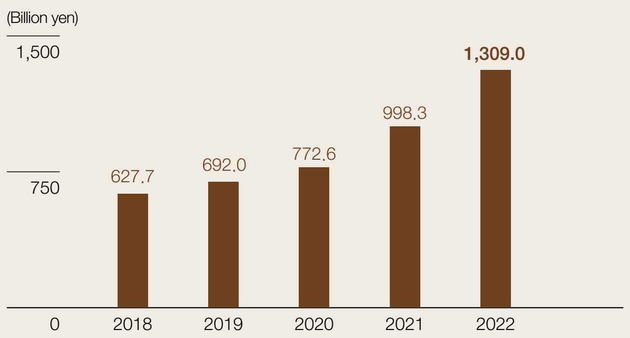
Financial Highlights

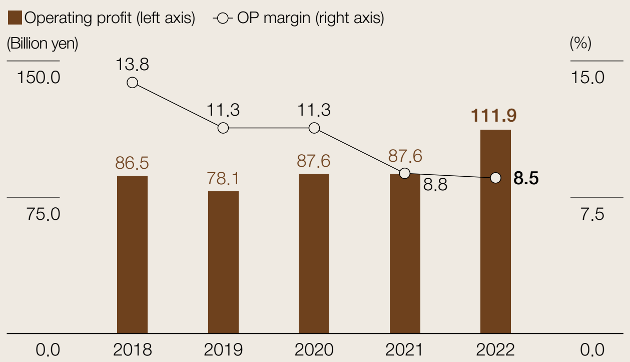
Financial base

Revenue



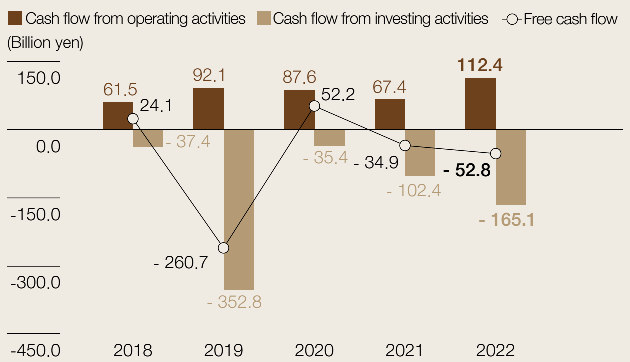
Our Group's revenue growth is accelerating due to the acquisition of a US paint manufacturer in FY2017, an Australian and a Turkish paint manufacturer in FY2019, and the Indonesia business in FY2021, as well as the significant growth in the decorative paints business in China and other Asian countries. In FY2022, we achieved revenue growth for the sixth consecutive year to a record high due to the acquisition of two European paint manufacturers, flow-through of price increases, and the yen's depreciation.

Operating profit / OP margin



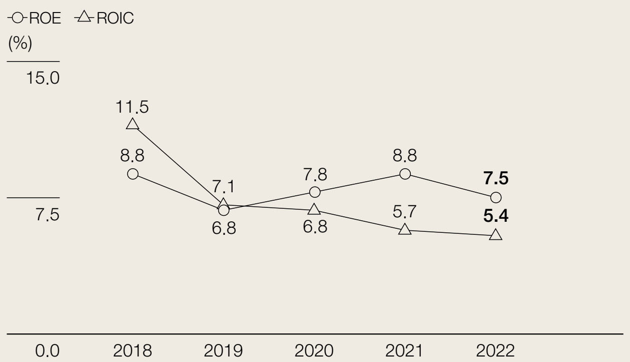
Group operating profit decreased from the previous year in FY2019 due to the recording of impairment loss involving the automotive business in Europe and India. However, operating profit has increased for the third consecutive year since FY2020. Group operating profit rose to a record high in FY2022 due to higher revenue, despite raw material inflation, credit loss provisions in China, and the application of hyperinflationary accounting for our Turkish subsidiaries. Group operating profit margin decreased in FY2019 due to the recording of impairment loss and has remained in the 8% range since FY2021 reflecting the increase of the raw material cost contribution ratio.

Cash flow



Capital expenditures in the paint and adjacencies businesses are relatively low and positive cash flow is the norm. Free cash flow in FY2019, FY2021, and FY2022 was negative due to the acquisition of overseas paint manufacturers. However, our operating cash flow has increased consistently every year.

