

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

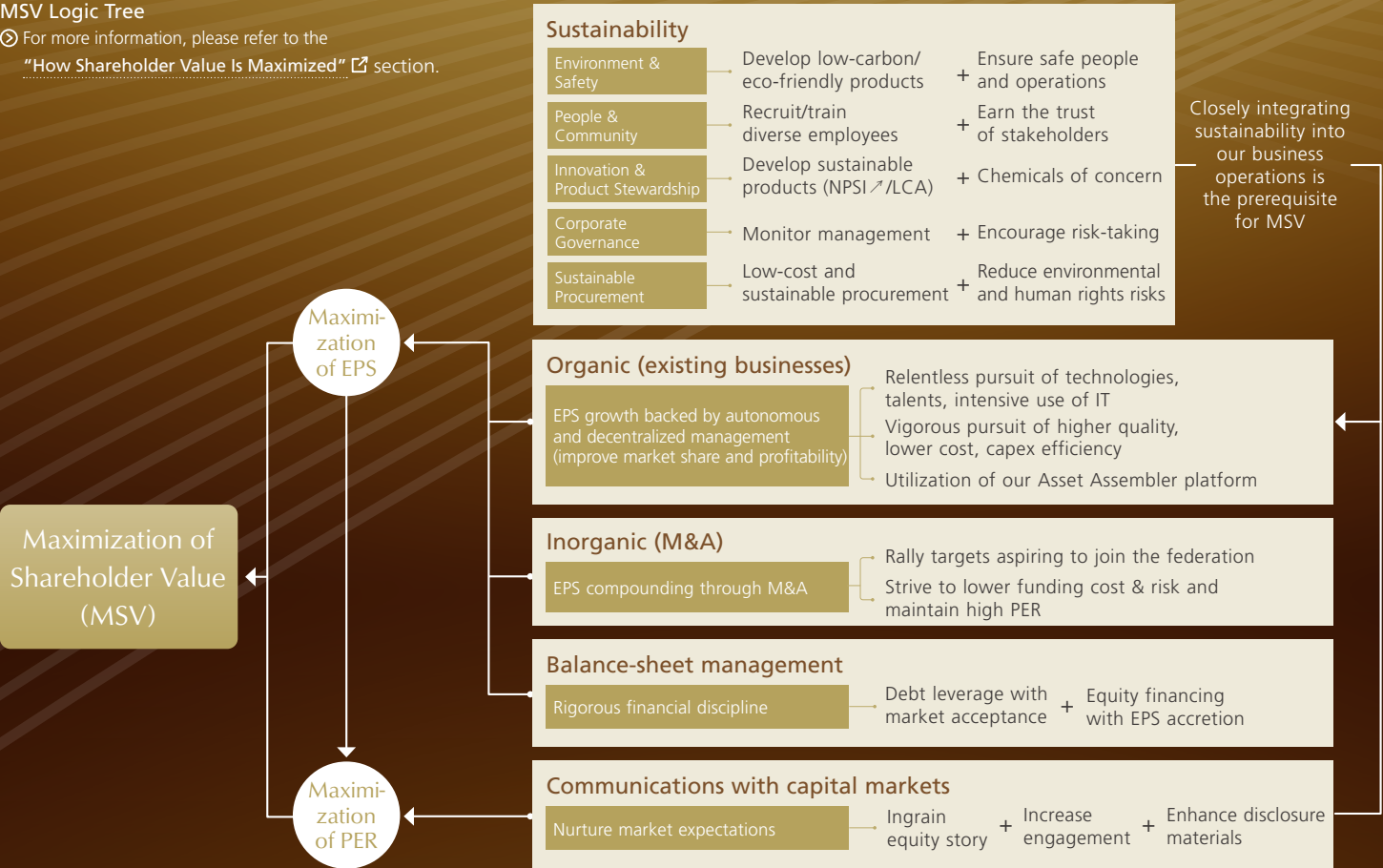
Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Our Initiatives for Maximization of Shareholder Value (MSV)

- 16 Maximization of Shareholder Value (MSV)
- 17 Asset Assembler Model
- 18 Autonomous and Decentralized Management
- 19 How Shareholder Value Is Maximized
- 20 Three Key Investor Questions About Our Asset Assembler Model
- 21 Our Platform That Underpins Autonomous and Decentralized Management
- 23 Sustainability as the Prerequisite for MSV
- 25 Stock-Price Conscious Management

MSV Logic Tree
🕒 For more information, please refer to the [“How Shareholder Value Is Maximized”](#) section.



Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions
About Our Asset Assembler Model

Our Platform That Underpins Autonomous and
Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and
Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

