

Asset Strategy Aimed at Compounding Sustainable EPS (1)



PT Nipsea Paint and Chemicals (Indonesia)

Tay Lim Heng
President Director

How Shareholder Value Is Maximized
» See pages 3-4.



Indonesia Business Strategy

— Solidifying No. 1 position in the decorative market by strengthening brands, distribution channels, and human resources

Navigating the decorative paints landscape

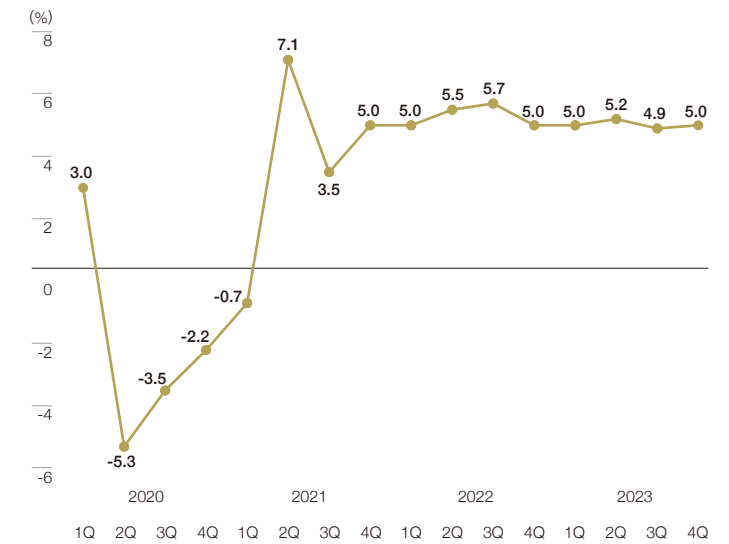
Amidst the global slowdown of 2023, the Indonesian economy grew relatively strongly at 5.05%, and the middle class in Indonesia has been growing faster than other groups; according to World Bank Data, there are now at least 52 million economically secure Indonesians or one Indonesian in every five. The market is expected to see continued growth fueled by government infrastructure and construction projects, specifically investment given the ongoing national strategic projects (PSN), including the new capital city (IKN) development.

The economy segment is highly competitive, with local and international players vying for market share. Price sensitivity is a key factor for this segment and PT Nipsea holds a strong position by leveraging our extensive distribution network and brand recognition. We cater to budget-conscious consumers by introducing economy lines alongside our core mid-tier offerings and product guarantee, ensuring affordability without compromising on quality.

On the other hand, the premium segment is experiencing growth due to rising disposable incomes. Here, consumers seek superior aesthetics, functionality, and eco-friendly benefits. Established international brands and local players with strong brand recognition hold sway in this segment. We differentiate ourselves by capitalizing on our global reputation for innovation to introduce premium lines with best-in-class features, as a reputable, trusted Japanese brand and exceptional customer service to stand out in this competitive landscape.

By strategically catering to the entire spectrum—economy, mid-tier, and premium—PT Nipsea is well-positioned to maintain Indonesia market leadership. Our differentiated product offerings and targeted brand positioning ensure we capture the full potential of this exciting market.

Indonesia GDP growth rate



Indonesia Business Strategy

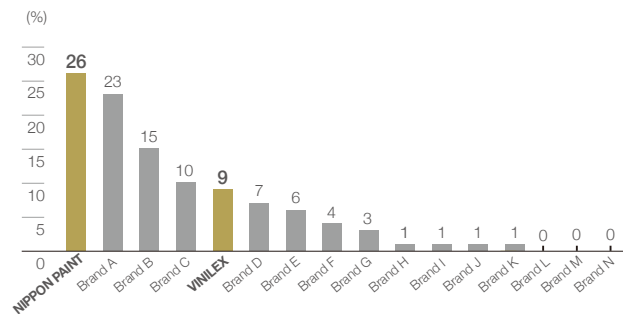
EPS compounding strategy that leverages growth drivers

Holistic branding

PT Nipsea has established a strong brand presence in Indonesia since 1969, and our brand awareness has gained a Top of Mind score of 26% in the latest Nielsen Brand Health Check, solidifying our leadership position. We offer comprehensive paint solutions, from budget-friendly options to innovative premium lines.

Our multifaceted marketing strategy builds loyalty across the entire value chain: (1) We empower our exclusive dealers through training initiatives, marketing collaborations, and sales incentives, enabling them to recommend our products effectively. (2) We offer training programs for painters, equipping them with product knowledge for our entire range and promotional tools to effectively market their services, thus ensuring superior application quality and reinforcing brand value. (3) We engage homeowners through targeted advertising campaigns across various media channels to establish Top of Mind awareness. Additionally, sales promotions and loyalty programs further incentivize purchase and strengthen brand affinity. This holistic approach solidifies our leadership position.

