

Nippon Paint Group Medium-Term Plan (FY2021-2023)
Progress Report Presentation Summary
March 16, 2022



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.

Good afternoon, everyone. I'm Yuichiro Wakatsuki, Co-President of Nippon Paint Holdings.

Thank you very much for taking the time today to participate in this progress report briefing on our Medium-Term Plan for FY2021-2023.

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**

I would like to begin with an executive summary.

To recap our progress, we are well positioned to achieve our Medium-Term Plan target. Year 1 of the plan provided the foundation for our Asset Assembler model to deliver solid growth. I would like to take this opportunity to explain our robust model for pursuing Maximization of Shareholder Value (MSV).

Wee Siew Kim and I were appointed as the Co-Presidents on April 28, 2021. We were involved with the formulation of the Medium-Term Plan. This has allowed us to smoothly and speedily implement business strategies based on the plan with the goal of driving autonomous growth in every operating region while aggressively pursuing M&A.

After we became the Co-Presidents, we had thorough discussions at meetings of the Board of Directors regarding our management policy. Our conclusion was to adopt a business model in which we, with a smaller headquarters at the holding company (NPHD), assemble assets focused on attractive markets in the paint and adjacency arena through M&A, while driving autonomous growth of the existing Group partner companies, resulting in strong growth with limited risk. We decided to call this policy the Asset Assembler model. The launch of Nippon

Paint Corporate Solutions at the beginning of this year was based on this concept. The Asset Assembler model is not necessarily a change of management policy from the Medium-Term Plan. Rather, we believe Asset Assembler will more clearly define our visionary growth model with MSV as our sole mission.

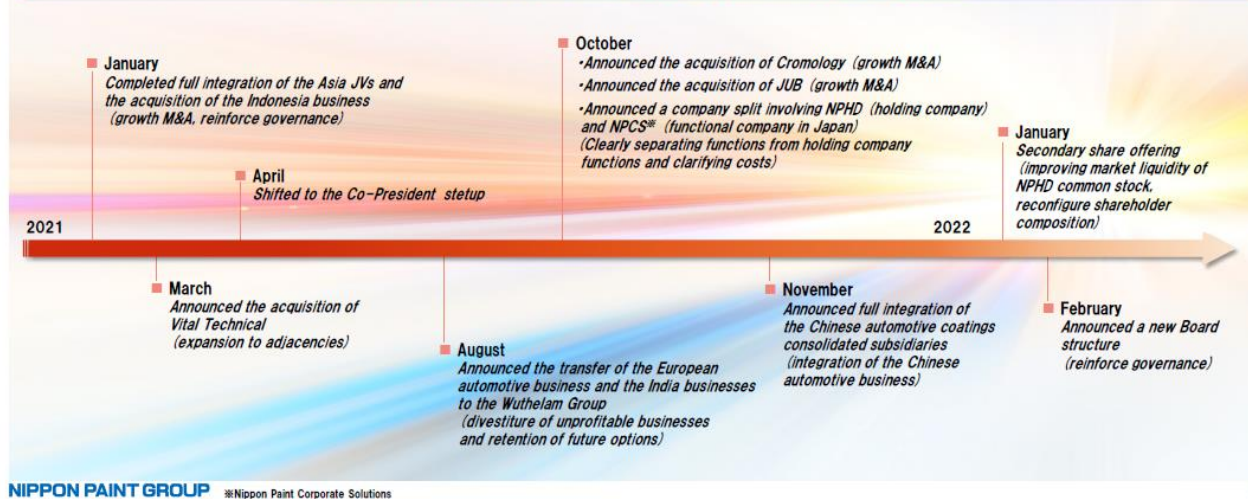
Looking back on Year 1 of the Medium-Term Plan, we achieved strong revenue growth despite the pandemic, which reaffirms the strengths of our platform. We are well positioned to capture firm demand, in particular in decorative paints, and the current challenging environment allows us to utilize our strengths in regions where we have a high market share to increase our market share. As we announced in February 2022, we expect to achieve our Year 3 revenue target by the end of this year, which is one year early.

On the other hand, we were unable to achieve a satisfactory operating profit due to higher than expected raw material price increases and supply chain disruptions that are affecting our businesses and customers alike. However, we effectively achieved operating profit growth after excluding one-off expenses, backed by solid earnings growth in Australia, Turkey, and Asia except China and the contribution from the newly consolidated Indonesia business. There were also significant savings of head office expenses compared with the initial plan due to the smaller headquarters at the holding company. I believe this highlights our success as an Asset Assembler for assembling excellent assets through M&A.

Based on our results and achievements in Year 1, we maintained our operating profit target for FY2023. Despite various uncertainties, such as the Ukraine crisis and subsequent raw material price movements, we see good prospects for achieving our operating profit target due to revenue growth. This growth is underpinned by solid decorative paint demand and market share gains, coupled with margin improvement due to progress with selling price increases. We will continue to fuel our insatiable appetite for medium- and long-term growth based on the Asset Assembler model after the Medium-Term Plan.

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**



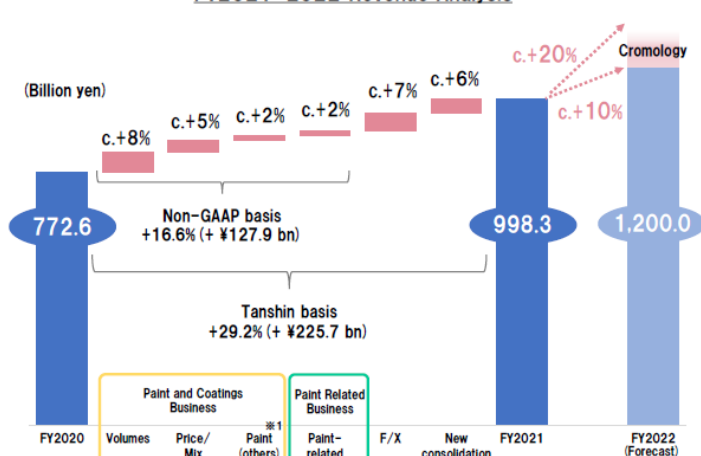
This page lists corporate actions we have announced since January 2021.