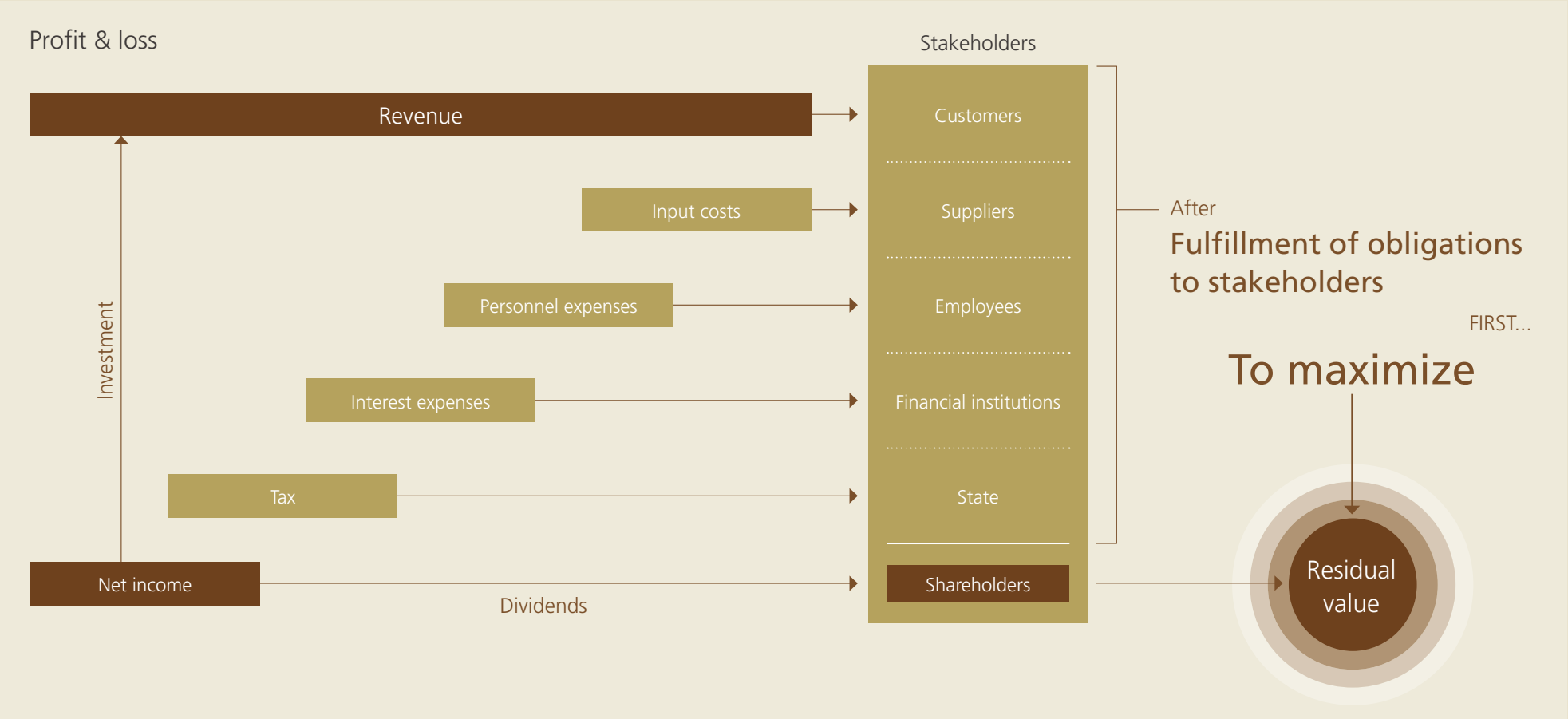
Maximization of Shareholder Value (MSV)

Unlocking the unlimited upside of shareholder value

We pursue Maximization of Shareholder Value (MSV) as our sole mission.

The diagram below shows stakeholder relationships using a profit and loss statement. Fulfilling our obligations to all stakeholders first and foremost is the primary premise. These obligations include not only legal ones but also social, ethical and sustainability obligations.

MSV is about maximizing residual value after fulfilling our obligations to all stakeholders. While obligations to stakeholders have upper limits, residual shareholder value has none.



🕒 For detailed examples of how we fulfill our obligations to stakeholders, please refer to the [“Our Sole Mission: Maximization of Shareholder Value \(MSV\)”](#) [📄](#) section on our website.

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions

About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

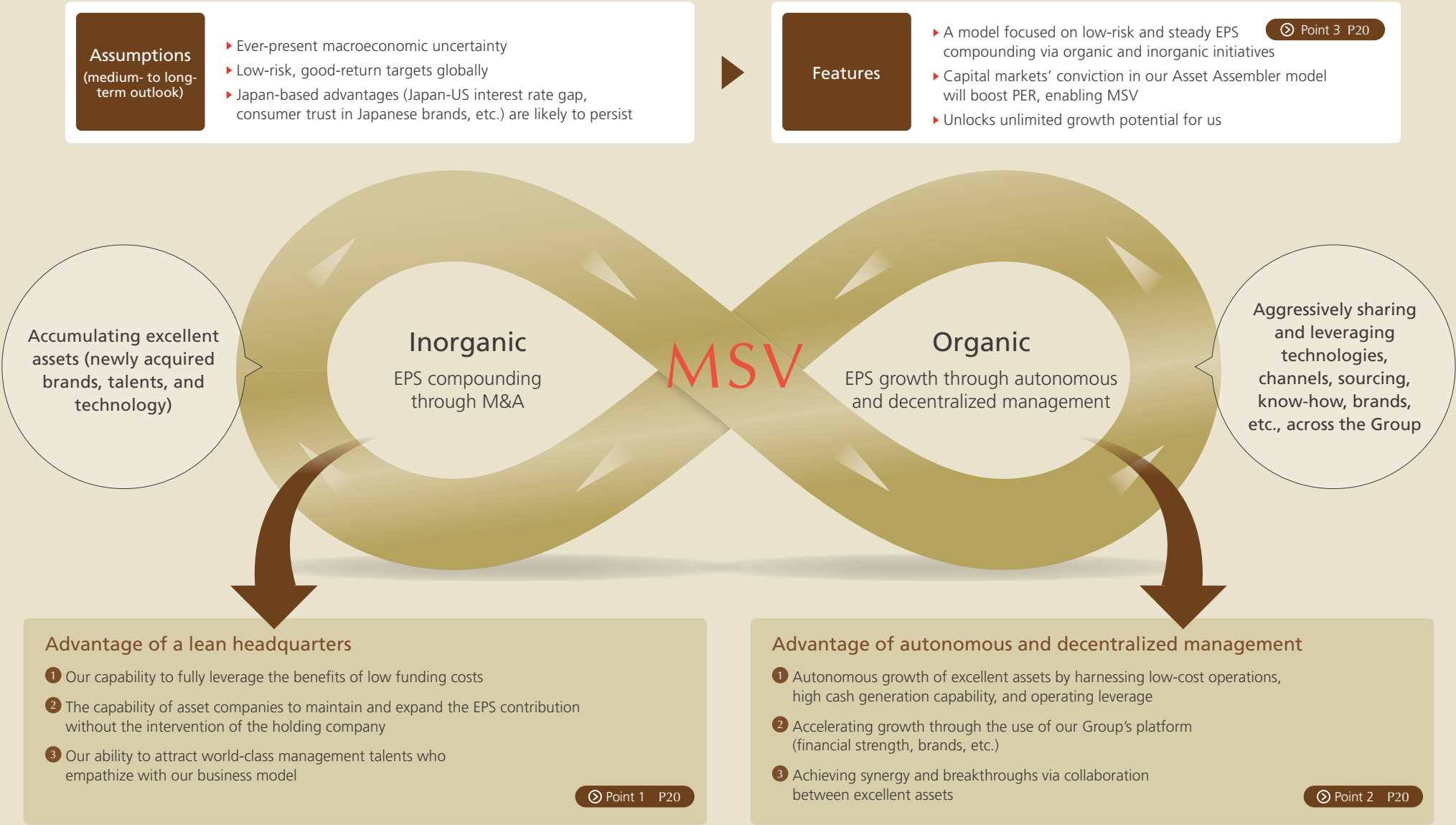
Execution of Autonomous and Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

