



# Nippon Paint Group Medium-Term Plan (FY2021-2023) Progress Report

March 16, 2022  
Yuichiro Wakatsuki  
Representative Executive Officer & Co-President  
Nippon Paint Holdings Co., Ltd.

# TODAY' S AGENDA

1. Introduction ...P3

2. Strategy By Region And Business ...P11

3. Sustainability Strategy ...P22

4. M&A Strategy ...P28

5. Financial Plan ...P33



# 1. Introduction



# 1-1. Executive Summary

## ▶ Numerous corporate actions post Co-President setup

Aggressive pursuit of growth in paint and adjacency arena through M&A also driving autonomous growth of existing Group partner companies※  
Established the basis for sustainable growth with small headquarters at the holding company and with reinforced governance

## ▶ Delivered strong revenue growth despite the pandemic

Recognition of the strength of our business model predicated on high market share in each region with emphasis on autonomy and accountability  
Expect to achieve Year 3 revenue target of 1,100 billion yen one year early

## ▶ Achieved effective operating profit growth despite challenging environment

Despite impact of higher raw material prices and supply chain disruptions, achieved effective operating profit growth excluding one-off items with contributions from Indonesia, selling price increases, and significant savings in Head Office expenses compared to the initial plan

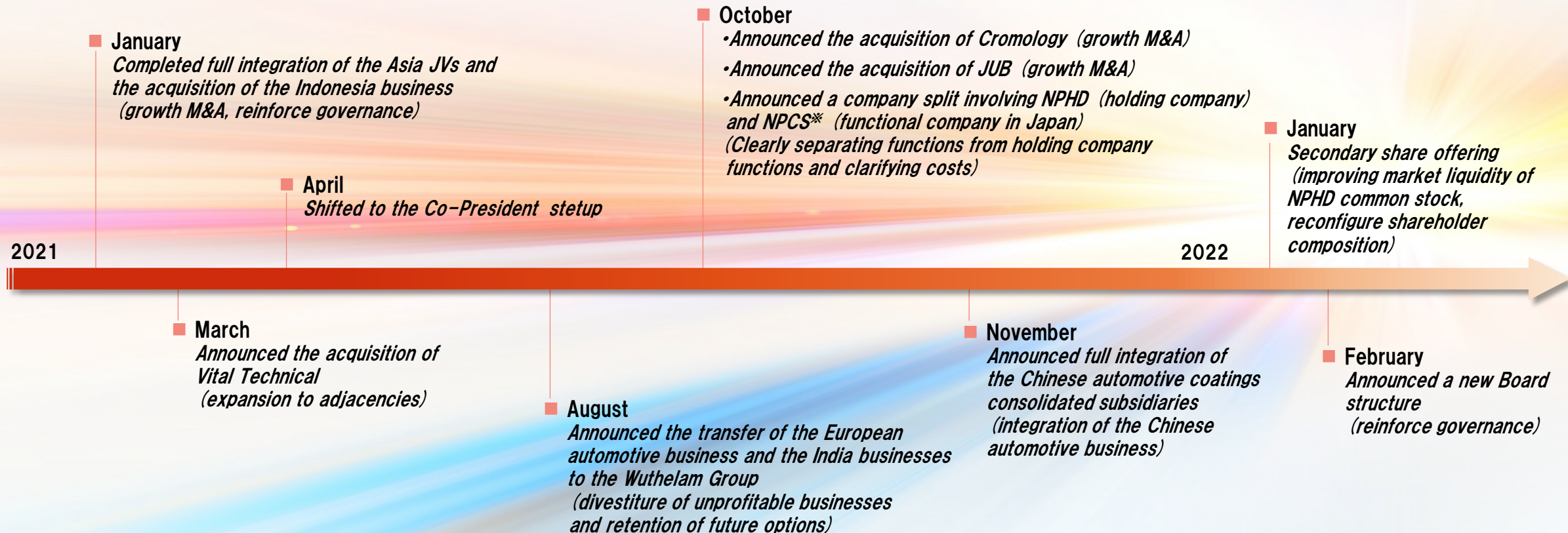
## ▶ Operating profit target for FY2023 unchanged

Well positioned to achieve Year 3 target of 140 billion yen operating profit and 45 yen EPS, driven by autonomous growth across the Group based on solid paint demand and market share gains, progress with selling price increases, and contributions from new acquisitions

**Year 1 of Medium-Term Plan provided the foundation for our “Asset Assembler” model  
which combines strong organic and M&A growth  
Continue to fuel our insatiable appetite for medium- and long-term growth**

## 1-2. Medium-Term Plan Year 1 Review

Following Co-President setup, implemented numerous actions including M&A aimed at MSV  
Clarified role of holding company while respecting autonomy of Group companies  
and reinforced the foundation for sustainable EPS growth

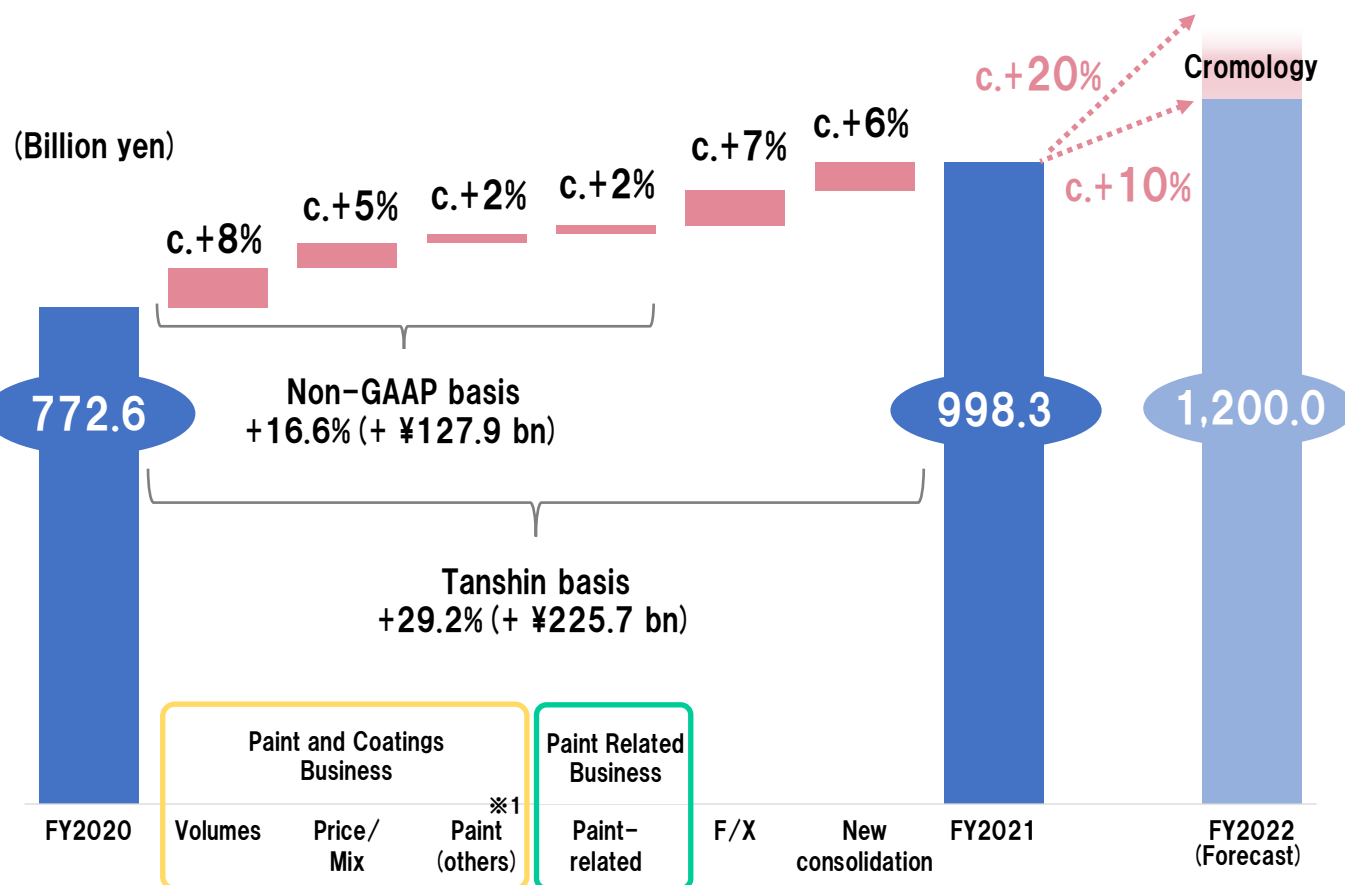




# 1-3. FY2021-2022 Revenue

Significant revenue growth in FY2021, with volume growth and improved price/mix, favorable forex and M&A  
Expect c. 20% revenue growth in FY2022 based on autonomous growth and contribution from M&A

