

The 197th Annual General Meeting of Shareholders  
Q&A Summary  
March 29, 2022

Q1	The Japanese yen is weakening fast. What is the impact of a one-yen fluctuation against major currencies on the Nippon Paint Group's consolidated earnings?
A1	<p>Our financial statements are presented in Japanese yen. Our overseas revenue accounts for a little over 80% of our total revenue. As a result, the yen's depreciation basically has a positive impact on revenue and earnings when converting to the yen. In particular, NIPSEA China's revenue accounts for around 40% of our consolidated revenue. As a result, our consolidated earnings will be impacted most by fluctuations in the exchange rate of the Chinese yuan against the yen. For instance, every one yen decline against the Chinese yuan will translate into an increase of a little over 20 billion yen in our revenue and 3 billion yen in our operating profit on a full-year basis. Every one yen decline against the US dollar will increase our operating profit by around 50 million yen. Likewise, the yen's decline against the Australian dollar will increase our revenue and operating profit. The yen was generally weakening throughout 2021, which had a positive impact on our revenue and operating profit in FY2021. As an exception, the Turkish lira generally strengthened against the yen, which had an unfavorable impact on our revenue and operating profit. However, due to its strong performance, our Turkish operations achieved significant growth in revenue and operating profit in FY2021 even after converting to the yen.</p>

Q2	I understand your mainstay business in China is the decorative paints business. What is the impact of large defaults in the real estate industry in China?
A2	<p>Decorative paints revenue accounts for 80% of the total revenue at NIPSEA China. The breakdown of the decorative paints business is 60% in the DIY segment and 40% in the Project segment. In the Project business, we mainly sell decorative paints to real estate developers. In the past, newly built houses were handed over to home buyers as bare units and the painting of the interior was done by homeowners afterward. These paint sales were included in the DIY revenue. However, in urban areas such as Beijing and Shanghai, an</p>

	<p>increasing number of newly built houses are handed over to home buyers after interior painting. As a result, paint sales from interior painting of newly built houses are now reported as the Project revenue. In the overall Chinese decorative paints market, two-thirds of demand is in the new construction segment and one-third is in the renovation segment. Our DIY business has robust sales in the renovation segment as well. In addition, the composition of the new construction segment and the renovation segment is 1:1 in the paint market in urban areas. We believe we can further increase market share by targeting renovation demand even if new construction demand in the Project segment slows. The LiBang brand, which is the Nippon Paint Group's paint brand in China, is deeply rooted in the Chinese market and has the top market share in decorative paints. On the other hand, sales to real estate developers in the Project business are not very large, with each real estate developer accounting at most for 1% or less of our consolidated revenue. We recognized a provision for bad debt of around 3.6 billion yen in FY2021. However, poor business performance at individual real estate developers will not undermine our earnings. In fact, we achieved around 30% revenue growth (in local currencies) both in the DIY and Project businesses in FY2021 and are taking actions for staying on this growth path. We are not overly optimistic about the situation, but we will properly manage risk involving customers with financial issues.</p>
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Q3	<p>At this year's shareholders meeting, NPHD proposed partial amendments to the Articles of Incorporation to enable virtual-only shareholders meetings. Is this going to be your last face-to-face shareholders meeting? Based on the co-president setup, will the chair of the shareholders meeting change every year?</p>
A3	<p>The proposal for the partial amendments to the Articles of Incorporation includes amendments to enable virtual-only shareholders meetings. The objective of this proposal is to ensure greater flexibility in shareholders meeting formats with consideration given to shareholders who live too far away to attend the meeting or to respond to unexpected events such as natural disasters. Even if this proposal for partial amendments to the Articles of Incorporation is approved, we have not decided to go virtual-only starting next year. Therefore, this proposal does not mean that this will be our last face-to-face shareholders meeting.</p> <p>Regarding your question about the chair of the shareholders meeting, not</p>

<p>many companies have a co-president setup. Wee Siew Kim, the other Co-President, and I, Yuichiro Wakatsuki, believe that we have been very successful in smoothly running the co-president setup by closely communicating with each other for managing our Group's operations based on a partnership. If the proposal for partial amendments to the Articles of Incorporation is approved, the chair of the shareholders meeting will be determined by the Board of Directors. However, we do not intend to change the chair of the shareholders meeting every year. It is likely that I will be the chair next year, but please be advised that the chair of the shareholder meeting will be selected only by the Board of Directors.</p>
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