Asset Assembler Model

Compounding EPS via organic and inorganic initiatives towards MSV



Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions
About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

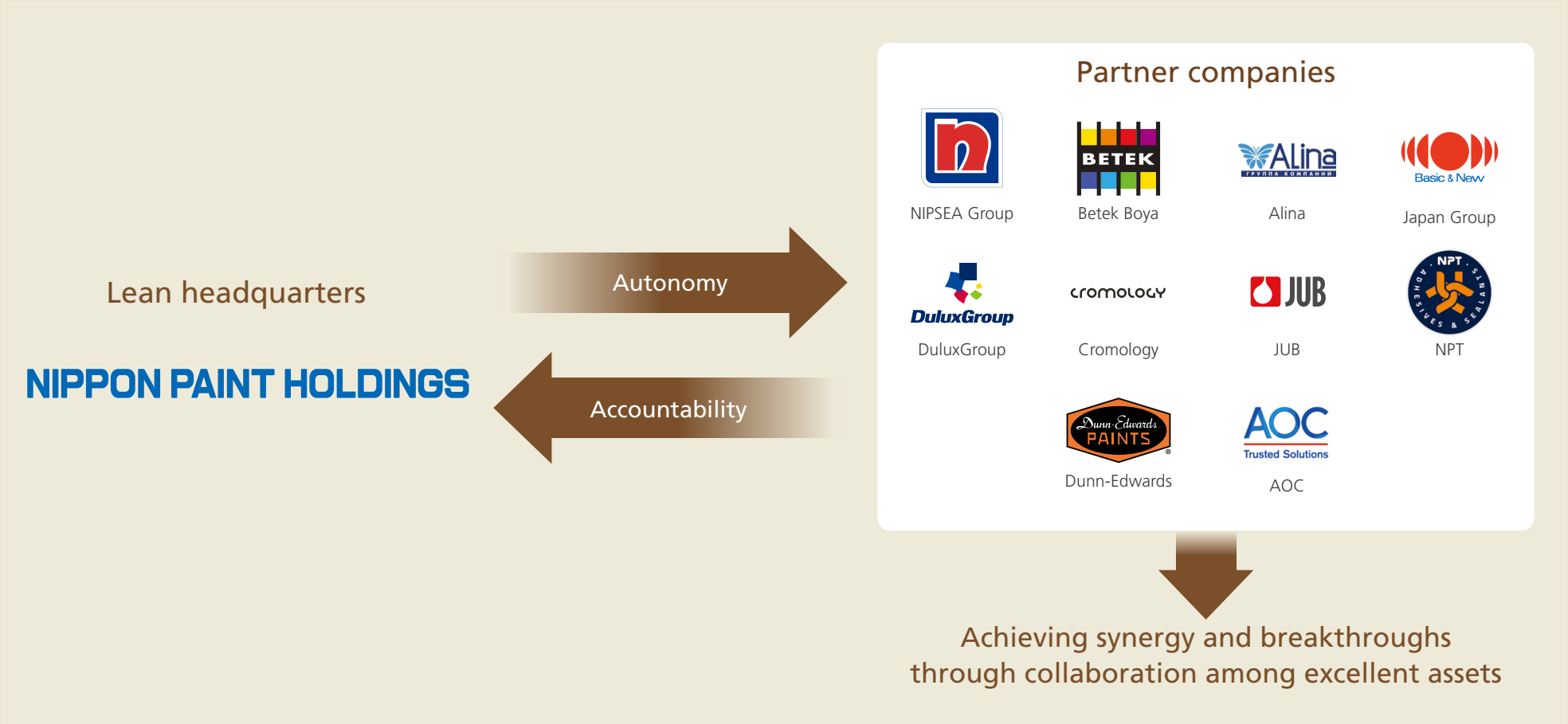
Autonomous and Decentralized Management

Sustainable EPS compounding anchored in autonomy and accountability

Our Group employs a unique autonomous and decentralized management framework to achieve MSV. This framework empowers management teams in each region and business segment to make swift and flexible decisions. Its greatest strength is the ability to allow us to exercise agility and competitiveness in a rapidly changing business environment.

At the core of autonomous and decentralized management are the values of autonomy and accountability. By granting a high degree of discretion to the management teams of each partner company while holding them accountable for outcomes, we promote prompt, agile, and autonomous decision-making, while maintaining a flexible level of control as a Group.

The balance between autonomy and accountability is the key to recruiting and retaining exceptional talents and strengthening competitiveness, and serves as the driving force behind sustainable EPS compounding.

