

# 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

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

## 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	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

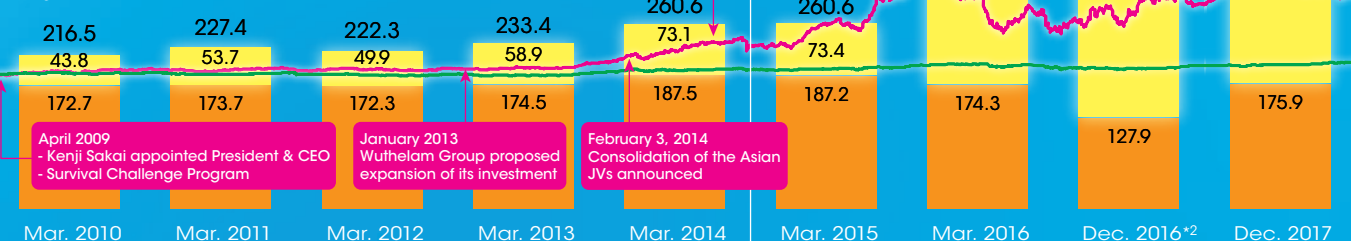
#### Improve sustainability and profitability over the medium- to long-term

- 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

## 2009-2014

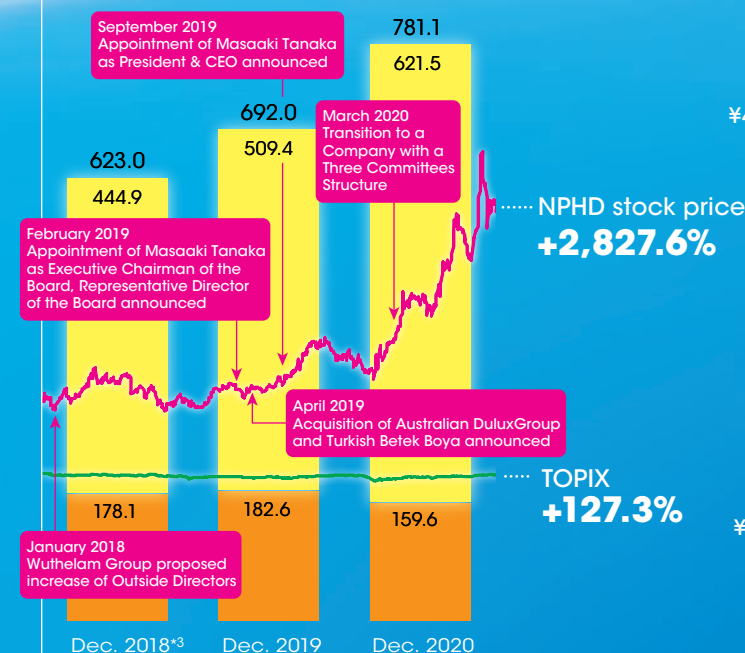
### Revenue (Billion yen) Japan Overseas

<sup>1</sup> NPHD stock prices and TOPIX were indexed with the closing price on April 1, 2009, as 100  
<sup>2</sup> 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.  
<sup>3</sup> 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

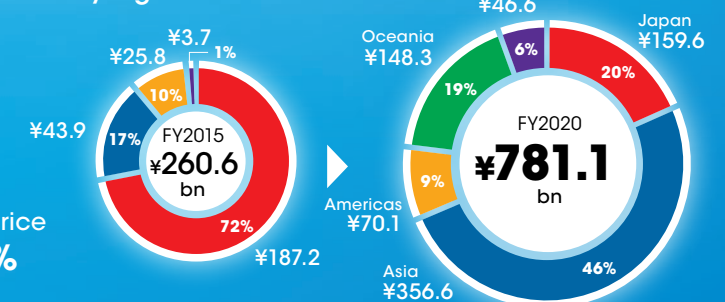


## 2015-2017

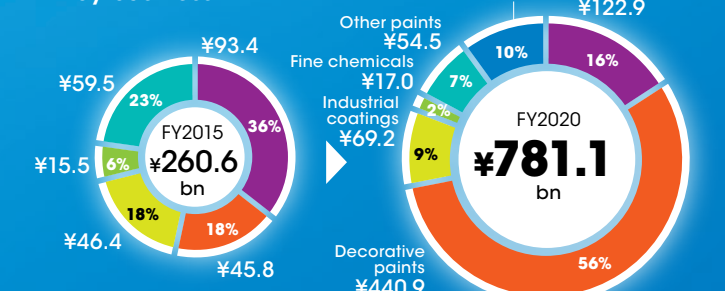
## 2018-2020



### 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%.

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%	
Operating profit margin	11.1%	10.3%	c.*5 13.0%	c.+2.7pt	Profit growth exceeding revenue growth
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

