Basic & New
NIPPON PAINT HOLDINGS

Integrated Report 2022

Year Ended December 31, 2021

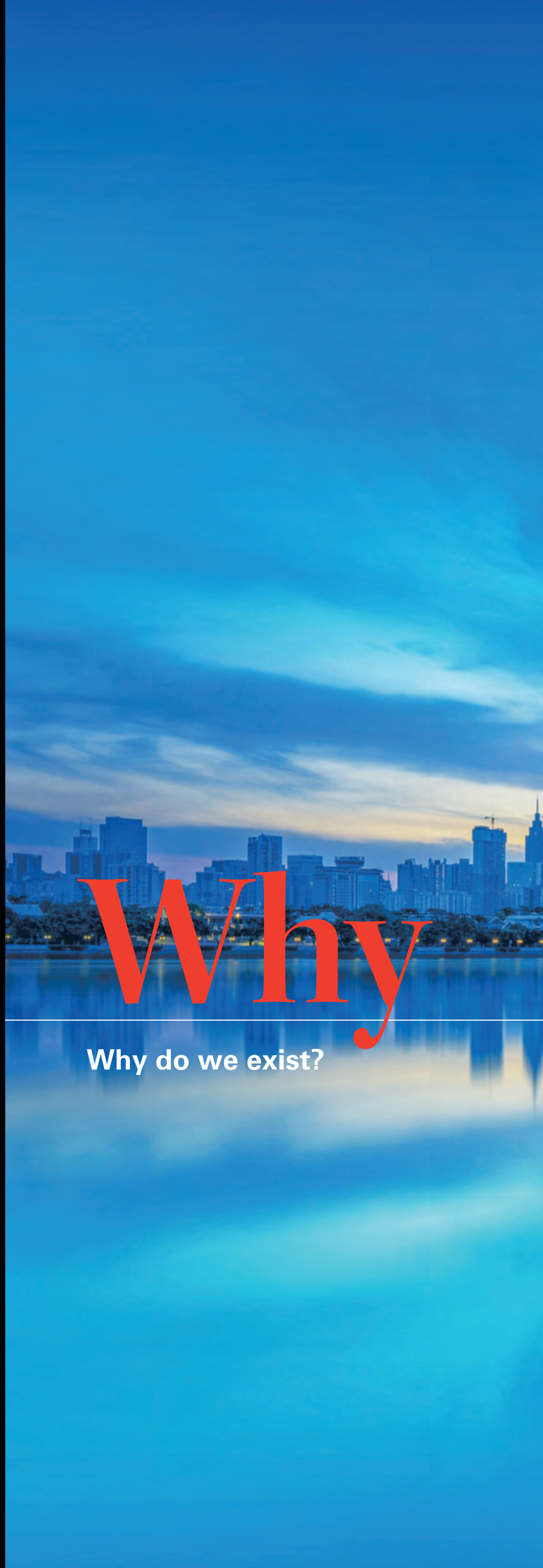
C O N T E N T S

For the editorial policy, production process, information disclosure framework and other particulars about the Nippon Paint Holdings Integrated Report 2022, see page 130.

The key management terminologies unique to Nippon Paint Holdings and their definitions are as follows.
- Nippon Paint Holdings: NPHD
- Nippon Paint Corporate Solutions: NPCS
- Maximization of Shareholder Value (MSV): The sole mission of NPHD
- Partner company: The term that refers to consolidated subsidiaries of NPHD
- Asset Assembler: A business model adopted by NPHD
- Autonomous and decentralized management: The management structure adopted by Nippon Paint Group

For more information about terminologies related to Nippon Paint Group's businesses, see the Glossary on our IR website at the following link.
https://www.nipponpaint-holdings.com/en/ir/glossary/

MSV Story



*Consolidated subsidiaries of Nippon Paint Holdings

Nippon Paint Group

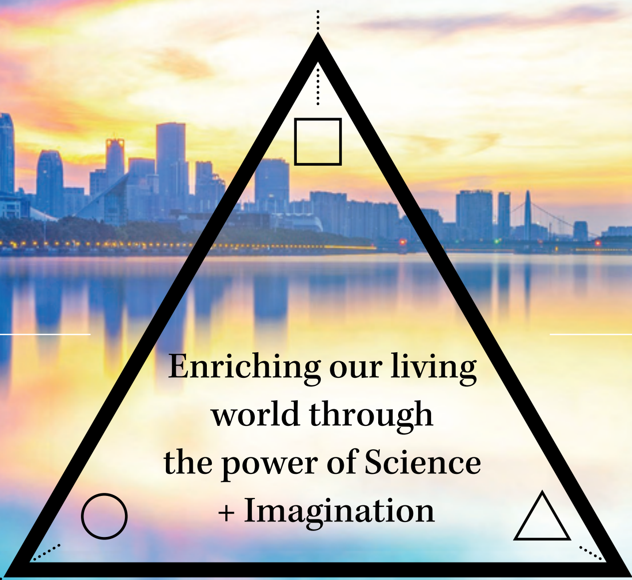
Purpose

Our Shared Identity

Nippon Paint Group positions Purpose as a guiding philosophy that defines the shared identity of the Group, while respecting the autonomy of our partner companies* based on their own Missions, Visions, and Values. Based on our shared values, diverse people at our partner companies around the world will form strong bonds and collaborate to achieve Maximization of Shareholder Value (MSV).

Prosper Together

We prosper with absolute integrity and fairness by fulfilling our obligations and maximizing our commitments to all stakeholders (consumers, customers, communities, employees, suppliers, governments).



Science + Imagination

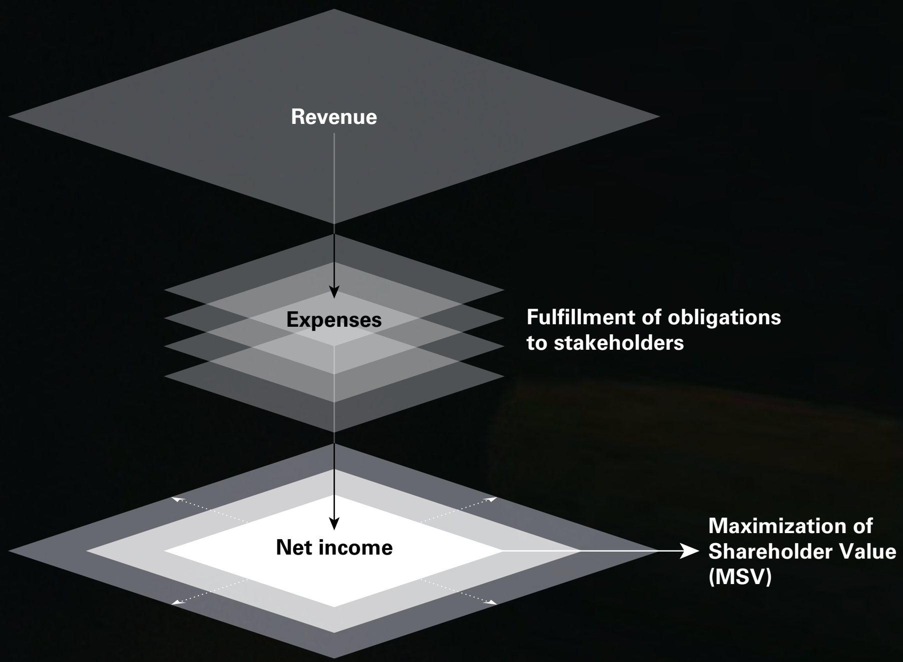
The unlimited power of Science + Imagination, leading to ground-breaking technology and useful innovation that preserve, enhance and enrich the world.

Powerful Partnerships

Our unique approach between our partner companies is based on respect, trust, empowerment, and accountability. These partnerships form a powerful catalyst for innovation and growth.

What

What do we aim to achieve?



Our sole mission

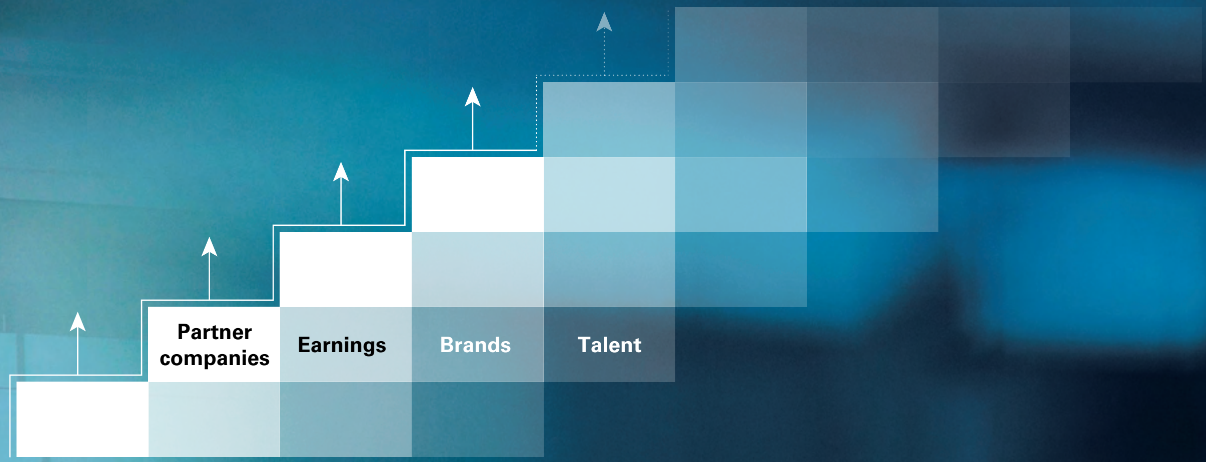
MSV

(Maximization of Shareholder Value)

Nippon Paint Group is a unique Japan-based global company with MSV as its sole mission. Based on Asset Assembler model, we seek to create wealth by maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders.

How

How are we going to achieve MSV?

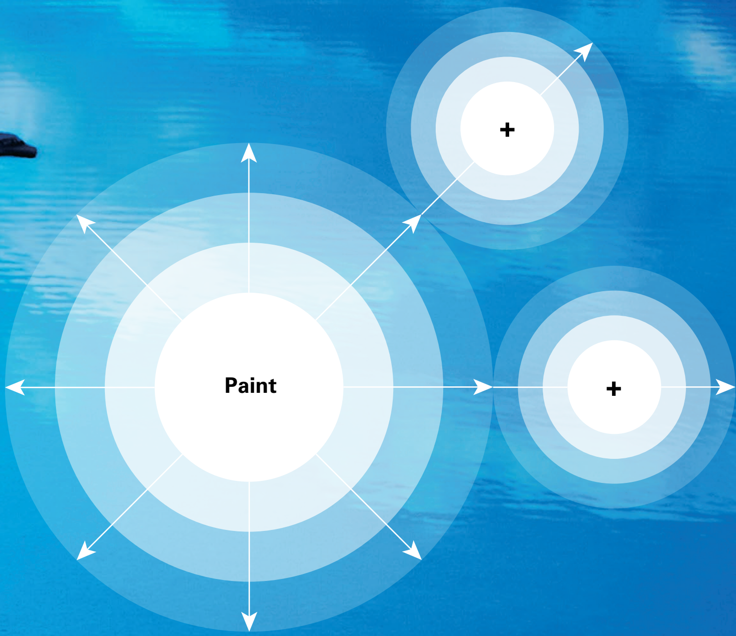


Autonomous and decentralized management based on strong Trust in partner companies

Using Asset Assembler model based on Trust in our partner companies around the world, we will implement autonomous and decentralized management that combines the delegation of authority and accountability and build up assets (earnings, brands, talent, etc.) by expanding our existing businesses and aggressively engaging in M&A.

Where

Where are we going?



Going beyond paint and into adjacencies

Paint++

Expanding into adjacencies without limiting our operations to the paint and coatings area (Paint++) ——We are pursuing a strategy of pushing out the frontiers of our business areas over the medium to long term. Through aggressive M&A, we will build up assets not only in existing business areas but also in areas beyond paint, to achieve MSV.

Aiming for Maximization of Shareholder Value (MSV) based on Asset Assembler model of accelerating growth through both existing businesses and M&A

INPUT

Financial and non-financial assets P39

Human resources/organizations
- Executing autonomous and decentralized management
- Promoting Diversity & Inclusion
- Formulated Purpose and Global Code of Conduct
- Promoting employee engagement

Technologies
- Cultivating engineering talent
- Stepping up R&D activities
- Maintaining and reinforcing production facilities
- Developing products with social benefits

External partner
- Promoting open innovation with universities and research institutions
- Promoting joint research with automobile manufacturers
- Enhancing engagement with investors and other stakeholders
- Strengthening and deepening partnerships with Wuthelam Group

Customer base
- Developing distribution networks that will allow us to supply products to consumers around the world
- Increasing strategic partnerships with real estate developers
- Developing strong trust relationships with automobile manufacturers and other customers

Brands
- Promoting advertising and marketing activities
- Increasing visibility among consumers
- Holding AYDA Awards international architectural and interior design competition
- Promoting social contribution activities

Financial base
- Ensuring financial disciplines
- Prioritizing debt finance and maintaining leverage capacity
- Issued new shares through a third-party allotment
- Promoting engagement with financial institutions and credit rating agencies

Nature/environment
- Actions to combat global warming
- Proper water use
- Reducing environmental impacts by developing water-based paints

Our Business Model

Our medium- and long-term growth model as an Asset Assembler P35

Relentlessly pursuing growth based on Asset Assembler model

The five strengths underpinning Asset Assembler model P37

1. Focused on paint and adjacencies with significant market opportunities
2. Attractive risk-return profile of paint and adjacency arena
3. An assembly of talented management and strong brands
4. Japan domicile enhanced competitive strengths
5. Advanced governance

ESG Statement P77

Global Code of Conduct P122

Materiality supporting Asset Assembler model P41

Climate change

OUTCOME

MSV

Maximization of Shareholder Value P25

Maximization of EPS (earnings per share)	Maximization of PER (price-to-earnings ratio)

Fulfillment of obligations to stakeholders

Customers	Suppliers	Employees	Government	Financial institutions

Going beyond paint and into adjacencies

Paint++ P47

Resources and environment	Safe people and operations	Diversity & Inclusion	Growth with communities	Innovation for a sustainable future

OUTPUT

Financial and non-financial assets P39

Human resources/ organizations	• Consolidated number of employees (overseas ratio) **30,247** (89.1%) • Employee satisfaction level **89%, 80%** (Japan Group) (DuluxGroup)
Technologies	• Engineering talent **3,887 persons** • New Product Sales Index (NPSI) **21.1%** total of Japan Group and NIPSEA Group
External partner	• Joint development with the University of Tokyo **New anti-viral materials** • Transferred to Wuthelam Group **European automotive coatings business and India businesses**
Customer base	• Number of sales locations in China **58,000 stores** • Number of countries/regions where Nippon Paint Group has the No.1 market share in decorative paints **8 countries/regions**
Brands	• Brand award from a Chinese brand evaluation institution **Awarded the Gold Brand for six consecutive years** (Wall Paint Category) • Brand award in Australia **Recognized as Most Trusted Brands** (Several DuluxGroup brands)
Financial base	• Net D/E ratio **0.45 times** • R&I rating **A**
Nature/ environment	• CO_2 emissions in Japan (Scope 1 and 2) **42,971 t-CO_2** • ESG indexes adopted by GPIF **Selected as a constituent stock in all five indexes**

The path toward sustainable growth – development of Asset Assembler model and evolution of our growth strategy

Corporate actions

Reforms of cost structure implemented in Japan

April 2009

Kenji Sakai appointed President & CEO

Survival Challenge Program launched

February 2014

Consolidation of the Asian JVs announced

October 2014

Transition to the holding company structure

Capturing demand in the high growth Asian markets

April 2015

Domestic business restructuring, separation of operating companies by lines of business

Tetsushi Tado appointed President & CEO

December 2016

Acquisition of U.S. Dunn-Edwards announced

Solid regional and business portfolio established

January 2018

Increase of Outside Directors based on a shareholder proposal submitted by Wuthelam Group

February 2019

Appointment of Masaaki Tanaka as Executive Chairman of the Board, Representative Director of the Board announced

April 2019

Acquisition of Australian DuluxGroup and Turkish Betek Boya announced

September 2019

Appointment of Masaaki Tanaka as President & CEO announced

March 2020

Transition to a Company with a Nominating Committee, etc.

Revenue/Stock price

Revenue (Billion yen) ■Japan ■Overseas

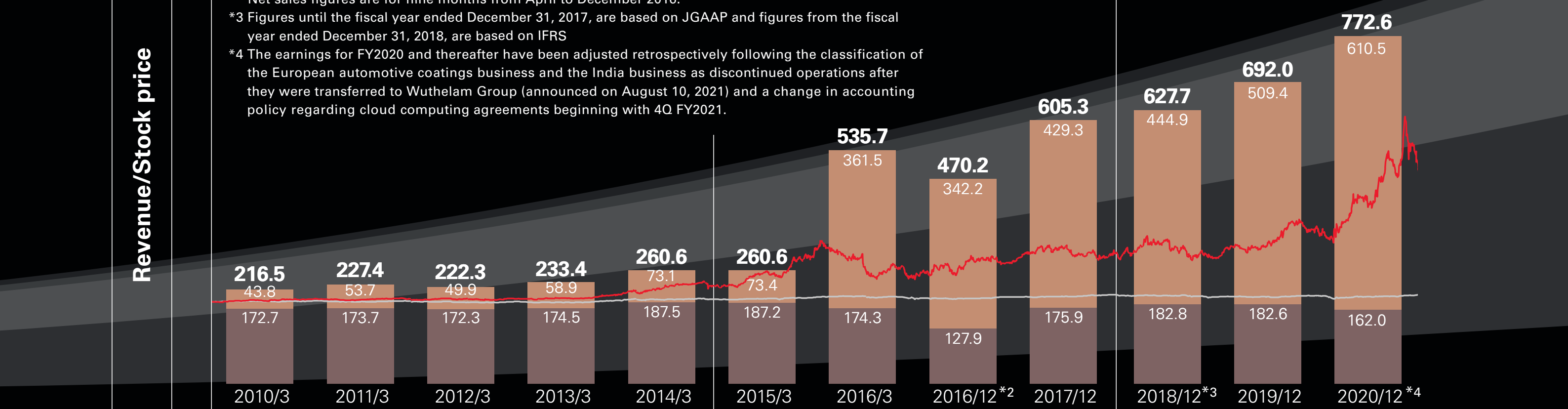
Stock price*1 — NPHD — TOPIX

*1 NPHD stock prices and TOPIX were indexed with the closing price on April 1, 2009, as 100

*2 The fiscal year-end was changed to December 31 from the fiscal year ended December 31, 2016. Net sales figures are for nine months from April to December 2016.

*3 Figures until the fiscal year ended December 31, 2017, are based on JGAAP and figures from the fiscal year ended December 31, 2018, are based on IFRS

*4 The earnings for FY2020 and thereafter have been adjusted retrospectively following the classification of the European automotive coatings business and the India business as discontinued operations after they were transferred to Wuthelam Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with 4Q FY2021.



Medium-Term Plan

2009–2014

Survival Challenge Program I & II

(Released in May 2009)

Basic strategy

- Reform the cost structure / expand sales and profit of existing businesses / create new markets
- Reinforce sustainable growth and the profitable business structure in Asia / reinforce the earnings base in North America

2015–2017

Survival Challenge Program III

(Released in May 2015)

Basic strategy

- Build a foundation to become "dominant" in China, the most important market
- Significantly change the business structure to develop business based on Asia and increase the ratio of decorative paints, which have high growth potential and profitability

2018–2020

N-20

(Released in May 2018)

Basic strategy

- Strengthen the businesses in existing segments
- Accelerate expansion of the portfolio
- Improve earning capacity
- Enhance the structure of "Global One Team"

Medium- and long-term management strategy

See "Q&A with Co-President Wakatsuki on Our Medium- and Long-Term Management Strategy" on page 47.

Relentlessly pursuing growth based on Asset Assembler model

January 2021
Completed the full integration of the Asian JVs and acquisition of the Indonesia business

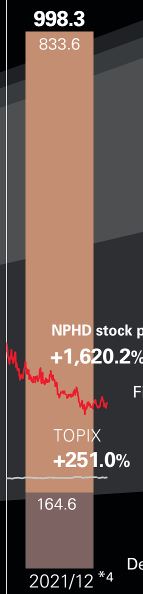
April 2021
Yuichiro Wakatsuki and Wee Siew Kim appointed as Representative Executive Officers & Co-Presidents

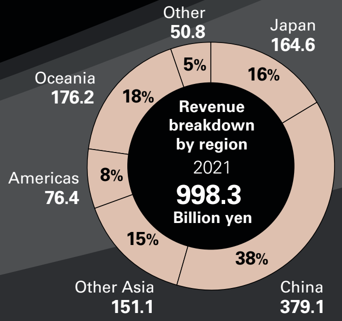
October 2021
Acquisition of Europe-based Cromology and JUB announced

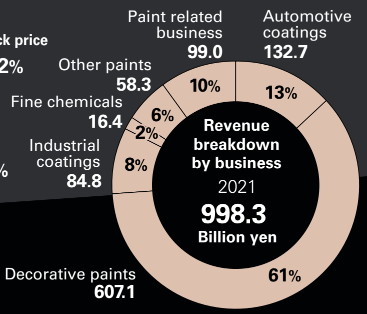
A company split into NPHD (holding company) and NPCS (Japan-focused functional company) announced

November 2021
Full integration of the Chinese automotive coatings JVs announced

For more information about our corporate actions from 2021 onward, see "Speedy Corporate Actions" on page 31.







The five strengths we have built up

1. Focused on paint and adjacencies with significant market opportunities
2. Attractive risk-return profile of paint and adjacency arena
3. An assembly of talented management and strong brands
4. Japan domicile enhanced competitive strengths
5. Advanced governance

See "Strengths Underpinning Our Business Model" on page 37.

Our Long-Term Vision

Ensuring sustainable growth

- **Revenue CAGR in the high single digits**
- **Profit growth exceeding revenue growth**

Inorganic Growth

Eyeing the potential for non-continuous growth including through M&A

Organic Growth

Further solidify our strong growth platform

2021–2023

Medium-Term Plan (FY2021-2023)

(Released in March 2021)

See "Progress of the Medium-Term Plan (FY2021-2023)" on page 51.

2024–

A three-year milestone towards our long-term goals

Regional and business strategy P61
Further solidify our strong growth platform and proactively address new challenges

M&A strategy P47
Aggressively pursue new partners to join our Group, taking advantage of the growth potential of the paint market and stability of cash flows

Sustainability strategy P77
Expand business opportunities through ESG initiatives for sustainable growth

Financial strategy P47
Use our strong cash generating capacity to strengthen our financial base and secure funds for growth with M&A and business investment

01

Chapter

Message from Management

PHOTO
Australia / Flinders Street Station (External Works Project), Melbourne. Dulux Colour Award Winner


Swanston St
24 - 40
Visitor
information

Message from Management

Continue our pursuit of Maximization of Shareholder Value (MSV) as an Asset Assembler through autonomouos and decentralized management based on Trust

It has been over a year since we became Co-Presidents. Since our appointment, we have pursued our sole mission of MSV by leveraging our partnerships based on strong Trust and guided by Purpose of Nippon Paint Group, "Enriching our living world through the power of Science + Imagination." Wee Siew Kim focuses mainly on maximization of EPS (earnings per share) through revenue growth and earnings expansion. Yuichiro Wakatsuki concentrates on PER (price-to-earnings ratio) maximization by properly raising expectations of capital markets. Working closely together, we have taken numerous corporate actions without delay throughout the period.

As a result, revenue in FY2021, first year of our Medium-Term Plan (FY2021-2023, "MTP"), reached a record high despite the pandemic. Growth was attributable to higher sales volumes and a price/mix improvement, coupled with positive effect of exchange rate movements and consolidation of the Indonesia business. We expect to achieve revenue exceeding the final year revenue target of 1,100 billion yen in FY2022, the second year of MTP. Operating profit in FY2021 was not at a satisfactory level. However, there was meaningful profit improvement excluding one-off items with significant reduction in expenses compared to the initial budget while transitioning to a smaller headquarters at the holding company. Taking into consideration the quantitative and qualitative progress during the first year of MTP, we remain committed to the operating profit target of 140 billion yen in the final year. Nippon Paint will make a groupwide effort for achieving our targets through revenue growth and improvement in margins.

Our achievements in the first year of MTP also reaffirmed the strengths of our Asset Assembler model for accelerated growth through both existing businesses and M&A. Nippon Paint Group is pursuing autonomous growth through collaboration and cooperation among Group partner companies in each region based on autonomous and decentralized management. This management structure is underpinned by the delegation of authority and accountability based on Trust with our partner companies around the world. Every day we appreciate the value of having excellent and trustworthy partners who are well versed in their local markets and MSV. We shall continue our collaboration and support to those partners to achieve our common mission.

Our stock price, which is the outcome of MSV, has increased by 683% (see the bottom chart). over the past 10 years, outperforming the TOPIX chemical sector average and competitors. As a unique Asset Assembler, we will remain committed to MSV.

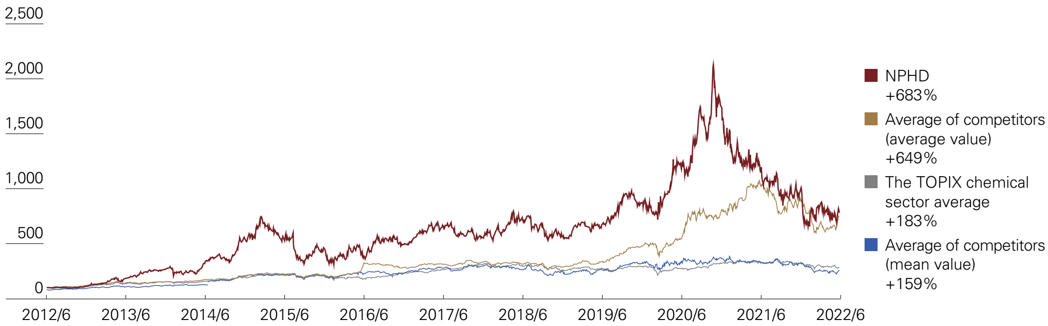
We appreciate the continuous support and guidance from our investors.

August 31, 2022

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Wee Siew Kim
Director, Representative Executive Officer & Co-President

Historical stock price of NPHD



*1 Source: FactSet (as of June 30, 2022), Bloomberg
*2 NPHD stock prices, average of competitors (average value), average of competitors (mean value), and the TOPIX chemical sector average were indexed with the closing price on June 29, 2012, as 100
*3 Competitors covered are Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints India, Axalta, SKSHU Paint, Kansai Paint, TOA Paint, Asia Cuanon
*4 Stock prices of Axalta, SKSHU Paint, TOA Paint, and Asia Cuanon were indexed using the indexed stock price of Sherwin-Williams on the listing dates of these stocks

Pursuing maximization of PER by executing a management strategy based on Asset Assembler model

Yuichiro Wakatsuki

Director,
Representative Executive Officer & Co-President

PROFILE

Yuichiro Wakatsuki began his career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) and Schroders Japan Limited, and in 2000 joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.). For a number of years, he led the company's M&A advisory services, including M&A strategy and fund procurement of clients, as the Head of Japan Mergers and Acquisitions, Head of Japan Investment Banking, Director, and Vice Chairman. In 2019, he joined Nippon Paint Holdings and in 2020 was appointed Senior Managing Corporate Officer and CFO, overseeing corporate planning, finance & accounting, public relations, investor relations, and M&A. He was appointed Representative Executive Officer & Co-President of Nippon Paint Holdings on April 28, 2021 and Director, Representative Executive Officer & Co-President in March 2022.

“Pursuing the maximization of PER by building up excellent M&As”

Focusing on maximization of PER through appropriate allocation of limited resources

Securing more control over my time allocation—this is one of the biggest changes I have earned since I became Co-President. I deliberately abandoned unnecessary meetings and inefficient tasks. This allowed me to create an environment to focus more of my time and energy for PER maximization which is my primary mission.

While feeling the pressure of delivering MSV, which is reflected in the stock price every day, I was able to execute numerous corporate actions without delay for the future growth of EPS and PER. Major actions include transfer of European automotive coatings business and India businesses to Wuthelam Group, acquisitions of Cromology and JUB in Europe, company split into Nippon Paint Holdings (NPHD), the holding company, and Nippon Paint Corporate Solutions (NPCS), a Japan focused functional company, and international secondary offering of shares.

Following our appointment as Co-Presidents, concerns towards Co-President setup slowing down our decision making came to my attention. I believe the outcome was to the contrary and close communication with my partner Wee Siew Kim with MSV as a common basis for judgement has further upgraded and accelerated our decision making.

See “Speedy Corporate Actions” on page 31.

PER basically reflects expectations from capital markets, and in that sense is a reflection of a company’s growth potential. Our FY2021-end PER (for the next 12 months) was 37x (see the right chart). In fact, our PER has outperformed the TOPIX chemical sector average and the average of competitors over the past 10 years. I believe this reflects on the high expectations for our growth potential, many of which we have delivered, among investors. I will continue to take actions, including but not limited to, proactive capital markets communications, executing optimal financial strategy, and sustainability initiatives, in order to respond and exceed these expectations. Further, I will continue to constantly build on our track record of excellent M&A deals that contribute to our future growth with the goal of maximizing our PER.

In January 2022, we initiated an international secondary share offering with the aim to improve liquidity of our stock and eliminate potential risk of a stock overhang. The offering helped us build a global base of investors who recognize the value of our growth strategy from a long-term perspective. Unfortunately, our stock price declined temporarily through the process despite no issuance of new shares/no dilution. However, I believe this secondary offering was a necessary step for our medium- and long-term growth.

Assembling excellent talent and brands through M&A, building on organic growth

Following our appointment as Co-Presidents, I, with Wee Siew Kim and the board members, have held extensive discussions about the ideal business model. We raised emphasis on the autonomy and accountability at every partner company while maintaining a small headquarters. Our goal is to achieve strong growth with limited risk by building up M&A deals in the attractive market of paint and adjacencies. This is no change to our existing strategy but rather a crystallization of our business model in pursuit of our sole mission of MSV. We decided to call it Asset Assembler model.

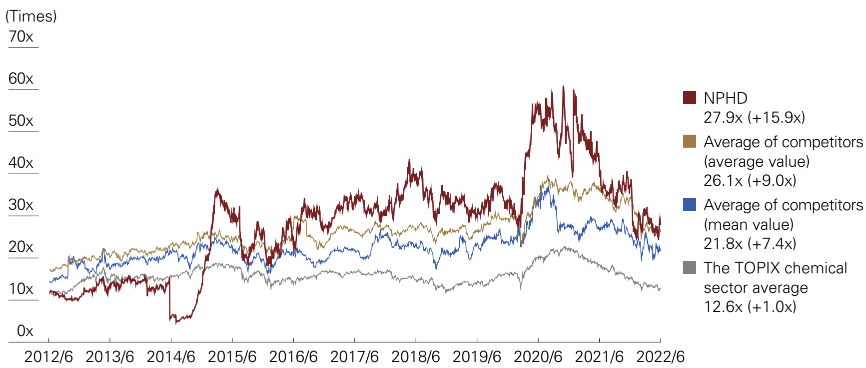
See “Our Business Model: Asset Assembler” on page 35.

The paint and adjacencies markets are very localized with different features in each markets, while also having an attractive risk-return profile. In consideration of such features, we believe delegating more authority to the partner company management who are well versed in the local markets and making agile decisions shall contribute more to MSV, rather than having the holding company direct and control partner companies worldwide in a centralized manner.

Under such model, every partner company fully exploits Nippon Paint Group’s worldwide resources, such as technical capabilities, powerful distribution network, purchasing power, and financing capabilities, while raising their motivation to use their own initiatives for accelerated growth. This concept is unique and different from the typical Western global standardization and cost reduction models.

We believe our successful acquisitions of DuluxGroup and Betek Boya could increase the likelihood of other excellent companies attracted to join our Group, enabling us to further build up talent and brands through M&A. While we will naturally require every partner company to be accountable and deliver the results, which is expected anyway be it a listed or private company, our partner companies under our umbrella can enjoy benefits that bring out their strengths and

Historical PER of NPHD



*1 Source: FactSet (as of June 30, 2022), Bloomberg
*2 PER (for the next 12 months) is calculated by the stock price on each day divided by EPS (for the next 12 months) on each day
*3 Competitors covered are Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints India, Axalta, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon

potential to the fullest, such as receiving financial support and reinforcing governance from a much longer perspective.

The stronger a company's brand and market share are, the greater upside that company can aim under our Asset Assembler model. As an extension of building up assets by taking this approach, we aim to achieve MSV over the medium and long term.

Management teams with Integrity based on Trust

In January 2022, Nippon Paint Group completed a corporate split in which functional units in Japan were spun off from the holding company (NPHD) into the newly established NPCS. The aim of this split was to separate functions as a listed company and functions related to the Japan segment, which were both previously performed by NPHD. This is one of the corporate actions we have taken based on Asset Assembler model. As a result, NPHD's activities as a holding company are concentrated on functions such as evaluating the performance of partner companies, determining succession plans, M&A, finance and accounting, and investor relations. The newly launched NPCS will perform functions necessary for supporting and conducting business activities in Japan.

NPCS operates at the same level as partner companies in Japan and does not intend to "control" the Japan operations. Establishing a supervisory company has the risk of creating another bureaucracy which keeps expanding on its own. For this reason, as Co-President of NPHD, I serve concurrently as the President of NPCS and will manage the allocation of costs and expenses at NPCS from the total optimization perspective. Group operations overseas will be managed based on three segments: NIPSEA Group, DuluxGroup, and U.S. Budget management is basically implemented by the core company of each segment. The holding company will perform the functions of checking and monitoring the operations of each partner company.

As described above, Asset Assembler model respects the autonomy of every partner company and is based on autonomous governance by respective Executive Committees and the Boards. Wee Siew Kim and I concurrently serve as Directors of the core companies, which raises the effectiveness of governance of those companies. Our "Trust" towards every partner company underpins Asset Assembler model. Trust is not what is given but is something that one must earn by fulfilling his/her accountability and results delivery.

As a corporate executive, I place great importance on Integrity. Not that I force Integrity upon each and every management of partner companies. However, I cannot fully trust corporate managers who do not have Integrity. In that sense, Nippon Paint Group has continued to grow autonomously based on Trust. Simply put, we are a Corporate Group with Integrity.

Going beyond paint and coatings and into adjacencies (Paint++)

By executing our medium- and long-term management strategy using Asset Assembler model, Nippon Paint will aggressively expand the sphere of business activities from the paint and coatings area to the adjacencies area (Paint++). We will continue our aggressive M&A strategy, aiming to build up assets not only in our existing business areas but also in new areas with the goal of achieving MSV.

Some have pointed out that we will acquire all the attractive targets within the next couple of years if we keep executing M&A deals at this pace. However, the aggregate market share of the world's 10 largest paint manufacturers, including Nippon Paint, is less than 50%. As a result, there are still significant opportunities for business expansion through M&A in the fragmented markets. Further, if we include the adjacencies market which is around three times larger than the paint and coatings market, our growth opportunities through M&A are even greater.

See "Q&A with Co-President Wakatsuki on Our Medium- and Long-Term Management Strategy" on page 47.

Of course, we will not execute M&A deals that do not contribute to MSV. We will not pursue companies with valuations that are too high, companies with a risk-return profile that is not attractive or simply the magnitude is too large, and companies in areas where we do not have market know-how. Acquiring these types of companies could make our Group larger but also impair shareholder value and we examine every M&A opportunity with vigilance. However, there is significant opportunity to venture into new areas based on attractive businesses owned by our partner companies.

For instance, the Selleys brand of adhesives owned by DuluxGroup is now well established in the Western and Asian markets. However, we had not known about this area before the acquisition of DuluxGroup. After joining our Group, DuluxGroup agreed with NIPSEA Group to deploy Selleys brand in Asia through the NIPSEA Group distribution channel which has successfully advanced to a growth trajectory. In this manner, it is quite possible that our business areas will expand in a snowball-like manner through M&A.

Some capital market participants view Nippon Paint as a China-related stock. However, I'm convinced that we can evolve to become a corporate group with a unique and strong presence in every region and market around the world within 10 years with our growth accelerating over the medium and long term based on Asset Assembler model. Asset Assembler model should work for the pursuit of MSV. The ultimate goal of our medium- and long-term growth strategy is the relentless pursuit of MSV. And there are immense possibilities ahead of us.

Unified by MSV for achieving growth in the medium and long term

We launched a new management structure in FY2022 for sustainability based on Asset Assembler model. In the new structure, we have four Global Teams (Environment & Safety, People & Community, Innovation & Product Stewardship, and Governance), that directly report to Co-Presidents, based on

> "Trust is not "what is given" but is "something that one must earn""

“There are immense possibilities for pursuing MSV”

material issues for sustainability (Materiality) identified from a global perspective.

See “Sustainability Strategy” on page 77.

Global Team Leaders are experts selected from our partner companies globally. They will lead sustainability initiatives required by laws and regulations and social customs in each region and market. The Global Team Leaders directly report strategies and progress to Co-Presidents, who will report to the Board of Directors as necessary. As a result, our sustainability initiatives are supervised by the Board of Directors. Sustainability initiatives are not only essential to earn the Trust of investors but will also contribute to EPS and PER by encouraging autonomous activities of each partner company and reinforcing the link with our businesses.

On the governance front, we are taking actions to continuously strengthen governance in order to gain the Trust of investors involved with our business activities. Taking into account our shareholder composition where our major shareholder, Wuthelam Group, holds 58.7% of our stock, we nominated the Lead Independent Director as the Board Chair to coincide with the launch of the Co-President setup. In addition, the Board of Directors now has eight Independent Directors out of 11 board members. In this manner, we are taking actions to ensure the protection of the interests of minority shareholders.

Wuthelam Group is our important partner that has built a deep bond with us over 60 years. More than anything, we share the common mission of MSV with Wuthelam. I believe that having our major shareholder and the Directors and Executive Officers united across the board by MSV means a great deal for achieving growth in the medium and long term.

See “Corporate Governance Structure and Initiatives” on page 97.

Accomplishing our transformation based on a clear mission and Trust

As repeated many times, Nippon Paint Group is pursuing MSV as its sole mission. We have already put in place advanced and effective governance, Asset Assembler model, and medium- and long-term management strategies for achieving MSV.

At the same time, I believe we need to constantly evolve as a Lean and Agile Corporate Group that can grow steadily in any environment in order to continue to make investments and achieve growth over the medium and long term. I’m confident that with all the excellent and trustworthy partner companies, we will enable our transformation. In Japan, we will stimulate changes in the mindset of all employees and create a new corporate culture without being restricted by our conventional procedures as we continue to be driven by our insatiable appetite for growth.

Let us continue to strive for MSV by delivering clear outcomes to investors. We are driven to exceed your expectations.

Director, Representative Executive Officer & Co-President

A shining beacon through chaotic times

Wee Siew Kim

Director,
Representative Executive Officer & Co-President

PROFILE

Wee Siew Kim was appointed as the Representative Executive Officer & Co-President on April 28, 2021 and as a Director of Nippon Paint Holdings in March 2022. He is concurrently the Group Chief Executive Officer of NIPSEA Group, a wholly owned partner company of the Nippon Paint Group.

Prior to his current position, he was Deputy CEO and President (Defense Business) of Singapore Technologies Engineering Ltd.

He started his career with Singapore Technologies in 1984 as an engineer at Singapore Aircraft Industries Pte. Ltd., the predecessor company of Singapore Technologies Aerospace Ltd.

He was educated at Raffles Institution, followed by the Imperial College of Science and Technology in London where he received a Bachelor of Science (Aeronautical Engineering) (Hons) degree. This was followed by an MBA at Stanford University.

He was a Member of Parliament in Singapore from 2001 to 2011.

Spot opportunities in adjacent industries and implement a hugely successful Asset Assembler strategy

From pandemic to endemic: Transforming our business outlook

While the world has emerged from the pandemic, supply chain disruptions and the conflict between Ukraine and Russia have impacted businesses globally. Inflation is now at its worst in over four decades and a looming recession threatens business profitability.

Despite this, the Group has continued to steadily sail through the year by maximizing earnings-per-share (EPS) through our firmly established Asset Assembler model. By remaining vigilant and steadfast, the company increased EPS by 7.4% in FY2021 to 29.41 yen and we are on track towards achieving our final year targets in the Medium-Term Plan (FY2021-2023). All-in-all, our EPS has increased by 239% over the past 10 years, which significantly outperforms the TOPIX chemical sector average and other competitors (See the bottom right chart).

In my first year as Co-President, the Group has achieved record revenue despite these challenges, and we have achieved the same level of operating profit as FY2021 by raising selling prices and reducing SG&A expenses to mitigate raw material price inflations.

One of our success factors is our ability to spot opportunities in adjacent industries and implement a hugely successful Asset Assembler strategy. Nippon Paint Group's Asset Assembler model is unique in that it maintains the acquired company's autonomy. We value the years of experience that the senior management in these existing teams have, as they were integral to growing the business in the markets that they operate in. We also looked at acquisitions focused on related industries with the aim of maximizing shareholder value by expanding our reach into new but still familiar territories.

The adjacency arena presents enormous opportunity and allows us to hedge our bets by diversifying our product range. We now have water-proofing materials, adhesives, floor coatings and fillers (SAF) amongst other product offerings.

Strengthening our portfolio into these complimentary products is a sound strategy that leverages our existing manufacturing, marketing, and distribution channels, which means maximizing our market potential.

This gives us an additional construction chemicals market potential of USD90 billion in addition to the paint and coatings segment, which is valued at around USD174 billion.

Setting sails to revitalize our marine coatings segment

While we have many areas to be proud of this year, there are segments of the business that need to be revitalized for us to reach our goals in the coming years. One of the key areas we will focus on is the marine coatings business. In FY2021, this segment recorded an operating loss of around 1.9 billion yen, primarily coming from Japan and Korea.

In general, the shipping industry has seen many peaks and troughs, which can present a volatile situation for all related businesses. Having said this, we believe that we have a good strategy in place to facilitate a turnaround in the key markets where the marine coatings sector has the highest potential.

To start, we restructured the operations team, separating the Japanese management from the other markets as we noted the difference between local and international expertise and culture.

We then reviewed the Japanese operations and merged the industrial and marine coatings businesses placing them under the leadership of Takeshi Shiotani, who will now serve concurrently as the President of Nippon Paint Industrial Coatings (NPIU) and Nippon Paint Marine Coatings (NPMC).

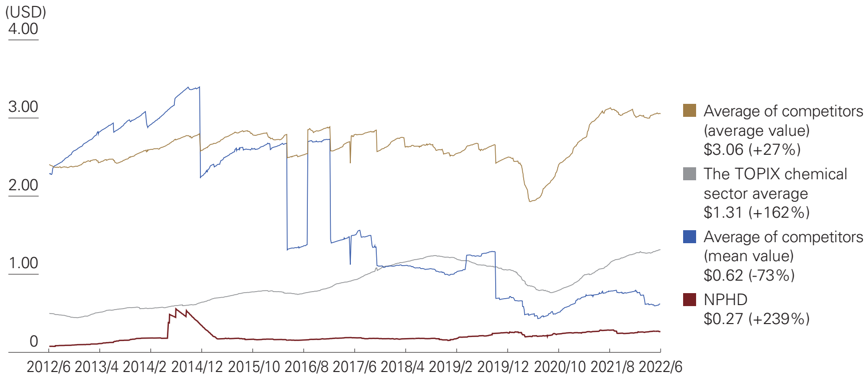
Mr. Shiotani has a proven track record and we are confident that his leadership and ability will bring a positive transformation to the NPMC business. In his expanded capacity, he will ensure the implementation of best practices for cost management and sales distribution are aligned with the industrial coatings business with a laser focus on improving the business financials.

Apart from Japan, we also made changes to the Korean operations, revamping the management team, business and sales models to areas that are more profitable and provide financial stability.

This meant shifting our balance in Korea from new ship building deals to more maintenance and repairs where the financial prospects are better. The changes made are already bearing fruit and we are expecting the Korea business to return to an operating profit in FY2023.

To further strengthen the global marine coatings business ecosystem, we broadened our supply chain and marketing activities, shifting away from a narrow, country-focused mindset to one that maintains a flexible approach. This new global-perspective allowed us to further push out our advanced product technologies like AQUATERRAS, FASTAR, A-LF-Sea,

Historical EPS of NPHD



*1 Source: FactSet (as of June 30, 2022), Bloomberg
*2 Competitors cover Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints, Axalta, SKSHU Paint, Kansai Paint, TOA Paint, Asia Cuanon
*3 EPS (for the next 12 months) was converted to USD at the following exchange rates as of June 30, 2022: USD/EUR=1.04545; USD/INR=0.012663; USD/CNY=0.149381; USD/JPY=0.07361, USD/THB=0.028285)

NEOGUARD and NOA to deliver superior performance, earning us good testimony and trust from new and regular clients alike.

With a stronger marketing push to encourage market adoption via our global supply chain, we expect a strong take-up in other partner companies' markets. This is starting to be evident in NIPSEA Group markets such as Indonesia, Vietnam, the Philippines and India.

We believe that by continuing to implement the above strategies, the marine coatings business will improve and change for the better.

See "Q&A with Co-President Wee about Actions for Improving the Profitability of the Japanese Businesses" on page 71.

Building customer trust with collaborations and consolidations

There have been many views regarding our exposure to the real estate sector in China, especially with current economic and geopolitical conditions prompting many to be skeptical about its growth prospects.

Notwithstanding this, NIPSEA Group continues to be resilient and flexible while sticking to our mission to ensure growth and maximum shareholder value. In China, our strong performance is a testament to our ability to thrive in a highly competitive market.

We continue to have strong market share in this region and see the potential for GDP+alpha growth contributed mainly by the decorative paints market and dominant market share in mainly Tier 1 and 2 cities. Even as off-and-on lockdowns persisted, the renovation and DIY sector continued to eke out growth as consumers worked on refreshing their surroundings.

Specifically in the DIY sector, the country saw an increase in demand through new products including the eco-friendly Kid's Paint and Eco-essence paint, indicating a need for paints that are beneficial for the environment and are also asthma and allergy friendly.

We also see encouraging prospects in the Tier 3 and 4 cities, where our teams have already commenced a detailed market analysis of trends to determine the correct approach and business strategies for implementation. We are leaving no stone unturned to ensure that we have the right strategies in place to meet the needs of clients and consumers in these different cities as living conditions can vary from city to city.

> "We have a highly adaptable team, ready to shift according to consumer sentiments"

Having said this, we are aware of the public sentiment on the Chinese real estate market and remain vigilant of any developments. The key here is that we have a highly adaptable team, ready to shift according to consumer sentiments to ensure continued business sustainability in this segment. As the market requirement changes, we can flexibly deliver differentiated offerings to our business clients in China through collaborations with strategic construction vendors and project service vendors. With our scale and reach, we offer to the market the convenience of having a one-stop solution provider in which we endeavor to meet customers' paint and coatings needs.

Aside from the above, our research and studies reveal that there will be continued demand for houses, driven by the population concentration in urban areas and the further upturn in economic activities as urbanization progresses in different parts of China.

As such, we view downturns to be temporary and are confident of the medium

to long-term growth potential for the Chinese market.

See "Growth Strategy for Rapidly Growing Repainting Market in China" on page 61.

New economic power houses

Being a global company means we can capture the potential and act on opportunities worldwide. In this respect, we see growth prospects around the world. For example, in Indonesia our continued marketing push and expanding distribution network have produced promising results.

The market is valued at around USD 2 billion and has grown at 17-18% annual rate. Under the current government and new policies put in place, we see more potential in the future having achieved a growth of 5.02% in GDP in 2021.

There are also several large projects that have been launched in the country including the recent announcement of Nusantara, Indonesia's new green and smart capital in Kalimantan that will be developed in stages through to 2045.

Prudent price management in times of recession and inflation cycles in Indonesia also helped to maintain sound financials in this region. This, coupled with a healthy market environment, means that Indonesia remains as one of our more profitable markets.

For continued success, the team will invest in advertising to drive brand top-of-mind recall and preference. We will also ensure a wider distribution of Computerized Colour Matching (CCM) machines and increase product penetration in all product segments in our CCM stores.

Another expansion tactic is to capitalize on the trend of digital transformation and a shift towards more technology-driven sales channels. Technology and data tracking have helped us determine a strong demand for online e-commerce sales channels, especially in Indonesia, where it can be challenging to navigate the country's main islands and smaller cities.

For this, we will be establishing new channels to enable more online purchasing and inquiries. We plan to open more depots or stock points and strengthen our sales team to further widen our geographical coverage in the country. This will help support both our customers and other sales or dealer distribution channels more effectively.

Likewise, as it is with our other global markets, we will also expand product offerings.

We see huge potential for us to market our other popular products in Indonesia, especially in the non-paint segment. We are highly confident that Indonesia will continue to perform strongly.

See "Growth Strategy Deployment in High-Growth Countries (Indonesia and Türkiye)" on page 66.

Business acceleration through adjacencies

While times are uncertain and there remains to be an abundance of challenges that all businesses will face, we are confident that our continued execution of the unique Asset Assembler model will bring positive results in the coming year.

There is strength in numbers and we are definitely benefiting from the various acquisitions and mergers that have been completed over the last few years. For instance, our non-paint business in Malaysia was expanded through the introduction of Selleys and the acquisition of Vital Technical and Construction Material Industry Sdn Bhd.

The Selleys SAF premium brand gave us an avenue to increase our innovative offerings to a new group of customers including key retail partners.

Beyond Malaysia, these acquisitions provided a new range of products to the NIPSEA Group market helping close deals that required quality yet budget-conscious options as well.

These successes would not have been possible without the retention of expertise from the DuluxGroup and Betek Boya groups that have been introduced to the NIPSEA Group team.

We also completed the acquisitions of Cromology and JUB, which not only led to further expansion of our decorative paints segment but also expanded our distribution network exponentially in the European region. Looking to the future, we will continue to look out for more adjacent and complimentary businesses. This is a key engine of growth and can work to accelerate our group's financial successes in the future.

Moving forward with an autonomous partnership agenda

Through deft execution of Asset Assembler model, we aim to achieve our mission of Maximization of Shareholder Value. However, we will maintain that this model can only work if we continue to inspire autonomous business execution and growth among partner companies while providing a framework that leverages every partner company's strength.

Having autonomous and decentralized management will take us to greater heights as each partner company fully benefits from this Nippon Paint Group business model.

After all, only through embracing diversity and encouraging everyone to do so can we leverage the benefits of team work and realize employee potential. Hence, we are constantly advocating for our teams to share positive examples, benefits, success cases and more with each other in the spirit of learning and improving.

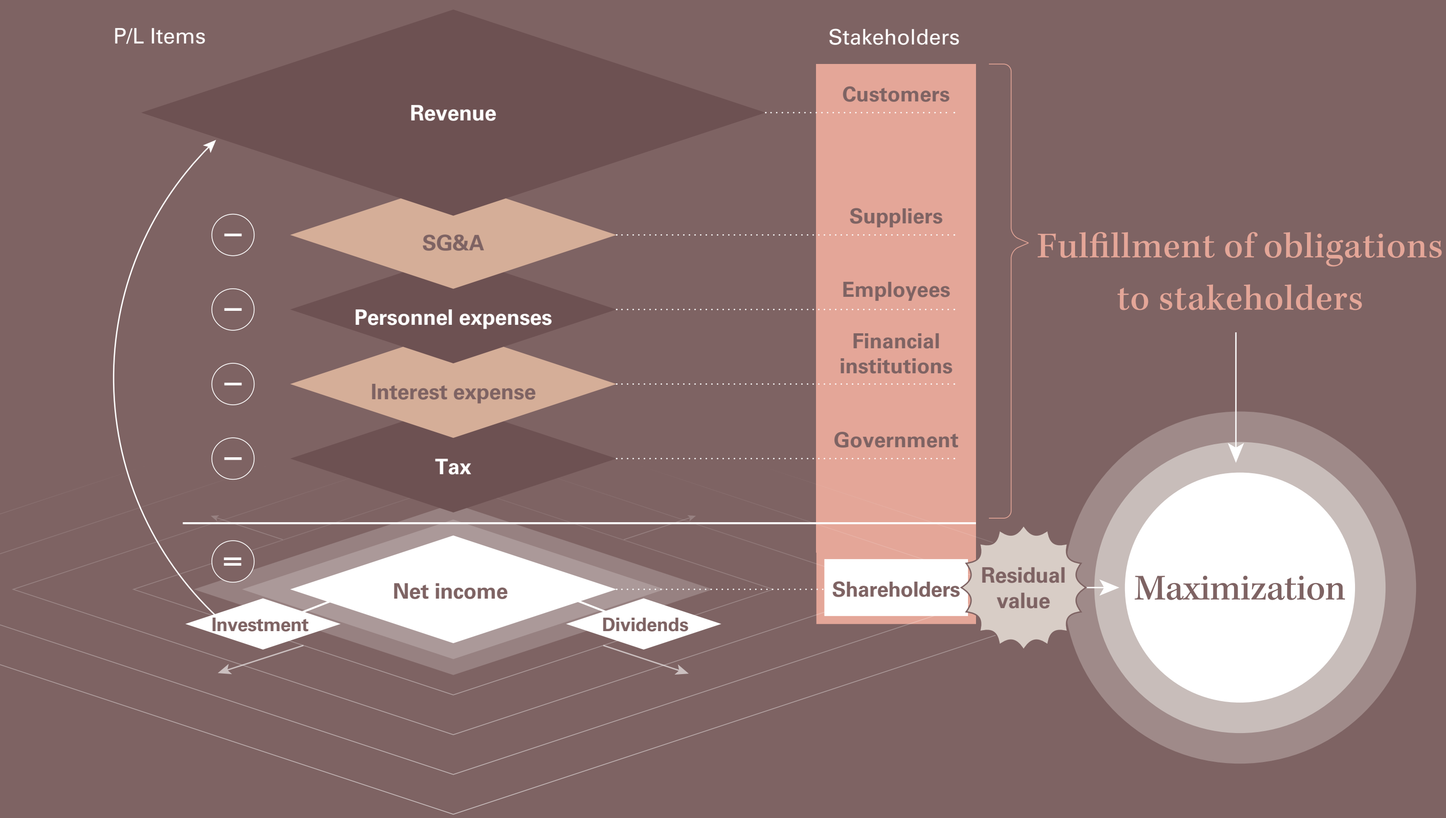
As we come full circle, it gives me great pride to share that despite the unpredictable happenings through the past year, we have managed to achieve our medium-term plan revenue a year in advance while maintaining our 2023 operating profit target and will continue to remain focused on achieving our business objectives through revenue growth and margin improvement.

