Chapter

Message from Management

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PHOTO
Australia / Flinders Street Station (External Works Project), Melbourne. Dulux Colour Award Winner
Continue our pursuit of Maximization of Shareholder Value (MSV) as an Asset Assembler through autonomous and decentralized management based on Trust

It has been over a year since we became Co-Presidents. Since our appointment, we have pursued our sole mission of MSV by leveraging our partnerships based on strong Trust and guided by Purpose of Nippon Paint Group, “Enriching our living world through the power of Science + Imagination.” Wee Siew Kim focuses mainly on maximization of EPS (earnings per share) through revenue growth and earnings expansion. Yuichiro Wakatsuki concentrates on PER (price-to-earnings ratio) maximization by properly raising expectations of capital markets. Working closely together, we have taken numerous corporate actions without delay throughout the period.

As a result, revenue in FY2021, first year of our Medium-Term Plan (FY2021-2023, “MTP”), reached a record high despite the pandemic. Growth was attributable to higher sales volumes and a price/mix improvement, coupled with positive effect of exchange rate movements and consolidation of the Indonesia business. We expect to achieve revenue exceeding the final year revenue target of 1,100 billion yen in FY2022, the second year of MTP. Operating profit in FY2021 was not at a satisfactory level. However, there was meaningful profit improvement excluding one-off items with significant reduction in expenses compared to the initial budget while transitioning to a smaller headquarters at the holding company. Taking into consideration the quantitative and qualitative progress during the first year of MTP, we remain committed to the operating profit target of 140 billion yen in the final year. Nippon Paint will make a groupwide effort for achieving our targets through revenue growth and improvement in margins.

Our achievements in the first year of MTP also reaffirmed the strengths of our Asset Assembler model for accelerated growth through both existing businesses and M&A. Nippon Paint Group is pursuing autonomous growth through collaboration and cooperation among Group partner companies in each region based on autonomous and decentralized management. This management structure is underpinned by the delegation of authority and accountability based on Trust with our partner companies around the world. Every day we appreciate the value of having excellent and trustworthy partners who are well versed in their local markets and MSV. We shall continue our collaboration and support to those partners to achieve our common mission.

Our stock price, which is the outcome of MSV, has increased by 683% (see the bottom chart) over the past 10 years, outperforming the TOPIX chemical sector average and competitors. As a unique Asset Assembler, we will remain committed to MSV.

We appreciate the continuous support and guidance from our investors.

August 31, 2022

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Wee Siew Kim
Director, Representative Executive Officer & Co-President
Pursuing maximization of PER by executing a management strategy based on Asset Assembler model

Yuichiro Wakatsuki
Director, 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.). After that, 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 2018, 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 29, 2021 and Director, Representative Executive Officer & Co-President in March 2022.

Pursuing the maximization of PER by building up excellent M&As

Focus on maximization of PER through appropriate allocation of limited resources

Securing more control over my time allocation—this is one of the biggest changes I have earned since I became Co-President. I deliberately abandoned unnecessary meetings and inefficient tasks. This allowed me to create an environment to focus more of my time and energy for PER maximization which is my primary mission.

While feeling the pressure of delivering MSV, which is reflected in the stock price every day, I was able to execute numerous corporate actions without delay for the future growth of EPS and PER. Major actions include transfer of European automotive coatings business and India businesses to Wuthelam Group, acquisitions of Cromology and JFB in Europe, company split into Nippon Paint Holdings (NPHD), the holding company, and Nippon Paint Corporate Solutions (NPCTS), a Japan focused functional company, and international secondary offering of shares.

Following our appointment as Co-Presidents, concerns towards Co-President in Europe, company split into Nippon Paint Holdings (NPHD), the holding company, and Nippon Paint Corporate Solutions (NPCTS), a Japan focused functional company, and international secondary offering of shares.