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

## Regional and Business Strategy

→ P.51 / → P.53-76

Further solidify our strong growth platform and proactively address new challenges

## 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

## Sustainability Strategy

→ P.77

Expand business opportunities through ESG initiatives for sustainable growth

## 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<sup>\*1</sup>, CC<sup>\*2</sup> and  
Betek Boya's ETICS<sup>\*3</sup> → 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

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

### Revenue growth projections by region

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

\*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.

## DIY Growth Strategy

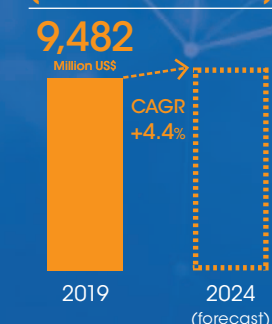
### Market features and outlook

- 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

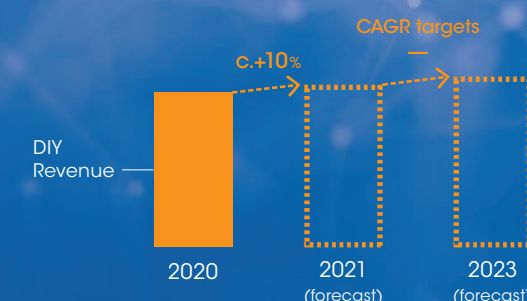
### Growth strategy for FY2021-2023

- 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) <sup>\*1</sup>



### Performance <sup>\*2</sup>



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

<sup>\*2</sup> FY2020 and FY2021 figures are in local currency

# 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 for FY2021-2023

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

- Focus on continuous brand building and upgrading
- 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

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).

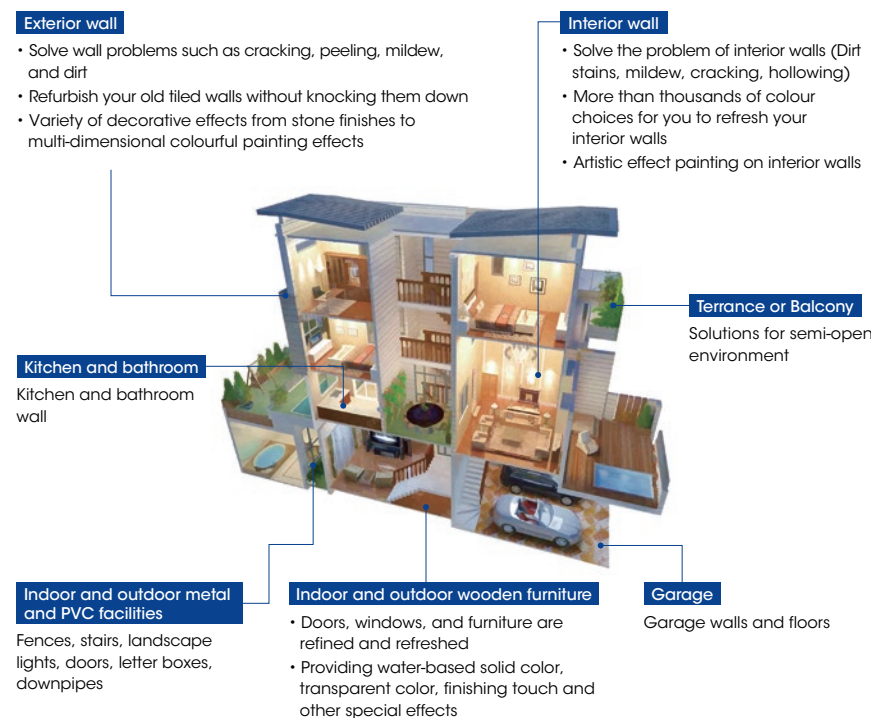
Several factors, including the COVID-19 pandemic and the digital revolution, have also been significant drivers of change and growth. In 2020, the pandemic devastated the construction industry. As such, would-be homebuyers have turned to an emerging trend of home improvement instead of purchasing new 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

