



Nippon Paint Holdings Co., Ltd.

INVESTOR BOOK

NIPPON PAINT GROUP

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Company Overview

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Glossary

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Company Overview

Photo: DuluxGroup The Ivanhoe Grammar School Senior Years and Science Centre, Australia, by McBride Charles Ryan Architects, a finalist in the 2017 Dulux Colour Awards. Photographer: John Gollings



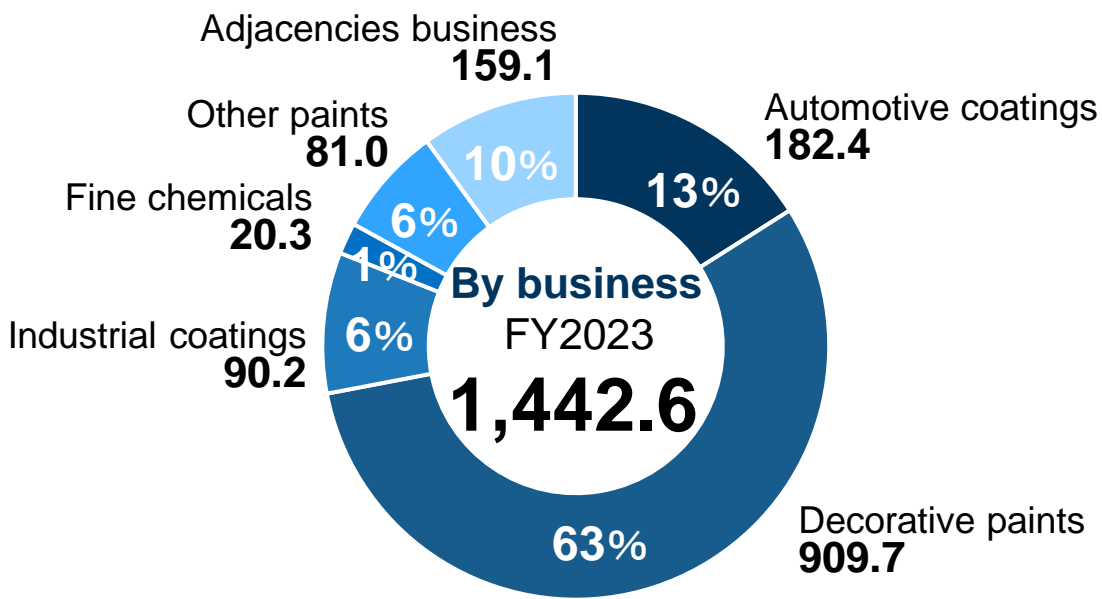
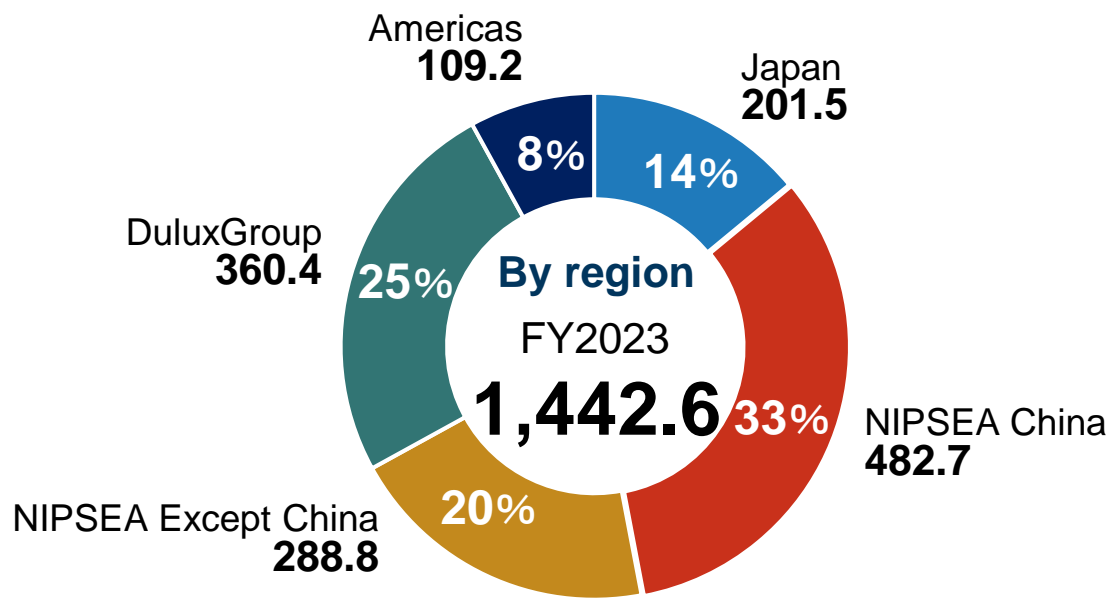
1 (1) Group Overview

NIPPON PAINT GROUP

- Growing across boundaries of operating companies with focus on paint and coatings market
- Operating in 47 countries and regions around the world including China and other Asian countries

 Date founded	March 14, 1881	Market presence	 Revenue	¥1,442.6 bn (FY2023)
 Number of employees	33,763 (consolidated)	 47 countries/regions	 Sales ranking	4th globally / 1st in Asia

Revenue breakdown (billion yen)



- The Board of Directors is comprised of Directors with experience and skills in corporate management, global business operations, M&A, and other areas
- 67% of the board members are Independent Directors (6 out of 9)

N Nominating Committee
 C Compensation Committee
 A Audit Committee



Yuichiro Wakatsuki

Director
Representative Executive
Officer & Co-President



Wee Siew Kim

Director
Representative Executive
Officer & Co-President



Goh Hup Jin

Chairman



Hisashi Hara

Independent Director



Peter M Kirby

Independent Director



Lim Hwee Hua

Independent Director



Masataka Mitsuhashi

Independent Director



Toshio Morohoshi

Independent Director

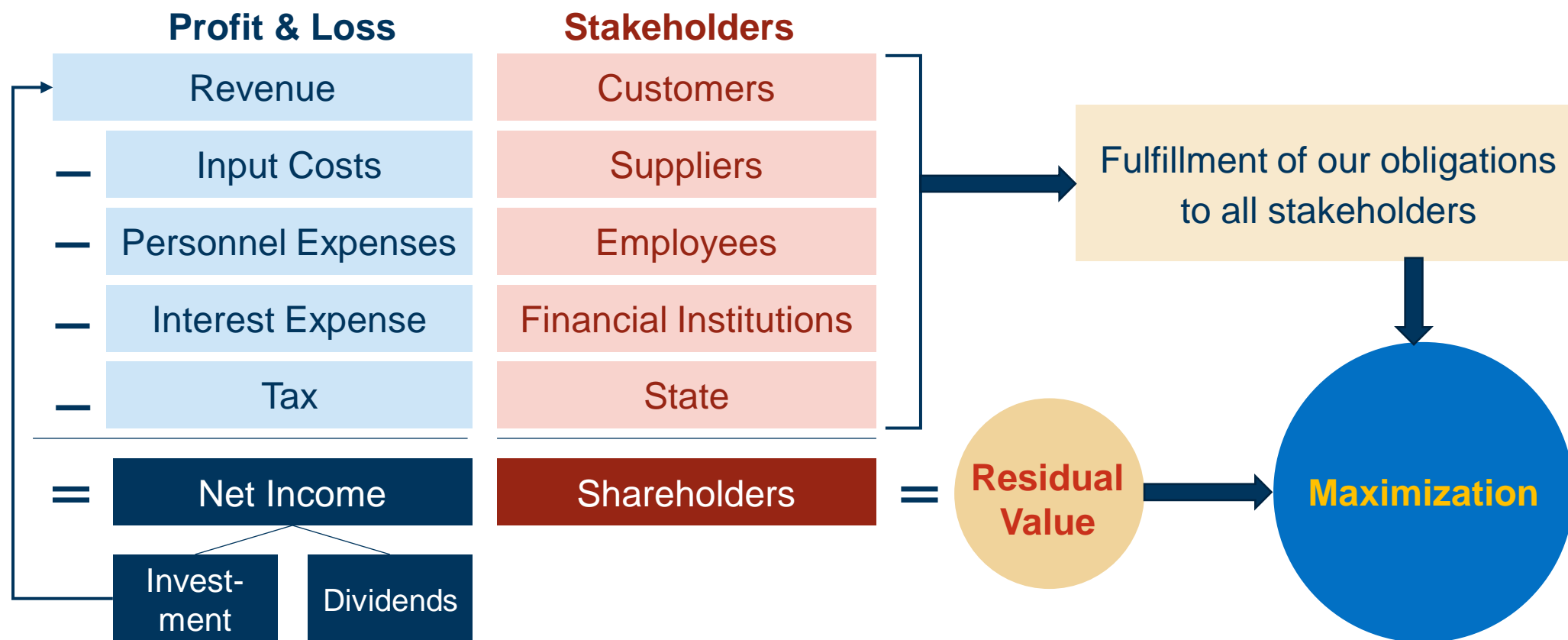


Masayoshi Nakamura

Lead Independent Director
Board Chair



Maximization of Shareholder Value (MSV) as a sole mission, creating wealth



Maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders

Three pillars of competitive advantage underpinning our Asset Assembler model

1 Our ability to harness the low-funding cost

2 Our ability to maintain and boost the EPS contribution from assets companies without intervention

3 Our unique appeal to management-class talents who empathize with our modus operandi

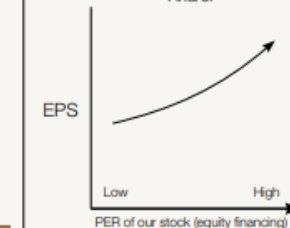
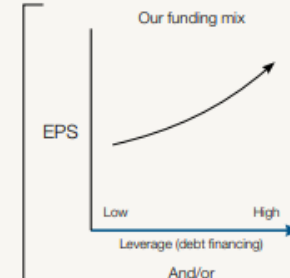
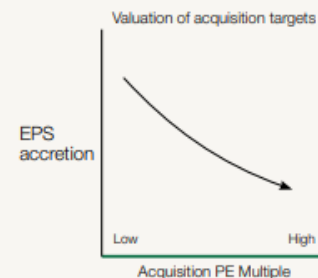
Illustration of continued growth based on Asset Assembler model

Requirements for acquisition targets

- Stable earnings capacity
- Outstanding management team

Analysis of value creation components

- Valuation of acquisition targets
- Our funding mix (debt or equity financing)
- Low-cost yen-based financing is a prerequisite
- Debt financing is prioritized but equity financing remains an option assuming EPS accretive



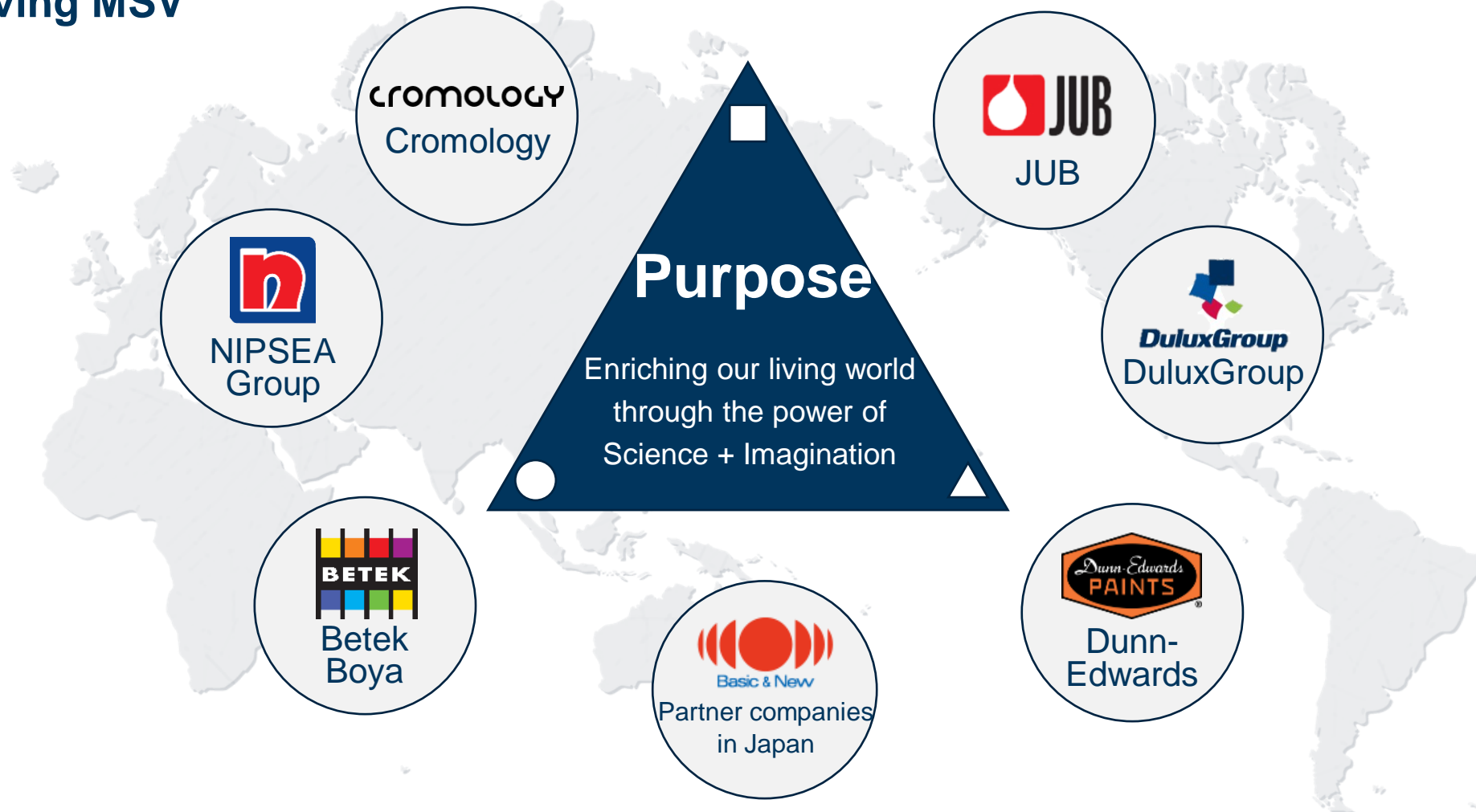
(Example)

Target Company: Net income of ¥50 billion
 Acquisition PE Multiple: 10-15x (times)
 EPS with Full Debt Financing: +c. ¥20*
 EPS with Full Equity Financing: +c. ¥10*
 EPS Accretion with Debt and Equity Mix: +c. ¥15-20*

