



Basic & New

NIPPON PAINT HOLDINGS

Integrated Report

2021

Year Ended December 31, 2020



Purpose

NIPPON PAINT GROUP

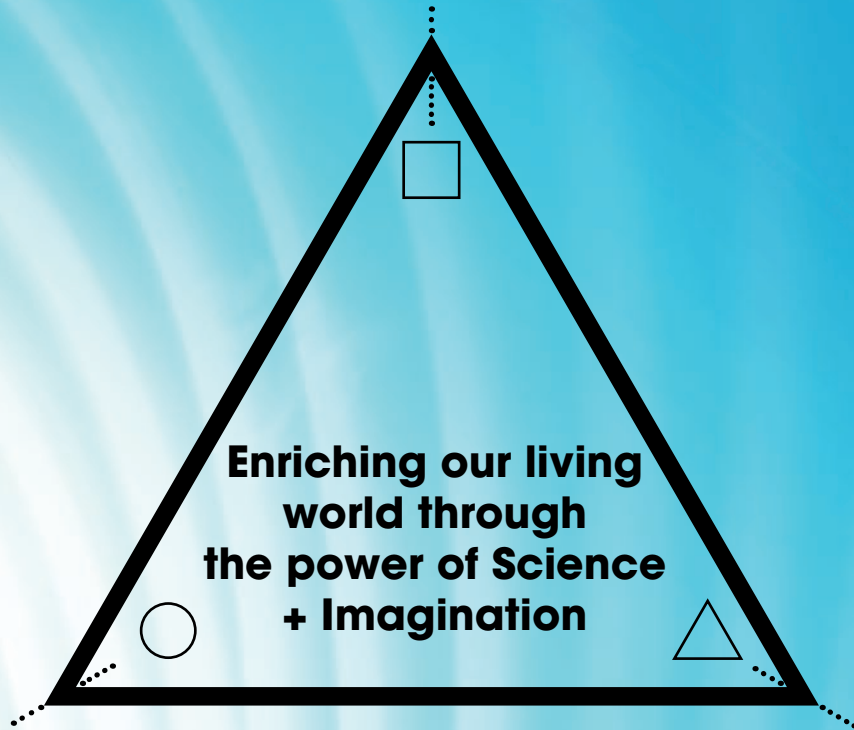
Our Shared Identity

The Nippon Paint Group has set the “Purpose” on the occasion of its 140th anniversary of founding. We set the Purpose that defines shared identity of the Nippon Paint Group, while respecting the autonomy of our partner companies based on their own Mission, Vision, and Value. Based on the shared values, diverse people at our partner companies around the world will collaborate based on strong bonds toward realizing Maximization of Shareholder Value (MSV).



Prosper Together

We prosper with absolute integrity and fairness by fulfilling our obligations and maximizing our commitments to all stakeholders (consumers, customers, communities, employees, suppliers, governments).



Science + Imagination

The unlimited power of Science + Imagination, leading to ground-breaking technology and useful innovation that preserve, enhance and enrich the world.

Powerful Partnerships

Our unique approach between our partner companies is based on respect, trust, empowerment and accountability. These partnerships form a powerful catalyst for innovation and growth.

Positioning of the Purpose

The Purpose defines the Nippon Paint Group's shared identity.

Our Group partner companies around the world will continue to follow their management philosophy and values.

The idea behind the Purpose

The Purpose Statement is: "Enriching our living world through the power of Science + Imagination." This expresses our commitment to making our world better and sustainable by using our technological strengths to tackle social challenges and to contribute to creating wealth for society.

The meanings of the Business Philosophy

Our Business Philosophy defines the Nippon Paint Group's action guidelines based on the Purpose.

Prosper Together: It is the principle which the Nippon Paint Group has cherished and promoted since its founding and means our commitment to fulfilling our obligations to all stakeholders, which forms the basis for Maximization of Shareholder Value (MSV).

Powerful Partnerships: It means bonds among the Nippon Paint Group's partner companies and co-creation relationships with partnering companies and research institutions. Bonding people in our Group's partner companies around the world based on mutual respect and trust and mobilizing their expertise and know-how will drive innovation and growth.

Science + Imagination: It describes our commitment to creating ground-breaking innovations using our technical strengths by combining the power of science and the power of imagination, which are essential for product development and service provision.

Purpose formulation process

The Purpose was developed through significant involvement of the Group's local management based on a task force comprising 28 management team members of our partner companies around the world and the Lead Independent Director with the CFO at that time serving as the coordinator.

1 Launched the Purpose project in May 2020

2 A draft was prepared through interviews and discussions at forums with the Group's local management teams. The final version was created by voting.

3 In March 2021, the Nippon Paint Group's Purpose was announced along with its New Medium-Term Plan (FY2021-2023).

Protecting the social infrastructure that underpins our daily lives

Paint and coatings play important roles protecting the surfaces of all kinds of social infrastructure while providing safety, comfort, and color for people around the world.

The Nippon Paint Group is Japan's oldest paint and coatings manufacturer and continues to create new business opportunities by providing innovative products and services backed by our commitment to addressing social issues and contributing to a flourishing society all over the world.

Ships

Marine coatings contribute to preventing global warming by reducing CO₂ emissions during ship operations



Road

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



ESG Statement

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."

Elevated highway

Coatings extend the service life of concrete structures by preventing concrete from chipping



Structures (buildings, stadiums)

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



Vending machines

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



Housing (interior paint)

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



Automobiles

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



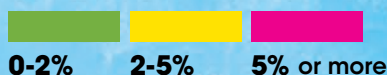
The paint market offers potential for sustainable growth worldwide

Worldwide population growth and economic development have fueled steady growth in the paint market.

We expect the economic growth and accompanying urban development in China and other Asian regions to support continuous market growth through the medium and long term, mainly in the decorative paints field that supports infrastructure development such as housing and buildings.

Growth rate of the paint market

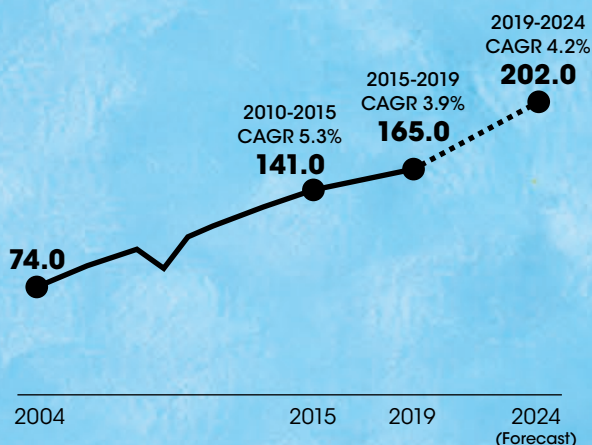
↑ Growth forecast for 2019-2024 (CAGR)



* Country/region total figures are market growth forecasts in 2019.

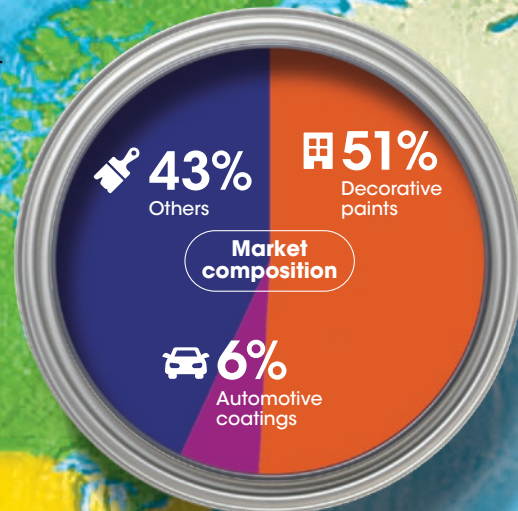
Global paint demand

● Total demand (US\$ bn)



* Source of data on pages 05 and 06: ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>

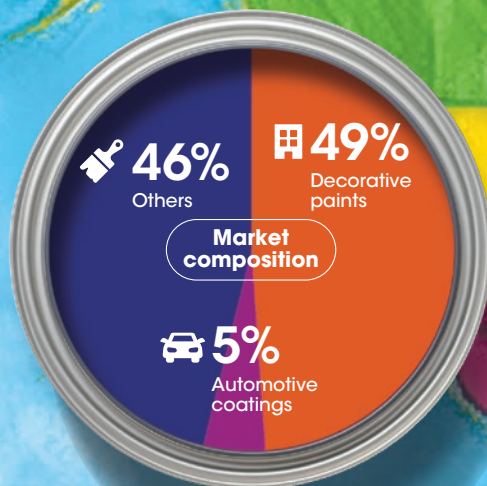
* For more details, please see "The Global Paint Market" page on our IR website. <https://www.nipponpaint-holdings.com/en/ir/results/market/>



Europe

35.9 Billion US\$

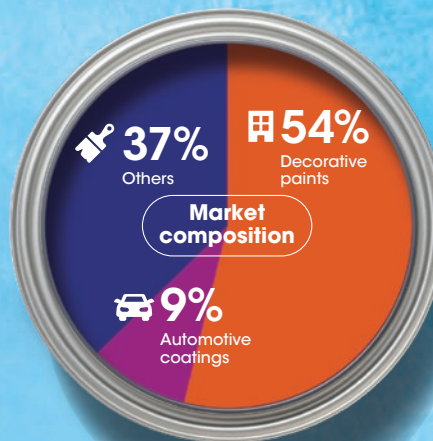
1.9% ↑



North America

28.4 Billion US\$

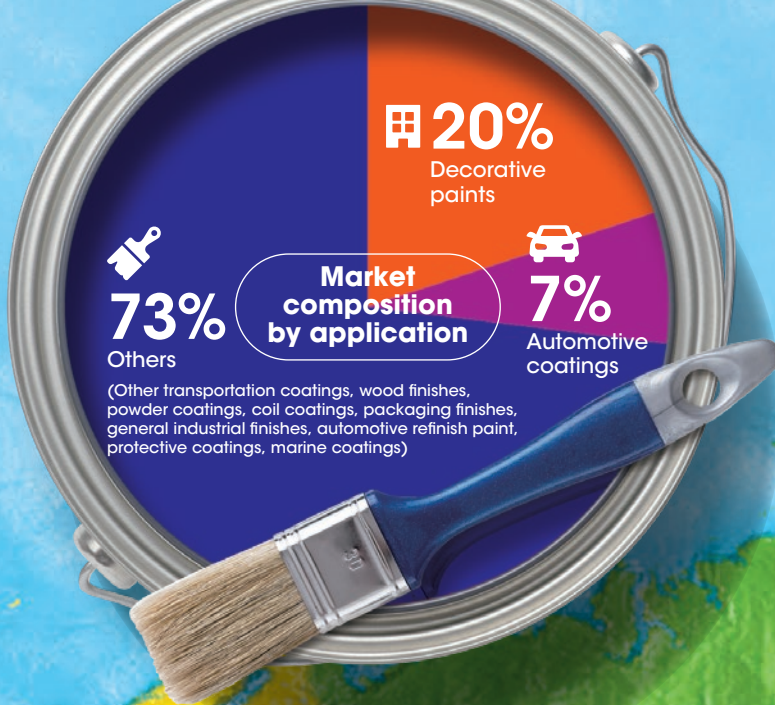
3.7% ↑



South America

12.5 Billion US\$

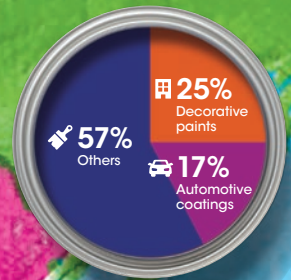
3.5% ↑



China

46.7 Billion US\$

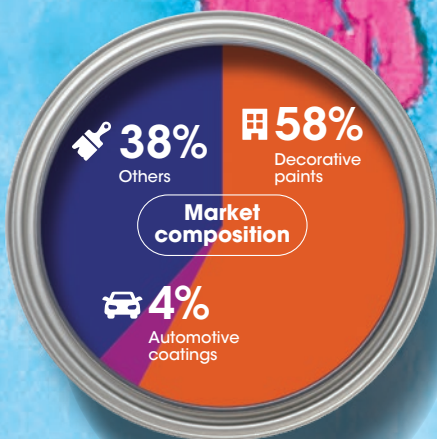
5.3% ↗



Japan

5.8 Billion US\$

0.2% ↗



Africa

9.9 Billion US\$

4.1% ↗



Other Asia

7.2 Billion US\$

5.7% ↗



Oceania

1.2 Billion US\$

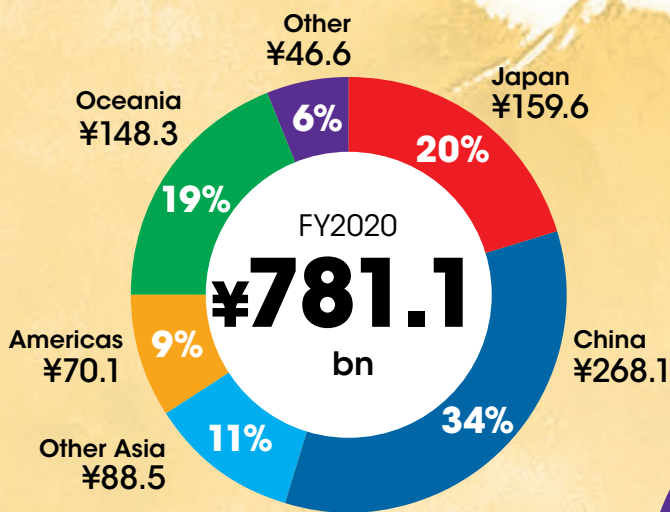
2.6% ↗

A wide range of businesses are deployed globally to meet brisk paint demand worldwide

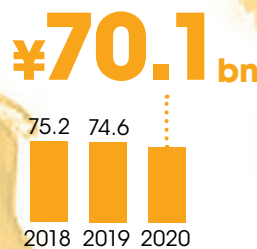
The Nippon Paint Group began consolidating its JVs in Asia and conducting overseas M&A since 2014 as it dynamically reorganized its regional and business segments and accelerated its global business expansion to meet the growing paint demand worldwide.

We will continue expanding our presence in each region and business segment based on our Asia x Decorative Paints business model.

Revenue composition by region



Revenue



Americas

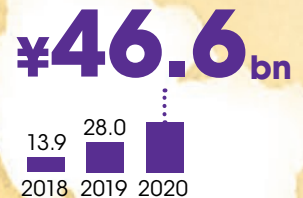
We expanded our automotive coatings business in the Americas by establishing manufacturing bases in the U.S., Canada, and Mexico when Japanese automobile manufacturers began aggressively expanding their operations in the region in the 1980s. In recent years, we have been steadily growing our decorative paints business in the region driven by the brisk housing demand.

Other

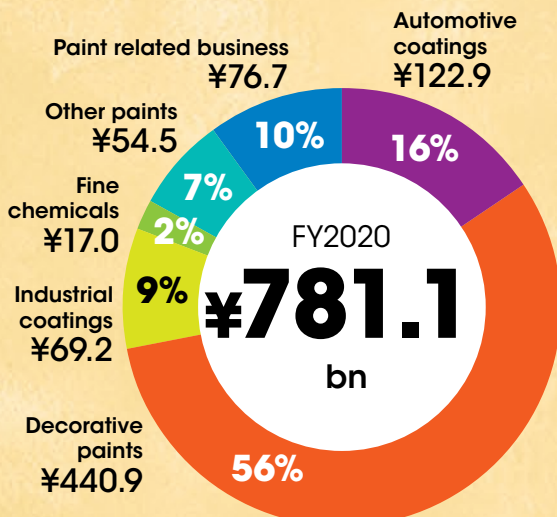
The Group has successfully established a leading position in the decorative paints market by growing our decorative paints and ETICS* business in Turkey, which also has high growth potential for decorative paints. We are also restructuring to reinforce our automotive coatings business in Europe for future growth.

* External thermal insulation composite system

Revenue



Revenue composition by business



Automotive coatings

We supply high quality and high performance products ranging from coatings for auto bodies to coatings for auto parts such as automobile interiors to automobile manufacturers worldwide.

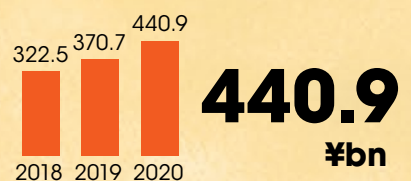
Revenue



Decorative paints

Our advanced coating technologies offer various uses and functions that benefit society. We supply paint for houses, buildings, bridges, and manufacturing plants. We also provide high functionality paints with advanced features, such as weather-resistance, high designability, and protection against viruses and bacteria. In addition, we offer environmental products, including heat-shield coatings and water-based paints.

Revenue



Japan

The Group's business spans automotive coatings, decorative paints, industrial coatings, and fine chemicals. The Group is a leader in the domestic paint industry supported by our technological strengths, brand power, and a loyal customer base.

China

The Group extended operations into China in 1992. In this world's largest market, we have leveraged our powerful brand and extensive distribution network to capture dominant market share in the decorative paints market. We have also expanded operations into the automotive coatings and industrial coatings businesses. The Project business for building exteriors has grown significantly in recent years and is contributing to the Group's continuous growth in China.

Revenue

¥268.1 bn



Revenue

¥159.6 bn

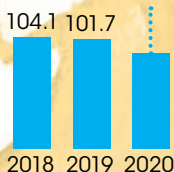


Other Asia

The Group's operations in other Asian regions center on Southeast Asia, where Singapore, Malaysia, and Indonesia are all promising growth markets. We have the largest market share in decorative paints in four countries in the region, and are expanding our operations in the automotive coatings and paint related businesses.

Revenue

¥88.5 bn

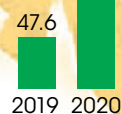


Oceania

The Group has established a leading position with the largest market share and the highest brand awareness in Oceania, where we anticipate steady market growth. We aim to generate growth that outpaces the market mainly in the decorative paints and paint related businesses.

Revenue

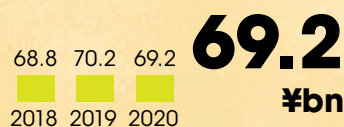
¥148.3 bn



Industrial coatings

We provide environmental products including pre-coat and post-coat paints and water-based paints and powder paints to industries ranging from construction materials, residential exterior materials, home electronic products, office furniture, construction and agricultural machinery, and to rail cars.

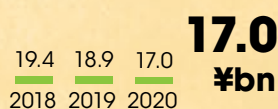
Revenue



Fine chemicals

We provide advanced base coatings, functional coatings, and other products and services for the surface treatment field. We also offer advanced products and services for the coating materials field, including for use in electronic materials and new materials for natural energy applications. Our products contribute to addressing social issues around the world.

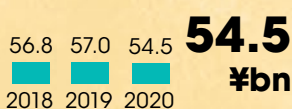
Revenue



Other paints

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 adapt our leading automobile coating technologies for automotive refinish paint and to reduce environmental impact.

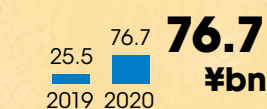
Revenue



Paint related business

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.

Revenue



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Nippon Paint Holdings Integrated Report 2021 editorial policy

The 2021 edition of the report conveys the medium- and long-term growth story of the Nippon Paint group as we pursue further growth in the continually growing paint market around the world following our New Medium-Term Plan (FY2021-2023) to leverage the management resources and strengths that we have accumulated through our 140-year history.

This report presents the initiatives we are implementing to achieve Maximization of Shareholder Value (MSV) in line with our Purpose, which defines our Group's shared identity. The initiatives will leverage the Group's comprehensive strength through Spider Web Management which connects our partner companies around the world to create new products and services that meet customer needs and solve social issues.

Editorial work referenced 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 (SASB) of the United States. This report is unaudited.

FY2020 earnings and earnings forecast

Following the conclusion of share transfer agreement for consolidated subsidiaries of NPFD, which was released on August 10, 2021, companies covered were categorized as discontinued operations. The earnings for FY2020 provided in this report are before retroactive revision. The earnings forecast figures provided in this report are based on figures released at our financial results announcement on February 10, 2021 and figures provided in the New Medium-Term Plan released on March 5, 2021.

Notice concerning forward-looking statements

The forward-looking statements in this report are based on information available at the time of preparation and involve inherent risks and uncertainties. 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 responsible for any damage suffered by any person relying on any information of statements contained herein.

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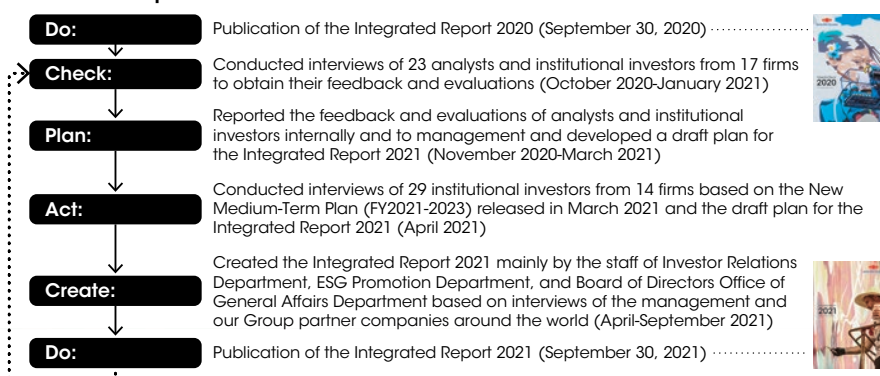
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Production process



Period and scope

Period covered: January 1 to December 31, 2020 (Information on some activities after January 2021 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 to FY2017 are based on JGAAP and figures from FY2018 onwards are based on IFRS.

Publication date

September 2021 (published annually)

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On Our Appointment as Co-Presidents

Wee Siew Kim
Representative Executive
Officer & Co-President

Yuichiro Wakatsuki
Representative Executive
Officer & Co-President



Aiming to achieve the New Medium-Term Plan in FY2023 and Maximization of Shareholder Value based on our Group's shared Purpose and Powerful Partnerships

On April 28, 2021, we, Yuichiro Wakatsuki and Wee Siew Kim, were appointed as Representative Executive Officers & Co-Presidents. The two of us will lead the management of the Nippon Paint Group by jointly taking full responsibility for executive decisions based on our partnership built on a solid relationship of trust and with the aim of pursuing our ultimate objective of Maximization of Shareholder Value (MSV).

Important indicators of our MSV performance are earnings per share (EPS) and the price-to-earnings ratio (PER). As the CEO of the NIPSEA Group, Wee Siew Kim guided the group through annual profit growth of over 10% for 12 years from FY2009. Wee's focus at the Nippon Paint Group will be on overseeing the worldwide operations and to maximize EPS by growing both revenue and profitability. Yuichiro Wakatsuki will apply his wealth of experience and knowledge in the capital markets and M&A to maximize PER by raising expectations in the capital markets. Wakatsuki will be in charge of overall corporate matters and seek to leverage M&A to spur further growth for the Group. As just described, we have a division of responsibilities. However, we will make all executive decisions together and will be jointly responsible for the overall management of the Group.

The Nippon Paint Group is the comprehensive paint and coatings manufacturer with the longest history in Japan, celebrating the 140th anniversary of its founding this year in FY2021. Our Group has operations in 30 countries and geographical locations around the world, including China and greater Asia. The New Medium-Term Plan launched in March 2021 aims to achieve revenue of ¥1,100 billion and operating profit of ¥140 billion in FY2023. We have also created a shared Purpose of the Group: "Enriching our living world through the power of Science + Imagination." While respecting autonomy of management of our partner companies around the world, our Group fosters collaboration among diverse teams through the strong bonds of the shared values to achieve MSV.

The paint industry is expected to continue growing steadily worldwide and is a wonderful industry that can contribute towards solving social issues. The Nippon Paint Group is proud of its long standing heritage in this growing industry, as we are a unique and powerful corporation that is characterized by our constant pursuit of growth, entrepreneurial spirit with strong and competent human resources. With great pride leading this Group, the two of us will be responding to the ever-changing business environment and firmly establish sustainable growth.

We appreciate the continuous support and guidance of our shareholders and investors.



Representative Executive Officer & Co-President



Representative Executive Officer & Co-President



Yuichiro Wakatsuki

Representative Executive Officer & Co-President

PROFILE

Yuichiro Wakatsuki began his career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) and Schroders Japan Limited, and in 2000 joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.). For a number of years, he led the company's M&A advisory services, including M&A strategy and fund procurement of clients, as the Head of Japan Mergers and Acquisitions, Head of Japan Investment Banking, Director, and Vice Chairman. In 2019, he joined Nippon Paint Holdings and in 2020 was appointed Senior Managing Corporate Officer and CFO, overseeing corporate planning, finance & accounting, public relations, investor relations, and M&A. He was appointed Representative Executive Officer & Co-President of Nippon Paint Holdings on April 28, 2021.

United by Our Purpose, the Nippon Paint Group Will Bring Together Our Partner Companies to Pursue Maximization of Shareholder Value and Sustainable Growth.

Steering Group management based on integrity

My experience providing advisory and financing services related to M&A strategy and fund procurement spans 23 years, during which I served as the Head of Japan Mergers and Acquisitions and Head of Japan Investment Banking at Merrill Lynch Japan Securities (currently BofA Securities Japan). My connection with the Nippon Paint Group started when I was the financial advisor for the acquisition of Betek Boya in 2019.

As a corporate manager, I put the greatest importance on integrity. Integrity means more than sincerity. In my previous positions, integrity was the cornerstone of everything I do to assist my clients to make the right decisions in M&A deals. I was very conscious about never sacrificing a client's need for my own benefit and always having an approach of co-existing and prospering together with the client. This concept has something in common with "enjoyable

profit," which is one of the management philosophies of our Group. I vividly recall the exhilaration I felt before joining this company to find that my core values aligned with the pursuit of Maximization of Shareholder Value, and that the MSV after fulfilling our duties to stakeholders should be enjoyable. Our profit must be the result of work we have done with pride.

My strengths lie in my ability to speak on an equal footing with everyone, even with overseas corporate CEOs. This ability comes from my experience overseas, rather than from my fluency in English. I spent my childhood and completed an MBA program in the United States and worked with colleagues in Japan and overseas while providing support to numerous global clients of Merrill Lynch. Through those experiences, I've learned to respect other perspectives while engaging in lively discussions. Since joining the Nippon Paint Group, I have been communicating with the leaders of our Group's overseas partner companies

on an equal basis. I believe my ability to bridge cultural differences will be an advantage in the partnership with Co-President Wee Siew Kim.

Combining our strengths to achieve MSV

Since joining Nippon Paint Holdings in the fall of 2019, I have learned about the technological potential and appeal of the paint and coatings business from our Group partner companies around the world. This knowledge is helping me communicate to the capital markets the potential for our Group and the paint market to continue growing. In addition, I served as the project director in the acquisition of 100% ownership of the Asian JVs and the Indonesia business, which was our long-term priority, and the formulation of the New Medium-Term Plan (FY2021-2023) released in March 2021. As I worked on these projects, I came to believe that I am well-suited for this position because of my deep knowledge about the capital markets and corporate finance techniques along with my full understanding of MSV, our ultimate objective.

Part of my mission to achieve MSV is to maximize the P/E ratio (PER). PER reflects the expectations of the capital market. Maximizing PER requires active investor relations, effective financial strategies, sustainability, and M&A for further growth. In particular, a successful M&A transaction entails a comprehensive consideration of all aspects, including of the appropriate price, risk assessment, the most effective equity and debt structure, and proper post-merger integration (PMI) planning. I believe this is the area where I can fully leverage my years of experience and insights from exercising leadership in the capital market circles.

I met Mr. Wee for the first time when I served as a financial advisor to the Nippon Paint Group for its acquisition of Betek Boya in Turkey. My impression of the team that Mr. Wee led for the NIPSEA deal was that they were driven by tremendous energy and passion. He is extremely competent and rational, but at the same time he is very compassionate. He is very quick-thinking, fully understands consequences, and always seek the "correct" decision. It's clear that Mr. Wee is a manager with integrity. I believe that is why the teams that he leads work so well.

Since the co-president structure has been in place, I exchange opinions with Mr. Wee through email and chat system on a daily basis. We also talk for a few hours two or three times a week. Although we both have our own main areas of responsibility, that does not mean we cannot discuss each other's issues. And, in fact, we make management decisions together. For instance, I am responsible for M&A, but M&A decisions cannot be made without the active input from the business divisions. All of our decisions are based on our discussion from the perspective of what is right to achieve MSV. The co-president structure enables very quick decision-making backed by our customer-focused

philosophy and career experiences. We are confident that by combining our strengths we can achieve our ultimate objective of MSV.

Formulating the Purpose as the Group's shared identity

Our Group consisted mainly of partner companies in Japan and NIPSEA until around 2016. The acquisitions of Dunn-Edwards in the U.S. in 2017, the DuluxGroup in Australia and Betek Boya in Turkey in 2019, and 100% ownership of the Asian JVs and the Indonesia business in January 2021 has built us into a global corporate group with diverse values.

In response to this evolution, we established the Purpose, which defines shared identity of our Group. To achieve MSV, our Group must be tightly knit and have uniform global guidelines. The Purpose provides the guidelines for making decisions. At the same time, the Purpose has an important function as the starting point of stakeholder engagement to create sustainable growth opportunities.

The major impetus for the establishment of the Purpose was the acquisition of 100% ownership of the Asian JVs. Before this transaction, NIPSEA and Japanese teams were sometimes competing against each other in overseas markets. The Purpose makes us a single, unified team pursuing MSV.

When we were creating the Purpose, we had deep involvement by management teams from our partner companies with various cultural backgrounds and values. Through discussions with our partner companies around the world, we systematically found answers to each of our questions, including the fundamental questions of who we are, why we need to join together and move forward, what benefits we are going to bring to society, and what will be our core values. Through this process, we developed the Purpose Statement incorporating the thoughts and perceptions of our partner companies, and formulated the Business Philosophy that we follow to fulfill the Purpose. This inclusive approach provided us an opportunity to more deeply understand the thinking of our partner companies. The outcome is a corporate philosophy structure in which all of us are invested.

Our Group's diverse human resources have created a corporate culture of inclusion that actively accepts persons appointed from outside. We will seek future partner companies that will also fully share and understand the Purpose so they can provide a positive contribution to achieving MSV.

Sustainability strategy of exploring new business opportunities

Our Group launched a three-year New Medium-Term Plan in FY2021. The plan sets performance targets for

Message from Co-President Wakatsuki

FY2023 of revenue of ¥1,100 billion, operating profit of ¥140 billion, and EPS (before stock split) of ¥225 through organic growth that excludes the effects of M&A. The two key strategies for achieving these targets are the Regional and Business Strategy and the Sustainability Strategy.

We recognize that the SDGs and ESG are essential elements for achieving sustainable growth and MSV with the Sustainability Strategy. We have been conducting sustainability-focused management in tune with the dramatic changes in society and social issues, including climate change, resources depletion, rapid urbanization, COVID-19 and other infections, and natural disasters. Our sustainability initiatives for FY2023 will take concrete steps to advance our ESG agenda, which we developed based on the ESG Statement and the Materiality released in FY2020.

The top priority in our items of materiality is to take action on climate change. We have already started identifying specific issues and considering measures to attain net zero CO₂ emissions. We are sourcing renewable energy and estimating the financial impact of carbon pricing on a Group-wide basis, and are considering investing in installing energy-saving equipment and in-house sourcing of renewable energy at our operations around the world. These measures will both reduce CO₂ emissions and improve profitability.

We will also explore new business opportunities through our ESG initiatives. In the BtoB business segment, we are responding to growing customer demand for low carbon footprint products by focusing on expanding sales of low-impact coatings for offshore wind turbine systems and next-generation ship hull antifouling paint FASTAR. We will also continue to launch new PROTECTON brand anti-viral and anti-bacterial products. Products like these contribute to earnings because they directly address social issues. Society's demand for ESG and compliance seems to be growing almost on a daily basis. We are keeping pace with those chances and will continue fulfilling our responsibility to society and the environment.

More efficient business processes with digitalization

Our basic stance on digitalization is that it is a means but not an end in itself. Our investments in the digitalization of our business processes will therefore be conducted with clear objectives and with the aims of improving both efficiency and effectiveness. The New Medium-Term Plan focuses on using digitalizing to reform our operation following four key strategies derived from the best practices of our Group partner companies around the world: (1) Improve customer experience, (2) Enhance operational excellence, (3) Improve employee experience, and (4) Strengthen risk resilience.

We will also actively digitalize our internal operations. Amid the COVID-19 conditions, our Group has been functioning with a work from home system,

which we plan to also maintain after the pandemic. I don't think coming to the office every day is an efficient way to perform operations. On the contrary, I believe there are cases where chat systems and email are more efficient than communicating in person. Digital transformation requires that we reconsider the efficiency of the existing business processes.

Corporate governance that protects the interests of minority shareholders

Our Group constantly seeks to improve corporate governance to maintain the trust of all stakeholders involved in our business activities. In FY2020, we shifted to a Company with Nominating Committee, etc. which separates business supervision and execution and significantly improves management transparency, objectiveness, and fairness. Our current Board of Directors structure, in which six of the eight directors are Independent Directors, ensures respect for the common interests of the Company and shareholders and protection of the interests of minority shareholders. In addition, Mr. Masayoshi Nakamura, the Lead Independent Director, has been appointed the Board Chair to further improve the effectiveness of the Board of Directors. All Independent Directors have experience in corporate management and provide supervision and advice effective for practical business operations. In this way, we have established an effective corporate governance system that ensures minority shareholders are not at a disadvantage.

With the adoption of the co-president structure, Mr. Goh Hup Jin, who is the Managing Director of our major shareholder the Wuthelam Group and the Director of Nippon Paint Holdings, was appointed Chairman. The Wuthelam Group previously held 49% of the shares in the Asian JVs. The acquisition of 100% ownership of the Asian JVs by Nippon Paint Holdings in January 2021 has eliminated the risk of possible conflict of interest between the Nippon Paint Group and the Wuthelam Group. Mr. Goh is a partner of the Nippon Paint Group with whom we have worked together since 1979 in our endeavor to drive growth of our Asian operations. In addition, he is the Director of the Board most knowledgeable in our Group about the global paint market. Considering these, I believe his appointment as Chairman will be a strong boost to MSV. Furthermore, the effectiveness of the Board of Directors has been assured by having 75% of the Board members being Independent Directors. In addition, Mr. Goh's interest as our major shareholder aligns with the interests of minority shareholders. As a Director, Mr. Goh is only one of the eight Directors on the Board of Nippon Paint Holdings. The corporate governance system has been carefully formulated to avoid any issues in this area as long as the Board of Directors functions accordingly. The Board of Directors engages in sincere and active discussions, led by Independent Directors, from the perspective of MSV.

Unique and successful M&A model combining acquired company strengths and Group financial support capability

M&A is an important element in the sustainable growth of our Group. While building on the high growth of our existing business portfolio, we are actively exploring new partners to further accelerate our growth. Our M&A targets are primarily in the decorative paints market, which accounts for the majority of the paint market and is expected to continue growing. In addition, we are also looking into companies in the industrial coatings and paint related markets. The criteria for choosing acquisition targets are companies with high local market shares, powerful brands, and competent management teams. In a word, the key point is whether the acquisition contributes to MSV. Rather than setting detailed criteria for the acquisitions, we will make decisions with flexibility and speed based on assessments of a company's ability to contribute to EPS and business growth in the future. If, for example, acquiring company A will rule out the possibility of acquiring company B in the future, we will need to assess which company will contribute to MSV from a long-term perspective. In this way, we will consider various options and opportunities without focusing on one option, and carry out M&A that contributes to MSV.

Based on my experience as an M&A advisor for many projects, I believe one of the conditions for a successful M&A is to have a solid structure in place for the PMI process and local operations. Specifically, our M&A also considers the acquisition of human resources. After the acquisition, we ensure effective governance of the acquired companies while respecting the autonomy of local management teams as ways to keep their motivation high. In addition, we provide strong support for the operations of acquired companies by leveraging our Group's strengths in such areas as joint procurement of raw materials, financial support, and sharing of best practices, which helps accelerate business growth in their local markets.

This approach allows us to not only reduce cost, but also to maximize the growth potential of acquired companies. By targeting companies that share our values, we believe we can continue to increase our partner companies around the world.

Growing through offensive and defensive capital investment

For manufacturing companies, production facilities are an essential element to achieving sustainable growth. The three years of the New Medium-Term Plan will be a period of establishing the foundation for further growth. We will make offensive investments aimed at capturing demand around the world along with defensive investments to strengthen our Group's risk resilience.

One of our major offensive investments is the new automotive paint plant under construction in Tennessee,

USA. The plant will position as a strategic base for the production of automotive coatings in North America. The plant will be used to increase production of automotive coatings for supply to the southern United States and Mexico. We also plan to bolster our supply chain in the Asia region by building a resin plant in Hanoi, Vietnam, which has a particularly high growth rate in the Asian market. We will also establish a new resin plant in Binhai, Tianjin, China. For this new plant in China, the acquisition of 100% ownership of the Asian JVs significantly reduced capital expenditure by eliminating expenditures that overlapped with NIPSEA. In Japan, we plan to build a plant for automotive coatings in Okayama Prefecture and a color toning plant for decorative paints in Kanagawa Prefecture. These plants will both be smart factories for an advanced supply chain.

Our defensive investments will be aimed at replacing existing production facilities, mainly in Japan. Production facilities and equipment in Japan have been aging because of the long period during which we kept down capital expenditures at existing plants. This is leading to issues, including increasing risk of accidents, decreased productivity, and quality damage, that are requiring us to take urgent measures from the perspective of business continuity planning. In addition, it is difficult to meet ESG requirements with aging production facilities. We therefore plan to invest to replace production facilities and install equipment that will help us achieve net zero CO₂ emissions.

Delivering results with the new management structure

Our recent performance gives us confidence that we will achieve the financial targets for FY2023 set out in the New Medium-Term Plan. The targets are certainly challenging, but we will aim to surpass them by leveraging Group strengths acquired through our unrelenting quest for growth.

As the Co-President, my mission is investing to ensure sustainable growth and setting the right agenda. We will continue fostering a sense of unity in the Group and improving the mindset of employees while ensuring the autonomy of management of our partner companies around the world. We will build a corporate group with an insatiable desire for growth.

We recognize that delivering results is the vital first step to demonstrating the competence and effectiveness of the new co-president structure. We will continue pursuing MSV and sustainable growth for our Group to meet the expectations of our shareholders and investors.



Representative Executive Officer & Co-President



Wee Siew Kim

Representative Executive Officer & Co-President

PROFILE

Wee Siew Kim is the Group Chief Executive Officer of NIPSEA Group, a paints and coatings company with 95 manufacturing facilities and operations spanning 22 countries and regions. He is concurrently Representative Executive Officer & Co-President of Nippon Paint Holdings.

Prior to his current position, he was Deputy CEO and President (Defense 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.

Building a Sustainable Future Driven by Innovation and Purpose

"Our Purpose of leading growth and prosperity through technology that drives value for the community rings synonymously through all our partner companies and employees, helping us to realize our shared ambitions and goals."

The Blend: Uniting, Empowering and Stoking

Prior to joining the NIPSEA group, I had the opportunity to serve as the Deputy CEO and President (Defense Business) of Singapore Technologies Engineering, an aerospace and defense engineering company. For the 25 years that I was a part of this organization, I held several roles in engineering, business development and management including operating stints in the United States of America, China, Europe and Singapore. I was also a Member of Parliament in Singapore from 2001 to 2011. Currently I am serving on the board of several public listed companies in Singapore.

In close to four decades of working across multiple organizations and being in several leadership roles, I understand the value that good leadership

brings to developing productive and agile teams. Often, we see bureaucracy stifling talented people, thereby depriving an organization of the ability to seize opportunities and adapt rapidly to changes and hence, getting left behind.

Being with NIPSEA group for the last 12 years, I have leveraged my past experiences to focus on inculcating an entrepreneurial spirit across the teams, empowering a decentralized collection of high performing teams who are willing to take action and accountability to drive positive outcomes. My management philosophy at NIPSEA is therefore characterized by a blend of uniting teams, empowering them to be their own leaders and encouraging them to make decisions.

By bringing together high performing teams and

uniting them under our broader Lean for Growth values, we can further drive MSV which is the key management mission at NIPSEA. This also ties back to one of my goals of achieving together as a team versus a single unit. Unifying the teams under our LFG culture, it becomes equally important to empower them to take the right actions and trust that they will do the best to nourish the organization and its values. Finally with uniting and empowering our teams, as leaders, we also need to continue stoking a sense of ambition and aspiration, so that they bring their very best to work every day and deliver outcomes they are proud to own.

As we move forward, I will continue to build upon this philosophy together with the LFG framework that supports our diverse teams and builds upon each other's strengths to achieve unbelievable outcomes for NIPSEA and the Nippon Paint Group.

Realizing a legacy with Nippon Paint's immense vitality and prowess

In the last 140 years, we have come a long way to become the world's leading paint and coatings company. We have built a strong foundation and overcome change and challenges to build a successful legacy in Nippon Paint.

Over the last 12 years, being a part of NIPSEA, I have witnessed several of the Group's business philosophies come to life with our innovative products and steadfast expansion in the paint and coatings industry in Asia Pacific. Today, NIPSEA has moved beyond paints, as we are involved in the manufacturing and sale of decorative and industrial paint and coatings for buildings, construction, automobiles and industrial applications, serving 22 geographical locations.

This sustainable business growth has been made possible by our customer centric approach and the commitment of our people as we continue to strive for excellence. Much of this growth mindset and prosperity is shaped by NIPSEA's 'Lean for Growth' (LFG) culture that encourages collaboration and sharing of best practices, knowledge and experiences. With the introduction of our new corporate brand promise, the concept of LFG is further defined by 5 behaviors which are Value Driven, Openness, Innovative, Collaborative and Excellence – represented by the acronym: V.O.I.C.E and has been the guiding business philosophy for us.

By taking an active management role at Nippon

Paint, I look forward to introducing the LFG culture to the larger group as we push the frontiers of existing business operations in the paint and coatings industry. We will keep to our management mission of driving our MSV (Maximization of Shareholder Value) which is at the core of everything we do.

The alluring paint and coatings industry has come to play a very crucial role in today's manufacturing and construction sector. The industry is growing rapidly as the demand for products that are innovative and sustainable continues to increase. With the right structure and technology already in place, this puts us in a leading position to grow our potential even further and bring the Nippon Paint legacy forward, as a company that has always showcased immense vitality and prowess.

Driving our MSV forward through Purpose and innovation

At Nippon Paint, MSV forms the cornerstone of our management philosophy, and we will aim to maximize the residual value for shareholders after fulfilling our duties to stakeholders including customers, employees and society. For us, MSV is not just a financial term but our operating blueprint that combines our executive business operations, partnerships, portfolio management and investments as an organization.

We define our MSV as an equation of EPS X PER, of which I will be focusing on the business operations segment with our Co-President, Mr. Yuichiro Wakatsuki, who will bring his wealth of experience and knowledge in finance and M&A to strengthen our PER.

Nippon Paint Group has 140 years of expertise in the paint and coatings industry. Over the years, we have gained the reputation of being a technology and innovation centered business, known for our high-quality products that fulfill the needs of our customers. As we move toward our aspirations to become a global leader in this industry, growing our global network with local partners, creating innovative products that benefit society and staying true to our Purpose will steer the Nippon Paint ship in the right direction.

One key differentiator that sets us apart from other industry players while allowing us to rapidly move into other markets is our concept of partner companies and how they are integrated into Nippon Paint. We believe in the concept of think global, act local and as such we give our partner companies the autonomy to operate in

Message from Co-President Wee



their local markets in a manner they deem suitable.

This mindset has allowed Nippon Paint and its subsidiaries to steadily diversify our services portfolio and grow our product umbrella with brands from Betek Boya and DuluxGroup. This flat structure of mutual respect and trust within the group fosters equality and opportunities between our partner companies giving Nippon Paint a commercial leverage unlike any other industry player.

Over the years, our customer centric approach has allowed us to develop technology and solutions that go beyond paint. Today, we have successfully expanded our expertise into 'total solutions' that include waterproofing, restoration and repair, automation and robotics for the application of our products. In this thread of our 'people-first' focus, we will double down on innovation to accelerate change and drive solutions inspired by the needs of our key stakeholders and those that benefit society.

This forms a significant pillar of our MSV philosophy as we continue to bring to market breakthrough products like lead free paint, protective coatings for automotive, anti-barnacle and anti-drag coatings for the marine industry, anti-viral paint to protect homes and families and environmentally conscious products like smart paint and paints that reduce energy consumption.

While we have always embodied strong Japanese values of responsibility and innovation in our work ethic, Nippon Paint's Purpose of enriching lives through the power of science and imagination defines the shared identity across the Group. Our Purpose of leading growth and prosperity through technology that drives value for the community rings synonymously through all our partner companies and employees, helping us to realize our shared ambitions and goals.

To sum it up, while our outcome is MSV, we remain committed to our purpose and business philosophies to achieve our ultimate objective.

Accelerating growth in Asia and beyond

Today, the world is changing at a very rapid pace. The global pandemic has accelerated this change even further. Overnight, large industries and sectors faced disruption, and many failed to cope with the strain of the pandemic. It goes without saying that we too need to adapt accordingly. However, we must be strategic in the manner with which we respond to these changes.

Nippon Paint has put together a medium-term growth strategy plan to further strengthen our position as market leaders. Our medium-term plan will enable us to effectively grow our business and outperform competitors by 2023 while addressing emerging challenges. We have identified several segments and action areas within our business infrastructure that will lead to an increase in profitability and help us to achieve our goal of maximizing our MSV.

One key strategy will be to continue to focus on high growth markets in Asia, including China, Turkey and Southeast Asia. With commercial housing properties and demand for repair and renovation on a rise in China, it is an opportunity for us to diversify our portfolio from the DIY and decorative paints segment to offering total solutions like painting services, waterproofing, etc. The increase in infrastructure projects also gives us an opportunity to expand our product line beyond coating offerings, providing substrate products, auxiliary materials, and energy-saving insulation products in the China market.

A similar sentiment can be seen in Indonesia where the growing population contributes to a continuity of large infrastructure projects and developments despite the pandemic. This allows Nippon Paint to penetrate the construction segment while introducing paint accessories, tools, SAF, waterproofing, etc. into our existing product channels.

The partnership with Betek Boya has allowed Nippon Paint to expand market share in the ETICS (External Thermal Insulation Composite System) category and maintain profitable growth for this sector. With stringent EU regulations in health and environment, Betek Boya's innovative ETICS products will allow us to deliver positive revenue growth for this sector, as we move to offer products in the beyond paints category.

To gain stronger foothold in Asia, our focus on Oceania and Japan remains steadfast. Through our synergies with DuluxGroup, we hold a prominent market share in Australia and New Zealand, and we will continue to nurture our position in this region through brand, innovation and customer service.

While the decorative paints segment has been contributing to Nippon Paint's growth in Japan, changes

in customer preferences and market needs in this market provide us a unique opportunity to innovate our offerings to products that are more sustainable. It also clears a route to enter new industries such as automotive and robotics. With a pre-established technology infrastructure, Japan also holds key to Nippon Paint's entry into automation and digitization of supply chains, which will be a game changer for us in the long term.

