

Nippon Paint Group Medium-Term Plan (FY2021-2023) Update Report

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Yuichiro Wakatsuki

Director, Representative Executive Officer & Co-President
Nippon Paint Holdings Co., Ltd.



TODAY'S AGENDA

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1. Introduction

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

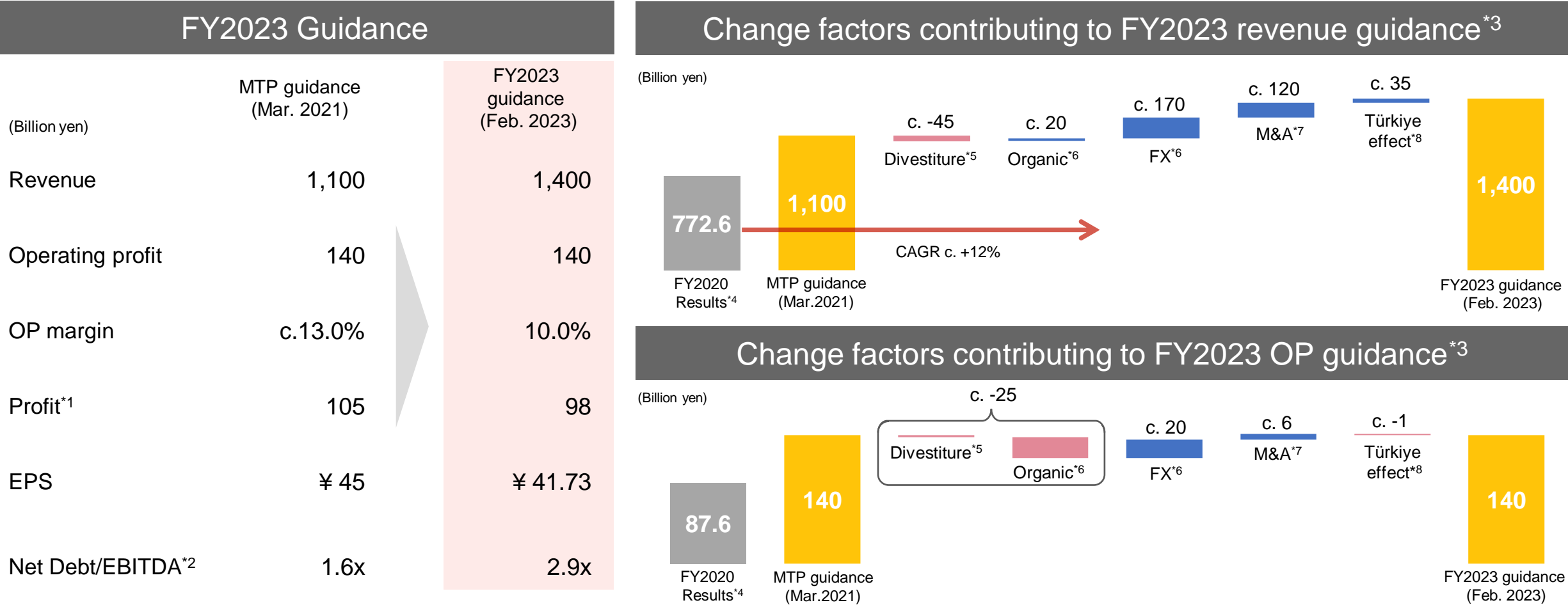
- Our decoupled assets allow for risk diversification across our global operations
- Each asset is highly cash generative and generally requires no additional capital injection
- No HQ-driven synergies or standardized integration of acquired companies forced but pursuing benefits from autonomous management 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**

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

*1 Profit attributable to owners of parent *2 Assuming no additional M&A. Mar. 2021 assumptions include the impact of full integration of Asia JVs and acquisition of Indonesia business
 *3 All figures are rough estimates and reflect changes in factors from MTP guidance as of March 2021
 *4 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
 *5 Including Nippon Paint (India) *6 Excluding Türkiye *7 Only include Cromology and JUB *8 Changes in yen-based assumptions including organic growth, FX, and hyperinflationary accounting

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	Constant	Decorative	Resilient	○	• Decorative demand remains solid despite pandemic • Supply chain bottlenecks continued to impact industrial business, centering on automotive, through to end-market products
	Industrial		Industrial	Lower than expected	△	
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.		○	• Acquired Vital Technical, Cromology, JUB, and NPT, and steadily built up minor acquisitions • Transferred European automotive and India businesses to Wuthelam Group
			- India business and European automotive		-	
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		×	• Applied hyperinflationary accounting on financial statements of Betek Boya (Türkiye) from 2022 in response to rapid acceleration in inflation
			- OP			
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

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) ^{*2}	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"> • New reportable segment (inclusion of overseas marine) from FY2022 • Automotive: Roughly in line with MTP despite chip and parts shortage • Industrial and decorative: Below MTP due to pandemic, etc., despite aggressive product proposals to increase market share and pricing actions
Nipsea China	268.1	c. +10%	Nipsea China	379.1	395.1	+4.2%	+5~10%	<ul style="list-style-type: none"> • TUC: Above MTP due to higher-than-expected market growth with market share gains • TUB: Below MTP due to soft market • Total revenue in China expected to exceed MTP
Asia Except Nipsea China	88.5	+5~10%	NIPSEA (NIPSEA Except China) ^{*3}	103.8	119.5	+15.1%	+0~5%	<ul style="list-style-type: none"> • Above MTP due to pricing actions, growth in adjacencies business and market share gains that outpace market in every region (Malaysia, Singapore, Thailand)
New consolidation (Indonesia/India)	47.4 ^{*1}	c. +15%	Betek Boya (Türkiye)	49.2	123.6	+151.3%	c. +30%	<ul style="list-style-type: none"> • 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
Oceania (Pacific)	148.3	c. +5%	PT Nipsea (Indonesia)	39.5	45.8	+15.9%	c. +15%	<ul style="list-style-type: none"> • Above MTP due to pricing actions and market share gains through expansion of distributors and more CCM^{*4} installed at paint shops
Americas	70.1	+5~10%	DuluxGroup (consolidated)	176.2	187.3	+6.3%	+5~10%	<ul style="list-style-type: none"> • Pacific^{*5}: Above MTP due to ongoing bias to premium product mix, pricing actions in response to raw material inflation and new adjacent business bolt-ons
Other (Betek Boya)	36.2	+10~15%	Cromology (Europe)	-	- ^{*6}	-	+5~10%	-
			JUB (Europe)	-	- ^{*6}	-	+5~10%	-
			Americas	76.4	83.1	+8.8%	+0~5%	<ul style="list-style-type: none"> • Automotive: Roughly in line with MTP despite chip and parts shortage • Decorative: Roughly in line with MTP due to firm market until 1H 2022, pricing actions, etc.

