Nippon Paint Holdings Integrated Report 2023

INTEGRATED REPORT 2023

Year Ended December 31, 2022

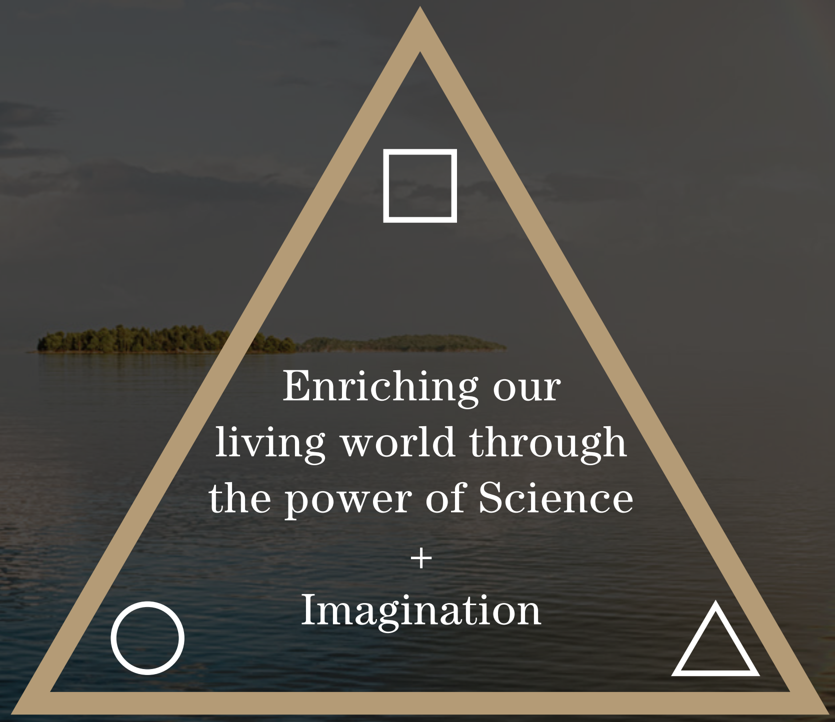
Purpose
— Our Shared Identity

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).

* Consolidated subsidiaries of Nippon Paint Holdings

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.

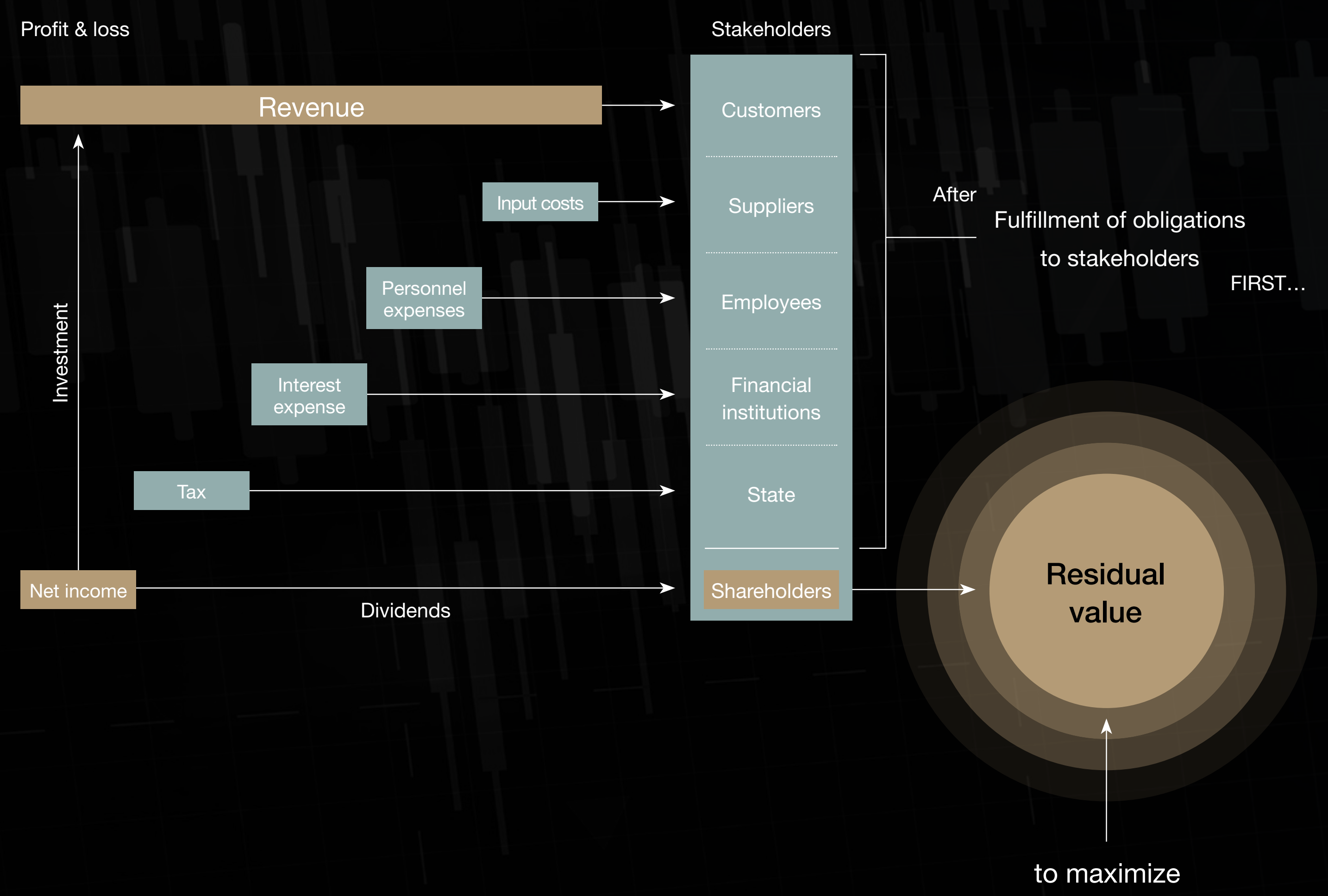
Powerful Partnerships

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.

Maximization of Shareholder Value (MSV) — Our Sole Mission

The diagram below shows the stakeholder relationships using a profit and loss statement. Fulfilling our obligations to all stakeholders first and foremost is the primary premise. These obligations include not only legal ones but also social, ethical and sustainability obligations.

MSV is about maximizing the residual value after fulfilling our obligations to all stakeholders. However, while obligations to stakeholders have upper limits, residual shareholder value has none.



MSV=M(EPS)×M(PER)

Stock price equates to EPS (earnings per share) multiplied by PER (price-to-earnings ratio). Therefore, we pursue the maximization of both EPS and PER.

Maximize EPS

Why do we maximize EPS instead of just earnings? We note that an earnings increase can sometimes result in EPS reduction if accompanied by less than ideal share issues which dilute EPS.

There are 2 pillars of EPS maximization:

1. Organic growth
2. Asset assembly

We strive to maximize both pillars through operational efforts as well as disciplined M&A accompanied by ideal financing.

Maximize PER

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

How Shareholder Value Is Maximized

Shareholder value is EPS x PER + dividends. As we believe in our ability to obtain a much higher return than our shareholders, dividends constitute a relatively small component of our total shareholder value. As such we approximate shareholder value as EPS x PER.

MSV Logic Tree

The logic tree right shows what we toil for day in and day out.

MSV

EPS

PER

Sustainability
- Environment & Safety
- People & Community
- Innovation & Product Stewardship
- Governance
- Sustainable Procurement

Organic (existing businesses) — Strive for market share & profitability

Inorganic (M&A) — Asset Assembler model

Balance sheet management — Financial discipline

Communications with capital markets — Nurture market expectation

Our pursuit	Promote our medium to long-term management strategy and forge a solid group management structure
Develop low-carbon/ eco-friendly products + Ensure safe people and operations	Environmental Strategy ▸ P65 Safe People and Operations ▸ P81
Recruit/train diverse employee + Earn the trust of stakeholders	Message from Co-President Wee ▸ P17 Human Resource Strategy ▸ P71 Growth with Communities ▸ P82
Develop sustainable products (NPSI ↗ monitor LCA) + Chemicals of concern	R&D Strategy ▸ P77
Oversee management + Encourage risk-taking	Corporate Governance ▸ P99 Risk Management ▸ P121
Low-cost and sustainable procurement + Reduce environmental and human rights risks	Sustainable Procurement ▸ P83
Relentless pursuit of technologies, talents. Intensive use of IT	Message from Co-President Wee ▸ P17 Strategy by Asset ▸ P85
Vigorous pursuit of higher quality, lower cost, capex efficiency	Accumulated Management Resources ▸ P39 Strategy by Asset ▸ P85
Rally targets to aspire to joining the federation	Message from Co-President Wakatsuki ▸ P13 M&A Strategy ▸ P59
Strive to lower funding cost & risk, maintain high PER	Assets Assembled to Date ▸ P35 M&A Strategy ▸ P59
Debt leverage with market acceptance + Equity financing with EPS accretion	Finance Strategy ▸ P55
Ingrain equity story + Increase engagement + Enhance disclosure materials	Investor engagement ▸ P22

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Promote our medium to long-term management strategy and forge a solid group management structure

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Chapter 4 Our Management Structure for Achieving MSV

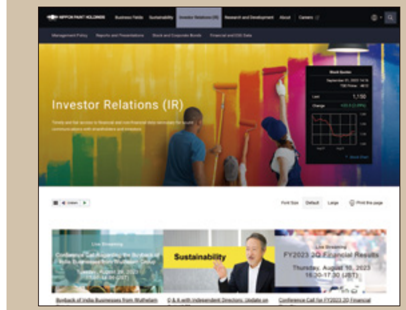
Chapter 5 Corporate Information

Key message of the Integrated Report 2023 (Editorial Policy)

The main theme of the Integrated Report 2023 is about our strive to maximize shareholder value via inorganically skillful assembling of assets, and organically value enhancing management of assets.
Editorial work referenced the Integrated Reporting Framework developed by the International Financial Reporting Standards Foundation, Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry, and the Sustainability Accounting Standards Board (SASB) Standards, etc.
This report is unaudited.

Information Disclosure Structure

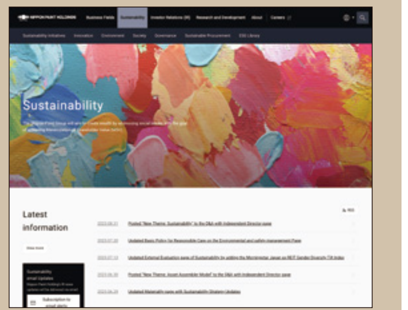
Investor Relations (IR)



Key content
- Management Policy
- Reports and Presentations (Annual Securities Report (only available in Japanese), financial statements, etc.)
- Stock and Corporate Bonds
- Financial and ESG Data
- Information for Individual Investors (only available in Japanese)

https://www.nipponpaint-holdings.com/en/ir/

Sustainability



Key content
- Sustainability Initiatives
- Innovation
- Environment
- Society
- Governance
- Sustainable Procurement
- ESG Library

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

https://www.nipponpaint-holdings.com/en/ir/library/investors/

(1)
Integrated Report

The report explains our basic approaches, policies, and strategic stories to give investors a much clearer and deeper understanding of our Group.

(2)
Website

Our website provides detailed and comprehensive content including information and data, as well as case examples in each region/market needed for a deep understanding of our Group.

(3)
Investor Book

Investor Book provides basic information and data useful for investors who are looking into our Group for the first time.

Integrated Report 2023 production process

Do	Publication of the Integrated Report 2022 (August 31, 2022)
Check	Conducted interviews of 40 institutional investors from 19 firms to obtain their feedback and evaluations (October 2022)
Plan	Reported the feedback and evaluations of institutional investors internally and to management and developed a draft plan for the Integrated Report 2023 (October 2022 – March 2023).
Act	Conducted interviews of 37 institutional investors from 22 firms based on Medium -Term Plan (FY2021-2023) Update Meeting held in April 2023 and the draft plan for the Integrated Report 2023 (April 2023).
Create	Created the Integrated Report 2023 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 (April-September 2023).
Do	Publication of the Integrated Report 2023 (September 30, 2023)

Participation and involvement of the management

The management is 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.

Period and scope

Period covered: January 1 to December 31, 2022 (Information on some activities after January 2023 is also included as necessary)
Scope of the report: Nippon Paint Holdings (NPHD) 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.

Referenced Reporting Guidelines

· Integrated Reporting Framework developed by IFRS Foundation (former Value Reporting Foundation)
· Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry
· Sustainability Accounting Standards Board (SASB) Standards, etc.

Inquiries about this report

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Publication date

September 2023 (published annually)

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.

Key content

	M&A	Human Capital
(1) Integrated Report 2023	· **Our Finance and M&A Strategies Presented by Co-President Wakatsuki** ▸ P55 · **Feature Article (1): M&A Success Case** ▸ P61	· **Sustainability as the Prerequisite for MSV** ▸ P41 · **Human Resource Strategy** ▸ P71 · **Progress of Structural Reforms in Japan Group and Roadmap for Improving Profitability Presented by Co-President Wee** ▸ P91 · **Embracing Transformation and Changing Work Style** ▸ P95
(2) Corporate website	· **M&A Strategy** Content: M&A basic policy and track record (a tabulation of information about our key M&A deals including the year, region, business activities, market share and revenue growth of acquired companies, etc.) · **M&A information** Content: Press releases, presentation materials, presentation summaries, Q&A summaries, and on-demand videos of investor briefing meetings	· **Human resources management** Content: Basic approach, Management system, Human capital for sustained growth, Recruitment of a diverse range of human resources, and training of managers, Career management, Labor practices, Improvement of employee engagement · **Diversity and Inclusion** Content: Basic policy, Management system, Ensuring and enhancing diversity, work-life balance initiatives, Establishment of Working from Home System, Encouraging men to take childcare leave · **Human rights** Content: Basic approach, Policy implementation structure, Due diligence in human rights, Establishment of a harassment help desk · **Human Resource Development Initiatives Aimed at MSV** Content: Our path for reforming the mindset of employees, J-LFG Awards, Feedback from award winners · **Viewpoints of Independent Directors** Content: Our Independent Directors provide their thoughts about our Company's appeal and challenges.
(3) Investor Book	· **Data on the acquired companies** (1) Regions covered: China, Singapore, Malaysia, Indonesia, Türkiye, Pacific/Europe, Americas, Japan (2) Content: Company overview, performance trends, sales composition, market share, SWOT analysis · **The list of major brands**	—

Letter to Investors about the Integrated Report 2023

MSV=M(EPS)×M(PER)

Committing to achieving Maximization of Shareholder Value (MSV) through Asset Assembler model backed by autonomous and decentralized management

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

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Chapter 1

This is the final year of our Medium-Term Plan (FY2021-2023, “MTP”) that started two years ago. Looking back, we went through dramatic changes in our business environment, including but not limited to disruptions in supply chain, inflation-induced raw material price increases and interest rate hikes, caused by the pandemic and Russia’s invasion of Ukraine among others. Despite these challenges, our consolidated revenue in FY2022 reached a record high driven by market share gains, continual price increases and relatively small assembling of assets. Our operating profit also rose to a record high on revenue growth and continuous cost control, despite one-off items such as credit loss provisions in China and the adoption of hyperinflationary accounting in Türkiye. In addition, we achieved growth in both revenue and operating profit on a Non-GAAP basis that excludes foreign exchange impact and other one-off items. These results reaffirm the strength of our Asset Assembler model for value creation through both organic and inorganic initiatives. We will continue to mobilize our Group’s resources for market share gains and margin improvement with the goal of exceeding MTP target of JPY140 bn operating profit in FY2023.

We have already started our work on the next MTP. We are assessing what we achieved over the current period and aiming for further growth.

As Co-Presidents, we jointly make management decisions on numerous corporate actions with our partnership, while individually fulfilling our respective roles. We will continue our autonomous and decentralized management that extracts the full talent of our leaders in our partner companies around the world, guided by the Purpose that defines the shared identity of our Group: “Enriching our living world through the power of Science + Imagination.” Based on this framework, our partner leaders in our federation burning with desire for growth shall aim for autonomous growth while leveraging on our scale and drawing on mutual collaboration. Further we shall continue our Asset Assembler journey with good and low risk assets.

We appreciate the continued support and guidance from our investors.

September 30, 2023

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

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

Message from Co-President Wakatsuki

MSV = M(EPS) × M(PER)

Committed to limitless pursuit of shareholder value while upholding Integrity as a Corporate Group

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

As a federation of excellent assets, we derive our strength from our unwavering commitment to Integrity in our pursuit of MSV

Since becoming Co-President in April 2021, we have effectively undertaken numerous initiatives. I believe these actions have been made possible by three critical factors. Firstly, partnership with Mr. Wee, whose expertise in business management complements my experience in capital markets, creating an effective Co-President setup for agile corporate actions.

Secondly, our close communications with the Board members including Chair Nakamura play a pivotal role. We engage in meaningful and substantive discussions at a high level for every agenda item, prioritizing in-depth exchanges over formal bureaucratical processes. Having MSV firmly ingrained as the common basis of judgment among all Directors makes this possible.

Thirdly, Board members consist of corporate executives whom I deeply trust on a personal level. For instance, Chair Nakamura and I share an investment banking background, leading to commonalities in our thought processes, argument construction, and issue evaluation. He holds frequent dialogue directly with me, exchanging ideas, evaluating risks, while respecting perspectives of the management team. What distinguishes our Company is this culture of open and dynamic communication between the Board and management team. As a corporate executive, I hold Integrity in high regard, and it serves as a fundamental norm within our Company. We are a cohesive Corporate Group united by our commitment to Integrity.

Two significant achievements enabled by agile management decisions

Since the launch of Medium-Term Plan (FY2021-2023, "MTP") in FY2021, I would raise two significant and successful examples of such close communication between management and the Board. First is the successful international secondary offering of shares conducted in January 2022. This was our proactive initiative taken to improve liquidity of our shares, addressing our management challenge. The goal was to build a global and long-term investor base who embraces our growth strategy, replacing the traditional domestic financial institutional shareholders, while easing concerns about potential overhang in the market. It was precisely at this timing that we started to appeal for our Asset Assembler model. I believe we were able to establish a quality institutional investor base, emphasizing our unique growth story and enticing them to evaluate our potential through this initiative.

The second example relates to the successful acquisitions of Cromology, JUB, and NPT in Europe. These decisions were made swiftly through repeated discussions, focusing on key points with the team led by DuluxGroup CEO Patrick Houlihan and NPHD Board members, not to mention vigorous discussions between Co-Presidents to ensure a well-informed decision-making process. The success of these acquisitions completed under a competitive process, can be attributed to two major factors: MSV as a common basis for judgment and active communications.

▶ See "Development of Our Business Model and Evolution of Our Growth Strategy" on page 31.

MTP is only a milestone; aspirational management is anchored in our Group

Reflecting on the progress of MTP, the decorative paints market witnessed robust growth, while the industrial coatings market encountered more challenges under the pandemic and supply chain disruptions. Despite these challenges, Nippon Paint Group as a whole managed to maintain or increase market share in most regions, supported by steady profitability growth with consistent cost controls and multiple price increases in response to raw material and other cost inflations. Revenue growth in our adjacencies businesses surpassed expectations, driven by various factors such as growth in the Selleys brand from DuluxGroup and successful acquisitions of Vital Technical and JUB, renowned for its expertise in ETICS (External Thermal Insulation Composite Systems). Our solid growth has been realized through a combination of organic expansion and strategic M&A activities, once again reaffirming the effectiveness of our Asset Assembler model.

▶ See "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.

I perceive the numerical targets in MTP as a stepping stone towards the next phase, and it is important to recognize that attaining MTP numbers itself is not our ultimate objective; it is all about MSV. For example, the acquisition of Cromology was not driven to contribute to MTP or to pursue scale; instead, the decision was carefully evaluated with vigilance, ensuring that it would genuinely create shareholder value.

Competitive advantage of our Asset Assembler model that gives us limitless growth potential

I believe that our platform, built upon Asset Assembler model, has three pillars of competitive advantage: (1) Our ability to harness the low-funding cost, (2) Our ability to maintain and boost the EPS contribution from assets companies without intervention, and (3) Our unique appeal to management-class talents who empathize with our modus operandi.

Our primary competitive advantage lies in our ability to leverage the strength of low funding costs, which is a vital component in our M&A strategy. We being based in Japan, the stable currency and a consistent low interest rate environment set us apart from European and U.S. companies who face the challenge of higher interest rates. Our low-risk asset portfolio provides for higher leverage opportunity, which normally enables EPS accretion as we prioritize debt financing at favorable interest rates for acquisitions. However, debt capacity ceilings will eventually limit our acquisitions. To mitigate this risk, we hold the option of equity financing. Using high PER shares to acquire a company with relatively low PER generally results in EPS accretion, even if the acquisition is all-share funded. Adding an optimized level of low cost debt to such equity funding will lead to the “maximization” of EPS. This approach enables us to continuously assemble assets without being constrained by debt capacity limitations. Target assets are entities of low risk and stable profitability, of which we have found many.

▶ See “The Basis of Our Asset Assembler Model” on page 37.

The advantage we enjoy in funding stems from our ability to leverage our balance sheet with the portfolio of low-risk, stable income assets while ensuring the fulfillment of our obligations to financial institutions, which forms one of the premises of MSV. However, we are not the only company that enjoys low funding costs, and combining our second and third pillars as in below gives us our distinguished strengths.

Our second pillar of competitive advantage is our ability to maintain and boost EPS contribution from assets companies without intervention. This is manifested through our proficiency in recognizing companies with compelling appeal and effective leadership, particularly discovering management-class talents with just the right qualities. Furthermore, we maintain our respect for the brands and heritage of target companies, while motivating their talented personnel post-acquisition. This approach enables the acquired companies to sustain and even boost their contribution to EPS accretion without headquarters’ control or intervention, enjoying only advantages of scale and other benefits provided by headquarters.

The fundamental idea is that the parent company does not claim superiority in terms of information and decision-making abilities; rather, it encourages autonomous decision-making by local subsidiaries. This approach helps to circumvent slow decision-making processes and ensures agile and appropriate actions to outperform our competitors.

One of our key strengths lies in our ability to strike the right balance between autonomy and accountability, thereby unlocking the growth potential of our partner companies, also enabling us to assemble a large number of outstanding companies.

Our third competitive advantage lies in our prowess in attracting management-class talents. Our platform allows acquired companies that resonate with the concept of MSV to accelerate growth through autonomy and accountability within our Group. This appeal enables us to draw in numerous outstanding talents. CEOs who have become part of our Group have been effectively communicating the benefits of our platform after experiencing it, fostering a similar sense of empathy among newly acquired companies. As a result, this facilitates a seamless engagement post-acquisition. Notably, our approach has already garnered resonance among numerous management-class talents around the globe at this stage.

While taking pride in such competitive advantages, and remaining steadfast in our pursuit of EPS accretion, we make sure we keep a vigilant mindset towards risk-taking actions such as M&A.

Our Asset Assembler model stands as a distinctive notion, granting us the ability to (1) assemble top-notch companies with appropriate valuations using optimal funding structures, (2) unlock the growth potential of these acquired firms, and (3) attract outstanding talents to expand our “federation” approach. Coupled with our unwavering sense of the MSV mission, I am confident that we have the potential to exceed investors’ expectations.

PER

I believe that our platform, built upon Asset Assembler model, has three pillars of competitive advantage

PER

Emphasizing our unwavering commitment to sustainability as the fundamental premise for MSV

At the heart of accomplishing MSV lies our dedication to meeting our obligations to our customers, suppliers, employees, society, and other stakeholders. Embracing sustainability initiatives, we also strive to fulfill these commitments, while ensuring that they are understood as a prerequisite to MSV. The proposed approach has been thoroughly discussed in multiple Board meetings and has been universally adopted across the Group as our shared understanding.

▶ See "Sustainability as the Prerequisite for MSV" on page 41 and "Discussions by the Board of Directors" on page 108.

The sustainability expectations from society is ever-evolving, with certain requirements impacting both EPS and PER. As a result, we must remain vigilant to these changes. For instance, if we fail to adequately address concerns related to the procurement of raw materials from our suppliers, such as child labor, it could directly result in reduced sales with customers abstaining from purchasing our products and a decline in stock price through investors excluding our stock from their portfolio. To mitigate these risks, I believe that stronger engagement with our partner companies, who possess a deep understanding of the requirements and dynamics of their respective regions and markets, should prove most effective compared to a centralized approach from the headquarters in Japan. This approach again embraces autonomous and decentralized management.

Through refining our approach, we have crafted the Basic Policy on Sustainability, which supersedes the previous ESG Statement. This new policy aligns our sustainability endeavors more closely with our business activities, explicitly recognizing it as the fundamental premise for achieving MSV.

As a publicly listed company, sustainability is not our ultimate objective. Nevertheless, we recognize that stakeholder requirements are constantly evolving. We are determined to fulfill these expectations in our quest for MSV.

Transforming the demands of customers, suppliers, and society into viable business opportunities

Our efforts to reduce CO_2 emissions (Scope 1 and 2) will not adhere to uniform standards across the Group. Instead, we will adopt a tailored approach, taking appropriate actions in each region and market. While our CO_2 emissions are not significant compared to major chemicals manufacturers, we are committed to steadily reducing emissions through initiatives such as developing alternative energy sources. Moreover, we have initiated efforts to reduce CO_2 emissions (Scope 3) across our supply chain. Environmental initiatives related to our products present increasing opportunities that translate into business advantages. For instance, developing products that reduce the number of required paint applications and shorten curing times hold promising potential for enhancing our market prospects. We view shifts in customer needs as opportunities for innovation, prompting us to create high-value products that precisely cater to the demands of local customers.

In FY2022, we took a step forward in meeting our sustainability obligations by adding a dedicated sustainable procurement team to the existing four teams. While there is some overlap with the existing sustainability teams, the inception of this new team emerged from the teams on the ground, prompted by the increasing demands and issues arising from each existing team. The primary objective of the newly established team is to actively address ethical procurement matters, including human rights issues, by providing clear visibility into these challenges. Building a strong and cooperative relationship with our suppliers stands as a crucial element in ensuring the sustained growth of our Group. To achieve this objective, we will implement measures such as disclosing our Group’s fundamental approach to procurement which will ensure sustainable procurement practices while fostering stronger relationships with our suppliers.

Instilling capital markets with conviction towards our continuous EPS accretion

Establishing meaningful engagement with capital market participants is critical. It is imperative to cultivate expectations and confidence in our capacity to manage debts effectively, even with higher leverage, and achieve consistent EPS accumulation through prudent risk-taking. Additionally, we must instill trust and assurance in our pursuit of both organic and inorganic growth endeavors. We strive to maximize PER through a combination of proactive investor relations engagement, a well-planned finance strategy, and sustainability initiatives backed by the conviction for continuous EPS accumulation. Our dedication to achieving MSV remains unwavering, and we eagerly anticipate surpassing your expectations.

▶ See “Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki” on page 55.

Director, Representative Executive Officer & Co-President

Message from Co-President Wee

MSV = M(EPS) × M(PER)

Striving for continuous EPS growth by fostering a culture of embracing new challenges

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

Solid growth despite headwinds

Since the start of Medium-Term Plan (FY2021-2023; MTP), the business environment has changed dramatically. Nevertheless, we have taken these challenges in our stride and delivered a set of record revenue and operating performance in FY2022. Regardless of how the world has changed, we stay focused on our revenue and operating profit goals which we regard as a commitment to capital markets. Even as we will inevitably face difficulties in the future, I believe our continuing efforts to foster a culture of embracing new challenges in our highly skilled and dedicated colleagues position us well for the future.

▸ See "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.

Our Group has continued to achieve solid growth with disciplined execution of Asset Assembler business model. In our Asset Assembler model, our partner companies (PCs), each of which are individually very strong, independent, and autonomous, relentlessly aim for growth by leveraging our Group's considerable financial strengths and capabilities. Growth is sought not only in the core business areas but each PC is encouraged to seek out growth opportunities by pushing the frontiers of business activities into adjacent areas over the medium and long term. Whenever we find attractive acquisition targets, we will reach out to these companies to join our Group as new PCs. The goal is to build up attractive assets in a broader spectrum of business areas.

Our DuluxGroup PC is one such example that has contributed to our performance. DuluxGroup came into our fold in FY2019. Since then, it has stepped up its growth by leveraging the Group's financial strength. Over 4 years, it has enlarged its presence in the Pacific region with acquisitions in the core paints and coatings, sealants and adhesives (SAF), and garden care business areas. In DuluxGroup's Europe region, the strategic acquisitions of Cromology and JUB in FY2022 added on to businesses acquired in FY2021, and further augmentation by NPT in Italy in early FY2023 significantly enlarged our presence. These acquisitions will enjoy the expertise, market know-how, technical capabilities, and extensive product lines of DuluxGroup with the goal of creating substantial value. Furthermore, other PCs in Nippon Paint Group can also benefit by judicial adoption of technologies and products from our new entities.

▸ See "Feature Article (1): M&A Success Case" on page 61.

Having DuluxGroup as a fellow PC allowed NIPSEA Group to confidently foray into the SAF business segment with vigorous promotion of DuluxGroup's Selleys branded products through established distribution channels as well as complementing this push with acquisitions, such as Malaysia-based Vital Technical and CMI. In this manner, PCs have steadily made progress by leveraging the collective financial strength and resources of our Group.

A pragmatic approach to our portfolio of businesses would at times trigger divestments. Our European automotive business and India businesses faced huge market uncertainties exacerbated by the continuing effects of the pandemic-induced demand destruction and supply chain disruptions. We decided to sell these businesses to Wuthelam Group with a buy-back option. In this way, the Group retained the option to re-enter European automotive and India if and when operating conditions turn favorable.

In the meantime, beyond welcoming new PCs, we will continue to work as one team towards the achievement of MSV by pursuing strong organic revenue and profitability growth.

Striving for dominance in paint & coatings segment by competing and winning

Our core business area of paint and coatings, estimated to be approximately USD200 bn globally, has the potential for continuous growth in locked step with population and economic growth. The attractiveness of the paint and coatings business lies in its profitability and stable cash flows, which continually invite the attention of competitors and entrants from outside the industry. Of late, we face increasing competition from traditional waterproofing product, adhesive and cement manufacturers. We must compete smartly with these non-traditional players too.

In the face of these market challenges, we remain steadfast in our aspiration for dominant market positions in the many markets which we operate by doing the right things consistently. Our Group has excellent competitive advantages involving brands, distribution networks, technologies, supply chains, and market expertise and knowhow and an excellent talent base. Beyond our particularly strong presence in the Asia and Pacific regions, where we stand as Asia's number one brand, we are determined to continue to grow in various parts of the world by capitalizing on all these strengths. Our roadmap for MSV is not simply the pursuit of scale but revenue growth with desired profitability.

As Japan Group focuses on raising profitability, we are implementing reforms particularly in the automotive and marine coatings businesses. Our actions have already started producing results. For instance, the marine coatings business returned to profitability in FY2022. Further, although organized as separate PCs focused in clear business areas, the Japan-based PCs will eventually accrue benefits as the newly carved out NPCS hits its stride in delivering pan-Japan capabilities and synergies.

▸ See "Progress of Structural Reforms in Japan Group and Roadmap for Improving Profitability Presented by Co-President Wee" on page 91.

Message from Co-President Wee

I am a firm believer that an organization is built on people, by people. People drive business growth

Accelerating growth in China through innovation & diversification

Our Greater China businesses invariably attracts attention because of its heft in our Group performance. There were numerous headwinds during the current MTP in the China market. Prolonged economic inactivity during the pandemic and the Chinese government's clampdown on excessive borrowings by real estate developers have significantly slowed down growth in the market for TUB (B2B business: transactions direct to Project customers and main contractors, etc). In response, we pivoted from the prior emphasis on increasing our market share by focusing on major real estate developers to looking at a broader array of market access in the TUB segment. While looking wider by turning our attention to alternative channels, we continue to support our stronger customers prudently by continuous commercialization of products that would deliver added value to our battered customers. In the near term, while a slow but steady recovery will see our business in TUB bounce back, we see new opportunities such as the arrival of the era of economy housing as well as opportunities offered up as older estates undergo rejuvenation. This market has the potential for steady continuous development and growth in time to come.

With a diminished TUB market, competition in the TUC market (B2C business: business to consumers, DIY business, sales via dealers/ distributors and e-commerce to end consumers, etc.) invariably intensified. Competition is further compounded by market actions from non-traditional players I mentioned earlier. Nonetheless, this is an area that our people know well and are stepping up our activities in the TUC business to secure market inroads. Already seeing further head room for growth in TUC, Nippon Paint China is augmenting its growth in Tier 0 and Tier 1-2 cities, where we have dominant market shares, with a determined push for faster penetration into Tier 3-6 regional cities. In the smaller cities, we are aiming for fast growth by using dedicated teams and leveraging our strong brand power and extensive distribution network. In addition, we are focusing on popularizing the Magic Paint brand of wall paint for consumers, which is an innovative new product that features outstanding design and environmental characteristics. By adding more creative options to our customers, we hope to shift the competitive dimensions to innovation, performance, aesthetics and value. Our agile corporate culture facilitates fleet-footed changes to market inputs that have allowed us to make further market share gains.

▸ See "Feature Article (2): High Growth Potential of the China Business" on page 85.

New growth in adjacencies by capitalizing on our strengths

Adjacent business segments of SAF, tools and accessories, floor coatings, construction chemicals and waterproofing present themselves as new growth areas. Our Group is pushing the frontiers of these adjacent areas by leveraging our market reach and brand development capability acquired over many years in the paint and coatings area. As of now, many PCs are building on small volumes. Knowing the lean for growth spirit of our colleagues, I have no doubt that we will see significant progress in this current MTP.

Again, allow me to refer to the Selleys brand of DuluxGroup. Selleys is a leading SAF brand in Australia and New Zealand. Selleys branded products are already being actively promoted in markets where NIPSEA Group has a presence, aiming to expand sales on the back of our brand power and extensive distribution network. Beyond increased sales of current portfolio of Selleys, the entities in the regions are also branding additional household and homecare ranges as we begin to take shelf spaces in hardware stores and big boxes. In some markets, the dual promotion of Nippon Paint and Selleys brands have enabled enhanced visibility and increased market presence.

Our colleagues in Europe are also looking closely at another segment of growth in ETICS (external thermal insulation composite systems). With Betek Boya, which joined our Group in FY2019 and is the market leader in the Turkish ETICS market, our European business entities of JUB, NPT and Cromology are developing a collaborative framework that will allow all 4 companies to achieve mutual growth, thereby creating synergistic value above and beyond what is achievable by a single company.

The management teams of our PCs in each country and region are firmly dedicated to growth in the adjacent area. We are only just beginning.

Fostering a culture of embracing new challenges through leadership and strong HR framework

I am a firm believer that an organization is built on people, by people. People drive business growth. Looking around our Group, the PCs that have a track record of sustainable growth have excellent leaders who pursued powerful initiatives. Even as we pursue our asset assembler strategy, the companies that would attract us are the ones that have strong management teams with a history of stellar execution.

In FY2022, we continue to build upon the organizational development initiatives across the Group. In Japan, we are coupling the promotion of the J-LFG culture transformation program with dedicated senior and middle management development exercises. Eventually we hope that we can mobilize the entire management team to engage a broad spectrum of our workforce in Japan to embrace the challenge of breaking free of the shackles of the past and unleash the latent potential to come from behind in many segments and beat the competition. Whilst the starting point is leader and people training and engagement, what we are fostering is an environment that allows our colleagues at all levels to step forward boldly to contribute to building the new future. After a successful pilot in the technical staff base, we are extending across Japan a complete revamp of the management and functional expert progression ladders supplemented by appropriate performance-linked incentive and compensation systems. In time to come, we believe a powerfully motivated and trained workforce would deliver superior performance even in a slow growing domestic Japan market.

Nippon Paint Group's global sustainability effort is spearheaded by Co-President Wakatsuki-san who drives the 5 key working groups of environment & safety, people & community, innovation & product stewardship, governance and sustainable procurement. In the people & community working group, we pay particular attention to diversity & inclusion and engagement with external communities. Persistent attention to the people front as part of the Group's sustainability drive ensures that we never take our eye off the myriad aspects of our people's welfare and development.

Sustainable EPS growth – one key contributor to MSV

Our Mission is MSV. I strongly believe that our leaders and their teams across the world are aligned toward this goal, which compels us to satisfy fully our obligations and commitments to all stakeholders ahead of the shareholders, and be razor sharp in ensuring that the residual value which accrues to the shareholder is maximized. Ensuring the sustainable growth of EPS is one key contributor to MSV.

The road ahead is uncertain. By persevering in our approach to the Partner Companies business model, keeping strong our unique cultures, and a continuous emphasis on our people and customers, we will continue to thrive.

Director, Representative Executive Officer & Co-President

Management with Attention Paid to Our Stock Price

Turning the maximization of EPS and PER into stock price appreciation

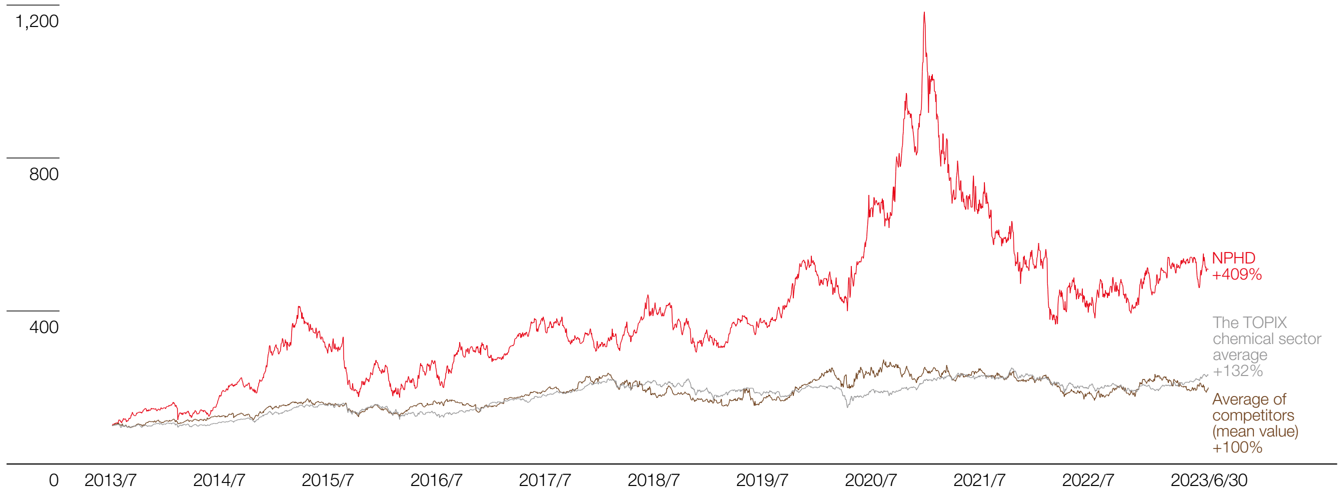
Nippon Paint Group is pursuing our sole mission of MSV through the maximization of EPS and PER. We practice management with attention paid to our stock price, which is the outcome of the pursuit of MSV.

Our historical stock price, EPS, and PER over the past 10 years have exceeded the TOPIX chemical sector average and the average of competitors (mean value) (see the graph below.) We will continue to pursue the achievement of MSV by posting sustained EPS growth and raising expectations from capital markets.

▶ For management with attention paid to our capital cost, see "Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki" on page 55.

Historical stock price of NPHD

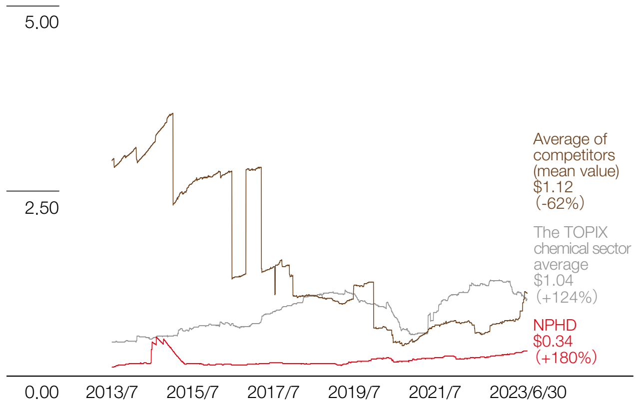
— NPHD — Average of competitors (mean value) — The TOPIX chemical sector average



*1 Source: FactSet (as of June 30, 2023), Bloomberg
*2 The stock prices were indexed with the closing price on July 1, 2013, 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

Historical EPS of NPHD

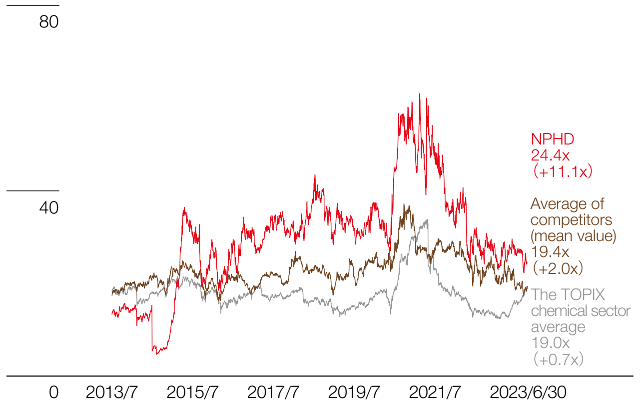
—NPHD —Average of competitors (mean value) — The TOPIX chemical sector average



*1 Source: FactSet (as of June 30, 2023), Bloomberg
*2 Competitors covered are Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints India, Axalta, SKSHU Paint, Kansai Paint, TOA paint, and Asia Cuanon
*3 The exchange rates used for the calculation of EPS (for the next 12 months) were the following rates as of June 30, 2023: USD/EUR=1.091000, USD/INR=0.012190, USD/CNY=0.137664, USD/JPY=0.006919, USD/THB=0.028205

Historical PER of NPHD

—NPHD —Average of competitors (mean value) — The TOPIX chemical sector average



*1 Source: FactSet (as of June 30, 2023), 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

Investor engagement

We strive to build a relationship of trust with its shareholders and investors around the world through communications with capital markets, including thorough and fair information disclosure and continuous engagement with investors aimed at reducing information asymmetries and holding down the cost of capital, thereby maximizing the PER towards the achievement of MSV.

In FY2022, we further enhanced investor engagement and held IR meetings with 695 companies (an increase of 33.9% from the previous year). In addition, we held IR events including Medium-Term Plan (FY2021-2023) Progress Report Meeting, the Investor Briefing on the NIPSEA Business presented by our two Co-Presidents, the Small Governance Meeting with Independent Director hosted by the Board Chair and Lead Independent Director Nakamura. Besides the above, we conducted many investor meetings for individual investors. These IR activities were aimed at appealing to a broad base of investors. Moreover, we enhanced and upgraded our Integrated Report and IR website in our continued focus on strengthening and expanding information disclosure.

Number of IR meetings held (companies)

	2020	2021	2022
Meeting with domestic investors	136	232	311
Meeting with overseas investors	210	287	384
Of which, meeting with ESG investors (in Japan and overseas)	9	30	49
Total	346	519	695

IR events held (times)

	2020	2021	2022
Financial results conference call	4	4	4
Briefing for institutional investors	1	4	4
Briefing on M&A	1	2	0
Briefing for individual investors	1	5	6
Total	7	15	14

Fulfilling obligations to stakeholders

The major premise of MSV, before everything else, is the fulfillment of our obligations to customers, suppliers, employees, society, and other stakeholders. The relationship of trust with stakeholders through engagement is an asset integral to our Asset Assembler model. We will continue to strive for the maximization of shareholder value that remains after fulfilling our obligations to all stakeholders.

Key stakeholders	Examples of fulfillment of obligations
Customers	1. Joint development activities aimed for solving social issues (new-generation technologies such as decorative films and target line paint for assisting automated driving) 2. Periodic factory tour events and customer satisfaction surveys (technology and sales areas, etc.) 3. Provision of high-quality products with considerations to health and safety ▶ For more information, see "R&D Strategy" on page 77. 4. Exhibit and participate at events aimed for obtaining industry trends and information sharing (lectures at SURCAR (automotive), International Auto Aftermarket EXPO (auto refinish), High Performance Paint Exhibition and other industry events, and writing professional articles) 5. Respond to questionnaire surveys such as CDP (an international NGO) by request from customers
Suppliers	1. Conduct questionnaires aimed for sustainable procurement of materials and services 2. Eliminate organizations involved in human rights abuses and the use of raw materials made through human rights abuses ▶ For more information, see "Sustainable Procurement" on page 83.
Employees	1. Keep tabs on employee satisfaction levels using questionnaires by the Labor Union and external surveys and conduct employee engagement activities 2. Design and implement training programs to gain knowledge and skills about products, businesses, etc. 3. Establish an internal reporting system that enables employees to speak up and report violations without experiencing unfair treatment ▶ For more information, see "Human Resource Strategy" on page 71 and "Risk Management" on page 121.

Asset Management Report

The earnings for FY2020 and FY2021 have been adjusted retrospectively following the classification of the European automotive coatings business and the India businesses 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 FY2021 4Q.

The earnings comparison with the time of acquisition are estimates because some assumptions used to estimate market shares at the time of acquisition are different from present assumptions due to a change in the accounting policy.
Market shares are NPHD's estimates.

Assets | Financial outcomes | Non-financial outcomes

NIPSEA Group

(Asia)

NIPSEA Group operates in 22 countries and regions mainly in Asia and is the driving engine of our Group's growth. This group has the leading market share in decorative paints in five countries.

FY2022 operating results

Automotive coatings revenue increased from the previous year despite the shortage of semiconductor chips and other factors due mainly to higher automobile production. Decorative paints revenue increased from the previous year despite lockdowns in China due to the sustained demand for interior painting of existing housing as well as aggressive selling price increases in the key regions of China, Indonesia, and Türkiye. As a result, revenue increased by 24.0% to JPY708.5 bn.

Operating profit increased by 5.6% to JPY72.7 bn despite raw material price inflation and credit loss provisions in China due to revenue growth and the flow-through of price increases.

Growth since the acquisition (FY2014)

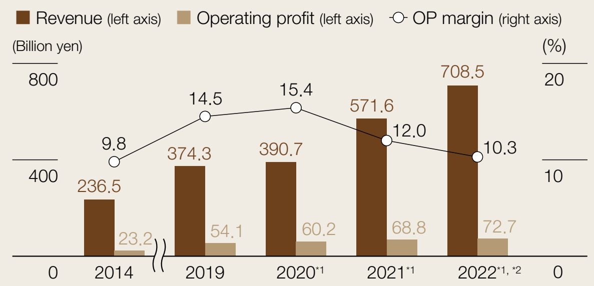
Since becoming a consolidated subsidiary in FY2014, NIPSEA Group has achieved growth that significantly outperformed the market and competitors by leveraging the following strengths: (1) Outstanding brand power, (2) Competitive workforce due to a Lean for Growth (LFG) culture, (3) Extensive base of production locations and distribution network, and (4) Competitive technologies. This strong growth at NIPSEA Group has driven the 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 acquisition by NPHD. NIPSEA Group has steadily grown the adjacencies business as well through the deployment of the Selleys brand of DuluxGroup and the acquisition of Vital Technical.

As a result, revenue has increased by 199.6% and operating profit by 213.5% since joining our Group.

Revenue/Operating profit (YoY/growth since acquisition)

JPY708.5 bn (+24.0%/+199.6%) /
JPY72.7 bn (+5.6%/+213.5%)



FY2022 results

■ Human resources/organizations
- Many initiatives to improve the gender balance
  —Ratio of female employees: 25.0% (+0.1 pp vs. FY2021)
  —Ratio of women in managerial positions: 25.2% (+0.1 pp vs. FY2021)
- Increase of employee engagement
  —Employee satisfaction: 75.0%

■ Brands
- Increase the recognition and trust in the NIPPON PAINT brand
  —Listed on Brand Finance's Top 10 Most Valuable Paint Brands in the World for the second consecutive year

■ Nature/environment
- Water use through proper management based on voluntary standards
  —Water usage: -6.4%

NIPSEA China

(China)

Since its founding in 1992, NIPSEA China has grown to become a respected leader in the paint and coatings industry.
The company has steadily expanded its reach across China in tandem with the country's rapid economic growth.

FY2022 operating results

Automotive coatings revenue increased from the previous year despite the supply shortage of semiconductor chips and other factors due mainly to a rebound in automobile production and the flow-through of price increases. In the decorative paints business, revenue in the TUC business increased by 10% (in local currency) driven by the flow-through of price increases and strong sales in Tier 3-6 cities. Revenue in the TUB business decreased by 14% (in local currency) due to soft demand in the real estate market. Industrial coatings revenue decreased due to weak sales in all business segments including coil coatings due to the pandemic. Consequently, revenue increased by 18.9% to JPY450.7 bn.

Operating profit decreased by 2.5% to JPY34.9 bn despite revenue growth and the flow-through of price increases due to credit loss provisions.

Our market share in the TUC business increased 1 pp from the previous year but our market share in the TUB business decreased 1 pp due to actions such as reducing business with customers with financial difficulties.

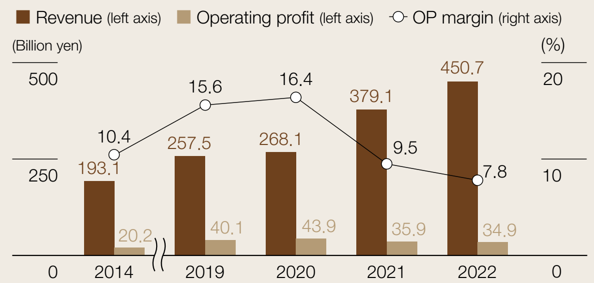
Growth since the acquisition (FY2014)

Since becoming a consolidated subsidiary of NPHD in FY2014, NIPSEA China, led by an excellent management team dedicated to the Lean for Growth (LFG) spirit, has consistently achieved strong growth every year based on high reliability and comprehensive capabilities backed by the following strengths: (1) High recognition and reputation for reliability of the LiBang brand, (2) Continuous expansion of already broad business areas and product lineups in order to promptly respond to increasingly demanding customer needs, and (3) Efficient production systems based on strong networks with manufacturing units, sales units, and stakeholders. In the TUC business, NIPSEA China is aggressively expanding business in Tier 3-6 cities, on top of Tier 0 as well as Tier 1-2 cities where the company already has strong market shares. In the TUB business, NIPSEA China is diversifying its customer base.

As a result, revenue has increased by 133.5% and operating profit by 73.3% since joining Nippon Paint Group.

Revenue/Operating profit/ Market share (YoY/growth since acquisition*3)

JPY450.7 bn (+18.9%/+133.5%) /
JPY34.9 bn (-2.5%/+73.3%) /
TUC: **24**% (+1 pp/+5 pp) TUB: **8**% (-1 pp/+0 pp)



FY2022 results

■ Customer base
- Established an outstanding distribution network to support growth in the decorative paints business
  —Number of stores: c. 104,000 (+80% YoY), Number of stores with CCM machines: c. 11,000 (+65% YoY)
- Strategic partnerships with Chinese real estate developers
  —Selected as the No. 1 paint brand by the top 500 Chinese real estate developers for 12 consecutive years

■ Technologies
- One of the world's most advanced production systems due to automation systems and other technologies
  —Number of automated factories: 15 (+36% YoY)

■ Nature/environment
- Expanding the use of renewable energy
  —Number of factories with solar panels installed: 8 (+300% YoY)

Betek Boya

(Türkiye)

Betek Boya is a leading Turkish paint and ETICS (External Thermal Insulation Composite Systems) company. The company has been leading the rapidly changing Turkish market with its multi-brand portfolio covering premium brands to budget options.

FY2022 operating results

Revenue increased by 43.3% from the previous year to JPY70.5 bn despite the impact of the weak Turkish lira and inflation, due to the flow-through of price increases, expansion of dealer coverage, an increase in the market share with dealers, and successful implementation of brand strategies.

Operating profit decreased by 18.3% to JPY6.1 bn despite revenue growth, due to the application of hyperinflationary accounting, the weak Turkish lira, and the deterioration of the raw material cost ratio. Operating profit in local currency, excluding the effects of foreign exchange, remained strong at 33.1%.

Betek Boya maintained its market share of 34% and retained its No.1 market position despite limited volume growth due to inflation.

