Integrated Report 2025 Briefing Q&A Summary

July 15, 2025

◆ Questions from Participant A

Q1	According to the data presented on page 38 of the Integrated Report, there appears to be a correlation between NIPSEA China's market share and the trends in the number of retail outlets and CCM (computerized color matching) machine installations. However, it seems that the growth in market share has lagged somewhat behind the pace of expansion in these areas. I would appreciate your analysis of this discrepancy. Additionally, I understand that the decline in the number of retail outlets in 2024 compared to 2023 is attributable to a change in the reporting scope. Could you also clarify the key factors that led to the nearly threefold increase in the number of retail outlets from 2022 to 2023?
A1	We believe there is a fundamental correlation between the number of retail outlets, CCM installations, and our market share. In our view, enhanced brand visibility and a robust distribution network are key drivers of market share growth. Over the past three years, we have focused on expanding our presence in Tier 3 to Tier 6 cities, regions where our footprint had previously been limited, by strengthening our distribution network, particularly through partnerships with small, multi-brand retail stores. While these initiatives have not yet translated into a significant year-on-year increase in market share, we consider the expansion in retail outlets a critical asset in reinforcing our sales infrastructure. As consumer sentiment improves, we anticipate that this foundation will support future market share gains. The substantial increase in retail outlets between 2022 and 2023 reflects our strategic efforts to rapidly establish a strong distribution base in anticipation of future revenue opportunities driven by the ongoing urbanization of Tier 3–6 cities.

Q2	In the CEO interview regarding AOC on page 34 of the Integrated Report, it was noted that proposals for collaboration had been received from other partner companies. I understand that potential synergies were not a consideration at the time of the acquisition. Since then, has the likelihood of generating synergies increased? If there have been any notable developments following AOC's consolidation, I would appreciate it if you could share your insights.
A2	In our M&A valuation process, we intentionally exclude potential synergies. This reflects our fundamental policy of avoiding optimistic assumptions and minimizing subjective judgment by management. However, once the acquisition is finalized, we actively seek to realize synergies. Currently, collaborative initiatives are underway among Group companies, including AOC, NIPSEA Group, and Dunn-Edwards, with a focus on generating synergies. In the near term, these efforts involve discussions on joint procurement of raw materials. Over time, we aim to broaden collaboration to include areas such

	as the sharing of expertise in business systems. The management teams of AOC and DuluxGroup, among others, are highly growth-oriented and are actively seeking to leverage the technologies and know-how available within our Group's platform. We believe these initiatives will generate meaningful synergies that benefit both our existing operations and newly acquired companies.

◆ Questions from Participant B

Q1	Referring to the "Three Key Investor Questions About Our Asset Assembler Model" section on page 20 of the Integrated Report, it appears that collaboration and synergy creation among your partner companies have progressed remarkably well under your autonomous and decentralized management model. Few companies manage M&A and post-merger integration with such effectiveness. Could you elaborate on how your various brands collaborate in practice, and what incentive structures are in place to drive performance? In particular, I would appreciate any examples of innovative initiatives or actions that have made a measurable contribution to business results, as this would provide valuable context for assessing AOC's future potential.
A1	While it is challenging to isolate and quantify the impact of individual synergies, the Selleys brand offers a compelling example of successful collaboration within the Group. As highlighted on page 52 of the Integrated Report, NIPSEA Group has expanded into new categories in Singapore, such as floor cleaners, that were previously untapped, thereby driving growth in the SAF (Sealants, Adhesives & Fillers) business. As illustrated in the chart on page 51, NIPSEA Group's SAF business has grown approximately 9.5 times since the integration of Selleys. This substantial growth reflects the tangible results of cross-company collaboration and underscores the effectiveness of our approach to synergy creation among partner companies.

Q2	What types of incentives are provided to local management teams, who operate as the "owners" of each brand? If you employ any distinctive approaches, such as allocating a portion of Selleys' sales to DuluxGroup's performance metrics, or linking such results to the management team's compensation structure, I would appreciate it if you could share those details.
A2	We believe that empowerment and autonomy are our most distinctive advantages. As emphasized by the CEOs of AOC and DuluxGroup in their messages (page 34 of the Integrated Report), creating an environment where local management teams can fully demonstrate their capabilities plays a critical role in attracting and retaining top talent. Rather than implementing a system that rewards specific actions, such as cross-group transactions, with incremental points, we prioritize mutually beneficial, give-and-take relationships. For instance, although DuluxGroup has transferred the Selleys brand in Asia, it continues to benefit from

	access to a broad spectrum of Group insights, including procurement strategies, pricing, and overall business planning. Incentives are evaluated holistically, as part of a comprehensive performance assessment, rather than through a rigid, itemized framework. The core of our autonomous and decentralized management approach lies in autonomy itself. While the headquarters refrains from exerting excessive control over partner companies, we maintain effective governance through mechanisms such as “Audit on Audit” and “Control Self-Assessment.” By striking a balance between empowerment and oversight, we foster trust and provide motivation by supporting the ambitions of local management and placing confidence in their ability to achieve results.

