Nippon Paint Group New Medium-Term Plan (FY2021-2023)
Presentation Summary March 5, 2021

Thank you for attending this presentation despite your busy schedule. I am Masaaki Tanaka, President and CEO of Nippon Paint Holdings.

Today I will explain the Nippon Paint Group's new three-year Medium-Term Plan that started in FY2021.

Due to the COVID-19 pandemic, we decided to hold this presentation as a webinar. Thank you for your understanding.

Today, I will explain the following seven items.

Our new Medium-Term Plan is based mainly on the following three policies.

Firstly, the plan was created with the significant involvement of the management teams of our partner companies. The aim is to clarify accountability and enhance the sense of involvement among our partner companies in order to maximize the Group's comprehensive power and increase prospects for the plan's success.

Secondly, we determined our "Purpose" concurrently with the new Medium-Term Plan. The Purpose defines the Nippon Paint Group's shared identity while respecting management autonomy at partner companies based on their own Mission, Vision, and Value. The Nippon Paint Group, which consists of diverse members, is dedicated to conducting business operations based on the shared values ingrained in the Purpose.

Thirdly, the positioning of the Medium-Term Plan. Donald Farquharson of Baillie Gifford, a global investment management firm, made the following statement in a newspaper interview: "Japanese companies should run their businesses with a longer term perspective. Three-year medium-term management plans are too short and rigid. They should always look at the next five years and update their management goals according to the actual business conditions." I totally agree with him. In today's rapidly changing business environment, including the digital revolution and rise of environmental issues, I believe companies should boldly respond to changes in the business environment by always looking ahead five to ten years. Therefore, I believe it is appropriate to position the three-year Medium-Term Plan as a milestone for three years based on this approach.

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1-2. N-20 (FY2018-2020) Review (1)

1. Business expansion through acquisitions in Oceania, Turkey and Indonesia
2. Completing the nearly 60-year partnership with Wuthelam, thereby building foundation for sustainable growth
3. Introducing advanced governance structures ensuring the protection of interests of minority shareholders
4. Synergy creation and top-level management partnerships across group entities through Spider Web Management
5. Commencement of globally integrated operations of the automotive coatings business (NPAC)

- ✓ We steadily strengthened our organizational framework for a future sustainable growth
- ✓ We achieved record-high revenue and operating profit in FY2020 despite the COVID-19 pandemic
- ✓ Investments for DX transformation and ESG engagement to ensure sustainable growth remain challenges to be addressed

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1-3. N-20 (FY2018-2020) Review (2)

Although revenue and operating profit reached record highs in FY2020, OP margin was below the projected target due to the impact of COVID-19. Key challenges in the new Medium-Term Plan are to improve sustainability and profitability margins in the medium to long term

(Billion yen)	FY2017 Results	FY2020 N-20 Plan	FY2020 Results
Revenue	610.2※	750.0	781.1
Operating Profit	85.4	105.0	86.9
OP margin	14.0%	14.0%	11.1%

※ Reconciled to International Financial Reporting Standards (IFRS)

N-20 Review and Challenges

- ✓ Completed two M&A projects (DuluxGroup/Betek Boya) and achieved strong growth in Asia business
- ✓ Strengthened management, business and financial bases looking ahead to the new Medium-Term Plan, including the introduction of governance structures securing minority shareholders' interests, the acquisitions of 100% ownership of the Asian JV stakes and Indonesian business, and the establishment of NPAC, amongst others
- ✓ Although our operating profit margin reached 13.8% in FY2018, targets were not achieved in both FY2019 and FY2020 due to respectively impairment losses and the impact from COVID-19. Revenue growth and profit margin improvement are challenges to be addressed in the new Medium-Term Plan
- ✓ Finding new business opportunities through ESG engagement and the efforts towards carbon neutral emissions are underway; these remain priority challenges to be addressed in the new Medium-Term Plan
- ✓ The effects of conservative capital expenditures to secure earnings have resulted in aging facilities, requiring us to systematically implement capital expenditures including in DX transformation to address this problem

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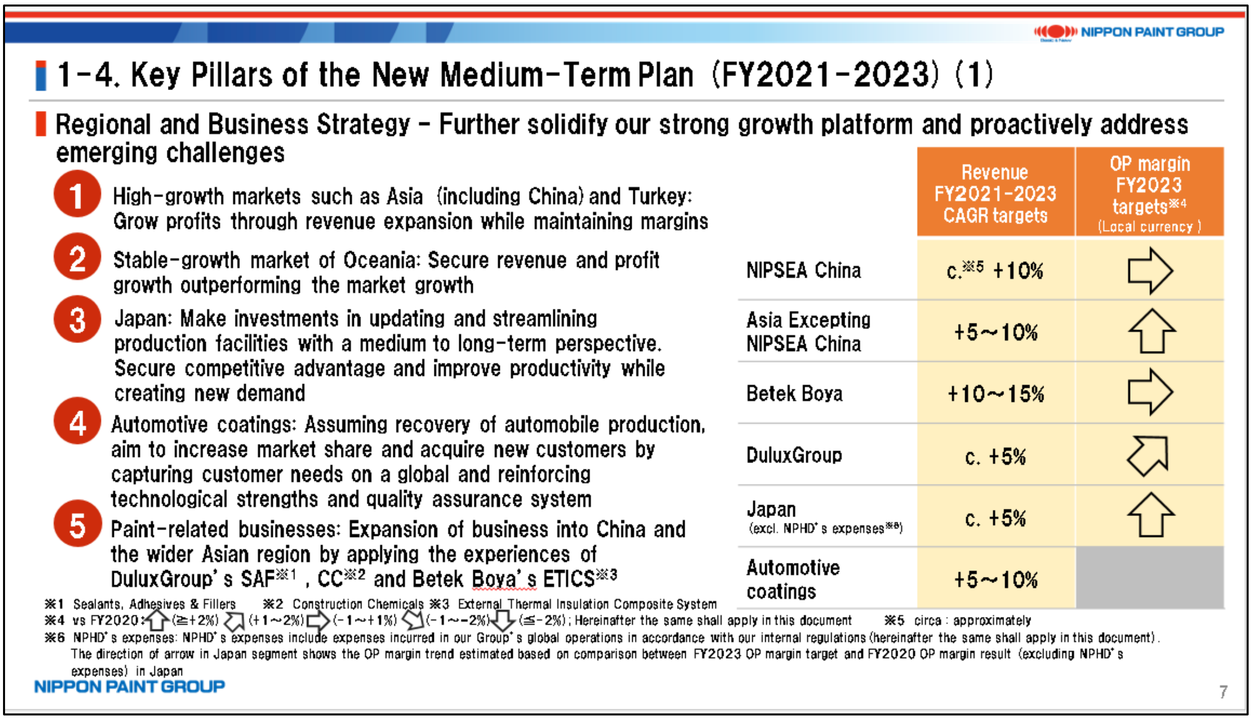
Pages 5 and 6 summarize the review of N-20, our previous Medium-Term Plan covering FY2018-2020. Please look at these pages later.

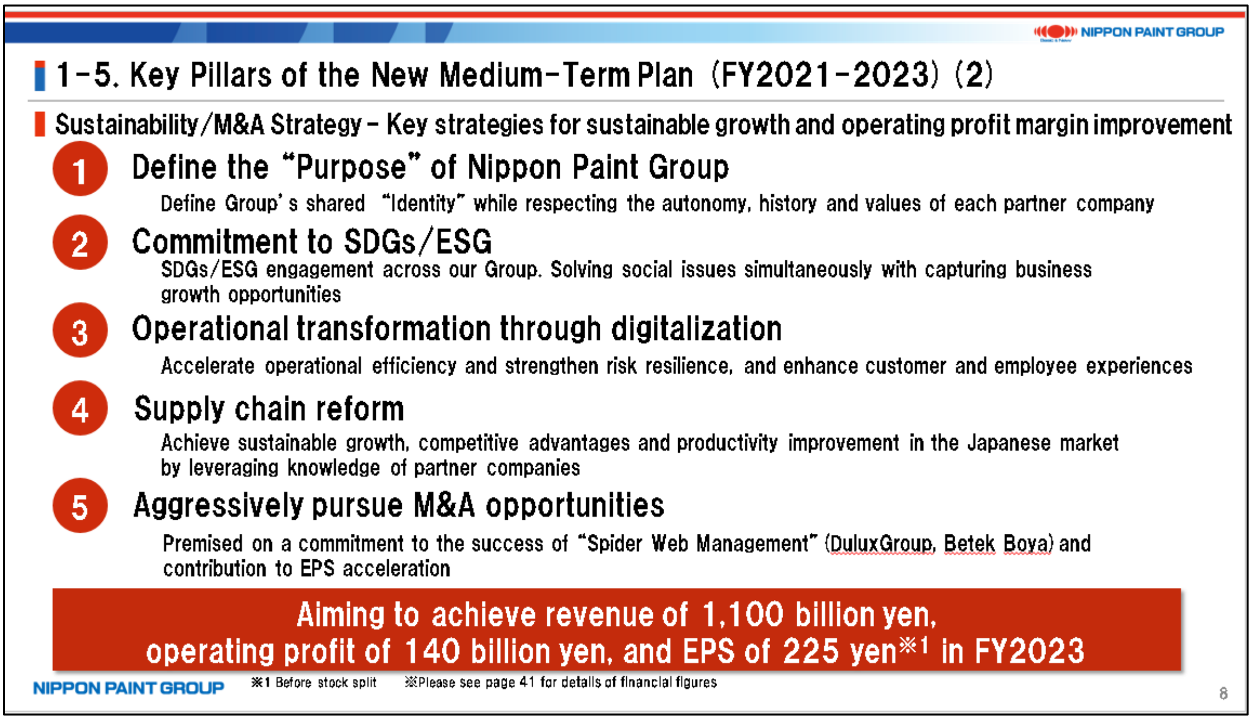


Next, I will explain two key components of the new Medium-Term Plan.

First is the regional and business strategy. This strategy is designed to further solidify the foundation for growth established during the previous Medium-Term Plan and includes decisive actions to address challenges that have emerged.

Firstly, in the fast-growing markets of Asia, including China, and Turkey, we will aim to increase earnings through revenue growth while maintain operating profit margins.
Secondly, in Oceania, where stable growth is expected, we will aim for revenue and operating profit growth that outpaces the market's growth.
Thirdly, in Japan, we will make investments to update production facilities and use the digital transformation to streamline operations with a medium- to long-term perspective. Our aim is to translate these efforts to enhancing competitive advantage, increasing productivity, improving our market share, and creating new demand.
Fourthly, in the automotive coatings business, we will leverage the new globally integrated operations structure under NPAC to meet customers' needs around the world. Our goal is to increase our market share and acquire new customers by enhancing technological strengths and our quality assurance system.
Lastly, we will leverage the business experiences of DuluxGroup and Betek Boya in sealants, adhesives, ETICS thermal insulation and other products to launch paint related businesses in China and other Asian regions.

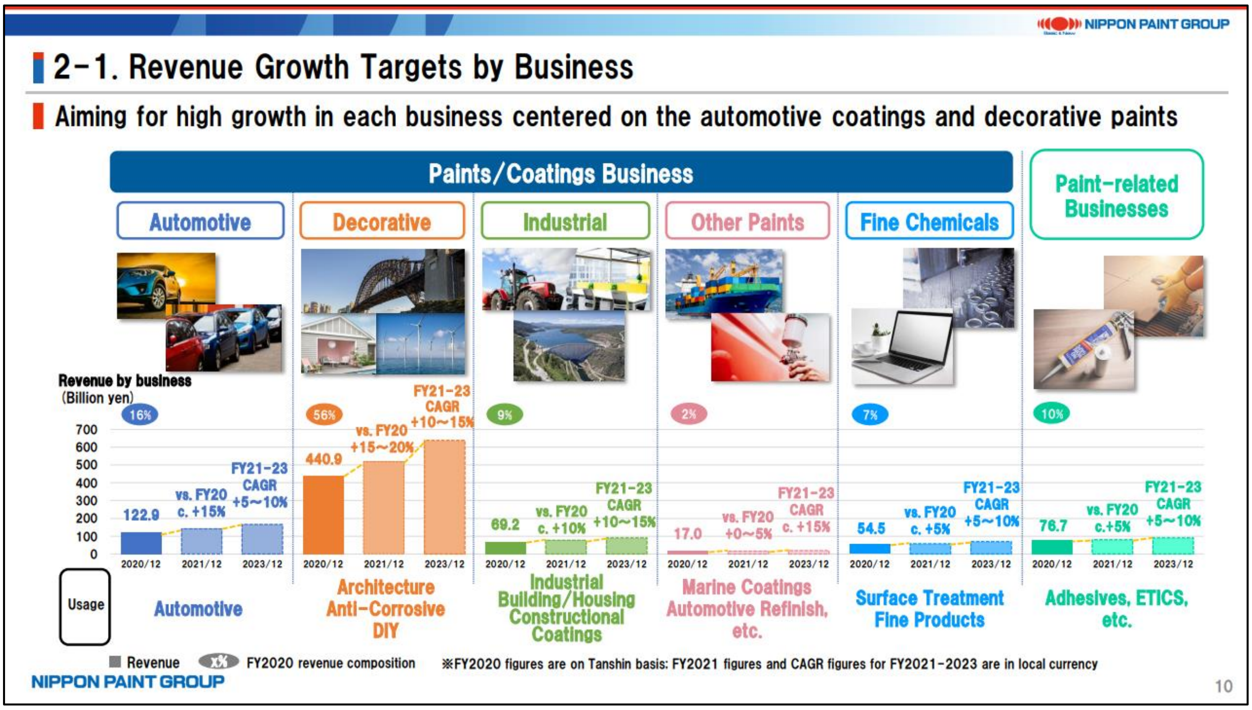
By taking these actions, we will aim to achieve FY2021-2023 revenue growth at a compound annual growth rate (CAGR) of 10% or more in the fast-growing markets of China and Turkey. In addition, we will aim for revenue growth of around 5% in Oceania and Japan and 5-10% in the automotive coatings business worldwide.
Another goal is to maintain operating profit margins that are generally at FY2021 levels or higher.



This page explains the second key component, which is our sustainability strategy and M&A strategy to achieve sustainable growth and operating profit margin improvement.

