

Annual Securities Report

The 200th Fiscal Year

From January 1, 2025

To December 31, 2025

Nippon Paint Holdings Co., Ltd.

(E00892)

The 200th Fiscal Year (From January 1, 2025 to December 31, 2025)

Annual Securities Report

This document is an English translation of the Annual Securities Report for the twelve-month period ended December 31, 2025, originally prepared in Japanese pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Nippon Paint Holdings Co., Ltd

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【Cover】	
【Document Filed】	Annual Securities Report
【Applicable Law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
【Filed to】	Director-General of the Kanto Local Finance Bureau
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【Fiscal Year】	The 200th fiscal year (from January 1, 2025 to December 31, 2025)
【Company Name】	Nippon Paint Holdings Co., Ltd.
【Company Name in English】	NIPPON PAINT HOLDINGS CO., LTD.
【Title and Name of Representative】	Yuichiro Wakatsuki, Director, Representative Executive Officer & Co-President Wee Siew Kim, Director, Representative Executive Officer & Co-President
【Location of Head Office】	2-1-2, Oyodokita, Kita-ku, Osaka-shi, Osaka
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【Contact Person】	Hidekazu Kudo, Corporate Officer, Deputy CFO General Manager, Finance & Accounting
【Nearest Contact Location】	2-1-2, Oyodokita, Kita-ku, Osaka-shi, Osaka
【Telephone number】	+81-6-6455-9153
【Contact Person】	Hidekazu Kudo, Corporate Officer, Deputy CFO General Manager, Finance & Accounting
【Location for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I 【Corporate Information】

Section 1 【Overview of the Company】

1 【Selected Financial Data】

(1) Key consolidated financial data

Fiscal Year		196th	197th	198th	199th	200th
Fiscal year-end		December 2021	December 2022	December 2023	December 2024	December 2025
Revenue	(Million yen)	998,276	1,309,021	1,442,574	1,638,720	1,774,231
Profit before tax	(Million yen)	86,467	104,495	161,500	180,081	250,565
Profit attributable to owners of parent	(Million yen)	67,569	79,418	118,476	125,889	179,800
Comprehensive income attributable to owners of parent	(Million yen)	155,628	233,204	249,078	277,371	273,133
Equity attributable to owners of parent	(Million yen)	959,518	1,148,824	1,358,310	1,589,520	1,803,859
Total assets	(Million yen)	1,955,083	2,442,340	2,713,341	3,068,582	4,017,738
Equity attributable to owners of the parent per share	(Yen)	408.61	489.19	578.35	676.76	774.87
Basic earnings per share	(Yen)	29.41	33.82	50.45	53.60	76.66
Diluted earnings per share	(Yen)	29.41	33.82	50.44	53.60	76.66
Ratio of equity attributable to owners of the parent	(%)	49.1	47.0	50.1	51.8	44.9
Return on equity attributable to owners of parent	(%)	8.8	7.5	9.5	8.5	10.6
Price-earnings ratio	(Times)	42.6	30.7	22.6	19.1	13.7
Net cash provided by (used in) operating activities	(Million yen)	67,428	112,351	189,755	167,401	187,526
Net cash provided by (used in) investing activities	(Million yen)	(102,355)	(165,107)	(115,975)	(148,106)	(321,988)
Net cash provided by (used in) financing activities	(Million yen)	(62,309)	145,767	(38,664)	(37,377)	254,732
Cash and cash equivalents at end of period	(Million yen)	138,813	242,598	289,647	288,301	424,337
Number of employees	(Persons)	30,247	33,763	34,393	38,562	38,481
(Average number of temporary employees not included in the above)		(6,843)	(7,367)	(8,030)	(9,095)	(9,528)

(Notes) 1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS Accounting Standards”).

2. The Company conducted a stock split at a ratio of five shares for each share of common stock with March 31, 2021 as the record date and April 1, 2021 as the effective date. Equity attributable to owners of the parent per share, basic earnings per

share, and diluted earnings per share have been calculated by assuming that this stock split had taken place at the beginning of the 196th fiscal year.

3. From the 197th fiscal year, the Group has consolidated the financial statements of subsidiaries in Türkiye after hyperinflation accounting adjustments in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies.”
4. Total assets for the 200th fiscal year increased due to, among other factors, the acquisition of interests in LSF11 A5 Top Co LLC (hereinafter, “AOC”) during the 200th fiscal year.

(2) Key Financial Data of the Company

Fiscal Year		196th	197th	198th	199th	200th
Fiscal year-end		December 2021	December 2022	December 2023	December 2024	December 2025
Operating revenue	(Million yen)	22,341	29,131	20,975	53,541	53,745
Ordinary profit (loss)	(Million yen)	(384)	25,968	16,063	48,540	40,196
Profit	(Million yen)	1,778	29,881	16,394	47,646	42,965
Share capital	(Million yen)	671,432	671,432	671,432	671,432	671,432
Total number of issued shares	(Thousands of shares)	2,370,512	2,370,512	2,370,512	2,370,512	2,370,512
Net assets	(Million yen)	1,513,904	1,498,930	1,488,857	1,511,523	1,484,996
Total assets	(Million yen)	2,037,839	2,225,848	2,241,792	2,287,422	2,926,432
Net assets per share	(Yen)	644.63	638.21	633.89	643.52	637.88
Dividends per share	(Yen)	10.00	11.00	14.00	15.00	16.00
(of which, interim dividend per share)		(5.00)	(5.00)	(6.00)	(7.00)	(8.00)
Earnings per share	(Yen)	0.77	12.72	6.98	20.29	18.32
Diluted earnings per share	(Yen)	0.77	12.72	6.98	20.29	18.32
Equity ratio	(%)	74.3	67.3	66.4	66.1	50.7
Return on equity	(%)	0.19	1.98	1.10	3.18	2.87
Price-earnings ratio	(Times)	1,628.57	81.65	163.31	50.45	57.18
Payout ratio	(%)	1,298.7	86.4	200.6	73.9	87.3
Number of employees	(Persons)	404	51	54	50	49
(Average number of temporary employees not included in the above)		(50)				
Total shareholder return	(%)	55.8	46.8	51.9	47.4	49.1
(Comparison index: TOPIX including dividends)	(%)	(112.7)	(110.0)	(141.1)	(169.9)	(213.2)
Highest share price	(Yen)	1,760 (11,460)	1,314	1,313	1,258	1,352
Lowest share price	(Yen)	1,078 (7,800)	843	953	808	919

(Notes) 1. For fiscal years in which the average number of temporary employees is less than 10% of the number of employees, the average number of temporary employees is not presented.

2. The highest and lowest stock prices reflect those on the Tokyo Stock Exchange Prime Market from April 4, 2022 onward, and on the First Section of the Tokyo Stock Exchange prior to that date.
3. The Company conducted a stock split at a ratio of five shares for each share of common stock with March 31, 2021 as the record date and April 1, 2021 as the effective date. Net assets per share, basic earnings per share, and diluted earnings per share have been calculated by assuming that this stock split had taken place at the beginning of the 196th fiscal year.
4. The Company conducted a stock split at a ratio of five shares for each share of common stock with March 31, 2021 as the record date and April 1, 2021 as the effective date. Regarding the stock prices for the 196th fiscal year, the post-split highest and lowest stock prices are presented, and the pre-split highest and lowest stock prices are shown in parentheses.
5. We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidance from the beginning of the 197th fiscal year, and key financial data for the 197th fiscal year and thereafter reflect the application of these accounting standards, etc.
6. Effective January 1, 2022, through a company split (simplified absorption-type split), all businesses other than the listing function and pure holding company function of the Company were succeeded by Nippon Paint Corporate Solutions Co., Ltd., its wholly-owned subsidiary. Consequently, employees of the Company were transferred to Nippon Paint Corporate Solutions Co., Ltd., resulting in a decrease in the number of employees of the Company in the 197th fiscal year.
7. Of the planned dividends per share of ¥16.00 for the fiscal year ended December 31, 2025, the year-end dividend of ¥8.00 will be subject to a resolution at the Annual General Meeting of Shareholders scheduled to be held on March 27, 2026.

2 【History】

The Nippon Paint Group traces its origins to Komyosha, established in 1881 in Mita, Tokyo as the pioneer of Japan's paint and pigment manufacturing industry. In 1896, the Company relocated to Minami-Shinagawa, the site of our current Tokyo Office. Since then, the Group has evolved through the following milestones.

Date	Event
March 1898	Established as Nippon Paint Manufacturing Co., Ltd. in Minami-Shinagawa, Tokyo with share capital of JPY400,000
August 1905	Constructed Osaka Plant in Urae, Osaka (current location of the Osaka Office)
September 1912	Paint Association founded (beginning of the authorized distributor association)
November 1927	Changed trade name to Nippon Paint Co., Ltd.
November 1931	Moved head office to Osaka
May 1949	Listed on the Tokyo Stock Exchange (designated to the First Section in October 1961)
June 1949	Listed on the Osaka Securities Exchange and Nagoya Stock Exchange (delisted December 8, 2013)
August 1962	Established Pan Malaysia Paints (now Nippon Paint (Singapore) Company Private Limited) in Singapore as a joint venture (now a consolidated subsidiary)
September 1962	Constructed Chiba Plant
May 1967	Constructed Hiroshima Plant
July 1968	Established Technical Research Center (Neyagawa, Osaka)
October 1970	Constructed Aichi Plant
February 1971	Established Nippon Bee Chemical Co., Ltd., a joint venture with Bee Chemical (U.S.), in Osaka
December 1975	Established Nippon Paint (America) Corporation in New York
July 1981	Constructed Tochigi Plant
May 1984	Constructed Okayama Plant
December 1989	Established Nippon Paint (Europe) Ltd. in London
March 1990	Established Nippon Paint (USA) Inc. in Delaware, U.S.A. (now a consolidated subsidiary)
March 1991	Completed new head office building
December 1992	Established Nippon Paint (China) Company Limited in Shanghai (now a consolidated subsidiary)
March 1993	Constructed Fukuoka Plant
April 1995	Established NPA Coatings Inc. in Ohio, U.S.A. (now Nippon Paint Automotive Americas, Inc.)
June 1995	Established NP Automotive Coatings (Europe) Ltd. in Swindon, U.K.
April 1999	Established Nippon Paint Industrial Coatings Co., Ltd.
July 1999	Completed Tokyo Center Building (within the Tokyo Office)
April 2002	Established Nippon Fine Coatings Co., Ltd., a joint venture with Dainippon Ink and Chemicals (now DIC Corporation)
April 2004	Merged five sales companies to establish Nippon Paint Sales Co., Ltd.
November 2004	Nippon Paint Marine Coatings Co., Ltd. (now a consolidated subsidiary) established four overseas subsidiaries
October 2006	Established NB Coatings, Inc. in Illinois, U.S.A. (now Nippon Paint Automotive Americas, Inc.)
January 2007	Made Thai joint venture Nippon Paint (Thailand) Company Limited a consolidated subsidiary

Date	Event
November 2007	Made Taiwan/China joint venture Asia Industries, Ltd. (now Nippon Paint Coatings (Taiwan) Co., Ltd.) a consolidated subsidiary
July 2008	Made Korean joint venture Nipsea Chemical Co., Ltd. a consolidated subsidiary
October 2008	Made Philippine joint venture Nippon Paint Philippines, Inc. (now Nippon Paint (Coatings) Philippines, Inc.) a consolidated subsidiary
October 2009	Completed Osaka Logistics Center (within the Osaka Office)
October 2014	Changed trade name to Nippon Paint Holdings Co., Ltd. and established Nippon Paint Co., Ltd. as a new company through an incorporation-type company split; transferred paint and non-paint businesses and shifted to a holding company structure
December 2014	As part of a strategic alliance, made eight joint ventures with Wuthelam Holdings Limited and their 38 subsidiaries consolidated subsidiaries
April 2015	Split the newly established Nippon Paint Co., Ltd. into four companies by business segment and integrated domestic subsidiaries, related to each business through mergers, etc.: Nippon Paint Automotive Coatings Co., Ltd. (now a consolidated subsidiary) Nippon Paint Industrial Coatings Co., Ltd. (now a consolidated subsidiary) Nippon Paint Co., Ltd. (now a consolidated subsidiary) Nippon Paint Surf Chemicals Co., Ltd. (now a consolidated subsidiary)
January 2016	Made German paint manufacturer Bollig & Kemper GmbH & Co.KG a wholly owned subsidiary
July 2016	Integrated the Group's and Berger Paints India Limited's automotive coatings businesses in India into a joint venture
December 2016	Changed fiscal year-end from March 31 to December 31
January 2017	Made Chinese paint manufacturer Huizhou CRF Paint Co., Ltd. (now Guangdong Nippon Changrunfa Technology Materials Co., Ltd.) a consolidated subsidiary
March 2017	Made U.S. paint manufacturer Dunn-Edwards Corporation a wholly owned subsidiary
July 2019	Made Turkish paint manufacturer Betek Boya ve Kimya Sanayi Anonim Sirketi a consolidated subsidiary
August 2019	Made Australian paint manufacturer DuluxGroup Limited a wholly owned subsidiary
January 2021	Completed full integration of Asia joint ventures with the Wuthelam Group and acquired the Wuthelam Group's Indonesia business
January 2022	Transferred all businesses other than the Company's listing function and pure holding company function to Nippon Paint Corporate Solutions Co., Ltd., a wholly owned subsidiary
January 2022	Made European paint manufacturer Cromology Holding SAS a consolidated subsidiary
April 2022	Transitioned from the Tokyo Stock Exchange First Section to the Prime Market following the market segment reorganization
May 2022	Made European paint manufacturer DP JUB delniska druzba pooblasenka d.d. a consolidated subsidiary Made five consolidated subsidiaries, which are China automotive joint ventures of Nippon Paint Automotive Coatings Co., Ltd., wholly owned subsidiaries
July 2023	Made European adjacencies products manufacturer N.P.T.s.r.l. a consolidated subsidiary
January 2024	Made Kazakhstan paints and adjacencies products manufacturer Alina Group LLP a consolidated subsidiary
November 2024	Made Indian paint manufacturers Nippon Paint (India) Private Limited and Berger Nippon Paint Automotive Coatings Private Limited consolidated subsidiaries

Date	Event
March 2025	<p>Made LSF11 A5 TopCo LLC, which controls a group of companies including AOC, LLC—a specialty formulator* operating mainly in the U.S. and Europe—a consolidated subsidiary</p> <p>* A specialty formulator is a company that designs, manufactures, and sells formulations such as unsaturated polyesters and vinyl esters for coating-adjacent products used in buildings, infrastructure, transportation equipment, ships, etc., including CASE (Coatings, Adhesives, Sealants and Elastomers), colorants, and composite materials.</p>

3 【Business Description】

The Group consists of the Company, 267 consolidated subsidiaries, and seven equity method affiliates, and our main businesses are the manufacture and sale of automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints in the paint and coatings business, and the manufacture and sale of insulation materials, CASE,* colorants and other products in the adjacencies business.

* Coatings, Adhesives, Sealants and Elastomers

To expand our paint business in Asia, the Company partnered with Wuthelam Holdings Limited in 1962 as an Asia sales agent and launched a joint venture in Singapore. We then expanded into other Asian countries, including Thailand, Malaysia, and China, through joint ventures with the Wuthelam Group (collectively, the “Target JV Businesses”) , building a top-class market share in the Asian region. In 2014, to further expand our Asia business, the Company acquired a majority stake in the Target JV Businesses, further strengthening the partnership with the Wuthelam Group. The Company completed the full integration of the Asian joint venture with Wuthelam and the acquisition of the Wuthelam Group’s Indonesia business on January 25, 2021; the acquisition of Kazakhstan-based paints and paint-adjacent products manufacturer Alina Group LLP on January 17, 2024; and the acquisitions of India-based paint manufacturers Nippon Paint (India) Private Limited and Berger Nippon Paint Automotive Coatings Private Limited on November 16, 2024. Outside Asia, the Company completed the acquisition of European paint manufacturer Cromology Holding SAS (“Cromology”) on January 20, 2022, European paint manufacturer DP JUB delniska druzba pooblasenka d.d. on May 31, 2022, European paint-adjacent products manufacturer N.P.T. s.r.l. on July 5, 2023, and the acquisition of LSF11 A5 TopCo LLC, the parent company of a group of companies including AOC, LLC, a specialty formulator* operating primarily in the United States and Europe, on March 3, 2025.

* A company that designs, manufactures, and sells formulations such as unsaturated polyesters and vinyl esters for coating-adjacent products used in buildings, infrastructure, transportation equipment, ships, etc., including CASE, colorants, composite materials, and more

The Company falls under a specified listed company, etc., with respect to the de minimis criteria for material facts under insider trading regulations, numerical thresholds determined by reference to the size of the listed company are assessed on the basis of consolidated figures.

The positioning of the Company and our affiliates in our businesses and their relationship to segments are as follows.

From the current fiscal year, reportable segment classifications have been changed. For details, see 【Section 5 Financial Information, 1 Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 6. Segment information】 .

Consolidated subsidiaries	Equity method affiliates
<p>– Japan – Nippon Paint Corporate Solutions Co., Ltd. Nippon Paint Automotive Coatings Co., Ltd. Nippon Paint Industrial Coatings Co., Ltd. Nippon Paint Co., Ltd. Nippon Paint Surf Chemicals Co., Ltd. Nippon Paint Marine Coatings Co., Ltd. Nippon Paint Materials Co., Ltd. 13 other companies – NIPSEA – Guangzhou Nippon Paint Co., Ltd. (China) Nippon Paint (Chengdu) Co., Ltd. (China) Nippon Paint (China) Company Limited Neave Limited (Hong Kong, China) Nippon Paint (H.K.) Company Limited (Hong Kong, China) Nippon Paint (India) Private Limited Nippon Paint (Malaysia) Sdn. Bhd. Paint Marketing Company (M) Sdn. Bhd. (Malaysia) Nippon Paint (Singapore) Company Private Limited Nippon Paint Holdings SG Pte. Ltd. (Singapore) Nipsea Technologies Pte. Ltd. (Singapore) Nipsea Chemical Co., Ltd. (Korea) Nippon Paint Coatings (Taiwan) Co., Ltd. Nippon Paint (Thailand) Company Limited Betek Boya ve Kimya Sanayi Anonim Sirketi (Türkiye) Nippon Paint Turkey Boya Sanayi ve Ticaret Anonim Sirketi 119 other companies – DuluxGroup – DuluxGroup Limited (Australia) 78 other companies – Americas – Nippon Paint (USA) Inc. 7 other companies – AOC – LSF11 A5 TopCo LLC 24 other companies</p>	<p>– Japan – 2 companies – NIPSEA – Nippon Paint (Sabah) Sdn. Bhd. (Malaysia) 3 other companies – DuluxGroup – 1 company</p>

<<Japan>>

This segment conducts the paint and coatings business, including automotive coatings, decorative paints, industrial coatings, and fine chemicals.

Consolidated subsidiaries directly owned by the Company include Nippon Paint Automotive Coatings Co., Ltd., Nippon Paint Co., Ltd., and Nippon Paint Industrial Coatings Co., Ltd., as well as four other companies, totaling five paint manufacturing and sales companies, one trading company specialized in import/export, and one support company serving domestic business companies of the Nippon Paint Group.

In addition, under the consolidated subsidiaries directly owned by the Company, there are 13 consolidated subsidiaries and two equity method affiliate.

<<NIPSEA>>

This segment conducts the paint and coatings business—including automotive coatings, decorative paints, industrial coatings, and fine chemicals—and adjacencies business in China, South Korea, Singapore, Malaysia, Thailand, other Southeast Asian countries, Türkiye, India, and other markets.

Consolidated subsidiaries directly owned by the Company include Nippon Paint (China) Company Limited and 15 other companies, and there is one equity method affiliate. In total, there are 12 paint manufacturing and sales companies, three paint sales companies, one business management company, and one R&D company.

In addition, under the consolidated subsidiaries directly owned by the Company, there are 119 consolidated subsidiaries and three equity method affiliate.

<<DuluxGroup>>

This segment conducts the paint and coatings business, including decorative paints and industrial coatings, as well as the adjacencies business.

DuluxGroup Limited, a consolidated subsidiary directly owned by the Company, is the regional headquarters, controlling 78 consolidated subsidiaries and one equity method affiliate, consisting of 17 manufacturing and sales companies, 28 sales companies, 14 manufacturing companies, and 20 other holding companies, etc.

<<Americas>>

This segment conducts the paint and coatings business, including automotive coatings, decorative paints, and fine chemicals.

The consolidated subsidiary directly owned by the Company is Nippon Paint (USA) Inc., which functions as the regional headquarters.

In addition, there are seven consolidated subsidiaries in this segment: six companies manufacturing and selling automotive coatings and one company manufacturing and selling decorative paints.

<<AOC>>

This segment conducts the adjacencies business.

The consolidated subsidiary directly owned by the Company is LSF11 A5 TopCo LLC, which functions as the regional headquarters.

In addition, there are 24 consolidated subsidiaries in this segment, consisting of three manufacturing and sales companies, four sales companies, seven manufacturing companies, and 10 other holding companies, etc.

4 【Status of the Group Companies】

Name	Address	Share capital (Million yen)	Main business	Voting rights ratio (held) (%)	Relationship details		
					Concurrent	Business transactions, etc.	Leasing of facilities
(Parent company) Nipsea International Limited	Hong Kong, China	HKD 60,000 million	Investment business	(55.5)	Yes	—	—
(Consolidated subsidiaries) Nippon Paint Corporate Solutions Co., Ltd.	Osaka-shi, Osaka	10	Business support for domestic group companies	100	Yes	Outsourcing of administrative operations	Yes
Nippon Paint Automotive Coatings Co., Ltd.	Hirakata-shi, Osaka	360	Manufacture and sale of paints	100	Yes	—	—
Nippon Paint Industrial Coatings Co., Ltd.	Shinagawa-ku, Tokyo	170	Manufacture and sale of paints	100	No	—	—
Nippon Paint Co., Ltd.	Shinagawa-ku, Tokyo	739	Manufacture and sale of paints	100	No	—	—
Nippon Paint Surf Chemicals Co., Ltd.	Shinagawa-ku, Tokyo	100	Manufacture and sale of surface treatment agents	100	No	—	—
Nippon Paint Marine Coatings Co., Ltd. (Note 1)	Osaka-shi, Osaka	1,200	Manufacture and sale of marine coatings	100 (40)	No	—	—
Nippon Paint Materials Co., Ltd. (Note 1)	Osaka-shi, Osaka	25	Sale of paints and raw materials	100 (40)	No	—	Yes
Guangzhou Nippon Paint Co., Ltd. (Note 1)	China	RMB 82 million	Manufacture and sale of paints	100 (49)	Yes	—	—
Nippon Paint (Chengdu) Co., Ltd. (Note 1)	China	RMB 78 million	Manufacture and sale of paints	100 (49)	Yes	—	—
Nippon Paint (China) Company Limited (Note 1)	China	RMB 144 million	Manufacture and sale of paints	100 (49)	Yes	—	—
Neave Limited	Hong Kong, China	HKD 388 million	Sale of paints	100	No	—	—
Nippon Paint (H.K.) Company Limited (Notes 1, 4)	Hong Kong, China	HKD 795 million	Sale of paints, Regional headquarters for China	100 (49)	Yes	—	—
Nippon Paint (India) Private Limited	India	INR 5,628 million	Manufacture and sale of paints	100	No	—	—
Nippon Paint (Malaysia) Sdn. Bhd.	Malaysia	MYR 549 million	Manufacture and sale of paints and paint-related products	100	Yes	—	—
Paint Marketing Co. (M) Sdn. Bhd.	Malaysia	MYR 0.75 million	Sale of paints	100	Yes	—	—
Nippon Paint (Singapore) Company Private Limited	Singapore	SGD 4.5 million	Manufacture and sale of paints	100	Yes	—	—
Nippon Paint Holdings SG Pte. Ltd.	Singapore	SGD 200 million	Regional headquarters for Asia	100	Yes	—	—

Name	Address	Share capital (Million yen)	Main business	Voting rights ratio (held) (%)	Relationship details		
					Concurrent	Business transactions, etc.	Leasing of facilities
Nipsea Technologies Pte. Ltd.	Singapore	SGD 1 million	Research and development of paints	100	Yes	—	—
Nipsea Chemical Co., Ltd.	Korea	₩ 320 million	Manufacture and sale of surface treatment agents	100	Yes	—	—
Nippon Paint Coatings (Taiwan) Co., Ltd.	Taiwan, China	NT\$ 128 million	Manufacture and sale of paints	100	Yes	—	—
Nippon Paint (Thailand) Company Limited	Thailand	฿ 308 million	Manufacture and sale of paints	100	Yes	—	—
Betek Boya ve Kimya Sanayi Anonim Sirketi	Türkiye	TL 14,585 million	Manufacture and sale of paints and paint-related products	99.9	Yes	—	—
Nippon Paint Turkey Boya Sanayi ve Ticaret Anonim Sirketi	Türkiye	EUR 1.29 million	Manufacture and sale of paints	100	No	—	—
DuluxGroup Limited (Notes 3, 4)	Australia	AUS\$ 3,001 million	Manufacture and sale of paints and paint-related products	100	Yes	—	—
Nippon Paint (USA) Inc.	United States	USD 200 million	Regional headquarters for North America	100	No	—	—
LSF11 A5 TopCo LLC (Note 3)	United States	USD 2,794 million	Manufacture and sale of CASE and composite materials	100	Yes	—	—
241 other companies							
(Equity method affiliates)							
Nippon Paint (Sabah) Sdn. Bhd.	Malaysia	MYR 1.5 million	Manufacture and sale of paints	49	No	—	—
6 other companies							

(Notes) 1. Figures in parentheses for voting rights held or held in the Company indicate the proportion of indirect ownership included within the total.

2. There are no companies that file securities registration statements or annual securities reports.

3. DuluxGroup Limited, a consolidated subsidiary of the Company, and its subsidiaries DuluxGroup (Investment) Pty Ltd and DGL International (UK) Ltd, as well as LSF11 A5 TopCo LLC, a consolidated subsidiary of the Company, and its subsidiaries LSF11 A5 MidCo LLC, LSF11 A5 Hold Co LLC and LSF11 A5 Netherlands B.V., are classified as specified subsidiaries.

4. Nippon Paint (H.K.) Company Limited and DuluxGroup Limited each account for more than 10% of consolidated revenue (excluding intercompany revenue between consolidated companies). Their principal profit and loss information is as follows.

Nippon Paint (H.K.) Company Limited and DuluxGroup Limited prepare their financial statements on a consolidated basis, and the principal profit and loss information below is also on a consolidated basis.

	Revenue (million yen)	Profit before tax (million yen)	Profit (million yen)	Equity (million yen)	Total assets (million yen)
Nippon Paint (H.K.) Company Limited	522,911	44,994	34,896	296,766	496,804
DuluxGroup Limited	405,708	40,623	27,905	614,203	857,143

5 【Status of Employees】

(1) Consolidated status

As of December 31, 2025

Segment	Number of employees (persons)	
Japan	3,343	(388)
NIPSEA	23,218	(8,541)
DuluxGroup	8,432	(548)
AOC	1,035	(33)
Americas	2,404	(15)
Corporate (common)	49	(3)
Total	38,481	(9,528)

- (Notes)
1. The number of employees is the number of working personnel (excluding employees seconded from the Group to outside the Group and including employees seconded to the Group from outside).
 2. The average annual number of temporary employees are not included in the "Number of employees."
 3. The number of temporary employees includes part-time and fixed-term contract employees and excludes dispatched workers.

(2) Status of the Company

As of December 31, 2025

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (thousand yen)
49	42.6	11.3	10,445

Segment	Number of employees (persons)
Corporate (common)	49
Total	49

- (Notes)
1. The number of employees is the number of working personnel excluding those seconded to other companies and includes those seconded from other companies to the Company.
 2. Temporary employees are omitted because their total number is less than 10% of the number of employees.
 3. The average annual salary includes bonuses and non-standard wages.

(3) Status of the labor union

The Nippon Paint Labor Union was formed in November 1946 and belongs to the JEC Federation Paint Subcommittee. As of December 31, 2025, it had 1,787 members. Labor-management relations are stable.

(4) Ratio of women in managerial positions, childcare leave utilization rate among male employees, and wage differences between male and female employees

(i) The Company

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note 1)	Childcare leave utilization rate among male workers (%) (Note 2)	Gender pay gap for workers (%) (Note 1)		
		All workers	of which, regular employees	of which, part-time/fixed-term employees
23.5	—	76.2	77.1	45.2

- (Notes) 1. The ratio of women in managerial positions and the wage differences between male and female employees are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. A dash ("—") indicates that disclosure is omitted because the Company is not subject to the disclosure requirements under the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

(ii) Domestic consolidated subsidiaries

Current fiscal year					
Company name	Ratio of female workers in managerial positions (%) (Note 1)	Childcare leave utilization rate among male workers (%) (Note 2)	Gender pay gap for workers (%) (Note 1)		
			All workers	of which, regular employees	of which, part-time/fixed-term employees
Nippon Paint Corporate Solutions Co., Ltd.	15.6	76.0	75.5	79.3	59.4
Nippon Paint Automotive Coatings Co., Ltd.	5.2	68.0	68.5	76.5	52.7
Nippon Paint Industrial Coatings Co., Ltd.	5.6	80.0	73.4	74.1	79.3
Nippon Paint Co., Ltd.	3.6	28.0	77.1	80.2	78.4
Nippon Paint Surf Chemicals Co., Ltd.	9.1	100.0	74.8	81.5	33.2
Nippon Paint Marine Coatings Co., Ltd.	9.8	-	70.9	79.4	54.0
Nippon Paint Materials Co., Ltd.	10.0	-	91.8	89.8	-

- (Notes) 1. The ratio of women in managerial positions and the wage differences between male and female employees are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. The childcare leave utilization rate among male employees is calculated based on the utilization rate of childcare leave, etc., prescribed in Article 71-6, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labour Ordinance No. 25 of 1991) under the said Act (Act No. 76 of 1991).
3. A dash ("—") for Nippon Paint Marine Coatings Co., Ltd. and Nippon Paint Materials Co., Ltd. indicates that disclosure

is omitted because they are not subject to the disclosure requirements under the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

Section 2 【Business Overview】

1 【Management Policy, Operating Environment, and Management Issues】

The Group's management policy, operating environment, and management issues are as described below.

This section includes forward-looking statements that is based on information available and reasonable assumptions as of the end of the current fiscal year. These statements are not guarantees of future performance.

(1) Management policy and management strategy, etc.

(i) Basic Management Policy

The Company pursues Maximization of Shareholder Value (MSV) as its sole mission, defining it as maximizing the residual value after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders.

The diagram below shows the stakeholder relationship for profit and loss statement items: customers for revenue, suppliers for input costs, employees for personnel expenses, financial institutions for interest expenses, and states for taxes. Fulfilling our obligations to each stakeholder group is the primary premise for MSV. Fulfillment of obligations includes not only legal contracts but also social and ethical obligations, as well as the concept of sustainability.

MSV entails maximizing the residual value that remains after fulfilling obligations to all stakeholders as a way of rewarding shareholders that make an investment with an awareness of the associated risks. While obligations to stakeholders have upper limits, residual shareholder value has none.

(ii) Asset Assembler Model

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

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

The Company strives to earn recognition and favorable evaluations from capital markets for its 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.

- Asset Assembler https://www.nipponpaint-holdings.com/en/about/asset_assembler/

(iii) Autonomous and decentralized management approach

Autonomous and decentralized management approach is a key component of our Asset Assembler model, and one of our core strengths that enables us to bring together outstanding talent and brands. Given the strong local production for local consumption characteristic of the decorative paints market, we believe it is more effective for the management of each partner company—well-versed in MSV and deeply familiar with local market dynamics—to pursue organic collaboration within the Group and drive autonomous growth, rather than having the Company, the holding company, impose centralized control.

Partner companies that are strong individually can share brands, know-how, and technology within the Group, generating synergies beyond expectations. These are not Western-style synergies driven by standardization or cost-cutting, but rather a management approach designed to maximize the unique strengths of each company in a highly localized industry. We believe this makes us an attractive partner, and expect more companies will seek to join our Group as a result.

(iv) Medium- to long-term management strategy and financial targets

In April 2024, we revisited the advantage of our Asset Assembler model and unveiled a Medium-Term Strategy focused on sustainable EPS compounding across both organic and inorganic growth and is updated annually. For organic growth, we pursue both revenue growth and margin improvement through strategy execution focused on each region and business. For inorganic growth, we are focused on M&A that ensure safe and sustainable EPS compounding. By gaining the confidence of the capital markets towards our capacity and track record in EPS compounding, we aim to improve PER and thereby achieve MSV.

Details of our Group's Medium-Term Strategy are available on our website at the following link:

- Medium-Term Strategy https://www.nipponpaint-holdings.com/en/ir/management_policy/management_plan/

(v) Medium- to long-term initiatives in key regions and business segments

To achieve the targets set out in the Medium-Term Strategy described above, we are implementing growth strategies across all regions and business segments. Our Group's initiatives and performance in the key regions and business segments are available on our website below.

- Integrated Report https://www.nipponpaint-holdings.com/en/ir/library/annual_report/
- Asset Management Report https://www.nipponpaint-holdings.com/en/ir/library/asset_management_report/
- Presentation materials and videos <https://www.nipponpaint-holdings.com/en/ir/library/materials/>

(2) Operating environment and priority business and financial issues

(i) Operating environment

The global paint market is a growth industry, with demand for paint expected to increase steadily with population growth, based on historical trends. Unlike the broader chemical sector, the paint market experiences relatively little volatility and is characterized by stable growth.

According to United Nations projections, the world population is expected to rise from 8.2 billion to 10.3 billion over the next 60 years, with Africa, India, the United States, and Asia anticipated to be the main growth engines.

At present, the decorative paints market is expected to remain flat in advanced economies and China, while growth in other Asian countries is likely to be supported by rising demand for repainting. With ongoing population growth and accelerating urbanization, we expect the paint market to remain on a steady growth trajectory.

- Global market data <https://www.nipponpaint-holdings.com/en/ir/results/market/>

(ii) Priority business and financial issues

Based on the above-mentioned operating environment, the Company aims to address the following issues in pursuit of MSV through sustainable growth.

(a) Continued commitment to strategic M&A activities

Operating under the Asset Assembler model, the Company is pursuing M&A activities in the paint and adjacencies areas, which offer a compelling risk/return profile.

The decorative paints market, which represents a significant portion of the paint and coatings market, operates on a local production for local consumption basis. Each country and market adopts distinctive business models encompassing raw material procurement, consumer preferences, sales networks, and environmental regulations. Paint and coatings, particularly decorative paints face a low threat of substitute products and exhibit significant regional characteristics. Based on these characteristics, critical success factors in this business are: (1) strong brand power; (2) a well-established distribution network; and (3) the establishment of operations well-versed in local markets. Achieving the No.1 market share based on these factors provide a substantial advantage, making it challenging for competitors to reverse the trend. This market leadership enables further expansion in market share, followed by increased profits, creating a virtuous cycle of growth.

In our M&A activities based on the Asset Assembler model, we place particular emphasis on three criteria: (1) businesses operating in markets where solid, reliable growth is expected; (2) businesses possessing clear competitive advantages, such as outstanding management, strong margins, and robust cash flow generation; and (3) businesses offering a valuation that is expected to be EPS accretive from the first year and to achieve ROIC>WACC within three years. For the time being, we believe there are ample acquisition opportunities in the chemical domain, and we are actively pursuing synergies in both “bolt-on” and “asset-assembly” approaches. The performance of major partner companies acquired since 2014 has continued to grow steadily by incorporating management resources such as brand strength through the Group platform.

By continuing to accumulate a successful track record of M&A transactions, we will broadly communicate to potential acquisition targets the benefits of joining our Group, while also fostering market expectations that the Company will continue to deliver strong EPS growth going forward.

Details of our Group’s M&A are available on our website at the following link:

- M&A Strategy https://www.nipponpaint-holdings.com/en/ir/management_policy/ma-strategy/

(b) Sustainability initiatives

Rather than operating under a Head Office-led structure, the Company has established autonomous sustainability teams that further strengthened the link between sustainability and business operations. Reporting directly to the Representative Executive Officers & Co-Presidents, five global teams—“Environment & Safety,” “People & Community,” “Innovation & Product Stewardship,” “Governance,” and “Sustainable Procurement”—have been organized based on the Materiality. Each team is led by a dedicated business leader and drives initiatives worldwide.

From a governance perspective, each leader reports directly to the Co-Presidents, who in turn regularly update the Board of Directors on progress and proposals. Through this structure, the Board of Directors monitors the Company’s sustainability efforts.

Details of our Group’s sustainability are available on our website at the following link:

- Sustainability <https://www.nipponpaint-holdings.com/en/sustainability/>

2 【Sustainability: Our Approach and Initiatives】

Our approach to sustainability and related initiatives are as follows.

Forward-looking statements in this section are based on our Group’s judgments as of the end of the current fiscal year.

(1) Governance, strategy, risk management, and metrics and targets related to sustainability

(i) Governance

In March 2023, the Board of Directors approved and published the “Basic Policy on Sustainability.”

Basic Policy on Sustainability

Nippon Paint Group recognizes an opportunity for sustainable growth from taking actions such as protecting natural capital including the environment, enhancing human resources by embracing diversity, and creating innovation with social benefits. Our group partner companies autonomously develop sustainability strategies and conduct business activities. Furthermore, we identify risks and opportunities related to Materiality based on sound group governance with the sole mission of Maximization of Shareholder Value (MSV) after adequately fulfilling our legal, social and ethical obligations to customers, suppliers, employees, society and other stakeholders.

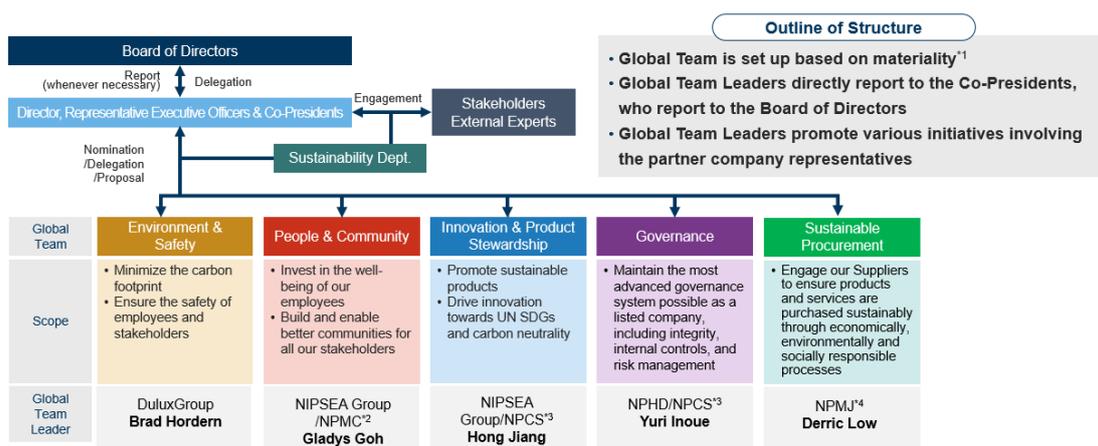
Recognizing that the Group’s sustainability is premised on pursuing MSV through the Asset Assembler model and has MSV as its goal, the policy clearly states that the Group will promote sustainability under the autonomous and decentralized management approach that values the autonomy of Partner Company Groups. Under the leadership of the Representative Executive Officers & Co-Presidents, five sustainability teams, formed in alignment with Materiality: “Environment & Safety,” “People & Community,” “Innovation & Product Stewardship,” “Governance,” and “Sustainable Procurement,” are implementing global initiatives.

Each sustainability team holds meetings roughly quarterly, although the frequency depends on the team, to deliberate on issues and progress in its respective area. Each team leader reports progress and proposals to the Representative Executive Officers & Co-Presidents approximately once every six months. The Co-Presidents report to the Board of Directors as appropriate when formulating Company-wide sustainability policies and important targets, such as when establishing the procurement team to enhance operational effectiveness across the Group. Based on these reports, the Board of Directors supervises sustainability-related activities by engaging in policy decisions and the management of important matters, including exchanging opinions and providing advice as necessary.

In addition, the governance structure for sustainability is shown in the organizational chart below.

<Organizational Chart>

Autonomous sustainability structure



¹ Governance team advances discussions on the best direction for enhancing our good governance and autonomy in line with each materiality

² Nippon Paint Marine Coatings ³ Nippon Paint Corporate Solutions ⁴ Nippon Paint Materials

(ii) Strategy

Among the six Materiality items identified in 2020, with respect to “Climate change,” the Group is promoting the identification, assessment, and response to climate-related risks and opportunities based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

<Materiality>

Climate change Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.
Resources and environment Sustainable resource use and protection of the environment and biodiversity are essential to our business and communities. We will work to improve life cycles and resource circulation in our products and supply chain.
Safe people and operations The businesses operated by Nippon Paint Group involve serious occupational health and safety risks that could impact employees, the supply chain, and communities. To appropriately manage these risks and prevent harm, we will focus our efforts on risks with particularly high severity.
Diversity & Inclusion Respect for the people around us, respect for human rights and active acceptance of diverse values are important for our sustainable growth. We value diversity of ideas and thinking to foster innovation and growth.
Growth with communities We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.
Innovation for a sustainable future In today’s society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.

Major climate-related risks and our strategies (initiatives) are as follows.

- In response to risks such as changes in regulations and their impacts, including carbon pricing and greenhouse gas emissions and reduction targets, we are promoting initiatives such as improving energy efficiency, purchasing renewable electricity, installing solar power generation facilities, and transitioning to electric vehicles.
- With respect to raw materials, which account for the majority of the Group’s greenhouse gas emissions, risks such as higher procurement costs are anticipated; we have begun engaging with suppliers and are promoting initiatives such as jointly developing more sustainable products and services.

Major climate-related opportunities and our responses are as follows.

- To capture opportunities from the growth of the sustainable products market, we are working to expand low-carbon products and improve product performance, including through the development and adoption of low-temperature curing paints.

Supplementary information on our strategy is available on our website at the following link:

Integrated Report https://www.nipponpaint-holdings.com/en/ir/library/annual_report/

Through these initiatives, we will work to expand earnings and increase market expectations (maximize EPS and PER) and thereby achieve MSV.

(iii) Risk management

Our Basic Policy on Global Risk Management defines the Representative Executive Officers & Co-Presidents as having ultimate responsibility for Group-wide risk management, and the heads of each Partner Company Group as first-line leaders responsible for risks in their businesses.

As part of the initiatives undertaken by each Partner Company Group, the head of each group conducts the Control Self-Assessment (CSA) based on a risk-based approach. Through this process, risks requiring action are identified and prioritized according to their severity and the urgency of response, and the group head is responsible for developing management plans and implementing improvements. The CSA also covers compliance with environmental regulations, including climate-related matters, and serves as a framework for assessing and managing climate-related risks. The Representative Executive Officers & Co-Presidents receive CSA reports, identify and analyze Group risks by region and business, participate in key management meetings of each Partner Company Group, and direct effective monitoring and appropriate risk responses. If common risks requiring cross-Group action are recognized, the Co-Presidents convene the Risk Management Committee to deliberate and decide on countermeasures.

The results of these risk analyses are reported by the Representative Executive Officers & Co-Presidents to the Audit Committee and the Board of Directors. They are also discussed at the Group Audit Committee, where personnel responsible for risk management and internal auditing from each Partner Company Group convene and share best practices of risk responses.

Meanwhile, as an initiative that spans Partner Company Groups, the Sustainability Team responsible for climate-related matters identifies and assesses risks and opportunities across both the Company's own operations and the value chain over the short, medium, and long term. The materiality of each identified risk and opportunity is determined based on factors such as rationale, scope, business impact or opportunity, and time horizon, using criteria that include internal operational factors—such as raw material usage, energy consumption in manufacturing processes, water use, and CO₂ emissions—as well as external factors, including user needs during product use and demand for product functionality. Based on the climate-related risks and opportunities identified, the Sustainability Team sets targets, formulates action plans, and reports and makes recommendations to the Representative Executive Officers and Co-Presidents.

(iv) Metrics and targets

The Group uses greenhouse gas emissions as a key metric and set targets for each Partner Company Group.

