

Welcome to your CDP Water Security Questionnaire 2023

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Japan: 24 Group companies comprising NPHD (headquarters) and its consolidated subsidiaries, with a total of 3,612 employees

Asia: 126 consolidated subsidiaries with a total of 19,819 employees

Oceania: 85 consolidated subsidiaries with a total of 7,851 employees

Americas: 8 consolidated subsidiaries with a total of 2,430 employees

[Our Businesses] We are a comprehensive paint and coating manufacturer providing a broad range of products and services, including automotive coatings, decorative paints (for buildings, bridges, and other large structures), industrial coatings (for construction machinery, farming machinery, exterior building materials, office equipment, household electrical appliances, etc.), and paints for marine coatings, auto refinish, DIY, and roads, as well as surface treatments and systems for enhancing painting efficiency.

[Revenue by Region]

Japan: 186,062 million yen

Asia (excluding Japan): 708,515 million yen

Oceania: 314,902 million yen

Americas: 99,540 million yen

[Revenue by Business Segment]

Automotive Coatings: 163,837 million yen

Decorative Paints: 827,524 million yen

Industrial Coatings: 95,425 million yen

Fine Chemicals: 18,919 million yen

Other Paints: 68,247 million yen

Adjacencies Business: 135,067 million yen

Company Name: Nippon Paint Holdings Co., Ltd. (NPHD)

Founded: March 14, 1881

Capital: 671,432 million yen

Number of Employees: 51 (NPHD); 33,763 (Consolidated) (as of December 31, 2022)

Representatives:

Yuichiro Wakatsuki, Director, Representative Executive Officer & Co-President

Wee Siew Kim, Director, Representative Executive Officer & Co-President

W-CH0.1a

(W-CH0.1a) Which activities in the chemical sector does your organization engage in?

Bulk organic chemicals

Specialty organic chemicals

Specialty inorganic chemicals

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1, 2022	December 31, 2022

W0.3

(W0.3) Select the countries/areas in which you operate.

Japan

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

JPY

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Other, please specify

Companies under financial control in Japan

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W0.7

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, an ISIN code	JP3749400002

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	<p>For direct use, we mainly use water as a raw material for paints and coatings, i.e., one of the raw materials of our water-based products at our plants. Because we use a large quantity of water—as a raw material for our products, a coolant for equipment, etc.—we need a sufficient amount of good quality fresh water.</p> <p>For indirect use, we mainly need water as a raw material (ion-exchanged water) or as part of emulsion and other raw materials. As mentioned above, we need a sufficient amount of fresh water of the highest possible quality since we use a large amount of water as a raw material and require a certain quality in water to ensure product quality, and we recognize that fresh water is also important in the supply chain (indirect use).</p> <p>[How dependence on water can differ in the future between direct use (operating sites) and indirect use (supply chain), and the reasons thereof]</p> <p>Because our production volume is expected to increase, quality fresh water for direct use will become increasingly important. We expect to depend on water increasingly as the switch from oil-based to water-based paints/coatings will increase the percentage of water-based paints/coatings in the production volume, on top of the increase in production volume.</p> <p>For indirect use, water quality and water quantity in the future will be as important as at present, because in addition to the increase in overall production of paints and coatings, our sales goal</p>

			by business by 2023 is to increase sales of automotive coatings and other products by 10 to 15% (CAGR), which will increase our dependence on pure water; furthermore, our suppliers also use fresh water.
Sufficient amounts of recycled, brackish and/or produced water available for use	Not very important	Not important at all	<p>For direct use, we use seawater for exposure tests of marine coatings. Because the water quality does not matter in these tests, we rated the water quality and water quantity as not very important. For indirect use, one possible main application of recycled water is for cleaning, cooling equipment, etc. by suppliers and customers. Because water for this application does not have to be recycled water or seawater, we rated the water quality and water quantity as not important at all.</p> <p>[How dependence on water can differ in the future between direct use (operating sites) and indirect use (supply chain), and the reasons thereof]</p> <p>With regard to future dependence on water for direct use, even when it becomes necessary to use a greater amount of seawater as the production of marine coatings expands, the quality of seawater does not matter in the tests. As such, we considered the importance of the water quality and water quantity to be the same as at present and rated them as not very important. Also for indirect use, since it is not expected to occur in the future, we considered the importance of the water quality and water quantity to be the same as at present.</p>

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Frequency of measurement	Method of measurement	Please explain
Water withdrawals – total volumes	100%	Monthly	We check total volumes of water withdrawals by aggregating metered volumes and volumes on purchase slips for each water source.	We conduct monitoring at all related facilities at least once every month.

Water withdrawals – volumes by source	100%	Monthly	We check total volumes of water withdrawals by aggregating metered volumes and volumes on purchase slips for each water source.	We conduct monitoring at all related facilities at least once every month.
Water withdrawals quality	100%	Monthly	We monitor the quality of water withdrawals according to the ministry ordinance on the water quality standards as stipulated in Article 4 of the Water Supply Act of Japan.	We conduct monitoring at all related facilities at least once every month.
Water discharges – total volumes	100%	Yearly	We calculate water discharges by deducting amounts used for products from metered volumes of discharges and withdrawals.	We conduct monitoring at all related facilities at least once every month.
Water discharges – volumes by destination	100%	Yearly	We calculate water discharges by deducting amounts used for products from metered volumes of discharges and withdrawals.	We conduct monitoring at all related facilities at least once every month.
Water discharges – volumes by treatment method	100%	Monthly	We monitor the amount of wastewater treated at the wastewater treatment plants with meters, etc.	We conduct monitoring at all related facilities at least once every month.
Water discharge quality – by standard effluent parameters	100%	Yearly	We follow the JIS K 0102 “Testing Methods for Industrial Wastewater” to	We conduct monitoring at all related facilities at

			conduct monitoring.	least once every month.
Water discharge quality – emissions to water (nitrates, phosphates, pesticides, and/or other priority substances)	100%	Monthly	We follow the JIS K 0102 “Testing Methods for Industrial Wastewater” to conduct monitoring.	We conduct monitoring at all related facilities at least once every month.
Water discharge quality – temperature	100%	Yearly	We follow the JIS K 0102 “Testing Methods for Industrial Wastewater” to conduct monitoring.	We conduct monitoring at all related facilities at least once every month.
Water consumption – total volume	100%	Yearly	We define water consumption as the volume of water used as a raw material for products, and its amount is entirely managed by the production control system.	We conduct monitoring at all related facilities at least once every month.
Water recycled/reused	Less than 1%	Monthly	Reuse of cleaning water and activities to reduce the amount of water used are implemented at each site.	Although we are implementing reuse of cleaning water and activities to reduce water consumption at each site, we hardly measure the relevant amounts.
The provision of fully-functioning, safely managed	100%	Yearly	Pursuant to the “Inspection Methods for Management of Private Water Supply	We conduct monitoring at all related facilities at

WASH services to all workers			Facilities and Other Necessary Matters” (July 23, 2003, Ministry of Health, Labour and Welfare [MHLW] Public Notice No. 262) (Laws/Regulations Search III. Health, Chapter 1 Health, MHLW), we outsource inspection to third-party organizations certified by the MHLW Minister.	least once every month.
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W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?

	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Please explain
Total withdrawals	437.34	About the same	Increase/decrease in efficiency	Higher	Increase/decrease in business activity	[Reasons for change from the previous year] · In 2022, although water blended into products and cooling and cleaning water used in manufacturing increased with the

						<p>increase in production volume, water withdrawals decreased due to water conservation activities, such as recycling of cooling water.</p> <p>However, the range of change from the previous year was 4.5%, which is less than 5%; therefore, we selected "About the same."</p> <p>· The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower."</p>
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						<p>When the range of change is $\pm 10\%$ or more, it is “Much higher” or “Much lower.”</p> <p>[Explanation as to how the volume might change in the future] Water withdrawals are expected to increase due to the global trend toward shifting to water-based paints to reduce VOCs (for prevention of air pollution and human health hazards) and our expected increase in use of water as a raw material for water-based paints and for tank cleaning, etc., in line</p>
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						with the increase in paint production volume.
Total discharges	272.72	Much higher	Increase/decrease in efficiency	Higher	Increase/decrease in business activity	<p>[Reasons for change from the previous year]</p> <ul style="list-style-type: none"> · In 2022, with the increase in production, since the use of water for tank cleaning, boiler cooling, and other purposes during manufacturing increased, discharges after treatment at our wastewater treatment facilities increased. The range of change from the previous year was 10.3%, which is more than 10%; therefore, we selected "Much

						<p>higher.”</p> <ul style="list-style-type: none"> · The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is “About the same.” When the range of change is $\pm 5\%$ or more, it is “Higher” or “Lower.” When the range of change is $\pm 10\%$ or more, it is “Much higher” or “Much lower.” <p>[Explanation as to how the volume might change in the future] With the increase in production, the use of water for tank cleaning and other</p>
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						<p>purposes is also expected to increase, as is the use of boiler cooling water and other water, and the volume of wastewater after treatment by our wastewater treatment facilities is also expected to increase.</p>
Total consumption	164.62	Much lower	Increase/decrease in efficiency	Higher	Increase/decrease in business activity	<p>[Reasons for change from the previous year]</p> <ul style="list-style-type: none"> · In 2022, water consumption decreased due to the efficient use of water. The range of change from the previous year was 21.9%, which is more than 10%; therefore, we selected "Much lower."

						<p>· The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower."</p> <p>[Explanation as to how the volume might change in the future] Water consumption is expected to increase due to the global trend toward shifting to water-based</p>
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						paints to reduce VOCs (for prevention of air pollution and human health hazards) and our expected increase in the use of water as a raw material for water-based paints, in line with the increase in paint production volume.
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W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress, provide the proportion, how it compares with the previous reporting year, and how it is forecasted to change.

