

Asset Management Report 2023

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

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

*2 In accordance with IAS 29, hyperinflationary accounting was applied to Turkish subsidiaries starting from FY2022 2Q. Figures from FY2022 onwards reflect the application of hyperinflationary accounting

*3 Starting in FY2023, the Chinese decorative paints segment was reclassified into TUC and TUB segments based on distribution channels. Following the reclassification, the market share was adjusted according to the definitions of the TUC and TUB segments.


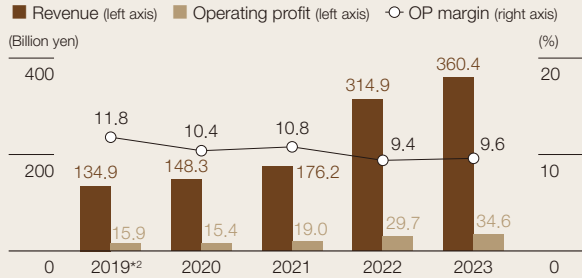

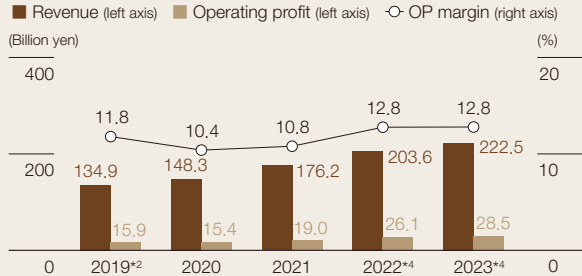

*4 Segment basis (after elimination of inter-segment transactions and after PPA)

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*1 Segment basis (after elimination of inter-segment transactions and after PPA) *3 Dunn-Edwards' performance was compared using the 2018 figures because the 2017 figures, the first year post-acquisition, only covered 10 months following its acquisition in March 2017
*2 Pro-forma figures *4 The reportable segments were changed beginning in FY2022 1Q. Figures from 2021 onwards are based on the new reportable segments and include the overseas marine business.

