

Asset Assembler Model

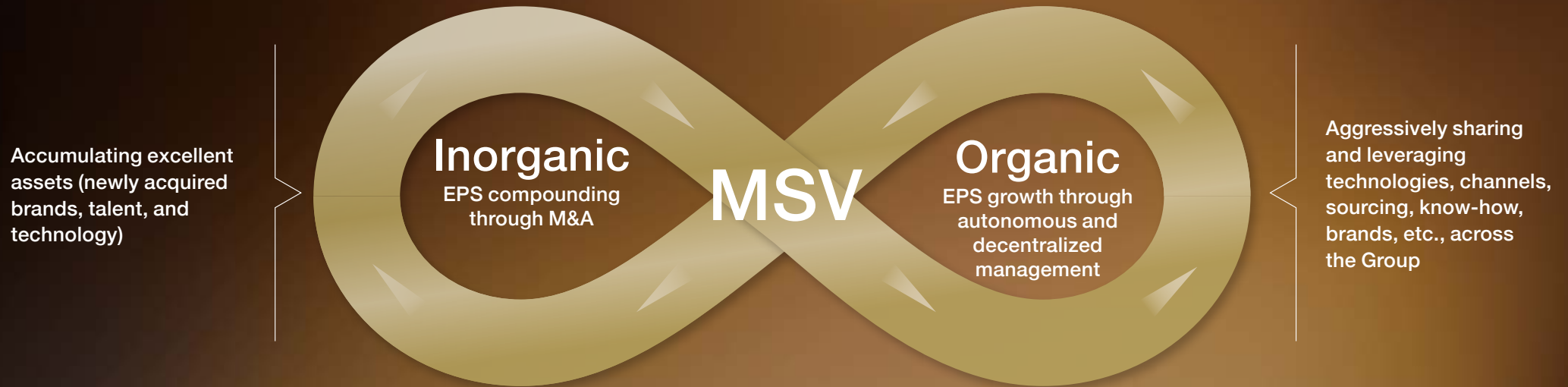
With Maximization of Shareholder Value (MSV) established as our sole mission, we leverage the advantage of our Asset Assembler platform to achieve MSV in the long term.

In this section, we will delve into the competitive advantage of our Asset Assembler model and present case studies demonstrating the use of our platform.

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Asset Assembler Model

Compounding EPS via organic and inorganic growth towards MSV



Relentlessly pursuing unlimited upside in shareholder value

Assumptions (medium- to long-term outlook)	<ul style="list-style-type: none"> • Ever-present macroeconomic uncertainty • Low-risk, good-return targets globally • Japan-based advantages (Japan-US interest rate gap, consumer trust in Japanese brands, etc.) are likely to persist
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Features	<ul style="list-style-type: none"> • A model focused on low-risk and steady EPS compounding via organic and inorganic initiatives • Capital markets' conviction in our Asset Assembler model will boost PER, enabling MSV • Unlocks unlimited growth potential for us
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Our Asset Assembler model aims at sustainable EPS compounding via organic and inorganic growth.

Operating under the assumption that the macroeconomic environment will always be uncertain and unclear, we consistently accumulate low-risk assets that offer good returns that still exist globally. In our M&A activities, we leverage not only the advantage of low-cost funding in Japanese yen, but also the trust placed in Japanese companies as acquirers, capitalizing on our unique position as a Japan-based company.

We strive to earn recognition and favorable evaluations from capital markets for our Asset Assembler model, which is committed to the safe and consistent compounding of EPS via organic and inorganic growth. This approach aims to enhance our PER and ultimately achieve MSV. By unlocking the maximum potential of the assets we acquire, we aim to accelerate our organic growth, thereby attracting new assets to our Group. This virtuous cycle enables us to relentlessly pursue unlimited shareholder value upside.

Competitive Advantage of Asset Assembler Model

Accelerating EPS compounding by leveraging the combined advantage of autonomous and decentralized management and lean headquarters

Organic – Advantage of autonomous and decentralized management

1. Autonomous growth of excellent assets by harnessing low-cost operations, high cash generation capability, and operating leverage

Each of our partner companies features low-cost operations and high cash generation capability enabled by the low-capex characteristics of the paint industry. The holding company typically provides capital to each partner company primarily for executing M&A. By creating operating leverage and capturing resilient market demand, each partner company aims to expand its market share in respective local regions.

2. Accelerating growth through the use of our Group’s platform (financial strength, brand, etc.)

Each partner company leverages our Asset Assembler model platform, proactively incorporating management resources such as financial strength, technical capabilities, brand power, distribution network, and purchasing power that our Group possesses, aiming to drive autonomous growth. Many of our partner companies, including Betek Boya and DuluxGroup, which were acquired in 2019, have a track record of accelerating growth after joining our Group.

»» For more information, please refer to the [“Asset Management Report”](#) on our website.

3. Achieving synergy and breakthroughs through collaboration among excellent assets

We extend our unique platform generously to each partner company, a strategy that enables us to unlock their full growth potential. In return, these companies share their best practices and learn from each other voluntarily, which has from time to time led to collaboration among partner companies and given rise to synergy and breakthroughs.

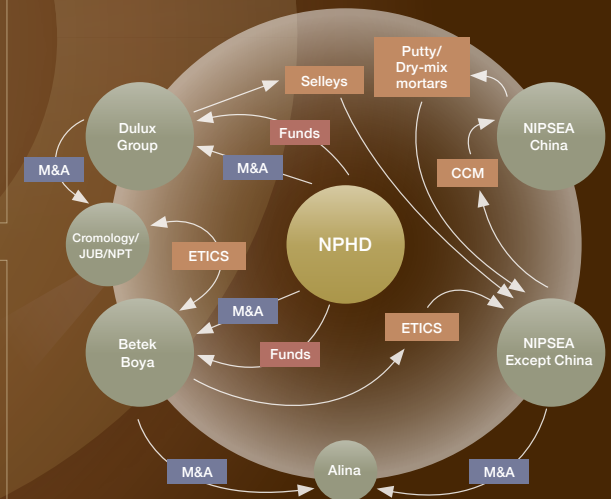
Three primary features of good assets

Autonomous growth enabled by excellent management teams aligned with MSV

Low-cost operations and strong cash generation

Capturing resilient market demand and exploiting operating leverage

EPS growth by leveraging our platform



»» P23 Our Platform That Underpins Autonomous and Decentralized Management

Competitive Advantage of Asset Assembler Model

Inorganic – Advantage of lean headquarters

1. Our capability to fully leverage the benefits of low funding costs

As a company based in Japan, a market known for its stable currency and safety, we have committed to fully leveraging the benefits of low funding costs, thanks to our enduring relationships and strong support from financial institutions. By strategically capitalizing on the persistently low interest rates in Japan, even amidst the stability of the Japanese yen, we are bolstering our competitive edge over Western companies that face higher interest rates.

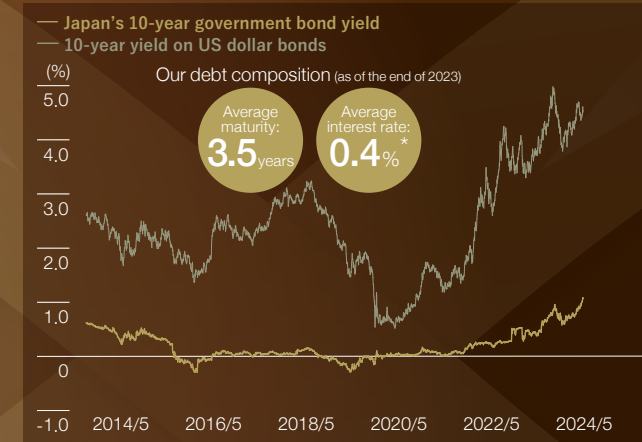
2. The capability of asset companies to maintain and expand the EPS contribution without the intervention of the holding company

Our Company, while maintaining lean headquarters, generously provides each of our partner companies with our unique platform grounded in autonomous and decentralized management. Additionally, we identify low-risk assets and acquire them at reasonable valuations. Following acquisition, we demand autonomy and accountability from our top-tier local management teams. This approach successfully unlocks the full growth potential of each partner company.

3. Our ability to attract world-class management talent who empathize with our business model

Our M&A approach stands apart from the typical Western cost-cutting model, and our established track record and reputation are fostering new M&A opportunities. Our platform promotes enhanced EPS contribution through a combination of autonomy and accountability for talents resonating with MSV. This powerful combination has a strong appeal to high-caliber management talent.