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



2. Strategy Update by Asset

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

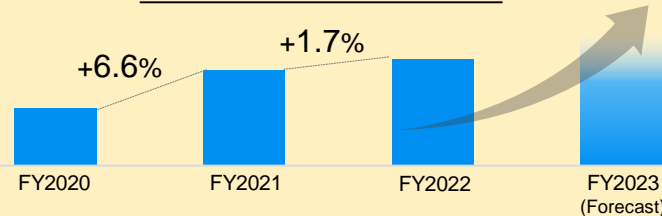
Med/long Term market growth rate*

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

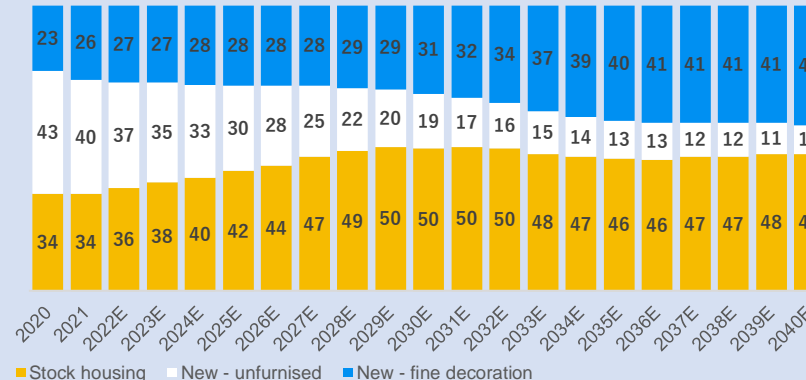
Trends in market size*



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

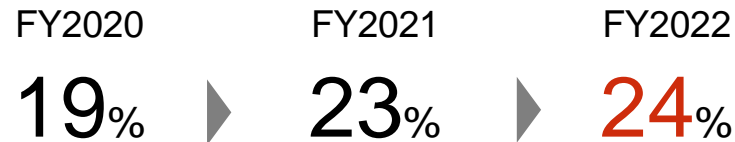


- Increasing number of new property launches featuring fully pre-decorated and move-in-ready units, as opposed to bare units without decoration and furniture

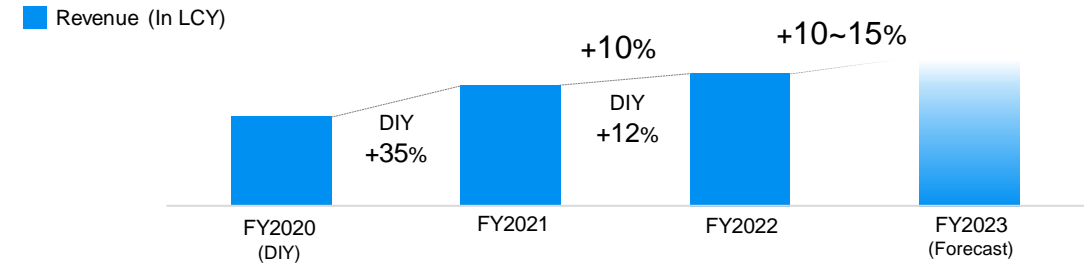
2-2. Nipsea China Decorative (TUC)

Positioning for growth and extending our leadership position

Market share (TUC)*



Performance trends



Market features and outlook (TUC)

- The Chinese central government has set its 2023 GDP y-o-y growth target at around 5%, which is an improvement over the 3% in 2022
- General market conditions improving with the opening up of the country and gradual easing of property measures
- The government is introducing measures to support people in buying their first homes and to help resolve the problems of new urban residents and young people
- See demand growth in the renovation market (as apartments get older and require a new lease of life) and stronger growth in lower-tier and rural cities

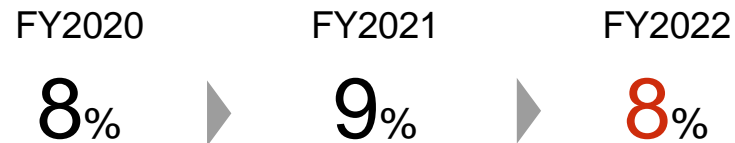
Key actions in FY2023 and onwards

- ▶ **Enriching with new product line-up**
 - Striving and innovating products and services as a leading brand, bringing greater value to our customers
 - Magic Paint to spearhead and champion best in class decorative effect
- ▶ **Continuous brand building**
 - Investing in branding, sparing no efforts to enhance Libang market recognition and maintain our high brand evaluation
 - Numerous awards year after year is a testament of the trust and confidence that our customers have in us
- ▶ **Optimising & expanding customers and channels**
 - Channel expansion via opening of new multi-brand stores, images stores and stores with CCM tinting machines
 - Efforts to accelerate and aggressively grow share in Tier 3-6 and rural cities

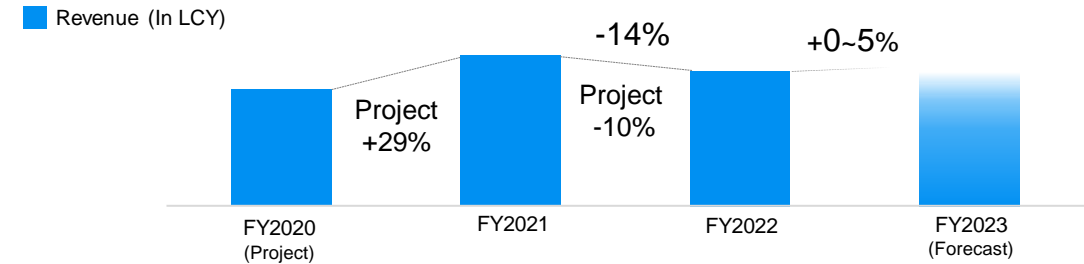
2-3. Nipsea China Decorative (TUB)

Poised for recovery and towards sustainable moderate growth

Market share (TUB)*

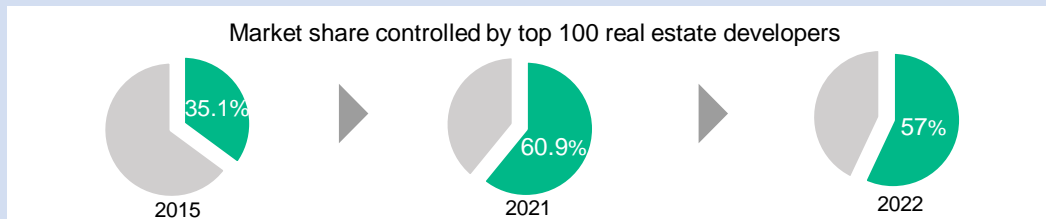


Performance trends



Market features and outlook (TUB)

- Signs of recovery with the opening up of the country following the lifting of the COVID travel restrictions late last year and the gradually easing of property measures
- Further property easing measures is expected and will continue to support and stimulate property sales going into 2023
- Re-opening of both onshore and offshore capital market to local developers will support developers' refinancing efforts, lowering default risk and promote stability and project resumption



Key actions in FY2023 and onwards

► Diversification of customer base

- Further diversifying our customer base by continuing to increase penetration in non-residential segments
- Strengthening business relationship with strategic construction, project service vendors, high quality, financially stable real estate enterprises

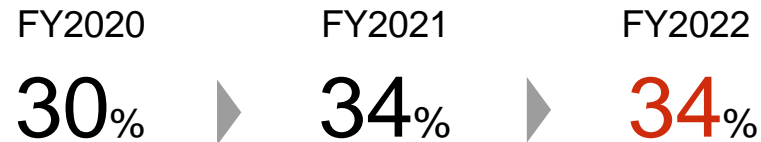
► Value add offering

- Developing and promoting scenario based solutions, catering to the varied needs of our B2B customers across sectors

