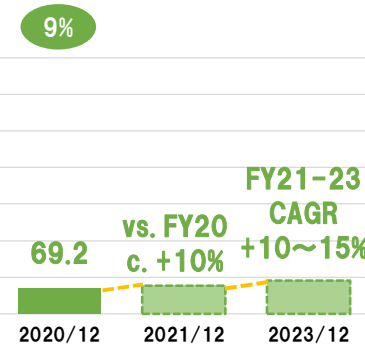
Automotive

Decorative



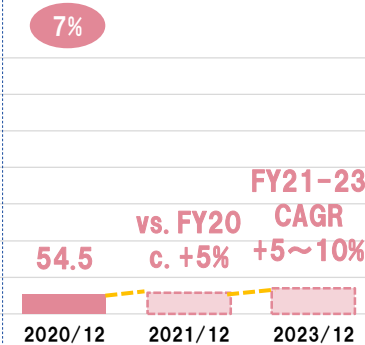
Architecture
Anti-Corrosive
DIY

Industrial



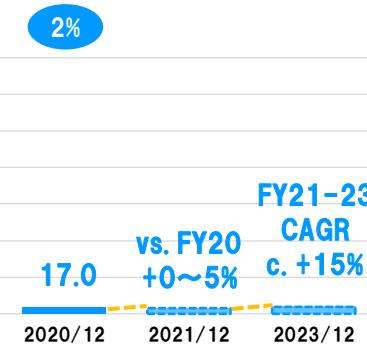
Industrial
Building/Housing
Constructional
Coatings

Other Paints

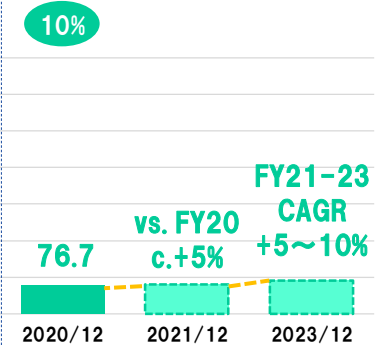


Marine Coatings
Automotive Refinish,
etc.

Fine Chemicals



Surface Treatment
Fine Products



Adhesives, ETICS,
etc.

Usage

■ Revenue x% FY2020 revenue composition

※FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

2-2. NIPSEA Group Strengths

An innovation group targeting high goals and aspirations under the core values of LFG (Lean For Growth)

Corporate Culture: Lean For Growth (LFG)

- ✓ With a deep understanding of the local market environment and demand, continuously focus on locally-oriented business operations
- ✓ Maintain a slim and lean corporate structure based on local business autonomy and accountability
- ✓ Promote collaboration, best practices, knowledge and experience sharing
- ✓ A strong corporate culture, including positivity, local ownership, and pride, permeates the company

Core Value “V.I.T.A.L.S”



Vigilance



Insatiable Appetite



Teamwork



Agility



Leanness



Stamina

Continuously achieve high growth and high efficiency that outperform the market

2-3. China Decorative (DIY) Business Strategy

Aiming to outperform the market in growth by expanding paint-related business and market share in regional cities in addition to urban cities

Market Outlook

- The world's largest and fast-growing paint market
- Shift from "products" to all-in-one including "services"
- Stable growth expected in the DIY market due to rapid expansion of demand for renovation of existing homes
- Increased demand for environment-friendly products as well as an increased focus on health and wellness

Strengths

- Highly capable management/innovation group with LFG spirit
- Strong recognition of "LiBang" brand (wall coating brand recognition: Ranked No.1 in China^{※1})
- Unrivalled dominant sales network with 47,000 sales locations
- Globally leading advanced production facilities (fully-automated in selected facilities)

Strategy for FY2021-2023

- Increase shares in regional cities by increasing the number of O2O^{※2} stores and tinting machines
- Strengthen online business and promote further collaboration with offline sales locations
- Expand user base by utilizing media including SNS, internet, TV, etc.
- Business digitalization and further enhancement of data-driven management

Market Growth Rate^{※3}

	FY2019-2024
Decorative (overall)	+5.0%

Performance^{※4}

	FY2020	FY2021	FY2021-2023 CAGR targets
DIY Revenue		c. +10%	

※1 China Customer Recommendation Index (C-NPS)

※2 Online-to-Offline

※3 Prepared by NPHD using data from the World Coating Council

※4 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

2-4. China Decorative (Project) Business Strategy

Aim for steady growth by focusing on the top 100 strategic customers, increasing market share among customers, and expanding product portfolios

Market Outlook

- The world's largest and fast-growing decorative market
- Expanding demand for paint related products including CC & SAF, all-in-one "service," faster delivery and turnaround
- Demand for renovation of existing homes has expanded rapidly, dramatically transforming into a large-scale market
- Trend of further consolidation of major developers in the real estate market

Strengths

- Highly capable management/innovation group with LFG spirit
- Strong relationships with top 100 developers
- Excellent customer support with strong comprehensive capabilities including solid financial positioning and extensive product lineup

Strategy for FY2021-2023

- Focus on and increase share with top 100 developers
- Focus on alliances with top 50 renovation companies
- Accelerate alliances with customers and strengthen relationships through joint projects
- Broadly expand product lineup

Market Growth Rate※1

	FY2019-2024
Decorative (overall)	+5.0%

Performance※2

	FY2020	FY2021	FY2021-2023 CAGR targets
Project Revenue		c. +20%	

※1 Prepared by NPHD using data from the World Coating Council

※2 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

2-5. DuluxGroup Business Strategy

- Aim for a strong leading position by focusing on “Consumers and Customers”.
- Enhance marketing leading position by investment in brand, innovation and customer service as well as leveraging synergies with partner companies.

Market Outlook

- Stable GDP growth and population increase in the medium term
- Expansion of renovation and repair markets expected in decorative paints segment

Strengths

- Dominant branding in Oceania region: No.1 brand recognition, No.1 market share
- Highly skilled management and most advanced production facilities in the paint industry
- Strong brand, marketing and innovation capabilities driven by consumer insights
- Strong customer orientation based on solid sales capabilities and supply chains

Strategy for FY2021-2023

- Drive participation in renovation and repair market through strong marketing and innovation
- Increase consumer engagement through digital platforms
- Promote omni-channel and optimization of logistics for the trade/professional market
- Focus on premium brands, innovation and customer service with key retail partners

Market Growth Rate※1

FY2019-2024

Decorative

+2.6%

Market Share※2

FY2019

FY2020

FY2023

48%

50%



Performance※3

(Billion yen)

FY2020

FY2021

FY2021-2023
CAGR targets

Revenue

148.3

+0~5%

c. +5%

OP margin
(before PPA) ※4

11.6%



※1 Prepared by NPHD using data from the World Coating Council

※2 NPHD's estimates

※3 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

※4 PPA amortization: JPY1.3 bn/year

2-6. Betek Boya Business Strategy

Aim to further expand Turkey's top market share by promoting its brand strategy and leverage synergies with NIPSEA

Market Outlook

- Population increase and GDP growth expected
- High growth of renovation market is anticipated for decorative paints segment
- Continuous monitoring of Turkish Lira FX changes required
- Increase in demand for ETICS, etc. anticipated, due to stricter European environmental regulatory regime

Strengths

- No.1 market share in Turkish decorative paints and ETICS markets
- Multi-brand strategy covering all markets, including both premium and economy
- Leading and largest production capabilities in Turkey
- Extensive R&D facilities and collaboration with research institutions and academia, etc.

Strategy for FY2021-2023

- Promote multi-brand strategy in decorative market for market share expansion
- Expand market share in ETICS market
- Expand markets outside Turkey
- Expand number of partnership paint outlets

Market Growth Rate※1

FY2019-2024

Decorative

+3.6%

Market Share※2

FY2019

FY2020

FY2023

27%

30%



Performance※3

(Billion yen)

FY2020

FY2021

FY2021-2023
CAGR targets

Revenue

36.2

c. +10%

+10~15%

OP margin
(before PPA) ※4

13.8%



※1 Prepared by NPHD using data from the World Coating Council

※2 NPHD's estimates

※3 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

※4 PPA amortization: JPY0.1 bn/year

2-7. PT NIPSEA (Indonesia) Business Strategy

Focus on business expansion in both decorative paints and industrial coatings businesses by developing differentiated technologies and promote digitalization

Market Outlook

- Stable growth expected for real GDP
- Stable demand for paints anticipated based on a population of c. 270 mil
- Increase in demand backed by infrastructure investments
- Cultural preferences to engage in repainting relatively often

Strength

- Dominant competitive position backed by 3 production sites and with a sales network of approximately 40 locations
- NIPSEA-style highly capable management
- Successfully maintained the No.1 market share for over 40 years, being evaluated as "Top of Mind" in the decorative paints segment
- For industrial coatings, high market share in automotive OEM backed by strong relationships with clients and cost management capabilities support

Strategy for FY2021-2023

- Investments in brand to leverage use of SNS, media, etc. and optimize "Top of Mind" positioning for our end-customers
- Increase CCM^{※1} locations for retail dealers and drive product penetration in all product segments for CCM stores
- Proactively open new sales channels and distribution locations
- Expand e-commerce business to capture demand in online sales initiatives

Market Growth Rate^{※2}

FY2020-2023

Decorative

+7.1%

Market Share^{※2}

FY2019

FY2020

FY2023

21%

23%



Performance^{※3}

(Billion yen)

FY2020^{※4}
(Reference)

FY2021

FY2021-2023
CAGR targets

Revenue

30.3

+10~15%

c. +15%

OP margin
(before PPA) ^{※5}

33.8%



※1 Computerized Color Matching

※2 NPHD's estimates

※3 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

※4 Pro-forma figures

※5 PPA amortization: JPY0.8 bn/year (rough estimate)

2-8. Japan (Decorative) Business Strategy

Aim to increase market share by creating new markets and utilizing digitalization

Market Outlook

- Although new housing demand in decorative and steel have been experiencing negative growth, repainting market demands remain stable
- Increase in demand for water-based paints as a result of increased environmental awareness
- Expansion in new demand for anti-viral paints etc.