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Management teams with Integrity based on Trust

In January 2022, Nippon Paint Group completed a corporate split in which functional units in Japan were spun off from the holding company (NPHD) into the newly established NPHD. The aim of this split was to separate functions as a listed company and to create a holding company and functions related to the Japan segment, which were both previously performed by NPHD. This is one of the corporate actions we have taken based on Asset Assembler model. As a result, NPHD’s activities as a holding company are concentrated on functions such as evaluating the performance of partner companies, determining succession plans, M&A, finance, and accounting, and investor relations. The newly launched NCPS will perform functions necessary for supporting and conducting business activities in Japan.

NCPS operates at the same level as partner companies in Japan and does not intend to “control” the Japan operations. Establishing a supervisory company has the risk of creating another bureaucracy which keeps expanding on its own. For this reason, as Co-President of NPHD, I will concurrently serve as the President of NCPS and will manage the allocation of costs and expenses at NCPS from the Nippon Paint Group and the total optimization perspective. Group operations overseas will be managed based on three segments: NIPSEA Group, DuluxGroup, and U.S. Budget management is basically implemented by the company of each segment. The holding company will perform the functions of checking and monitoring the operations of each partner company.

As described above, Asset Assembler model respects the autonomy of each partner company and is based on autonomous governance by respective Executive Committees and the Boards. We have established the framework for a further upgraded and accelerated our growth over the medium and long term.

Going beyond paint and coatings and into adjacencies (Paint+):

By executing our medium- and long-term management strategy using Asset Assembler model, Nippon Paint will aggressively build up the sphere of business activities from the paint and coatings area to the adjacencies area (Paint+). We will continue our aggressive M&A strategy, aiming to build up assets not only in our existing business areas but also in new areas with the goal of achieving MSV.

Some have pointed out that we will acquire all the attractive targets within the next couple of years if we keep executing M&A deals at this pace. However, the aggregate market share of the world’s top 10 largest paint manufacturers, including Nippon Paint, is less than 50%. As a result, there are still significant opportunities for business expansion through M&A in the fragmented markets. Further, we include the adjacencies market which is around three times larger than the paint and coatings market, our growth opportunities through M&A are even greater.

Therefore, we will not execute M&A deals that do not contribute to MSV. We will not pursue companies with valuations that are too high, companies with a risk-return profile that is not attractive or simply the magnitude is too large, and companies in areas where we do not have market knowledge. Acquiring these types of companies could make our Group larger but also impair shareholder value and we examine every M&A opportunity with vigilance. However, there is significant opportunity to venture into new areas based on attractive businesses owned by our partner companies.

For instance, the Selleys brand of adhesives owned by DuluxGroup is now well established in the Western and Asian markets. However, had we not known about this area before the acquisition of DuluxGroup. After joining our Group, DuluxGroup agreed with NIPSEA Group to deploy Selleys brand in Asia through the NIPSEA Group distribution channel which has successfully advanced to a growth trajectory. In this manner, it is quite possible that our business areas will expand in a snowball-like manner through M&A.

Some capital market participants view Nippon Paint as a China-related stock. However, I’m convinced that we can evolve to become a corporate group with a unique presence and strong presence in every region and market around the world within 10 years with our growth accelerating over the medium and long-term based on Asset Assembler model. Asset Assembler model should work for the pursuit of MSV.

The ultimate goal of our medium- and long-term growth strategy is the relentless pursuit of MSV. There are immense possibilities ahead of us.

Unified by MSV for achieving growth in the medium and long term

We launched a new management structure in FY2022 for sustainability based on Asset Assembler model. In the new structure, we create four Global Teams (Environment & Safety, People & Community, Innovation & Product Stewardship, and Governance), that directly report to Co-Presidents, based on material issues for sustainability (Materiality) identified from a global perspective.

Global Team Leaders are experts selected from our partner companies globally. They will lead sustainability initiatives required by laws and regulations and social customs in each region and market. The Global Team Leaders directly report strategies and propels Co-Presidents, who will report to the Board of Directors as necessary. As a result, our sustainability initiatives are supervised by the Board of Directors. Sustainability initiatives are not only essential to earn the Trust of investors but will also contribute to EPS and PBR by encouraging autonomous activities of each partner company and reinforcing the link with our businesses.