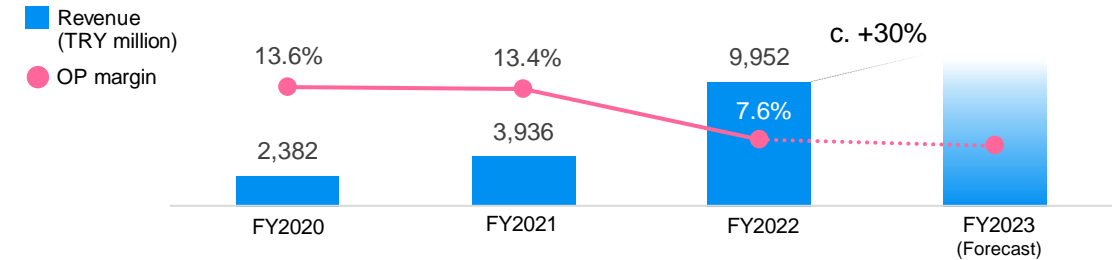
2-4. Betek Boya (Türkiye)

Making inroads, further entrenching our dominant position


Market share (Decorative)*¹



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

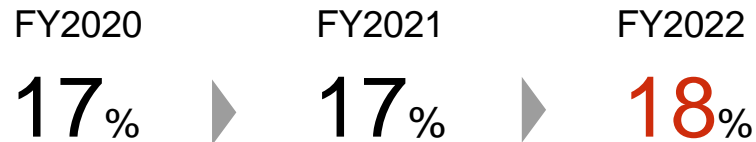
Key actions in FY2023 and onwards

- 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

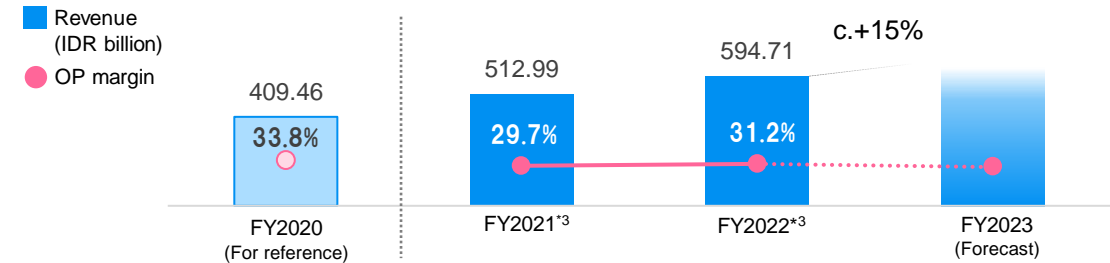
2-5. PT Nipsea (Indonesia)

Elevating our brand & driving channel and adjacencies expansion

Market share (Decorative)*¹



Performance trends*²



Market features and outlook (Decorative)

**FY2022-2024 market
growth rate*¹**

+5% (CAGR)



- Indonesia GDP grew 5.3% in 2022 and is expected to experience a slight deceleration in 2023 to 4.8% amid concerns of slowing global growth
- Growth in the Indonesia economy will likely be supported by household consumption while inflation should be under control

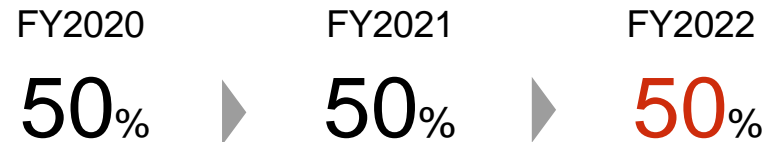
Key actions in FY2023 and onwards

- Elevating the Nippon Paint brand in the premium segment with added focus of driving our Ultra Premium and Premium products
- Continue strategy of opening more depots /stockpoints to further widen our geographical coverage, adding more sales staff to allow wider and better coverage of more dealer channels
- Driving distribution of CCM machines and increasing product penetration in all product segments in the CCM stores
- Expanding and focusing on SAFL (Sealants, Adhesives, Fillers and Lubricants) and Tools and Accessories range to complete our total solution offering to customers, tapping on existing and new retail network, to increase sales contribution from this segment

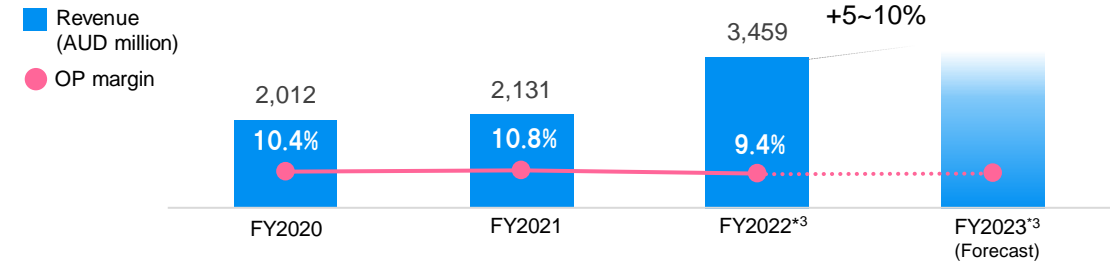
2-6. DuluxGroup (Pacific•Europe)

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

Market share (Australia)*¹



Performance trends*²



Market features and outlook (Decorative in Australia and Europe)

FY2022-2024 market growth rate*⁴

Australia
-2 to 0%
(CAGR)

Europe
-2 to 0%
(CAGR)

- In Australia the renovation and repair segment of the Decorative paint market is highly resilient, however it is still normalizing from its "COVID enhanced" abnormal 2020 peak
- In general, decorative paint market volumes are primarily correlated with GDP, interest rates and to a lesser extent new housing starts. Indicators of demand remain uncertain ie. GDP remains positive, interest rates rising from record lows, unemployment is historically low, falling house prices from record highs
- In Europe, Decorative paint market demand is being impacted by ongoing macroeconomic uncertainty ie. weakening consumer confidence, rising inflation and interest rates

Key actions in FY2023 and onwards

- Continue strong track record of organic growth in DuluxGroup Pacific by maintaining a focus on core fundamentals, being consumer engagement, premium brands, innovation and customer service
- Drive meaningful organic growth in DuluxGroup Europe by leveraging our recent acquisitions of Cromology and JUB in the European decorative paints and specialty coatings & SAF*⁵ markets
- Target bolt-on acquisitions to the existing DuluxGroup Paints & Coatings portfolio that enable key strategic growth opportunities

2-7. Japan Group

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

Key actions for margin improvement and achievements (~2022)

- #### 1. Pricing actions to respond to raw material inflation

 - Price negotiation while maintaining customer relationships
⇒ Pricing actions in 2022: Decorative in May and industrial in April and October
- #### 2. Transforming into an efficient and resilient organization

 - Company split
⇒ Into NPHD (holding company) and NPCS^{*1} (Japan-focused functional company)
 - “Next Career Plan” voluntary early retirement program
⇒ 2022: Special retirement payment, etc. of c. ¥2.2 bn
2023 onwards: Personnel expense reduction of c. ¥2.0 bn
- #### 3. Reform of business structure and mindset