Strengths

- Top market share in the Japanese decorative paint market
- Strong sales franchise supporting top market share (with approximately 1,600 distributors and 150 franchised stores)
- Capabilities to develop new products and demand, e.g. anti-viral paints

Strategy for FY2021-2023

- Expand product lineup and strengthen sales and promotion of anti-viral products, etc.
- Improve quality of customer services utilizing DX and automated production capability
- Improve quality of services for distribution stores and builders by enhancing digitalization and infrastructure

Market Growth Rate^{※1}

	FY2019-2024
Decorative	+0.7%

※1 Prepared by NPHD using data from the World Coating Council

※2 FY2020 are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

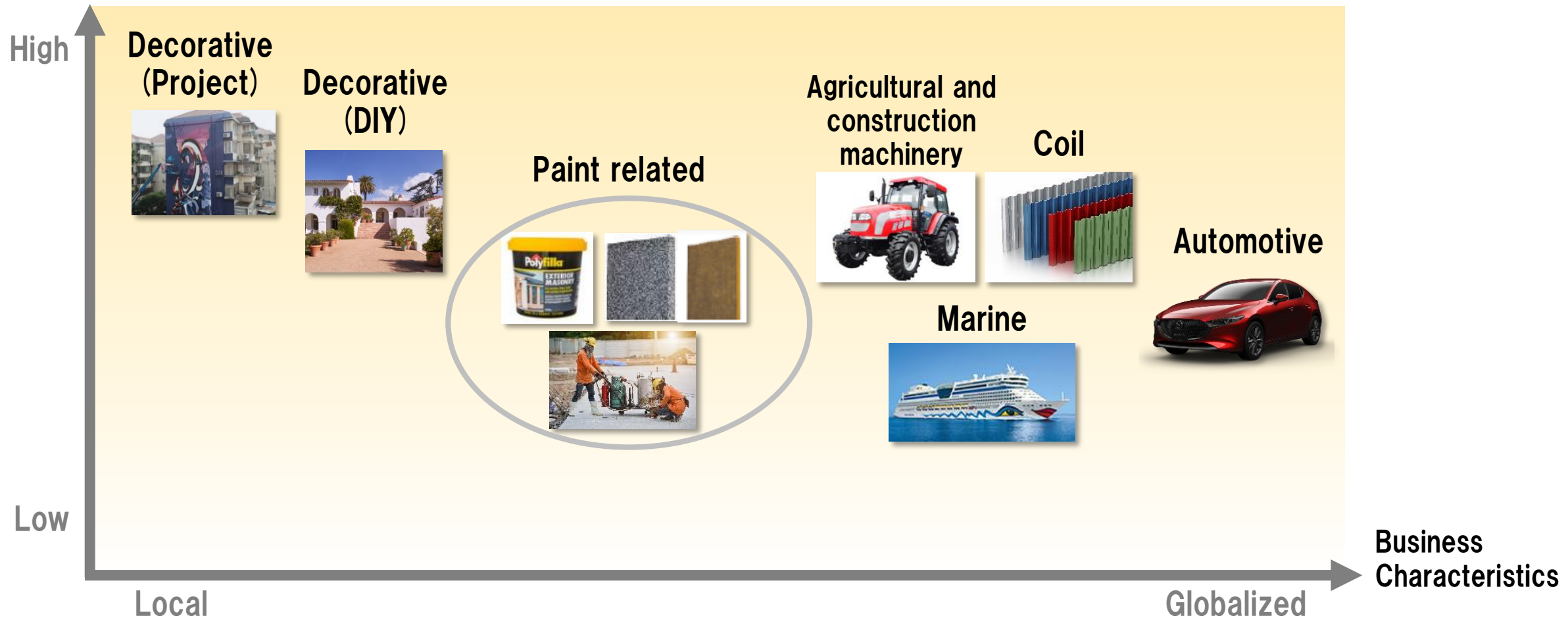
Performance^{※2}

(Billion yen)	FY2020	FY2021	FY2021-2023 CAGR targets
Japan (decorative) revenue	43.7	c. +10%	
(For reference)			
Japan revenue	159.6	c. +5%	c. +5%
Japan OP margin (excl. NPHD's expenses)	10.2%		

2-9. Fundamental Business Strategy Framework

- Formulate and execute growth strategies for each business in consideration of local and global business characteristics and potential growth potential

Revenue Growth (YoY)

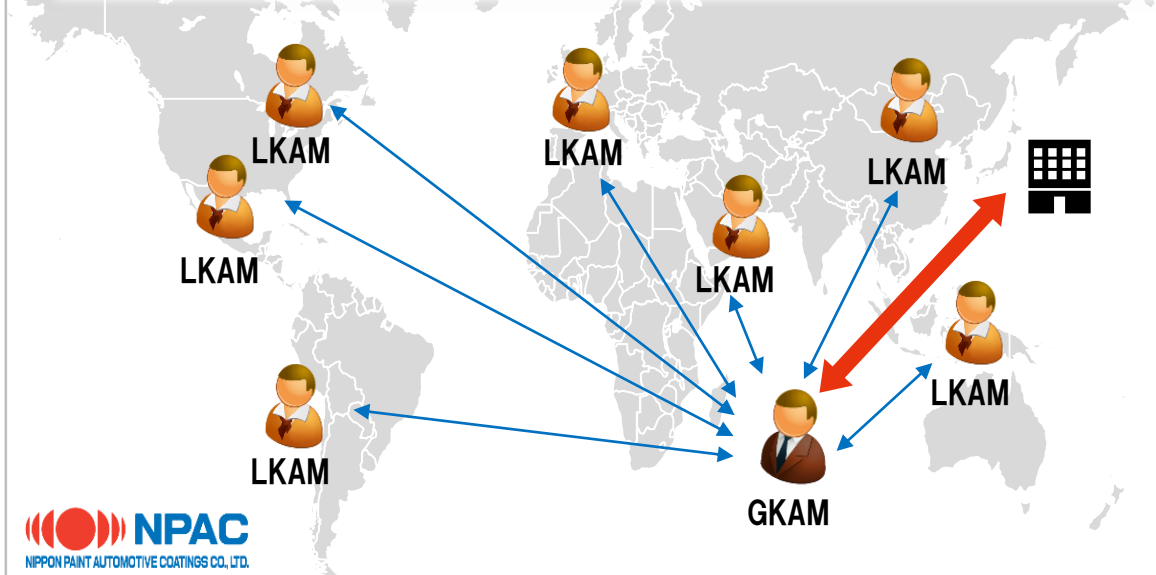


2-10. Start of Globalization of Automotive Coatings Business

Introduction of GKAM^{※1} and LKAM^{※2} system enables us to offer customers one-stop information and services

Customer-centric Organization: GKAM/LKAM

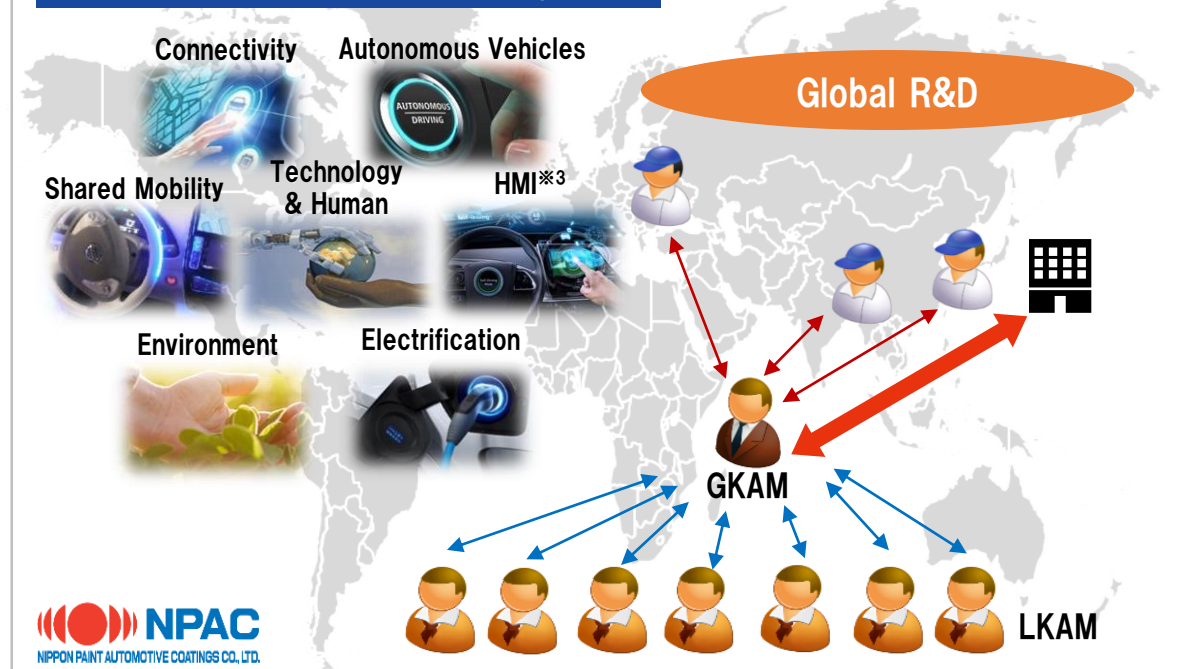
- ✓ Introduced GKAM for better customer services
- ✓ Simplified reporting line with GKAM as a center
- ✓ Provision of customer services via LKAM global network



