

Aggressively pursue new partners to join our Group taking advantage of the growth potential of the paint market and stability of cash flows

Overview of our M&A strategy

Target	Our Group strengths	Financial discipline
<ul style="list-style-type: none"> Decorative paints + Industrial coatings Paint related fields with promising synergies with our existing businesses Strong brand power Highly competent management teams Limited workforce reduction 	<ul style="list-style-type: none"> Sound financial profile from the integration of our Asian operations Excellent fund-raising capability with a stable currency and market in Japan Full-scale leverage of platform capabilities in Asia Diversified management through Powerful Partnerships 	<ul style="list-style-type: none"> Contributing to EPS accretion ROIC^{*1} > WACC^{*2} Maintaining sufficient leverage capacity Prioritizing debt financing with option of equity-based capital raising <p><small>*1 Return on Invested Capital *2 Weighted Average Capital Cost</small></p>

The paint industry is characterized by a sustainable growth potential and a high stability of cash flows. In addition, the recent market environment allows financing at low interest rates. As a result, the paint industry is well positioned for M&As.

The decorative paints market, which accounts for more than 50% of the total paint market, features local production for local consumption. As a consequence, industry players use different business models for different countries including in procurement of raw materials, consumer preferences, distribution networks, and environmental regulations. Paint has low threat of alternative products, and paint products are difficult to differentiate through technology. Therefore, the keys to success in the paint business are: (1) powerful brand, (2) extensive distribution network, and (3) establishment of operations well versed in local markets. Successful players in the paint industry tend to enjoy a virtuous cycle: Once a player which has acquired the top market share based on the above factors, it is not easy for peer players to overtake the No.1 player's position, allowing the No.1 player to

further gain market share and deliver higher revenue.

Taking advantage of the above features of the paint market, our Group carries out M&As that are characterized by a solid support system for our Group partner companies to enable acquired companies and management teams and employees who work in those companies to deliver their maximum performance in the local market. Specifically, we will retain the management teams of acquisition targets by respecting their autonomy of management even after acquisitions, if they have the above strengths that are key to success. Our Group will support the acquired companies through the following: (1) sharing expertise and best practices of our Group's partner companies, (2) joint procurement of raw materials, and (3) providing funds for growth investment to further drive growth such as M&As in the local market besides funds for marketing and capital investment. In this way, our Group's M&As are characterized by provision of strong support for local operations to make the best of the strengths of our local partner companies.

Key acquisition track record of our Group

	NIPSEA business <small>Consolidated in 2014 and became a wholly-owned subsidiary in 2021</small>	Dunn-Edwards 2017	DuluxGroup 2019	Betek Boya 2019	Indonesia business 2021	Vital Technical 2021
Countries/ regions	Asia region	U.S.A.	Oceania	Turkey	Indonesia	Malaysia
Businesses	Decorative paints Automotive coatings Industrial coatings, etc.	Decorative paints	Decorative paints, Paint-related business	Decorative paints, Paint-related business	Decorative paints, Automotive coatings, etc.	Paint-related business
The impact of acquisitions (revenue)	FY2016: - FY2020: - CAGR: 8.0%*3	(USD million) FY2017: 334 FY2020: 437 CAGR: 9.4%	(AUD million) FY2019 ^{*4} : 1,805 FY2020: 2,015 YoY: 11.6%	(TRY million) FY2019: 1,518 FY2020: 2,383 YoY: 56.2%		

*3 Figures are in constant currency *4 DuluxGroup's revenue for FY2019 is adjusted assuming its fiscal year ended on December 31, 2019.

Our Group has been expanding globally since 2014 through consolidation of the Asian JVs and acquisitions

of the U.S.-based Dunn-Edwards, Australia-based DuluxGroup, and Turkey-based Betek Boya. In January

2021, we completed the acquisition of 100% ownership of the Asian JVs and the Indonesia business, thereby further strengthening our ability to capture demand in the high growth Asian markets. As a result, we have achieved significant profit growth, driving Maximization of Shareholder Value (MSV).

Our M&A targets are not limited to large-scale companies; rather, we will explore opportunities with medium and small size companies if they will contribute to MSV. For instance, in March 2021, we acquired Vital

Technical, a prominent sealant and adhesives manufacturers with the leading market share in Malaysia, in line with our strategy to expand paint related business. In this way, our Group is steadily building the track record of M&As.

Our partner companies have been delivering strong growth after acquisition by our Group. This proves the success of our Group's unique M&A style of generating synergies by leveraging the strengths of acquired companies.

Emphasis on financial discipline

Case examples: Acquisition of 100% ownership of the Asian JVs and acquisition of the Indonesia business

EPS	Net debt EBITDA	Credit rating
Increased by over 10% beginning in the first year after acquisition	Nearly tripled in the short term and improved in the medium term from the strong ability to generate cash flow	Improved due to the strengthened financial position
↑	3.0 times	A- → A

We pursue M&A within the parameters of financial discipline. We specifically emphasize the following: deals that contribute to EPS accretion, achieve ROIC that exceeds WACC, and maintain sufficient room for financial

Utilize human resources of acquired companies

Local management teams will continue to execute operations after acquisition

Strong support from the Nippon Paint Group

Operational improvement

leverage. Financing for M&A prioritizes debt financing, but equity-based capital raising is an option as long as EPS accretion is achieved. This allows us to carry out M&As constantly without being restricted by shortage of funds.

Promoting M&A by leveraging our Group's strengths

Financial soundness		Appeals of the Japanese market*7		
Net D/E ratio*5	0.54 times → 0.46 times	2000	2010	2020
Shareholders' equity*5	¥699.8 bn → ¥877.1 bn	USD/JPY	114.41	81.12 103.25
Non-controlling interests*5	¥131.4 bn → ¥5.5 bn	Japanese yen interest rate (Japanese yen TIBOR)	0.59	0.34 0.08
Credit rating*6	A- → A			

NIPSEA business	Japan	DuluxGroup
<ul style="list-style-type: none"> Strong distribution network in Asia Construction market x Growth model High efficiency management (LFG) 	<ul style="list-style-type: none"> Advanced technologies / Innovations High quality brands Financing 	<ul style="list-style-type: none"> Powerful business model for DIY Expertise in the SAF and other paint-related fields Track record of management of the formerly listed company

Extremely strong M&A promotion structure

*5 After reflecting changes due to the acquisition of 100% ownership of the Asian JVs to the amounts on the balance sheet as of the end of FY2020 (unaudited)
*6 Rating & Investment Information, Inc. *7 Source: Bloomberg

Our Group has significant financial strength and financial soundness, as represented by strong cash flow generating capacity, as well as the net debt to equity ratio of significantly below 1.0 times and the ability to procure low-interest financing in the Japanese capital market. In addition, we have established an extremely solid structure for promoting M&As including sharing

and leveraging the strengths of Group partner companies, such as NIPSEA and DuluxGroup. Our M&A strategy with clear target setting, leveraging Group strengths, and emphasizing financial discipline, have yielded great success for our M&A deals in recent years. We will continue to aggressively pursue M&A for our ongoing growth.