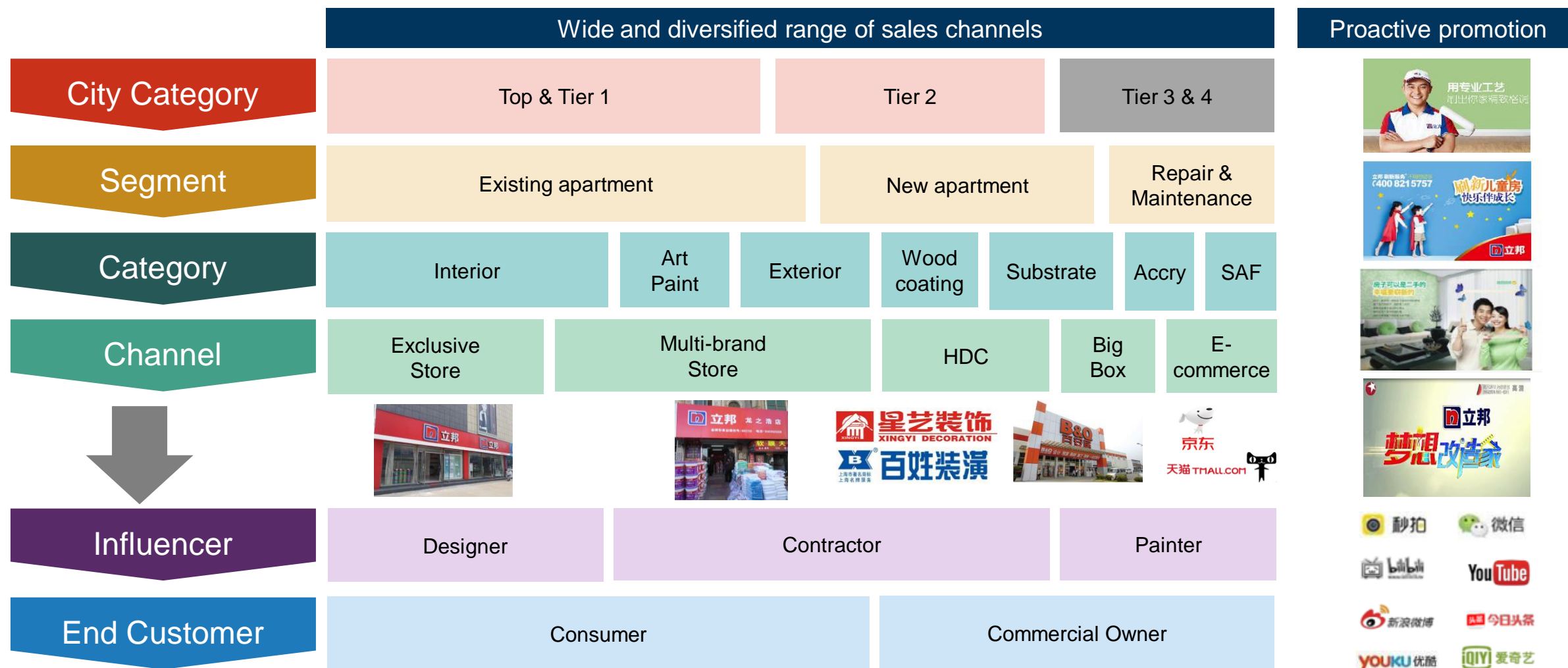
* These figures are subject to change based on factors such as interest rates, debt level of the acquired company, amortization of intangible assets and valuation of our shares used

- EPS accretion in Year 1 feasible even for large-scale acquisitions with combination of low interest debt and high PER shares
- Acquisition of stable and low risk assets at reasonable valuation funded by optimal debt and equity mix allows for unlimited continuation of climb in EPS
- An asset is an earning stream - Asset Assembler model strives to acquire assets that are EPS-accretive immediately & sustainably, even if of low growth. This implies the asset must have a long enough record of stable earnings

- Underpinned by the delegation of decision-making and accountability to partner companies based on trust
- Partner companies pursue autonomous growth through cooperation and collaboration for achieving MSV



Achieved No.1 market share (c.24%) through unparalleled sales network and proactive promotion



Secured top market share (c.8%) through strategic alliances with TOP100 real estate developers

	Items			
Channel	Real Estate		Industry	
Customer	TOP 100 Developers in Country	TOP Developers in City	General Contractor	Hospital School
Coating Solution	Wall Coating System		Floor Coating System	Thermal Insulation System
Region	National Center City		Sub-center City	Outer City
Partner	Constructor		Distributor	Project Dealer
Business Model	Material Sales		Product + Application Service (Partnership)	Product + Application Service (Direct)

Setting a medium-term milestone for accomplishing our long-term goals

Medium-Term Plan (FY2021–2023)

A three-year milestone
towards our long-term goals

Regional and
Business Strategy

M&A Strategy

Sustainability Strategy

Financial Strategy

Our Long-Term vision (FY2024–)

Ensuring sustainable growth

- Revenue CAGR in the high single digits
- Profit growth exceeding revenue growth

Inorganic growth

Eyeing the potential
for non-continuous
growth including
through M&A

Organic growth

Further solidifying our
strong growth
platform

1 (6) Medium-Term Plan (FY2021–2023) 2

Aiming for strong medium- and long-term growth driven by growth in existing businesses and aggressive M&A

	FY2021 Results	FY2022 Results	FY2023 Results* ³
Revenue	¥998.3 bn	¥1,309.0 bn	¥1,442.6 bn
Operating profit	¥87.6 bn	¥111.9 bn	¥168.7 bn
OP margin	8.8%	8.5%	11.7%
EBITDA* ¹	¥120.4 bn	¥159.9 bn	¥222.0 bn
EBITDA margin	12.1%	12.2%	15.4%
Profit attributable to owners of parent* ²	¥66.6 bn	¥79.4 bn	¥118.5 bn
EPS	¥29.41	¥33.82	¥50.45

Mar. 2021 Forecast		
FY2023 Target* ⁴	FY2021–2023 CAGR target* ⁴	FY2024 CAGR Target
¥1,100.0 bn	10.0%+	In the high single digits
¥140.0 bn	25.0%	Profit growth exceeding revenue growth
c. 13.0%	c.+2.7pt	
¥175.0 bn	20.0%	
c. 16.0%	c.+1.8pt	
¥105.0 bn	25.0%	
¥45	25.0%	

*1 EBITDA: Operating profit+Depreciation and amortization+Impairment loss

*2 Profit attributable to owners of parent from continued operations: targets are calculated by multiplying operating profit by effective tax rates

*3 Exchange rate assumptions: USD/JPY is 141.2 yen; RMB/JPY is 19.9 yen; AUD/JPY is 93.8 yen

*4 Exchange rate assumptions: USD/JPY is 106.0 yen; RMB/JPY is 15.7 yen; AUD/JPY is 75.0 yen; naphtha price: 40,000 yen/kl

1 (7) Regional and Business Strategy

Further strengthening our global foundation for growth and tackling new challenges

China / Other Asia / Türkiye	High-growth markets such as Asia including China and Türkiye: Drive earnings growth through revenue expansion while maintaining margins
Oceania	Stable growth market of Oceania: Secure revenue and earnings growth outperforming market growth
Adjacencies business	Expansion of business into China and other Asia region by applying the experience of DuluxGroup and Betek Boya in SAF, CC, and ETICS*1
Japan	Make investments in updating and streamlining production facilities with a medium to long term perspective. Secure competitive advantage and improve productivity while creating new demand
Automotive coatings business	Assuming recovery of automobile production, aim to increase market share and acquire new customers by capturing customer needs globally and reinforcing technological strengths and quality assurance system

Mar. 2021 Forecast	
	FY2021–2023 Revenue CAGR target
NIPSEA China	c. +10%
Asia Excepting NIPSEA China	+5~10%
Betek Boya	+10~15%
DuluxGroup	c. +5%
Japan (excl. HQ expenses*2)	c. +5%
Automotive coatings business	+5~10%

*1 External Thermal Insulation Composite System

*2 HQ expenses: Expenses for the Group's global management allocated to NPHD in accordance with its internal regulations

Continuing to pursue aggressive M&A strategy by leveraging our strengths of autonomous and decentralized management



Targets

- (1) **Business segments: Paint (decorative/industrial), adjacencies and Paint++**
- (2) **Geography: Not limited**
- (3) **Potential targets: Strong corporate/product brand and excellent management team**

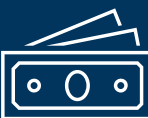
- (1) Entities of low risk and stable profitability as represented by paint and adjacencies
- (2) No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined
- (3) Continue to build up assets leveraging strengths of our three pillars of competitive advantage



Our Strengths

- (1) **Financial soundness**
- (2) **Ability to finance in Japan, with stable currency and stable market**
- (3) **Full access to the Nippon Paint Group's platform**
- (4) **Excellent management teams enabling autonomous and decentralized management**

- (1) Stable cash generating ability and strong financial position
- (2) Low interest rate borrowings, safety and liquidity of the stock market
- (3) Share expertise, products, and technologies within the Group
- (4) Minimize the PMI risk



Financial Discipline

- (1) **Contribution to EPS**
- (2) **ROIC^{*1} > WACC^{*2}**
- (3) **Sufficient leverage capacity**
- (4) **Debt financing prioritized; equity-based capital raising remains an option**











- (1) Aim to achieve EPS accretion in Year 1 after acquisition
- (2) Take capital efficiency into consideration
- (3) Secure financial soundness to prepare for future M&As
- (4) EPS accretion also a must in rare case of equity financing

*1 Return on invested capital (after one-off expenses)

*2 Weighted average cost of capital

Our track record of key acquisitions

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.

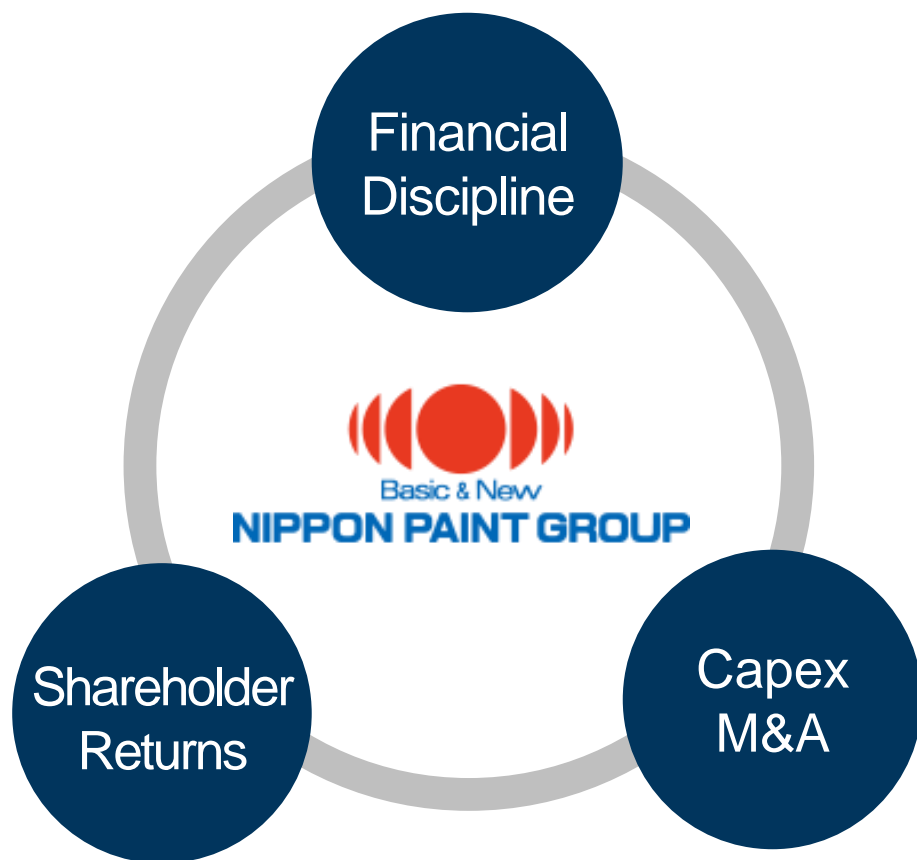
	NIPSEA Group	Dunn-Edwards	DuluxGroup	Betek Boya	PT Nipsea	Vital Technical	Cromology	JUB	Five Chinese automotive subsidiaries	NPT
										
Year	2014: Consolidation 2021: Full integration	2017	2019	2019	2021	2021	2022	2022	2022	2023
Country/ region	Asian countries	USA	Pacific	Türkiye	Indonesia	Malaysia	Europe	Europe	China	Italy
Business activities	Decorative paints/ automotive coatings/ industrial coatings, etc.	Decorative paints	Decorative paints/ adjacencies business	Decorative paints/ adjacencies business	Decorative paints/ automotive coatings	Adjacencies business	Decorative paints	Decorative paints/ adjacencies business	Automotive coatings	Adjacencies business
Market share in decorative paints (NPHD's estimates)	No. 1 (China, Malaysia, Singapore, Sri Lanka)	-	No. 1 (Australia, Papua New Guinea)	No. 1	No. 2	-	No. 1 (Italy) No. 2 (France, Portugal)	No. 1 in interior paint (Slovenia, Croatia, Bosnia and Herzegovina, Kosovo)	-	-
Growth since acquisition (revenue in JPY bn)	2014: 236.5 ▼ 2022: 708.5 +199.6%	2017: 37.4 ▼ 2022: 65.7 +47.2%*1	2019: 134.9*2 ▼ 2022: 206.6*2 +53.2%	2019: 28.8 ▼ 2022: 70.5 +144.7%	2020: 30.3 ▼ 2022: 52.3 +72.7%	-	2021: 109.1*3 ▼ 2022: 117.3*3 +7.6%	-	-	-

*1 FY2017 earnings of Dunn-Edwards are for 10 months from March 2017, when the acquisition closed, to December 2017. Earnings changes since the acquisition are calculated using FY2018 earnings.

*2 Segment basis (after elimination of internal transactions and after PPA)

*3 FY2021 results are pro forma 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

Prioritizing growth investment and M&A while maintaining financial discipline with the focus of increasing TSR through EPS accretion



Financial Discipline

- Pursue optimal capital structure with balanced leverage
- Allow for temporarily higher leverage for strategically important M&As

Capex/M&A

- Proactively implement capex and M&A for future sustainable growth

Dividends

- Maintain a dividend payout ratio of 30%
- Increase TSR through growth investment and M&A

1 (10) Sustainability Strategy 1

Contributing to MSV with a sustainability strategy that has stronger links to business activities

Materiality (Related SDGs)	ESG Agenda	ESG Action Examples
Climate change   	<ul style="list-style-type: none"> Reduction of greenhouse gas (GHG) emissions Identification of risks and Opportunities 	<ul style="list-style-type: none"> CO₂ reduction (Scope 1&2) Scope 3 emissions calculation TCFD-based disclosures Renewable energy utilization
Resources and environment     	<ul style="list-style-type: none"> Waste/water resource consumption/pollution management 	<ul style="list-style-type: none"> Global policy statements for waste materials and water Global policy-based KPIs for each partner company
Safe people and operations   	<ul style="list-style-type: none"> Disaster (fire accident) prevention and process safety Fatality and injury prevention 	<ul style="list-style-type: none"> Global safety policy statement for our people and operations Global policy-based KPIs for each partner company
Diversity & Inclusion    	<ul style="list-style-type: none"> Increase the percentage of women in management posts Improvement of employee engagement 	<ul style="list-style-type: none"> Gender diversification for directors/managers Visualized human capital Human rights risk assessment
Growth with communities     	<ul style="list-style-type: none"> Strategic implementation of social contribution activities 	<ul style="list-style-type: none"> The NIPPON PAINT Group Global Outreach Program 3E (Education/Empowerment/Engagement) action policy
Innovation for a sustainable future    	<ul style="list-style-type: none"> Promotion of cross-industrial collaboration Development of products that benefit society Stricter management of chemical substances 	<ul style="list-style-type: none"> Define sustainable products and data collection Strengthen chemical substance management and develop alternative products for harmful substances Socially beneficial and eco-friendly products Open innovation

