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
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.

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.

MSV = M(EPS) × M(PER)

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

EPS

Organic (existing businesses)

Strive for market share & profitability

Inorganic (M&A)

Asset Assembler model

Balance sheet management

Communications with capital markets

Financial discipline

Nurture market expectation

Sustainability

Environment & Safety

People & Community

Innovation & Product Stewardship

Governance

Sustainable Procurement

Develop low-carbon/eco-friendly products

Recruit/train diverse employee

Develop sustainable products

Oversee management

Low-cost and sustainable procurement

Relentless pursuit of technologies, talents

Vigorous pursuit of higher quality, lower cost, capex efficiency

Rally targets to aspire to joining the federation

Strive to lower funding cost & risk, maintain high PER

Debt leverage with market acceptance

Equity financing with EPS accretion

Ingrain equity story

Increase engagement

Enhance disclosure materials

Our pursuit

Ensure safe people and operations

Earn the trust of stakeholders

Chemicals of concern

Encourage risk-taking

Reduce environmental and human rights risks

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

Environmental Strategy

Safe People and Operations

Message from Co-President Wee Human Resource Strategy

Growth with Communities

R&D Strategy

Corporate Governance

Risk Management

Sustainable Procurement

Message from Co-President Wakatsuki M&A Strategy

Accumulated Management Resources Strategy by Asset

Assets Assembled to Date M&A Strategy

Finance Strategy

Investor engagement

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MSV Logic Tree

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

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Message from Co-President Wakatsuki M&A Strategy

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Assets Assembled to Date M&A Strategy

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Investor engagement
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.
Integrated Report 2023 production process

<table>
<thead>
<tr>
<th>Do</th>
<th>Check</th>
<th>Plan</th>
<th>Act</th>
<th>Create</th>
<th>Do</th>
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<tbody>
<tr>
<td>Publication of the Integrated Report 2023 (August 31, 2022)</td>
<td>Conducted interviews of 40 institutional investors from 10 times to obtain their feedback and evaluations (October 2022)</td>
<td>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)</td>
<td>Conducted interviews of 37 institutional investors from 17 times based on Medium Term Plan (FY2021-2023) to planning meeting held in April 2023 and the draft plan for the Integrated Report 2023 (April 2023)</td>
<td>Created the Integrated Report 2023 mainly by the staff of Investor Relations Department, Sustainability, Strategy, and Corporate Governance Department based on interviews and information collection with the management and Group partner companies around the world (April-September 2023)</td>
<td>Publication of the Integrated Report 2023 (September 30, 2022)</td>
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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-President Yutaka 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.

Key content
- M&A
  - Our Finance and M&A Strategies
  - Progress of Structural Reforms in Japan Group and Roadmap for Improving Profitability Presented by Co-President Wakatsuki
  - Feature Article (1): M&A Success Case

- Human Capital
  - Sustainability as the Pre-requisite for MSV
  - Human Resource Strategy
  - Embracing Transformation and Changing Work Style

- 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, Perspectives of Independent Directors

- Our Independent Directors provide their thoughts about our Company’s appeal and challenges.
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

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

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 capital markets, 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 bureaucratic 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, establishing 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 DuKukGroup 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.


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 was 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 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 challenges 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 a

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Message from Co-President Wakatsuki
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 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 identifying companies with compelling appeal and effective leadership, and our superior management-class talents with just the right qualities. Furthermore, we maintain our respect for living by 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 appeal 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 AssetAssembler 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.

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.

The sustainability expectations from society are 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 emphasizes 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 CO2 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 CO2 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 CO2 emissions (Scope 3) across our supply chain. Environmental initiatives relate to our products while 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.

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

Message from Co-President Wakatsuki
Striving for continuous EPS growth by fostering a culture of embracing new challenges

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

<table>
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<th>Solid growth despite headwinds</th>
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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 ongoing efforts to foster a culture of embracing new challenges in our highly skilled and dedicated workforce will 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, relentless 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 enable us to deliver superior service, market knowledge, 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.


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 USD20 billion 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 knowledge 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 carried out NCPIs 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

Accelerating growth in China through innovation & diversification
Our Greater China businesses invariably attract 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, innovation 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 region 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. 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.

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.

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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.

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.

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

Message from the Management MSV - Our Sole Mission
Our Medium to Long-Term Management Strategy for Achieving MSV
Our Management Structure for Achieving MSV
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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.

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 “M & A Strategy” on page 71
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 63.

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 Q4.

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.

### NIPSEA Group

**Growth since the acquisition (FY2014)**

Since becoming a consolidated subsidiary in FY2014, NIPSEA Group has achieved significant 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) spirit, (3) Extensive base of production locations and distribution network, and (4) Competitive technologies. This strong growth at NIPSEA Group has driven earnings growth at 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 of its existing business as well through the deployment of the Selby’s brand of DuluxGroup and the acquisition of Vial Technical.

As a result, revenue has increased by 199.6% and operating profit by 213.3% since joining our Group.

### NIPSEA China (China)

Since its founding in 1992, NIPSEA China has grown to become a respected leader in the automotive 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 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 Tokyo. As a result, revenue increased by 24.0% to JPY70.5 bn.

Operating profit increased by 5.2% to JPY72.1 bn despite the material price inflation and credit loss provisions in China due to revenue growth and the flow-through of price increases.

### FY2022 results

- **Revenue/Operating profit (YoY/growth since acquisition)**: JPY70.5 bn (+24.0%/+199.5%) / JPY72.1 bn (+5.2%/+213.5%)

### 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 in China and strong sales in Tier 3-6 cities. Revenue in the TUC business decreased by 14% (in local currency) due to soft demand in the real-estate market. Automotive coatings revenue decreased due to weak sales in all business segments except coil coatings due to the pandemic. Consequently, revenue increased by 18.9% to JPY60.7 bn.

Operating profit decreased by 2.5% to JPY51.9 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.

### FY2022 results

- **Revenue/Operating profit/Market share (YoY/growth since acquisition)**: JPY51.9 bn (-2.5%/-12.0%) / 34% (+0 pp/+7 pp)

### NPHD (Asia)

NPHD (Asia)’s earnings have been leading the rapidly growing automotive coatings market in Asia and the driving engine of our Group’s growth. This group has been leading the market share in decorative paints in five countries.

**Growth since the acquisition (FY2014)**

Since becoming a consolidated subsidiary in FY2014, NPHD Group has achieved significant growth that significantly outperformed the market and competed by leveraging the following strengths: (1) Outstanding brand power, (2) Competitive workforce due to a Lean for Growth (LFG) spirit, (3) Extensive base of production locations and distribution network, and (4) Competitive technologies. This strong growth at NIPSEA Group has driven earnings growth at 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 of its existing business as well through the deployment of the Selby’s brand of DuluxGroup and the acquisition of Vial Technical.

As a result, revenue has increased by 199.6% and operating profit by 213.3% since joining our Group.

### FY2022 operating results

Automotive coatings revenue increased from the previous year despite the 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 in China and strong sales in Tier 3-6 cities. Revenue in the TUC business decreased by 14% (in local currency) due to soft demand in the real-estate market. Automotive coatings revenue decreased due to weak sales in all business segments except coil coatings due to the pandemic. Consequently, revenue increased by 18.9% to JPY60.7 bn.

Operating profit decreased by 18.3% to JPY51.9 bn despite revenue growth, due to the application of 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 lines in order to promptly respond to increasingly demanding customer needs, and (3) Efficient production systems based on strong network partnerships with suppliers, sales units, and stakeholders.

In the TUB business, NIPSEA China has consistently achieved strong growth every year based on marketing strategies, performance management, and strong sales in Tier 3-6 cities. In this context, the company has repeatedly expanded its business in Tier 2 cities as well as Tier 1 cities where the company already has strong market share. 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.

### FY2022 results

- **Revenue/Operating profit/Market share (YoY/growth since acquisition)**: JPY51.9 bn (-18.3%/-44.7%) / 46% (-16 pp/+27 pp)

### Betek Boya (Turkey)

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 JPY51.9 bn despite revenue growth, due to the application of high-reliability accounting, the weak Turkish lira, and the deterioration of the real 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.

### FY2022 results

- **Revenue/Operating profit (Market share)** (decorative paints): JPY70.5 bn (+43.3%+/44.7%) / JPY51.9 bn (+18.3%+/27.3%)

### Dude Group (Europe)

Since FY24, Nippon Paint Group has endorsed Dude Group, which is a leading European company in the automotive coatings and metal coatings businesses with a range of brands.

### FY2022 results

- **Dude Group (Europe)** (decorative paints): JPY70.5 bn (+43.3%+/44.7%) / JPY51.9 bn (+18.3%+/27.3%)

### NPHD (Asia)

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 Q4.

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.

### 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 Tokyo. As a result, revenue increased by 24.0% to JPY70.5 bn.

Operating profit increased by 5.2% to JPY72.1 bn despite the material price inflation and credit loss provisions in China due to revenue growth and the flow-through of price increases.

### FY2022 results

- **Revenue/Operating profit (YoY/growth since acquisition)**: JPY70.5 bn (+24.0%+/199.5%) / JPY72.1 bn (+5.2%+/213.5%)

### 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 in China and strong sales in Tier 3-6 cities. Revenue in the TUC business decreased by 14% (in local currency) due to soft demand in the real-estate market. Automotive coatings revenue decreased due to weak sales in all business segments except coil coatings due to the pandemic. Consequently, revenue increased by 18.9% to JPY60.7 bn.

Operating profit decreased by 2.5% to JPY51.9 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.

### FY2022 results

- **Revenue/Operating profit/Market share (YoY/growth since acquisition)**: JPY51.9 bn (-2.5%/-12.0%) / 34% (+0 pp/+7 pp)
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 Wsbakia Group (announced on August 10, 2021) and a change in accounting policy regarding cloud computing agreements beginning with FY2021 Q4.

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.

PT Nipsea

PT Nipsea has a dominant position in the Automotive OEM coatings held 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
Revenues increased by 32.5% from the previous year to JPY392.3 bn due to strong growth driven by pricing actions, expansion of the distribution network, a larger number of distributors, and more CIM (computerized color matching) machines.

Operating profit increased by 42.1% YoY to JPY167.6 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 Nippon Paint’s 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 CIM 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.

Dunn-Edwards

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 JPY37.4 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.

Japan Group

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 automotive 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 promotion activities. Automotive 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 JPY116.1 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.

Revenues/Opeating profit (YoY/growth since acquisition)

Revenue/Mkt share (YoY/growth since acquisition)

| Year | Revenue (YoY) | Operating profit (YoY) | OP margin (%)
|------|---------------|------------------------|--------------
| 2017 | JPY23.9 bn | JPY2.8 bn | 11.9%
| 2019 | JPY24.9 bn | JPY5.3 bn | 21.0%
| 2020 | JPY25.1 bn | JPY3.3 bn | 13.2%
| 2021 | JPY25.6 bn | JPY3.4 bn | 13.3%
| 2022 | JPY26.1 bn | JPY4.0 bn | 15.3%

Japan has been a leading player in the automotive industrial coatings, fine chemicals, and marine coatings businesses by leveraging its strong technical capabilities and brands. Japan Group is the leader in the paint and coatings market in Japan.

1) Segment basis after elimination of intersegment transactions and after FIFO
2) FY2021 earnings of Dunn-Edwards are for 10 months from March 2017, when the acquisition closed, to December 2017.
3) FY2021 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.
4) NPHD has changed its reportable segments beginning with FY2022 Q1. The earnings for FY2021 and FY2022 are based on the new reportable segments and include the overseas marine coatings business.

Nippon Paint Holdings Co., Ltd.

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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 Q4.

Assumptions

- Market shares are NPHD’s estimates.
- 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 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 markets 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.

- 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.

- Growth since the acquisition (FY2019)
  - 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 a leading company in improving employee engagement.
  - Human resources/organizations
    - Ratio of female employees: 32.7%
    - Ratio of women in managerial positions: 31.5%

DuluxGroup (Pacific)

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.

