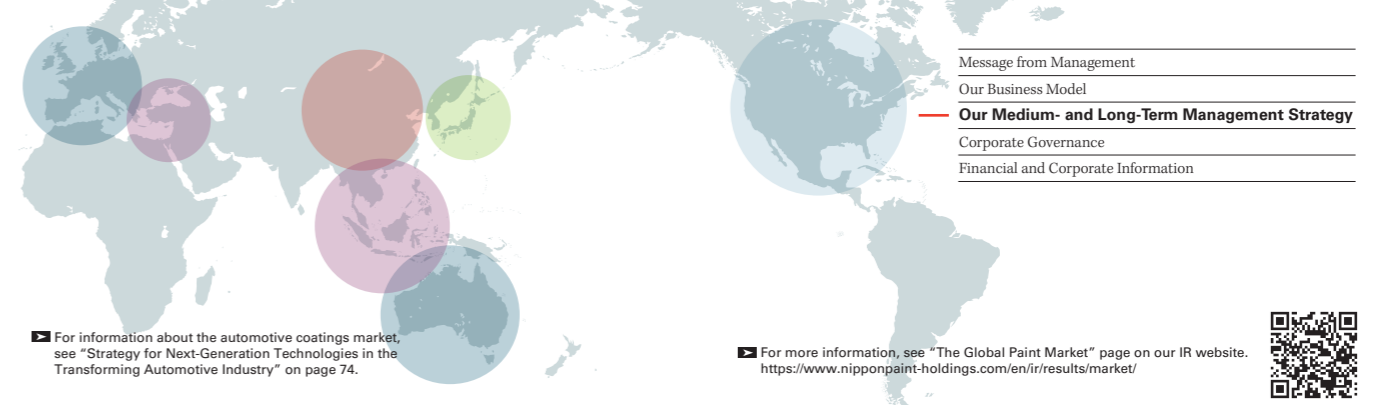


# The global paint market has strong local features and huge growth potential over the medium and long term



## China —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for the Chinese decorative paints market, see "Growth Strategy for Rapidly Growing Repainting Market in China" on page 61.

### No change in medium- and long-term growth potential

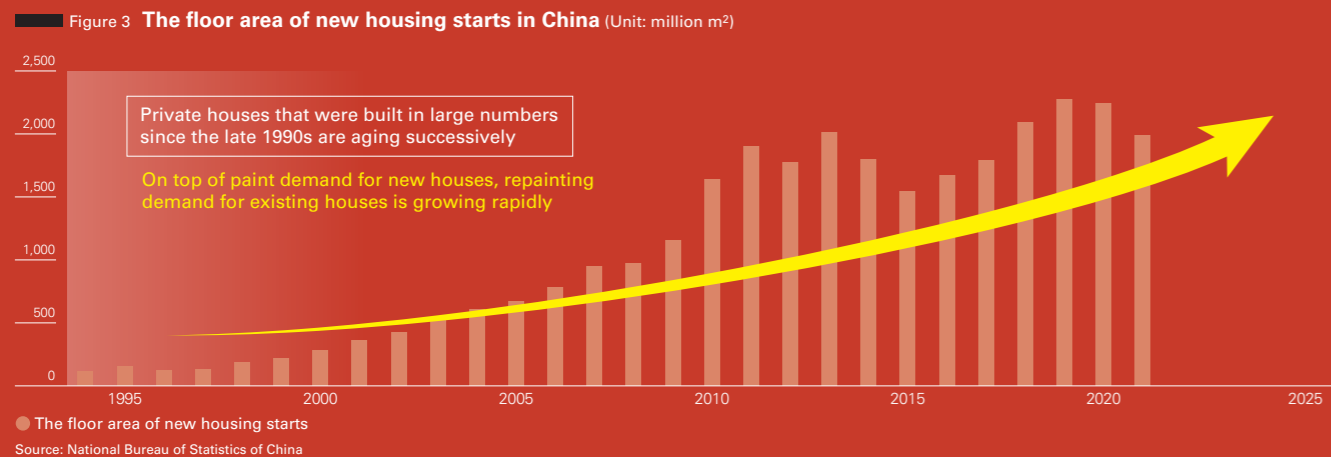
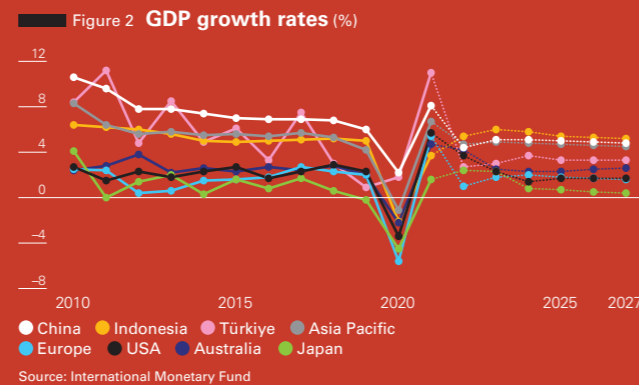
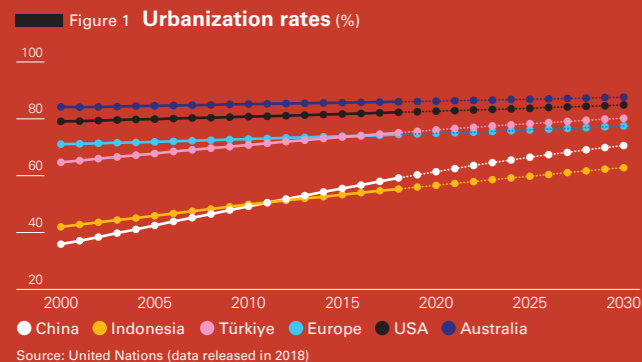
Paint demand in China is expanding as urbanization increases. The urbanization rate in China increased from around 50% in 2016 to between 60% and 70% in 2021, and is expected to continue to advance gradually (See Figure 1). Per capita paint consumption is still around one-third of the level of advanced countries. Consumption is expected to climb consistently at a GDP+α growth rate in line with the increase in disposable income as China's middle class expands (See Figure 2).

