

**Integrated Report 2025 Briefing Summary**  
**July 15, 2025**



Thank you for taking the time out of your busy schedule to attend today's briefing on the Integrated Report 2025. I'm Ryosuke Tanaka, General Manager of Investor Relations.

In this session, I will present the key highlights of the Integrated Report 2025, which was released at the end of June.

The 2025 edition was published one month earlier than the 2024 edition, which itself was released two months earlier than the 2023 edition. As a result, we have successfully accelerated the publication schedule by a total of three months over the past two years.

This achievement reflects the valuable input and constructive feedback we've received from our investors, which have helped us continuously refine and streamline the report development process. I would also like to take this opportunity to express my sincere appreciation for your ongoing support, which contributed to the Integrated Report 2024 receiving the Grand Prix at the NIKKEI Integrated Report Awards.

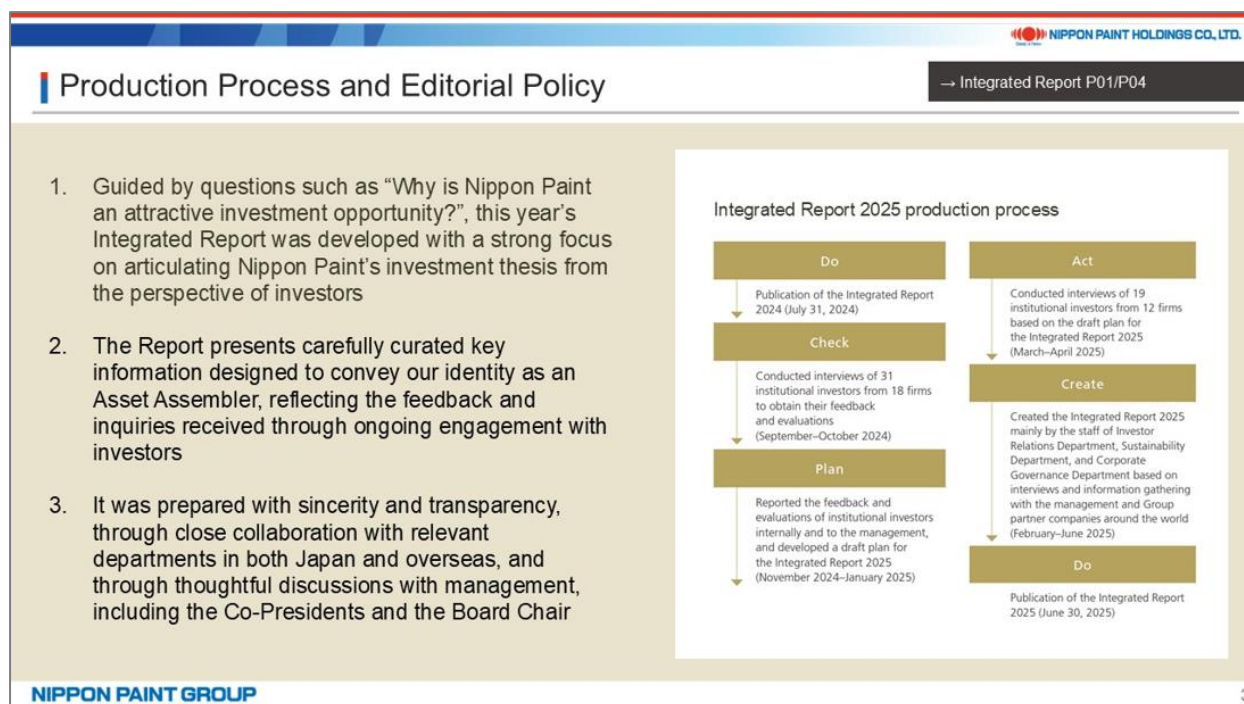
We intend to reflect the valuable feedback and suggestions shared today in the planning and preparation of the 2026 edition. Your candid input is sincerely welcomed and greatly appreciated.

## Objectives of Today's Briefing

1. **Deepen understanding of our strategic initiatives aimed at Maximization of Shareholder Value (MSV) by providing clear and detailed explanations of the key themes in the Integrated Report 2025**
2. **Engage actively with investors on critical topics including our distinctive business model, governance structure, competitive strengths, strategic direction, and sustainability efforts. The insights gained through these discussions will be leveraged to further refine our management approach and strengthen future IR activities**
3. **We aim to maximize our PER by incorporating feedback from today's dialogue, while also collecting valuable insights to help shape the Integrated Report 2026**

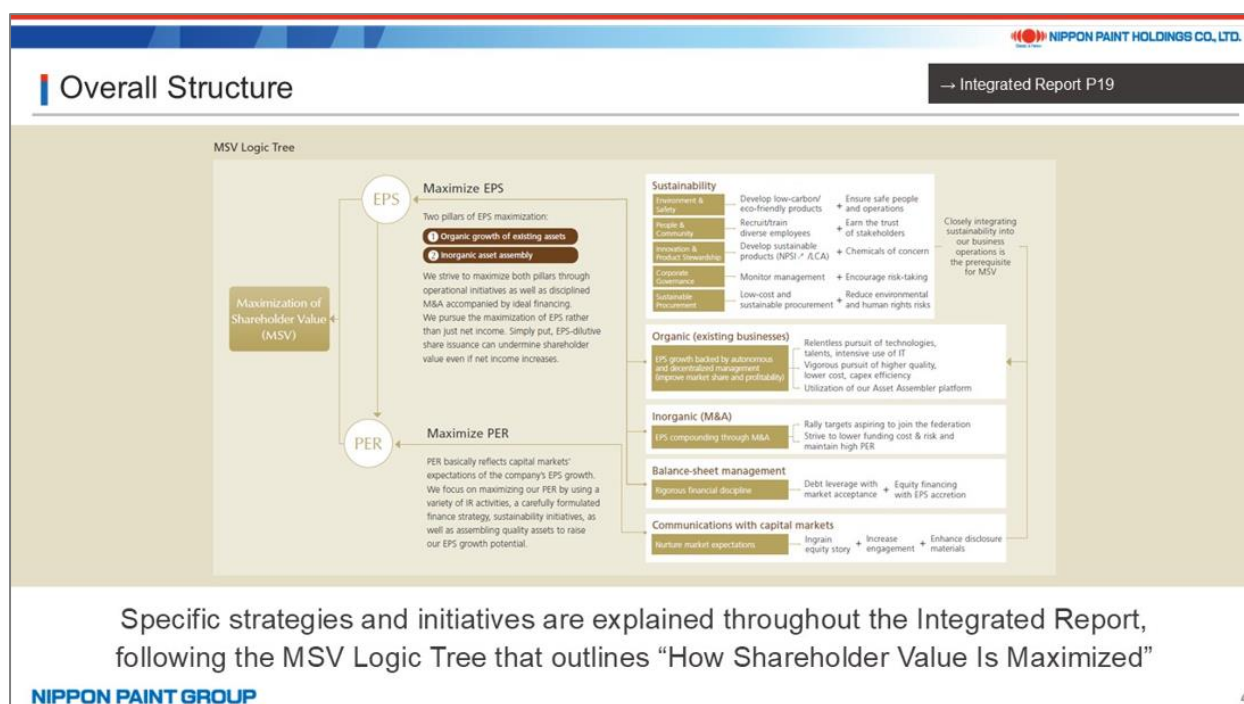
Let me begin by outlining three objectives of today's briefing:

- (1) As with the 2024 edition, the 2025 Integrated Report has been condensed to 100 pages to ensure efficient reading for investors. In this session, I will highlight the key sections that merit your attention, offering a clearer understanding of our strategic initiatives aimed at Maximization of Shareholder Value (MSV).
- (2) The insights we have gathered through ongoing engagement with investors, spanning our unique business model, management strategies, and sustainability initiatives, will be reflected in efforts to further enhance our corporate management and investor relations activities.
- (3) These initiatives are expected to contribute to the maximization of our PER and will serve as valuable input for the planning and development of the 2026 edition of the Integrated Report.



The editorial policy for the 2025 edition was guided by three key objectives:

- (1) To clearly convey the investment appeal of our Group by asking ourselves, “Why is Nippon Paint an attractive investment opportunity,?” with a strong emphasis on the investor’s perspective.
- (2) To validate this perspective, we engaged in numerous dialogues with investors. Drawing on the feedback and questions received, we carefully selected and presented the most relevant information about our Asset Assembler model.
- (3) The content of the Report was shaped through in-depth discussions with management, particularly Co-Presidents Wakatsuki and Wee, and Lead Independent Director Nakamura, and through close collaboration with relevant departments across Japan and overseas, with a continued focus on enhancing both transparency and credibility.



This page presents the overall structure of the 2025 edition of the Integrated Report.

At its core is a Logic Tree that illustrates how shareholder value is maximized. The Report provides a clear and logical explanation of the specific strategies and initiatives we employ to maximize both EPS and PER.

Each initiative, across sustainability, existing businesses, M&A, balance sheet management, and capital markets communication, is aligned with our pursuit of EPS and PER maximization, ultimately supporting MSV. The formulas shown for each area offer a simple yet effective expression of what we aim to achieve and how we intend to achieve it.