Growth optimization of Nippon Paint's automotive coatings business is integral to our medium-term strategy plan. Our automotive coatings business has grown along with expansion in Asia to account for 16% of the Group's total sales. To help this sector recover from the impact of COVID-19, we will continue to focus on the globalization of operations for the automotive coatings sector to enhance our customer services and improve efficiency and production. We will also strengthen our abilities to provide full-range of coating products for automotive use ranging from coatings for automotive bodies, bumpers to plastic components.

As we solidify our offerings and services in the beyond paint category, we will continue to grow our adjacencies into target segments like tools and accessories, floor coatings, waterproofing, SAF, and ETICS to deliver our estimated revenue of USD 2.4 billion by 2023. This will be made possible by our continuous efforts to penetrate high growth markets like China and leveraging our strong partnerships with all our partner companies who share the Nippon Paint Purpose of driving innovation and value.

Building our medium-term strategy plans would be impossible without a focus on the potential that digitalization holds for Nippon Paint. The global pandemic has only accelerated our digital strategy and investments in technology to enhance our operational efficiency, deliver a better customer experience, strengthen our risk resilience and most importantly, improve our employee productivity.

The COVID-19 pandemic also saw the disruption of global supply chain networks, driving us to make our supply chains, especially in markets like Japan, more collaborative, resilient and networked. To ensure that we are moving in this direction, we are already looking to make investments in technologies like blockchain that can automate and reduce inefficiencies in our supply chain network.

Digitalization has also opened doors for Nippon Paint to strengthen our e-commerce initiatives and grow our existing sales channels especially for products in the customer segment, DIY market and decorative paints. Moving forward, we will continue to nurture our digital initiatives and driving online engagement to create top of mind recall for Nippon Paint.

Emphasized through our MSV philosophy, innovation is at the core for Nippon Paint. Our medium-term strategy will therefore continue to focus on executing our transformation strategies through consistent research and development. We already have several R&D prospects in the pipeline for 2021-2023, from implementing new technologies to leading new projects at our R&D and innovation center in Shanghai.

Our medium-term strategy plan is to respond appropriately to the ever-changing business environment while contributing to the development of society and maximizing the Nippon Paint Group's collective strengths under our shared purpose.

A growth mindset leveraging our LFG values

As I have discussed earlier, change is inevitable. However, we are confident in our approach and our people as we embrace change to work toward gaining excellence.

In our growth forward, Japan will play a pivotal role in our transformation journey. We will leverage Japan's expertise and capabilities for Nippon Paint's growth and harness the strength of our partner companies so that we can all benefit symbiotically.

Japan demonstrates excellent room for growth and sectors where we can gain a significant market share. Electrical vehicle and robotics for instance is a good example of emerging markets in Japan. Being established in a mature market like Japan gives Nippon Paint a competitive advantage to enter emerging sectors within the paint and coatings industry and an opportunity to innovate our products, offerings and services in this ever-growing industry.

This approach to growth is also in line with our LFG values where we focus on building a lean structure that allows us to inch forward and explore new opportunities.

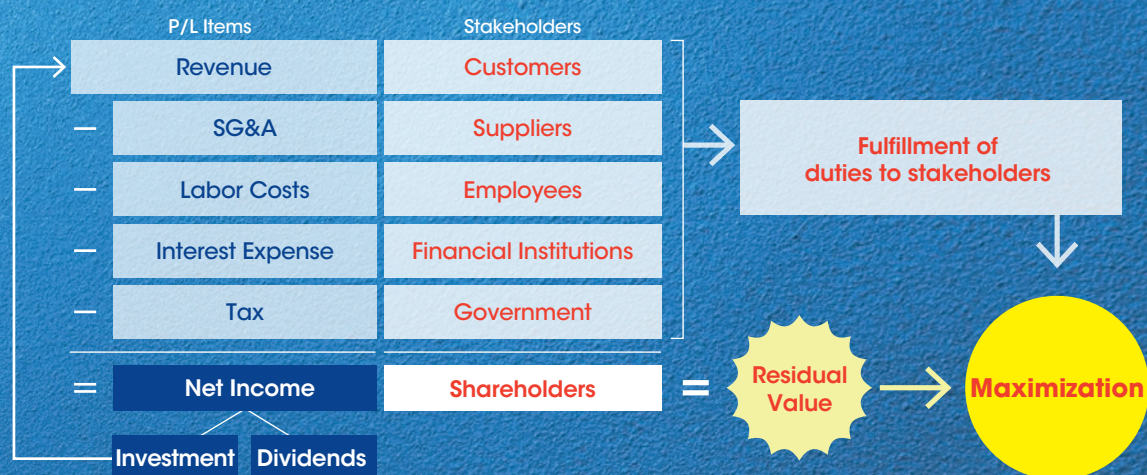
For the past decade, I have primarily focused on Asia. I fully appreciate that the aspirations of the Nippon Paint Group are now beyond Asia and beyond paints. I look forward to embarking on our global thrust intended in our medium-term plan with Co-President, Mr. Yuichiro Wakatsuki. Together, I am confident that we can lean on each other to achieve our mission guided by our MSV conviction and our Lean for Growth culture.



Representative Executive Officer & Co-President

Maximization of Shareholder Value (MSV)

Our ultimate objective is to create wealth through **Maximization of Shareholder Value (MSV)**



MSV is our ultimate objective. Different from a “shareholder primacy” approach, NPHD focuses on creating wealth through SDG- and ESG-oriented management and maximizing the residual shareholder value after fulfilling our duties to customers, employees, suppliers, and society.

MSV is the ultimate objective of Nippon Paint Group management. The MSV concept is different from a “shareholder primacy” approach in that we seek to create wealth through SDG- and ESG-oriented management with the aim of maximizing the residual shareholder value that remains after fulfilling our duties to customers, employees, business partners, and society.

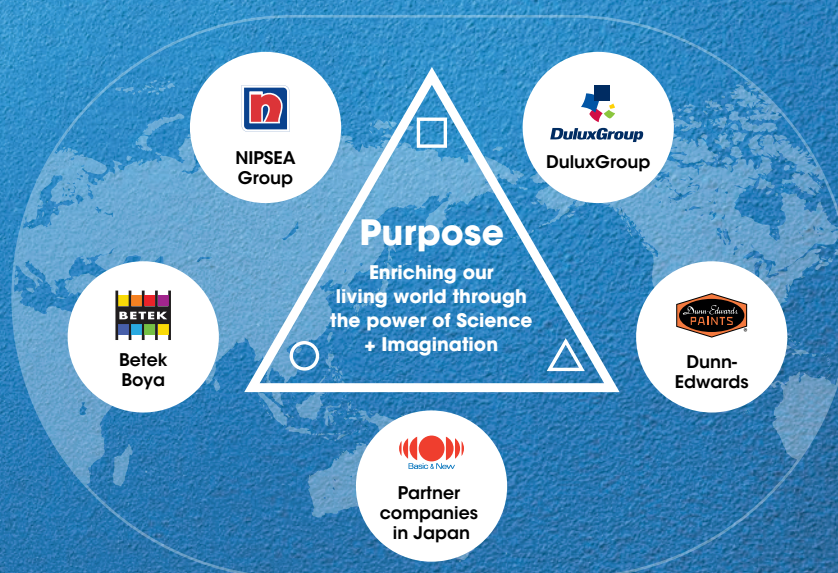
The illustration above shows stakeholder relationships to profit and loss items—customers and revenue, suppliers and SG&A, employees and labor costs, financial institutions and interest expenses, and government and taxes. MSV is predicated on first fulfilling our duties to each

stakeholder group. These duties encompass legal contracts and social and ethical responsibilities as well as the concept of sustainability.

MSV seeks to maximize the value that remains after fulfilling these duties, and reward shareholders who accepted the risks and invested in our company. The MSV approach recognizes that our stakeholder duties are finite and that the value we produce beyond that amount belongs to shareholders. MSV focuses on the maximization of medium- and long-term shareholder value, rather than pursuing short-term shareholder value.

Powerful Partnerships

Creating synergies through trust-based collaborations with partner companies



Four Strengths of the
Nippon Paint Group
→ See page 40.

Leading player in the
growing paint industry

Unparalleled market
position in Asia/China

Powerful Partnerships
supporting
aggressive M&A

Advanced
governance

Our mainstay decorative (architectural) paints business features local production for local consumption. For this reason, NPHD exerting blanket control over the Group's wide palette of businesses would not be effective. Conversely, providing a platform for our Group companies to share and learn from each other is the most effective way to generate Group synergies.

We adopted a Powerful Partnerships approach to foster organic collaboration and cooperation among partner companies in Japan and overseas and to promote autonomous business growth guided by the Group's common Purpose. NPHD plays a governance role for the Group, including

appointing and dismissing Group partner company CEOs and overseeing financial strategy, but the individual companies are responsible for executing their own autonomous initiatives to create synergies among the Group's partner companies.

Our aim is to encourage and facilitate our partner companies to create synergies with other Group companies and new additions to the Group to pursue new growth opportunities, reduce costs through joint procurement, acquire human resource talent, and share best practices to improve their businesses.



Chapter

Capital and Business Model

- 25 The History of the Nippon Paint Group
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PHOTO:
Australia / The Ivanhoe Grammar School
Senior Years and Science Centre
(Photographer, John Gollings)



Providing paint and coating technologies solving social issues for 140 years

The Nippon Paint Group has been committed to solving social issues by developing innovative technologies around the world over its 140-year history since we developed Japan's first non-toxic zinc white. The Group mobilizes its comprehensive strength to carry out its common Purpose and pursue its ultimate objective of Maximization of Shareholder Value (MSV) while engaging and responding to the constantly evolving business conditions and changing global environmental and social issues.

Increasing Need for Domestically Produced Paint

1879 Developed Japan's first non-toxic zinc white

1880 Successfully produced paint in Japan

Focus on Meeting Diversifying Paint Demand and Paint Functionality

1912 Successfully produced domestic marine coating products

1912 Developed Kotaku Urushi (high-gloss Japanese lacquer) paint for railroad cars

1920- Developed the first domestically produced alkali-resistant paint and acid-resistant paint

1929- Developed synthetic resin paint (for buildings, trains, furniture)

Increase in Private Demand During Post-War Reconstruction

1945- Contributed to post-war reconstruction with shift from military to private demand for paint and coating technologies

1951- Developed new technologies and products for trains, consumer electronics, office equipment, and other applications



1880 1890 1900 1910 1920 1930 1940 1950

Nippon Paint Group corporate action (global)

1881 Nippon Paint predecessor Komyosha founded (Japan)

1898 Nippon Paint Manufacturing Co., Ltd. established (Japan)

1918 DuluxGroup established (Australia)

1919 Bollig & Kemper (now Nippon Paint Automotive Europe) established (Germany)

1925 Dunn-Edwards established (U.S.A.)

1927 Renamed as Nippon Paint Co., Ltd.

1949 Wuthelam founded (Singapore)

1962 Pan Malaysia Paint Industries (now Nippon Paint (Singapore) Company) established

* Partnership begun with Wuthelam to expand distribution channels in Asia; NIPSEA business launched

**Japan's Rapid Economic
Growth Spurs Growing Paint
Demand for Shipbuilding, Consumer
Electronics, and Automobiles**

**Growing Social and
Environmental Awareness and
Attention to Corporate
Social Responsibility**



1960- Introduced new products designed for the shipbuilding, consumer electronics, and automobile industries

1965- Constructed a new paint plant, synthetic resin plant, logistics base, and research facilities

1980- Led the industry in automation and labor-saving installations to address occupational safety and labor shortages at production sites and administrative departments

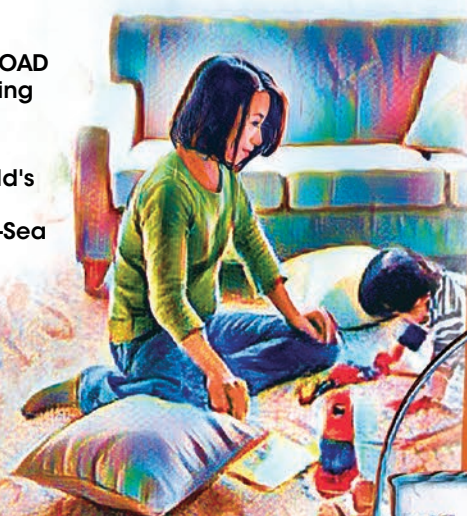
1990 Developed the world's first tin-free antifouling paint Ecoloflex

2006 Developed ATTSU-9 ROAD heat shielding coating

2007 Developed the world's first low-friction antifouling paint LF-Sea

2017 Developed anti-viral and anti-bacterial paint

2020 Launched the PROTECTON anti-viral and anti-bacterial paint brand



1960

1970

1980

1990

2000

2010

2020

1967-1994 NIPSEA business actively expanded in Thailand and Malaysia, etc.

1975 Business expanded into the U.S. market (Nippon Paint (USA) established)

1988 Betek Boya established (Turkey)

1992 Business expanded into the China market (Nippon Paint (China) established)

2014 Holding Company Structure adopted and Asian JVs consolidated

2015 Operating companies separated by lines of business

2016-2019 Globalization advanced through M&A Bollig & Kemper (2016), Dunn-Edwards (2017), DuluxGroup (2019), and Betek Boya (2019) acquired

2021 100% ownership of the Asian JVs and Indonesia business acquired Nippon Paint Group Purpose and New Medium-Term Plan (FY2021-2023) formulated

Nippon Paint Group Management Resources

Six categories of capital

Nippon Paint Group management resources

Importance of management resources in value creation

Competitive advantages (strengths) of management resources

Major external evaluations

Particularly relevant materiality

➔ For more details on Materiality, see page 41.

Increasing management sophistication and effectively using resources based on Powerful Partnerships

➔ For more details on Powerful Partnerships, see page 22.

Examples of the active use of management resources and generation of synergies

Human capital

Human resources/ organizations



- Diverse human resources and strong organizational capabilities that can accurately recognize social issues and customer needs and promptly provide effective solutions are essential in the paint market, which is characterized by local production for local consumption and a wide variety of uses for paint products.

- Overseas human resources who are well informed about the local markets (29 countries and geographical locations, 23,808 employees, 87% of the total)
- Proactive Diversity & Inclusion initiatives (global percentage of female employees: 24.0%, global percentage of women in management posts 23.8%)
- High-level of employee satisfaction (Japan: 90%) ➔ pages 39, 113.
- Group partner companies worldwide with unique corporate cultures and expertise and high market presence (NIPSEA, DuluxGroup, etc.) ➔ See pages 53-76.

- Selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for the second consecutive year (June 2021)

- Diversity & Inclusion
- Safe people and operations

- Sharing the best practices and expertise of Group partner companies in Japan and abroad (such as to boost market share and advance the ESG initiatives of NIPSEA and DuluxGroup) to achieve appropriate human resource allocation and improve the organizational structure and management efficiency

Manufactured capital

Technologies



- Advanced technological capabilities are essential to create innovations that solve social issues and meet customer needs and to enhance our competitive advantage, such as to enable stable product supply.

- Core technologies, including paint, material synthesis and dispersion, and interface and surface technologies
- Ability to develop products that help solve social issues
 - ① Decorative films meeting the needs of the next-generation automobile industry and decarbonized society ➔ See page 72.
 - ② Anti-viral and anti-bacterial paint products ➔ See pages 35, 117.
 - ③ High-durability heat shield coatings for road surfaces ➔ See page 26.
 - ④ Next-generation environmental antifouling paint ➔ See page 117.
- World-leading production systems, such as incorporating factory automation (China, Australia, etc.)

- Received the GREEN4SEA Technology Award (April 2021) for the antifouling paint AQUATERRAS
- Received the Environmental Technology Award 2020 for technology developed for high-durability heat shielding coating for road surfaces (May 2021)

- Climate change
- Resources and environment
- Innovation for a sustainable future

- Sharing technology by interaction among personnel and technology and research divisions and engineers of the Group partner companies worldwide
- Sharing of the world's latest production technologies and expertise

Social and relationship capital

External partners



- Industry-academia co-creation alliances and collaboration with external partners are extremely useful for providing high-quality products and services to customers globally and creating innovations that solve social issues.

- Proactive open innovation activities with universities (The University of Tokyo and others), research institutions, and other academic institutions ➔ See page 118.
- Joint development with an automobile manufacturer (Toyota Motor Corporation, etc.) of automotive paint application technologies
- Our 60-year partnership with the Wuthelam Group ➔ See page 29.

- Climate change
- Resources and environment
- Safe people and operations
- Growth with communities
- Innovation for a sustainable future

- Sharing and globally deploying technologies and products developed in Japan through the industry-academia co-creation agreement
- Sharing management advice from the Wuthelam Group within the Group to reinforce management and businesses (such as the latest information on the global paint industry)

Intellectual capital

Financial capital

Natural capital

Customer base



Brands



Financial base



Nature/ environment



- The strong customer base founded on long-term relationships of trust with major customers in our businesses is important for stabilizing earnings and product supply and contributes to improving products and services.

- Customers and consumers place importance on reliability of products and services. The power that our Company and brand names carry is a resource indispensable to operating a wide range of businesses worldwide.

- Achieving sustainable growth requires abundant funds to continue investing in M&A, new technologies, and state-of-the-art production facilities, and hence requires increasing the ability to generate cash flow and a sound financial base.

- Raw materials, electricity, water, and other resources are essential to a paint manufacturer and important to ensure business sustainability.

- Extensive distribution channels supporting the growth of the Chinese decorative paints business (58,000 stores) → See page 53.
- Strategic relationships with leading Chinese real estate developers → See page 56.
- Stable long-term relationships with leading automobile manufacturers and automotive parts manufacturers in Japan, the US, and Europe → See page 71.
- Strong relationship of trust with customers supporting a high market share worldwide in the BtoB businesses, such as industrial coatings and paint related businesses

- Nippon Paint brand is proof of technological strengths and high quality (global) → See page 29.
- High brand awareness for the LiBang brand (China) → See page 53.
- High consumer rating as "top of mind" decorative paints products in Indonesia → See page 59.
- DuluxGroup boasts outstanding consumer awareness of its brands, such as Dulux and Sellaies (Australia) → See page 65.

- Fully leveraging the stable Japanese currency and financial markets to secure financing
- Paint business has low capital expenditure requirements and a high cash flow generation (free cash flow: ¥52.2 bn) → See page 37.
- Established a solid financial base by integrating the Asian operations (net debt to equity ratio: 0.46x, shareholders' equity: ¥877.1 bn)
- * After reflecting changes due to the acquisition of 100% ownership of the Asian JVs to the amounts on the balance sheet as of the end of FY2020 (unaudited)

- Reduced energy consumption as part of global warming initiatives (in Japan, etc.) → See page 105.
- Advanced production systems that lower environmental footprint (US, Australia, China, etc.)
- Controlled water usage through proper management following voluntary standards (Japan, etc.) → See page 109.
- Responsible care activities for proper management of chemical substances (Japan) → See page 110.
- Reducing environmental impact by developing highly competitive environmental products, such as water-based and antifouling paints and heat shielding coatings → See page 116.

- Selected as the No.1 paint manufacturer by Chinese real estate developers for 10 consecutive years (March 2021)

- Selected for Best Brand Awareness for Wall Paint in China (China) (January 2021)
- Awarded the 2021 C-BPI (China Brand Strength Index) Gold Brand (April 2021)
- Several DuluxGroup brands recognized as Australia's Most Trusted Brands for 2021 (April 2021)

- Upgraded in R&I's credit rating from A- to A (February 2021) → See page 80, 128.

- Selected as a constituent of the S&P/JPX Carbon Efficient Index (December 2020)
- Selected as a constituent of the SOMPO Sustainability Index for the 10th consecutive year (June 2021)
- Awarded the first China Green Product Certification by CTC (China National Inspection and Quarantine Group) (March 2021)

- Climate change
- Resources and environment
- Safe people and operations
- Growth with communities
- Innovation for a sustainable future

- Resources and environment
- Safe people and operations
- Growth with communities
- Innovation for a sustainable future

- Climate change
- Resources and environment
- Growth with communities
- Innovation for a sustainable future

- Climate change
- Resources and environment
- Innovation for a sustainable future

- Strengthening relationships with customers by providing detailed support to customers and sharing information throughout the Group about clients with global operations, such as automobile manufacturers

- Developing the Nippon Paint brand overseas, which is proof of technological strengths and high quality
- Sharing products with high brand awareness within the Group and developing them globally (such as deploying Australian Sellaies brand products in Asia)
- Conducting the international Asia Young Designer Awards (AYDA) competition for architecture and interior design students in 16 countries and geographical locations in Asia, which receives over 8,400 entries

- Spurring global business growth by actively investing in M&A and state-of-the-art production facilities for Group partner companies around the world due to our solid financial base and financing procurement capabilities

- Reducing environmental impact by sharing with our global Group partner companies the latest paint factory technologies and products that help solve social issues

- Driving Maximization of Shareholder Value (MSV) through the development of PROTECTON anti-viral and anti-bacterial paint brand → For more details, see page 35.

Our strategic partnership boosted the Nippon Paint brand to a dominant position in Asia

Nippon Paint Holdings and the Wuthelam Group have steadily deepened and broadened our partnership since we established the Asian Joint Ventures (NIPSEA business) in 1962. This strategic partnership elevated Nippon Paint to a dominant brand in Asia and was further substantiated in January 2021 with NPHD's acquisition of 100% ownership of the Asian JV. This page traces the history of our Japan-Singapore partnership for 60 years. The Wuthelam Group is now an asset management company engaged in investment activities.

Maximization of Shareholder Value (MSV)

Boost to Nippon Paint brand power
Boost to market presence (share gains)
Boost to returns (sales and profits)

The structure of the Japan-Singapore partnership in the 1960s



WIN-WIN

* The Wuthelam Group now is an asset management company engaged in investment activities.

Historical background

1963	Malaysia formed	1971	Nixon shock	1975	Fall of Saigon	2001	China accession to the WTO
1965	Singapore declared independence	1972	US-China Joint Communiques	1978	Japan-China Peace and Friendship Treaty	2007	Vietnam accession to the WTO
1967	ASEAN formed		Japan-China Diplomatic Normalization	1979	US-China Diplomatic Normalization	2008	Global financial crisis
		1973	The fourth Middle East War The first oil crisis		Iranian Revolution The second oil crisis		
				1985	Plaza Accord		
				1995	US-Vietnam Diplomatic Normalization		
				1997	Asian currency crisis		

History of the Japan-Singapore Partnership

1962

Partnered with Wuthelam for expansion of distribution channels in Asia and launched the Asian JVs (NIPSEA business) (NPHD ownership ratio: 40%)

Deepened and broadened the 60-year partnership with the Wuthelam Group that culminated in the integration of Asian operations

2014

Consolidation of the Asian JVs (NPHD ownership ratio: 51%)

2021

Acquisitions of the Asian JVs and the Indonesia business (NPHD ownership ratio: 100%)



History of the NIPSEA business

1962

Jointly established Pan Malaysia Paint Industries (the current Nippon Paint (Singapore) Co. Pte. Ltd.)

1967

Entry into the Malaysia market
Entry into the Thailand market

1969

Entry into the Indonesia market

1970

Entry into the Hong Kong market (China)

1976

Entry into the Philippines market

1977

Entry into the South Korea market

1992

Entry into the China market

1994

Entry into the Vietnam market

2004

Entry into the Taiwan market (China)

2006

Entry into the India market

2007

Entry into the Pakistan market

2011

Entry into the Bangladesh market

2012

Entry into the Sri Lanka market

2014

Entry into the UAE market

2017

Entry into the Myanmar market

2019

Entry into the Turkey market
Entry into the Egypt market

Japan-Singapore partnership aimed at the growth potential of the Asian paint market

The beginning of our partnership

Our partnership with the Wuthelam Group dates to 1962, when we jointly established Pan Malaysia Paint Industry (the current Nippon Paint (Singapore)). Nippon Paint and the Wuthelam Group agreed to broaden their business exchange relationship to encompass technical cooperation and capital investment, and decided to construct a new factory. The background for the expanded partnership was as follows: ①Southeast Asian nations including Singapore were in a construction boom and had potential to grow into a major paint market, ②Exporting paint from Japan to Southeast Asia was costly and delivery times were slow, requiring Nippon Paint to become more competitive to succeed in this market, and ③the Singapore government announced plans to impose high tariffs on import paint products in 1961. This was the start of the current NIPSEA (Nippon Paint South East Asia) business.

In the in-house magazine, Chiaki Obata, who was Nippon Paint Senior Managing Director at the time expressed expectations for the new factory, "Pan Malaysia Paint will establish Japan's foothold in the faraway market in Singapore, right on the equator. This area has a potential to grow into a major market, which is a great delight for our Company as well as for Japan's paint industry." Commenting on the impression of the Wuthelam Group, he praised them saying, "The people are hardworking, thoroughly inquire into things, and perform their duties with a sense of responsibility. If we form simplistic assumptions about these people, we will fall behind them." He also left prophetic comments for Nippon Paint employees, "Our playing field is not limited to the narrow market in Japan. We should be competing in the greater global marketplace. That should be our real objective."

The new factory started operations as the first modern factory in Singapore with a site area of 8,000m² and

Partnership with the Wuthelam Group, Our Major Shareholder



The completion ceremony of Pan Malaysia Paint's new factory (1965)



Japanese engineers dispatched to Singapore and Malaysia



Mr. Goh Cheng Liang (the founder of the Wuthelam Group) commemorating the 30th anniversary of Nippon Paint (Singapore) by cutting a cake in the shape of a paint can



Event celebrating the release of a new product

Dominating the Asian market with the Nippon Paint brand and local marketing capability

production capacity of 300 tons per month. The factory's completion ceremony on April 15, 1965 was attended by some 600 people, including senior government officials from both Japan and Singapore, management and employees of Nippon Paint and the Wuthelam Group, and customers. The event was widely reported in local newspapers with comments including "the new factory will significantly contribute to the economic development and friendship of the two countries," and "all Southeast Asian nations have an interest in its success."

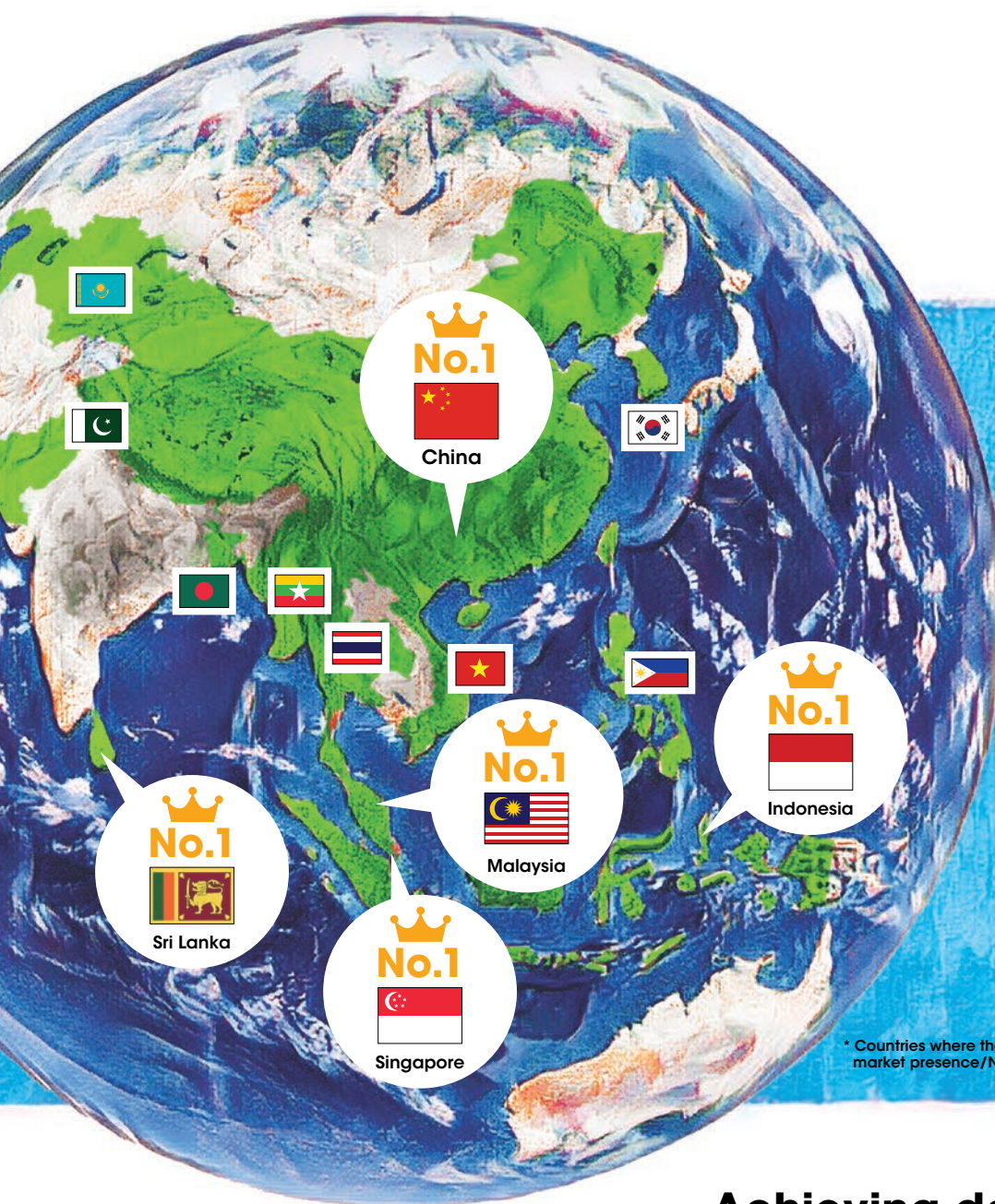
Leveraging mutual strengths to methodically expand across Asia

Nippon Paint first entered the broader Asian market in 1933, and the partnership with the Wuthelam Group enabled us to leverage the strengths of both companies to further that expansion. Nippon Paint has promoted the sales growth of

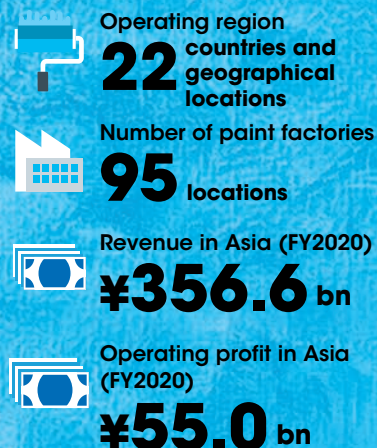
the Nippon Paint brand products by dispatching Japanese paint engineers to local production sites to provide paint technologies and production know-how, and Wuthelam uses its expertise and network in the Asian market to manage local operations, sales, and marketing. The partnership has also led to expanding operations into Thailand, Malaysia, the Philippines, South Korea, and other countries through the 1970s. In the 1980s, business grew beyond the decorative paints business with the growing Asian operations of Japanese automobile and home electronics manufacturers into the automotive coatings and industrial coatings markets.

In 1992, we expanded into the huge mainland China market and also established operations in Vietnam, India, Sri Lanka, Turkey, and Egypt. We have achieved high growth by actively meeting the brisk paint demand in the rapidly growing Asian market.

The Japan-Singapore partnership between Nippon



Market presence of NIPSEA business



* Countries where the NIPSEA business has market presence/No.1 market share

Achieving dominant market position in the Asian market and MSV

Paint and the Wuthelam Group has evolved over the six decades of the NIPSEA business. Nippon Paint Holdings made the NIPSEA business a consolidated subsidiary in 2014 and a wholly-owned subsidiary in January 2021, thereby bringing the partnership to full maturity (See "Discussions by the Board of Directors" on page 89). We plan to further accelerate the development of globally integrated operations.

Leveraging our Group's unique management resource to achieve MSV

NIPSEA business, which was established through the Japan-Singapore Partnership, now operates in 22 countries and geographical locations and has grown to command No.1 market share in the decorative paints market in five Asian countries and Turkey. This business has grown into a major growth driver of our Group in Asia with revenue of ¥356.6 billion and operating profit of ¥55.0 billion in FY2020.

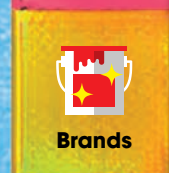
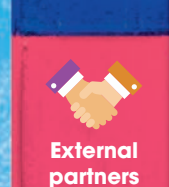
The NIPSEA business has generated continuous high growth, by establishing a dominant market position based on the powerful LiBang brand and extensive distribution channels to capture the particularly strong market growth in China, where we estimate CAGR for 2019-2024 will be a brisk 5.3% (See "The Global Paint Market" on page 05).

We will continue solidifying our dominant position in the Asian market using the unique management resources of our 60-year partnership with the Wuthelam Group as we seek to achieve Maximization of Shareholder Value (MSV).

Pursuing Maximization of Shareholder Value (MSV) based on Powerful Partnerships with Group partner companies around the world

INPUT

Management resources



Globally integrated operations guided by the Purpose

Strength 1

Leading player in the growing paint industry

Strength 2

Unparalleled market position in Asia and China

Strength 3

Powerful Partnerships supporting aggressive M&A

→ See "M&A Strategy" on page 79.

Strength 4

Advanced governance

→ See "Corporate Governance Structure and Initiatives" on page 93.



→ See "Nippon Paint Group Management Resources" on page 27.

→ See "Purpose" on page 01.
→ See "Powerful Partnerships" on page 22.

→ See "Four Strengths of the Nippon Paint Group" on page 40.

Sustainability

Global social issues

ESG Statement

Materiality

Climate change



Resources and environment



Diversity & inclusion



Safe people and operations



Growth with communities



Innovation for a sustainable future



OUTPUT

OUTCOME

Decorative
paints
business

Automotive
coatings
business

Industrial
coatings
business

Paint
related
business

Fulfillment of duties to stakeholders

Customers

Employees

Suppliers

Government

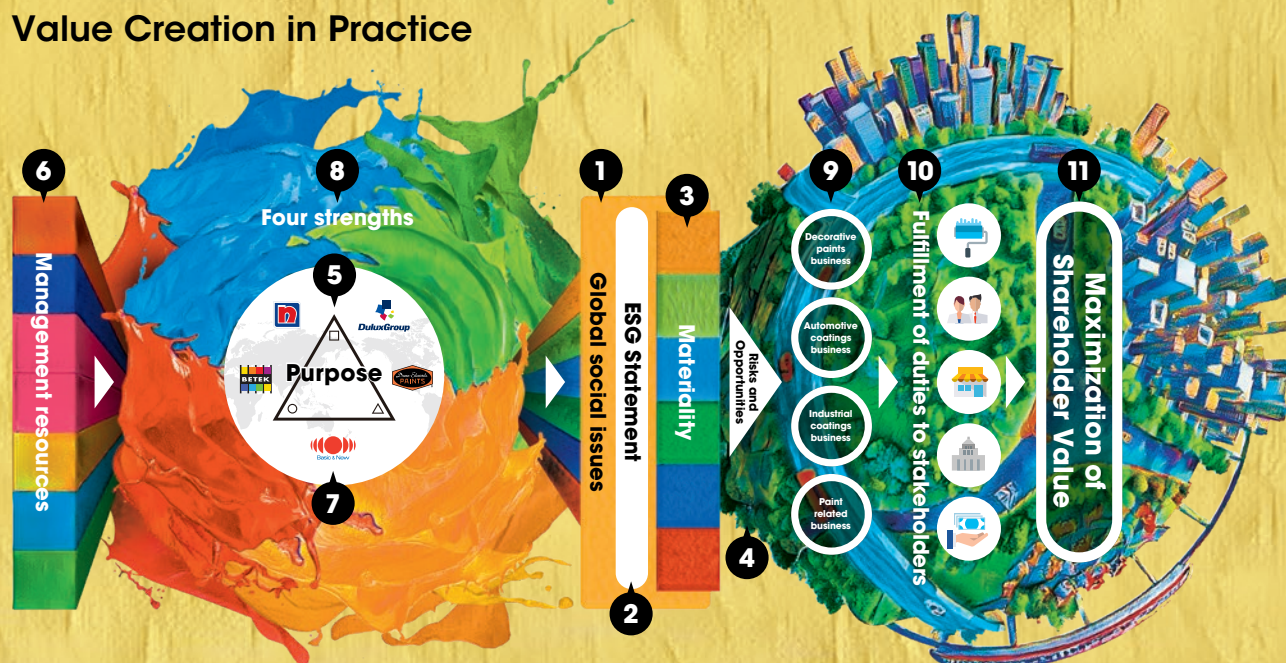
Financial
Institutions

Maximization of
Shareholder Value

→ See "Materiality / Risks and Opportunities" on page 41.
→ See "Sustainability Strategy" on page 77.

→ See "Regional and Business Strategy" on pages 53-76.

→ See "Maximization of Shareholder Value (MSV)" on page 21.



Driving Maximization of Shareholder Value (MSV) through the development of PROTECTON anti-viral and anti-bacterial paint brand



The Nippon Paint Group has taken steps to help solve social issues, and is addressing serious social needs to respond to COVID-19 such as launching the PROTECTON anti-viral and anti-bacterial paint brand in September 2020.

Using the development of PROTECTON brand as a case example, this page introduces examples in practicing our Group's value creation model (see page 33) aimed to achieve MSV as our ultimate objective based on the Powerful Partnerships with our partner companies around the world.

Pursuing innovation to solve social issues

PROTECTON anti-viral and anti-bacterial paint brand was specifically developed to address the **global social issue①** of infectious diseases. Our commitment to addressing social issues is expressed in the Nippon Paint Group's **ESG Statement②**: "Finding solutions to global sustainability challenges is our responsibility to future generations and is a driving force for our continued growth and success." (See "Roles of Paint and Coatings in Society" on page 03). This brand is also an example of our actions for "Innovation for a Sustainable Future," which is one of our points of **materiality③** (See "Materiality / Risks and Opportunities" on page 41).

We anticipate that innovation initiatives aimed at solving social issues will lead to the expansion of growth opportunities for our Group as products and services addressing environmental and social issues will make large contributions to both society and our corporate earnings with the expansion of the market for products that help climate change mitigation and adaptation. At the same time, a lack of sufficient innovation ability presents risks of delaying our responses to new markets, which can adversely impact our future business performance (**Risks and Opportunities ④**).

Our Group appropriately understands both the opportunities and risks as we continue focusing on developing products that address social issues, like the PROTECTON anti-viral and anti-bacterial products, to further expand our scope of business opportunities through ESG initiatives (see "Sustainability Strategy" on page 77).

PROTECTON products created through the power of "Science + Imagination"

Our Group' initiatives to generate innovation are conducted with an emphasis on the **Purpose⑤** defining the shared identity of our Group. The Purpose expresses our commitment to "Enriching our living world through the power of Science + Imagination." PROTECTON products embody that Purpose. Their outstanding anti-viral and ant-bacterial technologies were developed by combining our Group's existing paint technologies with the latest photocatalyst technology. The PROTECTON technologies were created by applying "Science."

At the same time, finding the best applications for the superior technologies (Science) requires the ability to use "Imagination" to envision and accurately understand

situations in which society, customers, and end users will use the products. PROTECTON products were designed for the social issues arising from COVID, and were developed for specific situations of creating safe indoor living environments. Based on that vision, we used technology with a visible light responsive photocatalyst that provides strong protection against virus transmission. We are now working to expand the PROTECTON lineup with products for various situations, such as for use in homes, offices, medical institutions, schools, cars, trains, entertainment facilities, and ships.

The PROTECTON technology is an example of the Nippon Paint Group actively leveraging its technological strengths to solve social issues with the aim of making a sustainable and flourishing world and contributing to the creation of wealth.

Tangible and intangible management resources for the power of "Science + Imagination"

Our Group's diverse tangible and intangible **management resources⑥** accumulated through strategic investments are the primary forces behind our power of "Science + Imagination" (See page 27). We develop new technologies used in PROTECTON by making full use of management resources acquired and accumulated over our 140-year history. We also accelerate collaboration and co-creation initiatives with external partners (social and relationship capital) with outstanding expertise and technologies, such as the University of Tokyo (See "Innovation for a Sustainable Future" on page 118) as well as by reinforcing our human resources and organizations (human capital) by developing R&D engineers around the world, while leveraging our sound financial base (financial capital) to procure any necessary financing. In addition, following our Purpose, we are sharing within the Group the expertise and know-how gained while developing the PROTECTON products as we continue to contribute to solving social issues around the world by closely collaborating with **Group partner companies⑦** worldwide that are tightly linked together through our Purpose and demonstrating our Group's **four unique strengths⑧** (See page 40).

Driving MSV by fulfilling duties to stakeholders

Since launching of the PROTECTON brand in September 2020, we have been steadily expanding the product lineup **through business⑨** and as of July 2021 had introduced five new anti-viral and anti-bacterial products for professional use and DIY/home use. We will continue to expand the lineup of anti-viral and anti-bacterial products for professional and home use that go beyond paint and coatings, and will aggressively market the products to pursue top-line growth. Increasing revenue will increase customer trust in the Company while also **fulfilling our duties to stakeholders⑩** by enabling us to provide appropriate payment amounts to our raw material suppliers and employees as well as to contribute to the environment and society. Our ultimate objective of **MSV⑪** is to maximize the shareholder value

that remains after fulfilling our duties to our customers, employees, society, and other stakeholders (See page 21).

Our Group is committed to practicing value creation initiatives through the expansion of ESG-driven business opportunities such as the development of PROTECTON products. We will pursue the achievement of MSV after fulfilling our duties to stakeholders based on Powerful Partnerships (See page 22) with our partner companies around the world.

- * The products are not guaranteed to be effective against all or any specific viruses and bacteria. The products also do not exhibit effectiveness for preventing or treating diseases.
- * The products do not inhibit indoor airborne viruses.
- * The conditions under which their effectiveness is exhibited vary by product. Actual conditions of use also affect their effectiveness.

For more information about the PROTECTON brand, please see the PROTECTON brand site on our website and NIPPE HOME ONLINE shopping site for paint for DIY use.

PROTECTON brand site:

<https://www.protecton.jp/en/>



NIPPE HOME ONLINE (Japanese only):

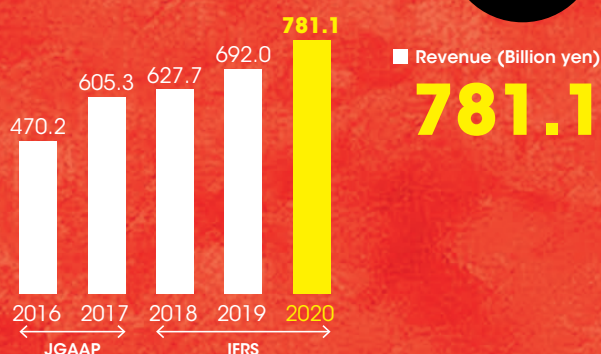
<https://www.nippehome-online.jp/>



Financial Highlights

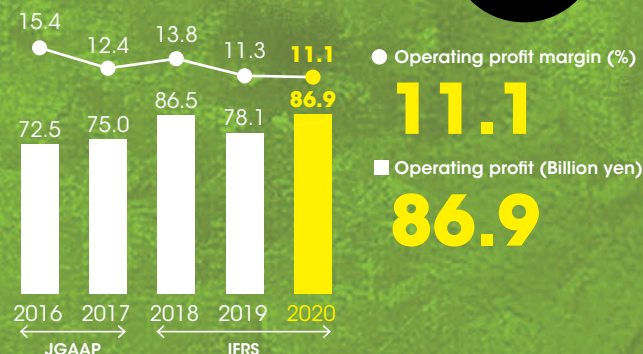
Figures for FY2016 and FY2017 based on JGAAP
Figures for FY2018 to FY2020 based on IFRS

Revenue



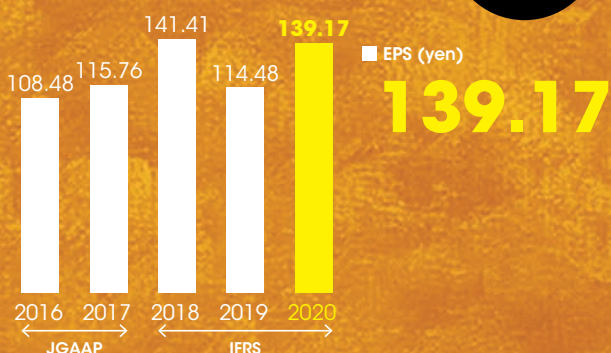
The Nippon Paint Group has grown steadily through the acquisitions of a paint manufacturer in the United States in FY2017 and in Australia and Turkey in FY2019 along with the successful growth of the decorative paints business in China and other Asia. This rapid growth has enabled us to increase revenue for four straight years and, despite the impact of COVID-19, reached a record high for revenue in FY2020.

Operating profit / Operating profit margin



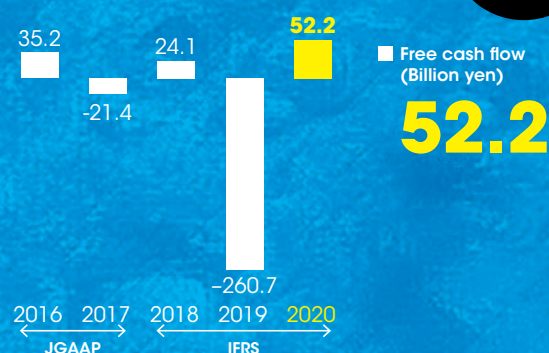
Group operating profit decreased in FY2019 due to one-time factors, including recognition of impairment loss, but rose to a record high in FY2020 supported by contributions from acquisitions and the growth of the Chinese business. While operating profit increased, the operating profit margin remained flat compared with the previous fiscal year due to a higher ratio of SG&A expenses to sales due mainly to higher personnel expenses associated with the accelerating global growth.

Earnings per share (EPS)



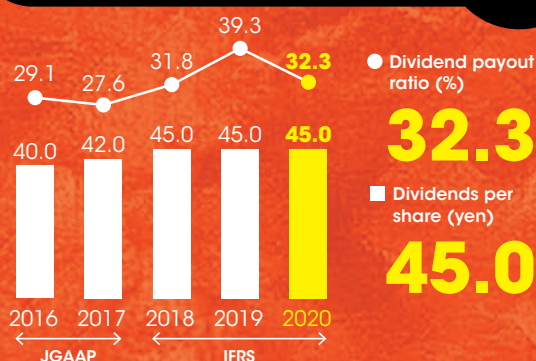
Earnings per share rises or falls roughly in proportion to changes in profit items. EPS fell in FY2019 with the decline in operating profit, but rose significantly in FY2020 as operating profit increased despite the COVID-19 conditions.

Free cash flow



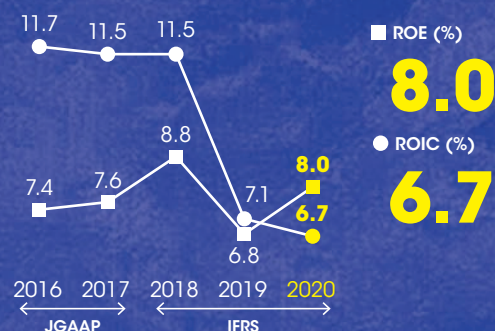
Capital investment costs in the paint industry are relatively low, and positive cash flow is the norm. Free cash flow FY2017 and FY2019 declined to negative territory due to acquisitions of overseas paint manufacturers. However, our operating cash flow continues to steadily grow each year and returned to a positive cash flow in fiscal 2020.