■ : Customer's headquarters

Global promotion of GKAM-collaboration R&D

Customers needs/seeds image



■ : Customer's headquarters

※1 Global Key Account Manager

※2 Local Key Account Manager

※3 Human Machine Interface: A generic term for means, devices, and software for people and machines to exchange information

2-11. Automotive Coatings Business Strategy

Aim to grow market share by accelerating strategic speed on a business axis in addition to recover from the influence of the COVID-19 pandemic

Market Outlook

- Continuous recovery in each market from the FY2020 COVID-19 impact
- Each market is anticipated to recover to its respective FY2019 level by FY2023
- New business opportunities based on the industry revolution in the automotive sector

Strengths

- Ability to provide a full-range coating product range for automotive use, ranging from coatings for automotive bodies, bumpers to plastic components
- Development capabilities for eco-friendly products as well as value-added products such as Premium Color
- Dominant positioning in the Chinese and Asian markets, which are characterized by high growth

Strategy for FY2021-2023

- Dramatically increase market share in China
- Strengthen competitive advantages in Asia including in Indonesia and India
- Exploit the three major overseas electrodeposition factories

Market Growth Rate※1

	FY2019-2024
Automotive coatings	+3.1%

Performance※2

(Billion yen)	FY2020	FY2021	FY2021-2023 CAGR targets
Automotive coatings revenue	122.9	c. +15%	+5~10%

※1 Prepared by NPHD using data from the World Coating Council

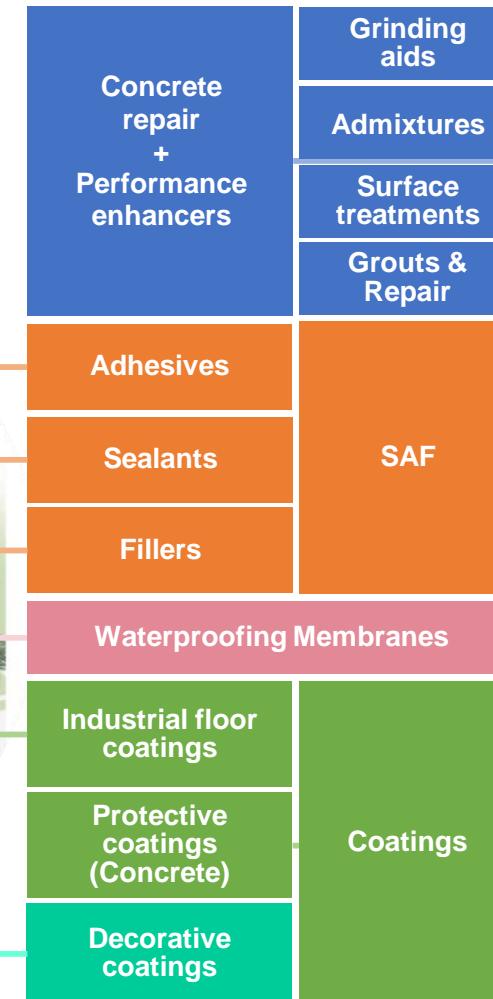
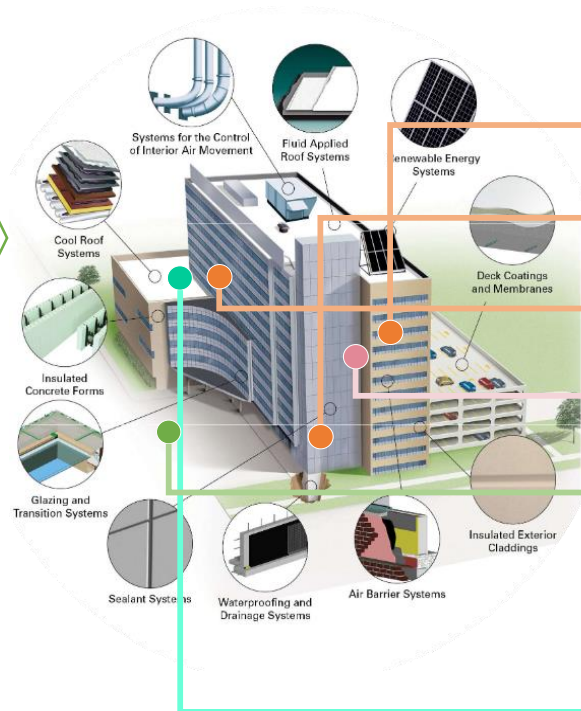
※2 FY2020 figures are on Tanshin basis; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

2-12. Paint Related Business

Focus on market share expansion through strategic investments in paint-related markets including SAF and CC

Strategy FY2021-2023

- Leverage our Selleys[※] and ETICS business development through “Spider Web Management”
- Access demand for paint adjacent product offerings in the Project business for NIPSEA
- Participate in large and faster growing adjacent construction categories
- Leverage strong existing distribution networks and relationships



※ Brand offering paint related products including adhesives and sealants

Our Purpose



3-1. “Purpose” and “MSV”

With a focus on SDGs/ESG at the core of management, we pursue MSV by maximizing investment returns from partner companies and accelerating regional strategies through “Purpose Driven Management”

Enhance reinvestments to accelerate inorganic and organic growth for a sustainable growth path

Maximize the residual value for shareholder (higher EPS)



MSV
(Maximization of Shareholder Value)

