

**Nippon Paint Group Medium-Term Plan (FY2021-2023)  
Update Report Presentation Summary  
April 7, 2023**



Good afternoon, everyone. I'm Yuichiro Wakatsuki, Co-President of Nippon Paint Holdings.

Thank you very much for taking the time today to participate in this update meeting on our Medium-Term Plan for FY2021-2023.

## 1-1. Executive Summary

### Resilient growth achieved despite challenging environment

- Solid demand and price pass-through capability in our market allows resilience against challenging business climate including pandemic, conflict in Ukraine and raw material inflation
- Further market share gains achieved, underpinned by powerful brands and technological strengths

### Excellent companies acquired with low financing cost delivering Year 1 EPS accretion

- No presumptuous synergies built in for justification and any synergies realized are upside
- Our model unleashes the full potential of acquired companies

### Strengths of Asset Assembler model

- Our decoupled assets allow for risk diversification across our global operations
- Each asset is highly cash generative and generally requires no additional capital injection
- No HQ-driven synergies or standardized integration of acquired companies forced but pursuing benefits from autonomous management at individual group partner companies; scale expansion possible even with small HQ

### Rising interest rates create additional opportunities

- Past acquisitions financed with fixed interest rates and relationships with Japanese banks remain solid
- Our position to maintain yen-based financing to give us competitive advantage

**Resilience of our Asset Assembler model to pursue Maximization of Shareholder Value (MSV) through organic growth and M&A reassured**

I would like to begin with an executive summary.

To recap our progress, we have reaffirmed the strength of our business model going into the final year of our three-year Medium-Term Plan (MTP) despite the dramatic change in the business climate since we started the MPT in March 2021. Today I'm going to explain our robust business model for pursuing MSV to complement my explanation at last year's update meeting on the MTP.

Firstly, I would like to emphasize the solid demand across all end markets of every group partner company, our cost pass-through capability in each market, and our capability to gain market share by taking advantage of the current challenging environment. Our front lines are facing difficulties such as supply chain bottlenecks. However, I realized that our Group has the capability to turn risks into opportunities by allowing the excellent management teams of our partner companies to make decisions and respond to various obstacles with agility, rather than the headquarters taking the initiatives and deciding what to do.

Secondly, our business model of building up excellent assets through M&A using a low financing cost started with the acquisition of DuluxGroup and Betek Boya in FY2019. Next was the full integration of the Asia JVs and the Indonesia business in FY2021 and the acquisitions of Cromology and JUB in FY2022. All these acquisitions have significantly contributed to EPS (earning per share) accretion. I believe our M&A model allows us to unleash the potential of excellent companies that join the Nippon Paint Group.

Every asset of our Group is highly cash generative. For instance, no additional capital injection is required even for our partner company in Türkiye where inflation is accelerating rapidly. In addition, our partner companies are generating cash in China despite concerns of many investors about geopolitical risk. Our Chinese partner companies are making investments for growth and have constantly paid dividends to Nippon Paint Holdings (the holding company). I keenly feel that our so-called decoupled assets featuring local production for local consumption can demonstrate their true worth based on their high market shares and profit margins in their local markets all the more under the current challenging business climate. Nippon Paint Holdings was restructured into a small and

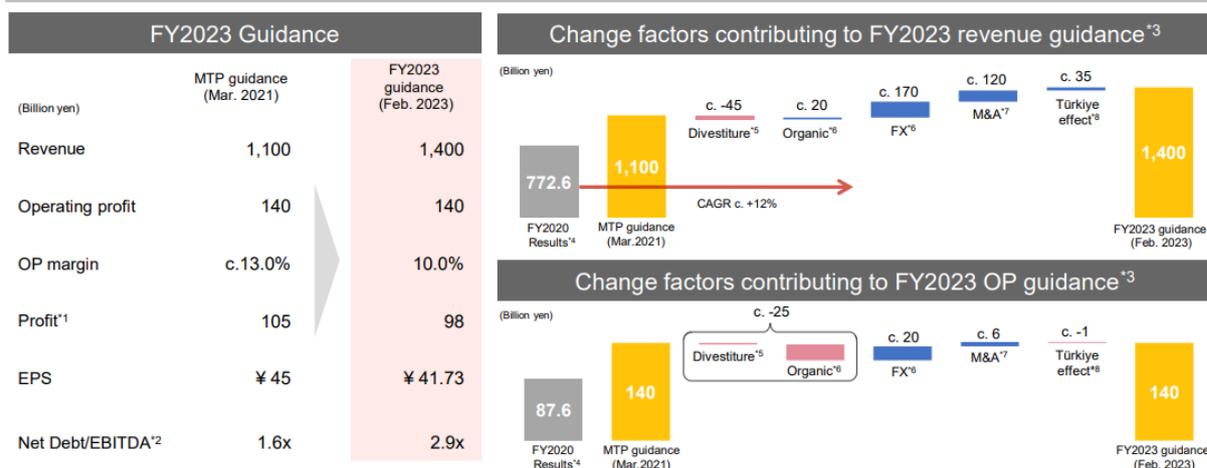
lean headquarters in FY2022 because our business model encourages autonomous collaboration among our partner companies without unnecessary HQ-led intervention. I believe this has enabled us to build a foundation for pursuing further growth as a true Asset Assembler.

Lastly, to answer a question from many investors regarding our view of risk as interest rates increase, we believe that the current environment is giving us an opportunity. That is to say, we will continue yen-based financing and maintain our solid relationships with Japanese banks, which we believe give us a competitive advantage.

It's been already nearly two years since Wee Siew Kim and I were appointed the Co-Presidents of Nippon Paint Holdings. During this time, we started out communicating with each other via virtual meetings due to the pandemic. With the lifting of COVID regulations, we have been able to see each other more often. As a result, the communication between us has become much closer. In addition, all the Directors attended the general meeting of shareholders at the end of March 2023 and utilized this opportunity to engage in intensive strategy discussions, including updates on the MTP.

We are committed to meeting the expectations of investors with the goal of achieving Maximization of Shareholder Value (MSV) as our sole mission.

## 1-2. Gap Analysis Between Original Plan and Current Guidance (1)



**Steady growth through organic growth and M&A expected despite dramatic changes in external environment since MTP guidance**

<sup>\*1</sup> Profit attributable to owners of parent    <sup>\*2</sup> Assuming no additional M&A. Mar. 2021 assumptions include the impact of full integration of Asia JVs and acquisition of Indonesia business  
<sup>\*3</sup> All figures are rough estimates and reflect changes in factors from MTP guidance as of March 2021  
<sup>\*4</sup> Continuing operations basis and after retrospective adjustment to reflect a change in accounting policy regarding cloud computing agreement. Nippon Paint (India) was an equity-method affiliate back in 2020  
<sup>\*5</sup> Including Nippon Paint (India)    <sup>\*6</sup> Excluding Türkiye    <sup>\*7</sup> Only include Cromology and JUB    <sup>\*8</sup> Changes in yen-based assumptions including organic growth, FX, and hyperinflationary accounting

The purpose of this meeting is to give updates on our MTP. However, we are presenting no numerical updates today because we have already released our final year guidance for FY2023 in February. This page provides a comparative analysis between our MTP guidance created in March 2021 and FY2023 guidance released in February.

