

## Letter to Investors about the Integrated Report 2023

$$MSV = M(\text{EPS}) \times M(\text{PER})$$

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



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



**Yuichiro Wakatsuki**  
Director, Representative Executive  
Officer & Co-President

# Chapter



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

We have already started our work on the next MTP. We are

assessing what we achieved over the current period and aiming for further growth.

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

We appreciate the continued support and guidance from our investors.

September 30, 2023

**Yuichiro Wakatsuki**  
Director, Representative Executive  
Officer & Co-President

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



# Message from Co-President Wakatsuki

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

**Yuichiro Wakatsuki**  
Director, Representative Executive  
Officer & Co-President



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

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

Secondly, our close communications with the Board members including Chair Nakamura play a pivotal role. We engage in meaningful and substantive discussions at a high level for every agenda item, prioritizing in-depth exchanges over formal 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, emphasizing our unique growth story and enticing them to evaluate our potential through this initiative.

The second example relates to the successful acquisitions of Cromology, JUB, and NPT in Europe. These decisions were made swiftly through repeated discussions, focusing on key points with the team led by DuluxGroup CEO Patrick Houlihan and NPHD Board members, not to mention vigorous discussions between Co-Presidents to ensure a well-informed decision-making process. The success of these acquisitions completed under a

competitive process, can be attributed to two major factors: MSV as a common basis for judgment and active communications.

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

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

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

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

I perceive the numerical targets in MTP as a stepping stone towards the next phase, and it is important to recognize that attaining MTP numbers itself is not

our ultimate objective; it is all about MSV. For example, the acquisition of Cromology was not driven to contribute to MTP or to pursue scale; instead, the decision was carefully evaluated with vigilance, ensuring that it would genuinely create shareholder value.

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

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

Our primary competitive advantage lies in our ability to leverage the strength of low funding costs, which is a vital component in our M&A strategy. We being based in Japan, the stable currency and a consistent low interest rate environment set us apart from European and U.S. companies who face the challenge of higher interest rates. Our low-risk asset portfolio provides for higher leverage opportunity, which normally enables EPS accretion as we prioritize debt financing at favorable interest rates for acquisitions. However, debt capacity ceilings will eventually limit our acquisitions. To mitigate this risk, we hold the option of equity financing. Using high PER shares to acquire a company with relatively low PER generally results in EPS accretion, even if the acquisition is

## 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.

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

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

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

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

The fundamental idea is that the parent company does not claim superiority in terms of information and decision-making abilities; rather, it encourages autonomous decision-making by local subsidiaries.

This approach helps to circumvent slow decision-making processes and ensures agile and appropriate actions to outperform our competitors.

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

Our third competitive advantage lies in our prowess in attracting management-class talents. Our platform allows acquired companies that resonate with the concept of MSV to accelerate growth through autonomy and

accountability within our Group. This appeal enables us to draw in numerous outstanding talents. CEOs who have become part of our Group have been effectively communicating the benefits of our platform after experiencing it, fostering a similar sense of empathy among newly acquired companies. As a result, this facilitates a seamless engagement post-acquisition. Notably, our approach has already garnered resonance among numerous management-class talents around the globe at this stage.

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

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

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

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

► See “Sustainability as the Prerequisite for MSV” on page 41 and “Discussions by the Board of Directors” on page 108.

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

Through refining our approach, we have crafted the Basic Policy on Sustainability, which supersedes the previous ESG Statement. This new policy aligns our sustainability endeavors more closely with our business activities,

explicitly recognizing it as the fundamental premise for achieving MSV.

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

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

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

In FY2022, we took a step forward in meeting our sustainability obligations by adding a dedicated sustainable procurement team to the existing four teams. While there is some overlap with the existing sustainability teams, the inception of this new team emerged from the teams on the ground, prompted by the increasing demands and issues arising from each existing

team. The primary objective of the newly established team is to actively address ethical procurement matters, including human rights issues, by providing clear visibility into these challenges. Building a strong and cooperative relationship with our suppliers stands as a crucial element in ensuring the sustained growth of our Group. To achieve this objective, we will implement measures such as disclosing our Group’s fundamental approach to procurement which will ensure sustainable procurement practices while fostering stronger relationships with our suppliers.

### Instilling capital markets with conviction towards our continuous EPS accretion

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

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



Director, Representative Executive Officer & Co-President

I believe that our platform,  
built upon Asset Assembler model,  
has three pillars of  
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# Message from Co-President Wee

$$MSV = M(EPS) \times M(PER)$$



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

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

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

of embracing new challenges in our highly skilled and dedicated colleagues position us well for the future.

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

Our Group has continued to achieve solid growth with disciplined execution of Asset Assembler business model. In our Asset Assembler model, our partner companies (PCs), each of which are individually very strong, independent, and autonomous, relentlessly aim for growth by

leveraging our Group's considerable financial strengths and capabilities. Growth is sought not only in the core business areas but each PC is encouraged to seek out growth opportunities by pushing the frontiers of business activities into adjacent areas over the medium and long term. Whenever we find attractive acquisition targets, we will reach out to these companies to join our Group as new PCs. The goal is to build up attractive assets in a broader spectrum of business areas. Our DuluxGroup PC is one such example that has contributed to our

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

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

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

resources of our Group.