## FY2021-2022 Revenue Analysis



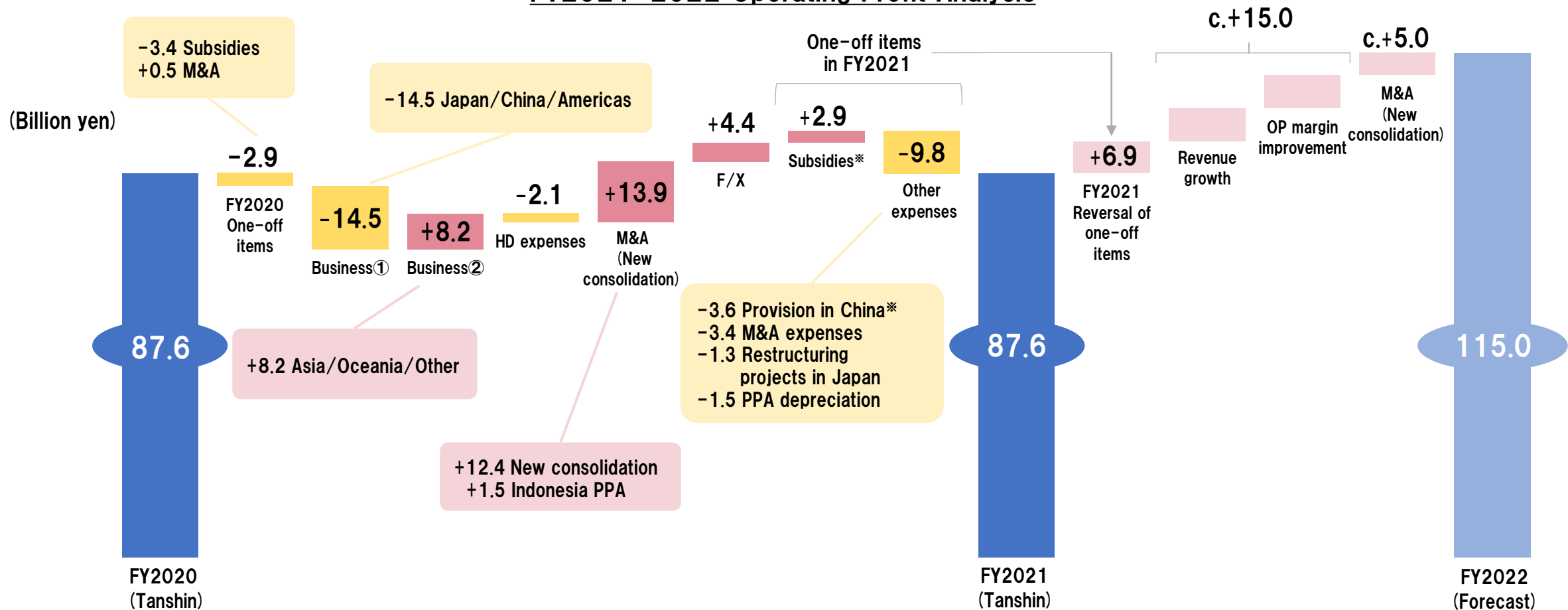
## FY2021-2022 Revenue/Growth Rate

	FY21 Results (Tanshin)	FY21 Growth Rate (In local currency)	FY22 Forecast (In local currency)	Medium-Term Plan CAGR Targets <sup>※2</sup> (In local currency)
Japan (excl. HD expenses)	164.6	+1.6%	+10~15%	c. +5%
NIPSEA China	379.1	+27.3%	+10~15%	c. +10%
Asia (Excepting NIPSEA China)	151.1	+74.9%	c. +10%	+5~10%
New consolidation (Indonesia)	39.5	+25.3%	c. +15%	c. +15%
Oceania	176.2	+5.9%	c. +5%	c. +5%
Americas	76.4	+4.9%	c. +10%	+5~10%
Other (Betek Boya)	49.2	+65.3%	+10~15%	+10~15%
<b>Total</b>	<b>998.3</b>	—	<b>1,200.0</b> (Tanshin)	<b>1,100.0</b>

# 1-4. FY2021-2022 Operating Profit

Achieved effective operating profit growth excluding one-off items in FY2021  
Expect to achieve FY2022 operating profit guidance via revenue growth, margin improvement and M&A

## FY2021-2022 Operating Profit Analysis

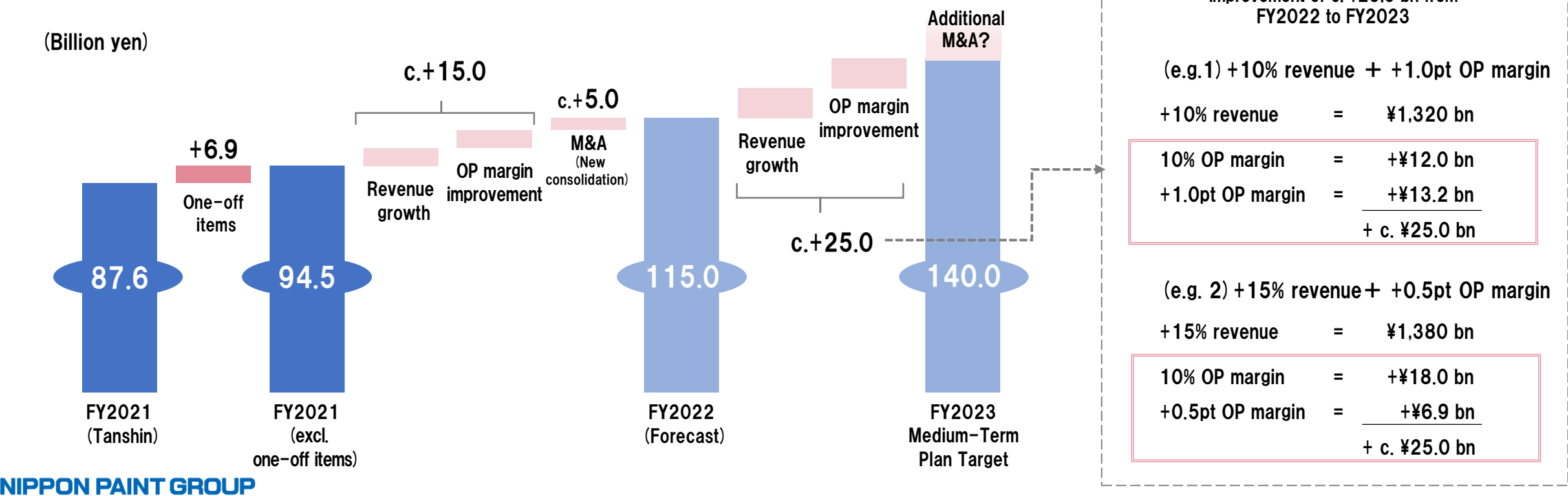


# 1-5. Towards FY2023—Year 3 of the Medium-Term Plan

**Good prospects towards achieving operating profit target of 140 billion yen**

- ▶ Well positioned to achieve organic growth in the range of high single-digit to low-teens percentages post FY2022, underpinned by solid paint demand in each operating region centered on Asia including China, coupled with market share gains across regions
- ▶ Assuming current raw material inflation settles within FY2022, margin improvement through price increases should fully contribute in FY2023
- ▶ As in below illustration, well positioned to achieve operating profit target of 140 billion yen in FY2023 without additional acquisitions

**Illustrative FY2021–2023 Operating Profit**





# 1-6. Asset Assembler ①

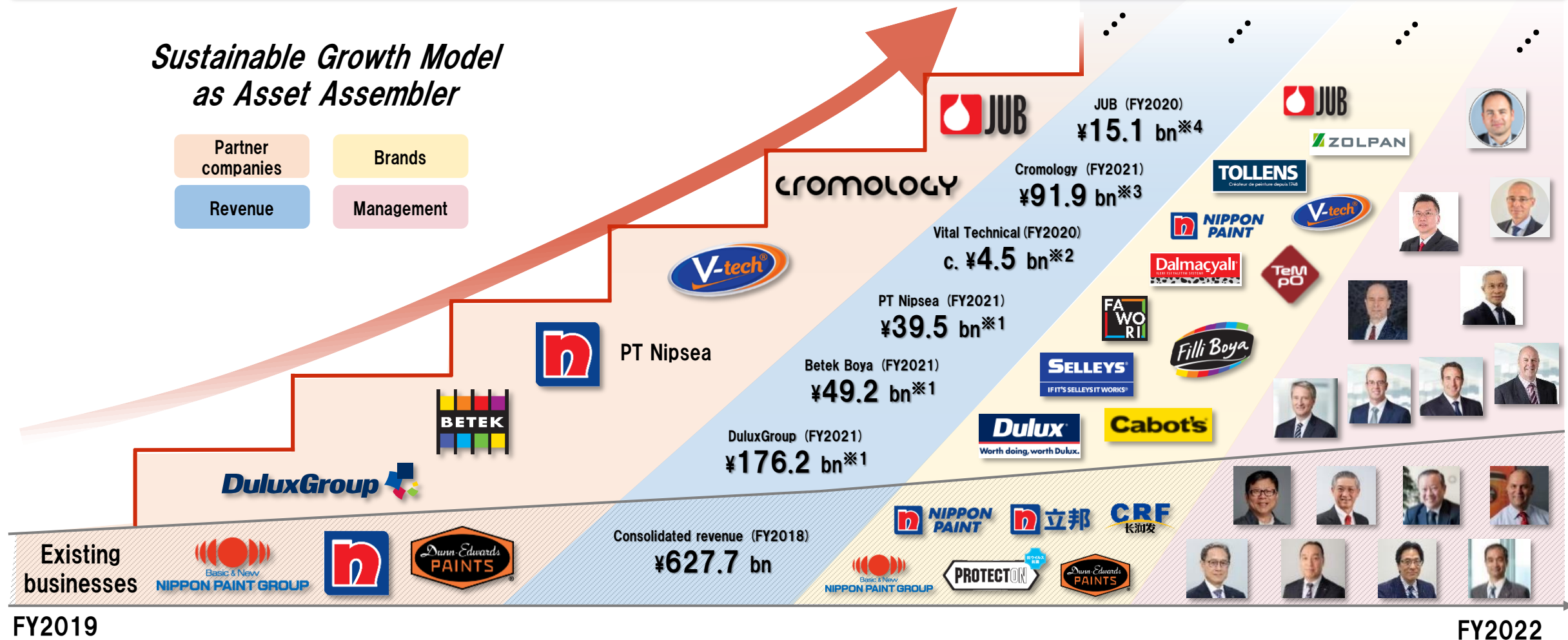
## Nippon Paint is a unique Japan-based “Asset Assembler” with MSV as its sole mission

- |          |   |   |   |
|----------|---|---|---|
| <b>1</b> | <b>Focused on paint and adjacencies with significant market opportunities</b> | ▶ | <ul style="list-style-type: none"> <li>• Paint and adjacencies have significant growth opportunities, driven by population growth, per-capita GDP growth, and urbanization. We have considerable expertise and knowledge in these areas</li> <li>• SAF※<sup>1</sup> (USD60.0 bn※<sup>2</sup>) and CC※<sup>3</sup> (USD71.5 bn※<sup>4</sup>) also have attractive market size</li> </ul> |
| <b>2</b> | <b>Attractive risk–return profile of paint and adjacency arena</b>            | ▶ | <ul style="list-style-type: none"> <li>• Strong brand and high market share raise entry barriers, leading to solidification of leading market position</li> <li>• Paint and adjacencies markets are characterized by local production for local consumption, allowing for our autonomous and decentralized model to minimize PMI risk</li> </ul>  |
| <b>3</b> | <b>Japan domicile enhanced competitive strengths</b>                          | ▶ | <ul style="list-style-type: none"> <li>• Ability to finance at low interest rates in Japan, which has a stable currency and stable market, based on long–term relationships with banks</li> <li>• Attractive Japanese capital markets, which have stable legal system and high liquidity in TSE</li> </ul>  |
| <b>4</b> | <b>An assembly of talented management and strong brands</b>                   | ▶ | <ul style="list-style-type: none"> <li>• Management of partner companies have deep understanding of market features in every region and well versed into MSV, and can fully utilize their capabilities based on our autonomous and decentralized business model</li> </ul>  |
| <b>5</b> | <b>Advanced governance</b>  | ▶ | <ul style="list-style-type: none"> <li>• Independent Directors comprise majority of the Board of Directors (8 out of 11 board members※<sup>5</sup>)</li> <li>• Ensuring protection of minority shareholders’ interest with MSV as a shared mission with our major shareholder</li> </ul>  |