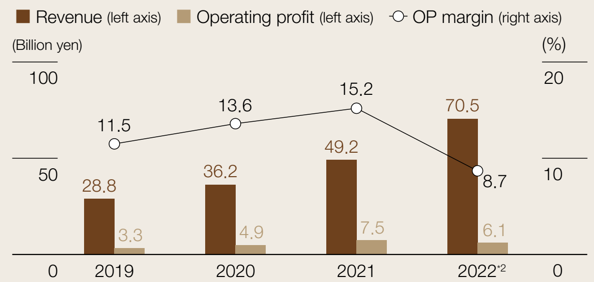
Growth since the acquisition (FY2019)

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 has increased by 144.7% and operating profit by 85.1% compared with the time of acquisition.

Revenue*4/Operating profit*4/ Market share (decorative paints) (YoY/growth since acquisition)

JPY70.5 bn (+43.3%/+144.7%)/
JPY6.1 bn (-18.3%/+85.1%)/**34**% (+0 pp/+7 pp)



FY2022 results

■ External partners
- Strengthened relationships with dealers and professional painters through the "next-generation dealer" program and the "Filli Ustam" loyalty program.
  —Stores in the "next-generation dealer" program: c. 350
  —Professional painters who use the "Filli Ustam" program: c. 2,500

■ Brands
- Strengthen position as the market leader
  —Maintained the No. 1 position in the decorative paints market for about 20 years

*1 Changed reportable segments beginning with FY2022 1Q. The earnings for FY2021 and FY2022 are based on new segments and exclude the overseas marine coatings business.
*2 In accordance with IAS No. 29, applied hyperinflationary accounting for the Turkish subsidiaries beginning with FY2022 2Q. The earnings for FY2022 reflect the application of this accounting policy.
*3 The changes in the market shares in the TUC and TUB businesses are comparisons with FY2020.
*4 Segment basis (after elimination of internal transactions and after PPA)

Asset Management Report

The earnings for FY2020 and FY2021 have been adjusted retrospectively following the classification of the European automotive coatings business and the India businesses 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 FY2021 4Q.

The earnings comparison with the time of acquisition are estimates because some assumptions used to estimate market shares at the time of acquisition are different from present assumptions due to a change in the accounting policy.
Market shares are NPHD's estimates.

Assets | Financial outcomes | Non-financial outcomes

PT Nipsea

(Indonesia)

PT Nipsea has a dominant position in the Automotive OEM coatings field in the rapidly growing Indonesian market. PT Nipsea is also a market leader in decorative paints. The company's profitability is the highest among our group partner companies.

FY2022 operating results

Revenue increased by 32.5% from the previous year to JPY52.3 bn due to strong growth driven by pricing actions, expansion of the distribution network, a larger number of distributors, and more CCM (computerized color matching) machines.

Operating profit increased by 42.1% YoY to JPY16.7 bn despite higher raw material prices, due to pricing actions, lower advertising expenditures, and higher business efficiency to reduce manufacturing and SG&A expenses.

PT Nipsea increased its market share by 1 pp from the previous year to 18% and retained its No. 2 position.

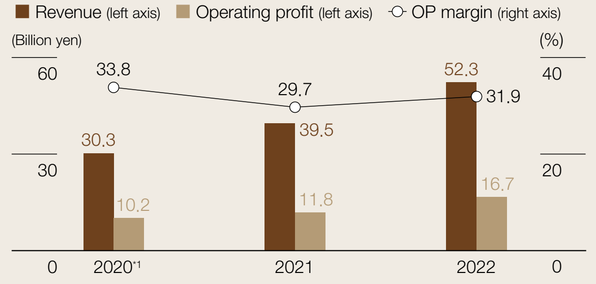
Growth since the acquisition (FY2021)

PT Nipsea, led by an excellent management team that uses NIPSEA-style management, has achieved earnings growth and market share gains that are considerably higher than before the acquisition by leveraging the following strengths: (1) Production sites and distribution networks that cover all regions of Indonesia and continue to expand, (2) Decorative paints brands with high brand recognition, (3) The largest supply system for CCM machines in Indonesia, and (4) Strong support systems developed through collaboration with global automobile industry OEM manufacturers.

As a result, revenue increased by 72.7% and operating profit by 63.7% compared with the time of acquisition.

Revenue[*1]/Operating profit[*1] /Market share (YoY/growth since acquisition)

JPY52.3 bn (+32.5%/+72.7%) /
JPY16.7 bn (+42.1%/+63.7%)/
18% (+1 pp/+1 pp)



FY2022 results

■ Customer base
· The largest number of computerized color matching (CCM) machines in Indonesia for even better customer service
· Strengthened relationships with fishing communities by providing samples of ship repair coatings.

■ Brands
· Continuous investments in activities to increase brand awareness and position
—Maintained a strong reputation among customers as "Top of Mind" brand in decorative paints

Dunn-Edwards

(USA)

Since its founding in 1925, Dunn-Edwards has been a leading paint supplier in the Southwestern U.S., providing extensive lines of products and services for professionals in the paint and coatings industry.

FY2022 operating results

Revenue increased by 26.8% from the previous year to JPY65.7 bn despite weak volume growth due mainly to the slowdown of the U.S. economy, interest rate hikes, and inflation. Growth was driven by the successful implementation of several price increases in response to raw material price increases as well as solid housing demand and favorable weather during the first half of the fiscal year.

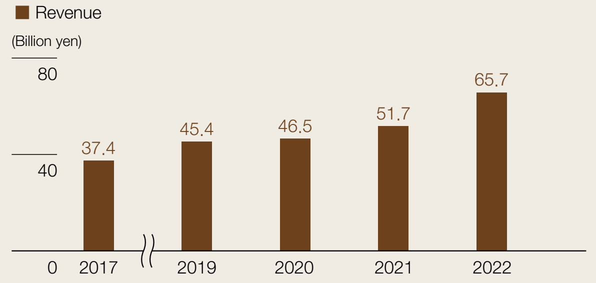
Dunn-Edwards' market share remained about the same as in the previous year at 2.5%.

Growth since the acquisition (FY2017)

Dunn-Edwards has unique customer services that differentiate it from competitors and high-quality products. The company increased sales utilizing its existing distribution network in the Southwestern U.S., by opening new stores, and launching new products all while leveraging the know-how of Nippon Paint Group. As a result, revenue has increased by 47.2% compared with the amount in FY2018.

Revenue/ Market share (YoY/growth since acquisition[*2])

JPY65.7 bn (+26.8%/+47.2%)
2.5% (+0.0 pp/+0.1 pp)



FY2022 results

■ Human resources/organizations
· Many Diversity & Inclusion initiatives
—Ratio of female employees: 30.0% (+0.4 pp vs. FY2021)
—Ratio of women in managerial positions: 34.5% (+4.4 pp vs. FY2021)

■ Nature/environment
· Started using renewable energy in every state
—Ratio of renewable energy use in California: 34% or higher
· Participated in the Paint Care program for collecting and recycling surplus paint to reduce waste

Japan Group

(Japan)

Basic & New

Japan Group operates in areas such as automotive coatings, decorative paints, industrial coatings, fine chemicals, and marine coatings by leveraging its strong technical capabilities and brands. Japan Group is the leader in the paint and coatings market in Japan.

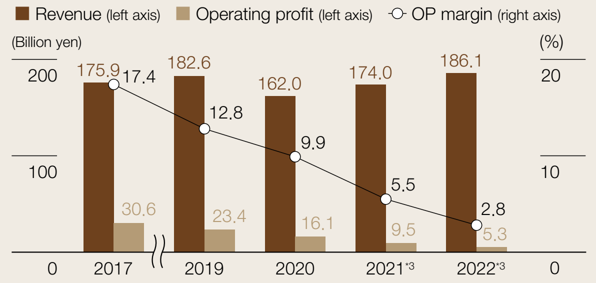
FY2022 operating results

Automotive coatings revenue was around the same as in the previous year due to flat automobile production because of the shortage of semiconductor chips. Decorative paints revenue increased despite the resurgence of the pandemic and raw material price increases, due to pricing actions and successful sales and promotion activities. Industrial coatings revenue increased despite the pandemic and slow market recovery, due to price increases to pass on the higher cost of raw materials. As a result, revenue increased by 6.9% from the previous year to JPY186.1 bn.

Operating profit decreased by 44.5% to JPY5.3 bn despite selling price increases and SG&A controls, due to expenses at Nippon Paint Corporate Solutions, a Japan-focused functional company, and special retirement payments.

Revenue/Operating profit (YoY change)

JPY186.1 bn (+6.9%)/
JPY5.3 bn (-44.5%)



FY2022 results

■ Technologies
· Becoming even more competitive by developing sustainable products
—High-durability heat shield coatings for road surfaces: Received the 2020 Environmental Technology Award
—Next-generation environmentally friendly antifouling paint: AQUATERRAS received the GREEN4SEA Technology Award

■ External partners
· Open innovation through industry-academia co-creation projects with the University of Tokyo and other external partners
· Joint development activities with Toyota Motor Corporation and others by applying automotive paint technology

■ Nature/environment
· Increased the use of renewable energy
—Increased the use of renewable energy to around 7% of all electricity consumption

*1 Segment basis (after elimination of internal transactions and after PPA)
*2 FY2017 earnings of Dunn-Edwards are for 10 months from March 2017, when the acquisition closed, to December 2017. Earnings changes since the acquisition are calculated using FY2018 earnings.
*3 NPHD changed its reportable segments beginning with FY2022 1Q. The earnings for FY2021 and FY2022 are based on the new reportable segments and include the overseas marine coatings business.

Asset Management Report

The earnings for FY2020 and FY2021 have been adjusted retrospectively following the classification of the European automotive coatings business and the India businesses 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 FY2021 4Q.

The earnings comparison with the time of acquisition are estimates because some assumptions used to estimate market shares at the time of acquisition are different from present assumptions due to a change in the accounting policy.
Market shares are NPHD's estimates.

Assets | Financial outcomes | Non-financial outcomes

DuluxGroup (Consolidated)

(Pacific/Europe)

DuluxGroup

DuluxGroup operates in 22 countries in the mature Pacific (Australia, New Zealand and Papua New Guinea) and European markets with the top market share in the decorative paints market in four countries (including Australia) and is in the top three in terms of market share in a further six countries. DuluxGroup is driving growth of the Group with its consistent growth every year.

FY2022 operating results

Decorative paints revenue increased from the previous year due to selling price increases in Pacific, combined with the new consolidation of Cromology and JUB. Revenue in adjacent businesses also increased, due to selling price increases in all businesses, as well as strong sales of ETICS in Europe. As a result, revenue increased by 78.7% from the previous year to JPY314.9 bn.

Operating profit increased by 55.8% to JPY29.7 bn due to the new consolidations and higher revenue, as well as rigorous margin and cost controls in response to raw material price increases.

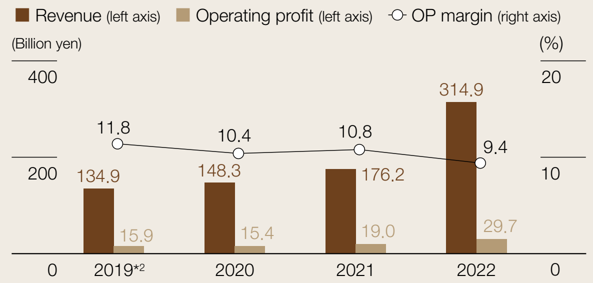
Growth since the acquisition (FY2019)

Led by its capable management team, DuluxGroup has achieved strong earnings growth by focusing on three strategic growth pillars: (1) Building on its market leading positions in the Pacific, (2) Leveraging the capability for growth in the mature European paints market, and (3) Leveraging the capability for growth in the global SAF (Sealants, Adhesives & Fillers) market.

Revenue increased by 133.4% and operating profit by 87.0% compared to the time of the acquisition. In addition to organic growth, DuluxGroup completed more than 20 M&A transactions in the Pacific and European markets since joining the Group in 2019.

Revenue[*1]/Operating profit[*1]
(YoY/growth since acquisition)

JPY314.9 bn (+78.7%/+133.4%)/
JPY29.7 bn (+55.8%/+87.0%)



FY2022 results

■ Human resources/organizations
—Ratio of female employees: 32.7%
—Ratio of women in managerial positions: 31.5%

DuluxGroup

(Pacific)

DuluxGroup

DuluxGroup has the leading position in the mature Australian market and Dulux has about 80% unprompted brand awareness, which is almost double that of the next strongest brand, and is consistently voted Australia's most trusted paint brand.

FY2022 operating results

Decorative paints revenue increased from the previous year, with the decrease in volume more than offset by selling price increases in response to rising raw material prices. Revenue in the adjacent businesses increased due to higher volume, mainly in the trade-use market, and higher selling prices. As a result, revenue increased by 17.2% to JPY206.6 bn.

Operating profit increased by 33.9% to JPY25.5 bn due to higher revenue driven by strong sales of trade-use products in the adjacent businesses as well as rigorous margin and cost controls in response to raw material price increases.

DuluxGroup has maintained the No. 1 market share (volume and value basis) in decorative paints in Australia.

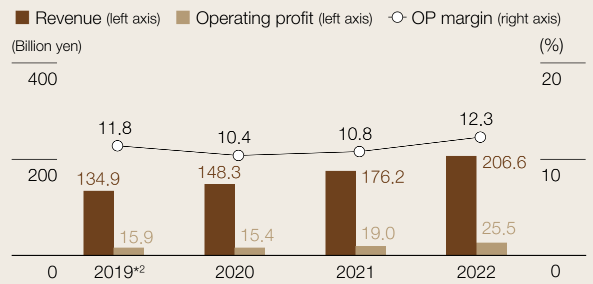
Growth since the acquisition (FY2019)

DuluxGroup has consistently grown faster than the market due to many factors including relentless focus on continuous investment in premium brands, consumer insights, innovation, marketing, and customer service for retailers and professional painters. DuluxGroup has also carried out multiple bolt-on acquisitions (those aimed at complementing and strengthening existing businesses) that have complemented its consistent organic growth.

As a result, revenue has increased by 53.2% and operating profit by 60.6% since joining our Group.

Revenue[*1]/Operating profit[*1]/Market share[*3]
(YoY/growth since acquisition)

JPY206.6 bn (+17.2%/+53.2%)/
JPY25.5 bn (+33.9%/+60.6%)
50% (+0 pp/+2 pp)



FY2022 results

■ Human resources/organizations
· Implemented measures to increase the ratio of female employees in all job levels
—Ratio of female employees: 35.9% (+0.5 pp YoY)
—Ratio of women in managerial positions: 33.3% (+1.1 pp YoY)
· Investments in improving employee engagement
—Employee engagement (FY2021): 80% (+8 pp vs. FY2017)

■ Brands
· Improving the brand awareness
—Several DuluxGroup brands were recognized as the most trusted brands in a brand award in Australia

■ Nature/environment
· Initiatives aimed at reducing energy consumption
—Renewable electricity (% of total electricity consumption): 3.0% (+1.6 pp YoY)

DuluxGroup

(Europe)

cromology JUB

DuluxGroup (Europe) has Cromology, which is the fourth largest in the European decorative paints market, and JUB, which is the market leader in decorative paints for interiors and ETICS in the market, and is accelerating growth, leveraging the management know-how of DuluxGroup.

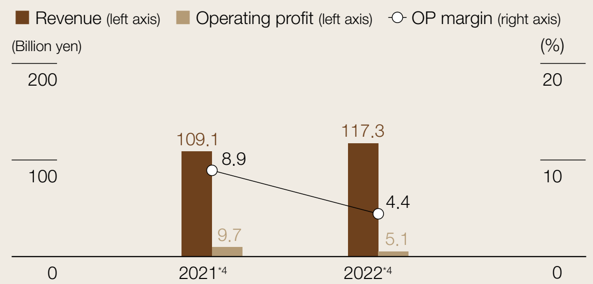
FY2022 operating results (acquired in FY2022)

Revenue increased by 7.6% from the previous year to JPY117.3 bn due to selling price increases in response to raw material price increases. This is despite flat volume growth because of consistent softness of market conditions, mainly in France.

The operating profit of Cromology decreased from the previous year despite selling price increases and cost controls, due to external market headwinds driving lower consumption, mainly in France, and raw material price increases. The operating profit of JUB increased as the increases in raw material prices, personnel expenses, and energy costs were offset by the product mix improvement, pricing disciplines and rigorous cost controls. The operating profit of DuluxGroup (Europe) decreased by 46.9% to JPY5.1 bn, inclusive of one-off amortization from acquisition accounting.

Revenue[*4]/operating profit[*4]
(YoY/growth since acquisition)

JPY117.3 bn (+7.6%/+7.6%)/
JPY5.1 bn (-46.9%[*2]/-46.9%[*2])



FY2022 results

■ Human resources/organizations
—Ratio of female employees: 29.1%
—Ratio of women in managerial positions: 29.2%

■ Nature/environment
· Promoted the use of renewable energy
—Renewable energy consumption (% of total): 31.6%
—Renewable electricity consumption (% of total): 66.2%

*1 Segment basis (after elimination of inter-segment transactions and after PPA)
*2 Including one-off items such as M&A cost
*3 Volume basis
*4 FY2021 results are pro forma figures. JUB's earnings for FY2022 are pro forma figures for 12 months and converted to JPY at the following exchange rate: EUR/JPY=138.5 yen

MSV - Our Sole Mission

Chapter 2

Development of Our Business Model and Evolution of Our Growth Strategy

Corporate actions

Reforms of cost structure implemented in Japan

- Kenji Sakai appointed President & CEO Survival Challenge Program launched (April 2009)
- Consolidation of the Asian JVs announced (February 2014)
- Transition to a holding company structure (October 2014)

Capturing demand in the high growth Asian markets

- ·Domestic business restructuring, separation of operating companies by lines of business
  ·Tetsushi Tado appointed President & CEO (April 2015)
- Acquisition of U.S. Dunn-Edwards announced (December 2016)

Solid regional and business portfolio established

- Increase of Outside Directors based on a shareholder proposal submitted by Wuthelam Group (January 2018)
- Appointment of Masaaki Tanaka as Executive Chairman of the Board, Representative Director of the Board announced (February 2019)
- Acquisition of Australian DuluxGroup and Turkish Betek Boya announced (April 2019)
- Appointment of Masaaki Tanaka as President & CEO announced (September 2019)
- Transition to a Company with Three Committees (March 2020)

Relentlessly pursuing growth based on Asset Assembler model

For more information, see "Assets Assembled to Date" on page 35.

- Completed the full integration of the Asian JVs and acquisition of the Indonesia business (January 2021)
- Adopted the Co-President setup led by Yuichiro Wakatsuki and Wee Siew Kim (April 2021)
- Transferred the European automotive business and India businesses to Wuthelam Group (August 2021)
- Launched international offering of shares (January 2022)

Improving profitability in Japan Group P91

- Nippon Paint Corporate Solutions established (January 2022)/ Next Career Plan voluntary early retirement program implemented (September 2022)

Accumulation of assets through M&As P59

- Vital Technical (March 2021)/Cromology (October 2021)/ JUB (October 2021)/Chinese automotive JVs (November 2021)/NPT (February 2023)

Sustainability P41

- Endorsement of TCFD recommendations (September 2021)
- Deepening of autonomous sustainability structure (January 2022)

Our Long-Term Vision

Ensuring sustainable growth

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

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

Quantitative targets/ results	2014 (JGAAP)	
	Plan	Results
Net sales	¥250.0 bn	¥260.6 bn
Operating income	¥25.0 bn	¥33.4 bn
Operating income margin	10.0%	12.8%

Outcomes

- Significantly improved profitability and achieved targets through rigorous cost saving mainly in Japan

Challenges

- Drastically reduced costs including spending on long-term investment as part of emergency measures to respond to the global financial crisis, which is the cause of the current aging facilities and workforce
- Growth in China and other Asian countries achieved through the Asian JVs, which were consolidated in FY2014

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

Quantitative targets/ results	2017 (JGAAP)	
	Plan	Results
Net sales	¥700.0 bn	¥605.3 bn
Operating income	¥105.0 bn	¥75.0 bn
Operating income margin	15.0%	12.4%

Outcomes

- Restructured the Japanese businesses and implemented company splits based on lines of business, and transitioned to a holding company structure
- Achieved significant earnings growth through consolidation of the Asian JVs

Challenges

- Underachieved the plan due to yen's appreciation, as well as raw material inflation caused by the environmental regulations in China
- Capturing of profit due to full integration of the Asian JVs

2018-2020

N-20

(Released in May 2018)

Basic strategy

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

Quantitative targets/results	2017	2020	
	Results*	Plan	Results
Revenue	¥610.2 bn	¥750.0 bn	¥781.1 bn
Operating profit	¥85.4 bn	¥105.0 bn	¥86.9 bn
Operating profit margin	14.0%	14.0%	11.1%

* Figures recalculated in accordance with International Financial Reporting Standards (IFRS)

Outcomes

Steadily reinforced the organizational base for sustained growth

- Expanded business in Oceania and Türkiye through M&A (DuluxGroup and Betek Boya)
- Announced the full integration of the Asian JVs and the Indonesia business

Challenges

Enhancement of sustainability and profitability improvement over medium and long term

- Operating profit margin reached 13.8% in FY2018, but fell below the target in FY2019 due to impairment losses and in FY2020 due to the pandemic and other factors
- Achieve sales growth and profitability improvement that outpace competitors in the growing paint market
- Create business opportunities through ESG initiatives and work on net zero CO_2 emissions
- Utilize DX (Digital Transformation) and recruit competent talent to respond to aging facilities and workforce in Japan

2021-2023

Medium-Term Plan (FY2021-2023)

(Released in March 2021)

For more information, see "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.

A three-year milestone towards our long-term goals

- Strategy by Asset page 85
  Further solidify our strong growth platform and proactively address new challenges
- Finance Strategy page 55
  Use our strong cash generating capacity to strengthen our financial base and secure funds for growth with M&A and business investment
- M&A Strategy page 59
  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 page 41
  Expand business opportunities through ESG initiatives for sustainable growth

Quantitative targets/ results	2022	2023 Released in March 2021	2023 Released in February 2023
	Results	Plan	Plan
Revenue	¥1,309.0 bn	¥1,100.0 bn	¥1,400.0 bn
Operating profit	¥111.9 bn	¥140.0 bn	¥140.0 bn
Operating profit margin	8.5%	c.13.0%	10.0%

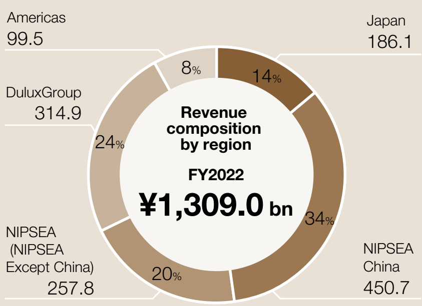
Outcomes

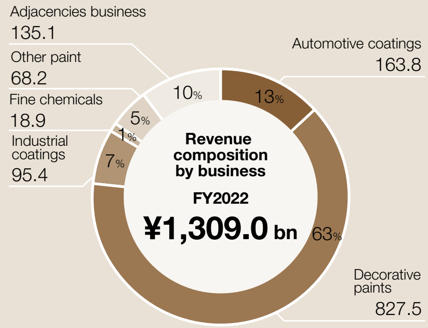
Strengths of Asset Assembler model reaffirmed

- Resilient growth achieved despite challenging environment
- Excellent companies acquired with low financing cost delivering Year 1 EPS accretion
- Strengths of Asset Assembler model
- Rising interest rates create additional opportunities

Overview by segment (FY2022)

See "Asset Management Report" on page 23.





2024-

Medium to Long-Term Management Strategy

See "Our Medium to Long-Term Management Strategy for Achieving MSV" on page 49.

Organic Growth

Further solidify our strong growth platform

Inorganic Growth

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

Competitive advantage based on Asset Assembler model

1. Our ability to harness the low-funding cost
2. Our ability to maintain and boost the EPS contribution from assets companies without intervention
3. Our unique appeal to management-class talents who empathize with our modus operandi

See "The Basis of Our Asset Assembler Model" on page 37.

Illustration of revenue growth (FY2009–FY2022)

Our Value Creation Model

Value creation model is based on (1) organic EPS growth, (2) inorganic EPS accretion, and (3) maximization of PER

Deepening trust   Further accumulating assets

OUTCOME MSV

Maximization of Shareholder Value

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

Customers · Suppliers · Financial institutions · Employees · State

Fulfillment of obligations to all our stakeholders

▸ See page 22.

External environment

- Global population/ per-capita GDP growth, urbanization
- Worldwide inflation
- Increasing geopolitical risks
- AI/digital technology progress
- Heightened awareness of climate change and the need to protect the environment
- Increasingly intense competition

INPUT

Financial and Non-Financial Resources ▸ See page 39.

Human resources/ organizations
- Create workplaces that encourage active participation by people with diverse backgrounds and characteristics
- Embrace reforms and changing work styles
- Firmly establish the Purpose and the Global Code of Conduct
- Increase the effectiveness of risk management

Technologies
- Cultivate engineering talent
- Step up R&D activities
- Maintain and reinforce production facilities
- Develop sustainable products

External partners
- Open innovation with universities and research institutions
- Joint research with automobile manufacturers
- Increase engagement with investors and other stakeholders
- Strengthen and deepen partnerships with Wuthelam Group

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

Brands
- Advertising and marketing activities
- Increase visibility among consumers
- Hold the AYDA Awards international architectural and interior design competition
- Social contribution activities

Financial base
- Rigorous financial discipline
- Prioritize debt financing and maintaining leverage capacity
- Engagement with financial institutions and credit rating agencies
- Build a global investor base

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

Our Business Model

Medium- to long-term growth model as an Asset Assembler ▸ See page 35.

Relentlessly pursuing growth based on Asset Assembler model

Autonomous and decentralized management

JUB · DuluxGroup · Dunn-Edwards · Japan Group · Betek Boya · NIPSEA Group · Cromology

Purpose
Enriching our living world through the power of Science + Imagination

Autonomy and accountability

Paint++
Going beyond paint and into adjacencies

Build up M&As
+
Expand our existing businesses

Competitive advantage ▸ See page 37.

1. Our ability to harness the low-funding cost
2. Our ability to maintain and boost the EPS contribution from assets companies without intervention
3. Our unique appeal to management-class talents who empathize with our modus operandi

Medium to Long-Term Management Strategy ▸ See page 49.

Medium-Term Management Plan (FY2021-2023) ▸ See page 51.

- Strategy by Asset ▸ See page 85.
- Finance Strategy ▸ See page 55.
- M&A Strategy ▸ See page 59.

Sustainability Strategy ▸ See page 41.
Basic Policy on Sustainability
Materiality

OUTPUT

Building up/strengthening financial and non-financial resources

Human resources/ organizations
- Consolidated number of employees (ratio outside Japan)
  33,763 (89.2%)
- Employee satisfaction level
  81% (Japan Group)
- Ratio of women in managerial positions (global)
  24.8%

Technologies
- Engineering talent (global)
  3,895 persons
- New Product Sales Index (NPSI)
  20% (Total of NIPSEA Group and Japan 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
  104,000 stores
- Number of countries/regions where Nippon Paint Group has the No. 1 market share in decorative paints
  13 countries/regions

Brands
- Brand award from a Chinese brand evaluation institution
  Awarded the Gold Brand for seven consecutive years (Wall Paint Category)
- Brand award in Australia
  Recognized as Most Trusted Brands (Several DuluxGroup brands)

Financial base
- Net D/E ratio 0.50 times
- R&I rating A
- Total shareholder return (TSR) 152.5%

Nature/environment
- GHG emissions (Scope 1 and 2, Global)
  55.6kg-CO_2/production volume (ton)
- ESG indexes adopted by GPIF
  Selected as a constituent in all six indexes

Foundation of value creation

- Corporate Governance ▸ See page 99.
- Risk Management ▸ See page 121.
- Global Code of Conduct ▸ See page 124.

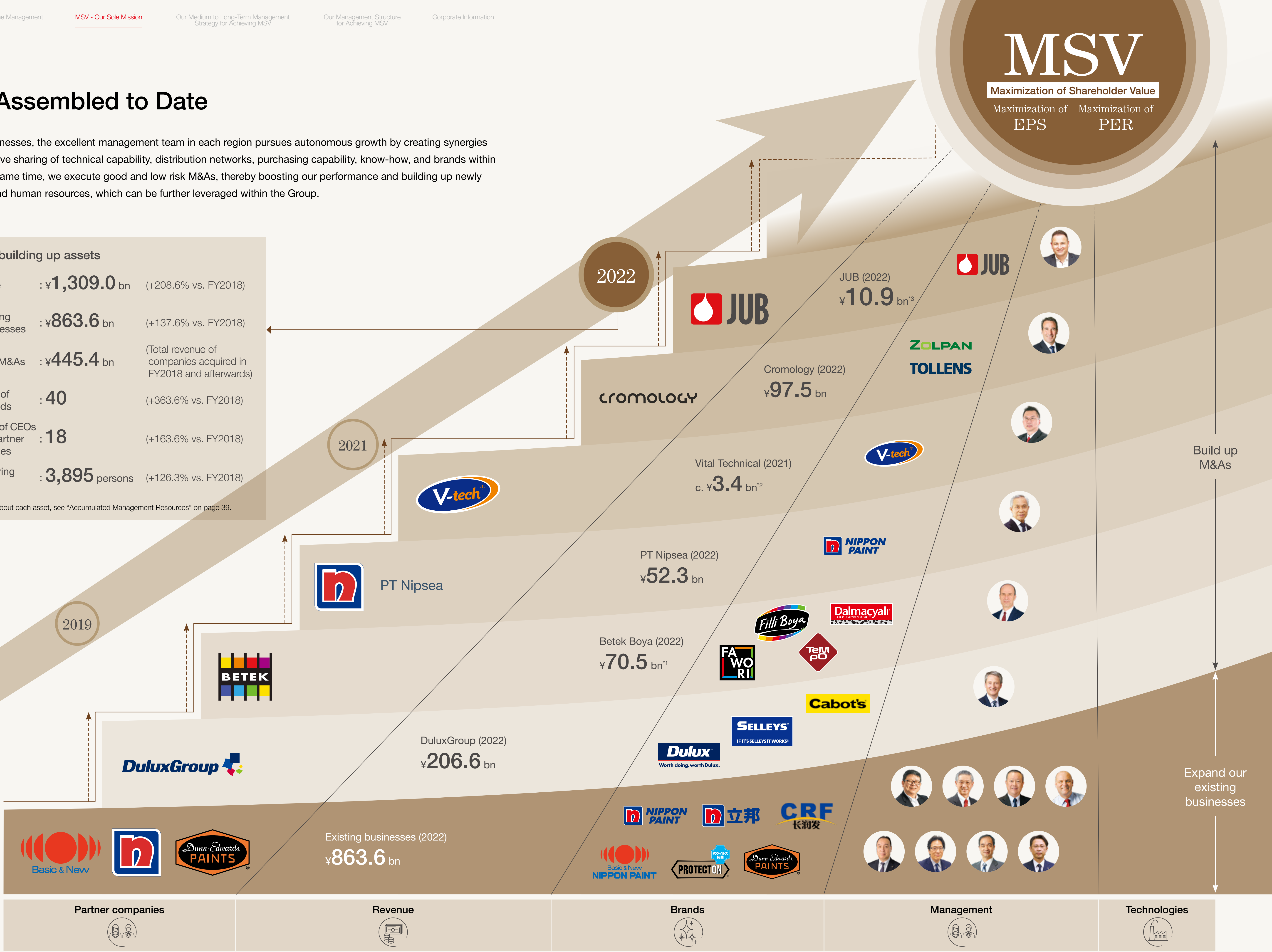
Assets Assembled to Date

In our existing businesses, the excellent management team in each region pursues autonomous growth by creating synergies through the proactive sharing of technical capability, distribution networks, purchasing capability, know-how, and brands within the Group. At the same time, we execute good and low risk M&As, thereby boosting our performance and building up newly acquired brands and human resources, which can be further leveraged within the Group.

Outcomes of building up assets

Revenue	: ¥1,309.0 bn	(+208.6% vs. FY2018)
Existing businesses	: ¥863.6 bn	(+137.6% vs. FY2018)
New M&As	: ¥445.4 bn	(Total revenue of companies acquired in FY2018 and afterwards)
Number of key brands	: 40	(+363.6% vs. FY2018)
Number of CEOs of key partner companies	: 18	(+163.6% vs. FY2018)
Engineering talent	: 3,895 persons	(+126.3% vs. FY2018)

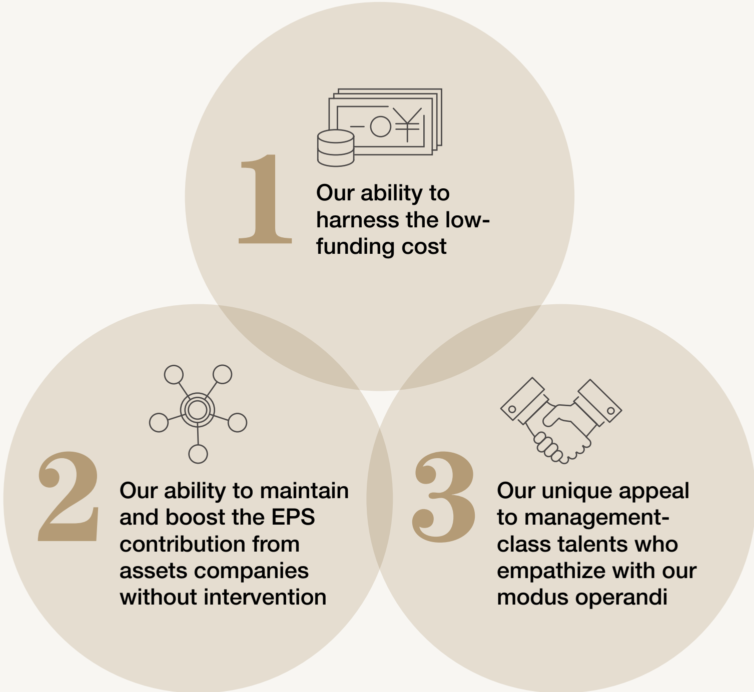
▸ For more information about each asset, see "Accumulated Management Resources" on page 39.



*1 After applying hyperinflationary accounting
*2 The earnings of Vital Technical are for nine months and converted to JPY at the exchange rate of MYR/JPY=26.61 yen
*3 The earnings of JUB are for seven months

The Basis of Our Asset Assembler Model

Our "Asset Assembler" model is based on our three pillars of competitive advantage.



First, our low funding cost is the vital component in our M&A strategy.
We being based in Japan, the stable currency and a consistent low interest rate environment set us apart from European and U.S. companies who face higher interest rates.

Our low-risk asset portfolio provides for higher leverage opportunity, which normally enables EPS accretion as we prioritize debt financing at favorable interest rates for acquisitions.
However, debt capacity limits will eventually limit our acquisitions. To mitigate this risk, we hold the option of equity financing. Using high PER shares to acquire a company with relatively low PER generally results in EPS accretion, even if the acquisition is all-share funded. Adding an optimized level of low cost debt to such equity funding will lead to the "maximization" of EPS. This approach enables us to continuously assemble assets without being constrained by debt capacity limitations. Target assets are entities of low risk and stable profitability, of which we have found many.
The success of our acquisition model relies on (1) valuation (PER) of acquisition targets and (2) an optimal combination of debt and equity financing. The chart right demonstrates that a well-executed acquisition of a low PER company, funded through an optimal combination of debt and equity, will result in a substantial EPS accretion. The advantage we enjoy in funding stems from our ability to leverage our balance sheet with the portfolio of low-risk, stable income assets while ensuring the fulfillment of our obligations to financial institutions, which forms one of the premises of MSV.

Low funding cost is common within numerous Japanese companies and any of them could potentially be an "asset assembler." However, what truly distinguish us are our two unique capabilities, as explained below.

Our second pillar of competitive advantage as stated above is our ability to maintain and boost EPS contribution from assets companies without intervention. This is manifested through our proficiency in recognizing companies with compelling appeal and effective leadership, particularly discovering management-class talents with just the right qualities.

Furthermore, we maintain our respect for the brands and heritage of target companies, while motivating their talented personnel post-acquisition. This approach enables the acquired companies to sustain and even boost their contribution to EPS accretion without headquarters' control or intervention, enjoying only advantages of scale and other benefits provided by headquarters.

The fundamental idea is that the parent company does not claim superiority in terms of information and decision-making abilities; rather, it encourages autonomous decision-making by local subsidiaries.
This approach helps to circumvent slow decision-making processes and ensures agile and appropriate actions to outperform competitors. Attempting to oversee all our global operations from the headquarters in Japan would be unfeasible and counterproductive.

Of course, we do maintain certain aspects of control. Co-Presidents oversee the governance of our key subsidiaries. The holding company retains its say in certain level of capital expenditures, as well as compensation and appointment/dismissal of management-class senior executives at subsidiaries.

One of our strengths lies in our ability to strike the right balance between autonomy and accountability, thereby unlocking the growth potential of our subsidiaries. This approach gives us the capability to assemble a large number of outstanding companies.

Our third competitive advantage lies in our prowess in attracting management-class talents. Our platform allows acquired companies that resonate with the concept of MSV to accelerate their contribution to EPS accretion through autonomy and accountability within our Group. This appeal enables us to draw in numerous outstanding talents.

CEOs who have become part of our Group have been effectively proselytizing the benefits of our platform after experiencing them, fostering a similar sense of empathy among newly acquired companies.

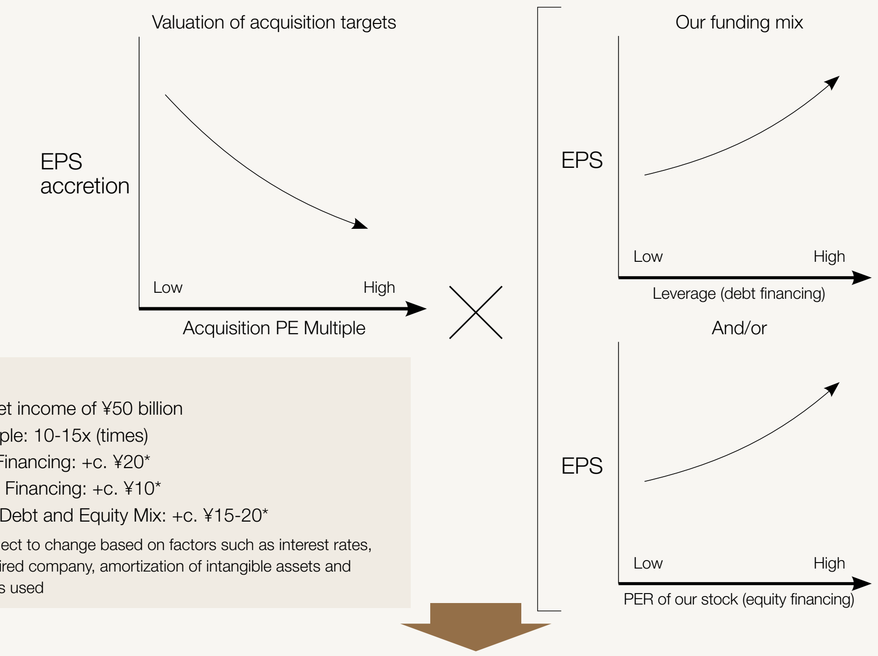
As a result, this will facilitate a seamless engagement post-acquisition and make further contribution to MSV possible. Notably, our approach has already garnered resonance among numerous management-class talents around the globe at this stage.

While taking pride in such competitive advantages, and remaining steadfast in our pursuit of EPS accretion, we make sure we keep a vigilant mindset. Our Asset Assembler model stands as a distinctive notion, granting us the ability to (1) assemble top-notch companies with appropriate valuations using optimal funding structures, (2) unlock the growth potential of these acquired firms, and (3) attract outstanding talents to expand our "federation" approach. Coupled with our unwavering sense of the MSV mission, we believe that we have the potential to exceed investors' expectations.

Illustration of continued growth based on Asset Assembler model

Requirements for acquisition targets
· Stable earnings capacity
· Outstanding management team

Analysis of value creation components
· Valuation of acquisition targets
· Our funding mix (debt or equity financing)
-Low-cost yen-based financing is a prerequisite
-Debt financing is prioritized but equity financing remains an option assuming EPS accretive



(Example)
Target Company: Net income of ¥50 billion
Acquisition PE Multiple: 10-15x (times)
EPS with Full Debt Financing: +c. ¥20*
EPS with Full Equity Financing: +c. ¥10*
EPS Accretion with Debt and Equity Mix: +c. ¥15-20*
* These figures are subject to change based on factors such as interest rates, debt level of the acquired company, amortization of intangible assets and valuation of our shares used

· EPS accretion in Year 1 feasible even for large-scale acquisitions with combination of low interest debt and high PER shares
· Acquisition of stable and low risk assets at reasonable valuation funded by optimal debt and equity mix allows for unlimited continuation of climb in EPS
· An asset is an earning stream - Asset Assembler model strives to acquire assets that are EPS-accretive immediately & sustainably, even if of low growth. This implies the asset must have a long enough record of stable earnings

Accumulated Management Resources

Financial and Non-Financial Resources Essential for Asset Assembler Model

Six categories of capital	Human capital	Manufactured capital	Social and relationship capital		Intellectual capital	Financial capital	Natural capital
Financial and non-financial resources essential for Asset Assembler model	**Human resources/ organizations**	**Technologies**	**External partners**	**Customer base**	**Brands**	**Financial base**	**Nature/environment**
Importance of resources from the perspective of Asset Assembler model	• In the paint market, which is characterized by local production for local consumption as well as a wide variety of uses, excellent management teams, diverse human resources, and strong organizational capabilities that enable us to accurately recognize social issues and customer needs and to promptly provide effective solutions are essential.	• Advanced technologies are essential to create innovations that solve social issues and meet customer needs and to enhance our competitive advantage, such as enabling 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 creating innovation for a sustainable future	• 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 adjacencies businesses
Examples of resources	• The Group's human resources who are well informed about their local markets (45 countries/ regions: 33,763 employees; ratio of overseas employees: 89.2%) • Active Diversity & Inclusion initiatives (Ratio of women in managerial positions: 24.8%) • High level of employee satisfaction (Japan Group: 81%) ▶ See page 47. • Excellent management teams who have a deep understanding both of market features in their respective countries and 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 talents who are innovation enablers (3,895 persons in total) • Core technologies, including paint, material synthesis and dispersion, and interface and surface technologies • Ability to develop sustainable 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 • Fulfilling obligations to stakeholders and maximizing shareholder value ▶ See page 22. • Our 60-plus-year partnership with Wuthelam Group	• Extensive distribution channels supporting the growth of the Chinese decorative paints business (104,000 stores) • Strategic partnerships with leading Chinese real estate developers and other customers • 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 the decorative paints business 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 50,000 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: JPY112.4 bn) • Establishing a solid financial base by taking actions including the integration of the Asian operations (net debt to equity ratio: 0.50x, total equity: JPY1,155.4 bn) ▶ See page 46.	• Taking actions to tackle global warming such as reducing energy consumption • 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
Utilization of resources based on autonomous and decentralized management, creation of autonomous synergies, and sophistication of management (examples)	• 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 within the Group and deploying them globally • Reducing 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 31.	• 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 55.	• 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
Particularly relevant materiality ▶ See "Materiality" on 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	• 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
Measures to strengthen resources based on our medium to long-term management strategy ▶ For more information, see "Medium to Long-Term Management Strategy" on page 49.	• Creating a workplace environment that allows diverse people to play an active role • Accepting reforms and changing workstyle • Instilling Purpose and Global Code of Conduct • Improving effectiveness of risk management	• Cultivating engineering talent • Stepping up R&D activities • Maintaining and reinforcing production facilities • Developing sustainable products	• 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	• 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	• Promoting advertising and marketing activities • Increasing visibility among consumers • Holding AYDA Awards international architectural and interior design competition • Promoting social contribution activities	• Ensuring financial disciplines • Prioritizing debt finance and maintaining leverage capacity • Promoting engagement with financial institutions and credit rating agencies • Developing a global base of investors	• Actions to combat global warming • Proper water use • Reducing environmental impacts by developing eco-friendly products

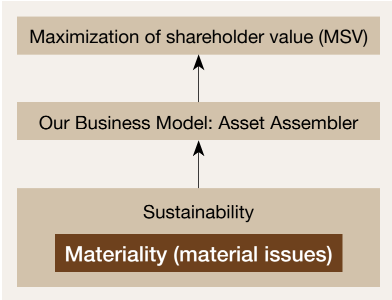
Sustainability as the Prerequisite for MSV

Sustainability linked to materiality

We believe that fulfilling our obligations to customers, suppliers, employees, society and other stakeholders is the premise for all initiatives for the maximization of EPS and PER.

To fulfill these obligations, we have a broad range of activities involving key themes (materiality) that we established in 2020 by using a global perspective. Linking these initiatives directly with business operations, such as for identifying business opportunities and entering new markets, is the primary goal. By complying with future laws and regulations and responding ahead of competitors to changes in the demands of society, we expect to avoid significant increases in expenses and reduce vulnerability to business risk itself.

We use a medium to long-term perspective for monitoring a broad range of risks and opportunities involving materiality. At the same time, we are working to turn these risks and opportunities to creating innovations that support growth strategies based on our Asset Assembler model while watching for changes in materiality. By taking these actions, we aim to achieve MSV by increasing earnings and investors' expectations of Nippon Paint Group (maximization of EPS and PER).



Materiality identification process

Stakeholder opinions

Preliminary list
First, we created a long list of 75 items where we have an obligation. The basis for this list is 11 global standards such as ESG disclosure guidelines, recognition by ESG evaluation organizations, and the code of conduct. This was reduced to a 32-item preliminary list through a process of consolidation and selections.

Internal discussions

Internal questionnaire
The ESG Committee, which was then newly established, held meetings in April 2020 to discuss the materiality identification process. The 25 members of the committee and members of the ESG Department (at that time) and other employees were asked to complete a questionnaire. A summary of their input about the 32-item preliminary list was then prepared.

Incorporation of global risk factors
To incorporate global risk factors in this process, discussions included chemical sector risk scenarios based on information in the Vigeo EIRIS Controversy Risk Assessment and other reports. We also used as reference peer companies, which we defined as multinational chemical companies and Japanese companies at the forefront of new trends.

Internal discussions

Internal discussions
The importance of materiality items for stakeholders and for Nippon Paint Group was used to determine six candidate materiality groups from the standpoint of business sustainability. We placed particular importance on discussions with overseas partner companies and reaching agreements with these companies.

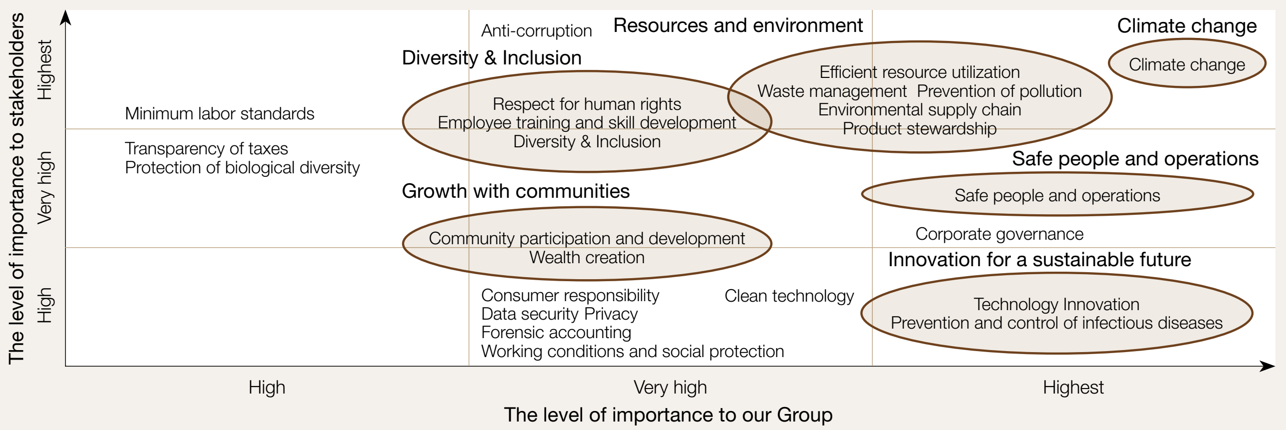
Stakeholder opinions

Stakeholder opinions
We interviewed a broad range of stakeholders and Independent Directors to hear their thoughts about candidates for designation as a materiality. This was followed by internal discussions to produce a final proposal.

Internal discussions

Approval
In July 2020, the ESG Committee (at that time) held discussions and in August the Board of Directors gave final approval to the materiality proposal.

Materiality map

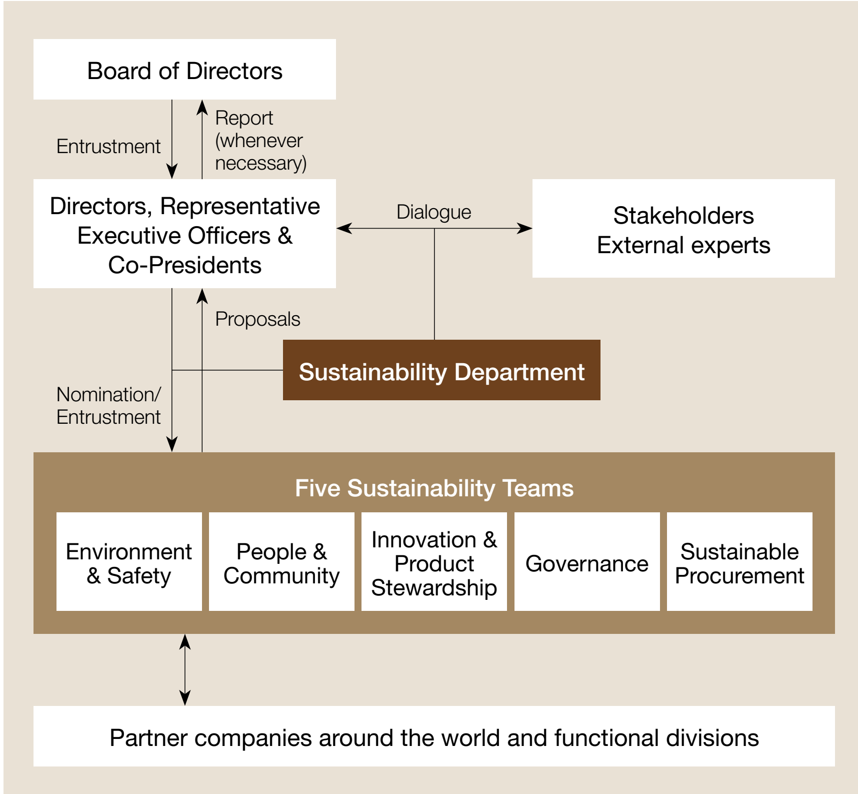


Autonomous sustainability structure

Under the leadership of Co-Presidents, five sustainability teams were established. Three teams are Environment & Safety, People & Community, and Innovation & Product Stewardship. For themes with a broader scope, there are also teams for Governance and for Sustainable Procurement. Based on autonomous and decentralized management that emphasizes the autonomy of all partner companies, the five teams are conducting global activities primarily led by business leaders with considerable expertise involving the areas of responsibility of each team.

Team leaders submit reports about progress and ideas for new activities directly to Co-Presidents about once every quarter. Co-Presidents pass on this information to the Board of Directors to enable the Directors to supervise sustainability activities.

▸ See "Discussions by the Board of Directors" on page 108.



Basic Policy on Sustainability

In March 2023, the Board of Directors approved the Basic Policy on Sustainability, which was subsequently made public. The policy states that Nippon Paint Group, with MSV as the goal, will implement sustainability initiatives as part of autonomous and decentralized management that emphasizes the autonomy of partner companies. Sustainability at Nippon Paint Group is based on the premise of the pursuit of MSV based on our Asset Assembler model.