Director, Representative Executive Officer & Co-President

“Through deft execution of Asset Assembler model, we aim to achieve our mission of Maximization of Shareholder Value”

Our sole mission
Maximization of Shareholder Value (MSV)

Nippon Paint Group is pursuing MSV as its sole mission.
We will aim to create wealth by maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders.

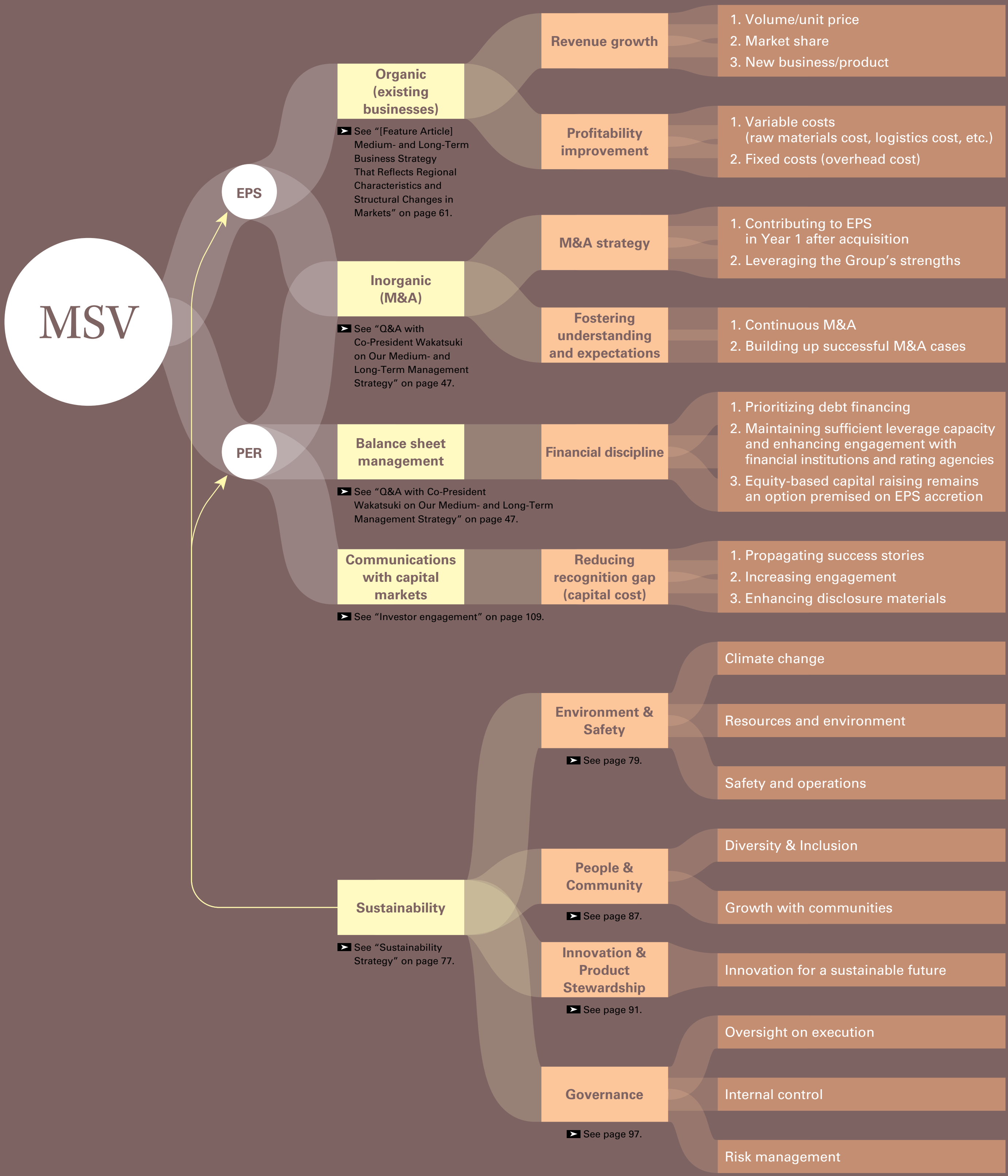


The diagram above shows the stakeholder relationship for profit and loss statement items: customers for revenue, suppliers for operating expenses, employees for personnel expenses, financial institutions for interest expenses, and governments for taxes. Fulfilling our obligations to each stakeholder 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. A prerequisite is to fulfill those obligations to stakeholders that have upper limits, and shareholder value will be the residual value that remains after fulfilling those obligations. MSV strictly pursues the maximization of medium- and long-term shareholder value, rather than short-term maximization.

MSV logic tree: Actions for achieving MSV

Earnings per Share (EPS) and price-to-earnings ratio (PER) are important benchmarks for achieving MSV. Nippon Paint Group is taking various actions that will contribute to maximizing EPS and PER in order to achieve MSV over the medium and long term.



Status of assets (partner companies) continuing on an autonomous

Assets	Overview

NIPSEA Group
(Asia)

FY2021 operating results

Revenue increased from the previous year as a result of the new consolidation of the Indonesia business, coupled with strong market growth and selling price increases in the decorative paints business at NIPSEA China. Revenue also increased from the previous year in Asia Excepting NIPSEA China due to the progress with selling price increases in every region, despite the impact of the pandemic in some regions. As a result, revenue in NIPSEA Group increased by 48.3% to ¥579.4 billion.

Operating profit increased by 12.1% to ¥67.5 billion on higher revenue, including revenue growth from the new consolidation and the impact of exchange rate changes, despite the significant negative effect of the higher prices of raw materials.

Growth since the acquisition (FY2014)

Since becoming our consolidated subsidiary in FY2014, NIPSEA Group has achieved growth that significantly outperformed the market and competitors by leveraging the following strengths: ① Strong brand recognition, ② Competitive workforce due to a Lean for Growth (LFG) culture, ③ Strong base of supply chains and production locations, and ④ Competitive technologies.

This strong growth at NIPSEA Group has driven earnings growth of Nippon Paint Group. In addition, NIPSEA Group has supported the operations and management of Betek Boya and PT Nipsea by sharing the group's broad expertise and technologies built up in emerging markets over the last 60 years. Due to this support, these two companies have grown faster than before their acquisitions by NPHD. As a result, revenue has increased 145.0% following the acquisition and operating profit has increased 191.1%.

NIPSEA China
(China)

FY2021 operating results

Automotive coatings revenue increased from the previous year due to flow-through of selling price increases implemented to respond to raw material price increases, although automobile production remained unchanged from the previous year due to shortage of semiconductor chips and disruptions of parts supply due to the pandemic. The decorative paints business achieved high revenue growth in the first half of the year following the pandemic downturn in the previous year and strong market growth continued in the second half. In addition, selling prices were increased during the year. As a result, our DIY revenue increased by 35% and Project revenue increased by 29% from the previous year. The industrial coatings business achieved revenue growth due to solid demand for coatings, coupled with strong demand for general industrial coatings and powder coatings. Consequently, revenue increased by 41.4% to 379.1 billion yen.

Operating profit decreased by 18.3% to 35.9 billion yen despite higher revenue, due to the deterioration of the raw material cost contribution ratio and recording a provision for potential credit loss.

NIPSEA China remained the market leader in both the DIY and Project businesses as the market shares increased to 27% and 9%, respectively.

Growth since the acquisition (FY2014)

Since becoming a consolidated subsidiary of NPHD in FY2014, NIPSEA China has consistently achieved strong growth and steadily increased its market share every year, led by an excellent management team dedicated to the Lean for Growth (LFG) spirit and based on the following strengths: ① High recognition of the LiBang brand, ② extensive distribution network that provides nationwide coverage, ③ world's leading and most advanced production systems, ④ strong relationships with the top 100 real estate developers, and ⑤ extensive support provided to customers based on its comprehensive capabilities such as capital strength and broad product lineups. As a result, revenue increased by 96.4% and operating profit by 77.8% compared to the amounts when NIPSEA China was acquired.

Betek Boya
(Türkiye)

FY2021 operating results

Revenue increased by 35.9% from the previous year to 49.2 billion yen despite the impact of the weak Turkish lira against major currencies. This growth was the result of the expansion of dealer coverage, an increase in the market share with dealers as a result of aggressive sales and marketing activities, and selling price increases. On a local currency basis, which excludes the effects of exchange rate fluctuations, revenue was up 65.3% from the previous year.

Operating profit increased by 53.1% to 7.5 billion yen despite higher raw material prices because the strong revenue growth absorbed the higher cost of raw materials and negative effects of exchange rate movements.

Betek Boya's market share increased to 34% as this company retained its No. 1 market position. This accomplishment was attributable to successful activities such as the multi-brand strategy and aggressive marketing activities.

Growth since the acquisition (FY2019)

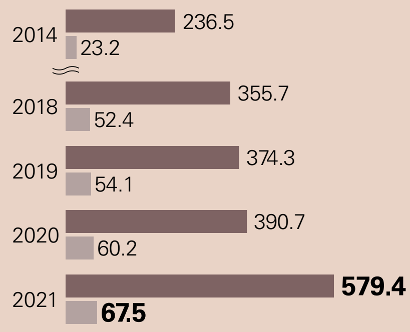
Betek Boya has achieved revenue growth and market share gains that are significantly greater than before the acquisition. This is because the acquisition has allowed the company to benefit from NIPSEA Group's know-how for growth in emerging markets and the Nippon Paint brands. In addition, Betek Boya repaid all of its loans with high interest rates by utilizing Nippon Paint Group's low-cost financing capability. Repaying loans allowed Betek Boya to allocate cash generated to large expenditures for marketing and other activities. As a result, revenue increased by 70.6% and operating profit by 124.1% compared with the amounts at the time of the acquisition two years ago.

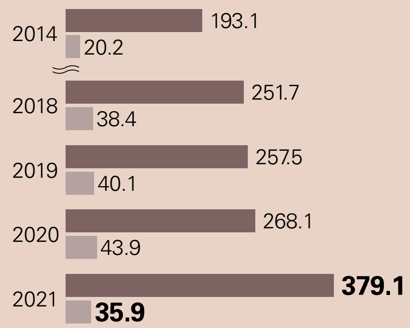
*1 The earnings for FY2020 and thereafter have been adjusted retrospectively following the classification of the European automotive coatings business and the India business as discontinued operations after they were transferred to Wuthelam Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with 4Q FY2021.
*2 Earnings comparison with the amounts at the time of acquisition are estimates because there are cases where accounting policies applied or assumptions used to estimate the market are different.
*3 NPHD's estimates
*4 Segment basis (after elimination of internal transactions and after PPA)

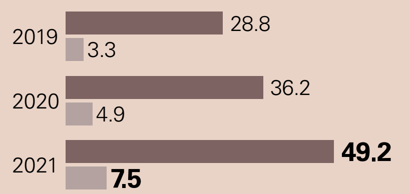
growth trajectory

Financial indicators		FY2021*1	YoY comparison*1	Growth since the acquisition*2
Revenue		¥579.4 billion	+48.3%	+145.0%
Operating profit		¥67.5 billion	+12.1%	+191.1%
OP margin		11.5%	-3.8pt	+1.8pt
Revenue		¥379.1 billion	+41.4%	+96.4%
Operating profit		¥35.9 billion	-18.3%	+77.8%
OP margin		9.5%	-6.9pt	-1.0pt
Market share*3	DIY	27%	+3pt	+5pt
	Project	9%	+1pt	+6pt
Revenue*4		¥49.2 billion	+35.9%	+70.6%
Operating profit*4		¥7.5 billion	+53.1%	+124.1%
OP margin*4		15.2%	+1.6pt	+3.6pt
Market share (decorative)*3		34%	+4pt	+7pt

Revenue / Operating profit (Billion yen)



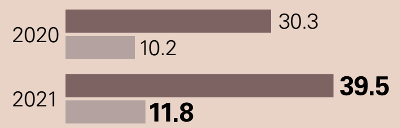




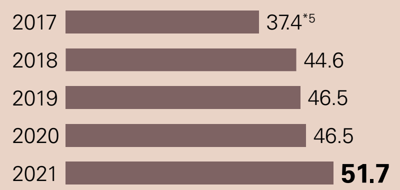
Assets	Overview
PT Nipsea (Indonesia)	**FY2021 operating results (acquired in FY2021)** Revenue increased by 30.4% from the previous year to 39.5 billion yen driven by selling price increases, the extension of distribution networks, the addition of more distributors, and the increase in the use of Computerized Colour Matching (CCM) machines despite the temporary slowdown of economic activities due to COVID restrictions and lockdowns. Operating profit increased by 15.7% to 11.8 billion yen due to higher revenue and the product/mix improvement, despite higher raw material prices and sales promotion expenses. PT Nipsea's market share was about the same as in the previous year at 17% but the company retained its No. 2 position.
Dunn-Edwards (USA)	**FY2021 operating results** Revenue increased by 11.2% from the previous year to 51.7 billion yen due to solid repainting demand in every operating region centered on California and Arizona as well as multiple selling price increases to reflect higher raw material prices. Dunn-Edwards' market share remained about the same as in the previous year at 2.5%. **Growth since the acquisition (FY2017)** After joining Nippon Paint Group, Dunn-Edwards provided its unique customer services that differentiate it from competitors combined with high quality products. This company also increased sales of new products by opening new stores and using its existing distribution network mainly in the Southwestern U.S. by leveraging the know-how accumulated within Nippon Paint Group. As a result, revenue has increased steadily by 15.8% compared with the amount in FY2018.
DuluxGroup (Australia, Europe)	**FY2021 operating results** Revenue in the decorative paints and paint related businesses increased from the previous year due to the recovery of the trade DIFM*6 markets following the easing of COVID restrictions and lockdowns and due to the proactive management of selling prices. However, demand in the consumer DIY markets was weaker than in the previous year when consumer demand escalated temporarily due to the COVID pandemic. As a result, revenue increased by 18.8% from the previous year to 176.2 billion yen. Operating profit increased by 23.7% to 19.0 billion yen due to strong trade sales and strong discipline in managing costs to offset the impact of higher raw material prices. DuluxGroup has maintained the No. 1 market share (volume basis) in decorative paints in Australia, at approximately 50%. **Growth since the acquisition (FY2019)** In the mature Australia and New Zealand markets, DuluxGroup has grown faster than the market through its continued focus on the fundamentals of consumer insights, strategic brand marketing, innovation and customer service; complemented by a number of strategic bolt-on acquisitions. In addition, DuluxGroup is sharing its core capabilities to help drive Nippon Paint Group's growth in the SAF (Sealants, Adhesives & Fillers) business in Asia, and is delivering on its targeted and strategic M&A agenda as demonstrated by the acquisitions of Cromology in France and JUB in Slovenia in FY2022 These acquisitions provide a platform for future growth in mature western and central European markets. As a result, revenue increased by 30.7% and operating profit by 57.0% compared to the time of acquisition two years ago.
Japan Group (Japan)	**FY2021 operating results** Revenue in the automotive coatings business increased from the previous year due to selling price increases to respond to higher raw material prices, despite lower automobile production compared to the previous year because of the shortage of semiconductor chips and disruptions of parts supplies due to the pandemic. Revenue in the decorative paints business increased in all business segments, primarily architectural paints, due to our unique sales promotion activities by leveraging our paint distribution network and aggressive new ideas for products. Revenue in the industrial coatings business increased due to the recovery in the housing, construction machinery, and agricultural machinery sectors from the previous year when demand was impacted by the pandemic. As a result, revenue increased by 1.6% from the previous year to 164.6 billion yen. Operating profit declined by 36.2% to 10.3 billion yen due to higher raw material prices in the 2H of FY2021, despite higher revenue in the 1H of FY2021 due to recovery from the pandemic.

*1 The earnings for FY2020 and thereafter have been adjusted retrospectively following the classification of the European automotive coatings business and the India business as discontinued operations after they were transferred to Wuthelam Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with 4Q FY2021.
*2 Earnings comparison with the amounts at the time of acquisition are estimates because there are cases where accounting policies applied or assumptions used to estimate the market are different.
*3 Segment basis (after elimination of internal transactions and after PPA)
*4 NPHD's estimates

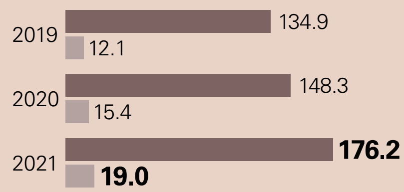
Financial indicators	FY2021[*1]	YoY comparison[*1]	Growth since the acquisition[*2]	Revenue / Operating profit (Billion yen)
Revenue[*3]	¥39.5 billion	+30.4%	+30.4%	
Operating profit[*3]	¥ 11.8 billion	+15.7%	+15.7%	
OP margin[*3]	29.7%	-4.1pt	-4.1pt	
Market share[*4]	17%	+0pt	+0pt	



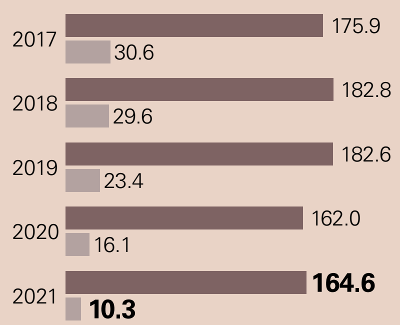
Financial indicators	FY2021[*1]	YoY comparison[*1]	Growth since the acquisition[*2]	Revenue / Operating profit (Billion yen)
Revenue	¥51.7 billion	+11.2%	+15.8%[*5]	
Market share[*4]	2.5%	+0.1pt	+0.1pt	



Financial indicators	FY2021[*1]	YoY comparison[*1]	Growth since the acquisition[*2]	Revenue / Operating profit (Billion yen)
Revenue[*3]	¥176.2 billion	+18.8%	+30.7%	
Operating profit[*3]	¥19.0 billion	+23.7%	+57.0%	
OP margin[*3]	10.8%	+0.4pt	+1.8pt	
Market share (Australia)[*4*7]	50%	+0pt	+2pt	



Financial indicators	FY2021[*1]	YoY comparison[*1]	Growth since the acquisition[*2]	Revenue / Operating profit (Billion yen)
Revenue	¥164.6 billion	+1.6%	–	
Operating profit	¥10.3 billion	-36.2%	–	
OP margin	6.3%	-3.7pt	–	



*5 FY2017 earnings of Dunn-Edwards are for 10 months from March, when the acquisition closed, to December 2017. Earnings changes since the acquisition are calculated using FY2018 earnings.
*6 Do It For Me
*7 Volume basis

Quick decision-making enabled by the Co-President setup

Following the launch of the Co-President setup in April 2021, Nippon Paint Group has taken many actions to achieve MSV. We will continue to accelerate medium- and long-term growth through the expansion of existing businesses and aggressive M&A, leveraging the strengths of the Co-President setup.

2021

January

Completed the full integration of the Asian JVs and acquisition of the Indonesia business

Completed the nearly 60-year partnership with Wuthelam Group allowing us to capture the strong growth in the Asian markets, realizing significant earnings growth and protection of the interests of minority shareholders

February

Stock split announced

A five-for-one stock split as of the record date of March 31, 2021, with the goal of reducing the investment unit price for our stock, expanding the investor base, and increasing stock liquidity

March

Purpose and the New Medium-Term Plan (FY2021-2023) announced

Set Purpose that defines the identity of Nippon Paint Group, and established the New Medium-Term Plan as a medium-term milestone for 2023 for accomplishing our long-term goals

See "Purpose" on page 2 and "Progress of the Medium-Term Plan (FY2021-2023)" on page 51.

Acquisition of Vital Technical announced

Acquired Vital Technical, the No. 1 player in Malaysia's sealants and adhesives market, in a bid to promote growth in the adjacencies business and improve operational efficiency through collaboration in raw materials procurement and other activities. Following the acquisition closing at the end of March 2021, the company has contributed to EPS accretion from the first year of acquisition

April

Co-President set-up launched

Yuichiro Wakatsuki and Wee Siew Kim appointed as Representative Executive Officers & Co-Presidents. This personnel change follows the resignation of former President & CEO Tanaka and aims to further accelerate global business growth

Press conference announcing appointment of the Co-Presidents

August

Share transfer of our European automotive coatings business and India business to Wuthelam Group announced

Determined that the transfer would be reasonable from the perspective of protecting the interests of minority shareholders and achieving MSV, given that the transaction would contribute to EPS and give us a call option to buy back the companies in the future. Agreed to continue providing management support to the transferred businesses

See "Discussions by the Board of Directors" on page 119.

2022

September

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Agreed to support the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Decided to support the TCFD recommendations (final report) and are taking actions to expand climate change-related measures and related information disclosures

See "Sustainability Strategy" on page 77.

October

Acquisition of Cromology announced

Decided to acquire shares of European decorative paints and paint-related products manufacturer Cromology and its subsidiaries. Following the acquisition closing in January 2022, Cromology is contributing to EPS from the first year of acquisition and transitioning to a new management structure as a partner company of DuluxGroup

See "Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)" on page 67.

cromology

Business location in Champagné

Acquisition of JUB announced

Decided to acquire shares of European decorative paints and ETICS* manufacturer and seller JUB and its subsidiaries. Following the acquisition closing at the end of May 2022, JUB is contributing to EPS from the first year of acquisition and transitioning to a new management structure as a partner company of DuluxGroup

*External Thermal Insulation Composite System

See "Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)" on page 67.

JUB

JUB's office buildings and plants

Company split into NPHD (holding company) and NPCS (Japan-focused functional company) announced

Aimed at clarifying the holding company's functions and maximizing the autonomy of Group partner companies around the world. NPCS support will improve the sophistication and operational efficiency of our businesses in Japan, clarifying their profitability and facilitating autonomous initiatives

November

Acquisition of full ownership of the Chinese automotive coatings JVs announced

Acquisition of 100% ownership of the five consolidated subsidiaries of Nippon Paint Automotive Coatings (NPAC) established as joint ventures with Tong Yan Holding Corporation completed at the end of May 2022 in a bid to increase our market share through the integration of our Chinese automotive coatings business

See "Strategy for Next-Generation Technologies in the Transforming Automotive Industry" on page 74.

Nanjing NBC Co., Ltd.	Nanjing, China
Guangzhou NBC Co., Ltd.	Guangzhou, China
Changchun NBC Co., Ltd.	Changchun, China
Tianjin NBC Co., Ltd.	Tianjin, China
Wuhan NBC Co., Ltd.	Wuhan, China

January

Secondary offering of shares

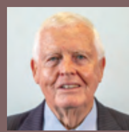
Conducted a secondary offering of shares in overseas markets with the goal of improving the liquidity of our stock, building a global base of investors that show an understanding of our growth strategies from a long-term perspective, and alleviating concerns surrounding the potential sale of our common stock held as strategic holdings

March

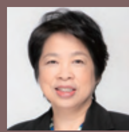
New board structure instituted

At the 197th Ordinary General Meeting of Shareholders approved the election of 11 Directors, including four new Directors, with the goal of incorporating diverse perspectives and viewpoints into the Board of Directors' operation to maximize MSV

See "Directors and Executive Officers" on page P123.



Peter M. Kirby, Independent Director



Lim Hwee Hua, Independent Director

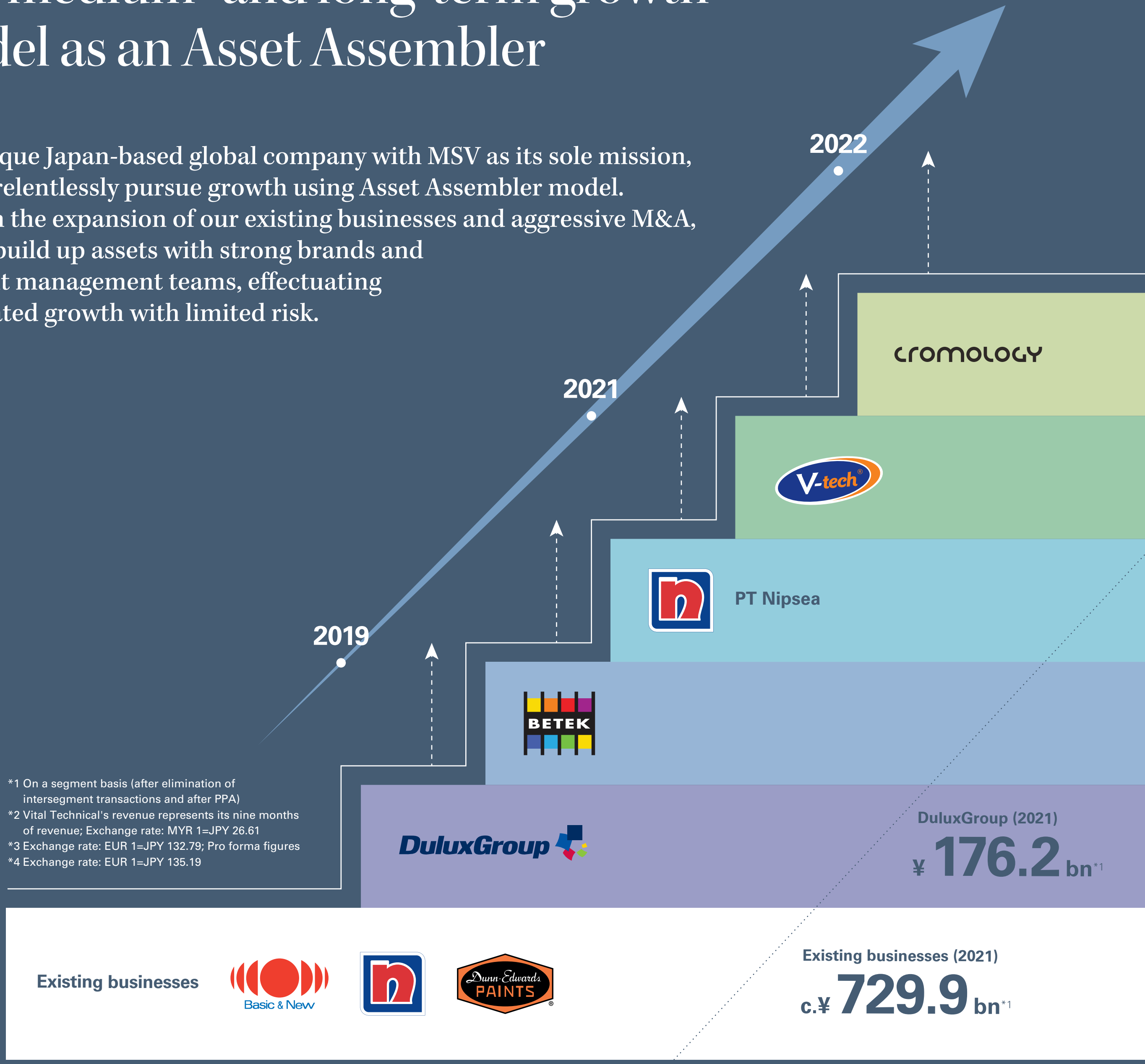
Chapter 02

Our Business Model

PHOTO
Singapore / Singapore Sports Hub

Our medium- and long-term growth model as an Asset Assembler

As a unique Japan-based global company with MSV as its sole mission, we will relentlessly pursue growth using Asset Assembler model. Through the expansion of our existing businesses and aggressive M&A, we will build up assets with strong brands and excellent management teams, effectuating accelerated growth with limited risk.



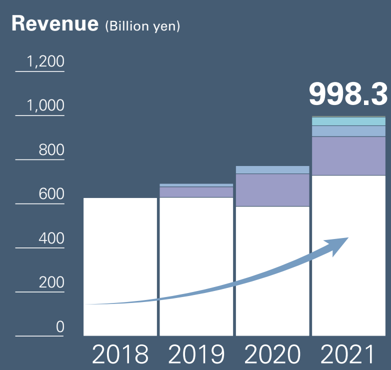
*1 On a segment basis (after elimination of intersegment transactions and after PPA)
*2 Vital Technical's revenue represents its nine months of revenue; Exchange rate: MYR 1=JPY 26.61
*3 Exchange rate: EUR 1=JPY 132.79; Pro forma figures
*4 Exchange rate: EUR 1=JPY 135.19

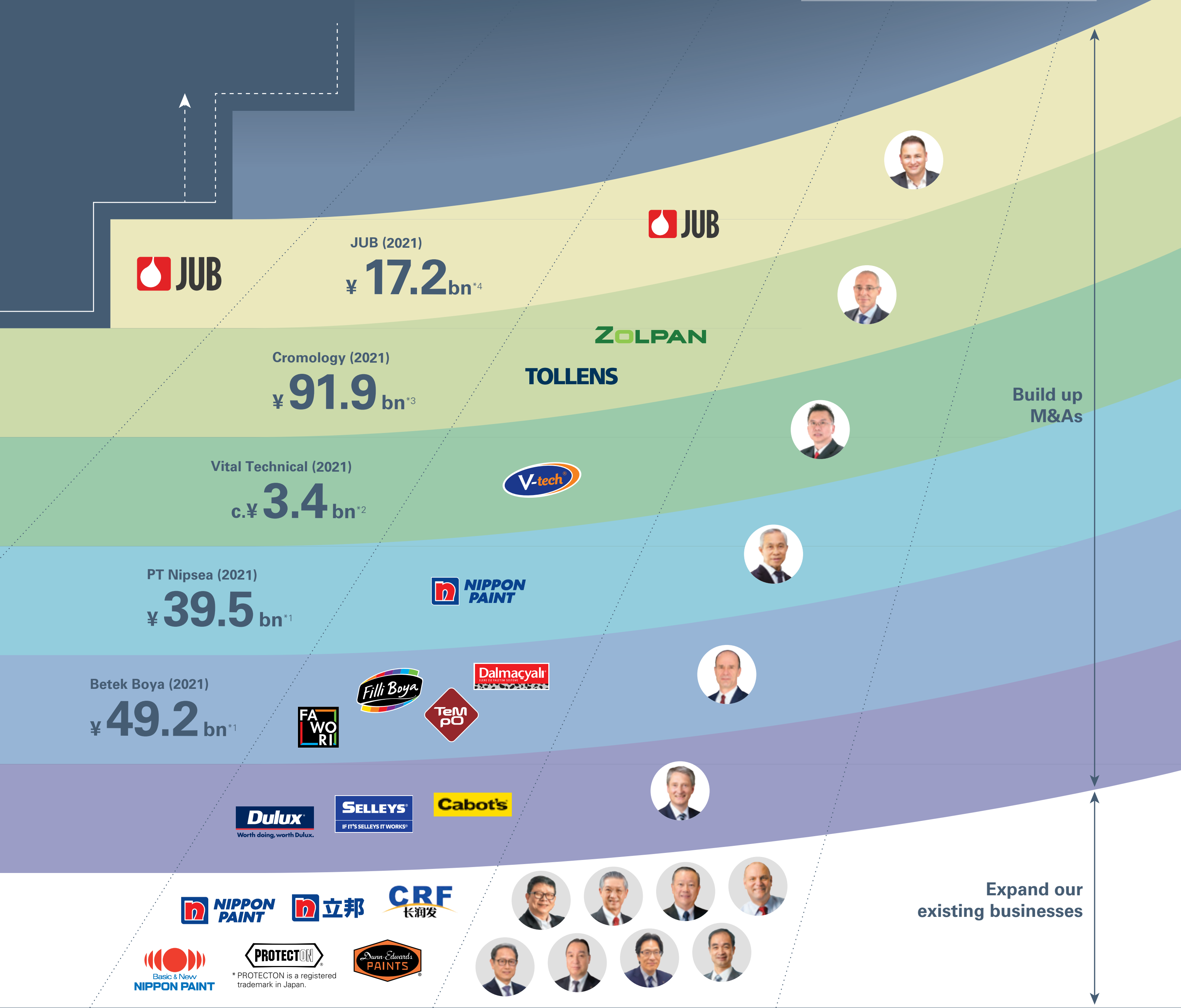
Partner companies

Based on Asset Assembler model, the excellent management teams in each region will pursue autonomous growth in our existing businesses by creating synergies through the proactive sharing of technical capability, distribution networks, purchasing capability, market expertise, and brands within the Group.

At the same time, we will aggressively execute M&As, thereby boosting our performance and building up newly acquired brands and human resources, which we will leverage within the Group to achieve further growth.

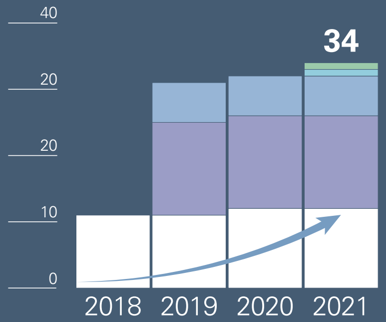
Revenue





Brands

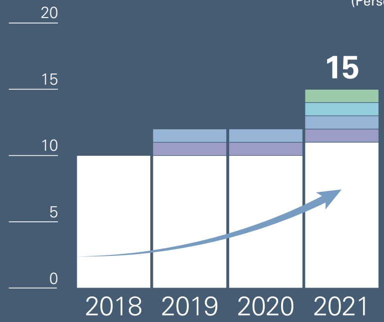
Number of key brands



Management

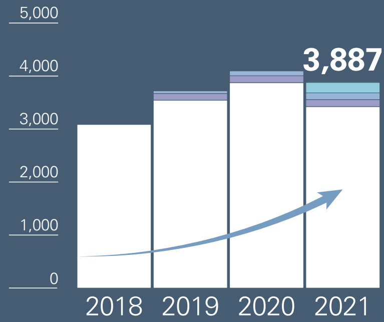
Number of CEOs of key partner companies

(Persons)



Technologies

Engineering talent (Persons)



For more information about individual assets, see "Assets Essential for Our Business Model" on page 39.

The five strengths underpinning our Asset Assembler model

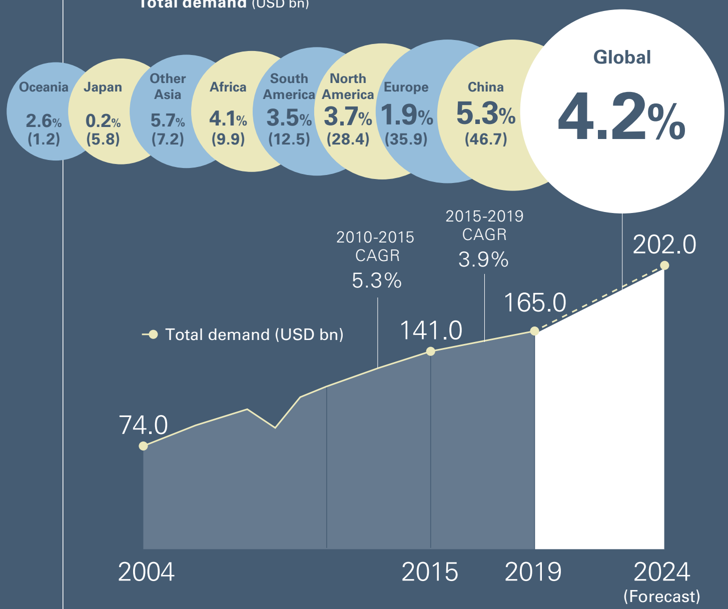
Using Asset Assembler model and drawing on our five strengths, which are the enablers of medium- and long-term growth, we will pursue continuous earnings growth with limited risk with the goal of achieving MSV.

1 Focused on paint and adjacencies with significant market opportunities

We are focusing on paint and adjacencies that have significant market size and growth opportunities driven by population growth, per-capita GDP growth, and urbanization. We have considerable expertise and knowledge in these areas. The adjacencies market, represented by the sealants, adhesives & fillers (SAF) and construction chemicals (CC) also boasts an attractive market size, and we have established a one-stop platform to supply adjacencies products, in addition to paint products.

Global paint demand*1,*2

2019-2024 CAGR
Total demand (USD bn)



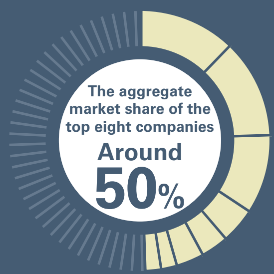
2 Attractive risk-return profile of paint and adjacencies arena

Our powerful brands and high market share in the paint and adjacencies markets have raised entry barriers and enabled us to establish a solid leading market position. The paint and adjacencies markets are highly localized, characterized by local production for local consumption with strong local features, allowing us to minimize PMI risk through autonomous and decentralized management. These markets are also characterized by attractive returns with limited risk, where we can expect profit and cash flow generation with some degree of certainty. These characteristics make the paint and adjacencies markets well suited to M&A.

Characteristics of the paint and adjacencies businesses

Businesses characterized by local production for local consumption

Customer needs differ across countries and regions



High entry barriers

A small number of top-ranking brands dominate the markets

Adjacencies have several areas of attractive markets

We supply both paint products and adjacency products in a one-stop fashion

*1 Country/region total figures are market growth forecasts in 2019.
*2 Source: ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024) https://paint.org/market *3 Source: Fortune Business Insights
*4 Source: ReportLinker *5 External Thermal Insulation Composite System *6 Source: European Commission Paper

Trust

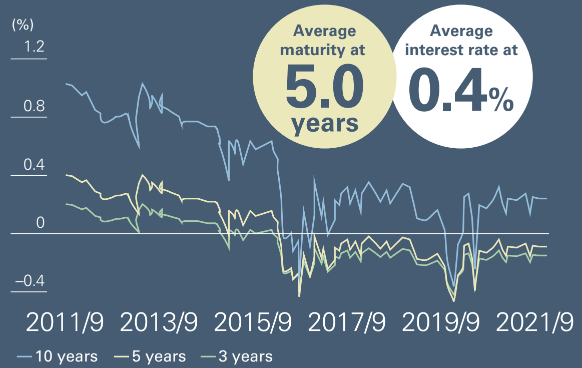
3 An assembly of talented management and strong brands

Our focus on paint and adjacencies allows us to create greater-than-expected synergies from strengths brought by an assembly of talented management and strong brands. Management of partner companies have a deep understanding of market features in their operating regions and are well versed in MSV, and with our autonomous and decentralized management, they can fully utilize their abilities. Unlike Western models featuring standardization and cost-cutting synergies, this model can leverage the strengths of our partner companies in this industry, which is highly localized. We believe this model makes joining Nippon Paint Group more attractive to potential partners as well.

4 Japan domicile enhanced competitive strengths

In Japan, which has a stable currency and safe market, we can finance at low interest rates based on long-term relationships with and strong support from financial institutions. This gives us a unique strength unmatched by our global competitors.

JGB 10-year yield **Status of debt (FY2021)**

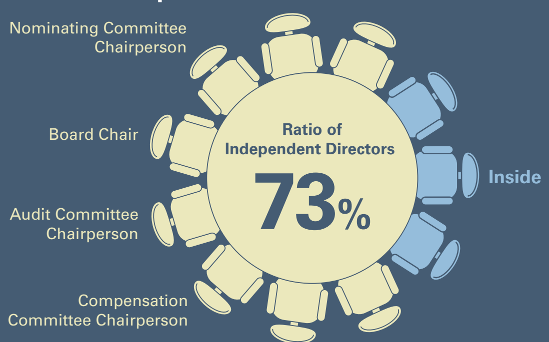


Source: Bloomberg

5 Advanced governance

We have established an advanced and substantively effective governance structure with Independent Directors comprising the majority of the Board of Directors. The Board of Directors shares with our major shareholder the achievement of MSV as the top decision criteria, ensuring the protection of the interests of minority shareholders. This constitutes a unique strength in our governance.

Ratio of Independent Directors



Financial and non-financial assets essential for Asset Assembler model

Six categories of capital	Human capital	Manufactured capital	Social and
Financial and non-financial assets essential for Asset Assembler model	Human resources/ organizations	Technologies	External partners
Importance of assets from the perspective of Asset Assembler model	● Diverse human resources and strong organizational capabilities that enable us to accurately recognize social issues and customer needs and promptly provide effective solutions are essential in the paint market, which is characterized by local production for local consumption as well as a wide variety of uses	● Advanced technologies are essential to create innovations that solve social issues and meet customer needs and to enhance our competitive advantage, such as to enable stable product supply	● Collaborations with external partners, including industry-academia co-creation and engagement with investors are essential for providing high-quality products and services to customers around the world and innovation for a sustainable future
Examples of assets	● The Group's human resources who are well informed about their local markets (30 countries/regions: 30,274 employees; ratio of overseas employees: 89.1%) ● Active Diversity & Inclusion initiatives (global percentage of female employees: 25.9%, global percentage of women in management posts: 23.0%) ● High level of employee satisfaction (Japan Group: 89%; DuluxGroup: 80%) ● Local management teams who have a deep understanding both of market features in their respective regions and of MSV ● Group partner companies around the world with unique corporate culture and expertise, as well as a strong market presence (NIPSEA Group, DuluxGroup, etc.)	● Global engineering talent who are innovation enablers (3,887 persons in total) ● Core technologies, including paint, material synthesis and dispersion, and interface and surface technologies ● Ability to develop products that help solve social issues (decorative films meeting the needs of the next-generation automobile industry and a decarbonized society, anti-viral and anti-bacterial paint products, high-durability heat shield coatings for road surfaces, next-generation environmentally friendly antifouling paint, etc.) ● World-leading production systems, such as those incorporating factory automation (China, Australia, etc.)	● Active open innovation activities with universities (The University of Tokyo and others), research institutions, and other academic institutions ● Joint development with automobile manufacturers (Toyota Motor Corporation, etc.) applying automotive painting technologies ● Engagement with investors and other stakeholders See page 109. ● Our 60-plus-year partnership with Wuthelam Group
Utilization of assets based on autonomous and decentralized management, creation of autonomous synergies, and sophistication of management (case studies)	● Sharing success cases and expertise of Group partner companies around the world (such as NIPSEA Group and DuluxGroup's measures to boost market share and advance ESG initiatives) to achieve appropriate human resource allocation and more sophisticated organizational structure and management	● Sharing technology through interaction among engineers of the technology and research divisions of Group partner companies around the world ● Sharing global state-of-the-art production technologies and expertise	● Sharing technologies and products developed in Japan through the industry-academia co-creation agreement among the Group and deploying them globally ● Diversifying risk by having Wuthelam Group bear the cost of additional expenses and investments required to turn around the European automotive business and the India businesses See page 119.
Particularly relevant materiality For more information about Materiality, see page 41.	● Diversity & Inclusion ● Safe people and operations	● Climate change ● Resources and environment ● Innovation for a sustainable future	● Climate change ● Resources and environment ● Safe people and operations ● Growth with communities ● Innovation for a sustainable future
Major recent external evaluations	● Selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for the third consecutive year (June 2022)	● Received the GREEN4SEA Technology Award (April 2021) for AQUATERRAS antifouling paint ● Received the Environmental Technology Award 2020 for technology to develop high-durability heat shield coating for road surfaces (May 2021) ● Received the Grand Prize in the renovation category of the 24th Good Painting Color (GPC) Environment Color Competition (January 2022)	● Awarded the Special Excellence Award (Quality Management) from Toyota Housing Corporation for 11 consecutive years (April 2022)

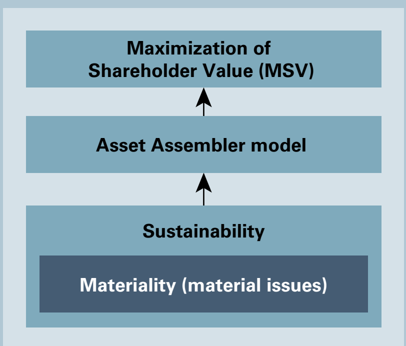
relationship capital	Intellectual capital	Financial capital	Natural capital
Customer base	Brands	Financial base	Nature/environment
● The strong customer base founded on long-term relationships of trust with customers in each region and business is important for stabilizing earnings and product supply and contributes to improving products and services	● Customers and consumers place importance on the reliability of products and services. The power that corporate and product brands carry is a resource that is indispensable to operating a wide range of businesses worldwide	● Achieving sustainable growth requires abundant funds to continue investing in M&A, new technologies, and state-of-the-art production facilities, and hence requires increasing the ability to generate cash flow and a sound financial base	● Raw materials, electricity, water, and other resources are essential and important from a sustainability perspective to the Group that operates paint and paint related businesses
● Extensive distribution channels supporting the growth of the Chinese decorative paints business (58,000 stores) ● Strategic partnerships with leading Chinese real estate developers ● Stable long-term relationships with leading automobile manufacturers and automotive parts manufacturers in Japan, the US, and Europe ● Strong relationship of trust with customers enabling a high market share worldwide in the B2B businesses, such as industrial coatings and adjacencies businesses	● The Nippon Paint brand is proof of technological capabilities and high quality (Global) ● High brand awareness for the LiBang brand (China) ● High consumer rating as "top of mind" for decorative paints products in Indonesia ● DuluxGroup boasts outstanding consumer awareness of its brands, such as Dulux and Selleys (Australia) ● Conducting the international AYDA Awards competition for architectural and interior design students in 16 countries and regions with a total of more than 47,000 entries to date	● Fully leveraging Japan's stable currency and financial markets to secure financing ● Paint business has low capital expenditure requirements and high cash flow generation (operating cash flow: ¥70.2 bn (continued operations basis)) ● Establishing a solid financial base by integrating the Asian operations (net debt to equity ratio: 0.45x, total equity: ¥968.7 bn) See page 55.	● Reduced energy consumption as part of global warming initiatives ● Advanced production systems that reduce environmental footprint (US, Australia, China, etc.) ● Controlled water usage through proper management following voluntary standards ● Responsible care activities for proper management of chemical substances (Japan, etc.) ● Reducing environmental impact by developing highly competitive products, such as water-based and antifouling paints and heat shield coatings
● Strengthening relationships with customers by providing meticulous support to customers and sharing information throughout the Group about customers with global operations, such as automobile manufacturers	● Deploying the Nippon Paint brand overseas, which is proof of technological capabilities and high quality ● Sharing products with high brand awareness among the Group and deploying them globally (such as deploying Australian Selleys brand products in Asia)	● Securing global business growth by actively investing in M&A and state-of-the-art production facilities for Group partner companies around the world due to our solid financial base and financing procurement capabilities See page 47.	● Reducing environmental impact by sharing among the Group the latest technologies and environmental technologies used in paint factories, and sharing among the Group products that help solve social issues and deploying them globally
● Climate change ● Resources and environment ● Safe people and operations ● Growth with communities ● Innovation for a sustainable future	● Resources and environment ● Safe people and operations ● Growth with communities ● Innovation for a sustainable future	● Climate change ● Resources and environment ● Growth with communities ● Innovation for a sustainable future	● Climate change ● Resources and environment ● Innovation for a sustainable future
● Selected as the No. 1 paint brand by the top 500 Chinese real estate developers for 11 consecutive years (March 2022) ● Selected as a leading company in the paint industry/paint applicator industry and as consumers' favorite paint brand/paint applicator brand in "2022 Survey of Chinese Home Furniture Consumption Trends and Survey of Industry Leading Companies" (March 2022) ● Selected for the China Building Materials Association's Floor Coating Industry Chapter (CFA) "Chinese Floor Coating Industry Top 20 Brand Annual Award" for two consecutive years (March 2022)	● Awarded the Gold Brand in the China Brand Index (C-NPS) (January 2022) ● Selected as No. 1 wall paint brand for six consecutive years and as No. 1 wood paint brand for 10 consecutive years in the China Brand Index (C-BPI) (March 2022) ● Several DuluxGroup brands recognized as Australia's Most Trusted Brands (April 2022) ● Nippon Paint China was selected for the first time among Brand Finance's Top 10 Most Valuable Paint Brands in the World (second place) (June 2022)	● R&I rating: A (as of June 2022) ● Selected as a constituent of the JPX-Nikkei Index 400 for nine consecutive years (August 2022)	● Selected as a constituent of the S&P/JPX Carbon Efficient Index for five consecutive years (March 2022) ● Selected for the first time as a constituent of the FTSE Blossom Japan Sector Relative Index (April 2022) ● Selected for the first time as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index (June 2022) ● Selected as a constituent of the SOMPO Sustainability Index for the 11th consecutive year (June 2022) ● Selected for the first time as a constituent of the MSCI Japan ESG Select Leaders Index (July 2022)

Materiality supporting Asset Assembler model

We will aim for MSV by using sustainability activities centered on initiatives on materiality that support Asset Assembler model.

Nippon Paint Holdings is pursuing MSV as its sole mission and believes, first and foremost, that the fulfillment of obligations to customers, suppliers, employees, society, and others is the major premise for accomplishing this goal. Initiatives for key sustainability issues (materiality), identified in 2020 from a global perspective, require the fulfillment of our obligations and a direct linkage to our businesses, such as identifying new business opportunities and tapping into new markets. Furthermore, these initiatives are also expected to prevent expenses from increasing and reduce business risks by complying with future laws and regulations while responding to supply chain issues ahead of competitors.

Nippon Paint Group continues to use initiatives that are directly linked with business activities and based on a thorough understanding of materiality-related risks and opportunities from a medium- to long-term perspective. In accordance with Asset Assembler model, we are linking these initiatives to the creation of innovations that support the growth of existing businesses. We believe that these initiatives to achieve MSV will result in revenue growth and higher expectations for our value (maximization of EPS/PER).



The materiality identification process

We identified materiality by creating a list of material issues which society requires us to address. This process included international ESG guidelines such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) as well as items required by ESG research organizations. We then performed a quantitative evaluation of the issues and verified their significance from two perspectives: the level of importance to stakeholders and the level of importance to Nippon Paint Group's businesses. In addition, we used external experts to receive objective viewpoints and held discussions with our partner companies around the world to identify material issues associated with our business model and the business environment. These issues were then designated as our materiality.

For more information about our framework for sustainability initiatives and the identification of KPIs, see "Sustainability Strategy" on page 77.

Materiality identification process

Preliminary list (Stakeholder opinions / Internal discussion)

We created a long list of 75 items that is our obligation to address based on international ESG standards and guidelines for disclosure and reporting derived from 11 ESG rating agencies and organizations. We then consolidated the list down to a preliminary list of 32 items.

Internal questionnaire (Internal discussion)

The newly-established then ESG Committee met in April 2020 and deliberated on the materiality identification process. Also, we distributed a questionnaire to the 25 committee members and the staff of the then ESG Promotion Department for their input on the items in the preliminary list.

Incorporating global risks

To incorporate global risks, the discussions also included chemical sector risk scenarios based on information in the Vigeo EIRIS Controversy Risk Assessment and other reports. Peer companies in the global chemical sector and forward-thinking Japanese companies were also referred to.

Internal discussion

Based on the weighting of importance for stakeholders and for Nippon Paint Group we identified six groups of items of materiality for business sustainability. During the process, we placed particular importance on discussion and agreement with overseas partner companies.

Stakeholder opinion (Stakeholder opinions / Internal discussion)

We interviewed various stakeholders and Independent Directors to gather their opinions on the potential items of materiality and created the final proposal through internal discussion.

Approval (Internal discussion)

We deliberated on the final proposal at the then ESG Committee meeting in July 2020 and obtained final approval at the Board of Directors meeting in August.

Materiality map

Materiality	Relevant SDGs	Explanation of materiality
Climate change	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION	Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, we will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.
Resources and environment	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 14 LIFE BELOW WATER	Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout life cycle of products.
Safe people and operations	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH	As a chemical manufacturer, we still believe that accidents and health damage caused by handling chemical substances are major risks. We will ensure the safety of employees and everyone involved in our business, and will educate and make investments to minimize risks.
Diversity & Inclusion	4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	Respect for the people around us and active acceptance of diverse values are important for our sustainable growth. We place great importance on the diversity of employees and other people involved in the business and respect human rights.
Growth with communities	1 NO POVERTY; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	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	3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 17 PARTNERSHIPS FOR THE GOALS	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.