10-year yield on Japanese yen/US dollar bonds



* Average interest rate of our long-term debt

Resonance with MSV



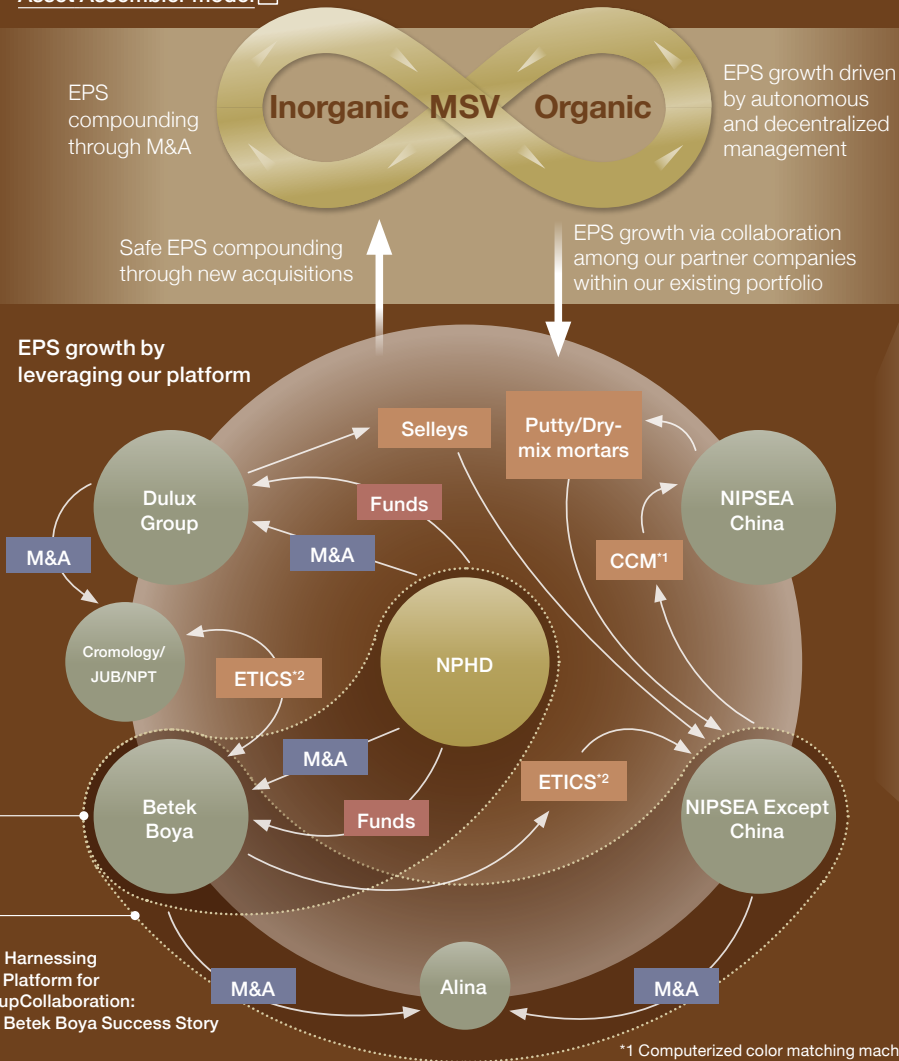
Bringing in excellent management teams

Our Platform That Underpins Autonomous and Decentralized Management

Each partner company, operating under autonomous and decentralized management, proactively leverages our Group's management resources including financial strength, technical capabilities, and brand power, while voluntarily learning from each other occasionally. This approach fuels their ongoing growth.

On this page, we introduce the platform and management resources that underpin our autonomous and decentralized management approach and examples of Group collaboration facilitated through the use of this platform.

[Asset Assembler model](#)



» P25 Harnessing Our Platform for Group Collaboration: The Betek Boya Success Story

*1 Computerized color matching machine
*2 External thermal insulation composite system

Management resources utilized via the platform

Human capital

Talent/organizations

In the paint market, characterized by local production for local consumption and versatile applications, it's essential to have excellent management teams, diverse talent, and robust organizational capabilities that enable us to accurately grasp societal challenges and customer needs, and swiftly provide effective solutions.

Examples of resources and updates

- **Ratio of overseas employees** (global)
87.0% (2018) → 89.9% (2023)
- **Ratio of women in managerial positions** (global)
23.8% (2020) → 26.5% (2023)
- **Employee satisfaction rate** (Japan Group)
83% (2019) → 79% (2023)

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 workstyle
- Instilling Purpose and Global Code of Conduct
- Improving effectiveness of risk management

Particularly relevant Materiality

- Diversity & Inclusion
- Safe people and operations

Key related content

Human Resource Strategy » P65
Safe people and operations » P70
Risk Management » P91

Manufactured capital

Technologies

Advanced technologies are essential for enhancing our competitive advantage by fostering innovations that address societal challenges and customer needs and facilitating stable product supply, among other benefits.

Examples of resources and updates

- **Number of engineering talents** (global)
3,545 (2019) → c.4,300 (2023)
- **Number of factories** (global)
119 (2019) → 163 (2023)
- **Number of registered patents** (global)
1,000 (2021) → 1,610 (2023)

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

- Cultivating engineering talent
- Stepping up R&D activities
- Maintaining and reinforcing production facilities
- Developing sustainable products

Particularly relevant Materiality

- Climate change
- Resources and environment
- Innovation for a sustainable future

Key related content

Environmental Strategy » P62
R&D Strategy » P68

Our Platform That Underpins Autonomous and Decentralized Management

Social and relationship capital

External partners

Collaborations and partnerships with external partners are essential for providing high-quality products and services to customers worldwide, driving innovative solutions to societal challenge

Examples of resources and updates

• Number of stores implementing the “New Generation Dealer” program (Betek Boya)

c.50 (2019) → c.380 (2023)

• Number of IR meetings (global)

281 (2019) → 707 (2023)

• Shareholding of the majority shareholder Wuthelam Group (private company)

14.5% (2013) → 58.7% (2023)

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

- Active open innovation activities with universities, research institutions, automobile manufacturers, and other external partners
- Facilitating engagement with investors and other stakeholders
- Advancing and deepening the partnership with Wuthelam Group

Particularly relevant Materiality

- Climate change
- Resources and environment
- Safe people and operations
- Growth with communities
- Innovation for a sustainable future

Key related content

Environmental Strategy >>> P62 Human Resource Strategy >>> P65
R&D Strategy >>> P68 Safe People and Operations >>> P70 Growth with Communities >>> P71

Customer base

The solid customer base, deeply rooted in long-term relationships of trust with customers in each region and business segment, plays an important role in stabilizing revenue and product supply. Furthermore, it contributes to the enhancement of products and services

Examples of resources and updates

• Number of distribution stores (NIPSEA China)

c.50,000 (2019) → c.290,000 (2023)

• Number of CCM-installed stores (NIPSEA China)

c.3,000 (2019) → c.19,000 (2023)

• No.1 market share in decorative paints (global)

8 countries (2019) → 13 countries (2023)

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

- Developing distribution channels that enable us to supply products to consumers worldwide
- Increasing strategic partnerships with property developers
- Developing strong trust relationships with automobile manufacturers and other customers

Intellectual capital

Brands/know-how

Customers and consumers highly value the trustworthiness of products and services. As a testament to this trust, corporate and product branding is an indispensable resource for operating a diverse range of businesses globally

Examples of resources and updates

• Number of key brands (global)

31 (2019) → 41 (2023)

• Top of Mind rating (NIPSEA China)

51% (2019) → 51% (2023)

• Top of Mind rating (Indonesia)

26% (2021) → 26% (2023)

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

- Promoting advertising, marketing, and social contribution activities
- Sharing and accumulating expertise and know-how through our platform
- Holding AYDA Awards international architectural and interior design competition

Particularly relevant Materiality

- Resources and environment
- Safe people and operations
- Growth with communities
- Innovation for a sustainable future

Key related content

Environmental Strategy >>> P62
R&D Strategy >>> P68
Safe People and Operations >>> P70
Growth with Communities >>> P71

Financial capital

Financial base

To achieve sustainable growth, we need to strengthen the ability to generate cash flows and financial foundation that provide us with ample funds to be allocated continuously to investment in M&A, new technologies, and cutting-edge production facilities

Examples of resources and updates

• Operating cash flows (consolidated)

¥92.1 bn (2019) → ¥189.8 bn (2023)

• Net D/E ratio (consolidated)

0.56x (2019) → 0.36x (2023)

• Total equity (consolidated)

¥688.0 bn (2019) → ¥1,368.1 bn (2023)

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

- Strict adherence to financial discipline
- Prioritizing debt finance and maintaining leverage capacity
- Promoting engagement with financial institutions and credit rating agencies
- Developing a global base of investors

Particularly relevant Materiality

- Climate change
- Resources and environment
- Growth with communities
- Innovation for a sustainable future

Key related content

Our Finance Strategy Presented by Co-President Wakatsuki >>> P44
M&A Strategy >>> P47 R&D Strategy >>> P68
Environmental Strategy >>> P62

Natural capital

Nature/environment

As a corporate group operating in the paint and adjacencies businesses, resources such as raw materials, electricity, and water are not only essential, but also significant from a sustainability perspective

Examples of resources and updates

• GHG emissions (Scope 1 & 2; global)

54.3kg/ton of production (2019) → 40.2kg/ton of production (2023)

• Ratio of hazardous waste (global)

45% (2019) → 37% (2023)

• Water consumption (global)

0.44kL/ton of production (2019) → 0.47kL/ton of production (2023)

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

- Declaration of support for the TCFD and expansion of climate change-related measures and information disclosure
- Sustainable use of resources and protection of environment/biodiversity
- Mitigating environmental impact through the development of eco-friendly products

Particularly relevant Materiality

- Climate change
- Resources and environment
- Innovation for a sustainable future

Key related content

Environmental Strategy >>> P62
R&D Strategy >>> P68

Our Platform That Underpins Autonomous and Decentralized Management

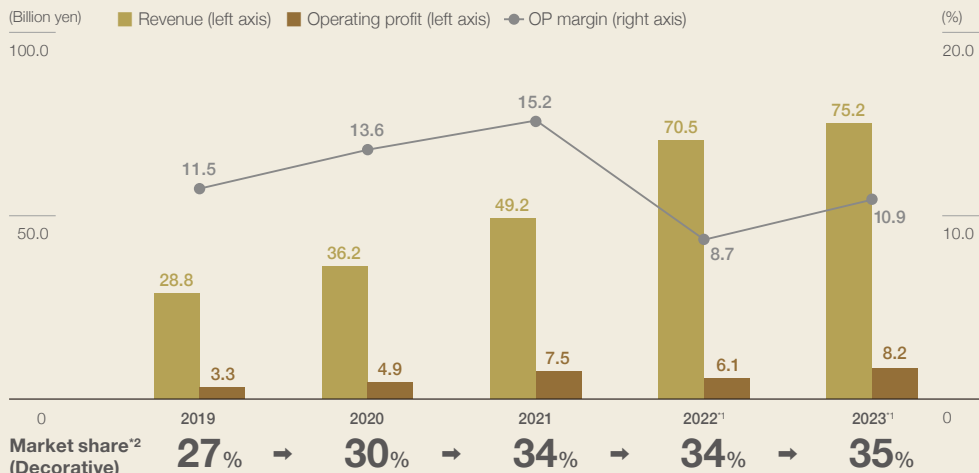
Harnessing Our Platform for Group Collaboration: The Betek Boya Success Story

Case 1 Benefitting from capital injection by NPHD

Becoming a part of Nippon Paint Group in 2019 empowered Betek Boya to thrive in various aspects, both operationally and financially. By utilizing the financial resources provided by NPHD, Betek Boya successfully cleared its existing loans and substantially enhanced its cash flow. With the weight of financial obligations lifted, Betek Boya redirected its attention towards sales, operations, marketing, and branding initiatives, swiftly amplifying its market presence and driving up market share expansion.

