



Nippon Paint Holdings Co., Ltd.

# INVESTOR BOOK

2022.09.06

**NIPPON PAINT GROUP**

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# Company Overview

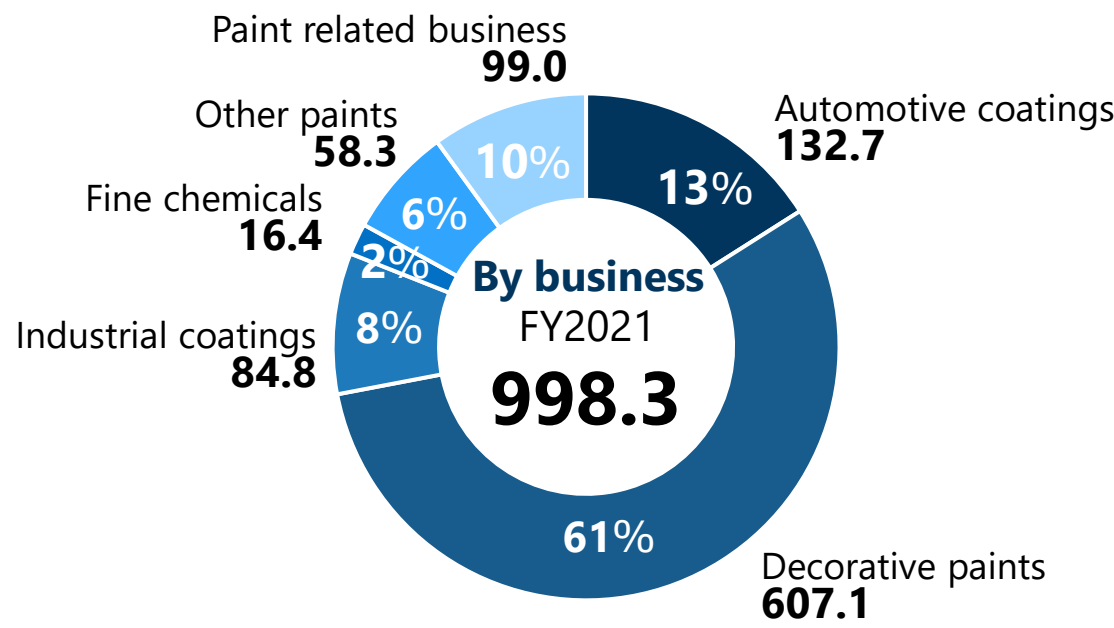
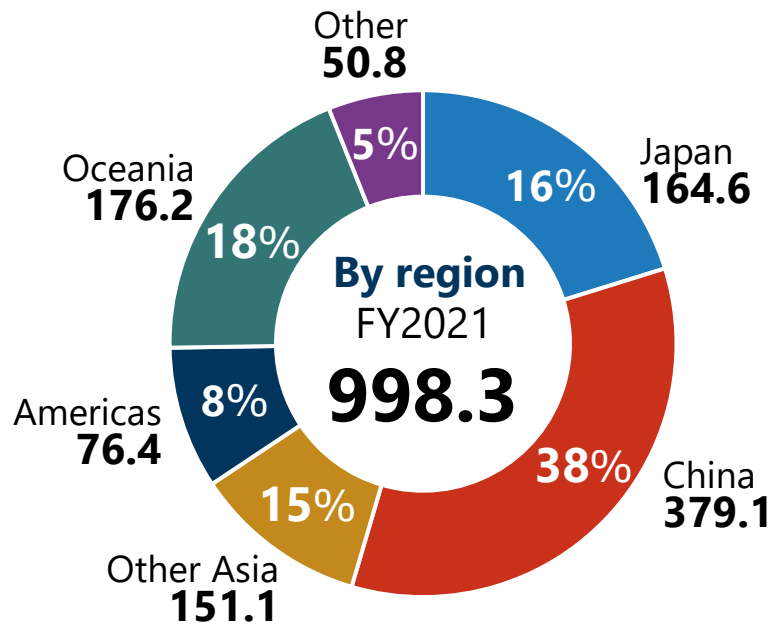
Photo: DuluxGroup The Ivanhoe Grammar School Senior Years and Science Centre, Australia, by McBride Charles Ryan Architects, a finalist in the 2017 Dulux Colour Awards. Photographer: John Gollings



- Growing across boundaries of operating companies with focus on paint and coatings market
- Operating in 30 countries and regions around the world including China and other Asian countries

 <b>Date founded</b>	<b>March 14, 1881</b>	<b>Market presence</b>	 <b>Revenue</b>	<b>¥998.3 bn(2021)</b>
 <b>Number of employees</b>	<b>30,247</b> (consolidated)	 <b>30</b> countries/ regions	 <b>Sales ranking</b>	<b>4<sup>th</sup> globally / 1<sup>st</sup> in Asia</b>

 **Revenue breakdown (billion yen)**



- The Board of Directors is comprised of Directors with experience and skills in corporate management, global business operations, M&A, and other areas
- 73% of the board members are Independent Directors (8 out of 11)

N Nominating Committee C Compensation Committee A Audit Committee



**Yuichiro Wakatsuki**  
Director  
Representative Executive  
Officer & Co-President



**Wee Siew Kim**  
Director  
Representative Executive  
Officer & Co-President



**Goh Hup Jin**  
Chairman



**Hisashi Hara**  
Independent Director



**Peter M Kirby**  
Independent Director



**Miharu Koezuka**  
Independent Director



**Lim Hwee Hua**  
Independent Director



**Masataka Mitsuhashi**  
Independent Director



**Toshio Morohoshi**  
Independent Director



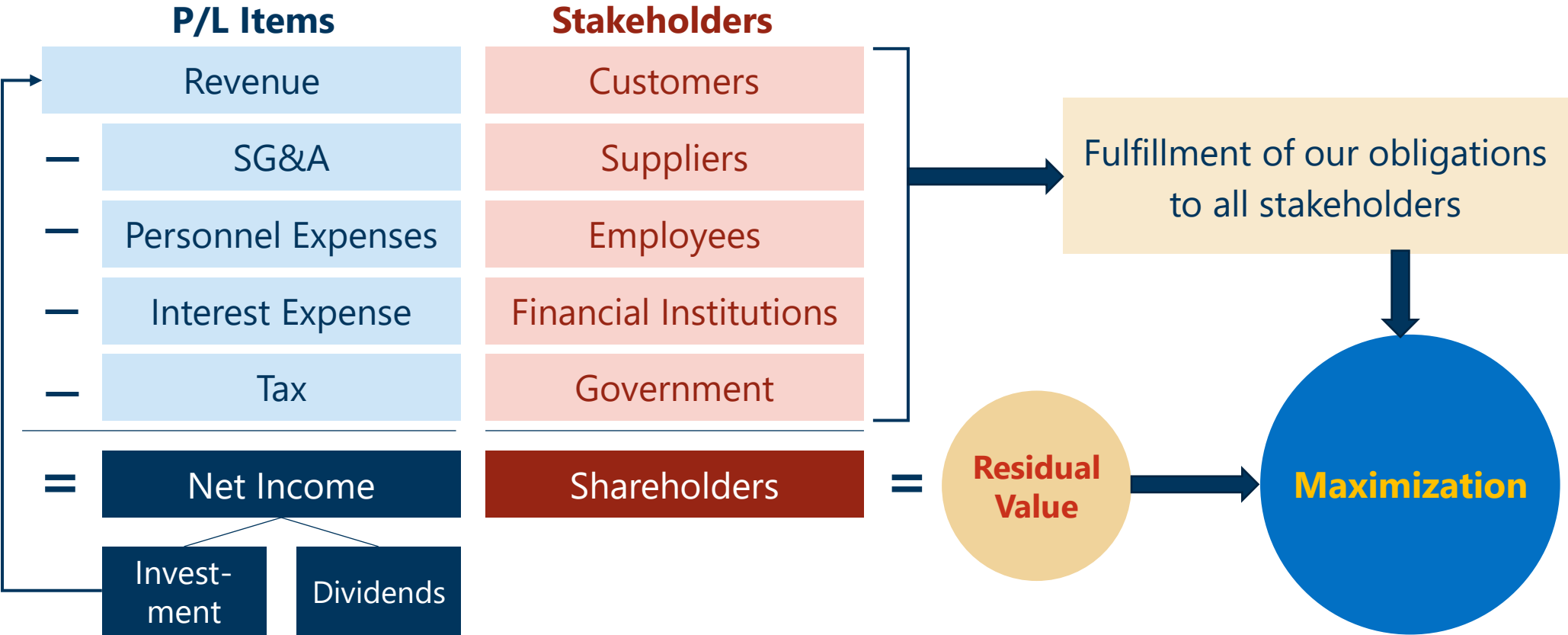
**Masayoshi Nakamura**  
Lead Independent Director  
Board Chair



**Takashi Tsutsui**  
Independent Director








# Maximization of Shareholder Value (MSV) as a sole mission, creating wealth



We are committed to maximizing shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, and society.

## Nippon Paint is a unique Japan-based “Asset Assembler” with MSV as its sole mission

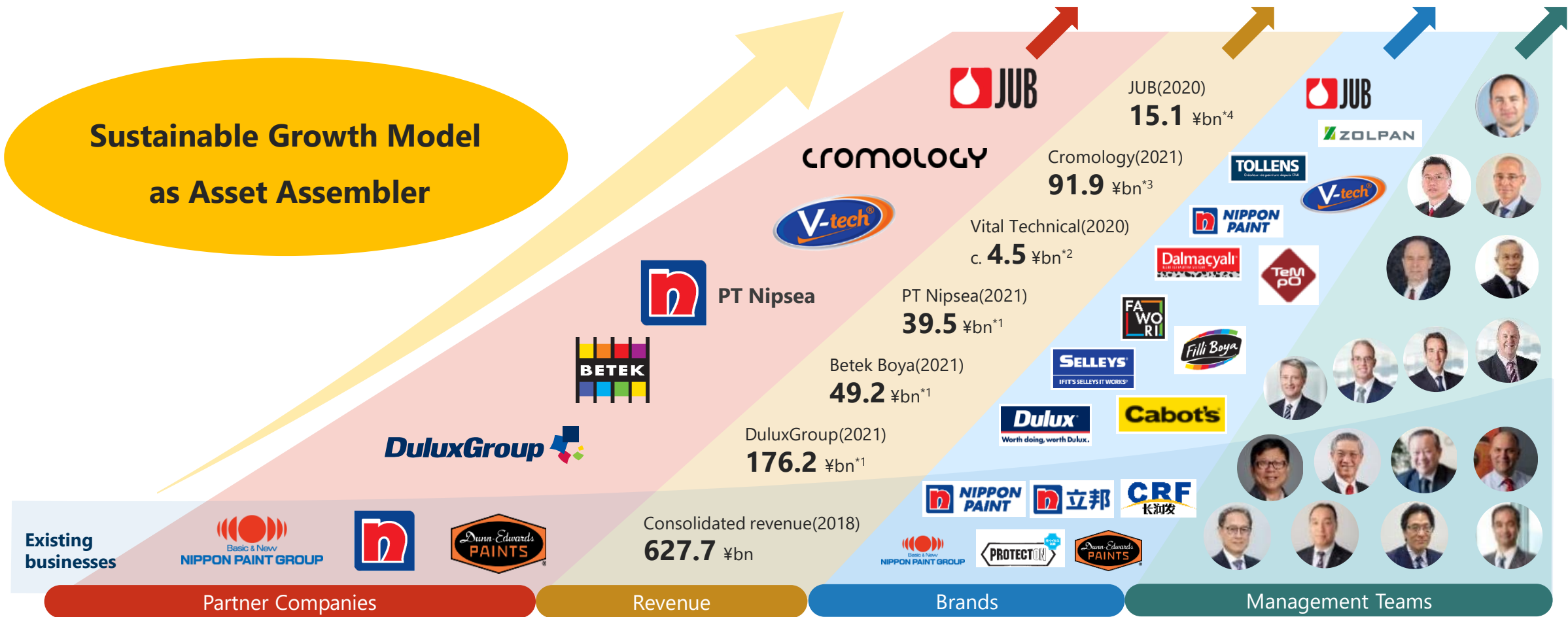
①	<b>Focused on paint and adjacencies with significant market opportunities</b>	 <ul style="list-style-type: none"><li>• Paint and adjacencies have significant growth opportunities, driven by population growth, per-capita GDP growth, and urbanization. We have considerable expertise and knowledge in these areas</li><li>• SAF*1 (USD60.0 bn*2), CC*3 (USD71.5 bn*4) also have attractive market size</li></ul>
②	<b>Attractive risk-return profile of paint and adjacency arena</b>	 <ul style="list-style-type: none"><li>• Strong brand and high market share raise entry barriers, leading to solidification of leading market position</li><li>• Paint and adjacencies markets are characterized by local production for local consumption, allowing for our autonomous and decentralized management to minimize PMI risk</li></ul>
③	<b>Japan domicile enhanced competitive strengths</b>	 <ul style="list-style-type: none"><li>• Ability to finance at low interest rates in Japan, which has a stable currency and stable market, based on long-term relationships with banks</li><li>• Attractive Japanese capital markets, which have stable legal system and high liquidity in TSE</li></ul>
④	<b>An assembly of talented management and strong brands</b>	 <ul style="list-style-type: none"><li>• Management of partner companies*5 have a deep understanding of market features in their respective region and are well versed into MSV, and therefore can fully utilize their capabilities based on autonomous and decentralized management</li></ul>
⑤	<b>Advanced governance</b>	 <ul style="list-style-type: none"><li>• Independent Directors comprise majority of the Board of Directors (8 out of 11 board members)</li><li>• Ensuring protection of minority shareholders’ interests with MSV as a shared mission with our major shareholder</li></ul>

\*1 Sealants, Adhesives & Fillers      \*2 Source : Fortune Business Insights  
\*3 Construction Chemicals      \*4 Source : ReportLinker

\*5 NPHD's consolidated subsidiaries

# 1 (4) Management Model : Asset Assembler 2

On top of strong organic growth, we assemble assets with strong brand and excellent management through M&A, effectuating accelerated growth with limited risk