<Partner Company Group targets (As announced in June 2025) >

Partner Company Group	Targets (Note 1)	
	GHG emissions (Scope 1 and 2)	Energy consumption
Japan Group	2030: 37% reduction 2050: Net zero	—
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% reduction
DuluxGroup (Note 2)	2030: 50% reduction 2050: Net zero	2030: Increase renewable electricity consumption to 50%
Dunn-Edwards Corporation	—	—

(Notes) 1. Base year for targets: 2019 for the Japan Group, 2021 for the NIPSEA Group 2021, and 2020 for DuluxGroup

2. *DuluxGroup (Pacific) only

Actual greenhouse gas emissions (Scops 1 and 2) are available on our website at the following link:

ESG data <https://www.nipponpaint-holdings.com/en/sustainability/library/data/>

(2) Strategy, metrics, and targets related to human capital and diversity

(i) Strategy

“Nippon Paint Group Statement regarding Employee Development” and “Policy on developing internal environments” are as follows.

(a) Nippon Paint Group Statement regarding Employee Development

To ensure the sustainable growth of Nippon Paint Group, it is essential that we attract, develop, and retain a skilled workforce. We aim to foster a corporate culture and working environment that is rewarding, enabling individuals to leverage their unique qualities and capabilities to the fullest extent.

In Nippon Paint Group, which values the autonomy of its partner companies and operates on autonomous and decentralized management principles, each Partner Company Group takes the lead in investing in human capital. This investment is approached with a comprehensive and long-term perspective that aligns with the characteristics of each country, region, and business field. Each Partner Company within the Partner Company Groups initiates programs for employee competency development tailored to their specific needs, nurturing a diverse and self-reliant human resource pool.

Nippon Paint Group not only establishes a personnel system that suits the locality and characteristics of each country and region but also cultivates outstanding talent, serving as the driving force behind our business. This is achieved through the provision of customized training programs and diverse career development opportunities tailored to each company's challenges. Through these initiatives, we will build a talent pipeline that supports sustainable business growth, premised on the appointment of diverse talent.

(b) Policy on developing internal environments

Creating the right internal environment is essential to translating the Nippon Paint Group's approach to talent development into practice and enabling employees with diverse backgrounds to realize their full potential and grow. In addition to eliminating discrimination, harassment, and violence related to diversity in the workplace—including those based on race, gender, and religion—we recognize as a shared global imperative the need to create a comfortable, inclusive, and respectful working environment where everyone feels welcomed and valued.

Within our domestic group in Japan, we are drawing on the strengths of operating businesses in many countries to promote communication and collaboration with non-Japanese employees and to foster a workplace where people from different cultural backgrounds can work together successfully. From the standpoint of advancing women's empowerment, we are also working to deepen understanding that diversity is indispensable to sustainable business growth. Our efforts extend beyond simply increasing the number of women in the workforce; they also include improving the surrounding work environment, such as raising the rate of childcare leave taken by male employees and encouraging more flexible and supportive ways of working across the organization.

At a more fundamental level, we believe that recognizing unconscious bias toward minority groups across a wide range of attributes—not only gender—is essential to breaking away from traditional organizational norms and driving meaningful behavioral change. Based on this belief, we are promoting initiatives that give business leaders opportunities to identify biases beyond gender and strengthen their awareness, thereby helping to foster a more inclusive organizational culture.

(ii) Metrics and targets

With respect to our Group's human resource development policy and internal environment development policy, including securing human resource diversity, the main domestic partner companies (*) use the following indicators, and their targets and results are as follows.

Indicator	Target (end of FY2027)	Results (end of FY2025)
Ratio of female workers among workers hired	40.0%	29.5%
Childcare leave utilization rate by gender	Male 75% Female 100%	Male 60% Female 94%
Annual paid leave utilization rate	70.0%	67.6%
Ratio of female workers in managerial positions	8.5%	7.4%

* Seven companies, consisting of all domestic first-tier consolidated subsidiaries of the Company, including the main domestic businesses (automotive coatings, industrial coatings, decorative paints, marine coatings, surface treatments) as well as a procurement function company and business support companies: Nippon Paint Corporate Solutions Co., Ltd., Nippon Paint Automotive Coatings Co., Ltd., Nippon Paint Industrial Coatings Co., Ltd., Nippon Paint Co., Ltd., Nippon Paint Surf Chemicals Co., Ltd., Nippon Paint Marine Coatings Co., Ltd., and Nippon Paint Materials Co., Ltd.

As stated above, the Group respects the autonomy of partner companies and has not standardized indicators and targets globally at present; however, we disclose data showing the progress in each country on the website below.

https://www.nipponpaint-holdings.com/en/sustainability/library/data_s/

3 【Business and Other Risks】

The Nippon Paint Group operates a paint and coatings business on a global scale. We believe that proper understanding and management of risks are essential for the sustainable growth of our businesses and have established a risk management system based on our Basic Policy on Internal Control Systems. This section contains forward-looking statements that are based on our judgments as of the end of the current fiscal year.

(1) Risk management system

Based on the Asset Assembler model, Nippon Paint Group implements a risk management system where the groups of subsidiaries, organized into Partner Company Groups by region or business segment, autonomously manage their risks in a decentralized manner. The Representative Executive Officers & Co-Presidents, who have the highest responsibility for overseeing this system, routinely update the Board of Directors on the status of risk management activities at Partner Company Groups. The Board then reviews and oversees the handling of major risks that could impact our Group's overall management and operational activities.

These risk management processes are predominantly carried out by the Partner Company Groups themselves, who conduct regular self-inspections of risks in alignment with our Basic Policy on Global Risk Management. Annually, the Partner Company Groups conduct a thorough review to pinpoint areas needing enhancement, develop corresponding improvement strategies, and set implementation timelines. They employ a risk-based methodology to identify critical risks and present their findings to the Representative Executive Officers & Co-Presidents. Following this, the Co-Presidents participate in important management meetings within each region and business sector, oversee the progress of business activities, and steer the implementation of effective, continuous risk mitigation measures. They promptly relay these insights to the Board of Directors.

Additionally, our audit department evaluates the significant risks identified through the control self-assessments performed by the Partner Company Groups and reports the findings to both the Audit Committee and the Representative Executive Officers & Co-Presidents. Furthermore, we disseminate the results of these analyses to the heads of internal audit at major partner companies to incorporate them into regional internal audit plans, thereby improving oversight and the overall effectiveness of our Group's risk management framework.

(2) Risks related to business operations

(i) Risks associated with changes in our markets

The Group manufactures and sells paint and paint-related products for use in a broad range of industries including construction, automobiles, metal products, construction materials, electrical machinery, and ships mainly in Asia including China, as well as in Japan, Oceania, the Americas, and Europe. As a result, the Group performance may be affected by economic and financial market conditions in the countries and regions where we operate. Uncertainties in the business environment—such as supply chain disruptions and changes in paint demand and raw material markets—have increased due to geopolitical issues, economic slowdowns precipitated by global inflationary concerns and monetary tightening, natural disasters, and other factors. Asia, particularly China, is a key region for our operations, making us susceptible to changes in China's economic conditions and political climate. A greater-than-expected deterioration and stricter-than-expected regulations in the real estate market could affect our operations.

Our goal is sustainable growth by taking actions across the Group, such as expanding into new geographic markets through M&A, creating new demand through the development and sale of anti-viral and environmentally friendly products, strengthening brands in every region, monitoring supplier trends, and enhancing the entire Group's supply and procurement capabilities. If the business environment deteriorates beyond our expectations, our financial position and performance may be adversely affected.

(ii) Risks related to selling prices

We set selling prices by considering raw material prices, customer needs, competitor moves, and other factors. We seek to reduce vulnerability to raw material price fluctuations through measures such as negotiating price revisions as necessary while monitoring raw material prices, diversifying and strategically selecting suppliers, and evaluating and using alternative materials less susceptible to price changes. However, there is no guarantee we can offset the impact on earnings from raw material price increases. We also work to maintain and increase our competitive advantage by selling technically advanced products, reinforcing support for sales channels, and building new channels. Nevertheless, we may be unable to pass increases in raw material prices on to customers, or there may be delays in passing on price increases due to competition and other factors. If these risks materialize, our margins may decline, adversely affecting our financial position and operating results.

(iii) Risks related to overseas business activities

Our Group is aggressively expanding overseas and operates as a multinational group. In FY2025, overseas sales (after elimination of intersegment transactions) accounted for approximately 90% of total revenue. Principal risks in overseas activities include the following, which, if they occur, may adversely affect our businesses, financial position, and performance.

(a) Exchange rate and price level volatility risks

Financial statements of our overseas subsidiaries are prepared in foreign currencies and translated into yen using average rates for the period or rates at period-end. Therefore, changes in exchange rates against the yen and the adoption of hyperinflationary accounting reflecting price changes under a hyperinflationary environment could affect our financial position and performance, even without significant changes in local-currency earnings.

We operate globally through overseas subsidiaries with manufacturing bases worldwide. With a focus on local production for local consumption, exchange rate movements do not significantly impact overall product competitiveness. However, appreciation of a currency at a manufacturing or sales base could reduce our price competitiveness versus competitors, potentially affecting our financial position and operating results.

(b) Changes in political and economic conditions

Unforeseeable events—such as major changes in laws, regulations, and tax systems; rapid shifts in political and economic conditions; and social and political instability (terrorism, war, disasters, pandemics)—may arise in countries and regions where we operate. If such developments result in difficulties in procuring raw materials, sharp increases in raw material prices, the suspension of operations at manufacturing sites, or disruptions to manufacturing and shipments due to interruptions in logistics, they could adversely affect the Group's financial position and operating results. Our sales depend significantly on Asian markets, particularly China. Consequently, economic, political, and other conditions in China may affect our financial position and operating results.

(c) Compliance with foreign laws and regulations

The Group is subject to environmental regulations and laws related to environmental protection, product liability, occupational health and safety, labor relations, foreign investment and currency controls, national security, consumer protection, competition policy, taxation, bribery, and export control in the countries and regions where it operates. Violations may result in civil, criminal, or regulatory penalties, affecting our financial position and performance as well as our brand image and social credibility.

(d) Other risks

Other risks include differences in business practices, local working conditions (including potential labor disputes), and securing excellent management, engineers, and other human resources. The Company delegates significant authority to Group Partner Companies based on our policy of respecting independence and autonomy. This enables the Company to retain and recruit local experts and operate in compliance with local laws, regulations, working conditions, and business practices. Nonetheless, there is no guarantee of promptly identifying and responding to all risks. Excessive costs for new market entries and new business fields, or ineffective management of overseas subsidiaries, could adversely affect the Company's financial position and operating results.

(iv) Risks related to raw materials

(a) Procurement of raw materials

A significant portion of our raw materials are general-purpose. If demand for these materials surges for non-paint uses, procurement could become difficult. Heightened economic security concerns may also lead to stockpiling of resources, thereby hampering procurement. Disruptions in maritime logistics and port container handling could impede international raw material supply. Such restrictions may prevent us from fulfilling supply obligations to customers.

To minimize the impact of natural disasters, accidents, and other unforeseen events, we seek stable procurement by ensuring material interchangeability, using multiple suppliers, and diversifying procurement regions. However, these actions cannot completely eliminate the impact of production suspensions at raw material manufacturers and supply chain disruptions. If product supply is delayed due to procurement difficulties, our financial position and performance may be adversely affected.

(b) Price fluctuations of raw materials

We depend heavily—about 50%—on petrochemical-based raw materials due to product characteristics, and raw material prices are affected by crude oil and naphtha prices. Crude oil prices are influenced by interrelated factors such as OPEC output, natural gas markets, geopolitical risks (Ukraine, the Middle East, etc.), U.S. monetary policy, U.S.-China trade friction, the rebound of shale oil production, Middle Eastern pricing policies considering exchange rates, and declining gasoline demand due to fuel cell vehicle penetration. To stabilize procurement, we mitigate price volatility risk by strengthening relationships with key suppliers, diversifying production areas, and using long-term supply contracts. However, these actions do not fully eliminate the impact of oil and naphtha price changes. If raw material prices rise sharply, or if we cannot pass through increases in a timely and rational manner, our financial position and performance may be adversely affected.

(v) Risks related to human resources

As we relentlessly pursue growth under the Asset Assembler model, securing, promoting, and retaining diverse professionals—including management teams across principal operating regions—becomes increasingly critical, as does cultivating and sustaining a diverse pool of skilled talent in each region.

Challenges differ by region, including the risk of losing capable employees and inadequate succession. Timely measures are essential to mitigate such risks. Rising turnover may increase personnel costs through higher recruitment and training expenses, impede knowledge and skill transfer, and lower efficiency and productivity. Failures in our human resource strategy, unexpected resignations, or delays in filling critical management roles could erode intangible assets such as expertise and human capital, weakening competitiveness and strategy execution.

Under these circumstances, we identify two primary human resource-related risks: (a) recruitment of competent talent and (b) retention of our existing employees.

(a) Recruitment of competent talent

Failure to promptly fill key positions with individuals who have the requisite skills and potential, insufficient development of recruited talent, or challenges in retaining them could delay development and production and increase risks of technology or research leakage. We actively recruit top talent year-round and continuously improve training programs to enhance on-the-job education and skill development, aiming to maximize the capabilities of our diverse workforce.

We also maintain external networks and actively recruit from the job market.

Furthermore, we are working to establish fair evaluation and treatment systems to enhance engagement, foster talent retention, support skill development, and enable employees to reach their full potential.

(b) Retention of our employees

As the labor market becomes more dynamic, the loss of skilled employees could hinder the accumulation of expertise and technical capabilities, potentially diminishing long-term efficiency and productivity.

Delays in identifying and appointing next-generation management could result in the loss of valuable managerial expertise, weakening organizational capacity and undermining competitive effectiveness and strategy execution.

As countermeasures, we are enhancing our corporate brand strength through PR activities highlighting our initiatives such as managing from the perspective of SDGs and ESG, thereby boosting our attractiveness and sense of belonging to improve retention. We also leverage our global network to implement “borderless utilization of talent,” strengthening our ability to attract and retain skilled professionals and ensuring seamless succession for key positions.

Despite these initiatives, there remains a risk that anticipated outcomes may not be achieved, which could adversely affect our business performance, financial condition, and operating results.

(vi) M&A risks

Our Group aims for sustainable growth through domestic and overseas M&A that contribute to MSV. We made DuluxGroup Limited and Betek Boya ve Kimya Sanayi Anonim Sirketi wholly owned subsidiaries in 2019; completed the full integration of the Asian joint venture with Wuthelam and acquired the Indonesia business in 2021; acquired Cromology Holding SAS and DP JUB delniska druzba pooblascenta d.d. in 2022; N.P.T. s.r.l. in 2023; completed the acquisitions of Nippon Paint (India) Private Limited and Berger Nippon Paint Automotive Coatings Private Limited in 2024; and completed the acquisition of AOC in 2025. Our criteria emphasize returns exceeding the cost of capital and EPS accretion. We prioritize potential targets with financial discipline and consider market trends, customer needs, target performance and financials, technological superiority, competitiveness, our business portfolio, and risk analysis results. Nonetheless, if we cannot complete an acquisition as planned; if post-acquisition market or competitive conditions change significantly; if the acquired business is not operated or expanded as planned or synergies are not realized; if additional expenses arise; if we must recognize impairment of goodwill; or if substantial borrowings make it difficult to maintain financial discipline, our financial position and performance may be adversely affected. Furthermore, if post-merger integration does not progress as expected and expected benefits of synergies and scale are not realized, or if we are unable to retain key management and employees of the acquired company, or maintain relationships with key customers, suppliers, and other business partners, we may face substantial management policy changes and earnings declines due to downsizing, loss of economies of scale, and other factors, which may adversely affect our financial position and operating results.

(vii) Customer needs and preferences

Our businesses depend on continued demand for our brands and products worldwide. Sustainable growth requires accurately understanding customer and consumer preferences and needs, and developing and selling attractive products through both innovation in existing products and creation of new products. Factors include our ability to develop and produce innovative products that meet expectations and the effectiveness of marketing, including sales, advertising, and product lifecycle management. Failure to understand customer and consumer preferences and needs, inaccurate demand forecasting, or product innovation requiring more time and expense than expected may adversely affect our financial position and operating results.

(viii) Risk of shrinking demand due to technological innovation

Using coating technologies, the Group strives to bring color, comfort, and security to various scenes of people's lives. As stated in our Purpose, "Enriching our living world through the power of Science + Imagination," we have focused for many years on leveraging our technological strengths to develop products that solve social issues. Advanced expertise is essential for innovation to address social issues and meet customer needs, as well as for competitiveness such as stable product supply. We are strengthening collaboration among engineers in Japan and overseas and our external networks and accurately identifying global customer and consumer needs and market changes, thereby continuously providing innovative solutions. However, if technological innovation outpaces our estimates, we may be unable to develop new technologies or products in a timely manner, or competitors may develop and sell products far exceeding our existing technologies. These events could reduce our market share in Japan and other countries and negatively impact our financial position and performance.

For example, the Group faces a more fundamental downside risk, mainly involving customers in the automotive coatings business, from technological innovations that reduce or eliminate the need for paint and coatings. Automakers and materials engineering companies are developing alternatives to automotive paint—such as decorative films—from the perspective of reducing costs and environmental impacts. If such alternatives become mainstream due to technological innovation together with carbon-neutral policies, paint demand may decline or we may need to make large investments to switch to alternative products, adversely affecting our financial position and operating results.

(ix) Competition

The Group faces intense competition in paint and coatings, as well as adjacencies, in Japan and overseas. Increased competition may adversely affect the Group's market share and margins due to the loss of regional or major global customers or weaker pricing power. In addition, customer consolidation in businesses such as automotive and industrial coatings may adversely affect prices and margins.

In the paint and coatings business, significant economies of scale can be realized in areas such as raw material procurement, production processes, supply chains, distribution, research and development, and regulatory compliance, making the benefits of integration substantial. In recent years, just as the Group has expanded its business overseas through M&A, other major global players have also sought to strengthen and expand their industry positions through M&A, and this trend is expected to continue. If competing companies consolidate and achieve greater scale than the Group, there can be no assurance that the Group will be able to compete effectively with such competitors in terms of capital, technology, financing, and other factors. As a result, if the Group's market share declines or pricing pressure intensifies, the Group's financial position, operating results, and other aspects of its business may be adversely affected.

(x) R&D activities

Our Group invests considerable resources in R&D to maximize the appeal of paint and coatings through technology by strengthening collaboration among engineers in Japan and overseas and our external networks to provide products and services that address social issues. Currently, we focus on developing technologies for new products in fields such as contributing to a smart society, reducing environmental burdens, and lowering social costs, as well as continuous new products in our core businesses. We believe these initiatives are consistent with changes in social environments, responses to future products and untapped market opportunities, and technological progress across industries. However, if our continuous R&D investments do not generate commensurate earnings or profitable products, or if the market structure changes significantly, our businesses, financial position, and performance may be adversely affected.

(xi) Dependence on third parties for manufacturing and sales

The Group outsources part of product manufacturing and sales to external third parties. As these third parties are affiliates or long-term partners, we believe the likelihood of a deterioration in relationships with the Group is low at present. However, if relationships with outsourced parties deteriorate or if competitive relationships arise with the Group, our businesses, financial position, and performance may be adversely affected. Similar adverse impacts may arise if the outsourced parties' operations are hindered due to deteriorating business conditions, disasters, or other events. Furthermore, if the quality and other aspects of the outsourced parties' manufacturing and sales activities fail to meet the Group's standards, or are inferior to those of competitors or their subcontractors, there may be adverse effects on the quality and reputation of our products and services, as well as on manufacturing and sales activities and brand value.

(xii) Risks related to damaging the brand value

We have high market shares in major markets such as Asia including China, Australia, and Japan, and believe our brands have high recognition among customers and consumers. We continuously allocate resources to brand building to maintain and improve recognition. However, brand value may be damaged by complaints and rumors concerning product safety or quality, accidents, misconduct, privacy breaches, and scandals involving management or employees, as well as complaints and negative reputations arising from factors beyond the Group's control. Even if partially or wholly unfounded, such complaints and rumors may harm social perceptions of our business. If trust in our Group or products is damaged, consumer demand and brand value may decline significantly, adversely affecting our businesses, financial position, and operating results.

(3) Risks related to the Medium-Term Strategy

As described in 【1 Management Policy, Operating Environment, and Management Issues, (1) Management policy and management strategy, etc., (iv) Medium- to long-term management strategy and financial targets】 above, the Group announced its Medium-Term Strategy in April 2024 and has updated it regularly since then. Our ability to achieve the Strategy's goals will be affected by many risks and challenges, including those described in 【Section 2 Business Overview, 3 Business and Other Risks】. These include risks that markets in our operating regions and product sales will not grow as expected; that we cannot increase market share in each country and for each product; that we cannot execute capital investments included in the Strategy or that such investments will not produce expected benefits such as productivity improvements; that relationships with key customers will deteriorate due to insufficient improvement in our technological strengths and quality assurance; that we cannot effectively manage or utilize subsidiaries in each country; and that our costs will increase or our competitiveness will be undermined due to responses to environmental regulations.

In formulating the Strategy, we made various assumptions and forecasts, including those concerning domestic and overseas market environments, corporate actions, competition, legal and regulatory changes, technological innovation, foreign exchange and raw material price fluctuations, and overall business conditions. If these assumptions and forecasts differ from future events or if we cannot timely change strategies or operations in response to changes, we may be unable to achieve the Strategy.

(4) Risks relating to our financial condition

(i) Impairment of goodwill and other intangible assets

The Group booked goodwill and other intangible assets arising from M&A in its consolidated statement of financial position. As of the end of FY2025, goodwill and other intangible assets amounted to ¥1,468,989 million and ¥614,148 million, respectively.

Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment every fiscal year regardless of impairment indications. The recoverable amount is measured as the higher of fair value less costs of disposal and value in use at the cash-generating unit level.

Assumptions used in determining fair value less costs of disposal, as well as those underlying estimates of future cash flows and discount rates used in calculating value in use, including cash flows expected to be generated by the cash-generating units over their useful lives and upon disposal thereafter, may be affected by changes in economic conditions. As a result, there is a risk that the amount of impairment losses recognized in the future with respect to goodwill and intangible assets with indefinite useful lives may be subject to material revision. Any such revision could adversely affect the Group's financial position, operating results, and other aspects of its business.

(ii) Interest-bearing debt and financing

We procure funds through borrowings from financial institutions. As of the end of FY2025, total borrowings (excluding those due within one year) were ¥1,297,704 million.

Long-term borrowings carry fixed and floating rates. If interest rates rise, we may incur additional burdens in respect of such interest-bearing debt, adversely affecting our businesses, financial position, and performance.

Our cash flows may be adversely affected by financial position factors such as interest-bearing debt ratios, economic downturns, financial market declines, rising interest rates, deterioration in our credit standing, including a downgrade by external rating agencies, or downward revisions in sales and earnings outlooks. Terms for equity or debt financing may worsen or access to funding may be restricted, potentially negatively affecting our businesses, financial position, and operating results.

(iii) Risk that capital expenditures do not produce profits

To achieve MSV, the Group must continually invest in capacity expansion and productivity improvement. We will continue to capture business opportunities and make investments to improve quality, risk management systems, and profitability. Specifically, we will prioritize investments in supply chain logistics improvements including digitalization technologies, maintenance and upgrades of aging facilities, workplace safety, streamlining and IT investment, R&D, and environmental protection. Although we will flexibly implement capital expenditure plans in line with changes in the business environment, capital expenditures may not yield sufficient returns. Increased capital expenditures and depreciation, etc. may adversely affect the Group's financial position and operating results.

(5) Laws and regulations

(i) Product quality assurance and product liability

The Group has established a quality assurance system by implementing rigorous design reviews and strengthening its quality control framework, and is working to improve the quality of its products. The Group also maintains product liability insurance. However, such insurance may not be sufficient to cover all losses. Product defects or quality issues, and any resulting property damage, personal injury, or other harm, may arise due to a variety of factors. In such cases, the Group may be required to recall products, suspend or delay production, or implement a large-scale recall, and may also be subject to claims for damages from third parties based on product liability. In addition, the Group may face order cancellations, claims for damages, or requests from customers to strengthen its quality control system. Any such event could adversely affect the Group's social credibility and, through the recognition of product warranty or compensation-related provisions and otherwise, adversely affect the Group's financial position, operating results, and other aspects of its business.

(ii) Intellectual property

The Group has established rules for the management of intellectual property, recognizes intellectual property as an important asset, seeks to accumulate and utilize it as a management resource, and respects the intellectual property rights of others. The Group has also established a framework to protect its intellectual property, including managing technical information constituting intellectual property in accordance with information management rules and storing such information in a dedicated technical information database to prevent unauthorized disclosure. However, if technical information constituting the Group's intellectual property is leaked outside the Group or its intellectual property is otherwise infringed by employees, including former employees, or by third parties, including outsourced manufacturers and sales agents, or if disputes concerning intellectual property arise with third parties in the future, the Group's financial position, operating results, and other aspects of its business may be adversely affected.

(iii) Compliance with environmental and other laws and regulations

The Group examines compliance with laws and regulations at various stages including raw material selection and product development, and works on the development and introduction of sustainable products such as marine environment-friendly products, anti-viral products, and low-VOC products that contribute to addressing social issues in anticipation of future regulatory tightening and aim to contribute to the Group's businesses from a long-term perspective. The Group also complies with regulations related to factory operations and sets targets to reduce negative environmental impacts. Furthermore, the Group has established the "Group Procurement Policy" and conducts procurement activities with its suppliers based on social responsibility. However, laws and regulations related to the paint industry—environmental, chemical, health and safety—are being revised and tightened, particularly in China and Europe. If such regulations become stricter than expected or the Group fails to comply in time, costs for responding to regulatory changes may increase, manufacturing and sales activities and procurement activities may be restricted, or the Group may be subject to administrative dispositions. Failure to comply may subject the Group to fines and other dispositions by regulatory authorities, as well as costs associated with decommissioning and restoration obligations, adversely affecting the Group's financial position and operating results.

(iv) Compliance and litigation

As the Group operates globally, it is subject to various laws and regulations in Japan and other countries where it operates. While the Group endeavors to comply with such laws and regulations, additional costs may be incurred to ensure compliance, which may adversely affect the Group's financial position and performance. In addition, changes in laws, regulations, or legal interpretations may make compliance difficult, and if compliance violations occur, the Group may be subject to measures or dispositions by regulatory authorities. Depending on the nature of such measures or dispositions, the Group's business operations may be hindered and the Group's financial position and performance may be adversely affected.

Furthermore, the Group faces the risk of lawsuits filed by consumers, business partners, employees, and others in various countries and regions regarding product liability, breach of contract, labor issues, and other matters. Depending on the results of such litigation, etc., the Group may be ordered to pay a large amount of damages, etc., which may have an adverse effect on the Group's business, financial condition and operating results, as well as brand image and social credibility.

(6) Natural disasters and accidents

(i) Major natural disasters

Headquartered in Japan, the Group operates in multiple regions including Asia, North America, Europe, and Oceania and may be affected by diverse natural disasters and weather events that may occur in each region. Accordingly, the Group positions disaster prevention and mitigation and crisis management systems as important initiatives to minimize damage and losses from natural disasters. The Group is also developing digital supply chains (including the use of digital tools and methods to enable remote work and reduce complexity) and is rebuilding supply chains from a BCP perspective. However, if major natural disasters occur—particularly large earthquakes in Japan, Indonesia, Türkiye, or other countries: tsunamis exceeding expectations; large wildfires associated in part with rising temperatures linked to global warming; large-scale flooding caused by massive typhoons; or increases in electricity procurement costs resulting from severe cold waves—our procurement of raw materials, product manufacturing, shipments could be disrupted. This could impair our ability to provide a stable supply of products to customers, and as a result, adversely affect the Group's financial position and operating results.

(ii) Fires and explosions

Due to the nature of our business, there is a risk of explosions, fires, and emissions or releases of toxic and harmful substances. The Group is continually strengthening safety systems for handling hazardous substances and chemicals to prevent accidents, providing thorough safety education at factories handling hazardous materials and to workers engaged in such operations, and further switching to and improving water-based materials (non-hazardous) to improve safety at factories and sites. Nevertheless, if fires or explosions occur at the Group, this may necessitate temporary suspension of operations and adversely affect the Group's financial position and operating results.

(iii) Risks associated with the spread and continuation of viral infections

The spread or continuation of viral infections may obstruct or restrict the Group's operations due to factory closures, restrictions, or voluntary reductions in operations; workforce shortages; or problems with procurement of raw materials and equipment and logistics of the Group's products, making all or part of the Group's operations difficult. A global economic slowdown may negatively affect demand and prices for the Group's products, and infections among the Group's employees may require temporary suspensions, adversely affecting the Group's financial position and operating results.

To address these risks, the Group has established appropriate management systems for prevention and containment. In addition, given the geographic breadth of the Group's businesses, the Group monitors production, sales, inventory, and logistics globally and takes various measures to minimize the impact of viral infections.

(7) Climate change

(i) Long-term risks

Given that the Group operates in geographically extensive regions, it may be physically affected by natural disasters and abnormal weather in each region. In addition, based on domestic and overseas policies and regulations on climate change and market demands, the Group is promoting the development and introduction of environmentally friendly products and is also setting targets for reducing greenhouse gas emissions from production processes, etc. and taking concrete measures to reduce emissions. However, the Group's businesses may be affected by tightening of these regulations based on government policies of each country aimed at realizing a decarbonized society and global trends, including substantial reduction targets for greenhouse gas emissions including in automakers' production processes. Specifically, if new tax burdens related to greenhouse gas emissions arise or if costs for procuring renewable energy increase beyond expectations, the Group's financial position and operating results may be adversely affected.

(ii) Short-term risks

The Group's products are used in many industries, including automobiles, buildings, building materials, structures, metal products, electrical machinery, and ships. If abnormal weather events such as typhoons and heavy rains, which have increased in recent years due to climate change, cause significant damage to the Group and its supply chains, production or shipments may be suspended for long periods until recovery. Abnormal weather such as cool summers, warm winters, and prolonged rain may also affect industries to which the Group supplies products. In such cases, the Group's financial position and operating results may be adversely affected.

(8) Other risks

(i) Information security

The Group relies on information and IT systems to conduct transactions accurately and efficiently, provide information to management, and prepare financial reports.

The Group has established backup procedures, disaster recovery measures, and information system security guidelines to securely store personal information and ensure thorough compliance with security procedures; however, our systems could be damaged by unforeseen events caused by cyberattacks.

Cybersecurity incidents may result from deliberate attacks by malicious actors or from unintended events. Such incidents could include unauthorized access to or compromise of our internal systems, malware infections—including ransomware and computer viruses—and other cyberattacks, as well as the leakage or deletion of confidential information, any of which could impair our ability to carry out business operations.)

These incidents include unauthorized access to our systems, malware (including ransomware and computer viruses), phishing, human error, and other events resulting in security violations, confidential information leakage, or asset outflows.

Such problems may lead to business suspension, response costs, leakage of customer or confidential information, and legal violations. Despite security, backup, and disaster recovery measures, disruptions may not be avoided. These events may damage the Company's social credibility and adversely affect its financial position and operating results.

(ii) Relationship with majority shareholder

On January 25, 2021, payment was completed for the issuance by the Company of new shares of common stock through a third-party allotment to the Wuthelam Group. As a result, the Wuthelam Group came to hold 58.7% of the Company's common stock and, as of the filing date of this Annual Securities Report, is the Company's parent company, with significant influence over matters requiring ordinary or special resolutions at the Company's General Meeting of Shareholders. There are no agreements between the Company and the Wuthelam Group regarding the Wuthelam Group's holding or sale of the Company's shares, the exercise of voting rights, or any other arrangements that would restrict the Company's management. In addition, Mr. Goh Hup Jin, the representative of Wuthelam, concurrently serves as a Director of the Company and may continue to do so in the future.

The interests of the Wuthelam Group with respect to the Company's business and management policies may differ from those of the Company and its minority shareholders. In August 2021, as part of a transaction with the Wuthelam Group, the Company transferred its automotive coatings business in Europe to the Wuthelam Group. As a result, the Group and the Wuthelam Group currently maintain an ongoing commercial relationship with respect to this business through a management services agreement and a buyback option, and there can be no assurance that conflicts of interest will not arise in the future.

The Company understands that the Wuthelam Group supports its management policy of seeking to maximize shareholder value while protecting minority shareholders as a listed company, and that the Wuthelam Group intends to continue holding the Company's shares. However, the Wuthelam Group may increase or decrease its shareholding in the Company in light of its own financial condition and other factors, and any such change could affect the market price of the Company's shares.

4 【Management’s Discussion and Analysis of Financial Condition and Results of Operations】

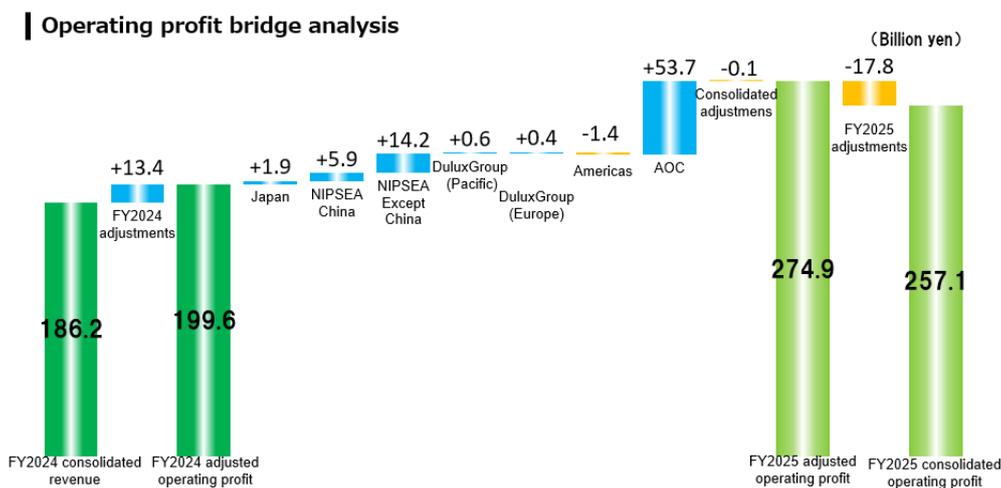
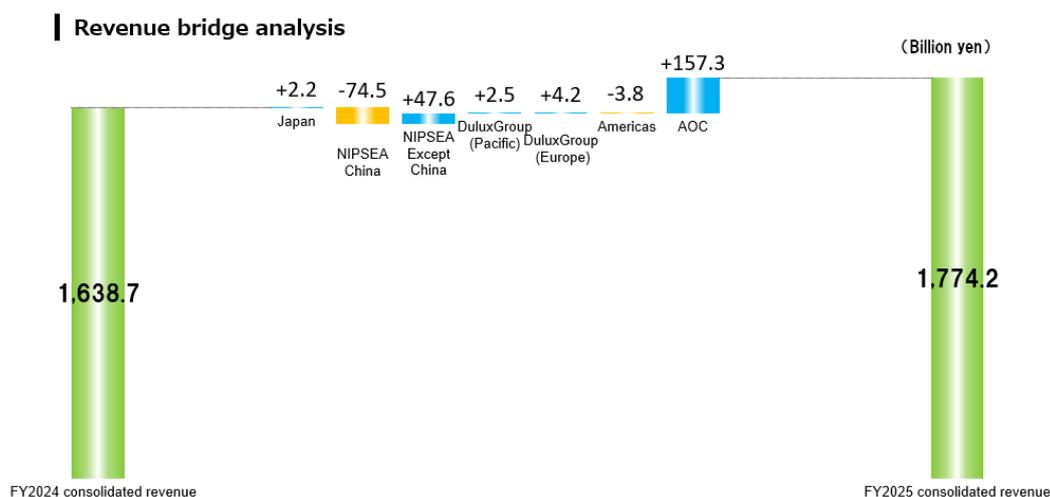
(1) General matters related to MD&A

(i) Overview of Consolidated Results

(a) Year-on-year comparison

During the fiscal year ended December 31, 2025, Nippon Paint Group recorded consolidated revenue of ¥1,774,231 million, representing an increase of 8.3% compared with the previous fiscal year. This increase was primarily attributable to contributions from LSF11 A5 TopCo LLC (AOC), including AOC, LLC, a global specialty formulator, and its affiliated companies, following the completion of the acquisition in March 2025. Consolidated operating profit increased by 38.1% year on year to ¥257,104 million. Although a goodwill impairment loss was recorded for the Cromology Group—based on the results of an impairment test reflecting the latest business environment amid deteriorating conditions in Europe—this was more than offset by revenue growth, improved raw material cost contribution ratio and SG&A ratio, and a gain on the transfer of non-current assets at the Tokyo Office.

As a result, consolidated profit before tax increased by 39.1% to ¥250,565 million, and profit attributable to owners of the parent rose by 42.8% to ¥179.8 billion.



Adjustment: Increase +13.8

M&A-related expenses +1.0, PPA-related expenses +9.1,
Impairment losses +0.6, Hyperinflationary accounting +3.1

Decrease -0.4

Gains/losses on sale of property, plant and equipment, etc. -0.4

Adjustment: Increase +5.9

Gains/losses on sale of property, plant and equipment, etc. +5.9
Decrease -23.7

M&A-related expenses -1.2, PPA-related expenses -11.6,
Impairment losses -6.9, Hyperinflationary accounting -4.0

*Adjusted profit is a measure calculated by excluding one-off factors and non-recurring items (M&A-related expenses, PPA-related expenses, impairment losses, non-recurring allowance for doubtful accounts, gains/losses on sale of property, plant and equipment, etc.) and the impact of hyperinflationary accounting from profit based on the consolidated financial statements.

(b) Assets, liabilities, and equity

As of December 31, 2025, total assets increased by ¥949,156 million from the end of the previous fiscal year to ¥4,017,738 million.

Current assets increased by ¥223,673 million, primarily due to an increase in cash and cash equivalents. Non-current assets also increased by ¥725,482 million, mainly reflecting an increase in goodwill.

Total liabilities increased by ¥733,514 million to ¥2,194,665 million, largely attributable to an increase in borrowings.

Equity increased by ¥215,641 million to ¥1,823,073 million, primarily reflecting an increase in retained earnings.

As a result, the ratio of equity attributable to owners of the parent to total assets decreased from 51.8% at the end of the previous fiscal year to 44.9%.

(c) Trends in consolidated results

Trends in consolidated results are as shown below.



(Note) "Profit" excludes "Non-controlling interests."

(ii) Overview of results by segment

(a) Overview

The operating results by business segment are presented below. From the current fiscal year, AOC has been newly designated as a reportable segment.

<<Japan>>

Revenue from automotive coatings increased compared with the previous year, reflecting a recovery in automobile production. Revenue from industrial coatings also increased, as the impact of weak market conditions was more than offset by the pass-through of price increases. Revenue from decorative paints declined, despite initiatives to expand sales of high value-added products, including new products, due to a slowdown in renovation projects caused by inflation.

As a result, consolidated revenue increased by 1.1% year on year to ¥205,360 million. Consolidated operating profit rose by 44.6% to ¥28,125 million, supported by higher revenue, improved raw material cost contribution ratio and SG&A ratio, and a gain on the transfer of non-current assets at the Tokyo Office.

<<NIPSEA>>

Revenue from automotive coatings in the NIPSEA segment increased compared with the previous year, as higher automobile production in China and strong sales to Chinese local automakers more than offset flat automobile production in Thailand. Revenue from decorative paints decreased, as increased sales volumes in China and key markets such as Malaysia and Singapore were offset by weak consumer sentiment and other adverse market conditions in other parts of Asia.

As a result, consolidated revenue decreased by 2.9% year on year to ¥887,462 million, while consolidated operating profit increased by 17.3% to ¥144,021 million.

<<DuluxGroup>>

Revenue from decorative paints increased compared with the previous fiscal year, reflecting modest market share gains and the pass-through of price increases in the Pacific region, while softer market conditions in Europe were offset by growth in other markets. Revenue from the adjacencies business was largely stable due to contributions from small-scale acquisitions and the pass-through of price increases, which more than offset the impact of sluggish market conditions in the Pacific and Europe.

As a result, consolidated revenue increased by 1.7% year on year to ¥405,173 million. Consolidated operating profit decreased by 13.5% to ¥34,943 million, primarily due to the recognition of a goodwill impairment loss, recorded following an impairment test conducted reflecting the latest business environment for Cromology Group amid deteriorating market conditions in Europe.

*DuluxGroup Limited is an Australian company that holds the rights to the Dulux® trademark exclusively in Australia, New Zealand, Papua New Guinea, Samoa and Fiji. DuluxGroup Limited is not affiliated with, nor connected to, the owners of the Dulux® trademark in other regions and does not sell Dulux® products outside these designated markets.

<<Americas>>

Revenue from automotive coatings decreased compared with the previous fiscal year, reflecting a decline in automobile production in the United States. Revenue from decorative paints also declined, due to reduced demand stemming from economic uncertainty in the United States and continued softness in the housing market.

As a result, consolidated revenue decreased by 3.1% year on year to ¥118,952 million, and consolidated operating profit declined by 17.8% to ¥6,393 million.

<<AOC>>

From March 2025, AOC's income and expenses have been included in the Group's consolidated results. Revenue from the adjacencies business was affected by weaker market demand compared with the prior year, primarily due to soft macroeconomic conditions.

As a result, consolidated revenue amounted to ¥157,282 million, and consolidated operating profit was ¥48,585 million.

(b) Production, orders, and sales

(i) Production results

Production results by segment are as follows.

Segment	Amount (million yen)	YoY (%)
Japan	116,527	(0.9)
NIPSEA	519,976	(10.4)
DuluxGroup	199,625	0.9
Americas	66,143	(6.8)
AOC	90,731	—
Total	993,005	2.7

(Note) Amounts are presented at manufacturing cost.

(ii) Orders received

The Group primarily engages in production based on demand forecasts; accordingly, there are no material matters to be disclosed with respect to orders received or order backlog.

(iii) Sales results

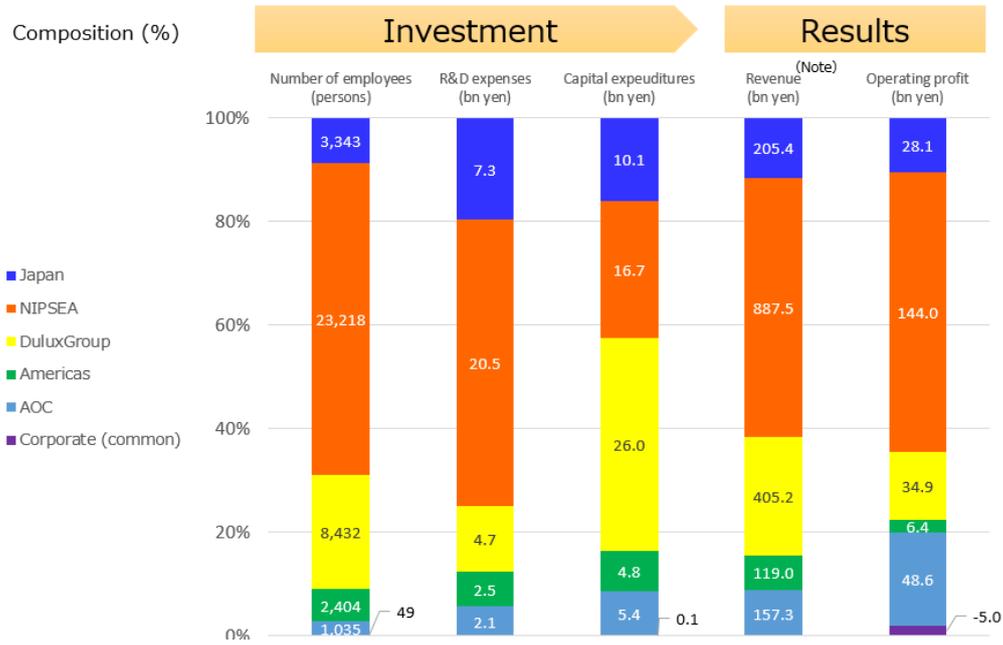
Sales results by segment are as follows.

Segment	Amount (million yen)	YoY (%)
Japan	205,360	1.1
NIPSEA	887,462	(2.9)
DuluxGroup	405,173	1.7
Americas	118,952	(3.1)
AOC	157,282	—
Total	1,774,231	8.3

(Note) Intersegment transactions are excluded.