Basic Policy on Sustainability

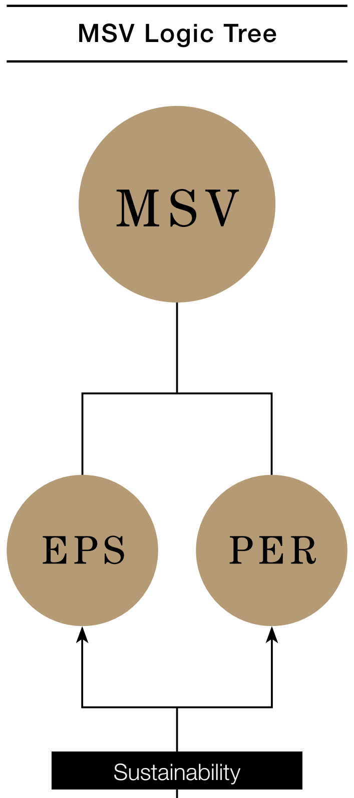
Nippon Paint Group recognizes an opportunity for sustainable growth from taking actions such as protecting natural capital including the environment, enhancing human resources by embracing diversity, and creating innovation with social benefits. Our group partner companies autonomously develop sustainability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

Key points

	ESG Statement (August 2020 - February 2023)	Basic Policy on Sustainability (March 2023-)
Positioning of MSV	The policy states that progress with a sustainability improvement plan will create new business opportunities and help achieve MSV.	The policy states that MSV is the goal of sustainability.
Business model	The sustainability policy was created for the paint and coatings business and articulates actions for accomplishing goals.	Formulated to align with our Asset Assembler model and autonomous and decentralized management
Procedure for establishment of the Basic Policy on Sustainability	Discussions about a sustainability policy took place mainly at the ESG Committee (at that time) and the results of these discussions were reported to the Board of Directors. (August 2020)	The proposed Basic Policy on Sustainability was discussed by the Directors and approved. (March 2023)

Sustainability as the Prerequisite for MSV

MSV Logic Tree



* For more information, see "How Shareholder Value Is Maximized" on page 5.

Team	Our pursuit	Materiality	Relevant SDGs	Risks	Opportunities
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	**Climate change** Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities	7, 9, 13	• Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets • Increased extreme weather events (e.g. flooding) and climate impacts (e.g. water stress) impacting operations and supply chain • Increased supplier costs from climate adaptation and decarbonization actions • Changes in customer and consumer expectations and behavior during the transition to a low-carbon future • Product claims and brand damage due to performance deterioration (e.g. temperature extremes)	• Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes) • Development of new products and services to capture climate-related business opportunities
		Resources and environment Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain	3, 6, 11, 12, 14	• Regulatory changes and impacts, such as waste disposal restrictions and increased costs • Supply constraints and increased costs associated with resource scarcity • Major site incident or contamination (e.g. soil/ groundwater) causing harm to people and community • Changes in customer and consumer expectations and behavior during the transition to a circular economy future	• Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) • Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
		Safe people and operations There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high-consequence risks	3, 4, 8	• Major site incident (e.g. fire) causing asset damage, supply chain disruption, and significant harm to people and community • Loss of safety management effectiveness from introduction of significant changes (e.g. new or modified plant/process)	• Minimizing risks through adoption and sharing of global best practice, particularly for high-consequence risks • Enhancing brand reputation, employee engagement, and attracting talent as a safe employer
People & Community	Recruit/train diverse employee + Earn the trust of stakeholders	**Diversity & Inclusion** Respect for the people around us, respect for human rights and active acceptance of diverse values are important for our sustainable growth. We value diversity of ideas and thinking to foster innovation and growth	4, 5, 8, 10	• To improve employee engagement and create continuous innovation, fostering a diverse and inclusive work environment is essential to increase human resources with diverse backgrounds. Failure to do so risks hindrance of the growth strategy • We may face perception risk if diversity initiatives are not properly positioned. Globally, many companies have come under scrutiny for implementing programs or campaigns that are either superficial to appear 'in tune' with popular trends and current topics, or are not well-received by their employees due to unintentionally excluding some groups in order to highlight others	• 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 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	1, 4, 5, 8, 9	• Significant damage to the corporate brand if the company is not perceived as a good corporate citizen that is connected to and invests in 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 & Product Stewardship	Develop sustainable products (NPSI↗·monitor LCA) + Chemicals of concern	**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	3, 9, 11, 17	• Significant hindrance 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 contribute significantly to society and help boost corporate earnings in the long term
Corporate Governance	Oversee management + Encourage risk-taking	All Materiality categories*	16, 17	• If our autonomous and decentralized internal control system aligned with our Asset Assembler model does not work effectively, this will create a risk of damage to our Group	• Social requirements regarding corporate governance are becoming increasingly demanding, which provides an opportunity for our Group to increase our significance of existence and strengthen competitiveness by addressing future issues and fulfilling social requirements ahead of time
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	All Materiality categories*	12, 13, 17	• The risk of raw materials not meeting sustainable criteria now adds to the long list of possible disruption to the raw material supply chain. We will continue to be vigilant and proactive to identify potential risk • The failure to ensure responsible sourcing (e.g. conflict minerals and chemicals of concern) will affect company reputation and may lead to legal implications	• Our sustainability survey of suppliers allows us the opportunity to identify potential risk in advance. We will work with suppliers who are aligned with our sustainable aspiration towards a more resilient supply chain and to develop sustainable products

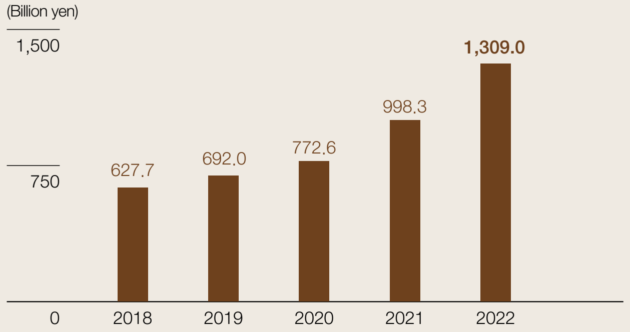
* Focused on activities not only tied to specific Materiality categories but also spanning all Materiality categories.

Value Creation Achievements (Financial and Non-Financial Highlights)

Financial Highlights

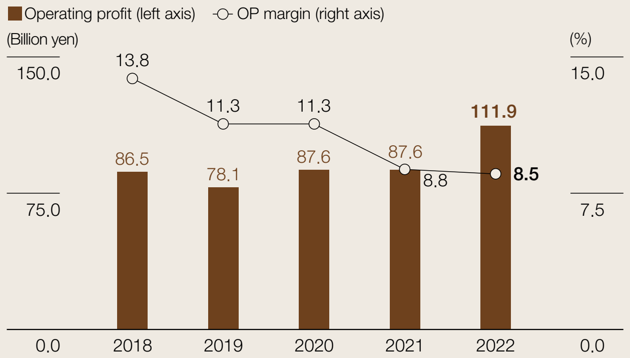
Financial base

Revenue



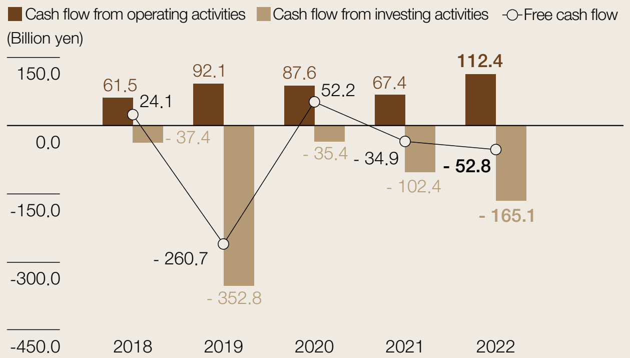
Our Group's revenue growth is accelerating due to the acquisition of a US paint manufacturer in FY2017, an Australian and a Turkish paint manufacturer in FY2019, and the Indonesia business in FY2021, as well as the significant growth in the decorative paints business in China and other Asian countries. In FY2022, we achieved revenue growth for the sixth consecutive year to a record high due to the acquisition of two European paint manufacturers, flow-through of price increases, and the yen's depreciation.

Operating profit / OP margin



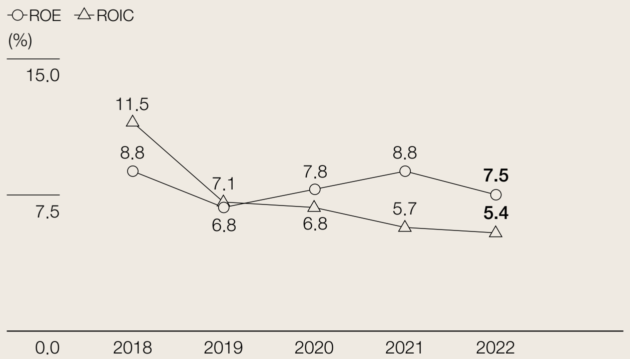
Group operating profit decreased from the previous year in FY2019 due to the recording of impairment loss involving the automotive business in Europe and India. However, operating profit increased for the third consecutive year since FY2020. Group operating profit rose to a record high in FY2022 due to higher revenue, despite raw material inflation, credit loss provisions in China, and the application of hyperinflationary accounting for our Turkish subsidiaries. Group operating profit margin decreased in FY2019 due to the recording of impairment loss and has remained in the 8% range since FY2021 reflecting the increase of the raw material cost contribution ratio.

Cash flow



Capital expenditures in the paint and adjacencies businesses are relatively low and positive cash flow is the norm. Free cash flow in FY2019, FY2021, and FY2022 was negative due to the acquisition of overseas paint manufacturers. However, our operating cash flow has increased consistently every year.

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

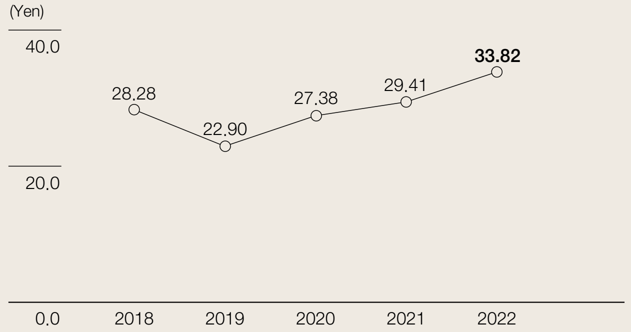


ROE has remained around 8% in recent years after decreasing in FY2019 because net profit decreased due to the recording of impairment loss and other factors. ROIC has been decreasing since FY2019 because of lower turnover of invested capital caused by increases in interest-bearing debt and shareholders' equity following the acquisitions and the full integration of the Asian JVs carried out in the period between FY2019 and FY2022.

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

Financial base

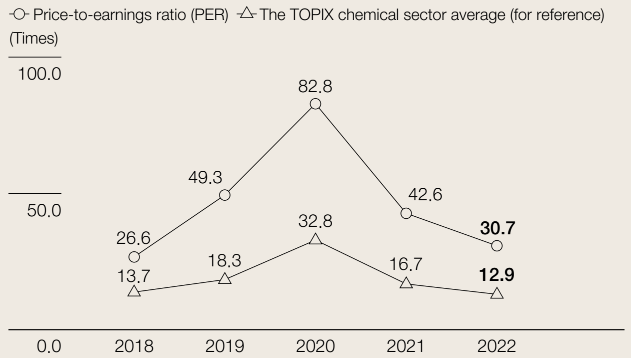
Earnings per share (EPS)*



Earnings per share (EPS) rises or falls roughly in proportion to changes in earnings, such as operating profit. EPS has increased for the third consecutive year since FY2020 due to higher revenue, after a decrease in operating profit in FY2019 due to the recording of impairment loss.

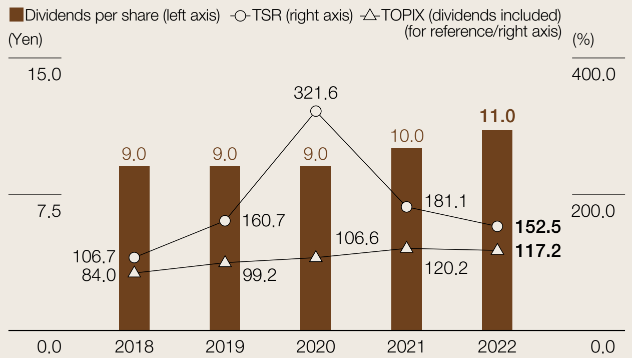
*Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2018

Price-to-earnings ratio (PER)



The PER has been above the TOPIX chemical sector average to reflect the expectations from investors for our future growth potential. The PER rose significantly in FY2020 reflecting multiple factors, such as investors' preference for growth stock in the stock market and our M&A activities.

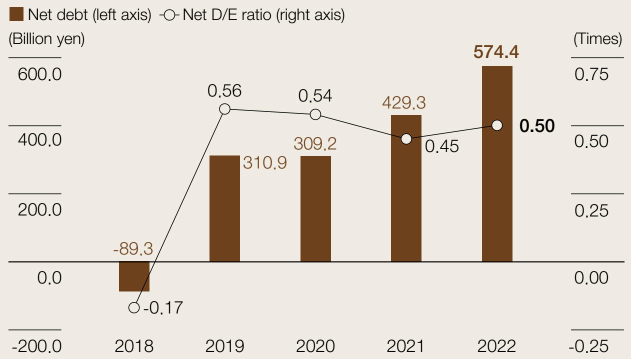
Dividends per share* / Total shareholder return (TSR)



Our basic policy is to pay stable and consistent dividends and maintain a dividend payout ratio of 30%. Our dividends increased for the second consecutive year, with an annual dividend of JPY10 per share including a commemorative dividend of JPY1 per share for the 140th anniversary of the company's founding paid in FY2021 and an annual dividend of JPY11 per share paid in FY2022. The total shareholder return (TSR) has exceeded TOPIX (dividends included), a comparative benchmark, since FY2018. TSR in FY2022 reached 152.5%, reflecting a dividend increase.

*Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2018

Net debt* / Net D/E ratio



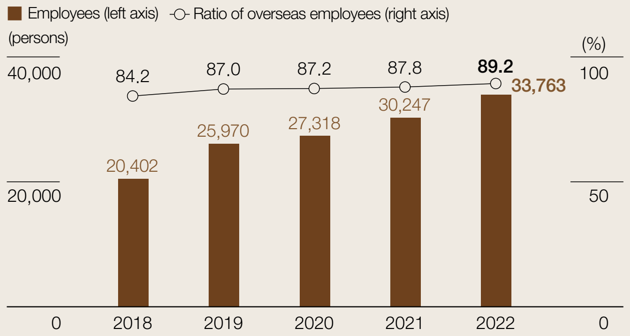
Due to relatively low capital expenditures in the paint and adjacencies businesses, positive cash flow is the norm and our net debt had been negative. However, net debt has been positive since FY2019 due to the loans from financial institutions to finance M&A. The net D/E ratio decreased in FY2022 because of the increase in equity capital due to the increase in interest-bearing debt associated with the acquisition of two European paint manufacturers.

*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

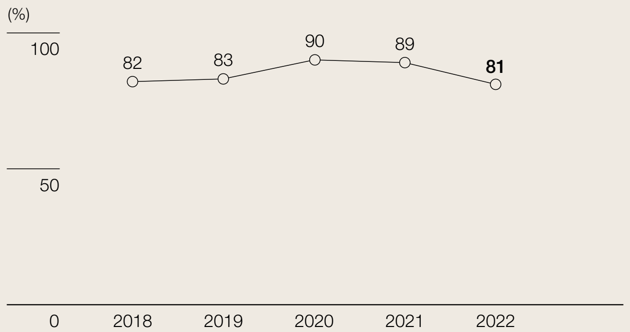
Human resources/ organizations

Employees / Ratio of overseas employees



The ratio of employees at the Group's overseas operations has been increasing due to aggressive M&A including the acquisition of a paint manufacturer in the U.S. in FY2017, an Australian and a Turkish paint manufacturers in FY2019, the Indonesia business in FY2021, and two European paint manufacturers in FY2022. We are taking actions to further reinforce and increase our human resources for more growth in Asia and Oceania.
The ratio of overseas employees has increased by 5.0 pts from 84.2% in FY2018 to 89.2% in FY2022.

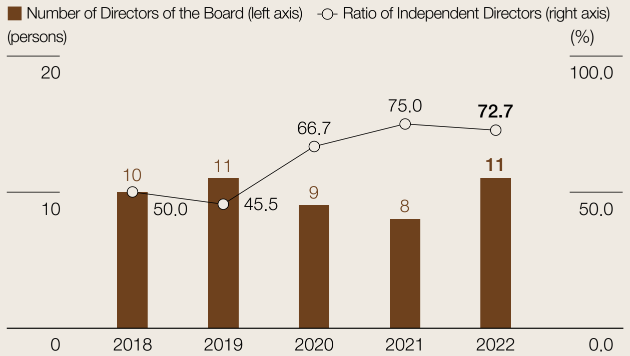
Employee satisfaction level (Japan Group)*



Japan Group's employee satisfaction rose to a record high in FY2020 but declined for two consecutive years in FY2021 and FY2022. With Japan Group pursuing reforms aimed at profitability improvements, employee satisfaction improved in the areas of working hours and use of annual leave but decreased in the areas of sympathy with the Group visions and policies, as well as trust and reassurance in their company of employment, as a result of the implementation of the voluntary early retirement program.

* Surveys by Nippon Paint Labor Union. ▶ See "Human Resource Strategy" on page 71 for information about employee satisfaction at other partner companies.

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

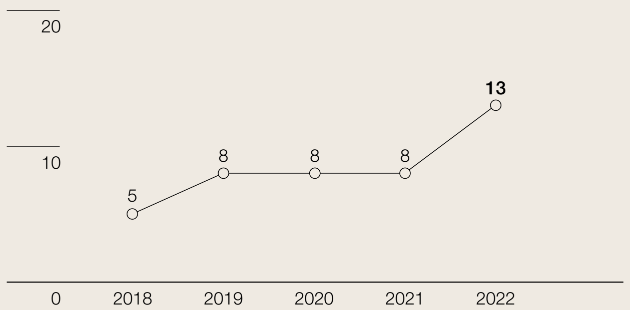


NPHD is building an advanced corporate governance structure based on Asset Assembler model with a focus on medium to long-term growth and protection of the interests of minority shareholders. We transitioned to a Company with Three Committees structure in March 2020. The Lead Independent Director has been serving as Board Chair since FY2021, and eight of the 11 Directors are Independent Directors in FY2022.

* Number of the Directors who were elected at the Ordinary General Meeting of Shareholders held during the period. 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



The 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 Cromology and JUB in FY2022 have added five European countries including Italy and Croatia as markets where the Group has the leading position.

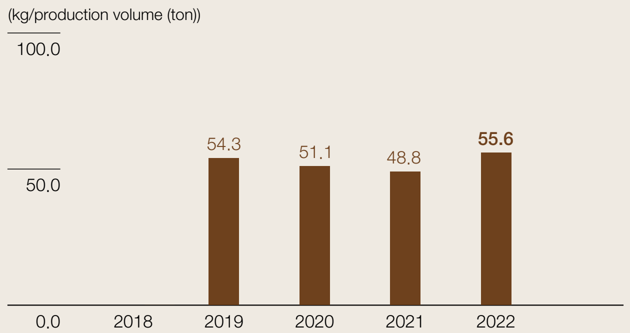
Brands

Awarded the Gold Brand from a brand evaluation institution (China)

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 seven consecutive years in the wall paint category of the C-BPI (China Brand Strength Index).

Nature/ environment

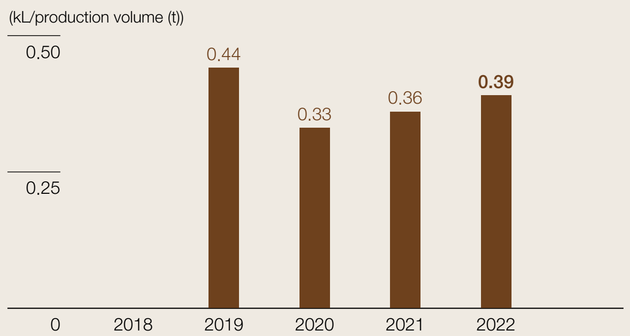
Greenhouse gas emissions (Scope 1 and 2) (Global)*



The Group has set a global-level target to reduce GHG emissions (Scope 1 and 2) by 37% in FY2030 compared to the FY2020 level. To achieve this target, we are taking actions including conducting aggressive energy-saving activities and starting the use of renewable energy. The Group's GHG emissions in FY2022 increased due to changes in production mix in NIPSEA Group.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology beginning in FY2022 and excluding JUB)

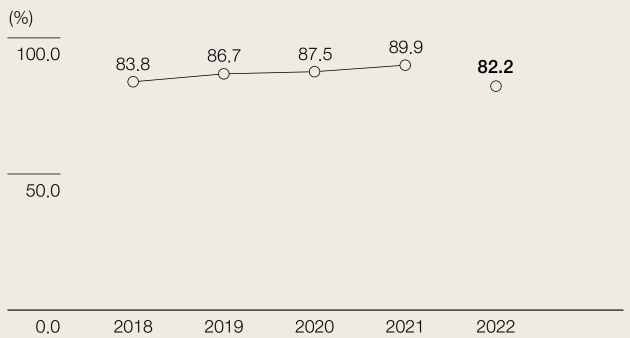
Water consumed (Global)*



The Group identified the efficient use of water as a category 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. The water use in the Group increased in FY2021 due to the expansion of the scope of data aggregation (Betek Boya) and in FY2022 due to the DuluxGroup acquisitions of Cromology and JUB, DuluxGroup clean-up of Dulux Rocklea site after major flooding event, and changes in production mix in NIPSEA Group.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

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 globally. The ratio of water-based paints in the decorative paints business is increasing yearly.

* Figures from FY2018 to FY2021 are calculated as water-based paint shipments divided by total paint shipments in units of 10,000 tons. Figures for FY2022 onwards are calculated as water-based paint shipments divided by total sales volumes in units of tons. The figure for FY2022 decreased due to a change in the definition of data collection, and there is no change in the trend to increase the ratio of water-based paints. Data cover six companies: Nippon Paint (NPTU) and NIPSEA (from FY2016 onwards), Dunn-Edwards (from FY2017 onwards), DuluxGroup (from FY2019 onwards), and Cromology and JUB (from FY2022 onwards)

Our Medium to Long-Term Management Strategy for Achieving MSV

Chapter 3

Overview and Updates on Medium-Term Plan (FY2021-2023)

Viability of our Asset Assembler model reaffirmed

As we completed Year 2 of Medium-Term Plan (FY2021-2023) (MTP) in FY2022 and entered its final year in FY2023, we reaffirmed the viability of our Asset Assembler model for pursuing MSV. Despite the dramatic changes in the business climate for our Group compared to when we formulated MTP in March 2021, our existing businesses showed resilience and achieved solid growth and all our excellent assets acquired with low financing cost are contributing significantly to EPS accretion. We will continue to pursue growth based on our Asset Assembler model with the goal of achieving MSV.

FY2021-2023 financial plan

(Billion yen)

	FY2021 Results*3	FY2022 Results	FY2023 Guidance: MTP guidance (Mar. 2021)*4	FY2023 Guidance: February 2023 updates*5	CAGR target for FY2024 onwards
Revenue	998.3	1,309.0	1,100.0	1,400.0	High single digits
Operating profit	87.6	111.9	140.0	140.0	Profit growth exceeding revenue growth
OP margin	8.8%	8.5%	c.13.0%	10.0%	
EBITDA*1	120.4	159.9	175.0	190.0	
EBITDA margin	12.1%	12.2%	c.16.0%	13.6%	
Profit attributable to owners of parent*2	67.6	79.4	105.0	98.0	
EPS (yen)	29.41	33.82	45.00	41.73	

*1 EBITDA: Operating profit + depreciation and amortization + impairment loss + gain on negative goodwill
*2 Targets for profit attributable to owners of parent are calculated by multiplying operating profit by effective tax rates
*3 Continuing operations basis
*4 Exchange rate assumptions: USD/JPY 106 yen; RMB/JPY 15.7 yen; AUD/JPY 75 yen; naphtha price: 40,000 yen/kl
*5 Exchange rate assumptions: USD/JPY 125 yen; RMB/JPY 19 yen; AUD/JPY 90 yen; naphtha price: 72,000 yen/kl

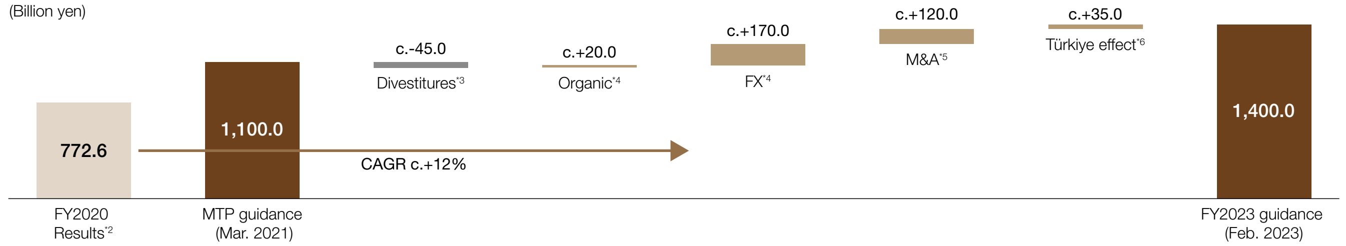
Analysis of differences between MTP guidance (Mar. 2021) and FY2023 guidance (Feb. 2023)

Our FY2023 revenue guidance is JPY1,400 bn. This is more than JPY300 bn higher than MTP guidance despite the negative impact of divestitures, due to higher-than-expected revenue growth at existing businesses except the Turkish business, the weaker yen, the acquisitions of Cromology and JUB, and the overall effect of Türkiye including the application of hyperinflationary accounting. Operating profit guidance is the same as MTP guidance at JPY140 bn. We believe that the positive effects of the yen's depreciation and M&A will largely offset the negative effects of divestitures and the high cost of raw materials on existing businesses and the effect of Türkiye.

Despite the challenging business environment, we have achieved organic revenue growth that exceeded our expectations. Coupled with contributions from M&A, we expect the steady growth to continue in FY2023.

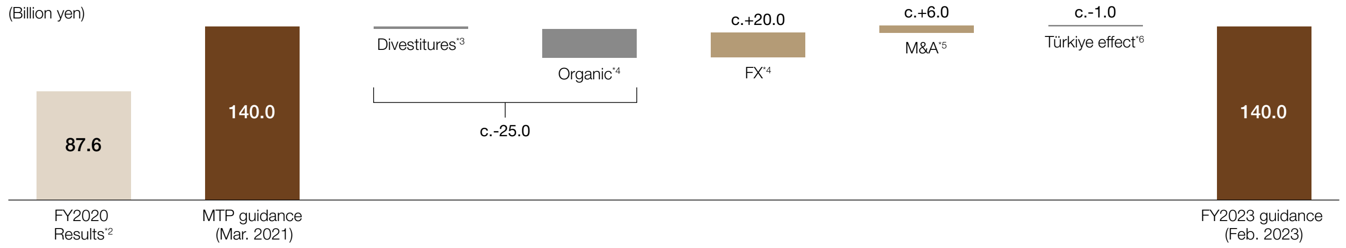
Change factors contributing to FY2023 revenue guidance*1

(Billion yen)



Change factors contributing to FY2023 operating profit guidance*1

(Billion yen)



*1 All figures are rough estimates and reflect changes in factors from MTP guidance as of March 2021.
*2 Continuing operations basis and after retrospective adjustments to reflect a change in the accounting policy regarding cloud computing agreements. Nippon Paint (India) was an equity-method affiliate in 2020
*3 Including Nippon Paint (India)
*4 Excluding Türkiye
*5 Only includes Cromology and JUB
*6 Changes in yen-based assumptions including organic growth, FX, and hyperinflationary accounting

Analysis by region

Based on the analysis by region, we expect revenue growth that exceeds MTP guidance in most regions due to pricing actions and market share gains. Strong revenue growth is expected, notably at NIPSEA China driven by market share gains due to higher-than-expected growth in the TUC market and at Malaysia Group, Singapore Group and Thailand Group in NIPSEA Group driven by pricing actions and growth in the adjacencies business. Revenue growth at DuluxGroup excluding newly consolidated Cromology and JUB was driven by pricing actions and bolt-on acquisitions (those aimed at complementing and strengthening existing businesses) in the adjacencies business. In our Turkish business, we expect higher revenue growth than our MTP guidance despite the impact of hyperinflationary accounting, driven by pricing actions as well as market share gains achieved through the successful implementation of the brand promotion strategy.

We expect operating profit in most regions to be in line with MTP guidance. However, we expect that operating profit in Japan Group and NIPSEA China will be below MTP guidance.

MTP guidance (Mar. 2021)

Revenue (Billion yen)	Revenue FY2020 Results (Tanshin)	FY2021-2023 CAGR target (in LCY)
Japan	159.6	c.+5%
NIPSEA China	268.1	c.+10%
Asia Except NIPSEA China	88.5	+5–10%
New consolidations (Indonesia/India)	47.4*1	c.+15%
Oceania (Pacific*2)	148.3	c.+5%
Americas	70.1	+5–10%
Other (Betek Boya)	36.2	+10–15%

February 2023 updates

Revenue (Billion yen)	FY2021 Results (Tanshin)*3	FY2022 Results (Non-GAAP)	YoY	FY2023 Guidance (in LCY)
Japan	174.0	184.2	+5.8%	c.+5%
NIPSEA China	379.1	395.1	+4.2%	+5–10%
NIPSEA (NIPSEA Except China)*4	103.8	119.5	+15.1%	+0–5%
Betek Boya (Türkiye)	49.2	123.6	+151.3%	c.+30%
PT Nipsea (Indonesia)	39.5	45.8	+15.9%	c.+15%
DuluxGroup (consolidated)	176.2	187.3	+6.3%	+5–10%
Cromology (Europe)	–	–*5	–	+5–10%
JUB (Europe)	–	–*5	–	+5–10%
Americas	76.4	83.1	+8.8%	+0–5%

*1 Unaudited pro forma figures
*2 Australia, New Zealand and Papua New Guinea
*3 FY2021 results have been revised retrospectively following the change in reportable segments beginning with FY2022 1Q
*4 Figures after deducting Betek Boya and PT Nipsea from the total for NIPSEA Except China
*5 Cromology was newly consolidated in January 2022 and JUB in June 2022 and are not included in Non-GAAP FY2022 results

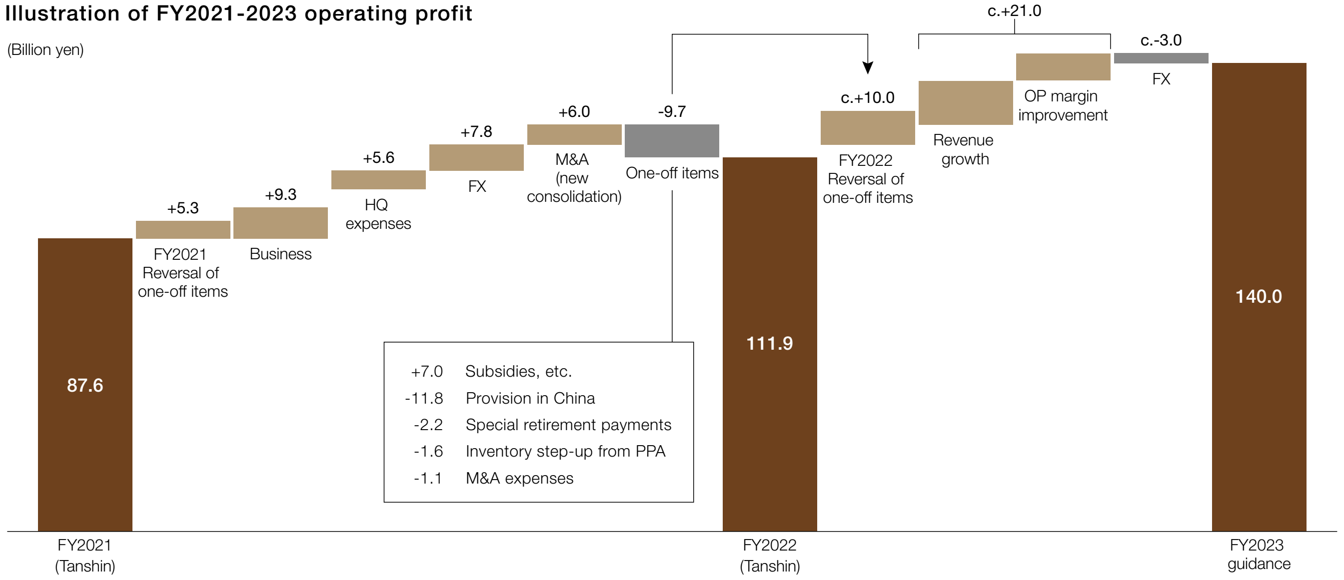
Overview and Updates on Medium-Term Plan (FY2021-2023)

Towards FY2023—the final year of MTP

We have a generally negative outlook for the market environment in FY2023. However, we will aim for steady revenue growth in every region through market share gains despite slow market growth as well as a full-year contribution from pricing actions. We expect an increase in operating profit, despite the negative effect of FX because of the initial assumption of a stronger yen in FY2023, due to revenue growth, margin improvements due to pricing actions, and the absence of one-off items such as a credit loss provision in China and special retirement payments.

After taking all these factors into account, our FY2023 guidance is revenue of JPY1,400 bn, operating profit of JPY140 bn, profit of JPY98 bn, EPS of JPY41.73, and annual dividends of JPY13 per share. We plan to maintain a dividend payout ratio of a little over 30% with a dividend increase for the third consecutive year.

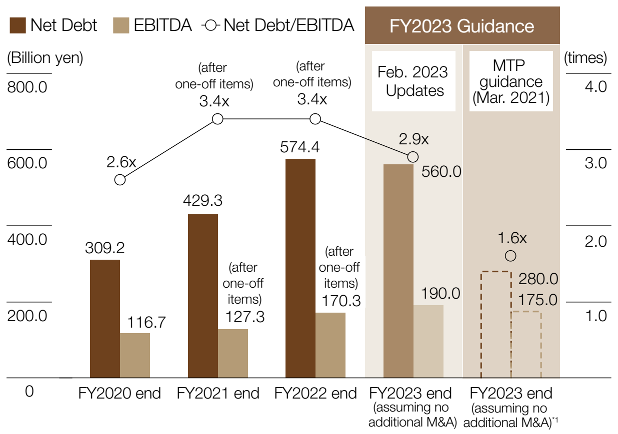
Illustration of FY2021-2023 operating profit



Financial position

Net Debt/EBITDA remained unchanged at 3.4 times through to the end of FY2022 due to an increase in EBITDA despite an increase in interest-bearing debts resulting from the acquisition of Cromology and JUB. However, Net Debt/EBITDA at the end of FY2023 is expected to decrease to around 2.9 times assuming no additional M&A activity. In terms of capital allocation, operating cash flows over the three years of MTP are expected to be approximately JPY30 bn below MTP guidance. However, capital expenditures and dividends are expected to be in line with MTP guidance.

Net Debt/EBITDA trends



*1 Includes the impact of full integration of the Asian JVs and acquisition of Indonesia business
*2 Continuing operations basis

Capital allocation

(Billion yen)		FY2021-2023 Forecast		
		Feb. 2023 Updates		MTP guidance (Mar. 2021)
	FY2021-2022 Results	FY2023 Forecast	FY2021-2023 Forecast	FY2021-2023 Guidance
+) Operating CF*2	182.6	120.0	c. 300.0	~330.0
-) CAPEX*3	76.0	55.0	c. 130.0	~125.0
-) Dividend*4	49.3	30.0	c. 80.0	~85.0
Total	57.3	35.0	c. 90.0	~120.0
-) M&A (net cash of acquired companies)	293.4	–	c. 290.0	Debt repayment M&A

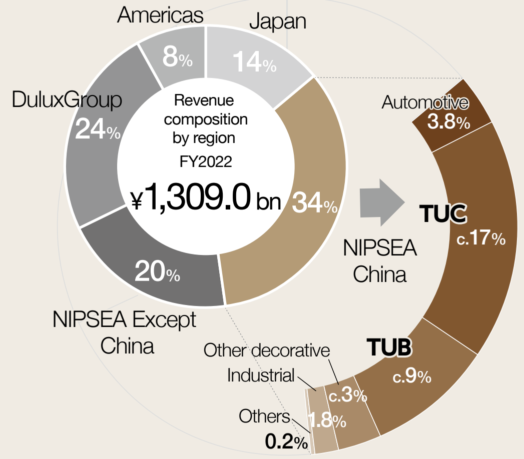
*3 Excluding CAPEX on leased assets. FY2021-2022 results are Tanshin basis (continuing operations)
*4 Total dividend payments (including some payments in the following fiscal year or afterward)

The Impact of China's Macroeconomic Data on the Earnings of Nippon Paint Group

Stock market players are paying attention to the trends of macroeconomic data relevant to our Group's Chinese decorative paints business (TUB/TUC). As a result, NPHD stock price tends to fluctuate more on news flow rather than based on our earnings results.

Although there is some correlation between the performance in the TUC and TUB businesses and certain real estate market data, we believe that there is not a simple correlation between China's macroeconomic data and our Group's consolidated earnings results based on the following analysis: (1) Revenue growth in the TUC and TUB businesses has been outpacing the real estate market data almost over the entire period and (2) TUC revenue accounts for c. 17% of the consolidated revenue and TUB revenue accounts for c. 9%.

For your reference, the analysis of trends in the TUC/TUB business performance by NIPSEA China's management is provided below. Please note that NIPSEA China uses multiple indicators for benchmarking and uses the results of multifaceted analysis of these indicators in their marketing activities.



The trends of TUC/TUB businesses based on comment from NIPSEA China's management

TUC revenue growth has been significantly outpacing growth of commercial and residential property sales areas

One of the strengths of NIPSEA China's TUC business is its dominant market share and the leading position in the Tier 0 as well as Tier 1-2 cities. These metropolitan areas are characterized by a higher percentage of commercial and residential property sales areas and quicker market recovery compared to Tier 3-6 provincial cities. Due to these reasons, TUC revenue growth tends to be higher than growth of property sales areas.

The high revenue growth in the TUC business is also attributable to NIPSEA China's extensive distribution networks, a large number of CCM (computer color matching) machines installed, high brand awareness and quality.

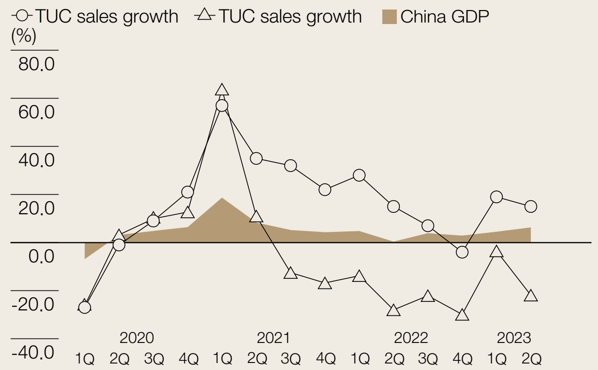
By taking into consideration the arrival of the era of stock housing and our market share gains in provincial cities, we expect that the TUC business will continue to achieve growth that outperforms competitors.

TUB revenue growth has been outpacing the new residential construction areas

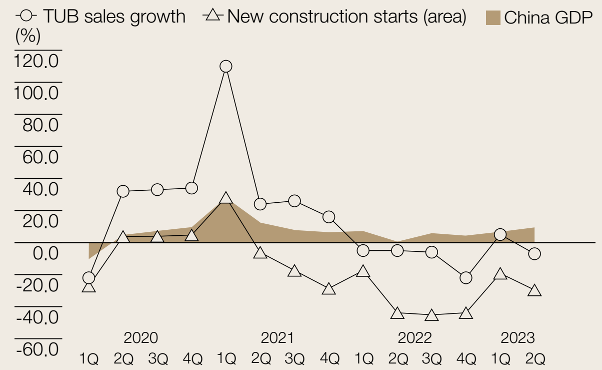
Since March 2020, TUB revenue growth has constantly been outpacing growth of new residential construction areas. This strong performance is attributable to (i) working with more financially stronger real estate developers, (ii) growing contribution from non-real estate developers e.g. healthcare, industrial, infrastructure (iii) growing contribution from decoration companies and contractors and (iv) pushing non paint segment growth e.g. substrates and construction chemicals.

We expect that the TUB business will remain on a steady growth track due to the arrival of the era of stock housing and by focusing on the development of six key channel businesses. (▶ See page 90.)

TUC (QoQ)



TUB (QoQ)



Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki

Yuichiro Wakatsuki

Director, Representative Executive Officer & Co-President

We are pursuing our medium to long-term management strategy based on our Asset Assembler model. In this section, Co-President Yuichiro Wakatsuki explains our approach, characteristics, and competitive advantages of our finance and M&A strategy.

Finance Strategy

How Shareholder Value Is Maximized

▶ See page 5.

Conscious of our cost of capital

While maximizing EPS and PER, we also maintain our policy to have ROIC (return on invested capital) surpassing WACC (weighted average cost of capital: approximately 6%) eventually for M&A.

Capital efficiency is on a slight decline as a result of recognizing goodwill linked to our M&A activities. With EPS accretion expected in Year 1 of acquisition, the acquired company is also expected to attain an ROIC surpassing the WACC (on a consolidated basis) within 3 to 4 years. This will be accomplished through post-acquisition profit growth and a shortened cash conversion cycle (CCC), leading to improved capital efficiency.

Vigilant monitoring of any decline in capital efficiency is essential, as it can result in increased risk. However, we also recognize the importance of striking a balance between ROIC and profit growth, as being excessively focused on ROIC might lead to opportunity losses for quality M&A. With the advantageous risk/return profile of the markets we operate in, coupled with our strong balance sheet and low funding costs, we are confident in our ability to effectively manage risk and accelerate EPS accumulation.

The table on page 55 shows the year-on-year improvement in individual ROIC for the major assets acquired since FY2019. This progress can be attributed to profit growth and effective balance sheet management following the acquisitions. Notably, Betek Boya achieved an ROIC above the consolidated WACC in its second year post-acquisition, while PT Nipsea is expected to reach this milestone in its fourth year of ownership, specifically in FY2024. DuluxGroup (Pacific) is projected to experience a gradual improvement in ROIC, with a positive spread anticipated in FY2024.

Finance strategy that drives our Asset Assembler model

Our capital policy revolves around enhancing TSR (Total Shareholder Return) by achieving consistent EPS growth, all the while upholding financial discipline and giving priority to growth investments.

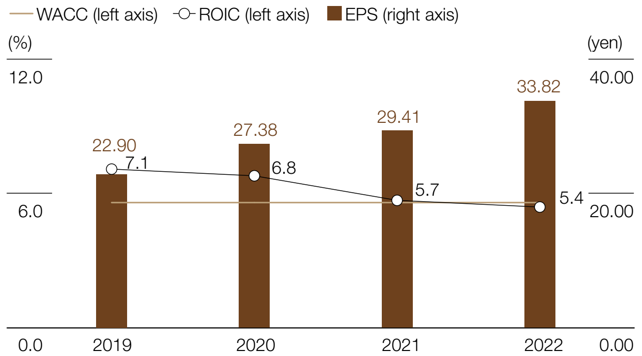
Our financial discipline rests on three key principles: (1) prioritizing debt financing, (2) maintaining leverage capacity, fostering communication with financial institutions and rating agencies, and (3) considering the option of raising equity only accompanied by EPS accretion. The paint and adjacencies businesses represent significant cash flow generation capacity, and we are actively capitalizing on our low funding costs to meet our capital needs actively pursuing M&A opportunities.

Regarding capital expenditures, we also take proactive measures to implement investments that foster sustainable growth in the future noting current businesses require relatively limited capex compared to scale of revenue and cash flow. We are, however, making new investments, such as expanding production capacity and reinforcing our DX (Digital Transformation) and R&D efforts around the globe with discipline. With that, M&A is indeed the main source for additional capital needs. Based on our Asset Assembler model, we will continue to accumulate "good and low risk M&A" at a reasonable valuation.

When it comes to shareholder returns, we give paramount importance to investing in growth mainly in M&A, with a primary goal of enhancing TSR through EPS growth.

Our dividend policy is to maintain stability with a payout ratio of approximately 30%, also considering various factors such as performance trends, future investment opportunities, and dividend payout ratio in a comprehensive manner.

WACC / consolidated ROIC / EPS



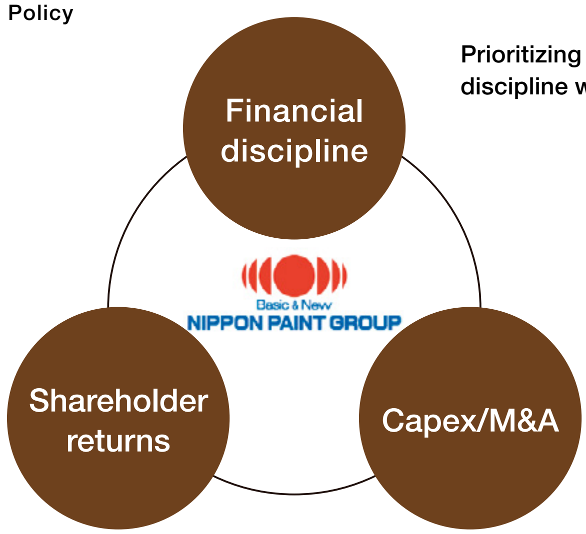
ROIC of individual companies[*1]

	Year 1[*2]	Year 2	Year 3	Year 4
DuluxGroup (Pacific)	1.2%	3.2%	3.9%	5.3%
Betek Boya	3.5%	9.4%	11.8%	8.1%
PT Nipsea	3.7%	5.3%	-	-

*1 ROIC (IFRS): after-tax operating profit (after PPA amortization on intangible assets) / acquisition cost (including transfer consideration and subsequent capital increase, etc.) After conversion into the Japanese yen using actual exchange rates

*2 ROIC for DuluxGroup (Pacific) is calculated based on four months' results and for Betek Boya six months' results

Capital Policy



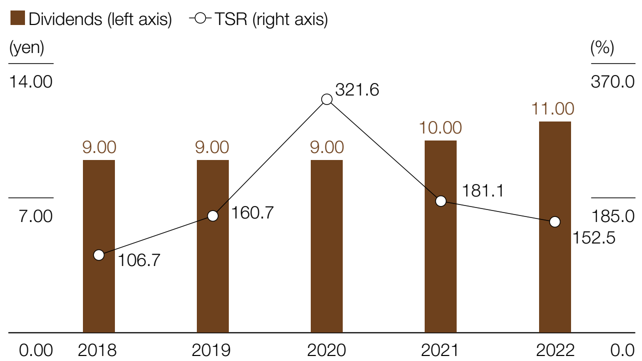
Prioritizing growth investment and M&A while maintaining financial discipline with the focus of increasing TSR through EPS accretion

Financial discipline
- Pursue optimal capital structure with balanced leverage
- Allow for temporarily higher leverage for strategically important M&As

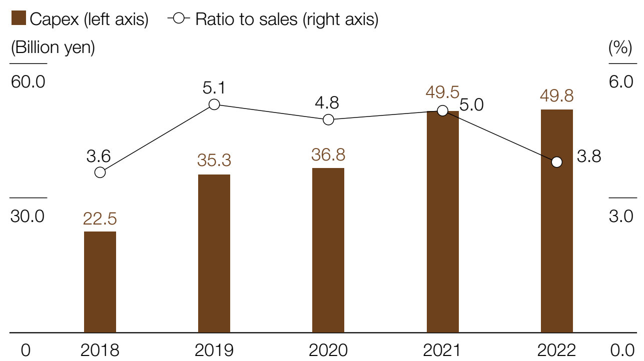
Capex/M&A
- Proactively implement capex and M&A for future sustainable growth

Shareholder returns
- Maintain a dividend payout ratio of 30%
- Increase TSR through growth investment and M&A

Dividends / TSR



Capex / Ratio to sales



Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki

Effective balance sheet management achieved by adhering to financial discipline and building optimal capital structure

Regarding financial discipline, we prioritize debt financing over equity while maintaining leverage capacity to continuously secure low-cost financing.

It is crucial to seek proper understanding of our risk nature from financial institutions and rating agencies. We actively engage in active dialogues with these institutions while continually enhancing our disclosure materials.

Regarding our balance sheet management, we also take CCC as a key performance indicator (KPI). Our partner companies strive to shorten CCC by reevaluating transaction terms across different regions and business units. Additionally, we have continuously undertaken measures to reduce cross shareholdings through their recent sale.

Fixed assets (tangible, intangible and goodwill) have been growing driven mainly by our M&A endeavors and we actively monitor asset efficiency and profitability and occasionally take strategic actions such as the transfer of the European automotive business and the India businesses, along with implementing structural reforms in Japan Group and the marine business.

We also endeavor to mitigate goodwill impairment risk through a smooth PMI (Post-Merger Integration) backed by autonomous and decentralized management practices while maintaining discipline to accumulate high-quality M&As at reasonable valuation.

Our financial leverage is anticipated to be 3.4x net debt/EBITDA (adjusted for one-off items) by the end of FY2022 and approximately 2.9x by the end of FY2023, assuming no further M&A activities. (▶ See "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.)

All debt financing is primarily denominated in yen, boasting an average maturity of 3.5 years and an average pre-tax interest rate of 0.35% as of 2022 year end. Our focus remains on achieving an optimal capital structure, ensuring enough debt capacity to pursue new opportunities, also establishing strong trust and confidence among borrowing financial institutions and rating agencies.

Capital allocation approach for sustainable growth

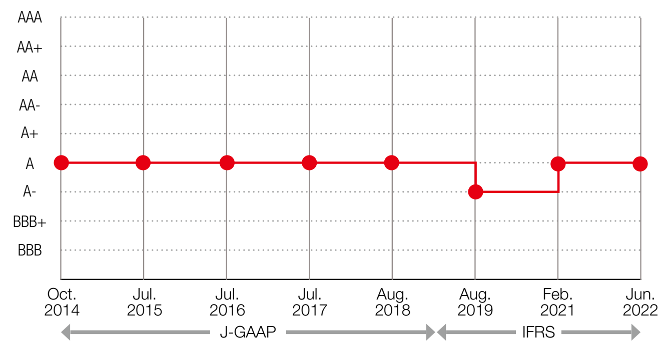
In comparison to the previous Medium-Term Plan (N-20, FY2018-2020, "MTP"), which saw an operating cash flow of approximately JPY240 bn, the current MTP (FY2021-2023) showcases an enhanced cash flow generation capability. This improvement can be partially attributed to the elimination of minority interest outflows, achieved by the full integration of the Asian JVs in FY2021.

Throughout the three years of the current MTP our projections indicate an anticipated operating cash flow of approximately JPY300 bn. To achieve continuous revenue and profit growth we plan to invest around 3%-4% of consolidated revenue in capital expenditures, leaving us with the remaining JPY170 bn in cash flow. Approximately half of this operating cash flow will be distributed to shareholders as dividends with a payout ratio of around 30%.

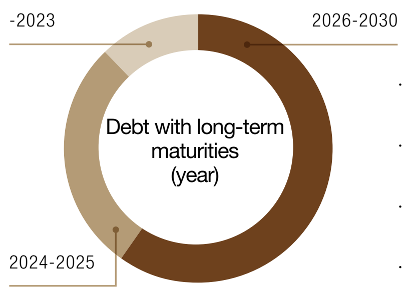
The remaining cash flow will either pay down existing debt, or be spent directly for emerging opportunities, with the former and latter difference being a matter of timing.

With the support and understanding of financial institutions and rating agencies, as well as our equity investors, we are committed to actively pursuing M&A opportunities that align with our growth strategy beyond FY2024.