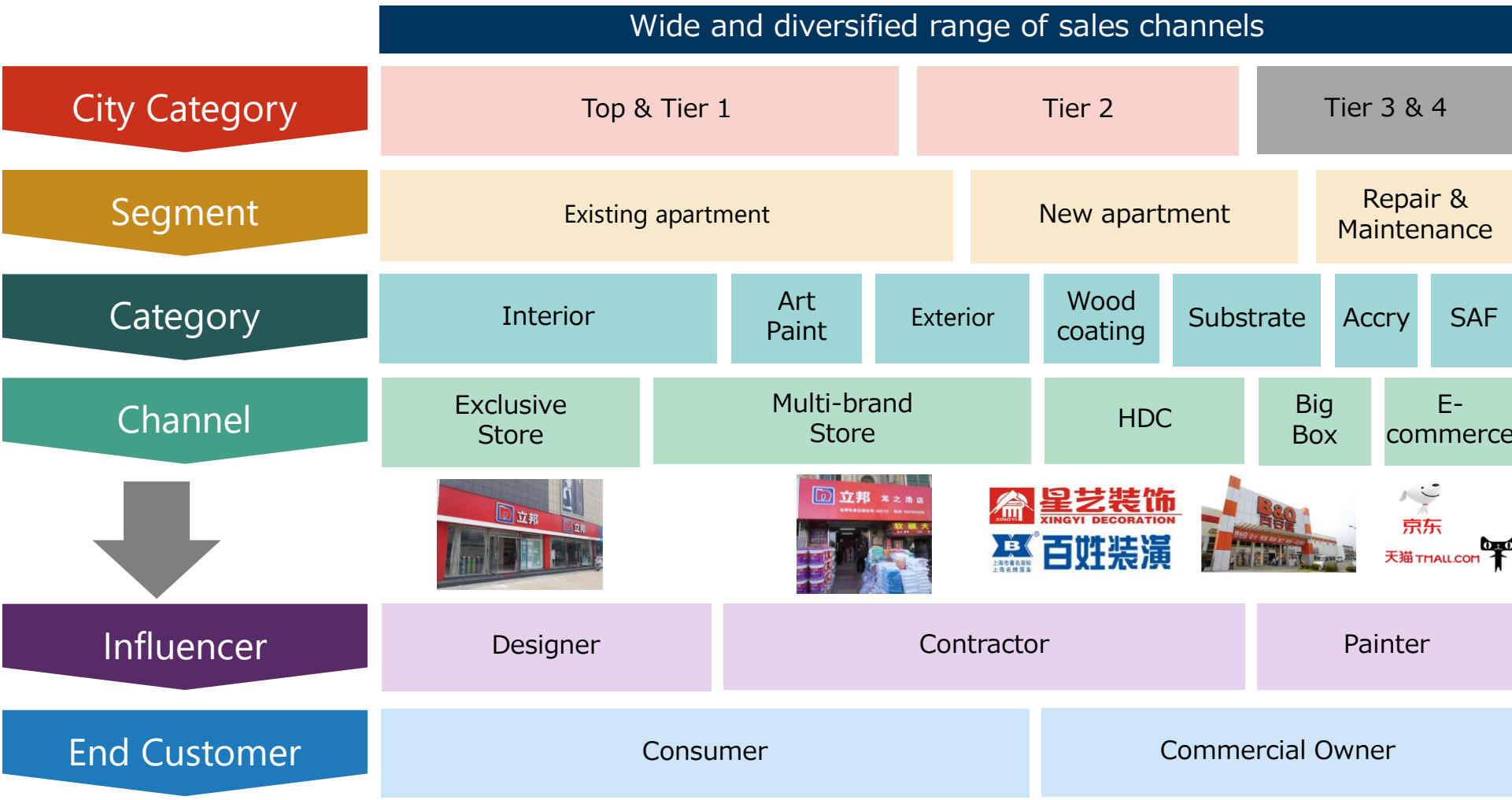
\*1 On a segment basis (after elimination of intersegment transactions and after PPA) \*2 Exchange rate: 1 MYR=26.55 JPY  
\*3 Exchange rate: 1 EUR=132.79 JPY; Pro forma figures \*4 Exchange rate: 1 EUR=131.05 JPY

# 1 (4) Management Model : Asset Assembler 3

- Underpinned by the delegation of decision-making and accountability to partner companies based on trust
- Partner companies pursue autonomous growth through cooperation and collaboration for achieving MSV



Achieved No.1 market share (c.27%) through unparalleled sales network and proactive promotion



Proactive promotion



Secured top market share (c.9%) through strategic alliances with TOP100 real estate developers

	Items				
Channel	Real Estate		Industry		
Customer	TOP 100 Developers in Country	TOP Developers in City	General Contractor	Hospital	School
Coating Solution	Wall Coating System		Floor Coating System	Thermal Insulation System	
Region	National Center City		Sub-center City	Outer City	
Partner	Constructor		Distributor	Project Dealer	
Business Model	Material Sales		Product + Application Service (Partnership)	Product + Application Service (Direct)	

## Setting a medium-term milestone for accomplishing our long-term goals



# 1 (6) Medium-Term Plan (FY2021–2023) 2

**Aiming for strong medium- and long-term growth driven by growth in existing businesses and aggressive M&A**

		Feb. 2022 Forecast
	FY2021 Results	FY2022 Forecast
Revenue	¥998.3 bn	¥1,200.0 bn
Operating profit	¥87.6 bn	¥115.0 bn
OP margin	8.8%	9.6%
EBITDA*1	¥120.4 bn	—
EBITDA margin	12.1%	—
Profit attributable to owners of parent*2	¥67.6 bn	¥81.0 bn
EPS	¥29.41	¥34.49

	Mar. 2021 Forecast		
	FY2023 Target*3	FY2021–2023 CAGR target*3	FY2024 CAGR Target
Revenue	¥1,100.0 bn	10.0%+	In the high single digits
Operating profit	¥140.0 bn	25.0%	Profit growth exceeding revenue growth
OP margin	c. 13.0%	c.+2.7pt	
EBITDA*1	¥175.0 bn	20.0%	
EBITDA margin	c. 16.0%	c.+1.8pt	
Profit attributable to owners of parent*2	¥105.0 bn	25.0%	
EPS	¥45	25.0%	

\*1 EBITDA : Operating profit + Depreciation and amortization + Impairment loss

\*2 Targets for profit attributable to owners of parent are calculated by multiplying operating profit by effective tax rates

\*3 Exchange rate assumptions: USD/JPY is 106.0 yen; RMB/JPY is 15.7 yen; AUD/JPY is 75.0 yen; naphtha price: 40,000 yen/kl

## Further strengthening our global foundation for growth and tackling new challenges

China / Other  
Asia / Turkey

**High-growth markets such as Asia including China and Turkey: Drive earnings growth through revenue expansion while maintaining margins**

Oceania

**Stable growth market of Oceania: Secure revenue and earnings growth outperforming market growth**

Paint related  
business

**Expansion of business into China and other Asia region by applying the experience of DuluxGroup and Betek Boya in SAF, CC, and ETICS\*1**

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**

Automotive  
coatings business

**Assuming recovery of automobile production, aim to increase market share and acquire new customers by capturing customer needs globally and reinforcing technological strengths and quality assurance system**

### Mar. 2021 Forecast

	FY2021–2023 Revenue CAGR target
Nipsea China	c. +10%
Asia Excepting Nipsea China	+5~10%
Betek Boya	+10~15%
DuluxGroup	c. +5%
Japan (excl. HQ expenses*2)	c. +5%
Automotive coatings business	+5~10%

\*1 External Thermal Insulation Composite System

\*2 HQ expenses : Expenses for the Group's global management allocated to NPHD in accordance with its internal regulations

## Continuing to pursue aggressive M&A strategy by leveraging our strengths of autonomous and decentralized management



Targets

- (1) **Business segments: Paint (decorative/industrial) and adjacencies**
- (2) **Geography: Not limited**
- (3) **Potential targets: Strong corporate/product brand and excellent management team**

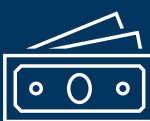
- (1) Fundamentals of paint and adjacencies markets e.g. population growth and urbanization create enormous growth opportunities
- (2) No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined
- (3) Continue to assemble assets by leveraging strengths of our autonomous and decentralized management



Our Strengths

- (1) **Financial soundness**
- (2) **Ability to finance in Japan, with stable currency and stable market**
- (3) **Full access to the Nippon Paint Group's platform**
- (4) **Excellent management teams enabling autonomous and decentralized management**

- (1) Stable cash generating ability and strong financial position
- (2) Low interest rate borrowings, safety and liquidity of the stock market
- (3) Share expertise, products, and technologies within the Group
- (4) Minimize the PMI risk



Financial Discipline

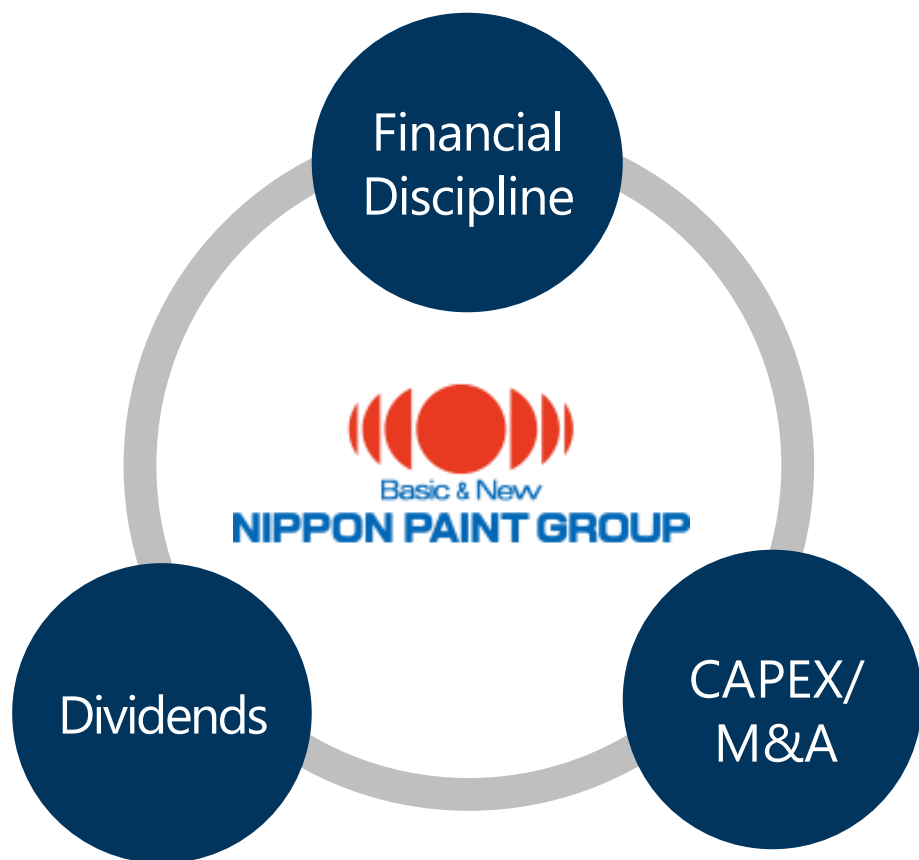
- (1) **Contribution to EPS**
- (2) **ROIC<sup>\*1</sup> > WACC<sup>\*2</sup>**
- (3) **Sufficient leverage capacity**
- (4) **Debt financing prioritized; equity-based capital raising remains an option**

- (1) Aim to achieve EPS accretion in Year 1 after acquisition
- (2) Take capital efficiency into consideration
- (3) Secure financial soundness to prepare for future M&As
- (4) EPS accretion also a must in rare case of equity financing

\*1 Return on invested capital (after one-off expenses)

\*2 Weighted average cost of capital

**Prioritizing growth investments while maintaining financial discipline, with focus on increasing total shareholder return (TSR) through earnings per share (EPS) growth**



### Financial Discipline

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

### CAPEX/M&A

- Make substantial investments in CAPEX and pursue aggressive M&A strategy to achieve sustainable growth

### Dividends

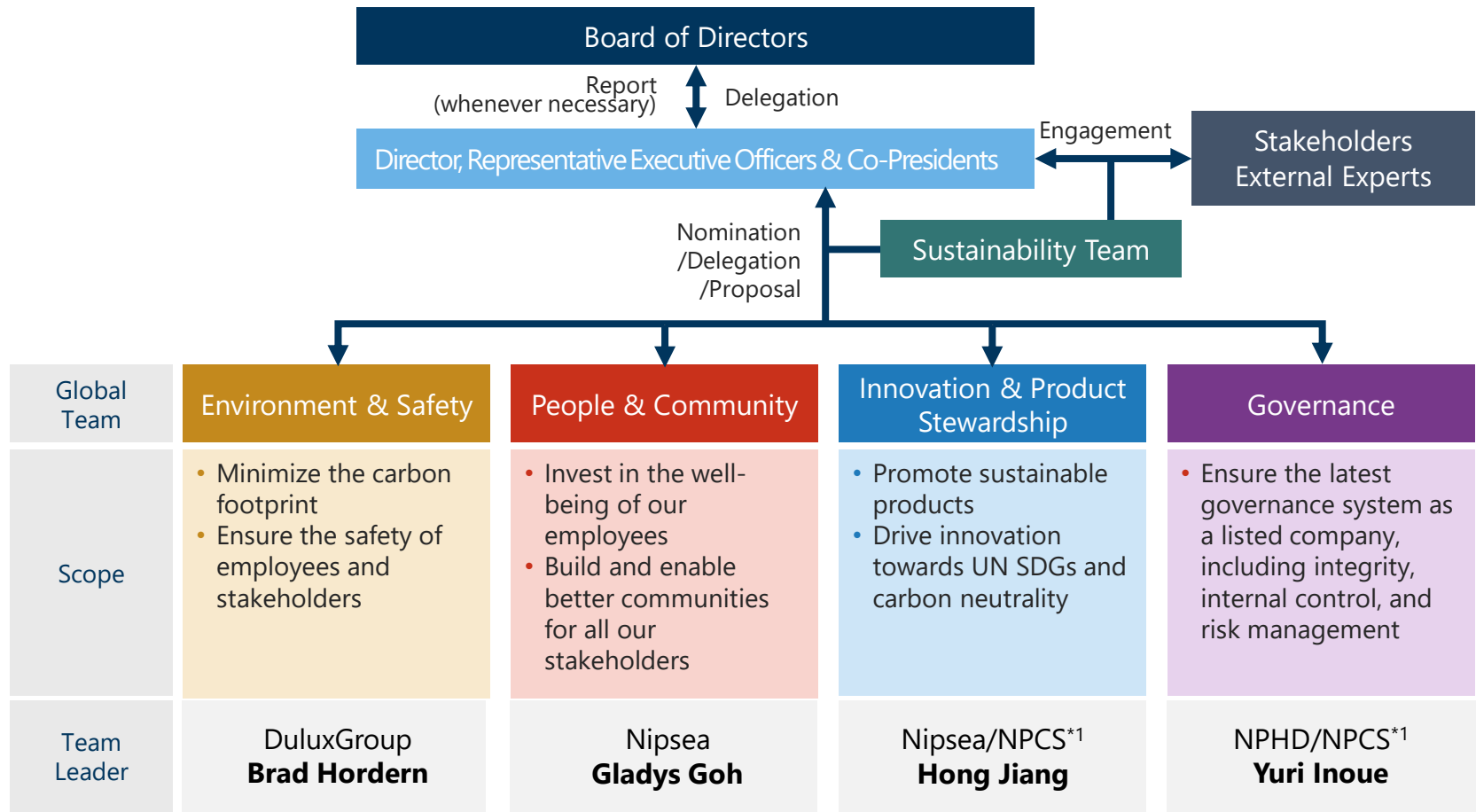
- Maintain a dividend ratio of 30%

## Expanding business opportunities through ESG initiatives for sustainable growth

Materiality (Relevant SDGs)	ESG Agenda	ESG Action Examples (case examples)
<b>Climate change</b>   	<b>Reduction of GHG emissions</b> <b>Identification of risks and opportunities</b>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction (Scope 1, 2)</li> <li>Started calculation of the data for Scope 3 on a global basis</li> <li>Started TCFD scenario analysis (i.e., identification of risks and opportunities)</li> </ul>
<b>Resources and environment</b>     	<b>Waste/energy consumption (efficient consumption)/water resource consumption/pollution management, product stewardship</b>	
<b>Diversity &amp; Inclusion</b>    	<b>Increase the percentage of women in management post</b> <b>Improvement of employee engagement</b>	<ul style="list-style-type: none"> <li>Promote gender diversity on Board/in management posts</li> </ul> <b>Percentage of women</b> <ul style="list-style-type: none"> <li>BoD: 0% (FY2016) → 18% (FY2022)</li> <li>Management post (Group-level): 23.8% (FY2021)</li> </ul>
<b>Safe people and operations</b>   	<b>Security/disaster (fire accidents) prevention and process safety</b> <b>Fatality and injury prevention</b>	
<b>Growth with communities</b>     	<b>Policy development for the company's social contribution</b> <b>Strategic implementation of social contribution activities</b>	<ul style="list-style-type: none"> <li>Establishment of NPHD Global Outreach Program</li> <li>Enhancement of Education/Empowerment/Engagement, Data collection</li> </ul>
<b>Innovation for a sustainable future</b>    	<b>Promote inter-industry collaboration</b> <b>Development of social issue-solving products</b>	

