

Integrated Report 2023 Briefing Summary January 19, 2024

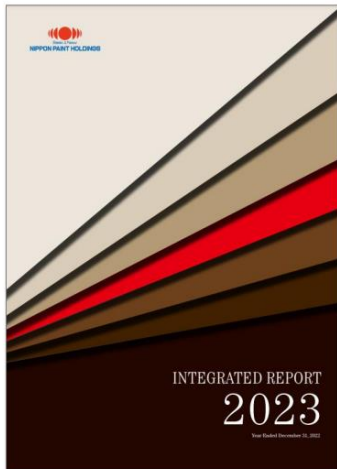


Thank you for taking the time out of your busy schedule for participating in today's briefing on the Integrated Report.

In this session, I'll be discussing the major components of the Integrated Report 2023, which was released at the end of September 2023.

As we have begun preparing the 2024 edition of the Report, your candid feedback would be immensely valuable to us.

The Aim of Today's Briefing



1. Deepen understanding of strategies focused on Maximization of Shareholder Value (MSV) through detailed explanations of the key elements in the Integrated Report 2023
2. Encourage active participation in understanding our unique business model, competitive advantage, and our approach to management, sustainability initiatives, and the dynamics of the business environment. The goal of these initiatives is to strengthen our management techniques and improve our future Investor Relations (IR) activities.
3. By conducting the aforementioned activities, we aim to maximize the Price-to-earnings ratio (PER) and gather insights for the development of the 2024 edition of the Report.

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I'd like to start by outlining the purpose of this briefing.

Our objectives are threefold:

- (1) Given the extensive length of the Integrated Report 2023, totaling 134 pages, we understand that fully reading the Report can be time-consuming. This briefing will highlight the core aspects of the Report to enhance investors' comprehension of our strategies centered on Maximization of Shareholder Value (MSV) in a more efficient manner.
- (2) Engage with investors regarding our business model, competitive advantage, management strategies, and sustainability initiatives, among other aspects. The insights gained from this engagement will be instrumental in enhancing our future corporate management and Investor Relations (IR) activities.
- (3) These efforts will contribute to the maximization of PER and provide valuable insights for the creation of the 2024 edition of the Report.

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→ pp. 8,10

Production Process and Editorial Policy of Integrated Report 2023

Integrated Report 2023 production process

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graph TD
    Do1[Do: Publication of the Integrated Report 2022  
(August 31, 2022)] --> Check[Check: Conducted interviews of 40 institutional  
investors from 19 firms to obtain their feedback  
and evaluations (October 2022)]
    Check --> Plan[Plan: Reported the feedback and evaluations of  
institutional investors internally and to  
management and developed a draft plan for  
the Integrated Report 2023  
(October 2022 – March 2023).]
    Plan --> Act[Act: Conducted interviews of 37 institutional  
investors from 22 firms based on Medium-  
Term Plan (FY2021-2023) Update Meeting  
held in April 2023 and the draft plan for the  
Integrated Report 2023 (April 2023).]
    Act --> Create[Create: Created the Integrated Report 2023 mainly by  
the staff of Investor Relations Department,  
Sustainability Department, and Corporate  
Governance Department based on interviews  
and information collection with the  
management and Group partner companies  
around the world (April-September 2023).]
    Create --> Do2[Do: Publication of the Integrated Report 2023  
(September 30, 2023)]
    Do2 --> Do1
          
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Editorial Policy

1. Convey our logical and rational strive to maximize shareholder value via inorganically skillful assembling of assets, and organically value enhancing management of assets

2. (i) Enhance recognition of our excellence in management talent and platform, leveraging our Asset Assembler model
 (ii) Change the capital markets' view of our company from being a "China-related stock"

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The editorial policy for the 2023 edition was primarily guided by two goals:

1. Communicate our methodical and reasoned pursuit of MSV through inorganically skillful assembling of assets and value enhancing management of assets.