- Growth since the acquisition (FY2019)
  - 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 & Fills) 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.

- Growth since the acquisition (FY2019)
  - 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 a leading company in improving employee engagement.
  - Human resources/organizations
    - Ratio of female employees: 35.9% (+0.5 pp YoY)
    - Ratio of women in managerial positions: 33.3% (+1.1 pp YoY)

- Growth since the acquisition (FY2019)
  - 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 a leading company in improving employee engagement.
  - Human resources/organizations
    - Ratio of female employees: 33.3% (+1.1 pp YoY)
    - Ratio of women in managerial positions: 33.3% (+1.1 pp YoY)

DuluxGroup (Europe)

Cromology

Cromology (Europe) has CROM, 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 a leading company in improving employee engagement.

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MSV - Our Sole Mission

Chapter

P31 Development of Our Business Model and Evolution of Our Growth Strategy
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P45 Value Creation Achievements (Financial and Non-Financial Highlights)
Development of Our Business Model and Evolution of Our Growth Strategy

Capturing demand in the high growth Asian markets

Reforms of cost structure implemented in Japan

- Kandai Saito appointed President & CEO (March 2006)
- Consolidation of the Asian JVs announced (February 2014)
- Transition to a holding company structure (October 2014)

Solid regional and business portfolio established

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

Illustration of revenue growth (FY2009-FY2022)

Corporate Information

- Our Medium to Long-Term Management Strategy for Achieving MSV

Message from the Management

Our Medium to Long-Term Management Strategy for Achieving MSV

Corporate Information

2023-2024

Our Long-Term Vision

Ensuring sustainable growth

Medium to Long-Term Management Strategy

- Reforms of cost structure expanded sales and profit of existing businesses/new markets
- Renforcive sustainable growth and the profitable business structure in Asia/America/embrace the earnings base in North America

Illustration of revenue growth (FY2009-FY2022)

Quantitative results

- Net sales ¥250.0 bn ¥105.0 bn ¥250.0 bn
- Operating income ¥25.0 bn ¥105.0 bn ¥250.0 bn
- Operating income margin 10.0% 12.4% 13.5%

Outcomes

- Significantly improved profitability and achieved targets/results

Challenges

- Dramatically 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

(Released in May 2015)

- Basic strategy
  - Reform the cost structure/expand sales and profit of existing businesses/new markets
  - Renforcive sustainable growth and the profitable business structure in Asia/America/embrace the earnings base in North America

2018-2020

Survival Challenge Program

(Released in May 2015)

- Basic strategy
  - Strengthen the businesses in existing segments
  - Acquire/expand the portfolio
  - Improve earnings capacity
  - Enhance the structure of "Global One Team"

Organic Growth

Further solidify our strong growth platform

Inorganic Growth

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

Compititive 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

Overview by segment (FY2022)

- Results in FY2021 and FY2022 are calculated in accordance with International Financial Reporting Standards (IFRS)

Medium-Term Plan (FY2021-2023)

(Released in March 2021)

- A three-year milestone towards our long-term goals
  - Strategy by Asset (page 18)
  - Further solidify our strong growth platform and proactively address new challenges
  - Finance Strategy (page 19)
  - 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 19)
  - 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 19)
  - Expand business opportunities through ESG initiatives for sustainable growth

Revenue ¥1,403.0 bn ¥1,403.0 bn ¥1,403.0 bn
Operating profit ¥170.0 bn ¥170.0 bn ¥170.0 bn
Operating profit margin 12.1% 12.1% 12.1%

Outcomes

- Steadily reinforced the organizational base for sustained growth
- Expanded business in Oceania and Turkey through M&A (DuluxGroup and Beitek Boya)
- Announced the full integration of the Asian JVs and the Indonesian 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 FY2020 due to the pandemic and other factors
- Rising interest rates create additional challenges

Overview

- Strengths of Asset Assembler model reaffirmed
- Further solidify our strong growth platform and proactively address new challenges
- Finance Strategy (page 19)
- 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 19)
- 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 19)
- Expand business opportunities through ESG initiatives for sustainable growth

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

For more information, see “Assets Assembled to Date” on page 35.
Our Value Creation Model

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

**INPUT**
- Financial and Non-Financial Resources
- Human resources/organizations
- Technologies
- External partners
- Customer base
- Brands
- Financial base
- Nature/environment

**Our Business Model**
- Medium-to-long-term growth model as an Asset
- Assembler
- Build up M&As
- Expand our existing businesses
- Paint++
- Going beyond paint and into adjacencies
- Competitive advantage

**OUTPUT**
- Building up/strengthening financial and non-financial resources
- Human resources/organizations
- Technologies
- External partner
- Customer base
- Brands
- Financial base
- Nature/environment

**Medium to Long-Term Management Strategy**
- Strategy by Asset
- Finance Strategy
- M&A Strategy

**Maximization of Shareholder Value**
- MSV - Our Sole Mission

**Our Sole Mission**
- See page 39.

**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.

For more detailed information, please refer to the table below.

### Assets Assembled to Date

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue 2022</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Nipsea</td>
<td>¥52.3 bn</td>
<td></td>
</tr>
<tr>
<td>DuluxGroup</td>
<td>¥70.5 bn</td>
<td></td>
</tr>
<tr>
<td>Betek Boya</td>
<td>¥206.6 bn</td>
<td></td>
</tr>
<tr>
<td>Vital Technical</td>
<td>c. ¥3.4 bn*2</td>
<td>Notes 1, 2</td>
</tr>
<tr>
<td>Cromology</td>
<td>¥97.5 bn</td>
<td></td>
</tr>
<tr>
<td>PT Nipsea</td>
<td>¥10.9 bn</td>
<td></td>
</tr>
<tr>
<td>JUB (2022)</td>
<td>¥10.9 bn</td>
<td></td>
</tr>
</tbody>
</table>

*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

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.
The Basis of Our Asset Assembler Model

Our “Asset Assembler” model is based on our 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
3. Our unique appeal to management-class talents who empathize with our modus operandi

First, our low-funding cost is the vital component in our M&A strategy. We are based in Japan, where the stable currency and 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 opportunities, 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 distinguishes 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 the right qualifications.

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 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 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 autonomous 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 those 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.
## Accumulated Management Resources

### Financial and Non-Financial Resources Essential for Asset Assembler Model

<table>
<thead>
<tr>
<th>Six categories of capital</th>
<th>Financial and non-financial resources essential for Asset Assembler model</th>
<th>Intellectual capital</th>
<th>Financial capital</th>
<th>Natural capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human capital</td>
<td>In the paint market, which is characterized by local production for local distribution as well as a wide variety of uses, excellent organizational 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.</td>
<td>The strong customer base is founded on long-term relationships of trust with customers both in the region and business is important for sustaining customer base and product supply and contributes to improving products and services.</td>
<td>Customers and consumers place importance on the reliability of corporate and product brands.</td>
<td>Achieving sustainable growth requires abundant funds to accelerate investing in R&amp;D, new technologies, and state-of-the-art production facilities, and hence requires increasing the ability to generate cash flow and a sound financial base.</td>
</tr>
<tr>
<td>Manufactured capital</td>
<td>Advanced technologies are essential to create innovations that solve social issues and meet customer needs and to enhance our competitive advantage.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social and relationship capital</td>
<td>Collaborations with external partners, including industry- related and non-industry partners, is essential for providing high-quality products and services to customers around the world and creating innovation for a sustainable future.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External partners</td>
<td>The Group’s human resources who are well informed about their local markets (95 countries/ regions: approx. 33,783 employees; ratio of overseas employees: 89.3%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources/ organizations</td>
<td>In the perspective of Asset Assembler Model, resources essential for Asset Assembler Model.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technologies</td>
<td>Examples of resources include global engineering talents, IP specialists, and other technical capabilities.</td>
<td>The Nippon Paint brand is a global brand with high technological capabilities and high visibility.</td>
<td>Fully leveraging Japan’s stable currency and financial markets to secure financing.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Utilization of resources based on autonomous and decentralized management, creation of autonomous decentralized management (examples)</td>
<td>Strategic partnerships with leading Chinese real estate developers and other customers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Particularly relevant material</td>
<td>Supplying high-quality products to customers, such as DuluxGroup’s product supply and contributions to improving products and services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measures to strengthen resources based on our medium to long-term management strategy</td>
<td>Promoting advertising and marketing activities.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Examples of resources

- The Group’s human resources who are well informed about their local markets (95 countries/ regions: approx. 33,783 employees; ratio of overseas employees: 89.3%)
- Active Diversity & Inclusion Initiatives (Ratio of women in managerial positions: 24.8%)
- High level of employee satisfaction (Japan Group: 81%)
- Excellent management teams who have a deep understanding both of markets and features in their respective countries and regions and strategy
- Group partner companies around the world with unique corporate culture and expertise, as well as a strong market presence (INPEXA Group, DuluxGroup, etc.)

### Utilization of resources based on autonomous and decentralized management, creation of autonomous decentralized management and sophistication of management (examples)

- Sharing success cases and expertise of Group partner companies around the world (such as Nippon Paint Group and DuluxGroup’s measures to boost operating performance)
- Sharing technology through intergroup exchanges among the Group partners, such as sharing global state-of-the-art production technologies and expertise
- Sharing technologies and products developed in the Group’s activities with the Group and deploying them globally
- Reducing risk by having Wuthelam Group bear the cost of essential automotive businesses in Europe and the Indian businesses

### Particularly relevant material

- Diversity & Inclusion
- Safe people and operations
- Climate change
- Resources and environment

### Measures to strengthen resources based on our medium to long-term management strategy

- Creating a workplace environment that allows diverse people to play an active role
- Accepting reforms and changing organizational culture
- Instilling Purpose and Global Citizenship
- Improving effectiveness of risk management
- Cultivating engineering talent with focus on R&D activities
- Promoting open innovation with universities and research institutions
- Promoting joint research with automotive manufacturers
- Enhancing engagement with investors and customers
- Strengthening and deepening partnerships with Wuthelam Group

### Financial and Non-Financial Resources Essential for Asset Assembler Model

- The strong customer base is founded on long-term relationships of trust with customers both in the region and business is important for sustaining customer base and product supply and contributes to improving products and services.
- Customers and consumers place importance on the reliability of corporate and product brands.
- Achieving sustainable growth requires abundant funds to accelerate investing in R&D, new technologies, and state-of-the-art production facilities, and hence requires increasing the ability to generate cash flow and a sound financial base.

### Examples of resources

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Sustainable Message from the Management

Our Medium to Long-Term Management Strategy for Achieving MSV

Corporate Information

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 strategies 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 map

- The level of importance to stakeholders
  - High
  - Very high
  - Highest

- Materiality (material issues)
  - Sustainability
  - Responsibility
  - Governance

- Resources and environment
  - Climate change
  - Natural resources utilization
  - Waste management
  - Prevention of pollution
  - Environmental supply chain

- Climate change
  - Energy and emissions

- Growth with communities
  - Stewardship
  - Innovation for a sustainable future

- Diversity & Inclusion
  - Respect for human rights

- Safety
  - People & operations

- Health creation
  - Consumer responsibility

- Technology innovation
  - Prevention and control of infectious diseases

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.

Business model

- The sustainability policy was created for the paint and coatings business and articulates actions for accomplishing goals.

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.