## 1-7. Asset Assembler ②

On top of strong organic growth, we assemble assets with strong brand and excellent management through M&A, effectuating accelerated growth with limited risk

### Sustainable Growth Model as Asset Assembler





## 2. Strategy By Region And Business



## 2-1. Raw Material Market

Expecting OP margin to start improving gradually in 2Q FY2022 through strategic selling price increases

### Raw Material Market Conditions

Crude oil and naphtha prices have risen following US and UK bans on Russian oil imports, coupled with continuing disruptions in international logistics and intermittent problems at some factories. We expect raw material prices to rise further

Crude oil/ Naphtha	Crude oil and naphtha prices have increased beyond our assumptions due to US and UK bans on Russian oil imports. The prices are unlikely to fall within a short time
TiO2	TiO2 price has increased further due to continuing ore price increases, logistics disruptions, and supply-and-demand imbalances. The Ukraine crisis may cause TiO2 price to increase even faster
China	Raw material production and logistics have continued to be impacted by production restrictions and zero COVID policy, coupled with ongoing electricity shortages

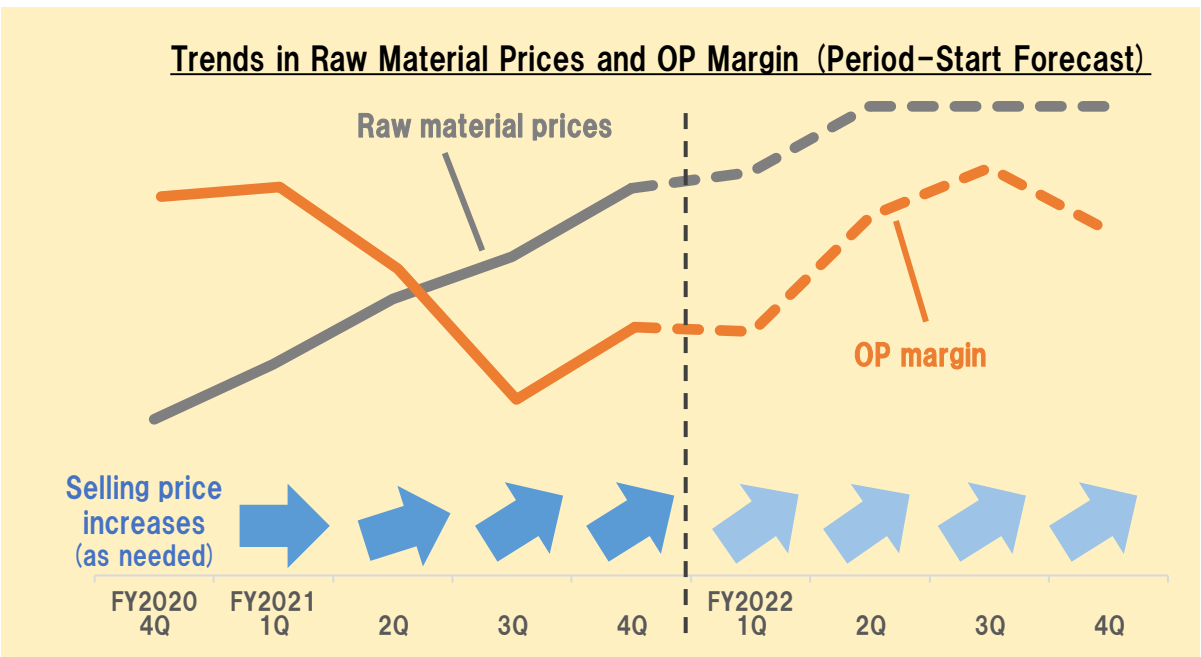
### Our Responses until 4Q FY2021

We responded to raw material price inflation that impacted all operating regions by taking actions such as raising selling prices, procuring alternative raw materials, and reviewing SG&A expenses

Selling price increases	Raised selling prices in the decorative business in major operating regions and continued price negotiations in the automotive and industrial businesses while maintaining sound relationships with customers
Procurement of alternative raw materials	Our R&D and production divisions in all operating regions are sharing information and knowhow to consider procuring alternative raw materials
Review of SG&A expenses	Reviewed SG&A expenses in all operating regions, which resulted in 1pt reduction in consolidated SG&A expense ratio (30.5%→29.5%)

### Road Map for Improving OP Margin

- Our guidance announced in Feb. 2022 assumed that Japan naphtha price would remain above ¥60,000 through 1H FY2022. However, we assume raw material prices to rise further due to escalation of crude oil and naphtha prices caused by US and UK bans on Russian oil imports
- Continue to raise selling prices to keep up with raw material price increases
- Expect the OP margin to start improving gradually in 2Q combined with benefits of progress with selling price increases. However, the timing of margin improvements may be delayed depending on crude oil and naphtha market developments and other factors
- We are well positioned to restore OP margin in the medium- and long-term by raising selling prices



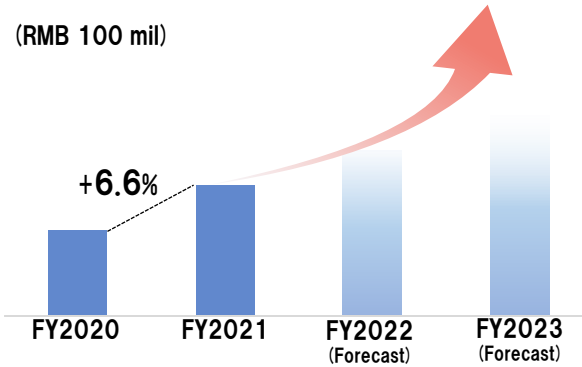
## 2-2. Growth Potential of the Decorative Paints Market in China

### Rapid structural changes in the market leaves medium- and long-term growth potential unchanged

#### Market Features and Outlook (Decorative in China)

##### Trends in market size※

(RMB 100 mil)



##### FY2021-2023 market growth rate※

GDP growth  
+  $\alpha$  (CAGR)

- Paint consumption per capita is still around 1/3 of developed countries. Expect sustainable growth at GDP+  $\alpha$  driven by an increase in disposable income due to growth of the middle class population
- Paint demand is growing with urbanization. The urbanization rate has risen to c. 60%~70% from c. 50% in 2016, and is expected to continue increasing gradually
- Renovation demand is increased rapidly, in addition to new property demand. Renovation demand currently accounts for c. 1/3 and new property demand accounts for c. 2/3. In large cities, renovation demand and new property demand is roughly the same because houses are aging fast
- Shift in consumers needs to the comprehensive range, better quality and premium products, end to end complete system and service offering (one stop service) as disposable income of local households increases

#### Market Trends and Our Approach (DIY and Project)

##### DIY



- A rising proportion of existing/mature housing estates nationwide generates huge demand for repairs, renovation and repainting

- Sell products to consumers and commercial property owners through distribution channels such as exclusive distributors, paint stores, interior contractors, large building supply stores, and online stores. Utilizing 58,000 distribution locations nationwide

- Transformation from just selling paint to a one-stop solution provider that integrates products and services into a convenient customer experience

##### Project



- A rising proportion of existing/mature housing estates generates huge demand for repairs, renovation and repainting
- Increase in new property launches featuring fully decorated and move-in-ready units, as opposed to bare units that require renovation

- Strengthen relationships with real estate developers, who are the main customers in the new construction market, and build relationships with large home improvement companies, etc. to capture renovation demand

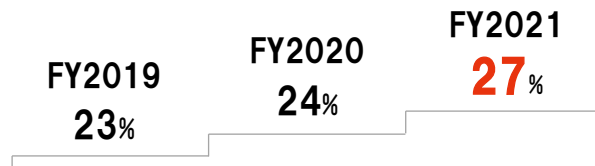
- Move from selling products to providing solutions, promoting sales of paints and related products

## 2-3. NIPSEA China Decorative (DIY) Business Strategy Progress

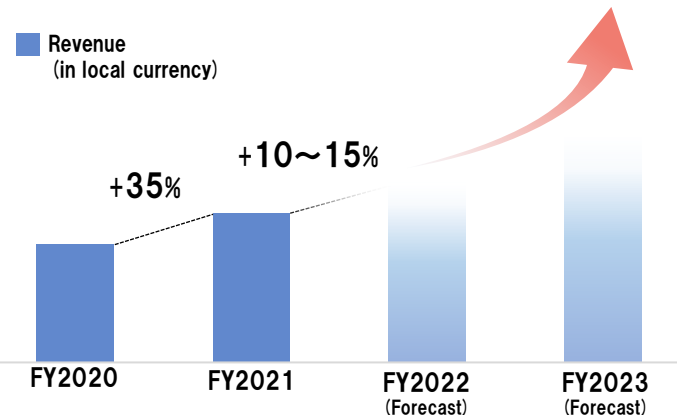
### Forging ahead and solidifying our leadership position



#### Market share<sup>※1</sup>



#### Performance trends



NIPPON PAINT GROUP

#### Market Features and Outlook (DIY in China)

- Expect the DIY market to continue to grow although growth in the real estate sector will slowdown to a sustainable pace due to the government's measures to deleverage economy
- Sound and stable economic growth driven by expansion of monetary and fiscal policies against the backdrop of an economic slowdown
- Ample potential for strong growth in the renovation market and lower-tier and rural cities