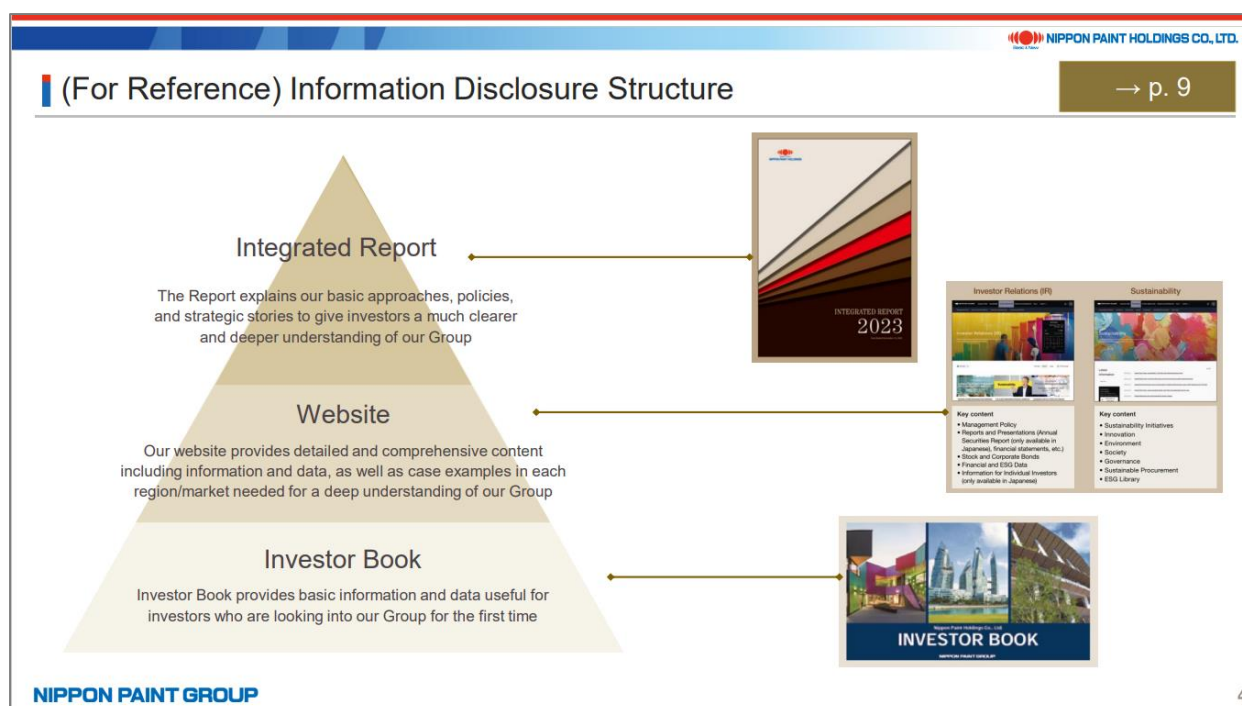
2. (i) Enhance recognition of our unique Asset Assembler model being a model backed by excellence in management talent and platform, not just by the advantage in funding and (ii) Shift the capital markets' perception of our company from a "China-related stock".

The diagram on the left side of this page illustrates the production process of the Report.

I want to extend my thanks to the investors for their time and the invaluable feedback they provide us in our annual meetings.

Our management team's engagement in producing the Report is intensifying, and the Report's completion is made possible through the cooperation and assistance of our Co-Presidents Wakatsuki and Wee, and it's further enhanced by the contributions of our Lead Independent Director Nakamura and Chairman Goh.

The quality of the Report has consistently improved over the years, largely thanks to your valuable feedback. But we recognize that there are still many areas where we can enhance it further.



The diagram on this page demonstrates how the Integrated Report fits into our overall structure of information disclosure.

As we broaden the scope of information in the Report, naturally, its volume grows. Some investors have commented that while they value the enhanced information, it does require a significant amount of time to read through it all. Our approach with the Integrated Report is to focus on outlining our fundamental strategies, policies, and key strategic initiatives with the aim of providing investors a clearer and deeper insight into our Group.

Our Report may have fewer on-the-ground case studies and employee features compared to other companies' integrated reports. We have the Investor Book as a complementary tool to the Report.

Our corporate website serves as the comprehensive platform that offers detailed and extensive content, including essential information and data, along with case examples from various regions and markets.

Our Investor Book is designed to offer basic information and data useful for investors who are researching our Group for the first time.

In FY2024, we'll enrich our website with more detailed and elaborate case studies and content that showcase the dedication and passion of our staff, extending beyond what is presented in the Integrated Report.

Structure of Integrated Report 2023

[→ p. 5](#)

The entire Report is designed to explain the “MSV Logic Tree” that shows how shareholder value is maximized

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Let's now examine the structure of the Integrated Report 2023.

On page 5, you'll find the MSV Logic Tree that visually represents how we maximize shareholder value. A notable change in this year's edition is our use of the MSV Logic Tree as a guiding framework throughout the Report to logically outline our roadmap to achieving MSV.

Every effort we make, whether it's in sustainability initiatives, managing our existing businesses, engaging in M&A activities, overseeing balance sheet management, or interacting with the capital markets, is geared towards achieving MSV through the maximization of EPS and PER. The formula we've laid out is a straightforward representation of our approach to MSV. It clearly outlines the objectives of each of our activities and directs you to the specific pages in the Report where you can find more detailed information.