Return on equity (ROE) / Return on invested capital (ROIC)*

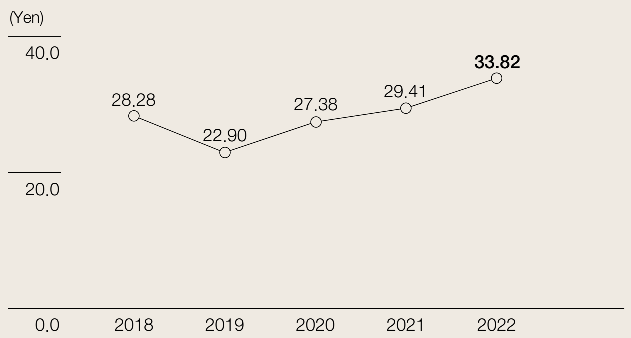


ROE has remained around 8% in recent years after decreasing in FY2019 because net profit decreased due to the recording of impairment loss and other factors. ROIC has been decreasing since FY2019 because of lower turnover of invested capital caused by increases in interest-bearing debt and shareholders' equity following the acquisitions and the full integration of the Asian JVs carried out in the period between FY2019 and FY2022.

* ROIC (IFRS): Operating profit after tax / (net debt + total equity)

Financial base

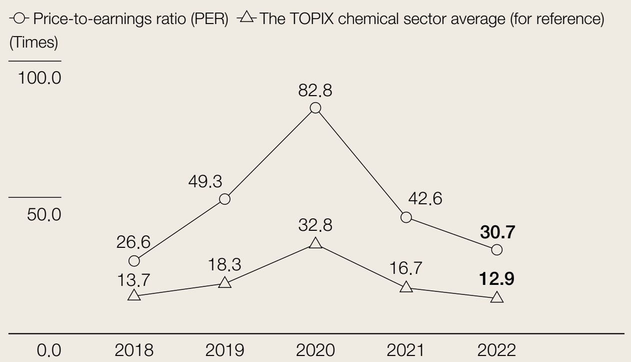
Earnings per share (EPS)*



Earnings per share (EPS) rises or falls roughly in proportion to changes in earnings, such as operating profit. EPS has increased for the third consecutive year since FY2020 due to higher revenue, after a decrease in operating profit in FY2019 due to the recording of impairment loss.

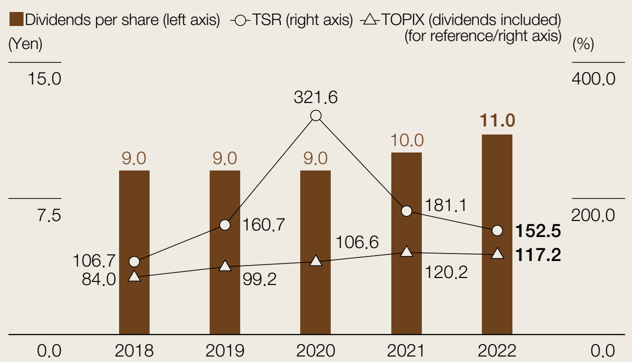
*Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2018

Price-to-earnings ratio (PER)



The PER has been above the TOPIX chemical sector average to reflect the expectations from investors for our future growth potential. The PER rose significantly in FY2020 reflecting multiple factors, such as investors' preference for growth stock in the stock market and our M&A activities.

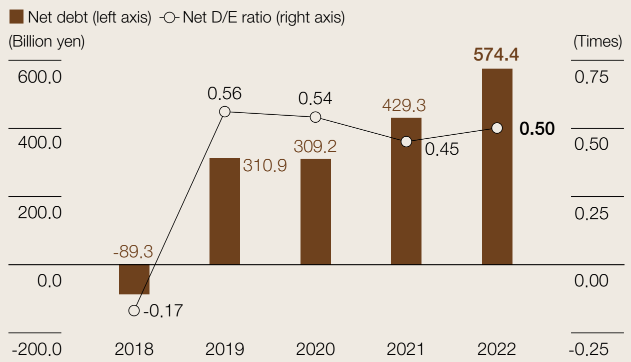
Dividends per share* / Total shareholder return (TSR)



Our basic policy is to pay stable and consistent dividends and maintain a dividend payout ratio of 30%. Our dividends increased for the second consecutive year, with an annual dividend of JPY10 per share including a commemorative dividend of JPY1 per share for the 140th anniversary of the company's founding paid in FY2021 and an annual dividend of JPY11 per share paid in FY2022. The total shareholder return (TSR) has exceeded TOPIX (dividends included), a comparative benchmark, since FY2018. TSR in FY2022 reached 152.5%, reflecting a dividend increase.

*Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2018

Net debt* / Net D/E ratio



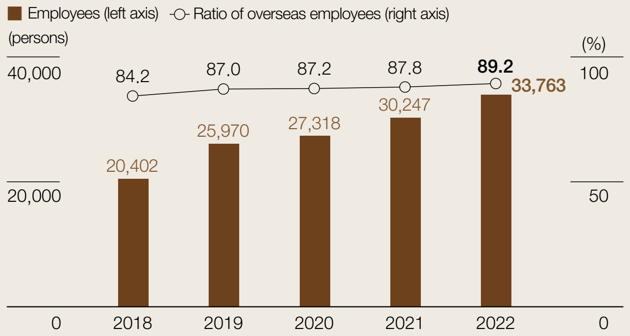
Due to relatively low capital expenditures in the paint and adjacencies businesses, positive cash flow is the norm and our net debt had been negative. However, net debt has been positive since FY2019 due to the loans from financial institutions to finance M&A. The net D/E ratio decreased in FY2022 because of the increase in equity capital due to the increase in interest-bearing debt associated with the acquisition of two European paint manufacturers.

*Net debt: Interest-bearing debt (bonds and borrowings (current/non-current) + other financial liabilities (current/non-current)) – liquidity on hand (cash and cash equivalents + other financial assets (current))

Non-Financial Highlights

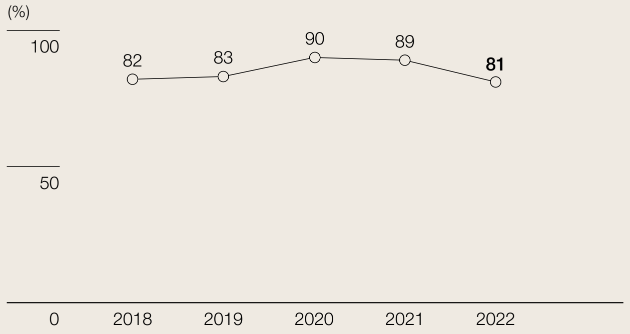
Human resources/ organizations

Employees / Ratio of overseas employees



The ratio of employees at the Group's overseas operations has been increasing due to aggressive M&A including the acquisition of a paint manufacturer in the U.S. in FY2017, an Australian and a Turkish paint manufacturers in FY2019, the Indonesia business in FY2021, and two European paint manufacturers in FY2022. We are taking actions to further reinforce and increase our human resources for more growth in Asia and Oceania.
The ratio of overseas employees has increased by 5.0 pts from 84.2% in FY2018 to 89.2% in FY2022.

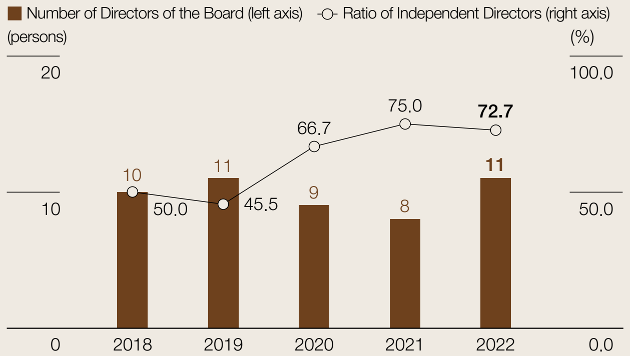
Employee satisfaction level (Japan Group)*



Japan Group's employee satisfaction rose to a record high in FY2020 but declined for two consecutive years in FY2021 and FY2022. With Japan Group pursuing reforms aimed at profitability improvements, employee satisfaction improved in the areas of working hours and use of annual leave but decreased in the areas of sympathy with the Group visions and policies, as well as trust and reassurance in their company of employment, as a result of the implementation of the voluntary early retirement program.

* Surveys by Nippon Paint Labor Union. ▶ See "Human Resource Strategy" on page 71 for information about employee satisfaction at other partner companies.

Number of Directors of the Board* / Ratio of Independent Directors of the Board*

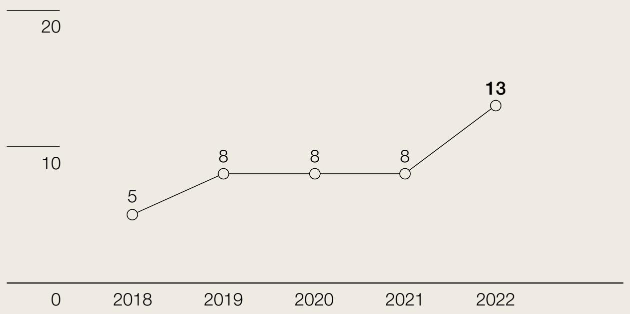


NPHD is building an advanced corporate governance structure based on Asset Assembler model with a focus on medium to long-term growth and protection of the interests of minority shareholders. We transitioned to a Company with Three Committees structure in March 2020. The Lead Independent Director has been serving as Board Chair since FY2021, and eight of the 11 Directors are Independent Directors in FY2022.