## Key Improvements

Areas of focus	Major enhancements
1. Stronger investor focus	<ul style="list-style-type: none"> <li>• New section: "Why Invest in Nippon Paint?" to clearly present our investment appeal</li> <li>• Introduction of an Executive Summary in key sections to support efficient reading for time-constrained audiences</li> <li>• Clearly articulated our perspective in response to investor questions regarding the Asset Assembler model</li> <li>• Analyzed our stock's positioning as a defensive and growth stock</li> <li>• Included comments from Directors on the AOC acquisition as discussed at the Board meeting</li> <li>• New feature: Dialogue between our Independent Director and a global institutional investor</li> </ul>
2. Autonomous and decentralized management: features and advantages	<ul style="list-style-type: none"> <li>• Explained the key features of "Autonomous and Decentralized Management" (reinforced in messages from both Co-Presidents)</li> <li>• Presented practical perspectives of "Autonomous and Decentralized Management" from Co-President Wee</li> <li>• Highlighted case studies demonstrating synergy initiatives across our Group platform</li> </ul>
3. Emphasis on our strengths in M&A	<ul style="list-style-type: none"> <li>• Included comments from the CEOs of AOC and DuluxGroup within the case study section</li> </ul>
4. Expanded inclusion of ground-level case studies and data	<ul style="list-style-type: none"> <li>• Explained growth strategies leveraging brand power and other core strength, supported by specific case study examples</li> <li>• Expanded website content to share practical, on-the-ground solutions to challenges, along with insights from frontline employees</li> <li>• Responded to investor requests by expanding historical data, including figures on retail outlets and CCMs</li> </ul>
5. Deeper integration of sustainability with EPS and PER performance metrics	<ul style="list-style-type: none"> <li>• Enhanced explanations of how sustainability initiatives contribute to maximizing EPS and PER, with concrete examples</li> <li>• Introduced new initiatives to promote employee engagement across the Japan Group</li> </ul>

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This page outlines the key enhancements made in the 2025 edition of the Integrated Report.

Drawing on insights from investor engagement, we placed particular emphasis on the following five areas:

1. Strong investor focus
2. Autonomous and decentralized management: features and advantages
3. Our strengths in M&A
4. Expanded ground-level case studies and data
5. Integration of sustainability with EPS and PER

In today's briefing, I will walk you through each of these enhancements. Of particular note is the fourth point, expanded ground-level case studies and data, which illustrates how our Asset Assembler model and M&A strategy are delivering results through tangible, on-the-ground initiatives.



## Evolution and Enhancement of the Integrated Report

	2023 edition	2024 edition	2025 edition
Format	Vertical 	Horizontal (interactive) 	Horizontal (interactive) 
Total pages	136	100	100
New contents	<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 (Dulux Group)</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>	<ul style="list-style-type: none"> <li>• Why Invest in Nippon Paint?</li> <li>• Autonomous and Decentralized Management</li> <li>• Three Key Investor Questions About Our Asset Assembler Model</li> <li>• How Joining Nippon Paint Group Unlocks Growth and Opportunity (Case Study 1)</li> <li>• Driving Employee Engagement Across the Japan Group (Case Study 5)</li> <li>• Governance Discussions (Dialogue with a global institutional investor)</li> </ul>
Key contents migrated to the website	-	<ul style="list-style-type: none"> <li>• 11-year Selected Business Performance Data/Data by Segment</li> <li>• Key Non-Financial Data</li> <li>• Sustainability contents: Approaches aimed at EPS growth, case studies</li> <li>• Governance contents: History of governance reforms, Discussions by the Board of Directors, Developments of growth strategy, discussions, Meeting of the Independent Directors, Upgrading of the Board of Directors' Office functions, Cross-shareholding policy</li> </ul>	<ul style="list-style-type: none"> <li>• Index Inclusion and External Evaluations</li> </ul>
Other refinement	-	<ul style="list-style-type: none"> <li>• Asset Management Report provided as a standalone volume</li> </ul>	<ul style="list-style-type: none"> <li>• Addition of an "Executive Summary" to key sections</li> <li>• Enhanced the Asset Management Report</li> </ul>

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For your reference, this page illustrates the evolution of our Integrated Report over time.

Since strengthening our investor relations framework in 2019, we have continuously enhanced the Report each year, positioning it as a key communication tool with our investors.

We have now entered a phase where we are proactively promoting our distinctive Asset Assembler model, an approach that extends well beyond the conventional boundaries of a paint company. Over the past year, we have observed a notable increase in interest from overseas investors, particularly first-time engagements, following their review of the Integrated Report. This trend underscores the growing effectiveness of the Report in broadening understanding of our business and countering the limited perception of Nippon Paint as simply a China-focused paint manufacturer.

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→ Integrated Report P07/P11/P30/P40/P93

## Executive Summary Added to Key Sections

**Message from Co-President Wakatsuki**  
Endeavoring with Conviction: Asset Assembly Model in Action  
—Unleashing the Unlimited Potential of Shareholder Value—

**Executive Summary**  
In the first of our integrated strategies, “Endeavoring with Conviction: Asset Assembly Model in Action,” we have outlined our vision for creating shareholder value through the Asset Assembly Model. This model is designed to maximize the value of our assets and enhance our financial performance. We are committed to achieving our goals through this model and ensuring that our shareholders receive the best possible returns.

**Our Finance Strategy Presented by Co-President Wakatsuki**

**Executive Summary**  
Our finance strategy is centered on driving EPR (Earnings Per Share) through our Finance Strategy. We aim to achieve sustainable growth and improve our financial performance by optimizing our capital structure and enhancing our operational efficiency. This strategy is designed to ensure that our shareholders receive consistent and growing returns over the long term.

**Governance Discussions**  
Development of Nippon Paint's Governance as a pillar of the Asset Assembly Strategy

**Executive Summary**  
Our governance discussions are a key part of our Asset Assembly Strategy. We are committed to maintaining high standards of corporate governance and ensuring that our shareholders have a say in the company's affairs. This commitment is reflected in our transparent reporting and our active engagement with our shareholders.

**Message from Co-President Wee**  
Creating Enduring Shareholder Value Through Asset Assembly Excellence

**Executive Summary**  
The success of our Asset Assembly strategy lies in our ability to create enduring shareholder value. We are committed to achieving excellence in our Asset Assembly efforts and ensuring that our shareholders receive the best possible returns. This commitment is reflected in our transparent reporting and our active engagement with our shareholders.

**Autonomous and Decentralized Management: Practical Perspectives Presented by Co-President Wee**

**Executive Summary**  
Our autonomous and decentralized management approach is designed to improve our operational efficiency and enhance our financial performance. We are committed to achieving sustainable growth and ensuring that our shareholders receive the best possible returns. This approach is reflected in our transparent reporting and our active engagement with our shareholders.

To support time-constrained readers, an “Executive Summary” has been included in key sections of the Report

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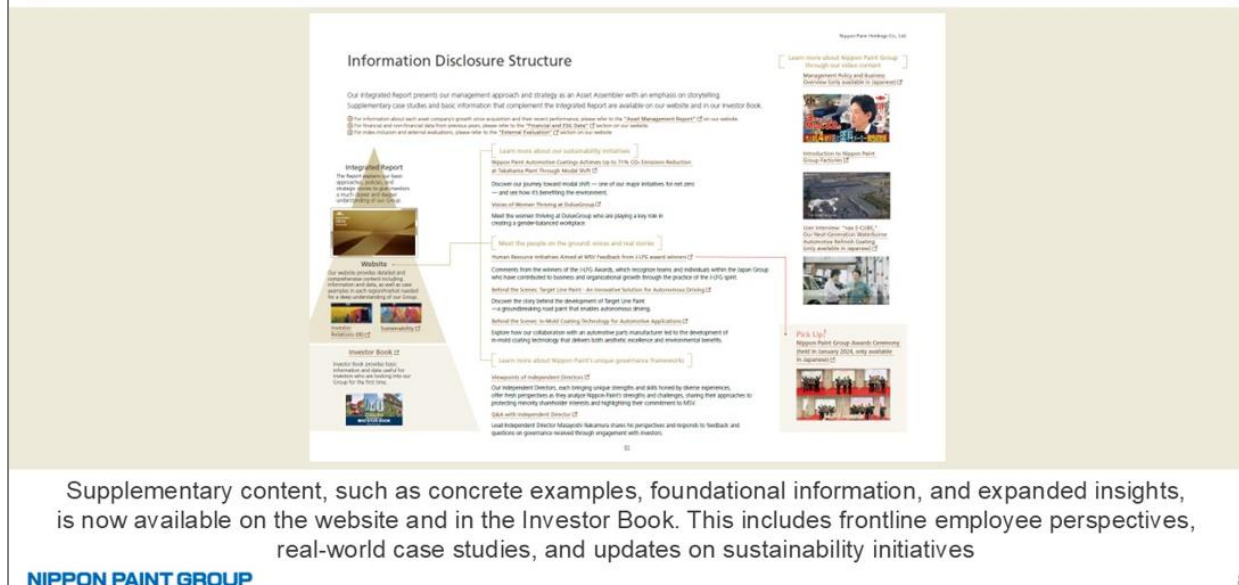
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One of the key enhancements in this year's edition is the addition of executive summaries at the beginning of major sections. These are designed to help busy analysts and investors quickly grasp the key messages.