The waterfall graph on the right side of this page uses rough estimates in order to strictly give investors an idea of factors that contributed to the gap between our MTP guidance and FY2023 guidance.

Our revenue guidance for FY2023, created in March 2021, was 1,100 billion yen. However, we have increased our revenue guidance for FY2023 to 1,400 billion yen. Of the three businesses that were transferred to Wuthelam Group in FY2021, the decorative paints business in India (Nippon Paint India) was an equity-method affiliate and the automotive coatings businesses in India and Europe were consolidated subsidiaries in FY2020. Revenue in FY2020 excluding the automotive businesses in India and Europe as discontinued operations was 772.6 billion yen. The MTP revenue guidance of 1,100 billion yen includes these three businesses, whose total revenue was estimated to be around 45 billion yen in FY2023 as of March 2021. Excluding this number from the 1,100 billion yen MTP revenue guidance gives you a comparison under the same conditions.

The actual exchange rates used in FY2020 and the assumed exchange rates as of March 2021 were roughly the same. Our organic revenue excluding Türkiye based on these exchange rates was around 20 billion yen higher than the MTP guidance created in March 2021. The real CAGR of revenue from FY2020 to FY2023 is expected to be around 12%. Our MTP guidance assumed CAGR revenue growth of around 10%, which excluded the Indonesia and India businesses but included Türkiye. This shows that our Group has outperformed the MTP guidance. On top of this, we expect effects of weaker yen and the acquisitions of Cromology and JUB, combined with the Türkiye effect totaling of around 35 billion yen from the significant combined impact of revenue growth in local currency, unfavorable exchange rate and application of hyperinflationary accounting (IAS29) at Betek Boya.

I just stated that organic revenue is expected to be higher than the MTP guidance by around 20 bn yen. For your information, the MTP revenue guidance of 1,100 billion yen includes a stretch target and is slightly higher than the number we arrived at by adding up individual items. As a result, organic revenue is expected to be more than 20 billion yen higher than the MTP guidance .

In terms of operating profit, the combined effect of divestitures and organic growth is expected to be around negative 25 billion yen due to unexpected events such as raw material inflation and the conflict in Ukraine. Meanwhile, we expect the positive effects of FX and M&A and the overall Türkiye effect with operating profit slightly below the MTP guidance resulting from positive operating profit growth in local currency combined with the negative impacts of FX and hyperinflationary accounting (IAS29).

All in all, our Group expects to achieve steady growth in the final year of the MTP driven by higher-than-expected organic growth despite the challenging business environment, combined with the contributions from M&As.

## 1-2. Gap Analysis Between Original Plan and Current Guidance (2)

### Factors contributing to the gap between MTP guidance and FY2023 guidance

	Summary of change factors*					Overview
	MTP guidance (Mar. 2021)		FY2023 guidance (Feb. 2023)			
Market growth	Decorative Industrial	Constant	Decorative Industrial	Resilient Lower than expected	○ △	• Decorative demand remains solid despite pandemic • Supply chain bottlenecks continued to impact industrial business, centering on automotive, through to end-market products
Market share/ volumes	Higher		Higher		○	• Steady market share gains due to successful sales promotion activities in each country and region
Prices	Flat		Higher		○	• Multiple pricing actions in each country and region to respond to raw material inflation
Adjacencies	CAGR+5~10%		Expansion		○	• Revenue (Tanshin) in adjacencies business grew 1.8 times from ¥76.7 bn in 2020 to ¥135.1 bn in 2022
FX	USD/JPY=106		Weaker yen		○	• Japanese yen depreciated against major currencies, except Turkish lira. The FY2023 guidance assumes USD/JPY=125 (18% yen depreciation vs. MTP guidance)
M&A	-		+ Cromology, JUB, etc. - India business and European automotive		○ -	• Acquired Vital Technical, Cromology, JUB, and NPT, and steadily built up minor acquisitions • Transferred European automotive and India businesses to Wuthelam Group
Raw material prices	Japan naphtha: ¥40,000		Higher		×	• Japan naphtha was initially assumed at ¥40,000 but price escalated to c. ¥86,000 in 2022. The FY2023 guidance assumes c. ¥72,000 (1.8 times vs. MTP guidance)
Hyperinflationary accounting	-		+ Revenue - OP		×	• Applied hyperinflationary accounting on financial statements of Betek Boya (Türkiye) from 2022 in response to rapid acceleration in inflation
Interest expenses	-		Higher due to M&A		△	• Net debt increased from c. ¥400 bn at start of 2021 (incl. ¥100 bn to finance acquisition of Indonesia business in early 2021) to c. ¥570 bn at end of 2022 due to M&A and other factors. Higher interest expenses vs. MTP guidance
Taxes	-		Higher effective tax rate		△	• Higher effective tax rate vs. MTP guidance following application of hyperinflationary accounting

**NIPPON PAINT GROUP** \*A summary of general factors contributing to the gap although factors affecting our businesses differ across regions and businesses

6

This page provides an analysis of factors that contributed to the gaps between the MTP guidance and FY2023 guidance.

In summary, the decorative paints market was underpinned by very resilient demand growth, although not constant growth, and the industrial coatings market struggled due to the pandemic and supply chain bottlenecks. In addition, we were able to solidly increase sales volumes and raise selling prices in many regions in response to raw material inflation.

The expansion of the adjacencies business was greater than expected. Growth was driven by the Selleys brand of DuluxGroup and the acquisitions of Vital Technical in Malaysia and JUB, which has strengths in ETICS (External Thermal Insulation System).

The absolute amount of interest expenses increased due to higher debt associated with M&As, although the average interest rate has not changed much because our borrowings are on fixed rates. In addition, the effective tax rate is higher than the level assumed in the MTP guidance. As a result, net profit and EPS in the FY2023 guidance are slightly below the MTP guidance.