Materiality Supporting Our Business Model

Materiality	Relevant SDGs	Risks	Opportunities
Climate change	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION	● Enforcement/change of policies and legal regulations such as introduction of a carbon tax ● Impact on production and shipment from extreme weather, such as typhoons and heavy rainfalls, that are becoming increasingly common in recent years ● Changes in customer behavior toward transition to a decarbonized society	● Expansion of the market for environmental products, such as products contributing to decarbonization ● Development of new businesses through research and development
Resources and environment	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 14 LIFE BELOW WATER	● Impact on business activities from depletion of energy and water resources ● Tightening of regulations on wastes and increase of waste disposal cost ● Changes in customer needs related to raw materials	● Expansion of the market for environmental products ● Enhanced competitiveness by advancing recycling technologies, improving resource efficiency, and utilizing diverse raw materials
Safe people and operations	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH	● Significant impact on operations if a major accident occurs at a production site ● Impact on safety assurance due to changes in manufacturing processes accompanying substantial increases in production	● Improving worksite safety and hygiene by sharing best practices and education plans from around the world ● Improving employee motivation and Company competitiveness for acquiring human resource talent
Diversity & Inclusion	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	● Difficulty of securing human resources that satisfy diversity requirements with a decrease in the university graduated population ● Slowing of business activities that reflect diversity in customer needs	● Securing diverse and competent human resource talent as a global company ● Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations
Growth with communities	1 NO POVERTY 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	● Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities ● Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community	● Improving public awareness of the corporate brand through value chain investment in communities ● Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group
Innovation for a sustainable future	3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS	● Significant hindering to future corporate earnings owing to inability to generate innovation due to slow response to new markets	● Expansion of market for products that contribute to controlling and adapting to climate change ● Products and services that address social issues that contribute significantly to society and help boost corporate earnings in the long term

ESG agenda	ESG action examples	Achievements in FY2021-2022
● Reduction of greenhouse gas (GHG) emissions ● Identification of risks and opportunities	● CO_2 reduction (Scope 1&2) ● Calculation of Scope 3 emissions ● Disclosure based on TCFD ● Utilization of renewable energy	● Expressed support for the TCFD recommendations (final report) and took actions to enhance climate related measures and information disclosure ● Identified important climate related risks and opportunities in terms of Group strategy and estimated their financial impacts ● Group partner companies developed CO_2 emissions reduction targets to contribute to achieving the net zero targets set by the government of each country ● Calculated Scope 3 emissions in Australia, in addition to Japan, expanding the scope of Scope 3 emissions calculation globally ● Reduced GHG emissions by 8% and energy consumption by 14% globally (FY2021) For more information, see "Environment & Safety" on page 79.
● Management of waste, water resource consumption, and environmental pollutants	● Establishment of global policy statements for waste materials and water ● Establishment of KPIs for each partner company based on the global policy	● Developed and disclosed a global policy for waste materials and resources, protection toward environmental pollution, and water ● Set the priority of initiatives related to waste materials and water and targets in priority areas in each country ● Continued activities for reduction and proper treatment, tighter management, and recycling of waste materials in each country ● Increased the recovered amount of waste materials by 4% and reduced the quantity of water intake by 4% globally (FY2021) For more information, see "Environment & Safety" on page 79.
● Disaster (fire accident) prevention and process safety ● Fatality and injury prevention	● Establishment of a global policy statement for safety of our people and operations ● Establishment of KPIs for each partner company based on the global policy	● Developed and disclosed a global policy for safe people and operations ● Reinforced safety education and use of technology in each country ● Reviewed and strengthened the management of safety measures by sharing occupational accidents that occurred in each country ● Reduced accidents with lost time by 10% globally (FY2021) For more information, see "Environment & Safety" on page 79.
● Increase the percentage of women in management posts ● Improvement of employee engagement	● Gender diversification for the Board of Directors and managers ● Visualization of human capital ● Implementation of human rights risk assessment	● Confirmed diversity of each country/region and visualized human capital ● Made investment in human capital for sustained growth in each country NIPSEA Group provides training programs at different job levels (387,243 hours in FY2021) ● Nippon Paint Holdings has two female Directors, one Executive Officer, and one Corporate Officer (as of June 30, 2022) For more information, see "People & Community" on page 87.
● Strategic implementation of social contribution activities	● Establishment of the NIPPON PAINT Group Global Outreach Program to enhance social contribution activities ● Establishment of 3E (Education/Empowerment /Engagement) action policy through business activities as a priority area	● Stepped up social contribution activities under the 3E action policy and gathered and disclosed the impact/effects of those activities globally ● Established a global conference on social contribution activities and strengthened information sharing and collaboration within the Group ● Invested a total of USD7.08 million in global activities in FY2021 (204 projects/ benefited around 0.29 million people) For more information, see "People & Community" on page 87.
● Promotion of cross-industrial collaboration ● Development of products that benefit society ● Stricter management of chemical substances	● Establishment of the definition of sustainable products and data collection ● Stricter management of chemical substances and development of alternative products for harmful substances ● Development of products that benefit society and are environmental friendly ● Promotion of open innovation	● Developed and launched anti-viral paint products across the Group ● Developed products that help reduce CO_2 emissions from customers ● Promoted the research and development on products for next-generation automobiles ● Promoted technology sharing and capability leveraging globally ● R&D expenses totaled 24.3 billion yen and filed 200 new patent applications (FY2021) For more information, see "Innovation & Product Stewardship" on page 91.

Chapter 03

Our Medium- and Long-Term Management Strategy

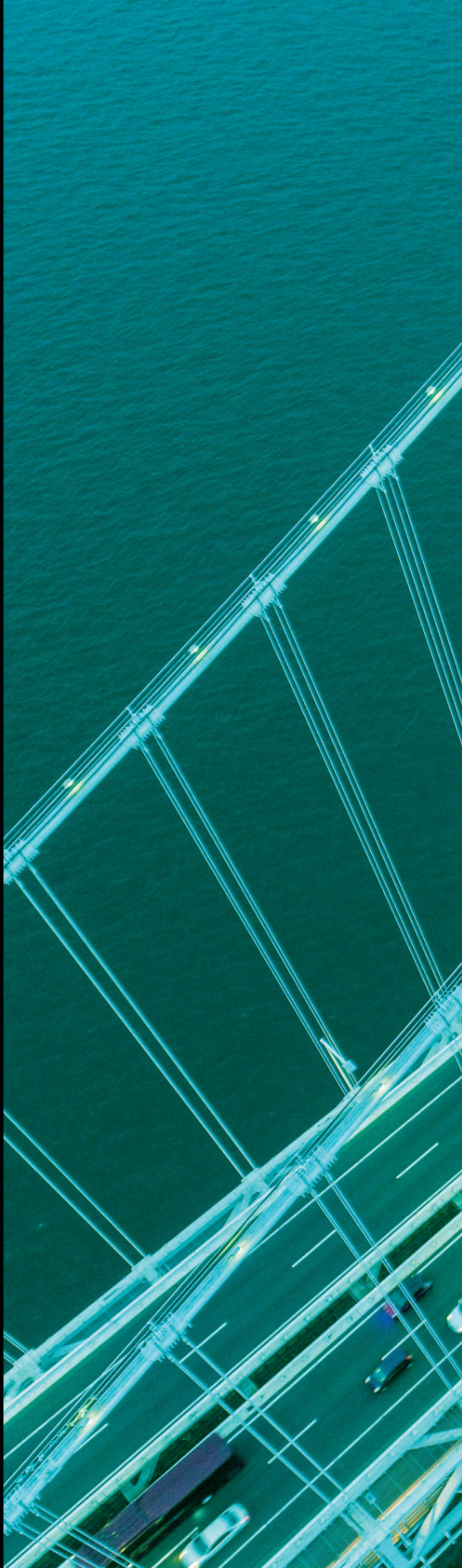


PHOTO
Japan / Rainbow Bridge

Aiming to achieve MSV by executing our medium- and long-term management strategy based on Asset Assembler model

Nippon Paint is implementing its medium- and long-term management strategy based on Asset Assembler model for pursuing MSV. On this page, Yuichiro Wakatsuki, Director, Representative Executive Officer & Co-President, explains the approach and direction of this unique management strategy along with the competitive advantages concerning M&A, financial and capital management strategy.

Yuichiro Wakatsuki

Director,
Representative Executive Officer & Co-President

Q.1

Please explain Group management strategy based on Asset Assembler model.

A We are implementing a strategy of expanding businesses by going beyond paint and coatings into adjacencies (Paint++) over the medium and long term. (See "Message from Co-President Wakatsuki" on page 17.) Our goal is to maximize EPS and PER by leveraging this unique business model that sets us apart from competitors.

Asset Assembler model is a model in pursuit of MSV which gives us a competitive advantage to accelerate growth at our existing businesses and additional businesses through new M&A deals.

The key point of this model is that our outstanding management team of every partner company can pursue autonomous growth within our Group through proactively leveraging various resources in our worldwide platform, such as technical capabilities, an extensive distribution network, purchasing power, know-how, and powerful brands, rather than being imposed from NPHD headquarters. This will allow the Group to acquire a broad range of expertise and create synergies within the Group. In addition, our platform is suited to bring in newly acquired companies. Our focus on the paint and adjacencies businesses, which are markets with huge growth opportunities, strong earnings and stable cash generating capabilities, will allow us to achieve faster growth with limited PMI risk following M&A.

In particular, the adjacencies area including SAF (Sealants, Adhesives & Fillers) and CC (Construction Chemicals) can produce significant synergies due to overlaps with the characteristics of the paint and coatings market. Examples include the importance of distribution channels and brands for high entry barriers in the paint and coatings market.

As shown in the diagram on page 35, Nippon Paint Group as a whole will become larger and stronger as we build up earnings, brands and the knowledge of newly acquired companies on top of driving steady growth of existing businesses.

This unique model is backed by the following strengths: ① Focused on paint and adjacencies with significant market opportunities, ② Attractive risk-return profile of paint and adjacency arena, ③ An assembly of talented management and strong brands, ④ Japan domicile enhanced competitive strengths, and ⑤ Advanced governance. We will leverage these strengths for maximizing EPS and PER. (See "Strengths Underpinning Our Business Model" on page 37.) For information about specific actions and the growth strategy for each region and business, see "[Feature Article] Medium- and Long-Term Business Strategy That Reflects Regional Characteristics and Structural Changes in Markets" on page 61.

Q.2

Please explain the competitive advantages and strengths of the M&A strategy of Nippon Paint.

A Asset Assembler model is structured to produce synergies for growth at both existing businesses and newly acquired companies, which are different from the Western-style cost-cutting synergies model. This has resulted in accelerated earnings growth at these companies than prior to joinng our Group.

Generally speaking, not a few overseas M&A deals by Japanese companies result in impairment losses a few years after the acquisition. However, all our acquisitions after FY2019, when we started to conduct M&A in a more aggressive manner, have delivered better-than-expected results. This is due to the successful leverage of the five strengths underpinning Asset Assembler model.

Let me explain the key points of our M&A. The paint and coatings industry is characterized by sustained growth potential and very stable cash flow generation. In addition, companies can procure funds at lower interest rates in the current financial market in Japan compared to prior years. As a result, the market environment for M&A is very favorable.

The decorative paints market, which accounts for more than 50% of the total paint market, is characterized by local production for local consumption. As a result, the optimal business model for the decorative paints business differs significantly from country to country and market to market in terms of the procurement of raw materials, consumer preferences, distribution networks and environmental regulations.

Paint and coatings, and particularly decorative paints, have a very low threat of alternative products and strong local features. Due to these characteristics, the keys to success in the paint and coatings business are: ① strong brands, ② an extensive distribution network, and ③ operations by management well versed in local markets. If we acquire the No.1 market share based on those strengths, competitors cannot easily turn the tables. Then, the No.1 player can create a virtuous cycle of further increasing its market share and earnings.

Strengths of Nippon Paint Group's M&A based on the characteristics of the paint and coatings market are as shown in the diagram below. I cannot talk about specific target companies and regions. What I can tell you is this: the key criteria are that acquisition targets, regardless of business category and region, must contribute to MSV. In particular, acquisitions must contribute to EPS starting in the first year and have an attractive risk-return profile.

Our business model is not based on the Western-style global standardization and cost cutting program. Rather, we bring in excellent companies that have good prospects for a sustained contribution to EPS. We allow these companies to pursue autonomous growth while promoting collaboration with our partner companies worldwide and providing financial support. We believe this is the right business model for creating value over the medium and long term in the paint and adjacencies businesses, which are characterized by local production for local consumption. An overview of the successful Betek Boya acquisition is on the next page.

We have received questions from investors about how we examine and make decisions about potential M&A deals. What is the secret to our "ability to tell good from bad?" So, let me dig a little deeper into this. The only basis of judgment about a potential deal is whether it will contribute to MSV. For instance, we never consider an acquisition merely to make us bigger, to become the company with the largest revenue in the world, or based on an egoistic agenda of management to build a big track record. Even if we become No.1 in terms of revenue, it would be meaningless if our shareholder value is impaired in the process of reaching that point.

When we examine a specific acquisition, we make a judgment after holding multifaceted discussions on the degree of PMI and other risks involved with sound vigilance at all times. This is regardless of how attractive the target company may be. For Betek Boya, for instance, we thoroughly examined opportunities for potential post-acquisition growth led by excellent management, excluding from consideration

Key points of the M&A strategy

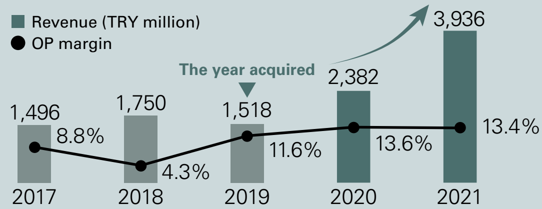
Targets	① Business segments: Paint (decorative/industrial) and adjacencies ② Geography: Not limited ③ Potential targets: Strong corporate/product brand and excellent management team	① Fundamentals of paint and adjacencies markets e.g. population growth and urbanization create enormous growth opportunities ② No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined ③ Continue to build up assets leveraging strengths of our autonomous and decentralized business
Our Strengths	① Financial soundness ② Ability to finance in Japan, with stable currency and stable market ③ Full access to Nippon Paint Group's platform ④ Excellent management teams enabling autonomous and decentralized business model	① Stable cash generating ability and strong financial position ② Low interest rate borrowings, safety and liquidity of the stock market ③ Sharing expertise, products, and technologies within the Group ④ Minimize the PMI risk
Financial Discipline	① Contribution to EPS ② ROIC*1>WACC*2 ③ Sufficient leverage capacity ④ Debt financing prioritized; equity-based capital raising remains an option	① Aim to achieve EPS accretion in Year 1 after acquisition ② Take capital efficiency into consideration ③ Secure financial soundness to prepare for future M&As ④ EPS accretion also a must in rare case of equity financing

*1 Return on invested capital (after one-off expenses) *2 Weighted average cost of capital

M&A best practice: Betek Boya Achieved revenue growth and OP margin improvement under Nippon Paint Group

Betek Boya
Acquired in July 2019

	Pre-acquisition	Post-acquisition
CAGR	0.8%*1	61.0%*2
OP margin	11.6% (2019)	13.4% (2021)



Synergies generated based on our autonomous and decentralized management

- Betek Boya utilized NPHD's low-cost fund-procurement capability to repay its entire high interest rate borrowings and allocated cash generated to aggressive investment in marketing activities, achieving market share gains (FY2019: 27%→FY2021: 34%*3)
- The acquisition enabled Betek Boya to share business growth know-how and best practice in developing countries as a member of NIPSEA Group and vice versa, achieving growth that significantly outperforms its pre-acquisition CAGR and the market growth
- Significantly reduced raw material cost in the first year following acquisition by sharing NIPSEA Group's raw material procurement sources
- Stepped up its multi-brand strategy through successful launch of new brand for its premium line by using high-profile NIPPON PAINT brand
- Shared Betek Boya's know-how in the ETICS business in the adjacency area within Nippon Paint Group, which led to faster growth of the ETICS business in our operating regions

*1 CAGR is for FY2017 to FY2019 *2 CAGR is for FY2019 to FY2021 *3 NPHD's estimates

geopolitical risks including inflation risk and the financial cost. As a result, we decided that the acquisition involved risk but that the expected returns would be greater in the medium and long term. Betek Boya's operating performance is impacted by the recent inflation and the weak Turkish lira, but its market share is nevertheless increasing. So, we are confident that the company has ample potential to deliver strong growth. Another key point is that one of our financial disciplines requires an acquired company to deliver EPS accretion starting in the first year. We never use optimistic assumptions that would rationalize acquisition synergies, hoping that the company can achieve EPS accretion three years after the acquisition.

Now, let me turn to the question about the pros and cons of delegating the management of operations to local management. As mentioned in "Letter to Investors about the Integrated Report 2022" on page 15, the Co-Presidents delegate authority to local management, which is accompanied by responsibility for delivering outcomes. Before delegating authority, we perform a study to confirm that we can Trust them based on their track records and aspirations for growth through constant communication. Sending management teams from headquarters can easily create a gap with the local staff. Replacing the local senior management with Japanese senior management could undermine the motivation of the talented local management team.

In addition to using a simple and quick decision-making approach of relying on local management, Nippon Paint Group as a whole has established a platform for supporting the local management by providing fund procurement, economies of scale, sharing of know-how, and a relationship where the local management can directly consult with the Co-Presidents. This platform enables the growth-oriented local management to fully utilize their managerial skills. In terms of governance, the local management are responsible for supervising their own companies based on our risk management framework. (For more information, see "Risk Management" on page 121.)

The performance of the major companies we have acquired since FY2014 has been strong both in high-growth and mature markets, as described in "Asset Management Report" on page 27. We have closed the acquisitions of Cromology and JUB in Europe, which are expected to contribute to our performance from FY2022 onwards. (For more information, see "Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)" on page 67.)

By continuing to accumulate a track record of successful M&A deals, we will demonstrate the benefits of becoming a part of Nippon Paint Group to our M&A target companies, while fostering expectations in the stock market that Nippon Paint Group can consistently deliver high growth.

Q.3

Please give your thoughts about financial strategy that drives Asset Assembler model.

A We believe it is essential to secure stable funds through our financial strategy in order to maximize the benefits of Asset Assembler model that aims to accelerate growth through both existing businesses and M&A. We are therefore focusing on the management of a sound balance sheet by ensuring financial discipline and building an optimal capital structure.

The key elements of our financial discipline are the following: ① Prioritizing debt financing, ② Maintaining sufficient leverage capacity and enhancing engagement with financial institutions and rating agencies, and ③ Equity-based capital raising remaining an option with EPS accretion as a premise. The paint and adjacencies businesses have a very high cash generation capability. In addition, our Japan domicile gives us the ability to obtain funds at low interest rates to satisfy our strong demand for financing procurement as we pursue our aggressive M&A strategy. Accordingly, we prioritize debt financing over equity-based capital raising. Maintaining sufficient leverage capacity is essential to continuing to procure finance at low cost, which requires us to maintain our earnings growth through our existing businesses and M&A. Equally important is obtaining highly positive evaluations from the understanding of financial institutions and rating agencies. The use of debt financing and leverage will contribute to maximizing EPS through M&A. Equity-based fund raising remains an option assuming that the deal is EPS-accretive, and by selecting the optimal combination of financing methods, the company will pursue unrelenting growth without setting any upper limit.

We review the status of assets as necessary in accordance with change in the market environment to ensure a sound balance sheet and the efficient utilization of assets. Taking into consideration the impact of the pandemic, we are reviewing business terms in every region and business to improve our Cash Conversion Cycle (CCC). In addition, we are taking actions to respond to future credit collection risk by recording a provision for possible credit loss on the trade receivables of some real estate developers following the deterioration of conditions in the Chinese real estate market. Every year we examine whether or not it is reasonable to continue to hold cross-shareholdings, and we disposed of some of cross-shareholdings in FY2021.

Our property, plant and equipment, goodwill, and other assets are increasing every year as we continue to reinforce our manufacturing facilities and to aggressively execute M&A deals for future growth. At the same time, we have been taking measures to improve our asset efficiency and profitability, such as the transfer of the European automotive coatings business and the India businesses and the structural reform of the Japanese businesses and the marine coatings business. In addition, we are reducing the risk of impairment losses on goodwill by minimizing PMI risk through autonomous and decentralized management and building up excellent quality mergers and acquisitions.

As regards to the liability situation, we are prioritizing debt financing to secure the funds for growth by engaging in M&A and other investment activities. Accordingly, the net debt/EBITDA ratio, which indicates financial leverage, is expected to increase by about four times at the end of FY2022, from 3.4 times (after adjusting for one-off items) at the end of FY2021 before the completion of the Cromology acquisition. (See "Progress of the Medium-Term Plan (FY2021-2023)" on page 51). Basically, all our borrowings are in yen, with an average maturity of 5 years and an average before-tax interest rate of 0.4%, which means that they comprise an extremely stable debt composition. We will continue to procure finance at low interest rates and long-term maturities. We will also continue to pursue an optimal capital structure as well as to obtain highly positive evaluation and trust from lending financial institutions and rating agencies, in order to maintain sufficient leverage.

Based on our judgment that we need to reinforce our financial base to achieve further growth through M&A, we issued new shares through a third-party allotment in FY2021, thereby increasing capital. EPS accretion starting in the first year of acquisition is an important criterion for our judgment on M&A deals. Another key point is capital efficiency where we place emphasis on achieving ROIC that exceeds WACC.

The focus of our equity policy is to raise total shareholder return (TSR) through earnings per share (EPS) growth by prioritizing growth investments while maintaining financial discipline. As part of our effort to raise TSR, our policy is to maintain steady and consistent dividend payments with a target dividend payout ratio of 30% while taking full account of factors including the trend in earnings and investment opportunities available. In FY2021, we paid an annual dividend of ¥10 per share, including the special dividend of ¥1 per share to commemorate the 140th anniversary of the foundation of the company.

Balance sheet management policy

As of the end of December 2021

Assets

"Cash and cash equivalents" and "Trade and other receivables"
- Review the cash conversion cycle (CCC) in response to reflect the impact of the pandemic and deterioration of the conditions in the Chinese real estate market (e.g., review trade terms and conditions)
- Take actions to respond to future credit collection risk (e.g., recording a provision for possible credit loss in China)

"Assets held for sale"
- Examine the rationality of continuing to hold cross-shareholdings every year (disposed of some cross-shareholdings in FY2021)

"Property, plant and equipment"
- Take actions to improve asset efficiency and profitability through business divestiture and structural reform (e.g., transfer of the European automotive coatings business and the India business and structural reform of the Japanese businesses and the marine business)

"Goodwill" and "Other intangible assets"
- Minimize PMI risk based on autonomous and decentralized management and reduce impairment losses by building up excellent quality mergers and acquisitions

Assets		Liabilities	
Cash and equivalents	¥138.8 bn	Trade and other payables	¥209.7 bn
Trade and other receivables	¥266.9 bn	Bonds and loans payable	¥523.0 bn
Assets held for sale	¥3.9 bn	Total	¥986.4 bn
Property, plant and equipment	¥301.7 bn	**Equity**	
Goodwill	¥652.7 bn	Capital	¥671.4 bn
Other intangible assets	¥300.2 bn	Retained earnings	¥228.0 bn
Total	¥1,955.1 bn	Total	¥968.7 bn

Liabilities

"Bonds and loans payable" (Interest-bearing debts)
- Prioritize debt financing and maintain the leverage capacity (the expected net debt/EBITDA at the end of FY2022 is around 4x)
- Evaluation from credit agencies (maintained the "A" rating from R&I)
- Stable finance procurement capability in yen (low interest rate/long-term maturity)

Equity

"Capital" and "Retained earnings"
- Reinforce financial base to prepare for growth investment such as M&A (capital increase based on new share issuance through a third-party allotment)
- Equity-based capital raising remaining an option with EPS accretion as a premise
- Include capital efficiency in the consideration of M&A decisions, including achieving ROIC that exceeds WACC
- Aim to maintain the dividend payout ratio at 30%

Aiming to achieve our FY2023 revenue and operating profit targets through revenue growth and margin improvement

Building the foundation of Asset Assembler model

In the first year of our three-year Medium-Term Plan (FY2021-2023), we made progress on the establishment of Asset Assembler model for accelerating growth through the existing businesses and M&A. While accelerating autonomous growth of Group partner companies, we are aggressively pursuing growth through M&A in the paint and adjacencies businesses. At the same time, we are developing the foundation for even faster growth, as well as clarifying roles and reinforcing governance with the smaller headquarters at the holding company. We will continue to relentlessly pursue growth over the medium and long term based on Asset Assembler model.

Financial plan for FY2021-2023

(Billion yen)

	FY2021 Results*3	Feb. 2022 Forecast FY2022 Forecast	Mar. 2021 Forecast FY2023 Targets*4	FY2021-2023 CAGR Targets*4	FY2024 CAGR Targets
Revenue	998.3	1,200.0	1,100.0	10.0%+	In the high single digits
Operating profit	87.6	115.0	140.0	25.0%	
Operating profit margin	8.8%	9.6%	c.13.0%	c.+2.7pt	
EBTIDA*1	120.4	–	175.0	20.0%	Profit growth exceeding revenue growth
EBITDA margin	12.1%	–	c.16.0%	c.+1.8pt	
Profit attributable to owners of parent*2	67.6	81.0	105.0	25.0%	
EPS (yen)	29.41	34.49	45.00	25.0%	

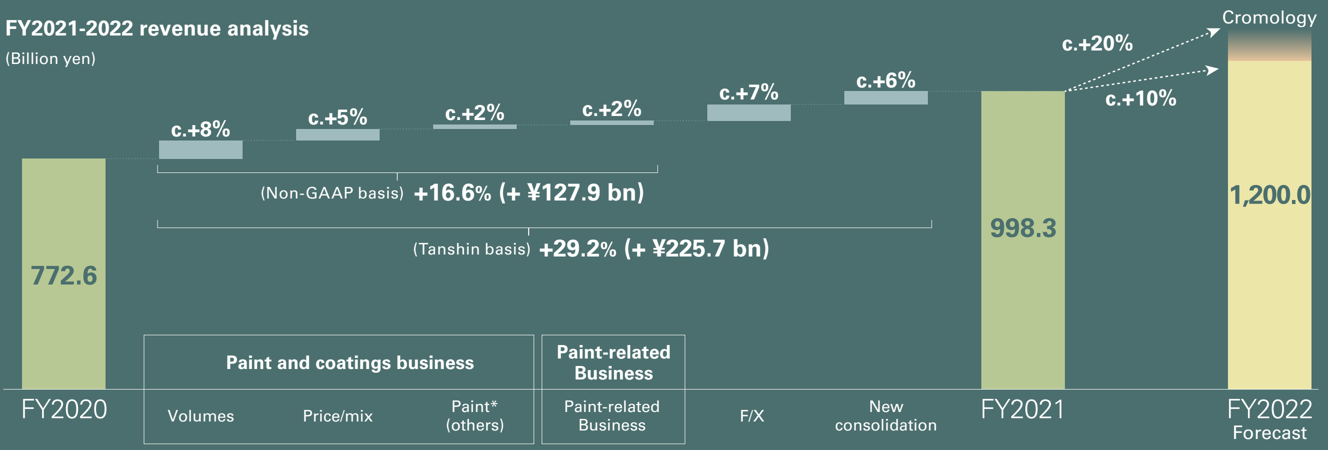
*1 EBITDA: Operating profit + depreciation and amortization + impairment loss + negative goodwill
*2 Targets for profit attributable to owners of parent are calculated by multiplying operating profit by effective tax rates
*3 Figures for FY2020 onwards have been retrospectively adjusted due to the classification of the European automotive coatings businesses and the India business as discontinued business following the transfer of these businesses to the Wuthelam Group (announced on August 10, 2021) and the change in accounting policy regarding cloud computing agreements beginning with FY2021 4Q
*4 Exchange rate assumptions: USD/JPY is at 106.0 yen; RMB/JPY is at 15.7 yen; AUD/JPY is at 75.0 yen; naphtha price: 40,000 yen/kl

FY2021-2022 revenue

Revenue reached a record high in FY2021 despite the pandemic, due to higher selling volumes and an improved price/mix, coupled with the effects of exchange rate fluctuations and new consolidation of the Indonesia business. Our strong performance in FY2021 reaffirmed the strengths of our high market share in all operating regions globally and our business model that respects the autonomy of Group partner companies. In FY2022, we forecast revenue growth of around 20% based on continued autonomous growth and contributions from M&A. Our plan is to achieve our Year 3 revenue target in the Medium-Term Plan of 1,100 billion yen one year early.

FY2021-2022 revenue analysis

(Billion yen)



* Products included in the Paint and Coatings Business such as semi-finished products and fine chemicals with unit price and volume significantly different from paint products. Disclosed separately from volumes and price/mix in the above graph to provide more rational data

FY2021-2022 revenue/growth rate

(Billion yen)

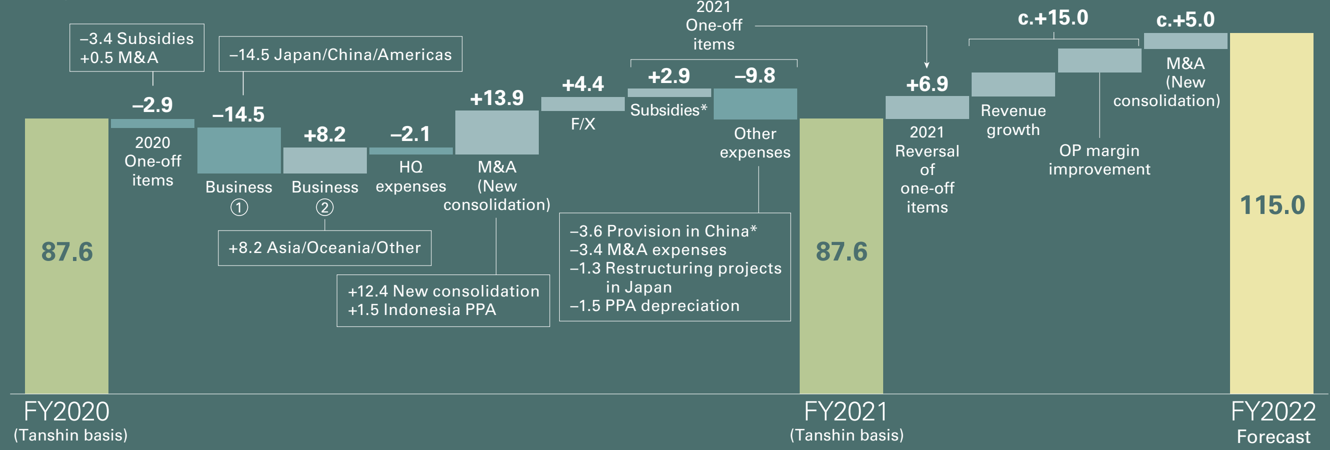
	FY2021 Results (Tanshin basis)	FY2021 Growth rate (In local currency)	Feb. 2022 Forecast FY2022 Targets (In local currency)	Mar. 2021 Forecast FY2021-2023 CAGR Targets (In local currency)
Japan	164.6	+1.6%	+10–15%	c.+5%
NIPSEA China	379.1	+27.3%	+10–15%	c.+10%
Asia (excepting NIPSEA China)	151.1	+74.9%	c.+10%	+5–10%
New consolidation (Indonesia)	39.5	+25.3%	c.+15%	c.+15%
Oceania	176.2	+5.9%	c.+5%	c.+5%
Americas	76.4	+4.9%	c.+10%	+5–10%
Other (Betek Boya)	49.2	+65.3%	+10–15%	+10–15%
Total	998.3	—	1,200.0 (Tanshin basis)	1,100.0

FY2021-2022 operating profit

We were unable to achieve a satisfactory operating profit in FY2021 due to raw material price increases and supply chain disruptions. However, we effectively achieved operating profit growth after excluding one-off items, backed by solid earnings growth in Australia, Türkiye, and Asia except China, along with the contribution from the newly consolidated Indonesia business. There were also significant savings of headquarters expenses compared with the initial plan as we moved towards the smaller headquarters at the holding company. For 2022, we forecast around 30% operating profit growth from efforts to improve margin by increasing selling prices and reviewing SG&A expenses, on top of the effects of higher revenue.

FY2021-2022 operating profit analysis

(Billion yen)

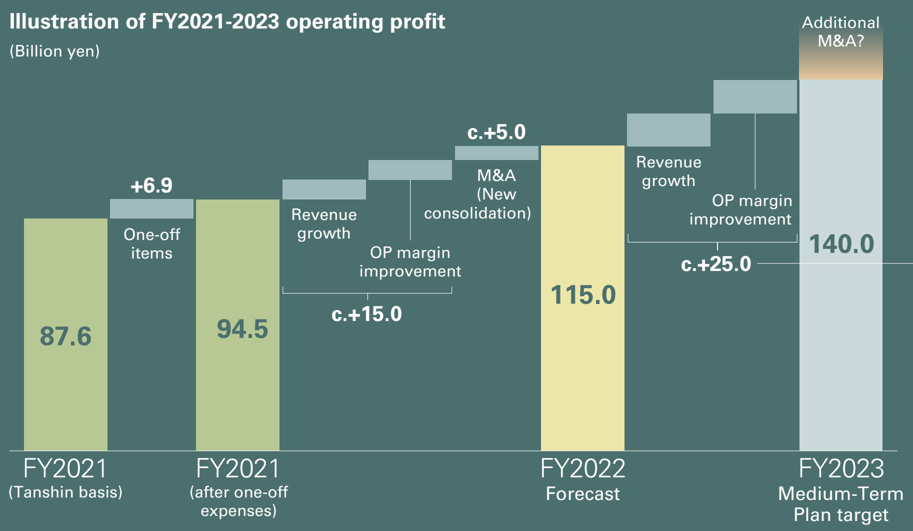


* Calculated using the exchange rate applied in FY2021

Towards FY2023—Year 3 of the Medium-Term Plan

We assume that we can achieve organic growth with operating profit margin in the high single digits to low teens in FY2022 and beyond by increasing our market share based on solid paint demand centered on Asia including China. If the raw material price inflation settles by the end of FY2022, we see good prospects for achieving our Year 3 operating profit target in the Medium-Term Plan of 140 billion yen even without an additional M&A deal, thanks to a significant contribution from margin improvement in FY2023, achieved through selling price increases.

Illustration of FY2021-2023 operating profit
(Billion yen)



Road map for achieving operating profit improvement of c. ¥25.0 bn from FY2022 to FY2023

(e.g. 1)
+10% revenue + +1.0pt OP margin

+10% revenue	=	¥1,320.0 bn
10% OP margin	=	+¥12.0 bn
+1.0pt OP margin	=	+¥13.2 bn
		+ c. ¥25.0 bn

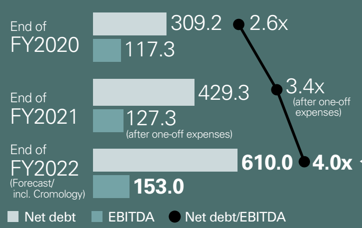
(e.g. 2)
+15% revenue + +0.5pt OP margin

+15% revenue	=	¥1,380.0 bn
10% OP margin	=	+¥18.0 bn
+0.5pt OP margin	=	+¥6.9 bn
		+ c. ¥25.0 bn

FY2021 financial position

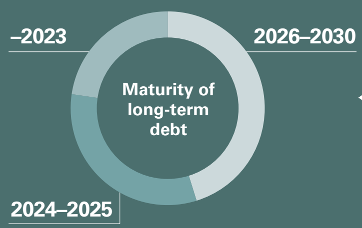
Looking at our financial position, interest-bearing debts are expected to increase toward the end of FY2022 due to the acquisitions of Cromology and JUB. However, we have maintained a long-term credit rating of A from R&I based on our ability to stably procure funds in yen. Operating cash flows underachieved our plan due to higher raw material prices. However, we maintain our target for a dividend payout ratio of 30% while maintaining capital investments for continuous revenue increase and growth.

Net debt/EBITDA trends
(Billion yen)



As of end of FY2022, expect interest-bearing debt to increase due to borrowing of funds for the acquisition of Cromology and JUB.

Status of debt



- **Stable yen-based funds**
- **Average maturity at 5.0 years**
- **Average interest rate at 0.4%**
- **Long-term credit rating of A (R&I)**

Capital allocation
(Billion yen)

	FY2021 Results
+) Operating CF*	70.2
–) Capital expenditure*	49.5
–) Dividend	23.5
–) M&A (net cash of acquired companies)	98.8

* Amounts for continuing operations

Operating cash flow lower than expected due to higher raw material prices. Maintain capital expenditure aimed at continuous revenue increase and business growth. Aim to maintain a dividend payout ratio of 30%.

Capital expenditure
(Billion yen)

	FY2021 Results*	FY2022 Forecast
Japan	8.3	10.0
NIPSEA China	20.2	17.0
Asia (excepting NIPSEA China)	5.1	7.0
Oceania	4.3	5.0
Americas	8.2	6.0
Other	3.4	5.0
Total	49.5	50.0

* FY2021 results are on a Tanshin basis (amounts for continuing operations). Japan segment includes CAPEX at NPHD.

Focus on capex for new facilities and expanding production capacity in Asia and other regions with strong revenue growth, while Japan requires more renewal and maintenance capex. Overall capital expenditure to sales ratio to be c. 5%.

Actions for Profit Margin Improvement: Raw Material Price Increases and Our Responses

In order to achieve our Year 3 operating profit target in the Medium-Term Plan of 140 billion yen, we are taking actions such as strategic price increases and continuous reviews of SG&A expenses to respond to raw material prices that have moved up significantly and remained elevated due to the Ukraine crisis and other reasons. As a result of these actions, the operating profit margin is starting to recover.

Raw material prices

Crude oil and naphtha prices have increased following US and UK bans on Russian oil imports, coupled with continuing disruptions in international logistics and intermittent problems at some factories. Raw material prices increased further during the first half of FY2022.

Crude oil/ naphtha	Crude oil and naphtha prices have increased beyond our assumptions at the start of FY2022 due to US and UK bans on Russian oil imports. These prices are unlikely to decline within the next few months or so.
TiO_2	The price of TiO_2 has increased further due to continuing ore price increases, logistics disruptions, and supply-and-demand imbalances. The Ukraine crisis may cause the cost of TiO_2 to increase even faster.
China	Raw material production and logistics have continued to be impacted by production restrictions and China's zero-COVID policy, coupled with electricity shortages.

Our responses in the first half of FY2022

With the high cost of raw materials impacting our operations worldwide, we are continually taking actions such as raising selling prices, procuring alternative raw materials, and reviewing SG&A expenses.

Selling price increase	We have been raising selling prices in the decorative paints business in major operating regions since 2Q FY2021. We have also conducted price negotiations in the automotive and industrial businesses while maintaining sound relationships with customers.
Procurement of alternative raw materials	Our R&D and production divisions in all operating regions are sharing information and knowhow about ways to procure alternative raw materials.
Review of SG&A expenses	We are reviewing SG&A expenses in all operating regions, which resulted in 1 pt reduction in the consolidated SG&A expense in FY2021, to 29.5% from 30.5% in FY2020.

Selling price increases in major operating regions (decorative paints)

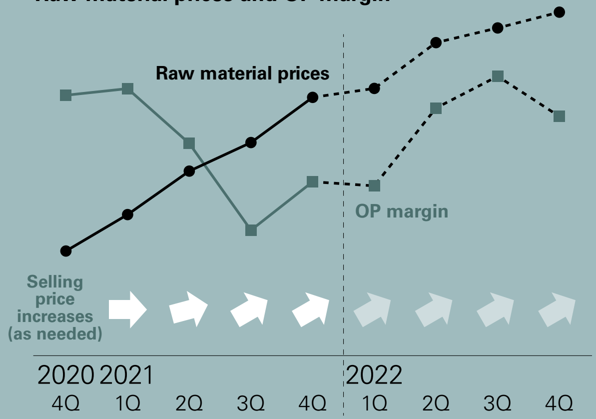
○ Price revisions of all products △ Price revisions of some products

	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q
China (DIY)		○		○	△	△
China (Project)				△	△	
Singapore		○	○	○		○
Australia			○			○
Americas		○		○	○	
Japan			○			○

Road map for improving the OP margin

Our guidance for FY2022 announced in February 2022 assumed that the Japan naphtha price would remain above ¥60,000 through 1H FY2022. However, raw material prices have increased beyond our assumptions due to rising crude oil and naphtha prices caused by US and UK bans on Russian oil imports. We will continue to raise selling prices to keep up with raw material price increases, which we expect will result in continuous and gradual improvement of the operating profit margin. However, margin improvements may be delayed depending on crude oil and naphtha market developments. We are well positioned to restore the operating profit margin over the medium and long term through continuous selling price increases.

Raw material prices and OP margin



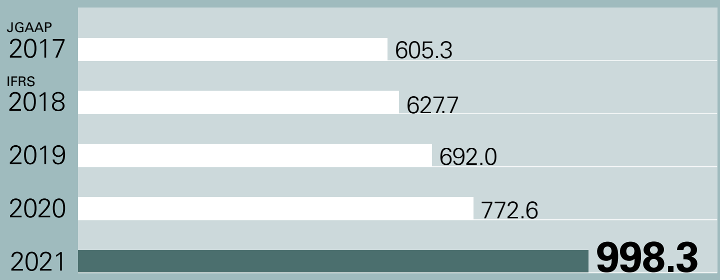
Financial highlights

Figures for FY2017 are based on JGAAP and figures for FY2018 to FY2021 are based on IFRS.

Financial base

Revenue

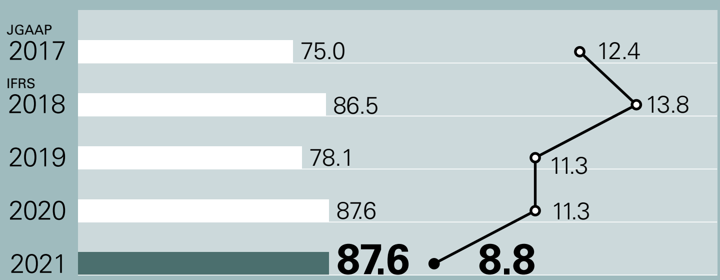
(Billion yen)



Nippon Paint Group has grown steadily through the acquisitions of paint manufacturers in the United States in FY2017 and in Australia and Türkiye in FY2019 along with the successful growth of the decorative paints business in China and other Asian countries. In FY2021, we achieved revenue growth for the fifth consecutive year and a record revenue due to the acquisition of the Indonesia business, selling price increases in every region, and the weaker yen.

Operating profit / Operating profit margin

■ Operating profit (Billion yen) ● Operating profit margin (%)



Group operating profit reached a record high in FY2020 due to the benefits of acquisitions and growth of the Chinese business. Group operating profit remained at the same level in FY2021 due to higher revenue and the reduction of fixed costs, despite raw material price increases and a provision for a potential credit loss in China. The operating profit margin in FY2021 decreased from the previous year due to an increase in the raw material cost contribution ratio.

Earnings per share (EPS)*

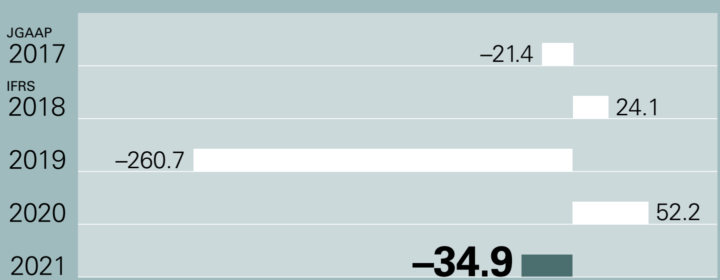
(Yen)

* Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2017.

Earnings per share (EPS) rises or falls roughly in proportion to changes in earnings, such as operating profit. EPS increased in FY2021 due to a significant increase in net profit and despite the issuance of new shares through a third-party allotment to procure funds for the full integration of the Asian JVs and the acquisition of the Indonesia business.

Free cash flow

(Billion yen)

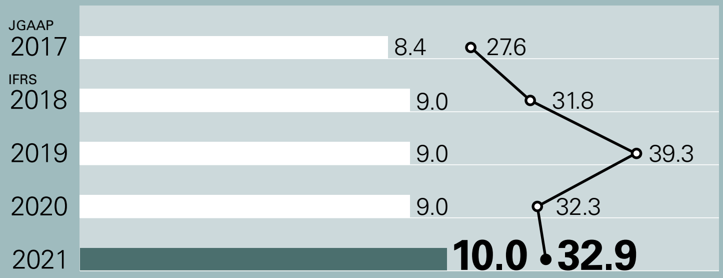


Capital investments in the paint industry are relatively low and positive cash flow is the norm. Free cash flow in FY2017, FY2019, and FY2021 were negative due to the acquisitions of overseas paint manufacturers. However, our operating cash flow has increased consistently every year.

Financial base

Dividends per share*1 / Dividend payout ratio (IFRS)*2

■ Dividends per share (Yen) ● Dividend payout ratio (IFRS) (%)

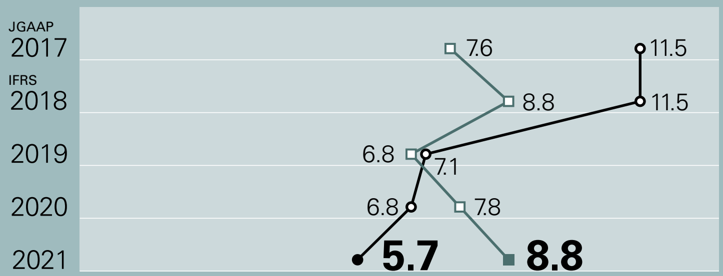


*1 Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2017.
*2 Dividend payout ratio in FY2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill.

Our basic policy is to pay stable and consistent dividends and maintain a dividend payout ratio of 30%. Our dividend payout ratio has been above 30% since FY2018. In FY2021, we paid an annual dividend of ¥10 per share including a commemorative dividend of ¥1 per share for the 140th anniversary of the company's founding. As a result, our dividend payout ratio was 32.9%.

Return on equity (ROE) / Return on invested capital (ROIC)*

■ ROE (%) ● ROIC (%)

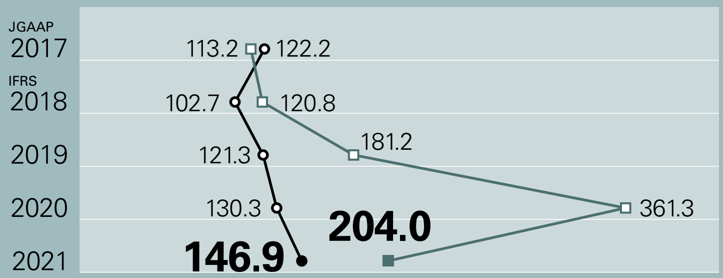


* ROIC (JGAAP): Operating profit after tax / (net debt + total net assets) ROIC (IFRS): Operating profit after tax / (net debt + total equity)

ROE has remained around 8% in recent years after declining in FY2019 because net profit decreased. ROIC has been declining since FY2019 because of lower turnover of invested capital caused by increases in interest-bearing debt and shareholders' equity. These increases were due to M&A activity in FY2019, FY2020, and FY2021 and the full integration of the Asian JVs in FY2021.

Total shareholder return (TSR)

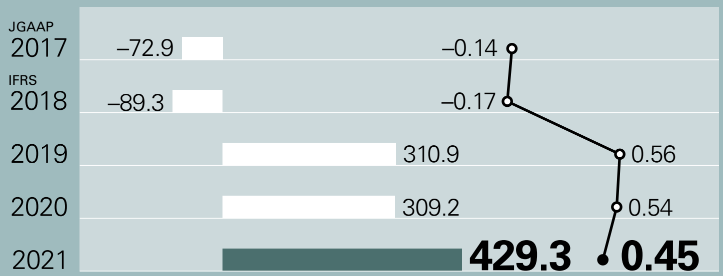
■ TSR (%) ● TOPIX (dividends included) (for reference)



The total shareholder return (TSR) has exceeded TOPIX (dividends included), a comparative benchmark, since FY2019 in line with the increase in dividends and the share price. TSR in FY2021 reached 204.0% due to a dividend increase.

Net debt* / Net D/E ratio

■ Net debt (Billion yen) ● Net D/E ratio (Times)



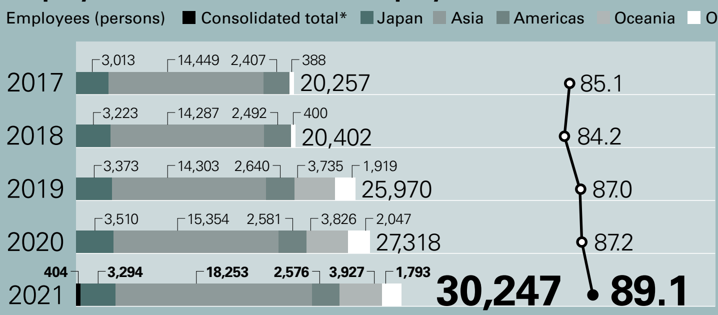
Due to relatively low capital investments in the paint industry, positive cash flow is the norm and our net debt has been consistently negative. However, net debt has been positive since FY2019 due to the loans from financial institutions to finance M&A. The net D/E ratio decreased in FY2021 because of the increase in equity capital as a result of the issuance of new shares through a third-party allotment.

* Net debt: Interest-bearing debt (bonds and borrowings (current/non-current) + other financial liabilities (current/non-current)) - liquidity on hand (cash and cash equivalents + other financial assets (current))

Non-financial highlights

Human resources / organizations

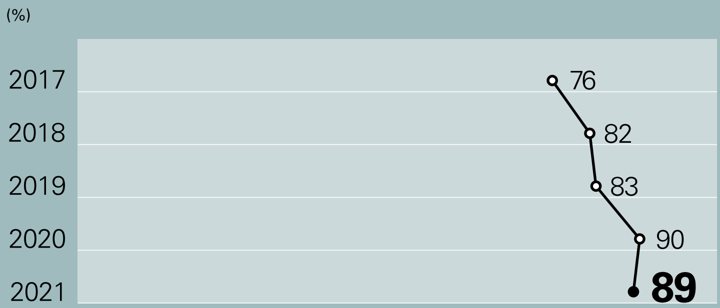
Employees / Ratio of overseas employees



The ratio of employees at the Group's overseas operations has been increasing due to aggressive M&A, such as the acquisition of a US paint manufacturer in FY2017, the acquisition of Australian and Turkish paint manufacturers in FY2019, and the acquisition of the Indonesia business in FY2021. The ratio of overseas employees has increased by 4 pt. from 85.1% in FY2017 to 89.1% in FY2021. We are taking actions to reinforce and increase our workforce for further growth in Asia and Oceania.

* The number of employees of NPHD, which was previously included in the Japan segment, has been included in the Consolidated total (common) since FY2021.

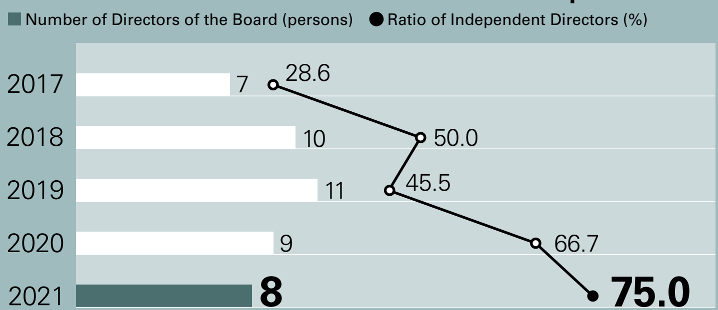
Employee satisfaction level (Japan Group)*



* Surveys by Nippon Paint Labor Union

Nippon Paint Group's employee satisfaction has been increasing in Japan since FY2017. Employee satisfaction reached a record high in FY2020 and stayed at a high level in FY2021. Surveys show that employee satisfaction slightly decreased in the areas of understanding of the Group's vision and policies as well as trust and sense of comfort in their companies amid significant changes in the business environment. However, employee satisfaction improved in the area of comfortable workplace environments, which was identified as an area requiring improvement in FY2020.

Number of Directors of the Board* / Ratio of Independent Directors on the Board*



The Group is building an advanced corporate governance structure based on Asset Assembler model in order to achieve growth over the medium and long term and protect the interests of minority shareholders. We shifted to a Company with a Nominating Committee, etc. governance structure in March 2020. Also, we established a structure in FY2021 where the Lead Independent Director serves as the Board Chair and six of the eight Directors are Independent Directors.

* Number of the Directors who were elected at the Ordinary General Meeting of Shareholders held in March 2021. The FY2021 figure is the number of the Directors in office on or after April 28, 2021.

Customer base

Number of countries/regions where Nippon Paint Group has the No. 1 market share in decorative paints

Nippon Paint Group has held the top market position in Japan for many years. The aggressive expansion of the ASEAN business since 1967 has also steadily increased the number of countries and regions where the Group has the largest market share. The acquisitions of DuluxGroup and Betek Boya has also established us as the leader in the paint markets of Australia and Türkiye since FY2019.

Brands

Awarded the Gold Brand from a Chinese brand evaluation institution

The ongoing sales growth of our high-quality LiBang brand products since we entered the China market in 1992 has made it the top brand in China. The LiBang brand has won the Gold Brand for six consecutive years in the wall paint category of the C-BPI (China Brand Strength Index).

Nature / environment

CO_2 emissions in Japan (Scope 1 and 2)*

(t-CO_2)

The Group is steadily reducing CO_2 emissions in Japan by taking actions, such as conducting energy-saving activities and introducing renewable energy towards the goal of reducing CO_2 emissions by 37% in FY2030 compared to the FY2019 level. The Group's CO_2 emissions in Japan (Scope 1 and 2) in FY2021 was roughly unchanged from the previous year despite the recovery of production volume.

* The survey coverage was six companies until FY2017: Nippon Paint Holdings (NPHD), Nippon Paint (NPTU), Nippon Paint Automotive Coatings (NPAC), Nippon Paint Industrial Coatings (NPIU), Nippon Paint Surf Chemicals (NPSU), and Nippon Paint Marine Coatings (NPMC). The survey coverage from FY2018 is seven companies: NPHD, NPTU, NPAC, NPIU, NPSU, NPMC, and Nippon Paint Materials (NPMJ).

Water use in Japan*

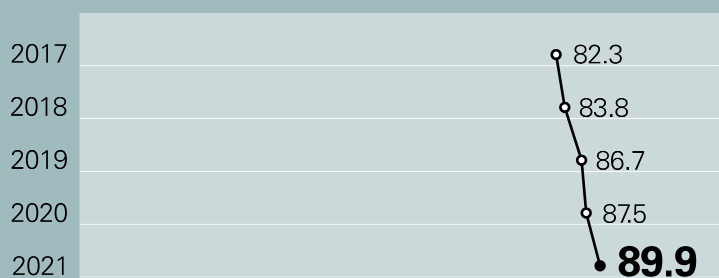
(thousand m^3)

The Group identified the efficient use of water as an item of Materiality under resources and environment, and is taking actions such as efficiently using water for raw materials as well as reducing water use and using recycled water in manufacturing processes. As a result of these actions, the water use in Japan decreased in FY2021 from the previous year.

* The survey coverage was six companies until FY2017: Nippon Paint Holdings (NPHD), Nippon Paint (NPTU), Nippon Paint Automotive Coatings (NPAC), Nippon Paint Industrial Coatings (NPIU), Nippon Paint Surf Chemicals (NPSU), and Nippon Paint Marine Coatings (NPMC). The survey coverage from FY2018 is seven companies: NPHD, NPTU, NPAC, NPIU, NPSU, NPMC, and Nippon Paint Materials (NPMJ).

