

**Integrated Report 2024 Briefing Summary**  
**September 5, 2024**



Thank you for taking the time to join today's briefing on the Integrated Report 2024 amidst your busy schedule. I'm Ryosuke Tanaka, General Manager of Investor Relations.

During this session, I'll be covering the key highlights of the Integrated Report 2024, which was published at the end of July.

Thanks to the valuable suggestions and feedback from our investors, we were able to release the 2024 edition two months earlier than last year. Your expert insights helped us swiftly identify areas for improvement and streamline the production process. We sincerely appreciate your ongoing support and collaboration.

As we turn our attention to the 2025 edition, we look forward to incorporating the insights shared in today's discussion. Your continued feedback will be instrumental in shaping the next report.

## 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

Let me begin by outlining the purpose of today's briefing.

We have three key objectives:

- (1) This year's Report has been condensed to 100 pages, making it more concise and accessible. In this briefing, I will highlight the key sections that deserve your attention to ensure efficient reading and a clearer understanding of our strategic initiatives focused on Maximization of Shareholder Value (MSV).
- (2) The insights we've gathered through our engagement with investors—covering our unique business model, management strategies, and sustainability initiatives—will be used to enhance our future corporate management and Investor Relations activities.
- (3) These initiatives will support the maximization of PER and provide valuable guidance for the planning of the 2025 edition of the Report.

**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"



The editorial policy for the 2024 edition was shaped by three primary objectives:

- (1) To clearly articulate the strengths of our Asset Assembler model and present a rational and logical narrative that demonstrates our ongoing efforts to maximize EPS
- (2) To showcase the exceptional value of our human capital from various angles, emphasizing both corporate management and business operations
- (3) To provide a deeper analysis of key topics that are highly relevant to capital markets, such as "Management with a Focus on Stock Price," "Our Strategy for Maximizing PER," "Our Approach to ROIC," and "Our Relationship with the Majority Shareholder and the Protection of Minority Interests"

The Report was developed following the structured process outlined on the right of the presentation.

Each year, management's involvement in the production of the Integrated Report has grown. For this edition, we received substantial support and collaboration not only from Co-Presidents Wakatsuki and Wee but also from Lead Independent Director Nakamura, Chairman Goh, and our Group partner companies across the globe. This collective effort from leadership and partners was key to the Report's development.

The quality of the Report has steadily improved over time, driven by the invaluable feedback we've received from investors. We are committed to using the Integrated Report as a tool to further strengthen our engagement with investors.

## 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 as 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

This page highlights the key enhancements we intentionally implemented in this year's edition.

One of the standout features is the inclusion of more detailed explanations and numerous case studies, offering greater depth and practical examples compared to previous editions. These additions provide clearer insights into our strategies and operations.

Specifically, items 1, 2, 3, 4, 6, 7, 8, and 9 exemplify the deeper explanations featured in this edition. Items 1 and 2 focus on the "prudent management stance and risk-averse approach" that form the foundation of our Asset Assembler model, along with our strength in driving organic growth, as outlined in our Medium-Term Strategy. Items 3, 4, and 9 address measures and approaches that align with topics frequently discussed with investors during our regular IR activities.

Items 1, 2, 5, 6, and 11 feature specific case studies that illustrate key aspects of our business strategy. In items 1 and 2, we showcased examples such as DuluxGroup, Betek Boya, and Alina in Kazakhstan to demonstrate how our group collaboration leverages our platform through autonomous and decentralized management. Items 5, 6, and 11 address investor feedback requesting clearer explanations of the connections between financial and non-financial factors, supported by additional case studies to enhance the understanding of our management strategy. While not all case studies could be included in the Integrated Report, we have streamlined our information disclosure system. As detailed in item 11, many of these case studies are available on our website for further exploration.

## 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>

Let me begin by expanding on the first key point: "conciseness."

In response to investor feedback, particularly the suggestion to streamline the Report for a more focused presentation of key points—especially to engage a broader audience, including fund managers—we made a concerted effort to reduce the Report's length. As a result, we successfully condensed this year's edition by nearly 30%, bringing it down to 100 pages while maintaining the depth and clarity of our core content.

Although we introduced more new content compared to the previous edition, regular sections with minimal updates, supplementary case studies, and essential data have been relocated to our website.

Moreover, the "Asset Management Report," which had been a regular feature in past editions, has been published as a standalone document, now accessible online.

This reallocation allowed us to dedicate more space in the Integrated Report to the topics that matter most to our investors and that we are eager to highlight, making it a more focused and valuable resource for discussions.

(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/i-fq/#2023">https://www.nipponpaint-holdings.com/en/ir/library/annual_report2023/i-fq/#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>

This page provides examples of the more detailed explanations and specific case studies that have been made available on our website since last December, offering greater depth than previous Reports.

Items marked with a star particularly highlight examples that demonstrate the effectiveness of the Board and management execution, as well as their direct connection to EPS maximization. We encourage investors to use the Integrated Report for overarching policies and strategies, visit our website for detailed data and case studies to gain a deeper understanding, and consult the Investor Book for fundamental information and data tailored to entry-level investors.

NIPPON PAINT HOLDINGS CO., LTD.

**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.

**MSV**

■ P11 Message from Co-President Masahiko  
■ P12 Message from Co-President Masahiko

**EPS**

**Maximize EPS**

Two pillars of EPS maximization:  
1. Organic growth in existing business  
2. Strategic M&A

We seek to maximize both pillars through operational initiatives as well as (disciplined) M&A accompanied by ideal financing.  
We pursue the maximization of EPS rather than just net income. Simply put, EPS dilute share issuance can undermine shareholder value even if net income increases.