As I said at the beginning of this presentation, the Nippon Paint Group established the "Purpose" that defines the shared identity of our Group. With the "Purpose" ingrained in the management, we will steer our operations with everyone moving in the same direction across the Group.
Nippon Paint Holdings positions SDGs and ESG at the core of management. We will step up our group-wide initiatives to address global-scale challenges, as well as target opportunities for starting new businesses. Our joint research projects with the University of Tokyo based on a co-creation agreement is making steady progress concerning new businesses.
Thirdly, we will utilize digitalization to enhance customer and employee experiences as well as operational experiences. We will also implement measures to strengthen risk resilience, such as the use of cyber security systems.
Fourthly, we will implement supply chain reforms by using various DX solutions in Japan, where capital investments had previously been kept low, to dramatically improve our competitive edge and productivity. Fortunately, we can fully leverage the expertise and knowledge of our partner companies.
Lastly, we will retain an aggressive stance regarding M&A. DuluxGroup and Betek Boya, which are companies acquired by Nippon Paint Holdings, are performing very well and contributing to EPS growth. We plan to continue to build on this track record of successful M&A deals.

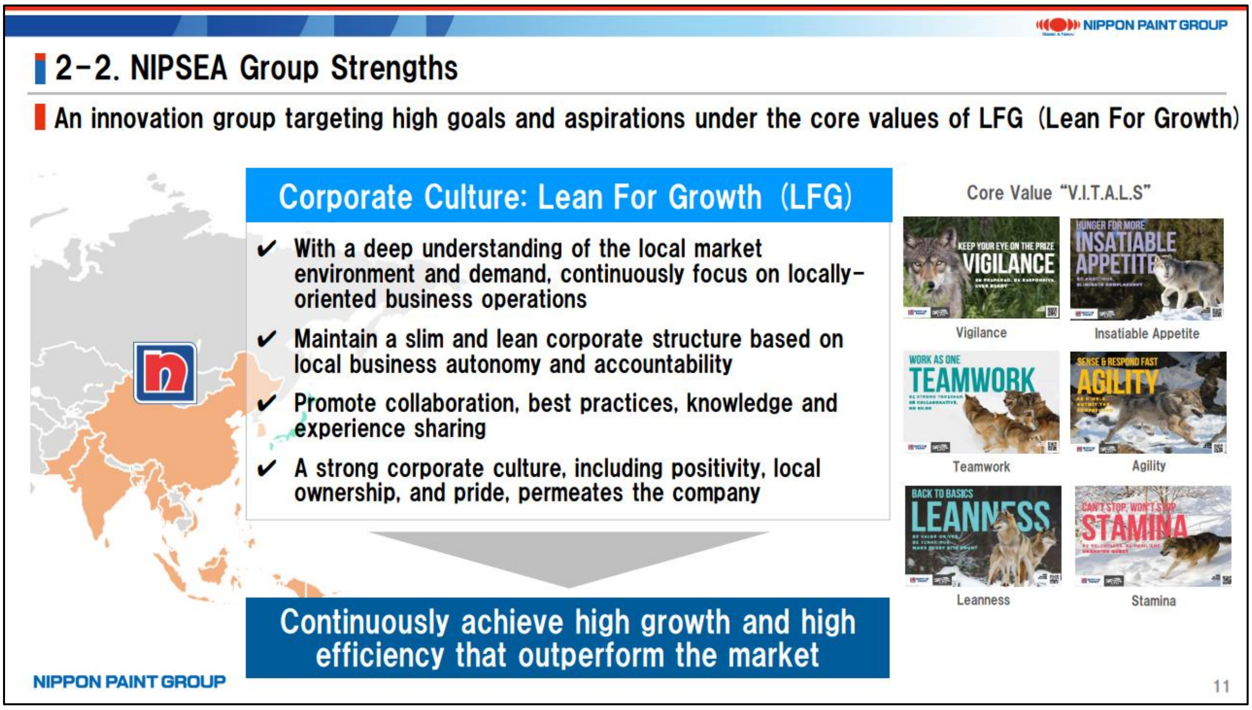
By taking these actions, the Nippon Paint Group aims to achieve revenue of 1,100 billion yen, operating profit of 140 billion yen, and EPS of 225 yen as milestones for FY2023.



My next subject is strategies for regions and businesses in the new Medium-Term Plan.

I will explain the revenue targets for business units through FY2023.

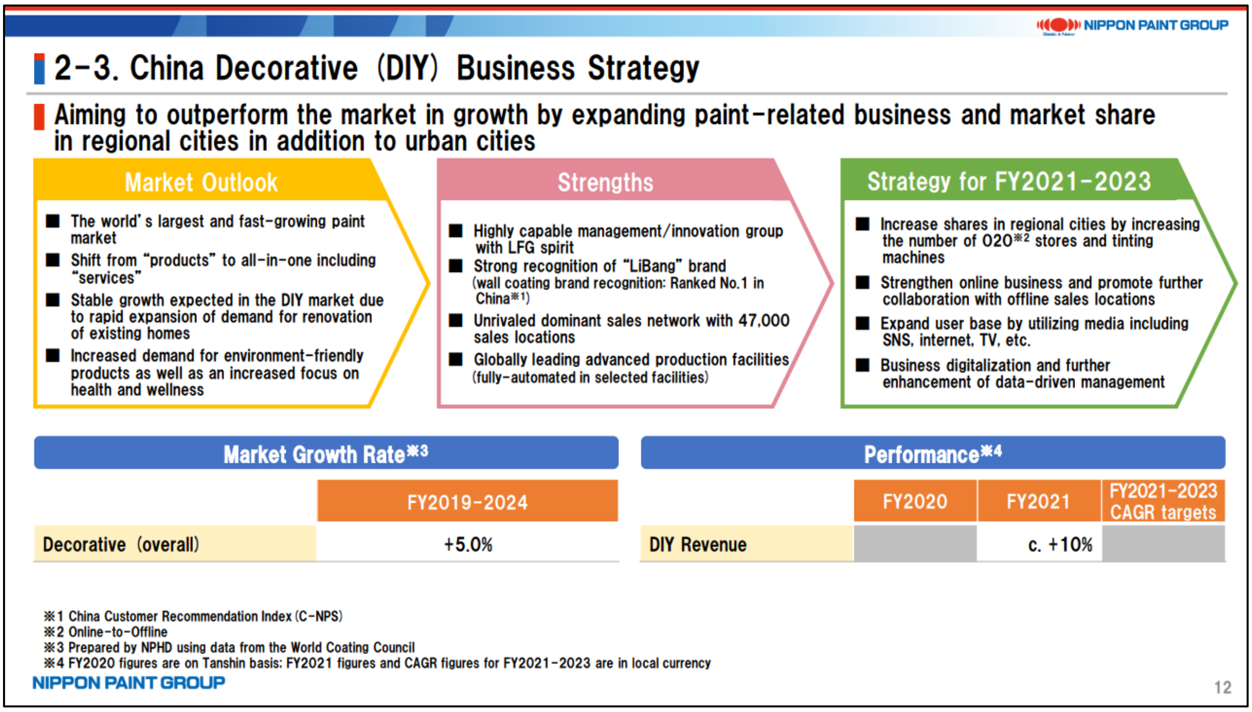
Revenue for the decorative paints business, the core business of our Group, accounted for 56% of our total revenue in FY2020. We will aim to increase revenue in this business at a CAGR of 10-15% during the Medium-Term Plan. We plan to increase revenue in the automotive coatings business, which will be operated based on a business axis, at a CAGR of 5-10%. We also expect revenue growth in the industrial coatings business and the paint-related business.



I will briefly discuss the strengths of the NIPSEA Group.

NIPSEA Group, our partner company operating in Asia including China, has an excellent corporate culture: Lean For Growth (LFG). Driven by the leadership of a highly competent management team, NIPSEA Group sets ambitious goals and is capable of responding quickly to changes in the market environment. The result is consistently high growth that outpace the market along with highly efficient business operations.

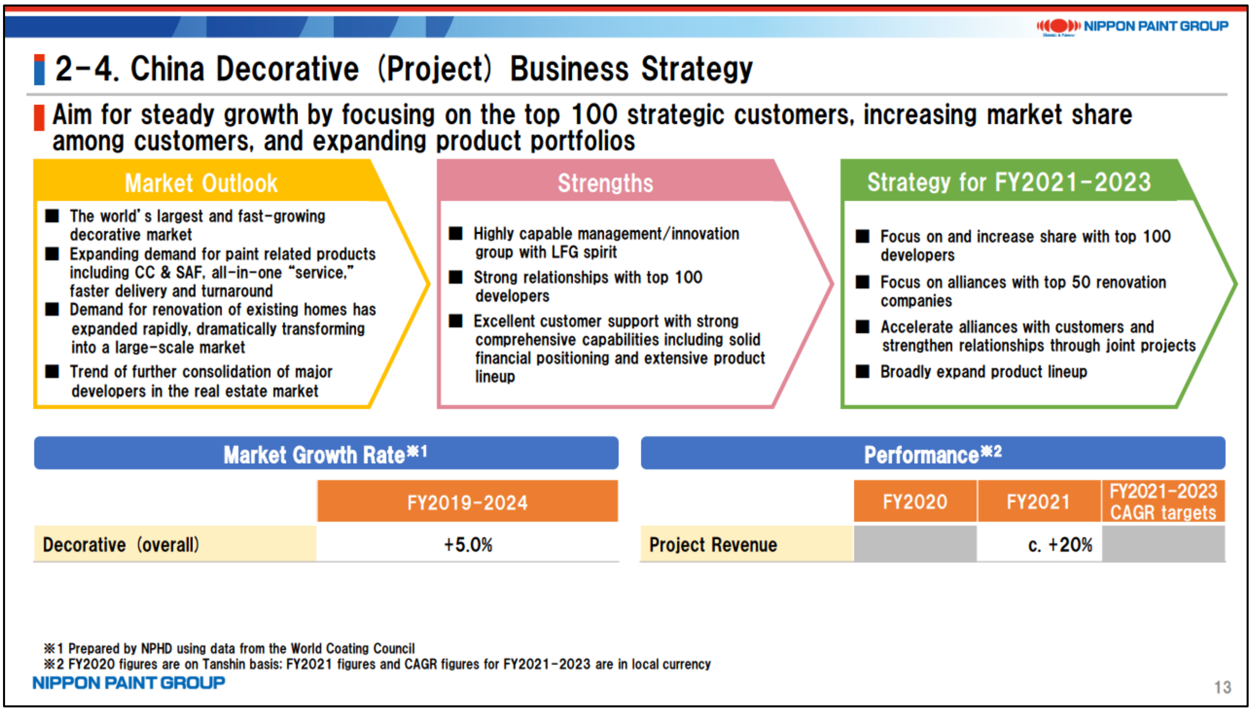
NIPSEA Group's management styles and business strategies are shared with partner companies as best practices by management teams through Spider Web Management.



This page explains the DIY segment of NIPSEA China's decorative paints business.

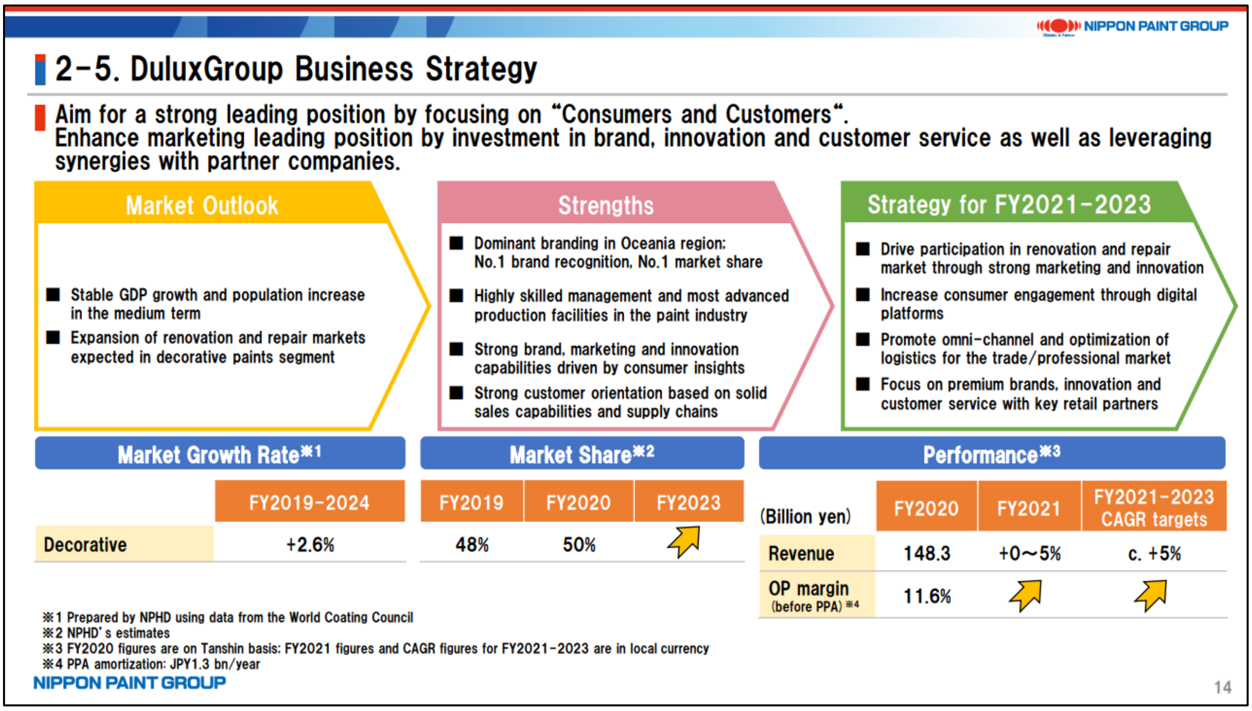
China is the largest market in the decorative paints market in the world and a market that is growing rapidly. In addition, demand in China for renovating housing that was built in the 1990s is growing rapidly. As a result, we expect that stable growth will continue in China's DIY market.

NIPSEA China will leverage its strengths to increase market share in regional cities with actions such as installing more color matching systems at stores. NIPSEA China will also reinforce strategies such as utilizing online and social media and increasing digitalization.