On the governance front, we are taking actions to continuously strengthen governance in order to gain the Trust of investors involved with our business activities. Taking into account our shareholder composition where our major shareholder, Wuthelam Group, holds 78% of our stock, we nominated the Lead Independent Director as the Board Chair to coincide with the launch of the Co-President setup. In addition, the Board of Directors now has eight Independent Directors out of 11 board members. In this manner, we are taking actions to ensure the protection of the interests of minority shareholders.

Wuthelam Group is our important partner that has built a deep bond with us over 60 years. More than anything, we share the common mission of MSV with Wuthelam. I believe that having our major shareholder and the Directors and Executive Officers united across the board by MSV means a great deal for achieving growth in the medium and long term.

As described many times, Nippon Paint Group is pursuing MSV as its sole mission. We have already put in place advanced and effective governance, Asset Assembler model, and medium- and long-term management strategies for achieving MSV.

At the same time, I believe we need to constantly evolve as a Lean and Agile Corporate Group that can grow steadily in any environment in order to continue to make investments and achieve growth over the medium and long term. I’m confident that with all the excellent and trustworthy partner companies, we will enable our transformation. In Japan, we will stimulate changes in the mindset of all employees and create a new corporate culture without being restricted by our conventional procedures as we continue to be driven by our inalienable appetite for growth.

Let us continue to strive for MSV by delivering clear outcomes to investors. We are driven to exceed your expectations.
From pandemic to endemic: Transforming our business outlook

While the world has emerged from the pandemic, supply chain disruptions and the conflict between Ukraine and Russia have impacted businesses globally. Inflation is now at its worst in over four decades and a looming recession threatens business profitability. Despite this, the Group has continued to steadily sail through the year by maximizing earnings-per-share (EPS) through our firmly established Asset Assembler model. By remaining vigilant and steadfast, the company increased EPS by 7.4% in FY2021 to 29.41 yen and we are on track towards achieving our final year targets in the Medium-Term Plan (FY2021-2023). All in all, our EPS has increased by 230% over the past 10 years, which significantly outperforms the TOPIX chemical sector average and other competitors (See the bottom right chart).

In my first year as Co-President, the Group has achieved record revenue despite these challenges, and we have achieved the same level of operating profit as FY2021 by raising selling prices and reducing SG&A expenses to mitigate raw material price inflations.

One of our success factors is our ability to spot opportunities in adjacent industries and implement a hugely successful Asset Assembler strategy. Nippon Paint Group’s Asset Assembler model is unique in that it maintains the acquired company’s autonomy. We value the years of experience that the senior management in these existing teams have, as they were integral to growing the business in the markets that they operate in. We also looked at acquisitions focused on related industries with the aim of maximizing shareholder value by expanding our reach into new but still familiar territories.

The adjacency arena presents enormous opportunity and allows us to hedge our bets by diversifying our product range. We now have water-proofing materials, adhesives, floor coatings and fillers (SAF) amongst other product offerings.

Strengthening our portfolio into these complimentary products is a sound strategy that leverages our existing manufacturing, marketing, and distribution channels, which means maximizing our market potential. This gives us an additional construction chemicals market potential of USD90 billion in addition to the paint and coatings segment, which is valued at around USD174 billion.

Setting sails to revitalize our marine coatings segment

While we have many areas to be proud of this year, there are segments of the business that need to be revitalized for us to reach our goals in the coming years. One of the key areas we will focus on is the marine coatings business. In FY2021, this segment recorded an operating loss of around 1.9 billion yen, primarily coming from Japan and Korea.

In general, the shipping industry has seen many peaks and troughs, which can present many opportunities. In a volatile situation for all related businesses. Having said this, we believe that we have a good strategy in place to facilitate a turnaround in the key markets where the marine coatings sector has the highest potential.

To start, we restructured the operations team, separating the Japanese management from the other markets as we noted the difference between local and international expertise and culture.