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

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

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

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

We must compete smartly with these non-traditional players too.

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

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

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

## Message from Co-President Wee

### Accelerating growth in China through innovation & diversification

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

With a diminished TUB market, competition in the TUC market (B2C business: business to consumers, DIY business, sales via dealers/distributors and e-commerce to end consumers, etc.) invariably intensified. Competition is further compounded by market actions

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

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

### New growth in adjacencies by capitalizing on our strengths

Adjacent business segments of SAF, tools and accessories, floor coatings, construction chemicals and waterproofing present themselves as new growth areas. Our Group is pushing the frontiers of these adjacent areas by leveraging our market reach and brand development capability acquired over many years in the paint and coatings area. As of now, many PCs

are building on small volumes. Knowing the lean for growth spirit of our colleagues, I have no doubt that we will see significant progress in this current MTP.

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

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

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

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



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

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

In FY2022, we continue to build upon the organizational development initiatives across the Group. In Japan, we are coupling the promotion of the J-LFG culture transformation program with dedicated senior and middle management development exercises. Eventually we hope that we can mobilize the entire management team to engage a broad spectrum of our workforce in Japan to embrace the challenge of breaking free of the shackles of the past and unleash the latent potential to come from behind in many segments and beat the competition. Whilst the

starting point is leader and people training and engagement, what we are fostering is an environment that allows our colleagues at all levels to step forward boldly to contribute to building the new future. After a successful pilot in the technical staff base, we are extending across Japan a complete revamp of the management and functional expert progression ladders supplemented by appropriate performance-linked incentive and compensation systems. In time to come, we believe a powerfully motivated and trained workforce would deliver superior performance even in a slow growing domestic Japan market.

Nippon Paint Group's global sustainability effort is spearheaded by Co-President Wakatsuki-san who drives the 5 key working groups of environment & safety, people & community, innovation & product stewardship, governance and sustainable procurement. In the people & community working group, we pay particular attention to diversity & inclusion and engagement with external communities. Persistent attention to the people front as part of the Group's sustainability drive

ensures that we never take our eye off the myriad aspects of our people's welfare and development.

### Sustainable EPS growth – one key contributor to MSV

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

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

Director, Representative Executive Officer & Co-President

# Management with Attention Paid to Our Stock Price

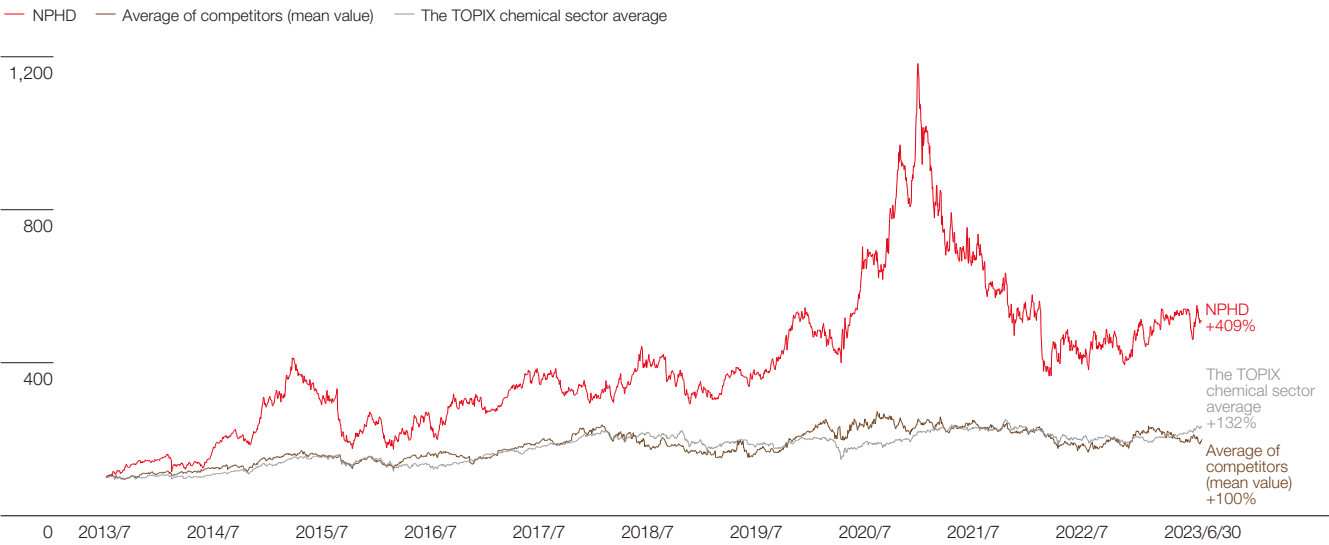
## Turning the maximization of EPS and PER into stock price appreciation

