NISSHIN KOGYO

Strengthened by the past 10 years of growth driven by a commitment to the country’s rapid economic and social development, Nippon Paint China has steadily expanded Nippon Paint’s scope, overseeing its evolution from a pure paint manufacturer to a provider of overall coating solutions, underscoring our transformation from a pure paint manufacturer/seller to a total coatings solution provider.

Since its inception, it has steadily expanded its reach across China in tandem with the country’s rapid economic and social development. Driven by a commitment to the country’s rapid economic and social development, Nippon Paint China has steadily expanded Nippon Paint’s scope, overseeing its evolution from a pure paint manufacturer to a provider of overall coating solutions, underscoring our transformation from a pure paint manufacturer/seller to a total coatings solution provider.

Top management

Eric Chung
CEO
Nippon Paint China

PROFILE
Eric Chung is the CEO of Nippon Paint China, currently heading all its business units in Greater China. He has managed various businesses in the paint and coatings industry, before joining Nippon Paint China in 2007. Armed with a clear business vision, he has spearheaded company-wide strategy development, organizational structure and operational efficiency, performance incentives and rewards, product systems into customer needs.

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

1. Focus on continuous brand building and upgrading
2. Drive to build and enrich high quality product lines, integrating product systems into customer needs
3. Expand scope from selling products to selling services, underscoring our transformation from a pure paint manufacturer/seller to a total coatings solution provider
4. Expand market share in the repainting and renovation market
5. Embrace digital strategies and data-driven business transformation

Our company’s strong foundation in the past 10 consecutive years has been a driving factor in our company’s growth. Nippon Paint China has been able to leverage changes in consumer consumption patterns, especially a rise in online consumption, and to supplement the existing product range to meet the ever-evolving market needs.

DIY Strategy for FY2021-2023

Focus on carving out a brand identity that creates customer loyalty. Drive 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.
curves for the brand. We have also launched successful digital initiatives such as a strategic partnership with Taobao, which saw Taobao 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.

**Reforming 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 retrofit services ease the burden for consumers keen to renovate 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 homeowners 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

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**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.
- Ease base of walking/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.

**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.
Regional and Business Strategy

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 exploitation. 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 fast-track 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 and construction companies, we seek 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.

NP Project, the power of refresh Five dimensions of brand support

Integrated decorative thermal insulation system that are both green and energy-saving

Integrated change

Creating an integrated innovation approach to product and service offerings

Boundless inspiration

To inspire and deliver designer’s space for inspiration and imagination

5 Forces

Heat preservation and energy saving

Integrated decorative thermal insulation system that are both green and energy-saving

Ground

Professional floor coating systems with multi-functions as well as environmental friendly

Integrated system from the bottom to the surface, wall to floor

Efficient service

Promote green solutions to protect the environment

Future Proof

To forecast the future architectural trends

Architectural trends

Integrating supply and apply for efficient / resources and providing high standard of service

Sustainability Information

Message from Management

Capital and Business Model

Medium- and Long-term Growth Strategy

Financial and Corporate Information

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 boost.

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-free.

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 acrylic 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 metallic 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.
PT Nipsea Paint and Chemicals

PT Nipsea Paint and Chemicals is Indonesia’s leading manufacturer of paints and coatings under the Nippon Paint brand. Dominate in the Automotive O&G markets, Nipsea Paint is also the market leader in the decorative segment and well loved by Indonesian consumers. Nipsea Paint’s strong support from established global customers in Automotive OEM segment.

Corporate data
Employees: 6,600
Headquarters: Jakarta, Indonesia
Ownership Ratio: 100%

Message from Management
Budi Fianto Buna
President Director

Profile
Budi joined PT Nipsea Paint and Chemicals Indonesia in 1970 and has been the President Director since 1990. 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. As a pioneering team member, he 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.

Message from Management
Budi Fianto Buna
President Director

Market features and outlook
The Indonesian paint market is expected to grow at a rate of 5% year-on-year. The pandemic situation has provided an opportunity for Nipsea Paint to strengthen its position in the market. Nipsea Paint has been actively pushing for several large projects and developments to continue despite the pandemic situation, including a cumulative total spend of USD430 billion on infrastructure alone by 2024. This has provided ample opportunity for us to grow the business by offering our expanded suite of products and services to these projects.

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, including a cumulative total spend of USD430 billion on infrastructure alone by 2024. This has provided ample opportunity for us to grow the business by offering our expanded suite of products and services to these projects.