Ratio of water-based paints in the decorative paints business (Global)*

(%)



Demand for water-based paints is rising in line with growing environmental awareness and tighter environmental regulations around the world. The Group is using its technological strengths to develop highly competitive water-based paint products. The shipment ratio of water-based paints is increasing every year as a result.

* Calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Data for four companies: Nippon Paint (NPTU) and NIPSEA (beginning in FY2016), Dunn-Edwards (beginning in FY2017), and DuluxGroup (beginning in FY2019)

The global paint market has strong local features and huge growth potential over the medium and long term

China —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for the Chinese decorative paints market, see "Growth Strategy for Rapidly Growing Repainting Market in China" on page 61.

No change in medium- and long-term growth potential

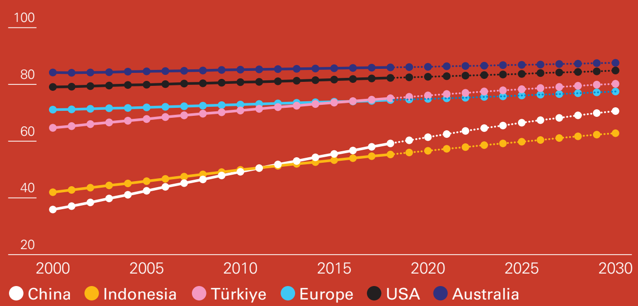
Paint demand in China is expanding as urbanization increases. The urbanization rate in China increased from around 50% in 2016 to between 60% and 70% in 2021, and is expected to continue to advance gradually (See Figure 1). Per capita paint consumption is still around one-third of the level of advanced countries. Consumption is expected to climb consistently at a GDP+α growth rate in line with the increase in disposable income as China's middle class expands (See Figure 2).

Rapidly expanding repainting demand

In China, the real estate market gained momentum with housing reforms in 1998. Since then, an enormous number of private housing units have been built. Private houses that were built in large numbers in the late 1990s are aging. As a result, repainting demand has been growing rapidly (See Figure 3). In response to this situation, the Chinese government announced a plan in 2020 to repair, reform and redevelop old urban residential communities in 39,000 locations with 7 million households nationwide. In addition, the government established the goal of completing the renovation of residential communities built in 2000 or earlier by the end of 2025. The government has asked residents to renovate the interiors of their homes and replace home electric appliances.

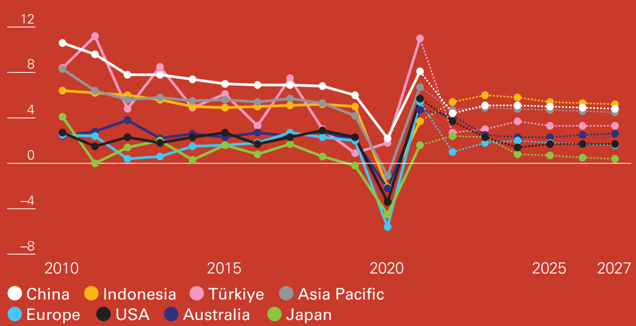
Backed by the present situation concerning existing houses and a push by the government for renovations, repainting demand is expected to continue to climb. Based on our estimates, repainting demand for existing houses is around one-third of total paint demand for housing in China and paint demand for new houses is around two-thirds. In urban areas, the rapid aging of houses has raised paint demand for existing houses to roughly the same level as paint demand for new houses.

Figure 1 **Urbanization rates** (%)



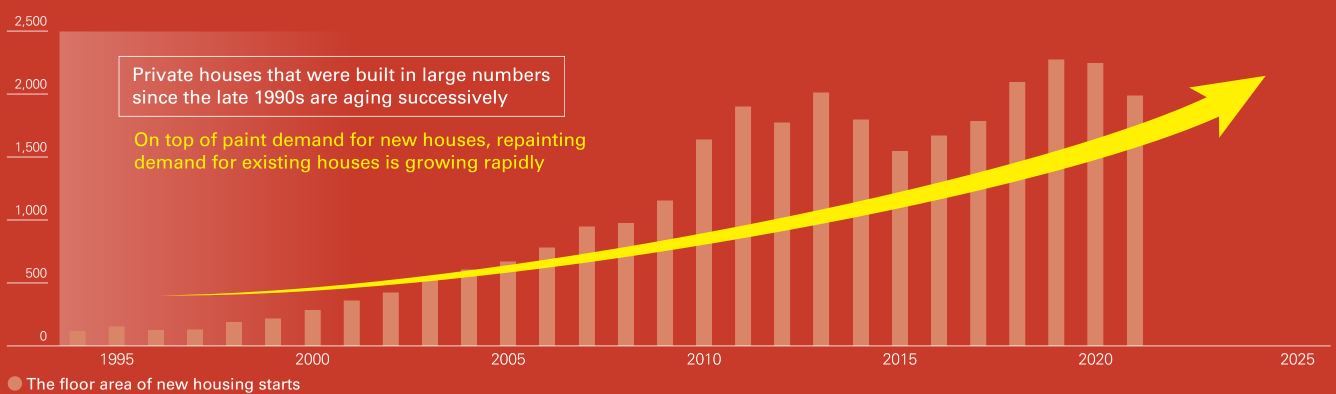
Source: United Nations (data released in 2018)

Figure 2 **GDP growth rates** (%)

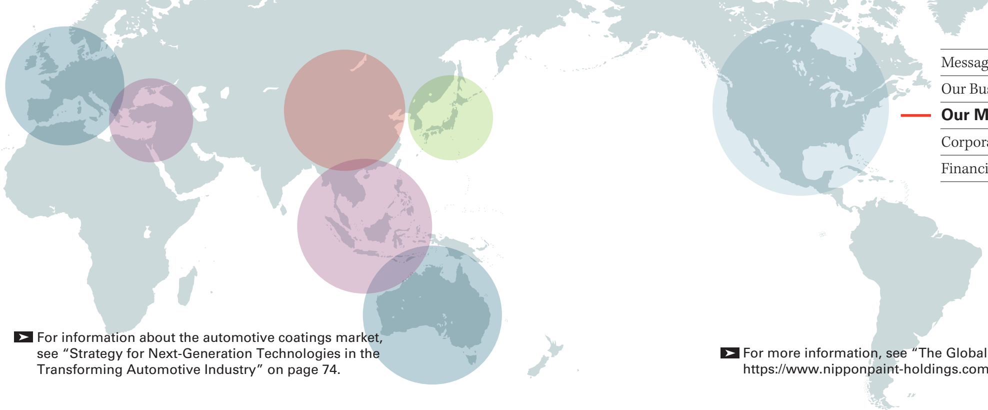


Source: International Monetary Fund

Figure 3 **The floor area of new housing starts in China** (Unit: million m²)



Source: National Bureau of Statistics of China



For information about the automotive coatings market, see "Strategy for Next-Generation Technologies in the Transforming Automotive Industry" on page 74.

For more information, see "The Global Paint Market" page on our IR website.
https://www.nipponpaint-holdings.com/en/ir/results/market/

High-growth countries (Indonesia and Türkiye) —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for high-growth countries, see "Growth Strategy Deployment in High-Growth Countries (Indonesia and Türkiye)" on page 65.

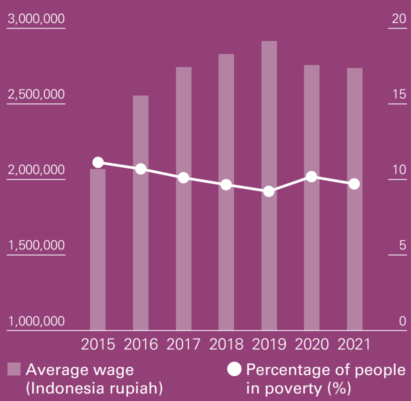
Strong growth continues driven by GDP growth, urbanization and government economic stimulus policies

The urbanization rates in Indonesia and Türkiye increased from 53% and 74%, respectively, in 2015, to 57% and 77%, respectively, in 2021. In addition, the urbanization rates in these countries are expected to increase further, similar to the situation in China, to 63% and 80%, respectively, in 2030 (See Figure 1).

In Indonesia, paint demand is expected to grow further driven by the government's stimulus measures, including infrastructure investments accompanying the capital city relocation project. In Türkiye, market growth is expected to continue despite the high inflation caused by the depreciation of the Turkish lira against major currencies. In addition, renovation and repair demand is expected to increase with GDP growth (See Figure 2).

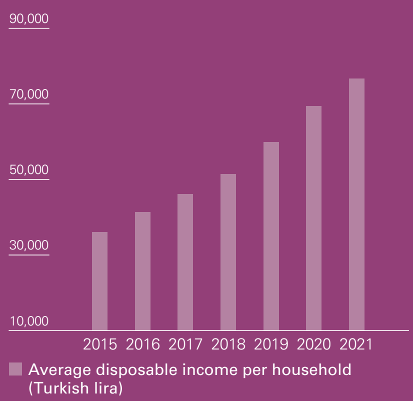
Disposable income in both countries has been growing steadily (See Figures 4 and 5). In line with this trend, growth is projected in the premium market, on top of growth already taking place in the economy and standard markets. In addition, we expect growth of per capital paint consumption in these countries.

Figure 4 **Personal income in Indonesia**



Source: Statistics Indonesia

Figure 5 **Average disposable income per household in Türkiye**



Source: Turkish Statistical Institute

Mature countries (Australia and Europe) —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for the mature countries, see "Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)" on page 67.

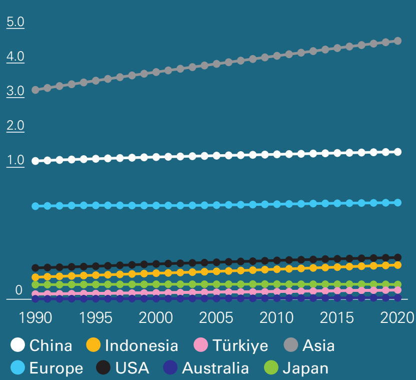
Expecting market growth driven by the recovery of the housing market and GDP growth

The population of Australia has been growing steadily (See Figure 6).

Private dwelling commencements declined both in Australia and Europe in 2020 due to the pandemic but a recovery has started as a result of government stimulus, albeit disrupted by supply constraints (See Figure 7).

Generally speaking, demand for decorative paints has a higher correlation to GDP growth than to private dwelling commencements as these mature markets are biased to existing home renovation and repair. Considering that GDP growth is expected to continue in Australia and Europe, we expect that solid growth will continue in the decorative paints market over the medium term (See Figure 2).

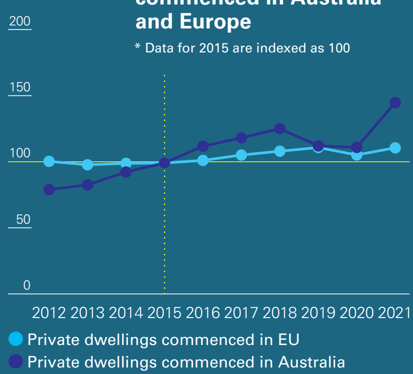
Figure 6 **Population** (billion people)



Source: United Nations

Figure 7 **Private dwellings commenced in Australia and Europe**

* Data for 2015 are indexed as 100



Source: Created by NPHD based on data from Australia Bureau of Statistics and Eurostat

Feature Article

Growth Strategy for Rapidly Growing Repainting Market in China

1. Growth opportunities and potentiality of repainting market in China

China's property market has entered the era of stock housing

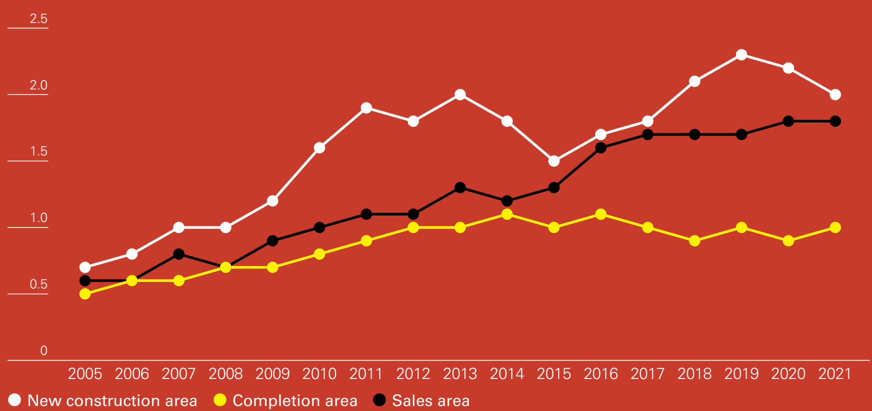
Under the influence of the "Domicile Not Speculate" policy, China's Property Market has plateaued. In 2021, China's property development investment made up 25.2% of total fixed asset investment, down by two percent points from 2020. In terms of construction scale, from 2005 to 2015, Compound Annual Growth Rate (CAGR) of property development investment was 20%, CAGR of project commencement was 8.5%, CAGR of housing transaction was 8.8%, and CAGR of project completion was 6.5%. From 2016 to 2021, these 4 indicators dropped respectively to 7.5%, 3.5%, 2.7% and -0.9%. It is estimated that in the next two decades, annual transaction volume of new property will drop to below 1B m², down 40% from its current level.

Sustained policy control has led to a decline of new property transaction volume, and consequently increasing the proportion of stock housing gradually in the property market. It is estimated that stock property housing will reach 350M units by 2025, and 420M units by 2030. As a key indicator of the arrival of stock housing era, since 2016, Resale Housing has made up over 40% of China's total housing transactions. In 2021, Resale Housing transaction was 41% of the total transaction.

China's Tier 1 cities have crossed over into Era of Stock Housing. Beijing's resale housing transactions are close to 70% of total property transaction, while in Shanghai it stands at 60%, while for Shenzhen and Guangzhou they are at approximately 50%. For Tier 2, 3 & 4 cities, resale housing transactions have made up over 30% of total property transactions and are also steadily increasing.

The 1998-2008 period was known as the Golden Decade of China's property market. Judging from the repair and maintenance cycle of 10-15 years, a large amount of stock housing has reached or exceeded the "Refreshing" threshold. Repainting of stock housing is set to overtake new property to become the key support for demand for home decoration. By 2025, it is estimated that renovation of stock housing will make up 42% of total demand of housing renovation. By 2030, this ratio will rise to over 50% of total renovation.

Property investment development (Billion square meters)



Eric Chung

CEO,
Nippon Paint China

PROFILE

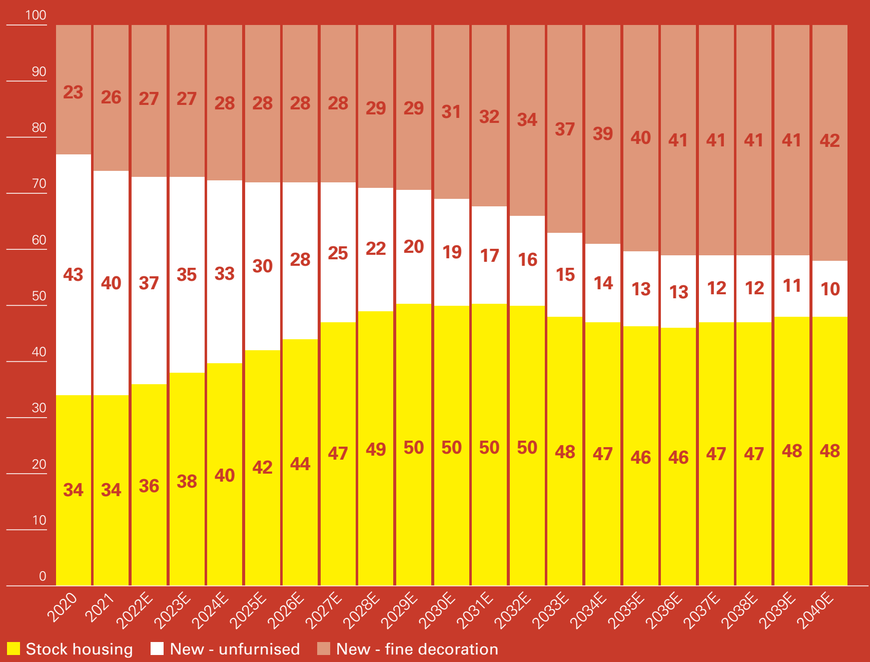
Eric Chung is the CEO of Nippon Paint China, currently heading all its business units in Greater China. He held managerial roles in two subsidiary companies of Master Kong Holdings Co. Ltd. before joining Nippon Paint China in 2007. Armed with a clear business vision, he has spearheaded company-wide transformation in areas of corporate strategy, image, branding and product technology. He has also expanded Nippon Paint's scope, overseeing its evolution from paint manufacturer to a provider of overall coating solutions. Under his leadership, Nippon Paint China has achieved more than double digit growth for the past 10 consecutive years.

Stock housing era, coupled with government policies, pushes repainting to highs

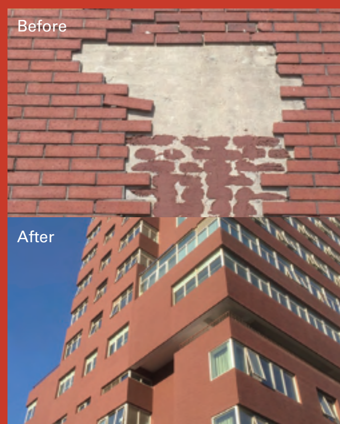
In 2020, China's State House issued a Guide on Upgrading of Aged Housing Estates in Cities and Townships, which categorized the upgrading of aged housing estates into an initiative of social security housing and entitled it for subsidies from central government. The 14th 5 Year Plan, formulated in 2021, stipulates that housing estates completed before the end of 2000 will be upgraded within the 14th 5 Year Plan period. "City Upgrading" has been escalated to be a national strategy.

The 219,000 housing estates targeted for upgrading are estimated to have 4Bm² in construction area and bring about investment of 4 trillion RMB. The resulting market potential for construction materials will amount to 240B RMB, of which 40B will be in construction paint and coatings.

Renovation demand (%)



Project urban redevelopment: Shanghai Balin Community renovation



Project: Beijing Chaoyang Hospital redevelopment

Project urban redevelopment: application on-site

NP exclusive store

2. Business strategy that responds to the Chinese repainting market

Nippon Paint China adopts "Refresh and beautify the living spaces" as its corporate mission, and has a vision "To construct with technology a most valuable eco-system, to become the leader in paint and coating total solutions."

It is also in the value system of Nippon Paint China, to Enable Customer's Achievements, to Lead through Innovation, to Cooperate for Winning, and to Encourage Drive to Succeed.

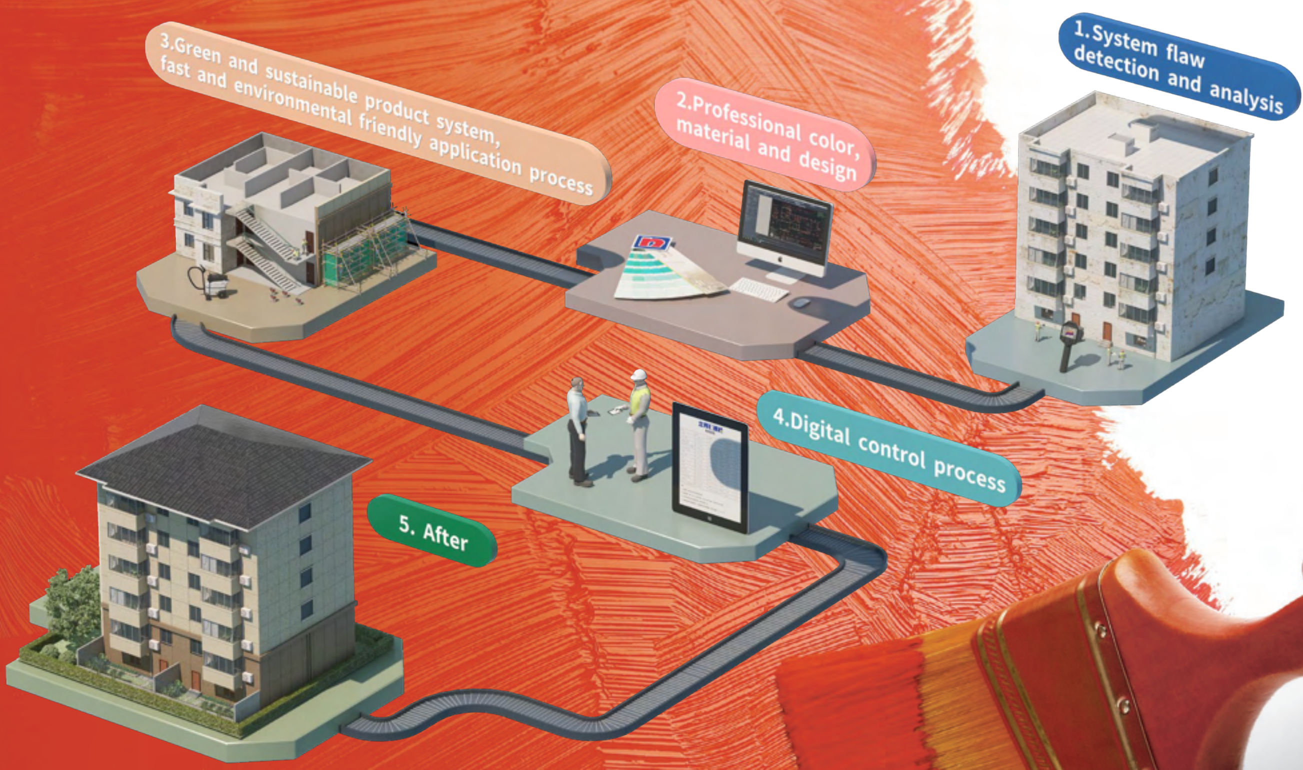
As the leader of China's paint and coatings industry, Nippon Paint China is actively responding to China government's 14th 5 Year Plan, and drive the contribution of paint and coatings industry in City Upgrading, infrastructure upgrading, refreshing of aged housing estates and improvement of living environment.

Nippon Paint China aims to develop its business in repainting by exploring opportunities through Urban Revitalization Design, Scenario based solutions, Product technology upgrade, Service model innovation, Green and Carbon-friendly transformation & information system support, to deliver products, solutions and services which fulfill requirements of the country, customers and business partners.

As there are different emphasis in the needs of individual consumers and construction project customers, Nippon Paint China has tailored repainting strategies to these two domains.

NP refresh service wall polishing

NP refresh service exterior wall paint spraying



Scenario based solution provider

Retail Strategy

Focus on core business & core cities, strive for sustained growth
1. Focus on Art paints, to satisfy demand in consumption upgrade and individualized needs
2. Focus on high-potential cities, enhance efficiency to ensure high-yield

Uplift existing renovation model (Refresh)
1. Leverage on E channel: deep exploration of homeowners' needs, increase penetration of renovation through Refresh

Improve on Net Promoter Score (NPS)
1. Close-loop management of post-sale services, with enhanced service standards and delivery standards, setup supplier management and appraisal system

Multi-faceted innovation to drive growth
1. Business model innovation: Explore partnership system and find growth drivers
2. Eco-system innovation: form alliances in renovation with fellow producers of construction materials, collaborate with leading companies
3. Product innovation: develop product solutions for key scenarios in renovation, such as bathroom, window, balcony, exterior wall, sunroom, basement, rooftop

Project Strategy

Organization: form Upgrade project team
1. Form Upgrade project team, to coordinate strategies, plans and execution of upgrading, to streamline process of product offering, solutions, delivery and quality assurance

Channel: establish regional centers of competency and Upgrade partners
1. Establish centers of competency in sales regions, to develop technical and application expertise in supporting Upgrade
2. To recruit Upgrade partners & jointly manage project leads, promotion and development

Provide scenario-based products and solutions
1. Cloud-based, digitalized & smart systems for complete management of Upgrade projects
2. Establish partnership in Upgrade
3. Scenario based products & solutions

Growth Strategy Deployment in High-Growth Countries (Indonesia and Türkiye)

Market features and characteristics in high-growth countries (Indonesia and Türkiye)

The Indonesian and Turkish markets have proven resilient, having endured the impact of the COVID-19 induced recession and are now emerging as one of the top players in their respective regions. These countries are similar in many ways. They boast a sustainability-minded youth population – Indonesia's median age (as of 2021) is 31.1 whereas Türkiye is 32.2. This in turn has facilitated the growth of a strong middle class to sustain aggregate supply amid a boom in the retail internet economy. It is unsurprising since both countries have high levels of internet penetration – Indonesia at 73.7% and Türkiye at 82% – and are active players in the internet economy, especially e-commerce.

In 2021, compared to previous year, e-commerce volume rose by 69% in Türkiye and the ratio of e-commerce to general commerce was 17.7%. On the other hand, Indonesia's 202 million strong internet users contributed US$70 billion to the country's burgeoning digital economy in 2021 with forecasts indicating that this will more than double by 2025. This is music to the ears of those of us in the coatings industry. Coupled with strong growth figures – Indonesia (4%) and Türkiye (11%) – and rising post-pandemic income, there has been a noted uptick of product sales.

Much of this has also been undergirded by similarities in cultural motivations pertaining to home renovations. In the aftermath of a prolonged lockdown and COVID-19 movement restrictions, there has been a stated increase in hygiene awareness, prompting many to refurbish their homes and repaint them. In Indonesia, the repainting cycle has been found to be between 1.5-2 years compared to 2-3 years in Türkiye.

Growth strategy in Indonesia

Indonesia remains a vibrant market, and PT Nipsea is optimistic about our strategic growth outlook and focuses on delivering consistent results in this market. In line with this aspiration, our growth strategy is nested in three aspects – strategic industries, technological capacity and social media marketing.

One of the main areas for opportunities in the industrial segment is in automotive manufacturing. As more Indonesians recover from the economic effects of the pandemic, the return to the new normal will be coupled with a spike in car production, sometime beginning this August. This is a corollary to a growing middle-class segment with significantly higher wages than during the pandemic period, who will be its primary source of demand. As a result, there will be a surge in demand for automotive coatings as manufacturers race to meet the growing urbanization and travel needs of this segment of society.

The rise in technological capacity will also prove to be a gamechanger for the paint industry. The computerized colour tinting machine (CCM) is one such example. Where previous color mixers were done manually and were limited in choice of colors, this machine is able to tint up to 10,000 colors from just a handful of neutral bases in just over three minutes. These improvements have had a marked impact on efficiency and quality which has resulted in more satisfied consumers. PT Nipsea is also the first paint company to give a 100% Colour Accuracy and Colour Consistency Guarantee for all our CCM machine tinted products.

In terms of product marketing, it makes prudent business sense to leverage Indonesia's tech savvy population and gear towards social media marketing. Online activities and partnerships with social media celebrities have done plenty to enhance Nippon Paint's social media presence and overall public brand awareness. There is an opportunity to drive acceptance of our premium segment of decorative paints as well as our "Vinilex" line of paints (7 differentiated sub-products) which have a strong lead in the middle-income segment. By focusing on an online marketing approach and an aggressive distribution plan, we are then able to elevate the Nippon Paint brand name which translates to greater transactions of the products in the Premium and Middle-income segments.

Budi Fianto Buna
President Director,
PT Nipsea Paint and Chemicals

Tayfun Küçükoğlu
General Manager,
Betek Boya

PROFILE

Budi joined PT Nipsea Paint and Chemicals Indonesia in 1970 and has been the President Director since 1990. Prior to that, Budi, who began his career as an HR & Payroll Executive, rose through a succession of leadership roles across areas including sales, marketing and general management. He was one of the pioneering team members who spearheaded the company's growth in the Indonesian market. Under his leadership, both Trade Use and Industrial Use divisions secured the number 1 position in market share for Decorative, Industrial OEM and Motorcycle coatings businesses. Budi obtained his degree in 1976 from a private university in Indonesia.

PROFILE

Tayfun Küçükoğlu is the General Manager of Betek Boya Group. He has held various roles within Betek Boya, where he was a founding member in 1988 and is currently part of the Board of Directors since 1995. He also co-founded and helped make Filli Boya the market leader in 2001. He is acting as a pioneer member of the ETICS category in Türkiye. Küçükoğlu is part of the founding committee at the Paint Manufacturers Association (BOSAD) established in 2003. Between 2015 and 2017, Küçükoğlu served as the Chairman of the Board of Heat, Water, Sound and Fire Insulators Association (iZODER). Other positions he has helmed includes being the Chairman of the Board of Directors at IMSAD (Construction Materials Industry Association) since 2020.

Growth strategy in Türkiye

Leveraging its continued excellence in the Turkish market, Betek Boya remains steadfast in expanding its footprint in the market and delivering value to all our stakeholders. To that end, our goals are focused in the areas of expanding the External Thermal Insulation Composite System (ETICS) sector, developing a customer-centric approach to business and synergizing with investments in industrial coatings.

In addition, ETICS, which contributes up to one third of our revenue from paint, is ripe for further expansion into the Turkish market. With its 22.5 mm sqm annual ETICS supply in 2021, Betek Boya is the solid market leader, four times bigger than competitors in Turkish market and also has a leading position in Euro region.

As more home improvements are expected in the coming months, the demand for thermal insulation will skyrocket, leaving a huge potential for us to maximize. This is made even more pertinent as 40% of energy expenditure in the country comes from buildings as opposed to industry, and 80% of energy consumption from heating and cooling. With its thermal comfort and health-protecting features, thermal insulation allows for energy saving up to 60%. To use energy efficiently is to protect the world and the future of our children. Thermal insulation has a critical role in environmental health and anti-global warming.

As a flagship paint brand Filli Boya has the highest brand Top-of-mind score in all customer groups. The New Generation Dealer System and "Filli Ustam" painter loyalty programs are the most important features that differentiate experience-oriented interactions/strategies from the sector. Thanks to all these innovative strategies, it is the company with the highest and most efficient distribution scores and the widest painter loyalty platform.

The development of a customer-centric approach to our business is a natural continuation of Betek Boya's multi-brand strategy which has been in place since 1993, delivering solutions to all consumer needs in all socio economic segments. This strategy has helped propel us into building the largest product portfolio among any local and multinational paint manufacturers in the country and further augment the portfolio, allowing us to compete better with rivals in the region.

By consistently investing in this strategy, we do not allow any aggressive competition to gain place in the market. We place the customer at the core of our business in order to build positive experiences and foster long-term relationships which empowers our leadership further.

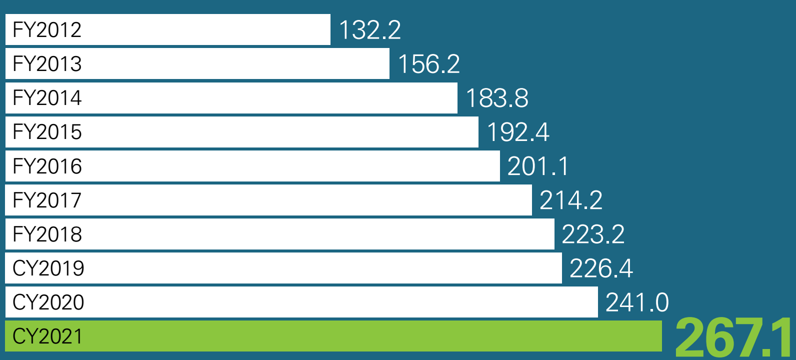
Industrial coatings is one aspect of business with immense synergy with cutting edge technology providers which allows us to stand head and shoulders above our counterparts in the same market. Our investments in this sector afford us the ability to provide coatings that protect against corrosion, UV light, and water – among others. This is complemented by adherence to strict protocols pertaining to sustainability measures which ensures that while we improve technologically, we do so in a manner which minimizes harm to the environment.

Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)

Dulux has been voted the most trusted paint brand in Australia for the last 10 years in a row.*
* Reader's Digest 2022

DuluxGroup - Track Record of Consistent Profit Growth

Recurrent EBIT (AUD)



DuluxGroup Limited is an Australian company that owns the Dulux® trademark in Australia, New Zealand, Papua New Guinea, Samoa and Fiji only and the Cabot's® trademark in Australia, New Zealand, Papua New Guinea and Fiji only. DuluxGroup Limited is not associated with, and has no connection to, the owners of the Dulux® and Cabot's® trademarks in any other countries, nor does it sell Dulux® and Cabot's® products in any other countries.

DuluxGroup aims to continue delivering consistent, profitable growth by focusing on three strategic growth pillars:

1. Extending our market leading positions in the Pacific - Australia, New Zealand and Papua New Guinea (PNG);
2. Leveraging capability for growth into the mature European paint and coatings market; and
3. Leveraging capability for growth into global sealants, adhesives & fillers segments

1. Extending DuluxGroup's market leading positions in the Pacific

From its heritage dating back to 1918, DuluxGroup has evolved to become a leading marketer and manufacturer of premium branded products that enhance, protect and maintain the places and spaces in which people live and work. This is espoused in our core purpose - "Imagine a Better Place."

In relatively mature ANZ markets, DuluxGroup has invested in and leveraged its market leadership position and regional scale in well-structured market segments to deliver consistent and profitable growth.

In Australia and New Zealand, approximately 75% of DuluxGroup's business is comprised of Dulux paint & coatings and the Selleys sealants, adhesives & fillers businesses. They are complemented by other home improvement segment businesses Yates, B&D Group and Lincoln Sentry, which are each profitable market leaders.

DuluxGroup has also operated in Papua New Guinea since 1968, where it replicates its core Dulux and Selleys offers.

DuluxGroup's largest product market, decorative paints, historically grows volume at approximately 1% per year, and market leader Dulux has consistently grown value

Patrick Houlihan

Chairman and
Chief Executive Officer,
DuluxGroup

PROFILE

Patrick joined DuluxGroup in 1989 and has been CEO since 2007 and also Chairman since 2019. Prior to becoming CEO, Patrick progressed through a succession of senior leadership roles across areas including R&D, sales, marketing and general management. Patrick is also the Chairman of the Murdoch Children's Research Institute, on the Board of the Australian Government's Industry Innovation and Science Australia, on the Advisory Council of St Mary's College at The University of Melbourne and is a member of the Australian Institute of Company Directors. He also represents DuluxGroup on the Business Council of Australia and Manufacturing Australia. Patrick holds a Bachelor of Science (Hons.) and an MBA.

ahead of that, at an average of 5% a year over the past two decades. With strict margin and cost discipline, DuluxGroup has a strong track record of flow-through to profit, with year-on-year EBIT growth over many years.

Success underpinned by investment in, and focus on, the fundamentals

DuluxGroup's track record of consistent delivery has been underpinned by putting consumers and customers at the heart of everything we do, and by an evolving strategic focus whereby we:

1. Leverage and continue to invest in our core capabilities across our market leading businesses, particularly:
   - our premium brands,
   - consumer-led insights, innovation and marketing, and
   - growth through our retail and trade customer channels by focusing on service and experience.
2. Focus on well-structured markets and market segments that deliver consistent growth and strong returns, with an emphasis on the relatively stable existing home renovation and maintenance markets, typically 65% of Group revenue.
3. Focus on product categories that are premium branded – where consumer trust, quality, continuous innovation and supply chain excellence drive competitive advantage.
4. Continue to foster our strong culture, which is reflected in world-leading employee engagement levels and is underpinned by our Values and Behaviors and also recruiting, developing and retaining a diverse and talented workforce.

Organic growth supported by value generating M&A

Organic growth will be driven by ongoing investment in the fundamentals that have underpinned success to date. More specifically:

- generating increased participation in the renovation and repair market through strong marketing and innovation, including increased do-it-for-me services to consumers;
- increasing consumer engagement through digital platforms;
- promoting omni-channel and optimization of logistics for the trade/professional market; and
- focusing on premium brands, innovation and customer service with key retail partners

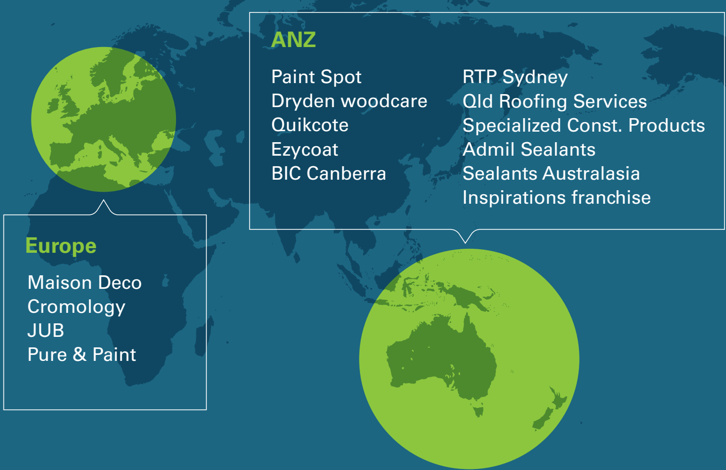
In the last three years, growth in DuluxGroup's existing businesses has been complemented by a number of bolt-on, earnings-accretive, acquisitions in ANZ.

Recent examples include: extending Dulux's reach into direct trade customer channels with the addition of "Paint Spot" outlets to Dulux's trade store network; growing technical capability for Selleys with the addition of Admil silicone sealants and adhesives; and Dulux's growing position in the roof restoration systems market with the acquisition of QRS Roofing Supplies.

Future bolt-on opportunities will continue to be focused on enabling the core strategies of DuluxGroup's strategic business units, while contributing to overall earnings growth.

To support growth, we will continue to invest in skills, capability and leadership development to ensure an engaged, motivated and committed workforce enabled to deliver on our growth ambitions.

Complementing organic growth with strategic M&A 2019-2022



DuluxGroup continues to invest in its company Trade supply chain and distribution network.

2. Leveraging capability for growth into the mature European paint & coatings market

DuluxGroup established foothold positions in European decorative paints markets with the acquisitions of Craig & Rose in the UK in 2016 and Maison Deco in France in 2019, followed by niche, eco-friendly, French brand Pure & Paint in 2020. With these relatively small-scale acquisitions, DuluxGroup has leveraged its expertise in premium brands and consumer-led marketing and innovation, along with its retail channel management capability, to progressively grow its presence in European Big Box consumer retail, complemented by other channels including online.

Cromology and JUB – a strong platform with scale and capable management to enable growth

The acquisition of major market leaders French-based Cromology and Slovenian-based JUB provides the market position and regional scale needed to drive DuluxGroup and Nippon Paint Group's growth ambitions in European decorative paints markets. They each have premium brands, leading market positions across western and central Europe respectively, capable management teams, local market know-how, strong trade and retail distribution, well-established manufacturing assets and supply chain capability.

Cromology and JUB, along with Maison Deco and Craig & Rose, provide DuluxGroup a substantial European decorative paints platform from which to deliver ongoing growth in the world's second largest decorative paints market (after China).

Symmetry with DuluxGroup – consumers, customers and market dynamics

Europe, like Australia, is a mature market where delivering consistent, year-on-year, organic growth is underpinned by ongoing investment in the core fundamentals of premium brands, consumer-led marketing and innovation, customer service and supply chain excellence.

DuluxGroup is the natural owner for Cromology and JUB. They have much in common in terms of their respective consumers (do-it-for-me and DIY), customers (Trade/own stores, Big Box and independent) and competitive landscape. While there are large global decorative paint market players in Europe, DuluxGroup already competes with many of these players in ANZ and has done so for many years.

Over time, we see compelling growth opportunities leveraging the product portfolio, technology, marketing and innovation, procurement and customer channel management capability of DuluxGroup along with the global scale and resources of the wider Nippon Paint Group.

DuluxGroup's European "partner companies" – Cromology, JUB, Maison Deco and Craig & Rose – will drive European decorative paints growth over the medium to long term, including through leveraging DuluxGroup's core capabilities, which have delivered above-market, profitable growth in Australia, New Zealand and PNG for many decades.

Enabling our European partner companies to drive organic and inorganic growth through:

- **Customer channels** – grow share in trade customer channels (e.g. omni-channel trade fulfillment) and continue to build a meaningful presence in DIY consumer retail (e.g. step-up Big Box presence) over time.
- **Product category extensions** – leveraging the wider DuluxGroup and Nippon Paint Group technology and product portfolio, including specialty coatings (e.g. wood, metal, concrete and texture coatings), ETICS and SAF.
- **Geographic extensions** – focusing on adjacent markets with similar market and consumer dynamics.

3. Leveraging capability for growth into global sealants, adhesives & fillers segments

DuluxGroup has successfully grown into paint adjacent categories in ANZ, most notably with its market leading Selleys sealants, adhesives & fillers (SAF) business.

DuluxGroup is now collaborating with NIPSEA Group, to help build a material, sustainable and market leading SAF business in Asia through transferring our Selleys capabilities including consumer insights, marketing, product, technical and supply chain expertise. We will continue to focus on this collaboration, building on its success to date.

Further, DuluxGroup aims to grow into global SAF segments in markets where structures are similar to Selleys ANZ experience and where we know we can successfully compete. Given DuluxGroup's European expansion in paint related distribution networks, we will continue to explore options to add local SAF businesses to generate growth in paint adjacent categories.

In doing so, we will focus on opportunities offering premium established brands, local product, locally compliant technology, strong supply chain capability, distribution reach, management talent and deep SAF experience. DuluxGroup will look to leverage its capability, including in Big Box retail, to generate long term sustainable growth.

Cromology

Loïc Derrien
Chief Executive Officer

PROFILE

Loïc joined Cromology in 2018, with deep industry experience, including at Hilti France, SigmaKalon and PPG where he acted as General Manager of Decorative Paints for EMEA South and Chairman of the Board of PPG Architectural Coatings France. Loïc has Engineering degrees from the École Centrale de Marseille and ISBA, and also an MBA from HEC.

Corporate data

Employees
3,184

Headquarters
La Defense, Paris, France

Ownership ratio
100%

SWOT analysis

Strengths
- Leading market positions – top #3 in France, Italy, Spain, Portugal and Morocco
- Premium brands across a broad product portfolio
- Capable management
- Strong manufacturing footprint
- Extensive trade market distribution reach including 390 company owned stores throughout Europe

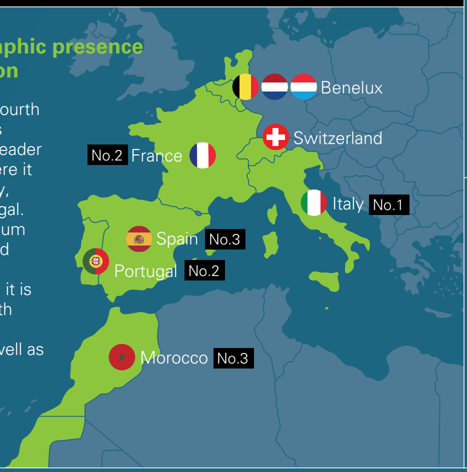
Weaknesses
- Like most companies, there are ongoing challenges from volatile raw material and other input costs. However, Cromology has demonstrated excellent cost and margin discipline in recent years
- Low consumer retail channel presence

Opportunities
- Build on strong trade position, leveraging DuluxGroup capability e.g., omni-channel fulfillment
- Step up retail channel position including Big Box presence
- Leverage Cromology's significant scale to expand the product portfolio using DuluxGroup and Nippon Paint Group capability
- Extend geographic reach
- Bolt-on M&A

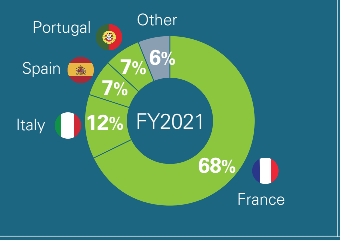
Threats
- Markets are relatively mature, low growth
- Compete against larger global players
- Current disruption in global supply chains and volatility in energy markets, exacerbated by conflict in Ukraine

Cromology geographic presence and market position

Cromology is Europe's fourth largest decorative paints company and a market leader in Western Europe, where it is in the top three in Italy, France, Spain and Portugal. With a portfolio of premium brands, broadly marketed through its extensive company store network, it is well positioned for growth opportunities into other customer channels, as well as adjacent product and geographic segments.



Geographic revenue mix



Performance*1, 2 (Billion yen)

Revenue

FY2020	83.3
FY2021	91.9

Operating Profit (ex IFRS16)

FY2020	5.8
FY2021	8.2

JUB

Sašo Kokalj
President & CEO

PROFILE

Sašo has been CEO of JUB since January 2013. Since joining JUB in 2003 he has progressed through a series of roles across general management, production and business development, amassing deep industry experience. Sašo has a Bachelor of Engineering and a Masters of Business/Managerial Economics from the University of Ljubljana, and also a Bachelor of Production Management from the University of Maribor.

Corporate data

Employees
774

Headquarters
Ljubljana, Slovenia

Ownership ratio
99.83%

SWOT analysis

Strengths
- Strong market positions
- Premium brands, backed by strong R&D capability
- Capable management with excellent market know-how
- Broad product portfolio, including in-depth ETICS capability
- Extensive distribution

Weaknesses
- Smaller procurement scale, and will benefit from wider group buying power
- Like most companies, there are ongoing challenges from volatile raw material and other input costs, which will be managed through with margin discipline

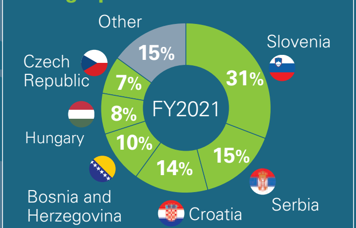
Opportunities
- Step-up its position in Big Box retail, leveraging DuluxGroup capability
- Extend product portfolio and geographic reach over time
- Well positioned to benefit from ongoing economic maturity in Eastern European markets
- Platform to launch wider DuluxGroup product portfolio, including SAF and leveraging Betek Boya's portfolio, over time
- Broadening DuluxGroup's ETICS capability

Threats
- Current disruption in global supply chains and volatility in energy markets, exacerbated by conflict in Ukraine

JUB geographic presence and market position

JUB has acquired a market leading position in interior paints and ETICS in central Europe, especially in the former Yugoslavia, and is strengthening its position in other central European countries, particularly in paints, leveling compounds and ETICS segments.

Geographic revenue mix



Performance*1, 2 (Billion yen)

Revenue

FY2020	15.6
FY2021	17.2

Operating Profit (ex IFRS16)

FY2020	1.8
FY2021	1.5

*1 Exchange rate applied: EUR 1=JPY 132.79 *2 FY2020 and FY2021 results are unaudited pro forma figures

Q&A with Co-President Wee about Actions for Improving the Profitability of the Japanese Businesses

Nippon Paint Group regards improving the profitability of the Japanese businesses as one of its management challenges. To tackle this challenge, we are implementing structural reforms based on the Co-President setup along with cooperation from our overseas partner companies. On this page, Director, Representative Executive Officer & Co-President Wee Siew Kim talks about challenges at Nippon Paint Group and the actions to overcome these difficulties.

Wee Siew Kim

Director,
Representative Executive Officer & Co-President

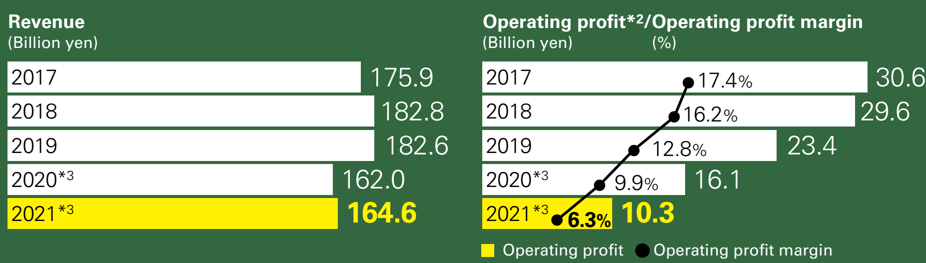
Q.1

Please explain the reasons and background for the decline in the profitability of the Japanese businesses.

A The business landscape of today is very volatile. A global pandemic, international conflicts, disruption in supply chains, inflations and talks of a looming recession all have an impact on business operations.

In Japan, the changes that we are seeing in our operations and business can be partly attributed to external factors such as decrease in automobile production and increase in raw material prices. From a more management analysis, a fundamental factor that has impacted the business is *bunshaka* or company splits along different lines of business in 2015. The concept of splitting the Group into its operating companies based on lines of business (automotive coatings, decorative paints, industrial coatings, and surface treatments) has proven to be beneficial to the Group. However, *bunshaka* caused partner companies to lose a sense of collaboration and that has affected the business operations in the long run. This also comes with several other considerations such as the capabilities of the partner companies to function independently,

Operating performance of the Japan segment*1



*1 Figures for FY2017 are based on JGAAP and figures from FY2018 to FY2021 are based on IFRS
*2 HQ expenses are allocated to Adjustments from FY2020 onwards.
*3 Figures for FY2020 onwards have been retrospectively adjusted due to the classification of the European automotive coatings businesses and the India business as discontinued business following the transfer of these businesses to Wuthelam Group (announced on August 10, 2021) and the change in accounting policy regarding cloud computing agreements beginning with FY2021 4Q

appropriate operational framework and the right investments in human resources to sustain the business successfully.

The total revenue of the Japan Group is approximately 160 billion yen, with revenue at each partner company accounting for about 40 billion yen. Therefore, individual partner companies cannot afford to adequately invest in manufacturing facilities, operational systems, and human resources. We also observed that with the business split, individual organizations focused on their own facilities, logistic networks, warehouses etc. which resulted in a bloated cost structure and operational inefficiencies.

Based on our analysis, this has become a major factor for undermining our competitiveness and profitability, as partner companies are often unable to make the right investments in areas that need further growth and expansion such as people development.

However, with our firmly established Asset Assembler model that has allowed the wider Group to sail through a chaotic business landscape, we are confident in revitalizing our Japan business and operations with a steadfast focus on innovation.

Q.2

What specific actions have you taken to improve profitability in the Japanese businesses?

A In contrast to the paint and coatings market overseas where we are seeing continued growth, the Japanese paint and coatings market has shown decline over the past decade. Due to the market landscape in Japan, it therefore becomes important to build a cost and operating structure that is aligned with this mature market, requiring a management approach that might be different from other regions.

To continue the growth of our Japanese business and to enable profitability, we are currently looking at two major growth areas. Firstly, for our Japan business we will drive more focus on the marine coatings and automotive coatings businesses where we have identified prospects for positive structural changes in April 2021. Taking this into consideration, our immediate task was to restructure the two businesses for a recovery in their profitability and growth potential. In fact, we have reviewed the Japanese operations and merged the industrial and marine coatings businesses placing them under the leadership of Takeshi Shiotani, who will now serve concurrently as the President of Nippon Paint Industrial Coatings (NPIU) and Nippon Paint Marine Coatings (NPMC). Mr. Shiotani has established a proven track record and we are confident that his leadership and strong abilities will bring a positive transformation to the NPMC business. In his expanded capacity, he will ensure the implementation of best practices for cost management and sales distribution in the industrial coatings business with a laser focus on improving the business financials.

Secondly, we have also launched eight task forces to lead discussions and implement reforms after identifying issues to be addressed based on themes such as production, quality, and SG&A expenses, to eliminate the adverse effects of *bunshaka*. The key mission of the task forces is to drastically restructure and streamline the cost structure of the partner companies. We already have the results of the analysis necessary for achieving our goals. As part of Phase 1, every partner company will implement reforms based on the results of analysis, led by project implementation teams set up by the individuals in charge of the partner companies, over the next six to nine months.

The Phase 2 of cost structure reforms, which started in June 2022, has two pillars. The first is the consideration of reversing some measures implemented with the company split. For instance, agendas under consideration include integrating part of factories of each partner company and their supply chains in several locations in Japan that will improve efficiency of the Japan Group as a whole.

The second pillar is to transform the Japan Group's technology and innovation offerings. The Japan Group has constantly supplied high quality and innovative products to customers. To ensure that innovation across the Group continues to grow, we need to make adequate investments in our resources such as skilled engineers and people who display excellent technical capabilities. Continuous investment in human resources is a priority for the Group, not only in Japan but across all our other markets. Currently, we are re-examining our investments in human resources and working to build an agile and capable leadership team that has both technical abilities and management skills. This we believe is an important step to reinvigorate the innovation pipelines.

In the Phase 3 of our cost structure reforms, one of our focus areas will be to build a next generation leadership team for the Japan Group. This will include identifying top performing employees and enabling them to become executives over the next 2-3 years. This will not only introduce new ideas and philosophies within the management teams but will be a big step in introducing cultural reforms in Japan. We are already in process to create a tailored program at Nippon Paint Automotive Coatings (NPAC) where we select candidates for leadership training across areas such as production, quality, sales & marketing, technology, and development and give them the support they need to become next-generation leaders. We will also roll out similar programs across our partner companies to drive further growth for our Japan Group.

Eight task forces for profitability improvements of Japanese businesses

Production/ Quality	1. NPAU Production TF
	2. NPTU Production TF
	3. NPIU Production TF
SG&A	4. NPIU & NPMC SG&A TF
	5. NPAU SG&A TF
	6. NPTU SG&A TF
Finance	7. BSC TF
Marine coatings business	8. NPMJ TF

Q.3

What actions are you going to take to change the corporate culture and employee mindset?

A As I have mentioned previously, change is inevitable. For us to move forward, we must embrace change and work towards gaining excellence. In our growth forward, Japan will play a pivotal role in our growth transformation. One key area for transformation within Japan is letting go of conventional work approaches and leveraging a more transparent management style that gives everyone the confidence to share their thoughts and opinions.

In this manner, the mindset change that we are bringing about in Japan is very similar to NIPSEA Group's Lean for Growth (LFG) culture that ignites a spirit of growth within employees and gives them the ability to speak out and the courage to respond to change and agility.

In fact, we have even carved out a Japanese version for future action guidelines and mindset change called J-LFG that localizes the concept of our regional values in a manner that can be implemented to bring about the cultural and mindset changes needed for the Japanese business to achieve its next stage of advancement and innovation.

Six months into the implementation of J-LFG, I visited our office and factories in the Japan Group and took the time to speak with the employees there. It gives me great happiness to see that only within 6 months, employees can understand the significance and importance of J-LFG. One of the key concepts of J-LFG is to reduce redundancies and focus on tasks that create value for our customers. This will help us to constantly look forward, increase communication and breakthrough the silos and hierarchy of conventional management styles, allowing the organization to bring out the diversity and strength of each employee. I am looking forward to seeing how J-LFG will positively steer the ship forward in Japan and to share those successes with the wider Group.