Business Opportunities
<b>New opportunities emerging within the low-footprint product market</b>
<b>Facilitate production line restructuring/automation to address aging and obsolescent parts in plants and improve profitability</b>
<b>Identify customer needs and strengthen branding</b>
<b>Revenue growth through acceleration of innovation</b> (e.g.) <ul style="list-style-type: none"> <li>PROTECTON</li> <li>FASTAR next-generation antifouling paint on ship bottom</li> <li>Coatings for offshore wind turbines</li> </ul>

## Realigned sustainability operations to create an autonomous team structure not controlled by the headquarters for strengthening the link between sustainability activities and business operations



### Outline of New Structure

- Global Team is set up based on **materiality**<sup>\*2</sup>
- Global Team Leaders directly report to the Co-Presidents, who report to the Board of Directors
- Global Team Leaders promote various initiatives involving the partner company representatives

<sup>\*2</sup> Governance team advances discussions on the best direction for enhancing our good governance and autonomy in line with each materiality

<sup>\*1</sup> Nippon Paint Corporate Solutions

## Corporate Data

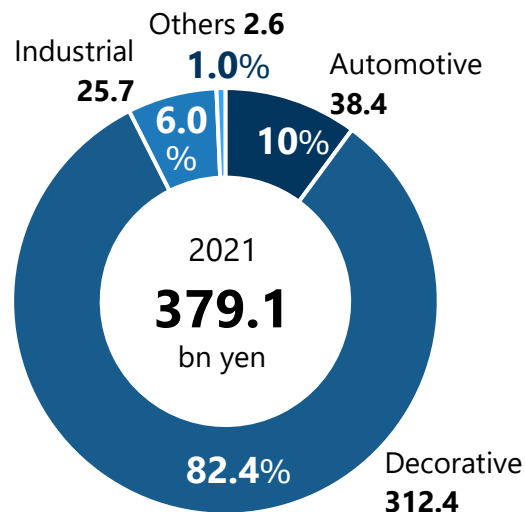
Location : Shanghai, China

Ownership Ratio: 100.0%

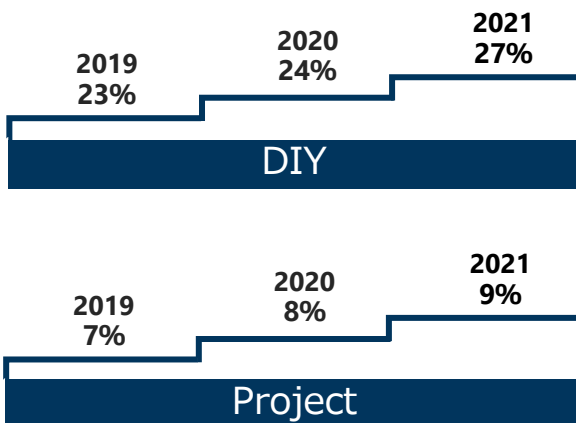
## Company overview :

Since its founding in 1992, Nippon Paint China has risen to the fore as a respected leader in the paint and coatings industry. The company has steadily expanded its reach across China in tandem with the country's rapid economic and social growth

## Revenue breakdown by business



## Market share\*



## SWOT Analysis

## Strengths

- Established brand in China with significant market share, looking to further consolidate and enhance its brand power
- Continuously expand business scope and product range to meet ever-evolving customer needs
- Robust manufacturing, retail sales and stakeholder networks have facilitated efficient production and cemented Nippon Paint's reputation as a trusted industry leader

## Weaknesses

- Organizational structure and business model need to adapt to match the existing market and customer needs
- Boost operational efficiency with greater investment in technology
- Build a people management strategy that enhances performance incentives and rewards valuable talent

## Opportunities

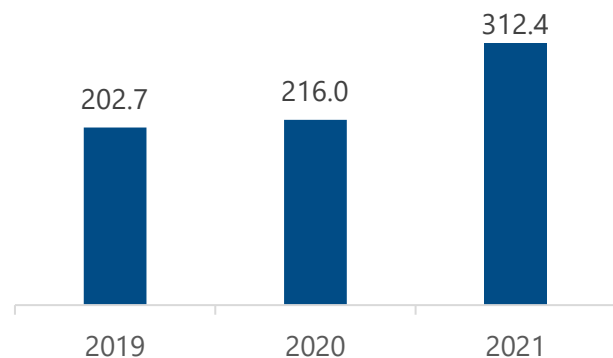
- Obtain in-depth market insights to scope out new opportunities in infrastructure, especially as investment in the next few years is set to scale up
- Leverage changes in consumer consumption patterns, especially a rise in online consumption
- Adopt digitalization to revolutionize operational efficiency, organizational structure and business model development

## Threats

- Other manufacturers are developing products that could encroach on Nippon Paint's market share, e.g. coating manufacturers are producing waterproofing products, waterproofing manufacturers are producing coating products
- The real estate cycle is in a less than ideal phase, with a slowdown in growth rates of new housing developments and a drop in property speculation
- The COVID-19 pandemic has impacted supply chains, affecting both downstream and upstream processes

## Performance (Decorative)

■ Revenue(billion yen)



\*NPHD's estimates

## Corporate Data

Location : Singapore

Ownership Ratio: 100.0%

## Company overview :

Since its founding in 1962, Nippon Paint Singapore has developed a business portfolio that spans decorative paints, auto refinish paint, industrial coatings, and protective coatings in Singapore. The company expanded its business portfolio into the adjacencies area following its acquisition of the Selleys business in FY2020

## SWOT Analysis

## Strengths

- Leading market name with strong brand equity and 71% 'Top of Mind' brand recall
- Established network of dealerships, strong partnerships with designers and contractors, and painter engagement programs have contributed to the growth of a large customer base in Singapore
- Market leader in the decorative paints segment with full range of products available
- Locally based manufacturing and operations facilities

## Weaknesses

- Relatively new player in the protective coatings segment with lack of certifications to establish market credibility
- Business operations are subject to external factors such as global economy and the pandemic, like other players

## Opportunities

- Drive market opportunities to broaden product portfolio into building materials, construction chemical and floor coatings
- Leverage Nippon Paint's integration with Selleys to expand into the Sealants, Adhesives, and Fillers (SAF) segment
- Expand customer base for innovative consumer products like anti-viral and anti-mosquito products

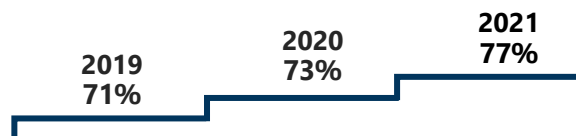
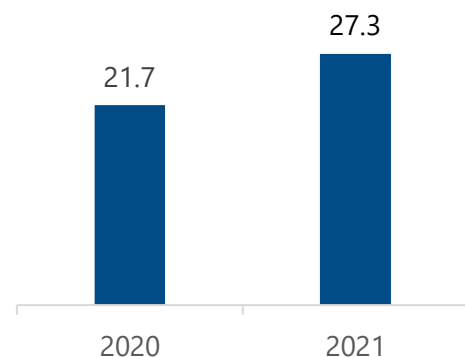
## Threats

- Competitive pricing from other established players in the project market
- The shift to e-commerce in retail market lowers barriers for smaller entrants

## Performance (Singapore Group)

## Market share\* (Singapore DIY)

■ Revenue(billion yen)



\*NPHD's estimates

Corporate Data

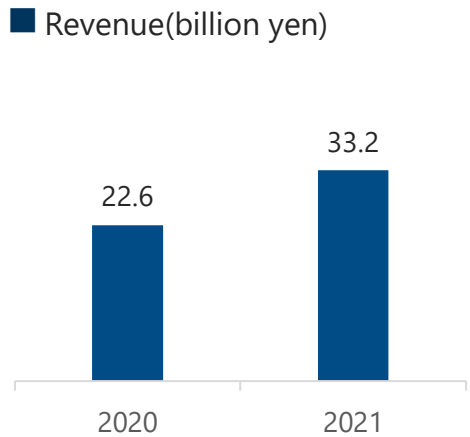
Location
: Selangor, Malaysia

Ownership Ratio: 100.0%

Company overview :

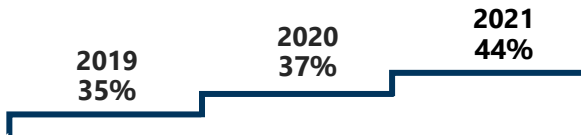
Established in 1967, Nippon Paint Malaysia has grown in leaps and bounds and today, has emerged as a significant market leader with presence in Pakistan, Bangladesh, the Philippines, Thailand, and Indonesia. The company prides itself as a total solution and service provider, serving several sectors including decorative paints, automotive coatings, industrial coatings, marine coatings, and housing repairs

### Performance (Malaysia Group)



\*NPHD's estimates

### Market share\* (Malaysia DIY)



### SWOT Analysis

#### Strengths

- Leading brand name in the paint and coatings industry with a strong brand awareness and a wide distribution network
- Wide range of solutions covering all needs from waterproofing, painting tools and accessories, protection for different surfaces, etc.
- Strong focus on customer service, building further brand loyalty for Nippon Paint

#### Weaknesses

- Factors such as long production lead time, changing dynamics with international markets, global economic conditions and the pandemic have an impact on business
- However, steps are already being taken to optimize processes and revisit strategies to drive business growth

#### Opportunities

- Enhance market opportunities by creating customer centric awareness programs to differentiate Nippon Paint from other industry players
- Drive brand messaging via CSR campaigns to build strong corporate branding
- Provide end-to-end solutions to homeowners leveraging e-commerce platforms
- Broaden product portfolio and service offerings to tap into wider customer networks

#### Threats

- Current global conditions have led to changes in consumer behavior and buying habits, with preference for value for money products
- With changing customer preferences, there might be a need to relook pricing structure to suit current economic conditions

Corporate Data

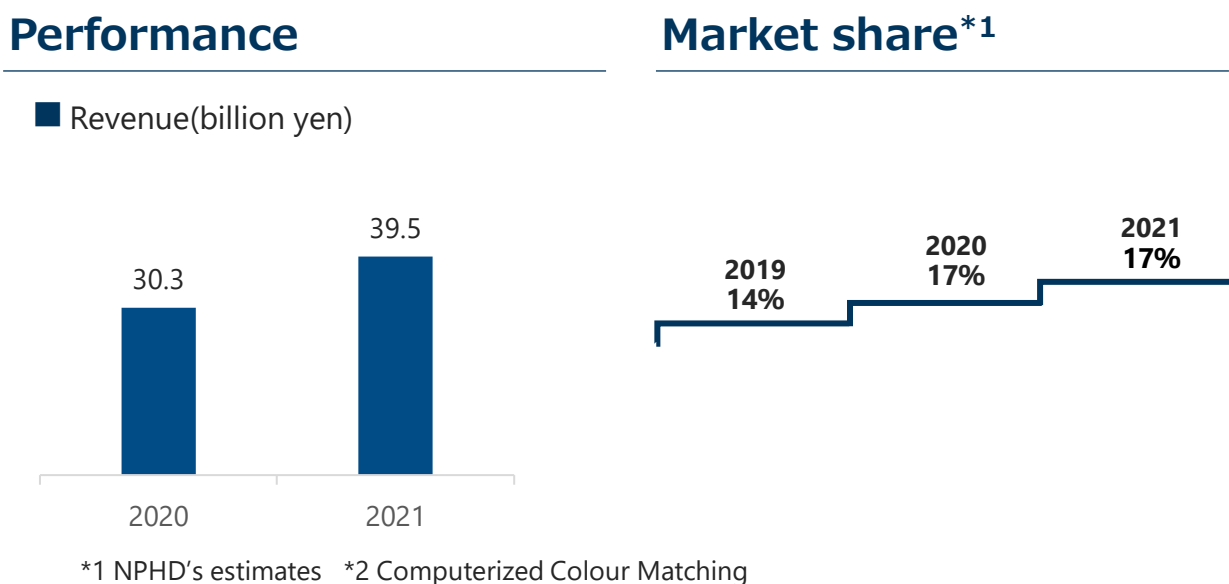
Location

: Jakarta, Indonesia

Ownership Ratio: 100.0%

Company overview :

Acquired by NPHD in 2021, PT Nipsea Paint and Chemicals has a dominant position in the Automotive OEM coatings field. In addition, the company is a market leader in decorative paints as consumer's preferred brand in Indonesia for over 50 years. With over 6,600 employees, the company has more than 40 distributors across Indonesia



SWOT Analysis

Strengths

- Dominant market position in Decorative Retail, Automotive & Motorcycle coatings - backed by 3 production sites and a large warehouse network of 46 locations, with additional 16 planned for by end 2022
- Market leading decorative paint brands with strong brand awareness and heritage with the largest distribution coverage of CCM\*2
- Strong support from established global customers in Automotive OEM segment

Weaknesses

- External shocks from increasing raw material price pressures though steps have been taken to mitigate this through relentless cost optimization and streamlining