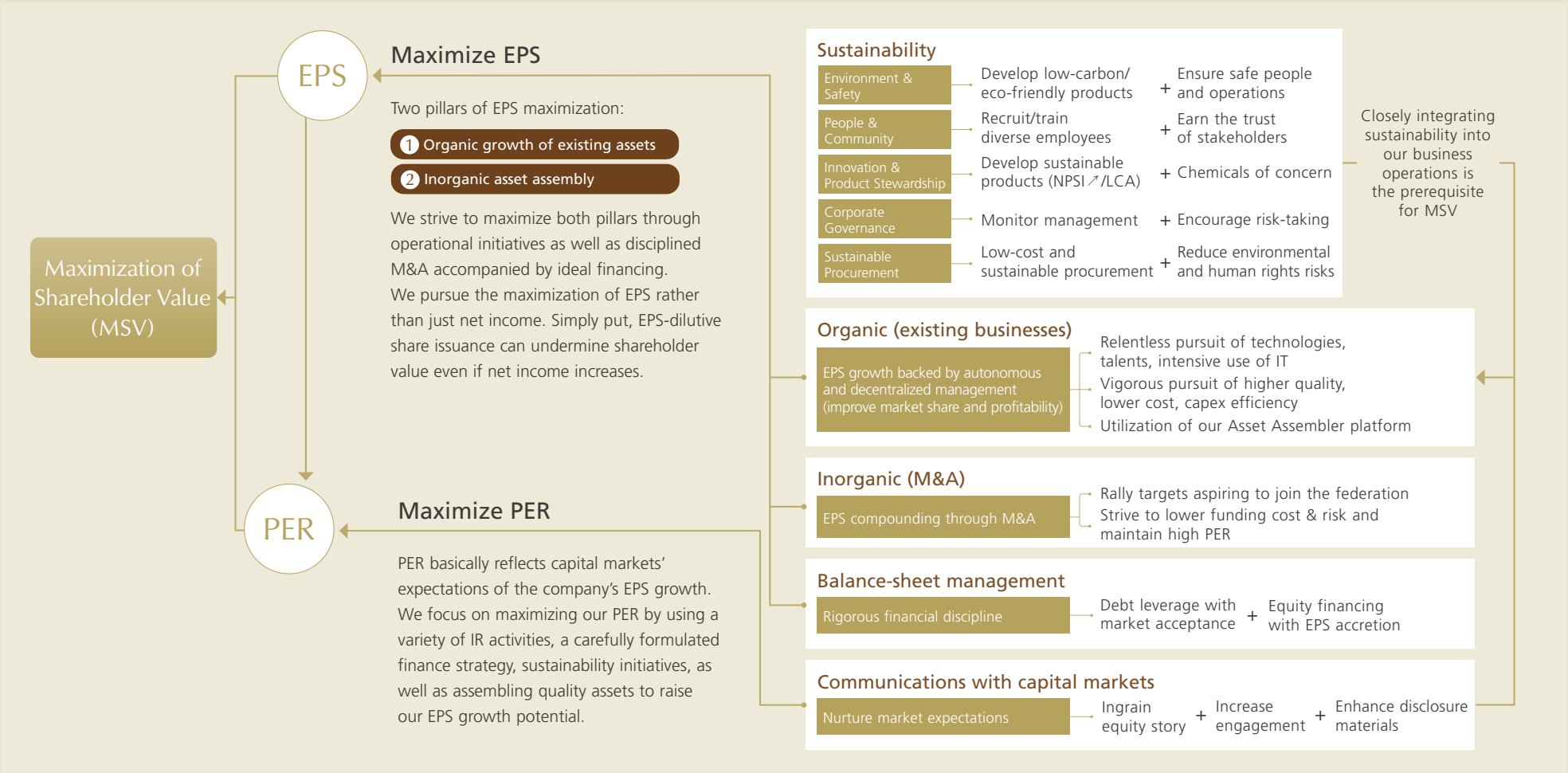


How Shareholder Value Is Maximized

Pursuing the maximization of both EPS and PER for MSV

Stock price equates to EPS (earnings per share) multiplied by PER (price-to-earnings ratio). We aim to maximize both EPS and PER through the execution of strategic initiatives in pursuit of MSV.

MSV Logic Tree



Three Key Investor Questions About Our Asset Assembler Model

Frequently asked investor questions and our perspectives

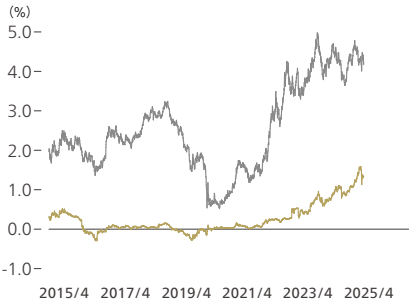
Point 1

Can the Asset Assembler model, particularly for inorganic growth initiatives, maintain its competitive advantage even if interest rates in Japan rise further?

We have both the capability and a strong will to leverage the benefits of low funding costs in Japanese yen. Even if interest rates in Japan rise, we believe our relative advantage will remain secure as long as the rise is within expectations. In addition, the trust we have built as a Japanese corporation, combined with our emphasis on respecting the brands and autonomy of management teams at acquired companies, represents a significant strength supporting our M&A strategy.

10-year yield on Japanese yen/US dollar bonds

— Japan's 10-year government bond yield
— 10-year yield on US dollar bonds



Our debt composition (as of the end of 2024)

Average maturity: 2.8 years

Average interest rate: 0.48%*

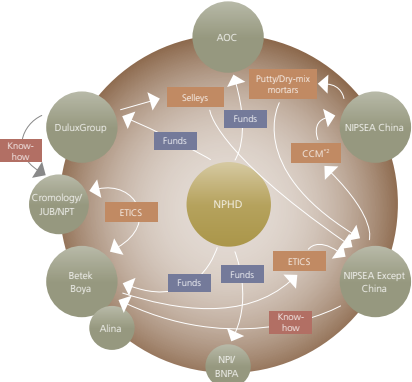
* Average interest rate of our long-term debt

Point 2

Under autonomous and decentralized management, how do you foster collaboration and synergy among partner companies?

We have established a system that enables our partner companies to learn from one another autonomously and voluntarily by leveraging the Group platform to share best practices and success cases, all while respecting the autonomy of our exceptional partner companies. Through these interactions, partner companies exchange technologies, brands, expertise, operational know-how, and management practices, creating an open and uninhibited environment for collaboration and synergy across the Group.

EPS growth by leveraging our platform

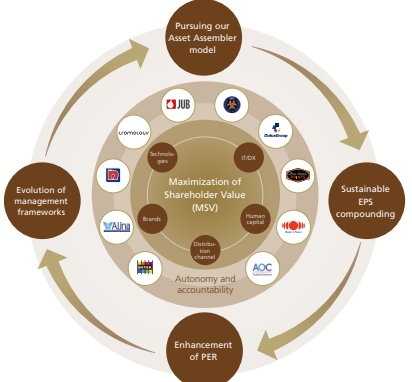


Point 3

Is the Asset Assembler model versatile enough to function effectively after a transition to the next generation of management?

Our Asset Assembler model is not a management scheme reliant on specific individuals but a systematic and replicable model that enables sustainable EPS compounding through both organic and inorganic initiatives. On the organic side, growth is achieved through autonomous and decentralized management, where the authority to operate local businesses is delegated to the management teams of partner companies. On the inorganic side, growth is driven by the accumulation of good assets that contribute to MSV, adhering to rigorous acquisition criteria designed to minimize risk.