#### Excellent brand reputation

2021 C-BPI<sup>®</sup>

Industry Brand Power Index

Wall Paint Category  
5th straight year

Wood Coatings Category  
9th straight year

**No.1**

**No.1**

#### FY2022-2023 Actions

- Enriching our product lines & coating systems
  - Introduced upgraded product to meet eco-friendly demand: asthma & allergy friendly (ASL certificate<sup>※2</sup>) of Kid's Paint & Eco-essence Paint
  - Accelerate the push of exterior-wall texture coating into lower-tier cities and rural areas
- Extending channel coverage
  - Continue to improve and extend channel coverage, sales locations, improve the shopping experience, increase our share in key channels
  - Focused market penetration and efforts in lower tier and rural cities where we are seeing stronger growth
- Continuous brand building and upgrading
  - Spare no efforts to enhance and maintain the recognition and the high brand evaluation we have in the market
  - Repay the trust that our customers and stakeholders placed in us by continuously upgrading and enriching our product line and coating systems



<sup>※1</sup> NPHD's estimates. We redefined our DIY market share to include the growing renovation market when 4Q 2020 results were announced and have added villages and rural area this time  
<sup>※2</sup> An independent certification developed by the Allergy Standards Limited where our products have been scientifically tested and identified as being more suitable for people with asthma and allergies

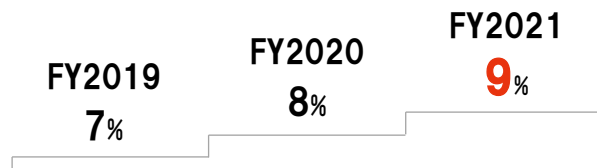


## 2-4. NIPSEA China Decorative (Project) Business Strategy Progress

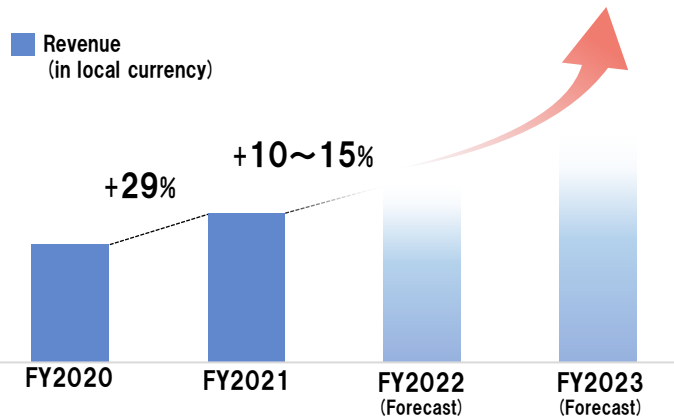
### Driving growth in the market where consolidation is expected by expanding the customer base



#### Market share※



#### Performance trends



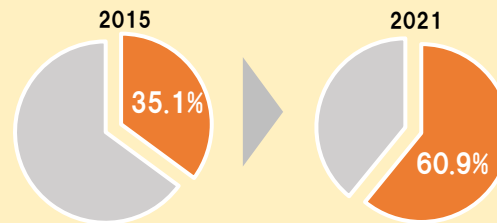
NIPPON PAINT GROUP

※NPHD's estimates

#### Market Features and Outlook (Project in China)

- Expect the Project market to continue to grow although growth in the real estate sector will slowdown to a sustainable pace due to the government's measures to deleverage the economy
- Expect market consolidation will progress with real estate developers with strong financial bases surviving
- The 1st and 2nd tier cities have many existing houses built during the real estate boom in the past and therefore have growth potential driven by repainting demand

#### Market share controlled by top 100 real estate developers



#### Excellent brand reputation

No.1 preferred coatings brands for Top 500 Chinese real estate enterprises

10th straight year (2012-2021)



#### FY2022-2023 Actions

- ▶ Expanding new channels and diversifying our customer base
  - Diversifying our B2B customer base by strengthening and extending our relationships with strategic construction vendors, project service vendors, high quality and foreign funded real estate enterprises
  - Development of other strategic project areas such as general contracting, medical, and other non residential projects
- ▶ Optimizing the operational and organizational structure
  - Streamline and flatten the management structure to enable quicker responses and organizational flexibility

#### Provide one-stop solutions from wall to floor applications



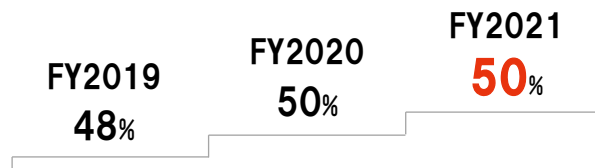
- ① Thermal insulation system that is both green and energy-saving
- ② High performance, multi-functional exterior and interior wall coating system
- ③ Professional floor coating systems with multi-functions and eco-friendly features
- ④ A multiplier based professional complementary system

## 2-5. DuluxGroup (Oceania) Business Strategy Progress

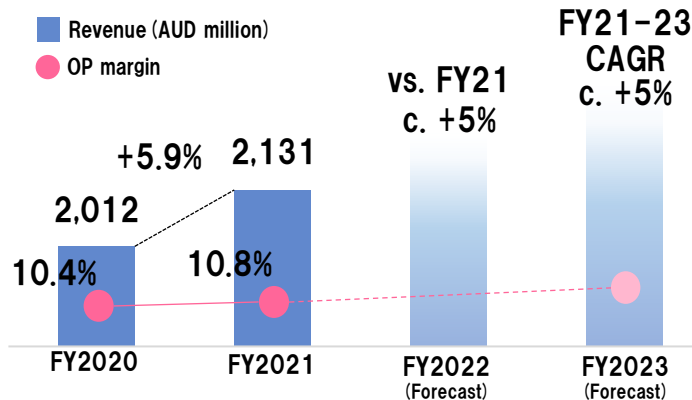
Continue to expand our market leading Dulux business in ANZ and drive growth in Europe



### Market share<sup>※1</sup>



### Performance trends<sup>※2</sup>



NIPPON PAINT GROUP

### Market Features and Outlook (Decorative in Australia)

#### FY2021-2023 market growth rate<sup>※3</sup>

0 to -2% (CAGR)

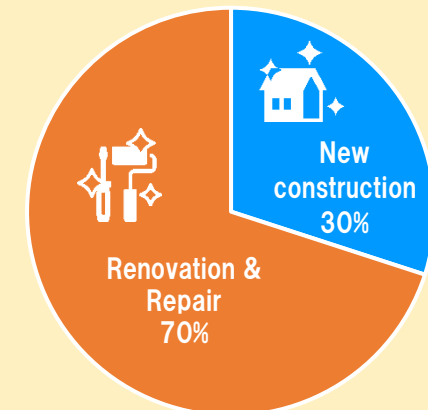


- The renovation and repair segment of the Decorative paint market is highly resilient, however it is still “COVID enhanced” after the abnormal 2020 peak; so we expect some normalization to begin
- In general, decorative paint market volumes are primarily correlated with GDP and to a lesser extent new housing starts
- Indicators of demand remain generally positive ie. GDP positive, interest rates historically low (but rising), unemployment low
- New housing volumes are expected to peak in 2022 and then moderate in 2023, given the existing pipeline of work

### FY2022-2023 Actions

- Continue strong track record of growth in Dulux ANZ by maintaining a focus on core fundamentals, being consumer engagement, premium brands, innovation and customer service
- Drive meaningful growth in the European decorative paints and specialty coatings markets by leveraging our recent acquisitions of Cromology and JUB

### Market composition in 2021



※1 Estimated Australian Decorative Paints market by volume

※2 Local currency basis (after elimination of intersegment transactions and after PPA; excluding Cromology and JUB in Forecast estimates)

※3 Estimated market volume growth rate

## 2-6. Betek Boya (Turkey) Business Strategy Progress

### Driving market share gains by promoting multi-brand strategy in the decorative paint segment



#### Market Features and Outlook (Decorative and ETICS)

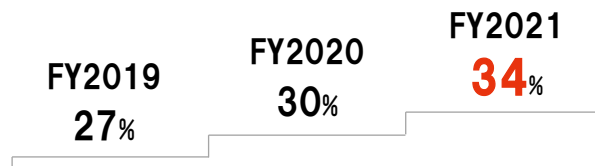
#### FY2022-2023 Actions

#### FY2019-2024 market growth rate (Decorative) ※3

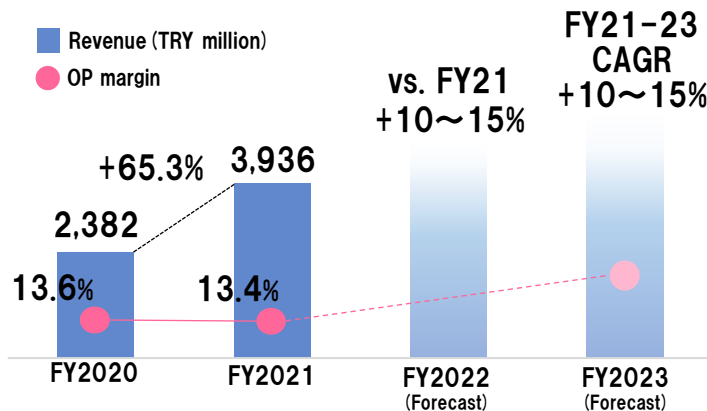
+3.6% (CAGR)

- Multi brand strategy continue to be a key growth strategy to increase our revenue and market share
- The differentiation by brands and our comprehensive product portfolio will enable us to meet the needs of our diverse customer base
- Building the next generation of dealers to provide a premium customer experience
- Effective market penetration strategy by determining potential and primary competitors in every city of Turkey and sales targets for each city
- Improving profitability in ETICS with effective price management

#### Market share (Decorative) ※1

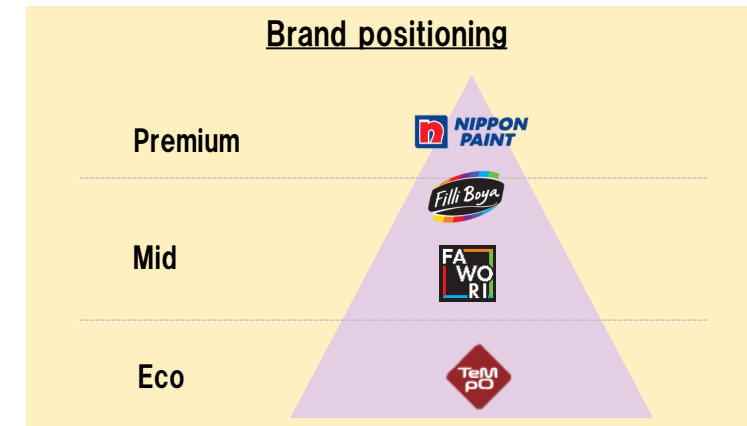


#### Performance trends ※2



- Market size growth in value primarily driven by inflation due to unstable currency situation and expected to remain challenging
- Decreasing market volume due to high raw material prices and logistics problems with diminishing PPP (Purchasing Power Parity) from high inflation and currency devaluation
- See more stable market growth in ETICS due to strong demand because of high energy prices although still suffering some of the same deficiencies in Deco (high raw material prices and decreasing PPP)