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

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

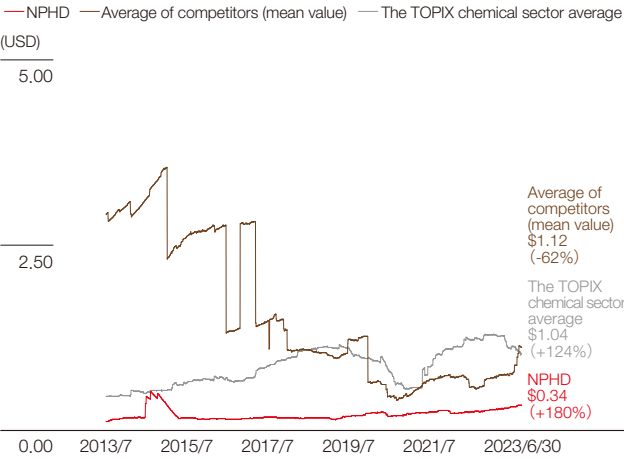
► For management with attention paid to our capital cost, see "Our Finance and M&A Strategies to Achieve MSV Presented by Co-President Wakatsuki" on page 55.

### Historical stock price of NPHD



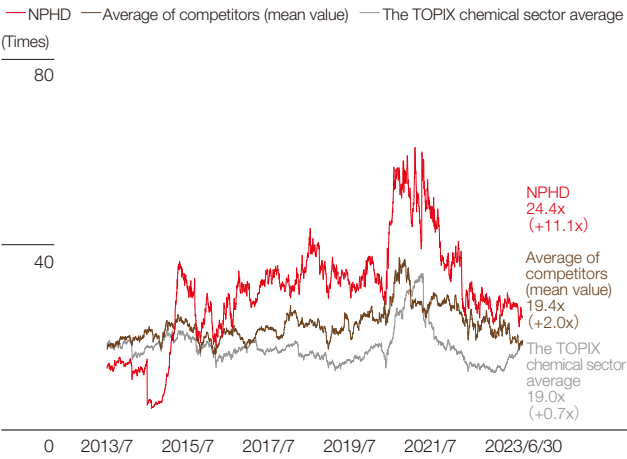
\*1 Source: FactSet (as of June 30, 2023), Bloomberg  
\*2 The stock prices were indexed with the closing price on July 1, 2013, as 100  
\*3 Competitors covered are Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints India, Axalta, SKSHU Paint, Kansai Paint, TOA Paint, Asia Cuanon  
\*4 Stock prices of Axalta, SKSHU Paint, TOA Paint, and Asia Cuanon were indexed using the indexed stock price of Sherwin-Williams on the listing dates of these stocks

### Historical EPS of NPHD



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

### Historical PER of NPHD



\*1 Source: FactSet (as of June 30, 2023), Bloomberg  
\*2 PER (for the next 12 months) is calculated by the stock price on each day divided by EPS (for the next 12 months) on each day  
\*3 Competitors covered are Sherwin-Williams, BASF, Asian Paints, PPG Industries, AkzoNobel, Berger Paints India, Axalta, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon

## Investor engagement

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

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

### Number of IR meetings held (companies)

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

### IR events held (times)

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

## Fulfilling obligations to stakeholders

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

Key stakeholders	Examples of fulfillment of obligations
Customers	<ol style="list-style-type: none"><li>Joint development activities aimed for solving social issues (new-generation technologies such as decorative films and target line paint for assisting automated driving)</li><li>Periodic factory tour events and customer satisfaction surveys (technology and sales areas, etc.)</li><li>Provision of high-quality products with considerations to health and safety ► For more information, see "R&amp;D Strategy" on page 77.</li><li>Exhibit and participate at events aimed for obtaining industry trends and information sharing (lectures at SURCAR (automotive), International Auto Aftermarket EXPO (auto refinsh), High Performance Paint Exhibition and other industry events, and writing professional articles)</li><li>Respond to questionnaire surveys such as CDP (an international NGO) by request from customers</li></ol>
Suppliers	<ol style="list-style-type: none"><li>Conduct questionnaires aimed for sustainable procurement of materials and services</li><li>Eliminate organizations involved in human rights abuses and the use of raw materials made through human rights abuses ► For more information, see "Sustainable Procurement" on page 83.</li></ol>
Employees	<ol style="list-style-type: none"><li>Keep tabs on employee satisfaction levels using questionnaires by the Labor Union and external surveys and conduct employee engagement activities</li><li>Design and implement training programs to gain knowledge and skills about products, businesses, etc.</li><li>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.</li></ol>