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

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Assets		Financial outcomes		Non-financial outcomes																								
<div><div><div><div>DuluxGroup (Consolidated)</div><div>(Pacific/Europe)</div><div></div></div><div><div>DuluxGroup operates in 22 countries in the mature Pacific (Australia, New Zealand and Papua New Guinea) and European markets with the top market share in the decorative paints market in four countries (including Australia) and is in the top three in terms of market share in a further six countries. DuluxGroup is driving growth of the Group with its consistent growth every year.</div></div></div></div>		<div><div><div><div>FY2023 operating results</div><div>Revenue from the decorative paints business increased from the previous year in both the Pacific and European markets, despite market volumes generally flat or declining from economic and geopolitical pressures, underpinned by ongoing focus on brand investment, innovation and customer service. Revenue from the adjacencies business increased, mainly due to the benefit of the new consolidation of NPT. This was partly offset by lower sales of External Thermal Insulation Composite System (ETICS) in Europe, due to reduced government incentives. Overall, our consolidated revenue rose by 14.4% YoY to JPY360.4 billion. Operating profit increased by 16.5% YoY to JPY34.6 billion, driven by the effects of new consolidation and revenue growth, coupled with the normalised gross profit margin (post COVID).</div></div><div><div><div>Growth since the acquisition (FY2019)</div><div>Under the guidance of its excellent management team, DuluxGroup has consistently achieved strong earnings growth through focus on organic and inorganic strategic growth initiatives across its three strategic pillars. As a result, since the acquisition, revenue increased by 167.2%, with operating profit up 117.7%. DuluxGroup's focus on strategic M&A has played an important role in complementing its organic growth initiatives, with over 30 acquisitions (including a mixture of strategic and small bolt-on businesses) executed since it joined Nippon Paint Group in 2019.</div></div></div></div></div>	<div><div><div><div>Revenue^{*1}/Operating profit^{*1} (YoY/growth since acquisition)</div><div>JPY360.4 bn (+14.4%/+167.2%)/ JPY34.6 bn (+16.7%/+117.7%)</div><div><table><tr><th>Year</th><th>Revenue (Billion yen)</th><th>Operating profit (Billion yen)</th><th>OP margin (%)</th></tr><tr><td>2019^{*2}</td><td>134.9</td><td>15.9</td><td>11.8</td></tr><tr><td>2020</td><td>148.3</td><td>15.4</td><td>10.4</td></tr><tr><td>2021</td><td>176.2</td><td>19.0</td><td>10.8</td></tr><tr><td>2022</td><td>314.9</td><td>29.7</td><td>9.4</td></tr><tr><td>2023</td><td>360.4</td><td>34.6</td><td>9.6</td></tr></table></div></div></div></div>	Year	Revenue (Billion yen)	Operating profit (Billion yen)	OP margin (%)	2019 ^{*2}	134.9	15.9	11.8	2020	148.3	15.4	10.4	2021	176.2	19.0	10.8	2022	314.9	29.7	9.4	2023	360.4	34.6	9.6	<div><div><div><div>FY2023 results</div><div><div>Human resources/organizations</div><div>Ratio of female employees: 33.4% Ratio of women in managerial positions: 30.5%</div></div><div><div>Nature/environment</div><div>Controlled water usage through proper management following voluntary standards Water consumed: -10% YoY</div></div></div></div></div>
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<div><div><div><div>DGL (Pacific)</div><div>(Pacific)</div><div></div></div><div><div>DuluxGroup has the leading position in the mature Australian market and Dulux has about 80% unprompted brand awareness, which is almost double that of the next strongest brand, and is consistently voted Australia's most trusted paint brand.</div></div></div></div>		<div><div><div><div>FY2023 operating results</div><div>Revenue from the decorative paints business increased from the previous year despite flat volumes, with higher volumes in the trade-use market offset by lower retail market volumes (normalizing post-COVID). Revenue in the adjacencies business increased, mainly from the benefit of bolt-on acquisitions. Consequently, revenue rose 9.3% YoY to JPY222.5 billion. Operating profit increased by 9.3% YoY to JPY28.5 billion, as the effects of higher sales and normalized gross profit margin (post COVID) offset inflation-driven increases in SG&A expenses. In terms of both volume and value, Dulux has successfully maintained its leading market share in the Australian decorative paints sector.</div></div><div><div><div>Growth since the acquisition (FY2019)</div><div>By relentlessly focusing on continuous investment in premium brand products, consumer insights, innovations, marketing, customer services catering to retail and trade-use customers, DuluxGroup has continued to outpace the market growth. Furthermore, the company has complemented its consistent organic growth with multiple strategic and bolt-on acquisitions. As a result, since the acquisition, revenue has grown by 65.0% and operating profit by 79.4%.