Throughout the Report, we have reflected the questions and feedback received from investors. As the Report is published at the end of June, a period when many of you may have greater flexibility, we hope you will take the opportunity to review it in depth.

## Information Disclosure Structure

→ Integrated Report P05



Let me now provide an overview of our information disclosure structure.

The Integrated Report presents the Group's core approaches, policies, and strategic direction in a consolidated format. Additional information, including detailed case studies and supporting data, is available through our website and the Investor Book, which serve as complementary resources.


This year, we have enriched our website with expanded content, featuring voices and perspectives from frontline employees, real-world initiatives, and updates on our sustainability efforts. I also encourage you to view the video content located in the upper right corner of this page, which provides a firsthand look at tangible, on-the-ground initiatives across our Group.



# 1. Strong Investor Focus

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Next, I would like to walk you through the specific enhancements we have made, each of them driven by our “Strong Investor Focus.”



→ Integrated Report P01

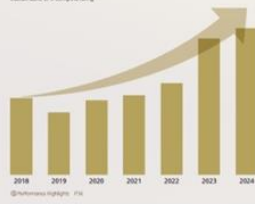
## Why Invest in Nippon Paint?

### 1 Nippon Paint as EPS Compounding Machine

With MSV as our sole mission, we remain fully committed to sustainable EPS compounding, driving growth through both organic and inorganic initiatives. Despite headwinds such as the COVID-19 pandemic, logistic disruptions, and inflation, Nippon Paint Group has delivered EPS growth for five consecutive years and built a solid track record of successful M&A activity.

**EPS CAGR +11.5%**

Sustainable EPS compounding



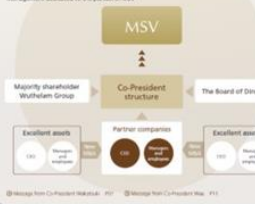
2018 2019 2020 2021 2022 2023 2024

### 2 “Ego-free management” approach dedicated to the pure pursuit of MSV

Our Group is committed to an “ego-free management” approach, focused solely on the achievement of MSV. With strong alignment between management and the Board of Directors, we uphold a disciplined stance that does not tolerate any actions misaligned with the MSV mission. By pursuing sustainable EPS compounding through both organic and inorganic growth, we strive to meet the expectations of the capital markets.

#### Ego-free management

Management dedicated to the pursuit of MSV



MSV

Board of Directors

Co-President structure

Majority shareholder Wulffheim Group

Excellent assets

Partner companies


Excellent assets

### 3 Relentlessly pursuing unlimited growth while minimizing risk

Balancing growth and soundness at the core of our management approach, our Group has delivered solid growth even through the challenges of the COVID-19 pandemic and inflationary periods. On the inorganic side, we have consistently executed safe M&A, placing emphasis on sound valuation and autonomous post-acquisition growth. Looking ahead, we remain committed to pursuing unlimited growth potential while minimizing risk.

#### Balancing “growth” and “safety”

EPS track record



2020 2021 2022 2023 2024

↑↑↑↑↑

↑↑↑↑↑

### Investment appeal driven by operational excellence

Each partner company within our Group operates under an autonomous and decentralized management structure, leveraging competitive advantages such as strong market share, powerful brands, and extensive distribution channels, to achieve sustainable EPS compounding.

- Market share**  
14 countries  
No. 1 market share in decorative paints (global)
- Brands**  
51%  
Top of Mind rating (NIPSEA China)
- Distribution channel**  
c. 260,000  
Number of retail outlets (NIPSEA China)

We present three core investment highlights, along with an updated overview of the strengths underpinning our operational excellence

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First, we have introduced a new section titled “Why Invest in Nippon Paint?” at the beginning of the Report to clearly articulate our investment appeal.

This section highlights three core strengths:

1. Nippon Paint as EPS Compounding Machine
2. “Ego-free management” approach dedicated to the pure pursuit of MSV
3. Relentlessly pursuing unlimited growth while minimizing risk


We believe these fundamental strengths are still not fully recognized or appreciated by the market. Further insights on these points are provided in the messages from our Co-Presidents.

While our operational excellence—summarized on the right side of this page, often draws attention, we view our greatest strength as our distinctive management approach, which continues to earn and reinforce investor trust through a consistent and proven track record.


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Message from Co-President Wakatsuki

→ Integrated Report P11



### Evolving with Conviction: Asset Assembler Model in Action

— Unlocking the Unlimited Upside of Shareholder Value —

Executive Summary

1. Maximizing PER is synonymous with "stock-price conscious management," and we aim to build investor conviction by highlighting our three main investment appeals.
2. Medium-term growth forecasts for each partner company remain within historical performance, supporting strong confidence in achieving our Medium-Term Strategy targets.
3. The acquisition of AOC is aligned with our disciplined acquisition criteria and offers significant potential for long-term value creation.
4. By maintaining a well-balanced mix of equity and debt financing, we will continue to steadily acquire high-quality assets comparable to AOC.
5. Management philosophy grounded in a balance of autonomy and accountability drives sustainability growth across the entire Group.
6. We aim to integrate our sustainability initiatives to ultimately achieve MSV.

Outlining our strategies in M&A, sustainability, and PER maximization, all focused on unlocking the unlimited upside of shareholder value

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The second highlight is a message from Co-President Wakatsuki.

In his message, Mr. Wakatsuki offers his perspective on the continued evolution of our Asset Assembler model and expresses his strong conviction in its effectiveness as a driver of sustainable growth.

Mr. Wakatsuki also addresses a common investor concern, that M&A inherently carries high risk. He underscores that, while no acquisition is entirely without risk, our approach is grounded in discipline and free from management ego. All M&A decisions are made through a rigorous, thoroughly evaluated process guided solely by the pursuit of MSV. He highlights the recent AOC acquisition as a concrete example to reassure investors and illustrate how our disciplined approach effectively balances growth opportunities with prudent risk management.

**Message from Co-President Wee**

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→ Integrated Report P15



### Creating Enduring Shareholder Value Through Asset Assembler Excellence

**Executive Summary**

1. Speed is our decisive advantage — we stay agile to deliver results.
2. We will accelerate growth by integrating high-quality assets like AOC into our Group.
3. Our autonomous and decentralized management is tailored to our unique business structure and market environment, and reflects our deep commitment to valuing human capital.
4. Our Group promotes collaboration and synergy by leveraging our global platform while honoring the independence of each partner company.
5. We motivate and work with our people to inspire swift action and achieve ambitious goals.

Emphasized the advantages of autonomous and decentralized management, along with our collaborative strategies across the Group, to drive sustainable long-term shareholder value creation

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The third highlight is a message from Co-President Wee.

In his message, Mr. Wee shares his perspective on how we can deliver long-term shareholder value by fully leveraging the strengths of our Asset Assembler model.

He highlights the importance of speed and mutual trust as essential drivers of strategic execution and discusses key themes such as organizational design, the empowerment of local management teams, and a focused commitment to investing in core talents.

The messages from both Co-Presidents in the 2025 edition are especially meaningful and insightful, offering deeper perspective and clarity compared to previous years.

## Three Key Investor Questions About Our Asset Assembler Model

→ Integrated Report P20

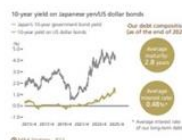
### Three Key Investor Questions About Our Asset Assembler Model

Frequently asked investor questions and our perspectives

#### Point 1

Can the Asset Assembler model, particularly for inorganic growth initiatives, maintain its competitive advantage even if interest rates in Japan rise further?

We have both the capability and a strong will to leverage the benefits of low funding costs in Japanese yen. Even if interest rates in Japan rise, we believe our relative advantage will remain secure as long as the rise is within expectation. In addition, the trust we have built as a Japanese conglomerate, combined with our emphasis on respecting the brands and autonomy of management teams in acquired companies, represents a significant strength supporting our M&A strategy.



#### Point 2

Under autonomous and decentralized management, how do you foster collaboration and synergy among partner companies?

We have established a system that enables our partner companies to learn from one another autonomously and voluntarily by leveraging the Group platform to share best practices and success cases, all while respecting the autonomy of our exceptional partner companies. Through these interactions, partner companies exchange technologies, brand expertise, operational know-how, and management practices, creating an open and unfettered environment for collaboration and synergy across the Group.



#### Point 3

Is the Asset Assembler model versatile enough to function effectively after a transition to the next generation of management?

Our Asset Assembler model is not a management scheme reliant on specific individuals but a systematic and replicable model that enables sustainable EPS compounding through both organic and inorganic initiatives. On the organic side, growth is achieved through autonomous and decentralized management, where the authority to operate local businesses is delegated to the management teams of partner companies. On the inorganic side, growth is driven by the accumulation of great assets that contribute to EPS, adhering to rigorous acquisition criteria designed to minimize risk.



