



Basic & New

**NIPPON PAINT HOLDINGS**

# Integrated Report 2024 Briefing

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September 5, 2024

Nippon Paint Holdings Co., Ltd.

Investor Relations

The forward-looking statements in this document are based on information available at the time of preparation and involve inherent risks and uncertainties. Accordingly, the actual results and performance of Nippon Paint Holdings Co., Ltd. and Nippon Paint Group may differ significantly from the forward-looking statements. Please be advised that Nippon Paint Holdings Co., Ltd. and information providers shall not be responsible for any damage suffered by any person relying on any information contained herein.

# The Aim of Today's Briefing



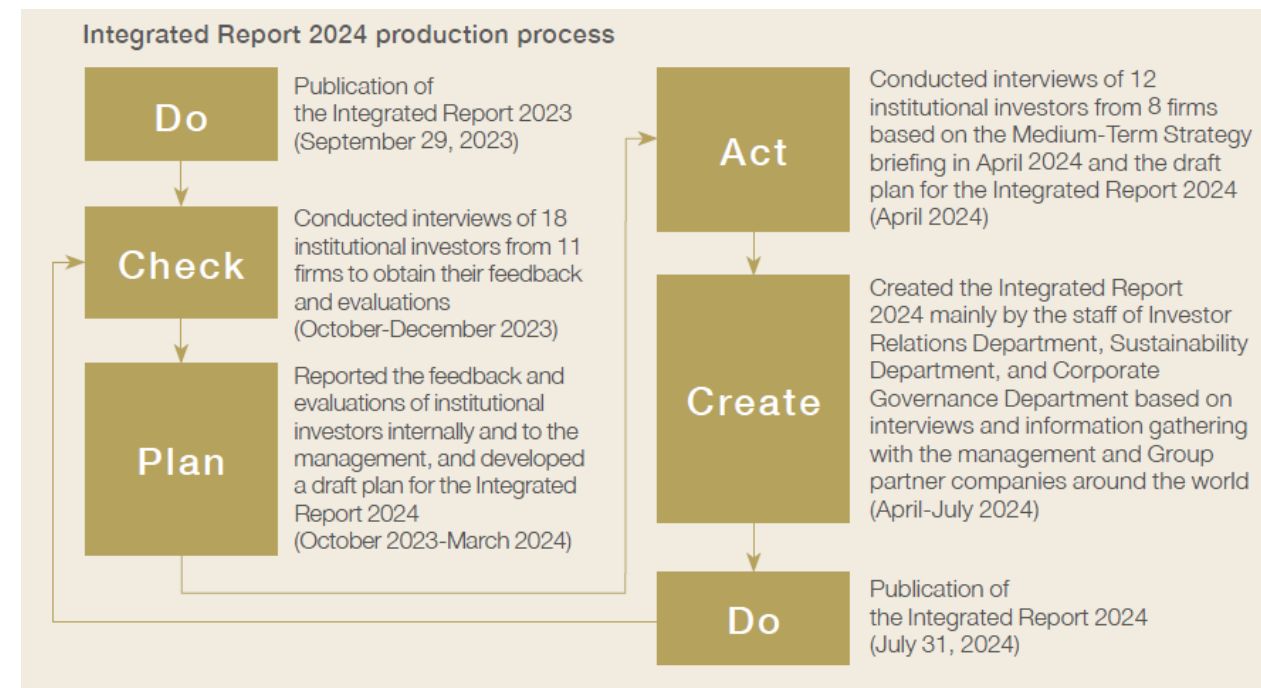
1. Enhance comprehension of our strategic initiatives centered on Maximization of Shareholder Value (MSV) by providing detailed explanations of the critical components outlined in the Integrated Report 2024
2. Actively engage in meaningful dialogue with investors to deepen their understanding of our unique business model, competitive advantages, management strategies, sustainability initiatives, and the current business landscape. Utilize the insights gained from these interactions to refine our management practices and elevate our future Investor Relations (IR) activities
3. Through these activities, our goal is to optimize the Price-to-Earnings Ratio (PER) while gathering valuable insights for the development of the 2025 edition of the Report

# Production Process and Editorial Policy

→ Integrated Report pp. 9-10

## Editorial Policy

1. In this year's Report, crafted in our third year as Asset Assembler, we convey our ongoing journey towards maximizing EPS in both the short and long term by leveraging the advantage of our platform, presented in a clear and logical narrative
2. The Report also highlights the critical role and superiority of our human capital, a fundamental element in our efforts towards MSV, from multiple perspectives
3. The Report delves deeper than previous Reports into topics of significant interest to capital markets, such as "Management Focused on Stock Price," "Our Strategy for Maximizing PER," "Our Approach to ROIC," and "Our relationship with the majority shareholder and protection of minority interests"



## Key Improvements

### Offering more in-depth explanations than in previous Reports, supplemented by an extensive array of case studies

- ① Building on the Medium-Term Strategy introduced in April 2024, reviewed the previous Medium-Term Plan (FY2021-2023) and provided a comprehensive explanation of our approach to EPS compounding
- ② Presented the competitive advantage of our Asset Assembler model, highlighting both organic and inorganic growth perspectives
- ③ Clearly articulated our approach to maximizing Price-to-Earnings Ratio (PER)
- ④ Delivered a more in-depth explanation of our focus on capital efficiency and management, emphasizing its alignment with stock price performance
- ⑤ Enhanced explanations to illustrate the connection between sustainability initiatives and EPS/PER, supported by case studies to showcase practical applications
- ⑥ Emphasized the superiority of our human resources, which serve as the cornerstone of our unique business model and growth strategies
- ⑦ Provided a more detailed explanation of Scope 3 emissions with an expanded scope of data aggregation to ensure comprehensive reporting
- ⑧ Provided updates on key individual assets, including NIPSEA China, Indonesia business, and Japan Group
- ⑨ Featured an article with new perspectives aimed at dispelling the notion of our company being overly dependent on China-related business
- ⑩ Streamlined the document by reducing its page volume, creating a more concise report that delivers deeper insights and improves readability for investors
- ⑪ Provided specific examples and fundamental data on our website and in the Investor Book, to complement the information presented in the Integrated Report

# Key Strategies for Condensing the Report

	2023 Report	2024 Report
Format	Portrait format 	Landscape format 
Page count	136	100
New content	<ul style="list-style-type: none"> <li>• Management with Attention Paid to Our Stock Price</li> <li>• The Impact of China's Macroeconomic Data on the Earnings of Nippon Paint Group</li> <li>• M&amp;A Success Case (DuluxGroup)</li> <li>• Embracing Transformation and Changing Work Style (Japan Group)</li> <li>• Status of Inclusion in Indexes/External Evaluation</li> <li>• Key Non-Financial Data</li> </ul>	<ul style="list-style-type: none"> <li>• Our Asset Portfolio</li> <li>• Human Capital as the Key to Achieving MSV</li> <li>• Our Platform That Underpins Autonomous and Decentralized Management</li> <li>• Harnessing Our Platform for Group Collaboration: The Betek Boya Success Story</li> <li>• Our Strategy for Maximizing PER</li> <li>• Medium-Term Strategy (Released in April 2024)</li> <li>• Indonesia Business Strategy</li> <li>• Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries</li> </ul>
Key content transferred to our website	-	<ul style="list-style-type: none"> <li>• 11-year Key Financial Data and Data by Segment</li> <li>• Key Non-Financial Data</li> <li>• Sustainability: Our approach to EPS accretion and case studies</li> <li>• Corporate governance: History of governance reforms, History of agenda items and growth strategy discussions at the Board of Directors meetings, Meetings of the Independent Directors, Upgrade functions of the Secretariat of Board of Directors, Cross-shareholdings policy</li> </ul>
Other aspect	-	<ul style="list-style-type: none"> <li>• Separating the Asset Management Report into an independent document available on our website</li> </ul>

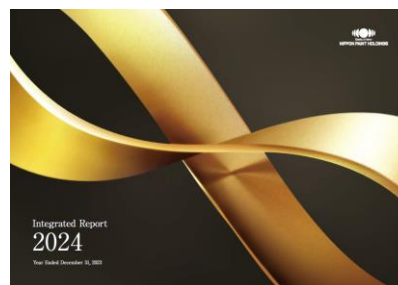


# (For Reference) Information Disclosure Structure

→ Integrated Report p. 10

## Integrated Report

The Report explains our basic approaches, policies, and strategic stories to give investors a much clearer and deeper understanding of our Group



## Website

Our website provides detailed and comprehensive content including information and data, as well as case examples in each region/market needed for a deep understanding of our Group

### Investor Relations (IR)



#### Key content

- Management Policy
- Reports and Presentations (Annual Securities Report (only available in Japanese), financial statements, etc.)
- Stock and Corporate Bonds
- Financial and ESG Data
- Information for Individual Investors (only available in Japanese)

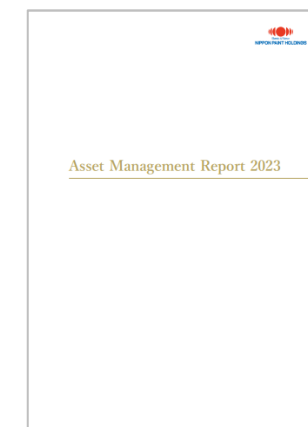
### Sustainability



#### Key content

- Sustainability Initiatives
- Innovation
- Environment
- Society
- Governance
- Sustainable Procurement
- ESG Library

### Asset Management Report



## Investor Book

Investor Book provides basic information and data useful for investors who are looking into our Group for the first time