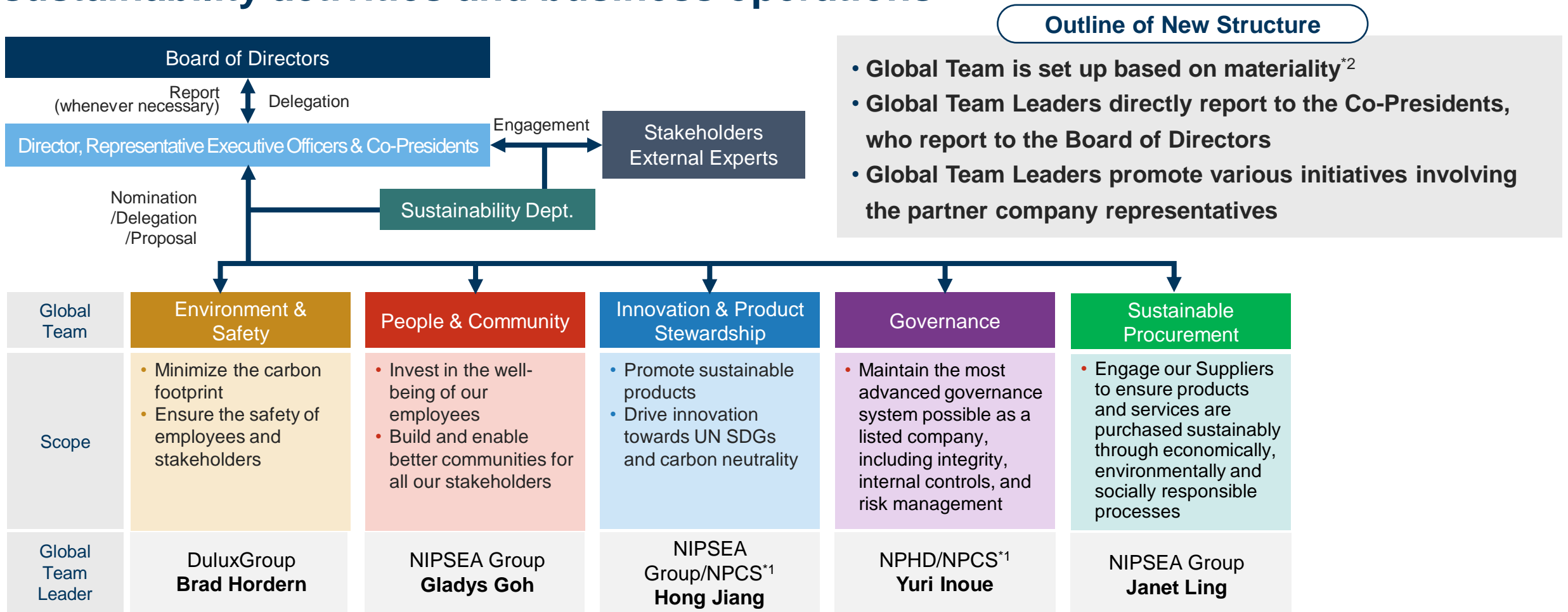
Contribution to MSV

- Revenue/earnings expansion from low-carbon-footprint products
- Sustained growth through human capital investment
- Reinforce branding through community investment
- Risk reduction through safety education and technology
- Revenue growth through innovation

(Example)

- Education programs by job level
- The AYDA Awards international competition
- PROTECTON
- FASTAR next-generation antifouling ship hull paint

Realigned sustainability operations to create an autonomous team structure not controlled by the headquarters for strengthening the link between sustainability activities and business operations



*1 Nippon Paint Corporate Solutions *2 Governance team advances discussions on the best direction for enhancing our good governance and autonomy in line with each materiality

Corporate Data

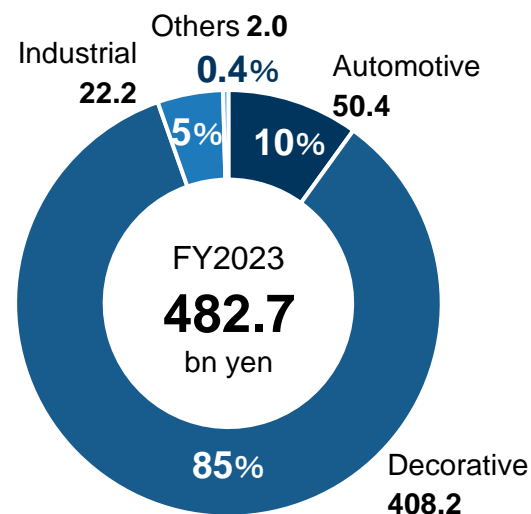
Location : Shanghai, China

Ownership Ratio: 100.0%

Company overview :

Since its founding in 1992, Nippon Paint China has risen to the fore as a respected leader in the paint and coatings industry. The company has steadily expanded its reach across China in tandem with the country's rapid economic and social growth

Revenue breakdown by business



Market share*

2020	2021	2022
19%	23%	24%

TUC

2020	2021	2022
8%	9%	8%

TUB

SWOT Analysis

Strengths

- Established brand in China with significant market share, looking to further consolidate and enhance its brand power
- Continuously expand business scope and product range to meet ever-evolving customer needs
- Robust manufacturing, retail sales and stakeholder networks have facilitated efficient production and cemented Nippon Paint's reputation as a trusted industry leader

Weaknesses

- Organizational structure and business model need to adapt to match the existing market and customer needs
- Boost operational efficiency with greater investment in technology
- Build a people management strategy that enhances performance incentives and rewards valuable talent

Opportunities

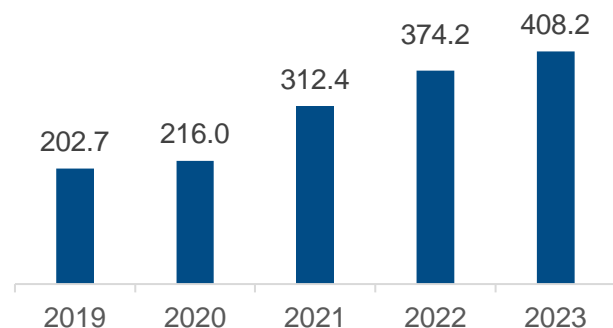
- Market concentration for Paints & Coatings is still relatively low, with much room for improvement
- Obtain in-depth market insights to scope out new opportunities in infrastructure, especially as investment in the next few years is set to scale up
- Leverage changes in consumer consumption patterns, especially a rise in online consumption
- Adopt digitalization to revolutionize operational efficiency, organizational structure and business model development

Threats

- Other manufacturers are developing products that could encroach on Nippon Paint's market share, e.g. coating manufacturers are producing waterproofing products, waterproofing manufacturers are producing coating products
- The real estate cycle is in a less than ideal phase, with a slowdown in growth rates of new housing developments and a drop in property speculation
- The COVID-19 pandemic has impacted supply chains, affecting both downstream and upstream processes

Performance (Decorative)

■ Revenue(billion yen)



*NPHD's estimates

Realigned the China decorative business into TUC and TUB segments based on distribution channels

TUC (Trade Use Consumer): B2C business

Business to consumers, DIY business, sales via dealers/distributors and e-commerce to end consumers, etc.



TUB (Trade Use Business): B2B business

Business transactions direct to Project customers and main contractors, etc.



YoY change (In LCY)

→ DIY • Project

→ TUC • TUB

	2019	2020					2021					2022					2022	2023				
(%)	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	Full year	1Q	2Q	3Q	4Q	Full year
TUC (Former DIY)	+2	-27	-1	+9	+21	0	+57	+35	+32	+22	+35	+28	+15	+7	-4	+12	+10	+19	+15	+10	+8	+13
TUB (Former Project)	+35	-22	+32	+33	+34	+26	+110	+24	+26	+16	+29	-5	-5	-6	-22	-10	-14	+5	-7	-17	-1	-7

Corporate Data

Location : Singapore

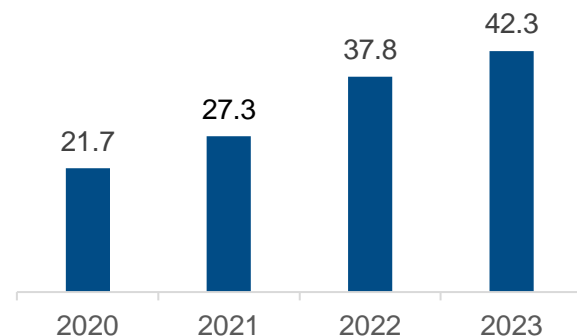
Ownership Ratio: 100.0%

Company overview :

Since its founding in 1962, Nippon Paint Singapore has developed a business portfolio that spans decorative paints, auto refinish paint, industrial coatings, and protective coatings in Singapore. The company expanded its business portfolio into the adjacencies area following its acquisition of the Selleys business in FY2020

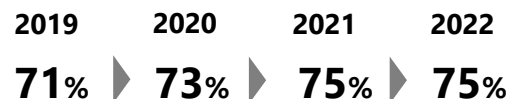
Performance (Singapore Group)

■ Revenue(billion yen)



*NPHD's estimates

Market share* (Decorative)



SWOT Analysis

Strengths

- Leading market name with strong brand equity and 71% 'Top of Mind' brand recall
- Established and largest network of dealerships, strong partnerships with designers and contractors, and painter engagement programs have contributed to the growth of a large customer base in Singapore
- Market leader in the decorative paints segment with full range of products available
- Locally based manufacturing and operations facilities

Weaknesses

- Relatively new player in the protective coatings segment with lack of certifications to establish market credibility
- Business operations are subject to external factors such as global economy and the pandemic, like other players

Opportunities

- Drive market opportunities to broaden product portfolio into building materials, construction chemical and floor coatings
- Leverage Nippon Paint's integration with Selleys to expand into the Sealants, Adhesives, and Fillers (SAF) segment
- Expand customer base for innovative consumer products like anti-viral and anti-mosquito products
- Providing waterproofing, floor coating and sealants as part of total coating solutions to customers

Threats

- Competitive pricing from other established players in the project market
- The shift to e-commerce in retail market lowers barriers for smaller entrants

Corporate Data

Location : Selangor, Malaysia

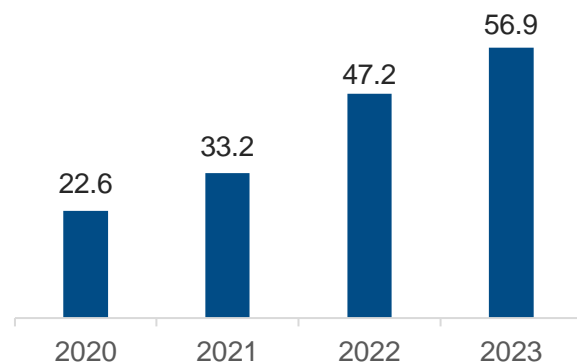
Ownership Ratio: 100.0%

Company overview :

Established in 1967, Nippon Paint Malaysia has grown in leaps and bounds and today, has emerged as a significant market leader with presence in Pakistan, Bangladesh, the Philippines, Thailand, and Indonesia. The company prides itself as a total solution and service provider, serving several sectors including decorative paints, automotive coatings, industrial coatings, marine coatings, and housing repairs

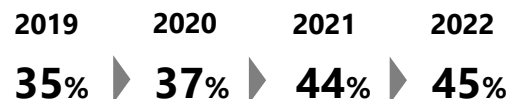
Performance (Malaysia Group)

■ Revenue(billion yen)



*NPHD's estimates

Market share* (Decorative)



SWOT Analysis

Strengths

- Leading brand name in the paint and coatings industry with a strong brand awareness and a wide distribution network
- Wide range of solutions from floor to roof and everything in between with solution for different solutions covering waterproofing, painting tools, dry mix, SAF and accessories
- Strong focus on customer service, building further brand loyalty for Nippon Paint

Weaknesses

- Factors such as long production lead time, changing dynamics with international markets, global economic conditions and the pandemic have an impact on business
- However, steps are already being taken to optimize processes and revisit strategies to drive business growth

Opportunities

- Positioned to cater to customers' increasing needs for holistic solution
- Enhance market opportunities by creating customer centric awareness programs to differentiate Nippon Paint from other industry players
- Drive brand messaging via CSR campaigns to build strong corporate branding
- Provide end-to-end solutions to homeowners leveraging e-commerce platforms
- Broaden product portfolio and service offerings to tap into wider customer networks

Threats

- Current global conditions have led to changes in consumer behavior and buying habits, with preference for value for money products
- With changing customer preferences, there might be a need to relook pricing structure to suit current economic conditions

Corporate Data

Location : Jakarta, Indonesia

Ownership Ratio: 100.0%

Company overview :

Acquired by NPHD in 2021, PT Nipsea Paint and Chemicals has a dominant position in the Automotive OEM coatings field. In addition, the company is a market leader in decorative paints as consumer's preferred brand in Indonesia for over 50 years. With over 6,600 employees, the company has more than 40 distributors across Indonesia

SWOT Analysis

Strengths

- Dominant market position in Decorative Retail, Automotive & Motorcycle coatings - backed by 3 production sites and a large distribution network of 62 locations
- Trusted brand with Japanese heritage and long operating history in Indonesia since 1969
- Market leading decorative paint brands with strong brand awareness and heritage with the largest distribution coverage of CCM^{*2}
- Strong support from established global customers in Automotive OEM segment

Weaknesses

- External shocks from increasing raw material price pressures though steps have been taken to mitigate this through relentless cost optimization and streamlining

Opportunities

- Growth potential of Indonesian market to drive demand for premium products
- Broaden the product and service spectrum to include painting accessories and tools, Sealants, Adhesives, and Fillers (SAF) as well as waterproofing segments
- Further entrench distribution reach into 2nd and 3rd tier cities by doubling the number of depots and sales offices

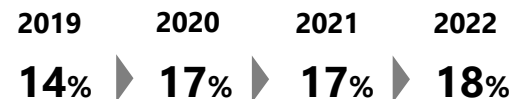
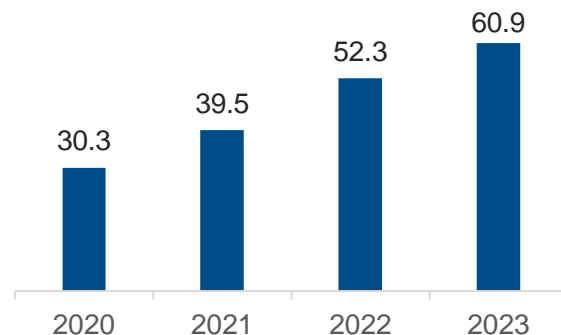
Threats

- Prevailing and prolonged pandemic conditions negatively impacting all economic sectors, dampening foreign investment and delaying infrastructure projects
- Downward price pressure due to intense competition by other established players and new entrants into the Indonesian market

Performance

Market share^{*1} (Decorative)

■ Revenue (billion yen)



*1 NPHD's estimates *2 Computerized Colour Matching

Corporate Data

Location : Istanbul, Türkiye

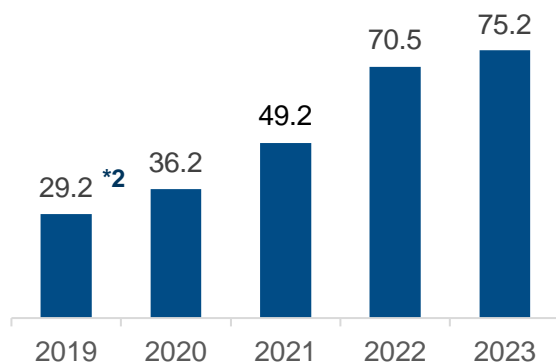
Ownership Ratio: 99.6%

Company overview :

