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About our IR website

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



Nippon Paint Holdings delivers information required by its domestic and overseas shareholders and investors through its IR website in a timely and equitable manner.

For those shareholders and investors who have smartphones with QR code (2D code) readers, please scan the following image to directly access the IR website.



About the cover page

A FLOWER A DAY



"A FLOWER A DAY," by DAAS, an American contemporary artist, was inspired by his childhood where he played in nature all day long. The mural depicts a girl living in harmony with nature, surrounded by colorful flowers and a blue sky. It was created with the wish for raising people's awareness of their connection with nature and exploring the secrets of nature.

Location: Pudong District of Shanghai, China
Date of creation: May 2018

Integrated Report 2020

Year Ended December 31, 2019



Bringing Color, Comfort, and Security to the Lives of People around the World

Our paint and coatings technologies are used all over the world, from automobiles, railway cars, housing, skyscrapers, highways, and bridges to landmark buildings.

Through our mission of providing comfort and security, as well as coloring the lives of people in every situation, we will fulfill our duties to stakeholders and pursue maximization of shareholder value.



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Nippon Paint Holdings Integrated Report 2020 editorial policy

The 2020 edition of the report conveys the strategic story of the Nippon Paint Holdings Group as we pursue a global business strategy based on an ESG and SDGs perspective as a leading company in the paint industry toward achieving Maximization of Shareholder Value (MSV), our paramount management mission. Under the new management structure which kicked off in January 2020, the Group strives to create new products and services that address customer needs and various social issues by demonstrating its comprehensive

capability under “spider web management” that creates synergy among Group companies toward MSV. The purpose of this report is to clearly communicate such commitment. Editorial work referenced the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC), Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry, guidelines from the Sustainability Accounting Standards Board in the U.S., etc.

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Period and scope covered, etc.

Period covered: January 1 to December 31, 2019 (information on some activities after January 2020 is also included as necessary).
Scope of the report: Nippon Paint Holdings and its domestic and overseas consolidated subsidiaries.
Accounting standard: Unless stated otherwise, figures before FY2017 are based on JGAAP whereas figures from FY2018 onwards are based on IFRS.

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Publication date

Published in September 2020 (published once a year).

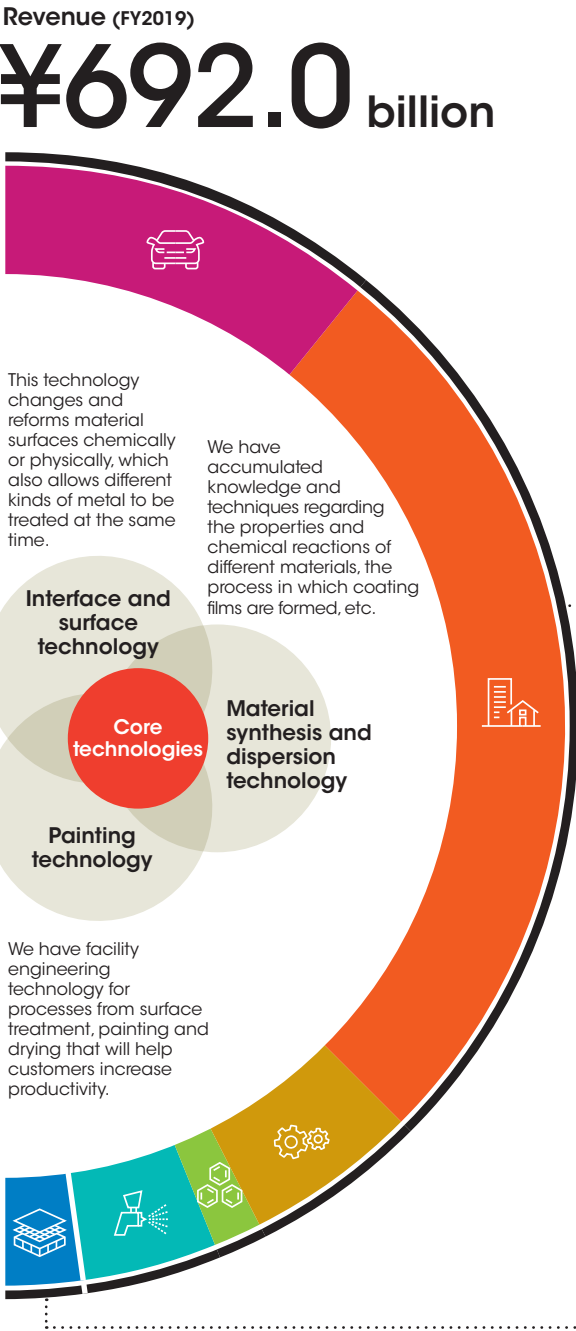
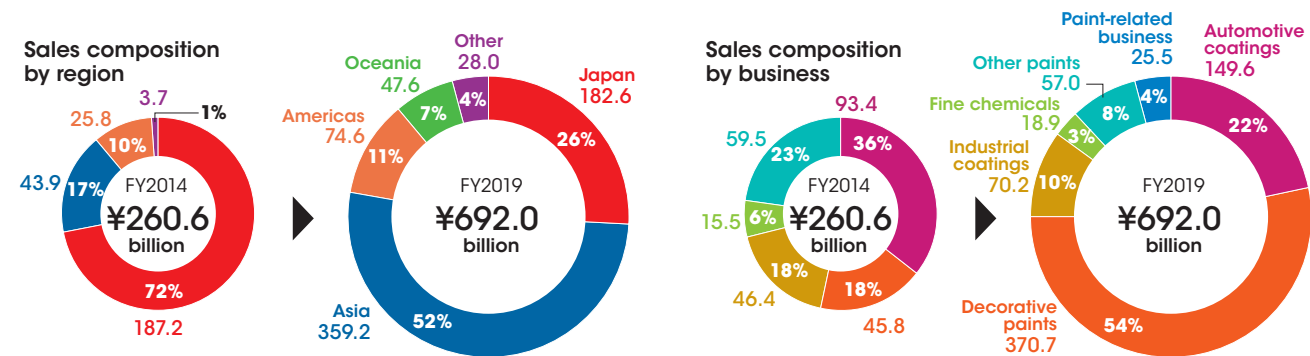
Notice concerning forward-looking statements

The forward-looking statements in this document are based on information available at the time of preparation and involve inherent risks and uncertainties. Accordingly, the actual results and performance of Nippon Paint Holdings Co., Ltd. and Nippon Paint Holdings Group may differ significantly from these forward-looking statements. Please be advised that Nippon Paint Holdings Co., Ltd. and information providers shall not be held responsible for any damage suffered by any person relying on any information of statements contained herein.

Business Domains

Operating broadly in the paints and coatings business centered on automotive coatings and decorative paints

Nippon Paint Holdings (NPHD) has dynamically evolved its business portfolio and operating regions by accelerating the globalization of operations, consolidating Asian JVs and cross-border M&A transactions since 2014. We are expanding our presence in each operating region with the decorative paints business as growth driver.



Paint and Coatings Business	Automotive Coatings	<p>Our product lineup includes high quality and high performance products, ranging from coatings for auto bodies to coatings for automobile interiors, and we supply them to global car manufacturers.</p> <div> <div>160.2</div> <div>149.6</div> <div>Revenue</div> <div>¥149.6 billion</div> <div>2018 2019</div> </div>
	Decorative Paints	<p>We provide paints for houses, buildings, bridges, and plants. We contribute to society through our latest coating technologies to deliver high-function paints with advanced features such as weather-resistance, superb designability, and protection against bacteria and viruses, as well as eco-friendly products such as heat shield coatings and water-based paints.</p> <div> <div>322.5</div> <div>370.7</div> <div>Revenue</div> <div>¥370.7 billion</div> <div>2018 2019</div> </div>
	Industrial Coatings	<p>We provide pre-coat and post-coat paints, as well as eco-friendly paints including water-based paints and powder paints, to a wide range of industry sectors such as construction machinery, agricultural machinery, exterior building materials, office furniture, and home electronic products. Our business domains are expanding globally.</p> <div> <div>68.8</div> <div>70.2</div> <div>Revenue</div> <div>¥70.2 billion</div> <div>2018 2019</div> </div>
	Fine Chemicals	<p>We provide advanced products and services in the surface treatment field such as base coatings and functional coatings for a wide range of industry sectors and in the coating material field suitable for electronic materials and new materials for natural energy applications, thereby contributing to solving issues faced by global society.</p> <div> <div>19.4</div> <div>18.9</div> <div>Revenue</div> <div>¥18.9 billion</div> <div>2018 2019</div> </div>
	Other Paints	<p>We develop advanced paints such as ultralow-fuel-efficient antifouling paints that comply with global environmental regulations in the shipbuilding and shipping industries. We also provide paints that are suitable for ship repair and help reduce environmental impact by applying cutting edge technologies cultivated through coatings for new cars.</p> <div> <div>56.8</div> <div>57.0</div> <div>Revenue</div> <div>¥57.0 billion</div> <div>2018 2019</div> </div>
	Paint Related Business	<p>We provide construction materials such as sealants, adhesives, and heat shield materials that are airtight and waterproof, as well as garage doors and products for housing equipment.</p> <div> <div>25.5</div> <div></div> <div>Revenue</div> <div>¥25.5 billion</div> <div>2019</div> </div>

* Figures for FY2014 are based on JGAAP whereas figures from FY2018 onwards are based on IFRS.

Our History of Value Creation

As a global leading company in paint and coatings, we supply products that respond to changes in society and the environment

Since becoming the first Japanese company to succeed in mass producing paint and coatings, we have worked on developing innovative technologies to solve social issues. We will pursue our mission of expanding our global presence and sustainable growth while striving to create new products and services that address various customer needs and social issues by responding to changes in society and the environment.

1881

Supporting people's lifestyles through technological evolution

Developed non-toxic zinc white

In 1881, our founder, Jujiro Moteki, was the first person in Japan to develop the non-toxic zinc white to help women suffering from poisoning by the white lead (a kind of white pigment) that was contained in face powders at that time.

Thus, our company originates from efforts to solve social issues through the evolution of technology.

Japan's first!

1990

Providing products friendly to the global environment and people

Developed tin-free antifouling paint

In 1990, we became the first in the world to develop the hydrolysis tin-free anti-fouling paint on ship bottom. We have been working on developing products that are friendly to people and the global environment, placing importance on addressing environmental pollution and improving safety.

World's first!

2007

Helped mitigate global warming by reducing CO₂ emissions from ships

Developed antifouling paint inspired by tuna's skin

Inspired by tuna's skin, Nippon Paint Marine Coatings Co., Ltd (NPMC) developed the world's first low-friction antifouling paint in 2007 and significantly reduced fuel consumptions in ship operation. Our efforts in curbing global warming by disseminating products that use this technology were highly praised, and led NPMC to win the 2019 Environment Minister's Award for Global Warming Prevention Activity in the Countermeasure Technology and Dissemination Category.

World's first!

2017

Supporting the Safety and Security of Society by Providing High Functionality Coatings

Developed an anti-bacterial and anti-viral coating

"Perfect Interior Air Clean" is the first and only anti-bacterial and anti-viral interior coating in the paint industry certified by the Photocatalysis Industry Association of Japan (PIAJ)* as a paint product with properties that inhibit the reproduction of bacteria and virus, supporting the safety and security of society.

*A certification given by the PIAJ to photocatalyst products for which performance, usage and other features are recognized as appropriate by the Association

World's first!

Deepened our partnership over 60 years to become the No.1 paint manufacturer group in Asia

Our partnership with Wuthelam dates back to 1962, when we jointly established Pan Malaysia Paint Industries (the current Nippon Paint (Singapore) Company Private Limited) in Singapore. The Company started expanding into Asian markets around 1933. Yet this partnership allowed us to conduct business operations by taking advantage of our respective strengths, with technological development and production undertaken by NPHD and local management and sales and marketing by Wuthelam. That was the beginning of the current NIPSEA (Nippon Paint South East Asia) business.

We subsequently expanded the NIPSEA business to Thailand, Malaysia, the Philippines, and South Korea, and extended operations into Mainland China in 1992. Our partnership has further deepened, with the conversion of the NIPSEA business into NPHD's consolidated subsidiary in 2014. The Group has thus grown to become the No.1 paint manufacturer in Asia and No.4 in the world.

2000

- 2014 Migration to a Holding Company Structure and consolidation of Asian JVs
- 2015 Separation of operating companies by lines of business
- 2016-19 Globalization through M&A Acquisition of Bolling & Kemper, Dunn-Edwards, DuluxGroup, and Betek Boya

1880

- 1881 Establishment of predecessor "Komyosha"
- 1898 Nippon Paint Manufacturing Co., Ltd. established
- 1927 Renamed as "Nippon Paint Co., Ltd."
- 1931 Headquarters moved to Osaka
- 1949 Wuthelam founded

1960

- 1962 Partnered with Wuthelam for expansion of distribution channel in Asia Launch of the NIPSEA business
- 1967-84 Built factories throughout Japan to expand domestic production
- 1967-94 Actively expanded in the ASEAN region, starting with Thailand and Malaysia
- 1975 Entry into the U.S. Market

1980

- 1992 Entry into the China Market

Changes in revenue

Domestic revenue Overseas revenue

Partnered with Wuthelam to expand distribution channels in Asia (launch of the NIPSEA business)

Strengthened partnership with Wuthelam

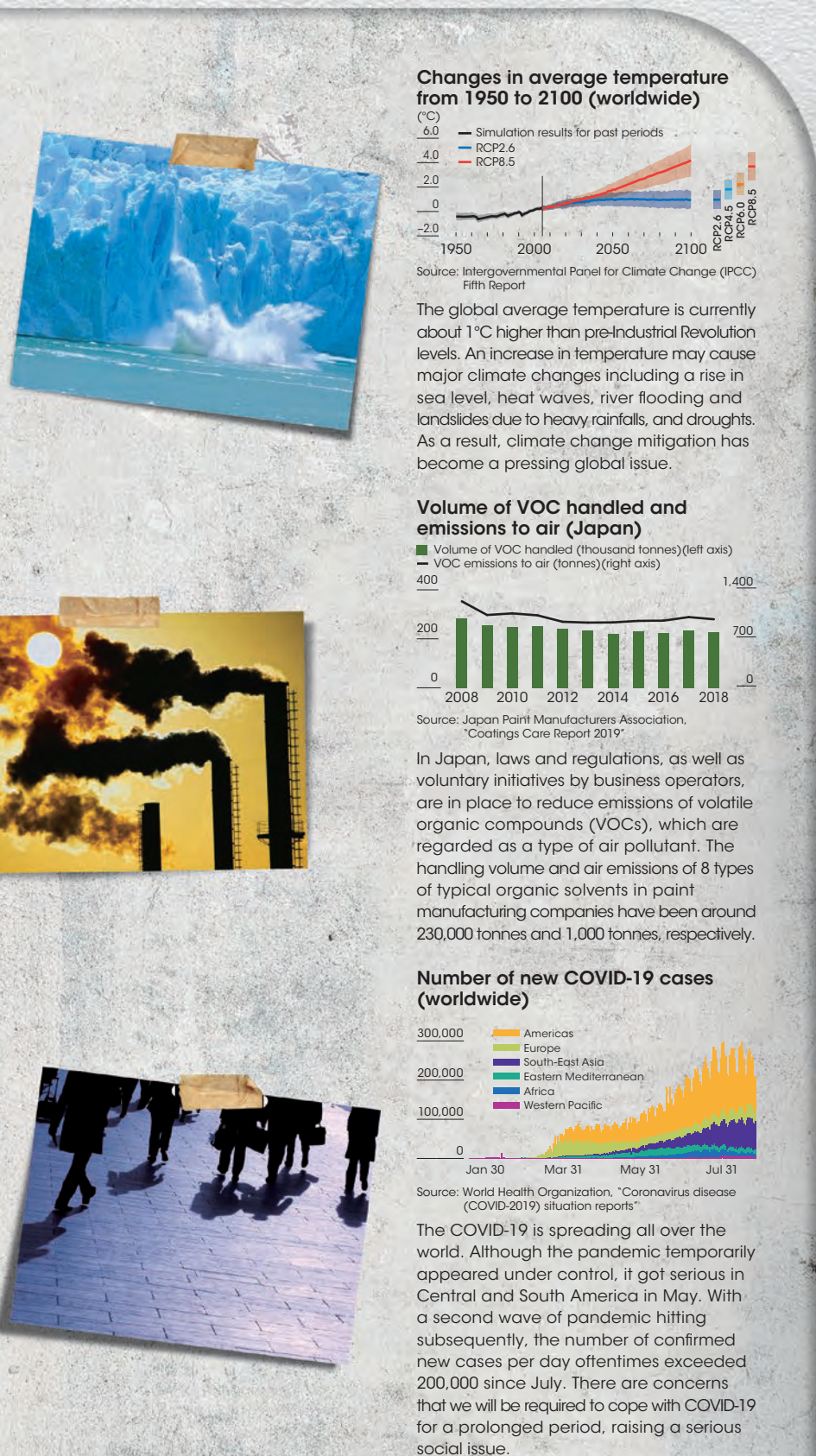
Value Creation Model

Practice value creation through management focused on SDGs and ESG



Value Creation Model

Social issues around paint industry



Nippon Paint Holdings' Maximization of Shareholder Value (MSV) model



Output

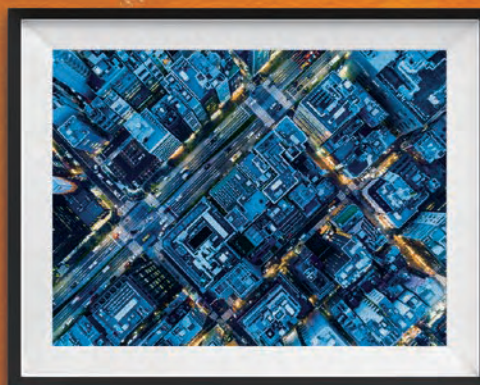


Innovating new eco-friendly technologies

NPHD engages in the development and provision of many products and technologies that can contribute to protecting the global environment and creating enriched lifestyles for people, including water-based coatings that decompose airborne chemical substances, tin-free paints for ship bottoms, and anti-viral coating products.

Providing products that support urban development

Infrastructure and buildings that support urban functions have become dilapidated through exposure to the natural environment, such as UV rays, rain, wind and snow. NPHD contributes to the development and maintenance of urban facilities by providing paints and coatings that prevent corrosion and enhance durability.



Provision of powerful brand products

NPHD has established a powerful brand in the paint markets in China and other countries. We work to further enhance this brand power by increasing the added value of products, providing solutions through products, and building trusting relationships with customers.

Outcome



Expansion of customer base

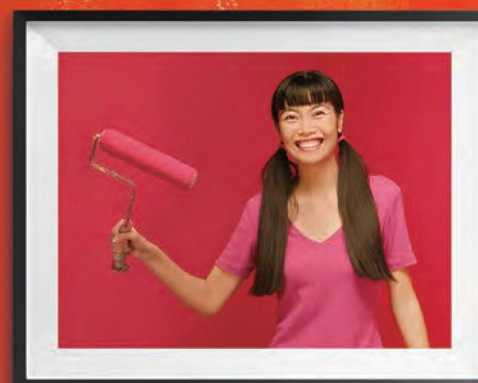


In FY2019, our consolidated revenue increased YoY by 10.3% to ¥692.0 billion due to the growth of our Chinese business and expansion of our customer base following the acquisition of two overseas paint manufacturers.

Degree of confidence in the management



NPHD positions its employees as an important management asset for value creation, and is working on employment maintenance, skill development, and helping the personal growth of employees. Our efforts have steadily translated into an increase in employees' confidence in management.



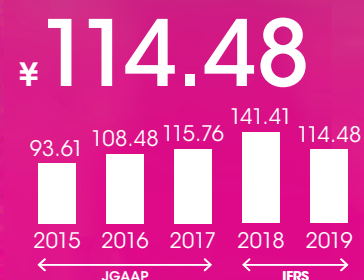
Confidence from customers

Awarded Outstanding Brand at the China Economic Summit



The LiBang brand, which the Group deploys in the paint market in China, has been awarded the Outstanding Brand Award at the China Economic Summit for 3 years in a row. In this manner, we have built a powerful brand backed by excellent technological and marketing capabilities, and earned high levels of customer satisfaction.

Earnings per share (EPS) *



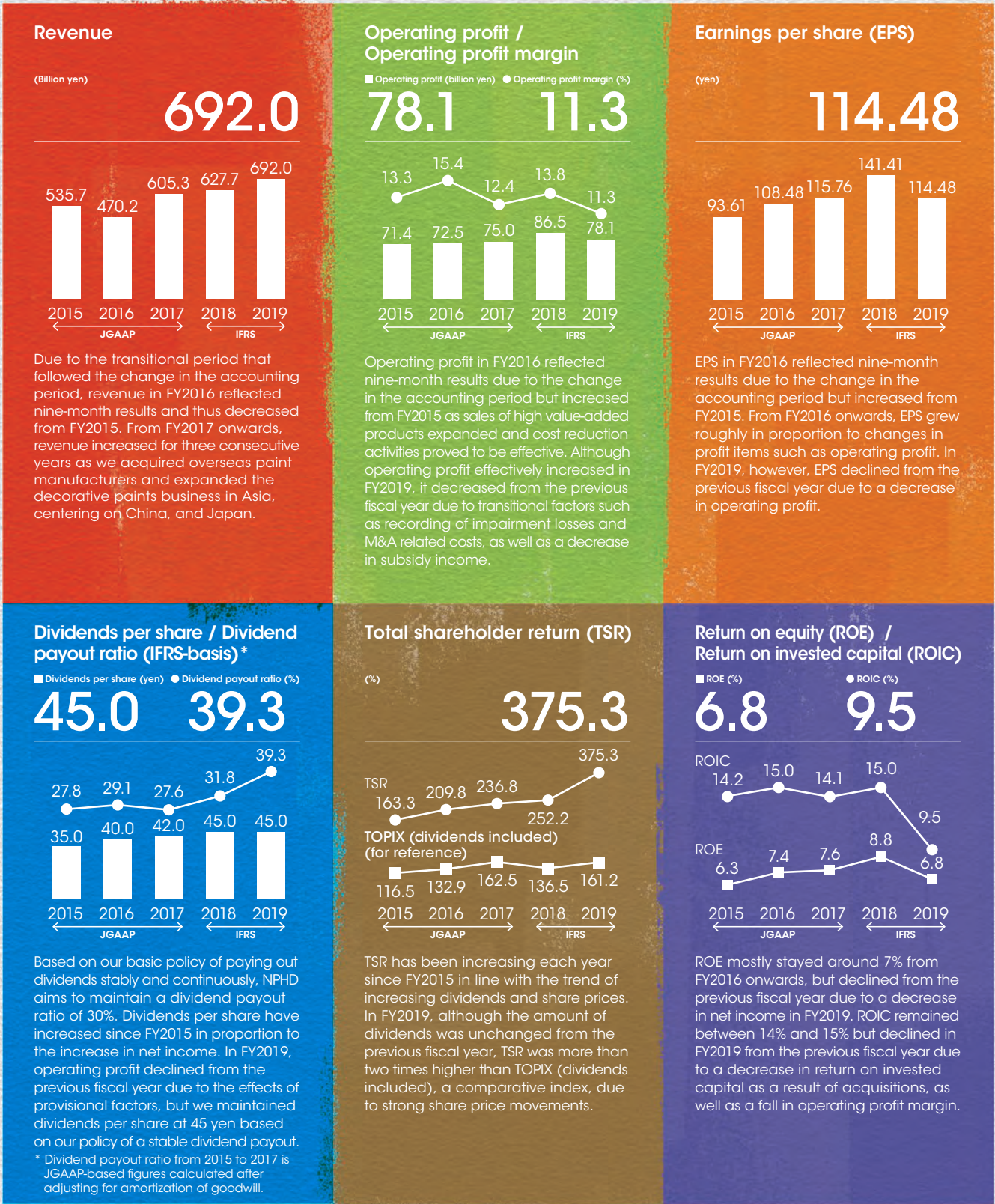
* Earnings per share (EPS) as reported under JGAAP and basic earnings per share (EPS) as reported under IFRS

We believe that our management mission is to maximize the shareholder value which remains after fulfilling our duties to stakeholders, thus repaying those shareholders who took risks to invest in our shares. We will strive to deliver EPS accretion through the creation of value with the perspectives of SDGs and ESG at the core of management.

Achievements of Value Creation

Financial Highlights

Fiscal year-end for FY2015 was March 31, whereas fiscal year-end from FY2016 to FY2019 was December 31; Figures for FY2015 to FY2017 are based on JGAAP, whereas those for FY2018 and FY2019 are based on IFRS.



Materiality

Striving to address materiality by leveraging our strengths and proactively cooperating with external parties

Following the expansion of its overseas businesses, NPHD reviewed its materiality based on the policy of placing the perspective of SDGs and ESG at the core of management.

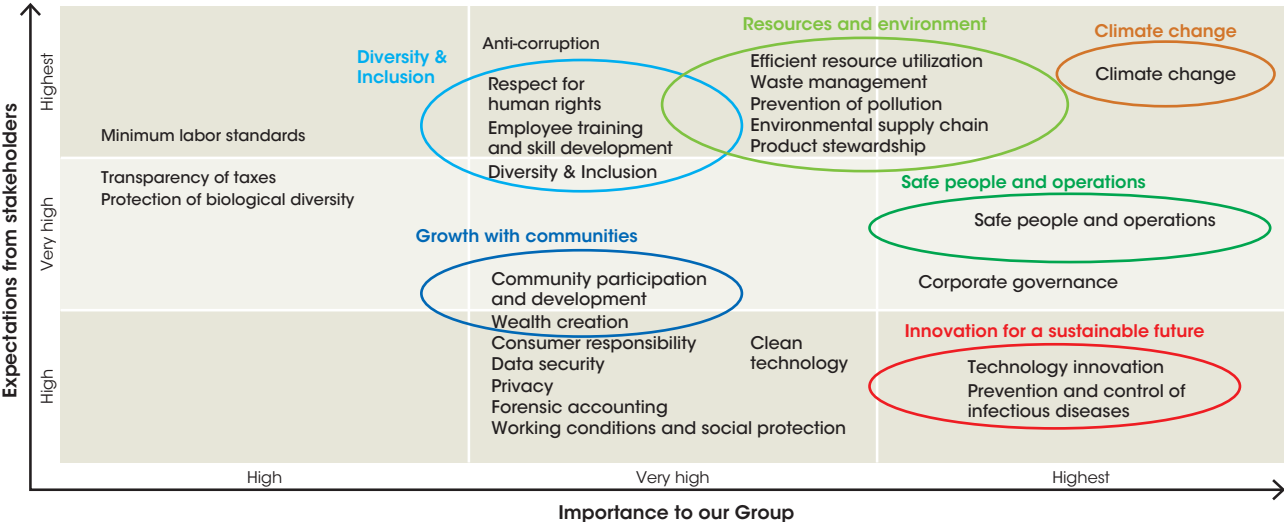
Materiality and its identification process

In identifying materiality, we created a list of crucial issues which society requires us to address by referencing international guidelines such as GRI and SASB, as well as items required by ESG research organizations, and performed quantitative evaluation of these issues and verified their importance from the two aspects of "degree of importance to stakeholders" and "degree of importance to businesses."

We incorporated an objective viewpoint through dialogue with external experts and held discussions with our partner companies in Japan and abroad to extract crucial issues based on our business model and business environment. We subsequently reviewed these crucial issues, mainly by the management team, and identified the materialities of the Company.

Based on these materialities, we will work on resolving social issues by leveraging the Group's strengths and proactively cooperating with external parties. We will contribute to the achievement of the Sustainable Development Goals (SDGs), which were set and adopted by the United Nations in 2015. We will also set KPIs for each identified materiality and manage and oversee the progress of materiality initiatives at Board of Directors meetings.

Materiality map



Materiality identification process



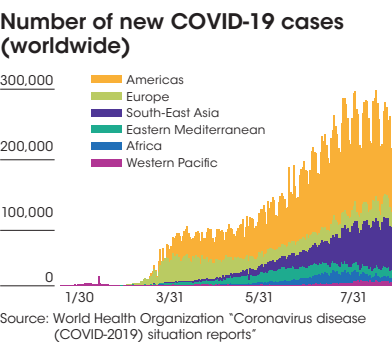
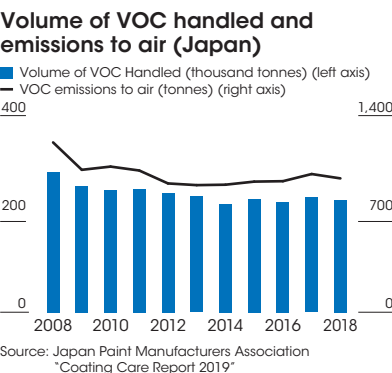
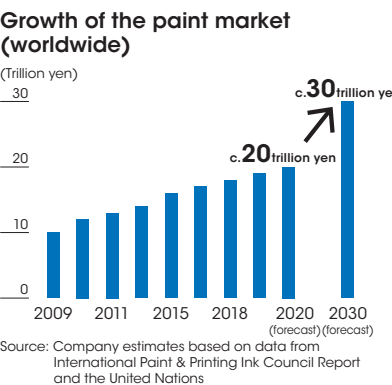
Reasons for identification as materiality and relevant SDGs

Materiality	Relevant SDGs	Explanation of materiality
Climate change	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>13 CLIMATE ACTION</div>	Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, we will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.
Resources and environment	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>6 CLEAN WATER AND SANITATION</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>14 LIFE BELOW WATER</div>	Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout life cycle of products.
Diversity & Inclusion	<div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCED INEQUALITIES</div>	Respect for the people around us and active acceptance of diverse values are important for our sustainable growth. We place great importance on the diversity of employees and other people involved in the business and respect human rights.
Safe people and operations	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>4 QUALITY EDUCATION</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>	As a chemical manufacturer, we still believe that accidents and health damage caused by handling chemical substances are major risks. We will ensure the safety of employees and everyone involved in our business, and will make investments and education to minimize risks.
Growth with communities	<div>1 NO POVERTY</div> <div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>	We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.
Innovation for a sustainable future	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>	In today's society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.

Risks and Opportunities

Taking actions for driving medium to long-term growth based on an assessment of risks and opportunities

The business environment surrounding the Group as a global company is constantly changing and significantly affecting the Group's operations. We analyze such changes from the perspective of both risks and opportunities, and utilize the results of the analysis to work out and execute initiatives aimed for the Group's medium to long-term growth.



External environment

Paint and coatings market

Raw materials

Human resources

Natural disasters and occupational accidents

Climate change

Risks	Opportunities
<ul style="list-style-type: none"> Paint demand in Japan has been decreasing since 1996 	<ul style="list-style-type: none"> The paint and coatings market is certain to grow in line with rapid population growth Offers scope for significant market share gains
<ul style="list-style-type: none"> Risk that the procurement of raw materials will be discontinued due to production halts at raw materials manufacturers and disruptions of supply chains due to natural disasters, etc. Risk that fluctuations in crude oil and naphtha prices will impact the Group's performance due to the nature of our products 	<ul style="list-style-type: none"> Leverage our procurement capability by utilizing the Group's worldwide networks as a global company
<ul style="list-style-type: none"> Decrease in the number of employees due to the increase in the number of employees who retire upon reaching mandatory retirement age in Japan Increase in competition to recruit young people and people with specialized skills High mobility of human resources outside Japan 	<ul style="list-style-type: none"> Recruit excellent talent by leveraging our strong brand power as a global company
<ul style="list-style-type: none"> Unstable product supply caused by major natural disasters Suspension of operations due to fire or explosions Suspension of operations due to the virus pandemic 	<ul style="list-style-type: none"> Support for recovery activities in areas affected by a disaster
<ul style="list-style-type: none"> Implement policies, laws and regulations, etc. to deal with climate change that goes beyond forecasts Suspension of production and shipments caused by extreme weather such as typhoons and heavy rainfalls that have been increasing in recent years 	<ul style="list-style-type: none"> Growth of markets for eco-friendly products

NPHD's actions	
Actions to address risks	Actions to capture opportunities
<ul style="list-style-type: none"> Create new products (new sources of demand) such as anti-viral coatings Improve productivity (and profitability) by making investments in production bases in Japan Share best practices with overseas group companies (sales and earnings growth through spider web management) 	<ul style="list-style-type: none"> Earn returns exceeding capital costs and achieve EPS accretion through aggressive M&As Raise our global presence through both organic and inorganic growth
<ul style="list-style-type: none"> Stabilize the procurement of raw materials by achieving interchangeability of raw materials, multiple procurement sources, global procurement of raw materials, etc. Stabilize the procurement of raw materials through mitigation of the risk of price fluctuations of raw materials by concentrating procurement sources, distribution of procurement areas, extending procurement contracts, etc. 	<ul style="list-style-type: none"> Reduce raw material costs by promoting the measures listed on the left through collaboration with overseas Group companies
<ul style="list-style-type: none"> Achieve labor-saving and improve efficiency through the introduction of eco-friendly factories with the latest facilities and equipment and visualization of technologies through promoting IoT and digitization Promote employee engagement by conducting a variety of PR activities to enhance the corporate brand, as well as management with the SDGs and ESG at the core 	<ul style="list-style-type: none"> Advance business strategies by recruiting human resources who can play active roles anywhere in the world by drawing attention to the appeal of the Group's strong global presence and operations
<ul style="list-style-type: none"> Implement disaster prevention and mitigation measures to minimize damage from natural disasters and establish an appropriate crisis management framework Reinforce safety operations system to prevent accidents involving hazardous materials and chemical substances Establish an appropriate infection control framework to protect against infectious disease and prevent the spread of infection 	<ul style="list-style-type: none"> Fulfill responsibilities to stakeholders by proactively providing assistance to suppliers, etc. and supporting recovery activities in areas affected by disasters
<ul style="list-style-type: none"> Formulate product development/technology strategies in anticipation of stricter environmental regulations in the future Implement thorough BCP measures to minimize risks in emergency situations 	<ul style="list-style-type: none"> Enhance the Group's range of products that leverage our advanced technological capabilities and increase our market shares by taking advantage of the expansion of eco-friendly product market



Chapter

2 Value Creation Strategy

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Singapore / Raffles Hotel

Singapore's landmark hotel, established in 1887, has been patronized ever since by many distinguished public figures such as heads of states, politicians, great novelists, and actors. The white color that coats the exterior of the Raffles Hotel was supplied by Mr Goh Chen Liang, the founder of Wuthelam Group, which established a connection between this building and our Group. Our paint was also used in 2019 when the hotel was completely renovated.



