

Value Creation Model

Practice value creation through management focused on SDGs and ESG

Social issues around paint industry

Climate change

Effective use of resources to prevent pollution

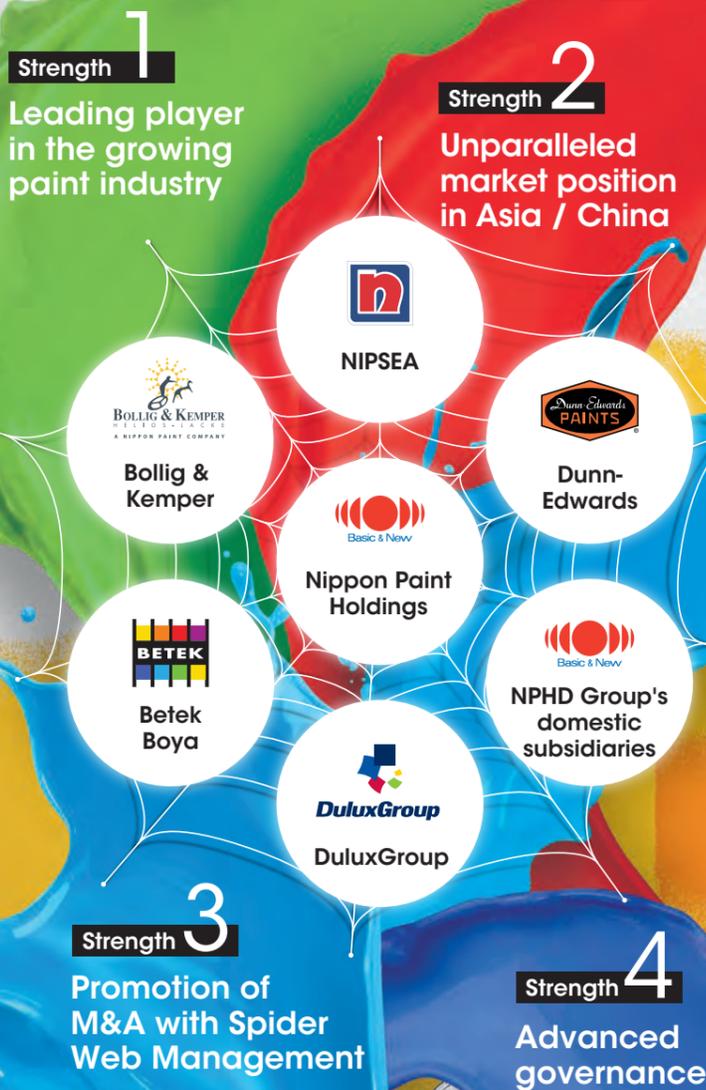
Diversity and respect for human rights

Prevent occupational accidents and health damage

Improve living standards

Create a new society in the "new normal"

Nippon Paint Holdings  
Maximization of Shareholder Value (MSV) Model



Outputs

Outcomes

Innovating new eco-friendly technologies

Providing products that support urban development

Provision of powerful brand products

Customers

Employees

Vendors

Fulfilling our duties to stakeholders

Governments

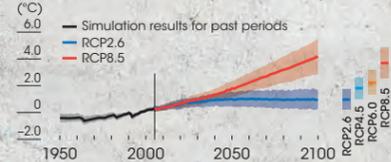
Financial institutions

Maximization of Shareholder Value

Value Creation Model

Social issues around paint industry

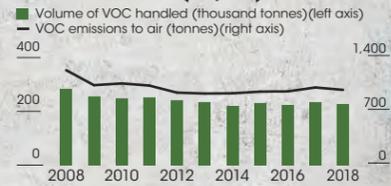
Changes in average temperature from 1950 to 2100 (worldwide)



Source: Intergovernmental Panel for Climate Change (IPCC) Fifth Report

The global average temperature is currently about 1°C higher than pre-Industrial Revolution levels. An increase in temperature may cause major climate changes including a rise in sea level, heat waves, river flooding and landslides due to heavy rainfalls, and droughts. As a result, climate change mitigation has become a pressing global issue.

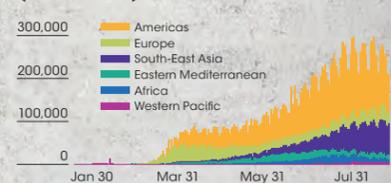
Volume of VOC handled and emissions to air (Japan)



Source: Japan Paint Manufacturers Association, "Coatings Care Report 2019"

In Japan, laws and regulations, as well as voluntary initiatives by business operators, are in place to reduce emissions of volatile organic compounds (VOCs), which are regarded as a type of air pollutant. The handling volume and air emissions of 8 types of typical organic solvents in paint manufacturing companies have been around 230,000 tonnes and 1,000 tonnes, respectively.

Number of new COVID-19 cases (worldwide)



Source: World Health Organization, "Coronavirus disease (COVID-2019) situation reports"

The COVID-19 is spreading all over the world. Although the pandemic temporarily appeared under control, it got serious in Central and South America in May. With a second wave of pandemic hitting subsequently, the number of confirmed new cases per day oftentimes exceeded 200,000 since July. There are concerns that we will be required to cope with COVID-19 for a prolonged period, raising a serious social issue.

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

**Market share in the paint market**

**No. 1 in Asia**

**No. 4 in the world**

From a global perspective, the paint industry is expected to grow as demand will certainly rise with the increase in population. NPHD currently commands the top market share in Asia and the fourth in the world. Considering that a large number of small to midsize companies hold around 50 percent of the global market share and that demand is increasing in product categories that require environmental response capabilities, as well as the financial strengths and other resources which only large companies are capable of delivering, we see a considerable scope for market share gains going forward.

**Strength 1**

**Market share in the DIY paint market in China**

Our Asian operations, including our Chinese business, are the Group's growth driver and account for 52% of our consolidated revenue. Through the paint market in China, the world's largest and one that has experienced a rapid growth at an average annual rate of 6.9% between 2015 and 2020, NPHD has established a leading position with the top market share (36%), backed by the powerful LiBang brand and strong sales networks.

**36%**

**Strength 2**

**Total revenue of DuluxGroup and Betek Boya (FY2019)**

NPHD promotes spider web management that allows group companies in Japan and other countries to autonomously cooperate with each other to create synergies. We will proactively pursue synergy creation through the identification of new growth opportunities generated through cooperation among acquired companies and existing Group companies, cost reduction by sharing procurement sources, acquisition of superior talent, and sharing of best practices.

**¥167.3 billion**

\*The above is a pro-forma figure (unaudited information) assuming that the earnings of DuluxGroup and Betek Boya are consolidated on a full-year basis.

**Strength 3**

**Ratio of independent directors**

**67%**

In order to ensure sustainable growth as a global company, NPHD is working on the development of advanced corporate governance. The Company shifted to a Company with Three Committees Structure by resolution of the General Meeting of Shareholders in March 2020, and nominated independent directors to six of the nine positions available on the Board. The purpose is to ensure the transparency, objectivity, and fairness of the Board of Directors and to protect the interests of minority shareholders.

**Strength 4**

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, fin-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**



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.