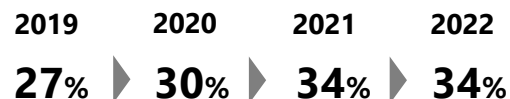
Acquired by NPHD in 2019, Betek Boya is a leading Turkish paint and ETICS company. Its multi-brand portfolio covers premium brands to budget options in the Turkish paint market. Betek Boya has been leading the Turkish decorative paint segment over years and listed as No.1 in the paint companies reputation index for more than 10 years. The company has expanded into industrial coatings segment in recent years

Performance

■ Revenue(billion yen)



*1 NPHD's estimates *2 2019 revenue is pro forma

Market share^{*1} (Decorative)

SWOT Analysis

Strengths

- Leading company that is customer-centric and has an operations strategy to respond to varying customer needs
- Wide range of product portfolio, multi-brand strategy and extensive market collaborations that accelerate growth, business resilience and innovation
- Consistent investments in strategic marketing and consumer engagements that have built market leadership and top of mind recall for consumers

Weaknesses

- Like other players, Betek Boya is subject to external factors such as economic conditions, fluctuating demand, volatility in raw material cost and the impact of the global pandemic
- However, with Betek Boya's operation strategies, the company has been able to mitigate these effects as much as possible and continues to drive resilient growth and innovation

Opportunities

- Drive market opportunities towards environmentally friendly products as focus on health and environment continues to build in the region, an area that Betek Boya is already ready to deliver on
- Help to strengthen the Nippon Paint Group's position in the western DIY market with Betek Boya's flagship paint brand – Filli Boya, as consumer demand for DIY products continues to increase

Threats

- Prevailing economic conditions have led to conscious consumer buying habits, driving more consumers into budget segments
- Compete with strong established multinational companies

Corporate Data

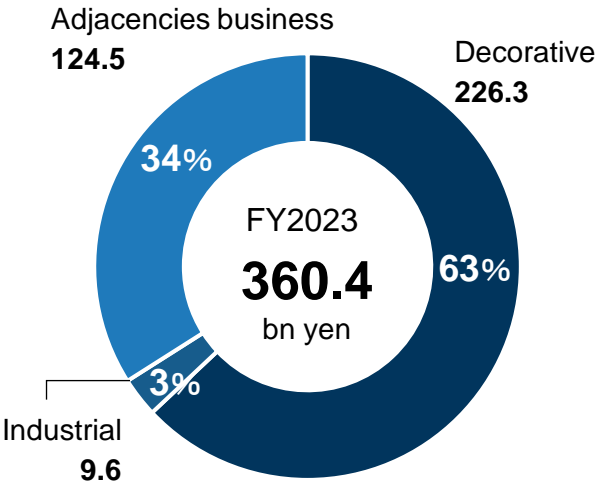
Location : Victoria, Australia

Ownership Ratio: 100.0%

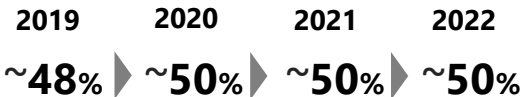
Company overview:

Acquired by NPHD in 2019, DuluxGroup is Australia and New Zealand’s market leader in paint, coatings, sealants and adhesives, as well as other home improvement products. DuluxGroup also has a leading decorative paints position in Europe through its recent acquisitions of Cromology and JUB, and a growing presence in sealants and adhesives in Europe through its recent investment in NPT in Italy.

Revenue breakdown by business

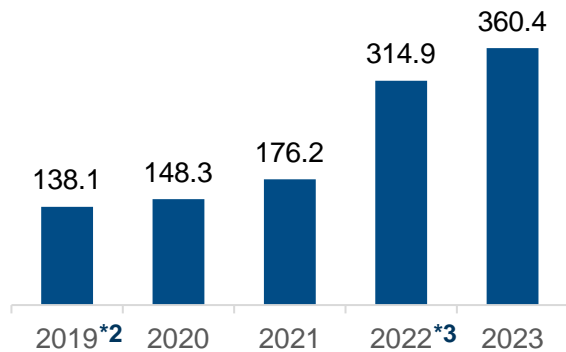


Market share*1 (Australia Decorative)



Performance

■Revenue (billion yen)



*1 NPHD’s estimates of decorative paint market volume

*2 2019 revenue is pro forma

*3 Including the earnings of Cromology and JUB

SWOT Analysis

Strengths

- Leading positions in well structured, resilient markets
- Market leading brands, underpinned by continuous focus and investment in marketing and innovation – driven by consumer insights
- Unrelenting focus on customer service, underpinned by sales, marketing and supply chain capability

Weaknesses

- Like all businesses, DuluxGroup is subject to prevailing external economic and market conditions such as volatility in raw materials pricing. However, DuluxGroup has deliberately shaped its business, operations and end market focus to seek to mitigate such factors as much as possible, and it has a strong track record of resilient earnings growth

Opportunities

- Continue to drive growth in the Pacific through relentless focus on brands, innovation and customer service in decorative paints and coatings, sealants and adhesives, and adjacent categories
- Leverage these capabilities to drive growth over time in Europe through the recently acquired Cromology and JUB businesses, and through the recent NPT joint venture in sealants and adhesives
- Help to grow Nippon Paint Group’s position in Asia with Selley’s sealants and adhesives capabilities

Threats

- Core Pacific and Western European markets are relatively mature, traditionally low growth and, in the short term, may be constrained by low population growth, cost-of-living impacts on consumers, increased energy costs and skills shortages
- Compete against strong, established multi-national companies



Corporate Data

Location : California, USA

Ownership Ratio: 100.0%

Company overview:

Acquired by NPHD in 2017, Dunn-Edwards has been a leading paint supplier in the Southwestern U.S. since 1925, providing a complete line of paint, sundries and equipment. Dunn-Edwards has an estimated 12% share in California markets, and 10% to 20% in other adjacent regions

SWOT Analysis

Strengths

- Strategically positioned retail store network and highly trained salesforce focused on providing superior customer service
- Diverse portfolio of high quality and innovative products provide meaningful, measurable performance advantages versus the competition

Weaknesses

- For over 95 years, Dunn-Edwards has successfully focused on serving the professional painting industry. However, continued actions by national brands and changing demographics are impacting brand preferences
The company is taking proactive steps to influence customer behavior and drive new sales growth through channels and to new market segments

Opportunities

- Develop omni-channel e-commerce solutions to drive sales growth to professionals and consumers alike
- Help to grow the Nippon Paint Group's position in the United States through channel and product growth initiatives

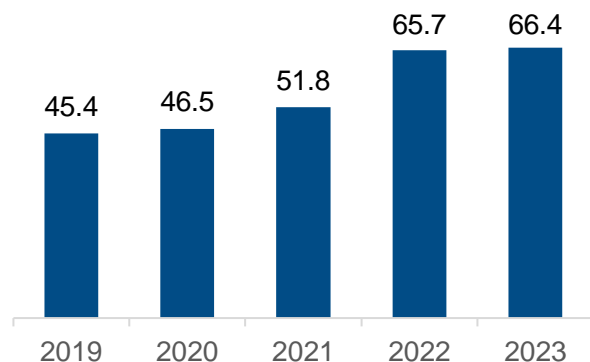
Threats

- Large marketing and advertising investments by national brands continue to impact brand selection

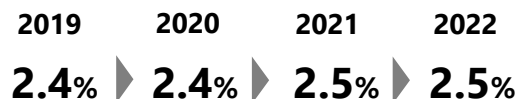
Performance

Market share * (Decorative)

■ Revenue(billion yen)



*NPHD's estimates



Nippon Paint Automotive Coatings Co., Ltd.

(NPAC)

Corporate Data

Location

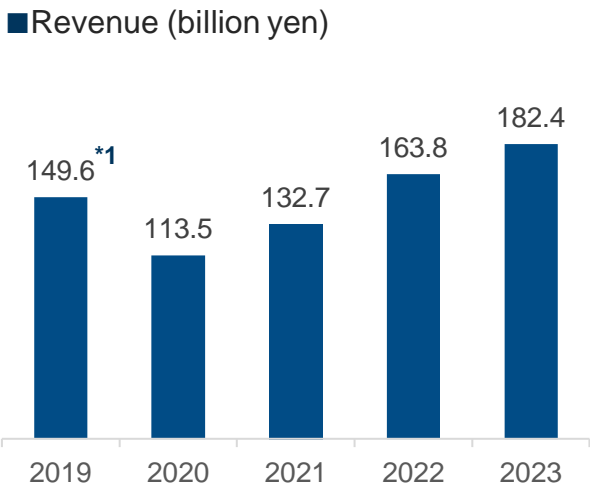
: Osaka, Japan

Ownership ratio: 100.0%

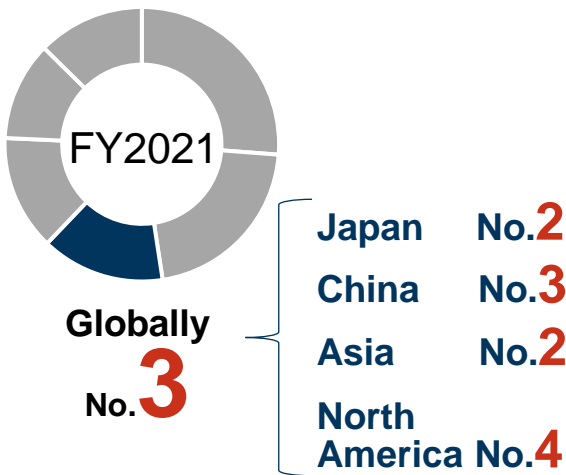
Company overview:

NPAC is the world’s leading automotive coatings manufacturer capable of seamlessly providing the entire spectrum of automotive coatings from pretreatment, electrodeposition coating, primer, base coat, and clear coat coatings for auto bodies to coatings for plastic bumpers and interior components

Performance



Market share ^{*2}



*1 Including discontinued operations

*2 NPHD’s estimates

SWOT Analysis

Strengths

- Solid business foundation as a major global player in automotive coatings
- Comprehensive ability to provide the entire spectrum of automotive coatings from coatings for auto bodies to interior and exterior plastic components
- Customer support system with a global sales network expanding from Asia

Weaknesses

- Weak competitiveness in Europe and America (business restructuring in Europe and construction of a new production base in the U.S. are in process to become more competitive)

Opportunities

- The automotive industry continues to show significant growth potential, particularly in emerging markets
- Growing need for environmental products and alternative painting technology due to tightening environmental regulations in many countries
- Numerous opportunities for business expansion from new technological innovations, such as CASE (Connected, Autonomous, Shared & Services, and Electric)

Threats

- Decreasing opportunities for existing business due to new alternative coating methods
- Economic slowdown and reduced automobile production due to changes in the global situation, such as the COVID-19 pandemic
- Impact on earnings from changes in raw material market conditions

Nippon Paint Co., Ltd. (NPTU)



Corporate Data

Location: Tokyo, Japan

Ownership ratio: 100.0%

Company overview:

NPTU develops, manufactures, and sells decorative paints for houses and office buildings, paints for large structures such as bridges and plants, and automotive refinish coatings. NPTU boasts the top share in the decorative paints market in Japan by supplying paints with excellent designability and coatings technologies using the largest sales network in Japan

SWOT Analysis

Strengths

- Top share in the domestic decorative paints market
- A strong sales network underpinning leading market position
- Ability to develop new products and create demand, such as for anti-viral paint products

Opportunities

- Growing need for anti-viral paint due to the COVID-19 pandemic
- Growing need for environmental products

Weaknesses

- Aging production and logistics facilities

Threats

- Slowing domestic market growth due to population decline
- Social and economic impacts of the COVID-19 pandemic
- Rising raw material costs

Nippon Paint Industrial Coatings Co., Ltd. (NPIU)



Corporate Data

Location: Tokyo, Japan

Ownership ratio: 100.0%

Company overview:

NPIU specializes in coatings for non-automotive, general industrial applications and manufacturers and sells paints and coatings for industrial products ranging from building and home exterior materials, home appliances, office furniture, to construction & agricultural machinery, railway and other equipment. The company also sells painting and coating equipment and manufactures and sells functional materials in the fine chemical field

SWOT Analysis

Strengths

- Top share in the domestic industrial coatings market
- Diverse business portfolio in various segments enabling quick response to market growth and opportunities

Opportunities

- Development of high value-added products meeting needs for environmental and labor-saving products
- New markets creation such as for anti-viral products for the current and post-pandemic situation

Weaknesses

- Slower growth of existing businesses in the domestic market

Threats

- Intensifying competition in the domestic market where growth is slow due to the COVID-19 pandemic

Nippon Paint Surf Chemicals Co., Ltd. (NPSU)



Corporate Data

Location: Tokyo, Japan

Ownership ratio: 100.0%

Company overview :

NPSU provides pretreatment agents for automobiles, general-use industrial products, steel, and aluminum cans, and functional agents which provides various functions in very thin film such as hydrophilic coatings. The company offers technologies created through its three-region R&D system in Japan, China, and South Korea and industry-academia collaborations to customers in Asia and worldwide

SWOT Analysis

Strengths

- High customer responsiveness enabled by developing paint products and technologies together
- Differentiated technologies created in a three-region R&D structure in Japan, China, and South Korea and industry-academia collaborations

Weaknesses

- High purchase ratio of raw materials subject to local market conditions, making stabilizing raw material costs an issue

Opportunities

- Growing need for eco-friendly products in automotive coatings and other business fields
- Growing demand for high functionality coatings in Asia and other emerging markets

Threats

- Shrinking domestic market
- Rising raw material prices

Nippon Paint Marine Coatings Co., Ltd. (NPMC)



Corporate Data

Location : Osaka, Japan

Ownership ratio : 100.0%

Company overview :

NPMC is the Group's original business and marked its 140th anniversary in FY2021. NPMC manufactures and sells ship paints worldwide and operates a fully integrated supply system from building to repainting ships in Japan and overseas. NPMC is leveraging the Group's collective strength in R&D to develop and supply advanced environmental products. With value creation driven by SDG- and ESG-oriented management, NPMC aims to become a globally recognized provider of marine paints.

