

Financial and non-financial assets essential for Asset Assembler model

Six categories of capital	Human capital	Manufactured capital	Social and relationship capital	Intellectual capital	Financial capital	Natural capital	
Financial and non-financial assets essential for Asset Assembler model  <p>Human resources/ organizations</p>  <p>Technologies</p>  <p>External partners</p>  <p>Customer base</p>  <p>Brands</p>  <p>Financial base</p>  <p>Nature/environment</p>	<ul style="list-style-type: none"> Diverse human resources and strong organizational capabilities that enable us to accurately recognize social issues and customer needs and promptly provide effective solutions are essential in the paint market, which is characterized by local production for local consumption as well as a wide variety of uses 	<ul style="list-style-type: none"> Advanced technologies are essential to create innovations that solve social issues and meet customer needs and to enhance our competitive advantage, such as to enable stable product supply 	<ul style="list-style-type: none"> Collaborations with external partners, including industry-academia co-creation and engagement with investors are essential for providing high-quality products and services to customers around the world and innovation for a sustainable future 	<ul style="list-style-type: none"> The strong customer base founded on long-term relationships of trust with customers in each region and business is important for stabilizing earnings and product supply and contributes to improving products and services 	<ul style="list-style-type: none"> Customers and consumers place importance on the reliability of products and services. The power that corporate and product brands carry is a resource that is indispensable to operating a wide range of businesses worldwide 	<ul style="list-style-type: none"> Achieving sustainable growth requires abundant funds to continue investing in M&A, new technologies, and state-of-the-art production facilities, and hence requires increasing the ability to generate cash flow and a sound financial base 	
Importance of assets from the perspective of Asset Assembler model	<ul style="list-style-type: none"> The Group's human resources who are well informed about their local markets (30 countries/regions: 30,274 employees; ratio of overseas employees: 89.1%) Active Diversity & Inclusion initiatives (global percentage of female employees: 25.9%, global percentage of women in management posts: 23.0%) High level of employee satisfaction (Japan Group: 89%; DuluxGroup: 80%) Local management teams who have a deep understanding both of market features in their respective regions and of MSV Group partner companies around the world with unique corporate culture and expertise, as well as a strong market presence (NIPSEA Group, DuluxGroup, etc.) 	<ul style="list-style-type: none"> Global engineering talent who are innovation enablers (3,887 persons in total) Core technologies, including paint, material synthesis and dispersion, and interface and surface technologies Ability to develop products that help solve social issues (decorative films meeting the needs of the next-generation automobile industry and a decarbonized society, anti-viral and anti-bacterial paint products, high-durability heat shield coatings for road surfaces, next-generation environmentally friendly antifouling paint, etc.) World-leading production systems, such as those incorporating factory automation (China, Australia, etc.) 	<ul style="list-style-type: none"> Active open innovation activities with universities (The University of Tokyo and others), research institutions, and other academic institutions Joint development with automobile manufacturers (Toyota Motor Corporation, etc.) applying automotive painting technologies Engagement with investors and other stakeholders ▶ See page 109. Our 60-plus-year partnership with Wuthelam Group 	<ul style="list-style-type: none"> Extensive distribution channels supporting the growth of the Chinese decorative paints business (58,000 stores) Strategic partnerships with leading Chinese real estate developers Stable long-term relationships with leading automobile manufacturers and automotive parts manufacturers in Japan, the US, and Europe Strong relationship of trust with customers enabling a high market share worldwide in the B2B businesses, such as industrial coatings and adjacencies businesses 	<ul style="list-style-type: none"> The Nippon Paint brand is proof of technological capabilities and high quality (Global) High brand awareness for the LiBang brand (China) High consumer rating as "top of mind" for decorative paints products in Indonesia DuluxGroup boasts outstanding consumer awareness of its brands, such as Dulux and Selleys (Australia) Conducting the international AYDA Awards competition for architectural and interior design students in 16 countries and regions with a total of more than 47,000 entries to date 	<ul style="list-style-type: none"> Fully leveraging Japan's stable currency and financial markets to secure financing Paint business has low capital expenditure requirements and high cash flow generation (operating cash flow: ¥70.2 bn (continued operations basis)) Establishing a solid financial base by integrating the Asian operations (net debt to equity ratio: 0.45x, total equity: ¥968.7 bn) ▶ See page 55. 	<ul style="list-style-type: none"> Reduced energy consumption as part of global warming initiatives Advanced production systems that reduce environmental footprint (US, Australia, China, etc.) Controlled water usage through proper management following voluntary standards Responsible care activities for proper management of chemical substances (Japan, etc.) Reducing environmental impact by developing highly competitive products, such as water-based and antifouling paints and heat shield coatings