## 1-3. Analysis by Region

MTP guidance (Mar. 2021)			February 2023 updates					
Revenue (Billion yen)	FY2020 Results (Tanshin)	FY2021-2023 CAGR target (In LCY)	Revenue (Billion yen)	FY2021 Results (Tanshin) <sup>2</sup>	FY2022 Results (Non-GAAP)	YoY	FY2023 Guidance (In LCY)	Overview
Japan	159.6	c. +5%	Japan	174.0	184.2	+5.8%	c. +5%	<ul style="list-style-type: none"> <li>New reportable segment (inclusion of overseas marine) from FY2022</li> <li>Automotive: Roughly in line with MTP despite chip and parts shortage</li> <li>Industrial and decorative: Below MTP due to pandemic, etc., despite aggressive product proposals to increase market share and pricing actions</li> </ul>
Nipsea China	268.1	c. +10%	Nipsea China	379.1	395.1	+4.2%	+5~10%	<ul style="list-style-type: none"> <li>TUC: Above MTP due to higher-than-expected market growth with market share gains</li> <li>TUB: Below MTP due to soft market</li> <li>Total revenue in China expected to exceed MTP</li> </ul>
Asia Except Nipsea China	88.5	+5~10%	NIPSEA (NIPSEA Except China) <sup>3</sup>	103.8	119.5	+15.1%	+0~5%	<ul style="list-style-type: none"> <li>Above MTP due to pricing actions, growth in adjacencies business and market share gains that outpace market in every region (Malaysia, Singapore, Thailand)</li> </ul>
New consolidation (Indonesia/India)	47.4 <sup>1</sup>	c. +15%	Betek Boya (Türkiye)	49.2	123.6	+151.3%	c. +30%	<ul style="list-style-type: none"> <li>Above MTP despite impact of hyperinflationary accounting, due to pricing actions amid hyperinflation and successful branding strategies and growth in adjacencies business driving our market share</li> </ul>
Oceania (Pacific)	148.3	c. +5%	PT Nipsea (Indonesia)	39.5	45.8	+15.9%	c. +15%	<ul style="list-style-type: none"> <li>Above MTP due to pricing actions and market share gains through expansion of distributors and more CCM<sup>4</sup> installed at paint shops</li> </ul>
Americas	70.1	+5~10%	DuluxGroup (consolidated)	176.2	187.3	+6.3%	+5~10%	<ul style="list-style-type: none"> <li>Pacific<sup>5</sup>: Above MTP due to ongoing bias to premium product mix, pricing actions in response to raw material inflation and new adjacent business bolt-ons</li> </ul>
Other (Betek Boya)	36.2	+10~15%	Cromology (Europe)	-	- <sup>6</sup>	-	+5~10%	-
			JUB (Europe)	-	- <sup>6</sup>	-	+5~10%	-
			Americas	76.4	83.1	+15.3%	+0~5%	<ul style="list-style-type: none"> <li>Automotive: Roughly in line with MTP despite chip and parts shortage</li> <li>Decorative: Roughly in line with MTP due to firm market until 1H 2022, pricing actions, etc.</li> </ul>

**Achieving growth exceeding MTP guidance,  
driven by growth outpacing market and pricing actions in most regions**

**NIPPON PAINT GROUP**

\*1 Unaudited pro forma figure \*2 FY2021 results have been revised retrospectively following change in reportable segment from 1Q FY2022  
\*3 Figures excluding Betek Boya and PT Nipsea from the total of NIPSEA Except China \*4 Computerized Color Matching  
\*5 Australia, New Zealand and Papua New Guinea \*6 Cromology was newly consolidated from Jan. 2022 and JUB from Jun. 2022 and are not included in Non-GAAP FY2022 results

7

The last page of the executive summary provides the analysis of our performance and outlook by region.

Please note that there was a change in reportable segment beginning with FY2022. The FY2021 results were adjusted retrospectively but not the FY2020 results and prior years. The analysis on this page is strictly to give you an image of our performance and outlook by region. The FY2021 results are on a Tanshin base and the FY2022 results are on a Non-GAAP base. Both use constant exchange rates with FY2021 as the base year and exclude the effects of M&As. Cromology and JUB are thus not included in the FY2022 results.

As you can see, we expect to achieve higher revenue growth in most regions than we expected in the MTP guidance, in particular in China, Australia, Malaysia Group, as well as Türkiye after including multiple factors. In terms of operating profit, we expect to be in line with the MTP guidance in many of our regions but not in Japan and China where our performance is expected to be below the MTP guidance.

This concludes the executive summary.

## 2-1. Growth Potential of Decorative Paints Market in China

### Decorative paints market in China remains promising in medium and long term driven by growing repainting market

#### Growth potential continues in medium and long term

Med/long Term market growth rate\*

**GDP growth +α (CAGR)**



- Paint consumption per capita is still around 1/3 of developed countries. Expect longer term sustainable growth at GDP +α driven by an increase in disposable income due to growth of the middle class population
- Paint demand is growing with urbanization. The urbanization rate has risen to c. 60%-70% from c. 50% in 2016, and is expected to continue increasing gradually
- Subdued paint market growth in 2021 and 2022 is due to the overall weak market sentiment because of the pandemic and efforts by the government to clamp down on excessive borrowing by developers which had dampening effect on the property market. However, given that real estate has always been a key pillar of the Chinese economy, the medium and long-term growth potential remains unchanged and continues to be promising

Trends in market size\*

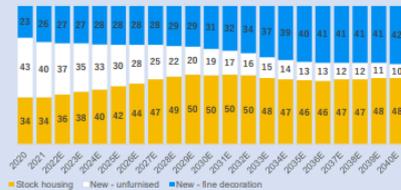


NIPPON PAINT GROUP \*NPHD's estimate

#### The property market has entered the "stock housing era"

- Private houses that were built in large numbers in the late 1990s are aging. As a result, repainting demand has been growing rapidly
- China's property market has crossed over into the Era of Stock Housing; resale housing accounted for c. 26% of the total property transactions in 2022. The trend is particularly remarkable in Tier 0-2 cities. Beijing's resale housing transactions are close to c. 70% of the total property transactions, while in Shanghai it stands at 60% and in Shenzhen and Guangzhou at c. 50%
- For Tier 2-4 cities, resale housing transactions have made up over 30% of total property transactions and are also steadily increasing

Renovation demand(%)\*



#### Market trends and outlook (TUC and TUB)

##### TUC (Trade Use Consumer): B2C business

Business to consumers, DIY business, sales via dealers/distributors and e-commerce to end consumers, etc.

- A rising proportion of existing/mature housing estates across China boosts demand for repairs, renovation and repainting
- Renovation demand is growing in Tier 0-2 major cities as well as Tier 3-6 regional cities



##### TUB (Trade Use Business): B2B business

Business transactions direct to Project customers and main contractors, etc.

- A rising proportion of existing/mature housing estates boosts demand for repairs, renovation and repainting



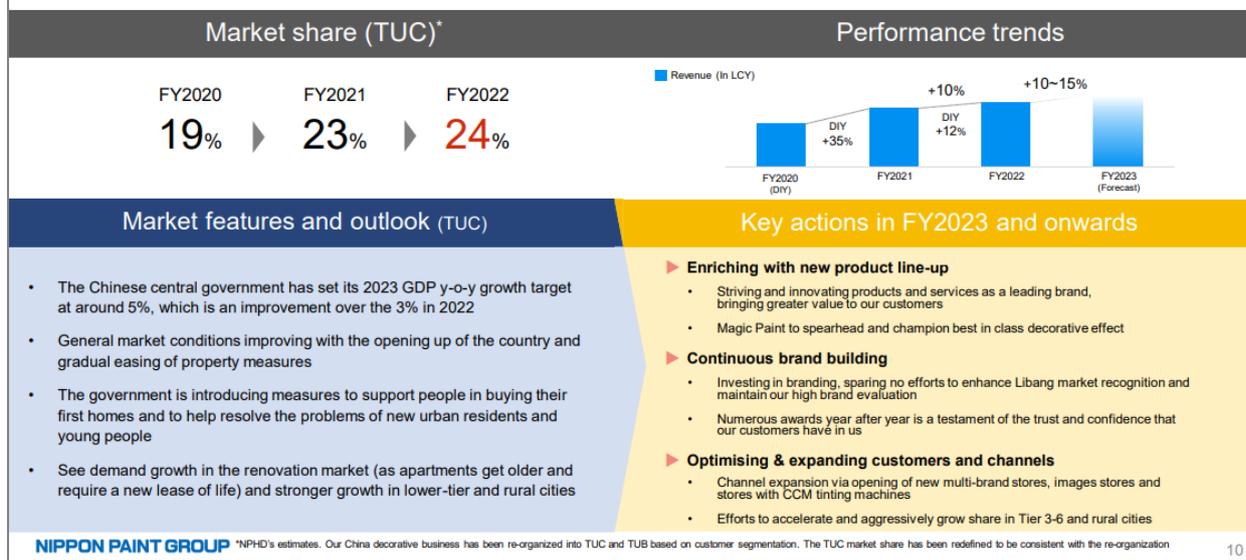
- Increasing number of new property launches featuring fully pre-decorated and move-in-ready units, as opposed to bare units without decoration and furniture

Now, I will briefly explain each asset starting on page 9.