(For Reference) Evolution of Our Integrated Report

Phase Year	Initial phase ~2019	Development phase: Laying the groundwork as a paint company 2020~2021	Expansion phase: Highlighting our unique Asset Assembler (AA) model 2022~2023
Design concept	Not defined	Enhancing our image as a global paint company with vibrant graphics and emphasizing our competitive edge in the paint and coatings industry	Position ourselves as a global enterprise transcending traditional business boundaries with intellectual, sophisticated, refined, and potential for growth as key words
Key points of enhancement	<ul style="list-style-type: none"> Added a financial section and Medium-Term Plan (MTP) pages to our CSR report A value creation model introduced Our Japan-focused Materiality and CSR objectives 	<ul style="list-style-type: none"> Inclusion of articles highlighting the societal functions of paint and our commitment to addressing social issues Our global Materiality Coverage of investor-interest topics (China business, corporate governance) 	<ul style="list-style-type: none"> MSV Logic Tree and Formula Clear explanation of our business model and competitive advantage The connection between MSV and sustainability Inclusion of investor-requested articles(feature articles on China business, M&A success case, roadmap for improving Japan Group profitability, human capital, etc.)
Key additions to content	<ul style="list-style-type: none"> Our value creation model ESG management pages 	<ul style="list-style-type: none"> Global business review section (SWOT analysis, management messages, strategies of partner companies) Partnership with the major shareholder Governance Discussions, Discussions by the Board of Directors, Committee Report (Nominating, Compensation, and Audit Committees) 	<ul style="list-style-type: none"> MSV Logic Tree Competitive advantage of our business model, medium- to long-term management strategy, asset management report Feature articles on M&A and roadmap for Japan Group profitability improvement
Page count	36~52	100~130	132~136
External evaluation	-	<ul style="list-style-type: none"> Selected for "Excellent Integrated Report" and "Most-improved Integrated Report" by GPIF's Japanese equities asset managers 	<ul style="list-style-type: none"> Selected for "Excellent Integrated Report" and "Most-improved Integrated Report" by GPIF's Japanese equities asset managers Selected for Best Practice Award in Integrated Report Award organized by Nikko Research Center Shortlisted for Best Practice Awards (Large Cap) organized by UK IR Society

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This page summarizes the evolutionary stages of our Integrated Report.

Ever since our current management structure started in FY2020, we have recognized the Integrated Report as a vital means of communication with our investors. We've continuously enhanced and evolved the Report each year, incorporating the feedback and suggestions from our investor community.

With the redefinition of our company as an Asset Assembler that goes beyond the traditional paint company, our primary objective from the 2022 edition onwards has been to effectively communicate our strategies and methods for achieving MSV, as well as our distinctive competitive advantage.

Structure of Messages from Co-Presidents

→ p. 11



Messages from each Co-President, reflecting their unique roles and responsibilities within Co-President setup, aimed at achieving MSV

Maximization of EPS × Maximization of PER

Wee Siew Kim

Director, Representative Executive Officer
& Co-President

Striving for continuous EPS growth
by fostering a culture of
embracing new challenges

Yuichiro Wakatsuki

Director, Representative Executive Officer
& Co-President

Instilling capital markets with
conviction towards our
continuous EPS accretion

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Let's now focus on the key elements of the Report.

Starting on page 11, you'll find messages from each of our Co-Presidents. Nippon Paint Group, under our unique Co-President structure, is collectively striving towards MSV, spearheaded by the leadership of our two Co-Presidents, with Co-President Wee concentrating on the maximization of EPS and Co-President Wakatsuki focusing on the maximization of PER.

Both Co-Presidents Wee and Wakatsuki have crafted their messages to reflect their individual passions and perspectives, based on their key roles and responsibilities.

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Message from Co-President Wakatsuki

→ p. 13

Key messages

Instilling capital markets with conviction towards our continuous EPS accretion

1. We derive our strength from our unwavering commitment to integrity in our pursuit of MSV
2. Significant achievements enabled by agile management decisions
3. MTP is only a milestone; aspirational management is anchored in our Group
4. Compelling advantage of our Asset Assembler model that gives us limitless growth potential
5. Sustainability as the fundamental premise for MSV
6. Transforming the demands of customers, suppliers, and society into viable business opportunities

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In his message on page 13, Co-President Wakatsuki outlines our approach to firmly establishing in the capital markets our commitment to continuous EPS growth as a means to maximize PER.

He does this by defining six key approaches, including:

(1) “As a federation of excellent assets, we derive our strength from our unwavering commitment to Integrity in our pursuit of MSV.”