PT Nipsea Paint and Chemicals is Indonesia’s leading manufacturer of paints and coatings under the Nippon Paint brand. Dominate in the Automotive O&G markets, Nipsea Paint is also the market leader in the decorative segment and well loved by Indonesian consumers. Nipsea Paint’s strong support from established global customers in Automotive OEM segment.

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 demographics 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.

PT Nipsea Paint and Chemicals

Market share (decorative indonesian)
14,359
2020
2019
2020
UP
CAGR
1.8% 2.5%
+8.9%
23%
21%

Market growth rate (decorative indonesian)
1.8%
2.5%
+8.9%
23%

Performance
GNP Billion IDR CAGR targets 2020*2 2021 2023
Revenue +10-15% +15-20% +15-20%
CA$H targets CAGR targets 2021*4

Cultural preference to redecorate and repaint every year helps to perpetuate demand.
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, autoworkshop, industrial and protective coatings industries. It also offers professional training for the hired workforce and highly trained members who serve as professional 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 leading market name with strong brand equity. The acquisition will continue work on infrastructure projects, demand for this segment by 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.

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.

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 painting programs have contributed to the growth of a large base of referenciales
- 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
- Business operations are subjected to external factors such as government policies and the pandemic, like other players

**Opportunities**

- Drive market opportunities to broaden product portfolio into building materials, construction chemicals and floor paints
- Leverage Nippon Paint’s integration with Selleys to expand into the 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

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.

Co-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 projects. With improving accessibility to quality products and services 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, "5001" silicone sealants and "No More Gaps" tile 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 stronghold in this region.

Wang Chyang
Managing Director
Nippon Paint Malaysia

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. Therefore, we need to adapt our current business strategy to market preferences shifting to sustainable products in the IU segment and decorative paint will showcase 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 revealed 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 Selley’s 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.
DuluxGroup

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 seals, adhesives & fillers (SAF) and construction chemicals (CC) in the Nippon Paint Group;
3. Contribute to Nippon Group’s decorative paints and specialty coatings growth, particularly in western markets.

Our growth ambitions are enabled to continue investing in our core capabilities and priority areas, including: premium brands, strategic marketing and consumer engagement through digital omnichannel, 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.
Nippon Paint Holdings Integrated Report 2021

**Profile**

Tayfun Küçükoğlu has held various roles within the Betek Boya Group, where he was a founding member in 1998. Küçükoğlu has also been operating as Betek Boya’s CEO and a member of the Board of Directors since 1995. He is also one of the founding members of the Paint Manufacturers Association (MSAD) 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 the Heat, Water, Sound and the Insulation Association (BIZSD). He has also been the Chairman of the Board of Directors at MSAD (Construction Materials Industry Association) since 2020.

**Regional and Business Strategy**

**2021 strategy**

**Strengths**
- Leading company that is customer-centric and has an increasing investment in technology and innovation.
- Customer-centric approach by delivering seamless and unique customer experiences through our marketing and trade channels.
- Making steady investments in both business and the ETICS market through the Nippon Paint synergy in the industrial coatings sector.
- Betek Boya is a leading Turkish paint and ETICS company.

**Weaknesses**
- Like other players, Betek Boya is subject to external factors such as exchange rate, raw material costs and the impact of the COVID-19 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 where 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 continue to increase.

**Threats**
- Prevailing economic conditions have led to conscious consumer buying habits, driving more consumers to DIY budget segments.
- Compete with strong multinational brands.

**Market features and outlook**

- 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 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 geography by exporting its white product group to more than 30 countries.
- Betek Boya is also proud to be the first certified 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**

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:

1. **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.
2. **Develop new channels.** Channel growth through existing and new relationships represent new revenue streams to maximize return on assets through general retail, dealer, home centers, and online opportunities. Multiple opportunities to define brand and build channels are underway.
3. **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.

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**Corporate data**

- Employees: 1,888
- Headquarters: California, USA
- Ownership Ratio: 100.0%

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**Message from Management**

Karl Altegott 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 unique 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.