Dividends per share / Dividend payout ratio (IFRS)*1



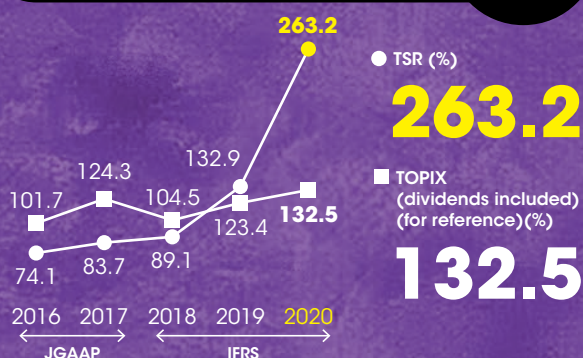
Our basic policy is to distribute stable and consistent dividend amounts and aim to maintain a dividend payout ratio of 30%. Following this policy, we maintained our dividends per share distribution at ¥45 in FY2019 despite the decline in operating profit for the year. In FY2020, the dividend payout ratio was 32.3%.

Return on equity (ROE) / Return on invested capital (ROIC)*2



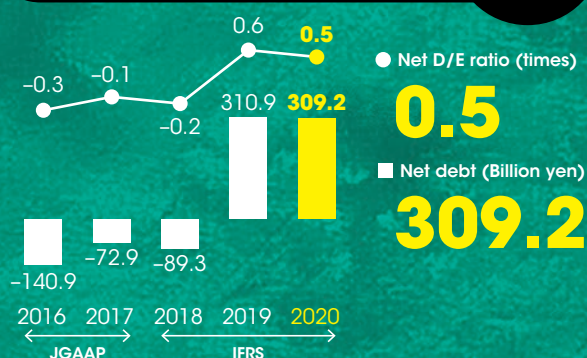
ROE increased to 8% in FY2020 after having declined in FY2019 with the decline in net profit, and we have reestablished ROE in the 7-8% range. ROIC declined in both FY2019 and FY2020 owing to lower turnover of invested capital from increases in interest-bearing debts and shareholders' equity due to M&A activity and the acquisition of 100% ownership of the Asian JVs.

Total shareholder return (TSR)



Total shareholder return has been increasing each year in line with the increasing dividends and share prices. Although the dividend amount did not change in FY2019 and FY2020, the solid rise in the share price lifted TSR to around two times higher than TOPIX (including dividends).

Net debt*3 / Net D/E ratio



Due to the relatively low capital investment costs in the paint industry, positive cash flow is the norm, and we continued to have negative net debt. In FY2019, net debt decreased significantly to a positive figure due to the borrowings of funds from financial institutions to finance M&A. The increase in net debt raised the net D/E ratio in FY2019.

*1 Dividend payout ratio from FY2016 to 2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill. *2 ROIC (JGAAP): Operating profit after tax / (net debt + total net assets) ROIC (IFRS): Operating profit after tax / (net debt + total equity) *3 Net debt: Interest-bearing debt (bonds and borrowings (current/non-current) + other financial liabilities (current/non-current)) - liquidity on hand (cash and cash equivalents + other financial assets (current))

Non-financial Highlights

Awarded the Gold Brand from a Chinese brand evaluation institution

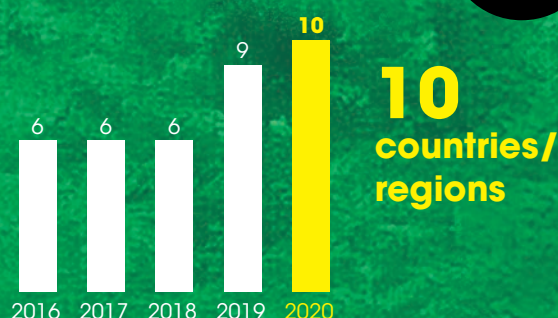


Award winner for five consecutive years



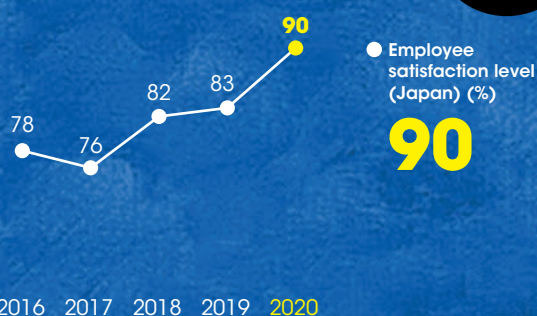
The ongoing sales growth of our high-quality LiBang brand products since we entered the China market in 1992 has made it the top brand in China. The LiBang brand has won the Gold Brand for five consecutive years in the wall paint category of the C-BPI (China Brand Strength Index).

Number of countries/regions where the Nippon Paint Group has the No.1 market share in decorative paints



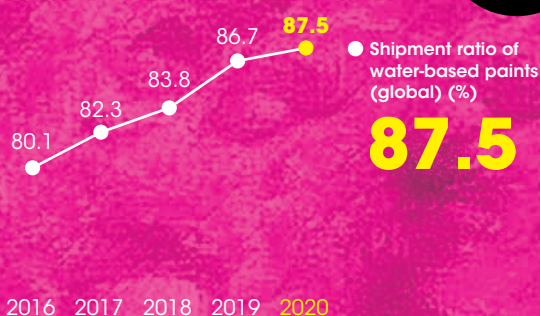
Our Group has long held the top market position in Japan. The aggressive expansion of the NIPSEA business since 1967 has also steadily increased the number of countries and regions where our Group has the top market share. The acquisitions of DuluxGroup and Betek Boya also established us as No.1 in Australia, Turkey, and Indonesia in FY2019.

Employee satisfaction level (Japan)*4



Our Group's employee satisfaction level began rising in Japan in FY2017 and reached a record high in FY2020. Although surveys show that we need to improve in the area of comfortable workplace environments, employee satisfaction is rising for understanding of the Group vision and policies and for employee satisfaction, trust, and sense of comfort in their companies.

Shipment ratio of water-based paints in the decorative paints business (global)*5



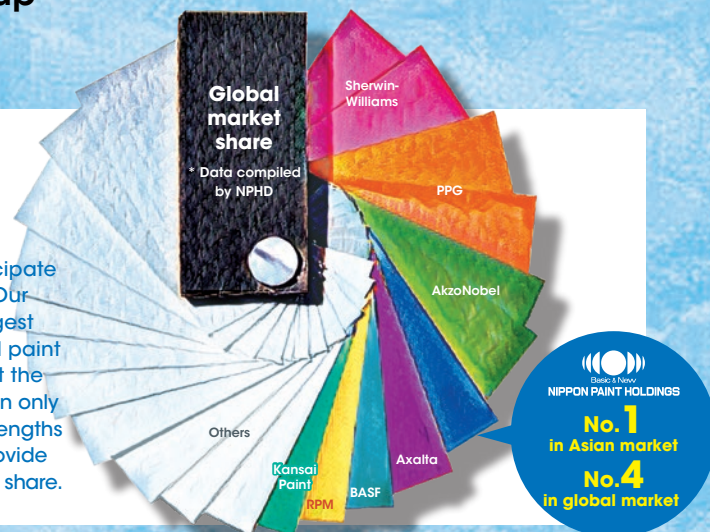
Demand for water-based paints is rising in line with growing environmental awareness and tighter environmental regulations around the world. Our Group is using its technological strengths to actively develop highly competitive water-based paint products, and the shipment ratio of water-based paints is increasing each year.

*4 Surveys by Nippon Paint Labor Union *5 Calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Data for four companies: Nippon Paint (beginning in FY2016) and NIPSEA (FY2016), Dunn-Edwards (FY2017), and DuluxGroup (FY2019)

Four Strengths of the Nippon Paint Group

1 Leading player in the growing paint industry

The paint industry is growing around the world, and we anticipate steadily rising demand as the global population increases. Our Group has the top market share in Asia and is the fourth largest paint manufacturer in the world, but small and medium-sized paint manufacturers represent roughly half of the global market. At the same time, the paint industry is facing increasing issues that can only be addressed by environmental technologies and financial strengths held by large companies. We believe these circumstances provide significant room for the Nippon Paint Group to increase its market share.



2 Unparalleled market position in Asia and China

Our Group's growth is being driven by our businesses in China and other Asian regions, which account for 46% of consolidated revenue. The Chinese paint market is the world's largest and is expected to continue rapidly growing with an average CAGR of 5.3% from 2019 to 2024. We have been leveraging the strengths of the LiBang brand and our extensive distribution network to generate high growth and establish a dominant market position in this growing market.

3 Powerful Partnerships supporting aggressive M&A

Our Group has established a solid structure to support acquired companies and their management teams and employees to bring out their best performance in local operations, taking into account the characteristics of the paint market. We will continue aggressively pursuing further synergies by taking actions including identifying new growth opportunities generated through the collaboration between the acquired companies and the existing Group companies, reducing costs by sharing raw material procurement sources, acquiring competent human resources, and sharing best practices. → See "M&A Strategy" on page 79.

Effects of the acquisitions of DuluxGroup and Betek Boya (in FY2019)

Revenue	FY2019	FY2020	YoY
DuluxGroup	1,805*	2,015	11.6%
	(million AUD)		
BETEK	1,518	2,383	56.2%
	(million TRY)		

* DuluxGroup's revenue for FY2019 is adjusted assuming its fiscal year ended on December 31, 2019.



Ratio of independent directors

Outside
75%

Inside

4 Advanced governance

The Nippon Paint Group is building an advanced corporate governance structure to solidify its sustainable growth as a global company. We shifted to a Company with Three Committees structure following approval at the General Meeting of Shareholders in March 2020. Six of the eight Board of Directors members are now independent directors. We will continue working to ensure the transparency, objectiveness, and fairness of the Board of Directors to protect the interests of minority shareholders.

→ See "Corporate Governance Structure and Initiatives" on page 93.

Applying our strengths to items of materiality to solve social issues and create business opportunities

Accompanying the expansion of our overseas operations, we reviewed our materiality in August 2020 based on our policy of integrating SDGs and ESG initiatives into our corporate management.

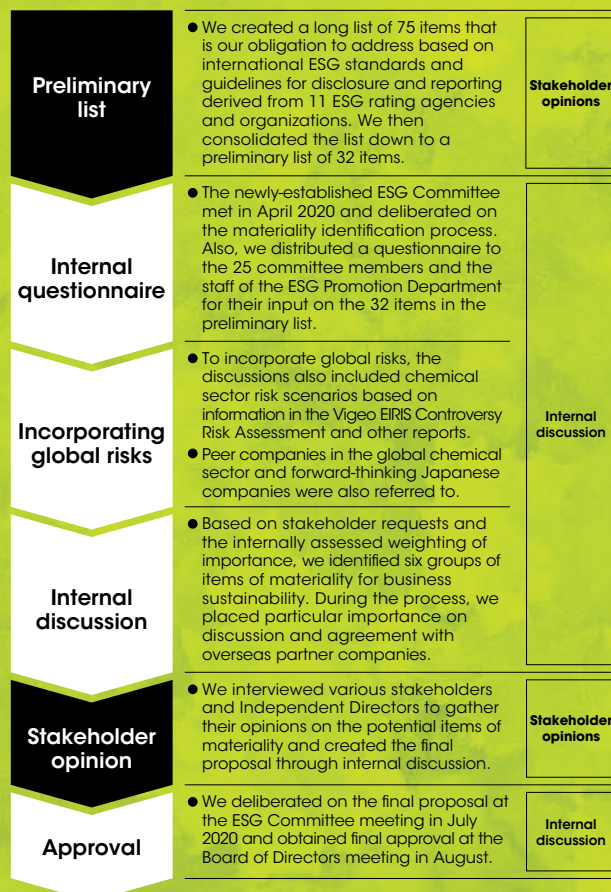
We identified items of materiality by creating a list of material issues which society requires us to address and by referencing international guidelines such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) as well as items required by ESG research organizations. We then performed quantitative evaluations of each issue and verified their significance in terms of the degree of importance to stakeholders and the degree of importance to our businesses. We engaged external experts to gain objective viewpoints on the issues and held discussions with our partner companies around the world to identify material issues associated with our business model and the business environment. The issues were then designated as our items of materiality.

Cross-functional teams under the ESG Committee were assigned to each materiality to discuss and develop materiality initiatives (See "ESG management system" on page 78). We have started gathering information on important topics and sharing the latest issues and ideas with our Group's partner companies worldwide.

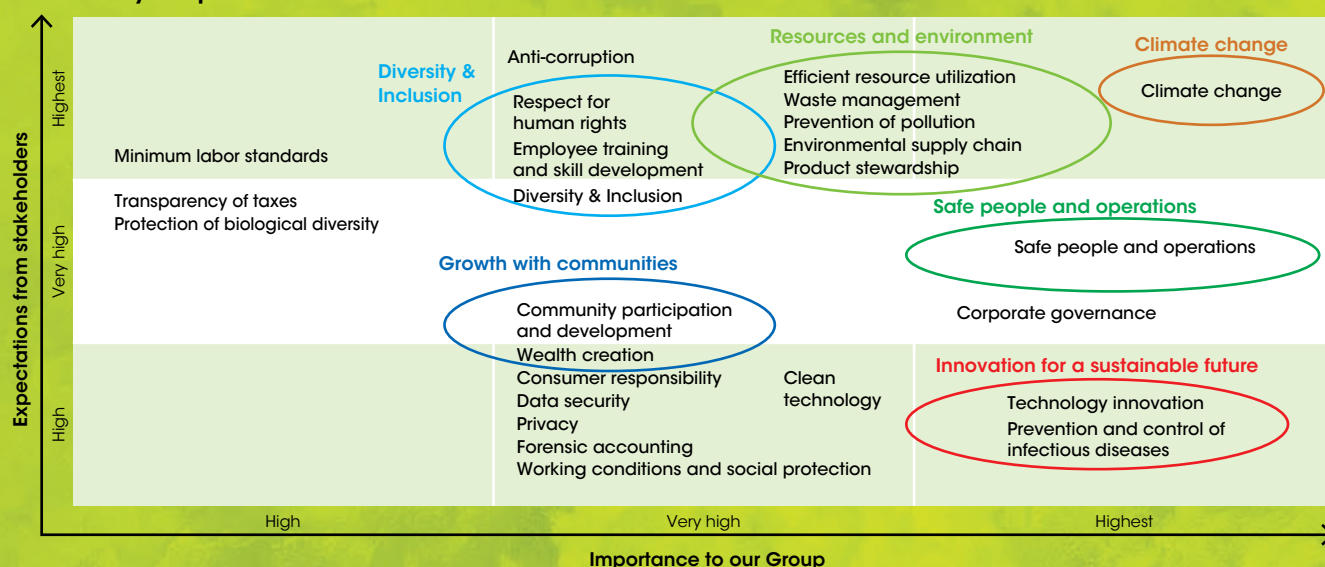
We are applying our Group's technological strengths and actively collaborating with external partners to address social issues. We are also contributing to achieving the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

* Please visit our website for information about our CSR Goals through FY2020 and Pthe progress and achievements in FY2020 at:
<https://www.nipponpaint-holdings.com/en/sustainability/about/materiality/>

Materiality Identification Process



Materiality map



Materiality

Relevant SDGs

Explanation of Materiality

Climate change



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



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



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



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



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



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.

Materiality / Risks and Opportunities



ESG Agenda

ESG Action Examples

Progress in FY2020-2021

- Reduction of greenhouse gas (GHG) emissions
- Identification of risks and opportunities

- Waste/energy consumption (efficient consumption)/water resource consumption/pollution management, product stewardship

- Increase the percentage of women in management posts
- Improvement of employee engagement

- Disaster (fire accident) prevention and process safety
- Fatality and injury prevention

- Policy development for the company's social contribution
- Strategic implementation of social contribution activities

- Promotion of cross-industrial collaboration
- Development of products that benefit society

- CO₂ emissions reduction (Scope 1&2)
- Started to calculate global Scope 3 emissions
- Started TCFD scenario analysis (identifying risks and opportunities, etc.)

- Promoting gender diversification on Board/management team
- Percentage of women (2020)
The Board of Directors (NPHD): 12.5%
Employees (global): 24.0%
Management posts (global): 23.8%

- Establishment of the NIPPON PAINT Group Global Outreach Program
- Enhancement of Education/Empowerment/Engagement, and data collection

- Development of anti-viral products and marine-environment-friendly products
- Expansion of the lineup of products with social benefits

- Announced endorsement of the TCFD recommendations (final report), disclosed information in accordance with the TCFD framework, and calculated the financial impact of a carbon tax.
- Performed simulation of carbon emissions in our operating regions worldwide and began considering long-term carbon emission reduction measures.

➔ For more details, see "Climate Change" on page 105.

- Started waste management activities using a total waste management system, which includes the effective utilization of waste, as a supplement to the existing waste generation management and proper disposal activities.

➔ For more details, see "Resources and Environment" on page 108.

- NIPSEA Group provides training programs at different job levels to secure diverse human resources. In FY2020, it administered a total of 341,448 training hours (+28% compared to FY2019) for our employees.
- In Japan, we introduced a career drive program with the aim of developing human resources for job appointments reflecting employee individuality and diversity and to ensure that appointments fit the objectives of both the company and the individual.

➔ For more details, see "Diversity & Inclusion" on page 111.

- Group responsible care activities and safety education activities were expanded to reflect the Group's growth and the increasing number of occupational accidents in Japan and overseas in recent years.
- In FY2020, the frequency rate of accidents with lost time declined in Japan.

➔ For more details, see "Safe People and Operations" on page 114.

- Social contribution activities under the 3E (Education/Empowerment/Engagement) action policy were increased with the launch of the NIPPON PAINT Group Global Outreach Program in FY2021. We also began aggregating disclosing input/output and impact data on a global basis.

➔ For more details, see "Growth with Communities" on page 115.

- In FY2021, we established a framework designing Sustainable Products to address social issues.
- We started disclosing data on product sales status, R&D expenses and on external collaborations and innovation geared toward long-term value creation.

➔ For more details, see "Innovation for a Sustainable Future" on Page 116.



3

Medium- and Long-term Growth Strategy

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PHOTO:
SINGAPORE / REFLECTIONS AT KEPPEL BAY

Path of growth strategy through establishing a stable portfolio based on region and business

Survival Challenge Program I & II

(Released in May 2009)

Basic Policy

Establish a solid profitable structure

- Turn into a growing company -

(Shift to a structure that can earn profit from the market)

Basic strategy

- Reform the cost structure/Expand sales and profit of existing businesses/Create new markets
- Reinforce sustainable growth and the profitable business structure in Asia/Reinforce the earnings base in North America

Quantitative targets and results

FY2014

	Plan	Results
Net sales	250.0 billion yen	260.6 billion yen
Operating profit	25.0 billion yen	33.4 billion yen
OP margin	10.0 %	12.8 %

Achievements

- Profitability improved significantly and targets achieved through thorough cost reduction mainly in Japan

Challenges

- The cost reduction as an emergency measure in the aftermath of the global financial crisis that curbed long-term-perspective investment has resulted in the current aging of facilities and human resources
- Growth in China and Asia through the Asian JVs that were consolidated in 2014

Survival Challenge Program III

(Released in May 2015)

Basic Policy

Coatings and its related businesses respectively acquire a leading position (within the top 3 net sales in each business segment) globally

Basic strategy

- Build a foundation to become a "Dominant" in China, the most important market
- Significantly change the business structure to develop business based on Asia and increase the ratio of decorative paints, which have high growth potential and profitability

Quantitative targets and results

FY2017

	Plan	Results
Net sales	700.0 billion yen	605.3 billion yen
Operating profit	105.0 billion yen	75.0 billion yen
OP margin	15.0 %	12.4 %

Achievements

- Reorganization of domestic businesses, separation of operating companies by lines of business, and transition to the holding company structure
- Significant earnings growth by consolidating the Asian JVs
- Acquisition of Dunn-Edwards in the U.S. and Bollig & Kemper in Germany

Challenges

- The plan was underachieved due to the impact of raw material price increases following more stringent environmental regulations in China, as well as the higher yen against major currencies
- The earnings of Asia JVs incorporated due to the acquisition of their 100% ownership

2009-2014

2015-2017

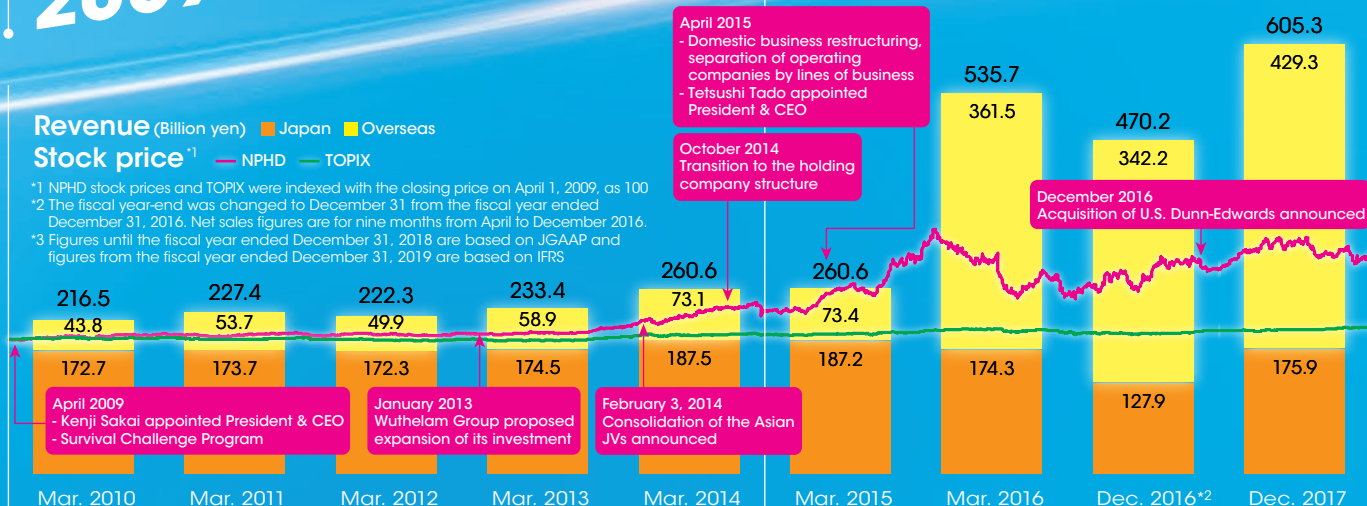
Revenue (Billion yen) Japan Overseas

Stock price¹ NPHD TOPIX

¹ NPHD stock prices and TOPIX were indexed with the closing price on April 1, 2009, as 100

² The fiscal year-end was changed to December 31 from the fiscal year ended December 31, 2016. Net sales figures are for nine months from April to December 2016.

³ Figures until the fiscal year ended December 31, 2018 are based on JGAAP and figures from the fiscal year ended December 31, 2019 are based on IFRS



N-20 (Released in May 2018)

Basic Policy

Establish an unparalleled market position in Asia and accelerate growth globally

Basic strategy

- Strengthen the businesses in existing segments
- Accelerate expansion of the portfolio
- Improve earning capacity
- Enhance the structure of "Global One Team"

Quantitative targets and results

	FY2017	FY2020	
	Results*	Plan	Results
Revenue	610.2 billion yen	750.0 billion yen	781.1 billion yen
Operating profit	85.4 billion yen	105.0 billion yen	86.9 billion yen
OP margin	14.0 %	14.0 %	11.1 %

* Recalculated in accordance with IFRS

Achievements

Steady reinforcement of the organizational foundation for future sustainable growth

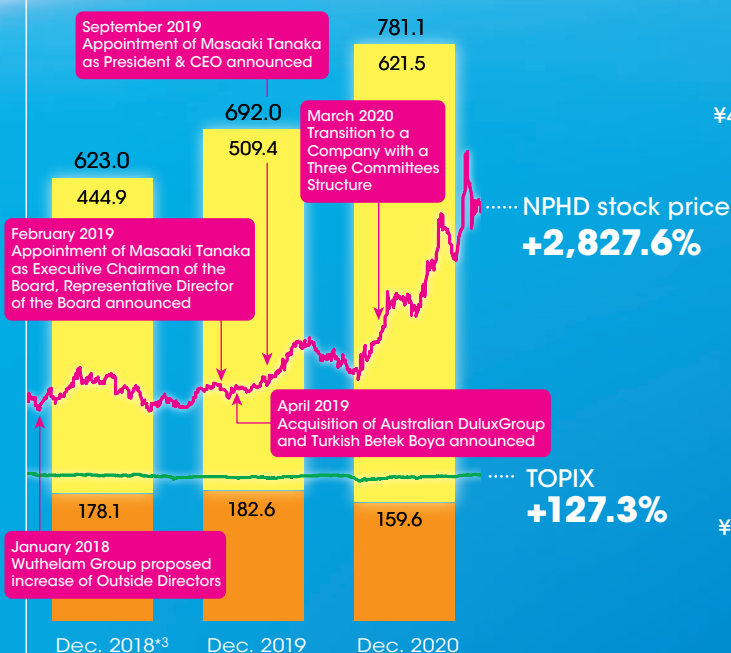
- Expansion of business in Oceania and Turkey through M&A (DuluxGroup and Betek Boya)
- Establishment of an advanced governance system (the ratio of independent directors increased to 67%, and transition to a Company with a Three Committees Structure)
- Creation of synergy and establishment of top-level management partnerships across group entities based on Powerful Partnerships
- Record revenue and operating profit in FY2020
- 100% ownership of the Asian JVs and acquisition of the Indonesia business announced

Challenges

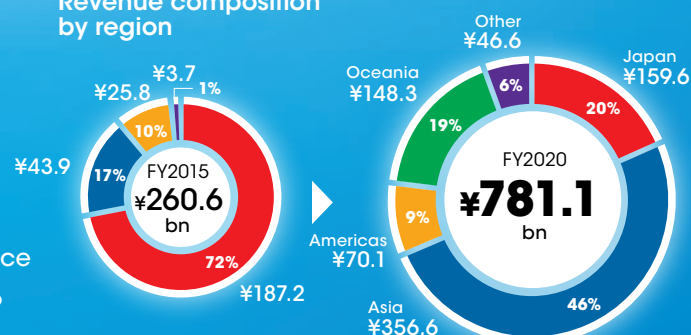
Improve sustainability and profitability over the medium- to long-term

- Operating profit margin reached 13.8% in FY2018, but impairment loss was posted in FY2019 and the targets were not achieved in FY2020 due to COVID-19
- Improve sales growth and profitability over competitors in the growing paint market
- Find new business opportunities through ESG engagement and implement carbon neutral initiatives
- Use DX and acquire competent talents to address the aging of domestic facilities and employees

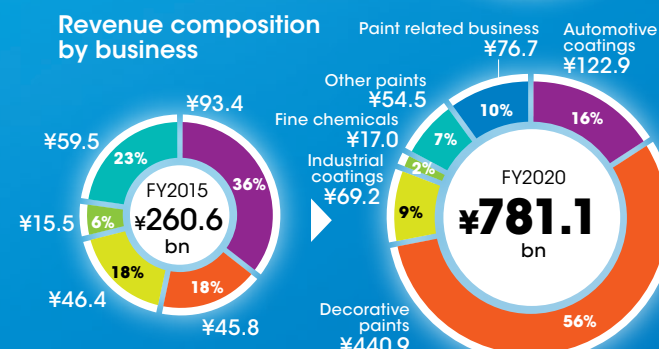
2018-2020



Revenue composition by region



Revenue composition by business



Setting a medium-term milestone towards our long-term goals

The Nippon Paint Group released a three-year New Medium-Term Plan (FY2021-2023) in March 2021. This New Medium-Term Plan was drawn up based on the following three policies.

Firstly, the plan was created with the significant involvement of the management teams of our partner companies. The aim is to clarify accountability and enhance the sense of involvement among our partner companies in order to maximize the Group's comprehensive power and increase prospects for the plan's success.

Secondly, we determined our "Purpose" (See page 01) concurrently with the New Medium-Term Plan. The Purpose defines the Nippon Paint Group's shared "Identity" while respecting management autonomy at partner companies based on their own Mission, Vision, and Value. The Nippon Paint Group, which consists of diverse members, is dedicated to conducting business operations based on the shared values ingrained in the Purpose.

Thirdly, the positioning of the New Medium-Term Plan. In today's rapidly changing business environment, companies should always look ahead five to ten years. Therefore, we set long-term goals and positioned the Medium-Term Plan as a three-year milestone to achieve those goals.

We will implement the growth strategies in the New Medium-Term Plan in all our operating regions and businesses by mobilizing the Power of Teamwork with our partner companies with the goal of building a powerful base for sustainable growth.

Our Group's long-term financial targets are to achieve a revenue CAGR in the high single digits beginning in FY2024. Our goal is to exceed the revenue CAGR targets of our major benchmarked competitors of 4-6%. The operating profit and EBITDA CAGR are based on the plan to use additional marginal profit as sales grow in order to increase profit margins, thereby achieving profit growth exceeding revenue growth.

Our milestones for FY2023 are revenue of 1,100.0 billion yen, operating profit of 140.0 billion yen, and EPS (before stock split) of 225 yen. Furthermore, our targets are revenue CAGR of more than 10%, an operating profit margin improvement of 2.7 points, and EPS growth of 25%.

2021-2023

Policies for formulating the New Medium-Term Plan

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

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

2. Setting a shared "Purpose" of our Group

We set the "Purpose" that defines shared "Identity" of the Nippon Paint Group and respects the autonomy and accountability of our partner companies.

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

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

New Medium-Term Plan (FY2021-2023)

Setting a medium-term milestone towards our long-term goals

2024-

Our long-term vision

Ensuring sustainable growth

- Revenue CAGR in the high single digits
- Profit growth exceeding revenue growth

Inorganic growth

Eyeing the potential for non-continuous growth including through M&A

Organic growth

Further solidify our strong growth platform

Financial plan

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

*1 Before one-time expenses

*2 EBITDA: Operating profit + depreciation and amortization + impairment loss

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

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

*5 circa : approximately

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

Regional and Business Strategy

→ P.51 / → P.53-76

Further solidify our strong growth platform and proactively address new challenges

Sustainability Strategy

→ P.77

Expand business opportunities through ESG initiatives for sustainable growth

M&A Strategy

→ P.79

Aggressively pursue new partners to join our Group taking advantage of the growth potential of the paint market and stability of cash flows

Financial Strategy

→ P.81

Using our strong cash generating capacity to strengthen our financial base and secure funds for growth with M&A and business investment

Regional and business strategy (overview)

1	High-growth markets such as Asia (including China) and Turkey: Grow profits through revenue expansion while maintaining margins	→ P.53-64 → P.67-68
2	Stable growth market of Oceania: Secure revenue and profit growth outperforming the market growth	→ P.65-66
3	Japan: Make investments in updating and streamlining production facilities with a medium to long term perspective. Secure competitive advantage and improve productivity while creating new demand	→ P.73-76
4	Automotive coatings: Assuming recovery of automobile production, aim to increase market share and acquire new customers by capturing customer needs on a global basis and reinforcing technological strengths and quality assurance system	→ P.71-72
5	Paint-related businesses: Expansion of business into China and the other Asia region by applying the experiences of DuluxGroup's SAF ^{*1} , CC ^{*2} and Betek Boya's ETICS ^{*3}	→ P.53-64

*1 Sealants, Adhesives & Fillers

*2 Construction Chemicals

*3 External Thermal Insulation Composite System

Our Group's regional and business strategies to achieve the New Medium-Term Plan are outlined below (For more details about the Regional and Business Strategy, see pages 53-76).

1 In the world's largest market of China, we will leverage our strong brand power, distribution network, and alliances with real estate developers to increase our market share and achieve revenue CAGR of approx. 10%. While we expect marketing and other expenses to increase in the ever more competitive environment, we will maintain profit margins by growing revenue.

In Turkey, where population and GDP growth is expected, we will use a multi-brand strategy to increase our market share. We will also strengthen the ETICS business and expand into adjacent markets outside Turkey to achieve revenue CAGR of 10-15%.

2 In Oceania, we expect a market expansion mainly in the home renovation and repair markets based on the stable GDP growth and population growth

and will speed up our growth in these markets. We will also work to enhance the customer engagement by using digital platforms for achieving revenue CAGR of approx. 5% and operating profit margin improvement.

3 In Japan, we see growing opportunities for water-based paint in the decorative paints market due to an increase in environmental awareness. In addition, demand is increasing in new product categories such as anti-viral paints. As key strategies for this segment, we will expand the product lineup and strengthen sales and promotion activities for anti-viral products. Our focus will also be on promoting the automation of production using DX. By taking these actions, we will aim to achieve a revenue CAGR of approx. 5% and operating profit margin improvement in the Japan segment as a whole.

4 According to the results of various surveys, automobile production will recover to the pre-COVID-19 level in FY2023. In the automotive coatings business, our

Group will leverage the marketing capabilities of NIPSEA China and the technological strengths in Japan for rapidly increasing our market share in China. We will steadily strengthen our competitive edge also in Europe and the U.S. By taking these actions, we plan to achieve revenue CAGR of 5-10%.

5 The paint related business is expanding worldwide with the growing customer need, we see this market as promising. Our Group can use Powerful Partnerships to sell DuluxGroup's Selleys brand adhesives, Betek Boya's ETICS and other paint-related products using our Group's distribution networks.

Demand for paint-related products is growing also in the Project segment of NIPSEA China's decorative paints business. Therefore, we will leverage our existing distribution networks and partnerships and make strategic investments to grow in this market category with the goal of achieving revenue CAGR of 5-10%.

As described above, our Group expects to achieve revenue growth in all operating regions and businesses with operating profit margin maintained or improved in FY2023. Our Group as a whole expects to achieve best-in-class growth.

Revenue growth projections by business

				Revenue		
		Relevant regional and business strategy	FY2020 Revenue composition (%)	FY2020 Results*4	FY2021 Forecast	FY2021-2023 CAGR targets
(Billion yen)						
Paint and coatings business	Automotive coatings business	3 4	16%	122.9	c.+15%	+5-10%
	Decorative paints business	1 2 3	56%	440.9	+15-20%	+10-15%
	Industrial coatings business	3	9%	69.2	c.+10%	+10-15%
	Other paints business	3	7%	54.5	c.+5%	+5-10%
	Fine chemicals business	3	2%	17.0	+0-5%	c.+15%
Paint related business		5	10%	76.7	c.+5%	+5-10%

Revenue growth projections by region

(Billion yen)	Relevant regional and business strategy	Revenue		OP margin	Revenue	
		FY2020 Results*4	FY2021 Forecast	2021 Forecast*5	FY2021-2023 CAGR targets*5	FY2023 Targets*5
Japan (excl. HD expenses)	3 4	159.6	c.+5%	➡	c.+5%	⬆
NIPSEA China	1 4	268.1	c.+10%	➡	c.+10%	➡
Asia Excepting NIPSEA China	1 4	88.5	+5-10%	➡	+5-10%	⬆
New consolidation (Indonesia/India)	1 4	47.4*6	+10-20%	➡	c.+15%	➡
Oceania	2	148.3	+0-5%	↗	c.+5%	↗
Americas	4	70.1	c.+5%	➡	+5-10%	⬆
Other (Betek Boya)	1 4	36.2	c.+10%	➡	+10-15%	➡
Total*7		781.1	890.0	➡	1,100.0	c.13.0%

*4 Tanshin basis

*5 Local currency basis

*6 Pro-forma figures

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

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Eric Chung
CEO

PROFILE

Eric Chung is the CEO of Nippon Paint China, currently heading all its business units in Greater China. He held managerial roles in two subsidiary companies of Master Kong Holdings Co. Ltd. before joining Nippon Paint China in 2007. Armed with a clear business vision, he has spearheaded company-wide transformation in areas of corporate strategy, image, branding and product technology. He has also expanded Nippon Paint's scope, overseeing its evolution from paint manufacturer to a provider of overall coating solutions. Under his leadership, Nippon Paint China has achieved more than double digit growth for the past 10 consecutive years.

Nippon Paint China



Nippon Paint China was first established in 1992 and has risen to the fore as a respected leader in the coating industry. Since its inception, it has steadily expanded its reach across China in tandem with the country's rapid economic and social growth. Driven by a commitment to becoming a full-service provider, Nippon Paint China has diversified its product offerings to tap into various markets and harnesses innovative technology to produce superior offerings for Chinese consumers. Its products proudly feature on buildings ranging from Olympic stadiums to Shanghai World Expo venues.

Corporate data

Employees: 9,300
Headquarters: Shanghai, China
Ownership Ratio: 100.0%

DIY Market features and outlook

China's housing reforms in 1998 led to a huge wave of real estate activity, with 20 billion square meters of commercial housing sold since. However, as the dust settled post-housing boom, growth rates have slowed, resulting in excess housing stock. The current estimated area of available commercial projects totals 1.7 billion square meters.

There has been an increase in construction of new residential buildings, with developers rushing to launch projects to shore up revenue amidst tight financial conditions. Notably, many of these new buildings feature move-in ready units that require no refurbishment or renovation – a trend that has gained traction since a 2017

policy was introduced by China's Ministry of Housing and Urban-Rural Development, requiring 30% of all newly built residential properties to be fully renovated by 2020.

At the same time, opportunities have arisen from the large base of mature housing estates across the country. Recent government initiatives encouraging refurbishment of these estates have sparked huge demand for home renovation products and services.

DIY Growth Strategy

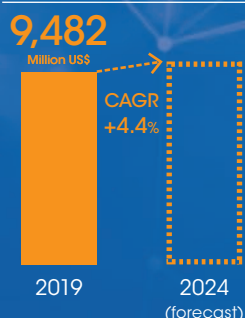
Market features and outlook

- After a housing boom triggered by government reforms, the commercial housing property market has started to plateau, and now sees year-on-year slowdown
- Government-mandated regulations have also led to an increase in new property launches featuring fully decorated and move-in-ready units, as opposed to bare units that require renovation
- At the same time, a rising proportion of existing/ mature housing estates across the country generate huge demand for repairs, renovation and repainting
- Growing need to look beyond selling paint – shifting focus to solutions that integrate products and services into a cohesive, convenient customer experience

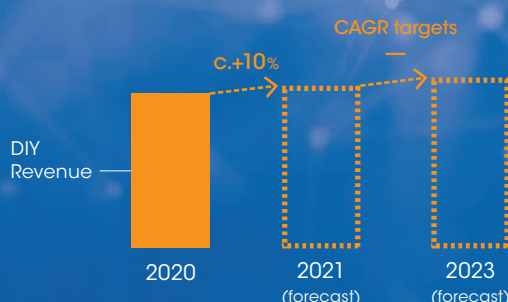
Growth strategy for FY2021-2023

- Focus on carving out a brand identity that creates customer loyalty
- Strive to build and enrich high quality product lines, integrating product systems into customer needs
- Expand scope from selling products to selling services, underscoring our transformation from a pure paint manufacturer/ seller to a total coatings solution provider
- Expand market share in the repainting and renovation market
- Embrace digital strategies and data-driven business transformation

Market growth rate (decorative: overall) ^{*1}



Performance ^{*2}



^{*1} ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>

^{*2} FY2020 and FY2021 figures are in local currency

DIY Growth strategy for FY2021-2023

We have pinpointed several key measures to generate growth in the DIY Market from 2021-2023. These are:

1. Focus on continuous brand building and upgrading
2. Strive to build and enrich high quality product lines, integrating product systems into customer needs
3. Expand scope from selling products to selling services, underscoring our transformation from a pure paint manufacturer/ seller to a total coatings solution provider
4. Expand market share in the repainting and renovation market
5. Embrace digital strategies and data-driven business transformation

Unlike brands and products in other industries, paint is an industry without a logo; consumers are not likely to save paint buckets after using paint products. As such, building brand recognition in the coatings industry requires a different approach. In 2020, Nippon Paint created a brand mission that taps into customer perceptions of lifestyle and identity, themed "Refreshing a Beautiful Living Space." It portrays the spaces in which we reside—i.e. spaces for working, living, fitness and entertainment—as indicators of a good life.

The brand mission conveys the message that a refreshed living space represents a new vision and a change of mindset. Such an approach has paid off – in April, Nippon Paint and Wood Coatings both took the top spot in the 2021 C-BPI® Industry Brand Power Index, a brand ranking and analysis report by the rating authority Chnbrand. Being selected as No. 1

brand in the wood coatings category for nine consecutive years is testament to the recognition and trust we have gained from our consumers.

Nippon Paint also aims to build comprehensive user experiences to ensure we remain the first choice for all home improvement needs. We launched our "Beyond Paint" strategy in 2014, drawing from our in-depth understanding of customer demands. At the heart of this strategy is a focus on diverse, high-quality product lines and integrated services. We innovate a wide range of products that go beyond coating materials, offering top quality and environmentally friendly base and auxiliary materials such as putty, waterproofing products, silicone, tools and more.

Furthermore, we provide one-stop solutions by integrating services into our repertoire. For example, we launched our refresh service in 2011, which appeals to customers because they outsource the painting work to us. The service, which emphasizes customer

convenience and now allows them to repaint more frequently, amplifies our role in the consumer journey and has become the word-of-mouth choice for more than 600,000 households.

Repainting services

We also hope to capitalize on a growing home renovation market, triggered by national policies prioritizing the transformation of mature real estate. At the Politburo meeting on 17 April 2020, a measure was proposed to actively expand investments to implement the renovation of old communities. Over the past two years, the Chinese government encouraged renovation of the nearly 160,000 mature housing communities across the country, spanning an estimated 4 billion square meters. We see this as an important market opportunity as our DIY product system and refresh services ease the burden for consumers keen to repaint and renovate their homes. This allows us to expand our market share, creating a viable revenue stream that offsets dwindling sales from traditional business (i.e., relying on sales from walk-in customers).

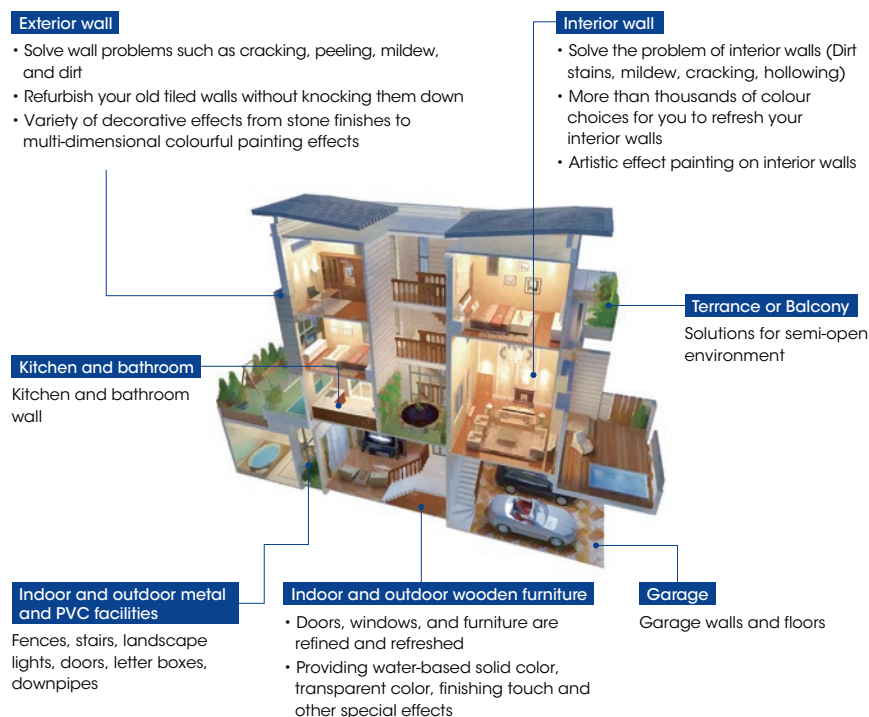
Several factors, including the COVID-19 pandemic and the digital revolution, have also been significant drivers of change and growth. In 2020, the pandemic devastated the construction industry. As such, would-be homebuyers have turned to an emerging trend of home improvement instead of purchasing new homes. Many of them were born in the 90s, making them a generation of digital natives who have fully embraced online consumption. Hence, Nippon Paint is actively exploring a dual-channel online and offline approach, combining customer touchpoints to maximize engagement.

While physical stores remain the cornerstone of the consumer experience, we will explore building a digital second-floor matrix of intra-city shopping, smart shopping malls, and painting clubs to drive a new growth

curve for the brand. We have also launched successful digital initiatives such as a strategic partnership with Tmall, which saw Taobao's top two sales ambassadors selling our products via livestream during last year's 817 Super

Brand Day sale. As we recognize that big data is the future of commerce, we will use its new insights to better understand our customers, terminals, and markets, as well as enhance our own company operations.

Complete solutions for all your home renovation & repair needs



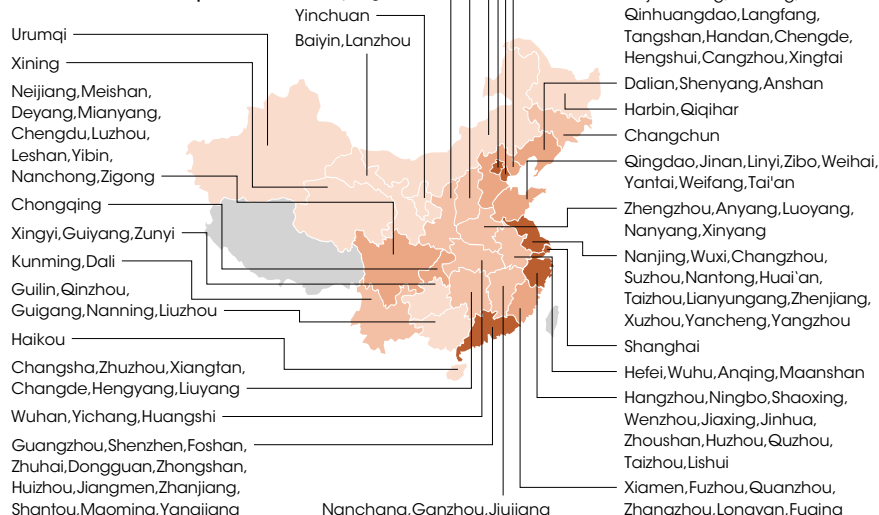
Refresh existing cities

94 cities

217 service outlets

990 customer specialists

5,094 construction specialists



Project Growth Strategy

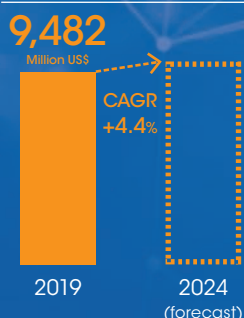
Market features and outlook

- The commercial housing property market has experienced year-on-year slowdown
- Increasing number of new property launches featuring fully pre-decorated units
- Large base of existing/mature housing estates, combined with huge demand for repairs, renovation and repainting
- Move from selling products to selling solutions, promoting sales of paints and related products

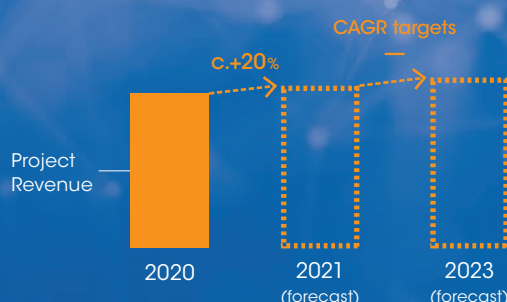
Growth strategy for FY2021-2023

- Engage with a more diverse customer base encompassing both real estate developers as well as their project stakeholders
- Enhance our product range and product systems to meet broader customer demands
- Creating a systematic Project Coating Protection system
- Adopt transformation-driven ethos to spearhead process improvement and organizational change

Market growth rate (decorative: overall) ^{*1}



Performance ^{*2}



^{*1} ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>

^{*2} FY2020 and FY2021 figures are in local currency

Project Market features and outlook

Real estate developers have consistently strengthened their market presence over the years. According to a research report studying China's real estate developers, both the top 100 and top 10 developers have seen a year-on-year increase in market share. The Top 100 real estate developers saw a substantial increase of 26.4% market share from 2015-2019, while the Top 10 real estate developers an increase of 11.3% over the same period. The numbers only continue to grow; last year, the sales market share of the top 100 developers rose to 63.2%.