Top of Mind rating



Source: 2023 Nielsen Indonesia Brand Health Check- H1 2023 (4,940 homeowners, 52 cities)

Dominating the economy segment

PT Nipsea dominates the economy segment with a strategic approach that leverages our strong brand heritage. We understand budget is key, so we offer economy lines alongside core offerings. This ensures budget-friendly options to consumers without sacrificing quality—a promise reinforced by our #1 Top of Mind score. Our extensive distribution network guarantees product accessibility across Indonesia, eliminating the need for consumers to seek alternatives. We collaborate with local dealers, leveraging their market knowledge and established business partners. Exclusive programs, product rebates, bundled packages and sales incentives empower our dealers to confidently endorse PT Nipsea's value lines to their customers. We also utilize targeted promotions, like discounts and product guarantees, to further incentivize purchase for cost-conscious consumers. This approach not only drives sales but also reinforces the value proposition of our economy product lines.

By combining brand strength, accessibility, business partnerships, targeted promotions, and product guarantees, this multi-pronged strategy ensures we deliver a compelling value proposition that resonates with budget-conscious consumers across the country.



Vinilex series

Leading the premium segment

Capitalizing on our #1 ranking and global reputation, we offer premium lines that provide best-in-class formulations (superior hiding power, vibrant colors, smoothness, minimum spattering, and eco-friendly), surpassing our stakeholders' expectations. Our targeted marketing campaigns demonstrate the transformative power of our premium paints. These campaigns utilize high-end media channels and feature inspiring design projects to position our products as the key to achieving a dream living space. We also understand the influence of KOLs (Key Opinion Leaders) and designers in the premium segment. By forging partnerships with these influencers and professionals, we leverage their expertise to position Nippon Paint as the premium choice for high-end projects. This not only increases brand visibility but also reinforces the trust and value proposition associated with our premium lines. Understanding the distinct journey of the premium customers, we provide unparalleled customer service that extends beyond the point of purchase. This includes personalized consultations, color and product expertise, and readily available after-sales support. This holistic approach ensures a premium experience that matches the caliber of our products.



Four designers for Ramadan Color Trend Campaign

Indonesia Business Strategy

Dominant distribution edge

PT Nipsea's six strategic pillars

1. Expand distribution points across Indonesia
2. Drive stronger distribution of CCM machines and increase product penetration in all segments
3. Develop new channel through business partners
4. Key account management for high revenue dealers
5. Nippe Star Outlets for business partners catering to the specific refinishing and painting needs of the automotive industry
6. Pylox Star Outlet for business partners catering to smaller, localized markets and specific spray paint customer segments

By harnessing our brand's strengths that align with our strategic pillars outlined above, PT Nipsea aims to drive growth of the Indonesia business. Our dominant distribution edge hinges on a two-pronged approach: extensive reach and strategic partnerships. We're expanding distribution points nationwide, ensuring product accessibility. Furthermore, we prioritize computerized color matching (CCM) machine deployment and deeper penetration across all segments. To complement this, we cultivate partnerships with new business partners, empowering them to offer our full range—color-matching options included—to their customers. This comprehensive strategy positions PT Nipsea as the most accessible and versatile paint choice in Indonesia.

Revolutionizing color and product choices

PT Nipsea prioritizes CCM as a key differentiator that offers major benefits for both value and premium customers. Budget-conscious consumers personalize colors within their economy

line, while premium customers have access to a vast palette for creating unique designs. This strengthens our competitive edge, particularly in the premium segment, where customization is highly valued. For stores, implementing CCM



CCM shop

opens up a wider range of possibilities, leading to higher sales and reducing the inventory cost, and having a CCM positions the store as a one-stop shop—a win-win for all.

Expanding our reach with business partners



Our business partners

We strategically select new business partners, drawing on the stellar track record of our existing distributors. These business partners gain access to our established brand reputation, comprehensive training programs, our

selective product portfolio, and special technical services. This empowers them to deliver exceptional customer service and cater to diverse consumer needs, allowing them to replicate the success of our current network. By capitalizing on the expertise of proven partners, we seamlessly expand market reach and solidify our leadership position.

Robust human resource structure

PT Nipsea boasts a robust human resource structure with strengths evident at both the management and frontline levels.

Management powerhouse: Our leadership team brings a wealth of experience from diverse, competitive sectors. This diversity fosters innovative approaches. For instance, our LFG Awards winning projects: Leveraging Sales Promoters & Repurpose of Waste. These initiatives demonstrate their ability to leverage cross-sector expertise and drive impactful results. This talent pool also ensures a strong pipeline for future leadership, with potential successors already groomed and gaining experience for bigger roles in the near future.

Frontline excellence: Our frontline employees are the backbone of our customer experience. We invest heavily in their development, providing comprehensive training programs that equip them with in-depth product knowledge, application techniques, and exceptional customer service skills. This is further exemplified by initiatives to leverage our Sales Promoters to Product and Color Consultant. Through such programs, our frontline staff hone their capabilities and empower customers to make informed paint and color choices, fostering brand loyalty and trust.

By building a dynamic leadership team with diverse industry backgrounds and investing in the continuous development of our frontline workforce, PT Nipsea ensures a high-performing human resource engine that propels our success in the Indonesian coatings market.