(c) Segment contribution

The contribution of each segment to consolidated results is as shown below.



(2) Analysis and discussion of cash flow status and information on sources of capital and liquidity

(i) Analysis of cash flows

For the fiscal year ended December 31, 2025, cash provided by operating activities amounted to ¥187,526 million. Net cash used in investing activities totaled ¥321,988 million, while net cash provided by financing activities was ¥254,732 million. As a result, cash and cash equivalents (“funds”) increased by ¥136,036 million from the end of the previous fiscal year, reaching ¥424,337 million.

(Cash flows from operating activities)

Net cash provided by operating activities increased by ¥20,125 million compared with the previous fiscal year, to ¥187,526 million. Key contributing factors included a cash inflow of ¥293,397 million (excluding changes in operating capital), primarily driven by non-cash expenses such as depreciation and amortization on profit before tax. This was offset by a ¥44,791 million decrease in funds due to an increase in operating capital, and income taxes paid totaling ¥61,079 million.

(Cash flows from investing activities)

Net cash used in investing activities rose by ¥173,881 million from the previous year, to ¥321,988 million. This increase was primarily attributable to capital expenditures of ¥42,513 million for the purchase of property, plant and equipment and cash outflows of ¥299,943 million related to the acquisition of subsidiaries, partially offset by cash inflows of ¥21,380 million resulting from a decrease in marketable securities.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥254,732 million, compared with a net cash outflow of ¥37,377 million in the previous fiscal year. This was mainly attributable to cash inflows of ¥378,229 million from increased borrowings, partially offset by cash outflows of ¥38,673 million for dividend payments and ¥41,010 million for the redemption of bonds.

(ii) Sources of capital and liquidity of funds

The Group uses earnings from operating activities as a source of funds for business activities, including capital expenditures, R&D investments, working capital, dividend payments, and loan repayments. For strategic investments necessary to realize sustainable growth, the Company will procure funds externally while maintaining financial discipline, taking into account our future earnings outlook, overall funding needs, and repayment capacity. In the current fiscal year, in addition to funds to secure on-hand liquidity, the Company borrowed ¥807,825 million externally to fund the acquisition of all interests in LSF11 A5 TopCo LLC, which controls a group of companies including AOC, LLC, a specialty formulator operating primarily in the United States and Europe, and to make it a subsidiary. As a result, at the end of the current fiscal year, the outstanding balance of bonds and borrowings was ¥1,418,884 million for the Company and ¥3,008 million for consolidated subsidiaries. Working capital at fiscal year-end was ¥344,773 million.

Cash and deposits at the end of the current fiscal year totaled ¥424,337 million. Of this, the Company held ¥58,059 million, domestic subsidiaries held ¥3,583 million, and overseas subsidiaries held ¥362,694 million. Cash of domestic subsidiaries is centrally managed by the Company through a cash management system (CMS). Cash held by overseas subsidiaries is primarily intended for local reinvestment to support expansion; if surplus funds arise, they are normally returned as special dividends separate from ordinary dividends.

We currently hold sufficient cash on hand to smoothly maintain the Group’s business activities, and we judge that the risk of shortfalls for future funding needs is low.

(iii) Capital policy

The Company's sole mission is Maximization of Shareholder Value (MSV), which is to maximize the shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society and other stakeholders.

In pursuing this mission, the Company prioritizes growth investments while maintaining financial discipline that aims for an optimal capital structure with appropriate leverage and accepts a temporary increase in leverage for highly strategic M&A. Our primary focus is to enhance total shareholder return (TSR) by increasing basic earnings per share (EPS).

《Trends in basic earnings per share (EPS), dividends per share, and payout ratio》

Trends in basic earnings per share (EPS), dividends per share, and payout ratio are as shown below. The Company conducted a five-for-one stock split of common shares with March 31, 2021, as the record date and April 1, 2021, as the effective date. Basic EPS and dividends per share are calculated assuming the stock split had taken place at the beginning of FY2021.



(3) Critical accounting estimates and underlying assumptions

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). In preparing the consolidated financial statements, the Company makes various assumptions and estimates that affect the reported amounts of assets, liabilities, income, and expenses, as well as disclosures of contingent assets and liabilities. Significant assumptions and estimates include the collectability of trade receivables and other receivables; net realizable value of inventories; recoverability of deferred tax assets; defined benefit obligations; impairment of non-financial assets (including goodwill); and fair value measurement and disclosure for assets acquired and liabilities assumed in business combinations. Actual results may differ from these estimates.

Significant accounting policies, accounting estimates, and underlying assumptions are described in Note 3 "Significant accounting policies" and Note 4 "Significant accounting estimates, judgments and assumptions" to the consolidated financial statements.

5 【Material Contracts and Agreements】

(1) Loan agreement

To fund the acquisition of interests in LSF11 A5 TopCo LLC and related costs, the Company entered into the following loan agreement with financial institution on March 3, 2025.

(Details)

Lender:	Sumitomo Mitsui Banking Corporation
Total borrowings:	670,000 million yen
Borrowing date:	March 3, 2025
Interest rate:	Base interest rate + spread
Borrowing period:	One year
Floating/fixed:	Floating
Collateral/guarantee:	None
Financial covenants:	Yes

(2) Loan agreement

To refinance the loan agreement dated March 3, 2025, in connection with the acquisition of interests in LSF11 A5 TopCo LLC, the Company entered into the following loan agreement with financial institution with December 19, 2025, as the borrowing date.

(Details)

Major lenders:	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd.
Total borrowings:	670,000 million yen
Borrowing date:	December 19, 2025
Interest rate:	Base interest rate + spread
Borrowing period:	5 years–10 years
Floating/fixed:	Floating/fixed
Collateral/guarantee:	None
Financial covenants:	None

6 【Research and Development Activities】

Under the Company’s basic management policy described in 【Section 2 “Business Overview,” 1(1) (i)】, the Group’s innovation strategy is built on three pillars: (A) building an adaptable organization, (B) developing core technologies with real-world potential, and (C) entering adjacent and emerging markets. This strategy is designed to realize MSV from a technological perspective. Under the Asset Assembler model, the Group promotes technical collaboration and intellectual property sharing among partner companies worldwide, while each partner company’s technical teams maintain high autonomy to serve the needs of individual markets and customers.

Group R&D expenses for the current fiscal year totaled ¥37,031 million (up 12.4% year on year), representing 2.1% of consolidated revenue. The main R&D activities are summarized below.

To enhance the value of its intellectual property, the Group established a framework that supports strengthening global technological alliances. For example, the decorative paints technical team has formed a global technology community that shares best practices and leverages R&D capabilities through joint development projects, producing results while addressing customer needs in each country. The Group also launched LSI (Leverage, Share & Integrate) activities to share foundational technologies across partner companies and promote cross-company projects for capability building.

The Group has over 4,400 technical personnel globally, including approximately 900 in Japan. These personnel are the driving force behind powerful innovation for sustainable business growth and are central to the Group’s competitiveness. They work at 58 R&D and technical facilities around the world, including Tokyo and Osaka (Japan), Shanghai (China), Singapore, Melbourne (Australia), Los Angeles and Collierville (U.S.), and France, to meet the needs of customers and consumers worldwide. In 2025, the Group filed approximately 300 new patent applications, bringing the number of registered patents to 1,700 as of the end of 2025.

The Group manages intellectual property related to paint and coatings by categorizing its core technologies into 12 areas: polymer chemistry; color science; paint formulation; curing technologies; dispersion technology; application (coating) technology; production technology; rheology; weatherability and corrosion; metrology; artificial intelligence; and sustainability. Core teams at the Group’s principal R&D hubs include specialists in each field, who, in collaboration with engineers at global R&D sites, support Group-wide product development. The Group has also built an extensive open-innovation network with universities and academic research institutions around the world.

The Japan Group established a strategic research alliance with the University of Tokyo in 2020 to conduct joint research and executed an extension agreement in 2025. This alliance targets fields such as reducing social costs, lowering environmental burdens, and building the foundation of a smart society, aiming to create innovative paint technologies.

In Singapore, NIPSEA Group has collaborated for decades with research institutes under the Agency for Science, Technology and Research (A*STAR). Most recently, we entered a strategic alliance with A*STAR to develop disruptive technologies in areas such as smart surfaces enabling autonomous driving and the application of artificial intelligence (AI) in paint research. Furthermore, the Group joined the MIT Industrial Liaison Program (MIT-ILP), an industry-academia collaboration platform that builds and strengthens win-win relationships between companies and the Massachusetts Institute of Technology.

As a metric to drive innovation, the Group developed the New Product Sales Index (NPSI), which represents the ratio of total sales from products launched in the past three years to overall sales. NIPSEA Group introduced NPSI in 2018 and the Japan Group in 2022. Combined, NPSI for 2025 at the Japan Group and NIPSEA Group was 28%, with approximately 10,000 new products launched.

The Group also developed a “Green Design Review” as a mechanism to evaluate the effectiveness of R&D projects in helping create a sustainable society. This system is integrated into the Group’s R&D project management framework. In the project portfolios of the Japan Group and NIPSEA Group, 51% of R&D expenditures are allocated to technologies and products with sustainable advantages.

Going forward, technical teams at partner companies in Japan and overseas will continue sharing the latest technical information and know-how to develop products for each market while pursuing further manufacturing cost reductions and stable quality assurance.

R&D expenditures by segment were as follows: ¥7,302 million for the Japan Group (a decrease of 1.1% year on year), ¥20,464 million for the NIPSEA Group (an increase of 9.5%), ¥4,672 million for DuluxGroup (an increase of 11.7%), ¥2,490 million for the Americas (a decrease of 7.0%), and ¥2,101 million for AOC.

Section 3 【Status of Facilities】

1 【Overview of Capital Expenditures】

Capital expenditures during the current fiscal year totaled ¥62,954 million, of which ¥1 million related to corporate-level investments. Capital expenditures by segment are as follows.

The above capital expenditures were funded primarily with internal funds.

(1) Japan

Major capital expenditures in the current fiscal year totaled ¥10,093 million, primarily for reinforcement of R&D functions, production capacity expansion and streamlining, and enhancement of logistics functions.

(2) NIPSEA

Major capital expenditures in the current fiscal year totaled ¥16,743 million, primarily for production capacity expansion and streamlining and enhancement of logistics functions.

(3) DuluxGroup

Major capital expenditures in the current fiscal year totaled ¥25,959 million, primarily for production capacity expansion and streamlining and enhancement of logistics functions.

(4) Americas

Major capital expenditures in the current fiscal year totaled ¥4,784 million, primarily for enhancement of logistics functions and production capacity expansion and streamlining.

(5) AOC

Major capital expenditures in the current fiscal year totaled ¥5,372 million, primarily for production capacity expansion and streamlining.

2 【Major Facilities】

Major facilities of our Group (the Company and consolidated subsidiaries) are as follows.

(1) The Company

As of December 31, 2025

Business site (Location)	Segment	Description of facilities	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area thousand m ²)	Right-of- use assets	Other	Total	
Tokyo Head Office (Minato-ku, Tokyo)	Corporate (common)	Administrative facilities	56	—	— (—)	246	20	322	23 (2)
Osaka Head Office (Osaka-shi, Osaka)	Corporate (common)	Administrative facilities	—	—	— (—)	—	1	1	25 (2)

(2) Domestic subsidiaries

As of December 31, 2025

Subsidiary name (Location)	Segment	Description of facilities	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area thousand m ²)	Right-of- use assets	Other	Total	
Nippon Paint Corporate Solutions Co., Ltd. (Osaka-shi, Osaka etc.)	Japan	R&D facilities, domestic sales facilities and logistics facilities	11,100	2	5,718 (509)	370	497	17,689	250 (56)
Nippon Paint Automotive Coatings Co., Ltd. (Hirakata-shi, Osaka etc.)	Japan	Paint manufacturing facilities	8,970	2,519	2,066 (46)	466	775	14,799	603 (78)

(3) Overseas subsidiaries

As of December 31, 2025

Subsidiary name (Location)	Segment	Description of facilities	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area thousand m ²)	Right-of- use assets	Other	Total	
DuluxGroup Limited (Australia, etc.)	DuluxGroup	Paint manufacturing facilities Store facilities	21,465	41,452	28,971 (2,307)	54,974	9,568	156,431	8,432 (548)
Nippon Paint (H.K.) Company Limited (China, etc.)	NIPSEA	Paint manufacturing facilities	37,225	18,498	— (—)	23,493	11,538	90,755	6,894 (10)
Dunn-Edwards Corporation (United States)	Americas	Paint manufacturing facilities, store facilities	21,592	2,039	12,486 (315)	27,920	955	64,994	1,750 (14)

Subsidiary name (Location)	Segment	Description of facilities	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area thousand m ²)	Right-of- use assets	Other	Total	
LSF11 A5 TopCo LLC (United States, etc.)	AOC	CASE and composite materials manufacturing facilities, store facilities	11,298	36,576	8,365 (2,334)	1,641	6,952	64,833	1,035 (33)
PT Nipsea Paint and Chemicals (Indonesia)	NIPSEA	Paint manufacturing facilities	1,078	1,758	19,483 (854)	681	284	23,287	1,511 (5,558)

(Notes) 1. Items included in "Other" in the carrying amount are tools, furniture and fixtures, and construction in progress.

2. The average annual number of temporary employees are not included in the "Number of employees."

3. Figures for DuluxGroup Limited, Nippon Paint (H.K.) Company Limited, and LSF11 A5 TopCo LLC are on a consolidated basis at each company.

3 【Plans for New Installation, Removal, etc. of Facilities】

Plans for new installation, expansion, and renovation of significant facilities are as follows.

Company name (Location)	Segment	Description of facilities	Planned investment amount (million yen)		Funding method	Start date	Scheduled completion date
			Total	Amount paid to date			
Nippon Paint Corporate Solutions Co., Ltd. (Shinagawa-ku, Tokyo)	Japan	R&D facilities, etc., software, etc.	8,294	6,407	Internal funds	December 2021	May 2029
Nippon Paint Industrial Coatings Co., Ltd. (Togane-shi, Chiba)	Japan	Paint manufacturing facilities, etc.	2,620	1,516	Internal funds	March 2024	June 2026
Nippon Paint Co., Ltd. (Isehara-shi, Kanagawa)	Japan	Paint manufacturing facilities, etc.	6,488	4,489	Internal funds	December 2022	April 2026
Nippon Paint (H.K.) Company Limited (China)	NIPSEA	Head office functions/R&D facilities, etc.	13,531	4,515	Internal funds	August 2024	September 2027
Nippon Paint (Malaysia) Sdn. Bhd. (Malaysia)	NIPSEA	Paint manufacturing facilities, etc.	1,320	27	Internal funds	June 2024	December 2026
DuluxGroup Limited (Australia)	DuluxGroup	Paint manufacturing facilities, etc.	16,740	4,081	Internal funds	December 2023	December 2027

(Note) Figures for Nippon Paint (H.K.) Company Limited and DuluxGroup Limited are on a consolidated basis at each company.

Section 4 【Status of the Company】

1 【Status of Shares, etc.】

(1) 【Total number of shares, etc.】

(i) 【Total number of shares authorized】

Class	Total number of shares authorized (shares)
Common stock	5,000,000,000
Total	5,000,000,000

(ii) 【Shares issued】

Class	Number issued (shares) As of fiscal year-end (December 31, 2025)	Number issued (shares) As of filing date (March 26, 2026)	Name of stock exchange or registered securities dealers association	Details
Common stock	2,370,512,215	2,370,512,215	Tokyo Stock Exchange Prime Market	One unit consists of 100 shares.
Total	2,370,512,215	2,370,512,215	—	—

(2) 【Status of stock acquisition rights, etc.】

(i) Details of the stock option plan

The Company has issued stock acquisition rights as stock compensation-type stock options to its Directors (excluding Outside Directors) and Corporate Officers. Since the introduction of a restricted stock compensation plan in 2019, no new stock acquisition rights have been issued.

Resolution date	June 26, 2015	June 28, 2016	March 29, 2017
Category and number of eligible persons (persons)	Directors: 4 Corporate Officers: 7	Directors: 4 Corporate Officers: 10	Directors: 4 Corporate Officers: 9
Number of stock acquisition rights (units)*	12 (Note 1)	20 (Note 1)	22[13] (Note 1)
Type, details, and number of shares (shares) subject to the stock acquisition rights*	Common stock 6,000 (Notes 1, 6)	Common stock 10,000 (Notes 1, 6)	Common stock 11,000[6,500] (Notes 1, 6)
Amount payable upon exercise of stock acquisition rights*	The amount payable upon exercise shall be 1 yen per share multiplied by the number of shares subject to each stock acquisition right.		
Exercise period of stock acquisition rights*	From July 14, 2015 to July 13, 2045	From July 15, 2016 to July 14, 2046	From April 18, 2017 to April 17, 2047
Issue price and amount to be included in capital upon issuance of shares through exercise of stock acquisition rights (yen)*	Issue price: 669 Amount to be included in capital: 335 (Notes 2, 6)	Issue price: 425 Amount to be included in capital: 213 (Notes 2, 6)	Issue price: 664 Amount to be included in capital: 332 (Notes 2, 6)
Conditions for exercising stock acquisition rights*	(Note 3)		
Matters concerning transfer of stock acquisition rights*	Acquisition of stock acquisition rights by transfer requires approval by a resolution of the Company's Board of Directors.		
Matters concerning issuance of stock acquisition rights in connection with organizational restructuring actions*	(Note 4)		

Resolution date	December 22, 2017	June 22, 2018	January 25, 2019
Category and number of eligible persons (persons)	Directors: — Corporate Officers: 4	Directors: 4 Corporate Officers: 7	Directors: 1 Corporate Officers: 5
Number of stock acquisition rights (units)*	15 (Note 1)	21[16] (Note 1)	6[4] (Note 1)
Type, details, and number of shares (shares) subject to the stock acquisition rights*	Common stock 7,500 (Notes 1, 6)	Common stock 10,500 [8,000] (Notes 1, 6)	Common stock 3,000 [2,000] (Notes 1, 6)
Amount payable upon exercise of stock acquisition rights*	The amount payable upon exercise shall be 1 yen per share multiplied by the number of shares subject to each stock acquisition right.		
Exercise period of stock acquisition rights*	From January 11, 2018 to January 10, 2048	From July 10, 2018 to July 9, 2048	From February 14, 2019 to February 13, 2049
Issue price and amount to be included in capital upon issuance of shares through exercise of stock acquisition rights (yen)*	Issue price: 652 Amount to be included in capital: 326 (Notes 2, 6)	Issue price: 802 Amount to be included in capital: 401 (Notes 2, 6)	Issue price: 653 Amount to be included in capital: 327 (Notes 2, 6)
Conditions for exercising stock acquisition rights*	(Note 3)		
Matters concerning transfer of stock acquisition rights*	Acquisition of stock acquisition rights by transfer requires approval by a resolution of the Company's Board of Directors.		

Resolution date	December 22, 2017	June 22, 2018	January 25, 2019
Matters concerning issuance of stock acquisition rights in connection with organizational restructuring actions*	(Note 4)		

* The information is as of December 31, 2025 (the last day of the current fiscal year). Changes between the last day of the current fiscal year and the last day of the month preceding the filing date (February 28, 2026) are shown in brackets as of the last day of the month preceding the filing date. Other items remain unchanged from the status as of the last day of the current fiscal year.

(Notes) 1. The class of shares to be issued upon exercise of stock acquisition rights shall be the Company's common shares, and the number of shares for each stock acquisition right (hereinafter, "number of allotted shares") is 500 shares.

However, if on or after the allotment date (the date on which stock acquisition rights are allotted; hereinafter, the "allotment date") the Company conducts a stock split of common shares (including a free allotment of shares; the same shall apply to references to stock splits hereinafter) or a reverse stock split, the number of allotted shares shall be adjusted by the following formula. Any fraction less than one share resulting from the adjustment shall be rounded down.

Adjusted number of allotted shares = Number of allotted shares before adjustment × Ratio of stock split or reverse stock split

The adjusted number of allotted shares shall apply from the day following the record date (or from the effective date if no record date is set) in the case of a stock split, and from the effective date in the case of a reverse stock split. However, if a stock split is conducted on the condition that a proposal to reduce surplus to increase share capital or reserves is approved at a General Meeting of Shareholders and a date prior to the conclusion of the said General Meeting is set as the record date for the stock split, the adjusted number of allotted shares shall apply from the day following the conclusion of the said General Meeting of Shareholders, retroactive to the day following the record date.

In addition, if on or after the allotment date the Company conducts a merger or company split, or in other cases requiring similar adjustments to the number of allotted shares, the Company may appropriately adjust the number of allotted shares within a reasonable scope.

When adjusting the number of allotted shares, the Company shall notify or publicly announce the necessary matters to each holder of stock acquisition rights (hereinafter, "stock acquisition right holder") recorded in the stock acquisition rights register by the day prior to the effective date of the adjusted number of allotted shares. If notification or public announcement cannot be made by the day prior to the said date, it shall be made promptly thereafter.

2. (1) In the case where shares are issued upon exercise of stock acquisition rights, the amount of increase in capital shall be half of the maximum amount of increase in capital, etc. calculated under Article 17, Paragraph 1 of the Company Accounting Regulations, with any fraction less than one yen rounded up.

(2) In the case where shares are issued upon exercise of stock acquisition rights, the amount of increase in capital reserve shall be the maximum amount of increase in capital, etc. set forth in (1) above less the amount of increase in capital prescribed in (1) .

3. (1) Holders of the stock acquisition rights may not exercise stock acquisition rights during the three-year period following the allotment date. However, if a holder ceases to hold all positions as a Director and Corporate Officer of the Company, the holder may exercise the rights from the day following the date of such cessation.

(2) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is the absorbed company or a proposal for approval of a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary is approved at a General Meeting of Shareholders (or a resolution of the Board of Directors is adopted if a General Meeting resolution is unnecessary), the stock acquisition right holder may exercise the rights only for 15 days from the day following such approval (or the day following the Board resolution where applicable), except where stock acquisition rights of the reorganization target company are to be delivered to the stock acquisition right holder in accordance with Note 4 below as provided in the merger agreement, share exchange agreement, or share transfer plan.

(3) The provision in (1) above does not apply to a person who inherits stock acquisition rights by succession.

(4) If a stock acquisition right holder waives stock acquisition rights, such rights cannot be exercised.

4. If the Company conducts a merger (limited to cases in which the Company is dissolved by the merger), absorption-type company split or incorporation-type company split (limited to cases in which the Company is the splitting company in each case), or share exchange or share transfer (limited to cases in which the Company becomes a wholly owned subsidiary in each case) (collectively, “organizational restructuring”), then immediately prior to the effective date of the organizational restructuring (the date on which an absorption-type merger takes effect; the date of incorporation of the company established by an incorporation-type merger; the date on which an absorption-type company split takes effect; the date of incorporation of the company established by an incorporation-type company split; the date on which a share exchange takes effect; and the date of incorporation of the wholly owning parent company established by a share transfer; the same shall apply hereinafter), the Company shall deliver stock acquisition rights of the company (as set forth in Article 236, Paragraph 1, Item 8 (a) –(e) of the Companies Act; hereinafter, the “reorganization target company”) to stock acquisition right holders who hold remaining stock acquisition rights (hereinafter, “remaining stock acquisition rights”) in each case. However, this is conditional upon the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan providing for delivery of stock acquisition rights of the reorganization target company in accordance with the following items.

(1) Number of stock acquisition rights of the reorganization target company to be delivered

A number equal to the number of remaining stock acquisition rights held by each stock acquisition right holder shall be delivered.

(2) Class of shares under the stock acquisition rights of the reorganization target company

Common shares of the reorganization target company.

(3) Number of shares under the stock acquisition rights of the reorganization target company

To be determined with reference to Note 1 above, taking into account the terms and other conditions of the organizational restructuring.

(4) Value of assets to be contributed upon exercise of stock acquisition rights

The value of assets to be contributed upon exercise of each delivered stock acquisition right shall be the post-reorganization exercise price multiplied by the number of shares of the reorganization target company determined in accordance with (3) above. The post-reorganization exercise price per share to be delivered upon exercise of each stock acquisition right shall be ¥1.

(5) Exercise period of stock acquisition rights

From the later of the commencement date of the exercise period prescribed in “Exercise period of stock acquisition rights” above or the effective date of the organizational restructuring, until the expiry date of the exercise period prescribed in “Exercise period of stock acquisition rights” above.

(6) Matters concerning increases in capital and capital reserve when shares are issued upon exercise of stock acquisition rights

To be determined with reference to the matters prescribed in Note 2 above.

(7) Restrictions on acquisition of stock acquisition rights by transfer

Acquisition of stock acquisition rights by transfer shall require approval by resolution of the Board of Directors of the reorganization target company.

(8) Acquisition provisions for stock acquisition rights

To be determined with reference to the matters prescribed in Note 5 below.

(9) Other conditions for exercise of stock acquisition rights

To be determined with reference to Note 3 above.

5. If any of the following proposals (1), (2), (3), (4), or (5) is approved at a General Meeting of Shareholders of the Company (or a resolution of the Board of Directors is adopted if a General Meeting resolution is unnecessary), the Company may acquire stock acquisition rights without consideration on a date separately determined by the Board of Directors.

(1) Proposal for approval of a merger agreement in which the Company is the absorbed company

- (2) Proposal for approval of a company split agreement or company split plan in which the Company is the splitting company
 - (3) Proposal for approval of a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary
 - (4) Proposal for amendment to the Articles of Incorporation to require the Company's approval for acquisition by transfer of all issued shares of the Company
 - (5) Proposal for amendment to the Articles of Incorporation to require the Company's approval for acquisition by transfer of the class of shares underlying stock acquisition rights or to allow the Company to acquire all such shares by resolution of a General Meeting of Shareholders
6. The Company conducted a stock split at a ratio of five shares for each share of common stock with March 31, 2021, as the record date and April 1, 2021, as the effective date. As a result, "Number of shares under stock acquisition rights" and "Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights" have been adjusted.
- (ii) Details of rights plan
There are no items to report.
 - (iii) Other stock acquisition rights, etc.
There are no items to report.
- (3) **【Status of exercise of bonds with stock acquisition rights carrying price reset clauses, etc.】**
There are no items to report.

(4) 【Changes in the total number of issued shares, share capital, etc.】

Date	Increase/decrease in total number of issued shares (thousand shares)	Total number of issued shares (thousand shares)	Increase/decrease in capital (million yen)	Capital balance (million yen)	Increase/decrease in capital surplus (million yen)	Capital surplus balance (million yen)
January 25, 2021 (Note 1)	148,700	474,102	592,569	671,432	592,569	670,904
April 1, 2021 (Note 2)	1,896,409	2,370,512	—	671,432	—	670,904

(Notes) 1. Paid-in capital increase through third-party allotment of new shares (in-kind contribution of claims for payment of transfer consideration resulting from the additional acquisition of interests in Asian joint ventures operated by the Company and the Wuthelam Group, as well as the acquisition of interests in the Indonesia business)

Issue price ¥7,970 per share; amount to be capitalized ¥3,985 per share

Allottees: Nipsea International Limited and Fraser (HK) Limited

2. The Company conducted a stock split at a ratio of five shares for each share of common stock with March 31, 2021, as the record date and April 1, 2021, as the effective date.

(5) 【Status by shareholder category】

As of December 31, 2025

Category	Share status (number of shares per unit: 100 shares)								Shares less than one unit (shares)
	Government and local public bodies	Financial institutions	Securities firms	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	—	30	43	330	680	67	20,834	21,984	—
Number of shares held (units)	—	2,521,213	243,688	569,461	19,252,148	1,766	1,114,898	23,703,174	194,815
Percentage of shares held (%)	—	10.64	1.03	2.40	81.22	0.01	4.70	100.00	—

(Notes) 1. Treasury shares of 42,549,157 shares are included under “Individuals and others” as 425,491 units and under “Shares less than one unit” as 57 shares.

2. The “Other corporations” category includes 50 units registered in the name of Japan Securities Depository Center, Inc.

(6) 【Status of major shareholders】

As of December 31, 2025

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to total number of issued shares (excluding treasury shares) (%)
Nipsea International Limited (Registered agent: Citibank, N.A., Tokyo Branch)	SUITES 3203-3204, 32/F., TOWER 2, NINA TOWER, 8 YEUNG UK ROAD, TSUEN WAN, NEW TERRITORIES, HONG KONG (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,293,030	55.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	149,749	6.43
Fraser (HK) Limited (Registered agent: Citibank, N.A., Tokyo Branch)	SUITES 3203-3204, 32/F TOWER 2 NINA TOWER 8 YEUNG UK RD TSUEN WAN NT, HONG KONG (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	85,000	3.65
UBS AGLB Seg AC Untradable Shares (Registered agent: Citibank, N.A., Tokyo Branch)	BAHNHOFSTRASSE 45, 8001 ZURICH, SWITZERLAND (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	84,899	3.64
BNYM AS AGT/CLTS NON TREATY JASDEC (Registered agent: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	82,000	3.52
Custody Bank of Japan, Ltd. (Trust Account)	(1-8-12, Harumi, Chuo-ku, Tokyo)	44,284	1.90
HSBC - Fund Services Clients A/C 500 (Registered agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1 QUEEN'S ROAD CENTRAL HONG KONG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	26,000	1.11
Nippon Life Insurance Company (Registered agent: The) Master Trust Bank of Japan, Ltd.)	1(-6-6, Marunouchi, Chiyoda-ku, Tokyo (1-8-1, Akasaka, Minato-ku, Tokyo)	22,798	0.97
Meiji Yasuda Life Insurance Company (Registered agent: Custody Bank of Japan, Ltd.)	(2-1-1, Marunouchi, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	17,704	0.76
The Bank Of New York Mellon 140042 (Registered agent: Mizuho Bank, Ltd., Settlement Sales Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1(, Konan, Minato-ku, Tokyo)	16,588	0.71
Total	—	1,822,055	78.26

(Notes) 1. The number of shares held is rounded down to the nearest thousand shares.

2. The percentage of shares held relative to the total number of issued shares (excluding treasury shares) is rounded down to

the third decimal place.

3. Nipsea International Limited is our parent company, and Mr. Goh Hup Jin, a Director of the Company, serves as a Director of Nipsea International Limited.
4. Fraser (HK) Limited is a subsidiary of W (BVI) Holdings Limited, a company in which Mr. Goh Hup Jin, a Director of the Company, holds a majority of voting rights on his own account, and is a related party.
5. The Company holds 42,549 thousand treasury shares, which are excluded from the status of major shareholders above.
6. The Company received a report on the following shareholding status as of January 24, 2022, based on a large shareholding report (amended report) filed with the Director-General of the Kanto Local Finance Bureau on January 31, 2022, by Mitsubishi UFJ Trust and Banking Corporation and its joint holders: Mitsubishi UFJ Kokusai Asset Management Co., Ltd.; MUFG Securities (Canada); First Sentier Investors (Australia) IM Limited; and First Sentier Investors (Hong Kong) Limited. However, to the extent that the Company was unable to confirm the number of shares beneficially owned as of December 31, 2025, such shares are not included in the status of major shareholders above.

The details of the Large Shareholding Report are as follows.

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to total number of issued shares (%)
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	48,638	2.05
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	5,603	0.24
MUFG Securities (Canada), Ltd.	Royal Bank Plaza, South Tower, Suite 2940, 200 Bay Street, Toronto, Ontario M5J 2J1, CANADA	2,900	0.12
First Sentier Investors (Australia) IM Limited	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	9,978	0.42
First Sentier Investors (Hong Kong) Limited	25th Floor, One Exchange Square, Central, Hong Kong	8,493	0.36

7. The Company received a report regarding the following shareholding status as of December 15, 2025, based on a Large Shareholding Report filed by EdgePoint Investment Group Inc. with the Director-General of the Kanto Local Finance Bureau on December 19, 2025. However, any holdings for which the Company was unable to verify the number of shares beneficially owned as of December 31, 2025 are not included in the above status of major shareholders.

The details of the Large Shareholding Report are as follows.

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to total number of issued shares (%)
EdgePoint Investment Group Inc.	150 Bloor Street West, Suite 700, Toronto, Ontario, Canada M5S 2X9	122,165	5.15

(7) 【Status of voting rights】

(i) 【Issued shares】

As of December 31, 2025

Category	Number of shares (shares)	Number of voting rights (units)	Details
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock 42,549,100	—	—
	(cross-shareholdings) Common stock 528,100	—	—
Shares with full voting rights (others)	Common stock 2,327,240,200	23,272,402	—
Shares less than one unit	Common stock 194,815	—	Shares less than one unit (100 shares)
Total number of issued shares	2,370,512,215	—	—
Total voting rights of shareholders	—	23,272,402	—

(Notes) The “Shares with full voting rights (Others)” category for common shares includes 5,000 shares (50 voting rights) registered in the name of Japan Securities Depository Center, Inc.

(ii) 【Treasury shares, etc.】

As of December 31, 2025

Name of shareholder or designation	Shareholder address	Shares held in own name Number of shares held (shares)	Shares held in others' names Number of shares held (shares)	Total number of shares held (shares)	Percentage of shares held to total number of issued shares (%)
(Treasury shares) Nippon Paint Holdings Co., Ltd.	2-1-2, Oyodokita, Kita-ku, Osaka-shi, Osaka	42,549,100	—	42,549,100	1.79
(cross-shareholdings) Taiyo Marivis Co., Ltd.	3-9-10, Nihonbashi Kayabacho, Chuo-ku, Tokyo	528,100	—	528,100	0.02
Total	—	43,077,200	—	43,077,200	1.82

(Notes) Treasury shares decreased by 83,400 shares due to the disposal of treasury shares as restricted stock compensation conducted on May 16, 2025. In addition, by a written resolution of the Board of Directors pursuant to Article 370 of the Companies Act and Article 26 of the Company’s Articles of Incorporation dated October 9, 2025, the Company resolved matters related to the acquisition of treasury shares pursuant to Article 459, Paragraph 1 of the Companies Act and Article 7 of the Company’s Articles of Incorporation. Based on this Board of Directors resolution, the Company acquired 20,897,700 shares during the current fiscal year.

2 【Status of Acquisition of Treasury Shares, etc.】

【Type of shares, etc.】 Acquisition of common shares falling under Article 155, Item 3 of the Companies Act and acquisition of common shares falling under Article 155, Item 7 of the Companies Act

(1) 【Acquisition pursuant to resolution of General Meeting of Shareholders】

There are no items to report.

(2) 【Acquisition pursuant to resolution of Board of Directors】

There are no items to report. Category	Number of shares (shares)	Total acquisition cost (thousand yen)
Status of resolutions of the Board of Directors (October 9, 2025) (Acquisition period: October 10, 2025–February 28, 2026)	35,000,000 (upper limit)	30,000,000 (upper limit)
Treasury shares acquired before the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	20,897,700	20,906,775
Remaining number of shares and total acquisition cost under the resolutions	14,102,300	9,093,225
Unexercised ratio (%) as of the end of the current fiscal year	40.3	30.3
Treasury shares acquired during the period following the fiscal year-end	8,512,300	9,093,206
Unexercised ratio (%) as of the filing date	16.0	0.0

(Note) The acquisition of treasury shares pursuant to the resolution was completed on February 27, 2026.

(3) 【Other acquisitions not based on resolutions of General Meeting of Shareholders or Board of Directors】

Category	Number of shares (shares)	Total acquisition cost (thousand yen)
Treasury shares acquired during the current fiscal year	500	556
Treasury shares acquired during the period	100	102

(Note) Acquisitions of treasury shares during the period do not include the number of shares acquired through purchases of shares less than one unit between March 1, 2026 and the filing date of this Annual Securities Report.

(4) 【Disposition and status of holdings of treasury shares acquired】

Category	Current fiscal year		The period following the fiscal year-end	
	Number of shares (shares)	Total disposal value (thousand yen)	Number of shares (shares)	Total disposal value (thousand yen)
Treasury shares acquired through public offering to subscribers	—	—	—	—
Treasury shares disposed of through cancellation	—	—	—	—
Treasury shares transferred in connection with mergers, share exchanges, share deliveries, or corporate splits	—	—	—	—
Other (exercise of stock acquisition rights)	26,000	16,577	8,000	5,651
Other (grant of restricted stock)	83,400	87,987	—	—
Other (sale due to request for additional purchase of shares less than one unit)	50	49	—	—
Number of treasury shares held	42,549,157	—	51,053,557	—

- (Notes) 1. Dispositions of treasury shares during the period do not include shares disposed of or shares issued upon exercise of stock acquisition rights through sales of shares less than one unit between March 1, 2026, and the filing date of this Annual Securities Report.
2. The number of treasury shares held during the period does not include the number of shares acquired and sold through purchases and sales of shares less than one unit, nor shares issued upon exercise of stock acquisition rights, between March 1, 2026, and the filing date of this Annual Securities Report.

3 【Dividend Policy】

The Company pursues Maximization of Shareholder Value (MSV) as its sole mission, which is to maximize the shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society and other stakeholders. In pursuing this mission, the Company prioritizes growth investments while maintaining financial discipline, with a primary focus on enhancing total shareholder return (TSR) by increasing basic earnings per share (EPS).

With respect to dividends, which form part of TSR, the Company's basic policy is to maintain a progressive dividend*, taking into account factors such as business performance trends and investment opportunities in a comprehensive manner.

* As a general principle, the Company does not reduce dividends, and aims to maintain or increase them.

In principle, the Company pays dividends twice a year—an interim dividend and a year-end dividend. The decision-making body for the interim dividend is the Board of Directors, and the decision-making body for the year-end dividend is the General Meeting of Shareholders.

Based on the above policy, in the current fiscal year the Company plans to pay an interim dividend of ¥8 and a year-end dividend of ¥8 (annual dividend of ¥16). For the next fiscal year, the Company plans to pay an interim dividend of ¥8 and a year-end dividend of ¥9 (annual dividend of ¥17).

As a result, the Company's consolidated dividend payout ratio for the current fiscal year is expected to be 20.9%, and the dividend on equity attributable to owners of parent is expected to be 2.2%.

The Company will continue striving to further improve performance and meet the expectations of our shareholders.

The Company's Articles of Incorporation provide that we may pay an interim dividend.

Dividends from surplus with record dates falling within the current fiscal year are as follows.

Resolution date		Total dividends (million yen)	Dividend per share (yen)
August 8, 2025	Resolution of Board of Directors	18,790	8.00
March 27, 2026	Resolution at Annual General Meeting of Shareholders (planned)	18,623	8.00

4 【Status of Corporate Governance】

(1) 【Overview of corporate governance】

(i) Basic views on corporate governance

- (a) The Company continuously works to enhance and strengthen its corporate governance, in order to achieve the sustainable growth of the Group and the medium- to long-term Maximization of Shareholder Value, based on its fundamental management policy outlined in 【Section 2 Business Overview, 1 Management Policies, Operating Environment, and Management Issues, (1) Management policy and management strategy, etc.】.
- (b) The Company defines "Maximization of Shareholder Value" as "maximizing the financial value remaining after the fulfillment of obligations to customers, suppliers, employees, society, and other stakeholders."
- (c) The Company discloses its "Corporate Governance Policies," which presents the basic concepts and initiatives concerning corporate governance, at the following URL.
<https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/>

(ii) 【Corporate governance structure】

- (a) The Company has adopted a Company with Three Committees governance system, in order to improve the transparency, objectivity, and fairness of management, as well as to separate and strengthen functions of business execution and monitoring of management.

The Company has adopted a holding company structure to leverage the overall strength of the Group and achieve sustainable growth and long-term Maximization of Shareholder Value through agile management.

As of the submission date of the securities report, the overview of the governing bodies within the Company is as follows.

(i) Board of Directors and Directors

- The Board of Directors monitors the general management of the Group. The Board of Directors delegates decision-making authority for the execution of business to executive officers, with the exception of matters requiring the resolution of the Board of Directors pursuant to laws and ordinances and the Articles of Incorporation, matters delegated to the Board of Directors by resolution of a shareholders' meeting, and important matters relating to the management of the Group.
- The Board of Directors consists of Directors who concurrently serve as Executive Officers and Directors who do not concurrently serve as Executive Officers, and a majority of the Directors are Independent Directors. The Board Chair is Masayoshi Nakamura, who is the Lead Independent Director.
- The number of meetings of the Board of Directors and the attendance of each Director during FY2025 were as follows.

Name and others		Attendance	Attendance rate
Director Representative Executive Officer & Co- President	Yuichiro Wakatsuki	6 of 6 meetings	100%
Director Representative Executive Officer & Co- President	Wee Siew Kim	6 of 6 meetings	100%
Chairman	Goh Hup Jin	6 of 6 meetings	100%
Independent Director	Hisashi Hara	6 of 6 meetings	100%
Independent Director	Peter M Kirby	1 of 1 meeting	100%
Independent Director	Andrew Larke	5 of 5 meetings	100%
Independent Director	Lim Hwee Hua	5 of 6 meetings	83%
Independent Director	Masataka Mitsuhashi	6 of 6 meetings	100%
Independent Director	Toshio Morohoshi	6 of 6 meetings	100%

Lead Independent Director Board Chair	Masayoshi Nakamura	6 of 6 meetings	100%
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(Notes) 1. Based on the tenure of each Director in FY2025.

2. Effective March 27, 2025, Peter M Kirby resigned from his position as a director, and Andrew Larke has been newly appointed as an Independent Director.

- The Company, through a mutual vote among Independent Directors, has appointed Masayoshi Nakamura as the Lead Independent Director. The Lead Independent Director, upon collecting the opinions of the other Independent Directors as necessary, conveys the opinion of the Independent Directors to the Chairman, Representative Executive Officers & Co-Presidents, and other Executive Officers, and discusses responses as necessary.
- The Lead Independent Director convenes meetings of the independent directors, consisting of all Independent Directors, before and after board meetings and as needed.
- In FY2025, the Board of Directors' meetings were held to decide proposals to be submitted to the General Meeting of Shareholders, to decide important M&A and capital investment projects, to appoint Executive Officers, to confirm the progress of the medium-term strategy, confirm the operation of internal control systems, to confirm sustainability activities, and to monitor the execution of duties by Executive Officers, etc. based on reports from Executive Officers and committees. The Board of Directors also evaluated the effectiveness of the Board of Directors.
- The Company's Corporate Governance Policies provide that, for the protection of minority shareholders, transactions between the Company and its controlling shareholder shall be subject to appropriate involvement and monitoring by the Independent Directors, including approval by the Board of Directors, a majority of whose members are Independent Directors.

(ii) Committees

- The Company has established the committees stipulated in the Companies Act of Japan as follows.

<The Nominating Committee>

The Nominating Committee determines proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, as well as deliberates and reports to the Board of Directors on the succession plans for Directors, the appointments and dismissals of the Representative Executive Officer & President and other Executive Officers, and related succession plans, based on consultations from the Board of Directors. In FY2025, the Nominating Committee deliberated on the policy for nominating Directors and Executive Officers for the next fiscal year and for the medium to long term, and also passed a resolution on the proposal on the election of Directors for FY2025 to be submitted to the General Meeting of Shareholders, and deliberated and reported the Executive Officer structure for FY2025 in response to the consultation from the Board of Directors.

(Attendance)

The number of meetings of the Nominating Committee and the attendance of each Director during FY2025 were as follows.

Name and others		Attendance	Attendance rate
Independent Director	Hisashi Hara (Chairperson)	7 of 7 meetings	100%
Non-Executive Director	Goh Hup Jin	7 of 7 meetings	100%
Independent Director	Toshio Morohoshi	2 of 2 meetings	100%
Independent Director	Masayoshi Nakamura	6 of 7 meetings	86%

(Notes) 1. Based on the tenure of each Director in FY2025.

2. Effective May 14, 2025, Toshio Morohoshi resigned from his position as a Nominating Committee member.

<The Compensation Committee>

The Compensation Committee determines the policies for determining the compensation of individual Directors and Executive Officers and the compensation for individuals and other matters. In addition, the Compensation Committee verifies the status of evaluation and determination of compensation amounts for key management positions of partner companies through reports from the Representative Executive Officers and Co-Presidents.

In FY2025, the Compensation Committee deliberated and determined the details of individual compensation for Directors and Executive Officers based on the "Compensation Philosophy" and the "Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents" established by the Compensation Committee, in light of objective information collection and analysis of social conditions, benchmarking against other companies and prevailing market standards, and other factors. The compensation of Directors and Executive Officers is described in 【4 Status of Corporate Governance, (4) Executive Compensation】.