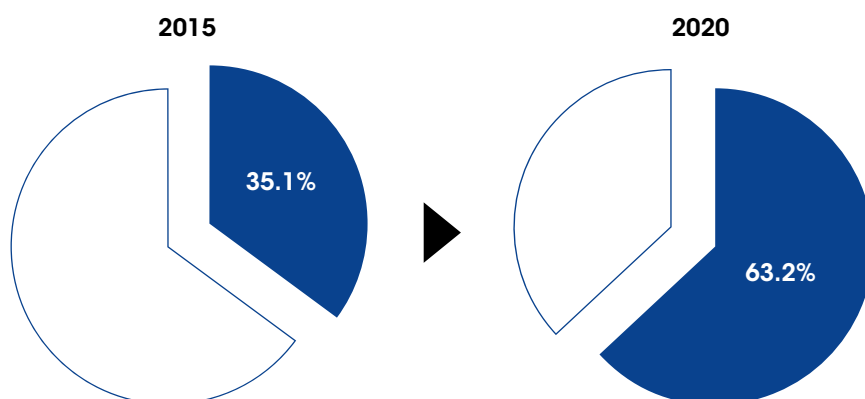
Therefore, it has become imperative to foster deeper cooperation with real estate developers and their project stakeholders, making Nippon Paint as their go-to for innovative products that lead the pack in terms of quality and variety.

In March 2020, the Chinese government initiated a raft of

construction projects categorized as "new infrastructure" projects. This will involve investment of more than \$40 trillion, which will go towards constructing 5G base stations, UHV electrical grids, intercity high-speed railways and urban rail transit, charging piles for new energy

vehicles, big data centers and internet infrastructure. These technology-driven projects will require structures built with higher functionality and resilience, which is where we see great opportunity for us to establish our presence.

Top 100 real estate developer's market share



Project Growth strategy for FY2021-2023

Although real estate developers comprise the majority of our customers, we have identified a gap in the market space that is ripe for exploration. Our Project Division seeks to forge relationships with the real estate industry's numerous ancillary businesses – including contractors, architecture and engineering firms, or home improvement companies – to fill this market gap.

In order to do so, we aim to consistently improve our product range and product systems. As such, our Project Division innovates high-quality and comprehensive product lines to meet a broad range of customer demands. We continue to expand our product line beyond coatings offerings, providing substrate products, auxiliary materials, and energy-saving insulation products as well. These products are complemented by efficient systems and first-rate delivery services.

By building a platform that integrates customer acquisition with delivery processes, and establishing strong relationships with distributors and construction companies, we provide partners with all-round support for market expansion, technology, supply chain finance, and resources. Through synergizing big data, informatization tools and digital platforms, we can provide our partners with a comprehensive product system, a complete supply chain system, an advanced information management system and an international layout that collectively creates the most value for customers.

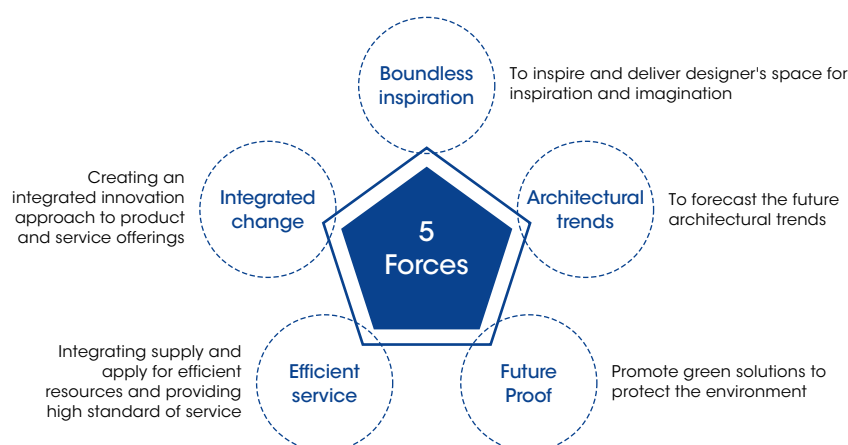
Additionally, in line with our new approach towards "selling solutions," the Project Division has rolled out four major systems, namely the wall system, ground system, thermal insulation energy-saving system and base material system. The systems encompass product lines, effect lines, procurement standards, 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.

Strengthening cooperation with our customers is a crucial pillar of our growth strategy. Nippon Paint recognizes that our B-End customers have a unique set of requirements; hence, to satisfy this category of customers, we must ensure our products, services and

technologies meet their needs. To this end, we have embraced the theme "Drive change, stabilize and move fast," which will underpin our efforts to meet demands. We will implement process improvements and make necessary organizational changes to optimize product development, sales, service and supply chains. The more dynamic and streamlined we are as an organization, the greater our competitiveness, and the greater value we will be able to offer our clients.

NP Project, the power of refresh Five dimensions of brand support



Provide an integrated system from the bottom to the surface, wall to floor

- 1 Heat preservation and energy saving**
Integrated decorative thermal insulation system that are both green and energy-saving
- 2 Wall**
High performance, multi-functional for both exterior and interior wall coating system
- 3 Ground**
Professional floor coating systems with multi-functions as well as environmental friendly
- 4 Auxiliary base**
A multiplier based professional complementary system



Project Division – Key Iconic Projects

China's Three Super Airports

Nippon Paint China drew from vast experience in spearheading major industrial and public construction projects to provide insulation, interior and exterior wall coatings, and decoration panels for three of China's super airports – namely Beijing Daxing International Airport, Shanghai Pudong International Airport and Chengdu Tianfu International Airport.

In providing solutions and systems to these airports, we took into account safety, durability, aesthetic value and environmental sustainability. The terminal, as a public area where passengers are concentrated, needs a building space that is flame-resistant, anti-mildew and antibacterial, and have good water vapor permeability. We also balanced function with form,

as we installed epoxy grindstone floors in the terminals, which was an attractive, long-lasting and environmentally friendly flooring option.

As a public transportation hub with huge traffic flow, the top and wall decoration materials in the building space had to be built with fireproof interior wall products. Taking Beijing Daxing Airport as an example, a parking lot on the north side of the airport with a capacity of over 4,000 cars consists of three floors above ground and one basement. The fire safety performance of the parking lot determines the safety of the personnel in the airport. To maximize safety, we utilized Nippon Paint inorganic interior wall coatings with excellent resistance to combustion during airport construction.



China Zun Building

Nippon Paint also brought its expertise to the construction of China Zun Building. Located in the core of Beijing's CBD, this iconic structure is also the city's tallest. As Beijing has the highest seismic fortification requirement of all major cities in China, the construction of China Zun required careful planning of structure and form, and the right coatings solutions to boot.

Our Project Division team provided China Zun with an integrated full-system solution, stable quality coating products and efficient construction services. We designed a complete system of coating solutions that ensured durable, anti-cracking exterior walls, environmentally friendly and flame-resistant interior walls, and non-fiber-dust floors.

External cracking, water leakage and weather damage are all significant concerns for such a towering skyscraper; hence, we provided exterior wall coatings that would take all these risks into account. The building's exterior is partially coated with Nippon Paint elastomeric textured coating, covering

the wall with a safe and durable protective finish. The elasticity of the paint film allows the coating to expand and contract along with the structure when temperature changes occur.

Nippon Paint also equipped China Zun with long-term durability. The dense paint film can prevent external water penetration from corroding the concrete and wall base layer, and reduce the hidden danger of water seepage. Additionally, China Zun is crowned by an apron that requires highly weather-resistant coatings due to its extreme elevation. Here, Nippon Paint China utilized water-based fluorocarbon metallic paint, which not only creates an elegant metal texture effect for the space, but also provides excellent resistance to weather, water and general wear and tear. This coating will allow this part of the structure to withstand exposure to the elements for over 20 years and reduce maintenance frequency.

Our interior wall coatings used in China Zun contain almost no organic components and are naturally "Class A"

flame resistant. The quality and the rate of heat release are extremely low, which can effectively block contact between open flame and the substrate.



SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Budi Fianto Buna
President Director

PROFILE

Budi joined PT Nipsea Paint and Chemicals Indonesia in 1970 and has been the President Director since 1990. Prior to that, Budi, who began his career as an HR & Payroll Executive, rose through a succession of leadership roles across areas including sales, marketing and general management. He was one of the pioneering team members who spearheaded the company's growth in the Indonesian market. Under his leadership, both Trade Use and Industrial Use divisions secured the number 1 position in market share for Decorative, Industrial OEM and Motorcycle coatings businesses. Budi obtained his degree in 1976 from a private university in Indonesia.

PT Nipsea Paint and Chemicals



PT Nipsea Paint and Chemicals is Indonesia's leading manufacturer of paints and coatings under the Nippon Paint brand. Dominant in the Automotive OEM coatings business, Nippon Paint is also the market leader in the decorative paints segment and well loved by Indonesian consumers for over 50 years. The company employs over 6,600 staff and is headquartered in Jakarta with a wide sales network covering over 40 locations across the country.

Corporate data

Employees: 6,672
Headquarters: Jakarta, Indonesia
Ownership Ratio: 100.0%

Market features and outlook

The Indonesian paint and coatings industry remains resilient despite retracting due to COVID-19. Worth approximately 14.4 trillion rupiah in 2020, Indonesian paint consumption, especially in the decorative segment, is expected to continue to be buoyant. Our confidence in the market is underpinned by strong demand and the continued growing population base of 270 million. With a young demographic profile and a rising middle class, we expect demand for our products to rise as the Indonesian economy grows.

The Indonesian government has been actively pushing for several large projects and developments to continue

despite the pandemic situation, pledging a cumulative total spend of USD430 billion on infrastructure alone by 2024. This provides ample opportunity for us to generate growth by offering our expanded suite of products and services for these projects.

A positive outcome from the pandemic is the rapid digitalization of the economy and the proliferation of e-commerce. To maintain livelihoods for all Indonesians, the government helped boost connectivity and raised the standard of living in rural cities and villages. This created an increasing demand for concrete housing and paint to beautify and protect them. Coupled with the local

Market features and outlook

- Despite pandemic conditions, the market remains stable with a growing GDP forecasted at an average rate of 4% year-on-year
- With a population of circa 270 million and a majority at productive-age, the market has the right demographic to maintain a positive demand trajectory
- The increase in demand is backed by infrastructure investments and reduction in corporate tax rates giving rise to a better environment for business growth
- Cultural preference to redecorate and repaint every year helps to perpetuate demand

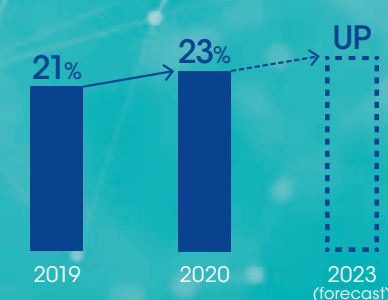
Growth strategy for FY2021-2023

- Heavy investments in brand building to maintain "Top-of-Mind" positioning for our end-customers
- Increase the distribution of our computerized Colour Creations Machines (CCM) and drive product penetration in all product segments in our retail network
- Proactively open new sales channels and distribution locations with a continued focus on strengthening partner and distributor relationships
- Expand e-commerce business to capture demand from online sales initiatives and channels

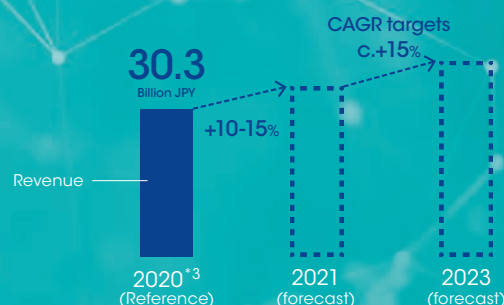
Market growth rate (decorative: Indonesia)*1



Market share (decorative/value: Indonesia)*1



Performance*2



*1 NPHD's estimates *2 FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency *3 Pro-forma figures *4 PPA amortization: JPY0.2 bn/year (rough estimate)

OP margin (before PPA) *4 33.8% → →

cultural preference to redecorate and paint every year, we believe that our business will continue to thrive into the coming year.

Growth strategy for FY2021-2023

We remain focused on entrenching our dominance in the Indonesian market through a 3-pronged strategy:

1. Enhancing distribution and reach
2. Growing adjacent businesses
3. Expanding into new sales channels

We aim to double the number of stock points from the existing 40 to 80 within the next 3 years. This coupled with our extensive network of 10,000 computerized Colour Creations Machines (CCM) by 2023 will allow us to service even the most remote of areas in Indonesia.

While Indonesia's renovation and repair market projects a positive growth trajectory, we will continue to leverage the Nippon Paint Group's strength to build a product portfolio that goes beyond just paint. This includes the

introduction of paint accessories, tools, SAF, waterproofing, etc. into our existing channels. The diversification of our portfolio and increased focus on adjacent businesses is expected to strongly contribute to our revenue growth over the next 3 years.

Currently, in Indonesia, we have 100% distribution coverage across major cities, servicing a network of 30,000 retailers. To drive further penetration of our products, PT Nipsea Paints and Chemicals will proactively expand into new sales channels and grow our existing distribution network. One key pillar to support growth in this direction will be to expand CCM locations with retail dealers to offer unlimited colour choices in a wide range of products, an area that we are already working to build upon.

In line with the Indonesian government's push toward the digital economy, we will continue to further our e-commerce initiatives and drive product demand online through our various digital engagements. With our

renewed sales and commercial efforts, we aim to capture customer demand for our products by further strengthening our position in this region.

As we look to build a sustainable and resilient business structure to maximize value for all our stakeholders, we will continue to make steady investments in brand development. Through our enhanced product innovation and customer centric services, we hope to deliver the most compelling value proposition for customers, creating a 'Top of Mind' recall for the Nippon Paint in Indonesia.

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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



Wang Chyang
Managing Director

PROFILE

Wang Chyang is the Managing Director of the Nippon Paint Singapore Group, which comprises Myanmar, Singapore, Vietnam, and Sri Lanka. In his 35 years with the company, Wang has successfully integrated new businesses and markets into the Group, expanding the footprint of Nippon Paint Singapore in the region. Wang is also concurrently the head of Group Protective Coatings (PC) and is responsible to grow the protective coatings business in Asia. Wang's inquisitive leadership style allows him to strategize effectively and keep the team motivated to achieve united goals, driven strongly by NIPSEA values.

Nippon Paint Singapore



Established in 1962, Nippon Paint Singapore is the leading paint manufacturer in Singapore. In addition to products for home improvement, building and construction industry, Nippon Paint Singapore manages a multi-segment portfolio of specialized products catering to the needs of the professional trade, auto-refinish, industrial and protective coatings industries. It also offers professional painting services, manned by a team of highly trained applicators who serve as proud ambassadors for the Nippon Paint brand. In 2020, Nippon Paint Singapore acquired the Selleys brand, expanding their portfolio to include the SAF segment and becoming providers of complete solutions for home improvement, building and construction industry.

Corporate data

Employees: 205
Headquarters: Singapore
Ownership Ratio: 100.0%

Market features and outlook

For Nippon Paint, Singapore is primarily a decorative paints market split equally between retail and project channel.

The retail channel for Singapore is driven by Nippon Paint's strong dealership network and local retail partners. With our increased efforts in expanding our distribution via other networks including online channels, we will keep nurturing our e-commerce business, to drive further revenue in this segment.

With Singapore's legislation that requires external walls to be repainted within a specific number of years, we foresee a stable demand for our decorative paints for repainting projects both in the public and private sector.

As the local government

continues to work on infrastructure projects, we expect to see a further increase in demand for materials within the public construction sector. This indicates an overall positive outlook for Nippon Paint in both the decorative paint and the protective coating segments.

A broadened product portfolio and continuous focus on brand, coupled with the acceleration of infrastructure projects as Singapore recovers from the impacts of the pandemic, will drive profitability for the Group in the coming year.

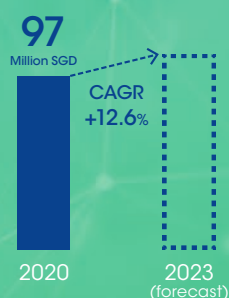
Market features and outlook

- Singapore is a mature market with low single-digit growth
- Positive outlook for residential housing supported by population growth and government investment in infrastructure projects highlights growth for the decorative paints segment
- With the government announcing Singapore Green Plan 2030, there is an increase in opportunity for environment friendly products like Cool paint technologies

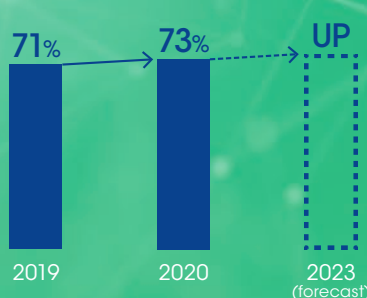
Growth strategy for FY2021-2023

- Continue to drive dominance in brand recall through omni-channel brand building initiatives
- To enrich existing networks of dealers and painters with the highest penetration of CCM machines, painter loyalty program and a comprehensive range of product offerings
- To continue to drive dominance in the decorative paint segment whether it is for housing or infrastructure projects
- Expand existing distribution channels to enter newer industrial use segments such as SAF, building materials, protective coatings, etc.

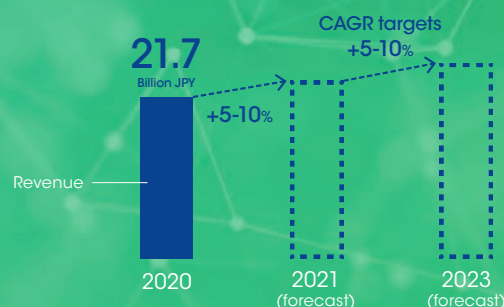
Market growth rate (decorative: Singapore) ^{*1}



Market share (DIY/value: Singapore) ^{*1}



Performance (Singapore Group overall) ^{*2}



^{*1} NPHD's estimates

^{*2} FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

Growth strategy for FY2021-2023

To retain our market dominance and drive consistent business growth in Singapore, our key strategies include:

1. Maintaining our market position for the decorative paint segment while simultaneously growing our business adjacencies.
2. Building a customer-centric approach and engagement programs for our business partners.
3. Providing value added services for our trusted and loyal customers.
4. Engaging with our customers on online channels and steadily growing our digital presence.

Being a market leader in the decorative paints segment with known reputation for high quality products, this segment continues to drive revenue for Nippon Paint in Singapore. To sustain market demand for this segment, we will continue to build awareness for our innovative products like VirusGuard through digital media advertising, online

promotions, and other commercial initiatives.

Complementing the decorative paint segment, we have diversified our product portfolio to include SAF, painting accessories, and other value-added services like professional painting to provide a full range of products, tools, and services for renovation products. With improving accessibility to quality products and services parked under the Nippon Paint brand, we foresee these initiatives to deliver positive outcomes.

In 2020, Nippon Paint formed an important integration with Selleys SAF. Leveraging our wide network of dealers and existing customer base, we will drive demand for this segment by launching our SAF products like "Liquid Nails" Adhesive, "S601" silicone sealants and "No More Gaps" filler to trade customers and at dealer shops.

As we strive to provide more value-added services to our customers, we will continue to enrich our existing network of painters through loyalty programs and

training sessions, where they can connect with each other, learn new skills, and deliver excellence to our customers.

In terms of our other business segments like building materials, we remain focused on driving further growth by leveraging our strong network of designers and contractors and building in-house logistics capabilities at our service centers.

Lastly, diversifying our portfolio into adjacent businesses will be key in gaining a larger stake in Singapore's paint and coatings industry. With that, we will continue to build awareness for our floor coatings, painting tools, Selleys SAF products and construction chemicals and improving competencies within this segment.

Delivering quality customer experiences through innovation and diversification will outline our overall business growth as we establish a stronger stranglehold in this region.

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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



Yaw Seng Heng
Group Managing Director

PROFILE

Yaw Seng Heng has been a part of the Nippon Paint Group for close to three decades and is known for being a visionary leader who embodies the company's spirit of entrepreneurship and innovation. He has led Nippon Paint Malaysia Group to achieve multiple successes from overseas expansion to moving into new locations including Pakistan, Bangladesh and Turkey and managing the operations of the Decorative Segments for Thailand and Indonesia. Under his astute leadership, Nippon Paint Malaysia Group was also able to expand beyond paint & coatings segment such as SAF through integration with Selleys and the latest acquisition of Vital Technical.

Nippon Paint Malaysia



Established in 1976, Nippon Paint Malaysia has grown in leaps and bounds and today, has emerged as a significant market leader within the paint & coatings industry with presence in Pakistan, Bangladesh, Philippines, Thailand and Indonesia. As a global leader in paint & coatings technologies, Nippon Paint Malaysia prides itself as being a total coatings solution provider with a multi-segment product portfolio serving several sectors including architectural, automotive, industrial, marine and home repair solutions.

Corporate data

Employees: 1,057
Headquarters: Selangor, Malaysia
Ownership Ratio: 100.0%

Market features and outlook

The paint and coatings industry in Malaysia is one of the most advanced in terms of product offerings in Southeast Asia.

While the industry faced setback due to disruptions in supply chain and temporary halting of construction projects in light of COVID-19, with revival of infrastructure and housing projects post pandemic control, we expect this sector to move towards a steady recovery.

With Malaysia's renewed focus on environment and health, products that are environment friendly and promote wellness will be prioritized by customers. This gives Nippon Paint an opportunity to promote innovative products like anti-viral paint offerings and establish market leadership within this segment.

The global pandemic has also

seen an unprecedented uptake of digital channels amongst customers in Malaysia. Customers are spending more time online, resonating with brands who are able to provide one-stop solutions for their needs. This presents an opportunity for Nippon Paint to drive traffic to e-commerce platforms as the leading market player that houses a range of paints and coatings solutions under roof.

With our customer centric approach, continuous need for innovation and rapid expansion into e-commerce, we believe our business will continue to thrive in the coming year.

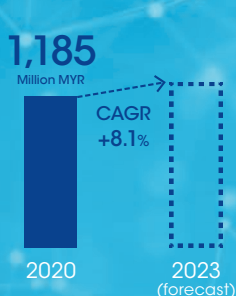
Market features and outlook

- Malaysia's economy is expected to rebound in the latter half of 2021, and stabilize by 2022
- As infrastructure, construction and affordable housing projects are expected to revive post pandemic control, demand for products in the IU segment and decorative paint will showcase a positive trajectory
- With environment, health and sustainability becoming key areas of focus, customer needs for environment friendly and wellness products are expected to rise
- Rapid digitalization efforts and strong growth of e-commerce channels enables Nippon Paint to expand product penetration direct to customers

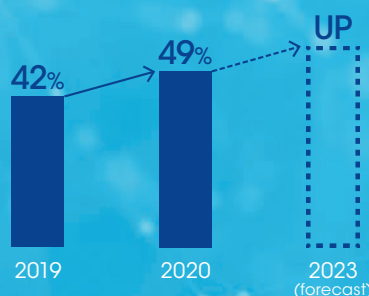
Growth strategy for FY2021-2023

- Continued investments in brand building initiatives
- Strengthen Nippon Paint's position as a market leader in the decorative paint segment while continuing to expand beyond paint & coatings segment such as water-proofing, painting tools and accessories and Sealants, Adhesives, and Fillers (SAF)
- Establish a leadership position in Auto-Refinish and Protective Coatings segment while growing market share in the Industrial Use segment
- Continue to expand customer base into wellness segment with anti-viral and environment friendly products
- Develop the e-commerce business to drive profitability via online platforms

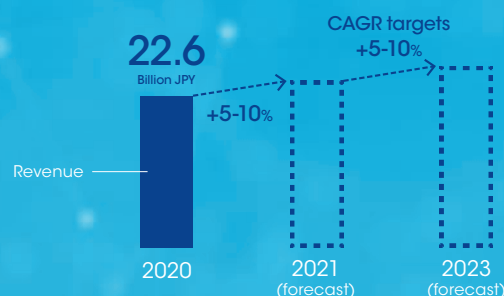
Market growth rate (decorative: Malaysia) ^{*1}



Market share (DIY/value: Malaysia) ^{*1}



Performance (Malaysia Group overall) ^{*2 *3}



^{*1} NPHD's estimates

^{*2} FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

^{*3} Excluding the contributions from Betek Boya and PT Nipsea

Growth strategy for FY2021-2023

Moving forward, we remain focused on driving consistent growth for Nippon Paint in Malaysia while ensuring that we are able to successfully meet the changing preferences of our customers.

Key pillars that outline our business strategy include:

1. Driving market dominance in the decorative paints business segment
2. Expanding offerings and services to provide customers with complete solutions
3. Making steady investments in enhancing brand awareness for innovative products via new channels

Nippon Paint has always been a leading market player in the decorative paint and consumer product segment, underpinned by our innovative and high-quality products. As housing projects come to revival and customers make investment in home renovations, we will continue to drive awareness

for our paints and coatings solutions. Through our commercial initiatives we hope to achieve at least 50% top of mind awareness for our brand amongst homeowners by the end of 2023.

Taking into consideration the rise in demand for wellness and sustainable products, Nippon Paint has unveiled several innovative products that have gained a positive reputation amongst our customers. This includes our anti-viral offerings like Nippon VirusGuard, that provides protection against the novel coronavirus as well as our environment friendly products like Green Choice and Child Wellness Range. With customer preferences shifting to sustainable choice, we anticipate our innovative product range to deliver positive revenue outcomes.

Along with strengthening business on the customer front, we will continue to deliver new technologies and solutions for our business partners. This includes driving distribution of our computerized Colour Creations Machines (CCM) from 63% to 70% by the end of 2023 and

increased product penetration across all segments.

As we work to become a complete solution provider for customers, we will continue to diversify our portfolio and expand into new business segments to include waterproofing and construction materials for our project customers. We will simultaneously also improve our offerings in the adjacent SAF segments to provide end-to-end home solutions for our customers, made possible through our acquisitions of Selley's and Vital Technical. With expansions as such, we expect to see a higher brand penetration into new segments in the near future.

While expanding our business offerings, we continue to remain invested in driving revenue and profitability via our e-commerce platforms and online initiatives. As popularity for online service providers continues to increase, we hope to extend our online offerings to include other value-added services like painting services, etc. into this platform.

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Patrick Houlihan

Chairman and
Chief Executive Officer

PROFILE

Patrick joined DuluxGroup in 1989 and has been CEO since 2007 and also Chairman since 2019. Prior to becoming CEO, Patrick progressed through a succession of senior leadership roles across areas including R&D, sales, marketing and general management. Patrick is also the Chairman of the Murdoch Children's Research Institute, on the Board of the Australian Government's Industry Innovation and Science Australia, on the Advisory Council of St Mary's College at The University of Melbourne and is a member of the Australian Institute of Company Directors. He also represents DuluxGroup on the Business Council of Australia and Manufacturing Australia. Patrick holds a Bachelor of Science (Hons.) and an MBA.

DuluxGroup



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.

Market features and outlook

DuluxGroup is a marketer and manufacturer of premium branded products that enhance, protect and maintain the places and spaces in which people live and work. We put consumers and customers at the heart of everything we do, and we deliberately focus on attractive and well-structured market segments that deliver consistent growth and strong returns.

Our core existing home renovation and repair markets in Australia and New Zealand (ANZ), which account for approximately two-thirds of DuluxGroup revenue, are expected to continue providing resilient, profitable growth. The fundamentals underpinning these markets are generally positive,

including stable GDP growth, low interest rates, relatively strong consumer confidence and buoyant discretionary retail spending. We anticipate markets will return to 'normal' growth rates over the medium term, following particularly strong growth during 2020, which resulted from COVID-19 stay-at-home activity.

Our largest product market, decorative paints, historically grows volume at approximately 1% a year and Dulux has consistently grown value ahead of that, at an average of 5% a year.

By continuing to put our consumers and customers at the heart of everything we do, we are well placed to build on our leading positions across market segments.

Corporate data

Employees: 3,912
Headquarters: Victoria, Australia
Ownership Ratio: 100.0%

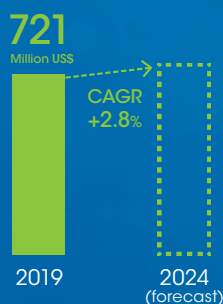
Market features and outlook

- Stable GDP growth, strong consumer confidence underpinned by low interest rates and a strong residential housing market
- Expansion of renovation and repair markets expected in decorative paints segment

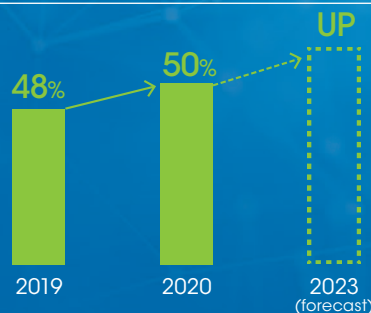
Growth strategy for FY2021-2023

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

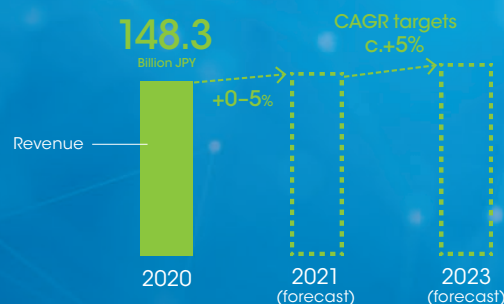
Market growth rate (decorative: Australia)*¹



Market share (decorative/volume: Australia)*²



Performance*³



*1 ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024).
<https://paint.org/market>

*2 NPHD estimate of Australian decorative paint market

*3 FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

*4 PPA amortization: JPY1.3 bn/year

OP margin
(before PPA) *⁴

11.6%



Growth strategy for FY2021-2023

We remain focused on continuing our track record of consistent growth in our core ANZ businesses whilst ensuring that our Group capabilities assist Nippon Paint Group to accelerate our collective global growth and ambition, with the ultimate goal of maximizing shareholder value.

Our three strategic growth pillars are:

1. Continue to grow our market leading Dulux, Selleys and other home improvement businesses in Australia and New Zealand;
2. Contribute to the growth of sealants, adhesive & fillers (SAF) and construction chemicals (CC) in the Nippon Paint Group; and
3. Contribute to Nippon Paint Group's decorative paints and specialty coatings growth, particularly in western markets

Our growth ambitions are enabled by continuing to invest in our core

capabilities and priority areas, including: premium brands, strategic marketing and consumer engagement through digital omni-channels; innovation and technology; sales capability; retail and trade customer channel focus; and supply chain excellence.

Our ongoing growth is underpinned by an experienced and capable workforce and a performance-driven culture. Our employees are united by our shared Values & Behaviors, which guide us to continually find smarter, market leading solutions for our consumers and customers. This is reflected in world class levels of employee engagement. Critically, we are continuing to invest in and develop new skills, capability and talent aligned to our strategic goals.

DuluxGroup is a 103 year old ANZ market leader with regional scale and strong market positions, with the capability to make a meaningful contribution to the global growth

ambitions of the 140 year old Nippon Paint Group. Our collaboration is already delivering mutual benefit, and we are well placed to capitalize on the opportunities ahead in our chosen markets, using our collective strengths to maximize shareholder value.

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.

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Tayfun Küçükoğlu
CEO

PROFILE

Tayfun Küçükoğlu has held various roles within the Betek Boya Group, where he was a founding member in 1988. Küçükoğlu has also been operating as Betek Boya's CEO and is a member of the Board of Directors since 1995. He is also one of the founding members of the Paint Manufacturers Association (BOSAD) founded in 2003 and continues to be a part of its Board of Directors. Between 2015 and 2017, Küçükoğlu served as the Chairman of the Board of Heat, Water, Sound and Fire Insulators Association (IZODER). He has also been the Chairman of the Board of Directors at IMSAD (Construction Materials Industry Association) since 2020.

Betek Boya



Betek Boya is a leading Turkish paint and ETICS company. Its multi-brand portfolio covers premium brands to budget options in the Turkish paint market. Betek Boya has been leading the Turkish decorative paint segment for the last 21 years, has 7 production facilities and is listed as no.1 in the paint companies reputation index for more than 10 years in the market. Betek Boya also includes industrial coatings in its portfolio and is eager to gain extra market share in selective geographies by exporting its entire product group to more than 30 countries. Betek Boya is also proud to be the first certificated company in Turkey with Hygiene Process Certificate during the pandemic, marking its responsibility towards society.

Corporate data

Employees: 1,709
Headquarters: Istanbul, Turkey
Ownership Ratio: 99.6%

Market features and outlook

Betek Boya is a market leader in paint and ETICS industry in Turkey, providing a broad portfolio of products including architectural, industrial, furniture and protective paints & coatings to its customers, with an increasing investment in technology and innovation. Betek Boya exports its entire product group to more than 30 countries and moving forward, and will continue to expand their market share in adjacent geographies.

Decorative paints account for more than 55% of the Turkish paint segment with a forecasted market growth of 3.6% every year. This lucrative segment, which forms a premium share of Betek Boya's product portfolio (approximately 60% of total revenue) is expected to show further growth as the

demand for renovation and repairs increase with stable GDP growth.

With stringent EU regulations in health and environment expected to be effective by 2023, there will be a rise in demand for environment friendly products, leading to a higher uptake for products within the ETICS category. With Betek Boya's innovative ETICS products, the company is ready to respond to customer needs and grow this sector to deliver positive revenue outcomes.

A customer-centric approach, strong dealership network and continuous focus on innovation are key factors in Betek Boya's consistent growth in Turkey and will continue to outline revenue growth efforts in the region.

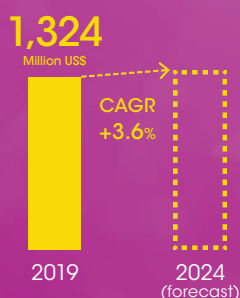
Market features and outlook

- Stable GDP growth, brand loyalty, consumer confidence and growth in renovation market is expected to continue
- High growth of renovation market is anticipated for decorative paints segment
- Increase in demand for ETICS (External Thermal Insulation Composite System) is anticipated due to stricter European environment regulations. 70% of the building in the market are still non-insulated and current 30% market growth level is expected to continue in ETICS sector
- Continuous monitoring of Turkish Lira FX changes required

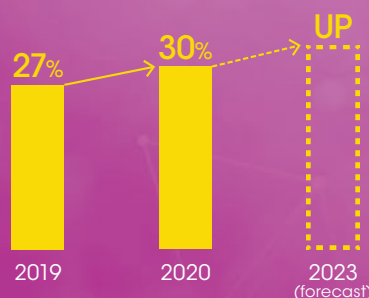
Growth strategy for FY2021-2023

- Promote multi-brand strategy in decorative paint segment for market share expansion by strengthening premium brands, optimizing product portfolio and driving trade and commercial initiatives
- Expand market share in ETICS segment and maintain profitable growth for this sector
- Focus on expanding the number of "New Generation Dealers" stores along with driving product innovation
- Continue to build brand presence outside of Turkey
- Drive aggressive growth in the industrial group using the power of synergy with Nippon Paint

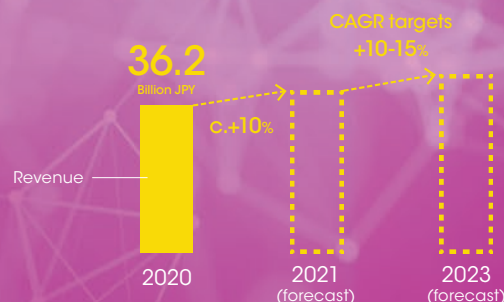
Market growth rate (decorative: Turkey) *1



Market share (decorative / value: Turkey) *2



Performance *3



*1 ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market> *2 NPHD's estimates *3 FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency *4 PPA amortization: JPY1.0 bn/year

OP margin
(before PPA) *4

13.8%



Growth strategy for FY2021-2023

We remain focused on driving consistent growth in Turkey while strategically ensuring that we are able to expand Nippon Paint's global footprint and maximize value for all our stakeholders.

Our key growth strategies pillar can be outlined as:

1. Expanding our market share in decorative paints through a multi-brand approach.
2. Aiming for sustainable growth and expansion in the ETICS category.
3. Expanding brand presence in adjacent geographies.
4. Building a customer centric approach by delivering seamless and unique customer experiences through our marketing and trade channels.
5. Making steady investments in both product and technology through the Nippon Paint synergy in the industrial coatings sector.

Our main growth strategy for decorative paints is to continue and

strengthen our multi-brand strategy and optimize our product portfolio to improve our market share. This involves the differentiation of brands by strengthening our premium brands with seamless customer experience and comprehensive product portfolio and fostering our budget brands with dynamic portfolio optimization and trade marketing and commercial initiatives.

Betek Boya has the largest integrated ETICS production facility in Europe and is the only system provider in Turkish market. Dalmaçyalı is the founding and leading brand within this category in Turkey competing against more than 200 local brands. Stimulating demand in ETICS category as the leader and maintaining profitable growth by consistent brand and high-tech product portfolio investments will form our main growth strategies to gain a higher market share within this sector.

Delivering notable customer experiences and building their confidence in the Betek Boya brand will continue to outline our marketing

efforts in the region. The inception of seamless painting service (Filli Ustam) and one of a kind 'New Generation Dealer' stores designed to accelerate consumer shopping experiences complete the omni-channel experience for our customers. As e-commerce and online engagements seek to grow post pandemic, Betek Boya will continue to explore innovative strategies to better connect with our customers and deliver new experiences for them.

Betek Boya exports its entire product group to more than 30 countries and we will aim to grow our market share in selective geographies by optimizing and refreshing our product portfolio and distribution channels while simultaneously looking for newer growth opportunities in other markets.



Karl Altergott
CEO

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

PROFILE

Karl Altergott has been the President and CEO at Dunn-Edwards for the past 12 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 MBA from Pepperdine University's Graziadio School of Management.

Dunn-Edwards



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.

Corporate data

Employees: 1,888
Headquarters: California, USA
Ownership Ratio: 100.0%

Market features and outlook

Dunn-Edwards is an industry-leading, regional manufacturer that earned its reputation by combining high quality products with unmatched customer service.

2020 was a year full of the unexpected. A global pandemic shut down the economy for a period and the population responded by investing in their homes and taking on renovation projects, thereby increasing the demand for paint products.

Our core residential repaint markets are expected to show continued strong demand even as "stay at home" ends, driven by substantial accumulated home equity and low inventory of existing homes. This will benefit both our professional and consumer customer segments.

Commercial activity is increasing but the demand for office space is still weak as companies continue to assess and balance "work from home" versus return to work in corporate facilities. This trend is expected to continue as the economy begins to open.

Consumer spending in the home improvement sector remain strong. Expanding our offering to retail customers offers tremendous upside for growth in this important segment.

We are guided by a mission of developing products and services with measurable and meaningful performance advantages versus the competition. This philosophy, combined with our focus on meeting customer needs, positions us well across segments and for future growth.

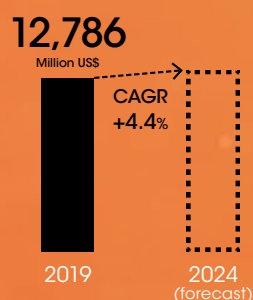
Market features and outlook

- Raw materials shortages driven primarily by a winter storm impacted the petrochemical industry and have created significant supply volatility compounded by strong overall demand growth
- Demand in the residential repaint segment is expected to continue even as "stay at home" ends. This is driven by substantial increases in home equity and low volumes of inventory for sale
- Commercial activity is increasing but demand for office space is notably weak
- Strong consumer spending in home improvement provides growth opportunities in this segment

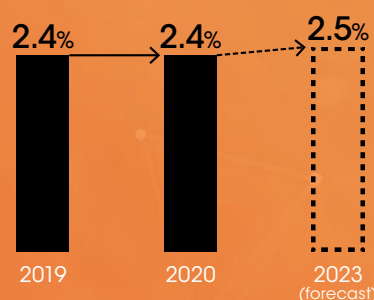
Growth strategy for FY2021-2023

- Future growth to be accelerated on a more non-store retailing structure by driving automation through digital transformation
- Tapping into new sales channels including general retailer, dealers, home centers, and e-commerce
- Increasing market share by taking actions such as opening new stores and developing new products that utilize existing sales networks

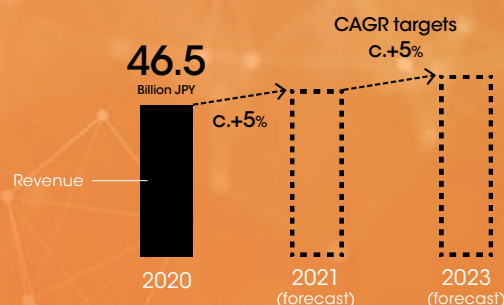
Market growth rate (decorative: USA)^{*1}



Market share (decorative/value: USA)^{*2}



Performance^{*3}



^{*1} ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>

^{*2} NPHD's estimates

^{*3} FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

Growth strategy for FY2021-2023

At Dunn-Edwards, we remain focused on our strategic growth plans. Our priorities will help build a foundation for the future by growing net operating profit as a percentage of sales while increasing revenue and market share, with the goal of maximizing shareholder value.

Our three growth targets are:

1. Decrease dependence on and increase efficiencies with stores. The Dunn-Edwards retail store model requires capital investment which must be carefully weighed and considered. Identifying ways to expand service areas without traditional store expansion is essential to invest capital effectively to foster growth, while controlling expenses.
2. Develop new channels. Channel growth through existing and new relationships represent new revenue streams to maximize return on assets through general retailer, dealer, home centers,

and online opportunities. Multiple opportunities to define brand and build channels are underway.

3. Deepen segment penetration. Dunn-Edwards is positioned to further grow existing markets and pursue target segments within our core offering. Our focus on professional customers for over 95 years has given us unique insights to help maximize volume out of existing stores and investments.

Complementing Dunn-Edwards growth targets, product innovation is always a key focus for us to meet changing market demands. We continue to invest in our product development capabilities through state-of-the-art facilities and capable workforce. These efforts, combined with our new product pipelines and global collaborations with Nippon Paint Group companies, will bring new and superior-performing products to market.

Environmental stewardship is a central component to the Dunn-Edwards

brand. We continue to be on the forefront of environmental issues by examining national and international regulatory actions and aligning with Nippon Paint Group ESG principles and practices. As we move forward, our Environmental Affairs Team is working on proposed strategies to support 2050 zero carbon emission compliance.

Dunn-Edwards success is grounded in our experienced management team, diverse culture, and highly-trained employees. The continued integration of personnel across Nippon Paint Group companies, at all levels of the organization, is building and leveraging our collective knowledge base that will aid in developing capabilities and ultimately solutions to improve how we serve our markets and maximize shareholder value.

SWOT analysis

Strengths

- Solid business foundation as a major global player in automotive coatings
- Comprehensive ability to provide the entire spectrum of automotive coatings from coatings for auto bodies to interior and exterior plastic components
- Customer support system with a global sales network expanding from Asia

Weaknesses

- Weak competitiveness in Europe and America (business restructuring in Europe and construction of a new production base in the U.S. are in process to become more competitive)

Opportunities

- The automotive industry continues to show significant growth potential, particularly in emerging markets
- Growing need for environmental products due to tightening environmental regulations in many countries
- Numerous opportunities for business expansion from new technological innovations, such as CASE (Connected, Autonomous, Shared & Services, and Electric)

Threats

- Decreasing opportunities for existing business due to new alternative coating methods
- Economic slowdown and reduced automobile production due to the COVID-19 pandemic
- Impact on earnings from changes in raw material market conditions

Shinji Takedagawa

President & Representative
Director of the Board

PROFILE

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

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



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

Corporate data

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

Market features and outlook

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

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

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

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

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

Growth strategy for FY2021-2023

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

In Japan, we will focus on our

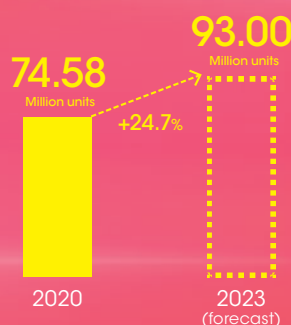
Market features and outlook

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

Growth strategy for FY2021-2023

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

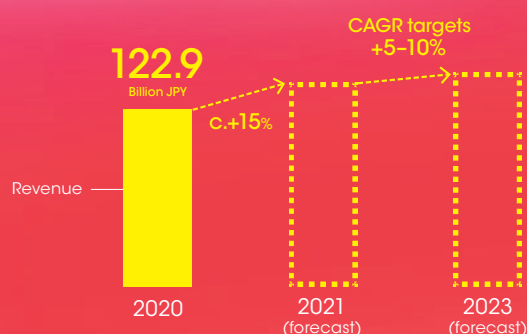
Market growth rate (automotive: global)*1



Market share (automotive: global)*2



Performance*3



*1 Source: NPHD based on IHS Markit data

*2 NPHD estimate based on 2019 data

*3 FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

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

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

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

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

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

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

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

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

*4 Developed and operated by U.S. Green Building Council, LEED is the leading program for green building evaluation worldwide

*5 "Notice Regarding Transfer of Shares Accompanying Change in Consolidated Subsidiary" (released on August 10, 2021): https://www.nipponpaint-holdings.com/en/news_release/20210810ir02/



Masuo Kida

Representative Director
and President

SWOT analysis

Strengths

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

Weaknesses

- Aging production and logistics facilities

Opportunities

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

Threats

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

Market outlook

We expect private-sector construction investment to rebound from the decline in FY2020 while the pandemic continues to subdue retail sector appetite for renovation and new construction demand takes time to recover

Strategy for FY2021-2023

Establish a dominant position in the domestic decorative paints business by offering unrivalled technologies and services and becoming the recognized industry leader

Nippon Paint Co., Ltd. (NPTU)

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

Growth strategy for FY2021-2023

NPTU is refining its technologies and services and aiming to remain ahead of the competition. We expect these efforts to drive earnings growth outpacing the domestic decorative paints market. We will also implement measures to continue steadily expanding the market shares held by our businesses. One way we will do this is by aiming to become the undisputed industry leader by offering superior paint technologies and services that outrival competitor offerings in the Kanto region, which is Japan's biggest demand area.

Our marketing and sales strategies will focus on promoting and enhancing our lineup of anti-viral products with health and safety features. We will also step up sales and promotion activities to advance the penetration of next-generation products and accelerate activities to improve

services for customers.