**PER**

**Maximize PER**

PER basically reflects capital markets' expectations of the company's EPS growth. We focus on increasing our PER by using a variety of fit activities, a carefully formulated finance strategy, sustainability initiatives, as well as assembling quality assets to raise our EPS growth potential.

### 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.

**MSV Logic Tree**

- Sustainability**
  - 1. Environmental & Safety: 1. Develop low-carbon eco-friendly products
  - 2. Ensure safe people and operations
  - 2. People & Customers: 1. Nurture high-quality employees
  - 2. Earn the trust of stakeholders
  - 3. Environmental & Product Innovation: 1. Develop sustainable products (EPS) / Partner CSR
  - 2. Chemistry of concern
  - 3. Customer Centricity: 1. Product management
  - 2. Encourage innovation
  - 3. Sustainability Management: 1. Environmental and sustainability commitment
  - 2. Sustainable Procurement: 1. Reduce environmental and human rights risks
- Clearly integrating sustainability into our business operations is the prerequisite for MSV**
  - P10 Environmental Strategy
  - P11 Safe People and Operations
  - P12 Human Resource Strategy
  - P13 Growth with Sustainability
  - P14 ESG Strategy
- Organic (existing) businesses**
  - 1. EPS growth backed by continuous and operational management
  - 2. Improve market share and profitability
  - 3. Utilization of our Asset Reconfiguration platform
- Strategic M&A**
  - 1. Fully target-oriented to gain the selection
  - 2. Drive to lower funding cost and maximize high EPS
- Balance-sheet management**
  - 1. Debt leverage with market acceptance
  - 2. Stable financing with EPS increase
- Communications with capital markets**
  - 1. ESG/ESG/ESG + ESGES engagement
  - 2. Proactive disclosure material

Let me walk you through the structure of the 2024 edition.

On pages 3-4, we present our Logic Tree that outlines how shareholder value is maximized, which is our sole mission. A key highlight of this year's Report is the clear and logical presentation of the specific strategies and initiatives that drive the maximization of both EPS and PER, which is consistently emphasized throughout the document.

Our sustainability initiatives, efforts in existing businesses, M&A activities, balance sheet management, and communication with capital markets are all strategically aligned to maximize EPS and PER, with the ultimate objective of achieving MSV.

Each element in the Logic Tree clearly outlines our actions and demonstrates how we intend to accomplish MSV.

## (For Reference) Evolution of Our Integrated Report

Phase Year	Initial phase	Foundation-building phase (paint manufacturer)	Innovation phase (pursuing uniqueness highlighting our Asset Assembler model)	
	~2019	2020-2021	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>	-

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For your reference, we have outlined the evolution of our Integrated Report.

Since enhancing our IR framework in 2019, we have steadily improved the Report, which has become a vital communication tool with our investors.

We are now in a phase where we focus on conveying our unique approach as Asset Assembler, moving beyond the conventional boundaries of a paint company. Through ongoing engagement with our investors, we aim to further refine and advance the Report to better reflect our strategy and vision.



## 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

Let me walk you through the key points of each section.

Starting with the Messages from the Co-Presidents, our company operates under a distinctive Co-President structure. Co-President Wee is primarily focused on maximizing EPS, while Co-President Wakatsuki is dedicated to maximizing PER. Together, their leadership drives our Group's unified pursuit of MSV.

In this section, both Co-President Wee and Co-President Wakatsuki share their insights and vision, with each message reflecting their respective roles and responsibilities.



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## 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

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In Co-President Wakatsuki's message, titled "Unlocking the Growth Potential of Our Platform to Achieve Unlimited Shareholder Value Creation," he shares his personal beliefs and philosophy, emphasizing his approach to maximizing PER.

For example, in items 1, 2, and 3, Co-President Wakatsuki articulates the core of our Asset Assembler model, which focuses on sustainable EPS compounding with minimal risk through both organic and inorganic growth strategies.

Additionally, in items 4, 5, 6, and 7, he reinforces our commitment to being recognized by the capital markets as an EPS Compounder, one that consistently and securely drives EPS growth. This, in turn, aims to raise market expectations for our sustainable EPS growth, ultimately maximizing PER. He also discusses the benefits of autonomous and decentralized management, considering both financial aspects and non-financial factors such as human capital and sustainability.

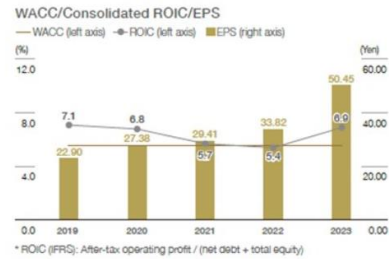
In essence, our company has the capability to unlock the growth potential of its platform, which encompasses key assets such as brand, talent, technology, and expertise. By leveraging these strengths, we are able to maximize shareholder value effectively.

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



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
Acquisition (Profit)	3.8%	4.2%	5.9%	6.9%	8.9%
Goodwill	6.6%	10.8%	8.9%	12.0%	12.0%
PT Assets	3.7%	5.3%	6.6%	6.6%	6.6%
Goodwill	-	-	2.9%	0.7%	-
Average	-	-	-	5.3%	-

\* ROIC (IFRS) after tax operating profit after the amortization of intangible assets, acquisition cost including interest on acquisition debt, and goodwill (net of impairment) divided by (net debt + total equity) (excluding cash and cash equivalents). The ROIC calculation for Goodwill (Profit), Goodwill, and AIB included the 1st AIB (Goodwill) were excluded from the ROIC calculation.