We then reviewed the Japanese operations and merged the industrial and marine coatings businesses placing them under the leadership of Takeshi Shibani, who will now serve concurrently as the President of Nippon Paint Industrial Coatings (NIPC) and Nippon Paint Marine Coatings (NPMM).

Mr. Shibani has a proven track record and we are confident that his leadership and ability will bring a positive transformation to the NPMM business. In his expanded capacity, he will ensure the implementation of best practices for cost management and sales distribution are aligned with the industrial coatings business with a laser focus on improving the business financials.

Apart from Japan, we also made changes to the Korean operations, revamping the management team, business and sales models to areas that are more profitable and provide financial stability.

This meant shifting our balance in Korea from new ship building deals to more maintenance and repairs where the financial prospects are better. The changes made are already bearing fruit and we are expecting the Korea business to return to an operating profit in FY2023.

To further strengthen the global marine coatings business ecosystem, we broadened our supply chain and marketing activities, shifting away from a narrow, country-focused mindset to one that maintains a flexible approach. This new global perspective allowed us to further push out our advanced product technologies like ASIJ/ATERRAS, FASTAR, A-LF-Sea,
We have a highly adaptable team, ready to shift according to consumer sentiments

Having said this, we are aware of the public sentiment on the Chinese real estate market and remain vigilant of any developments. The key here is that we have a highly adaptable team, ready to shift according to consumer sentiments to ensure continued business sustainability in this segment. As the market requirement changes, we can flexibly deliver differentiated offerings to our business clients in China through collaborations with strategic construction vendors and project service vendors. With our scale and reach, we offer to the market the convenience of having a one-stop solution provider in which we endeavor to meet customers’ paint and coatings needs. Aside from the above, our research and studies reveal that there will be continued demand for houses, driven by the population concentration in urban areas and the further upturn in economic activities as urbanization progresses in different parts of China. As such, we view downturns to be temporary and are confident of the medium to long-term growth potential in the Chinese market.

New economic power houses

Being a global company means we can capture the potential and act on opportunities worldwide. In this respect, we see growth prospects around the world. For example, in Indonesia our continued marketing push and expanding local distribution network have produced promising results. The market is valued at around USD 2 billion and has grown at 17-18% annual rate. Under the current government and new policies put in place, we see more potential in the future having achieved a growth of 5.6% in GDP in 2021. There are also several large projects that have been launched in the country including the recent announcement of Nusantara, Indonesia’s new green and smart capital in Kalimantan that will be developed in stages through to 2045.

Prudent price management in times of recession and inflation cycles in Indonesia also helped to maintain sound financials in this region. This, coupled with a healthy market environment, means that Indonesia remains as one of our more profitable markets. For continued success, the team will invest in advertising to drive brand top-of-mind recall and preference. We will also ensure a wider distribution of Computerized Colour Matching (CCM) machines and increase product penetration in all product segments in our CCM stores. Another expansion tactic is to capitalize on the trend of digital transformation and a shift towards more technology-driven sales channels. Technology and data tracking have helped us determine a strong demand for online e-commerce sales channels, especially in Indonesia, where it can be challenging to navigate the country’s main islands and smaller cities.

For this, we will be establishing new channels to enable more online purchasing and inquiries. We plan to open more depots or stock points and strengthen our sales team to further widen our geographical coverage in the country. This will help support both our customers and other sales or dealer distribution channels more effectively. Likewise, as it is with our other global markets, we will also expand product offerings. We see huge potential for us to market our other popular products in Indonesia, especially in the non-paint segment. We are highly confident that Indonesia will continue to perform strongly.

Business acceleration through adjacencies

While times are uncertain and there remains to be an abundance of challenges that all businesses will face, we are confident that our continued execution of the unique Asset Assembler model will bring positive results in the coming year. There is strength in numbers and we are definitely benefiting from the various acquisitions and mergers that have been completed over the last few years. For instance, our non-paint business in Malaysia was expanded through the introduction of Selleys and the acquisition of VIral Technical and Construction Material Industry Sdn Bhd. The Selleys SAF premium brand gave us an avenue to increase our innovative offerings to a new group of customers including key retail partners. Beyond Malaysia, these acquisitions provided a new range of products to the NIPSEA Group market helping close deals that required quality yet budget-conscious options as well.