MSV Journey



Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions
About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

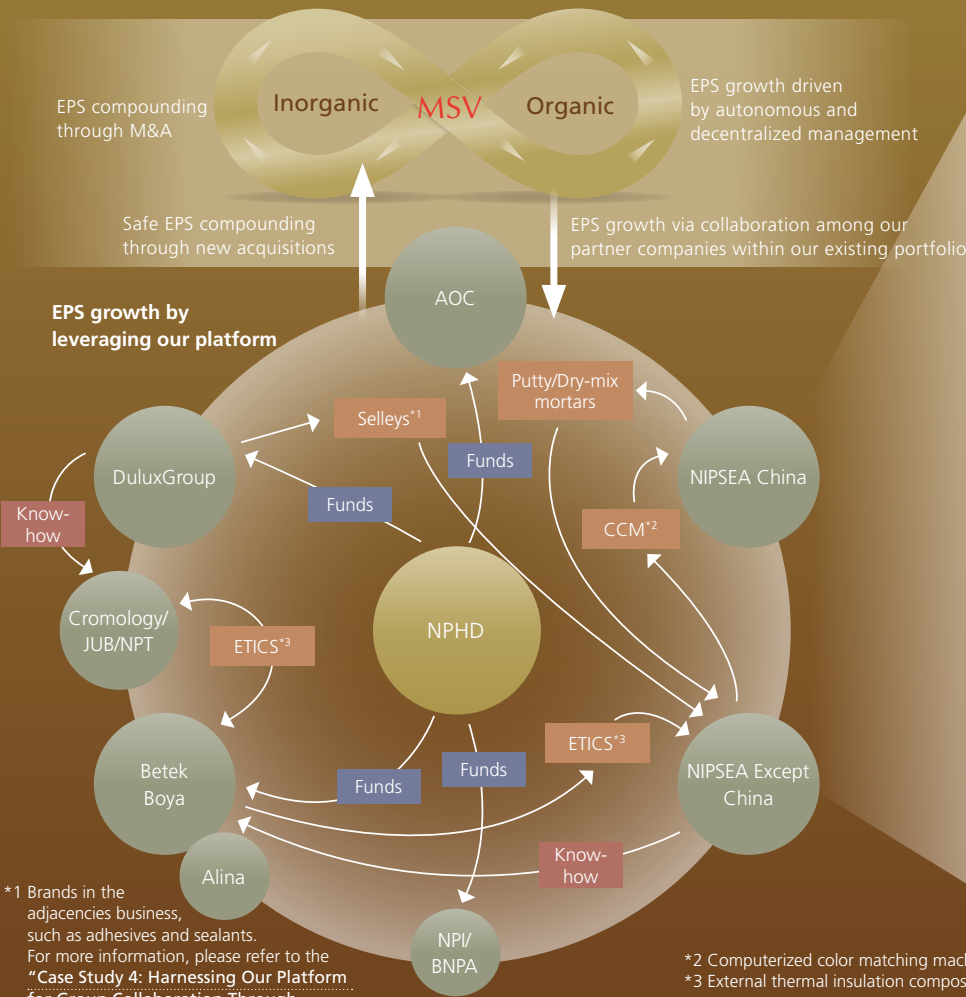
Governance in Support of Risk-Taking

Corporate Information

Our Platform That Underpins Autonomous and Decentralized Management

Under our autonomous and decentralized management approach, each partner company proactively harnesses the management resources within our Group platform, such as financial strength, technological capabilities, and brand equity, and strives for growth and occasionally learns from one another voluntarily.

Asset Assembler model P17



*1 Brands in the adjacencies business, such as adhesives and sealants. For more information, please refer to the "Case Study 4: Harnessing Our Platform for Group Collaboration Through the Selleys Brand" section.

*2 Computerized color matching machine
*3 External thermal insulation composite system

Management resources leveraged and shared through the Group platform

	Human capital	Manufactured capital
Importance of management resources	Talents/organizations In the paint market, characterized by local production for local consumption and versatile applications, it's essential to have excellent management teams, diverse talents, and robust organizational capabilities that enable us to accurately grasp societal challenges and customer needs, and swiftly provide effective solutions.	Technologies Advanced technologies are essential for enhancing our competitive advantage by fostering innovations that address societal challenges and customer needs and facilitating stable product supply, among other benefits.
Example of management resources and updates	Ratio of overseas employees (global) 87.0% (2019) → 91.0% (2024) Ratio of women in managerial positions (global) 23.8% (2020) → 24.9% (2024) Ratio of female employees (global) 24.0% (2020) → 26.6% (2024)	Number of engineering talents (global) 3,545 (2019) → c.4,200 (2024) Number of factories (global) 119 (2019) → 174 (2024) Number of registered patents (global) 1,000 (2021) → 1,600 (2024)
Particularly relevant Materiality	Diversity & Inclusion Safe people and operations	Climate change Resources and environment Innovation for a sustainable future
Management resource enhancements and utilization in the Medium-Term Strategy	Creating a workplace environment that allows diverse people to play an active role Accepting reforms and changing workstyle Embedding the Global Code of Conduct	Cultivating engineering talents Stepping up R&D activities Maintaining and reinforcing production facilities
	Human Resource Strategy P57 Case Study 5: Driving Employee Engagement Across the Japan Group P61	R&D Strategy P63