Asset Strategy Aimed at Compounding Sustainable EPS (2)



Nippon Paint China (NIPSEA China)
Eric Chung
CEO

How Shareholder Value Is Maximized

» See pages 3-4.



China Business Strategy

— Establishing dominant No. 1 position by leveraging our brand strengths in various dimensions

Analysis of the decorative paints market landscape

Home renovation boosting TUC market

Real estate remains pivotal to China's economy. As restrictive policies ease, the real estate market is set to usher in a relaxed environment, leading to growing demand for aesthetic living spaces due to rising income. New growth areas are re-renovation, partial renovation, and home renovation. As of November 2023, China's housing stock, accounting for about 40% of home decoration, stands at 13.4 billion square meters, growing steadily at 5-6%. This expansion suggests a future increase in repainting demand.

Color and personalization fueling Tier 1-2 cities

As of 2023, 72.6% of China's home decoration consumers are located in economically prosperous Tier 1 and 2 cities. These areas, with high overall economic development and the post-90s and post-95s generations as key consumers, are seeing increased demand for color and personalization. The main competitors in Tier 1 and 2 cities are a major brand and several art paint brands. The major brand, known for its high visibility, targets young consumers through strategic marketing, while the art paint brands are focused on innovation and price competition to vie for market share.

Great market share expansion potential in Tier 3-6 cities

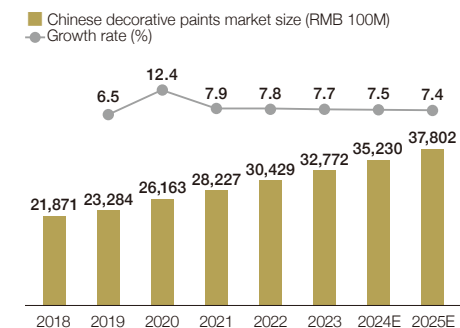
As of 2023, around 27% of home improvement users are found in China's less economically developed Tier 3 to 6 cities, which

consist largely of towns and counties. With increasing urbanization and rising per-capita consumption, these under-served areas, particularly Tier 5 and 6 cities, present significant growth potential. Our primary competitors in Tier 3 to 6 cities are a major paint manufacturer and small local ones. The major player invests heavily in aggressive sales promotion and store expansion. Local small players cater to local customers, offering competitive prices and fostering close relationships.

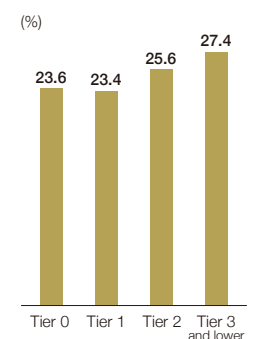
Distribution by tier (2024E)

Distribution by tier	Population (10,000 people)	GDP (RMB million)
Tier 1-2 cities	58,161 (42%)	459,216 (47%)
Tier 3-6 cities	61,942 (45%)	282,978 (29%)
Nationwide	138,034 (100%)	974,975 (100%)

Chinese decorative paints market growth



Breakdown of users by tier



Source: iResearch 2023 China Home Decoration New Trend Insight Report

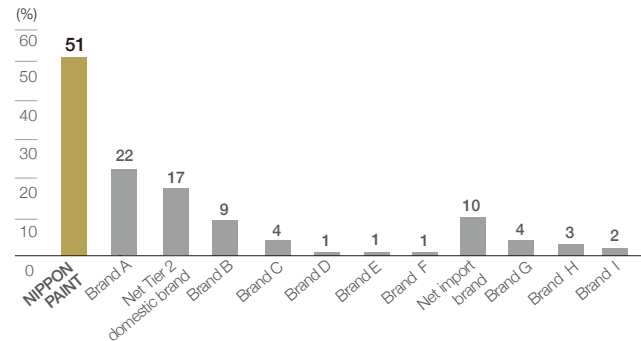
China Business Strategy

EPS compounding strategy that leverages growth drivers

Leveraging top-of-mind brands and training painters

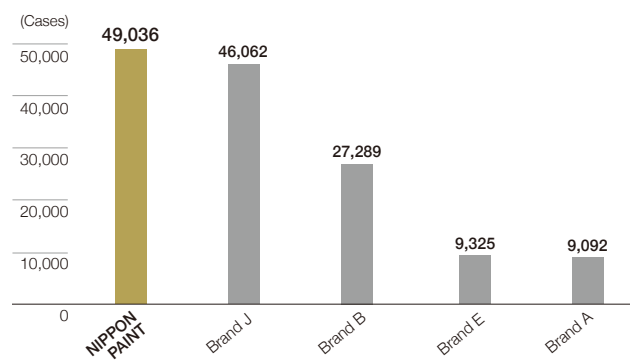
Nippon Paint China entered the Chinese market in 1992 and has since been a pioneer in brand building in the Chinese paint industry. It has always ranked first in brand awareness in the Chinese paint market with a Top of Mind rating of over 50% among consumers.