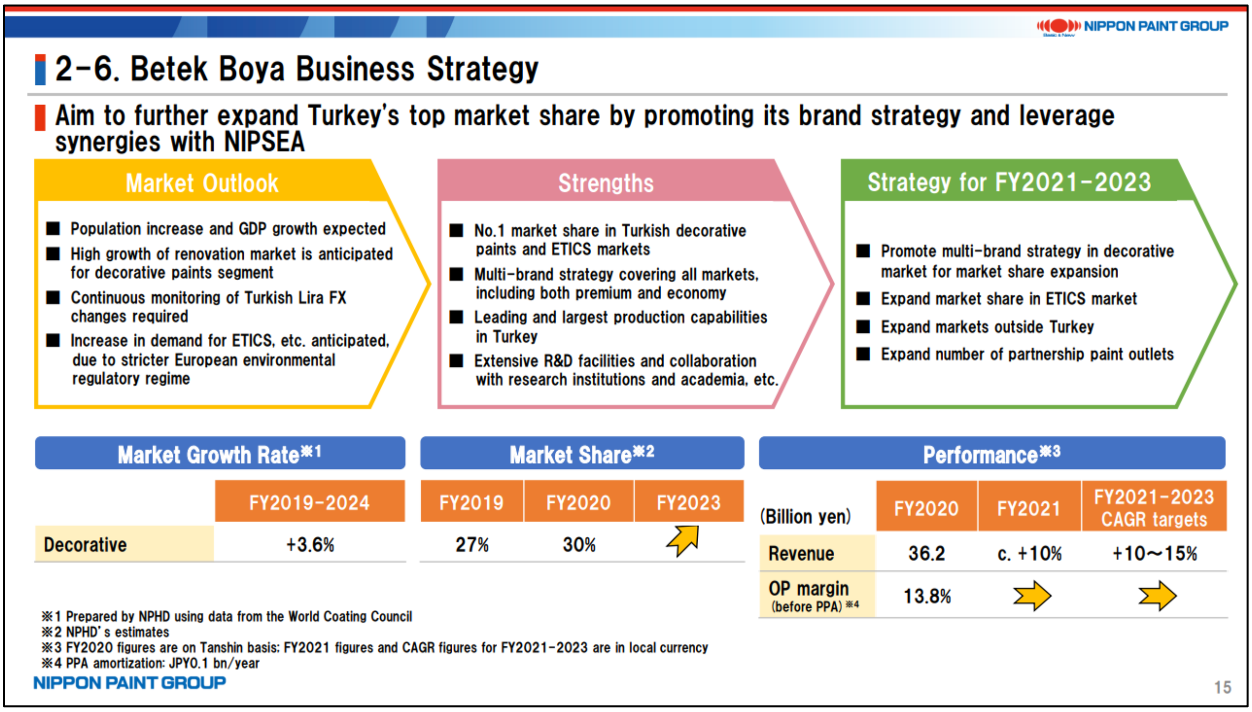
The Chinese decorative (Project) market, as I mentioned earlier, has been rapidly transforming into a large-scale market.

In this segment, we will leverage our comprehensive capabilities for forming alliances with customers and enhancing our product lineup based on our strong financial position. By taking these actions, we aim to further strengthen relationships with China's top 100 real estate developers, who are increasing their presence in the real estate market, and build similar relationships with China's top 50 home renovation companies.



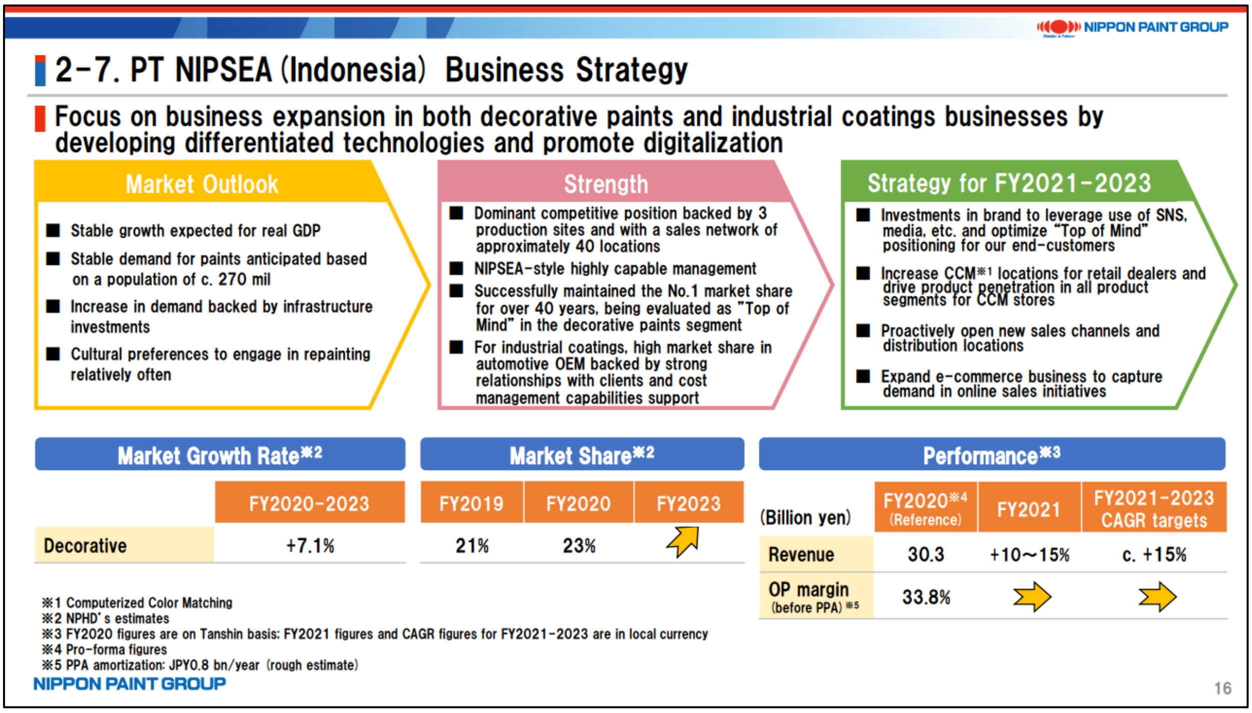
In Oceania, we expect an expansion of the home renovation and repair markets because of stable medium-term GDP and population growth.

In the new Medium-Term Plan, we speed up our growth in the renovation and repair markets and use digital platforms to increase consumer engagement. We will also use an omni-channel framework and the optimization of logistics to boost both revenue and the operating profit margin in the decorative paints segment.



In Turkey, we expect rapid expansion of the renovation market to continue, backed by population and GDP growth.

In the new Medium-Term Plan, we will use a multi-brand strategy encompassing the premium, economy and all other categories of the decorative paints market to increase our market share. We will also strengthen the ETICS business and expand markets outside Turkey to achieve consistently strong growth.



In Indonesia, we have maintained the No.1 market share in decorative paints for over 40 years, although this business was hit hard by the COVID-19 pandemic last year. We expect more growth in Indonesia, which has a population of 270 million, driven by GDP and increasing paint demand.

As key strategies for FY2021-2023, we will continue investments in brands by using social and traditional media to further increase customer loyalty. We will also increase the number of computerized color matching (CCM) systems at retail dealers. Furthermore, we will take other actions such as adding new sales channels and distribution locations and expanding e-commerce. Our goals are to capitalize on opportunities created by booming demand and achieve steady top line growth.

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2-8. Japan (Decorative) Business Strategy

Aim to increase market share by creating new markets and utilizing digitalization

Market Outlook

- Although new housing demand in decorative and steel have been experiencing negative growth, repainting market demands remain stable
- Increase in demand for water-based paints as a result of increased environmental awareness
- Expansion in new demand for anti-viral paints etc.

Strengths

- Top market share in the Japanese decorative paint market
- Strong sales franchise supporting top market share (with approximately 1,600 distributors and 150 franchised stores)
- Capabilities to develop new products and demand, e.g. anti-viral paints

Strategy for FY2021-2023

- Expand product lineup and strengthen sales and promotion of anti-viral products, etc.
- Improve quality of customer services utilizing DX and automated production capability
- Improve quality of services for distribution stores and builders by enhancing digitalization and infrastructure

Market Growth Rate※1

	FY2019-2024
Decorative	+0.7%

Performance※2

(Billion yen)	FY2020	FY2021	FY2021-2023 CAGR targets
Japan (decorative) revenue	43.7	c. +10%	
(For reference)			
Japan revenue	159.6	c. +5%	c. +5%
Japan OP margin (excl. NPHD's expenses)	10.2%	→	↑

※1 Prepared by NPHD using data from the World Coating Council
※2 FY2020 are on Tanshin basis: FY2021 figures and CAGR figures for FY2021-2023 are in local currency

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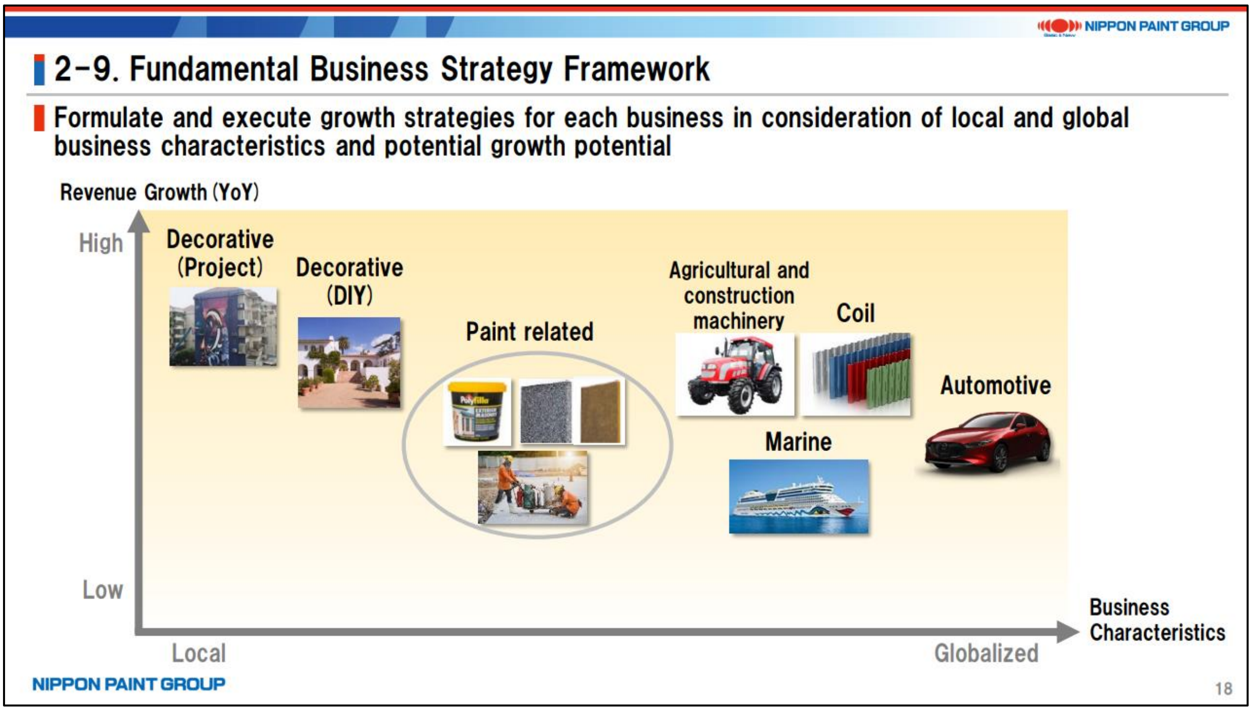
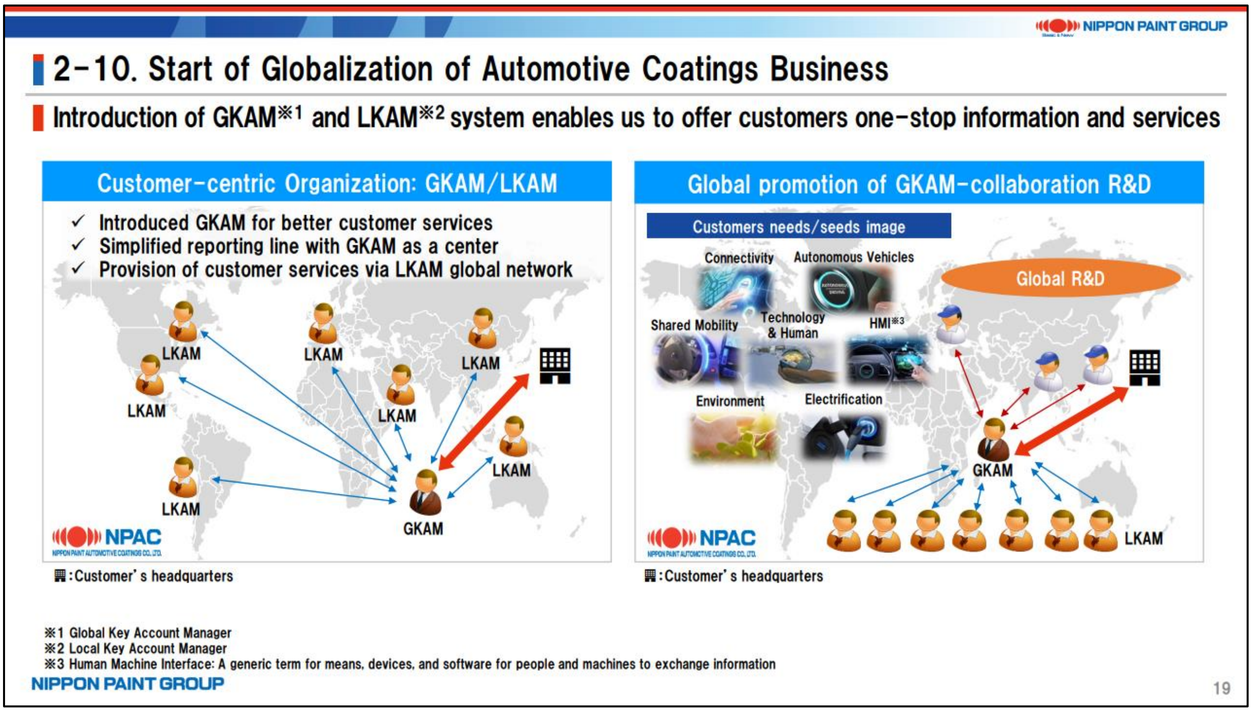
In the decorative paints market in Japan, we anticipate an increase in demand for water-based paints as a result of the growing awareness of environmental issues. In addition, demand is increasing in new product categories such as anti-viral paints.

As key strategies for FY2021-2023, we will expand the product lineup and strengthen sales and promotion activities for anti-viral paints. As I will explain later, we will take actions such as improving the quality of customer services by using automation of production backed by the digital transformation. We will also improve the quality of services for stores and builders by enhancing digitalization and our infrastructure. We believe that these actions will contribute to improving the operating profit margin in the Japan segment as a whole.



