**Value Creation Achievements**

**Financial Highlights**

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, financial highlights for FY2020 as operating profit increased despite the decline in operating profit, but rose significantly in 2020.

**Earnings per share (EPS)**

Capital investment costs in the paint industry are relatively low, and positive cash flow is the norm. Free cash flow in FY2020 increased significantly in both FY2019 and FY2020 due to the effective use of funds from financial institutions.

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

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 and a dividend payout ratio of 32.3%.

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

ROE increased to 8% in FY2020 after having declined in FY2019 with the decline in net profit, and we have re-established 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.

**Net debt**

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.
Value Creation Achievements

Non-financial Highlights

**Awards and Recognition**
- Awarded the Gold Brand from a Chinese brand evaluation institution
- Award winner for five consecutive years

**Brand Strength Index**
- The brand has won the Gold Brand for five consecutive years in the wall paint category of the C-BPI (China Brand Strength Index).

**Value Creation Achievements**
- 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**
- Employee satisfaction level began rising in Japan in FY2017 and reached a record high in FY2020.
- 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.

**Shipments of Water-Based Paints**
- The shipment ratio of water-based paints in the decorative paints business globally is 87.5%.

**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 steady 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 78.

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 82.