Being a part of Nippon Paint Group also allowed Betek Boya to immediately tap on economies of scale and gain benefits across the entire value chain, including marketing, purchasing, finance, technical know-how and formulations, IT, supply chain, production, etc. With the backing of Nippon Paint Group, Betek Boya bolstered its market share expansion efforts by initiating a dealer congress that was attended by 4,000 dealers nationwide and increasing its marketing investments to enhance brand awareness and recognition.

Growth since joining our Group in 2019



¹ Starting from FY2022 2Q, hyperinflationary accounting has been applied. ² Internal estimates
 Figures from 2022 onwards reflect this accounting treatment.

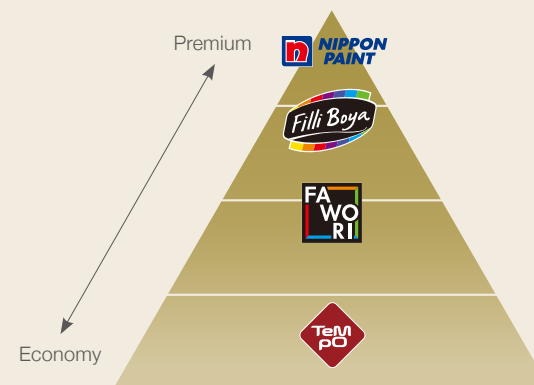
Case 2 Multi-brand strategy implemented in an inflationary environment

Betek Boya provides an extensive array of color options for every surface, spanning interior and exterior paints across four distinct brands: NIPPON PAINT, Filli Boya, FAWORI and Tempo. Each brand is tailored to specific market segments and customer demographics, aiming to deliver high-quality products to end consumers.

Amidst challenging economic conditions, Betek Boya observed two distinct and emerging consumer preferences. With a decline in purchasing power, consumers are becoming more cost conscious, gravitating towards the economic segment, as well as towards products offering enhanced value and reliability (value for money). Over the span of recent years, there has been a significant shift in labor and product costs. The emphasis on products that streamline labor and save time surged, prompting the development of new initiatives within the product portfolio design.

Betek Boya is actively crafting strategies to cater to value-seeking consumers with its flagship brand, Filli Boya. To bolster and elevate brand appeal, Betek Boya is introducing exclusive services through their specialized dealership networks and expanding accessibility via modern sales channels, particularly focusing on e-commerce. Positioned as a masstige brand, Filli Boya provides high-quality, aspirational products accessible to a wide market segment. This approach has distinctively positioned Filli Boya as the sole paint brand among Türkiye's top 10 trusted brands, underscoring its exceptional

Positioning of brands



Our Platform That Underpins Autonomous and Decentralized Management

reputation and consumer trust, as validated by a national survey encompassing 150 brands across 16 sectors in Türkiye.

NIPPON PAINT stands as the pinnacle, the epitome of elegance within its multi-brand strategy. With the broadest range of meticulously crafted products with the upmost quality, NIPPON PAINT caters exclusively to the premium segment. Despite economic challenges, the purchasing power within this segment remains robust, sustaining demand for decorative solutions. By anchoring the NIPPON PAINT brand in the premium segment, it targets professionals and discerning consumers seeking specialized products, distinctive color choices, and exceptional customer service. Through a focus on emotional, experiential, and functional advantages, Betek Boya is steadily fortifying its position in the premium market, delivering unparalleled benefits to its customers.

Case 3 Our strategic penetration into the Central Asian market that holds potential for future growth

Paint portfolio expansion

Applying Betek Boya's successful Multi-Brand Strategy to the Kazakhstan paint market involves complementing Alina's robust mid- and low-tier paint brands with Betek Boya's mid- to high-end paint brands. With this approach, Alina aims to offer distinct brand identities tailored to each pricing tier and expand into corresponding distribution channels to meet the diverse needs of its end-users.

This initiative also entails the sharing of best-in-class paint production capabilities and robust formula know-how to enhance and expand Alina's current paint and coatings portfolio. This will in time allow Alina to achieve a better cost structure, price competitiveness that will be facilitated by initiating Betek Boya production know-how within Alina's facilities, eliminating the need for imports from Türkiye.

Cost synergies

Harnessing the scale of Nippon Paint Group to streamline Alina's cost structure entails optimizing the procurement of raw materials, deployment of Computerized Color Matching (CCM) machines and other capital expenses. By leveraging Nippon Paint Group's extensive resources and negotiating power, Alina aims to secure favorable pricing and terms, ultimately enhancing its operational efficiency and cost-effectiveness.

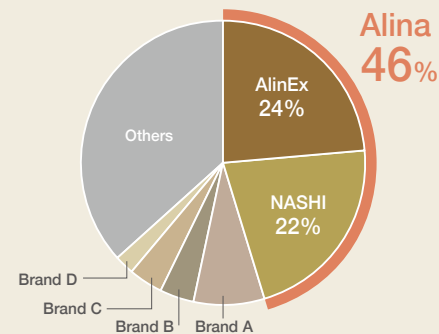
Introducing value-added categories in the medium to long term

Tapping on Betek Boya's products and expertise, Alina aims to venture into other value-added categories such as External Thermal Insulation Composite System (ETICS), furniture coatings and industrial coatings. Leveraging on Betek Boya's leadership in the ETICS category, Alina has the opportunity to introduce innovative insulation methods to the Kazakhstan market, potentially driving significant market growth with the potential to enhance the quality of life for Kazakhstan people by providing better insulation and comfort in their living spaces.

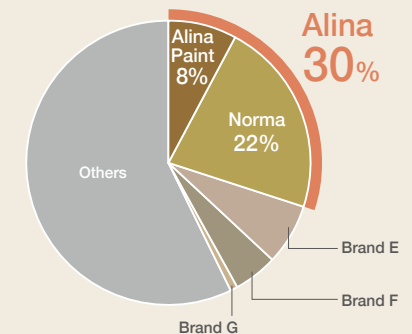
Making Kazakhstan a hub to grow our business in Central Asia

Alina has strong dry mix and paint production facilities, alongside superior products with robust brand equity. Alina plans to leverage this strength by integrating it with Betek Boya's extensive distribution network in Central Asia, immediately benefitting Alina's business growth into Kyrgyz, with subsequent expansion to other Central Asia markets in the near term.

Dry mix market share (volume basis)*



Paint market share (volume basis)*



* Internal estimates

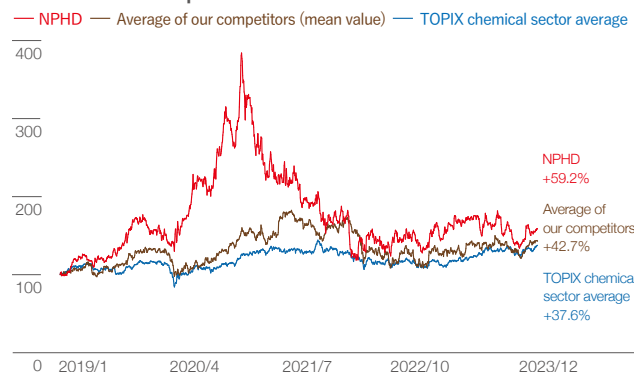
Management Focused on Stock Price

We are pursuing our sole mission of MSV through the maximization of EPS and PER. We practice management with a focus on our stock price, which is the outcome of the pursuit of MSV.

Over the past five years, our stock price has outperformed the TOPIX chemical sector average and the average of our competitors, bolstered by robust EPS growth. However, our stock price declined despite the growth in EPS, prompting us to carry out an analysis that takes into account macroeconomic factors, sector trends, and our own analysis of stock price trends.

Moving forward, we aim to achieve MSV by focusing on sustainable EPS compounding and elevating capital markets' expectations.

Historical stock price trends

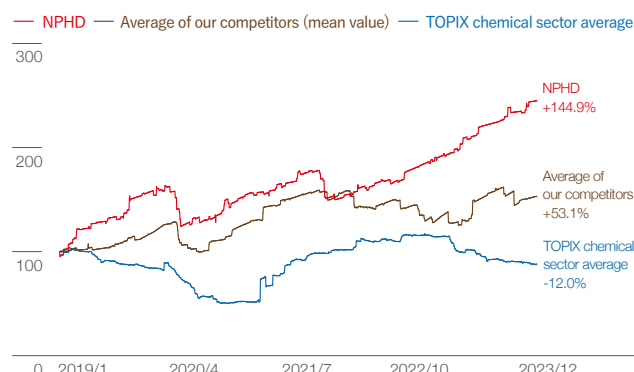


*1 Source: FactSet, Bloomberg

*2 The stock prices were indexed with the closing price on January 1, 2019 as 100

*3 The average of competitors is the average of indexed stock prices of Sherwin-Williams, BASF, Asian Paints, PPG, AkzoNobel, Berger Paints, Axalta Coating Systems, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon Technology

Historical EPS trends

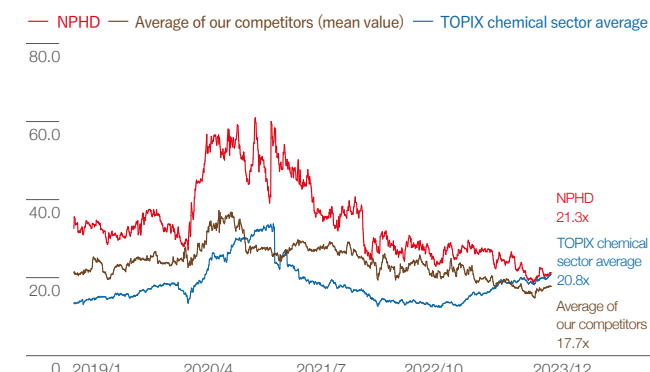


*1 Source: FactSet, Bloomberg

*2 The stock prices were indexed with the closing price on January 1, 2019 as 100

*3 Average of our competitors is the average of indexed stock prices of Sherwin-Williams, BASF, Asian Paints, PPG, AkzoNobel, Berger Paints, Axalta Coating Systems, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon Technology