Transition of credit ratings (R&I)



Status of debt



- Procured stable yen-based funds
- Average maturity: 3.5 years
- Average interest rate: 0.35%
- Long-term credit rating: A (R&I)

Balance sheet management policy

As of December 31, 2022

Assets

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

"Other financial assets (non-current assets)"
- Examine the rationality of continuing to hold cross-shareholdings every year (disposed of some cross-shareholdings also in FY2022)

"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 business and the India businesses, structural reform of Japan Group and the marine business)

"Goodwill" and "Other intangible assets"
- Minimize PMI risk based on autonomous and decentralized management and reduce impairment losses by accumulating "high-quality M&A"

Assets	
"Cash and cash equivalents"	¥242.6 bn
"Trade and other receivables"	¥311.3 bn
"Other financial assets (non-current assets)"	¥26.1 bn
"Property, plant and equipment"	¥376.8 bn
"Goodwill"	¥825.5 bn
"Other intangible assets"	¥400.1 bn
Total	¥2,442.3 bn

Liabilities	
"Trade and other payables"	¥256.8 bn
"Bonds and loans payable"	¥722.1 bn
Total	¥1,287.0 bn

Equity	
"Capital"	¥671.4 bn
"Retained earnings"	¥272.5 bn
Total	¥1,155.4 bn

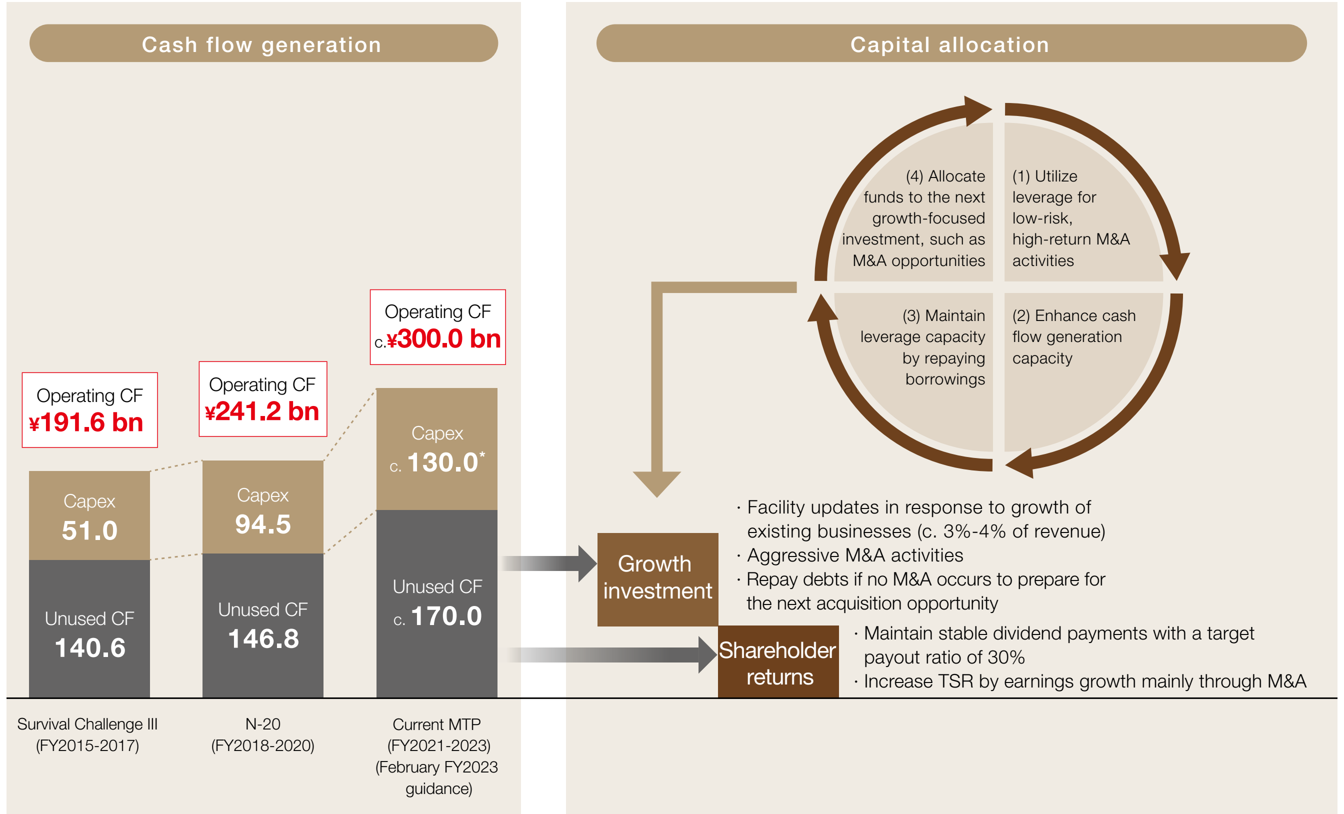
Liabilities

"Bonds and loans payable" (Interest-bearing debts)
- Prioritize debt financing and maintain the leverage capacity (the expected net debt/EBITDA at the end of FY2023 is around 2.9 times assuming no further M&A activities)
- Evaluation from credit rating agencies (maintained the "A" rating from R&I)
- Stable finance procurement capability in yen (low interest rate/long-term maturity)

Equity

"Capital" "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
- Take capital efficiency into the consideration of M&A decisions, including achieving ROIC that exceeds WACC
- Aim to maintain the dividend payout ratio at 30%

Capital allocation approach

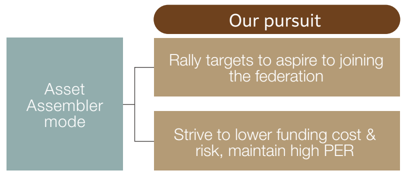


* Excluding capital expenditures on leased assets

M&A Strategy

How Shareholder Value Is Maximized

▶ See page 5.



M&A basic policy

Our M&A basic policy is to promote M&A activities by leveraging our three pillars of competitive advantage underlying our Asset Assembler model as outlined on page 37: (1) our ability to harness the low funding cost, (2) our ability to maintain and boost the EPS contribution from assets companies without intervention and (3) our unique appeal to management-class talents who empathize with our modus operandi. Based on this policy, our current focus lies in promoting M&A activities in the paint and adjacencies areas, which offer a compelling risk/return advantage. (▶ For more information, see "The Basis of Our Asset Assembler Model" on page 37.) Notably, the decorative paints market represents a significant portion of the paint and coatings market. It operates on a local production for local consumption basis, with each country and market adopting unique business models encompassing raw material procurement, consumer preferences, sales networks, and environmental regulations. Apart from facing a low threat of substitute products, paints, particularly decorative paints, exhibit significant regional characteristics. Critical success factors in this market are as follows: (1) strong brand power; (2) a well-established distribution network; and (3) the establishment of operations with local expertise. Achieving the No. 1 market share based on these factors provides a substantial advantage, making it challenging for competitors to reverse the trend. This market leadership enables further expansion in market share, followed by increased profits, creating a virtuous cycle of growth.

The key points of our M&A based on Asset Assembler model is outlined in the table below. We select acquisition targets which (1) contain low risk and stable earning flow, (2) possess strong brand and talented management teams, and (3) is expected to show EPS accretion from year one.

Key partner companies which joined our Group since FY2014 have achieved strong growth in both high growth and mature markets as outlined in "Asset Management Report" on page 23.

We will strive to maintain our track record of accumulating successful M&A deals to widely convey the benefits of joining our Group to acquisition targets, while at the same time building expectations from the stock market as a company capable of consistently accumulating and expanding EPS.

M&A selection process

The diagram on the right page illustrates our M&A selection process. After creating a long list of target companies, we assign priorities, examine feasibility, and hold thorough discussions, going into details such as the timing and proposal structure of M&A. When choosing targets, the sole criterion is their potential contribution to MSV. Notably, personal egos, such as the desire to just pursue size or personal achievements, do not influence our decisions. For our Company, achieving the title of the world's largest company in terms of sales would hold little significance if the journey towards that goal were to harm shareholder value.

Therefore, when we examine a specific acquisition, we make judgment after holding multifaceted discussions on the degree of PMI led by Partner Company Groups and other risks involved with sound vigilance at all times. In the context of "Asset Assembler" model, human capital holds significant importance. To mitigate risks effectively, we have implemented mechanisms that involve commitments with local management and succession plans.

One essential financial discipline for us is to contribute to EPS accretion from the very first year. We refrain from making overly optimistic assumptions about justifying acquisition synergies, e.g. hoping for positive EPS only after three years of acquisition. In our value calculations, we take into account not only metrics like PER and EV/EBITDA but also evaluate how executing the deal will impact the cushion in the Group's balance sheet.

Key points of the M&A strategy

Targets	① Business segments: Paint (decorative/industrial), adjacencies and Paint++ ② Geography: Not limited ③ Potential targets: Strong corporate/product brand and excellent management team	① Entities of low risk and stable profitability as represented by paint and adjacencies 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 three pillars of competitive advantage
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 PMI risk
Financial Discipline	① Contribution to EPS ② ROIC*1>WACC*2 ③ Sufficient leverage capacity ④ Debt financing prioritized; equity financing also 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 target selection process

M&A strategy that contribute to MSV
↓
Develop a long list of target companies aligned with the strategy
↓
Identify and approach target companies
↓
Information exchange and valuation evaluation including due diligence
↓
Price proposal/negotiation
↓
Signing of sales agreement
↓
Acquisition completion/PMI

A Platform that drives growth of both existing businesses and acquired companies

The strength of our platform based on Asset Assembler model lies in its ability to generate growth synergies for both existing and acquired businesses. This leads to higher earnings growth compared to the pre-M&A period. Notably, our approach goes beyond mere cost-cutting synergies often seen in the Western model.

Unlike many failed M&A by Japanese companies where impairments are often observed after several years post acquisition, all of our deals since FY 2019 when we accelerated our M&A efforts have surpassed our expectations. This success in of itself is the evidence of our strength in platform. In the following, I will elaborate on the key success factors.

Co-Presidents maintain constant communication with local management while delegating authority and defining responsibilities for achieving results only after establishing a high level of trust based on factors such as their track record and commitment to growth. A streamlined decision-making process with local approval is adopted, ensuring swift and effective actions. Having management dispatched from headquarters can create a disconnect with the local staff, while a top management composed solely of e.g. Japanese may lead to a loss of motivation among talented local employees.

The role of our headquarters is to offer support to talented local management. In addition to fostering a direct consultative relationship with Co-Presidents, we provide Japanese yen-based funds for growth investments, leverage the Nippon Paint brands, and facilitate an autonomous collaboration platform among the partner companies.

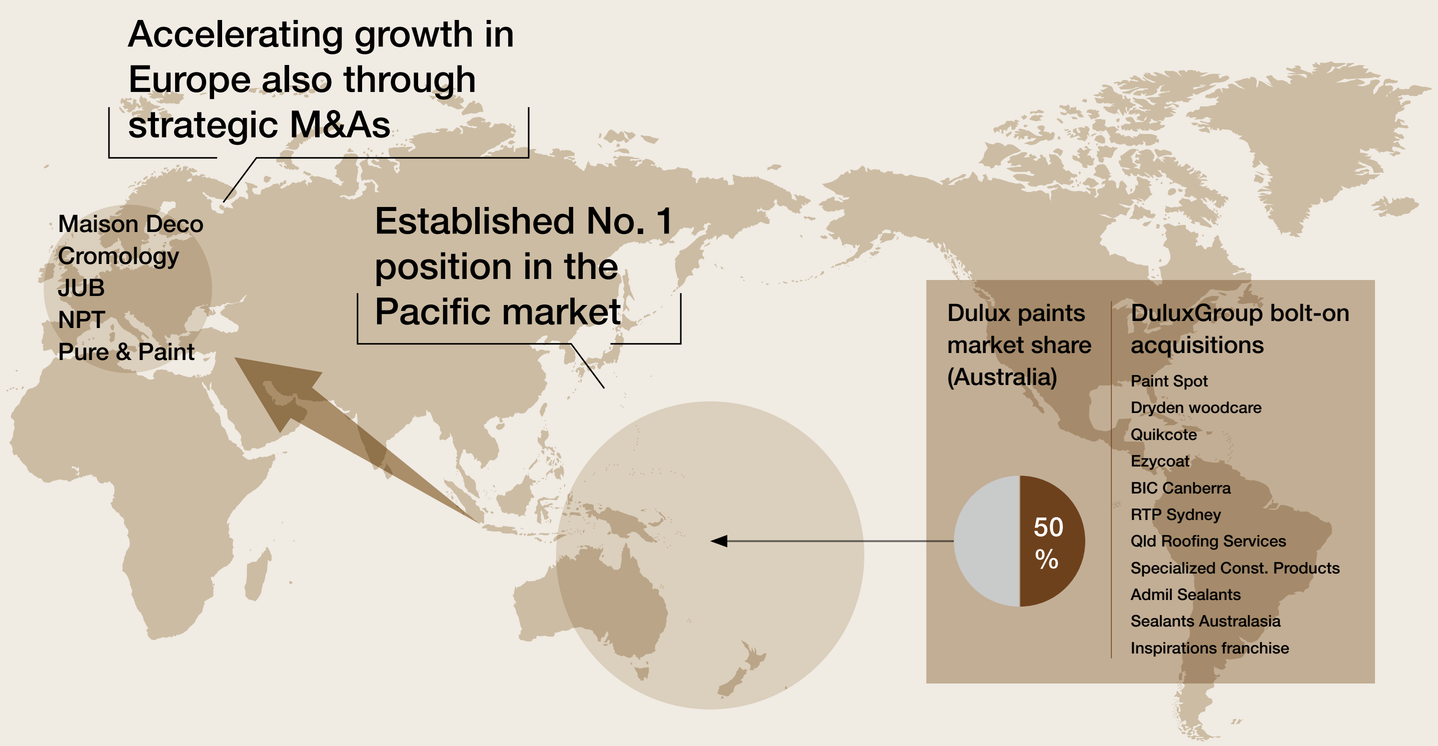
Of course, we do maintain certain aspects of control. Co-Presidents oversee the governance of our key subsidiaries. Headquarters retains its say in certain level of capital expenditures, as well as compensation and appointment/dismissal of CEO-class senior executives at subsidiaries.

The strength of our platform extends beyond associates collaborating across borders, if needed, to achieve the common goal of MSV. It also encompasses active sharing of growth strategies for countries with both mature and emerging markets, brands and know-how from existing and new businesses, and raw material purchases among partner companies. Moreover, these partner companies have the freedom to make choices without being forced by headquarters. This blend of trust and accountability for results empowers us to foster growth through both existing businesses and M&A.

As a result, local management with a passion for growth can fully showcase their management skills, leading to an increase in companies that express interest in joining our Group.

Feature Article (1)

M&A Success Case



What are the factors that enabled DuluxGroup to accelerate growth after joining Nippon Paint Group?

DuluxGroup has continued to deliver steady growth in Australia, while improving its market share—its growth has even accelerated since joining Nippon Paint Group in 2019. DuluxGroup has aggressively pushed the frontiers of operations not only in the Pacific market but also in the European markets.

This section will guide the reader through how DuluxGroup is executing on its growth strategy by leveraging the Group’s platform.

DuluxGroup has a long history of strong performance and resilient profit growth

From its origins in 1918, DuluxGroup has thrived through a range of ownerships, including as part of global giant ICI World Paints up until 1997, and as an independently listed company on the Australian Securities Exchange (ASX) from 2010 to 2019.

During its time as an ASX listed company, DuluxGroup was valued for its reliable profit and dividend growth every year, placing it in the top five percent of ASX200 companies for total shareholder returns over that period. More than doubling its profits over that time, DuluxGroup grew its market valuation from approximately AUD0.8 bn to approximately AUD4 bn upon being acquired by NPHD in 2019.

In its core mature Pacific markets, DuluxGroup has grown faster than the market through its continued focus on the fundamental capabilities of consumer insights, strategic brand marketing, innovation and customer service. Importantly, DuluxGroup’s strong culture, which drives its world-class employee engagement scores and underpins its success, continues to endure. DuluxGroup's latest engagement score is well above the global norm for high performing companies.

DuluxGroup and Nippon Paint Group are a powerful combination

Prior to our acquisition, and as a regional market leader with a global heritage, we had admired Nippon Paint Group’s achievements as the world’s fourth largest paint company and as the market leader in Asia. Above all, the Group has a strong growth mindset, which is very consistent with DuluxGroup’s growth ambitions.

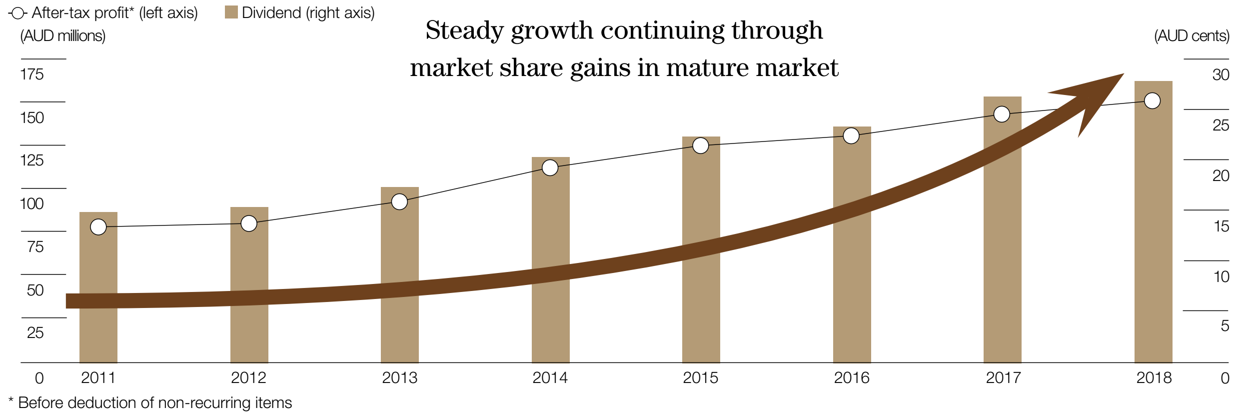
Since joining the Group, we have accelerated our growth trajectory through a powerful combination of DuluxGroup’s market leading capabilities, leadership and culture with the Group’s global scale, unique Asset Assembler model, financial firepower and extensive footprint in Asia. This has provided us with strategic autonomy to drive growth in the Pacific and western markets alongside accountability for pursuing MSV and the collaboration opportunities with other partner companies across the Group, particularly in Asia with NIPSEA Group.

Access to the Group’s financing capacity and global platform allowed us to think more ambitiously about how and where to grow, while remaining focused on MSV. DuluxGroup had the proven capability to grow market leading brands but lacked the scale to deliver real step-change growth.

2010

Became independent from Orica Limited and went public on Australian Stock Exchange

Market cap: c. AUD 0.8 bn



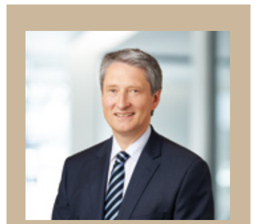
* Before deduction of non-recurring items

2019

Joined Nippon Paint Group

Stock value: c. AUD 3.76 bn

Key points of acquisition
- Dependability of continuing to deliver stable growth through steady market share gains in the mature market
- Excellent management team that can achieve stable growth



Patrick Houlihan
DuluxGroup
Chairman and Chief Executive Officer

2022

Accelerated growth after joining Nippon Paint Group

Revenue: JPY 314.9 bn
Growth since the acquisition (FY2019) : +133.4%

Operating profit: JPY 29.7 bn
Growth since the acquisition (FY2019) : +87.0%

Market share (Australian paints): 50%
Growth since the acquisition (FY2019) : +2pp

Feature Article (1): M&A Success Case

DuluxGroup has step changed its growth as part of the Group, with M&A as a key enabler

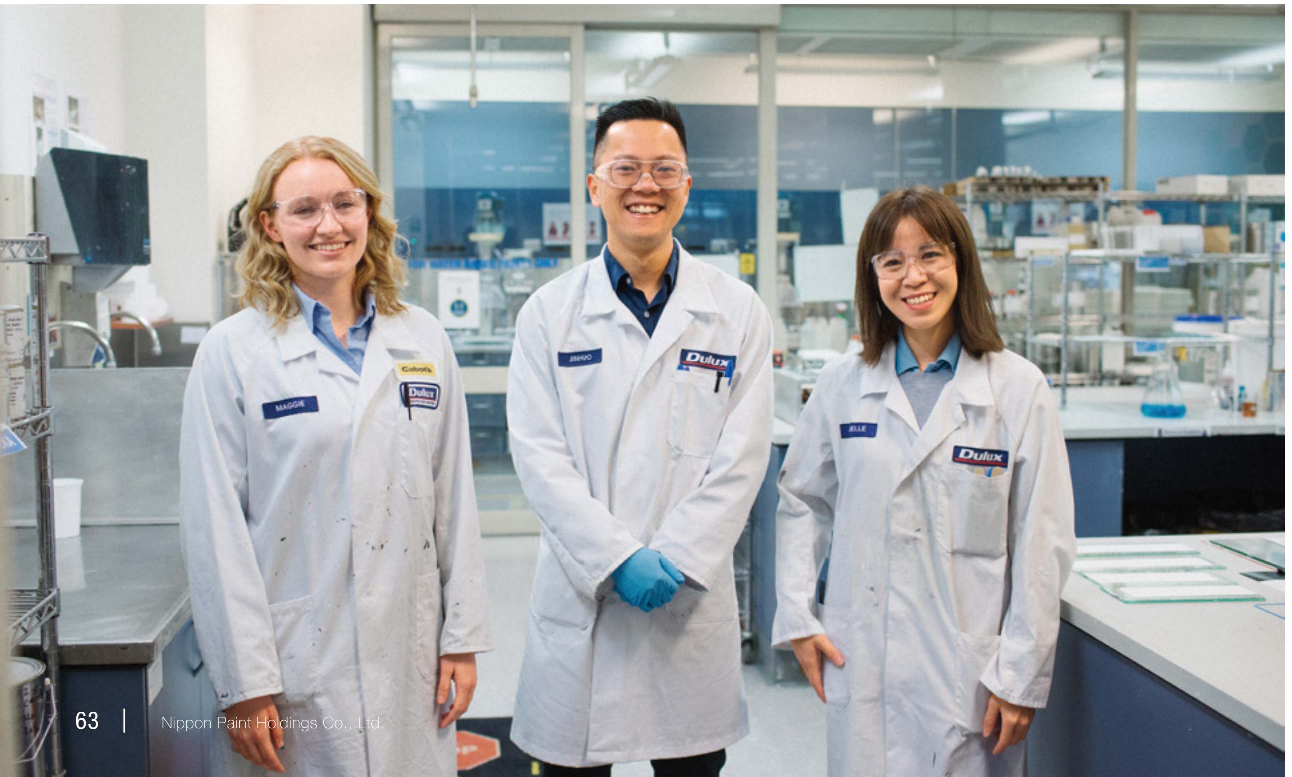
During our time as an ASX listed company, DuluxGroup complemented organic growth with nine acquisitions over nine years. Since joining the Group, ongoing organic growth in our existing businesses has been complemented by 23 strategy enabling acquisitions.

In the Pacific, we have complemented our leading positions with multiple bolt-on acquisitions that have extended our customer and product market reach, expanded our strategic brand portfolio, and further strengthened our technical and supply chain capability. Some examples include:

- Dulux strengthening its trade customer channel with the acquisition of the Inspirations Paint franchisor network, encompassing more than 100 franchise and company owned stores.
- Yates extending its reach in the consumer and commercial organic fertilizer market with the acquisition of Seasol — acquiring market leading brands as well as access to new markets, consumer segments and technical expertise.
- Dulux Papua New Guinea leveraging its capability and customer channel networks to market the Nippon Paint brand.

In Europe, having already established a small foothold with niche brands Maison Deco and Craig & Rose, we saw an opportunity to build a material decorative paints business using the Group's scale and resources alongside DuluxGroup's expertise in premium brands, consumer-led marketing, innovation, and retail and trade channel management. The acquisition of European paint market leaders Cromology and JUB now provides a meaningful platform for growth in a market with a similar consumer, customer and competitive landscape to DuluxGroup's traditional Pacific markets. More recently, this has also provided momentum to establish a European platform to grow in the adjacent sealants & adhesives categories through our joint venture with leading Italian-based SAF company NPT which has, among other things, global leading technology and European supply chain capabilities.

To complement our M&A agenda across DuluxGroup and our organic growth in the Pacific, we saw opportunities as part of the Group's global platform to grow by collaborating with other group partner companies. In particular, the Group's strength as the leader in Asia has allowed us to grow the reach of our ANZ market leading Selleys sealants, adhesives & fillers (SAF) business through NIPSEA's extensive customer distribution network and its superior local market knowledge and expertise. We will seek to strengthen this collaboration with the NPT SAF business in Europe now being part of DuluxGroup.



Dulux R&D team members at Dulux's paints & coatings Innovation Centre in Melbourne, Australia

DuluxGroup will continue to seek profitable growth moving forward with the aim to maximize shareholder value

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 (SAF) segments

Extending DuluxGroup's market leading positions in the Pacific

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.

Organic growth — underpinned by a relentless and enduring focus on brands, innovation and customer service — will be complemented with bolt-on, earnings-accretive, and strategy enabling acquisitions where possible.

We will continue to invest in skills, capability and leadership development to maintain an engaged, motivated and committed workforce enabled to deliver on our growth ambitions.

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

The acquisition of major market leaders French-based Cromology and Slovenian-based JUB has provided the market position and regional scale needed to drive DuluxGroup and the Group's growth ambitions in the world's second largest decorative paints market (after China). 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.

We are targeting growth opportunities leveraging the product portfolio, technology, marketing and innovation, procurement and customer channel management capability of DuluxGroup — enabled by the global scale and resources of the wider Group — to drive European decorative paints growth over the medium to long term. We will complement this organic growth with bolt-on, earnings-accretive, and strategy enabling acquisitions where possible.

Leveraging capability for growth into global SAF segments

DuluxGroup will continue to build on its successful collaboration 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.

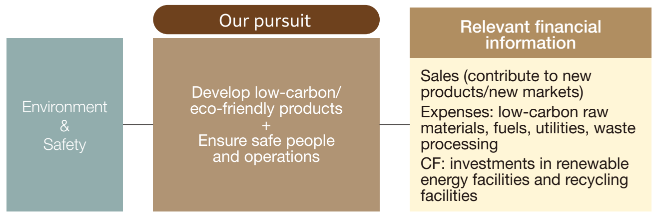
Further, DuluxGroup aims to grow into global SAF segments in markets where structures are similar to Selleys' ANZ experience and where we know we can successfully compete.

The recent acquisition of leading Italian-based SAF company NPT provides a highly regarded brand and technology portfolio with well-established local and export market positions, first-class manufacturing and experienced management team. The addition of NPT is consistent with our strategic criteria of opportunities that offer premium established brands, local product, locally compliant technology, strong supply chain capability, distribution reach, management talent and deep SAF experience. From this base, DuluxGroup will look to generate long-term sustainable growth.

Environmental Strategy

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 aspect of the environment, the identified priority material impacts for the business are climate change and resources and environment, especially waste and water.

How Shareholder Value Is Maximized ▶ See page 5.



Our approach to achieving MSV

During 2022 each Partner Company Group (PCG: PC group by region/business) has continued to make progress on their individual ambitions, targets, and priorities within each of these material impact areas. This has been supported by a newly established Environment and Safety working group comprising senior environment and safety leaders from each PCG, that has focused on benchmarking, sharing best practice, and agreeing common metrics to improve understanding of consolidated performance progress for material environmental impacts.
Full implementation of these metrics across all PCGs will take some time, but good progress has been made during the year, including new metrics for renewable energy, renewable electricity, and water consumption. Future metrics will include Scope 3 carbon for additional PCGs, water withdrawal and consumption in regions of high water stress, and VOC emissions. The work on metrics during the year has also included improved accuracy of collected data, leading to some revisions for prior year reported performance. Supporting and enabling improved management and understanding of the impacts, risks, and opportunities for both climate change and resources and the environment, will be the primary focus of the working group in the coming year.

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

Reports based on TCFD recommendations

Governance	Sustainability as the Prerequisite for MSV ▶page 41 Discussions by the Board of Directors ▶page 108
Strategies	Environmental Strategy -Climate-related scenario analysis ▶page 66 Research and development strategy ▶page 77
Risk management	Sustainability as the Prerequisite for MSV ▶page 41 Risk Management ▶page 121
Metrics and targets	Environmental Strategy -Ambition & improvement ▶page 66 -Performance ▶page 67

Climate Change

Group policy

Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.

Risks & opportunities

The key risks and opportunities associated with climate change are summarized in the table of the materiality page (Sustainability as the Prerequisite for MSV P41). There is some variation across individual PCGs, including in the associated identification of priority actions as part of their sustainability strategies and action plans. Here we show the risks and opportunities for each scenario.

Climate-related scenario analysis

	Risks	Opportunities
1.5°C	Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets. *1	Market growth for sustainable products (e.g. low-carbon, improved performance). *2
	Increased supplier costs from climate adaptation and decarbonization actions.	Development of new products and services to capture climate-related business opportunities.
	Changes in customer and consumer expectations and behavior during the transition to a low-carbon future.	-
4°C	Increased extreme weather events (e.g. floods) and climate impacts (e.g. water stress) impacting operations and supply chain.	Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes).
	Product claims and brand damage due to performance deterioration (e.g. temperature extremes).	Development of new products and services to capture climate-related business opportunities.

*1 Based on the net zero scenario (IEA), the carbon price (impact on our Group) is estimated to be JPY4.3 billion in 2030 and JPY7.4 billion in 2040 (Assumptions: carbon price of USD130 for Advanced economies and USD90 for Selected emerging market and developing economies in 2030; and USD205 for Advanced economies and USD160 for Selected emerging market and developing economies in 2040. The exchange rate is the actual rate for FY2022 (USD/JPY =132.1).)
Our Group plans to avoid this impact through emission reductions and other initiatives.
*2 In the automotive coatings business of Japan Group, we expect sales of low-carbon products, including low-temperature baking products, to increase about threefold from 2023 to 2025.

Ambition & improvement

Each PCG has continued to develop their individual goals and improvement plans for climate-related impacts, risks, and opportunities during the year. The current targets and plan progress for each PCG are summarized in the following table.

Targets by Partner Company Group

PCG	current targets		2022 progress & 2023 plans
	GHG emissions (Scope 1 and 2) reduction	Energy consumption	
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% reduction of energy consumption	· Individual sites continued to progress with initiatives to achieve the 2025 targets, including solar installations at 8 factories in China and a further 13 factories planned in 2023. · Scope 3 footprint to be calculated in 2023.
DuluxGroup (Pacific)	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	· Developed action plans to achieve 2030 targets and commenced implementation, which will continue in 2023, including site energy efficiency plans, solar installations, preparation for renewable power purchase, and preparation for fleet electric vehicle transition. · Climate risks and opportunities analysis completed, together with ongoing development of business continuity plans for critical supply chains. · Scope 3 footprint calculated for fourth year, with reduction analysis to be completed and potential reduction target determined in 2023.
DuluxGroup (Europe)	-	-	· Cromology commenced 100% renewable power purchase in all European countries. · JUB commenced large solar installation at Serbia plant, with planned completion in 2023. · Carbon and energy reporting to be implemented and potential targets developed in 2023.
Japan Group	2030: 37% reduction 2050: Net zero	-	· Renewable power purchase commenced, with levels to be increased in coming years. · Scope 3 footprint calculated for third year.
Dunn-Edwards	-	-	· Scope 1 and 2 reporting to be implemented in 2023 and reduction targets to be considered in the future.

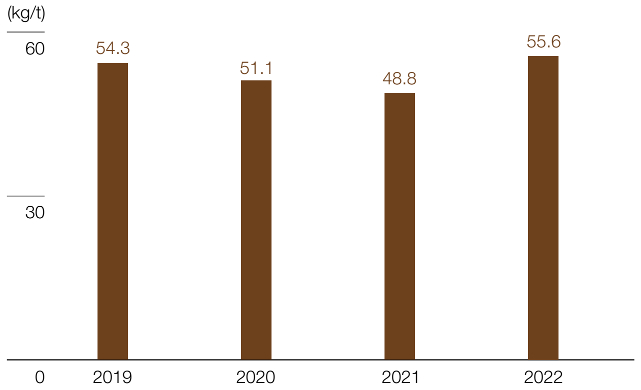
Performance

Total greenhouse gas emissions (Scope 1 and 2) and total energy consumption increased during the year, as did the consumption of renewable energy and electricity. Significant contributors to these performance changes were the European acquisitions of Cromology and JUB within DuluxGroup, while other individual factors within each PCG also contributed.

Greenhouse gas emissions (Scope 1 and 2) increased 14% to 55.6 kilograms per tonne (kg/t). The overall increase was driven by the Cromology acquisition, inclusion of previously unreported sites in NIPSEA Group, reduced production in DuluxGroup Pacific due to a major flooding event at the Dulux Rocklea plant, together with changes in production mix across different business units.

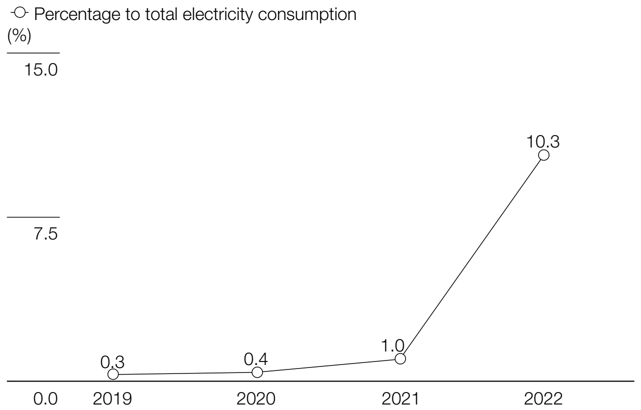
Total energy consumption increased 27% to 0.51 kilograms per tonne (kg/t), renewable energy consumption increased 4.1 pp to 4.6% of total energy consumption and renewable electricity consumption increased 9.3 pp to 10.3% of total electricity consumption. The increase in total energy consumption was driven by the same factors that impacted Scope 1 and 2 emissions performance, while the increase in renewables was driven by renewable power purchase in Cromology and Japan Group, together with solar installations in NIPSEA China, DuluxGroup Australia, and JUB Serbia.

Greenhouse gas emissions — Scope 1 and 2



* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology beginning in FY2022 and excluding JUB)

Renewable electricity consumption



* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022)

Greenhouse gas emissions — Scope 3 by category (t-CO_2)

	DuluxGroup (Pacific) + Japan Group	2022
1	Purchased goods and services	1,742,146
2	Capital goods	129,501
3	Fuel-and-energy-related activities	45,755
4	Upstream transportation and distribution	55,717
5	Waste generated in operations	21,824
6	Business travel	4,083
7	Employee commuting	18,258
8	Upstream leased assets	0
9	Downstream transportation and distribution	115,722
10	Processing of sold products	0
11	Use of sold products	8,706
12	End-of-life treatment of sold products	60,763
13	Downstream leased assets	9,487
14	Franchises	0
15	Investments	16,313
	Other	1,385
	Total	2,229,660

2022 performance and changes versus the prior year for individual PCGs are summarized in the following table, together with the key performance drivers for the changes.

Performance by Partner Company Group (PCG)

PCG	Carbon	Energy			Key performance drivers
	GHG emissions (Scope 1 and 2) (kg/t)	Total energy consumption (GJ/t)	Renewable energy consumption (% of total energy consumption)	Renewable energy consumption (% of total electricity consumption)	
NIPSEA Group	48 (+17%)	0.32 (+28%)	1.6% (+0.9 pp)	2.8% (+1.6 pp)	· Inclusion of solar installation at 8 factories in China.
DuluxGroup (Pacific)	146 (+4%)	0.99 (+11%)	1.6% (+0.7 pp)	3.0% (+1.4 pp)	· Reduced production at Dulux Rocklea plant due to major flood event. · Solar installation completed at Cabot's Dandenong plant and installations commenced at multiple Dulux Trade Centers. · Changes in production mix across different business units.
DuluxGroup (Europe)*1	30*2	0.80	31.6%	66.2%	· Cromology renewable power purchase in all European countries. · Solar installation commenced at JUB Serbia.
Japan Group	153 (-7%)	3.31 (-2%)	1.9% (+1.9 pp)	7.3% (+7.3 pp)	· Commenced purchase of renewable power. · Changed from oil to gas at Okayama plant.
Dunn-Edwards	-	0.19 (-5%)	-	-	-

*1 Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics.
*2 Excludes JUB

DuluxGroup - greenhouse gas emissions reduction -

Photo shows solar installation on roof of DuluxGroup Dandenong South factory.

DuluxGroup established targets in 2021 for the Pacific businesses (Australia, New Zealand, Papua New Guinea) to achieve a reduction in greenhouse gas emissions (Scope 1 and 2) of 50% by 2030 and net zero by 2050, together with 50% renewable electricity consumption by 2030. Significant planning to achieve these targets was undertaken during 2022 and identified the required actions and timing to ensure achievement, including site energy efficiency improvements, solar installations, renewable power purchase, and electric vehicle fleet adoption. Implementation of these actions commenced late in 2022, including installation of a 250 kW solar panel system at the Cabot's, Fosroc, and Dulux Protective Coatings factory in Dandenong South, Melbourne, Australia. Further solar installations are planned for completion at multiple DuluxGroup sites in 2023.

Resources and Environment

Group policy

Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain.

Risks & opportunities

The key risks and opportunities associated with resources and environment are summarized in the table of materiality page (Sustainability as the Prerequisite for MSV P41). While these are largely common across the consolidated group, individual PCGs do have some different focus areas and action priorities that reflect the local maturity of their improvement journeys.

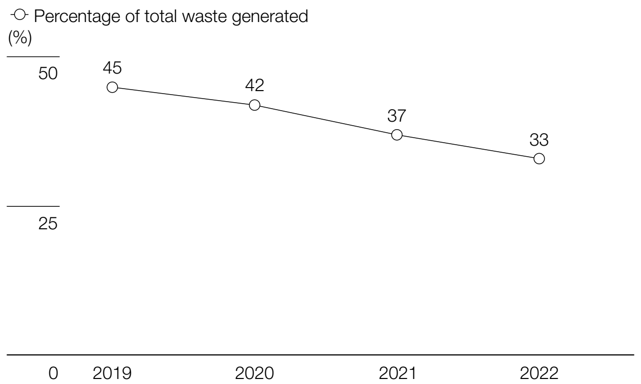
Improvement & performance

Waste generated, waste recovered, water withdrawn, and water consumed all increased during the year. A significant contributor to these performance changes were the European acquisitions of Cromology and JUB within DuluxGroup, while other significant individual factors within each PCG also contributed.

Total waste generated increased 43% to 15.9 kilograms per tonne (kg/t), while the hazardous waste proportion decreased 4 percentage points (pp) to 33%. Waste recovered (recycled, reused) increased 43% to 6.3 kilograms per tonne (kg/t), which is equivalent to 42% of the total waste generated, an increase of 1 pp. The waste recovered performance excludes Cromology, where data is not currently available. Overall, these waste performance changes were primarily driven by the Cromology and JUB acquisitions, inclusion of previously unreported non-hazardous waste for NIPSEA China, and increased waste in DuluxGroup Pacific due to clean-up from the major flooding event at the Dulux Rocklea plant.

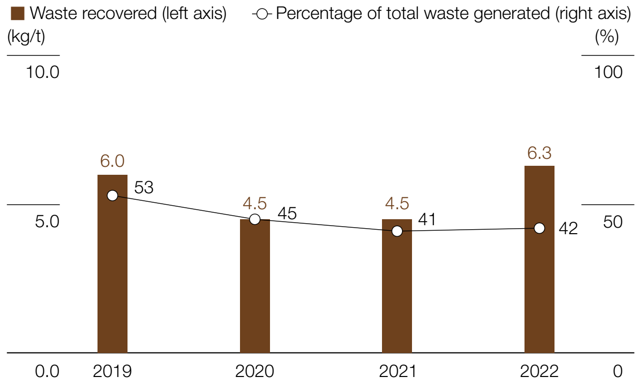
Water withdrawal increased 7% to 0.58 kiloliters per tonne (kL/t), while water consumed increased 8% to 0.39 kL/t. These performance changes were primarily driven by the Cromology and JUB acquisitions, changes in production mix for NIPSEA Group, and increased consumption in DuluxGroup Pacific due to clean-up activities following the major flooding event at the Dulux Rocklea plant.

Hazardous waste generated



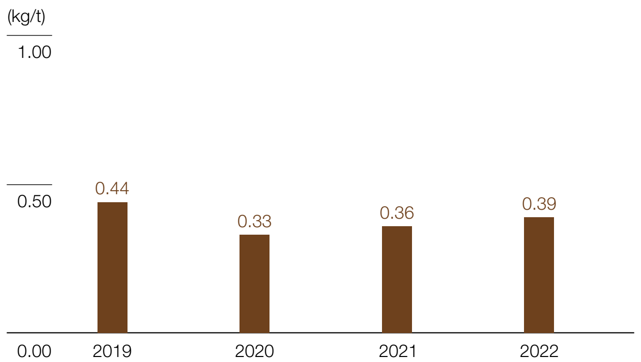
* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

Waste recovered (recycled, reused)



* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (excluding Cromology and including JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

Water consumed



* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

2022 performance and changes versus the prior year for individual PCGs are summarized in the following table, together with the key improvement priorities for the year.

Performance by Partner Company Group (PCG)

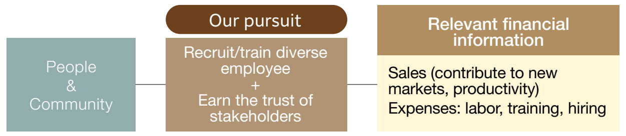
PCG	Waste			Water		2022 improvement drivers & priorities
	Total waste generated (kg/t)	Hazardous waste generated (% of total waste generated)	Waste recovered (% of total waste generated)	Water withdrawal (kL/t)	Water consumed (kL/t)	
NIPSEA Group	10.5 (+46%)	43.2% (-1.7 pp)	23.9% (0 pp)	0.52 (+6%)	0.38 (+8%)	· Target: 8% water intensity reduction by 2025. · Increased waste due to China reporting non-hazardous waste data for the first time as part of comprehensive 2022-2023 plan. · Betek Boya implemented waste-water recycling, rainwater recovery, and polymer recovery from waste water. · China Jinshan implemented thermal oxidizer to treat volatile organic compounds (VOCs) emissions.
DuluxGroup (Pacific)	65.6 (+10%)	32.1% (-3.3 pp)	51.4% (+1.8 pp)	0.41 (+14%)	0.23 (+64%)	· Target: 50% landfill waste reduction by 2030. · Waste and water increased due to Dulux Rocklea site flood clean-up activities. · Developed action plan for 2030 waste to landfill reduction target and commenced implementation. · Commenced bulk bag recycling at Yates Wyee and improved waste segregation and recovery across Dulux Trade Centers.
DuluxGroup (Europe)*	33.5	15.9%	-	0.75	0.47	· Waste water treatment plant installation at three Cromology factories (France, Italy).
Japan Group	50.1 (-12%)	14.3% (-3.6 pp)	96.5% (+17.1 pp)	1.62 (-7%)	0.61 (-24%)	· Wastewater treatment plant sludge reduction. · Improved waste segregation. · Increased recycling of wash water.
Dunn-Edwards	11.1 (+1000%)	0% (0 pp)	10.3% (-44 pp)	0.57 (-17%)	0.52 (-23%)	-

* Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics.

Human Resource Strategy

As a Japan-origin global corporate group operating in 45 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 stakeholders, which is the premise of MSV.

How Shareholder Value Is Maximized ▶ See page 5.



Our approach to achieving MSV

Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth.

People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone.

Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures. To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in generating new value and businesses.

We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

The People & Community Team conducts activities around two categories 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

▶ See "Growth with Communities on page 82.

Our goal is to achieve sustainable EPS growth through productivity improvement enabled by maintaining employee motivation and increasing employee engagement, as well as reducing expenses for employee recruitment and retention. We are also committed to fully fulfilling our obligations to employees.

The key initiatives for building strong teams include enhancing the training programs by using the amount of training hours and education investments as KPIs as detailed in the following pages and implementing various actions such as promoting women's empowerment based on the ratio of women in managerial positions as KPI with the goal of raising the ratio to 35% by 2025 at NIPSEA Group and to 10% in 2025 in Japan.

However, achieving these KPIs is not the objective of our initiatives. Rather, these initiatives are aimed at increasing the Group's social recognition as an organization that embraces diverse thinking and is willing to transform. We believe this will attract more excellent talent regardless of age, gender, nationality, ethnicity, religion and other factors, who will be the driving force for further transformation of the Group, creating synergies. What we see as crucial is to create an environment that allows our excellent talent to play greater roles and add value. We believe such an environment will have a positive impact on the top line and bottom line by improving work efficiency and bringing about transformation, and in turn may contribute to MSV.

Key indicators related to human capital (FY2022)

	NIPSEA	DuluxGroup	Dunn-Edwards	Japan Group
Ratio of female employees	25.0%	32.7%	30.0%	22.5%
Ratio of women in managerial positions	25.2%	31.5%	34.5%	5.4%
Employee satisfaction levels	75%	80% (FY2021)	—	81%

Human resource development measures essential for achieving MSV

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 pleasant and rewarding to work, thus allowing people to leverage their individuality and capabilities to the fullest.

We focus on developing talent and capability of employees and attract talent and skilled individuals by promoting opportunities for professional growth and advancement, rewarding employee performance.

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.

We believe expanding training programs will have a direct benefit of enhancing employees' skills, as well as other benefits such as maintaining employee motivation and engagement, 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

At DuluxGroup, we know that a motivated, skilled and diverse workforce is the key to our continued success. We have a culture of development, where our leaders are focused on continuously developing their people. This is supported by formal learning programs specific to the relevant business, geography and role.

DuluxGroup Pacific offers a comprehensive learning program covering leadership, professional skills, functional skills and product training, including residential programs, external programs, virtual programs, livestreams and podcasts. Each year we run a "Learning Festival" – three days of learning on a broad range of topics, including well-being, future skills and deeper insight into our business – available to all of our employees. We encourage our employees to "Own your Growth" and take advantage of the formal and informal learning opportunities.

Similarly, Cromology and JUB offer relevant learning programs to support the business and professional skills of their employees. This includes employee induction; compulsory training to meet legislative and internal regulations; professional skills training and leadership skills.

NIPSEA Group

NIPSEA Group recognizes the importance of training and development in the overall growth and success of the organization. To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce. Through the annual Training Needs Analysis exercise, we are able to create a more effective learning experience that focuses on upskilling their capabilities and competencies required at different job levels.

To further enhance the learning capabilities of its employees, NIPSEA Group has progressively introduced a Learning Management System in FY2021/2022. This system interface supports multiple languages, which enables countries to customize their learning needs accordingly.

Our programs cover topics including, but not limited to, NIPSEA Leadership Competencies (AGILE), functional training, health safety & environment, information technology, and physical & mental wellness.

In FY2022, NIPSEA Group clocked a total of 1,626,370 hours on employee training.

Dunn-Edwards

At Dunn-Edwards, our training objective is to continuously develop and deliver programs that not only provide our team members with the skills and knowledge necessary to be successful in their current roles, but also those that will aid them in long-term professional development. In this process, we leverage both technology (learning management systems, interactive programs, etc.) and current training techniques (micro learning, hands-on sessions, etc.) to ensure our team members are provided a wide variety of tools and resources to build successful careers in an ever-evolving workplace.

Internal training programs include New-hire Orientations customized by department, position-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Harassment Prevention, Risk Management, Safety, Hazardous Materials (HAZMAT), Diversity and Inclusion and more.

We also offer a generous Tuition Assistance Program, that is available to all employees (both full-time and part-time) and provides access to not only degree programs from accredited institutions, but also professional certification programs, vocational programs, and educational seminars.

Japan Group

Japan Group offers training for all employees, such as training by job level according to the expected roles and career stages of individual employees (new employee orientation training for new grads and mid-careers, follow-up training, new manager training, and annual training). As a new program started in FY2022, leadership training was provided targeting some team leaders. In addition, the HR department conducted a communication program (1-on-1 meeting, feedback, coaching). We also offered English skill training programs for selected employees who often communicate with people from overseas partner companies and business partners.

In FY2022, the total amount of training hours in Japan Group was 28,000 hours.

Building up human capital with diversity

Building up human capital with diversity serves as one of the most critical cornerstones of our Asset Assembler model.

We know that our diverse, skilled and engaged workforce is critical to achieve MSV. To this end, we foster the promotion of human resources with a diverse background and the promotion of education and awareness of diversity, equity, and inclusion; eliminate the discrimination, harassment, and violence based on race, gender, religion, and any other form of diversity in the workplace; and create a more welcoming work environment where everyone feels welcomed and respected.

Each of our PCs are building up human capital by taking actions that are suitable for the countries and regions where they conduct business activities.

The Global Code of Conduct, which was established in January 2022, articulates our focus on diversity and respect for human rights. In addition, our PCs around the world carry out human resource management activities designed to secure and increase diversity. Moreover, our Corporate Governance Policy stipulates that the Group values ensuring diversity.

Roadmap

	2022	2023	~2025
NIPSEA	· Kicked off D&I Week to raise employee awareness · Implemented Global CSR Framework	· Launching D&I Policy · Encourage countries to own the roadmap towards achieving 35% female representation in both management & emerging leader category · Weave D&I into Employee Engagement campaigns	· Initiated the NIPSEA Female Mentorship Program · Implementation of roadmap towards the goal of achieving 35% female representation in both management & emerging leader category · Monitor progress towards the goal
DuluxGroup	· Revised draft D&I framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity) · Regular reporting to the CEO and the Executive Team on our progress against our diversity ambition	· Promote our Employee Value Proposition to all employees, but particularly to women in Supply Chain and Sales · Engage each of our Strategic Business Units to develop their own Diversity, Inclusion and Belonging strategy and actions	· Meaningful actions to sustain our momentum toward gender balance, particularly in leadership · Meaningful internal programs to foster inclusion
Dunn-Edwards	· Launched DEI Training	· Launched phase 2 of DEI curriculum for all employees · Share DEI curriculum with NPHD People and Community DEI Committee · DEI committee building company-wide interactive activity for April's celebration of diversity, highlighting the diversity that exists within Dunn-Edwards	· Continuously review and adapt company polices to ensure that all charter objectives are met
Japan Group	· Kicked off D&I Committee Japan. Launched activities to support the skill development and active participation of women employees, revitalize the organization and accelerate business growth	· Developed action plans towards 2025 · Act on Promotion of Women's Participation & Career Advancement in the Workplace	· Increase the ratio of women in managerial positions to 10% · Selects and trains the next generation of women leaders from non-managerial positions for their skills and career building

DuluxGroup

At DuluxGroup, we believe that diverse perspectives and experiences drive innovation and enhance performance. Our leaders, at all levels, are focused on creating an environment where everyone feels they belong and can do their best work.

We are committed to gender equality. Through a focused effort in our recruiting strategies, our internal talent management processes and development of our people, we have increased female representation at all levels of the organization, particularly in leadership, where we have more than doubled the percentage of women in our Top 200 in the last 10 years.

By actively promoting career development opportunities and a compelling employee value proposition, including flexible work arrangements, we aim to not only attract and retain talented women, but also break down gender stereotypes in our industry.

Dunn-Edwards

At Dunn-Edwards, we're proud to have built an organization that reflects the diverse melting pot that is the North American market, and we're committed to fostering an inclusive and diverse environment, where all employees feel welcomed and valued, and where everyone has equal access to opportunities, guidance, and support.

Based on this guiding principle, in 2020, we established our Diversity, Equity, and Inclusion (DE&I) Committee to steer our efforts in this area. In the time since, all activities and initiatives undertaken have been developed based on company-wide survey data, gauging the sentiment of our workforce around the company's current state of and efforts toward DE&I.

To date, we've expanded resources for career development and career pathing, launched a DE&I training curriculum for team members at all levels, and launched a new Intranet and communication strategy to improve transparency across the organization. As we go forward, we'll continue to use a data-driven approach to shape future activities to ensure a welcoming and supportive environment.

NIPSEA Group

NIPSEA Group takes pride in fostering a diverse and inclusive workforce that embraces people of different genders, generations, nationalities, and expertise. We recognize the importance of having a diverse team in producing better business outcomes for its customers and the communities it operates in. As part of its commitment to Diversity & Inclusion ("D&I"), we have formed a dedicated committee that champions initiatives around "People and Community." This committee plays a vital role in ensuring that the company's D&I policies and programs align with its overall commitment and approach to D&I.

NIPSEA Group is working towards the goal of achieving 35% female representation in both management and emerging leader categories.

To achieve this goal, we have created a supportive work environment that aims to attract, retain, and develop female talents across the organization. These initiatives include mentorship programs, coaching, and leadership development opportunities.

Japan Group

Japan Group has taken the following actions to achieve the goal of increasing the ratio of women in managerial positions to 10% by 2025: development of next-generation female leadership candidates, implementing various actions to help with career visioning, and mindset reform in employees for promotion to managerial positions. Specifically, we are working on the development of next-generation female leadership candidates as part of activities of the D&I Committee Japan launched in July 2022. Through this activity, we provide all supports and development opportunities necessary to encourage ordinary female employees to set their career goals in a more proactive manner. In addition, our employees will declare their career goals once a year and have one-on-one meetings with their supervisors to continuously support their career goal achievements. This opportunity has allowed all employees including female employees to become aware of the importance of building their careers by themselves, thereby contributing to mindset reform. Female candidates will not be given preferential treatment in our annual appointment of managerial positions. Both management and supervisors make sure to promote the right person regardless of gender, ensuring that talented female employees are not overlooked in promotion decisions.