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

	2019	2020	2021	2022	2023
Acquisition (Profit)	9.7%	10.8%	12.8%	12.8%	12.8%
Goodwill	16.8%	21.7%	14.6%	22.0%	22.0%
PT Assets	-	13.8%	16.6%	16.6%	16.6%
Goodwill	-	-	6.6%	7.8%	-
Average	-	-	-	16.6%	-

\* ROIC (IFRS) after tax operating profit after the amortization of intangible assets, acquisition cost including goodwill for including goodwill, intangible assets, and cash and cash equivalents, net of impairment, divided by (net debt + total equity) (excluding cash and cash equivalents). The ROIC calculation for Goodwill (Profit), Goodwill, and AIB included the 1st AIB (Goodwill) were excluded from the ROIC calculation.

Next, turning to our financial strategy:

In response to the growing number of investor inquiries about ROIC, we have provided a more comprehensive explanation of our approach this year, addressing two specific questions related to our consolidated ROIC performance.

While some investors view ROIC as a key metric, our emphasis on low-risk, good-return M&A, which targets secure opportunities that drive EPS growth, indicates that assessing our potential based solely on consolidated ROIC may not fully capture our strategic value.

We aim to incorporate this perspective into future discussions with investors.



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## 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

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In Co-President Wee's message, titled "Realizing Sustainable EPS Compounding Through the Implementation of Our Asset Assembler Model," he delivers a powerful message, supported by specific examples that highlight our strategy in action.

For example:

- (1) He highlights DuluxGroup, which became part of our Group in 2019, as a prime demonstration of our Asset Assembler model in action. DuluxGroup has maintained its autonomy while leveraging our Group's financial strength and management resources to drive further growth.
- (2) He also introduces the Selleys brand and Dunn-Edwards as examples of fostering organic growth through collaboration among partner companies, supported by our autonomous and decentralized management approach.

Additionally:

- (3) Co-President Wee emphasizes the importance of "people," "talent," and "organizational agility" as core pillars of sustainability. He shares his unique insights on the qualities he looks for when identifying exceptional management teams and offers his perspective on fostering effective organizational dynamics.

Moreover:

- (4) Co-President Wee discusses our goal of achieving "value creation through a focus on technological innovation," providing updates on current progress and outlining risk mitigation strategies from his distinct vantage point.



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 centrality

Next, Co-President Wee addresses practical strategies for overcoming challenges to sustain EPS compounding.

- (1) Focusing on NIPSEA Group, he highlights their ability to balance growth and profitability through adept execution of strategic adjustments, even in the face of numerous unforeseen challenges.
- (2) For Japan Group, Co-President Wee highlights initiatives designed to build a stronger profit-generating platform through organizational reforms and functional integration. This includes leaders taking on multiple roles to strengthen group cohesion, revitalizing the marine business, enhancing collaboration within the technology division, and launching task forces aimed at exploring new markets.
- (3) In the automotive business, he outlines efforts to create a customer-focused global cooperation framework.

Co-President Wee presents these practical initiatives with his distinctive narrative style, reflecting his leadership in overseeing operations.

# 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

**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, know-how, brands, etc. across the Group

Relentlessly pursuing unlimited upside in shareholder value

**Assumptions (medium- to long-term outlook)**

- Ever-present macroeconomic uncertainty
- Low-risk, good-return regions globally
- Japan-based advantages (Japan's high interest rate gap, consumer trust in Japanese brands, etc.) are likely to persist

**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.

**Features**

- A model focused on low-risk and steady EPS compounding via organic and inorganic initiatives
- Capital markets' confidence in our Asset Assembler model will boost PER, enabling MSV
- Unlocks unlimited growth potential for us

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.

NIPPON PAINT GROUP

**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**

1. Accumulating excellent assets (newly acquired brands, talent, and technology)
2. Aggressively sharing and leveraging technologies, channels, know-how, brands, etc. across the Group
3. Relentlessly pursuing unlimited upside in shareholder value

**Inorganic – Advantage of lean headquarters**

1. Our ability to utilize Japanese yen
2. The capability of our M&A activities
3. Our ability to attract new assets to our Group

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Now, let me provide an overview of our Asset Assembler model and its competitive advantages in driving MSV.

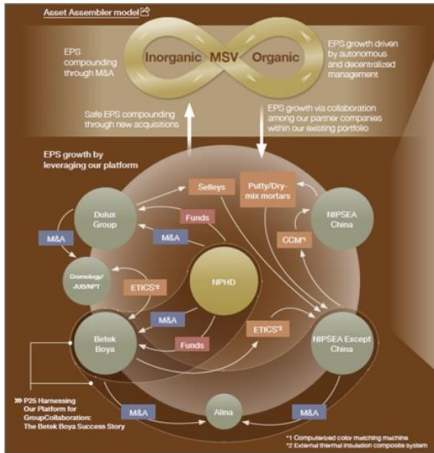
Aligned with our Medium-Term Strategy, we emphasize the strengths of our Asset Assembler model in achieving sustainable EPS compounding through both organic and inorganic growth strategies.

In response to investor feedback requesting further details on the benefits of our autonomous and decentralized management approach, we have outlined three key advantages that maximize the potential of our assets to drive organic growth.

For inorganic growth, we have also explained three advantages that allow us to pursue low-risk, sustainable EPS compounding by acquiring excellent assets that consistently generate stable cash flow.

# Our Platform That Underpins Autonomous and Decentralized Management

→ Integrated Report p. 23



### Harnessing Our Platform for Group Collaboration: The Betek Boya Success Story

**Case 1: Benefiting from capital injection by NPSID**

Betek Boya, a subsidiary of Nippon Paint Group, has been able to expand its business in various regions, both operationally and financially. By utilizing the financial resources provided by NPSID, Betek Boya successfully obtained the existing brand and substantially enhanced its cash flow. With the weight of financial obligations lifted, Betek Boya reinforced its effective research, operations, marketing, and financing activities, thereby strengthening its market presence and driving its market share expansion.