Message from the CEO



Masaaki Tanaka
Chairman, President & CEO

PROFILE

After graduating from the University of Tokyo's Faculty of Law, he joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.). After holding positions such as President & CEO at Union Bank (current MUFG Union Bank, N.A.), Deputy President at Mitsubishi UFJ Financial Group, Inc., and President & CEO at Japan Investment Corporation, he was appointed Executive Chairman of the Board, Representative Director of the Company in 2019, Chairman of the Board, Representative Director of the Board, President & CEO in January 2020, and then Chairman of the Board, Representative Executive Officer, President & CEO of the Company in March 2020. He endeavors to maximize shareholder value by reinforcing the Group's foundation of business operations and corporate governance, reforming business structures in Japan and overseas, leveraging his expertise in financing and M&A, and utilizing his network of human connections based on his experience in managing global financial institutions.

Accelerating initiatives to contribute to solving social issues based on our technologies in paints and coatings toward maximization of shareholder value

Greetings

My name is Masaaki Tanaka and I was appointed Chairman of the Board, Representative Director of the Board, President & CEO in January 2020, and then Chairman of the Board, Representative Executive Officer, President & CEO of the Company in March 2020. Before then, I had opportunities of managing various domestic and international companies and providing guidance and advice about management. I believe Nippon Paint Holdings Group has earned high trust from customers over many years, and has the technological capability to address new social issues. It also has an extremely diverse corporate culture with the potential for significant future growth both in Japan and overseas. My mission is to bring out the full growth potential of the Group.

For instance, we have implemented numerous projects to combat the COVID-19 pandemic, which has become a serious global issue, by leveraging the comprehensive capabilities of the Group's engineering teams. The Group has operations in 29 geographical locations around the globe, and we promote "spider web management" for facilitating autonomous collaboration and cooperation between our Group companies around the globe to maximize synergies within the Group.

The Group will further accelerate such initiatives to strengthen its business foundations in the "new normal" society and deliver 'Maximization of Shareholder Value' (MSV).

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Message from the CEO

01 “Management by Walking Around”

Applying issues and insights identified “on site” to improve management

My management philosophy originates from my previous experience as the CEO of a US bank, one of the various companies I have managed. In 2007, the US bank, a listed company with over 10,000 employees, had serious compliance issues which I was assigned to resolve as the new CEO.

The first thing I did after taking position was visit work sites, calling it “Management by Walking Around,” where I would visit each branch office to communicate with employees, while also conversing with a number of independent directors. By gathering information through this practice, I was able to clarify and solve the problem. Right thereafter, we were hit by the global financial crisis in late 2008. But we managed to overcome this challenge without laying off any employees. Every time I made my rounds to the branch offices, employees would somberly mention that they were the only ones in their family that still had a job, which is what drove me to act upon the situation and help them as the CEO of the company. In the following year, the bank achieved a remarkable recovery in performance owing to their efforts. The key to success was to adopt an approach that was different from “Shareholder Primacy” that only pursues short-term profits.

This experience made me strongly aware of the importance of visiting work sites and to listen to the voices of our employees directly. Critical management issues can never be solved by sitting at a desk all day and just “receiving reports”. After being appointed Chairman of the Company in March 2019, I focused on learning more by visiting our work sites. I visited the Group’s domestic plants and business offices, as well as overseas partner companies (the term the Company uses to refer to group companies) in various locations including China, the U.S., Singapore, Australia, and Malaysia, taking local plant tours and speaking with their local management. All the initiatives I am pursuing now as CEO are based on what I learned from communicating with managers and employees of the local partner companies then. For instance, hearing that competitiveness was being undermined due to the aging of facilities and equipment in domestic plants translated into our ongoing Work Style Environment Reform project and Supply Chain



Reform project. ➡For details see p.79 “Human Resources” Upon launching the Supply Chain Reform project, we adopted the best practices and findings from similar reform initiatives that were previously undertaken by our partner companies in China and Australia. ➡For details see p.28 “Promoting DX investment in domestic production bases”

Some may think that management styles must be different between financial institutions and manufacturing companies; however, CEOs back in the days oftentimes ran a number of different businesses. In simple terms, corporate management is the act of maximizing the accumulation of people’s efforts, whereas corporate culture determines how people are motivated and mobilized. Although our activities are still impacted by the COVID-19, I would continue obtaining vital and fresh information for management by conversing with people through frequent global work site visitations and digital communication. ➡For details see p.33 “Our Response to COVID-19 Pandemic”

01	“Management by Walking Around”
02	Our culture and characteristics
03	Management mission
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06	Evolving our strategic partnership

02 Our culture and characteristics

Addressing social issues by leveraging our diversity and technology

Corporate culture featuring global diversity

Nippon Paint Holdings Group has more than 3,000 employees in Japan and over 25,000 employees worldwide, with each partner company in Japan and abroad having a different corporate culture.

For instance, NPHD’s Tokyo and Osaka Head Offices have an amicable corporate culture of caring for others. Every employee I run into when I visit business offices and plants in various locations says hello to me. This is certainly not the result of the “Hello Campaign” or anything else, but rather the second nature of the employees which they absorbed as part of the corporate culture. I think it’s wonderful that such corporate culture has taken root. The Company is now recruiting diverse talent from outside, and I hear that every such new employee feels the same way. Just one conversation makes people get closer to each other. The fusion between the existing employees who have been with us from the start of their career and the employees who have joined mid-career is well in progress. I want this new team to strive to overcome competition and address new social issues in an increasingly challenging environment. To do this, the team must focus on the “Power of Teamwork” as their driving force.

Unlike Japan, NIPSEA China is full of drive that reminds me of Japanese companies during the rapid economic growth period in the 1960s and 70s. NIPSEA China’s people take on all cases with an extremely positive attitude and come out with and challenge a seemingly impossible goal. ➡For details see p.37 On the other hand, DuluxGroup, an Australian company that joined the Group in 2019, has a very different corporate culture. With an overwhelming share in the local market, the company has an established position in the Australian business community and has built a solid organizational structure. ➡For details see p.49 Dunn-Edwards in the U.S. and Betek Boya in Turkey, both of which are our partner companies, also have their own excellent corporate cultures that match the national culture of each country. ➡For details see p.51, p.53 These partner companies have many wonderful things that they can learn about from each other.

I believe cultural diversity is the Group’s unique strength.

We will strive to build a stronger corporate group by fostering mutual understanding and sharing of strong points among partner companies, while respecting individuality of each company. The key to that end is to conduct “spider web” type activities that will expand the scope of synergies, while respecting the corporate culture of individual companies.

Providing the Group’s 1,000-plus engineers with fields to stimulate their full potential

What most makes manufacturing companies different from financial institutions is “technology and manufacturing.” You might say that technological capabilities are the greatest asset for a manufacturing company. The Group has more than 1,000 engineers in Japan, and my important mission is to make the company a place where engineers can truly demonstrate their fullest potential.

Many of the CEOs who have succeeded in the global manufacturing industry are highly versatile managers with excellent management practices, which they have established through perfecting their engineering knowledge. Ideally, our company will have such a person as a CEO candidate in the future. One role model is Mr. Goh Hup Jin, who is the Director of NPHD and head of Wuthelam Group, the largest shareholder of NPHD. Mr. Goh is an entrepreneur, starting out as a chemical engineer after graduating from the University of Tokyo’s Faculty of Engineering with a degree in chemical engineering, subsequently earning an MBA degree from UCLA in the U.S., and establishing the NPHD Group’s Asian operations, including NIPSEA China. To me, Mr. Goh is a wonderful partner and a great advisor.

Back to our founding philosophy

In order to be a company where engineers can demonstrate their full potential, the Company must be able to evolve its businesses in accordance with changing social needs. Market demand and the competitive environment change over time, which also change the growth potential and profitability of each business. Management’s responsibility is to determine an optimal allocation of resources based

Message from the CEO

on such change and reform the business portfolio. Therefore, I would support the idea of applying drastic modifications to the current business portfolio, as long as those changes will further develop the company’s technologies to create promising businesses that are required by society.

Looking back on our history, the Group was founded by Jujiro Moteki who devoted himself to developing non-toxic zinc white to help women suffering from poisoning by the

white lead pigment that was contained in their face powder at the time. That is to say, the founding purpose of the Group was to solve a social challenge by developing new technology. In order for the Company to truly achieve sustainable growth with technological capabilities as its core competency and become a place where engineers can demonstrate their full potential, I think we should take another close look at our founding philosophy.

03 Management mission

Fulfilling our duties to stakeholders and maximizing shareholder value

Promoting Maximization of Shareholder Value (“MSV”)

The Group places Maximization of Shareholder Value (“MSV”) as its paramount management mission. This concept is totally different from so-called “Shareholder Primacy.” MSV is predicated on fulfilling our duties to all stakeholders, and this sets us apart from “Shareholder Primacy” and its pursuit of short-term profits by, for instance, implementing large-scale job cuts when faced with difficult financial conditions.

Shareholder value is the residual value delivered to shareholders after a company fulfills its duties required by society and other stakeholders, such as investing in operating bases for sustainable growth, ensuring coexistence and co-prosperity with our partners and vendors, compensation and other treatment for employees, supplying products to customers that meet their needs, and reducing its environmental impact. The essence of MSV is to maximize such residual value which is the management’s core mission.

Pursuing MSV to increase the wealth of society

Of all the stakeholders to whom the Group owes its duties, I place particular importance on our customers and employees.

While it is obvious that customers are important as the source of corporate earnings, a company with a B2B business model such as NPHID needs to see beyond direct customers. For example, in the automotive coatings business, there are users and consumers who purchase automobiles from the automakers who are our direct customers. By focusing on such end users as customers and understanding their needs, we can become a company that does more than just reactive work and is capable of making proactive proposals by leveraging our technologies. As Society 5.0 advances, people may start purchasing automobiles differently where they select their car model first, then choose and order their ideal coating via smartphone. The order information will then be sent to the factory through the Internet of Things (IoT) to be produced. Similarly, in the decorative



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paints business field, the users’ perspective of buildings, who come after construction companies, is necessary for productive and creative product development. Our antibacterial and antiviral products such as “Perfect Interior Air Clean,” the first and only product in the paint industry certified by the Photocatalysis Industry Association of Japan, was developed based on the perspective of “seeing beyond customers.” Under the COVID-19 related restrictions, I expect that antivirus properties will become a de-facto requirement for decorative paints within the next few years.

It is needless to say that employees are also the foundation of corporations. Whether they are regular or non-regular employees, be it at parent, subsidiaries or sub-subsidiaries, the Group values all employees who are crucial in conducting business activities as a corporate group. As I mentioned earlier, the United States was under heavy pressure from the global recession during my time at the US bank. Although layoffs were becoming rampant in the country, I promised my employees that I would protect their positions in the company, believing that such assurance needed to be prioritized for a sustainable existence and future growth. Our initial response, as well as basic policy, toward the COVID-19 pandemic was to protect our employees and their families. Based on this policy, the Company conducted PCR testing of all employees at its expense. I know from experience that employees will gain confidence to such a management policy and corporate culture that prioritizes workers, and positively react and

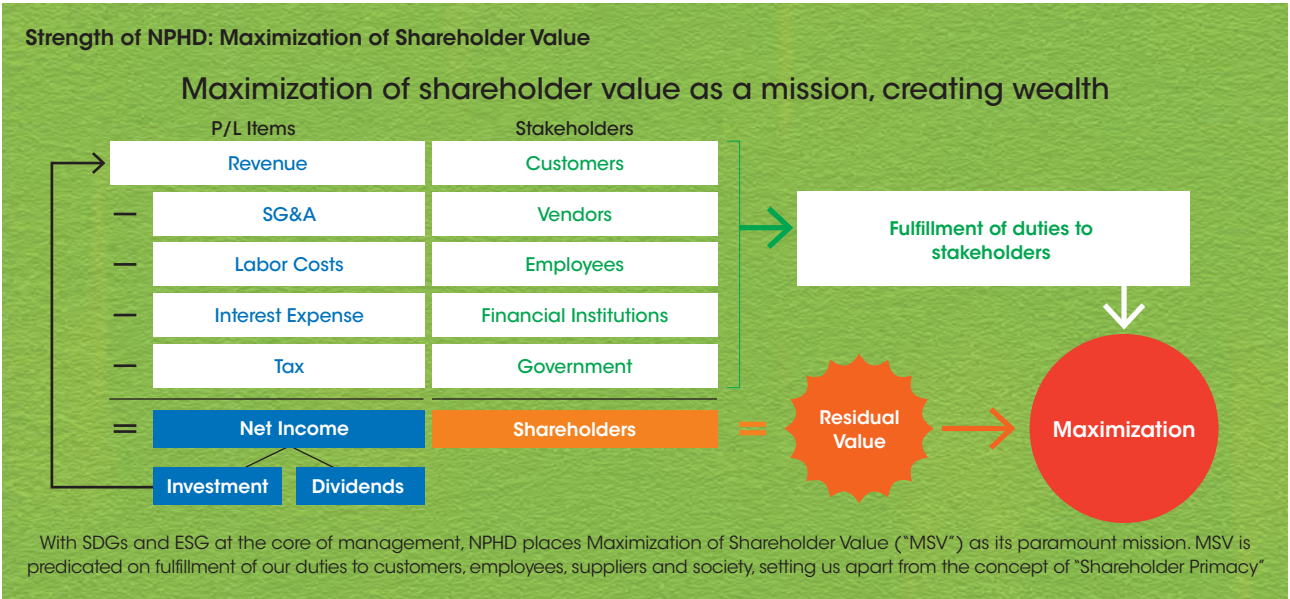
show great performance.

MSV is predicated on the idea that one of the important roles of a private company is to ‘create wealth’ in society. For instance, if we can enhance shareholder value by getting pension funds around the globe to invest in our company’s shares, we should be able to eventually enrich the lives of pension recipients through investment chains. That is to say, maximization of shareholder value leads to increasing the wealth of society as a whole, which I believe is the core of management’s mission. ➡For details see p.63 “Discussion by the Board of Directors”

Perfect Interior Air Clean



Launched in October 2017



Message from the CEO

04 Management strategy

The importance of future vision and purpose (raison d'être)

Global strategic moves proven effective under COVID-19 pandemic

The paint and coating business is a very stable business with relatively low risk. The decorative paints market, which accounts for the majority of the Group's revenue, in particular, will grow proportionally with the increase in population and personal income. In that sense, the market environment for this business is very favorable from a global perspective.

As of September 2020, demand for paints is on a gradual recovery path after plummeting temporarily due to the COVID-19 pandemic, and the Group has indeed been impacted by such market fluctuations. Despite the challenging environment, the Group announced its full-year earnings forecast for FY2020 on August 14: revenue of ¥730 billion; operating profit of ¥66.0 billion; and an operating profit margin of 9.0%. This is due to the steady outcome of our strategic actions based on the 'N-20' medium-term management plan, which the group kicked off in 2018. The deployment of global strategies, such as deepening collaboration with NIPSEA companies and the large-scale acquisitions of DuluxGroup in Australia and Betek Boya in Turkey, have certainly borne fruits of establishing a resilient corporate structure.



Approach to the next medium-term management plan

Regarding the next medium-term management plan starting from FY2021, we intend to drastically change the approach and idea of the medium-term management plan itself. Previously, the Group had imposed a top-down approach in implementing medium-term management plans whereby plans formulated in Japan would be executed by each partner company around the world. For the next medium-term management plan, each partner company is currently drawing up their own plans. All management teams of our partner companies will assemble to discuss what we will aim to achieve as a group and kick off the planning process from the autumn of 2020.

Additionally, we will change our ideas and attitude toward the concept of our new mid-term goals by referencing the procedures of leading global competitors. This comes from my belief that a company should clarify its future vision, mission and purpose (raison d'être), both internally and externally in its mid-term plan, instead of merely reporting numerical targets that are subject to market conditions and exchange rate fluctuations. As the indicator of MSV, we will continue to place importance on basic earnings per share (EPS). However, I have no intention of running our company focusing only on e.g. achieving ROE in excess of cost of equity.

In light of the increasing importance of responding to global social issues set by the United Nations' Sustainable Development Goals (SDGs), as well as implementing initiatives from non-financial aspects (ESG), the Group will further communicate with our shareholders and investors and create a medium-term management plan after carefully assessing the interest and focus of the capital market participants.

Growth and synergy creation through M&A

The Group's growth strategy will continue to center on M&A strategies domestically and abroad. Although it is important to pursue organic growth, including the creation of new businesses and products, we will aggressively pursue M&A strategies, both domestically and abroad, to achieve growth

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that is more dynamic. We will benchmark companies that are positioned above the Group in the global ranking of market share, and implement M&A strategy with an eye to catching up and overtaking such competitors.

Despite Post-Merger Integration (PMI) being an important element for a successful M&A, we will not adopt the Western-style PMI strategy in which the previous management team is completely replaced and the acquired company forced to follow their management style. Instead, we intend to keep the management team of the acquired company as-is and have them join our Group. The whole idea behind this is to make the acquired company feel like they have gained an opportunity to enhance growth and to fully exploit additional business opportunities created through joining our Group.

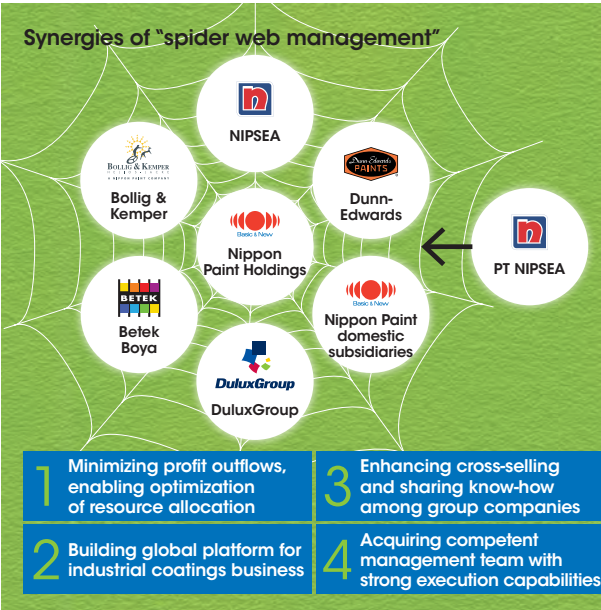
➡For details see p.87 "Message from the CFO"

Creating autonomous synergies through "spider web management"

The decorative paints business, our mainstay business, features local production for local consumption. For this reason, taking cross-functional control from the holding company, NPHD, over the businesses would be meaningless.

Instead, we must encourage our partner companies to learn from each other to create synergies. Based on this idea, NPHD devised the 'spider web management' style, designed to foster organic collaboration and cooperation among partner companies in each region rather than implementing centralized control by NPHD, to pursue autonomous growth. I, as the CEO of NPHD, will be in charge of appointing and dismissing the CEO and the financial strategy of each partner company from a governance perspective. But, for other matters, each partner company will take responsibility of executing autonomous initiatives to generate various synergies. To that end, a Corporate Officer in charge of international businesses will be assigned to each region to serve as a link between NPHD and that region, and to encourage the sharing of information and the exploration of synergies.

For instance, the DuluxGroup has a building materials business such as adhesives that was derived from its decorative paints business. Considering that the building materials business has prospects for demand growth in the Chinese market, where NIPSEA China operates, the DuluxGroup has launched a collaborative project with NIPSEA China. The Group looks forward to creating more autonomous synergies, such as the example between the DuluxGroup and NIPSEA China, by having each management team carry out in-depth opinion exchanges through the use of the latest digital technologies. ➡For details see p.9 "Value Creation Model"

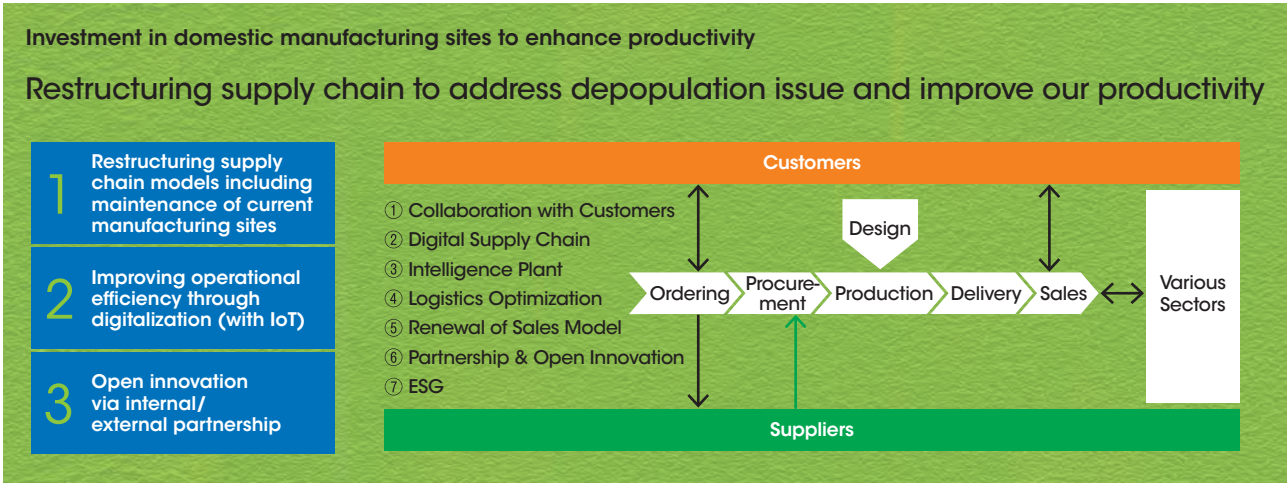


Promoting DX investment in domestic production bases

The Group has been stepping up capital investments, including investments for automation and energy saving, in its domestic production bases since FY2019. I believe that now is a pivotal moment to drastically advance digital transformation (DX) in terms of promoting sustainability as a corporation in the face of aging human resources and a declining working population. At the same time, we plan on reviewing not only our production sites but also the entire supply chain, including optimal allocation of plants and logistics systems. Such reviews are underway in several phases, led by the Supply Chain Planning Department, which was newly established as a department directly reporting to the President & CEO.

We are also intensifying investments in ICT communications to reform work styles in offices. The COVID-19 pandemic has prompted the acceleration of remote working which has shown quite a few benefits in eliminating waste. Therefore, we will continue to take advantage of and further expand the benefits of remote working going forward. On the other hand, operations involving human work are deemed to pose a risk from the aspect of business continuity and also are a subject for productivity improvement. For that reason, we will automate and streamline all-encompassing and standardized operations as much as possible using ICT. To this end, we have and will recruit ICT experts from outside and develop a worksite environment that will allow employees to concentrate on more sophisticated operations.

Message from the CEO



05

ESG management

Ensuring sustainable growth

Reinforcement of global governance

NPHD is a listed company with a major shareholder (Wuthelam Group) holding 39% of the outstanding shares. As a result, we need to address concerns toward working for the sole interest of such major shareholder, as it undermines the interests of the minority shareholders who comprise the remaining 61%. Our main goal in transitioning to a Company with a Three Committees Structure (Nomination, Audit and Remuneration), based on the approval of the general meeting of shareholders in March 2020, was to respond to such concerns. Wuthelam Group, our major shareholder, also has a deep understanding of our commitment to practice MSV together with minority shareholders. There may be cases in which management decisions come into conflict with the interests of minority shareholders. In order to avoid such circumstances, the Group will maintain a structure in which the majority of the Board of Directors is comprised of independent directors. ➡For details see p.67 "Corporate Governance Structure and Initiatives"

Moreover, the risk of misconduct at overseas subsidiaries could increase with the global expansion of business

operations. It is thus very important to reinforce the global audit system. To address this issue, we invited an expert to chair the Audit Committee, strengthening the rigorous global audit system as a company-wide system. In terms of reinforcing the global audit system, we set up a reporting line that allows reports to be made from the Audit Department to both the executive department (President & CEO) and the Board of Directors (Audit Committee). This enables the Audit Committee to detect misconduct should I myself, as the President, ever commit any. Looking at examples from other companies, there were many cases of misconduct that involved top management and which were undetected for a long time because information did not reach the Board of Directors. By establishing a double reporting line, we set up a system that definitely forestalls such cases from occurring.

One of the issues from the governance aspect is the promotion of diversity. In this respect, we welcomed a female outside director—our first ever since the foundation of the Company—in March 2020, and appointed two female corporate officers in 2019 as we intend to further enhance diversity going forward. ➡For details see p.65 "Directors and Executive Officers"

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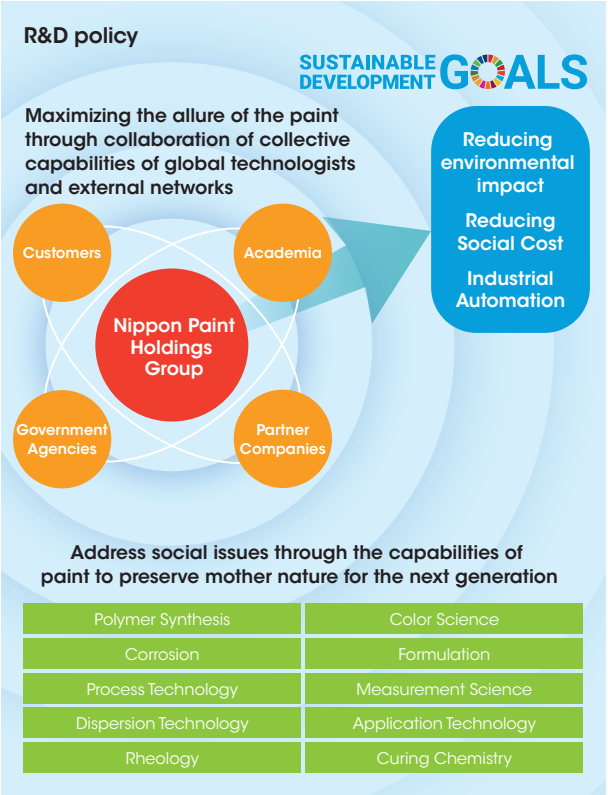
Sustainable growth through resolution of social issues

The perspectives of SDGs and ESG are very important in today's corporate management. Working toward resolving social issues is our founding point, and we need to make efforts in creating value focusing more on this perspective. We will not take a passive stance in responding to external needs but endeavor to create new products and businesses with a proactive attitude, imagining ways we can apply our technologies to solve social challenges.

Regarding the Group's response to urgent social issues, we are working on developing antivirus coatings that help combat the COVID-19 pandemic. These products will certainly turn into a promising new business if they can truly contribute to providing safety and security to people's lives. The industry-academia co-creation agreement concluded with the University of Tokyo in May 2020 is part of such initiatives. Under this agreement, we will conduct joint research and development activities with an eye on 'post-COVID-19 society' for a period of five years through to 2025. I have high expectations for this collaboration with the University of Tokyo, which boasts an outstanding track record in a wide range of research fields.

In step with establishing this collaboration, we set up Advanced Product Development as an R&D unit that directly reports to the President & CEO. The primary mission of Advanced Product Development is to develop a group of paint, coating and surface treatment products with antiviral features. In addition, I expect this unit to integrate all the Group's technologies with the latest technologies and networks owned by the University of Tokyo to create products and businesses that will help solve many other social challenges. I'm hoping that this will serve as a kind of shock therapy. I want engineers to re-acknowledge that creating a new business is tackling the social issues we face, and I encourage them to show their "engineering spirit". ➡For details see p.57 "Research and Development"

There should be a number of new research themes that come to mind by fully understanding social issues. For instance, I think white lane markings that assist self-driving is one of the promising themes for the future. If we can use white lines that accurately react to sensors even when the road is covered with snow, it will significantly contribute to the penetration of self-driving. It will be an example of solving social issues through the evolution of our technologies. If we find any promising themes that can be identified through the process of technology development, we will lavishly spend our management resources on such innovation in the hopes of commercializing it.



Ingraining our founding spirit into the Group's DNA

We established the ESG Promotion Department to foster the penetration of management with SDGs and ESG at the core across the Group's organization globally. The Group, led by this department, recently formulated the ESG Statement. This ESG Statement, developed while sharing the formulation process with each partner company around the globe, was announced upon approval from all 25,000 of the Group's employees. It is meaningless to create and release a statement just as a formality if it does not reach all of our 25,000 employees. My idea was to carefully undertake the process of creating the ESG Statement to diffuse the founding spirit of the Company globally and to ingrain the concept in each partner company as DNA. ➡For details see p.61 "ESG Management"

By getting employees all over the world to squarely face social issues and work toward resolving them by applying all the Group's technologies, I am confident that the Group will continue to demonstrate sustainable growth.

Message from the CEO

06 Evolving our strategic partnership

Adopting a new framework for accelerating further growth

Boosting net profit by 60% and EPS by more than 10%

Achieving 100% ownership of Asian JVs is something that has grasped the attention of investors and the media for many years. On August 21, 2020, NPHD reached an agreement with Wuthelam Group to acquire a 100% stake in Asian JVs, as well as Indonesia business that has both growth potential and profitability. I would like to elaborate on the significance and benefits of these transactions.

NPHD has evolved its partnership with Wuthelam Group through joint ventures over nearly 60 years. With our acquisition of 100% stake in Asian JVs following their consolidation in 2014, we can bring our partnership with Wuthelam Group to fruition, allowing us to reinforce the management bases of two companies that are integrated in both name and reality. Based on this new management structure, we will further accelerate growth of the Group going forward.

According to a simulation based on certain assumptions, this acquisition will increase profit attributable to the parent company by approx. 60% and EPS by more than 10%, making it also sufficiently attractive from the perspective of protecting the interests of minority shareholders.

In addition, increasing capital through a third-party allotment will allow us to strengthen the financial base to accelerate M&A activities in the future. This structure is also an ideal one from this perspective. In light of all this, I believe the acquisition will contribute to the Maximization of Shareholder Value.

Transforming and simplifying our ownership structure

Prior to this transaction, Wuthelam Group held 39.6% of NPHD’s shares, a 49% stake in Asian JVs, and a 100% stake in Indonesia business. This ownership structure has been pointed out to be complex with outflows of minority interests from Asian JVs, which are the engine of the Group’s growth, and a possibility of interest conflicts in terms of governance.

After the implementation of this transaction, Wuthelam Group will own 58.7% of NPHD shares and NPHD will hold a 100% stake in Asian JVs, so that the ownership structure will be simplified and easy to understand.

As a result, the interests of major and minority shareholders will be perfectly aligned, and Maximization of Shareholder Value (“MSV”) will be a shared objective for both Wuthelam Group and minority shareholders.

For minority shareholders, while the ratio of voting rights per share will decrease, earnings per share (EPS) will increase, which is an important point of the transaction.

Increase in Wuthelam Group’s shareholding is a result of our financing

After this transaction, Wuthelam Group will become a shareholder with 58.7% shares of NPHD. To elaborate a little on this matter, this is not a transaction in which the purpose of Wuthelam Group was to acquire Nippon Paint Holdings or make it a controlling subsidiary, nor did we receive a takeover bid (TOB) for our shares from Wuthelam Group. The increase in Wuthelam Group’s shareholding in NPHD is merely the result of our negotiations to obtain financing from Wuthelam Group to achieve further growth.

Transaction summary

1
NPHD agreed with Wuthelam to increase its stake in Asian JVs to 100% and acquire its Indonesia business

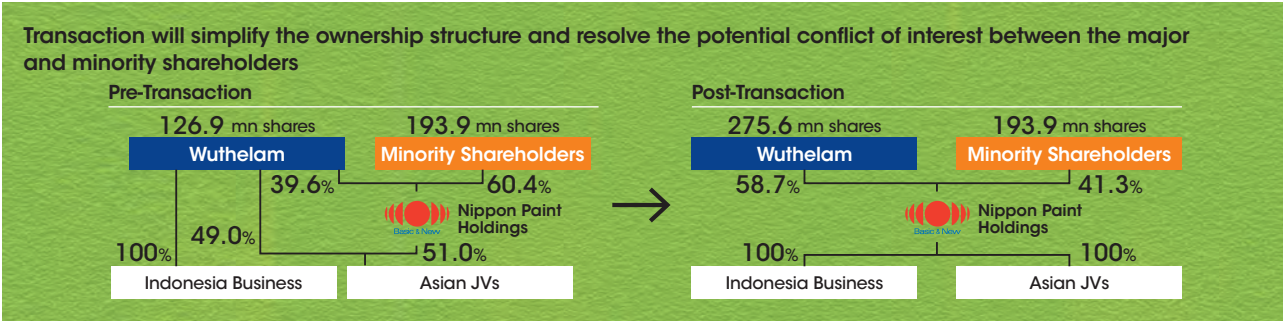
2
This agreement will bring our 60-year-long partnership to perfection and build a strong foundation for accelerated growth

3
Profit attributable to shareholders to increase by c. 60% and EPS by 10% or more

4
Structure to strengthen balance sheet allowing for future growth

Transaction enables full capture of growing Asian businesses, realizing substantial profit increase, minority shareholder protection, and maximization of shareholder value (MSV)

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Accordingly, there is the possibility that Wuthelam Group’s ownership in NPHD could decline if we decide to carry out public offerings, etc. in the future. Mr. Goh Hup Jin says he will accept it. Regardless of this transaction, NPHD has already established a corporate governance structure that allows us to protect the interests of minority shareholders. That is, we have shifted to a Company with Three Committees Structure with the approval of the general meeting of shareholders held in March 2020, nominating independent directors to two-thirds, or six of the nine positions available on the board.

From the Company’s management perspective, Asian JVs, which will become our wholly-owned subsidiaries as a result of this transaction, have a total of 16,000 employees. Following the acquisition of Indonesia business, more than 6,000 employees will join our Group.

Our working hand-in-hand with Mr. Goh Hup Jin is necessary to firmly support the employees who engage in our Asian operations in various parts of the region, as well as working together with them toward further growth of the Group. We will strive to ensure the growth of Nippon Paint Holdings Group while obtaining advice from Mr. Goh Hup Jin, who will continue to be our important partner.

There will be no changes to our management structure as a result of the increase in Wuthelam Group’s shareholding in NPHD, and we will maintain our listing.

Masaaki Tanaka
Chairman, President & CEO

Maintaining a great partnership with MSV as a shared objective



Goh Hup Jin
Wuthelam Holdings
Managing Director

On August 21 this year, Nippon Paint Holdings announced the acquisition of Asian JVs and Indonesia business currently owned by Wuthelam Group. Upon this announcement, President & CEO Masaaki Tanaka of Nippon Paint Holdings held a press conference and explained the details and our intention behind this transaction.

I fully support what Mr. Tanaka said at the press conference. In particular, I would like to stress that the increase in Wuthelam Group’s shareholding in Nippon Paint Holdings is merely the result of our financial arrangements associated with the sales of Asian JVs and Indonesia business.