Clear answers to key investor questions, along with deeper insights and more detailed explanations than ever before throughout the report

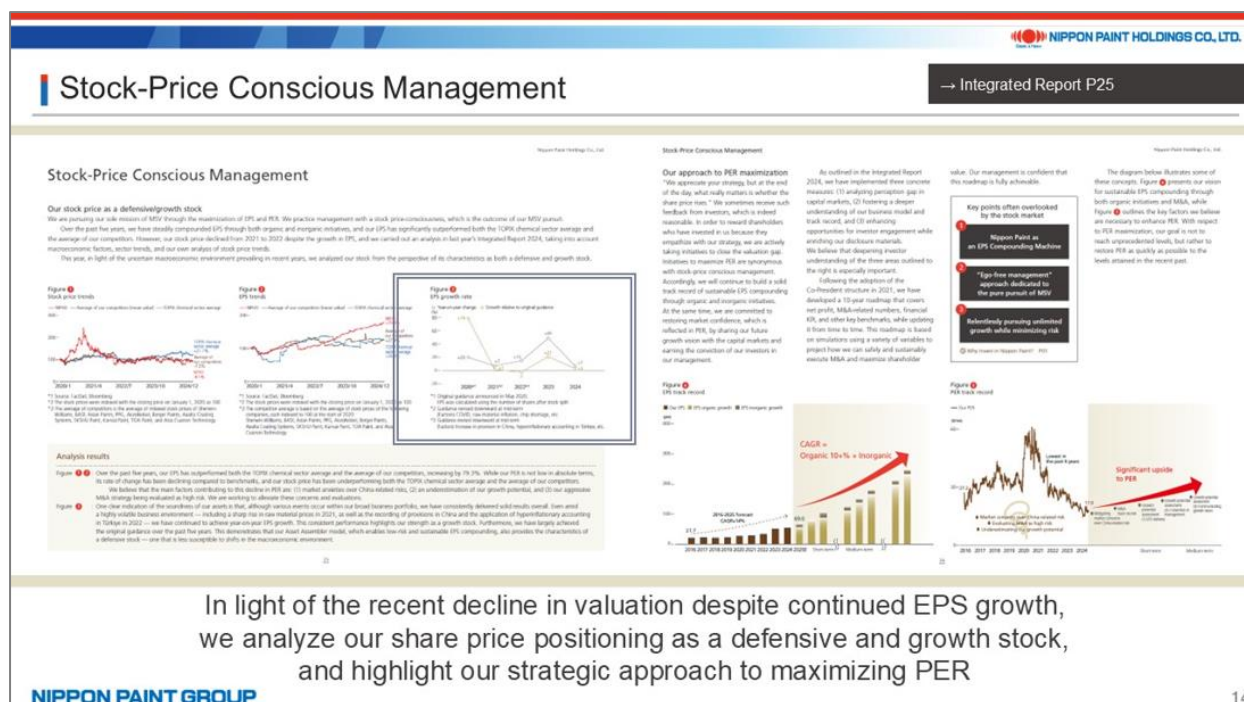
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The fourth enhancement is a more clearly articulated response to frequently asked investor questions regarding our Asset Assembler model.

This year, we provide deeper explanations on several key topics, including the potential implications of rising interest rates in Japan, our approach to fostering collaboration and synergies across the Group, and our views on management succession. A central point we emphasize is that the Asset Assembler model is not dependent on any particular executive. It is designed as a systematic and sustainable business model that ensures long-term continuity and resilience.





The fifth enhancement is our approach to stock-price conscious management.

While we have continued to deliver steady EPS growth, we recognize that our valuation has declined. Building on the analysis introduced in the 2024 edition, the 2025 edition offers a deeper evaluation of our stock performance, positioning Nippon Paint as both a defensive and growth stock. This analysis draws on our track record, comparing actual results against initial guidance and prior-year performance, and outlines our updated strategy for maximizing PER.

Together with the post-2020 share price analysis presented in last year's edition, this provides investors with a clearer understanding of the current valuation gap and our initiatives to address it.

**A** With the consolidation of AOC, our 2024 operating profit, on a SBC adjusted basis, is anticipated to comprise approximately 25% from AOC and 75% from NPSCA. Except China, and the contribution from NPSCA, China is expected to derive from 52% to 24% of the addition of AOC. As a new growth pillar is anticipated to drive improvements in transaction margins, cash-flow generation, and other key financial metrics, this transition is expected to be consolidated and sustained. The contribution from NPSCA is anticipated from the first year, while naturally lowering our earnings dependence on China. Given that a "China discount" is currently reflected in some degree by the stock market, we believe this diversification will be positively received by investors as a move to understand the value of the company. The addition of AOC, a strategic fit with our Asset Assembly model, may not be an intent to reduce exposure to China. The shift in profit composition is simply a result of this strategic alignment, not its primary aim, and we will communicate this point clearly to all stakeholders.

**A**lso to stress this, our Chairperson and both Co-presidents held a group meeting with AOC's management team, in addition to conducting multiple interviews. These discussions reaffirmed the CEO's strong commitment, as well as that of his leadership team, to drive its continued growth post-acquisition. Moreover, we observed a high degree of alignment between AOC's management and our MSV mission and broader management philosophy. Based on this alignment and the mutual enthusiasm for future collaboration, we view the likelihood of key leadership departures as relatively low. Furthermore, AOC's business system is deeply embedded across the organization. As a result, even if certain key members of the management team were to depart, we are confident that AOC would retain its ability to deliver strong sustained profitability.

Our strategy's margin profile is improving (compared to our AOC's) as we:

Operating margin	Operating cash flow
11.5% → 13.7%	prv167.4m → prv221.3m

Operating profit breakdown<sup>1</sup>

Notes: The average price tag for AOC's fixtures is \$1,000/ft<sup>2</sup>.  
<sup>1</sup> Includes one-on-one, pre-sales, operating loss at AOC is calculated as subsidiary for the entire of FY2021.  
<sup>2</sup> Percentage to be listed unit of segment cost.  
 The operating profit breakdown compares FY2020 and FY2021 operating profit and the profit, operating expense such as depreciation and amortization, and other non-recurring items. The operating profit breakdown is not audited.

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This section, which has been consistently well received by investors, features a detailed Q&A among Board members focused on the various risks associated with the AOC acquisition, as presented in the 2025 edition. It clearly illustrates that key investor concerns were thoroughly examined and deliberated at the Board level prior to making the acquisition decision.

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→ Integrated Report P93

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## Governance Discussions

### Evolution of Governance as a pillar of the Asset Assembler strategy

Executive Summary

1. Our acquisition of AOC represents a significant step forward in advancing our Asset Assembler model in pursuit of MSV.
2. The Board's primary focus is on how to increase our risk tolerance when evaluating further acquisition opportunities.
3. For the execution of EPS-accretive M&A, equity financing from the capital markets-which may result in dilution of the majority shareholders' stake-remains a viable option.
4. The Board is committed to further enhancing governance to better serve the interests of minority shareholders, including improvements in the Board composition, succession planning, and executive compensation.

A new feature highlights a governance-focused dialogue between an overseas investor and Lead Independent Director and Board Chair Nakamura

## Our Finance Strategy Presented by Co-President Wakatsuki

→ Integrated Report P30

## Driving EPS compounding through our finance strategy

## Executive Summary

1. ROIC is one of the key financial metrics, and the capital efficiency of both acquired and existing businesses has been improving year by year
2. With M&A as a cornerstone of our growth strategy and ROIC being affected by goodwill recognized in acquisitions, an approach overly focused on ROIC does not align with MSV
3. Our capital allocation policy prioritizes growth-oriented investments (M&A), and we have adopted a progressive dividend policy
4. While share buybacks remain an option, we have determined that allocating capital to M&A contributes more to MSV, given the abundance of attractive investment opportunities

## ROIC/Invested capital/After-tax operating profit

	2020	2021	2022	2023	2024
ROIC (disclosed basis)	6.6%	5.5%	5.4%	7.2%	7.3%
Invested capital (billion yen)	1,008.2	1,398.0	1,729.7	1,852.5	2,081.2
After-tax operating profit (billion yen)	66.0	68.1	85.1	124.3	133.0

\* ROIC = After-tax operating profit / (Debt + Total equity)  
 \* A uniform effective tax rate of 24% is applied to each year, based on the average consolidated effective tax rate for prior years  
 \* Invested capital = Net debt + Equity (including ownership of non-controlling shareholders)  
 \* Net debt = "Bonds and borrowings" + "Total other financial liabilities (current and non-current)"  
 \* "Cash and cash equivalents" - "Other financial assets (current)"

## ROIC of major acquired assets\*

	2020	2021	2022	2023	2024
DGL (Pacific)	3.7%	4.4%	5.6%	5.8%	7.0%
Betek Boys	7.4%	9.9%	7.9%	11.8%	16.4%
PT Nipnea	-	3.8%	5.3%	6.6%	7.1%
Cromology	-	-	2.5%	2.9%	2.8%
JJB	-	-	-	5.7%	6.6%

\* ROIC 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 during the fiscal year  
 \* None of these companies incurred any acquisition-related costs in Year 1  
 \* Until 2022, the Duksan Group figures represented the consolidated total excluding Cromology and JJB. For 2024, the figure represents DGL (Pacific) only, with DGL (Europe) excluded from the consolidated total  
 \* For Betek Boys, the statutory tax rate for 2024 is applied to each fiscal year, due to abnormal tax rates resulting from the application of hyperinflationary accounting. For other companies, the average statutory effective tax rate for prior years is applied to each year

Disclosed ROIC and WACC figures derived through extensive internal discussions.  
 Clarified our stance on share buybacks to prevent potential misunderstandings

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The eighth highlight is our finance strategy, presented by Co-President Wakatsuki.