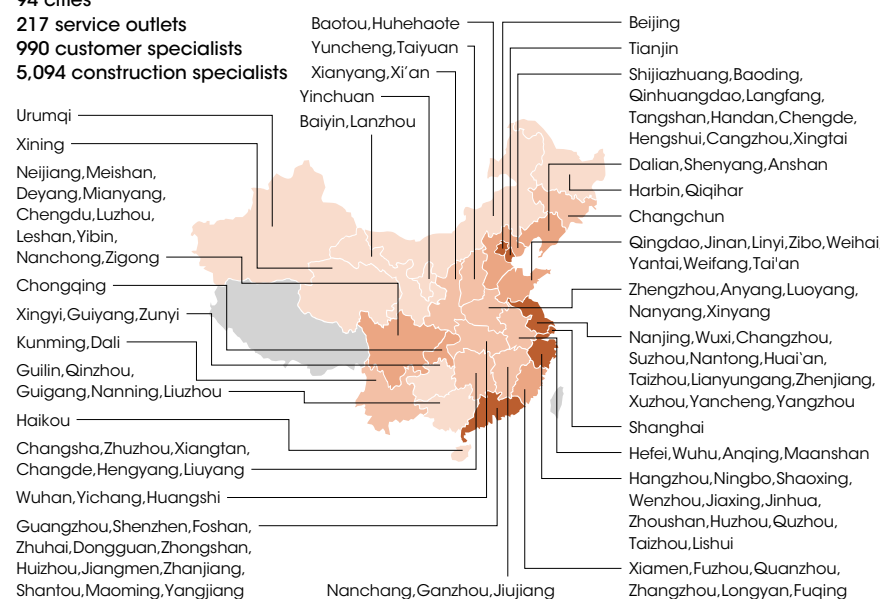
Brand Day sale. As we recognize that big data is the future of commerce, we will use its new insights to better understand our customers, terminals, and markets, as well as enhance our own company operations.

## 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

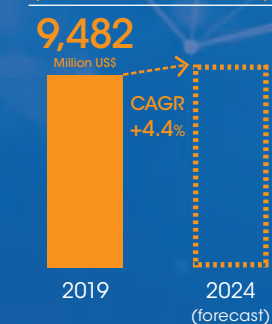
### Market features and outlook

- 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

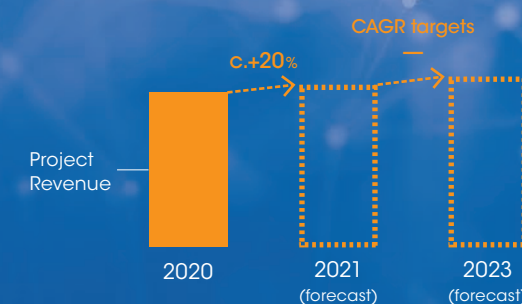
### Growth strategy for FY2021-2023

- 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%.

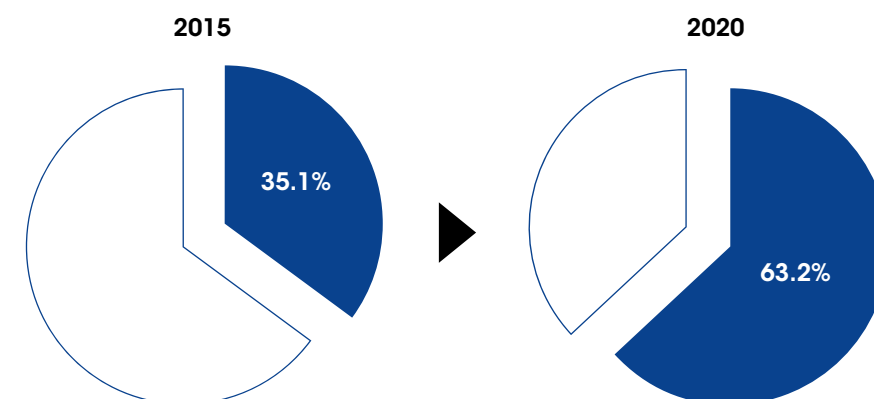
Therefore, it has become imperative to foster deeper cooperation with real estate developers and their project stakeholders, making Nippon Paint as their go-to for innovative products that lead the pack in terms of quality and variety.