Historical PER trends



*1 Source: FactSet, Bloomberg

*2 Average of our competitors is the average stock price of Sherwin-Williams, BASF, Asian Paints, PPG, AkzoNobel, Berger Paints, Axalta Coating Systems, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon Technology

Rate of change of stock price, EPS, and PER

	Five-year trend (2019-2023)			Three-year trend (2021-2023)			One-year trend (2023)		
	Stock price	EPS	PER	Stock price	EPS	PER	Stock price	EPS	PER
NPHD	+59.2%	+144.9%	-11.3x	-62.1%	+56.6%	-25.6x	+8.6%	+27.5%	-3.7x
Average of our competitors	+42.7%	+53.1%	-3.5x	-17.0%	+21.8%	-9.6x	+13.5%	+11.0%	-4.6x
TOPIX chemical sector average	+37.6%	-12.0%	+7.5x	+9.1%	+70.3%	-11.6x	+25.4%	+63.6%	+8.1x

Macroeconomic factors

(1) Rapid rise in long-term U.S. interest rates and acceleration of the tapering pace (reduction of quantitative easing measures) since 2022

⇒ Significant adjustment of high valuation stocks such as tech stocks and domestic growth stocks with low liquidity, leading to a shift towards large domestic demand-driven stocks and value stocks

(2) Emergence of debt non-performance by property developers and tightened regulations on tech companies in China since 2022

⇒ Capital flight of investment money from China and Hong Kong, resulting in increased fund inflows into the Japanese stock market

Analysis of sector trends and our performance

- **TOPIX chemical sector average:** EPS has improved significantly, mainly attributed to stocks of companies that have bounced back from a slump in demand influenced by the pandemic since 2021 and have benefited from the yen's depreciation
- **Average of our competitors:** PER of high-valuation stocks declined from 2021 to 2022, influenced by the macroeconomic factors (as outlined to the left)
- **NPHD:** (1) In 2020, PER climbed to over 60 times due to a combination of factors, including (i) the capital markets' preference for growth stocks and high interest in China-related stocks, (ii) the realization of our long-term goal: the full-integration of the Asian JVs and acquisition of Indonesia business, and (iii) the low liquidity of our stock. Despite the significant growth in EPS, PER has been greatly influenced by the macroeconomic factors (as outlined to the left) since 2021
- (2) Although our PER follows a similar trend as China-related stocks, businesses outside of China make up as much as 64% of our consolidated operating profit. Over the past three years, our China business has demonstrated stable growth with a CAGR of +12.4% (on a local currency basis) in revenue and operating profit margin at 12.5% (on a Tanshin basis) in 2023, showing a relatively low correlation with Chinese macroeconomic trends

Management Focused on Stock Price

Analysis of current situation and future direction

As analyzed on the previous page, while our EPS has significantly increased over the past five years, the rate of change in our PER has been trending downward compared to the TOPIX chemical sector average and the average of competitors, even though the

absolute level of PER is not low.

We believe that the main factors contributing to this decline in PER are: (1) market anxieties over China-related risks; (2) an underestimation of our growth potential; and (3) our aggressive M&A strategy being evaluated as high risk.

We are working to alleviate these concerns and evaluations. Furthermore, we are committed to accelerating the sustainable EPS compounding through both organic and inorganic growth towards achieving MSV.

Management focused on stock price

» P3 Pursuing the Maximization of Both EPS and PER Towards the Achievement of MSV

$\text{Stock price} = \text{EPS} \times \text{PER}$

	c.¥1,000	¥50.45
		c.20 times
		$\frac{1}{1}$
		Cost of shareholders' equity
		expected rate of return

Future direction

- Organic EPS CAGR target: +10-12%
- Accelerate EPS compounding through aggressive M&A activities

- Elevate capital markets' conviction and expectations in the business acumen of the management team
- Elevate capital markets' conviction and expectations in growth potential and profitability

Key initiatives

- Accelerate EPS compounding across both organic and inorganic growth, leveraging the combined advantages of autonomous and decentralized management and lean headquarters

- Promote understanding of our business model, track record, and growth potential
- Encourage recognition of our portfolio as a collection of low-risk entities
- Enhance investor engagement opportunities and disclosure material

» P20 Asset Assembler Model

» P29 Our Strategy for Maximizing PER

For reference (the points of analysis presented by TSE)

(1) Market evaluations (PER/PBR)
(2) Returns on capital (ROE/ROIC)

$\text{PER} \times \text{ROE} = \text{PBR}$

c.20 times	9.5%	c.1.7 times
ROIC		Financial leverage
6.9%		2.0 times

- Continuously improve the individual ROIC of acquired companies
- Accelerate EPS compounding through aggressive M&A

- Pursue an optimal capital structure while maintaining leverage capacity
- Secure trust and creditworthiness from financial institutions and rating agencies

- Rigorously select only low-risk, high-return deals for M&A activities
- Ensure that the individual ROIC surpasses WACC within 3-4 years of acquisition through improvement in CCC
- Aim to balance capital efficiency with profit growth

- Enhance cash generation capabilities by improving earnings growth and CCC
- Repay debt when there are no M&A activities
- Implement debt financing in yen to maintain a stable debt composition

» P44 Our Finance Strategy Presented by Co-President Wakatsuki

* The stock price is as of June 30, 2024; the EPS, ROE, ROIC, and financial leverage are based on the 2023 results; and the PER and PBR are as of June 30, 2024.

Our Strategy for Maximizing PER

We are dedicated to sustainable EPS compounding, aiming to raise capital market expectations in our pursuit of maximizing PER. Our detailed plans of action are: (1) analyzing perception gap in capital markets, (2) fostering a deeper understanding of our business model and track record, and (3) enhancing opportunities for investor engagement while enriching our disclosure materials.

Maximization of PER

Conviction from capital markets of our sustainable EPS compounding

Effectively communicating our equity story as Asset Assembler

Enhanced engagement
(700+ companies annually)

Enhanced disclosure
(Integrated Report, etc.)

(3) Enhancing opportunities for investor engagement while enriching our disclosure materials

Step 3 Showcase our safe M&A track record and potential for EPS compounding through future M&A

Step 2 Showcase the potential for future EPS growth within our current portfolio

Step 1 Clearly present our business model and proven track record

(2) Fostering a deeper understanding of our business model and track record

Market concern for China

Underestimation of our growth prospects

(1) Analyzing perception gap in capital markets

(1) Analyzing perception gap in capital markets

(i) Our stock price analysis (in comparison with the TOPIX chemical sector average and the average of our competitors) » P27 Management Focused on Stock Price

⇒ Over the past five years, our stock price has outperformed the average of our competitors, backed by strong EPS growth.

⇒ From 2021 to 2022, our stock price was impacted by the decline in PER.

(ii) Performance analysis of our China business (in comparison with Chinese macroeconomic indicators)

» P57 Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

⇒ Revenue from our TUC segment has historically outpaced the growth rate of commercial and residential property sales areas. We observe a low correlation between our TUC revenue and macroeconomic indicators.

⇒ Revenue from our TUB segment has historically grown faster than the rate of growth of new construction starts.

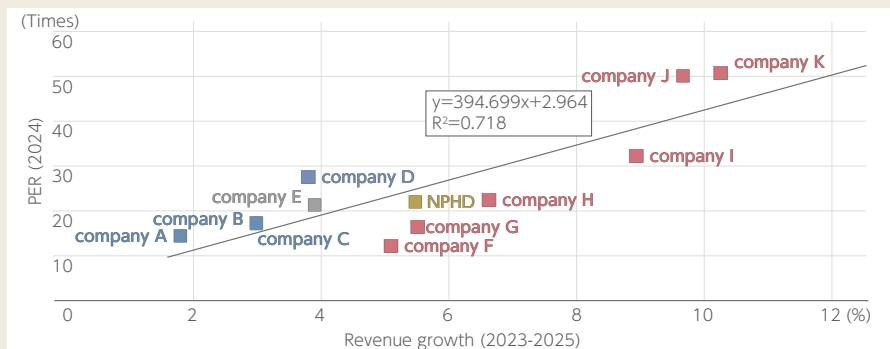
⇒ In comparison to our local competitors, our Group's dependence on the Chinese market is lower, and our margins are higher.

(iii) Correlation analysis between PER and revenue growth in the paint industry

⇒ An analysis of "PER for 2024" and the "average revenue growth forecast from 2023-2025" (both based on analysts' consensus estimates) within the paint industry reveals a determination coefficient (R²) of 0.718, indicating a strong correlation between these two factors.

⇒ In our Medium-Term Strategy, we projected a medium-term consolidated CAGR of 8-9% for our revenue based on our 2023 portfolio, which includes our Kazakhstan operations and the two India businesses. However, analysts' forecasts (as shown in the chart below) forecast a lower growth rate for our revenue at 5.5%, placing us below the regression line. Considering our aggressive M&A strategy, we analyze that this growth estimation may not be capturing our growth potential.