There were some concerns, such as a possible slowdown of decision-making, in the early days after the launch of the Co-President setup, which is a rare management structure among listed companies. However, the two of us were able to implement numerous corporate actions speedily through very close communications, with MSV as our shared decision-making guideline.

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 (Tanishin)	FY21 Growth Rate (In local currency)	FY22 Forecast (In local currency)	Medium-Term Plan CAGR Targets ^{※2} (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%
Total	998.3	—	1,200.0 (Tanishin)	1,100.0

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※1 Products included in the Paint and Coatings Business such as semi-finished products and fine chemicals with unit price and volume significantly different from paint products. Disclosed separately from volumes and price/mix in the above graph to provide more reasonable data. ※2 Targets based on the New Medium-Term Plan (FY2021-2023) released on March 5, 2021

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My next subject is our FY2021 performance. This page provides the revenue analysis.

We have provided the volumes and price/mix breakdowns of revenue growth in the paint and coatings business on a trial basis. I hope this information will be useful.

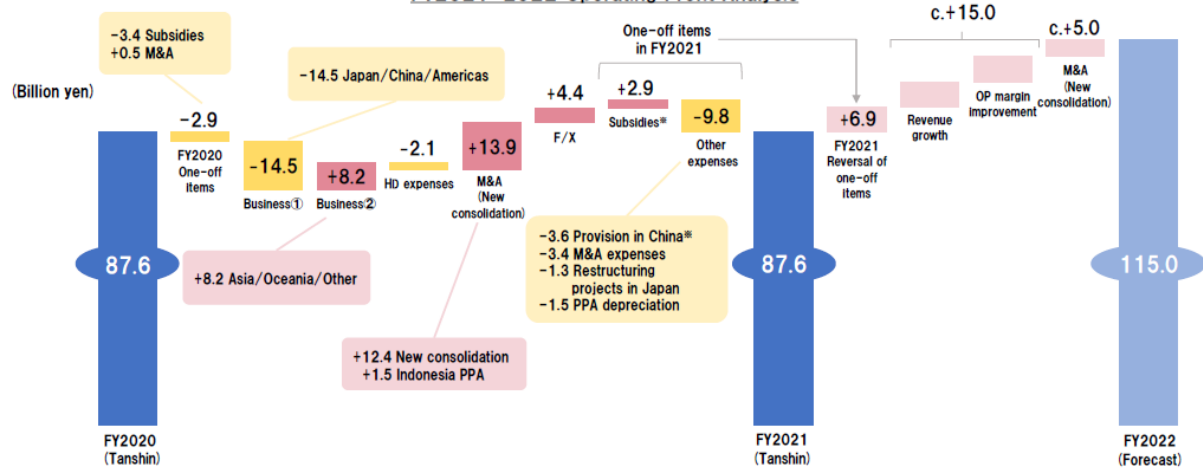
The Medium-Term Plan CAGR targets in the table on the right side of this page are the FY2021-2023 targets announced in March 2021. The FY2022 revenue growth forecast is slightly lower compared to the FY2021 growth rate but is higher than the Medium-Term Plan CAGR targets in almost every region.

Please note that we have increased the FY2022 revenue growth forecast for the Indonesia business and Asia excepting NIPSEA China from the guidance announced in February this year.

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



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This page is an analysis of our operating profit.

Looking at the operating profit bridge analysis between FY2020 and FY2021, you can see that our revenue in Japan, China, and the Americas (Business ①) declined, while our revenue in Asia except China, Oceania, and Turkey (Business ②) increased even in last year's challenging environment.

Head office expenses increased from FY2020 but declined significantly compared to the increase of around 9.5 billion yen planned at the beginning of FY2021. This is the result from the small headquarters at the holding company I mentioned earlier.

The contribution from M&A was 13.9 billion yen after reversing the one-off inventory step-up in the Indonesia business of 1.5 billion yen, and the forex impact was 4.4 billion yen. After adding one-off subsidies and deducting other expenses, our operating profit was 87.6 billion yen on a Tanshin basis.

Provisions and subsidies related to the Project business in China were reported under adjustments and were 3.2 billion yen and 2.6 billion yen, respectively, based on the exchange

rate applied in FY2020. Since this page discusses our operating profit forecast for FY2022, these figures have been revised to 3.6 billion yen and 2.9 billion yen, respectively, based on the exchange rate applied in FY2021.

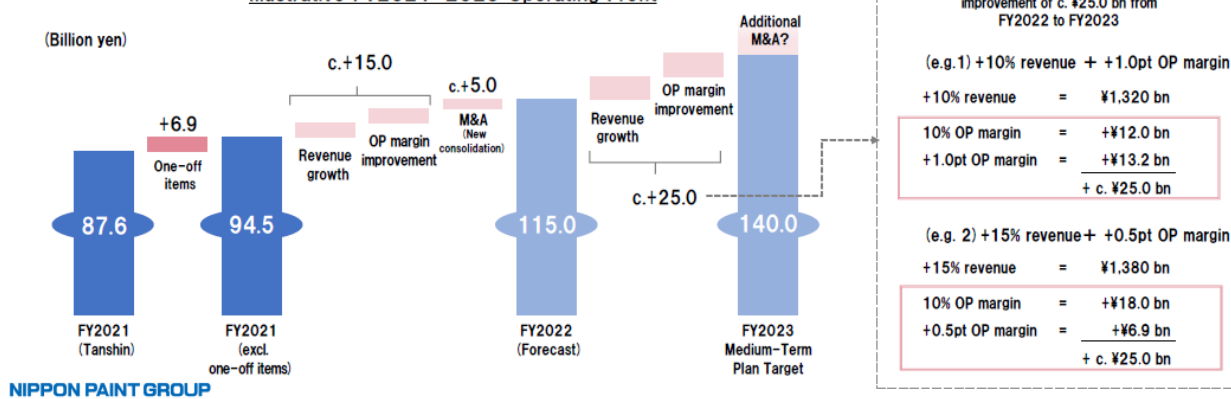
The effective starting line of our operating profit in FY2021 was 94.5 billion yen, which is the amount obtained by reversing the net one-off items of around 6.9 billion yen to the FY2021 operating profit of 87.6 billion yen. Our road map for achieving an operating profit of 115 billion yen in FY2022 is through an effective operating profit increase of around 15 billion yen. This increase does not include the expected contribution of around 5 billion yen from the new consolidation of Cromology. We aim to fill in this gap regarding our operating profit target with a higher operating profit due to higher revenue and margin improvements. This is our plan for FY2022. Our assumptions are 10-plus% revenue growth excluding Cromology, which will add around 100 billion yen to FY2022 revenue. If we assume a 10% operating profit margin, then, we can expect a 10 billion yen increase in operating profit. We believe that the remaining 5 billion yen operating profit needed to achieve the FY2022 operating profit forecast can be achieved through a margin improvement of 0.5pt on a full-year basis. We believe this target is well within reach. To improve the operating profit margin, we will take actions such as raising selling prices and reducing fixed costs to an optimal level.