Benefits expected from improving employee satisfaction levels

Increasing employee engagement will lead to creating an environment where excellent human resources can consistently perform to their fullest potential. We regularly monitor and survey employee satisfaction levels of partner companies that join the Group under our Asset Assembler model.

The survey results of each partner company will be compared and analyzed using benchmarks, such as the peer average in the same region, and historical data to examine actions necessary to improve employee satisfaction levels.

NIPSEA Group scored an overall engagement score of 75% in FY2022. It was 5 pp higher than in FY2019 and higher than the APAC average score.

DuluxGroup's engagement score reached 80% in 2021, 8 pp higher than the 72% achieved before joining Nippon Paint Group. DuluxGroup uses a number of other methods to track employee engagement, including pulse surveys in different business areas and exit interviews with departing employees. At DuluxGroup, we believe that our leaders are key to driving high employee engagement. Leadership teams at DuluxGroup regularly reflect on the engagement of their teams and drive high levels of engagement through regular feedback and development conversations with their teams.

Dunn-Edwards utilizes interviews with former employees in place of the employee satisfaction survey.
The analysis of data obtained through interviews of former employees has shown that the two-year period from joining the company is most important for building connections with the company and factors that are important for employee retention include the compensation and retirement benefit system (401 (k)) and leadership of people in managerial positions.
To provide an attractive and competitive system in this area, Dunn-Edwards has established its compensation and retirement benefit policy and developed and enhanced training programs designed for career advancement for employees at all career stages.

In Japan Group, for instance, the result of our employee engagement survey, conducted regularly by Nippon Paint Labor Union, is shared with the management team.

▸ See page 95 for more information.

Japan Group's approach to human capital to achieving MSV

The goal of the human resource strategy in Japan Group is to improve EPS through business expansion and profitability improvement.

Toward achieving this goal, we have designated D&I indicators, such as the ratio of women in managerial positions, and the engagement indicator, such as employee satisfaction level, which are indicators that will be the focus of our human resource strategy.

We are taking actions, such as human capital investment including aggressive recruitment of new college graduates and mid-career workers as an ambitious initiative to build a strong human resource base that can contribute to sustainable growth. Our goal is to transform our human resources and organizations to ones that embody our J-LFG action guidelines which promote the active participation of diverse human resources and create the culture that encourages people to take on challenges.

We are currently providing various supports and training opportunities to enable our female general employees to more proactively plan their career goals as an initiative to develop candidates for next-generation female leaders.
Specifically, we provide an opportunity once a year for all employees to declare their career goals, which we continuously support through 1-on-1 meetings with their supervisors.
This has allowed not just female employees but all employees to become aware of the importance of building their career by themselves and changes in mindset.

In addition, when we hold briefing meetings on promotion to managerial positions, we explain to leaders of business divisions the gap between the current status and the target for FY2025 in the ratio of women in managerial positions to urge them to keep the KPIs in mind.

Japan Group is paying attention to the impact on its employees from the structural reform for profitability improvement that is currently underway.

As measures to improve employee satisfaction levels, we are enhancing communication with employees.

▸ See page 95 for more information.

Gender pay gap for Japan Group

At every PC in Japan Group, wages are determined based on roles played and significance of job tasks. We have gender pay parity in like-for-like roles and job tasks.

Based on our analysis, the primary cause of the gender pay gap is the lower ratio of women in managerial positions than men. Japan Group is taking actions, such as providing skill development programs for female employees and their supervisors with the goal of achieving the numerical target of increasing the ratio of women in managerial positions to 10% by 2025. We believe that the gender pay gap will decrease with the increase in the ratio of women in managerial positions.

Gender pay gap ratio (FY2022)

	All workers	Regular employees	Non-regular employees
Nippon Paint Automotive Coatings Co., Ltd. (NPAC)	66.9	75.8	67.3
Nippon Paint Industrial Coatings Co., Ltd. (NPIU)	77.8	79.8	81.4
Nippon Paint Co., Ltd. (NPTU)	73.6	77.2	76.3
Nippon Paint Corporate Solutions Co., Ltd. (NPCS)	77.4	79.6	77.8

* The survey targets are partner companies with more than 300 employees
* Women's wages relative to men's (indexed to 100)

(For reference) Pay gap analysis for NPAC

The larger overall gender pay gap is mainly attributable to the gender pay gap among non-regular employees of 67.3% because NPAC has more non-regular employees than other PCs. Based on our analysis, the gender pay gap among non-regular employees is primarily due to the difference in the composition of workforce (the ratio of employees reemployed after retirement: 64% for men and 2.9% for women).

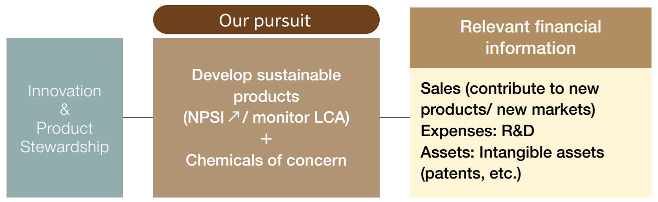
Human resource strategy of Japan Group

EPS improvement	KPI	Human resources and organizations that embody J-LFG (OUTPUT)	Human capital investment (INPUT)
Business expansion	D&I indicators • Ratio of women in managerial positions	Active participation of diverse human resources • Stable supply of young talented human resources • Improve the inequality of human resource distribution among age groups/reduce gaps in age groups	Aggressive recruitment (new college graduate recruitment, mid-career recruitment) • Restart of new college graduate recruitment for FY2025 • Strategic mid-career recruitment
		Create a culture of encouraging employees to take on a challenge • Supporting proactive actions by employees and increase work fulfillment • Improve employees' awareness of management participation	Fair evaluation, compensation, and rewarding systems • Revise the bonus system • Introduce J-LFG Awards, Reward
Profitability improvement	Engagement indicators • Employee satisfaction level	Talent management • Enhance the pipeline of talent • Stable supply of successors to key positions • Utilize the talent management system (visualization of human resources)	Autonomous growth and supporting frameworks • Reinforce OJT program • Reinforce 1-on-1 meetings • Enhance selection-based training/elective training programs
		Increase job satisfaction and work fulfillment • Work styles suited to different life styles • Work styles with high productivity	Create a comfortable work environment • Reinforce healthcare support • Enhance mental health education • Promote the use of paid leave • Prevent working long hours

R&D Strategy

The world is seeing the emergence of numerous problems that are difficult to solve by using methods of prior years. To help solve these problems, we will use many partnerships to further upgrade our ability to create innovative ideas.

How Shareholder Value Is Maximized ▶ See page 5.



Our approach to achieving MSV

Our technology mission is to drive and sustain growth and market share in Japan and globally as a leading technology organization for coatings and adjacent markets. Our innovation strategy has three pillars: 1) build an adaptive organization; 2) develop core enabling technology competency; and 3) expand into adjacent and emerging markets. These are initiatives for Maximizing Shareholder Value (MSV) 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, technology collaboration and intellectual property sharing among our partner companies around the globe are under the principle of our Asset Assembler model, which Nippon Paint Group strategically employs to manage the business of partner companies. The technology teams of partner companies are highly autonomous to effectively address the needs of their respective markets and customers.

We started LSI (Leverage, Share & Integrate) activity aimed at driving technology sharing and capability leveraging among partner companies to facilitate technology exchange platforms and cross-PC projects. We have established adaptive ways to enhance global technology collaborations for increasing the added value of intellectual property. The technology teams in various fields such as decorative paints or paints for automotive have formed a global technical community to share best practices and leverage research capabilities in joint technology development projects, helping address the needs of local consumers in each country.

Roadmap

	2022	2023	~2027
Sustainable Products	· NIPSEA Group: Redefined sustainable products · NIPSEA Group, Japan Group: Developed Sustainability Scoreboard · DuluxGroup: Established sustainable products targets and developed roadmaps for ANZ[*1] businesses	· Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company · DuluxGroup: Develop GHG emissions (Scope 3) reduction roadmap	· Manage the performance of Sustainability Scoreboard of each partner company every quarter · Promote creation of more innovative sustainable products · DuluxGroup: Implement sustainable products and GHG emissions (Scope 3) roadmaps
Chemicals of Concern	· Each Partner Company responded to US Environmental Protection Agency (EPA) and REACH · DuluxGroup developed position statements for 50% of high concern CoC · Dunn-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern	· Consider the phase out plan of Chemicals of Concern in each partner company · NIPSEA Group: Focus on 4 hazardous heavy metals[*2] · DuluxGroup: Complete position statements for 75% of CoC and develop a structured program of CoC in Europe	· Create sustainable products based on phase out plan
R&D	· Developed Green Design Review	· R&D activities for sustainable products from Partner Companies beyond Japan and NIPSEA Group, e.g. DuluxGroup, Dunn-Edwards, etc.	· Drive innovation towards UN SDGs and carbon neutrality
Product Stewardship	· DuluxGroup established packaging recycled content targets and developed roadmaps for ANZ businesses	· Identify inquiry items · Stakeholder questionnaire · NIPSEA Group: Reinforce PS&RA[*3] team · DuluxGroup: Implement Product Vision to help with formulation management & regulatory tracking	· Implement inquiry management database · Inquiry response training · Training for customers and business partners · DuluxGroup: Implement packaging roadmaps

*1 Australia and New Zealand
*2 Lead, Chromate (Cr6+), Cadmium, and Mercury
*3 Product Stewardship & Regulatory Affairs

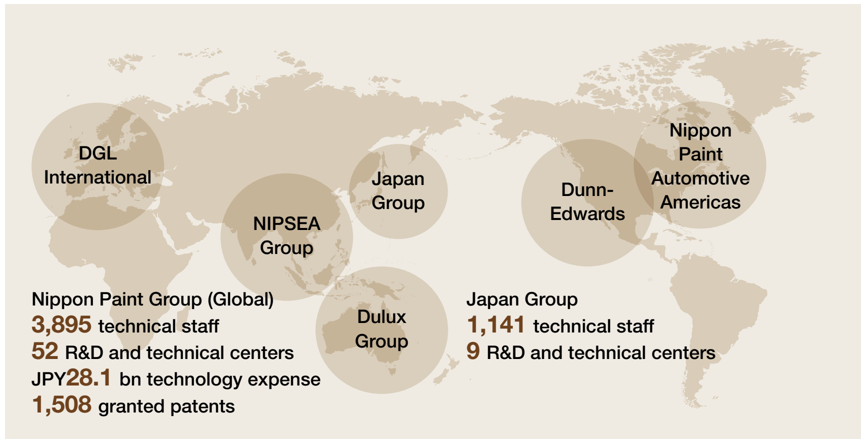
R&D framework and core technologies

Nippon Paint Group has 3,895 technical staff working worldwide, including 1,141 in Japan. They are the nucleus of our innovation power and core competitiveness for achieving sustainable business growth in the marketplace. We have technology teams at 52 R&D and technical centers to serve our customers and consumers worldwide, 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 2022, R&D expenditures at Nippon Paint Group in Japan was over JPY28.1 bn and there were 169 patent applications. As of the end of 2022, the Group had more than 1,508 patents.

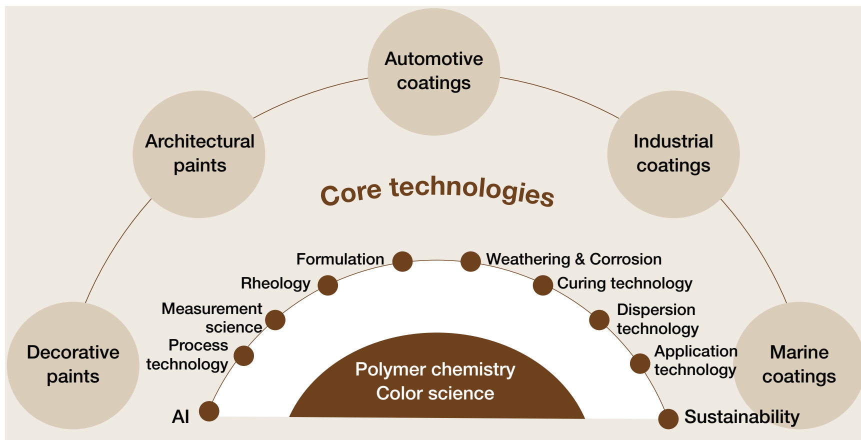
Nippon Paint Group has classified its core technologies involving paint and coatings and manages its intellectual property portfolio in 12 categories: polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, measurement science, AI and sustainability.

Experts in each core technology field 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.

R&D organization



Core technologies



In 2020, Nippon Paint Group entered into a strategic research partnership with The University of Tokyo, resulting in the establishment of the University of Tokyo & Nippon Paint joint laboratory. The partnership aims to create innovative coating technologies in three fields, namely, infectious disease risk reduction, social cost and environment burden control, and contributions 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 the use of artificial intelligence in coating research.

Moreover, in 2023, Nippon Paint Group joined the Massachusetts Institute of Technology Industrial Liaison Program (MIT-ILP), which is dedicated to creating and strengthening mutually beneficial relationships between MIT and companies worldwide.

Innovation initiatives and programs

The New Product Sales Index (NPSI) is one of the indicators for measuring technology output. At Nippon Paint, new products are categorized into several categories, ranging from products upgraded through improvements in stages and to new-to-market products with disruptive innovations. NPSI is achieved with the joint efforts of technical teams with business and supply chain operation teams, where strong collaboration brings together our commitment to the MSV. In 2022, Japan Group and NIPSEA Group together have achieved NPSI of 20% and launched 12,000 new products.

Creation of sustainable products will drive long-term business success

Sustainability of our products

We believe that sustainable features are essential elements of our products to benefit society and achieve the long-term success of our businesses.
We define sustainable products and technologies based on the principle of product life cycle and according to the framework of the United Nation's Sustainable Development Goals (SDGs). This is a systematic approach, covering the following three main stages of a product's life cycle.

1. Production
2. Use
3. Service

Furthermore, in each stage, the advantages over the mainstream products in the market are assessed by translating the SDGs into the attributes of paint and coatings products. In the production stage, manufacturing efficiency, raw materials, logistic and packaging are the key aspects for assessments. In the product use stage, the advantages are helping customers and consumers when using products by reducing energy and material consumption, chemical emissions, and chemical hazards. In the service stage, products are assessed in terms of product service life, use in clean technologies, contribution to health and well-being, as well as end-of-life treatment. Under those sustainability principles, the Sustainability Scoreboard for new product assessment has been developed and is implemented in the NPSI systems of partner companies, Japan and NIPSEA China. In 2022, of the new product sales of Japan Group and NIPSEA China together, 52% were from newly developed sustainable products.
The Green Design Review has been developed and is used in the R&D project management systems of Japan Group and NIPSEA Group. In the project portfolios of Japan Group and NIPSEA Group, 47% of R&D projects are in the focus areas of creating sustainable benefits according to the Green Design Review principles.

Sustainable product data

New Product Sales Index (NPSI)

20%

Sustainability product sales ratio of the new product sales

52%

Sustainability product development project ratio in R&D expenses

47%

Results of sustainability products

Dulux envirO₂ ™

Dulux envirO₂ ™ is a premium low odour, low VOC acrylic paint that delivers superior performance.

In 2022, the Dulux business achieved 50% recycled content in packaging for the envirO₂ ™ range.

Dulux envirO₂ ™ is also the only major Australian paint brand with a Global GreenTag™ certification.

Decorative films

Nippon paint group also developed products for Solar Power system and Lithium-ion Batteries (LIBs) toward realization of sustainable low carbon society.

Toyota Motor Corporation and Nippon Paint Automotive Coatings jointly developed decorative films for photovoltaic modules that provide design and color flexibility to photovoltaic modules.

High adhesion primer

Nippon Paint Surf Chemilal developed a high adhesion primer, SURFCOAT NR-Z for pouch-type LIB package. Excellent adhesion after prolonged immersion in electrolyte was achieved.

Our products comply with the Hazardous Chemical Substance Regulation

Chemical substance management

In 2021, Japan Group launched the "Green 30" chemicals management system to minimize the impact of chemicals on the environment and public health. The system is designed to manage chemicals of concern based on regulations or treaties such as REACH regulations in EU, TSCA in the USA and CSCL in Japan.
We classify chemical risks in three categories (Rank A, Rank B, Rank C)* according to the laws and regulations in the countries where we operate. Japan Group started using this system in 2021 and the system is being expanded to our partner companies outside Japan.

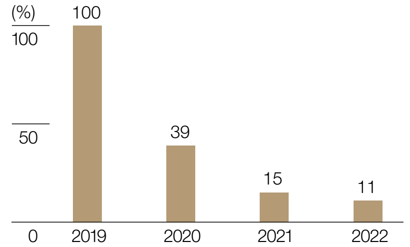
Alkylphenol ethoxylates (APEs) are mainly used for surfactants and include the subcategory of nonylphenol ethoxylates (NPEO/NPE). Nonylphenols (NP), raw materials for NPE, are regulated by REACH and TSCA. Nippon Paint Group has been steadily phasing out APEs-containing surfactants.

In addition, we have been replacing UV absorbers such as UV-328 and UV-327 that are considered as persistent organic pollutants (POPs) with other substances. Our next plan is to completely phase them out in all products sold in Europe by the end of 2023. We are also reducing the use of UV-328 in Japan Group.

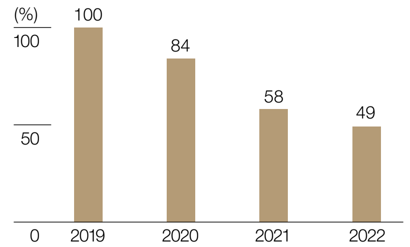
Moreover, we are lowering the use of other POPs such as Medium-chain chlorinated paraffins (MCCP, carbon chain lengths in the range C14-17 and chlorination ratio ≥45% by weight) in Japan.

DuluxGroup has continued its focus on identifying, managing, and addressing chemicals of emerging concern to make safer products available to the market. Some examples of our chemicals of concern initiatives in 2022 include:
—Removed APEs from Cabot's Aquadeck and Intergrain Ultradeck ranges and from an additional one million liter of products in our Dulux NZ business.
—Launched a safer Selleys paint stripper that is free of DCM (Dichloromethane) and removed toluene, cyclic siloxanes and UV-327 from several Selleys products.

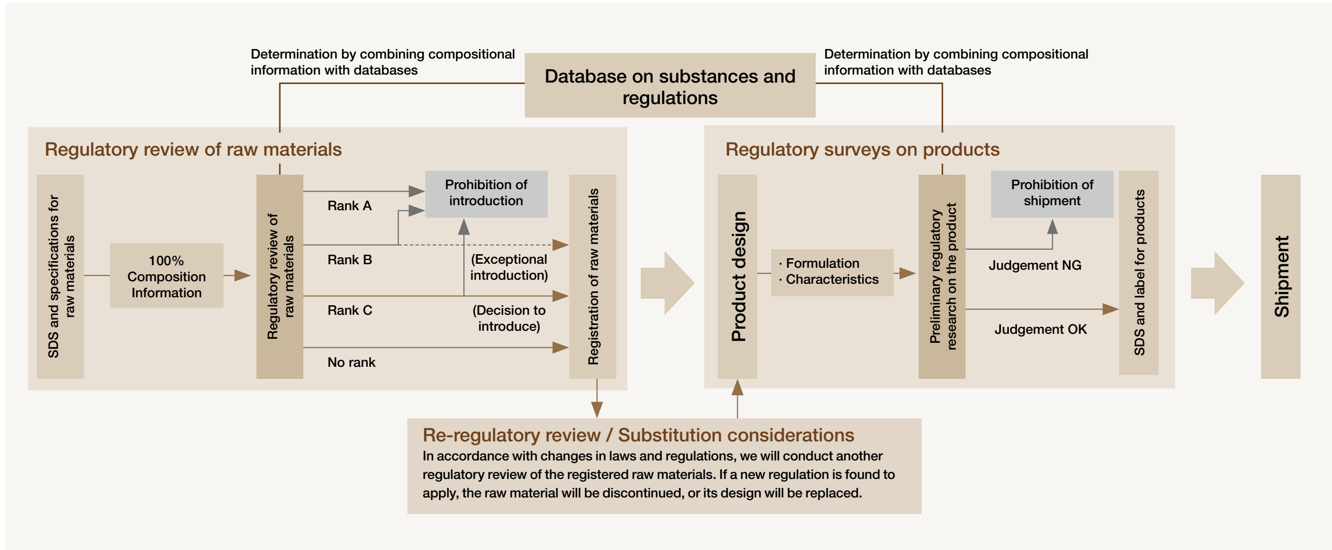
UV-328 usage (2019=100)



MCCP usage (2019=100)



Chemical substance management flow



* The definitions of categories
Rank A (Prohibited): Prohibition of introduction
Rank B (Restricted for new introduction): Prohibition of new introduction with some exceptions
Rank C (Avoid new introduction): Decide whether or not to introduce based on regulatory trends, environmental impact, and the business environment
No rank: No impact on raw material introduction

Safe People and Operations

Managing significant safety and health risks effectively to ensure the protection of our people, operations, and communities is a key imperative and priority for the organization. Given the high-consequence disaster and fatality risks associated with our operating plants in particular, this is a material sustainability impact for Nippon Paint Group and a critical focus to ensure our maximization of shareholder value.

Our approach to achieving MSV

During 2022 each PCG has continued to make progress on their individual improvement priorities for safe people and operations, including both high-consequence risks and everyday injury risks. This has been supported by the newly established Environment and Safety working group comprising senior environment and safety leaders from each PCG, that has focused on benchmarking, sharing best practice, and agreeing common metrics to improve monitoring of performance progress for significant safety and health risks. Full implementation of these metrics across all PCGs will take some time and they are primarily focused on improved understanding and oversight of high-consequence risk management, including process safety events (e.g. flammable solvent losses of containment) and high potential incidents (e.g. serious near misses involving fatality risks). Improving high-consequence risk management effectiveness will be the primary focus of the working group in the coming year.

Group policy

There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high-consequence risks.

Risks & opportunities

The key risks and opportunities associated with safe people and operations are summarized in the table of materiality page (Sustainability as the Prerequisite for MSV P41). While these are largely common across the consolidated group, individual PCGs do have different focus areas and action priorities that reflect the local maturity of their safety and health risk management improvement journeys.

Improvement & performance

There were no fatalities across the group during the year, which is a pleasing outcome given the occurrence of two fatality events in NIPSEA Group in the prior year. Three fatalities were previously reported for 2021, but it has since been confirmed that one of these was a non-work related, commuting event.

The recordable case rate for employees and contractors decreased 1% to 0.90 recordable injuries and illnesses per 200,000 hours worked, while the lost workday case rate for employees and contractors increased 31% to 0.50 lost time injuries and illnesses per 200,000 hours worked. These changes were primarily associated with the first-time inclusion of the recently acquired Cromology and JUB businesses within DuluxGroup. Performance across the other PCGs either improved or showed minor variation versus the prior year.

The 2022 performance and changes versus the prior year for individual PCGs are summarized in the following table, together with the key improvement priorities for the year.

Performance by Partner Company Group (PCG)

PCG	Fatalities	Recordable case rate (per 200,000 hours)	Lost workday case rate (per 200,000 hours)	2022 improvement drivers & priorities
NIPSEA Group	0 (-2)	0.42 (-4%)	0.22 (+5%)	· Key focus on traffic accidents for safety training and improvement activities.
DuluxGroup (Pacific)	0 (0)	1.50 (+3%)	0.80 (0%)	· Completed new Periodic Hazard Studies at three process safety factories and implemented improvement actions.
DuluxGroup (Europe)*	0	2.25	1.70	· Commenced significant risk audits of major sites and implementation of prioritized actions for high consequence disaster and fatality risks.
Japan Group	0 (0)	0.39 (-33%)	0.08 (-50%)	· Risk assessment review and action implementation, with a focus on the priorities of contact with hot/old objects and falling.
Dunn-Edwards	0 (0)	4.60 (-40%)	2.01 (-20%)	· Comprehensive safety assessments of all Dunn-Edwards properties.

* Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics.

Growth with Communities

Based on our CSR framework and long-term community engagement strategy, we will build a better community that includes all stakeholders and achieve sustainable business growth.

Our approach to achieving MSV

Since its inception, our Company has been dedicated to creating innovative solutions that bring colors and joy to people's everyday lives. As part of our commitment to sustainable development, the Group strives to support and promote the well-being of communities through our business activities. To achieve this, we have established three priority areas known as the "Three Es" under Nippon Paint Group's global CSR initiative, "Coloring Lives." These areas encompass Education, focusing on nurturing future stakeholders; Empowerment, which involves supporting socially vulnerable individuals through vocational training and identifying talent among younger generations; and Engagement, emphasizing collaboration with local communities and stakeholders. Investing in society presents potential opportunities for the Group, such as increased business prospects in thriving local communities, enhanced employee engagement and commitment to our Group companies, and stronger connections with local communities, all of which contribute to our mission of Maximization of Shareholder Value (MSV). Conversely, neglecting our obligations to stakeholders poses potential risks. These risks include a loss of trust from local communities, resulting in diminished ability to attract and retain talented employees and reliable business partners, reduced consumer and customer loyalty, and ultimately, a decline in shareholder confidence and the opportunity to fulfill our promise of MSV.

Results of social contribution activities

In FY2022, the Group allocated funds exceeding US$7.75 million for approximately 448 activities that had a positive impact on the lives of around 10.65 million people worldwide. One notable example is NIPSEA Group's AYDA Awards, an esteemed interior design and architectural competition in Asia that fosters global stakeholder relationships, promotes sustainable design practices, and encourages collaboration among designers.

Additionally, within Japan Group, we have consistently donated pesticide-free vegetables harvested at Nippe Fun Farm, an establishment that employs individuals with disabilities, to children's cafeterias on a monthly basis for approximately three years. This initiative has garnered local recognition for its support of the Social Welfare Council's efforts.

These initiatives demonstrate the Group's dedication to making a meaningful difference in various communities and exemplify our commitment to fostering sustainable development and social well-being.

Investment in social contribution activities and its results and impacts in FY2022

Country/region		39
Number of projects		> 448
Resources input	Money spent on the activities	> USD7.75 million
	Time spent on the activities	> 125,000 hours
	Employees and volunteers who participated in the activities	> 33,000 participants
	Paint used in the activities	> 0.24 million liters
Results and impacts	People impacted	> 10.65 million people

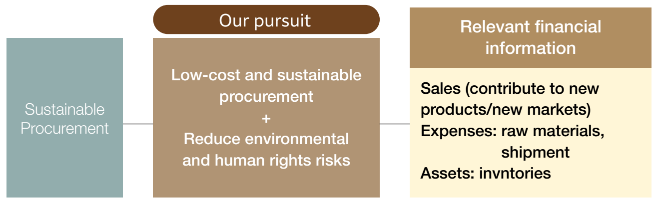
Pillars of social contribution activities and examples of activities

Pillar	Description	Example of activities
Education	Activities for children and students who are our potential future customers or employees	NIPSEA Group: AYDA Awards (An esteemed annual international competition and awards platform specifically designed to nurture architectural and interior design students; DuluxGroup: Design Institute of Australia (Supporting The Australian Interior Design Awards)
Empowerment	Support activities and vocational training for socially vulnerable people, and activities to find talented individuals	Japan Group: Nippe Fun Farm (Employment support for the physically challenged); Dunn-Edwards: Albuquerque Pride Parade Float (Paint donation for the local Pride Parade)
Engagement	Collaborations with local communities and stakeholders, cooperation with NGOs, and disaster relief	Japan Group: Industry-University Collaboration Activities with the University of Tokyo (Collaboration to create innovations for the future society); DuluxGroup (Cromology): UNICEF (Cash donations to help children and families in Ukraine)

Sustainable Procurement

Nippon Paint is firmly committed to doing business ethically and responsibly. Sustainable procurement is the integration of Nippon Paint's ESG principles into our procurement processes and decisions while maximizing shareholder value.

How Shareholder Value Is Maximized ▸ See page 5.



Our approach to achieving MSV

We engage our suppliers to ensure the sustainable procurement of products and services through environmentally, socially and economically responsible processes. Nippon Paint has developed a Supplier Code of Conduct 2022 to clarify our global expectations for suppliers in the areas of compliance, environment, social and governance. We will conduct survey for existing and new suppliers to understand their commitment to the ESG principles set forth in our Supplier Code of Conduct.

Suppliers are our important partners in our ESG journey, and we encourage them to adopt progressive practices that align with our approach to ESG. A Supplier ESG Assessment for on-site audit is to be developed. This will help to identify areas for improvement in our supply chain.

Roadmap

	2022	2023	2024	2025
Activities	· Launched the global team · Organize regional teams · Developed Supplier Code of Conduct · Developed supplier questionnaire	· Conduct supplier questionnaire (target top 40% by value) · Explore sustainable projects · Establish indicators	· Conduct supplier questionnaire (target top 75% by value) · Define supplier assessment methodology and measurement · Define sustainable initiatives and measurements	· Conduct supplier questionnaire (target top 90% by value) · Conduct supplier assessment (trial) · Track sustainable projects and measurements (trial) · Refine reporting metrics

Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
· Legal Compliance · Subcontractor Compliance · Environment, Health and Safety Compliance	· Minimize Impact · Waste Management	· Child Labor · Forced Labor · Discrimination · Working Conditions · Conflict Minerals · Product Safety and Compliance · Safety Training · Freedom of Association	· Anti-Corruption · Gifts and Entertainment · Conflict of Interest · Confidentiality · Record Keeping · Fair Competition · International Trade · Subcontractor ESG Compliance

Our approach to greenhouse gas emissions in procurement

Raw materials account for a large percentage of our greenhouse gas emissions (Scope 3). As a result, we regard Greenhouse Gas emissions in procurement as an important issue that needs to be addressed. We will consider using biomass materials and fuels in response to customer requirements.

Our approach to raw material procurement

Our Group's businesses depend on the supply of a broad range of products and services, such as raw materials, equipment, other materials, and information services. Maintaining a sound relationship of cooperation with suppliers is essential for the sustainable growth of our businesses. We will create new opportunities by building closer communication and stronger trust with suppliers.

Japan Group

We established the Procurement Guidelines, which are aligned with the Supplier Code of Conduct 2022 and clearly set rules and procedures to be followed by the Group and its suppliers for responsible procurement. From the social perspective, the guidelines are consistent with major international frameworks and standards for social activities, including frameworks for the respect for human rights. The guidelines also define our environmental activities for the understanding and practice of environmental measures. This includes complying with all laws and regulations in every country and region and implementing measures to manage chemicals of concern and minimize our environmental impact.

NIPSEA Group

We remain 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. We also encourage our suppliers to attain additional accreditations by local advocacy groups that cover a wider range of green assessments that include water, material, and power management.

DuluxGroup

We are committed to the sustainability of the communities in which we work and to integrating responsible corporate behavior into every aspect of our business. We seek to understand, manage and enhance the environmental and social impacts of our products and operations, including the procurement of raw materials, packaging, finished products and services. Accordingly, our sourcing processes aim to ensure that environmental, health and safety, labor conditions and human rights considerations are embedded in procurement procedures.

Dunn-Edwards

We take seriously our commitment to operating as a responsible corporate steward. Our sourcing process aims to ensure we partner with suppliers with the same foundational pieces regarding the environment, health and safety, labor conditions, governance, and compliance. Our Supplier Sustainability Questionnaire is one tool used to clearly articulate our commitment, detail expectations for new and existing suppliers, and audit compliance.

Supplier risk assessment and engagement

The Group conducts supplier risk assessment at each partner company using the questionnaire sheet based on the Code of Conduct. For suppliers who are determined not to comply with the criteria, we conduct supplier engagement activities for risk improvement.

NIPSEA Group & Japan Group

Since 2022, we have decided to adopt Supplier Sustainability Questionnaire newly developed by our group to standardize survey method globally.

If nonconformance is found at a supplier site, we discuss and agree with the supplier in question on corrective actions to be implemented within a specified period of time.

DuluxGroup

We manage modern slavery risks throughout our supply chain through our the Supplier Procurement Program.
The program is designed to accord with standard global supply chain systems and guidance, including International Labour Organization (ILO) conventions, the Ethical Trading Initiative (ETI) base code, ISO 14001 and the SEDEX code, with the aim of identifying and addressing modern slavery risks and maintaining a responsible and transparent supply chain. The program includes undertaking on-site audits of suppliers (and their facilities) to verify compliance with our Sustainable Procurement Standard and identify any required improvement actions.

Dunn-Edwards

We respect the inherent worth of each individual, and we strive to conduct all our business with the highest sense of ethics, integrity and responsibility.
To that end, our partners with suppliers that share the same values - working together to ensure the supply chain is free from forced labor, child labor, human trafficking and slavery. This effort includes initiatives aimed to clearly articulate our shared expectations and audit for compliance through our Supplier Code of Conduct initiative.

Supplier Sustainability Questionnaire results

In conjunction with the Supplier Code of Conduct 2022, we have developed a Supplier Sustainability Questionnaire to survey suppliers on their ESG commitment. The group survey started from October 2022, and to date more than 166 suppliers have responded in agreement to our Supplier Code of Conduct. These suppliers represents about 22% of Nippon Paint's total procurement value. Prior to this group survey, various countries have conducted similar sustainability surveys. Altogether 481 suppliers are deemed approved and they represent about 61% of Nippon Paint's total procurement value. We have achieved our target of 40% for 2023.

Our target is to increase this ratio to 90% by 2025.

Results of supplier sustainability questionnaire

	NIPSEA Group	Japan Group	DuluxGroup	Dunn-Edwards	Total
Number of approved suppliers	—	—	—	—	481
Ratio to the total procurement value	52%	78%	89%	80%	61%

* Exclude Cromology, JUB, NPAA

Strategy by Asset

Feature Article (2)

High Growth Potential of the China Business

How Shareholder Value Is Maximized

See page 5.

Our pursuit

Strive for market share & profitability
- Relentless pursuit of technologies, talents. Intensive use of IT
- Vigorous pursuit of higher quality, lower cost, capex efficiency

What are the driving forces that keep NIPSEA in the leading position in the decorative paints market with strong growth potential?

Since its expansion into the Chinese market in 1992, NIPSEA has remained the leading company in the dynamically changing Chinese market. NIPSEA delivered resilient growth despite the challenging business environment during Medium-Term Plan (FY2021-2023) period, serving as the main growth driver of Nippon Paint Group. This section guides the reader through the competitive advantages and growth strategies that will allow the company to remain the leader in the decorative paints market in China with enormous growth opportunities.

Resources built up in China

Pursuing optimization and transformation of organizations

Nippon Paint China focuses on business success and continuously carries out organizational optimization and transformation. Based on the design of front, middle, and back offices, it streamlines and optimizes various business groups and headquarter functions.

Nippon Paint China has established IPMT/PDT organizations to facilitate the management of the entire product lifecycle.

Advanced production system

The new factory construction follows the principles of "smart manufacturing" and "Industry 4.0," aiming to create a digitally intelligent, green, and environmentally friendly benchmark factory. The fully automated latex paint production line utilizes a closed pipeline system for material transportation, ensuring a fully automated, information-driven, green and eco-friendly, safe, and clean production process.

It significantly reduces manual labor, enhances production efficiency, and meets the requirements of Industry 4.0.

Dominant distribution network

In 2023, TUC will continue to expand its distribution network, allocate more manpower, collaborate with distributors, seize high-quality distribution store resources, and simultaneously enhance the quality of distribution stores to increase their affinity.

The number of Distributor Stores nationwide was 154,000 as of end-May 2023, an increase of 51,000 compared to the end of 2022. The number of Exclusive Stores increased by 10,000 to 42,000 during the same period, with over 10,000 equipped with Computerized Color Matching (CCM) machines.

High brand strength

In 1992, NIPSEA officially entered China and has since grown into a renowned brand in the Chinese paint and coatings industry. NIPSEA China has continually been granted numerous brand awards including the China Brand Indexes, which is a testament of the trust and confidence that consumers have in us. We will continue to invest in brand building and reinforcement sparing no expense with a focus on enhancing the visibility and evaluation of the LiBang brand.

Market Overview

The Current Situation in the China Market

The China market offers greater opportunities than advanced markets due to new demand and with market segments created one after another

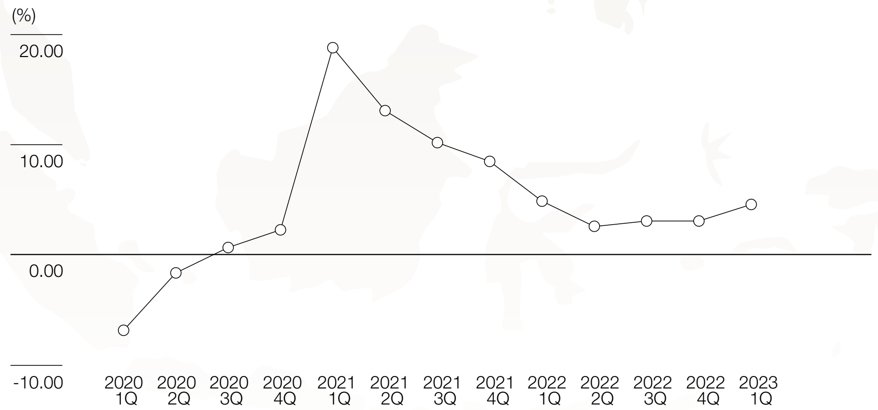
In the first quarter of 2023, China's GDP grew by 4.5% year on year, surpassing the expected value of 4% and accelerating by 1.6 pp compared to the previous quarter. Consumer confidence gradually recovered, with a year-on-year increase of 10.6% in total retail sales of consumer goods in March.

National fixed-asset investment (excluding rural households) in 2023 1Q reached RMB10.7 trillion, showing 5.1% year-on-year growth, maintaining the same level as the previous year. Infrastructure investment increased by 8.8% year on year, although slightly lower by 0.2% compared to January-February 2022, it still maintained a relatively fast growth rate. High-tech industry investment continued to grow at a high rate, with a year-on-year increase of 15.1%, including 16.2% growth in high-tech manufacturing industry investment.

Turning to the conditions in the real estate market, in 2022 China's real estate development investment recorded a year-on-year decline for the first time, with a decrease of 10%. In the first quarter of 2023, the year-on-year trend of decline in real estate development investment continued, although the overall decline narrowed. In terms of sales area of commercial housing, it has been on a downward trend for 16 consecutive months since January 2022. The newly started construction area has been declining for 22 consecutive months since July 2021. Overall, the momentum for recovery remains insufficient.

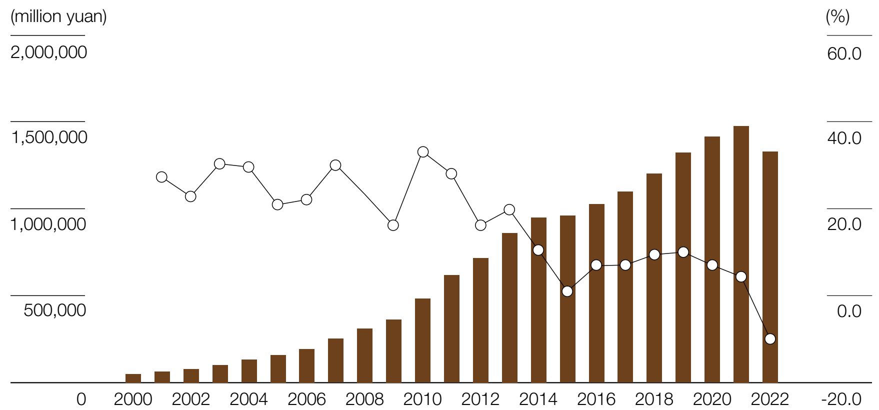
Although China's real estate market showed a decline in 2022, the forecasts into 2023 and 2024 are still optimistic. In fact, overseas forecasts institutions have high expectations for future economic growth potential in China and projects 5% GDP growth rate for both 2023 and 2024.

GDP growth rate



Source: National Bureau of Statistics of China

Real estate development investment



Source: National Bureau of Statistics of China

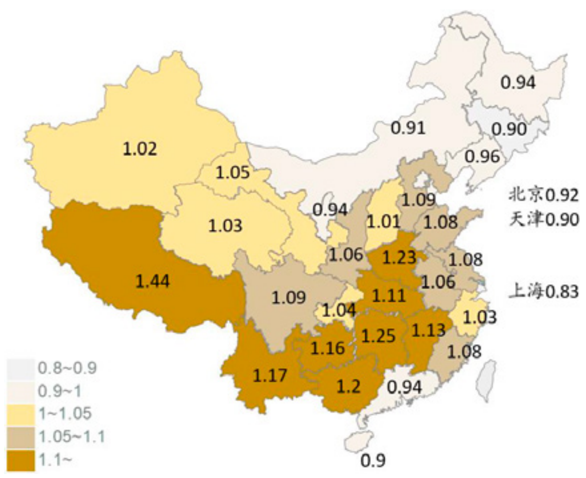
Rapid expansion of repainting market driven by arrival of stock housing era

In the future, the Chinese real estate market is expected to exhibit the following trends:

1) The real estate market will transition from a period of high demand to a phase of basic supply-demand balance. The era of rapid development will come to an end, and the scale of new housing will gradually reach its peak, marking an overall shift towards the era of stock housing. The seventh national census shows that the number of per capita housing units in China have exceeded 1. In 2022, the population decreased by 850,000 compared to the previous year-end, marking the first population decline in the past 60 years. The number of new urban residents in 2022 was 6.46 million, nearly half of the previous year's increase of 12.03 million, reaching a new low in the past 42 years. The peak of population growth also signifies the arrival of the era of stock housing in China. After the decline of the real estate dividend, the contribution of new housing to the rapid development of the real estate sector will gradually shift towards the renovation cycle of existing properties. Assuming a renovation cycle of 15 years, it is estimated that by 2030, there will be approximately 9.27 million units of stock housing, accounting for about 49% of total consumption, representing an increase of approximately 28% compared to 2022.

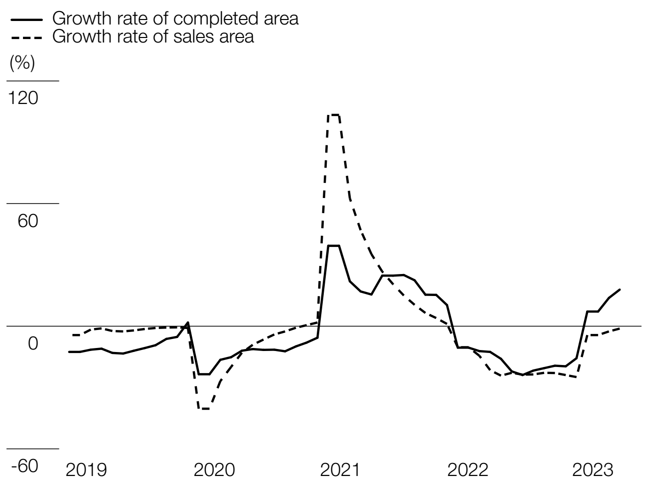
2) The "20th National Congress of the Communist Party of China (二十大) Report" emphasizes the positioning of housing as a place for living, not for speculation. Efforts will be made to accelerate the establishment of a housing system that features multiple entities supplying housing, multiple channels ensuring affordability, and a balanced approach between renting and purchasing. In the future, the rental market will gradually become an important component of the real estate market, and the "rent before purchasing" model will become a common way of homeownership. Under policy incentives, affordable housing, urban renewal, and the renovation of aged housing estates will experience development opportunities. In terms of urban renewal, it is estimated that during the entire 14th Five-Year Plan period, urban renewal will bring about a cumulative investment of RMB18 trillion, with an average annual investment of RMB3.6 trillion.

The number of per capita housing units in urban areas by province (city) in 2020



Source: Debang Securities "Embracing the Era of Existing Housing: China's Housing Supply and Demand in the Next Ten Years."

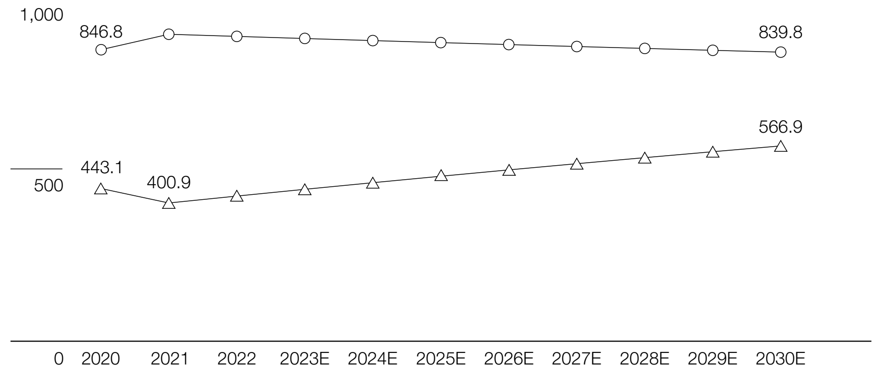
Commercial residential building development and sales



Source: National Bureau of Statistics of China

The scale of new housing has peaked, and China's real estate market has entered the era of stock housing. According to estimates by domestic securities companies, assuming a decline of around 2% per year in the urban real estate construction and completion area from 2022 to 2030, while maintaining steady growth in other construction areas, and under the assumption of unchanged repainting cycles and repainting ratios, the total demand for architectural coatings is estimated to be around 14.07 million tons by 2030, corresponding to a market space of about RMB123.8 billion. Among them, the demand for new construction and repainting is approximately 8.4 million tons and 5.67 million tons, respectively, with the repainting demand accounting for about 40%, becoming the main driving force behind the demand for architectural coatings. With the Chinese government's increasing requirements for building usage and comprehensive energy efficiency, the frequency of repainting is expected to increase, leading to further expansion of the overall repainting demand.

Total consumption of new build and repainting coatings



Source: Source: Huaxi Securities "Special Topic on Architectural Coatings 1: Domestic Architectural Coatings Market Exceeds 100 Billion, Repainting Supports Long-term Space Expansion."

Our Strategy

Growth Strategy to Stay in the Leading Position

TUC (Trade Use Consumer)

Pursuing market share gains in urban areas and rural cities by leveraging brand strength

Overview of the TUC market

TUC covers over 2,000 cities in China, offering a wide range of products for various usage scenarios and consumer segments. The offline distribution channels primarily involve recruiting distributors, expanding distribution stores and exclusive stores, and increasing the deployment of CCM machines. Simultaneously, there is a focus on accelerating the expansion of business in the public and home decoration sectors to seize market share.

The online channels maintain a continuous presence on mainstream e-commerce platforms such as Tmall, JD.com, and Douyin.

The TUC revenue grew 10% YoY in 2022, continuing on a strong growth track achieved in 2021.

Strategy by Asset

Characteristics and competitive landscape of Tier 0 and Tier 1-2 cities and Nippon Paint China's market position

Tier 0 and Tier 1-2 cities are primarily located in provincial capitals and economically prosperous areas in China. We have a couple of strong competitors in these areas. In Tier 0 and Tier 1-2 cities, Nippon Paint China assigns at least one representative to each city to assist customers in channel optimization and comprehensive product management, while strengthening the development efforts in the home decoration and commercial decoration markets.

In 2022, Nippon Paint China's market share in the paint segment in Tier 0 and Tier 1-2 cities exceeded 50% (according to the 2022 Consumer UA Survey).

Aiming for market share gains in Tier 3-6 cities

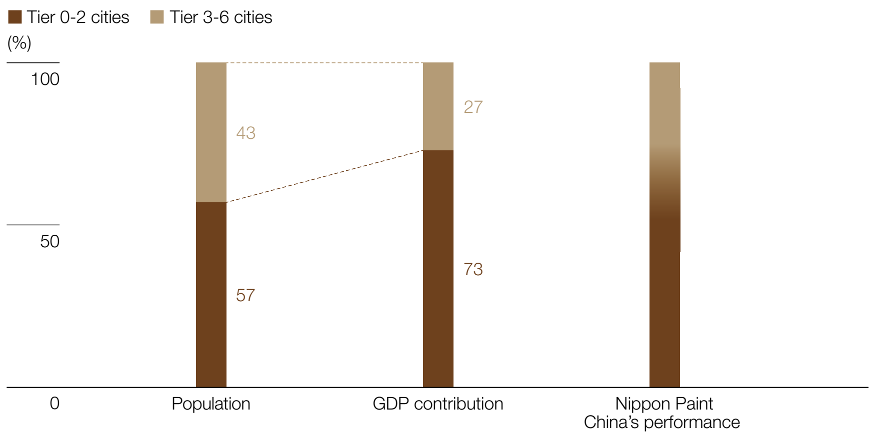
Tier 3-6 cities in China mainly refer to towns and county-level areas with relatively lower economic levels. They are primarily targeted by local paint manufacturers and other domestic second-tier brands. To tackle the Tier 3-6 market, the main strategies are as follows:

Channel expansion: Enhance the product line by incorporating existing TUC products and introducing certain regional TUB products.

Organizational and personnel arrangements: Foster collaboration between Nippon Paint personnel and Pioneer; and doubling personnel to ensure comprehensive synergy.

Store expansion in towns: Accelerate market development in rural areas and penetrate the township market.

The comparison between urban and regional cities



Source: Company's estimates

TUB (Trade Use Business)

Pursuing market share gains through capturing new demand by considering market conditions and customers' situations

Overview and competitive landscape in the TUB market

We are pursuing more growth in the TUB business based on the six major business scenarios: (1) Multi-scene healthy interior solution; (2) One-stop delivery solution for car park scene; (3) One-stop delivery solution for coating and maintenance materials; (4) Integrated low-carbon prefabricated solution; (5) Industrial building system solution; and (6) One-stop coating solution for urban renewal and transformation. Based on these scenarios, the market capacity of TUB in 2022 reached RMB102.1 bn, with an annual growth rate of about 5%. Our market share of TUB is 8%.

Under the national economic structural adjustment and real estate policy regulation, the capacity of the real estate market is declining. However, commercial and residential real estate still accounts for about 50% of the total market. The government is increasing investment in affordable housing, infrastructure, and industrial sectors outside of real estate. Overall, the total market capacity of TUB remains stable with a slight increase, while the real estate sector is declining, and non-real estate channels are on the rise.

Top 100 real estate developers, represented by Vanke, continue to reduce land acquisitions, resulting in a significant decrease in new construction projects. Construction progress is slow, leading to longer project construction and delivery cycles.

From January to April 2023, national real estate development investment amounted to RMB3.55 trillion, a year-on-year decrease of 6.2%. The newly started construction area was 3.12 million square meters, a year-on-year decrease of 21.2%. The newly started construction area for residential buildings was 2.29 million square meters, a year-on-year decrease of 20.6%.

In the field of urban renewal, the market is largely driven by policy orientation, with regional finances playing a major role. The government-led projects have a strong reliance on government relationships (pure relationship-based market). In early 2023, the national government debt ratio was high, resulting in slow progress in the urban renewal market. In terms of market competition, there is a lack of strong brand awareness in this field, and the use of brands is relatively fragmented. The competition focus is concentrated on government-enterprise relationships.

The situations in TUB segment

1. According to the current operation of TUB in the six major business scenarios, the market capacity in 2023 is estimated to be RMB107.1 bn. Among them, the commercial and residential channel is RMB53.9 bn, the affordable housing channel is RMB11.6 bn, the industrial channel is RMB18.8 bn, and other comprehensive channels are RMB23.2 bn.
2. The market capacity of 38 central cities is RMB32.5 bn, the market capacity of 91 secondary central cities is RMB39.7 bn, and the market capacity of 211 peripheral cities is RMB35.3 bn.
3. In terms of regions, the ongoing projects in the Yangtze River Delta and the Pearl River Delta cities are more than other regional cities, such as Jiangsu, Zhejiang, Shanghai, Guangdong, and other provinces.
4. From the perspectives of market capacity, new construction projects, and the capital adequacy rate of development enterprises, the southern region is better than the northern region, and the eastern region is better than the western region.

Ensuring the capturing of repainting demand

· **Empowerment tool development**
- Focus on key scenarios, such as integrated solution packages for the renovation of old communities, integrated solution packages for industrial renovation, and outsourced testing service packages.

· **Build channel competitiveness**
- Focus on fifteen key cities, develop and promote business models for urban renewal, and launch the "Livability City" brand.

Our actions for TUB

1. Focus on developing six major channel businesses: commercial and residential, affordable housing, industrial, infrastructure, healthcare, and education.
2. Focus on three major business groups: strategic clients, industry clients, and partners.
3. Continuously promote the regionalization of urban operations system.