Correlation analysis of PER and revenue growth



Source: FactSet (as of February 9, 2024), Wall Street Research; The correlation factor was calculated by excluding Chinese companies

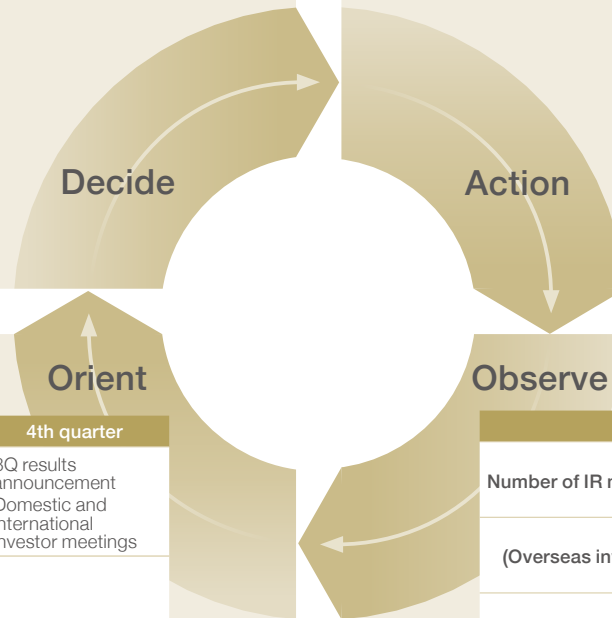
Our Strategy for Maximizing PER

(2) Fostering a deeper understanding of our business model and track record

- (i) Our approach, business model, and track record** »P20 Asset Assembler Model
 - ⇒ Sustainable compounding of EPS, driven by both organic and inorganic growth
 - ⇒ Synergistic effects created from the advantage of our Asset Assembler model
- (ii) Growth potential within our existing portfolio** »P41 Medium-Term Strategy (Released in April 2024)
 - ⇒ Target a medium-term consolidated CAGR of 10-12% for our EPS
 - ⇒ Expand our market share and EPS across all regions and businesses
- (iii) Proven record of successfully executing safe M&As and assurance of future growth potential** »P47 M&A Strategy
 - ⇒ Demonstrate a stable growth track record of our acquired companies and improvement in individual ROIC
 - ⇒ Our unique M&A model, which assumes EPS accretion from Year 1, even with large-scale acquisitions, paves the way for limitless enhancement in EPS.

(3) Enhancing opportunities for investor engagement while enriching our disclosure materials

- (i) Enhancing opportunities for investor engagement**
 - ⇒ Increase our meetings with investors, particularly targeting those in the US and Europe, new investors, and global investment funds
 - ⇒ Actively participate in conferences hosted both in Japan and overseas
- (ii) Enriching our disclosure materials**
 - ⇒ Integrated Report provides detailed explanations on key topics of interest, such as our Asset Assembler model and our commitment to protecting minority shareholder interests.
 - ⇒ IR website presents case studies that highlight our innovations and human resource strategy, and explains the results of our cross-functional collaborations within the Group.
- (iii) Expanding IR events**
 - ⇒ Considering launching the “IR Day,” which will serve as an extension of the “Small Investor Meeting with Co-Presidents” and “Small Investor Meeting with Board Chair” that we have traditionally held
 - ⇒ Continue to hold the Medium-Term Strategy briefing and M&A briefing



IR activity plan (2024)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly results announcement	<ul style="list-style-type: none"> • 4Q results announcement • Domestic and international investor meetings 	<ul style="list-style-type: none"> • 1Q results announcement • Domestic and international investor meetings 	<ul style="list-style-type: none"> • 2Q results announcement • Domestic and international investor meetings 	<ul style="list-style-type: none"> • 3Q results announcement • Domestic and international investor meetings
Integrated Report	<ul style="list-style-type: none"> • ESG investor meetings 		<ul style="list-style-type: none"> • Publication of Integrated Report • Integrated Report briefing • ESG investor meetings 	
Domestic investor conferences	<ul style="list-style-type: none"> • Daiwa Securities • SMBC Nikko Securities 	<ul style="list-style-type: none"> • CLSA Securities • Mitsubishi UFJ Morgan Stanley Securities 	<ul style="list-style-type: none"> • UBS Securities • BofA Securities 	<ul style="list-style-type: none"> • Nomura Securities
International investor conferences	<ul style="list-style-type: none"> • BofA Securities (Americas) 		<ul style="list-style-type: none"> • Daiwa Securities (Australia) 	
IR events	<ul style="list-style-type: none"> • Co-Presidents' information exchange with sell-side analysts 	<ul style="list-style-type: none"> • Medium-Term Strategy briefing 		<ul style="list-style-type: none"> • IR Day (Integration/enhancement of small investor meetings with Co-Presidents/ Board Chair)

Observe

KPIs of IR activities (2022-2023)

	2022	2023
Number of IR meetings held (companies)	695	707
(Overseas investors)	384	397
(New investors)	118	82
(Meetings hosted by Co-President)	108	87
(Roadshows for international secondary offering)	121	–
Liquidity to market capitalization ratio	0.18%	0.17%
Analyst coverage (companies)	7	6

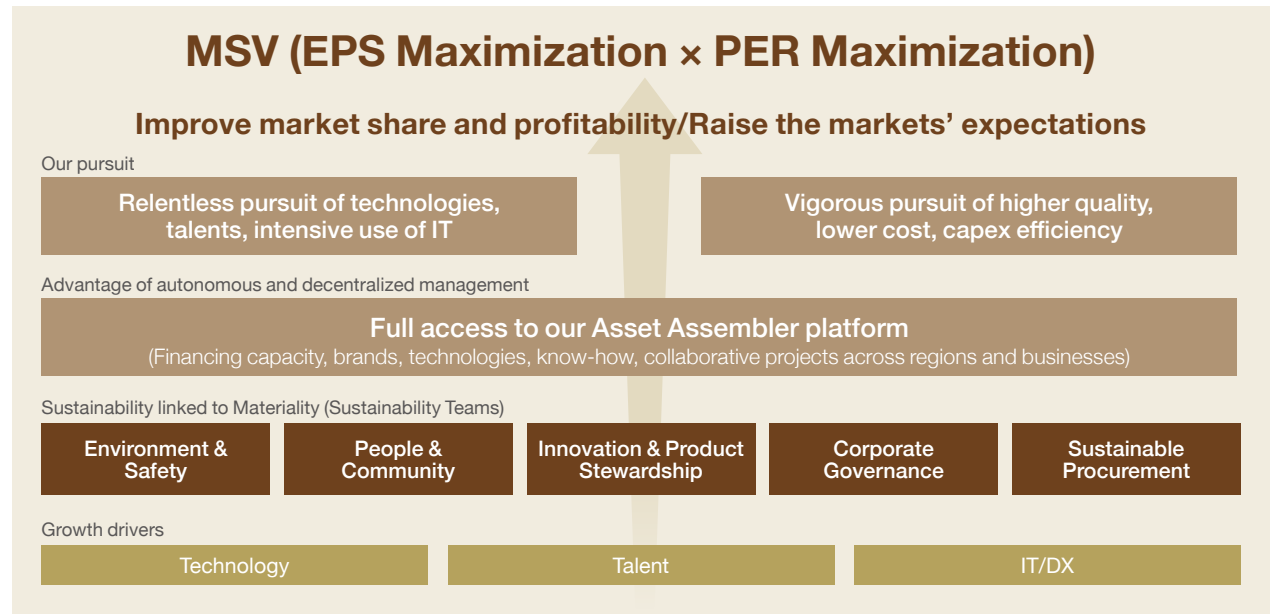
Sustainability as the Prerequisite for MSV

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.

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

Autonomous sustainability structure

Under the leadership of the Co-Presidents, five sustainability teams were established. Based on autonomous and decentralized management that emphasizes the autonomy of all partner companies, the five teams are conducting global activities primarily led by business leaders with considerable expertise involving the areas of responsibility of each team.

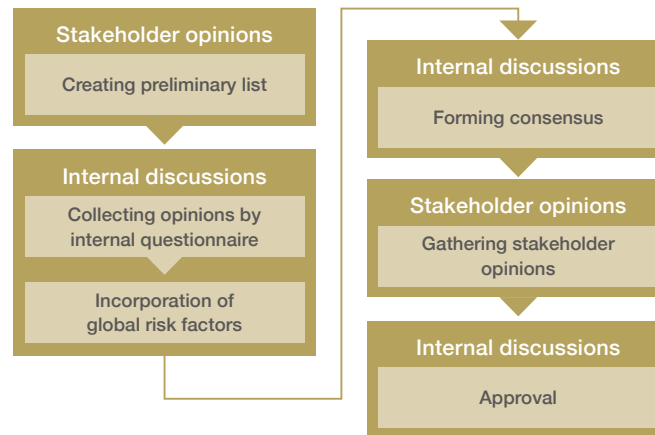


Basic Policy on Sustainability

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

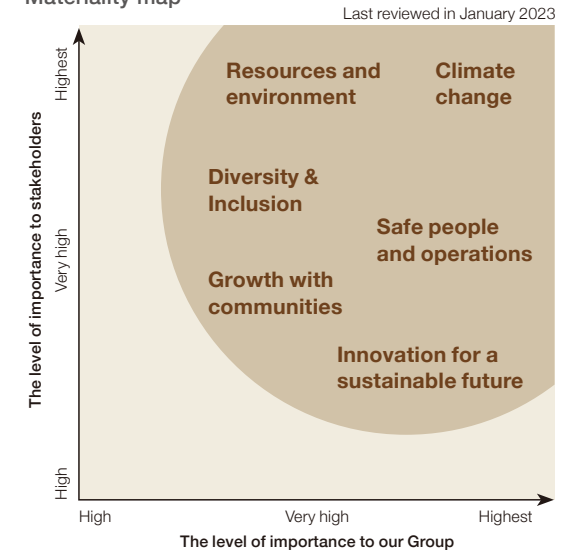
»» For more information, please refer to the "Sustainability Management" section on our website.

Materiality identification process



»» For more information, please refer to "Sustainability linked to materiality" under the "Materiality" section on our website.

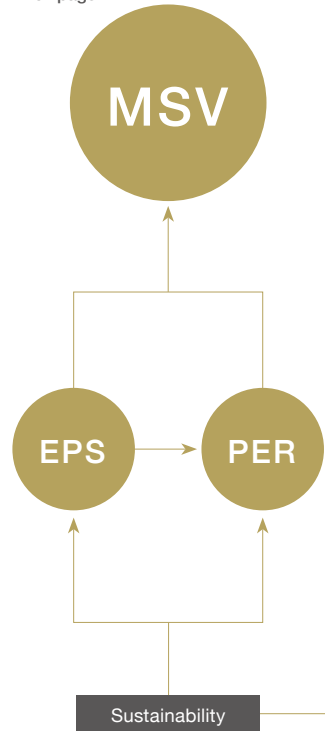
Materiality map



Sustainability as the Prerequisite for MSV

MSV Logic Tree

» For more information, please refer to "How Shareholder Value Is Maximized" on page 4.