	Withdrawals are from areas with water stress	Identification tool	Please explain
Row 1	No	WRI Aqueduct	<p>Once a year, we verify whether all water withdrawal sources are in areas with water stress using WRI Aqueduct.</p> <p>An area that falls under any of the following criteria is defined as an area with water stress.</p> <ul style="list-style-type: none"> - Baseline water stress is High (40 - 80%) or higher - Baseline water depletion is High (50 - 75%) or higher <p>As a result of the verification, it was found that no water had been withdrawn from areas with water stress.</p>

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant				Since good quality water is essential for paint production, fresh surface water cannot be used in production processes.
Brackish surface water/Seawater	Not relevant				Since good quality water is essential for paint production, brackish surface water or seawater cannot be used in production processes.
Groundwater – renewable	Relevant	1.45	Much higher	Increase/decrease in business activity	· One of our 11 main production sites in Japan withdraws groundwater for use in production processes. Because groundwater alone cannot meet our water

					<p>demand, we also use supply water and industrial water.</p> <ul style="list-style-type: none"> · Renewable groundwater withdrawals increased as production increased. · The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower."
Groundwater – non-renewable	Not relevant				It cannot be used because the quality and quantity of paints become inconsistent.
Produced/Entrained water	Not relevant				It cannot be used because

					the quality and quantity of paints become inconsistent.
Third party sources	Relevant	435.74	About the same	Maximum potential volume reduction already achieved	<p>· At our 11 main production sites in Japan, we use third-party sources (for supply water and industrial water) for production processes (cooling boilers, air conditioners, cleaning tanks, etc.) and for dilution of paint materials. As such, third-party sources are important for our business. Although many of our color toning plants do not require as much supply water as the main sites, they still use supply water and thus it is essential for their</p>

					<p>manufacturing processes.</p> <p>· The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower."</p>
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W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water	Relevant	137.63	Much higher	Increase/decrease in business activity	<p>· The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the</p>

					<p>same.” When the range of change is $\pm 5\%$ or more, it is “Higher” or “Lower.” When the range of change is $\pm 10\%$ or more, it is “Much higher” or “Much lower.”</p> <p>The three plants in Japan discharge water mainly to the Egawa River (Aichi Takahama), the Magamegawa River (Chiba), and the Shijiharagawa River (Kitahiroshima) in accordance with the wastewater treatment method and facility establishment status in their respective locations.</p> <p>· The amount of water discharge into rivers increased as production increased.</p>
Brackish surface water/seawater	Not relevant				<p>In accordance with the wastewater treatment method and facility</p>

					establishment status in each plant location, each plant does not require water discharge in their locations, so there is no discharge of brackish water into surface water or sea water.
Groundwater	Not relevant				No water discharge into groundwater
Third-party destinations	Relevant	135.02	Much lower	Increase/decrease in business activity	<ul style="list-style-type: none"> · The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower." · Our plants in areas where public sewage systems managed by local governments or wastewater treatment plants in industrial

					parks are in place discharge wastewater to these facilities.
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W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	Primary reason for comparison with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Relevant	186.04	About the same	Change in accounting methodology	11-20	<ul style="list-style-type: none"> Since wastewater treated at our own wastewater treatment plants (tertiary treatment) can meet legal (Water Pollution Prevention Act, etc.) and voluntary standard values, primary and secondary treatment is unnecessary. When more advanced treatment is required, we

						<p>outsource the treatment to an outside specialist.</p> <ul style="list-style-type: none"> · The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower."
Secondary treatment	Not relevant					<ul style="list-style-type: none"> · Since wastewater treated at our own wastewater treatment plants (tertiary treatment) can meet

						legal (Water Pollution Prevention Act, etc.) and voluntary standard values, primary and secondary treatment is unnecessary. When more advanced treatment is required, we outsource the treatment to an outside specialist.
Primary treatment only	Not relevant					<ul style="list-style-type: none"> Since wastewater treated at our own wastewater treatment plants (tertiary treatment) can meet legal (Water Pollution Prevention Act, etc.) and voluntary standard values, primary and secondary treatment is unnecessary.

						y. When more advanced treatment is required, we outsource the treatment to an outside specialist.
Discharge to the natural environment without treatment	Relevant	29.68	Much higher	Change in accounting methodology	21-30	<ul style="list-style-type: none"> We discharge mainly rainwater to public waters. Since rainwater discharged through this method can meet legal (Water Pollution Prevention Act, etc.) and voluntary standard values, treatment is unnecessary. The range of change from the previous year is defined as follows: When the range of change is less than

						<p>±5%, it is “About the same.” When the range of change is ±5% or more, it is “Higher” or “Lower.” When the range of change is ±10% or more, it is “Much higher” or “Much lower.”</p>
Discharge to a third party without treatment	Relevant	57.5	Much higher	Change in accounting methodolo gy	51-60	<ul style="list-style-type: none"> · We mainly discharge rainwater to the sewer system. · Since water discharged is mainly rainwater, treatment is unnecessary. · Although wastewater used for manufacturing is treated at our wastewater treatment plants (primary treatment), in some

						<p>cases, we outsource the treatment to outside specialists. The wastewater meets legal and voluntary standard values.</p> <p>· The range of change from the previous year is defined as follows: When the range of change is less than $\pm 5\%$, it is "About the same." When the range of change is $\pm 5\%$ or more, it is "Higher" or "Lower." When the range of change is $\pm 10\%$ or more, it is "Much higher" or "Much lower."</p>
Other	Not relevant					No other treatment

W1.2k

(W1.2k) Provide details of your organization's emissions of nitrates, phosphates, pesticides, and other priority substances to water in the reporting year.

	Emissions to water in the reporting year (metric tonnes)	Category(ies) of substances included	Please explain
Row 1	2.53	Nitrates Phosphates	We are monitoring total nitrogen and total phosphorus concentrations. In FY2022, total nitrogen and total phosphorus in discharged water was 2.53 tons. The breakdown was 2.4 tons of total nitrogen and 0.12 tons of total phosphorus. No emissions of hazardous substances were discharged to areas with water stress. All discharged water meets legal standards such as those specified by the Water Pollution Prevention Act. We recognize that these substances are a burden to water and will continue to work to reduce them.

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	186,062,000,000	437.34	425,440,160.973156	· We plan a 5% annual growth target for sales revenue from 2021 to 2023, with possible associated increases in production and water use. In addition, the percentage of water-based paint sales to total sales may increase, which would increase the amount of water used as a raw material and the total water withdrawal, which may not be canceled out by efficient use of water, and a decrease in water withdrawal efficiency may not be avoided. We view acute risks, including supply suspension from suppliers due to damage from flooding and tornadoes, and chronic risks, including Japan's tropical

				<p>climate due to global warming, as the main future physical risks associated with climate change, and such disasters could lead to water quality degradation and challenges in accessing water resources.</p> <p>· We have listed the efficient utilization of water resources as one of the items of materiality of “Resources and Environment.” In 2022, we formed five Global Teams based on the items of materiality, including water-related issues, directly under the Directors, Representative Executive Officers & Co-Presidents, who have ultimate responsibility, and established the Global Policy related to water: “We strive to use water efficiently and manage wastewater responsibly.” We will implement specific initiatives, including thorough management of water consumption and wastewater discharge, effective use and reuse of water, and water conservation following this policy.</p>
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W-CH1.3

(W-CH1.3) Do you calculate water intensity for your activities in the chemical sector?

Yes

W-CH1.3a

(W-CH1.3a) For your top five products by production weight/volume, provide the following water intensity information associated with your activities in the chemical sector.

Product type

Specialty organic chemicals

Product name

Coatings (for automobiles)

Water intensity value (m3/denominator)

1.75

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Lower

Please explain

Numerator: Total water withdrawals for the production of automotive coatings

Denominator: Production volume of automotive coatings

[Reason for change in volume compared to last year] Since the production volume recovered, water intensity improved.

[How the indicator is used internally] In 2020, we identified various items of materiality (key issues) for us, which included “Resources and Environment,” whereby we aim to make effective and efficient use of water and other resources. Reducing water intensity will lead to the effective use of resources through improved water-saving technology, and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future trend in water intensity values] Our strategy to reduce VOC emissions from paints is expected to continue, and water intensity is expected to increase in the future. Against the backdrop of the global trend toward stricter VOC regulations, a shift from solvent-based paints to water-based paints, which are more effective in reducing VOCs, is expected to continue. As a result, the amount of water used as a raw material is expected to increase, and water intensity is expected to rise. On the other hand, the reduction of water consumption through the improvement and development of water-based paint formulation design and the continued consideration of reducing water consumption in the paint manufacturing process, including the use of recycled water, will contribute, albeit slightly, to the decrease in water intensity.

[Strategy in place for reducing water intensity] Water intensity can be broadly classified into two categories: water intensity used in the manufacturing process and water intensity used for raw materials. As a strategy to reduce water intensity of the former, some plants began to manage and monitor the amount of water used for equipment washing, and to recycle cooling water in order to reduce water withdrawals. In addition, water conservation checks have been incorporated into safety patrols (checking for leaks and overflows), and effective use of rainwater and water treated at wastewater treatment plants has been initiated. With regard to the reduction of water intensity of the latter, while an increase in water intensity for the amount of water (water withdrawals) used as a raw material is unavoidable with the shift to water-based paints, reduction of water content per product is under consideration through the development/replacement of products with high heating residual content for paints.

Product type

Specialty organic chemicals

Product name

Coatings (for general industrial applications, primarily for construction machinery)

Water intensity value (m3/denominator)

0.84

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

About the same

Please explain

Numerator: Total water withdrawals for the production of general industrial coatings (primarily for construction machinery)

Denominator: Production volume of general industrial coatings (primarily for construction machinery)

[Reason for change in volume compared to last year] Status quo, no particular changes

[How the indicator is used internally] In 2020, we identified various items of materiality (key issues) for us, which included "Resources and Environment," whereby we aim to make effective and efficient use of water and other resources. Reducing water intensity will lead to the effective use of resources through improved water-saving technology, and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future trend in water intensity values] As a strategy to reduce water intensity, we will aggressively replace existing paints with powder paints, which do not contain water as a raw material. As a result of this activity, water intensity is expected to trend downward in the future.