(Attendance)

The number of meetings of the Compensation Committee and the attendance of each Director during FY2025 were as follows.

Name and others		Attendance	Attendance rate
Independent Director	Lim Hwee Hua (Chairperson)	6 of 6 meetings	100%
Non-Executive Director	Goh Hup Jin	6 of 6 meetings	100%
Independent Director	Masayoshi Nakamura	4 of 6 meetings	67%

(Note) Based on the tenure of each Director in FY2025.

<The Audit Committee>

The Audit Committee audits the execution of duties by Executive Officers and Directors, prepares audit reports, and determines the content of proposals to be submitted to the General Meeting of Shareholders regarding the election, dismissal, and non-reappointment of Accounting Auditors. The activities of the Audit Committee for FY2025 are described in 【4. Status of Corporate Governance, (3) Status of Audits】.

(Attendance)

The number of meetings of the Audit Committee and the attendance of each Director during FY2025 were as follows.

Name and others		Attendance	Attendance rate
Independent Director	Masataka Mitsuhashi (Chairperson)	8 of 8 meetings	100%
Independent Director	Peter M Kirby	3 of 3 meetings	100%
Independent Director	Andrew Larke	2 of 2 meetings	100%
Independent Director	Toshio Morohoshi	6 of 6 meetings	100%
Independent Director	Masayoshi Nakamura	5 of 5 meetings	100%

(Notes) 1. Based on the tenure of each Director in FY2025.

2. Effective March 27, 2025, Peter M Kirby resigned from his position as an Audit Committee member, and Masayoshi Nakamura has been newly appointed as a member of Audit Committee.
3. Effective May 14, 2025, Toshio Morohoshi resigned from the Audit Committee, and Andrew Larke has been appointed as his successor.

(iii) Executive Officer

- The Company has three Executive Officers elected who make decisions on the business execution that is delegated by the Board of Directors, and execute such business.

The Company has established a Co-President structure with the aim to further accelerate global business growth to pursue Maximization of Shareholder Value. Representative Executive Officers & Co-Presidents Yuichiro Wakatsuki

and Wee Siew Kim are responsible for global business operations and corporate functions including M&A promotion, finance strategy, and capital raising. In addition, Managing Executive Officer GC Yuri Inoue is responsible for supporting the governance (including internal controls) of the group management under the Co-President structure.

(iv) Corporate Officer

- The Company introduced a position of Corporate Officer and has one Corporate Officer engaged in the execution of the specified businesses.

(b) Other matters

(i) Basic Policies on Internal Control System

The Company has resolved the basic policy regarding the internal control system to ensure the appropriateness of operations in accordance with the Companies Act of Japan and its enforcement regulations. In line with this resolution, we are committed to establishing internal regulations, forming meeting bodies and related departments, and developing and operating other systems.

1. Basic approach to the development of internal control systems

The Company, as a listed holding company, respect the independence and autonomy of its subsidiaries and, in order to ensure the sound and lawful business operations of the entire corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the “Group”), based on these basic policies, establish an internal control system of the Group, continually assess the contents of the system and its operation, and take necessary improvement measures. The Company shall, by making ongoing reviews on these basic policies in accordance with changes in the management environment, endeavor to maintain and operate more effective internal control system.

2. Matters concerning execution of duties by Executive Officers

(1) Ensuring efficiency

- (a) The Board of Directors of the Company shall delegate the authority to make decisions on business execution to the Representative Executive Officers & Co-Presidents, except for matters stipulated by laws and regulations, the Articles of Incorporation, matters delegated by the General Meeting of Shareholders, and important strategic matters concerning the management of the Group. The core of the allocation of businesses and areas of responsibility among the Representative Executive Officers & Co-Presidents shall be determined by the Board of Directors of the Company, and the detailed design and operation shall be left to the Representative Executive Officers & Co-Presidents to ensure the efficiency of execution.
- (b) The Representative Executive Officers & Co-Presidents make certain subsidiary groups in light of region or business nature (hereinafter referred to as the “Partner Company Group”) and entrust heads of Partner Company Groups the authorities to decide and execute their businesses and make them accountable for operation of their internal control system, in order to allow them to concentrate on their own business management.
- (c) The Board of Directors of the Company develops a Medium-Term Strategy covering the entire Group, and the Representative Executive Officers & Co-Presidents closely communicate with the heads of Partner Company Group and report to the Board of Directors of the Company on the status of implementation of this strategy.

(2) Storage and management of related information

In accordance with laws, public regulations, and company regulations, the Company shall appropriately store and manage various information concerning the execution of duties by Executive Officers and related officers and employees in consideration of the importance thereof, and shall also provide an environment in which Directors can access such information as needed.

3. Matters relating to ensuring the appropriateness of business operations of the corporate group

(1) Group management system

- (a) The Company shall ensure independence from the Controlling Company, and when conducting transactions with the Controlling Company, the Company shall ensure the fairness and appropriateness of the relationship with the Controlling Company by taking appropriate procedures, such as obtaining approval from the Board of Directors of the Company, of which the majority are Independent Directors.
- (b) As a pure holding company, the Company, while respecting the autonomy and self-reliance of its subsidiaries, shall ensure the appropriateness of the business operations of the entire Group by conducting the necessary business management through the prior approval system for important matters and timely reporting system of incidents with material impacts.
- (c) In addition to the preceding paragraph, with respect to important subsidiaries, the Company shall supervise their execution of businesses by having the Representative Executive Officers & Co-Presidents and other Executive Officers participate in their important meetings such as the Board of Directors and the Executive Committee.
- (d) In evaluating the head of the Partner Company Group, the Company shall consider not only financial factors but also non-financial factors such as fulfilment of its responsibilities related to internal control and exercise its right to elect or dismiss accordingly.
- (e) The Company will establish an Internal Audit department to oversee the effectiveness of the internal control system of the Group in cooperation with the Internal Audit department of each Partner Company Group.

(2) Risk management system

- (a) The Company shall designate the Representative Executive Officers & Co-Presidents as the person with the highest level of responsibility for risk management, who shall oversee the entire risk management based on autonomous operation, including self-inspection by the head of each Partner Company Group, and shall also report to the Board of Directors of the Company on the status regarding controls on material risks associated with the management and business execution of the Group.
 - (b) The Company shall have a system in which the Representative Executive Officers & Co-Presidents shall receive reports from each Partner Company Group in a timely manner, when incidents with certain degree of influence occurs within the Group.
 - (c) The Company shall convene the Global Risk Management Committee as necessary, chaired by the Representative Executive Officers & Co-Presidents, to deliberate on the management of the Group's material risks and the ongoing review and development of internal control systems for risk management, including governance and compliance.
- (3) Compliance system
- (a) The Company establishes the Global Code of Conduct to be observed by all officers and employees of the Group (including Directors, Executive Officers, Audit & Supervisory Board Member and other employees, hereinafter referred to as the "Officers and Employees of the Group") regarding compliance, ethics and sustainability. The Company requires the Officers and Employees of the Group to honor such Code of Conduct when they conduct their businesses, and monitors their compliance status through self-inspection and other means.
 - (b) In accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations, the Company shall establish a system that enables implementation of appropriate financial reporting, etc.
 - (c) The Company shall properly operate its whistleblowing hotline established by the Group whereby the Officers and Employees of the Group, whether in Japan or overseas, can report to or consult with internal or external focal points, without any disadvantage, if they discover or suspect any violation of laws and rules within the Group. In addition, the status of the operation of the whistleblowing hotline shall be reported periodically to the Board of Directors and the Audit Committee of the Company.

4. Matters concerning the execution of duties by the Audit Committee

- (1) Establishment of assisting department and securing independence
- (a) The Company shall designate the Audit department as a department in charge of assisting the duties of the Audit Committee, which shall be in charge of the secretariat of the Audit Committee and shall conduct audits based on the instructions of the Audit Committee.
 - (b) The Audit Committee shall have an authority to agree in advance on the appointment, evaluation, transfer, and disciplinary action of General Manager of the Audit department. The Audit Committee shall also have an authority to give prior consent to the formulation of the Audit department's basic policies, the content of the audit plan, and the budget, and may give specific instructions to the Audit department as necessary. In the event of any conflict between the Audit Committee's instructions to the Audit department and those of the Representative Executive Officers & Co-Presidents, the Audit Committee's instructions shall prevail.
- (2) Reporting system to the Audit Committee
- (a) The Audit Committee shall receive reports from the Officers and Employees of the Group regarding the status of their execution of businesses regularly.
 - (b) The Company shall establish a system whereby the Officers and Employees of the Group who become aware of any situation (including violation of laws and regulations and serious accidents) that may cause serious damage to the business or property of the Group shall directly or indirectly report such situation to the Audit Committee, without delay. In addition, the report system shall be established to promptly report other matters upon request from the Audit Committee and the Audit department.
 - (c) The Audit Committee shall request the Accounting Auditor to report periodically or without delay on the status of accounting audits and other important accounting matters.
 - (d) The Company shall establish regulations that prohibit disadvantageous treatment of those who report to the Audit Committee or the Audit department, or those who report through the whistleblowing hotline, and ensure that such regulations are complied with.
- (3) Ensuring the effectiveness of the audits by the Audit Committee
- (a) The Audit Committee shall hold regular meetings with the Representative Executive Officers & Co-Presidents of the Company

to exchange opinions on important audit matters and enhance the effectiveness of audits. In addition, the Representative Executive Officers & Co-Presidents of the Company shall, at the request of the Audit Committee, develop various systems and environments related to auditing.

- (b) The Audit Committee shall establish a group audit system centered on the Company in cooperation with the Audit department, the Audit & Supervisory Board Member, the Internal Audit department, and other relevant departments of the Group.
- (c) Audit Committee members selected by the Audit Committee and the General Manager of the Audit department shall attend meetings that the Audit Committee members deem important, and shall review and audit the materials and minutes of such meetings, as well as important decision-making records.
- (d) The Company shall bear all expenses necessary for the execution of duties by the Audit Committee.

End

(ii) Limitation of liability agreement

Our Articles of Incorporation have established regulations regarding contracts with non-executive Directors in accordance with Article 427, Paragraph 1 of the Companies Act (liability limitation agreements)(Article 24 of the Articles of Incorporation). The outline of the liability limitation agreements that the Company has entered into with non-executive directors based on these regulations is as follows:

(Contract with Non-Executive Directors for Limitation of Liability)

If a non-executive Director, after entering into this agreement, is liable for damages under Article 423, Paragraph 1 of the Companies Act, and performs their duties in good faith without gross negligence, the company will limit their liability to the minimum amount specified in Article 425, Paragraph 1 of the Companies Act, and will automatically exempt the non-executive Director from any liability exceeding this amount.

(iii) Director and Officer Liability Insurance Contract

The Company has entered into a director and officer liability insurance contract with an insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, to cover damages and expenses incurred by insured persons in shareholder derivative lawsuits, corporate lawsuits, and third-party lawsuits.

(3) Number of Directors and resolution requirements for appointment and dismissal

- (a) The Company has stipulated in its Articles of Incorporation that the number of Directors shall be limited to no more than 11 members to ensure the Board of Directors serves as a forum for active deliberation based on diverse opinions and for prompt decision-making (Article 20 of Articles of Incorporation).
- (b) Our Articles of Incorporation specify that resolutions for appointing Directors require the attendance of shareholders holding at least one-third of the voting rights and must be approved by a majority of those voting (Article 21 of Articles of Incorporation). Additionally, there are no special provisions in our Articles regarding resolutions for dismissal.

(4) Items that may be decided by the Board of Directors instead of by the General Meeting of Shareholders, and the reasons therefore

The Company has stipulated in its Articles of Incorporation that the following matters, which are typically decided at the General Meeting of Shareholders, may be resolved by the Board of Directors.

(a) Acquisition of Treasury Shares (Article 7 of Articles of Incorporation)

The Company has established, based on the provisions of Article 165, Paragraph 2 of the Companies Act, that the Board of Directors may resolve to acquire its own shares through market transactions and other means in order to implement flexible capital policies responsive to changes in the management environment.

(b) Exemption from Liability of Directors of the Board and Executive Officer (Article 24 and 32 of Articles of Incorporation)

Our company has established, based on the provisions of Article 426, Paragraph 1 of the Companies Act, that Directors (including those who have served as Directors) and Executive Officers (including those who have served as Executive Officers) may be exempted from liability for damages under Article 423, Paragraph 1 of the same law through a resolution of the Board of Directors, provided that they act in good faith and without gross negligence, in order to enable them to fully perform their expected roles.

(c) Interim Dividend (Article 35 of Articles of Incorporation)

The Company has established that, to enable prompt profit distribution to shareholders, dividends from surplus may be paid as interim dividends to shareholders or registered stock pledgees based on a resolution of the Board of Directors, with June 30th each year serving as the record date.

(5) If the requirements for special resolutions at the General Meeting of Shareholders are amended, the details of the changes and the reasons for these amendments.

The Company has stipulated in its Articles of Incorporation that, to ensure the smooth operation of the General Meeting of Shareholders, the requirements for a special resolution, as specified in Article 309, Paragraph 2 of the Companies Act, are that shareholders holding at least one-third of the voting rights must be present and that the resolution must be approved by at least two-thirds of the votes cast. (Article 18 of Articles of Incorporation).

(2) 【Status of Directors and Executive Officers】

(i) The status of the Company's Directors and Executive Officers as of the annual securities report filing date

Male 8 persons Female 2 persons (Percentage of female: 20.0%)

(a) Status of Directors

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director, Representative Executive Officer & Co-President	Yuichiro Wakatsuki	August 28, 1966	April 1989 March 2000 January 2016 June 2016 November 2019 January 2020 March 2020 April 2021 May 2021 October 2021 March 2022 March 2025	Joined The Industrial Bank of Japan, Limited. (currently Mizuho Bank, Ltd.) Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) Director, Merrill Lynch Japan Securities Co., Ltd. Vice Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. Senior Managing Corporate Officer, the Company Senior Managing Corporate Officer and CFO, the Company Senior Managing Executive Officer and CFO, the Company Representative Executive Officer & Co-President, the Company (current) Director, Nippon Paint Holdings SG Pte. Ltd. (current) Director, DuluxGroup Limited (current) President, Representative Director, Nippon Paint Corporate Solutions Co., Ltd. (current) Director, the Company (current) Director, LSF11 A5 TopCo LLC (current)	(*3)	225,110
Director, Representative Executive Officer & Co-President	Wee Siew Kim	August 19, 1960	May 2002 August 2009 April 2013 May 2017 August 2019 January 2020 October 2020 April 2021 March 2022 April 2022 March 2025	Deputy CEO, Singapore Technologies Engineering Ltd. Group CEO, Nipsea Management Company Pte. Ltd. Independent Director, Mapletree Logistics Trust Management Ltd. Independent Director, SIA Engineering Company Limited (current) Director, DuluxGroup Limited (current) Deputy President and Corporate Officer, the Company Independent Director, Singapore Telecommunications Limited (current) Representative Executive Officer & Co-President, the Company (current) Director, the Company (current) Director, Nippon Paint Holdings SG Pte. Ltd. (current) Director, LSF11 A5 TopCo LLC (current)	(*3)	145,000

Position	Name	Birth date	Biography		Term of office	Number of shares held
Chairman	Goh Hup Jin	April 6, 1953	June 1984 September 1987 December 1993 January 2011 August 2012 December 2013 December 2014 March 2018 March 2019 April 2021 May 2021 March 2025	Managing Director, Wuthelam Holdings Ltd. (current) Director, Nipsea Holdings International Ltd. (current) Director, Nipsea Pte. Ltd. (currently Nippon Paint Holdings SG Pte. Ltd.) (current) Director, Epimetheus Limited Director, Nipsea International Limited (current) Director, Rainbow Light Limited (current) Director, the Company Chairman, the Company Director, the Company Chairman, the Company (current) Director, DuluxGroup Limited (current) Director, LSF11 A5 TopCo LLC (current)	(*3)	0
Director	Hisashi Hara	July 3, 1947	April 1975 January 2000 January 2006 March 2012 January 2013 January 2018 March 2018 January 2022 June 2025	Registered as an attorney Joined Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu) Managing Partner, Nagashima Ohno & Tsunematsu Chairman, Nagashima Ohno & Tsunematsu Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. Head of the Asia Operation, Nagashima Ohno & Tsunematsu Advisor, Nagashima Ohno & Tsunematsu Outside Director, the Company (current) Senior Counsel, T&K Partners (current) Outside Director, The Sankei Building Co., Ltd. (current)	(*3)	134,289
Director	Andrew Larke	December 3, 1968	April 2006 October 2010 February 2013 February 2015 March 2015 October 2015 January 2018 February 2019 July 2024 March 2025	Executive Global Head of Strategy, Planning and M&A, Orica Limited Non-Executive Director, DuluxGroup Limited (current) Executive Global Head Chemicals, Orica Limited Managing Director and CEO, Ixom chemicals Non-Executive Director, Diversified United Investment Limited (current) Chairman, Ixom Pty Ltd Independent Chairman, L1 Long Short Fund Limited (current) Chairman, Ixom Holdings Pty Ltd (current) Chairman, Aspire2 Group Limited (current) Outside Director, the Company (current)	(*3)	13,900

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director	Lim Hwee Hua	February 26, 1959	<p>August 1989</p> <p>December 1996</p> <p>August 2000</p> <p>April 2002</p> <p>August 2004</p> <p>April 2008</p> <p>April 2009</p> <p>July 2011</p> <p>October 2011</p> <p>July 2014</p> <p>March 2022</p> <p>April 2023</p> <p>June 2023</p>	<p>Joined Swiss Bank Corporation (currently UBS Group AG)</p> <p>Parliament of Singapore</p> <p>Managing Director, Temasek Holdings (Private) Limited</p> <p>Deputy Speaker, Parliament of Singapore</p> <p>Chairman, Public Accounts Committee</p> <p>Minister of State for Finance</p> <p>Minister of State for Transport</p> <p>Senior Minister of State for Finance</p> <p>Senior Minister of State for Transport</p> <p>Minister in the Prime Minister's Office</p> <p>Second Minister for Finance</p> <p>Second Minister for Transport</p> <p>Independent Director, Jardine Cycle & Carriage Limited</p> <p>Senior Advisor, Kohlberg Kravis Roberts & Co. L.P.</p> <p>Independent Director, United Overseas Bank Limited</p> <p>Outside Director, the Company (current)</p> <p>Non-Executive Independent Chairman, Japfa Ltd.</p> <p>Independent Outside Director, JERA Co., Inc. (current)</p>	(*3)	64,300
Director	Masataka Mitsuhashi	September 30, 1957	<p>November 1979</p> <p>March 1983</p> <p>July 2004</p> <p>April 2008</p> <p>July 2012</p> <p>July 2018</p> <p>May 2019</p> <p>June 2019</p> <p>February 2020</p> <p>March 2020</p> <p>September 2021</p> <p>March 2024</p>	<p>Joined Pricewaterhouse</p> <p>Registered as Certified Public Accountant</p> <p>Representative Director, ChuoAoyama PwC Transaction Services Corporation (currently PwC Advisory LLC)</p> <p>Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC)</p> <p>Representative Director and President, PricewaterhouseCoopers Aarata Sustainability Certification Co., Ltd. (currently PricewaterhouseCoopers Sustainability LLC)</p> <p>Executive Advisor, PricewaterhouseCoopers Aarata LLC (currently PricewaterhouseCoopers Japan LLC)</p> <p>Representative, Masataka Mitsuhashi CPA Office (current)</p> <p>Representative Director, Sustainable Value Advisory Co., Ltd. (current)</p> <p>Audit & Supervisory Board Member (Outside) , FUJIFILM Holdings Corporation (current)</p> <p>Advisor, Governance Advisory Committee, the Company</p> <p>External Director, Skymark Airlines Inc.</p> <p>Outside Director, the Company (current)</p> <p>Auditor, Integral Corporation</p> <p>Outside Director (Audit and Supervisory Committee Member) , Integral Corporation (current)</p>	(*3)	90,589

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director	Toshio Morohoshi	August 24, 1953	April 1976 October 2005 July 2007 January 2012 June 2015 March 2018 May 2018 August 2018 June 2020 June 2024	Joined Fujitsu Limited Managing Executive Officer, Fujitsu Limited President & CEO, EMC Japan K.K. (currently Dell Technologies Japan Inc.) President & CEO, NCR Japan, Ltd. President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) Outside Director, the Company (current) Advisor, YE DIGITAL Corporation Outside Director, WingArc1st Inc. Outside Director, T-Gaia Corporation Outside Director, Payroll Inc. (current)	(*3)	110,589
Director	Masayoshi Nakamura	November 10, 1954	April 1977 September 1996 March 1999 June 2006 February 2011 March 2018	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.) Managing Director, Lehman Brothers Inc. Managing Director, Morgan Stanley Limited Director and Senior Executive Officer, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) Executive Officer, Mitsubishi UFJ Financial Group, Inc. Representative Director, Nakamura Arai Partners Inc. (currently OCTAHEDRON Inc.) (current) Outside Director, the Company (current)	(*3)	123,789
Total						907,566

(Notes) 1. For the past ten years, Goh Hup Jin has served as Director of Nipsea International Limited, the parent company of the Company, and holds 90.91% of the voting rights in the company.

In addition, Fraser (HK) Limited, a subsidiary company of a company (W (BVI) Holdings Limited) whose majority voting rights are held by Goh Hup Jin on his own account, holds 85 million of the Company's shares.

2. Hisashi Hara, Andrew Larke, Lim Hwee Hua, Masataka Mitsuhashi, Toshio Morohoshi, and Masayoshi Nakamura are Outside Directors.
3. The term of office for Directors is until the conclusion of the Ordinary General meeting of Shareholders for the fiscal year ending within one year after their election, starting from March 27, 2025.

(b) Status of Executive Officer

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director, Representative Executive Officer & Co-President	Yuichiro Wakatsuki	August 28, 1966	Refer to (a) Status of Directors		(*)	225,110
Director, Representative Executive Officer & Co-President	Wee Siew Kim	August 19, 1960	Refer to (a) Status of Directors		(*)	145,000
Managing Corporate Officer, GC	Yuri Inoue	September 18, 1961	April 1987	Registered as an attorney	(*)	5,705
			April 2003	Joined Okuno & Partners		
			April 2009	Head of Legal division, Showa Shell Sekiyu K.K		
			April 2013	Corporate Officer, Head of Legal division, Showa Shell Sekiyu K.K		
			April 2019	Managing Corporate Officer, Head of Legal division, Showa Shell Sekiyu K.K		
			October 2020	Corporate Officer, in charge of Financial Risk, Internal Control, and Legal department, Idemitsu Kosan Co., Ltd.		
			January 2021	Joined the Company		
			October 2021	Executive Officer, General Counsel		
January 2023	Managing Executive Officer, GC, the Company (current)					
January 2025	Managing Corporate Officer, GC of Japan group, Nippon Paint Corporate Solutions Co., Ltd.					
January 2025	Director, Managing Corporate Officer, GC of Japan group, Nippon Paint Corporate Solutions Co., Ltd.					
January 2025	Director, Senior Managing Corporate Officer, CAO/GC of Japan group, Nippon Paint Corporate Solutions Co., Ltd. (current)					
Total						375,815

(Note) The term of office for Executive Officers is until the end of the last fiscal year ending within one year after the effective date of the resolution for their election by the Board of Directors, starting from January 1, 2026.

(ii) Status of the Company's Directors and Executive Officers after the ordinary general meeting of shareholders

The Company proposed the resolution item "Election of 8 Directors" at the ordinary general meeting of shareholders scheduled for March 27, 2026. If this proposal is approved, the status of the Company's officers is expected to be as follows.

Male 7 persons Female 2 persons (Percentage of female: 22.2%)

(a) Status of Directors

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director, Representative Executive Officer & Co-President	Yuichiro Wakatsuki	August 28, 1966	April 1989 March 2000 January 2016 June 2016 November 2019 January 2020 March 2020 April 2021 May 2021 October 2021 March 2022 March 2025	Joined The Industrial Bank of Japan, Limited. (currently Mizuho Bank, Ltd.) Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) Director, Merrill Lynch Japan Securities Co., Ltd. Vice Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. Senior Managing Corporate Officer, the Company Senior Managing Corporate Officer and CFO, the Company Senior Managing Executive Officer and CFO, the Company Representative Executive Officer & Co-President, the Company (current) Director, Nippon Paint Holdings SG Pte. Ltd. (current) Director, DuluxGroup Limited (current) President, Representative Director, Nippon Paint Corporate Solutions Co., Ltd. (current) Director, the Company (current) Director, LSF11 A5 TopCo LLC (current)	(*3)	225,110
Director, Representative Executive Officer & Co-President	Wee Siew Kim	August 19, 1960	May 2002 August 2009 April 2013 May 2017 August 2019 January 2020 October 2020 April 2021 March 2022 April 2022 March 2025	Deputy CEO, Singapore Technologies Engineering Ltd. Group CEO, Nipsea Management Company Pte. Ltd. Independent Director, Mapletree Logistics Trust Management Ltd. Independent Director, SIA Engineering Company Limited (current) Director, DuluxGroup Limited (current) Deputy President and Corporate Officer, the Company Independent Director, Singapore Telecommunications Limited (current) Representative Executive Officer & Co-President, the Company (current) Director, the Company (current) Director, Nippon Paint Holdings SG Pte. Ltd. (current) Director, LSF11 A5 TopCo LLC (current)	(*3)	145,000

Position	Name	Birth date	Biography		Term of office	Number of shares held
Chairman	Goh Hup Jin	April 6, 1953	<p>June 1984 September 1987 December 1993 January 2011 August 2012 December 2013 December 2014 March 2018 March 2019 April 2021 May 2021 March 2025</p>	<p>Managing Director, Wuthelam Holdings Ltd. (current) Director, Nipsea Holdings International Ltd. (current) Director, Nipsea Pte. Ltd. (currently Nippon Paint Holdings SG Pte. Ltd.) (current) Director, Epimetheus Limited Director, Nipsea International Limited (current) Director, Rainbow Light Limited (current) Director, the Company Chairman, the Company Director, the Company Chairman, the Company (current) Director, DuluxGroup Limited (current) Director, LSF11 A5 TopCo LLC (current)</p>	(*3)	0
Director	Hisashi Hara	July 3, 1947	<p>April 1975 January 2000 January 2006 March 2012 January 2013 January 2018 March 2018 January 2022 June 2025</p>	<p>Registered as an attorney Joined Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu) Managing Partner, Nagashima Ohno & Tsunematsu Chairman, Nagashima Ohno & Tsunematsu Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. Head of the Asia Operation, Nagashima Ohno & Tsunematsu Advisor, Nagashima Ohno & Tsunematsu Outside Director, the Company (current) Senior Counsel, T&K Partners (current) Outside Director, The Sankei Building Co., Ltd. (current)</p>	(*3)	134,289
Director	Andrew Larke	December 3, 1968	<p>April 2006 October 2010 February 2013 February 2015 March 2015 October 2015 January 2018 February 2019 July 2024 March 2025</p>	<p>Executive Global Head of Strategy, Planning and M&A, Orica Limited Non-Executive Director, DuluxGroup Limited (current) Executive Global Head Chemicals, Orica Limited Managing Director and CEO, Ixom chemicals Non-Executive Director, Diversified United Investment Limited (current) Chairman, Ixom Pty Ltd Independent Chairman, L1 Long Short Fund Limited (current) Chairman, Ixom Holdings Pty Ltd (current) Chairman, Aspire2 Group Limited (current) Outside Director, the Company (current)</p>	(*3)	13,900

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director	Lim Hwee Hua	February 26, 1959	<p>August 1989</p> <p>December 1996</p> <p>August 2000</p> <p>April 2002</p> <p>August 2004</p> <p>April 2008</p> <p>April 2009</p> <p>July 2011</p> <p>October 2011</p> <p>July 2014</p> <p>March 2022</p> <p>April 2023</p> <p>June 2023</p>	<p>Joined Swiss Bank Corporation (currently UBS Group AG)</p> <p>Parliament of Singapore</p> <p>Managing Director, Temasek Holdings (Private) Limited</p> <p>Deputy Speaker, Parliament of Singapore</p> <p>Chairman, Public Accounts Committee</p> <p>Minister of State for Finance</p> <p>Minister of State for Transport</p> <p>Senior Minister of State for Finance</p> <p>Senior Minister of State for Transport</p> <p>Minister in the Prime Minister's Office</p> <p>Second Minister for Finance</p> <p>Second Minister for Transport</p> <p>Independent Director, Jardine Cycle & Carriage Limited</p> <p>Senior Advisor, Kohlberg Kravis Roberts & Co. L.P.</p> <p>Independent Director, United Overseas Bank Limited</p> <p>Outside Director, the Company (current)</p> <p>Non-Executive Independent Chairman, Japfa Ltd.</p> <p>Independent Outside Director, JERA Co., Inc. (current)</p>	(*3)	64,300
Director	Masataka Mitsuhashi	September 30, 1957	<p>November 1979</p> <p>March 1983</p> <p>July 2004</p> <p>April 2008</p> <p>July 2012</p> <p>July 2018</p> <p>May 2019</p> <p>June 2019</p> <p>February 2020</p> <p>March 2020</p> <p>September 2021</p> <p>March 2024</p>	<p>Joined Pricewaterhouse</p> <p>Registered as Certified Public Accountant</p> <p>Representative Director, ChuoAoyama PwC Transaction Services Corporation (currently PwC Advisory LLC)</p> <p>Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC)</p> <p>Representative Director and President, PricewaterhouseCoopers Aarata Sustainability Certification Co., Ltd. (currently PricewaterhouseCoopers Sustainability LLC)</p> <p>Executive Advisor, PricewaterhouseCoopers Aarata LLC (currently PricewaterhouseCoopers Japan LLC)</p> <p>Representative, Masataka Mitsuhashi CPA Office (current)</p> <p>Representative Director, Sustainable Value Advisory Co., Ltd. (current)</p> <p>Audit & Supervisory Board Member (Outside) , FUJIFILM Holdings Corporation (current)</p> <p>Advisor, Governance Advisory Committee, the Company</p> <p>External Director, Skymark Airlines Inc.</p> <p>Outside Director, the Company (current)</p> <p>Auditor, Integral Corporation</p> <p>Outside Director (Audit and Supervisory Committee Member) , Integral Corporation (current)</p>	(*3)	90,589

Position	Name	Birth date	Biography		Term of office	Number of shares held
Director	Masayoshi Nakamura	November 10, 1954	April 1977	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)	(*3)	123,789
			September 1996	Managing Director, Lehman Brothers Inc.		
			March 1999	Managing Director, Morgan Stanley Limited		
			June 2006	Director and Senior Executive Officer, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)		
				Executive Officer, Mitsubishi UFJ Financial Group, Inc.		
			February 2011	Representative Director, Nakamura Arai Partners Inc. (currently OCTAHEDRON Inc.) (current)		
	March 2018	Outside Director, the Company (current)				
Total						796,977

(Notes) 1. For the past ten years, Goh Hup Jin has served as Director of Nipsea International Limited, the parent company of the Company, and holds 90.91% of the voting rights in the company.

In addition, Fraser (HK) Limited, a subsidiary company of a company (W (BVI) Holdings Limited) whose majority voting rights are held by Goh Hup Jin on his own account, holds 85 million of the Company's shares.

2. Hisashi Hara, Andrew Larke, Lim Hwee Hua, Masataka Mitsuhashi, and Masayoshi Nakamura are Outside Directors.

3. The term of office for Directors is until the conclusion of the Ordinary General meeting of Shareholders for the fiscal year ending within one year after their election, starting from March 27, 2026.

(b) Status of Executive Officers

There have been no changes from the information disclosed in (i)(b) Status of Executive Officers above.

(c) Status of outside directors

The Company aims to have a majority of independent outside directors on the Board of Directors, and six out of nine directors are designated as independent officers in accordance with the standards set by the Tokyo Stock Exchange. When electing independent outside directors, the Nomination Committee appoints candidates who possess deep insights and extensive experience in areas such as corporate management, accounting, and legal affairs. These candidates are expected to have the qualities necessary to monitor the execution of duties from an independent and objective standpoint, and they are nominated based on the "Independence Criteria for Outside Director" established by the Board of Directors.

< Independence Criteria for Outside Director >

1. The Company will determine that Outside Directors or candidates for Outside Directors are sufficiently independent from the Company if they are found to satisfy all the requirements prescribed in the following items as a result of a reasonable investigation by the Company.
 - (1) The person in question is not a controlling shareholder (Note 1) of the Company.
 - (2) The person in question is not an executive (Note 3), a director or an ex-member (Note 4) of the parent company of the Company (Note 2).
 - (3) The person in question is not an executive or an ex-executive (Note 5) of the Company or any of the subsidiaries of the Company (hereinafter "the Group").
 - (4) The person in question is not an executive or an ex-executive of a sister company of the Company (Note 6).
 - (5) The person in question does not fall under any of the following persons either currently or anytime during the past three years:
 - 1) A major shareholder of the Company (Note 7) or an executive of such a shareholder
 - 2) A person whose major business partner is the Group (Note 8) or an executive of such a person
 - 3) A major business partner of the Group (Note 9) or an executive of such a business partner
 - 4) A person belonging to an audit corporation that conducts statutory audits of the Group
 - 5) A person who receives a significant amount (Note 10) of money, etc. from the Group, in addition to compensation of Officers
 - 6) An executive of an organization that receives a significant amount (Note 10) of donation or aid from the Group
 - (6) The person in question is not a spouse or a relative within the second degree of kinship of a person falling under any items from (1) to (5) above.
2. Independent Directors shall strive to maintain the independence prescribed by these Independence Criteria until the resignation from office. If an Independent Director no longer satisfies these Independence Criteria, he/she shall promptly notify the Company of the fact.

Notes:

1. A controlling shareholder means an individual among the controlling shareholders set forth in the "Securities Listing Regulations (Tokyo Stock Exchange)" (Listing Regulations) Article 2, item (42) -2, Article 3-2 of the Enforcement Regulations of the same.
2. Parent company means the parent company set forth in the "Regulations on Terminology, Forms and Methods of Preparation of Financial Statements" (Financial Statement Regulations) Article 8, paragraph (3).
3. An executive means an Executive Director, an Executive Officer, a Corporate Officer, and a person holding a similar position at a corporation or other organization.
4. An ex-member means a person who was an executive or a director during the past 10 years.
5. An ex-executive means a person who has been an executive anytime during the past 10 years.
6. A sister company means another company who has the same parent company as the Company.
7. A major shareholder means a person who directly or indirectly holds 10% or more of the total voting rights.
8. A person whose major business partner is the Group means a person who has received from the Group a payment equivalent to 2% or more of the annual consolidate sales revenue or annual consolidated net sales for the latest fiscal year of that person.
9. A major business partner of the Group means a person who has paid to the Group an amount equivalent to 2% or more of the annual consolidated sales revenue for the latest fiscal year of the Company or a person who has an outstanding balance of loans to the Company that is equivalent to 2% or more of the consolidated total assets of the Company as of the end of the latest fiscal year of the Company.
10. A significant amount means an amount exceeding an annual amount of 10 million yen on average over the past three fiscal years of the Company.

The reasons for appointing the Company's independent directors, as well as their personal relationships, capital relationships (the number of shares of the Company held by each independent outside director is as described in "(2) 【Status of Directors and Executive Officers】 (i)Status of Directors and Executive Officers as of the annual securities report filing, (a) Status of Directors"), or transaction relationships and other interests, are as follows.

Name	Reasons for electing independent directors and their relationships with the Company
Hisashi Hara	<p>With a career of over 40 years as an attorney, Hisashi Hara has been involved in numerous cross-border M&A deals and has assisted in various corporate legal matters. In 2011, he received the Chambers Asia-Pacific Lifetime Achievement Award from Chambers and Partners, which is just one of many commendations in recognition of his good reputation as an attorney involved in cross-border M&A deals.</p> <p>From a wide range of perspectives as an attorney, he has offered appropriate and objective opinions and advice to the executive team in various discussions at the Board of Directors regarding M&A deals, corporate governance, and other matters, aiming for the realization of the management strategy. In addition, from 2020, he has led the nominating process for the composition of the Board of Directors and the executive structure as Nominating Committee Chairperson.</p> <p>He satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company's "Independence Criteria for Outside Directors." Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated him as an independent officer.</p>
Andrew Larke	<p>Andrew Larke has long been involved in mergers, acquisitions, and divestments, as a corporate advisory at companies including Orica, the largest producer of mining explosives in the world. He has also held the position of Non-Executive Director of DuluxGroup (then a listed company on the Australian Stock Exchange, currently a subsidiary of the Company) , which operates in the global chemicals and coatings industry. Additionally, he also serves as Chairman of a leading Oceania-based chemicals company, and as Independent Chairman of a long short fund listed on the Australian Stock Exchange.</p> <p>Since his appointment as the Board of the Company, he has actively contributed to discussions on group strategy, including M&A, and international development. In addition, he has served as a member of the Audit Committee providing advice on risk management and governance.</p> <p>He satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company's "Independence Criteria for Outside Directors." Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated him as an independent officer.</p>
Lim Hwee Hua	<p>Lim Hwee Hua held several important positions of the parliament and ministerial positions after being elected to the Parliament of Singapore. Prior to joining the Singapore Cabinet, she served as Managing Director at Temasek Holdings, an investment company owned by the Singapore government, where she conducted restructuring and sat on the boards of key investee companies, and established strategic relations with key foreign counterparts. She has engaged in private equity and investment activity for firms such as Kohlberg Kravis Roberts.</p> <p>Based on her broad network and her abundant insight and experience in investment and stewardship, she has fulfilled her responsibilities by providing pertinent advice on business strategy and execution relating to investment projects while bringing up investment themes at the Board of Directors meetings. Moreover, serving as Compensation Committee Chairperson from 2023, she has led the executive compensation decision process that contributed to Maximization of Shareholder Value.</p> <p>She satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company's "Independence Criteria for Outside Directors." Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated her as an independent officer.</p>

Name	Reasons for electing independent directors and their relationships with the Company
Masataka Mitsuhashi	<p>Masataka Mitsuhashi has many years of experience as a certified public accountant at PwC Japan Group, where he was engaged in accounting audit and M&A-related activities. He also has extensive experience in long-term value creation for companies from ESG and sustainability perspectives as Representative Director of a consulting firm.</p> <p>Using his expert and global insight and experience concerning finance and accounting, ESG, sustainability and risk management, he has provided opinions and appropriate advice to the executive team. Moreover, serving as Audit Committee Chairperson from 2020, he has led discussions with the Accounting Auditor and the local accounting auditors in charge of the financial auditing of overseas partner companies, while establishing the framework of “Audit on Audit,” and he has made proposals to the executive team on strengthening group governance and other matters.</p> <p>He satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company’s “Independence Criteria for Outside Directors.” Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated him as an independent officer.</p> <p>The Company has business relations involving the receipt of tax consultation and other services with the PwC Group, which includes PwC Advisory LLC and PricewaterhouseCoopers Aarata LLC (currently PricewaterhouseCoopers Japan LLC) , where he previously served as a business executive. In addition, he served as an advisor to the Governance Advisory Committee established as an advisory committee for the Board of Directors of the Company until December 31, 2019. However, as the amount of such transactions was less than the amount prescribed in the “Independent Criteria for Outside Director” of the Company, the Company has determined that there is no concern of a conflict of interest with general shareholders.</p>
Toshio Morohoshi	<p>Toshio Morohoshi was formerly involved in the executive management of Fujitsu Limited, a global electronics company. He served as Japan CEO for multiple global IT enterprises and CEO of a public company in Japan.</p> <p>Using his corporate management experience at global companies, he has provided pertinent advice regarding the establishment of IT strategies while instigating and supervising the execution of post-merger integration. In addition, serving as a member of the Nominating Committee and the Audit Committee from 2020, he successfully performed his role by advising the composition of the Board of Directors, the executive structure design as well as specifying risk factors related to global business among others.</p> <p>He satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company’s “Independence Criteria for Outside Directors.” Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated him as an independent officer.</p>

Name	Reasons for electing independent directors and their relationships with the Company
Masayoshi Nakamura	<p>Masayoshi Nakamura has built up over 30 years of hands-on experience as a specialist in M&A advisory and capital market financing, at investment banks including major US investment banks Lehman Brothers and Morgan Stanley, as well as at Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.). During this time, he has led numerous major cross-border M&A deals to success.</p> <p>Since 2020, he has played a comprehensive role in keeping the Board of Directors connected with the respective committees in addition to compiling the views of the Independent Directors as the Lead Independent Director and providing advice to the executive team. In addition, he has fulfilled his role as a member of the Nominating Committee and the Compensation Committee by designing the composition of the Board of Directors, and the executive structure, as well as the compensation thereof, and, as a member of the Audit Committee, by re-defining the audit framework. As the Board Chair since 2021, he has contributed to improving the effectiveness of the Board of Directors, being instrumental in deepening discussions through effective facilitation.</p> <p>He satisfies the requirements for an independent officer prescribed by the Tokyo Stock Exchange and the Company's "Independence Criteria for Outside Directors." Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders and has designated him as an independent officer.</p> <p>The Company has business relations involving the financing and other services with Mitsubishi UFJ Financial Group and Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.), where he previously served as a business executive, along with its sister company, MUFG Bank, Ltd. However, since he retired from all positions at Mitsubishi UFJ Financial Group more than 10 years ago, the Company has determined that there is no concern of a conflict of interest with general shareholders.</p>

(iv) Monitoring by outside directors and internal audits, mutual cooperation between the audit by the Audit Committee and accounting audits, and the relationship with the internal control department

The Audit Committee consists of three members, all of whom are independent outside directors, and, as described in the

【(3) Status of Audits】 section below, conducts audits in close cooperation with the internal audit department, the internal control department, and the accounting auditors. Additionally, the Board of Directors, where independent directors hold the majority, regularly receives activity reports from the Audit Committee and monitors the development and operation of the internal control system based on the Basic Policies on Internal Control Systems.

(3) **【Status of Audits】**

(i) Status of audits

(a) Audit Committee organization, personnel, and procedures

During the current fiscal year, the Audit Committee consisted of three members, all of whom were Independent Directors. The Company appointed to the Committee a Certified Public Accountant capable of conducting audits from a professional perspective, an individual with extensive international and management experience and an individual with knowledge, expertise, and management experience in the global chemical and paint and coatings industry, and an individual with extensive practical experience in mergers and acquisitions. In addition, the Audit Department has been established as the organization responsible for supporting the duties of the Audit Committee. In addition to serving as the secretariat of the Audit Committee, the Audit Department, under the direction of the Audit Committee, conducts investigations, analyses, and reporting on matters subject to audit and supports the Committee's audit activities.

(b) Frequency of Audit Committee meetings and attendance of individual Audit Committee members

The number of Audit Committee meetings during the current fiscal year and attendance by each Audit Committee member are as follows.

Name, etc.		Attendance/Number of meetings held (Note 1)	Attendance rate (Note 1)
Independent Director	Masataka Mitsuhashi (Chairperson)	8/8	100%
Independent Director	Peter M Kirby	3/3	100%
Independent Director	Andrew Larke	2/2	100%
Independent Director	Toshio Morohoshi	6/6	100%
Independent Director	Masayoshi Nakamura	5/5	100%

(Notes) 1. Based on the tenure of each committee member during the current fiscal year.

2. Peter M. Kirby resigned as a member of the Audit Committee and Masayoshi Nakamura was appointed on March 27, 2025.

3. Toshio Morohoshi resigned as a member of the Audit Committee and Andrew Larke was appointed on May 14, 2025.

(c) Activities of the Audit Committee and its members

The Audit Committee holds regular meetings with the Representative Executive Officers & Co-Presidents to exchange views on the audit environment and important audit issues. The Committee also actively exchanges views with Directors other than Audit Committee members, Executive Officers, and management of major partner companies in Japan and overseas to review the Company's management issues and the status of execution of duties.

The Audit Committee also oversees, from the standpoint of supervision, that the self-evaluation of the construction and operation of internal control systems through Control Self-Assessment (CSA) by the Partner Company Groups and the internal audits thereof are appropriately conducted and function effectively. The Committee receives Partner Company Group audit result reports from the Audit Department and information on important meetings of Partner Company Groups. In addition, at the Group Audit Committee held twice a year, the Audit Committee directly gathers information from internal audit personnel of major Partner Company Groups to evaluate the effectiveness of the Group's overall internal control system and governance framework.