Team	Our pursuit	Materiality	Relevant SDGs
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Climate change Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.	
		Resources and environment Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain.	
		Safe people and operations There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high-consequence risks.	
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Diversity & Inclusion Respect for the people around us, respect for human rights and active acceptance of diverse values are important for our sustainable growth. We value diversity of ideas and thinking to foster innovation and growth.	
		Growth with communities We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.	
Innovation & Product Stewardship	Develop sustainable products (NPSI / monitor LCA) + Chemicals of concern	Innovation for a sustainable future In today's society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.	
Corporate Governance	Monitor management + Encourage risk-taking	All Materiality categories*	
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	All Materiality categories*	

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

Sustainability as the Prerequisite for MSV

Risks	Opportunities	Main initiatives in 2023
<ul style="list-style-type: none"> Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets Increased extreme weather events (e.g., flooding) and climate impacts (e.g., water stress) impacting operations and supply chain Increased supplier costs from climate adaptation and decarbonization actions Changes in customer and consumer expectations and behavior during the transition to a low-carbon future Product claims and brand damage due to performance deterioration (e.g., temperature extremes) 	<ul style="list-style-type: none"> Market growth for sustainable products (e.g., low-carbon, improved performance in temperature extremes) Development of new products and services to capture climate-related business opportunities 	<ul style="list-style-type: none"> Reviewed PCGs' climate risks and opportunities against TCFD framework and identified common group improvement opportunities for 2024 focus Continued peer benchmarking and implementation of common group metrics (GHG – scope 1, 2 & 3, energy, renewables)
<ul style="list-style-type: none"> Regulatory changes and impacts, such as waste disposal restrictions and increased costs Supply constraints and increased costs associated with resource scarcity Major site incident or contamination (e.g., soil/groundwater) causing harm to people and community Changes in customer and consumer expectations and behavior during the transition to a future circular economy 	<ul style="list-style-type: none"> Market growth for sustainable products (e.g., renewable content, post-consumer waste recovery) Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials 	<ul style="list-style-type: none"> Continued peer benchmarking and implementation of common group metrics (waste, water, VOC)
<ul style="list-style-type: none"> Major site incident (e.g., fire) causing asset damage, supply chain disruption, and significant harm to people and community Loss of effective safety management from introduction of significant changes (e.g., new or modified plant/process) 	<ul style="list-style-type: none"> Minimizing risks through sharing and adoption of global best practice, particularly for high-consequence risks Enhancing brand reputation, employee engagement, and attracting talent as a safe employer 	<ul style="list-style-type: none"> Reviewed global best practice for high-consequence safety risk management and identified common improvement opportunities for 2024 focus Continued peer benchmarking and implementation of common group metrics (process safety events, high potential incidents)
<ul style="list-style-type: none"> Failure to foster a diverse and inclusive work environment risks hindering our growth strategy. May face perception risk if diversity initiatives are not properly positioned. 	<ul style="list-style-type: none"> Securing diverse and competent human resource talent as a global company Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations 	<ul style="list-style-type: none"> Launched D&I training in each PCG (PC Group by region/ business) <ul style="list-style-type: none"> - NIPSEA Group: Started Women Mentorship Program - Dunn-Edwards: Started DE&I curriculum Launched and continued D&I working group at NIPSEA Group, DuluxGroup and Japan Group DuluxGroup: Talent and Diversity Council meets quarterly to review progress of key diversity areas Japan Group: Started to embed D&I into talent management activities
<ul style="list-style-type: none"> Significant damage to the corporate brand if the company is not perceived as a good corporate citizen that is connected to and invests in local communities Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community 	<ul style="list-style-type: none"> Improving public awareness of the corporate brand through value chain investment in communities Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group 	<ul style="list-style-type: none"> All groups to continue CSR initiatives across the 3 main global CSR pillars, Education, Empowerment and Engagement <ul style="list-style-type: none"> - NIPSEA Group carried out 86 and DuluxGroup 150 community projects - Japan Group: Advanced "HAPPY PAINT PROJECT" to strengthen Brand and Business - Dunn-Edwards: Established the Dunn-Edwards Foundation
<ul style="list-style-type: none"> Significant hindrance to future corporate earnings owing to inability to generate innovation due to slow response to new markets 	<ul style="list-style-type: none"> Expansion of market for products that contribute to controlling and adapting to climate change Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term 	<ul style="list-style-type: none"> Facilitated calculation of Life Cycle Assessment of selected products at each PCG Japan Group and NIPSEA Group: Created Sustainable Projects Portfolio for long-term development Continued to execute phase-out plan of Chemicals of Concern in each PCG Product Stewardship <ul style="list-style-type: none"> - NIPSEA Group: Commenced cooperation with upstream value chain partners to reduce GHG emissions - DuluxGroup: Started to integrate sustainable packaging and product improvements into the new product development process
<ul style="list-style-type: none"> If our autonomous and decentralized internal control system aligned with our Asset Assembler model does not work effectively, this will create a risk of damage to our Group. 	<ul style="list-style-type: none"> Social requirements regarding corporate governance are becoming increasingly demanding, which provides an opportunity for our Group to increase our significance of existence and strengthen competitiveness by addressing future issues and fulfilling social requirements ahead of time 	<ul style="list-style-type: none"> Governance of Board of Directors <ul style="list-style-type: none"> - Further increased contributions by Independent Directors (Use of the Meeting of Independent Directors) - Enhanced succession plan (Monitoring the status of measures to strengthen the Group's human capital) Governance of Execution <ul style="list-style-type: none"> - Overviewed stakeholder needs and activities of the Sustainability Teams, proposed and established an Anti-Bribery and Corruption/Anti-Money Laundering Statement to the Board of Directors
<ul style="list-style-type: none"> The risk of raw materials not meeting sustainable criteria now adds to the long list of possible disruptions to the raw material supply chain. We will continue to be vigilant and proactive to identify potential risk. The failure to ensure responsible sourcing (e.g., conflict minerals and chemicals of concern) will affect company reputation and may lead to legal implications. 	<ul style="list-style-type: none"> Our sustainability survey of suppliers allows us the opportunity to identify potential risk in advance. We will work with suppliers who are aligned with our sustainable aspiration towards a more resilient supply chain and to develop sustainable products 	<ul style="list-style-type: none"> Continue to engage with suppliers for their ESG plans and sustainable products Sustainable Procurement Actions: <ul style="list-style-type: none"> - Conducted supplier questionnaire

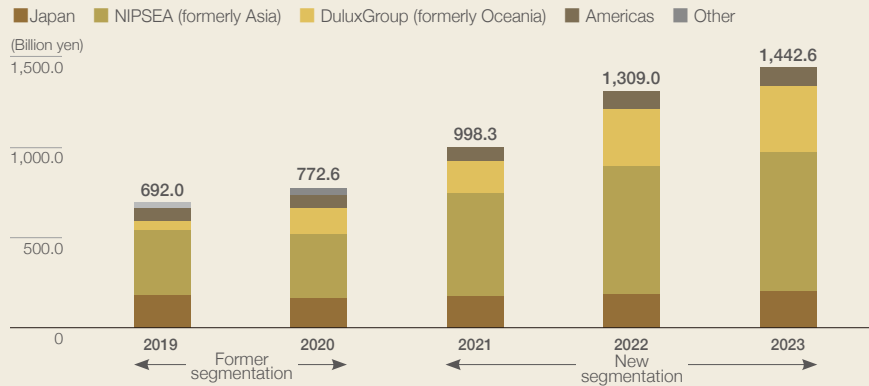
Financial and Non-Financial Highlights

» For financial and non-financial data from 2018 and earlier, as well as other financial and non-financial data, please refer to the "Financial and ESG Data" [section](#) on our website.

Financial base



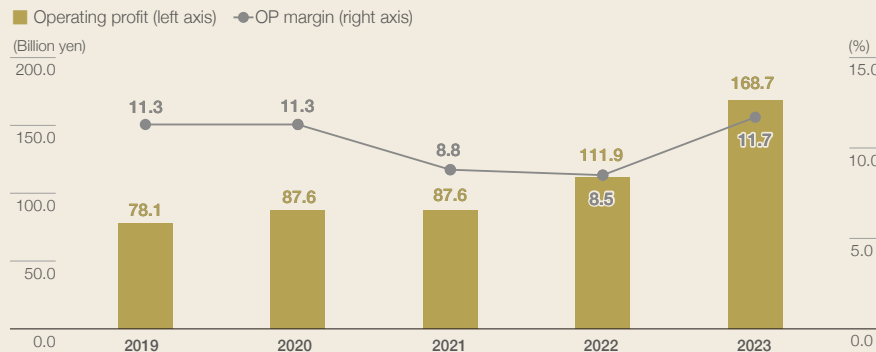
Revenue*



Our revenue growth has accelerated due to the accumulation of assets through multiple M&A executed since 2017, as well as the substantial growth of our decorative paints business in Asia, particularly in China. In 2023, we achieved seven consecutive years of revenue growth and record-high revenue, due to the increased sales volumes and the flow-through of price increases, primarily in the decorative paints business, along with new consolidation of NPT and the yen's depreciation.

* The primary changes resulting from the reclassification of reportable segments are as follows:
 (1) Japan Group now includes the overseas marine business, previously included in the Asia segment
 (2) NIPSEA Group now includes Betek Boya and Nippon Paint Turkey, previously included in Other

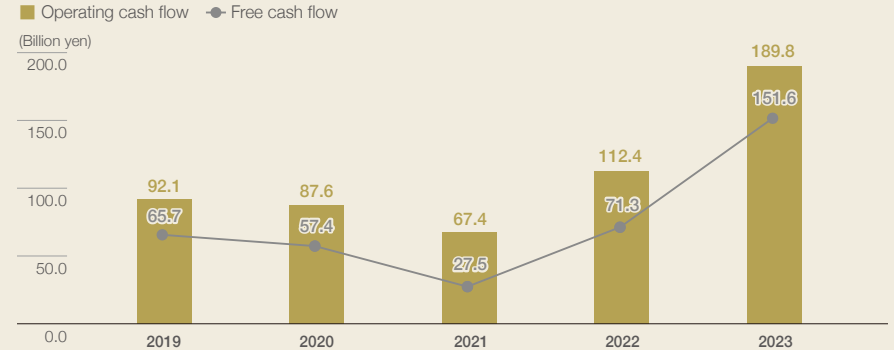
Operating profit/OP margin



【Operating profit】 Since 2020, our operating profit has seen growth for four consecutive years, keeping pace with our revenue growth. Despite the influence of hyperinflationary accounting in Türkiye, our operating profit reached a record high in 2023, thanks to the growth in revenue and improvement in gross profit margin.