In the 2025 edition, this section has been enhanced with ROIC and WACC figures developed through multiple rounds of internal discussion. We have also taken care to clearly articulate our position on share buybacks to avoid potential misunderstandings.

The steady improvement in ROIC across acquired companies over the years underscores two key points: (1) we do not take ROIC lightly, and (2) post-acquisition synergies are being effectively realized.

## **2. Autonomous and Decentralized Management: Features and Advantages**

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Next, I would like to highlight the key enhancements made to the section titled “Autonomous and Decentralized Management: Features and Advantages.”



# Autonomous and Decentralized Management

→ Integrated Report P18

## Autonomous and Decentralized Management

### Sustainable EPS compounding anchored in autonomy and accountability

Our Group employs a unique autonomous and decentralized management framework to achieve MSV. The framework empowers management teams in each region and business segment to make swift and flexible decisions. Its greatest strength is the ability to draw on its extensive agility and competitiveness in a rapidly changing business environment.

At the core of autonomous and decentralized management are the values of autonomy and accountability. By granting a high degree of discretion to the management teams of each partner company while holding them accountable for outcomes, we promote prompt, agile, and autonomous decision-making, while maintaining a flexible level of control as a Group.

The balance between autonomy and accountability is the key to recruiting and retaining exceptional talents and strengthening competitiveness, and serves as the driving force behind sustainable EPS compounding.

Lean headquarters

**NIPPON PAINT HOLDINGS**

Autonomy

Accountability

Partner companies

Achieving synergy and breakthroughs through collaboration among excellent assets

### Message from Co-President Wakatsuki (P09)

assets on par with AOC. We believe this will further highlight our commitment to safeguarding the interests of minority shareholders.

### Harnessing a lean headquarters to foster autonomous growth and Group synergies

Under our autonomous and decentralized management approach, we entrust the exceptional management teams of our partner companies with both autonomy and accountability, enabling them to drive their autonomous growth. Instead of imposing uniform Nippon Paint practices,

### Message from Co-President Wee (P12)

groundwork to expand its role within our Group and drive sustainable, long-term growth.

### Empowering decentralized talented management through mutual trust

To effectively execute the Asset Assembler strategy in pursuit of MSV, our Group has embraced an autonomous and decentralized management (MSV) approach. Tailored to our unique business structure and market environment, this model reflects our deep commitment to valuing human capital and serves as a cornerstone of our sustainable growth.

Unlike centralized management, where key decisions are concentrated at the head office, often at the expense of speed and agility at the regional level, our decentralized model empowers local management teams to make prompt, flexible

Core features and benefits of our autonomous and decentralized model, rooted in the values of autonomy and accountability (reinforced in messages from both Co-Presidents)

**NIPPON PAINT GROUP**

First, we have introduced a dedicated page focused on autonomous and decentralized management, a concept we view as just as essential for investor understanding as MSV and the Asset Assembler model.

In this section, we outline the key characteristics and guiding principles of our approach, with a particular emphasis on autonomy and accountability as its core values. This theme is also reinforced in the messages from Co-Presidents Wakatsuki and Wee.

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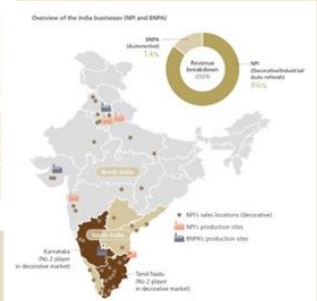
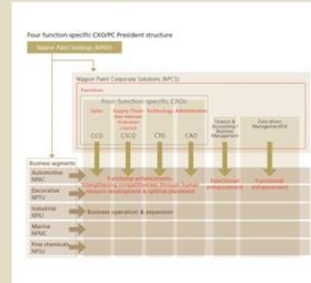
## Autonomous and Decentralized Management: Practical Perspectives Presented by Co-President Wee

→ Integrated Report P40

### Laying the groundwork for sustainable EPS compounding

#### Executive Summary

1. The transformation of the Japan Group aims to shift the mindset to collective, country-level optimization in Japan, thereby maximizing organizational synergies.
2. With our strong leadership and a workplace that enriches employee motivation, the "magic of transformation" is well within reach for the Japan Group.
3. We are driving transformation with a clear focus on enhancing global competitiveness to capture emerging opportunities in different parts of the world.
4. Our reentry into the India market demonstrates our commitment and confidence in capturing the substantial growth opportunities that India offers for the future.



Co-President Wee shares real-world examples of our autonomous and decentralized management approach, highlighting ongoing transformations in the Japan Group, automotive business, and India business

NIPPON PAINT GROUP

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Second, Co-President Wee discusses the practical application of autonomous and decentralized management, highlighting ongoing transformations within the Japan Group, the automotive business, and the India business through innovative, forward-looking approaches.

Within the Japan Group, profit margins have rebounded to 10%, supported by structural reforms such as the revitalization of our marine coatings business. In his message, Mr. Wee outlines several initiatives aimed at further improving margins toward the 15% level. He expresses confidence in the leadership of the Japan Group, noting their commitment to challenging conventional thinking and driving enhanced collaboration and operational efficiency across the business.

NIPPON PAINT HOLDINGS CO., LTD.

→ Integrated Report P51

## Case Study 4

### Case Study Harnessing Our Platform for Group Collaboration Through the Selleys Brand

**Case 1**  
How do our partner companies collaborate and pursue synergies across the Group by leveraging the strength of our Group platform?  
«Case Study 4 showcases NIPSEA Group's initiatives to scaling the Selley's brand, developed in Australia by DuluxGroup, as a thriving success in the Asian market.»

**Case 2**  
Strategic expansion through Selley's integration and Vital Technical acquisition in Malaysia

As part of NIPSEA Group's strategic thrust to grow adjacencies beyond the core decorative paint business, the SAF segment emerged as a key area of focus. The integration of the Selley's brand into NIPSEA's operations in 2019 marked a pivotal step in strengthening our footprint in the non-paint category across Asia.

In Malaysia, Selley's has established a strong reputation in the DIY retail space, offering a range of premium-quality, easy-to-use sealants, adhesives, and household repair products. With an estimated 15% market share in the consumer DIY segment, Selley's enjoys robust NIPSEA to accelerate its presence in a segment with high consumer visibility and growing demand.

This strategic integration laid the foundation for the acquisition of Vital Technical Ltd (Vital Tech) in 2021, a key player in Malaysia's B2B SAF market with a strong track record among contractors, institutions, and industrial users. Vital Tech commands approximately 40% market share in Malaysia's professional SAF segment and brings robust manufacturing capabilities, R&D expertise, and well-established trade distribution networks.

Together, Selley's and Vital Technical provides NIPSEA with a dual-channel strategy that enhances both consumer and professional outreach. This complementary pairing not only aligns with NIPSEA's long-term ambition to diversify its offering in the home improvement and construction solutions space, but also strengthens our competitive advantage in the region as the Total Coatings & Construction Solutions (TCCS) provider.

This collaboration exemplifies the Group's ability to execute synergistic partnerships,

**Case Study 4: Harnessing Our Platform for Group Collaboration Through the Selley's Brand**

combining global brand strength with local market expertise. It reinforces NIPSEA's commitment to building a strong, sustainable SAF business and aligns with our broader strategy to grow non-paint adjacencies as a significant pillar of future growth in the region.

**Case 3**  
Cross-border collaboration unlocks new opportunities for home-improvement market growth in Singapore

The partnership between Nippon Paint Singapore and Selley's Australia exemplifies effective cross-border collaboration within the Group. Recognizing Selley's reputation for quality and its "can-do spirit" in Australia, Nippon Paint Singapore identified an opportunity to leverage Selley's expertise to expand its own presence in Singapore across multiple product categories and distribution channels.

Traditional paint distribution in Singapore had a limited presence in household channels and supermarkets. Selley's, with its market leadership in SAF and ongoing solutions, provided the perfect bridge to these untapped channels. With strategic support from Selley's Australia, Nippon Paint Singapore rapidly expanded into over 300 household and small hardware shops, establishing valuable relationships with a new customer base and identifying opportunities to introduce our paint products, which we previously could not.

Our market analysis revealed that cleaning products were ubiquitous in these channels, purchased by both homeowners and contractors for convenience. This insight led to deeper collaboration with Selley's Australia to introduce three new cleaning products from their Australian portfolio: Sugar Soap, Rapid Mould Killer, and White for Life™ Tile & Grout Cleaner. Together, we developed additional cleaning solutions,

including floor cleaners, multipurpose disinfectants, and glass cleaners to create a comprehensive range for the Singapore market.

Following the successful launch across household and hardware channels, we identified further potential in modern trade supermarkets, where most consumers purchase daily essentials. Drawing on Selley's Australia's expertise, we established a dedicated team to develop this channel, forming strategic partnerships with key retailers including NTUC FairPrice, Sheng Siong, and the OHL Retail Group.

Through this three-pronged channel approach, Nippon Paint Singapore has achieved broad-scale presence, positioning both NIPSEA Brand and Selley's as trusted brands for comprehensive home improvement solutions in Singapore. This collaboration demonstrates how leveraging complementary strengths across our group companies creates significant market expansion opportunities.