[Strategy in place for reducing water intensity] We invested approximately 900 million yen to double the production capacity of the Chiba Plant (for powder paints). Powder paints do not use organic solvents and allow recovery and reuse of uncoated paints with zero waste; in addition, their production is labor-saving and is easily automated. With these features, the powder paint market is expected to grow, and we are targeting a 35% increase in powder paint business sales by 2023, five years after the start of operations. As another strategy to reduce water intensity, we are considering methods to reduce water consumption during equipment washing. Specifically, we have begun efforts to reduce water consumption by decreasing the amount of water used for and the frequency of the equipment washing process, and by recycling cooling water, etc. Furthermore, for products other than powder paints, we are considering a paint recovery system that does not use water or chemicals.

Product type

Specialty organic chemicals

Product name

Decorative paints (for buildings)

Water intensity value (m3/denominator)

1.68

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Much lower

Please explain

Numerator: Total water withdrawals for the production of paints for buildings

Denominator: Production volume of paints for buildings

[Reason for change in volume compared to last year] Since the production volume recovered significantly, the water intensity improved.

[How the indicator is used internally] In 2020, we identified various items of materiality (key issues) for us, which included "Resources and Environment," whereby we aim to make effective and efficient use of water and other resources. Reducing water intensity will lead to the effective use of resources through improved water-saving technology, and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future trend in water intensity values] Our strategy to reduce VOC emissions from paints is expected to continue, and water intensity is expected to increase in the future.

[Strategy in place for reducing water intensity] As a strategy to reduce water intensity, we have reduced the amount of cleaning water used in the color toning process by increasing the proportion of color toning conducted in oil cans (mixing colors in final sale containers) to reduce the number of times equipment, etc. is washed, thereby achieving a reduction in water consumption. While an increase in water intensity for the amount of water (water withdrawals) used as a raw material is unavoidable with the shift to water-based paints, we have begun efforts to reduce water withdrawals by reducing the amount of water used other than as a raw material, including reviewing the equipment washing method and process and recycling cooling water, etc.

Product type

Specialty inorganic chemicals

Product name

Surface treatment agents

Water intensity value (m3/denominator)

1.23

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Lower

Please explain

Numerator: Total water withdrawals for the production of surface treatment agents

Denominator: Production volume of surface treatment agents

[Reason for change in volume compared to last year] Since the production volume recovered, water intensity improved.

[How the indicator is used internally] In 2020, we identified various items of materiality (key issues) for us, which included "Resources and Environment," whereby we aim to make effective and efficient use of water and other resources. Reducing water intensity will lead to the effective use of resources through improved water-saving technology, and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future trend in water intensity values] With regard to water intensity as a raw material for products, reducing water content, i.e., reducing water intensity, is difficult due to the upper limit for product safety management. This is why reductions in water consumption and water intensity in the manufacturing process are only marginal. While always evaluating water usage by customers, we are constantly making efforts to develop products that will lead to a reduction in the number of washing cycles.

[Strategy in place for reducing water intensity] As a strategy to reduce water intensity, we are considering increasing the content of active ingredients in treatment agents and reducing the amount of water used in the equipment washing process. We are also working to develop products that meet market needs, including a pretreatment system that can reduce water consumption and protect water quality, and that does not require water washing.

W1.4

(W1.4) Do any of your products contain substances classified as hazardous by a regulatory authority?

	Products contain hazardous substances
Row 1	Yes

W1.4a

(W1.4a) What percentage of your company's revenue is associated with products containing substances classified as hazardous by a regulatory authority?

Regulatory classification of hazardous substances	% of revenue associated with products containing substances in this list	Please explain
Candidate List of Substances of Very High Concern for Authorization above 0.1% by weight (EU Regulation)	Less than 10%	Since the calculation of the percentage of sales of our products containing such substances is still under way, an approximate sensory value was used in this questionnaire. We have already implemented entrance control when such substances are used in our products (promoted on a company-wide basis under our own framework called "Green 30"). We plan to calculate the percentage of sales of products containing such substances by dividing the sales volume (tons) of such products by the sales volume (tons) of all products. We are also studying EU REACH, UK REACH, etc.

W1.5

(W1.5) Do you engage with your value chain on water-related issues?

	Engagement
Suppliers	Yes
Other value chain partners (e.g., customers)	Yes

W1.5a

(W1.5a) Do you assess your suppliers according to their impact on water security?

Row 1

Assessment of supplier impact

Yes, we assess the impact of our suppliers

Considered in assessment

Basin status (e.g., water stress or access to WASH services)

Supplier dependence on water

Supplier impacts on water availability

Supplier impacts on water quality

Number of suppliers identified as having a substantive impact

100

% of total suppliers identified as having a substantive impact

76-99

Please explain

- Since the raw materials for paints/coatings, our products, contain chemical substances, and if the pollutants contained in the raw materials are released into water bodies, the impact of such pollution is significant, we evaluate the impact on the water quality of our suppliers. In addition, since our suppliers require a stable supply of high-quality water in the process of manufacturing raw materials for paints/coatings, we also evaluate water availability, water loss, and river basin conditions.
- Especially in the case of water-based paints, in some products, emulsions and other raw materials that require high-quality water make up more than 50% of the product ingredients, and we recognize that it is important for us to survey supplier impacts on water quality.
- Until 2022, we used the Procurement Self-Assessment Tool, a self-assessment questionnaire by UNGC Japan, to obtain responses on the environmental initiatives of primary suppliers. From 2023, we decided to ascertain the status of response of the top 100 raw material manufacturers in terms of raw material purchases to water resources by directly sending them a supplier sustainability questionnaire prepared independently by Nippon Paint Group, including group companies outside Japan. Since the amount of raw material purchases from these top 100 suppliers accounts for 83% of all purchases, meaning that it exceeds 80%, we identified them as having a significant impact on the manufacturing/sales of our products.

W1.5b

(W1.5b) Do your suppliers have to meet water-related requirements as part of your organization's purchasing process?

	Suppliers have to meet specific water-related requirements
Row 1	Yes, suppliers have to meet water-related requirements, but they are not included in our supplier contracts

W1.5c

(W1.5c) Provide details of the water-related requirements that suppliers have to meet as part of your organization's purchasing process, and the compliance measures in place.

Water-related requirement

Complying with going beyond water-related regulatory requirements

% of suppliers with a substantive impact required to comply with this water-related requirement

100%

% of suppliers with a substantive impact in compliance with this water-related requirement

100%

Mechanisms for monitoring compliance with this water-related requirement

Supplier self-assessment

Response to supplier non-compliance with this water-related requirement

Retain and engage

Comment

Japan Group has established the Procurement Guidelines, which define the Procurement Policy in more detail and clearly set the rules and procedures to be followed by our Group and suppliers for responsible procurement. The Procurement Guidelines define our environmental activities for the understanding and practice of environmental measures. These include complying with all laws and regulations in every country and region and implementing measures to manage chemicals, minimize our environmental impact (prevent air, water, and soil contamination), reduce greenhouse gas emissions, protect biodiversity, conserve and reuse water, use energy resources efficiently, and reduce waste materials. The Group's procurement activities will be transformed to be more conscious of supply chain sustainability by placing top priority on the environment, society and governance (ESG) as well as quality, cost and delivery (QCD).

W1.5d

(W1.5d) Provide details of any other water-related supplier engagement activity.

Type of engagement

Information collection

Details of engagement

Collect water management information at least annually from suppliers

% of suppliers by number

1-25

% of suppliers with a substantive impact

76-99

Rationale for your engagement

Out of a total number of 650 of our suppliers (raw material manufacturers), the top 100 suppliers in terms of raw material purchases amount to 15%. The amount of raw material purchases from these top 100 suppliers accounts for 83% of all purchases. Since the amount of raw material purchases from these top 100 suppliers exceeds 80% of all purchases, we identified them as having a significant impact on the manufacturing/sales of our products, and collect information on their water management by sending them a sustainability questionnaire.

Impact of the engagement and measures of success

- Until 2022, we requested our primary suppliers to reply to the Procurement Self-Assessment Tool, a self-assessment questionnaire by UNGC Japan in order to learn about their environmental initiatives. We determined the evaluation criteria was based on a score of 70 out of 100, and discussed improvements with suppliers that scored less than 70.
- As a result of this activity, the number of companies that fell below the criteria was nine in 2020 (equivalent to 7% of purchases); however, in 2021 it was two (equivalent to 2% of purchases), and the overall supplier score increased. We assume that this activity led to an increase in awareness and understanding of environmental issues, including water, among suppliers.

Comment

W1.5e

(W1.5e) Provide details of any water-related engagement activity with customers or other value chain partners.

Type of stakeholder

Customers

Type of engagement

Innovation & collaboration

Details of engagement

Collaborate with stakeholders on innovations to reduce water impacts in products and services

Rationale for your engagement

- We are working with customers to develop new surface treatment agents to contribute to water consumption reduction and water quality conservation. In some cases, general conventional products contain heavy metals (zinc, nickel, and manganese), ions, and phosphorus, which have a large environmental impact and use a large amount of water for their cleaning, so we initiated this collaboration.

Impact of the engagement and measures of success

- We are working with customers to develop new surface treatment agents to contribute to water consumption reduction and water quality conservation. In some cases, general conventional products contain heavy metals (zinc, nickel, and manganese), ions, and phosphorus; however, the new products that we have developed do not include them and can contribute to water quality conservation and water consumption reduction in customers' production lines. As a specific result, the amount of impurities generated (industrial waste and sediment) after the use of the surface treatment agents in customers' production lines will be reduced to one-tenth, thereby contributing to water

quality conservation. In addition, customers' production lines can be shortened by 10 to 30%, contributing to a reduction in water consumption. In this way, we are working with customers to reduce water-related impacts through the development of products that meet market needs.