【Operating profit margin】 The operating profit margin hovered in the 8% range in 2021-2022, due to factors such as the increased raw material cost contribution (RMCC) ratio. However, in 2023, it rebounded to the 11% range thanks in part to a decrease in the RMCC ratio.

Cash flow*

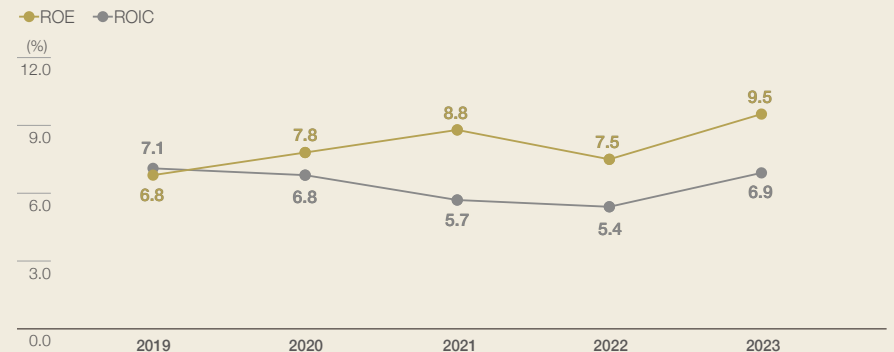


The paint and adjacencies businesses are characterized by relatively low capex requirements, which aids in cash flow generation, further boosted by stable market growth. As a result, free cash flow has been positive every year. In 2023, it significantly increased, partly due to major improvements made in the Cash Conversion Cycle (CCC) in various regions.

» P44 Our Finance Strategy Presented by Co-President Wakatsuki

* Free cash flow (IFRS): Operating cash flow ± expenditures related to acquisition of tangible fixed assets ± expenditures related to acquisition of intangible assets

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



【ROE】 ROE hovered around 8% from 2020 to 2022; however, it increased to 9.5% in 2023, due to an increase in net profit and margin improvement.

【ROIC】 ROIC declined in 2021 and 2022 due to a decrease in capital turnover ratio, resulting from increased interest-bearing debt and shareholders' equity associated with M&A activities. This decline was compounded by reduced margins due to a higher RMCC ratio and other factors. In 2023, ROIC increased because of the negligible amount of goodwill recorded due to the absence of large-scale M&As, combined with an increase in net profit and improvement in margins.

» P44 Our Finance Strategy Presented by Co-President Wakatsuki

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

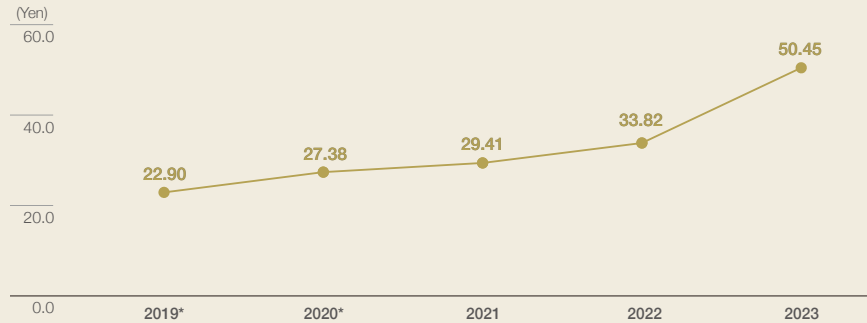
Financial and Non-Financial Highlights

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Financial base



Earnings per share (EPS)

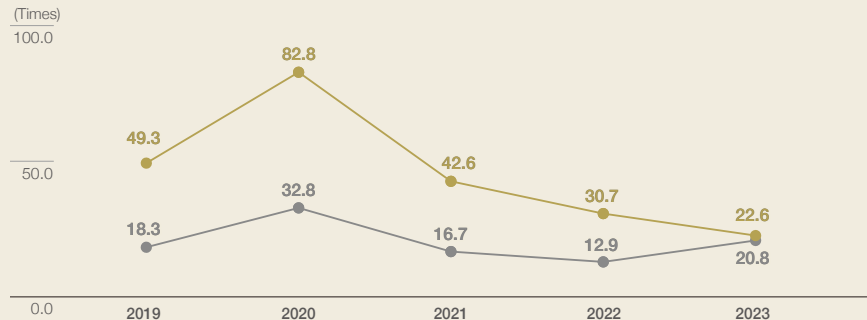


EPS generally follows the trends in profit items such as operating profit. Since 2020, EPS has increased for four consecutive years, driven by the rise in operating profit resulting from increased sales.

* Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2019

Price-to-earnings ratio (PER)

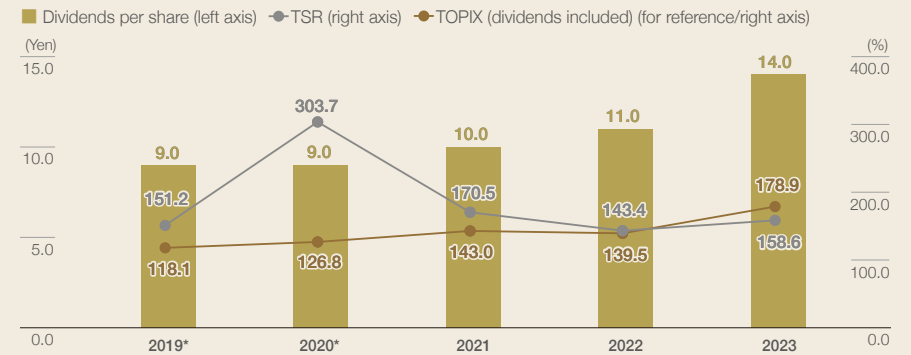
● Price-to-earnings ratio (PER) ● TOPIX chemical sector average (for reference)



PER has consistently outperformed the average for the TOPIX chemical sector, reflecting the future growth expectations of our Company. In 2020, PER increased significantly reflecting multiple factors, such as investors' preference for growth stocks in the stock market and our M&A activities. Since 2021, however, PER has been on a downward trend due to market anxieties over risks in China and other factors.

» P29 Our Strategy for Maximizing PER

Dividends per share/Total shareholder return (TSR)

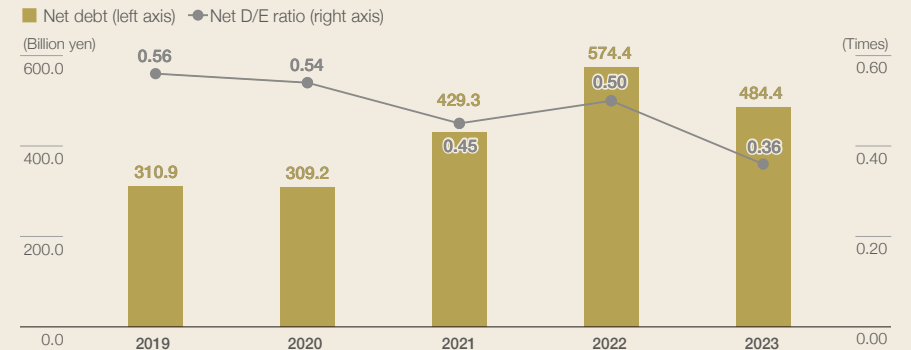


[Dividends]Our basic policy is to provide stable and consistent dividends while aiming for a dividend payout ratio of 30%. Starting in 2021, which included a commemorative dividend marking our 140th anniversary, our dividends have seen an increase for three consecutive years.

[TSR]Up until 2022, our TSR outperformed TOPIX (dividends included), our benchmark for comparison, buoyed by increases in stock price and dividends. In 2023, our TSR fell below the TOPIX (dividends included) due to market anxieties over risks in China and other factors.

* Calculated assuming that the five-for-one stock split on April 1, 2021 was conducted in January 2019

Net debt*/Net D/E ratio



[Net debt]The paint and adjacencies businesses are characterized by relatively low capex requirements, which aid in cash generation and typically lead to a negative net debt. However, net debt has been positive since 2019 due to loans from financial institutions to finance M&A.

[Net D/E ratio]Net D/E ratio decreased in 2023 due to a decrease in net debt resulting from the absence of large-scale M&A.

* 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))

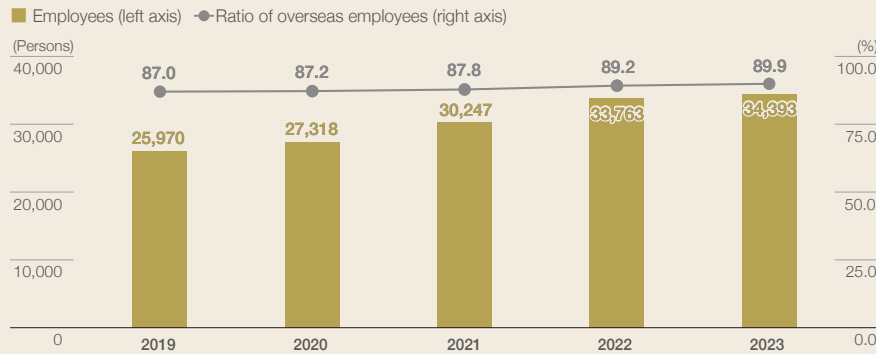
Financial and Non-Financial Highlights

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Human resources/ organizations



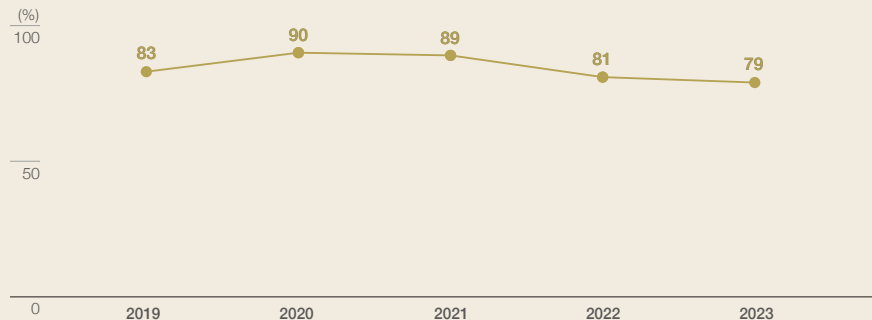
Employees/Ratio of overseas employees (Global)



With our active M&A overseas, both the number of employees and the ratio of overseas employees have been rising. We continue to focus on strengthening and expanding our workforce for further growth, particularly in our overseas operations. In 2023, the ratio of overseas employees increased to 89.9%, partly due to the acquisition of NPT.