Opportunities

- Growth potential of Indonesian market to drive demand for premium products
- Broaden the product and service spectrum to include painting accessories and tools, Sealants, Adhesives, and Fillers (SAF) as well as waterproofing segments
- Further entrench distribution reach into 2nd and 3rd tier cities by doubling the number of depots and sales offices

Threats

- Prevailing and prolonged pandemic conditions negatively impacting all economic sectors, dampening foreign investment and delaying infrastructure projects
- Downward price pressure due to intense competition by other established players and new entrants into the Indonesian market

Corporate Data

Location

: Istanbul, Turkey

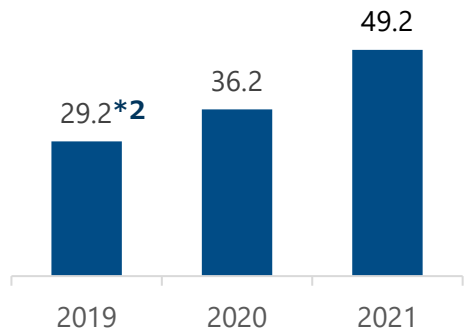
Ownership Ratio: 99.6%

Company overview :

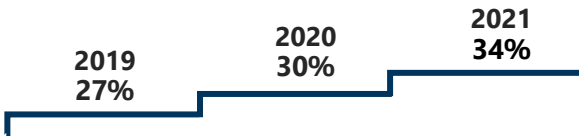
Acquired by NPHD in 2019, Betek Boya is a leading Turkish paint and ETICS company. Its multi-brand portfolio covers premium brands to budget options in the Turkish paint market. Betek Boya has been leading the Turkish decorative paint segment over years and listed as No.1 in the paint companies reputation index for more than 10 years. The company has expanded into industrial coatings segment in recent years

Performance

■ Revenue(billion yen)



Market share\*1



\*1 NPHD's estimates

\*2 2019 revenue is pro forma

SWOT Analysis

Strengths

- Leading company that is customer-centric and has an operations strategy to respond to varying customer needs
- Wide range of product portfolio and extensive market collaborations that accelerate growth, business resilience and innovation
- Consistent investments in strategic marketing and consumer engagements that have built market leadership and top of mind recall for consumers

Weaknesses

- Like other players, Betek Boya is subject to external factors such as economic conditions, fluctuating demand, volatility in raw material cost and the impact of the global pandemic
- However, with Betek Boya's operation strategies, the company has been able to mitigate these effects as much as possible and continues to drive resilient growth and innovation

Opportunities

- Drive market opportunities towards environmentally friendly products as focus on health and environment continues to build in the region, an area that Betek Boya is already ready to deliver on
- Help to strengthen the Nippon Paint Group's position in the western DIY market with Betek Boya's flagship paint brand – Filli Boya, as consumer demand for DIY products continues to increase

Threats

- Prevailing economic conditions have led to conscious consumer buying habits, driving more consumers into budget segments
- Compete with strong established multinational companies

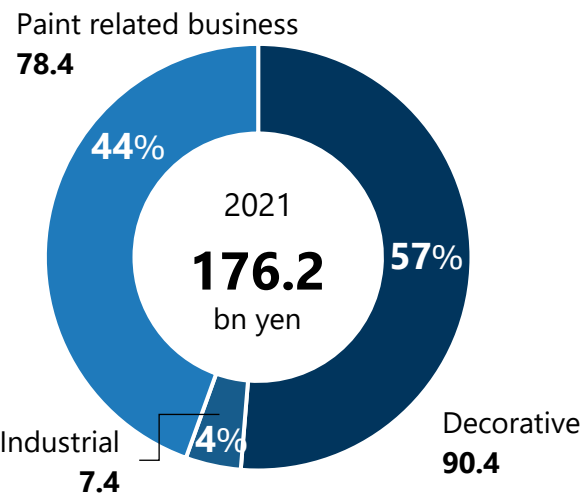
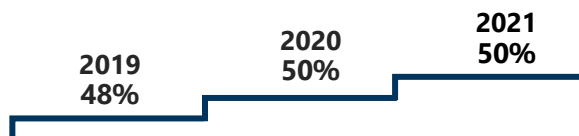
**Corporate Data**

Location : Victoria, Australia

Ownership Ratio: 100.0%

## Company overview:

Acquired by NPHD in 2019, DuluxGroup is Australia and New Zealand's market leader in paint, coatings, sealants and adhesives, as well as other home improvement products. Dulux has over 98% prompted brand awareness and has for many years been voted Australia's most trusted paint brand

**Revenue breakdown by business****Market share\*1 (Australia)****SWOT Analysis****Strengths**

- Leading positions in well structured, resilient markets
- Market leading brands, underpinned by continuous investment in marketing and innovation – driven by consumer insights
- Unrelenting customer focus, underpinned by sales and supply chain capability

**Weaknesses**

- Like all businesses, DuluxGroup is subject to prevailing external economic conditions and factors such as volatility in raw materials pricing. However, we have deliberately shaped our business, operations, and end market focus to mitigate as much as possible against such factors and we have a strong track record of resilient earnings growth

**Opportunities**

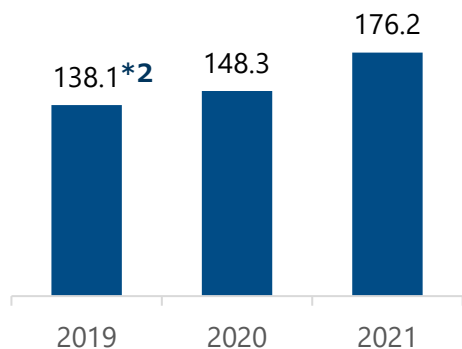
- Increase consumer engagement through digital platforms and direct marketing including e-commerce
- Help to grow Nippon Paint Group's position in Asia with Selleys adhesives, sealants and fillers; and in other western DIY markets

**Threats**

- Core ANZ markets are relatively mature and low growth, and in the short term, due to COVID-19 related border restrictions, may be constrained by zero net migration and negligible population growth
- Compete against strong, established multi-national companies

**Performance**

■ Revenue (billion yen)



\*1 NPHD's estimates \*2 2019 revenue is pro forma

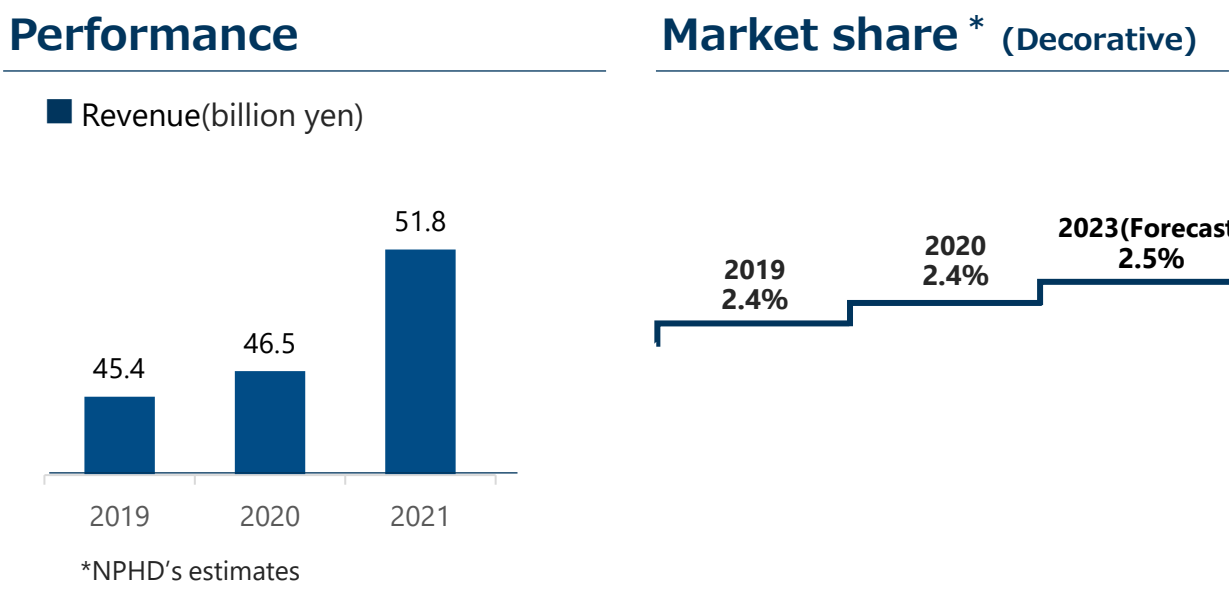
Corporate Data

Location
: California, USA

Ownership Ratio: 100.0%

Company overview:

Acquired by NPHD in 2017, Dunn-Edwards has been a leading paint supplier in the Southwestern U.S. since 1925, providing a complete line of paint, sundries and equipment. Dunn-Edwards has an estimated 12% share in California markets, and 10% to 20% in other adjacent regions



SWOT Analysis

Strengths

- Strategically positioned retail store network and highly trained salesforce focused on providing superior customer service
- Diverse portfolio of high quality and innovative products provide meaningful, measurable performance advantages versus the competition

Weaknesses

- For over 95 years, Dunn-Edwards has successfully focused on serving the professional painting industry. However, continued actions by national brands and changing demographics are impacting brand preferences  
The company is taking proactive steps to influence customer behavior and drive new sales growth through channels and to new market segments

Opportunities

- Develop omni-channel e-commerce solutions to drive sales growth to professionals and consumers alike
- Help to grow the Nippon Paint Group's position in the United States through channel and product growth initiatives

Threats

- Large marketing and advertising investments by national brands continue to impact brand selection

Nippon Paint Automotive Coatings Co., Ltd.

(NPAC)

Corporate Data

Location

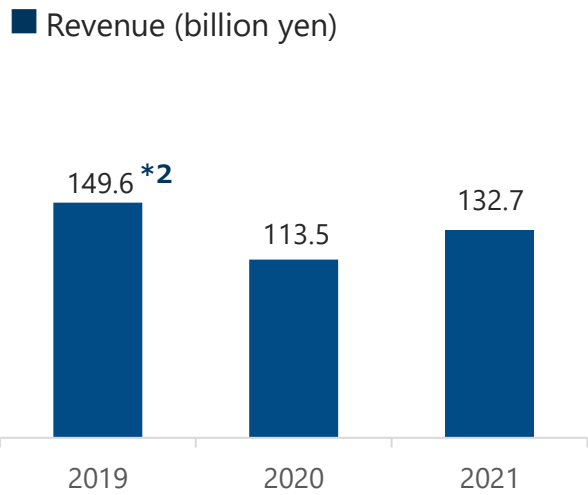
: Osaka, Japan

Ownership ratio: 100.0%

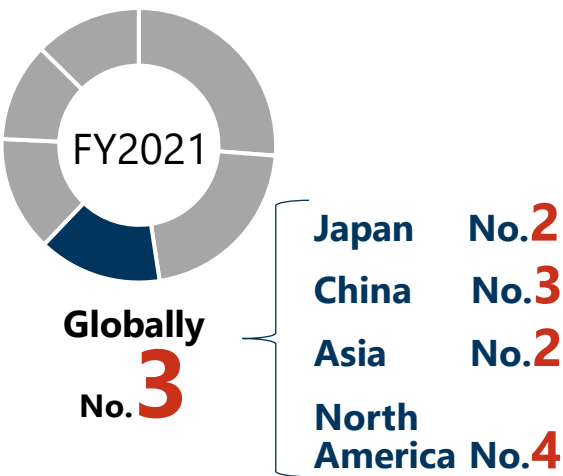
Company overview:

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

Performance



Market share <sup>\*1</sup>



# Nippon Paint Co., Ltd.(NPTU)



## Corporate Data

Location: Tokyo, Japan  
Ownership ratio: 100.0%

Company overview:  
NPTU develops, manufactures, and sells decorative paints for houses and office buildings, paints for large structures such as bridges and plants, and automotive refinish coatings. NPTU boasts the top share in the decorative paints market in Japan by supplying paints with excellent designability and coatings technologies using the largest sales network in Japan

## SWOT Analysis

### Strengths

- Top share in the domestic decorative paints market
- A strong sales network underpinning leading market position
- Ability to develop new products and create demand, such as for anti-viral paint products

### Opportunities

- Growing need for anti-viral paint due to the COVID-19 pandemic
- Growing need for environmental products

### Weaknesses

- Aging production and logistics facilities

### Threats

- Slowing domestic market growth due to population decline
- Social and economic impacts of the COVID-19 pandemic
- Rising raw material costs

# Nippon Paint Industrial Coatings Co., Ltd. (NPIU)



## Corporate Data

Location: Tokyo, Japan  
Ownership ratio: 100.0%

Company overview:  
NPIU specializes in coatings for non-automotive, general industrial applications and manufacturers and sells paints and coatings for industrial products ranging from building and home exterior materials, home appliances, office furniture, to construction & agricultural machinery, railway and other equipment. The company also sells painting and coating equipment and manufactures and sells functional materials in the fine chemical field

## SWOT Analysis

### Strengths

- Top share in the domestic industrial coatings market
- Diverse business portfolio in various segments enabling quick response to market growth and opportunities

### Opportunities

- Development of high value-added products meeting needs for environmental and labor-saving products
- New markets creation such as for anti-viral products for the current and post-pandemic situation

### Weaknesses

- Slower growth of existing businesses in the domestic market

### Threats

- Intensifying competition in the domestic market where growth is slow due to the COVID-19 pandemic

Nippon Paint Surf Chemicals  
Co., Ltd. (NPSU)



Corporate Data

Location: Tokyo, Japan  
Ownership ratio: 100.0%

Company overview :  
NPSU provides pretreatment agents for automobiles, general-use industrial products, steel, and aluminum cans, and functional agents which provides various functions in very thin film such as hydrophilic coatings. The company offers technologies created through its three-region R&D system in Japan, China, and South Korea and industry-academia collaborations to customers in Asia and worldwide

SWOT Analysis

Strengths

- High customer responsiveness enabled by developing paint products and technologies together
- Differentiated technologies created in a three-region R&D structure in Japan, China, and South Korea and industry-academia collaborations

Weaknesses

- High purchase ratio of raw materials subject to local market conditions, making stabilizing raw material costs an issue

Opportunities

- Growing need for eco-friendly products in automotive coatings and other business fields
- Growing demand for high functionality coatings in Asia and other emerging markets

Threats

- Shrinking domestic market
- Rising raw material prices

Nippon Paint Marine Coatings  
Co., Ltd. (NPMC)



Corporate Data

Location : Osaka, Japan  
Ownership ratio : 100.0%

Company overview :  
NPMC is the Group’s original business and marked its 140th anniversary in FY2021. NPMC manufactures and sells ship paints worldwide and operates a fully integrated supply system from building to repainting ships in Japan and overseas. NPMC is leveraging the Group’s collective strength in R&D to develop and supply advanced environmental products. With value creation driven by SDG- and ESG-oriented management, NPMC aims to become a globally recognized provider of marine paints.