Moving forward with an autonomous partnership agenda

Through debt execution of Asset Assembler model, we aim to achieve our mission of Maximum of Shareholder Value. However, we will maintain that this model can only work if we continue to inspire autonomous business execution and growth among partner companies while providing a framework that leverages every partner company’s strength. Having autonomous and decentralized management will take us to greater heights as each partner company fully benefits from this Nippon Paint Group business model. After all, only through embracing diversity and encouraging everyone to do so can we leverage the benefits of teamwork and realize employee potential. Hence, we are constantly advocating for our teams to share positive examples, benefits, success cases and more with each other in the spirit of learning and improving. As we come full circle, it gives me great pride to share that despite the unpredictable happenings throughout the past year, we have managed to achieve our medium-term plan revenue a year in advance while maintaining our 2023 operating profit target and will continue to remain focused on achieving our business objectives through revenue growth and margin improvement.

Through debt execution of Asset Assembler model, we aim to achieve our mission of Maximum of Shareholder Value

Director, Representative Executive Officer & Co-President
Our sole mission
Maximization of Shareholder Value (MSV)

Nippon Paint Group is pursuing MSV as its sole mission. We will aim to create wealth by maximizing the residual shareholder value that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders.

The diagram above shows the stakeholder relationship for profit and loss statement items: customers for revenue, suppliers for operating expenses, employees for personnel expenses, financial institutions for interest expenses, and governments for taxes. Fulfilling our obligations to each stakeholder group is the primary premise for MSV. Fulfillment of obligations includes not only legal contracts but also social and ethical obligations, as well as the concept of sustainability.

MSV entails maximizing the residual value that remains after fulfilling obligations to all stakeholders as a way of rewarding shareholders that make an investment with an awareness of the associated risks. A prerequisite is to fulfill those obligations to stakeholders that have upper limits, and shareholder value will be the residual value that remains after fulfilling those obligations.

MSV strictly pursues the maximization of medium- and long-term shareholder value, rather than short-term maximization.

MSV logic tree: Actions for achieving MSV

Earnings per Share (EPS) and price-to-earnings ratio (PER) are important benchmarks for achieving MSV. Nippon Paint Group is taking various actions that will contribute to maximizing EPS and PER in order to achieve MSV over the medium and long term.

See “Sustainability Strategy” on page 57.
See “People & Community” on page 61.
See “Innovation & Product Stewardship” on page 70.
See “Governance” on page 71.
See “Internal control” on page 75.
See “Risks and uncertainty” on page 91.
See “Investor engagement” on page 109.
Status of assets (partner companies) continuing on an autonomous growth trajectory

### FY2021 operating results

**NIPEA Group**
- Revenue increased from the previous year as a result of the new consolidation of the Indonesian business, coupled with strong market growth and selling price increases in the decorative paints business at NIPEA China. Revenue also increased from the previous year in Asia. Excepting NIPEA China due to the progress with selling price increases in every region, despite the impact of the pandemic in some regions. As a result, revenue in NIPEA Group increased by 82.9% to ¥724.4 billion.
- Operating profit increased by 121.1% to ¥187.5 billion on higher revenue, including revenue growth from the new consolidation and the impact of exchange rate changes, despite the significant negative effect of the higher prices of raw materials.

**NIPEA China**
- Automotive coatings revenue increased from the previous year due to a rise-through of selling price increases implemented to respond to raw material price increases, although automobile production remained unchanged from the previous year due to shortage of semiconductor chips and disruptions of parts supply due to the pandemic. The decorative paints business achieved high revenue growth in the first half of the year following the pandemic downturn in the previous year and strong-market growth continued in the second half. In addition, selling prices were increased during the year. As a result, our FY2021 revenue increased by 26% and Project revenue increased by 29% from the previous year. The industrial coatings business achieved revenue growth due to strong demand for coatings, coupled with strong demand for general industrial coatings and vendor coatings. Consequently, revenue increased by 41.4% to ¥1,871.0 billion yen.
- Operating profit decreased by 16.2% to ¥30.9 billion yen despite higher revenue, due to the deterioration of the raw material cost contribution ratio and recording a provision for potential credit losses.