Q3	I understand that productivity at NIPSEA China is improving through increased automation. Could you elaborate on the key initiatives you are undertaking to enhance productivity and drive sales? In particular, I would appreciate insights into your use of generative AI, such as the outcomes and impact of its adoption on performance, as well as your perspective on the potential to scale these initiatives across other regions.
A3	NIPSEA Group is proactively leveraging IT and AI to enhance business performance and has recruited specialized talent to lead business analysis and related initiatives. As outlined in the lower right section of page 45 of the Integrated Report, the Group is advancing the transformation of its distribution channels through the development of a digital intelligent platform. AI is being actively utilized as a key tool in this process, both for business analysis and for driving innovation in distribution channels, with the goal of improving productivity and boosting sales.

Q4	I understand that social media is playing an increasingly important role in NIPSEA Group’s sales initiatives. However, it appears that online channels more broadly have yet to be fully leveraged. While I recognize the ongoing importance of physical retail, do you foresee online channels playing a more prominent role in your future marketing and sales strategies?
A4	NIPSEA Group places significant emphasis on online promotion and sales. As highlighted in the upper right section of page 44 of the Integrated Report, the growing influence of social media on consumer decision-making has led us to shift a substantial portion of our traditional media budget toward social media platforms and related digital channels. We actively collaborate with influencers and invest in content for recommendation sites to enhance engagement and visibility. While we continue to utilize traditional channels such as TV commercials and outdoor advertising, our investment in social media promotions has increased considerably in recent years. At present, online sales still account for a relatively modest share of total revenue, but this proportion is steadily rising. As noted in the lower right section of page 43 of the Integrated Report, Nippon Paint China is actively building its brand around the key attributes of “premium,” “professional,” and “youthful.” Our “Top of Mind” score is especially strong among

	consumers aged 20 to 29, reaching 53%. This demographic is highly active on online channels and social media platforms and is expected to become a core base of loyal customers in the future. Accordingly, we place strong emphasis on online promotional and sales activities to effectively engage this audience.

Q5	I understand that, at present, the majority of purchases at your exclusive and multi-brand stores are made by professional painters. Are you observing any signs of a significant shift toward direct purchasing by consumers online in the near future?
A5	At this time, we are not seeing a notable shift in that direction. Selecting the right colors online remains a challenge for many customers, which has helped traditional sales channels maintain their strong presence. As a result, online sales have yet to become a mainstream purchasing method.

◆ Questions from Participant C

Q1	On page 31 of the Integrated Report, you disclose the ROIC figures for recently acquired companies. Am I correct in understanding that the ROIC of partner companies—excluding NIPSEA China and NIPSEA Except China—is higher than the Group's overall average?
A1	The Integrated Report presents ROIC figures only for acquired companies and does not include the ROIC of our existing businesses. As I do not have the relevant data readily available, I will follow up later, along with whether we can share an approximate level or range for those figures.

Q2	Your Group is expanding beyond paints and coatings into areas such as building materials and fine chemicals, while also operating across a broad global footprint. This diversification is making the company increasingly complex to analyze. How do you view the current situation, where the key drivers of your share price may be becoming less transparent? I would also appreciate your perspective on the potential risk of a conglomerate discount emerging in the future.
A2	We acknowledge that in the past, our share price was largely driven by the performance of NIPSEA China. However, as the Group has grown and diversified, it has become increasingly difficult to attribute share price movements to any single segment. The potential for a conglomerate discount was noted by Mr. Yamaguchi of MY.Alpha Management during the governance discussions referenced on page 94 of the Integrated Report. We believe that such a discount could arise if we were to acquire businesses entirely unrelated to paint and coatings that contributed to profits without offering further growth potential. However, in our case, the companies we acquire have demonstrated accelerated EPS growth post-acquisition, driven by the realization of synergies. For this reason, we do not believe a conglomerate discount is applicable to our Group.

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