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.
Sustainability as the Prerequisite for MSV

**Team** | **Our pursuit** | **Materiality**
---|---|---
Environment & Safety | Develop low-carbon/eco-friendly products | Climate change
| Ensure safe people and operations | Climate change
| Resources and environment | Climate change
during the life cycle and circularity impacts of our products and supply chain | Climate change
| Safe people and operations | Climate change
| 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 | Climate change
| 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 | Climate change
| People & Community | Recruit/train diverse employee | Climate change
| Earn the trust of stakeholders | Climate change
| Growth with communities | We will invest in communities through our value chain and to achieve sustainable business growth by leveraging brand strength and good relationships with local communities | Climate change
| Innovation & Product Stewardship | Develop sustainable products (NPS * monitor LCA) & Chemicals of concern | Climate change
| Innovation for a sustainable future | Climate change
| Corporate Governance | oversee management | Climate change
| Encourage risk-taking | Climate change
| Low-cost and sustainable procurement | Reduce environmental and human rights risks | Climate change
| All Materiality categories* | Climate change

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

Relevant SDGs | Risks | Opportunities
---|---|---
| Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets | Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery)
| Increased extreme weather events (e.g. flooding) and climate impacts (e.g. water stress) impacting operations and supply chain | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery)
| Increased supplier costs from climate adaptation and decarbonization actions | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery)
| Changes in customer and consumer expectations and behavior during the transition to a low-carbon future | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery)
| Product claims and brand damage due to performance deterioration (e.g. temperature extremes) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) | Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery)
| Regulatory changes and impacts, such as waste disposal restrictions and increased costs | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
| Supply constraints and increased costs associated with resource scarcity | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
| Major site incident or contamination (e.g. soil/groundwater) causing harm to people and community | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
| Changes in customer and consumer expectations and behavior during the transition to a circular economy future | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
| Major site incident (e.g. fire) causing asset damage, supply chain disruption, and significant harm to people and community | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials | Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
| Loss of safety management effectiveness from introduction of significant changes (e.g. new or modified plant/process) | Mass termination, employee engagement, and attracting talent as a safe employer | Mass termination, employee engagement, and attracting talent as a safe employer

* For more information, see “How Shared Value to Maximize” on page 5.
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.

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 hypervaluation 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.

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.

Earnings per share (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.

Due to comparatively 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.

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 JPY11 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 JPY10 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.

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.

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

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

Human resources/organizations

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of overseas employees (right axis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>80.2%</td>
</tr>
<tr>
<td>2019</td>
<td>87.8%</td>
</tr>
<tr>
<td>2020</td>
<td>87.7%</td>
</tr>
<tr>
<td>2021</td>
<td>87.2%</td>
</tr>
<tr>
<td>2022</td>
<td>84.2%</td>
</tr>
</tbody>
</table>

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 widen and increase our human resources for more growth in Asia and Oceania.

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 leaves but decreased in the areas of sympathy with the Group’s values 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 11 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 Directors who were elected at the Ordinary General Meeting of Shareholders held during the period. The FY2021 figure is the number of Directors in office on or after April 28, 2021.

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 and FY2023.

- 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 volume in units of tons. The figures for FY2022 increased 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 Nippon Paint (NPTU) and NIPSEA (beginning in FY2016 onwards), DuluxGroup (beginning in FY2020 onwards), C-BPI (China Brand Strength Index).

Awards

- Award winner for seven consecutive years

- The Group has 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 Riclakida after major flooding event, and changes in production mix in NIPSEA Group.

- The Group 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.

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- The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB), DuluxGroup clean-up of Dulux Riclakida after major flooding event, and changes in production mix in NIPSEA Group.

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- The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB), DuluxGroup clean-up of Dulux Riclakida after major flooding event, and changes in production mix in NIPSEA Group.
Our Medium to Long-Term Management Strategy for Achieving MSV

Chapter 3

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P54 — — — The Impact of China’s Macroeconomic Data on the Earnings of Nippon Paint Group
P55 Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki
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   P85 Feature Article (2): High Growth Potential of the China Business
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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

<table>
<thead>
<tr>
<th>(Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021 Results</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Operating profit</td>
</tr>
<tr>
<td>OP margin</td>
</tr>
<tr>
<td>EBITDA*</td>
</tr>
<tr>
<td>EBITDA margin</td>
</tr>
<tr>
<td>Profit attributable to owners of parent*</td>
</tr>
<tr>
<td>EPS (yen)</td>
</tr>
</tbody>
</table>

* EBITDA: Operating profit + depreciation and amortization + impairment loss + gain on negative goodwill

Our FY2023 revenue guidance is JPY1,400 bn. This is more than JPY1,000 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 applications 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 JPY1,000 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.

| 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 JPY1,000 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 applications 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 JPY1,000 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.

| 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 Nippon Paint 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 DualexGroup 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.
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 continued effort to improve profitability and to promote 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 JPY120 bn, and total dividend payments (including some payments in the following fiscal year) of over 30% with a dividend increase for the third consecutive year.

Illustration of FY2021-2023 operating profit

<table>
<thead>
<tr>
<th>Year</th>
<th>TUC sales growth</th>
<th>TUB sales growth</th>
<th>China GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021</td>
<td>(%)</td>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td>1Q 2021</td>
<td>10.0</td>
<td>15.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2Q 2021</td>
<td>12.0</td>
<td>13.0</td>
<td>6.0</td>
</tr>
<tr>
<td>3Q 2021</td>
<td>13.0</td>
<td>14.0</td>
<td>7.0</td>
</tr>
<tr>
<td>4Q 2021</td>
<td>14.0</td>
<td>15.0</td>
<td>8.0</td>
</tr>
<tr>
<td>FY2022</td>
<td>11.0</td>
<td>12.0</td>
<td>9.0</td>
</tr>
<tr>
<td>1Q 2022</td>
<td>12.0</td>
<td>13.0</td>
<td>10.0</td>
</tr>
<tr>
<td>2Q 2022</td>
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</tr>
<tr>
<td>3Q 2022</td>
<td>14.0</td>
<td>15.0</td>
<td>12.0</td>
</tr>
<tr>
<td>4Q 2022</td>
<td>15.0</td>
<td>16.0</td>
<td>13.0</td>
</tr>
</tbody>
</table>

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 relationship 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. 37% 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

One of the strengths of NIPSEA China’s TUC business is its dominant market share and the leading position in the Tier 0 cities. Thus, the high revenue growth in the TUC business is also 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. 

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
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<tbody>
<tr>
<td>TUC sales growth</td>
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<td>+12.0%</td>
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</tr>
<tr>
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<td>+16.0%</td>
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</tr>
<tr>
<td>China GDP</td>
<td>5.0</td>
<td>6.0</td>
<td>7.0</td>
</tr>
</tbody>
</table>

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 CF and capital expenditures 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.

Capital allocation

<table>
<thead>
<tr>
<th>Year</th>
<th>TUC sales growth</th>
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<th>China GDP</th>
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</tr>
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<td>China GDP</td>
<td>5.0</td>
<td>6.0</td>
<td>7.0</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Financial discipline</th>
<th>Our result</th>
<th>Shareholders' result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt / WACC</td>
<td>Capital structure</td>
<td>ROIC / WACC</td>
</tr>
<tr>
<td>ROIC (weighted average cost of capital)</td>
<td>Surpassing WACC</td>
<td>Maintain our policy</td>
</tr>
<tr>
<td>Capital discipline</td>
<td>On invested capital</td>
<td>ROIC</td>
</tr>
</tbody>
</table>

#### 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. 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 risk discipline with the focus of increasing TSR through EPS accretion, we give paramount importance to investing in growth 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

<table>
<thead>
<tr>
<th>(%)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>WACC (left axis)</td>
<td>12.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ROIC (left axis)</td>
<td>-</td>
<td>2.2</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>EPS (right axis)</td>
<td>-</td>
<td>20.3</td>
<td>20.4</td>
<td>20.3</td>
</tr>
</tbody>
</table>

#### ROIC of individual companies

<table>
<thead>
<tr>
<th>(%)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>DuluxGroup (Pacific)</td>
<td>1.2%</td>
<td>3.2%</td>
<td>3.9%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Betek Boya</td>
<td>3.5%</td>
<td>9.4%</td>
<td>11.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td>PT Nipsea</td>
<td>3.7%</td>
<td>5.3%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### 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

#### Shareholder returns

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

#### Capex / M&A

- Proactively implement capex and M&A for future sustainable growth
- Maintain a dividend payout ratio of 30%
- Increase TSR through growth investment and M&A

#### Dividends / TSR

<table>
<thead>
<tr>
<th>(%)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends (left axis)</td>
<td>-</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>TSR (right axis)</td>
<td>-</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

#### Capex / Ratio to sales

<table>
<thead>
<tr>
<th>(%)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex (left axis)</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Ratio to sales (right axis)</td>
<td>40.0</td>
<td>40.0</td>
<td>40.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>
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.

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 3.4× net debt/EBITDA (adjusted for one-off items) by the end of FY2022 and approximately 2.9× by the end of FY2023, assuming no further M&A activities. See “Overview and Updates on Medium-Term Plan” 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 1% 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 (RAI)

Status of debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt with long-term maturities (yen)</th>
<th>Processed stable yen-based funds</th>
<th>Average maturity: 3.5 years</th>
<th>Average interest rate: 0.35%</th>
<th>Long-term credit rating: A (R&amp;I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Total ¥ 2,442.3 bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Balance sheet management policy

**Assets**

1. **"Cash and equivalents"**
   - ¥426.6 bn
2. **"Trade and other receivables"**
   - ¥311.3 bn
3. **"Other financial assets (non-current assets)"**
   - ¥26.1 bn
4. **"Property, plant and equipment"**
   - ¥376.8 bn
5. **"Goodwill"**
   - ¥825.5 bn
6. **"Other intangible assets"**
   - ¥400.1 bn

**Liabilities**

1. **"Trade and other payables"**
   - ¥256.8 bn
2. **"Bonds and loans payable"** (interest-bearing debt)
   - ¥722.1 bn
3. **"Bonds and loans payable"**
   - ¥722.1 bn
4. **"Other long-term payables"**
   - ¥1,287.0 bn

**Capital**

1. **"Capital"**
   - ¥671.4 bn
2. **"Retained earnings"**
   - ¥725.2 bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital</th>
<th>Liabilities</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>¥2,442.3 bn</td>
<td>¥2,442.3 bn</td>
<td>¥2,442.3 bn</td>
</tr>
</tbody>
</table>

**Cash flow generation**

- **Operating CF**
  - ¥191.6 bn
- **Operating CF**
  - ¥241.2 bn
- **Capital**
  - ¥130.0

**Capital allocation**

(1) **Allocate to the next growth-focused investment, such as M&A opportunities**
(2) **Enhance cash flow generation capacity**
(3) **Maintain leveraging capacity by matching borrowings**
(4) **Allocate to the next growth-focused investment, such as M&A opportunities**
(5) **Facility updates in response to growth of existing businesses (c. 5% of revenue)**
(6) **Aggressive M&A activities**

**Shareholder returns**

Maintain stable dividend payments with a target payout ratio of 30%.

*Excluding capital expenditures on leased assets*
M&A Strategy

How Shareholder Value Is Maximized

For more information, see “The Basis of Our Asset Assembler Model” on page 13. 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 place its own 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.

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 PEV and EV/EBITDA but also evaluate how executing the deal will impact the cushion in the Group’s balance sheet.

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 several years post-acquisition, all of our deals since FY2019 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.

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 with the support 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.
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 AUD1.8 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 footprints 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.

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 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.

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

1. Extending our market leadership 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 leadership 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.

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

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.

DuluxGroup aims to continue building 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.

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 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

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<th>Discussions by the Board of Directors</th>
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<td>page 66</td>
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</table>

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 Precondition 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.

| 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.
Environmental Strategy

| 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 gigajoules per tonne (GJ/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.