**Selley's, a trusted brand nurtured by DuluxGroup**

Founded in Australia in 1935, Selley's is a long-established brand specializing in SAF and DIY products. For decades, Selley's has earned trust through its iconic slogan, "It's Selley's, it works," securing a household name with lasting brand recognition and market share in Australia and New Zealand markets. Known for its high-performance products and extensive brand, Selley's offers solutions that are widely supported by both DIY and professional users.

**Brand history**

- 1935 Selley's was founded in Sydney, Australia
- 1970 The birth of the iconic slogan - "It's Selley's, it works."
- 2019 Acquisition of Selley's SAF business by DuluxGroup
- 2020 Selley's expands into other world markets including New Zealand and parts of Asia
- 2021 Acquisition of DuluxGroup by Nippon Paint Holdings
- Regain collaboration with NIPSEA Group

Showcased NIPSEA Group's efforts to expand the Selley's brand into Asian markets as a synergy initiative leveraging our Group platform

**NIPPON PAINT GROUP**

Third, we highlight our initiatives to create synergies by leveraging the strength of our Group platform. As a case study, the 2025 edition features NIPSEA Group's efforts to expand the Selley's brand across key Asian markets.

Since joining our Group through the acquisition of DuluxGroup in 2019, Selley's has achieved remarkable growth and has become a core pillar of NIPSEA Group's SAF (Sealants, Adhesives & Fillers) business. This expansion has driven the acquisition of Vital Technical in Malaysia and accelerated our growth in Singapore's home renovation market, positioning Selley's as a flagship example of cross-group collaboration and successful synergy creation.

### 3. Our Strengths in M&A

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Next, I would like to outline the key enhancements made to the section titled “Our Strengths in M&A.”

# M&A Strategy/Case Study 1

→ Integrated Report P33/P34

**M&A Strategy**

**Case Study 1**  
How joining Nippon Paint Group  
Unlocks Growth and Opportunity

**Case Study 2**  
How joining Nippon Paint Group Unlocks Growth and Opportunity

**Outlined our M&A strategy and featured insights from CEOs of recently acquired partner companies, including Joe Salley of AOC, on the background of their acquisitions and their visions for future growth**

**NIPPON PAINT GROUP**

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In addition to outlining our overall M&A strategy, the 2025 edition features messages from the CEOs of partner companies that have recently joined our Group.

Mr. Joe Salley of AOC, which became part of our Group this year, and Mr. Patrick Houlihan of DuluxGroup, which joined in 2019, share, in their own words, the context behind their respective acquisitions and their visions for future growth.

A common theme across both leaders is their confident, action-oriented response to Nippon Paint Holdings' core principles of autonomy and accountability. Each addresses our fundamental question: "What do you want to achieve, and why? And how can we help you get there?"



## **4. Expansion of Practical Examples and Data**

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Next, I will outline key improvements in the “Expansion of Practical Examples and Data” section.



## Expanded Website Content to Highlight Hands-On, Ground-Level Initiatives 1

### Tangible sustainability initiatives

Up to 71% CO2 Emissions Reduction Achieved Through Modal Shift



Voices of Women Thriving at DuluxGroup



Helen Fitzpatrick  
Executive General Manager (Yates)  
DuluxGroup provides such a broad range of opportunities for leaders to keep growing & developing. I am grateful to have had the support to lead diverse businesses across different industries in our portfolio.

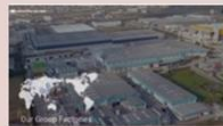


Dorothy Orsini  
General Manager (Dulux Retail)  
I have a young family and DuluxGroup has been incredibly supportive. It's really fortunate to have had my family while working here. I have a great manager, who supports my flexible work arrangement.



Natalie Vaughan  
General Manager (Dulux Retail)  
DuluxGroup has both supported and enabled me to constantly learn and tackle new challenges.

### Video content



Featuring behind-the-scenes development stories and on-the-ground problem-solving initiatives, with ongoing coverage of concrete actions throughout the year

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## Expanded Website Content to Highlight Hands-On, Ground-Level Initiatives 2

### Voices from the frontline: real-world initiatives in action

《Initiatives》

Frontline voices and real-world examples through J-LFG Award recipient comments as part of our talent development initiatives for MSV



《Behind-the-scenes story》

Target line paint for autonomous driving



《Behind-the-scenes story》

In-mold coating technology for automotive applications



Featuring behind-the-scenes stories and initiatives highlighting practical solutions and the insights of our on-the-ground teams throughout the year

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Second, we have enhanced our website content to offer more concrete, on-the-ground initiatives that complement the Report.

Over the course of the year, we will showcase behind-the-scenes development efforts and on-the-ground initiatives that demonstrate practical solutions and the commitment of our team members. Many of these features will spotlight the Japan Group, and a video introducing our company's history since its founding is also available for viewing.

# Expansion of Data Coverage 1

→ Integrated Report P30/P38/P43/P44/P55

**Dominant position enabled by extensive distribution channels**

Our Group has established a broad and diverse range of distribution channels, primarily targeting the B2C market including retail, distributors, and e-commerce in the decorative markets of each country and region. The number of retail outlets for NPSEA China in 2024 declined from 2023 due to detailed review of reporting criteria, such as the inclusion of dormant or non-active shops, under the previous criteria, the total number of distribution shops would have increased by approximately 5%.

③ Case Study 2: Leveraging Brand Power for Market Leadership (NPSEA China Business Strategy: P43)

**Our Group's GHG emissions reduction target (Scope 1 and 2)**

**Climate Change related targets**

Category	Target
GHG emissions (Scope 1 and 2)	2025: 15% reduction (2020: 100%)
Energy consumption	2025: 15% reduction (2020: 100%)
Renewable energy	2025: 100% renewable electricity consumption
Renewable energy	2025: 100% renewable electricity consumption
Renewable energy	2025: 100% renewable electricity consumption

**Strengthening brand presence in Tier 0 and Tier 1-2 cities**

Market environment and our strategy in Tier 0 and Tier 1-2 cities

As of 2024, the global paint and coatings market has reached a total value of USD 196 billion. China remains the largest single market, accounting for 25% of the global market (approximately USD 49 billion). Followed by Europe at 22%, approximately USD 44.1 billion and North America at 19% (approximately USD 37.2 billion). With per-capita paint consumption in China approximately 50-60% of developed countries, the decorative paints market in China offers significant opportunities for growth over the medium to long term.

In 2024, China's mid-term policy direction has shifted toward "regulating the decline and stabilizing the market." These policies are mainly implemented in Tier 0 and Tier 1-2 cities. Measures such as easing purchase restrictions, lowering down-payment requirements, and reducing mortgage interest rates have been introduced to stimulate home buying, along with efforts to advance old house and urban redevelopment projects. In 2025, even stronger measures are expected to promote the healthy development of the property market and to fully unleash the potential demand for both first-time home purchases and housing upgrades.

Nippon Paint China's TUC Division covers over 2,000 cities across China, with product lines that cater to various usage scenarios and consumer segments. In 2024, the TUC Division recorded growth across all city tiers. Tier 0 cities grew by 1%, Tier 1-2 cities by 3%, and Tier 3-4 cities by 13%.

Tier 1-2 markets are primarily located in provincial capitals and economically developed regions of China. The dominant demand in these markets is for old home renovation, which makes up about 70% of the total. Competition mainly comes from a major paint company as well as local paint manufacturers.

Nippon Paint China's core strategies in Tier 0 and Tier 1-2 cities include:

- Channel focus: To develop new categories for old home renovation and attract more capital, well-maintained, and newly furnished properties to give the Nippon Paint China business together.
- Strong Distribution Strategy: Consolidate and leverage Nippon Paint China's strength in distribution by achieving sufficient exposure among dealers.
- Strengthen Home Decorative Business: Align and collaborate with leading national decoration firms, design and other designers, and actively expand partnerships with regional and local medium-size decoration companies.
- Promote Commercial Property (Pinnacle Paint): Drive public demand for commercial space business through the brand's reputation.
- Diversify from upstream and downstream: Retain existing dealers while developing new ones, expand product offerings, and improve price productivity (e.g., value per square meter).

③ Source: "China's Mid-term Policy Direction" (2024) issued by the Chinese government.

**Number of retail outlets/Number of CCMs (NPSEA China)**

**ROI/Invested capital/After-tax operating profit**

Year	2020	2021	2022	2023	2024
ROI (disclosed basis)	8.4%	8.5%	8.4%	7.2%	7.3%
Invested capital (billion yen)	1,098.2	1,398.9	1,729.2	1,852.5	2,081.2
After-tax operating profit (billion yen)	88.0	88.1	85.1	124.3	133.0

③ ROI: After-tax operating profit/Invested capital × 100 (%)  
 ④ A uniform effective tax rate of 24% is applied to each year, based on the average consolidated effective tax rate for prior years.  
 ⑤ Invested capital = Net debt + Equity (including ownership of non-controlling shareholders)  
 ⑥ Net debt = "Bonds and borrowings" + "Total other financial liabilities (current and non-current)"  
 ⑦ "Cash and cash equivalents" = "Other financial assets (current)"

Expanded historical data coverage, including the number of retail outlets and CCMs, in response to investor needs

# Expanded Data Coverage 2

**Asset Management Report**

Asset Management Report  
2024

**Investor Book**

日本ペイントホールディングス株式会社  
INVESTOR BOOK  
NIPPON PAINT GROUP

- Expanded from 4 pages in the previous edition to 17 pages
- Consolidated financial and non-financial results, medium-term growth strategies, and competitive advantages for each asset company into a single comprehensive volume
- Newly disclosed sales figures for the Singapore Group and Malaysia Group
- Includes essential information for each asset company, such as company overviews, SWOT analyses, the Group's inorganic growth track record, and key market data

Third, we have broadened our data coverage.