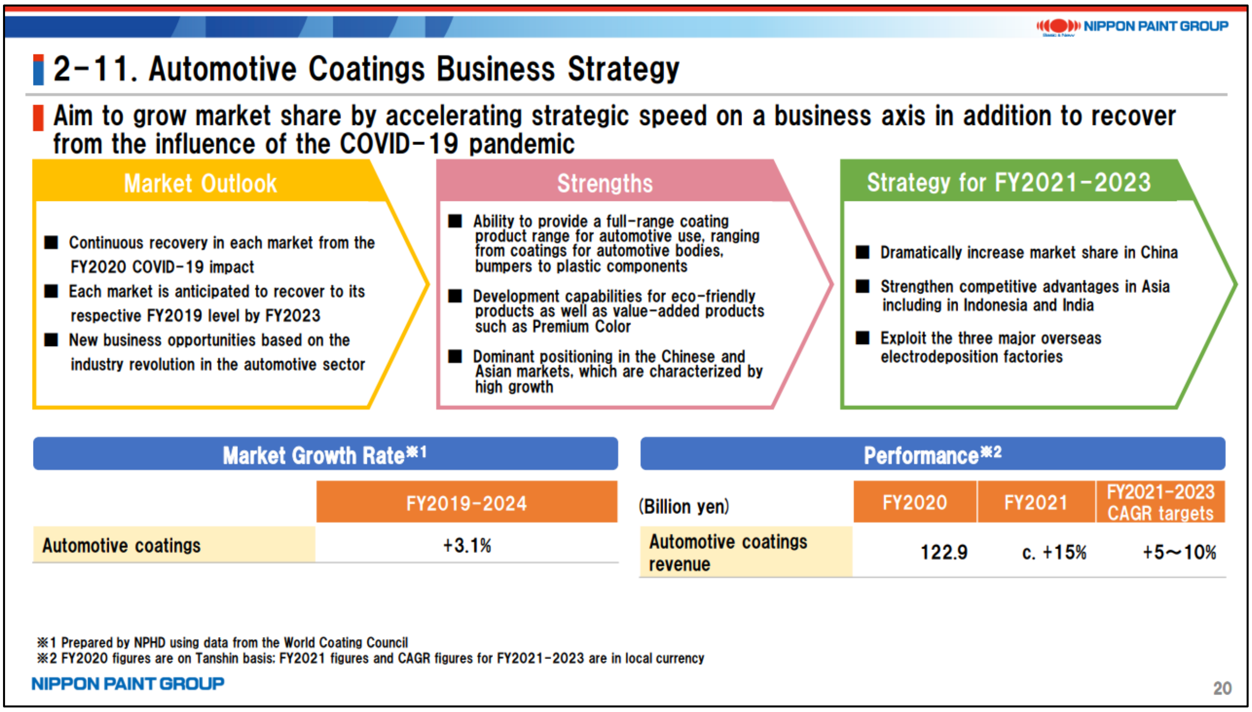
This page shows our business portfolio based on business characteristics and revenue growth rates.



This page explains our global strategies for the automotive coatings business.

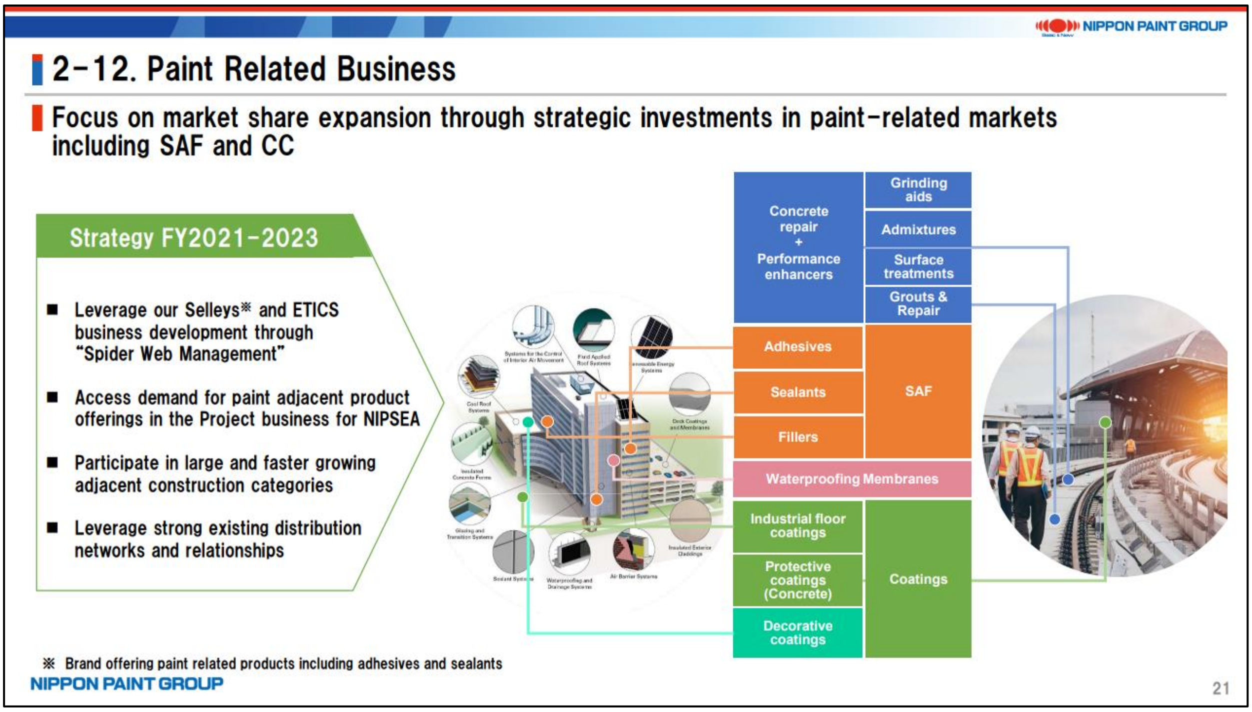
We launched a globally integrated operating structure for the automotive coatings business under NPAC on January 1 this year to better serve our global customers' needs. We started the Global Key Account Manager (GKAM) and Local Key Account Manager (LKAM) systems to establish a Customer-Centric organizational structure. We will use these systems to seamlessly provide information and services quickly to customers with one-stop convenience.

We also established a globally integrated R&D platform to conduct research and product development activities that meet customers' needs through collaboration with GKAM. We will use this platform to upgrade our quality assurance system.



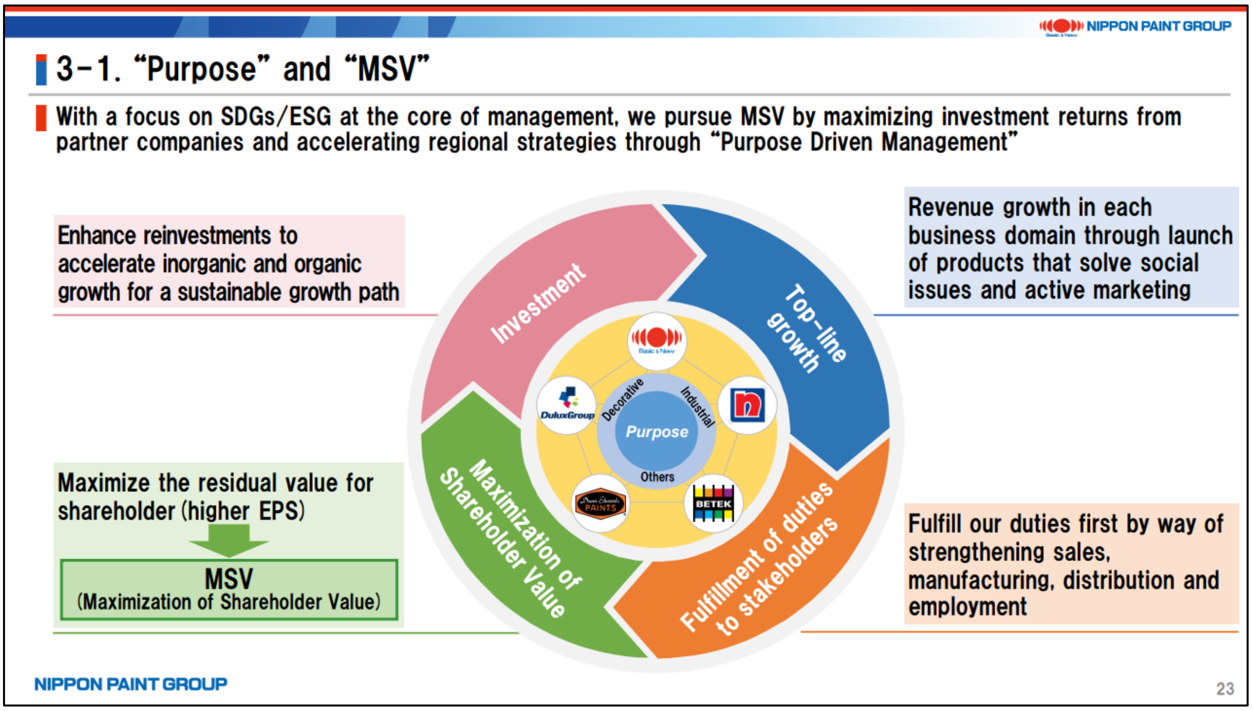
According to the results of various surveys, automobile production will recover to the FY2019 level, which was before the COVID-19 pandemic, in FY2023.

We will leverage NPAC's global operations structure to rapidly increase our market share in China. Operations are also backed by the strong marketing capabilities of NIPSEA China and our technological strengths in Japan. In addition, we will steadily strengthen our competitive edge in Asia as well as Europe and the U.S. To accomplish this, we will fully utilize the electrodeposition factories to be constructed in Vietnam, the Czech Republic, and the U.S.



In the paint related business, customers' needs for products associated with paints are growing around the world. We see this as a promising market.

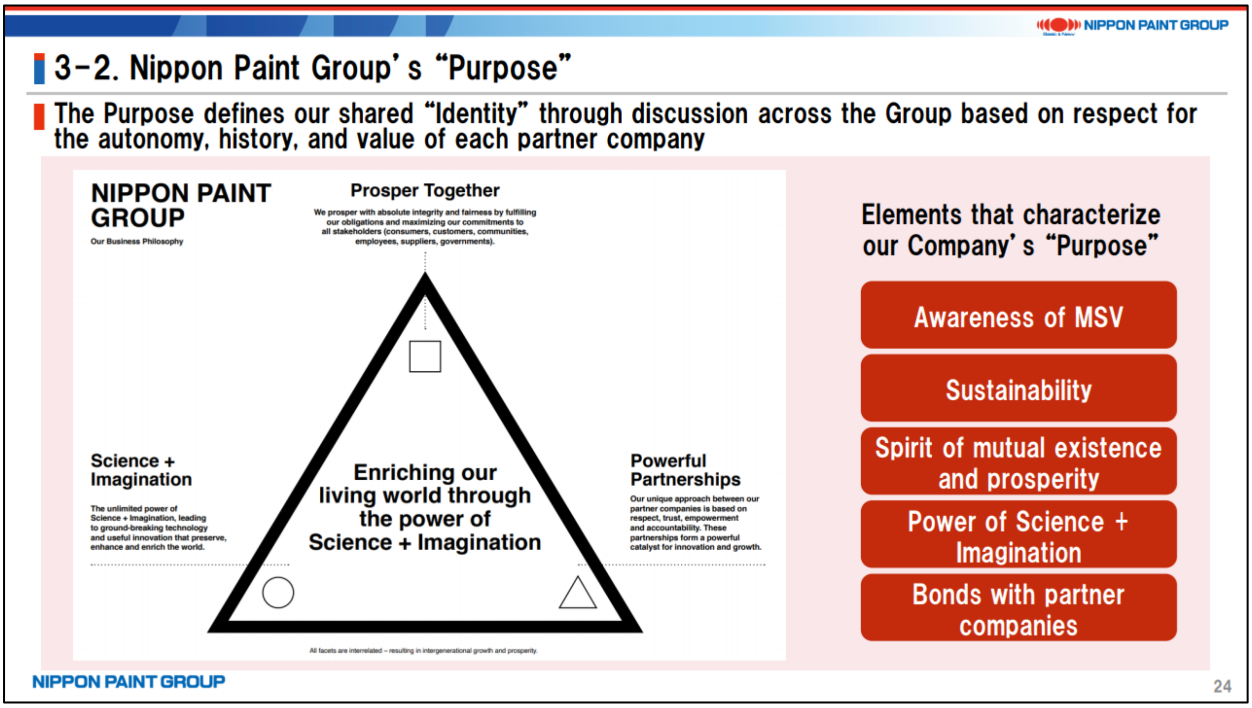
In particular, we believe we can use Spider Web Management to sell DuluxGroup's Selleys brand adhesives, Betek Boya's ETICS insulation and other paint-related products throughout our Group.
Demand for paint-related products is growing in the Project segment of NIPSEA China's decorative paints business too. Therefore, we will leverage our existing distribution networks and partnerships and make strategic investments to grow in this market category.



We are celebrating our 140th anniversary this year. Our operations have expanded to 29 countries and regions, and we aim to achieve sustainable growth by increasing the global scale of our operations. Now that we have new members of our Group, we decided that it is the right time to redefine the identity of the Nippon Paint Group. This is why we formulated the Purpose.

We will pursue the Maximization of Shareholder Value (MSV) as our management mission. The idea of MSV is to reward shareholders by maximizing the residual value for shareholders after fulfilling our duties to stakeholders. This thinking sets us apart from the concept of "Shareholder Primacy." Pursuing MSV will lead to the creation of wealth for society. The Nippon Paint Group will remain committed to MSV.

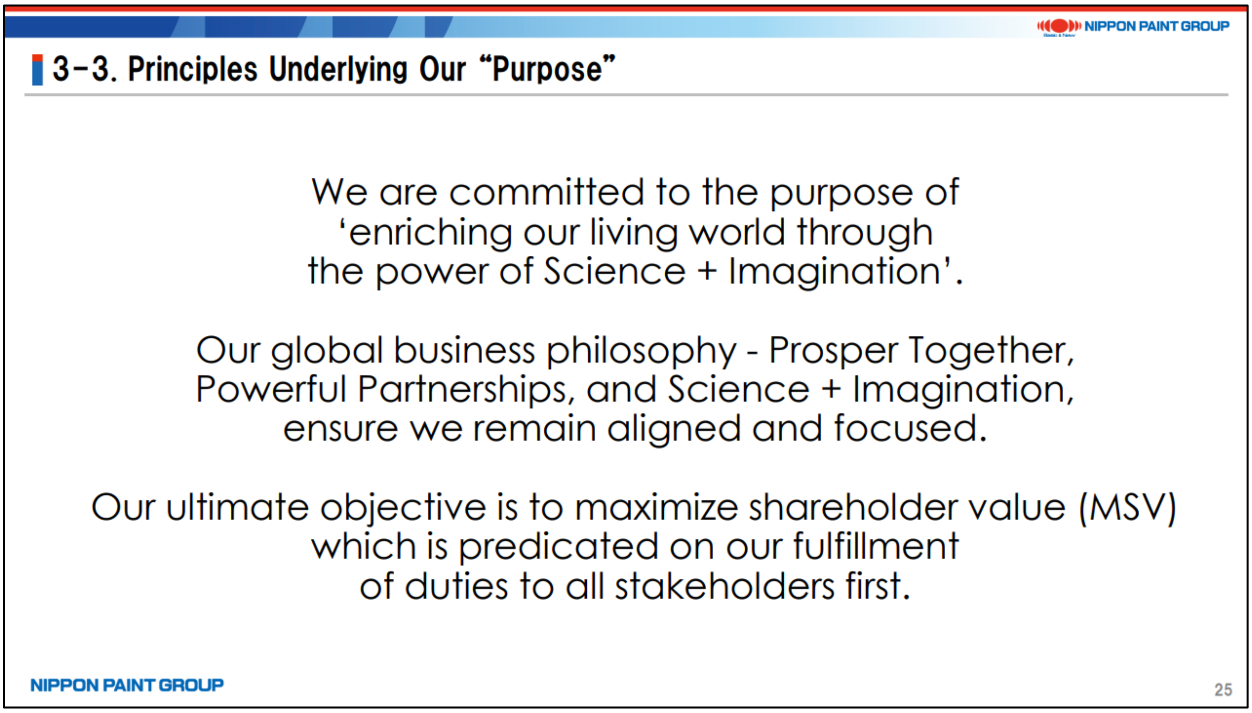
The Purpose serves as a guiding philosophy in order to enable our Group, partner companies, and employees to move forward in the same direction. As pointed out by CEO Larry Fink of BlackRock, a global investment management firm, the existence of a Purpose is essential for successful corporate management in the 21st century.



