Nippon Paint Holdings Integrated Report 2021

Path of growth strategy through establishing a stable portfolio based on region and business

Survival Challenge Program I & II

(Released in May 2010)

**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**

<table>
<thead>
<tr>
<th>FY2014</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Results</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥250.0 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥25.0 billion</td>
</tr>
<tr>
<td>OP margin</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

**Achievements**
- Profitability improved significantly and targets achieved through thorough cost reduction mainly in Japan
- 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 factories and human resources
- Growth in China and Asia through the Asian JVs that were consolidated in 2014

**Challenges**
- Significant earnings growth by consolidating the Asian JVs
- Acquisition of Dunn-Edwards in the U.S. and Bollig & Kemper in Germany
- 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 factories 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 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**

<table>
<thead>
<tr>
<th>FY2014</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Results</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥605.3 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥495.3 billion</td>
</tr>
<tr>
<td>OP margin</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

**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
- Acquition of Dunn-Edwards in the U.S. and Bollig & Kemper in Germany
- The plan was undershadowed 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 Asian JVs incorporated due to the acquisition of their 100% ownership

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2015-2017

2009-2014

Revenue (Billion yen)

Japan

Oceania

2018-2020

N-20 (Released in May 2018)

**Quantitative targets and results**

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<th>FY2020</th>
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</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Results</td>
</tr>
<tr>
<td>Revenue</td>
<td>¥610.2 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥85.4 billion</td>
</tr>
<tr>
<td>OP margin</td>
<td>14.0%</td>
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</tbody>
</table>

**Basic Policy**
- Establish an unparalleled market position in Asia and accelerate growth globally

**Basic strategy**
- Strengthen the businesses in existing segments
- Accurate separation of the portfolio
- Improve earning capacity
- Enhance the structure of “Global One Team”

**Achievements**
- Expansion of business in Oceania and Turkey through M&A (Olaris Group and Betik 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 POW Duffy Partnerships
- Record revenue and operating profit in FY2020
- 100% ownership of the Asian JVs and acquisition of the Indonesia business announced

**Challenges**
- Steady reinforcement of the organizational foundation for future sustainable growth
- Improve sustainability and profitability over the medium- to long-term

**Steady reinforcement of the organizational foundation for future sustainable growth**
- Significant earnings growth by consolidating the Asian JVs
- Acquition of Dunn-Edwards in the U.S. and Bollig & Kemper in Germany
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- The earnings of Asian JVs incorporated due to the acquisition of their 100% ownership

**Improve sustainability and profitability over the medium- to long-term**
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- The plan was undershadowed 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 Asian JVs incorporated due to the acquisition of their 100% ownership