1. Six major channel businesses:

Commercial and residential: Focus on developing and deepening relationships with high-quality clients, contributing to sales revenue and profit (central state-owned enterprises, top 30 companies, high-quality private enterprises).

Affordable housing: Expand government connections and establish relationships with key agencies in the affordable housing sector; adapt products for the affordable housing channel; develop partnerships in the affordable housing sector.

Non-residential: Target clients in non-residential sectors such as top 500 industrial companies, key listed companies, central state-owned enterprises, urban investment and construction, etc., and establish collaborative partnerships.

2. Three major business groups:

Strategic clients: Aim for a cooperation rate of 65% with central stated-owned enterprises clients and 86% with top 30 real estate clients (excluding high-risk clients).

Industry clients: Target the top 500 industrial companies and identify major infrastructure and education projects according to the market map. Promote brand integration with target clients and facilitate project collaboration with industry partners.

Partners: Establish a three-dimensional and diversified partnership system across multiple channels and categories, guided by the market map and urban operations objectives.

3. Regionalized urban operations:

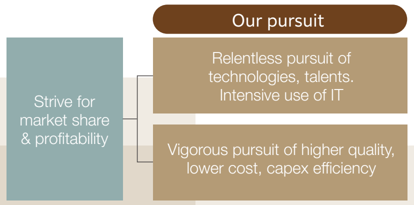
· Conduct in-depth market insights analysis, identify market opportunities, create market maps, and implement targeted strategies. Develop precise and clear targets for cities, channels, and products based on market insights.
· Identify target customers in cities, channels, and product categories according to the market map and develop corresponding partnerships.
· Drive urban operations through project marketing and channel marketing strategies.

Strategy by Asset

Progress of Structural Reforms in Japan Group and Roadmap for Improving Profitability Presented by Co-President Wee

How Shareholder Value Is Maximized

▶ See page 5.



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

Improving the profitability of Japan Group is one of our highest priorities. Under the leadership of Co-Presidents, we are implementing structural reforms of Japan Group by using unconventional approaches and actions.

In this section, Director, Representative Executive Officer & Co-President Wee Siew Kim explains the progress of structural reforms in Japan Group and the roadmap for improving its profitability.

Progress and achievements of structural reforms

Forging ahead with cost structure reforms in order to regain the operating profit margin achieved during the fiscal year 2017-2018

In the Integrated Report of 2022, I stated that it was the general consensus of our senior Japanese colleagues that *bunshaka* was the root cause of the declining profitability of Japan Group from 2017 onwards. *Bunshaka* split Japan Group along focused business lines of automotive, decorative, industrial, surface treatment and marine, coupled with a trading/procurement unit overseen by an operating/holding headquarter company. It was an excellent idea. However, *bunshaka* was not implemented with market competitiveness in mind, resulting in a bloated cost structure saddled with duplicative capabilities and cumbersome processes. Inefficiencies and falling profitability precipitated a vicious cycle of business loss and inability to further invest in staff development and aging facilities.

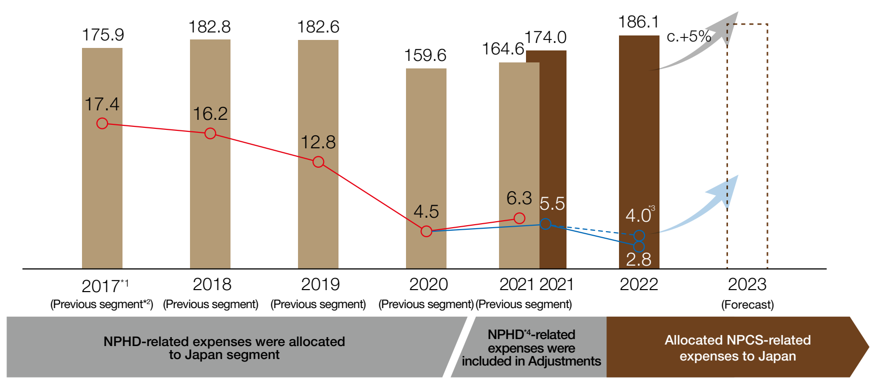
Having agreed on the root problem, the first order of the day was to address these issues while preserving the core ability of the organization to continue to meet current and future customer needs. Eight task forces were launched to address specific aspects of production, quality, and SG&A elements of the larger PCs (see the table on the right). Early results from the action plans implemented by these eight task forces borne out the belief that when cross-functional task forces of staff from all levels are properly challenged and empowered to solve problems, unencumbered by established constraints, many of the intractable issues can be resolved over time. This also demonstrated that the hidebound hierarchical, top-down culture that was dominant was also inhibiting the realization of the true potential of our workforce. In parallel, Nippon Paint Corporate Solutions (NPCS) was carved out of NPHD to house the functional competencies that are capable of addressing pan-Japan issues in supply chain, manufacturing facility footprint, talent development, core R&D, financial and audit. Cross Japan initiatives driven by NPCS were envisioned to break through the silos of the operating PCs. In short, NPCS was created to bring out the true effectiveness of focused PCs based on business lines whilst having the ability to deliver cross-Japan efficiencies.

Organizational restructuring inevitably results in many instances of roles being drastically altered or eliminated. To ensure that affected staff are fairly treated, Next Career Plan was implemented such that special early retirement options coupled with next career placement assistance were offered.

On the business front, besides the key leaders making determined efforts to dig deeper into the cost drivers of their business areas, appropriate financial information was made accessible to a broader group of people. As a result of the increased accountability and raised awareness, our leaders identified many opportunities for improvement. This was particularly timely when raw material costs escalated sharply in 2022, necessitating both further cost reduction (CR) efforts as well as the gumption to address cost pass throughs with customers with pleas for price increases. The CR and out-of-cycle price adjustments were in themselves clear indications of mindset changes on the part of our Japanese leaders.

Much remains to be done but the seeds planted in 2022 position us well to take on the challenges of 2023 and continue on our quest to regain the profitability of 2017-18 and thereby contributing to sustainable EPS growth.

Operating performance of the Japan segment



*1 J-GAAP-based figures for 2017 (IFRS-based figures starting with 2018)
*2 Japan Group included marine business in Japan only under previous segment but also includes overseas marine business under new segment.
*3 Excluding special retirement payment of c. JPY2.2 bn
*4 Including the current NPCS

Eight task forces working to improve the profitability of Japan Group

Theme	Task Force (TF)	Major achievements
Production/ Quality	1. NPAU Production TF (Automotive)	· Reduced cost by increasing the capacity utilization of in-house production factories and improving productivity · Streamlined logistics and shipping and reduced storage cost · Reduced labor cost by improving the efficiency of back-office operations
	2. NPTU Production TF (Decorative)	· Completed restructuring and consolidation of production subsidiaries and streamlined management costs · Improved human productivity and cost productivity by reforming production and logistics processes · Started training core human resources who will perform the next-generation production and logistics functions
	3. NPTU Production TF (Industrial)	· Started considering productivity improvement of inefficient products based on analysis of production man-hour by product · Completed automated data visualization of all expenses incurred at factories · Shifted to insource production of contracted products
SG&A	4. NPIU & NPMC SG&A TF (Industrial/Marine)	· NPIU and NPMC jointly rationalized SG&A expenses · NPIU and NPMC jointly rationalized expenses by sharing part of functions of sales and administrative departments · Rationalized NPMC's supply chain management cost
	5. NPAU SG&A TF (Automotive)	· Reduced the ratios of personnel expenses and SG&A by consolidating and streamlining tasks by integrating two or more departments · Improved business processes by integrating sales and logistics functions which were separated into production and sales departments · Eliminated overlapping tasks with NPCS in the areas including technology, HR, and general affairs
	6. NPTU SG&A TF (Decorative)	· Strengthened collaboration and improved the efficiency of operations management following the integration and restructuring of affiliated companies · Optimized and reallocated the workforce within the group · Secured earnings by revising selling prices
Finance	7. BSC TF (Cost Management Enhancement)	· Visualized the impact of raw material price increases by product using ICT tools · Strengthened alignment of budget and standard cost management and reflected the results to each product (responded to changes in management environment, such as increase in utility cost)
Procurement	8. NPMJ TF (Procurement)	· Reduced procurement risks by visualizing the procurement risk information and information of substitute raw materials · Mutually shared product strategy and raw material selection strategy with other partner companies to implement highly effective measures. Contributed to the acceleration of cost reduction activities and earnings growth

Strategy by Asset

Progress of reforms in the marine coatings and automotive coatings businesses

Aiming for growth as a global company through both short-term and long-term actions

The marine coatings and automotive coatings businesses in Japan Group presented themselves as urgent candidates for attention because of the operating losses of both businesses. Both PCs share one common characteristic – customers who are operating globally but supported by Nippon Paint Group without having an adequate global support infrastructure and operating model. Both businesses also needed to simultaneously address domestic costs and inefficiencies issues whilst designing and putting in place the appropriate external wings.
Marine and automotive PCs took different paths primarily because their problems were different.

For marine, the domestic cost structure and talent base were addressed with pulling together the resources of both Japan's industrial and marine businesses. Senior industrial leaders from NPIU and business leaders from NIPSEA were coopted to lead the transformation. Careful rebalancing of our product portfolio in Japan, among new-build and maintenance & repair, and among customers, was conducted. The entire product portfolio was also re-assessed with a view of delivering better formulation costs and value propositions. Sharper appreciation of the cost drivers enabled our sales leaders to obtain price increases from domestic customers. We believe the effort of 2022 will give a fighting chance for the domestic Japan marine business to turn a profit in 2023. At the same time, the global supply chain organization has to be set up from scratch to deliver responsive supply on the back of a network of global supply points for our coatings and sea stocks so as to provide better coverage for our customers. This global network is still a work in progress.

Being a global business, senior marketing staff of NIPSEA worked with Japanese colleagues to bring to life new marketing material and sales tools, together with the confidence to exhibit at international marine shows.

Outside of Japan, the overseas associates were restructured one at a time: merging some as in China, Taiwan, Singapore and Hong Kong; combining them with NIPSEA as in Malaysia, India, Indonesia; and downsizing and refocusing as in Korea.

The outcome is the first operating profitability in many years for the entire marine coating business segment in 2022. This builds the confidence that we can now turn our attention to be a truly global marine organization that aspires to meet the more environmentally exacting standards expected of all coating companies.

The challenges confronting our automotive business were many and daunting. The shrinking share of market and operating loss situation were signs that we have both cost structure and technological issues. The latter was addressed with a restructuring of the entire Technology division with a joint Japan Auto-NIPSEA CTO (in an attempt to leverage NIPSEA resources whenever beneficial for stepping up progress) as well as giving more responsibilities to younger and energetic Japanese leaders who are unconstrained by the past. The result of the transformation in the technology division is particularly comforting in that Nippon Paint Group is now leading the field in the campaign for the next generation of carbon neutral requirements of one particularly important auto OEM customer.

Although initial attention was focused on the technology side because of the recognition that we are falling behind our key competitors in this aspect, it was also recognized that we have to develop a whole new integrated sales-technical approach to the customer. Customer centricity was emphasized as we gave more accountability to sales leaders to ensure that in the new product design process (named DR +), sales leaders hold full accountability for target market costs and product specifications.

Task forces in production/quality and SG&A in automotive PC attempted to derive efficiencies from a hitherto disparate collections of operating sites and offices. The intent is to bring together everyone to operate as one company and not as a hodgepodge of distinct divisions and sites. Additionally, we hope to see even better synergies as we cross-deploy talent from other PCs into our automotive production sites.

A much reduced operating loss was all that we can show in 2022. Nonetheless, even saddled with the pressure of increasing investments in new infrastructure and facilities, business costs in the globalization of our film business, as well as, disruptions as we rejuvenate the auto parts business, Auto PC is well positioned to return to profitability in 2023.

Our path for reforming our culture and the mindset of our employees

Providing true value to customers by embracing the J-LFG culture

Japan Group has long-standing traditions and a justifiably proud history. In order to keep pace with a rapidly transforming business landscape and pick ourselves up from the stupor of recent years, adjustments have to be made to our approach to work. The Japan-Lean for Growth (J-LFG) program was introduced. J-LFG is a cultural transformation initiative that aims to energize the entire workforce and promote a proactive approach to business with desired workplace behaviors. It encourages our people to adopt a different mindset about growth, pace and efficiency. This J-LFG program was developed with inputs from a broad spectrum of our Japanese leaders and staff.

J-LFG is not solely about cost cutting which is a distinct departure from the singular focus of Survival Challenge. On the contrary, it embodies strongly the element of investment for growth. Coupled with the prerequisite of Leanness, which conjures the image of a muscular lean body that is fit for agility and growth, it draws upon the energies of the entire body of staff with the firm belief that everyone, at every level in the organization can do his or her part in contributing to leanness – eliminating waste and friction to free up the resources to chase growth.

▶ See "Embracing Transformation and Changing Work Style" on page 95.

I felt that many of our colleagues have begun to appreciate the significance of this program based on the feedback and observed anecdotal descriptions of J-LFG in practice in our workplaces. Cultural entrenchment takes time, and together we will persevere towards this lean and growth DNA. It is this cultural differentiation that we will bring to the marketplace as a competitive advantage.

Developing leaders who can contribute to continuous EPS growth

Acting with courage by going beyond conventional ways of thinking in Japan

Building upon the J-LFG culture, sustainable and continuous EPS growth necessitates that we continually outwit the competition and deliver fresh attractive value propositions to the market.
This requires an open mindedness to adopt and adapt ideas, innovations and practices different from the conventional. We have a rich pool to dip into as Nippon Paint Group's diverse field of partner companies across the world offer up an extensive array of ideas and innovations. It must be recognized that the willingness to challenge the status quo and encouragement of contributory dissent are not exactly behavioral traits of our workforce, leadership or even society. To change requires courage.

Courage is required of our leaders.
In order to reset the default risk averse attitude, it falls upon the shoulders of our senior leaders to create an environment where sensible, calculated risk taking is allowed and encouraged. Our employees must comfortably enjoy a level of psychological safety that free up any inhibitions. As we continue to demonstrate that we really mean what we say, and continuously listen and pay attention to the views of our staff from all levels, one day this will firmly take root. In time to come, as we continue to groom our young leaders in this mould, a wolf-like entrepreneurial spirit will infuse our organization such that the collective insatiable appetite of the entire workforce will propel us forward. Then, we would be unstoppable.

Leaders must set the example. Leaderships must create the environment. It will take time for many of our colleagues to firmly believe that things are changing. In the meantime, we put in place the training and exposure for our people. In the past year, talent development, grooming initiatives and performance/behavioral-based incentives have been put in place as NPCS HR are realigned with PC HR to drive a multi-year effort in order that we take the tentative steps to groom our future workforce.

Overview of J-LFG

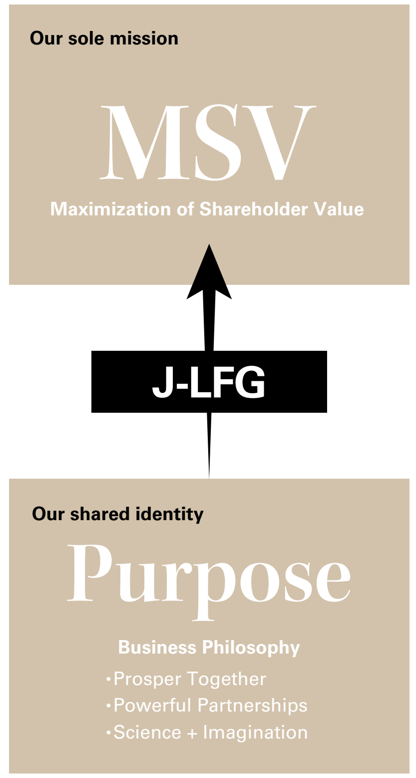
J-LFG (Lean For Growth)

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



Embracing transformation and changing work styles —our path to improving EPS to contribute to MSV—

Altering mindsets by transforming how tasks are performed and organizations

Japan Group is dedicated to contributing to MSV by increasing EPS through productivity improvements. For this purpose, we are embracing the transformation of organizations and human resources management, fundamentally reviewing the organizations and how tasks are performed, and altering the mindset of every employee.

For instance, Japan Group adopted a Japanese LFG (Lean For Growth; J-LFG) in the early FY2021 that provides the action guidelines and mindset changes for the future based on the LFG culture of NIPSEA Group. After that, we have been using meetings and management communications at offices and factories in order to deepen employees' understanding of J-LFG. We also used many activities to identify inefficient tasks and processes and eliminated some of them where it was appropriate (Lean). Resources made available as a result of these activities are used for measures that contribute to our future growth (Growth), such as developing products that meet customers' needs, improving service quality, and increasing the skills of employees. In addition, we launched the J-LFG Awards program for recognizing teams and individuals that contributed to the growth of businesses and organizations by implementing J-LFG. In these ways, we are building a culture where people recognize and praise each other's skills and accomplishments as they share information about successful initiatives within Japan Group. (▶ See the next page.)

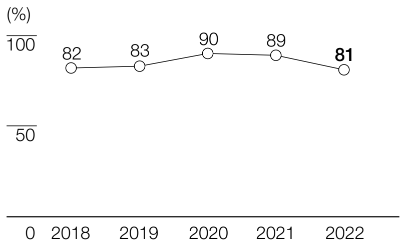
In addition, to improve EPS, Japan Group is taking actions for transforming how tasks are performed and organizations (See the chart below.) For instance, we are transforming our organizational structure to create a powerful framework for growth, efficiency, and productivity. We also implemented the Next Career Plan voluntary early retirement program to allow employees to pursue new career goals.

Enhancing communication with priority on the effects of transformations

Japan Group is improving employee engagement while paying attention to the effects of transformations too.

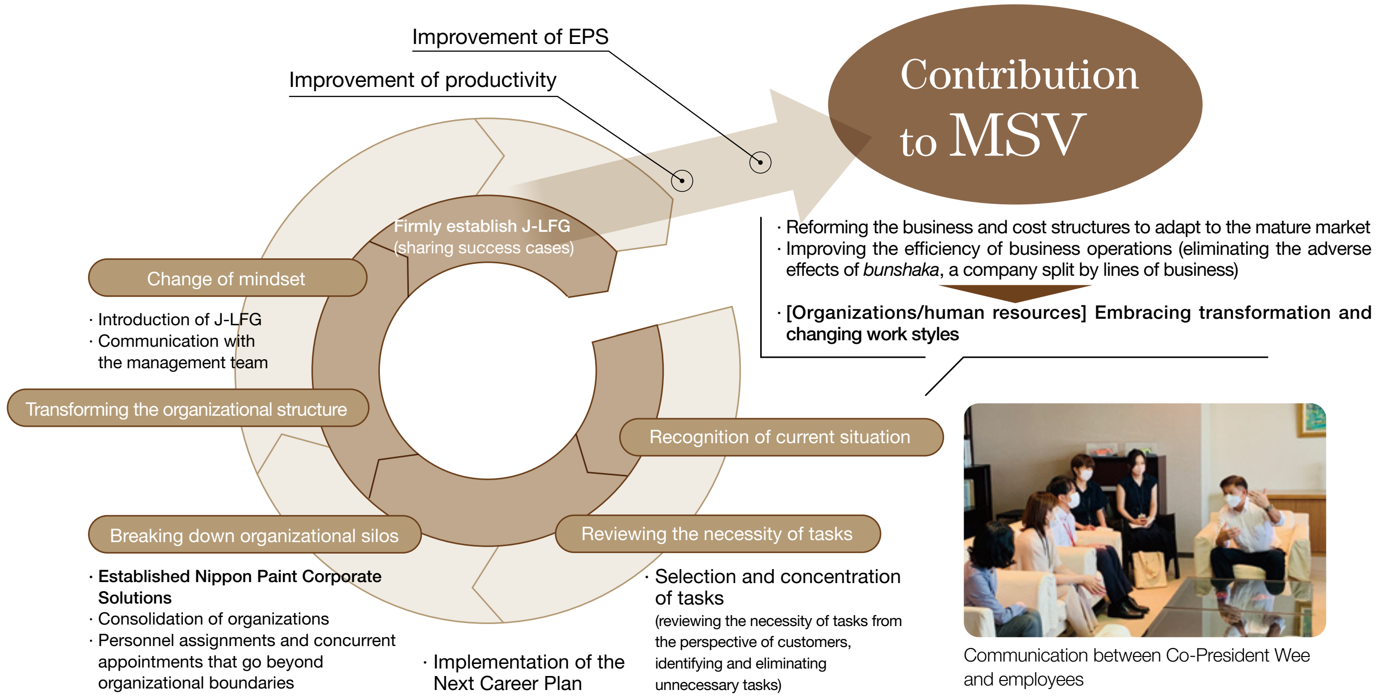
According to the survey conducted by Nippon Paint Labor Union at the end of FY2022, employee satisfaction declined to 81%, decreasing for the second consecutive year. In response to this survey, we are taking actions such as providing workplaces where people can realize their full potential and designing a compensation structure that rewards excellent work. At the same time, we are reexamining our organization with the goal of increasing motivation. In addition, activities are underway to enhance communications, such as through messages from Co-Presidents and other senior executives whenever appropriate and management communications at partner companies.

Employee satisfaction level (Japan Group)*



* Surveys by Nippon Paint Labor Union.

Actions/initiatives for improving EPS



Communication between Co-President Wee and employees

J-LFG Awards for recognizing teams and individuals that contributed to business and organizational growth by practicing J-LFG

J-LFG Awards acknowledge teams and individuals advancing business and organizational growth through J-LFG practices. This program encompasses teams and individuals across all divisions and job categories, spanning production, sales, research and development, as well as planning and administration. Employees in Japan Group, including those affiliated with sub-subsidiaries of Nippon Paint Group, have the opportunity to seek recognition for the award through either self-nomination or nomination by their peers. A panel selects the winners by evaluating their accomplishments and evaluating their commitment to embodying the principles of J-LFG and VITALS. (▶ See page 94.)

Overview of the J-LFG Awards

[Purpose]

Commending and awarding teams and individuals that contributed to organizations and inspired others by practicing J-LFG and VITALS.

[Schedule]

Application period: October 3 to November 4, 2022
Judging period: Early November to late December 2022
Notification of results: Team Award
Early December 2022: Notification of primary results
Late December 2022: Notification of final results

Individual Award

Early December 2022: Notification of selections
Award presentation: January 5, 2023

Award winners in FY2022

There were many entries for both team and individual awards even though FY2022 was the first year of this award program. Six teams received the J-LFG Excellence Award and one team received the Co-President Award for excellent teams. In addition, 30 individuals received Inspired by You Awards for outstanding performances by individuals.

We will share these initiatives involving J-LFG and VITALS (Vigilance, Insatiable appetite, Teamwork, Agility, Leanness, Stamina) to inspire each other to create a new corporate culture and achieve sustained growth.

Award winners at the awards ceremony

J-LFG AWARDS 2022

J-LFG Excellence Award: Team Award

Award received	Company	Department	Award-winning theme
Gold Award	NPIU	Procurement Technology Department, Technology Division	An Efficient Raw Material Management System to Ensure a Stable and Cost-Effective Procurement of Materials
Silver Award	NPMC	Project True GSCM at GSCM Division	Optimizing Marine Supply Chain Structures for Cost Reduction
Bronze Award	NPAC	Project X Low-VOC2K Clear Team	Developing and Introducing Eco-Friendly Low VOC Clear O-4100
Bronze Award	NPSU	Joint team for technology, production, and procurement	Commencing the Use of Recycled Raw Materials to Increase Profitability and Uphold an ESG-Focused Approach to Management
Encouragement Award	NPCS	Japan Group Life Cycle Assessment – Working Group	Implementation of an LCA Calculation Method Across Japan Group
Encouragement Award	NPCS	Legal Department	Providing Worksite-Oriented Legal Services Beyond PC and Department Boundaries

Feedback from Award Winners

Gold Award
Akihiro Sawaguchi
The Spokesperson for the Award Winners

The theme of the project is to develop an ICT tool that facilitates stable raw material procurement at reduced costs, enabling Nippon Paint Group to maximize growth and profitability, irrespective of the business environment. We used ICT tools to centralize information about raw materials and products, which had previously been unevenly accessible and only to designated individuals. Centralizing this information allows for swift and effortless reviews and approvals from various angles, encompassing all functions, including procurement operations, even in emergency situations. The outcome is a framework designed to enhance profitability promptly by utilizing substitute raw materials. At the core of this framework lies an analysis that involves comprehensive comparisons between the standard and actual prices of substitute raw materials in relation to the price of the materials currently in use. We intend to leverage this tool to overhaul our business processes by engaging multiple departments in partner companies and our key suppliers.

The Co-President Award*
Yasufumi Suzuki
The Spokesperson for the Award Winners

Initially, we contemplated the essential requirements for leveraging J-LFG to foster growth and enhance value of Nippon Paint Group. Our conclusion emphasized the pivotal importance of instilling a collective awareness among all employees, encouraging them to recognize the significance of J-LFG and translate this understanding into action. The "recognition and understanding" phase plays a critical role in expeditiously integrating J-LFG within the group. Therefore, we undertook a multitude of initiatives, including the creation of awareness posters, dissemination of messages from the management, and organization of briefings for department heads. We are confident that these initiatives have enhanced employees' comprehension of J-LFG and VITALS, resulting in record high number of entries for the J-LFG Awards.

We have initiated fresh endeavors aimed at raising awareness of J-LFG, with a particular emphasis on not just increasing the quantity of entries for the J-LFG Awards, but also enhancing the quality and diversity of themes submitted. Our commitment remains steadfast in nurturing a new culture in NPTU Group. We aspire to achieve this through activities that promote a sound understanding of J-LFG and inspire individuals to embody this culture in their conduct.

* The special award created by Co-Presidents to recognize the initiatives of NPTU Group as a whole

Our Management Structure for Achieving MSV

Chapter 4

Corporate Governance

Our advanced governance is one of the unique strengths underpinning Asset Assembler model for pursuing MSV. As a Company with Three Committees (Nominating, Compensation, and Audit), NPHD has a Board of Directors where Independent Directors are the majority. The Board upholds the achievement of MSV as a common objective and the basis of judgment shared with the major shareholder. At the same time, it is thoroughly committed to the protection of minority shareholders' interests. This section explains the features and key points of our governance framework.

Roadmap

	2023	~2026
Governance initiatives of the Board	· Further improving the operational efficiency of the Board of Directors · Increasing contributions of Independent Directors · Enhancing succession plans	· Raising the level of growth strategy discussions by Directors · Enhancing/implementing succession plans
Governance initiatives of the management	· Improving risk management through self-assessments of risks by partner companies (PCs) based on the Global Risk Management Basic Policy · Firmly establishing and increasing the effectiveness of the whistleblowing hotline at PCs	· Verifying the effectiveness and upgrading the risk management system through self-assessments of risks by PCs · Verifying the effectiveness and upgrading the whistleblowing hotline at PCs · Upgrading the governance system (including compliance and risk management) to respond to changes in social requirements

History of governance reforms and governance reinforcement for achieving MSV

2014
· Elected one Independent Director

2015
· Established Corporate Governance Policies
· Launched an evaluation of the effectiveness of the Board of Directors

2016
· Abolished anti-takeover measures
· Increased the number of Independent Directors from one to two
· Renamed the Compensation Advisory Committee to the Nominating and Compensation Advisory Committee, which began discussions on nominations of candidates for Directors and Company Auditors

2017
· Changed the composition of the Nominating and Compensation Advisory Committee to include two Independent Directors in its four-member committee structure
· Appointed an Independent Director as the Chairperson of the committee

2018
· Increased the number of Independent Directors from two to five (ratio of Independent Directors: 50%)
· Separated 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
· Transitioned from a Company with Board of Auditors to a Company with Three Committees structure
· Elected six Independent Directors in the nine-member structure of the Board (ratio of Independent Directors: 67%)

2021
· Elected six Independent Directors in the nine-member structure of the Board (ratio of Independent Directors: 67%)
· Appointed the Lead Independent Director as the Board Chair

2022
· Elected eight Independent Directors in the 11-member structure of the Board (ratio of Independent Directors: 73%)

2023
· Elected six Independent Directors in the nine-member structure of the Board (ratio of Independent Directors: 67%)

~2026

Five features of our corporate governance structure

1. Thorough protection of the interests of minority shareholders while sharing the common objective of MSV with the major shareholder
2. Enhanced Board effectiveness under the leadership of Independent Directors
3. Succession planning with a focus on substance rather than formalism
4. Compensation structure that effectively contributes to achieving MSV
5. Audit structures that respond to the increasing globalization of operations

Name	Title	Committee membership: Nominating Committee	Committee membership: Compensation Committee	Committee membership: Audit Committee	Number of years in office	Attendance at the Board of Directors/committee meetings in FY2022 (attendance/number of meetings): Board of Directors meetings	Nominating Committee meetings	Compensation Committee meetings	Audit Committee meetings	Experience/Expertise: Corporate management experience	Global business experience	M&A experience	Finance	Legal affairs	IT/Digital	Manufacturing/Technology/R&D
Yuichiro Wakatsuki Date of birth: August 28, 1966 Number of NPHD shares held: 180,110	Director, Representative Executive Officer & Co-President				One year	11/11*	–	–	–	○	◎	◎	◎	○		
Wee Siew Kim Date of birth: August 19, 1960 Number of NPHD shares held: 100,000	Director, Representative Executive Officer & Co-President				One year	11/11*	–	–	–	◎	◎	◎	○			○
Goh Hup Jin Date of birth: April 6, 1953 Number of NPHD shares held: –	Chairman	○	○		Eight years	16/16	12/12	12/12	–	◎	◎	○	○	○	○	◎
Hisashi Hara Date of birth: July 3, 1947 Number of NPHD shares held: 100,215	Independent Director	○ (Chairperson)			Five years	16/16	12/12	–	–	◎	◎	◎		◎		
Peter M Kirby Date of birth: August 2, 1947 Number of NPHD shares held: 36.800	Independent Director			○	One year	11/11*	–	–	–	◎	◎	◎	○	○	○	○
Lim Hwee Hua Date of birth: February 26, 1959 Number of NPHD shares held: 36,800	Independent Director		○ (Chairperson)		One year	11/11*	–	–	–	○	◎	◎	◎		○	
Masataka Mitsuhashi Date of birth: September 30, 1957 Number of NPHD shares held: 63,089	Independent Director			○ (Chairperson)	Three years	16/16	–	–	14/14	○	◎	◎	◎			
Toshio Morohoshi Date of birth: August 24, 1953 Number of NPHD shares held: 83,089	Independent Director	○		○	Five years	16/16	12/12	–	14/14	◎	◎	○			◎	○
Masayoshi Nakamura Date of birth: November 10, 1954 Number of NPHD shares held: 96,296	Lead Independent Director Board Chair	○	○		Five years	16/16	12/12	14/14	–	○	◎	◎	◎			

Main initiatives in FY2022

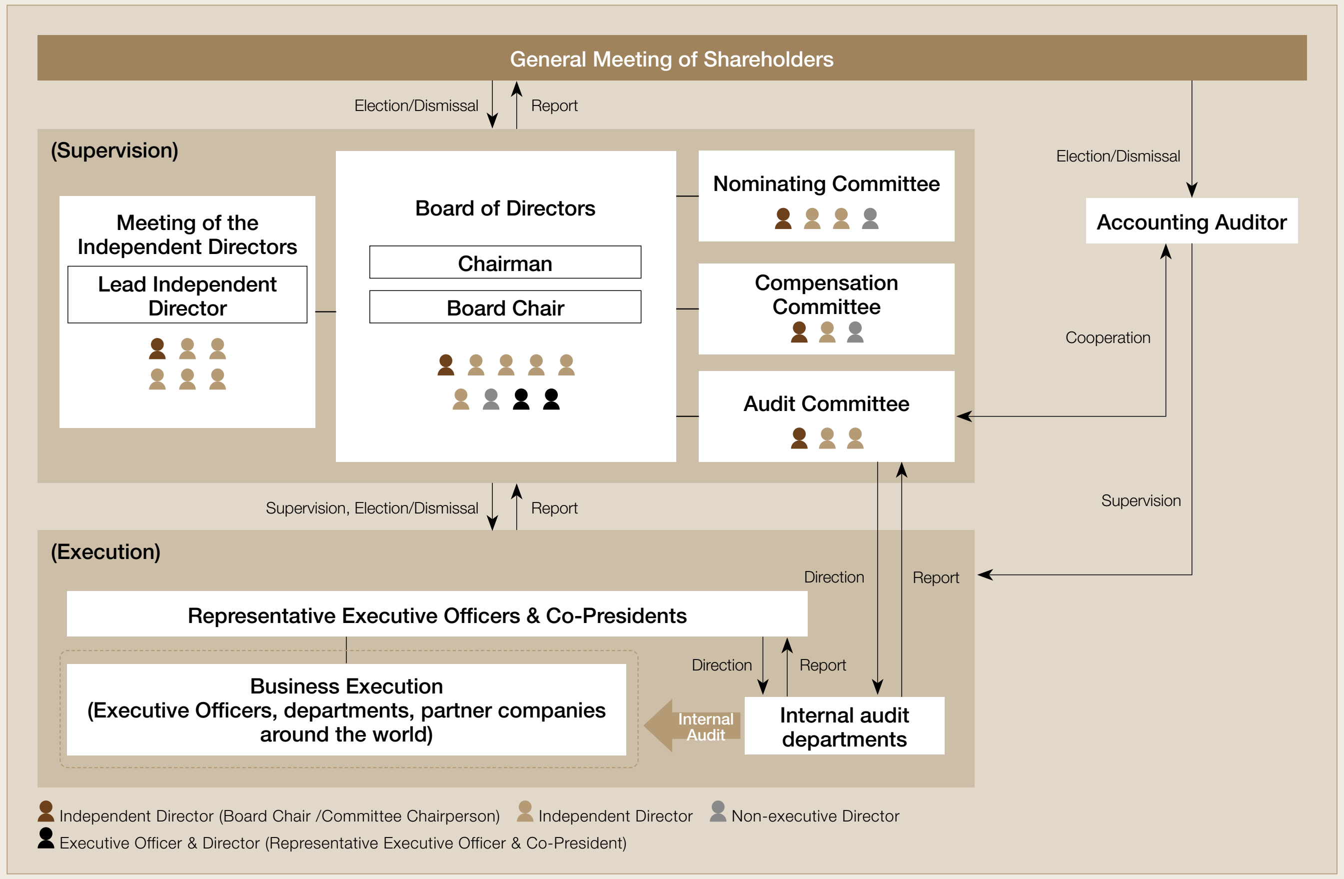
In FY2022, we worked steadfastly on the following four initiatives to further improve our Board's effectiveness.

1. Enrichment of discussion on growth strategy
2. Improvement of the operational efficiency of Board meetings
3. Further contribution of Independent Directors
4. Enhancement of the functions of The Secretariat of Board of Directors

As a result, progress was achieved on a number of fronts. We accomplished further separation of the oversight and execution responsibilities, and established a more sophisticated monitoring model. In addition, deepened common understanding of the role of our Board, which pursues MSV, has elevated our Board meeting discussions to an even higher level.

▶ See "Analysis and assessment of the effectiveness of the Board of Directors" on page 105.

Corporate governance structure



Features of the Board's composition

Ratio of Independent Directors | Ratio of non-Japanese Directors | Ratio of female Directors | Ratio of Non-executive Directors

Message from Board Chair

Supporting bold and timely risk-taking by the management team

Masayoshi Nakamura
Lead Independent Director and Board Chair

Two years have passed since the launch of the Co-President structure in April 2021. During this time, our Group successfully built a leaner organization resilient to drastic supply chain changes caused by the pandemic, Russia's invasion of Ukraine, and other events. We also made sound progress in further solidifying the foundation of Asset Assembler model designed to drive the Group's growth to the next level.

Still, further risk-taking is vital to our pursuit of MSV. There are three types of risks that Nippon Paint Holdings should consider taking: namely, the risks associated with actions to enhance the value of existing businesses and assets, risks associated with building up new businesses and assets (i.e., acquisitions), and risks related to the management of our balance sheet, including financing from capital markets. The Board of Directors, in its oversight role, carries the mission of working together with management to determine where we aspire to be in the future as a company. Accordingly, Board discussions, while remaining mindful of solving current challenges, are shifting toward discourses on growth strategies for a more sustainable leap forward. The Board utilizes opportunities, such as brainstorming sessions on long-term roadmaps and offsite meetings for roadmap implementation, to frequently exchange views and share common ground with management. Through such activities, it encourages the management team to take risks in a timely and appropriate manner.

Our Board comprises nine Directors (including six Independent Directors) with experience and background in corporate management, global business operations, and M&A. To meet the responsibilities entrusted by our shareholders, the Board seeks to facilitate risk-taking that leads to MSV.

Of the Three Committees, the Nominating Committee is responsible for consistent assessment and verification of the Board's composition. The objective is to provide the Board with the resources to accurately understand the risks related to actions proposed by the management, flexibly measure the risk tolerance of our Company, and guide the management team to the right direction.

The Compensation Committee has the task of exploring an ideal form of executive compensation. Such compensation framework should empower members of the management to confidently take risks without being frequently and uselessly affected by the ever-changing business environment. It should also allow them to align their interests with those of our shareholders.

Finally, our internal control system based on mutual trust is the Group's most essential underpinning that enables aggressive risk-taking by the management team. This system allows the management team to properly identify risks inherent in existing businesses and assets and to take appropriate actions. The Audit Committee makes full use of the "Audit on Audit" framework to maintain effectiveness of the internal audit process, which is the backbone of mutual trust that unites our Group.

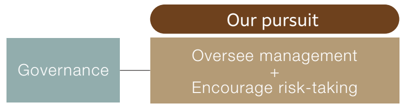
As the Lead Independent Director and Board Chair, I am committed to mobilizing the collective knowledge and experience of the nine Directors to guide our Board through deliberations and decision-making, encouraging all Directors to contribute to the Board to their fullest capabilities. Every effort will be made to thoroughly fulfill our duties toward the Group's achievement of persistent value creation under our Asset Assembler model, and to ensure protection of minority shareholders' interests.

Corporate Governance

Basic approach to governance

How Shareholder Value Is Maximized

▶ See page 5.



NPHD has adopted a governance structure consisting of a Company with Three Committees in order to bolster management transparency, objectivity, and fairness. This structure aims to effectively separate and strengthen the functions of business execution and management oversight.

Guided by our Purpose, which defines a shared identity for the Group, we seek to create wealth by consistently striving to reinforce corporate governance and pursue MSV that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders, as well as our sustainability obligations.

As a company committed to achieving MSV, our basic approach is autonomous and decentralized management, respecting the autonomy of partner companies underpinned by the relationship of mutual trust they forge with Co-Presidents. We strive to strengthen governance suited for an Asset Assembler relentlessly pursuing growth by empowering each partner company to excel in their performance. The Board of Directors, which plays the oversight role, encourages risk-taking by the management in a timely and appropriate manner without slowing down the speed of decision making on management proposals.

Furthermore, we have established an internal control framework based on Nippon Paint Group Global Code of Conduct which serves as our paramount guiding principle. This code outlines essential standards of compliance, ethics, and sustainability that must be shared and observed by all individuals in the Group. This framework includes the Global Risk Management Basic Policy and the Global Basic Policy of Whistleblowing Hotline, which serve as pillars supporting our autonomous and decentralized management.

▶ For more information, see the section titled Corporate Governance Policy ("Independence Criteria for Outside Director" on a separate page) and the section on Corporate Governance Report, which are available on the Sustainability page of our website.
• Corporate Governance Policies
• Corporate Governance Report
https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/

History of governance reform

Starting from FY2014, NPHD has consistently increased the number of Independent Directors and delegated authority from the Board of Directors to executive departments. This move aims at separating and strengthening the business execution and management oversight functions. To further accelerate this process, in March 2020, we transitioned to a Company with Three Committees structure.

Subsequent to the management structure change in April 2021, the Lead Independent Director has assumed the role of the Board Chair.

At present, Independent Directors constitute the majority of the Board of Directors.

▶ For more information, see "History of governance reforms and governance reinforcement for achieving MSV" on page 99.

The composition of the Board of Directors (FY2020-2023)

FY	Composition	Independent Directors
FY2020	9	67%
FY2021	9	67%
FY2022	11	73%
FY2023	9	67%

Approach to governance reform (roadmap)

As initiatives to enhance governance by the Board of Directors, we are working to improve the operational efficiency of Board meetings and to realize greater contributions from our Independent Directors, so as to enrich and elevate the quality of the Board's growth strategy deliberations. Ongoing discussions, led by the Nominating Committee, regarding Board composition that enhances Board effectiveness as well as succession planning constitute another area of focus geared towards our sustainable pursuit of MSV.

On the execution front, we are working to further bolster our governance base by asking each partner company to firmly establish an internal control system and a framework for risk self-assessment, guided by the Global Risk Management Basic Policy. Moreover, we continually promote the exchange of best practices among partner companies and enhance the governance structure to increase its overall effectiveness.

▶ For more information, see "Analysis and assessment of the effectiveness of the Board of Directors" on page 105 and "Risk Management" on page 121.

Our relationship with the major shareholder and protection of minority interests

With a business partnership spanning over 60 years, NPHD and Wuthelam Group, our major shareholder, unite under the common mission of MSV, and protecting the interests of minority shareholders. The full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021 simplified our capital relationship, aligning the interests of the major shareholder and minority shareholders. This created a management structure dedicated to pursuing MSV while ensuring the protection of minority interests.

To protect the interests of minority shareholders, we maintain a diligent approach and involve Independent Directors in all such transactions with the major shareholder to ensure proper oversight and scrutiny. To achieve this, all such transactions require approval at the Board of Directors meeting, where the Lead Independent Director serves as Board Chair and Independent Directors hold the majority of seats. We adhere to a strict policy regarding significant related-party transactions, (including those between the Company and the major shareholder, competing transactions involving Directors and/or Executive Officers, self-dealing, and conflict of interest transactions). Any such transactions surpassing a predetermined threshold are promptly reported to the Board of Directors. Moreover, these transactions are disclosed in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report (available only in Japanese) to ensure transparency and accountability.

Furthermore, when we conduct related-party transactions, we exercise comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels and other relevant factors. The objective is to ensure that the transaction will not harm the interests of NPHD or of its minority shareholders. As a part of this process, we require the approval of relevant individuals with appropriate decision-making authority.

Message from Chairman

Nippon Paint's appeal as an Asset Assembler

Goh Hup Jin
Chairman

Nippon Paint considers the Maximization of Shareholder Value (MSV) as it's sole mission. As elaborated in last year's report, MSV entails maximizing the residual value after proper fulfillment of our legal, social, and ethical obligations to all stakeholders. This concept is based on the premise that shareholders rank last from both a legal and practical standpoint. With a clear distinction between "Corporate Value Enhancement" and "Maximization of Shareholder Value" and a view that the concept of "stakeholder capitalism" is absurd, we firmly assert that MSV should be our exclusive mission as a public listed company.
Despite the prevailing social trends advocating so-called 'stakeholder value maximization', we at Nippon Paint intend to persistently appeal to the public with our commitment to the MSV concept. All over our organization, from Board members to operations managers, all decision makers have come to base their reasonings and judgements on MSV.
Mr. Wakatsuki and Mr. Wee exemplify the constant application of MSV in their executive decision-making process. Their exceptional skills and diverse backgrounds complement each other, making our Co-President setup, a rarity globally, remarkably effective.

We look to Asset Assembler model as an effective means to achieve our mission as has been raised in the Co-Presidents' Messages. We are confident that we are now well-prepared to relentlessly pursue shareholder value maximization. Our adoption of this platform is based on the recognition of our three pillars of competitive advantage. Firstly, our low funding cost. Secondly, our ability to maintain and boost the EPS contribution from acquired subsidiaries without intervention. Thirdly, our unique appeal to management-class talents who empathize with our modus operandi. As we deepen our engagement with the CEOs of subsidiaries acquired heretoforth and witness their accelerated growth post-acquisition, I am increasingly convinced of the viability of what we call the "federation" approach.

The advantage we enjoy in funding is evident considering the notion that MSV is broken down to two components, i.e. the maximization of EPS and PER. EPS accretion can be achieved with the acquisition of an asset of relatively low PER, even if the acquisition is entirely funded by shares.

Adding an optimized level of low cost debt to equity financing will obviously greatly boost the accretion, which is what maximization is about. Our target assets being stable and low-risk, even if without prospect of high growth, repeated acquisitions will enable a continued climb in EPS, which if appreciated by the market, will ultimately go towards maximizing our PER.

By persisting with acquisitions supported by a well-balanced combinations of equity and debt financing, there is no limit to our growth potential. In this journey of EPS accretion, Wuthelam has no qualms about the dilution of its voting rights. This underscores my belief that the interests of Wuthelam are entirely aligned with those of minority shareholders.

We recognize intensely the risks inherent in our ongoing M&A pursuits driven by Asset Assembler model, so it is our plan to proceed with utmost caution and thoroughness. Meantime as the major shareholder and Chairman of the Board, I wholeheartedly support and commit to the current management direction of Nippon Paint in its pursuit of MSV.

Analysis and assessment of the effectiveness of the Board of Directors

Issues identified by the FY2021 Board effectiveness assessment and initiatives for FY2022

Issues that required stronger initiatives in FY2022	Main initiatives in FY2022
1) Enrichment of discussion on growth strategy Further increase opportunities for strategic discussions and enable the Board of Directors to concentrate more on discussions about growth	For growth strategy discussions at meetings, the Board of Directors spent more time discussing medium to long-term management strategies from a broad perspective. These discussions cover strategies for the growth of existing businesses, portfolio expansion and other goals. In addition, the Board of Directors created and improved an environment for concentrating on growth strategy discussions, such as brainstorming and offsite meetings. ▶ See "History of agenda items and growth strategy discussions at the Board of Directors meetings" on page 106.
2) Improvement of the operational efficiency of Board meetings Minimize time spent on regular agenda items and other regular proceedings; focus on discussions that truly contribute to the achievement of MSV	Due to progress involving Asset Assembler model, the agenda items and reports submitted by Co-Presidents and other executives are becoming even more complex. In response, the operation of the Board of Directors has become even more thorough in accordance with the monitoring model. In addition, the Board of Directors has made progress with establishing a proper framework that reflects the Group's management structure and business model reforms. The Board of Directors is using highly detailed agenda building, the early preparation of annual plans, reexaminations of standards for agenda items at Board meetings and other measures to operate more efficiently.
3) Further contribution of Independent Directors Improve the contribution of every Independent Director by having these Directors submit more constructive questions to challenge the management team	Adding the fresh perspectives of two non-Japanese Independent Directors with a broad range of experience and professional skills enables the Board of Directors to hold discussions that incorporate many viewpoints. This diversity is helping the Board properly perform its supervisory and advisory roles. Furthermore, regular meetings of the Independent Directors and the use of IT for close communications that do not require meetings make possible the efficient sharing of information and opinions between the Independent Directors, who have knowledge in many areas. These activities enabled the Directors to conduct rigorous discussions and reach proper decisions for achieving MSV.
4) Enhancement of the functions of The Secretariat of Board of Directors Strengthen support functions for Directors to facilitate more thorough strategic discussions, and provide for secretariat functions that reflect the global scale of the Group operations	The Board of Directors ensured that all materials and minutes of the Board's meetings are available in both Japanese and English for the efficient and accurate provision of information. In addition, we revamped Board materials to enable a more accurate understanding of key points of agenda items and are distributing Board materials faster by strengthening cooperation with drafting departments. The Board of Directors increased the digital transformation of Board meetings and perform information sharing in a secure environment in a timely and appropriate manner.

Evaluation for FY2022 and issues for FY2023

Guidelines for making evaluations

Evaluation target

All Directors in FY2022: 11
Managing Executive Officer, General Counsel (GC): 1

Method

By placing emphasis on the continuity of evaluations following the change in the Board's composition, a third-party organization, Board Advisors Japan, Inc. (BAJ), was selected. A questionnaire and individual interviews were used.

Questions

(i) Status of progress with resolving issues identified in the FY2021 Effectiveness Assessment of the Board of Directors
(ii) Issues for the Board of Directors and committees following the change in the Board's composition

Evaluation process

Step 1: Distribute questionnaires to Directors
Step 2: Conduct a separate interview with each Director based on the results of the questionnaire
Step 3: Summarize and analyze the results of questionnaires and individual interviews
Step 4: Report and discuss 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, the Board of Directors has concluded that the Board was generally effective in FY2022.

Summary of BAJ's assessment

- The Board of Directors has a common understanding about its role and everyone is committed to the policy of pursuing MSV.
- The Board's composition with Independent Directors comprising the majority allows the Board to perform oversight over the management team from an objective perspective.
- Led by the Board Chair, the Directors are discussing important agenda items, such as medium to long-term management strategies.
- All Directors engage in active discussions by leveraging their knowledge from the perspective of supporting the management team.

Issues requiring stronger initiatives in FY2023

1) Upgrading operation of the Board of Directors

Upgrade the quality of the Board's discussions by holding meetings more efficiently in order to increase the percentage of time spend on agenda items involving strategies

2) Contributions of Independent Directors

Further increase the contributions of Independent Directors by raising their awareness of various issues and enabling them to submit more constructive questions that challenge the management team

3) Engagement in succession planning

Systematically discuss succession plans for the management team and Independent Directors and consider the optimal Board composition

History of agenda items and growth strategy discussions at the Board of Directors meetings

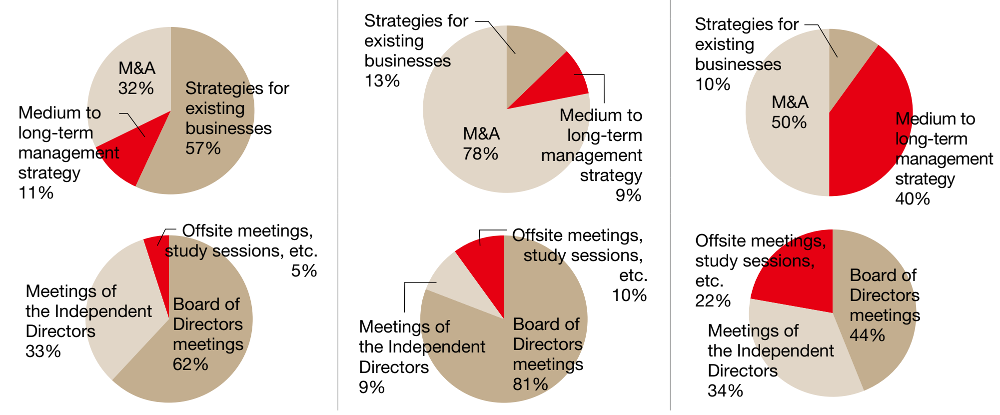
	FY2020 (April 2020 to March 2021)	FY2021 (April 2021 to March 2022)	FY2022 (April 2022 to March 2023)
<Group management structure/model>	Chairman of the Board, Representative Executive Officer and President Tanaka	Representative Executive Officers & Co-Presidents Wakatsuki and Wee; Board Chair and Lead Independent Director Nakamura	
	Spider web management	Autonomous and decentralized management	
	Refinement of Asset Assembler model		
<Operation of the Board of Directors meetings>			
Agenda items of Board of Directors meetings (number of items)	175	125	73
Board of Directors meetings (number of meetings)	16	23	12

- NPHD transitioned to a Company with Three Committees in FY2020, completed the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021, and adopted the Co-President structure in April 2021. During these past two years, the Board's most urgent task was to establish a framework to respond to the transformation of the Group's management structure and business model. As a result, the number of agenda items increased temporarily.
- In FY2021, the number of Board of Directors meetings increased due to extraordinary meetings held discuss several M&A deals.
- In FY2022, the number of meetings and agenda items returned to near normal levels following progress with the structural transformation.