I'll start with an overview of the decorative paints market in China. Market growth has been slower than expected during the past few years due to the pandemic and deterioration of the property market. However, we continue to believe that this market has a potential for GDP+α growth in the medium and long term. As you can see in the graph in the lower middle of the page, China has entered the stock housing era. We believe demand growth in the resale housing market will sufficiently offset the slowdown in demand growth in the new build market. In addition, per capita paint consumption is expected to increase with economic growth. Our key action points are how we can increase both our market share and operating profit margin in this growth market.

## 2-2. Nipsea China Decorative (TUC)

### Positioning for growth and extending our leadership position

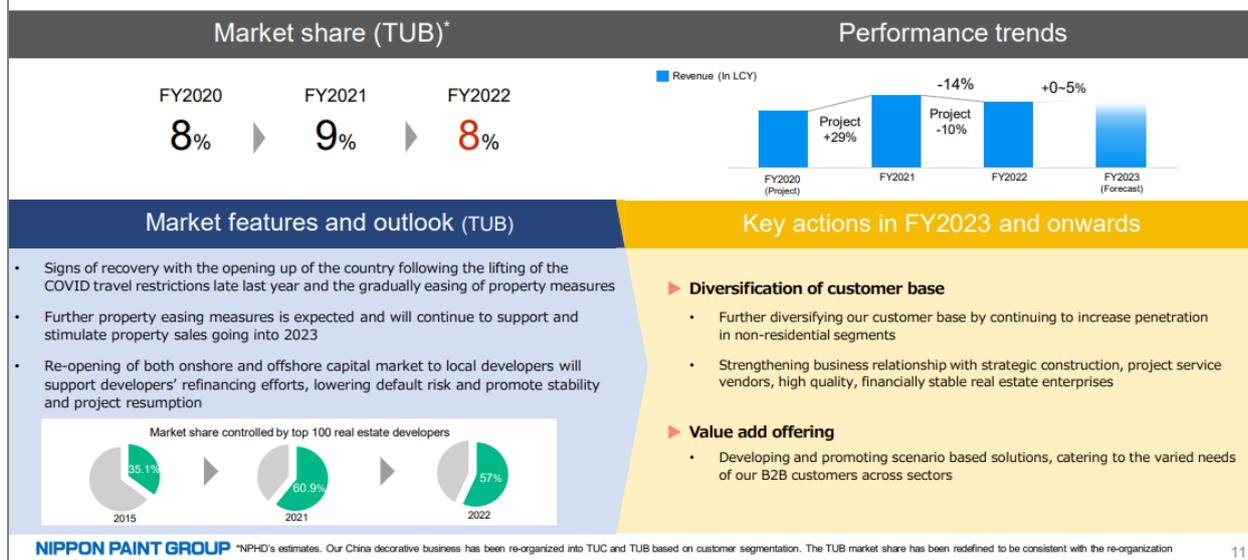


Given these circumstances, we can better capitalize on our strengths in the TUC market. In fact, we have continued to increase our market share in this segment in FY2022.

We are planning to increase our sales volumes of economy products as well as our sales in Tier 3-6 cities, markets which we haven't focused much on previously, by leveraging our brand strengths.

## 2-3. Nipsea China Decorative (TUB)

### Poised for recovery and towards sustainable moderate growth



In the TUB market, on the other hand, our market share slightly decreased due to difficulties at developers who are our key strategic customers and measures such as limiting transactions with non-cash on delivery customers with credit risk. However, we believe our leading competitors are more or less in the same situation.

We will build a more diversified customer base to even out risks in pursuit of both market share gains and operating profit growth. This is the market we will continue to focus on because there is still much room for taking market share away from midsize and small competitors and the market is very large.

## For Reference: Nipsea China 1Q FY2023 Preliminary Results

Net sales (RMB million)	1Q FY2022 Results	1Q FY2023 Preliminary results	YoY
Decorative	4,297	4,862	c. +13%
Automotive	593	482	c. -19%
Industrial	368	338	c. -8%
Total	5,258	5,682	c. +8%

\*1Q FY2023 preliminary results are rough estimates prepared by local management and are available for reference purposes only. Figures for both 1Q FY2022 and 1Q FY2023 are unaudited and pro forma before consolidation adjustments, such as intersegment eliminations

- TUC:YoY c.+19%
- TUB:YoY c.+4%
- OP margin is improving by more than 2 pts both YoY and QoQ

NIPPON PAINT GROUP

35

Page 35 of the presentation provides preliminary results at Nipsea China in 1Q FY2023.

The figures are in local currency and do not reflect exchange rate fluctuations and are before consolidation eliminations. The information therefore is intended for your reference only.

The overall decorative revenue grew 13% YoY. The breakdown is 19% growth in the TUC segment and 4% growth in the TUB segment. On the other hand, automotive revenue decreased by a double-digit percentage YoY due to the soft market, while revenue in the overall China business increased by around 8% YoY.

Our operating profit margin, which is the key metric, we expect an improvement of at least two pts YoY and QoQ. More information will be provided at the 1Q FY2023 results announcement in May.

The information provided on this page may not be sufficient. However, we have decided to provide preliminary figures as an exception as a follow-up to my previous statement that the performance improvement at Nipsea China will depend on its performance in March.

The preliminary figures for other regions are mixed. For instance, some regions were affected by unfavorable weather and the cost of raw materials is remaining elevated in other regions. All things considered, I cannot say that our performance improved consistently across all regions. But I can tell you that we are moving in the right direction overall.