This transaction will cause an improvement in the financial base and drive further growth of Nippon Paint Holdings Group, including the NIPSEA Group, in the future, as well as bringing about a significant boost in profit and EPS accretion.

I have no intention of making changes in the partnership between these two companies that is working so well. I have high expectations for Maximization of Shareholder Value (MSV) that will be delivered following this transaction.

Our Response to COVID-19 Pandemic

Making collaborative efforts with partner companies in Japan and overseas through spider web management to solve issues and create opportunities by implementing infection control measures and through businesses

NPHD's initiatives

In response to the COVID-19 pandemic, NPHD is implementing appropriate measures based on the business continuity plan (BCP), with the highest priority placed on the safety of its employees, and in accordance with the guidelines established by the governments of various countries and organizations concerned. We will continue to fulfill our social responsibility in supplying Nippon Paint products that are crucial in supporting social infrastructures and industries. In addition, we will focus our utmost efforts on the development of paint and coatings technologies, and push forward with our social contribution initiatives and business activities by offering new products and services.

Europe

- Conducted close communication between management and employees and between the management of each partner company to confirm and ensure the safety of employees during the lockdown periods enforced by the government of each country
- Maintained communication with customers and flexibly responded to changes in customers' production levels
- In February and March, shipped masks from Europe to Japan; in March shipped masks from Singapore to Europe; and in April and May, shipped medical gloves and masks from Japan to Europe to be distributed to employees
- Donated 2,000 masks to neighboring public hospitals (France)
- Made masks and disinfectant solutions internally and distributed them to employees (Czechia)

China

- Jun. Shipped 800,000 masks to Japan
- Apr. Established six types of COVID-19 response guidelines and thoroughly communicated them to employees
- Feb. NPC donated anti-viral and anti-bacterial coatings to hospitals in Hubei Province
- Feb. Donated a total of 2 million RMB to the Red Cross Society of China and the Shanghai Red Cross Society from Japan
- Feb. Additionally shipped 40,000 masks from Japan
- Feb. Shipped a total of over 200,000 masks from Betek Boya and Nippon Paint India, etc
- Jan. Shipped 60,000 masks from Japan
- Jan. NPC donated 2 million RMB to the Red Cross in Xianning, Hubei Province
- Jan. Nippon Paint China (NPC), the Group's local subsidiary in China, and NIPSEA Management Company (NMC), the Group's local subsidiary overseeing operations in China and Asia, each established an Emergency Response Task Force

United States

- Management: Working under remote work arrangements that rely heavily on IT devices, they proactively shifted toward focusing on business continuity and communication
- Stores: Reinforced measures for preventing infections to decrease the risk of infection among customers, and adjusted business hours and number of staff according to demand
- Production and logistics: Prioritized infection control measures and organically adjusted production and logistics according to changing demand
- Functional division: Managed credit limit effectively by understanding customers' cash flows

Three basic policies in response to the coronavirus outbreak

- To protect employees and their families from coronavirus infections
- To secure funds to protect the Group's businesses around the world
- To have a business continuity plan (BCP) firmly in place

For our latest response to the coronavirus outbreak, please see "Our Response to the Coronavirus Outbreak" on our website at the following address:
https://www.nipponpaint-holdings.com/en/global_topics/2020050801

Japan

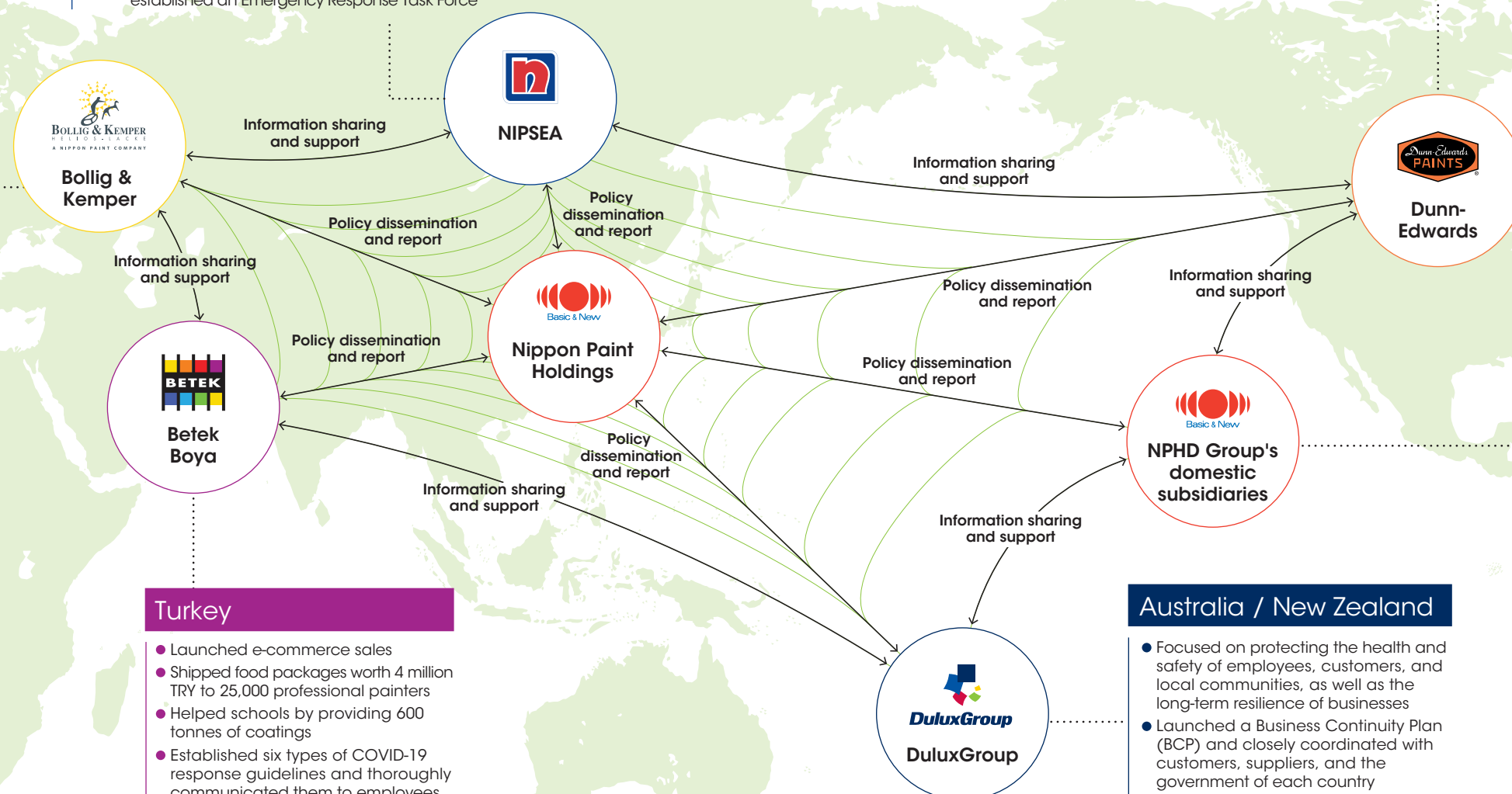
- Sep. Donated 1,920 liters of disinfectant solutions to domestic medical institutions
- Jul. Conducted PCR testing on all employees requesting such at the Group companies, including dispatched employees, to create a safe and secure workplace environment that protects employees (implemented successively from the end of July)
- Jun. Donated 1,700 liters of disinfectant solutions to domestic medical institutions
- Jun. Donated approx. 140,000 masks obtained from China to domestic medical institutions
- Jun. Made the decision to provide Perfect Interior Air Clean, an anti-viral and anti-bacterial coating product, to public facilities free of charge
- Apr. Signed a contract with financial institutions to borrow ¥50 billion of funds, set with a commitment line (borrowing limit) of ¥180 billion
- Mar. Donated approx. 40,000 medical masks obtained from Group companies globally to domestic medical institutions
- Mar. Donated approx. 4,300 SS-sized masks to Kita-ku, Osaka, for children living in the area
- Feb. Updated the Domestic Employee Handling Guidelines (published on February 21) and distributed them to all employees in Japan
- Jan. Established a Coronavirus Emergency Headquarters

Turkey

- Launched e-commerce sales
- Shipped food packages worth 4 million TRY to 25,000 professional painters
- Helped schools by providing 600 tonnes of coatings
- Established six types of COVID-19 response guidelines and thoroughly communicated them to employees

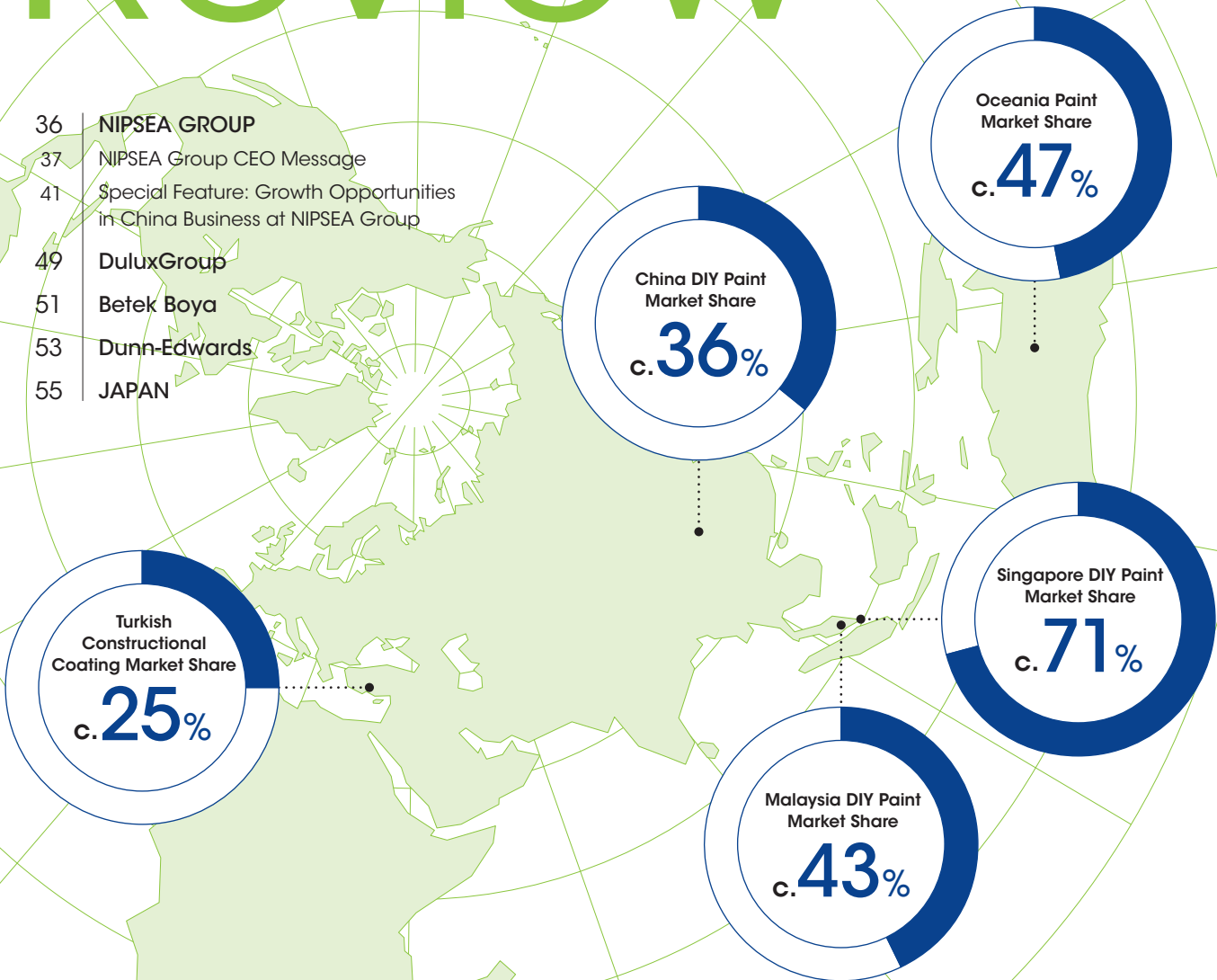
Australia / New Zealand

- Focused on protecting the health and safety of employees, customers, and local communities, as well as the long-term resilience of businesses
- Launched a Business Continuity Plan (BCP) and closely coordinated with customers, suppliers, and the government of each country
- Business operations were smoothly administered overall by appropriately responding to changing circumstances



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NIPSEA Group



Introduction of the NIPSEA Group

NIPSEA Group is a joint venture between Wuthelam and NPHD since 1962. NIPSEA Group is Asia's leading paints and coatings company with 82 manufacturing facilities and operations across 18 countries and regions.

Introduction of key persons who drove the NIPSEA business to success

Goh Cheng Liang

Mr Goh Cheng Liang the founder of Wuthelam started the paint business at the age of 21 and has spent over 70 years in the paint industry. In the early 1960s, Singapore was rapidly transforming, developing large public housing estates and investing heavily in infrastructure. Driven by demand for paints and coatings, Mr Goh focused his paint business on providing trusted, good quality and affordable paints. He soon carved for himself a reputation in the paints industry. In 1962, he established a joint-venture with NPHD and set up its first paint manufacturing plant - Pan Malaysia Paint Industries (now Nippon Paint (Singapore) Co. Pte. Ltd.). From this small start in Singapore, Mr Goh established footprints all over Asia. This has become the NIPSEA Group of today. Mr Goh has also founded and ventured into wide-ranging business interests in real estate, hotel, departmental stores, shopping complex, F&B, hospital, travel and industrial machinery. Mr Goh was chosen by Forbes Asia as one of its Heroes of Philanthropy in 2014. He is also very passionate in medical research.



Goh Hup Jin



Mr Goh Hup Jin is the Chairman of the NIPSEA Group. He has imbued his entrepreneurial spirit and business focus into the culture of the NIPSEA Group which is the foundation of the success we see today. In 2014, he was instrumental in making the NIPSEA Group a subsidiary of NPHD, thereby further strengthening the strategic alliance between NPHD and Wuthelam. With Mr Goh's presence on NPHD board, he has sharpened NPHD's focus on value creation and globalization under the mantra of Maximizing Shareholders Value ("MSV"). Mr Goh graduated with a Chemical Engineering Degree from the University of Tokyo and MBA from University of California, Los Angeles (UCLA).

Beyond Coatings and Beyond Asia: NIPSEA Paints the Way Forward



Wee Siew Kim

Deputy President and Executive Corporate Officer, Nippon Paint Holdings Co., Ltd.
Group Chief Executive Officer, NIPSEA Group

Mr Wee Siew Kim is the Group Chief Executive Officer of NIPSEA Group, a paints and coatings company with 82 manufacturing facilities and operations spanning 18 countries and regions in Asia. He is concurrently Deputy President of Nippon Paint Holdings.

Prior to his current position, he was Deputy CEO and President (Defence Business) of Singapore Technologies Engineering Ltd. He started his career with Singapore Technologies in 1984 as an engineer at Singapore Aircraft Industries Pte Ltd, the predecessor company of Singapore Technologies Aerospace Ltd.

He was educated at Raffles Institution, followed by the Imperial College of Science and Technology in London Bachelor of Science (Aeronautical Engineering) (Hons), followed by an MBA at Stanford University.

He was a Member of Parliament in Singapore from 2001 to 2011.

“

By keeping close tabs of the changing needs and demands of our customers and consumers, we constantly find ways to innovate industry-first products and services. Innovation is what sets us apart. Always having our customers in mind, always striving to do better for them. This has been our mantra for success.

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Establishing the role of game changer

Since its establishment in 1962, the NIPSEA Group has supported the development of both domestic and overseas industries in Asia with our comprehensive range of paint and coatings products. Headquartered in Singapore, we are Asia's leading paint and coatings company with 82 manufacturing facilities and operations spanning 18 geographical locations, producing 1.6 billion litres of coatings annually.

NIPSEA has always believed in localizing our operations – aiming for on-ground understanding of the local market and environmental needs. Besides being close to the front line, this

fosters local autonomy and accountability, thereby enabling NIPSEA to maintain leanness in our corporate structure. This NIPSEA culture anchored by our "Lean For Growth" (LFG) concept encourages collaboration and sharing of best practices, knowledge and experiences that instils a strong culture of participation, local ownership and pride.

Our LFG culture comprises of six values and behaviours – Vigilance, Insatiable Appetite, Teamwork, Agility, Leanness and Stamina (VITALS). These strongly interconnected values are critical in nurturing organizational vitality and employee passion, which in turn lead to customer devotion. This customer devotion and centrality ensure that we continue to innovate and improve our products and services to meet the needs of our partners, dealers, customers and consumers based on insights of current and future market needs. Driven by the six core values of LFG and the incessant drive to innovate, we continually invest to deliver outstanding service and performance for our customers in a rapidly changing world.

Our core competencies are in the formulation, development and marketing of paints, coatings and adjacency products. Over the years, we have generated business growth by expanding our offerings to include architectural, floor, wood, waterproofing, thermal insulation and tiling coating products, as well as repainting services to an

increasing number of markets. On the industrial front, we have also expanded our automotive Original Equipment Manufacturer (OEM) business from Japanese brands to encompass Chinese, Korean, European and US car makers.

While we strive for strong organic growth, we also view Mergers and Acquisitions (M&A) activities as one of our key growth strategy which can further augment the company's position in other geographical and business segments. Notable acquisitions in recent times include Silicon Coatings, the largest decorative paint company in Sri Lanka; Supe, the top floor coatings company in China; and a majority share in Chang Run Fa, a leading industrial wood coatings company in China. Last year, NPHD acquired the DuluxGroup (DGL) in Australia and New Zealand, as well as Betek Boya in Turkey. Besides learning from these two great management teams, NIPSEA sees growth by tapping into DGL's Selleys range of sealants, adhesives and fillers as well as its geographical expansion in the region peripheral to Turkey. We are continually on the lookout for growth opportunities as we strive to maximize shareholder value (MSV).

Today, the company is recognized as a leading coatings partner and provider across the architectural, automotive, industrial, marine and protective coatings segments.

Asia's Number One Paint and Coatings Company

Over the course of NIPSEA's history, our innovations have created demands in new market segments within the coatings industry. Such industry-first products included Nippon Paint Odour-less, Nippon Paint VirusGuard, Nippon Paint MozzieGuard as well as high edge corrosion and low temperature e-coat products.

Our technologists, scientists and chemists work out of our Group R&D center in Shanghai; NIPSEA Technologies in Singapore and the technical development centers in each of the countries and regions. We adopt a collaborative approach with the other technology development centers within the NPHD Group, as well as tap the extensive expertise in our supplier base, advanced educational and research institutes.

On the technological front, we strive to improve our customers' and consumers' experience by adopting mobile-enabled approaches for our products and services.

As testaments to our success and leadership within the coatings industry, the Group has received various industry accolades over the years. Specifically in 2019, Nippon Paint was honored as one of the Top 10 companies in Shanghai for our repainting services, in addition to being recognized as the top brand in the annual China

Coatings Gold Awards, among others. We are committed to solidifying our position as the foremost paint maker in Asia, continuing to push boundaries and set new standards within the coatings industry. We are truly Asia's number one paint and coatings company.

2019 Key Highlights

- "National Leading Enterprises in Quality in Coatings Industry Award" by China Association for Quality Inspection
- "National Leading Enterprises in Quality Credit Award" by China Association for Quality Inspection
- "National Leading Brands in Quality in Coatings Industry Award" by China Association for Quality Inspection
- "National Leading Enterprises in Quality Inspection Award" by China Association for Quality Inspection
- Reader's Digest Trusted Brand Awards (Malaysia, 2006-2019)
- Putra Brand Awards (Malaysia, 2010-2019)
- Parents' Choice Awards by Parenthood Magazine (2018-2019)
- CSR Malaysia Awards 2019

Capitalizing on capabilities – Our People Matters

The company's success over the years is derived from our People. With over 22,000 employees spread across 18 geographical locations, we have established various staff engagement programs, effective feedback and communications systems, career development and personal upskilling opportunities that enable our people to have a sense of belonging, ownership and purpose. Maximization of Shareholder Value (MSV) is deeply rooted in our people's awareness. In order to achieve MSV, all interactions with customers, suppliers, employees and the wider community that we operate in are carried out in a responsible, proper, fair and ethical manner.

At NIPSEA, we strongly believe that our competitive edge is derived from striking a good balance between local autonomy and collective group synergies. One of our most effective platforms to attain this goal is the bi-annual General Management Meeting (GMM) that serves as a platform for knowledge sharing, communications and cultural bonding as well as relationship building for leaders within the Group.

We continue to play our part as a responsible corporate citizen through various Corporate Social Responsibility (CSR) initiatives. To achieve an impactful CSR program, we encourage our

people to embrace and be actively involved in the various CSR initiatives which focus on Education, Environment and Skills Training. Three of our flagship initiatives are "Colour, Way of Love", "Colourful Dreams" and Asia Young Designer Awards (AYDA).

The "Colour, Way of Love" initiative was initiated by Nippon Paint in 2009 to help school children in remote areas to create a conducive study environment through the redecorating and rebuilding of their premises. Working in collaboration with the China Youth Development Foundation, we have endeavored Shanghai United Foundation and other corporate partners to imbue this initiative with a very inclusive character. Separately, the "Colourful Dreams" initiative was conceptualized across the Asia Pacific Region including the countries of Malaysia, China, India and Indonesia among others to empower the community through activities such as repainting of dilapidated low-cost flats, as well as conducting programs for youth that nurture their skill-sets.

Recently, our team in China was also recognized as one of the "Outstanding Contributors" at the 30th anniversary celebration for Project Hope of the China Youth Development Foundation, for its supporting schools in rural areas.

Our Asia Young Designer Awards (AYDA) has become a highly reputable and a much sought-after program in most Asian countries and educational institutions. First launched in 2008

as part of Nippon Paint's vision to nurture the next generation of design talents in Malaysia, AYDA now spans across 15 geographical locations across Asia, serving as a platform to inspire architecture and interior design students to develop their skills through cross-learning opportunities and networking with key industry players and peers in the Asian region.

Guiding Philosophies – MSV and LFG

Throughout my tenure with NIPSEA, we have always stayed true to our

guiding philosophies encompassing both the MSV and LFG concepts. I personally resonate strongly with the Group's value and belief system where we leverage on the various elements of an entrepreneurial culture, which was already deeply entrenched in our organization. This has guided me in how I approach the Group's business on a day-to-day basis – a lean and pragmatic market approach which has laid the foundation to drive the NIPSEA Group towards market dominance, paving the way for us to achieve our long-term business goals.

We will continuously strive to enhance collaborations among

our employees as we create a culture that empowers our people while at the same time, build a company that is capable of competing globally in today's ever-changing market landscape. This will ensure that we are competent and capable in meeting the changing needs and demands of our many stakeholders, as we grow our business and operations in such a way that simultaneously generates economic, societal and environmental value.

We look forward to the continuous support of our investors and shareholders as we work as a cohesive unit to create new value and areas of growth.



Themed "Towards Dominance – Adapt, Act, Dominate", the 2019 General Management Meeting (GMM) was held in Beijing, China and saw the attendance of NIPSEA Group leaders from over 18 countries and regions.

Special Feature: Growth Opportunities in China Business at NIPSEA Group



NIPSEA Group's China Business New opportunities abound for DIY segment

The development of the Do-it-Yourself (DIY) segment is closely correlated to the development of the real estate industry. Even as the notion that "housing is for living, not speculation" is quickly becoming the "new normal" in China's real estate market, the country's overall real estate industry growth has slowed down, thus dampening the growth of the DIY segment.

Adding to the uncertainty is that as the real estate industry embraces modernization, there has been a rising trend of property launches with "fully-renovated" or "ready-to-move-in" theme, as opposed to bare units that require renovation.

According to the "13th Five-Year Plan for the Construction Industry" ("十三五"规划) in 2017 by the Ministry of Housing and Urban-Rural Development, 30% of newly built residential properties

must be fully-renovated (turn-key and ready to move-in) by 2020.

Judging from the policies set in place in various regions in China, the overall growth rate of fully-renovated properties in Tier 0, 1 and 2 cities is relatively high. Beijing and Shanghai have exceeded 90% coverage (of fully-renovated properties) in new development with provincial capital cities catching up in the 20% to 60% range.

Moving forward, the following challenges are envisaged for the DIY segment:

- The size of customers who pursued DIY renovation has dwindled while the existing customer base has moved up from individual consumers to developers, contractors, home improvement companies or public renovation companies.
- Changes in product preferences with standardization and

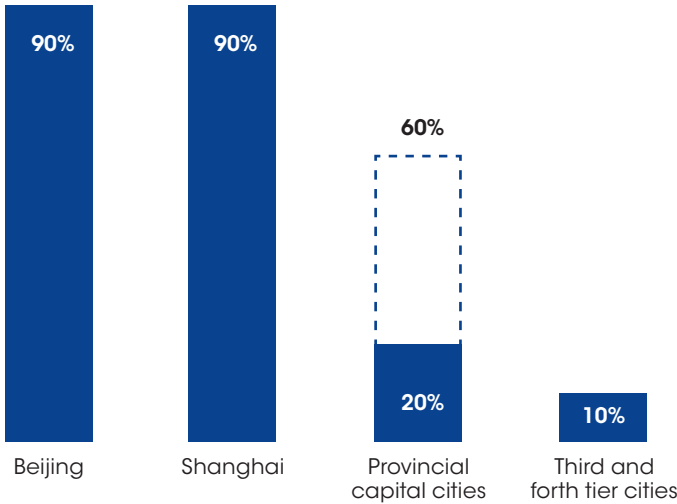


Eric Chung
President of Nippon Paint China

Mr Eric Chung is the President of Nippon Paint China and is responsible for the business operation and management of architectural coating business and Nippon Paint China Headquarters.

Prior to his current position, he was a Sales Manager and Marketing Associate in Tianjin Tingyi International Food Co. Ltd subsequently General Manager in Tianjin Tingyi International Co. Ltd, both companies are subsidiaries of Master Kong Holdings Co. Ltd. He also held the position as President in Master Kong instant food business department before joining Nippon Paint China in 2007. He was educated at Taiwan Chiao Tung University and graduated from Department of Management Science in 1984.

Proportion of fully-renovated property in new development in China



diversified demand co-exists. Thus, customers' requirements for specialization will continue to push up property prices.

The rise in the proportion of fully-renovated real estate has an impact on the profitability of the DIY segment. In the long term, it will affect the pattern of the entire renovation market.

On the same equation, demand for wood coatings has seen a decline in tandem with a shift to ready-made furniture alongside the rise in fully-renovated property units.

In view of the increasing awareness on environmental protection as well as to mitigate

Global Business Review

rising labor cost, the proportion of furniture and wooden doors that are built or painted on-site has experienced a reduction, when compared to those that are mass produced at factories. This will negatively impact the retail wood coatings market.

New opportunities

On the other extreme, opportunities are abound from the large base of matured or aged housing estates with huge demand for repairs, renovation and repainting. Since housing reform began in 1998, China has sold an enormous scale of commercial housing, estimated to be about 20 billion sq. meters

While this presents a huge market for paint and related enterprises, the lingering challenge is in meeting the needs of the customers. At the Politburo meeting on April 17, 2020, a measure was proposed to actively expand investments to implement the renovation of old communities.

On this note, the Standing Committee of the State Council requires 39,000 old urban communities to be renovated in 2020, involving nearly 7 million residents, a figure which is double that of the previous year.

The renovation of old residential areas involves diverse industries ranging from machinery to building materials, home furnishing, home appliance and property management,



among others. For the paint industry, this is undoubtedly an important market opportunity.

For the DIY segment to remain sustainable, there is a need to move away from the old business of selling products to that of "selling solutions". Given that the customer base for the DIY segment has moved up from individual consumers to developers, contractors, home improvement companies or public renovation companies, the time is ripe to switch the focus to a new customer base.

One effective way is to continuously strive to build and enrich high-quality product lines by integrating product branding strategies with an in-depth understanding of its diverse customer needs. Instead of relying upon walk-in customers, the DIY segment can gradually expand its market share in the repainting and renovation market.

In fact, the offering of

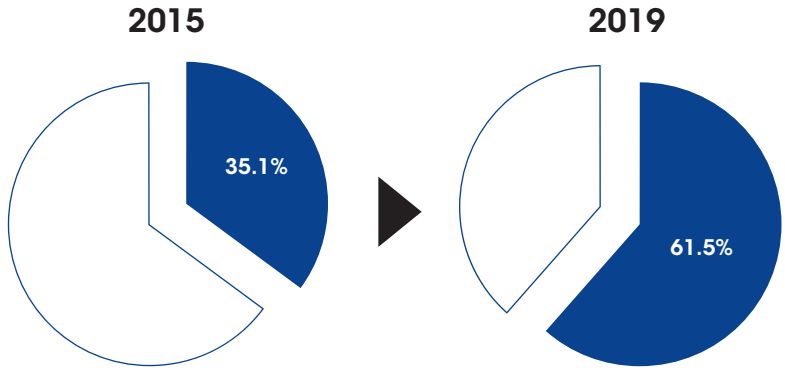
repainting-cum-renovation service for matured or aged dwellings can eventually create a viable revenue stream for the DIY segment, to offset dwindling sales from its traditional business (i.e., relying on sales from walk-in customers).

On this note, it is imperative to understand that the customers' requirements and quality expectations for the various coatings effect are constantly improving. This calls for the need to conduct more in-depth research and development (R&D) to produce the desirable coatings effect – or even to impose stringent quality control – to ensure maximum customer satisfaction.

This is where constant data-driven business transformation and upgrading can contribute towards identifying the diverse needs of our customer base and addressing their concerns.

Market repositioning beckons for Project Division

Top 100 real estate developer's market share



Amidst the slowdown encountered by the commercial housing market and the higher tendency for property developers to pursue fully-renovated or ready-to-move-in launches (as opposed to constructing bare units which requires renovation), several other focused areas were also identified to further connect with the target market and re-position Nippon Paint's product offerings.

To begin with, there is a need to increase the focus on top real estate industry players.

According to a research report of China's Top 100 real estate companies, the market share of the Top 100 as well as that of the Top 10 real estate developers have been increasing year-by-year.

The Top 100 real estate developers have a sales market share of 61.5% in 2019, a substantial increase of 26.4% from 35.1% in 2015, while the Top 10 real estate developers achieved 27.7% market share, an increase of 11.3% from 16.4% in 2015.

Therefore, it has become

imperative to foster deeper cooperation with real estate developers and their project stakeholders in the likes of turnkey contractors, architects, civil engineers and home improvement companies from a marketing and branding standpoint, by constantly making them aware of Nippon Paint's continuous breakthrough in product innovations and technologies.

On the same account, there is also a need towards creating a strong alliance with partners to build a project management team which boasts an efficient delivery system so as to meet the demand of the real estate fraternity or industrial customers.

Green products

Another opportunity that presents itself for the Project Division is to tap into the increased market acceptance of integrated renovation and insulation board

products following recent government ruling on energy-saving standards.

As the market acceptance for green building material rises, demand for integrated panels has increased given it is a vital component for thermal insulation, renovation and assembling during the construction process.

This follows the gradual move by the Government to embrace green technology in the construction and real estate sectors as evident from the recent issuance of the 13th Five-Year Plan for the Construction Industry ("十三五"规划) in 2017 by the Ministry of Housing and Urban-Rural Development where the authorities outlined a plan for all newly-built civil buildings in cities and towns to meet a specific energy-saving standards by 2020:

- All new building must meet energy conservation requirements
- Green-buildings must make up more than 50% of new construction
- 30% of new buildings must be fully-renovated
- Prefabricated construction area must account for at least 15% of the new construction area

On a bigger picture, there is a need for the Project Division to move from selling products to selling industry-viable solutions. This can be achieved by continuously striving to build and enrich high-quality product lines while putting in place an integrated product system that can identify and effectively fulfil the needs of diverse customers.

Branding power spurs DIY success



Since its market entry into China in 1992, Nippon Paint has achieved tremendous growth alongside China's rapid economic development where it has been gaining market recognition due to its vigorous commitment towards products and services enhancements, channel management, marketing, and corporate social responsibility.

Interestingly, it was found that while the younger generation perceived Nippon Paint as a professional brand, there was a lack of brand intimacy. The company was then prompted to rethink its branding direction with the emphasis on future packaging design and the brand concept.

This culminated in the "Beyond Paint" strategy for Nippon Paint in 2014, where the following changes were implemented on the company's Corporate Identity System:

- The first "C" – "From Competitor to Consumer" – saw a shift from observing competitors to focusing on consumers;
- The second "I" – "From Individual to Integrate" – saw a shift from

the emphasis on single individuals to integration, which includes products, tools, services as well as the operation of the entire Nippon Paint establishment;

- The third "S" – "From Sale to Service" – saw the need to shift from selling products to offering services by addressing the various needs and issues on the consumer side.

In line with the "Refresh Your Life" – brand proposition, Nippon Paint has nevertheless completed its transformation journey from a pure paint manufacturer and seller to a total coatings solution provider.

Repainting service

In its quest to continuously create and enrich high-quality product lines via product integration that centers around customer needs, Nippon Paint has successfully launched a complete, or bottom-to-surface coatings system.

In addition to its coatings products, Nippon Paint has also rolled out high quality, cost-effective and environmentally-friendly base and auxiliary materials that encompass tooling and home improvement products on top of rendering painting services.

In 2011, Nippon Paint launched a repainting service which entails repainting-cum-refurbishment of properties once every five years. Deemed a cumbersome chore by many working class families, the repainting service has thus far

benefitted some 500,000 families across China.

In fact, Nippon Paint sees the potential of expanding its market share in the area of repainting-cum-refurbishment services. Although sales data are currently pointing to a decline in the construction of new houses, it must not be forgotten that the scale and volume of existing houses (in the 10 to 40 years range) are huge.

With the government at state and federal levels having proposed the "old reform" project which requires the refurbishment of 39,000 old urban communities in 2020, the market demand looks bright for the DIY segment.

Moving forward, Nippon Paint envisages the leveraging of Big Data to enhance its business agility and efficiency, especially from the perspectives of better understanding its customers and their needs while driving productivity from an operations standpoint.

The data-driven transformation is poised to complement the existing e-commerce and live broadcast which are now very popular marketing tools in the realm of online-to-offline (O2O) business marketing.

Moreover, Nippon Paint also makes its presence felt on social media networks such as Douyin, Toutiao, Xiaohongshu, to name a few, where it conducts "scene marketing" by interacting with consumers (both existing and potential) through different product application scenarios.

Branding power to spur future growth

Named as the preferred supply brand by China's Top 500 real estate developers, Nippon Paint has not been resting on its laurels in terms of innovation by constantly excelling as a cost-efficient solutions provider.