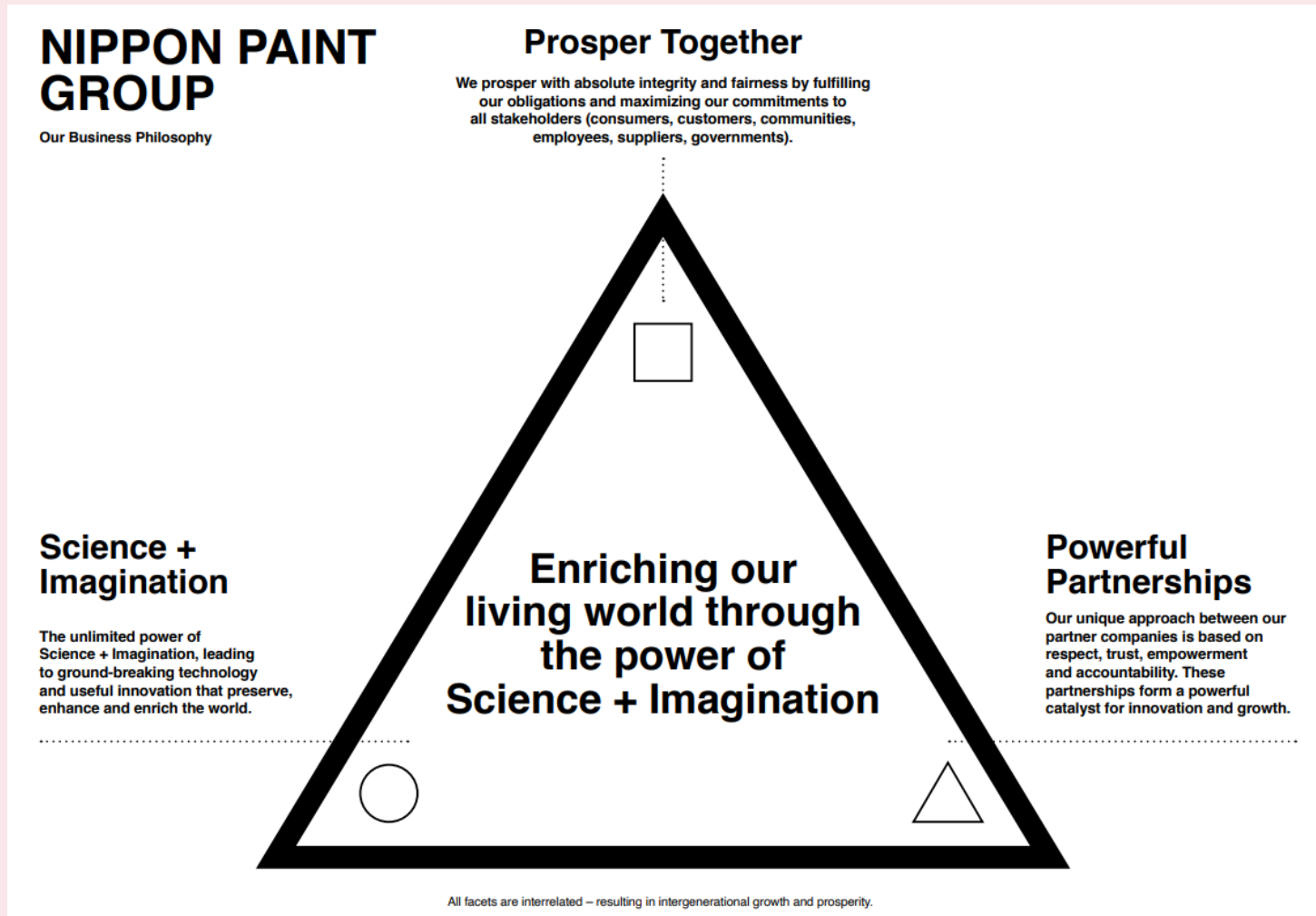


Revenue growth in each business domain through launch of products that solve social issues and active marketing

Fulfill our duties first by way of strengthening sales, manufacturing, distribution and employment

3-2. Nippon Paint Group's "Purpose"

- The Purpose defines our shared "Identity" through discussion across the Group based on respect for the autonomy, history, and value of each partner company



Elements that characterize our Company's "Purpose"

Awareness of MSV

Sustainability

Spirit of mutual existence and prosperity

Power of Science + Imagination

Bonds with partner companies

3-3. Principles Underlying Our “Purpose”

We are committed to the purpose of
‘enriching our living world through
the power of Science + Imagination’.

Our global business philosophy - Prosper Together,
Powerful Partnerships, and Science + Imagination,
ensure we remain aligned and focused.

Our ultimate objective is to maximize shareholder value (MSV)
which is predicated on our fulfillment
of duties to all stakeholders first.

Sustainability Strategy



4-1. Further Commitment to SDGs/ESG

Creation of business opportunity for sustainable growth through ESG engagement focusing on SDGs/ESG as the core of management

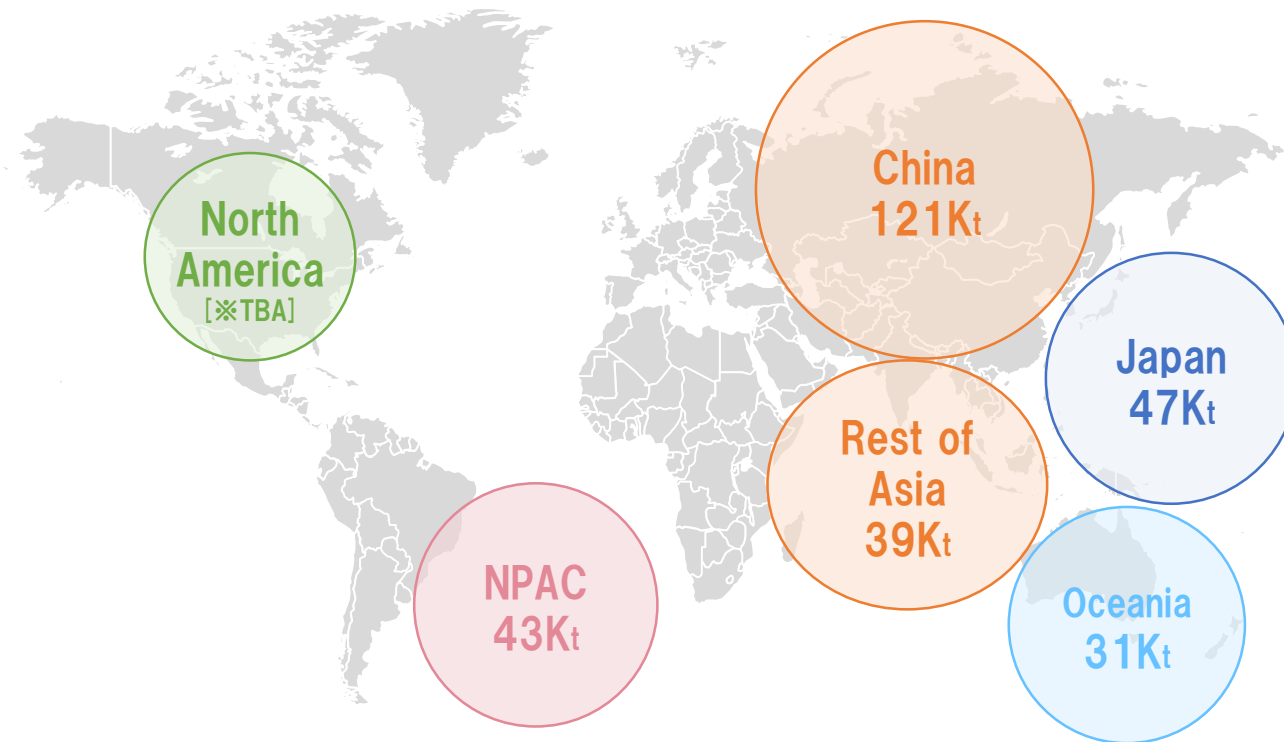
Materiality (Relevant SDGs)	ESG Agenda	ESG Actions (e.g.)	Business Opportunities
Climate Change 	Reduction of GHG emissions Identification of risks and opportunities	CO ₂ Reduction: Scope 1, 2 (details on the following page) Started calculation of the data for Scope 3 on a global basis Started TCFD scenario analysis (i.e., identification of risks and opportunities)	New opportunities emerging within the low-footprint product market
Resources and environment 	Waste/energy consumption (efficient consumption) / water resource consumption/contamination management, product stewardship	Promote gender diversification on Board/management team <Percentage of women> BoD: 0% (FY2016) → 11% (FY2021) Management post: 2.5% (FY2016) → 5.3% (FY2021)	Facilitate production line restructuring/ automation to address aging and obsolescent parts in plants and improve profitability
Diversity & Inclusion 	Increase the percentage of women in management post Promote employee engagement	Establishment of NPHD Global Outreach Program (Enhancement of Education/ Empowerment/Engagement)	Identify customer needs and strengthen branding
Safety and operations 	Security/disaster (fire accidents) prevention Prevention of work-related (both fatal and nonfatal) accidents	Development of anti-viral and marine-environment-friendly products Expansion of the product lineup of social issue-solving products	Revenue growth through acceleration of innovation (e.g.) • FASTAR next-generation antifouling paint • Coatings for offshore wind turbines
Growth with communities 	Establish a policy framework for the company's social contribution		
Innovation for a sustainable future 	Promote inter-industry collaboration Development of social issue-solving products		

4-2. Medium-/Long-Term Strategy for Carbon Neutral Initiatives (Global)

Commenced discussing specific strategies towards carbon neutral production, in response to the governments' GHG emissions reduction targets

Estimated annual CO₂ emission (Scope 1,2)

c. 300K tons globally*



* Data source: Japan (NPHD, NPAU, NPIU, NPTU, NPSU, NPMC, NPMJ, Ace Paint, Ace Resin, Nippon Paint Anti-Corrosive Coatings); Asia (NIPSEA: China, Korea, Malaysia, Thailand, India, Singapore); NPAC Overseas (China, Korea, India, Rest of Asia, Europe, North, Central, and South America); Oceania (DuluxGroup); MC overseas (China). Dunn-Edwards to be provided (as of FY2019; figures for some regions are estimates)

Key strategies under considerations

- Sourcing of renewable energy
- Use energy-efficient facilities at existing production facilities
- Investments in renewable energy generation
- Analysis of the potential impact of carbon pricing including carbon tax on financial performance
- Decarbonization in new factories and the Head Office buildings
- Vehicle electrification and fuel-cell adoption (FCV)

Illustrative GHG reduction (Scope 1,2)