SWOT Analysis

Strengths

- Technical know how to develop safer and eco-friendly marine products
- Marine seafront research center that focus on conducting functionality and evaluation test to constantly improve antifouling and anticorrosion performance

Weaknesses

- Business structure with earnings exposure to market conditions due to high proportion of raw materials with high price volatility



































Opportunities

- Ongoing long-term growth in global marine transportation volume
- Growing need for environmental paints with tightening environmental regulations and increasing ESG investment

Threats

- Changing market conditions and shipowner economic conditions
- Irregular operating schedules and docking delays

Numerous strong brands in the paint and adjacencies areas are offered

Nippon Paint (Japan)	Paint & Coatings		Dunn-Edwards	Paint & Coatings									
	Nippon Paint 	PROTECTON 		Dunn-Edwards 									
Nipsea	Paint & Coatings												
	NIPPON PAINT 	NIPSEA CHEMICAL 	LiBang 	CRF 	OPEL 	SUPE 	臻捕材 	雅士利漆 	Acratex 				
	Paint & Coatings			Beyond Coatings									
Betek Boya	Paint & Coatings												
	BK&NP 	SELLEYS 	V-tech 										
Dulux Group	Paint & Coatings - Pacific				Paint & Coatings - Europe								
	Dulux				Cromology								
Dulux Group	Dulux				Cromology								
	Dulux 	Cabot's 	British Paints 	BERGER 	PORTER'S ORIGINAL PAINTS 	DGL INTERNATIONAL 	mojson deco 	cromology 	TOLLENS 	ZOLPAN 	MaxMeyer 	JUB Group 	JUPOL 
	Sealants, Adhesives & Fillers and Construction Chemicals				Other Home Improvement Businesses								
Dulux Group	Sealants, Adhesives & Fillers and Construction Chemicals				Other Home Improvement Businesses								
	SELLEYS 		PARCHEM 		YATES 		B&D GROUP 		LINCOLN SENTRY 		blum 		

# 2

## Business Environment

Photo: Singapore / REFLECTIONS AT KEPPEL BAY



# 2 (1) Roles of Paint and Coatings in Society

NIPPON PAINT GROUP

## Protecting the social infrastructure that underpins our daily lives

**Beautifying**

**Protecting**

**Adding  
functionality**



### Structures(buildings, stadiums)

Fire-proofing coatings prevent buildings from fire accidents and provide design flexibility



### Housing (interior paint)

Interior paint protects people's health with its anti-viral, anti-bacterial, and anti-mildew properties and provides innumerable color options for home interior design



### Automobiles

Automobile paint enables brilliant colors and high gloss finish with coated 0.1 mm film protecting against UV ray degradation, rust and scratches



### Vending machines

Powder paints applied to surfaces contain no volatile organic compounds (VOCs), which are a source of air pollution



### Ships

Marine coatings contribute to preventing global warming by reducing CO<sub>2</sub> emissions during ship operations



### Road

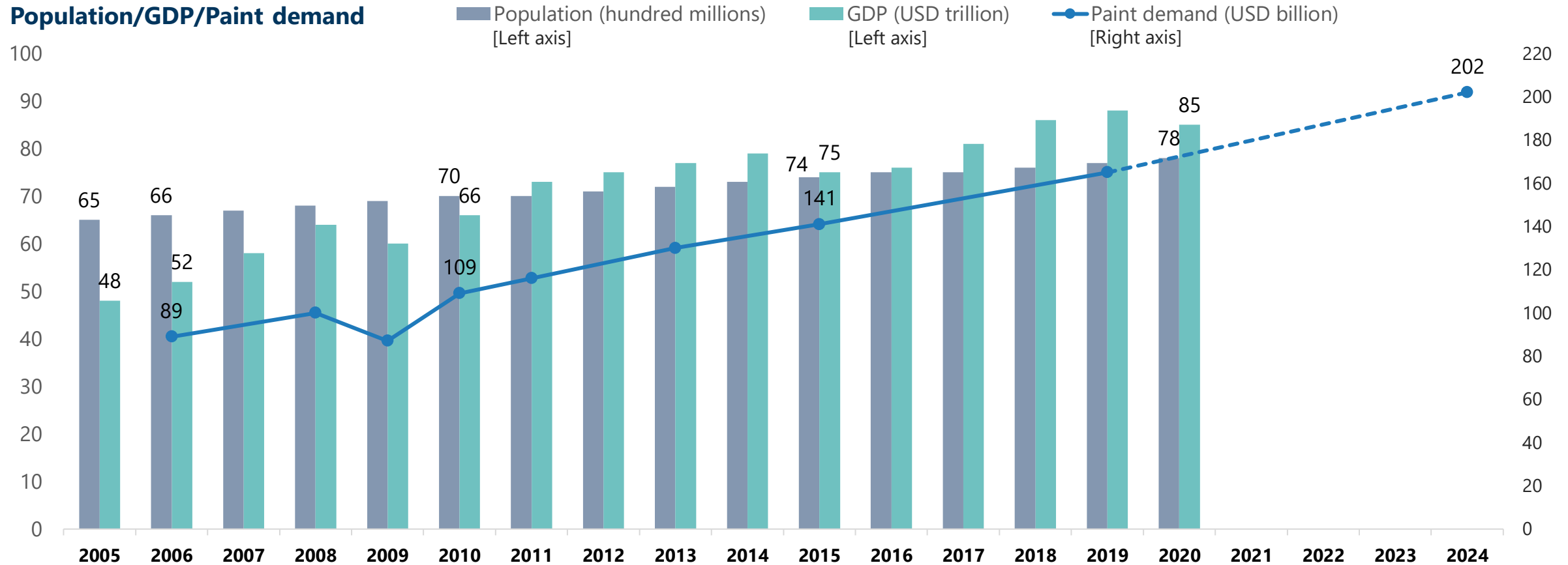
Heat shielding coatings for asphalt road surfaces help create pleasant urban environments by preventing heat accumulation

## 2 (2) The Global Paint and Coatings Market 1

NIPPON PAINT GROUP

### The global paint and coatings market is growing proportionally to population and GDP growth

Population/GDP/Paint demand

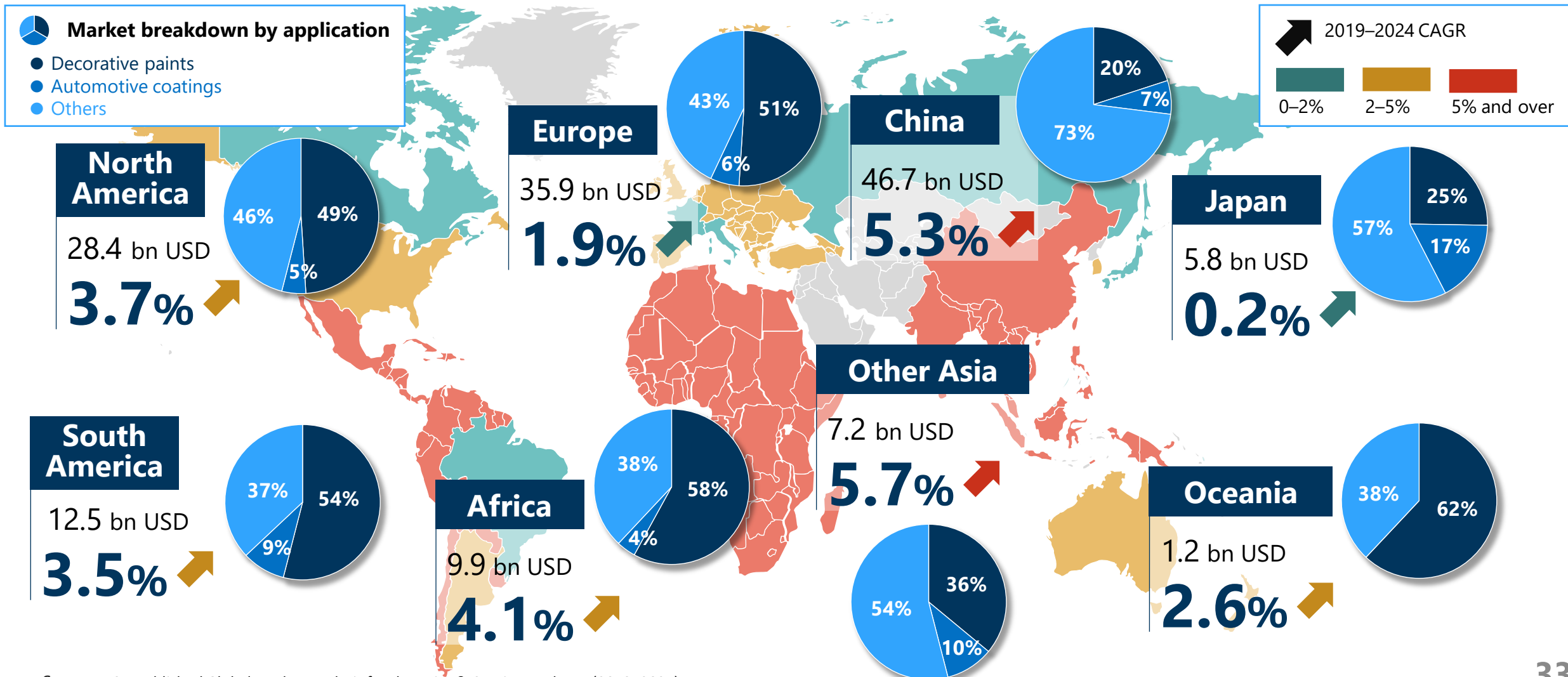


- The global paint and coatings market is a growth industry, with paint demand increasing proportionally to population and per-capita GDP growth
- The paint and coatings market has stable growth opportunities unlike the much more volatile general chemical industry

Source: ACA-published Global Market Analysis for the Paint & Coatings Industry(2019 –2024)

# 2 (2) The Global Paint and Coatings Market 2

The market offers sustainable growth opportunities in the medium and long term centered on the decorative paints segment in China and other Asia



Source: ACA-published Global Market Analysis for the Paint & Coatings Industry(2019–2024)

A huge market with significant growth opportunities due to the expansion of construction demand, as with the paint and coatings market



Global market volume  
**60.0** bn USD\*1

**SAF**(Sealants, Adhesives and Fillers)



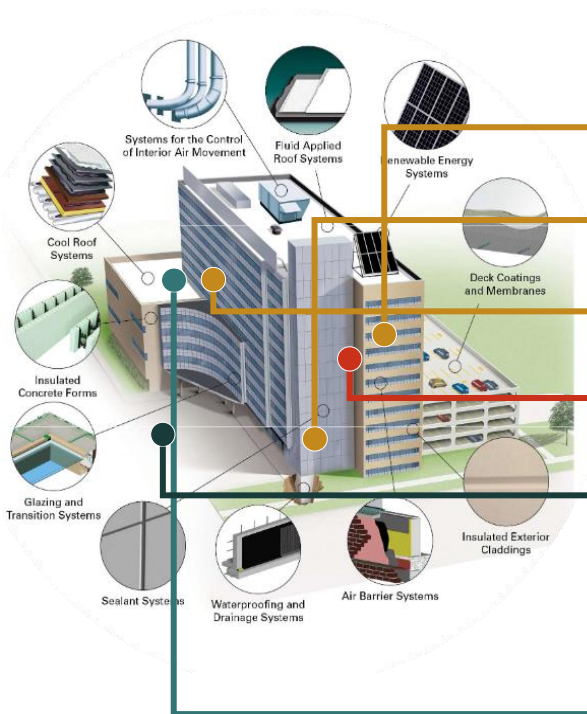
**CC** (Construction Chemicals)

Global market volume  
**71.5** bn USD\*2



European market volume  
**3,500** mmEUR\*3

**ETICS**(External Thermal Insulation Composite System)



Concrete repair + Performance enhancement	Grinding aids
	Admixtures
	Surface treatments
	Grouts & Repair
Adhesives	SAF
Sealants	
Fillers	
Waterproofing Membranes	
Industrial floor coatings	Coatings
Protective coatings for concrete	
Decorative coatings	