The Nippon Paint Group's partner companies have their own management philosophies and visions. Based on respect for those management philosophies and visions, we established the Purpose as our Group-wide shared values.
We also formulated the Purpose Statement and the Business Philosophy by holding discussions with core leaders of Spider Web Management, and incorporating the input of independent directors.

The Purpose Statement is: "Enriching our living world through the power of Science + Imagination." This expresses our commitment to making our world better and sustainable by using our technological strengths to tackle social challenges and to contribute to increasing wealth in society.

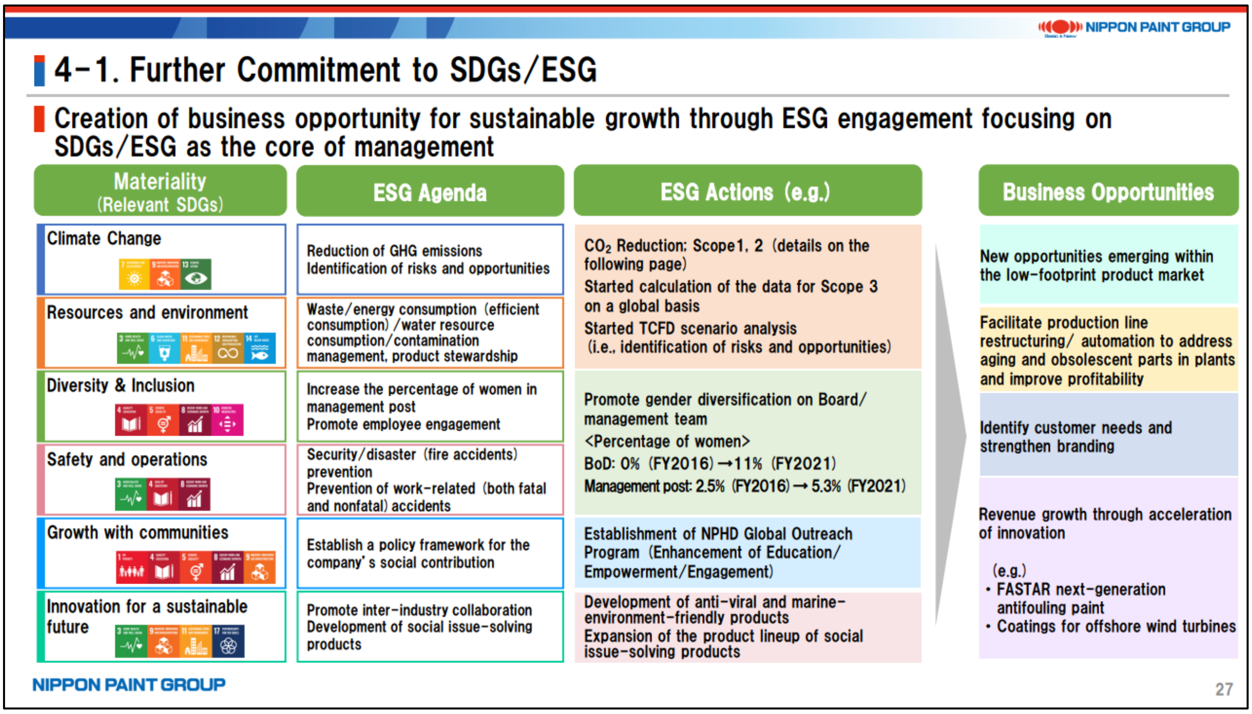
Our Business Philosophy has three principles: Prosper Together, Science + Imagination, and Powerful Partnerships.
Prosper Together, the first principle, is the path toward mutual prosperity, a key goal that we have cherished and promoted since our company was founded. The concept of Prosper Together also leads to the fulfillment of our duties to stakeholders, which is the premise of Maximization of Shareholder Value.
Science + Imagination describes our commitment to enriching the world through the creation of ground-breaking innovations by combining the power of science and the power of imagination, which are essential for paint manufacturing.
Powerful Partnerships are the bonds among our Group's companies. Bonding people in our Group's partner companies around the world based on mutual respect and trust and mobilizing their expertise and know-how will drive innovation and growth.



This page explains the Business Philosophies underlying our Purpose.

The first principle is "We are committed to the purpose of 'enriching our living world through the power of Science + Imagination.'"
The second principle is "Our global business philosophy – Prosper Together, Powerful Partnerships, and Science + Imagination ensure we remain aligned and focused."
The third principle is "Our ultimate objective is to maximize shareholder value (MSV) which is predicated on our fulfillment of duties to all stakeholders first."

The key message is that purpose-driven business execution ultimately leads to the Maximization of Shareholder Value.

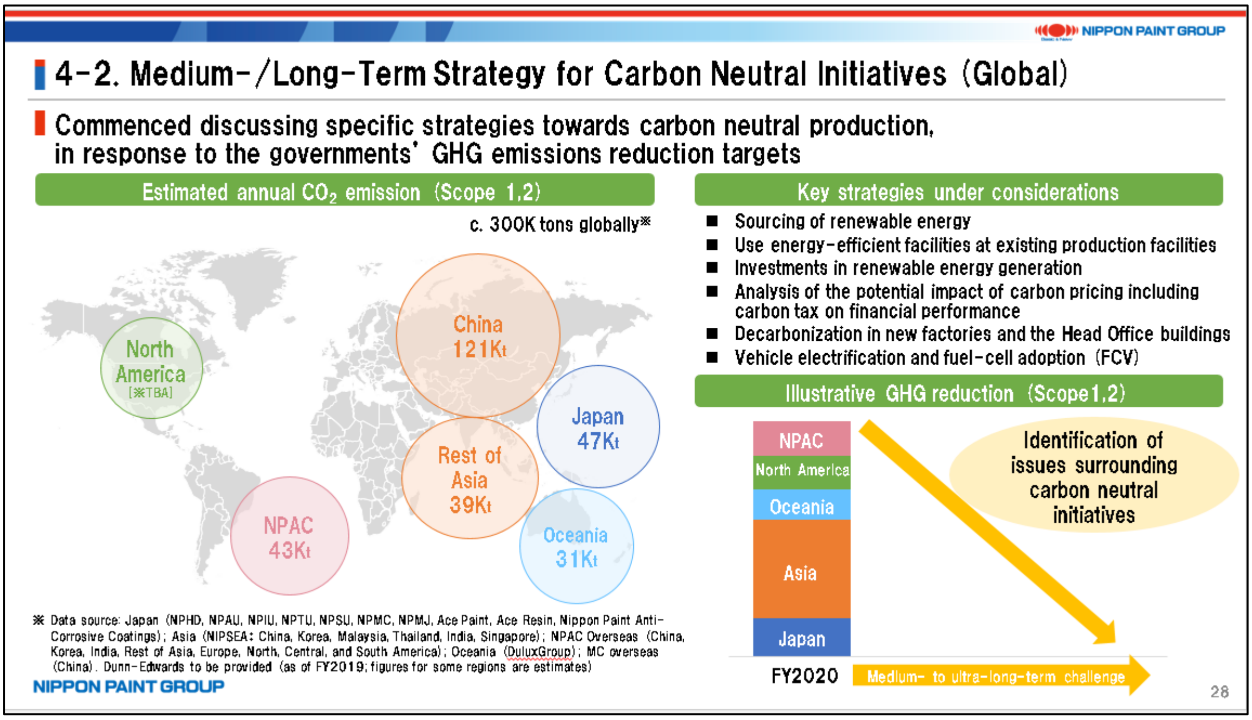


The pages that follow summarize our sustainability strategies, starting with our further commitment to SDGs and ESG.

For many years, Nippon Paint Holdings has positioned the SDGs and ESG at the core of management. We have an ESG Statement and the six materiality items on this page. During the new Medium-Term Plan, we will take specific actions based on the ESG Agenda on this page. At the same time, we will seek new business opportunities that contribute to accomplishing the ESG goals.

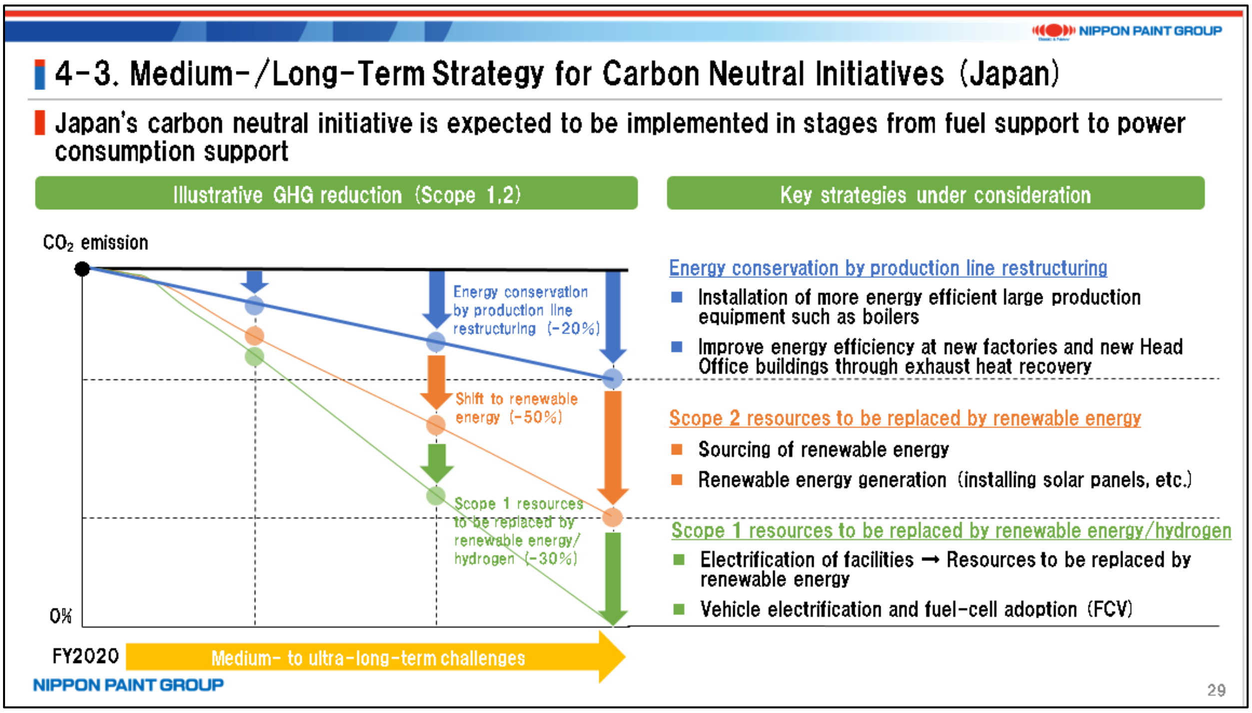
In the B-to-B business category, in particular, demand for low CO2 products is growing. Examples are coatings for offshore wind turbine systems and FASTAR next-generation antifouling coatings.

The creation of new products such as PROTECTON brand anti-viral paint contributes to earnings by tackling clear and present social challenges. We plan to start selling many new PROTECTON brand products this year.



Regarding climate change, which is one of the six materiality issues, we have started identifying issues and discussing specific measures with the goal of carbon neutral manufacturing operations.

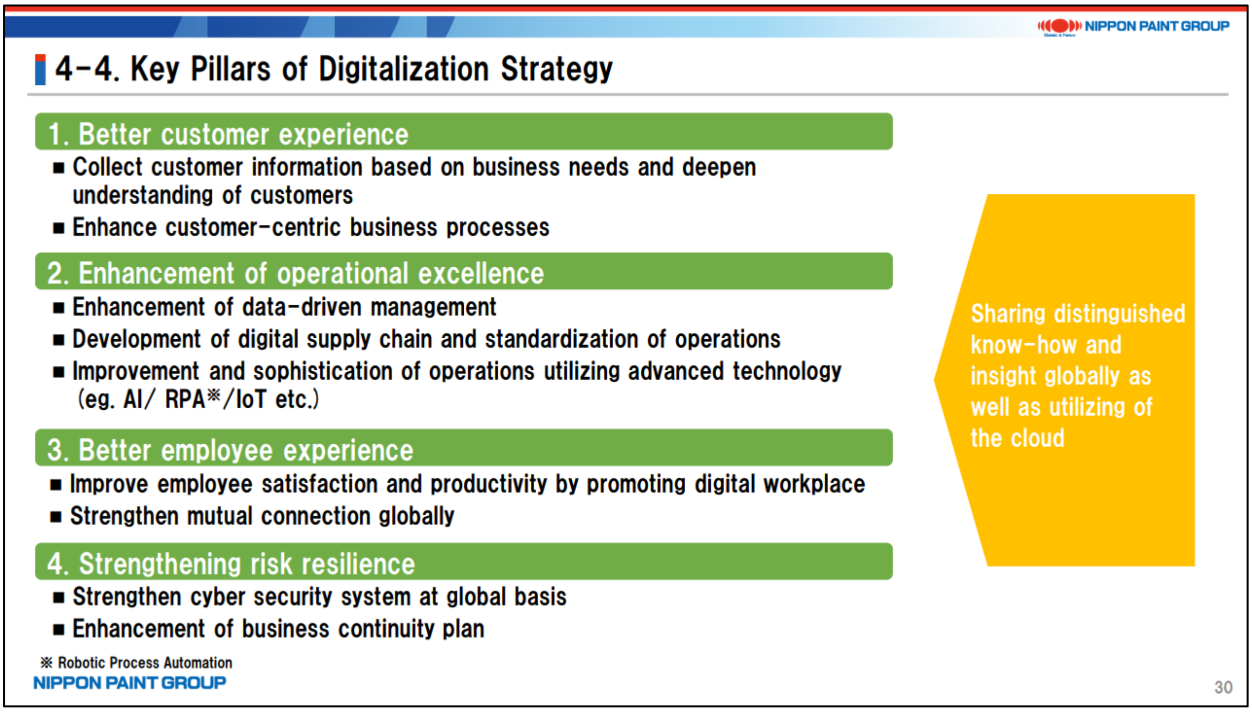
For instance, for our entire Group, we are considering sourcing renewable energy and are analyzing the potential impact of carbon pricing on our performance. This includes using energy-efficient facilities at existing production facilities worldwide and making investments in renewable energy generation. Our actions to combat climate change are aimed to lowering our CO2 emissions and improving our profitability.