# Asset Management Report

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

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

Assets	Financial outcomes			Non-financial outcomes
<p><b>NIPSEA Group</b> (Asia)</p>  <p>NIPSEA Group operates in 22 countries and regions mainly in Asia and is the driving engine of our Group's growth. This group has the leading market share in decorative paints in five countries.</p>	<p><b>FY2022 operating results</b></p> <p>Automotive coatings revenue increased from the previous year despite the shortage of semiconductor chips and other factors due mainly to higher automobile production. Decorative paints revenue increased from the previous year despite lockdowns in China due to the sustained demand for interior painting of existing housing as well as aggressive selling price increases in the key regions of China, Indonesia, and Türkiye. As a result, revenue increased by 24.0% to JPY708.5 bn.</p> <p>Operating profit increased by 5.6% to JPY72.7 bn despite raw material price inflation and credit loss provisions in China due to revenue growth and the flow-through of price increases.</p>	<p><b>Growth since the acquisition (FY2014)</b></p> <p>Since becoming a consolidated subsidiary in FY2014, NIPSEA Group has achieved growth that significantly outperformed the market and competitors by leveraging the following strengths: (1) Outstanding brand power, (2) Competitive workforce due to a Lean for Growth (LFG) culture, (3) Extensive base of production locations and distribution network, and (4) Competitive technologies. This strong growth at NIPSEA Group has driven the earnings growth of Nippon Paint Group.</p> <p>In addition, NIPSEA Group has supported the operations and management of Betek Boya and PT Nipsea by sharing the group's broad expertise and technologies built up in emerging markets over the last 60 years. Due to this support, these two companies have grown faster than before their acquisition by NPHD. NIPSEA Group has steadily grown the adjacencies business as well through the deployment of the Selleys brand of DuluxGroup and the acquisition of Vital Technical.</p> <p>As a result, revenue has increased by 199.6% and operating profit by 213.5% since joining our Group.</p>	<p><b>Revenue/Operating profit (YoY/growth since acquisition)</b></p> <p><b>JPY708.5 bn (+24.0%/+199.6%) / JPY72.7 bn (+5.6%/+213.5%)</b></p> 	<p><b>FY2022 results</b></p> <ul style="list-style-type: none"> <li>■ Human resources/organizations <ul style="list-style-type: none"> <li>· Many initiatives to improve the gender balance <ul style="list-style-type: none"> <li>—Ratio of female employees: 25.0% (+0.1 pp vs. FY2021)</li> <li>—Ratio of women in managerial positions: 25.2% (+0.1 pp vs. FY2021)</li> </ul> </li> <li>· Increase of employee engagement <ul style="list-style-type: none"> <li>—Employee satisfaction: 75.0%</li> </ul> </li> </ul> </li> <li>■ Brands <ul style="list-style-type: none"> <li>· Increase the recognition and trust in the NIPPON PAINT brand <ul style="list-style-type: none"> <li>—Listed on Brand Finance's Top 10 Most Valuable Paint Brands in the World for the second consecutive year</li> </ul> </li> </ul> </li> <li>■ Nature/environment <ul style="list-style-type: none"> <li>· Water use through proper management based on voluntary standards <ul style="list-style-type: none"> <li>—Water usage: -6.4%</li> </ul> </li> </ul> </li> </ul>
<p><b>NIPSEA China</b> (China)</p>  <p>Since its founding in 1992, NIPSEA China has grown to become a respected leader in the paint and coatings industry. The company has steadily expanded its reach across China in tandem with the country's rapid economic growth.</p>	<p><b>FY2022 operating results</b></p> <p>Automotive coatings revenue increased from the previous year despite the supply shortage of semiconductor chips and other factors due mainly to a rebound in automobile production and the flow-through of price increases. In the decorative paints business, revenue in the TUC business increased by 10% (in local currency) driven by the flow-through of price increases and strong sales in Tier 3-6 cities. Revenue in the TUB business decreased by 14% (in local currency) due to soft demand in the real estate market. Industrial coatings revenue decreased due to weak sales in all business segments including coil coatings due to the pandemic. Consequently, revenue increased by 18.9% to JPY450.7 bn.</p> <p>Operating profit decreased by 2.5% to JPY34.9 bn despite revenue growth and the flow-through of price increases due to credit loss provisions.</p> <p>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.</p>	<p><b>Growth since the acquisition (FY2014)</b></p> <p>Since becoming a consolidated subsidiary of NPHD in FY2014, NIPSEA China, led by an excellent management team dedicated to the Lean for Growth (LFG) spirit, has consistently achieved strong growth every year based on high reliability and comprehensive capabilities backed by the following strengths: (1) High recognition and reputation for reliability of the LiBang brand, (2) Continuous expansion of already broad business areas and product lineups in order to promptly respond to increasingly demanding customer needs, and (3) Efficient production systems based on strong networks with manufacturing units, sales units, and stakeholders. In the TUC business, NIPSEA China is aggressively expanding business in Tier 3-6 cities, on top of Tier 0 as well as Tier 1-2 cities where the company already has strong market shares. In the TUB business, NIPSEA China is diversifying its customer base.</p> <p>As a result, revenue has increased by 133.5% and operating profit by 73.3% since joining Nippon Paint Group.</p>	<p><b>Revenue/Operating profit/ Market share (YoY/growth since acquisition<sup>*)</sup>)</b></p> <p><b>JPY450.7 bn (+18.9%/+133.5%) / JPY34.9 bn (-2.5%/+73.3%) / TUC: 24% (+1 pp/+5 pp) TUB: 8% (-1 pp/+0 pp)</b></p> 	<p><b>FY2022 results</b></p> <ul style="list-style-type: none"> <li>■ Customer base <ul style="list-style-type: none"> <li>· Established an outstanding distribution network to support growth in the decorative paints business <ul style="list-style-type: none"> <li>—Number of stores: c. 104,000 (+80% YoY), Number of stores with CCM machines: c. 11,000 (+65% YoY)</li> </ul> </li> <li>· Strategic partnerships with Chinese real estate developers <ul style="list-style-type: none"> <li>—Selected as the No. 1 paint brand by the top 500 Chinese real estate developers for 12 consecutive years</li> </ul> </li> </ul> </li> <li>■ Technologies <ul style="list-style-type: none"> <li>· One of the world's most advanced production systems due to automation systems and other technologies <ul style="list-style-type: none"> <li>—Number of automated factories: 15 (+36% YoY)</li> </ul> </li> </ul> </li> <li>■ Nature/environment <ul style="list-style-type: none"> <li>· Expanding the use of renewable energy <ul style="list-style-type: none"> <li>—Number of factories with solar panels installed: 8 (+300% YoY)</li> </ul> </li> </ul> </li> </ul>
<p><b>Betek Boya</b> (Türkiye)</p>  <p>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.</p>	<p><b>FY2022 operating results</b></p> <p>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.</p> <p>Operating profit decreased by 18.3% to JPY6.1 bn despite revenue growth, due to the application of hyperinflationary accounting, the weak Turkish lira, and the deterioration of the raw material cost ratio. Operating profit in local currency, excluding the effects of foreign exchange, remained strong at 33.1%.</p> <p>Betek Boya maintained its market share of 34% and retained its No.1 market position despite limited volume growth due to inflation.</p>	<p><b>Growth since the acquisition (FY2019)</b></p> <p>Betek Boya has achieved revenue growth and market share gains that are significantly greater than before the acquisition. This is because the acquisition has allowed the company to benefit from NIPSEA Group's know-how for growth in emerging markets and the Nippon Paint brands. In addition, Betek Boya repaid all of its loans with high interest rates by utilizing Nippon Paint Group's low-cost financing capability. Repaying loans allowed Betek Boya to allocate cash generated to large expenditures for marketing and other activities.</p> <p>As a result, revenue has increased by 144.7% and operating profit by 85.1% compared with the time of acquisition.</p>	<p><b>Revenue<sup>*)</sup>/Operating profit<sup>*)</sup>/ Market share (decorative paints) (YoY/growth since acquisition)</b></p> <p><b>JPY70.5 bn (+43.3%/+144.7%)/ JPY6.1 bn (-18.3%/+85.1%)/34% (+0 pp/+7 pp)</b></p> 	<p><b>FY2022 results</b></p> <ul style="list-style-type: none"> <li>■ External partners <ul style="list-style-type: none"> <li>· Strengthened relationships with dealers and professional painters through the "next-generation dealer" program and the "Filli Ustam" loyalty program. <ul style="list-style-type: none"> <li>—Stores in the "next-generation dealer" program: c. 350</li> <li>—Professional painters who use the "Filli Ustam" program: c. 2,500</li> </ul> </li> </ul> </li> <li>■ Brands <ul style="list-style-type: none"> <li>· Strengthen position as the market leader <ul style="list-style-type: none"> <li>—Maintained the No. 1 position in the decorative paints market for about 20 years</li> </ul> </li> </ul> </li> </ul>