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



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Looking ahead to FY2023, Year 3 of the Medium-Term Plan, we have maintained the operating profit target of 140 billion yen as I mentioned at the start of my presentation.

We have not announced our FY2023 guidance yet. However, based on the FY2022 operating profit guidance of 115 billion yen, we will need to improve our operating profit by 25 billion yen to achieve our FY2023 guidance of 140 billion yen. We plan to accomplish this with profit growth linked to revenue growth and margin improvements. The right side of this page provides two examples. One is the combination of 10% revenue growth and a 1.0pt margin improvement. The other is the combination of 15% revenue growth and a 0.5pt margin improvement. In both cases, an operating profit increase of around 25 billion yen is well within our reach.

Even so, the assumed margin is still lower than our Medium-Term Plan target of 13%. Therefore, we will aim to raise the margin from this level. If we can add contributions from new acquisitions, and we will certainly aim to do so, we have good prospects for achieving an operating profit of more than 140 billion yen.

Although these numbers are only approximations of possible outcomes, they clearly demonstrate the strengths of our Asset Assembler model.

1-6. Asset Assembler ①

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

- | | |
|--|--|
| <div style="background-color: #0056b3; color: white; padding: 5px; text-align: center; width: 30px; margin-bottom: 10px;">1</div> <p>Focused on paint and adjacencies with significant market opportunities</p> | <p>• 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</p> <p>• SAF^{※1} (USD60.0 bn^{※2}) and CC^{※3} (USD71.5 bn^{※4}) also have attractive market size</p> |
| <div style="background-color: #ff9900; color: white; padding: 5px; text-align: center; width: 30px; margin-bottom: 10px;">2</div> <p>Attractive risk-return profile of paint and adjacency arena</p> | <p>• Strong brand and high market share raise entry barriers, leading to solidification of leading market position</p> <p>• Paint and adjacencies markets are characterized by local production for local consumption, allowing for our autonomous and decentralized model to minimize PMI risk</p> |
| <div style="background-color: #008000; color: white; padding: 5px; text-align: center; width: 30px; margin-bottom: 10px;">3</div> <p>Japan domicile enhanced competitive strengths</p> | <p>• Ability to finance at low interest rates in Japan, which has a stable currency and stable market, based on long-term relationships with banks</p> <p>• Attractive Japanese capital markets, which have stable legal system and high liquidity in TSE</p> |
| <div style="background-color: #cc0000; color: white; padding: 5px; text-align: center; width: 30px; margin-bottom: 10px;">4</div> <p>An assembly of talented management and strong brands</p> | <p>• 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</p> |
| <div style="background-color: #ffcc00; color: white; padding: 5px; text-align: center; width: 30px; margin-bottom: 10px;">5</div> <p>Advanced governance</p> | <p>• Independent Directors comprise majority of the Board of Directors (8 out of 11 board members^{※5})</p> <p>• Ensuring protection of minority shareholders' interest with MSV as a shared mission with our major shareholder</p> |

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※1 SAF: Sealants, Adhesives, Fillers
 ※2 Source: Fortune Business Insights

※3 CC: Construction Chemicals
 ※4 Source: ReportLinker

※5 Assuming the approval of appointment at the 197th Annual General Meeting of Shareholders

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This page explains the strengths underlying our Asset Assembler model.

First, we are focused on paint and adjacencies with significant market opportunities. These are areas where markets are enormous and growing and where we have considerable expertise and knowledge.