### Rapidly expanding repainting demand

In China, the real estate market gained momentum with housing reforms in 1998. Since then, an enormous number of private housing units have been built. Private houses that were built in large numbers in the late 1990s are aging. As a result, repainting demand has been growing rapidly (See Figure 3). In response to this situation, the Chinese government announced a plan in 2020 to repair, reform and redevelop old urban residential communities in 39,000 locations with 7 million households nationwide. In addition, the government established the goal of completing the renovation of residential

communities built in 2000 or earlier by the end of 2025. The government has asked residents to renovate the interiors of their homes and replace home electric appliances.

Backed by the present situation concerning existing houses and a push by the government for renovations, repainting demand is expected to continue to climb. Based on our estimates, repainting demand for existing houses is around one-third of total paint demand for housing in China and paint demand for new houses is around two-thirds. In urban areas, the rapid aging of houses has raised paint demand for existing houses to roughly the same level as paint demand for new houses.



## High-growth countries (Indonesia and Türkiye) —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for high-growth countries, see "Growth Strategy Deployment in High-Growth Countries (Indonesia and Türkiye)" on page 65.

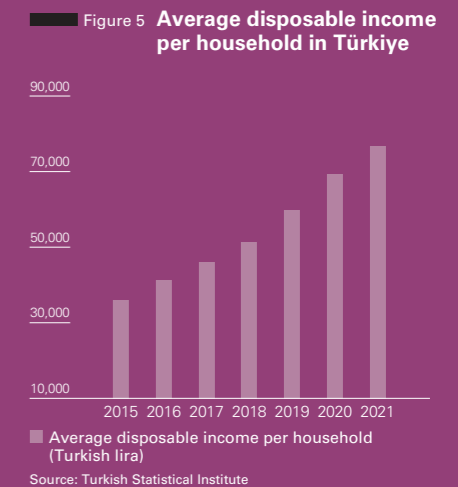
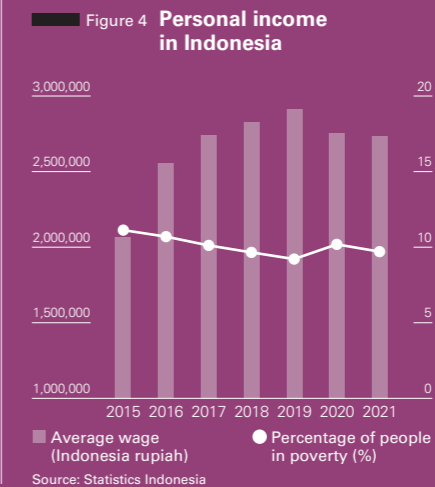
### Strong growth continues driven by GDP growth, urbanization and government economic stimulus policies

The urbanization rates in Indonesia and Türkiye increased from 53% and 74%, respectively, in 2015, to 57% and 77%, respectively, in 2021. In addition, the urbanization rates in these countries are expected to increase further, similar to the situation in China, to 63% and 80%, respectively, in 2030 (See Figure 1).

In Indonesia, paint demand is expected to grow further driven by the government's stimulus measures, including infrastructure investments accompanying the capital city relocation project. In Türkiye, market growth is expected to continue despite the high inflation caused by the depreciation of the Turkish lira against major currencies. In addition, renovation and repair demand is expected

to increase with GDP growth (See Figure 2). Disposable income in both countries has been growing steadily (See Figures 4 and 5). In line with this trend, growth is projected in the

premium market, on top of growth already taking place in the economy and standard markets. In addition, we expect growth of per capita paint consumption in these countries.



## Mature countries (Australia and Europe) —Decorative paints market

For information about Nippon Paint Group's responses and actions and growth strategy for the mature countries, see "Strategy for Mature Markets (Australia, New Zealand, PNG and Europe)" on page 67.

### Expecting market growth driven by the recovery of the housing market and GDP growth

The population of Australia has been growing steadily (See Figure 6). Private dwelling commencements declined both in Australia and Europe in 2020 due to the pandemic but a recovery has started as a result of government stimulus, albeit disrupted by supply constraints (See Figure 7).

Generally speaking, demand for decorative paints has a higher correlation to GDP growth than to private dwelling commencements as these mature markets are biased to existing home renovation and repair. Considering that GDP growth is

expected to continue in Australia and Europe, we expect that solid growth will

continue in the decorative paints market over the medium term (See Figure 2).