\*1 Changed reportable segments beginning with FY2022 1Q. The earnings for FY2021 and FY2022 are based on new segments and exclude the overseas marine coatings business.

\*2 In accordance with IAS No. 29, applied hyperinflationary accounting for the Turkish subsidiaries beginning with FY2022 2Q. The earnings for FY2022 reflect the application of this accounting policy.


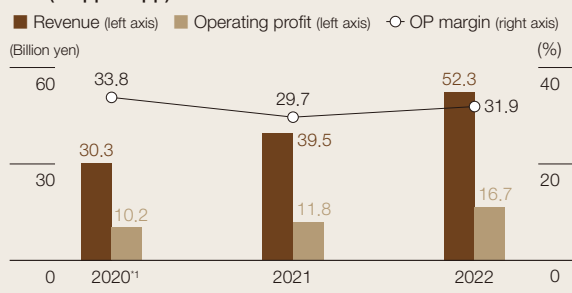



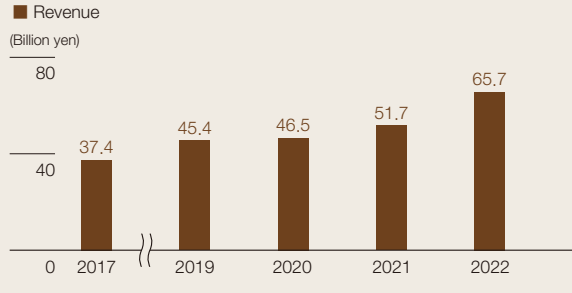



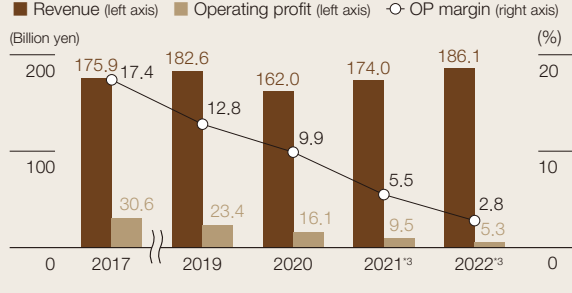



\*3 The changes in the market shares in the TUC and TUB businesses are comparisons with FY2020.