SWOT Analysis

Strengths

- Technical know how to develop safer and eco-friendly marine products
- Marine seafront research center that focus on conducting functionality and evaluation test to constantly improve antifouling and anticorrosion performance

Weaknesses

- Business structure with earnings exposure to market conditions due to high proportion of raw materials with high price volatility

Opportunities

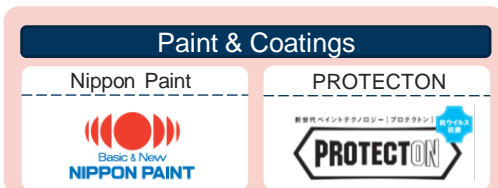
- Ongoing long-term growth in global marine transportation volume
- Growing need for environmental paints with tightening environmental regulations and increasing ESG investment

Threats

- Changing market conditions and shipowner economic conditions
- Irregular operating schedules and docking delays

Numerous strong brands in the paint and adjacencies areas are offered

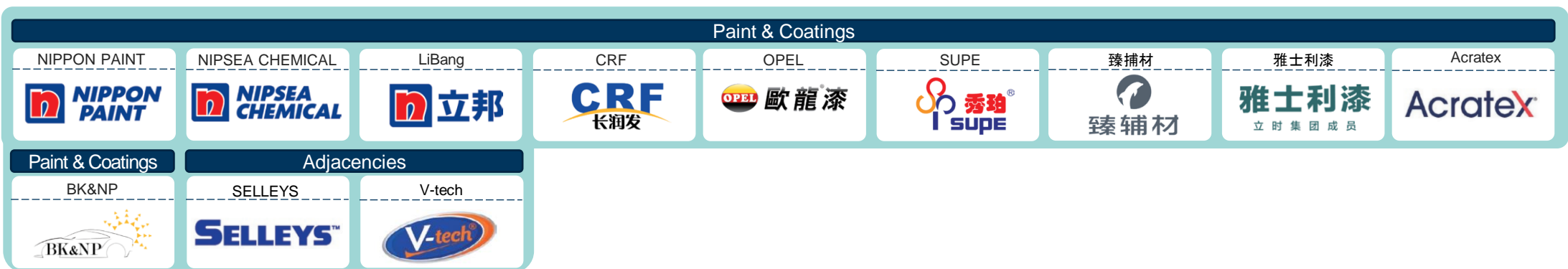
Nippon
Paint
(Japan)



Dunn-
Edwards



NIPSEA



Betek
Boya



Dulux
Group



2

Business Environment

Photo: Singapore / REFLECTIONS AT KEPPEL BAY



2 (1) Roles of Paint and Coatings in Society

Protecting the social infrastructure that underpins our daily lives

Beautifying

Protecting

Adding
functionality



Structures (buildings, stadiums)

Fire-proofing coatings prevent buildings from fire accidents and provide design flexibility



Housing (interior paint)

Interior paint protects people's health with its anti-viral, anti-bacterial, and anti-mildew properties and provides innumerable color options for home interior design



Automobiles

Automobile paint enables brilliant colors and high gloss finish with coated 0.1 mm film protecting against UV ray degradation, rust and scratches



Vending machines

Powder paints applied to surfaces contain no volatile organic compounds (VOCs), which are a source of air pollution



Ships

Marine coatings contribute to preventing global warming by reducing CO₂ emissions during ship operations

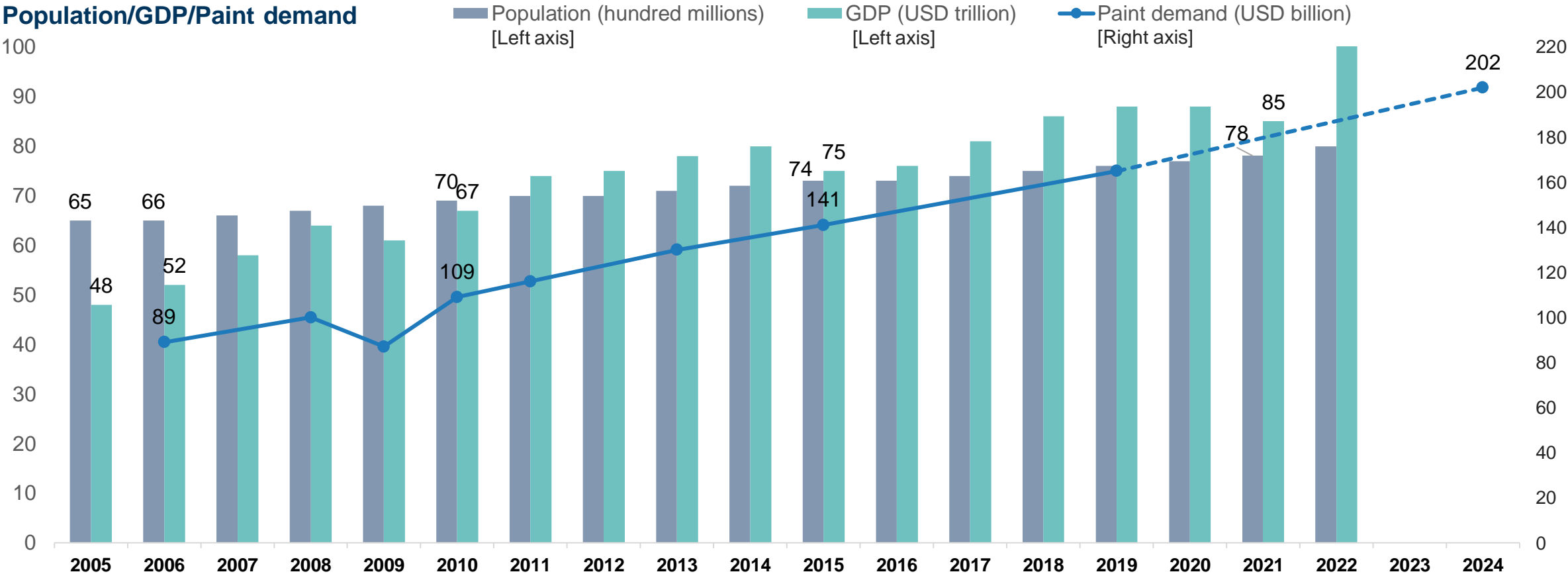


Road

Heat shielding coatings for asphalt road surfaces help create pleasant urban environments by preventing heat accumulation

2 (2) The Global Paint and Coatings Market 1

The global paint and coatings market is growing proportionally to population and GDP growth

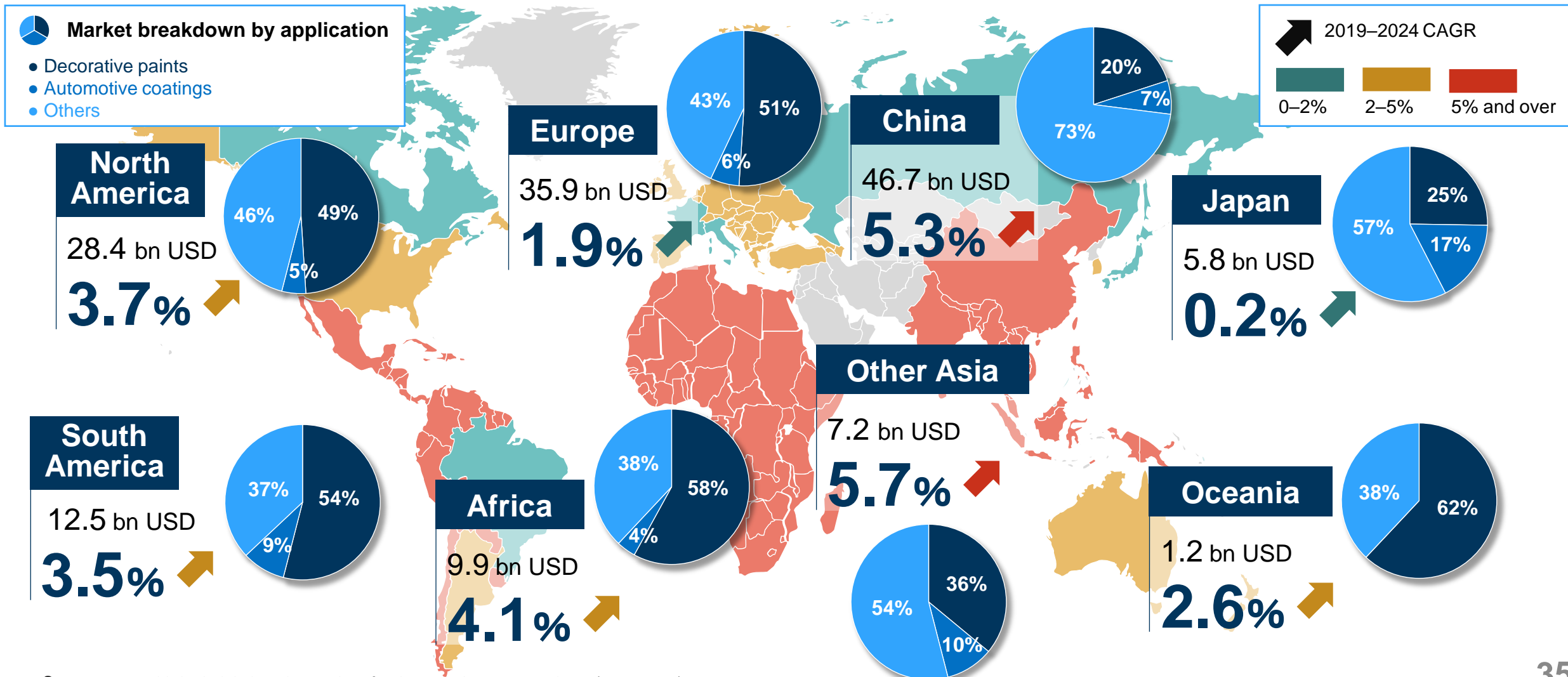


- The global paint and coatings market is a growth industry, with paint demand increasing proportionally to population and per-capita GDP growth
- The paint and coatings market has stable growth opportunities unlike the much more volatile general chemical industry

Source: Population: US Census Bureau / GDP: World Bank / Paint demand: ACA-published Global Market Analysis for the Paint & Coatings Industry (2019 –2024)

2 (2) The Global Paint and Coatings Market 2

The market offers sustainable growth opportunities in the medium and long term centered on the decorative paints segment in China and other Asia



Source: ACA-published Global Market Analysis for the Paint & Coatings Industry(2019–2024)

2 (3) The Global Adjacencies Market

A huge market with significant growth opportunities due to the expansion of construction demand, as with the paint and coatings market



Global market value
60.0 bn USD^{*1}

SAF(Sealants, Adhesives and Fillers)



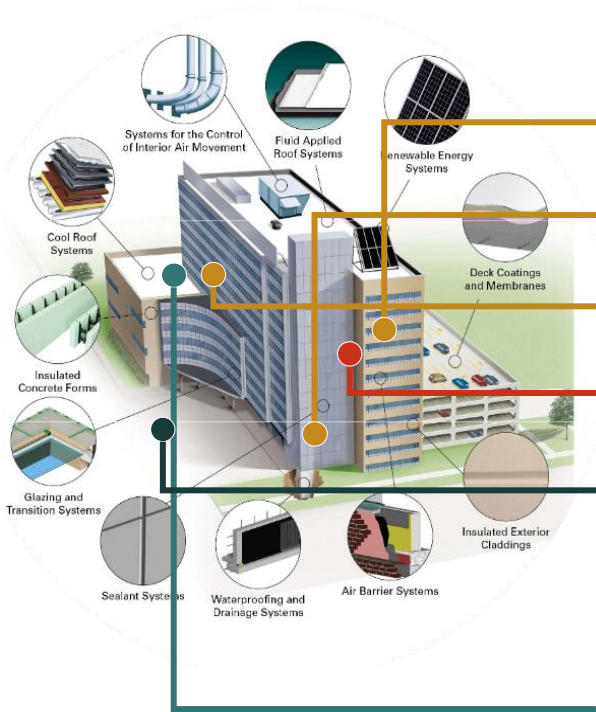
Global market value
71.5 bn USD^{*2}

CC (Construction Chemicals)



European market value
3,500 mmEUR^{*3}

ETICS (External Thermal Insulation Composite System)



Concrete repair + Performance enhancement	Grinding aids
	Admixtures
	Surface treatments
	Grouts & Repair
Adhesives	SAF
Sealants	
Fillers	
Waterproofing Membranes	
Industrial floor coatings	Coatings
Protective coatings for concrete	
Decorative coatings	

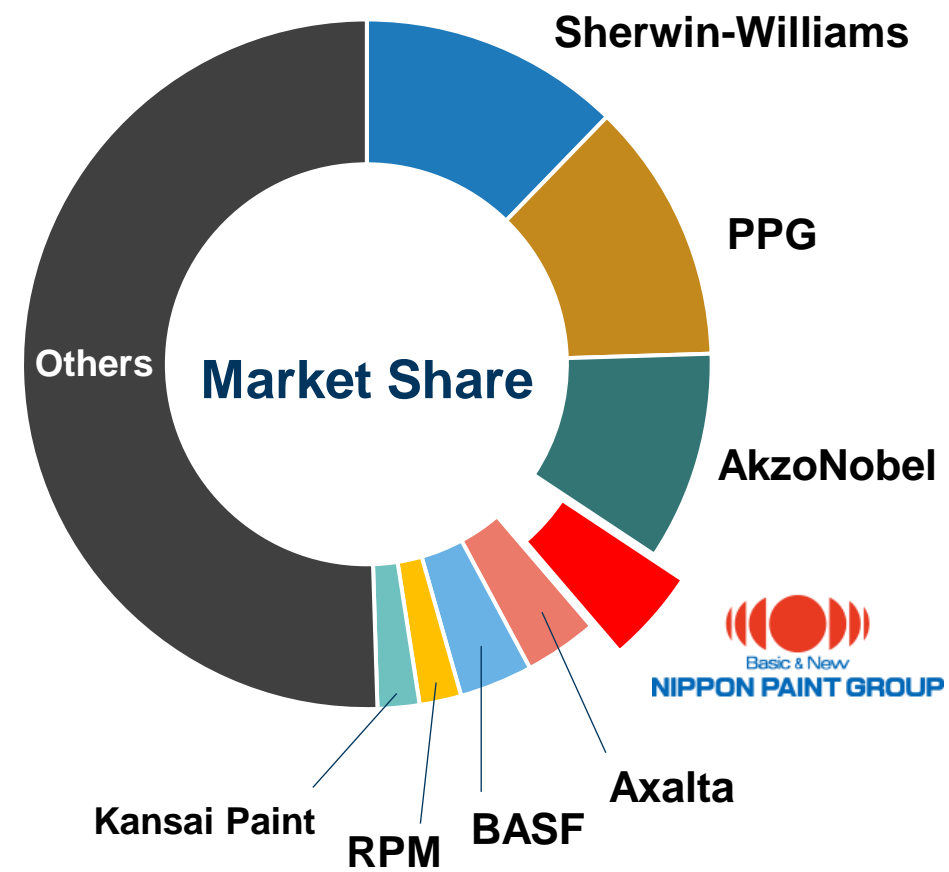
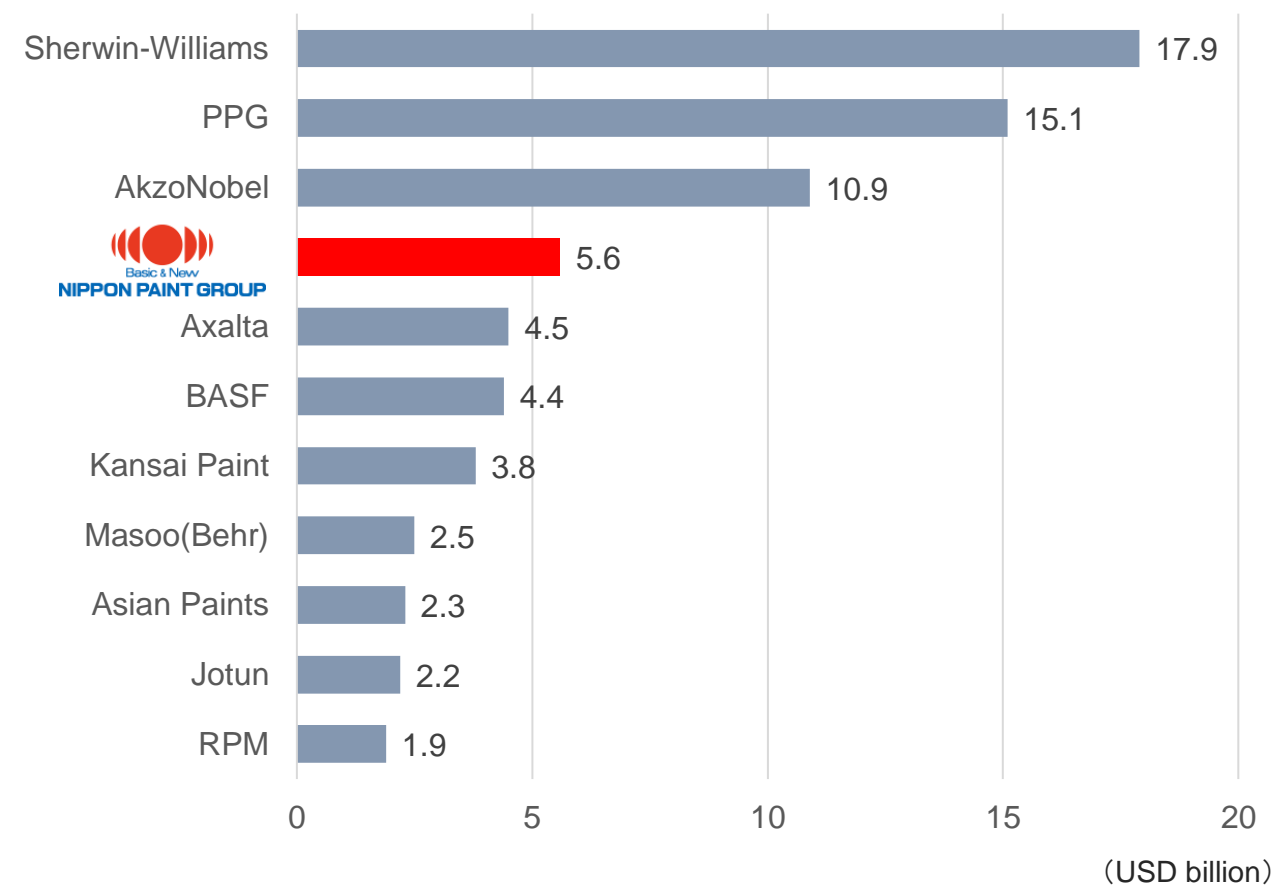