**NIPEA Group**
- NIPEA China remained the market leader in both the DIY and Project businesses as the market shares increased to 27% and 9%, respectively.

**NIPEA China**
- NIPEA China has consistently achieved strong growth and steadily increased its market share every year, led by an excellent management team dedicated to the Lean for Growth (LFG) spirit and based on the following strengths: 1. High recognition of the LFG brand, 2. extensive distribution network that provides nationwide coverage, 3. world’s leading and most advanced production systems, 4. strong relationships with the top 100 real estate developers, and 5. extensive support provided to customers based on its comprehensive capabilities such as capital strength and broad product line-up. As a result, revenue increased by 96.4% and operating profit by 77.6% compared to the amounts when NIPEA China was acquired.

**Betek Boya**
- Revenue increased by 35.9% from the previous year to ¥492.2 billion yen despite the impact of the weak Turkish liras against major currencies. This growth was the result of the expansion of dealer coverage, as increases in the market share with dealers as a result of higher revenue sales and marketing activities, and selling price increases. On a local currency basis, which excludes the effects of exchange rate fluctuations, revenue grew by 53.3% from the previous year.
- Operating profit increased by 121.1% to ¥75.3 billion yen despite higher raw material prices because the strong revenue growth absorbed the higher cost of raw materials. Betek Boya’s market share increased to 34% as the company released its No. 1 market position. This accomplishment was attributable to successful activities such as the multi-brand strategy and aggressive marketing activities.

### Growth since the acquisition (FY2014)

**NIPEA Group**
- Since becoming our consolidated subsidiary in FY2014, NIPEA Group has achieved growth that significantly outperformed the market and competitors by leveraging the following strengths: 1. Strong brand recognition, 2. Competitive workforce due to a Lean for Growth (LFG) culture, 3. Strong base of supply chains and production locations, and 4. Competitive technologies.
- The strong growth at NIPEA Group has driven earnings growth of Nippon Paint Group. In addition, NIPEA Group has supported the operations and management of Betek Boya and PT Nipseas by sharing the group’s broad expertise and technologies built up in emerging-markets over the last 60 years. Due to this support, these two companies have grown faster than their acquisitions by NPHD. As a result, revenue has increased 145.0% following the acquisition and operating profit has increased 191.1%.

**NIPEA China**
- NIPEA China has consistently achieved strong growth and steadily increased its market share every year, led by an excellent management team dedicated to the Lean for Growth (LFG) spirit and based on the following strengths: 1. High recognition of the LFG brand, 2. extensive distribution network that provides nationwide coverage, 3. world’s leading and most advanced production systems, 4. strong relationships with the top 100 real estate developers, and 5. extensive support provided to customers based on its comprehensive capabilities such as capital strength and broad product line-up. As a result, revenue increased by 96.4% and operating profit by 77.6% compared to the amounts when NIPEA China was acquired.

**Betek Boya**
- Betek Boya has achieved revenue growth and market share gains that are significantly greater than before the acquisition. This is because the acquisition has allowed the company to benefit from Nippon Paint Group’s know-how in growing in emerging markets and the Nippon Paint brands. In addition, Betek Boya repaid all of its loans with high interest rates by utilizing Nippon Paint Group’s low-cost financing capability. Repaying loans allowed Betek Boya to allocate cash generated to large expenditures for marketing and other activities. As a result, revenue increased by 75.6% and operating profit by 124.1% compared with the amounts at the time of the acquisition two years ago.
### PT Nipsea (Indonesia)

FY2021 operating results (acquired in FY2021)

Revenue increased by 30.4% from the previous year to 39.5 billion yen driven by significant increases, the extension of distribution networks, the addition of more distributors, and the increase in the use of Computerized Colour Matching (CCM) machines despite the temporary slowdown of economic activities due to COVID restrictions and lockdowns. Operating profit increased by 15.7% to 11.8 billion yen due to higher revenue and the production improvement, despite higher raw material prices and sales promotion expenses.