## (For Reference) Examples of Latest Updates on Our Website(from December 2023 onwards)

Title	URL
Japan Group's DX Strategy	<a href="https://www.nipponpaint-holdings.com/en/ir/library/annual_report2024/dx/">https://www.nipponpaint-holdings.com/en/ir/library/annual_report2024/dx/</a>
☆Human Resource Development Initiatives Aimed at MSV (Feedback from J-LFG Awards 2023 winners)	<a href="https://www.nipponpaint-holdings.com/en/ir/library/annual_report2023/j-lfg/#2023">https://www.nipponpaint-holdings.com/en/ir/library/annual_report2023/j-lfg/#2023</a>
Human resource development measures essential for achieving MSV	<a href="https://www.nipponpaint-holdings.com/en/sustainability/social/hrmanagement/#anchor02">https://www.nipponpaint-holdings.com/en/sustainability/social/hrmanagement/#anchor02</a>
Benefits expected from improving employee satisfaction levels	<a href="https://www.nipponpaint-holdings.com/en/sustainability/social/hrmanagement/#anchor03">https://www.nipponpaint-holdings.com/en/sustainability/social/hrmanagement/#anchor03</a>
Results of sustainability products	<a href="https://www.nipponpaint-holdings.com/en/sustainability/innovation/example/#innovation03">https://www.nipponpaint-holdings.com/en/sustainability/innovation/example/#innovation03</a>
☆Management of chemical substances (Initiative)	<a href="https://www.nipponpaint-holdings.com/en/sustainability/innovation/chemical/#chemical03">https://www.nipponpaint-holdings.com/en/sustainability/innovation/chemical/#chemical03</a>
Pillars of social contribution activities and examples of activities	<a href="https://www.nipponpaint-holdings.com/en/sustainability/social/community/#contents02">https://www.nipponpaint-holdings.com/en/sustainability/social/community/#contents02</a>
Examples of DuluxGroup Climate Change Initiatives	<a href="https://www.nipponpaint-holdings.com/en/sustainability/articles/20231205/">https://www.nipponpaint-holdings.com/en/sustainability/articles/20231205/</a>
NIPSEA Group's Innovative Bio-Based Material	<a href="https://www.nipponpaint-holdings.com/en/sustainability/articles/initiative_20240223/">https://www.nipponpaint-holdings.com/en/sustainability/articles/initiative_20240223/</a>
NIPSEA Group's "Growth with Communities" activities in 2022	<a href="https://www.nipponpaint-holdings.com/en/sustainability/articles/20231226/">https://www.nipponpaint-holdings.com/en/sustainability/articles/20231226/</a>
Japan Group's approach to human capital to achieving MSV	<a href="https://www.nipponpaint-holdings.com/en/sustainability/articles/20231207-2/">https://www.nipponpaint-holdings.com/en/sustainability/articles/20231207-2/</a>
Analysis and evaluation of the effectiveness of the Board of Directors (for previous years)	<a href="https://www.nipponpaint-holdings.com/en/sustainability/governance/board/analysis_01/#analysis00">https://www.nipponpaint-holdings.com/en/sustainability/governance/board/analysis_01/#analysis00</a>
☆Meetings of the Independent Directors (Key agenda items for FY2023)	<a href="https://www.nipponpaint-holdings.com/en/sustainability/governance/board/roll/#title02">https://www.nipponpaint-holdings.com/en/sustainability/governance/board/roll/#title02</a>
Whistleblowing Hotline (Whistleblowing reports received in FY2023)	<a href="https://www.nipponpaint-holdings.com/en/sustainability/governance/risk/#internal">https://www.nipponpaint-holdings.com/en/sustainability/governance/risk/#internal</a>
☆Viewpoints of Independent Directors (Lead Independent Director Masayoshi Nakamura, Independent Director Hisashi Hara, Independent Director Peter M Kirby)	<a href="https://www.nipponpaint-holdings.com/en/sustainability/governance/directors/">https://www.nipponpaint-holdings.com/en/sustainability/governance/directors/</a>

# Overall Structure

→ Integrated Report pp. 3-4

## Pursuing the Maximization of Both EPS and PER Towards the Achievement of MSV

Stock price equates to EPS (earnings per share) multiplied by PER (price-to-earnings ratio).  
We aim to maximize both EPS and PER in pursuit of MSV.



## How Shareholder Value Is Maximized

We are dedicated to achieving MSV through the execution of strategic initiatives and measures designed to maximize EPS and PER.



The entire Report is structured to explain our strategies and initiatives in alignment with the MSV Logic Tree, which shows how shareholder value is maximized



# (For Reference) Evolution of Our Integrated Report

Phase Year	Initial phase ~2019	Foundation-building phase (paint manufacturer) 2020~2021	Innovation phase (pursuing uniqueness highlighting our Asset Assembler model)	
			2022~2023	2024
Design concept	Not defined	Conveying the features as a global paint manufacturer (colorful, paint-centric, business-oriented)	Showcasing our identity as a global company that goes beyond the traditional business company (Intellectual, sophisticated, refined, allowing for margin)	
Key points of enhancement	<ul style="list-style-type: none"> <li>Added a financial section and Medium-Term Plan (MTP) pages to our CSR report</li> <li>A value creation model introduced</li> <li>Our Japan-focused Materiality and CSR objectives</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion of articles highlighting the societal functions of paint and our commitment to addressing social issues</li> <li>Our global Materiality</li> <li>Coverage of investor-interest topics (China business, corporate governance)</li> </ul>	<ul style="list-style-type: none"> <li>MSV Logic Tree and Formula</li> <li>Clear explanation of our business model and competitive advantage</li> <li>The connection between MSV and sustainability</li> <li>Inclusion of investor-requested articles (feature articles on China business, M&amp;A success case, roadmap for improving Japan Group profitability, human capital, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Highlights the importance and superiority of our human capital, a fundamental element in our efforts towards MSV, from multiple perspectives</li> <li>Delves deep into topics of significant interest to capital markets, such as “Management Focused on Stock Price,” “Our Strategy for Maximizing PER,” “Our Approach to ROIC,” and “Our relationship with the majority shareholder and protection of minority interests”</li> </ul>
Key additions to content	<ul style="list-style-type: none"> <li>Our value creation model</li> <li>ESG management pages</li> </ul>	<ul style="list-style-type: none"> <li>Global business review section (SWOT analysis, management messages, strategies of partner companies)</li> <li>Partnership with the majority shareholder</li> <li>Governance Discussions, Discussions by the Board of Directors, Committee Report (Nominating, Compensation, and Audit Committees)</li> </ul>	<ul style="list-style-type: none"> <li>MSV Logic Tree</li> <li>Competitive advantage of our business model, medium- to long-term management strategy, asset management report</li> <li>Feature articles on M&amp;A and roadmap for Japan Group profitability improvement</li> </ul>	<ul style="list-style-type: none"> <li>Human Resource Development Initiatives Aimed at MSV</li> <li>Our Platform That Underpins Autonomous and Decentralized Management</li> <li>Our Strategy for Maximizing PER</li> <li>Indonesia Business Strategy</li> </ul>
Page count	36~52	100~130	132~136	100
External evaluation	-	<ul style="list-style-type: none"> <li>Selected for “Excellent Integrated Report” and “Most-Improved Integrated Report” by GPIF’s Japanese equities asset managers</li> </ul>	<ul style="list-style-type: none"> <li>Selected for “Excellent Integrated Report” and “Most-improved Integrated Report” by GPIF’s Japanese equities asset managers</li> <li>Selected for Best Practice Award in the Integrated Report Award organized by Nikko Research Center</li> <li>Shortlisted for Best Practice Awards (Large Cap) organized by UK IR Society</li> <li>Grand Prix G Award at the Nikkei Integrated Report Awards 2023</li> </ul>	-

# Structure of Messages from Co-Presidents

→ Integrated Report p. 8, p. 11, p.15



Messages from each Co-President, reflecting their unique role and responsibilities within Co-President setup, aimed at achieving MSV

**Maximization of EPS × Maximization of PER**

## **Wee Siew Kim**

Director, Representative Executive Officer  
& Co-President

Realizing sustainable EPS  
compounding through the  
implementation of  
our Asset Assembler model

## **Yuichiro Wakatsuki**

Director, Representative Executive Officer  
& Co-President

Unlocking the growth potential of  
our platform to achieve  
unlimited shareholder  
value creation

## Message from Co-President Wakatsuki

→ Integrated Report p. 11



### Key points

### Unlocking the growth potential of our platform to achieve unlimited shareholder value creation

1. Building a portfolio of quality assets and maximizing their potential
2. Our Asset Assembler model: Foundation of our prudent management and risk-averse approach
3. Pursuing MSV with no limits, adopting a long-term perspective beyond a three-year timeframe
4. Enhancing capital market recognition and expectations as EPS compounder
5. Implementing autonomous and decentralized management to encourage best-in-class talent to excel
6. Promoting sustainability through the advantages of autonomous and decentralized management
7. Unlocking the growth potential of our platform to achieve unlimited shareholder value creation

# Our Finance Strategy Presented by Co-President Wakatsuki

→ Integrated Report p. 44

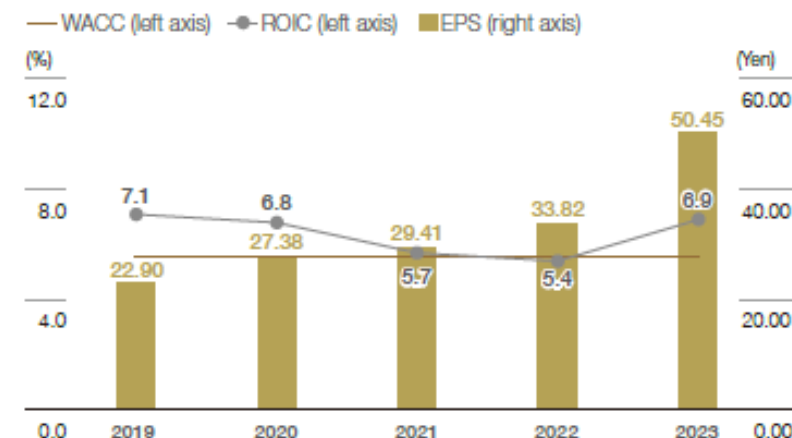
Driving EPS compounding through our finance strategy

**Yuichiro Wakatsuki**

Director, Representative Executive  
Officer & Co-President



WACC/Consolidated ROIC/EPS



\* ROIC (IFRS): After-tax operating profit / (net debt + total equity)

1. Our consolidated ROIC performance

2. Our approach to ROIC

- I Are we acquiring companies with high capital efficiency?
- II How should we interpret your strategy for returning value to shareholders?

Are there any plans to enhance shareholder payouts?

ROIC of major acquired assets\*

	2019	2020	2021	2022	2023
DuluxGroup (Pacific)	-	3.6%	4.2%	5.6%	5.8%
Betek Boys	-	0.4%	11.8%	8.1%	12.6%
PT Nipsea	-	-	3.7%	5.3%	6.6%
Cromology	-	-	-	2.6%	3.1%
JUB	-	-	-	-	5.0%

\* ROIC (IFRS): after-tax operating profit (after PPA amortization of intangible assets) / acquisition cost (including transfer consideration and subsequent capital increase, etc.), converted into Japanese yen using actual exchange rates.  
\* The ROIC calculation for DuluxGroup (Pacific), Betek Boys, and JUB excludes Year 1 as these companies were acquired during the fiscal year.  
\* The ROIC for DuluxGroup (Pacific) is calculated by subtracting Cromology and JUB from DuluxGroup's consolidated figures. The 2022 figures exclude expenses related to the acquisition of Cromology and JUB, as well as expenses related to other small-scale acquisitions.  
\* The ROIC for Betek Boys is calculated using the statutory effective tax rate for 2022 and 2023, as the tax rates were at abnormal levels due to the application of hyperinflationary accounting and other factors.