</div></div></div></div></div>	<div><div><div><div>Revenue^{*1}/Operating profit^{*1}/Market share^{*3} (YoY/growth since acquisition)</div><div>JPY222.5 bn (+9.3%/+65.0%)/ JPY28.5 bn (+9.3%/+79.4%) 50% (+0pp/+2pp)</div><div><table><tr><th>Year</th><th>Revenue (Billion yen)</th><th>Operating profit (Billion yen)</th><th>OP margin (%)</th></tr><tr><td>2019^{*2}</td><td>134.9</td><td>15.9</td><td>11.8</td></tr><tr><td>2020</td><td>148.3</td><td>15.4</td><td>10.4</td></tr><tr><td>2021</td><td>176.2</td><td>19.0</td><td>10.8</td></tr><tr><td>2022^{*4}</td><td>203.6</td><td>26.1</td><td>12.8</td></tr><tr><td>2023^{*4}</td><td>222.5</td><td>28.5</td><td>12.8</td></tr></table></div></div></div></div>	Year	Revenue (Billion yen)	Operating profit (Billion yen)	OP margin (%)	2019 ^{*2}	134.9	15.9	11.8	2020	148.3	15.4	10.4	2021	176.2	19.0	10.8	2022 ^{*4}	203.6	26.1	12.8	2023 ^{*4}	222.5	28.5	12.8	<div><div><div><div>FY2023 results</div><div><div>Human resources/organizations</div><div>Implemented measures to increase the ratio of female employees in all job levels Ratio of female employees: 36.8% Ratio of women in managerial positions: 30.7% More than doubled female representation at the Top 200 senior leaders conference over 10 years, increasing to 35% in 2023 from 15% in 2013 Investments in improving employee engagement Employee engagement (FY2021): 80% (+8 pp vs. FY2017)</div></div><div><div>Brands</div><div>Improving the brand awareness Several DuluxGroup brands have been voted by consumers as Australia's most trusted brand in their respective product category, while Dulux is consistently voted one of Australia's most trusted brands overall and has industry-high brand recognition.</div></div><div><div>Nature/environment</div><div>Initiatives aimed at reducing energy consumption – Commenced solar install program at operating sites to achieve target of 50% renewable electricity consumption by 2030. Renewable energy consumption (% of total): 2.4% (+1.0 pp YoY) Renewable electricity (% of total electricity consumption): 4.5% (+2.5 pp YoY)</div></div></div></div></div>
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<div><div><div><div>DGL (Europe)</div><div>(Europe)</div><div></div></div><div><div>DuluxGroup (Europe) has Cromology, which is the fourth largest in the European decorative paints market, and JUB, which is the market leader in decorative paints for interiors and ETICS in the market, and is accelerating growth, leveraging the management know-how of DuluxGroup.</div></div></div></div>		<div><div><div><div>FY2023 operating results</div><div>Revenue from the decorative paints business increased from the previous year despite market volumes in most countries declining, most notably in France, due to economic and geopolitical factors. Revenue from the adjacencies business was higher, mainly from the new consolidation of NPT. Consequently, the overall revenue rose 23.9% YoY to JPY137.9 billion. As for operating profit, the increased revenue, benefit of new consolidation, and normalised gross profit margin (post COVID) offset the inflation-driven rise in SG&A expenses. As a result, operating profit increased 69.4% YoY to JPY6.1 billion (the operating profit for 2022 includes one-off factors, such as step-up from PPA). Both Cromology and JUB have successfully maintained their leading positions in the key European decorative paints market in which they operate.</div></div><div><div><div>Growth since the acquisition (FY2022)</div><div>DuluxGroup is leveraging its core growth capabilities that have contributed to its long term, consistent growth in the Pacific market to accelerate expansion, primarily through Cromology, the fourth largest player in the European decorative paints market, and JUB, a leader in central European decorative paint markets. Additionally, DuluxGroup is broadening its base in the adjacent SAF business though the acquisition of its interest in NPT, a specialist in adhesives and adhesives based in Italy. As a result, since the acquisition, revenue has risen by 26.4% with the acquisition of NPT offsetting market volume decline in France. Operating profit, fell by 37.2% primarily due to market contraction in France and NPT M&A related costs.</div></div></div></div></div>	<div><div><div><div>Revenue^{*5}/operating profit^{*5} (YoY/growth since acquisition)</div><div>JPY137.9 bn (+23.9%/+26.4%)/ JPY6.1 bn (+70.4%/-37.2%)</div><div><table><tr><th>Year</th><th>Revenue (Billion yen)</th><th>Operating profit (Billion yen)</th><th>OP margin (%)</th></tr><tr><td>2021</td><td>109.1</td><td>9.7</td><td>8.9</td></tr><tr><td>2022</td><td>111.3</td><td>3.6</td><td>3.2</td></tr><tr><td>2022</td><td>137.9</td><td>6.1</td><td>4.4</td></tr></table></div></div></div></div>	Year	Revenue (Billion yen)	Operating profit (Billion yen)	OP margin (%)	2021	109.1	9.7	8.9	2022	111.3	3.6	3.2	2022	137.9	6.1	4.4	<div><div><div><div>FY2023 results</div><div><div>Human resources/organizations</div><div>Ratio of female employees: 29.4% Ratio of women in managerial positions: 29.8%</div></div><div><div>Nature/environment</div><div>Promoted the use of renewable energy Renewable energy consumption (% of total): 11% (-20 pp YoY) Renewable electricity consumption (% of total): 21% (-45 pp YoY)</div></div></div></div><div><div><div>^{*4} Due to a change in reporting segments within DuluxGroup, figures for 2022 and 2023 do not include Craig & Rose and Maison Deco</div><div>^{*5} The annotation has been revised to clarify that the 2021 figures represent the simple sum of Cromology and JUB figures. JUB's earnings for FY2022 are pro forma figures for 12 months and converted to JPY at the following exchange rate: EUR/JPY=138.5 yen. Due to a change in reporting segments within DuluxGroup, figures for 2022 and 2023 include Cromology, JUB, NPT, Craig & Rose, and Maison Deco</div></div></div></div>								
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^{*1} Segment basis (after elimination of inter-segment transactions and after PPA)

^{*2} Pro forma figures. Including one-off items such as M&A cost

^{*3} Volume basis

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