This page shows our medium- to ultra-long-term strategy for carbon neutral initiatives in Japan.

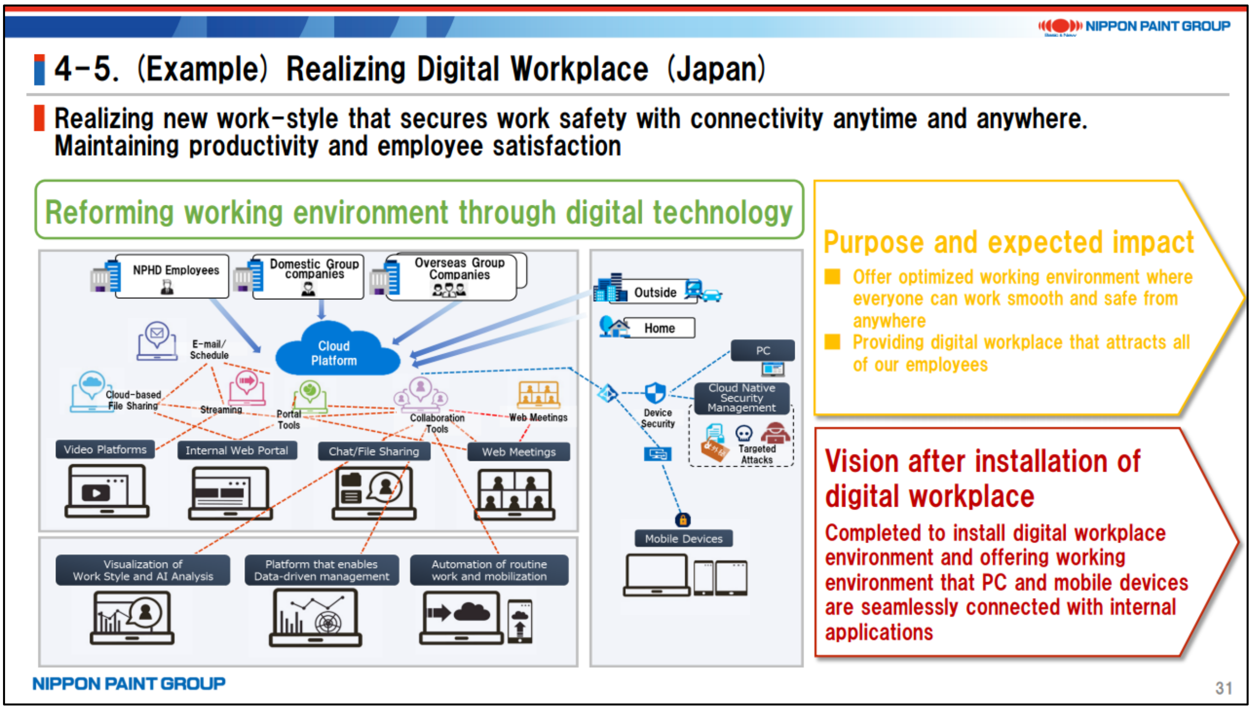
We are considering three methods for achieving carbon neutrality.

The first is to conserve energy by restructuring production lines. We will replace boiler and other large production equipment with energy-efficient equipment. Another initiative is to improve energy efficiency at new factories and new Head Office buildings through exhaust heat recovery.
The second is to switch to renewable energy for reducing Scope 2 greenhouse gas emissions. Under this strategy, we will consider renewable energy generation by installing solar panels on the roofs of new factory buildings and in spaces created by revisions to other business sites, as well as other measures.
The third is renewable energy and hydrogen for reducing Scope 1 greenhouse gas emissions. For example, we will take actions such as using electric vehicles and fuel-cell vehicles.

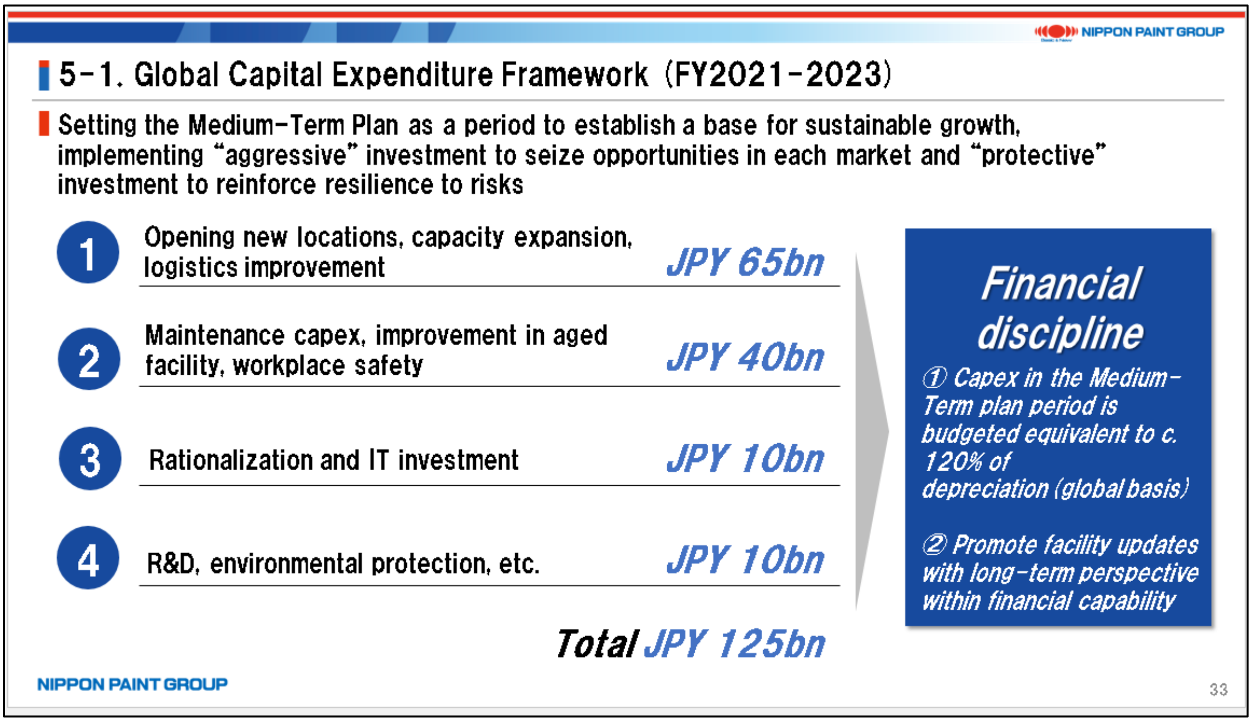


Based on the best practices of our partner companies in Japan and other countries, we established key pillars of our digitalization strategy for progress with operational reform. The pillars are: (1) Better customer experience, (2) Enhancement of operational excellence, (3) Better employee experience, and (4) Strengthening risk resilience.

We aim to use our customer-centric management structure to improve customer satisfaction by utilizing digital data to quickly meet customers' needs. In addition, we will reinforce data-driven management to improve efficiency.



By taking these actions, we expect an improvement in employee experiences, such as a dramatic change in the working environment including of the use of remote work. In addition, digital technology will strengthen cooperation between Japan and overseas group companies, which is expected to improve productivity and employee satisfaction.

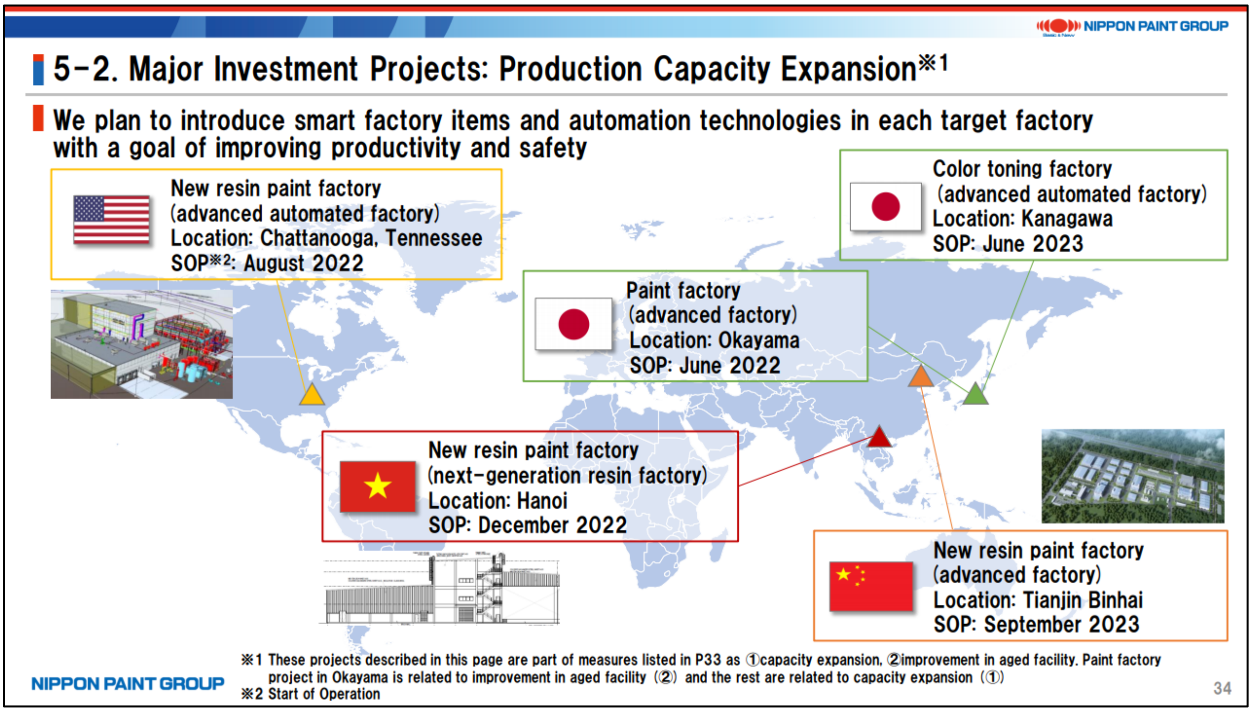


As I said at the beginning of this presentation, capital expenditures based on a five to 10-year perspective are critical for manufacturing companies to ensure sustainable growth by becoming more competitive and improving productivity. Now, I will explain our basic policies for capital expenditures.

This new Medium-Term Plan is a period to build a base for sustainable growth. Therefore, we will make offensive investments to seize opportunities in markets around the world and protective investments to reinforce our resilience to risk.

We plan to make capital investments totaling 125 billion yen around the world during the three-year Medium-Term Plan. This includes (1) 65 billion yen for opening new locations, capacity expansion, and logistics improvements, (2) 40 billion yen for maintaining and updating older facilities and enhancing workplace safety, (3) 10 billion yen for rationalization and IT investments by using the digital transformation, and (4) 10 billion yen mainly for R&D and environmental protection activities.

Financial discipline will be a key consideration of our capital expenditure plans for this three-year period. Therefore, capital expenditures during the Medium-Term Plan are budgeted at around 120% of depreciation. In addition, we will steadily update facilities with a long-term perspective of 20 years and expenditures within our financial capabilities.



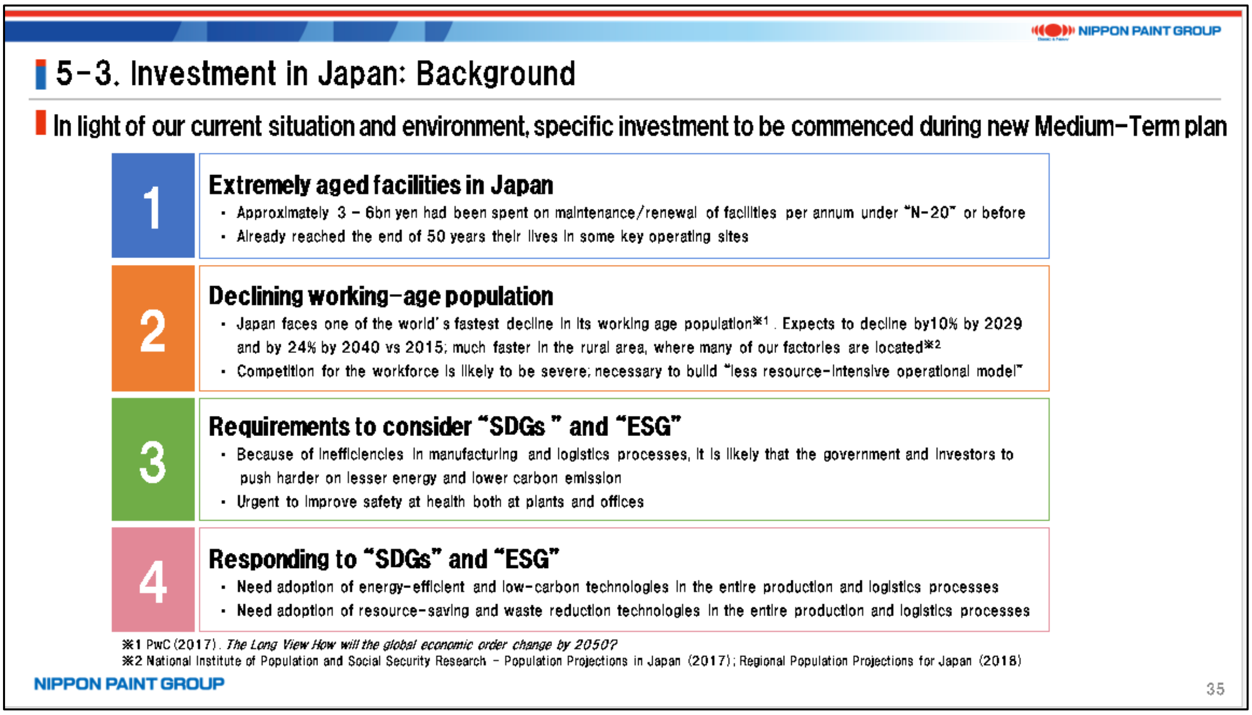
One major investment is the construction of an automotive coatings factory in Chattanooga, U.S.A. to supply to a new factory of an automaker. This factory will be a strategic base for our automotive coatings production in North America.