For reference: ROIC of major acquired assets (excluding goodwill)\*

	2019	2020	2021	2022	2023
DuluxGroup (Pacific)	-	9.7%	10.6%	12.6%	12.9%
Betek Boys	-	16.8%	21.1%	14.5%	22.6%
PT Nipsea	-	-	13.8%	10.5%	24.1%
Cromology	-	-	-	6.0%	7.8%
JUB	-	-	-	-	8.4%

\* ROIC (IFRS): after-tax operating profit (after PPA amortization of intangible assets) / acquisition cost (excluding goodwill but including transfer consideration and subsequent capital increase, etc.), converted into Japanese yen using actual exchange rates.  
\* The ROIC calculation for DuluxGroup (Pacific), Betek Boys, and JUB excludes Year 1 as these companies were acquired during the fiscal year.  
\* None of these companies incurred any acquisition-related costs in Year 1.  
\* The ROIC for DuluxGroup (Pacific) is calculated by subtracting Cromology and JUB from DuluxGroup's consolidated figures. The 2022 figures exclude expenses related to the acquisition of Cromology and JUB, as well as expenses related to other small-scale acquisitions.  
\* For the ROIC calculation of Betek Boys, the goodwill excluded from the denominator does not reflect the effects of hyperinflationary accounting. The statutory effective tax rate is used for the 2022 and 2023 calculations, as the tax rates were at abnormal levels due to the application of hyperinflationary accounting and other factors.



## Message from Co-President Wee

→ Integrated Report p. 15



### Key points

#### **Realizing sustainable EPS compounding through the implementation of our Asset Assembler model**

1. Asset Assembler model converting growth opportunities: DuluxGroup on the prowl
2. Autonomous by design: Growth through collaboration encouraged for mutual value creation
3. Key to sustainability: People, talent and organizational ability
4. Value creation: Prioritizing technological innovation
5. Disciplined cash management
6. Earning trust: Consistent delivery of promises



# Our Strategy by Asset Presented by Co-President Wee

→ Integrated Report p. 48



1. NIPSEA Group: Navigating headwinds to seek out opportunities for growth
2. Japan Group: Creating an enhanced “profit-making platform” through organizational reforms and functional unification
3. Automotive business: Nurturing global collaboration with customer centricity

# Asset Assembler Model


→ Integrated Report p. 20, p.21

## Presenting the outline and competitive advantage of our Asset Assembler model both from organic and inorganic growth perspectives

Integrated Report 2024 | Who We Are | Message from the Management | **Asset Assembler Model** | Execution of Medium- to Long-Term Management Strategy | Management Structure That Supports Risk-Taking and Oversight | Corporate Information

### Asset Assembler Model

Compounding EPS via organic and inorganic growth towards MSV



**Inorganic**  
EPS compounding through M&A

**MSV**

**Organic**  
EPS growth through autonomous and decentralized management

Accumulating excellent assets (newly acquired brands, talent, and technology)

Aggressively sharing and leveraging technologies, channels, sourcing, know-how, brands, etc., across the Group

### Relentlessly pursuing unlimited upside in shareholder value

Assumptions (medium- to long-term outlook)	Features
<ul style="list-style-type: none"> <li>• Ever-present macroeconomic uncertainty</li> <li>• Low-risk, good-return targets globally</li> <li>• Japan-based advantages (Japan-US interest rate gap, consumer trust in Japanese brands, etc.) are likely to persist</li> </ul>	<ul style="list-style-type: none"> <li>• A model focused on low-risk and steady EPS compounding via organic and inorganic initiatives</li> <li>• Capital markets' conviction in our Asset Assembler model will boost PER, enabling MSV</li> <li>• Unlocks unlimited growth potential for us</li> </ul>

Our Asset Assembler model aims at sustainable EPS compounding via organic and inorganic growth.

Operating under the assumption that the macroeconomic environment will always be uncertain and unclear, we consistently accumulate low-risk assets that offer good returns that still exist globally. In our M&A activities, we leverage not only the advantage of low-cost funding in Japanese yen, but also the trust placed in Japanese companies as acquirers, capitalizing on our unique position as a Japan-based company.

We strive to earn recognition and favorable evaluations from capital markets for our Asset Assembler model, which is committed to the safe and consistent compounding of EPS via organic and inorganic growth. This approach aims to enhance our PER and ultimately achieve MSV. By unlocking the maximum potential of the assets we acquire, we aim to accelerate our organic growth, thereby attracting new assets to our Group. This virtuous cycle enables us to relentlessly pursue unlimited shareholder value upside.

### Competitive Advantage of Asset Assembler Model

Accelerating EPS compounding by leveraging the combined advantage of autonomous and decentralized management and lean headquarters

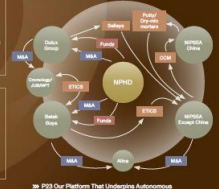
#### Organic—Advantage of autonomous and decentralized management

- Autonomous growth of excellent assets by harnessing low-cost operations, high cash generation capability, and operating leverage**  
Each of our partner companies features low-cost operations and high cash generation capability enabled by the low capex characteristic of the paint industry. The holding company typically provides capital to each partner company primarily for executing M&A. By owning operating leverage<sup>(1)</sup> and capturing resilient market demand, each partner company aims to expand its market share in respective local regions.
- Accelerating growth through the use of our Group's platform (financial strength, brand, etc.)**  
Each partner company leverages our Asset Assembler model platform, proactively incorporating management resources such as financial strength, technical expertise, brand power, distributor network, and purchasing power that our Group possesses, aiming to drive autonomous growth. Many of our partner companies, including Brite Boys and DuraDrops, which were acquired in 2019, have a track record of accelerating growth after joining our Group.  
(1) For more information, please refer to the "Asset Management Report" on our website.
- Achieving synergy and breakthroughs through collaboration among excellent assets**  
We extend our unique platform generously to each partner company, a strategy that enables us to unlock their full growth potential. In return, these companies share their best practices and learn from each other voluntarily, which has from time to time led to collaboration among partner companies and given rise to synergy and breakthroughs.

Three primary features of good assets

- Autonomous growth enabled by excellent management teams aligned with MSV
- Low-cost operations and strong cash generation
- Capturing resilient market demand and exploiting operating leverage

EPS growth by leveraging our platform

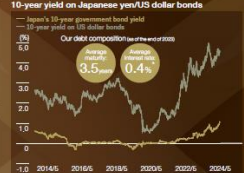


(1) PPS Our Platform That Underlines Autonomous and Decentralized Management

#### Inorganic—Advantage of lean headquarters

- Our capability to fully leverage the benefits of low funding costs**  
As a company based in Japan, a market known for its stable currency and safety, we have committed to fully leveraging the benefits of low funding costs, thanks to our enduring relationships and strong support from financial institutions. By strategically capitalizing on the persistently low interest rates in Japan, even amidst the volatility of the Japanese yen, we are bolstering our competitive edge over Western companies that face higher interest rates.
- The capability of asset companies to maintain and expand the EPS contribution without the intervention of the holding company**  
Our Company, while maintaining lean headquarters, generously provides each of our partner companies with our unique platform grounded in autonomous and decentralized management. Additionally, we identify low-risk assets and acquire them at reasonable valuations. Following acquisition, we demand autonomy and accountability from our top-tier local management teams. This approach successfully unlocks the full growth potential of each partner company.
- Our ability to attract world-class management talent who empathize with our business model**  
Our M&A approach stands apart from the typical Western cost-cutting model, and our established track record and reputation are fostering new M&A opportunities. Our platform promotes enhanced EPS contribution through a combination of autonomy and accountability for talents resonating with MSV. The powerful combination has a strong appeal to high-caliber management talent.

10-year yield on Japanese yen/US dollar bonds




Our debt portfolio is low-risk and stable

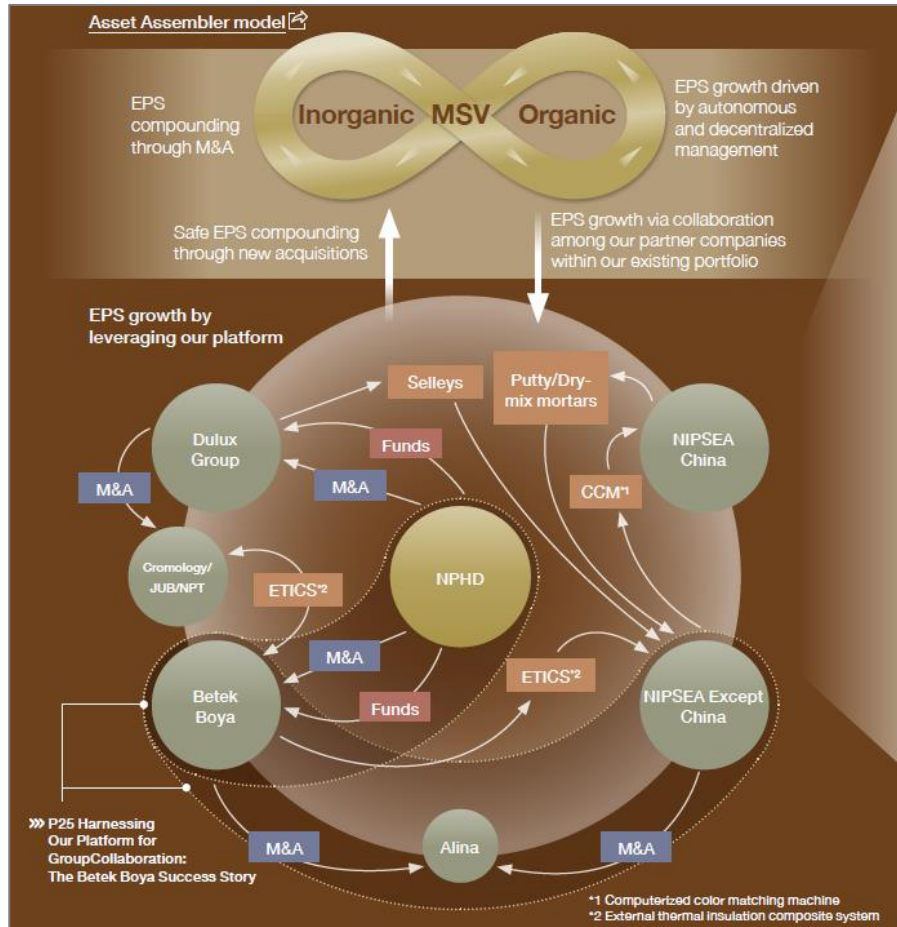
3.5% (Average interest rate of our long-term debt)

0.4% (Average interest rate of our long-term debt)

Resonance with MSV



Bringing in excellent management teams



**AlinEx**

Brand	Percentage
AlinEx	24%
NASHI	22%
Others	48%
Brand A	-
Brand B	-
Brand C	-
Brand D	-

**Alina**

Brand	Percentage
Alina	30%
Norma	22%
Alina Pure	8%
Others	40%
Brand A	-
Brand B	-
Brand C	-
Brand D	-
Brand E	-
Brand F	-

Source: NielsenIQ, Q4 2023, 95% CI

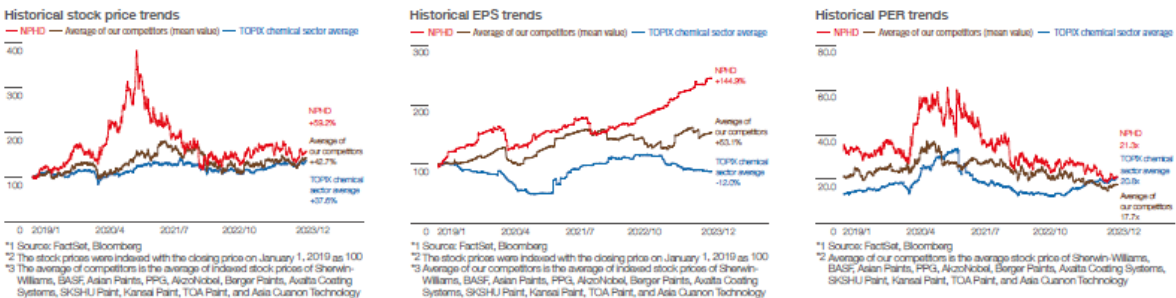


# Management Focused on Stock Price

→ Integrated Report p. 27

## Management Focused on Stock Price

We are pursuing our sole mission of MSV through the maximization of EPS and PER. We practice management with a focus on our stock price, which is the outcome of the pursuit of MSV. Over the past five years, our stock price has outperformed the TOPIX chemical sector average and the average of our competitors, bolstered by robust EPS growth. However, our stock price declined despite the growth in EPS, prompting us to carry out an analysis that takes into account macroeconomic factors, sector trends, and our own analysis of stock price trends. Moving forward, we aim to achieve MSV by focusing on sustainable EPS compounding and elevating capital markets' expectations.