Betek Boya, a subsidiary of Nippon Paint Group, also allowed Betek Boya to immediately tap on economies of scale and gain benefits across the entire value chain, including marketing, purchasing, finance, technology, human resources, and information systems, etc.

With the backing of Nippon Paint Group, Betek Boya achieved its market share expansion efforts by introducing a dealer program that was adopted by 4,000 dealers nationwide and increasing its marketing investments to enhance brand awareness and recognition.

**Case 2: Multi-brand strategy implemented in an inflationary environment**

Betek Boya provides an extensive array of color options for every surface, offering interior and exterior paints across four distinct brands: NIPPON PAINT, F&B, F&B/CR and Tropic. Each brand is tailored to specific market segments and customer demographics, aiming to deliver high-quality products to end consumers.

Amidst challenging economic conditions, Betek Boya observed two distinct and emerging consumer preferences. With a decline in purchasing power, consumers are becoming more cost-conscious, gravitating towards the economic segment, as well as towards products offering enhanced value and reliability for money. Over the span of recent years, there has been a significant shift in labor and product costs. The emphasis on products that attract labor and save time is gaining, prompting the development of new initiatives within the product portfolio design.

Betek Boya is actively seeking strategies to cater to value-seeking consumers with the Regispa brand, F&B Boya. To bolster and elevate brand appeal, Betek Boya is introducing exclusive services through its specialized dealership networks and expanding accessibility via modern sales channels, particularly focusing on e-commerce. Positioned as a mid-range brand, F&B Boya provides high-quality, apartment-grade products accessible to a wide market segment. This approach has distinctively positioned F&B Boya as the sole paint brand among Turkey's top 10 trusted brands, underlining its exceptional performance.

**Medium to long term**

After, Alena aims to venture into other value-orientation Consumer System (EPCS), leveraging on Betek Boya's leadership in the introduction innovative methods to significant market growth with the potential possible for providing better insulation and

**Paint market share (in billions)**

Alena 30%

Betek 21%

F&B 20%

F&B/CR 19%

Tropic 10%

Others 1%

Presenting our platform that underpins autonomous and decentralized management, along with examples of collaboration among group companies leveraging the platform

Next, let me explain "Our Platform That Underpins Autonomous and Decentralized Management."

The stable, ongoing growth of our existing businesses is driven not only by the exceptional management teams in various regions but also by the effective operation of our platform. This platform provides key management resources, such as financial strength, technological capabilities, and brand power, which each partner company leverages to fuel their growth.

In this section, we highlight Betek Boya, which joined our Group in 2019, as a prime example of group collaboration. We emphasize the impact of our capital investment, the implementation of a multi-brand strategy incorporating the "Nippon Paint" brand, and the successful expansion into the Kazakhstan market.

# Management Focused on Stock Price

→ Integrated Report p. 27

### Management Focused on Stock Price

We are pursuing our mid-term 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 few years, our stock price has outperformed the TOPIX chemical sector average and the average of our competitors, supported 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 raising capital markets' expectations.

#### Historical stock price trends

→ MSV → raised our valuation (earnings) → TOPIX chemical sector average

#### Historical EPS trends

→ MSV → raised our valuation (earnings) → TOPIX chemical sector average

#### Historical PER trends

→ MSV → raised our valuation (earnings) → TOPIX chemical sector average

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

	From FY2014 to FY2023			From FY2020 to FY2023			From FY2022 to FY2023			
	Stock price	EPS	PER	Stock price	EPS	PER	Stock price	EPS	PER	
MSV	+10.7%	+144.8%	+17.7%	+61.1%	+105.8%	+17.1%	+12.2%	+107.8%	+22.2%	+3.1%
Average of our competitors	+42.7%	+151.1%	+35.4%	+17.0%	+121.8%	+70.8%	+13.0%	+113.8%	+4.4%	+4.4%
TOPIX chemical sector average	+27.4%	+12.0%	+45.1%	+28.1%	+125.4%	+44.6%	+25.4%	+125.4%	+25.4%	+8.1%

**Macroeconomic factors**

(1) Rapid rise in long-term U.S. interest rates and appreciation of the leading dollar led to a decline in investment spending, especially in the U.S.

(2) Tightening of high-value-added services such as health and medical equipment with low liquidity, leading to weak domestic demand.

(3) Deterioration of global economic performance by ongoing developments and tightened regulations on both companies in China since 2022.

→ Global shift 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**

(1) TOPIX chemical sector average (EPS) has improved significantly, mainly attributed to stocks of companies that have bounced back from a slump in demand supported by the pandemic, since 2021 and have benefited from the year's depreciation.

(2) Average of our competitors' EPS (EPS) valuation ratios declined from 2021 to 2023, influenced by the macroeconomic factors.

(3) Although our PER follows a similar trend to the TOPIX chemical sector average, our business value of China made up for much of the 14% compound average profit. Our financial strength, and China's recovery led to a depreciation of the yuan, which led to a substantial loss conversion after the macroeconomic rebound.