- We use the completion of development as a measure of success.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

	Water-related regulatory violations	Comment
Row 1	No	

W3. Procedures

W3.1

(W3.1) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?

	Identification and classification of potential water pollutants	How potential water pollutants are identified and classified
Row 1	Yes, we identify and classify our potential water pollutants	In line with Responsible Care (RC), which is an initiative by the chemical industry and companies that handle chemical substances throughout the world to voluntarily exercise consideration for the environment, safety, and health throughout the processes of chemical product development, manufacturing, distribution, use, final consumption, and disposal, and to publicize the results of their activities and engage in dialogue and communication with society, we have established the Basic Policy for Responsible Care and are working to reduce the use of chemicals that may be harmful to ecosystems and human health, including water pollution. We identify and classify pollutants regarding hazardous substances and other items specified in the Water Pollution Prevention Act and the PRTR

		system. For example, we measure COD and phosphorus monthly at each site, and compile, report, and manage the data for the entire Group as an activity of the RC Committee.
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W3.1a

(W3.1a) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.

Water pollutant category

Phosphates

Description of water pollutant and potential impacts

In line with Responsible Care (RC), which is an initiative by the chemical industry and companies that handle chemical substances throughout the world to voluntarily exercise consideration for the environment, safety, and health throughout the processes of chemical product development, manufacturing, distribution, use, final consumption, and disposal, and to publicize the results of their activities and engage in dialogue and communication with society, we have established the Basic Policy for Responsible Care and are working to reduce the use of chemicals that may be harmful to ecosystems and human health, including water pollution. We identify and classify pollutants regarding hazardous substances and other items specified in the Water Pollution Prevention Act. For items and substances that affect the water quality environment, we have established voluntary standards that are stricter than the statutory standards (in accordance with the Water Pollution Prevention Act), and we control them by regularly measuring the water quality. If these controlled substances exceed the standard values and are discharged outside the premises, there is concern about the destruction of the ecosystem in public waters, and if they are discharged into the sewage system, the load will exceed the treatment capacity of the sewage treatment facilities, and there is concern about the impact on the community.

Value chain stage

Direct operations

Actions and procedures to minimize adverse impacts

Beyond compliance with regulatory requirements
Industrial and chemical accidents prevention, preparedness, and response

Please explain

Regarding the hazardous substances/designated substances specified in the Water Pollution Prevention Act, we confirm compliance with the act by measuring and recording wastewater discharges, and, if necessary, appointing a pollution control manager, as required by law, as well as by an external audit based on ISO14001. In addition to compliance with the Water Pollution Prevention Act, in accordance with the PRTR system, we report annually from which sources and in what quantities the

chemical substances that we use were discharged into the environment, including water systems, or transported out of the plants in waste. We have set the goal of zero violations of laws and ordinances, and we achieved the goal in 2022.

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Value chain stage

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

3 to 6 years

Type of tools and methods used

Tools on the market
Enterprise risk management
Databases
Other

Tools and methods used

WRI Aqueduct
Regional government databases
Internal company methods
Nation specific databases, tools, or standards

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Implications of water on your key commodities/raw materials
Water regulatory frameworks
Status of ecosystems and habitats

Access to fully-functioning, safely managed WASH services for all employees

Stakeholders considered

Customers
Employees
Investors
Local communities

Comment

Through the Aqueduct tools, we identified the water risks as “Low to Medium” at our seven major sites in Japan. We have created in-house risk assessment methods for evaluating water risks based on the Responsible Care initiatives and ISO14001. We also identify physical risks that are considered high using hazard maps (local government database) based on the Flood Control Act.

Value chain stage

Supply chain

Coverage

Full

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Databases
Other

Tools and methods used

WRI Aqueduct
Regional government databases
Internal company methods
Other, please specify
Global Compact Network Japan's supplier assessment tool

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Water regulatory frameworks

Stakeholders considered

Customers
Employees
Investors
Suppliers

Comment

Value chain stage

Other stages of the value chain

Coverage

Partial

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

More than once a year

How far into the future are risks considered?

1 to 3 years

Type of tools and methods used

Databases
Other

Tools and methods used

Regional government databases
Internal company methods

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Implications of water on your key commodities/raw materials
Water regulatory frameworks
Status of ecosystems and habitats

Stakeholders considered

Customers
Other water users at the basin/catchment level

Comment

Water is essential for us as a raw material for products and during manufacturing, and water shortage and flooding pose the risk of shipment suspension or delay. In addition, we manufacture products that affect customers' wastewater, and customers may advise us to improve the wastewater quality.

W3.3b

(W3.3b) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

	Rationale for approach to risk assessment	Explanation of contextual issues considered	Explanation of stakeholders considered	Decision-making process for risk response
Row 1	<p>· For assessment of water risks in direct operations, we use WRI Aqueduct's Chemicals indexes (e.g., Base Line Water Stress) to evaluate major domestic plants to obtain current and projected future ratings. To assess water risks in detail for each plant location, details can be confirmed by using hazard maps in local government databases; however, since the assessment criteria differ, we cannot make a uniform assessment. For this reason, we use both Aqueduct's tools, which are commercially available, and local government databases. We also monitor regulatory trends through ISO14001 and RC activities.</p> <p>· Regarding suppliers, until 2022, we requested our primary suppliers to reply to</p>	<p>Regarding "water availability at a basin/catchment level," water is essential to the manufacturing processes and as a raw material of paints/coatings at our manufacturing sites.</p> <p>Regarding "water quality at a basin/catchment level," since our manufacturing sites use industrial water and tap water as a raw material for manufacturing, it is essential to confirm the water quality. In addition, water quality is always incorporated into the assessments in order to comply with environmental regulations regarding wastewater standards, including wastewater and leakage from plants.</p> <p>Regarding "stakeholder conflicts related to water resources at a basin/catchment level," although water resources are essential to our business, we have no conflicts with stakeholders related to water resources, including rivers near our business sites and plants.</p> <p>We have set voluntary wastewater standard</p>	<p>· Regarding direct operations, for example, if our plants are flooded or submerged due to flooding, our manufacturing of paints/coatings may be affected, our operations may be suspended, and/or our customers may be affected, which could affect our revenues due to business losses.</p> <p>· Regarding the supply chain, for example, if suppliers' plants were flooded or submerged due to flooding, we would not be able to receive raw materials, and thus our manufacturing of paints/coatings may be affected, our operations may be suspended, and/or our customers may be affected, which could affect our revenues due to</p>	<p>Until 2021, the ESG Committee, which was commissioned by the Board of Directors to develop the Group's strategy, policy, and action plan on ESG and sustainability, including water-related risks, and to evaluate and promote its implementation, and its subordinate committee, the Environmental Subcommittee, considered the identification and assessment of water-related risks and opportunities that could have significant financial or strategic implications, and actions to address significant identified risks and opportunities. In addition, Corporate Planning, Safety & Environment, R&D and ESG Promotion Departments General Managers</p>

<p>the Procurement Self-Assessment Tool, a self-assessment questionnaire by UNGC Japan in order to learn about their environmental initiatives. We determined the evaluation criteria was based on a score of 70 out of 100, and discussed improvements with suppliers that scored less than 70.</p> <p>· Regarding customers, we are working to estimate water risks by exchanging information through product sales/transactions and during customer requests and engagement activities with us.</p>	<p>values that are lower than those prescribed by national and regional laws to manage wastewater quality. At our manufacturing sites, we monitor the pH, suspended solids, oil content, etc. in plant wastewater to ensure that the plant wastewater meets the water quality standards for the area in which each site is located. In addition, to show consideration for the communities where our plants are located, we are conducting volunteer cleanup activities near rivers and beaches in the vicinity of our business sites from the perspective of coexistence with communities.</p> <p>Regarding “implications of water on your key commodities/raw materials,” many of the raw materials for our paints/coatings are derived from petroleum-based raw materials, such as toluene and xylene, which require large amounts of water, including boiler water and cooling water, in the distillation and refining processes. If the water shortages affect the operations of our suppliers, our material procurement will be affected. Water is also used as part of emulsions and other raw materials, and we recognize the importance</p>	<p>business losses. For other steps in the value chain, risks include flooding and other disasters affecting our operations to suspend or delay shipments, which may also affect manufacturing at our customers’ plants.</p> <p>· Regarding customers, the use of water as a raw material for products and during manufacturing is essential, and in the event of water shortage or flooding, the inability or delay of shipments would lead to a decrease in sales revenue, and thus such risks are included in our risk assessments. In addition, when customers use our products, the ingredients and application conditions may affect the wastewater standards of the customers’ manufacturing processes. Failure to provide products that meet customer needs or provide</p>	<p>at NPHD and the persons responsible for Responsible Care(*) at the Group’s operating companies participated in the Environmental Subcommittee to identify and assess a wide range of company-wide risks and opportunities related to the environment, including water. Risks and opportunities were examined by direct operations and value chains with different timelines (short, medium, and long term) for each operating company. Since 2022, in regard to sustainability, a priority issue that we must respond to as a business, five Global Teams have been formed based on the items of materiality, including water-related issues, directly under the Directors, Representative Executive Officers & Co-Presidents, who have ultimate responsibility, and five business leaders are leading the initiatives on a</p>
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		<p>of water in the supply chain (indirect use). Since our products also use a large amount of water for manufacturing processes and as a raw material, we always include risks posed by water to raw materials and key commodities in our assessments.</p> <p>Regarding the “water regulatory frameworks,” wastewater discharged from the paints/coatings manufacturing processes must meet local wastewater/water quality standards. If water-related regulations/wastewater standards become stricter in the areas where our plants are located, we may need an additional capital investment in order to comply with the standards. In addition, an increasing number of municipalities in Japan are raising water rates to cope with aging water supply facilities, and the increase in capital investment and expenses may affect the revenues of our business.</p> <p>Regarding the “status of ecosystems and habitats,” at some of our plants, wastewater used in manufacturing paints/coatings is either outsourced for disposal as waste or discharged into public waters/sewers after treatment at our own wastewater treatment plants, and we monitor the</p>	<p>accurate information would result in loss of business credibility and reduced sales revenue, and such risks are therefore included in our risk assessments.</p>	<p>global basis. We are using this structure to drive actions to address the significant risks and opportunities identified in 2021. In Japan, the Sustainability Council, a sub-organization of the Responsible Care Committee, is developing and responding to action plans. The Group’s operating companies also formulate and implement business plans in line with the above company-wide goals and action plans. The Global Teams report on their progress directly to the Co-Presidents, who in turn report on their progress and suggestions to the Board of Directors whenever necessary (usually four times a year), thus allowing the Board of Directors to oversee sustainability activities. Additionally, the Board of Directors receives reports around four times a year through the Audit Committee and others to</p>
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		<p>amount of wastewater discharged from each plant on a regular basis. If these controlled substances exceed the standard values and are discharged outside the premises, there is concern about the destruction of the ecosystem in public waters. In such cases, we will investigate the impact. Regarding “access to fully functioning, safely managed WASH services for all employees,” we have established the Basic Policy for Responsible Care to ensure the safety and health of our employees in our operations, and we consider that the provision of safe water to all employees is essential. In addition, since our business requires the use of a large amount of organic solvents, in accordance with the law, we have installed emergency shower booths (devices to wash off toxic chemicals, such as organic solvents, on the spot as an emergency measure in case of exposure to them).</p>		<p>supervise Group activities.</p>
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W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, both in direct operations and the rest of our value chain