Development and product strategies will cater to the growing market for next-generation anti-viral paints spurred by the COVID-19 pandemic, and include the launch in 2020 of the first offerings from our PROTECTON brand of anti-viral paint products.

We will constantly promote sales expansion, as well as contribute to solving social issues, by offering broad lineups of paint as well as other anti-viral and anti-bacterial products, ranging from professional-use products to home-use products.

We will also advance product development following various themes to meet specific market needs, such as for next-generation high designability paint, ultra-high durability paint, and water-based paint technologies in the architectural, steel, and automotive refinish markets.

At our production facilities, we will systematically upgrade aging equipment without compromising our supply capabilities and while ensuring that safety and quality are maintained and improved. We will also review our ordering and shipping systems such as introducing automation where appropriate to improve customer convenience and reduce costs while

maintaining sufficient supply capacity to support market share growth. In addition, we have an eye to achieving the plans described above as well as market share gains, revenue growth, and profitability improvement that surpass the plans. To achieve this goal, we will aim to generate synergies worldwide with the Nippon Paint Group's partner companies abroad in fields designed to respond to social needs around the world, such as the development of anti-viral products, in addition to the systematic development of human resource talent who will form the foundation of our businesses, strengthening our competitiveness in the existing markets, and tapping into new markets.

SWOT analysis

Strengths

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

Weaknesses

- Slower growth of existing businesses in the domestic market

Opportunities

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

Threats

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

Takeshi Shiotani

Representative Director
and President

Market outlook

We forecast the domestic industrial coatings market to decrease about 1% overall, but expect demand for environmental and labor-saving products to support growth in the market for powder coatings. We anticipate ongoing strong growth in the industrial coatings market overseas, particularly in Asia

Strategy for FY2021-2023

Create new businesses, including for the post-pandemic market, solidify our existing business positions, and accelerate business expansion overseas through collaborations with overseas partner companies. Practice ESG-driven management and deliver both economic and social value to contribute to sustainable development of industrialized society

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

NPIU specializes in coatings for general industrial applications (other than automotive coatings) with a mission to contribute to developing industrialized society by offering new value that opens doors for next-generation paint and coatings. The company manufactures and sells paints and coatings for industrial products ranging from building and home exterior materials, home appliances, office furniture, to construction & agricultural machinery, railway and other equipments. The company also sells painting and coating equipment and manufactures and sells functional materials in the fine chemical field.

Growth strategy for FY2021-2023

NPIU is focusing primarily on advancing the two initiatives of reforming our business structure and executing ESG-driven management, which we plan to bring to completion in FY2023.

The first initiative is the reform of business structure. The domestic market for our existing businesses has matured and is under intense competition. Under these circumstances, we will realign our business structure and create a high-growth, high-profit business model geared to the market trends and local conditions for each business.

We will establish a solid market position for our core powder coatings business by fully integrating the production, sales, and technology processes to take advantage of the

growing demand for environmental and labor-saving products. In the coil coating business, we will establish a dominant position in the domestic market and collaborate with partner companies to accelerate business expansion overseas. The paints and coatings business will develop new products and technologies to cement our presence in the Japanese market and step up our drive to become a major global provider of products for construction and agricultural machines and railway cars.

The creation of a second core business that has begun during the previous medium-term management plan will continue to focus on increasing sales of strategic products in the industrial coatings and decorative paints markets and expanding business for heat shield and high-durability white road striping paints.

We are also responding to opportunities to create new demand arising from developments in society, specifically from the current and anticipated post-pandemic conditions and the trend for remote-based activities. In this direction, we launched sales of PROTECTON Barrierax™ Spray in July 2021. Moreover looking ahead to the age of self-driving cars, we are developing a new business for sensing,

insulation, and heat-resistant products for the CASE (connected, autonomous, shared, and electric) automotive field. We will also invest in DX, IoT, and automation to improve efficiency, advance strategies, and enhance profitability in our existing and new businesses.

The second initiative is to execute ESG management. Current environmental measures aimed at reducing greenhouse gas emissions include the energy-saving design and centralized electricity management at the new powder paints facility in the Chiba Plant, our mother plant. The strategies for the supply chain and information and communications technology (ICT) are to actively install business integration tools and systems to facilitate redesigning and constructing seamless business operating processes from order receipt through manufacturing and sales. The human resources strategy includes DX and assigning employees to further our globalization using the new Groupwide job-description-type personnel system.

These initiatives will transform us into a high added value, high management efficient, and high profit smart company with the competitive strength to propel its businesses from Japan to the world.



**Satoshi
Nishimura**

Representative Director
and President

SWOT analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

- Shrinking domestic market
- Rising raw material prices

Market outlook

In Japan, we anticipate declining demand for coatings for automobiles and steel coils, and flat or slightly increasing demand for coatings for general-use industrial products, beverage cans, and aluminum products. We project overseas demand for coatings to grow rapidly in all business fields, particularly in Asia

Strategy for FY2021-2023

Maximize revenue and profit by continuing the business growth in Japan through market share expansion and by accelerating the growth of overseas Group companies

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

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

Growth strategy for FY2021-2023

NPSU is establishing sustainable growth and reinforcing its profit structure by applying new technologies to address ESG issues with the objectives of addressing social issues and maximizing its revenue and profit contribution to Group earnings.

In Japan, where we anticipate a shrinking market, we are aiming to achieve sustainable growth through differentiation by offering technologies for reducing environmental impact and lowering running costs and by introducing new products and services, including in new business domains.

In our existing business areas, we will improve the value of our products in the market. Strategies will include developing new technology systems for reducing CO₂ emissions and water consumption to meet customer needs to reduce the environmental impact of manufacturing

processes. We will also meet the growing demand for advanced products with improved antirust performance of coatings. Initiatives in new business fields will seek to establish solid new businesses and will include developing new coating systems, such as antifouling coatings to protect social infrastructure, and material technologies that can contribute to electrification of mobility.

In our production activities, we will maintain our solid foundation of safety, quality, and environmental protection while also stepping up the development of human resources. One initiative in this direction was the introduction of a "Production Meister System" to visualize and enhance the skills of production site engineers. The system will better enable experienced engineers to pass down their expertise, which will strengthen our supply stability and production efficiency of high-quality products. In our logistics operations, we will reduce costs through measures that will include optimizing transport system operations within the Group.

In our global businesses, we will strengthen relationships at all levels, from top management to production divisions, with Group companies in China and South Korea specializing in surface treatment field and work

together to develop products, promote sales, and improve productivity.

Development and sales promotion activities will focus on enhancing value for customers and accelerating development speed by sharing specific customer needs among the Group to combine our technological strengths and provide solutions. We will also reduce production costs by sharing raw material procurement information. In addition, we will help improve the production safety, efficiency, and quality at our Group plants around the world by providing solutions and sharing our experience and expertise.

Through these activities, Group companies in China, South Korea, and all regions will seek to boost worldwide sales and profits in the surface treatment market.

SWOT analysis

Strengths

- Ability to develop products anticipating need for environmental products
- Streamlined manufacturing, logistics, and raw materials procurement functions that leverage the Group's comprehensive capabilities

Weaknesses

- Business structure with earnings exposure to market conditions due to high proportion of raw materials with high price volatility
- High market share among shipbuilders in Japan but not in China and South Korea

Opportunities

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

Threats

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

Market outlook

We project ongoing stable growth in marine transportation volumes. We forecast growing construction demand and rising marine transportation charges to boost paint demand from 2021

Strategy for FY2021-2023

Gain global recognition as a manufacturer of advanced environmental products and become a threat to competitors' existence

Seiichiro Shirahata

President

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

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

Growth strategy for FY2021-2023

The new Medium-Term Plan for FY2023 sets a three-pronged strategy of expanding global businesses, advancing measures to respond to the consolidating shipbuilding industry in Japan, and developing advanced environmental products.

Expanding global businesses will be achieved by strengthening our competitiveness and increasing sales and market share through full-scale development of our FASTAR next-generation antifouling paint. We will also leverage the business base of our joint venture to expand the maintenance & repair (M&R) business in Europe and the Middle East and enter M&R market in Oceania and marine market in Asia.

In addition, since antifouling paint will be the key product for expanding our sales and market share, we will strengthen

the supply chain management worldwide to ensure a stable supply. We will collaborate with the NIPSEA Group and other overseas partner companies to optimize our technologies, logistics, production, and raw material procurement to create an operating structure that is resilient to market conditions and contributes to Group profits.

Measures to respond to the consolidation of the shipbuilding industry in Japan will focus on building and strengthening customer relationships as well as on providing strategic products that offer new value and constructing an operating structure supporting consistent earnings.

Efforts to develop advanced environmental products will center on products that lower environmental impact by reducing biocide elution and CO₂ emissions from ships. Our long-term objective is to develop antifouling paint that produces zero marine pollution. Our goal for 2023 is to identify the mechanism that triggers the antifouling property and advance from the basic test stage to the product development stage.

The Marine Seafront Research Center is currently researching performance prediction methods that use big data on marine environment and ship operation status. The center will

be our base for advanced technologies from which we will exchange information with major overseas customers, explore market needs, and identify development themes for the near future.

Anti-viral paints and coatings are getting increasing attention due to the COVID-19 pandemic. We are conferring with our customers in the maritime industry and will respond to their needs, such as obtaining certification or providing packages for our antiviral products.

In other areas, we will apply the anti-corrosive technologies we have developed in the marine coatings field to develop products for offshore wind power generation systems, where we anticipate increasing demand for specialty paints and coatings.

Expanding business opportunities through ESG initiatives for sustainable growth

Further commitment to SDGs and ESG

Materiality (Relevant SDGs)	ESG Agenda	ESG Action Examples	Business Opportunities
Climate change 	<ul style="list-style-type: none"> Reduction of greenhouse gas (GHG) emissions Identification of risks and opportunities 	<ul style="list-style-type: none"> CO₂ reduction (Scope 1 & 2) Started to calculate global Scope 3 emissions Started TCFD scenario analysis (identifying risks and opportunities, etc.) 	<ul style="list-style-type: none"> New opportunities emerging within the low-footprint product market Facilitate production line restructuring/automation to address aging and obsolescent parts in plants and improve profitability Identify customer needs and strengthen branding Revenue growth through acceleration of innovation (Example) <ul style="list-style-type: none"> Anti-viral and anti-bacterial paint brand PROTECTON Coatings for offshore wind turbine systems FASTAR next-generation antifouling paint on ship bottom
Resources and environment 	<ul style="list-style-type: none"> Waste/energy consumption (efficient consumption)/water resource consumption/pollution management, product stewardship 		
Diversity & Inclusion 	<ul style="list-style-type: none"> Increase the percentage of women in management posts Improvement of employee engagement 	<ul style="list-style-type: none"> Promoting gender diversification on Board/management team Percentage of women (2020) <ul style="list-style-type: none"> The Board of Directors (NPHD) 12.5% Employees (global) 24.0% Management posts (global) 23.8% 	
Safe people and operations 	<ul style="list-style-type: none"> Disaster (fire accident) prevention and process safety Fatality and injury prevention 		
Growth with communities 	<ul style="list-style-type: none"> Policy development for the company's social contribution Strategic implementation of social contribution activities 	<ul style="list-style-type: none"> Establishment of the NIPPON PAINT Group Global Outreach Program Enhancement of Education/Empowerment/Engagement, and data collection 	
Innovation for a sustainable future 	<ul style="list-style-type: none"> Promotion of cross-industrial collaboration Development of products that benefit society 	<ul style="list-style-type: none"> Development of anti-viral and marine-environment-friendly products Expansion of the lineup of products with social benefits 	

Commitment of a Corporate Officer in charge of ESG promotion

During the period of the New Medium-Term Plan that started in FY2021, we will further push forward with specific actions based on the ESG agenda linked to materiality.

For the response to "Climate change," we will steadily work to reduce CO₂ emissions while shifting to renewable energy and replacing equipment with energy-saving and electrified models. In high-growth countries where markets are expanding, we will focus on reducing emissions per intensity to achieve the net zero targets set by each country.

For "Innovation for a sustainable future," we will contribute to customer needs by providing coatings for offshore wind turbine systems and the next-generation ship bottom antifouling paint FASTAR, since low-footprint products are a very important category in the BtoB business. On the other hand, as the global expansion of COVID-19 from 2020 has led to a growing need for paints with anti-viral and anti-bacterial functions, we plan to continue releasing new products one after another under the PROTECTON brand.

In addition, coexistence with local communities is an important theme for our Group's business operations. For "Growth with communities," we are accelerating social contribution activities through business on a global scale. For example, we launched the global initiative for social contribution activities, the NIPPON PAINT Group Global Outreach Program, in FY2021. We believe that the promotion of this initiative consisting of three pillars — Education, Empowerment, and Engagement — will make significant contribution to the sustainability of our business.

As mentioned above, our Group will expand our business opportunities and contribute to social sustainability through management based on the perspectives of SDGs and ESG.

Yoshiaki Kuroda
Managing Executive Officer
and CAO



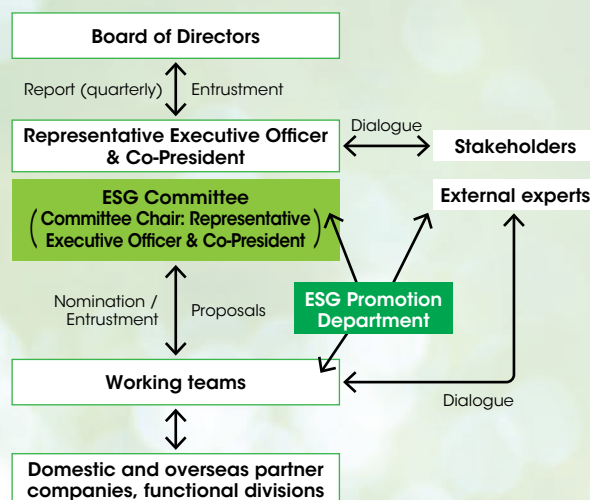
ESG management system

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

Chaired by the Representative Executive Officer & Co-President, the ESG Committee formulates strategies, policies and action plans regarding the Group's "vision" based on the perspective of SDGs and ESG, alongside assessing and promoting ESG activities.

In order to progress with our efforts for materiality that was reviewed in August 2020, we have established working teams that directly report to the ESG Committee and consist of members from major partner companies around the world. The working teams are sharing the situations in various regions where our Group operates, learning from each other advanced cases within our Group, working on setting targets to be achieved on a global basis, and formulating measures suited to the circumstances in each operating region.

ESG management system chart



Efforts to formulate KPIs

Our Group has operations in 30 countries and geographical locations around the globe. Currently, we are working with partner companies to formulate specific KPIs for progressing with materiality and the ESG agenda. For initiatives toward "Reduction of greenhouse gas (GHG) emissions," for instance, we are seriously working to identify issues and measures based on the circumstances in each country and region, as the use of renewable energy and certificates differs among countries and regions.

FY2020	Through June: Internal discussion on a global basis
	Through July: Dialogue with stakeholders
	Through August: Deliberation at the ESG Committee and approval by the Board of Directors
	August: Review of materiality
FY2021	March: Formulation of the New Medium-Term Plan and setting of the ESG agenda
	Through September: Identification of issues and measures based on the actual situations in each country and region
	Through December: Deliberation at the ESG Committee and approval by the Board of Directors

Working teams' activities

The five working teams established under the ESG Committee, respectively composed of executives and persons engaged in actual work from Nippon Paint Holdings and overseas partner companies, are holding global discussions and implementing measures for each topic. The Global Promotion Team 1 shares the progress toward net zero at each location with the theme of "Climate change." The Global Promotion Team 3 is discussing KPIs and their aggregation for the social contribution activity framework "NIPPON PAINT Group Global Outreach Program" under the theme of "Growth with communities."



Aggressively pursue new partners to join our Group taking advantage of the growth potential of the paint market and stability of cash flows

Overview of our M&A strategy

Target	Our Group strengths	Financial discipline
<ul style="list-style-type: none"> Decorative paints + Industrial coatings Paint related fields with promising synergies with our existing businesses Strong brand power Highly competent management teams Limited workforce reduction 	<ul style="list-style-type: none"> Sound financial profile from the integration of our Asian operations Excellent fund-raising capability with a stable currency and market in Japan Full-scale leverage of platform capabilities in Asia Diversified management through Powerful Partnerships 	<ul style="list-style-type: none"> Contributing to EPS accretion ROIC^{*1} > WACC^{*2} Maintaining sufficient leverage capacity Prioritizing debt financing with option of equity-based capital raising
		<small>*1 Return on Invested Capital</small> <small>*2 Weighted Average Capital Cost</small>

The paint industry is characterized by a sustainable growth potential and a high stability of cash flows. In addition, the recent market environment allows financing at low interest rates. As a result, the paint industry is well positioned for M&As.

The decorative paints market, which accounts for more than 50% of the total paint market, features local production for local consumption. As a consequence, industry players use different business models for different countries including in procurement of raw materials, consumer preferences, distribution networks, and environmental regulations. Paint has low threat of alternative products, and paint products are difficult to differentiate through technology. Therefore, the keys to success in the paint business are: (1) powerful brand, (2) extensive distribution network, and (3) establishment of operations well versed in local markets. Successful players in the paint industry tend to enjoy a virtuous cycle: Once a player which has acquired the top market share based on the above factors, it is not easy for peer players to overtake the No.1 player's position, allowing the No.1 player to

further gain market share and deliver higher revenue.

Taking advantage of the above features of the paint market, our Group carries out M&As that are characterized by a solid support system for our Group partner companies to enable acquired companies and management teams and employees who work in those companies to deliver their maximum performance in the local market. Specifically, we will retain the management teams of acquisition targets by respecting their autonomy of management even after acquisitions, if they have the above strengths that are key to success. Our Group will support the acquired companies through the following: (1) sharing expertise and best practices of our Group's partner companies, (2) joint procurement of raw materials, and (3) providing funds for growth investment to further drive growth such as M&As in the local market besides funds for marketing and capital investment. In this way, our Group's M&As are characterized by provision of strong support for local operations to make the best of the strengths of our local partner companies.

Key acquisition track record of our Group

	NIPSEA business Consolidated in 2014 and became a wholly-owned subsidiary in 2021	Dunn-Edwards 2017	DuluxGroup 2019	Betek Boya 2019	Indonesia business 2021	Vital Technical 2021
Countries/ regions	Asia region	U.S.A.	Oceania	Turkey	Indonesia	Malaysia
Businesses	Decorative paints Automotive coatings Industrial coatings, etc.	Decorative paints	Decorative paints, Paint-related business	Decorative paints, Paint-related business	Decorative paints, Automotive coatings, etc.	Paint-related business
The impact of acquisitions (revenue)	FY2016: – FY2020: – CAGR: 8.0%*3	(USD million) FY2017: 334 FY2020: 437 CAGR: 9.4%	(AUD million) FY2019 ^{*4} : 1,805 FY2020: 2,015 YoY: 11.6%	(TRY million) FY2019: 1,518 FY2020: 2,383 YoY: 56.2%		

*3 Figures are in constant currency *4 DuluxGroup's revenue for FY2019 is adjusted assuming its fiscal year ended on December 31, 2019.

Our Group has been expanding globally since 2014 through consolidation of the Asian JVs and acquisitions

of the U.S.-based Dunn-Edwards, Australia-based DuluxGroup, and Turkey-based Betek Boya. In January

2021, we completed the acquisition of 100% ownership of the Asian JVs and the Indonesia business, thereby further strengthening our ability to capture demand in the high growth Asian markets. As a result, we have achieved significant profit growth, driving Maximization of Shareholder Value (MSV).

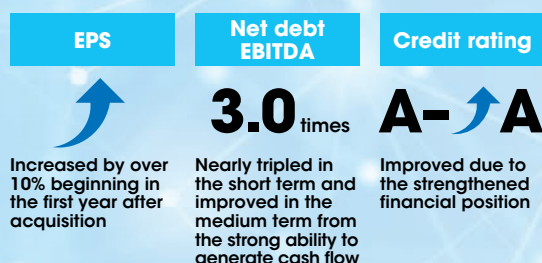
Our M&A targets are not limited to large-scale companies; rather, we will explore opportunities with medium and small size companies if they will contribute to MSV. For instance, in March 2021, we acquired Vital

Technical, a prominent sealant and adhesives manufacturers with the leading market share in Malaysia, in line with our strategy to expand paint related business. In this way, our Group is steadily building the track record of M&As.

Our partner companies have been delivering strong growth after acquisition by our Group. This proves the success of our Group's unique M&A style of generating synergies by leveraging the strengths of acquired companies.

Emphasis on financial discipline

Case examples: Acquisition of 100% ownership of the Asian JVs and acquisition of the Indonesia business



We pursue M&A within the parameters of financial discipline. We specifically emphasize the following: deals that contribute to EPS accretion, achieve ROIC that exceeds WACC, and maintain sufficient room for financial

Utilize human resources of acquired companies

Local management teams will continue to execute operations after acquisition



leverage. Financing for M&A prioritizes debt financing, but equity-based capital raising is an option as long as EPS accretion is achieved. This allows us to carry out M&As constantly without being restricted by shortage of funds.

Promoting M&A by leveraging our Group's strengths

Financial soundness

Net D/E ratio* ⁵	0.54 times	▶	0.46 times
Shareholders' equity* ⁵	¥699.8 bn	▶	¥877.1 bn
Non-controlling interests* ⁵	¥131.4 bn	▶	¥5.5 bn
Credit rating* ⁶	A-	▶	A

Appeals of the Japanese market*⁷

	2000	2010	2020
USD/JPY	114.41	81.12	103.25
Japanese yen interest rate (Japanese yen TIBOR)	0.59	0.34	0.08

NIPSEA business

- Strong distribution network in Asia
- Construction market x Growth model
- High efficiency management (LFG)

Japan

- Advanced technologies / Innovations
- High quality brands
- Financing

DuluxGroup

- Powerful business model for DIY
- Expertise in the SAF and other paint-related fields
- Track record of management of the formerly listed company

Extremely strong M&A promotion structure

*⁵ After reflecting changes due to the acquisition of 100% ownership of the Asian JVs to the amounts on the balance sheet as of the end of FY2020 (unaudited)

*⁶ Rating & Investment Information, Inc. *⁷ Source: Bloomberg

Our Group has significant financial strength and financial soundness, as represented by strong cash flow generating capacity, as well as the net debt to equity ratio of significantly below 1.0 times and the ability to procure low-interest financing in the Japanese capital market. In addition, we have established an extremely solid structure for promoting M&As including sharing

and leveraging the strengths of Group partner companies, such as NIPSEA and DuluxGroup. Our M&A strategy with clear target setting, leveraging Group strengths, and emphasizing financial discipline, have yielded great success for our M&A deals in recent years. We will continue to aggressively pursue M&A for our ongoing growth.

Using our strong cash generating capacity to strengthen our financial base and secure funds for growth with M&A and business investment

Boosting top-line growth to create a virtuous cycle of rising market share and profit margins

The FY2023 financial targets in the New Medium-Term Plan are based on ongoing expansion of our business portfolio to generate organic growth. The targets are challenging, but we believe our Group's insatiable desire for growth will enable us to achieve them. The core strategies in the plan aim for both organic and inorganic growth through M&A (See "M&A Strategy" on page 79).

Establishing sustainable growth will require aggressive M&A along with capital expenditure and R&D investment for future growth. We will leverage our strong ability to generate cash flow to create the funds for these investments in growth.

Investments to increase marginal profit from revenue growth will be a specific focus. We will also seek to boost operating profit by increasing market share, which will allow us to increase prices at strategic points in time and reduce costs through bulk procurement of raw materials. Over half of revenue goes to raw material costs; as such reducing the raw materials contribution cost (RMCC) ratio significantly contributes to improving the operating profit margin. We will seek to thoroughly control costs by

using our global raw materials procurement capability and our considerable revenue flow, which is roughly one trillion yen annually, to leverage the economies of scale.

Achieving high organic growth

For existing businesses, we will aim to maintain steady growth mainly in China and Asia with the aim of attaining CAGR of around 10% (See Figure 1).

For the recently acquired Indonesia business, we will seek to accelerate business growth by capturing the rising demand in the region and increasing market share with a target CAGR of 15%.

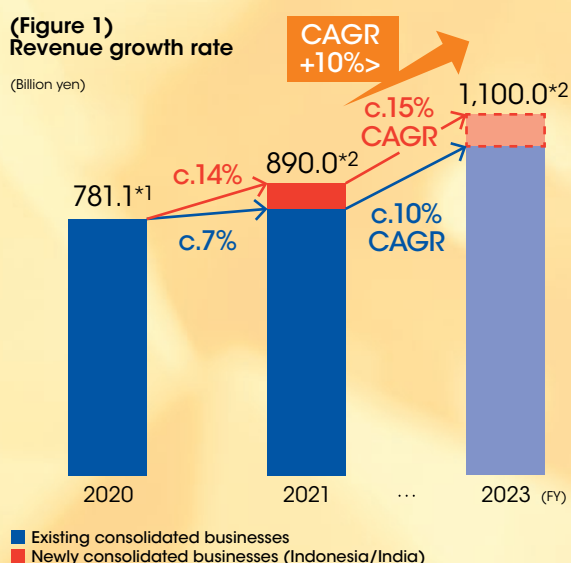
We project the combined revenue from the existing businesses and the newly consolidated Indonesia business to grow from ¥890 billion in FY2021 to ¥1,100 billion in FY2023 with a CAGR above 10%. For the overview and details of the Regional and Business Strategy, please see pages 51-76.

Increasing profit through business growth and fixed cost reduction

In FY2021, as shown in Figure 2, we plan to increase spending on supply chain reforms, DX implementation, and infrastructure system development, for an overall

(Figure 1)
Revenue growth rate

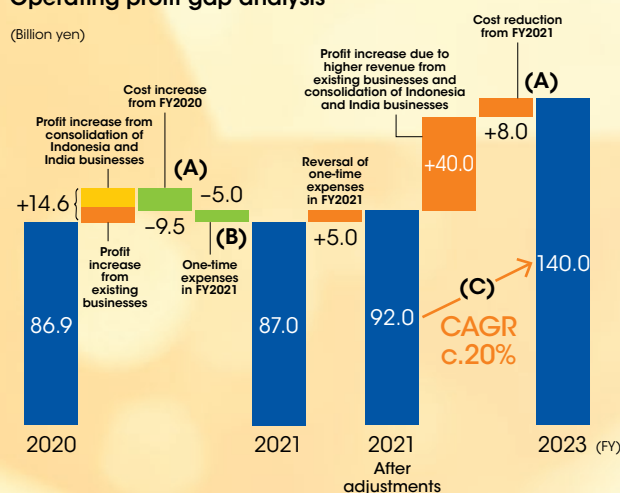
(Billion yen)



*1 Tanshin basis *2 Simple sum of each segment

(Figure 2)
Operating profit gap analysis

(Billion yen)



➔ For our financial targets and revenue growth projections by business and region, please see "Overview of the New Medium-Term Plan (FY2021-2023)" on pages 49-52.

increase of around ¥9.5 billion from FY2020. This spending will gradually decrease and we expect the streamlined operations to lower FY2023 costs to the FY2020 level (See Figure 2 (A)). We have also recorded one-time expenses, including a stamp tax, of roughly ¥5.0 billion related to the acquisition of 100% ownership of the Asian JVs (See Figure 2 (B)).

We aim to achieve operating profit of ¥140 billion in FY2023, which we will accomplish by increasing profit by ¥40 billion through increased revenue from both existing businesses and newly consolidated businesses and by reducing costs by ¥8 billion (See Figure 2 (C)).

Boosting cash flow generation ability and allocating capital for growth

The paint and coatings business, in contrast to an industry like semiconductors, has relatively low capital investment requirements without large-scale initial investments or equipment replacement costs. As a result, the paint industry is characterized by very stable cash flows. In addition, the acquisition of 100% ownership of the Asian JVs has eliminated profit outflows, which has significantly boosted our ability to generate cash flow. Our financial strategy is designed to leverage these advantages.

Our financial strategy is to generate around ¥330 billion in operating cash flows over the three-year period from FY2021 to FY2023. We plan to allocate ¥85 billion for dividend payments, around ¥125 billion for capital investment for future growth, and the remaining ¥120 billion for debt repayment and M&A (See Figure 3).

If we do not carry out any M&A and the ¥120 billion earmarked for M&A is allocated to debt repayment, even though net debt will increase in FY2021 from the

borrowing of ¥100 billion procured to finance the acquisition of 100% ownership of the Asian JVs, the balance of debt repayment and EBITDA growth would lower the net debt/EBITDA ratio to 1.6 times at the end of FY2023 (See Figure 4).

Under the new management structure launched in April 2021, we are reexamining the priority level and appropriateness of headquarters expenses and capital investment with the aim of surpassing the financial targets set out in the New Medium-Term Plan. We will make an announcement when the details are determined.

Increasing total shareholder return through EPS growth Dividend increase including commemorative dividend planned in FY2021

We aim for Maximization of Shareholder Value (MSV) by prioritizing investment for future growth, raising total shareholder return (TSR) through earnings per share (EPS) growth (see page 38), and maintaining financial discipline by pursuing an optimal capital structure with balanced leverage while allowing for temporary higher leverage for strategically important M&As.

As part of our effort to raise TSR, our policy is to maintain steady and consistent dividend payments while taking full account of factors including the earnings trend, investment opportunities, and the dividend payout ratio. We currently aim to maintain a dividend payout ratio of 30% (see page 38).

In FY2021, we plan to pay an annual dividend of ¥10 per share (after the stock split), including the special dividend of ¥1 per share to commemorate the 140th anniversary of founding.

(Figure 3)
Projected capital allocation for FY2021-2023

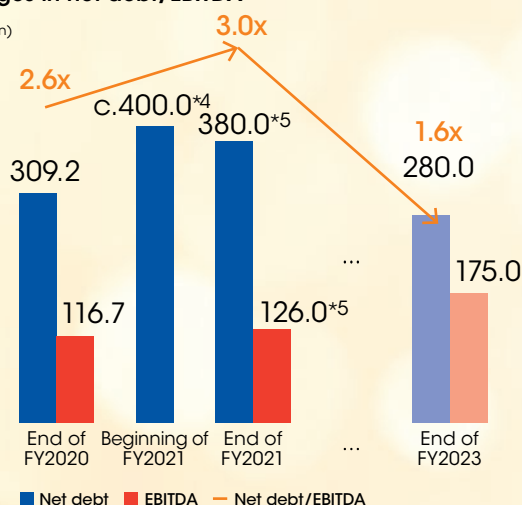
+	Operating Cash Flows	~330.0 billion yen
	Total of FY2021-2023	
-	Capital Expenditure*3	~125.0 billion yen
	Total of FY2021-2023	
-	Dividend (dividend payout ratio: 30%)	~85.0 billion yen
	Total of FY2021-2023	
		~120.0 billion yen



- Pursue optimal capital structure with balanced leverage
- Allow temporary higher leverage for strategically important M&A

(Figure 4)
Changes in net debt/EBITDA

(Billion yen)



*3 Excluding acquisition and sale of land *4 After reflecting changes due to the acquisition of 100% ownership of the Asian JVs to the amounts on the balance sheet as of the end of FY2020 (unaudited) *5 After adjustments



Chapter

Sustainability Information

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PHOTO:
JAPAN / JAPAN SPORT COUNCIL



Independent Directors Discussion about Corporate Governance

Hisashi Hara

Independent Director
Nominating Committee Chairperson

PROFILE

Hisashi Hara was elected Independent Director of NPHD in March 2018, serving as the Chairman of the Nominating Advisory Committee from the same month and as the Chairperson of the Nominating Committee from March 2020. He has played an important role providing an independent perspective in the selection of the succeeding president and the nomination of candidates for Directors of the Board. He has more than 40 years of experience as lawyer, working on numerous cross-border M&A deals and various corporate legal affairs.



We held repeated discussions on the ideal leadership of the Nippon Paint Group and proposed a new management structure that will contribute to Maximization of Shareholder Value (MSV).

We introduced a Co-President structure following the change of President. This new management structure has been attracting a great deal of attention from shareholders, investors, and stakeholders in Japan and overseas. On this page, Independent Directors Masayoshi Nakamura (Board Chair) and Hisashi Hara (Nominating Committee Chairperson) talk about the background and objectives of the Co-President structure.

What roles did the Board of Directors play in the transition to the new management structure?

Nakamura • NPHD's Board of Directors made a big decision on April 28, 2021 to shift to a new management structure following the change of President. After the General Meeting of Shareholders held on March 26, we heard an intention of Mr. Masaaki Tanaka to resign and accordingly, we have had very intensive discussions to establish a new management structure within a very short period of around one month.

The resignation of Mr. Tanaka as Chairman of the Board, Representative Executive Officer, President & CEO became a major turning point because it meant a change of the head of both the business execution and supervisory functions of our Group. The establishment of a new management structure was our most important strategic decision.

At this turning point, we decided to adopt a management structure with Mr. Yuichiro Wakatsuki and Mr. Wee Siew Kim jointly providing lead management and Mr. Goh Hup Jin,

who has many years of experience in the paint industry, providing support to them.

Nominating Committee Chairperson Mr. Hara and I discuss the role that the Board of Directors played in the decision to adopt the Co-President structure with Mr. Wakatsuki and Mr. Wee. We also discuss the background to decision by the Nominating Committee along with various matters that we have considered since adopting the new structure.

Reasons for adopting the Co-President structure

Deciding on the ideal leadership structure for the Group

Nakamura • Why was the Co-President structure with Mr. Wakatsuki and Mr. Wee adopted? How was the decision made that this unconventional structure was appropriate for the Group?

Hara • The ideal management structure and leadership for our Group mission of Maximization of Shareholder Value



Masayoshi Nakamura

Lead Independent Director
Board Chair

PROFILE

Masayoshi Nakamura was elected Independent Director of NPHD in March 2018, serving as the Nominating Advisory Committee member and the Compensation Advisory Committee member and as the Lead Independent Director from March 2020. He has served as the Board Chair since April 2021, playing an important role in activating discussions in the Board of Directors meetings such as putting together the opinions of the Independent Directors and sharing them with the management team. He has more than 30 years of experience as a specialized professional in M&A advisory services and financing from the capital market, which he gained at Morgan Stanley and other leading US investment banks.

(MSV) is always a topic at meeting of the Board of Directors and committees. So, although we had one month to put those discussion to practical application, we actually had already engaged in much serious consideration before deciding to adopt the Co-President structure. I believe this structure is the manifestation of the ideal leadership for our Group that we have been discussing in the Nominating and Compensation Advisory Committee and later at the Nominating Committee during basically all three years since we joined NPHD as Independent Directors in 2018.

Nakamura • That's absolutely right. The ideal leadership for our Group was a theme that we had been constantly examining and laying the groundwork for. Let's start by looking back on the points of our discussions and the background for this decision.

The points in selecting candidates for next-generation leaders

Hara • In March 2019, we invited Mr. Tanaka from outside to serve as Chairman of the Board. His nomination was the result of examinations that included interviews with both external candidates and internal personnel with the idea that we would be further expanding our operations globally, including acquiring 100% ownership of the Asian JVs and the Indonesia business. Considering the contribution to MSV Mr. Tanaka's experience in the financial industry and his international perspective as a top executive would provide, we appointed him as Chairman of the Board and President & CEO in January 2020. We also reinforced the Group's governance structure, which included adopting a Company with a Nominating Committee, etc. structure.

Under this executive structure headed by Mr. Tanaka, in January 2021 we succeeded in acquiring 100% ownership

of the Asian JVs, and in March 2021 formulated the Purpose to show our shared Identity and the New Medium-Term Plan to FY2023. These measures are the result of Mr. Tanaka's excellent leadership and will certainly contribute to the achievement of MSV.

At the same time, the Nominating Committee felt that preparing successors for a generational turnover was an urgent issue, particularly in the rapidly changing business environment of the COVID-19 pandemic. The committee considered selecting the top management for the next generation of growth to be essential to continue evolving into a global corporation through organic growth and M&A.

Mr. Tanaka also recognized the cultivation of his successors as a priority issue, and he worked with us to look for candidates both inside and outside the company. As part of our selection of candidates for next-generation leaders, we invited Mr. Wakatsuki from outside in November 2019 and elected him as Senior Managing Corporate Officer and CFO in January 2020. From within the Group, we appointed Mr. Wee, who was the CEO of the NIPSEA Group, to the position of Deputy President and Executive Corporate Officer to assist Mr. Tanaka.

Nakamura • Against this backdrop, the Nominating Committee and the Board of Directors repeatedly discussed the vision of achieving MSV after the change of president and where to look for candidates for next-generation leaders to realize the vision. We would like to delve into our approach to evaluating and selecting candidates to lead the Company.

Hara • We believe that us and all of our Directors should share their insights for the evaluations of potential candidates by carefully deliberating their comprehensive capabilities as a potential top executive through discussions with the candidates.

Independent Directors Discussion about Corporate Governance

The starting point is carefully monitoring and determining how candidates for the Group's leadership are tackling the ever-changing environment surrounding our businesses. Our approach is more than simply mechanically and sequentially selecting candidates from a pipeline who have more check marks in the skills requirement list.

The Nominating Committee, and the Directors of the Board have therefore diligently maintained close and direct communications with the top management in global key positions (GKP) in each operating region and in our partner company businesses around the world.

Nakamura ● We work to maintain close communication with GKPs through the Nominating Committee, the Compensation Committee, the Audit Committee, and the Independent Directors of the Board Meetings. The GKPs provided highly valuable input during the numerous discussions by the Board of Directors in creating the Purpose and the New Medium-Term Plan in FY2020.

The discussions about the Purpose actually reconfirmed to us that the Group is a truly global organization. We operate in 30 countries and regions and comprise human resources of over 34,000 people with diverse cultural backgrounds and values. When discussing the New Medium-Term Plan, we talked directly with each GKP about their goals and management issues, which gave us a good understanding about how they are interrelated in promoting their businesses. I think those meetings were also extremely important from the perspective of evaluating the GKPs.

Shift to the Co-President structure

Nakamura ● While we were preparing the selections for next-generation leaders, we heard Mr. Tanaka's intention to resign, and we were pressed to make a quick decision. Again, we would like to discuss the reasons why the decision that the Co-President structure with Mr. Wakatsuki and Mr. Wee was the most appropriate.

Hara ● On a very basic level, earnings per share (EPS) times the price-to-earnings ratio (PER) is an important indicator for shareholder value. Therefore, achieving MSV means

maximizing EPS and PER. From that perspective, the appropriate candidate to lead the next generation would be an individual with the ability to maximize EPS and PER. But, we also understood that one person would not be suitable to maximize both, and that the ideal answer was to have two people, one to focus on EPS and another focusing on PER.

Our deep discussions about the Purpose and the New Medium-Term Plan that Mr. Nakamura mentioned earlier, the discussions with the GKPs, and consideration of the interrelation among GKPs and the synergies among businesses led us to decide that the Co-President structure would be the best structure, and that Mr. Wakatsuki and Mr. Wee were the most suited candidates for the present and future of our Group.

Nakamura ● We invited Mr. Wakatsuki from outside the company in 2019. Immediately following his nomination as CFO, he proved his suitability as a next-generation leader by strengthening engagement with the capital market, efficiently procuring long-term funds for acquisitions, and successfully leading the acquisition of 100% ownership of the Asian JVs in a manner that was highly regarded by the capital markets. Mr. Wee has been the CEO of the NIPSEA Group since 2009, where he led its growth into a core Group business that now accounts for 50% of revenue and 70% of operating profit*. Following the acquisition of DuluxGroup in 2019, he further demonstrated significant leadership in creating synergies within the Nippon Paint Group and between DuluxGroup and NIPSEA. I am certain that Mr. Wakatsuki and Mr. Wee have the experience and achievements that will be essential to lead the Group's next generation growth.

It's understandable that the Co-President structure would raise concerns about possibly slowing decision-making due to the split leadership and complications in the chain of command. Nevertheless, I believe that the organic combination of their management skills will ultimately overcome any downside by the benefits it provides to MSV.

As part of the Directors of the Board's governance, we believe receiving and deliberating reports on individual proposals is insufficient to accurately understand and evaluate the performance of the top management of NPHD and GKPs. The Independent Directors of the Board Meetings aim to build deep relationships with top management and GKPs not only by discussing themes concerning the objectives of each committee but also by encouraging an open exchange of opinions. I believe this type of communication will become even more important in the future.

Hara ● I agree. I believe the relationships we created with Mr. Wakatsuki and Mr. Wee enabled us to openly chat anytime even outside meeting and gave us a good understanding of the achievements and personalities. Those relationships are behind the confidence we had in nominating them to oversee our business execution and supervisory functions.

Nakamura ● Thank you. I think we were able to look back



on the background of the adoption of the Co-President structure with Mr. Wakatsuki and Mr. Wee.

In introducing the structure with Mr. Wee and Mr. Wakatsuki taking responsibility for execution decisions, what was behind the process of nominating Mr. Goh supporting them?

Hara • Before introducing the new structure, the Nominating Committee talked with Mr. Wakatsuki, Mr. Wee, and Mr. Goh about the future management execution of our Group. All three shared the view that they would pursue management that values practical benefits. They wanted to increase management transparency, foster trust among the managers, eliminate formalities, and expedite decision-making and execution to improve business performance.

I believe that the pursuit of management that values practical benefits rather than formalities is closely related to the question we are constantly asking ourselves: What truly contributes to MSV?

Under the Co-President structure, Mr. Goh's 40 years of experience in our Group and his broad and long-term vision under which we achieved significant sustainable growth will provide enormous support for the business execution by the Co-Presidents, which the Independent Directors including us cannot provide. His support will certainly contribute to MSV.

Nakamura • I completely agree. We also take it very seriously that Mr. Goh is the Representative of the Wuthelam Group, the major shareholder of NPHD. In appointing Mr. Goh as Chairman, the Board of Directors has a significant responsibility to establish a governance structure that respects the common interests of the Company and its shareholders and protects the interests of minority shareholders.

Hara • That is the reason that the Board of Directors amended the Board of Directors Rules to appoint Mr. Nakamura, who is the Lead Independent Director as the Board Chair in place of Chairman Goh, who is the Representative of the Wuthelam Group, the major shareholder of NPHD.

The Corporate Governance Code states that a company that has a major shareholder listed on a prime market is required to ensure that the majority of the members of the Board are Independent Directors. NPHD already has the Board of Directors, in which Independent Directors are the majority of its members. We also thought that we needed to establish this as our own rule for governance.

The Corporate Governance Code also recommends that an Independent Special Committee be established for important transactions that may cause conflicts of interest between major shareholders and minority shareholders. We have written rules concerning deliberations and examinations on such transactions in our disclosed Corporate Governance Policies and our Board of Directors Rules. We comply with these rules and regulations in our operations.



In addition to these governance mechanisms, each of us as Directors of the Board feel great responsibility to contribute to practical discussions and to improve the effectiveness of the Board of Directors.

Efforts to improve the effectiveness of the Board of Directors

Nakamura • With the establishment of the new management structure, I believe that our responsibilities as Directors of the Board has become even more important for our Group to move forward to further drive MSV. I also feel that the current governance structure, under which Board Chair does not concurrently serve as the top executive, is truly suitable for NPHD, which is looking to a shift to the "monitoring" board as a Company with Nominating Committee, etc. structure. At the same time, the current structure has some issues.

A monitoring system that truly contributes to MSV will require an accurate grasp on the status of our Company through close communication with the management team, including GKPs as well as the Co-Presidents. I also believe that it is my duty as a Director to lead serious discussions among the Directors that put our reputations on the line. I am preparing myself for this huge responsibility.

Hara • The commitment of all the Directors of the Board should be to sincerely face these issues and work to resolve them. The Nominating Committee must further improve the composition of the Board of Directors, including increasing its diversity, in order to continuously fulfill our responsibilities as Directors of the Board.

Nakamura • Thank you for this in-depth look back on how the new management structure was decided on. I think this discussion reaffirmed our common objective to achieve MSV and driving the Group's future growth. I fully agree with your view that our next task after establishing the new management structure is to further improve the effectiveness of the Board of Directors. We will work together to improve our corporate governance structure to pursue MSV.

* Calculated by adding the FY2020 results of the NIPSEA business and the Betek Boya

Discussions by the Board of Directors

“Acquisition of 100% ownership of the Asian JVs, Indonesia business”

Decided by resolution of the Board of Directors based on repeated discussions to ensure the protection of minority shareholder interests

NPHD’s Board of Directors is focused on improving the transparency, objectivity, and fairness of management through lively exchanges of opinions and discussions, mainly by the independent directors who comprise the majority of the Board. The acquisition of 100% ownership of the Asian JVs was decided based on repeated discussions held by the Board of Directors to ensure the protection of the interests of minority shareholders. These pages present the outcomes of the discussions held by the Board and the opinions of each Director.

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

NPHD has evolved its partnership with the Wuthelam Group through joint ventures for nearly 60 years. With our acquisition of a 100% stake in Asian JVs following their consolidation in FY2014, we can bring our partnership with the Wuthelam Group to full maturity, allowing us to further accelerate growth of our Group by building a management base that unites the two companies in both name and reality.

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

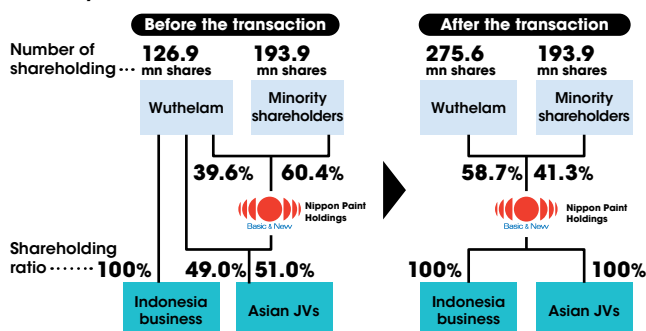
In addition, increasing capital through a third-party allotment has allowed us to strengthen the financial base to accelerate M&A activities in the future, as well as improve our credit rating. For these reasons, this acquisition has contributed to the Maximization of Shareholder Value (MSV).

Simplifying our ownership structure to one that is beneficial to all shareholders

Prior to this transaction, the Wuthelam Group held 39.6% of NPHD’s shares, a 49% stake in the Asian JVs, and a 100% stake in the Indonesia business. This ownership structure has been criticized as complex, with outflows of profits from the Asian JVs that are the engine of the Group’s growth, and a possibility of conflicts of interest in terms of governance. Accordingly, we held discussions and negotiations premised on protecting the interests of minority shareholders. For example, we have (1) shifted to a Company with a Three Committees Structure; (2) changed the composition of the Board of Directors to one where six out of the nine directors are independent directors; and (3) established the Special Committee, consisting of independent directors who are well versed in M&A, which has held eight Special Committee meetings and seven Board of Directors meetings.

After the implementation of this transaction, the

The transaction simplified the ownership structure and aligned the interests of the major shareholder and minority shareholders



* The denominator used for the calculation of the shareholding ratio is the number of outstanding shares (excl. treasury stock) as of June 30, 2020

Wuthelam Group owns 58.7% of NPHD shares and NPHD holds a 100% stake in the Asian JVs and the Indonesia business, making the ownership structure simpler and easier to understand.