Since the establishment of the Project Division in 2006, Nippon Paint has been actively cooperating with real estate developers, acknowledging that they are an important stakeholder and channel to expand its market reach.

On this note, efforts have been taken to continuously improvise the product, supply and service areas through the formation of an overall business model that will by and large benefit real estate developers.

Towards this end, the Project Division has endeavored to conduct joint research with various real estate customers to develop products with improved coatings effect and higher coatings efficiency, as we grow with them.

Success factors

There has been continuous efforts in place to build and enrich high-quality product lines while integrating product systems around customer needs.

From the initial flat exterior coatings products, to textured products, floor coatings, water-in-sand, water-in-water as well as reflective insulation products, the Project Division has continued to focus on the creation of high-quality product lines.

Nippon Paint believes in the

forging of a strong alliance with its business partners to build a strong project management and delivery system. In today's borderless trading environment, a synergistic business channel that integrates customer acquisition, delivery and technology is vital for a fruitful and long-term business relationship.

It has become a norm for Nippon Paint to provide its business partners with all-around support for their market expansion or through technology transfer, supply chain finance and sharing of resources to build delivery-side competitiveness.

Towards this end, the company is also leveraging Big Data to create an effective digital platform to collaborate with its business partners. In the longer term, Nippon Paint aspires to provide partners with a comprehensive product system, efficient supply chain system and advanced information management system for joint value creation.

Growth strategies

As part of its future growth and market share expansion strategies, Nippon Paint has embarked on forging cooperation with a more diverse customer base.

While the real estate developers have been regarded as a key customer group, it is essential to note that there is a much broader market space to tap within the real estate industry itself. This includes businesses that support or are linked to the real estate industry, whether they are turnkey contractors,

architecture or engineering firms, or home improvement companies, to name a few.

With regards to the "selling solutions" approach, the Project Division has rolled out four major systems, namely the wall system, ground system, thermal insulation energy-saving system and base material system.

The systems encompass product lines, effect lines, procurement standards, process development, system support, mechanized construction and delivery standards, among others, to achieve an overall technological leadership, high quality standard, improved efficiency, and cost effective solution.

While it is essential that the pursuit of strategic cooperation with real estate developers is emphasized as a future strategy, we have to bear in mind that dealing with strategic customers requires strategic adjustments at the management end. This is considering that their requirements from products, services and technological standpoint are very different from individual customers (as in a walk-in customer to a paint shop).

"Drive change, stabilize and move fast" has been chosen as the main theme for the Project Division in the medium-to-long term. Efforts will be focused on undertaking organizational reforms in the areas of product development, sales, service and supply chain, among others, to make Nippon Paint more dynamic and competitive in meeting the demands of its industrial customers, especially among real estate developers.

The state-of-the-art Xianning plant

Advantages of the Xianning plant

- Batch time reduction by 60%
- Productivity increases by four times
- 30% reduction in production costs
- Reduction in fuel/power consumption by 20%
- Lower investment cost on land and equipment
- Safer working environment and more environmentally-friendly production processes

Strategically located within close proximity from three capital cities – namely, Wuhan, Changsha and Nanchang – Nippon Paint’s Xianning plant embodies its business philosophy to remain as a market leader in the development of the coatings industry through technological and process innovation - with the ultimate aim of beautifying and protecting people’s lives, and by constantly creating products with superior quality and beautiful colors.

Managed by Nippon Paint (Hubei) Co., Ltd. amid the excellent development environment of the Xianning High-tech Zone, the 209-acre plant boasts a standard three-story administrative building with a total area of 3,600 sq. meters (which comes with a standard office area and a lecture hall); a latex paint production and storage area

measuring 10,600 sq. meters, and a 11,700 sq. meters of sand wall or putty powder workshop.

Commissioned in 2019, the capacity of the first phase of the latex paint workshop is slated for 150,000 tonnes with the second phase reserved for 300,000 tonnes.

The latex paint production system is operated by the world’s most advanced distributed control system (DCS) which is the result of a joint research and development by experienced production personnel as well as

famous European equipment suppliers.

When connected with the Systems Applications and Products (SAP) system, the DCS-control system is able to accurately manage production by effectively reducing the manual document operation links of various departments in the supply chain.

This will improve the overall operational efficiency while eliminating human errors to achieve zero defective products rate.



Industry 4.0

Compared with the traditional process, the batch time is shortened by more than 60%, while the total labor productivity can be elevated by close to four times. A single-tonne production can achieve cost savings of about 30% and fuel cost reduction by approximately 20%.

Moreover, the efficiency of area output and equipment investment is poised to see greater improvement while promoting safer working environment and more environmentally-friendly production processes.

With 26 paint factories and 30 powder factories across China today, the Xianning plant is aligned with Nippon Paint’s aim to embrace Industry 4.0. Since introducing Industry 4.0 two years ago, all newly

built production plants have gradually moved closer to becoming “intelligent factories”.

On the same note, Nippon Paint is in the midst of transforming its older plants (both paint and powder factories) into “intelligent factories”. In line with the adoption of Industry 4.0, there is greater realization on the major contribution of Big Data in further enhancing the company’s operation (i.e., production process, supply chain and marketing or branding).

Undoubtedly, Big Data facilitates the detailed identification and analysis of customer needs – which ultimately drives sales. This is crucial especially in meeting the high expectations of the general consumers, as well as business-end customers (i.e., real estate developers).

The batch time is shortened by more than

60%

The total labor productivity can be elevated by close to

4times

A single-tonne production cost savings about

30%

Fuel cost reduction by approximately

20%



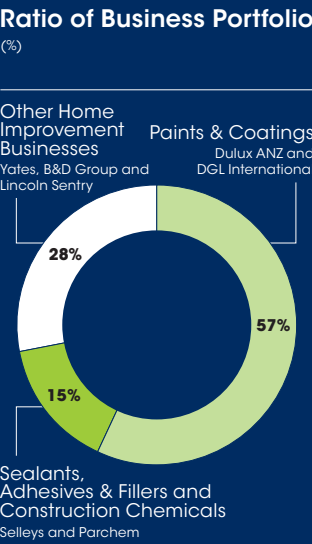
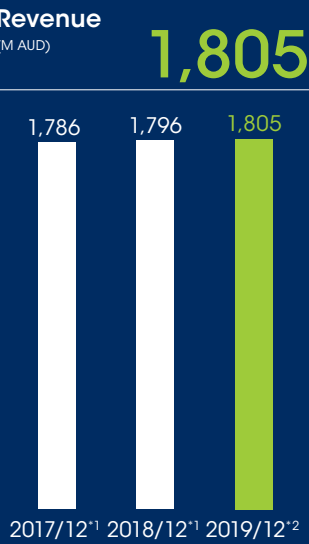
DuluxGroup

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • 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 	<p>Weaknesses</p> <ul style="list-style-type: none"> • 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 strong track record of resilient earnings growth
<p>Opportunities</p> <ul style="list-style-type: none"> • 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 and sealants 	<p>Threats</p> <ul style="list-style-type: none"> • Core ANZ markets are relatively mature and low growth • Compete against strong, established multi-national companies

Corporate data

Employees: 3,757
Headquarters: Victoria, Australia
Ownership Ratio: 100.0%



CEO message

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.

A proud history

DuluxGroup has a proud history going back more than a century to its origins in Sydney in 1918. This rich heritage includes 70 years as part of multinational ICI Paints. Following ICI Plc’s exit from Australia in 1997, DuluxGroup spent 13 years as part of Orica Limited before demerging as an independently listed company on the Australian Securities Exchange (ASX) in 2010. During the period before DuluxGroup joined NPHD in late 2019, its total shareholder returns placed it in the top 5% of companies on the ASX200.

Imagine a Better Place: DuluxGroup’s core purpose

DuluxGroup’s 4,000 employees are united by a core purpose: to help consumers Imagine a Better Place. DuluxGroup is a marketer and manufacturer of premium branded products that protect, enhance and maintain the places and spaces in which people live and work.



Values and Behaviors

DuluxGroup’s success is driven not only by what its people do but also how they do it. This is reflected in its four Values and Behaviors:

- Be consumer driven, customer focused
- Unleash your imagination
- Value people, work safely and respect the environment
- Run the business as your own

Focus on the fundamentals

DuluxGroup’s sustainable growth has been driven by investing in brands, innovation and customer service as well as a focus on the most resilient and profitable market segments. The company’s primary focus is on existing home owners (65% of DGL revenue). DuluxGroup also serves the adjacent new housing, commercial, infrastructure and industrial segments.

On DuluxGroup’s 100th anniversary in May 2018, the company opened the new, state-of-the art Dulux Paint factory in Melbourne. Here, automation gives DuluxGroup a significant advantage in precision, flexibility, digital supply chain and customer responsiveness. The Dulux R&D and Innovation Center in Clayton, Victoria, also employs more than 80 scientists driving R&D. In all, DuluxGroup has 140 scientists and

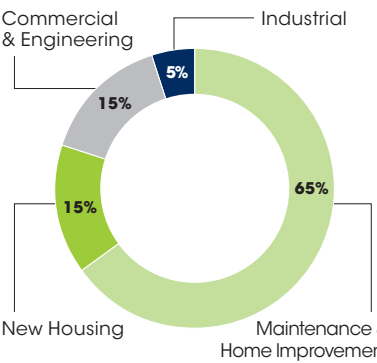
150 marketers working together to develop innovative premium products and services.

The next chapter for DuluxGroup

Becoming part of Nippon Paint Holdings is a new chapter in DuluxGroup’s rich history, but its focus remains on maximizing shareholder value by leveraging new opportunities as part of the Asia Pacific’s number one paint and coatings company. Specifically, this includes:

1. Building on the company’s market-leading positions in Australia, New Zealand and Papua New Guinea;
2. Contributing to Nippon Paint’s position in Asia through DuluxGroup’s own capabilities and portfolio—for example, Selleys adhesives & sealants; and
3. Continuing to explore pathways for material growth in the UK,

Sales by end market



Patrick Houlihan
Chairman and Chief Executive Officer

Patrick has been with DuluxGroup for almost 32 years and has led the company since 2007, at which time it was still a division of Orica Limited (formerly ICI Australia). In July 2010, DuluxGroup was demerged from Orica and became a standalone business listed on the Australian Securities Exchange (ASX). Patrick then became CEO and Managing Director of DuluxGroup Limited, which at that time had a market capitalisation of approximately \$900 million. In August 2019, when DuluxGroup became part of NPHD the company had grown to approximately \$4 billion.

Europe, and beyond—for example, Craig & Rose in the UK and Maison Deco in France. DuluxGroup’s businesses are already benefiting from collaboration with other parts of Nippon Paint, and everyone at the company is excited by this new opportunity.

^{*1} 2017 and 2018 are pre-acquisition calendar year results.
^{*2} 2019 sales are pro forma calendar year (including 8 months of pre-acquisition results).
DuluxGroup Limited is an Australian company that owns the Dulux® trade mark in Australia, New Zealand, Papua New Guinea, Samoa and Fiji only and the Cabot's® trade mark in Australia, New Zealand, Papua New Guinea and Fiji only. DuluxGroup Limited is not associated with, and has no connection to, the owners of the Dulux® and Cabot's® trade marks in any other countries, nor does it sell Dulux® and Cabot's® products in any other countries.

Betek Boya

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Wide range of product offerings including industrial, furniture, ETICS, insulation materials, and architecture coatings and polymer production • Extensive collaboration with suppliers, research institutions, academia, etc. • Multi-brand strategy covering all market segments 	<p>Weaknesses</p> <ul style="list-style-type: none"> • FOREX impacts, as a high proportion of ingredients are imported
<p>Opportunities</p> <ul style="list-style-type: none"> • More stringent EU regulations on health and environment drives technology towards environmentally friendly and healthy products • Easy access to reliable raw materials in Asia • Nippon Paint product and technology transfer to Betek 	<p>Threats</p> <ul style="list-style-type: none"> • Social and economic impact of COVID-19 on paint and coating market • International brand

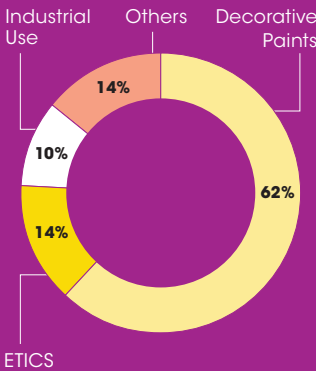
Corporate data

Employees: 1,485
Headquarters: Istanbul, Turkey
Ownership Ratio: 99.6%

Revenue (M TL) **1,518**



Ratio of Business Portfolio (%)



TOP message

A leader in the Turkish paint market

Betek Boya is a leading Turkish paint and ETICS company. Its multi-brand portfolio covers the full spectrum of consumer segments, from premium brands to budget options. It has led the Turkish decorative paint sector for 19 years, with 25% market share in 2019, and has 7 production facilities and 25 local distributors and regional warehouses supplying more than 5,648 dealers across Turkey.

Decorative coatings account for 58% of the Turkish paint market, and general industrial finishes another 11%. The market grows by around 10% every year, and is dominated by painters: 77% of consumers purchase painting services, and 50% of consumers allow painters to make the final brand decision. Seasonality is an important factor, with silicone paints by far the most popular.

Unrivalled brand recognition and competitive position

Betek Boya has long been a market pioneer in product, brand, and channel development. Its most recognized brand is Filli Boya, which accounted for 42% of sales in 2019 and has the highest TOM and unaided awareness in the market at 32%. However, Betek Boya has many other dominant brands across all segments in both decorative paints and ETICS. This competitive position was achieved



through:

- Presence in every customer segment via regularly updated product portfolio
- Outstanding products like Dalmaçyalı enhancing market position
- Extensive, consistent marketing and advertising efforts
- Distributor/dealer-friendly approach, maximizing sales performance
- Strong relationships with painters in traditional channels

Strategies for growth and group synergies

Betek Boya has three major growth targets:

- Expand market share in paint and ETICS
- Become a regional power through international acquisitions and direct investment
- Grow in industrial paints through organizational setup and

knowledge transfer

As part of the Nippon Paint group, Betek Boya aims to create short- and medium-term synergies in the decorative paint sector through rebranding and dual branding, an accelerated next-gen dealership program, and stronger e-commerce channels.

In the export market, Betek Boya will invest in first-wave geographies with high potential and accelerate its Egypt operations in particular, building on its existing production facility there. Nippon Paint's certifications and know-how will help Betek Boya advance in industrial coatings, and the company will pursue supply chain synergies through combined procurement and use its ample production capacity for Nippon Paint products.

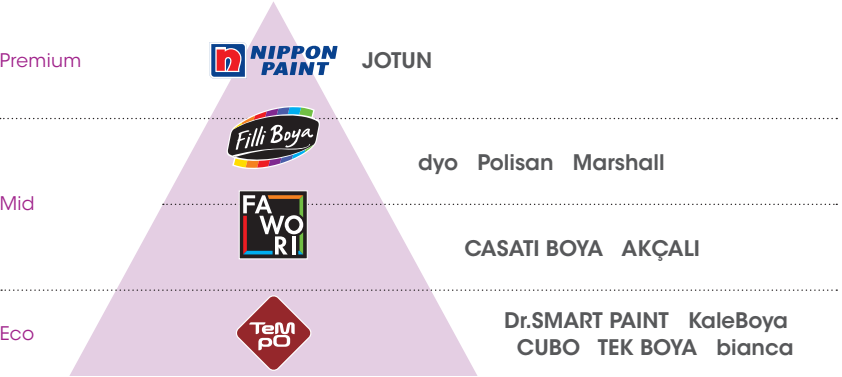
Over the long term, group synergies will allow Betek Boya to strengthen its industrial coatings position by expanding into B2B and entering new industrial segments and industries. Wood and metal



Tayfun Küçüköğlü General Manager

Tayfun Küçüköğlü was born in Ankara in 1961. He graduated from ITU Faculty of Business Administration in 1984. Having held various duties within the BETEK, where he was a founding member in 1988, Küçüköğlü has been operating as a BETEK General Manager and a Member of the Board of Directors since 1995. Betek is the first and only workplace of Tayfun Küçüköğlü. He is a founding member of the Paint Manufacturers Association (BOSAD) founded in 2003 and still a member of the Board of Directors. Between 2015 and 2017, he served as the Chairman of the Board of Heat, Water, Sound and Fire Insulators Association (IZODER). He is currently the Chairman of the Board of the Construction Material Industrialists Association (İMSAD).

Positioning of Brands - 2019



coatings and easy-to-use floor coatings are two kinds of new products currently being considered. Investment in second-wave select geographies will expand the company's geographical reach, allowing Betek Boya to become an operational service hub for Nippon Paint's operations in nearby regions.

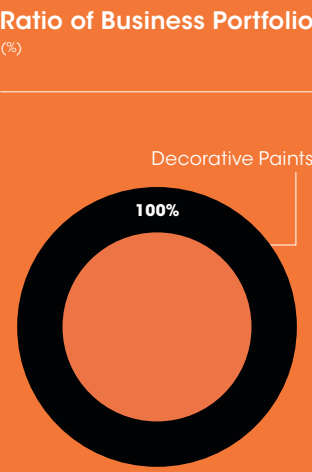
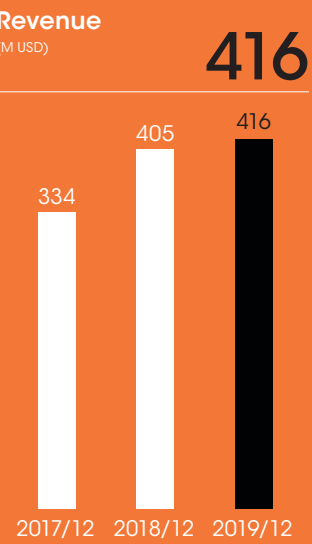
Dunn-Edwards

SWOT analysis

S trengths <ul style="list-style-type: none">• Strategically positioned retail store network and highly trained salesforce focus on providing superior customer service• Diverse portfolio of high quality and innovative products provide meaningful, measurable performance advantages versus the competition	W eaknesses <ul style="list-style-type: none">• 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 sales growth through channels and to new market segments
O pportunities <ul style="list-style-type: none">• Develop omni-channels ecommerce solutions to drive sales growth to professionals and consumers alike• Help to grow Nippon Paint Holdings position in the United States through channel and product growth initiatives	T hreats <ul style="list-style-type: none">• Large marketing and advertising investments by national brands continue to impact brand selection

Corporate data

Employees: 1,912
Headquarters: California, USA
Ownership Ratio: 100.0%



CEO message

A strong niche in a concentrated market

Dunn-Edwards has been a leading paint supplier in the Southwestern U.S. since 1925, providing a complete line of paint, sundries and equipment to professional painters and quality-conscious consumers. In the U.S., 90% of all architectural coatings are supplied by the six largest manufacturers. The remaining 10% come from regional and local manufacturers with significant levels of brand loyalty. Based on Paintcare Recycled Paint Program sales data, Dunn-Edwards has an estimated 12% share in California markets, and 10% to 20% in other regions.

The company operates primarily from a state-of-the-art manufacturing facility in Phoenix, Arizona. Its highly automated batch-making and filling equipment can process over 100,000 gallons a day.

Leading the industry through unique efforts

Dunn-Edwards earned its industry-leading reputation by combining high-quality products with unmatched customer service. Its executive management is talented, experienced and energized, with an average of a decade or more with the company, and its diverse portfolio of innovative products and colors is a powerful competitive advantage.

In 2010, Dunn-Edwards launched the Professional Color



Advisor service. This program provides unique and unmatched color selection services to professional and retail customers. Another recent innovation was Aristoshield, a water-based paint with "oil-based" performance. Since its 2016 launch, Aristoshield has taken share from regional and national paint brands.

Strategies for growth, partnerships for innovation

Dunn-Edwards' strategies for growth are multifaceted. In commercial and consumer segments, the company aims to increase its market share by leveraging growth accelerators. In other channels, Dunn-Edwards is using network and capacity advantages to build the brand outside its current footprint and boost profitability. At the same time, the company is developing business models based on new technology that will make it the easiest paint brand to work with, positioning it for market disruption.

Industrial coatings represent a logical expansion of the Dunn-Edwards product line, and the Endura series of light industrial paints was recently added to the product mix. Dunn-Edwards is also collaborating in many ways with Nippon Paint. Manufacturing and product development teams collaborate on raw material evaluations, formulation strategies, and supply chain optimizations. The results have inspired new products, slashed costs, and

delivered procurement synergies. Product development is a key growth driver for Dunn-Edwards. Guided by a mission of developing products with measurable and meaningful performance advantages versus the competition, the company continues to bring new and innovative products to market.

Environmental initiatives

Dunn-Edwards is committed to eco-efficiency as an overarching principle, guiding everything from product formulations to employee health and safety. In 2009, the company launched a major brand initiative called Greener by Design as a vision of a "green" future. Just two years later, in 2011, Dunn-Edwards built a LEED® Gold-certified manufacturing plant, demonstrating genuine commitment to the environment as well as boosting sales growth.



LEED® Gold-Certified Paint Manufacturing Facility
Encompassing manufacturing, product development, quality control and more, the 336,000-sq. ft. facility is designed to be the greenest in the industry.



Karl Altergott

CEO

Karl Altergott has been the President and CEO at Dunn-Edwards for the past 11 years. After joining the company, he immediately focused on projects to achieve operational efficiency and provide superior customer service. Under his guidance and support, the company constructed a fully-automated manufacturing plant to expand production capabilities, modernized its retail outlets, and launched a Color Advisor program to assist customers with color selection. He holds a B.S. in Engineering from Loyola Marymount University and an M.B.A. from Pepperdine University's Graziadio School of Management.



'LEED' and related logo is a trademark owned by the U.S. Green Building Council and is used with permission.

JAPAN

Corporate overview and strengths

Business strategy

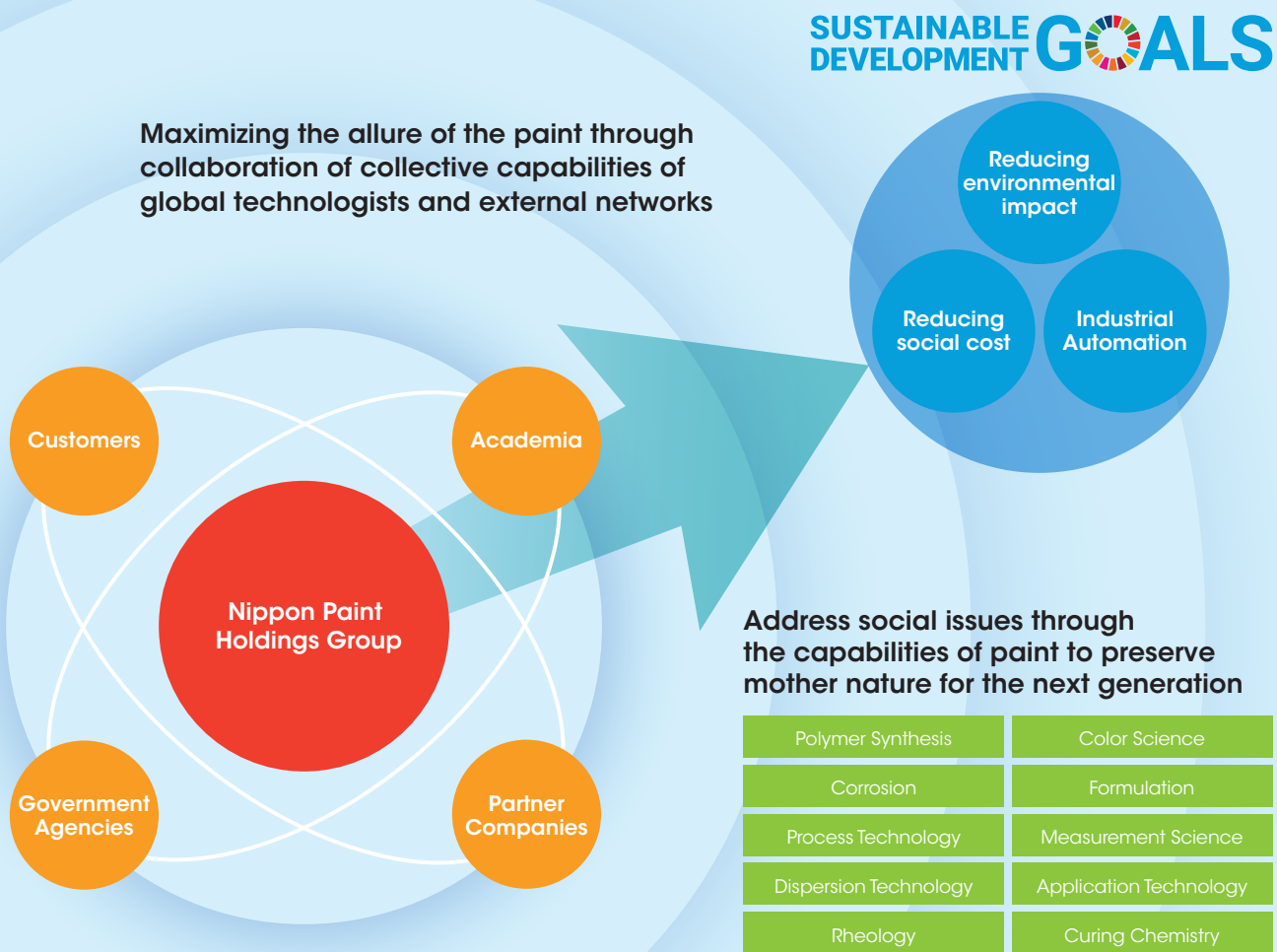
<p>Nippon Paint Automotive Coatings Co., Ltd. (NPAU)</p> <p>Shoichi Mure Representative Director and President</p>		<p>NPAU provides full-range coating products for automotive use, ranging from coatings for auto bodies and bumpers to plastic components such as interior parts. NPAU develops eco-friendly products that have a growing demand in recent years as well as high value-added products such as Premium Color that delivers maximum satisfaction to end users.</p>	<p>Promoting the establishment of a global operating framework to evolve into a leading company in the automotive coating field</p> <p>Global automobile production is forecast to fall sharply in FY2020 due to factors including operation halts at factories as a result of the COVID-19 pandemic. However, automobile production is expected to experience a moderate recovery, mainly in China and the Asia region, from FY2021 onwards. In step with the advance of technological innovation in automobiles in new domains focused around the connected, autonomous, shared & service, and electric (CASE) concept, NPAU will work to establish a global operating</p>	<p>framework that allows for the maximization of global synergy while deepening collaboration with individual group companies such as NIPSEA and B&K. We will strive to become a leading company in the automotive coating field so that we may become the best partner, trusted by customers as a specialized manufacturer contributing to the development of a mobility driven society.</p>
<p>Nippon Paint Co., Ltd. (NPTU)</p> <p>Masuo Kida Representative Director and President</p>		<p>NPTU is engaged in the development, manufacturing, and sale of paints used for buildings such as houses and office buildings, large structures such as bridges and plants, as well as for automotive refinish coatings. NPTU has the largest sales network in Japan and boasts the top share in the domestic decorative paints market.</p>	<p>Promoting core business strategies encompassing technologies, production logistics, and sales to establish a presence as an essential figure in the market</p> <p>The decorative paints business is closely linked with the culture, climate, and laws and regulations of each country, and has different business models (sales channels) in each operating country. Each Group company operating in decorative paints pursues market share expansion in each operating country as their basic business strategy. NPTU promotes the acquisition of a share in the architectural paint market in Japan, including condominiums, commercial buildings, detached houses, and apartment buildings, by leveraging</p>	<p>its strong sales channels. In addition, the company actively rolls out eco-friendly products such as heat shield paints that control rising building surface temperatures to reduce air conditioner power consumption, as well as water-based anticorrosion paints for steel structures. NPTU also promotes market development by expanding its range and sales of anti-bacterial and anti-viral products with an eye to increase market share and profitability toward establishing a market presence as an indispensable player.</p>
<p>Nippon Paint Industrial Coatings Co., Ltd. (NPIU)</p> <p>Takeshi Shiotani Representative Director and President</p>		<p>NPIU is engaged in the manufacturing and sales of paints and coatings used for a wide range of industrial products such as building materials, home exterior materials, home electronics, office furniture, construction and agricultural machines, and rail cars, as well as functional materials in the fine chemical field and sales of equipment for painting and coating applications. NPIU expanded operations into Asia through a partnership with the NIPSEA Group, and has established a leading position in its main business domains such as coil coatings and paints for construction machinery and agricultural machinery.</p>	<p>Evolving into a company with a strong competitive edge and dominant share in the Asian market by reinforcing the core businesses and creating a second core business</p> <p>NPIU is committed to contributing to the development of an industrialized society by providing new value that will pave the way for future generations as a company specialized in coatings for general industrial applications, excluding automotive coatings. NPIU is focusing efforts on reinforcing its core business of coil coatings, powder paints and so on, as well as creating a second core business by expanding the paint business for road surface markings and so on. In addition, NPIU is accelerating business expansion and</p>	<p>investment strategy overseas, where high demand growth is expected to continue, through collaboration with NPHD group companies. The aim is to become a company with a strong competitive edge to overwhelm the Asian market by transforming into a smart company to achieve high value addition, high efficiency management, and high profitability.</p>
<p>Nippon Paint Surf Chemicals Co., Ltd. (NPSU)</p> <p>Satoshi Nishimura Representative Director and President</p>		<p>NPSU is an expert in surface treatment, providing undercoat films used for automobiles, general-use industrial products, steel, and aluminum cans, and functional coatings such as hydrophilic treatment agents that provide advanced functions in very thin film. The company deploys globally, centering on Asia, technologies created based on a three-region R&D system encompassing Japan, China, and South Korea and through industry-academia collaborations.</p>	<p>Striving to maximize business value through creation of new business to solve ESG solutions and enhancement of a globally highly profitable business structure</p> <p>NPSU has grown by focusing on the development and deployment of advanced technologies and products as a manufacturer specialized in surface treatments designed to dramatically boost the added value of materials by applying its unique thin-film technologies. In recent years, NPSU has accelerated growth on a global scale and promoted the development of business domains that will become its future core businesses through the overseas deployment of the latest technologies in which the company has superiority, such as</p>	<p>hydrophilic treatment and surface treatment of aluminum cans. Going forward, NPSU will work to achieve sustainable growth by addressing ESG issues and strengthen its highly profitable business structure through the development of products that contribute to reducing environmental impact by cutting industrial effluent and GHG emissions, as well as a new coating system designed to protect social infrastructure such as antifouling coatings, with an eye to maximizing its business value and profit contribution for the NPHD Group.</p>
<p>Nippon Paint Marine Coatings Co., Ltd. (NPMC)</p> <p>Seiichiro Shirahata Representative Director and President</p>		<p>NPMC is the founding business of the Group and marks its 140th anniversary next year. The company is engaged in the manufacture and sale of ship paints on a global scale, and has established an integrated supply system in Japan and overseas, from building to repairing ships. NPMC will develop and supply advanced environmental products through R&D that leverages the collective strengths of the group.</p>	<p>Establishing the Top Group Brand to Deliver Cutting-edge Eco-products Worldwide and Becoming a Company Recognized from the Perspective of SDGs and ESG</p> <p>As a professional marine coatings company that plays an active role on the global market, NPMC has been developing and supplying the world's first TBT-free and fuel-efficient antifouling paint, which contributes to CO2 reductions, as well as other advanced environmental products that consistently contribute to solving social issues. The volume of seaborne transportation is expected to increase over the medium to long term. The company's products, which have been established in Japan and other Asian countries,</p>	<p>are increasingly being adopted in Europe. In addition, its existing products are highly regarded by European customers, who are particularly interested in environment-friendly technologies. NPMC is expected to develop products that are friendly to both the ocean and the atmosphere in response to future environmental regulations. NPMC will continue to create value with SDGs and ESG at the core of our management, and aims to be a company that is recognized worldwide.</p>

Research and Development

The Group's activities in creating innovations through the power of paint toward delivering innovation in future

R&D policy

Investing in R&D to Address Social Issues



In our R&D, we are working to strengthen the collaboration between the comprehensive strengths of the Group's engineers in Japan and overseas and our external networks to maximize the appeal of paint through our technological capabilities for providing solutions to various social challenges. Examples of this include close collaboration in information exchange and joint research programs with the engineering departments and research departments of our partner companies around the world, proactive open innovation activities with suppliers, customers, and academic institutions such as universities and research institutions,

and strategic technology development projects involving government agencies. Our aim is to deliver unprecedented and innovative solutions to society through such initiatives. We believe one of our major management themes is to provide places where our 1,000 engineers in Japan and the engineers of our global partner companies can demonstrate their full potential, and we will continue to explore various opportunities for our engineers. Furthermore, we will proactively share and disseminate the attractive features of the paints developed by our engineering teams.

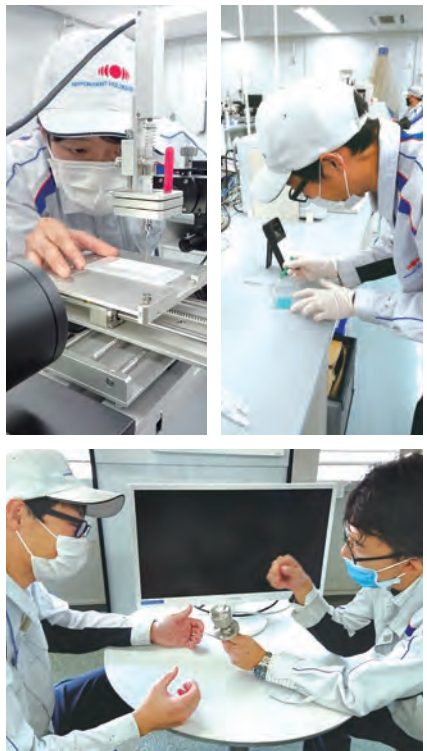
TOPICS

Set up "Advanced Product Development" by calling in R&D engineers from the Group's partner companies

In May 2020, NPHD set up Advanced Product Development, where excellent R&D engineers from the Group's partner companies were assigned with a mission of "exploiting all the Group's technologies in areas including paints, coatings, and surface treatments and forming collaborative relationships with universities, research institutions, and other companies as necessary in order to develop products that contribute to solving social challenges."

In response to the social anxieties caused by the spread of the COVID-19 pandemic, Advanced Product Development was launched with the highest priority placed on the development of anti-viral products by identifying situations in everyday lives where the risk of infection is high. Led by this specialized team, we are accelerating research and development activities aimed at providing safety and security for people's lives and for maintaining social functions in the "new normal" lifestyles. Meanwhile, we need to promptly deliver new products thus developed to end users through the processes of production, distribution, and sales, which requires collaboration with each partner company. By monitoring such activities through the Anti-viral Product Development Technology Meeting, which was established as a company-wide organization, we are working on providing solutions to social challenges as a company-wide project.