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.

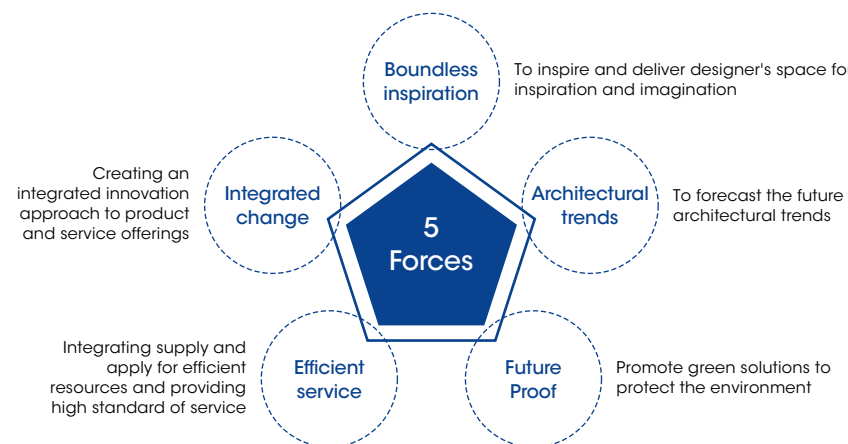
Additionally, in line with our new approach towards "selling solutions," the Project Division has rolled out four major systems, namely the wall system, ground system, thermal insulation energy-saving system and base material system. The systems encompass product lines, effect lines, procurement standards,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

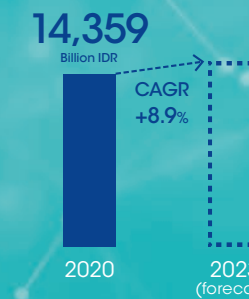
### Market features and outlook

- 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

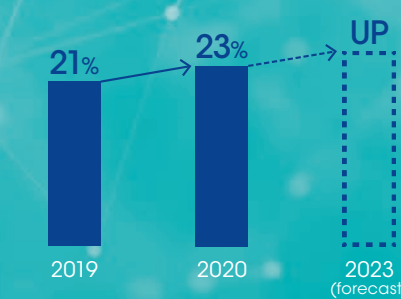
### Growth strategy for FY2021-2023

- 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

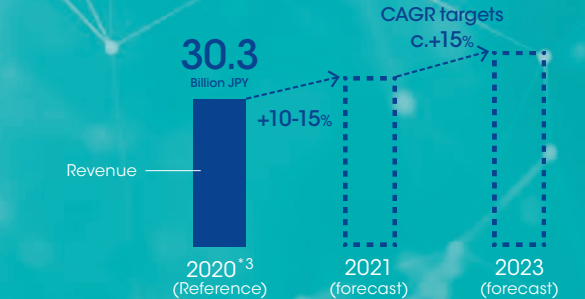
#### Market growth rate (decorative: Indonesia)\*1



#### 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% → →

# 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

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.

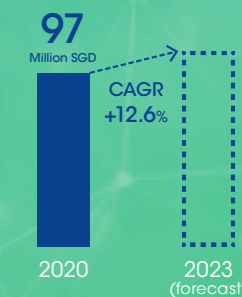
### Market features and outlook

- 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

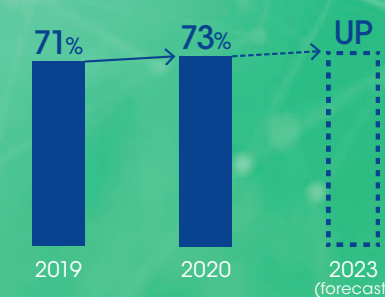
### Growth strategy for FY2021-2023

- 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.

