



Yuichiro Wakatsuki

Representative Executive Officer & Co-President

PROFILE

Yuichiro Wakatsuki began his career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) and Schroders Japan Limited, and in 2000 joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.). For a number of years, he led the company's M&A advisory services, including M&A strategy and fund procurement of clients, as the Head of Japan Mergers and Acquisitions, Head of Japan Investment Banking, Director, and Vice Chairman. In 2019, he joined Nippon Paint Holdings and in 2020 was appointed Senior Managing Corporate Officer and CFO, overseeing corporate planning, finance & accounting, public relations, investor relations, and M&A. He was appointed Representative Executive Officer & Co-President of Nippon Paint Holdings on April 28, 2021.

United by Our Purpose, the Nippon Paint Group Will Bring Together Our Partner Companies to Pursue Maximization of Shareholder Value and Sustainable Growth.

Steering Group management based on integrity

My experience providing advisory and financing services related to M&A strategy and fund procurement spans 23 years, during which I served as the Head of Japan Mergers and Acquisitions and Head of Japan Investment Banking at Merrill Lynch Japan Securities (currently BofA Securities Japan). My connection with the Nippon Paint Group started when I was the financial advisor for the acquisition of Betek Boya in 2019.

As a corporate manager, I put the greatest importance on integrity. Integrity means more than sincerity. In my previous positions, integrity was the cornerstone of everything I do to assist my clients to make the right decisions in M&A deals. I was very conscious about never sacrificing a client's need for my own benefit and always having an approach of co-existing and prospering together with the client. This concept has something in common with "enjoyable

profit," which is one of the management philosophies of our Group. I vividly recall the exhilaration I felt before joining this company to find that my core values aligned with the pursuit of Maximization of Shareholder Value, and that the MSV after fulfilling our duties to stakeholders should be enjoyable. Our profit must be the result of work we have done with pride.

My strengths lie in my ability to speak on an equal footing with everyone, even with overseas corporate CEOs. This ability comes from my experience overseas, rather than from my fluency in English. I spent my childhood and completed an MBA program in the United States and worked with colleagues in Japan and overseas while providing support to numerous global clients of Merrill Lynch. Through those experiences, I've learned to respect other perspectives while engaging in lively discussions. Since joining the Nippon Paint Group, I have been communicating with the leaders of our Group's overseas partner companies

on an equal basis. I believe my ability to bridge cultural differences will be an advantage in the partnership with Co-President Wee Siew Kim.

Combining our strengths to achieve MSV

Since joining Nippon Paint Holdings in the fall of 2019, I have learned about the technological potential and appeal of the paint and coatings business from our Group partner companies around the world. This knowledge is helping me communicate to the capital markets the potential for our Group and the paint market to continue growing. In addition, I served as the project director in the acquisition of 100% ownership of the Asian JVs and the Indonesia business, which was our long-term priority, and the formulation of the New Medium-Term Plan (FY2021-2023) released in March 2021. As I worked on these projects, I came to believe that I am well-suited for this position because of my deep knowledge about the capital markets and corporate finance techniques along with my full understanding of MSV, our ultimate objective.

Part of my mission to achieve MSV is to maximize the P/E ratio (PER). PER reflects the expectations of the capital market. Maximizing PER requires active investor relations, effective financial strategies, sustainability, and M&A for further growth. In particular, a successful M&A transaction entails a comprehensive consideration of all aspects, including of the appropriate price, risk assessment, the most effective equity and debt structure, and proper post-merger integration (PMI) planning. I believe this is the area where I can fully leverage my years of experience and insights from exercising leadership in the capital market circles.

I met Mr. Wee for the first time when I served as a financial advisor to the Nippon Paint Group for its acquisition of Betek Boya in Turkey. My impression of the team that Mr. Wee led for the NIPSEA deal was that they were driven by tremendous energy and passion. He is extremely competent and rational, but at the same time he is very compassionate. He is very quick-thinking, fully understands consequences, and always seek the "correct" decision. It's clear that Mr. Wee is a manager with integrity. I believe that is why the teams that he leads work so well.

Since the co-president structure has been in place, I exchange opinions with Mr. Wee through email and chat system on a daily basis. We also talk for a few hours two or three times a week. Although we both have our own main areas of responsibility, that does not mean we cannot discuss each other's issues. And, in fact, we make management decisions together. For instance, I am responsible for M&A, but M&A decisions cannot be made without the active input from the business divisions. All of our decisions are based on our discussion from the perspective of what is right to achieve MSV. The co-president structure enables very quick decision-making backed by our customer-focused

philosophy and career experiences. We are confident that by combining our strengths we can achieve our ultimate objective of MSV.

Formulating the Purpose as the Group's shared identity

Our Group consisted mainly of partner companies in Japan and NIPSEA until around 2016. The acquisitions of Dunn-Edwards in the U.S. in 2017, the DuluxGroup in Australia and Betek Boya in Turkey in 2019, and 100% ownership of the Asian JVs and the Indonesia business in January 2021 has built us into a global corporate group with diverse values.