Renewable electricity consumption

- Percentage to total electricity consumption

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

Greenhouse gas emissions — Scope 1 and 2

<table>
<thead>
<tr>
<th>PCG</th>
<th>GHG emissions (Scope 1 and 2) (kg CO2)</th>
<th>Total energy consumption (GJ/t)</th>
<th>Renewable energy consumption (% of total energy consumption)</th>
<th>Renewable energy consumption (% of total electricity consumption)</th>
<th>Key performance drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPSEA Group</td>
<td>48 (+11%)</td>
<td>0.52 (-0.6%)</td>
<td>1.6% (-0.9 pp)</td>
<td>2.8% (+1.8 pp)</td>
<td>Inclusion of solar installation at 8 factories in China.</td>
</tr>
<tr>
<td>DuluxGroup (Pacific)</td>
<td>146 (+4%)</td>
<td>0.99 (-11%)</td>
<td>1.6% (-0.7 pp)</td>
<td>3.0% (-1.4 pp)</td>
<td>Reduced production at Dulux Rockies plant due to major food 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.</td>
</tr>
<tr>
<td>DuluxGroup (Europe)*1</td>
<td>301*</td>
<td>0.80 (-2%)</td>
<td>3.0% (-1.9 pp)</td>
<td>7.3% (-7.3 pp)</td>
<td>Cromology renewable power purchase in all European countries. Solar installation commenced at JUB Serbia.</td>
</tr>
<tr>
<td>Japan Group</td>
<td>153 (-7%)</td>
<td>5.31 (-2%)</td>
<td>1.9% (+1.9 pp)</td>
<td></td>
<td>Commenced purchase of renewable power. Changed from oil to gas at Okayama plant.</td>
</tr>
<tr>
<td>Dunn-Edwards</td>
<td>-</td>
<td>0.19 (-5%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

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)

DuluxGroup - greenhouse gas emissions reduction -

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.

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

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 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 42% 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 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. |

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 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. 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. 

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)

<table>
<thead>
<tr>
<th>PCG</th>
<th>Total waste generated (kg/t)</th>
<th>Hazardous waste generated (% of total waste generated)</th>
<th>Waste recovered (% of total waste generated)</th>
<th>Water withdrawal (kL/t)</th>
<th>Water consumed (kL/t)</th>
<th>2022 improvement drivers &amp; priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPSEA Group</td>
<td>10.5 (+46%)</td>
<td>43.2% (-1.7 pp)</td>
<td>23.9% (0 pp)</td>
<td>0.52 (+5%)</td>
<td>0.38 (+8%)</td>
<td>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 Jahan implemented thermal oxidizer to treat volatile organic compounds (VOCs) emissions.</td>
</tr>
<tr>
<td>DuluxGroup (Pacific)</td>
<td>85.6 (+10%)</td>
<td>32.1% (-3.3 pp)</td>
<td>51.4% (-1.8 pp)</td>
<td>0.41 (+14%)</td>
<td>0.23 (+44%)</td>
<td>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.</td>
</tr>
<tr>
<td>DuluxGroup (Europe)*</td>
<td>33.5</td>
<td>15.9%</td>
<td>-</td>
<td>0.75</td>
<td>0.47</td>
<td>Waste water treatment plant installation at three Cromology factories (France, Italy).</td>
</tr>
<tr>
<td>Japan Group</td>
<td>50.1 (-12%)</td>
<td>14.3% (-3.6 pp)</td>
<td>96.5% (+17.1 pp)</td>
<td>1.62 (-7%)</td>
<td>0.61 (-24%)</td>
<td>Wastewater treatment plant sludge reduction. Improved waste segregation. Improved recycling of wash water.</td>
</tr>
<tr>
<td>Dunn-Edwards</td>
<td>11.1 (+100%)</td>
<td>0% (0 pp)</td>
<td>10.3% (-44 pp)</td>
<td>0.67 (-17%)</td>
<td>0.52 (-23%)</td>
<td>-</td>
</tr>
</tbody>
</table>

*1 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.

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 constant change, we have established a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can 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.

Key indicators related to human capital (FY2022)

<table>
<thead>
<tr>
<th>NIPSEA</th>
<th>DuluxGroup</th>
<th>Dunn-Edwards</th>
<th>Japan Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of female employees</td>
<td>25.9%</td>
<td>32.7%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Ratio of women in managerial positions</td>
<td>25.2%</td>
<td>31.5%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Employee satisfaction levels</td>
<td>75%</td>
<td>80% (FY2022)</td>
<td>—</td>
</tr>
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</table>

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. 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.

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, NIPSEA Group 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 our employees, our learning and development plans.

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 talented 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 company partner 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 rate. Accordingly, it is a key initiative for enhancing the human resource portfolio.

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 with a wide variety of tools and resources to build a successful career 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, Health, Safety, Workplace, Sales, Business and Management, Health, Safety, Environmental 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 federal and state degree programs from accredited institutions, but also professional certification programs, training 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 grad and mid-careers, follow-up training, new manager training, and annual training). As a new program started in FY2022, leadership training...
Human Resource Strategy

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.

Roadmap

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<th>2023</th>
<th>2024 – 2025</th>
</tr>
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<tbody>
<tr>
<td>NIPSEA</td>
<td>Kicked off D&amp;I Week to raise employee awareness</td>
<td>Implemented Global CSR Framework</td>
<td>Implemented the NIPSEA Female Mentorship Program</td>
</tr>
<tr>
<td>DunnEdwards</td>
<td>Revised draft D&amp;I framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity)</td>
<td>Regular reporting to the CEO and the Executive Team on our progress against our diversity ambition</td>
<td>Promote our Employee Value Proposition to all employees, but particularly to women in Supply Chain and Sales</td>
</tr>
<tr>
<td>DunnEdwards</td>
<td>Launched DEI Training</td>
<td>Developed action plans towards 2025</td>
<td>Continuous review and adopt company policies to ensure that all charter objectives are met</td>
</tr>
</tbody>
</table>

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.

Messages from the Management

Our Medium to Long-Term Management Strategy for Achieving MSV

MSV - Our Sole Mission

Our Management Structure for Achieving MSV

Corporate Information

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 (DEI) 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 efforts toward DEI.

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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 65 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 65 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)

<table>
<thead>
<tr>
<th>PC</th>
<th>All workers</th>
<th>Regular employees</th>
<th>Non-regular employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon Paint Automotive Coatings Co., Ltd. (NPAC)</td>
<td>68.9</td>
<td>75.8</td>
<td>67.5</td>
</tr>
<tr>
<td>Nippon Paint Industrial Coatings Co., Ltd. (NPIC)</td>
<td>77.8</td>
<td>79.8</td>
<td>81.4</td>
</tr>
<tr>
<td>Nippon Paint Co., Ltd. (NPTU)</td>
<td>73.6</td>
<td>77.2</td>
<td>76.3</td>
</tr>
<tr>
<td>Nippon Paint Corporate Solutions Co., Ltd. (NPCS)</td>
<td>77.4</td>
<td>79.6</td>
<td>77.6</td>
</tr>
</tbody>
</table>

* The survey targets are partner companies with more than 300 employees.
* Women’s wages relative to men (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

<table>
<thead>
<tr>
<th>KPI</th>
<th>Human resources and organizations that embody J-LFG (OUTPUT)</th>
<th>Human capital investment (INPUT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS improvement</td>
<td>Active participation of diverse human resources</td>
<td>Aggressive recruitment (near college graduate recruitment, mid-career recruitment)</td>
</tr>
<tr>
<td>Business expansion</td>
<td>Stable supply of young talented human resources</td>
<td>Restart of new college graduate recruitment for FY2025</td>
</tr>
<tr>
<td></td>
<td>Improve the inequality of human resource distribution among age groups/reduce gaps in age groups</td>
<td>Strategic mid-career recruitment</td>
</tr>
<tr>
<td>D&amp;I indicators</td>
<td>Create a culture of encouraging employees to take on a challenge</td>
<td>Fair evaluation, compensation, and rewarding systems</td>
</tr>
<tr>
<td></td>
<td>Supporting proactive actions by employees and increase work fulfillment</td>
<td>Revise the bonus system</td>
</tr>
<tr>
<td></td>
<td>Improve employees’ awareness of management participation</td>
<td>Introduce J-LFG Awards, Reward</td>
</tr>
<tr>
<td>Engagement indicators</td>
<td>Talent management</td>
<td>Autonomous growth and supporting frameworks</td>
</tr>
<tr>
<td></td>
<td>Enhance the pipeline of talent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stable supply of successors to key positions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Utilize the talent management system (visualization of human resources)</td>
<td></td>
</tr>
<tr>
<td>Profitability improvement</td>
<td>Increase job satisfaction and work fulfillment</td>
<td>Create a comfortable work environment</td>
</tr>
<tr>
<td></td>
<td>Work styles suited to different life styles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Work styles with high productivity</td>
<td></td>
</tr>
</tbody>
</table>

See page 65 for more information.
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.

Our approach to achieving MSV

Our technology mission is to drive sustainable and social innovation. We believe that 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 Europe. In 2022, R&D expenditures at Nippon Paint Group in Japan was over JPY281.1 bn and there were 169 patent applications. At the end of 2022, the Group had more than 1,508 patents.

Message from the Management

DuluxGroup established packaging products and developed a phased plan for 75% of CoC and develop a structured roadmap for ANZ businesses.*1 DuluxGroup 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 JPY281.1 bn and there were 169 patent applications. As of the end of 2022, the Group had more than 1,508 patents.

Roadmap

<table>
<thead>
<tr>
<th>Sustainable Products</th>
<th>2022</th>
<th>2023</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPSEA Group: Redefined sustainable products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIPSEA Group, Japan Group: Developed Sustainability Scoreboard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Established sustainable products targets and developed roadmaps for ANZ businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Develop GHG emissions (Scope 3) reduction roadmap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manage the performance of Sustainability Scoreboard of each partner company every quarter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote creation of more innovative sustainable products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Implement sustainable products and GHG emissions (Scope 3) roadmaps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create sustainable products based on phase out plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Complete position statements for 50% of high concern CoC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Developed position statements for 50% of high concern CoC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dori-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company</td>
<td></td>
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<tr>
<td>DuluxGroup: Develop GHG emissions (Scope 3) reduction roadmap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create sustainable products based on phase out plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Complete position statements for 75% of CoC and develop a structured program of CoC in Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dori-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D activities for sustainable products from Partner Companies beyond Japan and NIPSEA Group, e.g. DuluxGroup, Dori-Edwards, etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drive innovation towards UN SDGs and carbon neutrality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup established packaging products and developed roadmaps for ANZ businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify inquiry items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Implement Product Vision to help with formulation management &amp; regulatory tracking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement inquiry management database</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inquiry response training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training for customers and business partners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DuluxGroup: Implement packaging roadmaps</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 12,020 new products.

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.
Creation of sustainable products will drive long-term business success

<table>
<thead>
<tr>
<th>Sustainability of our products</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 the product’s 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.</td>
</tr>
</tbody>
</table>

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 these sustainability principles, the Sustainability Scoreboard for new product assessment has been developed and is implemented in the NPSI of the 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 enviroO™**

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

In 2023, the Dulux business achieved 50% recycled content in packaging for the enviroO™ range. Dulux enviroO™ 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 Chemial 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 CCLSN 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.

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

Furthermore, in 2023, we have been replacing UV absorbers such as UC-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 ≥54% by weight) in Japan.

UV-328 usage (2019=100)

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>39</td>
<td>15</td>
<td>11</td>
</tr>
</tbody>
</table>

MCCP usage (2019=100)

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>84</td>
<td>58</td>
<td>49</td>
</tr>
</tbody>
</table>

Chemical substance management flow

**Results of sustainability products**

- Dulux enviroO™
- Decorative films
- High adhesion primer

**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 CCLSN 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.
  - Alyphenol ethoxylates (APEs) are mainly used for surfactants and include the subcategory of nonylphenol ethoxylates (NPE/NPE). Nonylphnols (NP), raw materials for NPE, are regulated by REACH and TSCA. Nippon Paint Group has been steadily phasing out APEs-containing surfactants.
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  - 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 ≥54% 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 Aquadec and Intergrain Ultraadhesive 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 silicones and UV-327 from several Selleys products.
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 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). 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 tables, together with the key improvement priorities for the year.