Top of mind rating



Source: UA Report 2023, NP China

Share of voice



Source: All Media, China

In 2023, Nippon Paint China's Magic Paint became the top independently searched brand in the texture paint category on platforms such as Baidu, Tmall, Douyin, and Xiaohongshu. It attracts more than 7,000 customers monthly through live broadcasts and other forms. These customers are automatically distributed to the nearest dealers for follow-up and service through Nippon Paint China's digital intelligent clue center, creating more business opportunities for dealers.

Nippon Paint China has 16 training and certification centers in China, which have trained more than 400,000 painters over the past 14 years. Nippon Paint China has become the first foreign-funded enterprise in China to obtain a "Private School Operating License," providing professional competency level certification for interior and exterior wall painting construction personnel. At the same time, the "Nippon Paint Club" has over 1.4 million members through points, training, certification and other operations.

Additionally, over the past two years, Nippon Paint China has continued to expand its presence within the Chinese designer community through the "Dream Home Makeover" video series, the "Future Star" Young Designer Competition, and Magic Paint's "Light and Shadow Wonderland" series of exhibitions at Shanghai and Guangzhou Design Weeks. Through these events, we are enhancing our influence on high-end consumers with premium decoration needs.



Brand influence—Nippon Paint China's booth

Empowering Color Strategy through CCM machines

1. TUC's Color Strategy focuses on seizing the Chinese computerized color matching (CCM) market and customers' color mentality.
2. Starting from 2020, we have increased investment in CCM machines, as well as 1,988 color cards and other color tools in the distribution market, and cooperate with Professor Song Jianmin of the China Academy of Art to release annual color trend colors; at the same time, we utilize the community, Xiaohongshu and other online mainstream media platforms to promote Nippon Paint China's popular colors.
3. Starting from 2024, we plan to add 8,000-10,000 CCM units every year. For distribution stores that achieve a certain sales volume, we will provide CCM machines free of charge.



Nippon Paint China's lifestyle store



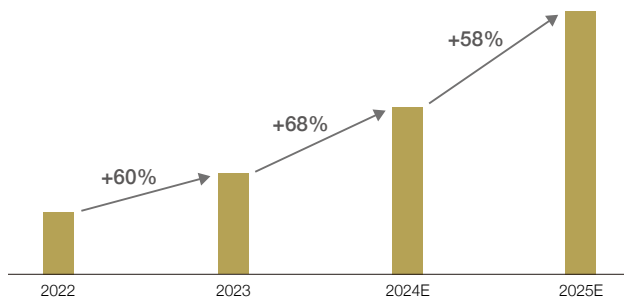
CCM machine

China Business Strategy

Our success with Asset Light strategy

To quickly occupy the market and enhance product competitiveness, Nippon Paint China introduced the "OEM" outsourcing production model on the basis of self-production. In areas with mineral resources, we select OEM manufacturers with resource advantages, production capacity, and logistics distribution capabilities. This strategy allows Nippon Paint China to become asset-light, meet demands for rapid growth in production capacity, and significantly reduce the cost of dry powder mortar products, laying the foundation for the business group to achieve rapid growth and seize the market. By the end of 2023, Nippon Paint China had successfully developed 62 suppliers, distributed in 58 county-level cities in 24 provinces. In addition to our 33 self-owned factories, Nippon Paint China has a total of 95 factories in China, forming a robust supply chain and production network for base materials, yielding remarkable results.

Nippon Paint China's dry mortar production capacity



Overall output achieved in 2023 - by category

	Putty powder	Gypsum plastering	Tile grout
No.1	NIPPON PAINT	NIPPON PAINT	Brand D
No.2	Brand A	Brand C	Brand E
No.3	Brand B	Brand B	NIPPON PAINT

* Internal estimates

Our human resource strategy

1. The competency of management personnel is demonstrated in: result-oriented, prioritization of growth, analytical insight, leadership motivation, and full cooperation; four key positions that will significantly impact the future development of Nippon Paint China (TUB Regional Director, TUC Regional Director Supervisors, Factory Directors, PDT Managers) also have their own competency models, including business execution ability, team leadership, and self-management skills.
2. For management positions, we use competency as the cornerstone and continue to carry out the "selection and retention" of cadres in corresponding positions. At the same time, we conduct echelon inventory every year, target key and high-potential talents, and organize systematic empowerment training and job rotation based on the competencies of higher positions based on the model to accelerate the growth of successors.

3. In terms of employee development, we implement "how to fight, how to train," and design a targeted training system based on job standards and combined with Nippon Paint China's actual combat scenarios. For newly recruited front-line sales, each business group combines differentiated needs to carry out highly directional professional training such as "Shooting Training" and "Sail Power" to accelerate the professionalism of new employees from various aspects such as deep industry insights, product knowledge, and sales skills, thereby fostering their ability growth. For front-line workers and technicians, especially for positions such as color creation and color mixing, we will strengthen certification-based employment and continue to carry out various labor competitions such as color creation competitions to promote the continuous improvement of the professional capabilities of all employees.