#### Brand positioning



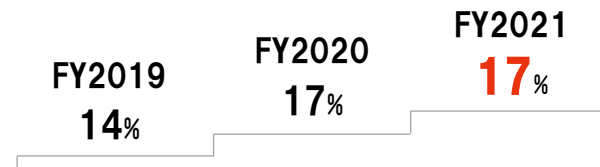


## 2-7. PT Nipsea (Indonesia) Business Strategy Progress

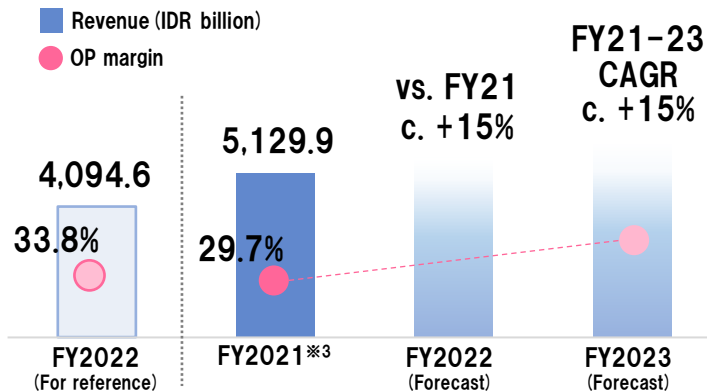
Pushing with business expansion by continuing to make investments for building brands and establishing new e-commerce channels



### Market share<sup>※1</sup>



### Performance trends<sup>※2</sup>



NIPPON PAINT GROUP

### Market Features and Outlook (Decorative)

#### FY2021-2023 market growth rate<sup>※4</sup>

+10.8% (CAGR)

- Indonesian economy set to benefit from the rising global commodity and metals prices being a net exporter of commodities
- Further relaxation of COVID-related controls as the country emerges stronger from the pandemic lending further support to domestic demand
- Indonesia GDP growth predicted to increase from 3.7% in 2021 to 5.5% in 2022 backed by growth of exports and domestic consumption

### FY2022-2023 Actions

- Continue to invest in advertising to drive brand top-of-mind (TOM) and preference
- Drive wider distribution of CCM<sup>※5</sup> machines and increase product penetration in all product segments in these CCM stores
- Establish new e-commerce channels to address to the growing demand for online purchases and support our customers on additional sales channels
- Continue to open more depots/stockpoints to further widen our geographical coverage, add more salespeople to enable wider coverage of more dealer channels
- Expanding aggressively to product segments beyond paint, leveraging our existing wide retail network, to increase sales contribution from the non-paint segments



Illustrative advertisement



Paint store

※1 NPHD's estimates. Reviewed the market share based on the redefined market

※2 Local currency basis (after elimination of intersegment transactions)

※3 After PPA

※4 NPHD's estimates

※5 Computerized Colour Matching

## 2-8. Japan Business Strategy Progress

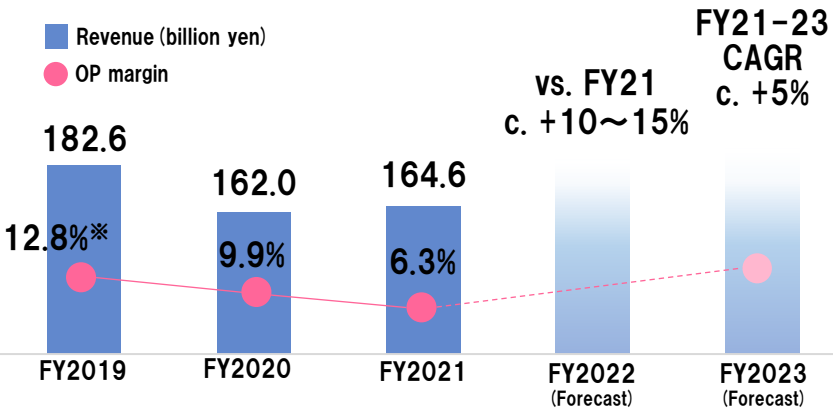
Aiming to restore profitability, driven by market recovery, selling price increases, and improvement of productivity per person

### Prior-year Analysis and Future Assumptions for Operating Profit

#### FY2022 Market Assumptions and Strategy

Automotive	Expect automobile production to pick up as shortages of semiconductor chips and auto parts ease up
Decorative	Expect a market recovery from the pandemic. Focus on activities to add new customers and increase sales of high-performance differentiated products
Industrial	Expect a market recovery in coils, agricultural machinery, and construction machinery. Raise selling prices and increase market share

#### Performance trends



#### 1. Revenue recovery in all businesses

- All businesses were impacted by the pandemic in FY2020 and FY2021 and the automotive business was impacted by weak automobile production caused by semiconductor chip shortage in FY2021. However, we expect the markets to start recovering in FY2022

#### 2. Clarifying expenses

- Allocated HD expenses, which were previously charged to the Japan segment, to adjustments in FY2021 to clarify profitability and increase profitability per person. Plan to reallocate HD expenses in May 2022

#### 3. Reviewing SG&A expenses

- Higher personnel expenses at partner companies in Japan for medium- and long-term business growth and at NPHD to reinforce its pure holding company functions
- Started reviewing use of SG&A expenses in FY2021. As part of this review, we canceled the plan to build Tokyo Head Office building and decided to establish Research Institute with the latest technology and research facilities instead
- Continuously review use of expenses while continuing to make necessary investments including investments in human capital

#### 4. Selling price increases in response to high raw material prices

- Raised selling prices in response to raw material price increases based on agreement with customers. We plan to raise selling prices in industrial business in April 2022 and decorative business in May 2022

Revenue (Billion yen)	FY2019	FY2020	FY2021	FY2022 (Forecast)
Automotive	44.9	34.7	35.3	+10~15%
Decorative	48.2	43.7	45.4	c. +10%
Industrial	40.7	35.3	38.1	+10~15%

## 2-9. Automotive Business Strategy Progress

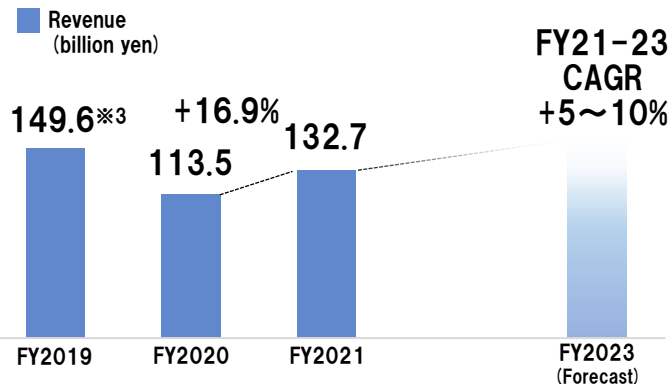
Meeting the next-generation of automotive needs including CASE and MaaS while driving business expansion in growing markets



Our market share※1

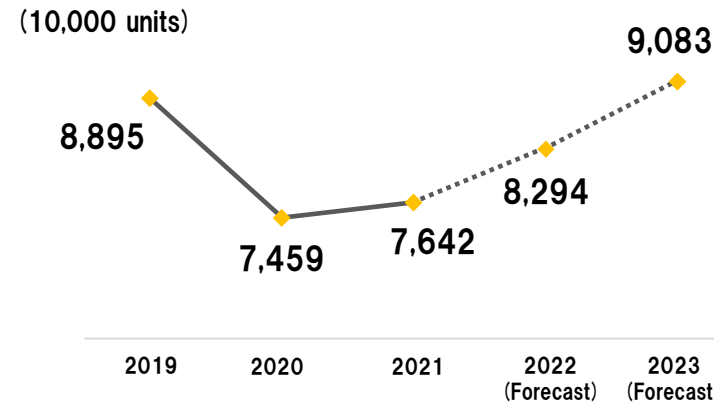


Performance trends※2



Market Features and Outlook

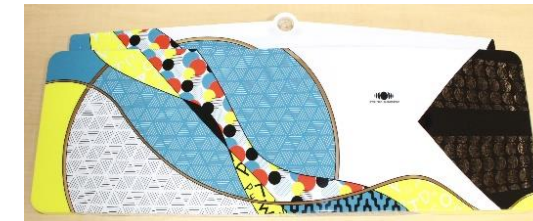
Global automobile production※4



- Automobile production remained weak due to semiconductor chip shortage caused by the pandemic. However, we expect this impact to subside by the end of 1H FY2022 and automobile production start recovering and reach 90 mil units in FY2023
- Emphasis on CASE in the auto industry and global initiatives for carbon neutrality are accelerating
- Expect use of films both for automotive and non-automotive applications in the existing paint and non-paint application areas

FY2022-2023 Actions

- Developed process-saving and low-temperature baking paint as part of activities for carbon neutrality. Enhanced product range to meet emerging market needs by launching anti-viral and anti-bacterial automobile interior coatings to prepare for growth of car sharing services
- Shifted from sale of paints for films to sale of painted films to expand the applications from automotive interiors to automotive exteriors and non-automotive categories. Expand the marketing outreach to outside Japan
- Achieve growth in China by increasing sales by providing a larger product range to Japanese and European customers based on collaborations between Japanese and Chinese partner companies and Japanese and European partner companies. Strengthen competitive advantage in coatings for parts to solidify our leading position, and expand business with emerging EV manufacturers
- An overseas electrodeposition factory is scheduled for completion in the US in 1H FY2023, followed by another factory in Vietnam. Become more competitive and expand business operations globally