FY2020

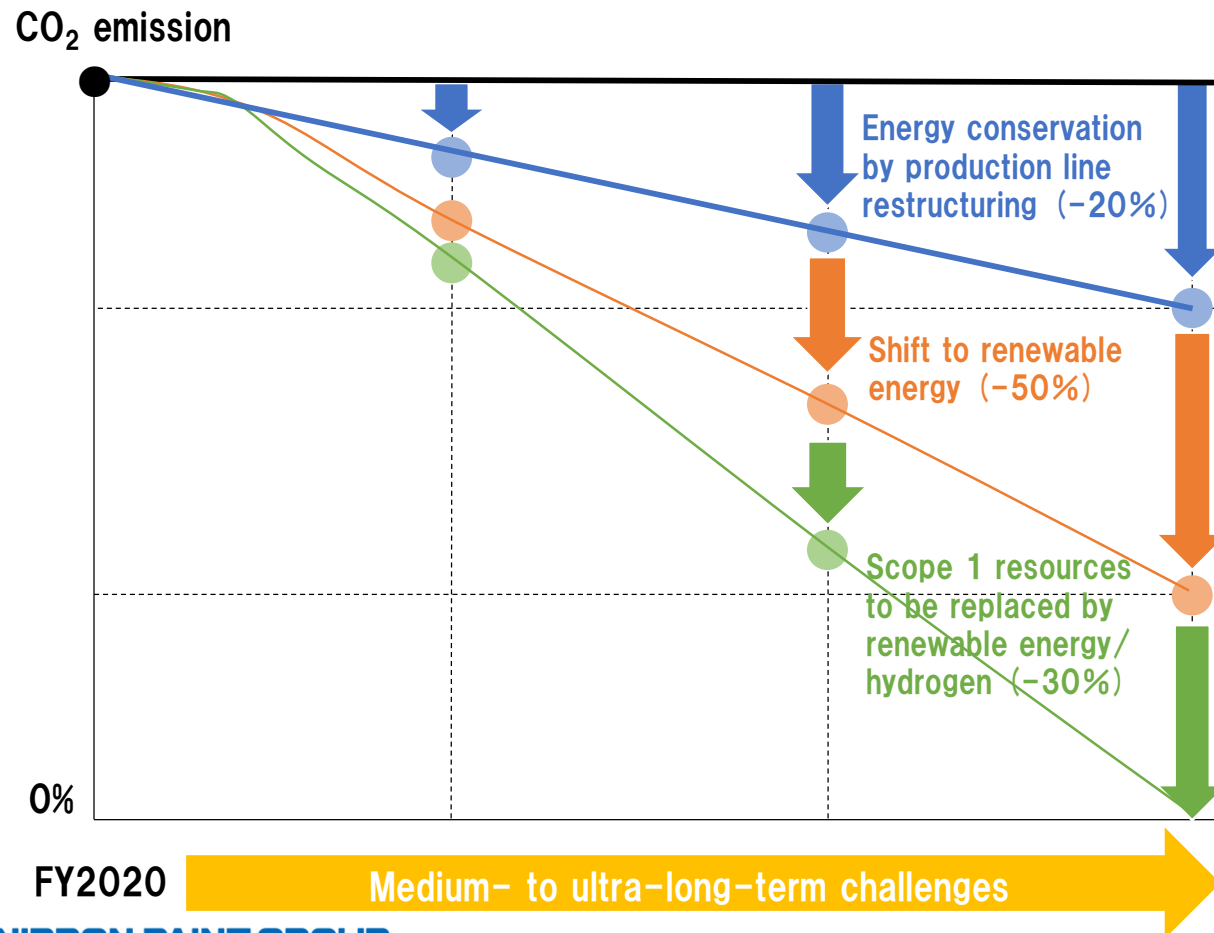
Medium- to ultra-long-term challenge

Identification of issues surrounding carbon neutral initiatives

4-3. Medium-/Long-Term Strategy for Carbon Neutral Initiatives (Japan)

Japan's carbon neutral initiative is expected to be implemented in stages from fuel support to power consumption support

Illustrative GHG reduction (Scope 1,2)



Key strategies under consideration

Energy conservation by production line restructuring

- Installation of more energy efficient large production equipment such as boilers
- Improve energy efficiency at new factories and new Head Office buildings through exhaust heat recovery

Scope 2 resources to be replaced by renewable energy

- Sourcing of renewable energy
- Renewable energy generation (installing solar panels, etc.)

Scope 1 resources to be replaced by renewable energy/hydrogen

- Electrification of facilities → Resources to be replaced by renewable energy
- Vehicle electrification and fuel-cell adoption (FCV)

4-4. Key Pillars of Digitalization Strategy

1. Better customer experience

- Collect customer information based on business needs and deepen understanding of customers
- Enhance customer-centric business processes

2. Enhancement of operational excellence

- Enhancement of data-driven management
- Development of digital supply chain and standardization of operations
- Improvement and sophistication of operations utilizing advanced technology (eg. AI/ RPA※/IoT etc.)

3. Better employee experience

- Improve employee satisfaction and productivity by promoting digital workplace
- Strengthen mutual connection globally

4. Strengthening risk resilience

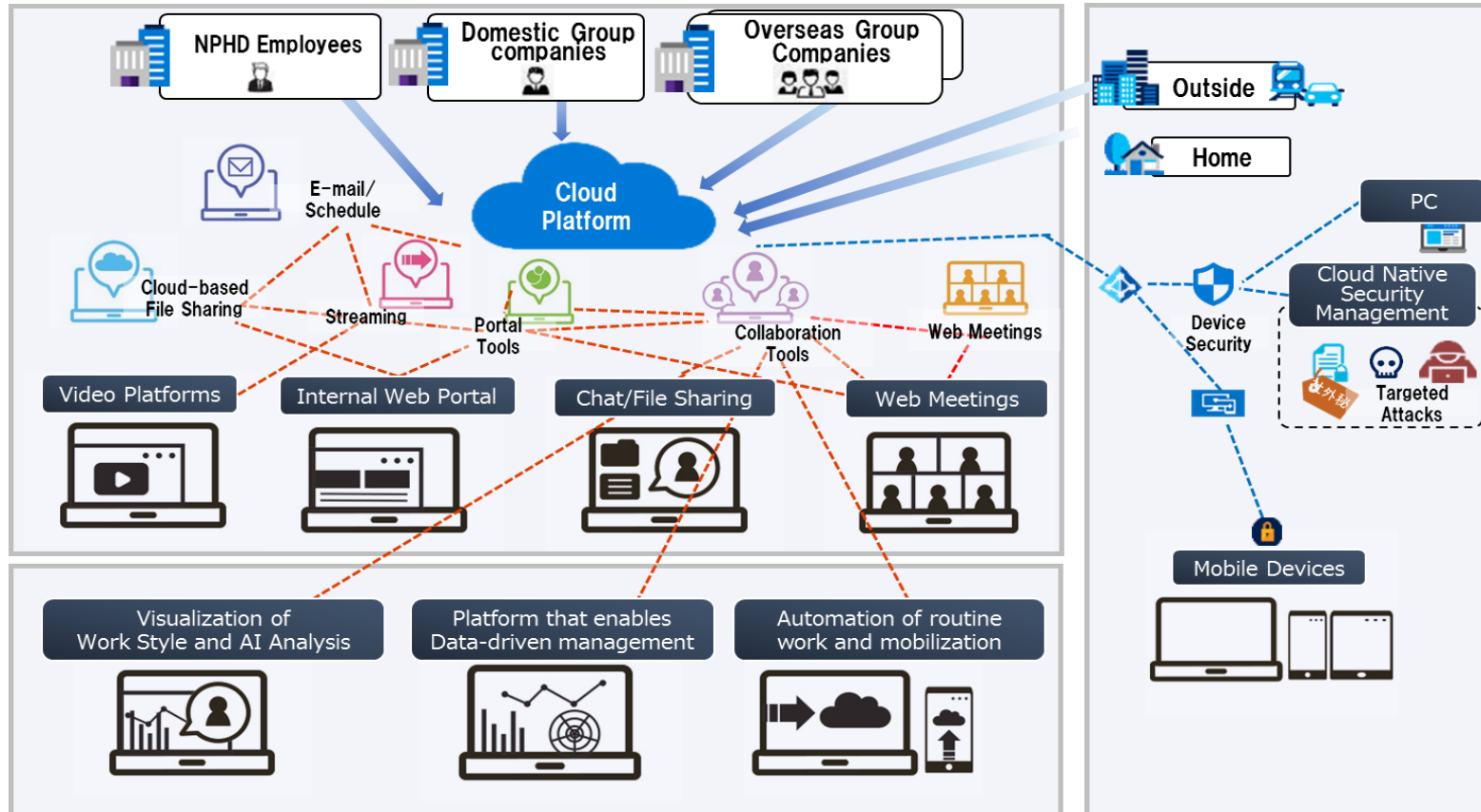
- Strengthen cyber security system at global basis
- Enhancement of business continuity plan

Sharing distinguished know-how and insight globally as well as utilizing of the cloud

4-5. (Example) Realizing Digital Workplace (Japan)

- Realizing new work-style that secures work safety with connectivity anytime and anywhere.
Maintaining productivity and employee satisfaction

Reforming working environment through digital technology



Purpose and expected impact

- Offer optimized working environment where everyone can work smooth and safe from anywhere
- Providing digital workplace that attracts all of our employees

Vision after installation of digital workplace

Completed to install digital workplace environment and offering working environment that PC and mobile devices are seamlessly connected with internal applications

Capital Expenditure



5-1. Global Capital Expenditure Framework (FY2021-2023)

Setting the Medium-Term Plan as a period to establish a base for sustainable growth, implementing “aggressive” investment to seize opportunities in each market and “protective” investment to reinforce resilience to risks

1	Opening new locations, capacity expansion, logistics improvement	JPY 65bn
2	Maintenance capex, improvement in aged facility, workplace safety	JPY 40bn
3	Rationalization and IT investment	JPY 10bn
4	R&D, environmental protection, etc.	JPY 10bn