We plan to introduce various innovative anti-viral products to society, following on from "Perfect Interior Air Clean," an innovative anti-viral and anti-bacterial interior paint, by leveraging our industry-academia collaboration activities with the University of Tokyo. We will tackle social challenges, including the containment of the COVID-19 pandemic, to make a contribution to society, while at the same time will contribute to sustainable business expansion and growth of the Group by capturing business opportunities by anticipating customer needs.



Conclusion of industry-academia collaboration agreement with the University of Tokyo

On May 18, 2020, the University of Tokyo and NPHD concluded an industry-academia co-creation agreement aimed at high-level comprehensive joint research and the exchange of human resources. We decided to establish a social cooperation course titled "Construction of Innovation Coating Technologies" in the Graduate School of Engineering of the University of Tokyo. The period of the agreement will be five years from October 1, 2020, to September 30, 2025, with a total of 1 billion yen offered as research funds. Through this agreement, NPHD and the University of Tokyo will focus on achieving the development of technology that will help prevent the spread of the COVID-19 pandemic, including anti-viral technologies, and technology to solve new social problems that will emerge after the end of the spread of infections shaped around the concept of "paints and coatings." This agreement will also bring new technologies to the table to both build a foundation for a smart/remote society and weave together the threads to create a beautiful, attractive, and sustainable society.



Right) Masaaki Tanaka, Chairman, President & CEO, Nippon Paint Holdings Co., Ltd.
Left) Makoto Gonokami, President, The University of Tokyo



Chapter
3 Value Creation
through ESG
Practices

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Singapore / MICA Building

A fine example of a Singapore building that uses our paints. This building was previously owned by the Singapore Ministry of Information, Communication & the Arts but is now a multi-tenant building. The mesmerizing exterior of this colorful building provides a unique ambience when illuminated after sunset, and has become a popular tourist spot.



The Group is pursuing maximization of shareholder value by creating wealth through solving social issues, with the SDGs and ESG at the core of management.

To achieve this, we established the ESG Promotion Department in January 2020 and the ESG Committee in April 2020 as efforts to accelerate ESG management.

—ESG Statement (established in August 2020)—

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

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

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

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

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

Our approach to ESG management

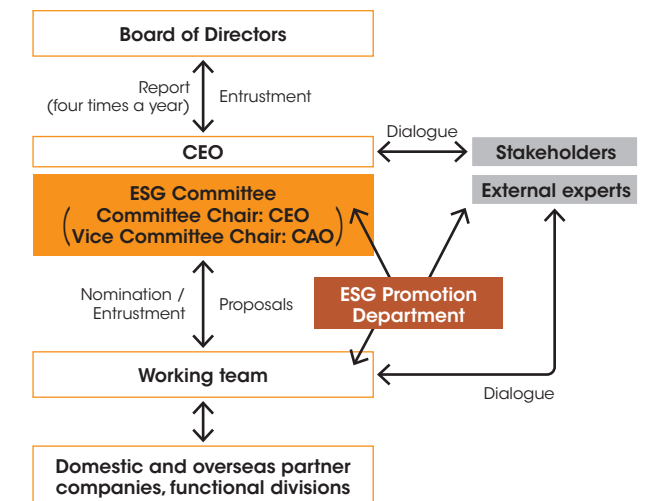
NPHD issued its ESG Statement in August 2020 to reinforce the Group's ESG management. The purpose of the ESG Statement is to implement ESG management strategies worldwide.

ESG promotion system

Placing ESG at the core of management, NPHD established the ESG Committee in 2020 to have cross-Group discussions on creating and improving sustainable corporate value, as well as accelerating ESG promotion activities.

Chaired by the CEO, the ESG Committee formulates strategies, policies and action plans regarding the Group's "ideal state" and ESG, alongside conducting and promoting ESG activities.

ESG management system chart (as of August 2020)



Message from an outside director

In FY2020, NPHD shifted to a Company with Three Committees structure. We have since been striving to further ensure transparency of management and create value through technology innovations with ESG and the SDGs at the core of management. The year 2020 is a period of major transformation for NPHD with the reform of the corporate organizational structure and various new initiatives being under way. As an outside director of the Company, I am confident that NPHD will be capable of capturing growing markets in the global paint industry, mainly China and other Asian regions. I also believe that the Company will achieve the global top position in the long run by executing unparalleled strategies for creating value and leveraging initiatives such as ESGs and SDGs.

Masataka Mitsuhashi Independent Director of the Board



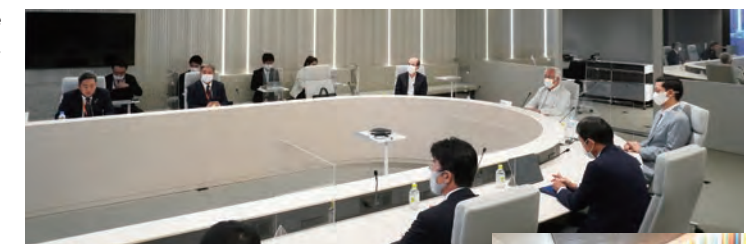
The Group's CSR Goals and Progress in FY2019

Aspect	Ideal state / Issues	Achievements in 2019	Targets for FY2020 (Current progress)
Governance	<p>[Ideal state] World-class governance system</p> <p>[Issues]</p> <ul style="list-style-type: none"> ● Sharing a new management philosophy ● Establishing a global governance system* 	<ol style="list-style-type: none"> (1) Conducted surveys and held management philosophy workshops for a total of 150 times with a total of 2,558 participants (2) Held deliberations by the CSR/ESG Management Promotion Working Group. Established the ESG Promotion Department and the ESG Committee in 2020 (3) Made preparations to shift to a Company with Three Committees Structure and to establish an audit system in order to reinforce the global governance system. Also, prepared for the establishment of the spider web management structure for solving social issues 	<ol style="list-style-type: none"> (1) Establish activities for disseminating the management philosophy (2) Establish the CSR promotion system (3) Achieve the overall harmony of global governance*
Environment	<p>[Ideal state] Business and earnings expansion driven by value creation through environmentally-friendly approaches</p> <p>[Issues]</p> <ul style="list-style-type: none"> ● Create and spread eco-friendly products ● Proper management of chemical substances 	<ol style="list-style-type: none"> (1) Identified eco-friendly products and set their sales targets (2) Achieved most targets by promoting and implementing our efforts in the Responsible Care Committee 	<p>On a global basis</p> <ol style="list-style-type: none"> (1) Promote the development and spread of eco-friendly products (2) Appropriately manage and reduce emitted chemical substances
Diversity	<p>[Ideal state] "Diverse knowledge" through a group of diverse personnel</p> <p>[Issues]</p> <ul style="list-style-type: none"> ● Collaboration among diverse personnel ● Decisions made by a diverse group of personnel ● Safe and secure workplace 	<ol style="list-style-type: none"> (1) Implemented a system that ensures our employees a minimum amount of rest between working days, on a trial basis (2) Increased the number of mid-career hires, provided female leader training and cross-industrial association program for female employees (3) Provided a selection-based program to train junior staff on management skills (4) There was one serious accident involving the loss of part on an employee's left thumb 	<p>On a global basis</p> <ol style="list-style-type: none"> (1) Establish an integrated personnel system (2) Establish successful and diverse ways of working and human resources. (3) Secure human resources that have active roles worldwide (4) No serious occupational accidents

* We modified our conventional regional headquarters (RHQ) system and unique management model "NN model" and decided to use "spider web management" to solve social issues and maximize shareholder value.

Dialogue with stakeholders

NPHD organizes lectures by outside experts whenever the need arises, and invited Mr. Norihiro Takahashi, the former President of the Government Pension Investment Fund (GPIF), as a guest speaker in August 2020. During this online seminar that was live-streamed to the Group's top management and all employees in key positions in about 440 locations in Japan, Mr. Takahashi gave a lecture entitled "Long-term and sustainable corporate growth and ESG" where he answered questions and actively exchanged information with the participants.



August 2020: Lecture by former GPIF President Norihiro Takahashi



Governance

Discussion by the Board of Directors

Clarifying our MSV management mission through much discussion by the Board

NPHD’s Board of Directors is focused on improving the transparency, objectivity, and integrity of management through lively exchanges of opinions and discussions, mainly by the outside directors who comprise the majority of the Board. These pages explain about the outcomes of the countless discussions held by the Board regarding our management mission of Maximization of Shareholder Value (MSV), as well as the opinions of each Director.

NPHD’s stance on Maximization of Shareholder Value (MSV)

The diagram on the bottom-right corner of this page shows the stakeholder relationship for income statement items: customers for revenue, suppliers for operating expenses, employees for personnel expenses, financial institutions for interest expenses, and governments for taxes. Fulfilling our duties to each type of stakeholder is our primary premise for MSV, which clearly separates us from the “shareholder primacy” idea of pursuing earnings for shareholders at the expense of stakeholders. Shareholders are considered lowest in priority when it comes to distribution of earnings and remaining net assets. Furthermore, shareholders are not guaranteed to receive distributed earnings and may not be able to collect any returns at all, which also implies that there is no upper limit to earnings distribution. Consequently, our management mission should be to maximize the value that remains after fulfilling our duties to all stakeholders. This remaining value is how we reward shareholders who invest with an awareness of the associated risks. We believe this philosophy is linked to creating wealth, which is an important role for the executives of private-sector companies within the investment chain.

Clarifying important MSV concepts

- Strictly pursue the maximization of shareholder value in the medium- to long-term
- Primary focus on fulfilling our duties to stakeholders
- Embracing the concept of sustainability

Clarifying the difference from the concept behind “improvement of corporate value”

The concept behind corporate value can be defined in various ways, and may sometimes involve stakeholders. This ambiguous concept blurs the distinction between stakeholders and shareholders and could potentially distort management decisions. Shareholders and stakeholders are fundamentally different in terms of rights and obligations. Stakeholder value can be improved and optimized but is something that is difficult to maximize. In addition, the term “improve” contains ambiguity. Take the following two management decisions for instance: Management Decision A will improve shareholder value by 2 and Management Decision B will improve shareholder value by 10; both decisions, A and B, involve tradeoffs. If Management Decision A contains elements other than shareholder value,

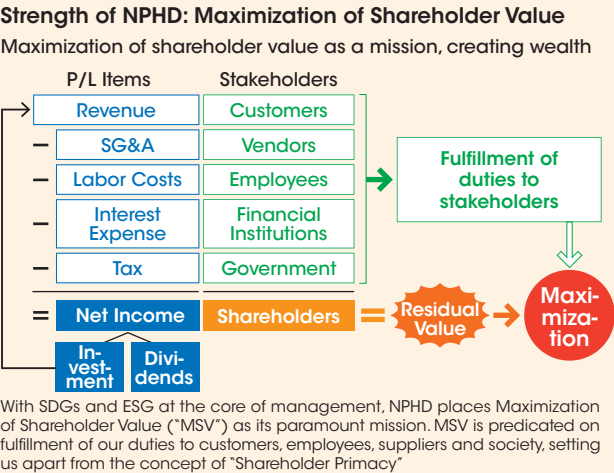
such as satisfying management’s eagerness for fame, the term “improve” will also mean that the management will be allowed to choose Management Decision A, which is a risk. On the other hand, “maximization” is an accurate criteria that takes fully into account other options and opportunity losses.

Clarifying the difference from “shareholder primacy”

Shareholders are considered lowest in priority among stakeholders when it comes to distribution of earnings and remaining net assets. In fact, the term “shareholder primacy” is contradictory to begin with. Most importantly, corporate management must fulfill its limited duties, including legal contracts as well as social and ethical duties, to each stakeholder, and the remaining net assets will be the shareholder value.

Correction of shareholder primacy comes from our regret at failing to fulfill our duties to each stakeholder and is not intended as a revision of the MSV. Creating wealth after fulfilling duties to stakeholders is the main mission of private-sector companies, and contributes to society.

Also, if “stakeholder capitalism” refers to “We should NOT ONLY focus on shareholders but must ALSO pay attention to stakeholders,” it has failed to understand the appropriate structure of a corporation. In corporate management, stakeholders are always taken into consideration. For this reason, the interests of shareholders do not essentially conflict with the interests of stakeholders. The concept of stakeholder capitalism even entails the risk of creating a logic for retaining management that is not capable of generating earnings.



Comments from Directors that led to the concept of MSV (excerpts)

Outside Directors

“I believe the Company is moving in the right direction, but how are the employees seeing the MSV initiative?”

“We should continue to deliberate and discuss more about the maximization of shareholder value. We will leave it to President & CEO Tanaka and the other executive teams to communicate with external parties; still, maximization of shareholder value is often confused with the so-called shareholder primacy from an outsider’s perspective. For this reason, we must continue to explain the difference until we establish a solid understanding of MSV. Once we are all on the same page, I believe NPHD’s presence will improve considerably. In addition, if the Company can deliver results that do not undermine our reputation, we will be undefeatable.”

“The phrase ‘maximization of corporate value’ has become popular. What’s unique about NPHD is that it upholds ‘maximization of shareholder value’. These two concepts do not essentially contradict each other, but we should emphasize that ‘maximization of shareholder value’ is a concept that goes one step beyond ‘maximization of corporate value’.”

“The satisfaction level (of stakeholders) is an important measure. Meanwhile, contracts can be quantified objectively and rationally and are clear in substance. So, instead of maximizing contracts with stakeholders, the Company must be able to properly handle contracts with stakeholders. Meanwhile, the Company should clarify its stance of maximizing remaining net assets.”

“What companies are required to do in order to satisfy stakeholders is changing. For instance, when environmental issues get public attention, companies need to conduct corporate activities to address such issues. In that sense, we may use expressions that can be interpreted in various ways. For instance, using the phrase ‘deliver satisfaction’ towards customers.”

“I support the expression of ‘fulfilling our duties to stakeholders’ as long as it is clearly based on the concepts of rationality, objectivity, and adequacy.”

Inside Directors










“The most important phrase to include in the MSV concept is ‘with SDGs and ESG at the core of management’. In addition, ‘setting us apart from the concept of Shareholder Primacy’ is also an essential phrase. The addition of ‘remains’ will give a unique touch to the concept, demonstrating the Company’s characteristics.”

“Providing value to customers should be done within the scope of contracts, and the Company should not pursue limitless maximization of shareholder value. Instead, we should focus on fulfilling contracts—our duties—which is crucial.”

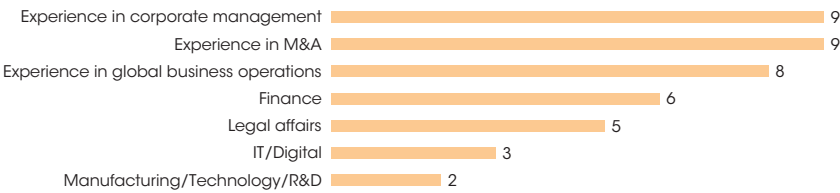
“What were mentioned in our discussion are examples that are clear to understand. The important thing is to fulfill our duties to stakeholders. Meanwhile, if we explicitly refer to legal contracts as these duties, they will evoke written contracts which seem too impersonal; therefore, we should state that we will properly consider other duties as well.”

Governance

Directors and Executive Officers (as of June 30, 2020)

Directors	Masaaki Tanaka	Goh Hup Jin	Manabu Minami	Hisashi Hara		Takashi Tsutsui	Toshio Morohoshi	Masayoshi Nakamura	Masataka Mitsuhashi	Miharu Koezuka	Ratio of outside directors on the Board
											
Title	Chairman of the Board Representative Executive Officer President & CEO	Director of the Board Representative of WUTHELAM Group	Director of the Board	Independent Director of the Board		Independent Director of the Board	Independent Director of the Board	Lead Independent Director of the Board	Independent Director of the Board	Independent Director of the Board	6/9
Profile	<ul style="list-style-type: none"> Former Director and Deputy President, Mitsubishi UFJ Financial Group, Inc. Former Outside Director, Morgan Stanley Former President & CEO, Union Bank of California, N.A. (currently MUFG Union Bank, N.A.) Advisor, Financial Services Agency (current) External Director, Money Forward, Inc. (current) 	<ul style="list-style-type: none"> Managing Director, WUTHELAM HOLDINGS LTD. (current) 	<ul style="list-style-type: none"> Former Senior Executive Officer (in charge of financial strategy) 	<ul style="list-style-type: none"> Attorney of Law Former Chairman of Nagashima Ohno & Tsunematsu 		<ul style="list-style-type: none"> Former Senior Executive Officer, Nomura Securities Co., Ltd. Former President and Representative Director, Jasdaq Securities Exchange, Inc. (currently Japan Exchange Group, Inc.) Former Director and Vice President Executive Officer, Chief External Relations Officer, LIXIL Corporation 	<ul style="list-style-type: none"> Former Managing Executive Officer, Fujitsu Limited Former President & CEO, EMC Japan K.K. (currently Dell Technologies Japan Inc.) Former President & CEO, NCR Japan, Ltd. Former President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) Outside Director, T-GAIA Corporation (current) 	<ul style="list-style-type: none"> Former Managing Director, Morgan Stanley Former Director and Senior Executive Officer, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) 	<ul style="list-style-type: none"> Certified Public Accountant Former Representative Director, ChuoAoyama PwC Transaction Services Corporation (currently PwC Advisory LLC) Former Representative Director and President, PricewaterhouseCoopers Arata Sustainability Certification Co., Ltd. (currently PricewaterhouseCoopers Sustainability LLC) Audit & Supervisory Board Member (Outside), FUJIFILM Holdings Corporation (current) External Director, Skymark Airlines Inc. (current) 	<ul style="list-style-type: none"> Former Representative Senior Managing Director, Takashimaya Company, Limited Former President (Representative Director), Okayama Takashimaya Co., Ltd. Outside Director, Japan Post Holdings Co., Ltd. (current) Outside Director, Nankai Electric Railway Co., Ltd. (current) Director, Okayama Takashimaya Company, Limited (current) Advisor, Takashimaya Company, Limited (current) 	
Date of appointment as director	March 2019	December 2014	June 2013	March 2018		March 2018	March 2018	March 2018	March 2020	March 2020	
Number of shares held	27,632	None	21,782	8,416		7,384	6,819	9,352	2,719	2,719	
Attendance of the Board of Directors meetings	During the term of office in FY2019*1	19/19	18/19	19/19		19/19	19/19	19/19	—	—	
	During the term of office in FY2020*2	5/5	5/5	5/5		5/5	5/5	5/5	4/5	5/5	
*1 From late March 2019 to early March 2020 *2 From late March 2020 to end of June 2020											Number of outside directors serving as committee members
Committee membership											
Nomination Committee		○		○ (Chairman)			○	○			3/4
Remuneration Committee		○				○ (Chairman)		○			2/3
Audit Committee			○				○		○ (Chairman)	○	3/4
Experience / Expertise											Number of applicable Directors
Experience in corporate management	◎	◎	◎	○		◎	◎	○	○	◎	9
Experience in M&A	○	○	○	◎		◎	○	◎	◎	◎	9
Experience in global business operations	◎	◎		◎		◎	◎	◎	◎	◎	8
Finance	◎	○	◎			○		◎	◎		6
Legal affairs	○	○	◎	◎						○	5
IT/Digital	○	○					◎				3
Manufacturing/Technology/R&D		◎					○				2

Experience / Expertise



Executive Officers

Masaaki Tanaka
Representative Executive Officer, President & CEO

Yuichiro Wakatsuki
Senior Managing Executive Officer and CFO

Yasuyuki Matsumoto
Managing Executive Officer and CAO

Shoichi Mure
Managing Executive Officer

Masuo Kida
Managing Executive Officer

Takeshi Shiotani
Managing Executive Officer

Seiichiro Shirahata
Managing Executive Officer

Kohei Tsushima
Managing Executive Officer (Oceania Business)

Tetsuro Fujita
Managing Executive Officer (Americas Business)

Atsushi Nagasaka
Managing Executive Officer (Europe Business)

Satoshi Nishimura
Executive Officer

Yoshiaki Kuroda
Executive Officer (Asia Business)

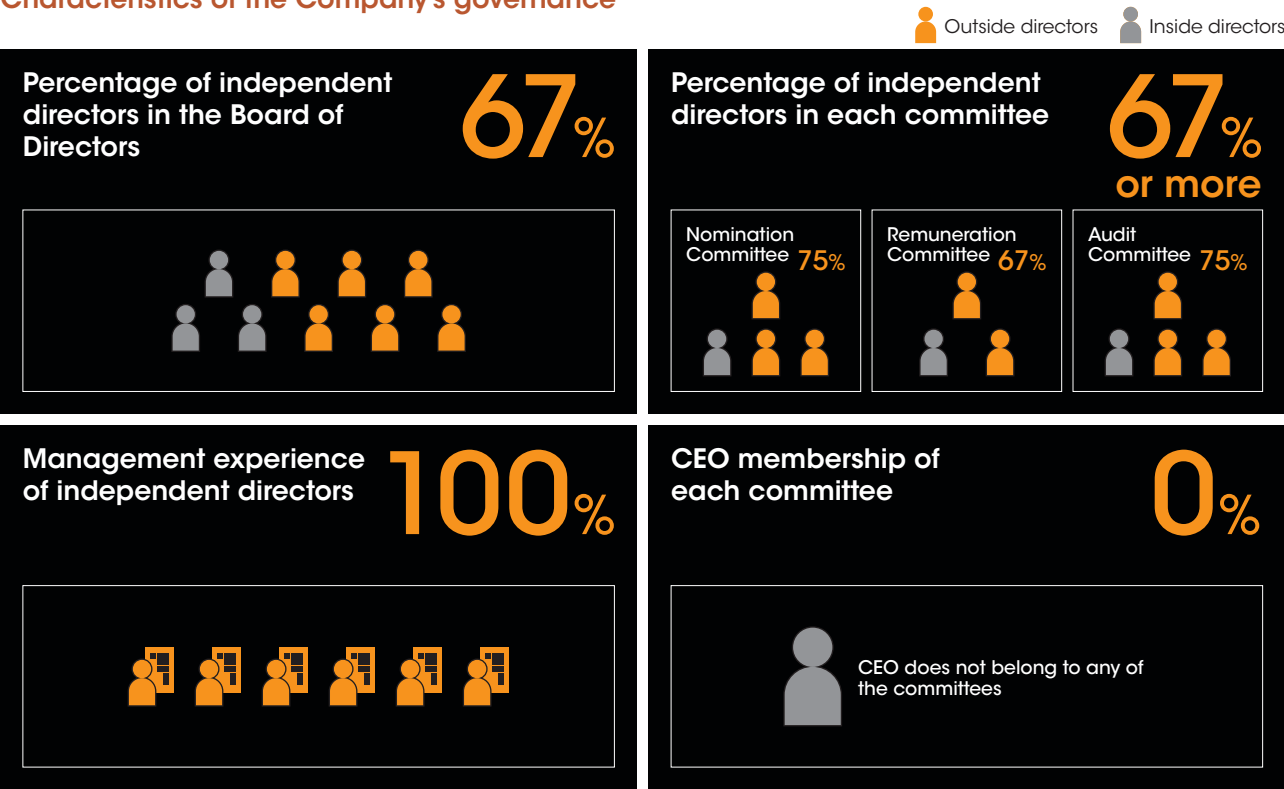
Hiroshi Hanaoka
Executive Officer (Europe Business)

Yuri Inoue
(scheduled to be appointed on October 1, 2020)
Executive Officer and General Counsel

Governance

Corporate Governance Structure and Initiatives

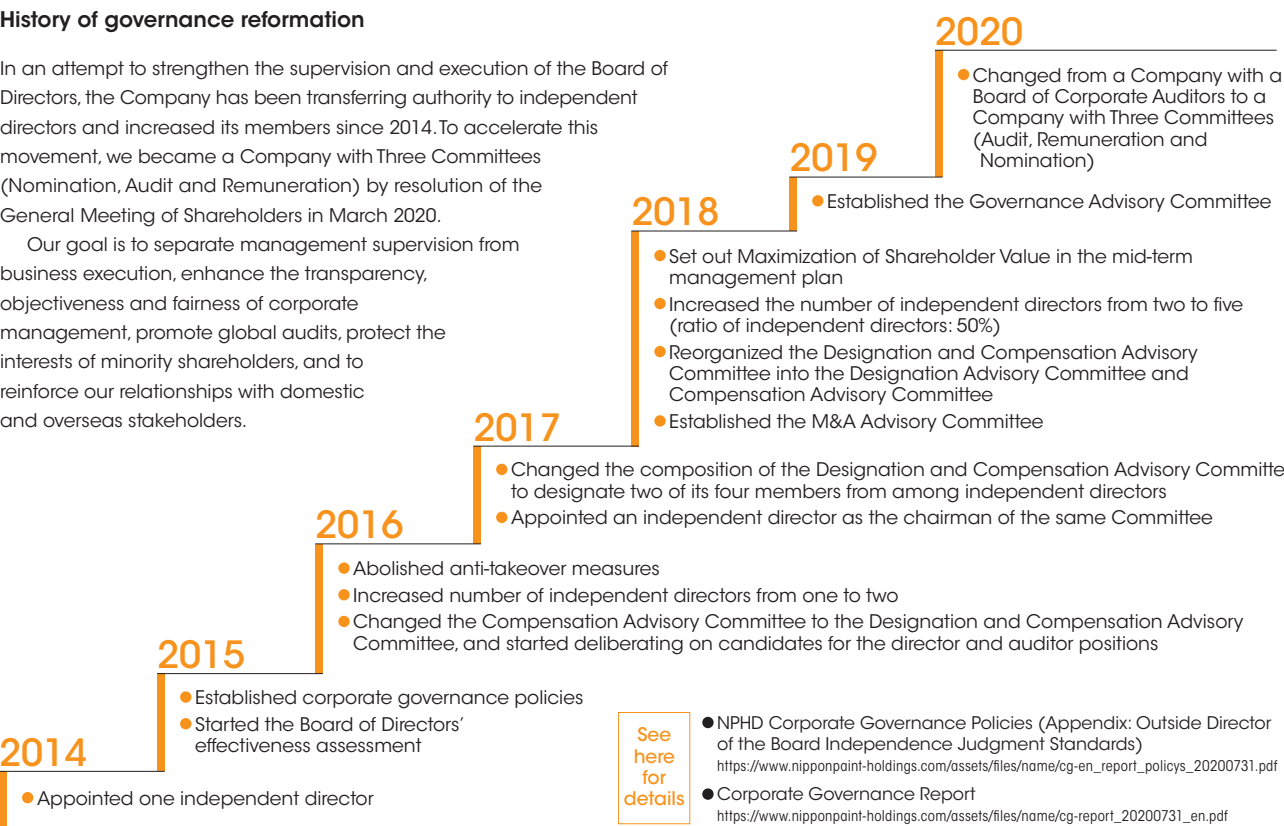
Characteristics of the Company's governance



History of governance reformation

In an attempt to strengthen the supervision and execution of the Board of Directors, the Company has been transferring authority to independent directors and increased its members since 2014. To accelerate this movement, we became a Company with Three Committees (Nomination, Audit and Remuneration) by resolution of the General Meeting of Shareholders in March 2020.

Our goal is to separate management supervision from business execution, enhance the transparency, objectiveness and fairness of corporate management, promote global audits, protect the interests of minority shareholders, and to reinforce our relationships with domestic and overseas stakeholders.



Governance system

Board of Directors

The Board of Directors shall recognize the fiduciary responsibilities from all stakeholders including shareholders and investors, and supervise the Group's overall management by taking responsibility for the Company's sustainable growth and maximization of mid-to-long-term shareholder value through the appropriate exercise of our authority. The Board of Directors shall be focused on discussing matters such as those that need to be resolved by the Board in accordance with the law and the Articles of Incorporation, matters that have been delegated to the Board by resolution of the General Meeting of Shareholders, as well as important matters about the Group's management. One of the nine directors of the Board concurrently serves as an executive officer. In order to reflect a more diverse perspective in our management, 6 members, or 2/3, of our total directors are independent directors, including female directors. In addition, we also strive to strengthen our audit system and protect the interests of minority shareholders. The term of office of our Directors of the Board is one year.

The Board of Directors has three statutory committees, Nomination, Audit and Remuneration, in which the majority of members are independent directors. Moreover, in order to ensure the effectiveness of each committee and the Board of Directors, the Company has established a secretarial office for each meeting body, with an appropriate budget and personnel.

Nomination Committee

To make decisions on the content of proposals on the appointment and dismissal of Directors of the Board to be submitted to the General Meeting of Shareholders, and to deliberate on the successor plan, as well as the appointment, dismissal, and successor plan for the president and representative executive officer. The committee is composed of four directors of which three are independent directors, and is chaired by an independent director.

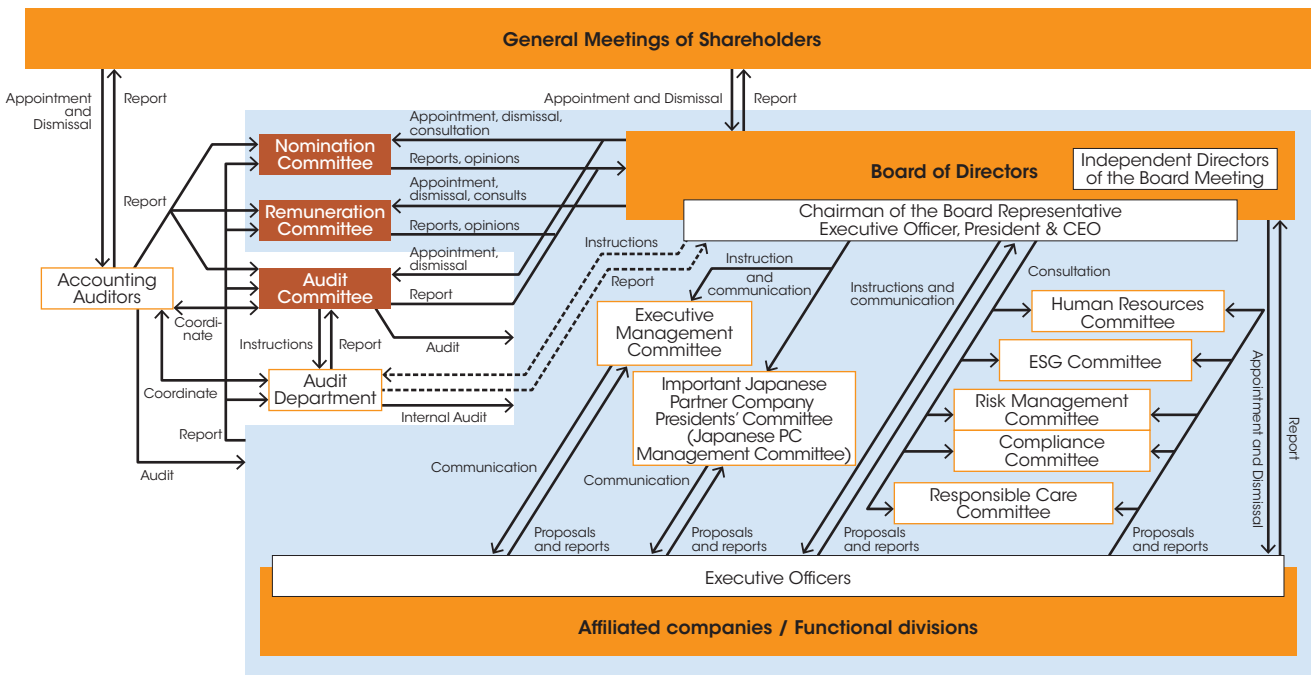
Remuneration Committee

To make decisions on the decision-making policy for the individual remuneration, etc., of executive officers and directors, and to make decisions on the content of remuneration, etc., for individuals. The committee is composed of three directors of which two are independent directors, and is chaired by an independent director.

Audit Committee

The auditing of the execution of duties of executive officers and directors, the creation of audit reports, and the making of decisions on the content of proposals relating to the appointment, dismissal, and non-re-appointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders. The committee is composed of four directors of which three are independent directors, and is chaired by an independent director.

Corporate governance system



Governance

Appointment and dismissal of directors

Candidates for director positions are nominated by the Nomination Committee. Candidates must be able to display loyalty and exercise the due cares of a prudent manager, have the ability to contribute in maximizing mid-to-long-term shareholder value and promoting further growth of the Group. Candidates for independent directors must fulfill the “Outside Director of the Board Independence Judgment Standards” prescribed by the Company’s Corporate Governance Policies and have abundant experience and deep insight in the fields of corporate management, accounting, legal affairs, etc. Candidates must also be able to monitor the duties executed by Executive Officers from an independent and objective perspective.

In contrast, the Nomination Committee may consider proposing the dismissal of a director to the General Meeting of Shareholders if there are objective and legitimate reasons to determine that such person does not meet the requirements of selection standards and is deemed untrustworthy of being entrusted duties as a director.

Representative Executive Officer and Executive Officer successor plan

The Board of Directors, based on the deliberations and opinions of the Nomination Committee, shall establish a successor plan for the Representative Executive Officer and Executive Officers, and shall provide appropriate supervision based on the successor plan through, among others, the administration of an executive development program based on the selection system and the promotion to important executive positions such as the management at a group company. Regarding the appointment and dismissal of the Representative Executive Officer and the President, the Board of Directors, upon deliberation and based on the deliberations and reports of the Nomination Committee, and in accordance with the successor plan, shall appoint as the Representative Executive Officer and

President a person who has a wealth of experience and achievements in the field of corporate management, has demonstrated the high level of ability suitable for the position of Representative Executive Officer and President, and who is able to realize the management vision.

Executive system

Executive Officers make decisions on the execution of business of the Company that they have been delegated by resolution of the Board of Directors, and execute such business. Executive Officers shall bear the obligation of loyalty and the obligation of care in regard to the execution of their duties, and contribute to the sustainable growth of the Group and the maximization of medium to long term shareholder value. Executive Officers shall report regularly, at least once every three months, to the Board of Directors on the status of the execution of duties and provide explanations on matters in accordance with the requests of the Board of Directors and committees. Executive Officers are also required to submit to the Board of Directors the information required in order for directors to fulfill their responsibilities, and in addition, to report the necessary proposals to the Board of Directors.

There are currently 13 Executive Officers in the Company, and their tenure as Executive Officer is one year, from January 1 to December 31.

Voluntarily established meeting bodies

The Company has voluntarily established the following meeting bodies to promote management: Executive Management Committee, Important Japanese Partner Company Presidents’ Committee (Japanese PC Management Committee), Human Resources Committee, ESG Committee, Risk Management Committee, Compliance Committee, and the Responsible Care Committee. Please refer to the following table for details.