 - Structural reform of Marine and Automotive businesses
⇒ Turned around Marine from c. ¥1.9 bn operating loss in 2021 into profit in 2022
 - Eight task forces
⇒ Taking reform measures based on production, quality and other themes
 - Introduced J-LFG action guidelines
⇒ Reforming corporate culture and mindset

Roadmap for further margin improvement (2023~)

- #### 1. Market share gains through top-line growth

 - 【Automotive】 Recovery of automobile production and pricing flow through. Pricing actions in January
 - 【Decorative】 New customer acquisition and sales promotion using digital transformation; development and sales promotion of high-performance and differentiated products. Pricing actions scheduled for May
 - 【Industrial】 Aggressively pursue market share gains and pricing actions
- #### 2. Thorough control of SG&A expenses

 - Review expenses while continuing necessary investments including human resource investment
 - Increase productivity and added value by reviewing inefficient tasks based on J-LFG

Fiscal Year	Revenue (bn yen)	OP margin (%)
FY2017 ^{*2} (Previous segment ^{*3})	175.9	17.4%
FY2018 (Previous segment)	182.8	16.2%
FY2019 (Previous segment)	182.6	12.8%
FY2020 (Previous segment)	159.6	4.5%
FY2021 (Previous segment)	164.6	6.3%
FY2021 (Current segment)	174.0	5.5%
FY2022	186.1	4.0% ^{*4}
FY2023 (Forecast)	c.+5%	2.8%

■ Revenue (bn yen)
 ● OP margin

NPHD-related expenses were allocated to Japan segment
 NPHD^{*5}-related expenses were included in Adjustments
 Allocated NPCS-related expenses to Japan

NIPPON PAINT GROUP ^{*1} Nippon Paint Corporate Solutions ^{*2} J-GAAP based figures for FY2017 (IFRS-based figures starting with FY2018)
^{*3} Japan Group included marine business in Japan only under previous segment but also includes overseas marine business under new segment.
^{*4} Excluding special retirement payment of c. 2.2 bn yen ^{*5} Including the current NPCS

3. Sustainability Strategy

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 goal 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 based on Asset Assembler model
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

3-1. Reinforcing Autonomous Sustainability Structure (2)

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

	ESG management system (~2021) Top-down approach		Sustainability structure (2022~) Bottom-up approach
Structure			
Supervision by the Board of Directors	ESG Committee reports to the Board of Directors		Team Leaders directly report to Co-Presidents, who then report progress and proposals to the Board of Directors whenever necessary
Strategy development~ Breakdown into actions	<ul style="list-style-type: none"> Strategy, policy, and action plans are developed by the ESG Committee The working team, which is directly below the ESG Committee, shares advanced case examples, establishes group-level targets, and develop measures in line with the situations in each region 		<ul style="list-style-type: none"> Autonomous sustainability structure with MSV as the goal Global Teams are formed based on three Materiality-based pillars*1 and two pillars*2 cutting through Materiality

3-2. Sustainability Strategy Updates

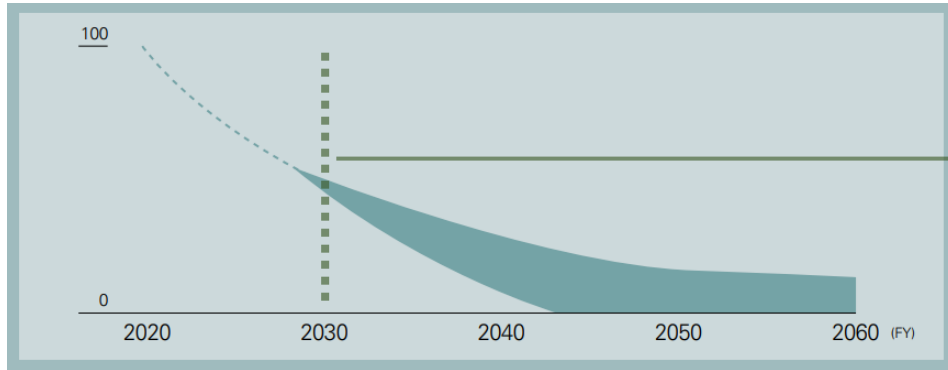
Share success cases of each partner company, identify priority issues and develop roadmaps for addressing identified issues

Team	Materiality	Main actions/achievements in FY2022	Targets/actions in FY2023 and onwards
Environment & Safety	<ul style="list-style-type: none"> ● Climate Change ● Resources and Environment ● Safe People and Operations 	<ul style="list-style-type: none"> ● Identify further improvement focus areas for <ul style="list-style-type: none"> • Climate change • Resource usage • Significant safety risk ● Agreed standardized metrics and implementation plan 	<ul style="list-style-type: none"> ● Implement and disclose: <ul style="list-style-type: none"> • Scope 3 • Water usage • High potential safety incidents ● TCFD risk and opportunity assessment and actions
People & Community	<ul style="list-style-type: none"> ● Diversity & Inclusion ● Growth with Communities 	<ul style="list-style-type: none"> ● Shared actions to increase the ratio of women in all employees ● Decide the group's target to celebrate the diversity ● Established a global CSR framework as a guiding structure for all partner companies 	<ul style="list-style-type: none"> ● Increase the ratio of women in managerial positions in accordance with targets in each region ● Develop a long-term community engagement strategy with our global framework and targets
Innovation & Product Stewardship	<ul style="list-style-type: none"> ● Innovation for a Sustainable Future 	<ul style="list-style-type: none"> ● Stated ESG innovation strategy and roadmap ● Redefined sustainable products* ● Developed Green Design Review ● Established packaging recycled content 	<ul style="list-style-type: none"> ● Use Sustainability Scoreboard in broader partner companies ● Identify and compile Chemicals of Concern and develop a phase out plan
Governance	All Materiality categories	<ul style="list-style-type: none"> ● Increase diversity in Board of Directors ● Enhance growth strategy discussions by Directors ● Established the Nippon Paint Group Global Code of Conduct ● Modified the Group Risk Management Basic Policy and established Global Basic Policy of Whistleblowing Hotline 	<ul style="list-style-type: none"> ● Enhance growth strategy discussions and implement succession plans ● Continuously improve group management effectiveness ● Establish Whistleblowing Hotline and verify its effectiveness ● Reform governance framework responding to changes in social demand (including in compliance and risk management)
Sustainable Procurement	All Materiality categories	<ul style="list-style-type: none"> ● Established global team ● Developed Supplier Code of Conduct and supplier questionnaire ● Organize regional teams ● Conducted trial supplier survey 	<ul style="list-style-type: none"> ● Conduct supplier survey ● Define supplier ESG assessment methodology ● Scope 3 disclosure (raw materials related)

3-3. Team 1 (Environment & Safety)

Identify and mitigate risks related to CO2 emissions, recognizing new business opportunities created from responding to climate change