Test panel of decorative film



## 2-10. Paint Related Business Strategy Progress

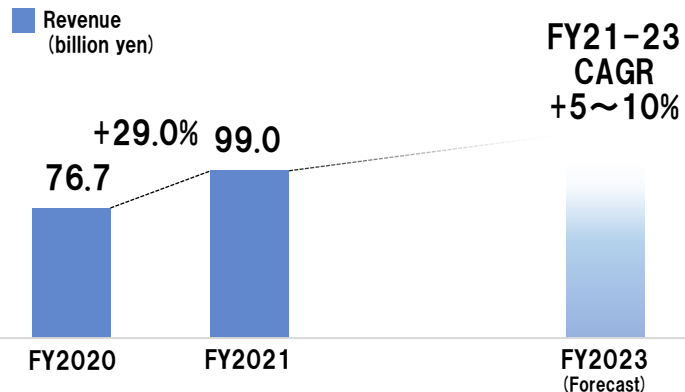
### Establishing a solid foundation for market share gains and maintaining stable growth in every operating region



#### Market Size (FY2020)

<b>SAF</b> (Sealants, Adhesives & Fillers)	USD <b>60.0</b> bn <sup>※1</sup>
<b>CC</b> (Construction Chemicals)	USD <b>71.5</b> bn <sup>※2</sup>

#### Performance trends<sup>※3</sup>



#### FY2021 Actions

##### ▶ NIPSEA

- Established the pillar of the paint related business through the integration of the Selleys<sup>※4</sup> business with Nippon Paint Malaysia and the acquisition of Vital Technical and CMI<sup>※5</sup>

##### ▶ DuluxGroup

- Maintained Selleys SAF focus on premium brands, innovation and customer service with key retail partners
- Expanded the ANZ Trade/Professional SAF business through the recent acquisitions of Admil Adhesives and Sealants Australasia<sup>※6</sup>
- Supported NIPSEA for the growth of Selleys SAF in Asian markets

##### ▶ Betek Boya

- Launched Nippon Paint Betek Research and Training Centre, showcasing and demonstrating our innovative products in the ETICS and exterior paints

#### FY2022-2023 Actions

##### ▶ NIPSEA

- Aim for rapid growth of our adjacencies business to make it a key engine of growth that complements our existing core paints and coatings business
- On the lookout for M&A opportunities that can accelerate our growth and position in core business and adjacencies

##### ▶ DuluxGroup

- Maintain Selleys ANZ's innovation led growth in its core retail market and accelerate growth with Trade/Professional users
- Continue to support NIPSEA to drive growth of Selleys SAF in Asian markets
- Explore pathways to meaningful growth in SAF in Europe and other western markets

##### ▶ Betek Boya

- Be at the forefront and pioneering development of the ETICS segment in Turkey by continuing to introduce innovative products and services that differentiates us from competition both in terms of quality and application convenience

※1 Source: Fortune Business Insights

※2 Source: ReportLinker

※3 FY2020-FY2021 figures are on a Tanshin basis and FY2021-FY2023 CAGR is based on local currencies

※4 Brand for adjacencies products such as adhesives and sealants

※5 Completed the acquisition of CMI (CMI Construction Material Industry Sdn.

Bhd. and CMI Marketing Sdn. Bhd.) in February 2022

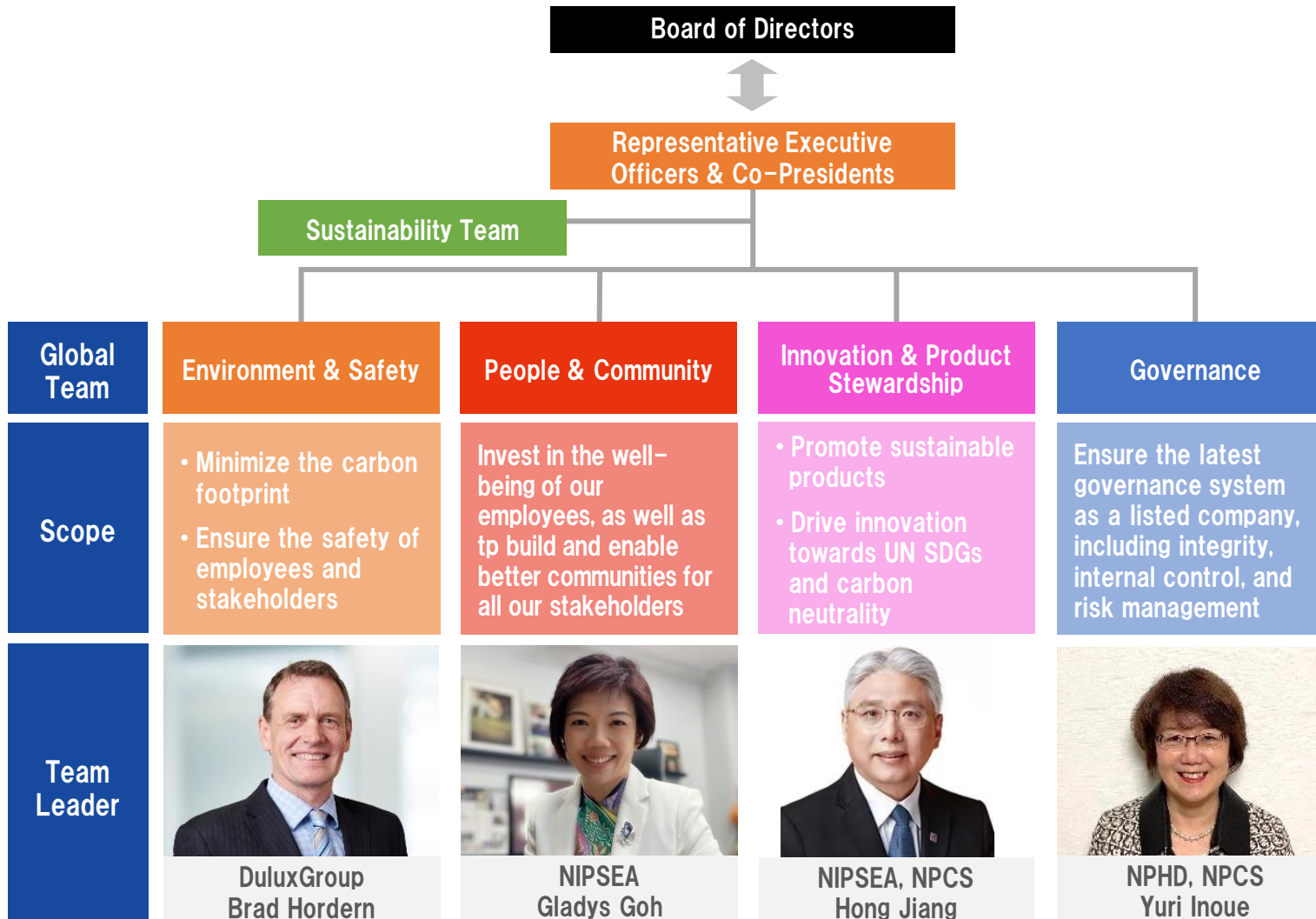
※6 Completed the acquisition of Admil Adhesives in July 2020 and Sealants Australasia in August 2021

### 3. Sustainability Strategy



# 3-1. Establishing an Autonomous Sustainability Structure

Strengthen the link between autonomous sustainability activities and business operations



## Aim of Restructure

- Form four global teams with experts from each partner company who have business expertise
- Direct reporting line to the Co-Presidents
- Self-motivated sharing of best practices from each country and each partner company's
- Sustainability team to share the capital markets and legal disclosure trends

## Outline of New Structure

- Global team
  - ✓ based on materiality\*
- Global team leaders
  - ✓ directly report to the Co-Presidents, who report to the Board of Directors
  - ✓ promote various initiatives involving the partner company representatives

\*Governance team to discuss the best direction for enhancing our good governance and autonomy in line with each materiality



## 3-2. Progress & Further Plan of Materiality ①

### Deepen our activities based on the progress made in FY2021

Materiality	Risk	Opportunity	Progress	Further plan
Climate change	<ul style="list-style-type: none"> <li>Enforcement/change of policies and legal regulations such as introduction of a carbon tax</li> <li>Impact on production and shipment from extreme weather, such as typhoons and heavy rainfalls, that are becoming increasingly common in recent years</li> <li>Changes in customer behavior toward transition to a decarbonized society</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the market for environmental products, such as products contributing to decarbonization</li> <li>Development of new businesses through research and development</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed the TCFD final report recommendations and commenced disclosure in accordance with the framework</li> <li>Calculated the potential financial impact of a carbon tax</li> <li>Agreed global target for GHG emissions reduction*<sup>1</sup> via each partner company developing targets that meet or exceed local government targets</li> <li>Calculated Scope 3 GHG emissions*<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top climate change risks and opportunities (high level scan) and potential actions</li> <li>Identify each partner company's carbon reduction action plans and develop consolidated group view (H1 2022)</li> <li>Agree objectives for common priority focus areas (e.g. energy efficiency, renewable electricity sourcing, vehicle fleet replacement) and implement</li> </ul>
Resources and environment	<ul style="list-style-type: none"> <li>Impact on business activities from depletion of energy and water resources</li> <li>Tightening of regulations on wastes and increase of waste disposal cost</li> <li>Changes in customer needs related to raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the market for environmental products</li> <li>Enhanced competitiveness by advancing recycling technologies, improving resource efficiency, and utilizing diverse raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Developed and disclose global policy statement for resources and environment (e.g. waste and effective use of resources, water)</li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top resources and environment impacts, improvement priorities, and performance measures</li> <li>Agree common priority focus areas (e.g. waste reduction) and objectives for 2022/2023 and implement</li> </ul>
Safe people and operations	<ul style="list-style-type: none"> <li>Significant impact on operations if a major accident occurs at a production site</li> <li>Impact on safety assurance due to changes in manufacturing processes accompanying substantial increases in production</li> </ul>	<ul style="list-style-type: none"> <li>Improving worksite safety and hygiene by sharing best practices and education plans from around the world</li> <li>Improving employee motivation and Company competitiveness for acquiring human resource talent</li> </ul>	<ul style="list-style-type: none"> <li>Developed global policy statement for safe people and operations (e.g. occupational safety and health)</li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top safety risks, improvement priorities, and performance measures</li> <li>Agree common priority focus areas (e.g. fire and fatality prevention) and objectives for 2022/2023 and implement</li> </ul>