PT Nipsea’s market share was about the same as in the previous year at 17% but the company retained its No. 2 position.

<table>
<thead>
<tr>
<th>FY2021**</th>
<th>YoY comparison**</th>
<th>Growth since the acquisition**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue**</td>
<td>¥39.5 billion</td>
<td>+30.4%</td>
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<tr>
<td>Operating profit**</td>
<td>¥11.8 billion</td>
<td>+15.7%</td>
</tr>
<tr>
<td>OP margin**</td>
<td>29.7%</td>
<td>-4.1pt</td>
</tr>
<tr>
<td>Market share*</td>
<td>17%</td>
<td>+0pt</td>
</tr>
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</table>

### Dunn-Edwards (USA)

FY2021 operating results

Revenue increased by 11.2% from the previous year to 51.7 billion yen due to solid reporting demand in every operating region centered on California and Arizona as well as multiple selling price increases to reflect higher raw material prices. Dunn-Edwards’ market share remained about the same as in the previous year at 2.5%.

Growth since the acquisition (FY2017)

After joining Nippon Paint Group, Dunn-Edwards provided its unique customer services that differentiate it from competitors combined with high-quality products. This company also increased sales of new products by opening new stores and using its existing distribution network mainly in the Southwestern U.S. by leveraging the know-how accumulated within Nippon Paint Group. As a result, revenue has increased steadily by 10.6% compared with the amount in FY2016.

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

<table>
<thead>
<tr>
<th>FY2021**</th>
<th>YoY comparison**</th>
<th>Growth since the acquisition**</th>
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</thead>
<tbody>
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<td>Revenue**</td>
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<td>+11.2%</td>
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<tr>
<td>Operating profit**</td>
<td>¥19.0 billion</td>
<td>+23.7%</td>
</tr>
<tr>
<td>OP margin**</td>
<td>10.8%</td>
<td>+0.4pt</td>
</tr>
<tr>
<td>Market share*</td>
<td>2.5%</td>
<td>+0.1pt</td>
</tr>
</tbody>
</table>

### DuluxGroup (Australia, Europe)

FY2021 operating results

Revenue in the decorative paints and paint related businesses increased from the previous year due to the recovery of the trade DIFM markets following the easing of COVID restrictions and lockdowns and due to the proactive management of selling prices. However, demand in the consumer DIY markets was weaker than in the previous year when consumer demand escalated temporarily due to the COVID pandemic. As a result, revenue increased by 16.8% from the previous year to 176.2 billion yen. Operating profit increased by 23.7% to 150 billion yen due to strong trade sales and strong discipline in managing costs to offset the impact of higher raw material prices. DuluxGroup has maintained the No. 1 market share (volume basis) in decorative paints in Australia, at approximately 50%.

Growth since the acquisition (FY2019)

In the mature Australia and New Zealand markets, DuluxGroup has grown faster than the market through its continued focus on the fundamentals of consumer insights, strategic brand marketing, innovation and customer service, complemented by a number of strategic bolt-on acquisitions. In addition, DuluxGroup is sharing its core capabilities to help drive Nippon Paint Group’s growth in the SAF (Sealants, Adhesives & Fillers) business in Asia, and is delivering on its targeted and strategic M&A agenda as demonstrated by the acquisitions of Cromatol in France and JAB in Slovenia in FY2022. These acquisitions provide a platform for future growth in mature western and central European markets.