Voluntarily established main meeting bodies

Name of meeting body	Role
Executive Management Committee	Deliberates general matters relating to the Group in response to consultations from the Representative Executive Officer and President.
Important Japanese Partner Company Presidents’ Committee (Japanese PC Management Committee)	Deliberates matters relating to common projects, etc., at important group companies (Partner Companies) in Japan in response to consultations from the Representative Executive Officer and President.
Human Resources Committee	Deliberates matters relating to realizing the appropriate allocation of human resources in the Company and Partner Companies in Japan in response to consultations from the Representative Executive Officer and President.
ESG Committee	Deliberates matters for responding to issues that should be addressed for the sustainable growth of society in response to consultations from the Representative Executive Officer and President. The targets proposed by the Representative Executive Officer and President shall be set as company-wide targets upon their proposal to and approval by the Board of Directors.
Risk Management Committee	Deliberates matters relating to continuous review and improvement on the systems for the management of internal control and important risks concerning safety, environment, and quality, etc., of the Group in response to consultations from the Representative Executive Officer and President.
Compliance Committee	Deliberates matters relating to compliance of the Group in response to consultations from the Representative Executive Officer and President.
Responsible Care Committee	Deliberates matters relating to responsible care of the Group in response to consultations from the Representative Executive Officer and President.

Analysis and assessment of effectiveness of Board of Directors

To assess the effectiveness of the Board of Directors, analysis and assessments are conducted each year based on the self-assessments of Directors of the Board and the Audit & Supervisory Board members; however, from the assessment for the period ended December 2019, we introduced a Director of the Board assessment composed of a questionnaire and individual interviews by Board Advisors Japan, Inc., a third-party organization. An overview of assessment results for the period ending December 2019 is as follows.

Implementation guidelines for the Board of Directors’ effectiveness assessment for FY2019

Target	All directors (eleven members) and auditors (five members) for FY2019.
Procedure	Questionnaire survey and Interviews of individual directors and auditors by third party organization, Board Advisors Japan, Inc.
Questions	1) Resolution status of the issues (matters) that were brought up in the previous Board of Directors’ effectiveness assessment. 2) Issues the current Board of Directors, related advisory committees, etc. are facing with an eye to post-transition to a Company with Three Committees.
Assessment process	Step1: Distribute questionnaires to each director. Step2: Interview each director individually based on the questionnaire. Step3: Summarize and analyze the questionnaire and interview. Step4: Report the effectiveness assessment to the Board of Directors to be deliberated.

Overview of assessment results of FY2019

During the period ended December 2019, and through the effective use of each advisory committee, the Board of Directors engaged in lively discussions on issues including the transition to a Company with Three Committees, the invitation of the current Chairman of the Board, Representative Director of the Board, President and CEO, the acquisition of overseas companies, as well as on internal control and corporate governance, and made decisions through various opinions and useful indications. In addition, detailed discussions were held on the maximization of shareholder value, which is the paramount mission of the Company, with such discussions being conducted in awareness of stakeholders, including through the raising of opinions on behalf of minority shareholders in relation to transactions with a conflict of interest and cross-shareholdings. The results were an assessment that the Board of Directors is currently improving greatly in effectiveness. Furthermore, it was confirmed that the strengths supporting the Company’s Board of Directors in effectively filling its role are the consensus among Directors of the Board on maximization of shareholder value, inside directors with strong company spirit and leadership skills, and the high independence of independent directors.

Issues for reinforcement of efforts over FY2020

- 1) Auditing of the successor plan and reinforcement of nomination and remuneration functions such as the establishment of a transparent, objective and competitive remuneration system.
- 2) Usage of feedback from investors.
- 3) Reinforcement of delegation of rights for establishment of a monitoring model.
- 4) Deepening of debate on and reinforcement of auditing of the medium-term business plan.
- 5) Expansion of debate on key proposals in the form of strategy and capital policy, etc.
- 6) Reinforcement of auditing functions.

From the above results, the Board of Directors of the Company will continue to work to increase its effectiveness in order to ensure sustained maximization of shareholder value.

Governance

Remuneration decision-making policy and the Remuneration Committee's activities

The Company established the Remuneration Advisory Committee as an advisory committee of the Board of Directors in FY2018. The Remuneration Advisory Committee is chaired by an independent director, and the majority of its committee members is composed of independent directors. In regard to remuneration in FY2019, this shall be deliberated in a fair and transparent manner, in accordance with the decision-making policies and standards for Director of the Board and Executive Officer remuneration, etc., by the relevant committees, in consideration of the social circumstances, comparisons with other companies, and market levels, etc., and shall be determined at the Board of Directors based on the opinion of the Remuneration Advisory Committee.

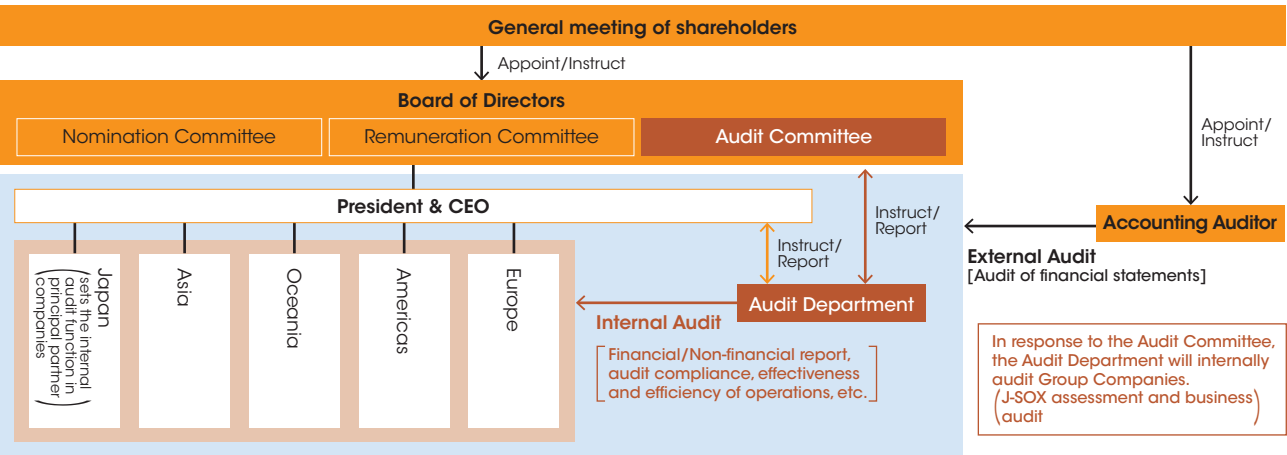
—Basic Policies for FY2019—

- Set remuneration at a level that can attract and retain competent managers using remuneration levels of comparable global paint competitors as the benchmark.
- Increase the ratio of performance-linked pay and share remuneration as an incentive to contribute to the maximization of shareholder value.

Main activities of the Remuneration Advisory Committee in FY2019

- January 2019: Reported on the remuneration system and method for assessing performance (Remuneration Advisory Committee)
- January 2019: Decided on the remuneration system and method for assessing performance (Board of Directors)
- March 2019: Reported on the amount of performance-linked pay (Remuneration Advisory Committee)
- March 2019: Decided on the amount of performance-linked pay (Board of Directors)
- March 2019: Decided on the distribution of shares with restrictions on transfer (Board of Directors)

Global audit system



Structure of directors' compensation

The compensation, etc., of the Directors of the Board of the Company (excluding Outside Directors of the Board) in FY2019 consisted of job based compensation, performance-linked compensation, and long-term incentive compensation.

Job-based compensation	Provided as a fixed salary that is specified for each position in the Company in accordance with the applicable roles and responsibilities.
Performance-linked compensation	Provided as a variable amount within the range of 0% and 170% of job-based compensation.
Long-term incentive compensation	Involves the provision of shares with restrictions on transfer in order to maximize shareholder value of the Company, and with the objective to further promote the sharing of value with shareholders.

An Outside Director of the Board, in addition to the job-based compensation, shall be granted shares with restrictions on transfer as long-term incentive compensation.

Promoting global audits

In March 2020, the Company transitioned to a Company with Three Committees (Nomination, Audit and Remuneration) and established the Audit Committee. Headed by the Audit Committee Chair, an Audit Committee Meeting is held at least once a month. Audit Committee Members, in addition to attending important meeting bodies, are required to provide supervision by directly interviewing Executive Officers and subsidiaries, and to establish a Global Audit system by collaborating with the auditors and internal audit departments of international and domestic Group Companies.

The new Audit Department that was established in January 2020 functions as the enforcement team of the Audit Committee, and ensures the independence and adequacy of their supervision by setting a double report line to the Audit

Committee and the Representative Executive Officer President & CEO, and significantly reinforcing the system.

The Audit Committee and the Audit Department have adopted a global audit system that focuses on an "Audit on Audit" framework structure. Regarding international and domestic Group Companies with an internal audit function, the goal is to encompass and cover all risks by using the audit results of each company and through complementary on-site audit conducted by the Audit Department. On the other hand, for those Group Companies that do not have an adequate internal audit function, the Audit Department will conduct risk-based on-site audit on those companies, and provide assistance in establishing an internal audit function.

By establishing a risk-based audit system as a whole Group, we are working to build an audit system that will improve value.

Policy on cross shareholdings

The Company holds shares of other listed companies as cross-shareholdings, limited to where it can be determined to be reasonable in consideration of, among other factors, its necessity for business activities (e.g., to maintain and strengthen relationships with business partners), the status of the issuer, and the return against the capital cost. The Company, based on this policy, makes a decision every year on the continued holding of all cross-shareholders at the Board of Directors' meeting, and disposes and reduces holdings of shares for which the rationality of their holding cannot be recognized.

Number of issues and balance sheet amount for reasons other than pure investment purposes

	FY2019
Number of issues	32
Of which, 14 are issues of listed shares	
Total amount reported on the balance sheet (million yen)	24,621
Of which, ¥23,717 million is the total amount of listed shares	

Asset owner of corporate pension fund

The Company, to promote the stable asset formation of members of the corporate pension and to secure the soundness of the financial condition of the Company, takes the following actions for the management and operation of the Nippon Paint Corporate Pension Fund.

(1) The Company systematically secures human resources with the qualities required for the management and operation of the corporate pension from inside and outside the Group, and appoints them as one of the Nippon Paint Corporate Pension Fund representatives, Asset Management Committee members, and to the secretariat (hereinafter referred to as "Representative, Etc.").

(2) The Company, through the Representative, Etc., appointed to the Nippon Paint Corporate Pension Fund, confirms the selection of an investment institution by the Fund, the monitoring of the activity status and investment results of the investment institution, and that the management of conflicts of interest that arise between the beneficiaries and the Company is performed appropriately and effectively, and voices an opinion where necessary.

Dialogue with shareholders and investors

The Company, through the thorough performance of fair information disclosures (fair disclosures) and ongoing dialogues with domestic and overseas shareholders, shall construct a relationship of trust with shareholders, and in addition, shall contribute to the maximization of shareholder value through the reduction of information asymmetry and the suppressing of capital costs. For constructive dialogue with shareholders, the Company shall endeavor to ascertain the shareholder structure. In such dialogues, the Company will pay close attention to any possibility of a leakage of insider information.

The Company shall designate the Representative Executive Officer and President, Chief Financial Officer (CFO), General Manager of the Investor Relations Department, and the General Manager of the General Affairs Department as the contact points for dialogue with shareholders. The officer shall regularly provide feedback on the opinions of shareholders expressed in the course of the dialogue to the Board of Directors, and useful comments will be reflected in the management.

Accomplishments gained through dialogues with shareholders and investors

- Q. Disclose the results of your Chinese operations that comprise about 40% of the Group's revenue.
- Q. Give us more opportunities to speak with management.
- Q. Stop verbal disclosure of information that is not documented.
- Q. Prepare more English documents.

- Through the disclosure of crucial figures such as those of our Chinese operations and due to the CFO's proactive efforts in having meetings, we were able to conduct a meeting that focused on strategies.
- The number of meetings with overseas investors increased as a result of releasing the same amount of English documents, almost simultaneously with their Japanese versions.
- Contributed to using time efficiently during the meeting by documenting all disclosed figures and refraining from verbal disclosure of information.

Governance

Messages from the Outside Directors

Promoting the development of a framework that supports true globalization of operations

Hisashi Hara
Independent Director of the Board



Working to protect the rights of minority shareholders

NPHD's governance structure already exceeded those of other companies when I was appointed as an outside director of the Company back in 2018. I believe that management is still on track with the Group's vision.

Moreover, discussions in the Board of Directors are well-balanced, without being biased to the opinions of any particular members. For instance, I agree with Mr. Goh Hup Jin, the director and major shareholder of NPHD, about maximizing shareholder value but sometimes disagreed with him on some other fronts. The Board of Directors does not hold discussions that only respect the opinions of major shareholders, and I think that the rights of minority shareholders are adequately protected.

Selecting the best CEO to achieve truly globalized operations

What we placed the most importance on in selecting the CEO was to choose talent who can contribute to achieve truly globalized operations. With this in mind, I found Mr. Masaaki Tanaka to be a suitable candidate due to the extensive global experience and knowledge he accumulated over many years of experience in managing multiple domestic and foreign financial institutions. As the chair of the Nomination Advisory Committee, I discussed the necessity of nominating Mr. Tanaka with other committee members and also held many discussions during Board of Directors' meetings on this matter. As a result, he was appointed CEO with the unanimous consent of all directors.

Some may argue that appointing Mr. Tanaka, who was Chairman of the Board, to serve concurrently as the CEO goes against the Company's corporate governance policy of separating supervision and execution. However, I believe Mr. Tanaka, who thoroughly understands the Group's

overall picture and has extensive experience in managing global companies, will be a great advantage for the NPHD Group as it undergoes drastic changes. Additionally, as six outside directors, among total nine directors, all have qualifications and skills in providing appropriate management supervision from an objective standpoint, the Company's governance function will remain assured. We will continue to establish an optimal governance structure that is appropriate for each growth stage of the Group.

Strengthening the global audit system by appointing new outside directors

We appointed two new outside directors, Mr. Masataka Mitsuhashi and Ms. Mihar Koezuka, to reinforce the portfolio of specialized skills required in the Board of Directors. For instance, Ms. Koezuka is a female director who has management experience and is well-versed in broad-ranging industries. Therefore, her joining the Board allows the Group to incorporate a practical diversity perspective into management. Mr. Mitsuhashi, on the other hand, has an extensive experience in global audits based on his career at PwC. I believe we have appointed optimal talent as the Company endeavors to strengthen its global audit system, following its transition to a Company with a Three Committee structure.

The NPHD Group's operations have become dramatically globalized compared to the situation seven or eight years ago. As the Group's overseas subsidiaries are expected to increase through M&As, the Group will further enhance the Audit Committee and the Audit Department to establish a global audit system while exploring, for instance, optimal collaboration between the Company and its domestic and overseas subsidiaries.

Building a framework to Maximize Shareholder Value

Masayoshi Nakamura
Lead Independent Director of the Board



Transitioned to a Company with a Three Committees structure

At the time of my appointment as Director in March 2018, NPHD was a company with an Audit & Supervisory Board and half of the Directors on the Board were independent directors. Following the appointment of current President & CEO, Mr. Masaaki Tanaka, as the Chairman of the Board of Directors in March 2019, the Company carried out acquisitions in Australia and Turkey, invited outside talents including the new CFO, and worked to build a new management structure. Subsequent to resolution of the General Meeting of Shareholders in March 2020, NPHD shifted its governance structure to a Company with a Three Committees structure. Over these past two years, as the Company underwent continuous transformation, I have served on the Board with consistent commitment to maximizing shareholder value.

Deepening mutual understanding with the execution team

Of the nine Directors currently on the Board, six board members, including two who were appointed this year, are independent directors. Two-thirds or more of the committee members of the Nomination, Remuneration, and Audit Committees are independent directors and each committee is chaired by an independent director. At the Independent Directors' Meeting, which I chair, we share the topics discussed at each committee to better understand each other's views. We also gather the opinions of the six independent directors on agendas and proceedings of the Board of Directors meetings, and convey them to the Board's Chairman. Furthermore, the Independent Directors' Meeting serves to deepen mutual understanding between the independent directors and the executive teams through direct communication with the Executive Officers including the President & CEO and the CFO, and members of the management of our Group companies overseas.

The objective of the Independent Directors' Meeting lies in the accurate assessment of the performance of the President & CEO, who are central to business execution, as well as other Executive Officers and Corporate Officers. To achieve this objective, the Independent Directors' Meeting makes every effort to minimize the information gap between the execution and the supervision functions in the Board of Directors' decision making process, while transferring significant authority to the executive team.

An appropriate remuneration system for officers executing the Company's operations is key to the effective monitoring of business operations by the Board of Directors. For NPHD to further expand operations as a major global paint manufacturer and maximize shareholder value, it is essential for us to secure and retain excellent talents. The Remuneration Committee I partake in aims to build a remuneration system that is aligned with the actual standing of the Company, by incorporating short-term and long-term incentives including stock award benchmarked against the remuneration levels of global competitors.

Regarding M&A, which is an important growth strategy of the Company, the executive teams periodically update the Board of Directors of recent developments based on a list of potential acquisition targets to allow for timely decision-making.

Incorporating SDGs and ESG into our business perspective

In order to maximize shareholder value, which is separate from shareholder primacy, we must incorporate SDGs and ESG into our business perspective. We are expected to constantly review our duties to customers, business partners, employees, and the society at large from a medium- to long-term standpoint, factoring in the New Normal, such as our responses to the COVID-19 pandemic. The role played by the Board of Directors—particularly the independent directors—in this process is significant, and I am wholeheartedly preparing myself for the challenge.

Environment

Promoting Responsible Care Activities

—Basic Policy for Responsible Care—

Based on the principle of actively contributing to Responsible Care activities including environmental beautification and preservation through the creation of colors and landscape and the protection of materials and resources in the business activities, the Nippon Paint Holdings Group is committed to the activities through the coordination of all organizations in the Group, including all employees, with awareness of the respective missions and responsibilities, aiming to contribute to the establishment of relationships based on mutual trust with the global community, local communities, and customers. To this end, all of our business activities are required to follow the rules below:

- 1) We will endeavor to preserve the global environment and protect the ecosystem while striving to conserve energy and other resources in the course of all business activities.
- 2) We will promote the development of products with less environmental impact and technologies that help the products reduce such impact and will consider the impact of our products on the environment, safety, and health at all stages of their lifecycle from development to disposal.
- 3) We will work to reduce the environmental impact of our operations and ensure security and disaster prevention while striving to ensure the health and safety of local residents and employees.

Promoting responsible care activities

Organizational structure

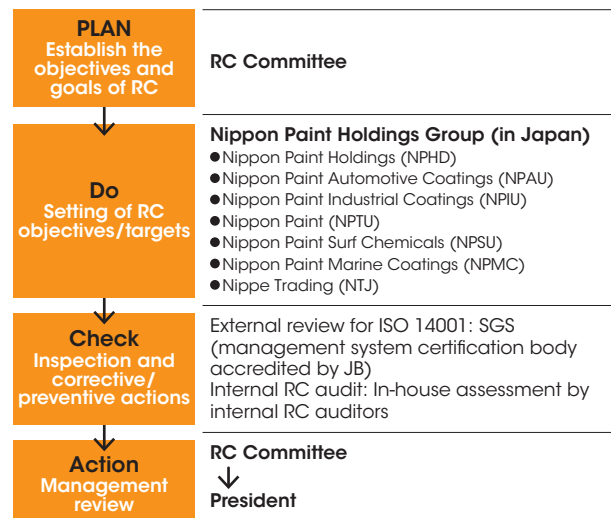
In consideration of the fact that the understanding and management of the environmental impact and safety of chemical substances is an important duty for paint manufacturers, we have re-established a management system to expand the scope to include occupational health

and safety and chemical and product safety in addition to the environment, and have conducted Responsible Care (RC) activities since FY2010. We will encourage employees to act in an autonomous and independent manner through the activities oriented to their primary duties for the efficient operation of the system while also continuously improving the system through the PDCA cycle.

Environmental and work safety management

Nippon Paint Holdings Group received ISO 14001 multi-certification for seven domestic operating companies and their subsidiaries. In addition, we provide active support to overseas Group companies for their health and safety activities. In Asia, we provide support to enable Group companies to establish improvement activities. In Europe and the Americas as well, we conduct audits and provide support for corrective actions on an as-needed basis in cooperation with domestic operating companies.

Responsible care organizational structure



Responsible care targets and results

Priority subjects	Targets	Group-wide results
Occupational health and safety and security and disaster prevention	<ul style="list-style-type: none">●Improvements to the completeness of risk assessment and the planning and proper execution of risk reduction measures based on the assessment results, as well as strict compliance with risk acceptance measures●Target: Zero occupational accidents or physical accidents	Each company performed safety activities based on the plan. As a result, a total of 21 accidents occurred in the Group in FY2019 (while 24 accidents, including three accidents resulting in lost time, occurred in the previous fiscal year), which consisted of one serious accident (loss of part of left thumb), seven accidents resulting in lost time, and 13 accidents without lost time.
Environmental conservation	<ul style="list-style-type: none">●Reduction of CO₂ emissions and energy consumption●The basic KPI is a 1% reduction per unit●Amount of landfilled industrial waste: achievement and maintenance of zero landfilled waste●Compliance with voluntary standards for air and water quality.●Reduction of emissions of substances subject to PRTR and VOC emissions●Zero accidents involving soil/groundwater contamination and leakage of CFCs	CO ₂ emissions increased because of higher energy use at some companies due to increased production volumes and the continuous operation of equipment during the summer to prevent equipment failure. Unplanned construction work at some locations caused the volume of waste materials to increase. Air, water and soil protection targets were achieved at all factories and other business sites. There was one external soil contamination accident outside the premises involving a truck transporting products overturning and causing leakage in January 2019.
Safety for chemical substances and the environment	Promotion of the development and sales of products that reduce environmental impact at the time of coating or disposal and products that can reduce environmental impact based on film-forming performance, such as process-shortening products, environmentally friendly products, and low-VOC paints	Sales of products that reduce environmental impact (low frictional resistance) at the time of coating exceeded the target. Although the basic design of products that can reduce environmental impact based on film-forming performance was completed, the introduction of such products into the market was delayed, causing their sales volumes to fall short of the target.

Eco-Friendly Products

Initiatives to disseminate eco-friendly products

The Group is committed to mitigation of environmental impact caused by products and services. We will continue to use partnerships with various parties for creating innovations and deploy such innovations worldwide to help solve environmental and other social issues.

Initiatives in FY2019

Decorative paints

Perfect Interior Air Clean, a product of NPTU, is an anti-bacterial and anti-viral paint for building interiors that delivers safety and security to society.

This paint product contains a visible light-responsive photocatalyst to inhibit the proliferation of bacteria and virus. Furthermore, a special absorbing material in this product removes unpleasant odors from rooms. This product itself has only a minimal aroma after application, enabling it to be used almost anywhere. This new product has been drawing enormous attention since the recent outbreak of the COVID-19 pandemic.



Perfect Interior Air Clean

Automotive coatings

An effective measure to improve the fuel efficiency of cars is to reduce the weight of car bodies. The range of car body parts to which resin materials, which are lighter than steel materials, can apply is expanding. NPAU is developing paints that can react at low temperatures and also deliver the necessary performance on any type of material with the aim of painting steel materials and resin materials together. NPAU will continue to cooperate with car manufacturers to develop eco-friendly products.

Industrial coatings

ATTSU-9 ROAD, NPIU's heat shielding coating for road surfaces, reduces the temperature of asphalt highways by reflecting sunlight. Furthermore, this solvent-free paint product has no VOC emissions and almost no odor. Using this product is expected to help conserve energy by holding down temperatures in urban areas.



Road coated with ATTSU-9 ROAD

Marine coatings

NPMC's energy-conserving LF-Sea marine coating was first sold in 2008. Since then, this coating and its successor, A-LF-Sea, have been used on more than 3,000 vessels. NPMC is working on the development of FASTAR, a new marine coating to go on sale in 2020. This coating will reduce fuel consumption and VOC emissions and has low elution. NPMC will continuously introduce products that contribute to protecting the environment.



Vessel coated with LF-Sea

Surface treatments

NPSU is rolling out a film-forming agent with a low environmental impact.

This agent has the same properties as those of the widely used zinc phosphate treatment but does not contain any heavy metals (zinc, nickel, manganese), ions, or phosphorous. This agent can reduce sludge to one-tenth, and does not require a surface adjustment process, enabling a reduction of industrial waste and water use.

Dunn-Edwards products

Throughout its history, Dunn-Edwards has been a leader in the development of products that protect the environment. Specific examples are introduced in the company's history and the origin of its motto, 'Greener by Design.' In 2011, Dunn-Edwards constructed a factory that received LEED® Gold Certification. In 2016, the company started selling ARISTOSHIELD®, a water-based paint with properties of oil-based paints. Nippon Paint and Dunn-Edwards have been collaborating in many projects.

Ethylene glycol-free products from Dunn-Edwards



Environment

Environmental Impact Reduction

Prevention of climate change

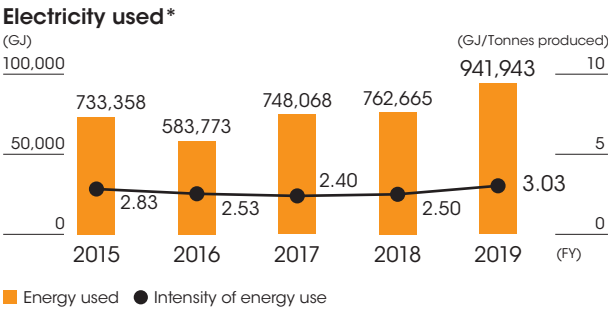
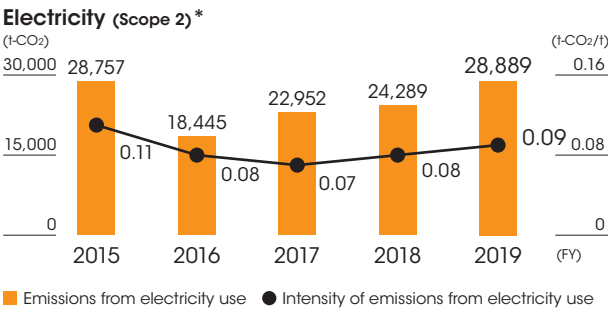
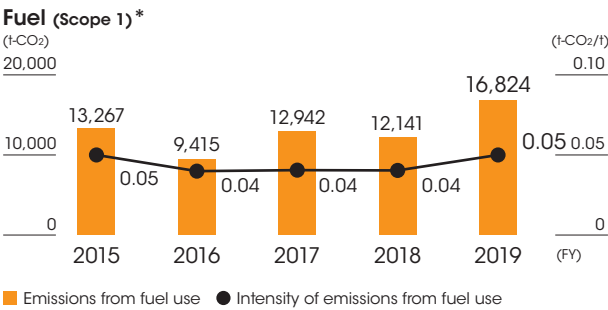
Nippon Paint Holdings Group is committed to the prevention of global warming in Japan mainly through efforts to reduce energy use.

In FY2019, CO₂ emissions from electricity use and per unit emissions increased due to the expansion of the scope of data collection to include the Group's subsidiaries.

The following is a list of several examples of the group's energy conservation initiatives.

- Improvement of paint production processes (dispersion process and other measures)
- Installation of high-efficiency boilers and electrical panels
- Review of the optimal operating conditions for large equipment (compressors, freezing/refrigeration units, others) used for manufacturing
- Energy conservation in offices (strict control of AC thermostat settings, turning off unused office equipment)

Data on the emissions of greenhouse gases other than CO₂ are not disclosed because they are negligible.

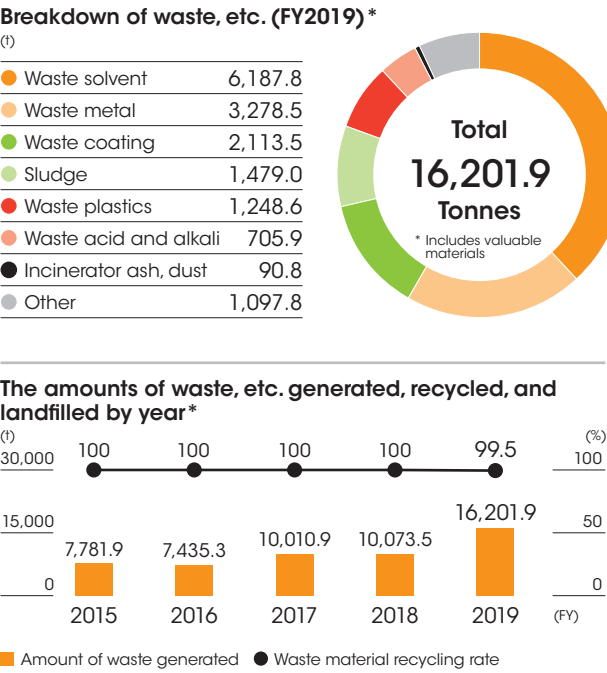


Reduction of waste, etc. and zero emissions

In Japan, the Nippon Paint Holdings Group has adopted an integrated waste material management system that is compatible with the electronic manifest system. We make Group-wide efforts to reduce waste such as management, proper disposal, and effective use of waste generated.

In FY2019, the amounts of waste generated increased due to soil emissions from unplanned construction work at some business sites, causing the recycling rate to decrease.

We will work to enhance waste management in order to reduce waste generation and achieve a recycling rate of 100%.



Total cost of environmental fines and other penalties

In 2019, the Nippon Paint Holdings Group was not subjected to any fines or other forms of punishment due to violations of environmental laws or regulations.

Comprehensive management of chemical substances

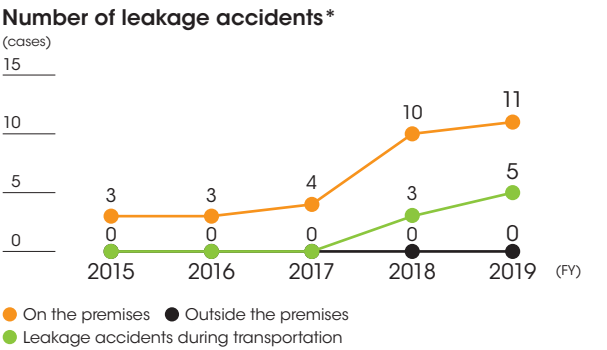
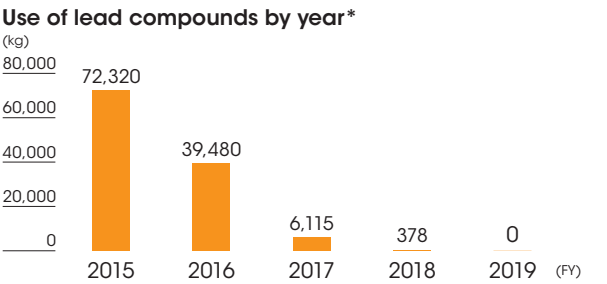
Initiatives in FY2019

Paints contain various chemical substances originating from their raw materials and some of them can be harmful to the human body or the environment. For the management of these chemical substances, the Group Product Safety Committee, which is set up under the Responsible Care Committee, holds discussions with Group companies and prepares management standards to standardize the handling of chemical substances and

prevent incorrect operation. We properly responded to domestic and international laws and regulations in FY2019, including the submission of notifications in accordance with the revised Chemical Substance Control Law and partial revision of the Cabinet Order for the Designation of Poisonous and Deleterious Substances, as well as the submission of preliminary notification about existing chemical substances in accordance with South Korea's Act on the Registration and Evaluation of Chemicals (K-REACH).

Measures to prevent the leakage of hazardous materials

We have designed measures to prevent the leakage of hazardous materials and obtained materials for leakage treatment and also provide training dedicated to the prevention of the leakage of hazardous materials in an emergency drill organized in each area every year. For example, we assume a case where products have leaked on the road after an accident with a truck transporting them on a surface road and provide training for preventing expansion of the leakage and recovering the products in order to develop the ability to respond quickly to emergency situations.

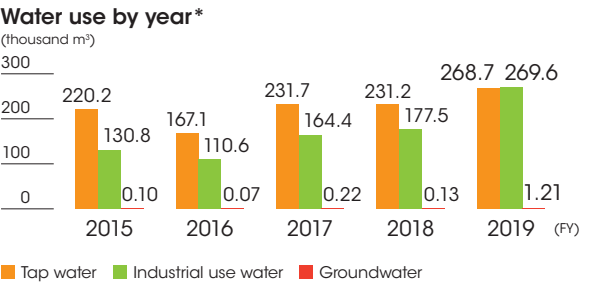
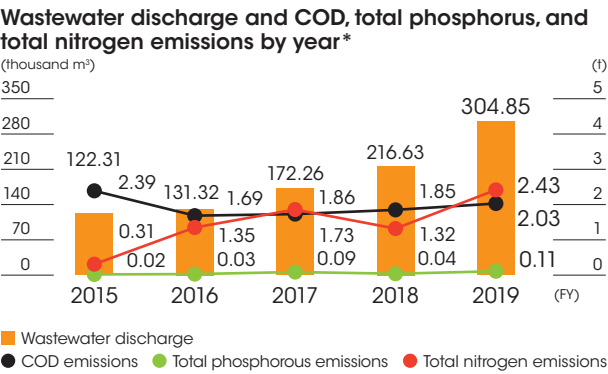
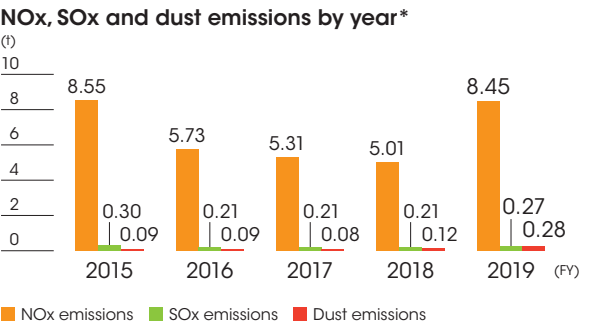
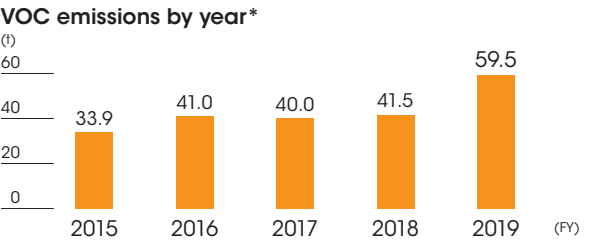


Air and water conservation

The Group complies with all laws and regulations pertaining to air pollution and water contamination through setting of voluntary reference values and other measures in Japan. In FY2019, emissions and the amount of water used increased because the scope of data collection was expanded to include the

group's subsidiaries.