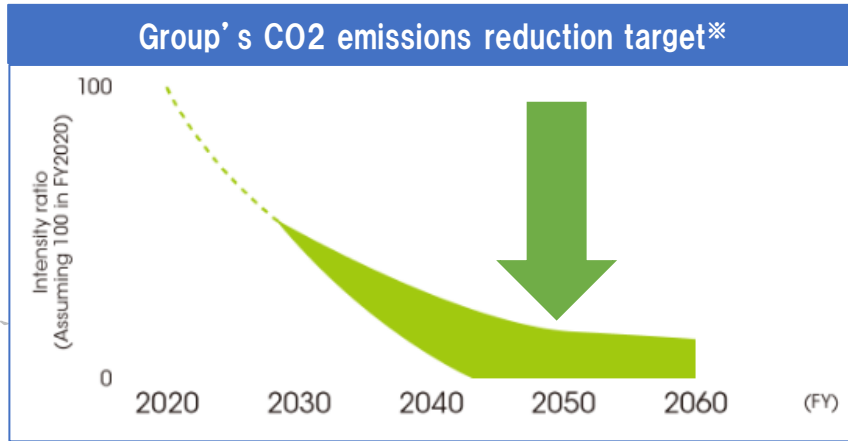
## 3-3. Progress & Further Plan of Materiality ②

Deepen our activities based on the progress made in FY2021

Materiality	Risk	Opportunity	Progress	Further plan
Diversity & Inclusion	<ul style="list-style-type: none"> <li>Difficulty of securing human resources that satisfy diversity requirements with a decrease in the university graduated population</li> <li>Slowing of business activities that reflect diversity in customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Securing diverse and competent human resource talent as a global company</li> <li>Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations</li> </ul>	<ul style="list-style-type: none"> <li>Confirmed the difference of the situation by each country and region</li> <li>Disclosed the educational programs on a global basis</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of human rights policy</li> <li>Implementation of human rights risk assessment</li> <li>Global data aggregation for the human capital management disclosure</li> </ul>
Growth with communities	<ul style="list-style-type: none"> <li>Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities</li> <li>Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community</li> </ul>	<ul style="list-style-type: none"> <li>Improving public awareness of the corporate brand through value chain investment in communities</li> <li>Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group</li> </ul>	<ul style="list-style-type: none"> <li>Established "NIPPON PAINT Group Global Outreach Program" as common framework followed NIPSEA CSR</li> <li>NIPSEA established the concept "Colouring Lives" to have a bigger impact for the whole CSR activities as a group</li> </ul>	<ul style="list-style-type: none"> <li>Promote quantification of activities</li> <li>Promote CSR activities and data aggregation under the NIPSEA's concept "Colouring Lives" globally</li> </ul>
Innovation for a sustainable future	<ul style="list-style-type: none"> <li>Significant hindering to future corporate earnings owing to inability to generate innovation due to slow response to new markets</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of market for products that contribute to controlling and adapting to climate change</li> <li>Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term</li> </ul>	<ul style="list-style-type: none"> <li>Aggregated the sustainable products globally in 2021</li> <li>Developed the Anti-Viral Paint Products across the group</li> <li>Promoted open innovation with several 3rd parties</li> <li>Initiatives regarding Chemicals of concern/LCA<sup>※1</sup> in some companies</li> </ul>	<ul style="list-style-type: none"> <li>Define the sustainable product</li> <li>Develop and implement Green Design Review<sup>※2</sup></li> <li>Formulate strategy and roadmap</li> <li>Strengthen the control of Chemicals of concern</li> <li>Develop and leverage LCA<sup>※1</sup> capability</li> </ul>

## 3-4. Specific Initiatives for Net Zero CO2 Emissions

### Identify specific issues and measures in each region toward net zero target



#### Dunn-Edwards (U.S.)

- Discussed scope, financials, and timeline for new corporate office to operate on generated renewable energy
- Committed to reducing energy usage at new corporate office through efficient lighting, EnergyStar™ equipment, and enhanced systems
- Committed to providing electric vehicle charging resources to select facilities within the next 4 years
- Committed to adopting software by Q2 2022 to track company-wide Scope 1, 2, and 3 emissions in order to achieve true metrics for net zero carbon\* by 2050

#### Japan

- Agreed Japan targets of 37% carbon\* reduction by 2030 from 2019 levels, plus net zero carbon\* by 2050
- Purchase renewable energy in Japan. (100% renewable energy at Osaka headquarters in FY2021, approx. 7% of electricity used in Japan in FY2022. Afterwards, increase gradually)
- Consider energy-saving and use of renewable energy to reduce the impact of carbon taxes
- Implement energy-saving (ex: heavy oil to LNG)

#### NIPSEA Group (Asia)

- Formulated NIPSEA Green Plan 1.0, the movement to advance the agenda on sustainable development – Profit, People, Environment
- Carbon intensity (kgCO2/ton) reduced by 15% in 2021 mainly by the new solar projects and less energy consumption
- Installed solar panel in several plants in FY2021 and saved cost. Other plants follow
- Implemented the green production including batch cycle time reduction, maximization of batch size

#### DuluxGroup (Oceania)

- Achieved a 5% reduction in energy consumption and 5% reduction in carbon\* emissions, our lowest levels on record
- Agreed DGL targets of 50% renewable energy consumption and 50% carbon\* reduction by 2030, plus net zero carbon\* by 2050
- Commenced development of detailed action plans to achieve the 2030 targets, with plans to be finalised early 2022
- Commenced pilot program of specialist energy efficiency studies at 2 factories to identify reduction opportunities



## 3-5. Specific Initiatives for Innovation

### Anti-Viral Paint Products in the Nippon Paint Group that contribute to our business

2020 2Q

2020 3Q

2020 4Q

2021 1Q

#### ► Singapore

VirusGuard<sup>+</sup> Antiviral Coating



Target Virus: 229E/H1N1

#### ► Malaysia

VirusGuard Anti-viral Coating



Target Virus: 229E/H1N1/Coxsackie A16

#### ► Japan

PROTECTON series

INTERIOR PAINT PREMIUM (PIAJ※1)  
INTERIOR WALL VK-200 (PIAJ/SIAA※1)  
INTERIOR WALL VK-200 FOR DIY (PIAJ※1)  
INTERIOR WALL VK-500 (PIAJ/SIAA※1)  
BARRIERX SPRAY (PIAJ/SIAA※1)  
INTERIOR WALL VK COAT  
FLOOR VK CLEAR  
CAR INTERIOR VK COAT



#### ► China

ClearShield



Target Virus:  
229E/FCV/H3N2/EV71/SARS-CoV-2

※1 Certification  
SIAA (Society of Industrial-Technology for Antimicrobial Articles)  
PIAJ (Photocatalysis Industry Association of Japan)

※2 Certification  
CIAA (Chinese Industry alliance for Antimicrobial Materials and Products)

## 4. M&A Strategy



## 4-1. M&A Strategy

### Continue to pursue aggressive M&A strategy by leveraging our autonomous and decentralized business model



- ① Business segments: Paint (decorative/industrial) and adjacencies
- ② Geography: Not limited
- ③ Potential targets: Strong corporate/product, brand and excellent management team

- ① Fundamentals of paint and adjacencies markets e.g. population growth and urbanization create enormous growth opportunities
- ② No restrictions in terms of target locations as long as acquisition contributes to MSV. Distant location to be carefully examined
- ③ Continue to assemble assets leveraging strengths of our autonomous and decentralized business model



- ① Financial soundness
- ② Ability to finance in Japan, with stable currency and stable market
- ③ Full access to the Nippon Paint Group's platform
- ④ Excellent management teams enabling autonomous and decentralized business model

- ① Stable cash generating ability and strong financial position
- ② Low interest rate borrowings, safety and liquidity of the stock market
- ③ Sharing expertise, products, and technologies within the Group
- ④ Minimize the PMI risk



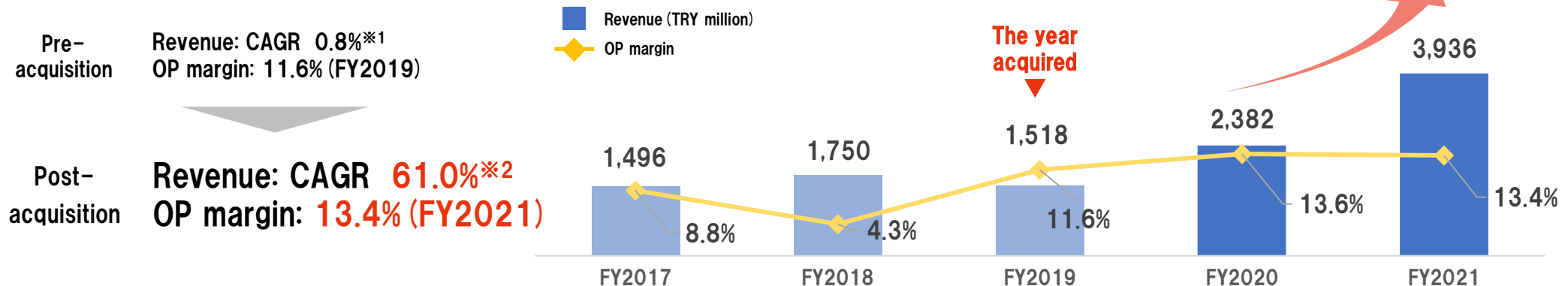
- ① Contribution to EPS
- ② ROIC<sup>※1</sup> > WACC<sup>※2</sup>
- ③ Sufficient leverage capacity
- ④ Debt financing prioritized; equity-based capital raising remains an option

- ① Aim to achieve EPS accretion in Year 1 after acquisition
- ② Take capital efficiency into consideration
- ③ Secure financial soundness to prepare for future M&As
- ④ EPS accretion also a must in rare case of equity financing



## 4-2. M&A Best Practices ① Betek Boya

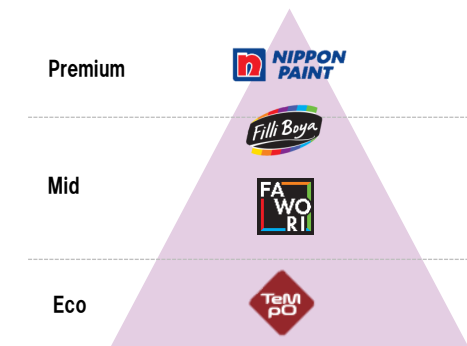
### Achieved revenue growth and OP margin improvement under the Nippon Paint Group