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

[Definition of significant financial and strategic impact]

Damage to Nippon Paint Group's consolidated net assets, consolidated net sales, or consolidated ordinary profit

[Threshold for significant change]

(1) Damage exceeding 3% of the amount of net assets on a consolidated basis within Nippon Paint Group's scope of reporting

(2) A 10% or greater change in consolidated net sales within Nippon Paint Group's scope of reporting from the start-of-year net sales forecast for the relevant fiscal year

(3) A 30% or greater change in consolidated ordinary profit within Nippon Paint Group's scope of reporting from the start-of-year ordinary profit forecast for the relevant fiscal year

[Methods, measurements, and indicators used to identify significant changes]

The Nippon Paint Group Risk Management Committee has been established (chaired by the Representative Executive Officers & Co-Presidents) to deliberate on the management of safety, climate change, environment, compliance, and other key risks for the Group, and the continuous review and improvement of the internal control system. By taking the frequency, impact, and seriousness of risks comprehensively into consideration, we identify significant financial or strategic impact that such risks might have on the Group's business. This definition and the standards are subject to periodical review.

[Whether the definition applies to the operating sites, the supply chain, or both]

In principle, the definition applies to both operating sites and the supply chain; however, because of the limited information available on the supply chain, we also take other influencing factors into account when determining an impact.

[One or more instances of significant impact taken into account]

Considering direct operations and the value chain, we relocated plant functions from a coastal location (Hiroshima Prefecture) to an inland location (Okayama Prefecture) to avoid damage from typhoons and flooding in 2022, and the plant's full-scale operations are expected to begin in FY2023.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	1	1-25	

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

% of company's total global revenue that could be affected

11-20

Comment

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Type of risk & Primary risk driver

Acute physical

Pollution incident

Primary potential impact

Fines, penalties or enforcement orders

Company-specific description

The Tochigi Plant manufactures surface treatment agents using raw materials that fall under the category of toxic substances. If a physical risk, including an overflow of the Kinugawa River or the occurrence of a typhoon or torrential rain, materializes, the

Tochigi Plant's surface treatment agent manufacturing facilities or wastewater treatment facilities could be inundated. As a result, if wastewater is not treated properly and hazardous substances leak out of the plant, it could result in a pollution incident of the surrounding area. Furthermore, there is a possibility that we may be subject to administrative penalties. The penalty for violation of the Water Pollution Prevention Act and the Sewerage Act is "imprisonment for not more than six months or a fine of not more than 500,000 yen," and violation may result in the payment of the aforementioned fine, restrictions on operations until improvements are made, and expenditures for countermeasures.

Timeframe

More than 6 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure - minimum (currency)

500,000

Potential financial impact figure - maximum (currency)

300,000,000

Explanation of financial impact

- As for the minimum amount, since the penalty for violation of the Water Pollution Prevention Act and the Sewerage Act is "imprisonment for not more than six months or a fine of not more than 500,000 yen," we used the amount of the fine in the case of violation.
- As for the maximum amount, we assumed a one-month shutdown of the Tochigi Plant due to flood damage and legal violation, and recorded the amount of sales damage. As a result of calculation using the average unit sales price of all products included in our business, it was approximately 0.2% of sales of Nippon Paint in Japan, or 300 million yen.

Primary response to risk

Improve pollution abatement and control measures

Description of response

Since 2015, we have been repairing deteriorated equipment itself and piping and other ancillary facilities that could cause leakage, investing in equipment to prevent leakage into the Kinugawa River and areas surrounding the Tochigi Plant, and providing

education and training to employees to prevent contamination due to human error. In 2022, we focused on employee education activities to prevent contamination due to human error.

Cost of response

90,000,000

Explanation of cost of response

We estimated the amount of investment in equipment taken as measures to prevent leakage into areas surrounding the Tochigi Plant and the Kinugawa River. In the past, there was a case in which we needed an estimated amount of 900 million yen at the time of equipment renewal as measures. Since the cost of leakage prevention measures for equipment alone is expected to be much less than this amount, we estimated an amount that assumes 10% of this amount. $900 \text{ million yen} \times 0.1 = 90 \text{ million yen}$

W4.2a

(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Japan

Other, please specify

Arakawa River

Stage of value chain

Supply chain

Type of risk & Primary risk driver

Acute physical

Flood (coastal, fluvial, pluvial, groundwater)

Primary potential impact

Supply chain disruption

Company-specific description

If an increase in the severity and frequency of extreme weather-related events were to occur, damage to our facilities and suppliers' facilities leading to suspension of production poses the risk of reduced revenue. Especially for plants located near rivers and coasts, there is a risk of flooding, high tides, and tsunamis. In Japan, cases of water levels crossing dangerous flood thresholds have occurred frequently in recent years, with the Ministry of Land, Infrastructure, Transport and Tourism reporting approximately 470 cases in 2018, a more-than-five-fold increase over the past four years. For this reason, for both ourselves and suppliers with plants located near coasts and rivers, the possibility of being affected by flooding, inundation, and high tides is likely to increase in the future. If we were to sustain damage, the resulting impact (loss) would be

substantial, which is why this risk is acknowledged throughout the company, and it is essential that we consider impact assessment and response measures. For example, resins account for 50% and pigments account for 20% of the raw materials for our product, paint. Our Tochigi Plant manufactures products using resins and pigments, which it also purchases from a supplier located along the Arakawa River. According to expert analysis, in the worst case scenario, Typhoon No. 19 in 2019 could have caused the Arakawa River to burst its banks. The frequency and severity of record-breaking rainstorms increase every year, and if suppliers' plants were to be flooded or submerged due to the bursting of riverbanks, we would not be able to receive raw materials, which could affect our manufacturing and/or shut down our operations, having an impact on our customers, which could affect our revenues due to business losses.

We continuously asked our customers when necessary to increase their inventory levels prior to FY2021, and continued to do so in FY2022. Specifically, we have asked our distributors and customers to increase their inventories to prepare for flooding. This minimizes the impact on customers in the unlikely event of a flood that affects our plants or those of our suppliers, resulting in the suspension of shipments. Switching to other suppliers to procure raw materials is expected to result in raw material shortages, price hikes, and additional costs for finding new suppliers. If we assume that the expected price hikes and increased procurement costs are equivalent to 10% of the current procurement amount of raw materials for such paint, the amount would be 1,170 million yen, which is equivalent to 2.2% of our consolidated operating profit of 5,296 million yen in Japan in 2022, thus having a significant impact.

Timeframe

4-6 years

Magnitude of potential impact

Medium

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

117,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact

A plant of the primary raw materials for paint is located along the Arakawa River, and according to expert analysis, in the worst case scenario, Typhoon No. 19 in 2019 could

have caused the Arakawa River to burst its banks. The frequency and severity of record-breaking rainstorms increase every year, and if suppliers' plants were to be flooded or submerged due to the bursting of riverbanks, we would not be able to receive raw materials, which could affect our manufacturing and/or shut down our operations, having an impact on our customers, which could affect our revenues due to business losses.

The period that our manufacturing would be affected was assumed to be one month, based on the total number of days lost due to disrupted activities at business establishments or business stagnation in the Manual for Economic Evaluation of Flood Control Investment, and the amount of potential impact was calculated by dividing the current annual procurement amount of raw materials for the paint in question by 12.
JPY 1,400 million / 12 months x 1 month = JPY 117 million

Primary response to risk

Upstream
Increase supplier diversification

Description of response

If a disaster such as the flooding of the Arakawa River occurred between 2020 and 2025, we would consider switching the procurement source of emulsions, pigments, and other raw materials used for the paint in question to other suppliers that were not affected by the disaster. At that time, it is anticipated that we would need to search for new procurement sources.

Cost of response

116,000,000

Explanation of cost of response

(Situation) We recognize the Arakawa River and other rivers as watersheds for our sites that could have a significant financial and strategic impact on our business. Sites located near these rivers or in coastal areas are expected to suffer impacts such as the suspension or delay of product shipments in the event of flooding.