Furthermore, the Committee holds regular trilateral audit meetings attended by the Accounting Auditor and the General Manager of the Audit Department to share information and exchange views on issues identified through audits, striving to further improve audit effectiveness through various activities.

(d) Matters considered by the Audit Committee

Specific matters considered by the Audit Committee include formulating audit policies and plans; preparing audit reports; reviewing the status of the execution of duties by Directors and Executive Officers; reviewing the development and operation of the internal control system; evaluating the effectiveness of the Audit Committee; reviewing the appropriateness of audit methods and results by the Accounting Auditor; evaluating and deciding on the reappointment or non-reappointment of the Accounting Auditor; consenting to remuneration; and examining the appropriateness of Key Audit Matters (KAM). During the current fiscal year, the Audit Committee reflected areas requiring enhanced Group-wide monitoring in the Audit Department's audit plan and used this to deepen understanding of the risk situation. Specifically, the Committee repeatedly reviewed the financial condition of European subsidiaries under an Australian partner company, internal control systems and financial conditions at recently acquired group companies in the United States and Kazakhstan, and the status of credit risk management in China.

(e) Evaluation of the effectiveness of the Audit Committee

Since its establishment in FY2020, the Audit Committee has conducted effectiveness evaluations to review annual audit activities, identify issues, and improve audit quality. The evaluation is based on self-assessments and free-form comments

by each Audit Committee member.

As a result of the evaluation, the Audit Committee determined that the effectiveness of the Audit Committee is generally secured in the current fiscal year. Meanwhile, the Audit Committee discussed issues raised by Audit Committee members during the evaluation process and used them to improve effectiveness in the following fiscal year and thereafter. The Committee also reported the results to the Board of Directors and engaged in repeated discussions with Directors other than Audit Committee members, striving to ensure the objectivity and enhance the effectiveness of the evaluation.

(f) Disclosure of Key Audit Matters (KAM) in the audit report

Regarding KAM, the Audit Committee held multiple discussions with the Accounting Auditor focusing on items involving significant management judgments, including accounting estimates, the estimation of allowance for doubtful accounts, and the reasonableness of goodwill recognized in connection with acquisitions—matters believed to significantly affect the financial statements—and confirmed the appropriateness and consistency of disclosures necessary for investors.

* The Company has proposed “Election of eight (8) Directors” as a proposal (matters to be resolved) for the Annual General Meeting of Shareholders scheduled to be held on March 27, 2026, and if such proposal is approved, the Audit Committee will continue to consist of three members (all are Independent Directors).

(ii) Status of internal audit

(a) Internal audit organization, personnel, and procedures

The Company has established the Audit Department as its internal audit department. The Audit Department consists of four members (five members as of the end of January 2026) and supports the Audit Committee’s activities, and reports to the Audit Committee on J-SOX evaluation results, the status of audit activities conducted by internal audit departments of Partner Company Groups, and the status of progress of the Audit Department’s audit plan reflecting the Audit Committee’s intentions. In addition, each Partner Company Group conducts internal audits within its organization by assigning internal auditors or utilizing external resources. In addition, with respect to internal control systems, the Audit Department analyzes control self-assessments and material risk assessments conducted by Partner Company Groups and reports the results to the Audit Committee and the Co-Presidents, and shares such analysis results with internal audit personnel of major partner companies and reflects them in regional internal audit plans, thereby improving the effectiveness of the Group’s risk management framework. In addition to these activities, by sharing local internal audit results and best practices at the Group Audit Committee, the Audit Department promotes collaboration among internal audit departments to enhance the effectiveness of internal audits across the Group.

(b) Coordination among internal audit, the Audit Committee audits, and accounting audits, and the relationship of these audits with the internal control department

The Company conducts regular exchanges of views among the Audit Department, the Audit Committee, and the Accounting Auditor. Specifically, the Company shares information on the Accounting Auditor’s audit plan, the status of audits during the period, audit concerns, responses to risks, etc., thereby ensuring efficient and effective audit collaboration. The internal audit department also shares with the Accounting Auditor the results of evaluations of the internal control system related to financial reporting to strengthen coordination in internal control audits. Furthermore, internal control personnel of major partner companies in Japan and overseas attend the Group Audit Committee to share risk recognition and response status with the Audit Committee and the internal audit department.

(c) Initiatives to ensure the effectiveness of internal audits

The Company ensures the independence of the Audit Department from executive functions by establishing dual reporting lines to the Audit Committee and the Co-Presidents. In addition, although no direct reporting line is established from the Audit Department to the Board of Directors, the Audit Committee, as a committee of the Board, reports to the Board. In addition, the Company’s “Audit Committee Rules” provide that the Audit Committee’s consent is required for matters related to the appointment and other personnel matters of the General Manager of the Audit Department, as well as the department’s basic

policies, audit plans, and budget. The Rules also provide that the Audit Committee's instructions concerning audits take precedence over those of the Co-Presidents.

(iii) Status of accounting audits

(a) Name of the audit firm

KPMG AZSA LLC

(b) Continuous audit period

Eight years

(c) Certified Public Accountants who conducted the audit

Kenta Tsujii

Satoshi Uchida

Hiroshi Kubota

(d) Composition of personnel assisting in audit engagements

30 Certified Public Accountants; 53 others

(e) Policy for selection of the Accounting Auditor and reasons for selection

The Audit Committee has selected the Accounting Auditor from among multiple candidates based on selection standards established by the Committee.

In selecting the current KPMG AZSA LLC, the Audit Committee evaluated its past performance, quality control system, expertise, and independence, received proposals on audit plans, audit structure, and audit fees, and made a comprehensive decision based on the Company's business scale and business content.

The Audit Committee will dismiss the Accounting Auditor with the unanimous consent of all Audit Committee members if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. If any grounds arise that hinder the proper execution of duties by the Accounting Auditor, or if a change of the Accounting Auditor is deemed necessary to further improve audit appropriateness, the Audit Committee will determine the content of proposals concerning dismissal or non-reappointment to be submitted to the General Meeting of Shareholders.

(f) Evaluation of the Accounting Auditor

The Audit Committee deliberated on and comprehensively evaluated the Accounting Auditor's qualifications, expertise, audit quality, and independence from the Group based on direct communications with the Accounting Auditor, reports from related internal departments on audit matters, and evaluation criteria set by the Audit Committee. As a result, the Audit Committee has judged that the audits by KPMG AZSA LLC were conducted appropriately and functioned effectively, and therefore determined that reappointment is appropriate.

(iv) Audit fees and related matters

(a) Audit fees paid to Certified Public Accountants, etc.

(Million yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and assurance services	Fees for non-audit services	Fees for audit and assurance services	Fees for non-audit services
The Company	121	—	141	—
Consolidated subsidiaries	56	—	53	—
Total	177	—	195	—

(Note) In addition to fees based on audit certification services related to the previous fiscal year, we paid additional fees of ¥2 million related to the audit of the fiscal year before the previous fiscal year. In the current fiscal year, in addition to remuneration based on audit certification services related to the current fiscal year, we paid additional fees of ¥15 million related to the audit of the previous fiscal year.

(b) Fees paid to firms in the same network (excluding audit fees paid to the KPMG member firms as detailed in (a) above

(Million yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and assurance services	Fees for non-audit services	Fees for audit and assurance services	Fees for non-audit services
The Company	—	20	—	22
Consolidated subsidiaries	471	27	663	60
Total	471	48	663	82

(Note) Non-audit services at the Company and its consolidated subsidiaries consist of fees for tax advisory services, etc.

(c) Fees based on other important assurance services

(Previous fiscal year)

The Company's consolidated subsidiaries paid ¥183 million to Ernst & Young member firms and ¥75 million to Plante & Moran, PLLC as fees for audit and assurance services.

(Current fiscal year)

The Company's consolidated subsidiaries paid ¥171 million to Ernst & Young member firms and ¥75 million to Plante & Moran, PLLC as fees for audit and assurance services.

(d) Policy for determining audit fees

There are no matters to report.

(e) Reasons for consent to audit fees by the Audit Committee

Based on the Accounting Auditor's performance in past years and the "Criteria for Consent to Audit Fees of the Accounting Auditor" established by the Audit Committee, the Audit Committee examined the reasonableness of the audit plan, audit procedures and structure, number of audit days, and the basis for calculating fee estimates, among other items, and judged that the fees, etc., is appropriate. Accordingly, the Audit Committee gave its consent pursuant to Article 399, Paragraphs 1 and 4 of the Companies Act.

(4) 【Executive Compensation】

(i) Executive Compensation and related matters

Total compensation by executive category, total compensation by type, and number of executives covered

Category	Total compensation (million yen)	Amount paid by type (million yen)				Number of executives covered (persons)
		Job-based compensation	Short-term incentives (STI)	Long-term incentives (LTI)		
			Performance-linked compensation	Cash compensation	Restricted stock compensation	
Directors (excluding Outside Directors)	—	—	—	—	—	—
Executive Officers	1,523 (663)	1,491 (630)	20 (20)	11 (11)	— (—)	3
Outside Directors	315 (295)	228 (208)	— (—)	— (—)	86 (86)	7
Total	1,839 (958)	1,719 (839)	20 (20)	11 (11)	86 (86)	10

- (Notes)
1. The total compensation, etc. shown above is presented on a consolidated basis (representing the aggregate amount of compensation, etc. paid by the Company and its subsidiaries). The amount shown in parentheses for each compensation item and in total represents the total amount of compensation, etc. paid by the Company.
 2. Directors who concurrently serve as Executive Officers are not included in the number of Directors, as they do not receive compensation in their capacity as Directors.
 3. The number of Directors excludes Director Goh Hup Jin, who serves without compensation.
 4. Job-based compensation includes allowances for committee memberships and other roles paid to Directors.
 5. The amount of Performance-linked compensation is the amount expensed in FY2025.
 6. The amount of Long-term incentives is the amount expensed in FY2025.

For the current fiscal year (January to December 2025), the total consolidated compensation, etc. for each Executive was as follows.

Total consolidated compensation, etc. by Executive Officer

Name	Total consolidated compensation (Million yen)	Executive Category	Company Category	Total consolidated compensation by type (Million yen)		
				Job-based compensation	Performance-linked compensation	Long-term incentives (LTI)
Yuichiro Wakatsuki	600	Director concurrent as Executive Officer	The Company	600	—	—
Wee Siew Kim	860	Director concurrent as Executive Officer	The Company	—	—	—
			Nippon Paint Holdings SG Pte. Ltd. (consolidated subsidiary)	860	—	—

- Note:
1. The above table includes only individuals whose total compensation, etc. is 100 million yen or more.
 2. Compensation, etc. paid by Nippon Paint Holdings SG Pte. Ltd. has been converted into Japanese yen using the average exchange rate for the period (1S\$=114.77 yen).

(ii) Main activities of the Compensation Committee in FY2025

The Compensation Committee, chaired by an Independent Director, held 6 meetings during the period (from January to December 2025).

Chairperson	Lim Hwee Hua	(Independent Director)	Attendance:	100% (6/6)
Member	Goh Hup Jin		Attendance:	100% (6/6)
Member	Masayoshi Nakamura	(Independent Director)	Attendance:	67% (4/6)

The main activities in FY2025 were:

- Determination of the FY2025 compensation plan for Directors, excluding those who concurrently serve as Executive Officers
- Deliberation on the FY2025 performance evaluation and the FY2026 compensation plan for the Representative Executive Officers & Co-Presidents
- Confirmation of the evaluations and compensation determination made by the Representative Executive Officers & Co-Presidents for the key management teams of partner companies

These matters were reviewed and determined by the Compensation Committee in alignment with the mission of Maximization of Shareholder Value (MSV) set out below, based on the “Compensation Philosophy” and “Design Policies for Compensation of Representative Executive Officers & Co-Presidents” as the policies for determining compensation for Directors and Executive Officers.

[Maximization of Shareholder Value (MSV)]

As an Asset Assembler, we pursue MSV as our sole mission, committed to the maximization of the shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders.

Fulfilling our obligations to each stakeholder group is the primary premise for MSV. Fulfillment of obligations includes not only legal contracts but also social and ethical obligations, as well as the concept of sustainability. MSV entails maximizing the residual value that remains after fulfilling obligations to all stakeholders as a way of rewarding shareholders that make an investment with an awareness of the associated risks. MSV strictly pursues the maximization of medium- and long-term shareholder value, rather than short-term maximization.

[Compensation Philosophy]

(Overarching Principle)

• In order to implement MSV, we build a compensation plan that is transparent and satisfactory and one that will continue to provide appropriate motivation and incentives to key executives by implementing individual treatment based on the plan.

(Guiding Principles)

- To be able to attract and keep management talent that excels at practicing MSV.
- To be able to continually provide motivation so that maximum potential can be encouraged even under changing environments.
- To function effectively and in harmony with the current state of business development, level of maturity of organizational systems, organizational values, and the community.

[Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents]

- Compensation that contributes to MSV
- Total compensation is commensurate with the performance of the Representative Executive Officers & Co-Presidents
- A compensation structure that promotes appropriate and decisive risk-taking

In addition, the Compensation Committee conducts the following activities to ensure objectivity, rationality, and fairness in the process of evaluating the performance and determining the compensation plans for Executive Officers, including the Representative Executive Officers & Co-Presidents.

- Invitation of the Representative Executive Officers & Co-Presidents to committee meetings as appropriate to hear their views on the performance evaluations and succession plans for Executive Officers and the key management personnel of partner companies
- Joint committee meetings with the Nominating Committee to share evaluations of the Executive Officers
- Ongoing communication with the Representative Executive Officers & Co-Presidents and the key management personnel of partner companies outside of committee meetings
- Sharing the results of interviews with the management team including Executive Officers, at the meeting of the Independent Directors and Audit Committee meetings
- Consolidation of the Independent Directors' opinions on the performance of the Executive Officers and their expectations at the meeting of the Independent Directors.
- Benchmarking on competitors and Japanese and overseas executive compensation trends
- Appropriate disclosure of the policy for determining compensation and details of compensation decided by the Compensation Committee

The individual compensation schemes of Executive Officers, including Representative Executive Officers & Co-Presidents, for FY2025 were determined by the Compensation Committee after a series of deliberations based on the Compensation Philosophy through the aforementioned activities. The Compensation Committee considers that such decisions are appropriate and in accordance with the policies for determining compensation.

In the same manner, the individual compensation of Directors for FY2025 were determined after much deliberation based on the Compensation Philosophy, and the Compensation Committee considers that the details of such decisions are appropriate and in accordance with the policies for determining compensation.

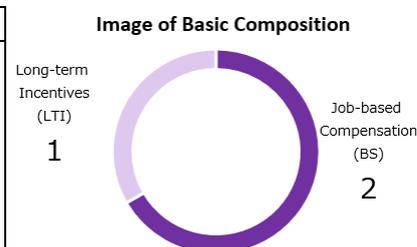
(iii) Composition and calculation method of executive compensation for FY2025

(a) Directors' Compensation

Directors' Compensation is composed of "Job-based compensation," "Allowances for committee memberships and other roles," and "Long-term incentives."

Directors who concurrently serve as Executive Officers do not receive compensation as Directors.

Fixed compensation
<p>○Job-based compensation: Base Salary (BS)</p> <ul style="list-style-type: none"> • Compensation is set at levels that can attract and retain management talent with the skills required to monitor the management of Nippon Paint Group, which has operations worldwide. Decisions about compensation take into account social circumstances, compensation of executives at other companies, and compensation in the market for senior executives. <p>○Allowances for committee memberships and other roles</p> <ul style="list-style-type: none"> • Allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committees, the Lead Independent Director, and other positions.
Variable compensation
<p>○Long-term incentives (LTI)</p> <ul style="list-style-type: none"> • Directors monitor the Group's management and assume the role and associated risk of making important decisions regarding the allocation of corporate resources on behalf of shareholders. As a result, Directors receive restricted stock as an incentive for achieving MSV and as a means of further aligning the interests of Directors with those of shareholders. • The Company's shares equivalent to an amount determined by the ratio established relative to job-based compensation • The basic ratio of the base amount of "job-based compensation" to "long-term incentives" is 2:1. • Selling restricted stock during the term of office is not permitted. • To ensure the sound operation of the medium- to long-term compensation system, Malus and Clawback clauses regarding the lifting of transfer restrictions have been in place since FY2021.



(b) Representative Executive Officers & Co-Presidents' Compensation

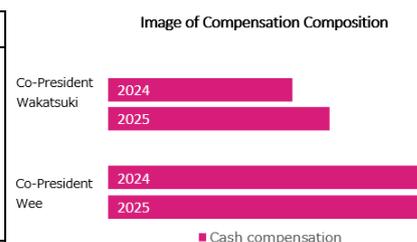
In order to encourage appropriate and decisive risk-taking in realizing MSV, Representative Executive Officers & Co-Presidents' Compensation has been based on a comprehensive evaluation of the previous fiscal year's performance from financial and non-financial perspectives, and after the total compensation for the current fiscal year is determined from the ground up, the optimal mix of cash and stock compensation is determined each fiscal year.

Specifically, both financial aspects, such as revenue and superiority of MSV indicators (EPS and PER) compared to competitors, and non-financial aspects, such as system development and initiatives aimed at further realizing MSV, are evaluated in a cross-sectional manner. After determining the total amount of compensation, taking into account the actual state of president's compensation in competitors and major domestic corporations, the level and composition of compensation in the country of origin, and the continuity with existing compensation, the optimal ratio of cash and stock compensation is determined to create a compensation level and composition that maintain motivation and incentivize the Representative Executive Officers & Co-Presidents responsible for the realization of MSV.

As a result of deliberations by the Compensation Committee based on the aforementioned comprehensive evaluation, the total amount of FY2025 compensation for Representative Executive Officer and Co-President Wee Siew Kim was the same as the previous fiscal year based on the assessment that his motivation had been optimally maintained for realizing MSV. And it was determined the total compensation was cash compensation. (The compensation for Representative Executive Officer & Co-President Wee Siew Kim is paid by Nippon Paint Holdings SG Pte. Ltd.)

For FY2025 compensation for Representative Executive Officer and Co-President Yuichiro Wakatsuki, it was decided that compensation would be increased from the previous fiscal year and paid entirely in cash, taking into account performance during the period, the compensation balance between the Co-Presidents, and market benchmarks.

Entire amounts of compensations are variable
<p>Total compensations for the current fiscal year are determined based on a comprehensive evaluation of performance in the previous fiscal year</p> <ul style="list-style-type: none"> Total compensations for the following fiscal year are redefined each fiscal year from the ground up after a comprehensive evaluation of the previous performance from financial and non-financial perspectives, and the composition of cash and stock compensation is also reviewed each time.
Key evaluation items for the comprehensive evaluation
<ul style="list-style-type: none"> “Maximizing EPS and PER” for achieving MSV Improvement of profitability of businesses in Japan and other countries Progress with the M&A strategy Improvement of position in the capital market Strengthening risk management in the Nippon Paint Group Transformation of the corporate culture Transformation of the management structure Strengthening the governance structure and the internal control system

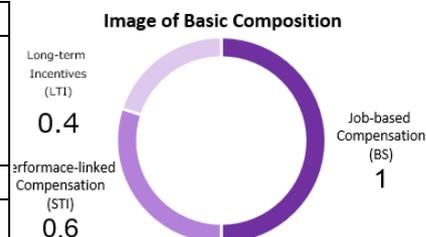


(c) Executive Officers' Compensation

Executive Officers' Compensation, excluding the Representative Executive Officers & Co-Presidents, is composed of "Job-based compensation," "Performance-linked compensation," and "Long-term incentives."

Based on the proposal from the Representative Executive Officers & Co-Presidents regarding the level and composition of compensation, the Compensation Committee has deliberated and determined the appropriateness of the proposal in accordance with the "Compensation Philosophy."

Fixed compensation
<input type="radio"/> Job-based compensation: Base Salary (BS) <ul style="list-style-type: none"> Fixed salaries are paid in cash to retain and acquire management talent, taking into consideration social conditions, comparisons with competitors, market standards, and other factors.
Variable compensation
<input type="radio"/> Performance-linked compensation: Short-Term Incentives (STI) <ul style="list-style-type: none"> Based on the comprehensive evaluation proposal from the Representative Executive Officers & Co-Presidents in the key evaluation items for each individual responsibilities, the Compensation Committee determines the amount to be paid within a range of 0% to 200% of the standard amount for each position and responsibilities, after deliberating on the appropriateness of the proposal. <input type="radio"/> Long-term incentives (LTI) <ul style="list-style-type: none"> Based on an evaluation of the contribution to improving Nippon Paint Group's sustainability, the Compensation Committee determines the amount to be paid within a range of 50% to 150% of the standard amount based on position and responsibility, after deliberating on the appropriateness of the proposal from the Representative Executive Officers & Co-Presidents. Cash compensation to be paid in thirds over three years for each fiscal year



(d) Calculation of Performance-linked compensation and Long-term incentives in Executive Officers' compensation

Performance-linked compensation

The individual Performance-linked compensation for FY2025 performance of Executive Officers, excluding the Representative Executive Officers & Co-Presidents, was deliberated and determined by the Compensation Committee, based on the comprehensive evaluation of key evaluation items for the individual responsibility by the Representative Executive Officers & Co-Presidents. The only Executive Officer, excluding the Representative Executive Officers & Co-Presidents, was the Executive Officer who was primarily responsible for legal affairs, corporate governance, and related areas. For the 2025 fiscal year, specific key evaluation criteria included the advancement of the global governance, strengthening of risk management and internal controls in Nippon Paint Group, contributions to sustainable growth, and the promotion of talent development and D&I activities, primarily within Japan. Based on a comprehensive evaluation and decision, the performance-linked compensation was set at 115% of the standard amount.

Key evaluation items and criteria for achievements	Evaluation factor range
<ul style="list-style-type: none"> Advancement of the global governance structure Strengthening risk management and internal controls, including compliance Promoting sustainability strategies Promoting human resource development and D&I (Diversity & Inclusion) activities 	0% - 200%

Long-term incentives

The individual Long-term incentive compensation for FY2025 for Executive Officers, excluding the Representative Executive Officers & Co-Presidents, was deliberated and determined by the Compensation Committee, based on a comprehensive evaluation by the Representative Executive Officers & Co-Presidents regarding the contribution to Nippon Paint Group's sustainability and total optimization according to individual responsibilities.

Specifically, contributions from a medium- to long-term perspective that contribute to MSV, such as strengthening the Group's sustainability, establishing the Group's governance, and responding to risks by upgrading its functionality are comprehensively evaluated, and FY2025 Long-term incentive compensation for the Executive Officer, excluding the Representative Executive Officers & Co-Presidents, was set at 105% of the standard amount.

(iv) Policy for determining Directors' and Executive Officers' compensation for FY2026

Compensation for the Representative Executive Officers & Co-Presidents and the Executive Officers was deliberated and determined fairly and transparently in accordance with the "Compensation Philosophy" which is the policy for determining the Directors' and Executive Officers' compensation as described in "Main activities of the Compensation Committee in FY2025". Compensation for the Directors will be decided at the Compensation Committee meeting to be held after the Annual General Meeting of Shareholders on March 27, 2026.

In making these decisions, as stated in the "Compensation Philosophy" and "Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents," compensation must encourage and continuously motivate each executive to maximize his or her ability to realize MSV. At the same time, it must be globally competitive and in line with the current status and direction of the Company, while taking objective and professional information into consideration. The Compensation Committee is continually conducting research and studies on these matters and discussing fair and reasonable compensation that is accountable to all stakeholders.

(v) Composition and calculation method of Directors' and Executive Officers' compensation for FY2026

(a) Directors' Compensation

Directors' Compensation will be decided at a meeting of the Compensation Committee following the Annual General Meeting of Shareholders on March 27, 2026.

(b) Representative Executive Officers & Co-Presidents' Compensation

As in fiscal 2025, the Compensation Committee fairly and transparently deliberated and decided the compensation of the Representative Executive Officers & Co-Presidents based on the "Compensation Philosophy" and "Design Policy for the Compensation of the Representative Executive Officers & Co-Presidents" established by the Compensation Committee. The optimal mix of cash and stock compensation for the Representative Executive Officers & Co-Presidents is reviewed each fiscal year. However, with respect to restricted stock compensation for the Representative Executive Officers & Co-Presidents for fiscal 2026, it was decided, after careful deliberation based on the considerations below, not to grant such compensation, as in FY2025.

- The compensation structure should be designed to provide the strongest motivation for the Representative Executive Officers & Co-Presidents responsible for MSV.
- The optimal form of compensation should be determined each fiscal year, with full consideration given to the circumstances at that time.
- The Representative Executive Officers & Co-Presidents should be evaluated rigorously on the realization of MSV, with particular emphasis on value sharing with shareholders.

(c) Executive Officers' Compensation

Compensation for Executive Officers excluding Representative Executive Officers & Co-Presidents is composed of "Job-based compensation," "Performance-linked compensation," and "Long-term incentives," consistent with FY2025.

Based on the proposal from the Representative Executive Officers & Co-Presidents regarding the level and composition of compensation, the Compensation Committee has deliberated and determined the appropriateness of the proposal in accordance with the "Compensation Philosophy".

(5) 【Status of shareholdings】

(i) Criteria and approach for classifying investment shares

The Company classifies investment shares held for asset management purposes as pure investment shares, and classifies investment shares held for purposes other than pure investment but deemed to contribute to corporate value enhancement as cross-shareholdings.

The Company does not hold investment shares for pure investment purposes.

(ii) Status of shareholdings of the Company

(a) Shareholding policy, method of verifying the reasonableness of shareholdings, and details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual stocks

i Shareholding policy

The Company strategically holds listed shares only where it deems such holdings to be reasonable, taking into consideration factors such as the need to maintain and strengthen relationships with business partners in the course of its business activities, the status of the issuer, and returns relative to the cost of capital. Based on this policy, the Board of Directors periodically reviews all strategically held shares to determine whether continued holding is appropriate, and disposes of or reduces any holdings for which sufficient rationale is no longer recognized.

ii Method of verifying the reasonableness of holdings

For each individual cross-shareholdings currently held by the Company and the Group, the Board of Directors annually judges the reasonableness of holding from the following perspectives:

- Verification through quantitative evaluation of share value
- Verification of capital efficiency (judgment of quantitative benefits from shareholdings)
- Verification of business necessity (judgment of qualitative benefits from shareholdings)
- Comprehensive verification from the perspective of overall corporate benefit (comprehensively judging the above evaluations from a medium- to long-term profit perspective)

iii Details of the verification by the Board of Directors, etc., of the appropriateness of holding individual stocks

The Board of Directors verifies the reasonableness of holding all listed shares held by the Company in accordance with the method described above.

(b) Number of issues held and carrying amount on the balance sheet

	Number of issues (issues)	Total amount recorded on balance sheet (million yen)
Unlisted shares	15	342
Shares other than unlisted shares	1	1,428

(Issues for which the number of shares held increased during the current fiscal year)

Not applicable.

(Issues for which the number of shares held decreased during the current fiscal year)

	Number of issues (issues)	Total sale value related to the decrease in the number of shares (million yen)
Unlisted shares	1	662
Shares other than unlisted shares	1	5,356

- (c) Information on the number of shares, balance sheet carrying amount, etc., for each stock classified as specific investment shares

Specific investment shares

Issuer	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reasons for increase in the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Mazda Motor Corporation	1,172,000	1,172,000	(Purpose of shareholding) The company is a special customer with which we have built a relationship of trust over a long period of time and is also a very important customer for the Group. We hold the shares in order to maintain opportunities for dialogue with its management and to maintain a strong relationship. (Overview of business alliance, etc.) Our subsidiary (Nippon Paint Automotive Coatings Co., Ltd.) develops, manufactures, and sells automotive body paints and surface treatments for the company.	No
	1,428	1,269		
Honda Motor Co., Ltd.	—	3,618,480	The sale of the company's shares was completed on January 31, 2025.	No
	—	5,554		

(Note) Quantitative benefits of holding each individual stock include, for example, the Company's sales to the relevant company and product-by-product sales volumes. Such information constitutes commercially sensitive information and, if disclosed, could allow competitors and other third parties to infer the Company's sales activities, its position with business partners and within the industry, its market competitiveness, and its future business plans. As a result, disclosure of such information could undermine the Company's competitive advantage. In addition, if such information were to circulate externally, it could adversely affect confidence in the Company's information management.

For these reasons, it is difficult to disclose the quantitative benefits of holding each individual stock; however, the significance and reasonableness of such holdings are periodically reviewed with the method set forth in (ii)(a) ii above.

- (iii) Status of shareholdings held by Nippon Paint Industrial Coatings Co., Ltd., which, among the Company and its consolidated subsidiaries, has the largest carrying amount of investment securities on the balance sheet

- (a) Shareholding policy, method of verifying the reasonableness of shareholdings, and details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual stocks

i Shareholding policy

Nippon Paint Industrial Coatings Co., Ltd. (hereinafter, "NPIU") holds listed shares on a policy basis only when it is judged to be reasonable in consideration of business needs such as maintaining and strengthening relationships with business partners, the status of the issuing company, and returns relative to the cost of capital. Based on this policy, the Board of Directors periodically determines whether to continue holding all cross-shareholdings and disposes of or reduces holdings of shares deemed to lack rationality.

ii Method of verifying the reasonableness of holdings

For each individual cross-shareholdings currently held by NPIU, the Board of Directors annually judges the reasonableness of holding from the following perspectives:

- Verification through quantitative evaluation of share value
- Verification of capital efficiency (judgment of quantitative benefits from shareholdings)
- Verification of business necessity (judgment of qualitative benefits from shareholdings)
- Comprehensive verification from the perspective of overall corporate benefit (comprehensively judging the above)

evaluations from a medium- to long-term profit perspective)

iii Details of the verification by the Board of Directors, etc., of the appropriateness of holding individual stocks

For all listed shares held by NPIU, the Board of Directors verifies the reasonableness of holdings using the methods described above.

(b) Number of issues held and carrying amount on the balance sheet

	Number of issues (issues)	Total amount recorded on balance sheet (million yen)
Unlisted shares	2	19
Shares other than unlisted shares	6	5,169

(Issues for which the number of shares held increased during the current fiscal year)

	Number of issues (issues)	Total acquisition cost related to the increase in the number of shares (million yen)	Reasons for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	1	2	Acquisition of shares through a business partner shareholders' association

(Issues for which the number of shares held decreased during the current fiscal year)

	Number of issues (issues)	Total sale value related to the decrease in the number of shares (million yen)
Unlisted shares	—	—
Shares other than unlisted shares	2	691

(c) Information on the number of shares, balance sheet carrying amount, etc., for each stock classified as specific investment shares

Specific investment shares

Issuer	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reasons for increase in the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
YODOKO, Ltd.	2,279,200	547,000	(Purpose of shareholding) The company is an important customer, forming part of the four major customer groups as a sales destination for paints for color steel sheets used in building materials (roof and wall materials for building construction), etc. We hold the company's shares because shareholding is expected to strengthen relationships with its management and to lead to continued sales growth	Yes

	3,101	3,068	<p>going forward. (Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints and surface treatments for use in coating pre-painted steel sheets for the company. Since pre-painted steel sheets require long-term durability, NPIU works closely with the company to develop coatings with enhanced design and durability performance. Through this collaboration, NPIU seeks to improve durability warranties for the products sold and to maintain and strengthen its medium- to long-term business relationship with the company. The number of shares increased as a result of stock split.</p>	
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Issuer	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reasons for increase in the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Daiwa House Industry Co., Ltd.	187,000	187,000	<p>(Purpose of shareholding) The company is a leading home sales company (ranked No. 1 in total number of homes sold) and is also an important customer of NPIU. NPIU holds the company's shares in order to further strengthen its relationship with the company's management. The effectiveness of this shareholding has also been evidenced by NPIU's 100% share of electrodeposition coatings supplied to the company, and NPIU expects continued business transactions with the company. (Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints and surface treatments used to coat steel materials for housing for the company. By closely working with the company in coating development, NPIU seeks to improve the durability of the products sold and to maintain and strengthen its medium- to long-term business relationship with the company.</p>	No
	972	908		
Sekisui Jushi Corporation	253,016	295,154	<p>(Purpose of shareholding) The company is one of the three major companies that manufacture building materials (road construction materials), etc., and is also a major sales destination of NPIU. We hold the company's shares because shareholding is expected to strengthen relationships with its management and to lead to continued sales growth going forward. (Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints and surface treatment agents to coat the company's products, and also designs and constructs the coating system. Through mutual collaboration with the company, NPIU contributes to the long-term stable operation of coating systems with high productivity and safety by leveraging the characteristics of the paints it sells and its equipment design technology, thereby maintaining and strengthening its medium- to long-term business relationship with the company.</p>	Yes
	539	626		
Okamura Corporation	156,000	156,000	<p>(Purpose of shareholding) The company is one of the four major companies that manufacture and sell office furniture and is also a major sales destination of NPIU. We hold the company's shares because shareholding is expected to continuously strengthen relationships with its management; this usefulness has also been recognized, and production using our equipment and paints has started at the company's new Suzaka plant, and continued sales growth is expected going forward. (Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints to coat the company's products, and also designs and constructs the coating system. Through mutual collaboration with the company, NPIU contributes to the long-term stable operation of coating systems with high productivity and safety by leveraging the characteristics of the paints it sells and its equipment design technology, thereby maintaining and strengthening its medium- to long-term business relationship with the company.</p>	Yes
	357	321		

Issuer	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reasons for increase in the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Denyo Co., Ltd.	33,492	32,603	<p>(Purpose of shareholding) The company is a major manufacturer and seller of generators and is also an important customer of NPIU. By holding the company's shares, NPIU is able to participate in Shinwakai, a shareholders' association composed of the company's shareholders, which contributes to strengthening its relationship with the company's management. In addition, in its business dealings with the company, the company's policy of giving preferential consideration to its shareholders has helped NPIU to maintain a high market share. NPIU also expects continued sales growth going forward, including acquisition of orders for new production line equipment and paints at Nishihatsu, a subsidiary of the company, and through NPIU's nomination for the full renewal of the coating line at the Shiga Plant scheduled for 2027. For these reasons, NPIU holds the company's shares.</p> <p>(Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints and surface treatment agents to coat the company's products, and also designs and constructs the coating system.</p> <p>Through mutual collaboration with the company, NPIU contributes to the long-term stable operation of coating systems with high productivity and safety by leveraging the characteristics of the paints it sells and its equipment design technology, thereby maintaining and strengthening its medium- to long-term business relationship with the company.</p> <p>(Reason for increase in number of shares) Acquisition of shares through a business partner shareholders' association</p>	No
	120	97		
NICHIHA Co., Ltd.	24,200	24,200	<p>(Purpose of shareholding) The company is the largest manufacturer and seller of ceramic siding materials (housing building materials) and is also a major sales destination of NPIU. By holding the company's shares, NPIU has continued to strengthen relationship with the company's management; this usefulness has also been recognized, and for important themes such as new inquiries for local paint procurement for its U.S. plant, NPIU is being considered preferentially as a partner. Therefore, continued sales growth is expected going forward, and we hold the company's shares.</p> <p>(Overview of business alliance, etc.) NPIU develops, manufactures, and sells paints for the company to coat ceramic siding materials for housing. Ceramic siding materials require long-term durability, and through mutual collaboration with the company in developing paints in terms of design and durability, we work to improve durability warranties for products sold, thereby maintaining and strengthening its medium- to long-term business relationship with the company.</p>	No
	79	70		

(Note) Quantitative benefits of holding each individual stock include, for example, the Company's sales to the relevant company and product-by-product sales volumes. Such information constitutes commercially sensitive information and, if disclosed, could

allow competitors and other third parties to infer the Company’s sales activities, its position with business partners and within the industry, its market competitiveness, and its future business plans. As a result, disclosure of such information could undermine the Company’s competitive advantage. In addition, if such information were to circulate externally, it could adversely affect confidence in the Company’s information management.

For these reasons, it is difficult to disclose the quantitative benefits of holding each individual stock; however, the significance and reasonableness of such holdings are periodically reviewed with the method set forth in (iii)(a) ii above.

(iv) Status of shareholdings at Neave Limited, which, among the Company and its consolidated subsidiaries, has the second-largest balance sheet carrying amount of investment shares, after the largest holding company

(a) Shareholding policy, method of verifying the reasonableness of shareholdings, and details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual stocks

i Shareholding policy

Neave Limited (hereinafter, “Neave”) holds listed shares on a policy basis only when it is judged to be reasonable in consideration of business needs such as maintaining and strengthening relationships with business partners, the status of the issuing company, and returns relative to the cost of capital. Based on this policy, Neave periodically determines whether to continue holding all cross-shareholdings and disposes of or reduces holdings of shares deemed to lack rationality.

ii Method of verifying the reasonableness of holdings

For each individual cross-shareholding currently held by Neave, the management meeting annually assesses the reasonableness of holding from the following perspectives:

- Verification through quantitative evaluation of share value
- Verification of capital efficiency (assessment of quantitative benefits from shareholdings)
- Verification of business necessity (assessment of qualitative benefits from shareholdings)
- Comprehensive verification from the perspective of overall corporate benefit (comprehensively assessing the above evaluations from a medium- to long-term profit perspective)

iii Details of the verification by the Board of Directors, etc., of the appropriateness of holding individual stocks

For all listed shares held by Neave, the management meeting verifies the reasonableness of holdings using the methods described above.

(b) Number of issues held and carrying amount on the balance sheet

	Number of issues (issues)	Total amount recorded on balance sheet (million yen)
Unlisted shares	—	—
Shares other than unlisted shares	1	2,740

(Issues for which the number of shares held increased during the current fiscal year)

There are no matters to report.

(Issues for which the number of shares held decreased during the current fiscal year)

There are no matters to report.

(c) Information on the number of shares, balance sheet carrying amount, etc., for each stock classified as specific investment shares

Specific investment shares

Issuer	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reasons for increase in the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Yung Chi Paint	7,367,000	7,367,000	(Purpose of shareholding) The company has a high market share in the Taiwan paint market and has established a solid reputation in the local market over many years. Neave holds the company's shares to maintain and strengthen our commercially important relationship with the company. (Overview of business alliance, etc.) This investment supports existing business exchanges and maintains a strategic alliance relationship for future collaboration, and is in line with Neave's medium- to long-term business interests.	No
	2,740	2,622		

(Note) Quantitative benefits of holding each individual stock include, for example, the Company's sales to the relevant company and product-by-product sales volumes. Such information constitutes commercially sensitive information and, if disclosed, could allow competitors and other third parties to infer the Company's sales activities, its position with business partners and within the industry, its market competitiveness, and its future business plans. As a result, disclosure of such information could undermine the Company's competitive advantage. In addition, if such information were to circulate externally, it could adversely affect confidence in the Company's information management.

For these reasons, it is difficult to disclose the quantitative benefits of holding each individual stock; however, the significance and reasonableness of such holdings are periodically reviewed with the method set forth in (iv)(a) ii above.

Section 5 【Financial Information】

1. Preparation of consolidated financial statements and financial statements

(1) The Company's consolidated financial statements are prepared in accordance with IFRS Accounting Standards, pursuant to Article 312 of the "Regulations on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976; hereinafter, the "Consolidated Financial Statements Regulations").

(2) The Company's financial statements are prepared in accordance with the "Regulations on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963; hereinafter, the "Financial Statements Regulations").

In addition, the Company is a Special Company submitting financial statements pursuant to Article 127 of the Financial Statements Regulations.

2. Audit certification

Pursuant to Article 193-2 (1) of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the fiscal year (from January 1, 2025 to December 31, 2025) and financial statements for the fiscal year (from January 1, 2025 to December 31, 2025) were audited by KPMG AZSA LLC.

3. Special initiatives to ensure the appropriateness of consolidated financial statements and related information.

To appropriately understand the content of accounting standards and establish systems to accurately reflect changes in accounting standards, etc., in consolidated financial statements, the Company has joined the Financial Accounting Standards Foundation and participate in seminars.

4. Establishment of a system for the proper preparation of consolidated financial statements and related information in accordance with IFRS Accounting Standards

With respect to the application of IFRS Accounting Standards, the Company obtains press releases and standards issued by the International Accounting Standards Board on an ongoing basis and keeps abreast of the latest standards. In addition, in order to establish a system for the proper preparation of consolidated financial statements and related information in accordance with IFRS Accounting Standards, the Company has developed Group accounting policies and other related guidelines in compliance with IFRS Accounting Standards and carries out accounting treatments based on them.