As a result, the interests of both major and minority shareholders are perfectly aligned, and our Group’s MSV is now a shared objective for both the Wuthelam Group and our minority shareholders.

For our minority shareholders, while the ratio of voting rights per share decreased, earnings per share (EPS) increased, which is an important point of the transaction.

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

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



Sample comments from the Directors of the Board on the acquisition of 100% ownership of the Asian JVs

Significance of the transaction, the financing method, and major shareholder risks

We believe that the benefits to our minority shareholders also include the ability to fully capture Asian businesses with high growth potential and the ability to better incorporate a culture of ambitious new challenges into our Group's businesses in Japan.

One important issue is to sort out the complicated capital relationship. What would change if a shareholder with a 39% stake in NPHD became a shareholder with more than 50%? MSV remains our Group's paramount mission, and we believe that this can be fully explained by pursuing a higher quality of business and service with this major shareholder and the current management team. In addition, assuming the future growth of our Group mainly through M&A, there would be various methods such as leveraging borrowings and share exchanges. If so, it would be disadvantageous to choose a scheme that would complicate the capital structure.

The financing method in this transaction should be examined adequately. Financing the entire acquisition price using borrowings could lead to a loss of equity capital, and funds could be raised by issuing shares through public offering. However, new share issuance may entail some problems such as the issue price being offered at a discounted price and the number of shares issued not being able to be fixed. This is a matter of choice between the risk of incurring such problems and the risk of having a shareholder with a majority shareholding. From the perspective of growing EPS, the latter option is considered to have a smaller risk.

Regarding the absence of a 58.7% retention clause, we believe that the risk of further increase in the Wuthelam Group's stake is not that significant in terms of liquidity and the maintenance of market listing. On the other hand, given that capital can be increased in the future through M&As that are expected to improve EPS, I believe the absence of this clause has some advantages in terms of selection of a superior financing method and the potential reduction in the Wuthelam Group's stake.

Minority shareholder interests

After this transaction, the Wuthelam Group will become the major shareholder. However, since they are not an operating company but an asset management company, their interests

are aligned with those of the minority shareholders in that the Nippon Paint Group's growth is important for the asset management of the Wuthelam Group, and this structure will not allow the Wuthelam Group to make decisions that conflict with the interests of minority shareholders.

What is important is the relationship of trust between the major shareholder and the management team. This will lead to the MSV that both sides aim for, and that is why we will be able to explain it to shareholders including potential shareholders and the capital market. It is important for the Nippon Paint Group's growth as One Team, instead of causing confrontation, and the basis of that growth is not the ownership ratio but the mutual trust between the major shareholder and the management team. We believe that the system represented by the upcoming new management structure will also be acceptable to minority shareholders.

Governance

The Special Committee is composed of three independent directors who are well versed in M&A, and resolutions by the Board of Directors will require the Committee's recommendation. We believe that the Special Committee functioned as a framework for making objective and independent judgments without the influence of the Wuthelam Group.

It is generally not a good thing when a listed company concludes a special contract with some of its shareholders that includes involving the exercise of voting rights. Therefore, we do not need to insist on continuing the strategic alliance contract concluded in 2014. Because we will need to build a relationship of trust with the Wuthelam Group through closer communication than ever before, we must promote management and business execution that constantly keeps achieving MSV in mind.

Resolution as Directors of the Board




Companies keep changing. If the management team has a view that is not aligned with the shareholders, as the major shareholder, the Wuthelam Group should replace the management team. The purpose of this transaction is not to protect the management team, but for the Nippon Paint Group to move on to a new phase. It is normal in capitalism for shareholders to have an appropriate authority. And it is more important to take a step forward to future development than to impose any kinds of restrictions to preserve the present form.



Directors and Executive Officers

(as of June 30, 2021)

Directors

	Goh Hup Jin	Manabu Minami	Hisashi Hara
			
Title	Chairman	Director of the Board	Independent Director of the Board
	<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

Profile

Date of appointment as director	December 2014	June 2013	March 2018
Number of shares held	None	117,704	52,926
Attendance at the Board of Directors meetings	During the term of office in FY2020*1	17/17	16/17
	During the term of office in FY2021*2	6/6	6/6

*1 From late March 2020 to early March 2021 *2 From late March 2021 to end of June 2021

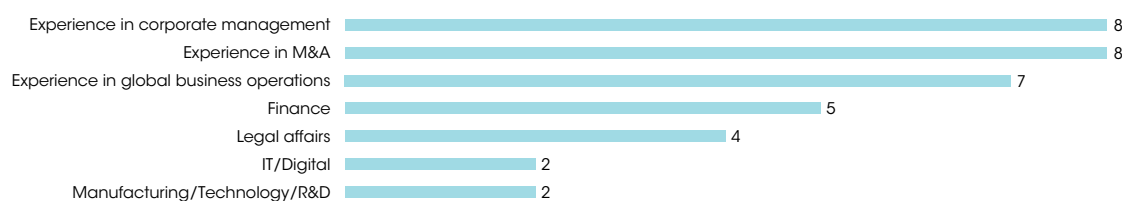
Committee membership






Nominating Committee	○		○ (Chairperson)
Compensation Committee	○		
Audit Committee		○	

Experience/Expertise

Experience in corporate management	◎	◎	○
Experience in M&A	○	○	◎
Experience in global business operations	◎		◎
Finance	○	◎	
Legal affairs	○	◎	◎
IT/Digital	○		
Manufacturing/Technology/R&D	◎		

Experience/Expertise



Takashi Tsutsui	Toshio Morohoshi	Masayoshi Nakamura	Masataka Mitsuhashi	Miharu Koezuka	Ratio of outside directors on 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	6/8
<ul style="list-style-type: none"> Former Senior Executive Officer of Nomura Securities Co., Ltd. Former President and Representative Director, Jasdqa Securities Exchange, Inc. (currently Japan Exchange Group, Inc.) Former Director and Vice President Executive Officer, Chief External Relations Officer, LIXIL Group Corporation Director, Rozetta Corp. (current) 	<ul style="list-style-type: none"> Former Managing Executive Officer, Fujitsu Limited Former President & CEO, EMC Japan K.K. Former President & CEO, NCR Japan, Ltd. Former President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) Outside Director, T-GAIA Corp. (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) Advisor, Takashimaya Company, Limited (current) 	
March 2018	March 2018	March 2018	March 2020	March 2020	
46,399	42,889	55,566	22,389	22,389	
17/17	17/17	17/17	16/17	17/17	
6/6	6/6	6/6	6/6	6/6	
					Number of outside directors serving as committee members
	○	○			3/4
○ (Chairperson)		○			2/3
	○		○ (Chairperson)	○	3/4
					Number of applicable Directors
◎	◎	○	○	◎	8
◎	○	◎	◎	◎	8
◎	◎	◎	◎	◎	7
○		◎	◎		5
				○	4
	◎				2
	○				2

Executive Officers (as of August 1, 2021)

Yuichiro Wakatsuki
Representative Executive Officer & Co-President

Wee Siew Kim
Representative Executive Officer & Co-President

Yoshiaki Kuroda
Managing Executive Officer and CAO

Masuo Kida
Managing Executive Officer

Takeshi Shiotani
Managing Executive Officer

Seiichiro Shirahata
Managing Executive Officer

Kohei Tsushima
Managing Executive Officer

Satoshi Nishimura
Executive Officer

Yuri Inoue
Executive Officer and General Counsel

Corporate Governance Structure and Initiatives

Features of our corporate governance structure that underpins the achievement of Maximization of Shareholder Value (MSV)

1 Ensure the protection of the interests of minority shareholders while sharing MSV as the common objective with the major shareholder	→ page 94	4 Remuneration design that truly contributes to achieving MSV	→ pages 99-100
2 Improved effectiveness of the Board of Directors under the leadership of Independent Directors	→ pages 95-96	5 Governance and audit structures that respond to increasing globalization of operations	→ pages 101-102
3 Succession planning with a focus on substance rather than formalism	→ pages 97-98		

Basic approach to governance

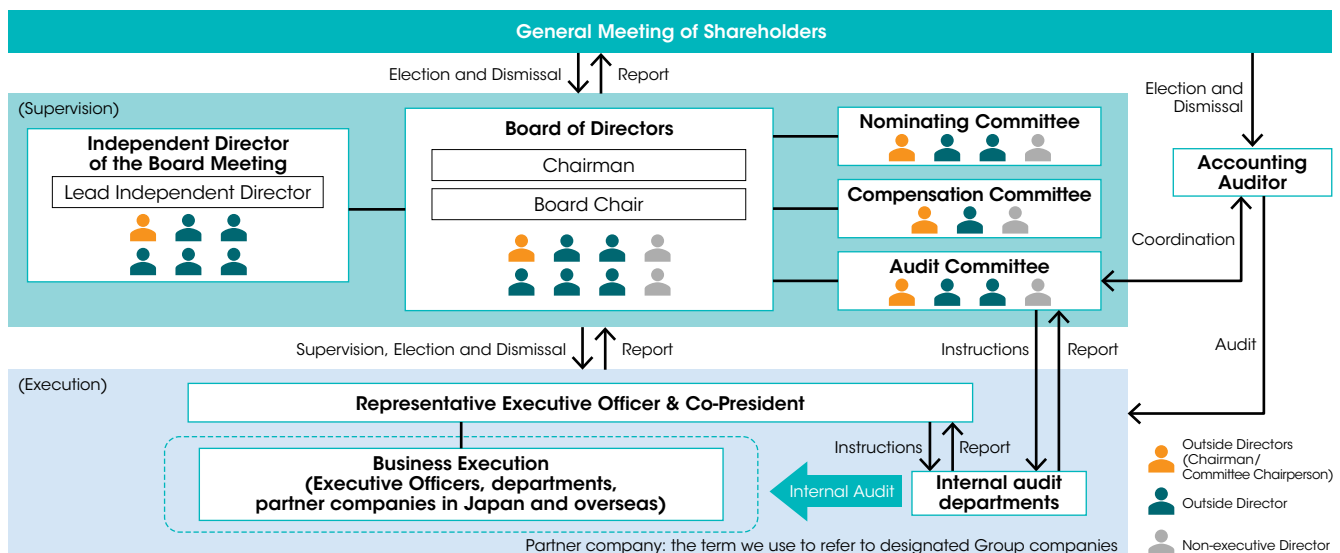
We have shifted to a Company with Nominating Committee, etc. with the aim of enhancing transparency, objectivity and fairness of management as well as separating and strengthening supervision of management and business execution. We, based on the Purpose as the significance of existence common to the Group and the Business Philosophy, which is its policy, promote its business and engage in ongoing efforts to enhance and strengthen its corporate

governance, and thereby, will achieve "Maximization of Shareholder Value," as its ultimate objective.

* For details, please refer to "Nippon Paint Holdings Corporate Governance Policy" (Attachment: "Outside Directors of the Board Independence Judgment Standards") and "Corporate Governance Report" available in the Sustainability page of our website. <https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/>



Corporate governance structure chart



History of governance reforms

Since 2014, we have taken actions to separate and strengthen the supervision of management and business execution including the increase in the number of Independent Directors and delegation of authority from the Board of Directors to business execution. To further accelerate this process, we shifted to a Company with a Nominating Committee, etc. structure in March 2020.

At present, the majority of the Board of Directors of NPHD is composed of Independent Directors. Following the change of the management structure in April 2021, the Lead Independent Director has been serving as the Board Chair.

Relationship with the major shareholder and protection of the interests of minority shareholders

We share a philosophy of MSV with the Wuthelam Group, which has a history of cultivating business partnerships with the Company for over 60 years, and properly protect the interests of the minority shareholders. The acquisitions of 100% ownership of the Asian JVs and the Indonesia business in January 2021 simplified our ownership structure, causing the interests of the major shareholder and minority shareholders to be perfectly aligned. This created a management structure to pursue MSV while ensuring the protection of the interests of minority shareholders. In the meantime, the acquisitions have made the Wuthelam Group our major shareholder. From the viewpoint of protecting the interests of minority shareholders, when conducting transactions with the Wuthelam Group, we ensure appropriate involvement and supervision by the Independent Outside Directors, such as obtaining approval at the Board of Directors with the majority of the Independent Directors, appointing an Independent Director to serve as Board Chair, etc.

Additionally, we report significant related party transactions exceeding a certain monetary threshold,

(such as transactions between the Company and a major shareholder, competing transactions between the Company and Directors or the Executive Officers, transactions for itself, and conflict of interest transactions, etc.) to the Board of Directors and disclose them in "Notice of Annual General Meeting of Shareholders" and "Securities Report."

Furthermore, when conducting related party transactions, we will make a comprehensive judgment regarding the reasonableness of the transaction taking into consideration its terms and conditions, profit and cost levels, etc., to ensure that the transaction will not harm the interests of the Company or the interests of its minority shareholders and obtain the approval of the appropriate decision-maker.

History of governance reform

- 2014 • Elected one Independent Director
- 2015 • Established corporate governance policy
 - Started "Evaluation of the effectiveness of the Board"
- 2016 • Abolished anti-takeover measures
 - Increased the number of Independent Directors from one to two
 - Renamed the Compensation Advisory Committee to the Designation and Compensation Advisory Committee, and started deliberations on the nomination of candidates for the Directors and the Auditors
- 2017 • Changed the composition of the Designation and Compensation Advisory Committee to designate two of the four members from among Independent Directors
 - Appointed an Independent Director as the chairman of the Committee
- 2018 • Increased the number of Independent Directors from two to five (the ratio of Independent Directors: 50%)
 - Reorganized the Designation and Compensation Advisory Committee into the Designation Advisory Committee and Compensation Advisory Committee
 - Established the M&A Advisory Committee
- 2019 • Established the Governance Advisory Committee
- 2020 • Shifted from a Company with Board of Auditors to a Company with Nominating Committee, etc.
 - Six out of nine members of the Board of Directors are Independent Directors (the ratio of Independent Directors: 67%.)
- 2021 • Six out of eight members of the Board of Directors are Independent Directors (the ratio of Independent Directors: 75%.)
 - Appointed the lead Independent Director as the Board Chair

Accelerating growth towards our ultimate objective of Maximization of Shareholder Value (MSV)

The completion of its acquisitions of 100% ownership of the Asian JVs and the Indonesia Business in January 2021 allowed Nippon Paint Group to fully integrate the operations in Asia in name and substance. Besides strengthening the Group's management foundation for accelerating growth, the transaction also boosted net profit and EPS. With Nippon Paint Group's capital ownership structure thus simplified, a complete alignment of interests between Wuthelam Group and minority shareholders is now achieved.

Following the transaction Wuthelam Group's shareholding in Nippon Paint Group has increased to 58.7%, but our stance as a shareholder remains unchanged. We continue to expect Nippon Paint Group to work towards MSV, an objective aligned with that of minority shareholders.

This implies that, even in the event Nippon Paint Group chooses to carry out equity offerings to finance M&As or large scale investments in the future, Wuthelam will not take issue with the dilution as long as MSV is achieved. In other words, Wuthelam's primary objective is not to hold majority voting rights but to achieve MSV which is the only basis for our judgement. With this premise, I, as Chairman and Board Member will, to the best of my ability, work towards the Group's achievement of MSV.



Goh Hup Jin
Wuthelam Holdings
Managing Director
Nippon Paint Holdings Co., Ltd.
Chairman

Governance

Roles of the Independent Directors of the Board Meeting

We hold a monthly Independent Directors Meeting, which is chaired by the Lead Independent Director and comprised solely of Independent Directors. The monthly Independent Directors Meeting holds discussions that lead to resolutions at Board of Directors meetings and Committee meetings, such as agenda of the meetings of the Board of Directors and the Nominating, Compensation, and Audit Committees, as well as sharing the comprehensive background of matters of concern of the business execution and promoting communication by inviting the top management of Nippon Paint Group companies (GKP: Global Key Position) in Japan and overseas. The lead Independent Director puts together opinions expressed in the Independent Directors Meeting as necessary and shares and discusses them with the Chairman, Representative Executive Officers & Co-Presidents, and Executive Officers.

The number of the Independent Directors of the Board Meeting held
FY2020: 20
FY2021: 7 (As of June 30)

Functions to support the Independent Directors

The Independent Directors regularly receive information from departments such as Finance and Accounting, Corporate Planning, and Investor Relations to quickly and accurately grasp the status of business execution in the Company. In

addition, the Representative Executive Officers & Co-Presidents directly share comments from the capital markets and a variety of information on business execution with the Independent Directors in an effort to support them to further deepen their understanding of our Group's businesses. Meanwhile, it is useful for the business execution to receive questions, opinions and suggestions directly from the Independent Directors, who have a wealth of experience and knowledge. These sharing of information and opinions have led to lively discussions.

Furthermore, the Board of Directors Office serves as the secretariat for the Independent Directors Meeting in addition to the Board of Directors meetings, and supports the Independent Directors by offering prior explanation on the background of agenda at the Board of Directors meetings, coordinating schedule for attending meetings held by the business execution, sharing information, arranging plant and site visits and holding meetings to exchange opinions with the business execution. By establishing such forums for direct communication with the business execution, we have in place a system that enables the Independent Directors to work more effectively. The Board of Directors Office is also tasked with supporting the Nominating, Compensation and Audit Committees, which makes it possible to provide thoroughly organized information and make adjustments at the request of the Independent Directors, taking into consideration language and time differences in response to the global expansion of our Group's operations. In this way, the Board of Directors Office is endeavoring to enhance the effectiveness of the Board of Directors.

Stimulating Board of Directors discussions

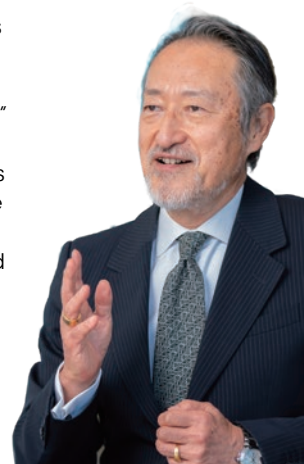
The Board of Directors of Nippon Paint Holdings are "always on," even outside the meeting hours.

The Independent Directors communicate and share the latest information with Co-President Wakatsuki and Co-President Wee, who head the business execution, and the Global Key Position management teams of our Group companies whenever necessary. We use this information as the basis for decision-making at meetings of the Board of Directors and the committees. The open and frank sharing of information and discussion at meetings of the Independent Directors of the Board that unfold without any agenda and minutes are a great help to each Independent Director in making more accurate judgments. The Board of Directors generally meets twice a month and the committees meet once a month. I believe the timely sharing of information and opinions gives us agility and flexibility for our decision making.

For all of the information we communicate between us, we ask "Does it contribute to MSV?" I believe that continuing to ask this question for every decision we make will further refine and evolve our ultimate objective of MSV. One of the most important roles of the Board of Directors is to evaluate the abilities of individuals who execute our business operations and appoint the right person for the right job. During the Co-President selection process in April 2021, the constant communication between the Directors allowed quick consensus within a very limited time frame of about one month without relying on a typical succession planning process.

I believe that our "always-on" Board of Directors will minimize the gap in information between the execution and supervision, while promoting the separation of the two. The Independent Directors will continue working to deepen communications and fulfill our responsibility to protect the interests of minority shareholders as we seek to achieve MSV.

Masayoshi Nakamura
Lead Independent Director
Board Chair



Analysis and evaluation of the effectiveness of the Board of Directors

Issues for FY2019 and initiatives for FY2020

Issues which require stronger initiatives in FY2020

- (i) Strengthen functions of nomination and remuneration including supervision of succession planning and establishment of a transparent, objective and competitive remuneration structure
- (ii) Leverage investor feedback
- (iii) Strengthen delegation of authority to establish a monitoring model
- (iv) Reinforce supervision and deepen discussion on the Medium-Term Plan
- (v) Broaden and deepen discussions on important agendas such as strategy and capital policy
- (vi) Enhance the audit function

Main initiatives in FY2020

- (i) Formulate Remuneration Philosophy and strengthen the monitoring of the Representative Executive Officer and communication with the business execution
- (ii) Deepen discussions including those from the perspective of investors, based on information obtained from the business execution
- (iii) Delegate a substantial authority to the business execution
- (iv) Expand and enhance supervision and discussion on the progress in the formulation of the Medium-Term Plan
- (v) Broaden and deepen strategic discussions and achieve the acquisition of 100% ownership of the Asian JVs
- (vi) Strengthen the Audit on Audit system based on the characteristics of our operating regions

Evaluation for FY2020 and issues for FY2021

Guidelines for making evaluation

Subjects

All Directors in FY2020
(Nine persons)

Method

Used Board Advisors Japan, Inc. and conducted questionnaire and individual interviews

Questions

- (i) Status of progress in resolving issues pointed out in the previous evaluation of the effectiveness of the Board of Directors
- (ii) Issues for the Board of Directors and the Nominating, Compensation, Audit Committees after the Company has shifted to a Company with a Nominating Committee, etc. structure

Evaluation process

- Step 1: Distribute questionnaires to Directors
- Step 2: Conduct separate interviews with each Director based on the results of questionnaire
- Step 3: Summarize and analyze the results of questionnaire and individual interviews
- Step 4: Report and deliberate on the evaluation of the Board of Directors at a Board of Directors meeting

Overview of evaluation outcome

It was evaluated that the effectiveness of the Board of Directors is mostly secured as a whole.

- Since NPHD shifted to a Company with a Nominating Committee, etc. structure, separation of execution and supervision advanced.
- NPHD has considerably strengthened the supervisory function through actions, such as making the two-thirds of members of the Board of Directors Independent Directors to ensure the independence of the three statutory committees.
- In acquiring 100% acquisition of the Asian JVs and making the accompanying revision of the capital policy, the Company set up a "Special Committee" comprised of three Independent Directors and held a total of 15 meetings including the Board of Directors meetings, thereby ensuring the protection of the interests of minority shareholders.

Issues requiring stronger initiatives in FY2021

Directors pointed out the following matters as issues to be addressed, and we have established them as Issues requiring stronger initiatives in FY2021.

- (i) Sophistication of the monitoring model
- (ii) Enhancement of discussion on important agenda
- (iii) Further reinforcement of audit functions
- (iv) Reinforcement of nominating functions

Our attitude to the composition and skills of the Board of Directors (Nomination, qualification criteria, diversity, etc.)

We believe that the Board of Directors and each Committee need to be comprised of Directors with a suitable background with the aim to establish the Board of Directors that is capable of performing the supervisory function in a sustainable manner in an ever-changing business environment. We have designated the three categories of "Experience in corporate management," "Experience in global business operations" and "Experience in M&A" as required experience and the four categories of "Finance," "Legal affairs," "IT/Digital" and "Manufacturing/Technology/R&D" as required skills. We nominate Director candidates to form the Board of Directors comprised of members well balanced in terms of the above seven categories, and also appoint suitable Directors for each Committee that requires a higher degree of specialization. Experience in ESG-driven management, which has attracted attention in recent years, is included in "Experience in corporate management" as being able to supervise and make advise concerning a broad range of matters on overall management. Skills in GRC (Governance, Risk management and Compliance) are included in "Legal affairs."

On the other hand, to ensure diverse opinions and supervisory functions at the Board of Directors, we endeavor to secure, expand and reinforce diversity based on a skill matrix without too much regard to particular attributes, such as age, nationality and gender.

➔ For the skill matrix of Directors, See "Directors and Executive Officers" on page 91.

Required experience/skills

1	Experience in corporate management	The ability to supervise and make advise concerning a broad range of matters on overall management from formulation of business strategy to its implementation
2	Experience in global business operations	The ability to supervise and make advice on the businesses of the Company, which operates globally, taking into consideration diverse business environments, economic conditions and cultures around the world
3	Experience in M&A	The ability to supervise and make advice on the validity of M&A that the Company is pursuing and the process of PMI
4	Finance	The ability to supervise and make advice on capital allocation and other financial activities of the Company
5	Legal affairs	The ability to supervise and make advice on regulations concerning operations, GRC (Governance, risk management and compliance) and internal controls
6	IT/Digital	The ability to supervise and make advice on improvement of operations and creation of new business models through IT and Digital Transformation
7	Manufacturing/Technology/R&D	The ability to supervise and make advice on creation of new technology through R&D by making use of his or her knowledge of technology related to manufacturing operations and the businesses of the Company

Election and dismissal of directors

We, in order to secure the effectiveness of the Board of Directors, have adopted the policy of nominating candidate Directors of the Board with diverse experience, achievements, high levels of insight, and high levels of expertise, etc., regardless of nationality, gender, whether from Japan or overseas, or from within or outside the Group, etc., in the Nominating Committee, whose majority members are Independent Directors.

In order to supervise conflicts of interest between the Company and the Directors, Executive Officers, major shareholder and other parties, and to appropriately reflect the opinions of minority shareholders and other stakeholders on the Board of Directors, the majority of the Board of Directors is composed of Independent Directors in principle. Furthermore, an Independent Director serves as the Board Chair. Independent Directors are elected based on the "Independence Criteria for Outside Director of the Board" established by the Board of Directors of the Company.

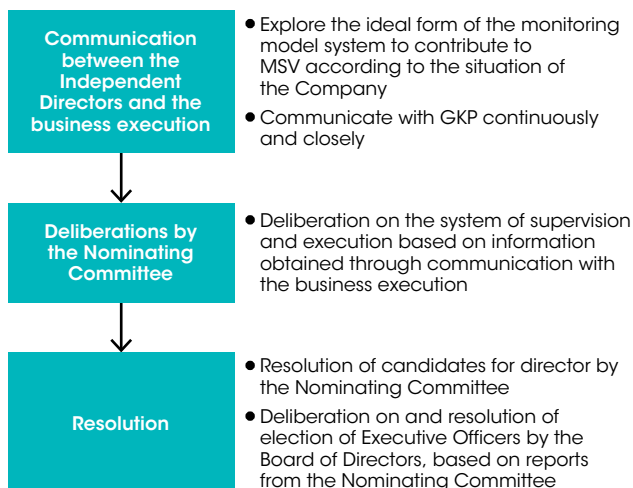
* For the Independence Criteria for Outside Director of the Board, see the Attachment "Nippon Paint Holdings Corporate Governance Policies" which is available in the Sustainability page of our website.
<https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/>

Succession planning

In order to ensure the function of a monitoring model to continue working effectively, we believe that it is important for Independent Directors to proactively and autonomously consider the composition of the Board of Directors and appoint candidates for Director to realize the composition as well as examine candidates for the Representative Executive Officer and other Executive Officers.

The Nominating Committee works closely with other Committees and the Independent Directors of the Board meeting, keeps continuous and close communication with GKP, and considers respective candidates necessary for execution and supervision based on information obtained.

Nominating process



Nominating Committee

Status of succession planning

I was appointed as a Director of Nippon Paint Holdings in 2018 and have served as the chairperson of the Nomination Advisory Committee and subsequently as the chairperson of the Nominating Committee since 2020. I have been involved in the Nominating Committee's ongoing discussions about the ideal image for the leader of our Group.

We do not have concrete requirements in the succession plan for the Representative Executive Officer. The reason is that, given the Group's ever-changing social and business environment, we do not think it is practical to automatically select a "superman" candidate just because they have more of the conventional skills needed to be a Representative Executive Officer. The important point is to appoint a person who can be trusted with the management of our Group. Our aim is to appoint a person who has human skills and passion, without being excessively focused on specific management skills. The same applies to the appointment of the Directors of the Board who supervise business execution. There is more to succession planning for the positions responsible for business execution and supervision than creating a mechanism for succession. Moreover, strictly following the mechanism is no guarantee that the right successor will be appointed.

We are constantly seeking to define the leadership characteristics needed to guide the Group to achieve MSV. Through close and continuous communication, the Directors of the Board consider the personalities and qualities of management team members so we are all on the same page about the characteristics needed of future Group leaders and who we consider to be good candidates. We believe the experience and good judgment of the Directors of the Board can identify individuals with the qualities to successfully and flexibly lead the Group through the ever-changing business environment. These preparations ensure that we are always in a position to make an appropriate and deeply considered decision for the future of the Group.

Hisashi Hara

Independent Director
Nominating Committee
Chairperson



Chairperson Hisashi Hara (Independent Director)

Composition of the Committee



● Inside Director
● Outside Director

* An Independent Director serves as the Committee Chairperson.

Role of the Committee

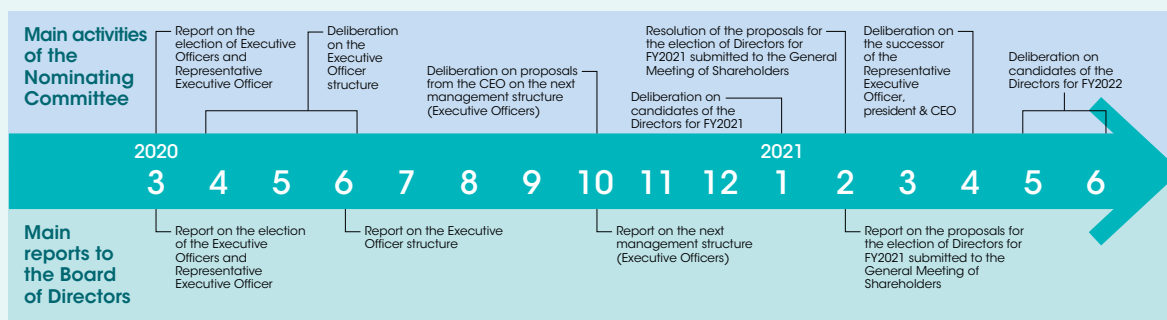
Decide on the content of proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, and deliberate on succession plans for Directors, the appointment and removal of the Representative Executive Officer and president and other Executive Officers, and their succession plans.

Number of meetings held

FY2020 (From late March 2020 to Early March 2021) 17
FY2021 (From late March 2021 to End of June 2021) 6

Main Activities

The Nominating Committee resolved the proposals for the election and dismissal of Directors for FY2021 submitted to the General Meeting of Shareholders and deliberated and reported on the Executive Officer structure for FY2021.



Remuneration decision-making policy for Officers

At our Company the Compensation Committee, which is chaired by an Independent Director, determines the remuneration structure and annual base remuneration for the Directors and Executive Officers. In addition, the Compensation Committee supervises the status of determination of the amounts and content of remuneration for Corporate Officers. The Compensation Committee deliberates on and determines the remuneration structure and its levels in fair and transparent manners based on the "Remuneration Philosophy" and the "Design Policies for the Remuneration of the Representative Executive Officer and President" set forth by the Compensation Committee, taking into consideration social situations, comparison of remuneration with that of other companies, market remuneration levels and other factors.

—Remuneration Philosophy—

Overarching Principle

- In order to implement "Maximization of Shareholder Value" (MSV), to build a remuneration system that is transparent and satisfactory and to continue to provide appropriate motivation, incentives, etc., to key executives by implementing individual treatment based on the system.

Guiding Principles

- To be able to attract and keep management talent that excels at practicing MSV.
- To be able to continuously provide motivation so that maximum potential can be encouraged even under changing environment.
- To function effectively and in harmony with the current state of business development, level of maturity of organizational systems, organizational values, and the community.

—Design Policies for the Remuneration of the Representative Executive Officer and President—

- A total amount of remuneration that is commensurate with the performance of the Representative Executive Officer and President
- A remuneration structure that promotes appropriate and decisive risk taking
- Strengthening of share remuneration that contributes to MSV

Composition of Officer remuneration as fixed cash compensation

Remuneration Structure for Directors

The Company has established Job-based compensation and allowance for committee member and other roles as fixed cash compensation, as well as Long-term Incentives. The remuneration structure reflects the idea that remuneration should take into account the roles and risks related not only to supervision of management but also to important decision-making including corporate acquisitions assumed by Directors and incentives for the Directors to drive MSV.

Remuneration Structure for Representative Executive Officer & Co-President

We introduced the Co-President structure in April 2021. Following this change of management structure, the Compensation Committee deliberated and determined the remuneration level and structure for the Representative Executive Officers & Co-Presidents for FY2021 that can keep the motivation of the Co-Presidents, who have different nationalities, to contribute to the achievement of MSV and provide adequate incentives.

Specifically, the Compensation Committee comprehensively assesses matters, such as the scope of the responsibilities and performance of each Co-President, consistency with the existing remuneration systems and incentives, benchmarking against the markets and other companies, the level and remuneration structure of the country where the Co-Presidents are from, then sets the total amount and the remuneration structure for each Co-President, taking into account the Remuneration Philosophy and Design Policies for the Remuneration of the Representative Executive Officer and President.

Additionally, to maintain appropriate motivation and incentives, effective FY2022, the Compensation Committee will determine the total amount of remuneration for the following fiscal year based on a comprehensive evaluation of matters of the preceding year including our Group's earnings results, the performance of the Representative Executive Officer and President and the results of benchmarking against other companies. The Compensation Committee also reviews the remuneration structure from scratch each fiscal year.

Remuneration Structure for Executive Officers

Remuneration for the Executive Officers, excluding the Representative Executive Officer & Co-Presidents, is comprised of "Job-based compensation," "Long-term Incentives" and "Performance-linked Incentives."

Because the scope of responsibilities of each Executive Officer varies, "Performance-Linked Incentives" is designed to help contribute to MSV and provide incentives to the Executive Officers by appropriately reflecting the degree of fulfillment of each Officer's responsibilities based on the evaluation not only on our Group's earnings but also on its long-term and non-financial performance including sustainability initiatives.

FY2021 Officers remuneration image

Fixed compensation	Job-based compensation	The amount of payment is determined for each position according to the roles and responsibilities.
	Performance-linked Incentives	The amount of payment is determined by taking comprehensively into consideration the evaluation on the financial results of the Group and segments and on non-financial performance based on individual Officers' responsibilities.
Variable compensation	Long-term Incentives	Restricted Stock is granted for the purpose of giving incentives to contribute to MSV and further sharing values with shareholders. The Malus and Clawback clauses are in place also from the perspective of MSV.

Compensation committee

Discussion on executive compensation

MSV is always at the center of discussions in the Compensation Committee. With MSV as our mission, we have formulated the Compensation Philosophy and the Policy for Structuring the Compensation of the Representative Executive Officer & President.

Discussions about compensation structure continually seek to find the best compensation scheme to create motivation for MSV. We believe that motivation is not as simple as providing an incentive with higher pay.

I believe the key to establishing a workable compensation structure and that contributes to MSV is to have a deep understanding of MSV, open communication with the management team to deepen that understanding, and a compensation structure and evaluation system that supports the management team to take appropriate risks. We must properly communicate our recognition of each executive's achievements and our understanding of their future vision to them.

The process of creating a compensation structure takes into consideration various elements, including performance benchmarks and other markers to ensure competitive compensation levels as well as consistency with previous internal executive compensations and employee salaries. I hope this careful process will further drive growth of our Group toward achieving MSV.

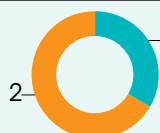
Takashi Tsutsui

Independent Director
Compensation Committee
Chairperson



Chairperson Takashi Tsutsui (Independent Director)

Composition of the Committee



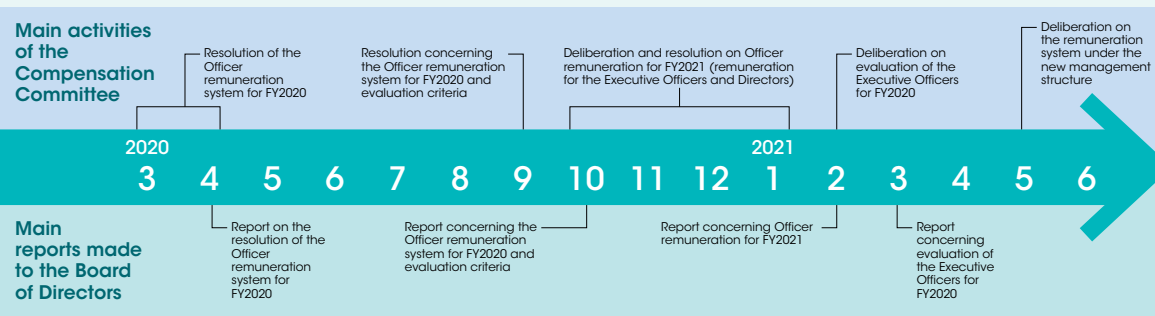
● Inside Director
● Outside Director

* An Independent Director serves as the Committee Chairperson.

Role of the Committee Determine the policies for determining individual remuneration for the Executive Officers and Directors, as well as the details of remuneration for each Executive Officer and Director.

Number of meetings held FY2020 (From late March 2020 to early March 2021) 19
FY2021 (From late March 2021 to end of June 2021) 6

Main Activities The Compensation Committee resolved the policy for determining remuneration for each Director and Executive Officer (Remuneration Philosophy) and the contents of remuneration for each based on the policy.



Governance

Global governance

Our Group has developed into a global company that operates in 30 countries and regions with about 34,000 employees. We have endeavored to strengthen its global governance through a series of actions, such as shifting to a Company with a Nominating Committee, etc. structure in March 2020, separating execution from supervision, and simplification of the ownership structure due to the acquisition of 100% ownership of the Asian JVs. Consequently, decision-making on the business execution has been further expedited, and the Board of Directors has become able to supervise the business execution with higher independence and objectivity.

In March 2021, our Group established the Purpose to play an important role as we develop as a global paint company based on Powerful Partnerships. Our Group

respects the management autonomy of its partner companies, and has positioned the Purpose as the shared identity of our Group, while respecting the management philosophies and visions set forth by each partner company. Under the leadership of Representative Executive Officers & Co-Presidents Wakatsuki and Wee, which started in April 2021, we will step up collaborations among our Group businesses worldwide that are expanding through M&A and other strategic initiatives. The Board of Directors, which supervises such initiatives, has reinforced a global audit system centered on the Audit Committee, and has been discussing the revision of the Corporate Governance Policies and appropriate forms of global risk management and internal whistle-blowing system. The Board of Directors will continue improving the global governance of the Group.

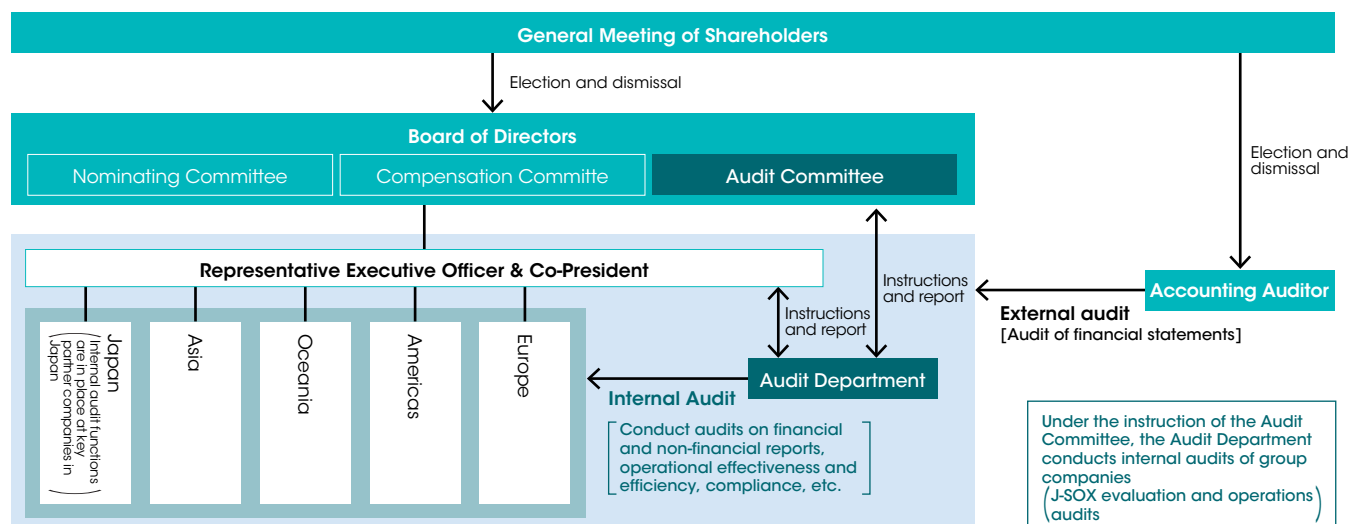
Promotion of global audits

The Audit Department ensures the independence and appropriateness of audits by establishing double reporting lines to the Audit Committee and Representative Executive Officer & Co-President. Based on an internal audit plan, approved by both, the Audit Department evaluates the effectiveness of the internal control systems including governance, processes, and risk management from the perspective of risks.

The activities of the Audit Department in FY2021 include support to some partner companies in Japan and overseas

to improve their maturity level through audits. Additionally, the Audit Department will accelerate a variety of efforts to enhance auditing skills and quality by applying advanced auditing know-how of overseas partner companies to domestic audits. Through these efforts, the Audit Department will improve and reinforce the group-wide internal audit system, thereby aiming at establishing the framework of "Audit on Audit" system based on the results of internal audits conducted by each site.

Global audit structure chart



Audit Committee

Establishing a robust Group audit system

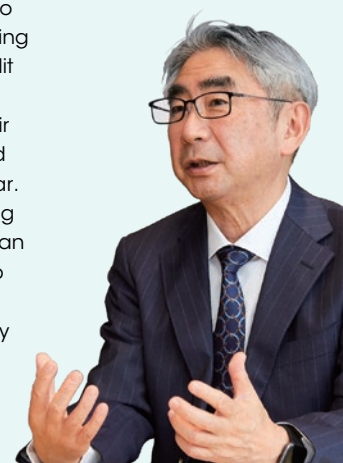
The Audit Committee, for the sake of MSV, is formulating a global "Audit on Audit" system that factors in the individuality of each partner company. The Group's globalization took a large step forward at the end of January 2021 with the acquisitions of 100% ownership of the Asian JVs and the Indonesia business. In addition, with the launch of the co-president structure in April, all partner companies are working to build more autonomous structures to promote their business growth. It is becoming increasingly important to institute the "Audit on Audit" system by enhancing audit capability of each partner company.

As concrete steps to establish the system, the partner companies share their best practices for internal audit based on governance, risk management, and compliance at the Group Audit Committee meeting, which is held twice a year. Rather than Nippon Paint Holdings making instructions unilaterally, the meeting provides an opportunity for discussion and learning so the partner companies can improve their capability and conduct effective internal audits while taking into consideration their regional and business characteristics.

Audit Department and the Audit Committee of Nippon Paint Holdings jointly and thoroughly conduct internal audits of critical risk areas for the entire Group. The timely and appropriate audits include remote online interviews and data analytic audits utilizing ICT.

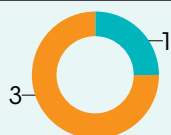
Masataka Mitsuhashi

Independent Director
Audit Committee Chairperson



Chairperson Masataka Mitsuhashi (Independent Director)

Composition of the Committee



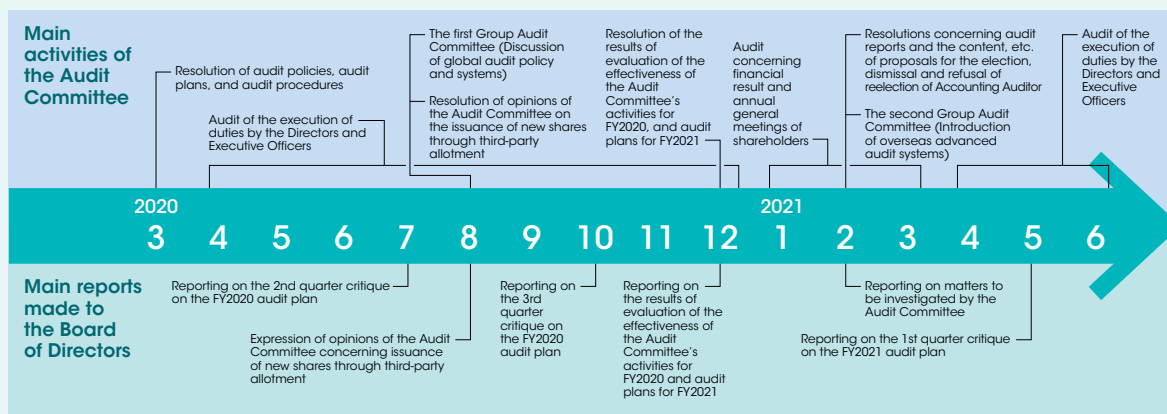
● Inside Director
● Outside Director

* An Independent Director serves as the Committee Chairperson.

Roles of the Committee Conduct audits on the execution of duties by Executive Officers and Directors, prepare audit reports, and determine the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor to be submitted to the General Meeting of Shareholders.

Number of meetings held FY2020 (From late March 2020 to early March 2021) 18
FY2021 (From late March 2021 to end of June 2021) 5

Main Activities The Audit Committee prepares audit reports, based on the results of audits on the status of execution of duties by the Executive Officers and Directors, and resolves the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor, to be submitted to the General Meeting of Shareholders.



Governance

Policy on cross-shareholdings

We make a decision every year on the continued holding of cross-shareholders at the Board of Directors based on the policy described below and dispose or reduce holdings of shares for which the rationality of their holding can't be recognized.

—Our Policy on Cross-Shareholding—

We hold shares of other listed companies as Cross-Shareholdings, limited to where it can be determined to be reasonable in consideration of, among others, the necessity of it for business activities (e.g., to maintain and strengthen the relationship with the business partner), the status of the issuer, and the return on the capital cost.

In addition, based on the policy of the above and internal standards, we exercise voting rights upon making comprehensive judgment, from the perspectives of maximization of corporate value in the medium to long term of the other company to the Cross-Shareholding, the effect on the Group, etc.

Number of shares held for purposes other than pure investment and the amount posted on the balance sheet

	FY2020
Number of stock issues	24
Of which, the number of listed issues	6
Total amount posted in the balance sheet (million yen)	23,644
Of which, the total amount of listed stocks (million yen)	22,704

As asset owner of corporate pension fund

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

- (1) We systematically secure human resources with the qualities required for management and operation of the corporate pension from inside and outside the Group and assign them to the Nippon Paint Corporate Pension Fund representative, asset management committee member, and secretary (hereinafter referred to as "Representative, etc.").
- (2) We, through the Representative, etc., confirm the selection of an investment institution by the fund, the monitoring of the activity status and investment results of the investment institution, and that management of conflicts of interest that arise between the beneficiaries and the Company is performed appropriately and effectively, and voices an opinion where necessary.

Shareholder and investor engagement

NPHD pursues MSV by building relationships of trust with shareholders through thorough and fair disclosure of information to shareholders in Japan and overseas and by reducing information asymmetry and holding down capital costs. NPHD also strives to understand the structure of its shareholders in order to engage in constructive dialogue with them, and pays close attention to the prevention of leaks of insider information when engaging in dialogue.

We have appointed the Representative Executive Officer & Co-President and general managers of the Investor Relations Department and General Affairs Department as the dialogue contacts with shareholders. Also, we provide opportunities for engagement with Independent Directors. We give the Board of Directors feedback of opinions and suggestions obtained from dialogues with shareholders as appropriate and reflect them on corporate management. Opinions from the Directors including Independent Directors are also utilized in dialogues with shareholders.