* Number of the Directors who were elected at the Ordinary General Meeting of Shareholders held during the period. The FY2021 figure is the number of the Directors in office on or after April 28, 2021.

Customer base

Number of countries/regions where Nippon Paint Group has the No. 1 market share in decorative paints



The Group has held the top market position in Japan for many years. The aggressive expansion of the ASEAN business since 1967 has also steadily increased the number of countries and regions where the Group has the largest market share. The acquisitions of Cromology and JUB in FY2022 have added five European countries including Italy and Croatia as markets where the Group has the leading position.

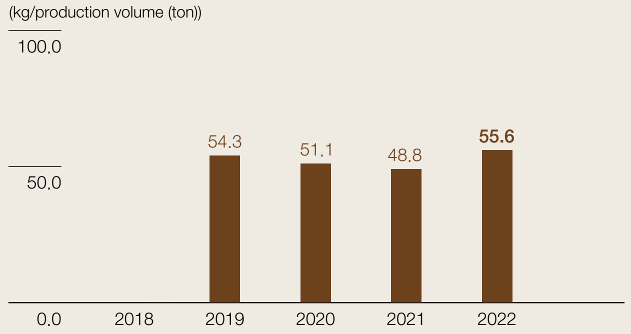
Brands

Awarded the Gold Brand from a brand evaluation institution (China)

The ongoing sales growth of our high-quality LiBang brand products since we entered the China market in 1992 has made it the top brand in China. The LiBang brand has won the Gold Brand for seven consecutive years in the wall paint category of the C-BPI (China Brand Strength Index).

Nature/ environment

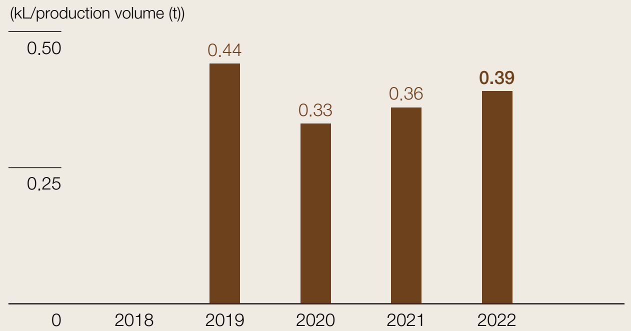
Greenhouse gas emissions (Scope 1 and 2) (Global)*



The Group has set a global-level target to reduce GHG emissions (Scope 1 and 2) by 37% in FY2030 compared to the FY2020 level. To achieve this target, we are taking actions including conducting aggressive energy-saving activities and starting the use of renewable energy. The Group's GHG emissions in FY2022 increased due to changes in production mix in NIPSEA Group.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology beginning in FY2022 and excluding JUB)

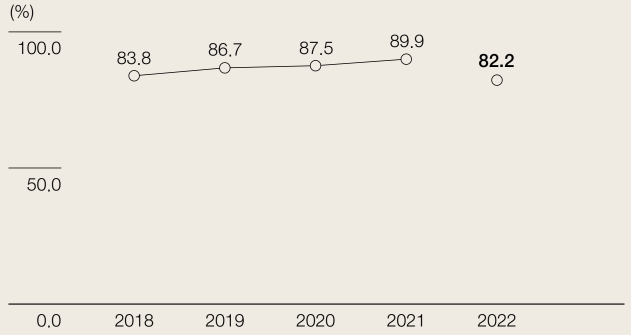
Water consumed (Global)*



The Group identified the efficient use of water as a category of Materiality under Resources and Environment, and is taking actions such as efficiently using water for raw materials as well as reducing water use and using recycled water in manufacturing processes. The water use in the Group increased in FY2021 due to the expansion of the scope of data aggregation (Betek Boya) and in FY2022 due to the DuluxGroup acquisitions of Cromology and JUB, DuluxGroup clean-up of Dulux Rocklea site after major flooding event, and changes in production mix in NIPSEA Group.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

Ratio of water-based paints in the decorative paints business (Global)*



Demand for water-based paints is rising in line with growing environmental awareness and tighter environmental regulations around the world. The Group is using its technological strengths to develop highly competitive water-based paint products globally. The ratio of water-based paints in the decorative paints business is increasing yearly.

* Figures from FY2018 to FY2021 are calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Figures for FY2022 onwards are calculated as water-based paint shipments divided by total sales volumes in units of tons. The figure for FY2022 decreased due to a change in the definition of data collection, and there is no change in the trend to increase the ratio of water-based paints. Data cover six companies: Nippon Paint (NPTU) and NIPSEA (from FY2016 onwards), Dunn-Edwards (from FY2017 onwards), DuluxGroup (from FY2019 onwards), and Cromology and JUB (from FY2022 onwards)