### Management Focused on Stock Price

**Analysis of current situation and future direction**

An analysis of the price-to-earnings ratio (PER) has significantly increased over the past few years, with our PER significantly higher than the average of our competitors. However, 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 anomalies 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**

→ Focusing on the Maximization of both EPS and PER Towards the Achievement of MSV

**Stock price = EPS × PER**

→ c.¥1,000 (EPS) × c.20 times (PER) = c.¥20,000 (Stock price)

**Cost of shareholders' equity**

→ expected rate of return

→ c.20 times (PER) × 9.5% (ROE) = c.1.7 times (PER)

**Future direction**

- Original EPS CAGR target +10~12%
- Accelerate EPS compounding through aggressive M&A activities
- Develop capital market perception and expectations in the business sector of the management team
- Develop capital market perception and expectations of growth potential and profitability

**Key initiatives**

- Accelerate EPS compounding across both organic and inorganic growth, leveraging the combined value of organic growth and inorganic growth through M&A activities
- Promote understanding of our business model, track record and growth potential
- Encourage recognition of our portfolio as a collection of low-risk assets
- Enhance investor engagement opportunities and dialogue requests
- Continuous improve the individual ROIC of acquired companies
- Accelerate EPS compounding through aggressive M&A
- Purchase low-cost capital through debt financing
- Enhance cash generation capability by improving working capital
- Place debt when there are no M&A activities
- Implement debt financing in order to maintain a stable debt composition

**For reference (the points of analysis presented by ISE)**

(1) Market evaluation (EPS/PER)  
(2) Returns on capital (ROE/ROIC)

→ ROIC: 9.5%  
→ Financial leverage: 2.0 times

**MSV Asset Allocation Model**      **PER Risk Strategy for Maximizing PER**

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

Next, let me explain our approach to "Management Focused on Stock Price."

The recent decline in our stock price, despite EPS growth, has been a recurring topic in investor discussions. In response, we have analyzed the contributing factors, considering macroeconomic conditions, sector trends, and our internal stock price analysis. Based on these insights, we have outlined our strategic direction moving forward.



# 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) narrowing 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

Concission from capital markets of our sustainable EPS compounding

**Enhanced engagement**  
(IR, conference, etc.)

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

**Enhanced disclosure**  
(Investor report, etc.)

2 Showcases the potential for future EPS growth within our current portfolio

1 Clearly present our business model and proven track record

Market concern for China      Underestimation of our growth prospects      (1) Analyzing perception gap in capital markets

### Our Strategy for Maximizing PER

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

(a) Our stock price analysis (in comparison with the TOPIX chemical sector average and the average of our competitors), as IR management focuses on these three:

- Over the past five years, our stock price has outperformed the average of our competitors, indicating strong EPS growth.
- From 2021 to 2022, our stock price was impacted by the decline in PER.

(b) Performance analysis of our China business

In comparison with Chinese macroeconomic indicators

- Revenue from our TUC segment has historically outpaced the growth rates of commercial and residential property sales areas. We observe a clear correlation between our TUC revenue and macroeconomic indicators.
- Revenue from our TUC segment has historically grown faster than the rate of growth of macroeconomic indicators.

In comparison to our local competitors, our Group's dependence on the Chinese market is lower, and our margin is higher.

(c) Correlation analysis between PER and revenue growth in the paint industry

As a result of PER for 2022 and the average revenue growth forecast from 2023-2025 (both based on analyst consensus) alongside within the paint industry reveals a strong positive correlation (R<sup>2</sup> of 0.718), indicating a strong connection between these two factors.

In our Medium-Term Strategy, we projected a medium-term consolidated CAGR of 8.8% for our revenue based on our 2023 portfolio, which includes our recombination operations and the new-to-business. However, analysis (steps) as shown in the chart below indicates a lower growth rate for our revenue at 6.6%, falling in line with the regression line. Considering our aggressive M&A strategy, we predict that the above intention may not be depicting our growth potential.

Correlation analysis of PER and revenue growth

Source: Capital IQ (Fitch I/B/E/S), IR Report Research. The regression line was calculated by analyzing Chinese companies.

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

(a) Our approach, business model, and track record, as IR Asset Assembly Model

- Sustainable compounding of EPS, often by both organic and inorganic growth
- Strategic effects realized from the advantage of our Asset Assembly model

(b) Growth potential within our existing portfolio, which Medium-Term Strategy encompasses

- High in medium-term consolidated CAGR of 8.8% for our EPS
- High growth potential within our existing portfolio, which Medium-Term Strategy encompasses
- High degree of operational separating via M&A
- High degree of future growth potential, as the M&A strategy and operations of future growth potential

(c) Our price M&A model, which assumes EPS accretion from Year 1, even with large trade expectations, paves the way for further enhancement in EPS.

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

(a) Enhancing opportunities for investor engagement

- Increase our meetings with investors, particularly targeting those in the US and Europe, new investors, and global investment funds
- Actively participate in conferences hosted by US, Japan, and overseas

(b) Enriching our disclosure materials

- Integrate our report to provide greater opportunities to key topics of interest, such as our Asset Assembly model and our commitment to providing timely operational updates.
- IR activity presents case studies that highlight our innovations and future resource strategy, and explore the results of our cross-functional collaboration with the Group.

(c) Expanding IR events

- Continuing exploring our "IR Day," which will serve as an extension of the "Small Investor Meeting with Co-Executives" and "Small Investor Meeting with Board Chair" and we plan to expand it.
- Continue to hold the Medium-Term Strategy briefing and M&A briefing

**Decide**      **Action**

**Observe**      **KPIs of IR activities (2022-2023)**

IR activity plan (2024)	IR activity	IR activity	IR activity
IR activity	IR activity	IR activity	IR activity
Qualitative assessment: domestic and international investor meetings	Domestic and international investor meetings	Domestic and international investor meetings	Domestic and international investor meetings
Investor report	Investor report	Investor report	Investor report
Domestic and international investor meetings	Domestic and international investor meetings	Domestic and international investor meetings	Domestic and international investor meetings
IR events	IR events	IR events	IR events

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

NIPPON PAINT GROUP

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In the section titled "Our Strategy for Maximizing PER," we outline specific initiatives along with a detailed explanation from our Medium-Term Strategy. This is divided into three key steps: "gap analysis," "key areas requiring deeper understanding," and "methods for enhancing comprehension."