(Task) It is essential that we take actions to minimize the impact of flood risks through engagement.

(Action) We continuously asked our customers when necessary to increase their inventory levels prior to FY2021, and continued to do so in FY2021. Specifically, we have asked our distributors and customers to increase their inventories to prepare for flooding. This minimizes the impact on customers in the unlikely event of a flood that affects our plants or those of our suppliers, resulting in the suspension of shipments. Switching to other suppliers located outside the Arakawa River basin that are not affected by the flooding to procure raw materials is expected to result in raw material shortages, price hikes, and additional costs for finding new suppliers. The calculation is based on the assumption that the price hikes and increased procurement costs would be equivalent to 10% of the current procurement amount of raw materials for the paint in question.

(Response) We continuously asked our customers when necessary to increase their

inventory levels prior to FY2021, and continued to do so in FY2022. Specifically, we have asked our distributors and customers to increase their inventories to prepare for flooding. This minimizes the impact on customers in the unlikely event of a flood that affects our plants or those of our suppliers, resulting in the suspension of shipments. Switching to other suppliers to procure raw materials is expected to result in raw material shortages, price hikes, and additional costs for finding new suppliers. The calculation is based on the assumption that the price hikes and increased procurement costs would be equivalent to 10% of the current procurement amount of raw materials for the paint in question.

(Response)

Breakdown of cost of response: Increase in personnel costs for coordinating with dealers and customers to increase product inventories, etc. and raw material costs due to emergency response by suppliers = 116 million yen

This amount is equivalent to 2.2% of our domestic consolidated operating profit of 5,296 million yen in 2022, and thus has a significant impact.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Other, please specify

Promote the efficient use of water resources to reduce water consumption in customers' coating processes.

Company-specific description & strategy to realize opportunity

i) Description of why this opportunity is strategic for the company

Against the backdrop of heightened environmental awareness, customers' needs for products and coating equipment that use less water during the coating processes have been increasing and are expected to continue to increase, which is expected to expand our product sales opportunities.

ii) Description of the actions to realize opportunities with our customers to that end

We are discussing what we can do as a paint manufacturer from a future-oriented perspective to realize the society that we would like to have in 2030, and in March 2019,

we established the definitions of eco-friendly products. There are five definitions of eco-friendly products, including, with relation to water, “products that significantly improve the efficiency of the use of resources (including water) and enable the application of environmentally friendly technologies and industrial processes,” and “products that substantially reduce the release of chemical substances into the environment in the coating and surface treatment process.” Through the development and promotion of these eco-friendly products, we strive to contribute to sustainable social development.

iii) Case studies or examples of strategies in action

The following initiatives are examples of what we have achieved through the development and diffusion of products.

Situation)

Auto bodies consist of cold-rolled steel sheets, galvanized steel sheets, and aluminum steel sheets. The electrodeposition coating process follows the cleaning process to remove adhered oil and metal powder, and the chemical conversion process to provide coating film adhesion and corrosion resistance, in which the generation of sludge and the reduction of the large amount of water used during treatment have become environmental issues for customers.

Task)

To solve this problem for customers, we will commercialize an eco-friendly chemical conversion agent for auto body coating that can reduce hazardous substances and industrial waste, and significantly reduce water consumption.

Action)

We will develop an eco-friendly chemical conversion agent that has the same performance as commonly adopted zinc phosphate, but does not contain heavy metals or phosphorous compounds that have a negative impact on the environment, and promote research and development, commercialization, and expansion of introduction so that it can be used by a variety of customers.

Response)

As a result of research and development, we have succeeded in commercializing an eco-friendly next-generation chemical conversion agent for automobile bodies. Compared to zinc phosphate, this chemical conversion agent does not require the surface preparation process, produces very little by-product (sludge) during the chemical reaction, and significantly reduces water consumption during treatment. These features can contribute to process shortening, water conservation, and industrial waste reduction.

Total R&D expenditures in this region in 2022 were approximately 7,301 million yen, including this chemical conversion system.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

432,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact

Through the advancement of water-saving technology, we can reduce our water consumption, thereby reducing water usage fees to lower costs. Furthermore, by advancing water-saving technology in customers' coating processes, we can strengthen our competitiveness, thereby increasing our market share and sales. Assuming that the products are well received by customers and lead to a 5% increase in sales of the relevant coating segment in Japan (8,636 million yen in FY2022), this would mean an increase in sales of 432 million yen.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Tochigi Plant, Nippon Paint Co., Ltd.

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Latitude

36.544581

Longitude

139.99125

Located in area with water stress

No

Total water withdrawals at this facility (megaliters/year)

87.2

Comparison of total withdrawals with previous reporting year

About the same

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

87.2

Total water discharges at this facility (megaliters/year)

69.5

Comparison of total discharges with previous reporting year

About the same

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

69.5

Total water consumption at this facility (megaliters/year)

17.7

Comparison of total consumption with previous reporting year

About the same

Please explain

We verify whether all water withdrawal sources are in areas with water stress using WRI Aqueduct.

An area that falls under any of the following criteria is defined as an area with water stress.

- Baseline water stress is High (40 - 80%) or higher
- Baseline water depletion is High (50 - 75%) or higher

As a result of the verification, it was found that no water had been withdrawn from areas with water stress.

Regarding water withdrawals, we are supplied with tap water and industrial water by local governments only. Regarding water discharges, we discharge wastewater only to wastewater treatment plants in industrial parks after treatment at our own wastewater treatment plants.

We calculate water consumption by subtracting the water discharges from the water withdrawals.

W5.1a

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been third party verified?

Water withdrawals – total volumes

% verified

Not verified

Please explain

Water withdrawals – volume by source

% verified

Not verified

Please explain

Water withdrawals – quality by standard water quality parameters

% verified

Not verified

Please explain

Water discharges – total volumes

% verified

Not verified

Please explain

Water discharges – volume by destination

% verified

Not verified

Please explain

Water discharges – volume by final treatment level

% verified

Not verified

Please explain

Water discharges – quality by standard water quality parameters

% verified

Not verified

Please explain

Water consumption – total volume

% verified

Not verified

Please explain

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	<p>Description of business dependency on water</p> <p>Description of business impact on water</p> <p>Commitment to align with international frameworks, standards, and widely-recognized water initiatives</p> <p>Commitment to prevent, minimize, and control pollution</p> <p>Commitment to reduce or phase-out hazardous substances</p> <p>Commitment to reduce water withdrawal and/or consumption volumes in direct operations</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in local communities</p> <p>Commitment to water stewardship and/or collective action</p> <p>Commitment to the conservation of freshwater ecosystems</p> <p>Commitments beyond regulatory compliance</p> <p>Reference to company water-related targets</p> <p>Acknowledgement of the human right to water and sanitation</p>	<p>[Grounds of the scope selected]</p> <p>From the perspective of the chemical sector, we recognize that the entire Nippon Paint Group's business is dependent on water and at the same time is affected by water. Therefore, we have positioned the efficient use of water at the core of our management as "Resources and Environment" in our items of materiality (key issues), while relating it to the SDGs. The company-wide items of materiality were discussed by the ESG Committee in July 2020 and finally approved by the Board of Directors in August 2020. Furthermore, Nippon Paint Group has endorsed the Responsible Care (RC) initiative, which was launched in Canada in 1985 and is being implemented in more than 50 countries around the world through the International Council of Chemical Associations (ICCA), established in 1990. The Group has established the Basic Policy for Responsible Care, set qualitative and quantitative water-related targets, and set voluntary water quality control standards that are stricter than the regulations, in an effort for conservation of the environment, including water.</p> <p>[Overview of the policy selected]</p> <p>We identified "Resources and Environment" as a company-wide item of materiality in 2020, and disclosed in the Integrated Report that we would promote efforts to effectively utilize resources, such as water, energy, and raw materials, and to prevent environmental pollution. Currently, we plan to establish KPIs for six items of materiality, including "Resources and Environment," and that the Board of Directors will manage and oversee the progress of these KPIs.</p> <p>Our Japanese operations have established and disclosed the Basic Policy for Responsible Care. This basic policy states consideration for the environment and reduction of environmental impact, and the environment here includes water-related matters. Furthermore, we have established the</p>

			<p>Responsible Care targets (Group RC targets) as specific activities of the policy, and are working to achieve them. We establish specific targets for RC activities, including compliance with the voluntary water quality control standards, zero groundwater pollution accidents, and reduction of chemical substances specified in the PRTR system (atmospheric and water emissions), as well as water-related targets (quantitative and qualitative targets).</p> <ul style="list-style-type: none"> · Description of business dependency on water: Water is used as a raw material for our products and is indispensable for business promotion, including the production of water-based paints. · Description of business impact on water: Water is closely related to business promotion, as our plants may be shut down due to flooding and other water risks. · Company water targets and goals: We are working to achieve our water-related quantitative and qualitative targets as Group RC activities. · Commitment to align with public policy initiatives, such as the SDGs: Our items of materiality and Group RC activities are linked to the SDGs, and we consider our involvement with the Japan Chemical Industry Association and other industry associations is also part of this commitment. · Commitments beyond regulatory compliance: We establish targets beyond regulatory compliance at our sites. · Commitment to water stewardship and/or collective action: We are implementing it through collaboration with the Japan Chemical Industry Association mentioned above and other activities.
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W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual or committee	Responsibilities for water-related issues
President	<ul style="list-style-type: none"> · The Representative Executive Officers & Co-Presidents are the persons with the highest level of responsibility for water issues, and oversee the five Global Teams, which are placed under them and are working on sustainability. · Our corporate governance policy states that we recognize the issues surrounding sustainability, including water risks, as important management issues, and that we examine the issues to be addressed for the growth of a sustainable society from a global perspective, and based on the results of such examination, we promote measures in the areas of the environment, society, and governance. Goals related to the environment, society, and governance drafted by the Representative Executive Officers & Co-Presidents are proposed to and approved by the Board of Directors and set as the goals of Nippon Paint Group. · In regard to sustainability, a priority issue that we must respond to as a business, five Global Teams have been formed based on the items of materiality, including water risks, directly under the Directors, Representative Executive Officers & Co-Presidents, who have ultimate responsibility, and five business leaders are leading the initiatives on a global basis. In terms of sustainability governance, each leader reports directly to the Co-Presidents, who in turn report their progress and suggestions to the Board of Directors whenever necessary (usually four times a year), thus allowing the Board of Directors to oversee sustainability activities. · As an example of our water-related decisions, the Global Teams formulated a global unified policy on water in 2021: “We strive to use water efficiently and manage wastewater responsibly.”