We make efforts to prevent air and water pollution through periodic pollution load measurements, improvements to the efficiency of cleaning processes at production sites, and recycling the water used for these processes.



* Scope of data collection:
NPAU, NPIU, NPTU, and NPSU for the data in FY2015
NPAU, NPIU, NPTU, NPSU, and NPMC for the data from FY2016 to FY2018
NPAU, NPIU, NPTU, NPSU, NPMC, AS Paint (ASP), AS Resin (ASR) and Nippon Paint Anti-Corrosive Coatings (NAC) for the data in FY2019
Data collection period:
January to December; April to December for FY2016

—Basic approach toward employees—

- We value the trustworthy relationship between management and employees and foster an energetic corporate culture.
- We will achieve job satisfaction and improve performance through teamwork.
- We will carry out management to bring out the full potential of individual employees.
- We will focus on individual responsibility in human resources development because a willingness to grow and self-reliant efforts are essential for people's growth.

Diversity and inclusion

Basic ideas on promoting diversity

Based on our management philosophy, we are dedicated to maintaining an organizational culture that uses diversity involving the experiences, skills, ideas and other capabilities of people as strengths. This encompasses everyone regardless of gender, age, nationality or other characteristics. We want to be a company where people with many distinctive qualities can perform important and meaningful tasks. To promote a change in the mindset and the development of a culture that leverages diversity, we have continued to conduct forums for creating future jobs since FY2016. At these forums, participants revisit their ideas about how they work, how to make their jobs more rewarding and how to achieve their career goals while they also share information about their experiences. This creates an opportunity for people to view these subjects as their own issues to resolve.



Forum for creating future jobs

Number of employees (persons)

	2017	2018	2019
Nippon Paint Holdings only	230	210	243
(Average number of temporary employees not included above)	Less than 10%	25	30
Japan	3,013	3,223	3,373
Asia	14,449	14,287	14,303
Americas	2,407	2,492	2,640
Oceania	—	—	3,735
Others	388	400	1,919
Consolidated total	20,257	20,402	25,970

Empowering women

The Group is committed to fully leveraging the capabilities and potential of women. We provide women opportunities for further career development, including internal and external training programs for changing one's mindset and improving skills. Opportunities also include leadership training for women and interaction with people at companies in other industries.

Creating a rewarding workplace

Fostering a vibrant culture

We have adopted working groups (WG), comprised of people selected from each group company, to oversee measures for establishing a vibrant culture where passionate and determined people gather.

The Management Philosophy Dissemination Working Group is in charge of conducting a management philosophy workshop at worksites. From FY2018 to FY2019, the group hosted 150 workshops that were attended by about 2,500 employees and executives. Participants learned the importance of using dialogues for mutual understandings of values and ideas. The workshop also gave participants the opportunity to think about ways to realize the vision defined by the philosophy.

In an effort to make NPHD an attractive company, the Work Style Reform and Labor Productivity Improvement Working Group launched the "Project SWITCH!" campaign to switch the mindset and actions of employees. The "360° Use of San" campaign aims to reinforce communication by urging people to use "san" (the most commonly used honorific suffix) toward everyone in order to establish a culture where everyone can freely state their ideas and opinions regardless of job title. Other initiatives include a guidebook about the purposes and length of meetings for improving meeting quality and a facilitation training program. Those measures are aimed at making work more efficient and altering how jobs are performed.

In Japan, town hall meetings were held at 11 locations to enable management and employees to discuss a variety of issues at the Company. At all of these events, there were straightforward exchanges of information and opinions between executives and employees.



A town hall meeting



A management philosophy workshop

Initiatives to cultivate a sense of unity among employees

To cultivate a sense of unity among employees, as more than 80% of the Company's workforce is in countries outside Japan, a women's table tennis team was started in 2017. Watching games and supporting the team has created new channels of communication, bringing together people of all ages and backgrounds throughout the Group.

In addition, we use table tennis as a community activity, such as by holding classes for residents in our worksites and other locations.



The Nippon Paint Mallets table tennis team

Recruitment of diverse human resources and cultivation of management personnel

Cultivation policy

Our recruiting and skill development activities are all based on the belief that people cannot grow without an underlying willingness to grow and self-help efforts, and therefore, we set self-responsibility as the basis of human resource development.

Recruitment

When hiring new graduates, we promote the recruitment of candidates for management staff for the next generation who can lead the market regardless of nationality. We try to secure human resources with great abilities from the two perspectives of experience in leadership and challenges in the global environment based on the requirements for human resources linked to management and business demand. Interns are also accepted proactively from inside and outside of Japan. In 2020, we quickly shifted to online recruiting activities due to the COVID-19 pandemic.

In addition, mid-career employees are actively hired. Knowledge from external sources is aggressively absorbed to diversify our knowledge. We will continue our efforts to create an appealing company that attracts human resources with various experiences and knowledge.

Management training

To accelerate our progress towards becoming a top global company in the world, we have enhanced human resource development focusing on the cultivation of management personnel and the pipeline management of successors. With "global" and "leadership" as key words, we are reinforcing our position-based leadership programs to improve our leadership training.

We have many programs that teach people the skills and knowledge that are necessary to become successful on a global scale. Examples include overseas study for languages (English and Chinese), MBA programs at universities in Japan and other countries, and the newly established doctorate study program. We plan to further increase the pace of activities that train people to succeed worldwide while reinforcing the development of core skills required by global businesspeople.

Extensive use of online activities

As part of measures to prevent the spread of COVID-19, we proactively switched to online recruiting activities and internal group training programs (new employee training and position-based training programs). Online programs give participants the same opportunities to speak up and the availability of quick interaction with share ideas as if in a conventional class. Additionally, the availability of quick interaction with instructors enables students to focus on the course material. Other advantages of online classes include not having to travel to training locations and reduced impacts on participants' work.

Social

Occupational Health and Safety

Health and safety activities in Japan

The Group is committed to the prevention of accidents under the concept that safety takes priority over everything.

In FY2019, we worked to improve health and safety activities and solve relevant problems through the RC Committees, Group safety and environment meetings and product safety meetings.

Health and safety committee meeting is held in each area and site to identify safety and environmental issues in each area, and all employees participate in activities to make improvements. In addition, events to help employees improve their health are designed and organized in cooperation with the labor union.

In FY2019, the number of accidents at the group decreased from FY2018, but there was one serious accident (loss of part of the left thumb). Information about serious accidents is shared with group business sites and companies worldwide for reviewing and strengthening workplace rules and safety measures.

During FY2019, the Group conducted the following safety training activities in Japan.

- Safety training for new employees: 73 participants
- Follow-up training for new employees (danger experience class, risk prediction training, static electricity safety class): 69 participants

Support for overseas group companies in safety control

The Group continuously provides active support for the safety and environmental activities of overseas affiliates. In 2019 as well, we worked to enhance field management and develop activity leaders in Asia and other regions through the NIPSEA Safety Council ("NSC").

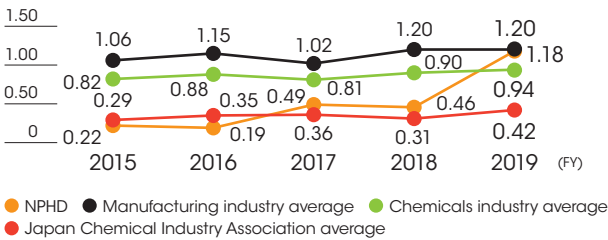
We also conducted safety assessments in each area jointly with NSC members to prevent serious accidents. In these assessments, we used an assessment list prepared to identify and preempt serious risks that might result in a plant shutdown, such as fires and explosions.

In addition to the safety assessments, we monitor fire drills conducted in each of the areas to check the appropriateness of their system in case of a fire or explosion accident.

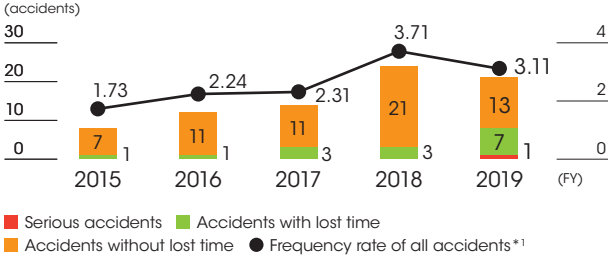
In FY2020, we will start using a revised assessment list as the basis for measures for preventing serious accidents.

*1 Deaths/injuries per one million actual working hours
 *2 Scope of data collection:
 NPAU, NPIU, NPTU, NPSU, and NPHD for the data in FY2015
 NPAU, NPIU, NPTU, NPSU, NPHD, NPMC, ASP, ASR, and NAC for the data from FY2016 to FY2018
 *3 Scope of data collection:
 NIPSEA for the data in FY2016
 NIPSEA and Overseas groups (Asia, US, Europe, South America) of NPAU for the data in FY2017
 NIPSEA, Overseas groups (Asia, US, Europe, South America) of NPAU and Asia group of NPMC for the data in FY2018
 NIPSEA, Overseas groups (Asia, US, Europe, South America) of NPAU, Asia group of NPMC and Dunn-Edwards for the data in FY2019

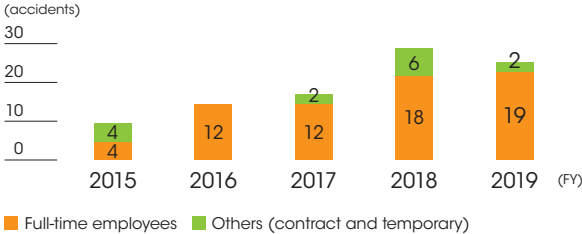
Frequency rate of accidents in Japan resulting in lost time*1



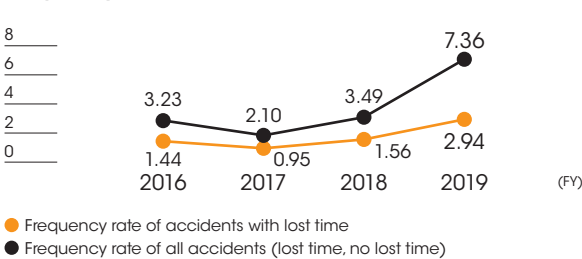
Number of workplace accidents in Japan*2



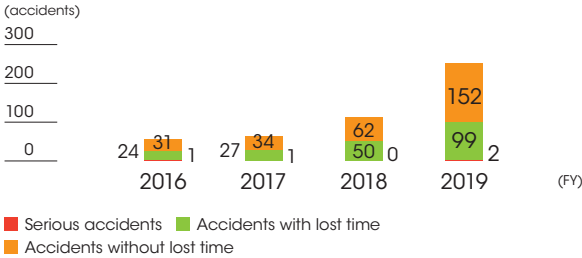
Number of accidents by employee category



Frequency rate of accidents overseas*1



Number of accidents overseas*3



Group Quality Assurance

Group quality assurance system

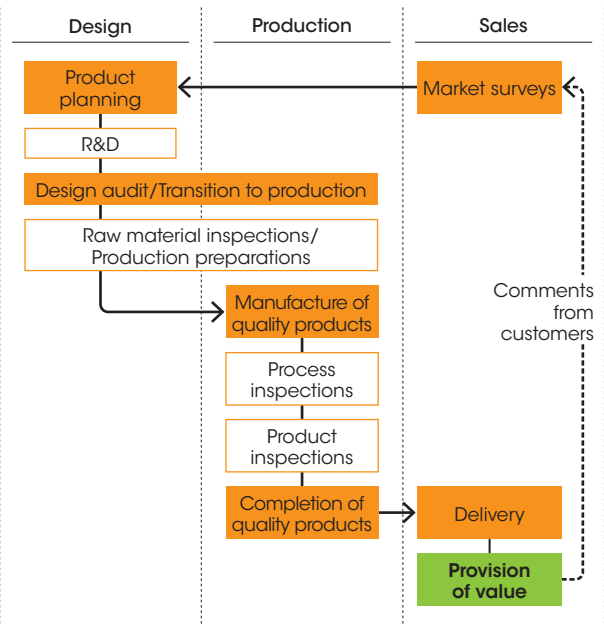
Basic concept

The Group strives to promote quality assurance activities of Group companies based on the policy in its internal rules to maintain and improve the quality of products in a steady and continuous manner with an aim to enhance customer satisfaction with the products of the Group.

We pay attention to the safety and environmental friendliness of products at the product design stage and take measures to ensure their functionality. In addition to strict design audits, as well as examinations before transition to the production stage, strict quality checks are conducted at different stages, including inspections of raw materials used, manufacturing process inspections, and final inspections of products.

We also make efforts to maintain and improve the Group's quality assurance system, including process management to reduce quality variations in the manufacturing process and logistics management to deliver the products of our Group to customers safely by delivery time.

Group quality assurance system



Compliance with laws and regulations

We follow a strict design audit system, which is part of our quality assurance system that starts at the design stage, in order to confirm that products comply with all applicable laws and regulations. In addition, we provide customers with a safety data sheet (SDS) for each product that contains information about applicable laws and regulations.

Organization of a global quality conference (GQC)

In overseas Group companies as well, NPHD works to promote the quality assurance system and the improvement of quality management in cooperation with local staff, just as in the case of safety management. To provide a forum for reporting on team activities to improve quality assurance and productivity at actual production sites, a Global Quality Conference (GQC) was held in September 2019. About 70 people from overseas and other Group companies attended this event at the Osaka head office via a video conferencing system. The conference was an effective way to share quality improvement activities with other group companies. This conference is used to share attitudes towards manufacturing in various countries, new discoveries in the production field, and efficient management methods.

For FY2020, we are considering holding GQC meeting online in view of the spread of COVID-19. This event will again be structured to contribute to upgrading the quality assurance programs of all group companies.



The 2019 Global Quality Conference

Promotion of quality assurance activities

Our Group strives to promote improvement activities at manufacturing sites that contribute to quality assurance and the safe environment in the sites.

We position such activities as "on-site quality assurance (QA)" activities and work to reinforce the sites with a focus on "5S" (Sort, Set in Order, Shine, Standardize, Sustain), as well as "visual management," "standardization," "prevention of errors," and "quality risk prediction". In addition, the leaders of the manufacturing sites mutually check the worksites managed by the relevant departments and also have opportunities to deeply examine the issues of the manufacturing sites and discuss fundamental countermeasures.

Through initiatives such as this, we work to raise the levels of quality assurance and safety activities in the manufacturing sites as a whole.

Social Supply Chain Management

—Procurement Policy—

In accordance with the management philosophy of the Nippon Paint Holdings Group, Procurement Department complies with and promotes the following policy in its procurement activities with the suppliers, which are our precious partners:

- 1. Legal compliance and respect for human rights:**
Nippon Paint Holdings Group will conduct procurement in compliance with laws and international rules, with respect for human rights, and without any abuse of human rights including discrimination or unfair labor practice.
- 2. Fair transaction:**
Nippon Paint Holdings Group will conduct fair and equitable procurement based on free competition and make efforts to eliminate personal interests from the selection of suppliers.
- 3. Evaluation of suppliers:**
Nippon Paint Holdings Group will select suppliers in a rational manner based on business conditions, CSR, promotion of environmental conservation and resource protection, continuous commitment to the control of safety and health risks, etc. in addition to quality, price competitiveness, stable supply, technical capabilities.
- 4. Establishment of a trust relationship with suppliers:**
Nippon Paint Holdings Group will place emphasis on dialogues with suppliers, work to establish a trust relationship, and promote sustainable procurement together. We will also promote the reduction of risks in procurement activities in cooperation with suppliers.

Approach to procurement of raw materials

The Group's businesses depend on a steady and reliable supply of raw materials, equipment, supplies, information services and various other products and services. Maintaining healthy cooperative relationship with suppliers is therefore essential to our growth potential. We have established and disclosed the procurement policy that is aligned with our basic approach to business transactions. We also have programs for everyone at our Group, as well as at our suppliers, to make sure that they understand and follow this approach and policy. To ensure that procurement activities are performed responsibly, we established procurement guidelines based on a policy that further clarifies the definition of the items that must be observed by suppliers and members of the Nippon Paint Holdings Group. Our procurement activities also place priority on quality, cost and delivery (QCD) as well as issues involving the environment, society and governance (ESG). Our goal is to further emphasize the sustainability of our supply chains.

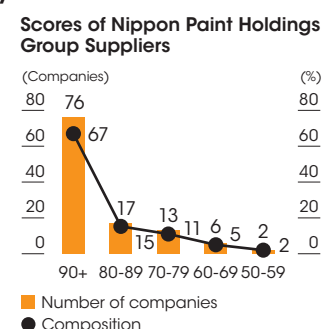
Initiatives in line with the procurement policy

Responsible procurement of raw materials

With the cooperation of the product safety departments, we have examined and updated the safety data sheets and product specifications in compliance with new and revised laws and regulations for the chemicals contained in all raw materials used to manufacture our products. We utilize this information to supply customers with the information they require to use our products in compliance with regulations inside and outside Japan. The Company also participates in the initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain, and supplies information at the request of customers.

CSR procurement survey

The graph on the right shows the results of a self-analysis survey that was prepared by Global Compact Network Japan. The survey was sent to those suppliers of the Nippon Paint Holdings Group which accounted for 90% of all purchases in 2019 in the amount of purchase. We held discussions with companies that scored below 70 points and asked them to make improvements.



Conflict minerals survey

We used a Conflict Minerals Report Template to examine the samples of raw materials which we use that contain tin, tantalum, tungsten, gold or cobalt. The information obtained from these examinations was used to respond to requests from customers concerning conflict mineral surveys.

Business continuity planning

We are taking various measures in order to reduce the risk of supply disruption a particular material, such as purchasing raw material from at least two suppliers. Significant risk factors are monitored by using a simultaneous inquiry system, which was used five times in 2019 to examine the effects of problems at plants, a typhoon and earthquake, and other events.

Quality and safety audits

We visited 34 business sites of 31 companies that supply raw materials or perform outsourced manufacturing tasks in order to check their quality assurance and employee health and safety programs. Afterward, discussions were held concerning items that required improvements.

Investments in Communities

Contributions to local communities and international society

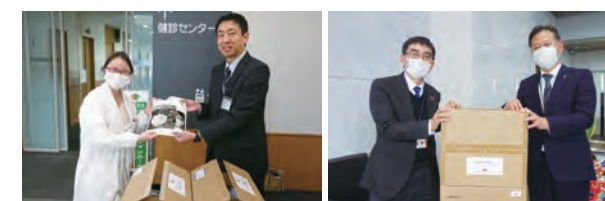
Basic approach

The workforce and workplaces of the Group are becoming increasingly global in nature as the Group continues to grow. As we become increasingly global, we will continue to play a role in finding solutions to social issues in the countries where we do business.

[Japan]

Donated medical masks and ethanol disinfectant to 76 medical institutions and municipalities

The COVID-19 pandemic has made it difficult for medical institutions in Japan to procure masks, disinfectants and other supplies. We used products made in partner factories in China to donate 140,000 N-95 type medical masks (surgical-mask equivalent) and 1,700 liters of ethanol disinfectant to medical facilities, government agencies and other organizations in Japan, for a total of 76 recipients.



Masks and disinfectants being donated to Kariya Toyota General Hospital (left) and Kita-ku, Osaka (right)

[India]

Providing education and empowering women

We conducted training programs in farming villages in India to teach women how to become self-reliant professional house painters. Thus far, the program has created 420 female painters in rural areas of the state of Tamil Nadu. In FY2019, we provided food to these women and their families due to difficulties created by the COVID-19 pandemic.



Female house painters

[Australia]

Support for medical and environmental programs

We support cancer research and emergency care facilities in the medical sector. For environmental activities, we are supporting more than 250 communities for animal rescue and other programs. In 2019, donations of products and cash totaled about A\$500,000.

[Turkey]

Support for schools and professional painters

To support education in Turkey, we have both programs for repainting school buildings and the color effect project. Repainting maintains a healthy school environment so that children remain motivated to learn. A total of about 600 tonnes of paint was used for this program. The color effect project supplies carefully selected color schemes based on an analysis of how different colors influence children. The analysis was performed in collaboration with a psychologist in order to determine how colors affect children and how colors should be used at schools. This collaboration resulted in Turkey's first color collection for children's rooms and schools. More than 10,000 people received information about this collection.

In another program in Turkey, we sent food packages with a total value of about ¥64 million to painters in Turkey who had no or very little work due to the COVID-19 outbreak. We wanted them to know that we are always together at all times, both good and bad.



Repainting and color effect programs assist schools in Turkey

[Mexico]

Helping to prevent the spread of COVID-19

As Mexico combats the COVID-19 crisis, we distributed food to the poorer areas of the country and donated masks, apparel, and sanitizing and disinfecting products to medical institutions. In addition, we shipped masks from Mexico to China when there was a shortage of masks in China.

All of these activities demonstrate how the companies of Nippon Paint Holdings Group cooperate with each other to become responsible members of society.



Distributing food in Mexico

Major Financial and Non-Financial Data over 11 Years

Nippon Paint Holdings Co., Ltd. and Its Consolidated Subsidiaries
The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, the consolidation period for the fiscal year ended December 31, 2016 is the nine months starting on April 1, 2016 and ending on December 31, 2016.
The Company has adopted the International Financial Reporting Standards (IFRS) starting from the fiscal year ended December 31, 2018. The financial results figures for the fiscal year ended December 31, 2018 are presented in accordance with JGAAP as well as IFRS.

Financial Indicators

JGAAP

	Mar. 2009	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Dec. 2016	Dec. 2017	Dec. 2018
Fiscal year (Million yen)											
Net sales	239,616	216,547	227,378	222,256	233,380	260,578	260,590	535,746	470,161	605,252	622,987
Operating income	3,061	9,879	15,975	16,323	25,860	33,387	33,751	71,352	72,489	74,957	66,231
Profit attributable to owners of parent	1,802	8,729	14,350	12,312	20,018	32,156	181,477	30,020	34,788	37,123	34,195
EBITDA	12,919	19,716	25,055	24,626	33,093	40,438	40,722	97,885	95,382	104,405	96,768
Capital expenditures	13,106	6,743	5,554	3,553	5,107	5,980	5,130	19,034	21,019	24,814	22,421
Depreciation and amortization	9,858	9,836	9,079	8,302	7,233	7,051	6,970	26,533	22,892	29,447	30,537
R&D expenses	8,400	7,711	7,032	6,573	6,018	5,915	5,987	15,177	12,037	14,814	17,004
Cash flow (Million yen)											
Cash flow from operating activities	8,641	17,491	20,345	22,483	31,848	26,920	34,419	63,101	77,916	79,265	59,177
Cash flow from investing activities	(10,683)	(7,627)	(8,487)	(3,713)	(6,918)	(7,173)	(86,966)	(5,308)	(42,697)	(100,680)	(37,355)
Cash flow from financing activities	(3,308)	1,449	(11,578)	(11,942)	(18,744)	(21,034)	85,298	(24,699)	(8,583)	(11,434)	8,632
Free cash flow	(2,042)	9,863	11,858	18,769	24,929	19,746	(52,547)	57,793	35,218	(21,414)	21,821
Fiscal year end (Million yen)											
Total assets	248,765	269,888	265,905	274,105	287,992	324,028	810,727	791,459	827,996	920,591	936,030
Total liabilities	131,893	140,889	129,295	128,723	115,967	116,312	220,804	223,710	242,238	291,182	307,262
Shareholders' equity	119,811	127,467	139,603	149,784	166,881	188,782	465,513	474,989	496,944	521,040	541,119
Total net assets	116,871	128,998	136,610	145,382	172,024	207,715	589,923	567,748	585,757	629,408	628,767
Net Debt	38,685	29,940	21,133	4,898	(18,582)	(30,844)	(105,959)	(102,442)	(140,895)	(72,866)	(88,041)
Per Share Information (Yen)											
Earnings per share (EPS) *1	6.81	32.95	54.18	46.51	75.62	122.47	650.04	93.61	108.48	115.76	106.63
Book-value per share (BPS)	413.04	454.38	481.41	514.45	609.20	746.25	1,496.16	1,464.06	1,475.93	1,572.60	1,566.27
Annual dividends per share	6.00	6.00	8.00	9.00	14.00	20.00	22.00	35.00	40.00	42.00	45.00
Financial Indicators											
Operating income margin (%)	1.3	4.6	7.0	7.3	11.1	12.8	13.0	13.3	15.4	12.4	10.6
EBITDA margin (%)	5.4	9.1	11.0	11.1	14.2	15.5	15.6	18.3	20.3	17.2	15.5
Return on equity (ROE) (%)	1.5	7.6	11.6	9.3	13.5	18.1	53.8	6.3	7.4	7.6	6.8
Return on assets (ROA) (%)	0.7	3.4	5.4	4.6	7.1	10.5	32.0	3.8	4.3	4.3	3.7
Return on invested capital (ROIC) (%)	2.3	7.4	12.3	13.1	20.8	25.6	10.4	14.2	15.0	14.1	11.5
D/E ratio (times)	0.5	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Net D/E ratio (times)	0.4	0.3	0.2	0.0	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.1)	(0.2)
Dividend payout ratio (IFRS basis) (%) *2	—	—	—	—	—	—	—	27.8	29.1	27.6	31.8
Total shareholder return (TSR) (%)	—	—	—	—	—	—	282.7	163.3	209.8	236.8	252.2
Price-earnings ratio (PER) (times)	56.4	18.6	10.3	13.5	12.4	12.8	6.8	26.7	29.4	30.8	35.3
Price book-value ratio (PBR) (times)	0.9	1.3	1.2	1.2	1.5	2.1	2.9	1.7	2.2	2.3	2.4
Net debt/EBITDA	3.0	1.5	0.8	0.2	(0.6)	(0.8)	(2.6)	(1.1)	(1.5)	(0.7)	(0.9)

*1 Profit attributable to owners of the parent per share and shareholders' equity per share are calculated by subtracting the number of treasury stock from the total number of issued shares.
*2 Dividend payout ratio from 2015 to 2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill.

Non-Financial Indicators

	Mar. 2009	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Dec. 2016	Dec. 2017
Governance										
Number of Board of Directors (persons) *3	10	7	8	8	8	10	8	6	7	7
Ratio of outside directors on the Board (%) *3	0.0	0.0	0.0	0.0	0.0	0.0	12.5	16.7	28.6	28.6
Social										
Number of employees (persons)	6,102	5,792	5,728	5,762	5,888	5,755	15,780	16,498	16,872	20,257
Ratio of overseas employees to all employees (%)	41.1	40.9	43.6	45.5	47.8	48.2	81.7	82.2	82.2	85.1
Ratio of female managers in Group companies (major subsidiaries in Japan) (%) *4	—	—	—	—	—	—	—	1.6	2.5	3.3
Number of serious occupational accidents inside and outside Japan (cases)	—	—	—	—	—	—	—	0	0	0
Environment										
CO2 emissions (Scope 1 + Scope 2) (t-CO2) *5	—	—	—	—	—	—	—	42,024	27,860	35,894
Shipment ratio of water-based paints (%) *6	—	—	—	—	—	—	—	79.2	80.1	81.5

*3 Number of Directors who assumed office after the conclusion of the Ordinary General Meeting of Shareholders held during the current fiscal year.
*4 The survey coverage are five companies: Nippon Paint (NPTU), Nippon Paint Automotive Coatings (NPAU), Nippon Paint Industrial Coatings (NPIU), Nippon Paint Surf Chemicals (NPSU), and Nippon Paint Marine Coatings (NPMC).

IFRS

	Dec. 2018	Dec. 2019
Fiscal year (Million yen)		
Revenue	627,670	692,009
Operating profit	86,542	78,060
Profit attributable to owners of parent	45,351	36,717
EBITDA	104,933	103,830
Capital expenditures	22,453	35,263
Depreciation and amortization	18,390	25,769
R&D expenses	16,997	17,416
Cash flow (Million yen)		
Cash flow from operating activities	61,533	92,076
Cash flow from investing activities	(37,439)	(352,769)
Cash flow from financing activities	6,228	254,018
Free cash flow	24,093	(260,693)
Fiscal year end (Million yen)		
Total assets	953,988	1,478,646
Total liabilities	306,370	790,667
Total equity attributable to owners of parent	520,047	552,922
Total equity	647,618	687,979
Net Debt	(89,335)	310,890
Per Share Information (Yen)		
Basic Earnings per Share (EPS) *1	141.41	114.48
Book-value per share (BPS)	1,621.54	1,723.75
Annual dividends per share	45.00	45.00
Financial Indicators		
Operating profit margin (%)	13.8	11.3
EBITDA margin (%)	16.7	15.0
Return on equity (ROE) (%)	8.8	6.8
Return on assets (ROA) (%)	4.8	3.0
Return on invested capital (ROIC) (%)	15.0	9.5
D/E ratio (times)	0.2	0.9
Net D/E ratio (times)	(0.2)	0.6
Dividend payout ratio (IFRS basis) (%) *2	31.8	39.3
Total shareholder return (TSR) (%)	252.2	375.3
Price-earnings ratio (PER) (times)	26.6	49.3
Price book-value ratio (PBR) (times)	2.3	3.3
Net debt/EBITDA	(0.9)	3.0

	Dec. 2018	Dec. 2019
Governance		
Number of Board of Directors (persons) *3	10	11
Ratio of outside directors on the Board (%) *3	50.0	45.5
Social		
Number of employees (persons)	20,402	25,970
Ratio of overseas employees to all employees (%)	84.2	87.0
Ratio of female managers in Group companies (major subsidiaries in Japan) (%) *4	4.1	4.3
Number of serious occupational accidents inside and outside Japan (cases)	0	1
Environment		
CO2 emissions (Scope 1 + Scope 2) (t-CO2) *5	36,430	45,713
Shipment ratio of water-based paints (%) *6	83.2	86.2

*5 The survey coverage in FY2016 (ended March 31, 2016) were four companies: Nippon Paint (NPTU), Nippon Paint Automotive Coatings (NPAU), Nippon Paint Industrial Coatings (NPIU), and Nippon Paint Surf Chemicals (NPSU). The survey coverage from FY2016 to FY2018 are the same as those listed in *4. The survey coverage in FY2019 is consolidated subsidiaries in Japan.
*6 The survey coverage are three companies: Nippon Paint (NPTU), NIPSEA, and Dunn-Edwards; calculated as water-based shipments (10,000 tonnes) divided by total shipments (10,000 tonnes).

Message from the CFO



Yuichiro Wakatsuki
Senior Managing Executive Officer and CFO

Focusing efforts on establishing financial base for future growth

Leveraging experience in the financial industry to embody CEO's vision

As chief financial officer (CFO), I oversee six departments: Finance & Accounting, Corporate Planning, Corporate Development, Public Relations, Investor Relations, and Investment Management. My responsibilities are very extensive in scope; but in short, my mission is to provide support on all fronts to embody the vision pursued by our CEO. During my time in investment banking where I previously worked, I provided M&A advisory services to clients for more than 20 years advising top management. I will contribute to the sustainable growth of NPHD by leveraging experience and knowledge that I accumulated during my career.

Paint and coatings market is growing steadily worldwide. Our business enjoys high profitability while expanding its possibilities in terms of technological evolution. Under these circumstances, the Group is working on establishing foundations in various business fields to evolve into a true global company.

Communicating with shareholders and investors is another important role I have. I listen to their candid opinions, sincerely reflecting on their expectations and

feelings, and periodically report to the Board of Directors in hopes of their decision making that is streamlined with the market. At the same time, I will ensure investors a timely and fair disclosure of information to help them understand the Group's values and strategies and to properly evaluate our performance.

Focusing on reinforcing financial bases considering the post-COVID-19 world

Our current 'N-20' medium-term management plan has entered its final year in 2020. Unfortunately, the numerical targets set out in the plan are unlikely to be achieved due to the impact of the COVID-19 pandemic and other factors. However, our efforts in implementing various measures under this medium-term management plan have led to a steady expansion of global operations, such as a boost in market share in China and an expansion of businesses and operating regions through M&As.

The Group has more than ¥100 billion on hand as of March 2020, but is working on further reinforcing its financial bases considering the ongoing global uncertainty due to the COVID-19 pandemic that is overshadowing our outlook.

In April 2020, NPHD borrowed funds totaling ¥50 billion from several banks, as well as entering into a commitment line agreement worth ¥180 billion, to prepare for the worst. When the current situation improves, stable product supply capabilities and financial resources will be essential in undertaking business development that quickly responds to market movements, which I believe will translate to market share gains. Accordingly, from a financial perspective, we will also be fully prepared in order to not miss out on any business opportunities. What challenges I can turn into opportunities will test my abilities as CFO.

Our acquisition of the Asian JV and Indonesia business that was announced on August 21, 2020, was also aimed to strengthen balance sheet for future growth, while achieving EPS accretion.

Building a track record of M&A that contributes to MSV

M&A will continue to be a high priority for our future. Total market share of top 10 paint manufacturers worldwide is less than 50%, leaving a significant scope for us to gain market share. Our M&A selection criteria is whether the acquisition target will contribute to Maximization of Shareholder Value (MSV), which is our paramount management mission. In selection of potential M&A targets, we will pursue Return on Invested Capital (ROIC) that exceeds Weighted Average Cost of Capital (WACC), which translates into EPS accretion. We will proactively examine potential investment deals according to disciplined capital allocation, without missing any investment opportunities.

The Board of Directors does not discuss any potential M&A deal merely for the sake of formality; instead, it conducts rigorous verification from various aspects including, but not limited to, the necessity of the M&A deal and whether it contributes to MSV, as well as an analysis of risks and

profitability, purchase price, financial impact, and Post-Merger Integration (PMI) process. I have long experience in M&A practices, but rarely have I seen a board that engages in heated discussion on a potential deal as thoroughly as they do at NPHD. The large-scale M&A deals we carried out previously have proven very successful, which I believe can be attributed to our careful management decisions made through this process. We will continue to collect, analyze, and provide information that is essential for such critical decision-making.

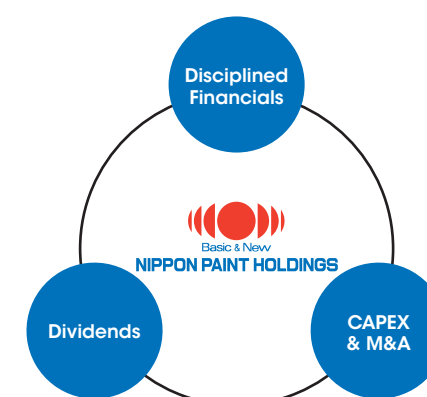
In January 2020, NPHD set up Investment Management Department that performs post-M&A progress management, as well as monitoring of partner companies in Japan and overseas to improve management efficiency. For this purpose, we are considering adopting ROIC as its performance indicator, and will accelerate EPS growth by building growth potential through M&As and business expansion, and earnings capacity through improving management efficiency.