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions

About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

Our Platform That Underpins Autonomous and Decentralized Management

Management resources leveraged and shared through the Group platform

	Social and relationship capital		Intellectual capital	Financial capital	Natural capital
	External partners	Customer base	Brands/know-how	Financial base	Nature/environment
Importance of management resources	Collaborations and partnerships with external partners are essential for providing high-quality products and services to customers worldwide, driving innovative solutions to societal challenge		Customers and consumers highly value the trustworthiness of products and services. As a testament to this trust, corporate and product branding is an indispensable resource for operating a diverse range of businesses globally		As a corporate group operating in the paint and adjacencies businesses, resources such as raw materials, electricity, and water are indispensable and are also critically important from a sustainability perspective
Example of management resources and updates	▶ Number of IR meetings (global)	▶ Number of retail outlets (NIPSEA China)	▶ Number of key brands (global)	▶ Operating cash flows (consolidated)	▶ GHG emissions (Scope 1 and 2; global)
	281 (2019) ▶ 806 (2024)	c.50,000 (2019) ▶ c.260,000 (2024)	31 (2019) ▶ 53 (2024)	¥92.1 bn (2019) ▶ ¥167.4 bn (2024)	54.0kg/ton of production (2019) ▶ 45.0kg/ton of production (2024)
	▶ Of which, Co-President as speaker (global)	▶ Number of CCMs (NIPSEA China)	▶ Top of Mind rating (NIPSEA China)	▶ Net D/E ratio (consolidated)	▶ Ratio of hazardous waste (global)
Particularly relevant Materiality	253 (2021) ▶ 322 (2024)	c.3,000 (2019) ▶ c.20,000 (2024)	51% (2019) ▶ 51% (2024)	0.56x (2019) ▶ 0.30x (2024)	45% (2019) ▶ 40% (2024)
	▶ Shareholding of the majority shareholder Wuthelam Group (private company)	▶ No.1 market share in decorative paints (global)	▶ Brand award recognitions in Australia (DuluxGroup brands)	▶ Total equity (consolidated)	▶ Water consumption (global)
	14.5% (2013) ▶ 58.7% (2024)	8 countries (2019) ▶ 14 countries (2024)	1st place (2021) ▶ 1st place (2024)	¥688.0 bn (2019) ▶ ¥1,610.2 bn (2024)	0.44kL/ton of production (2019) ▶ 0.48kL/ton of production (2024)
Management resource enhancements and utilization in the Medium-Term Strategy	▶ Climate change	▶ Climate change	▶ Resources and environment	▶ Climate change	▶ Climate change
	▶ Resources and environment	▶ Growth with communities	▶ Safe people and operations	▶ Resources and environment	▶ Resources and environment
	▶ Safe people and operations	▶ Innovation for a sustainable future	▶ Growth with communities	▶ Growth with communities	▶ Innovation for a sustainable future
	▶ Growth with communities		▶ Innovation for a sustainable future	▶ Innovation for a sustainable future	
	▶ Innovation for a sustainable future				
	▶ Active open innovation activities with universities, research institutions, automobile manufacturers, and other external partners	▶ Developing distribution channels that enable us to supply products to consumers worldwide	▶ Promoting advertising, marketing, and social contribution activities	▶ Strict adherence to financial discipline	▶ Declaration of support for the TCFD and expansion of climate change-related measures and information disclosure
	▶ Facilitating engagement with investors and other stakeholders	▶ Increasing strategic partnerships with property developers	▶ Sharing and accumulating expertise and know-how through our platform	▶ Prioritizing debt finance and maintaining leverage capacity	▶ Sustainable use of resources and protection of environment/biodiversity
	▶ Advancing and deepening the partnership with Wuthelam Group	▶ Developing strong trust relationships with automobile manufacturers and other customers	▶ Holding AYDA Awards international architectural and interior design competition	▶ Developing a global base of investors	▶ Mitigating environmental impact through the development of sustainable products
	⌚ Stock-Price Conscious Management P25	⌚ Autonomous and Decentralized Management: Practical Perspectives Presented by Co-President Wee P40	⌚ Case Study 2: Leveraging Brand Power for Market Leadership (NIPSEA China Business Strategy) P43	⌚ Our Finance Strategy Presented by Co-President Wakatsuki P30	⌚ Environmental Strategy P53
		⌚ Case Study 4: Harnessing Our Platform for Group Collaboration Through the Selleys Brand P51	⌚ Case Study 3: Growth Strategies in Mature Markets (DuluxGroup Business Strategy) P48		

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions
About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

Sustainability as the Prerequisite for MSV

We believe that fulfilling our obligations to customers, suppliers, employees, society and other stakeholders is the premise for all initiatives for the maximization of EPS and PER. We use a medium- to long-term perspective for monitoring a broad range of risks and opportunities involving Materiality. At the same time, we are working to turn these risks and opportunities to creating innovations that support growth strategies based on our Asset Assembler model while watching for changes in Materiality. By taking these actions, we aim to achieve MSV by expanding earnings (maximizing EPS) and raising market expectations (maximizing PER) for Nippon Paint Group.

Autonomous sustainability structure

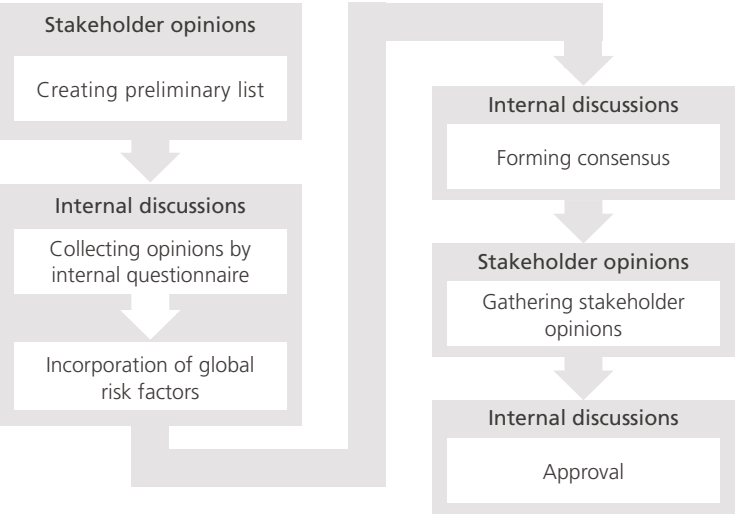
Under the leadership of the Co-Presidents, five sustainability teams were established. Based on autonomous and decentralized management that emphasizes the autonomy of all partner companies, the five teams are conducting global activities primarily led by business leaders with considerable expertise involving the areas of responsibility of each team.

Basic Policy on Sustainability

Nippon Paint Group recognizes an opportunity for sustainable growth from taking actions such as protecting natural capital including the environment, enhancing human resources by embracing diversity, and creating innovation with social benefits. Our group partner companies autonomously develop sustainability strategies and conduct business activities. Furthermore, we identify risks and opportunities related to Materiality based on sound group governance with the sole mission of Maximization of Shareholder Value (MSV) after adequately fulfilling our legal, social and ethical obligations to customers, suppliers, employees, society and other stakeholders.

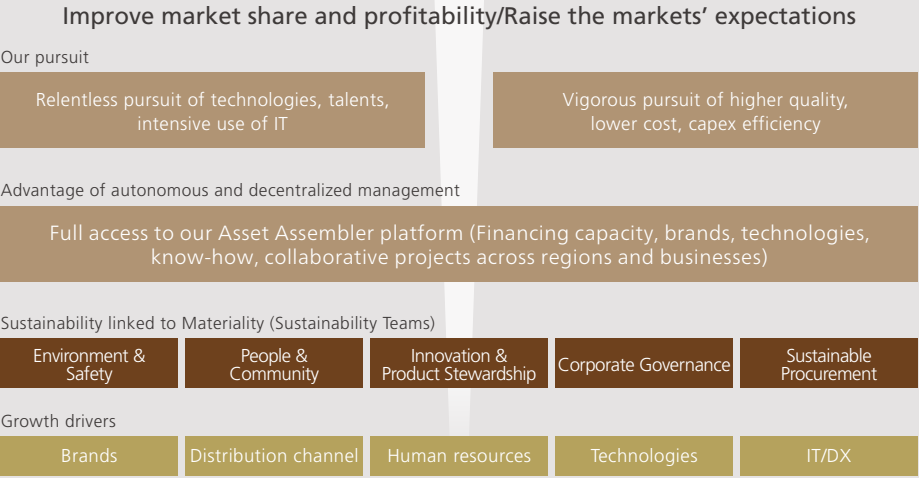
For more information, please refer to the “Sustainability Management” section on our website.