Nippon Paint Group's CO2 emissions reduction target (Scope 1 and 2)^{*1 *2}



CO2 emission reduction target (Scope 1 and 2) ^{*1}	2020	2030 (estimate)	Expected expenses and investments required
NIPSEA	100	65	TBD
DuluxGroup	100	50	<A\$0.5m p.a. expense, investment manageable within normal minor capex expenditure levels
Dunn-Edwards	100	67	TBD
Japan Group	100	65	¥30 mm in expenses for renewable energy and certificate, etc. (in FY2023 only) ^{*3}
Total ^{*4}	100	63	-

Roadmap	2022	2023	~2030	2050~2060
NIPSEA		<ul style="list-style-type: none"> Measure Scope 3 	<ul style="list-style-type: none"> Aim to reduce emissions intensity (Scope 1 and 2) by 15%, with a yearly reduction target of 4% from 2021 levels 	<ul style="list-style-type: none"> Net zero carbon (Scope 1&2)
DuluxGroup	<ul style="list-style-type: none"> Commenced development and implementation of detailed action plans to achieve the 2030 targets 	<ul style="list-style-type: none"> Commence Cromology and JUB Scope 1&2 measurement and inclusion 	<ul style="list-style-type: none"> 50% renewable energy consumption 50% CO2 emissions reduction by 2030 from 2021 level 	
Dunn-Edwards	<ul style="list-style-type: none"> Started using renewable energy supplied in each state 		<ul style="list-style-type: none"> Measure Scope 3 in 2024 	
Japan Group	<ul style="list-style-type: none"> Around 7% renewable energy consumption 		<ul style="list-style-type: none"> 37% CO2 emissions reduction (Scope 1 and 2) from 2019 levels 	

3-3. Team 2 (People & Community)

Enhance human resources by embracing diversity brought by Asset Assembler model

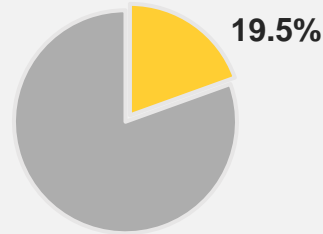
	NIPSEA	DuluxGroup	Dunn-Edwards	Japan Group
Ratio of female employees (2022)	25.0%	32.7%	30.0%	22.5%
Ratio of women in managerial positions (2022)	25.2%	31.5%	34.5%	5.4%
Employee satisfaction level (2022)	75%	80% (2021)	-	89% (2021)

Roadmap	2022	2023	~2025
NIPSEA	<ul style="list-style-type: none"> Kicked off D&I Week to raise employee awareness Implemented Global CSR Framework 	<ul style="list-style-type: none"> Launching D&I Policy Encourage countries to own the roadmap towards achieving 35% female representation in both management & emerging leader category Weave D&I into Employee Engagement campaigns 	<ul style="list-style-type: none"> Implementation of roadmap towards the goal of achieving 35% female representation in both management & emerging leader category Monitor progress towards the goal
DuluxGroup	<ul style="list-style-type: none"> Revised draft D&I framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity) 	<ul style="list-style-type: none"> Promote our EVP to all employees, but particularly to women in SC and Sales Quarterly reporting to the CEO on SBU diversity statistics against ambition Reviewing our attraction strategies and recruitment processes for accessibility by people with a disability 	<ul style="list-style-type: none"> Meaningful actions to sustain and increase our percentage of women in managerial positions to 35% Meaningful internal programs to foster inclusion
Dunn-Edwards	<ul style="list-style-type: none"> Launched DEI Training 	<ul style="list-style-type: none"> Launched phase 2 of DEI curriculum for all employees Share DEI curriculum with NPHD People and Community DEI Committee DEI committee building company-wide interactive activity for April's celebration of diversity, highlighting the diversity that exists within Dunn-Edwards 	<ul style="list-style-type: none"> Continuously review and adapt company policies to ensure that all charter objectives are met
Japan Group	<ul style="list-style-type: none"> Kicked off D&I Committee 	<ul style="list-style-type: none"> Developed action plans towards 2025 Act on Promotion of Women's Participation & Career Advancement in the Workplace 	<ul style="list-style-type: none"> Increase the ratio of women in managerial positions to 10%

3-3. Team 3 (Innovation & Product Stewardship)

Create new markets by rolling out sustainable products with low carbon emissions and reduced chemical substances

2022 New Product Sales Index (NPSI)
of Japan Group and NIPSEA





Group-level R&D framework (2022)

Engineers	3,895 persons
R&D expenditures	28.1 bn yen
No. of new patents registered	158 cases

Roadmap	2022	2023	~2027
Sustainable Products	<ul style="list-style-type: none"> NIPSEA: Redefined sustainable products NIPSEA, Japan Group: Developed Sustainability Scoreboard DuluxGroup: Established sustainable products targets and developed roadmaps for ANZ^{*1} businesses 	<ul style="list-style-type: none"> Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company DuluxGroup: Develop Scope 3 reduction roadmap 	<ul style="list-style-type: none"> Manage the performance of Sustainability Scoreboard of each partner company every quarter Promote creation of more innovative sustainable products DuluxGroup: Implement sustainable products and Scope 3 roadmaps
Chemicals of Concern	<ul style="list-style-type: none"> Each Partner Company responded to US Environmental Protection Agency (EPA) and REACH DuluxGroup developed position statements for 50% of high concern CoC Dunn-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern 	<ul style="list-style-type: none"> Consider the phase out plan of Chemicals of Concern in each partner company NIPSEA: Focus on 4 hazardous heavy metals^{*2} DuluxGroup: Complete position statements for 75% of CoC and develop a structured program of CoC in Europe 	<ul style="list-style-type: none"> Create sustainable products based on phase out plan
R&D	<ul style="list-style-type: none"> Developed Green Design Review 	<ul style="list-style-type: none"> R&D activities for sustainable products from Partner Companies beyond Japan and NIPSEA, e.g. DuluxGroup, Dunn-Edwards, etc. 	<ul style="list-style-type: none"> Drive innovation towards UN SDGs and carbon neutrality
Product Stewardship	<ul style="list-style-type: none"> DuluxGroup established packaging recycled content targets and developed roadmaps for ANZ businesses 	<ul style="list-style-type: none"> Identify inquiry items Stakeholder questionnaire NIPSEA: Reinforce PS&RA^{*3} team DuluxGroup: Implement Product Vision to help with formulation management & regulatory tracking 	<ul style="list-style-type: none"> Implement inquiry management database Inquiry response training Training for customers and business partners DuluxGroup: Implement packaging roadmaps

3-3. Team 4 (Governance)

Reinforced global risk management system underlying our Asset Assembler model

Risk heatmap			
High risk items identified in FY2022	Change from FY2021	Risk details	
Human resources		Slightly higher	Leadership succession planning
Business Continuity Plan (BCP) responses		Slightly higher	Global raw material inflation, FX and BCP responses incl. pandemic, natural disaster and IT security
Compliance		Higher	Social risks including information leakage and employee misconduct
Supply chain		Much higher	Inventory, logistics, and credit management
International taxation, etc.		Much lower	International taxation due to greater Group-wide collaboration in brands and technology

Identify high-risk items and monitor changes

- Compile results of risk self-assessment*¹ and identify high risk items
- Assigned a score to risk sensitivity of related items and ranked them in the order of degree of change from FY2021

