

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 NPCCS 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