<Transition of growth strategy discussions>

Types of growth strategies discussed at Board of Directors meetings (ratio of agenda items)

Ratio of meetings, including Board of Directors meetings, meetings of the Independent Directors, and offsite meetings (ratio of meetings held)

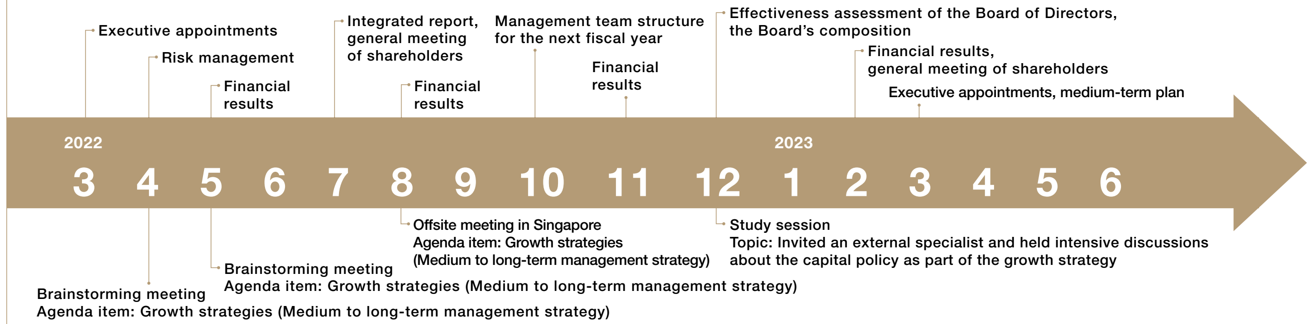


FY2020	FY2021	FY2022
■Focus on strategies for the growth of existing businesses The Board of Directors mainly discussed strategies for the growth of existing businesses to lay the groundwork for formulating Medium-Term Plan (FY2021-2023)	**■Laser-focus on discussions about important agenda items, such as M&A** Following the shift to autonomous and decentralized management, the number of M&A deals conducted mainly by Partner Company Groups (PCG*) increased. * PCG: Group of companies by region and business	**■More thorough growth strategy discussions** More and better offsite meetings and other occasions for discussions and more thorough discussions using a broad perspective about medium and long-term management strategies at Board of Directors meetings.
➡Key issues for the next fiscal year Implement a growth strategy by holding more thorough discussions on important agenda items, such as M&A	**➡Key issues for the next fiscal year** Further increase opportunities for discussing medium and long-term strategies and upgrade growth strategy discussions by the Board of Directors.	**➡Issues for the next fiscal year** • Upgrading operation of the Board of Directors • Contributions of Independent Directors • Engagement in succession planning

▶ See "Issues requiring stronger initiatives in FY2023" on page 105.

Main activities of the Board of Directors

(Activities other than the following items include reports to the management team and three committees and discussions about M&A deals)



Key activities outside Board of Directors meetings

Meetings of the Independent Directors

In FY2022, NPHD held 10 Independent Directors meetings chaired by the Lead Independent Director, where the members (exclusively, Independent Directors) not only discuss the agenda items of the Board of Directors and Nominating, Compensation, and Audit Committee meetings, but also engage in discourse concerning the medium- to long-term direction of the Company and share insights on the overall background leading up to proposals by management. These meetings are designed to contribute to the smooth and proper resolution of agenda items at the Board and three committee meetings. The Lead Independent Director prepares summaries of opinions expressed at the meetings of the Independent Directors as necessary and submits these reports to the Chairman, Co-Presidents and the Executive Officers to enable more thorough discussions.

Agenda items in FY2022

- Follow-up on the Board of Directors meetings; Confirmation of finance strategy and risks; and Preliminary information sharing about important proposals
- Follow-up on meetings of the three committees; and Exchange of opinions about executive compensation
- Look back on the FY2022 evaluation of the Board of Directors effectiveness and examine initiatives for FY2023
- Preliminary discussion for an offsite meeting
- Onsite visit

Upgrade functions of the Secretariat of Board of Directors

In order to enable Independent Directors to quickly and accurately grasp the status of the management of business operations at our company, Finance & Accounting, Investor Relations, and other departments regularly provide information updates. In addition, Co-Presidents provide opportunities to share in person the opinions of capital market participants and a wide range of information involving the management of business operations in order to facilitate a deeper understanding by Independent Directors of our business operations. The BOD office organizes the attendance of Directors at executive meetings and other meetings, as well as the the Directors' visit to factories and other business sites in Japan and other countries.

The Board of Directors Office also actively utilizes IT tools to drive the digital transformation of Board meetings.

Cross-shareholdings policy

Each year, the Board of Directors discusses whether NPHD should continue strategic ownership of certain stock, in reference to the Company policy on cross-shareholdings shown below. Shares whose ownership by the Company is deemed unreasonable are either disposed of completely or reduced in amount.

Company policy on cross-shareholdings

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 December 2022, the Board of Directors reviewed all of the Company's shareholdings in listed companies to verify the rationale for such holdings, and determined that there were legitimate reasons to sell the shares of a number of companies. Some of these sales have already been completed.

When exercising voting rights, NPHD makes comprehensive judgments based on the above policy and other internal standards. Such judgments take into account medium- to long-term maximization of the corporate value of companies in which we have strategic shareholdings, and the votes' effects on our Group, among other factors.

Strategic shareholdings and total balance sheet amount (as of December 31)

	2020	2021	2022
Number of companies	24	22	18
(Number of listed companies)	6	6	2
Total balance sheet amount (Million yen)	23,645	30,191	5,831
(The amount for listed companies) (Million yen)	22,704	29,268	4,834

Discussions by the Board of Directors

Advancing sustainability in harmony with Asset Assembler Model

Sustainability discussions are important for Nippon Paint Group to stay competitive for many years—Following the revision of the Basic Policy on Sustainability in March 2023, the Board of Directors had a fresh discussion on our Group's approach to sustainability initiatives. This page features excerpts of the discussion.

Identifying issues involving target setting and other matters

◆ Comment from a Director

I would like to start a discussion about the pros and cons of having a shared vision and targets across the Group. How can we incorporate the consolidated perspective into our sustainability initiatives regarding climate change and other relevant themes?

◇ Comment from a Team Leader

A unique aspect of Nippon Paint Group is that each partner company operates its business in their respective market, which significantly differs in business structure and maturity. For instance, carbon emissions from energy sources and power generation vary across the regions in which each partner company operates. Energy sources pose challenges for climate change initiatives at each partner company. Therefore, it is very appropriate to tailor sustainability targets to the characteristics of each region and business.

We establish improvement targets for each area within every partner company. These targets are determined by considering the level and maturity of the markets in which our Partner Company Groups conduct their businesses. For instance, it is rational and reasonable to set different targets involving global warming gas emissions for partner companies in regions where renewable energy is readily available versus regions where widespread use of renewables are yet to come. Important factors that will affect target setting for partner companies are policy objectives in countries where they operate, whether they need to aim for net-zero emissions by 2050 or by 2060, and the possibility of policy changes in the future. It is also essential to consider the influence of customer behavior based on policy targets and any subsequent changes.

We assess the achievements and specific initiatives for target achievement at each partner company based on the significance of their businesses. It is essential that we disclose information that is of great interest to stakeholders, including customers and investors. Furthermore, we must prepare for the disclosure of information that may be subject to mandatory reporting on a consolidated basis.

◆ Comment from a Director

In our information disclosure strategy, a vital aspect involves understanding our direction and aligning it with the expectations of society and investors. Since NPHD aims to increase its assets, it is important to strike a balance between sustainability initiatives and our ambitions. When determining the necessary and the ideal form of information disclosure, we must take this balance into account.

We may need to disclose certain indicators requested by stakeholders. Therefore, it's essential to stay vigilant and attentive to their requirements. This approach allows our company to cleverly respond to possible changes in circumstances.

◆ Comment from a Director

We must avoid rushing into decisions without proper planning. It is crucial to carefully assess the potential consequences of disclosure on a consolidated basis and setting targets from the top-down, as this could negatively impact our businesses. The headquarters shouldn't impose various requirements from external sources on partner companies in a centralized manner. However, we must remain vigilant and take measures, such as closely monitoring the moves of global competitors.

Identifying issues involving procurement (1)

◆ Comment from a Director

Does our Group have a wide-ranging supplier base? For instance, are there any potential risks of our procurement being impeded by issues concerning child labor during raw material production or concerning conflict minerals?

◇ Comment from a Team Leader

Conflict minerals, such as mica, are the main concerns of our Group. Mica is normally used as a raw material for coatings for automobiles and motorcycles with bright, glittering colors. In order to replace this material with an alternative, we will need to work from the product development phase. So, we will have to work with the Innovation & Product Stewardship Team.

From the standpoint of developing alternative raw materials, we are experiencing a rise in customer inquiries about bio-based raw materials and receiving proposals from suppliers. The trend stems from a growing emphasis on the product life cycle impact. I believe that fostering collaborations between the Procurement Team and the Innovation & Product Stewardship Team is of utmost importance.

I believe that the risk of child labor involvement among our Group's suppliers is very low.

Identifying issues involving procurement (2)

◆ Comment from a Director

What measures are we implementing to mitigate risks related to cross-border procurement, including the utilization of alternative raw materials?

◇ Comment from a Team Leader

In the event of procurement challenges concerning raw materials, we normally investigate the availability of alternative materials through regular transactions. Accordingly, we regularly update the list of suppliers. During the pandemic, we reviewed the possibility of procuring raw materials from different regions, such as procuring raw materials that were previously obtained from China, from India, and other suitable regions.

Other discussion (selected partial excerpts)

- When engaging in diversity discussions, the primary emphasis in Japan is on gender balance. However, we need to select topics of discussion based on regional characteristics. In regions where diversity discussions involve broader themes, such as LGBTQ, we should embrace such subjects. In regions where cultural backgrounds necessitate a cautious approach, we should be mindful of our stance.
- Regarding the management of chemical substances, we are identifying products that contain chemicals of concern and initiating a phased approach to discontinue their use. It is important to have a prudent perspective when determining the timing and extent of abolishment, taking into account factors such as market demand and other relevant considerations.
- Our ongoing focus remains on addressing governance issues by reinforcing important commitments, including anti-bribery measures, and introducing a governance assessment indicator to assess governance.
- The Sustainability Teams are taking flexible actions that are aligned with our Asset Assembler model while also considering and respecting regional characteristics and business needs.
- The Board of Directors finds the promotion of sustainability by the five Sustainability Teams highly encouraging, as it serves as an effective means of enhancing communication among partner companies, employees, and investors.

Corporate Governance

Nominating Committee Report

Hisashi Hara
Independent Director
Nominating Committee Chairperson

Ensuring the effectiveness of the Board of Directors in order to contribute to MSV

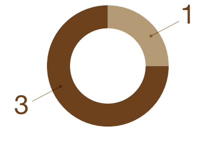
Following the shift to the Co-President structure, Co-Presidents have executed numerous corporate actions focused on MSV, consistently delivering results despite the rapidly changing business environment, while making steady progress preparing measures for our Group's leap to the next stage.

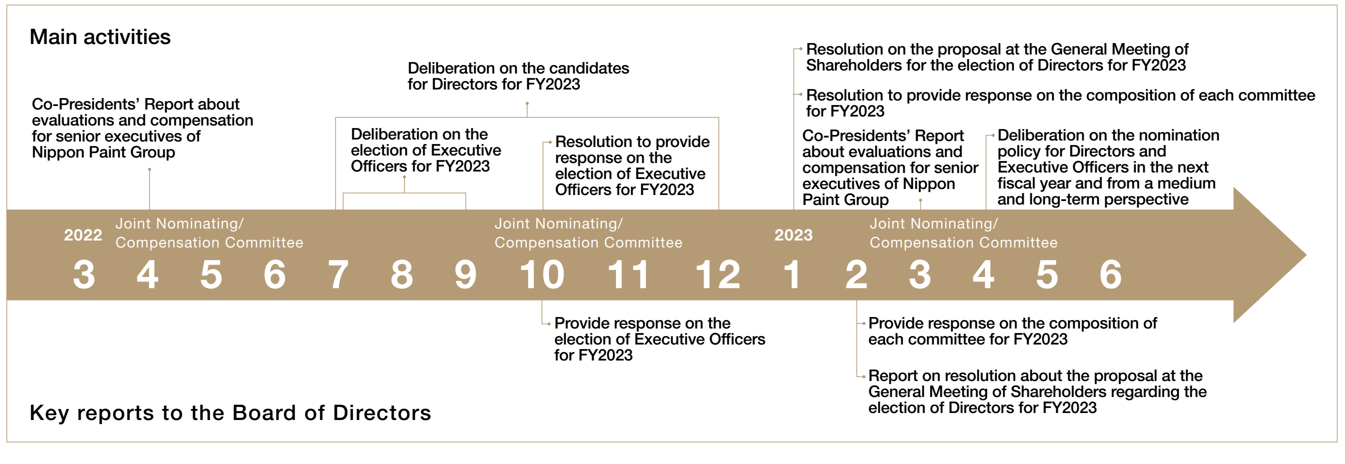
The Board of NPHD, in its oversight role, is tasked with the maintenance of an effective Board constitution that allows proper supervision and advice, encouraging appropriate and bold risk-taking by the management team without slowing down its decision-making process. For this, the Board must have the ability to accurately analyze where the potential benefits and risks lie in the various actions the Group takes, along with the degree of impact such benefits and risks present. In this respect, the Nominating Committee should not be overly swayed by diversity for the sake of formality or by planned agendas. Rather, its mission is to select Director candidates capable of giving valuable advice in light of the Group's business growth and Directors moving forward, and to deliver true diversity that can maximize Board performance.

To accomplish this, every year, the Nominating Committee evaluates the effectiveness of the Board, identifying the status and issues surrounding the Board at that given time, and comprehensively evaluating the qualities and contributions of each Director. And taking this assessment into consideration, we select candidates from within and outside our Group, making use of personal relationships and different lines of communication. We also constantly share information with the Directors concerning the proper composition of the Board in order to get on the same page regarding this important point.

The Nominating Committee will continue to contribute to MSV by ensuring the effectiveness of the Board and creating a Board composition that can encourage and support appropriate and bold risk-taking by the management team.

Overview and main activities

Chairperson	Hisashi Hara (Independent Director)
Committee members	
Roles of the Committee	Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, discussions about succession plans for Directors based on advice from the Board of Directors, appointments and dismissals of the Representative Executive Officer and President and other Executive Officers, and submission of opinions about the succession plan and other proposals.
Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Main activities	The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2023 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2023.



Our approach concerning the composition and skills of the Board of Directors

NPHD ensures that the Board of Directors and the three committees consist of Directors with suitable backgrounds so that effective oversight can be maintained in a sustainable manner regardless of a constantly changing business environment. To this end, the Nominating Committee emphasizes seven categories of experience and skills based on which selections of Directors are made (see the table below). In terms of the three committees, the Nominating Committee recommends their compositions to the Board in consideration of the high level of specialization required in the respective roles, and committee members are appropriately selected at the Board of Directors meeting.

Experiences in corporate management, global business operations, and M&A are of particular value to NPHD, which pursues MSV under Asset Assembler model. Especially important is the experience in corporate management: namely, the experience in leading sustainable growth of a corporate body, embracing such concepts as ESG. We believe that concrete and appropriate supervision and advice based on such track record and specialized skills can greatly contribute to MSV. Meanwhile, experiences in global business operations and M&A are indispensable to our efforts in identifying excellent assets from a global and medium and long-term perspective and facilitating growth of the partner companies after they join Nippon Paint Group.

At the General Meeting of Shareholders held in March 2023, shareholders approved our proposal for the election of nine Directors. The Nominating Committee refers to the results of the annual assessment of Board effectiveness, among other sources, to continually monitor contributions of individual Directors and the comprehensive performance of the Board as a team based on mutual trust. Through these activities, we constantly work on determining the best candidates and composition of the Board that can contribute to MSV. Since FY2020, when NPHD became a Company with Three Committees, we have maintained an effective Board structure with Independent Directors making up the majority of the Board, although there were some changes in Board members. Of the nine Directors of the Board for FY2023, six (67%) are Independent Directors, five (56%) are foreign nationals or live outside Japan, and one (11%) is a woman. This diversified composition allows the Board to perform multidirectional oversight to achieve MSV through advice from a broad perspective.

Identifying future management talent and an environment where people can upgrade their skills (strengthening human capital, selections and dismissals)

We recognize that our highest priority is to strengthen the Group's human capital as the globalization of operations and drastic changes in business environment continue.

We do not use a one-size-fits-all approach for the recruitment and development of future management talent. Instead, we are finding talented people and maintaining an environment for their advancement, with respect for the autonomy of every PCG based on mutual trust between Co-Presidents and the heads of PCGs. Co-Presidents are taking actions to strengthen the Group's human capital, such as by monitoring and evaluating the status of the Group's human capital through continual communication with the heads of PCGs, as well as by submitting reports periodically to the Compensation and Nominating Committees.

The Nominating Committee determines the status of the Group's human capital and evaluations of key management personnel based on reports from Co-Presidents. The Committee also closely cooperates with other committees and the meeting of Independent Directors, communicates with key management personnel, and strengthens the network of connections with external experts in various fields.

Through multifaceted and fair evaluations of the Executive Officers including Co-Presidents based on these activities, the Nominating Committee examines people who have the skills to become future management personnel to achieve MSV. Committee members also determine responses to requests for consultations from the Board of Directors to enable appropriate decisions about selections and dismissals of key management personnel.

Process of strengthening human capital and selections and dismissals of Executive Officers

Deliberation on nomination policy and monitoring model at Nominating Committee meetings	•Examine the nomination policy and monitoring model for the next fiscal year and over the medium and long term •Establishment of the annual plan for the nominating process
Strengthen and develop human capital led by workplace initiatives	•Unearth talented people and develop a people growth environment based on the autonomy of every PCG and led by workplace initiatives •Acquisition of outstanding management talent through M&A and expansion of external connections
Monitoring and evaluations Locating people with the skills to become future managers	•Co-Presidents monitor and evaluate the status of measures to strengthen the Group's human capital and report their views and evaluations about key management personnel to the Nominating Committee. •The Nominating Committee closely communicates with other committees, Independent Directors, and key management personnel and establishes a network of connections with skilled people outside Nippon Paint Group.
Deliberations and determination of responses at the Nominating Committee meetings	•Based on these activities, the Nominating Committee holds deliberation on reports and proposals from Co-Presidents regarding the executive structure and reaches decisions about reports to the Board of Directors regarding selections and dismissals of Executive Officers, including the Representative Executive Officer and the Chief Executive Officers of key subsidiaries designated by the Board of Directors
Deliberations and approval or rejection of resolutions at the Board of Directors meetings	•Based on the report from the Nominating Committee in response to the request for a consultation from the Board of Directors, selections and dismissals* of Executive Officers, including the Representative Executive Officer and the Chief Executive Officers of key subsidiaries designated by the Board of Directors, are discussed and final decisions are made at the Board of Directors meetings.

*For the policy and procedures for selections and dismissals of the Executive Officers, see Article 31 (Policies and Procedures for the Selections and Dismissals of Executive Officers) of Corporate Governance Policies on our Sustainability website: https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/

Required experience/skills

1	Experience in corporate management	The ability to supervise and give advice concerning a broad range of matters about management from the formulation of business strategies to their implementation
2	Experience in global business operations	The ability to supervise and give advice concerning the businesses of Nippon Paint Group, 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 concerning the suitability of M&A deals that Nippon Paint is pursuing, and the PMI process
4	Finance	The ability to supervise and give advice concerning capital allocation and other financial activities
5	Legal Affairs	The ability to supervise and give advice concerning regulations involving operations, GRC (Governance, Risk Management and Compliance), and internal controls
6	IT/Digital	The ability to supervise and give advice concerning the improvement of operations and creation of new business models through IT and the Digital Transformation
7	Manufacturing/ Technology/R&D	The ability to supervise and give advice concerning creation of new technologies through R&D by making use of his/her knowledge of technology related to manufacturing operations and the businesses of Nippon Paint Group

Compensation Committee Report

Our roles to attract and train excellent talent

Nippon Paint Holdings, as a business with maximizing shareholder value (MSV) at its core, is not very different from many multi-national groups – its reliance on talent. Talent recruitment and retention is everything. Engendering appropriate compensation schemes is one of the necessary elements.

I am gratified to note that much thought had gone into the compensation philosophy — setting of goals, incentives for performance and ultimately accountability to all shareholders.

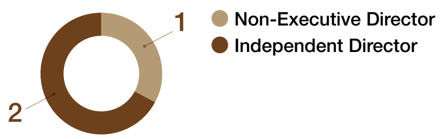
To attract talent, the company's vision, mission and strategy must be clearly articulated. Employees must feel responsible for fulfilling this vision and contribute towards refining the strategy along the way. Taking ownership of business strategy would be crucial.

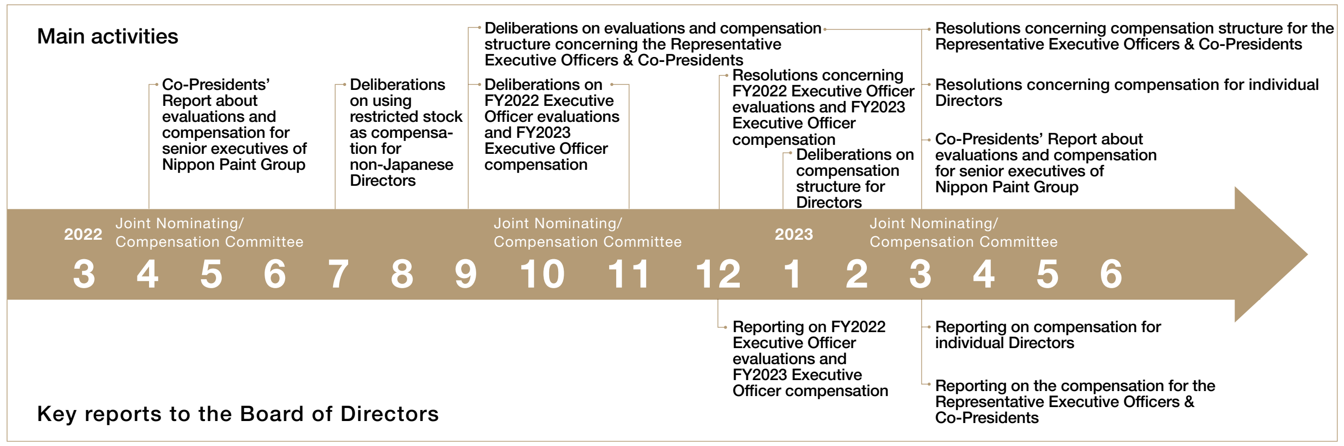
Secondly, compensation must be market-competitive. Even as employees accept a variable component, with increased seniority, this portion must accord with performance and be regarded as fair. Employees must be motivated to give off their very best and consistently. Setting key performance targets annually and holding employees accountable would be necessary. When used appropriately, long-term incentives can have a powerful effect on aligning longer-term interests with the company's.

Thirdly, having an appropriate compensation scheme is insufficient. Some form of career development within a meaningful cluster of businesses is necessary, involving an element of training or even re-skilling in technological innovation and market dynamics. Equally important would be a good understanding of the geopolitical influences at play.

The Compensation Committee will work closely with the Nominating Committee on succession planning for senior management. The goal is to ultimately breed a corps of independent-minded, committed and competent talent individuals.

Overview and main activities

Chairperson	Lim Hwee Hua (Independent Director)
Committee members	
Roles of the Committee	Establishment of policies for determining the compensation of individual Directors and Executive Officers, and decisions about compensation for individuals and other matters
Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Main activities	The Compensation Committee resolved compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Compensation Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents)



Compensation decision-making policy for Executives

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also oversees decisions about the compensation of senior partner company executives by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, compensation of executives at other companies, and compensation in the market for senior executives. In accordance with the Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussions and make decisions.

▶ For more information, see the Compensation of Directors and Executive Officers section of our website.
https://www.nipponpaint-holdings.com/en/sustainability/governance/board/reward/

How the Compensation Committee contributes to achieving MSV while protecting minority shareholders

Independent Directors are the majority of the Compensation Committee, and the committee is chaired by an Independent Director. In addition, all committee members are non-executive Directors. This composition ensures independence from executives for business operations. Furthermore, approximately half of compensation of the Independent Directors is restricted stock for the purposes of achieving MSV and further aligning the interests of these Directors with the interests of other shareholders.

Based on the premise of protecting the interests of minority shareholders, the Compensation Committee performs rigorous evaluations with emphasis on measures for providing compensation for the Representative Executive Officers & Co-Presidents that is consistent with the pursuit of MSV and the results of this compensation. At the same time, the committee is working to create compensation that will serve as motivation for even more actions to achieve MSV.

Evaluation and compensation of the Representative Executive Officers & Co-Presidents

Compensation for the Representative Executive Officers & Co-Presidents is determined by the Compensation Committee based on a comprehensive assessment of their performance in the previous year. After reaching a decision about compensation for the next year, the Compensation Committee determines the composition, including cash, stock and other forms of compensation.

FY2023 compensation for Co-Presidents has taken into consideration compensation of presidents at competing companies and other large companies in Japan. Compensation also reflects financial factors such as revenue and net income growth compared with the performance of competitors and MSV indicators (EPS, PER) as well as non-financial factors such as upgrading a framework and taking measures for achieving MSV. To be precise, for Co-President Wee, the committee decided on all-cash compensation in the same amount as in FY2022 based on the belief that this compensation will continue to maximize his motivation to achieve MSV. For Co-President Wakatsuki, in consideration of the need for balance between the two Co-Presidents, the committee decided on all-cash compensation that is about 13% higher than in FY2022 as an incentive for more growth and other advances at Nippon Paint Group.

Compensation for the Representative Executive Officers & Co-Presidents based on the premise of protecting the interests of minority shareholders

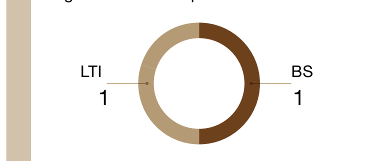
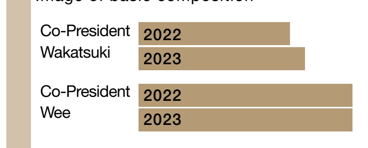
Evaluation of the performance of Co-Presidents
Comparisons with Competitors*1 (Major financial indicators)

Items	FY2022 Actual	Growth*2 vs. FY2021	Growth*2 vs. FY2020
Revenue	JPY1,309 bn	31.1% (10.8%)	29.5% (12.9%)
Profit attributable to owners of parent	JPY79.4 bn	17.5% (-3.2%)	33.4% (2.7%)
EPS	JPY33.82	15.0% (-2.8%)	10.2% (3.9%)

PER*3	
LTM (Last Twelve Months)	32.1x (28.1x)
NTM (Next Twelve Months)	24.6x (19.0x)

*1 Comparisons using the six largest paint companies based on global sales (Nippon Paint Group ranks fourth)
*2 For compound annual growth rate calculated based on each company's indicated currencies, figures in parentheses are medians
*3 Source: FactSet (as of December 30, 2022), figures in parentheses are medians

Composition of executive compensation

Compensation for Directors **Directors who do not concurrently serve as Executive Officer (Independent Directors)** Image of basic composition 	**Fixed compensation**	•Job-based compensation (BS) Compensation is set at levels that can attract and retain management talent with the skills required to supervise the management of Nippon Paint Group, which has operations worldwide. Decisions about compensation take into account social circumstances, compensation of executives at other companies, and compensation in the market for senior executives.
	Variable compensation	•Allowances for committee memberships and other roles Allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committees, the Lead Independent Director, and other positions. •Long-term incentives (LTI) Directors supervise the Group's management and assume the role and associated risk of making important decisions regarding the allocation of corporate resources on behalf of shareholders. As a result, Directors receive restricted stock as an incentive for achieving MSV and as a means of further aligning the interests of Directors with those of shareholders. Introduced Malus Clawback Clause to ensure the soundness of MSV.
Compensation for the Representative Executive Officers & Co-Presidents Image of basic composition 	**Entire amounts of compensations are variable**	•Compensation takes into account the level and composition of compensation in the individual's home country, continuity with prior compensation, benchmarking using other companies' compensation, and other considerations. Discussions with Co-Presidents, frequent communications with executives of partner companies, and other activities are used for a comprehensive evaluation of performance using financial and non-financial perspectives. Every year, the determination of the following year's compensation starts by resetting compensation to zero. The cash-stock ratio and other aspects of the composition of compensation for Co-Presidents are also reviewed every time.

Corporate Governance

Audit Committee Report

Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Contributing to MSV by enhancing the effectiveness of the "Audit on Audit" system

Every year, the Audit Committee performs a self-evaluation of the effectiveness of our audit activities. The Committee reports to the Board of Directors the results of this evaluation and improvement status of the items that require improvements on a regular basis. Through this process the Audit Committee shares information and exchanges opinions with Directors who are not Audit Committee members, and this raises the objectiveness of our self-evaluation.

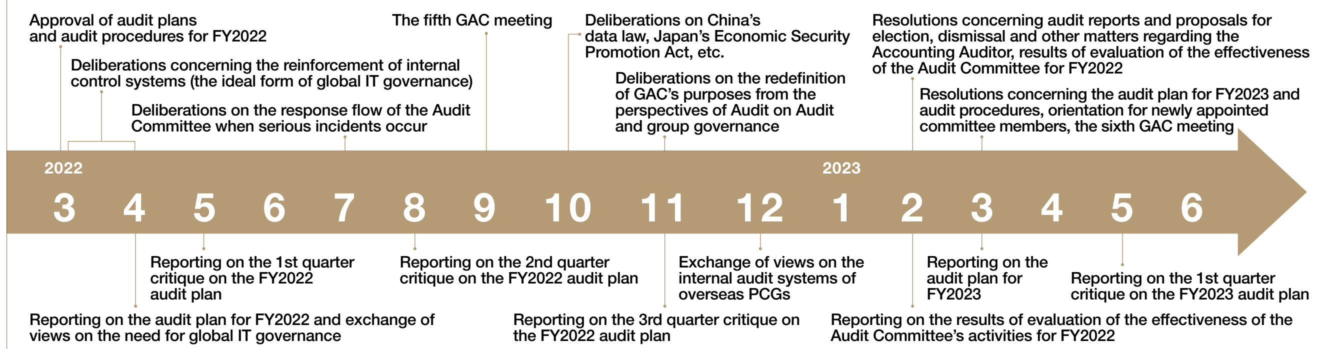
In FY2023, based on the results of the FY2022 evaluation, the Audit Committee has been continuously working on strengthening "Audit on Audit" framework in the Group, which is based on the results of internal and external audits (see the next page). In March 2023, we held the first in-person Group Audit Committee (GAC) meeting which facilitated direct communications among the people who are responsible for our Group's internal audits. Participants examined the results of risk assessment of the PCGs and confirmed the "Audit on Audit" approach. We also discussed common issues among PCGs, such as cyber security and the risk profiles of newly acquired companies. By bringing everyone together, this meeting became a valuable occasion for internal auditors to exchange information about the best practices, to openly discuss various problems they have and to have better communication. We will continue to reinforce relationships rooted in mutual trust and maintain an effective auditing system that can contribute to MSV based on Asset Assembler model.

Peter Kirby, an Independent Director, was appointed as a member of the Audit Committee in FY2023. I am confident that his knowledge, professional skills and management experience of the global paint industry will further enhance the effectiveness of the "Audit on Audit" system.

Overview and main activities

Chairperson	Masataka Mitsuhashi (Independent Director)
Committee members	
Roles of the Committee	Conduct audits on the execution of duties by Executive Officers and Directors, prepare audit reports, and determine proposals regarding the election, dismissal and refusal of reelection of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

Number of meetings	FY2022 (late March 2022 to mid-March 2023) 13 FY2023 (late March 2023 to end of June 2023) 2
Main activities	The Audit Committee: · Prepared audit reports based on the results of audits on the status of the execution of duties by the Executive Officers and Directors and other items. · Resolved on 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., audit cases, audit findings, risk management, reasons for selecting audit themes) and held theme discussions (J-SOX evaluations, reinforcement of the Audit on Audit system) at GAC.



Supervision of the group-level internal audit activities by the Audit Department

The Audit Department, which supports the activities of the Audit Committee, ensures the committee's independence from the executives by establishing dual reporting lines to the Audit Committee and the Representative Executive Officers & Co-Presidents. Specifically, the Audit Department performs J-SOX evaluations, as well as periodically checks the status of audits as part of the supervision of the audit activities conducted by internal audit units of PCGs and reports the results to the Audit Committee.

At the biannual GAC meetings, best practices of internal audits at PCGs are shared within the Group. In addition, the results of analysis by the Audit Department on material risks identified by each PCG are shared within the Group, which will allow all group companies to have a shared risk recognition. The results are reflected in the internal audit plans of PCGs to enhance the effectiveness of our group-level internal audits.

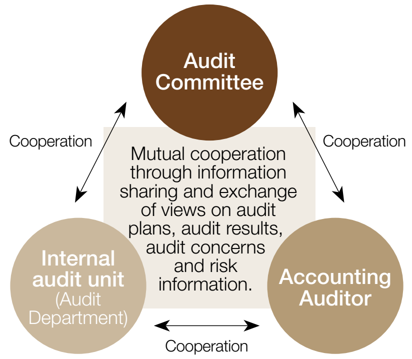
Coordination with Accounting Auditor, local audit firms, and corporate auditors

The Audit Committee has continuously been monitoring and verifying whether the Accounting Auditor conducts appropriate audits while maintaining its independence. At the Trilateral Audit Meeting held on a regular basis participated by the Audit Committee, the Audit Department and the Accounting Auditor, participants share information and exchange views on matters such as the audit plan, the status of audits during period and risk responses. (See the figure on the right.) With regard to Key Audit Matters (KAM), the Audit Committee closely cooperates with the Accounting Auditor by taking actions such as holding discussions on items that involve significant management decisions, including accounting estimates and items likely to have a significant impact on financial statements, including estimates of provisions for doubtful accounts and reasonableness of estimates of goodwill recorded due to acquisitions.

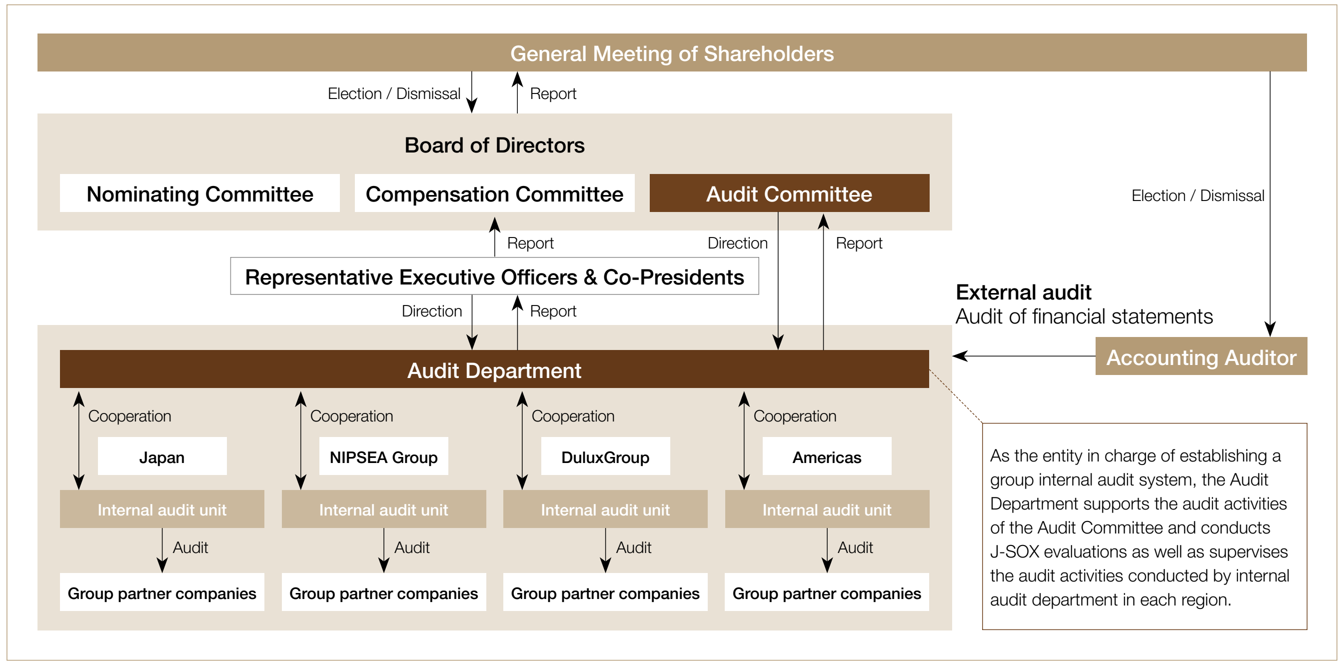
The Audit Committee also conducts interviews and discussions with local audit firms in charge of accounting audits of major overseas partner companies (PCs). The topics of discussions include audit findings at PCs which they are responsible for, financial and tax risks, and the status of communications with local management teams and NPHD's Accounting Auditor. Through these activities, the Audit Committee identifies risk factors and determines the status of the performance of local audit firms.

In Japan, the Audit Committee holds regular meetings with corporate auditors of PCs to share information and exchange views on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working on further enhancing the effectiveness of its activities.

Trilateral audit system:
Promoting efficient and effective audits



"Audit on Audit" Group audit system



Governance Discussions

Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Masayoshi Nakamura
Lead Independent Director and
Board Chair

The ideal form of the group audit system to pursue MSV based on Asset Assembler model

What is the effective and efficient implementation of group audits based on respect for autonomy of partner companies (PCs), which we aim for as a global business group? Independent Directors Masayoshi Nakamura (Board Chair) and Masataka Mitsuhashi (Audit Committee Chairperson) look back on discussions held repeatedly by the Board of Directors and the Audit Committee regarding the appropriate approach to group audits at NPHD and changes in the audit system for group audits. The focus of discussion in this dialogue are the ideal form of group audits that contributes to MSV and the challenges that must be overcome.

1. Transition from the Board of Corporate Auditors to the Audit Committee

Nakamura · It's been three years since NPHD changed its corporate governance structure from a Company with a Board of Corporate Auditors to a Company with Three Committees (Nominating, Compensation and Audit). One of the aims set out by the Board for implementing this change was to strengthen our global audit system.

Under Asset Assembler model led by our Co-Presidents, NPHD is now working to build up quality assets to accomplish sustainable growth and to ultimately achieve MSV. In this model, Co-Presidents delegate the business execution authority and the internal controls responsibility to the head of each Partner Company Group (PCG) based on a relationship of mutual trust. The underlying idea is to maximize autonomous growth of every PCG. The Board is responsible for oversight of the Group's management team, starting with Co-Presidents, that is in charge of business operations spanning 45 countries and regions around the world. And in terms of the Board's functions, maintaining appropriate transparency in Group operations and supporting timely and appropriate risk-taking by the management are of utmost importance. In this respect, there is a growing need to strengthen the group audit system and ensure its effectiveness.

"What is the ideal form of group audit system for pursuing MSV under Asset Assembler model?" This is the topic explored in today's discussion with Mr. Mitsuhashi, who has been the Audit Committee Chairperson since NPHD became a Company with Three Committees. We will look back on our past activities and discuss our current challenges and goals for the future.

First, please explain the situation when you were elected the Audit Committee Chairperson in March 2020. What was your intention when we changed to the Audit Committee under a Company with Three Committees from the Board of Corporate Auditors?

Mitsuhashi · In 2019, the year before the establishment of the Audit Committee, NPHD completed the acquisition of Betek Boya in Turkey and DuluxGroup in Australia. Following these acquisitions, our Group's portfolio further expanded globally. During this time, the Board had its eyes set on the full integration of the Asian JVs as our Company's next step towards achieving MSV. We believed that our Company needed to separate the oversight of business operations from the execution and strengthen both of these functions. We also wanted to establish an objective and transparent corporate governance structure from a global perspective. The Board of Corporate Auditors is a common organizational structure for Japanese companies. Overseas investors consider companies with this structure as lacking sufficient checks and balances on management from the corporate governance perspective because Corporate Auditors do not have voting rights at the Board meeting. On the other hand, at a Company with Three Committees, Independent Directors are the majority of the Audit Committee that performs the management oversight function. The Audit Committee members participate in management decision making by voting at meetings of the Board of Directors, which is responsible for protecting the interests of shareholders. This process increases the transparency of management. I believe it was only natural that NPHD as a global business group transitioned to a Company with Three Committees.

Nakamura · Let me dig deeper into the background that required NPHD to quickly strengthen its group audit system at that time. What were the issues you had identified that instigated this move?

Mitsuhashi · Following the occurrence of quality fraud issues at a number of manufacturing companies in Japan that started around the end of 2017, rebuilding internal controls and internal audits at Japanese companies became the focus of attention. We couldn't see this as somebody else's problem. In fact, there were instances at our key Japanese subsidiaries involving the failure to promptly report to our headquarters about customers' complaints caused by inadequate quality management. As a result, there was an urgent need for the reform of our organization and culture to correct the distortions and insufficient discipline in our customs and rules. We believed that a reexamination of the business processes in our Group by the Audit Committee, whose members are Independent Directors, from an objective viewpoint can catalyze the organizational shakeup needed to eliminate routine work done just for the sake of conforming to official procedures. We created dual reporting lines to the President and the Audit Committee for the Audit Department, which is the internal audit unit of NPHD, when this committee was established. We believe this laid the groundwork for strengthening cooperation involving audits between the internal audit function on the management side and the Audit Committee.

Nakamura · In addition to these dual reporting lines, you proposed the concept of "Audit on Audit" as a group audit system as soon as the Audit Committee was established. What was the aim of this concept, Mr. Mitsuhashi? How did you arrive at this concept?

Mitsuhashi · The group audit system plays a part in the management structure and business model of our Group. Before explaining "Audit on Audit", let's look back on the significant changes in the management structure and business model of our Group in recent years.

The transition process can be broken down into three stages. The initial stage is the period between the consolidation of the Asian JVs (an increase in NPHD's ownership ratio from 40% to 51%) in December 2014 and the end of 2019, when we pursued the World Headquarters (WHQ)/Regional Headquarters (RHQ) model. The second stage is Spider Web Management, which we started with the transition to a Company with Three Committees in March 2020. The third stage is the current period with Asset Assembler model based on autonomous and decentralized management, which we started following the establishment of the Co-President structure after the completion of the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021.

In the WHQ/RHQ model stage, the management team was pursuing a stronger group control function with the headquarters in Japan serving as WHQ in a centralized manner. Another goal was growth suited to the business environment of each region and business through regional controls based on the delegation of authority to RHQs, which are managed by executives seconded from WHQ. The start of my time as the Audit Committee Chairperson was when our Group was transitioning from the WHQ/RHQ model to taking a step forward towards Spider Web Management with greater focus on the autonomy of every PC. NPHD was the core of the Group control function as WHQ. At the newly established Audit Committee, I proposed the concept of "Audit on Audit" that aims to increase the effectiveness of audits across the Group. NPHD's internal audit unit performs on-site audits of PCs in every region and country while referring to and utilizing the audit results submitted by the PCs. The aim was to effectively utilize audits that were performed autonomously in Japan and overseas based on the RHQ structure that was already in place. The Audit Committee was just starting up at that time. The NPHD Audit Department as well as the Audit Committee members were conducting on-site audits of PCs in order to check their status by using the objective viewpoint of the Audit Committee.

Nakamura · What were the challenges you identified when you were working to improve the effectiveness of the group audit system based on "Audit on Audit"?

Mitsuhashi · The "Audit on Audit" framework in those days was primarily focused on on-site audits at PCs by the NPHD Audit Department while also referring to and utilizing the audit results submitted by the PCs. As a result, the challenge I identified for the NPHD Audit Department to address was to have sufficient resources and strengthen know-how concerning on-site audits.

There were issues such as delays in reporting deficiencies in quality management at our PCs in Japan, as I mentioned earlier. In addition, risk assessments and responses as well as risk reporting were not done appropriately. Also, these PCs did not appear to have a sufficient commitment to taking actions to remediate the issues identified by audits.

On the other hand, there were some instances of successful auditing practices in our Group, which was already operating worldwide. One of them was DuluxGroup in Australia, which was using an advanced, risk-based approach by outsourcing internal audits to a local audit firm. DuluxGroup determined the importance of risk factors and performed risk management by measuring the possibility of events and the impact of the events when they happened. In addition, there were recommendations from the standpoint of opportunity loss and other perspectives. DuluxGroup used its Audit Risk Committee, which meets three times a year, to share information about risk factors with senior management. Another example was NIPSEA, which operates mainly in Asia. NIPSEA was using the approach of proposing solutions to business challenges based on Corporate Assurance Reviews, rather than using the conventional approach of merely pointing out issues. NIPSEA used a small team to perform assessments focused on business operations with the goal of increasing the value of their businesses.

Nakamura · As the Audit Committee Chairperson, you thought at that time that increasing the trustworthiness of audit information in every region would be

Transitions in the Group management structure/model and design concept of Group audit framework

	FY2019	FY2020	FY2021	FY2022	FY2023
Organizational structure	Company with the Board of Corporate Auditors	Company with Three Committees (Nominating, Compensation, Audit)			
Group management structure	Centralized management ▶▶	Spider web management ▶▶	Autonomous and decentralized management		
Business model	World Headquarters (WHQ)/ Regional Headquarters (RHQ) model	Asset Assembler model			

Design concept of the Group audit framework

Pursued the Global audit structure through the cooperation between the Board of Corporate Auditors and the internal audit unit based on the WHQ/RHQ model

→ Pursued Audit on Audit with the shift to the spider web management

→ Evolved our audit framework to Audit on Audit suited to autonomous and decentralized management based on Asset Assembler model

Our key M&A/group restructuring, financial and non-financial data

	FY2019	FY2020	FY2021	FY2022	FY2023

Key M&A/group restructuring

NPHD/Japan
- March 2020: Transitioned to a Company with Three Committees structure
- January 2021: Completed the full integration of the Asian JVs and acquisition of the Indonesia business
- April 2021: Adopted the Co-President structure
- January 2022: Completed restructuring into a pure holding company and Japan-focused functional company

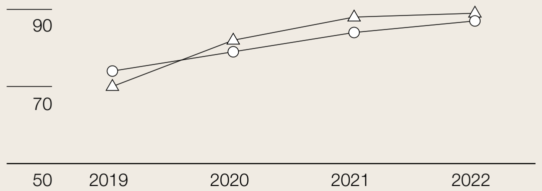
NIPSEA
- July 2019: Completed the acquisition of Betek Boya
- March 2021: Completed the acquisition of Vital Technical
- August 2021: Completed the transfer of the European automotive business and India businesses to Wuthelam Group
- May 2022: Completed the full integration of the Chinese consolidated automotive subsidiaries

DuluxGroup
- August 2019: Completed the acquisition of DuluxGroup
- January 2022: Completed the acquisition of Cromology
- June 2022: Completed the acquisition of JUB
- February 2023: Completed the acquisition of NPT

Americas

Overseas revenue/ overseas operating profit ratio

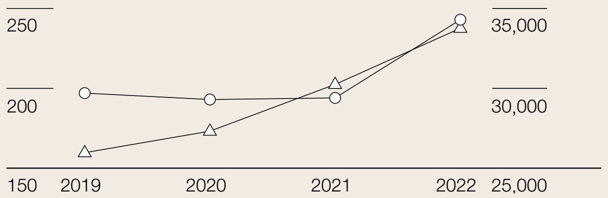
○ Overseas revenue ratio △ Overseas operating profit ratio



* Reportable segments changed from FY2022

Number of consolidated subsidiaries/ consolidated employees

○ Number of consolidated subsidiaries (left axis) △ Number of consolidated employees (right axis)



* Reportable segments changed from FY2022

essential for enhancing the effectiveness of group audits based on "Audit on Audit" framework. And you believed that our internal audit function needed to be strengthened to improve the audit quality across the entire Group. Is that correct?

Mitsuhashi · Exactly. The Audit Committee understood that it was vital to improve audit quality throughout the Group by incorporating these best practices and deploying them at all Group companies. When we established the Audit Committee, we formulated an Audit Policy of the Audit Committee by foreseeing an ideal status of our Group's global audit system to be achieved 10 years later in 2030 with the mission of "Provide risk-based, objective assurance, protection, advice, and insight to maximize shareholder value which is our management mission." I believe that further enhancing the effectiveness of the group audit by implementing and evolving "Audit on Audit" framework will lead to accomplishing our mission.

2. Adoption of Asset Assembler model based on the Co-President structure

Nakamura · A comparison of our performance in FY2019, just before the transition of NPHD to a Company with Three Committees, and our FY2023 guidance reflects a double-fold growth in consolidated revenue from JPY692 bn to JPY1,400 bn, a climb in number of employees from around 26,000 to around 34,000, and an increase in number of consolidated subsidiaries from 197 to over 240. During this time, we completed the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021, achieving further unity as a Group. Following the start of the Co-President structure in April 2021, our Company's governance structure changed significantly based on Asset Assembler model spearheaded by Co-Presidents. The group audit system is an important component of our governance structure. How did the group audit system centered on "Audit on Audit" change during this process?

Mitsuhashi · During the evolution of our Group's management structure and business model from the Spider Web Management model to Asset Assembler model based on autonomous and decentralized management, the Audit Committee explored the ideal form of the group audit system regarding effectiveness and efficiency.

Previously, members of the NPHD Audit Department in Japan who were assigned to a specific PC visited companies to conduct audits in accordance with the policy of strengthening the group's control functions with NPHD as WHQ. However, I identified some issues. For instance, when we conduct audits in Indonesia, wouldn't audits be more effective if we entrust the work to the internal audit unit of our Indonesian PC? After all, these people know the actual business conditions and have much better understanding of local laws and regulations, business customs, and labor practices than auditors sent from Japan do. And wouldn't audits be more efficient by using an approach in which the PCGs autonomously establish and operate governance and risk control systems and NPHD would monitor the status of their governance and risk controls by using a small number of people rather than implementing centralized controls by maintaining a large team of internal auditors at the headquarters?

Considering the quality and scale of resources necessary for establishing an audit system and the cost of implementing this system, I believed that we can better keep a balance between the effectiveness and efficiency of audits by conducting group audits based on the results of audits performed by the PCGs, rather than having the NPHD Audit Department perform on-site audits. Our "Audit on Audit" framework, which was launched in March 2020, started evolving based on Asset Assembler model.

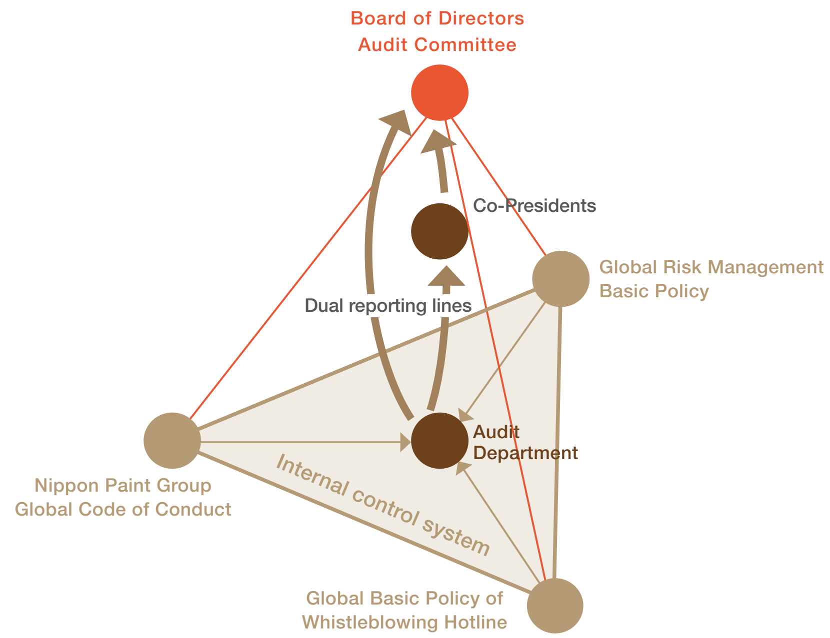
Nakamura · I believe you faced challenges pursuing an audit system that relies on audits performed by each PCG. What actions did you take to lay the groundwork for evolving the "Audit on Audit" framework?

Mitsuhashi · There were two things which I thought were essential to enhance group audits based on the "Audit on Audit" framework. First was to clarify where risks exist and second was to improve the audit capabilities and skills of every PCG.

In order for "Audit on Audit" to work, the major premise is to ensure that internal controls that are autonomously maintained and operated by PCGs are effective as group-level internal controls.

For this purpose, the Board worked with Co-Presidents to create the Global Code of Conduct and revised the Basic Policy on Internal Control Systems in FY2021. Based on these basic policies, we revised the Global Risk Management Basic Policy and the Global Basic Policy of Whistleblowing Hotline, which has guidelines for the establishment and operation of the internal reporting hotline at each PCG. These policies are rigorously implemented by PCGs as a framework for group-level internal controls under the oversight by Co-Presidents. The audit functions of the PCGs confirm that these policies are followed. Based on the existing "Audit on Audit" framework, the Audit Committee is responsible for ensuring that this framework of internal controls is functioning and properly used.