Total JPY 125bn

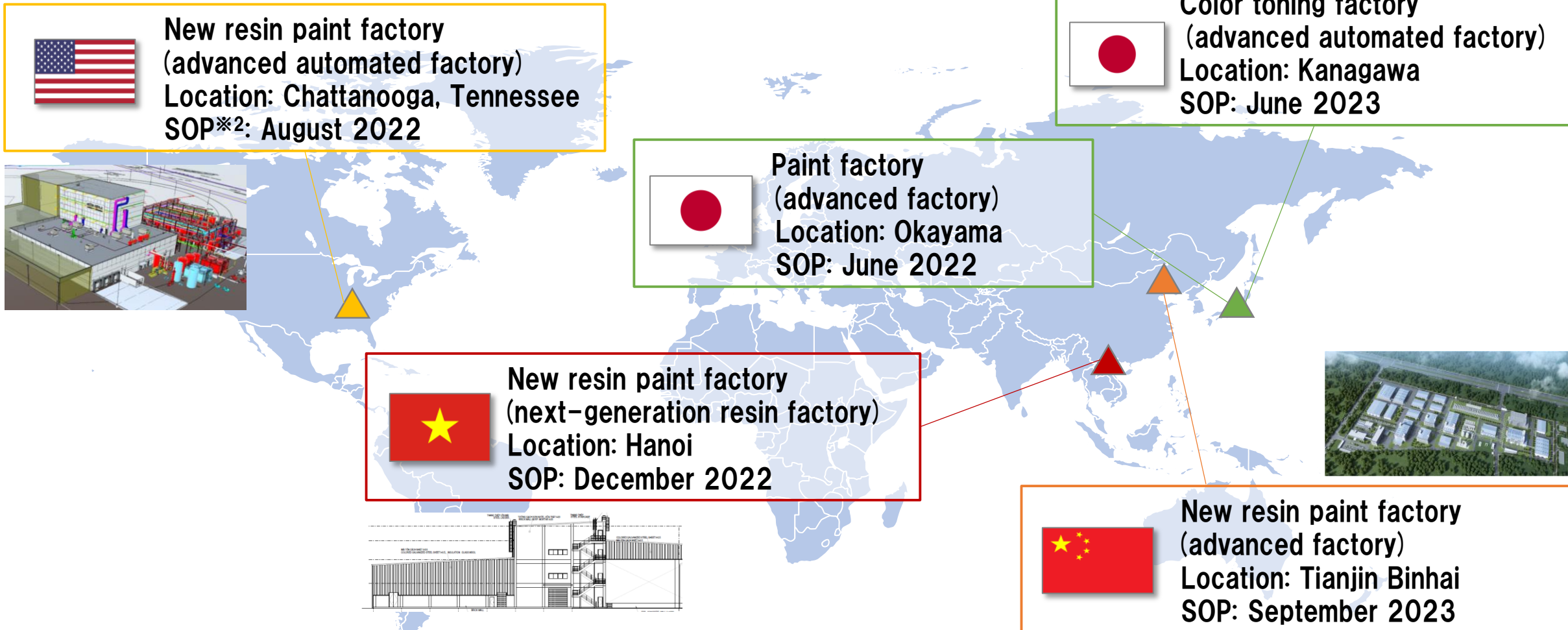
Financial discipline

① Capex in the Medium-Term plan period is budgeted equivalent to c. 120% of depreciation (global basis)

② Promote facility updates with long-term perspective within financial capability

5-2. Major Investment Projects: Production Capacity Expansion※1

We plan to introduce smart factory items and automation technologies in each target factory with a goal of improving productivity and safety



※1 These projects described in this page are part of measures listed in P33 as ①capacity expansion, ②improvement in aged facility. Paint factory project in Okayama is related to improvement in aged facility (②) and the rest are related to capacity expansion (①)

※2 Start of Operation

5-3. Investment in Japan: Background

In light of our current situation and environment, specific investment to be commenced during new Medium-Term plan

1

Extremely aged facilities in Japan

- Approximately 3 – 6bn yen had been spent on maintenance/renewal of facilities per annum under “N-20” or before
- Already reached the end of 50 years their lives in some key operating sites

2

Declining working-age population

- Japan faces one of the world’s fastest decline in its working age population^{※1}. Expects to decline by 10% by 2029 and by 24% by 2040 vs 2015; much faster in the rural area, where many of our factories are located^{※2}
- Competition for the workforce is likely to be severe; necessary to build “less resource-intensive operational model”

3

Requirements to consider “SDGs ” and “ESG”

- Because of inefficiencies in manufacturing and logistics processes, it is likely that the government and investors to push harder on lesser energy and lower carbon emission
- Urgent to improve safety at health both at plants and offices

4

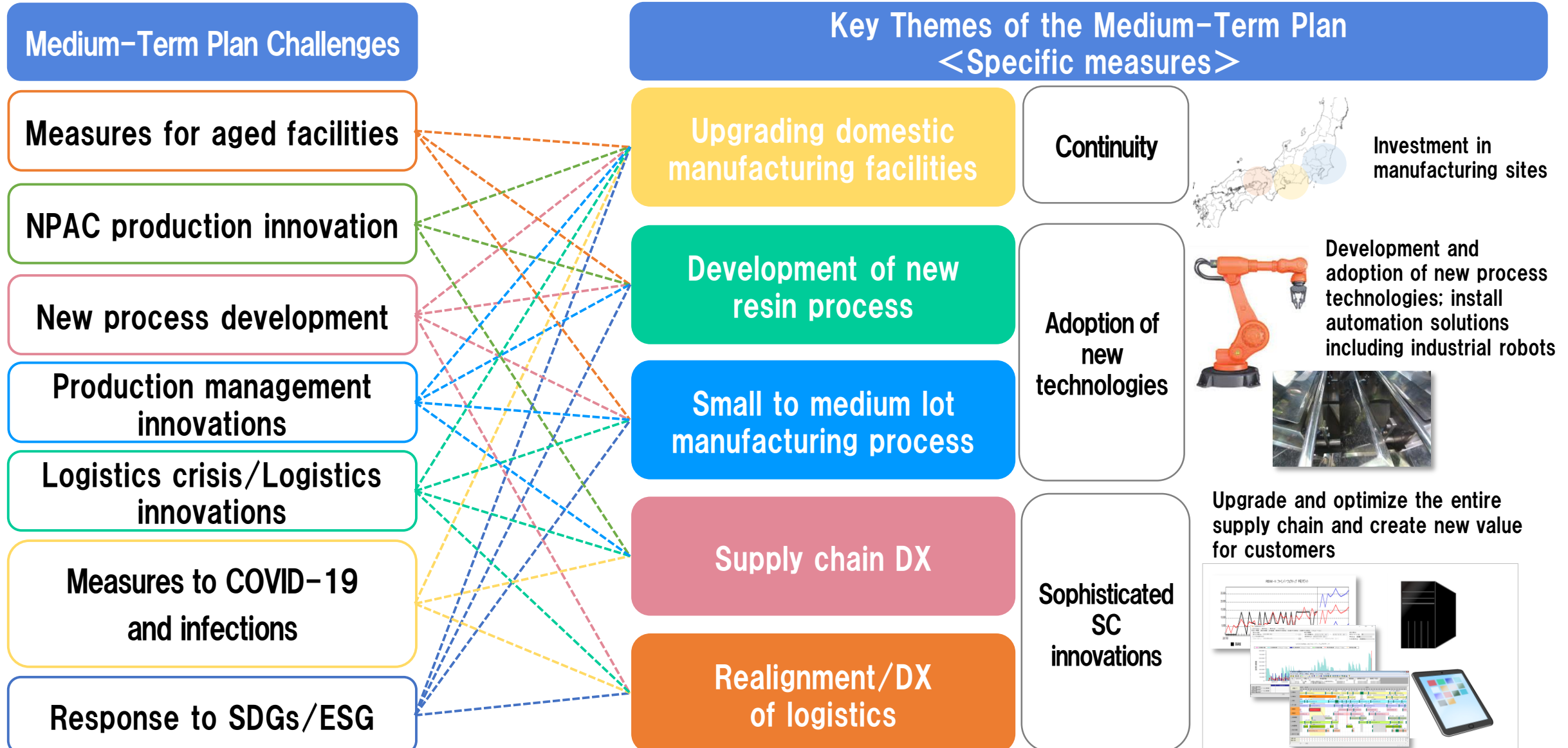
Responding to “SDGs” and “ESG”

- Need adoption of energy-efficient and low-carbon technologies in the entire production and logistics processes
- Need adoption of resource-saving and waste reduction technologies in the entire production and logistics processes

※1 PwC (2017). *The Long View How will the global economic order change by 2050?*

※2 National Institute of Population and Social Security Research – Population Projections in Japan (2017); Regional Population Projections for Japan (2018)

5-4. List of Restructuring Projects at Domestic Locations



M&A Strategy



6-1. Active M&A Strategy Remains Unchanged (1)

Proactively seeking new partners by leveraging “Spider Web Management”