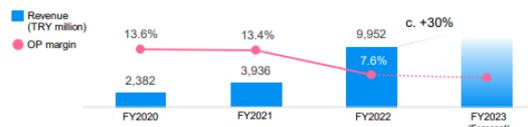
## 2-4. Betek Boya (Türkiye)

### Making inroads, further entrenching our dominant position

#### Market share (Decorative)\*1

FY2020 **30%**    FY2021 **34%**    FY2022 **34%**

#### Performance trends\*2



#### Market features and outlook (Decorative and ETICS\*3)

**FY2022-2024 market growth rate (Decorative)\*1**    **~+25% (CAGR)**

- Market value growth continue to be driven by inflation albeit at a decreasing rate. Volume growth remains challenging and expected to be limited, if any. Inflation is now expected to increase by 5~10% vs previous forecast of 40%, due to the loss of productivity from the earthquake
- Stable market growth in ETICS is still expected due to strong demand and consumer consciousness from high energy prices
- GDP impact of earthquake is estimated at -1%. Demand for new build homes is estimated at 650,000 units and renovation/rebuilt of residential builds at 4 million units
- Consumer sentiment is now poor and is expected to improve with the upcoming May elections

#### Key actions in FY2023 and onwards

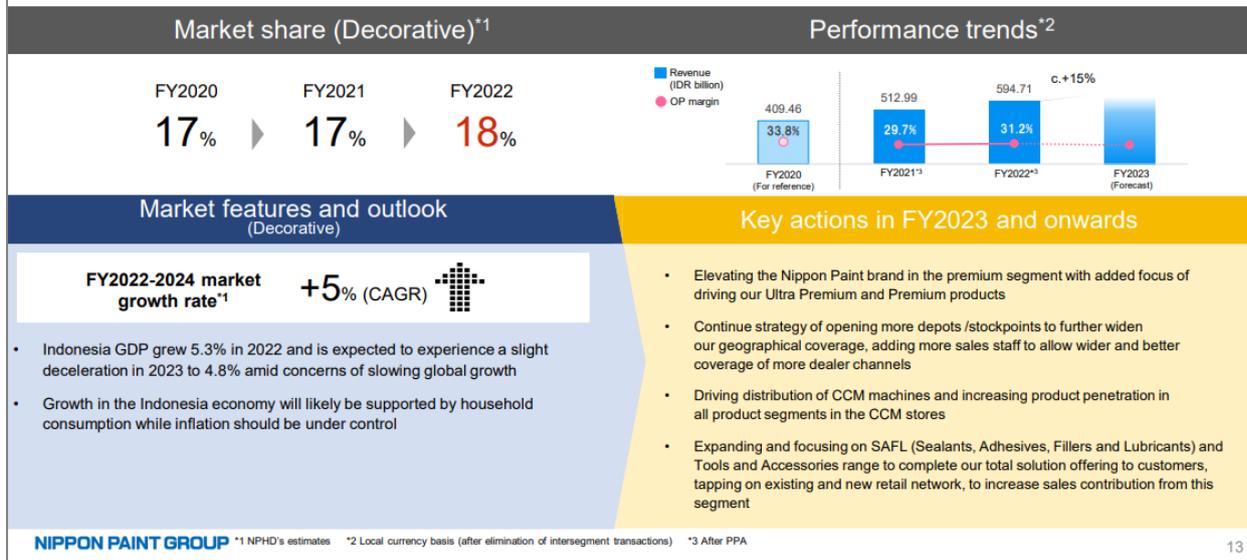
- Promoting sale of paint and coatings solutions and complete systems as opposed to solely selling products
- Widening our already extensive product portfolio range covering interior to exterior, waterproofing paints and coatings to non-paints products including sealants, adhesive, fillers, construction chemicals, tools and accessories which will allow us greater ease to expand and attract new shops, expanding our market reach
- Continued advertising investment to preserve premium positioning and brand thought leadership
- Creating premium consumer and shopping experience via integrated platforms and next generation dealership programmes that we have rolled out in 81 cities across the country

Going back to page 12, which is about Betek Boya in Türkiye.

This region is vulnerable to significant risk factors. Although there were no casualties or damage to factories, the earthquake had a negative impact on the domestic GDP and consumer sentiment. However, we are not concerned about the medium and long-term outlook for this market because of solid demand underpinned by the population of 80 million. We are paying attention to changes in monetary policies and the possibility of a turnaround in consumer sentiment after the presidential election.

## 2-5. PT Nipsea (Indonesia)

### Elevating our brand & driving channel and adjacencies expansion

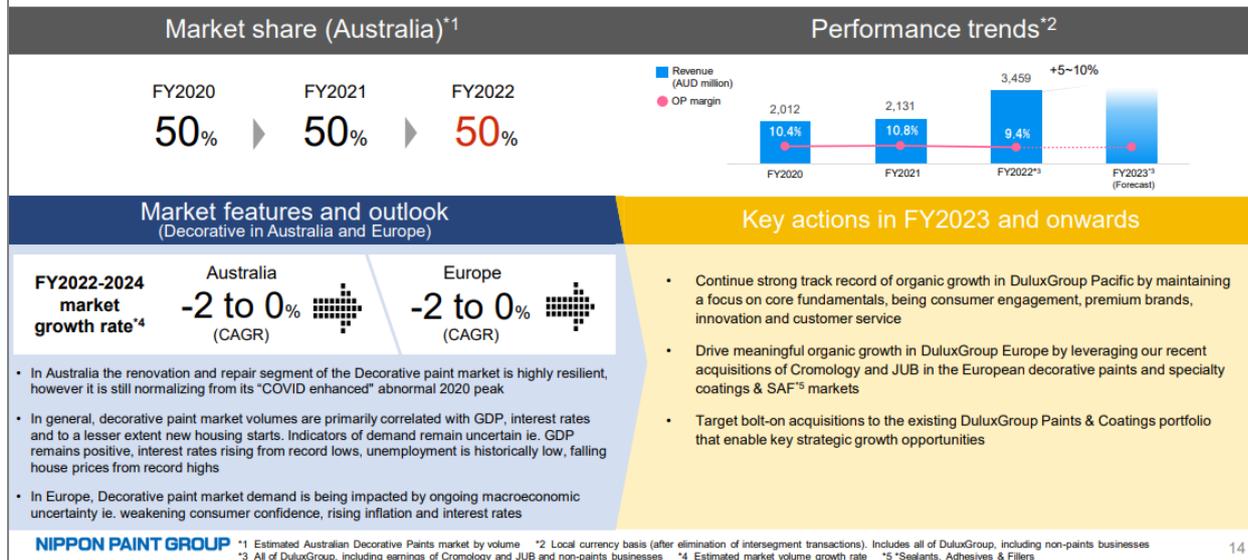


The outlook for the Indonesia business is the same as I have stated on prior occasions.

Although there are uncertainties, such as the presidential election scheduled for early 2024, I believe we can achieve solid growth by shifting to premium products and using aggressive sales promotion activities.