### Rate of change of stock price, EPS, and PER

	Five-year trend (2019-2023)			Three-year trend (2021-2023)			One-year trend (2023)		
	Stock price	EPS	PER	Stock price	EPS	PER	Stock price	EPS	PER
NPHD	+59.2%	+144.9%	-11.3x	-62.1%	+56.6%	-25.6x	+8.6%	+27.5%	-3.7x
Average of our competitors	+42.7%	+53.1%	-3.5x	-17.0%	+21.8%	-9.6x	+13.5%	+11.0%	-4.6x
TOPIX chemical sector average	+37.6%	+12.0%	-7.5x	+9.1%	+70.3%	-11.6x	+25.4%	+63.6%	+8.1x

### Macroeconomic factors

- Rapid rise in long-term U.S. interest rates and acceleration of the tapering pace (reduction of quantitative easing measures) since 2022  
→ Significant adjustment of high valuation stocks such as tech stocks and domestic growth stocks with low liquidity, leading to a shift towards large domestic demand-driven stocks and value stocks
- Emergence of debt non-performance by property developers and tightened regulations on tech companies in China since 2022  
→ Capital flight of investment money from China and Hong Kong, resulting in increased fund inflows into the Japanese stock market

### Analysis of sector trends and our performance

- TOPIX chemical sector average: EPS has improved significantly, mainly attributed to stocks of companies that have bounced back from a slump in demand influenced by the pandemic since 2021 and have benefited from the yen's depreciation
- Average of our competitors: PER of high-valuation stocks declined from 2021 to 2022, influenced by the macroeconomic factors (as outlined to the left)
- NPHD: (1) In 2020, PER climbed to over 60 times due to a combination of factors, including (i) the capital markets' preference for growth stocks and high interest in China-related stocks, (ii) the realization of our long-term goal: the full-integration of the Asian JVs and acquisition of Indonesia business, and (iii) the low liquidity of our stock. Despite the significant growth in EPS, PER has been greatly influenced by the macroeconomic factors (as outlined to the left) since 2021
- Although our PER follows a similar trend as China-related stocks, businesses outside of China make up as much as 64% of our consolidated operating profit. Over the past three years, our China business has demonstrated stable growth with a CAGR of +12.4% (on a local currency basis) in revenue and operating profit margin at 12.5% (on a Tarshin basis) in 2023, showing a relatively low correlation with Chinese macroeconomic trends

## Management Focused on Stock Price

### Analysis of current situation and future direction

As analyzed on the previous page, while our EPS has significantly increased over the past five years, the rate of change in our PER has been trending downward compared to the TOPIX chemical sector average and the average of competitors, even though the

absolute level of PER is not low.

We believe that the main factors contributing to this decline in PER are: (1) market anxieties over China-related risks; (2) an underestimation of our growth potential; and (3) our aggressive M&A strategy being evaluated as high risk.

We are working to alleviate these concerns and evaluations. Furthermore, we are committed to accelerating the sustainable EPS compounding through both organic and inorganic growth towards achieving MSV.

### Management focused on stock price

※ PS Pursuing the Maximization of Both EPS and PER Towards the Achievement of MSV

$$\text{Stock price} = \text{EPS} \times \text{PER}$$

c.¥1,000      ¥50.45      c.20 times  
↓      ↓      ↓  
Cost of shareholders' equity      expected rate of return

### Future direction

- Organic EPS CAGR target: +10-12%
- Accelerate EPS compounding through aggressive M&A activities

- Elevate capital markets' conviction and expectations in the business acumen of the management team
- Elevate capital markets' conviction and expectations in growth potential and profitability

### Key initiatives

- Accelerate EPS compounding across both organic and inorganic growth, leveraging the combined advantages of autonomous and decentralized management and lean headquarters

- Promote understanding of our business model, track record, and growth potential
- Encourage recognition of our portfolio as a collection of low-risk entities
- Enhance investor engagement opportunities and disclosure material

※ P20 Asset Assembler Model

※ P29 Our Strategy for Maximizing PER

### For reference (the points of analysis presented by TSE)

- Market evaluations (PER/PBR)
- Returns on capital (ROE/ROIC)

$$\text{PER} \times \text{ROE} = \text{PBR}$$

c.20 times      9.5%      c.1.7 times  
↓      ↓      ↓  
ROIC      Financial leverage

- Continuously improve the individual ROIC of acquired companies
- Accelerate EPS compounding through aggressive M&A

- Pursue an optimal capital structure while maintaining leverage capacity
- Secure trust and creditworthiness from financial institutions and rating agencies

- Rigorously select only low-risk, high-return deals for M&A activities
- Ensure that the individual ROIC surpasses WACC within 3-4 years of acquisition through improvement in CCC
- Aim to balance capital efficiency with profit growth

- Enhance cash generation capabilities by improving earnings growth and CCC
- Repay debt when there are no M&A activities
- Implement debt financing in yen to maintain a stable debt composition

※ P44 Our Finance Strategy Presented by Co-President Wakatsuki

\* The stock price is as of June 30, 2024; the EPS, ROE, ROIC, and financial leverage are based on the 2023 results; and the PER and PBR are as of June 30, 2024.

Analyzing the factors behind the decline in our stock price despite EPS growth, considering macroeconomic trends, sector, trends, and individual company performance, and presenting our future directions based on this analysis

# Our Strategy for Maximizing PER

→ Integrated Report p. 29

## Our Strategy for Maximizing PER

We are dedicated to sustainable EPS compounding, aiming to raise capital market expectations in our pursuit of maximizing PER. Our detailed plans of action are:  
(1) analyzing perception gap in capital markets, (2) fostering a deeper understanding of our business model and track record, and (3) enhancing opportunities for investor engagement while enriching our disclosure materials.

### Maximization of PER

Conviction from capital markets of our sustainable EPS compounding

#### Effectively communicating our equity story as Asset Assembler

Enhanced engagement  
(700+ companies annually)

Enhanced disclosure  
(Integrated Report, etc.)

(3) Enhancing opportunities for investor engagement while enriching our disclosure materials

Step 3 Showcase our safe M&A track record and potential for EPS compounding through future M&A

Step 2 Showcase the potential for future EPS growth within our current portfolio

Step 1 Clearly present our business model and proven track record

Market concern for China

Underestimation of our growth prospects

(2) Fostering a deeper understanding of our business model and track record

(1) Analyzing perception gap in capital markets

### (1) Analyzing perception gap in capital markets

- (i) Our stock price analysis (in comparison with the TOPIX chemical sector average and the average of our competitors) **⇒ P27 Management Focused on Stock Price**  
→ Over the past five years, our stock price has outperformed the average of our competitors, backed by strong EPS growth.  
→ From 2021 to 2022, our stock price was impacted by the decline in PER.
- (ii) Performance analysis of our China business (in comparison with Chinese macroeconomic indicators)  
**⇒ P57 Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators**  
→ Revenue from our TUC segment has historically outpaced the growth rate of commercial and residential property sales areas. We observe a low correlation between our TUC revenue and macroeconomic indicators.  
→ Revenue from our TUS segment has historically grown faster than the rate of growth of new construction starts.  
→ In comparison to our local competitors, our Group's dependence on the Chinese market is lower, and our margins are higher.
- (iii) Correlation analysis between PER and revenue growth in the paint industry  
→ An analysis of "PER for 2024" and the "average revenue growth forecast from 2023-2025" (both based on analysts' consensus estimates) within the paint industry reveals a determination coefficient (R<sup>2</sup>) of 0.718, indicating a strong correlation between these two factors.  
→ In our Medium-Term Strategy, we projected a medium-term consolidated CAGR of 8-9% for our revenue based on our 2023 portfolio, which includes our Kazakhstan operations and the two India businesses. However, analysts' forecasts (as shown in the chart below) forecast a lower growth rate for our revenue at 5.6%, placing us below the regression line. Considering our aggressive M&A strategy, we analyze that this growth estimation may not be capturing our growth potential.

Correlation analysis of PER and revenue growth



Source: FactSet (as of February 9, 2024), Wall Street Research; The correlation factor was calculated by excluding Chinese companies

## Our Strategy for Maximizing PER

### (2) Fostering a deeper understanding of our business model and track record

- (i) Our approach, business model, and track record **⇒ P20 Asset Assembler Model**  
→ Sustainable compounding of EPS, driven by both organic and inorganic growth  
→ Synergistic effects created from the advantage of our Asset Assembler model
- (ii) Growth potential within our existing portfolio **⇒ P41 Medium-Term Strategy (Revised in April 2024)**  
→ Target a medium-term consolidated CAGR of 10-12% for our EPS  
→ Expand our market share and EPS across all regions and businesses
- (iii) Proven record of successfully executing safe M&As and assurance of future growth potential **⇒ P47 M&A Strategy**  
→ Demonstrate a stable growth track record of our acquired companies and improvement in individual ROIC  
→ Our unique M&A model, which assumes EPS accretion from Year 1, even with large-scale acquisitions, paves the way for limitless enhancement in EPS.