In response to this evolution, we established the Purpose, which defines shared identity of our Group. To achieve MSV, our Group must be tightly knit and have uniform global guidelines. The Purpose provides the guidelines for making decisions. At the same time, the Purpose has an important function as the starting point of stakeholder engagement to create sustainable growth opportunities.

The major impetus for the establishment of the Purpose was the acquisition of 100% ownership of the Asian JVs. Before this transaction, NIPSEA and Japanese teams were sometimes competing against each other in overseas markets. The Purpose makes us a single, unified team pursuing MSV.

When we were creating the Purpose, we had deep involvement by management teams from our partner companies with various cultural backgrounds and values. Through discussions with our partner companies around the world, we systematically found answers to each of our questions, including the fundamental questions of who we are, why we need to join together and move forward, what benefits we are going to bring to society, and what will be our core values. Through this process, we developed the Purpose Statement incorporating the thoughts and perceptions of our partner companies, and formulated the Business Philosophy that we follow to fulfill the Purpose. This inclusive approach provided us an opportunity to more deeply understand the thinking of our partner companies. The outcome is a corporate philosophy structure in which all of us are invested.

Our Group's diverse human resources have created a corporate culture of inclusion that actively accepts persons appointed from outside. We will seek future partner companies that will also fully share and understand the Purpose so they can provide a positive contribution to achieving MSV.

Sustainability strategy of exploring new business opportunities

Our Group launched a three-year New Medium-Term Plan in FY2021. The plan sets performance targets for

FY2023 of revenue of ¥1,100 billion, operating profit of ¥140 billion, and EPS (before stock split) of ¥225 through organic growth that excludes the effects of M&A. The two key strategies for achieving these targets are the Regional and Business Strategy and the Sustainability Strategy.

We recognize that the SDGs and ESG are essential elements for achieving sustainable growth and MSV with the Sustainability Strategy. We have been conducting sustainability-focused management in tune with the dramatic changes in society and social issues, including climate change, resources depletion, rapid urbanization, COVID-19 and other infections, and natural disasters. Our sustainability initiatives for FY2023 will take concrete steps to advance our ESG agenda, which we developed based on the ESG Statement and the Materiality released in FY2020.

The top priority in our items of materiality is to take action on climate change. We have already started identifying specific issues and considering measures to attain net zero CO₂ emissions. We are sourcing renewable energy and estimating the financial impact of carbon pricing on a Group-wide basis, and are considering investing in installing energy-saving equipment and in-house sourcing of renewable energy at our operations around the world. These measures will both reduce CO₂ emissions and improve profitability.

We will also explore new business opportunities through our ESG initiatives. In the BtoB business segment, we are responding to growing customer demand for low carbon footprint products by focusing on expanding sales of low-impact coatings for offshore wind turbine systems and next-generation ship hull antifouling paint FASTAR. We will also continue to launch new PROTECTON brand anti-viral and anti-bacterial products. Products like these contribute to earnings because they directly address social issues. Society's demand for ESG and compliance seems to be growing almost on a daily basis. We are keeping pace with those chances and will continue fulfilling our responsibility to society and the environment.

More efficient business processes with digitalization

Our basic stance on digitalization is that it is a means but not an end in itself. Our investments in the digitalization of our business processes will therefore be conducted with clear objectives and with the aims of improving both efficiency and effectiveness. The New Medium-Term Plan focuses on using digitalizing to reform our operation following four key strategies derived from the best practices of our Group partner companies around the world: (1) Improve customer experience, (2) Enhance operational excellence, (3) Improve employee experience, and (4) Strengthen risk resilience.

We will also actively digitalize our internal operations. Amid the COVID-19 conditions, our Group has been functioning with a work from home system,

which we plan to also maintain after the pandemic. I don't think coming to the office every day is an efficient way to perform operations. On the contrary, I believe there are cases where chat systems and email are more efficient than communicating in person. Digital transformation requires that we reconsider the efficiency of the existing business processes.

Corporate governance that protects the interests of minority shareholders

Our Group constantly seeks to improve corporate governance to maintain the trust of all stakeholders involved in our business activities. In FY2020, we shifted to a Company with Nominating Committee, etc. which separates business supervision and execution and significantly improves management transparency, objectiveness, and fairness. Our current Board of Directors structure, in which six of the eight directors are Independent Directors, ensures respect for the common interests of the Company and shareholders and protection of the interests of minority shareholders. In addition, Mr. Masayoshi Nakamura, the Lead Independent Director, has been appointed the Board Chair to further improve the effectiveness of the Board of Directors. All Independent Directors have experience in corporate management and provide supervision and advice effective for practical business operations. In this way, we have established an effective corporate governance system that ensures minority shareholders are not at a disadvantage.