## 2-6. DuluxGroup (Pacific•Europe)

Continue growth in our market leading Dulux business in the Pacific and drive growth in Europe



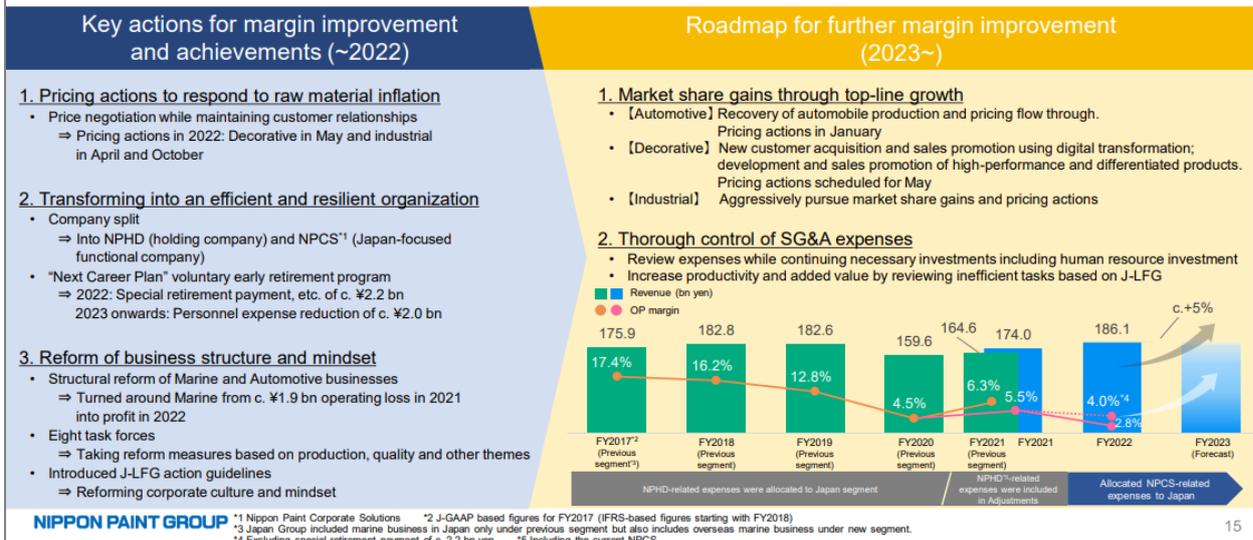
NIPPON PAINT GROUP <sup>\*1</sup> Estimated Australian Decorative Paints market by volume <sup>\*2</sup> Local currency basis (after elimination of intersegment transactions). Includes all of DuluxGroup, including non-paints businesses <sup>\*3</sup> All of DuluxGroup, including earnings of Cromology and JUB and non-paints businesses <sup>\*4</sup> Estimated market volume growth rate <sup>\*5</sup> Sealants, Adhesives & Fillers

We have started to manage DuluxGroup based on the Pacific segment, which is centered on Australia and New Zealand, and the Europe segment, which is centered on Cromology and JUB.

Both segments are in mature markets with limited growth potential. Therefore, the key is how we are going to increase our market share in these segments. The market share in terms of sales volume on this page has not changed much. However, we estimate that the market share in terms of monetary sales has increased considerably in step with the shift to premium products in the Pacific segment.

## 2-7. Japan Group

**Aim for early restoration of double-digit OP margin through pricing flow through and per capita productivity improvement**



Lastly about the Japan Group.

As you may know, this segment had a very high operating profit margin in the past. The key is whether we can successfully restore profitability by establishing in this segment the culture of LFG (Lean for Growth) that is designed to achieve growth by eliminating waste, rather than through mere cost cutting.

We expect to continue facing a challenging environment, such as sticky raw material cost inflation. However, we believe we can achieve solid growth in this mature market in the medium and long-term, as DuluxGroup has done, by taking actions such as streamlining operations and raising selling prices.

### 3-1. Reinforcing Autonomous Sustainability Structure (1)

#### Established Basic Policy on Sustainability aimed to achieve MSV based on Asset Assembler model

##### Basic Policy on Sustainability

Nippon Paint Group recognizes an opportunity for sustainable growth from taking actions such as protecting natural capital including the environment, enhancing human resources by embracing diversity, and creating innovation with social benefits. Our group partner companies autonomously develop sustainability strategies and conduct business activities. Furthermore, we identify risks and opportunities related to Materiality based on sound group governance with the sole mission of Maximization of Shareholder Value (MSV) after adequately fulfilling our legal, social and ethical obligations to customers, suppliers, employees, society and other stakeholders.

##### Key points of update

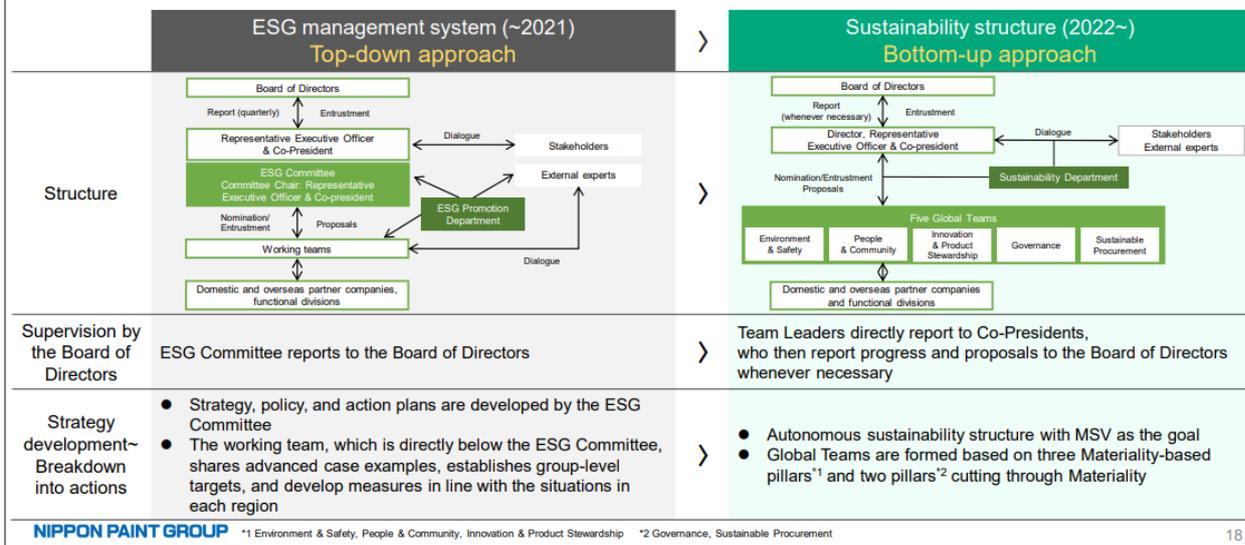
	ESG Statement	>	Basic Policy on Sustainability
Position of MSV	Stated that the delivery of sustainability improvement plans will lead to the creation of new business opportunities and MSV	>	Clearly state that MSV is the <b>goal</b> of our sustainability initiatives
Business model	Premised on Nippon Paint being a paint and coatings manufacturer. Mainly focused on actions to achieve sustainable development	>	Basic Policy on Sustainability <b>based on Asset Assembler model</b>
Procedures	Mainly discussed at the then ESG Committee meeting and reported to the Board meeting in August 2020	>	Discussed and resolved at the Board meeting in March 2023

This concludes the updates on each asset. The updates on our sustainability strategy start on page 17.

Firstly, the Basic Policy on Sustainability was approved by the Board of Directors to replace the existing ESG Statement. This policy clarified MSV as the goal of our sustainability initiatives. In addition, our sustainability initiatives are based on Asset Assembler model and are not based on a centralized, HQ-driven structure as I have stated in prior occasions. This basic policy embodies our approach to sustainability.