Materiality identification process



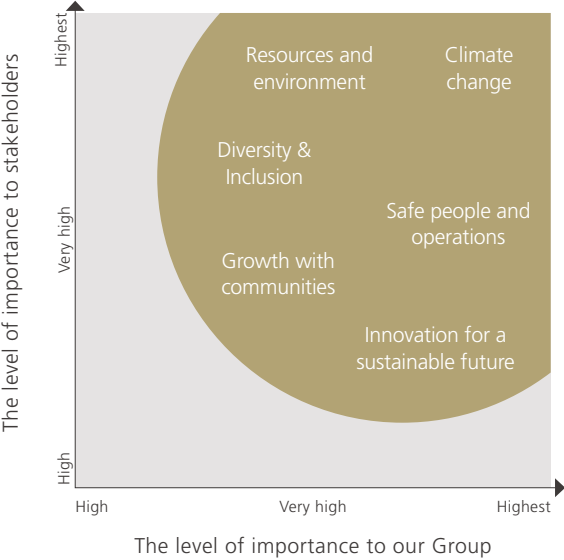
For more information, please refer to the “Sustainability linked to materiality” section on our website.

MSV (EPS Maximization × PER Maximization)



Materiality map

* Last reviewed in January 2023



Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions

About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

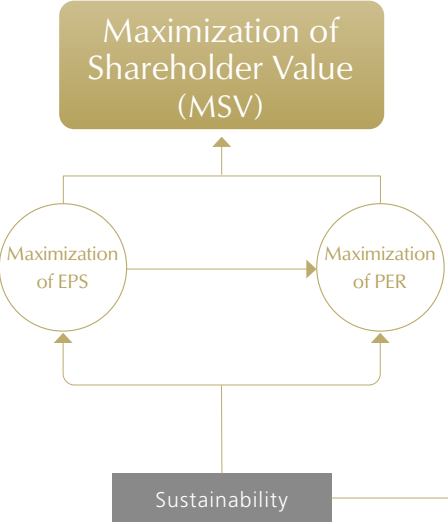
Governance in Support of Risk-Taking






























Corporate Information

Sustainability as the Prerequisite for MSV

MSV Logic Tree

🕒 For more information, please refer to the “How Shareholder Value Is Maximized” [🔗](#) section.



Team	Our pursuit	Materiality	Relevant SDGs
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Climate change Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.	  
		Resources and environment Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain.	    
		Safe people and operations There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high-consequence risks.	  
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Diversity & Inclusion Respect for the people around us, respect for human rights and active acceptance of diverse values are important for our sustainable growth. We value diversity of ideas and thinking to foster innovation and growth.	   
		Growth with communities We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.	    
Innovation & Product Stewardship	Develop sustainable products (NPSI / monitor LCA) + Chemicals of concern	Innovation for a sustainable future In today's society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.	   
Corporate Governance	Monitor management + Encourage risk-taking	All Materiality categories*	 
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	All Materiality categories*	  

* Focused on activities not only tied to specific Materiality categories but also spanning all Materiality categories

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions
About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

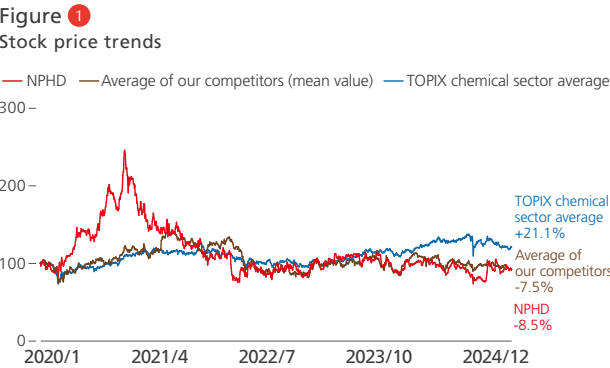
Stock-Price Conscious Management

Our stock price as a defensive/growth stock

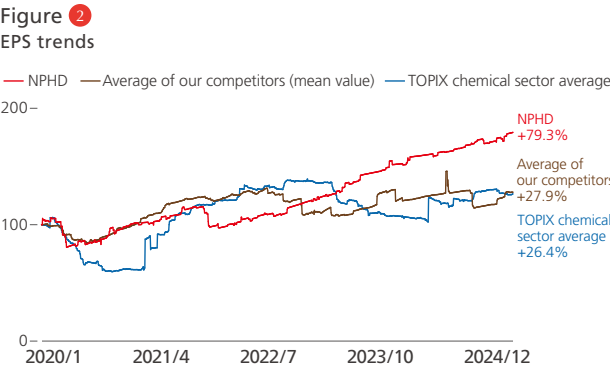
We are pursuing MSV, our sole mission, through the maximization of EPS and PER. We practice management with a stock-price consciousness, which is the outcome of our MSV pursuit.

Over the past five years, we have steadily compounded EPS through both organic and inorganic initiatives, and our EPS has significantly outperformed both the TOPIX chemical sector average and the average of our competitors. However, our stock price declined from 2021 to 2022 despite the growth in EPS, and we carried out an analysis in last year's Integrated Report 2024, taking into account macroeconomic factors, sector trends, and our own analysis of stock price trends.

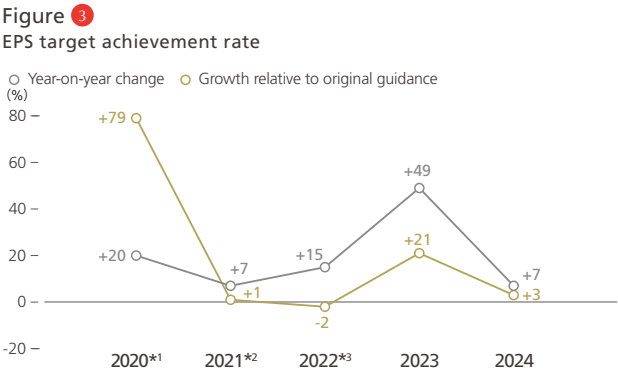
This year, in light of the uncertain macroeconomic environment prevailing in recent years, we analyzed our stock from the perspective of its characteristics as both a defensive and growth stock.