Frontline talent building



TUC talent building



Talent development for working level



TUB talent building

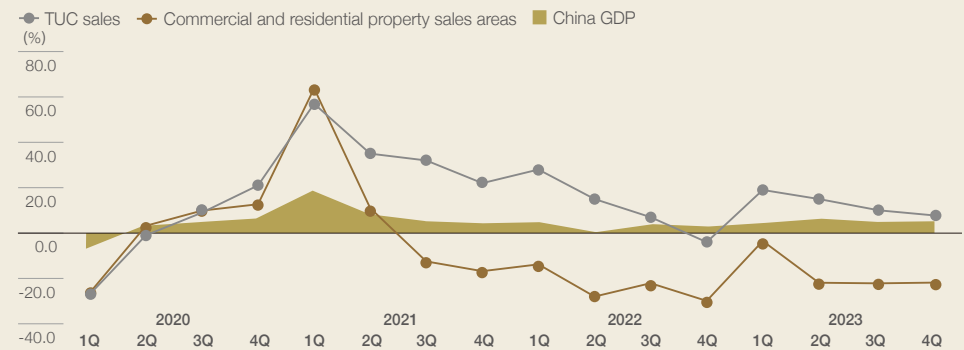
Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

Our stock price tends to be significantly influenced by news flow from China, more so than by our actual performance results. Our analysis suggests that the capital market participants might be overly focused on Chinese macroeconomic indicators. While we do acknowledge a certain correlation between our performance and Chinese macroeconomic indicators, we believe that these factors are not the sole determinants of our performance due to the following four reasons.

Reason 1 TUC revenue growth has been markedly outpacing the growth in commercial and residential property sales areas

Tier 0 and 1-2 cities, where our TUC business has a dominant No. 1 position, have a higher proportion of commercial and residential property sales areas compared to Tier 3-6 cities. These cities are also characterized by faster market recovery. Consequently, the growth rate of TUC tends to be higher than that of property sales areas nationwide. The high revenue growth in the TUC business can also be attributed to factors such as NIPSEA China's extensive distribution networks, the large number of Computerized Color Matching (CCM) machines installed, high brand awareness and quality. Factors such as the arrival of the era of stock housing and our market share gains in Tier 3-6 cities also contribute to a growth rate that exceeds the general macroeconomic indicators.

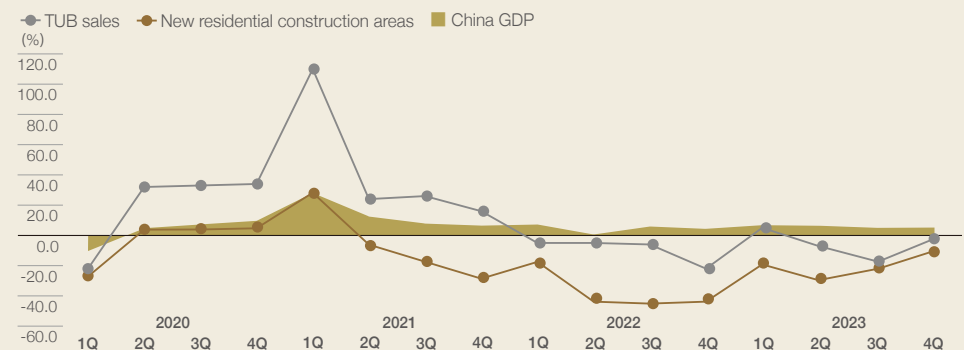
TUC sales trends (QoQ)



Reason 2 TUB revenue growth has been outpacing the growth in new residential construction areas

Since March 2020, our TUB revenue growth has constantly been outpacing growth of new residential construction areas. This strong performance is attributable to: (1) working with financially stronger real estate developers, (2) growth contribution from non-real estate developers, e.g., healthcare, industrial, infrastructure, as well as interior decoration companies and contractors, (3) pushing the adjacencies area, such as substrates and construction chemicals (CC). We expect that the TUB business will remain on a steady growth track due to the arrival of the era of stock housing and by focusing on the development of key channel businesses.

TUB sales trends (QoQ)



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

Reason 3 | TUC’s competitive advantage and its significant contribution to NIPSEA China’s sustainable growth and profitability

NIPSEA China’s overall revenue growth in 2023 may be perceived as weaker. This is mainly due to the sluggish performance of the TUB and automotive businesses against the overall weak economic and property outlook in China. In contrast, the TUC business achieved growth that exceeded both the market and our competitors. In the midst of a challenging business environment, we secured a higher operating profit margin in China than our key local competitors. This is primarily due to the strong and highly profitable TUC sales with the TUC segment representing approximately 70% of overall decorative paints sales in China.