In response to investor needs, this year we have increased the volume of disclosed data, including historical figures on the number of retail outlets, CCM installations, and tier-based market data for China. The Asset Management Report, published as a standalone volume since 2024, has also been expanded to 17 pages, consolidating both financial and non-financial results for each asset company, along with their medium-term growth strategies and competitive strengths.

The Investor Book is updated regularly and now includes sales data for the Singapore and Malaysia Groups. It also features detailed company profiles, including SWOT analyses, records of inorganic growth, and a broad range of market data.

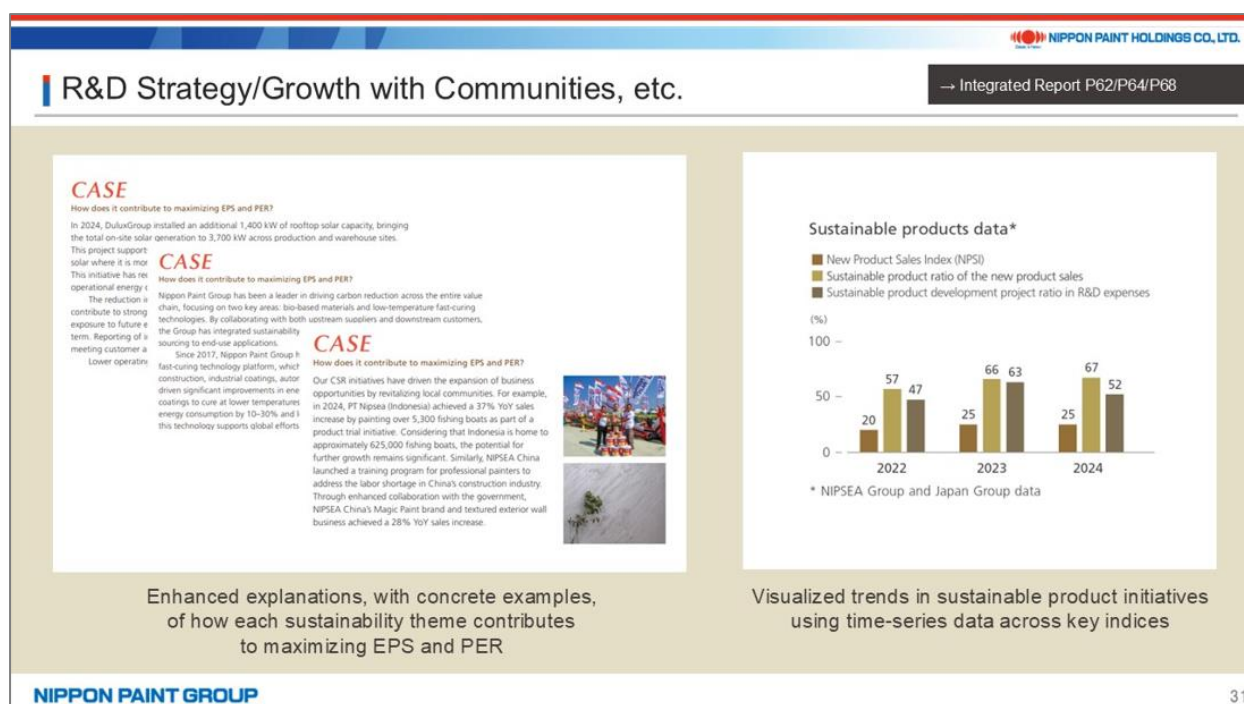
While some data cannot be disclosed for competitive reasons, we remain committed to fulfilling investor requests to the greatest extent possible.



## **5. Integrating Sustainability with EPS and PER**

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Next, we focus on “Integrating Sustainability with EPS and PER.”



We have enhanced our explanation of how sustainability contributes to maximizing EPS and PER by incorporating concrete examples. For sustainable products, we also included time-series data for each index to clearly illustrate long-term trends.

For instance:

- (1) In the environmental strategy section, a case study from DuluxGroup highlights reductions in energy costs and improvements in environmental compliance through the addition of solar power capacity;
- (2) In the R&D strategy section, we present examples of sustainable products tailored to local markets, developed using bio-based materials and low-temperature, fast-curing technologies; and
- (3) In the growth with communities section, we feature data-supported cases from Indonesia and China showing how social contribution initiatives revitalized communities and led to new business opportunities.

Environmental Strategy/R&D Strategy, etc.

→ Integrated Report P7/P65

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**Strategy**

**Risk**

- Significant hindrance to future corporate earnings owing to inability to generate innovation due to slow response to new markets

**Opportunity**

- Expansion of market for products that contribute to controlling and adapting to climate change
- Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term

Disclosed risks and opportunities under each theme to further align with the TCFD framework

PCG	Climate Change-related targets		Improvement priorities
	GHG emissions	Energy consumption	
NIPSEA Group	Scope 1 and 2 2025: 15% reduction 2050: Net zero	2025: 8% energy consumption reduction	Carbon mitigation best practices were disseminated across the NIPSEA Group to facilitate consistent adoption across operations.
DuluxGroup <sup>*1</sup>	Scope 1 and 2 2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	Delivery of an additional 1,400 kW of solar generation capacity, ongoing energy efficiency initiatives across operational sites, continued roll-out of the fleet transition plan in the Pacific and Cronology business, review of climate targets across the entire DuluxGroup including Scope 3 target setting.
Japan Group	Scope 1 and 2 2030: 37% reduction 2050: Net zero Scope 3 2030: 13% reduction	2030: 62% renewable energy 10% energy intensity reduction	Increased renewable-electricity purchase and commenced an off-site solar Power Purchase Agreement (PPA). Approved Scope 3 target and reduction plan at KOM. Strengthened collaboration with suppliers for reductions of Category 1 emissions.
Dunn-Edwards	Scope 1 and 2 2045: Net zero	-	Use of renewable electricity in the LA office and PHX.

\*1 Baseline years for targets are 2021 for NIPSEA Group, 2020 for DuluxGroup, and Japan Group (Scope 1 and 2 2019, Scope 3 and Energy 2021) \*2 DGL (Pacific) only

Newly disclosed Scope 3 reduction target for the Japan Group

**PFAS regulations**

DuluxGroup	<ul style="list-style-type: none"> <li>All PFAS variants listed on the Stockholm Convention are prohibited above the trigger concentration thresholds. We are also working to formulate from all known use of non-polymer forms of PFAS. As PFAS are not always declared on safety data sheets, we are working with suppliers to identify any undeclared PFAS in materials supplied so that these can be reviewed for phase out.</li> </ul>
Japan Group	<ul style="list-style-type: none"> <li>We monitor trends in PFAS regulations in each country and ensure that we comply appropriately with the PFAS regulations in each country, both for domestic use and export.</li> </ul>
Dunn-Edwards	<ul style="list-style-type: none"> <li>We plan on replacing our PFAS-containing resins and surfactants by the end of 2025 with some carry through of existing materials into early 2026.</li> </ul>

Newly disclosed each PCG's response to PFAS regulations

Additionally, we have disclosed risks and opportunities for each theme, further aligning our content with the TCFD framework.

For the first time within our Group, the Japan Group has set a Scope 3 reduction targets while DuluxGroup is currently considering setting its own Scope 3 goals.

As global regulations on PFAS (Per- and polyfluoroalkyl substances) continue to tighten, supply chain accountability is gaining importance. In response, we have newly disclosed the status of PFAS management across each PCG (Nippon Paint Group partner companies grouped by region or business).

# Case Study 5

→ Integrated Report P51

## Case Study

### Driving Employee Engagement Across the Japan Group

**Employee engagement survey results and identified challenges**

In 2024, the Japan Group introduced an employee engagement survey to better understand employee sentiment and incorporate it into future HR initiatives. Engagement is measured across three dimensions: "the likelihood of staying with the company," "the likelihood of recommending the company," and "the likelihood of going above and beyond for the company." Among these, the survey results showed that the scores for "To be" and "To do" were lower than those for "As is," and were also below the average of Japanese companies.

As a result of analyzing the survey findings, the Japan Group has identified the following three challenges to improve employee engagement:

1. Lack of optimism and elevated outlook for the company's future;
2. Insufficient improvement of the work environment; and
3. Limited opportunities for employees to develop their skills and career paths.

We have already begun full-scale initiatives to address these issues. Our goal is to make "ONE NIPPON" and "ONE People," creating a workplace where every employee can work with a future-oriented mindset. By unleashing the full potential of all employees, we aim to foster both personal growth of employees and sustainable enhancement of corporate value.