Endeavoring to increase TSR through EPS accretion while maintaining stable dividends

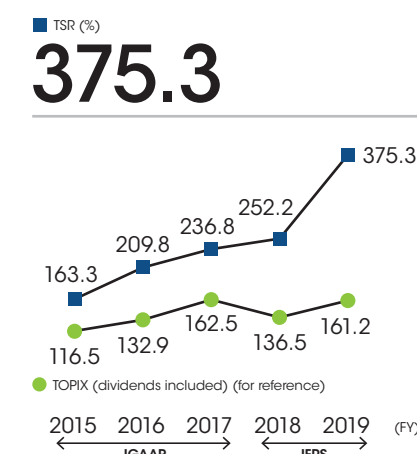
NPHD aims for Maximization of Shareholder Value (MSV) while maintaining financial discipline of pursuing optimal capital structure with balanced leverage with financial stability as a premise, and places higher priority on investments for future growth, thus focusing on providing higher Total Shareholder Return (TSR).

As a component of TSR, NPHD has set a policy for paying dividends stably and continuously, taking into account factors including earnings trends, investment opportunities and dividend payout ratios and at this point aims to maintain a dividend payout ratio of 30%. We will continue striving toward improving earnings in order to meet the expectations of our shareholders.

NPHD's capital policy



TSR



ROIC



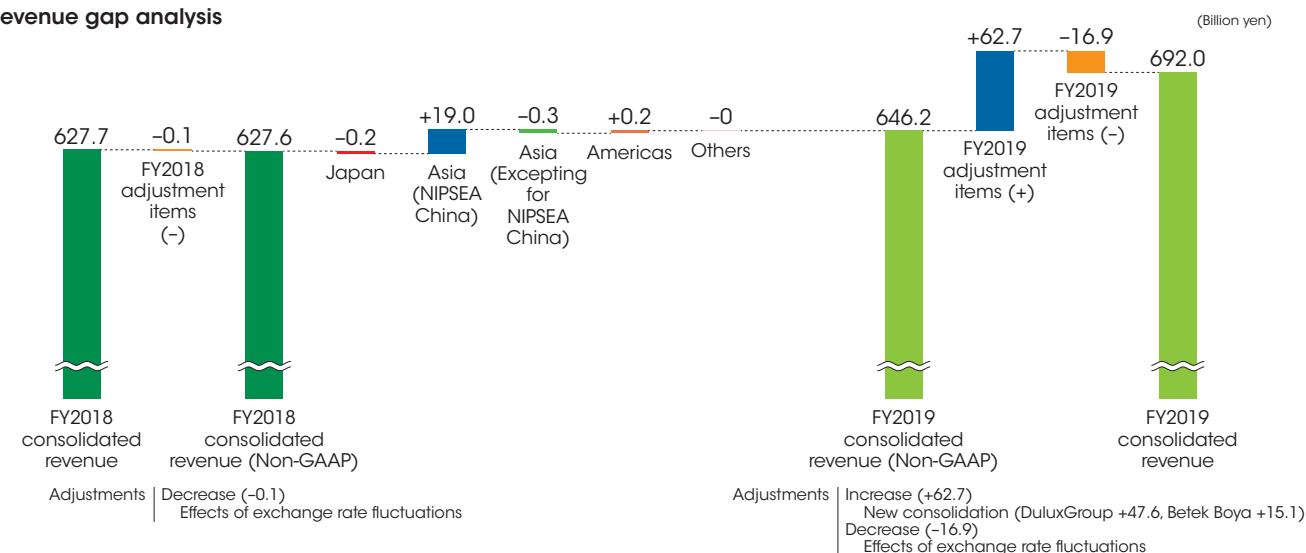
Analysis of Operating Results

Overview of consolidated financial results

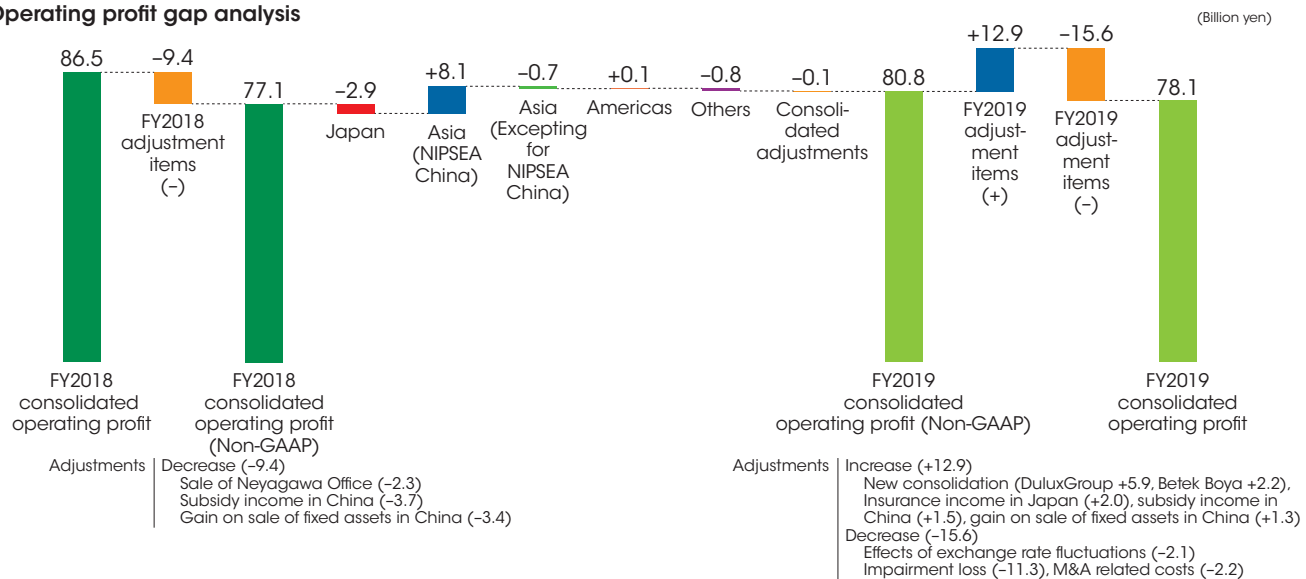
During the fiscal year ended December 31, 2019, consolidated revenue of NPHD and its group companies (collectively, "the Group") increased by 10.3% from the previous year to ¥692,009 million due to the strong performance of the decorative paints business and industrial coatings business in Japan as well as the decorative paints business in China, and the acquisition of ownership of Australian paint manufacturer DuluxGroup Limited and Turkish paint manufacturer Betek Boya ve Kimya Sanayi Anonim Sirketi, despite the effects of the yen's appreciation. Consolidated operating profit decreased by 9.8% from the previous year to

¥78,060 million due to the recording of share acquisition-related expenses associated with corporate acquisition in Japan and an impairment loss on the Europe automotive business group and an Indian automotive business company, despite a significant profit increase in China resulting from low raw material prices. Consolidated profit before tax decreased by 10.7% from the previous year to ¥79,518 million, and profit attributable to owners of the parent decreased by 19.0% from the previous year to ¥36,717 million. Factors for changes in non-GAAP results are as shown in the following figures.

Revenue gap analysis



Operating profit gap analysis



Status of assets, liabilities and net assets

Total assets at the end of the fiscal year ended December 31, 2019, increased by ¥524,657 million from the end of the previous fiscal year to ¥1,478,646 million. Current assets increased by ¥63,001 million from the end of the previous fiscal year, mainly due to increases in trade and other receivables of ¥33,575 million, and inventories of ¥27,052 million, despite a decrease in cash and cash equivalents of ¥6,333 million. Non-current assets increased by ¥461,656 million from the end of the previous fiscal year. The increase was primarily attributable to factors such as an increase in property, plants and equipment of ¥32,974 million following the application of IFRS 16 Leases and increases in property, plants and equipment of ¥62,376 million, intangible assets of ¥133,726 million, and goodwill of ¥215,763 million resulting from the acquisition of DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi. Liabilities increased by ¥484,297 million from the end

of the previous fiscal year to ¥790,667 million, mainly due to an increase in borrowings of ¥320,852 million due to the acquisition of DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi and an increase of liabilities of ¥177,163 million associated with the addition of new companies to the scope of consolidation.

Equity increased by ¥40,360 million from the end of the previous fiscal year to ¥687,979 million. This was mainly attributable to an increase in foreign currency translation adjustments and an increase in retained earnings due to the recording of profit attributable to owners of parent. As a result, equity attributable to owners of parent to total assets fell from 54.5% at the end of the previous fiscal year to 37.4%. Also, goodwill to equity attributable to owners of parent increased from 39.2% to 77.2% due to an increase in goodwill in relation to the acquisition of DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi.

Status of cash flows

Status of cash flows

In the fiscal year ended December 31, 2019, operating activities generated an influx of ¥92,076 million, investing activities resulted in an outflow of ¥352,769 million, and financing activities delivered an inflow of ¥254,018 million, resulting in cash and cash equivalents (hereinafter "cash") of ¥123,300 million, a decrease of ¥6,333 million compared to the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities increased by ¥30,542 million from the previous fiscal year to ¥92,076 million. Primary factors include a cash inflow (excluding increases and decreases in operating capital) of ¥113,112 million, mainly reflecting non-cash expenses such as depreciation and amortization on profit before tax, and a cash increase of ¥1,813 million due to a decrease in operating capital and income taxes paid of ¥22,849 million.

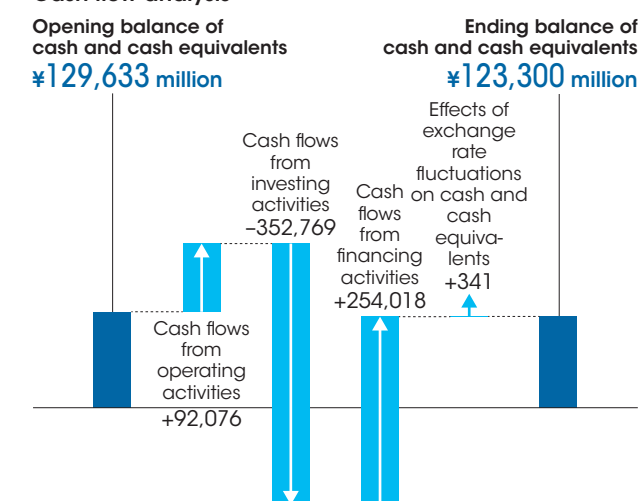
Cash flows from investing activities

Net cash used in investing activities increased by ¥315,329 million from the previous fiscal year to ¥352,769 million. This was mainly attributable to an outflow of ¥318,655 million due to the acquisition of shares of subsidiaries and an outflow of ¥22,764 million due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities increased by ¥247,789 million from the end of the previous fiscal year to ¥254,018 million. Primary factors include an inflow of ¥301,178 million due to an increase in short-term borrowings, an outflow of ¥21,209 million due to repayments of long-term borrowings, and an outflow of ¥26,743 million due to dividends paid.

Cash flow analysis



Analysis of Operating Results

Sources of equity and liquidity of funds

The Group uses earnings from operating activities as the financial source for business activities and appropriates them for capital expenditure, R&D investment, operating capital, payment of dividends, and repayment of borrowings. To meet funding requirements necessary for strategic investment to achieve sustainable growth, we procure funds externally with consideration given to our earnings outlook, overall funding requirements, and repayment capacity, while maintaining financial discipline. During the fiscal year ended December 31, 2019, we made borrowings of ¥320,852 million to execute M&A transactions. As a result, the balance of bonds and borrowings at the end of the fiscal year ended December 31, 2019, stood at ¥338,854 million for NPHD and ¥103,342 million for its consolidated subsidiaries. The Group had operating capital of ¥152,427 million at the end of the fiscal year ended December 31, 2019. The balance of cash and

deposits of the Group at the end of the fiscal year ended December 31, 2019, was ¥123,300 million, the breakdown of which is as follows: the balance of cash and deposits of NPHD amounting to ¥40,751 million, the balance of cash and deposits of domestic subsidiaries of ¥2,875 million, and cash and deposits and marketable securities with high liquidity totaling ¥79,673 million held by overseas subsidiaries. Cash and deposits of domestic subsidiaries are centrally managed by NPHD using the cash management system (CMS). Cash and deposits owned (and held) by overseas subsidiaries are mainly used for expanded reproduction at local production bases, and any surplus cash generated is collected separately from ordinary dividends, as special dividends. The Group currently holds sufficient cash on hand to smoothly maintain its business activities, and we have little concern about a shortage of funds for meeting future fund requirements.

Financial results by segment

The status of each segment is as follows. "Oceania" has been added as a reportable segment as of the third quarter ended September 30, 2019.

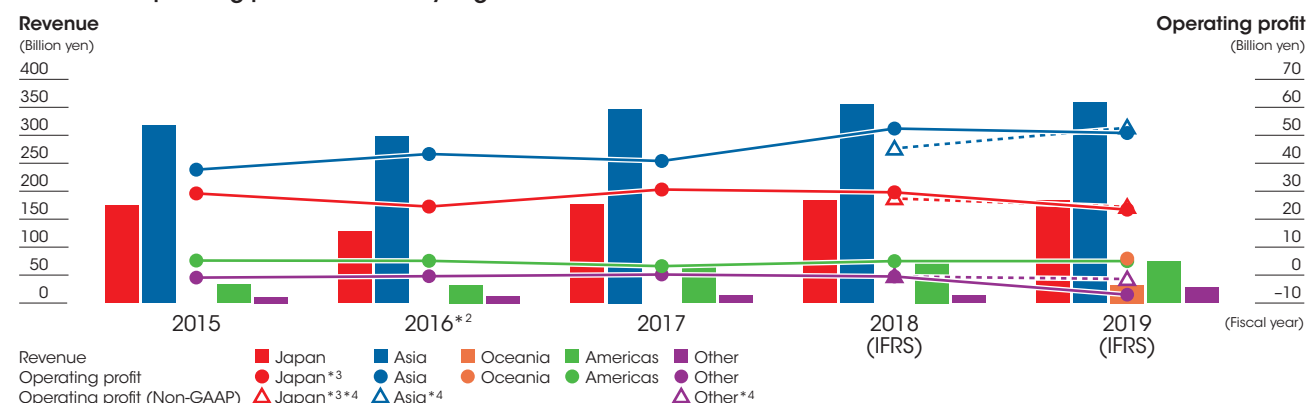
Japan

Revenue for automotive coatings was at the same level as the previous year in an environment where the number of automobiles manufactured remained solid, despite the effects of the Consumption Tax increase and a decrease in the export of products. As for industrial coatings, revenue was at the same level as

the previous year, impacted by a decline in market conditions resulting from natural disasters that occurred in the fourth quarter of the fiscal year under review and a tax increase, despite an increase in demand for the fiscal year under review due to restoration works following the natural disasters that occurred in the previous year. As for decorative paints, revenue was higher than the previous year under solid market conditions due to factors such as efforts to expand sales in the retail sector.

As a result, consolidated revenue for the Japan

Revenue & operating profit transition by segment



*1 Revenue excludes intersegment revenue.
 *2 Revenue for the Japan segment for the fiscal year ended December 31, 2016, covers nine months from April 1 to December 31 due to a change in the accounting period.
 *3 Operating profit for the Japan segment excludes dividends from overseas group companies.
 *4 Non-GAAP adjusts for F/X, subsidy, M&A related costs, and impairment loss.

segment decreased by 0.1% from the previous year to ¥182,585 million. Consolidated operating profit decreased by 15.2% from the previous year to ¥36,990 million due to factors such as the recording of share acquisition-related expenses associated with the corporate acquisition announced in April 2019. The consolidated operating profit includes ¥13,585 million of dividend income from overseas group companies (¥14,012 million in the previous year). All of this dividend income is eliminated under intersegment eliminations and other adjustments as it is an internal transaction.

Asia

Revenue for automotive coatings was lower than the previous year due to a decrease in the number of automobiles manufactured in China, India, and Thailand from the previous year. As for decorative paints, our primary business in Asia, revenue was higher than the previous year as a result of focusing on sales promotion activities for mainstay interior residential paints and achieving favorable sales of decorative paints for exteriors in China, in spite of stagnant market conditions in Singapore, etc.

As a result, consolidated revenue for the Asia segment increased by 1.0% from the previous year to ¥359,213 million. Consolidated operating profit decreased by 3.1% from the previous year to ¥50,769 million due to the effects of the yen's appreciation, an absence of the subsidy income related to the removal of factories resulting from environmental regulations in China recorded in the previous year, and the recording of an impairment loss on an Indian automotive business company, despite a decline in raw material prices.

Oceania

The profit and/or loss of DuluxGroup Limited since September 2019 has been reflected in the Group's

consolidated financial results. The decorative paints business and the paint related business remained solid by virtue of sales promotion activities and a share increase under weak new housing market conditions in Australia.

As a result, consolidated revenue for the Oceania segment was ¥47,578 million, and consolidated operating profit was ¥5,861 million.

Americas

Revenue for automotive coatings decreased from the previous year due to factors such as the sluggish production of automobiles in the United States, the core region. In decorative paints, revenue increased from the previous year due to the sales expansion of high value-added products and an increase in the number of shops.

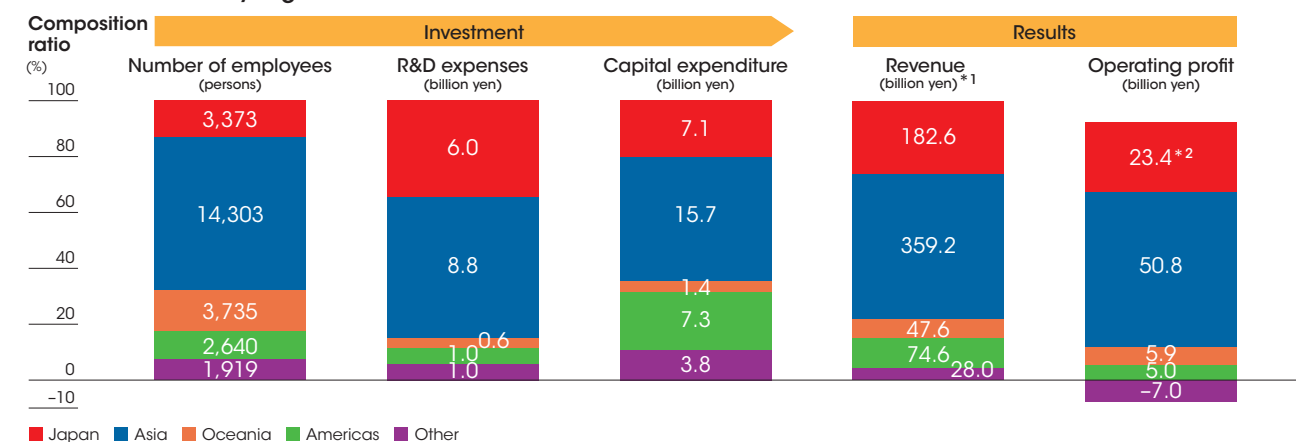
As a result, consolidated revenue for the Americas segment decreased by 0.8% from the previous year to ¥74,618 million. Consolidated operating profit increased by 0.4% from the previous year to ¥5,010 million due to factors such as an improved product mix for decorative paints.

Other

Revenue for automotive coatings decreased from the previous year due to the yen's appreciation and sluggish production of automobiles in our operating regions. The financial results of Betek Boya ve Kimya Sanayi Anonim Sirketi, whose profit and/or loss since July 2019 is reflected in the Group's consolidated financial results, remained solid.

As a result, consolidated revenue for the segment increased by 101.5% from the previous year to ¥28,012 million, and consolidated operating loss was ¥6,972 million, compared to an operating loss of ¥529 million in the previous year, due to the recording of an impairment loss on the Europe automotive business group.

Investment results by segment



*1 Revenue excludes intersegment revenue.
 *2 Operating profit for the Japan segment excludes dividends from overseas group companies.

Financial Statements

Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	¥ 129,633	¥ 123,300
Inventories	65,807	92,860
Trade and other receivables	179,269	212,844
Other financial assets	59,775	65,158
Other current assets	9,456	12,623
Subtotal	443,941	506,787
Assets held for sale	272	428
Total current assets	444,214	507,216
Non-current assets		
Property, plant and equipment	140,550	240,319
Goodwill	203,722	427,091
Other intangible assets	95,496	230,986
Investments accounted for using equity method	11,612	12,680
Other financial assets	40,942	54,381
Other non-current assets	14,374	2,818
Deferred tax assets	3,075	3,151
Total non-current assets	509,774	971,430
Total assets	953,988	1,478,646
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	121,999	153,277
Bonds and borrowings	51,583	384,049
Other financial liabilities	5,050	12,470
Income taxes payable	4,735	6,739
Provisions	992	2,197
Other current liabilities	31,415	39,413
Total current liabilities	215,776	598,147
Non-current liabilities		
Bonds and borrowings	37,881	58,147
Other financial liabilities	5,558	44,681
Retirement benefit liability	19,572	24,382
Provisions	385	900
Other non-current liabilities	1,209	1,847
Deferred tax liabilities	25,986	62,560
Total non-current liabilities	90,593	192,519
Total liabilities	306,370	790,667
Equity		
Share capital	78,862	78,862
Capital surplus	63,247	62,927
Treasury shares	(6,444)	(6,378)
Retained earnings	390,287	411,941
Other components of equity	(5,905)	5,568
Total equity attributable to owners of parent	520,047	552,922
Non-controlling interests	127,570	135,056
Total equity	647,618	687,979
Total liabilities and equity	953,988	1,478,646

Consolidated Statement of Profit or Loss

(Million yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Revenue	¥ 627,670	¥ 692,009
Cost of sales	(385,506)	(416,359)
Gross profit	242,164	275,649
Selling, general and administrative expenses	(164,142)	(190,435)
Other income	10,700	6,717
Other expenses	(2,179)	(13,871)
Operating profit	86,542	78,060
Finance income	4,432	5,749
Finance costs	(3,134)	(5,729)
Share of profit of investments accounted for using equity method	1,235	1,438
Profit before tax	89,075	79,518
Income tax expense	(22,758)	(23,251)
Profit	66,316	56,267
Profit attributable to		
Owners of parent	45,351	36,717
Non-controlling interests	20,965	19,550
Profit	66,316	56,267
Earnings per share		
Basic earnings per share (yen)	141.41	114.48
Diluted earnings per share (yen)	141.39	114.45

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Profit	¥ 66,316	¥ 56,267
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(4,895)	3,229
Remeasurements of defined benefit plans	(1,353)	(828)
Total of items that will not be reclassified to profit or loss	(6,248)	2,400
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(23,070)	7,080
Cash flow hedges	—	(32,737)
Share of other comprehensive income of investments accounted for using equity method	(914)	(346)
Total of items that may be reclassified to profit or loss	(23,985)	(26,003)
Total other comprehensive income	(30,233)	(23,602)
Comprehensive income	36,083	32,664
Comprehensive income attributable to		
Owners of parent	22,752	14,929
Non-controlling interests	13,330	17,735
Comprehensive income	36,083	32,664

Financial Statements

Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2018	¥78,862	¥63,262	¥(6,454)	¥360,249	¥15,471	¥511,392	¥125,549	¥636,941
Profit	—	—	—	45,351	—	45,351	20,965	66,316
Other comprehensive income	—	—	—	—	(22,599)	(22,599)	(7,634)	(30,233)
Comprehensive income	—	—	—	45,351	(22,599)	22,752	13,330	36,083
Purchase of treasury shares	—	—	(7)	—	—	(7)	—	(7)
Disposal of treasury shares	—	18	16	—	(35)	0	—	0
Dividends	—	—	—	(14,110)	—	(14,110)	(12,325)	(26,436)
Share-based payment transactions	—	—	—	—	54	54	—	54
Changes in ownership interest in subsidiaries	—	(33)	—	—	—	(33)	(197)	(231)
Change in scope of consolidation	—	—	—	—	—	—	521	521
Transfer from other components of equity to retained earnings	—	—	—	(1,202)	1,202	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	790	790
Other	—	—	—	—	—	—	(97)	(97)
Total transactions with owners	—	(15)	9	(15,313)	1,222	(14,096)	(11,309)	(25,406)
Balance as of December 31, 2018	78,862	63,247	(6,444)	390,287	(5,905)	520,047	127,570	647,618
Profit	—	—	—	36,717	—	36,717	19,550	56,267
Other comprehensive income	—	—	—	—	(21,787)	(21,787)	(1,815)	(23,602)
Comprehensive income	—	—	—	36,717	(21,787)	14,929	17,735	32,664
Purchase of treasury shares	—	—	(11)	—	—	(11)	—	(11)
Disposal of treasury shares	—	162	77	—	(5)	234	—	234
Dividends	—	—	—	(14,433)	—	(14,433)	(12,047)	(26,481)
Share-based payment transactions	—	—	—	—	10	10	—	10
Changes in ownership interest in subsidiaries	—	(481)	—	—	—	(481)	(441)	(922)
Change in scope of consolidation	—	—	—	—	—	—	493	493
Transfer from other components of equity to retained earnings	—	—	—	(629)	629	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	—	32,626	32,626	—	32,626
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	1,793	1,793
Other	—	—	—	—	—	—	(47)	(47)
Total transactions with owners	—	(319)	66	(15,063)	33,261	17,945	(10,249)	7,695
Balance as of December 31, 2019	78,862	62,927	(6,378)	411,941	5,568	552,922	135,056	687,979

Consolidated Statement of Cash Flows

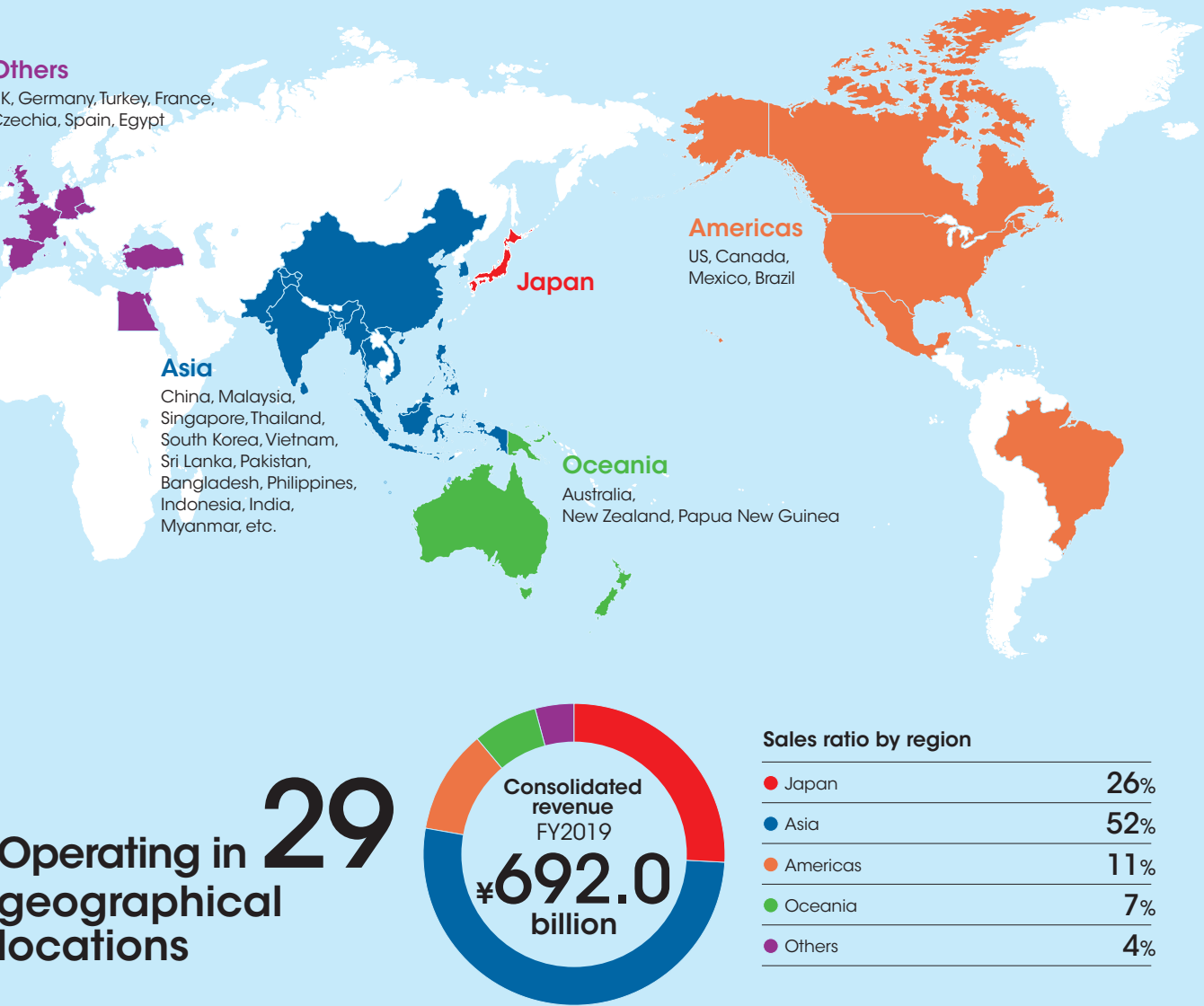
(Million yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit before tax	¥ 89,075	¥ 79,518
Depreciation and amortization	18,390	25,769
Impairment loss	32	11,315
Interest and dividend income	(2,432)	(4,640)
Interest expenses	1,261	4,782
Share of loss (profit) of investments accounted for using equity method	(1,235)	(1,438)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(5,158)	(918)
Decrease (increase) in inventories	1,220	(2,306)
Decrease (increase) in trade and other receivables	(9,176)	(586)
Increase (decrease) in trade and other payables	(1,625)	4,706
Increase (decrease) in retirement benefit liability	(121)	(820)
Increase (decrease) in provisions	(2,128)	(834)
Other	(4,015)	36
Subtotal	84,087	114,583
Interest received	1,384	2,543
Dividends received	1,930	2,095
Interest paid	(1,348)	(4,297)
Income taxes paid	(24,521)	(22,849)
Net cash provided by (used in) operating activities	61,533	92,076
Cash flows from investing activities		
Net decrease (increase) in time deposits	(34,472)	(4,518)
Net decrease (increase) in marketable securities	12,333	(1,167)
Purchase of property, plant and equipment	(18,399)	(22,764)
Proceeds from sale of property, plant and equipment	6,202	4,205
Purchase of intangible assets	(1,676)	(2,679)
Purchase of investment securities	(63)	(237)
Payments for acquisition of subsidiaries	(1,868)	(318,655)
Payments for sale of shares of subsidiaries	—	(57)
Payments for acquisition of businesses	—	(2,622)
Payments for loans receivable	(543)	(3,612)
Other	1,048	(658)
Net cash provided by (used in) investing activities	(37,439)	(352,769)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	22,354	301,178
Proceeds from long-term borrowings	16,995	7,054
Repayments of long-term borrowings	(7,104)	(21,209)
Repayments of lease obligations	(629)	(8,133)
Capital contribution from non-controlling interests	689	1,881
Dividends paid	(14,110)	(14,433)
Dividends paid to non-controlling interests	(12,038)	(12,310)
Other	70	(8)
Net cash provided by (used in) financing activities	6,228	254,018
Effect of exchange rate changes on cash and cash equivalents	(2,565)	341
Net increase (decrease) in cash and cash equivalents	27,757	(6,333)
Cash and cash equivalents at beginning of period	101,876	129,633
Cash and cash equivalents at end of period	129,633	123,300

Corporate and Stock Information

(as of December 31, 2019)

Global Business Development of Nippon Paint Holdings Group



Japan	Asia	Americas	Oceania	Others
Nippon Paint Holdings and its consolidated subsidiaries	Consolidated subsidiaries	Consolidated subsidiaries	Consolidated subsidiaries	Consolidated subsidiaries
17 in total	107	11	43	19
Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees
3,373	14,303	2,640	3,735	1,919

Corporate Profile

Trade name	Nippon Paint Holdings Co., Ltd.	Founded	March 14, 1881
Head Office	Tokyo Head Office MUSEUM TOWER KYOBASHI, 14th floor, 1-7-2 Kyobashi, Chuo-ku, Tokyo, Japan Tel: (+81) 3-6433-0711 Osaka Head Office 2-1-2 Oyodo Kita, Kita-ku, Osaka, Japan Tel: (+81) 6-6458-1111	Capital	78,862 million yen
		Employees	25,970 (Consolidated)
		Fiscal year	From January 1 to December 31

Stock Information

Total number of authorized shares	1,000,000,000	Major shareholders		
Total number of issued shares	325,402,443	Name	Number of shares (thousand)	Shareholding ratio (%)
Number of shareholders	9,752	NIPSEA INTERNATIONAL LIMITED	126,906	39.56
		HSBC BANK PLC A/C 792827	14,474	4.51
		NATIXIS	12,357	3.85
		Nippon Life Insurance Company	10,817	3.37
		Sumitomo Life Insurance Company	10,750	3.35
		Sumitomo Mitsui Banking Corporation	9,999	3.11
		The Master Trust Bank of Japan, Ltd. (Trust Account)	9,254	2.88
		MUFG Bank, Ltd.	7,133	2.22
		Sumitomo Mitsui Trust Bank, Limited	7,053	2.19
		The Master Trust Bank of Japan, Ltd., (for Toyota Motor Corporation)	5,109	1.59

Distribution by type of shareholders (ratio of the shares owned)

- Foreign investors 58.8%
- Financial institutions 29.5%
- Individuals and others 6.2%
- Other Japanese corporations 5.3%
- Financial instruments business operators 0.2%

Total 325,402,443

* The treasury stock of 4,615,234 shares is included in "Individuals and others."

Stock price information

Share price (yen)

Trading volume (shares)

2008/12 2009/12 2010/12 2011/12 2012/12 2013/12 2014/12 2015/12 2016/12 2017/12 2018/12 2019/12 2020/8

Share price and volume chart

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share price at December 31 (yen)	622	533	740	1,749	3,520	2,958	3,185	3,565	3,760	5,640
Year-to-date high (yen)	641	683	742	1,763	3,820	4,860	3,725	4,520	5,230	6,350
Year-to-date low (yen)	494	446	536	751	1,301	2,033	2,012	3,095	3,340	3,435
Annual trading volume (shares)	160,072,000	158,375,000	173,156,000	313,915,000	286,170,000	218,899,400	213,329,800	154,880,000	140,297,000	98,794,400