### Performance by Partner Company Group (PCG)

<table>
<thead>
<tr>
<th>PCG</th>
<th>Fatalities</th>
<th>Recordable case rate (per 200,000 hours)</th>
<th>Lost workday case rate (per 200,000 hours)</th>
<th>2022 improvement drivers &amp; priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPSEA Group</td>
<td>0</td>
<td>0.40 (-4%)</td>
<td>0.32 (-5%)</td>
<td>Key focus on traffic accidents for safety training and improvement activities.</td>
</tr>
<tr>
<td>DuluxGroup (Pacific)</td>
<td>0</td>
<td>1.50 (+3%)</td>
<td>0.80 (+16%)</td>
<td>Completed new Periodic Hazard Studies at three process safety factories and implemented improvement actions.</td>
</tr>
<tr>
<td>DuluxGroup (Europe)*</td>
<td>0</td>
<td>2.25</td>
<td>1.70</td>
<td>Commenced significant risk audit of major sites and implementation of prioritized actions for high consequence disaster and fatality risks.</td>
</tr>
<tr>
<td>Japan Group</td>
<td>0</td>
<td>0.39 (-33%)</td>
<td>0.08 (-50%)</td>
<td>Risk assessment review and action implementation, with a focus on the priorities of contact with hold interface and falling.</td>
</tr>
<tr>
<td>Dunn-Edwards</td>
<td>0</td>
<td>4.60 (-40%)</td>
<td>2.01 (-20%)</td>
<td>Comprehensive safety assessments of all Dunn-Edwards properties.</td>
</tr>
</tbody>
</table>

*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 USD7.75 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.

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

- **Country/region**: 39
- **Number of projects**: 39
- **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

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Description</th>
<th>Example of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td>Activities for children and students who are potential future customers or employees</td>
<td>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)</td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>Support activities and vocational training for socially vulnerable people, and activities to find talented individuals</td>
<td>Japan Group: Nippe Fun Farm (Employment support for the physically challenged); Dunn-Edwards: Alabang Pride Parade Float (Paint donation for the local Pride Parade)</td>
</tr>
<tr>
<td><strong>Engagement</strong></td>
<td>Collaborations with local communities, stakeholders, cooperation with NGOs, and disaster relief</td>
<td>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)</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Our approach to achieving MSV</th>
</tr>
</thead>
<tbody>
<tr>
<td>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. This will help to identify areas for improvement in our supply chain.</td>
</tr>
</tbody>
</table>

Roadmap

<table>
<thead>
<tr>
<th>Year</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Launched the global team Organize regional teams Developed Supplier Code of Conduct Developed supplier questionnaires</td>
</tr>
<tr>
<td>2023</td>
<td>Conduct supplier questionnaire (target top 40% by value) Explore sustainable projects Establish indicators</td>
</tr>
<tr>
<td>2024</td>
<td>Conduct supplier questionnaire (target top 75% by value) Define supplier assessment methodology and measurements Define sustainable initiatives and measurements</td>
</tr>
<tr>
<td>2025</td>
<td>Conduct supplier questionnaire (target top 90% by value) Conduct supplier assessment (trial) Track sustainable projects and measurements (trial) Refine reporting metrics</td>
</tr>
</tbody>
</table>

Key items of the Supplier Code of Conduct

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Compliance - Subcontractor Compliance</td>
<td>Environment, Health and Safety Compliance</td>
<td>Anti-Corruption</td>
<td>Our approach to raw material procurement</td>
</tr>
<tr>
<td>Minimize Impact</td>
<td>Waste Management</td>
<td>Gifts and Entertainment</td>
<td>We establish 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.</td>
</tr>
</tbody>
</table>

Japan Group

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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. This will help to identify areas for improvement in our supply chain.
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.

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 10,000 compared to the end of 2022. The number of Distributor Stores increased by 10,000 to 42,000 during the same period, with over 10,000 equipped with Computerized Color Matching (CCM) machines.

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 facility. 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.

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 LihBang brand.

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.
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” emphasizes the positioning of housing as a place for living, not purchasing. In the future, the real estate market will gradually shift towards the renovation cycle of existing properties, and the 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 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 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 approximately 600,000 tons in 2020, corresponding to a market space of about RMB3.6 trillion. Among them, the demand for new construction and renovation 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.

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

<table>
<thead>
<tr>
<th>Province (City)</th>
<th>Number of Per Capita Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>1.02</td>
</tr>
<tr>
<td>Shanghai</td>
<td>1.01</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>0.92</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>0.91</td>
</tr>
<tr>
<td>Hangzhou</td>
<td>0.90</td>
</tr>
<tr>
<td>Nanjing</td>
<td>0.90</td>
</tr>
<tr>
<td>Seoul</td>
<td>0.89</td>
</tr>
<tr>
<td>Tokyo</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Source: Huaxi Securities “Embracing the Era of Existing Housing: China’s Housing Supply and Demand in the Next Ten Years.”

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

<table>
<thead>
<tr>
<th>Overview of the TUC market</th>
</tr>
</thead>
</table>

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.
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 synergies.

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

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 RMB365.5 trillion, a year-on-year decrease of 6.2%. The newly started construction area is 3.21 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-business-entrepreneur relationships.

Corporate Information

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<table>
<thead>
<tr>
<th>Our Medium to Long-Term Management</th>
<th>Our Management Structure to Achieving MSV</th>
</tr>
</thead>
</table>

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

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 ineffective processes based on business lines while 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 measures were successfully implemented.

Eight task forces working to improve the profitability of Japan Group

<table>
<thead>
<tr>
<th>Theme</th>
<th>Task Force (TF)</th>
<th>Major achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production/Quality</td>
<td>NPIU Production TF (Automotive)</td>
<td>Reduced cost by increasing the capacity utilization of in-house production factories and improving productivity</td>
</tr>
<tr>
<td></td>
<td>NPTU Production TF (Decorative)</td>
<td>Completed restructuring and consolidation of production subsidiaries and streamlining management costs</td>
</tr>
<tr>
<td></td>
<td>NPTU Production TF (Industrial)</td>
<td>Started considering productivity improvement of inefficient products based on analysis of production man-hour by product</td>
</tr>
<tr>
<td></td>
<td>NPU &amp; NPMC SG&amp;A TF (Industrial/ Marine)</td>
<td>Reduced the ratios of personnel expenses and SG&amp;A by consolidating and streamlining tasks by integrating two or more departments</td>
</tr>
<tr>
<td></td>
<td>NPU SG&amp;A TF (Automotive)</td>
<td>Improved business processes by integrating sales and logistics functions which were separated into production and sales departments</td>
</tr>
<tr>
<td></td>
<td>NPTU SG&amp;A TF (Decorative)</td>
<td>Organized and rationalized the workforce within the group</td>
</tr>
<tr>
<td>Finance</td>
<td>BSC TF Cost Management Enhancement</td>
<td>Visualized the impact of raw material price increases by product using ITC tools</td>
</tr>
<tr>
<td>Procurement</td>
<td>NPIU TF (Procurement)</td>
<td>Reduced procurement risks by visualizing the procurement risk information and information of substitute raw materials</td>
</tr>
</tbody>
</table>

In the Integrated Report of 2022, we presented the progress of structural reforms in Japan Group and the roadmap for improving its profitability.
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 PC’s 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 while designing and putting in place the appropriate external wings. Marine and automotive PC’s 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 NPLU and business leaders from NIPSSEA were coopted to lead the transformation. Central rebalancing of our product portfolio in Japan, among new-build and maintenance & repair, and among customers, was conducted. The entire product portfolio was reassessed with a view of delivering better formulation costs and value propositions. Sharper cost consciousness 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 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 NIPSSEA 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 business associates were restructured one at a time: merging some as in China, Taiwan, Singapore and Hong Kong; combining them with NIPSSEA as in Malaysia, India, Indonesia; and diversifying and retrenching 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 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-NIPSSEA CTO (in an attempt to leverage NIPSSEA resources whatever 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.

Despite our efforts, all our earnings were negative for the year. 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 and technical approach to the customer. Customer centrality 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 SIGA in automotive PC attempted to delve even deeper from a hitherto disparate collection 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 could muster. Nonetheless, even saddled with the pressure of increasing investments in new infrastructure and facilities, business costs in the globalization of our firm business, as well as, disruptions as we rejuvenate the auto parts business, Auto PC is well positioned to return to profitability in 2023.

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 outvote the competition and deliver fresh attractive value propositions to the market. This requires an open mindedness to adapt and adopt 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 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. Leadership 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, talent development, grooming initiatives and performance/behavioral-based incentives have been put in place as NFGCS 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 workplace behaviors. It encourages our workforce to exhibit at international marine shows.

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J-LFG Lean For Growth

Maximization of Shareholder Value

VITALS – Six values and behaviors underlying LFG

- Vigilance: Keep your eye on the prize. Be prepared, be proactive, execute 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, won’t stop. Be relentless, be resilient, unsinkable spirit.

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.


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 transformation that we will bring to the marketplace as a competitive advantage.

J-LFG Lean For Growth

Maximization of Shareholder Value

VITALS – Six values and behaviors underlying LFG

- Vigilance: Keep your eye on the prize. Be prepared, be proactive, execute 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, won’t stop. Be relentless, be resilient, unsinkable spirit.
### Embracing transformation and working style changes — our path to improving EPS to contribute to MSV —

**Altering mindsets by transforming how tasks are performed and organizations**

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

For Japan Group, we 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 NPFESA Group. After that, we have been using meetings and management communications at offices and factories in order to democratize employees’ understanding of J-LFG. We also used many initiatives to improve productivity, such as reviewing the necessity of tasks and eliminating some of them and leveraging J-LFG to foster growth and enhance value of NPTU Group.*

**Improving communication with priority on the effects of transformations**

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

According to the survey conducted by Nippon Paint Labor Union at the end of FY2022, employees 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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>90</td>
<td>92</td>
<td>90</td>
<td>81</td>
</tr>
</tbody>
</table>

*Survey by Nippon Paint Labor Union.

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### 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 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.

<table>
<thead>
<tr>
<th>Award winners in FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 the You Awards for outstanding performances by individuals. We will share these initiatives involving J-LFG and VITALS (Vigilance, Insatiable Stamina) to inspire each other to create a new corporate culture and achieve sustained growth.</td>
</tr>
</tbody>
</table>

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### 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 designated individuals. Collecting and centralizing information allows for swift and efficient 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 partners in our business and utilizing our suppliers.

Gold Award

Yasuhiro Suzuki

The Co-President Award

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 “understanding and understanding” phase plays a critical role in expeditiously integrating J-LFG within the organization. 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 them all submitted. Our commitment remains steadfast in nurturing a new corporate culture of NPTU Group, which inspires us to establish this through activities that promote a sound understanding of J-LFG and inspire individuals to embody this culture in their work.
Our Management Structure for Achieving MSV

P99  Corporate Governance
P102  Message from Board Chair
P104  Message from Chairman
P108  Discussions by the Board of Directors
P109  Nominating Committee Report
P111  Compensation Committee Report
P113  Audit Committee Report
P115  Governance Discussions
P121  Risk Management
P125  Directors and Executive Officers
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.