Here, he discusses how our strengths are rooted in the rapid decision-making facilitated by our effective Co-President structure and the open, dynamic discussions among Board members, built on a foundation of trust.

In the sections titled (5) “Emphasizing our unwavering commitment to sustainability as the fundamental premise for MSV,” and (6) “Transforming the demands of customers, suppliers, and society into viable business opportunities,” he addresses the misconception among some investors that MSV equates to shareholder primacy, emphasizing that fulfilling our obligations to stakeholders is a major premise for achieving MSV. This commitment is what drives our sustainable growth and opens up new business opportunities.

Co-President Wakatsuki's message is fashioned to reflect his deep-seated beliefs and philosophy.



Our Finance and M&A Strategies to Achieve MSV

[→ p. 55](#)



ROIC of individual companies¹⁾

	Year 1 ²⁾	Year 2	Year 3	Year 4
DuluxGroup (Pacific)	1.2%	3.2%	3.9%	5.3%
Betek Boya	3.5%	9.4%	11.8%	8.1%
PT Nipsea	3.7%	5.3%	-	-

¹⁾ ROIC (IFRS): after-tax operating profit (after PPA amortization on intangible assets) / acquisition cost (including transfer consideration and subsequent capital increase, etc.)
After conversion into the Japanese yen using actual exchange rates
²⁾ ROIC for DuluxGroup (Pacific) is calculated based on four months' results and for Betek Boya six months' results

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Finance Strategy

1. Conscious of our cost of capital
2. Finance strategy that drives our Asset Assembler model
3. Effective balance sheet management
4. Capital allocation approach

M&A Strategy

1. M&A basic policy
2. M&A selection process
3. A platform that drives growth of both existing businesses and acquired companies

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On page 55, Co-President Wakatsuki dives into our finance and M&A strategies to achieve MSV aligned with the MSV Logic Tree.

When discussing our finance strategy, he introduces the individual ROIC for our major assets companies, demonstrating our keen awareness of the cost of capital. As we've seen a growing interest on the prioritization of EPS maximization and ROIC among investors over the past year, he provides a more in-depth explanation than in previous editions.

In the M&A strategy, Co-President Wakatsuki delves into essential components, including the criteria we use to identify potential M&A target companies, our financial discipline, and the M&A selection process. These aspects are all rooted in our Asset Assembler model, which serves as the mainstay framework for our M&A endeavors.

Co-President Wakatsuki underscores how our unique Asset Assembler model for driving growth for both our existing businesses and acquired companies have played a pivotal role in ensuring that all our M&A transactions since FY2019 have exceeded expectations in terms of outcomes, as well as reasons why this platform can effectively reduce the costs and risks associated with post-merger integration in M&A deals.

Message from Co-President Wee

→ p. 17



Key messages

Striving for continuous EPS growth by fostering a culture of embracing new challenges

1. Solid growth despite headwinds
2. Striving for dominance in paint & coatings segment by competing and winning
3. Accelerating growth in China through innovation & diversification
4. New growth in adjacencies by capitalizing on our strengths
5. Fostering a culture of embracing new challenges and strong HR framework

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On page 17, Co-President Wee outlines five key actions and a mindset aimed at ensuring a consistent growth in EPS by nurturing a culture that embraces new challenges.

He provides insights into the factors that contributed to our EPS growth during the Medium-Term Plan (MTP) that concluded in FY2023, as well as our outlook for the future, supported by an analysis of our existing businesses with the China business as an example. Additionally, he provides updates on the adjacencies area, our new market segment.

To emphasize the significance of our human capital, Co-President Wee elaborates on the creation of human resource and organizational structures that actively embrace new challenges. His insights stem from his extensive experience in leading the growth of Nippon Paint Group, serving as the CEO of NIPSEA Group since 2009.

Co-President Wee has crafted his message to communicate our ongoing commitment to cultivating a culture of embracing new challenges among our highly skilled and dedicated colleagues.

Progress of Structural Reforms in Japan Group and Roadmap for Improving Profitability

→ p. 91



Operating performance of the Japan segment



*1 J-GAAP-based figures for 2017 (IFRS-based figures starting with 2018)
 *2 Japan Group included marine business in Japan only under previous segment but also includes overseas marine business under new segment
 *3 Excluding special retirement payment of c. JPY2.2 bn
 *4 Including the current NPIS

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1. Progress and achievements of structural reforms
Forging ahead with cost structure reforms in order to regain the operating profit margin achieved during the fiscal year 2017-2018
2. Progress of reforms in the marine coatings and automotive coatings businesses
Aiming for growth as a global company through both short-term and long-term actions
3. Our path for reforming our culture and the mindset of our employees
Providing the value to customers by embracing the J-LFG culture
4. Developing leaders who can contribute to continuous EPS growth
Acting with courage by going beyond conventional ways of thinking in Japan