Decide

Action

Orient

Observe

### IR activity plan (2024)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly results announcement	• 4Q results announcement • Domestic and international investor meetings	• 1Q results announcement • Domestic and international investor meetings	• 2Q results announcement • Domestic and international investor meetings	• 3Q results announcement • Domestic and international investor meetings
Integrated Report	• ESG investor meetings		• Publication of Integrated Report • Integrated Report briefing • ESG investor meetings	
Domestic investor conferences	• Daiwa Securities • SMBC Nikko Securities	• CLSA Securities • Mitsubishi UFJ Morgan Stanley Securities	• UBS Securities • BofA Securities	• Nomura Securities
International investor conferences	• BofA Securities (America)		• Daiwa Securities (Australia)	
IR events	• Co-Presidents' information exchange with sell-side analysts	• Medium-Term Strategy briefing		• IR Day (Integration/enhancement of small investor meetings with Co-Presidents' Board Chair)

### KPIs of IR activities (2022-2023)

	2022	2023
Number of IR meetings held (companies)	695	707
(Overseas investors)	384	397
(New investors)	118	82
(Meetings hosted by Co-President)	108	87
(Roadshows for international secondary offering)	121	—
Liquidity to market capitalization ratio	0.18%	0.17%
Analyst coverage (companies)	7	6

Presenting our strategy for maximizing PER, along with three-step initiatives towards this goal



# Strategy by Asset (1)

→ Integrated Report p. 51, p. 54

## Indonesia Business Strategy

Integrated Report 2024 | Who We Are | Message from the Management | Asset Assembly Model | **Execution of Medium-to Long-Term Management Strategy** | Management Structure That Supports Risk-Taking and Oversight | Corporate Information | 51

**Asset Strategy Aimed at Compounding Sustainable EPS (1)**

 PT Nipsea Paint and Chemicals (Indonesia)  
**Tay Lim Heng**  
President Director

How Shareholder Value Is Maximized  
39 See pages 3-4.

**Maximization of EPS**  
Improve market share and profitability

**Indonesia business strategy**

**Business environment**

**Growth drivers**  
1. Brand 2. Distribution channel  
3. Human resources

**Market growth forecast (2024-2028)**  
Decorative:  
Volume basis: +3% / Value basis: +6%  
Our medium-term forecast (in LCV)  
Revenue CAGR: c.+10%  
2026 OP margin: c.32.9% (2023 results)

**Indonesia Business Strategy**  
— Solidifying No. 1 position in the decorative market by strengthening brands, distribution channels, and human resources

▶ **Navigating the decorative paints landscape**

Amidst the global slowdown of 2023, the Indonesian economy grew relatively strongly at 5.05%, and the middle class in Indonesia has been growing faster than other groups; according to World Bank Data, there are now at least 62 million economically secure Indonesians or one Indonesian in every five. The market is expected to see continued growth fueled by government infrastructure and construction projects, specifically investment given the ongoing national strategic projects (PSN), including the new capital city (IKN) development.

The economy segment is highly competitive, with local and international players vying for market share. Price sensitivity is a key factor for this segment and PT Nipsea holds a strong position by leveraging our extensive distribution network and brand recognition. We cater to budget-conscious consumers by introducing economy lines alongside our core mid-tier offerings and product guarantee, ensuring affordability without compromising on quality.

On the other hand, the premium segment is experiencing growth due to rising disposable incomes. Here, consumers seek superior aesthetics, functionality, and eco-friendly benefits. Established international brands and local players with strong brand recognition hold sway in this segment. We differentiate ourselves by capitalizing on our global reputation for innovation to introduce premium lines with best-in-class features, as a reputable, trusted Japanese brand and exceptional customer service to stand out in this competitive landscape.

By strategically catering to the entire spectrum—economy, mid-tier, and premium—PT Nipsea is well-positioned to maintain Indonesia market leadership. Our differentiated product offerings and targeted brand positioning ensure we capture the full potential of this exciting market.

**Indonesia GDP growth rate (%)**

Year	GDP growth rate (%)
2019	3.0
2020	-5.3
2021	-3.5
2022	-0.7
2023	5.1
2024	5.0
2025	5.5
2026	5.7
2027	5.0
2028	5.2
2029	4.9
2030	5.0

## China Business Strategy

Integrated Report 2024 | Who We Are | Message from the Management | Asset Assembly Model | **Execution of Medium-to Long-Term Management Strategy** | Management Structure That Supports Risk-Taking and Oversight | Corporate Information | 54

**Asset Strategy Aimed at Compounding Sustainable EPS (2)**

 Nippon Paint China (NIPSEA China)  
**Eric Chung**  
CEO

How Shareholder Value Is Maximized  
39 See pages 3-4.

**Maximization of EPS**  
Improve market share and profitability

**China business strategy**

**Business environment**

**Growth drivers**  
1. Brand 2. Distribution channel  
3. Human resources

**Market growth forecast (2024-2028)**  
TUC: Volume basis: +3% / Value basis: +1%  
TUB: Volume basis: +1% / Value basis: +2%  
Revenue CAGR...  
Our medium-term forecast (in LCV)  
TUC: +10-15% TUB: C.+5%  
2026 OP margin (NIPSEA China): C.12.5% (2023 results)

**China Business Strategy**  
— Establishing dominant No. 1 position by leveraging our brand strengths in various dimensions

▶ **Analysis of the decorative paints market landscape**

**Home renovation boosting TUC market**

Real estate remains pivotal to China's economy. As restrictive policies ease, the real estate market is set to usher in a relaxed environment, leading to growing demand for aesthetic living spaces due to rising income. New growth areas are re-renovation, partial renovation, and home renovation. As of November 2023, China's housing stock, accounting for about 40% of home decoration, stands at 18.4 billion square meters, growing steadily at 6-8%. This expansion suggests a future increase in repainting demand.

**Color and personalization fueling Tier 1-2 cities**

As of 2023, 72.6% of China's home decoration consumers are located in economically prosperous Tier 1 and 2 cities. These areas, with high overall economic development and the post-90s and post-95s generations as key consumers, are seeing increased demand for color and personalization. The main competitors in Tier 1 and 2 cities are a major brand and several art paint brands. The major brand, known for its high visibility, targets young consumers through strategic marketing, while the art paint brands are focused on innovation and price competition to vie for market share.

**Great market share expansion potential in Tier 3-6 cities**

As of 2023, around 27% of home improvement users are found in China's less economically developed Tier 3 to 6 cities, which consist largely of towns and counties. With increasing urbanization and rising per-capita consumption, these under-served areas, particularly Tier 5 and 6 cities, present significant growth potential. Our primary competitors in Tier 3 to 6 cities are a major paint manufacturer and small local ones. The major player invests heavily in aggressive sales promotion and store expansion. Local small players cater to local customers, offering competitive prices and fostering close relationships.

**Distribution by tier (2024E)**

Distribution by tier	Population (10,000 people)	GDP (RMB million)
Tier 1-2 cities	58,161 (42%)	459,216 (47%)
Tier 3-6 cities	61,942 (45%)	282,978 (29%)
Nationwide	138,034 (100%)	974,975 (100%)

**Chinese decorative paints market growth**  
→ Growth rate (%)

Year	Growth rate (%)
2018	21.87
2019	23.58
2020	26.16
2021	28.22
2022	30.42
2023	32.72
2024E	35.20
2025E	37.02

**Breakdown of users by tier**  
(%)

Tier	Percentage (%)
Tier 0	23.6
Tier 1	23.4
Tier 2	25.6
Tier 3 and over	27.4

Source: iResearch 2023 China Home Decoration New Trend Insight Report

Explaining our strategies and initiatives for leveraging growth drivers—brand power, distribution channel, human resources—tailored to the current business environment

# Strategy by Asset (2)

→ Integrated Report p. 57

## Highlighting four key facts to clarify the reasons behind the difference between our performance and trends in Chinese macroeconomic data

Integrated Report 2024	Who We Are	Message from the Management	Asset Assembler Model	Execution of Medium-to Long-Term Management Strategy	Management Structure That Supports Risk-Taking and Oversight	Corporate Information	Integrated Report 2024	Who We Are	Message from the Management	Asset Assembler Model	Execution of Medium-to Long-Term Management Strategy	Management Structure That Supports Risk-Taking and Oversight	Corporate Information
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### Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

Our stock price tends to be significantly influenced by news flow from China, more so than by our actual performance results. Our analysis suggests that the capital market participants might be overly focused on Chinese macroeconomic indicators. While we do acknowledge a certain correlation between our performance and Chinese macroeconomic indicators, we believe that these factors are not the sole determinants of our performance due to the following four reasons.

#### Reason 1 TUC revenue growth has been markedly outpacing the growth in commercial and residential property sales areas

Tier 0 and 1-2 cities, where our TUC business has a dominant No.1 position, have a higher proportion of commercial and residential property sales areas compared to Tier 3-6 cities. These cities are also characterized by faster market recovery. Consequently, the growth rate of TUC tends to be higher than that of property sales areas nationwide. The high revenue growth in the TUC business can also be attributed to factors such as NIPSEA China's extensive distribution networks, the large number of Computerized Color Matching (CCM) machines installed, high brand awareness and quality. Factors such as the arrival of the era of stock housing and our market share gains in Tier 3-6 cities also contribute to a growth rate that exceeds the general macroeconomic indicators.



#### Reason 2 TUB revenue growth has been outpacing the growth in new residential construction areas

Since March 2020, our TUB revenue growth has constantly been outpacing growth of new residential construction areas. This strong performance is attributable to: (1) working with financially stronger real estate developers, (2) growth contribution from non-real estate developers, e.g., healthcare, industrial, infrastructure, as well as interior decoration companies and contractors, (3) pushing the adjacencies area, such as substrates and construction chemicals (CC). We expect that the TUB business will remain on a steady growth track due to the arrival of the era of stock housing and by focusing on the development of key channel businesses.



### Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

#### Reason 3 TUC's competitive advantage and its significant contribution to NIPSEA China's sustainable growth and profitability

NIPSEA China's overall revenue growth in 2023 may be perceived as weaker. This is mainly due to the sluggish performance of the TUB and automotive businesses against the overall weak economic and property outlook in China. In contrast, the TUC business achieved growth that exceeded both the market and our competitors. In the midst of a challenging business environment, we secured a higher operating profit margin in China than our key local competitors. This is primarily due to the strong and highly profitable TUC sales with the TUC segment representing approximately 70% of overall decorative paints sales in China.

The ability of TUC to maintain high profitability is not solely due to its B2C business model. Other contributing factors include: (1) the ability to control pricing, based on the strong brand power we have built over the years in this B2C brand business, (2) the creation of demand and improvement in margin through the expansion of CCM deployment, (3) our "Asset Light Strategy," (4) The sheer size of the enlarged Group that allows us to leverage our economies of scale and tap into resources spanning from purchasing to marketing. We are optimistic that TUC's medium-term growth forecast will continue to surpass the market growth. Looking ahead, NIPSEA China will steadfastly pursue sustainable growth while preserving the operating profit margin.