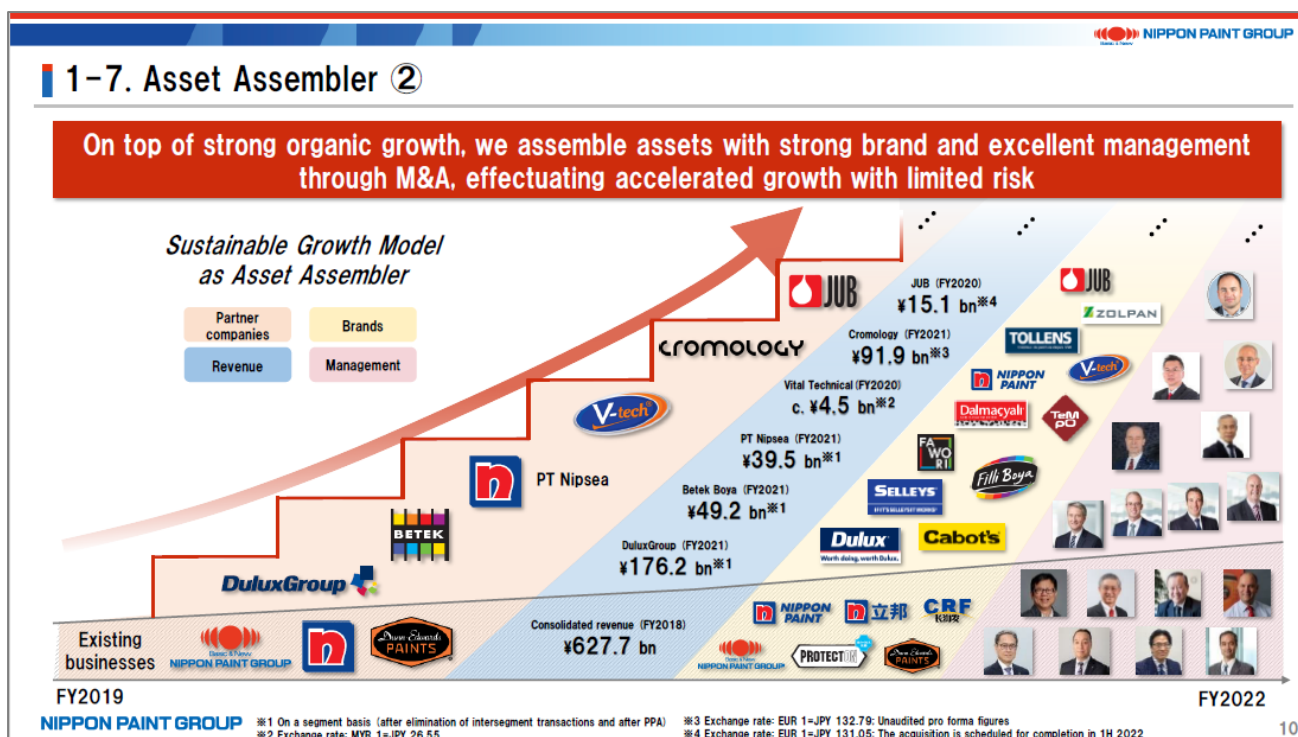
Second, paint and adjacencies markets have low risk and good returns. These markets may not have the potential for explosive growth, but we can expect profit and cash flow generation with some degree of certainty. These characteristics make those areas well suited to M&A.

Third, our Japan domicile enhances our competitive strengths. The ability to obtain funds with low interest rates, the stability of the yen, and the support of Japanese financial institutions give us valuable competitive advantages over our global competitors.

Fourth, our strengths as an assembly of excellent talent and brands. We believe that our focus on paint and adjacencies markets makes it possible to generate greater than expected synergies based on our Asset Assembler model. We use this model to assemble talent and brands that are outstanding on their own with synergies expected from this model that may be different

from global standardization and cost reduction synergies expected based on Western M&A models. The Asset Assembler model can bring out the full potential of every Group partner company in the paint and coatings industry, which is characterized by local production for local consumption. We believe that these strengths will attract more potential partners to join the Nippon Paint Group.

Fifth, we have established an advanced and effective governance structure with independent directors comprising the majority of the Board of Directors. In addition, all members of the Board of Directors use the clear decision-making guideline of realizing MSV. This governance structure, along with the robustness of the concept of MSV, makes our competitive strengths stand out among competitors.



This page explains the Asset Assembler model.

The key element of this model is that excellent management teams pursue autonomous growth in the Nippon Paint Group and exploit the technological strengths, distribution networks, purchasing capabilities, and financing capabilities of the Nippon Paint Group platform, rather than relying on initiatives of the headquarters. This will allow us to accumulate expertise in various areas and generate synergies as well as to attract new partners to the Nippon Paint Group.

By focusing on the paint and adjacencies markets, which are growth markets with the ability to generate substantial earnings and cash, Asset Assembler model allows us to accelerate growth with limited PMI (Post Merger Integration) risk involving M&A.

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

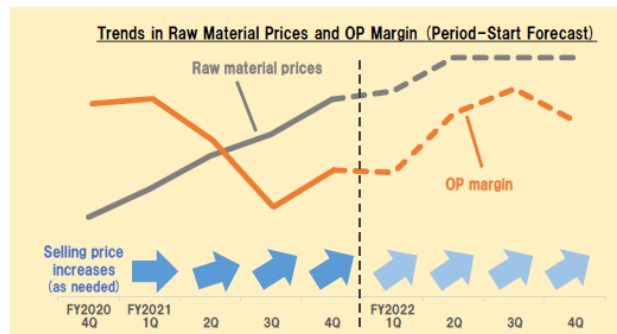
We responded to raw material price inflation that impacted all operating regions by taking actions such as raising selling prices, procuring alternative raw materials, and reviewing SG&A expenses

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%)

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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



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My next topic is our strategy for individual regions and businesses. Many of the points in this section were covered in our financial results conference call in February. Therefore, I will only give a brief explanation to leave more time for the Q&A session.

I will start with discussing the raw material market, which many investors are concerned about. This is one of the top questions we receive from investors. Our assumption is that raw material prices will continue to increase through the first half of this year. Coupled with uncertainties involving the Ukraine crisis, the situation remains uncertain. We will continue to take actions to raise selling prices wherever and whenever possible.

As shown in lower right graph on this page, our plans are to gradually improve the operating profit margin due to progress with selling price increases after this margin stopped declining in the 3Q of FY2021, and then to significantly improve the margin during the 2Q or 3Q this year, when demand is highest. We expect the 4Q operating profit margin to be lower than in the 3Q because demand is off-peak but to be higher than one year earlier

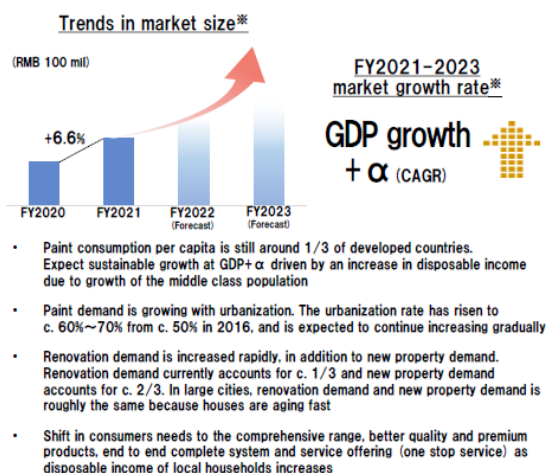
Uncertainties such as the impact of the Ukraine crisis on raw material markets, disruptions of logistics, and more recently, the impact of lockdowns due to the resurgence of the pandemic in

China, have not eased since our FY2022 guidance announcement in February this year. As a result, our margin recovery may be delayed. Based on a medium- and long-term perspective, given that price sensitivity of paint demand is not necessarily high due to characteristics of the paint industry, we believe we can achieve a certain margin improvement sooner or later, although with some delays. For instance, paint demand is shifting to water-based paint in some regions and market sectors. We believe this shift could lessen the impact of high crude oil prices compared to when demand is mostly for solvent-based paints.