- Betek Boya utilized NPHD's low-cost fund-procurement capability to repay its entire high interest rate borrowings and allocated cash generated to aggressive investment in marketing activities, achieving market share gains (FY2019: 27%→FY2021: 34%\*3)
- The acquisition enabled Betek Boya to share business growth know-how and best practice in developing countries as a member of NIPSEA Group and vice versa, achieving growth that significantly outperforms its pre-acquisition CAGR and the market growth
- Significantly reduced raw material cost in the first year following acquisition by sharing NIPSEA Group's raw material procurement sources
- Stepped up its multi-brand strategy through successful launch of new brand for its premium line by using high-profile Nippon Paint brand
- Shared Betek Boya's know-how in the ETICS business in the adjacency area within Nippon Paint Group, which led to faster growth of the ETICS business in our operating regions



Betek Boya headquarters



## 4-3. M&A Best Practices ② Adjacencies

Accelerating market entry and business growth by adding business expertise and excellent management teams through acquisitions to share them within the Group



### Selleys

(Brand for adjacencies such as adhesives and sealants)

- Acquired following the acquisition of DuluxGroup
- Leading manufacturer and marketer of SAF in ANZ for retail DIY consumers and Trade DIFM<sup>※</sup> professionals
- No.1 in SAF brand in Australia

### Vital Technical

(Acquisition completed in March 2021)

- No.1 in SAF market share in Malaysia
- Market presence in more than 70 countries centered on Southeast Asia
- Excellent management team well versed in SAF

### CMI

(Acquisition completed in February 2022)

- Leading dry mix products player with good brand recognition in Malaysia
- Fits well into our non-paint adjacencies strategy
- Good management team in place

### Admil Adhesives

(Acquisition completed in July 2020)

- Well established ANZ brand with leading position in professional & industrial markets
- Extends Selleys capability and technology in professional silicones

### Sealants Australasia

(Acquisition completed in August 2021)

- Established brand with leading position in Western Australian professional & industrial markets
- Complements the Admil acquisition with access to the Western Australian market

Synergies generated based on our decentralized and autonomous business model

- Accelerating business growth in Asia enabled by collaboration between DuluxGroup and NIPSEA Group for the Selleys brand of adhesive products and acquisition of excellent SAF manufacturer
- Speeding up market entry and business growth in ETICS in all operating regions by sharing expertise within the Group including Betek Boya and expertise at acquired companies

## 4-4. M&A Best Practices ③ Cromology/JUB

Aiming for significant growth in decorative and specialty paints and coatings markets in Europe

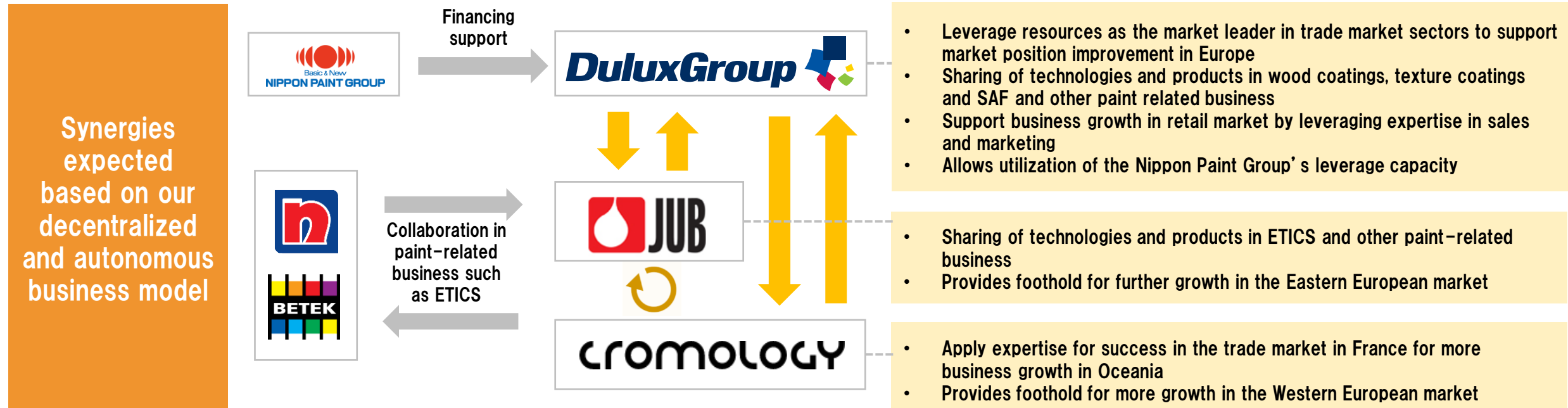


### Cromology (Acquisition completed in January 2022)

- Decorative paints manufacturer with market presence in 8 European countries
- No.2 market share in France and No.1 in Italy
- FY2021 revenue: ¥91.9 bn<sup>※1</sup>

### JUB (Acquisition scheduled to complete in 1H FY2022)

- Extensive distribution networks for decorative paints and ETICS in central Europe
- Market leader in Slovenia, Croatia, and Serbia
- FY2020 revenue: ¥15.1 bn<sup>※2</sup> (for reference)



※1 Exchange rate: EUR 1 = JPY 132.79; Unaudited pro forma figures

※2 Exchange rate: EUR 1 = JPY 131.05

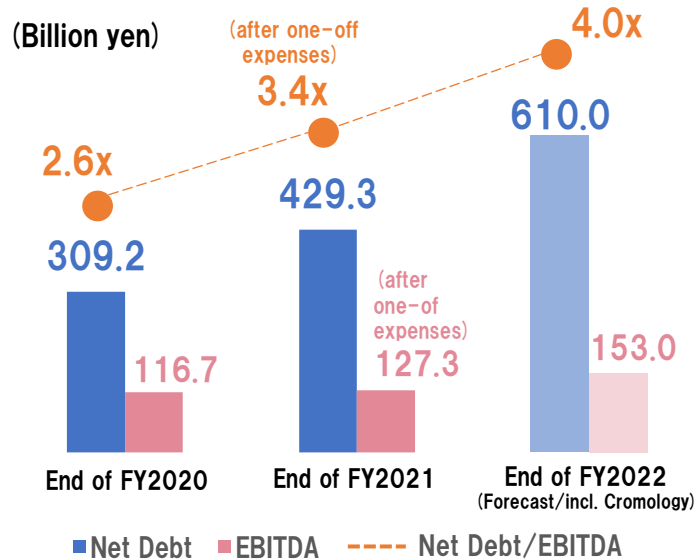


## 5. Financial Plan



## 5. Financial Position

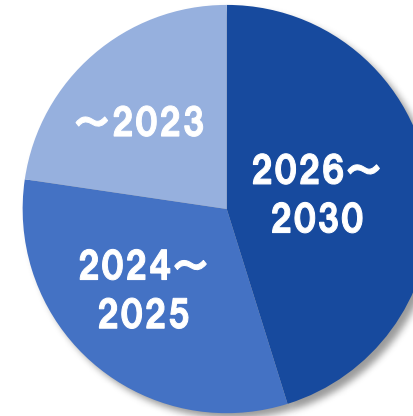
### Net Debt/EBITDA Trends



*As of end of FY2022, expect interest-bearing debt to increase due to borrowing of funds for the acquisition of Cromology and JUB*

### Status of Debt

Maturity of long-term debt



- Stable yen-based funds
- Average maturity at 5.0 years
- Average interest rate at 0.4%
- Long-term credit rating at A (R&I)

### Capital Allocation

	FY2021 Results
+ Operating CF <sup>※1</sup>	¥70.2 bn
- Capital expenditure <sup>※1</sup>	¥49.5 bn
- Dividend	¥23.5 bn
- M&A (net cash of acquired companies)	¥98.8 bn

*Operating cash flow lower than expected due to higher raw material prices. Maintain capital expenditure aimed at continuous revenue increase and business growth. Aim to maintain a dividend payout ratio of 30%*

### Capital Expenditure

By region (Billion yen)	FY2021 <sup>※2</sup>	FY2022 Forecast
Japan	8.3	10.0
NIPSEA China	20.2	17.0
Asia (Excepting NIPSEA China)	5.1	7.0
Oceania	4.3	5.0
Americas	8.2	6.0
Other	3.4	5.0
Total	49.5	50.0

*Focus on capex for new facilities and expanding production capacity in Asia and other growth areas while Japan requires more renewal and maintenance capex. Overall capital expenditure to sales ratio to be c. 5%*

# (For Reference) FY2022 Revenue and Operating Profit Forecast

	Revenue		OP Margin	
	FY2021 Results (Tanshin)	FY2022 Forecast (In local currency)	FY2021 Results (Tanshin)	FY2022 Forecast* (vs. FY2021/in local currency)
Japan (excl. HD expenses)	164.6	+10~15%	6.3%	➡
NIPSEA China	379.1	+10~15%	9.5%	↺
Asia (Excepting NIPSEA China)	151.1	c. +10%	16.5%	⬆
New consolidation (Indonesia)	39.5	c. +15%	29.7%	⬆
Oceania	176.2	c. +5%	10.8%	↺
Americas	76.4	c. +10%	4.7%	⬆
Other (Betek Boya)	49.2	+10~15%	13.4%	↺
Total	998.3	1,200.0	9.3% (Before the Asia JV full integration cost)	9.6%



## Conclusion

- ▶ **Achieved Medium–Term Plan revenue target one year early and maintained 2023 operating profit target remain focused on achieving Year 3 target through revenue growth and margin improvement**
- ▶ **As a unique Japan–based “Asset Assembler” with MSV as its sole mission, Nippon Paint will continue to fuel our insatiable appetite for growth**



**<Contact>**

**NIPPON PAINT HOLDINGS CO., LTD.**

**Investor Relations**

**Email: [ir\\_kouhou@nipponpaint.jp](mailto:ir_kouhou@nipponpaint.jp)**

This document is intended to provide information to investors about Nippon Paint Holdings and the Nippon Paint Group and is not prepared and released to solicit investment or any similar act in Japan and other countries. The forward-looking statements including in this document including targets, plans, estimates, forecasts, projections for Nippon Paint Holdings and the Nippon Paint Group represent our judgments and beliefs at the time of preparation.

Actual operating results, financial positions, and any other results of Nippon Paint Holdings and the Nippon Paint Group are subject to change due to risks and factors including economic conditions in Japan and other countries, business trends, competition with other companies, changes in laws and regulations, technological innovations and foreign exchange fluctuations. As a result, the actual results and performance, etc. of Nippon Paint Holdings and the Nippon Paint Group may differ significantly from the content presented herein the content inferred from the statements made herein.