\*4 Segment basis (after elimination of internal transactions and after PPA)

## Asset Management Report

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

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

Assets	Financial outcomes			Non-financial outcomes
<div><div><div>PT Nipsea</div><div>(Indonesia)</div><div></div></div><div>PT Nipsea has a dominant position in the Automotive OEM coatings field in the rapidly growing Indonesian market. PT Nipsea is also a market leader in decorative paints. The company's profitability is the highest among our group partner companies.</div></div>	<div><div>FY2022 operating results</div><div>Revenue increased by 32.5% from the previous year to JPY52.3 bn due to strong growth driven by pricing actions, expansion of the distribution network, a larger number of distributors, and more CCM (computerized color matching) machines. Operating profit increased by 42.1% YoY to JPY16.7 bn despite higher raw material prices, due to pricing actions, lower advertising expenditures, and higher business efficiency to reduce manufacturing and SG&amp;A expenses. PT Nipsea increased its market share by 1 pp from the previous year to 18% and retained its No. 2 position.</div></div>	<div><div>Growth since the acquisition (FY2021)</div><div>PT Nipsea, led by an excellent management team that uses NIPSEA-style management, has achieved earnings growth and market share gains that are considerably higher than before the acquisition by leveraging the following strengths: (1) Production sites and distribution networks that cover all regions of Indonesia and continue to expand, (2) Decorative paints brands with high brand recognition, (3) The largest supply system for CCM machines in Indonesia, and (4) Strong support systems developed through collaboration with global automobile industry OEM manufacturers. As a result, revenue increased by 72.7% and operating profit by 63.7% compared with the time of acquisition.</div></div>	<div><div>Revenue<sup>*1</sup>/Operating profit<sup>*1</sup> /Market share (YoY/growth since acquisition)</div><div>JPY52.3 bn (+32.5%/+72.7%) / JPY16.7 bn (+42.1%/+63.7%)/ 18% (+1 pp/+1 pp)</div><div></div></div>	<div><div>FY2022 results</div><div><div><div>■ Customer base</div><div><div>· The largest number of computerized color matching (CCM) machines in Indonesia for even better customer service</div><div>· Strengthened relationships with fishing communities by providing samples of ship repair coatings.</div></div></div><div><div><div>■ Brands</div><div><div>· Continuous investments in activities to increase brand awareness and position</div><div>—Maintained a strong reputation among customers as “Top of Mind” brand in decorative paints</div></div></div></div></div></div>
<div><div><div>Dunn-Edwards</div><div>(USA)</div><div></div></div><div>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.</div></div>	<div><div>FY2022 operating results</div><div>Revenue increased by 26.8% from the previous year to JPY65.7 bn despite weak volume growth due mainly to the slowdown of the U.S. economy, interest rate hikes, and inflation. Growth was driven by the successful implementation of several price increases in response to raw material price increases as well as solid housing demand and favorable weather during the first half of the fiscal year. Dunn-Edwards' market share remained about the same as in the previous year at 2.5%.</div></div>	<div><div>Growth since the acquisition (FY2017)</div><div>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.</div></div>	<div><div>Revenue/ Market share (YoY/growth since acquisition<sup>*2</sup>)</div><div>JPY65.7 bn (+26.8%/+47.2%) 2.5% (+0.0 pp/+0.1 pp)</div><div></div></div>	<div><div>FY2022 results</div><div><div><div>■ Human resources/organizations</div><div><div>· Many Diversity &amp; Inclusion initiatives</div><div>—Ratio of female employees: 30.0% (+0.4 pp vs. FY2021)</div><div>—Ratio of women in managerial positions: 34.5% (+4.4 pp vs. FY2021)</div></div></div><div><div><div>■ Nature/environment</div><div><div>· Started using renewable energy in every state</div><div>—Ratio of renewable energy use in California: 34% or higher</div><div>· Participated in the Paint Care program for collecting and recycling surplus paint to reduce waste</div></div></div></div></div></div>
<div><div><div>Japan Group</div><div>(Japan)</div><div></div></div><div>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.</div></div>	<div><div>FY2022 operating results</div><div>Automotive coatings revenue was around the same as in the previous year due to flat automobile production because of the shortage of semiconductor chips. Decorative paints revenue increased despite the resurgence of the pandemic and raw material price increases, due to pricing actions and successful sales and promotion activities. Industrial coatings revenue increased despite the pandemic and slow market recovery, due to price increases to pass on the higher cost of raw materials. As a result, revenue increased by 6.9% from the previous year to JPY186.1 bn. Operating profit decreased by 44.5% to JPY5.3 bn despite selling price increases and SG&amp;A controls, due to expenses at Nippon Paint Corporate Solutions, a Japan-focused functional company, and special retirement payments.</div></div>		<div><div>Revenue/Operating profit (YoY change)</div><div>JPY186.1 bn (+6.9%)/ JPY5.3 bn (-44.5%)</div><div></div></div>	<div><div>FY2022 results</div><div><div><div>■ Technologies</div><div><div>· Becoming even more competitive by developing sustainable products</div><div>—High-durability heat shield coatings for road surfaces: Received the 2020 Environmental Technology Award</div><div>—Next-generation environmentally friendly antifouling paint: AQUATERRAS received the GREEN4SEA Technology Award</div></div></div><div><div><div>■ External partners</div><div><div>· Open innovation through industry-academia co-creation projects with the University of Tokyo and other external partners</div><div>· Joint development activities with Toyota Motor Corporation and others by applying automotive paint technology</div></div></div><div><div><div>■ Nature/environment</div><div><div>· Increased the use of renewable energy</div><div>—Increased the use of renewable energy to around 7% of all electricity consumption</div></div></div></div></div></div></div>

\*1 Segment basis (after elimination of internal transactions and after PPA)

\*2 FY2017 earnings of Dunn-Edwards are for 10 months from March 2017, when the acquisition closed, to December 2017. Earnings changes since the acquisition are calculated using FY2018 earnings.