*1 Source: Fortune Business Insights *2 Source: ReportLinker *3 Source: European Commission Paper

2 (4) The Global Competitive Landscape

The world’s largest paint manufacturers have a combined market share of nearly 50%. The Nippon Paint Group is No.1 in Asia and No.4 in the world

Sales ranking of paint manufacturers

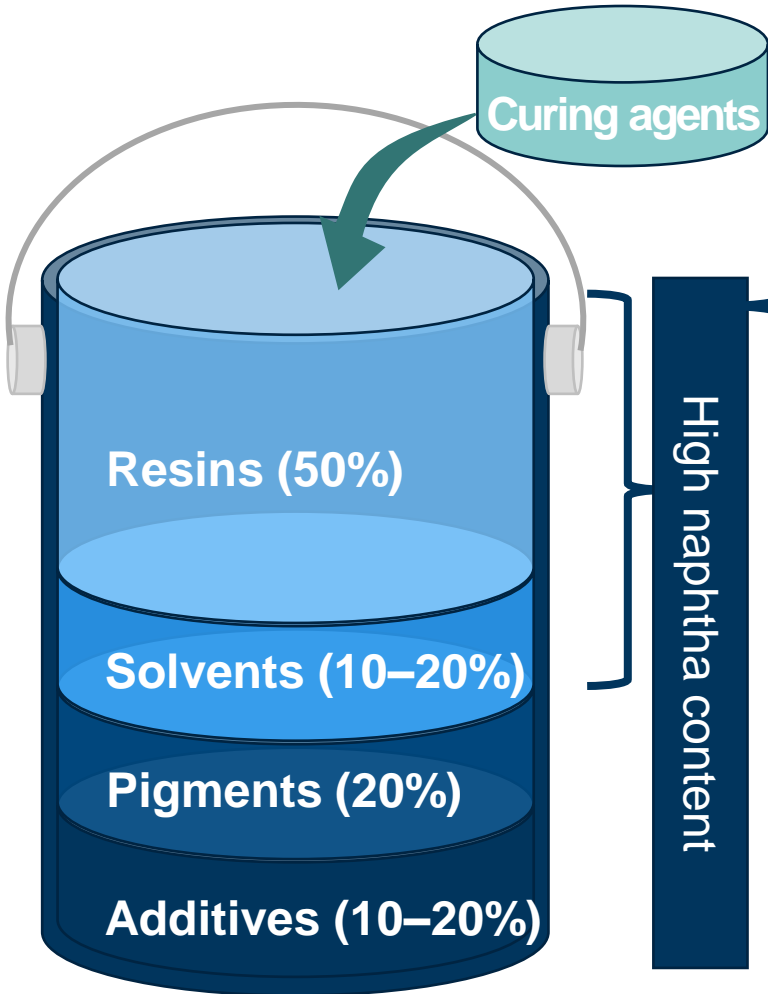


Source: ACA-published Global Market Analysis for the Paint & Coatings Industry(2019 –2024)

Source: NPHD’s estimates

2 (5) Raw Materials for Paint and Coatings

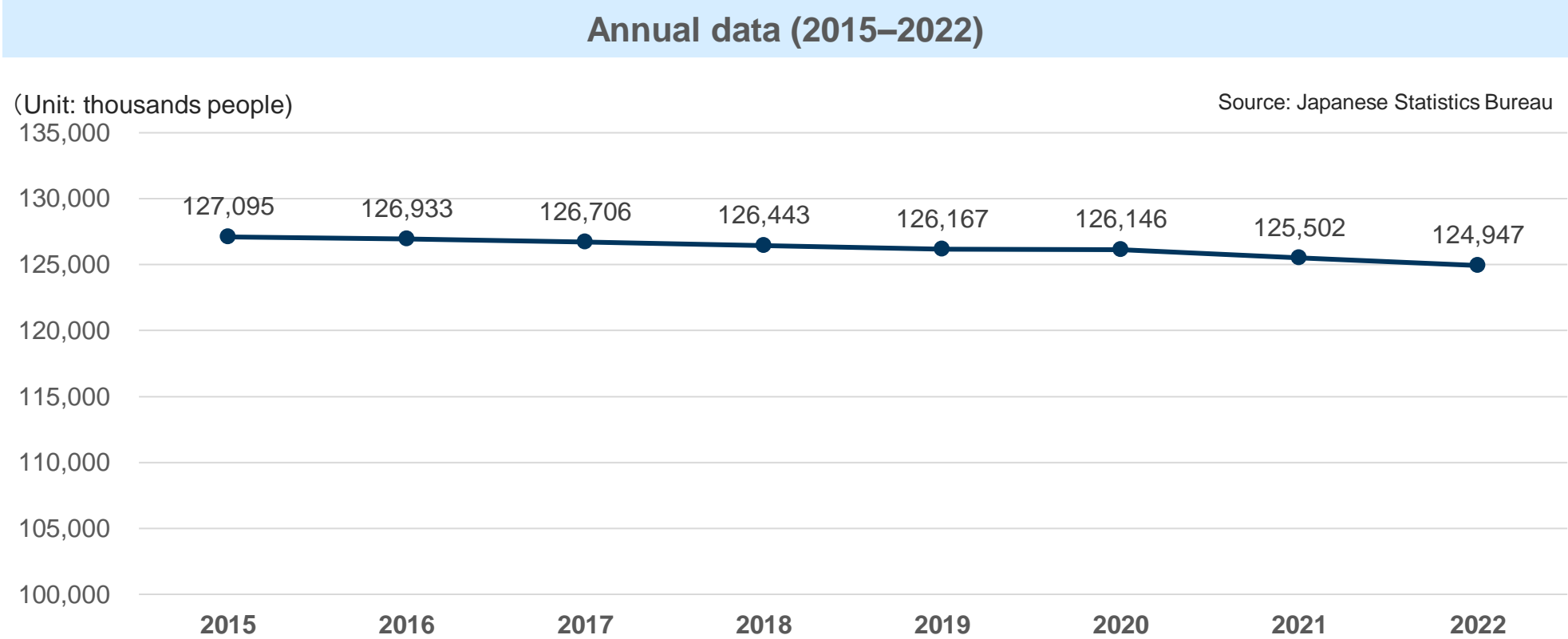
- Paint and coatings raw materials are organic chemicals derived from crude oil/naphtha as well as inorganic chemicals derived from minerals
- Many raw materials are naphtha based; Resins and solvents particularly have a high naphtha content



	Main roles	Main raw materials
Resins	Resins determine the performance of coatings. There are many types of resins, such as acrylic resin, urethane resin, and silicon resin, and the durability of paint depends on the types of resin used	<ul style="list-style-type: none"> • Naphtha • Vegetable oil
Solvents	Solvents are fluids used to dissolve or dilute resin. Water-based paints are environmentally friendly because of their smaller solvent content	<ul style="list-style-type: none"> • Crude oil distillates • Naphtha
Pigments	Pigments contained in paints include TiOx, color pigments used to color and create different textures on coating films; aluminum pigments; and body pigments used to increase paint volume and reinforce coating films	<ul style="list-style-type: none"> • Crude oil distillates • (carbon black) • Naphtha (organic pigments) • Titanium/iron ore • Aluminum • Other mineral ores (calcium carbonate, etc.)
Additives	Additives are used to improve paint applicability and coating performance. Additives come in various forms, including antisetting additives, antidrip agents, and antifoaming agents. The selection and combination of additives determine the paint applicability and coating performance of a product	<ul style="list-style-type: none"> • Naphtha • Vegetable oil / mineral oil / minerals • Silicon ore
Curing agents	Curing agents are used to reinforce coating films by cross-linking paint after application through a chemical reaction. Some paints are air drying and do not contain a curing agent	<ul style="list-style-type: none"> • Naphtha • Chlorine

※Crude oil distillates: Components (naphtha, gasoline, kerosene oil, light diesel oil, etc.) obtained by fractional distillation of crude oil

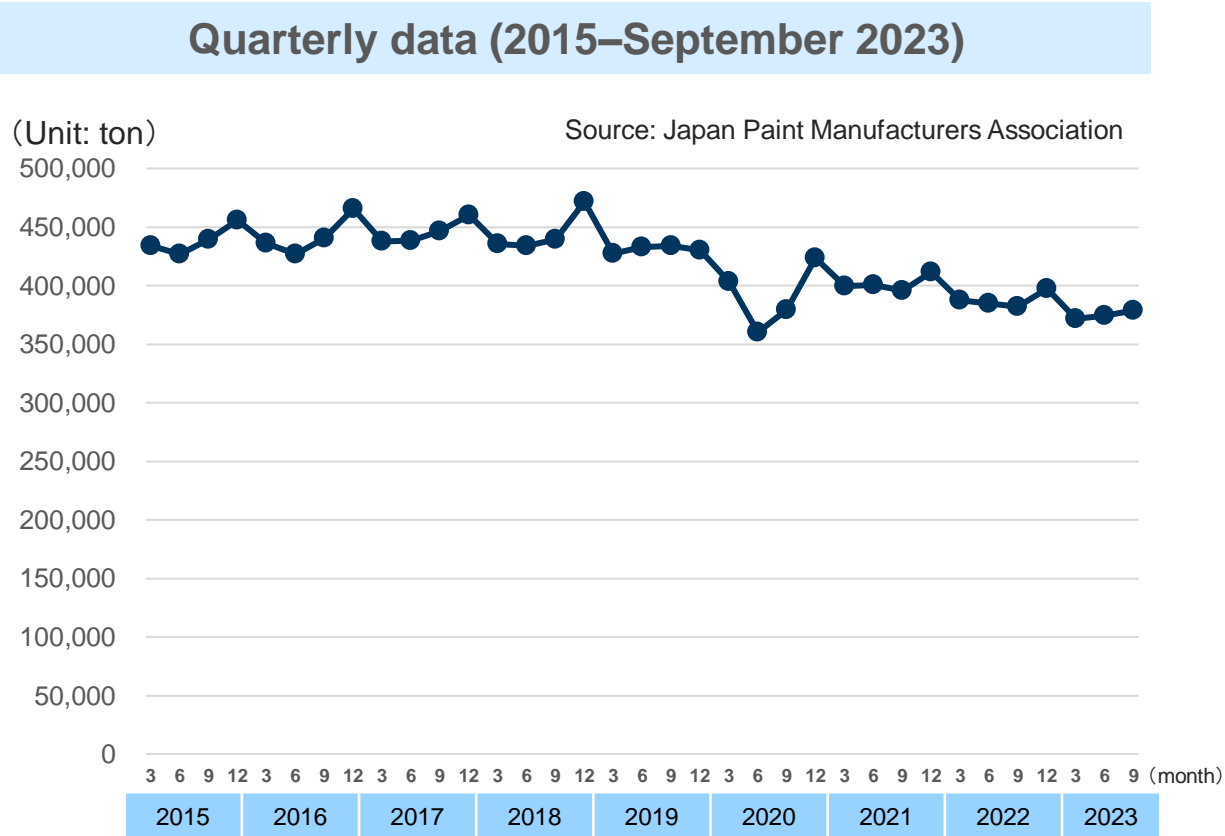
Japan Population Growth



- Japan’s population is declining slowly due to a low birthrate and aging population