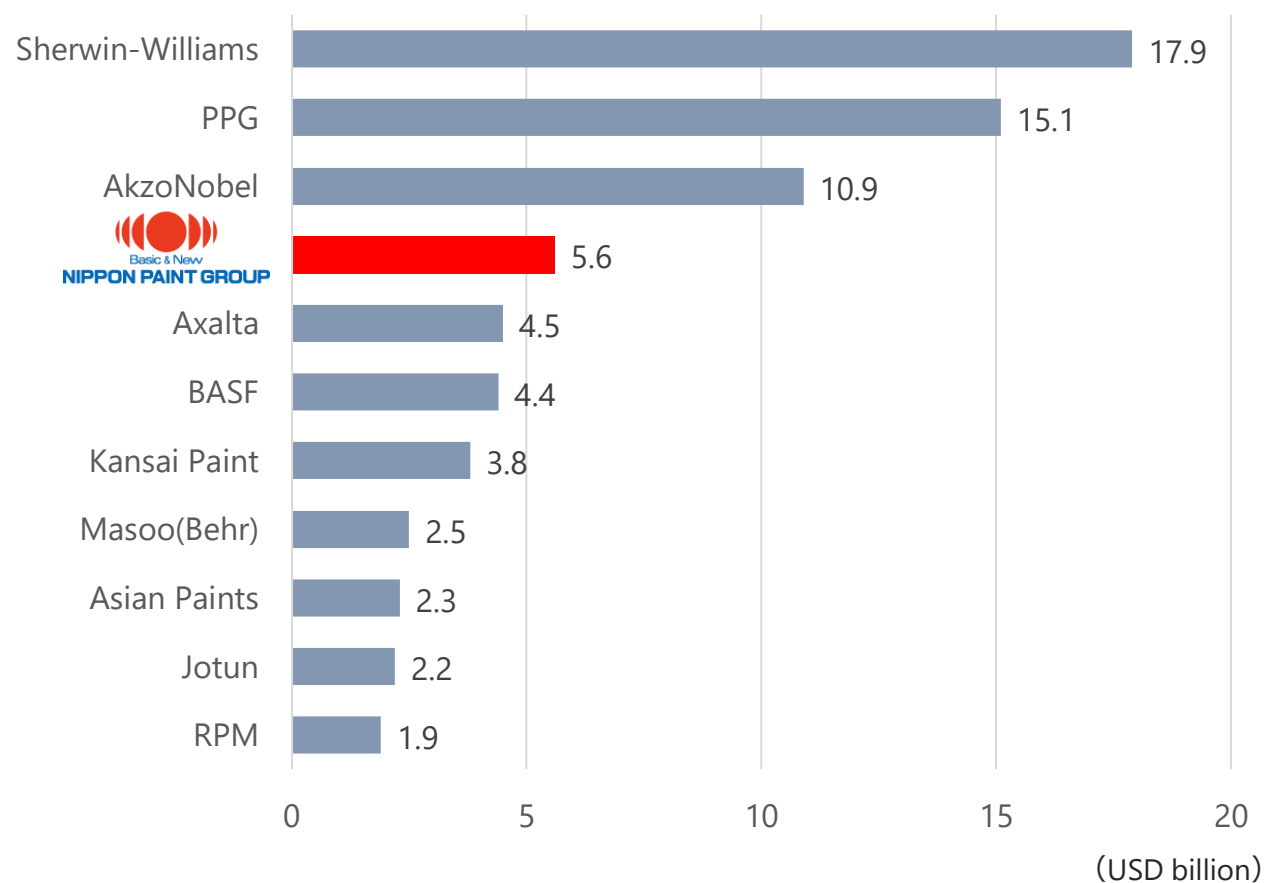
\*1 Source: Fortune Business Insights

\*2 Source: ReportLinker

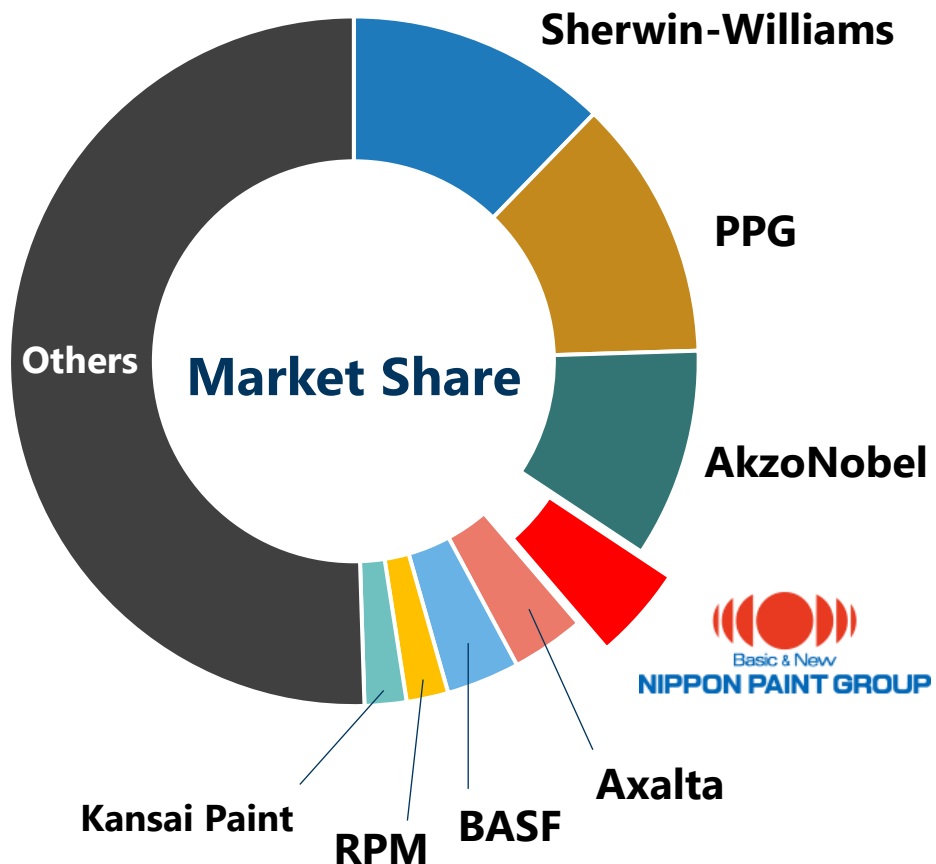
\*3 Source: European Commission Paper

The world's largest paint manufacturers have a combined market share of nearly 50%. The Nippon Paint Group is No.1 in Asia and No.4 in the world

### Sales ranking of paint manufacturers



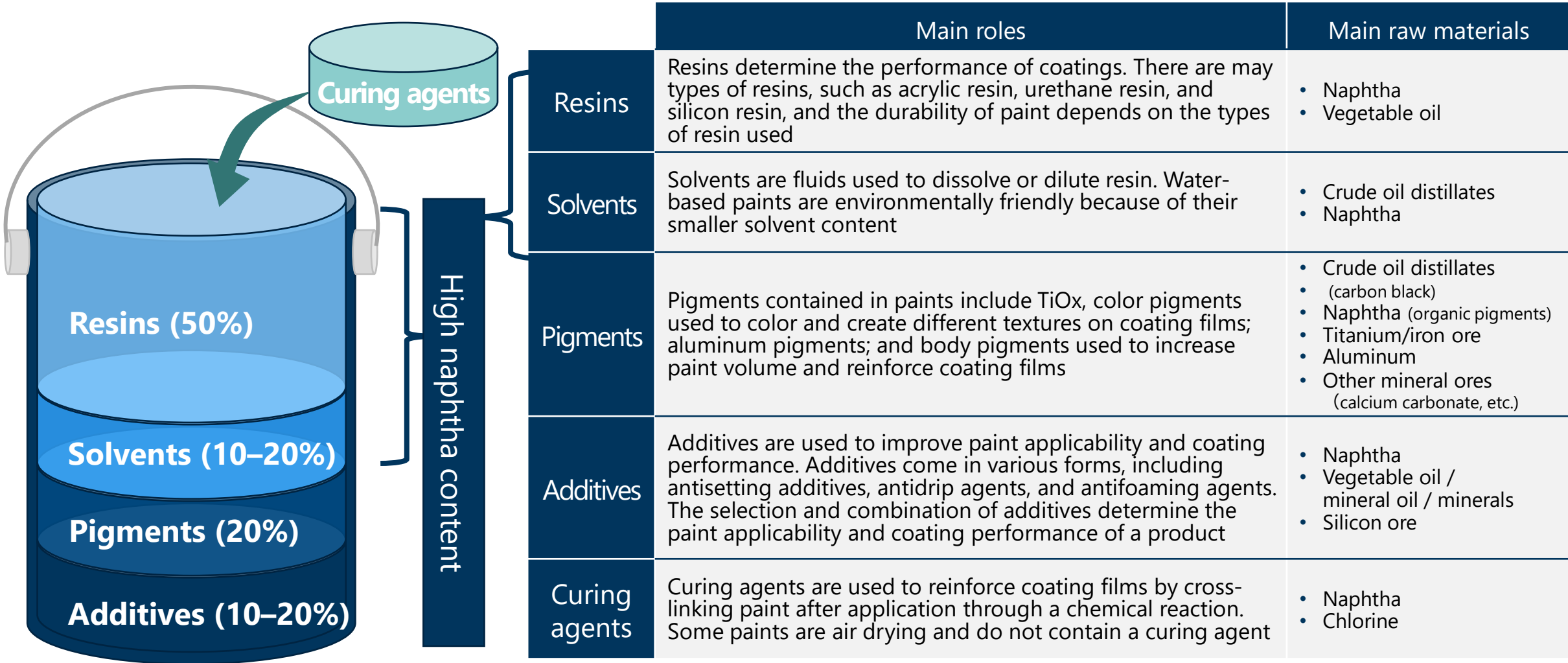
Source: ACA-published Global Market Analysis for the Paint & Coatings Industry(2019 –2024)



Source: NPHD's estimates

# 2 (5) Raw Materials for Paint and Coatings

- Paint and coatings raw materials are organic chemicals derived from crude oil/naphtha as well as inorganic chemicals derived from minerals
- Many raw materials are naphtha based; Resins and solvents particularly have a high naphtha content



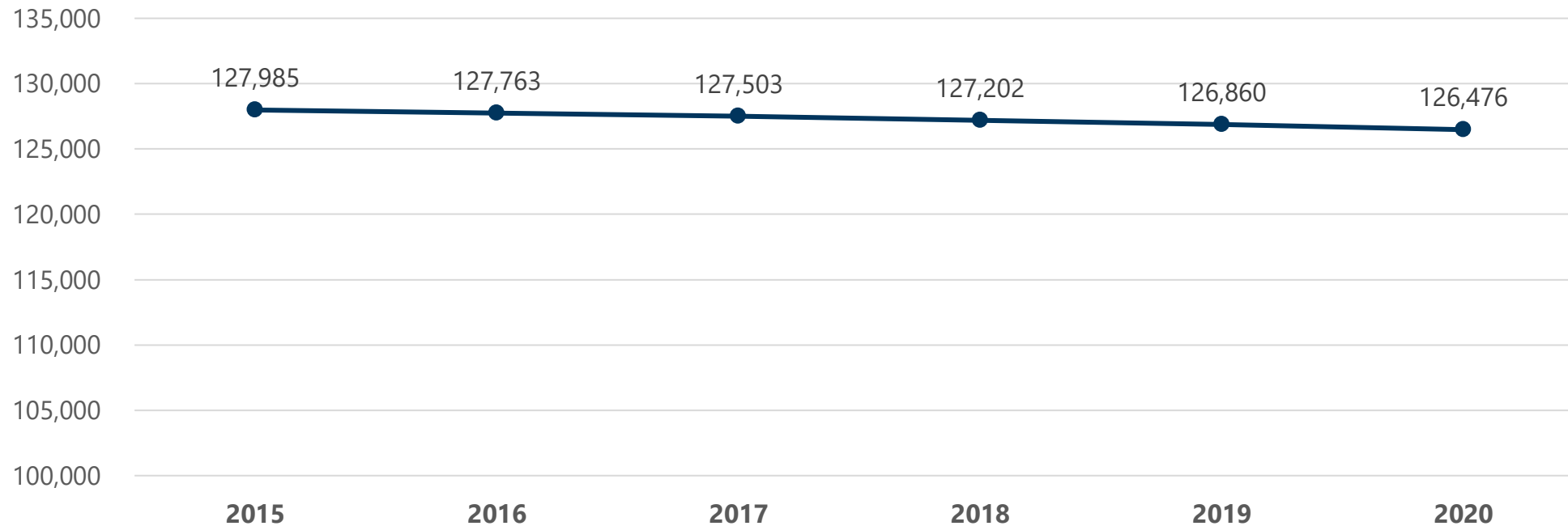
※Crude oil distillates: Components (naphtha, gasoline, kerosene oil, light diesel oil, etc.) obtained by fractional distillation of crude oil

## Japan Population Growth

Annual data (2015–2020)

(Unit: thousands people)

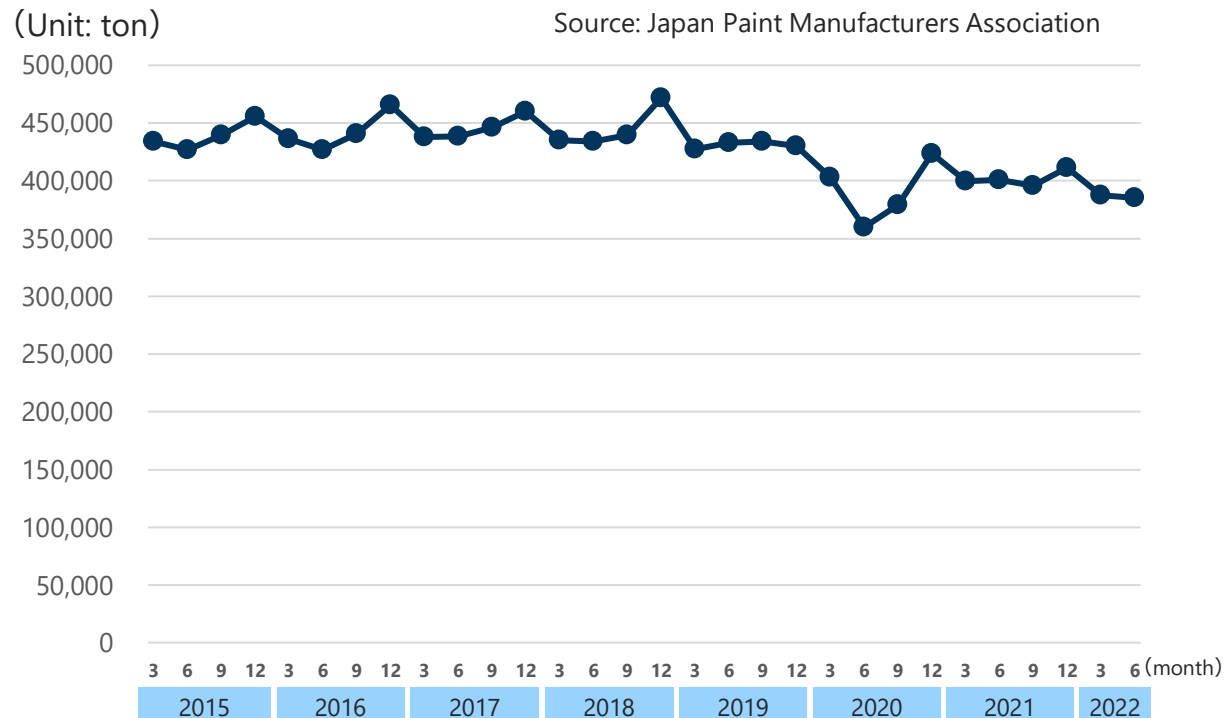
Source: United Nations



- Japan's population is declining slowly due to a low birthrate and aging population

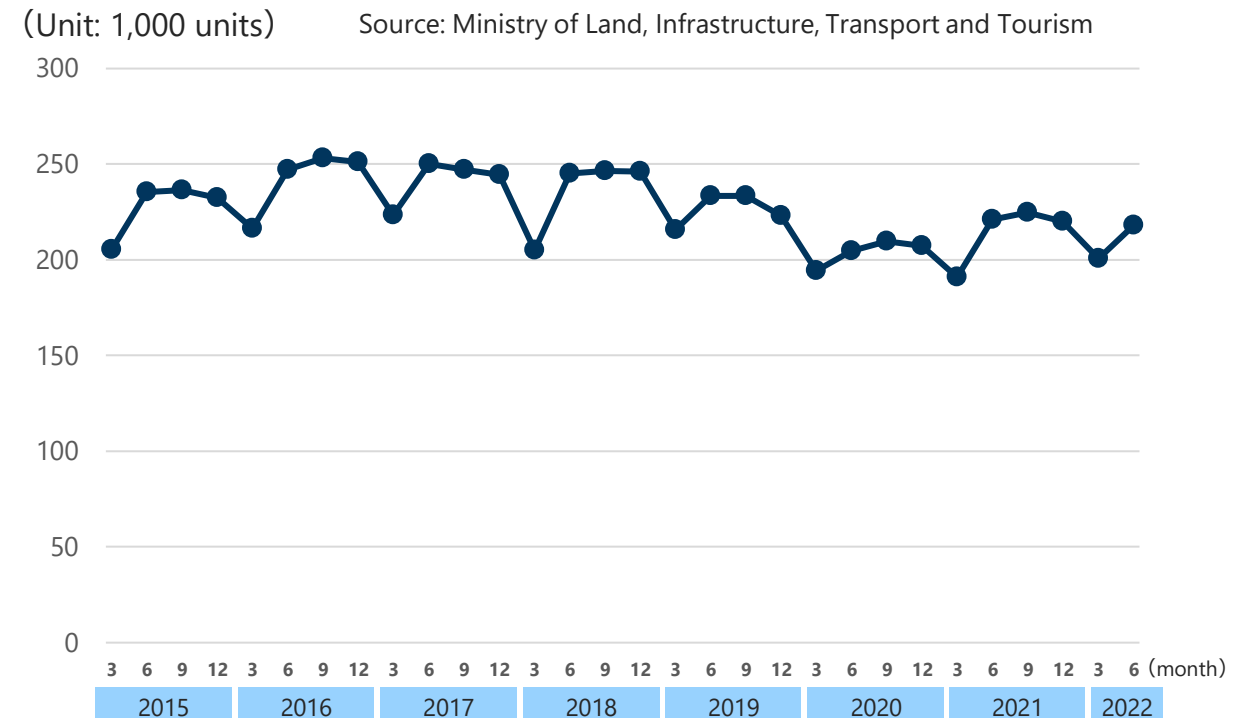
## Japan Paint Sales Volumes

Quarterly data (2015–June 2022)