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

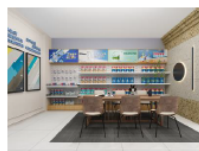
Market Features and Outlook (Decorative in China)



NIPPON PAINT GROUP ※NPHD's estimates

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

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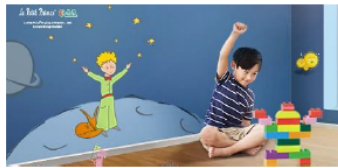
I will move on to our Chinese business, which is another topic of strong interest among investors.

There are many views about paint demand in China. We believe decorative paints in China is an excellent market with potential for GDP + α growth. Per-capita paint consumption in China is only around one-third that of developed countries, urbanization is continuously increasing, the Chinese government has a consistent policy of providing high-quality housing to its citizens, and there is enormous repainting demand, mainly for private-sector houses that were built in large volumes beginning in the late 1990s.

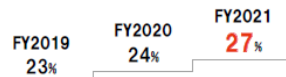
Decorative paints in China is a dynamically changing market and we will anticipate and take aggressive actions to respond to any changes. In fact, our Chinese team has done this and will maintain this approach in the future. Our strategy is to remain competitive by enhancing added value as a solution provider, by improving the user experience and by expanding our product range beyond paint.

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

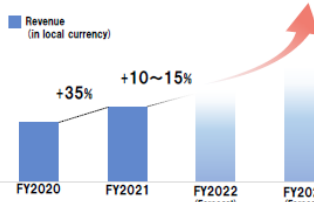
Forging ahead and solidifying our leadership position



Market share^{※1}



Performance trends



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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[®]

Industry Brand Power Index

Wall Paint Category Wood Coatings Category

5th straight year 9th straight year

No.1 No.1

^{※1} 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

^{※2} 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

FY2022-2023 Actions

- Enriching our product lines & coating systems
 - Introduced upgraded product to meet eco-friendly demand: asthma & allergy friendly (ASL certificate^{※2}) 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



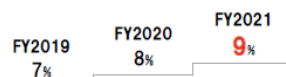
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2-4. NIPSEA China Decorative (Project) Business Strategy Progress

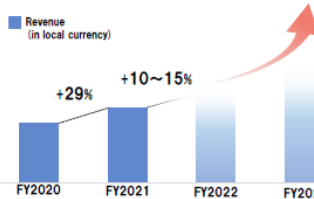
Driving growth in the market where consolidation is expected by expanding the customer base



Market share[※]



Performance trends

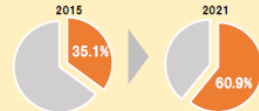


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Market Features and Outlook (Project in China)

- 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)

No.1

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



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

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I will not cover pages 14 and 15 because I have discussed developments in the Chinese DIY and Project markets on prior occasions. But I would like to point out one thing: we updated our market share numbers from those announced at the Investor Briefing on the NIPSEA Business in September 2021.

In particular, we have revised our market share in the DIY segment from 33% to 27% in FY2021. This market share revision is due to the larger denominator as a result of the inclusion of repainting demand and demand in rural markets, with sales remaining constant. This is an example of the dynamism of the market, while at the same time shows our potential for further market share gains.

2-5. DuluxGroup (Oceania) Business Strategy Progress

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



Market Features and Outlook (Decorative in Australia)

FY2022-2023 Actions

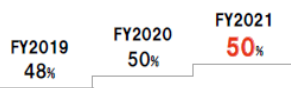
FY2021-2023 market growth rate^{※3}

0 to -2% (CAGR)

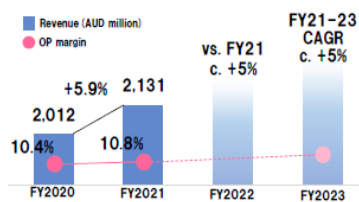


- Continue strong track record of growth in Dulux ANZ by maintaining a focus on core fundamentals, being consumer engagement, premium brands, innovation and customer service
- Drive meaningful growth in the European decorative paints and specialty coatings markets by leveraging our recent acquisitions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

Market share^{※1}

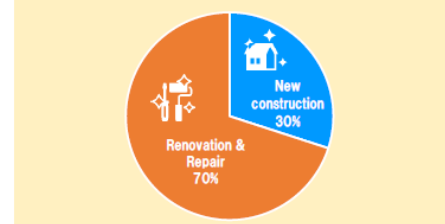


Performance trends^{※2}



- 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

Market composition in 2021



NIPPON PAINT GROUP

※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

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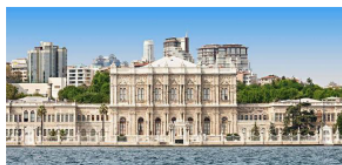
DuluxGroup is highlighted by very stable paint market growth in the Group and we expect this growth to continue. As a side note, DuluxGroup achieved solid revenue growth in FY2021 despite a contraction in the DIY market compared to the pandemic-fueled stay-home demand in FY2020.

I have great trust in the DuluxGroup team led by the CEO Patrick Houlihan. I'm confident that they will continue to grow in FY2022, including the new consolidation of Cromology and JUB.

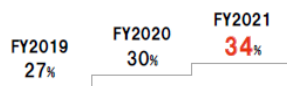
We forecast that DuluxGroup's revenue growth will be slightly lower in the 1H of FY2022 compared to the pandemic-fueled demand a year earlier. However, DuluxGroup expects that its revenue will start increasing YoY in the 3Q to 4Q of FY2022 and achieve solid growth on a full-year basis.