*1 Source: FactSet, Bloomberg
*2 The stock prices were indexed with the closing price on January 1, 2020 as 100
*3 The average of competitors is the average of indexed stock prices of Sherwin-Williams, BASF, Asian Paints, PPG, AkzoNobel, Berger Paints, Axalta Coating Systems, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon Technology



*1 Source: FactSet, Bloomberg
*2 The stock prices were indexed with the closing price on January 1, 2020 as 100
*3 The competitor average is based on the average of stock prices of the following companies, each indexed to 100 at the start of 2020: Sherwin-Williams, BASF, Asian Paints, PPG, AkzoNobel, Berger Paints, Axalta Coating Systems, SKSHU Paint, Kansai Paint, TOA Paint, and Asia Cuanon Technology



*1 Original guidance announced in May 2020; EPS was calculated using the number of shares after stock split
*2 Guidance revised downward at mid-term (Factors) COVID, raw material inflation, chip shortage, etc.
*3 Guidance revised downward at mid-term (Factors) Increase in provision in China, hyperinflationary accounting in Türkiye, etc.

Analysis results

Figure 1 2 : Over the past five years, our EPS has outperformed both the TOPIX chemical sector average and the average of our competitors, increasing by 79.3%. While our PER is not low in absolute terms, its rate of change has been declining compared to benchmarks, and our stock price has been underperforming both the TOPIX chemical sector average and the average of our competitors.

We believe that the main factors contributing to this decline in PER are: (1) market anxieties over China-related risks, (2) an underestimation of our growth potential, and (3) our aggressive M&A strategy being evaluated as high risk. We are working to alleviate these concerns and evaluations.

Figure 3 : One clear indication of the soundness of our assets is that, although various events occur within our broad business portfolio, we have consistently delivered solid results overall. Even amid a highly volatile business environment — including a sharp rise in raw material prices in 2021, as well as the recording of provisions in China and the application of hyperinflationary accounting in Türkiye in 2022 — we have continued to achieve year-on-year EPS growth. This consistent performance highlights our strength as a growth stock. Furthermore, we have largely achieved the original guidance over the past five years. This demonstrates that our Asset Assembler model, which enables low-risk and sustainable EPS compounding, also provides the characteristics of a defensive stock — one that is less susceptible to shifts in the macroeconomic environment.

Our Initiatives for Maximization of Shareholder Value (MSV)

Maximization of Shareholder Value (MSV)

Asset Assembler Model

Autonomous and Decentralized Management

How Shareholder Value Is Maximized

Three Key Investor Questions

About Our Asset Assembler Model

Our Platform That Underpins Autonomous and Decentralized Management

Sustainability as the Prerequisite for MSV

Stock-Price Conscious Management

Medium-Term Strategy

Execution of Autonomous and Decentralized Management

Governance in Support of Risk-Taking

Corporate Information

Stock-Price Conscious Management

Our approach to PER maximization

“We appreciate your strategy, but at the end of the day, what really matters is whether the share price rises.” We sometimes receive such feedback from investors, which is indeed reasonable. In order to reward shareholders who have invested in us because they empathize with our strategy, we are actively taking initiatives to close the valuation gap. Initiatives to maximize PER are synonymous with stock-price conscious management. Accordingly, we will continue to build a solid track record of sustainable EPS compounding through organic and inorganic initiatives. At the same time, we are committed to restoring market confidence, which is reflected in PER, by sharing our future growth vision with the capital markets and earning the conviction of our investors in our management.

As outlined in the Integrated Report 2024, we have implemented three concrete measures: (1) analyzing the perception gap in capital markets, (2) fostering a deeper understanding of our business model and track record, and (3) enhancing opportunities for investor engagement while enriching our disclosure materials. We believe that deepening investor understanding of the three areas outlined to the right is especially important.

Following the adoption of the Co-President structure in 2021, we have developed a 10-year roadmap that covers net profit, M&A-related numbers, financial KPIs, and other key benchmarks, while updating it from time to time. This roadmap is based on simulations using a variety of variables to project how we can safely and sustainably execute M&A and maximize

shareholder value. Our management is confident that this roadmap is fully achievable.

The diagram below illustrates some of these concepts. Figure 4 presents our vision for sustainable EPS compounding through both organic initiatives and M&A, while Figure 5 outlines the key factors we believe are necessary to enhance PER. With respect to PER maximization, our goal is not to reach unprecedented levels, but rather to restore PER as quickly as possible to the levels attained in the recent past.



Figure 4
EPS track record

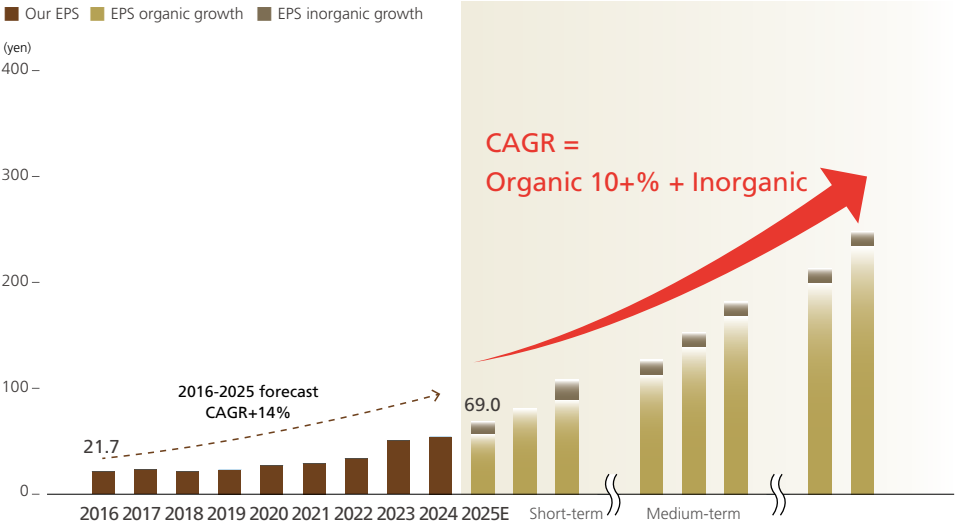


Figure 5
PER track record