Targets

- Decorative + industrial
- Paint-related businesses that have synergetic potential with existing businesses
- Strong brand power
- Talented management team
- Limited restructuring

NPHD's Strengths

- Financial soundness secured by full integration of the Asian operations
- Financing procurement ability in Japan, which is defined by a stable currency and safe market
- Accessibility to Asian platforms
- Spider Web Management; well-diversified management platform

Financial Discipline

- Contribution to EPS
- $ROIC^{※1} > WACC^{※2}$
- Sufficient room for leverage
- Debt financing prioritized; equity-based capital raising remains an option

Contribution to Maximization of Shareholder Value

※1 Return on invested capital

※2 Weighted average cost of capital

6-2. Active M&A Strategy Remains Unchanged (2)

Powerfully promote M&A through the combination of our solid financial base, strong financing capabilities, and global networks

Full Integration of the Asian Operations

- Net D/E^{※1}: 0.54x→0.46x
- Shareholders' equity^{※1}: 699.8bn yen → 877.1bn yen
- Non-controlling interest^{※1}: 131.4bn yen → 5.5bn yen
- Credit rating^{※2}: A- → A

Attractiveness of Japanese Market^{※3}

	FY2000	FY2010	FY2020
USD/JPY	114.41	81.12	103.25
JPY IRS rate (JPY-TIBOR)	0.59	0.34	0.08

NIPSEA

- Strong sales channels in Asia
- Construction market x growth model
- Highly efficient operations (LFG)

Japan

- Highly advanced technology/innovation capabilities
- High-quality brand
- Financing

DuluxGroup

- Unparalleled DIY model
- Strengths in paint-related businesses including SAF
- Management track record as previously listed company

Extremely strong M&A/PMI system in place

※1 Numbers are calculated by reflecting impact of full integration of the Asian operations based on balance sheet as of FY2020/12 (Unaudited)

※2 Rating and Investment Information, Inc.

※3 Source: Bloomberg

Financial Plan



7-1. Financial Plan

For FY2023, we aim to achieve revenue of JPY 1,100bn, operating profit of JPY 140bn and EPS of JPY 225. Over the medium/long-term, we aim to grow revenue further to outperform the market and achieve sustainable growth in EPS due to operating efficiencies realized by economies of scale

Tanshin Basis

(Billion yen)

	FY2020 Results	FY2021 Estimates		FY2023 targets ^{※4}	FY2021- 2023 CAGR targets ^{※4}	FY2024 onwards CAGR targets
Revenue	781.1	890.0		1,100.0	10.0%+	High Single Digit
Operating Profit (before Asia JV acquisition cost)	86.9	92.0 ^{※1}		140.0	25.0%	Profit growth exceeding revenue growth
OP margin	11.1%	10.3%		c. ^{※5} 13.0%	c. +2.7pt	
EBITDA ^{※2}	116.7	126.0 ^{※1}		175.0	20.0%	
EBITDA margin	14.9%	14.2%		c. 16.0%	c. +1.8pt	
Profit attributable to owners of parent ^{※3}	44.6	67.0		105.0	25.0%	
EPS (before splits) (yen)	139	143 ^{※6}		225	25.0%	

※1 Before one-time expenses ※2 EBITDA=Consolidated operating profit + Depreciation and Impairment loss (Hereinafter the same shall apply in this document)

※3 Profit attributable to owners of parent: Targets for profit attributable to owners of parent are calculated by multiplying operating profit by effective tax rates

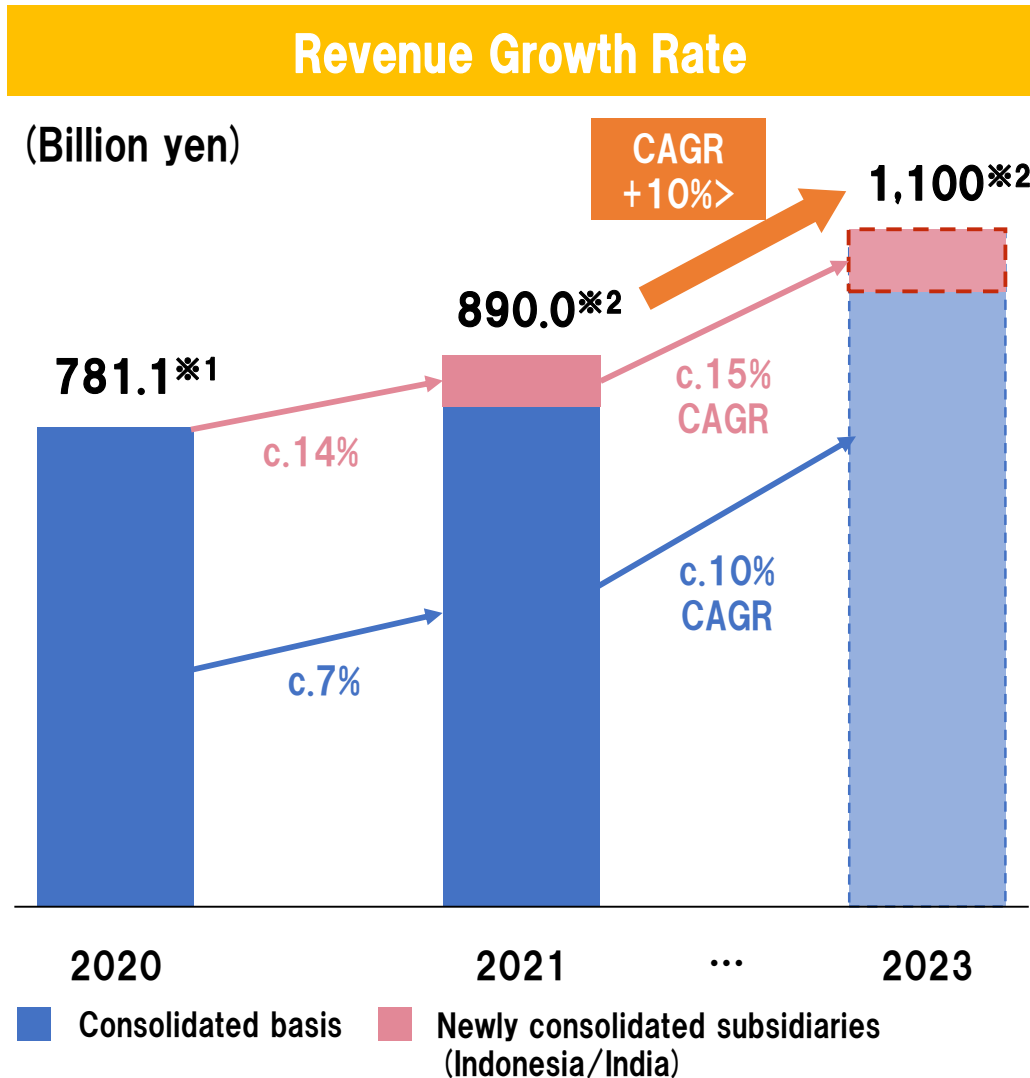
※4 Exchange rate assumptions: USD/JPY is at 106.0 yen; RMB/JPY is at 15.7 yen; AUD/JPY is at 75.0 yen; naphtha price: 40,000 yen/kl

※5 circa: approximately

※6 Estimated based on the number of shares (excluding proration adjustments) after the capital increase on January 25, 2021

7-2. Revenue/Profit Growth Model (1)

Strong organic growth



- ✓ Existing Asian and Chinese market segments continue to see strong growth (c.10% CAGR)
- ✓ Solid growth potential for newly consolidated subsidiaries (Indonesia/India) is expected to contribute to this high growth as a result of strong growth momentum in demand for coating products as well as market share gains (c.15% CAGR)
- ✓ Aim to achieve organic revenue growth at a CAGR exceeding 10%; from a total of JPY 890bn in FY2021 to JPY 1,100bn in FY2023

※1 Tanshin basis ※2 Simple sum of segment revenues

7-3. Revenue/Profit Growth Model (2)

Illustrative revenue targets by region

(Billion yen)	FY2020 Revenue Results ^{※1}	FY2021 Revenue Estimates	FY2021 OP Margin Estimates ^{※2}		FY2021 – 2023 CAGR Targets ^{※2}	FY2023 OP margin Targets ^{※2}
Japan (excl. NPHD's expenses)	159.6	c. +5%	➡	➡	c. +5%	⬆
NIPSEA China	268.1	c. +10%	➡		c. +10%	➡
Asia (Ex NIPSEA China)	88.5	+5~10%	➡		+5~10%	⬆
Newly Consolidated (Indonesia/India)	47.4 ^{※3}	+10~20%	➡		c. +15%	➡
Oceania	148.3	+0~5%	↔		c. +5%	↔
Americas	70.1	c. +5%	➡		+5~10%	⬆
Other (Betek Boya)	36.2	c. +10%	➡		+10~15%	➡
Total ^{※4}	781.1	890.0	➡		1,100.0	c. 13.0%

Realize best-in-class growth on the back of the strong contributions from high growth market segments in Asian countries such as China and Turkey, stable growth in the Oceania and US segments, as well as business recovery in Japan