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

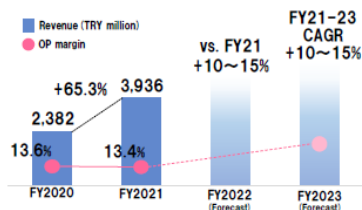
Driving market share gains by promoting multi-brand strategy in the decorative paint segment



Market share (Decorative) ※1



Performance trends ※2



NIPPON PAINT GROUP

Market Features and Outlook (Decorative and ETICS)

FY2019-2024 market growth rate (Decorative) ※3

+3.6% (CAGR)



- 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)

FY2022-2023 Actions

- 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

Brand positioning



※1 NPHD's estimates
 ※2 Local currency basis (after elimination of intersegment transactions and after PPA)
 ※3 ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024). <https://paint.org/market>

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The Betek Boya team also achieved a solid market share increase and earnings growth despite hyperinflation by responding with agility to drastic changes in the business environment. There is some pre-consumption of demand occurring in the inflationary environment, but we expect that strong growth will continue at Betek Boya.

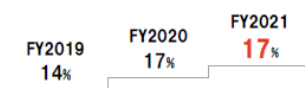
However, their contribution on a yen basis in FY2022 will probably be smaller than in FY2021 due to the sharp depreciation of the Turkish lira.

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

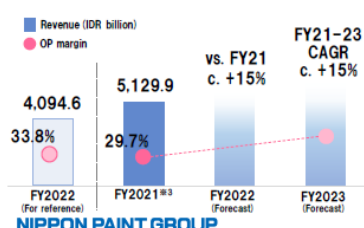
Pushing with business expansion by continuing to make investments for building brands and establishing new e-commerce channels



Market share^{※1}



Performance trends^{※2}



Market Features and Outlook (Decorative)

FY2021-2023 market growth rate^{※4}

+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^{※5} machines and increase product penetration in all product segments in these CCM stores
- Establish new e-commerce channels to address 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

The Indonesia business achieved solid revenue growth of 25% YoY in FY2021 despite the lockdowns in the 3Q. Our medium- and long-term outlook factors in a high operating profit margin and high growth.

Based on the information disclosed in the IPO prospectus of an Indonesian paint manufacturer in FY2021, our market share is the second largest following this local paint manufacturer. Our current market share of 17% is not satisfactory at all and we will take many actions to further increase our market share. We had assumed that we had the largest market share in Indonesia, but I would like to take this opportunity to correct this information.

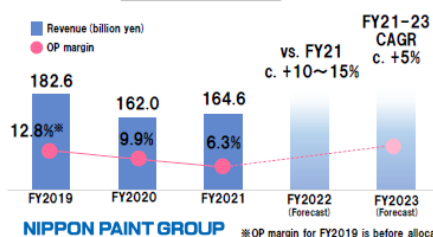
2-8. Japan Business Strategy Progress

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

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



Prior-year Analysis and Future Assumptions for Operating Profit

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%

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The Japan segment is also a topic of much interest among investors.

In the Japan segment, the automotive coatings business accounts for a large percentage of total revenue. As a result, this segment faced a challenging environment in FY2020 and FY2021 because a decrease in automobile production due to the pandemic and semiconductor chip shortage caused its revenue to decrease and fixed costs to increase. In addition, the situation was exacerbated by raw material price inflation. We will have no choice other than raising our selling prices based on negotiations with customers if the impact of this inflation gets too large to be offset by our own actions. In fact, we have been implementing selling price increases since the second half of FY2021.

End-user demand is strong for automobiles, so we believe our revenue is very likely to recover if production at automobile manufacturers increases when shortages of semiconductor chips and other components end.

2-9. Automotive Business Strategy Progress

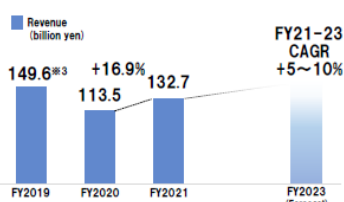
Meeting the next-generation of automotive needs including CASE and MaaS while driving business expansion in growing markets



Our market share^{※1}



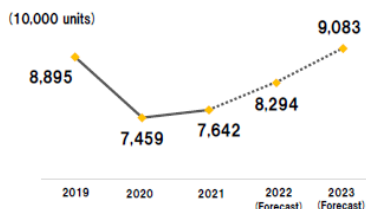
Performance trends^{※2}



NIPPON PAINT GROUP

Market Features and Outlook

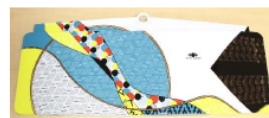
Global automobile production^{※4}



- 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

^{※1} NPHD's estimates ^{※2} FY2019-FY2021 figures are on a Tanishin basis and FY2021-FY2023 CAGR is based on local currencies
^{※3} Including discontinued operations ^{※4} IHS Markit

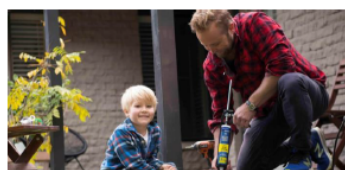
20

In addition to revenue recovery with automobile production recovery, we will pursue differentiation by selling environmentally friendly products that leverage our technological strengths.

With initiatives for carbon neutrality accelerating in the auto industry, we plan to develop low-temperature baking energy-saving paint and expand the environmentally friendly film business with the goal of reducing VOC (Volatile Organic Compounds) emissions from paint production processes. We believe our film technologies can be applied to other areas such as construction.

