On Our Appointment as Co-Presidents

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

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 2003 joined Merrill Lynch Japan Securities Co., Ltd. (currently BoA 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, to 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, sales, welfare, investor relations, and M&A. He was appointed Representative Executive Officer & Co-President at Nippon Paint Holdings on April 28, 2021.

**Message from Co-President Wakatsuki**

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 BoA Securities Japan). My connection with the Nippon Paint Group started when I was the financial advisor for the acquisition of Betek Baysa 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 the sake of benefit and profit. This approach of coexisting 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 Sew 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 Indonesian 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 Baysa in Turkey. My impression of the team that Mr. Wee led for the NPSEA 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 the success is that the teams that he leads work so well.

Since the co-president structure has been in place, I change opinions with Mr. Wee through email and chat system on a daily basis. We also talk for a few hours or 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 NPISEA until around 2016. The acquisitions of Dunn-Edwards in the U.S. in 2017, the DuluxGroup in Australia and Betek Baysa in Turkey in 2019, and 100% ownership of the Asian JVs and the Indonesian 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, NPSEA 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 teams, and formulated the Business Philosophy that we will 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 atmosphere 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
Corporative 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 for practical business operations. In this way, the ESG and business management governance system that ensures minority shareholders are not at a disadvantage.

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 activities will be conducted with clear objectives and with the aim of improving both efficiency and effectiveness. The New Medium-Term Plan focuses on using technology to reform our operations following four key strategies derived from the best practices of our Group partner companies around the world. (1) Improve customer engagement to provide customers with more value and advancement, (2) improve operational excellence, (3) improve employee experience, and (4) Strengthen risk resilience.

For manufacturing companies, production facilities are one of the major components of our business growth in their local markets. By targeting companies that share our values, we believe we can continue to increase our unpretentious growth.

Growing through offensive and defensive capital investment

For manufacturing companies, production facilities are an essential element to achieve sustainable growth. The three years of the New Medium-Term Plan will be a period of fundamental transformation and growth. We will make offensive investments aimed at capturing demand around the world along with defensive investments to strengthen our market position.

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 in the 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 Binh Tan, 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 Nippon, Japan. In a world where the drive to produce increasing value in the world is important, we will build a corporate platform with a strong base.

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 unpretentious quest for growth.

As the Co-President, my mission is to ensure sustainable growth and set 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 in our Group partner companies around the world. We will build a corporate group with an insatiable desire for growth.

Message from Co-President Nakatsuki
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.”

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 12 countries and regions. He concurrently serves as Representative Executive Officer & Co-President of Nippon Paint Holdings.

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

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 unifying 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 decisions and trust that they will do the best to nourish the organization and its values. Finally with unifying 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 the 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 Values Driven, Openness, Innovative, Collaborative and Excellence – represented by the acronym: V.O.I.C.E.

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.

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 we 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 areas is our continuous innovation 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

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 renewal 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 offerings 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 digitalization 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 drive 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.
Maximization of Shareholder Value (MSV) / Powerful Partnerships

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.

Maximization of Shareholder Value (MSV)

Powerful Partnerships

Creating synergies through trust-based collaborations with partner companies

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.