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# Strategy by Asset (1)

## Indonesia Business Strategy

Asset Strategy Aimed at Compounding Sustainable EPS (1)

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

**Navigating the decorative paints landscape**

By strategically catering to the entire spectrum—economy, middle, and premium—NPP hopes to well-positioned to maintain Indonesia market leadership. Our differentiated product offering and aggressive brand positioning ensure we capture the full potential of this exciting market.

Market growth forecast (2024-2028)  
Decorative: +3.1% (Revenue) / +4.6% (EPS)  
Industrial: +2.1% (Revenue) / +3.2% (EPS)  
Our medium-term forecast (2024-2028)  
Revenue CAGR: c. +3.2%  
2024-2028 EPS CAGR: c. +3.5%

## China Business Strategy

Asset Strategy Aimed at Compounding Sustainable EPS (2)

**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 crucial to China's economy. As selective policies ease the real estate market to ease urban real estate environment, leading to growing demand for aesthetic living spaces due to rising income, home growth also includes renovation, brand renovation, and home renovation. As of November 2023, China's housing stock, accounting for about 40% of home decoration, stands at 13.4 billion square meters, growing steadily at 5.4%. The sector suggests a future increase in housing 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 cities, with high-level economic development and the post-80s and post-90s generations as the consumers, are using increased demand for color and personalization. The main competitors in Tier 1 and 2 cities are a major brand and several local brands. The major brand, known for high quality, targets young consumers through strategic marketing, while the local brands are focused on innovation and price competition to us 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.

Market Segment	Revenue (Billion RMB)	Market Share (%)
Tier 1-2 cities	85,347 (67%)	488.2 (67%)
Tier 3-6 cities	41,362 (33%)	200.0 (33%)
Subtotal	126,709 (100%)	688.2 (100%)

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

Next, I will explain the "Strategy by Asset" section.

This year, in addition to outlining our China business strategy, we have expanded our focus to provide a deeper analysis of our Indonesia business strategy.

Using a fresh perspective, we present specific strategies and initiatives based on an analysis of the current business environment. We highlight how we are leveraging key growth drivers, including brand strength, distribution channels, and human resources, to achieve our objectives.

# Strategy by Asset (2)

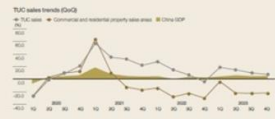
## Highlighting four key facts to clarify the reasons behind the difference between our performance and trends in Chinese macroeconomic data

### 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.

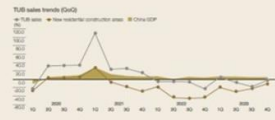
#### Reason 1 TUC revenue growth has been markedly outpacing the growth in commercial and residential property sales areas

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 the 3-6 cities. These cities are also considered to foster 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 network, the large number of Completed Our Housing (COH) projects, 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 2023, our TUB revenue growth has consistently 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, education, infrastructure, as well as interior decoration companies and contractors, (3) pursuing the expansion into such as suburban and construction overseas (CO). 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 chronic 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 TUC and automotive businesses against the overall 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 changing business environment, we achieved 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 easy due to its BCC 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 the BCC brand business, (2) the creation of demand and improvement in margin through the expansion of COH deployment, (3) our "Asset Light Strategy," (4) the sheer size of the enlarged Group that allows us to leverage our economies of scale and top-up resources stemming 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.

Change from 2022	2023
Revenue*	+1.1%
Adjusted**	+2.5%
EBIT	+13%
Profit	+7%
OP margin†	+2.6%
TUC revenue/China decorative business**	6.70%

\* Excludes loss from subsidiaries

† Excludes loss from subsidiaries

\*\* In FY1 Medium-Term Strategy review scenario

†† In FY1 China Business Strategy

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

As Asset Asset, we build 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-anchored competitors who are heavily dependent on a single geographical market. Furthermore, our operations in Asia Excl. China continue to achieve sales growth and an operating profit margin that outpace those from our China operations.

	Revenue	OP
Revenue	33%	23%
OP margin	36%	32%
Revenue growth (FY1)	+1.1%	+12.2%
OP margin	+2.6%	+1.4%

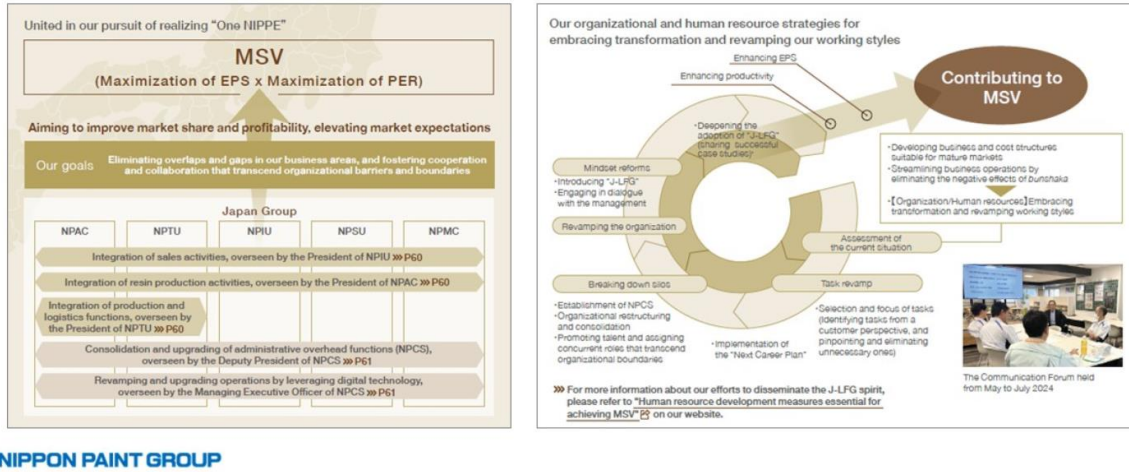
Next, we present a column titled "Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators."