#### NIPSEA China 2023 results

Revenue growth (YoY)	Consolidated <sup>1)</sup>	+7.1%
	Automotive <sup>2)</sup>	+0.6%
	TUC <sup>2)</sup>	+13%
	TUB <sup>2)</sup>	-7%
OP margin <sup>1)</sup> (consolidated)		12.6%
TUC revenue/China decorative revenue <sup>2)</sup>		c.70%

<sup>1)</sup> Tanshin basis

<sup>2)</sup> In local currency

※ P41 Medium-Term Strategy (Released in April 2024)

※ P54 China Business Strategy

#### Reason 4 Establishing a regional and business portfolio not heavily reliant on China

As Asset Assembler, we boast a well-diversified regional and business portfolio. While China is a significant asset for us, it accounts for 33% of our overall consolidated revenue—a contrast to local entrenched competitors who are heavily dependent on a single geographical market. Furthermore, our operations in Asia Except China continue to achieve sales growth and an operating profit margin that outpace those from our China operations.

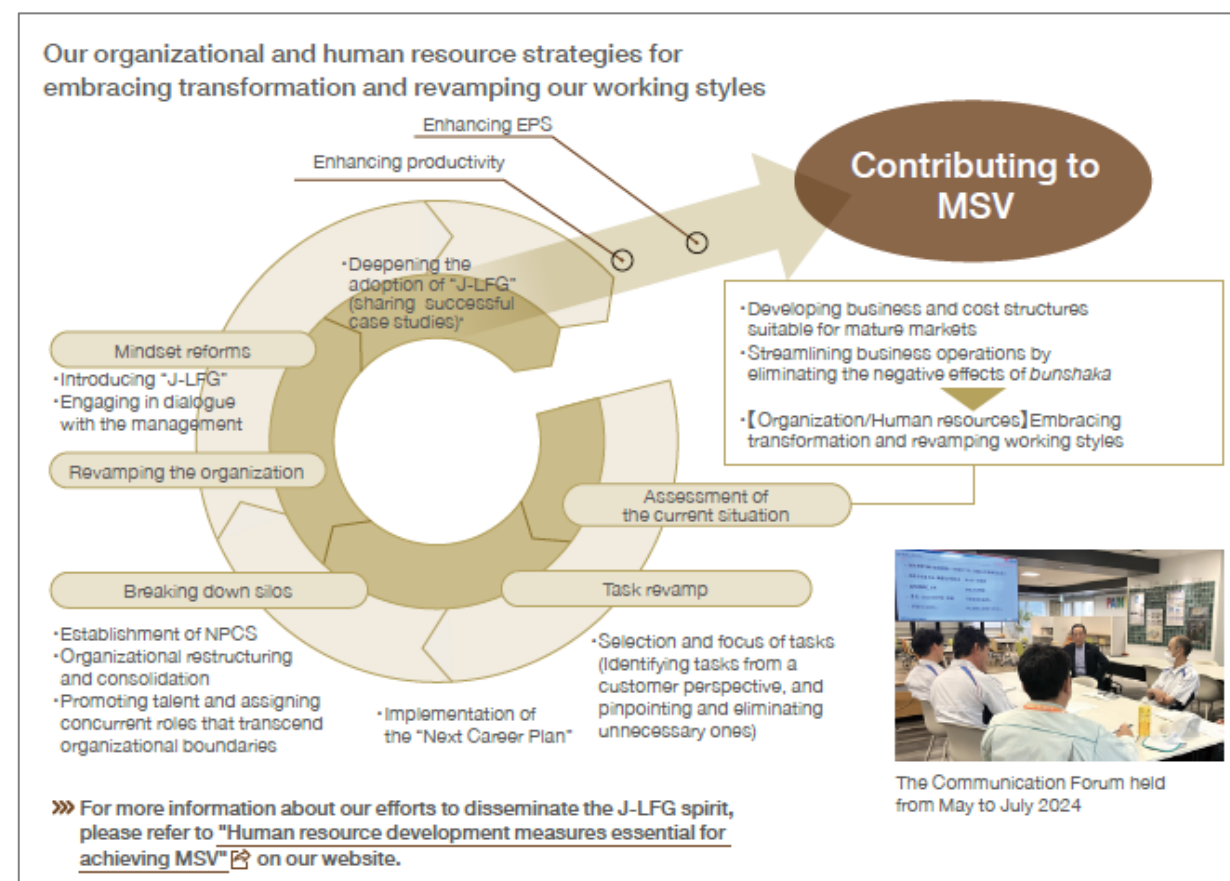
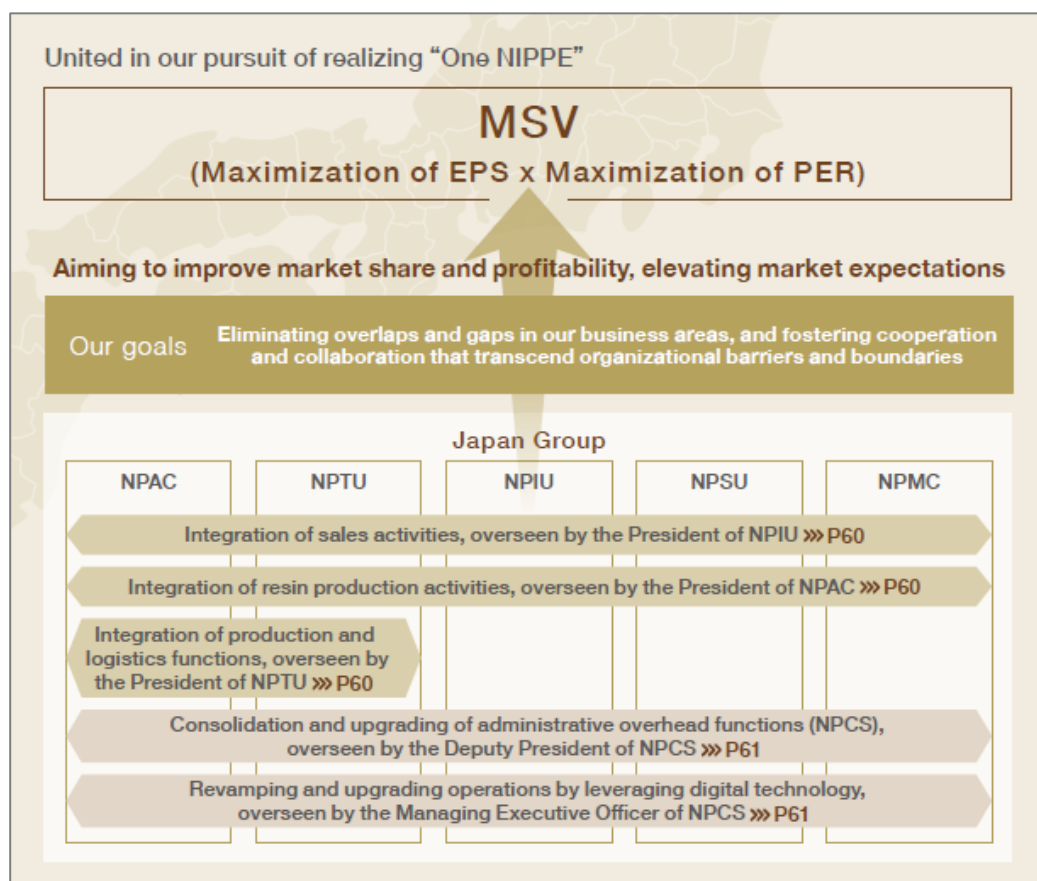
#### Comparison of 2023 results (Tanshin basis): NIPSEA China vs. NIPSEA Except China

	NIPSEA China	NIPSEA Except China
Dependence on the region	Revenue	33%
	OP	20%
Revenue growth (YoY)	Revenue	+7.1%
	OP	+12.0%
OP margin	Revenue	12.5%
	OP	17.4%

## Strategy by Asset (3)

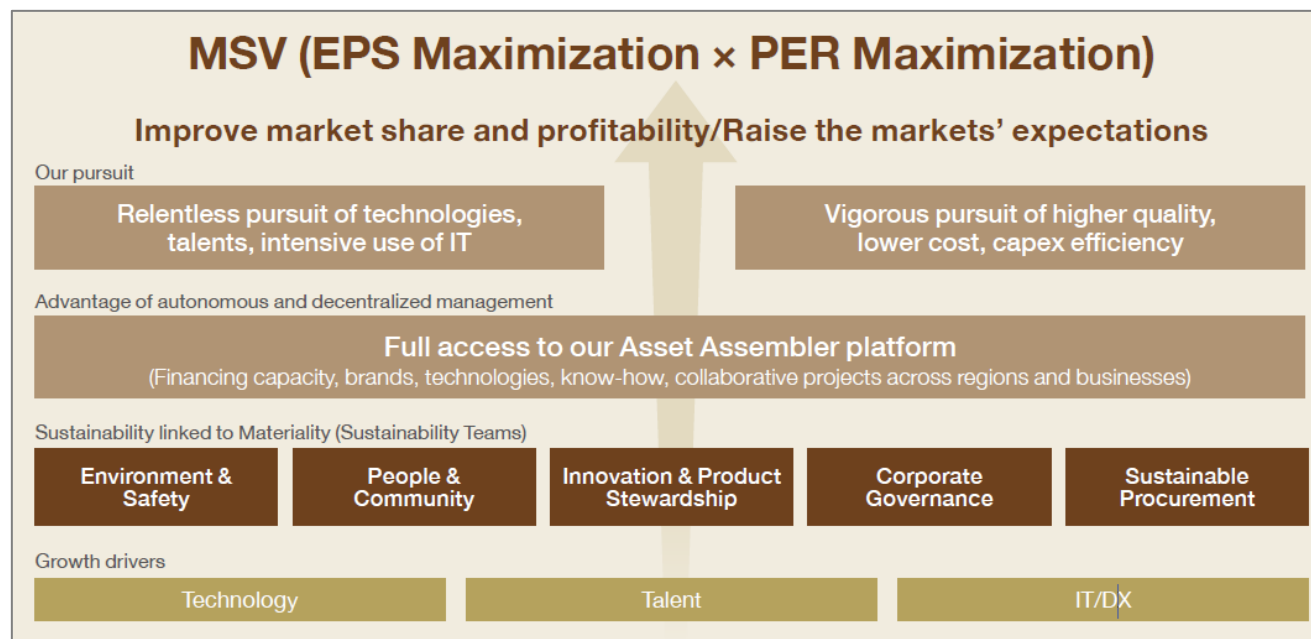
→ Integrated Report p. 59

Showcasing examples of collaborative projects that transcend organizational boundaries, driven by the leadership of senior management from partner companies, aiming for sustainable EPS compounding



# Sustainability Strategy

→ Integrated Report p. 4, p. 31



## Key enhancements

- ✓ Provided a comprehensive explanation, with the aid of illustrations, of how MSV, through EPS and PER maximizations, is linked to our sustainability initiatives
- ✓ In their messages, our Co-Presidents have articulated their commitment to advancing sustainability by capitalizing on the strengths of our autonomous and decentralized management approach as well as the creation of value through technological innovation
- ✓ Offered succinct updates across all sustainability areas, structured around the four pillars of the TCFD framework. Our strategies for EPS growth, along with relevant case studies, are accessible on our website



# Human Capital

→ Integrated Report p. 7, p. 65

## Human Capital as the Key to Achieving MSV



## Human Resource Strategy

**Human Resource Strategy**

As a Japan-origin global corporate group operating in 47 countries worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to MSV by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to stakeholders, while in the pursuit of MSV.