Vietnam is one of the fastest growing economies in Asia. We plan to construct a factory for resin, which is a paint raw material, in Hanoi. We already have a paint factory in Vietnam that started operations a few years ago. The addition of the resin factory will strengthen our supply chain in Asia.

We will also build a resin factory in China. By the way, Nippon Paint and NIPSEA had planned to construct new factories in these areas before the acquisition of 100% ownership of the Asian JVs by Nippon Paint Holdings. However, the unification of our factories following the acquisition significantly reduced the investments we need to make.

In Japan, we have already started upgrading production bases and realigning supply chains. A new paint factory in Okayama and a new color toning factory in Kanagawa will start operating during the Medium-Term Plan period.

All these factories are highly automated and will be used as smart factories to create sophisticated supply chains.



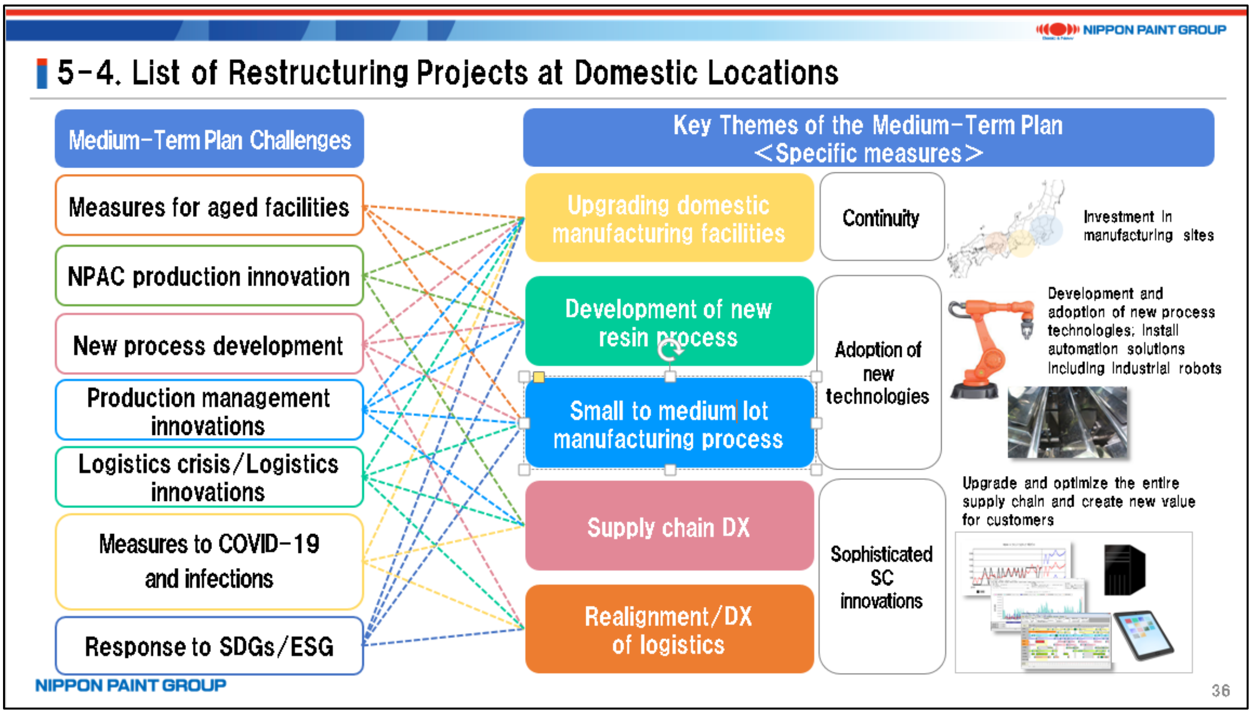
This page explains the reasons for the investments that are needed in Japan.

In Japan, we held down capital expenditure for a long time. As a result, factories have become outdated. In fact, a number of factories have been operating for over 50 years. As a result, the number of accidents and quality issues at production sites have been increasing. Upgrading of factories has become an urgent issue from the perspective of business continuity planning too.

Japan faces one of the world's fastest decline its working age population. In addition, nearly 30% of our factory employees are 50 years old or older. This may cause a bottleneck in production in the near future.

In addition, it is very difficult to meet the ESG requirements with our current aging facilities. In order to take steps to achieve carbon neutrality at production facilities, we need to make substantial capital expenditures in Japan.

As I said earlier, we will plan capital expenditures with a long-term perspective. As a result, we have drawn up a master plan for capital expenditures in Japan for the 20-year period ending in FY2040. Based on this plan, we will implement capital expenditures during the three-year Medium-Term Plan while maintaining financial discipline.



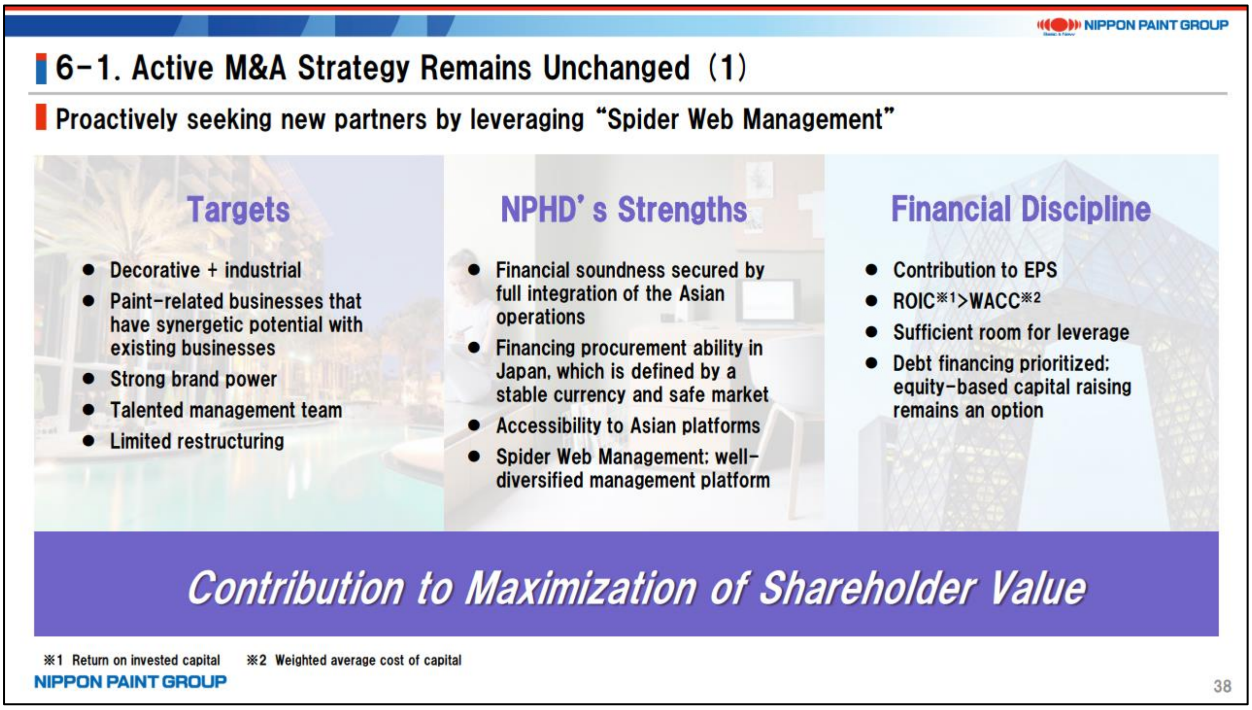
This page shows the challenges involving the restructuring of production facilities in Japan and measures to address those challenges. We will make steady progress based on a long-term perspective.

This page shows how capital expenditure projects planned during the Medium-Term Plan will transform the supply chain.

We will build a sophisticated supply chain with seamless connectivity. This chain starts with digital orders from customers and continues to sales channels, process planning, inventory management and the automation of production.

Through close coordination with the digital transformation of logistics, we plan to lower logistics expenses as well as achieve low-carbon logistics and eliminate Scope 3 greenhouse gas emissions.

The transformation to a digital supply chain will be accomplished only by establishing a fully integrated supply chain. Innovative technologies, highly transparent workplaces, robotics technologies and human resource development by using recurrent education will contribute to sustainable business growth and the improvement of profitability and productivity.



Next, I will explain our M&A strategy.

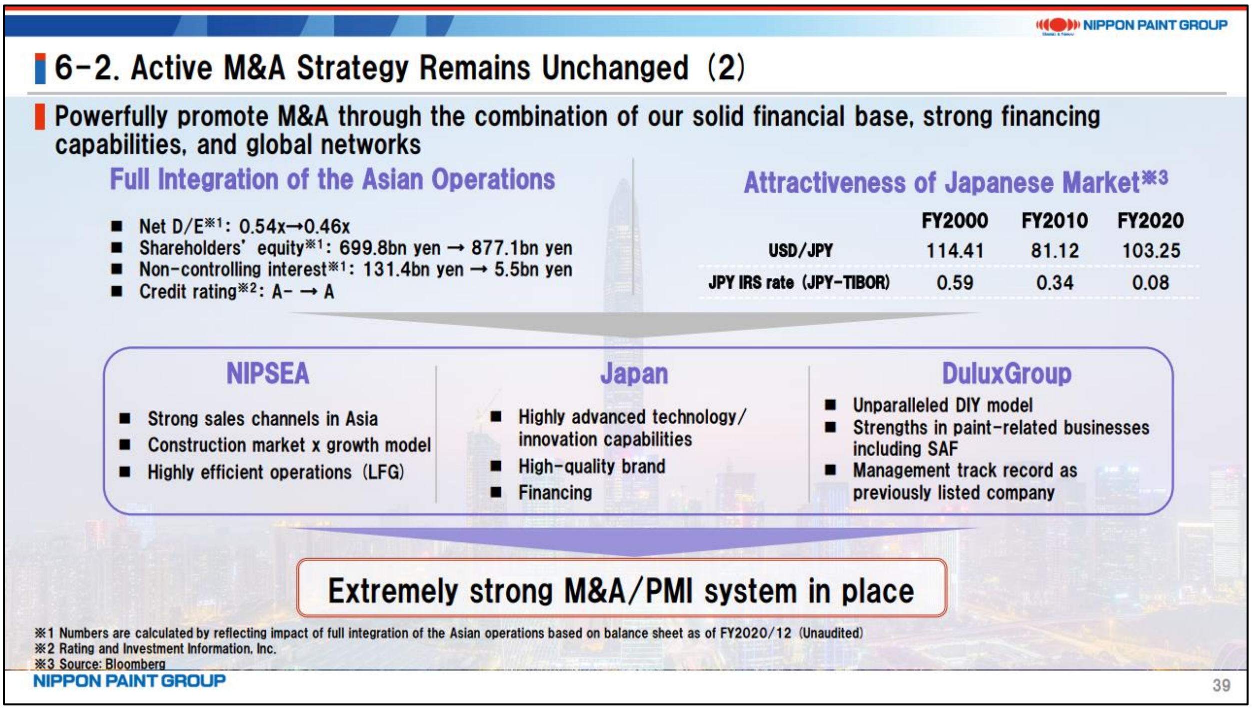
As I have been saying, M&A is an important element of our growth strategy. We will continue to aggressively seek M&A opportunities, such as exploring new partners, based on the Spider Web Management structure.

Criteria for selecting target companies include strong brand power and a talented management team in the decorative paints, industrial coatings or paint-related businesses that have the potential for synergies with our existing businesses.

Regarding locations of target companies, we prefer companies that are close to our Group's partner companies. This proximity enables us to leverage the benefits of the Spider Web Management structure, including the joint sourcing of raw materials. However, proximity is not necessary if the target company has an extremely competent management team, as DuluxGroup does.

The small amount of post-acquisition restructuring is one of the characteristics of our M&A transactions. The selection of acquisition targets includes an assessment of management teams. Therefore, we retain management teams after an acquisition to enable the same highly competent people to operate the business. At the same time, we strongly support acquired companies by using our financial soundness and ability to procure funds. We also use our Spider Web Management Structure to share best practices and utilize our competitive edge.

An important principle of our M&A policy is to consider potential targets based on financial discipline. Specifically, "contribution to EPS," "ROIC higher than WACC," "maintaining sufficient room for leverage" and "debt financing prioritized but equity-based capital raising remains an option." In other words, we will implement M&A deals that contribute to the Maximization of Shareholder Value.



This page provides descriptions of what I have just explained. The Nippon Paint Group has an extremely strong M&A/PMI system in place.

We will continue to use this strong M&A/PMI system to retain an aggressive stance regarding M&A opportunities.