Building on the positive feedback from last year, we have expanded this section. Our stock price is often more influenced by news flow from China than by our actual performance results. In response to investor feedback, we included this data analysis to offer a clearer understanding of this disconnect and provide more context.

I frequently reference this page during meetings with overseas investors, highlighting three key points: (1) the low correlation between our performance and Chinese macroeconomic data, (2) the stability of our business performance in China, and (3) our growth in regions outside of China. We've noticed that investors are gaining a deeper understanding and confidence in these factors.

### Strategy by Asset (3)

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



Next, I will provide an update on the structural reforms within the Japan Group.

To restore the profitability levels seen in 2017-2018, we are intensifying collaboration efforts across organizational boundaries, led by senior management from each partner company.

This section introduces various projects and initiatives spanning sales, production logistics, administrative functions, and IT/DX, outlining the strategies we are implementing to further enhance profitability.

# 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

Next, in the "Sustainability" section, we have enriched the content with a special emphasis on demonstrating the link between MSV and sustainability, supported by specific examples.

The key enhancements include:

- (1) A detailed explanation and visual representation of the connection between MSV (maximizing EPS and PER) and sustainability, based on valuable feedback from investors.
- (2) Both Co-Presidents have emphasized their commitment to sustainability in their messages, highlighting the benefits of autonomous and decentralized management, as well as value creation through technological innovation, among other key aspects.
- (3) We have provided concise updates on various sustainability initiatives, aligned with the four pillars of the TCFD recommendations, while offering detailed strategies for EPS growth and additional case studies on our website.

# Human Capital

→ Integrated Report p. 7, p. 65

## Human Capital as the Key to Achieving MSV



## Human Resource Strategy



## Strategy by Asset (Indonesia/China)



At the outset of the Report, we clearly position the human resources that underpin MSV. The superiority of our human resources as well 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

We have placed particular emphasis on explaining the significance and advantages of human capital, which serves as the foundation for achieving MSV, from both management and operational perspectives.

While investor focus often centers on our financial metrics, given that our Asset Assembler model drives EPS growth through both existing businesses and new M&A, human capital plays a crucial role at every level—from the Board of Directors and Co-Presidents to the CEOs of local partner companies, managers, and employees. Numerous initiatives are being implemented to leverage human capital to outperform competitors. In this year's edition, we have showcased the strengths, metrics, and examples of our human capital across multiple sections.

# 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	Market growth for sustainable products
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	- 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
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	
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	Development of new products and services to capture climate-related business opportunities
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	- Both for 1.5°C and 4°C scenarios

**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

The key enhancements in the "Environmental Strategy" and "R&D Strategy" sections are as follows:

This year, we aligned the entire sustainability section closely with the TCFD recommendations, covering all four pillars, including governance and strategy. Notable improvements include refining and organizing our climate change scenario analysis and expanding Scope 3 data aggregation to encompass major regions within the NIPSEA Group, including China.

Additionally, we have expanded the examples of our environmental contributions and technological collaborations, both in the Integrated Report and on our website. We also discuss the optimization of expertise and resources across all partner companies, particularly in global research and development efforts.

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



Message from the Board Chair  
See page 76.



Governance Discussions  
See page 87.



Discussions by the Board of Directors (Inda Business Buyback from Wuthelam Group)  
See page 77.



Website (1) Viewpoints of Independent Directors



Website (2) Partnership with the Wuthelam Group, Our Majority Shareholder

Next, I will outline the key points of the Corporate Governance section.

Our corporate governance framework has five distinctive features, which we view as a competitive advantage.

This year, we have placed special emphasis on the first feature: "Thorough protection of the interests of minority shareholders while sharing the common objective of MSV with the majority shareholder." In this context, alongside the fundamental aspects, we have included a message from Board Chair Nakamura, as well as unique content such as "Board of Directors Discussions" and "Governance Discussions," which I will elaborate on later. These sections offer concrete insights into our governance practices, helping to deepen investors' understanding.

Additionally, our website features perspectives from each Independent Director. By exploring these viewpoints, along with the skills matrix of our Independent Directors, we believe investors can gain a more comprehensive understanding of our governance framework.



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— Integrated Report p. 77

## Discussions by the Board of Directors

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

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**Corporate Governance**  
Discussions by the Board of Directors

### India Businesses Buyback from Wuthelam Group

In August 2021, 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, covering 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.

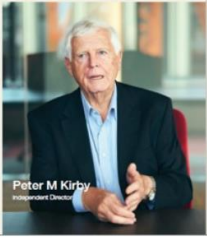
This section presents the key comments made by our Directors concerning this significant transaction.

**Q1** In evaluating the viability of the repurchase transaction, we aim to recall 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).

**A1** The catalyst for reevaluating our India businesses was a comprehensive review of our business portfolio following the full integration of the Asian joint venture in 2021. Our primary aim was to identify and address areas of profitability improvement and market share expansion. India market trends 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, the forced 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.

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 causing 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.

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, reaffirming our belief that the decision made at that time was indeed the right one.



**Peter M Kirby**  
Independent Director

**Q2** Why is now the optimal time for the buyback transaction?

**A2** 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 reassessed that it is the right decision to buy them back now, before that earnings increase further and the repurchase price becomes higher.

On the other hand, the European automotive business is still undergoing restructuring and is therefore not included in the scope of the buyback at this time.

**Q3** 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?

**A3** The successful restructuring of the India businesses over the past two years has led to sustainable profit growth, so 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, India's focus 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.

**Q4** Do you anticipate that local competitors will respond to our market share expansion with large-scale campaigns?


**A4** Major competitors have already launched aggressive campaigns, and the entrance of newcomers from non-paint sectors has intensified market competition. However, we are evaluating various strategies based on comprehensive competitor analysis to secure market share from these major players.