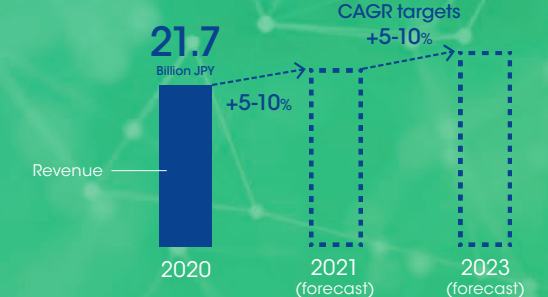
### Market growth rate (decorative: Singapore)<sup>\*1</sup>



### Market share (DIY/value: Singapore)<sup>\*1</sup>



### Performance (Singapore Group overall)<sup>\*2</sup>



\*1 NPHD's estimates

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

# 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.

### 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.

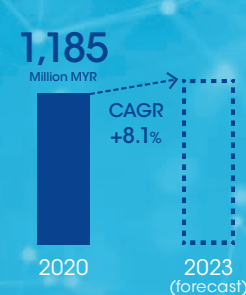
## Market features and outlook

- 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

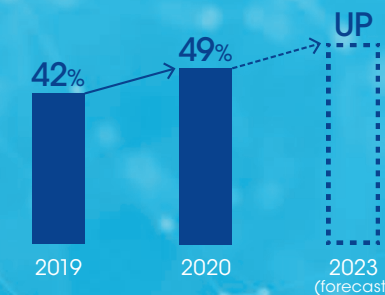
## Growth strategy for FY2021-2023

- 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

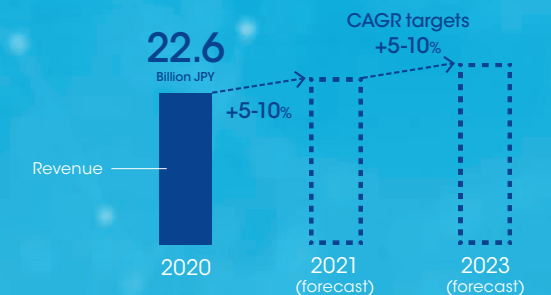
## Market growth rate (decorative: Malaysia)\*1



## 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

# 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.

## 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 Selleys 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.

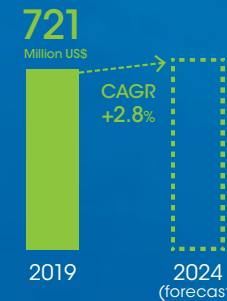
### Market features and outlook

- 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

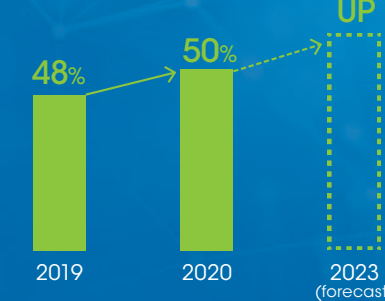
### Growth strategy for FY2021-2023

- 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

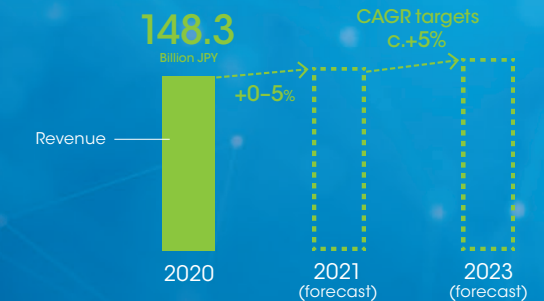
### Market growth rate (decorative: Australia)\*1



### 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%



# 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.

### 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 (İZODER). He has also been the Chairman of the Board of Directors at IMSAD (Construction Materials Industry Association) since 2020.

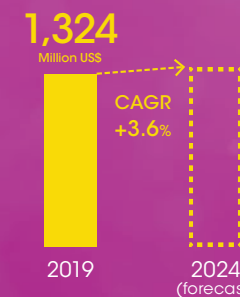
### Market features and outlook

- 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

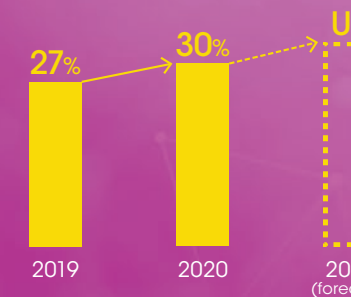
### Growth strategy for FY2021-2023

- 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

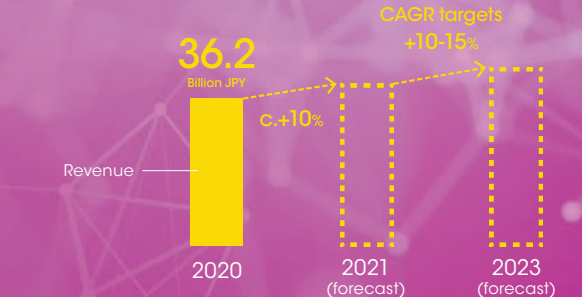
### Market growth rate (decorative: Turkey) <sup>\*1</sup>