In FY2020, the Company strengthened communication with investors and held IR interviews with 346 companies (an increase of 23.1% from the previous year) to promote the understanding of the paint market and the Company's strategies. As an IR event, the Company held the "Briefing for Institutional Investors" in February, in which the management team explained the growth potential of the paint market, our strengths and future direction, etc. In August, the Company held an investor presentation meeting on the acquisition of 100% ownership of the Asian JVs, which was our long-term priority, and explained the strategic significance, benefits, and financial impact. In addition, we are promoting proactive disclosure of information through measures including expanding and reinforcing the Integrated Report and IR website.

Number of IR meetings held

	FY2019	FY2020
Meeting with domestic investors	140 companies	136 companies
Meeting with overseas investors	141 companies	210 companies
Of which, meetings with ESG investors (in Japan and overseas)	3 companies	9 companies
Total	281 companies	346 companies

IR events held

	FY2019	FY2020
Teleconference on financial results	4 times	4 times
Briefing for institutional investors	0 time	1 time
Briefing on M&A	2 times	1 time
Briefing for individual investors	3 times	1 time
Total	9 times	7 times

Outcomes of shareholder and investor engagement

Feedback from shareholders and investors

Regarding operations

- ① When will NPHD carry out the acquisition of 100% ownership of the Asian JVs? The transaction will have a significant impact on your valuation, so I hope that it will be achieved at an early date.
- ② We would like to have an interview with the local management about the Chinese market and businesses.
- ③ The operating profit in the Japan segment includes headquarters expenses, which makes it difficult to grasp the profitability only of the Japan segment. Please disclose the breakdown of the operating profit in the Japan segment.
- ④ Please disclose your investment policies and financial disciplines for your M&A strategy.
- ⑤ We would like you to disclose long-term financial targets as well in the Medium-Term Plan.

Regarding ESG

- ⑥ We expect NPHD to properly respond to MSCI and other ESG ratings because many investors place emphasis on these ratings.
- ⑦ We are concerned about your governance structure. Please explain the actual situation and effectiveness of your corporate governance in details.

Regarding major shareholder (the Wuthelam Group)

- ⑧ Please communicate periodically the ideas and thoughts of the Wuthelam Group as the major shareholder.

Concrete measures taken based on shareholder and investor engagement

Regarding operations

- ① Under the new management structure launched in FY2020, we reinforced our corporate governance structure to ensure the protection of the interests of minority shareholders, and enhanced smooth communication with the Wuthelam Group, resulting in quick agreement on the acquisition of 100% ownership of the Asian JVs (August 2020).
- ② We were unable to hold investor briefing due to COVID-19. However, we provided explanations on market analyses and business strategies given by the local management in China and other regions in the Integrated Report (September 2020).
- ③ We excluded the headquarters expenses from the operating profit in the Japan segment and presented as adjustments in order to clearly show the performance in the Japan segment. We disclosed the adjustment figures for the past year (on a quarterly basis) (May 2021).
- ④ We disclosed basic M&A policies including target areas, our advantages, and financial disciplines, although it is difficult to disclose details of M&A strategies considering the possible impact on target companies and competitors. We also disclosed the track record of acquisition of small-scale companies to show progress in the M&A strategy (March 2021).
- ⑤ In the New Medium-Term Plan (FY2021-2023), we set and disclosed financial targets that exceeded those of overseas competitors as a long-term goal, in addition to the medium-term targets for the existing businesses excluding M&A (March 2021).

Regarding ESG

- ⑥ In FY2020, we established the "ESG Promotion Department" and the "ESG Committee," grasped and analyzed the external evaluation to collect information and responded to questions. As a result, our MSCI rating was upgraded from "BBB" to "A" (April 2020).
- ⑦ We shifted to a Company with a Three Committees structure and raised the ratio of Outside Directors to 67% (at that time) in order to protect the interests of minority shareholders (March 2020). In addition, the Company expanded and reinforced the governance disclosure and information disclosure by taking steps including disclosing "Discussions by the Board of Directors" in the Integrated Report (September 2020).

Regarding major shareholder (the Wuthelam Group)

- ⑧ We provided the history of partnership with the Wuthelam Group that started in 1962 and the profile of the representative of the group in the Integrated Report in order to facilitate the understanding of our relationship with the Wuthelam Group and its corporate profile (September 2020). Additionally, we explained the background to and some details on the agreement with the Wuthelam Group on the acquisition of 100% ownership of the Asian JVs at the investor presentation in August 2020, and provided the message from the representative of the Wuthelam Group in the Integrated Report (September 2020).
➡ See "Partnership with the Wuthelam Group, Our Major Shareholder" on page 29.

Climate Change



Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, the Nippon Paint Group will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.

Report based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

In September 2021, our Group expressed its support for the TCFD recommendations (final report). For Maximization of Shareholder Value (MSV), we are working to enhance climate change-related measures and information disclosure.

Governance

The Board of Directors supervises climate-related issues by themselves, formulates the Group's strategies, policies, and action plans for ESG initiatives at the executive level including climate-related issues, and holds the ESG Committee to evaluate and promote their progress, chaired by the Representative Executive Officer & Co-President.

The Representative Executive Officer & Co-President reports the progress of ESG initiatives, including activities on climate-related issues, to the Board of Directors at least four times a year. As an example of climate-related decision-making, in July 2020, the ESG Committee identified six materialities and decided to set climate change as a top priority within the materialities.

Strategies

We have identified climate-related risks and opportunities that are critical to the strategies of our Group, and are working to assess their financial impact. In light of the increasing interest in climate change countermeasures in recent years, there are concerns that the global warming tax will be raised, resulting in increase in operating energy costs and additional costs related to capital investment and technology development for decarbonization.

In addition, in the event of increase in the severity and frequency of floods and other events caused by extreme weather, there is a risk of sales decline due to the damage on our plants resulting in the suspension of production.

Global warming, on the other hand, is of interest to the entire society, including our Group's major customers. While global warming entails physical and regulatory risks, it can be linked to business opportunities to expand our business by strategically addressing it. Specifically, such opportunities include expanding sales of products that improve ship fuel efficiency, help reduce CO₂ emissions at automobile manufacturing plants, and mitigate the rise of road surface temperature.

Risk management

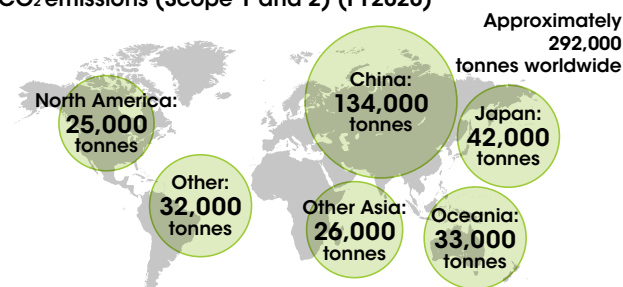
The ESG Committee, commissioned by the Board of Directors, formulates our Group's strategies, policies, and action plans for ESG and sustainability initiatives, including climate change issues, and evaluates and promotes their implementation. For the identification of risks, the ESG Committee and its subordinate organization, the Global Working Team¹, determine the importance of risks based on evidence, scope, and business opportunities and time frame, with the criteria of factors directly related to our operations (the amount of raw materials used, energy, water and CO₂ in the manufacturing processes) and external factors (users' needs for usage and needs for product features).

Once identified and assessed, risks and opportunities and their action plans are proposed to the ESG Committee. The Committee discusses and decides relevant company-wide targets and action plans, and submits them to the Board of Directors. Our Group's partner companies formulate business plans in line with the company-wide targets and action plans above.

Metrics and targets

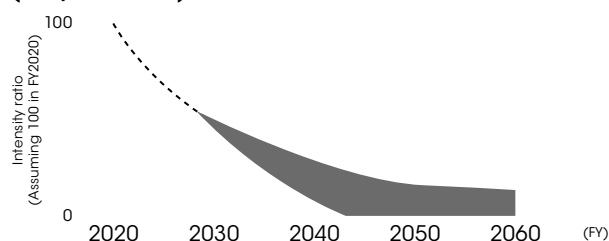
We will accelerate responses to climate change by conducting activities to reduce CO₂ emissions based on the net zero targets and the carbon neutral policy of the

Nippon Paint Group's estimated annual CO₂ emissions (Scope 1 and 2) (FY2020)¹



¹ The data does not include Nipsea Indonesia.

Nippon Paint Group's CO₂ emissions reduction target (Scope 1 and 2)



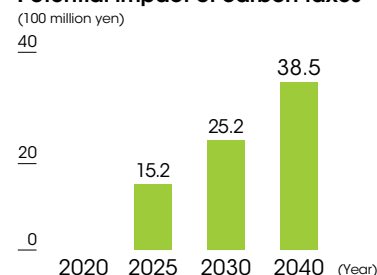
government of each country and contributing to net zero in our operating regions around the world. As concrete measures, we will focus on reducing emissions per unit in emerging countries, where markets are expanding, by introducing renewable energy and replacing equipment with

energy-saving and electrified models. We will also consider renewable energy introduction targets (power generation targets). We currently calculate Scope 3 emissions from our operations in Japan and have taken steps to calculate them from our operations around the world.

Estimated financial impact of carbon tax

Our Group consumes a large amount of energy, especially in the manufacturing processes, such as cooling water required in the process of dispersing and stabilizing pigments and other raw materials. We have identified the carbon tax as the greatest risk that could directly affect our operations, and anticipate cost increase due to the rise of the carbon tax prices. Therefore, we have started considering the sourcing of renewable energy as a workaround. The carbon tax has already been introduced in some countries, and it is expected that the tax rates will be gradually raised to achieve the net zero targets of each country. According to the International Energy Agency (IEA), there is a report that carbon prices in developed countries will increase to 100 USD/tCO₂ in 2030 if a shift to decarbonization proceeds worldwide. IEA also estimates that if CO₂ emissions in 2030 remain unchanged from the 2020 levels, the impact would be around 2.5 billion yen. There are concerns that carbon prices will have an even greater impact on operating costs, given the potential increase in emissions associated with future business expansion of our Group.

Potential impact of carbon taxes



* The survey coverage: Japan, NIPSEA, Dunn-Edwards, DuluxGroup

Framework comparison between "TCFD" and "Our responses to CDP Climate Change 2021 Questionnaire" *2

	Governance	Strategies	Risk management	Metrics and targets
	Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended disclosure item	a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
	C1.1b	C2.1a, C2.2a, C2.3, C2.3a, C2.4, C2.4a	C2.1, C2.2, C2.2a	C4.2
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	C1.2, C1.2a	C2.3a, C2.4a, C3.1, C3.3, C3.4	C2.1, C2.2	C6.1, C6.3, C6.5
		c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
		C3.2	C2.1, C2.2	C4.1, C4.1b, C4.2

*2 Items covered in the CDP's questionnaire that correspond to the recommended disclosure items in the TCFD recommendations are highlighted in gray color.



Prevention of global warming

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

In FY2020, both energy use and CO₂ emissions (Scope 1 and 2) decreased from the previous fiscal year due to production adjustment and telecommuting in response to COVID-19 while per unit emissions increased. Emissions increased in FY2017 and FY2019, mainly due to the expansion of the scope of data collection.

Efforts for net zero emissions

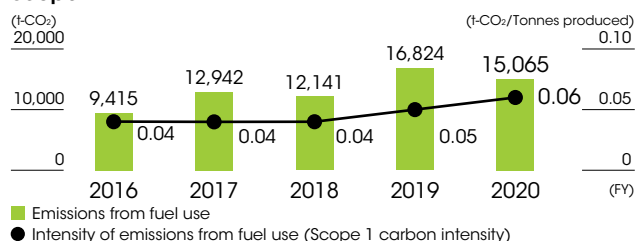
The following are examples of our Group's initiatives to achieve net zero CO₂ emissions.

- Replacement of air conditioning equipment and compressors with the latest energy-saving models
- Improvement of efficiency by reviewing operation methods of freezing/refrigeration units
- Adoption of LED lighting in offices and plants
- Energy conservation at manufacturing plants (improvement of paint dispersion processes, turning off unused lighting and manufacturing equipment, etc.)
- Energy conservation in offices (strict control of AC thermostat settings, turning off unused office equipment)

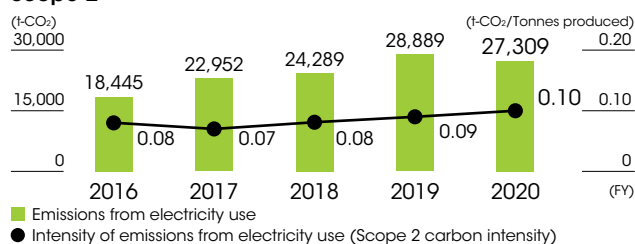
We will continue to consider measures such as replacement of production facilities to improve manufacturing and production efficiency. Specifically, we will consider and implement the following measures.

- Sourcing of renewable energy
- Adoption of energy-saving equipment at existing facilities
- Investment in renewable energy generation
- Estimating the financial impact of carbon pricing such as the carbon tax
- Decarbonization of new plants and the Head Office buildings
- Adoption of EVs and fuel cell vehicles (FCV)
- In addition to the above, we are considering and implementing sales of products and setting research themes that contribute to mitigation of climate change

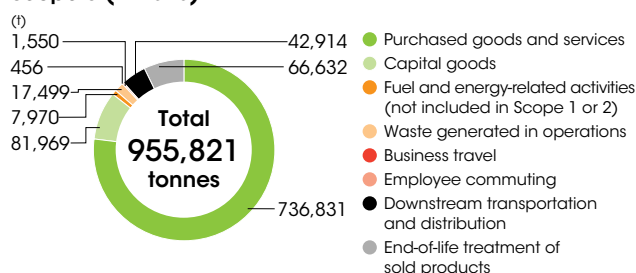
Scope 1^{*3}



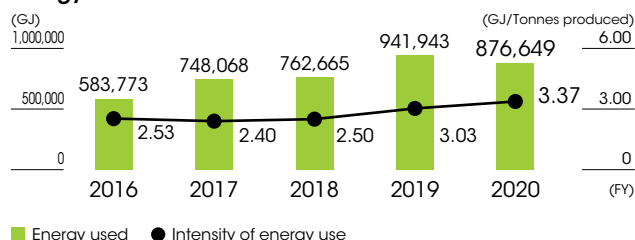
Scope 2^{*3}



Scope 3 (FY2020)^{*3}



Energy used^{*3}



^{*3} Coverage of data collection:

FY2016 to FY2018: Nippon Paint Automotive Coatings (NPAC), Nippon Paint Industrial Coatings (NPIU), Nippon Paint (NPTU), Nippon Paint Surf Chemicals (NPSU), Nippon Paint Marine Coatings (NPMC) (April-December for FY2016)
FY2019 to FY2020: NPAC, NPIU, NPTU, NPSU, NPMC, AS Paint (ASP), AS Resin (ASR), and Nippon Paint Anti-Corrosive Coatings (NAC)



Resources and Environment



Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business.

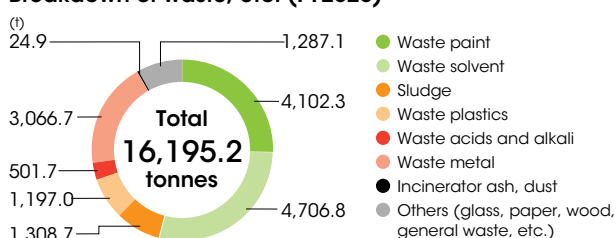
The Nippon Paint Group will advance these efforts throughout life cycle of products.

Reduction of waste, etc. and zero emissions

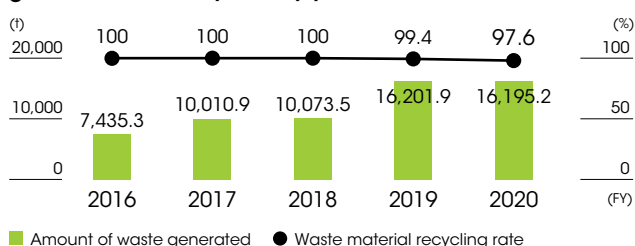
In Japan, our Group has adopted an integrated waste material management system that is compatible with the electronic manifest system. We make Group-wide efforts to reduce waste such as management of waste generation and proper disposal and effective use of waste generated.

Waste increased in FY2017 and FY2019, mainly due to the expansion of the scope of data collection. In FY2020, we failed to achieve 100% recycling due to the release of asbestos-containing waste from construction work at some sites and the release of bricks from the demolition of buildings. We will work to enhance waste management in order to reduce waste generation and achieve a recycling rate of 100%.

Breakdown of waste, etc. (FY2020)³



The amounts of waste, etc. generated and recycled by year³



Total cost of environmental fines and other penalties

In FY2020, the Nippon Paint 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 FY2020

Paints contain various chemical substances originating from their raw materials and some of them can be harmful

to the human body or the environment. We provide safety information on all products for countries that have adopted the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) by using SDS (safety data sheet) and labels in accordance with GHS classification. 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 FY2020, including the submission of notifications in accordance with the revised Cabinet Order for the Designation of Poisonous and Deleterious Substances.

Measures to prevent the leakage and drainage of hazardous materials

We have implemented measures to prevent leaks and spills of hazardous materials and obtained materials for leakage treatment and also provide training dedicated to the prevention of the leakage and drainage 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 notifying related parties of the accident, preventing expansion of the leakage and recovering the products in order to develop the ability to respond quickly to emergency situations.

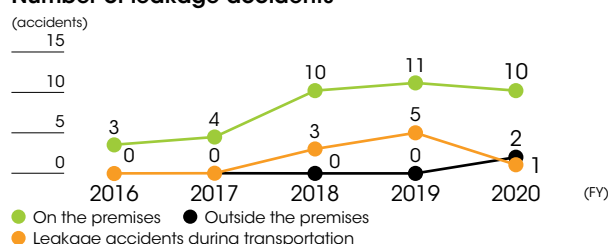
In FY2020, while the number of leakage accidents during transportation decreased, there were two accidents of leakage to the outside of the premises. The amount of leakage was very small in both cases, and prompt treatment prevented impacts on water and soil. However, we consider that the prevention and mitigation of leakage accidents is one of key issues to address, therefore we are enhancing measures such as adding items regarding transportation to the RC target guidelines.

Management of polychlorinated biphenyl (PCB) waste

PCB waste which is highly hazardous with impacts on human health and the environment, is being strictly controlled at storage facilities in accordance with the Waste Management and Public Cleansing Act and the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and disposed of by the disposal deadline.

Environment

Number of leakage accidents³



Air and water pollution prevention

The Group complies with all laws and regulations pertaining to air pollution and water contamination through setting of voluntary reference values and periodic pollution load measurements in Japan.

In FY2020, the amount of water used and wastewater discharge decreased from the previous year due to production adjustment and reduction in the attendance rate through remote working in response to COVID-19. There was no significant change in the pollution loads of air and water. Since FY2017, the amount of water used, wastewater discharge, and air and water pollution loads have increased, mainly due to the expansion of the scope of data collection.

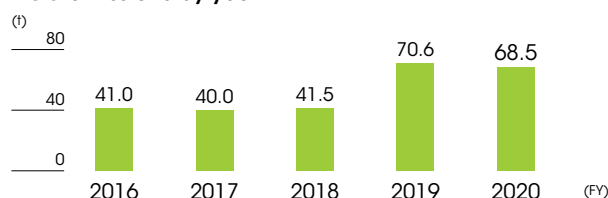
We will continue our efforts to prevent air and water pollution through improvements to the efficiency of cleaning processes at production sites, and recycling the solutions and water used for these processes.

Water management risks

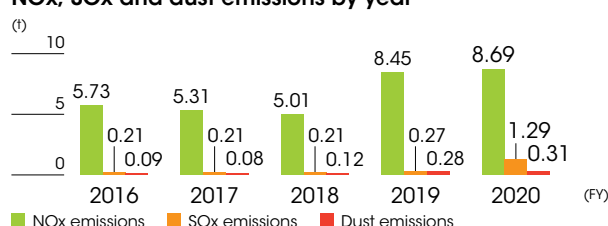
The water resources affects not only the water used in the production process but also the procurement of raw materials. Droughts, floods, and water quality deterioration might also affect our production activities.

We are working to develop business plans in line with group-wide targets and action plans, including formulating water management policies on a global basis and identifying risks by using AQUEDUCT provided by the World Resources Institute (WRI).

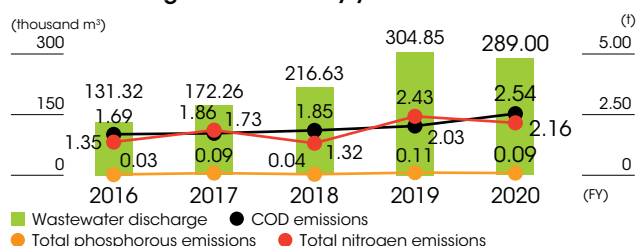
VOC emissions by year³



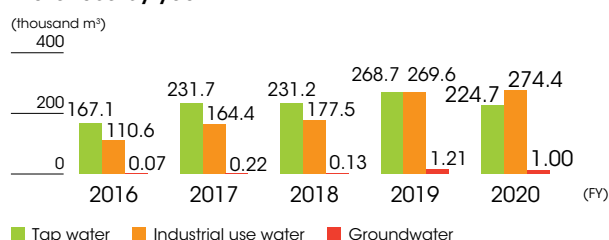
NOx, SOx and dust emissions by year³



Wastewater discharge and COD, total phosphorous, and total nitrogen emissions by year³



Water use by year³



Supply chain management

Group 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:**
The 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:**
The 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. Selection of suppliers:**
The Nippon Paint Holdings Group will select suppliers in a rational manner based on management policies, ESG activities, 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:**
The 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

Our 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 sustainable growth. Our Group has 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 our Group. The procurement activities of our Group 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.

Responsible procurement of raw materials

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.

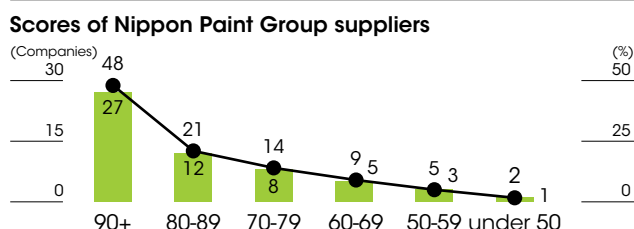
We utilize this information to provide customers with the information they require to use our products in compliance with regulations inside and outside Japan. Our Group also participates in the initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain, and supplies information at the request of customers.

Product stewardship

Improving the impact of products on sustainability throughout their life cycles is an important issue. In particular, it is extremely important to manage risks associated with hazardous chemical substances used in products from the phases of raw material adoption and design. To manage these risks, our Group has established rules for prohibition and restriction of use in accordance with the local legal systems for risk mitigation. They include "Green 20" in Japan, "Chemicals of concern" in Australia, and "Negative substance list" in China.

CSR procurement survey

The survey was sent to the primary suppliers of the Nippon Paint Group which accounted for 90% of all purchases in 2020 in the amount of purchase. The graph below shows the results of a self-analysis survey that was prepared by the Global Compact Network Japan (GCNJ). We held discussions with suppliers 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 of a particular material, such as purchasing raw materials from at least two suppliers. Significant risk factors are monitored by using a simultaneous inquiry system, which was used eleven times in FY2020 to examine the impact of COVID-19, typhoons and earthquakes, and other events.

Basic policy for responsible care

— 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.

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 & safety and chemical & product safety in addition to the environment, and have conducted Responsible Care (RC) activities since FY2010. We will encourage employees to act in a self-reliant and autonomous 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.

Environment and work safety management

Nippon Paint Group received ISO 14001 multi-certification for seven operating companies in Japan and all (100%) of their subsidiaries (in total 63.) In addition, we provide active support to our Group partner companies overseas for their health and safety activities and take actions to deepen communications for sorting out problems. In Asia, we provide support to enable our partner companies to establish improvement activities. In other regions, we conduct activities and provide support for corrective actions on an as-needed basis.

Diversity & Inclusion



Respect for the people around us and active acceptance of diverse values are important for our sustainable growth.

The Nippon Paint Group places great importance on the diversity of employees and other people involved in the business and respects human rights.

Promotion of diversity

Our Group is committed to fully leveraging the capabilities and potential of women as an important element in promoting diversity, and is promoting activities unique to our partner companies around the world.

In Japan, for example, we have been sending female employees selected through internal entry system to external training programs for cross-industrial exchanges since FY2016. We are working to develop executives by fostering a leadership through collaboration with members in other industries, and by encouraging autonomous career development by providing opportunities to meet a variety of role models. We are also actively promoting the appointment of management and executive personnel with high expertise from outside the company. In FY2020, one female Director of the Board, one Executive Officer & General Counsel, and two female Corporate Officers were appointed to Nippon Paint Holdings.

In addition, we have established flexible working systems, such as working from home (WFH), hourly paid leave, and shorter working hours, tailored to employees' life events including childcare and nursing care for creating a more comfortable workplace environment. Messages from leadership and explanatory meetings are provided to encourage employees to take advantage of these systems. In FY2020, 86.7% of women and 15.8% of men took childcare leave, with the average number of days taken for childcare leave as 301 for women and 44 for men (among employees of Nippon Paint Holdings).

Overseas, the NIPSEA Group is continuously working in Asian countries to improve gender representation in its management team and the Board of Directors. In the past five years, DuluxGroup has doubled the number of women in the senior leadership team of all business divisions implementing programs for increasing the ratio of women in each position level, focusing on improving the gender balance in particular among senior managers. Dunn-Edwards is improving gender representation in its management team and the Board of Directors, and is working on increasing diversity in race.

Percentage of women (global)

	Employees	Management post
① NIPSEA	25.6%	29.3%
② Dunn-Edwards	25.9%	28.6%
③ DuluxGroup	36.1%	28.4%
:		
Global total	24.0%	23.8%

Number of employees

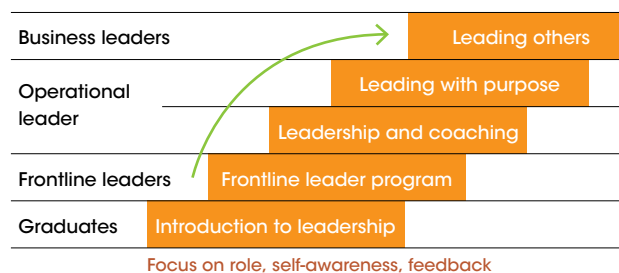
	2018	2019	2020
Non-consolidated	210	243	342
(average number of temporary employees not included in the above figures)	25	30	45
Japan	3,223	3,373	3,510
Asia	14,287	14,303	15,354
Americas	2,492	2,640	2,581
Oceania	—	3,735	3,826
Other	400	1,919	2,047
Consolidated total	20,402	25,970	27,318

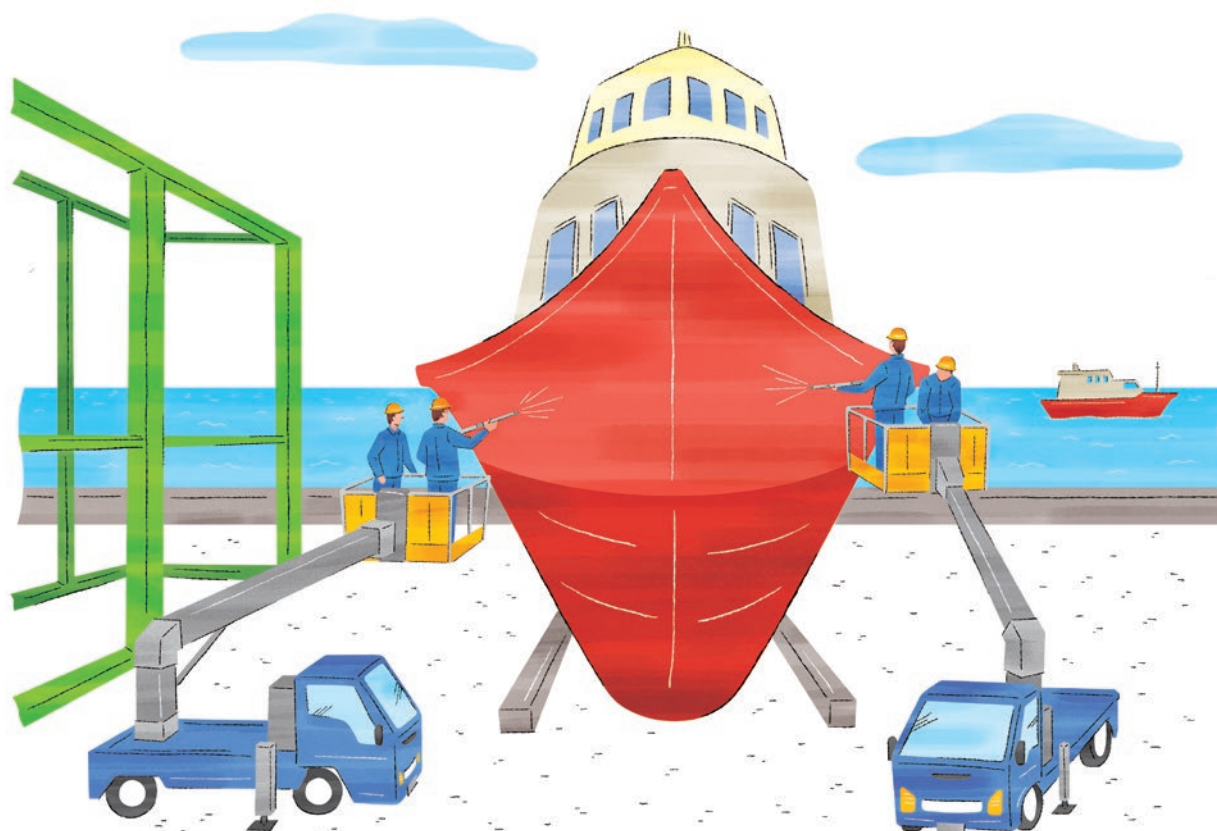
Human resource development for sustainable growth

The most important management resource that supports our Group's sustainable growth is human resources with unlimited potential. For the development of employees, we are expanding educational programs for various types of employees on a global basis every year.

For example, DuluxGroup is aiming to develop world class leaders by providing a comprehensive suite of transition-based leadership programs to support its people to progress in their careers, from first time leaders through to senior leaders. DuluxGroup also empowers its employees to be the catalyst of their own learning through its professional skills curriculum. They have an ever expanding range of topic areas from Strategic and Business Acumen; Management and Marketing Skills; Developing yourself and your career; Health and Wellbeing; IT skills to Knowing our Business for our employees to access, as they recognize we are all lifelong learners.

Leadership programs for all job levels (DuluxGroup)





NIPSEA Group adopts a Group-level learning framework that necessitates the holistic development of its employees with the relevant skills and competencies required at different job levels. They provide an array of training and educational programs in different functional areas, ranging from technical to leadership upskilling. Training programs are tailored at the country level depending on the findings of a yearly training needs analysis. In FY2020, they administered a total of 341,448 training hours for their employees.

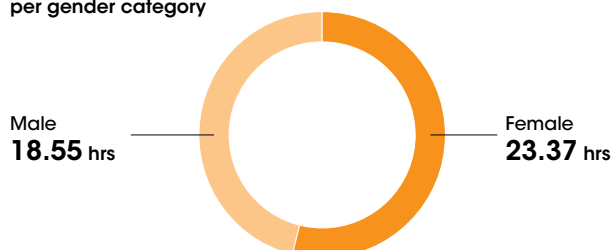
Average training hours per year, per employee category (NIPSEA)

Management	24.05 hrs
Executives & Supervisors	30.78 hrs
Rank & File	15.50 hrs

Employee training hours in FY2020

Up **28%**
from
FY2019

Average training hours per year, per gender category



In Japan, with the aim of developing autonomous human resources who can flexibly respond to changes in the global social situation and business environment and continuously contribute to business performance, we provide daily education through business operations and off-the-job education and training, as well as focus on developing management personnel who can exercise leadership and their successors.

For the development of human resources who can succeed on a global level, we have overseas language study programs (English and Chinese), MBA programs, and the doctorate study program. We plan to further increase the pace of activities that nurture global leaders while reinforcing the development of core skills required by global business people.

We are also providing position-based training (education for prospective employees, onboarding training for new employees, follow-up training, fourth-year training, eighth-year training, etc.) for all employees according to their respective roles. In FY2021, we launched business college programs to provide onboarding education for mid-career hires and enhance business literacy of management-level employees.

In FY2021, we also introduced the career drive program as part of our efforts to create an autonomous career development environment in which employees can work autonomously and independently on their own career development.

Improvement of employee engagement

The Nippon Paint Group believes that each and every employee performing his or her duties comfortably and with a sense of satisfaction is the driving force for continuous creation of new value and for increasing corporate competitiveness. Accordingly, we are working to improve employee engagement.

In Japan, we implemented thorough infection control measures to ensure safety and health of employees amid the COVID-19 pandemic, including the establishment of infection prevention guidelines, distribution of masks to employees, provision of disinfectant solutions, active use of work-from-home, and PCR testing of employees who requested the test.

In addition, we renewed the existing role grade system and introduced a job grade system (job-based personnel system) for management-level employees who play a central role in business promotion with the aim of improving employee motivation. We clarified the expected roles and performance requirements for each job, and started compensation benchmarking based on objective indicators.

Furthermore, in order to improve employee engagement and correct problematic issues, we have set up a whistleblowing system "NPHD Group Hotline" for a wide variety of matters ranging from violations of laws and regulations to infringement of human rights such as discrimination. In FY2020, we became a registered operator of the whistleblowing compliance management system certification regime (registration of self-declaration of conformity) under the jurisdiction of the Consumer Affairs Agency. In FY2020, we also established the harassment desk as a contact point for employees to consult on issues of concern, even on minor

issues encountered in daily work. In FY2020, Group companies in Japan received 19 whistleblowing reports in total and took corrective actions based on investigation results, and dealt with a total of 10 consultations received by the harassment desk.

As a result of these efforts, the employee satisfaction level in Japan has been improving year by year.

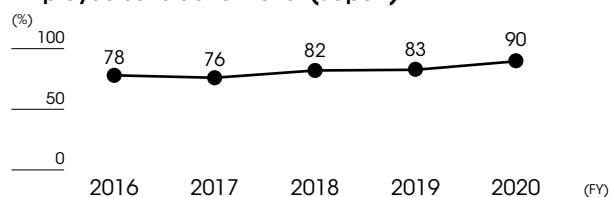
Creating a rewarding workplace

In Japan, we are striving to create a clean, comfortable and attractive workplace environment to build a rewarding workplace. Since FY2020, we have been promoting the "Food Reform Project," a reform of cafeterias in Group companies in Japan. The objective is to build a corporate culture that fosters the creation of new value by fostering refreshment and stimulating communication among employees by renovating the places where all the Group employees in Japan have lunch and breaks to enhance their mental and physical well-being. Under various restrictions imposed by COVID-19, we are steadily refurbishing our plants and other workplaces based on a concept that takes into account the needs of our employees.



Food Reform Project (in Hiroshima, Chiba and Tochigi)

Employee satisfaction level (Japan)*4

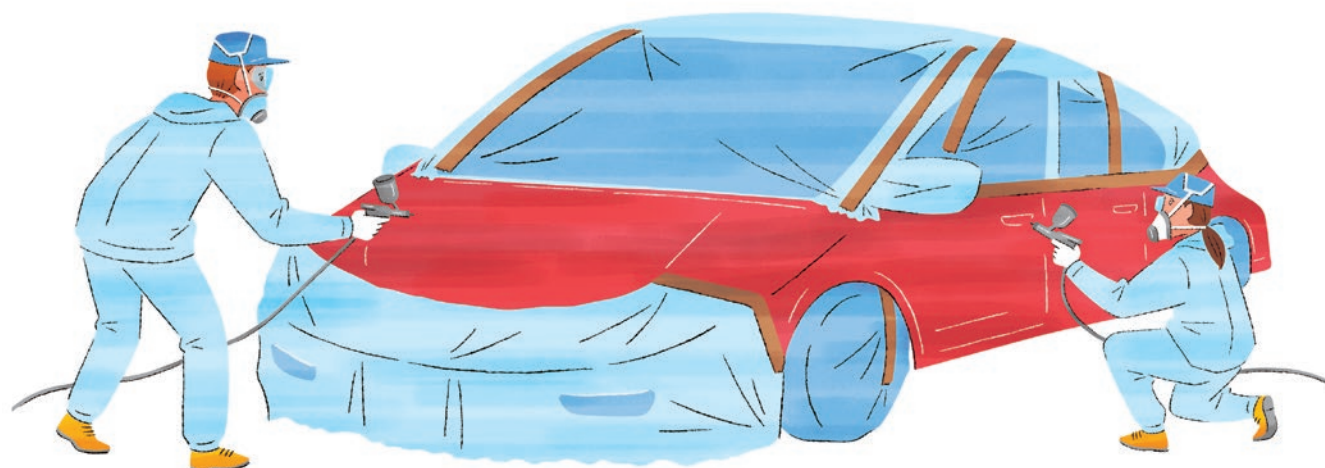


*4 Survey by Nippon Paint Labor Union

Basic approach to respecting human rights

Our Group expresses its recognition about issues involving respect for human rights in its materiality. We respect the human rights of employees and other people involved in our business, and are working to address human rights issues.

In accordance with laws and regulations of countries around the world, we aim to eliminate discrimination based on race, religion, gender, age, sexual orientation, disabilities, nationality, etc., and to become a company where people can fully demonstrate their individuality and capabilities.



Safe People and Operations



As a chemical manufacturer, we believe that accidents and health effects caused by handling chemical substances continue to be major risks.

To ensure the safety of employees and everyone involved in our business, we make investments and provide various training programs to minimize risks.

Global health and safety initiatives Support for overseas group companies in safety activities

Our Group has continuously been providing its overseas partner companies comprehensive support for the safety and environmental initiatives. In FY2020, although we were not able to visit each site due to COVID-19, we worked to strengthen safety activities in each country and improve leaders' competencies through the NIPSEA Safety & Sustainability Council and online meetings with each site.

In the same year, to effectively prevent serious accidents, we revised our safety assessment to identify and eliminate the risks that might result in a plant shutdown, such as fires and explosions, and deployed it to overseas partner companies. Although overseas accidents have been increasing since FY2017, this is mainly due to the expansion of the scope of data collection.

Health and safety initiatives in Japan

Our Group is committed to the prevention of accidents under the concept that safety takes priority over everything. In FY2020, we engaged all employees (including on-site contractors) in the health and safety activities taking actions based on decisions at the RC Committees, Group safety and environment meetings and Group product safety meetings.

In FY2020, accidents in our Group increased by seven from FY2019, but lost time injury accidents decreased by six. Regarding risk assessment, one of our key health and safety activities, we carried out a review focusing on injuries resulted from falls or dangerous postures, which had been increasing in recent years. Moreover, information about accidents that occurred in the Group were shared with our Group partner companies in Japan for reviewing and strengthening worksite safety rules and precautionary measures.

During FY2020, our Group conducted the following Group-wide training programs in Japan.

- Online safety training for new employees: 97 participants
- Online Follow-up training for new employees (contents: risk prediction training, static electricity safety lecture, product safety lecture): 78 participants

*5 Scope of data collection

FY2020: NIPSEA, NPAC, NPMC, Dunn-Edwards, DuluxGroup, and Betek Boya

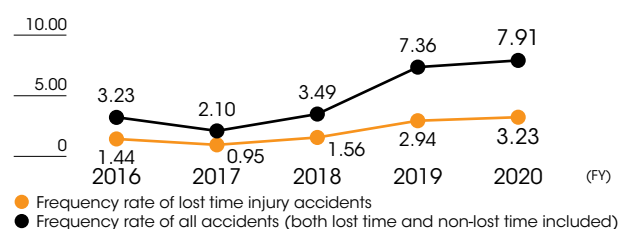
FY2019: NIPSEA, NPAC, NPMC, and Dunn-Edwards

FY2018: NIPSEA, NPAC, and NPMC

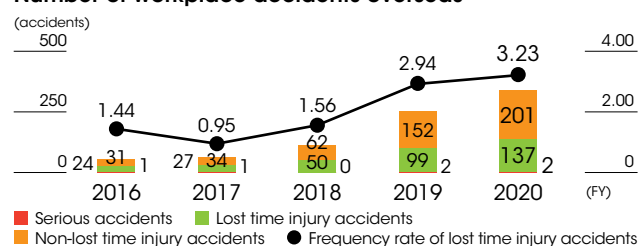
FY2017: NIPSEA and NPAC (In FY2016 + Asia)

FY2016: NIPSEA and NPAC (Europe and the Americas only)

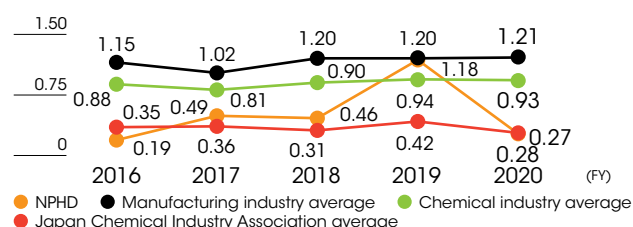
Frequency rate of lost time injury accidents overseas^{*5}



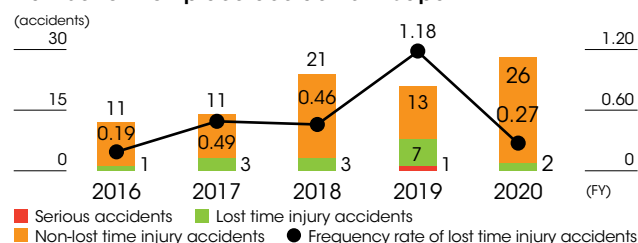
Number of workplace accidents overseas^{*5}



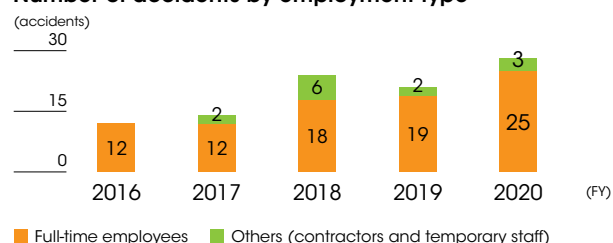
Frequency rate of lost time injury accidents in Japan^{*3}



Number of workplace accidents in Japan^{*3}



Number of accidents by employment type^{*3}



Growth with Communities



We will invest in communities through our value chain to achieve sustainable business growth based on market growth, brand reinforcement and good relationships with local communities.

Globally unified social contribution policy

To achieve sustainable development with coexistence and co-prosperity between the Nippon Paint Group and local communities, we formulated the basic policy on social contribution activities in FY2021. As part of this effort, we launched a global initiative for social contribution activities "NIPPON PAINT Group Global Outreach Program" with the three pillars of the activities: "Education" for the development of future stakeholders; "Empowerment" for the development of industry through support of activities and vocational training for the socially vulnerable; and "Engagement" for collaboration with local communities and stakeholders.

Promotion system

In FY2020, we established meeting bodies to promote materiality both globally and in Japan. We will further drive cooperation within the Group through close information sharing and consultation.

Efforts for cooperation are also being made at each partner company. For example, NIPSEA has a meeting body that connects partner companies in Asian countries and is promoting various global projects. In FY2020, they collected data on social contribution activities for the first time, and received the Asia Responsible Enterprise Awards 2020 under the social empowerment category in September of the same year for their young painter development project and vocational training activities for women in impoverished regions in India.

Pillars (focus areas) and examples of social contribution activities

Pillar	Description	Example of activities
Education	Activities for children and students who are our potential customers or employees	Asia Young Designer Awards (NIPSEA: International competition for students who want to be professional architects or interior designers); Dulux Colour Awards and Dulux Study Tour (Dulux Group: Awards and study tours for young designers); and social contribution activities by Nippon Paint Mallets (Nippon Paint Holdings)
Empowerment	Support of activities and vocational training for socially vulnerable people, and activities to find talented individuals	n'Shakti (NIPSEA: Vocational training program for women in impoverished regions in India); Ladies Who Paint (Dunn-Edwards: Support for female mural painters); Nippe Fan Farm (Nippon Paint Industrial Coatings: Management of agricultural farms by employing the disabled), etc.
Engagement	Activities including collaboration with local communities and stakeholders, cooperation with NGOs, and disaster relief	Response to the COVID-19 pandemic (Worldwide: Distribution of masks, disinfectants, face guards, etc. to local medical institutions); Response to forest fires in Australia (Dulux Group, Nippon Paint Holdings); and the industry-academia co-creation agreement with the University of Tokyo (Nippon Paint Holdings)

Measures against and responses to global epidemics

In FY2020, our Group responded to COVID-19 with the following three basic policies: "To protect employees and their families from coronavirus infections," "To secure funds to protect the Group's businesses around the world," and "To have a business continuity plan (BCP) firmly in place."

We implemented activities taking advantage of our Group's business and know-how, including the donation of supplies worth 12 million yen to medical institutions (Japan), the monetary support to painters (Bangladesh, India, etc.), the donation of anti-viral paints (China, Thailand, etc.), and the donation of masks to customers (various countries).



Arrival of supplies



Researchers using the masks



The Advanced Research Center for Infectious Diseases

Photo: Noguchi Memorial Institute for Medical Research, University of Ghana Medical School

Effects and impacts of social contribution activities

Our Group is not simply implementing social contribution activities, but also pursuing strategic initiatives paying attention to the impact of these activities on our core business and local communities.