Overview of high-risk matters

- No major change from FY2021 in high-risk item list
- However, there were signs of change in the following
 - ✓ Risk sensitivity regarding international taxation decreased
 - ✓ Risk sensitivity in both BCP and supply chain increased

Roadmap	2022	2023	~2026
Board of Directors governance	<ul style="list-style-type: none"> • Increased diversity in Board of Directors • Enhanced growth strategy discussions • Streamlined the Board of Directors' operations • Increased contribution by Independent Directors • Strengthened the Board of Directors secretariat functions 	<ul style="list-style-type: none"> • Further streamline the Board of Directors operations • Further increase contributions by Independent Directors • Enhance succession plans 	<ul style="list-style-type: none"> • Further sophistication of growth strategy discussions by Directors • Enhance and implement succession plans
Execution governance	<ul style="list-style-type: none"> • Established the Group Global Code of Conduct • Modified Global Risk Management Basic Policy and established Global Basic Policy of Whistleblowing Hotline 	<ul style="list-style-type: none"> • Increase effectiveness of risk management through risk self-assessment based on Global Risk Management Basic Policy • Establish and increase efficiency of whistleblowing system at each Partner Company Group 	<ul style="list-style-type: none"> • Verify effectiveness and refine <ul style="list-style-type: none"> -risk management system through risk self assessment -whistleblowing hotline • Reform governance framework*² to respond to changes in social demand

3-3. Team 5 (Sustainable Procurement)

Create new opportunities by building closer communication and stronger trust with suppliers





Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
Legal Compliance	Minimize impact	Freedom of association	Anti-corruption
Subcontractor compliance	Waste management	Child labor	Gifts and entertainment
Environment, health and safety compliance		Forced labor	Conflict of interest
		Discrimination	Confidentiality
		Working conditions	Record keeping
		Conflict minerals	Fair competition
		Product safety and compliance	International trade
		Safety training	

Roadmap	2022	2023	~2025
Team activities	<ul style="list-style-type: none"> Launched the global team Organize regional teams 	<ul style="list-style-type: none"> Conduct supplier survey Define supplier ESG assessment methodology Define Scope 3 disclosure (raw materials related) 	<ul style="list-style-type: none"> Conduct supplier survey Conduct supplier ESG assessment Refine Scope 3 disclosure (raw materials related)
Evaluations/ questionnaires, etc.	<ul style="list-style-type: none"> Developed Supplier Code of Conduct Developed supplier questionnaire 	<ul style="list-style-type: none"> Conduct supplier questionnaire (target 40% by value) 	<ul style="list-style-type: none"> Conduct supplier questionnaire (target 90% by value)

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~			
2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	MSCI Japan Stock Index (WIN)	June~			
2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	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



4. M&A Strategy

4-1. M&A Strategy

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

Targets

1. Business segments:
Paint (decorative/industrial) and adjacencies
2. Geography: Not limited
3. Potential targets:
Strong corporate/product brand, and excellent management team

1. Fundamentals of paint and adjacencies markets, e.g. population growth and urbanization create enormous growth opportunities
2. No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined
3. Continue to assemble assets leveraging strengths of our autonomous and decentralized business model

Our Strengths

1. Financial soundness
2. Ability to finance in Japan, with stable currency and stable market
3. Full access to the Nippon Paint Group's platform
4. Excellent management teams enabling autonomous and decentralized business model

1. Stable cash generating ability and strong financial position
2. Low interest rate borrowings, safety and liquidity of the stock market
3. Sharing expertise, products, and technologies within the Group
4. Minimize the PMI risk

Financial Discipline

1. Contribution to EPS
2. $ROIC^{*1} > WACC^{*2}$
3. Sufficient leverage capacity
4. Debt financing prioritized: equity-based capital raising remains an option

1. Aim to achieve EPS accretion in Year 1 after acquisition
2. Take capital efficiency into consideration
3. Secure financial soundness to prepare for future M&As
4. EPS accretion also a must in rare case of equity financing

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

Nippon Paint acquired DuluxGroup for two reasons: Dependable + Talent

2010

Demerged from Orica Limited & listed on Australian Stock Exchange

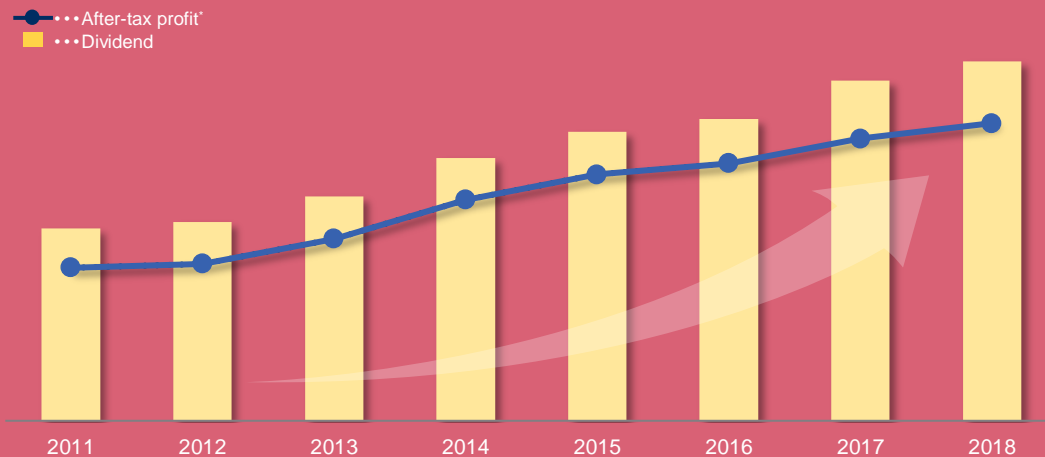
Market cap
c. AUD **0.8bn**

2019

Joined Nippon Paint Group

Stock value valuation
c. AUD **3.76bn**

Steady growth continuing through
market share gains in mature market



Key considerations of acquisition

- **High credibility** in ability to deliver stable growth through steady share gains even in mature market
- **Excellent management** team delivering stable growth