7-1. Financial Plan

For FY2023, we aim to achieve revenue of JPY 1,100bn, operating profit of JPY 140bn and EPS of JPY 225. Over the medium/long-term, we aim to grow revenue further to outperform the market and achieve sustainable growth in EPS due to operating efficiencies realized by economies of scale

Tanshin Basis

(Billion yen)	FY2020 Results	FY2021 Estimates	FY2023 targets[※4]	FY2021- 2023 CAGR targets[※4]	FY2024 onwards CAGR targets
Revenue	781.1	890.0	1,100.0	10.0%+	High Single Digit
Operating Profit (before Asia JV acquisition cost)	86.9	92.0[※1]	140.0	25.0%	Profit growth exceeding revenue growth
OP margin	11.1%	10.3%	c.[※5] 13.0%	c. +2.7pt	
EBITDA[※2]	116.7	126.0[※1]	175.0	20.0%	
EBITDA margin	14.9%	14.2%	c. 16.0%	c. +1.8pt	
Profit attributable to owners of parent[※3]	44.6	67.0	105.0	25.0%	
EPS (before splits) (yen)	139	143[※6]	225	25.0%	

※1 Before one-time expenses ※2 EBITDA=Consolidated operating profit + Depreciation and Impairment loss (Hereinafter the same shall apply in this document)
※3 Profit attributable to owners of parent: Targets for profit attributable to owners of parent are calculated by multiplying operating profit by effective tax rates
※4 Exchange rate assumptions: USD/JPY is at 106.0 yen; RMB/JPY is at 15.7 yen; AUD/JPY is at 75.0 yen; naphtha price: 40,000 yen/kl
※5 circa: approximately ※6 Estimated based on the number of shares (excluding proration adjustments) after the capital increase on January 25, 2021

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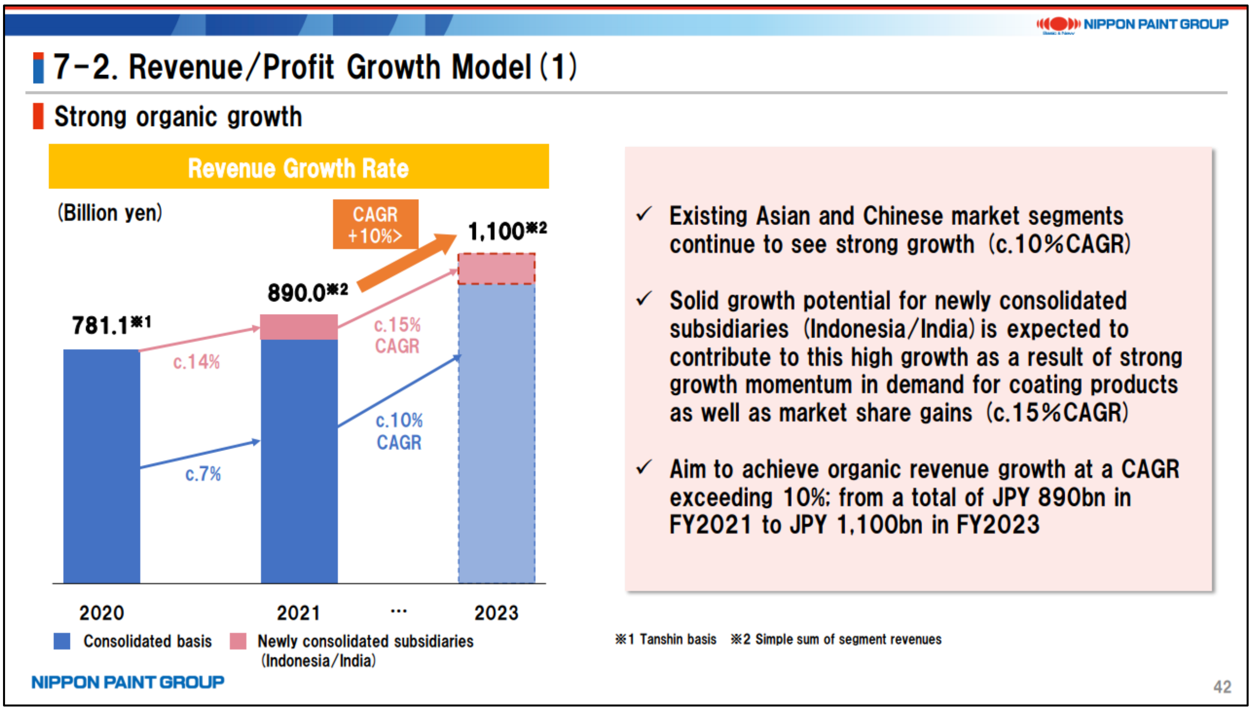
My final subject is our financial plan.

Revenue CAGR targets of our major benchmarked competitors are 4-6%. Our long-term financial targets are to achieve a sustainable CAGR in the high single digits beginning in FY2024.

The operating profit and EBITDA CAGR are based on the plan to use additional marginal profit as sales grow in order to increase profit margins.

Our milestones for FY2023 are revenue of 1,100 billion yen, operating profit of 140 billion yen, and EPS of 225 yen. Furthermore, our targets are revenue CAGR of more than 10%, an operating profit margin improvement of 2.7 points, and EPS growth of 25%.

As I stated at the beginning of this presentation, these financial targets were determined with the involvement of management teams of the core partner companies of our Group and therefore represent the commitment of the entire Group. We will mobilize our collective resources in order to achieve these targets.

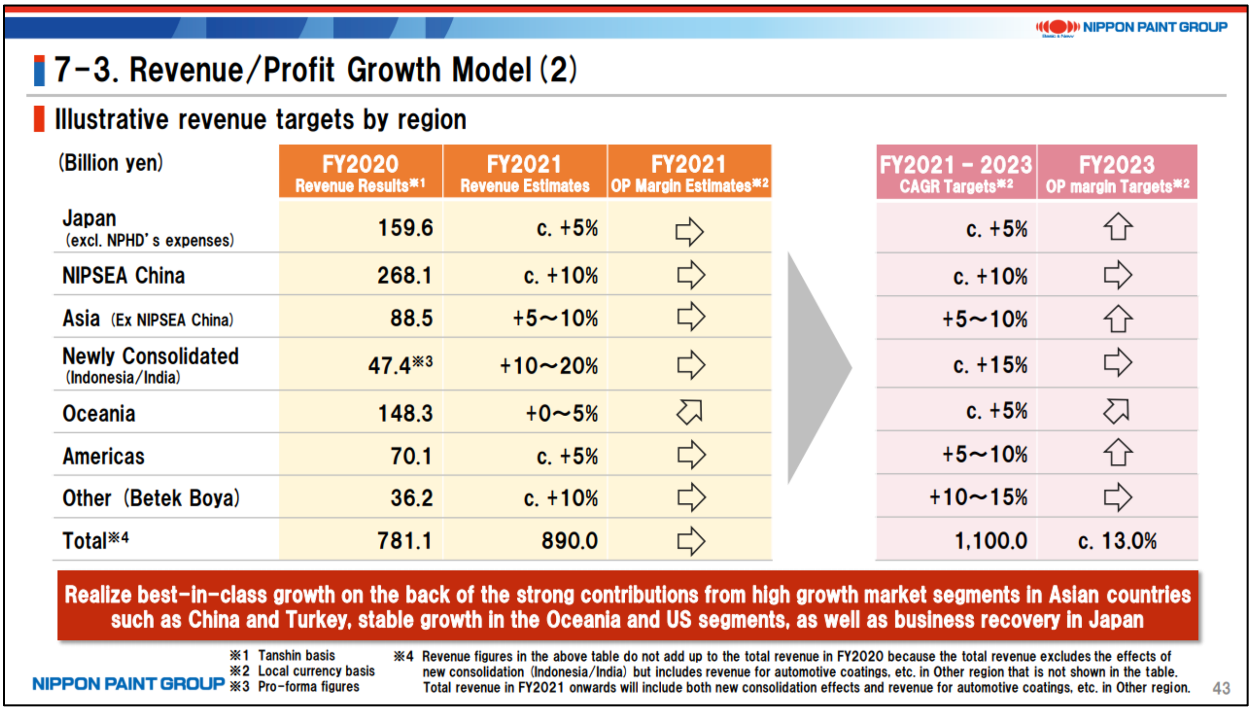


Now, I will go into how we plan to achieve our FY2023 targets.

For revenue, we expect a stable growth at a CAGR of approximately 10% in existing businesses, mainly in China and other Asian regions.

In the Indonesia and the India businesses, which we have recently acquired, we expect revenue growth at a CAGR of 15% backed by growth of paints and coatings demand along with high growth through market share gains.

After combining the revenue from the Indonesia and India businesses with revenue from the existing businesses, our consolidated revenue is expected to grow at a CAGR of more than 10%, from 890 billion yen in FY2021 to 1,100 billion yen in FY2023.



7-3. Revenue/Profit Growth Model (2)

Illustrative revenue targets by region

(Billion yen)	FY2020 Revenue Results※1	FY2021 Revenue Estimates	FY2021 OP Margin Estimates※2	FY2021 - 2023 CAGR Targets※2	FY2023 OP margin Targets※2
Japan (excl. NPHD's expenses)	159.6	c. +5%	→	c. +5%	↑
NIPSEA China	268.1	c. +10%	→	c. +10%	→
Asia (Ex NIPSEA China)	88.5	+5～10%	→	+5～10%	↑
Newly Consolidated (Indonesia/India)	47.4※3	+10～20%	→	c. +15%	→
Oceania	148.3	+0～5%	↗	c. +5%	↗
Americas	70.1	c. +5%	→	+5～10%	↑
Other (Betek Boya)	36.2	c. +10%	→	+10～15%	→
Total※4	781.1	890.0	→	1,100.0	c. 13.0%

Realize best-in-class growth on the back of the strong contributions from high growth market segments in Asian countries such as China and Turkey, stable growth in the Oceania and US segments, as well as business recovery in Japan

※1 Tanshin basis
※2 Local currency basis
※3 Pro-forma figures
※4 Revenue figures in the above table do not add up to the total revenue in FY2020 because the total revenue excludes the effects of new consolidation (Indonesia/India) but includes revenue for automotive coatings, etc. in Other region that is not shown in the table. Total revenue in FY2021 onwards will include both new consolidation effects and revenue for automotive coatings, etc. in Other region.

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I will omit an explanation of the strategies for achieving revenue and operating profit margin targets in each operating region because this information was in the Strategy by Region and Business section. In short, we project revenue growth in every region with no change or an improvement in the operating profit margin in FY2023.

Our Group as a whole expects to achieve best-in-class growth

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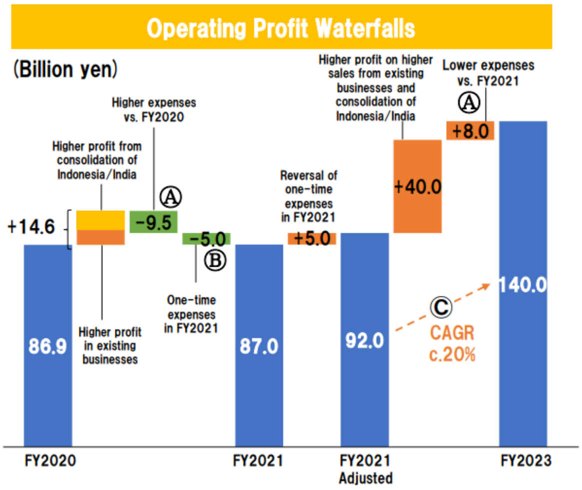
7-4. Revenue/Profit Growth Model (3)

In addition to the steady profit growth of each business, further profit growth is realized by the effect of reducing fixed costs, which peak in FY2021



Ⓐ Higher expenses (c. 9.5 bn yen) involving supply chain reform and DX transformation expected in FY2021. However, expenses will gradually decrease through FY2023, with expenses falling to the FY2020 level in step with efficiency improvements

Ⓑ One-time expenses are stamp tax and other expenses of c. 5.0 bn yen

Ⓒ Aim to grow consolidated operating profit to 140 bn yen in FY2023 from 92.0 bn yen (after one-time expenses) in FY2021, driven by steady sales growth and cost reductions

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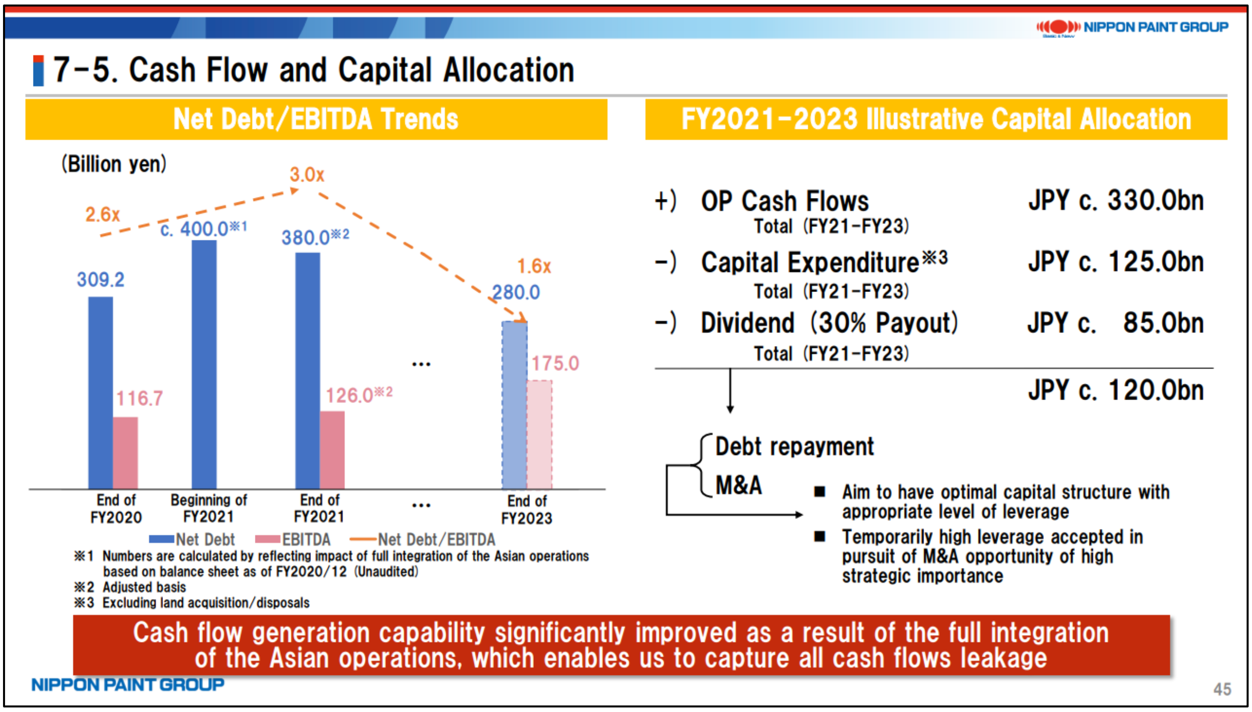
This page shows our approximate outlook for operating profit growth.

Regarding (A), our Group's expenses will be approximately 9.5 billion yen higher in FY2021 than in FY2020 due to expenses involving supply chain reform and the DX transformation. In addition, there are expenses involving the upgrading of infrastructure systems implemented quickly in response to the COVID-19 pandemic, which are one-time expenses. We project a gradual decline in expenses through FY2023 with the goal of reducing expenses to the FY2020 level by FY2023 by further improving efficiency.

Regarding (B), there were one-time expenses, such as a stamp tax, involving the acquisition of the 100% ownership of the Asian JVs of approx. 5.0 billion.

Regarding (C), we expect operating profit growth of 40 billion yen resulting from higher revenue from existing businesses and the consolidation of the Indonesia and India businesses. Combined with this, we plan to reduce expenses by 8 billion yen and aim to achieve operating profit of 140 billion yen in FY2023.



Finally, I will explain our cash flows and capital allocation. Our cash flow generation capability will improve significantly as a result of the full integration of the Asian operations, which allows us to keep all earnings of these operations within our Group.

In our capital allocation plan, we expect to generate operating cash flows of 330 billion yen in FY2021-2023. After deducting dividends of 85 billion yen, 125 billion yen will be used for capital expenditures, which I explained earlier, and the remaining 120 billion yen will be used for debt repayments and M&A.

If there are no M&A deals and we use the entire 120 billion yen to repay debt, net debt will still increase in FY2021 as shown in the chart on the left as a result of the borrowing of 100 billion yen for the full integration of the Asian operations. However, Net Debt/EBITDA will decline to 1.6 at the end of FY2023 due to the repayment of debt and EBITDA growth.

This concludes my presentation about our new Medium-Term Plan for FY2021-2023.

We will implement the strategies in this plan in all our operating regions by mobilizing the Power of Teamwork with our partner companies with the goal of building a powerful base for sustainable growth.

This brings me to the end of my presentation today. Thank you for joining our webcast.