1 【Consolidated Financial Statements and Related Information】

(1) 【Consolidated Financial Statements】

(i) 【Consolidated Statement of Profit or Loss】

(Million yen)

	Notes	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Revenue	6,7	1,638,720	1,774,231
Cost of sales	8,17,32	(981,275)	(1,023,995)
Gross profit		657,444	750,235
Selling, general and administrative expenses	8,9,32	(481,331)	(502,558)
Other income	10	13,805	21,031
Other expenses	11	(3,713)	(11,604)
Operating profit		186,206	257,104
Finance income	12,33	11,092	17,789
Finance costs	12,33	(19,786)	(27,149)
Share of profit (loss) of investments accounted for using equity method	40	2,569	2,108
Gains (losses) on step acquisitions		—	710
Profit before tax		180,081	250,565
Income taxes	13,29	(52,848)	(69,390)
Profit		127,233	181,174
Profit attributable to			
Owners of parent		125,889	179,800
Non-controlling interests		1,343	1,373
Profit		127,233	181,174
Earnings per share			
Basic earnings (loss) per share (yen)	15	53.60	76.66
Diluted earnings (loss) per share (yen)	15	53.60	76.66

(ii) 【Consolidated Statement of Comprehensive Income】

(Million yen)

	Notes	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Profit		127,233	181,174
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	33,38	(732)	(1,701)
Remeasurements of defined benefit plans	32,38	3,274	(135)
Share of other comprehensive income of investments accounted for using the equity methods	38	(41)	(70)
Total of items that will not be reclassified to profit or loss		2,499	(1,908)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	38	141,680	105,698
Cash flow hedges	38	8,870	(10,606)
Share of other comprehensive income of investments accounted for using equity method	38	(577)	1,180
Total of items that may be reclassified to profit or loss		149,972	96,271
Total other comprehensive income		152,472	94,363
Comprehensive income		279,705	275,538
Comprehensive income attributable to			
Owners of parent		277,371	273,133
Non-controlling interests		2,334	2,404
Comprehensive income		279,705	275,538

(iii) 【Consolidated Statement of Financial Position】

(Million yen)

	Notes	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	16	288,301	424,337
Inventories	17	202,484	225,146
Trade and other receivables	18,33	376,976	409,007
Other financial assets	33	153,584	179,460
Other current assets	19	25,731	39,437
Subtotal		1,047,077	1,277,389
Assets held for sale	20	8,131	1,492
Total current assets		1,055,208	1,278,882
Non-current assets			
Property, plant and equipment	21,23,26,27,41	478,759	562,598
Goodwill	22,23	968,993	1,468,989
Other intangible assets	22,23,27,41	456,385	614,148
Investments accounted for using the equity method	40	30,240	30,056
Other financial assets	33	51,595	29,377
Other non-current assets	24	22,811	24,555
Deferred tax assets	29	4,589	9,130
Total non-current assets		2,013,374	2,738,856
Total assets		3,068,582	4,017,738

(Million yen)

	Notes	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	25,33	292,513	289,380
Bonds and borrowings	26,28,33	146,473	124,188
Other financial liabilities	27,28,33	27,244	39,473
Income taxes payable		18,207	21,045
Provisions	30	3,923	5,196
Other current liabilities	31	93,709	113,392
Total current liabilities		582,072	592,677
Non-current liabilities			
Bonds and borrowings	26,28,33	613,540	1,297,704
Other financial liabilities	27,28,33	125,600	123,950
Retirement benefit liabilities	32	17,725	18,660
Provisions	30	2,044	2,027
Other non-current liabilities		5,856	6,289
Deferred tax liabilities	29	114,311	153,355
Total non-current liabilities		879,078	1,601,988
Total liabilities		1,461,151	2,194,665
Equity			
Share capital	34	671,432	671,432
Treasury shares	34	(6,015)	(26,885)
Retained earnings	36	434,223	577,798
Other components of equity	37,39	489,880	581,514
Total equity attributable to owners of parent		1,589,520	1,803,859
Non-controlling interests		17,910	19,213
Total equity		1,607,431	1,823,073
Total liabilities and equity		3,068,582	4,017,738

(iv) 【Consolidated Statement of Changes in Equity】

(Million yen)

	Equity attributable to owners of the parent						Total	Non-controlling interests	Total
	No. of shares	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of January 1, 2024		671,432	—	(6,049)	351,205	341,721	1,358,310	9,793	1,368,104
Profit		—	—	—	125,889	—	125,889	1,343	127,233
Other comprehensive income		—	—	—	—	151,481	151,481	990	152,472
Comprehensive income		—	—	—	125,889	151,481	277,371	2,334	279,705
Purchase of treasury shares	34	—	—	(1)	—	—	(1)	—	(1)
Disposal of treasury shares	34	—	89	34	—	(26)	97	—	97
Dividends	14	—	—	—	(35,230)	—	(35,230)	(579)	(35,809)
Changes in ownership interest in subsidiaries		—	(123)	—	—	—	(123)	(151)	(274)
Transfer from retained earnings to capital surplus		—	10,937	—	(10,937)	—	—	—	—
Changes in scope of consolidation		—	—	—	—	—	—	6,174	6,174
Transfer from other components of equity to retained earnings		—	—	—	3,296	(3,296)	—	—	—
Capital increase of consolidated subsidiaries		—	—	—	—	—	—	15	15
Put option liabilities over non-controlling interests	35	—	(10,903)	—	—	—	(10,903)	—	(10,903)
Other		—	—	—	—	—	—	323	323
Total transactions with owners		—	—	33	(42,871)	(3,322)	(46,160)	5,782	(40,378)
Balance as of December 31, 2024		671,432	—	(6,015)	434,223	489,880	1,589,520	17,910	1,607,431
Profit		—	—	—	179,800	—	179,800	1,373	181,174
Other comprehensive income		—	—	—	—	93,332	93,332	1,031	94,363
Comprehensive income		—	—	—	179,800	93,332	273,133	2,404	275,538
Purchase of treasury shares	34	—	(4)	(20,907)	—	—	(20,911)	—	(20,911)
Disposal of treasury shares	34	—	69	37	—	(16)	90	—	90
Dividends	14	—	—	—	(37,580)	—	(37,580)	(1,091)	(38,672)
Changes in ownership interest in subsidiaries		—	(72)	—	—	—	(72)	(134)	(206)
Transfer from retained earnings to capital surplus		—	2,109	—	(2,109)	—	—	—	—
Changes in scope of consolidation		—	—	—	—	—	—	123	123
Transfer from other components of equity to retained earnings		—	—	—	3,463	(3,463)	—	—	—

Transfer from other components of equity to non-financial assets, etc.		—	—	—	—	1,781	1,781	—	1,781
Put option liabilities over non-controlling interests	35	—	(2,101)	—	—	—	(2,101)	—	(2,101)
Other		—	—	—	—	—	—	(0)	(0)
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Total transactions with owners, etc.		—	—	(20,869)	(36,226)	(1,698)	(58,794)	(1,101)	(59,896)
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Balance as of December 31, 2025		671,432	—	(26,885)	577,798	581,514	1,803,859	19,213	1,823,073
<hr/>									

(v) 【Consolidated Statement of Cash Flows】

(Unit: million yen)

	Notes	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Cash flows from operating activities			
Profit before tax		180,081	250,565
Depreciation and amortization	21,22	63,665	70,063
Impairment losses	23	611	6,855
Interest and dividend income		(9,974)	(14,583)
Interest expenses		13,398	21,718
Share of loss (profit) of investments accounted for using equity method		(2,569)	(2,108)
Loss (gain) on disposal of non-current assets		69	(6,558)
Decrease (increase) in inventories		733	765
Increase (decrease) in trade and other receivables		(18,843)	(9,657)
Increase (decrease) in trade and other payables		(4,991)	(35,899)
Increase (decrease) in other current liabilities		2,149	(14,437)
Other		(7,490)	(11,262)
Subtotal		216,840	255,461
Interest received		8,425	12,788
Dividends received		2,844	2,847
Interest paid		(13,353)	(22,492)
Income taxes paid		(47,356)	(61,079)
Net cash provided by (used in) operating activities		167,401	187,526
Cash flows from investing activities			
Net decrease (increase) in time deposits		(17,272)	(22,461)
Net decrease (increase) in short-term investment securities		(46,955)	21,380
Proceeds from sale of investment securities		893	8,405
Purchase of property, plant and equipment		(48,997)	(42,513)
Proceeds from sale of property, plant and equipment		2,670	10,844
Purchase of shares of subsidiaries	5	(35,892)	(299,943)
Other		(2,553)	2,297
Net cash provided by (used in) investing activities		(148,106)	(321,988)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	28	(1,400)	(231)
Proceeds from long-term borrowings	28	73,003	807,825

Repayments of long-term borrowings	28	(56,052)	(429,364)
Repayments of bonds	28	—	(41,010)
Repayments of lease obligations	28	(16,850)	(18,717)
Purchase of treasury shares		(1)	(20,911)
Dividends paid	14,28	(35,222)	(37,577)
Other		(853)	(5,279)
Net cash provided by (used in) financing activities		(37,377)	254,732
Effect of exchange rate changes on cash and cash equivalents		14,771	15,424
Adjustments for hyperinflation	42	1,965	341
Net increase (decrease) in cash and cash equivalents		(1,346)	136,036
Cash and cash equivalents at beginning of period		289,647	288,301
Cash and cash equivalents at end of period	16	288,301	424,337

【Notes to the Consolidated Financial Statements】

1. Reporting entity

Nippon Paint Holdings Co., Ltd. (the “Company”) is a company located in Japan and listed on the Tokyo Stock Exchange. The registered head office address is 2-1-2, Oyodokita, Kita-ku, Osaka-shi, Osaka.

The consolidated financial statements comprise the Company and its consolidated subsidiaries (collectively, the “Group”) and the interests in the Group’s affiliates. For the composition of the parent company and the Group companies, see 【Section 1 Overview of the Company, 4 Status of related companies】 .

The Group’s main businesses are the manufacture and sale of automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints in the paint and coatings business, and the manufacture and sale of paint-related products, CASE* and colorants, etc. in the adjacencies business. For details of our businesses, see also 【Section 1 Overview of the Company, 3 Business Description】 .

*Coatings, Adhesives, Sealants and Elastomers

2. Basis of preparation

(1) Statement of compliance with IFRS Accounting Standards

As the Group satisfies the requirements of a “specified company complying with any designated international accounting standards” as stipulated in Article 1-2 of Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the consolidated financial statements are prepared in accordance with IFRS Accounting Standards pursuant to Article 312 of the same regulations.

(2) Basis of measurement

The consolidated financial statements are prepared on the basis of acquisition cost, except for financial instruments measured at fair value and the application of hyperinflationary accounting for subsidiaries in Türkiye, as described in the note "3. Significant accounting policies."

(3) Functional and presentation currency

The consolidated financial statements are presented in Japanese yen (in millions, rounded down), which is the Company’s functional currency.

(4) Approval of the consolidated financial statements

The consolidated financial statements were approved on March 26, 2026, by Yuichiro Wakatsuki, Director, Representative Executive Officer & Co-President of the Company.

(5) Changes in presentation

(Consolidated Statement of Cash Flows)

Beginning with the fiscal year ended December 31, 2025, “Impairment loss” and “Loss (gain) on retirement and sale of non-current assets,” which were previously included in “Other” under “Cash Flows from Operating Activities,” have been presented as separate line items due to their increased materiality. Conversely, “Increase (decrease) in allowance for doubtful accounts,” which was presented as a separate line item under “Cash Flows from Operating Activities” in the previous fiscal year, has been included in “Other” beginning with the current fiscal year due to its decreased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the amounts of ¥(306) million previously presented as “Increase (decrease) in allowance for doubtful accounts” and ¥(6,502) million previously included in “Other” in the consolidated statement of cash flows for the previous fiscal year have been reclassified and are now presented as ¥611 million under “Impairment loss,” ¥69 million under “Loss (gain) on retirement and sale of non-current assets,” and ¥(7,490) million under “Other.”

Beginning with the current fiscal year, “Proceeds from sale of investment securities,” which was previously included in “Other” under “Cash Flows from Investing Activities,” has been presented as a separate line item due to its increased materiality. Conversely, “Purchase of intangible assets” and “Payments for acquisition of businesses,” which were presented as separate line items under “Cash Flows from Investing Activities” in the previous fiscal year, have been included in “Other” beginning with the current fiscal year due to their decreased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the amounts of (¥2,756) million previously presented as “Purchase of intangible assets,” (¥404) million previously presented as “Payments for acquisition of businesses,” and ¥1,501 million previously included in “Other” under “Cash Flows from Investing Activities” in the consolidated statement of cash flows for the previous fiscal year have been reclassified and are now presented as ¥893 million under “Proceeds from sale of investment securities” and (¥2,553) million under “Other.”

Beginning with the current fiscal year, “Purchase of treasury shares,” which was previously included in “Other” under “Cash Flows from Financing Activities,” has been presented as a separate line item due to its increased materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the amount of (¥855) million previously included in “Other” under “Cash Flows from Financing Activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified and is now presented as (¥1) million under “Purchase of treasury shares” and (¥853) million under “Other.”

(6) Issued accounting standards and interpretations not yet adopted

As of the date of approval of the consolidated financial statements, the following new or revised standards and interpretations had been issued, but the Group had not early adopted them. The impact of the application of these standards and interpretations on the consolidated financial statements is currently under review.

IFRS Accounting Standards		Mandatory effective date (for fiscal years beginning on or after)	Timing of adoption by the Group	Summary of new or revised standards
IFRS 9 IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	Fiscal year ending December 2026	Clarifies the classification of financial assets, adds derecognition requirements for financial liabilities, and revises disclosure requirements for financial assets measured at fair value through other comprehensive income (FVTOCI)
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 2027	New standard replacing IAS 1 for presentation and disclosure in financial statements

3. Significant accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group considers that it controls an investee only when all of the following conditions are met:

- Power over the investee
- Exposure, or rights, to variable returns from involvement with the investee
- Ability to use power over the investee to affect the amount of the investor's returns

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control over the subsidiary until the date that control ceases.

In the consolidated financial statements of the Group, if local laws require a March fiscal year-end at a company and it is not possible to align the fiscal year-end to the Company's fiscal year-end, a provisional financial statement for the 12-month period ending December 31 is prepared for such subsidiaries.

Where necessary, the accounting policies of subsidiaries are adjusted to bring them into line with those of the Group.

Intra-group balances, transactions, income, and expenses are eliminated in full, unless immaterial.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the Company. When control in any subsidiary is lost, any resulting gain or loss is recognized in profit or loss.

(ii) Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's interests. Non-controlling interests comprise the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Total comprehensive income is attributed to owners of the parent and to non-controlling interests even if this results in a deficit balance for non-controlling interests.

(iii) Investments in associates and joint ventures (equity method affiliates)

An associate is an entity over which the Group has significant influence with respect to financial and operating policy decisions, but which it does not control. In general, the Group is presumed to have significant influence when it holds 20% to 50% of the voting rights of the investee.

A joint venture is a joint arrangement whereby two or more parties have joint control and each party has rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method from the date on which the Group obtains significant influence to the date on which it ceases to have significant influence. Any difference between the cost of the investment and the Group's share of the investee's equity at the acquisition date is included in the carrying amount of the investment as goodwill. If the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment is reduced to zero, and no further losses are recognized unless the Group has incurred obligations or made payments on behalf of the investee.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognized separately and is therefore not tested for impairment separately. Instead, whenever there is an indication that the investment in the associate or joint venture may be impaired, the entire carrying amount of the investment is tested for impairment.

Where necessary, the accounting policies of associates are adjusted to conform to those adopted by the Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at the aggregate of the fair values at the acquisition date of the assets transferred, liabilities incurred, and equity interests issued by the Group.

Identifiable assets acquired, liabilities assumed, and contingent liabilities in a business combination are measured at their fair values at the acquisition date.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount recognized by the Group for any non-controlling interests based on the proportionate share of the acquiree's identifiable net assets at fair value, and, in a business combination achieved in stages, the fair value at the acquisition date of the Group's previously held equity interest in the acquiree, over the net amount of the identifiable assets acquired and liabilities assumed. If this amount is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss as a bargain purchase gain.

Transactions with owners of non-controlling interests that do not result in a change in control are accounted for as equity transactions, and no goodwill or gain or loss is recognized.

Acquisition-related costs incurred to effect a business combination are expensed as incurred in profit or loss.

(3) Foreign currency translation

(i) Functional and presentation currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated into the functional currency at the closing rate. Non-monetary items measured at historical cost are translated at the historical exchange rate at the date of the transaction, and those measured at fair value are translated at the exchange rate at the date when the fair value was measured.

Exchange differences arising on monetary items are recognized in profit or loss in the period in which they arise. However, when gains or losses of non-monetary items are recognized in other comprehensive income, related exchange differences are also recognized in other comprehensive income.

(iii) Foreign operations

Assets and liabilities (including goodwill and fair value adjustments arising on acquisition) of foreign operations are translated at the closing rate at the reporting date, and income and expenses are translated at average exchange rates for the period unless exchange rates fluctuate significantly, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in other comprehensive income and accumulated in equity is reclassified to profit or loss as part of the gain or loss on disposal.

(Financial reporting in a hyperinflationary economy)

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies," the Group consolidates the financial statements of subsidiaries in Türkiye after making adjustments for hyperinflationary accounting. The financial statements of the Turkish subsidiaries are restated into the measuring unit current at the end of the reporting period so that the effects of inflation in Türkiye are reflected in the consolidated financial statements. As required by IAS 21, "The Effects of Changes in Foreign Exchange Rates," the Group uses the closing exchange rate at the end of the reporting period when translating the cash flows and comprehensive income of subsidiaries in Türkiye for consolidation.

(4) Revenue recognition

Except for interest income, dividend income, and other items within the scope of IFRS 9, the Group recognizes revenue based on the following five-step approach, under which revenue is recognized when promised goods or services are transferred to customers and customers obtain control of those goods or services:

Step 1: Identify the contract with a customer)

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

The Group's main businesses are the manufacture and sale of automotive, decorative, industrial, fine chemicals, and other paints in the paint and coatings business, and the manufacture and sale of paint-related products, CASE, colorants and other products in the adjacencies business.

Payment is generally due within three to six months after the applicable billing cutoff date. As the contracts do not contain a significant financing component, the Group does not adjust the promised amount of consideration for the effects of any financing component. In addition, there are no significant sales with a right of return.

With respect to product warranties, customers do not have the option to purchase a warranty separately, and the warranties do not provide a service in addition to the assurance that the products comply with agreed-upon specifications. Accordingly, such warranties are accounted for as provisions. The Group's revenue may include variable consideration, such as discounts. The Group estimates the probability and amount of any revenue reversal and includes variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(5) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of outstanding ordinary shares during the fiscal year, adjusted for treasury shares.

Diluted earnings per share is calculated by adjusting the effect of all dilutive potential ordinary shares.

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities or redemption dates of three months or less from the date of acquisition, which are readily convertible into cash and subject to an insignificant risk of changes in value.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the average cost method.

The cost of inventories includes purchase cost, conversion costs, and all other costs incurred in bringing the inventories to their present location and condition. Conversion costs comprise design costs, direct labor, other direct costs, and a systematic allocation of fixed and variable production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(8) Assets held for sale and discontinued operations

Non-current assets or disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as "assets held for sale." To be classified as held for sale, the assets must be available for immediate sale in their present condition and the sale must be highly probable. This classification is limited to cases where management is committed to a plan to sell and, in principle, the sale is expected to be completed within one year. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation or amortization ceases after classification as held for sale.

A discontinued operation is a component that has been disposed of or classified as held for sale and represents a separate major line of business or geographical area of operations, or forms part of a single coordinated plan to dispose of such a line of business or area of operations.

(9) Property, plant and equipment

Property, plant and equipment are measured using the cost model and are carried at cost less accumulated depreciation and

accumulated impairment losses.

Cost includes the purchase price (including import duties and non-refundable purchase taxes, net of trade discounts and rebates), directly attributable costs of bringing the asset to the location and condition necessary to be capable of operating as intended, borrowing costs for qualifying assets, and the estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized by adding to the carrying amount of the asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to profit or loss as incurred. The depreciable amount of property, plant and equipment (cost less residual value) is depreciated on a straight-line basis over its useful life.

The principal estimated useful lives are as follows.

Buildings and structures: 2–60 years

Machinery and vehicles: 2–25 years

Tools, furniture and fixtures: 2–20 years

Estimated useful lives, depreciation methods, and related matters are reviewed at each fiscal year-end and, and any changes that occur are applied prospectively as changes in accounting estimates.

(10) Goodwill and other intangible assets

(i) Goodwill

Initial recognition and measurement of goodwill arising from a business combination are described in “(2) Business combinations.”

Goodwill is carried at cost less accumulated impairment losses.

Goodwill is not amortized and is tested for impairment annually or whenever indicators of impairment arise. Impairment losses on goodwill are recognized in profit or loss and are not reversed subsequently.

(ii) Other intangible assets

Intangible assets are measured using the cost model and are carried at cost less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are measured at cost on initial recognition.

Intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset, are identifiable, and their fair values can be measured reliably; they are measured at fair value at the acquisition date.

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in profit or loss as incurred. Development expenditures are recognized as an asset when the development costs can be measured reliably, the product or process is technically and commercially feasible, it is probable that future economic benefits will flow to the Group, and the Group has the intention and ability, as well as adequate resources, to complete development and to use or sell the asset; otherwise, they are recognized in profit or loss as incurred.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives.

The principal estimated useful lives are as follows.

Sales and technical know-how: 3–25 years

Software: 2–10 years

Estimated useful lives and amortization methods are reviewed at each fiscal year-end and, if changes occur, are applied prospectively as changes in accounting estimates.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. They are not amortized and are tested for impairment annually, or whenever indicators of impairment arise, individually or at the cash-generating unit level.

(11) Leases

At the inception of a contract, the Group determines whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On the commencement date, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which comprises the initial measurement of the lease liability, lease payments made at or before the commencement date, initial direct costs incurred by the lessee, and an estimate of costs to dismantle and remove the underlying asset or to restore the site. Where ownership of the underlying asset transfers to the lessee by the end of the lease term, or where the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is on a straight-line basis over the estimated useful life. Otherwise, the right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date. After the commencement date, the carrying amount of the lease liability is increased to reflect interest on the lease liability and reduced to reflect lease payments made. When the lease liability is remeasured due to changes or modifications in lease terms, the right-of-use asset is adjusted accordingly.

For short-term leases and leases of low-value assets, the Group applies paragraph 60 of IFRS 16 and recognizes lease payments as an expense on a straight-line basis over the lease term.

(12) Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Grants related to income are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the related costs that the grants are intended to compensate. Grants related to assets are recognized as deferred income and recognized in profit or loss on a systematic basis over the useful lives of the related assets.

If the Group receives non-monetary assets as a grant, both the assets and the grants are measured at fair value, and the grant is recognized in profit or loss on a straight-line basis over the related asset's useful life based on the pattern of consumption of benefits from the underlying asset.

(13) Impairment of non-financial assets

At each fiscal year-end, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset belongs is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. Where the recoverable amount of an individual asset cannot be estimated, the Group determines the recoverable amount of the CGU to which the asset belongs.

Value in use is calculated by discounting the estimated future cash inflows and outflows expected to arise from the continued use of the asset and from its ultimate disposal using a pre-tax discount rate based on the weighted average cost of capital that reflects the time value of money and the risks specific to the asset. Fair value less costs of disposal is determined using appropriate valuation models supported by observable fair value indicators where available.

As a general principle, CGUs are identified based on managerial business classifications. Goodwill acquired in business combinations is allocated to CGUs identified based on the nature of the business. An impairment loss is recognized when the recoverable amount of an asset or CGU is less than its carrying amount.

Impairment losses recognized for goodwill are recognized in profit or loss and are not reversed in subsequent periods. For assets other than goodwill, the Group assesses whether there is any indication that impairment losses recognized in prior periods may no longer exist or may have decreased, including where there has been a change in the assumptions used to determine the recoverable amount. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit (CGU). If the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed to the extent of the lower of the recoverable amount so determined and the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior periods.

(14) Financial instruments

(i) Initial recognition and measurement

The Group recognizes financial assets when it becomes a party to the contractual provisions of the instrument; however, trade and other receivables are recognized on the date they originate. Financial liabilities are recognized when the Group becomes a party to the contract (trade date).

Financial assets and financial liabilities are initially measured at fair value. However, trade receivables that do not contain a significant financing component are measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets or the issuance of financial liabilities are added to the fair value of the financial assets or deducted from the fair value of the financial liabilities on initial recognition, except for financial assets measured at fair value through profit or loss (FVTPL) and financial liabilities measured at fair value through profit or loss (FVTPL), for which transaction costs are recognized in profit or loss. As of the end of the current fiscal year, the Group does not hold FVTPL financial liabilities other than derivatives. Transaction costs directly attributable to FVTPL financial assets are recognized in profit or loss.

(ii) Non-derivative financial assets

On initial recognition, the Group classifies non-derivative financial assets as financial assets measured at amortized cost, at FVTPL, or at fair value through other comprehensive income (FVTOCI). This classification is applied consistently.

(a) Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold the financial asset to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured using the effective interest method, less loss allowances for expected credit losses.

(b) FVTPL financial assets

Financial assets other than equity instruments that do not meet the criteria for measurement at amortized cost, as well as financial assets held for trading, are classified as financial assets at FVTPL. Equity instruments are classified as financial assets at FVTPL unless the Group makes an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income.

Financial assets at FVTPL are subsequently measured at fair value, and changes in fair value are recognized in profit or loss.

(c) FVTOCI financial assets

At initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of equity investments not held for trading in other comprehensive income. Changes in the fair value of FVTOCI equity instruments are not reclassified to profit or loss on derecognition; accumulated amounts recognized in other comprehensive income are transferred directly to retained earnings upon disposal. Dividends are recognized in profit or loss as part of finance income.

At initial recognition, the Group classifies debt instruments at FVTOCI when both of the following conditions are met:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, FVTOCI financial assets are measured at fair value, with changes recognized in other comprehensive income.

(iii) Impairment of financial assets measured at amortized cost and FVTOCI financial assets

(a) Financial assets measured at amortized cost

For financial assets measured at amortized cost, the Group recognizes loss allowances for expected credit losses (ECL) at each reporting date.

At the reporting date, if credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL based on all reasonable and supportable information (including forward-looking information) without undue cost or effort. If credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month ECL. Significant increases in credit risk are assessed based on changes in the risk of default occurring since initial recognition, taking into account the counterparty's financial position, historical credit loss experience, and past due information.

Notwithstanding the above, for trade receivables the Group always measures the loss allowance at an amount equal to lifetime ECL.

The Group determines that a default has occurred when events that adversely affect the expected future cash flows of a financial asset occur, such as significant financial difficulty of the debtor or prolonged past due status under the contractual payment terms. Any financial asset is treated as credit-impaired if the debtor is in severe financial difficulty, or in the event of the initiation of bankruptcy or other legal reorganization procedures.

Expected credit losses are estimated in a way that reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions, without incurring undue cost or effort.

Increases in loss allowances are recognized in profit or loss. When it is reasonably determined that all or part of a financial asset cannot be recovered, the carrying amount is written off directly against the allowance for expected credit losses. If an event occurs that reduces the allowance, the reversal is recognized in profit or loss.

(b) FVTOCI financial assets

For FVTOCI financial assets, changes in fair value are recognized in other comprehensive income until the financial asset is derecognized or reclassified; however, amounts previously recognized in other comprehensive income are reclassified to profit or loss upon recognition of impairment gains or losses.

(iv) Derecognition of non-derivative financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive the cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(v) Non-derivative financial liabilities

(a) Subsequent measurement and derecognition

The Group's non-derivative financial liabilities comprise trade and other payables, bonds and borrowings, and other financial liabilities, which are measured subsequently at amortized cost using the effective interest method after initial recognition.

Financial liabilities are derecognized when the obligation is discharged, canceled, or expires.

(b) Written put options over non-controlling interests

With respect to written put options granted to owners of non-controlling interests over shares of subsidiaries, the Group recognizes the present value of the redemption amount, calculated by discounting the expected future cash flows, as a financial liability, and recognizes subsequent changes after initial recognition in capital surplus.

(vi) Derivatives and hedge accounting

To manage risks arising from changes in foreign exchange rates, interest rates, and commodity prices, the Group uses derivatives such as forward exchange contracts. The Group does not hold derivatives for trading purposes.

Derivatives are initially recognized at fair value, and related transaction costs are recognized in profit or loss as incurred. After initial recognition, they are measured at fair value, and changes therein are generally recognized in profit or loss for the period. However, hedge accounting may be applied where it is objectively determined that changes in the fair value or cash flows of the hedged item are offset by changes in the fair value of cash flows of the hedging instrument to a degree such that the hedge is considered highly effective.

At the time of the initial designation of a derivative as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, its risk management objectives and strategy for undertaking the hedge transaction, and the method for assessing the effectiveness of the hedging relationship, including the methods for measuring hedge effectiveness and ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Group assesses whether the derivatives used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged items. If the hedging relationship no longer meets the effectiveness requirements but the risk management objective remains the same, the hedge ratio is rebalanced to again meet the qualifying criteria; hedge accounting is discontinued prospectively only when the hedging relationship ceases to meet the qualifying criteria.

When hedge accounting is applied, changes in the fair value of the hedging derivative are accounted for as follows depending on the type of hedging relationship:

(a) Fair value hedges

Changes in the fair value of derivatives are recognized in profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are recognized by adjusting the carrying amount of the hedged item and in profit or loss.

(b) Cash flow hedges

When a derivative is designated as a hedging instrument in a cash flow hedge of a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other components of equity as a cash flow hedge reserve. The ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss in the same period in which the hedged cash flows affect profit or loss, in the same line item as the hedged item. However, if the hedged forecast transaction results in the recognition of a non-financial asset (such as inventories or property, plant and equipment) or non-financial liability, the gains or losses previously deferred in equity are reclassified and included in the initial measurement of such asset or liability.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to meet the qualifying criteria, or when the hedging instrument expires or is sold, terminated, or exercised. When hedge accounting is discontinued, amounts previously recognized in other comprehensive income remain in equity and are reclassified to profit or loss when the hedged cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, any amount previously recognized in other comprehensive income is reclassified immediately to profit or loss. If the hedged item is a non-financial asset or non-financial liability, amounts in other comprehensive income are adjusted against the initial carrying amount of the asset or liability.

(c) Hedge of net investment in foreign operations

Hedges of a net investment in a foreign operation may include hedges of monetary items that form part of the net investment. Such hedges are accounted for similarly to cash flow hedges. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income, while those relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative gains and losses recognized in other comprehensive income are reclassified to profit or loss.

(vii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(15) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets are recognized for deductible temporary differences, unused tax credits, and tax loss carryforwards to the extent that it is probable that taxable profit will be available against which they can be utilized; deferred tax liabilities are recognized for taxable temporary differences as a general rule.

Deferred tax liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising on the initial recognition of goodwill; and
- Taxable temporary differences associated with investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary differences is controlled and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

The Group applies the temporary exception under IAS 12 "Income Taxes" and has not recognized or disclosed deferred tax assets and liabilities related to income taxes arising from the global minimum taxation regime.

(16) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are recognized as expenses at the undiscounted amount in the period in which the related service is rendered.

Bonuses are recognized as a liability when the Group has a present legal or constructive obligation to make such payments as a result of past service by employees and a reliable estimate can be made of the amount.

The expected cost of cumulative paid absence is recognized when employees render services that increase their entitlement to future paid absences. Such cost is measured as the additional amount expected to be paid by the Group as a result of the unused entitlement accumulated at the end of the reporting period.

(ii) Post-employment benefits

The Group has adopted defined benefit and defined contribution retirement benefit plans for employees.

The net defined benefit liability (asset) is measured as the present value of the defined benefit obligation less the fair value of plan assets (adjusted for the effect of the asset ceiling, where necessary), and is recognized as an asset or liability related to retirement in the consolidated statement of financial position. The defined benefit obligation is calculated using the projected unit credit method, and its present value is determined by discounting estimated future cash flows. The discount rate is determined by reference to market yields on high-quality corporate bonds with maturities approximating the estimated term of the benefit obligations.

Service cost and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Actuarial gains and losses, the return on plan assets excluding amounts included in net interest, and changes in the effect of the asset ceiling excluding amounts included in net interest are recognized as remeasurements of the defined benefit plans in other comprehensive income in the period in which they arise, and are immediately reclassified from other components of equity to retained earnings.

Contributions under defined contribution plans are recognized as expenses in the periods in which they are paid.

(17) Provisions

The Group recognizes a provision when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

(18) Equity

(i) Share capital and capital surplus

Equity instruments issued by the Company are recognized at the issue price as share capital and capital surplus. Transaction costs directly attributable to the issuance of such instruments are deducted from capital surplus.

(ii) Treasury shares

When treasury shares are acquired, they are recognized at cost and deducted from equity. Transaction costs directly attributable to the acquisition are also deducted from equity. When treasury shares are disposed, the proceeds are recognized as an increase in equity, and any difference between the carrying amount and the proceeds is included in capital surplus.

(19) Stock-based compensation

(i) Stock options

The Company measures the fair value of stock options at the grant date using an appropriate option-pricing model (Black-Scholes model).

The fair value measured at the grant date is recognized as an expense on a straight-line basis over the vesting period, based on the estimated number of stock options expected to vest, with a corresponding increase in capital surplus.

At each reporting date, the Company revises its estimate of the number of stock options expected to vest. The impact of the revision is recognized in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus.

(ii) Restricted stock compensation

Compensation under this plan is measured by reference to the fair value of the Company's shares granted, and the amount so measured is recognized as an expense, with a corresponding increase in equity.

(20) Reclassifications

When the presentation of items in the consolidated financial statements is changed, comparative information is reclassified accordingly.

4. Significant accounting estimates, judgments, and assumptions

In preparing the Group's consolidated financial statements, management makes estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period of in which the estimates are changed and in future periods.

Estimates and assumptions that have a significant risk of resulting in material adjustments in the next fiscal year are used mainly in impairment testing of goodwill and intangible assets with indefinite useful lives. Goodwill recognized by the Group is not amortized and is tested for impairment during the fourth quarter of each fiscal year, or whenever there is an indication of impairment.

In these impairment tests, the recoverable amount is measured as the higher of fair value less costs of disposal and value in use at the CGU level. Assumptions used in estimating fair value less costs of disposal, and assumptions for projected future cash flows and discount rates used in measuring value in use, may be affected by changes in uncertain future economic conditions. Accordingly, there is a risk of significant changes in impairment losses related to goodwill and intangible assets with indefinite useful lives in future periods. For the carrying amount of goodwill, see Note "22. Goodwill and other intangible assets," and for carrying amounts and impairment details of goodwill and intangible assets with indefinite useful lives, see Note "23. Impairment of property, plant and equipment, intangible assets, and goodwill."

In addition, information about critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Fair value measurement and disclosure for assets acquired and liabilities assumed in business combinations (see Note "5. Business combinations")
- Measurement of inventories (see Note "17. Inventories")
- Identification of right-of-use assets and lease liabilities (see Note "27. Leases")
- Recoverability of deferred tax assets (see Note "29. Deferred income taxes")
- Actuarial assumptions for defined benefit pension plans (see Note "32. Employee benefits")
- Recoverable amounts of trade receivables (see Note "33. Financial instruments")

5. Business combinations

Previous fiscal year (from January 1, 2024 to December 31, 2024)

There are no applicable items.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Acquisition of equity interests in LSF11 A5 TopCo LLC)

Main reasons for business combination

Nippon Paint Group pursues Maximization of Shareholder Value (MSV) as our sole mission by leveraging our Asset Assembler model. We will achieve this goal by compounding EPS (earnings per share) through both organic growth, driven by the expansion of existing businesses, and inorganic growth, achieved via good and low-risk mergers and acquisitions without limitations on regions, business areas, and scales. Additionally, we aim to maximize PER (price-to-earnings ratio) by enhancing capital market understanding and evaluations.

Backed by its broad customer base, including areas with significant growth potential, advanced technological capabilities that allow for high-level product customization tailored to customer needs, and flexible logistics network, LSF11 A5 TopCo LLC has secured a leading position in the US and European markets as a specialty formulator for CASE, colorants, and composite solutions. Additionally, LSF11 A5 TopCo LLC features excellent cash generation capabilities, driven by excellent profitability and low capital expenditure requirements.

By joining the Group, the company is expected to contribute to our sustainable compounding of EPS (earnings per share) and aid in the growth of existing businesses through collaboration with our group companies.

(1) Overview of business combination

(i) Name and business activities of the acquired company

Name: LSF11 A5 TopCo LLC

Business activities: Formulation development, manufacturing and distribution of unsaturated polyester, vinyl ester, etc. for composites and related products

(ii) Date of acquisition: March 3, 2025

(iii) Percentage of equity interests with voting rights acquired: 100%

(iv) Method of acquisition of control: By acquisition of equity interests for cash consideration

(2) Fair value of assets acquired and liabilities assumed at the date of business combination

	(Million yen)
	Fair value
Cash and cash equivalents	32,427
Property, plant and equipment	61,387
Intangible assets	143,065
Other assets	62,856
Fair value of liabilities assumed	(426,033)
Fair value of assets acquired and liabilities assumed, net	(126,296)

Trade and other receivables

	(Million yen)	
	Contractual amount due	Fair value
Trade and other receivables	27,727	27,348
Accounts receivable-other	314	309
Total	28,041	27,658
Best estimate of contractual cash flows not expected to be collected	(383)	—
Net total	27,658	27,658

(Notes) 1 The purchase consideration was allocated to the acquired assets and assumed liabilities at their respective fair values as of the acquisition date. During the current fiscal year, the purchase price allocation was finalized. As a result, the following adjustments were made to the amounts initially recorded on a provisional basis:

Property, plant and equipment: Increased by ¥27,119 million

Intangible assets: Increased by ¥143,051 million

Other assets: Increased by ¥2,469 million

Fair value of assumed liabilities: Increased by ¥40,535 million

Goodwill: Decreased by ¥132,104 million

2: Intangible assets primarily comprise trademarks of ¥64,749 million, customer-related intangible assets of ¥73,784 million, and technology assets of ¥4,517 million. In the purchase price allocation, the fair value of trademarks was determined using the relief-from-royalty method, while the fair value of customer-related intangible assets was determined using the multi-period excess earning method, and the fair value of technology assets was determined using the relief-from-royalty method.

(3) Consideration transferred and goodwill

		(Million yen)
		Amount
Consideration transferred (cash and other assets)	A	330,236
Basis adjustments	B	1,781
Fair value of assets acquired and liabilities assumed, net	C	(126,296)
Goodwill (Note)	A + B - C	458,314

Note: Goodwill primarily reflects the ability to generate excess earnings in the future. No amount of the above goodwill is expected to be tax deductible.

(4) Acquisition-related expenses

Account item: Selling, general and administrative expenses

Amount: ¥2,136 million

(5) Effects on the condensed consolidated quarterly statement of profit or loss

Financial results of the acquired company on and after the date of acquisition recognized in the condensed consolidated quarterly statement of profit or loss

	(Million yen)
	Amount
Revenue	157,282
Profit	37,229

(6) Effects of business combination on the consolidated statement of profit or loss assuming that the business combination was carried out at the beginning of the period

	(Million yen)
	Amount
Revenue	189,436
Profit	47,708

The pro forma information (unaudited) has not been subject to audit.

(7) Effects of business combination on cash flows

	(Million yen)
	Amount
Consideration paid for acquisition	332,017
Cash and cash equivalents	(32,427)
Acquisition of equity interests of subsidiaries	299,590

6. Segment information

(1) Summary of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to regular review by the Board of Directors, which serves as the Group's highest management decision-making body, to allocate resources and assess performance. The Group's main businesses are the manufacture and sale of automotive, decorative, industrial, fine chemicals, and other paints in the paint and coatings business, and the manufacture and sale of paint-related products, CASE*, colorants, and other products in the adjacencies business. In Japan, independent legal entities and their controlled entities act as regional headquarters; in overseas markets, independent local entities centered on NIPSEA, DuluxGroup, AOC and others cover Asia, the Pacific, the Americas, and other regions. Each entity is an independent management unit that formulates comprehensive strategies by management unit or region for the products it handles and conducts business activities.

Accordingly, the Group's segments are based on management units formed by the manufacturing and sales structure or by geographic region, and the five reportable segments are "Japan," "NIPSEA," "DuluxGroup," "Americas," and "AOC." Note that "Japan" includes the overseas marine coatings business.

*Coatings, Adhesives, Sealants and Elastomers

(Changes in reportable segments, etc.)

In the current fiscal year, the Group acquired all interests in LSF11 A5 TopCo LLC and included the company and its 23 subsidiaries in the scope of consolidation, and therefore added "AOC" as a reportable segment.

Segment information for the previous fiscal year is presented based on the revised classification of reportable segments.

(2) Information on reportable segments

Previous fiscal year (From January 1, 2024 To December 31, 2024)

	Reportable segments						Adjustments (Note 1)	Amounts reported in consolidated financial statements
	Japan	NIPSEA	DuluxGroup	Americas	AOC	Total		
	(Million yen)							
Revenue								
Revenue from external customers	203,112	914,370	398,534	122,702	—	1,638,720	—	1,638,720
Intersegment revenue	19,871	8,738	376	48	—	29,034	(29,034)	—
Total	222,983	923,109	398,911	122,751	—	1,667,755	(29,034)	1,638,720
Segment profit (loss)	19,446	122,813	40,374	7,778	—	190,412	(4,206)	186,206
Finance income								11,092
Finance costs								(19,786)
Share of profit or loss of investments accounted for using the equity method								2,569
Profit before tax								180,081
Other items								

Depreciation and amortization	5,212	27,457	23,330	7,206	—	63,207	458	63,665
Impairment loss	6	605	—	—	—	611	—	611
Capital expenditures (Note 2)	9,395	33,413	17,470	15,034	—	75,313	472	75,786

(Notes) 1. Adjustments for segment profit are headquarters expenses that do not belong to any reportable segment and intersegment eliminations.

2. These mainly consist of expenditures for property, plant and equipment and intangible assets.

Current fiscal year (From January 1, 2025 To December 31, 2025)

(Million yen)

	Reportable segments						Adjustments (Note 1)	Amounts reported in consolidated financial statements
	Japan	NIPSEA	Dulux Group	Americas	AOC	Total		
Revenue								
Revenue from external customers	205,360	887,462	405,173	118,952	157,282	1,774,231	—	1,774,231
Intersegment revenue	21,041	15,508	534	96	—	37,182	(37,182)	—
Total	226,402	902,971	405,708	119,049	157,282	1,811,414	(37,182)	1,774,231
Segment profit (loss)	28,125	144,021	34,943	6,393	48,585	262,068	(4,963)	257,104
Finance income								17,789
Finance costs								(27,149)
Share of profit of investments accounted for using equity method								2,108
Loss (gain) on step acquisition								710
Profit before tax								250,565
Other items								
Depreciation and amortization	5,398	24,406	23,652	7,602	8,900	69,960	103	70,063
Impairment losses	323	1,046	5,486	—	—	6,855	—	6,855
Capital expenditures (Note 2)	10,093	16,743	25,959	4,784	5,372	62,953	1	62,954

(Notes) 1. Adjustments for segment profit are headquarters expenses that do not belong to any reportable segment and intersegment eliminations.

2. These mainly consist of expenditures for property, plant and equipment and intangible assets.

(3) Information on products and services

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Paint and coatings business		
Automotive coatings	192,705	203,201
Decorative paints	1,053,673	1,008,704
Industrial coatings	99,607	104,078

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Fine chemicals	21,663	20,478
Other paints	95,957	104,013
	1,463,607	1,440,476
Adjacencies business	175,113	333,755
Total	1,638,720	1,774,231

(4) Geographical information

Revenue and non-current assets by region are as follows.

Revenue from external customers

(Million yen)

	Japan	Asia		Oceania	Americas		Europe	Other	Total
		China	Asia (excluding China)		United States	Americas (excluding the U.S.)			
Previous fiscal year (From January 1, 2024 To December 31, 2024)	171,188	572,924	269,151	245,382	107,238	16,979	250,188	5,668	1,638,720
Current fiscal year (From January 1, 2025 To December 31, 2025)	171,653	512,451	325,195	249,118	194,969	41,139	271,914	7,789	1,774,231

(Note) Revenue from external customers by region is classified by country or region based on the location of customers.

Non-current assets

(Million yen)

	Japan	Asia		Oceania	Americas		Europe	Other	Total
		China	Asia (excluding China)		United States	Americas (excluding the U.S.)			
Previous fiscal year (December 31, 2024)	57,473	397,717	432,455	535,496	169,191	2,904	321,262	1,260	1,917,761
Current fiscal year (December 31, 2025)	60,793	403,345	422,199	576,375	815,461	7,312	374,155	1,337	2,660,980

(Note) Non-current assets are based on the location of the assets and exclude other financial assets, deferred tax assets, equity accounted investments, and assets related to retirement benefits.

(5) Information about major customers

There is no single customer with revenue from external customers accounting for 10% or more of total revenue in the consolidated statement of profit or loss; therefore, this information is omitted.

7. Revenue

(1) Disaggregation of revenue and relationship to segment revenue

The Group disaggregates revenue from contracts with customers by business. The relationship between revenue by business and reportable segments is as follows. From the current fiscal year, the former “adjacencies business” has been renamed to the “Adjacencies business.”

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	AOC	Total
Paint and coatings business						
Automotive coatings	39,202	108,039	—	45,462	—	192,705
Decorative paints	48,366	678,741	251,531	75,033	—	1,053,673
Industrial coatings	39,536	49,345	10,725	—	—	99,607
Fine chemicals	9,111	10,345	—	2,206	—	21,663
Other paints	66,894	29,062	—	—	—	95,957
	203,112	875,535	262,256	122,702	—	1,463,607
Adjacencies business	—	38,835	136,278	—	—	175,113
Total	203,112	914,370	398,534	122,702	—	1,638,720

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Japan	NIPSEA	DuluxGroup	Americas	AOC	Total
Paint and coatings business						
Automotive coatings	39,653	119,028	—	44,519	—	203,201
Decorative paints	46,884	631,538	258,016	72,264	—	1,008,704
Industrial coatings	40,124	52,812	11,140	—	—	104,078
Fine chemicals	8,300	10,009	—	2,168	—	20,478
Other paints	70,397	33,616	—	—	—	104,013
	205,360	847,005	269,156	118,952	—	1,440,476
Adjacencies business	—	40,457	136,016	—	157,282	333,755
Total	205,360	887,462	405,173	118,952	157,282	1,774,231

(2) Transaction price allocated to remaining performance obligations

As the Group has no significant contracts with an expected individual contract term of more than one year, the practical expedient is applied and disclosure regarding remaining performance obligations is omitted. There are no significant amounts of consideration from customers not included in the transaction price.

8. Cost of sales, selling, general and administrative expenses

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Employee benefit expenses	255,636	277,460

Employee benefit expenses are included within “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Depreciation is presented in Note “21. Property, plant and equipment,” and amortization is presented in Note “22. Goodwill and other intangible assets.”

Employee benefit expenses in the table above include the following compensation for key management personnel.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Salaries and bonuses	1,710	1,845
(of which, share-based compensation expenses)	97	90

Key management personnel compensation represents compensation paid to management personnel who have authority and responsibility for planning, directing, and controlling the Group’s activities, specifically the Company’s Directors and Executive Officers.

9. Research and development expenses

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Research and development expenses	32,942	37,031

Research and development expenses are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

10. Other income

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Gain on sale of property, plant and equipment	574	7,973
Subsidy income (Note)	7,024	6,871
Other	6,206	6,187
Total	13,805	21,031

(Note) Government grants represent grants received in relation to business activities conducted in special economic zones in China.