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**SWOT analysis**

**Strengths**
- Strategically positioned retail store network and highly trained salesforce focused on providing superior customer service
- Diverse portfolio of high quality and innovative products provide meaningful, measurable performance advantages versus the competition

**Weaknesses**
- For over 95 years, Dunn-Edwards has successfully focused on serving the professional painting industry. However, continued actions by national brands and changing demographics have impacted brand preferences. The company is taking proactive steps to influence customer behavior and drive new sales growth through channels and to new market segments

**Opportunities**
- Develop omni-channel e-commerce solutions to drive sales growth to professionals and consumers alike
- Help to grow the Nippon Paint Group’s position in the United States through channel and product growth initiatives

**Threats**
- Large marketing and advertising investments by national brands continue to impact brand selection

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**Market features and outlook**

- Base 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

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**Growth strategy for FY2021-2023**

- Future growth to be accelerated on a more manufacture relating strategy by driving automation through digital transformation
- Tapping into new sales channels including general retail, dealers, home centers, and e-commerce
- Increasing market share by taking actions such as opening new ideas and developing new products that utilize existing sales networks

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**Market growth rate (decorative: USA)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>CAGR</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>12,786</td>
<td>4.4%</td>
<td>2021 (forecast)</td>
</tr>
<tr>
<td>2020</td>
<td>(decorative: USA)</td>
<td>(forecast)</td>
<td></td>
</tr>
</tbody>
</table>

**Market share (decorative/value: USA)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>CAGR</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2023 (forecast)</td>
</tr>
<tr>
<td>2020</td>
<td>(decorative/value: USA)</td>
<td>(forecast)</td>
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**Performance**

- Revenue: $46.5 Million US (forecast)
- CAGR targets: c.+5%
Corporate data

Employees: c.1,080 (Japan)
Headquarters: Osaka, Japan
Ownership Ratio: 100.0%

Nippon Paint Automotive Coatings, Ltd. (NPAC)

NPAC is the world’s leading automotive coatings manufacturer capable of seamlessly providing the entire spectrum of automotive coatings from pre-treatment, 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.

Market features and outlook

The automotive coatings industry is currently being strongly impacted by the reduced automobile production caused by 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-epidemic level in 2019.

Following the global trend for tightening environmental regulations, the Japanese automotive 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 cost-efficient coating technologies to continue raising 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, NPSIEA, 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 LEED® 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 opportunity 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 refer to the relevant press release dated 2021). 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 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.

*1 Developed and operated by U.S. Green Building Council (USGBC) in the leading program for green building evaluation worldwide
*2 NPSIEA (Shanghai) Transfer of Shares Accompanying Change in Consolidated Subsidiary (released on August 14, 2021)
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 will attract 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 and coatings technologies using the largest sales network in Japan.

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 refresh coatings. NPTU boasts the top share in the decorative paints market in Japan by supplying paints with excellent desirability and coatings technologies using the largest sales network in Japan.

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Nippon Paint Surf Chemicals Co., Ltd. (NPSU)

NPSU provides pretreatment agents for automotive, general-use industrial products, sheet, 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 in Asia and other emerging markets.

**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 market demand for coatings for general-use industrial products, beverage cans, and aluminum products. We will expand our business in existing markets, and also all business fields, particularly in Asia.

In China, we will also meet the growing demand for advanced products with improved performance, especially in automotive 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 will 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. We will combine our technological strengths and all regions will seek to boost sales and profits in the surface treatment market.

Together with the NPSA Group and all regions will seek to boost sales and profits in the surface treatment market.

**Regional and Business Strategy**

**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 led 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 performance coatings in Asia and other emerging markets

**Trends**

- Shrinkage in domestic market
- Rising raw material prices

**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 FY2021 sets a three-pronged strategy for 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 NPSA 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 construct a value creation structure supporting consistent earnings.

Efforts to develop advanced environmental products will focus on products that lower environmental impact by reducing biocide emission and CO2 emissions from ships. Our long-term objective is to develop antifouling paint that produces zero marine pollution. Our goal is to identify the mechanism that triggers the antifouling property and advance from the basic test stage to the product stage. The Marine Paint Research Center is currently researching promising products and technologies 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, expand market needs, and identify development themes for the near future.

Anti-foul paints and coatings are getting increasing attention due to the COVID-19 pandemic. We are collaborating with the Marine Paint Research Center to develop products for offshore wind power generation systems, where we anticipate a promising performance for specialty paints and coatings.

**Opportunities**

- Ongoing long-term growth in global marine transportation volume
- Growing need for environmental paints with tightening environmental regulations and increasing ESG investment

**Trends**

- Changing market conditions and uncompetitive economic conditions
- Irregular operating schedules and docking delays

**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 will expand our business in existing markets, and also all business fields, particularly in Asia and other emerging markets.

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 a promising performance for specialty paints and coatings.

**Strategy for FY2021-2023**

Maximize revenue and profit by combining the business growth in Japan through market share expansion and by accelerating the growth of overseas Group companies.

**Message from Management**

**President Seiichiro Shirahata**

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