**Initiatives to address each challenge**

- 1. Optimistic and elevated outlook for the company's future**  
It is essential for employees to be able to envision the company's future in order for the company to nurture culture and achieve growth through the organization. To support this, in 2024, the management team communicated messages and created opportunities for direct dialogue with employees. Beginning in 2025, the Japan Group has fully implemented a CEO structure, enhancing efficiency and enabling the cross-organizational sharing of corporate vision and strategy direction. Through these initiatives, we are considering the dissemination of corporate vision and strategy across the organization, while further strengthening open and transparent communication.
- 2. Improvement of the work environment**  
Efficient task allocation by employees is essential for improving overall organizational productivity. To this end, the Japan Group has begun actively introducing its tools and developing digital transformation (DX) talent. Additionally, to enhance employees' psychological safety and develop a culture of open communication, we are supporting bottom-up initiatives and providing employee training for management-level personnel. Furthermore, we are introducing a 1-on-1 program to strengthen relationships between supervisors and subordinates through regular direct meetings.
- 3. Development of employees' skills and career paths**  
A company's growth is closely linked to the development of each employee's skills and career paths. To enhance the fairness and dignity of our personnel evaluations and develop a more open and transparent organizational culture, the Japan Group has revised its evaluation system to introduce differentiated and merit-based treatment and to better recognize and reward employees who take on new challenges. Additionally, the management team is taking the lead in continuously holding cross-organizational Talent Management Committee and HR Committee meetings within the Japan Group. Furthermore, in 2024, we launched an internal job-posting system as a first step to support employees' career development and promote intra-organizational communication, and are preparing for its full-scale implementation.

**Challenges identified from employee engagement survey and initiatives to address them**

Challenges identified from employee engagement survey	Initiatives to address them
1. Lack of optimism and elevated outlook for the company's future	<ul style="list-style-type: none"> <li>CEO structure implementation</li> <li>1-on-1 program introduction</li> <li>Talent Management Committee and HR Committee meetings</li> <li>Internal job-posting system launch</li> </ul>
2. Insufficient improvement of the work environment	<ul style="list-style-type: none"> <li>Digital transformation (DX) talent development</li> <li>Psychological safety enhancement</li> <li>1-on-1 program introduction</li> </ul>
3. Limited opportunities for employees to develop their skills and career paths	<ul style="list-style-type: none"> <li>Merit-based treatment introduction</li> <li>Cross-organizational communication enhancement</li> <li>Internal job-posting system launch</li> </ul>

Analyzed current challenges and outlined specific initiatives aimed at strengthening employee engagement across the Japan Group

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Furthermore, we presented case studies highlighting our analysis of key challenges and specific initiatives aimed at enhancing employee engagement within the Japan Group.

In 2024, we carried out our first-ever engagement survey. As shown in the lower right of this page, our scores fell below the average for Japanese companies. A gap analysis between the current state ("As is") and the desired future state ("To be") revealed three major challenges: (1) a lack of optimism and elevated outlook in the company's future, (2) insufficient improvement in the work environment, and (3) limited opportunities for employees to develop their skills and career paths. We are currently implementing measures to address these issues and will track progress through ongoing surveys.

## 6. Other Content in Focus

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Finally, I would like to draw attention to two additional noteworthy sections.



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

→ Integrated Report P46

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

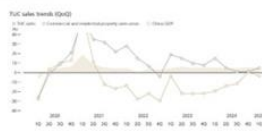
Our stock price tends to be significantly influenced by news flow from China, more so than by our actual performance results. Our analysis suggests that the capital market participants might be overly focused on Chinese macroeconomic indicators. While we do acknowledge a certain correlation between our 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 outpacing the growth in commercial and residential property sales areas

For 0 and 1 cities, where our TUC business has a dominant position, have a higher proportion of commercial and industrial property sales area compared to Tier 3-4 cities. These cities are also characterized by faster market recovery.

Comparatively, the growth rate of TUC tends to be higher than that of property sales area nationwide. In 2024, property sales area expanded, driven by government stimulus measures. In particular, the policy announced in September 2024 significantly increased property sales areas in the fourth quarter. The effects of these policies are expected to positively impact the growth of our TUC business with a time lag.

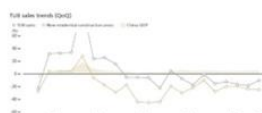
The high revenue growth in the TUC business can also be attributed to factors such as NIPSEA China's extensive distribution networks, the large number of completed Color Matching 2.0 facilities enabled high brand awareness and quality factors such as the arrival of the era of stock housing and our market share gains in Tier 3-4 cities also contribute to a growth rate that exceeds the general macroeconomic indicator.



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

Since March 2020, our TUC revenue growth has consistently been outpacing growth of new residential construction area. This strong performance is attributable to: (1) working with financially stronger real estate developers; (2) growth contribution from non-residential developments, e.g. healthcare, educational infrastructure, as well as various decorative coatings and contractors; and (3) pushing the adjacent area, such as subsidiaries and construction chemicals (CC) as a result of these distribution strategies, the sales rise within the TUC business between residential and non-residential applications has become roughly evenly split in 2024, resulting in a more balanced sales composition.

We expect that the TUC 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 new shared business.



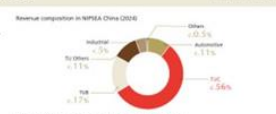
### Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

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

The TUC segment, which demonstrates strong growth potential and high profitability, accounts for approximately 54% of NIPSEA China's total revenue. Seen as a challenging business environment, NIPSEA China has maintained strong margins across China, driven by the solid performance of the TUC segment. Furthermore, most of our business segments are temporarily impacted by economic or market fluctuations. NIPSEA China diversified business portfolio enables to maintain robust growth across its operations in China.

The ability of TUC to maintain high profitability is not only due to its TUC 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 TUC brand business; (2) the inclusion of demand and improvement in margin through the expansion of 2.0 facilities; (3) our "lightweight strategy" and all the other size of the segment group that allows us to have our own resources of scale and also resources spanning from purchasing to marketing, etc. are expected that TUC's medium-term growth forecast will continue to realize the steady growth, leading ahead. NIPSEA China will steadily achieve sustainable growth while preserving the operating profit margin.

① Low level of inventory that have been kept under NIPSEA China's business strategy. ② The ratio is the number of retail stores and 1,000 in China. ③ Data refers to the "Performance Indicators" of 2024.



Revenue composition in NIPSEA China (2024)

Industrial 54% Consumer 17% Others 11% TUC 18%

① Low level of inventory that have been kept under NIPSEA China's business strategy. ② The ratio is the number of retail stores and 1,000 in China. ③ Data refers to the "Performance Indicators" of 2024.

#### Reason 4 AOC's integration has further diversified our asset portfolio

As Asset Acquisition, the Group maintains a diversified asset portfolio across a wide range of regions and business segments. With China's impact on our business, its contribution to consolidated operating profit is only 14%. The proportion has further declined to 10%, following the integration of AOC, indicating that our dependence on this "China market" is significantly lower than that of our competitors focused exclusively on China. In addition, our operations in NIPSEA Except China have achieved robust revenue and profit growth, as well as profitability, that surpass those in NIPSEA China.

#### Consolidated operating profit composition (2024)\*

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Amid continued stock price sensitivity to China-related news, we analyze and explain the strategic role and competitive strengths of our China business within the broader Group portfolio

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First is the correlation analysis between our performance and Chinese macroeconomic indicators, which was very well received in the 2024 edition. As our stock price continues to be heavily influenced by news flow from China, we took a closer look at the strategic positioning and competitive strengths of our China business within the broader Group portfolio.

Key takeaways include: (1) both market-specific and company-specific factors enable TUC to consistently outperform overall market growth; (2) TUC's profit contribution and growth rate help stabilize margins within NIPSEA China; and (3) with the consolidation of AOC, and considering that growth rates and margins in NIPSEA Except China exceed those in NIPSEA China, it becomes evident that our stock should not be viewed solely as a "China-related stock" directly tied to Chinese macro trends.



## Message from the Chairman

[→ Integrated Report P75](#)



### To Our Shareholders and Investors

1. MSV anchors the core values and decision-making principles of both the Board of Directors and the executive team. Every agenda item brought before the Board is thoroughly examined and resolved based on MSV.
2. Our Co-President setup is remarkably effective, allowing speedy and effective decision making and execution across the organization.
3. The interests of the majority shareholder and minority shareholders are completely aligned, and the funding capability of a public listed company combined with the strength of a private shareholder has created a more potent growth engine.
4. If an acquisition opportunity calls for equity financing, I have no qualms about the dilution of Wuthelam's stake, as long as the transaction is significantly EPS accretive; Wuthelam, as the majority shareholder, will strongly support it.
5. I will persevere on the path of pursuit of further Low Risk, High Accretion acquisitions that match the calibre of the AOC transaction.

Chairman Goh, also a majority shareholder, shares his current perspectives and underscores his commitment to driving the Group's continued growth



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The second highlight is a message from our Chairman and majority shareholder.

In the 2024 edition, Chairman Goh participated in a dialogue on governance with our Lead Independent Director. For the 2025 edition, we have returned to the traditional message format, in which Mr. Goh shares his current views and reaffirms his long-term vision for contributing to the Group.

As in previous years, his message focuses on four key themes:

- (1) MSV anchors the core values and decision-making principles of both the Board of Directors and the executive team, and our Co-President setup is remarkably effective,
- (2) the benefits of having Wuthelam Group as the majority shareholder,
- (3) his perspective on potential equity financing for future acquisition opportunities, and
- (4) his role as Chairman. In addition, he offers his perspectives on the recent AOC acquisition.

This concludes my presentation. I will now be happy to take your questions.

Thank you for your attention.