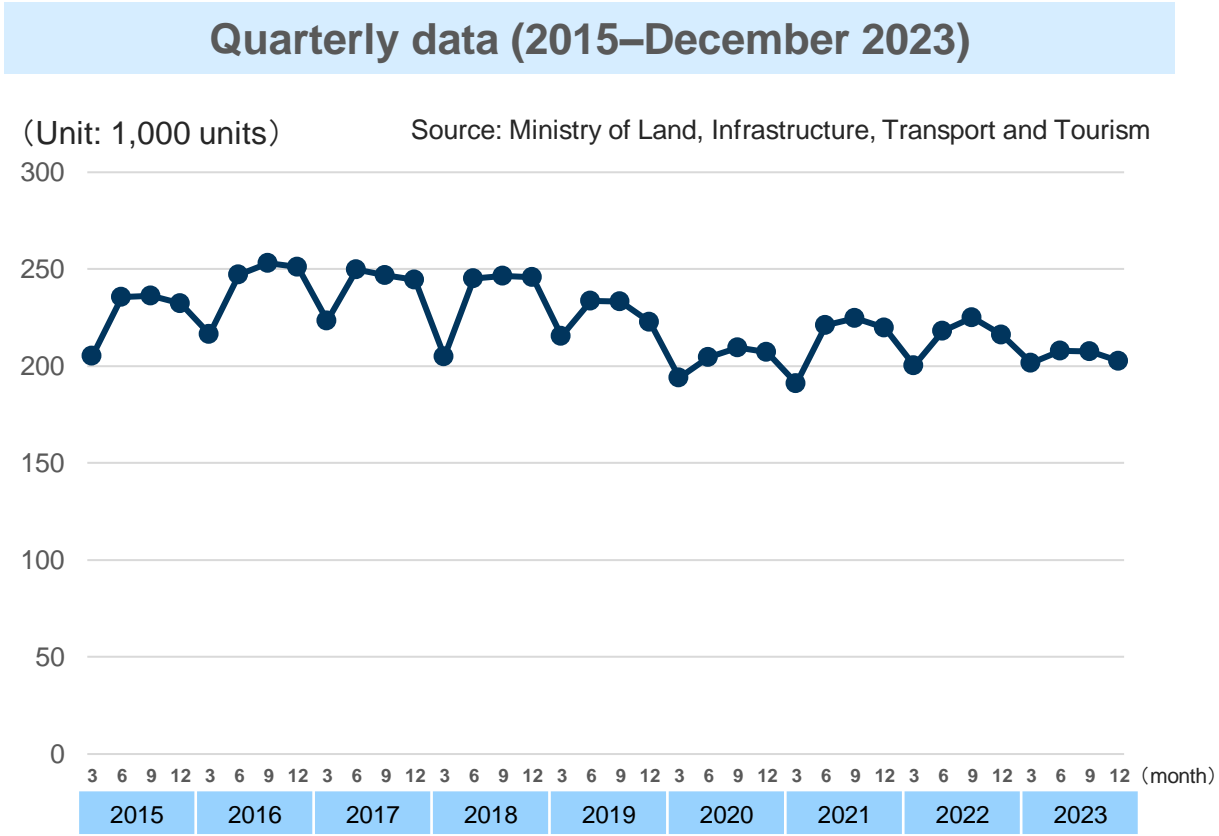
Japan

Paint Sales Volumes



Japan

New Housing Starts

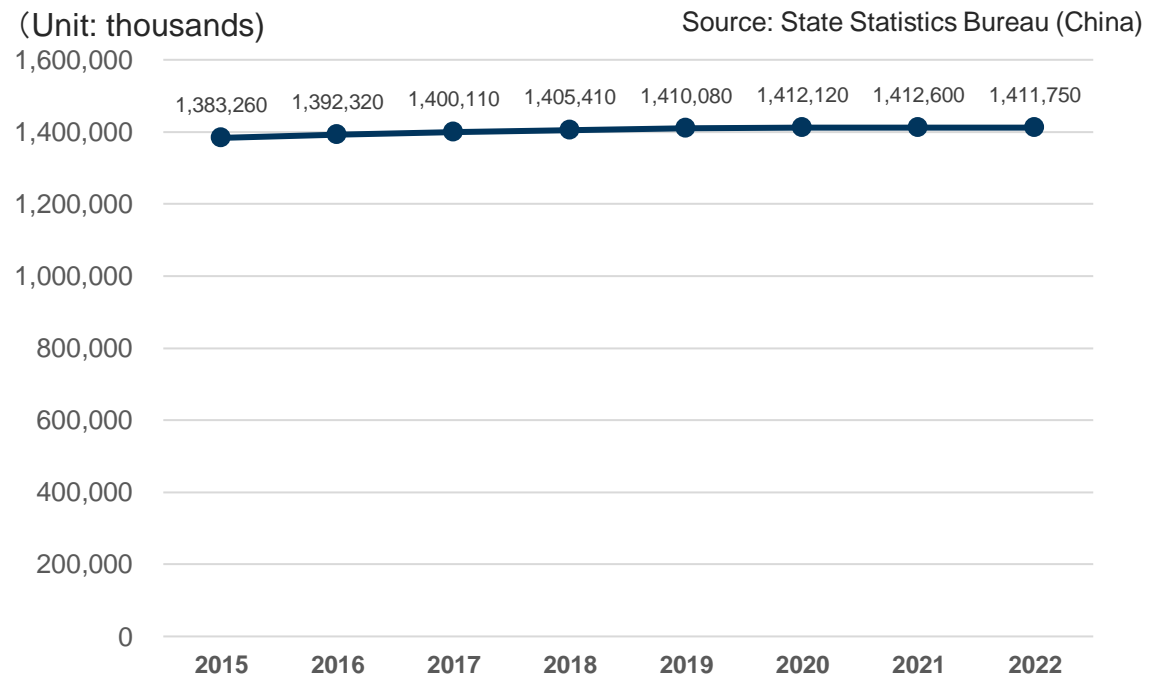


- Paint sales volumes and new housing starts have been roughly flat
- Current market trends are weak due to the pandemic

China

Population Growth

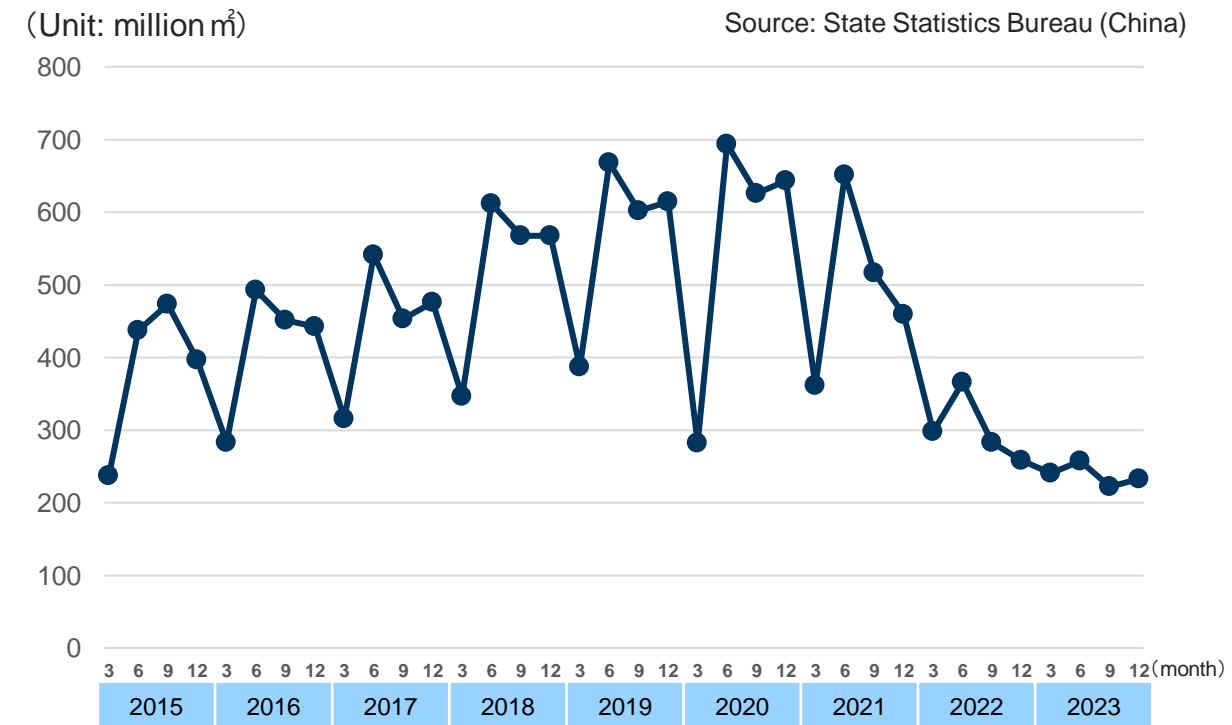
Annual data (2015–2022)



China

New Housing Starts

Quarterly data (2015–December2023)

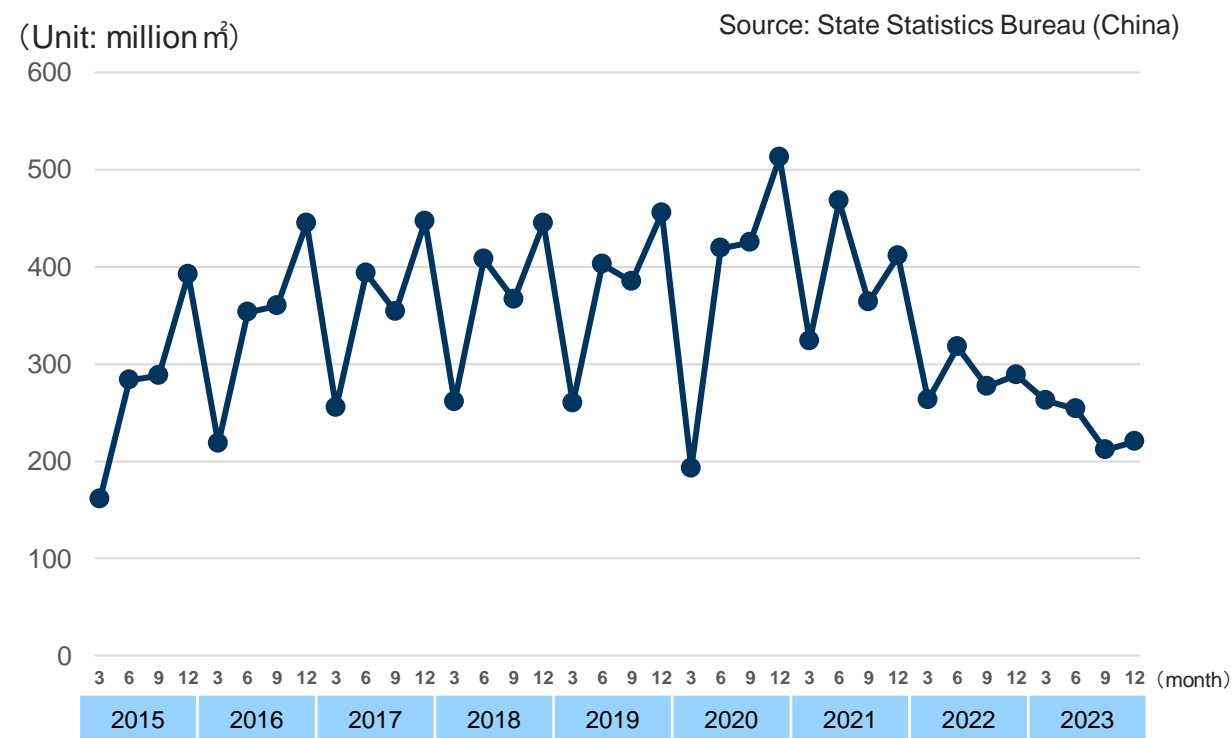


- New housing market has been historically weaker in the first quarter compared to the other quarters mainly due to the impact of the Chinese New Year holidays
- On top of paint demand for new houses, repainting demand for existing houses is growing rapidly

China

Residential Sales Area

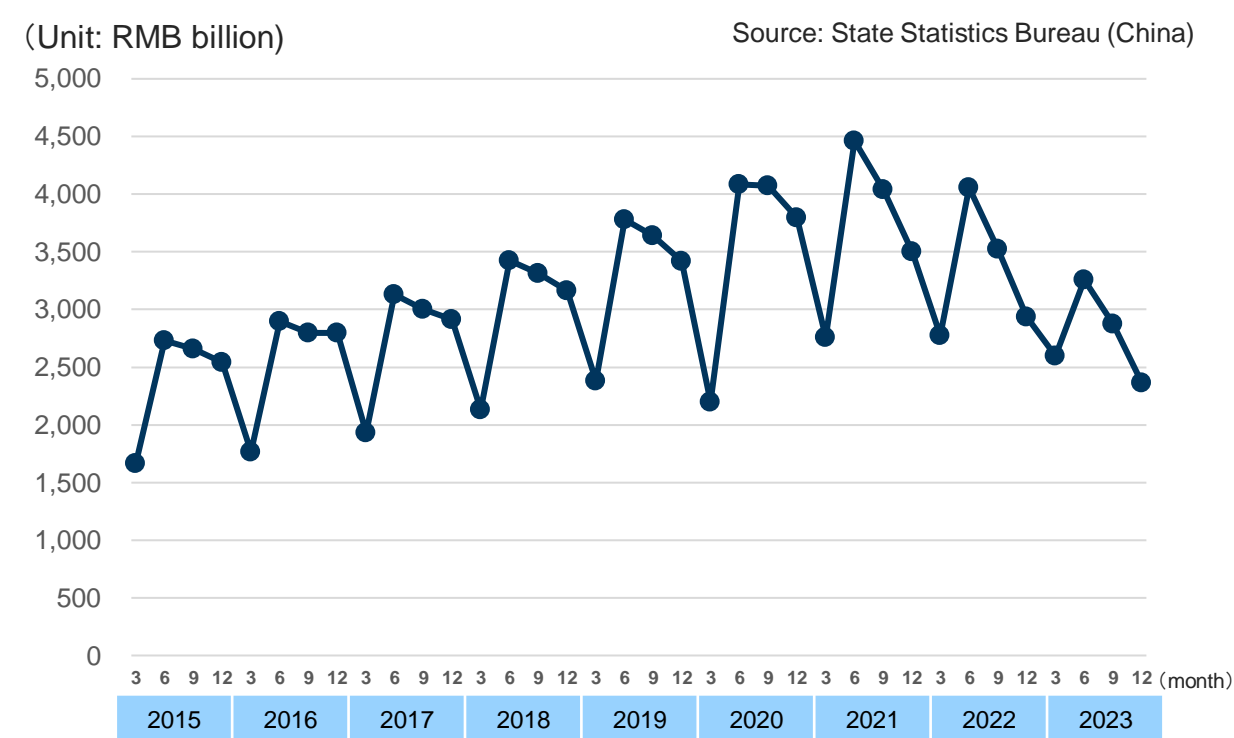
Quarterly data (2015–December 2023)



China

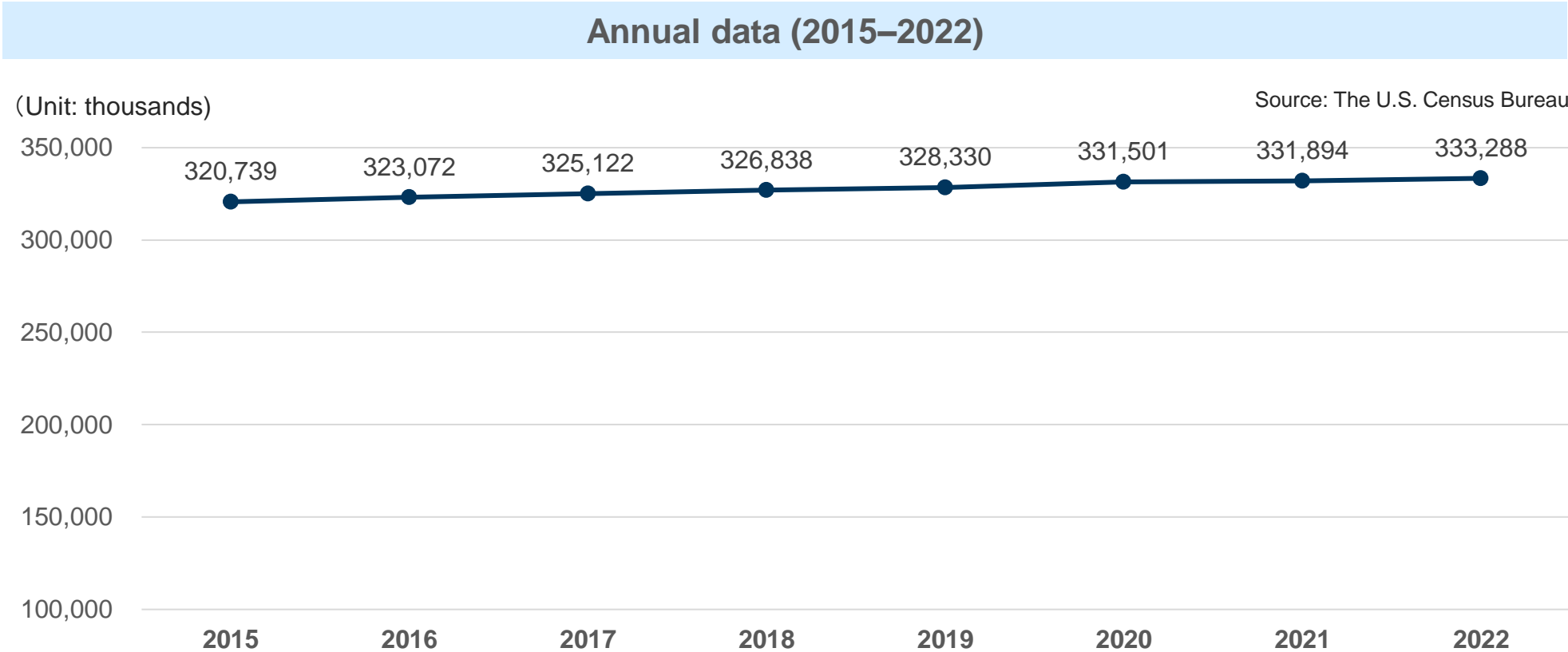
Real Estate Investment Amount

Quarterly data (2015–December 2023)