### History of governance reforms and governance reinforcement for achieving MSV

<table>
<thead>
<tr>
<th>Year</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Established Corporate Governance Policies. Launched an evaluation of the effectiveness of the Board of Directors.</td>
</tr>
<tr>
<td>2015</td>
<td>Elected one Independent Director.</td>
</tr>
<tr>
<td>2016</td>
<td>Amended takeover measures. Established the number of Independent Directors from one to two. Transferred the Nominating and Compensation Advisory Committee, which began discussions on the re-election of directors and company auditors.</td>
</tr>
<tr>
<td>2017</td>
<td>Increased the number of Independent Directors from two to five by the Act of Independent Directors Development. Elected six Independent Directors to the nine-member structure of the Board of Directors.</td>
</tr>
<tr>
<td>2018</td>
<td>Reorganized the composition of the Nominating and Compensation Committee, which has independent directors. Appointed an Independent Director as the Chairperson of the committee. Established the M&amp;A Advisory Committee.</td>
</tr>
<tr>
<td>2019</td>
<td>Transferred from a Company with a Board of Auditors to a Company with Three Committees structure. Elected six Independent Directors to the nine-member structure of the Board of Directors (67%).</td>
</tr>
<tr>
<td>2020</td>
<td>Elected eight Independent Directors in the nine-member structure of the Board (ratio of independent Directors: 73%).</td>
</tr>
<tr>
<td>2021</td>
<td>Elected six Independent Directors in the nine-member structure of the Board (ratio of independent Directors: 67%).</td>
</tr>
<tr>
<td>2022</td>
<td>Elected six Independent Directors in the nine-member structure of the Board (ratio of independent Directors: 67%).</td>
</tr>
<tr>
<td>2023-2026</td>
<td>Further improving the operational efficiency of the Board of Directors. Increasing contributions of Independent Directors. Enhancing succession plans.</td>
</tr>
</tbody>
</table>

### 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**
   - Yuichiro Wakahatsu: Date of Birth: February 25, 1949 Number of NPHD shares held: 153,110
   - Woe Siow Kim: Date of Birth: March 12, 1953 Number of NPHD shares held: 100,000
   - Goh Hup Jin: Date of Birth: August 24, 1953 Number of NPHD shares held: —
   - Hisashi Hara: Date of Birth: July 3, 1957 Number of NPHD shares held: 203,215
   - Peter M Kirby: Date of Birth: August 24, 1953 Number of NPHD shares held: 36,800

2. **Enhanced Board effectiveness under the leadership of Independent Directors**
   - Lim Hwee Hua: Date of Birth: November 10, 1964 Number of NPHD shares held: 96,296
   - Masatsuka Mitsuishi: Date of Birth: September 30, 1977 Number of NPHD shares held: 180,110
   - Toshihito Morohoshi: Date of Birth: August 24, 1953 Number of NPHD shares held: 83,089
   - Masayoshi Nakamura: Date of Birth: November 10, 1964 Number of NPHD shares held: 180,110

3. **Succession planning with a focus on substance rather than formalism**
   - Yuichiro Wakahatsu: Date of Birth: February 25, 1949 Number of NPHD shares held: 153,110
   - Woe Siow Kim: Date of Birth: March 12, 1953 Number of NPHD shares held: 100,000
   - Goh Hup Jin: Date of Birth: August 24, 1953 Number of NPHD shares held: —
   - Hisashi Hara: Date of Birth: July 3, 1957 Number of NPHD shares held: 203,215
   - Peter M Kirby: Date of Birth: August 24, 1953 Number of NPHD shares held: 36,800

4. **Compensation structure that effectively contributes to achieving MSV**
   - Lim Hwee Hua: Date of Birth: November 10, 1964 Number of NPHD shares held: 96,296
   - Masatsuka Mitsuishi: Date of Birth: September 30, 1977 Number of NPHD shares held: 180,110
   - Toshihito Morohoshi: Date of Birth: August 24, 1953 Number of NPHD shares held: 83,089

5. **Audit structures that respond to the increasing globalization of operations**
   - Yuichiro Wakahatsu: Date of Birth: February 25, 1949 Number of NPHD shares held: 153,110
   - Woe Siow Kim: Date of Birth: March 12, 1953 Number of NPHD shares held: 100,000
   - Goh Hup Jin: Date of Birth: August 24, 1953 Number of NPHD shares held: —
   - Hisashi Hara: Date of Birth: July 3, 1957 Number of NPHD shares held: 203,215
   - Peter M Kirby: Date of Birth: August 24, 1953 Number of NPHD shares held: 36,800

### Roadmap

- **Governance initiatives of the Board**
  - Further improving the operational efficiency of the Board of Directors.
  - Increasing contributions of Independent Directors.
  - Enhancing succession plans.

- **Governance initiatives of the management**
  - Improving risk management through self-assessments of related party companies (PCs) based on the Global Risk Management Basic Policy.
  - Firmly establishing and improving the effectiveness of the whistleblowing hotline at PCs.
  - Raising the level of growth strategy discussions by Directors.
  - Enhancing/implementing succession plans.

- **2023**
  - Verifying the effectiveness and upgrading the risk management system through self-assessments of related party companies (PCs).
  - Verifying the effectiveness and upgrading the whistleblowing hotline at PCs.
  - Under the guidance of the governance system (including compliance and risk management) to respond to changes in social requirements.

- **2026**
  - Raising the level of growth strategy discussions by Directors.
  - Enhancing/implementing succession plans.
  - Verifying the effectiveness and upgrading the risk management system through self-assessments of related party companies (PCs).
  - Verifying the effectiveness and upgrading the whistleblowing hotline at PCs.
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

Message from Board Chair

Supporting bold and timely risk-taking by the management team

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.
NP acknowledge a governance structure consistent with a Company with Three Committees in order to bolster management transparency, objectivity, and fairness. This structure is designed 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 and sustain a management culture that consistently strives 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 that we forge with Co-President. 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 while holding down the speed of decision making on management proposals.

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

NP acknowledges the recognition of our three pillars of competitive advantage: “Corporate 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.

We look to Asset Assembler model as an effective means to achieve our mission as has been raised in the Co-President’s Messages. We are confident that we are now well-prepared to confidently 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 heretofore 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 P/E. EPS accretion can be achieved with the acquisition of an asset of relatively low P/E, 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 the inherent risks 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**

1. **Enrichment of discussion on growth strategy**
   - Further enable opportunities for strategic discussions and enable the Board of Directors to concentrate more on discussions about growth
   - These discussions cover strategic issues 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 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 reform. 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 assistant 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: 11
  - Managing Executive Officer, General Counsel (QC): 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**
  - 1) Status of progress with reaching issues identified in the FY2021 Effectiveness Assessment of the Board of Directors
  - 2) 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 of 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 spent on agenda items involving strategies
   - 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

2. **Contributions of Independent Directors**

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**

**Main initiatives in FY2022**

**Evaluation for FY2022 and issues for FY2023**

**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)

- **Executive appointments**
- **Risk management**
- **Financial results**
- **Management**
- **Integrated report**
- **Management strategy**
- **Financial results**
- **General meeting of shareholders**
- **Executive appointments, reappointment plan**
Corporate Governance

Meetings of the Independent Directors

In FY2022, NPNAV 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.

Cross-shareholdings policy

Each year, the Board of Directors discusses whether NPNAV 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.

<table>
<thead>
<tr>
<th>Company policy on cross-shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company holds shares of other listed companies cross-shareholders, 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.</td>
</tr>
</tbody>
</table>

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, NPNAV 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.

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 is one of the challenges for climate change initiatives at each partner company. Therefore, it is very important 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 Group conducts 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 based on policy targets and any subsequent changes.

Ther are a variety of potential risks of our procurement being disrupted during raw material production or processing, and this possibility of procurements, while there are many factors such as market demand and other relevant considerations. It is important to have a prudent perspective when determining the timing and extent of establishment, 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 Assmble model while also considering and respecting regional characteristics and businesses that require.

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 Information

Message from the Management

Integrated Report

Message to Shareholders

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of companies</th>
<th>Number of listed companies</th>
<th>Total balance sheet amount (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>24</td>
<td>6</td>
<td>23,849</td>
</tr>
<tr>
<td>2021</td>
<td>22</td>
<td>6</td>
<td>30,191</td>
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<tr>
<td>2022</td>
<td>18</td>
<td>2</td>
<td>5,831</td>
</tr>
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</table>

(Note for listed companies)

<table>
<thead>
<tr>
<th>Year</th>
<th>(The amount for listed companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>22,704</td>
</tr>
<tr>
<td>2021</td>
<td>29,206</td>
</tr>
<tr>
<td>2022</td>
<td>4,834</td>
</tr>
</tbody>
</table>
Nominating Committee Report

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 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 that can contribute to MSV. To this end, the Nominating Committee emphasizes seven categories of experience and skills based on which selections of Directors can be 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 of the management team, 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 certain and appropriate knowledge 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 in our efforts in identifying excellent assets from a global and medium and long-term perspective and facilitating growth of the partner company, which then add value to 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 Groups based on mutual trust. Through these activities, we constantly work on determining the best candidates for the composition of the Board that can contribute to MSV.

Since FY2020, when NPHD became a Company with Three Co-Presidents, we have maintained an effective Board structure with a high proportion of Directors making up the majority of the Board, although there were some changes in Board members. The nine Directors of the Board for FY2023, six (67%) are Independent Directors, five (56%) are Japan-based, 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.

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 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 managers.

The 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.

Overview and main activities

Chairperson

Hisashi Hara
(Independent Director)

Committee members

Number of meetings

FY2023: 3 (March 2023 to mid-March 2023) 11
FY2022: 3 (March 2022 to end of June 2022)

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.
- The Nominating Committee determines the composition of each committee for FY2023.
- This year, we held three Co-Presidents’ Report about evaluations and recommendations for人选 for Nippon Paint Group.

Roles of the Committee

Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, selection procedures 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 on the succession plan and other proposals.

Key reports to the Board of Directors

- Co-Presidents’ Report about evaluations and recommendations for人选 for Nippon Paint Group.
- Report on resolution about the proposal at the General Meeting of Shareholders regarding the election of Directors for FY2023.

Process of strengthening human capital and selection of key management personnel

- 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
- Enhance talented people and develop a people growth environment based on the autonomy of every PCG led by workforce initiatives

- 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 evaluates the effectiveness of the Board, identifying the status and issues surrounding the Board at that given time, and comprehensively evaluating the qualifications 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 sources, to continually monitor contributions of individual Directors and the comprehensive performance of the Board Groups based on mutual trust. Through these activities, we constantly work on determining the best candidates for the composition of the Board that can contribute to MSV.
- While making steady progress preparing for our Group’s leap to the next stage, 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 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.
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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 managers.

The 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.

Required experiences/skills

- Experience in corporate management
- Experience in global business operations
- Experience in M&A
- Finance
- Legal Affairs
- IT/Cybersecurity
- Manufacturing/ Technology/R&D

Nippon Paint Holdings Co., Ltd.
Our roles to attract and train excellent talent

Nippon Paint Holdings, as a business with maximizing shareholder value (MSV) at its core, is 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 grateful 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.

Compensation Committee

The Compensation Committee makes decisions about the level and composition of compensation for Individual Directors and Executive Officers. This committee also oversees decisions about the compensation of senior partners in executive roles by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, comparison of executive roles 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 on our website: https://www.nipponpaint-holdings.com/en/sustain-ability/governance/boards/reviews/compensation.

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 the 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 of the performance of Co-Presidents

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.

Evaluation of the performance of Co-Presidents Comparisons with Competitors (Major financial indicators)

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2022 Actual</th>
<th>Growth vs. FY2021</th>
<th>Growth vs. FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>JPY3,309 bn</td>
<td>3.1% (10.4%)</td>
<td>-2.7% (10.2%)</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>JPY78.4 bn</td>
<td>17.5% (0.3%)</td>
<td>33.4% (0.7%)</td>
</tr>
<tr>
<td>EPS</td>
<td>JPY33.82</td>
<td>15.0% (2.9%)</td>
<td>10.2% (3.9%)</td>
</tr>
</tbody>
</table>

1. Comparisons using the largest paint companies based on global sales (Nippon Paint Group ranks fourth).
2. For compound annual growth rate calculated based on comparable metrics, figures in parentheses are medians.
3. Source: FactSet (as of December 2022), figures in parentheses are medians.