**How Shareholder Value Is Maximized** (see pages 3-4)

**Our approach to achieving MSV**  
People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone. Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures. To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in generating new value and businesses.

**Human Resource Development**

**Governance**  
In our Group, which values the autonomy of partner companies and operates on autonomous and decentralized management principles, each PCG takes the lead in investing in human capital. Each partner company within PCGs initiates programs for employee competency development tailored to their specific needs, nurturing a diverse and self-reliant human resource pool.

**Strategy**  
Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth. We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

**Training programs**

Program	Objective
WIPSEA Group	To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce. • Group Local development programs including Leadership Development (LSD), Leadership Competencies (LSC), LFG Values (LFGV), Human Mentoring • Country level programs that include functional training, health safety & environment, information technology & wellness programs • Coaching courses with essential tools, resources, and initiatives for effective development (Learning Management System, development programs, etc.)
Dalmeida Group	Comprehensive learning program covering leadership, professional skills • Residential programs, internal programs, virtual programs, internships and podcasts • "Learning ladder" - three stages of learning at a broad range of levels • Country and JLE offer relevant learning programs to support the business and professional skills of its employees
Japan Group	In 2023, Japan Group started to substantiate talent management of senior and mid-level managers • Started a talent career program to nurture the expertise mainly for knowledge and management skills • Offer training for all employees, such as training by job level according to the expected role and career stage of individual employees • Offer employee development training for top graduates, rising stars, high potential, and annual training • HR department conducted a communication program (1-on-1 meeting, feedback, coaching)
Dalmeida Group	Develop and deliver programs that empower team members' long-term professional development • Leadership skill development (management training, executive programs, etc.) and career training techniques (career learning, functional training, etc.) to build successful careers in an ever-changing global market • Career-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Hazardous Prevention, New Management, Sales, Hazardous Materials (PCHMT), Diversity and Inclusion and more

Ratio of female employees	2022	2023	2024	2025	2026
Ratio of women in managerial positions	25.6%	32.6%	6.3%	36.0%	26.6%
Ratio of full-time employees holding the positions of their own directorships	-	13.1%	3.6%	22.0%	-

For data from 2022 and earlier, as well as other ESG data, please refer to the "2023 Data" section on our website.

## Strategy by Asset (Indonesia/China)

**Robust human resource structure**

PT Nipsea boasts a robust human resource structure with strengths evident at both the management and frontline levels.

**Management powerhouse: Our leadership team brings**

**Our human resource strategy**

- The competency of management personnel is demonstrated in: result-oriented, prioritization of growth, analytical insight, leadership motivation, and full cooperation; four key positions that will significantly impact the future development of Nippon Paint China (TUB Regional Director, TUC Regional Director Superintendents, Factory Directors, PDT Managers) also have their own competency models, including business execution ability, team leadership, and self-management skills.
- For management positions, we use competency as the cornerstone and continue to carry out the "selection and retention" of cadres in corresponding positions. At the same time, we conduct echelon inventory every year, target key and high-potential talents, and organize systematic empowerment training and job rotation based on the competencies of higher positions based on the model to accelerate the growth of successors.
- In terms of employee development, we implement "how to fight, how to train," and design a targeted training system based on job standards and combined with Nippon Paint China's actual combat scenarios. For newly recruited front-line sales, each business group combines differentiated needs to carry out highly directional professional training such as "Shooting Training" and "Ball Power" to accelerate the professionalism of new employees from various aspects such as deep industry insights, product knowledge, and sales skills, thereby fostering their ability growth. For front-line workers and technicians, especially for positions such as color creation and color mixing, we will strengthen certification-based employment and continue to carry out various labor competitions such as color creation competitions to promote the continuous improvement of the professional capabilities of all employees.

**Frontline e backbone of our in their develop programs that e application techn skills. This is furt Sales Promoters such programs, and empower cu choices, fosterin By buildi industry backgr development of a high-performin success in the In**

**TUC talent building**  
**Talent development for working level**  
**TUB talent building**

At the outset of the Report, we clearly position the human resources that underpin MSV. The superiority of our human resources as we as our initiatives and metrics, are detailed in the Human Resource Strategy section and the Strategy by Asset pages, focusing on our Indonesia and China businesses



# Environment Strategy/R&D Strategy

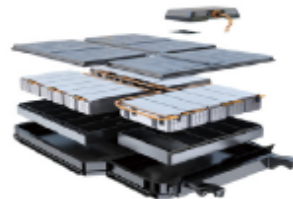
→ Integrated Report p. 62, p. 64, p. 68

Climate-related scenario analysis			
Variables	Risks		Opportunities
	1.5°C	4°C	
Changes in regulations and their impacts, such as carbon pricing and greenhouse gas emission reduction targets	Introduction of strict regulations	Regulations strengthened in limited areas	<b>Market growth for sustainable products</b> - 1.5°C scenario Growth of low-carbon products and enhanced performance - 4°C scenario Growth of low-carbon products against extreme weather and enhanced performance
Increase in supplier costs arising from climate adaptation and decarbonization actions	Large increase in supplier costs due to climate adaptation and decarbonization actions	Certain increase in supplier costs for climate adaptation as limited decarbonization measures are no longer sufficient	
Changes in customer and consumer expectations and behavior	Higher disposition for low-carbon products and lower demand for carbon products	Higher disposition for low-carbon products	<b>Development of new products and services to capture climate-related business opportunities</b> - Both for 1.5°C and 4°C scenarios
Higher temperatures affecting product functions	Occasional product claims and brand damage due to performance deterioration	Frequent product claims and brand damage due to performance deterioration or malfunction	
Increase in floods and/or water stress negatively affecting operations and supply chain	Occasional floods and/or water stress affecting operations and supply chain	Frequent floods and/or water stress routinely impacting operations and supply chain	

## Our Sustainable Products

In the area of EV coating, Japan Group and NIPSEA have integrated functional coating technologies to create differentiated technologies that meet the needs of each module. We have been accelerating their market introduction in collaboration with EV module customers, like adhesion function, insulation, hydrophobic and flame resistance.

We aim to provide comprehensive solutions to this rapidly growing market. Some products have already been launched to this market, such as PD E-501 as insulating powder and SURFCOAT NRX for surface coating of battery packaging.



## Key enhancements

- ✓ Reported our governance, strategy, and risk management, along with metrics and targets, with a strong alignment to TCFD recommendations
- ✓ Organized and clarified the climate-related scenario analysis
- ✓ Expanded the scope of Scope 3 data aggregation by including the primary regions of NIPSEA Group, including China
- ✓ Showcasing an example of our environmental contribution by supplying coating products, developed through the shared technology of partner companies, to customers' environmentally conscious products (EVs)
- ✓ Providing a detailed explanation of how we aim to optimize the expertise and assets of the entire organization to achieve MSV through the LSI (Leverage, Share & Integrate) activity among partner companies in the global R&D areas

# Corporate Governance

→ Integrated Report p. 75

Explaining the advantages of our governance, with a focus on our relationship with the majority shareholder and the protection of minority interests

## Five features of our corporate governance structure

- 1** Thorough protection of the interests of minority shareholders while sharing the common objectives of MSV with the majority shareholder
- 2** Enhanced Board effectiveness under the leadership of Independent Directors
- 3** Succession planning with a focus on substance rather than formalism
- 4** Compensation structure that effectively contributes to achieving MSV
- 5** Audit structure that respond to the increasing globalization of operations

### Our relationship with the majority shareholder and protection of minority interests

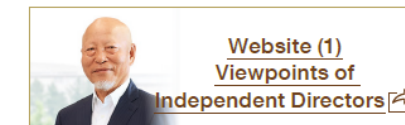
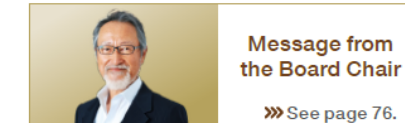
With a business partnership spanning over 60 years, NPHD and Wuthelam Group, our majority shareholder, unite under the common mission of MSV, and protecting the interests of minority shareholders. The full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021 simplified our capital relationship, aligning the interests of the majority shareholder and minority shareholders. This created a management structure dedicated to pursuing MSV while ensuring the protection of minority interests.

To protect the interests of minority shareholders, we maintain a diligent approach and involve Independent Directors in all such transactions with the majority shareholder to ensure proper oversight and scrutiny. To achieve this, all such transactions require approval at the Board of Directors meeting, where the Lead Independent Director serves as Board Chair and Independent Directors hold the majority of seats. We adhere to a strict policy regarding significant related-party transactions, (including those between the Company and the majority shareholder, competing transactions involving Directors and/ or Executive Officers, self-dealing, and conflict of interest transactions).

Any such transactions surpassing a predetermined threshold are promptly reported to the Board of Directors. Moreover, these transactions are disclosed in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report (available only in Japanese) to ensure transparency and accountability.

Furthermore, when we conduct related-party transactions, we exercise comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels and other relevant factors. The objective is to ensure that the transaction will not harm the interests of NPHD or of its minority shareholders. As a part of this process, we require the approval of relevant individuals with appropriate decision-making authority.

#### Related content

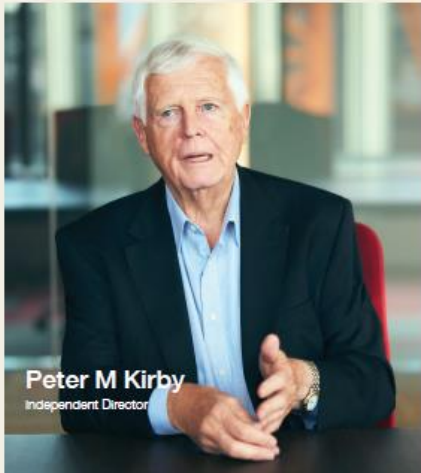





# Discussions by the Board of Directors

→ Integrated Report p. 77

## Featuring the comments of Directors from the Board meeting and other occasions regarding India businesses buyback from Wuthelam Group

