

# 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).

Enriching our living  
world through  
the power of Science  
+ Imagination

## 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 CO<sub>2</sub> emissions during ship operations



## Road

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



## 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



## Elevated highway

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



## Automobiles

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



### 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<sup>\*)</sup>.
- MSV is predicated on fulfillment of our duties to customers, employees, suppliers and society, setting us apart from the concept of "shareholder primacy."



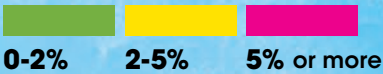
# The paint market offers potential for sustainable growth worldwide

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

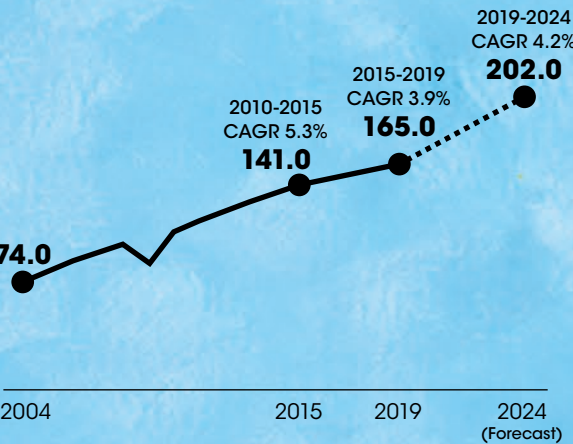
➤ Growth forecast for 2019-2024 (CAGR)