11. Other expenses

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Loss on disposal of non-current assets	643	1,414
Impairment losses	611	6,855
Other	2,458	3,334
Total	3,713	11,604

12. Finance income and costs

(1) Finance income

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Finance income		
Interest income		
Financial assets measured at amortized cost	9,075	13,928
Dividends received		
Financial assets at FVTPL	0	0
FVTOCI financial assets derecognized	—	31
FVTOCI financial assets held at fiscal year-end	878	622
Gain on short-term investments		
Financial assets at FVTPL	994	1,697
Gains on valuation of derivatives	2	1,448
Other	141	61
Total	11,092	17,789

(2) Finance costs

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Finance costs		
Interest paid		
Financial liabilities measured at amortized cost	8,417	16,303
Lease liabilities	4,981	5,415
Foreign exchange losses (net)	406	1,162
Loss on net monetary position	5,710	3,318
Other	270	949
Total	19,786	27,149

13. Income taxes

(1) Income taxes recognized in the consolidated statement of profit or loss

The components of income taxes are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Current income tax	51,622	66,014
Deferred income tax	1,225	3,376
Total	52,848	69,390

(2) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are disclosed in Note "38. Other comprehensive income."

(3) Reconciliation between the statutory effective tax rate and the rate of income taxes after applying tax-effect accounting

(%)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current consolidated fiscal year (From January 1, 2025 To December 31, 2025)
Statutory effective tax rate	30.58	30.58
(Adjustments)		
Differences in tax rates of overseas subsidiaries, etc.	(6.93)	(7.12)
Impact of taxation on retained earnings	1.44	0.73

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current consolidated fiscal year (From January 1, 2025 To December 31, 2025)
Withholding tax on dividends from overseas affiliates	1.23	0.87
Unrecognized deferred tax assets	(0.27)	0.36
Other	3.07	2.28
Effective tax rate after application of tax-effect accounting	29.11	27.69

The Company is subject to corporate income tax, inhabitant tax, and enterprise tax, and the statutory effective tax rate is calculated based on these taxes. Subsidiaries outside Japan are subject to corporate income taxes in their respective jurisdictions.

(4) Global minimum taxation

In Japan, where the Company is headquartered, the Income Inclusion Rule (IIR) under the BEPS global minimum tax regime was introduced pursuant to the 2023 tax reform. Accordingly, from the current fiscal year, the Group has been subject to additional top-up tax until the tax burden of its subsidiaries and other constituent entities reaches the minimum tax rate of 15%.

As there is no material impact on income tax expense in the consolidated financial statements for the current fiscal year, the related disclosure has been omitted.

The Group applies the temporary exception under IAS 12, "Income Taxes," for deferred taxes related to Pillar Two income taxes and therefore has not recognized or disclosed deferred tax assets and liabilities related to Pillar Two.

14. Dividends

(Previous fiscal year (from January 1, 2024 to December 31, 2024))

(1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 27, 2024 Annual General Meeting of Shareholders	Common stock	18,789	8.00	December 31, 2023	March 28, 2024
August 8, 2024 Board of Directors	Common stock	16,441	7.00	June 30, 2024	September 11, 2024

(2) Dividends for which the record date falls within the current fiscal year but the effective date falls in the next fiscal year

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 27, 2025 Annual General Meeting of Shareholders	Common stock	18,790	8.00	December 31, 2024	March 28, 2025

Current fiscal year (from January 1, 2025 to December 31, 2025)

(1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 27, 2025 Annual General Meeting of Shareholders	Common stock	18,790	8.00	December 31, 2024	March 28, 2025
August 8, 2025 Board of Directors	Common stock	18,790	8.00	June 30, 2025	September 11, 2025

(2) Dividends for which the record date falls within the current fiscal year but the effective date falls in the next fiscal year

The following proposal is scheduled to be submitted to the Annual General Meeting of Shareholders to be held on March 27, 2026.

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 27, 2026 Annual General Meeting of Shareholders	Common stock	18,623	8.00	December 31, 2025	March 30, 2026

15. Per-share information

The basis of calculation of basic earnings per share and diluted earnings per share is as follows.

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Profit attributable to owners of parent (million yen)	125,889	179,800
Adjustments to profit used in the calculation of diluted earnings per share (million yen)	—	—
Diluted earnings (million yen)	125,889	179,800
Weighted-average number of ordinary shares outstanding (thousand shares)	2,348,681	2,345,317
Increase in number of common shares used in the calculation of diluted earnings per share (thousand shares)	94	68
Increase due to exercise of stock options (thousand shares)	73	47
Increase due to restricted share compensation plan (thousand shares)	20	20
Weighted-average number of common shares used in the calculation of diluted earnings per share (thousand shares)	2,348,775	2,345,386
Basic earnings (loss) per share (yen)	53.60	76.66
Diluted earnings (loss) per share (yen)	53.60	76.66

16. Cash and cash equivalents

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)
Cash and deposits	277,115	424,326
Investment trusts and negotiable certificates of deposit, etc.	11,185	11
Total	288,301	424,337

17. Inventories

(1) Breakdown of inventories

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)
Merchandise and finished goods	124,039	137,930
Work in process	6,707	7,376
Raw materials and supplies	71,737	79,839
Total	202,484	225,146

(2) Amount of inventories recognized as an expense in cost of sales and amount recognized as write-downs within cost of sales

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Amount of inventories recognized as an expense within cost of sales	972,199	1,012,539
Amount recognized in cost of sales as inventory write- downs (reversals)	(501)	1,169

18. Trade and other receivables

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)
Receivables arising from contracts with customers	346,255	380,076
Other receivables	20,626	21,141
Other receivables	10,093	7,789
Total	376,976	409,007

19. Other current assets

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)
Income taxes receivable	3,065	4,864
Consumption taxes receivable	11,696	18,119
Prepaid expenses	9,980	11,044
Other	988	5,409
Total	25,731	39,437

20. Assets held for sale

The breakdown of assets held for sale is as follows.

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)
Assets held for sale		
Property, plant and equipment (Note 1)	59	174
Other financial assets (Note 2)	8,071	1,318
Total	8,131	1,492

(Notes) 1. Assets held for sale are recognized by Paint Marketing Company (M) Sdn. Bhd. and Betek Boya ve Kimya Sanayi Anonim Sirketi, which are consolidated subsidiaries of the Company. These assets consist of land and buildings acquired by each company through the collection of receivables. The sale of these assets is expected to be completed in the next fiscal year. The fair value of these assets is determined using the market approach and, because it is measured based on quoted prices for identical or similar assets in markets that are not active, is classified as Level 2 of the fair value hierarchy.

2. Certain cross-shareholdings for which continued holding was determined to lack sufficient rationale and which were therefore determined to be disposed of or reduced have been reclassified to assets held for sale. This reclassification resulted from the Board of Directors' periodic review of all cross-shareholdings to determine whether continued holding is appropriate, taking into account the necessity of such holdings for business activity, including the maintenance and strengthening of relationships with business partners, the status of the issuer, and the level of returns relative to capital costs. The sale of these assets is expected to be completed in the following fiscal year. These assets consist mainly of listed shares traded in active markets and are measured at quoted market prices on stock exchanges, and are therefore classified as Level 1 of the fair value hierarchy. Cross-shareholdings classified as held for sale in the previous fiscal year were sold during the current fiscal year.

21. Property, plant and equipment

(1) Cost, accumulated depreciation and accumulated impairment, and carrying amount of property, plant and equipment

(Million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
End of previous fiscal year (December 31, 2024)						
Acquisition cost	372,226	291,801	46,086	118,411	40,414	868,940
Accumulated depreciation and impairment losses	(157,380)	(189,458)	(36,095)	(7,247)	—	(390,181)
Carrying amount	214,846	102,343	9,991	111,163	40,414	478,759
End of current fiscal year (December 31, 2025)						
Acquisition cost	421,908	359,741	52,404	134,866	34,082	1,003,003
Accumulated depreciation and impairment losses	(180,176)	(212,469)	(39,638)	(8,119)	—	(440,404)
Carrying amount	241,732	147,271	12,765	126,746	34,082	562,598

(2) Changes in the carrying amount of property, plant and equipment during the period

(Million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
January 1, 2024	188,582	87,604	7,737	99,589	26,470	409,984
Hyperinflation adjustment	2,058	2,356	499	1,188	—	6,102
Acquisitions	22,493	15,242	4,511	2,832	28,665	73,745
Acquisitions through business combinations	5,096	6,799	228	2,725	2,716	17,566
Disposals	(2,720)	(1,342)	(129)	(151)	(112)	(4,456)
Reclassification	7,089	11,625	564	222	(19,502)	—
Depreciation (Note 1)	(22,924)	(24,173)	(3,726)	(739)	—	(51,564)
Impairment losses	(50)	(23)	(15)	(61)	—	(150)
Exchange differences	10,908	3,715	325	5,806	1,728	22,485
Other	4,312	539	(5)	(249)	447	5,044
December 31, 2024	214,846	102,343	9,991	111,163	40,414	478,759
Hyperinflation adjustment	1,600	2,045	416	999	78	5,140
Acquisitions	14,195	10,969	2,584	231	32,530	60,511
Acquisitions through business combinations	11,454	35,913	1,284	10,510	6,646	65,808
Disposals	(3,368)	(1,147)	(110)	(634)	(500)	(5,761)
Reclassification	20,309	20,077	1,623	4,043	(46,053)	—
Depreciation (Note 1)	(24,052)	(27,603)	(4,248)	(769)	—	(56,672)
Impairment losses	(316)	(133)	(11)	—	—	(462)
Exchange differences	6,282	5,155	156	2,083	808	14,485

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Decrease due to loss of control	(372)	(54)	—	(182)	(1)	(609)
Other	1,153	(293)	1,080	(699)	158	1,399
December 31, 2025	241,732	147,271	12,765	126,746	34,082	562,598

(Notes) 1. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. Expenditures related to property, plant and equipment under construction are presented as “Construction in progress.”

(3) Right-of-use assets included in the carrying amount of property, plant and equipment

Right-of-use assets included in the carrying amount of property, plant and equipment are disclosed in Note “27. Leases.”

22. Goodwill and other intangible assets

(1) Cost, accumulated amortization and accumulated impairment, and carrying amount of goodwill and other intangible assets

(Million yen)

	Goodwill	Other intangible assets				Total
		Trademark rights	Customer-related assets	Technology	Other	
End of previous fiscal year (December 31, 2024)						
Acquisition cost	988,715	384,636	116,182	14,469	45,846	561,134
Accumulated amortization and impairment losses	(19,722)	(18,375)	(36,698)	(14,158)	(35,516)	(104,748)
Carrying amount	968,993	366,260	79,483	310	10,330	456,385
End of current fiscal year (December 31, 2025)						
Acquisition cost	1,495,835	466,974	199,462	19,399	44,172	730,009
Accumulated amortization and impairment losses	(26,845)	(18,829)	(47,756)	(14,617)	(34,656)	(115,860)
Carrying amount	1,468,989	448,145	151,706	4,781	9,515	614,148

(2) Changes in the carrying amount of goodwill and other intangible assets during the period

(Million yen)

	Goodwill	Other intangible assets				Total
		Trademark rights	Customer-related assets	Technology	Other	
January 1, 2024	897,751	333,545	82,042	1,530	13,644	430,763
Hyperinflation adjustment	4,469	3,144	459	—	1	3,606
Acquisitions	—	263	—	—	1,777	2,041
Acquisitions through business combinations	13,664	8,298	—	—	340	8,638
Disposals	—	(11)	—	—	(68)	(79)
Amortization (Note 1)	—	(359)	(6,718)	(1,334)	(3,690)	(12,101)
Impairment losses	—	—	—	—	—	—
Exchange differences	54,334	15,951	5,017	114	399	21,482
Other	(1,226)	5,427	(1,317)	—	(2,075)	2,034
December 31, 2024	968,993	366,260	79,483	310	10,330	456,385
Hyperinflation adjustment	3,896	2,571	339	—	1	2,913
Acquisitions	—	182	—	—	2,260	2,443
Acquisitions through business combinations	461,038	64,749	73,784	4,517	38	143,089

	Goodwill	Other intangible assets				Total
		Trademark rights	Customer-related assets	Technology	Other	
Disposals	—	—	—	—	(337)	(337)
Amortization (Note 1)	—	(385)	(8,958)	(235)	(3,811)	(13,391)
Impairment losses	(5,486)	—	—	—	—	—
Exchange differences	40,547	14,858	7,057	188	457	22,561
Decrease due to loss of control	—	(142)	—	—	—	(142)
Other	—	51	—	—	576	627
December 31, 2025	1,468,989	448,145	151,706	4,781	9,515	614,148

(Notes) 1. Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. There were no material internally generated intangible assets in the previous and current fiscal years.

(3) Carrying amounts and remaining useful lives of individually significant assets to the Group

(i) Other intangible assets recognized on acquisition of Nippon Paint (H.K.) Company Limited

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	28,617	28,280	(Note)
Customer-related assets	9,564	8,506	9 years

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

(ii) Other intangible assets recognized on acquisition of Dunn-Edwards Corporation

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	27,130	26,852	(Note)
Customer-related assets	5,172	4,821	16 years
Technology	37	27	1 year

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

(iii) Other intangible assets recognized on acquisition of DuluxGroup Limited

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	148,349	157,856	(Note)
Customer-related assets	15,590	14,909	Primarily 8 years

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

(iv) Other intangible assets recognized on acquisition of PT Nipsea Paint and Chemicals

(Million yen)

	End of previous fiscal year (December 31, 2024)	End of current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	58,491	55,506	(Note)
Customer-related assets	4,741	4,218	15 years

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

(v) Other intangible assets recognized on acquisition of Cromology Holdings SAS

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	45,796	51,103	(Note)
Customer-related assets	29,082	30,639	Primarily 16 years

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

(vi) Other intangible assets recognized on acquisition of LSF11 A5 TopCo LLC

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)	Remaining amortization period
Trademark rights	—	67,307	(Note)
Customer-related assets	—	74,143	24 years
Technology	—	4,500	19 years

(Note) Useful lives are determined to be indefinite because they are expected to continue for as long as the business continues.

23. Impairment of property, plant and equipment, intangible assets, and goodwill

(1) Cash-generating units

The Group identifies CGUs based on the smallest group of assets that generates cash inflows largely independent of those from other assets or groups of assets and, in principle, identifies CGUs based on managerial business classifications.

(2) Impairment losses

Previous fiscal year (from January 1, 2024 to December 31, 2024)

Omitted due to immateriality.

Current fiscal year (from January 1, 2025 to December 31, 2025)

During the current fiscal year, an impairment test was conducted reflecting the latest business environment for Cromology Group, in light of the deterioration in market conditions in Europe and the resulting decline in the Group's growth prospects. As a result, the recoverable amount (fair value less costs of disposal) was lower than the carrying amount, and a goodwill impairment loss of ¥5,486 million was recognized. The impairment loss is recorded under "Other expenses" in the consolidated statement of profit or loss and is included in the DuluxGroup segment.)

The recoverable amount is measured as fair value less costs of disposal. Fair value less costs of disposal is determined using the discounted cash flow method, and future cash flows are estimated based on a five-year business plan approved by management and growth rates and are discounted to present value. Such business plans reflect management's assessment of future industry trends and historical data, and are prepared based on external and internal information. Such fair value is classified as Level 3 of the fair value hierarchy. Key assumptions used in calculating the recoverable amount include future cash flows, growth rates, and the discount rate (11.4%), and changes in these assumptions may affect the recoverable amount.

(3) Impairment tests for goodwill and intangible assets with indefinite useful lives

(i) Impairment tests

For impairment tests of the Group's goodwill and intangible assets with indefinite useful lives, the recoverable amount of each CGU is measured as the higher of value in use and fair value less costs of disposal. The recoverable amounts of the Cromology group and the Americas (decorative business) CGU are determined based on fair value less costs of disposal, while the recoverable amounts of CGUs other than these are determined based on value in use.

In measuring value in use, the Group uses estimated future cash flows based on business plans approved by management. Key assumptions used in determining the forecasts include growth rates and discount rates, which are consistent with market growth forecasts for the markets in which the CGUs operate. Discount rates are based on pre-tax weighted average cost of capital for each CGU.

Fair value less costs of disposal is determined using the discounted cash flow method. Future cash flows used in the discounted cash flow method are estimated based on business plans for a five-year period, as approved by management, and growth rates, and are discounted to present value. Such business plans reflect management's assessment of future industry trends and historical data, and are prepared based on external and internal information. Such fair value is classified as Level 3 of the fair value hierarchy.

Key assumptions used in calculating the recoverable amounts of significant CGUs are as follows.

Cash-generating unit	Previous fiscal year (December 31, 2024)		Current fiscal year (December 31, 2025)	
	Growth rate	Discount rate	Growth rate	Discount rate
China Group				
Indonesia Group				
Oceania Group	2.0%~	8.6%~	0.7%~	9.2%~
Cromology group	6.5%	11.3%	6.5%	13.1%
Americas (Decorative business)				
AOC Group				

Even if key assumptions used in impairment testing were to vary within reasonably foreseeable ranges, the Group believes that the likelihood of recognizing a material impairment loss is low. However, these assumptions may be affected by uncertainties in future conditions; if a revision of assumptions becomes necessary, value in use and fair value less costs of disposal could fall below carrying amounts.

(ii) Goodwill

The carrying amount of goodwill is as follows.

(Million yen)

Cash-generating unit	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
China Group	213,589	214,945
Indonesia Group	229,578	217,865
Oceania Group	273,357	292,601
Cromology group	126,081	134,216
Americas (Decorative business)	48,439	47,943
AOC Group	—	477,585
Other	77,947	83,831
Total	968,993	1,468,989

(iii) Intangible assets with indefinite useful lives

The carrying amount of intangible assets with indefinite useful lives is as follows.

(Unit: million yen)

Cash-generating unit	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
China Group	44,865	44,899
Indonesia Group	58,491	55,506
Oceania Group	158,742	162,359
Cromology group	47,149	52,557
Americas (Decorative business)	27,130	26,852
AOC Group	—	67,307
Other	36,051	38,837
Total	372,431	448,322

(Significant intangible assets with indefinite useful lives)

- “Trademark rights” acquired through the acquisition of shares of Nippon Paint (H.K.) Company Limited and others
- “Trademark rights” acquired through the acquisition of shares of PT Nipsea Paint and Chemicals
- “Trademark rights” acquired through the acquisition of shares of DuluxGroup Limited

- “Trademark rights” acquired through the acquisition of shares of Cromology Holding SAS
- “Trademark rights” acquired through the acquisition of shares of Dunn-Edwards Corporation
- “Trademark rights” acquired through the acquisition of interests in LSF11 A5 TopCo LLC

24. Other non-current assets

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Long-term prepaid expenses	6,669	5,705
Long-term advances (Note)	2,310	3,455
Retirement benefit assets	9,187	9,312
Other	4,643	6,082
Total	22,811	24,555

(Note) Long-term prepaid expenses represent long-term prepaid expenses paid for the acquisition of property, plant and equipment.

25. Trade and other payables

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Trade payables	248,039	243,361
Non-trade payables	36,429	40,059
Other	8,044	5,959
Total	292,513	289,380

26. Bonds and borrowings

(1) Breakdown of bonds and borrowings

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Current liabilities		
Short-term borrowings	558	389
Current portion of long-term borrowings	145,914	123,798
Subtotal	146,473	124,188
Non-current liabilities		
Long-term borrowings	613,540	1,297,704
Subtotal	613,540	1,297,704
Total	760,013	1,421,892

(2) Average interest rates

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Short-term borrowings	3.5%	2.4%
Long-term borrowings	0.5%	1.2%

(3) Pledged assets and secured liabilities

(i) Pledged assets

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Buildings and structures	1,958	1,410
Machinery and vehicles	540	436
Land	191	145

(ii) Secured liabilities

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Short-term borrowings	124	—
Long-term borrowings	2,971	2,451

27. Leases

Information on leases for which the Group is the lessee is as follows.

(1) Right-of-use assets

Depreciation, carrying amounts, and additions of right-of-use assets included in the carrying amounts of property, plant and equipment and other intangible assets are as follows.

(Million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	Total
End of previous fiscal year (December 31, 2024)						
Depreciation expense	13,791	3,766	178	739	27	18,504
Carrying amount at period-end	83,251	9,603	291	28,568	54	121,769
Increase in right-of-use assets	20,741	5,807	74	783	28	27,436
End of current fiscal year (December 31, 2025)						
Depreciation expense	13,972	4,395	286	769	23	19,447
Carrying amount at period-end	85,915	8,988	738	28,137	35	123,815
Increase in right-of-use assets	12,806	3,171	556	209	5	16,748

(2) Expenses, income, and cash flows related to leases

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Interest expense on lease liabilities	4,981	5,415
Expenses relating to short-term leases	4,362	3,057
Expenses relating to leases of low-value assets	580	455
Expenses relating to variable leases not included in the measurement of lease liabilities	942	1,317
Income from subleasing right-of-use assets	32	1
Gains (losses) from sale and leaseback transactions	10	—
Total cash outflows for leases	27,798	28,858

(3) Other

(i) Certain contracts include renewal or purchase options.

(ii) There are no variable lease payments, sublease contracts, escalation clauses, or restrictions imposed by lease contracts.

28. Reconciliation of liabilities arising from financing activities

(Million yen)

	Borrowings			Other financial liabilities		Total
	Bonds	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividends payable	
January 1, 2024	—	443	739,323	83,087	34	822,889
Cash flow changes	—	(1,400)	16,950	(16,850)	(35,801)	(37,101)
Non-cash changes						
Acquisitions	—	—	—	26,686	—	26,686
Exchange differences	—	77	38	4,792	(3)	4,904
Increases due to business combinations	—	1,361	3,219	1,060	113	5,755
Appropriation of surplus	—	—	—	—	35,809	35,809
Other	—	76	(77)	3,005	—	3,003
December 31, 2024	—	558	759,454	101,782	152	861,947
Cash flow changes	(41,010)	(231)	378,460	(18,717)	(38,673)	279,827
Non-cash changes						
Acquisitions	—	—	—	17,411	—	17,411
Exchange differences	(343)	16	(2,254)	3,833	9	1,261
Increases due to business combinations	41,353	45	285,842	1,874	—	329,117
Appropriation of surplus	—	—	—	—	38,672	38,672
Other	—	—	—	(571)	—	(571)
December 31, 2025	—	389	1,421,503	105,612	160	1,527,665

29. Deferred income taxes

(1) Breakdown and changes by principal cause of deferred tax assets and deferred tax liabilities

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Balance as of January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	Balance as of December 31, 2024
Deferred tax assets						
Accrued business taxes	273	34	—	—	—	307
Accrued expenses	11,019	939	—	—	702	12,661
Retirement benefit liabilities	6,320	(323)	(1,261)	69	327	5,132
Elimination of unrealized profits	1,129	233	—	—	18	1,381
Foreign tax credit	56	(23)	—	—	0	33
Tax losses carried forward	2,713	165	—	—	(46)	2,833
Lease liabilities	21,144	3,875	—	136	986	26,143
Other	18,827	(2,177)	(24)	693	2,108	19,426
Total	61,484	2,724	(1,286)	898	4,097	67,919
Deferred tax liabilities						
Differences in valuation of property, plant and equipment	(3,349)	62	—	(960)	(299)	(4,547)
Financial assets measured at fair value through other comprehensive income	(2,371)	—	(421)	—	24	(2,768)
Retirement benefit assets	(552)	(559)	(37)	—	(266)	(1,415)
Intangible assets	(112,234)	1,992	—	(2,178)	(5,490)	(117,911)
Right-of-use assets	(19,245)	(3,895)	—	(122)	(886)	(24,150)
Other	(18,901)	(1,549)	(3,883)	(1,515)	(998)	(26,849)
Total	(156,655)	(3,950)	(4,342)	(4,777)	(7,916)	(177,642)
Net amount	(95,170)	(1,225)	(5,628)	(3,878)	(3,818)	(109,722)

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Balance as of January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	Balance as of December 31, 2025
Deferred tax assets						
Accrued business taxes	307	120	—	255	17	701
Accrued expenses	12,661	2,287	—	746	730	16,426
Retirement benefit liabilities	5,132	420	1,445	43	67	7,110
Elimination of unrealized profits	1,381	274	—	—	14	1,670
Foreign tax credit	33	(4)	—	—	6	34
Tax losses carried forward	2,833	(367)	—	345	957	3,768
Lease liabilities	26,143	(817)	—	—	756	26,082
Other	19,426	(6,775)	(3)	8,089	3,495	24,232
Total	67,919	(4,861)	1,441	9,480	6,046	80,026
Deferred tax liabilities						
Differences in valuation of property, plant and equipment	(4,547)	1,032	—	—	190	(3,323)
Financial assets measured at fair value through other comprehensive income	(2,768)	4	(158)	—	1,406	(1,515)
Retirement benefit assets	(1,415)	(432)	(1,275)	—	0	(3,122)
Intangible assets	(117,911)	2,944	—	(39,956)	(7,062)	(161,985)
Right-of-use assets	(24,150)	960	—	—	(725)	(23,915)
Other	(26,849)	(3,024)	3,883	(3,911)	(486)	(30,387)
Total	(177,642)	1,485	2,449	(43,867)	(6,676)	(224,251)
Net amount	(109,722)	(3,376)	3,891	(34,386)	(630)	(144,224)

(2) Tax loss carryforwards, deductible temporary differences, and tax credits for which no deferred tax assets are recognized

Amounts do not include tax loss carryforwards and deductible temporary differences related to local taxes (inhabitant tax and enterprise tax) for which no deferred tax assets are recognized and which are outside the scope of the Japanese Group Tax Consolidation System.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Deductible temporary differences in future periods	4,539	4,362
Tax losses carried forward	99,806	107,135
Tax credits carried forward	0	0
Total	104,345	111,497

(3) Amounts and carryforward periods of tax loss carryforwards for which no deferred tax assets are recognized

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Year 1	3,036	3,538
Year 2	1,378	2,153
Year 3	2,455	909
Year 4	2,136	2,000
Year 5 and thereafter	90,798	98,532
Total	99,806	107,135

(4) Group Tax Consolidation System

In Japan, the Group applies the Group Tax Consolidation System.

The amounts in “(2) Tax loss carryforwards, deductible temporary differences, and tax credits for which no deferred tax assets are recognized” do not include tax loss carryforwards and deductible temporary differences related to local taxes (inhabitant tax and enterprise tax) for which no deferred tax assets are recognized and which are outside the scope of the Japanese Group Tax Consolidation System.

Tax loss carryforwards and deductible temporary differences related to local taxes for which the Company does not recognize deferred tax assets are as follows.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Tax losses carried forward	59,116	64,608
Deductible temporary differences in future periods	2,152	1,870

(5) Taxable temporary differences for which no deferred tax liabilities are recognized

Except for undistributed profits expected to be distributed at the end of the reporting period, the Company does not recognize deferred tax liabilities for taxable temporary differences related to investments in subsidiaries and associates. This is because the Group controls the timing of the reversal of temporary differences and it is highly probable that such temporary differences will not reverse within the foreseeable future.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Future taxable temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognized	876,399	1,059,668

30. Provisions

(1) Breakdown of provisions

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Current liabilities		
Provision for environmental measures	170	611
Asset retirement obligations	14	24
Provision for business restructuring	97	9
Provision for directors' bonuses	544	251
Provision for product warranties	953	1,540
Provision for workers' compensation	838	853
Other	1,306	1,905
Total current liabilities	3,923	5,196
Non-current liabilities		
Provision for environmental measures	160	257
Asset retirement obligations	1,155	1,103
Provision for business restructuring	379	406
Provision for product warranties	26	32
Other	322	228
Total non-current liabilities	2,044	2,027
Total	5,968	7,224

(2) Changes in provisions

(Million yen)

	Provision for environme ntal measures	Asset retirement obligations	Provision for business restructurin g	Provision for directors' bonuses	Provision for product warranties	Provision for workers' compensati on	Other	Total
January 1, 2024	383	1,071	681	495	665	674	1,705	5,676
Provisions recognized during the year	28	73	6	528	435	407	730	2,210
Amounts used	(18)	(22)	(144)	(501)	(12)	(320)	(689)	(1,710)
Reversals	(2)	(284)	(57)	(8)	(362)	(3)	(266)	(985)
Exchange differences	21	8	22	—	16	81	74	224

	Provision for environmental measures	Asset retirement obligations	Provision for business restructuring	Provision for directors' bonuses	Provision for product warranties	Provision for workers' compensation	Other	Total
Increases due to business combinations	—	200	—	—	2	—	142	345
Other	(82)	122	(30)	29	234	—	(66)	207
December 31, 2024	330	1,169	477	544	979	838	1,628	5,968
Provisions recognized during the year	406	78	33	235	1,037	400	2,258	4,451
Amounts used	(7)	(29)	(86)	(327)	(10)	(383)	(873)	(1,717)
Reversals	(88)	(90)	(41)	—	(562)	—	(1,117)	(1,900)
Exchange differences	46	51	26	—	127	(7)	97	342
Increases due to business combinations	181	—	—	—	—	—	6	188
Other	—	(52)	6	(200)	—	4	133	(108)
December 31, 2025	868	1,127	415	251	1,572	853	2,134	7,224

(3) Description of provisions

(i) Provision for environmental measures

To prepare for expenditures for the disposal of stored PCB waste and other items, we reasonably estimate at period-end the amounts expected to arise in or after the next fiscal year. The outflow of economic benefits is expected to occur mainly after one year from each fiscal year-end.

(ii) Asset retirement obligations

To fulfill restoration obligations related to property, plant and equipment used by the Group, we recognize amounts expected to be paid in the future. These costs are expected to be paid primarily after more than one year, but are affected by future business plans and other factors.

(iii) Provision for business restructuring

We recognize amounts expected to arise at certain overseas consolidated subsidiaries where a business restructuring has been initiated or announced.

(iv) Provision for directors' bonuses

We recognize amounts related to performance-linked compensation expected to be paid in the next fiscal year to Directors and others of the Company and the Group based on current period performance.

(v) Provision for product warranties

We recognize amounts expected to arise for future expenditures related to product warranties.

(vi) Provision for workers' compensation

At certain overseas consolidated subsidiaries, we recognize amounts expected to be paid in the future for compensation related to industrial accidents.

31. Other current liabilities

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Accrued expenses	38,376	48,676
Accrued bonuses	34,220	42,295
Other	21,112	22,421
Total	93,709	113,392

32. Employee benefits

(1) Defined benefit plans

(i) Outline of the plans

The Company and certain consolidated subsidiaries have both funded and unfunded defined benefit plans.

The defined benefit corporate pension plans of the Company and domestic consolidated subsidiaries, all of which are funded plans, adopt a cash balance plan-type pension scheme under which lump-sum payments or pension benefits are provided based on salary and length of service. Where the period of participation is 15 years or more, participants may elect to receive pension benefits. Under this cash balance plan-type scheme, the interest crediting rate applied to pension benefits after retirement varies in accordance with market interest rates.

In addition, lump-sum retirement benefit plans, all of which are unfunded plans, provide lump-sum payments based on salary and length of service.

The defined benefit corporate pension plans described above are administered by the Nippon Paint Corporate Pension Fund. The Pension Fund is operated by a representative assembly and a board of directors composed on a joint labor-management basis, and is responsible for the management of plan assets and investment strategy. Directors are jointly and severally liable for any damages caused by a failure to perform their duties with respect to the management and operation of the Pension Fund's assets. Employers make monthly contributions consisting of standard contributions, special contributions, which are additional contributions made when the amount of plan assets fall below the minimum funding standard, and administrative contributions to cover the operating expenses of the Pension Fund.

Defined benefit retirement plans are exposed to actuarial risks. The Nippon Paint Corporate Pension Fund determines the asset allocation ratio with the involvement of personnel possessing specialized knowledge and experience, and manages risks through monthly monitoring.

(ii) Amounts recognized on the consolidated statement of financial position for defined benefit plans

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Present value of the defined benefit obligation	74,501	73,659
Fair value of plan assets	(66,813)	(71,345)
Subtotal	7,688	2,314
Effect of asset ceiling	806	6,994
Net defined benefit liability/asset	8,495	9,308
Amounts in consolidated statement of financial position		
Retirement benefit liabilities	17,682	18,620
Retirement benefit assets	9,187	9,312

(Note) Assets related to retirement benefits are included in "Other non-current assets" on the consolidated statement of financial position.

(iii) Reconciliation of the effect of the asset ceiling

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Beginning balance	—	806
Remeasurements		
Changes in effect of asset ceiling	806	6,172
Interest on effect of asset ceiling	—	14
Ending balance	806	6,994

(Note) The maximum available economic benefit is calculated based on refunds or reductions in future contributions.

(iv) Expected contributions to the plan for the next fiscal year

Pension plans 3,091 million yen

(v) Changes in the present value of the defined benefit obligation

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Beginning balance	76,404	74,501
Amounts recognized in profit or loss		
Current service cost	2,517	2,555
Past service cost	(15)	231
Interest cost	2,165	2,396
Total	4,667	5,184
Amounts recognized in other comprehensive income		
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	505	143
Actuarial gains and losses arising from changes in financial assumptions	(1,745)	(3,723)
Actuarial gains and losses arising from experience adjustments	(422)	(234)
Total	(1,662)	(3,814)
Other		
Benefits paid	(5,765)	(5,860)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Acquisitions through business combinations	323	2,380
Exchange differences	1,003	2,253
Other	(468)	(985)
Total	(4,907)	(2,212)
Ending balance	74,501	73,659

(vi) Changes in the fair value of plan assets

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Beginning balance	62,912	66,813
Amounts recognized in profit or loss		
Interest income	1,720	1,915
Total	1,720	1,915
Amounts recognized in other comprehensive income		
Remeasurements		
Return on plan assets	3,716	2,052
Total	3,716	2,052
Other		
Employer contributions	2,658	2,686
Benefits paid	(4,649)	(4,511)
Acquisitions through business combinations	—	1,063
Exchange differences	365	1,967
Other	88	(641)
Total	(1,536)	564
Ending balance	66,813	71,345

(vii) Fair value of plan assets

Previous fiscal year-end (December 31, 2024)

(Million yen)

	With quoted prices in active markets	Without quoted prices in active markets	Total
Equity instruments			
Shares	11,047	5,465	16,512
Debt instruments			
Bonds	7,041	13,522	20,564
Other assets			
Cash and cash equivalents	1,397	911	2,308
General account of life insurance	—	6,839	6,839
Other	—	20,589	20,589
Total	19,486	47,327	66,813

(Note) Other includes alternative investments, etc.

Current fiscal year-end (December 31, 2025)

(Million yen)

	With quoted prices in active markets	Without quoted prices in active markets	Total
Equity instruments			
Shares	11,710	5,881	17,591
Debt instruments			
Bonds	8,636	9,452	18,088
Other assets			
Cash and cash equivalents	853	2,147	3,001
General account of life insurance	—	7,982	7,982
Other	485	24,194	24,680
Total	21,685	49,659	71,345

(Note) Other includes alternative investments, etc.

(viii) Principal actuarial assumptions used in measuring the present value of the defined benefit obligation

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Discount rate	2.6%	3.0%

(ix) Sensitivity analysis

The amounts by which the defined benefit obligation at the fiscal year-end would change if the principal actuarial assumptions changed are as follows. This sensitivity analysis assumes that all actuarial assumptions other than the assumption under analysis remain constant.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Discount rate		
Increase by 0.5%	(3,988)	(3,827)
Decrease by 0.5%	4,200	3,956

(x) Weighted-average duration of the defined benefit obligation

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Weighted-average duration of the defined benefit obligation (DBO)	12.8 years	11.8 years

(2) Defined contribution plans

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Expenses recognized for defined contribution plans	9,977	9,852

The above includes amounts recognized as expenses related to public plans.

(3) Other post-employment benefit plans

Certain subsidiaries have retirement benefit plans for Directors and Audit & Supervisory Board Members, which are included in “Liabilities related to retirement benefits” on the consolidated statement of financial position.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Liabilities related to directors' retirement benefit plans for Directors and Audit & Supervisory Board Members of subsidiaries	42	39

33. Financial instruments

(1) Capital management

The Group's basic policy on capital management is to maintain an optimal capital structure that ensures financial soundness and flexibility while improving capital efficiency, in order to achieve sustainable enhancement of corporate value and maximize shareholder value through such enhancement. The Group monitors financial indicators to maintain an optimal capital structure. The Group is not subject to any significant capital requirements.

(2) Other financial assets and liabilities

(i) Other financial assets

(a) Breakdown

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Financial assets measured at amortized cost		
Time deposits	31,559	55,444
Negotiable certificates of deposit	4,379	447
Loans receivable	7,117	5,114
Lease receivables	734	638
Other	1,953	3,427
Financial assets measured at fair value through profit or loss (FVTPL)		
Short-term investments	114,214	97,229
Shares	15	13
Derivative assets	12,769	3
Other	4,751	3,899
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Debt instruments	10,005	27,903
Shares	17,523	14,534
Other	156	181
Total	205,179	208,837
Current	153,584	179,460
Non-current	51,595	29,377
Total	205,179	208,837

(b) Equity instruments designated at fair value through other comprehensive income (FVOCI) (no recycling)

(1) Fair value of principal securities

As shares are mainly held to maintain and strengthen transactional and collaborative relationships, they are designated as equity instruments designated at fair value through other comprehensive income (FVOCI) (no recycling) .

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
YODOKO, Ltd.	3,068	1,861
Mazda Motor Corporation	1,269	1,428
Daiwa House Industry Co., Ltd.	1,025	1,097
O-Well Corporation	832	956
Other	11,326	9,190
Total	17,523	14,534

(2) Disposals (derecognition)

To enhance asset efficiency and effective utilization, the Group has sold (derecognized) equity instruments designated at fair value through other comprehensive income (FVOCI) (no recycling). The fair values at the time of sale and cumulative gains or losses on sale were as follows. Cumulative gains or losses (after tax) previously recognized in other components of equity are transferred to retained earnings upon sale.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Fair value	156	8,405
Cumulative gains or losses	125	5,048

(ii) Other financial liabilities

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Financial liabilities measured at amortized cost		
Deposits received and long-term deposits received	16,207	17,322
Dividends payable	152	160
Other	587	1,088
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Derivative liabilities	124	40
Lease liabilities	101,782	105,612
Written put option liability over non-controlling interests	33,990	39,198
Total	152,844	163,423
Current	27,244	39,473
Non-current	125,600	123,950
Total	152,844	163,423

(3) Financial risk management

As the Group operates and conducts financial activities globally, it is exposed to various financial risks including foreign exchange risk, credit risk, liquidity risk, and interest rate risk. The Group manages risks using financial instruments based on certain policies to avoid or reduce impacts on the Group's financial position and operating results.

In addition, the Group uses derivative transactions to hedge foreign exchange and other risks, and its policy is not to engage in speculative transactions.

(i) Credit risk management

The Group has a large number of customers and therefore is not exposed to any significant concentration of credit risk. In accordance with credit management rules and other relevant policies, the Group regularly monitors the credit status of major customers with respect to trade and other receivables, manages due dates and outstanding balances by counterparty, and seeks early identification and mitigation of collectability concerns arising from deterioration in counterparties' financial conditions.

With respect to derivative transactions, the Group limits counterparties to highly creditworthy financial institutions and other entities in order to minimize credit risk arising from counterparty default.

The maximum exposure to credit risk of financial assets is the carrying amount after impairment presented in the consolidated statement of financial position, without taking into account any credit enhancements held. The Group holds collateral or credit enhancements for certain specific credit exposures.

(a) Credit risk exposure

(1) Other financial assets (financial assets measured at amortized cost)

(Loans and others)

(Million yen)

	Gross carrying amount		
	12-month expected credit losses	Lifetime expected credit losses	
		For assets that are not credit-impaired financial assets	Credit-impaired financial assets relating to
Previous fiscal year (December 31, 2024)	7,710	—	2,124
Current fiscal year (December 31, 2025)	7,739	—	1,514

(2) Other financial assets (financial assets measured at fair value through other comprehensive income)

(Debt instruments)

(Million yen)

	Gross carrying amount		
	12-month expected credit losses	Lifetime expected credit losses	
		For assets that are not credit-impaired financial assets	Credit-impaired financial assets relating to
Previous fiscal year (December 31, 2024)	10,005	—	—
Current fiscal year (December 31, 2025)	27,903	—	—

(3) Trade and other receivables (financial assets measured at amortized cost)

The Group's exposure to credit risk in respect of trade and other receivables is as follows. With respect to expected credit losses on trade receivables arising from contracts with customers, the Group applies the simplified approach prescribed in IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses, after grouping receivables based on shared credit risk characteristics.

Exposure to credit risk in respect of other receivables is insignificant.

(Million yen)

	Not past due	Past due			Total
		Within 6 months past due	Over 6 months and within 1 year past due	Over 1 year past due	
Previous fiscal year (December 31, 2024)					
Gross carrying amount	309,128	44,563	8,119	50,188	412,000
Allowance rate	0.1%	1.7%	25.5%	63.3%	8.5%
Allowance for doubtful accounts	(192)	(775)	(2,068)	(31,793)	(34,830)
Current fiscal year (December 31, 2025)					

	Not past due	Past due			Total
		Within 6 months past due	Over 6 months and within 1 year past due	Over 1 year past due	
Gross carrying amount	336,458	43,965	5,532	61,115	447,071
Allowance rate	0.0%	1.8%	21.4%	58.6%	8.5%
Allowance for doubtful accounts	(157)	(769)	(1,183)	(35,824)	(37,935)

(b) Changes in allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)					Total
	Trade and other receivables	Other financial assets				
		Financial assets measured at amortized cost		Financial assets measured at fair value through other comprehensive income		
		Financial assets for which the loss allowance is always measured at an amount equal to lifetime expected credit losses	Credit- impaired financial assets	Measured at an amount equal to 12-month expected credit losses	Credit- impaired financial assets	
Beginning balance	6,332	25,119	—	1,779	17	33,249
Provisions recognized during the year	2,394	3,076	—	786	—	6,257
Decreases during the period (reversal)	(1,114)	(3,052)	—	(0)	—	(4,166)
Decreases during the period (amounts used)	(619)	(630)	—	(0)	—	(1,250)
Increases due to business combinations	681	138	—	—	—	819
Other(exchange differences, etc.)	793	1,713	—	169	(0)	2,675
Ending balance	8,466	26,363	—	2,735	17	37,583

(Million yen)

Current fiscal year (From January 1, 2025 To December 31, 2025)						
Other financial assets						
	Trade and other receivables		Financial assets measured at amortized cost		Financial assets measured at fair value through other comprehensive income	Total
	Financial assets for which the loss allowance is always measured at an amount equal to lifetime expected credit losses	Credit- impaired financial assets	Measured at an amount equal to 12-month expected credit losses	Credit- impaired financial assets	Measured at an amount equal to 12-month expected credit losses	
Beginning balance	8,466	26,363	—	2,735	17	37,583
Provisions recognized during the year	4,473	2,176	—	5	—	6,655
Decreases during the period (reversal)	(2,037)	(1,667)	—	(182)	(1)	(3,888)
Decreases during the period (amounts used)	(594)	(392)	—	—	—	(987)
Increases due to business combinations	386	7	—	—	—	393
Other (exchange differences, etc.)	(28)	781	—	91	—	844
Ending balance	10,665	27,269	—	2,650	15	40,601

(Note) The allowance for doubtful accounts mainly relates to receivables arising from contracts with customers.

(ii) Foreign exchange risk management

As the Group actively expands its business globally, it is exposed to various currency exposures and foreign exchange risks arising in respect of each currency. Foreign exchange risk arises from future business transactions and recognized assets and liabilities.

The Group hedges foreign exchange fluctuation risk associated with foreign currency-denominated trade receivables and payables, as identified by currency, by using forward exchange contracts.

(a) Exposure to foreign exchange fluctuations

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
USD	(448)	4,129
GBP	33	977
RMB	(288)	(866)

(b) Exchange rate sensitivity

If, for foreign-currency-denominated financial instruments held by the Group at the fiscal year-end, the exchange rates at the fiscal year-end had appreciated by 1% against each currency, the impact on profit before tax in the consolidated statement of profit or loss would have been as follows. This analysis multiplies a 1% change by the foreign exchange risk exposure and assumes that exchange rate fluctuations have no effect on other variables (exchange rates of other currencies, interest rates, etc.) .