2-10. Paint Related Business Strategy Progress

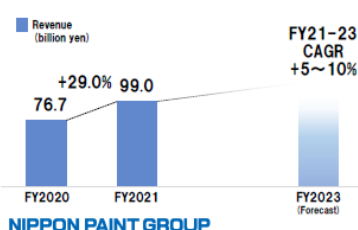
Establishing a solid foundation for market share gains and maintaining stable growth in every operating region



Market Size (FY2020)

SAF (Sealants, Adhesives & Fillers)	USD60.0 bn ^{※1}
CC (Construction Chemicals)	USD71.5 bn ^{※2}

Performance trends^{※3}



FY2021 Actions

- ▶ **NIPSEA**
 - Established the pillar of the paint related business through the integration of the Selleys^{※4} business with Nippon Paint Malaysia and the acquisition of Vital Technical and CMI^{※5}
- ▶ **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 Admilit Adhesives and Sealants Australasia^{※6}
 - 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 Admilit Adhesives in July 2020 and Sealants Australasia in August 2021

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The final business strategy topic is progress in the paint related business.

The paint-related market including SAF (Sealants, Adhesives & Fillers) and CC (Construction Chemicals) has huge demand globally with much potential for market growth driven by construction demand, just as for paint and coatings. In addition, this market is brand-based, CAPEX-light business and can share many of our paint distribution networks. Considering these factors, we believe this market is very promising.

We did not start the paint related business from scratch. This business started when we acquired the Selleys brand of highly profitable adhesive products with the acquisition of DuluxGroup. We have subsequently built on a broad range of experience. For instance, the Selleys business was recording losses in Asia but has become a profit-making business after we rolled out Selleys brand products in Asia using NIPSEA's distribution network.

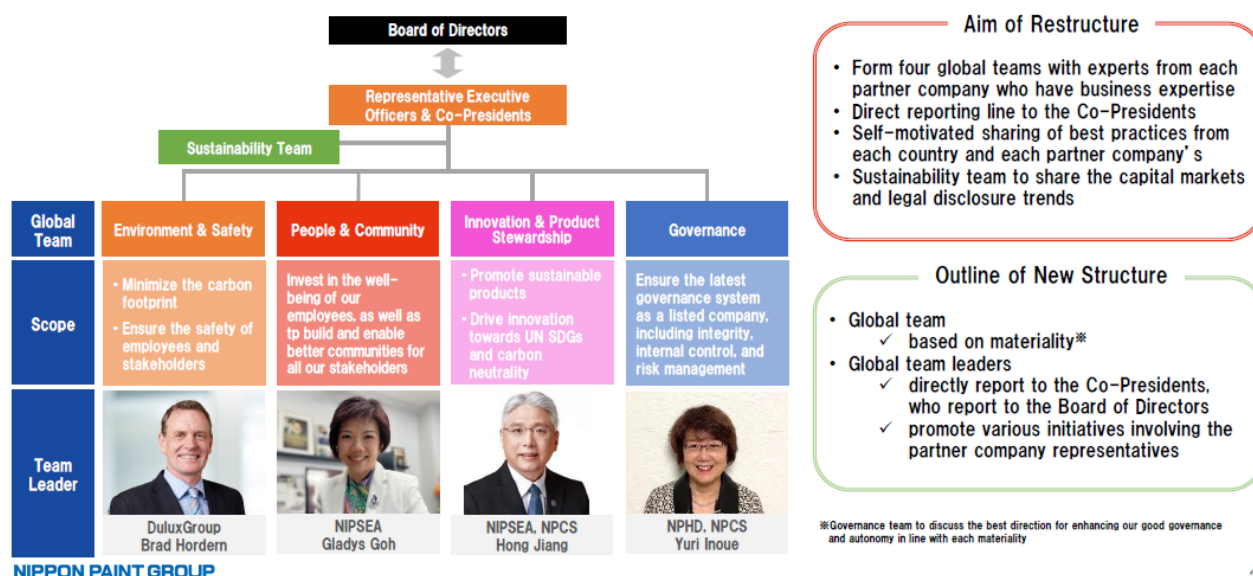
This experience led us to acquire Vital Technical in Malaysia in March 2021, and this company also has achieved significant earnings growth since the acquisition. Betek Boya's business includes a construction materials business with a high market share and high margin. We are considering the expansion of sales of Betek Boya's ETICS and other construction materials to

Europe following the recent acquisitions of Cromology and JUB.

The key point is that the holding company is not directly involved in these initiatives. Rather, our Asset Assembler model has enabled Group partner companies to aggressively pursue growth by leveraging their own resources.

3-1. Establishing an Autonomous Sustainability Structure

Strengthen the link between autonomous sustainability activities and business operations



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Next is an explanation of our sustainability strategy.

We reorganized the sustainability structure into an autonomous team structure by strengthening the link between sustainability initiatives and businesses. This replaces a structure to promote sustainability initiatives led by the holding company. We established four global teams based on materiality directly under the Representative Executive Officers & Co-Presidents. Our sustainability initiatives will be conducted on a global scale led by four global business leaders.

From the perspective of sustainability governance, each global leader directly reports to the Co-Presidents, who will then report progress and proposals to the Board of Directors whenever necessary. This structure allows the Board of Directors to supervise our sustainability initiatives.

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

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^{#1} Scope1 & 2: intensity basis

^{#2} Disclosed Scope 3 GHG emissions from our operations in Japan in the Integrated Report

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Pages 24 and 25 provide information about our progress with each materiality.

After we identified materiality in FY2020, we explained risks and opportunities related to each materiality item in our Integrated Report 2021 and have taken actions associated with those risks and opportunities.

To combat Climate Change, we commenced disclosure in accordance with the framework based on the TCFD final report recommendations and agreed with every Group partner company to establish a target for net zero CO2 emissions. I will discuss specific activities regarding these targets, such as starting to use renewable energy, later.

The bottom row of this page has information about Resources and Environment and Safe People and Operations.

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

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※1 Life Cycle Assessment: A method of quantifying the environmental impacts across the entire life cycle of a product
 ※2 Our unique framework that integrates the sustainability perspective in product development

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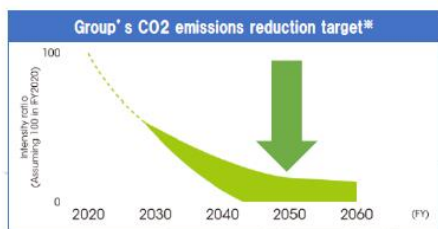
For Diversity & Inclusion, we shared information about the status of countries and regions and recognized the need to formulate a human rights policy and implement a human rights risk assessment. FY2022 marks the start of the execution phase of these initiatives. Diversity & Inclusion initiatives will include global data aggregation for human capital management in line with moves towards mandatory disclosure.