NPAC Hirakata Office

Overview of J-LFG

J-LFG (Lean For Growth)

We provide higher added value to our customers than competitors with speed. All employees are committed to positive and lean efforts for Maximization of Shareholder Value (MSV) regardless of the business environment, allocating the extra resources thus created to actions for driving growth.

VITALS – six values and behaviors underpinning LFG

Vigilance	Keep your eye on the prize	Be prepared, be responsive, ever ready
Insatiable appetite	Hunger for more	Be ambitious, eliminate complacency
Teamwork	Work as one	Be strong together, be collaborative, no silos
Agility	Sense & respond fast	Be nimble, outwit the competition
Leanness	Back to basics	Be value-driven, be tenacious, make every bite count
Stamina	Can't stop, wont' stop	Be relentless, be resilient, unending quest

Positioning of J-LFG

Strategy for Next-Generation Technologies in the Transforming Automotive Industry

Structural changes in the automotive industry and impact on coatings

Unprecedented transformation taking place in the automotive industry

The automotive industry is undergoing the biggest change ever since its commencement. This change has created numerous business opportunities and prompted paint manufacturers including ourselves to revisit their conventional products, application processes, and supply chains.

Carbon neutrality is one of the biggest themes in the industry. To meet increasingly stringent environmental regulations globally, many automobile manufacturers have prioritized environmental impact reductions, including achieving zero CO_2 emissions, as a key agenda as they look ahead to 2050.

Carbon neutrality initiatives of automobile manufacturers are focused mainly on reducing CO_2 emissions from two sources: emissions from manufacturing and other activities within the company (Scope 1 and 2) and emissions across the supply chain outside the control of the company, ranging from material procurement to sales and the disposal of products (Scope 3).

Procuring alternative energy and simplifying manufacturing processes are some of the measures car makers are considering in order to reduce Scope 1 and 2 emissions. In the paint application process, they are looking to shorten the process and use alternative coating technologies to replace current coating application.

To reduce Scope 3 emissions, the automotive industry is economizing and increasing the efficiency of resources by shifting to new energy vehicles (electrification) and promoting car sharing services in order to reduce CO_2 emissions throughout the whole process of sales, use, and disposal of the vehicles.

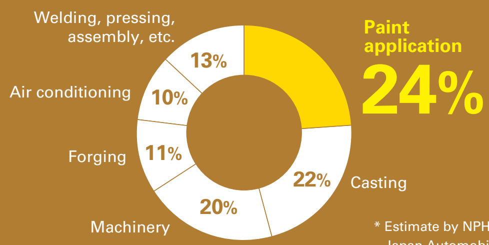
In addition, a paradigm shift is occurring in the industry, often represented by Connected, Autonomous, Shared, and Electric (CASE) and Mobility as a Service (MaaS). These shifts are expected to change the structure of the automotive industry demonstrated by new entrants from outside the industry in addition to current major players.

Changes in the paint and coatings spurred by evolution in the automotive industry

The automotive coatings industry is undergoing a significant transformation in line with changes in the automotive industry. The emergence of new needs are opening up numerous business opportunities. In other words, the future growth of paint manufacturers, including ourselves, will depend on whether we can break away from our conventional thinking and provide new value to our customers.

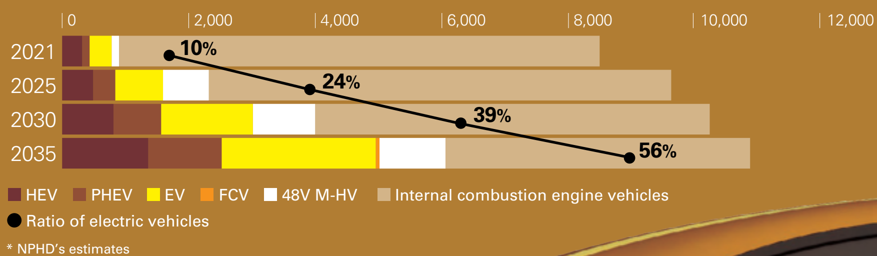
Carbon neutrality initiatives in the automotive industry are requiring paint manufacturers to speedily respond to such moves. In expanding our business opportunities, it is critical how quickly we serve our customers and help solve the problems they are facing. For instance, revisiting paint production processes and selection of raw materials, as well as developing environmentally friendly coatings which consume less energy in paint

CO_2 emissions in the automobile manufacturing process



* Estimate by NPHD based on data from Japan Automobile Manufacturers Association

Automobile sales by powertrain type
(10,000 units)



* NPHD's estimates

booth and drying furnaces.

Although CASE and MaaS may have only a limited direct impact on coatings itself, such shifts create various growth potential. In the electric vehicle segment, current car makers are expanding their business domains to fit to the new environments while totally different enterprises enter the sector, generating new markets for us to increase our sales and market share.

Automobile manufacturers, which are our existing customers, are pushing out the boundaries of their business beyond automobile manufacturing and into peripheral areas. This offers paint manufacturers new business opportunities that are not bound by our conventional business scope.

With advancing vehicle performances, the possibilities for value added by coatings are also expanding. For example, NPAC is developing decorative films that are transparent for light emitted by sensors, which are vital for self-driving vehicles and other applications. As the sharing economy grows, we also anticipate a change in end-user needs regarding vehicles, colors and functionalities such as coatings with vivid colors and coatings that can easily change car body appearance depending on users' preferences. The possibilities to be exploited are endless. In this environment, providing solutions to emerging needs in the new era as coatings technology specialists will give us the most critical competitive advantage.

Research and development activities at NPAC, aiming towards a global leading company

In the Volatile, Uncertain, Complex, Ambiguous (VUCA) environment, NPAC will continue proactive research and development activities for next-generation technologies. Our aim is to become a global leading company that can provide services and added value as a valuable partner to our customers by both refining the technologies we have accumulated over many years and also producing new ideas.

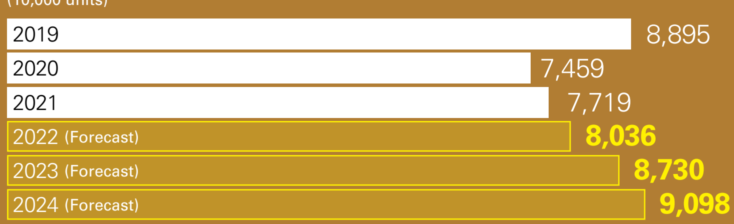
Research and development activities for next-generation technologies

NPAC is speeding up the shift to next-generation coatings, such as environmentally friendly coatings and coatings with anti-viral property, while also improving our existing products. Our goal is to help create a sustainable society and to respond to customers' needs involving CASE and MaaS. In addition, core technologies we have accumulated since our founding to develop new coating technologies should provide greater added value to our stakeholders.

Decorative film technology, one of our focus areas, can provide design flexibility that cannot be achieved through conventional coatings. Moreover, this technology is expected to help automobile manufacturers cut back CO_2 emissions (Scope 1 and 2). Although our focus with the film technology has been on automotive interior Center Information Displays, film application is now considered to be a realistic option in exteriors, which are becoming more multi-functional, as well as in non-automotive applications. We see our decorative film as a technology that will allow us to constantly tackle social issues while meeting customers' needs. NPAC successfully launched functional decorative films covered with our coatings in February 2022. Further business development will be conducted to sell these films without restricting our scope to these activities to customers within Japan or in the automotive industry, in order to make decorative films one of our core businesses. Apart from film, NPAC is also a developer of in-mold coating technology, which is a direct coating process that does not require a paint booth or a drying furnace.

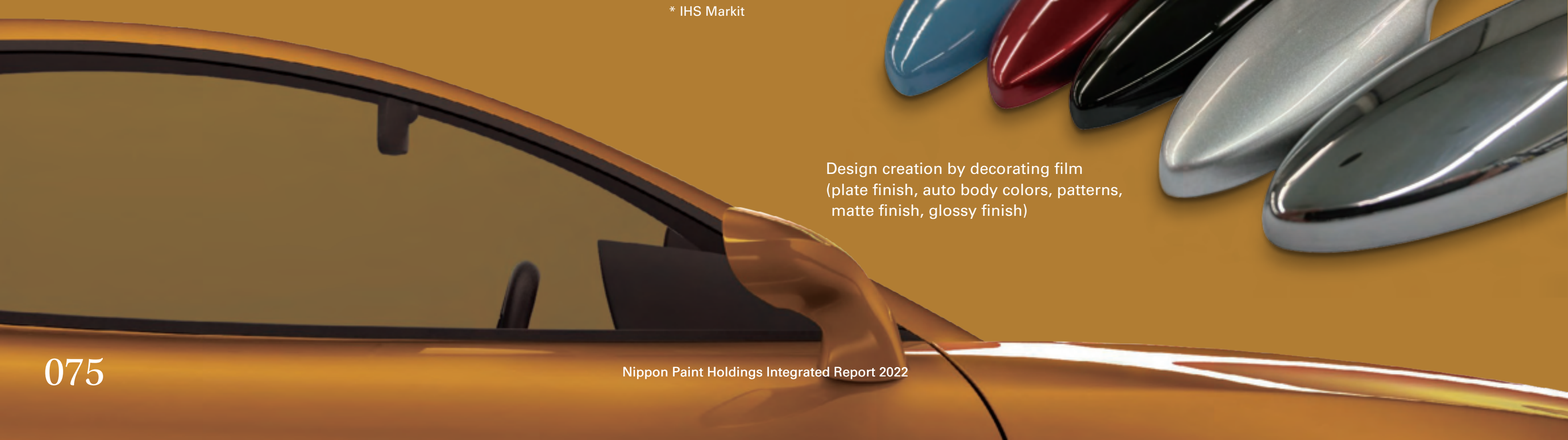
Our business is on a global scale. Therefore a global collaboration platform where our members provide technical assistance and exchange information is one of the key areas we are reinforcing. This enables us to respond more quickly to the needs of our customers around the world.

Global automobile production*
(10,000 units)



* IHS Markit

Design creation by decorating film
(plate finish, auto body colors, patterns, matte finish, glossy finish)



Shinji Takedagawa
Representative Director & President, Nippon Paint Automotive Coatings Co., Ltd. (NPAC)

PROFILE

Shinji Takedagawa joined the former Nippon Paint Co., Ltd. after graduating from Rikkyo University College of Economics in 1984. After 38 years of experience in sales, planning, and management in the automotive coatings business. He transferred to Nippon Paint Automotive Coatings Co., Ltd. following its launch in 2015. Appointed as Managing Director in 2018 and the Deputy President and Executive Corporate Officer in January 2021. Current position from August 2021 and has since been leading the automotive coatings business of Nippon Paint Group. As the President of NPAC, he has the goal of driving growth of the company to become a global leading company in the automotive coatings industry as the most trusted partner for its customers.

Aiming to Improve Profitability and Strengthening Our Global Business Structure

Automotive production is continuing to decline, due to the influence of the pandemic and parts shortages such as semiconductor chips. The paint industry is also impacted by the ongoing price increases and unstable supply of raw materials and logistics bottlenecks.

Actions for improving profitability

We must rise to the challenge of improving profitability in the current market environment with rising prices of raw materials and sluggish car production. In order for us to become a growing company even in such harsh conditions, productivity improvement and optimization are key areas we are working on.

Against the backdrop of the structural changes in our industry, we must break away from the conventional business approaches. In fact, our operational process improvement is in progress across the company, pushing us to think outside the box. For instance, rigorous improvement activities are underway with the goal of streamlining operations. Examples include a bottom-up initiative where we solicit areas for improvements within the company and launch projects to tackle issues, the realignment of production and sales frameworks from a long-term perspective, and the consolidation of inefficient operations. For issues that require discussions among several divisions over the long term, cross-divisional projects are being formed in which measures for reform are being discussed on a daily basis.

In order to cope with rising raw material prices and manufacturing costs caused by numerous external factors, we are taking actions such as cost reduction activities and implementing an optimal procurement and production system from a global perspective. Our goals are to eliminate concerns about supply challenges and improve profitability. Adjusting selling prices in accordance with market conditions has also been one of our key initiatives.

Strengthening our overseas business infrastructure

In accordance with our strategy to integrate our business entities in Asia, in May 2022, NPAC has completed the integration of business entities in China. Aiming at creating synergies and reinforcing foundation, operations are integrated in China and other Asian countries where we anticipate a rapid growth. As new energy vehicles are increasingly accepted in Asia, we aim to quickly raise our market share by leveraging our extensive distribution and technical network without missing any opportunities that occur in the transformation of the automotive industry.

In the Americas, management structure was changed in April 2022, instituting the post of Chairman, who is responsible for overseeing operations throughout the Americas, including Mexico and Brazil. These measures have established a framework for creating synergies in the Americas while maintaining autonomous management in each country. In 2023, a new factory is slated for completion in Chattanooga, Tennessee, USA. The new factory, which is designed for energy conservation and advanced automation for next-generation manufacturing, will enable us to expand market share through unified activities throughout the Americas, strengthening existing businesses and shifting to local production of electrodeposition coatings.

NPAC strives to improve our global market presence and expand our businesses. By reinforcing our global network, we seek to be the best partner to our customers operating on a global scale.

Contributing to MSV with a sustainability strategy that has stronger links to business activities

Sustainability strategy linked to materiality

➤ For more information about "Materiality" see page 41.

	Materiality (Related SDGs)	ESG agenda	ESG action examples
Environment & Safety	Climate change	●Reduction of greenhouse gas (GHG) emissions ●Identification of risks and opportunities	●CO_2 reduction (Scope 1&2) ●Calculation of Scope 3 emissions ●Disclosure based on TCFD ●Utilization of renewable energy
	Resources and environment	●Waste/water resource consumption/pollution management	●Establishment of global policy statements for waste materials and water ●Establishment of KPIs for each partner company based on policy
	Safe people and operations	●Disaster (fire accident) prevention and process safety ●Fatality and injury prevention	●Establishment of a global policy statement for safety for our people and operations ●Establishment of KPIs for each partner company based on the global policy
People & Community	Diversity & Inclusion	●Increase the percentage of women in management posts ●Improvement of employee engagement	●Gender diversification for directors/managers ●Visualization of human capital ●Implementation of human rights risk assessment
	Growth with communities	●Strategic implementation of social contribution activities	●Establishment of the NIPPON PAINT Group Global Outreach Program to enhance social contribution activities ●Establishment of 3E (Education/ Empowerment/Engagement) action policy through business activities as a priority area
Innovation & Product Stewardship	Innovation for a sustainable future	●Promotion of cross-industrial collaboration ●Development of products that benefit society ●Stricter management of chemical substances	●Establishment of the definition of sustainable products and data collection ●Stricter management of chemical substances and development of alternative products for harmful substances ●Development of products that benefit society and are environmentally friendly ●Promotion of open innovation

Contribution to MSV

- Expansion of revenue/earnings from products with a low carbon footprint
- Sustained growth through investment in human capital
- Reinforce branding through investment in communities
- Risk reduction through safety education and use of technology
- Revenue growth through acceleration of innovation

(Example)
- Provision of education programs by job level
- Conducting the international AYDA Awards competition for architectural and interior design students
- Launch of the anti-viral and anti-bacterial brand PROTECTON
- Launch of FASTAR next-generation antifouling paint for ship hulls

ESG Statement

At Nippon Paint Holdings Group we aim to conduct our business activities to support and enable sustainable development everywhere we operate. We aim to include the three elements – economic, social and environmental– in a balanced and integrated manner.
Creating paints and coatings to add color, comfort, and safety to people everywhere has been our mission since the company was founded. Finding solutions to global sustainability challenges is our responsibility to future generations and is a driving force for our continued growth and success. To achieve this, we will:

- Pursue technologies across the value chain to create sustainability benefits through innovative products and services, and new business opportunities.
- Engage and work with our stakeholders to meet their expectations and together deliver on our shared sustainability commitments, responsibilities, and challenges.
- Establish effective governance frameworks to ensure the transparency, objectivity, and fairness of the management of our company and earn society's trust everywhere we operate.
- Respect, support, and enable our diverse employees and company associates to achieve their full potential and create innovative, sustainable value for all.
- Support the 2030 Agenda for Sustainable Development Goals (SDGs) through delivery of sustainability improvement plans that create new business opportunities and maximize shareholder value (MSV*).

* MSV is defined as maximizing shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, and society.

Autonomous sustainability structure

Based on Asset Assembler model, we updated the sustainability structure in 2022 by shifting to an autonomous structure with a stronger link with business operations, away from the structure where the headquarters led our sustainability initiatives. Directly under the Directors, Representative Executive Officers & Co-Presidents, four materiality-based global teams have been formed for carrying out sustainability strategies on a Group-wide basis. By having team leaders directly report progress and proposals to the Co-Presidents, and the Co-Presidents, who further submit reports to the Board of Directors whenever necessary, sustainability activities are overseen by the Board of Directors.

Board of Directors

Directors, Representative Executive Officers & Co-Presidents

Sustainability Department

	Environment & Safety	People & Community	Innovation & Product Stewardship	Governance
Global Team	Environment & Safety	People & Community	Innovation & Product Stewardship	Governance
Scope	● Minimize the carbon footprint ● Ensure the safety of employees and stakeholders	● Invest in the well-being of employees ● Build and enable better communities for all our stakeholders	● Promote sustainable products ● Drive innovation towards UN SDGs and carbon neutrality	● Maintain the most advanced governance system possible as a listed company, including integrity, internal controls, and risk management
Global Team Leader	 **Brad Hordern** DuluxGroup Executive General Manager of DuluxGroup Supply Chain. Prior to joining this company, he was Group Manufacturing Manager for SCA Australasia, Logistics Director for Campbell's Arnott's Australia.	 **Gladys Goh** NIPSEA Group Senior Vice President of Strategic Innovation & Marketing, NIPSEA Group and Deputy President of Nippon Paint Marine Coatings. Prior to joining this company, she was in charge of marketing of Coca-Cola Malaysia as Group Brand Manager.	 **Hong Jiang** NIPSEA Group / NPCS Chief Technology Officer of Japan Group and NIPSEA Group. Prior to joining this company, he was in charge of technological development of automotive coatings as a technical director of Axalta Coating Systems (China).	 **Yuri Inoue** NPHD / NPCS Managing Executive Officer and GC of NPHD and Managing Corporate Officer of NPCS, Japan Group GC. Prior to joining NPHD, she was responsible mainly for legal affairs and internal controls as a Corporate Executive Officer of Showa Shell Sekiyu K.K. and Senior Executive Officer of Idemitsu Kosan Co., Ltd.

Activities to determine KPIs

In addition to the risks and opportunities identified for each materiality, our Group formulates sustainability policies and strategies based on the characteristics of every region and market in which it operates as well as on the demands of stakeholders. KPIs are also selected as necessary in line with policies and strategies. Progress toward reaching the KPI targets is monitored.

With regard to climate change initiatives, KPIs are reviewed and established for each country and region to achieve the medium- to long-term net zero target. At the same time, best practices are shared with partner companies in Japan and overseas to formulate and implement action plans.

Environment & Safety KPI

	CO_2 emission reduction (long-term target)	CO_2 emission reduction (interim target)	Reduction of waste	Reduction of accidents at factories
Japan	Net zero 2050	37% reduction by 2030 (compared to the 2019 level)	Waste discharge less than base year level (base years vary from partner companies)	Zero serious incidents
Asia	Net zero 2060	5% reduction every year through 2030	5% hazardous waste reduction (per ton) every year	● Zero fire/smoke incidents in 2021-2023 ● Zero occupational illness in 2022
Oceania	Net zero 2050	● 50% reduction by 2030 (compared to the 2020 level) ● 50% renewable electricity by 2030	50% landfill waste reduction (per ton) by 2030 (compared to the 2020 level)	● Serious near misses < the FY2021 level ● Serious injuries < the FY2021 level
Americas (Dunn-Edwards)	Net zero 2050	Under consideration for setting targets	Under consideration for setting targets	To be identified once lead indicators identified

Environment & Safety

Strengthening climate action through our global team

Brad Hordern
DuluxGroup

Addressing Nippon Paint Group's most material sustainability impacts is a key imperative and priority for the organization to ensure Maximization of Shareholder Value (MSV). Within the sustainability aspects of environment and safety, the identified priority material impacts are climate change, resources and environment (especially waste and water), and safe people and operations.

During 2021 each Partner Company Group (PCG: Nippon Paint Group companies grouped by region or business) has continued to make progress on their individual ambition, targets, and priorities within each of these impact areas. This report includes a small number of newly consolidated Nippon Paint Group metrics for these impacts and while it is pleasing to observe that there was improvement on prior years for most of them, safety performance provided a sobering reminder of the need for improved management of significant risks. Comparing 2021 performance with the prior year, this progress includes:

≪Global metrics≫

- Climate Change: 8% reduction in Scope 1 and 2 greenhouse gas emissions and 14% reduction in energy consumption
- Resources and Environment: 6% increase in waste generation, 4% increase in waste recovered (recycled, reused), and 4% reduction in water withdrawal
- Safe People and Operations: Three fatalities (versus none in 2020) and 10% reduction in lost workday case injuries

While many of these results are encouraging and provide a strong foundation for further improvement progress in the coming year, the occurrence of three fatalities (one employee, two contractors) in NIPSEA Group reinforces the increased importance of effectively managing safety to protect everyone who works for us. Our sincere thoughts are with their families and work colleagues. Further details and highlights of individual Partner Company Group progress in these impact areas are highlighted in the following pages.

Our priority in 2022 is to work more closely together via a newly established working group comprising senior environment and safety leaders from each PCG. The focus will be on identifying the top risks, opportunities, and improvement priorities across the broader Nippon Paint Group and facilitating sharing of best practice, benchmarking, learning, and action plan implementation to drive meaningful long term improvement in the identified material impacts. This will include determining where group-wide approaches or standards may be appropriate, together with development of additional performance metrics to enhance our understanding of progress and improve disclosure to the organization's stakeholders.

Climate change

Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, we will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.

Climate change is causing serious impacts to our lives in recent years. Recognizing that climate change is a critical social issue that must be addressed sincerely, Nippon Paint Group has established a global policy on climate change and energy in order for the entire Group to mitigate and adapt to its impacts. Our global policy states that we proactively reduce the intensity of energy consumption and increase renewable energy to meet global Net Zero carbon requirements.

Pursuant to this global policy, the Group is now working to rein in its greenhouse gas (GHG) emissions and minimize business risks caused by the progression of climate change. The reduction of energy used in the paint manufacturing process and proactive use of renewable energy will not only help to combat climate change by controlling GHG emissions, but also make a difference in the issue of energy resource depletion.

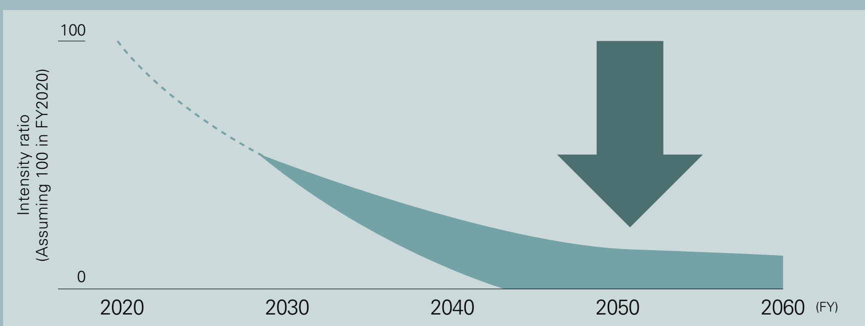
Report based on the TCFD recommendations

In September 2021, Nippon Paint Group expressed its support for the final report of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. With the goal of achieving MSV, we are working to enhance climate change-related measures and information disclosure.

Governance

Nippon Paint Group has shifted to an autonomous management structure based on Asset Assembler model with a new sustainability structure launched in 2022 designed to enhance sustainability initiatives with business activities, rather than initiatives led by the headquarters. We have set up four Global Teams based on Materiality including climate change directly under the Directors, Representative Executive Officers & Co-Presidents, in order to implement sustainability strategy aligned across the Group globally. The Global Teams will directly report to the Co-Presidents their progress and make suggestions on actions related to climate change. Then the Co-Presidents will report the information obtained from the Global Teams to the Board of Directors as necessary. In this manner, the Board of Directors oversees the Group's sustainability actions.

Nippon Paint Group's CO_2 emissions reduction target (Scope 1 and 2)



Strategy

We have identified climate-related risks and opportunities that are critical to the Group's strategies and are working to assess their financial impacts.

In light of the increasing interest in climate change countermeasures in recent years, there are concerns that global warming taxes will be hiked, resulting in higher energy costs and additional costs related to capital investment and technology development for decarbonization.

In addition, in the event of the greater severity and frequency of floods and other events caused by extreme weather, there is a risk that sales could decline due to damages to our plants that result in the suspension of production.

In the meantime, we are considering taking actions that lead directly to businesses, such as entering new markets by developing products that contribute to reducing CO_2 emissions using the Group's technologies

We are incorporating our analysis of these climate-related risks and opportunities in formulating the medium- and long-term growth strategy of the Group.

Although our energy intensity is not significant compared to many other manufacturing businesses, our group scale means we still collectively consume a considerable amount of energy and therefore seek to actively reduce our energy consumption. This includes cooling water required in the process of dispersing and stabilizing pigments and other raw materials. We have identified carbon taxes as the greatest risk that could directly affect our operations and anticipate cost increases due to higher carbon prices. Therefore, we have started considering the sourcing of renewable energy as a workaround. Carbon taxes have already been introduced in some countries and it is expected that the tax rates will be hiked gradually to achieve the net zero targets of each country.

In terms of climate-related scenarios, the Group has conducted reviews on the 2-degree and 4-degree scenarios. According to a report by the International Energy Agency (IEA), we will continue to incur certain costs both in a scenario where we will shift to a decarbonization process worldwide (the 2-degree scenario) and a scenario where the current policies for decarbonization go unchanged globally (the 4-degree scenario), unless we make progress with lowering our CO_2 emissions assuming our CO_2 remain unchanged from

2020 levels. There are concerns that carbon prices will have an even greater impact on operating costs, given the potential increase in emissions associated with the Group's future business expansion.

Global warming is of interest to society as a whole, including the Group's major customers. While it entails physical and regulatory risks, global warming can be linked to opportunities to expand our business by addressing its impacts strategically. Specifically, such opportunities include expanding sales of products that improve ship fuel efficiency, help reduce CO_2 emissions at automobile manufacturing plants, and mitigate the rise of road surface temperature.

For instance, ATTSU-9 ROAD®, which produces a highly reflective asphalt pavement, is expected to contribute to reducing CO_2 emissions by counteracting the heat island effect. We have estimated the financial impacts of road pavement coatings, including degree of contribution to earnings, based on the market growth forecast for these coatings.

Risk management

The Global Team that works directly under the Co-Presidents identifies and assesses risks, including their importance, based on the criteria of factors directly related to our operations (the amount of raw materials used, energy, water, and CO_2 in the manufacturing processes) and external factors (users' application-based needs and product feature needs).

Once identified and assessed, the Global Team proposes risks and opportunities and their action plans to the Co-Presidents. The Co-Presidents set targets and propose the targets to the Board of Directors. These targets, after approval by the Board of Directors, are set as group-level targets. Group partner companies formulate business plans in line with these group-level targets and action plans.

The Audit Committee has identified the effectiveness of responses to ESG and SDGs initiatives as an issue to be addressed based on the effectiveness evaluation, and is deliberating on this agenda from the perspective of MSV.

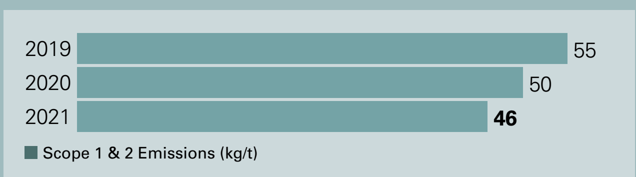
Metrics and targets

We will accelerate our response to climate change by conducting activities to reduce CO_2 emissions based on the net zero targets and the carbon neutral policies of the government of each country and contributing to net zero in our operating regions around the world. As concrete measures, we will focus on reducing emissions intensity in emerging countries, where markets are expanding, by introducing renewable energy and replacing equipment with energy-saving and electrified models.

By taking these actions, our Japan Group, DuluxGroup in Australia, and Dunn-Edwards in the U.S. will aim to achieve Net Zero by 2050 and NIPSEA Group by 2060.

We currently calculate Scope 3 emissions from our operations in Japan and DuluxGroup in Australia, and have taken steps to expand the coverage to our global operations.

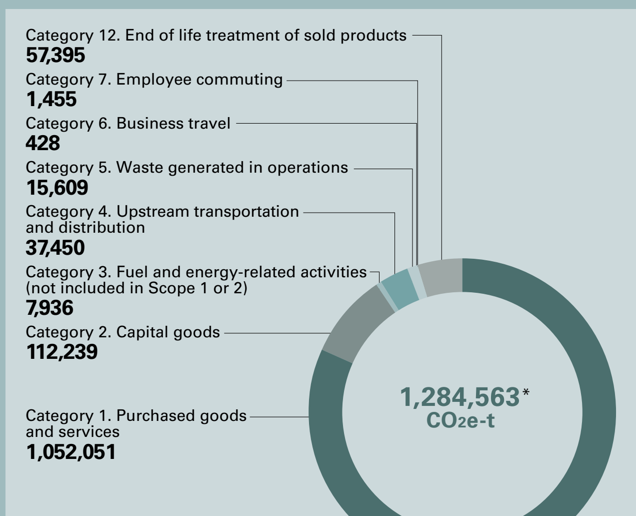
Greenhouse gas emissions - scope 1 & 2 (Global)



Energy consumption (Global)

* Coverage of Global data: NIPSEA Group, DuluxGroup, Japan Group, and Dunn-Edwards. Scope 1 and 2 (Global) exclude Dunn-Edwards. The same applies to pages 83, 84 and 86.

Scope 3 category 1-12 (Japan Group)



* Emissions from Categories 8-11 and 13-15 were calculated as zero because no activity related to these categories was conducted.

Interim targets and actions for net zero emissions

NIPSEA Group

- Formulated NIPSEA Green Plan 1.0, the movement to advance the agenda on sustainable development –Profit, People, Environment
- Aim to reduce energy intensity by 8% by 2025 against a 2021 baseline, with a yearly reduction target of 2%. Also aim to reduce emissions intensity (Scope 1 and 2) by 15% by 2025, with a yearly reduction target of 4%
- Use a combination of renewable (hydro turbines and solar panels) and non-renewable (petrol and diesel) sources of electric energy to power both operations-related and non-production related activities
- Introduced battery-operated forklifts

DuluxGroup

- Agreed DuluxGroup targets of 50% renewable energy consumption and 50% CO_2 emissions reduction by 2030, plus net zero carbon by 2050
- Commenced development of detailed action plans to achieve the 2030 targets in the first half of 2022
- Commenced pilot program of specialist energy efficiency studies at two factories to identify reduction opportunities
- Achieved a 5% reduction in energy consumption intensity in 2021
- Reduced the CO_2 emissions intensity (Scope 1 and 2) by 5% in 2021, achieving the minimum value

Case studies

Introducing hybrid fleet at DuluxGroup

DuluxGroup has more than 970 fleet vehicles primarily used by our customer facing employees across Australia and New Zealand, and collectively they account for 34% of our total energy consumption. Adoption of hybrid vehicles is one opportunity available now on the transition pathway to our 2030 and 2050 targets, until electric vehicles and the required infrastructure are readily available. The selected vehicles are estimated to save around 700 liters of petrol and 1.6 tonnes of CO_2 per 100,000km travelled, which will make a substantive difference across our large fleet. The transition commenced in 2021 and to date 8% of our Australian fleet and 68% of our New Zealand fleet are hybrid vehicles, which equates to 18% of the total fleet.

Hybrid fleet

Dunn-Edwards

- Adopted software in 1H 2022 to track company-wide Scope 1, 2 and 3 emissions in order to achieve true metrics for net zero carbon (Scope 1 and 2) by 2050
- Discussed operating new corporate office on generated renewable energy
- Committed to reducing energy usage through efficient lighting and EnergyStar™ equipment
- Committed to providing electric vehicle charging resources
- Used renewable energy supplied in each state (at least 34% of energy supplied in California was renewable energy)

Japan Group

- Agreed Japan targets of 37% CO_2 emissions reduction (Scope 1 and 2) by 2030 from 2019 levels, plus net zero carbon from our domestic operations by 2050
- Purchase renewable energy in Japan. 100% renewable energy at Osaka headquarters in FY2021, about 7% of electricity used in Japan in FY2022. Afterwards, increase gradually
- Consider energy-saving and use of renewable energy to reduce the impact of carbon taxes
- Implement energy saving (e.g., from heavy oil to LNG to start operation at Okayama Plant in January 2022)

Global CO_2 emissions and energy consumption from operations

Total energy consumption (gigajoules per tonne of production) across the Group decreased 14% during 2021, despite a significant increase in production associated with inclusion of recent acquisitions and business sales growth. This improvement was primarily driven by a 2% reduction in NIPSEA Group, who accounts for 57% of the Group consumption, and a 7% reduction in DuluxGroup, who accounts for 8% of the Group consumption. Consumption in other areas of the business was steady. Consistent with the decrease in energy consumption, Scope 1 and 2 greenhouse gas emissions (kilograms per tonne of production) across the Group decreased 8% during 2021. This excludes Dunn-Edwards where emissions data is not currently available; however this is not significant as they account for 1% of the Group energy consumption. All partner company groups have now established Scope 1 and 2 emissions reduction targets which will drive further improvement in coming years. For Scope 3 greenhouse gas emissions, DuluxGroup and the Japan Group continue to determine their annual footprint, while other partner company groups plan to do this in the near future. This will enable consolidated group reporting of these emissions in future, together with an improved understanding of risks, opportunities, and reduction plans across the partner company groups

CO_2 emissions and energy consumption from operations in Japan (results)

We continued with production adjustment and working from home arrangements due to the pandemic in FY2021.

Compared to the previous year, energy consumption increased slightly following the slight recovery of production volume but CO_2 emissions remained roughly unchanged.

Scope 3 is becoming more important in understanding business risks and opportunities, so we are refining the calculation method. Processing of sold products (Category 10) and Use of sold products (Category 11) are outside the scope of calculation in accordance with WBCSD's Chemical Sector Guidance.

Resources and environment

Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout life cycle of products.

The Group has identified "Resources and Environment" as one of its materiality items. In the paint manufacturing process, we not only comply with all relevant laws and regulations, but also take a proactive approach to preventing pollution.

In 2021, we established (1) a policy on waste and effective use of resources, (2) a global policy for the prevention of environmental pollution, and (3) a global policy for the effective use of water with the Global Working Team (currently, the Global Team) under the then ESG Committee.

Global policy on waste and effective use of resources

We proactively reduce waste through a "Reduce, Reuse, Recycle" philosophy and comply with laws and regulations in each country/area including managing hazardous waste responsibly.

Actions to reduce waste

We believe reducing waste and effectively using resources are important for sustainable business operations, and are taking steps to properly manage waste and effectively use resources.

For instance, NIPSEA Group accounts for a significant proportion of the Group's total waste generated. To manage this effectively, NIPSEA Group has introduced an information management system that enables them to carry out environmental performance assessments and pollutant emission index forecasting to identify areas for improvement. This system also keeps them up to date with annual pollutant discharge statistics, coupled with an automated function to calculate environmental taxes, in accordance with the latest guidelines and information released by the Chinese government.

Dunn-Edwards participates in the PaintCare program which receives and recycles left over paint. This program is operated in the PaintCare states including California and Oregon based on fees collected based on paint container size designated by each PaintCare state.

Global waste generation (results)

Total waste generation (kilograms per tonne of production) across the Group increased 6% during 2021, which was primarily driven by improved data capture in NIPSEA Group's China businesses, together with a 3% generation increase in the Japan Group. NIPSEA Group and the Japan Group account for 80% of waste generation across the Group, while performance across the other partner company groups was steady. Consistent with this generation increase, total waste recovered for recycling and reuse (kilograms per tonne of production) decreased 4%, while DuluxGroup improved waste recovery by 5%.

Case studies

Recovery of waste solvent at DuluxGroup

The DuluxGroup Rocklea manufacturing site historically created more than 500 kiloliters of waste solvent each year as a by-product of process equipment cleaning, before being disposed of via an external waste processing company for incineration. A new solvent recovery plant successfully constructed and commissioned at the site now enables 80% of the waste solvent to be reused, with the purchase of new cleaning solvent reduced by 86%.

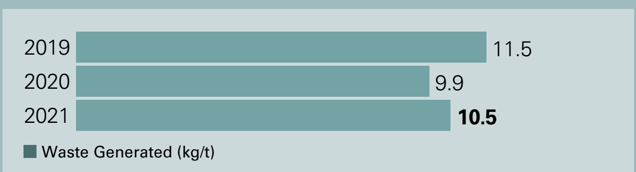
Waste solvent from the factory process cleaning is transferred to the recovery plant's distillation vessel which separates the solvent from paint process residues before it is transferred back to the factory for use as fresh cleaning solvent. Vapor emissions from the distillation process are also fed through a bio-filter, minimizing emissions to the environment.

Recovery of waste solvent

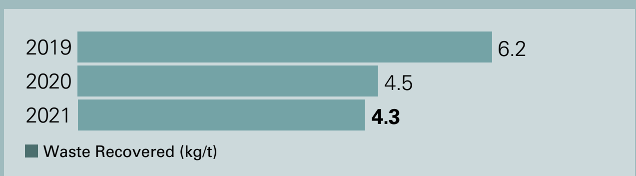
Actions for reducing waste and effectively using resources in Japan

In Japan, the Group uses an integrated waste material management system compatible with the electronic manifest system based on the idea that waste reduction and effective use of resources are important for sustainable business operations. We make Group-wide efforts to reduce waste such as management

Waste generated (Global)



Waste recovered (recycled, reused) (Global)



of waste generation and proper disposal and effective use of waste generated.

Waste materials generated increased in FY2021 due to the increase in production volume from FY2020.

The recycling ratio increased from FY2020, and we will continue to promote recycling. The Plastic Resource Circulation Act took effect in April 2022. The Group falls under plastic-emitting business operators, and therefore will step up actions for reducing emissions and recycling.

While the number of leakages decreased, there were two accidents involving leaks outside of the premises. In both cases, prompt response prevented impacts to water and soil. Following the change in the classification of accidents from FY2020, the data on accidents have been updated.

In FY2021, Nippon Paint Group was not subject to any fines or other forms of punishment due to violations of environmental laws or regulations.

Prevention of air and water pollution

Nippon Paint Group has been carrying out initiatives that prevent environmental pollution as it serves as the foundation of business development and management. In order to address the changing social situation as well as further meet the expectations and demands of stakeholders, the Group is promoting initiatives on a global scale and established a global policy on the prevention of environmental solution. Based on this policy, the Group will strive to prevent pollution of the air, soil, and hydrosphere.

At NIPSEA Group, to reduce the amount of Volatile Organic Compounds (VOC) as compared to our current oxidation methods, we are collaborating with research centers to develop non-burn technology through electrolysis. In parallel, to reduce VOC volatilization, we continue to optimize our product composition towards water-based and solvent-free paint products. This involves investing in treatment facilities to improve our technological capabilities in recycling and reusing unavoidable VOC.

Group policy on the prevention of environmental pollution

We care for the environment to avoid polluting the air, soil, and water*

* Refers to oceans, lakes, groundwater, etc.

Water risk

Water resources affect not only the water used in the production process but also the procurement of raw materials. Droughts, floods, and water quality deterioration might also affect our production activities. We will implement specific initiatives, including thorough management and effective use of water consumption and wastewater discharge, reuse of water and water conservation following this policy.

Group policy on water

We strive to use water efficiently and manage wastewater responsibly.

Global water withdrawn (results)

Total water withdrawn (kilolitres per tonne of production) across the Group decreased 4%, driven by a 24% reduction in DuluxGroup and a 9% reduction in the Japan Group.

Actions on air and water conservation in Japan

The Japan Group complies with all laws and regulations pertaining to air and water pollution by establishing its own voluntary reference values and conducting periodic pollution load measurements.

In FY2021, there was no significant change in the pollution loads of air and water compared to FY2020 levels, while the amount of water used and wastewater discharged declined. We will continue our efforts to reduce environmental loads.

Water stress is defined as facing persistent difficulties in water intake. Each plant of the top seven locations of water consumption within the Japan Group locations (Chiba, Takahama, Osaka, Hirakata, Okayama, Tochigi, and Toyoake) has been assessed for water stress level using the Aqueduct tool provided by World Resources Institute (WRI), and the results confirmed a low water stress level in terms of water intake.

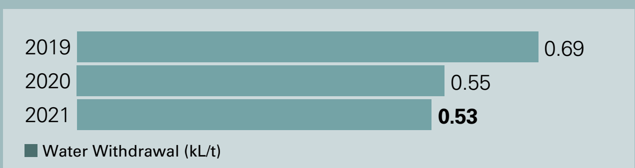
Water intensity can be roughly divided into two categories: 1) water intensity used in the production process and 2) water intensity for raw materials.

In order to reduce water intensity in the production process, we are managing and assessing the specific amount of water usage in cleaning equipment at some plants, as well as have begun initiatives to reduce water intake by recycling coolant water. Moreover, we have included checks on water saving efforts as part of the safety patrol (checks for leakage and overflow) and started to effectively utilize rainwater and treated water from wastewater treatment plants.

As for the reduction of water intensity for raw materials, while the amount of water used (water intake) for raw materials will unavoidably increase as paint becomes water-based, we are considering the development of replacement with nonvolatile materials in the paint to reduce water content.

Powder paint is one example of a product with reduced water intensity in raw materials. Powder paint, which does not contain water as a raw material, does not use any organic solvent and is recyclable and reusable as an uncoated paint; thus, generates zero water. In addition, powder paints are conducive to labor-saving and automation. As such, the powder paint market is expected to grow. In 2019, the Japan Group newly launched operations of the Chiba Plant, which is primarily involved in the manufacturing of powder paint. Moreover, we are considering a recovery system for paint that does not use water and chemicals for products other than powder paint.

Water withdrawal (Global)



Safe people and operations

As a chemical manufacturer, we still believe that accidents and health damage caused by handling chemical substances are major risks. We will ensure the safety of employees and everyone involved in our business, and will educate and make investments to minimize risks.

The Group has designated Safe People and Operations (occupational safety and health) as one of our materialities. Workplace safety and protecting and promoting the health of all employees is a fundamental part of our corporate management, and all Group companies implement occupational safety and health initiatives.

In FY2021, the Global Working Team (currently the Global Team) set up under the then ESG Committee established a global policy on occupational safety and health.

NIPSEA Group ensures that its health, safety, and environmental (HSE) efforts cover the following areas: 1) Raising employee awareness on the importance of health and safety measures, 2) Objective and target setting on key HSE performance indicators (KPIs), 3) Regular reviewing of HSE performance, 4) Resource planning for HSE implementation, maintenance, and improvement, and 5) Availing grievance mechanisms. As actions covering the area 1), NIPSEA Group utilizes a variety of communication tools to raise employee awareness of health and safety measures, as well as the roles and responsibilities of top Management, the HSE committee, Heads of Departments, and employees themselves. We also ensure that employees are well-informed on the relevant HSE precautions through workshops and briefings held on subject matters like chemical and PPE safety, machine use, and lifesaving and occupation first-aid techniques that are taught by internal or external professionals.

The Dunn-Edwards approach to safety is to assess, analyze, implement, and evaluate. Assess the workplace, analyze the data/observations, implement corrective actions, and evaluate the corrective actions. For FY2022, Dunn-Edwards is focusing on three main areas: Vehicle Safety, Facility Safety, and Lifting Safety. For instance, they are focusing efforts to reduce lifting injuries due to the frequency/severity of injuries related to lifting. Efforts include training, mechanical assist devices, and exercises.

Manual handling is the most significant non-fatal injury risk at DuluxGroup, including Dulux Trade Centers where employees who serve customers lift and carry paint cans every day. Significant investment to reduce these risks has been undertaken over recent years, such as installation of pneumatically operated hook lifts at tinting stations. As part of Dulux Trade Australia's "Fit for Life" program, new wearable technology was utilized in conjunction with Curtin University during 2021 to analyze manual handling stresses experienced by employees whilst doing their normal daily duties. This data provided a range of evidence-based insights, such as identifying specific high-risk tasks, showing the impact of distraction on risk levels.

Global policy on occupational safety and health

We care for the health, safety and well-being of everyone.

Global occupational safety and health

Sadly, there were three fatalities in 2021 compared with none in the prior two years, reinforcing the imperative of ensuring effective identification and management of high consequence risks in all of our workplaces. The separate incidents occurred in NIPSEA Group and involved one employee and two contractors. Injuries to employees and contractors that resulted in lost workdays (number of cases per 200,000 hours) across the Group decreased 10%. This was driven by a 13% reduction in DuluxGroup and a 9% reduction in NIPSEA Group, with both businesses accounting for 53% of injuries across the group. Dunn-Edwards accounted for 43% and has experienced a significant increase in cases over the last two years, which has been driven by COVID infections in the workplace.

Results of actions for occupational safety and health in Japan

Based on the idea that a business is not viable if it is not safe, the Japan Group puts safety first and foremost and implements measures to prevent injury accidents before they occur. The number of injury accidents decreased in FY2021 compared to FY2020 levels, but the number of accidents that resulted in lost time increased by four.

Following the occurrence of one heat stroke case requiring long lost time, the Japan Group has taken actions such as reconfirming the risk of heat stroke and reviewing preventive measures throughout the production locations within the Group in order to prevent the recurrence of accident.

Based on risk assessment, which is the basis of occupational safety and health activities, we took steps to prevent disasters and accidents involving getting pinched or caught, contact with hazardous materials, which increased in number in FY2020, as priority targets. In addition disasters and accidents that occurred in Group production locations in Japan and overseas were shared within the Group in order to strengthen accident controls by reviewing production site rules and safety measures and providing education of production site workers.

Supply chain management

Approach to the procurement of raw materials

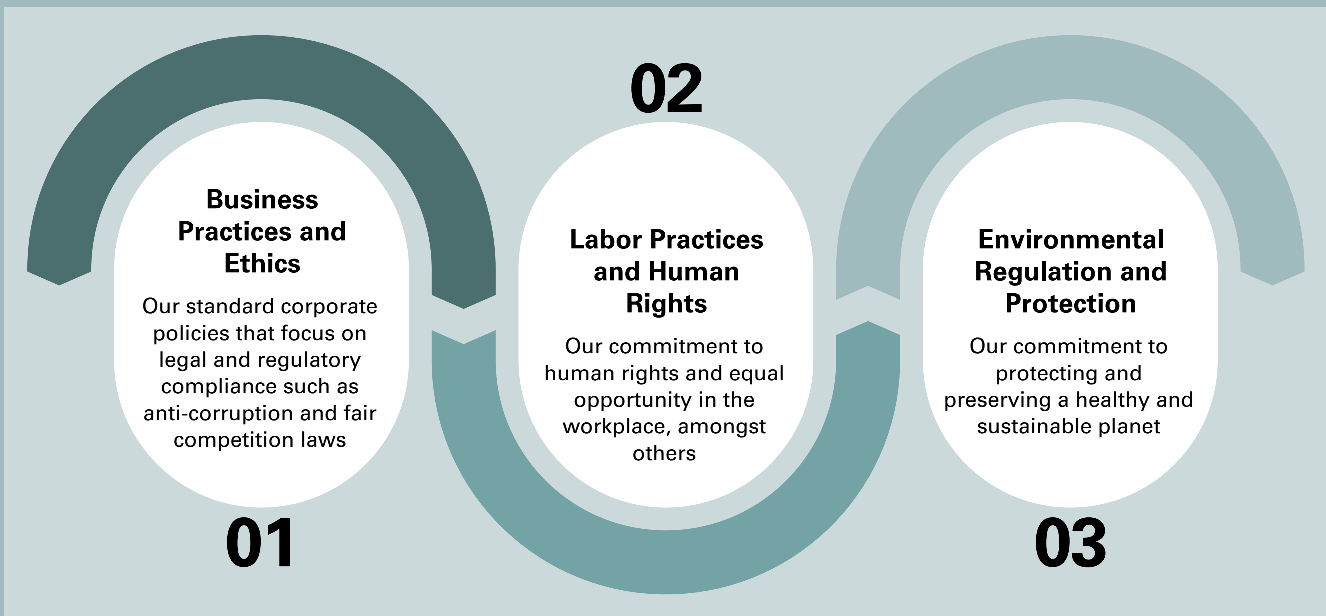
The Group's businesses depend on supply of raw materials, equipment, supplies, information services and various other products and services. Maintaining healthy cooperative relationship with suppliers is therefore essential to our sustainable growth. The Group has established and disclosed the procurement policy that is aligned with its basic approach to business transactions. The Group also aims to ensure that all Group employees and its suppliers understand and follow this approach and policy.

To ensure that procurement activities are performed responsibly, the Group established procurement guidelines based on a policy that further clarifies the definition of the items that must be observed by suppliers and members of the Group. Procurement activities of the Group place priority on quality, cost, and delivery time (QCD) as well as the environment, society and governance (ESG) aspects, with the goal of further emphasizing the sustainability of our supply chains.

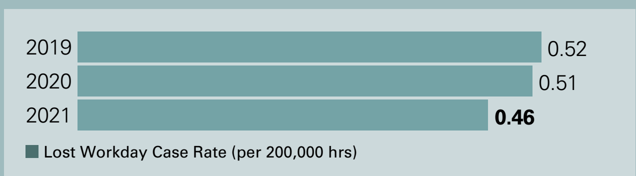
NIPSEA Group remains committed to operating as a responsible business that is held to high standards and strives to create a positive impact on sustainable development. Our Supplier Code of Conduct, which outlines clear business conduct expectations for new and existing suppliers, ensures that our business partners uphold the same high standards that we do. The Supplier Code of Conduct covers three main areas (See the chart below).

At NIPSEA Group, the Procurement department evaluates its suppliers on an annual basis. This supplier evaluation exercise includes an environmental assessment to ensure that they meet its required Standard Operating Procedures ("SOPs") in managing environmental matters. In the event that suppliers fall short of the expectations NIPSEA Group has of them, the group provides solutions and guidance to help them improve their processes.

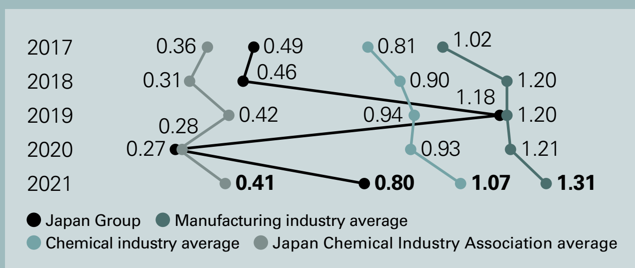
NIPSEA Group Supplier Code of Conduct



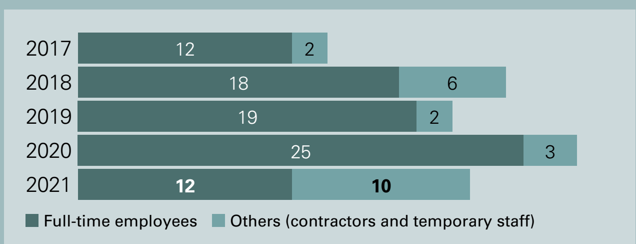
Lost workday case rate - employees & contractors (Global)



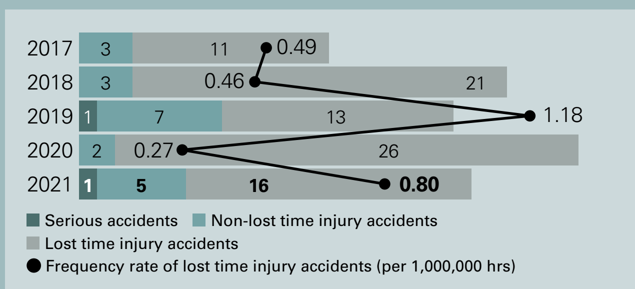
Frequency rate of lost time injury accidents (Japan Group)



Number of accidents by employment type (Japan Group)



Number of workplace accidents (Japan Group)



People & Community

We will pursue MSV on the strength of our human capital

Gladys Goh
NIPSEA Group

As a Japan-origin global corporate group operating in 30 countries and regions worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to Maximization of Shareholder Value (MSV) by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to its stakeholders, which is the premise of MSV.

The People & Community Team conducts activities around two items of Materiality: Diversity & Inclusion as well as Growth with Communities. Our activities are conducted in each country and region with focus on the three pillars of (1) Increasing the ratio of women in managerial positions, (2) Celebrating diversity, and (3) Building and enabling local communities.

The outcomes of these activities are reflected in our benchmarks such as the ratio of female managers in Group companies, as well as in employee satisfaction level which the Group regards as one of the key benchmarks. Employee satisfaction level affects the cost of hiring and retaining human resources and the productivity as it relates to maintaining and increasing employee motivations. Considering these, the Group partner companies are taking autonomous actions according to their own situations.

Diversity & Inclusion

Respect for the people around us and active acceptance of diverse values are important for our sustainable growth. We place great importance on the diversity of employees and other people involved in the business and respect human rights.

Human capital for sustained growth

For Nippon Paint Group to grow in a sustainable manner, it is essential that we secure skilled human resources and offer a corporate culture and working environment in which it is comfortable and rewarding to work, thus allowing people to leverage their individuality and capabilities to the fullest. The Group promoted the enhancement of human resources by investing in human capital through the intensification of training programs developed autonomously by each partner company according to the challenges faced. Expanding training programs can expect to lead to improving competitive advantage in hiring new college graduates and mid-career people and reducing the turnover ratio. Accordingly, it is a key initiative for enhancing the human resource portfolio.