With the adoption of the co-president structure, Mr. Goh Hup Jin, who is the Managing Director of our major shareholder the Wuthelam Group and the Director of Nippon Paint Holdings, was appointed Chairman. The Wuthelam Group previously held 49% of the shares in the Asian JVs. The acquisition of 100% ownership of the Asian JVs by Nippon Paint Holdings in January 2021 has eliminated the risk of possible conflict of interest between the Nippon Paint Group and the Wuthelam Group. Mr. Goh is a partner of the Nippon Paint Group with whom we have worked together since 1979 in our endeavor to drive growth of our Asian operations. In addition, he is the Director of the Board most knowledgeable in our Group about the global paint market. Considering these, I believe his appointment as Chairman will be a strong boost to MSV. Furthermore, the effectiveness of the Board of Directors has been assured by having 75% of the Board members being Independent Directors. In addition, Mr. Goh's interest as our major shareholder aligns with the interests of minority shareholders. As a Director, Mr. Goh is only one of the eight Directors on the Board of Nippon Paint Holdings. The corporate governance system has been carefully formulated to avoid any issues in this area as long as the Board of Directors functions accordingly. The Board of Directors engages in sincere and active discussions, led by Independent Directors, from the perspective of MSV.

Unique and successful M&A model combining acquired company strengths and Group financial support capability

M&A is an important element in the sustainable growth of our Group. While building on the high growth of our existing business portfolio, we are actively exploring new partners to further accelerate our growth. Our M&A targets are primarily in the decorative paints market, which accounts for the majority of the paint market and is expected to continue growing. In addition, we are also looking into companies in the industrial coatings and paint related markets. The criteria for choosing acquisition targets are companies with high local market shares, powerful brands, and competent management teams. In a word, the key point is whether the acquisition contributes to MSV. Rather than setting detailed criteria for the acquisitions, we will make decisions with flexibility and speed based on assessments of a company's ability to contribute to EPS and business growth in the future. If, for example, acquiring company A will rule out the possibility of acquiring company B in the future, we will need to assess which company will contribute to MSV from a long-term perspective. In this way, we will consider various options and opportunities without focusing on one option, and carry out M&A that contributes to MSV.

Based on my experience as an M&A advisor for many projects, I believe one of the conditions for a successful M&A is to have a solid structure in place for the PMI process and local operations. Specifically, our M&A also considers the acquisition of human resources. After the acquisition, we ensure effective governance of the acquired companies while respecting the autonomy of local management teams as ways to keep their motivation high. In addition, we provide strong support for the operations of acquired companies by leveraging our Group's strengths in such areas as joint procurement of raw materials, financial support, and sharing of best practices, which helps accelerate business growth in their local markets.

This approach allows us to not only reduce cost, but also to maximize the growth potential of acquired companies. By targeting companies that share our values, we believe we can continue to increase our partner companies around the world.

Growing through offensive and defensive capital investment

For manufacturing companies, production facilities are an essential element to achieving sustainable growth. The three years of the New Medium-Term Plan will be a period of establishing the foundation for further growth. We will make offensive investments aimed at capturing demand around the world along with defensive investments to strengthen our Group's risk resilience.

One of our major offensive investments is the new automotive paint plant under construction in Tennessee,

USA. The plant will position as a strategic base for the production of automotive coatings in North America. The plant will be used to increase production of automotive coatings for supply to the southern United States and Mexico. We also plan to bolster our supply chain in the Asia region by building a resin plant in Hanoi, Vietnam, which has a particularly high growth rate in the Asian market. We will also establish a new resin plant in Binhai, Tianjin, China. For this new plant in China, the acquisition of 100% ownership of the Asian JVs significantly reduced capital expenditure by eliminating expenditures that overlapped with NIPSEA. In Japan, we plan to build a plant for automotive coatings in Okayama Prefecture and a color toning plant for decorative paints in Kanagawa Prefecture. These plants will both be smart factories for an advanced supply chain.

Our defensive investments will be aimed at replacing existing production facilities, mainly in Japan. Production facilities and equipment in Japan have been aging because of the long period during which we kept down capital expenditures at existing plants. This is leading to issues, including increasing risk of accidents, decreased productivity, and quality damage, that are requiring us to take urgent measures from the perspective of business continuity planning. In addition, it is difficult to meet ESG requirements with aging production facilities. We therefore plan to invest to replace production facilities and install equipment that will help us achieve net zero CO₂ emissions.

Delivering results with the new management structure

Our recent performance gives us confidence that we will achieve the financial targets for FY2023 set out in the New Medium-Term Plan. The targets are certainly challenging, but we will aim to surpass them by leveraging Group strengths acquired through our unrelenting quest for growth.

As the Co-President, my mission is investing to ensure sustainable growth and setting the right agenda. We will continue fostering a sense of unity in the Group and improving the mindset of employees while ensuring the autonomy of management of our partner companies around the world. We will build a corporate group with an insatiable desire for growth.

We recognize that delivering results is the vital first step to demonstrating the competence and effectiveness of the new co-president structure. We will continue pursuing MSV and sustainable growth for our Group to meet the expectations of our shareholders and investors.

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