Composition of executive compensation

<table>
<thead>
<tr>
<th>Compensation decision-making policy for Executives</th>
<th>Considers the interests of minority shareholders, the Compensation Committee performs rigorous evaluations with emphasis on measures for providing compensation for the Representative Executive Officers &amp; 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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation Committee makes decisions about the level and composition of compensation for Co-Presidents that is consistent with the pursuit of MSV and the results of this compensation. All at the same time, the committee is working to create compensation that will serve as motivation for even more actions to achieve MSV.</td>
<td></td>
</tr>
</tbody>
</table>

Stocks form roughly half of independent Directors’ compensation, with cash and other forms of compensation being the remainder.

Independent Directors are a majority of the Compensation Committee and chair the committee for the protection of minority shareholders.

Based on rigorous performance evaluations by the Compensation Committee, 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.

Analysis of performance of Co-Presidents

<table>
<thead>
<tr>
<th>Compensatory factors</th>
<th>Fixed compensation</th>
<th>Variable compensation</th>
<th>Entire amount of compensations are variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Job-based compensation (JBC)</em></td>
<td>Compensation is set at levels that can attract and retain management talent with the skills required to supervise the management of the 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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Allowances for committee memberships and other roles</em></td>
<td>Director allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committee, the Lead Independent Director, and other positions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Long-term incentives (LTI)</em></td>
<td>Directors supervise the Nippon Paint Group. Co-Presidents and Co-Presidents have significant roles in management and assume the role and associated risk of making the management decisions for the Nippon Paint Group. In order to achieve the Group’s Management Vision, the Compensation Committee determines a variety of compensation structures for Co-Presidents. These structures are designed to align the interests of Co-Presidents with those of other shareholders.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key reports to the Board of Directors

- Reporting on FY2022 Executive Officers’ and Co-President performance
- Reporting on the compensation for the Executive Officers
- Reporting on the compensation for the Co-President

<table>
<thead>
<tr>
<th>Reporting year</th>
<th>FY2022 Executive Officers’ and Co-President performance</th>
<th>Reporting on the compensation for the Executive Officers</th>
<th>Reporting on the compensation for the Co-President</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-President</td>
<td>11 12 2022</td>
<td>11 12 2022</td>
<td>11 12 2022</td>
</tr>
<tr>
<td>Co-President</td>
<td>11 12 2022</td>
<td>11 12 2022</td>
<td>11 12 2022</td>
</tr>
</tbody>
</table>

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.

Lastly, 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 is 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

Non-Executive Director

Independent Director

Number of meetings

FY2022 (begin March 2022 to mid March 2022) 11
FY2023 (begin March 2022 to June 2023) 2

Main activities

The Compensation Committee received compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Committee Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents).

Composition of executive compensation

<table>
<thead>
<tr>
<th>Compensation for Directors</th>
<th>Director who do not concurrently serve as Executive Officer (Independent Directors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>Image of basic composition</td>
</tr>
<tr>
<td>Job-based compensation (JBC)</td>
<td>Compensation is set at levels that can attract and retain management talent with the skills required to supervise the management of the 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.</td>
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<td>Allowances for committee memberships and other roles</td>
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<td>Long-term incentives (LTI)</td>
<td>Directors supervise the Nippon Paint Group. Co-Presidents and Co-Presidents have significant roles in management and assume the role and associated risk of making the management decisions for the Nippon Paint Group. In order to achieve the Group’s Management Vision, the Compensation Committee determines a variety of compensation structures for Co-Presidents. These structures are designed to align the interests of Co-Presidents with those of other shareholders. Introduced Mid year / Bimonthly Clauses to ensure the soundness of MSV.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compensation for the Representative Executive Officers &amp; Co-Presidents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>Image of basic composition</td>
</tr>
<tr>
<td>LTI*</td>
<td>1 1 1</td>
</tr>
<tr>
<td>BS</td>
<td>1</td>
</tr>
</tbody>
</table>

Entire amount of compensations are variable

* Compensation takes into account the level and composition of compensation in the individual’s home country, considering in particular the compensation prevailing among other comparable companies and the competitive need for attracting and retaining management talent. Decisions concerning compensation are made by the Compensation Committee with the assistance of executive officers and other members. Other activities are used for a comprehensive evaluation of performance through 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. |
Audit Committee Report

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 its 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 exchange 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. 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 cybersecurity risk and the profile 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

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Masataka Mitsuhashi (Independent Director)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings</td>
<td>FY2022 (Late March 2022 to mid-March 2023) 13 FY2023 (Late March 2023 to end of June 2023) 2</td>
</tr>
</tbody>
</table>

- **FY2022 (Late March 2022 to mid-March 2023)**
  - 5
  - 1
  - 3
  - 6
  - 7
  - 8
  - 9
  - 10
  - 11
  - 12

- **FY2023 (Late March 2023 to end of June 2023)**
  - 2
  - 3
  - 4
  - 5

**Main activities**

- 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.
- Discussed on proposals regarding the election, dismissal and refusal of re-election of the Accounting Auditor to be submitted to the Ordinary General Meeting of Shareholders.
- Conducted evaluations of the results of financial results and the Ordinary General Meeting of Shareholders.
- Discussed on the results of the FY2022 audit plan and the results of the FY2023 audit plan.

**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 re-election of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

**“Audit on Audit” Group audit system**

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 analyses 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 for 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 (PCGs). The topics of discussions include audit findings at PCGs which they are responsible for, financial and tax risks, and the status of communications with local management teams and NIPSEIA’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 PCGs 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.
The ideal form of the group audit system to pursue MSV based on Asset Assembler model

What is the effective and efficient form of group audits based on respect for autonomy of partner companies (PCGs), 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 their appropriate approach to group audits at NPHD in order to change 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, 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 team is 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 you 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 Batek 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 the reexamination of the business processes in our Group by the Audit Committee, whose members are independent directors, would provide a proactive viewpoint to 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, that were not in place before. We believe this laid the groundwork for strengthening cooperation involving audits and internal audit functions. The management structure and business model of our Group has changed from the corporate governance structure as a global business group 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 something 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, would provide a proactive viewpoint to 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, that were not in place before. We believe this laid the groundwork for strengthening cooperation involving audits and internal audit functions. The management structure and business model of our Group has changed from the corporate governance structure as a global business group to a Company with Three Committees.

Nakamura · One of the aims of this structure as lacking sufficient resources and strength to know-how concerning on-site audits.

There were issues such as delays in reporting deficiencies in quality management at our PCGs in Japan, as I mentioned earlier. In addition, risk assessments and responses as well as risk reporting were not done appropriately. Also, those PCIs did not appear to have a sufficient sense of ownership to undertake the job of remediating 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 parameters from the Corporate Assurance Risk Committee, which meets three times a year, to share information about risk factors with senior management.

Another example is NIPSEA, which operates mainly in Asia. NIPSEA was using the approach of proposing solutions to business challenges based on Corporate Assurance Risk Committee rather than using the conventional approach of merely pointing out issues. NIPSEA used a small team to perform assessments at each business with operations based on the Group’s Integrated Risk Audit System, which is the integrated risk management system of NPHD. This is the way in which the Group can better understand the quality of its businesses.

Nakamura · As the Audit Committee Chairperson, you explained 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 take a look on the significant change in this 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 when the World Headquarters (WHQ)/Regional Headquarters (RHO) 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/RHO model stage, the management team was pursuing a stronger group control function with the headquarters in Japan serving as WHO in a centralized manner. Another goal was a growth suited to the business environment of each region and business through regional controls based on the delegation of authority to RHOs, which are managed by executives seconded from WHO. Let me dig deeper into the topic of “Audit on Audit”, let’s look back on the significant change in the management structure and business model of our Group in recent years.

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/RHO model stage, the management team was pursuing a stronger group control function with the headquarters in Japan serving as WHO 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 RHOs, which are managed by executives seconded from WHO.
Transitions in the Group management structure/model and design concept of Group audit framework

<table>
<thead>
<tr>
<th>Organizational structure</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company with the Board of Corporate Auditors</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company with Three Committees (Nominating, Compensation, Audit)</td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Group management structure</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralized management</td>
<td></td>
<td></td>
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<tr>
<td>Spider web management</td>
<td></td>
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<tr>
<td>Autonomous and decentralized management</td>
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<table>
<thead>
<tr>
<th>Business model</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Headquarters (WHQ)/Regional Headquarters (RHQ) model</td>
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<tr>
<td>Asset Assembler model</td>
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</table>

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

<table>
<thead>
<tr>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas revenue/overseas operating profit ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Consolidated employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of consolidated subsidiaries/consolidated employees</td>
<td></td>
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<tr>
<td>Nippon Paint Holdings Co., Ltd.</td>
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<tr>
<td>Americas</td>
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</tbody>
</table>

Overseas revenue/overseas operating profit ratio

- Overseas revenue ratio
- Overseas operating profit ratio

Number of consolidated subsidiaries/consolidated employees

- Number of consolidated subsidiaries (left axis) (companies)
- Number of consolidated employees (right axis) (persons)

- 2019: 150,000
- 2020: 200,000
- 2021: 200,000
- 2022: 250,000

Nippon Paint Holdings Co., Ltd. - Our Management Structure for Achieving MSV

Corporate Information

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Nippon Paint Group Global Code of Conduct

Global Basic Policy of Whistleblowing Hotline

Message from the Management

Our Management Structure for Achieving MSV

Message from the Management

Our Management Structure for Achieving MSV

Message from the Management

Our Management Structure for Achieving MSV

Message from the Management

Our Management Structure for Achieving MSV

Message from the Management
Governance Discussions

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 those 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 initiates of the Audit Committee, best practices in our Group are shared with the PCGs through the Group Audit Information (GAI), which 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. Initially, 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. Wae was the driving force for making NHPSEA, 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 adhesives businesses. Mr. Wakasuki has extensive knowledge of the capital markets and excels in the assessment and management of assets based on its 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 NHPD 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, NHPD recorded provisions for doubtful accounts amounting to JPY13.0 bn in FY2022 and JPY13.0 bn in the first 2Q of FY2023. 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.

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 structure.” 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 closely monitored. Identifying remaining risk factors in all 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 this 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, the Audit Committee’s 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.

<table>
<thead>
<tr>
<th>Our Approach to achieving MSV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomous and sustainable growth of every PCG is the key to achieving MSV.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

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. Each team is led by a business leader with sufficient skills and experience for the issues the team covers. (See “Sustainability as the Prize worthy to 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 Assembly.

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.

For more information, see the Internal Control part in Sustainability section on our website: https://www.nipponpaint-holdings.com/en/sustainability/governance/indexen.htm

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

<table>
<thead>
<tr>
<th>Risk management system</th>
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</table>
| 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. |
Risk Management

| 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 of 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 is 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 and natural-disaster issues.

| Risk heat map |

<table>
<thead>
<tr>
<th>High risk-sensitivity items in FY2022</th>
<th>Change in risk sensitivity (vs FY2021)</th>
<th>Description of risk and major countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Slightly higher</td>
<td>- 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 Committees and Compensation Committees.</td>
</tr>
<tr>
<td>BCP concerning the drastic increase in raw materials costs worldwide, foreign exchange fluctuation, political instability, the pandemic, natural disasters, IT security, etc.</td>
<td>Slightly higher</td>
<td>- 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. 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.</td>
</tr>
<tr>
<td>Compliance Risk</td>
<td>Higher</td>
<td>- More efficient management of inventory and logistics, stricter credit management, etc. (Actions) To reduce risk in production 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 by optimizing the supply chain.</td>
</tr>
<tr>
<td>Supply chain risk</td>
<td>Significantly higher</td>
<td>- 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.</td>
</tr>
</tbody>
</table>

| 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 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.

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

Whistleblowing hotline

In January 2022, Nippon Paint Group enacted Nippon Paint Group Global Code of Conduct to set out standards/requirements of compliance/ethics rules and Sustainability that apply to general group companies. The code has been refined 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.