DuluxGroup offers a comprehensive learning program for everyone from those who are newly appointed to senior leaders to develop the skills they need to operate as global leaders and to foster ongoing learning, building capability along their career journey. They encourage employees to “Own their Growth” and to take the initiative to access the learning that they need to improve their skills and specialist knowledge. DuluxGroup continually revises and improves the curriculum to ensure it remains relevant, effective and aligned to DuluxGroup's growth ambitions. The Group currently offers programs such as "Leading in Complexity," "Commercial Acumen" in partnership with Harvard, and a full Sales Capability and Marketing curriculum.

The NIPSEA Group adopts a group-level learning framework that ensures the holistic development of our employees through upskilling their capabilities and competencies required at differing job levels. Training and educational programs are uniquely tailored at the country level depending on the needs identified from our annual training needs analysis. NIPSEA Group's provision of diverse training and educational programs ranges from technical to leadership upskilling to better equip our employees with the necessary skills in today's ever-evolving business landscape. In FY2021, we clocked a total of 387,243 hours for our employees, with an average of 15.0 hours per employee.

In Japan Group, we offer training (training for prospective hires, new employee induction training, follow-up training, training for newly appointed managers, and annual training, etc.) to all employees as appropriate to their current career stages and the roles it is hoped they will play. In FY2021, total training hours for selection training and group training by job level at Group companies in Japan reached 32,000 hours. The increase in training hours was the result of expanding and enhancing the target of training programs and training schedules by improving the on-boarding training we offer to new mid-career hires and opening a business college with the goal of strengthening the business literacy of our executives.

Ensuring and enhancing diversity

Assembly of human capital with diversity is one of the primary basis of Asset Assembler model. Nippon Paint Group Global Code of Conduct established in January 2022 states that the Group embraces diversity. In addition, the Group partner companies worldwide implement human resource management with the goal of ensuring and enhancing diversity.

The NIPSEA Group is continuously working in Asian countries to improve gender representation in its management team and the Board of Directors. Hiring local talent in countries and regions where we operate businesses not only leads to strengthening the competitiveness for acquiring market share but also contributes to the creation of employment opportunities in local communities. The percentage of people hired from local communities to senior manager positions has reached 57.1%.

DuluxGroup has doubled the number of women in the senior leadership team of all business divisions in the last five years, implementing programs for increasing the ratio of women in each position level, focusing on improving the gender balance in particular among senior managers.

Dunn-Edwards has increased female representation among its leadership ranks from 20% to 30% over the past five years and successfully mirrors the ethnic demographics of each of the diverse communities they operate in.

In Japan Group, we are conducting activities for promoting female employees to managerial positions by taking reference from success cases of the Group partner companies overseas. Specifically, we have been sending female employees selected through internal entry system to external training programs for cross-industrial exchanges. We are working to develop executives by fostering a leadership through collaboration with members in other industries, and by encouraging autonomous career development by providing opportunities to meet a variety of role models. We are also actively promoting the appointment of management and executive personnel with high expertise from outside the company. As of 30 June 2022, two female Director of the Board, one female Executive Officer, and one female Corporate Officers were appointed to Nippon Paint Holdings.

Improvement of employee engagement

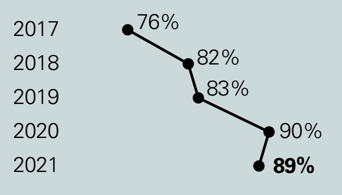
Improving employee engagement can lead to excellent human resources to continuously perform at their fullest potential. We regularly monitor and review the employee satisfaction levels of partner companies which newly joined the Group based on Asset Assembler model (cf. success cases at DuluxGroup).

Dunn-Edwards uses employee feedback to drive initiatives targeted at attracting, developing and retaining a workforce that will provide a competitive advantage. Historically, data shows that the first 2 years of employment, as well as advancement during that time, are the most critical to create a connection with the company. Based on this information, salary, retirement plan (401(k)), and leadership from front line managers are the most important factors. As a result, we have structured compensation, healthcare benefits, tuition assistance, vacation, and retirement plan policies to ensure attractive and competitive offerings in these areas, and we continue to adapt and develop training for career advancement at all levels.

Percentage of women

	Employees	Management post
NIPSEA Group	24.9%	25.1%
Dunn-Edwards	29.6%	30.1%
DuluxGroup	34.7%	32.9%
Japan Group	22.0%	6.1%

Employee satisfaction level (Japan Group)



* Surveys by Nippon Paint Labor Union

Number of employees

	2019	2020	2021
Japan	3,373	3,510	**3,294**
Asia	14,303	15,354	**18,253**
Oceania	3,735	3,826	**3,927**
Americas	2,640	2,581	**2,576**
Other	1,919	2,047	**1,793**
Consolidated total*	—	—	**404**
Total	25,970	27,318	**30,247**

* The number of employees of NPHD, which was previously included in the Japan segment, has been included in the Consolidated total (common) since FY2021.

The Group companies in Japan are encouraging men to take childcare leave to support men actively participating in childcare. In addition, these companies have established flexible working systems in step with the life events of their employees, including work-from-home systems and systems allowing paid leave to be taken in hourly increments, shortened working hours, and childcare and nursing care. We have introduced a working from home system in order to respect and assist the work motivation of employees by developing a working environment that allows employees to bring out their full potential without being constrained by working hours and geographic location of employees. As measures to prevent COVID-19 infections, we apply the working from home system to employees without limiting the employees who are allowed to work from home and the frequency of usage. The questionnaire survey of employees of the Group companies in Japan conducted in February 2022 had positive responses, such as working from home system improves work efficiency by making it easier to schedule a meeting with overseas attendants; and the use of web conferencing system facilitates smooth information sharing and decision making.

Case studies

Employee engagement scores at DuluxGroup

DuluxGroup's engagement score reached 80% in 2021, which was 8 percentage points higher than the score in the previous survey, which was conducted prior to joining Nippon Paint Group, and is well above industry and high performing norms.

The high engagement score reflects the passion that DuluxGroup people have for their brands, with 97% of employees recommending DuluxGroup products to their family and friends. DuluxGroup employees understand their part in the bigger picture and understand how their job contributes to the business strategic priorities. Their continued high scores are driven by leaders at a local level, who are empowered to work with their teams to drive high performance. DuluxGroup enables this by investing heavily in leadership development.

Basic policy for respecting human rights

The Nippon Paint Group has clearly stated in the Nippon Paint Group Global Code of Conduct that we respect the human rights of employees and stakeholders.

Due diligence in human rights

For the past two years, DuluxGroup has published its Modern Slavery Statement in compliance with Australian legislation. DuluxGroup is committed to identifying, assessing and addressing modern slavery risks within its operations and throughout its supply chain. Modern slavery is a serious violation of a person's basic human rights. DuluxGroup opposes modern slavery in all its forms, and respects and supports the human rights and freedoms of workers within our operations and throughout our supply chain.

The Group companies in Japan utilize self-diagnosis (the UN Global Compact SAQ Survey) provided by UN Global Compact Network Japan to facilitate awareness of supply chain risks, in an effort to survey and understand the status of various ESG-related supplier activities. This survey assesses the level of an organization's initiatives with regard to corporate governance, human rights, labor, the environment, fair corporate activities, quality/safety, information security, supply chains, and coexistence with local communities.

DuluxGroup office in Melbourne

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.

Our mission from the Company's very beginning has been to create innovative paint and coating solutions that bring colors and joy to people's everyday lives. The Group will contribute to supporting and promoting sustainable development of communities through its business activities. We have set three priority areas, which we call the "Three Es," under Nippon Paint Group's global CSR umbrella, "Coloring Lives," for conducting activities to promote the Growth with Communities: Education, to foster our stakeholders of the future; Empowerment, to develop our industry through activities to support and provide vocational training to socially vulnerable people and to discover talent among younger generations; Engagement, to work together with local communities and stakeholders.

Potential opportunities from the Group investing in society are increased business opportunities in flourishing local communities generating economic growth, increased employee engagement and commitment to our Group companies, and strong connections with local communities, which contributes to MSV. On the other hand, we have identified potential risks from the Group neglecting its obligations to stakeholders, which include a loss of trust from local communities leading to decreased ability to attract and retain talented employees and favorable business partners, lower consumer and customer loyalty – and ultimately – loss of shareholder confidence and reduced opportunity to deliver on our promise of MSV.

Global promotion system

In FY2020, we launched a global conference to create closer links among Group companies for closer information sharing and mutual consultation. The conference is the centerpiece of the NIPPON PAINT Group Global Outreach Program designed to enhance social contribution efforts throughout the Group. Based on this program, we have implemented outreach programs in 20 countries across Asia and Europe as well as in Australia, New Zealand, the United States, and Japan. Progress is shared globally to upgrade our initiatives across the Group.

The resources used, results, and impact of our activities are briefly summarized in the following table. In FY2021, the Group used funds amounting to over US$7.08 million for roughly 204 activities that positively affected the lives of some 290,000 people worldwide. In Japan Group, the Group used over ¥269 million for social contribution activities, including some ¥5.22 million in donations to NPOs and other organizations.

Pillars (focus areas) and examples of social contribution activities

Pillar	Description	Example of activities
Education	Activities for children and students who are our potential future customers or employees	Industry-University Collaboration Activities with the University of Tokyo (Japan Group); AYDA Awards conducted annually (NIPSEA Group: International competition and awards platform for architectural and interior design students who are our future customers); Smiling Mind (DuluxGroup: program using color to create mindful spaces at elementary schools); Off the wall Graffiti (Dunn-Edwards: art education program for urban artists through after school programs, events and in-school curriculum)
Empowerment	Support activities and vocational training for socially vulnerable people, and activities to find talented individuals	Nippe Fun Farm (Japan Group: support for employment of persons with physical disabilities); Rural Revitalization for Chengde County (NIPSEA Group: repainting village external walls); Pet Refuge NZ (DuluxGroup: Helping to build refuge shelters for pets of people who are escaping domestic violence situations.; Tradeswoman (Dunn-Edwards: program aims to increase the number of women in construction and related trades)
Engagement	Collaborations with local communities and stakeholders, cooperation with NGOs, and disaster relief	Color Way of Life - ART+(NIPSEA Group: Raising students' awareness of art and color as well as their culture through painting); Department of Conservation Trail Huts (DuluxGroup: protecting historical buildings and local community assets); Martin Auto Museum (Dunn-Edwards: donation for painting a new machine school for teenagers)

Investment in social contribution activities and its results and impacts

	FY2021	Data collected	Results
Global	Country/region		20
	Number of projects		> 204
	Resources input	Money spent on the activities	> 7.08 million USD
		Time spent on the activities	> 61,000 hours
		Employees and volunteers who participated in the activities	> 2,100 participants
		Paint used in the activities	> 0.64 million liters
	Results and impacts	People impacted	> 0.29 million people

Innovation & Product Stewardship

Promote the development of sustainable products while pursuing innovation

Hong Jiang
NIPSEA Group / NPCS

The purpose of Nippon Paint Group is enriching our living world through the power of Science + Imagination. It describes our commitment to creating innovations that bring benefits to our society, by using our technical strengths and intellectual assets, including intellectual property, organizational capability, and technology networks, across Nippon Paint Group. One recent example is that, since the outbreak of COVID-19 pandemic in 2020, the Group has significantly increased investment in anti-viral technology, and developed a range of paint products to address this social challenge.

Our technology mission is to drive and sustain growth and market share in Japan and globally through striving to be a leading technology organization for coatings and its adjacent markets. There are three pillars in our innovation strategy: 1) build adaptive organization; 2) develop core enabling technology competency, and 3) grow into adjacent and emerging markets. It is the implementation of our Group vision for Maximizing Shareholder Value from a technology perspective. We believe that our technology organization's culture of being customer centric, socially responsible and collaborative is the key driver to success.

Importantly, the technology collaboration and intellectual property sharing among our partner companies around the globe is under the principle of Asset Assembler model, which Nippon Paint Group strategically employs to manage the business of partner companies. The technology teams of partner companies possess high autonomy to effectively address the needs from their respective markets and customers. On the other hand, in order to drive technology sharing and capability leveraging among partner companies, the Global Technology Council (GTC) was established, to promote technology exchange platforms and cross-PC projects. We have built up adaptive ways to enhance global technology collaborations to enhance added value of intellectual property. The technology teams in decorative paints have formed the global technical community to share best practices and leverage research capability in joint technology development projects, helping address the needs from local consumers in each respective country. Our major automotive customers are global accounts, and our technical staff in automotive coatings around the globe were unified and became ONE team in 2021 under Nippon Paint Automotive Coatings (NPAC).

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.

Significance of R&D activities in our paint and paint related businesses in utilizing and adding value to intellectual property

Worldwide there are 3,887 technical staff working in Nippon Paint Group, with 1,171 in Japan. They are our strong innovation power and core competitiveness for achieving sustainable business growth in the marketplace. Our technical staff are working in 50 R&D and technical centers to serve our domestic and global customers and consumers, including our major R&D centers in Tokyo and Osaka in Japan, Shanghai in China, Singapore, Melbourne in Australia, Los Angeles and Cleveland in the US, and France in Europe. In 2021, the total technology related expense in Nippon Paint Group is above 24.3 bn yen. In 2021, Nippon Paint Group has filed 200 new patents, and by end 2021 owned 1,000 granted patent rights.

Nippon Paint Group has classified its core technologies related to paint and coatings and manages its intellectual property portfolio in 10 categories, which are polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, and measurement science. Subject matter experts are working in core R&D teams in the R&D centers, and collaborating with scientists from the global network of technical centers to support product development across the group.

Nippon Paint Group possesses a broad open innovation network with universities and academic research institutions worldwide. In 2020, the strategic research partnership with The University of Tokyo was initiated, with the University of Tokyo & Nippon Paint joint laboratory established. The partnership aims to create innovative coating technologies in three fields, infectious disease risk reduction, social cost and environment burden control, and contribution to smart society. In Singapore, NIPSEA Group has been collaborating with the research institutes of A*STAR (Agency for Science, Technology and Research) for decades. Recently, NIPSEA Group has strategically joined hands with A*STAR to develop disruptive technologies in the fields of smart surface enabling autonomous driving, and applying artificial intelligence in coating research.

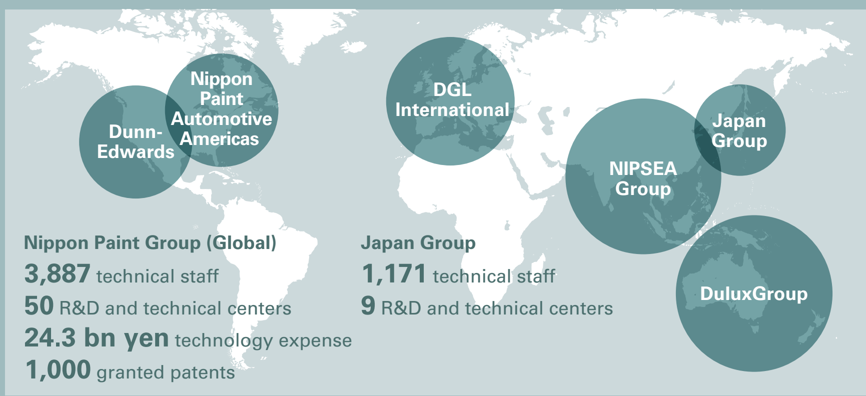
Innovation initiatives and programs

New Product Sales Index (NPSI)

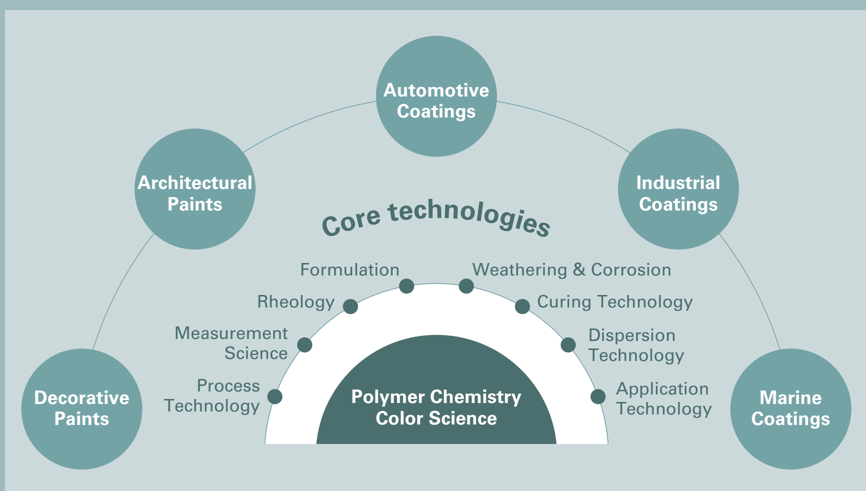
New Product Sales Index (NPSI) is one of the indicators for measuring technology output. In Nippon Paint, we have established well-designed NPSI system with tools, to track the sales revenues generated from new products commercialized in the past three years. New products are categorized ranging from products upgrade by incremental improvement, to new-to-market products by disruptive innovation. NPSI is achieved with joint efforts of technical teams with business and supply chain operation teams, where strong collaboration brings together our commitment to Maximization of Shareholder Value.

NIPSEA Group started to implement NPSI in 2018. In 2021, Japan Group and NIPSEA Group together have achieved NPSI of 21.1%, and launched 18,000 new products in the same year.

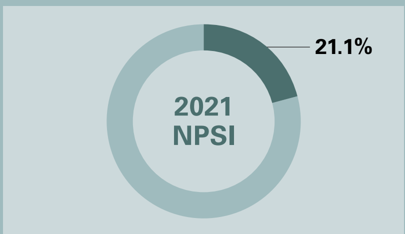
R&D organization



Core technologies



2021 New Product Sales Index (NPSI) of Japan Group and NIPSEA Group (%)



Sustainability of our products

In Nippon Paint, we regard that sustainable features are essential factors for our products to benefit human society and thus achieve long-term business success. We define the product sustainable advantages in the principle of product life cycle and according to the framework of The United Nation's Sustainable Development Goals (UN SDGs). It is a systematical approach, covering the three main stages of product life cycle, eg.

1. product production,
2. products in application, and
3. products in service.

Furthermore, in each stage, the advantages over the mainstream products in the market are assessed by translating UN SDGs to the attributes of paint and coating products. In the stage of product production, manufacturing efficiency, raw materials, logistic and packaging, are the key aspects for assessment. In the stage of products in application, the advantages are helping customers and consumers when using the products, by reducing energy and material consumptions, chemical emissions, and chemical hazards. In the stage of products in service, the products are assessed in product service life, used in clean technologies, contribution to health and well-beings, as well as end-of-life treatment.

Under those sustainability principles, Sustainability Scoreboard for new product assessment has been developed and started implementation in NPSI systems of partner companies, Japan and China Group. In 2021, of new product sales of Japan Group and China Group together, 38% were contributed from newly developed sustainable advantaged products.

Meanwhile, Green Design Review has been developed and started implementation into R&D project management systems of Japan Group and NIPSEA. From our project portfolios of Japan Group and NIPSEA, 40% of R&D projects are in the focus areas of creating sustainable benefits according to the Green Design Review principles.

Management of chemical substances

In 2021, Japan Group launched the chemical substance management system named "Green 30," in order to minimize the impact on environment and human health. The system is developed to manage chemical substances not only from Japanese chemical regulations, but also chemical substances of global concern from international treaties such as REACH regulations. We classify the chemical risks in three categories according to the laws and regulations in the countries where our business operates: prohibited, restricted for new introduction, and avoided for new introduction. The system started in operation in Japan in 2021, and the practice is being introduced to our partner companies outside Japan.

Alkylphenol ethoxylates (APEO) are surfactants and include a subcategory of nonylphenol ethoxylates (NPEO/NPE). These types of nonylphenols (NPs) are being regulated by the EPA and REACH. Nippon Paint has been steadily phasing out APEO-containing surfactants. In 2021, we eliminated the use of the nonylphenol compounds in our products in Europe. Dunn-Edwards continues to phase out APEO-containing surfactants through product improvement and ensures that no new APEO-containing raw materials are allowed in the newly developed products.

In addition, we have been substituting the UV absorbers that are being considered as persistent organic pollutants (POPs). Our next plan is to completely phase them out in all products for Europe by the end of 2023.

In DuluxGroup, managing the risks associated with hazardous chemicals used in the formulation of the products is an important priority for our businesses. We have developed a management approach to ensure that substances with potential for long term health or environmental effects (chemicals of concern) are identified, with their risk evaluated. Improvement actions, such as formulation changes or improved packaging and labelling, are put in place to reduce or eliminate the risk of harm. Chemicals of concern are identified from information on supplier safety data sheets, regulatory lists such as the European "Substances of Very High Concern" and stakeholder sustainability program listings (e.g. Living Building Challenge Red List).

Whenever a new ingredient is proposed for introduction, it is reviewed against the Chemicals of Concern criteria and existing listing. If identified as a chemical of concern, a risk assessment is undertaken to determine if the chemical can be safely used in the specific product and by the intended end-user or if additional controls or an alternative formulation is needed.

Scientific knowledge, regulations and community concern related to chemicals are constantly evolving. To keep our knowledge up to date, DuluxGroup has also established a process for monitoring and reviewing stakeholder and regulatory reviews of chemical classification so that emerging concerns can be picked up and acted on pro-actively.

The effectiveness of our program is measured by tracking the usage of priority chemicals of concern (in kilograms per $000 sales) and the proportion of chemicals that have had a risk management plan developed. Since 2018, DuluxGroup has had a 17% reduction in the usage of priority chemicals of concern, despite the addition of some new substances to our chemicals of concern listing. Some examples of our chemicals of concern initiatives in 2021 include:

Dulux Protective Coatings: Congard product is now Cobalt and Meko free.

Dulux Protective Coatings: Formulation of a new toluene-free epoxy primer, Durepon 66.

Dulux Porter's: Reformulation away from crystalline silica in its product range.

Case studies

Innovation cases

While we are facing major challenges nowadays, such as uncertainty in economic growth, high industry dynamics, and increasingly stringent environment regulations, we firmly believe there are also huge opportunities for innovative products that offer sustainability advantages to tackle those challenges, especially contributing to a carbon neutral society and in line with UN SDGs. Thus, our innovation directions are toward environmental friendly, energy efficient and economically viable paint products.

Innovations in anti-viral paints

In the Japan market, Nippon Paint launched PROTECTON® brand in September 2020, named after the function to "PROTECT" people's lives from threats of viruses and bacteria + to turn the function "ON" to the surfaces of all things. Since then, we have combined all of Nippon Paint Group's paints, coatings and surface treatment technologies to offer a lineup of products for industrial, DIY and household use.

In February 2022, Nippon Paint (NPTU) released "PROTECTON Interior Wall VK Coat" and "PROTECTON Floor VK Clear" and Nippon Paint Automotive Coatings released "PROTECTON Car Interior VK Coat." Three of these new products have been added to PROTECTON brand. In addition to the "Interior Wall series" for interior walls, "Floor VK Clear," a water-based clear paint for floors, is expected to be effective when droplets containing viruses adhere to floor surfaces. "Car Interior VK Coat" is expected to have sustained anti-viral function with excellent appearance due to its uniform application property to the car interior and its high adhesion to the substrate.

In addition, our group and the University of Tokyo have jointly conducted research activities on coatings technologies with anti-viral and anti-bacterial functions to reduce the risk of infection. This is one of the joint research themes under the industry-academia co-creation agreement concluded in May, 2020.

It is a joint effort across the globe in Nippon Paint Group to fight against viruses. Nippon Paint China launched "ClearShield" antimicrobial technology, which means "Virus Clear, Health Shield," in October 2021. The innovative coating products and film using this technology have color change resistance and good anti-viral performance in accordance with Chinese anti-viral coating code. In January 2021, Nippon Paint China released antimicrobial Kid's Paint, which can reduce the bacteria (S. Aureus, E. Coli, etc.) and virus (H3N2, EV71, Human-corona virus 229E, etc) pollution on the coating surface, with added functions of HCHO abatement, low VOC and low odor performance.

In Nippon Paint Malaysia, "VirusGuard" was developed with silver ion technology to persistently inhibit the growth of viruses and bacteria on the coated surface, decreasing the spread of contagious illnesses including, Hand, Foot and Mouth Disease (HFMD), H1N1 as well as COVID-19. Nippon Paint Singapore has also launched "VirusGuard" and "VirusGuard+" coating products, based on the silver and cuprous technologies, respectively.

Dulux UltraAir®

In response to broader societal concern about indoor air quality, DuluxGroup Australia has launched the UltraAir® interior wall paint range. The products have ultra low odor and ultra low chemical emissions. Going beyond low VOC, UltraAir® has achieved GreenGuard Gold certification. This is a third party certification that tests for over 10,000 chemicals and volatile organic compounds (VOC) and demonstrates that UltraAir® helps reduce indoor air pollution. These new advanced formulations have also achieved Global GreenTag GreenRate Level A and Platinum Health certification and can contribute to the achievement of green building project certifications such as WELL and Green Star. UltraAir® has a verified Environmental Product Declaration (EPD) that quantifies the environmental footprint of the product. The availability of EPDs along with GreenTag certification is well regarded in the commercial sector in Australia while reducing odor and fumes is important to both trade and household consumers, meaning the UltraAir® product has significant appeal across all market sectors.

Chromium (Cr) free primer for construction industry

With the recent issuance of different regulations regarding pollution control for VOCs and heavy metals, environmental protection has been gaining more focus in the construction industry. Nippon Paint has developed chromium (Cr) free primer for coil coatings, which has now become an important element in industrial applications. This environmentally friendly coating can be widely applied to large areas of metal for decoration and protection.

Occupational Safety and Health Administration (OSHA) studies have determined that hexavalent chromium poses significant medical risks to users. Not only is it considered a potential lung carcinogen, but it can also cause nose, throat and lung irritation, with prolonged exposure resulting in ulcers and perforation of the septum. The new Cr free coil coating primer can help to eliminate the medical risks to users and meet the regulatory requirements. This new technology also exhibits excellent corrosion resistance and mechanical properties compared to those obtained in industrial oil-based primers.

The new Cr free primer products have been introduced to our customers in China as the largest coil coating market. Nippon Paint has completely phased out Cr containing primer products for coil coatings in China.

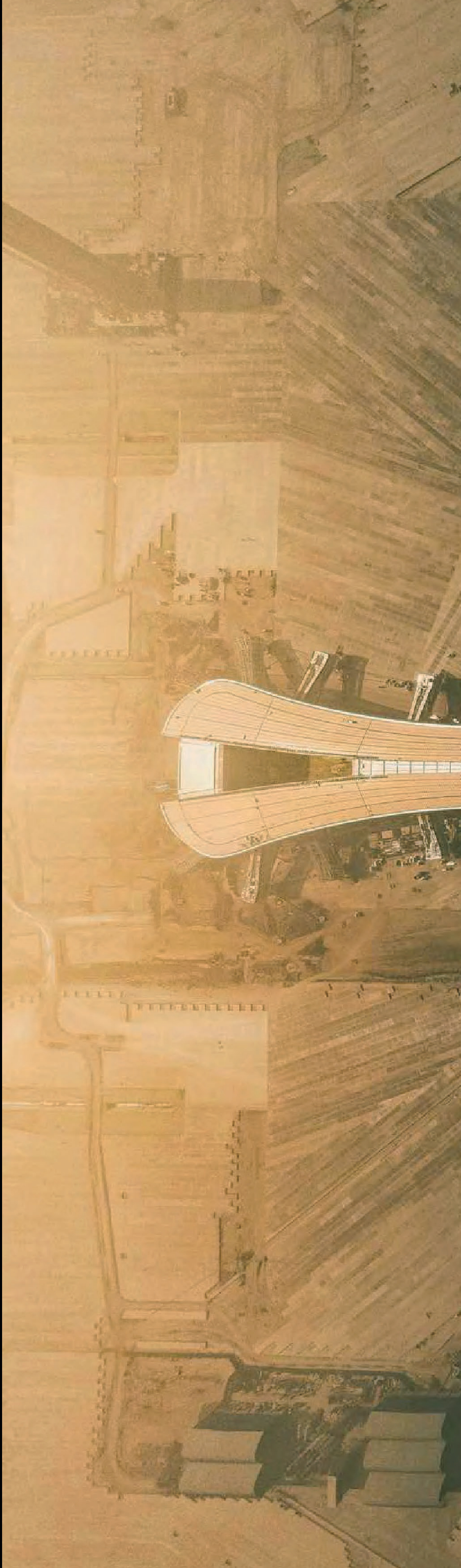
Innovations in anti-viral paints

Dulux UltraAir®

04

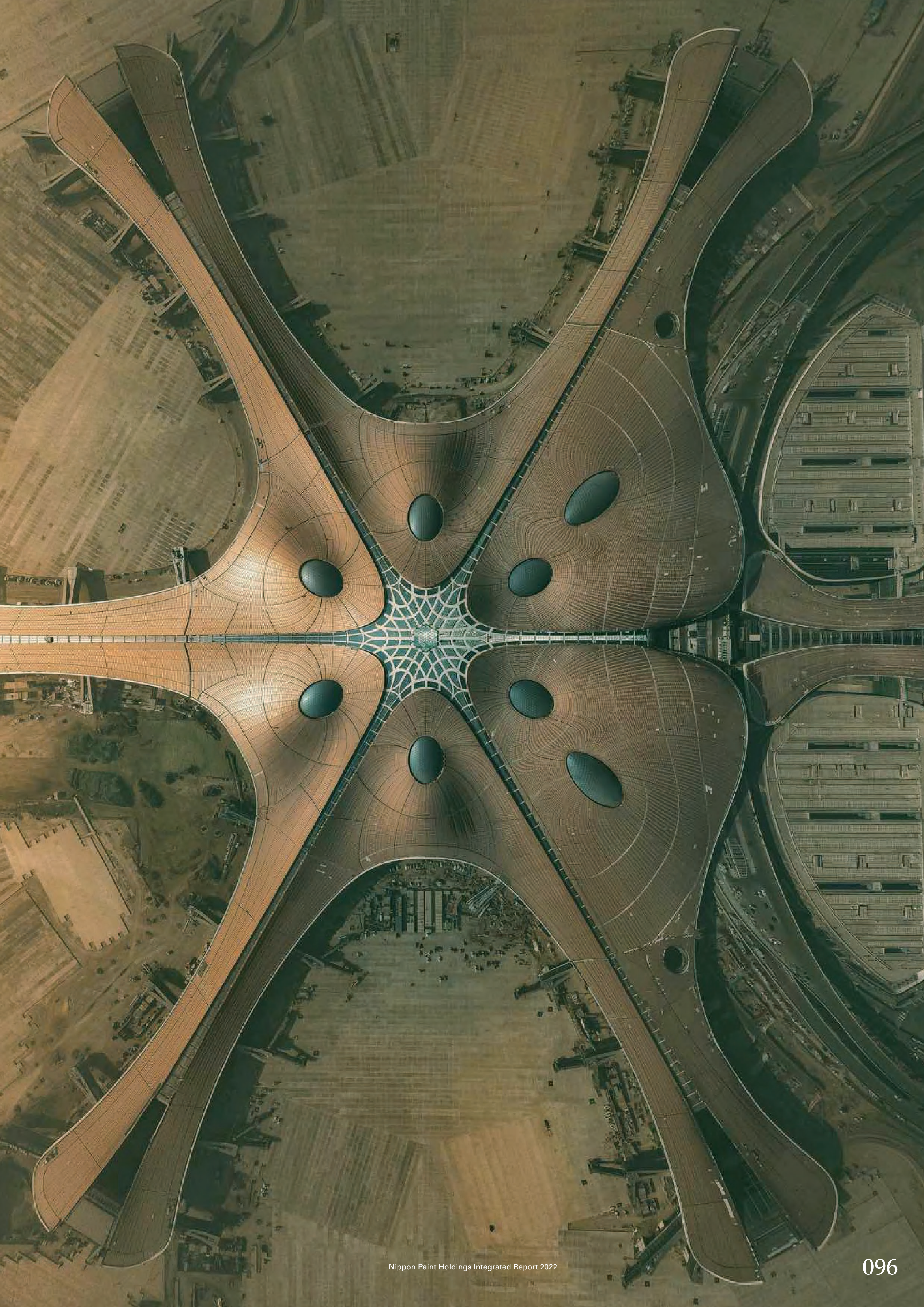
Chapter

Corporate Governance



PHOTO

China / Beijing Daxing International Airport



Governance

A corporate governance structure that realizes Maximization of Shareholder Value (MSV)

Masayoshi Nakamura
Lead Independent Director and Board Chair

Strategies for achieving further growth are one of the highest priorities of the Board of Directors

Since January 2021, we have taken many actions, starting with the full integration of the Asian JVs and acquisition of the Indonesia business, which have been goals for many years, and completion of the transition to the Co-President setup. These actions made it possible to advance the management of Nippon Paint Group to our Asset Assembler model.

The Co-Presidents have successively launched new initiatives to strengthen collaboration among the management teams of partner companies based on mutual trust while respecting the autonomy of each partner company. Nippon Paint Group has generated additional revenue by sharing brands and technologies. In addition, we launched an autonomous sustainability structure for ESG activities at all partner companies and are devoting the group's management resources to the Japan segment to improve its profitability. This past year was an evolutionary year for the Board of Directors, making breakthrough reforms as Nippon Paint Group underwent several actions to advance to the next stage of growth.

To support these initiatives, the meetings of the Board of Directors, the Independent Directors, and the Nominating, Compensation, and Audit Committees, which all perform supervisory roles, were "always on," even outside the meeting hours. In addition, Directors maintained close and extensive communications with the Co-Presidents and other Executive Officers as well as Global Key Persons (GKP), who are local management of partner companies. These actions have allowed us to build a new framework for the Board of Directors to supervise Nippon Paint Group's growth model as Asset Assembler that is practiced by the Co-Presidents based on proper mutual understanding built on Trust.

The Co-Presidents have prepared the Group to move on to the next stage of growth. With the addition of the Co-Presidents and two new Independent Directors, Peter M. Kirby and Lim Hwee Hua as new members, the Board of Directors must now raise its perspective and provide guidance as needed to properly shape the future of Nippon Paint Group. To perform this role, we need to reform the Board of Directors so that it can shift its focus from dealing with immediate issues to concentrating on discussing and determining growth strategies to enable Nippon Paint Group to achieve more sustainable and further growth.

We are significantly revising the operations of the Board of Directors in order to accomplish our reformation. For example, the Directors hold brainstorming sessions to determine a long-term roadmap for achieving MSV and hold offsite meetings to thoroughly examine the feasibility of roadmaps submitted by the Co-Presidents.

As the Board Chair, I will ensure that all Directors make the greatest possible contributions in order to enable NPHD to pursue growth relentlessly based on the Asset Assembler model and to fulfill the Board of Director's responsibility to protect the interests of minority shareholders.

Five features of our corporate governance structure

1 Ensure the protection of the interests of minority shareholders while sharing MSV as the common objective with the major shareholder P99

2 Improved effectiveness of the Board of Directors under the leadership of Independent Directors P101

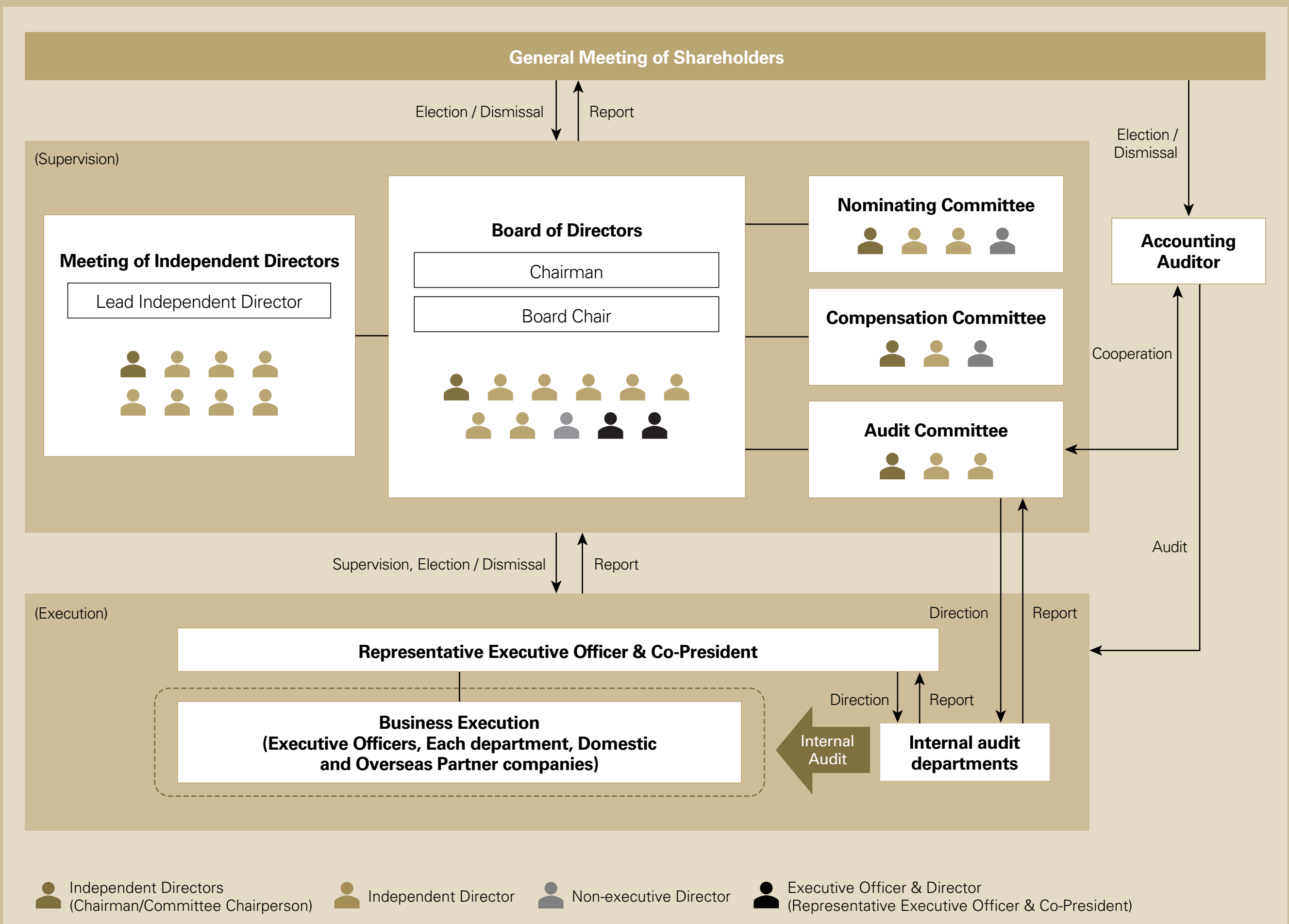
3 Succession planning with a focus on substance rather than formalism P103

4 Compensation design that truly contributes to achieving MSV P105

For more information about our compensation design, see "Governance Discussions by Independent Directors" on page 111.

5 Audit structures that respond to increasing globalization of operations P107

Corporate governance structure



Basic approach to governance

The Company has adopted "a Company with a Nominating Committee, etc." as its governance structure in order to enhance the transparency, objectivity, and fairness of management, as well as to separate and strengthen the supervision of management and business execution functions. In addition, the Company, based on its "Purpose," which defines shared identity of the Group, and its "Business Philosophy," which sets the Group's guidelines, shall promote its business and engage in ongoing efforts to enhance and strengthen its corporate governance, and thereby, will maximize shareholder value that remains after fulfilling our obligations to customers, employees, suppliers, society, and other stakeholders (Maximization of Shareholder Value (MSV)) including obligations relating to sustainability, as its sole mission.

In order to realize MSV, the Company will respect the autonomy of partner companies based on mutual trust with the Co-Presidents and create a management environment as an Asset Assembler in which each partner company can realize its full potential and pursue unceasing growth.

* For further details, see the "Corporate Governance Policies (Attachment: "Independent Criteria for Outside Director of the Board")" and the "Corporate Governance Report" available on the Sustainability page of our website. https://www.nipponpaint-holdings.com/en/sustainability/governance/

History of governance reform

Since 2014, the Company has increased the number of Independent Directors and delegated authority from the Board of Directors to executive departments in order to separate and strengthen the business execution function and management oversight. To further accelerate this process, we shifted to "a Company with a Nominating Committee, etc." structure in March 2020.

At present, the Board of Directors of NPHD has a majority of Independent Directors, and, following the change in the management structure in April 2021, the Lead Independent Director has been serving as the Board Chair.

Relationship with major shareholder and protection of minority interests

The company shares a philosophy of MSV with Wuthelam Group which has a history of cultivating business partnerships with the Company for over 60 years, and which has taken steps to ensure that the interests of minority shareholders are properly protected. In addition, the acquisitions of 100% ownership of the Asian JVs and the Indonesia business in January 2021 simplified our ownership structure, causing the interests of the major and minority shareholders to be perfectly aligned. This created a management structure to pursue MSV while ensuring the protection of the interests of minority shareholders. In the meantime, the acquisitions have made Wuthelam Group our major shareholder. From the viewpoint of protecting the interests of minority shareholders, when conducting transactions with Wuthelam Group, we ensure appropriate involvement and supervision by the Independent Directors, such as obtaining approval at the Board of Directors with a majority of Independent Directors, and appointing an Independent Director to serve as the Board Chair.

In addition, the Company shall report significant transactions between related parties that exceed a certain amount (such as important transactions between the Company and a major shareholder, competing transactions between the Company and Directors or Executive Officers, self-dealings, and conflicts of interest transactions) to the Board of Directors and disclose them in the "Notice of Convocation of a General Meeting of Shareholders" and "Securities Reports."

Furthermore, when conducting related-party transactions, the Company will make a comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels, and other factors, to ensure that the transaction will not harm the interests of the Company or of its minority shareholders and obtain the approval of the appropriate decision-making authority.

History of governance reform

2014	● Elected one Independent Director
2015	● Established Corporate Governance Policies ● Initiated an "Evaluation of the Effectiveness of the Board"
2016	● Abolished anti-takeover measures ● Increased the number of Independent Directors from one to two ● The Compensation Advisory Committee is renamed the Nominating and Compensation Advisory Committee, and began its deliberations on the nomination of candidates for the Directors and Company Auditors
2017	● Changed the composition of the Nominating and Compensation Advisory Committee to designate two of the four members from among the Independent Directors ● Appointed Independent Directors as the Chairperson of the Committees
2018	● Increased the number of Independent Directors from two to five (ratio of Independent Directors: 50%) ● Separation of the Nominating and Compensation Advisory Committee into the Nominating Advisory Committee and the Compensation Advisory Committee ● Established the M&A Advisory Committee
2019	● Established the Governance Advisory Committee
2020	● Transition from "a Company with Board of Auditors" to "a Company with a Nominating Committee, etc." structure ● Six out of the nine members of the Board of Directors are Independent Directors (ratio of Independent Directors: 67%.)
2021	● Six out of eight members of the Board of Directors are Independent Directors (ratio of Independent Directors: 75%.) ● Appointed the lead Independent Director as the Board Chair
2022	● Eight out of eleven members of the Board of Directors are Independent Directors (ratio of Independent Directors: 72%.)

Message from Chairman

The Mission of Nippon Paint

Nippon Paint's sole mission is Maximization of Shareholder Value (MSV). This was undoubtedly the mission for limited liability companies when they first emerged 400 to 500 years ago. Regrettably, this goal is now viewed as heresy.

Where I grew up, profit for shareholders was by default the only purpose of a for-profit company. There was never a need to state explicitly the company's mission because everyone was born and bred with the same idea. MSV was a given. But upon getting involved in Nippon Paint, to my consternation, shareholder value was anything but the mission of the company. I was therefore forced to coin the language MSV and proselytize the idea. Frankly in spite of the fact that I'm the author of the term, I found it somewhat comical to have to invite my colleagues to recite it.

"Corporate Value Enhancement" is the widely accepted term in Japan. But both "corporate value" and "enhancement" are problematic terms. In reality, you can enhance corporate value while reducing shareholder value at the same time. If your purpose is to just "enhance" corporate value, you might opt for an easier decision that leads to a mere 10% earning boost over a more difficult one that gets 50% boost. This is why I have been advocating that a company should pursue maximization (not enhancement) of shareholder value (not corporate value).

Another concept I would like to clarify is "Stakeholder Capitalism", which indicates that corporations should NOT ONLY focus on shareholders but ALSO pay attention to stakeholders. This is complete nonsense. I have never heard of a listed company that is not working to fulfill its obligations to suppliers, employees, communities, environmental protection, and other social needs 24 hours a day, 365 days a year. This is why I don't understand why people say corporations should ALSO pay attention to stakeholders. The only imaginable use for this idea is an excuse for poor business performance. MSV is the maximization of the residual value after properly fulfilling obligations to all stakeholders. Shareholders come last from a legal and practical standpoint. We may be going against today's social trends advocating stakeholder value maximization. But we are convinced that MSV should be the sole mission of notably publicly listed companies.

Goh Hup Jin
Chairman

Looking back, when I joined the management of Nippon Paint as Director of the board in 2014, I had a tough time getting my colleagues to take shareholder value seriously. Almost no companies advocated shareholder value and the Japanese Corporate Governance Code, which had just started, was at best ambiguous on shareholder value as the objective. Over the years, my colleagues have gradually come to understand and approve of MSV as the only corporate mission and I am grateful that the board members and operational decision makers of Nippon Paint Group are now making decisions based on MSV. In addition, the Asset Assembler model is evolving into the strategy towards this mission. I am glad that a framework for pursuing MSV through the maximization of EPS and PER is taking shape.

The relationship between Nippon Paint as a listed company and Wuthelam as a major shareholder is rarely seen in the world. Nonetheless the interests of the major shareholder and minority shareholders are completely aligned towards the maximization of long-term value. The funding capability of a listed company combined with the strength of a privately owned shareholder has created a more potent growth engine in Nippon Paint. This is clearly a Win-Win relationship as what is beneficial for Nippon Paint is without question good for Wuthelam.

With this in mind, as Chairman and Board Member, to the best of my ability, I pledge to work towards Nippon Paint's MSV.

Analysis and assessment of the effectiveness of the Board of Directors

Issues for FY2020 based on effectiveness assessment and initiatives for FY2021

In FY2021, when the Company transitioned to the Co-President structure on April 28, 2021, we took the following actions on the four main issues that we identified for improvement on the basis of our FY2020 effectiveness assessment.

Issues that require stronger initiatives in FY2021	Main initiatives in FY2021
1) Upgrading the monitoring model	At the time of the Group's transformation, when the Co-President structure was launched, we focused on establishing a structure that would enable us to avoid information asymmetry and fulfill our respective roles toward the achievement of MSV, our sole mission, while further separating execution and supervision as "a Company with a Nominating Committee, etc." structure. In addition, assuming that the meetings would be held remotely due to the pandemic, the duration of each meeting was shortened, and regular Board of Directors meetings, along with non-regular Board meetings, were generally held twice a month (22 meetings during the FY2021 term). Furthermore, discussions with Global Key Persons (GKPs), the Group's key management personnel, were held at the Independent Director meetings (17 times during the same period), leading to deliberations at Board of Directors meetings based on an accurate understanding of the situation regarding execution.
2) Enhancement of discussion of important agenda items	For M&A projects such as DuluxGroup's acquisition of Cromology and JUB, the Board of Directors deliberated from the initial consideration stage and provided timely support for the implementation of growth strategies through appropriate risk-taking by the Co-Presidents. In the transfer of the European automotive business and the India businesses to Wuthelam Group a special committee of Independent Directors was established to ensure a highly professional and objective decision-making process, thereby expanding the discussion and improving transparency and fairness, as well as protecting the interests of minority shareholders.
3) Further reinforcement of audit	We have introduced "Audit on Audit" as the auditing system for the Group, which is rapidly globalizing, establishing an effective auditing system that is in line with the actual conditions of each partner company, which are growing autonomously under the Co-President structure.
4) Reinforcement of nominating function	In the transition to the Co-President structure, we have achieved a speedy and smooth Presidential succession. Furthermore, based on the skills matrix, two additional Independent Directors have been appointed, Mr. Peter M. Kirby and Ms. Lim Hwee Hua, who have management experience in global paint and investment companies. Also, by appointing both Co-Presidents as Directors, we have evolved to a Board of Directors structure that will contribute to further advancing MSV. Furthermore, by increasing opportunities for direct communication with GKP, we have gained an understanding of the current status of the "human capital" of our senior management and strengthened the foundations for the evaluation of Group management by the Co-Presidents, who unite the GKPs.

Evaluation for FY2021 and issues for FY2022

Guidelines for making evaluations

Target Group
All Directors in FY2021: 8
Representative Executive Officers & Co-Presidents: 2
Managing Executive Officer and GC: 1

Method
Selected a third-party organization, Board Advisors Japan, Inc. (BAJ), and conducted questionnaire and individual interviews

Content of Questions
(i) Status of progress in resolving issues identified in the FY2020 Effectiveness Assessment of the Board of Directors
(ii) Issues for the Board of Directors and various Committees following a transition to the Co-President Structure

Evaluation process
Step 1: Distribute questionnaires to Directors
Step 2: Conduct separate interviews with each Director based on the results of questionnaire
Step 3: Summarize and analyze the results of questionnaire and individual interviews
Step 4: Report and deliberate of the effectiveness evaluation at the Board of Directors meetings

Overview of evaluation outcome

Based on the following evaluation by the BAJ and the Board of Directors' discussion that followed in response, the Board of Directors has assessed that the overall effectiveness of the Board of Directors for FY2021 is generally assured.

BAJ's assessment summary
- The Board of Directors has been proactively and positively responding to the evolution of the Company's management since the transition to the Co-President structure.
- The agenda setting and facilitation by the new Board Chair have greatly contributed to the effectiveness of the Board of Directors.
- By significantly increasing the number of Board of Directors meetings and holding them flexibly, deliberation on important matters has been enhanced.
- In order to improve the functions of the Board of Directors, steps are being taken to enhance the composition of the Board of Directors (such as inviting CEOs with experience overseas).
- Some progress has now been made in addressing the issues identified in FY2020, including measures to strengthen the audit function.

Issues requiring stronger initiatives in FY2022

1) Enhance Growth Strategy discussions
Further increase opportunities for strategic discussions and make the Board of Directors a place to concentrate more on growth discussions

2) Streamline Board of Directors operations
Minimize time spent on regular agenda and other usual proceedings, and focus on discussions that truly contribute to the achievement of MSV*

3) Further contributions by Independent Directors
Improve each Director's contribution by posing more constructively challenging questions to the management team

4) Strengthen the Board of Directors secretariat functions
Enhance support functions for Directors to further expand strategic discussions, and for secretariat functions to respond to the globalization of the Board of Directors

* Ten regular Board of Directors meetings are planned for FY2022.

Roles of Independent Directors

The Company holds Independent Directors Meetings regularly, chaired by the Lead Independent Director and comprised solely of Independent Directors. Discussions take place that lead to resolutions at Board of Directors meetings and Committee meetings, such as agenda of the meetings of the Board of Directors and the Nominating, Compensation, and Audit Committees, as well as sharing the comprehensive background of agenda on part of business execution and discussion on the Company's mid-to-long-term direction. In addition, the Lead Independent Director puts together opinions expressed in the Independent Directors meeting as necessary and shares and discusses them with the Chairman, Representative Executive Officers & Co-Presidents, and Executive Officers.

Functions to support Independent Directors

Independent Directors regularly receive information from departments such as Finance and Accounting, and Investor Relations for the purposes of quickly and accurately grasping the status of business execution in the Company. In addition, the Co-Presidents directly share comments from the capital markets and a variety of information on business execution with the Independent Directors to support them to further deepen their understanding of our businesses. In addition, support is provided to Independent Directors by offering prior explanations about the background of the agenda at the Board of Directors meetings, coordinating schedules for attending meetings held by the business execution, sharing information, arranging regular plant and site visits, as well as to provide information on Companies Act and Corporate Governance Code for new Independent Directors.

The Board of Directors office provides various types of support, and, by sharing necessary information without delay, the Company has established a system that enables Independent Directors to work more effectively. Furthermore, since the Board of Directors office is also tasked with supporting the Nominating, Compensation, and Audit Committees, it is possible to comprehensively organize requests from Independent Directors, taking into consideration language and time differences in response to globalization. In this way, the Board of Directors office endeavors to enhance the effectiveness of the Board of Directors.

Policy on cross-shareholdings

The Company makes a decision every year on the continued holding of cross-shareholders at the Board of Directors based on the policy described below and disposes of or reduces holdings of shares for which the rationality of their holding can't be recognized.

Cross-shareholding policy

The Company holds shares of other listed companies as Cross-Shareholdings, limited to where it can be determined to be reasonable in consideration of, among others, the necessity of it for business activities (e.g., to maintain and strengthen the relationship with the business partner), the status of the issuer, and the return on the capital cost.

In addition, the Company, based on the above policy and internal standards, exercises voting rights upon making comprehensive judgment, from the perspectives of maximization of corporate value in the medium to long term of the counterparty company of our Cross-Shareholdings and its impact on our Group.

As asset owner of corporate pension fund

The Company, to promote stable asset formation for the members of the corporate pension and to secure the soundness of the financial condition of the Company, takes the following actions for management and operation by the Nippon Paint Corporate Pension Fund.

(1) The Company systematically secures human resources with the qualities required for management and operation of the corporate pension from inside and outside the Group and assigns them to the Nippon Paint Corporate Pension Fund representative, asset management committee member, and secretary (hereinafter referred to as Representatives and other stakeholders)

(2) The Company, through the Representatives and other stakeholders, confirms the selection of an investment institution by the fund, the monitoring of the activity status and investment results of the investment institution, and that management of conflicts of interest that arise between the beneficiaries and the Company is performed appropriately and effectively, and voices an opinion when necessary.

Number of shares held for purposes other than net investment and carrying amounts

	2019	2020	2021
Number of stock issues	32	24	22
Of which, the number of listed issues	14	6	6
Total carrying amount (Million yen)	24,621	23,645	30,191
Of which, the total amount of listed stocks (Million yen)	23,717	22,704	29,268

Audit Committee Report

Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Contributing to MSV by strengthening the audit system in line with Asset Assembler model

Since its establishment in FY2020, the Audit Committee has been working to improve the Group's audit system through "Audit on Audit," where internal audits of partner companies are fully relied on. At the Group Audit Committee (GAC) meeting, which is held twice a year and attended by people in charge of internal audit of each PCG, we work to raise the overall auditing level through the sharing of best practices and other means, thereby strengthening the cooperative structure between the Audit Department and the internal audit units in each region (see the next page).