<table>
<thead>
<tr>
<th>FY2021**</th>
<th>YoY comparison**</th>
<th>Growth since the acquisition**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue**</td>
<td>¥176.2 billion</td>
<td>+18.8%</td>
</tr>
<tr>
<td>Operating profit**</td>
<td>¥19.0 billion</td>
<td>+23.7%</td>
</tr>
<tr>
<td>OP margin**</td>
<td>10.8%</td>
<td>+0.4pt</td>
</tr>
<tr>
<td>Market share (Australia)**</td>
<td>50%</td>
<td>+0pt</td>
</tr>
</tbody>
</table>

### Japan Group (Japan)

FY2021 operating results

Revenue in the automotive coatings business increased from the previous year due to selling price increases to respond to higher raw material prices, despite lower automobile production compared to the previous year because of the shortage of semiconductor chips and disruptions of parts supplies due to the pandemic. Revenue in the decorative paints business increased in all business segments, primarily architectural paints, due to our unique sales promotion activities by leveraging our paint distribution network and aggressive new ideas for products. Revenue in the industrial coatings business increased due to the recovery in the housing, construction machinery, and agricultural machinery sectors from the previous year when demand was impacted by the pandemic.

Operating profit declined by 26.2% to 10.3 billion yen due to higher raw material prices in the 2H of FY2021 but higher revenue in the 1H of FY2021 due to recovery from the pandemic.

<table>
<thead>
<tr>
<th>FY2021**</th>
<th>YoY comparison**</th>
<th>Growth since the acquisition**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue**</td>
<td>¥164.6 billion</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Operating profit**</td>
<td>¥10.3 billion</td>
<td>-36.2%</td>
</tr>
<tr>
<td>OP margin**</td>
<td>6.3%</td>
<td>-3.7pt</td>
</tr>
</tbody>
</table>

*5 FY2017 earnings of Dunn-Edwards are for 10 months from March, when the acquisition closed, to December. Earnings changes since the acquisition are calculated using FY2018 earnings.
*6 Do It For Me
*7 Volume basis

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billion yen)</th>
<th>OP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>¥39.5</td>
<td>+30.4%</td>
</tr>
<tr>
<td>2020</td>
<td>¥30.3</td>
<td>+15.7%</td>
</tr>
<tr>
<td>2019</td>
<td>¥11.8</td>
<td>-4.1pt</td>
</tr>
<tr>
<td>2018</td>
<td>¥10.2</td>
<td>+0pt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billion yen)</th>
<th>OP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>¥44.6</td>
<td>+11.2%</td>
</tr>
<tr>
<td>2021</td>
<td>¥46.5</td>
<td>+15.8%</td>
</tr>
<tr>
<td>2020</td>
<td>¥46.5</td>
<td>+1.8pt</td>
</tr>
<tr>
<td>2019</td>
<td>¥51.7</td>
<td>+0pt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billion yen)</th>
<th>OP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>¥176.2</td>
<td>+18.8%</td>
</tr>
<tr>
<td>2020</td>
<td>¥148.3</td>
<td>+23.7%</td>
</tr>
<tr>
<td>2019</td>
<td>¥139.4</td>
<td>+57.0%</td>
</tr>
<tr>
<td>2018</td>
<td>¥175.9</td>
<td>+10.8%</td>
</tr>
<tr>
<td>2017</td>
<td>¥164.6</td>
<td>+1.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billion yen)</th>
<th>OP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>¥182.8</td>
<td>-36.2%</td>
</tr>
<tr>
<td>2020</td>
<td>¥162.0</td>
<td>-3.7pt</td>
</tr>
<tr>
<td>2019</td>
<td>¥182.6</td>
<td>-10.3%</td>
</tr>
<tr>
<td>2018</td>
<td>¥182.6</td>
<td>-164.6</td>
</tr>
<tr>
<td>2017</td>
<td>¥175.9</td>
<td>-10.3%</td>
</tr>
</tbody>
</table>
Quick decision-making enabled by the Co-President setup

Following the launch of the Co-President setup in April 2021, Nippon Paint Group has taken many actions to achieve MSV. We will continue to accelerate medium- and long-term growth through the expansion of existing businesses and aggressive M&A, leveraging the strengths of the Co-President setup.