For Growth with Communities, we quantified and disclosed our social contribution activities in order to further clarify the link between sustainability initiatives and businesses. We will continue to step up these activities in FY2022 onwards.

As an example of Innovation for a Sustainable Future, we have developed and distributed anti-viral paint products through cross-functional activities throughout the Group. Going forward, we will strengthen the control of chemicals of concern and step up initiatives in life cycle assessment (LCA) and other areas where social concerns are rising.

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

My next subject is two sustainability initiatives.

The first is our initiatives for net zero CO2 emissions. By sharing information about the initiatives in each operating region and learning from best practices while respecting the characteristics of every operating region, we will continue our cross-functional activities throughout the Group.

For instance, the NIPSEA Group has reduced carbon intensity by 15% in FY2021 by taking actions such as installing solar panels to utilize renewable energy and conducting energy saving activities.

DuluxGroup established its own target of achieving net zero CO2 emissions in FY2050, with interim targets of achieving 50% renewable energy consumption and 50% CO2 emissions reduction by FY2030, and is taking actions to achieve these targets.

Dunn-Edwards is considering building a new corporate office that operates on renewable energy.

In Japan, we started purchasing renewable energy in FY2021 and achieved 100% renewable energy use at the Osaka headquarters.

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+ 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



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

► China

ClearShield



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

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

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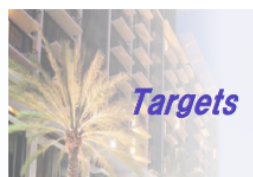
The second example is innovation initiatives.

The Nippon Paint Group has started selling anti-viral paint products in Singapore, Malaysia, and China, where NIPSEA Group companies operate, as well as in Japan, since FY2020.

We will continue to mobilize resources within the Group to develop and sell products that contribute to addressing social challenges.

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^{※1} > WACC^{※2}
- 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

NIPPON PAINT GROUP ※1 Return on invested capital (after one-off expenses) ※2 Weighted average cost of capital

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The next topic is our M&A strategy.

As I have mentioned before, we cannot disclose specific target names and locations. What I can tell you is that our M&A strategy remains unchanged. There are no limitations regarding business categories and locations. A contribution to MSV, in particular with EPS accretion, is expected in the first year following an acquisition along with an attractive risk-return profile.

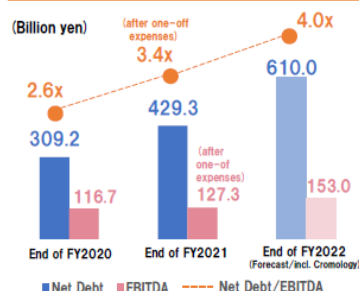
As I have explained earlier, our business model is not based on the so-called global standardization and common cost reduction programs. Rather, our Asset Assembler model pursues autonomous growth by assembling excellent companies with potential for a sustainable EPS contribution. We encourage collaborations with existing Group partner companies around the world and allow the use of financial resources provided by Nippon Paint Holdings. We believe this is the right model to create medium- and long-term value in the paint and adjacencies businesses, which are characterized by local production for local consumption.

The three pages that follow provide information about our M&A best practices that demonstrate our approach. These examples are self-explanatory, so I will skip the explanation. The second page that covers M&A in the adjacencies area includes some acquisitions that were not disclosed

before. They are minor acquisitions in terms of cost but show how we accumulate expertise in the agencies area through these acquisitions.

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 ^{※1}	¥70.2 bn
-) Capital expenditure ^{※1}	¥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 ^{※2}	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%

NIPPON PAINT GROUP

※1 Amounts for continuing operations

※2 FY2021 results are on a Tanishin basis (amounts for continuing operations). Japan segment includes CAPEX at NPHD

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The final topic is our financial plan.

Our financial leverage capacity was 3.4x as of the end of FY2021, which is before the closing of the acquisition of Cromology, and is forecast to be around 4x as of the end of FY2022.

Regarding debt, we basically procure funds in yen, and we have a very stable debt structure with the average maturity at five years and average interest rate before tax at 0.4%.

As I have mentioned before, we believe the characteristics of the paint business allow for higher leverage capacity than for a company in the general chemical sector without impairing our financial position. We will continue to aggressively seek significant acquisitions without setting an upper limit on leverage for growth in FY2023 and beyond while maintaining sound relationships with financial institutions and credit rating agencies.

Our operating cash flows were lower than expected in FY2021 due to a decline in margins and an increase in working capital for the stable procurement of raw materials. We plan to review the cash conversion cycle (CCC) in every operating region in FY2022.

The paint industry does not require large capital expenditures. We will make investments based on careful examinations for future growth, centered on investments to expand capacity in Asia and China. Capital expenditures will be basically focused on renewal and maintenance projects in Japan. Please note that the Other region includes Cromology in FY2022, and most of the 5 billion yen planned for this region will be allocated to Cromology.

(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%

This page shows the outlook for operating profit margin by region for FY2022 in response to requests from investors. I hope this information will be useful.

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**

Before concluding my presentation, I would like to summarize the key points of today's presentation.

1. We achieved the Medium-Term Plan revenue target one year early. We will maintain our operating profit target and aim to achieve the target through revenue growth and margin improvements.
2. Nippon Paint will retain an insatiable appetite for growth as a unique Japan-based “Asset Assembler” with MSV as its sole mission.

Our primary focus is on the second point regarding our policies as an Asset Assembler. We will place value on the characteristics of local businesses and the autonomy of Group partner companies; remove bureaucratic functions from the small headquarters at the holding company; and use M&A to assemble a group of excellent companies, management teams, and brands specializing in paint and adjacencies. Based on our Asset Assembler model, we will aim for continuous earnings growth with limited risk while retaining a firm commitment to MSV. We appreciate your continued support for the Nippon Paint Group.

Thank you for your attention.