We have also established a risk-based global audit system in which the Audit Department assesses the risks of the entire Group through risk assessment surveys to each partner company started in FY2022, while the internal audit units in each region audit and advise on individual risks. In addition, such as introduction of data analytics to each internal audit unit, we contribute to MSV through our audit activities for improving business operation.

Based on its evaluations in FY2021, the Audit Committee has identified issues in the following main areas: (1) the effectiveness of the audit system in the corporate group, (2) the monitoring and verification of the risk management system, (3) the monitoring and verification of financial reporting and information disclosure, (4) the effectiveness of IT governance, and (5) the effectiveness of responding to ESG and SDGs. The Committee is deliberating the implications of these five areas for MSV. In addition, through ongoing interviews with GKP and other senior management, we are furthering our understanding of the situational realities of the workplace, while remaining focused on improving the quality and effectiveness of audits appropriate to our Asset Assembler model.

Chairperson	Masataka Mitsuhashi (Independent Director)
Composition of the Committee	Independent Director: 3 * An Independent Director serves as the Committee Chairperson.
Role of the Committee	Conduct audits on the execution of duties by Executive Officers and Directors, prepare audit reports, and determine the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor to be submitted to the General Meeting of Shareholders.
Number of meetings held	FY2021 (from late March 2021 to early March 2022): 16 FY2022 (from late March 2022 to early May 2022): 3
Main activities	The Audit Committee: ● Prepared audit reports based on the results of audits on the status of execution of duties by the Executive Officers and Directors and other factors. ● Resolved the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor to be submitted to the ordinary general meeting of shareholders. ● Conducted audits concerning financial results and the ordinary general meeting of shareholders. ● Shared best practices (e.g., cases, audit findings, risk management, background of selecting audit themes) at Group Audit Committee (GAC).

Main activities of the audit committee

- 2021/3: Resolution of audit policies, audit plans, audit procedures for FY2021
- 2021/7: Deliberation on the ideal form of audits under the new management system and reinforcement of internal control systems (e.g., the global whistle-blowing system, introduction of a risk assessment survey to the Partner Company Group (PCG))
- 2021/9: The third GAC meeting
- 2022/2: Resolutions concerning audit reports and the content of proposals for the election, dismissal and other matters of Accounting Auditor, results of evaluation of the effectiveness for FY2021
- 2022/2: Deliberation concerning the reinforcement of internal control systems (ideal form of global IT governance)
- 2022/3: The fourth GAC meeting — Resolution of audit policies, audit plans, audit procedures and other matters for FY2022

2021: 3 4 5 6 7 8 9 10 11 12 — 2022: 1 2 3 4 5 6

Main reports made to the Board of Directors

- 2021/5: Reporting on the 1st quarter critique on the FY2021 audit plan
- 2021/7: Reporting on the 2nd quarter critique on the FY2021 audit plan
- 2021/8: Proposal and resolution of draft revision of the Audit Committee Rules
- 2021/11: Reporting on the 3rd quarter critique on the FY2021 audit plan
- 2021/12: Exchange of views on gathering information on overseas PCG
- 2022/3: Reporting on the results of evaluation of the effectiveness of the Audit Committee's activities for FY2021
- 2022/4: Reporting on the audit plan for FY2022 and exchange of views on the need for global IT governance
- 2022/5: Reporting on the 1st quarter critique on the FY2022 Audit Committee's activities

Risk-based global audit system

The Company's Audit Department ensures the independence and appropriateness of audits by establishing double reporting lines to the Audit Committee and Representative Executive Officers & Co-Presidents. As the entity in charge of establishing a global internal audit system, the Audit Department supports the audit activities of the Audit Committee and conducts J-SOX evaluations as well as supervises the audit activities conducted by internal audit units in each region. Specifically, on top of analyzing the results of assessments of important risks at each partner company, the Audit Department promotes collaboration among internal audit departments of each partner company to improve the maturity of internal audits for the entire group that contribute positively to MSV. By these methods, we have established an "Audit on Audit" system, where the results of internal audits conducted by each partner company are fully relied on, enabling us to develop an effective global audit system.

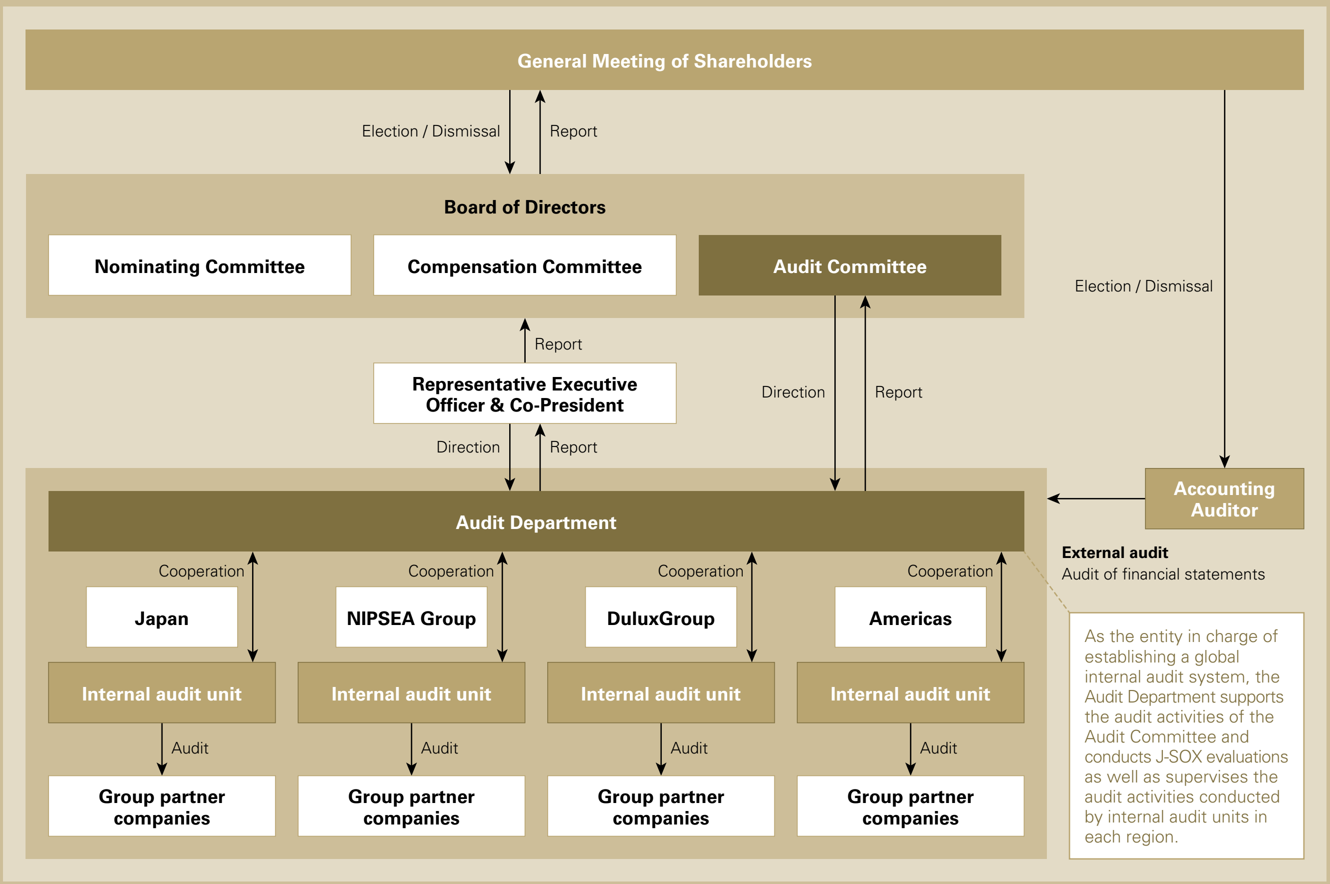
Coordination with Accounting Auditor and local audit firms

The Audit Committee monitors and verifies whether the Accounting Auditor conducts appropriate audits while maintaining its independent position. The status of the execution of duties is checked at the Three-Party Audit Meeting held on a regular basis. Relevant matters of concern are shared as needed to ensure close and organic coordination. Particularly with regard to Key Audit Matters (KAM), which we began adopting in FY2021, the Company held discussions with the Accounting Auditor on items that involve significant management decisions, including accounting estimates, and items likely to have a significant impact on financial statements, and confirmed the appropriateness and consistency of information disclosure.

The Audit Committee also conducts direct interviews with local audit firms in charge of accounting audits of major overseas partner companies. The committee discusses audit findings at the partner companies, financial and tax risks, and the status of communication between local management and the Company's Accounting Auditor to identify risk factors and confirm the performance of duties by local audit firms.

In Japan, the Audit Committee holds regular meetings with corporate auditors of partner companies to share information and exchange opinions on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working to further improve the effectiveness of our activities.

"Audit on Audit" Group audit system



Q&A with the Lead Independent Director

The Lead Independent Director Masayoshi Nakamura comments on and answers to feedback and questions on governance topics received through engagement with investors.

Q1 I understand that Maximization of Shareholder Value (MSV) is premised on the fulfillment of obligations to all stakeholders. How does the Board of Directors ensure that the management team's decisions are fulfilling those obligations?

A1 As Independent Directors, we do our utmost to fully understand the expectations of our stakeholders and I believe that the best source of information is to hear directly from the local management, the heads of the each business, since, naturally, they undertake their operations by taking into account the views of various stakeholders. Therefore, we interview them about their onsite responsibilities to stakeholders and their expertise and knowledge regarding internal control systems to confirm that they are fulfilling their responsibilities in their existing regions and businesses.

In addition, at the Meetings of Independent Directors which were held 17 times during the 2021 term of office the focus was on deepening knowledge of and updating information about each Independent Director through discussions about the roles Independent Directors should play for Nippon Paint Group and the possibility of issues emerging in the future. Furthermore, we made efforts to enhance our knowledge about our obligations to stakeholders by exchanging views with persons in charge of compiling third-party evaluation reports when evaluating the effectiveness of the Board of Directors.

Q2 How does the Board of Directors supervise the sustainability performance of Nippon Paint Group?

A2 The fulfilment of obligations is the premise of our sole mission of achieving MSV. These obligations include not only legal contracts, but also social and ethical obligations, and also encompass the concept of sustainability. In FY2021, the Board of Directors established the "Nippon Paint Group Global Code of Conduct" that sets the standards of conduct including compliance, and ethics, and sustainability rules to be shared and complied with by everyone across the Group. Based on the Global Code of Conduct and using the Asset Assembler model, NPHD is controlling the risk of the Group and pursuing sustainable growth while respecting the autonomy as a "Corporate Group with Integrity."

The results of self-assessment by each Partner Company Group (Nippon Paint Group companies grouped by region or business) are reported to the Co-Presidents annually.

The Co-Presidents then analyze these assessments and report the content to the Board of Directors from a cross-group perspective. Besides these activities, the Board of Directors meeting has the Co-Presidents' Report as a regular agenda item whereby the Co-Presidents provide updates of risks and sustainability measures of the Group in a timely and appropriate manner.

When determining the compensation for the Co-Presidents at the Compensation Committee, we comprehensively evaluate the performance of the Group in relation to both financial and

Investor engagement

NPHD aims to achieve MSV by building a relationship of trust with its shareholders and investors through communications with capital markets, including thorough and fair information disclosure and continuous engagement with investors around the world, thereby reducing information asymmetries, holding down the cost of capital and thereby maximizing the PER. which will lead to MSV. NPHD also endeavors to understand its shareholder structure to engage in constructive dialogue with investors, and pays close attention to the prevention of leaks of insider information when engaging in dialogue.

NPHD has appointed the Directors, Representative Executive Officers and Co-Presidents and General Manager of Investor Relations Department as points of contact for dialogue with investors, and also provides opportunities for dialogue with independent Directors. Opinions and suggestions from investors obtained through dialogue are fed back to the Board of Directors in an appropriate manner and reflected in management, and the opinions of Directors, including Independent Directors, are also made use of in dialogue with investors.

In FY2021, we strengthened our communication with investors and held IR meetings with 519 companies (an increase of 50.0% from the previous year), in order to promote understanding of the paint market and the company's strategy, and promote the understanding and dissemination of our medium- and long-term strategies. In March, we held the Medium-Term Plan (FY2021-2023) progress report briefing at which Co-President Wakatsuki explained the growth potential of the paint market, our strengths and the future strategic direction of Nippon Paint Group. In September, we held an investor briefing on the NIPSEA business in response to long-term requests from investors. At this event, Co-President Wee explained our medium- and long-term strategy for China and other Asian countries, the current market outlook, and

Masayoshi Nakamura
Lead Independent Director and Board Chair

non-financial indicators including the development of corporate culture, the strengthening of human capital and the status of management of sustainable growth at each partner company, along with our expectations for the future performance of these items. Through this comprehensive evaluation, the Board of Directors is constantly supervising the sustainability performance of the Group.

Q3 Has the influence of Mr. Goh Hup Jin on the Board of Directors increased with the increase in the ownership of Wuthelam Group in NPHD? Are there any governance concerns regarding NPHD's actions, such as transactions with Wuthelam Group and the President's nomination process given that Mr. Goh is also a member of the Nominating Committee?

A3 The Nominating Committee consists of four committee members, with Mr. Goh being one of the members, while the remaining three committee members are Independent Directors. Within the Board of Directors, Mr. Goh is asked to serve as a member of the Nominating Committee because he is the person most familiar with the Group's management teams who play an important role in the Group, and he is valuable when the Nominating Committee discusses succession planning and other specific issues.

As NPHD and Wuthelam Group share MSV as the common basis of our decision-making criteria and the Board members frequently communicate with Mr. Goh even outside the meetings. I think that it is unlikely that NPHD and Wuthelam Group will have any significant disagreement in management decision making.

However, if Wuthelam Group were to be perceived to be making decisions and proceeding in a manner that disregarded the interests of minority shareholders, and did not prioritize the interests of minority shareholders, I believe that all of the current Independent Directors would find it impossible to fulfil their responsibilities and would tender their resignation.

We believe that it is likely that Mr. Goh himself fully understands that the Independent Directors approach the Board of Diretors meetings from such a perspective.

Q4 I believe M&A will be the key to the growth of Nippon Paint Group. Please tell us how the Board of Directors is involved in decision-making process concerning M&A.

A4 We leave the decision-making on very small M&A deals to the management team on the ground. Only relatively large proposals are submitted to the Board of Directors. The management teams of partner companies in every operating region are requested to submit a long list of acquisition target companies both for investments and acquisitions. Based on this list, these potential deals are then prioritized. We subsequently examine the feasibility of these deals and hold concrete discussions to work out the details, such as the timing and how to realize the scheme. Moreover, the Board of Directors constantly discusses potential deals and the road maps to further medium- and long-term growth of the Group.

We consider potential M&A deals in advance based on such prior information and discussions. While some projects are abandoned midway through this process, there are no projects that we hear about for the first time at the resolution stage, and the members of the Board of Directors are basically always aware of the status of progress, so we can make quick and timely decisions.

countermeasures against current risks. In October, both Co-President Wakatsuki and DuluxGroup CEO Houlihan hosted the investor briefing on the acquisition of Cromology, explaining the background and the significance of this acquisition.

Besides the above, we took a new approach and held a small investor meeting with Independent Director and Board Chair Nakamura, where he explained the effectiveness of the Board of Directors and the Board's relationship with Wuthelam Group, the major shareholder of NPHD.

In addition, we are continuing to focus on proactive disclosure of information through measures, including the strengthening and expansion of our Integrated report and IR website.

Number of IR meetings held (companies)

	2019	2020	**2021**
Meeting with domestic investors	140	136	**232**
Meeting with overseas investors	141	210	**287**
Of which, meeting with ESG investors (in Japan and overseas)	3	9	**30**
Total	281	346	**519**

IR events held (times)

	2019	2020	**2021**
Teleconference on financial results	4	4	**4**
Briefing for institutional investors	0	1	**4**
Briefing on M&A	2	1	**2**
Briefing for individual investors	3	1	**5**
Total	9	7	**15**

Share transfer of the European automotive coatings business and India businesses

—A move based on discussions at the Board of Directors and the Special Committee from the standpoint of protecting the interests of minority shareholders—

NPHD's Board of Directors is committed to improving the transparency, objectivity, and fairness of management by holding thorough exchanges of opinions and discussions, mainly by the Independent Directors who comprise the majority of the Board. The Board of Directors* held many discussions on whether NPHD can ensure the protection of the interests of minority shareholders in association with the transfer of the European automotive coatings business and India businesses to Wuthelam Group. This page explains the objective of this transaction and views of each Director.

* Director Goh is an interested party and did not participate in any meetings regarding this transaction.






Key points of this transaction

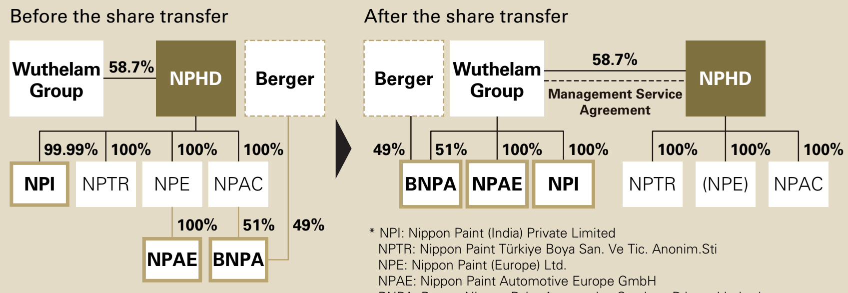
- **The transfer of these businesses to Wuthelam Group will sufficiently contribute to Nippon Paint Group's sustained growth over the medium and long term.**
- **Risk involving this transaction is diversified because Wuthelam Group will be responsible for additional investments and expenses required for short-term business restructuring.**
- **The board determined that the transaction is rational because it will be EPS accretive and NPHD will have an option to buy back the businesses in the future (call option). This transaction is also rational regarding the protection of the interests of minority shareholders and Maximization of Shareholder Value (MSV).**

Impact on consolidated earnings (Billion yen)*1

Revenue	Operating profit	Profit before tax	Profit*2
–14.4	+2.9	+2.9	+2.9

*1 Assuming that the transaction was reflected in consolidated earnings starting on August 1, 2021
*2 Profit attributable to owners of parent

Change in the capital relationship due to the transfer of the businesses to Wuthelam Group



* NPI: Nippon Paint (India) Private Limited
NPTR: Nippon Paint Türkiye Boya San. Ve Tic. Anonim.Sti
NPE: Nippon Paint (Europe) Ltd.
NPAE: Nippon Paint Automotive Europe GmbH
BNPA: Berger Nippon Paint Automotive Coatings Private Limited

Q&A at the Board of Directors Meeting

Q Did NPHD start considering this transaction in 2019, when an impairment loss was posted in the European automotive coatings businesses?

A The business environment changed significantly after 2019 due to the pandemic, shortage of semiconductor chips, and high prices of raw materials. As a result, we started considering the transaction in order to reexamine the strategy that we had established when the impairment loss was recorded. One option was to withdraw from the European market. However, we needed to keep our operations in Europe to maintain access to European automobile manufacturers, which have a growing presence in China. In addition, we knew that the Indian market has many opportunities for growth. Taking these factors into account, we determined that we must make significant investments for business restructuring and reinforcement in order to achieve growth in these regions over the medium and long term.

Q Didn't NPHD have any other restructuring plan?

A We examined numerous options, all based on the recognition that the European and India markets will remain strategically important. Two possibilities were restructuring the businesses by ourselves and divesting the businesses to a third party. If we attempt to restructure the businesses by ourselves, there would be a significant short-term financial burden. In addition, Europe and India are difficult markets. We were concerned about the possibility that the use of funds to turn around these businesses would not contribute to MSV from the perspective of risk and return. Moreover, divesting the businesses to a third party would make it difficult for us to buy them back, causing us to lose an option involving the growth potential of our businesses. The Wuthelam Group decided to bear the risks involved and allow us to make a decision about buying back the businesses in the future. After comparing this with other restructuring plans, we decided that the share transfer to Wuthelam Group would be the best plan from the perspective of MSV and protection of the interests of minority shareholders.

Q What is the position of Wuthelam Group after this transaction and what responsibilities will NPHD have?

A There is no guarantee that the businesses will be turned around as a result of this transaction. The Wuthelam Group will entrust management of the businesses to Nippon Paint Group while bearing the financial risk. Nippon Paint Group will continue to be responsible for supplying automotive coatings in Europe and assume business risk. This scheme of delisting a business temporarily to implement drastic, medium- and long-term measures aimed at a turnaround is often used in management buyout (MBO) deals.

Q Is it legally valid to treat the businesses as outside the scope of consolidation even when they are transferred on the premise that NPHD will receive a call option to buy the businesses back from Wuthelam Group?

A We have confirmed that the businesses will be excluded from the scope of consolidation even if a call option is granted assuming that the buyback will not take place within one year after the share transfer.

Q Isn't there a possibility that the elimination of the businesses from the scope of consolidation will be regarded as a postponement of future impairment charges and losses?

A This is strictly a business divestiture. NPHD will have the right to buy back the businesses in the future but is not obligated to do so. Therefore, this transaction is not intended to postpone impairment charges and losses.

Q We must carefully examine the calculation method for the share transfer price and the buyback price. We must also confirm that management fees required for business restructuring are reasonable. One of the key discussion points is how the restructuring plan's business risk and capital risk are divided between Nippon Paint Group and Wuthelam Group.

A The Special Committee has verified that entrusting the management of the businesses that were transferred is reasonable. Furthermore, this transaction will not significantly affect Nippon Paint Group's earnings. Regarding business risk, Nippon Paint Group will be entrusted by Wuthelam Group to continue to manage and operate the businesses that were transferred without changing their names. As a result, we believe the impact of the transfer of the businesses, including customer relationships, will be minimal. Regarding capital risk, Wuthelam Group will bear the cost of restructuring measures, such as strengthening the business structure and conducting aggressive sales promotion activities.

Q This transaction appears to be very favorable for NPHD and its minority shareholders. Please provide a thorough explanation in disclosure materials to prevent people from having the perception that this is a questionable transaction within Nippon Paint Group.

A We will explain that Director Goh did not participate in the Board of Directors and Special Committee meetings to examine and negotiate the share transfer to ensure independence from Wuthelam Group and that we make a fair judgment about the pros and cons of the share transfer and the rationality of the terms. Just as when NPHD fully integrated the Asian JVs, Wuthelam Group's stance remains unchanged that Nippon Paint Group's earnings growth will be in the interests of Wuthelam Group. Our explanation to the public will emphasize that Wuthelam Group is not expecting to profit from this transaction nor does it expect to earn a capital gain if Nippon Paint Group exercises the call option.

Discussion

Directors and Executive Officers

(as of June 30, 2022)

Directors		Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby
						
Title		Director Representative Executive Officer & Co-President	Director Representative Executive Officer & Co-President	Chairman	Independent Director	Independent Director
Profile		● Former Vice Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) ● Former Senior Managing Corporate Officer and CFO of Nippon Paint Holdings Co, Ltd. and others	● Former Deputy CEO and Defense Business President, Singapore Technologies Engineering Ltd. ● Former Deputy President and Executive Corporate Officer, Nippon Paint Holdings Co., Ltd. and others	● Managing Director, Wuthelam Holdings Ltd. (present) and others	● Attorney of Law ● Former Chairman of Nagashima Ohno & Tsunematsu ● Former Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. and others	● Former Member of Executive Board, Imperial Chemical Industries PLC. ● Former CEO and Managing Director, CSR Limited ● Former Independent Director, Macquarie Bank Limited (currently Macquarie Group Limited) ● Former Independent Director, Orica Limited ● Former Independent Director, Board Chairman, DuluxGroup Limited and others
Date of appointment as director		March 2022	March 2022	December 2014	March 2018	March 2022
Number of shares held		133,110	100,000	None	58,581	None
Attendance at the Board of Directors meetings	During the term of office in FY2021*1	—	—	22/22	22/22	—
	During the term of office in FY2022*2	3/3	3/3	3/3	3/3	3/3

*1 From late March 2021 to early March 2022 *2 From late March 2022 to end of June 2022

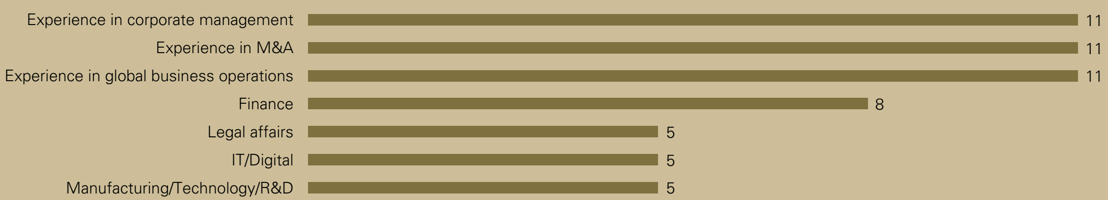
Committee membership

	Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby
Nominating Committee			○	○ (Chairperson)	
Compensation Committee			○		
Audit Committee					

Experience/Expertise

	Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby
Experience in corporate management	○	◎	◎	◎	◎
Experience in M&A	◎	◎	◎	◎	◎
Experience in global business operations	◎	◎	○	◎	◎
Finance	◎	○	○	—	○
Legal affairs	○	—	○	◎	○
IT/Digital	—	—	○	—	○
Manufacturing/Technology/R&D	—	○	◎	—	○

Experience/Expertise



For brief profiles of Directors and Executive Officers, see "Management Team" on our corporate website.
https://www.nipponpaint-holdings.com/en/company/officer/

"Reason for Selection as Independent Directors" is also available on our corporate website.
https://www.nipponpaint-holdings.com/en/sustainability/governance/board_01/

Miharu Koezuka	Lim Hwee Hua	Masataka Mitsuhashi	Toshio Morohoshi	Masayoshi Nakamura	Takashi Tsutsui	
						Ratio of Independent Directors on the Board
Independent Director	Independent Director	Independent Director	Independent Director	Lead Independent Director Board Chair	Independent Director	8/11
● Former Representative Senior Managing Director, Takashimaya Company, Limited ● Former President (Representative Director), Okayama Takashimaya Co., Ltd. ● Outside Director, Japan Post Holdings Co., Ltd. (present) ● Outside Director, Nankai Electric Railway Co., Ltd. (present) ● Outside Director, Sekisui Chemical Co., Ltd. (present) and others	● Former Managing Director, Temasek Holdings (Private) Limited ● Former Minister in the Prime Minister's Office ● Former Independent Director, United Overseas Bank Limited ● Independent Director, Jardine Cycle & Carriage (present) and others	● Certified Public Accountant ● Former Representative Director, ChuoAoyama PwC Transaction Services Corporation (currently PwC Advisory LLC) ● Former Representative Director and President, PricewaterhouseCoopers Arata Sustainability Certification Co., Ltd. (currently PricewaterhouseCoopers Sustainability LLC) ● Audit & Supervisory Board Member (Outside), FUJIFILM Holdings Corporation (present) and others	● Former Managing Executive Officer, Fujitsu Limited ● Former President & CEO, EMC Japan K.K. ● Former President & CEO, NCR Japan, Ltd. ● Former President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) ● Outside Director, T-GAIA Corp. (present) and others	● Former Managing Director, Morgan Stanley ● Former Director and Senior Executive Officer, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) and others	● Former Senior Executive Officer, Nomura Securities Co., Ltd. ● Former President and Representative Director, Jasdaq Securities Exchange, Inc. (currently Japan Exchange Group, Inc.) ● Former Director, Vice President Executive Officer and Chief External Relations Officer, LIXIL Corporation ● Outside Director, Rozetta Corp. (currently MetaReal Corp.) (present) and others	
March 2020	March 2022	March 2020	March 2018	March 2018	March 2018	
26,289	None	26,289	46,789	59,472	50,884	
22/22	—	22/22	22/22	22/22	22/22	
3/3	3/3	3/3	3/3	3/3	3/3	
						Number of Independent Directors serving as committee members
			○	○		3/4
				○	○ (Chairperson)	2/3
○		○ (Chairperson)	○			3/3
						Number of applicable Directors
◎	○	○	◎	○	◎	11
◎	◎	◎	◎	◎	◎	11
◎	◎	◎	○	◎	◎	11
—	◎	◎	—	◎	○	8
○	—	—	—	—	—	5
○	○	—	◎	—	—	5
○	—	—	○	—	—	5

Executive Officers (as of June 30, 2022)

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Wee Siew Kim
Director, Representative Executive Officer & Co-President

Yuri Inoue
Managing Executive Officer, GC

Nominating Committee Report

Hisashi Hara
Independent Director
Nominating Committee Chairperson

Creation of a structure that contributes to MSV in terms of both business execution and supervision

Since April 2021, the Board of Directors established a management structure suitable for pursuing growth through Asset Assembler model. This was accomplished by shifting to the Co-President setup, reducing the number of Executive Officers, and electing non-Japanese Independent Directors and Representative Executive Officers & Co-Presidents as Directors. We are proud of the fact that the Nominating Committee has been able to contribute to the establishment of a structure that will contribute to MSV for further growth in terms of both business execution and supervision.

The committee's activities are not based on initiatives in accordance with uniform frameworks established in advance, such as a management talent development plan and implementation measures. On the basis of respecting the management autonomy of partner companies based on mutual trust, we are focusing on the examination of human capital issues, such as the character of President and other senior executives and whether they are worthy of trust.

In the future, M&A will add new management talent, resulting in a deeper base of Global Key Persons (GKP) at the Group and the realization of the potential of our human capital more than we can imagine. Each partner company's external human networks are also valuable assets for finding additional talent. Continuous growth by pursuing Asset Assembler model will greatly expand the possibilities for finding the best and right people from around the world, whether internally or externally. These people will become a talent pool for individuals capable of succeeding Executive Officers including President.

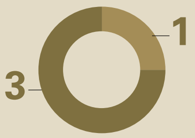
The Nominating Committee will continue to focus on flexibly taking actions, anticipating the next changes and identifying people with the potential to become the next senior executives.

Chairperson Hisashi Hara (Independent Director)

Number of meetings held

FY2021 (From late March 2021 to early March 2022)	15
FY2022 (From late March 2022 to end of June 2022)	2

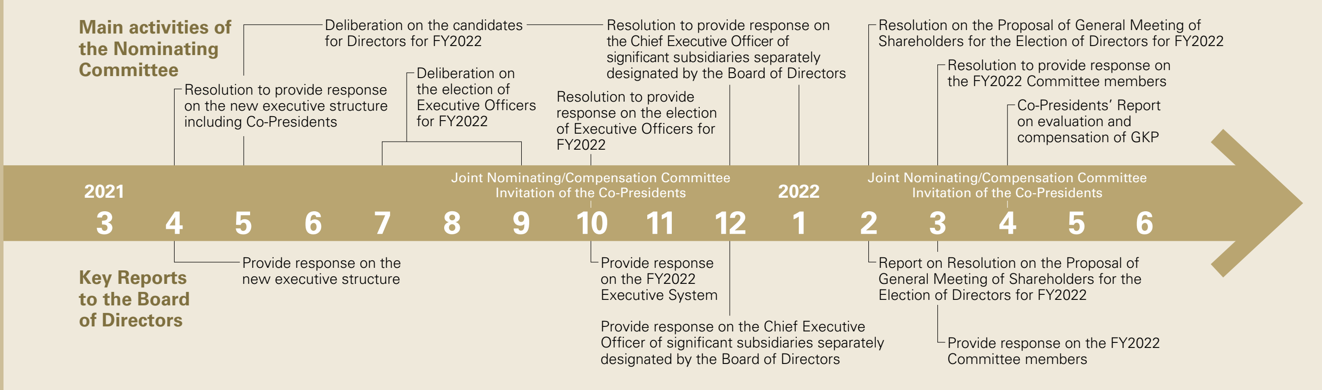
Committee Members



* An Independent Director serves as the Committee Chairperson.

Main Activities The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2022 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2022.

Roles of the Committee Decide on the content of proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, and deliberate on succession plans for Directors, the appointment and removal of the Representative Executive Officer, and President, and other Executive Officers, and their succession plans.



Our approach to the composition and skills of the Board of Directors (Election criteria, diversity, and other elements)

We ensure that the Board of Directors and each of three Committees are comprised of Directors with a suitable background to demonstrate supervisory functions in a sustainable manner in an ever-changing business environment. The Nominating Committee designates candidates, under the following seven items, as required experience/skills of our Directors to ensure that the Board of Directors is comprised of members that are well balanced in terms of those seven categories (see the table below). In addition, for each Committee, the Board of Directors appropriately makes an appointment considering a higher degree of expertise.

The Nominating Committee emphasizes that the Directors have the "Experience in corporate management" needed to pursue our Asset Assembler model. To date, the Company has implemented mergers and acquisitions to expand its business portfolio and fully integrate its Asian JVs and has established a Board of Directors structure for the realization of further growth. At the General Meeting of Shareholders in March 2022, four new Directors were elected: Mr. Peter M. Kirby and Mrs. Lim Hwee Hua as Independent Directors, and the two Co-Presidents as Directors who will also serve as the Executive Officers.

With these appointments, "Experience in corporate management" in paint and investment companies has been strengthened with the addition to the existing organizations of those in the manufacturing and distribution industries, financial institutions, and auditing and legal firms. At the same time, we have also strengthened "Experience in global business operations" and "Experience in M&A," which are essential for identifying better assets from a medium- to long-term perspective as well as facilitating the growth of partner companies after M&A.

Also because of "Experience in corporate management," it is possible to elevate expertise in "Legal affairs" to GRC (Governance, Risk Management, and Compliance), and "IT/Digital" and "Manufacturing/Technology/R&D" skills that will allow us to link our growth strategies more organically through more efficient information sharing within the Group and synergies in product development.

In addition, our Board of Directors is working to ensure and expand diversity based on a skills matrix, without focusing on specific attributes such as age, nationality, or gender. In the composition of the Board of Directors in FY2022, foreign nationals now account for nearly 40% of the Board of Directors, and the number of women Directors has increased to two, ensuring a diversity of opinions and multifaceted supervisory functions.

Unearthing future management talent and development of growth environment

We recognize that strengthening our Group's human capital is an important management issue in the face of globalization and drastic changes in the business environment.

We do not recruit and develop future management personnel in a uniform manner. Based on mutual trust between Co-Presidents and the heads of each partner company group (PCG: Nippon Paint Group companies grouped by region or business), we are developing an environment for discovering and growing human resources based on respect for the autonomy of each PCG. This field-based human capital enhancement is appropriate for our company, which is oriented toward the "Asset Assembler" model, and we believe that it will greatly contribute to the realization of MSV.

Based on this policy, the Group's key management talent are identified as GKPs, who are entrusted with formulating and executing succession plans for the senior management of each PCG, monitored and assessed by the Co-Presidents, thereby strengthening the Group's human capital. Under the leadership of the Co-Presidents, our Group continuously seeks future management talent, both in and outside the Group, while at the same time creating an environment in which such talent can fully exert their potential and growth.

Twice a year, the Co-Presidents report their approaches to and assessment of respective GKPs to the joint Nominating and Compensation Committees to conduct an open discussion on the Group's human capital. In addition, the Nominating Committee also focuses on direct communication with each GKP. These efforts lead to properly assessing and recognizing the performance of Co-Presidents as leaders in our Group, and provide the basis for the succession and appointment/dismissal of an appropriate future Representative Executive Officer & President of the Company. Based on this policy by the Board of Directors and Nominating Committee, we are "always on" the identification of future management personnel, including our top management, and the strengthening of human capital by developing the growth environment to realize MSV and to achieve future leaps forward.

Appointment and dismissal process for management personnel

Executive Officers including Representative Executive Officer & Co-President and Chief Executive Officer of significant subsidiaries separately designated by the Board of Directors
⇒ Resolved by the Board of Directors based on providing response by the Nominating Committee

GKP (Global Key Persons)
⇒ Decided by Representative Executive Officers & Co-Presidents

Required experience/skills

1	**Experience in corporate management:** The ability to supervise and give advice concerning a broad range of matters on overall management from the formulation of business strategy to its implementation
2	**Experience in global business operations:** The ability to supervise and give advice on the business of the Company, which operates globally, taking into consideration diverse business environments, economic conditions, and cultures around the world
3	**Experience in M&A:** The ability to supervise and give advice on the validity of M&As that the Company is pursuing, and the process of PMI
4	**Finance:** The ability to supervise and give advice on capital allocation and other financial activities of the Company
5	**Legal Affairs:** The ability to supervise and give advice on regulations concerning operations, GRC (Governance, Risk Management and Compliance), and internal controls
6	**IT/Digital:** The ability to supervise and give advice on improvement of operations and creation of new business models through IT and Digital Transformation
7	**Manufacturing/Technology/R&D:** The ability to supervise and give advice on creation of new technology through R&D by making use of his or her knowledge of technology related to manufacturing operations and the businesses of the Company

Compensation Committee Report

Takashi Tsutsui
Independent Director
Compensation Committee Chairperson

Pursuit of a compensation plan that will contribute to the achievement of MSV and the more growth in the future

To implement Asset Assembler model adopted by Nippon Paint Holdings, it is essential to create an environment where all management teams of Nippon Paint Group can maximize their performance based on mutual trust under the leadership of the Co-Presidents. To achieve this goal, the optimal solution is not management through a uniform compensation structure Instead, we must thoroughly and more flexibly examine what types of compensation really contribute to MSV.

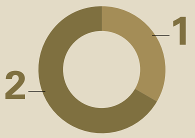
We believe that when the total compensation for the Co-Presidents reaches a certain level, their motivation is maximized by being trusted by the Board of Directors and given the heavy responsibility for the Group's fate, rather than the level of compensation.

Based on this approach, we set the total compensation for Co-President Wee in FY2022 to the same as in the previous fiscal year. We decided that we did not need to increase motivation by increasing compensation. Regarding the ratio of cash to stock, we determined that replacing the existing cash compensation with stock compensation would not raise the incentive to achieve MSV. Consequently, we decided to make compensation entirely cash. We also repeatedly discussed the balance of compensation under the Co-President setup, and decided to pay only cash compensation to Co-President Wakatsuki as well.

The mission of the Compensation Committee is to maximize the motivation of the Co-Presidents for achieving MSV as the sole mission and to further share value with shareholders by rigorously evaluating the performance of the Co-Presidents. We will continue to seek a compensation plan that will support the achievement of MSV and contribute to significant growth of NPHD.

Chairperson Takashi Tsutsui (Independent Director)

Committee Members



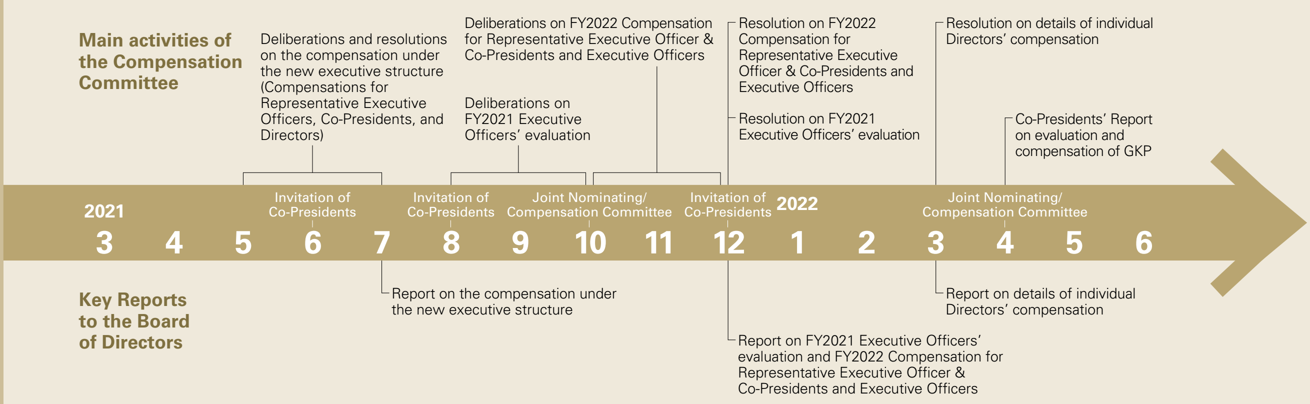
* An Independent Director serves as the Committee Chairperson.

Roles of the Committee Decide the policies for determining the individual compensation for Directors and Executive Officers, and the details of other compensation.

Numbers of meetings held

FY2021 (From late March 2021 to early March 2022)	18
FY2022 (From late March 2022 to end of June 2022)	3

Main Activities The Compensation Committee resolved the policies for determining the individual compensations and other benefits for Directors and Executive Officers (Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officer and Co-Presidents) and the details of individual compensation based on such policies.



Compensation decision-making policy for Officers

At our Company, the Compensation Committee, chaired by an Independent Director, determines the level of total compensation amount and its composition for Directors and Executive Officers. For Global Key Persons (GKPs), who are the key management personnel of partner companies, the decision-making process for the compensation amount is supervised through reports from the Co-Presidents. The Compensation Committee deliberates on and determines the specific level and composition of compensations in a fair and transparent manner based on the "Compensation Philosophy" and the "Design Policies for the Compensation of the Representative Executive Officer & Co-Presidents" (see page 112) set forth by the Compensation Committee, by gathering and analyzing objective information such as the social circumstances, comparison of compensations with comparable companies, the market compensation standard, and other factors considering advice from external advisors.

Composition of executive compensation

Composition of Representative Executive Officers & Co-Presidents' compensation

For the Co-Presidents' compensation, the optimal mix of cash and stock compensation is settled each fiscal year after determining the total amount of compensation. Specifically, the total amount of compensations for the following fiscal year is redefined each fiscal year from the ground up after a comprehensive evaluation of the performance of the Co-Presidents from both financial and non-financial perspectives of the previous fiscal year through close communication with the Co-Presidents and GKP, in addition to continuity with past compensations, market and peer benchmarking surveys, and other factors. The composition of cash and stock compensation is also reviewed each time. In this way, the compensations maximize motivation to realize MSV and incentivize further leaps forward.

Composition of Executive Officers' compensation

Compensation for Executive Officers, excluding Representative Executive Officer & Co-Presidents, consists of "Job-based Compensation," "Performance-linked Compensation." and "Long-term Incentives," The Compensation Committee decides the amount of "Performance-linked Compensation" and "Long-term Incentives" according to the evaluation by the Co-Presidents.

"Performance-linked Compensation" is a comprehensive evaluation based on a non-financial assessment in addition to a financial evaluation, in order to provide appropriate incentives through flexible and proper evaluation in a rapidly changing business environment. Non-financial assessment items are based on contributions related to governance, such as group internal controls including risk management, and achievements in diversity, equity and inclusion (DE&I), such as the creation of a highly dynamic work environment and culture for diverse human resources and human resource development.

"Long-term Incentives" are cash compensation, determined based on a comprehensive evaluation of longer-term sustainability, contribution to the overall optimization of the Group, and expectations for contributions, and paid out in thirds per fiscal year, over a three-year period.

Composition of Directors' compensation

Compensation for Directors (Independent Directors) who do not concurrently serve as Executive Officers consists of "Job-based Compensation," "Allowances for Committee Memberships and Other Roles" and "Long-term Incentives."

"Long-term Incentives" are restricted stock compensation. This is intended to promote further value sharing with shareholders toward the realization of MSV, as Directors not only supervise the Group's management as Asset Assemblers, but also assume the role and risk-taking of making important decisions regarding the allocation of management resources entrusted to them by shareholders.

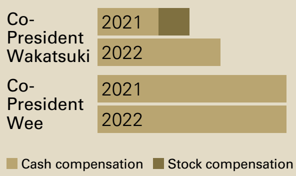
Composition of Executive compensation

Representative Executive Officers & Co-Presidents' compensation

Entire amounts of compensations are variable

- Total compensations for the current fiscal year are determined by linking them to the comprehensive performance evaluation for the previous year
- Total compensations for the following fiscal year are redefined each fiscal year from the ground up after a comprehensive evaluation of the performance from financial and non-financial perspectives, and the composition of cash and stock compensation is also reviewed each time

Image of Basic Composition



Executive Officers' compensation

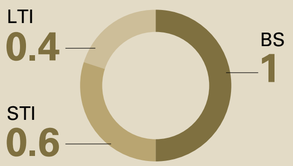
Fixed compensation

- Job-based Compensation (BS)
  Amounts paid are determined by position based on roles and responsibilities

Variable compensation

- Performance-linked Compensation (STI)
  Amounts are determined by combining financial and non-financial evaluations based on individuals job responsibilities
- Long-term Incentives (LTI)
  Cash-based LTI

Image of Basic Composition



Directors' compensation
Directors who do not concurrently serve as Executive Officer (Independent Director)

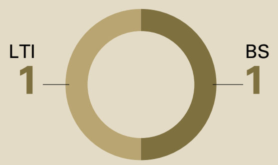
Fixed compensation

- Job-based Compensation (BS)
  Amounts paid are determined by position based on roles and responsibilities
- Allowances for Committee Memberships and Other Roles

Variable compensation

- Long-term Incentives (LTI)
  Granting restricted stocks as an incentive for MSV
  Introduced Malus Clawback Clause to ensure the soundness of MSV

Image of Basic Composition



Dialogue

Towards the establishment of an executive compensation plan that truly contributes to Maximization of Shareholder Value (MSV)

Why we considered the executive compensation plan compensation system developed by the Compensation Committee will contribute to the achievement of MSV and what were the discussions we held toward creating such a plan? —— On this page, Independent Directors, Masayoshi Nakamura (Board Chair) and Takashi Tsutsui (The Compensation Committee Chairperson), look back at previous discussions held at the Compensation Committee and explain how the optimal executive compensation plan is contributing to MSV, the role of the Compensation Committee, and their thoughts about the design of the compensation plan for the future.

Retracing the footsteps of the Compensation Committee

Nakamura ● It has now been over a year since we adopted the Co-President structure on April 28, 2021. Mr. Wee Siew Kim, one of the Co-Presidents, is a Singaporean residing in Singapore, and he became the first non-Japanese president of the company under the current Co-President structure. In early 2022, we announced the adoption of Asset Assembler model for pursuing MSV. By these actions, we have taken the group management to the next stage.

Takashi Tsutsui (left in the photo)

Independent Director and
Compensation Committee Chairperson

PROFILE

Takashi Tsutsui was elected Independent Director of NPHD in March 2018, serving as Compensation Advisory Committee Chairperson, and from March 2020, as the Compensation Committee Chairperson. Thanks to his many years of experience in executive election and compensation design he played an important role in formulating Compensation Philosophy and in a reform of the executive compensation plan that aims to achieve MSV. Mr. Tsutsui has ample experience in global business operations for around 30 years at listed companies including Nomura Securities Co., Ltd. and has a keen insight into corporate governance.

Masayoshi Nakamura (right in the photo)

Lead Independent Director and
Board Chair

PROFILE

Masayoshi Nakamura was elected Independent Director of NPHD in March 2018, serving as a member of both the Nominating Advisory Committee and the Compensation Advisory Committee member and, from March 2020, as the Lead Independent Director. He has served as the Board Chair since April 2021, and is playing an important role in deepening the content of the discussions in the Board of Directors meetings, such as consolidating the views of the Independent Directors and communicating them to the management team. He has more than 30 years of experience as a specialized professional in M&A advisory services and financing in the capital markets from his roles at Morgan Stanley and at other leading investment banks.

We believe that our executive compensation plan is also undergoing a major transformation. The Compensation Committee members have been and will continue adhering to “what compensation plan will contribute to MSV.” As we drive this transformation, Mr. Tsusui, the Compensation Committee Chairperson, and I will look back on why we considered the executive compensation plan developed by the Compensation Committee will contribute to the achievement of MSV and what were the discussions we held towards creating such a plan

Tsutsui ● Well, compensation design needs to maintain some degree of continuity. It is not necessarily a good idea to suddenly switch our compensation plan to an ideal one. Naturally, we need to develop a compensation plan that is fair and rational and can fulfill accountability requirements by taking into account objective information and specialized advice by making use of the help of external advisors and other parties. Also, an ideal compensation plan should be able to adapt to fit the company’s growth stage and the social circumstances in which it operates. I don’t think there is any single perfect goal to always aim at.

It may be a roundabout approach to explaining our conclusion to “what compensation plan will contribute to MSV” but let us begin by retracing our footsteps.

Nakamura ● Mr. Tsutsui and I were elected as Directors of NPHD at the General Meeting of Shareholders in March 2018. NPHD transitioned to “a Company with a Nominating Committee, etc.” structure in March 2020. As you know, in August 2020, we decided to fully include the Asian JVs, which had grown to account for roughly 50% of the consolidated revenue and over 60% of the consolidated operating profit, into the consolidation by acquiring their remaining 49% equity stakes. Decision to acquire the Indonesia business was also taken at the same time. These events required a major transformation of management teams and their compensation to take the Group to the next growth stage. It was also in 2020 that the Compensation Philosophy was established.

Now, let us look back at NPHD’s initiatives for business expansion and changes in the structure of our compensation design for the President in terms of timelines: First, the period “Up until the full integration of the Asian JVs (2018-2020);” and second, the period “From the full integration of the Asian JVs to the adoption of the Co-President structure (2021-2022).” Then we will turn our thoughts to “our vision for the future.”

Compensation Philosophy

Overarching Principle

- In order to implement MSV, to build a compensation plan that is transparent and satisfactory and to 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 continuously 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 Officer and 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

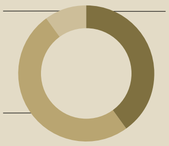
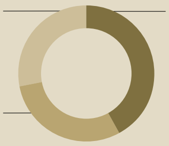
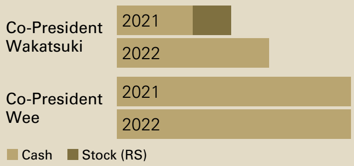
“Up until the full integration of the Asian JVs” (2018-2020)

What kind of executive compensation plan was necessary to prepare for the full integration of the Asian JVs?

Nakamura ● At the time we were elected as Directors, our committee was the Compensation Advisory Committee based on the corporate governance structure of “a Company with a Board of Company Auditors.” What was your first impression of the executive compensation plan and the issues it faced when you were initially briefed?

Tsutsui ● It may be misleading, but my first impression was that NPHD’s executive compensation plan was “an ordinary

President's compensation

	Prior to 2017	2018-2020 Up until the full integration of the Asian JVs	2021-2022 Under the Co-President structure
Concept	● Shifting from a Japan-oriented to global, evaluation and compensation were determined by using a formula which the growth rate of Nippon Paint Group's consolidated net sales and profit before tax as an indicator.	● Increasing stock-based compensation to be competitive globally ● Establishing financial and non-financial indicators to determine compensation based on comprehensive evaluation	● Reforming the total amount of compensation to be determined by linking it to the comprehensive performance evaluation of the previous year ● Total compensations are redefined each fiscal year from the ground up after a comprehensive evaluation of the performance from financial and non-financial perspectives, through discussions with the Co-Presidents and close communications with GKPs. And the composition of cash and stock compensation is also reviewed each time
Composition	Based on a fixed compensation table established in 2012 (example) 2017 	2020 	Based on comprehensive evaluation 2021 
Indicators used to determine performance-linked compensation (STI)	Financial indicators ● Consolidated net sales, consolidated profit before tax	Financial indicators (20% weight) ● Consolidated net sales consolidated profit before tax Non-financial indicators (60% weight) ● 12 non-financial KPIs involving the new management framework launched during the pandemic and after the transition to "a Company with a Nominating Committee, etc." structure, global management centered on ESG, training to create the next team of senior executives, corporate culture reforms, and other items EPS indicators (20% weight)	Comprehensive evaluation indicators ● Compensation is entirely variable compensation ● Financial indicators: Comparison of net sales, profitability, stock price, and other performance of Nippon Paint Group in the past, and comparison with competitors, as well as the degree of achievement relative to the current fiscal year's plan and the process of implementation, and other items ● Non-financial indicators: Cultivation of corporate culture, human capital enhancement, management for sustainable growth, and expectations for these indicators at all partner companies
Long-term incentives	● Stock option (a 3-year vesting period)	● Restricted stocks (transfer restrictions will be lifted upon retirement)	● Restricted stocks with transfer restriction (transfer restriction will be lifted upon retirement)

executive compensation plan of Japanese companies without any special features". We both already had a clear vision when we became the Directors that it would be an inevitable decision for NPHD to fully integrate the Asian JVs in the near future to achieve MSV and we had to prepare for this and, at the same time, guide the executives to make that decision.

Based on the executive compensation plan back then, the President's total compensation exceeded 100 million yen and the plan included short-term incentives (STI) in the form of performance-linked compensation and long-term incentives (LTI) through stock options. However, based on what we had in our mind as an ideal executive compensation plan, we thought something was missing—it needed a new approach, and one that was not limited by conventional arrangements, in order to boost the motivation and incentives of the President and other senior management to achieve MSV.

Nakamura ● I felt the same way. I visualized a President who would make the decision on the full integration of the Asian JVs or a President who would drive the globalized Nippon Paint Group to the next growth stage following the full integration of the Asian JVs. Then, thinking what kind of compensation plan would be appropriate for this person, I felt that NPHD would not be able to attract the person it required under the existing compensation plan.

Tsutsui ● That's right. What we needed was an executive compensation plan that motivated all of the management teams, from the President and other executives to bring out their maximum potential. If the right candidate is outside the Group, it should be able to attract and retain that person. Accordingly, we proceeded to reform it, focusing on "working out a satisfactory total amount of compensation, raising our compensation to a competitive level," and "designing a compensation structure that requires a clear commitment by the President to achieving MSV."