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

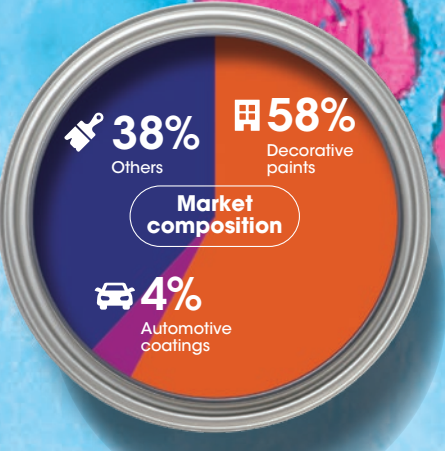
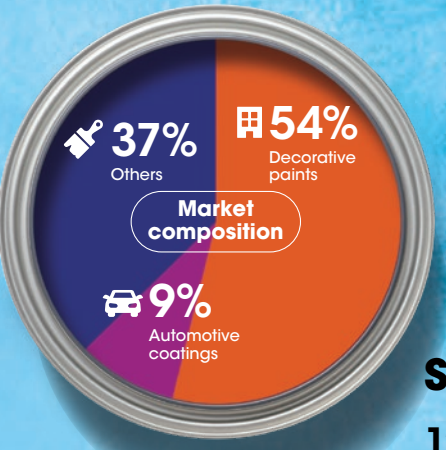
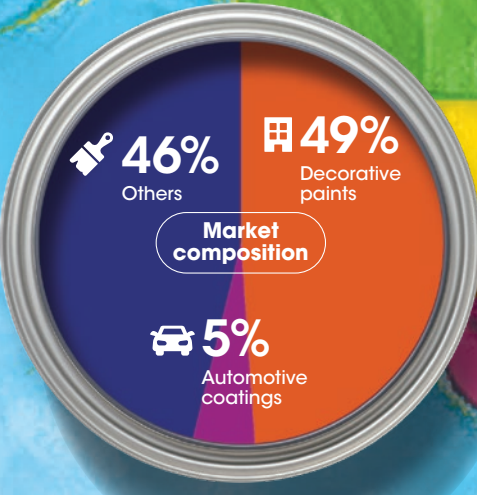
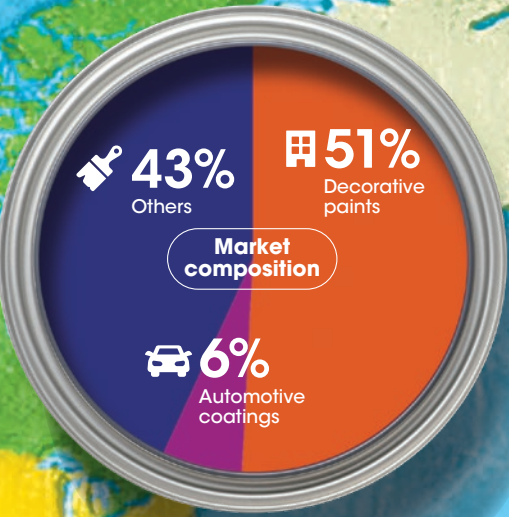
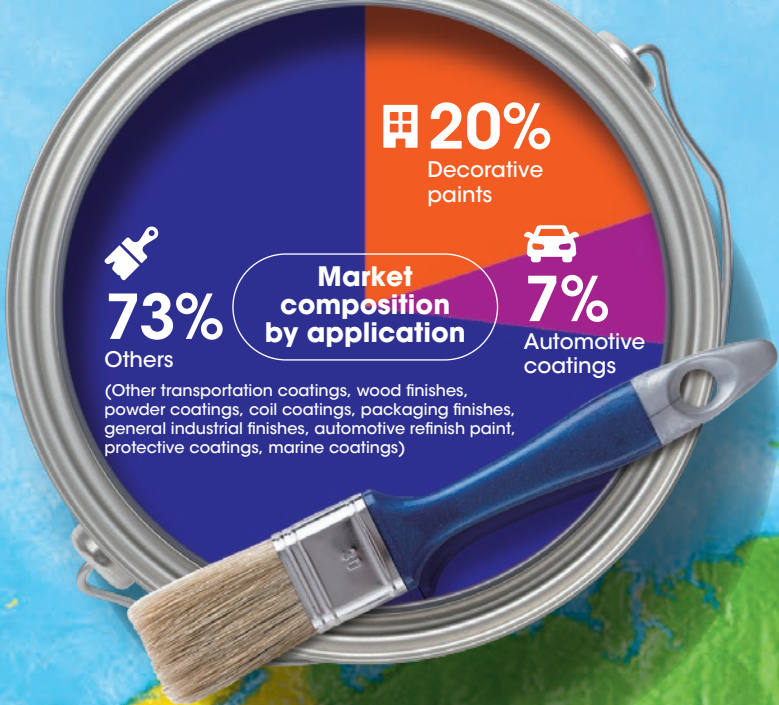
### Global paint demand