Investment in social contribution activities and its results and impacts

	FY2020	Data collected	Results
	Country/region		19
	Number of projects		> 198
Global	Resources input	Money spent on the activities	> 14.6 million USD
		Time spent on the activities	> 170,000 hours
		Employees and volunteers who participated in the activities	> 9,800 participants
		Paint used in the activities	> 1.74 million liters
	Results and impacts	People impacted	> 5.33 million people
		Media coverage	> 3.73 million USD

For our initiatives worldwide, please visit the "Sustainability" page on our website:
<https://www.nipponpaint-holdings.com/en/sustainability/social/>



Innovation for a Sustainable Future



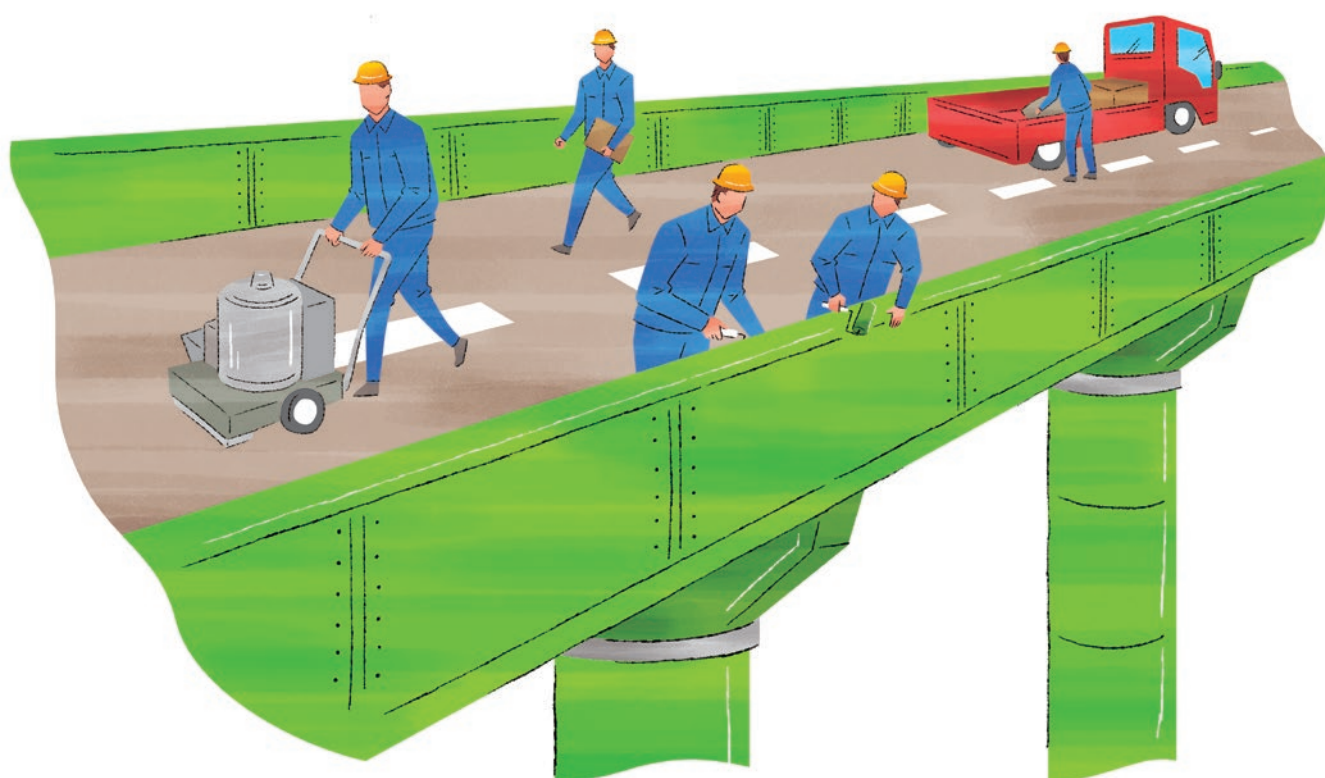
In today's society, problems that are difficult to resolve with conventional approaches are emerging increasingly. We will strengthen our innovation creation capability with active utilization of partnerships.

Innovation strategies and sustainable products

From automobiles to landmarks, the Nippon Paint Group uses its paint and coating technologies to provide colors and joy in every aspect of people's lives. In particular, as indicated by our Group's Purpose "Enriching our living world through the power of Science + Imagination," we have been committed to the development of sustainable products for many years with the aim of resolving social issues through technology. In FY2020, we strategically built a technology development structure, including the collaborative activities with the University of Tokyo and a wide range of other partners to discover new values for social contribution and the enhancement of our organizational structure to develop anti-viral products. We also promoted contribution to climate change mitigation through products such as heat shield paints and fuel-saving hull coatings. In FY2021 and beyond, we will strive to maximize the Group synergies by establishing indices for global initiatives and shifting to full-scale innovation progress management.

Sustainable products

Our Group calls products with features that help resolve social issues "sustainable products." The products are classified into two categories: products that reduce environmental impact throughout product lifecycle by reducing VOCs emitted into the atmosphere or using environmentally friendly raw materials; and beneficial products, which actively contribute to the resolution of new social issues with their features, such as helping customers reduce CO₂ emissions during painting. In FY2020, in response to COVID-19, we actively promoted the development of paints with functions to help prevent infections. We will seriously work to contribute to the resolution of various issues such as prevention of climate change and pollution.

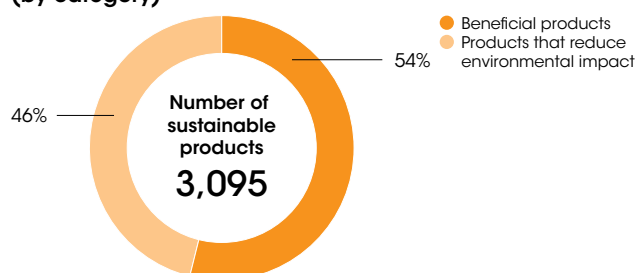


Achievements in sustainable products

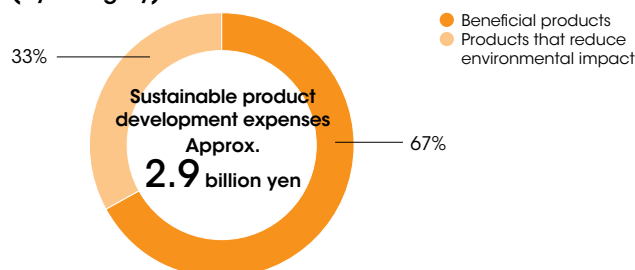
In FY2020, we sold approximately 3,000 sustainable product items in Japan. Of this total, sales of beneficial products with features designed to contribute to solving social issues reached approximately 24.5 billion yen. Research and development expenditures amounting to approximately 2.9 billion yen were allocated to some 120 development themes for sustainable technologies and products in Japan in FY2021.

Going forward, we plan to disclose data on a global basis.

Total number of sustainable products sold in FY2020 (by category)



FY2021 sustainable product development expenses (by category)



Sustainable product

(1) Antifouling hull paint AQUATERRAS

Nippon Paint Marine Coatings' antifouling hull paint AQUATERRAS won in April 2021 the TECHNOLOGY AWARD of the environmental award GREEN4SEA VIRTUAL AWARDS hosted by the European maritime NPO SAFETY4SEA for the first time as a Japanese company.

AQUATERRAS is the world's first biocide free self-polishing antifouling paint with a marine-environment-friendly formulation, free of heavy metals, active ingredients and silicone. In addition, this product can reduce the total resistance on hull by up to 10%, thereby contributing to reduction of CO₂ emission. AQUATERRAS received a global award for its innovative technology that achieves both environmentally responsible and efficient vessel operation.

In January 2021, moreover, we launched FASTAR, the next-generation hydrolysis antifouling hull paint that incorporates for the first time a hydrophilic and hydrophobic nanodomain technology, focusing on coating surface control technology, under the concept "Precise, Predictable, Performance."

These low-friction antifouling hull paint products have been continuously developed and provided since 2007, when LF-Sea, the world's first product of this kind, was developed. In 2013, we launched A-LF-Sea, an advanced ultra-fuel-saving antifouling paint for ship bottoms. This type of products has reduced CO₂ emission from global shipping. Our unique low-friction technology, the water trapping technology, won the Minister of the Environment Award in 2019 for its contribution to CO₂ reduction. As of the end of June 2021, low-friction antifouling paint on ship bottoms has been adopted for approximately 3,800 vessels in total.



Sustainable products

(2) Anti-viral paint brand PROTECTON



In accordance with our mission of protecting people's health and creating a safe and pleasant future, the PROTECTON



brand debuted in September 2020. PROTECTON is a paint technology brand with anti-viral and anti-bacterial functions developed by combining our paint, coatings, and surface treatment technologies. The name implies the function to "PROTECT" people's lives from threats of viruses and bacteria + to turn the function "ON" to the surfaces of all things.

We are developing the PROTECTON brand for deployment across our partner companies in Japan. We have already launched five anti-viral paint products for industrial, DIY, and household use, including PROTECTON Barrierx™ Spray released by Nippon Paint Industrial Coatings in July 2021. PROTECTON will produce various types of products in addition to paint products as a product brand with anti-viral and anti-bacterial functions.

PROTECTON brand proven effective in suppressing novel coronavirus (including its variant): Joint development of new anti-viral nano photocatalyst

Five PROTECTON products have been proven to be effective in suppressing the novel coronavirus (SARS-CoV-2) and its Alpha variant on coated surfaces. This is based on a joint research project between our Group and the Graduate School of Engineering of the University of Tokyo and the Institute of Medical Science. This is the first time in Japan that anti-viral and anti-bacterial products have been proven to be effective in suppressing the Novel coronavirus

(SARS-CoV-2) and its Alpha variant. We have also developed a new anti-viral nano photocatalyst that suppresses Novel coronavirus and its variant (Alpha variant), and are considering its social implementation by introducing it into new PROTECTON products.

Our Group and the University of Tokyo have jointly conducted research activities on coatings technologies with anti-viral functions and functions to prevent the spread of infections for a sustainable post-COVID-19 society. This is one of the joint research themes under the industry-academia co-creation agreement we concluded on May 18, 2020. Through the collaborative research with them, we will continue to conduct tests to verify the effectiveness of our innovative coatings technologies including anti-viral technology using visible light-responsive photocatalyst in suppressing the SARS-CoV-2 virus under actual conditions of use.

* The products used for the test are not intended for medical use as a medical product or medical device. The test results do not indicate the effectiveness of these products in preventing infections.

* These products do not suppress indoor airborne viruses.



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 with IFRS.

Financial indicators

JGAAP

	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015
Fiscal year (Million yen)						
Net sales	216,547	227,378	222,256	233,380	260,578	260,590
Gross profit	70,821	75,104	73,329	82,038	93,640	92,550
Operating income	9,879	15,975	16,323	25,860	33,387	33,751
Profit attributable to owners of parent	8,729	14,350	12,312	20,018	32,156	181,477
EBITDA*1	19,716	25,055	24,626	33,093	40,438	40,722
Capital expenditures	6,743	5,554	3,553	5,107	5,980	5,130
Depreciation and amortization	9,836	9,079	8,302	7,233	7,051	6,970
R&D expenses	7,711	7,032	6,573	6,018	5,915	5,987
Cash flow (Million yen)						
Cash flow from operating activities	17,491	20,345	22,483	31,848	26,920	34,419
Cash flow from investing activities	(7,627)	(8,487)	(3,713)	(6,918)	(7,173)	(86,966)
Cash flow from financing activities	1,449	(11,578)	(11,942)	(18,744)	(21,034)	85,298
Free cash flow	9,863	11,858	18,769	24,929	19,746	(52,547)
Fiscal year end (Million yen)						
Total assets	269,888	265,905	274,105	287,992	324,028	810,727
Total liabilities	140,889	129,295	128,723	115,967	116,312	220,804
Shareholders' equity	127,467	139,603	149,784	166,881	188,782	465,513
Total net assets	128,998	136,610	145,382	172,024	207,715	589,923
Net debt*2	29,940	21,133	4,898	(18,582)	(30,844)	(105,959)
Per share information (Yen)						
Earnings per share (EPS)*3	32.95	54.18	46.51	75.62	122.47	650.04
Book-value per share (BPS)	454.38	481.41	514.45	609.20	746.25	1,496.16
Annual dividends per share	6.00	8.00	9.00	14.00	20.00	22.00
Financial indicators						
Operating income margin (%)	4.6	7.0	7.3	11.1	12.8	13.0
EBITDA margin (%)	9.1	11.0	11.1	14.2	15.5	15.6
Return on equity (ROE) (%)	7.6	11.6	9.3	13.5	18.1	53.8
Return on assets (ROA) (%)	3.4	5.4	4.6	7.1	10.5	32.0
Return on invested capital (ROIC) (%)*4	5.2	8.3	6.9	11.3	15.2	9.5
D/E ratio (times)	0.5	0.4	0.3	0.2	0.1	0.1
Net D/E ratio (times)	0.3	0.2	0.0	(0.1)	(0.2)	(0.2)
Dividend payout ratio (IFRS basis) (%)*5	—	—	—	—	—	—
Total shareholder return (TSR) (%)	—	—	—	—	—	—
Price-earnings ratio (PER) (times)	18.6	10.3	13.5	12.4	12.8	6.8
Price book-value ratio (PBR) (times)*6	1.3	1.2	1.2	1.5	2.1	2.9
Net debt/EBITDA	1.5	0.8	0.2	(0.6)	(0.8)	(2.6)

*1 EBITDA: Operating profit + depreciation and amortization + impairment loss

*2 Net debt: Interest-bearing debt (bonds and borrowings (current/non-current)) + other financial liabilities (current/non-current)) - liquidity on hand (cash and cash equivalents + other financial assets (current))

*3 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.

Non-financial Data

	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015
Governance						
Number of Board of Directors (persons)*7	7	8	8	8	10	8
Ratio of outside directors on the Board (%)*7	0.0	0.0	0.0	0.0	0.0	12.5
Social						
Number of employees (persons)	5,792	5,728	5,762	5,888	5,755	15,780
Ratio of overseas employees to all employees (%)	40.9	43.6	45.5	47.8	48.2	81.7
Ratio of female managers in Group companies (major subsidiaries in Japan) (%)*8	—	—	—	—	—	—
Number of serious occupational accidents inside and outside Japan (cases)	—	—	—	—	—	—
Environment						
CO2 emissions (Scope 1 + Scope 2) (t-CO2)*9	—	—	—	—	—	—
Ratio of water-based paints in the decorative paints business (global)(%)*10	—	—	—	—	—	—

*7 Number of Directors who assumed office after the conclusion of the Ordinary General Meeting of Shareholders held during the current fiscal year.

*8 The survey coverage are five companies: Nippon Paint (NPTU), Nippon Paint Automotive Coatings (NPAC), Nippon Paint Industrial Coatings (NPIU), Nippon Paint Surf Chemicals (NPSU), and Nippon Paint Marine Coatings (NPMC).

➔ For more details, see "Analysis of Operating Results for FY2020" on pages 123-126.

IFRS

Mar. 2016	Dec. 2016	Dec. 2017
535,746	470,161	605,252
223,343	204,875	245,196
71,352	72,489	74,957
30,020	34,788	37,123
97,885	95,382	104,405
19,034	21,019	24,814
26,533	22,892	29,447
15,177	12,037	14,814
63,101	77,916	79,265
(5,308)	(42,697)	(100,680)
(24,699)	(8,583)	(11,434)
57,793	35,218	(21,414)
791,459	827,996	920,591
223,710	242,238	291,182
474,989	496,944	521,040
567,748	585,757	629,408
(102,442)	(140,895)	(72,866)
93.61	108.48	115.76
1,464.06	1,475.93	1,572.60
35.00	40.00	42.00
13.3	15.4	12.4
18.3	20.3	17.2
6.3	7.4	7.6
3.8	4.3	4.3
10.3	11.7	11.5
0.1	0.1	0.1
(0.2)	(0.3)	(0.1)
27.8	29.1	27.6
57.5	74.1	83.7
26.7	29.4	30.8
1.7	2.2	2.3
(1.1)	(1.5)	(0.7)

	Dec. 2018	Dec. 2019	Dec. 2020
Fiscal year (Million yen)			
Revenue	627,670	692,009	781,146
Gross profit	242,164	275,649	323,460
Operating profit	86,542	78,060	86,933
Profit attributable to owners of parent	45,351	36,717	44,648
EBITDA*1	104,965	115,145	116,727
Capital expenditures	22,453	35,263	38,904
Depreciation and amortization	18,390	25,769	29,521
R&D expenses	16,997	17,416	18,411
Cash flow (Million yen)			
Cash flow from operating activities	61,533	92,076	88,561
Cash flow from investing activities	(37,439)	(352,769)	(36,368)
Cash flow from financing activities	6,228	254,018	60,869
Free cash flow	24,093	(260,693)	52,192
Fiscal year end (Million yen)			
Total assets	953,988	1,478,646	1,615,384
Total liabilities	306,370	790,667	915,578
Total equity attributable to owners of parent	520,047	552,922	568,398
Total equity	647,618	687,979	699,805
Net debt*2	(89,335)	310,890	309,162
Per share information (Yen)			
Basic earnings per share (EPS)*3	141.41	114.48	139.17
Book-value per share (BPS)	1,621.54	1,723.75	1,771.49
Annual dividends per share	45.00	45.00	45.00
Financial Indicators			
Operating profit margin (%)	13.8	11.3	11.1
EBITDA margin (%)	16.7	16.6	14.9
Return on equity (ROE) (%)	8.8	6.8	8.0
Return on assets (ROA) (%)	4.8	3.0	2.9
Return on invested capital (ROIC) (%)*4	11.5	7.1	6.7
D/E ratio (times)	0.2	0.9	1.1
Net D/E ratio (times)	(0.2)	0.6	0.5
Dividend payout ratio (IFRS basis) (%)*5	31.8	39.3	32.3
Total shareholder return (TSR) (%)	89.1	132.9	263.2
Price-earnings ratio (PER) (times)	26.6	49.3	81.4
Price book-value ratio (PBR) (times)*6	2.3	3.3	6.4
Net debt/EBITDA	(0.9)	2.7	2.7

*4 ROIC (JGAAP): Operating profit after tax / (net debt + total net assets)

ROIC (IFRS): Operating profit after tax / (net debt + total equity)

*5 Dividend payout ratio from FY2015 to FY2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill.

*6 PER: Share price / book-value per share (BPS)

Mar. 2016	Dec. 2016	Dec. 2017
6	7	7
16.7	28.6	28.6
16,498	16,872	20,257
82.2	82.2	85.1
1.6	2.5	3.3
0	0	1
42,023	27,860	35,893
79.2	80.1	82.3

	Dec. 2018	Dec. 2019	Dec. 2020
Governance			
Number of Board of Directors (persons)*7	10	11	9
Ratio of outside directors on the Board (%)*7	50.0	45.5	66.7
Social			
Number of employees (persons)	20,402	25,970	27,318
Ratio of overseas employees to all employees (%)	84.2	87.0	87.2
Ratio of female managers in Group companies (major subsidiaries in Japan) (%)*8	4.1	4.3	4.9
Number of serious occupational accidents inside and outside Japan (cases)	0	0	0
Environment			
CO ₂ emissions (Scope 1 + Scope 2) (t-CO ₂)*9	36,430	45,714	42,374
Ratio of water-based paints in the decorative paints business (global) (%)*10	83.8	86.7	87.5

*9 The survey coverage through FY2017 are six companies: Nippon Paint Holdings (NPHD), NPTU, NPAC, NPIU, NPSU, and NPMC.

The survey coverage from FY2018 are seven companies: NPHD, NPTU, NPAC, NPIU, NPSU, NPMC, and Nippon Paint Materials (NPMJ).

*10 Calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Data for four companies: NPTU (beginning in FY2016) and NIPSEA (FY2016), Dunn-Edwards (FY2017), and DuluxGroup (FY2019).

11-year Data by Segment

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 with IFRS.

By region

JGAAP

	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015
Japan						
Net sales (Billion yen)	172.7	173.7	172.3	174.5	187.5	187.2
Operating income (Billion yen)* ¹	9.4	13.2	15.3	22.4	27.0	26.4
Number of employees (persons)	—	—	3,139	3,074	2,983	2,886
Asia						
Net sales (Billion yen)	28.3	35.1	32.4	37.1	45.7	43.9
Operating income (Billion yen)	2.3	3.1	1.4	2.4	4.3	4.5
Number of employees (persons)	—	—	2,057	2,173	2,214	12,282
NIPSEA China						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Asia Excepting NIPSEA China						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Oceania						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Number of employees (persons)	—	—	—	—	—	—
Americas						
Net sales (Billion yen)	13.3	16.0	15.1	19.1	23.6	25.8
Operating income (Billion yen)	(1.6)	(0.2)	(0.3)	0.9	2.0	2.7
Number of employees (persons)	—	—	510	585	502	525
Other						
Net sales (Billion yen)	2.2	2.6	2.5	2.7	3.8	3.7
Operating income (Billion yen)	(0.2)	(0.1)	(0.0)	(0.1)	0.1	0.1
Number of employees (persons)	—	—	56	56	56	87

*1 Operating profit in the Japan segment excludes dividends from overseas Group companies.

By business

	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015
Net sales (Billion yen)						
Automotive coatings business	—	74.7	72.4	81.3	92.5	93.4
Decorative paints (including heavy duty) business	—	41.7	39.8	43.8	50.1	45.8
Industrial coatings business	—	40.9	42.1	43.6	47.6	46.4
Fine chemicals business	—	13.3	13.4	13.0	14.6	15.5
Others (marine & auto refinishes, etc.) business	—	56.7	54.5	51.7	55.8	59.5

➔ For more detail, see "Analysis of Operating Results for FY2020 (Financial results by segment)" on pages 125-126.

IFRS

Mar. 2016	Dec. 2016	Dec. 2017
174.3	127.9	175.9
29.2	24.3	30.6
2,935	3,005	3,013
317.4	297.5	347.0
37.7	43.3	40.8
12,617	12,793	14,449
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
33.2	32.2	68.2
5.2	5.1	3.2
536	627	2,407
10.9	12.6	14.1
(0.9)	(0.4)	0.2
410	447	388

	Dec. 2018	Dec. 2019	Dec. 2020
Japan			
Revenue (Billion yen)	182.8	182.6	159.6
Operating profit (Billion yen)* ¹	29.6	23.4	7.2
Number of employees (persons)	3,223	3,373	3,510
Asia			
Revenue (Billion yen)	355.7	359.2	356.6
Operating profit (Billion yen)	52.4	50.8	55.0
Number of employees (persons)	14,287	14,303	15,354
NIPSEA China			
Revenue (Billion yen)	251.7	257.5	268.1
Operating profit (Billion yen)	38.4	40.1	43.9
Asia Excepting NIPSEA China			
Revenue (Billion yen)	104.1	101.7	88.5
Operating profit (Billion yen)	14.0	10.7	11.1
Oceania			
Revenue (Billion yen)	—	47.6	148.3
Operating profit (Billion yen)	—	5.9	16.1
Number of employees (persons)	—	3,735	3,826
Americas			
Revenue (Billion yen)	75.2	74.6	70.1
Operating profit (Billion yen)	5.0	5.0	4.5
Number of employees (persons)	2,492	2,640	2,581
Other			
Revenue (Billion yen)	13.9	28.0	46.6
Operating profit (Billion yen)	(0.5)	(7.0)	4.2
Number of employees (persons)	400	1,919	2,047

Mar. 2016	Dec. 2016	Dec. 2017
138.8	129.0	148.4
253.4	226.2	308.8
68.3	58.4	73.0
17.4	15.6	18.9
58.0	40.9	56.0

	Dec. 2018	Dec. 2019	Dec. 2020
Revenue (Billion yen)			
Paint and coatings business	627.7	666.5	704.5
Automotive coatings business	160.2	149.6	122.9
Decorative paints (including heavy duty) business	322.5	370.7	440.9
Industrial coatings business	68.8	70.2	69.2
Fine chemicals business	19.4	18.9	17.0
Others (marine & auto refinishes, etc.) business	56.8	57.0	54.5
Paint related business	—	25.5	76.7

Analysis of Operating Results for FY2020

The detailed analysis of operating results for FY2020.

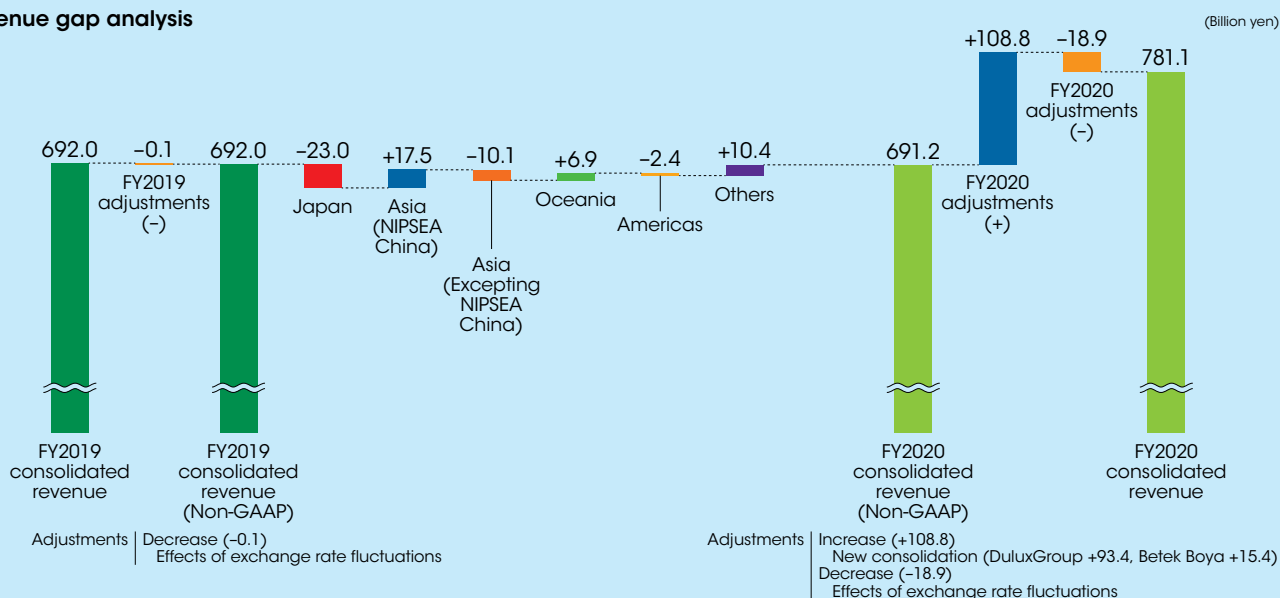
Overview of consolidated financial results

During the fiscal year ended December 31, 2020, consolidated revenue of NPHD and its group companies (collectively, the "Group") increased by 12.9% from the previous fiscal year to ¥781,146 million due to the consolidation of Australian paint manufacturer DuluxGroup Limited and Turkish paint manufacturer Betek

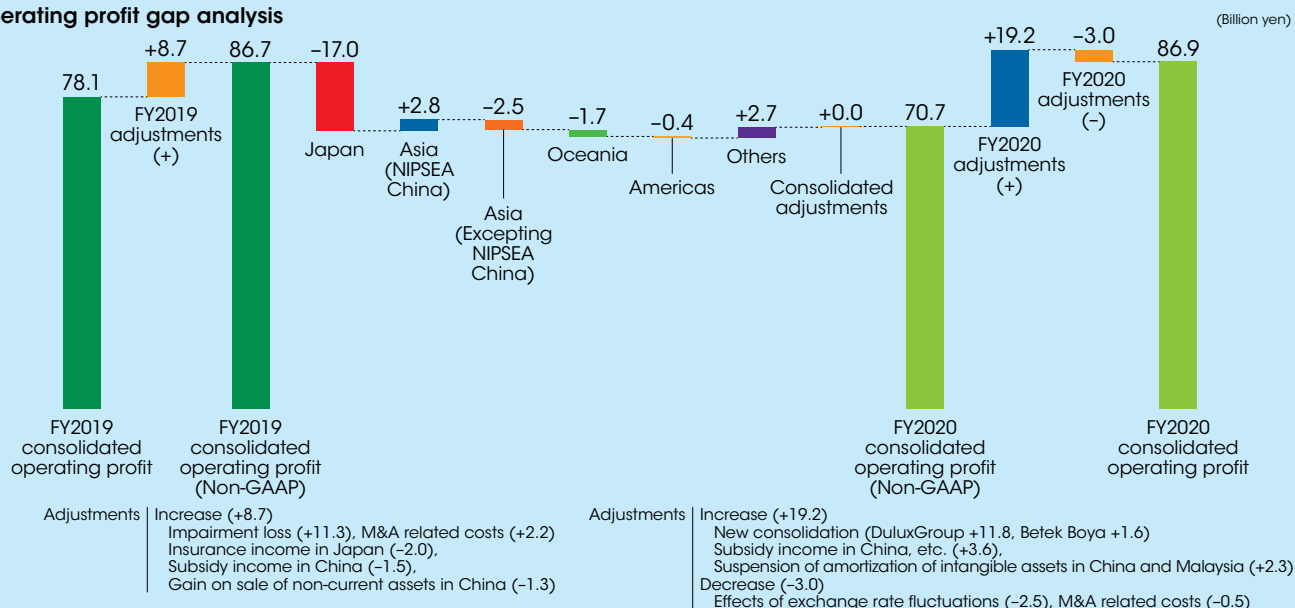
Boya ve Kimya Sanayi Anonim Sirketi into NPHD's subsidiaries and the strong sales of decorative paints in China, our mainstay business in Asia, due to the recovery of the Chinese economy, despite the impact of the COVID-19 pandemic on all Group businesses. Consolidated operating profit increased by 11.4% from the

previous fiscal year to ¥86,933 million due to higher revenue and lower raw material procurement costs, despite the absence of insurance income recorded in the previous fiscal year. Consolidated profit before tax increased by 11.6% to ¥88,715 million, and profit attributable to owners of parent increased by 21.6% to ¥44,648 million.

Revenue gap analysis



Operating profit gap analysis



Status of assets, liabilities and equity

Total assets as of December 31, 2020 increased by ¥136,737 million from the end of the previous fiscal year to ¥1,615,384 million.

Current assets increased by ¥136,280 million mainly due to an increase in cash and cash equivalents resulting from the acquisition of 100% ownership of the Asian JVs and Indonesia business.

Non-current assets increased by ¥457 million despite a decrease in other financial assets mainly due to an increase in property, plant and equipment.

Liabilities increased by ¥124,911 million to ¥915,578 million mainly due to an increase in bonds and borrowings.

Equity increased by ¥11,826 million to ¥699,805 million. This was mainly attributable to a decrease in foreign currency translation adjustment and an increase in retained earnings due to profit attributable to owners of parent.

As a result, equity attributable to owners of parent to total assets decreased from 37.4% at the end of the previous fiscal year to 35.2%.

Status of cash flows

Status of cash flows

In the fiscal year ended December 31, 2020, operating activities resulted in an inflow of ¥88,561 million, investing activities resulted in an outflow of ¥36,368 million, and financing activities resulted in an inflow of ¥60,869 million, resulting in cash and cash equivalents of ¥232,134 million, an increase of ¥108,833 million compared with the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities decreased by ¥3,514 million from the previous fiscal year to ¥88,561 million. Primary factors include a decrease in funds of ¥16,005 million due to an increase in operating capital and income taxes paid of ¥26,682 million, despite a cash inflow (excluding increases and decreases in operating capital) of ¥131,249 million, reflecting mainly non-cash expenses such as depreciation and amortization on profit before tax.

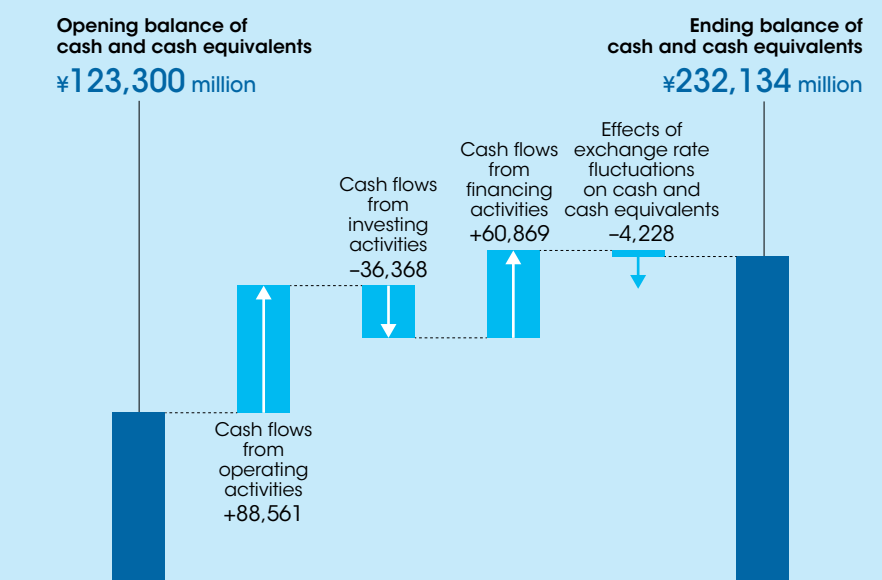
Cash flows from investing activities

Net cash used in investing activities decreased by ¥316,400 million from the previous fiscal year to ¥36,368 million. This was mainly attributable to an inflow of ¥6,942 million due to a decrease in time deposits, an outflow of ¥25,214 million due to the purchase of property, plant, and equipment, an outflow of ¥6,284 million due to an increase in marketable securities, and an outflow of ¥3,641 million due to payments for acquisition of businesses.

Cash flows from financing activities

Net cash provided by financing activities decreased by ¥193,149 million from the previous fiscal year to ¥60,869 million. Primary factors include an inflow of ¥95,861 million due to an increase in borrowings, an outflow of ¥27,249 million due to dividends paid and an outflow of ¥7,405 million due to repayments of lease liabilities.

Cash flow analysis



Analysis of Operating Results for FY2020

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, 2020, we obtained loans totaling ¥100 billion from financial institutions for the acquisition of 100% ownership of the Asian JVs and Indonesia business. As a result, the balance of bonds and borrowings at the end of the fiscal year ended December 31, 2020, stood at ¥481,731 million for NPHD and ¥54,028 million for its consolidated subsidiaries. The Group had operating capital of ¥164,524 million at the end of the fiscal year ended December 31, 2020.

The balance of cash and deposits of the Group at the end of the fiscal year ended December 31, 2020, was ¥232,134 million, the breakdown of which is as follows: the balance of cash and deposits of NPHD amounting to ¥164,653 million, and the balance of cash and deposits of domestic subsidiaries of ¥2,979 million, and cash and deposits of overseas subsidiaries amounting to ¥64,500 million. 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 keep its business activities running smoothly, and we have little concern about a shortage of funds for meeting future fund requirements.

Financial results by segment

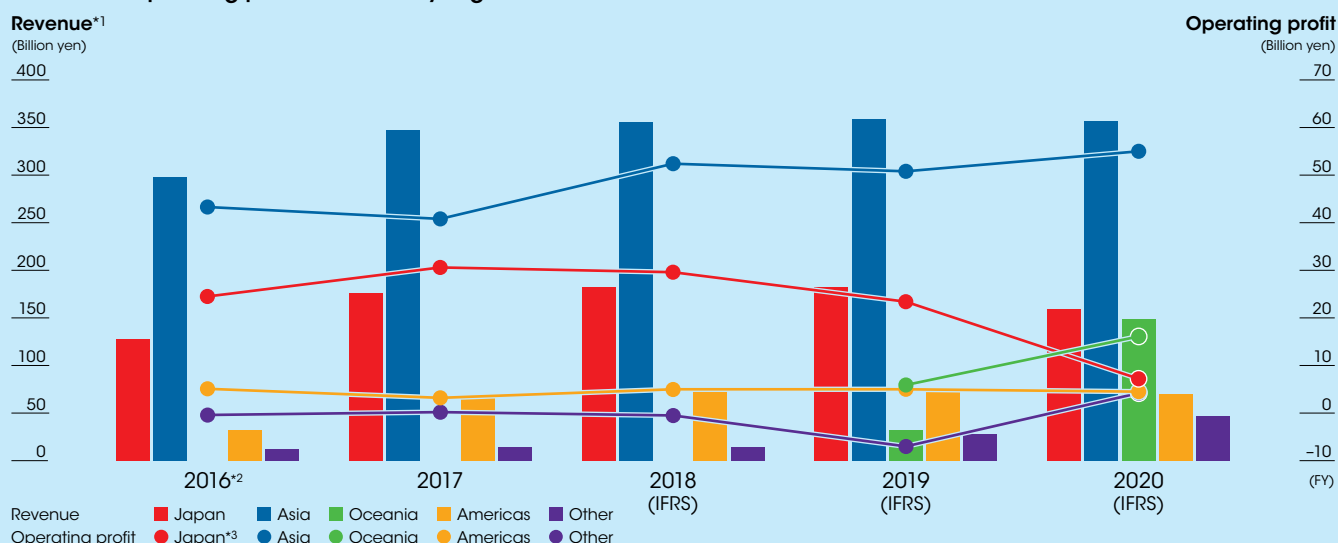
The status of each segment is as follows.

Japan

In this region, automotive coatings revenue was lower than in the previous fiscal year as a result of a decrease in automobile production due to COVID-19. Industrial coatings revenue was lower than in the previous fiscal year due to factors such as continued production cuts due to COVID-19 and weak market conditions accompanied by fewer new housing starts. Decorative paints revenue was lower than in the previous fiscal year due to COVID-19.

As a result, consolidated revenue for the Japan segment decreased by 12.6% to ¥159,625 million. Consolidated operating profit decreased by 10.1% to ¥33,251 million. Consolidated operating profit included ¥26,079 million of dividend income from overseas group companies (¥13,585 million in the previous fiscal year). All of this dividend income is eliminated as an internal transaction under "intersegment eliminations and adjustments."

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.

Asia

In this region, automotive coatings revenue was lower than in the previous fiscal year because of soft market conditions including a decrease in the level of automobile production in Thailand due to the COVID-19 pandemic. For decorative paints, the mainstay business in Asia, revenue increased due to a strong recovery in demand for new housing construction and repainting existing houses in China. This increase in demand more than offset the impact of the COVID-19 pandemic during the first six months of the fiscal year under review.

As a result, consolidated revenue for the Asia segment decreased by 0.7% to ¥356,609 million and consolidated operating profit increased by 8.2% to ¥54,957 million.

Oceania

In this region, the profit and/or loss of DuluxGroup Limited has been reflected in the Group's consolidated financial results since September 2019. The performance in the decorative paints business remained strong, driven by

consistently strong demand brought by enhanced home improvement activity resulting from the COVID-19 pandemic. Performance in the paint related business was robust due to strong home improvement demand.

As a result, consolidated revenue in the Oceania segment increased by 211.7% to ¥148,290 million, and consolidated operating profit increased by 175.0% to ¥16,118 million.

Americas

In this region, there was a decline in automotive coatings revenue because of decreased production of automobiles in the United States, a core region, due to the COVID-19 pandemic. Decorative paints revenue increased due to the brisk demand for housing accompanied by favorable weather.

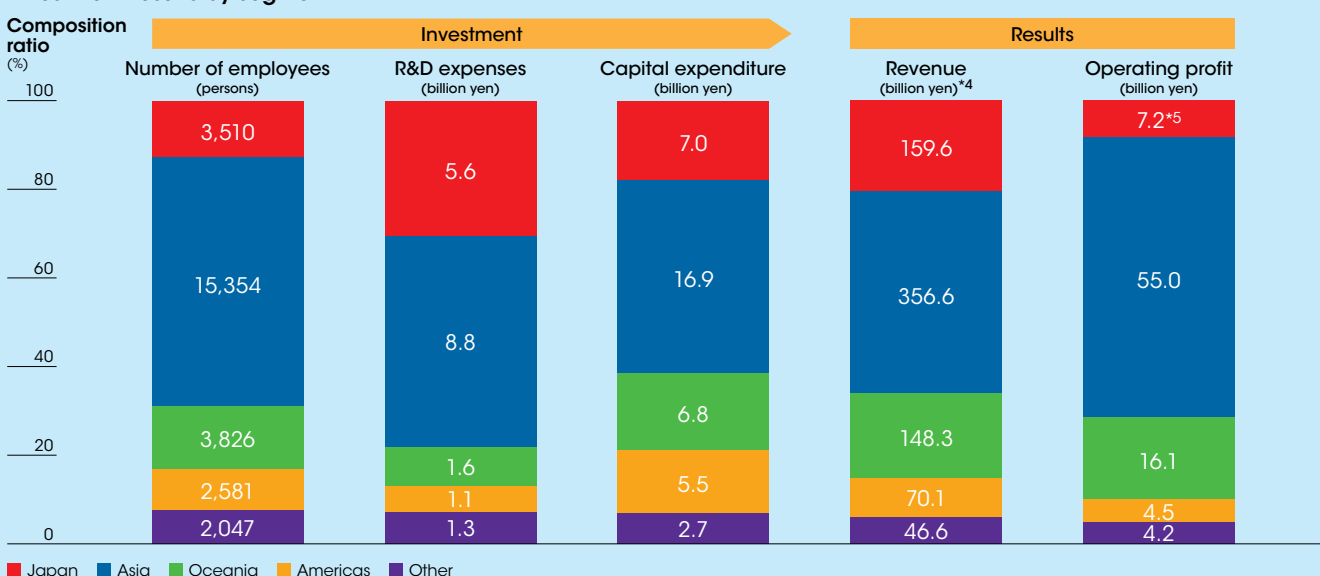
As a result, consolidated revenue for the Americas segment decreased by 6.1% to ¥70,068 million and consolidated operating profit decreased by 10.0% to ¥4,507 million.

Other

In this segment, the profit and/or loss of Betek Boya ve Kimya Sanayi Anonim Sirketi has been reflected in the Group's consolidated financial results since July 2019. Automotive coatings revenue decreased from the previous fiscal year due to a sharp decrease in the production of automobiles in this region as a result of the COVID-19 pandemic. On the other hand, revenue for decorative paints and paint related businesses increased, driven by growth in housing starts and sales of existing houses in Turkey.

As a result, consolidated revenue for the Other segment increased by 66.2% to ¥46,552 million and consolidated operating profit was ¥4,209 million (an operating loss of ¥6,972 million in the previous fiscal year).

Investment results by segment



































List of Major Brands



List of Major Brands

* For more information, please see the List of Brands on our website.
<https://www.nipponpaint-holdings.com/en/company/brand/>

NIPPON PAINT (JAPAN)	Paint & Coatings				Dunn-Edwards
	NIPPON PAINT  Basic & New NIPPON PAINT	PROTECTON 			
NIPSEA	Paint & Coatings				
	NIPPON PAINT 	NIPSEA CHEMICAL 	立邦 	CRF  长润发	OPEL  歐龍漆
	Paint & Coatings				
	SUPE  秀珀®	臻捕材  臻辅材	雅士利漆  立时集团成员	Acratex 	BK&NP 
Betek Boya	Beyond Coatings				
	SELLEYS 	V-tech 			
	Paint & Coatings				
	BETEK 	NIPPON PAINT 	TEMPO 	FILLI BOYA 	FAWORI 
DuluxGroup	ETICS				
	FAWORI 	DALMACYALI 			
DuluxGroup	Paint & Coatings		Sealants, Adhesives & Fillers and Construction Chemicals		
	DULUX  Worth doing, worth Dulux.	Cabot's 	SELLEYS  #1 IT'S SELLEYS IT WORKS®	Poly® 	PARCHEM  * Licensed Brand
DuluxGroup	Other Home Improvement Businesses				
	YATES 	B&D GROUP  automatic TECHNOLOGY	LINCOLN SENTRY 	blum®  * Distributed Brand	
DuluxGroup	Paint & Coatings				
	CRAIG & ROSE  SINCE 1922	DGL INTERNATIONAL  WILSON DECO			

Corporate, Stock and Ratings Information

(as of December 31, 2020)

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	671,432 million yen (as of January 25, 2021)
		Employees	27,318 (Consolidated)
		Fiscal year	From January 1 to December 31

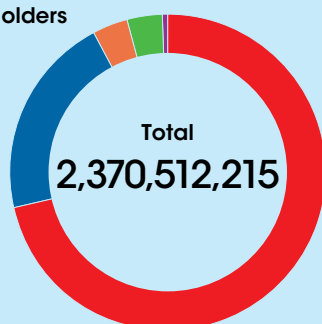
Stock Information (as of June 30, 2021)

Total number of authorized shares	5,000,000,000
Total number of issued shares	2,370,512,215
Number of shareholders	12,588

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

Foreign investors	71.66%
Financial institutions	20.58%
Individuals and others	3.82%
Other Japanese corporations	3.40%
Financial instruments business operators	0.54%

* The treasury stock of 22,342,327 shares is included in "Individuals and others."



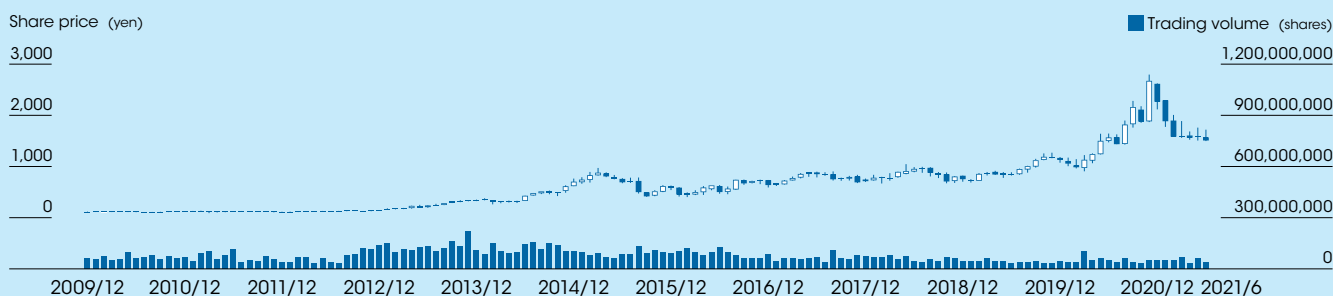
Major shareholders	Number of shares (thousand)	Shareholding ratio (%)
Name		
NIPSEA International Limited	1,293,030	55.06
Fraser (HK) Limited	85,000	3.61
Clearstream Banking S.A.	83,509	3.55
HSBC Bank Plc A/C Client 3	75,544	3.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	65,012	2.76
Nippon Life Insurance Company	54,085	2.30
Sumitomo Life Insurance Company	53,750	2.28
Sumitomo Mitsui Banking Corporation	49,998	2.12
MUFG Bank, Ltd.	35,667	1.51
Sumitomo Mitsui Trust Bank, Limited	35,265	1.50

*1 The shareholding ratio is calculated exclusive of treasury stock (22,342,327 shares).
 *2 NIPSEA International Limited is a wholly owned subsidiary of Wuthelam Holdings Ltd., of which Mr. Goh Hup Jin, the Director of the Board of Nippon Paint Holdings (NPHD), serves as Managing Director.
 *3 Fraser (HK) Limited is a subsidiary of a company (W BVI Holdings Limited) whose majority voting rights are held by Mr. Goh Hup Jin, the Director of the Board of NPHD, on its own account, and falls under related parties of NPHD.
 *4 NPHD issued 148,700,000 new shares through a third-party allotment to NIPSEA International Limited and Fraser (HK) Limited on January 25, 2021. As a result, the total number of issued shares increased to 474,102,443.
 *5 NPHD, based on the resolution of its Board of Directors on February 10, 2021, implemented a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 was split into five shares, with April 1, 2021 as the effective date. As a result, the total number of issued shares after the above issuance of new shares through a third-party allotment increased to 2,370,512,215. In conjunction with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, NPHD amended the total number of authorized shares provided in Article 6 of its Articles of Incorporation to five billion from one billion effective April 1, 2021.

Ratings Information

Institution	Rating	Rating outlook
R&I Rating	A	Stable

Stock price information



Share price and volume chart

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Share price at December 31 (year-end)	107	148	350	704	592	637	713	752	1,128	2,266
Year-to-date high	137	148	353	764	972	745	904	1,046	1,270	2,796
Year-to-date low	89	107	150	260	407	402	619	668	687	906
Annual trading volume	791,875,000	865,780,000	1,569,575,000	1,430,850,000	1,094,497,000	1,066,649,000	774,400,000	701,485,000	493,972,000	604,362,500

* NPHD implemented a 5-for-1 stock split on April 1, 2021. The stock price and trading volume are calculated assuming that the stock split was carried out in January 2009.



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

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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

Little Panda



The work is a joint creation of two Belarusian artists: Key Detail and YU-BABA. The endangered red panda incorporated into the painting conveys the artists' desire to "protect animals" and contribute to the continuation of the lovely creatures on planet earth. They also hope to tell the children in the countryside that "this is a happy world, no matter what the situation they encounter, please believe that this society can always give them the warmest help".

Location: Zhuzhou City, Hunan Province
(China)

Date of creation: June 2019