Following the establishment of the Global Risk Management Basic Policy, we



have been carrying out a Control Self-Assessment (CSA), a risk assessment survey targeting PCGs, since FY2022 as a means of clarifying responsibility for risk management. The head of each PCG conducts a self-inspection and assessment of risk items in the CSA that cover all potential business risks. In addition, these PCG heads are required to present to Co-Presidents five major risks and the measures to mitigate these risks.
The results of the CSA will also be reported to the Audit Committee, which will utilize the information to create a roadmap for internal audits at all PCGs with the priorities and perspectives to be used in conducting their audits. Under the initiatives of the Audit Committee, best practices in our Group are shared with the PCGs through the Group Audit Committee (GAC), where the NPHD Audit Department is the secretariat. This sharing has contributed to improving the audit capabilities and skills of PCGs, which has further enhanced the effectiveness of our group audit system.

3. Further upgrading the "Audit on Audit" framework based on a trust-based relationship

Nakamura · Under the "Audit on Audit" framework, PCGs' autonomous management is key to effective and efficient group audits. Well understood. Now, for this framework to function successfully, I believe trust, which is an essential premise in our group management, plays an important role. How have you been building, maintaining, and increasing trust with members of each PCG and other key management personnel?

Mitsuhashi · The foundation of the "Audit on Audit" framework is trust-based relationships with external audit organizations in each region and country as well as with Co-Presidents, the head of each PCG and other key executives.

Firstly, everything starts with the trust-based relationship with Co-Presidents. Prior to the current Co-President structure, we were unable to make a decision to change our audit system to the "Audit on Audit" framework based on trust. Mr. Wee was the driving force for making NIPSEA the core business of our Group, with revenue accounting for approximately 50% and operating profit for over 60% of our consolidated results of operations. He is well versed in the global management of the paint and coatings and adjacencies businesses. Mr. Wakatsuki has extensive knowledge of the capital markets and excels in the assessment and management of assets based on his experience of successfully completing numerous M&A transactions. We were very fortunate to have the opportunity to name these two highly skilled executives with exceptional communication skills as Co-Presidents following the full integration of the Asian JVs. As I mentioned earlier, Directors worked with Co-Presidents to revamp the Group internal control structure to ensure that internal controls autonomously implemented by PCGs are effective as group-level internal controls. The successful operation of this framework will depend on the leadership of Co-Presidents. Close and substantive communications based on mutual trust with Co-Presidents are vital for this success.

Another important element is the trust-based relationship with the heads of PCGs and other key management personnel. As I stated earlier, we use the following audit approach. The internal audit unit of each PCG autonomously conducts audits with a focus on key points with an awareness of risks by taking into consideration factors such as local business customs, laws, and labor practices. Our approach is not to have the NPHD Audit Department visit every PCG and perform audits on predetermined items. Based on our audit approach, close communications by the Audit Committee and NPHD Audit Department with the internal audit unit of the PCGs is essential to share audit results and know-how across the Group. In addition, the Audit Committee needs to confirm that the internal audit departments of all PCGs are properly conducting audits as expected. These audits are possible only if we have sound lines of communication and high-quality information sharing based on mutual trust. For instance, NPHD recorded provisions for doubtful accounts amounting to JPY3.6 bn in FY2021 and JPY13.0 bn in the 2Q of FY2022. For these provisions, the Board of Directors and the Audit Committee closely monitored real estate market conditions in China and focused on controlling risk from the initial stage of this matter. I believe this is another example of how communications among Co-Presidents, management teams in China and the Board, based on mutual trust, were extremely useful for an accurate understanding of the overall picture and discussions to determine appropriate responses.

The Audit Committee and NPHD Audit Department regularly receive reports from every PCG. In addition, we regularly interview management teams and external auditors to confirm that they are aware of management issues or potential risks in order to confirm that "Audit on Audit" is working effectively. The key to the efficient operation of this system is autonomous and effective audits by the PCGs and our full understanding of the status of each PCG through close communication based on mutual trust and the multifaceted information.

The Audit Committee has created many opportunities for communication with the management teams of PCGs in order to build trust-based relationships. Since 2020, when the Audit Committee was established, the Committee members have directly communicated with the management teams of PCGs as often as the circumstances allowed under pandemic-related restrictions. We have had around 40 meetings, which allowed us to have candid and reciprocal communications about identified risk factors and their solutions, including the management strategies of each PCG.
I believe that these communications made it possible to build the trust-based relationships we have now.

GAC was established right after the Audit Committee was launched. At the sixth GAC meeting in Tokyo in March 2023, key members of PCGs around the world met in person for the first time. I believe that the "Audit on Audit" framework will be strengthened further by building trust-based relationships through these communications.

> "The foundation of the "Audit on Audit" framework is trust-based relationships with Co-Presidents, the head of each PCG and other key executives."

> "The Audit Committee will pursue MSV by enhancing the effectiveness and efficiency of its oversight activities."

4. Aiming to further contribute to MSV

Nakamura · Your explanations have helped me understand the background on why our Company adopted the concept of "Audit on Audit." Now, let me ask you about your future vision of the group audit structure that contributes to MSV. What are the challenges you have identified and how are you going to address them?

Mitsuhashi · The Audit Committee conducts an evaluation of its effectiveness every year and incorporates the results in our activities during the following year. The evaluation is also used to identify important themes for the following year. Topics identified for FY2022 were "effectiveness of responses to ESG and SDGs" and "effectiveness of the IT governance and information system structures." For FY2023, our activities will be focused more on themes such as "effectiveness of risk management system monitoring" and "effectiveness of linkage between internal audit monitoring and audits by the Audit Committee." Looking slightly to the future, I want to mention what the Audit Committee has been discussing for addressing long-term challenges related to our group audit system.

The Audit Committee has identified "limitations of the human activities" as a challenge. Due to progress with the digitalization of management data, the Audit Committee needs to consider the possibility of shifting to digital-based committee activities that effectively use digital information. In addition, our own auditing activities will have to start using digital tools for the use of digital data.

Properly performing audits that reflect risk levels requires an awareness of risk factors in each risk category and accurately identifying remaining risks to confirm that these inherent risks are correctly managed. Identifying remaining risk factors in all the key risk areas in this manner will allow the PCGs to objectively determine the areas with high potential risk and the appropriate allocation of audit resources. Some PCGs in the Group have already established audit plans by using a digital approach and efficiently and objectively allocating audit resources. We need to deploy these approaches at all Group companies to improve the quality and efficiency of audits. This will enable us to track changes in remaining risks through comparisons with the prior year data. Then, PCG management teams will be able to share their recognition of risks with the headquarters on a more timely basis. In addition, this will enable us to more efficiently monitor detailed risk information at PCGs, which is an asset of our Group, and the risk status of the Group as a whole in our group audit based on the "Audit on Audit" framework.

Nakamura · Once the management data and audit approaches are digitalized, how will the Audit Committee be involved and what roles will it play?

Mitsuhashi · The Audit Committee will oversee every PCG from the perspective of how they utilize digitized management data and the results of the analysis of this information. Our stance on respecting the autonomous management of PCGs will remain the same. What will change is that our activities will focus on what advice we can provide to PCGs based on digitized management data.

As our Group shifts from human responses to digital-based governance, risk controls using AI and other digital technology, the Audit Committee will pursue MSV by enhancing the effectiveness and efficiency of its oversight activities.

Nakamura · Thank you for the fruitful discussion today. We were able to cover the evolution of the management structure of our Group, the reasons for the launch of the "Audit on Audit" framework, which the Audit Committee proposed and implemented, and the future of the group audit system that contributes to MSV.

Risk Management

Internal controls based on Asset Assembler Model
—Our philosophy regarding governance, risk management and compliance (GRC)—

How should Nippon Paint Group manage its business risk for achieving MSV? As an Asset Assembler based on mutual trust with all partner company groups (Nippon Paint Group companies grouped by region or business, "PCG"), Nippon Paint Group has a risk management system in place that has, as its core components, the internal control systems operated autonomously by every PCG.

Our Approach to achieving MSV

Autonomous and sustainable growth of every PCG is the key to achieving MSV.

The paint and adjacencies businesses of every PCG have strong regional characteristics, which make these businesses ideally suited for the autonomous management of business operations along with local production for local consumption. Every PCG has thorough understanding of the risk that exists in their local regions and markets.

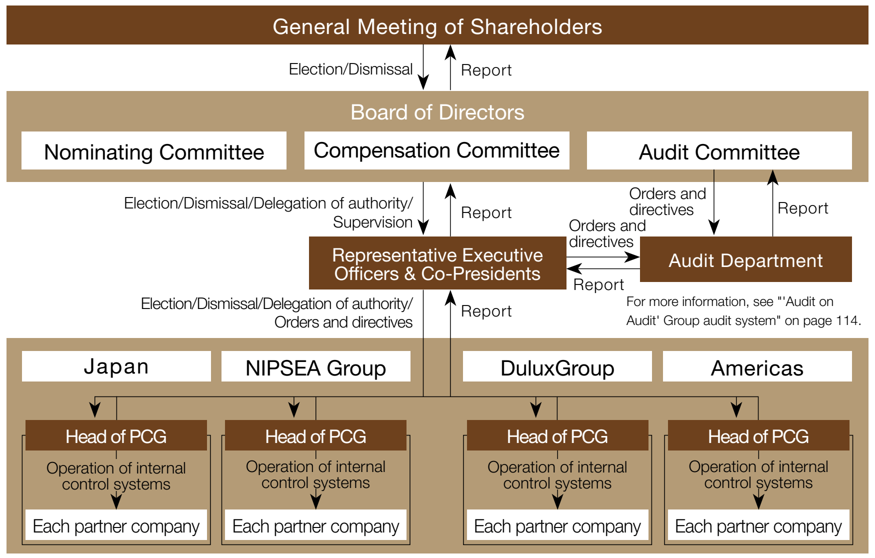
Considering such business characteristics, NPHD gives each head of PCG the authority to conduct business operations while each head of PCG is responsible for the internal control system. Co-Presidents oversee the Group's operations through evaluation and appointment/dismissal of the heads of PCGs through various reports from these executives.

To strengthen risk management as an Asset Assembler, NPHD revised its Basic Policy on Internal Control System in January 2022. This policy sets forth three core components for the governance executed by management led by Co-Presidents: Nippon Paint Group Global Code of Conduct, the Global Risk Management Basic Policy, and the Global Basic Policies of Whistleblowing Hotline. By following these policies, we perform effective monitoring and give necessary directives for governance, risk management, and compliance in the entire Group.

In addition to this autonomous and decentralized internal control system, there are five sustainability teams under the leadership of Co-Presidents. These teams focus on issues that affect all PCGs, such as climate change and other problems on a global scale as well as social issues that will require actions in the coming years. The teams, which operate on a global scale, are Environment & Safety, People & Community, Innovation & Product Stewardship, Governance, and Sustainable Procurement. Every team is led by a business leader with sufficient skills and experience for the issues the team covers. (▶ See "Sustainability as the Prerequisite for MSV" on page 41.)

About risk management conducted in each region in the Group's internal control framework and global activities of the sustainability teams for future issues and the social demands, information is shared with each PCG under the direction of Co-Presidents as well as at the Group Audit Committee (GAC). Communications made possible by these frameworks are the foundation for the mutual trust that underpins Asset Assembler model.

Internal control system



Summary of the "Group management system" in the Basic Policy on Internal Control System

Oversight of PCGs
Prior approval rule for important matters and timely reporting system of incidents with material impacts

Election/Dismissal of the heads of PCGs
Evaluations and decisions that include financial and non-financial considerations such as responsibilities for internal controls

Direct participation of the Co-Presidents in main partner company meetings
Participation of Co-Presidents and other executive officers in important meetings of important partner companies

Group audits based on the "Audit on Audit" system
Oversight utilizing the close ties between the NPHD Audit Department and the internal audit unit of each PCG

The three key components of the Basic Policy on Internal Control System

Sound risk management is the premise for the pursuit of MSV. NPHD will continue to closely monitor changes in society and the needs of stakeholders in order to reexamine and update the internal control system in an appropriate and timely manner.

*1 For more information, see the Internal Control part in Sustainability section on our website. https://www.nipponpaint-holdings.com/en/sustainability/governance/internal/

*2 This meeting, attended by the head of internal audit unit of each PCG, is held twice every year by the NPHD Audit Committee and Audit Department

Risk management system

In line with the revised Basic Policy on Internal Control System, the Group started to apply Global Risk Management Basic Policy in January 2022.

The policy states that Co-Presidents have overall responsibility for risk management in our Group. The policy also defines the roles of each head of PCG as a frontline, autonomously running its risk management system in the business in which they operate.

Each head of PCG conducts the control self-assessments (CSA), consisting of self-inspections and self-assessments based on a risk-based approach. They are responsible for using CSA to identify risk factors requiring actions, create risk management plans, and make improvements.

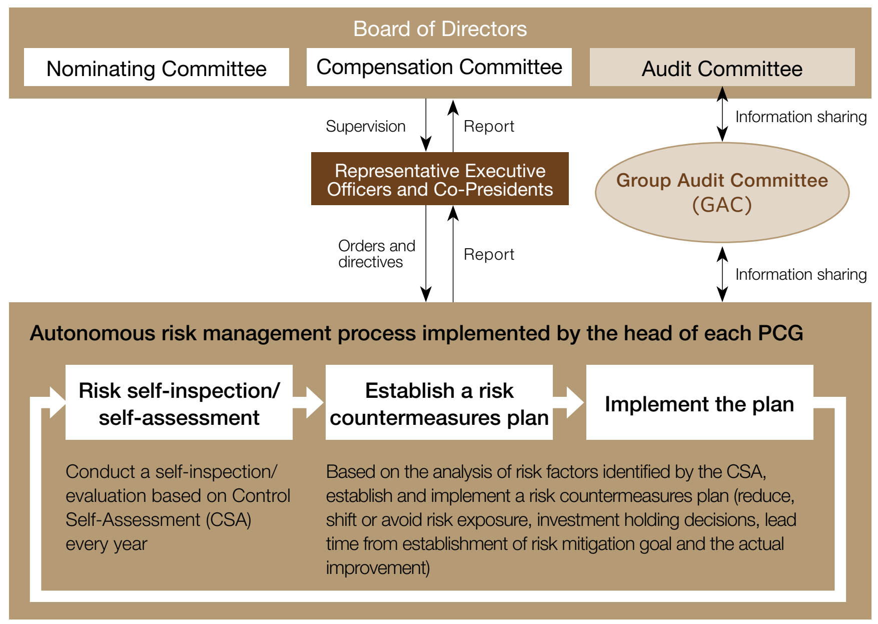
Results of CSA are reported to Co-Presidents, who, based on this information, grasp risk factors at our Group in individual regions and businesses. Then Co-Presidents perform effective monitoring by attending important management meetings of the PCGs and other activities and give the PCGs directions for responses against the identified risks.

Through these activities, if Co-Presidents identify risk factors that apply to our entire Group and require unified measures by all PCGs, Co-Presidents hold the Risk Management Committee to discuss and make decisions about countermeasures.

Co-Presidents report the results of this risk analysis to the Audit Committee and the Board of Directors. In addition, the results are discussed at the GAC, which brings together the heads of risk management and internal audit units of each PCG. These meetings function also as a forum for sharing information about best practices for countermeasures.

Separately from these activities, for certain events, a framework is in place for sharing information with Co-Presidents about certain events in a timely or prompt manner. One is for incidents with an impact beyond a pre-determined level. Another is for incidents or emergence of a risk that affect the whole Group, such as a disaster of some type, environmental pollution, product liability issue, quality problem, fraud or other event. This system enables Co-Presidents, when necessary, to give orders covering the entire group.

The group risk management process



Actions for high-sensitivity risk factors (high-risk items) at our Group

The Company compiles the results of the CSA performed by the heads of PCGs every year and identifies/analyzes risk factors designated as “high” for that year based on their considerations of the status in our Group, social environment and other factors. A summary of FY2022 risk is shown below. Each PCG is taking necessary actions as shown in the following table.

- Although high-risk items are currently almost the same as in FY2021, the level of risk sensitivity has changed for individual items.
- Compared with FY2021, when there were imminent and significant risks involving the possible disruption of raw material procurements and other problems caused by the pandemic and political instability, sensitivity has increased in FY2022 concerning Business Continuity Plan (BCP) for drastic increase in raw material costs in the medium to long term as well as supply chain risks in the logistics.
- As M&A activity has enlarged our Group’s portfolio, we have been seeing an increase in closer ties among the brands, technologies and know-how of group companies. As a result, a suitable framework is required with regard to risk concerning international taxation that includes compliance with revisions of tax laws in countries worldwide, but ongoing collaborations and other measures involving the PCGs have reduced the sensitivity to this risk.

Risk heat map

High risk sensitivity items in FY2022	Change in risk sensitivity (vs FY2021)	Description of risk and major countermeasures
Risk related to human capital	Slightly higher	**Succession for management teams of the Group** (Actions) · Planning and taking actions on succession plans based on the future business plans of individual PCGs · Co-Presidents supervise succession plans for key management personnel of each PCG as an important management issue and Co-Presidents provide information about these plans to the Nominating Committee and Compensation Committee.
Risk related to business continuity plan	Slightly higher	**BCP concerning the drastic increase in raw materials costs worldwide, foreign exchange fluctuation, political instability, the pandemic, natural disasters, IT security, etc.** (Actions) · Each PCG created and updated its BCP, conducted necessary drills and education programs for its employees to promptly respond to various risks such as natural disasters, changes in geopolitical situations, foreign exchange impact, IT security risk, etc.
Compliance Risk	Higher	**Risk factors such as information leakage and misconduct of employees, which are becoming more serious social issues** (Actions) · We have established “Nippon Paint Group Global Code of Conduct” to set out standards/requirements of compliance/ethics rules and Sustainability that applies to global group companies. And as a part of risk management activities, all PCGs are using autonomous risk self-inspections, self-assessments and other activities for monitoring compliance with the Global Code of Conduct. · Through the Whistleblowing Hotline of PCGs as well, reports have been made of compliance problems. PCGs that experienced such reporting are taking appropriate actions including employee training programs.
Supply chain risk	Significantly higher	**More efficient management of inventory and logistics, stricter credit management, etc.** (Actions) · To reduce risk in product supply arising from the dramatic increase in raw material costs and the change in raw material supply chain, each PCG is swiftly and appropriately taking actions by changing its raw materials, its product mixes, raising product prices and increasing the efficiency of logistics. · Converting risks to opportunities by taking actions in every process to avoid or mitigate the risks and by optimizing the supply chain.
Risk involved in international taxation	Significantly higher	**International taxation and other issues associated with closer ties among our Group’s brands, technologies, etc.** (Actions) · We have started to rebuild the framework for proper international transactions based on the tax rules and guidelines of individual countries.

Global Code of Conduct

In January 2022, the NPHD Group enacted Nippon Paint Group Global Code of Conduct to set out standards/requirements of compliance/ethics rules and Sustainability that apply to global group companies. The code has been refined*3 by each PCG for the purpose of applying these guidelines in a manner that matches the business climates of different regions. As a result, with the leadership of Co-Presidents, the code has been embraced by group companies in each country and region.

*3 DuluxGroup Code of Conduct
https://www.duluxgroup.com.au/media/wfffcpd4/duluxgroup-code-of-conduct-2022.pdf

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.

Whistleblowing hotline

In association with the update of the Basic Policy on Internal Control System, Nippon Paint Group started using in January 2022 a Global Basic Policy of Whistleblowing Hotline.

In accordance with Nippon Paint Group Global Code of Conduct and this Policy, we require confidentiality and prohibit unfair treatment of whistleblowers. Each PCG has autonomously established a Whistleblowing Hotline based on this policy, made people aware of this system, and this system has properly been operated.

Based on this Policy, each head of PCG submits a Whistleblowing Hotline operations status report once every year to the NPHD internal controls and internal audit sections. The Audit Committee and Board of Directors also receive these reports.

In addition to these activities, Co-Presidents, in a prompt or timely manner, receive information about whistleblowing reports concerning serious violations of laws and regulations, scandals, violations of laws and regulations by the management team of each PCG, other misconduct, or specific information about the possibility of this type of event. This reporting system enables Co-Presidents to quickly give orders for responding to these events as required.

During FY2022, internal investigations were made for 62 cases at group companies in response to whistleblowing reports. Depending on the nature of the report, the departments in charge at the PCG where the whistleblowing report was received, investigate, analyze and take necessary actions. These actions for preventing violation or other improper conduct include organizational measures, and employee training.

Whistleblowing reports received in FY2022	Number of reports
Working environment (industrial accidents, harassment, discrimination, etc.)	40
Loss of assets/Leakage of information (conflict of interest, embezzlement, illegal use of data, etc.)	8
Accounting fraud	2
Violations of laws and regulations (anti-trust law violations, insider trading, bribery, business laws violations, etc.)	7
Others	5
Total	62

Directors and Executive Officers

(As of June 30, 2023)

■ Nominating Committee ■ Compensation Committee ■ Audit Committee

■ 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/

Directors

Yuichiro Wakatsuki

Director
Representative Executive Officer & Co-President

Date of birth: August 28, 1966
Number of shares held:
180,110 shares

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.). He led the company's M&A advisory services, including M&A strategy and fund procurement of clients, first as the Head of Japan Mergers and Acquisitions and later as the Director and Vice Chairman of Japan Investment Banking.
In 2019, he joined Nippon Paint Holdings and served as Senior Managing Corporate Officer and CFO, and has been leading execution as Representative Executive Officer & Co-President since 2021.

Wee Siew Kim

Director
Representative Executive Officer & Co-President

Date of birth: August 19, 1960
Number of shares held:
100,000 shares

Prior to his current position, Wee Siew Kim was Deputy CEO of Singapore Technologies Engineering Ltd., which is an aerospace and defense engineering company. From 2001 to 2011, he was a Member of Parliament in Singapore. Since his appointment as the Group Chief Executive Officer of NIPSEA Group in 2009, he has driven growth of the group to become the core business of Nippon Paint Group. Since 2021, he has been leading execution of Nippon Paint Group as Representative Executive Officer & Co-President of NPHD.

Goh Hup Jin

Chairman
■ ■

Born on April 6, 1953
Number of shares held: —

Goh Hup Jin is the Managing Director of Wuthelam Holdings, the parent company of NPHD. Under his initiative, the joint venture between Wuthelam and NPHD expanded operations into China in 1992 ahead of other major paint and coatings manufacturers, and has grown into the Group's core business. His excellent management skills have earned the Nippon Paint brand a high level of recognition mainly in the decorative paints area in other parts of Asia as well and deep market penetration across markets where the Group operates.

Hisashi Hara

Independent Director
■ (Chairperson)

Born on July 3, 1947
Number of shares held:
100,215 shares

With a career of over 40 years as an attorney, Hisashi Hara has been involved in numerous cross-border M&A deals and has assisted in various corporate legal matters. In 2011, he received the Chambers Asia-Pacific Lifetime Achievement Award from Chambers Partners, which is just one of many commendations in recognition of his good reputation as an attorney involved in cross-border M&A deals.

Peter M Kirby

Independent Director
■

Date of birth: August 2, 1947
Number of shares held:
36,800 shares

Peter M Kirby has experience of managing global paint and coatings companies, including Chairman and CEO of ICI Paints Worldwide. He subsequently assisted the management team of DuluxGroup (then Orica's subsidiary and currently NPHD's subsidiary) as Independent Director and Board Chairman. He also served as Independent Director at corporations and investment banks in the U.S. and Australia.

Lim Hwee Hua

Independent Director
■ (Chairperson)

Date of birth: February 26, 1959
Number of shares held:
36,800 shares

Following her election to the Parliament of Singapore, Lim Hwee Hua held several important positions and cabinet posts in the Singapore Government. Prior to joining the Singapore Cabinet, she served as Managing Director at an investment company owned by the Singapore Government, where she executed restructuring and strategic relations with foreign countries. She has been involved in private equity activity such as Kohlberg Kravis Roberts.

Masataka Mitsuhashi

Independent Director
■ (Chairperson)

Date of birth: September 30, 1957
Number of shares held:
63,089 shares

Masataka Mitsuhashi has many years of extensive experience as a certified public accountant at PwC Japan Group, where he was engaged in accounting audit and M&A-related activities. He also has specialized and global knowledge and experience in long-term value creation for companies from an ESG perspective as Representative Director of a consulting firm.

Toshio Morohoshi

Independent Director
■ ■

Date of birth: August 24, 1953
Number of shares held:
83,089 shares

Toshio Morohoshi was formerly involved in the management of Fujitsu Limited, Japan's leading global electronics company, and managed multiple global IT companies and Japanese listed companies as Representative Director and President. He has expertise in transformation of business models, processes, and corporate cultures as well as international business based on his more than 20 years of corporate management around the world and extensive global top management experience.

Masayoshi Nakamura

Lead Independent Director
Board Chair
■ ■

Date of birth: November 10, 1954
Number of shares held:
96,296 shares

Masayoshi Nakamura has more than 30 years of experience as a specialized professional in M&A advisory and capital market financing at major US investment banks Lehman Brothers and Morgan Stanley, as well as at other investment banks and Mitsubishi UFJ Securities (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.). He has experience and a track record in successfully executing numerous large-scale cross-border M&A deals.

Executive Officers

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

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

Yuri Inoue
Managing Executive Officer, GC

Key Financial Data Over 11 Years

Nippon Paint Holdings Co., Ltd. and consolidated subsidiaries
NPHD changed its fiscal year-end from March 31 to December 31 beginning with the fiscal year ended December 31, 2016. Accordingly, the consolidated period for the fiscal year ended December 31, 2016 was the nine months that started on April 1, 2016 and ended on December 31, 2016.
NPHD adopted the International Financial Reporting Standards (IFRS) starting with the fiscal year ended December 31, 2018. The figures for FY2018 onwards are IFRS based.

For more information, see "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.

JGAAP

Financial indicators	2012/3	2013/3	2014/3	2015/3	2016/3	2016/12	2017/12
Fiscal year (Million yen)							
Net sales	222,256	233,380	260,578	260,590	535,746	470,161	605,252
Gross profit	73,329	82,038	93,640	92,550	223,343	204,875	245,196
Operating income	16,323	25,860	33,387	33,751	71,352	72,489	74,957
Profit attributable to owners of parent	12,312	20,018	32,156	181,477	30,020	34,788	37,123
EBITDA*3	24,626	33,093	40,438	40,722	97,885	95,382	104,405
Capital expenditures	3,553	5,107	5,980	5,130	19,034	21,019	24,814
Depreciation and amortization	8,302	7,233	7,051	6,970	26,533	22,892	29,447
R&D expenses	6,573	6,018	5,915	5,987	15,177	12,037	14,814
Cash flow (Million yen)							
Cash flow from operating activities	22,483	31,848	26,920	34,419	63,101	77,916	79,265
Cash flow from investing activities	(3,713)	(6,918)	(7,173)	(86,966)	(5,308)	(42,697)	(100,680)
Cash flow from financing activities	(11,942)	(18,744)	(21,034)	85,298	(24,699)	(8,583)	(11,434)
Free cash flow	18,769	24,929	19,746	(52,547)	57,793	35,218	(21,414)
Fiscal year end (Million yen)							
Total assets	274,105	287,992	324,028	810,727	791,459	827,996	920,591
Total liabilities	128,723	115,967	116,312	220,804	223,710	242,238	291,182
Shareholders' equity	149,784	166,881	188,782	465,513	474,989	496,944	521,040
Total net assets	145,382	172,024	207,715	589,923	567,748	585,757	629,408
Net debt*4	4,898	(18,582)	(30,844)	(105,959)	(102,442)	(140,895)	(72,866)
Per share information (Yen)							
Earnings per share (EPS)*6	46.51	75.62	122.47	650.04	93.61	108.48	115.76
Book-value per share (BPS)	514.45	609.20	746.25	1,496.16	1,464.06	1,475.93	1,572.60
Annual dividends per share	9.00	14.00	20.00	22.00	35.00	40.00	42.00
Financial indicators							
Operating income margin (%)	7.3	11.1	12.8	13.0	13.3	15.4	12.4
EBITDA margin (%)	11.1	14.2	15.5	15.6	18.3	20.3	17.2
Return on equity (ROE) (%)	9.3	13.5	18.1	53.8	6.3	7.4	7.6
Return on assets (ROA) (%)	4.6	7.1	10.5	32.0	3.8	4.3	4.3
Return on invested capital (ROIC) (%)*7	6.9	11.3	15.2	9.5	10.3	11.7	11.5
D/E ratio (times)	0.30	0.16	0.09	0.06	0.09	0.10	0.14
Net D/E ratio (times)	0.04	(0.12)	(0.16)	(0.22)	(0.22)	(0.30)	(0.14)
Dividend payout ratio (%)*8	—	—	—	—	27.8	29.1	27.6
Total shareholder return (TSR) (%)	—	—	—	—	—	—	113.2
Price-earnings ratio (PER) (times)	13.5	12.4	12.8	6.8	26.7	29.4	30.8
Price book-value ratio (PBR) (times)*9	1.2	1.5	2.1	2.9	1.7	2.2	2.3
Net debt/EBITDA	0.2	(0.6)	(0.8)	(2.6)	(1.1)	(1.5)	(0.7)

*1 The earnings for FY2020 and FY2021 have been adjusted retrospectively following the classification of the European automotive coatings business and the India businesses 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 FY2021 4Q.
*2 Hyperinflationary accounting has been applied for Turkish subsidiaries in accordance with IAS 29 beginning with FY2022 2Q, and the earnings for FY2022 reflect the application of this accounting policy.
*3 EBITDA: Operating profit + depreciation and amortization + impairment loss + gain on negative goodwill
*4 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))

IFRS

	2018/12	2019/12	2020/12 *1	2021/12 *1	2022/12 *2
Fiscal year (Million yen)					
Revenue	627,670	692,009	772,560	998,276	**1,309,021**
Gross profit	242,164	275,649	321,224	378,323	**487,534**
Operating profit	86,542	78,060	87,594	87,615	**111,882**
Profit attributable to owners of parent	45,351	36,717	43,921	67,569	**79,418**
EBITDA*3	104,965	115,145	117,312	120,421	**159,863**
Capital expenditures	22,453	35,263	36,767	49,513	**49,820**
Depreciation and amortization	18,390	25,769	29,446	33,889	**47,116**
R&D expenses	16,997	17,416	17,462	24,251	**28,106**
Cash flow (Million yen)					
Cash flow from operating activities	61,533	92,076	87,633	67,428	**112,351**
Cash flow from investing activities	(37,439)	(352,769)	(35,440)	(102,355)	**(165,107)**
Cash flow from financing activities	6,228	254,018	60,869	(62,309)	**145,767**
Free cash flow	24,093	(260,693)	52,192	(34,927)	**(52,756)**
Fiscal year end (Million yen)					
Total assets	953,988	1,478,646	1,614,580	1,955,083	**2,442,340**
Total liabilities	306,370	790,667	915,578	986,388	**1,286,982**
Total equity attributable to owners of parent	520,047	552,922	567,594	959,518	**1,148,824**
Total equity	647,618	687,979	699,002	968,694	**1,155,358**
Net debt*4	(89,335)	310,890	309,162	429,287	**574,386**
Per share information (Yen)*5					
Basic earnings per share (EPS)*6	28.28	22.90	27.38	29.41	**33.82**
Book-value per share (BPS)	324.31	344.75	353.80	408.61	**489.19**
Annual dividends per share	9.00	9.00	9.00	10.00	**11.00**
Financial indicators					
Operating profit margin (%)	13.8	11.3	11.3	8.8	**8.5**
EBITDA margin (%)	16.7	16.6	15.2	12.1	**12.2**
Return on equity (ROE) (%)	8.8	6.8	7.8	8.8	**7.5**
Return on assets (ROA) (%)	4.8	3.0	2.8	3.8	**3.6**
Return on invested capital (ROIC) (%)*7	11.5	7.1	6.8	5.7	**5.4**
D/E ratio (times)	0.19	0.90	1.07	0.63	**0.73**
Net D/E ratio (times)	(0.17)	0.56	0.54	0.45	**0.50**
Dividend payout ratio (%)*8	31.8	39.3	32.9	34.0	**32.5**
Total shareholder return (TSR) (%)	106.7	160.7	321.6	181.1	**152.5**
Price-earnings ratio (PER) (times)	26.6	49.3	82.8	42.6	**30.7**
Price book-value ratio (PBR) (times)*9	2.3	3.3	6.4	3.1	**2.1**
Net debt/EBITDA	(0.9)	2.7	2.6	3.6	**3.6**

*5 A five-for-one stock split of shares of common stock of NPHD 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 FY2018. Annual dividends per share in FY2020 is the actual amount of dividend paid before the stock split.
*6 Profit attributable to shareholders per share (EPS) and profit attributable to owners of parent per share (EPS) are calculated by subtracting the number of treasury stock from the total number of issued shares.
*7 ROIC (JGAAP): Operating profit after tax / (net debt + total net assets); ROIC (IFRS): Operating profit after tax / (net debt + total equity)
*8 Dividend payout ratio for FY2017 is JGAAP-based figures calculated after adjusting for amortization of goodwill.
*9 PBR: Share price / book-value per share (BPS)

11-year Data by Segment

Nippon Paint Holdings Co., Ltd. and consolidated subsidiaries
NPHD changed its fiscal year-end from March 31 to December 31 beginning with the fiscal year ended December 31, 2016. Accordingly, the consolidated period for the fiscal year ended December 31, 2016 was the nine months that started on April 1, 2016 and ended on December 31, 2016.

NPHD adopted the International Financial Reporting Standards (IFRS) starting with the fiscal year ended December 31, 2018. The figures for FY2018 onwards are IFRS based.
NPHD changed its reportable segments to segments divided by management unit or region with a manufacturing and sales structure as a base beginning with the fiscal year ended December 31, 2022.

For more information, see "Overview and Updates on Medium-Term Plan (FY2021-2023)" on page 51.

The former reportable segments

JGAAP

By region	2012/3	2013/3	2014/3	2015/3	2016/3	2016/12	2017/12
Japan							
Net sales (Billion yen)	172.3	174.5	187.5	187.2	174.3	127.9	175.9
Operating income (Billion yen)	15.3	22.4	27.0	26.4	29.2	24.3	30.6
Number of employees (persons)	3,139	3,074	2,983	2,886	2,935	3,005	3,013
Asia							
Net sales (Billion yen)	32.4	37.1	45.7	43.9	317.4	297.5	347.0
Operating income (Billion yen)	1.4	2.4	4.3	4.5	37.7	43.3	40.8
Number of employees (persons)	2,057	2,173	2,214	12,282	12,617	12,793	14,449
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)	15.1	19.1	23.6	25.8	33.2	32.2	68.2
Operating income (Billion yen)	(0.3)	0.9	2.0	2.7	5.2	5.1	3.2
Number of employees (persons)	510	585	502	525	536	627	2,407
Other							
Net sales (Billion yen)	2.5	2.7	3.8	3.7	10.9	12.6	14.1
Operating income (Billion yen)	(0.0)	(0.1)	0.1	0.1	(0.9)	(0.4)	0.2
Number of employees (persons)	56	56	56	87	410	447	388

The former reportable segments

IFRS

By region	2018/12 [*1]	2019/12 [*1]	2020/12 [*2]	2021/12 [*2]
Japan				
Revenue (Billion yen)	182.8	182.6	162.0	164.6
Operating profit (Billion yen)	29.6	23.4	16.1	10.3
Number of employees (persons)	3,223	3,373	3,510	3,294
Asia				
Revenue (Billion yen)	355.7	359.2	354.5	530.2
Operating profit (Billion yen)	52.4	50.8	55.3	60.9
Number of employees (persons)	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)	75.2	74.6	70.1	76.4
Operating profit (Billion yen)	5.0	5.0	4.5	3.6
Number of employees (persons)	2,492	2,640	2,581	2,576
Other				
Revenue (Billion yen)	13.9	28.0	37.6	50.8
Operating profit (Billion yen)	(0.5)	(7.0)	(5.4)	(7.1)
Number of employees (persons)	400	1,919	2,047	1,793
Consolidated total (Common) [*5]				
Number of employees (persons)	—	—	—	404

The new reportable segments

IFRS

By region	2021/12 [*2]	2022/12
Japan [*3]		
Revenue (Billion yen)	174.0	**186.1**
Operating profit (Billion yen)	0.95	**0.53**
Number of employees (persons)	—	**3,612**
NIPSEA [*4]		
Revenue (Billion yen)	571.6	**708.5**
Operating profit (Billion yen)	68.8	**72.7**
Number of employees (persons)	—	**19,819**
NIPSEA China		
Revenue (Billion yen)	379.1	**450.7**
Operating profit (Billion yen)	35.9	**34.9**
NIPSEA (NIPSEA Except China) [*4]		
Revenue (Billion yen)	192.5	**257.8**
Operating profit (Billion yen)	33.0	**37.8**
DuluxGroup		
Revenue (Billion yen)	176.2	**314.9**
Operating profit (Billion yen)	19.0	**29.7**
Number of employees (persons)	—	**7,851**
Americas		
Revenue (Billion yen)	76.4	**99.5**
Operating profit (Billion yen)	3.6	**8.1**
Number of employees (persons)	—	**2,430**
Consolidated total (Common) [*5]		
Number of employees (persons)	—	**51**

By business	2012/3	2013/3	2014/3	2015/3	2016/3	2016/12	2017/12
Net sales (Billion yen)							
Automotive coatings business	72.4	81.3	92.5	93.4	138.8	129.0	148.4
Decorative paints (including heavy duty) business	39.8	43.8	50.1	45.8	253.4	226.2	308.8
Industrial coatings business	42.1	43.6	47.6	46.4	68.3	58.4	73.0
Fine chemicals business	13.4	13.0	14.6	15.5	17.4	15.6	18.9
Others (marine & auto refinishes, etc.) business	54.5	51.7	55.8	59.5	58.0	40.9	56.0

By business	2018/12	2019/12	2020/12 [*2]	2021/12 [*2]
Revenue (Billion yen)				
Paint and coatings business	627.7	666.5	695.9	899.3
Automotive coatings business	160.2	149.6	113.5	132.7
Decorative paints (including heavy duty) business	322.5	370.7	440.9	607.1
Industrial coatings business	68.8	70.2	69.1	84.8
Fine chemicals business	19.4	18.9	15.6	16.4
Others (marine & auto refinishes, etc.) business	56.8	57.0	56.7	58.3
Adjacencies business	—	25.5	76.7	99.0

By business	2021/12 [*2]	2022/12
Revenue (Billion yen)		
Paint and coatings business	899.3	**1,174.0**
Automotive coatings business	132.7	**163.8**
Decorative paints (including heavy duty) business	607.1	**827.5**
Industrial coatings business	84.8	**95.4**
Fine chemicals business	16.4	**18.9**
Others (marine & auto refinishes, etc.) business	58.3	**68.2**
Adjacencies business	99.0	**135.1**

*1 Operating profit in the Japan segment excludes the dividends received from overseas Group partner companies.
*2 The earnings for FY2020 and FY2021 have been adjusted retrospectively following the classification of the European automotive coatings business and the India businesses 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 FY2021 4Q.
*3 The Japan segment under the new reportable segments include the overseas marine business.
*4 Hyperinflationary accounting has been applied for Turkish subsidiaries in accordance with IAS 29 beginning with FY2022 4Q, and the earnings for FY2022 reflect the application of this accounting policy.
*5 The number of employees of NPHD, which was previously included in the Japan segment, has been included in the consolidated total (common) since FY2021.
Following the company split into NPHD, the holding company, and Nippon Paint Corporate Solutions Co., Ltd. (NPCS), the Japan-focused functional company, NPHD's employees were transferred to NPDS. The number of employees of NPCS is included in Japan segment.

Key Non-Financial Data

Non-financial indicators	2018/12	2019/12	2020/12	2021/12	2022/12
Human resources/organizations (Human capital)					
Number of Directors of the Board (persons)*1	10	11	9	8	11
Ratio of Independent Directors of the Board (%)*1	50.0	45.5	66.7	75.0	72.7
Number of employees (persons)	20,402	25,970	27,318	30,247	33,763
Ratio of overseas employees (%)	84.2	87.0	87.2	87.8	89.2
Ratio of female employees (Global) (%)	—	—	24.0	25.9	26.6
Ratio of women in managerial positions (Global) (%)*2	—	—	23.8	23.0	24.8
Ratio of women in managerial positions in Group companies (Japan Group) (%)	4.1	4.3	4.9	6.2	5.4
Percentage of male employees who used parental leave (Japan Group) (%)	—	—	6.8	16.0	51.4
Lost workday case rate (Global) (per 200,000 hrs)*3	—	0.51	0.39	0.38	0.50
Recordable case rate (Global) (per 200,000 hrs)*3	—	1.29	1.08	0.91	0.90
Number of fatalities (Global)*3	0	0	0	2	0
Employee satisfaction levels (Japan Group) (%)	82	83	90	89	81
Technologies (Manufactured capital)					
New Product Sales Index (NPSI) (Japan Group and NIPSEA Group) (%)	—	—	—	21.1	20.0
Technical staff (Global) (persons)	3,085	3,545	3,873	3,421	3,895
Granted patents (Global) (cases)	—	—	—	1,000	1,508
Customer base (Social and relationship capital)					
Number of countries/regions where Nippon Paint Group has the No.1 market share in decorative paints	5	8	8	8	13
Brands (Intellectual capital)					
Expenses for investment in social contributions (USD million)	—	—	14.60	7.08	7.75
Nature/environment (Natural capital)					
Greenhouse gas emissions (Scope 1 and 2) (Global) (kg/t)*4	—	54.3	51.1	48.8	55.6
Renewable energy consumption (%)*5	—	0.1	0.2	0.5	4.6
Renewable electricity consumption (%)*5	—	0.3	0.4	1.0	10.3
Greenhouse gas emissions (Scope 1 and 2) (Japan Group) (kg/t)	36,430	45,714	42,374	43,016	41,513
Greenhouse gas emissions (Scope 3) (Japan group) (million t-CO_2)	—	—	1.0	1.3	1.2
Greenhouse gas emissions (Scope 3) (DuluxGroup (Pacific)) (million t-CO_2)	—	1.0	1.0	1.0	1.0
Energy consumption (Global) (GJ/t)*3	—	0.47	0.45	0.40	0.51
Waste generated (Global) (kg/t)*6	—	11.3	10.1	11.1	15.9
Waste recovered (Global) (kg/t)*7	—	6.0	4.5	4.5	6.3
Waste recovered (Global) (%)*7	—	53	45	41	42
Hazardous waste generated (Global) (%)*6	—	45	42	37	33
Water withdrawal (Global) (kL/t)*3	—	0.69	0.56	0.54	0.58
Water consumed (Global) (kL/t)*6	—	0.44	0.33	0.36	0.39
Ratio of water-based paints in decorative paints business (Global)*8 (%)	83.8	86.7	87.5	89.9	82.2

*1 Number of 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 Directors in office on or after April 28, 2021
*2 Including Nippon Paint Holdings (NPHD)
*3 The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards
*4 The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology beginning in FY2022 and excluding JUB)
*5 The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022)
*6 The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)
*7 The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (excluding Cromology and including JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)
*8 From FY2019 to FY2022, calculated based on shipment volume; starting in FY2022, based on sales volume
The scope of coverage: NPTU, NIPSEA, Dunn-Edwards, DuluxGroup (beginning in FY2019), Cromology and JUB (beginning in FY2022)

Status of Inclusion in Indexes/External Evaluation

General

Selected for the second consecutive year as a constituent of the MSCI Japan ESG Select Leaders Index (June 2023)

2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

Selected for the second consecutive year as a constituent of the FTSE Blossom Japan Sector Relative Index (June 2023)
Selected for the second consecutive year as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index (June 2023)

FTSE4Good | FTSE Blossom Japan Index | FTSE Blossom Japan Sector Relative Index

Selected for the 12th consecutive year as a constituent of the SOMPO Sustainability Index (June 2023)

2023 Sompo Sustainability Index

Human resources/organizations

Selected for the first time as a constituent stock of the Morningstar Japan ex-REIT Gender Diversity Tilt Index (June 2023)

Selected for the fourth consecutive year as a constituent of the MSCI Japan Empowering Women Index (WIN) (June 2023)

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

Technologies

Received the Special Prize in the renovation category and the interior wall paint category of the 25th Good Painting Color (GPC) Environment Color Competition (January 2023)

Received the Environmental Technology Award 2020 for technology to develop high-durability heat shield coating for road surfaces (May 2021)

Received the GREEN4SEA Technology Award for AQUATERRAS antifouling paint (April 2021)

External partners

Received the Special Excellence Award (Quality Management) from Toyota Housing Corporation for the 12th consecutive year (May 2023)

Customer base

Selected for the 12th consecutive year as the No. 1 paint brand by the top 500 Chinese real estate developers (March 2023)

Selected as influential brand among the nation/consumers in 2022 (December 2022)

Brands

Nippon Paint China was selected for the second consecutive year among Brand Finance's Top 10 Most Valuable Paint Brands in the World (June 2023)

Selected as No. 1 wall paint brand for the seventh consecutive year and as No. 1 wood paint brand for the 11th consecutive year in the China Brand Index (C-BPI) (April 2023)

Several DuluxGroup brands recognized as Australia's Most Trusted Brands (April 2023)

Awarded the 1st place in the wall paint category and the wood paint category of China Net Promote Score (C-NPS) (January 2023)

Financial base

Selected for the ninth consecutive year as a constituent of the JPX-Nikkei Index 400 (August 2023)

Selected as a constituent stock of JPX Prime 150 Index (May 2023)

Nature/environment

Selected for the sixth consecutive year as a constituent of the S&P/JPX Carbon Efficient Index (June 2023)

Corporate, Stock, Ratings and Stock Price Information (as of December 31, 2022)

Corporate Profile

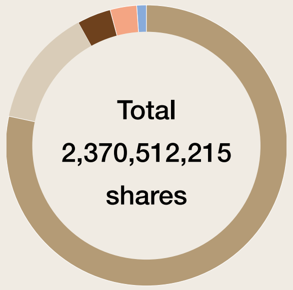
Trade name	Nippon Paint Holdings Co., Ltd.	**Founded**	March 14, 1881
Head Office	Tokyo Head Office MUSEUM TOWER KYOBASHI, 14th floor, 1-7-2 Kyobashi, Chuo-ku, Tokyo, Japan Tel: (+81) 3-6433-0711	**Capital**	671,432 million yen
		Number of employees	33,763 (consolidated)
	Osaka Head Office 2-1-2 Oyodo Kita, Kita-ku, Osaka-shi, Osaka, Japan Tel: (+81) 6-6458-1111	**Fiscal year**	January 1 to December 31

Stock Information (as of December 31, 2022)

Total number of authorized shares	5,000,000,000
Total number of issued shares	2,370,512,215
Number of shareholders	16,109

Distribution by type of shareholders (ratio of the shares owned)

Foreign investors	79.69%
Financial institutions	12.91%
Individual and other investor	3.79%
Other Japanese corporations	2.91%
Financial instruments business operators	0.70%



*1 The treasury stock of 22,036,217 shares is included in "Individuals and other investors."

Major shareholders

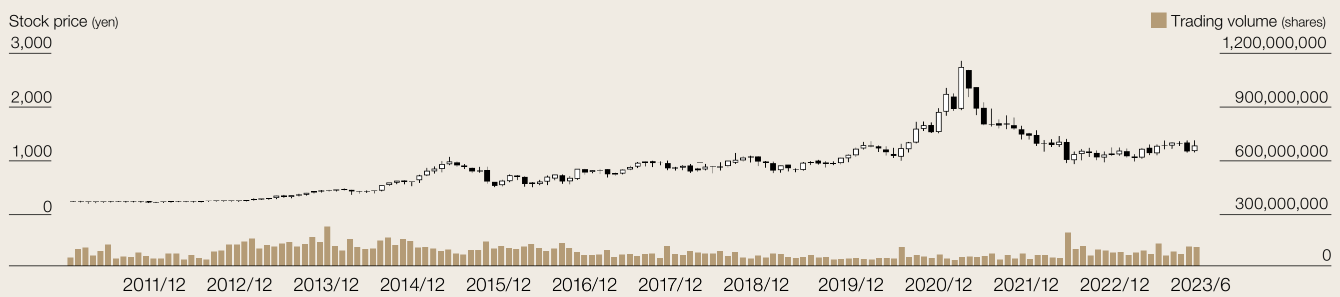
Name	Number of shares (thousands)	Shareholding ratio (%)
Nipsea International Limited	1,293,030	55.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	134,787	5.73
Fraser (HK) Limited	85,000	3.61
CLEARSTREAM BANKING S. A.	84,478	3.59
HSBC BANK PLC A/C CLIENTS 3	76,244	3.24
Nippon Life Insurance Company	51,381	2.18
Custody Bank of Japan, Ltd. (Trust Account)	43,827	1.86
GIC PRIVATE LIMITED - C	41,942	1.78
The Master Trust Bank of Japan, Ltd. (Toyota Motor Account)	25,547	1.08
GOLDMAN SACHS INTERNATIONAL	20,973	0.89

*1 The shareholding ratio is calculated exclusive of treasury stock (22,036,217 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.

Ratings Information (as of June 30, 2023)

Institution	Rating	Rating Outlook
R&I Rating	A	Stable

Stock Price Information



Stock price and volume chart

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Stock price at December 31 (yen)	350	704	592	637	713	752	1,128	2,266	1,254	1,039
Year-to-date high (yen)	353	764	972	745	904	1,046	1,270	2,796	2,292	1,314
Year-to-date low (yen)	150	260	407	402	619	668	687	906	1,078	843
Annual trading volume (shares)	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	1,040,218,600

* 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 2011.

Pick up!

Introducing our website

Q & A with Independent Director

Our Governance Issues and Challenges

What do you as the Board Chair regard as the biggest governance issue and challenge at Nippon Paint Group?

I believe the biggest governance issue and challenge at Nippon Paint Group is whether the management team can continue to boldly take risks in a timely and appropriate manner for achieving Maximization of Shareholder Value (MSV).

Our Asset Assembler model upheld by Co-Presidents pursues MSV based on autonomous and decentralized management built on mutual trust, which is a refinement of our previous business model called the Spider Web Management. Based on this model, we are aiming for more growth of existing businesses and making acquisitions to create additional opportunities for growth in the future by adding to our Group more high-quality businesses led by talented management teams.

Under leadership of Co-Presidents, the management of our partner companies, which are our existing assets, manage their operations with agility in the current very challenging business climate. Directors must fully understand the intent of proposals submitted by management and properly perform their supervision and support roles in order to avoid hindering the speed of decision making. In addition, Directors must constantly share their views and goals regarding the acquisition strategy with the management team so as not to miss an opportunity to add a new asset. The right path to pursue MSV is to aim for increasing the value of existing assets and adding new assets with strict adherence to financial discipline while making efforts to further deepen understanding of our Group by the capital markets.

Mutual trust between the parties performing the supervisory function in the Board of Directors and the management team, which conducts business operations, is essential for accomplishing this process. As a Company with Three Committees (Nominating, Compensation and Audit), Nippon Paint Holdings (NPHD) delegates significant authority to the management team. Naturally, the delegation of authority is premised on the Board's confidence in the management team. Without this confidence, Directors would be required to closely analyze and manage risks associated with every proposal, resulting in excessive involvement in business decisions. This would slow down decision making, which could cause us to miss opportunities for growth.

For more information, see the "Q&A with Independent Director" on our corporate website.

https://www.nipponpaint-holdings.com/en/sustainability/governance/q-and-a/

Key themes	Contents
Asset Assembler Model	· You have explained that the holding company has sound check and balance and monitoring functions for partner companies based on Asset Assembler model. What do you think is necessary for the soundness of checks and balances? Are there any risks that have been overlooked in your existing risk management framework?
The Co-President Structure	· What do you think are the background and reasons for adopting the Co-President structure and the strengths and superiorities of the current management structure? Has the management team been able to make decisions quickly following the shift to the Co-President structure?
The Roles and Contributions of Independent Directors	· Independent Directors cannot serve as representatives of shareholders without understanding shareholders' views and thoughts. How do you constantly obtain shareholders' opinions and reflect them in the activities of Independent Directors? · The executives who conduct business operations have the goal of speeding up business activities by using the shift to an autonomous management framework to strengthen Nippon Paint Group's centrifugal forces. As an Independent Director, how do you perform your management checking role for every Group partner company while sharing information about strategies and other subjects with these companies?