### Market share (decorative/value: Turkey) <sup>\*2</sup>



### Performance <sup>\*3</sup>



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

OP margin (before PPA) <sup>\*4</sup> 13.8% → →

# 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.

### 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

#### 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.

#### SWOT analysis

<b>S</b> trengths <ul style="list-style-type: none"> <li>Strategically positioned retail store network and highly trained salesforce focused on providing superior customer service</li> <li>Diverse portfolio of high quality and innovative products provide meaningful, measurable performance advantages versus the competition</li> </ul>	<b>W</b> eaknesses <ul style="list-style-type: none"> <li>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</li> </ul>
<b>O</b> pportunities <ul style="list-style-type: none"> <li>Develop omni-channel e-commerce solutions to drive sales growth to professionals and consumers alike</li> <li>Help to grow the Nippon Paint Group's position in the United States through channel and product growth initiatives</li> </ul>	<b>T</b> hreats <ul style="list-style-type: none"> <li>Large marketing and advertising investments by national brands continue to impact brand selection</li> </ul>

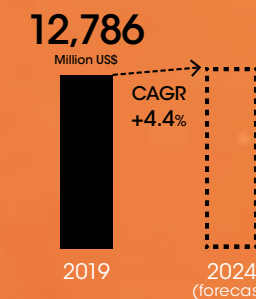
#### Market features and outlook

- 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

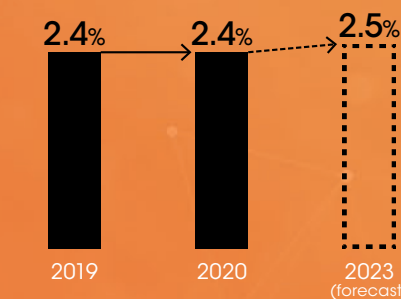
#### Growth strategy for FY2021-2023

- 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

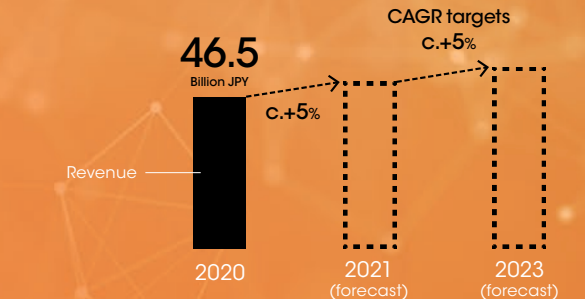
#### Market growth rate (decorative: USA)<sup>\*1</sup>



#### Market share (decorative/value: USA)<sup>\*2</sup>



#### Performance<sup>\*3</sup>



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

<sup>\*2</sup> NPFD's estimates

<sup>\*3</sup> FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

# 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.

#### 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:

- 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.
- 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.

- 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

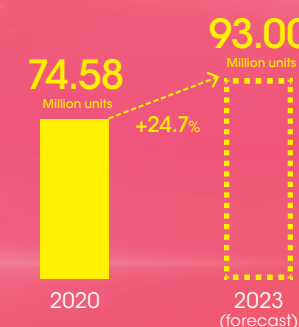
### PROFILE

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.

### 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

### Market growth rate (automotive: global) <sup>\*1</sup>



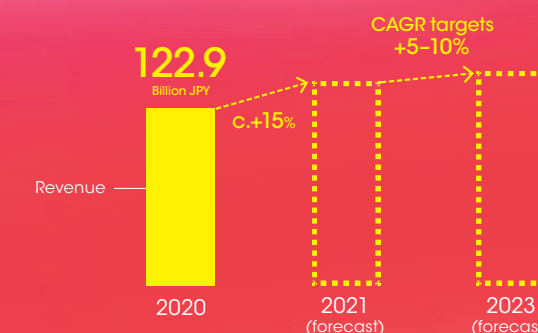
### Market share (automotive: global) <sup>\*2</sup>



### 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

### Performance <sup>\*3</sup>



<sup>\*1</sup> Source: NPHD based on IHS Markit data <sup>\*2</sup> NPHD estimate based on 2019 data  
<sup>\*3</sup> FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency

# 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

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<sup>®4</sup>) 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<sup>\*5</sup>).