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
USD (1% appreciation of the yen)	4	(41)
GBP (1% appreciation of the yen)	(0)	(9)
RMB (1% appreciation of the yen)	2	8

(iii) Interest rate risk management

The Group's interest rate risk arises from interest-bearing liabilities net of cash equivalents and others. Bonds and borrowings with variable interest rates are exposed to interest rate fluctuation risk.

For certain foreign-currency-denominated borrowings, the Group uses interest rate derivatives to hedge the risk of fluctuations in interest payments.

If interest rates had increased by 1% for financial instruments held by the Group at the fiscal year-end, the impact on profit before tax in the consolidated statement of profit or loss would have been as follows. This analysis targets financial instruments affected by interest rate fluctuations and assumes other factors, such as foreign exchange fluctuations, remain constant.

(a) Exposure to interest rate fluctuation risk

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Bonds and borrowings	118,537	708,865

(b) Interest rate sensitivity

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Profit before tax	(1,185)	(7,088)

(iv) Liquidity risk management

The Group mainly procures funds necessary for management from borrowings from major financial institutions, and manages temporary surplus funds in highly liquid short-term financial assets.

The Group constantly monitors cash flow status and outlook and mitigates liquidity risk by using overdraft and commitment line agreements with major financial institutions.

(a) Maturity analysis of financial liabilities (including derivative financial instruments)

Previous fiscal year (December 31, 2024)

(Million yen)

	Carrying amount	Contractual cash flows	Due within 1 year	Due after 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	292,513	292,513	290,556	1,915	18	3	10	9
Bonds and borrowings	760,013	771,211	149,869	126,610	113,019	142,363	128,850	110,496
Lease liabilities	101,782	134,708	19,716	17,483	14,884	12,377	10,207	60,037
Deposits received and long-term deposits received	16,207	16,207	9,990	65	2	1	—	6,148
Written put option liability over non-controlling interests	33,990	39,237	48	18,634	11,640	8,913	—	—
Dividends payable	152	152	152	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	124	124	124	—	—	—	—	—

Current fiscal year (December 31, 2025)

(Million yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	289,380	289,380	289,358	3	0	15	0	1
Bonds and borrowings	1,421,892	1,518,240	140,675	126,584	230,463	189,349	290,505	540,661

	Carrying amount	Contractual cash flows	Due within one year	Due after one year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Lease liabilities	105,612	131,011	21,463	18,579	14,800	12,696	11,004	52,466
Deposits received and long-term deposits received	17,322	17,322	11,509	2	1	—	1	5,807
Written put option liability over non-controlling interests	39,198	43,068	8,847	12,443	8,846	463	—	12,466
Dividends payable	160	160	160	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	40	40	40	—	—	—	—	—

(b) Unused borrowing facilities

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Due within one year	151,740	131,523
Due after one year	8,145	20

(4) Fair value

In measuring fair value, the Group uses observable market data to the extent available.

Fair value measurements are classified into the following levels based on the level of inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

Transfers between levels of the fair value hierarchy are recognized at the date of the event or change in circumstances that caused the transfer. Hedge accounting is applied for certain derivatives.

(i) Fair value of financial instruments

(Million yen)

	Previous fiscal year (December 31, 2024)		Current fiscal year (December 31, 2025)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through profit or loss (FVTPL)				
Short-term investments	114,214	114,214	97,229	97,229
Shares	15	15	13	13
Derivative assets	12,769	12,769	3	3
Other financial assets	4,751	4,751	3,899	3,899
Financial assets measured at fair value through other comprehensive income				
Shares	17,523	17,523	14,534	14,534
Other financial assets	10,162	10,162	28,085	28,085
Financial liabilities measured at amortized cost				
Bonds and borrowings	760,013	742,534	1,421,892	1,394,489
Financial liabilities measured at fair value through profit or loss (FVTPL)				
Derivative liabilities	124	124	40	40
Other				
Written put option liability over non-controlling interests	33,990	33,990	39,198	39,198

The following financial instruments measured at amortized cost are not included above because their carrying amounts approximate fair value: Cash and cash equivalents, trade and other receivables, time deposits, loans, bonds, other financial assets (other), trade and other payables, deposits received and long-term deposits received, and other financial liabilities (other) measured at amortized cost.

Methods for estimating the fair value of financial instruments are as follows.

(a) Bonds and borrowings

The fair value of bonds and long-term borrowings is calculated as the present value of total principal and interest over the remaining period discounted at the interest rates assumed for new borrowings of a similar nature; these are classified as Level 2.

(b) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities, respectively, and are classified as financial assets and financial liabilities measured at fair value through profit or loss within Level 2. These instruments are forward exchange contracts, and fair value is measured based on forward exchange rates.

(c) Shares

Shares are included in other financial assets and are mainly classified as financial assets measured at fair value through other comprehensive income. Level 1 instruments are listed shares traded in active markets, measured using stock exchange market prices. Unlisted shares are measured mainly using comparable company analysis or net asset value-based valuation techniques and classified as Level 3.

(d) Short-term investments

Short-term investments are included in other financial assets and classified as financial assets measured at fair value through profit or loss. Short-term investments are operated with surplus funds in highly safe and liquid financial products. Fair value is measured mainly using discounted cash flow-based valuation techniques and classified as Level 2. Significant unobservable inputs for measurement include parameters, foreign exchange rates, and interest rates used by counterparty financial institutions to calculate prices; changes in these inputs increase or decrease the fair value of short-term investments.

(e) Other financial assets (financial assets measured at fair value through other comprehensive income)

Other financial assets in financial assets measured at fair value through other comprehensive income are mainly notes receivable. Fair value is measured using discounted cash flow methods and classified mainly as Level 2.

(f) Written put options over non-controlling interests

The fair value of written put option liabilities over non-controlling interests is calculated based on discounted cash flow methods.

(ii) Fair value hierarchy

(a) Breakdown by level within the fair value hierarchy for financial assets and financial liabilities measured at fair value on a recurring basis

The Group reassesses classifications by each year-end to determine whether any transfers between levels of the fair value hierarchy have occurred. There were no transfers between Levels 1 and 2 in the previous or current fiscal years.

Previous fiscal year (December 31, 2024)

(Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss (FVTPL)				
Short-term investments	—	114,214	—	114,214
Shares	15	—	—	15
Derivative assets	—	12,769	—	12,769
Other financial assets	19	1,645	3,085	4,751
Subtotal	34	128,629	3,085	131,750
Financial assets measured at fair value through other comprehensive income				
Shares	13,145	5	4,371	17,523
Other financial assets	—	10,148	13	10,162
Subtotal	13,145	10,153	4,385	27,685
Total assets	13,180	138,783	7,471	159,435
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (FVTPL)				
Derivative liabilities	—	124	—	124
Subtotal	—	124	—	124
Other				
Written put option liability over non-controlling interests	—	—	33,990	33,990
Subtotal	—	—	33,990	33,990
Total liabilities	—	124	33,990	34,114

Current fiscal year (December 31, 2025)

(Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss (FVTPL)				
Short-term investments	—	97,229	—	97,229
Shares	13	—	—	13
Derivative assets	—	3	—	3
Other financial assets	21	785	3,093	3,899
Subtotal	35	98,017	3,093	101,146
Financial assets measured at fair value through other comprehensive income				
Shares	12,657	5	1,870	14,534
Other financial assets	—	28,047	37	28,085
Subtotal	12,657	28,053	1,908	42,620
Total assets	12,692	126,071	5,001	143,766
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (FVTPL)				
Derivative liabilities	—	40	—	40
Subtotal	—	40	—	40
Other				
Written put option liability over non-controlling interests	—	—	39,198	39,198
Subtotal	—	—	39,198	39,198
Total liabilities	—	40	39,198	39,239

(b) Financial instruments classified as Level 2

Financial instruments classified as Level 2 mainly include short-term investments, other financial assets, derivative assets, and derivative liabilities. Fair value is measured based on observable inputs such as parameters used by counterparty financial institutions to calculate prices, foreign exchange rates, and interest rates.

(c) Financial instruments classified as Level 3

Financial instruments classified as Level 3 consist mainly of unlisted shares. Fair value is measured using comparable company analysis or net asset value-based valuation techniques.

Fair value of unlisted shares is measured by responsible departments of the Company and Group companies in accordance with Group accounting policies; the basis for changes in fair value is reported to senior management.

For financial instruments classified as Level 3, significant changes in fair value are not expected if unobservable inputs are changed to reasonably possible alternative assumptions.

Changes in fair value of financial instruments classified as Level 3

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Balance at beginning of period	7,649	7,471
Gains and losses		
Profit or loss (Note 1)	235	(474)
Other comprehensive income (Note 2)	(403)	(2,519)
Purchases, issues, sales, and settlements		
Purchases	261	534
Sales and redemptions	(86)	(143)
Transfers to assets held for sale	(733)	—
Exchange differences	548	110
Changes due to business combinations	—	22
Balance at end of period	7,471	5,001
Changes in unrealized gains or losses recognized in profit or loss for assets held at the end of the reporting period (Note 1)	235	(474)

(Notes) 1. Included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss.

2. Included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

3. The balance of written put option liabilities classified as Level 3 was JPY20,775 million at the beginning of the previous fiscal year. The balance at the end of the previous fiscal year, which was also the balance at the beginning of the current fiscal year, was JPY33,990 million, and the balance at the end of the current fiscal year was JPY39,198 million. Changes during the previous and current fiscal years were mainly attributable to new recognition and changes in fair value and foreign exchange rates.

(5) Derivatives

The principal derivatives used by the Group to mitigate foreign exchange and interest rate risks are as follows.

(i) Derivative transactions not designated as hedges

Previous fiscal year (December 31, 2024)

(Million yen)

	Maturity (years)	Notional amount	Assets	Liabilities
Foreign exchange forward contracts	0–1 year	5,872	8	109
Currency swaps	0–1 year	361	—	14

Current fiscal year (December 31, 2025)

(Million yen)

	Maturity (years)	Notional amount	Assets	Liabilities
Foreign exchange forward contracts	0–1 year	4,013	0	40
Currency swaps	0–1 year	430	1	1

(ii) Derivative transactions designated as hedges

(a) Overview of hedging instruments

Previous fiscal year (December 31, 2024)

(Million yen)

		Maturity (years)	Notional amount	Carrying amount of hedging instrument		Line item in the consolidated statement of financial position that includes the hedging instrument
				Assets	Liabilities	
Cash flow hedges						
Foreign exchange risk	Foreign exchange forward contracts	0–1 year	347,424	12,761	—	Other financial assets (current)

(Notes) 1. Principal rates for forward exchange contracts were USD 0.65–USD 0.68 per AUD and JPY 149.78–JPY 151.05 per USD.

2. As amounts of hedge ineffectiveness recognized in profit or loss were immaterial, disclosures of changes in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness are omitted.

Current fiscal year (December 31, 2025)

(Million yen)

		Maturity (years)	Notional amount	Carrying amount of hedging instrument		Line item in the consolidated statement of financial position that includes the hedging instrument
				Assets	Liabilities	
Cash flow hedges						
Foreign exchange risk	Foreign exchange forward contracts	0–1 year	185	3	—	Other financial assets (current)

(Notes) 1. The principal rate for forward exchange contracts was HKD 5.11 per AUD.

2. As amounts of hedge ineffectiveness recognized in profit or loss were immaterial, disclosures of changes in fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness are omitted.

(b) Overview of hedged items (before tax effects)

Previous fiscal year (December 31, 2024)

(Million yen)

		Carrying amount		Cumulative amount of fair value hedge adjustment included in the carrying amount of the hedged item		Line item in the consolidated statement of financial position
		Assets	Liabilities	Assets	Liabilities	
Cash flow hedges						
Foreign exchange risk	Forecast transactions	—	—	—	—	—

Current fiscal year (December 31, 2025)

(Million yen)

		Carrying amount		Cumulative amount of fair value hedge adjustment included in the carrying amount of the hedged item		Line item in the consolidated statement of financial position
		Assets	Liabilities	Assets	Liabilities	
Cash flow hedges						
Foreign exchange risk	Forecast transactions	—	—	—	—	—

(c) Information on cash flow hedges (before tax effects)

Previous fiscal year (December 31, 2024)

(Million yen)

		Hedge gains/losses recognized in other comprehensive income during the reporting period	Other components of equity (cash flow hedge reserve)	Transfers from other components of equity to profit or loss		Reclassification adjustments from other components of equity to non-financial assets	
				Amount	Line item in the consolidated statement of profit or loss	Amount	Line item in the consolidated statement of financial position
Foreign exchange risk	Forecast transactions	12,777	12,731	—	—	—	—

Current fiscal year (December 31, 2025)

(Million yen)

		Hedge gains/losses recognized in other comprehensive income during the reporting period	Other components of equity (cash flow hedge reserve)	Transfers from other components of equity to profit or loss		Reclassification adjustments from other components of equity to non-financial assets	
				Amount	Line item in the consolidated statement of profit or loss	Amount	Line item in the consolidated statement of financial position
Foreign exchange risk	Forecast transactions	(14,494)	18	—	—	1,781	Goodwill

34. Share capital

(1) Number of authorized and issued shares

	Authorized shares (thousand shares)	Issued shares (thousand shares)
January 1, 2024	5,000,000	2,370,512
Increase	—	—
Decrease	—	—
December 31, 2024	5,000,000	2,370,512
Increase	—	—
Decrease	—	—
December 31, 2025	5,000,000	2,370,512

(Note) All shares issued by the Company are non-par value common shares with no restrictions on rights.

(2) Changes in treasury shares

	Number of shares (thousand shares)	Amount (million yen)
January 1, 2024	21,905	6,049
Increase	1	1
Decrease	(125)	(34)
December 31, 2024	21,780	6,015
Increase	20,898	20,907
Decrease	(109)	(37)
December 31, 2025	42,570	26,885

(Notes) 1. The increase of 1,190 treasury shares in the previous fiscal year was due to purchases of shares less than one unit at the request of shareholders. The increase of 20,898,200 treasury shares in the current fiscal year was due to the acquisition of treasury shares pursuant to provisions of the Articles of Incorporation under Article 459, Paragraph 1 of the Companies Act and purchases of shares less than one unit at the request of shareholders.

2. The decrease of 125,400 treasury shares in the previous fiscal year was due to exercises of stock options and grants of restricted stock. The decrease of 109,000 treasury shares in the current fiscal year was due to exercises of stock options, grants of restricted stock, and sales of shares less than one unit at the request of shareholders.

35. Capital surplus

Under the Companies Act of Japan, at least one-half of the amounts paid in or contributed for the issuance of shares must be included in share capital, with the remainder included in capital reserve within capital surplus. The Companies Act also provides that capital reserve may be transferred to share capital by resolution of a General Meeting of Shareholders.

With respect to written put options granted to owners of non-controlling interests over shares of subsidiaries, the Group recognizes the present value of the redemption amount, calculated by discounting the expected future cash flows, as a financial liability, and recognizes subsequent changes after initial recognition in capital surplus. The present value of the redemption amount of such financial liabilities is disclosed in Note “33. Financial instruments.”

36. Retained earnings

Under the Companies Act, one-tenth of the amount to be distributed as dividends of surplus must be set aside as capital reserve or earned reserve until the total amount of capital reserve and earned reserve equals one-quarter of share capital. Earned reserve may be used to eliminate deficits. Earned reserve may also be reversed by resolution of a General Meeting of Shareholders.

The Company’s distributable amount under the Companies Act is calculated based on the amount of retained earnings in the Company’s accounting records prepared in accordance with generally accepted accounting principles in Japan.

The Companies Act imposes certain restrictions on the calculation of the distributable amount, and the Company distributes retained earnings within these restrictions.

37. Other components of equity

Other components of equity are as follows.

(1) Stock acquisition rights

Stock acquisition rights related to the stock option plan

(2) Changes in fair value of financial assets at FVTOCI

Valuation differences of FVTOCI financial assets

(3) Exchange differences on translating foreign operations

Exchange differences arising from translating the financial statements of overseas subsidiaries and other entities into the Group’s presentation currency and the effects of hedges of net investments in foreign operations

(4) Remeasurements of defined benefit plans

Changes arising from remeasurements of defined benefit plans

(5) Cash flow hedges

Amounts recognized as the effective portion of changes in fair value of derivatives designated as cash flow hedges

38. Other comprehensive income

Changes during the period for each component of other comprehensive income

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Financial assets measured at fair value through other comprehensive income		
Amount recognized during the period	(311)	(1,543)
Tax effects	(421)	(158)
Net of tax	(732)	(1,701)
Remeasurements of defined benefit plans		
Amount recognized during the period	4,572	(305)
Tax effects	(1,298)	170
Net of tax	3,274	(135)
Share of other comprehensive income of equity-accounted investees		
Amount recognized during the period	(41)	(70)
Net of tax	(41)	(70)
Total items that will not be reclassified to profit or loss	2,499	(1,908)
Exchange differences on translation of foreign operations		
Amount recognized during the period	141,734	105,856
Reclassification adjustments	(54)	(157)
Net of tax	141,680	105,698
Cash flow hedges		
Amount recognized during the period	12,777	(14,494)
Reclassification adjustments	—	—
Tax effects	(3,907)	3,887
Net of tax	8,870	(10,606)
Share of other comprehensive income of equity-accounted investees		
Amount recognized during the period	(577)	1,180
Net of tax	(577)	1,180
Total items that may be reclassified to profit or loss	149,972	96,271
Total other comprehensive income	152,472	94,363

39. Share-based payment

(1) Stock option plan

(i) Overview

The Company has introduced a stock option plan and granted stock options to its Directors(excluding Outside Directors) and Executive Officers from 2015 to 2019. This plan is intended primarily to enhance motivation and morale toward improving the Group's performance and achieving sustainable growth.

Stock options are granted as stock acquisition rights to eligible recipients resolved by the Board of Directors based on the contents approved at the General Meeting of Shareholders.

Each stock acquisition right entitles the holder to receive 500 shares of the Company's common stock, and the exercise price per share is ¥1.

Holders of stock acquisition rights may exercise their rights from the day after three years have passed since the allotment date (the "Allotment Date"). The exercise period is within 30 years from the day following the Allotment Date, and any options not exercised within this period will lapse.

The Company's share-based payment plan is accounted for as equity-settled share-based payment.

(ii) Changes in the number of unexercised stock options and weighted average exercise price

	Previous fiscal year (From January 1, 2024 To December 31, 2024)		Current fiscal year (From January 1, 2025 To December 31, 2025)	
	Weighted average exercise price(Yen)	Number of shares (shares)	Weighted average exercise price(Yen)	Number of shares (shares)
Balance at beginning of period outstanding	1	113,000	1	74,000
Granted	—	—	—	—
Exercised	1	(39,000)	1	(26,000)
Forfeited	—	—	—	—
Expired at maturity	—	—	—	—
Balance at end of period outstanding		74,000		48,000
Balance exercisable at end of period		74,000		48,000

(Notes) 1. The numbers of stock options are presented converted into numbers of shares.

2. There were no cancellations or modifications to stock options in the previous and current fiscal years.

3. Weighted average share price at the exercise date of stock options exercised during the period

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Weighted average share price at the exercise date	JPY 1,105	JPY 1,009

(iii) Expiry dates and exercise prices of unexercised options at the fiscal year-end

	Expiration date	Exercise price per share (yen)	Number of shares (shares)	
			Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Issued in July 2015	July 14, 2045	1	6,000	6,000
Issued in April 2016	April 12, 2046	1	3,000	—
Issued in July 2016	July 15, 2046	1	14,000	10,000
Issued in April 2017	April 18, 2047	1	18,500	11,000
Issued in January 2018	January 11, 2048	1	7,500	7,500
Issued in July 2018	July 10, 2048	1	18,500	10,500
Issued in February 2019	February 14, 2049	1	6,500	3,000
Total			74,000	48,000

(2) Restricted stock compensation plan

(i) Overview

The Company has introduced a restricted stock compensation plan (the “Plan”) to provide incentives for sustainable enhancement of shareholder value and to further promote value sharing with our shareholders.

Eligible recipients under the Plan pay in as a contribution in kind all monetary compensation claims paid by the Group under the Plan, and receive an issuance or disposition of the Company’s common shares. The paid-in amount per share is determined by the Board of Directors within a range that is not particularly advantageous to the Directors receiving the shares, based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board resolution (or the closing price on the most recent trading day prior thereto if no trading occurred on that date). Issuance or disposition of the Company’s common shares (the “Allotted Shares”) under the Plan is conditioned on the conclusion of an agreement for allotment of restricted stock between the Company and each eligible recipient that includes provisions: (i) prohibiting the transfer to third parties, creation of security interests, or any other disposition of the Allotted Shares for a certain period; and (ii) enabling the Company to acquire the Allotted Shares without consideration upon the occurrence of certain events.

(ii) Number of shares granted during the period and fair value

Grant date	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
	May 14, 2024	May 16, 2025
Number granted (shares)	81,600	83,400
Fair value at grant date (yen)	1,080	1,087

(iii) Share-based payment expenses

The amounts recognized as expenses related to the restricted stock compensation plan and included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss were 97 million and 90 million in the previous and current fiscal years, respectively.

40. Interests in other entities

(1) Significant subsidiaries

Significant subsidiaries are described in “Part 1 Overview of the Company, 4 Status of related companies.”

(2) Aggregated information on individually immaterial associates

(i) Aggregate carrying amount of individually immaterial associates

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Aggregate carrying amount of individually immaterial associates	30,240	30,056

(ii) Aggregate summarized financial information of individually immaterial associates

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Share of profit for the period	2,569	2,108
Share of other comprehensive income	(619)	1,109
Share of total comprehensive income	1,950	3,218

41. Commitments

(1) Capital expenditure contracts

Capital expenditures contracted but not yet incurred as of the end of the reporting period are as follows.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Property, plant and equipment	9,010	6,856
Other intangible assets	249	112

(2) Commitments with financial institutions

To procure funds efficiently, the Group has entered into overdraft and commitment line agreements with financial institutions.

Unused borrowing facilities are disclosed in “Note 33. Financial instruments.”

42. Accounting for hyperinflation

In FY2022, as the three-year cumulative inflation rate in Türkiye based on the consumer price index exceeded 100%, the Group determined that subsidiaries in Türkiye whose functional currency is the Turkish lira were operating in a hyperinflationary economy. Accordingly, the Group has adjusted the financial statements of subsidiaries in Türkiye in accordance with the requirements of IAS 29, "Financial Reporting in Hyperinflationary Economies."

IAS 29 requires that the financial statements of the Group's subsidiaries in Türkiye be restated in terms of the measuring unit current at the end of the reporting period before being included in the Group's consolidated financial statements.

For the purpose of restating the financial statements of subsidiaries in Türkiye, the Group uses conversion factors calculated from the consumer price index (CPI) in Türkiye published by the Turkish Statistical Institute. The CPIs since December 2004 and the corresponding conversion factors are as follows.

Date	Consumer Price Index (CPI) (Average for 2003 = 100)	Conversion factor
December 31, 2004	113.86	30.86
December 31, 2005	122.65	28.65
December 31, 2006	134.49	26.13
December 31, 2007	145.77	24.11
December 31, 2008	160.44	21.90
December 31, 2009	170.91	20.56
December 31, 2010	181.85	19.32
December 31, 2011	200.85	17.49
December 31, 2012	213.23	16.48
December 31, 2013	229.01	15.34
December 31, 2014	247.72	14.18
December 31, 2015	269.54	13.04
December 31, 2016	292.54	12.01
December 31, 2017	327.41	10.73
December 31, 2018	393.88	8.92
December 31, 2019	440.50	7.98
December 31, 2020	504.81	6.96
December 31, 2021	686.95	5.12
December 31, 2022	1,128.45	3.11
December 31, 2023	1,859.38	1.89
December 31, 2024	2,684.55	1.31
January 31, 2025	2,819.65	1.25
February 28, 2025	2,883.75	1.22
March 31, 2025	2,954.69	1.19
April 30, 2025	3,043.23	1.15
May 31, 2025	3,089.74	1.14
June 30, 2025	3,132.17	1.12
July 31, 2025	3,196.66	1.10

August 31, 2025	3,261.72	1.08
September 30, 2025	3,367.22	1.04
October 31, 2025	3,453.09	1.02
November 30, 2025	3,482.96	1.01
December 31, 2025	3,513.87	1.00

With respect to non-monetary items such as property, plant and equipment carried at historical cost, subsidiaries in Türkiye restate such amounts using conversion factors based on the date of acquisition. Monetary items and non-monetary items carried at current cost are not restated, as they are considered to be stated in terms of the measuring unit current at the end of the reporting period. The effect of inflation on net monetary positions is presented in “Finance income” or “Finance costs” in the consolidated statement of profit or loss.

In addition, the statements of profit or loss and cash flows of subsidiaries in Türkiye for the previous and current fiscal years are restated by applying the conversion factors shown in the table above.

The financial statements of subsidiaries in Türkiye are translated at the exchange rate at the end of the reporting period and included in the Group’s consolidated financial statements. Comparative consolidated financial statements have not been restated in accordance with paragraph 42(b) of IAS 21 “The Effects of Changes in Foreign Exchange Rates.”

43. Related party transactions

Related party transactions conducted during the reporting period are as follows.

(1) Transaction amounts with related parties

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

Category	Name	Nature of transaction	Transaction amount	Outstanding balance
Companies in which Directors and their close members of the family own a majority of the voting rights	Nipsea Holdings International Limited	Other transactions (expenses)	—	254
	Nipsea International Limited	Dividends paid	19,395	—
	Nippon Paint (India) Private Limited	Sale of goods and services	1,513	—
		Purchase of goods and services	392	—
		Other transactions (expenses)	23	—
		Other transactions (income)	262	—
	Fraser (HK) Limited	Dividends paid	1,275	—
	Isaac Newton Corporation	Other transactions (income)	—	274
		Acquisition of shares of subsidiaries	14,472	—
	Berger Nippon Paint Automotive Coatings Private Limited	Sale of goods and services	980	—
		Purchase of goods and services	10	—
		Other transactions (income)	27	—
	Nippon Paint Automotive (UK) Ltd.	Sale of goods and services	2,864	1,704
		Purchase of goods and services	14	14
	Nippon Paint Automotive Coatings (Czech) S.R.O.	Sale of goods and services	28	5
		Purchase of goods and services	755	144
		Other transactions (income)	34	12
	Nippon Paint Automotive Europe GmbH	Sale of goods and services	189	46
		Purchase of goods and services	26	26
		Other transactions (expenses)	45	36

Category	Name	Nature of transaction	Transaction amount	Outstanding balance
		Other transactions (income)	249	96
	NPME Nippon Paints & Coating Materials Trading L.L.C	Sale of goods and services	28	—

(Notes) 1. Policy for determining transaction terms and conditions

Transaction amounts are determined in consideration of transactions with third parties.

2. Nipsea International Limited is the Company's parent company.
3. No allowance for doubtful accounts is recognized for receivables from related parties, and no expenses related to bad debts were recognized during the period.
4. Nippon Paint Automotive (UK) Ltd., Nippon Paint Automotive Coatings (Czech) S.R.O. and Nippon Paint Automotive Europe GmbH were companies with the same parent company as the Company as of the previous fiscal year; however, as of December 23, 2024, there was a change in shareholders of Nipsea International Limited, the Company's parent company, and these companies are no longer companies with the same parent company.
5. Nippon Paint (India) Private Limited, Berger Nippon Paint Automotive Coatings Private Limited and NPME Nippon Paints & Coating Materials Trading L.L.C were companies with the same parent company as the Company but, upon completion of the acquisitions on November 16, 2024, became the Company's consolidated subsidiaries.

Current fiscal year (From January 1, 2025 To December 31, 2025)

(Million yen)

Category	Name	Nature of transaction	Transaction amount	Outstanding balance
	Nipsea Holdings International Limited	Other transactions (expenses)	—	240
	Nipsea International Limited	Dividends paid	20,688	—
	Fraser (HK) Limited	Dividends paid	1,360	—
	Nippon Paint Automotive (UK) Ltd.	Sale of goods and services	2,835	1,310
		Purchase of goods and services	93	22
Companies in which Directors and their close members of the family own a majority of the voting rights	Nippon Paint Automotive Coatings (Czech) S.R.O.	Sale of goods and services	27	8
		Purchase of goods and services	785	186
		Other transactions (income)	17	2
		Sale of goods and services	188	78
Nippon Paint Automotive Europe GmbH		Purchase of goods and services	46	19
		Dividends paid	404	—
		Other transactions (expenses)	16	44
Nippon Paint Automotive (France) SAS		Sale of goods and services	210	108
		Purchase of goods and services	10	—

(Notes) 1. Policy for determining transaction terms and conditions

Transaction amounts are determined in consideration of transactions with third parties.

2. Nipsea International Limited is the Company's parent company.

3. No allowance for doubtful accounts is recognized for receivables from related parties, and no expenses related to bad debts were recognized during the period.

(2) Compensation of key management personnel

Details regarding compensation of key management personnel are presented in "Note 8. Cost of sales, selling, general and administrative expenses."

44. Subsequent events

There were no applicable items.

(2) 【Others】

Interim information for the current fiscal year

		Interim period	Current fiscal year
Revenue	(million yen)	852,428	1,774,231
Profit before tax for the interim (current) period	(million yen)	116,045	250,565
Profit attributable to owners of the parent for the interim (current) period	(million yen)	87,454	179,800
Basic earnings per share for the interim (current) period	(yen)	37.23	76.66

2 【Financial Statements and Related Information】

(1) 【Financial Statements】

(i) 【Balance sheet】

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Assets		
Current assets		
Cash and deposits	69,785	58,059
Other receivables	※1 22,870	※1 23,017
Other	※1 23,711	※1 9,512
Total current assets	116,368	90,589
Non-current assets		
Property, plant and equipment		
Buildings	73	56
Other	39	31
Total property, plant and equipment	113	87
Intangible assets		
Other	8	5
Total intangible assets	8	5
Investments and other assets		
Investment securities	7,940	1,781
Shares of affiliates	2,162,662	2,162,662
Investments in affiliates	—	670,664
Other	328	641
Total investments and other assets	2,170,931	2,835,750
Total non-current assets	2,171,054	2,835,843
Total assets	2,287,422	2,926,432

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Liabilities		
Current liabilities		
Deposits received from affiliates	13,236	18,221
Current portion of long-term borrowings	145,000	123,000
Other	※1 1,208	※1 1,616
Total current liabilities	159,444	142,838
Non-current liabilities		
Long-term borrowings	611,000	1,298,000
Deferred tax liabilities	5,426	557
Other	27	41
Total non-current liabilities	616,454	1,298,598
Total liabilities	775,898	1,441,436
Net assets		
Shareholders' equity		
Share capital	671,432	671,432
Capital surplus		
Legal capital surplus	670,904	670,904
Other capital surplus	1,830	1,903
Total capital surplus	672,734	672,808
Retained earnings		
Legal retained earnings	3,995	3,995
Other retained earnings		
Retained earnings brought forward	158,174	163,559
Total retained earnings	162,170	167,555
Treasury shares	(5,935)	(26,811)
Total shareholders' equity	1,500,402	1,484,983
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,257	(18)
Deferred gains or losses on hedges	8,816	—
Total valuation and translation adjustments	11,073	(18)
Stock acquisition rights	47	30
Total net assets	1,511,523	1,484,996
Total liabilities and net assets	2,287,422	2,926,432

(ii) 【Statement of income】

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Operating revenue		
Dividends received from affiliates	53,511	53,715
Commissioned service income	30	30
Total operating revenue	※1 53,541	※1 53,745
Operating expenses	※1,※2 3,129	※1,※2 3,665
Operating profit	50,412	50,080
Non-operating income		
Dividends received	337	67
Foreign exchange gains	810	1,116
Gains on derivatives	—	1,273
Subsidy income	322	—
Other	※1 32	※1 84
Total non-operating income	1,503	2,542
Non-operating expenses		
Interest expense	※1 3,324	※1 10,239
Syndicated loan fees, etc.	—	2,174
Other	50	11
Total non-operating expenses	3,374	12,425
Ordinary profit (loss)	48,540	40,196
Extraordinary income		
Gain on sale of investment securities	—	※3 3,152
Total extraordinary income	—	3,152
Profit before income taxes	48,540	43,348
Income taxes (current)	(15)	353
Income taxes (deferred)	909	30
Total income taxes	893	383
Profit	47,646	42,965

(iii) 【Statement of changes in equity】

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	671,432	670,904	254	671,159	3,995	145,758	149,754	(5,967)	1,486,378
Changes during the period									
Dividends from surplus						(35,230)	(35,230)		(35,230)
Profit						47,646	47,646		47,646
Purchase of treasury shares								(1)	(1)
Disposal of treasury shares			75	75				32	108
Dividends from subsidiaries			1,500	1,500					1,500
Net changes in items other than shareholders' equity									
Total changes during the period	—	—	1,575	1,575	—	12,416	12,416	31	14,023
Balance at end of period	671,432	670,904	1,830	672,734	3,995	158,174	162,170	(5,935)	1,500,402

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	2,404	—	2,404	73	1,488,857
Changes during the period					
Dividends from surplus					(35,230)
Profit					47,646
Purchase of treasury shares					(1)
Disposal of treasury shares					108
Dividends from subsidiaries					1,500
Net changes in items other than shareholders' equity	(147)	8,816	8,669	(26)	8,643

Total changes during the period	(147)	8,816	8,669	(26)	22,666
Balance at end of period	2,257	8,816	11,073	47	1,511,523

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of period	671,432	670,904	1,830	672,734	3,995	158,174	162,170	(5,935)	1,500,402
Changes during the period									
Dividends from surplus						(37,580)	(37,580)		(37,580)
Profit						42,965	42,965		42,965
Purchase of treasury shares								(20,907)	(20,907)
Disposal of treasury shares			73	73				31	104
Dividends from subsidiaries									—
Net changes in items other than shareholders' equity									
Total changes during the period	—	—	73	73	—	5,384	5,384	(20,875)	(15,418)
Balance at end of period	671,432	670,904	1,903	672,808	3,995	163,559	167,555	(26,811)	1,484,983

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	2,257	8,816	11,073	47	1,511,523
Changes during the period					
Dividends from surplus					(37,580)
Profit					42,965
Purchase of treasury shares					(20,907)
Disposal of treasury shares					104
Dividends from subsidiaries					—
Net changes in items other than shareholders' equity	(2,275)	(8,816)	(11,092)	(16)	(11,109)

Total changes during the period	(2,275)	(8,816)	(11,092)	(16)	(26,527)
Balance at end of period	(18)	—	(18)	30	1,484,996

【Notes】

(Significant accounting policies)

1. Standards and methods for valuation of assets

(1) Standards and methods for valuation of securities

(i) Shares of subsidiaries, shares of associates and investments in affiliates

Cost method based on the moving-average method

(ii) Other securities

Those other than shares without market prices

Fair value method

(Valuation differences are charged directly to net assets in full; cost of sales on disposal is calculated by the moving-average method.)

Shares without market prices

Cost method based on the moving-average method

(2) Standards and methods for valuation of derivatives

Fair value method

2. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method

The principal useful lives are as follows.

Buildings 3–5 years

Tools, furniture and fixtures 4–15 years

(2) Intangible assets (excluding leased assets)

Straight-line method

For internally used software, the straight-line method is applied over the internal useful life (5 years) .

(3) Leased assets

Leased assets related to finance leases without transfer of ownership

Straight-line method over the lease term with a residual value of zero

3. Basis for recording revenue and expenses

The Company's principal revenue consists mainly of dividends received from consolidated subsidiaries and others.

Dividends received are recognized on the effective date of receipt.

4. Other significant matters forming the basis for preparing the financial statements

Application of hedge accounting

For forward exchange contracts, deferred hedge accounting as stipulated in the accounting standard for financial instruments is applied.

(Significant accounting estimates)

1. Amounts recognized in the financial statements for the current fiscal year

(Million yen)

	Previous fiscal year	Current fiscal year
Shares of affiliates	2,162,662	2,162,662
Investments in affiliates	—	670,664

2. Information on the content of significant accounting estimates related to identified items

For shares of related companies without market prices and investments in affiliates without market prices, the Company recognizes valuation losses when the fair value materially falls below the carrying amount and such decline is judged to be other than temporary. Whether the decline is temporary is judged based on criteria including the duration and extent of the decline and the financial condition and outlook of the investee.

The Company believes that these criteria for recognizing valuation losses are reasonable. However, if changes occur in market conditions or in unforeseen economic and business assumptions affecting the circumstances of individual investments, there could be a material impact on the valuation of shares of related companies and investments in affiliates in the financial statements for the next fiscal year.

(Related to the balance sheet)

*1 Assets and liabilities related to affiliates

Items included in each account other than those separately presented are as follows.

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Short-term monetary claims	31,742	26,748
Short-term monetary obligations	72	55

(Related to the statement of income)

*1 Major transactions with affiliates included in each account are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Operating revenue	53,541	53,745
Other operating transaction volume	239	242
Non-operating transaction volume	0	28

*2 The principal components and amounts of operating expenses are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2024 To December 31, 2024)	Current fiscal year (From January 1, 2025 To December 31, 2025)
Salaries and allowances	673	667
Directors' compensation	848	958
Retirement benefit expenses	71	61
Taxes and dues	346	670
Depreciation expense	109	30
Fees	671	863

*3 Gain on sale of investment securities

This relates to the sale of shares of Honda Motor Co., Ltd., which are investment securities held by the Company.

(Related to securities)

Shares of subsidiaries, shares of associates and investments in affiliates

Carrying amounts of shares without market prices

(Million yen)

Category	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Shares of subsidiaries	2,162,317	2,162,317
Shares of associates	345	345

Category	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Investments in affiliates	—	670,664
Total	2,162,662	2,833,327

(Related to tax-effect accounting)

1. Breakdown of principal causes of deferred tax assets and deferred tax liabilities

(Million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Deferred tax assets		
Accrued business taxes	63	46
Shares of affiliates	8,016	8,255
Restricted stock remuneration	213	222
Tax loss carryforwards	2,753	3,008
Other	106	55
Subtotal of deferred tax assets	11,153	11,588
Valuation allowance related to tax loss carryforwards	(2,753)	(3,008)
Valuation allowance related to total deductible temporary differences, etc. in future periods	(8,151)	(8,380)
Subtotal of valuation allowance	(10,905)	(11,388)
Total deferred tax assets	247	199
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,055)	—
Deferred gains or losses on hedges	(3,883)	—
Deferred gain or loss on transfer	(728)	(749)
Other	(6)	(7)
Total deferred tax liabilities	(5,674)	(756)
Net deferred tax liabilities	(5,426)	(557)

2. Breakdown of major items causing differences, when material, between the statutory effective tax rate and the tax rate after applying tax-effect accounting

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items such as dividends received that are permanently excluded from taxable income	(32.4%)	(36.3%)
Items such as entertainment expenses that are permanently excluded from deductible expenses	0.2%	0.1%
Withholding tax on dividends from overseas affiliates	3.2%	4.8%
Controlled foreign company taxation	0.7%	2.8%
Valuation allowance	(0.8%)	0.6%

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Foreign tax credit	(0.3%)	(1.3%)
Other	0.6%	(0.3%)
Effective tax rate after application of tax-effect accounting	1.8%	0.9%

(Changes in presentation)

“Foreign tax credit,” which was previously included in “Other,” has become material in the current fiscal year and is therefore presented separately. To reflect this change in presentation, the notes for the previous fiscal year have been reclassified.

3. Accounting treatment for corporation tax and local corporation tax or related tax-effect accounting

The Company applies the Group Tax Consolidation System. In addition, the Company accounts for and discloses corporation tax and local corporation tax and tax-effect accounting in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Consolidation System” (PITF No. 42, August 12, 2021).

4. Revision of deferred tax assets due to changes in income tax rates

Following the enactment of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) on March 31, 2025, “Defense Special Corporate Tax” will be imposed for fiscal years beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will change from 30.6% to 31.5% for temporary differences, etc. expected to reverse in fiscal years beginning on or after January 1, 2027. The impact of this tax rate change is immaterial.

(Related to revenue recognition)

Basic information for understanding revenue is as stated in (Significant accounting policies), 3. Basis for recording revenue and expenses.

(Significant subsequent events)

There are no items to report.

(iv) **【Supplementary Schedules】**

【Schedule of property, plant and equipment, etc.】

(Million yen)

Type of asset	Balance at beginning of period	Increase during the period	Decrease during the period	Depreciation and amortization during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment						
Buildings	73	—	—	17	56	25
Other	39	1	—	9	31	50
Total property, plant and equipment	113	1	—	26	87	76
Intangible assets						
Total intangible assets	8	—	—	3	5	236

【Schedule of provisions】

There are no items to report.

(2) **【Major assets and liabilities】**

As the Company prepares the consolidated financial statements, this information has been omitted.

(3) **【Other】**

There are no items to report.

Section 6 【Overview of the Company's Share-Related Administrative Matters】

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	March
Record date	December 31
Record dates for dividends from surplus	June 30 December 31
Number of shares constituting one unit	100 shares
Purchase and additional purchase of shares less than one unit	
Place for handling	(Special account) 3-6-3, Fushimi-machi, Chuo-ku, Osaka-shi, Osaka Mitsubishi UFJ Trust and Banking Corporation, Osaka Securities Agency Department
Administrator of the shareholder register	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Intermediary office	—
Fees for purchase and additional purchase	Free of charge
Method of public notice	Public notices shall be made by electronic public notice. However, if electronic public notice cannot be made due to an accident or other unavoidable reason, public notice shall be made by publication in The Nikkei. Public notice URL https://www.nipponpaint-holdings.com/koukoku/
Benefits to shareholders	There are no items to report.

(Note) Under the Articles of Incorporation, shareholders of the Company may exercise only the following rights with respect to shares less than one unit, and may not exercise any other rights.

- (1) Right set forth in each item of Article 189, Paragraph 2 of the Companies Act
- (2) Right to make a demand pursuant to Article 166, Paragraph 1 of the Companies Act
- (3) Right to receive an allotment of offered shares or offered stock acquisition rights in proportion to the number of shares held
- (4) Right to demand the sale of the number of shares that, when combined with shares less than one unit held by the shareholder, equal the number of shares constituting one unit

Section 7 【Reference Information of the Company】

1 【Information on the Parent Company, etc. of the Company】

As of the filing date of this document, the parent company, etc., as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, is Nipsea International Limited.

2 【Other Reference Information】

The following documents have been submitted during the period from the beginning of the fiscal year to the filing date of this Annual Securities Report.

(1) Annual Securities Report and its attachments, and confirmation letter	Fiscal year (The 199th Fiscal Year)	From January 1, 2024 to December 31, 2024	Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2025
(2) Internal Control Report and its attachments	Fiscal year (The 199th Fiscal Year)	From January 1, 2024 to December 31, 2024	Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2025
(3) Semiannual Report and confirmation letter	Fiscal year (Interim of the 200th Fiscal Year)	From January 1, 2025 to June 30, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on August 8, 2025
(4) Extraordinary Report			
Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. [Change in parent company]			Filed with the Director-General of the Kanto Local Finance Bureau on January 9, 2025
Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 8-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. [Acquisition of subsidiaries]			Filed with the Director-General of the Kanto Local Finance Bureau on March 4, 2025
Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. [Change in specified subsidiary]			Filed with the Director-General of the Kanto Local Finance Bureau on March 4, 2025
Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. [Results of the exercise of voting rights at the General Meeting of Shareholders]			Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2025
(5) Amendment to Extraordinary Report	Amended Extraordinary Report for the Extraordinary Report filed on March 4, 2025		Filed with the Director-General of the Kanto Local Finance Bureau on October 2, 2025
(6) Amendment to Shelf Registration Statement			Filed with the Director-General of the Kanto Local Finance Bureau on January 9, 2025
			Filed with the Director-General of the Kanto Local Finance Bureau on March 4, 2025
			Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2025
			Filed with the Director-General of the Kanto Local Finance Bureau on November 28, 2025
(7) Treasury Share Purchase Status Report	Reporting period	From October 1, 2025 to October 31, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on November 7, 2025

Reporting period	From November 1, 2025 to November 30, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on December 12, 2025
Reporting period	From December 1, 2025 to December 31, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on January 14, 2026
Reporting period	From January 1, 2026 to January 31, 2026	Filed with the Director-General of the Kanto Local Finance Bureau on February 12, 2026
Reporting period	From February 1, 2026 to February 28, 2026	Filed with the Director-General of the Kanto Local Finance Bureau on March 9, 2026

Part II **【Information on Guarantors, etc. of the Company】**

There are no items to report.