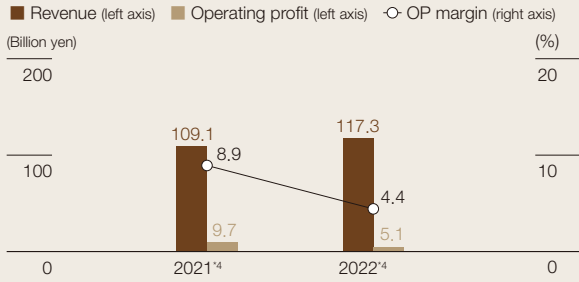
\*3 NPHD changed its reportable segments beginning with FY2022 1Q. The earnings for FY2021 and FY2022 are based on the new reportable segments and include the overseas marine coatings business.



## Asset Management Report

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

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

Assets	Financial outcomes			Non-financial outcomes																				
<div><div><div>DuluxGroup (Consolidated)</div><div>(Pacific/Europe)</div><div></div><div>DuluxGroup operates in 22 countries in the mature Pacific (Australia, New Zealand and Papua New Guinea) and European markets with the top market share in the decorative paints market in four countries (including Australia) and is in the top three in terms of market share in a further six countries. DuluxGroup is driving growth of the Group with its consistent growth every year.</div></div></div>	<div><div>FY2022 operating results</div><div>Decorative paints revenue increased from the previous year due to selling price increases in Pacific, combined with the new consolidation of Cromology and JUB. Revenue in adjacent businesses also increased, due to selling price increases in all businesses, as well as strong sales of ETICS in Europe. As a result, revenue increased by 78.7% from the previous year to JPY314.9 bn.</div><div>Operating profit increased by 55.8% to JPY29.7 bn due to the new consolidations and higher revenue, as well as rigorous margin and cost controls in response to raw material price increases.</div></div>	<div><div>Growth since the acquisition (FY2019)</div><div>Led by its capable management team, DuluxGroup has achieved strong earnings growth by focusing on three strategic growth pillars: (1) Building on its market leading positions in the Pacific, (2) Leveraging the capability for growth in the mature European paints market, and (3) Leveraging the capability for growth in the global SAF (Sealants, Adhesives &amp; Fillers) market.</div><div>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&amp;A transactions in the Pacific and European markets since joining the Group in 2019.</div></div>	<div><div>Revenue<sup>*1</sup>/Operating profit<sup>*1</sup> (YoY/growth since acquisition)</div><div>JPY314.9 bn (+78.7%/+133.4%)/ JPY29.7 bn (+55.8%/+87.0%)</div><div><table><tr><th></th><th>Revenue (left axis)</th><th>Operating profit (left axis)</th><th>OP margin (right axis)</th></tr><tr><td>2019<sup>*2</sup></td><td>134.9</td><td>15.9</td><td>11.8</td></tr><tr><td>2020</td><td>148.3</td><td>15.4</td><td>10.4</td></tr><tr><td>2021</td><td>176.2</td><td>19.0</td><td>10.8</td></tr><tr><td>2022</td><td>314.9</td><td>29.7</td><td>9.4</td></tr></table></div></div>		Revenue (left axis)	Operating profit (left axis)	OP margin (right axis)	2019 <sup>*2</sup>	134.9	15.9	11.8	2020	148.3	15.4	10.4	2021	176.2	19.0	10.8	2022	314.9	29.7	9.4	<div><div>FY2022 results</div><div><div>■ Human resources/organizations</div><div>—Ratio of female employees: 32.7%</div><div>—Ratio of women in managerial positions: 31.5%</div></div></div>
	Revenue (left axis)	Operating profit (left axis)	OP margin (right axis)																					
2019 <sup>*2</sup>	134.9	15.9	11.8																					
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<div><div><div>DuluxGroup (Pacific)</div><div></div><div>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.</div></div></div>	<div><div>FY2022 operating results</div><div>Decorative paints revenue increased from the previous year, with the decrease in volume more than offset by selling price increases in response to rising raw material prices. Revenue in the adjacent businesses increased due to higher volume, mainly in the trade-use market, and higher selling prices. As a result, revenue increased by 17.2% to JPY206.6 bn.</div><div>Operating profit increased by 33.9% to JPY25.5 bn due to higher revenue driven by strong sales of trade-use products in the adjacent businesses as well as rigorous margin and cost controls in response to raw material price increases.</div><div>DuluxGroup has maintained the No. 1 market share (volume and value basis) in decorative paints in Australia.</div></div>	<div><div>Growth since the acquisition (FY2019)</div><div>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.</div><div>As a result, revenue has increased by 53.2% and operating profit by 60.6% since joining our Group.