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.

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

<sup>\*5</sup> "Notice Regarding Transfer of Shares Accompanying Change in Consolidated Subsidiary" (released on August 10, 2021): [https://www.nipponpaint-holdings.com/en/news\\_release/20210810ir02/](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 refinishing 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 refinishing 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.



**Takeshi Shiotani**  
Representative Director  
and President

#### 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

#### 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



**Seiichiro  
Shirahata**

President

#### 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

## 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 CO<sub>2</sub> 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.

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

## 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 CO<sub>2</sub> 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



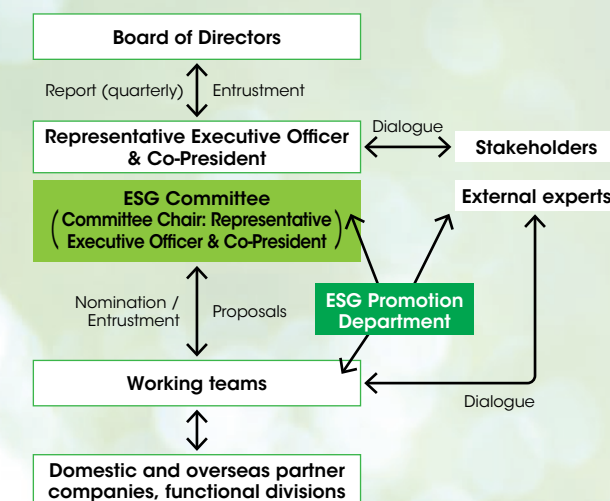
## ESG management system

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

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% <sup>*3</sup>	(USD million) FY2017: 334 FY2020: 437 CAGR: 9.4%	(AUD million) FY2019 <sup>*4</sup> : 1,805 FY2020: 2,015 YoY: 11.6%	(TRY million) FY2019: 1,518 FY2020: 2,383 YoY: 56.2%		

<sup>\*3</sup> Figures are in constant currency <sup>\*4</sup> 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).

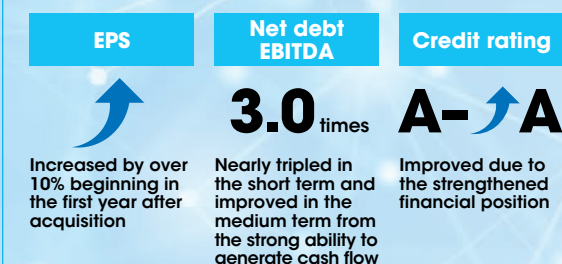
Our M&A targets are not limited to large-scale companies; rather, we will explore opportunities with medium and small size companies if they will contribute to MSV. For instance, in March 2021, we acquired Vital

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

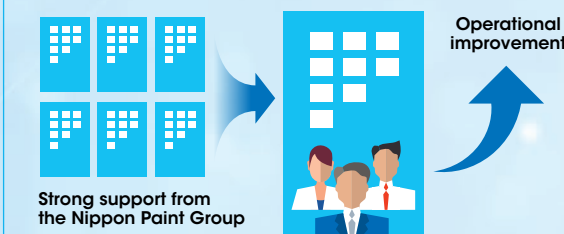
### Case examples: Acquisition of 100% ownership of the Asian JVs and acquisition of the Indonesia business



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			Appeals of the Japanese market <sup>*7</sup>			
Net D/E ratio <sup>*5</sup>	0.54times	▶ 0.46times		2000	2010	2020
Shareholders' equity <sup>*5</sup>	¥699.8bn	▶ ¥877.1bn	USD / JPY	114.41	81.12	103.25
Non-controlling interests <sup>*5</sup>	¥131.4bn	▶ ¥5.5bn	Japanese yen interest rate (Japanese yen TIBOR)	0.59	0.34	0.08
Credit rating <sup>*6</sup>	A-	▶ A				

### 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

<sup>\*5</sup> 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)

<sup>\*6</sup> Rating & Investment Information, Inc. <sup>\*7</sup> 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