The ability of TUC to maintain high profitability is not solely due to its B2C business model. Other contributing factors include: (1) the ability to control pricing, based on the strong brand power we have built over the years in this B2C brand business, (2) the creation of demand and improvement in margin through the expansion of CCM deployment, (3) our “Asset Light Strategy,” (4) The sheer size of the enlarged Group that allows us to leverage our economies of scale and tap into resources spanning from purchasing to marketing. We are optimistic that TUC’s medium-term growth forecast will continue to surpass the market growth. Looking ahead, NIPSEA China will steadfastly pursue sustainable growth while preserving the operating profit margin.

NIPSEA China 2023 results

Revenue growth (YoY)	Consolidated ^{*1}	+7.1%
	Automotive ^{*1}	+0.6%
	TUC ^{*2}	+13%
	TUB ^{*2}	-7%
OP margin ^{*1} (consolidated)		12.5%
TUC revenue/China decorative revenue ^{*2}		c.70%

*1 Tanshin basis
*2 In local currency

» P41 Medium-Term Strategy (Released in April 2024)

» P54 China Business Strategy

Reason 4 | Establishing a regional and business portfolio not heavily reliant on China

As Asset Assembler, we boast a [well-diversified regional and business portfolio](#). While China is a significant asset for us, it accounts for 33% of our overall consolidated revenue—a contrast to local entrenched competitors who are heavily dependent on a single geographical market. Furthermore, our operations in Asia Except China continue to achieve sales growth and an operating profit margin that outpace those from our China operations.

Comparison of 2023 results (Tanshin basis): NIPSEA China vs. NIPSEA Except China

		NIPSEA China	NIPSEA Except China
Dependence on the region	Revenue	33%	20%
	OP	36%	30%
Revenue growth (YoY)		+7.1%	+12.0%
OP margin		12.5%	17.4%

Feature Article

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

Under the leadership of our Co-Presidents, Japan Group has made steady advancements in profitability, thanks to the structural reforms implemented in recent years. These reforms have included unconventional approaches and measures. However, we recognize that our journey to restore the operating profit margin levels achieved during 2017-2018 is only halfway complete. To expedite this progress, we are accelerating cooperative and collaborative initiatives that transcend organizational barriers and boundaries. These efforts are being led by the senior management of each partner company, with the ultimate objective of achieving sustainable EPS compounding.

In this section, we will present the collective projects and initiatives undertaken by Japan Group, outlining our strategic roadmap towards further enhancing profitability.

» P48 Our Strategy by Asset Presented by Co-President Wee

United in our pursuit of realizing “One NIPPE”



Aiming to improve market share and profitability, elevating market expectations

Our goals Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries

Japan Group				
NPAC	NPTU	NPIU	NPSU	NPMC
Integration of sales activities, overseen by the President of NPIU » P60				
Integration of resin production activities, overseen by the President of NPAC » P60				
Integration of production and logistics functions, overseen by the President of NPTU » P60				
Consolidation and upgrading of administrative overhead functions (NPCS), overseen by the Deputy President of NPCS » P61				
Revamping and upgrading operations by leveraging digital technology, overseen by the Managing Executive Officer of NPCS » P61				

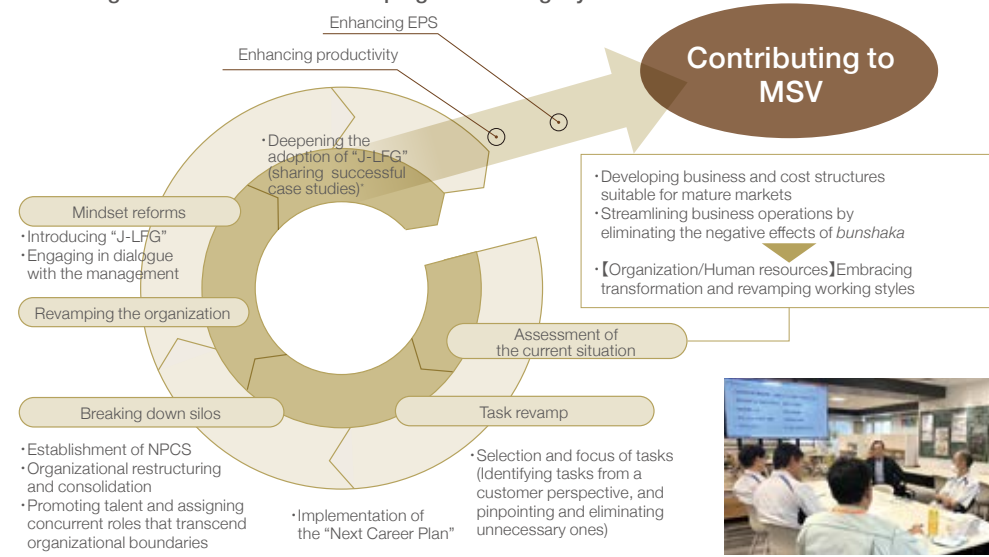
Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries

Since the implementation of *bunshaka*, a company split by lines of business, in 2015, Japan Group has seen increased autonomy and accountability within each business unit. However, over time, several issues have emerged, including inflated cost structures, duplication of functions, complex business processes, organizational silos, and rigidity in personnel allocation.