</div></div>	<div><div>Revenue<sup>*1</sup>/Operating profit<sup>*1</sup>/Market share<sup>*3</sup> (YoY/growth since acquisition)</div><div>JPY206.6 bn (+17.2%/+53.2%)/ JPY25.5 bn (+33.9%/+60.6%) 50% (+0 pp/+2 pp)</div><div><table><tr><th></th><th>Revenue (left axis)</th><th>Operating profit (left axis)</th><th>OP margin (right axis)</th></tr><tr><td>2019<sup>*2</sup></td><td>134.9</td><td>15.9</td><td>11.8</td></tr><tr><td>2020</td><td>148.3</td><td>15.4</td><td>10.4</td></tr><tr><td>2021</td><td>176.2</td><td>19.0</td><td>10.8</td></tr><tr><td>2022</td><td>206.6</td><td>25.5</td><td>12.3</td></tr></table></div></div>		Revenue (left axis)	Operating profit (left axis)	OP margin (right axis)	2019 <sup>*2</sup>	134.9	15.9	11.8	2020	148.3	15.4	10.4	2021	176.2	19.0	10.8	2022	206.6	25.5	12.3	<div><div>FY2022 results</div><div><div>■ Human resources/organizations</div><div>· Implemented measures to increase the ratio of female employees in all job levels</div><div>—Ratio of female employees: 35.9% (+0.5 pp YoY)</div><div>—Ratio of women in managerial positions: 33.3% (+1.1 pp YoY)</div><div>· Investments in improving employee engagement</div><div>—Employee engagement (FY2021): 80% (+8 pp vs. FY2017)</div></div><div><div>■ Brands</div><div>· Improving the brand awareness</div><div>—Several DuluxGroup brands were recognized as the most trusted brands in a brand award in Australia</div></div><div><div>■ Nature/environment</div><div>· Initiatives aimed at reducing energy consumption</div><div>—Renewable electricity (% of total electricity consumption): 3.0% (+1.6 pp YoY)</div></div></div>
	Revenue (left axis)	Operating profit (left axis)	OP margin (right axis)																					
2019 <sup>*2</sup>	134.9	15.9	11.8																					
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<div><div><div>DuluxGroup (Europe)</div><div></div><div>DuluxGroup (Europe) has Cromology, which is the fourth largest in the European decorative paints market, and JUB, which is the market leader in decorative paints for interiors and ETICS in the market, and is accelerating growth, leveraging the management know-how of DuluxGroup.</div></div></div>	<div><div>FY2022 operating results (acquired in FY2022)</div><div>Revenue increased by 7.6% from the previous year to JPY117.3 bn due to selling price increases in response to raw material price increases. This is despite flat volume growth because of consistent softness of market conditions, mainly in France.</div><div>The operating profit of Cromology decreased from the previous year despite selling price increases and cost controls, due to external market headwinds driving lower consumption, mainly in France, and raw material price increases. The operating profit of JUB increased as the increases in raw material prices, personnel expenses, and energy costs were offset by the product mix improvement, pricing disciplines and rigorous cost controls. The operating profit of DuluxGroup (Europe) decreased by 46.9% to JPY5.1 bn, inclusive of one-off amortization from acquisition accounting.</div></div>		<div><div>Revenue<sup>*4</sup>/operating profit<sup>*4</sup> (YoY/growth since acquisition)</div><div>JPY117.3 bn (+7.6%/+7.6%)/ JPY5.1 bn (-46.9%<sup>*2</sup>/-46.9%<sup>*2</sup>)</div><div><table><tr><th></th><th>Revenue (left axis)</th><th>Operating profit (left axis)</th></tr><tr><td>2021<sup>*4</sup></td><td>109.1</td><td>9.7</td></tr><tr><td>2022<sup>*4</sup></td><td>117.3</td><td>5.1</td></tr></table></div></div>		Revenue (left axis)	Operating profit (left axis)	2021 <sup>*4</sup>	109.1	9.7	2022 <sup>*4</sup>	117.3	5.1	<div><div>FY2022 results</div><div><div>■ Human resources/organizations</div><div>—Ratio of female employees: 29.1%</div><div>—Ratio of women in managerial positions: 29.2%</div></div><div><div>■ Nature/environment</div><div>· Promoted the use of renewable energy</div><div>—Renewable energy consumption (% of total): 31.6%</div><div>—Renewable electricity consumption (% of total): 66.2%</div></div></div>											
	Revenue (left axis)	Operating profit (left axis)																						
2021 <sup>*4</sup>	109.1	9.7																						
2022 <sup>*4</sup>	117.3	5.1																						

\*1 Segment basis (after elimination of inter-segment transactions and after PPA)

\*2 Including one-off items such as M&A cost

\*3 Volume basis

\*4 FY2021 results are pro forma figures. JUB's earnings for FY2022 are pro forma figures for 12 months and converted to JPY at the following exchange rate: EUR/JPY=138.5 yen