- The real estate market has grown continuously driven by development of projects by real estate developers
- The real estate sector has continued to grow, albeit slowing to a sustainable pace due to the government’s recent focus on deleveraging of the economy

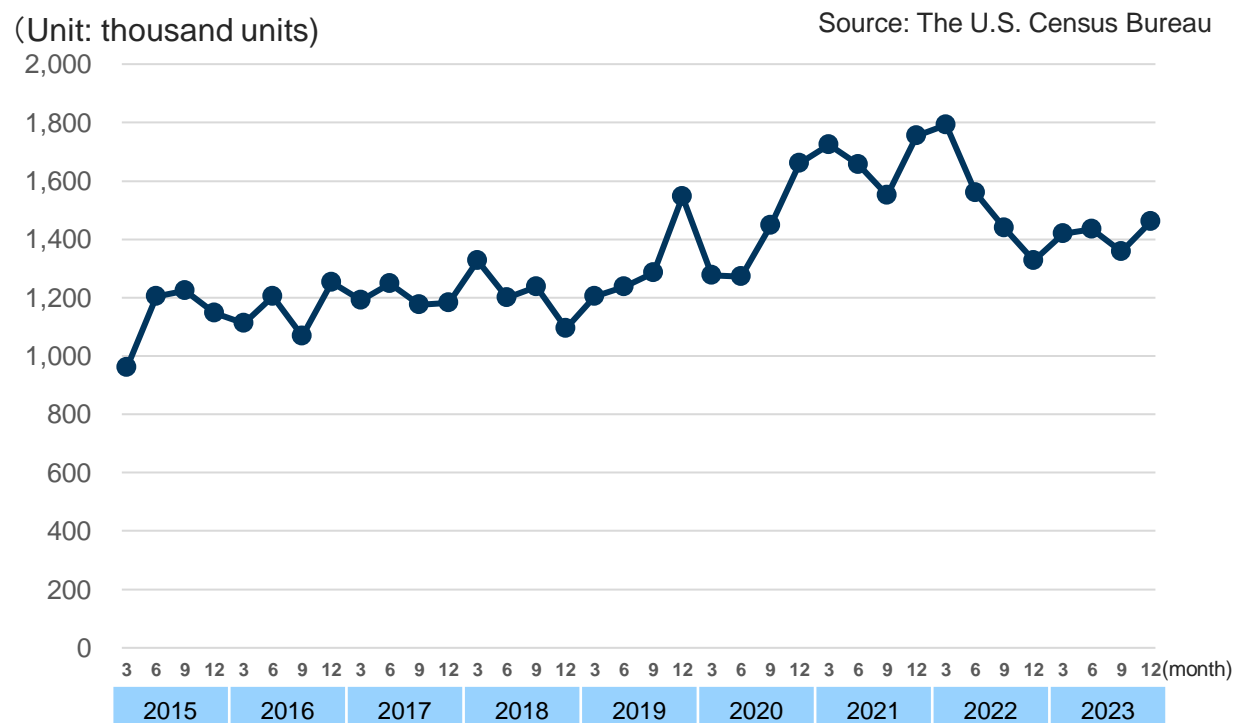
U.S. Population Growth



- The population has been growing steadily because of the government’s immigration policy

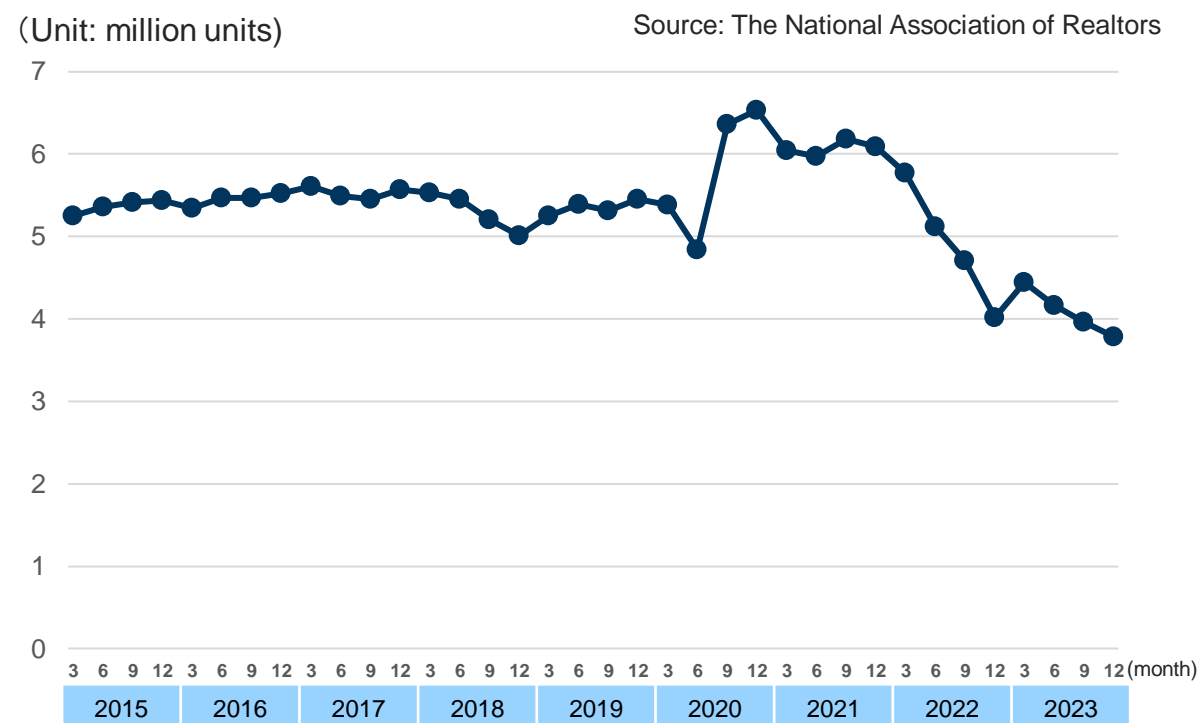
U.S. New Housing Starts

Monthly data (2015–December 2023)



U.S. Existing Housing Market

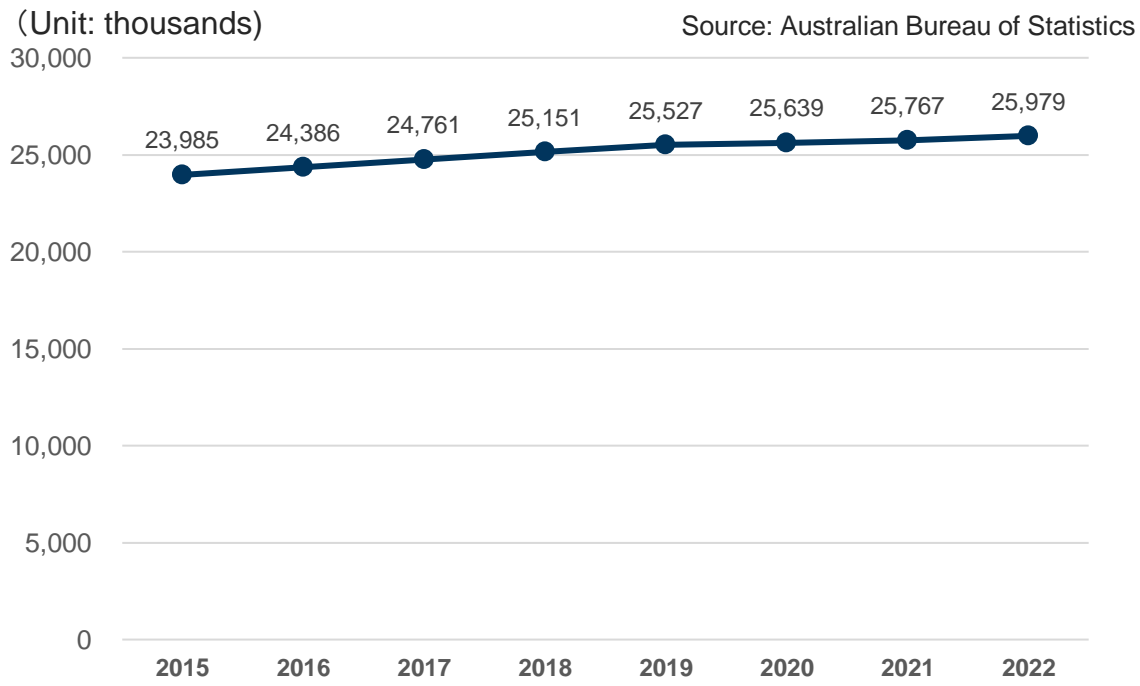
Monthly data (2015–December 2023)



- Robust growth has been continuing in both the new and existing housing markets since 2020, backed by the government's low interest rate policy
- The impact of economic slowdown, interest rate hikes, and inflation in the US has gradually started affecting these markets in 2021

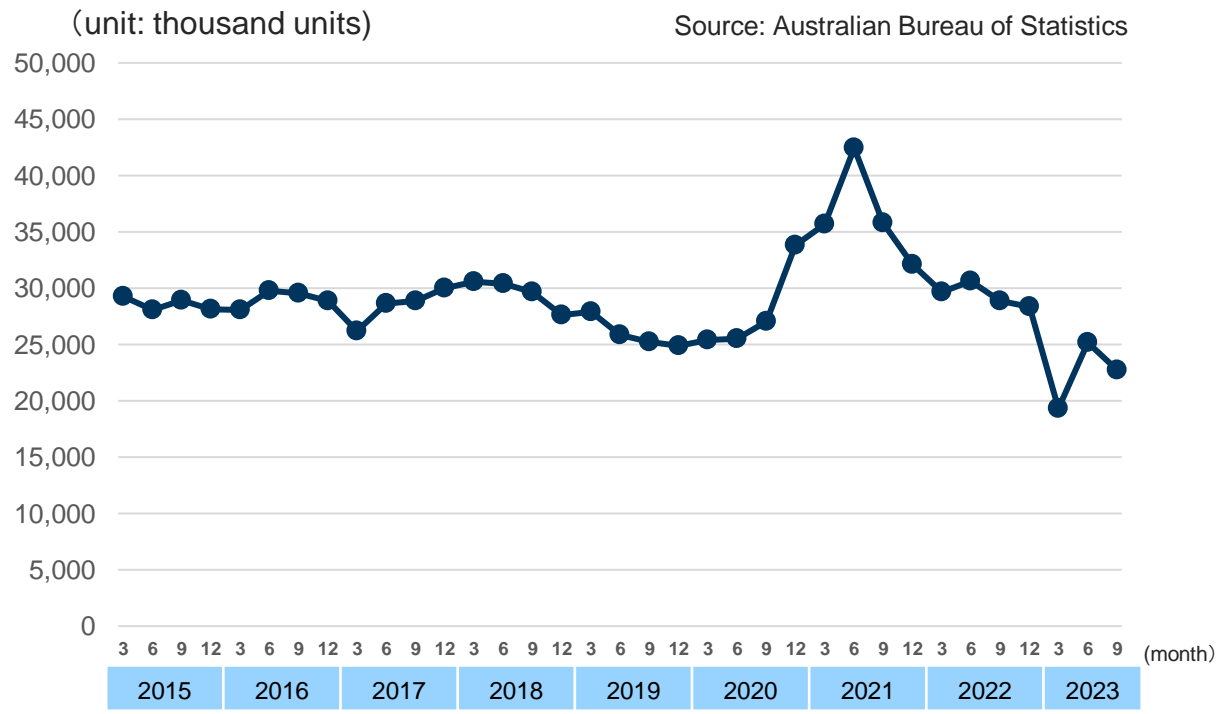
Australia Population Growth

Annual data (2015–2022)



Australia Private Dwellings Commenced (New Houses)

Quarterly data (2015–September 2023)



- Steady population growth expected to continue
- The new housing market has been softening lately primarily due to rising interest rates

Asset Assembler

Asset Assembler is a business model adopted by Nippon Paint Holdings to pursue MSV. Based on this model, we will aim for accelerated growth over the medium and long term with limited risk by assembling strong brands and excellent talent through the expansion of existing businesses and aggressive M&A.

Wuthelam Group

The Wuthelam Group, founded in 1949, operates investment business. Our partnership with Wuthelam dates back to 1962, when we jointly established Pan Malaysia Paint Industries (now Nippon Paint (Singapore) Company Private Limited) in Singapore.

Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV) is the sole mission of the Nippon Paint Group. We seek to create wealth by maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, and society.

Autonomous and decentralized management

Autonomous and decentralized management is the management structure adopted by the Nippon Paint Group. Based on Trust of Group partner companies in Japan and around the world, the Nippon Paint Group will carry out management based on delegation of authority combined with accountability, allowing our partner companies in every region to collaborate with each other pursuing autonomous growth.

Paint and Coatings Business

Our business comprises five business domains: automotive coatings, decorative paints, industrial coatings, fine chemicals, and other paints.

Adjacencies Business

Adjacencies Business provides Adjacent products, such as sealants, adhesives & fillers (SAF) and construction chemicals (CC). Similar to the paint market, the paint related market is expected to growth with construction demand. In addition, this is a capex-light business and has distribution networks that share many common features with paint distribution networks.

NIPSEA Group

NIPSEA Group is a partner company of the Nippon Paint Group and a leading paint manufacturer in Asia operating in 22 countries and regions with 95 manufacturing facilities. Established in 1962 as a joint venture between Wuthelam and NPHD in 1962, NIPSEA Group became a consolidated subsidiary of NPHD in 2014 and was fully integrated by NPHD in 2021.

Partner company

The term that refers to consolidated subsidiaries of Nippon Paint Holdings

LiBang

LiBang is the Nippon Paint Group's brand deployed in the paint market in China. This brand has been awarded the Outstanding Brand Award at the China Economic Summit for three years in a row, and has built a powerful presence backed by the Group's excellent technological and marketing capabilities, earning high levels of customer satisfaction.

NIPPON PAINT GROUP

<https://www.nipponpaint-holdings.com/en>

Contact

Nippon Paint Holdings Co., Ltd. Investor Relations

Email: ir_kouhou@nipponpaint.jp

This document is intended to provide information to investors about Nippon Paint Holdings and the Nippon Paint Group and is not prepared and released to solicit investment or any similar act in Japan and other countries. The forward-looking statements including in this document including targets, plans, estimates, forecasts, projections for Nippon Paint Holdings and the Nippon Paint Group represent our judgments and beliefs at the time of preparation.

Actual operating results, financial positions, and any other results of Nippon Paint Holdings and the Nippon Paint Group are subject to change due to risks and factors including economic conditions in Japan and other countries, business trends, competition with other companies, changes in laws and regulations, technological innovations and foreign exchange fluctuations. As a result, the actual results and performance, etc. of Nippon Paint Holdings and the Nippon Paint Group may differ significantly from the content presented herein the content inferred from the statements made herein.

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