**Q5** When is the buyback of the European automotive business expected to occur?

**A5** 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 utmost caution, performance reviews. We will consider a repurchase when the business reaches the break-even point and we are confident that sustainable profitability is achievable.

**Q6** Will related-party transactions with the parent company likely continue in the future?

**A6** In our current business portfolio, each partner company is capable of achieving autonomous and sustained growth. Therefore, we believe the likelihood of recurring in such options, aside from these three underperforming businesses, is quite low.



**Toshio Morohoshi**  
Executive Director

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Next, we highlight the "Discussions by the Board of Directors," a section that consistently receives positive feedback from investors each year.

This year, we focused on each Director's comments regarding the buyback of our India businesses, which were transferred to Wuthelam Group, our majority shareholder, in August 2021.

In preparation for the Board's resolution in August 2023, we conducted an independent third-party evaluation and formed a special committee to ensure thorough discussions, with particular attention to protecting minority shareholders' interests. This process mirrored the approach taken during the initial transfer transaction. The content showcases the extensive questioning and debate around the soundness of past management decisions and the future outlook for these businesses, offering investors valuable insights.

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# Committee Report

— 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

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As a Company with Three Committees, the Report includes dedicated sections for the report of each committee.

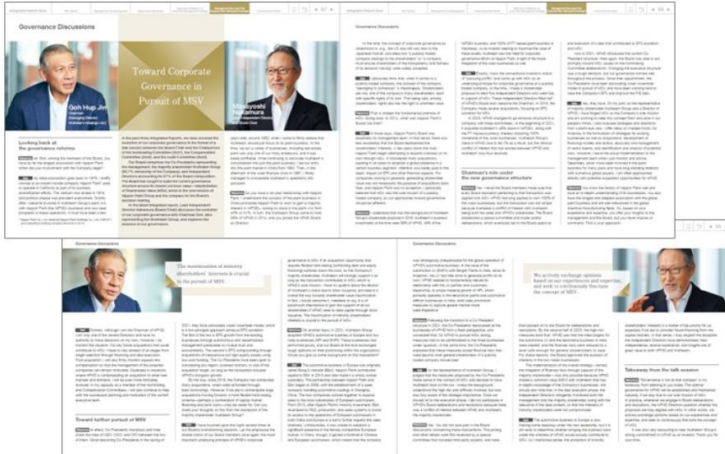
The Chairperson of each committee has provided comments addressing key topics raised in investor meetings. Additionally, the Report offers details not fully covered in the corporate governance report, such as an overview of each committee's roles, positions, and main activities over the past year.

Through charts and tables, we also explain each committee's perspectives and key considerations on issues such as identifying and developing the next generation of leadership, the nomination process for representative executive officer candidates, and the evaluation and compensation of the Co-Presidents.

Governance Discussions

→ Integrated Report p. 87

Featuring the first governance discussion between the majority shareholder/Chairman (Goh Hup Jin) and Board Chair (Masayoshi Nakamura)



Toward Corporate Governance in Pursuit of MSV

- ✓ Looking back at the governance reforms
- ✓ Chairman's role under the new governance structure
- ✓ Toward further pursuit of MSV
- ✓ Takeaway from the talk session

Next is the "Governance Discussions" section.

For the past three years, we have featured discussions between Board Chair Nakamura and the Chairperson of one of our key committees—Nomination, Compensation, or Audit. This year, in response to investor feedback, we organized a dialogue between Chairman Goh Hup Jin, who also represents our majority shareholder Wuthelam Group, and Board Chair Nakamura.

In this discussion, Chairman Goh reflects on his involvement with our company since 1979 and revisits the significant governance reforms that have shaped our organization over the years. He also offers candid insights into his role within the current governance framework and his vision for advancing MSV in the future. We encourage everyone to take the time to read this thoughtful and insightful exchange.

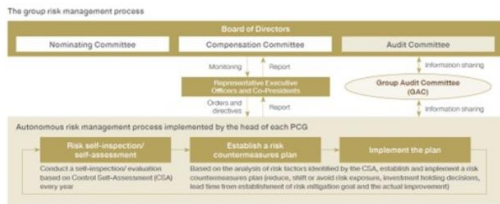
# Risk Management

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

### Summary of the “Group management system”

<p><b>Summary of the “Group management system” in the Basic Policy on Internal Control System</b></p> <p><b>Oversight of PCGs</b> Prior approval rule for important matters and timely reporting system of incidents with material impacts</p> <p><b>Election/Dismissal of the heads of PCGs</b> Evaluations and decisions that include financial and non-financial considerations such as responsibilities for internal controls</p>	<p><b>Direct participation of the Co-Presidents in main partner company meetings</b> Participation of Co-Presidents and other executive officers in important meetings of important partner companies</p> <p><b>Group audits based on the “Audit on Audit” system</b> Oversight utilizing the close ties between the NPHD Audit Department and the internal audit unit of each PCG</p>
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### Risk management process



### Priority risk items for FY2023

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

Next, I will discuss risk management within the context of our Asset Assembler model.

Our company implements risk management through an internal control system that is autonomously operated by each Partner Company Group. In this section, we not only explain the key components and overall risk management process but also offer insights into the priority risk items identified in our annual risk heat map. This includes an analysis of shifts in risk sensitivity and the key countermeasures we have put in place to address these evolving risks.

This concludes my presentation. I would now like to open the floor for the Q&A session.

As we prepare for the 2025 edition, we are eager to integrate candid insights, especially from investors and buy-side analysts, into our planning and production process. Your valuable feedback and suggestions are greatly appreciated.

Thank you for your attention.