## Japan New Housing Starts

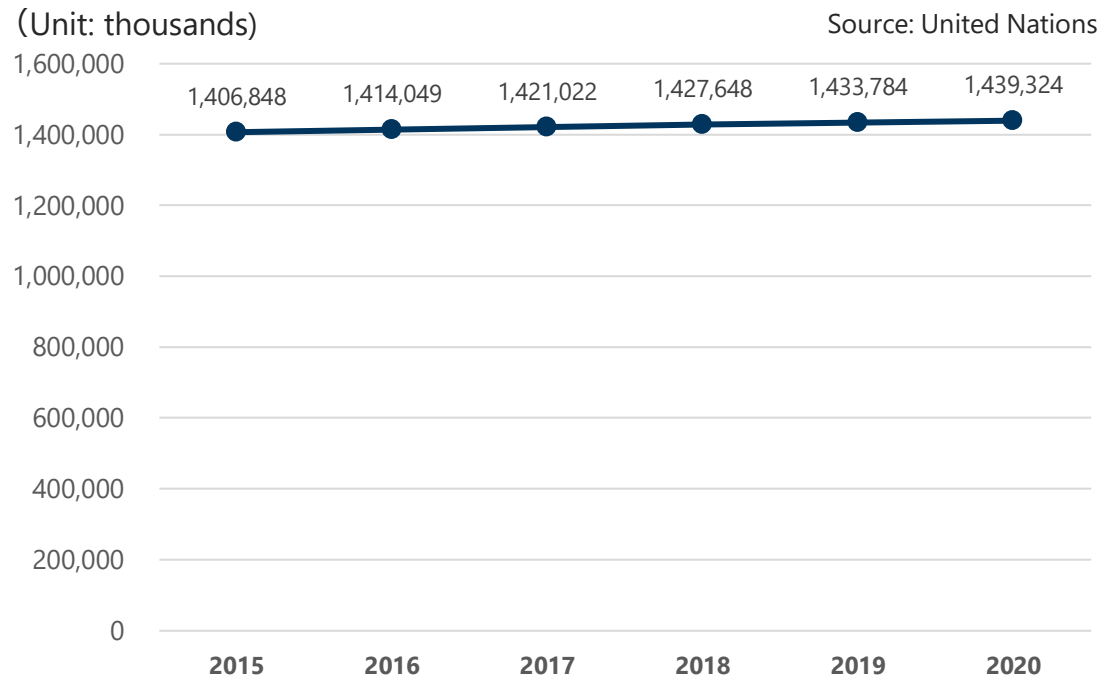
Quarterly data (2015–June 2022)



- Paint sales volumes and new housing starts have been roughly flat
- Current market trends are weak due to the pandemic

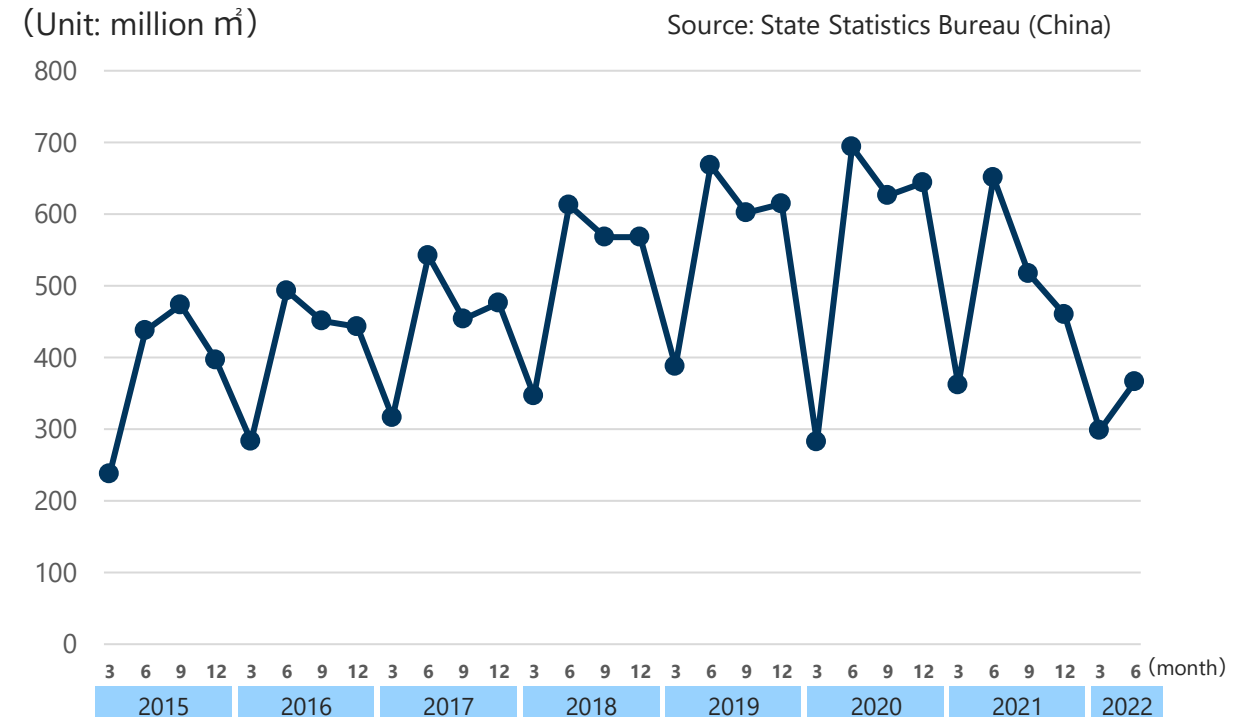
## China Population Growth

Annual data (2015–2020)



## China New Housing Starts

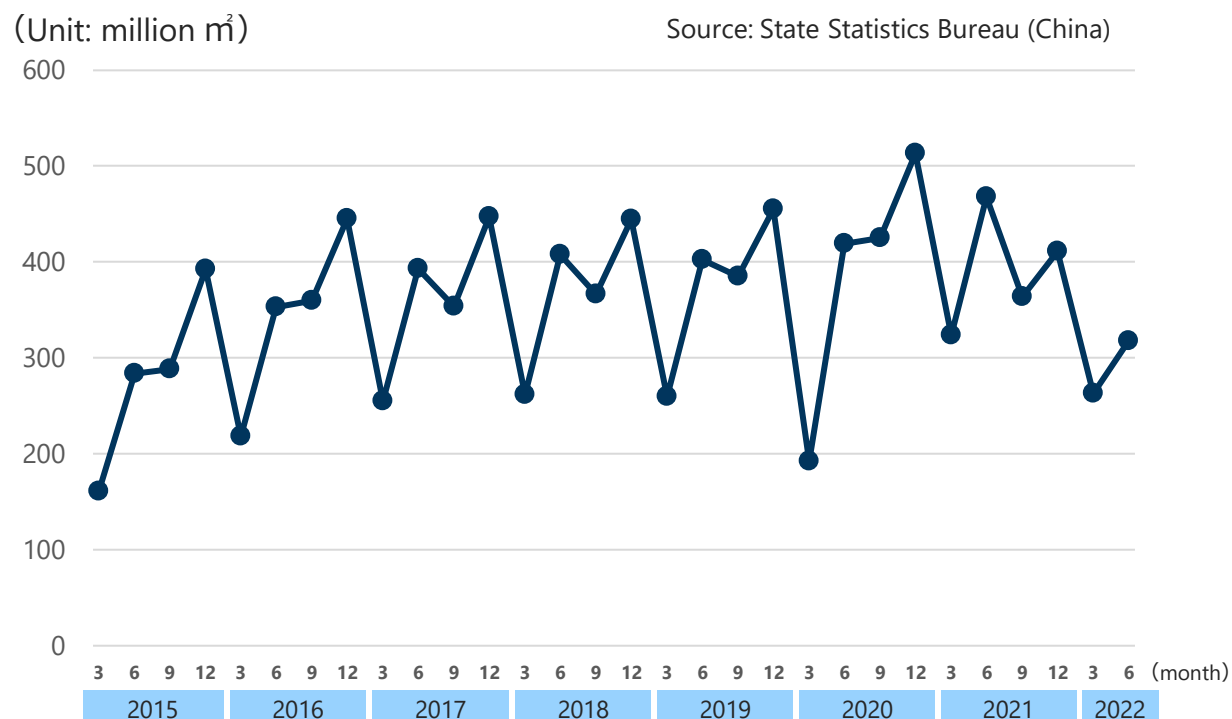
Quarterly data (2015–June 2022)



- New housing market has been historically weaker in the first quarter compared to the other quarters mainly due to the impact of the Chinese New Year holidays
- The existing housing market, in addition to the new housing market, is significant

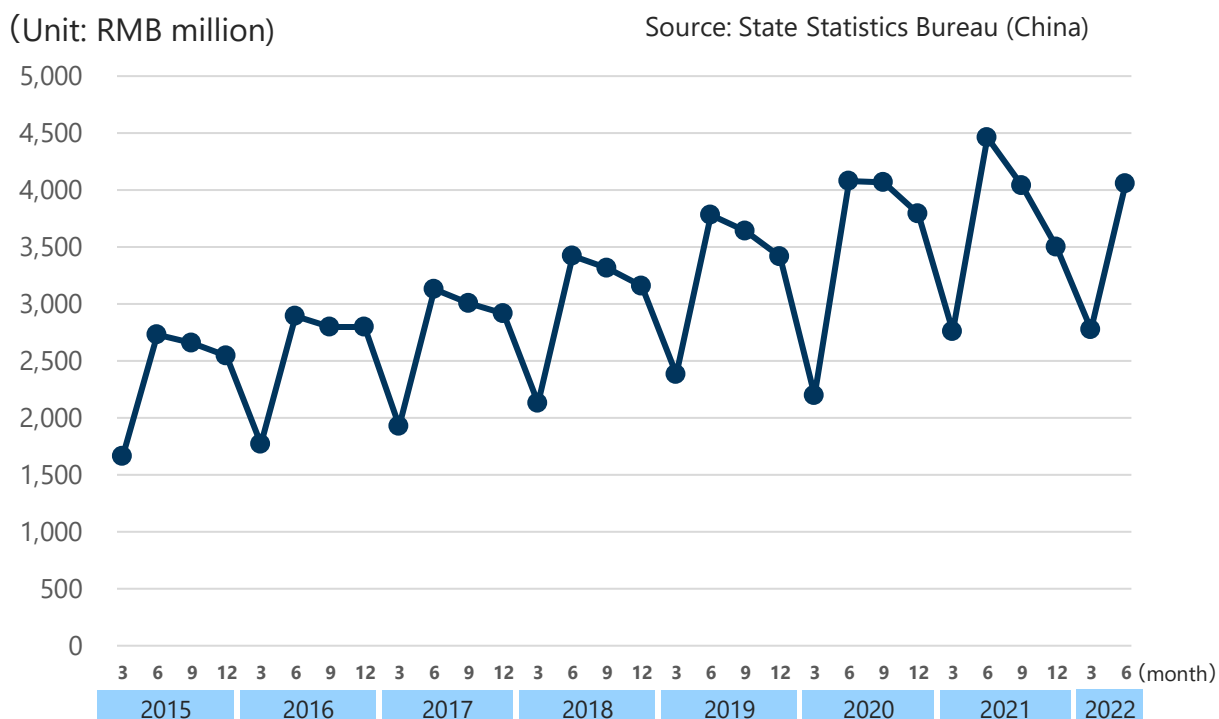
## China Residential Sales Area

Quarterly data (2015–June 2022)



## China Real Estate Investment Amount

Quarterly data (2015–June 2022)

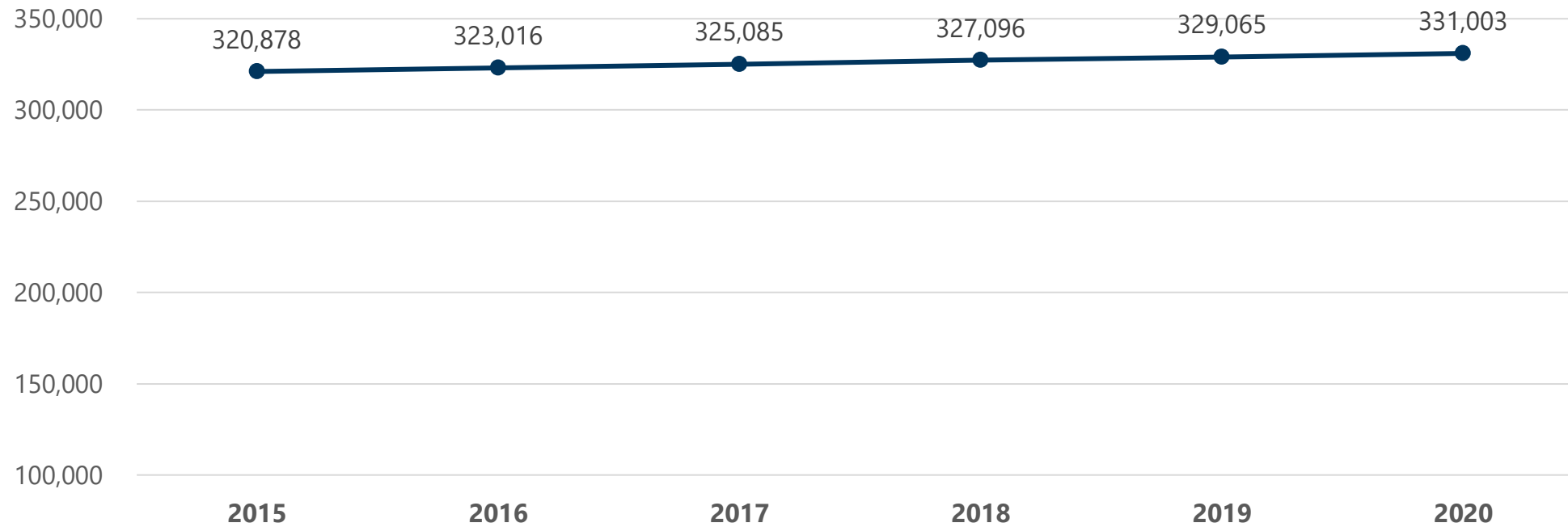


- The real estate market has grown continuously driven by development of projects by real estate developers
- The real estate sector has continued to grow, albeit slowing to a sustainable pace due to the government's recent focus on deleveraging of the economy