Patrick Houlihan
Chairman and
Chief Executive Officer



Patrick Jones
Chief Operating Officer
Dulux Pacific



Richard Stuckes
Chief Operating Officer
DGL Europe



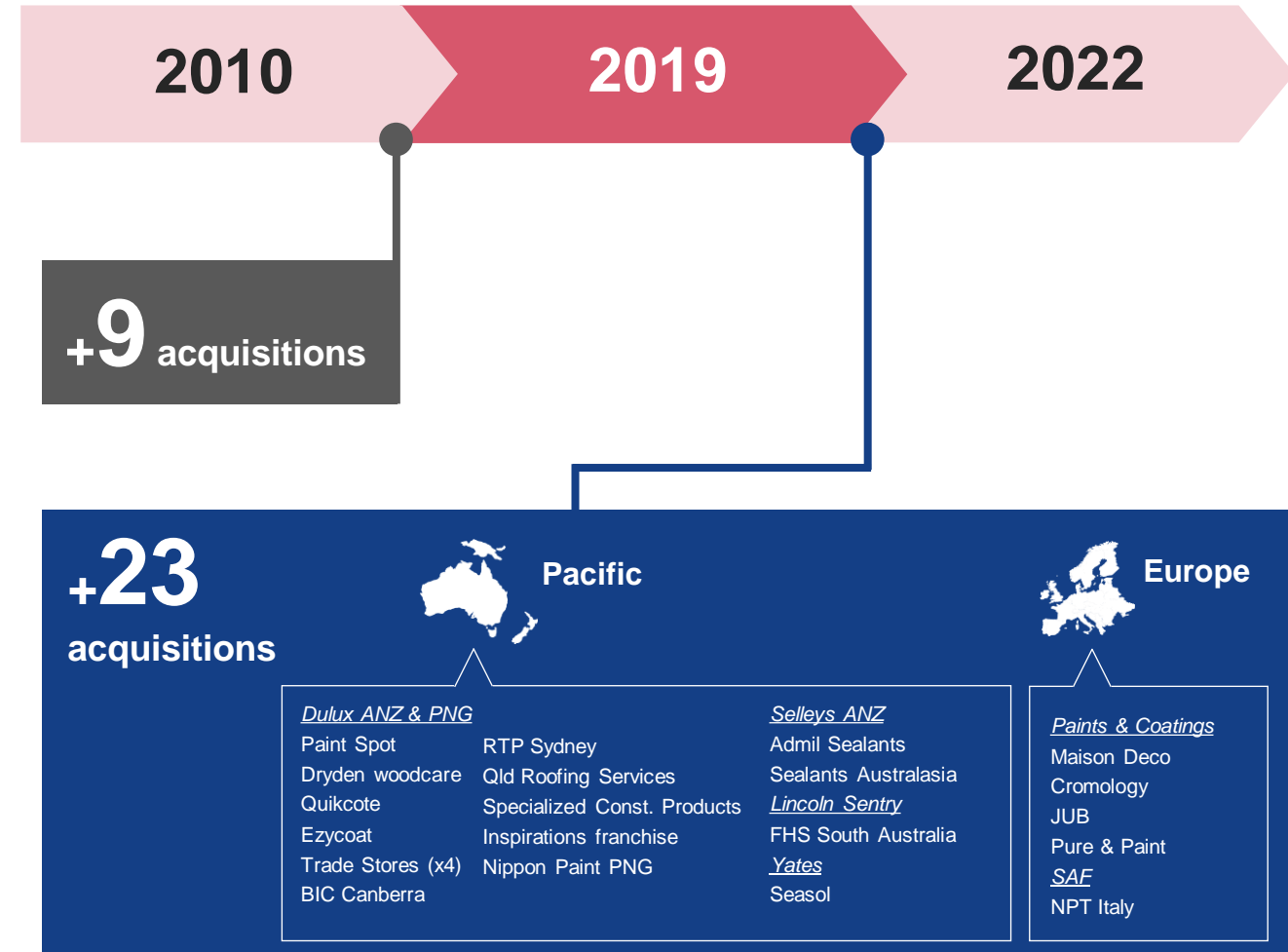
Martin Ward
Chief Operating Officer
DGL SAF



Simon Black
Executive General Manager
Strategy/M&A

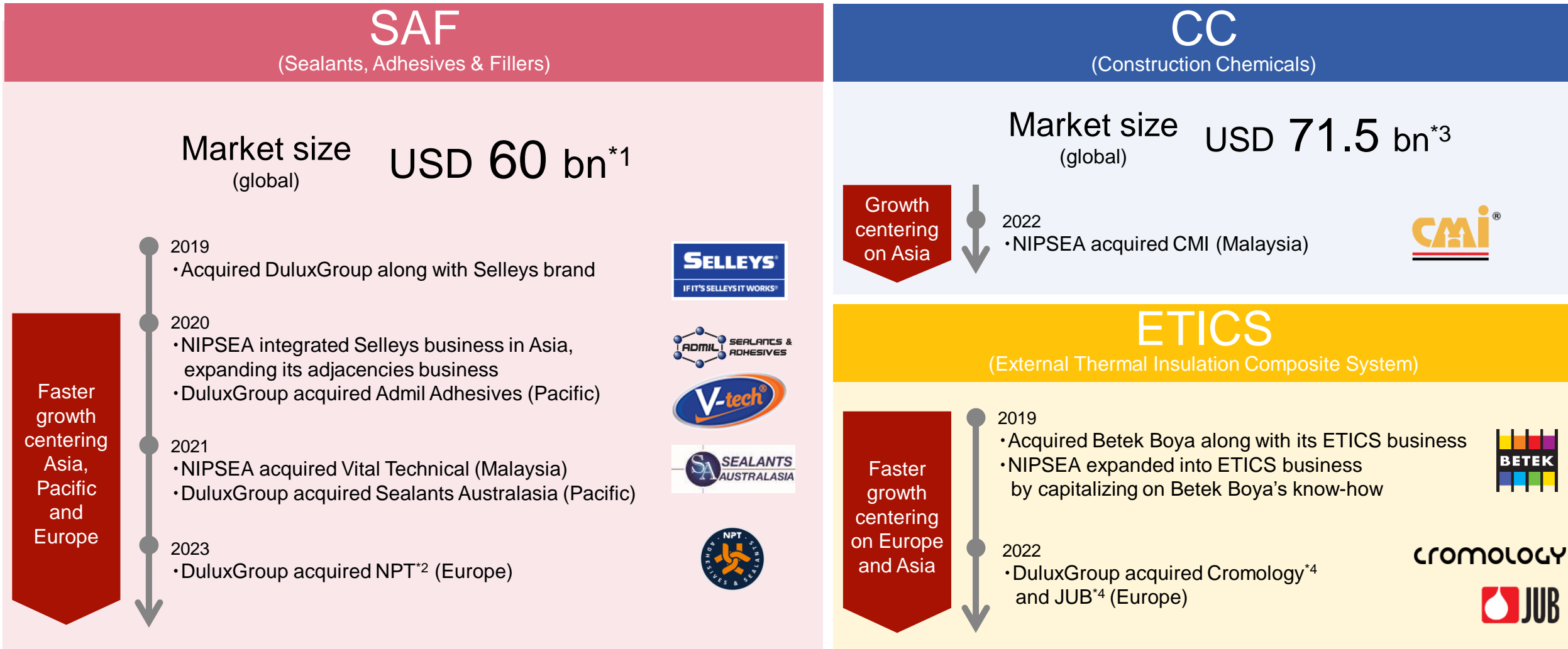
4-2. M&A Success Case: DuluxGroup (2)