To address these challenges, we have implemented several measures: (1) identifying issues and considering/implementing remedial actions through task forces, (2) consolidating and upgrading group support functions via the establishment of Nippon Paint Corporate Solutions (NPCS), (3) implementing the “Next Career Plan” voluntary early retirement program, (4) restructuring the automotive and marine businesses, and (5) transforming corporate culture and employee mindsets through the adoption of “J-LFG.”

Currently, under the banner of “One NIPPE,” we are advancing a unified approach where the five partner companies within Japan Group operate as a single entity. This approach focuses on eliminating overlaps and gaps in our business areas and fostering cooperation and collaboration that transcend organizational barriers and boundaries. Under the leadership of senior management, who concurrently hold multiple positions, our partner companies are mutually leveraging each other’s management resources. This shift from individual optimization to overall optimization is strengthening our foundation for cost competitiveness.

Our organizational and human resource strategies for embracing transformation and revamping our working styles



The Communication Forum held from May to July 2024

» For more information about our efforts to disseminate the J-LFG spirit, please refer to “Human resource development measures essential for achieving MSV” on our website.

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

Sales functions

Establishing sustainable growth drivers by creating a cross-functional marketing and sales structure across the Group



Takeshi Shiotani
Representative Director and President
Nippon Paint Industrial Coatings (NPIU)

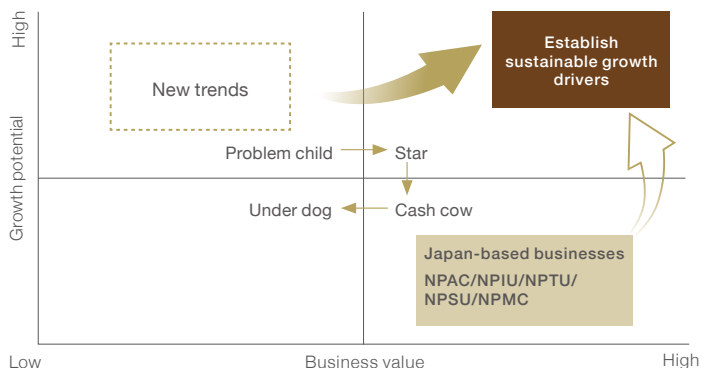
For Japan Group to achieve further growth, strong marketing and sales functions are essential. Particularly in emerging markets and areas such as electric vehicles and autonomous driving, we must respond synergistically, efficiently, and swiftly. This requires transcending the boundaries of existing business segments and organizations across the Group.

In response to these challenges, the position of Chief Commercial Officer (CCO) for Japan Group was established in January 2024. President Shiotani of NPIU has assumed this role, overseeing the entire sales function of Japan Group. This position bridges the management and heads of sales units across partner

companies, facilitating the implementation of strategies throughout the organization. Beyond the traditional business framework focused on existing markets and customers, the CCO role allows for group-wide supervision of the sales function. This enables us to accurately capture rapidly changing markets and flexibly advance our marketing and sales activities.

By holistically analyzing and sharing insights on the Japanese market and each business within Japan Group from a sales perspective, we aim to enhance our marketing and sales functions across the organization. This approach is designed to improve the profitability of each partner company, deliver sustainable growth through the creation of new business opportunities, and establish sustainable growth drivers.

Establishing sustainable growth drivers by reinforcing the sales function



Production and logistics functions

Rebuilding production and logistics functions, and enhancing and streamlining the supply chain



Masuo Kida
Representative Director and President
Nippon Paint (NPTU)



Satoshi Nishimura
Representative Director and President
Nippon Paint Automotive Coatings (NPAC)

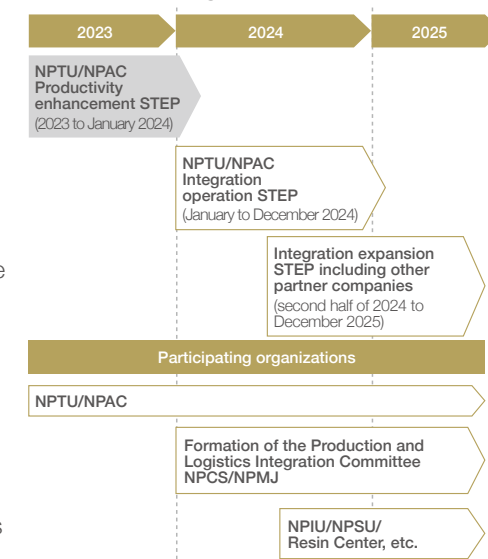
Since the implementation of *bunshaka* in 2015, we have observed a fragmentation of management resources and the emergence of organizational silos within the production and logistics units. This fragmentation has led to decreased productivity and efficiency. To address these challenges, we launched the “Production and Logistics Integration Project” in 2023. The goal of this project is to eliminate the issues resulting from the division of production and logistics units and

to enhance the production capabilities that serve as the foundation for Japan Group as a whole.