### 3-1. Reinforcing Autonomous Sustainability Structure (2)

Evolved into a business-driven, autonomous sustainability structure with MSV as the goal



We have revised our sustainability structure as I have stated before. Specifically, we adopted a structure where initiatives are taken by management teams and business leaders of partner companies starting with FY2022. This is a change from the top-down, NPFD-led approach used in FY2021 and prior years. Sustainability Team Leaders, who were appointed from business leaders, coordinate agendas from a global perspective and report progress and proposals to the Co-Presidents roughly on a quarterly basis.

Page 19 shows the actions and initiatives of each Sustainability Team. Our sustainability goal is to fulfill our obligations to stakeholders, which is the premise for MSV and is directly linked to MSV. We will properly identify social trends to meet the requirements of society that change from time to time in terms of content and the extent of disclosure. I will not go into the details.

### 3-4. Sustainability Strategy Updates: ESG Index/Rating Evaluations

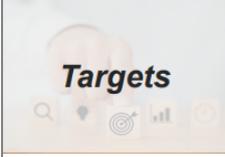
Due to our progress in our sustainability initiatives and disclosure enhancement, we have been included in ESG indexes adopted by GPIF and showed improvement in ESG rating scores

ESG index		~2019	2020	2021	2022
	S&P/JPX Carbon Efficient Index	Sep. 2018~			
	MSCI Japan Stock Index (WIN)	June~			
	MSCI Japan ESG Select Leaders Index	June~			
	FTSE Blossom Japan Index	June~			
	FTSE Blossom Japan Sector Relative Index	March~			
ESG rating		2019	2020	2021	2022
	Climate Change	D	C	B	B
	Water Security	D	B-	A-	A-
MSCI	ESG Rating	BBB	A	A	A
FTSE	ESG Score	2.1	2.3	2.5	3.5

Page 25 shows that we have been included in all ESG indexes adopted by GPIF with an improvement in ESG rating scores owing to the progress of our sustainability initiatives and increased sustainability disclosures.

## 4-1. M&A Strategy

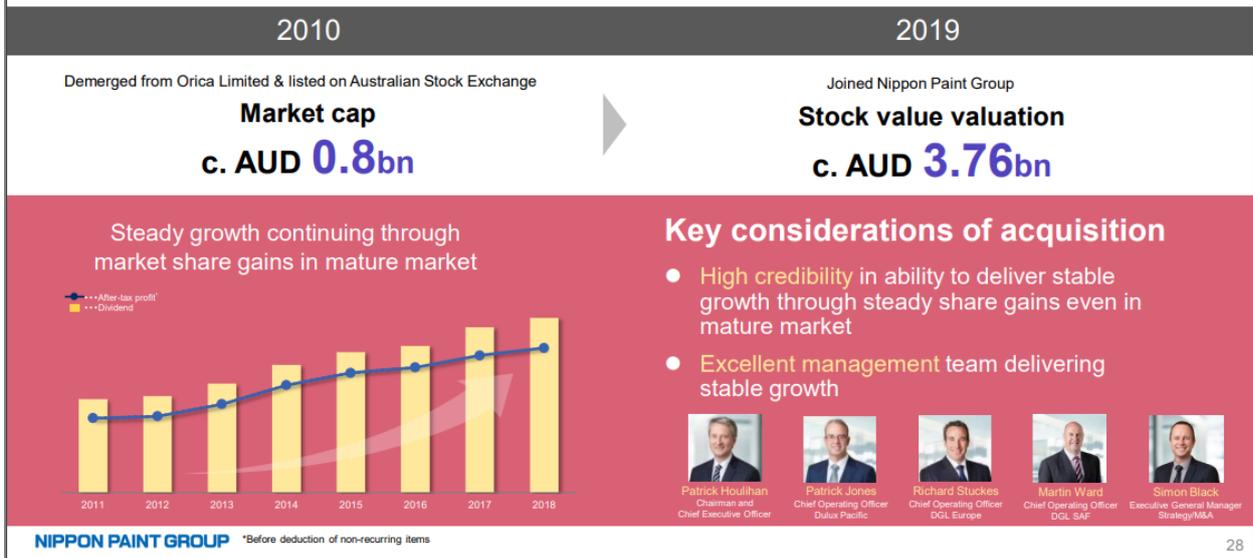
### Continue to pursue aggressive M&A strategy by leveraging our autonomous and decentralized business model

 <p><b>Targets</b></p>	<ol style="list-style-type: none"> <li>1. Business segments: Paint (decorative/industrial) and adjacencies</li> <li>2. Geography: Not limited</li> <li>3. Potential targets: Strong corporate/product brand, and excellent management team</li> </ol>	<ol style="list-style-type: none"> <li>1. Fundamentals of paint and adjacencies markets, e.g. population growth and urbanization create enormous growth opportunities</li> <li>2. No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined</li> <li>3. Continue to assemble assets leveraging strengths of our autonomous and decentralized business model</li> </ol>
 <p><b>Our Strengths</b></p>	<ol style="list-style-type: none"> <li>1. Financial soundness</li> <li>2. Ability to finance in Japan, with stable currency and stable market</li> <li>3. Full access to the Nippon Paint Group's platform</li> <li>4. Excellent management teams enabling autonomous and decentralized business model</li> </ol>	<ol style="list-style-type: none"> <li>1. Stable cash generating ability and strong financial position</li> <li>2. Low interest rate borrowings, safety and liquidity of the stock market</li> <li>3. Sharing expertise, products, and technologies within the Group</li> <li>4. Minimize the PMI risk</li> </ol>
 <p><b>Financial Discipline</b></p>	<ol style="list-style-type: none"> <li>1. Contribution to EPS</li> <li>2. ROIC<sup>*1</sup> &gt; WACC<sup>*2</sup></li> <li>3. Sufficient leverage capacity</li> <li>4. Debt financing prioritized: equity-based capital raising remains an option</li> </ol>	<ol style="list-style-type: none"> <li>1. Aim to achieve EPS accretion in Year 1 after acquisition</li> <li>2. Take capital efficiency into consideration</li> <li>3. Secure financial soundness to prepare for future M&amp;As</li> <li>4. EPS accretion also a must in rare case of equity financing</li> </ol>

There is no significant change in the key elements of our M&A strategy. We will have MSV as the guiding axis when discussing our targets, strengths, and financial discipline.

## 4-2. M&A Success Case: DuluxGroup (1)

Nippon Paint acquired DuluxGroup for two reasons: Dependable + Talent



Now let me revisit our acquisition of DuluxGroup to showcase the success of our Asset Assembler model.

DuluxGroup has achieved steady growth since the company went public in 2010 following the spin-off from ORICA Limited, which was an Australian operation of the former ICI Group. In 2019, NPHD acquired DuluxGroup, a very dependable company, for AUD 3.76 bn along with its excellent management team led by Patrick Houlihan, who became CEO in 2007 and remains so today.