**U.S. Population Growth****Annual data (2015–2020)**

(Unit: thousands)

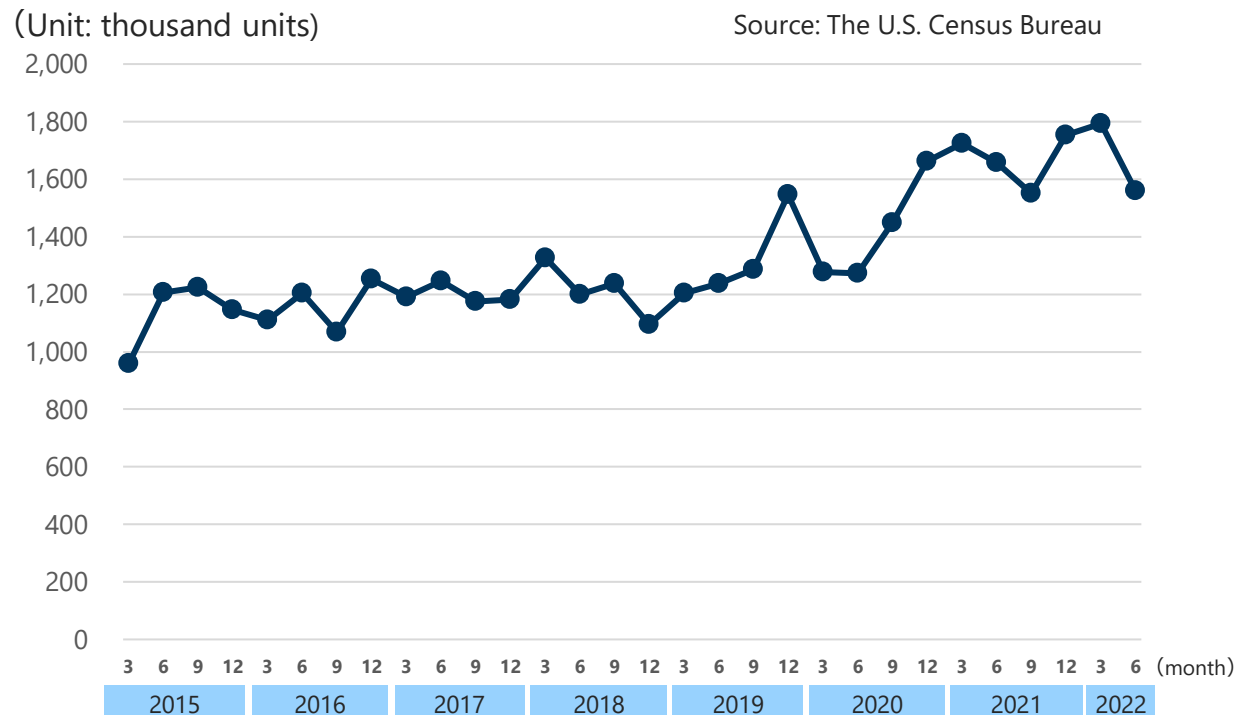
Source: United Nations



- The population has been growing steadily because of the government's immigration policy

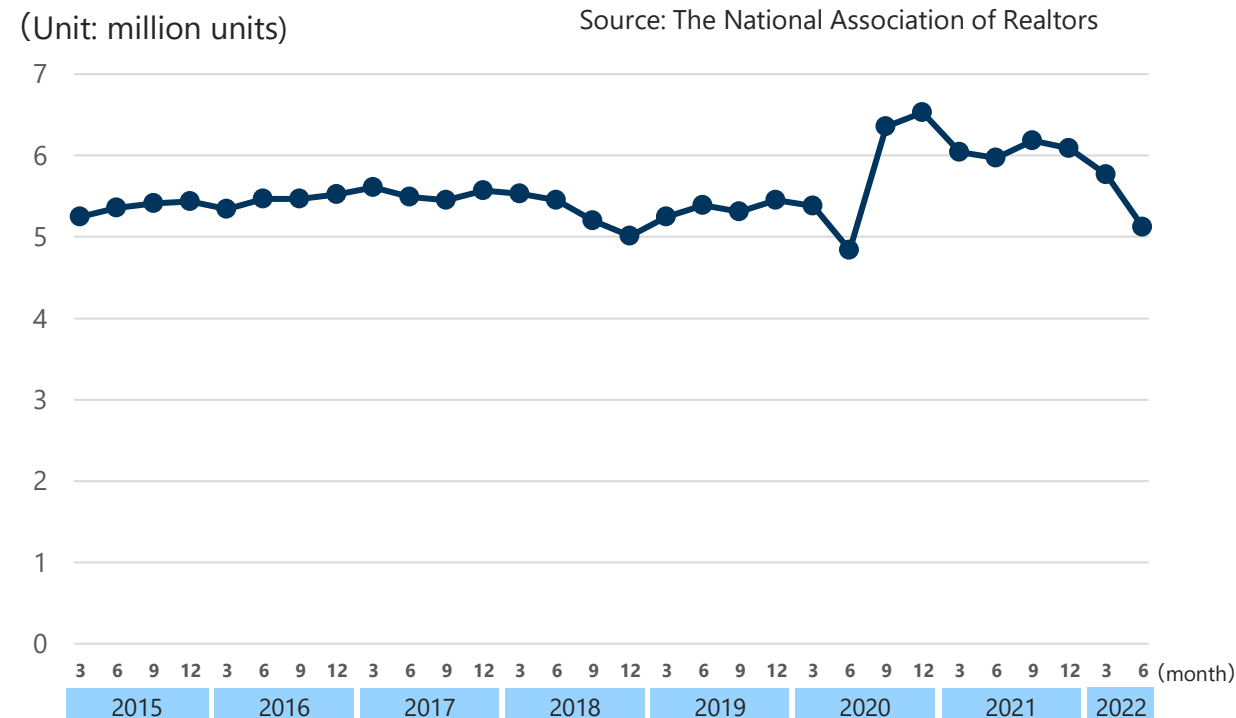
## U.S. New Housing Starts

Monthly data (2015–June 2022)



## U.S. Existing Housing Market

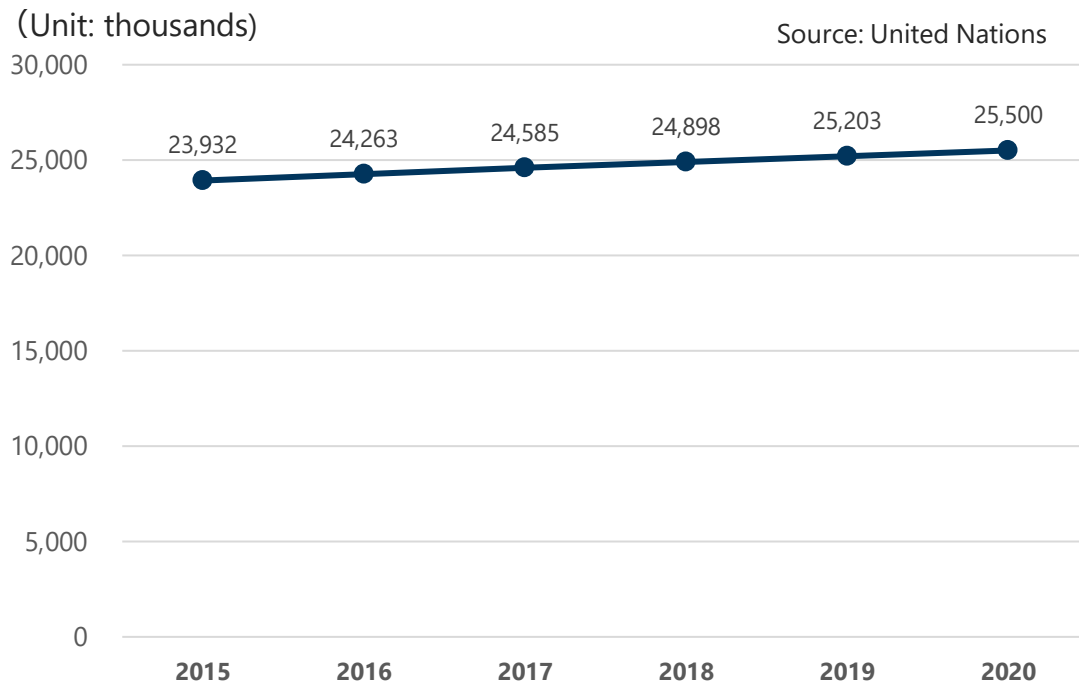
Monthly data (2015–June 2022)



- Robust growth is continuing in both the new housing market and existing housing markets
- These markets have been booming, in particular since 2020, backed by the government's low interest rate policy

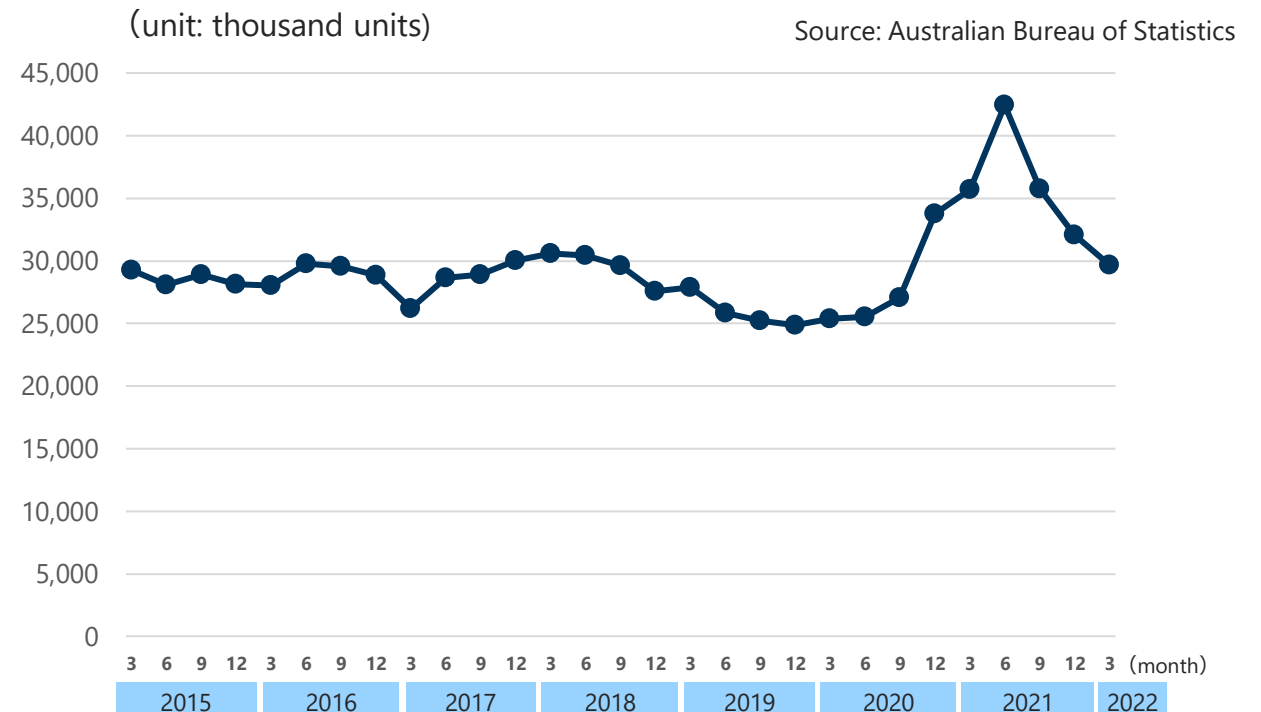
## Australia Population Growth

Annual data (2015–2020)



## Australia Private Dwellings Commenced (New Houses)

Quarterly data (2015–May 2022)



- **Steady population growth expected to continue**
- **The new housing market has gained momentum since 2021 driven by the recovery from the pandemic downturn**

## **Asset Assembler**

Asset Assembler is a business model adopted by Nippon Paint Holdings to pursue MSV. Based on this model, we will aim for accelerated growth over the medium and long term with limited risk by assembling strong brands and excellent talent through the expansion of existing businesses and aggressive M&A.

## **Wuthelam Group**

The Wuthelam Group, founded in 1949, operates investment business. Our partnership with Wuthelam dates back to 1962, when we jointly established Pan Malaysia Paint Industries (now Nippon Paint (Singapore) Company Private Limited) in Singapore.

## **Maximization of Shareholder Value (MSV)**

Maximization of Shareholder Value (MSV) is the sole mission of the Nippon Paint Group. We seek to create wealth by maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, and society.

## **Autonomous and decentralized management**

Autonomous and decentralized management is the management structure adopted by the Nippon Paint Group. Based on Trust of Group partner companies in Japan and around the world, the Nippon Paint Group will carry out management based on delegation of authority combined with accountability, allowing our partner companies in every region to collaborate with each other pursuing autonomous growth.

## **Paint and Coatings Business**

Our business comprises five business domains: automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints.

## **Paint Related Business**

Paint Related Business provides adjacencies, such as sealants, adhesives & fillers (SAF) and construction chemicals (CC). Similar to the paint market, the paint related market is expected to growth with construction demand. In addition, this is a capex-light business and has distribution networks that share many common features with paint distribution networks.

## **Nipsea Group**

Nipsea Group is a partner company of the Nippon Paint Group and a leading paint manufacturer in Asia operating in 22 countries and regions with 95 manufacturing facilities. Established in 1962 as a joint venture between Wuthelam and NPHD in 1962, Nipsea Group became a consolidated subsidiary of NPHD in 2014 and was fully integrated by NPHD in 2021.

## **Partner company**

The term that refers to consolidated subsidiaries of Nippon Paint Holdings

## **LiBang**

LiBang is the Nippon Paint Group's brand deployed in the paint market in China. This brand has been awarded the Outstanding Brand Award at the China Economic Summit for three years in a row, and has built a powerful presence backed by the Group's excellent technological and marketing capabilities, earning high levels of customer satisfaction.

# NIPPON PAINT GROUP

<https://www.nipponpaint-holdings.com/en>

## Contact

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