※1 Tanshin basis

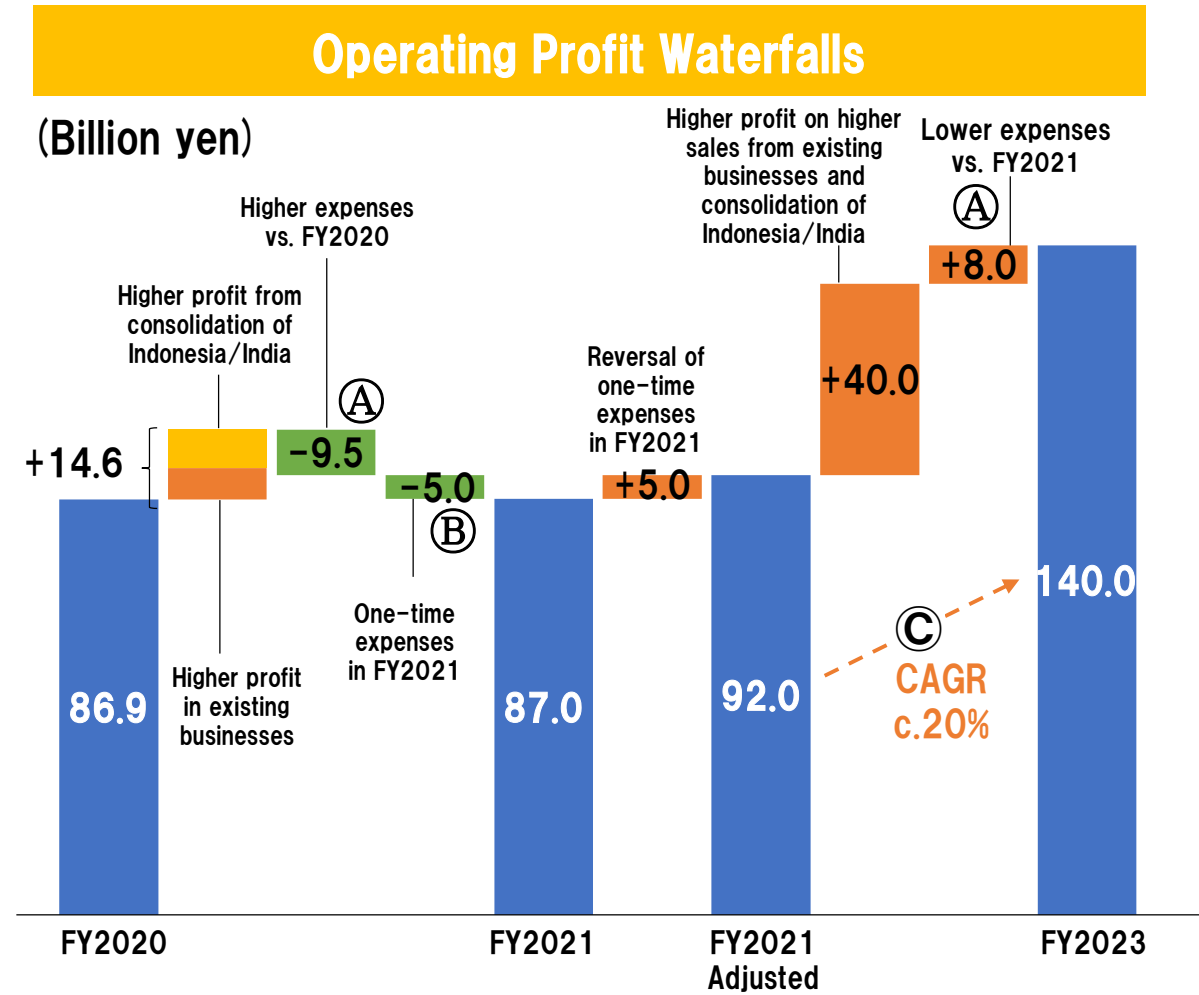
※2 Local currency basis

※3 Pro-forma figures

※4 Revenue figures in the above table do not add up to the total revenue in FY2020 because the total revenue excludes the effects of new consolidation (Indonesia/India) but includes revenue for automotive coatings, etc. in Other region that is not shown in the table. Total revenue in FY2021 onwards will include both new consolidation effects and revenue for automotive coatings, etc. in Other region.

7-4. Revenue/Profit Growth Model (3)

In addition to the steady profit growth of each business, further profit growth is realized by the effect of reducing fixed costs, which peak in FY2021

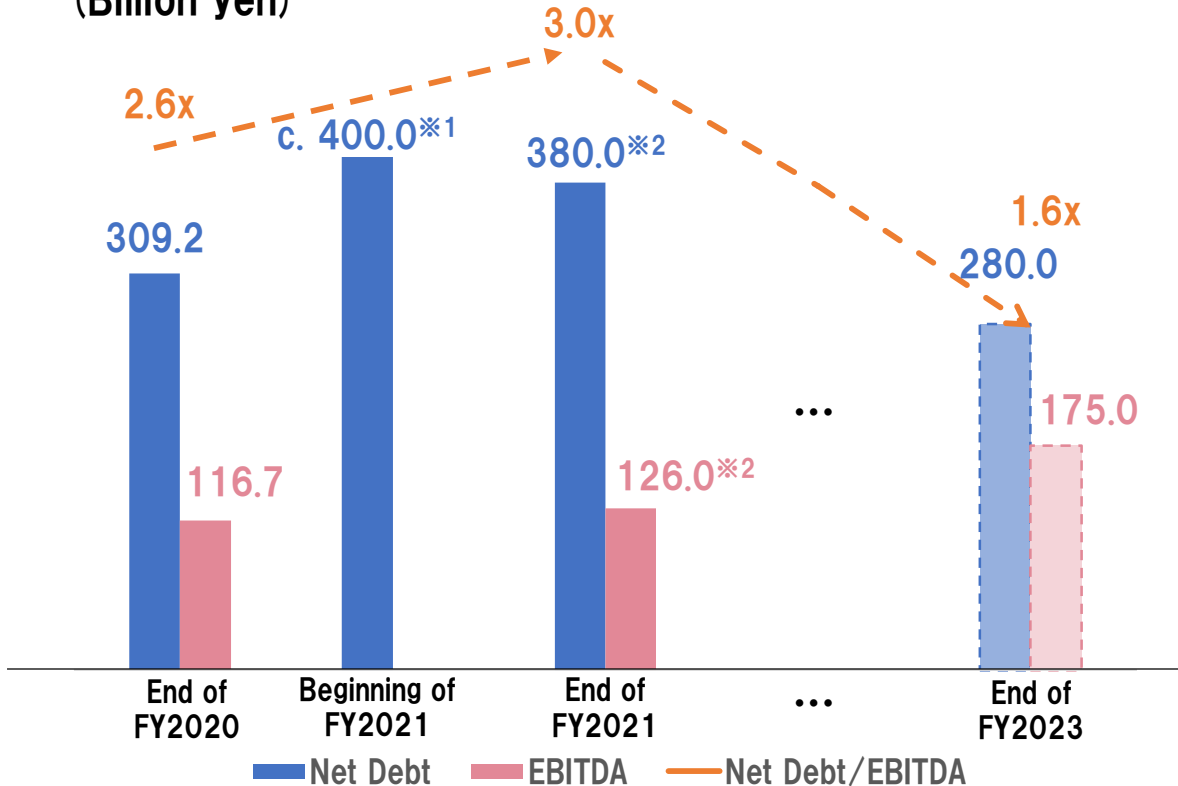


- Ⓐ Higher expenses (c. 9.5 bn yen) involving supply chain reform and DX transformation expected in FY2021. However, expenses will gradually decrease through FY2023, with expenses falling to the FY2020 level in step with efficiency improvements
- Ⓑ One-time expenses are stamp tax and other expenses of c. 5.0 bn yen
- Ⓒ Aim to grow consolidated operating profit to 140 bn yen in FY2023 from 92.0 bn yen (after one-time expenses) in FY2021, driven by steady sales growth and cost reductions

7-5. Cash Flow and Capital Allocation

Net Debt/EBITDA Trends

(Billion yen)



※1 Numbers are calculated by reflecting impact of full integration of the Asian operations based on balance sheet as of FY2020/12 (Unaudited)

※2 Adjusted basis

※3 Excluding land acquisition/disposals

FY2021-2023 Illustrative Capital Allocation

+) OP Cash Flows	JPY c. 330.0bn
Total (FY21-FY23)	
-) Capital Expenditure ^{※3}	JPY c. 125.0bn
Total (FY21-FY23)	
-) Dividend (30% Payout)	JPY c. 85.0bn
Total (FY21-FY23)	
<hr/>	
	JPY c. 120.0bn



- Aim to have optimal capital structure with appropriate level of leverage
- Temporarily high leverage accepted in pursuit of M&A opportunity of high strategic importance

Cash flow generation capability significantly improved as a result of the full integration of the Asian operations, which enables us to capture all cash flows leakage

Conclusion

**Solidifying the Foundation for
a Sustainable Growth Path**

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