● 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/>



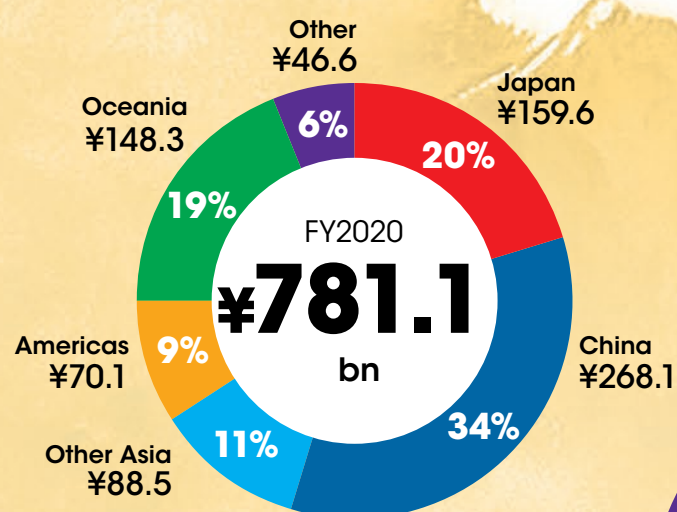


# A wide range of businesses are deployed globally to meet brisk paint demand worldwide

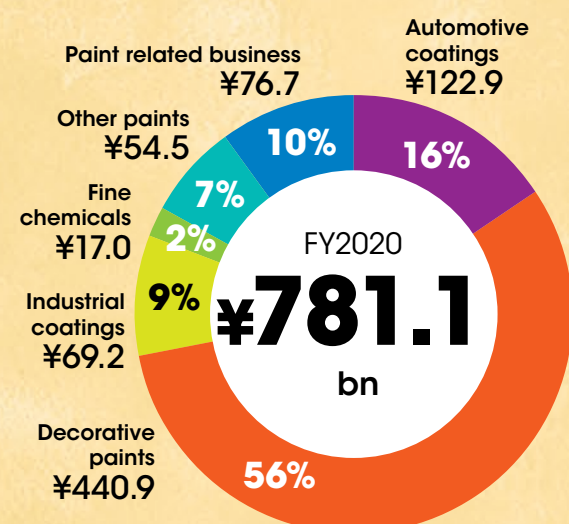
The Nippon Paint Group began consolidating its JVs in Asia and conducting overseas M&A since 2014 as it dynamically reorganized its regional and business segments and accelerated its global business expansion to meet the growing paint demand worldwide.

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

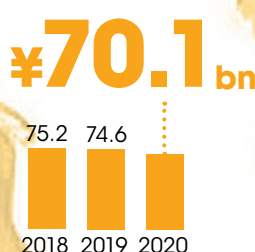
Revenue composition by region



Revenue composition by business



Revenue



## Americas

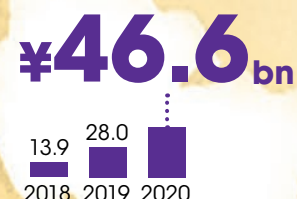
We expanded our automotive coatings business in the Americas by establishing manufacturing bases in the U.S., Canada, and Mexico when Japanese automobile manufacturers began aggressively expanding their operations in the region in the 1980s. In recent years, we have been steadily growing our decorative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