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



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

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

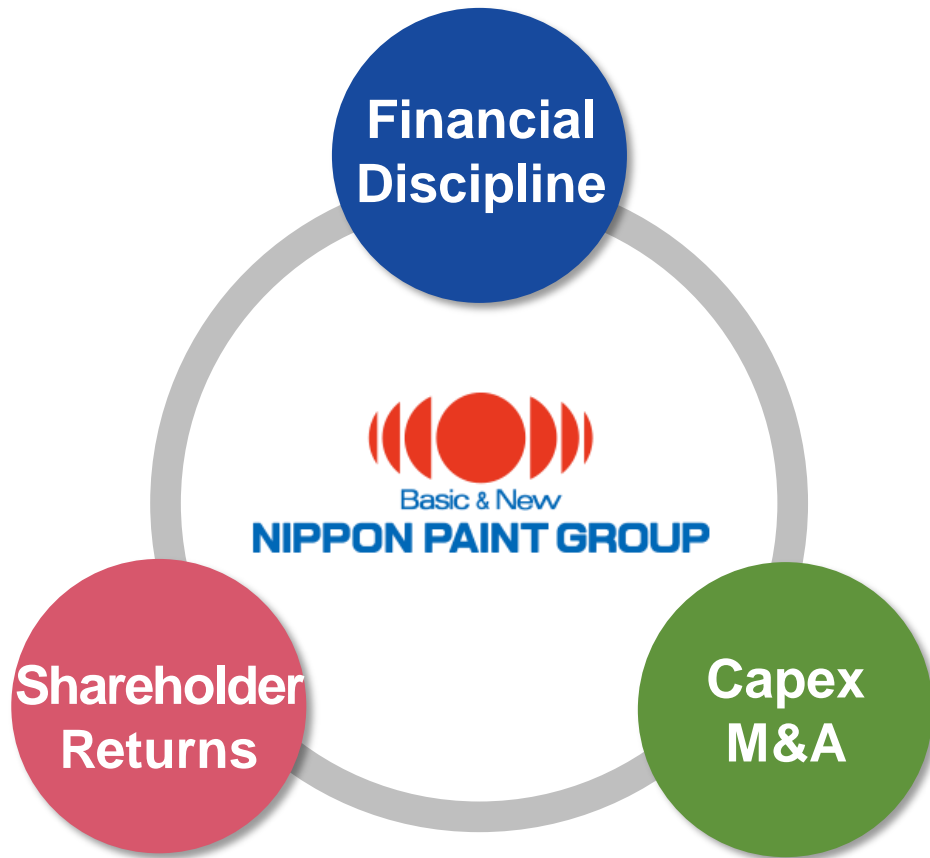


A photograph of a modern, single-story house with a light-colored exterior and a white gabled roof. The house features a large covered patio with a wooden ceiling and white columns. On the patio, there is a wooden dining table, a wicker armchair, and a white bench. Several potted plants, including palm trees and irises, are placed around the patio. The house is surrounded by lush greenery, including large tropical leaves and a well-manicured lawn. An orange geometric shape is overlaid on the right side of the image, containing the text '5. Financial Strategy'.

5. Financial Strategy

5-1. Financial Strategy

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



Financial discipline

- Pursue optimal capital structure with balanced leverage
- Allow for temporarily higher leverage for strategically important M&As

Capex/M&A

- Proactively implement capex and M&A for future sustainable growth

Shareholder returns

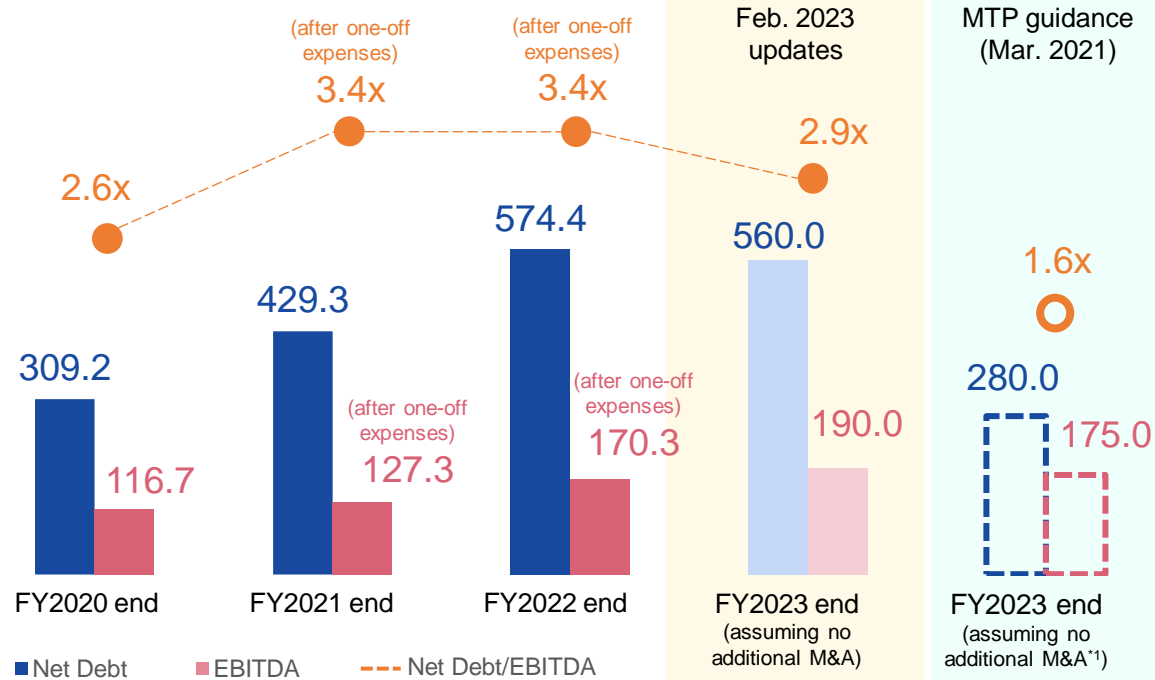
- Maintain a dividend payout ratio of 30%
- Increase TSR through growth investment and M&A

5-2. Financial Position

Net Debt/EBITDA

(Billion yen)

FY2023 Guidance



- Net Debt/EBITDA in 2022 stayed at 3.4x due to higher EBITDA and interest-bearing debt from Cromology and JUB acquisitions
- Expect Net Debt/EBITDA to decrease to around 2.9x in 2023 assuming no additional M&A occurs

Capital Allocation

(Billion yen)

FY2023 Guidance

	FY2021-2022 Results	FY2023 Forecast	FY2021-2023 Forecast	FY2021-2023 guidance
+) Operating CF ^{*2}	182.6	120.0	c. 300.0	~330.0
-) CAPEX ^{*3}	76.0	55.0	c. 130.0	~125.0
-) Dividend ^{*4}	49.3	30.0	c. 80.0	~85.0
Total	57.3	35.0	c. 90.0	~120.0
-) M&A (net cash of acquired companies)	293.4	-	c. 290.0	Debt repayment M&A

- Operating CF below MTP guidance due to raw material inflation, but Capex maintained for continuous revenue and profit growth (c. 5% of consolidated revenue)
- Dividend increase for 2 consecutive years planned, maintaining dividend payout ratio of 30%

^{*1} Includes the impact of full integration of Asia JVs and acquisition of Indonesia business

^{*2} Continuing operations basis

^{*3} Excluding CAPEX on leased assets. FY2021-2022 results are Tanshin basis (continuing operations)

^{*4} The amount of annual dividends for each fiscal year, which includes dividend distribution that will be carried forward to the next fiscal year or thereafter

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

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



<Contact>

NIPPON PAINT HOLDINGS CO., LTD.

Investor Relations

Email: ir_kouhou@nipponpaint.jp

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