» For trends in employee numbers by segment, please refer to the "Data by Segment" section on our website.

Employee satisfaction level (Japan Group)*

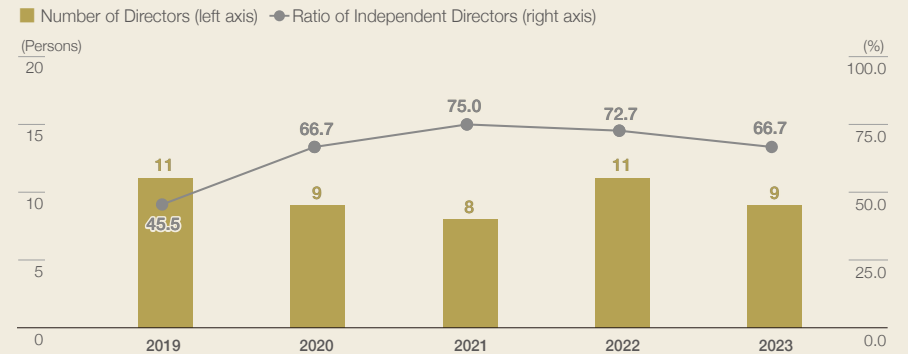


The employee satisfaction level within Japan Group has seen a decline for three consecutive years since reaching an all-time high in 2020. Amid ongoing reforms aimed at improving profitability, employee satisfaction improved in 2023 in areas such as "trust and reassurance in their company" and "annual leave utilization," compared to 2022. However, satisfaction decreased in areas such as "job satisfaction, growth opportunities, and challenges," "ambition towards managerial positions," "culture of challenge," "operation of the human resource system."

» P59 Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

* Surveys by Nippon Paint Labor Union. For information about employee satisfaction at other partner companies, please refer to "Human Resource Strategy" on page 65.

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



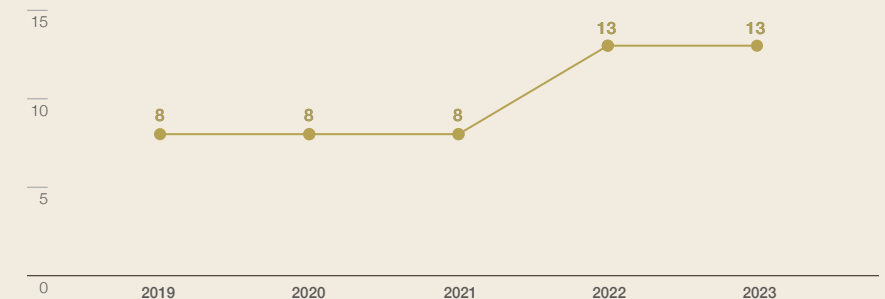
Operating under our Asset Assembler model, we are committed to building an advanced corporate governance structure, aiming for medium- to long-term growth and protection of minority shareholders' interests. In March 2020, we transitioned to a Company with Three Committees structure. Since 2021, the Lead Independent Director has been serving as Board Chair. As of 2023, six out of the nine Directors are Independent Directors.

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

Customer base



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



We have maintained our top market position in Japan for many years. Additionally, our aggressive expansion of the ASEAN business since 1967 has gradually increased the number of countries where we hold the No.1 market share. The acquisitions of Cromology and JUB in 2022 further expanded our reach, adding five European countries, including Italy and Croatia, to the list of markets where we hold the leading position. As of 2023, we hold the No.1 position in 13 countries.

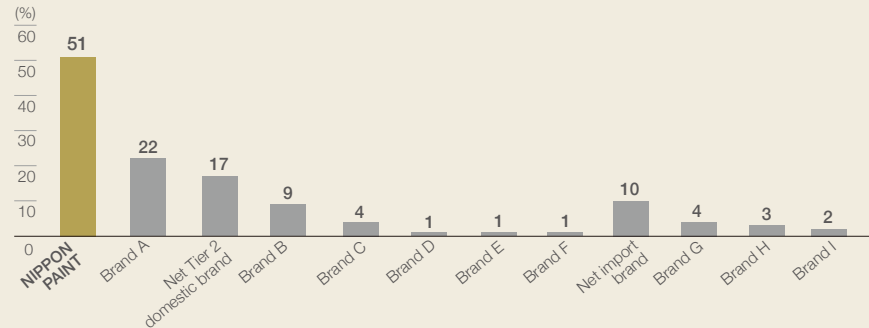
Financial and Non-Financial Highlights

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Brands/
know-how



Top of Mind rating (NIPSEA China)



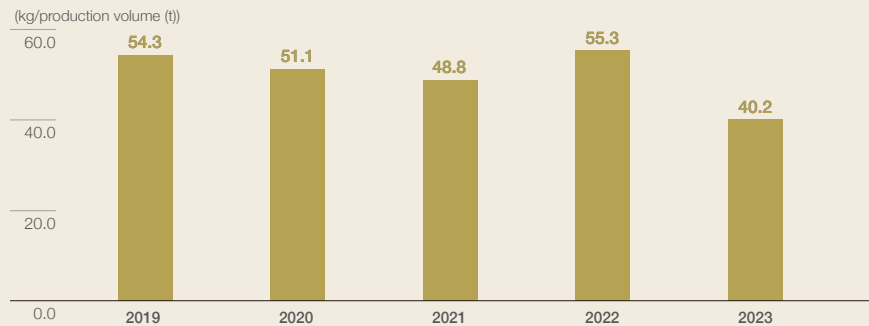
Since our entry into China in 1992, we have focused on promoting our high-quality LiBang brand products. As a result, LiBang has been established as the leading brand in China, with a Top of Mind score reaching 51% in 2023. The LiBang brand has been ranked first in the wall paint category of the C-BPI (China Brand Strength Index) for eight consecutive years.

» P54 China Business Strategy

Nature/
environment



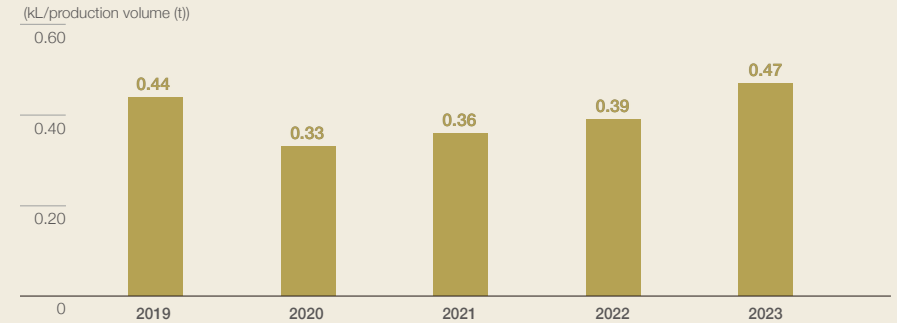
GHG emissions (Scope 1 and 2) (Global)*



Our Group has established a global target to reduce our greenhouse gas emissions (Scope 1 and 2) by 37% by 2030, compared to 2020 levels. To meet this target, we are progressively implementing measures, including intensifying energy-saving activities and adopting renewable energy sources. In 2023, our greenhouse gas emissions were reduced, partly due to the installation of additional solar power generation facilities and improvements in energy efficiency at our factories in China.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in 2022)

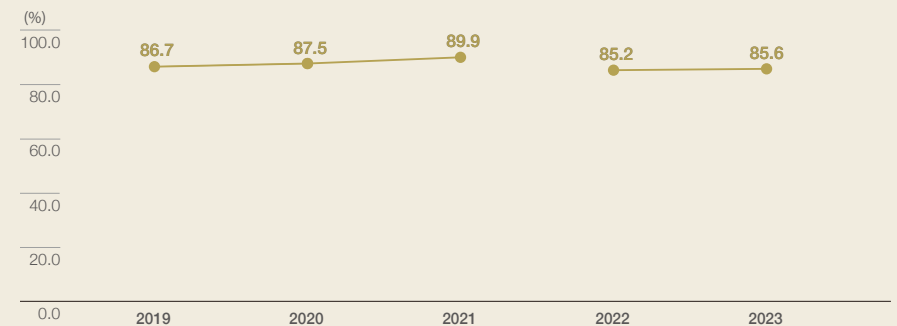
Water consumption (Global)*



Our Group has identified the efficient use of water as an element of Materiality under the category of Resources and Environment, and is implementing measures such as efficient use of water for raw materials, reduction of water use, and use of recycled water in our manufacturing processes. Since 2021, water consumption has increased due to the expansion of the scope of the data aggregation and changes in production mix in multiple business segments.

* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in 2022), Dunn-Edwards (beginning in 2020)

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



As global environment awareness grows and environmental regulations tighten, the demand for water-based paints is expanding. Leveraging its strength in technological capabilities, our Group is actively developing highly competitive water-based paint products globally. This has led to an annually increasing ratio of water-based paints in our decorative paints business. While the recorded ratio appears to have started declining from 2022 compared to 2021, this is due to a change in data compilation definitions, and does not indicate a shift from our trend of increasing the ratio of water-based paints.

* Calculations for the years 2019 to 2021 are based on the ratio of water-based paint shipments to total paint shipments, both in units of 10,000 tons. From 2022 onwards, the calculations are based on the ratio of water-based paint sales to total sales volume, both in units of tons. The Scope of coverage: Nippon Paint (NPTU), NIPSEA Group, Dunn-Edwards, DuluxGroup (including Cromology and JUB beginning in 2022)