<p>Integrated Report 2024</p> <p>Who We Are</p> <p>Message from the Management</p> <p>Asset Allocation Model</p> <p>Execution of Medium- to Long-Term Management Strategy</p> <p>Management Structure That Supports Risk-Taking and Oversight</p> <p>Corporate Information</p> <p>77</p>	<p>Integrated Report 2024</p> <p>Who We Are</p> <p>Message from the Management</p> <p>Asset Allocation Model</p> <p>Execution of Medium- to Long-Term Management Strategy</p> <p>Management Structure That Supports Risk-Taking and Oversight</p> <p>Corporate Information</p> <p>78</p>
<p>Corporate Governance</p> <h3>Discussions by the Board of Directors</h3> <p><b>Theme</b> India Businesses Buyback from Wuthelam Group</p> <p>In August 2023, our Board of Directors approved a resolution to repurchase two India businesses that had been part of the three businesses transferred to Wuthelam Group in August 2021. The third business, a European automotive entity, was not considered for repurchase. Prior to reaching this resolution, we sought an evaluation from an independent third-party entity, mirroring the process undertaken during the initial transaction two years ago. To ensure thorough consideration and protect the interests of minority shareholders, we established a Special Committee dedicated to this matter.</p> <p>This section presents the key comments made by our Directors concerning this significant transaction.</p> <p><b>Q</b> In evaluating the validity of the repurchase transaction, we aim to revisit and ascertain whether our initial decision to transfer the businesses to Wuthelam Group was indeed the optimal choice for protecting the interests of minority shareholders and Maximization of Shareholder Value (MSV).</p> <p><b>A</b> The catalyst for reevaluating our India businesses was a comprehensive review of our business portfolio following the full integration of the Asian joint ventures in 2021. Our relatively late entry into the rapidly growing Indian market resulted in us lagging behind major competitors in terms of growth and profitability. At the same time, the market saw an influx of new entrants from various sectors. We faced a critical decision: whether to continue investing to compete with these new and existing competitors. It became clear that any reduction in investment would result in losing our competitive edge. However, winning the competition would necessitate substantial investments in advertising and channel development, with no guarantee of success.</p> <p>Under these circumstances, we considered multiple scenarios, including independently restructuring the India businesses or selling them to a third party. Independent restructuring would entail a significant short-term financial burden. Given the complexities of the Indian market, we had reservations about whether such an allocation of capital, from a risk-return standpoint, would contribute to MSV. Conversely, selling the businesses to a third party would likely eliminate the opportunity to repurchase them in the future, potentially closing off a growth pathway for our Group in the region. With Wuthelam Group providing us with an alternative that assumes various risks and preserves future options, we determined that this was the optimal decision from the perspective of MSV and protecting the interests of minority shareholders</p> <p>compared to other restructuring proposals. Reflecting on the past two years, the performance of our India businesses has exceeded expectations in terms of profitability improvement and market share expansion, reinforcing our belief that the decision made at that time was indeed the right one.</p>  <p><b>Peter M Kirby</b> Independent Director</p>	<p>Corporate Governance</p> <p><b>Q</b> Why is now the optimal time for this buyback transaction?</p> <p><b>A</b> With our Group continuing to provide management services to the India businesses, they have successfully implemented significant structural enhancements and aggressive promotional activities. After a period of losses, we began to see a pathway toward sustainable earnings growth. Specifically, in the two southern states where we are focusing our efforts in decorative paints, we have achieved both a significant increase in market share and profitability. Our high brand recognition is a key advantage, making autonomous and sustainable growth possible. Therefore, we determined that it is the right decision to buy them back now, before their earnings increase further and the repurchase price becomes higher.</p> <p>On the other hand, the European automotive business is still undergoing revitalization and is therefore not included in the scope of the buyback at this time.</p> <p><b>Q</b> Two years have passed since the businesses were transferred to Wuthelam Group. Although there have been notable improvements in business performance in the short term, can we confidently assert that the India businesses will consistently deliver robust and sustainable performance in the long term?</p> <p><b>A</b> The successful restructuring of the India businesses over the past two years has led to sustainable profit growth. As we look ahead at our future business plans, we believe that no additional capital injection will be necessary; the businesses can generate the required funds for production capacity expansion and advertising to sustain their growth. Additionally, they have an excellent local management team. By making adequate investments in promotion and other necessary areas, initially focusing on the two southern states, we believe we can outpace our competitors. To ensure confidence in our strategy, we currently have no plans to expand into the third and fourth states, but we are always considering future possibilities.</p> <p><b>Q</b> Do you anticipate that local competitors will respond to our market share expansion with large-scale campaigns?</p> <p><b>A</b> Major competitors have already launched aggressive campaigns, and the entrance of newcomers from non-paint sectors has intensified market competition. However, we are executing various strategies based on comprehensive competitor analysis to seize market share from these major players.</p> <p><b>Q</b> When is the buyback of the European automotive business expected to occur?</p> <p><b>A</b> The European automotive business has not yet completed its performance improvement, even after two years. Factors such as the conflict in Ukraine, a sluggish European economy, and operational issues (given our role as the business operator entrusted by Wuthelam Group) have contributed to this delay. We have been managing the European automotive business with almost monthly performance reviews. We will consider a repurchase when the business reaches the break-even point and we are confident that sustainable profitability is achievable.</p> <p><b>Q</b> Will related-party transactions with the parent company likely continue in the future?</p> <p><b>A</b> In our current business portfolio, each partner company is capable of achieving autonomous and sustained growth. Therefore, we believe the likelihood of resorting to such options, aside from these three underperforming businesses, is quite low.</p>  <p><b>Toshio Morohoshi</b> Independent Director</p>

→ Integrated Report p. 81, p. 83, p. 85

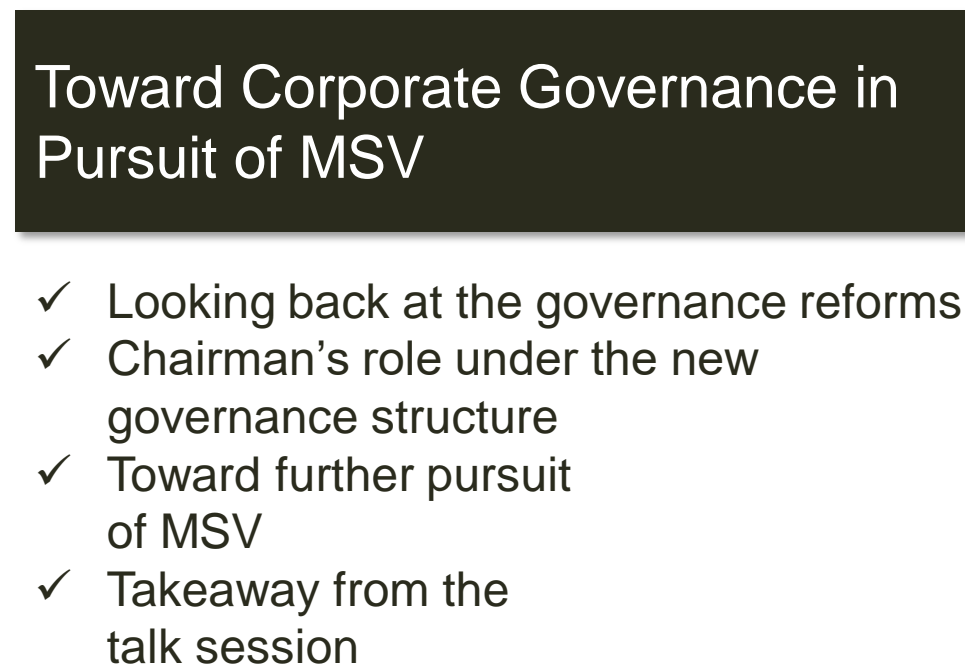
- ✓ Each committee chairperson delivers a message addressing the primary concerns and interests of investors
- ✓ Also explaining the overview, roles, and main activities of each committee throughout the year, which are not fully covered in the corporate governance report
- ✓ Presenting the fundamental approaches and key focus areas of each committee

【Nominating】Our approach concerning the composition and skills of the Board of Directors, Identifying future management talent and an environment where people can upgrade their skills, Our approach concerning the nomination of candidates for Representative Executive Officer

【Compensation】Policy for determining compensation for Executives, Evaluation and compensation of the Representative Executive Officers & Co-Presidents

【Audit】Monitoring of the internal control system by the Audit Committee and Audit Department, Enhancing the effectiveness of the group-level audit by the Audit Department







# Risk Management

→ Integrated Report p. 91

## Explaining our risk management framework, built on the internal control system autonomously operated by each PCG

### Summary of the “Group management system”

Summary of the “Group management system” in the Basic Policy on Internal Control System

**Oversight of PCGs**  
Prior approval rule for important matters and timely reporting system of incidents with material impacts

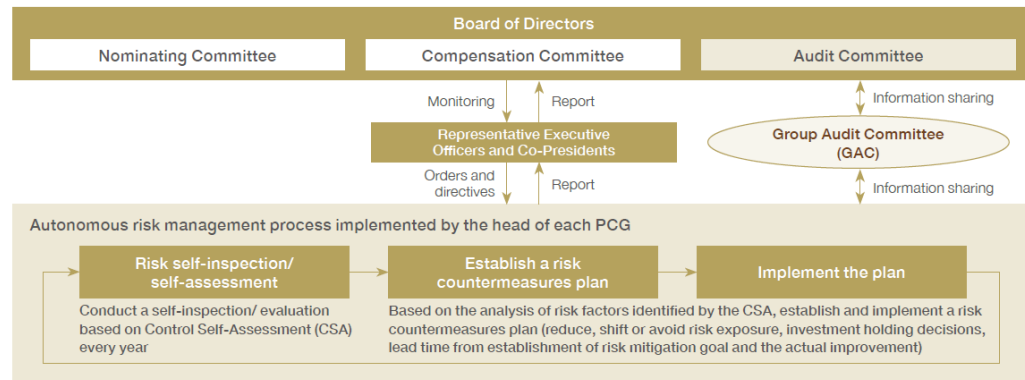
**Direct participation of the Co-Presidents in main partner company meetings**  
Participation of Co-Presidents and other executive officers in important meetings of important partner companies

**Election/Dismissal of the heads of PCGs**  
Evaluations and decisions that include financial and non-financial considerations such as responsibilities for internal controls

**Group audits based on the “Audit on Audit” system**  
Oversight utilizing the close ties between the NPHD Audit Department and the internal audit unit of each PCG

### Risk management process

The group risk management process



### Priority risk items for FY2023

Risk heat map

Priority risk items for FY2023	Change in risk sensitivity (vs FY2022)	Description of risk and key countermeasures
Risk related to IT use and IT systems	Higher	Management of information assets, data leakage, systems prepared for disasters and other potential disruptions, formulation of information security policies and rules, etc. (Actions) Each PCG is working to establish effective security measures tailored to their real-world situations, and is carrying out training and educational programs for employees to ensure immediate and agile response to various threats
Supply chain risk	Unchanged	Disruptions of raw material supply, exchange rate fluctuations, inventory/logistics management and credit management, etc. (Actions) Each PCG is taking appropriate actions, such as changing raw materials and raising product prices, as well as enhancing operational capabilities by optimizing its supply chain management processes (streamlining logistics, etc.)
Risk related to human capital	Lower	Succession for management teams of the Group (Actions) Each PCG is planning and taking actions on succession plans based on their business plans. Co-Presidents oversee succession plans for key management personnel and share these plans to the Nominating and Compensation Committees
Compliance risk	Slightly lower	Management of classified information and other risk factors that are intensifying in society (Actions) Each PCG autonomously monitors these risk factors through self-inspections and self-assessments and the Whistleblowing Hotline, and takes appropriate actions including employee training programs