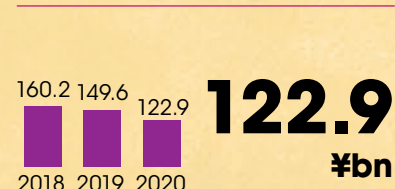
Revenue



## 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.

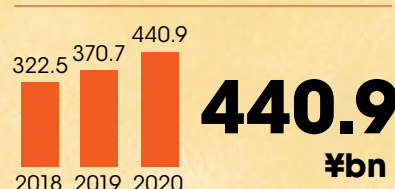
Revenue



## 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.

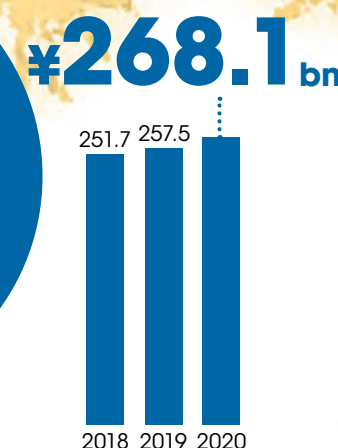
Revenue



## 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.

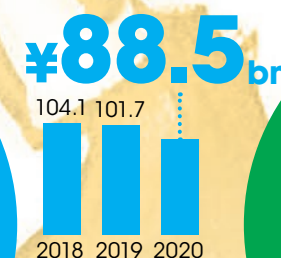
Revenue



## 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.

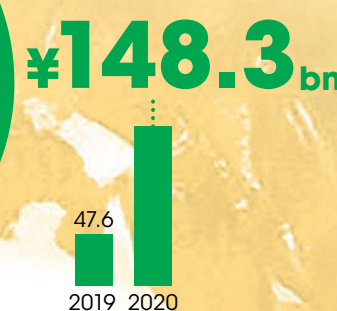
Revenue



## 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.

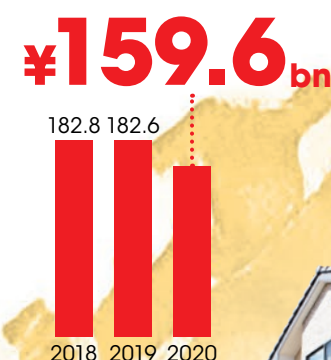
Revenue



## 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.

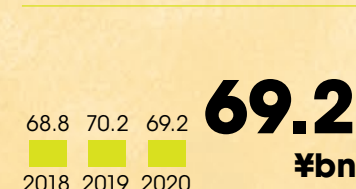
Revenue



## 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.

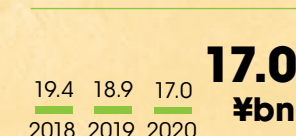
Revenue



## 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 automobile refinishing 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





Chapter 1

Chapter 2

Chapter 3

Chapter 4

Chapter 5

Introduction

- 01 Purpose - Our Shared Identity
- 03 Roles of Paint and Coatings in Society
- 05 The Global Paint Market
- 07 Global Business Expansion of the Nippon Paint Group
- 09 Contents / Editorial Policy

Message from Management

- 11 On Our Appointment as Co-Presidents
- 13 Message from Co-President Wakatsuki
- 17 Message from Co-President Wee
- 21 Maximization of Shareholder Value (MSV) / Powerful Partnerships

Capital and Business Model

- 25 The History of the Nippon Paint Group
- 27 Nippon Paint Group Management Resources
- 29 Partnership with the Wuthelam Group, Our Major Shareholder
- 33 The Nippon Paint Group Value Creation Model
- 35 Value Creation in Practice
- 37 Value Creation Achievements
  - 37 Financial Highlights
  - 39 Non-financial Highlights
- 40 Four Strengths of the Nippon Paint Group
- 41 Materiality / Risks and Opportunities

Medium- and Long-term Growth Strategy

- 47 Review of the Medium-Term Plan
- 49 Overview of the New Medium-Term Plan (FY2021-2023)
- 53 Regional and Business Strategy
  - 53 Nippon Paint China (China)
  - 59 PT Nipsea Paint and Chemicals (Indonesia)
  - 61 Nippon Paint Singapore (Singapore)
  - 63 Nippon Paint Malaysia (Malaysia)
  - 65 DuluxGroup (Australia)
  - 67 Betek Boya (Turkey)
  - 69 Dunn-Edwards (United States)
  - 71 Nippon Paint Automotive Coatings Co., Ltd. (NPAC)
  - 73 Nippon Paint Co., Ltd. (NPTU)
  - 74 Nippon Paint Industrial Coatings Co., Ltd. (NPIU)
  - 75 Nippon Paint Surf Chemicals Co., Ltd. (NPSU)
  - 76 Nippon Paint Marine Coatings Co., Ltd. (NPMC)
- 77 Sustainability Strategy
- 79 M&A Strategy
- 81 Financial Strategy

Sustainability Information

- Governance
  - 85 Independent Directors Discussion about Corporate Governance
  - 89 Discussions by the Board of Directors
  - 91 Directors and Executive Officers
  - 93 Corporate Governance Structure and Initiatives
- Environment
  - 105 Climate Change
  - 108 Resources and Environment
- Society
  - 111 Diversity & Inclusion
  - 114 Safe People and Operations
  - 115 Growth with Communities
  - 116 Innovation for a Sustainable Future

Financial and Corporate Information

- 119 Major Financial and Non-financial Data over 11 Years
- 121 11-year Data by Segment
- 123 Analysis of Operating Results for FY2020
- 127 List of Major Brands
- 128 Corporate, Stock and Ratings Information



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 NPHD, 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.

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)

Inquiries about this report

Nippon Paint Holdings Co., Ltd.  
Investor Relations  
Email: ir\_kouhou@nipponpaint.jp