

Six categories of capital

Human capital

Manufactured capital

Social and relationship capital

Intellectual capital

Financial capital

Natural capital

Nippon Paint Group management resources

Human resources/ organizations

Technologies

External partners

Customer base

Brands

Financial base

Nature/ environment

Importance of management resources in value creation

- 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.

- 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.

- 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.

- 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.

Competitive advantages (strengths) of management resources

- 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.

- 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.)

- 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 Wulhelam Group → See page 29.

- 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 Selleys (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.

Major external evaluations

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

- 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)

- 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)

Particularly relevant materiality

→ For more details on Materiality, see page 41.

- Diversity & Inclusion
- Safe people and operations

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

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Increasing management sophistication and effectively using resources based on Powerful Partnerships

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

- 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

- 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

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

- 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 Selleys 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

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

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