

Review of the Medium-Term Plan

Medium-Term Plan

2009-2014

Survival Challenge Program I & II
(Released in May 2009)

Reform cost structure in Japan

Basic strategy

- ▶ Reform the cost structure/expand sales and profit of existing businesses/create new markets
- ▶ Reinforce sustainable growth and the profitable business structure in Asia/reinforce the earnings base in North America

Targets and results

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

Outcomes

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

Challenges

- ▶ Drastically reduced costs including spending on long-term investment as part of emergency measures to respond to the global financial crisis, which is the cause of the current aging facilities and workforce
- ▶ Growth in China and other Asian countries achieved through the Asian JVs, which were consolidated in 2014

2015-2017

Survival Challenge Program III
(Released in May 2015)

Capture demand in the high-growth Asian markets

Basic strategy

- ▶ Establish a foundation to achieve a “dominant” position in China, our most critical market
- ▶ Significantly transform our business structure to Asia-driven business expansion, thereby increasing the proportion of decorative paints characterized by high growth potential and profitability

Targets and results

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

Outcomes

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

Challenges

- ▶ Underachieved the plan due to the yen’s appreciation, as well as a rise in raw materials caused by environmental regulations in China
- ▶ Profit capture through full integration of the Asian JVs

2018-2020

N-20
(Released in May 2018)

Establish a solid regional and business portfolio

Basic strategy

- ▶ Strengthen the businesses in existing segments
- ▶ Accelerate expansion of our portfolio
- ▶ Improve earnings capacity
- ▶ Enhance the structure of “Global One Team”

Targets and results

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

* Figures recalculated in accordance with IFRS

Outcomes

Steadily reinforced the organizational base for sustained growth

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

Challenges

Improvement of sustainability and profitability over the medium to long term

- ▶ Operating profit margin reached 13.8% in 2018, but fell below the target in 2019 due to impairment losses and in 2020 due to the pandemic and other factors
- ▶ Achieve sales growth and profitability improvement that outpace competitors in the growing paint market
- ▶ Create business opportunities through ESG initiatives and work on net zero GHG emissions
- ▶ Utilize DX (Digital Transformation) and recruit competent talent to respond to aging facilities and workforce in Japan

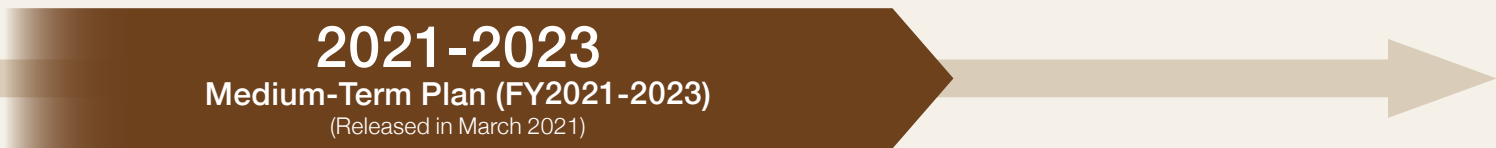
Corporate actions

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

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

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

Review of the Medium-Term Plan



Relentlessly pursuing growth based on Asset Assembler model

Strategy by Asset

Further reinforcing our global growth foundation while proactively addressing new challenges

Finance Strategy

Leveraging our robust cash flow generation capability, we aim to reinforce our financial base and secure funds for growth initiatives, such as M&A and business investments

M&A Strategy

Leveraging the paint market's growth potential and the stability of cash generation, actively considering the inclusion of new partner companies

Sustainability Strategy

Expanding business opportunities through ESG initiatives towards sustainable growth

Targets and results

		2023 guidance (Released in March 2021)	2020*	(1) 2021	(2) 2022	2023
Revenue	Original guidance	¥1,100.0 bn	¥720.0 bn	¥890.0 bn	¥1,200.0 bn	¥1,400.0 bn
	Year-end results		¥781.1 bn	¥998.3 bn	¥1,309.0 bn	¥1,442.6 bn
	Overachievement rate		+8%	+12%	+9%	+3%
Operating profit	Original guidance	¥140.0 bn	¥63.0 bn	¥87.0 bn	¥115.0 bn	¥140.0 bn
	Year-end results		¥86.9 bn	¥87.6 bn	¥111.9 bn	¥168.7 bn
	Overachievement rate		+38%	+1%	-3%	+21%
EPS	Original guidance	¥45.00	¥15.59	¥29.17	¥34.49	¥41.73
	Year-end results		¥27.83	¥29.41	¥33.82	¥50.45
	Overachievement rate		+79%	+1%	-2%	+21%

* Original guidance announced in May 2020;
EPS was calculated using the number of shares after stock split

Outcomes

Succeeded in sustainable EPS compounding as Asset Assembler

- ▶ Achieved both organic and inorganic growth through our Asset Assembler model
- ▶ Despite drastic changes in the business environment beyond our original assumptions, we maintained profitability through agile responses. With a business model and earnings capacity that are mostly unaffected by market conditions for each asset, we largely met our original guidance over the three-year period
- ▶ Acquiring high-quality assets with a low PER allows for EPS accretion from Year 1

Challenges

Enhancing expectations from capital markets while improving profitability of Japan Group

- ▶ In pursuit of maximizing PER, we strive to elevate capital market expectations regarding sustainable EPS accretion
- ▶ While the groundwork for improving the profitability of Japan Group is taking shape, a foundation for profitability improvement of Japan Group is being established, we are only halfway to reaching the levels achieved in 2017-2018

»» P29 Our Strategy for Maximizing PER

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

Guidance revised downward at mid-term

- (1) 2021: (Factors) COVID, raw material inflation, chip shortage, etc.
- (2) 2022: (Factors) Increase in provision in China, hyperinflationary accounting in Türkiye, etc.

- ▶ Asian JVs fully integrated and Indonesia business acquired (January 2021)
- ▶ Transitioned to a Co-President structure led by Yuichiro Wakatsuki and Wee Siew Kim (April 2021)
- ▶ European automotive and India businesses transferred to Wuthelam Group (August 2021)
- ▶ International secondary offering (January 2022)

Improving profitability of Japan Group

- ▶ Nippon Paint Corporate Solutions (NPCS) established (January 2022)

Sustainability

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

Accumulation of assets through M&A

- ▶ Vital Technical (March 2021)
- ▶ Cromology (October 2021)
- ▶ JUB (October 2021)
- ▶ Chinese automotive JVs (November 2021)
- ▶ NPT (February 2023)
- ▶ Buyback of India businesses from Wuthelam Group (August 2023)
- ▶ Alina (November 2023)

»» For press releases and presentation materials regarding each acquisition transaction, please refer to the "M&A Information" section on our website.