Examples of assets	<ul style="list-style-type: none"> Sharing success cases and expertise of Group partner companies around the world (such as NIPSEA Group and DuluxGroup's measures to boost market share and advance ESG initiatives) to achieve appropriate human resource allocation and more sophisticated organizational structure and management 	<ul style="list-style-type: none"> Sharing technology through interaction among engineers of the technology and research divisions of Group partner companies around the world Sharing global state-of-the-art production technologies and expertise 	<ul style="list-style-type: none"> Sharing technologies and products developed in Japan through the industry-academia co-creation agreement among the Group and deploying them globally Diversifying risk by having Wuthelam Group bear the cost of additional expenses and investments required to turn around the European automotive business and the India businesses ▶ See page 119. 	<ul style="list-style-type: none"> Strengthening relationships with customers by providing meticulous support to customers and sharing information throughout the Group about customers with global operations, such as automobile manufacturers 	<ul style="list-style-type: none"> Deploying the Nippon Paint brand overseas, which is proof of technological capabilities and high quality Sharing products with high brand awareness among the Group and deploying them globally (such as deploying Australian Selleys brand products in Asia) 	<ul style="list-style-type: none"> Securing global business growth by actively investing in M&A and state-of-the-art production facilities for Group partner companies around the world due to our solid financial base and financing procurement capabilities ▶ See page 47. 	<ul style="list-style-type: none"> Reducing environmental impact by sharing among the Group the latest technologies and environmental technologies used in paint factories, and sharing among the Group products that help solve social issues and deploying them globally
Utilization of assets based on autonomous and decentralized management, creation of autonomous synergies, and sophistication of management (case studies)	<ul style="list-style-type: none"> Diversity & Inclusion Safe people and operations 	<ul style="list-style-type: none"> Climate change Resources and environment Innovation for a sustainable future 	<ul style="list-style-type: none"> Climate change Resources and environment Safe people and operations Growth with communities Innovation for a sustainable future 	<ul style="list-style-type: none"> Climate change Resources and environment Safe people and operations Growth with communities Innovation for a sustainable future 	<ul style="list-style-type: none"> Resources and environment Safe people and operations Growth with communities Innovation for a sustainable future 	<ul style="list-style-type: none"> Climate change Resources and environment Growth with communities Innovation for a sustainable future 	<ul style="list-style-type: none"> Climate change Resources and environment Innovation for a sustainable future
Particularly relevant materiality ▶ For more information about Materiality, see page 41.	<ul style="list-style-type: none"> Selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for the third consecutive year (June 2022) 	<ul style="list-style-type: none"> Received the GREEN4SEA Technology Award (April 2021) for AQUATERRAS antifouling paint Received the Environmental Technology Award 2020 for technology to develop high-durability heat shield coating for road surfaces (May 2021) Received the Grand Prize in the renovation category of the 24th Good Painting Color (GPC) Environment Color Competition (January 2022) 	<ul style="list-style-type: none"> Awarded the Special Excellence Award (Quality Management) from Toyota Housing Corporation for 11 consecutive years (April 2022) 	<ul style="list-style-type: none"> Selected as the No. 1 paint brand by the top 500 Chinese real estate developers for 11 consecutive years (March 2022) Selected as a leading company in the paint industry/paint applicator industry and as consumers' favorite paint brand/paint applicator brand in "2022 Survey of Chinese Home Furniture Consumption Trends and Survey of Industry Leading Companies" (March 2022) Selected for the China Building Materials Association's Floor Coating Industry Chapter (CFA) "Chinese Floor Coating Industry Top 20 Brand Annual Award" for two consecutive years (March 2022) 	<ul style="list-style-type: none"> Awarded the Gold Brand in the China Brand Index (C-NPS) (January 2022) Selected as No. 1 wall paint brand for six consecutive years and as No. 1 wood paint brand for 10 consecutive years in the China Brand Index (C-BPI) (March 2022) Several DuluxGroup brands recognized as Australia's Most Trusted Brands (April 2022) Nippon Paint China was selected for the first time among Brand Finance's Top 10 Most Valuable Paint Brands in the World (second place) (June 2022) 	<ul style="list-style-type: none"> R&I rating: A (as of June 2022) Selected as a constituent of the JPX-Nikkei Index 400 for nine consecutive years (August 2022) 	<ul style="list-style-type: none"> Selected as a constituent of the S&P/JPX Carbon Efficient Index for five consecutive years (March 2022) Selected for the first time as a constituent of the FTSE Blossom Japan Sector Relative Index (April 2022) Selected for the first time as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index (June 2022) Selected as a constituent of the SOMPO Sustainability Index for the 11th consecutive year (June 2022) Selected for the first time as a constituent of the MSCI Japan ESG Select Leaders Index (July 2022)
Major recent external evaluations							