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

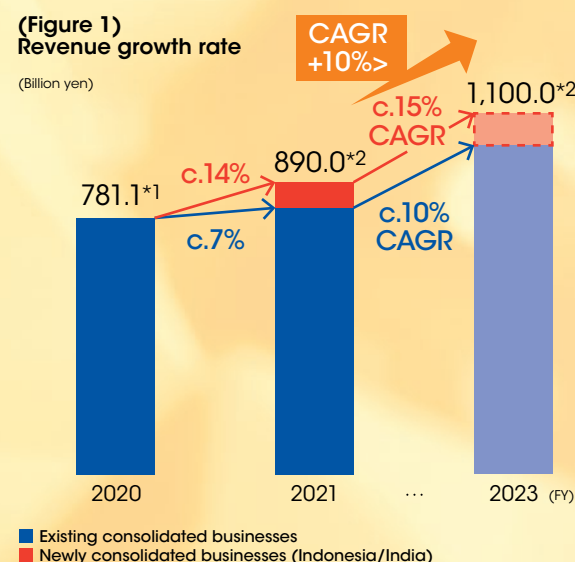
We aim for Maximization of Shareholder Value (MSV) by prioritizing investment for future growth, raising total shareholder return (TSR) through earnings per share (EPS) growth (see page 38), and maintaining financial discipline by pursuing an optimal capital structure with balanced leverage while allowing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

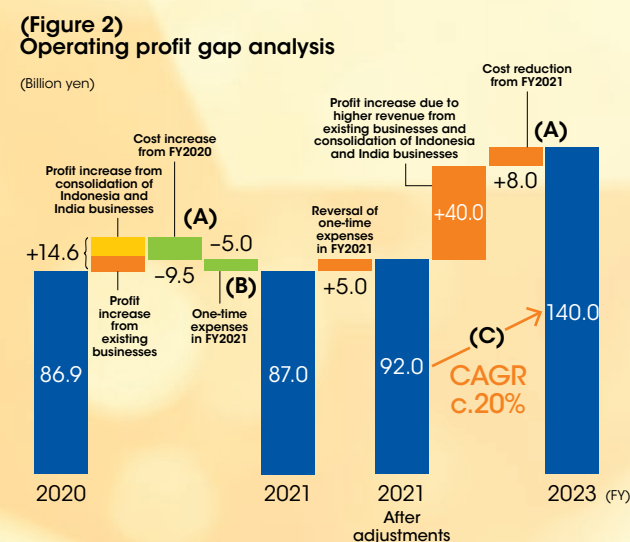
(Figure 1)  
Revenue growth rate

(Billion yen)



(Figure 2)  
Operating profit gap analysis

(Billion yen)



(Figure 3)  
Projected capital allocation for FY2021-2023

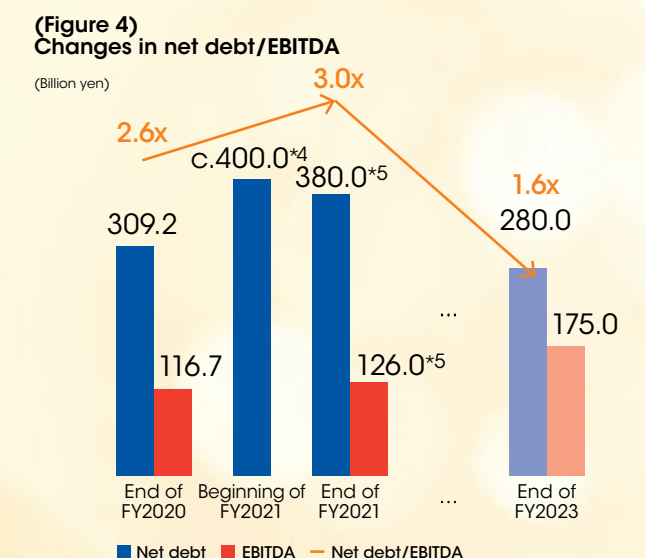
+) Operating Cash Flows	~330.0 billion yen
-) Capital Expenditure <sup>*3</sup>	~125.0 billion yen
-) Dividend (dividend payout ratio: 30%)	~85.0 billion yen
	~120.0 billion yen



- 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)



<sup>\*3</sup> Excluding acquisition and sale of land <sup>\*4</sup> 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) <sup>\*5</sup> After adjustments