That said, if we were to determine compensation as the occasion demanded, we would be naturally required to determine compensation that is commensurate with the performance of the President in office at that time. While applying a strict performance assessment for the President, we proactively adopted a new approach to the composition of the President's compensation, by means such as increasing the proportion of stock-based compensation. In this manner, we enhanced

Major M&A transactions/Group reorganizations

2014 2015 2016 2017 2018 2019 2020 2021

NPHD/Japan
- October 2014 Completed the transition to a holding company structure
- April 2015 Completed the company spin-off by lines of business
- March 2020 Completed the transition to "a Company with a Nominating Committee, etc." structure
- April 2021 Transitioned to the Co-President structure
- October 2021 Started organizational realignment to become a pure holding company and a functional company in Japan

Asia
- December 2014 Completed the consolidation of the Asian JVs (ownership ratio: 51%)
- January 2017 Completed the acquisition of Huizhou CRF
- January 2021 Completed the full integration of the Asian JVs and acquisition of the Indonesia business
- March 2021 Completed the acquisition of Vital Technical
- November 2021 Decided to fully integrate the Chinese consolidated automotive subsidiaries

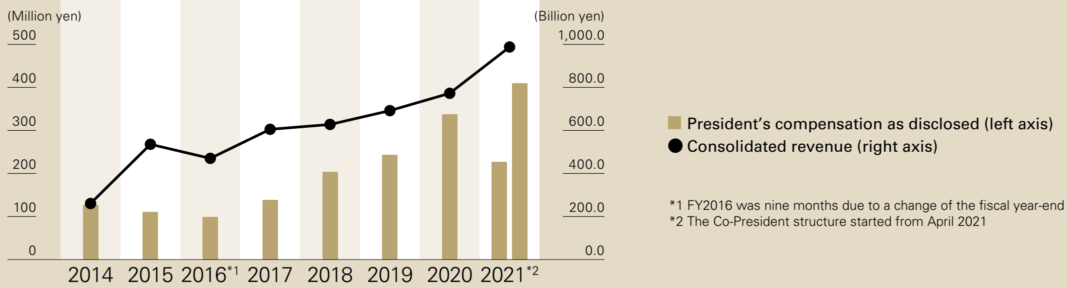
India business
European business
- July 2016 Completed the reorganization of the Indian automotive coatings business
- January 2016 Completed the full integration of Bollig & Kemper
- August 2021 Decided to transfer the European automotive business and the India businesses to Wuthelam Group

Oceania
- August 2019 Completed the acquisition of DuluxGroup
- October 2021 Decided to acquire Cromology
- October 2021 Decided to acquire JUB

Americas
- March 2017 Completed the acquisition of Dunn-Edwards

Other
- July 2019 Completed the acquisition of Betek Boya

The total amount of the President's compensation
(disclosed in the Annual Securities Report)



*1 FY2016 was nine months due to a change of the fiscal year-end
*2 The Co-President structure started from April 2021

our compensation plan in terms both of the total amount and of the composition of the compensation.

Nakamura ● As a result of those compensation reforms, we increased the compensation for the President in FY2020, when NPHD shifted to "a Company with a Nominating Committee, etc." structure, by around 2.4 times compared to the FY2017 prior to our election to the Directors. This was, even from a global perspective, a competitive level of compensation. We invited candidates for the President from outside the Group as well, and we believe that the reform of executive compensation plan paved the way for attracting external talent.

During this time, NPHD further expanded its global operations through the acquisitions of DuluxGroup in Australia and Betek Boya in Türkiye, full integration of the Asian JVs, and acquisition of the Indonesia business. As a result, the Group's overseas revenue increased to 70% of consolidated revenue and NPHD rose to the fourth place in the global paint and coating market after the top three dominant global players. At the same time, the Company reformed its executive compensation for the President to a level and composition appropriate to the leader that will further drive its growth strategy.

Fruition of the Compensation Philosophy

Tsutsui ● During this time, we certainly increased the compensation for the President. This reflects an appropriate evaluation and recognition of the President's job responsibility and performance, while at the same time incorporating the tough requirements that are expected in return. I can proudly say that our stance is reflected in our Compensation Philosophy (See page 112).

What I would like to emphasize, especially regarding the compensation design that we laboriously developed, is the following: The compensation for the President in FY2020 was comprised of job-based compensation as a fixed compensation accounting for around 40% of the total compensation. Of

the remaining 60% variable compensation, the proportion of the STI, which varies according to the performance evaluation, was reduced, while the proportion of the LTI, using restricted stock compensation, was increased by around three times.

The idea behind this composition of the compensation is that the STI portion will be strictly evaluated by the Compensation Committee, while the LTI portion should be evaluated by shareholders through the stock market. We wanted to develop a compensation plan which would make the President keenly aware of our and shareholders' constant scrutiny about his/her commitment to achieving MSV. To put it in extreme terms, our stance is that the President's compensation is never guaranteed in advance.

Why stock-based compensation is part of the compensation for Independent Directors?

Nakamura • So far, we have been looking back at our thoughts about the compensation for the President. What is required of Independent Directors is the same, in that our performance is always subject to shareholders' scrutiny.

Tsutsui • Indeed. Although business execution is not a part of our roles, we not only supervise the group management as an Asset Assembler but also assume the role and risk involved in making important decisions regarding the allocation of management resources entrusted to us by our shareholders. We believe that it is important to further enhance value sharing with shareholders, in other words, incentives for achieving MSV. That's why we have introduced stock-based compensation as part of the compensation for the Directors who do not serve concurrently as Executive Officers. This is restricted stock compensation that cannot be sold during the term of office. Also, Malus and Clawback clauses are in place, enabling the Independent Directors to properly share values with our shareholders, especially minority shareholders.

Nakamura • I believe that our compensation plan for Independent Directors is appropriate for a company that sees MSV as its sole mission. Specifically, the current compensation for Independent Directors is equally divided between cash and restricted stock. In principle, when the restriction is lifted after Independent Directors retire from their office, they have almost nothing left, except NPHD's stock, net of tax. In other words, the only incentive the Independent Directors receiving the restricted stock have is to boost NPHD's stock price continuously, both during their terms of office and after their retirement. The difference before our election and after our retirement as NPHD's Independent Directors is an indication that we will have truly become minority shareholders of NPHD.

Tsutsui • That is how we have designed the compensation for Independent Directors. In order for the Group to expand operations globally through M&A based on Asset Assembler model and to build a really sustainable management base to achieve MSV, with all possible concerns for the Group eliminated, Independent Directors must not only supervise the Group's management from both "independent and outside" perspectives, but also be committed to devoting a considerable amount of their time and maintaining close and excellent discussions on individual agenda items requiring management decision-making. Considering these points, I believe that it is an appropriate compensation composition for NPHD's Independent Directors to include stock-based compensation.

"From the full integration of the Asian JVs to the adoption of the Co-President structure" (2021-2022)

Nakamura • We were able to reflect on the discussions and issues surrounding our executive compensation plan that culminated in our Compensation Philosophy. I would now like to take a fresh look at the new reform initiatives of the Compensation Committee to prepare for transition to the current Co-President structure.

Discussions centered on evaluating and determining compensation for the President

Nakamura • I believe that the Compensation Committee worked from the premise that we should focus on the evaluation and determination of the compensation for the President, who is the head of the Company. Therefore, we have separately established the "Design Policies for the Compensation of the Representative Executive Officers and Co-Presidents Compensation" (See page 112), in compliance with the Compensation Philosophy. First, let us outline the background of this concept.

Tsutsui • Since our election as Directors, we have envisioned a business model for Nippon Paint Group of expanding its operations for even further growth globally, considering the characteristics of its business areas centered on paint and coatings. What we had in mind specifically was a business model in which NPHD will attract partner companies around the globe and drive growth at each partner company by essentially entrusting these companies with autonomous management based on trust.

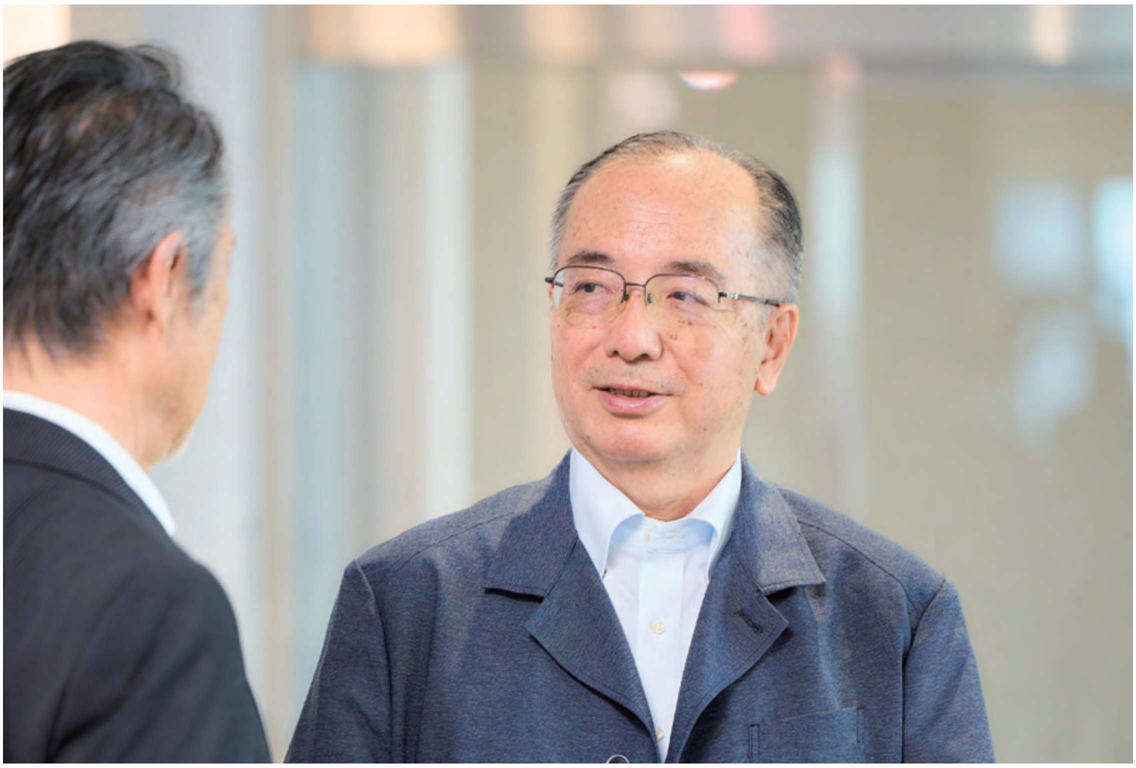
The key to the success of this growth model is, unquestionably, the Co-Presidents of NPHD, which is a pure holding company. Therefore, the Compensation Committee determined that the evaluation and determination of compensation for the Co-Presidents to be our most important role. We needed to establish a compensation plan that would strongly support the group management led by the Co-Presidents. In the meantime, we decided to delegate to the Co-Presidents the responsibility for evaluating and determining the compensation for the management teams of partner companies.

Nakamura • These discussions led to the development of the current Asset Assembler model. We thought the key parameters for properly evaluating the performance of the Co-Presidents would be: "how well the Co-Presidents lead other Executive Officers, and Global Key Persons (GKPs), who are the key management teams of partner companies," and "how well they determine compensation for GKPs."

Tsutsui • I believe that is at the core of our approach to the evaluations we will perform. The Compensation Committee members are responsible for evaluating the performance and determining the compensation of the Executive Officers, including the Co-Presidents. The prerequisite for our evaluation of the Co-Presidents is an understanding by the Compensation Committee members of the personalities and performance of the Co-Presidents, as well as GKPs, including the Executive Officers.

Therefore, we have established a procedure by which the Co-Presidents' report to the Compensation Committee on how they manage and evaluate other Executive Officers and GKPs, while the Compensation Committee evaluates and determines the compensation for the Co-Presidents and other Executive Officers after carefully considering the content of reports from the Co-Presidents.

Every partner company has its own approach to evaluation and compensation decisions according to the culture and



business practices of each region. Based on Asset Assembler model, we do not impose a standardized compensation structure. Rather, we are required to work with the Co-Presidents to explore a better direction that suits each region and business based on a deep understanding of the uniqueness of each partner company. We believe the diversity of our compensation is going to expand beyond our imagination.

The Co-Presidents make a report to the Compensation Committee jointly with the Nominating Committee members. This enables an organic coordination between proper nomination and compensation decisions for the Co-Presidents and other Executive officers. We believe these integrated activities will contribute practically to Nippon Paint Group's achievement of MSV.

Focusing on communications with the GKPs

Nakamura • We have been taking the evaluation of the GKPs reported by the Co-Presidents quite seriously. At the same time, our focus has been on seeing for ourselves the Co-President's evaluation of GKPs by directly communicating with GKPs.

Tsutsui • In order to properly evaluate the performance of the Executive Officers, including the Co-Presidents, and determine their compensation, it is not right to make decisions based solely on the degree of achievement of numerical targets, not is it right to do so by taking the reports from the Co-Presidents at face value. The important thing is to evaluate a person's value as a manager from multifaceted perspectives and so to understand the merit of each person.

Nakamura • Adequate communication is essential for this purpose, and both the Nominating Committee and the Audit Committee have been working on expanding communication with GKPs.

The Audit Committee follows an "Audit on Audit" system, in which our partner companies are grouped by business or region and NPHD audits the status of auditing within each group. The Audit Committee also interviews each GKP on a regular basis. the meetings of Independent Directors, where I serve as the Chairperson, have also spent time to increase communication with GKPs through meetings over lunch and on other occasions.

The qualitative information and relationship building that these opportunities provide is invaluable for the Board of Directors in understanding the Group's human capital at the senior management level that goes beyond the scope of the Committees.

Nakamura • Mr. Goh Hup Jin has been in the paint and coatings businesses, working with GKPs longer than any of the other Directors, and he therefore knows them better than any of us. Mr. Goh's relationship with GKPs, which is based on trust, was therefore essential when we began communicating with them. His experience-based insight will be invaluable as we work to expand communications with GKPs. In view of the above, we have nominated Mr. Goh to serve on both the Nominating and Compensation Committees.

While Mr. Goh brings shareholder perspectives to the Compensation Committee's deliberations, his opinion carries only one-third the weight as it is a three-member committee. We believe that it is important for the Compensation Committee to ensure that Mr. Goh's views are not expressed outside the committee and are taken into consideration in decision making. We believe that this will help in gaining the confidence of the management team of NPHD, including the Co-Presidents.

Going beyond formula-based compensation decisions

Nakamura • Through these communications, we have made an effort to assess the merits of the Co-Presidents and other Executive Officers. We have also had many discussions on how we should reflect the results of evaluations based on this assessment for making compensation decisions.

Tsutsui • Under the executive compensation plan that was in place prior to our election as Directors, the amount of performance-linked compensation for the President was automatically calculated by using a formula that used consolidated net sales and profit before tax as indicators.

This compensation is linked directly to Nippon Paint Group's performance and had the advantage of being fair and transparent to some degree. However, we didn't think that it was really the best way to evaluate the performance of executives, nor did we think that each member of the management team would be convinced that their performance had been properly evaluated and recognized. We thought that calculating and determining the compensation based on formulas have limitations because Nippon Paint Group must respond with agility to the rapid changes in business environment, which have been exacerbated by the pandemic. Therefore, we continued to explore an optimal evaluation and compensation determination method that can quickly reflect the current business climate.

Nakamura • I believe this is the core of the transformation, led by the Compensation Committee, from the conventional "evaluation and compensation decisions using a position- based fixed compensation table" to "compensation decisions based on comprehensive evaluations."

Based on our activities to enhance the compensation for the President in terms of both the total amount and composition, we decided to comprehensively evaluate the performance of the Co-Presidents through dialogues with them and close communications with GKPs for determining their compensation in FY2021. We also decided that total compensation, starting in FY2022, will be determined every year from the ground up and the percentages of cash and stock-based compensation will be reviewed every year.

Tsutsui • We often hear people say that compensation based on a clearly defined formula makes it more transparent as performance-linked compensation. However, Nippon Paint Group is undergoing drastic transformations. Group companies establish initial plans and budgets as well as KPIs from both financial and non-financial perspectives. We have held many discussions on whether compensation decisions using a formula based on company business plans would really work as an appropriate incentive to achieve MSV at a time when the Group is undergoing growth amid drastic changes in the business environment.

It is our responsibility to strongly support the Co-Presidents as they review business plans with agility and a sense of vigilance. We must also support their relentless pursuit of major goals and by extension growth to achieve MSV. We intend to work with the Co-Presidents to determine actions that are needed to keep changing based on the concept of MSV.

Nakamura • This may not be a good analogy, but members of the Compensation Committee were thinking about the fact that "An officer going to the war is not asked to only follow predetermined KPIs or review KPIs every time." Willis Towers Watson, which is our external compensation advisor,

commented that we are oriented toward the OODA (Observe, Orient, Decide, Act) model, which is more flexible and responsive to different situations, rather than the PDCA (Plan, Do, Check, Action) model, which requires careful planning.

Tsutsui • We constantly discuss group activities more at the Board of Directors meetings than at the Compensation Committee meetings. These discussions involve both financial indicators and non-financial indicators, such as ESG and sustainability performance.

However, we do not believe that we can arrive at the compensation plan we seek to achieve by simply calculating compensation by doing additions and subtractions based on the degree of attainment of KPI targets. For example, we could add 5 points because performance exceeded the initial target by 5% for a particular KPI involving ESG.

Rather, it is important to comprehensively evaluate each individual's actions, performance and contributions at that point, taking into consideration the changing environment and other situations. Even if revenue and profits decline, for instance, we may give someone a positive evaluation if the decrease was caused by external factors and the market share increased despite the decline. On the contrary, we may give someone a negative evaluation even when revenue and profit increase if the benefits of price increases to reflect higher expenses did not emerge in a timely manner.

We believe that a comprehensive evaluation that carefully examines performance will serve as a proper incentive for executives to maximize their performance, as well as lead to the retention of these people.

Nakamura • The compensation for the Co-President is based solely on a comprehensive evaluation by the Compensation Committee, and total compensation for the following year will be reviewed from the ground up. Therefore, the Co-Presidents' compensation consists entirely of variable compensation. From the standpoint of people being evaluated, this may be a very demanding compensation plan.

For this compensation system to really function properly, the prerequisite is that we win the trust of the Co-Presidents that our judgments will definitely lead to MSV. I am convinced that the relationship we have developed with them through communications and the mutual trust backed by our track record will be the driving force behind our compensation plan.

Our vision for the future

Nakamura • We have covered the main topics that we considered and discussed leading up to the current Co-President structure. From here on, I would like to summarize our thoughts looking to the future.

What kind of compensation is conducive to sharing value with our shareholders?

Tsutsui • When considering our future compensation design, I believe we should place even more emphasis on determining what kind of compensation is truly conducive to raising incentives for achieving MSV and furthering value sharing with shareholders.

Nakamura • From that perspective, there is also the question of who should share value with shareholders in the first place. We also need to think about whether the best approach is holding stock, receiving stock as compensation, having compensation linked to the stock price, and so on.

Tsutsui • Directors are directly elected by shareholders. Therefore, it is obvious that we need to share value especially with minority shareholders. From a global perspective, there are many examples of companies that establish shareholding guidelines for their presidents. Simply put, the Co-Presidents are subject to these guidelines. It is natural to believe that the shortest path to value sharing with shareholders is for the Co-Presidents to hold a significant number of shares of NPHD stock.

In this regard, we should either establish a policy that allows the Co-Presidents to purchase this stock or design our stock-based compensation in a suitable manner. But in reality, it's not that simple.

Even if the Co-Presidents intend to purchase NPHD stock, they will definitely be exposed to material facts constantly as they implement growth strategies such as our Asset Assembler model. That means they will have very few opportunities to purchase stock. To deal with this issue, we are considering upgrading our insider information management system, including the development of contracts that allow trading of our shares through advance planning. We are still considering whether these steps can address all the issues.

Whether or not the use of stock-based compensation will solve the issues, it is not a good idea to impose a one-size-fits-all compensation plan. This is because, for a company like NPHD, where we consider external candidates for becoming the President or electing a person from an overseas partner company, we must take into account the continuity with existing compensation and the different levels and composition of compensation in other countries, which are strongly influenced by cultural differences.

Nakamura • The Compensation Committee is responsible for ensuring that the Co-Presidents' compensation is structured to allow value sharing with shareholders.

In other words, it is our critical mission to maximize the motivation of the Co-Presidents, who are responsible for business execution to pursue MSV, and to rigorously evaluate their performance with emphasis on value sharing with shareholders. In fact, this is a more demanding task than might be expected and a very serious responsibility.

Our next move to create compensation that further contributes to MSV

Tsutsui • We are determined to fulfill this role. An ideal compensation plan has no goal. We must continue to explore the best way to compensate our executives. I believe the validity of the concept of MSV we have created and our thoughts on the evaluation and compensation decisions based on trust to achieve MSV will be put to the test from now on. I am convinced that our initiatives for achieving MSV will advance to the next stage from here on.

Nakamura • Today, we had an opportunity to reflect on our thoughts on each stage and reaffirm the role of the Compensation Committee. We will do our best to take the committee activities to the next level.

Thank you very much for your time.

Further strengthen risk management by setting appropriate agendas and prompt responses

Yuri Inoue

Managing Executive Officer and GC

Many hidden risks exist in the frontline. This means that the most effective risk management can be implemented by partner companies around the world that are familiar with their respective regions and markets, rather than by Nippon Paint Holdings, which is a pure holding company. We believe that the best way to contribute to the Group's sustainable growth is to entrust detailed internal controls to the Partner Company Group (PCG: Nippon Paint Group companies grouped by region or business) as a "Corporate Group with Integrity," while limiting our centralized internal controls of partner companies to the minimum required level. Under this concept, we, as an Asset Assembler, take a role to control the Group's risks while respecting the independence and autonomy of the partner companies.

We have reformed our internal control system into one suitable for Asset Assembler model. In addition, we have built a mechanism that enables checking the risk factors at the Group in a simple manner by incorporating the newly established Global Code of Conduct (see the next page), the internal reporting system (Whistleblowing Hotline), and risk management policies into this internal control system (see the figure below). The effective functioning of this internal control system requires "mutual trust" and "simple communication channels" that ensures sharing important information between NPHD and its partner companies. In addition, there is a structure in place to immediately and appropriately take actions by using daily communication channels in case a serious problem or concern occurs.

Regarding human capital, raw material procurement, IT, and other risk factors that were identified in January 2022, we decided to take measures on a case-by-case basis in conjunction with the management of each region because taking actions in individual regions is more effective. We believe that this risk management system is superior because it enables us to respond with flexibility to new risks in present society that is difficult to predict and changes rapidly. In Japan, where structural reforms are being carried out to improve profitability, we are also increasing the sophistication of our risk management methods in cooperation with the audit department, which is conducting data analysis, for improving the depth and efficiency of both the structure and the methods for risk management.

Global themes related to ESG, such as the environment, ethical procurement, and human rights, will become increasingly significant business risks. In order to address these issues that are related to global social demands and are difficult to deal with in a single region or business unit, I will further strengthen risk management of the Group by setting appropriate agendas and promptly addressing them with the Co-Presidents and the Global Teams and a proper level of vigilance as the General Counsel.

Relationship between Basic Policy of Internal Control System and related regulations

Basic Policy of Internal Control System

- **Nippon Paint Group Global Code of Conduct**
  Group's Code of Conduct to be shared globally by the entire Group
- **Global Basic Policy of Whistleblowing Hotline**
  Clarify policy for Whistleblowing operated by each partner company
- **Global Risk Management Basic Policy**
  Define roles and responsibilities of each company for effective risk management

Establishment of the Global Code of Conduct

In January 2022, our Group established the Nippon Paint Group Global Code of Conduct, a code of conduct on compliance, ethics, and sustainability to be shared and observed by all Group companies. Drafting was conducted with the participation of Compliance, Finance, and Human Resources managers from NPHD and its partner companies in Japan and overseas, and based on discussions from a global perspective with an eye to future business in each region and market.

Promotion of risk management

In January 2022, our Group established a Global Risk Management Basic Policy with the aim of clarifying the global framework for risk management. The Policy specifies that, while the Co-Presidents will be the responsible persons, the head of PCG is accountable for identifying risks that need to be addressed as the first line of defense, for planning and executing their management, conducting self-inspections, and making improvements. The Co-Presidents oversee these risk management activities and monitor the functioning of the risk management system from a Group-wide perspective.

The self-inspection results of each PCG are reported to the Co-Presidents once a year, and global "Risk Management Committee" meetings are held as necessary to discuss the results after recognizing the risks to our Group as a whole and identifying any common risks. These risk analysis results are also reported to the Board of Directors.

Based on the results of self-inspection conducted by PCG in January 2022, the following Group risks have been identified.

Identified Group risks

- Risks related to human capital, including the succession of the Group's management team
- Risks related to the Group's Business Continuity Plan (BCP), including global raw materials price hikes, natural disasters, and IT security
- Risks related to international taxation, etc., resulting from the deepening cooperation among Group companies in terms of brands, and technologies, etc.
- Risks related to compliance issues, such as information leaks and employee misconduct, for which the demand from society to respond is increasing

In addition to the Group risks mentioned above, we also recognize the following individual risks identified in each region and business.

- Risks related to R&D to enhance differentiation and competitiveness in China, and strategic adaptation to changes in customer conditions, etc.
- Risks related to organizational efficiency and labor productivity enhancement to improve profitability in Japan, etc.

Nippon Paint Group Global Code of Conduct

Global Code of Conduct ensure our people act according to our Purpose and our stakeholders understand how we operate.

DEALING WITH INTEGRITY

We maintain our reputation by conducting our business in a fair and honest way.

We compete fairly
We market responsibly
We conduct business ethically
We comply with laws, regulations and maintain accurate records
We do not tolerate bribery or corruption
We avoid conflict of interest and are responsible to act sensibly with gifts and entertainment
We prohibit insider trading
We do not compromise on quality or safety
We protect our assets and confidential information
We use technology and innovation to enhance and enrich

WORKING TOGETHER

We care and work as a team to ensure the safety and well being of all our stakeholders.

We care about people
We work as a team
We embrace diversity
We treat each other and our stakeholders fairly
We provide a safe and healthy workplace free from harassment and discrimination
We act in the best interest of the company
We work collaboratively with our partner companies for the greater good
We act in accordance with the Global Code of Conduct and protect those that speak up

RESPECTING ENVIRONMENT & COMMUNITIES

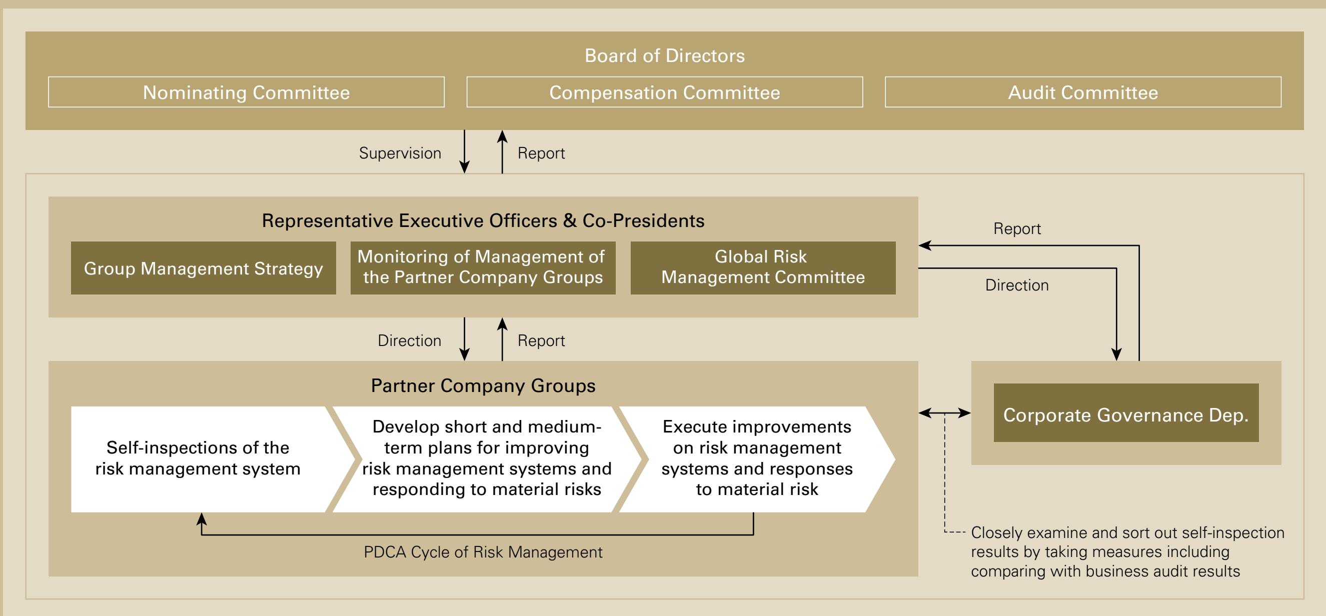
We respect and enrich the environment & communities that we operate in.

We embrace social and environmental responsibility
We respect human rights, including supporting all efforts to eliminate forced labour and child labour
We strive to reduce the environmental impact of what we do
We aim to leave a positive and sustainable footprint

Acting in accordance with Global Code of Conduct, Speaking Up when there is a suspected breach and protecting others who Speak Up is a responsibility for all who work with us. (To Speak Up*)

*Concrete focal point information/procedures for Speak up by employee is provided locally in a manner of no unfair treatment or fear of retaliation to those who make honest speak up.

Risk management system



Major Financial and Non-financial Data over 11 Years

Nippon Paint Holdings Co., Ltd. and Its Consolidated Subsidiaries
The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, the consolidation period for the fiscal year ended December 31, 2016 is the nine months starting on April 1, 2016 and ending on December 31, 2016.
The Company has adopted the International Financial Reporting Standards (IFRS) starting from the fiscal year ended December 31, 2018, the financial results figures with IFRS.

JGAAP

Financial indicators	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Fiscal year (Million yen)						
Net sales	227,378	222,256	233,380	260,578	260,590	535,746
Gross profit	75,104	73,329	82,038	93,640	92,550	223,343
Operating income	15,975	16,323	25,860	33,387	33,751	71,352
Profit attributable to owners of parent	14,350	12,312	20,018	32,156	181,477	30,020
EBITDA*2	25,055	24,626	33,093	40,438	40,722	97,885
Capital expenditures	5,554	3,553	5,107	5,980	5,130	19,034
Depreciation and amortization	9,079	8,302	7,233	7,051	6,970	26,533
R&D expenses	7,032	6,573	6,018	5,915	5,987	15,177
Cash flow (Million yen)						
Cash flow from operating activities	20,345	22,483	31,848	26,920	34,419	63,101
Cash flow from investing activities	(8,487)	(3,713)	(6,918)	(7,173)	(86,966)	(5,308)
Cash flow from financing activities	(11,578)	(11,942)	(18,744)	(21,034)	85,298	(24,699)
Free cash flow	11,858	18,769	24,929	19,746	(52,547)	57,793
Fiscal year end (Million yen)						
Total assets	265,905	274,105	287,992	324,028	810,727	791,459
Total liabilities	129,295	128,723	115,967	116,312	220,804	223,710
Shareholders' equity	139,603	149,784	166,881	188,782	465,513	474,989
Total net assets	136,610	145,382	172,024	207,715	589,923	567,748
Net debt*3	21,133	4,898	(18,582)	(30,844)	(105,959)	(102,442)
Per share information (Yen)						
Earnings per share (EPS)*5	54.18	46.51	75.62	122.47	650.04	93.61
Book-value per share (BPS)	481.41	514.45	609.20	746.25	1,496.16	1,464.06
Annual dividends per share	8.00	9.00	14.00	20.00	22.00	35.00
Financial indicators						
Operating income margin (%)	7.0	7.3	11.1	12.8	13.0	13.3
EBITDA margin (%)	11.0	11.1	14.2	15.5	15.6	18.3
Return on equity (ROE) (%)	11.6	9.3	13.5	18.1	53.8	6.3
Return on assets (ROA) (%)	5.4	4.6	7.1	10.5	32.0	3.8
Return on invested capital (ROIC) (%)*6	8.3	6.9	11.3	15.2	9.5	10.3
D/E ratio (times)	0.39	0.30	0.16	0.09	0.06	0.09
Net D/E ratio (times)	0.17	0.04	(0.12)	(0.16)	(0.22)	(0.22)
Dividend payout ratio (%)*7	—	—	—	—	—	27.8
Total shareholder return (TSR) (%)	—	—	—	—	—	—
Price-earnings ratio (PER) (times)	10.3	13.5	12.4	12.8	6.8	26.7
Price book-value ratio (PBR) (times)*8	1.2	1.2	1.5	2.1	2.9	1.7
Net debt/EBITDA	0.8	0.2	(0.6)	(0.8)	(2.6)	(1.1)

Non-financial Data	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Governance						
Number of Directors of the Board (persons)*9	8	8	8	10	8	6
Ratio of Independent Directors on the Board (%)*9	0.0	0.0	0.0	0.0	12.5	16.7
Social						
Number of employees (persons)	5,728	5,762	5,888	5,755	15,780	16,498
Ratio of overseas employees to all employees (%)	43.6	45.5	47.8	48.2	81.7	82.2
Ratio of female managers in Group companies (Japan Group) (%)*10	—	—	—	—	—	1.6
Number of fatalities as a result of work-related injury (Global) (cases)*11	—	—	—	—	—	0
Environment						
CO_2 emissions in Japan (Scope 1 + Scope 2) (t-CO_2)*12	—	—	—	—	—	42,023
Ratio of water-based paints in the decorative paints business (Global) (%)*13	—	—	—	—	—	79.2

*1 The earnings for FY2020 and thereafter have been adjusted retrospectively following the classification of the European automotive coatings business and the India business as discontinued operations after they were transferred to Wuthelam Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with 4Q FY2021.
*2 EBITDA: Operating profit + depreciation and amortization + impairment loss + gain on negative goodwill
*3 Net debt: Interest-bearing debt (bonds and borrowings (current/non-current) + other financial liabilities (current/non-current) – liquidity on hand (cash and cash equivalents + other financial assets (current))
*4 A five-for-one stock split of shares of common stock of the Company was conducted with March 31, 2021 as the record date and April 1, 2021 as the effective date.
Per share information (EPS, BPS) is calculated assuming that the stock split was carried out at the beginning of FY2020. Annual dividends per share in FY2020 is the actual amount of dividend paid before the stock split.
*5 Profit attributable to owners of the parent per share and shareholders' equity per share are calculated by subtracting the number of treasury stock from the total number of issued shares.
*6 ROIC (JGAAP): Operating profit after tax / (net debt + total net assets)
ROIC (IFRS): Operating profit after tax / (net debt + total equity)

For more information, see "Progress of the Medium-Term Plan (FY2021-2023) on page 51.

IFRS

	2016/12	2017/12	2018/12	2019/12	2020/12 *1	2021/12 *1
Fiscal year (Million yen)						
Revenue	470,161	605,252	627,670	692,009	772,560	**998,276**
Gross profit	204,875	245,196	242,164	275,649	321,224	**378,323**
Operating profit	72,489	74,957	86,542	78,060	87,594	**87,615**
Profit attributable to owners of parent	34,788	37,123	45,351	36,717	43,921	**67,569**
EBITDA*2	95,382	104,405	104,965	115,145	117,312	**117,311**
Capital expenditures	21,019	24,814	22,453	35,263	36,767	**49,513**
Depreciation and amortization	22,892	29,447	18,390	25,769	29,446	**33,889**
R&D expenses	12,037	14,814	16,997	17,416	17,462	**24,251**
Cash flow (Million yen)						
Cash flow from operating activities	77,916	79,265	61,533	92,076	87,633	**67,428**
Cash flow from investing activities	(42,697)	(100,680)	(37,439)	(352,769)	(35,440)	**(102,355)**
Cash flow from financing activities	(8,583)	(11,434)	6,228	254,018	60,869	**(62,309)**
Free cash flow	35,218	(21,414)	24,093	(260,693)	52,192	**(34,927)**
Fiscal year end (Million yen)						
Total assets	827,996	920,591	953,988	1,478,646	1,614,580	**1,955,083**
Total liabilities	242,238	291,182	306,370	790,667	915,578	**986,388**
Total equity attributable to owners of parent	496,944	521,040	520,047	552,922	567,594	**959,518**
Total equity	585,757	629,408	647,618	687,979	699,002	**968,694**
Net debt*3	(140,895)	(72,866)	(89,335)	310,890	309,162	**429,287**
Per share information (Yen)*4						
Basic earnings per share (EPS)*5	108.48	115.76	141.41	114.48	27.38	**29.41**
Book-value per share (BPS)	1,475.93	1,572.60	1,621.54	1,723.75	353.80	**408.61**
Annual dividends per share	40.00	42.00	45.00	45.00	45.00	**10.00**
Financial indicators						
Operating profit margin (%)	15.4	12.4	13.8	11.3	11.3	**8.8**
EBITDA margin (%)	20.3	17.2	16.7	16.6	15.2	**12.1**
Return on equity (ROE) (%)	7.4	7.6	8.8	6.8	7.8	**8.8**
Return on assets (ROA) (%)	4.3	4.3	4.8	3.0	2.8	**3.8**
Return on invested capital (ROIC) (%)*6	11.7	11.5	11.5	7.1	6.8	**5.7**
D/E ratio (times)	0.10	0.14	0.19	0.90	1.07	**0.63**
Net D/E ratio (times)	(0.30)	(0.14)	(0.17)	0.56	0.54	**0.45**
Dividend payout ratio (%)*7	29.1	27.6	31.8	39.3	32.9	**34.0**
Total shareholder return (TSR) (%)	—	113.2	120.8	181.2	361.3	**204.0**
Price-earnings ratio (PER) (times)	29.4	30.8	26.6	49.3	82.8	**42.6**
Price book-value ratio (PBR) (times)*8	2.2	2.3	2.3	3.3	6.4	**3.1**
Net debt/EBITDA	(1.5)	(0.7)	(0.9)	2.7	2.6	**3.6**

	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12
Governance						
Number of Directors of the Board (persons)*9	7	7	10	11	9	**8**
Ratio of Independent Directors on the Board (%)*9	28.6	28.6	50.0	45.5	66.7	**75.0**
Social						
Number of employees (persons)	16,872	20,257	20,402	25,970	27,318	**30,247**
Ratio of overseas employees to all employees (%)	82.2	85.1	84.2	87.0	87.2	**89.1**
Ratio of female managers in Group companies (Japan Group) (%)*10	2.5	3.3	4.1	4.3	4.9	**6.1**
Number of fatalities as a result of work-related injury (Global) (cases)*11	0	1	0	0	0	**3**
Environment						
CO_2 emissions in Japan (Scope 1 + Scope 2) (t-CO_2)*12	27,860	35,893	36,430	45,714	42,374	**42,971**
Ratio of water-based paints in the decorative paints business (Global) (%)*13	80.1	82.3	83.8	86.7	87.5	**89.9**

*7 Dividend payout ratio for FY2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill.
*8 PER: Share price / book-value per share (BPS)
*9 Number of the Directors who assumed office after the conclusion of the Ordinary General Meeting of Shareholders held during the current fiscal year. The FY2021 figure is the number of the Directors in office on or after April 28, 2021
*10 Including Nippon Paint Holdings (NPHD)
*11 Number of fatalities as a result of work-related injury in FY2021 includes accidents involving contractors
*12 The survey coverage through FY2017 is six companies: NPHD, NPTU, NPAC, NPIU, NPSU, and NPMC. The survey coverage from FY2018 is seven companies: NPHD, NPTU, NPAC, NPIU, NPSU, NPMC, and NPMJ.
*13 Calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Data for four companies: NPTU and NIPSEA (beginning in FY2016), Dunn-Edwards (beginning in FY2017), and DuluxGroup (beginning in FY2019)

11-year Data by Segment

Nippon Paint Holdings Co., Ltd. and Its Consolidated Subsidiaries
The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, the consolidation period for the fiscal year ended December 31, 2016 is the nine months starting on April 1, 2016 and ending on December 31, 2016.
The Company has adopted the International Financial Reporting Standards (IFRS) starting from the fiscal year ended December 31, 2018, the financial results figures with IFRS.

	JGAAP					
By region	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Japan						
Net sales (Billion yen)	173.7	172.3	174.5	187.5	187.2	174.3
Operating income (Billion yen)*2	13.2	15.3	22.4	27.0	26.4	29.2
Number of employees (persons)	—	3,139	3,074	2,983	2,886	2,935
Asia						
Net sales (Billion yen)	35.1	32.4	37.1	45.7	43.9	317.4
Operating income (Billion yen)	3.1	1.4	2.4	4.3	4.5	37.7
Number of employees (persons)	—	2,057	2,173	2,214	12,282	12,617
NIPSEA China						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Asia Excepting NIPSEA China						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Oceania						
Net sales (Billion yen)	—	—	—	—	—	—
Operating income (Billion yen)	—	—	—	—	—	—
Number of employees (persons)	—	—	—	—	—	—
Americas						
Net sales (Billion yen)	16.0	15.1	19.1	23.6	25.8	33.2
Operating income (Billion yen)	(0.2)	(0.3)	0.9	2.0	2.7	5.2
Number of employees (persons)	—	510	585	502	525	536
Other						
Net sales (Billion yen)	2.6	2.5	2.7	3.8	3.7	10.9
Operating income (Billion yen)	(0.1)	(0.0)	(0.1)	0.1	0.1	(0.9)
Number of employees (persons)	—	56	56	56	87	410

By business	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Net sales (Billion yen)						
Automotive coatings business	74.7	72.4	81.3	92.5	93.4	138.8
Decorative paints (including heavy duty) business	41.7	39.8	43.8	50.1	45.8	253.4
Industrial coatings business	40.9	42.1	43.6	47.6	46.4	68.3
Fine chemicals business	13.3	13.4	13.0	14.6	15.5	17.4
Others (marine & auto refinishes, etc.) business	56.7	54.5	51.7	55.8	59.5	58.0

*1 The earnings for FY2020 and thereafter have been adjusted retrospectively following the classification of the European automotive coatings business and the India business as discontinued operations after they were transferred to Wuthelam Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with 4Q FY2021.
*2 Operating profit in the Japan segment excludes the dividends received from overseas Group partner companies.
*3 The number of employees of NPHD, which was previously included in the Japan segment, has been included in the Consolidated total (common) since FY2021.

For more information, see "Progress of the Medium-Term Plan (FY2021-2023) on page 51.

IFRS

	2016/12	2017/12	2018/12	2019/12	2020/12 *1	**2021/12** *1
Japan						
Revenue (Billion yen)	127.9	175.9	182.8	182.6	162.0	**164.6**
Operating profit (Billion yen)*2	24.3	30.6	29.6	23.4	16.1	**10.3**
Number of employees (persons)	3,005	3,013	3,223	3,373	3,510	**3,294**
Asia						
Revenue (Billion yen)	297.5	347.0	355.7	359.2	354.5	**530.2**
Operating profit (Billion yen)	43.3	40.8	52.4	50.8	55.3	**60.9**
Number of employees (persons)	12,793	14,449	14,287	14,303	15,354	**18,253**
NIPSEA China						
Revenue (Billion yen)	—	—	251.7	257.5	268.1	**379.1**
Operating profit (Billion yen)	—	—	38.4	40.1	43.9	**35.9**
Asia Excepting NIPSEA China						
Revenue (Billion yen)	—	—	104.1	101.7	86.4	**151.1**
Operating profit (Billion yen)	—	—	14.0	10.7	11.4	**25.0**
Oceania						
Revenue (Billion yen)	—	—	—	47.6	148.3	**176.2**
Operating profit (Billion yen)	—	—	—	5.9	15.4	**19.0**
Number of employees (persons)	—	—	—	3,735	3,826	**3,927**
Americas						
Revenue (Billion yen)	32.2	68.2	75.2	74.6	70.1	**76.4**
Operating profit (Billion yen)	5.1	3.2	5.0	5.0	4.5	**3.6**
Number of employees (persons)	627	2,407	2,492	2,640	2,581	**2,576**
Other						
Revenue (Billion yen)	12.6	14.1	13.9	28.0	37.6	**50.8**
Operating profit (Billion yen)	(0.4)	0.2	(0.5)	(7.0)	5.4	**7.1**
Number of employees (persons)	447	388	400	1,919	2,047	**1,793**
Consolidated total (Common)*3						
Number of employees (persons)			—	—	—	**404**

	2016/12	2017/12	2018/12	2019/12	2020/12 *1	**2021/12** *1
Revenue (Billion yen)						
Paint and coatings business			627.7	666.5	695.9	**899.3**
Automotive coatings business	129.0	148.4	160.2	149.6	113.5	**132.7**
Decorative paints (including heavy duty) business	226.2	308.8	322.5	370.7	440.9	**607.1**
Industrial coatings business	58.4	73.0	68.8	70.2	69.1	**84.8**
Fine chemicals business	15.6	18.9	19.4	18.9	15.6	**16.4**
Others (marine & auto refinishes, etc.) business	40.9	56.0	56.8	57.0	56.7	**58.3**
Paint related business			—	25.5	76.7	**99.0**

(as of December 31, 2021)

Corporate Profile

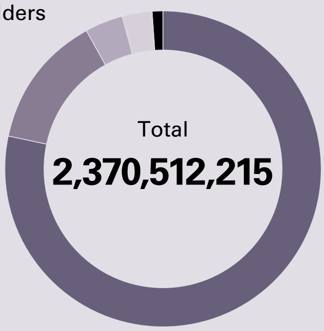
Trade name	Nippon Paint Holdings Co., Ltd.
Head Office	Tokyo Head Office MUSEUM TOWER KYOBASHI, 14th floor, 1-7-2 Kyobashi, Chuo-ku, Tokyo, Japan Tel: (+81) 3-6433-0711 Osaka Head Office 2-1-2 Oyodo Kita, Kita-ku, Osaka-shi, Osaka, Japan Tel: (+81) 6-6458-1111
Founded	March 14, 1881
Capital	671,432 million yen
Employees	30,247 (Consolidated)
Fiscal year	From January 1 to December 31

Stock Information (as of June 30, 2022)

Total number of authorized shares	5,000,000,000
Total number of issued shares	2,370,512,215
Number of shareholders	17,373

Distribution by type of shareholders (ratio of the shares owned)

Foreign investors	78.35%
Financial institutions	13.62%
General corporations	3.85%
Other corporations	3.08%
Financial instruments business operators	1.07%



*1 The treasury stock of 22,085,512 shares is included in "Individuals and others."
*2 Shareholding ratios are rounded to two decimal places.

Major shareholders

Name	Number of shares (thousands)	Shareholding ratio (%)
Nipsea International Limited	1,293,030	55.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	120,214	5.11
Fraser (HK) Limited	85,000	3.61
Clearstream Banking S. A.	84,061	3.57
HSBC Bank Plc A/C Client 3	76,244	3.24
Nippon Life Insurance Company	54,085	2.30
Sumitomo Life Insurance Company	46,941	1.99
GIC Private Limited – C	39,905	1.69
Custody Bank of Japan, Ltd. (Trust Account)	34,571	1.47
The Master Trust Bank of Japan, Ltd. (Toyota Motor Account)	25,547	1.08

*1 The shareholding ratio is calculated exclusive of treasury stock (22,085,512 shares).
*2 Nipsea International Limited is a wholly owned subsidiary of Wuthelam Holdings Ltd., of which Mr. Goh Hup Jin, the Director of the Board of Nippon Paint Holdings (NPHD), serves as Managing Director.
*3 Fraser (HK) Limited is a subsidiary of a company (W BVI Holdings Limited) whose majority voting rights are held by Mr. Goh Hup Jin, the Director of the Board of NPHD, on its own account, and falls under related parties of NPHD.
*4 NPHD issued 148,700,000 new shares through a third-party allotment to Nipsea International Limited and Fraser (HK) Limited on January 25, 2021. As a result, the total number of issued shares increased to 474,102,443.
*5 NPHD, based on the resolution of its Board of Directors on February 10, 2021, implemented a stock split in which each share of common stock held by shareholders as of the record date of March 31, 2021 was split into five shares, with April 1, 2021 as the effective date. As a result, the total number of issued shares after the above issuance of new shares through a third-party allotment increased to 2,370,512,215. In conjunction with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, NPHD amended the total number of authorized shares provided in Article 6 of its Articles of Incorporation to five billion from one billion effective April 1, 2021.

Ratings Information (as of June 30, 2022)

Institution	Rating	Rating Outlook
R&I Rating	A	Stable

Stock price information

Stock price and volume chart

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Stock price at December 31 (yen)	148	350	704	592	637	713	752	1,128	2,266	1,254
Year-to-date high (yen)	148	353	764	972	745	904	1,046	1,270	2,796	2,292
Year-to-date low (yen)	107	150	260	407	402	619	668	687	906	1,078
Annual trading volume (shares)	865,780,000	1,569,575,000	1,430,850,000	1,094,497,000	1,066,649,000	774,400,000	701,485,000	493,972,000	604,362,500	601,920,600

* NPHD implemented a 5-for-1 stock split on April 1, 2021. The stock price and trading volume are calculated assuming that the stock split was carried out in January 2010.

Nippon Paint Holdings Integrated Report 2022 editorial policy

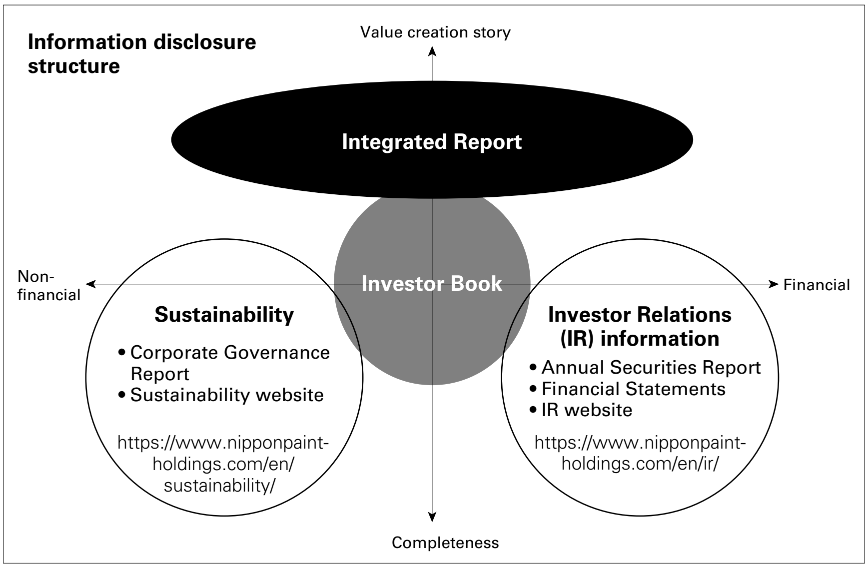
We use our Integrated Report as a communication tool for better understanding, as well as sound engagement, about our Group's management policy and growth strategy among our investors as well as other stakeholders around the world.

The 2022 edition of the report conveys the medium- and long-term value creation story of Nippon Paint Group as we pursue Maximization of Shareholder Value (MSV) based on Asset Assembler model that aims to accelerate growth through our existing businesses and M&A.

This report presents the Group's initiatives for pursuing autonomous growth based on mutual collaboration among Group partner companies in every region through autonomous and decentralized management. This management structure combines the delegation of authority and accountability based on Trust of Group partner companies around the world.

Editorial work referenced the Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) Standards developed by the Value Reporting Foundation, and Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry, etc.

This report is unaudited.



Introduction to the Investor Book

Nippon Paint Holdings publishes the Investor Book (updated quarterly) as a companion volume that supplements the Integrated Report. The Investor Book provides a brief summary of the corporate profiles of Group partner companies around the world as well as information and data related to the global paint and adjacencies markets. The Investor Book is a good source of information to be referred along with the Integrated Report.

https://www.nipponpaint-holdings.com/en/ir/library/investors/

Production process

Do	Publication of the Integrated Report 2021 (September 30, 2021)
Check	Conducted interviews of 35 institutional investors from 13 firms to obtain their feedback and evaluations (October 2021)
Plan	Reported the feedback and evaluations of institutional investors internally and to management and developed a draft plan for the Integrated Report 2022 (October 2021-March 2022)
Act	Conducted interviews of 26 institutional investors from 14 firms based on the Medium-Term Plan (FY2021-2023) Progress Report Briefing held in March 2022 and the draft plan for the Integrated Report 2022 (April 2022)
Create	Created the Integrated Report 2022 mainly by the staff of Investor Relations Department, Sustainability Department, and Corporate Governance Department based on interviews and information collection with the management and Group partner companies around the world.
Do	Publication of the Integrated Report 2022 (August 31, 2022)

Participation and involvement of the management

The management actively involved in the Plan and Create phases of the above production processes. In particular, Directors, Representative Executive Officers & Co-Presidents Yuichiro Wakatsuki and Wee Siew Kim and Lead Independent Director Masayoshi Nakamura engaged in the Create phase by participating in the planning meeting several times to discuss the concept, contents, and design of the report.

FY2020 and FY2021 earnings and earnings forecast

The European automotive coatings businesses and the India business were classified as discontinued operations following the transfer of these businesses to Wuthelam Group (announced on August 10, 2021). Also, there was a change in the accounting policy regarding cloud computing agreements beginning with the 4Q of FY2021. As a result, the earnings for FY2020 have been adjusted retrospectively. The earnings forecast presented in this report are based on the forecast released in the new Medium-Term Plan released on March 5, 2021, the forecast announced at the financial results announcement on February 14, 2022, and the forecast released at the Medium-Term Plan Progress Report Briefing on March 16, 2022.

Notice concerning forward-looking statements

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

Period and scope

Period covered: January 1 to December 31, 2021
(information on some activities after January 2022 is also included as necessary)
Scope of the report: Nippon Paint Holdings and its consolidated subsidiaries around the world
Accounting standard: Unless stated otherwise, figures to FY2017 are based on JGAAP and figures from FY2018 onwards are based on IFRS.

Publication date

August 2022 (published annually)

Inquiries about this report

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Basic & New
NIPPON PAINT HOLDINGS