## 4-2. M&A Success Case: DuluxGroup (2)

Delivered further growth after acquisition by complementing organic growth with strategic M&A deals based on three key strategic pillars

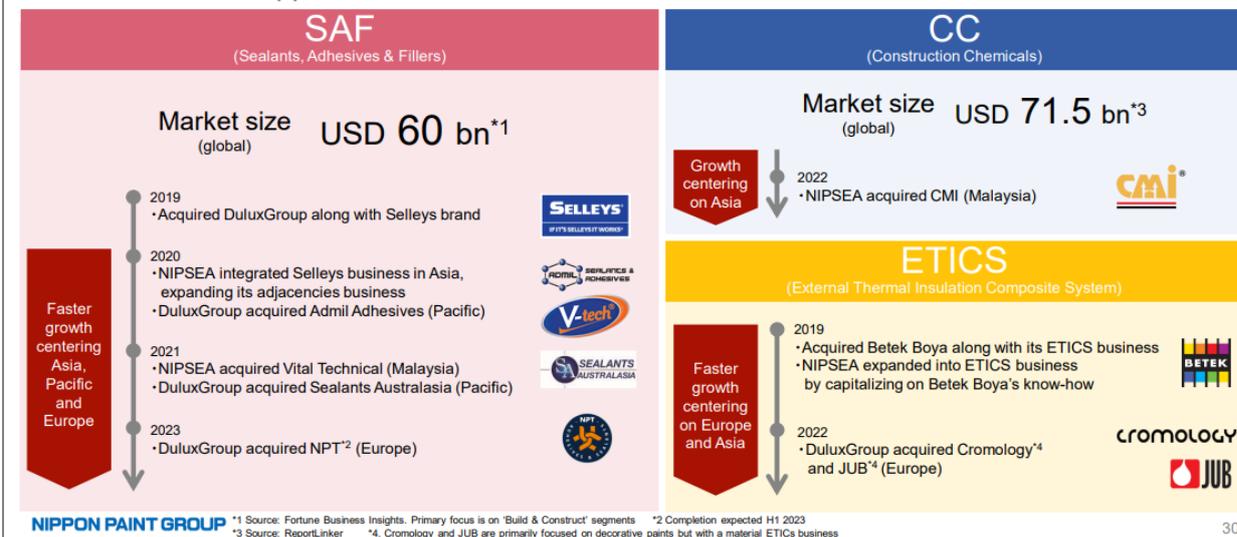


After the closing of the acquisition of DuluxGroup, CEO Houlihan asked Chairman Goh during their one-on-one meeting, “Now that DuluxGroup has joined the Nippon Paint Group, what would you want us to do?” Chairman Goh replied, “What’s important is not what I want you to do but what you want to do and why. If your ambition leads to MSV, NPFD will give you full support to make it come true.” This exemplifies our approach of respecting autonomy based on trust.

In response, the management team of DuluxGroup reexamined their growth strategy and set three key strategic pillars: extending market leading positions in the Pacific; leveraging capabilities for growth in the mature European paints market; and leveraging capabilities for growth in the global SAF (Sealants, Adhesives & Fillers) market. The number of M&A transactions carried out by DuluxGroup has increased dramatically from nine over nine years when the company was a public company to 23 in only three years since the company joined the Nippon Paint Group. As a result, DuluxGroup has grown to account for nearly a quarter of our Group in terms of revenue and operating profit. This demonstrates the success of M&A transactions that freed DuluxGroup from the need to worry about short-term stock price movements and enabled the company to realize its full potential by leveraging the financing capability of the huge platform of the Nippon Paint Group.

### 4-3. M&A Success Case: Adjacencies Business

Accelerating growth by building up assets also in adjacencies (Paint++) arena with material market opportunities

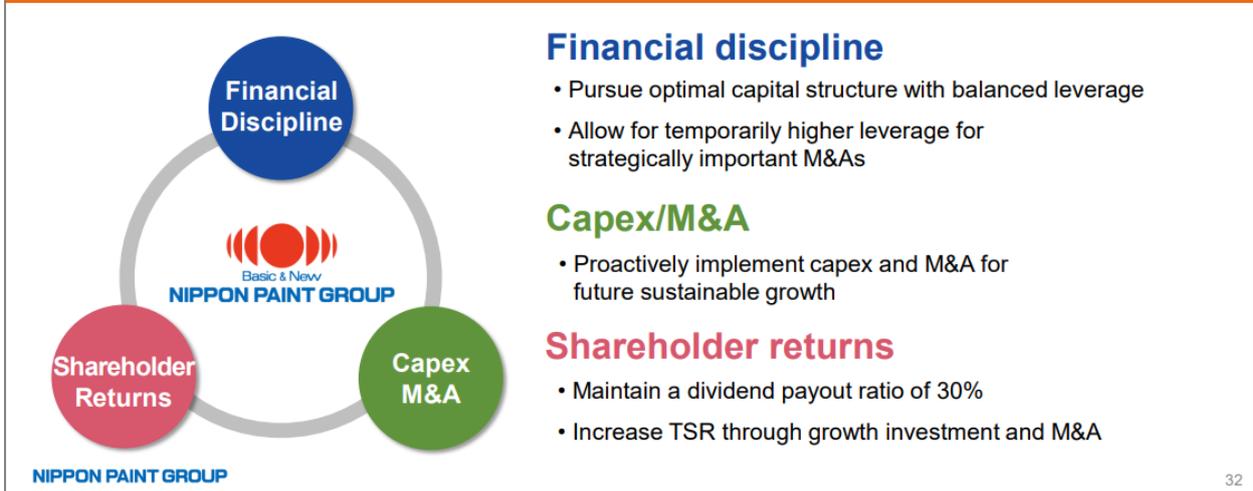


Our M&A transactions have opened up new opportunities, such as the additions of the SAF business through the acquisition of DuluxGroup, the ETICS (External Thermal Insulation Composite System) business through the acquisition of Betek Boya, and the CC (Construction Chemicals) business.

We aim to continue to build up excellent M&As that contribute to EPS accretion with limited risk.

## 5-1. Financial Strategy

Prioritizing growth investment and M&A while maintaining financial discipline with the focus of increasing TSR through EPS accretion



Regarding our financial strategy, there is no significant change in the key pillars underlying the strategy.

We will maintain an appropriate level of leverage and close communications with financial institutions and credit rating agencies.

We have received an inquiry about whether we will conduct share buybacks. Our judgment at this time is that prioritizing growth investments centered on M&A as a capital allocation strategy will generate higher returns. That's not to deny the possibility of share buybacks but its priority is lower. I would like to add that we will maintain a dividend payout ratio of 30%.



## Conclusion

**1**

MTP final year revenue expected to far exceed target and operating profit to be in line with target; resilience of Nippon Paint Group in challenging business climate over last few years reassured

**2**

Continuing to pursue growth through organic growth and M&A with MSV as sole mission

**3**

Next MTP already in the works; while medium and long-term plans for individual assets are constantly updated; how we present our MTP based on Asset Assembler model is under discussion

To wrap up today's investor update meeting, the next MTP is already in the works. Many of our assets update their plans which they establish on a rolling basis looking three to four years ahead. How we present our MTP on a consolidated basis as an Asset Assembler is under discussion. I would appreciate feedback of investors to enhance our discussions regarding this subject.

Thank you for your attention.