President Kida of NPTU took the helm as project leader, kick-starting the initiative by implementing an integrated operation targeting NPTU and NPAC. In 2024, with the formation of the Production and Logistics Integration Committee, we strengthened cross-functional capabilities in production and logistics by enhancing collaboration between NPTU and NPAC and expanding their activities. Additionally, we focused on nurturing talent to establish and solidify integrated operations. At the newly established Resin Center, under the leadership of President Nishimura from NPAC, we are consolidating development, mass production, and resin-related production technologies—one of our core strengths. Concurrently, we aim to achieve comprehensive optimization of resin manufacturing and the supply chain across Japan Group.

By reconstructing our production and logistics functions and enhancing and streamlining the supply chain, we aim to achieve comprehensive optimization that transcends organizational barriers and silos, enabling us to operate as a unified entity across the entire Japan Group.

Promoting the integration of production and logistics functions



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

Administrative overhead functions

Revamping administrative overhead functions and optimizing the allocation of management resources



Shinichi Saito
Representative Director and Deputy President
Nippon Paint Corporate Solutions (NPCS)

Established in 2022, NPCS has undertaken the task of dismantling organizational silos within our partner companies in Japan Group. This is accomplished by addressing common issues across the group in areas such as supply chain, production, talent development, research and development, finance, auditing, and information systems.

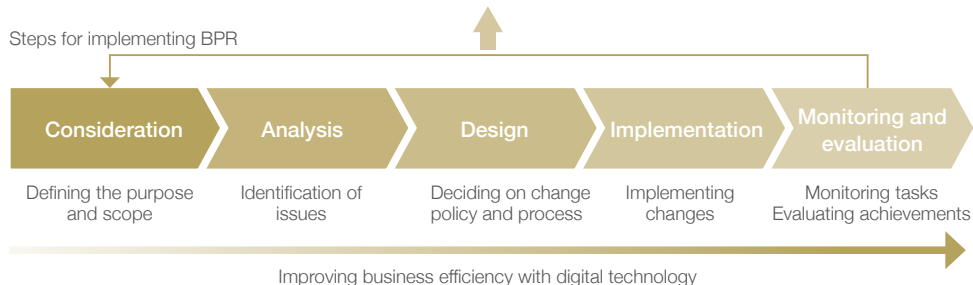
Under the leadership of Deputy President Saito, who also serves as the President of Nippon Paint Materials, NPCS is currently undertaking a “Business Process Reengineering (BPR)” initiative. This initiative aims to revamp the administrative overhead functions and optimize the allocation of management resources to provide more efficient support to Japan Group. Launched in the second half of 2023, the BPR initiative focuses on five departments: Finance and

Accounting, Corporate Service, Human Resources, IT & Solutions, and Operational Excellence. The goal is to identify and streamline inefficient tasks and processes across the organization. Surplus resources generated through this process are then redirected to areas where human involvement can add value. This strategic reallocation aids in enhancing the operational efficiency of NPCS as a support function company.

One key aspect of BPR is its focus on improving business efficiency through the use of digital technologies (see next theme). By integrating IT tools such as generative AI and RPA into our business processes, we aim to create a virtuous cycle that benefits both employees and the organization, while simultaneously enhancing employees’ digital literacy.

Overview of BPR

Revamping administrative overhead functions and optimizing the allocation of management resources



IT/DX

Promoting digital transformation (DX) strategy for new value creation and enhanced and accelerated management decisions



Hiroyuki Ishino
Managing Executive Officer
Nippon Paint Corporate Solutions (NPCS)

Based on our efforts to strengthen digital infrastructure, including enhanced information security and reformed mission-critical operations and systems, and to improve employees’ digital literacy through generative AI and Citizen Development, Japan Group is advancing a three-pillared DX strategy: (1) process reform, (2) transformation in value creation, and (3) transformation through data utilization.

Under the first pillar, process reform, we are gradually introducing a “standard process and supporting ERP system” across the entire Japan Group. By learning from the system implementation experiences and successful case studies of our overseas partner companies, we aim to thoroughly simplify and standardize operations.

Under the second pillar, transformation in value creation, we are deploying “NP Assistant,” a proprietary AI tool of Japan Group that leverages generative AI to improve operational efficiency and quality. Alongside RPA and low-code tools, each employee, acting as a “Citizen Developer,” contributes to the growth of the organization and business by creating new value through innovative approaches. Under the third pillar, transformation through data utilization, we aim to realize “data-driven management” at an early stage through the adoption of the “standard process and supporting ERP system” and process reform. This approach will enable us to swiftly respond to changes in the management environment, optimize the allocation of management resources, strengthen decision-making processes, and expedite management decisions.

By advancing our DX strategy in this manner, we aim to adapt flexibly to the constantly evolving management environment, create new business opportunities, and enhance the profitability of our Japan-based businesses, all with the ultimate goal of achieving MSV.

» For more information, please refer to "Japan Group's DX Strategy for MSV through Enhanced Profitability" on our website.

Japan Group's DX strategy