W6.2b

(W6.2b) Provide further details on the board’s oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy	The Global Teams report directly to the Representative Executive Officers & Co-Presidents on water-related and other environmental strategies, policies, and issues as well as the targets and progress. The Representative Executive Officers & Co-Presidents make reports on such activities to the Board of Directors whenever necessary (usually four times a year), which supervises them. Additionally, the Board of Directors receives reports around four times a year from the Audit Committee and other committees to oversee such activities.

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues	Criteria used to assess competence of board member(s) on water-related issues
Row 1	Yes	They must have extensive experience in long-term value creation for companies with respect to water risks, for example, at consulting firms.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

President

Water-related responsibilities of this position

Assessing water-related risks and opportunities

Setting water-related corporate targets

Monitoring progress against water-related corporate targets

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

· Our corporate governance policy states that we recognize the issues surrounding sustainability, including water risks, as important management issues, and that we will examine the issues to be addressed for the growth of a sustainable society from a global perspective, and based on the results of such examination, we will promote measures in the areas of the environment, society, and governance. Goals related to the environment, society, and governance drafted by the Representative Executive Officers & Co-Presidents will be proposed to and approved by the Board of Directors, and set as the goals of the Group. · In regard to sustainability, a priority issue that we must respond to as a business, five Global Teams have been formed based on the items of materiality, including water risks, directly under the Directors, Representative Executive Officers & Co-Presidents, and five business leaders are leading the initiatives on a global basis. In terms of sustainability governance, each leader reports directly to the Co-Presidents, who in turn report their progress and suggestions to the Board of Directors whenever necessary (usually four times a year), thus allowing the Board of Directors to oversee sustainability activities. Additionally, the Board of Directors receives reports around four times a year from the Audit Committee and other committees to oversee such activities.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Contribution of incentives to the achievement of your organization's water commitments	Please explain
Monetary reward	Corporate executive team	Company performance against a sustainability index with water-related factors (e.g., DJSI, CDP Water Security score, etc.)	The overall evaluation of the performance of the Representative Executive Officers & Co-Presidents from both financial and non-financial (sustainability, including water-related) perspectives will keep them motivated to achieve MSV. This boosts the performance of the executive team as a whole. Efforts to maintain and improve indicators, such as the CDP water security score, have the effect of making us aware of matters requested by external parties, which in turn leads to improvements in our corporate activities, etc. As a result, our corporate performance can be maintained and improved, which in turn will lead to the Group management status achieving MSV by maximizing EPS and PER,	Regarding the compensation of the Representative Executive Officers & Co-Presidents, after the performance of the previous year is comprehensively evaluated from financial and non-financial perspectives to determine the total compensation for the current year on a zero basis, the optimal mix of cash and equity compensation is determined each fiscal year. In the overall evaluation, in order to encourage appropriate and decisive risk-taking toward the realization of MSV, we did not use a formula based on the initial plan, but evaluated the Group management status toward the realization of MSV through the maximization of EPS and PER, on the precondition that the Group's sustainability is ensured, as

			<p>which is the mission of the Representative Executive Officers & Co-Presidents, and will ultimately function as an incentive for the management team, including the Co-Presidents. Thus, we have selected corporate performance against the sustainability indicators based on water-related factors, since they are also considered effective as a mechanism to generate a positive impact on future maintenance and improvement.</p>	<p>evidenced by its corporate performance against a climate-related sustainability index, etc.</p> <p>Specifically, after the total amount of compensation is determined based on a cross-sectional evaluation of such items as improvement of the profitability of domestic and overseas businesses, the establishment of a stance in the stock market, Group risk management, the promotion of M&A, corporate culture reform, management structure reform, the reinforcement of governance and internal control systems, including the Board of Directors, taking into consideration the results of benchmarking with other companies, the compensation level and composition in the home countries of the Representative Executive Officers & Co-Presidents, and continuity with existing compensation, the optimal mix of cash and equity compensation is determined to ensure that the compensation level and composition are such that the Co-Presidents remain motivated and incentivized to achieve MSV.</p>
Non-monetary reward	No one is entitled to these incentives			We provide only monetary reward.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

We belong to the Japan Chemical Industry Association (JCIA), which ensures that our policy is aligned with the policy. The JCIA says, "Chemical companies in Japan have made significant reductions in emissions of air and water pollutants to date. In addition to complying with legal limits and agreements with local governments, our member companies have set even stricter voluntary control standards and are continuously working to reduce emissions." This statement is aligned with our policy on water, "We strive to use water efficiently and manage wastewater responsibly," and our "proactive approach to wastewater management."

Our major direct and indirect external activities are reported several times a year by the Global Teams to the Co-Presidents and by the Co-Presidents to the Board of Directors to ensure that they are aligned with Nippon Paint's water policy/strategy. In addition, since we have recently received many inquiries from customers and external organizations about our efficient use of water and our strategy on water and other responses, to ensure consistency in our initiatives, the department in charge of ESG promotion and sustainability checks each time whether the content of external responses is consistent with our water policy/strategy, and consults with our Global Teams on important items to make sure that they are consistent with our water policy/strategy. If any inconsistency is found, this process will be repeated again until consistency is ensured through re-consultation with our related parties and stakeholders involved in the policy.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related	Long-term time	Please explain
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	issues integrated?	horizon (years)	
Long-term business objectives	Yes, water-related issues are integrated	11-15	<p>[Integrated water issues]</p> <p>With regard to the reduction of water intensity for raw materials, while an increase in water intensity for the amount of water (water withdrawals) used as a raw material is considered unavoidable with the shift to water-based paints, reduction of water content per product is under consideration through the development/replacement of products with high heating residual content for paints. We assume that the period until a new product actually spreads in the market and the reduction effect becomes apparent/established is three years for product development, three years for market introduction after the product is launched, and five years for market spread and expansion. Therefore, we believe that this will be a long-term solution to this issue that will last for more than 11 years.</p> <p>[Examples of integration into each aspect of strategic business plans]</p> <p>In the automotive coatings field, we are working on the development and market introduction of solvent-reduced and water-based coatings and other environmentally friendly coatings. We are also shifting to powder paints, water-based paints, and other eco-friendly products by launching products compliant with domestic and overseas regulations (e.g., Regulation on Prevention of Hazards due to Specified Chemical Substances, RoHS Directive, SVHC, etc.).</p> <p>In the decorative paints (for buildings) field, we have launched water-based high-design paints that can produce a glossy appearance on exterior walls in response to the diversification of designs, and in the automotive refinish field, we have launched next-generation water-based coatings with viscosity control technology. Both products have been highly acclaimed in the market. We have also launched water-based paints with workability comparable to that of solvent-based paints.</p>
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	11-15	<p>[Integrated water issues]</p> <ul style="list-style-type: none"> · Expansion of sales opportunities of water-based paints amid growing environmental awareness · Creation of innovations that solve social issues through paints and surface treatment agents (e.g., significantly

			<p>reducing water consumption for treatment when used by users)</p> <ul style="list-style-type: none"> We assume two years for product development, five years for market introduction after the product is launched, and five years for market spread and expansion. Therefore, we believe that this will be a long-term solution to this issue, which will last at least 10 years. <p>[Examples of integration into each aspect of strategic business plans]</p> <p>In the process of deciding on the setting of ESG-related targets, we prioritized items of materiality based on a comprehensive evaluation along two axes: “importance to stakeholders” and “importance to Nippon Paint Group.” As a result, we have identified “Resources and Environment” as one of the items of materiality to be addressed by Nippon Paint Group, and are promoting the effective use of water and prevention of environmental pollution. At the same time, we will continue to develop technologies and products that meet the market needs for water-based paints through research and development under the theme of “Innovation for a Sustainable Future,” while simultaneously developing high value-added products (e.g., highly durable resins that can express various unconventional properties that contribute to saving labor and manpower by extending the service life of industrial products).</p>
Financial planning	Yes, water-related issues are integrated	11-15	<p>[Integrated water issues]</p> <p>To reduce the use of water blended as a raw material in paints, as well as cooling water and cleaning water used in manufacturing, we will work on upgrading existing equipment to water-saving equipment for efficient use of water resources.</p> <p>[Examples of integration into each aspect of strategic business plans]</p> <ul style="list-style-type: none"> We assume that it will take two years for capital investment planning, two years for equipment selection and purchase procedures, two years for equipment upgrading work, and five years to stabilize operation and confirm water-saving effects after the upgrading. <p>Therefore, we believe that this will be a long-term solution to this issue, which will last at least 10 years. We are considering investments necessary to address long-term</p>

			water-related issues in the future, by incorporating them into the company-wide capital and R&D investment plans.
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W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

-77

Anticipated forward trend for CAPEX (+/- % change)

139

Water-related OPEX (+/- % change)

-8

Anticipated forward trend for OPEX (+/- % change)

5

Please explain

In FY2022, CAPEX decreased due to the completion of the ongoing drainage system maintenance and plant drainage piping work. In FY2023, it is expected to increase due to the replacement of water piping and pure water production equipment.

Although in this fiscal year OPEX decreased from the previous fiscal year, it is expected to increase in the next fiscal year and beyond due to an increase in water consumption and related overhead expenses in line with the expected increase in sales revenue in the new Medium-Term Plan.