In accordance with the update of the Basic Policy on Internal Control System, Nippon Paint Group started using in January 2022 a Global Basic Policy of 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 PCGs where the whistleblowing report was received, investigates, analyze and take necessary actions. These actions for preventing violation or other improper conduct include organizational measures, and employee training.

<table>
<thead>
<tr>
<th>Whistleblowing hotline</th>
<th>Number of reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violating environment (industrial accidents, harassment, discrimination, etc.)</td>
<td>40</td>
</tr>
<tr>
<td>Risk of asset/Leakage of information (conflict of interest, embezzlement, illegal use of data, etc.)</td>
<td>8</td>
</tr>
<tr>
<td>Accounting fraud</td>
<td>2</td>
</tr>
<tr>
<td>Violations of laws and regulations (violations in labor relations, insider trading, bribery, business tax violations, etc.)</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
</tr>
</tbody>
</table>
Directors and Executive Officers  
(As of June 30, 2023)

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President
Date of birth: August 28, 1966
Number of shares held: 63,110 shares

Wakatsuki began his career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) 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 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.

Wee Siew Kim
Director, Representative Executive Officer & Co-President
Date of birth: August 19, 1963
Number of shares held: 105,000 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 played a crucial role in driving the Group’s 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.

Goh Hup Jin
Chairman
Date of birth: April 6, 1953
Number of shares held: 180,110 shares

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 as in deep market penetration across markets where the Group operates.

Hisashi Hara
Independent Director
Date of birth: July 3, 1947
Number of shares held: 10,215 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 3, 1947
Number of shares held: 38,800 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.

Masayoshi Nakamura
Lead Independent Director
Date of birth: November 10, 1954
Number of shares held: 86,396 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

Nominating Committee

Compensation Committee

Audit Committee
### Financial indicators

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<tbody>
<tr>
<td>Net sales</td>
<td>222,256</td>
<td>233,380</td>
<td>260,578</td>
<td>260,590</td>
<td>535,746</td>
<td>470,161</td>
<td>605,252</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>73,329</td>
<td>82,038</td>
<td>93,640</td>
<td>90,550</td>
<td>233,343</td>
<td>204,875</td>
<td>245,196</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>16,323</td>
<td>25,860</td>
<td>33,387</td>
<td>33,751</td>
<td>71,352</td>
<td>72,469</td>
<td>74,957</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA*3</td>
<td>24,626</td>
<td>33,090</td>
<td>40,034</td>
<td>40,722</td>
<td>97,885</td>
<td>95,382</td>
<td>104,405</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>3,553</td>
<td>5,107</td>
<td>5,980</td>
<td>5,130</td>
<td>19,034</td>
<td>21,019</td>
<td>24,814</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>8,302</td>
<td>7,233</td>
<td>7,061</td>
<td>6,970</td>
<td>26,033</td>
<td>22,862</td>
<td>29,497</td>
<td></td>
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<td><strong>Net profit attributable to owners of parent</strong></td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
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**Footnotes:**

*1 Earnings for FY2020 and FY2021 are calculated by applying the classification of the European automotive coatings business to the financial indicators in accordance with IFRS 5. Earnings for FY2022 are calculated by applying the classification of the segment of the automotive coatings business in accordance with IFRS 5.

*2 Net profit attributable to shareholders per share (EPS) for FY2022 is calculated by subtracting the number of treasury stock from the total number of issued shares.

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

*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))

*5 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.

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

*7 ROIC (JGAAP): 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.

#### The former reportable segments

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#### By business

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<td>38.4</td>
<td>40.1</td>
<td>43.9</td>
<td>53.9</td>
</tr>
<tr>
<td>Asia Excepting NIPSEA China</td>
<td>104.1</td>
<td>101.7</td>
<td>86.4</td>
<td>151.1</td>
</tr>
<tr>
<td></td>
<td>14.0</td>
<td>10.7</td>
<td>11.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Oceania</td>
<td>—</td>
<td>47.6</td>
<td>148.3</td>
<td>176.2</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>5.9</td>
<td>15.4</td>
<td>19.0</td>
</tr>
<tr>
<td>Americas</td>
<td>75.2</td>
<td>74.6</td>
<td>70.1</td>
<td>76.4</td>
</tr>
<tr>
<td></td>
<td>5.0</td>
<td>5.0</td>
<td>4.5</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>2,402</td>
<td>2,640</td>
<td>2,581</td>
<td>2,576</td>
</tr>
<tr>
<td>Other</td>
<td>13.9</td>
<td>28.0</td>
<td>37.6</td>
<td>55.8</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>0.7</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>400</td>
<td>1,919</td>
<td>2,047</td>
<td>1,793</td>
</tr>
<tr>
<td>Consolidated total (Common)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>404</td>
</tr>
</tbody>
</table>

#### 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 for FY2022 reflect the application of this accounting policy.

#### Following the company split into NPHD, the holding company and Nippon Paint Corporate Solutions Co., Ltd. (NPACS), the Japan-focused functional company. NPHD's employees were transferred to NPACS. The number of employees of NPACS is included in Japan segment.

#### 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.

#### 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.

#### The earnings for FY2022 reflect the application of this accounting policy.

#### The earnings for FY2021 and FY2022 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.

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

#### Human resources/organizations (Human capital)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Directors of the Board (persons)</th>
<th>Number of Independent Directors of the Board (%)</th>
<th>Ratio of male employees to female employees (Global) (%)</th>
<th>Ratio of women in managerial positions (Global) (%)</th>
<th>Number of fatalities (Global)*3</th>
<th>Number of employees (persons)</th>
<th>Employee satisfaction levels (Japan Group) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/12</td>
<td>10</td>
<td>50.0</td>
<td>50.0</td>
<td>4.1</td>
<td>0</td>
<td>20,402</td>
<td>62</td>
</tr>
<tr>
<td>2019/12</td>
<td>11</td>
<td>45.5</td>
<td>84.2</td>
<td>4.3</td>
<td>0</td>
<td>25,970</td>
<td>83</td>
</tr>
<tr>
<td>2020/12</td>
<td>9</td>
<td>66.7</td>
<td>87.0</td>
<td>4.3</td>
<td>0</td>
<td>27,318</td>
<td>80</td>
</tr>
<tr>
<td>2021/12</td>
<td>8</td>
<td>75.0</td>
<td>87.2</td>
<td>6.2</td>
<td>0</td>
<td>30,247</td>
<td>82</td>
</tr>
<tr>
<td>2022/12</td>
<td>11</td>
<td>72.7</td>
<td>87.8</td>
<td>5.4</td>
<td>2</td>
<td>33,763</td>
<td>81</td>
</tr>
</tbody>
</table>

#### Technologies (Manufactured capital)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018/12</th>
<th>2019/12</th>
<th>2020/12</th>
<th>2021/12</th>
<th>2022/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions (Scope 1 and 2) (Global) (kg/t)*4</td>
<td>54.3</td>
<td>51.1</td>
<td>48.8</td>
<td>55.6</td>
<td></td>
</tr>
<tr>
<td>Renewable energy consumption (%)*5</td>
<td>0.1</td>
<td>0.2</td>
<td>0.5</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Renewable electricity consumption (%)*3</td>
<td>0.3</td>
<td>0.4</td>
<td>1.0</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>Greenhouse gas emissions (Scope 3) (Global) (kg/t)*4</td>
<td>36,430</td>
<td>45,714</td>
<td>42,374</td>
<td>43,016</td>
<td>45,153</td>
</tr>
<tr>
<td>Energy consumption (Global) (kWh)*4</td>
<td>0.47</td>
<td>0.45</td>
<td>0.40</td>
<td>0.51</td>
<td></td>
</tr>
<tr>
<td>Water generated (Global) (m³)*4</td>
<td>11.3</td>
<td>10.1</td>
<td>11.1</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>Water recovered (Global) (m³)*4</td>
<td>6.0</td>
<td>4.5</td>
<td>4.5</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>Hazardous waste generated (Global) (%)*6</td>
<td>45</td>
<td>42</td>
<td>37</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Water withdrawal (Global) (m³)*7</td>
<td>0.69</td>
<td>0.56</td>
<td>0.54</td>
<td>0.58</td>
<td></td>
</tr>
<tr>
<td>Water consumed (Global) (m³)*7</td>
<td>6.0</td>
<td>4.5</td>
<td>4.5</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>Ratio of water-based paints in decorative paints (Global) (%)</td>
<td>83.8</td>
<td>86.7</td>
<td>87.5</td>
<td>89.9</td>
<td>92.2</td>
</tr>
</tbody>
</table>

### Status of Inclusion in Indexes/External Evaluation

#### General

- **2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX**
- **FTSE4Good**
- **FTSE Blossom Japan Index**
- **FTSE Blossom Japan Sector Relative Index**

#### External partners

- Received the Special Excellence Award (Quality Management) from Toyota Housing Corporation for the 12th consecutive year (May 2023)
- Selected as influential brand among the nation’s consumers in 2022 (December 2022)
- 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 Awarded (C-NPS) (January 2023)
- Selected for the sixth consecutive year as a constituent stock of the JPX-Mitsui Index 400 (August 2023)

#### Nippon Paint China

- Selected for the 12th consecutive year as the No. 1 paint brand by the top 500 Chinese real estate developers (March 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)
- Received the Special Excellence Award (Quality Management) from Toyota Housing Corporation for the 12th consecutive year (May 2023)
- Received the Special Excellence Award (Quality Management) from Toyota Housing Corporation for the 12th consecutive year (May 2023)

#### Customer base

- Selected as influential brand among the nation’s consumers in 2022 (December 2022)
- 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 Awarded (C-NPS) (January 2023)
- 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’s consumers in 2022 (December 2022)
Corporate, Stock, Ratings and Stock Price Information
(as of December 31, 2022)

Corporate Profile
Trade name Nippon Paint Holdings Co., Ltd.
Head Office Tokyo Head Office

MUSEUM TOWER KYOBASHI, 14th floor,
1-7-2 Kyobashi, Chuo-ku, Tokyo, Japan
Tel: (+81) 3-6430-0711
Osaka Head Office
21-1 Osyoikita, Kita-ku, Osaka-shi, Osaka, Japan
Tel: (+81) 6-6430-1111

Founded March 14, 1881
Capital 671,432 million yen
Number of employees 30,763 (consolidated)
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
Foreign investors 78.56%
Financial institutions 12.06%
Non-financial institutions 2.61%
Non-japanese corporations 0.99%
Japanese corporations and companies 4.83%
Individuals and other investors. 0.66%

Total shares issued 2,370,512,215 shares

Major shareholders
Name Number of shares (thousands) Shareholding rate (%)

Nippon International Limited 1,393,350 58.06
Fraser (HK) Limited 30,797 1.31
OICRM E A S T B R I T A I N E N C O R P O R A T E D 0 1.00
STANDARD CHARTED BANKING S A 11,720 4.62
WAB Bank Public Clients S 47,671 1.88
Mitsui Life Insurance Company 74,278 3.11
Toyo Motors Corporation 75,759 3.17
JOHNSON SADICS INTERNATIONAL 13,547 0.46

Ratings Information
(as of June 30, 2023)
Institution R&I Rating Rating Outlook
R&I Rating A Stable

Stock Price Information
Trading volume (shares) 1,000,000,000
2,000,000,000
3,000,000,000
4,000,000,000
5,000,000,000

2011/1 2012/12 2013/12 2014/12 2015/12 2016/12 2017/12 2018/12 2019/12 2020/12 2021/12 2022/12 2023/6

Q & A with Independent Director
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 uplifted by Co- Presidents pursues MSV based on autonomous and decentralized management built on trust, which is a retirement 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.

Key themes
Asset Assembler Model
You have explained that the paint company has sound control 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 Company cannot serve as representatives of shareholders without understanding shareholders’ views and thoughts. How 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).

Q & A with Independent Director

For more information, see the "Q&A with Independent Director" on our corporate website.


Corporate Information