W7.3

(W7.3) Does your organization use scenario analysis to inform its business strategy?

	Use of scenario analysis	Comment
Row 1	Yes	We include physical risks, such as flood damage, in our TCFD scenario analysis.

W7.3a

(W7.3a) Provide details of the scenario analysis, what water-related outcomes were identified, and how they have influenced your organization's business strategy.

	Type of scenario analysis used	Parameters, assumptions, analytical choices	Description of possible water-related outcomes	Influence on business strategy
Row 1	Water-related Climate-related	<ul style="list-style-type: none"> We conduct scenario analysis based on the 2°C scenario (RCP2.6) and the 4°C scenario (RCP8.5) in accordance with the IPCC Representative Concentration Pathways (RCPs). As for the timeline, while aiming for net zero GHG emissions by 2050, we target the period until around 2030, when we have set specific reduction goals. 	<p>If an increase in the severity and frequency of extreme weather-related events were to occur, damage to our facilities and suppliers' facilities leading to suspension of production poses the risk of reduced revenue. Especially for plants located near rivers and coasts, there is a risk of flooding, high tides, and tsunamis. In Japan, cases of water levels crossing dangerous flood thresholds have occurred frequently in recent years, with the Ministry of Land, Infrastructure, Transport and Tourism reporting approximately 470 cases in 2018, a more-than-five-fold increase over the past four years. For this reason, for both ourselves and suppliers with plants located near coasts and rivers, the possibility of being affected by flooding, inundation, and high tides is likely to increase in the future. If we were to sustain damage, the resulting impact (loss) would be substantial, which is why this risk is acknowledged throughout the company, and it is essential that we consider impact assessment and response measures.</p> <p>For example, resins account for 50% and pigments</p>	<p>We continuously asked our customers when necessary to increase their inventory levels prior to FY2021, and continued to do so in FY2022. Specifically, we have asked our distributors and customers to increase their inventories to prepare for flooding. This minimizes the impact on customers in the unlikely event of a flood that affects our plants or those of our suppliers, resulting in the suspension of shipments. Switching to other suppliers to procure raw materials is expected to result in raw material shortages, price hikes, and additional costs for finding new suppliers. If we assume that the expected price hikes and increased procurement costs are equivalent to 10% of the current procurement amount of raw materials for such paint, the amount would be 1,170 million yen, which is equivalent to 2.2% of our consolidated operating profit of 5,296 million yen in Japan in 2022, thus having a significant impact.</p>

			<p>account for 20% of the raw materials for our product, paint. Our Tochigi Plant manufactures products using resins and pigments, which it also purchases from a supplier located along the Arakawa River. According to expert analysis, in the worst case scenario, Typhoon No. 19 in 2019 could have caused the Arakawa River to burst its banks. The frequency and severity of record-breaking rainstorms increase every year, and if suppliers' plants were to be flooded or submerged due to the bursting of riverbanks, we would not be able to receive raw materials, which could affect our manufacturing and/or shut down our operations, having an impact on our customers, which could affect our revenues due to business losses.</p> <p>We continuously asked our customers when necessary to increase their inventory levels prior to FY2021, and continued to do so in FY2022. Specifically, we have asked our distributors and customers to increase their inventories to prepare for flooding. This minimizes the impact on customers in the unlikely event of a flood that affects our plants or those of our suppliers, resulting in the suspension of shipments. Switching to other suppliers to procure raw materials is expected to result</p>	
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			in raw material shortages, price hikes, and additional costs for finding new suppliers. If we assume that the expected price hikes and increased procurement costs are equivalent to 10% of the current procurement amount of raw materials for such paint, the amount would be 1,170 million yen, which is equivalent to 2.2% of our consolidated operating profit of 5,296 million yen in Japan Group in 2022, thus having a significant impact.	
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W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

We did not feel the need to use an internal price on water due to insufficient risk awareness of water stress, excluding wastewater.

We are currently identifying risks and opportunities related to water, and based on the discussions thus far, we do not feel the need to use an internal price on water within two years at this time and have no plans to do so.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Definition used to classify low water impact	Please explain
Row 1	Yes	Standard and threshold: When our products are used in customers' production plants: using a	For example, if a conventional product requires six processes, our product can reduce the number of

		<p>conventional product as the standard (baseline), reduction in water consumption from process shortening by replacing the conventional product with a new product</p> <p>Eco-friendly next-generation chemical conversion agents for the automotive sector</p> <p>Cold-rolled steel sheets, galvanized steel sheets, and aluminum sheets are used for automobile bodies. Before the electrodeposition coating process, the cleaning process to remove adhered oil and metal powder, and the chemical conversion process to provide coating film adhesion and corrosion resistance are performed.</p> <p>The eco-friendly chemical conversion treatment process uses an environmentally friendly chemical conversion treatment agent whose performance is equivalent to that of zinc phosphate (a generally used substance) and which is free from substances that adversely affect the environment, including nickel, manganese, and other heavy metals, and phosphorus compounds. Compared to zinc phosphate, this chemical conversion agent does not require a surface preparation process, produces very little by-product (sludge) during the chemical reaction, and significantly reduces water consumption during treatment. These features can contribute to process shortening, water consumption reduction, and industrial waste reduction.</p>	<p>processes to five. While this may vary depending on the customer production plant, assuming that each process uses the same amount of water, since our product can eliminate one process, water consumption can be reduced by 10 to 20%.</p>
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W8. Targets

W8.1

(W8.1) Do you have any water-related targets?

Yes

W8.1a

(W8.1a) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.

	Target set in this category	Please explain
Water pollution	Yes	
Water withdrawals	No, but we plan to within the next two years	Reduction in water withdrawals
Water, Sanitation, and Hygiene (WASH) services	No, but we plan to within the next two years	Improvement of water, wastewater, and sanitation (WASH) services
Other	No, and we do not plan to within the next two years	

W8.1b

(W8.1b) Provide details of your water-related targets and the progress made.

Target reference number

Target 1

Category of target

Water pollution

Target coverage

Company-wide (direct operations only)

Quantitative metric

Other, please specify

Zero soil and groundwater contamination incidents

Year target was set

2018

Base year

2017

Base year figure

0

Target year

2022

Target year figure

1

Reporting year figure

1

% of target achieved relative to base year

100

Target status in reporting year

Achieved

Please explain

Our products, paints, and raw materials are often in liquid form, and many of them are hazardous, poisonous, or controlled substances under the law. In the event of a leakage of liquid hazardous materials, there is a possibility that they will diffuse directly into the soil and groundwater, which would have a significant impact on the environment. For this reason, we have set a target of zero pollution incidents. As a standard for achieving the target, the starting point of each year is set as 0, and when it is achieved, it is set as 1.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

No, but we are actively considering verifying within the next two years

W10. Plastics

W10.1

(W10.1) Have you mapped where in your value chain plastics are used and/or produced?

	Plastics mapping	Value chain stage	Please explain
Row 1	Yes	Direct operations Supply chain	Polymers are purchased from SC and converted into paints by us, are used (applied) by our customers, and become coating films on final products, which are used by end-users.

		Product use phase	
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W10.2

(W10.2) Across your value chain, have you assessed the potential environmental and human health impacts of your use and/or production of plastics?

	Impact assessment	Value chain stage	Please explain
Row 1	Yes	Direct operations Supply chain Product use phase	<ul style="list-style-type: none"> For direct operations, the impact on ecosystems is assessed in the process of complying with the Act on the Regulation of Manufacture and Evaluation of Chemical Substances, etc. For suppliers (raw materials), the impact is evaluated through the Safety Data Sheet (SDS). For customers (using our products), the impact is disclosed in the SDS that we issue.

W10.3

(W10.3) Across your value chain, are you exposed to plastics-related risks with the potential to have a substantive financial or strategic impact on your business? If so, provide details.

	Risk exposure	Please explain
Row 1	Not assessed – but we plan to do so within the next two years	

W10.4

(W10.4) Do you have plastics-related targets, and if so what type?

	Targets in place	Target type	Target metric	Please explain
Row 1	Yes	Plastic polymers Waste management	Other, please specify Use of biomass polymers	We are considering the use of biomass polymers in the development of products.

W10.5

(W10.5) Indicate whether your organization engages in the following activities.

	Activity applies	Comment
Production of plastic polymers	Yes	Resin synthesis and paint manufacturing are applicable.
Production of durable plastic components	No	

Production / commercialization of durable plastic goods (including mixed materials)	No	
Production / commercialization of plastic packaging	No	
Production of goods packaged in plastics	No	
Provision / commercialization of services or goods that use plastic packaging (e.g., retail and food services)	Yes	We fill water-based paints in plastic bottles and sell them. We collect and reuse them.

W10.6

(W10.6) Provide the total weight of plastic polymers sold and indicate the raw material content.

Row 1

Total weight of plastic polymers sold during the reporting year (Metric tonnes)

Raw material content percentages available to report

None

Please explain

We may list paints as plastic polymers. We may be able to report sales volume in June.

W10.8

(W10.8) Provide the total weight of plastic packaging sold and/or used, and indicate the raw material content.

	Total weight of plastic packaging sold / used during the reporting year (Metric tonnes)	Raw material content percentages available to report	Please explain
Plastic packaging used			We may extract the value from ENCORE data. Whether or not it is the value for virgin plastic is unknown. We may not be able to report this year.

W10.8a

(W10.8a) Indicate the circularity potential of the plastic packaging you sold and/or used.

	Percentages available to report for circularity potential	Please explain
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Plastic packaging used		We may not be able to report this year.
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W11. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W11.1

(W11.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	General Manager, Sustainability	Environment/Sustainability manager

Submit your response

In which language are you submitting your response?

Japanese

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.

Yes, CDP may share our Main User contact details with the Pacific Institute

Please confirm below

I have read and accept the applicable Terms