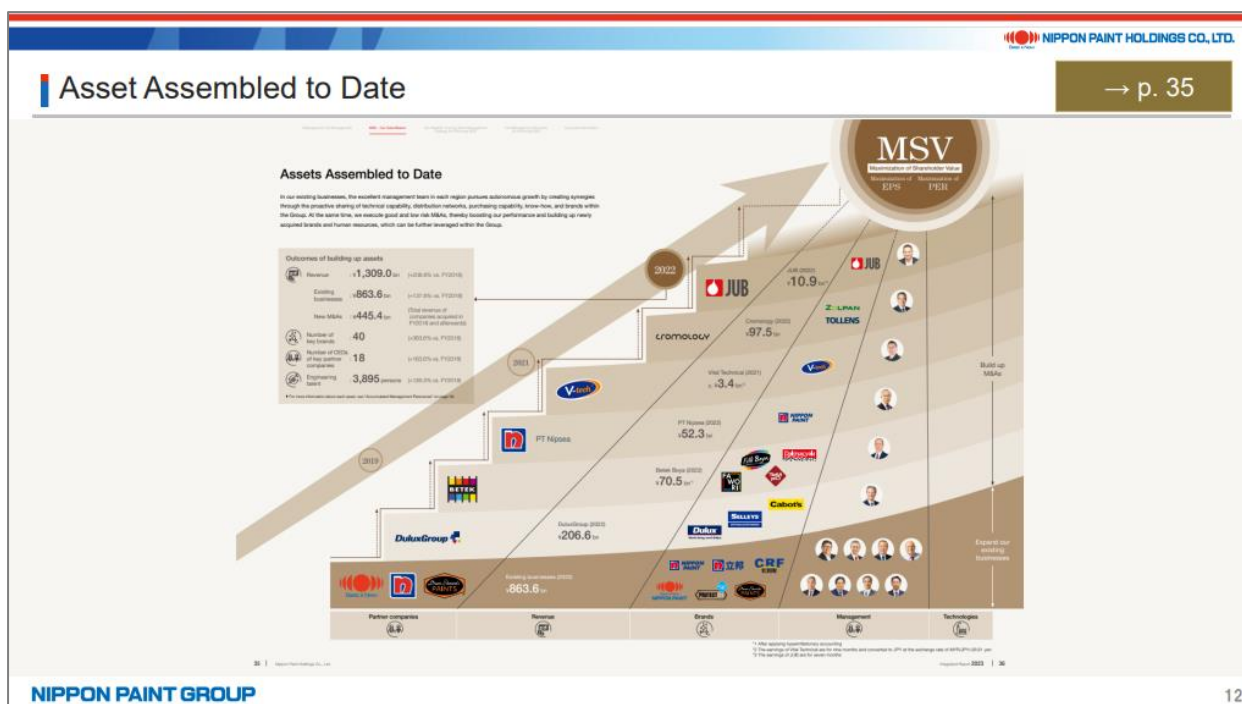
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On page 91, Co-President Wee offers a detailed explanation on the progress of structural reforms in Japan Group and roadmap for improving profitability.

As improving profitability of Japan Group stands as a primary concern for investors, Co-President Wee outlines the specific actions currently underway. These include, (1) Ongoing actions to restore our operating profit margin to the levels witnessed in the fiscal years 2017-2018, which exceeded 15%, as well our progress and cost structure reforms including task force activities, (2) Progress of reforms in the marine and automotive coatings businesses that had been underperforming as of FY2021, (3) Changes of corporate culture and employee mindset inspired by NIPSEA Group's "Lean for Growth (LFG)" culture, and (4) Encourage acting with courage by moving beyond traditional methods and thinking patterns in Japan towards cultivating leaders capable of contributing to continuous EPS growth.

These actions have been highly effective as evident in the significant improvement in the operating profit margin for Japan Group, to approximately 10%, in the second and third quarters of the fiscal year 2023.

The process of reassessing and reforming tasks and organizations, coupled with the evolution of employee mindsets, is ongoing and evolving. We invite you to read the updates in our 2024 edition of the Report.



Page 35 outlines the assets we have accumulated so far, guided by our Asset Assembler model to pursue MSV.

Nippon Paint Group is propelling growth by building up strong brands and exceptional talent through existing businesses and strategic M&A activities.

In the fiscal year 2022, we welcomed Cromology and JUB into our Group. In this manner, we are continuing and accelerating efforts in assembling assets.

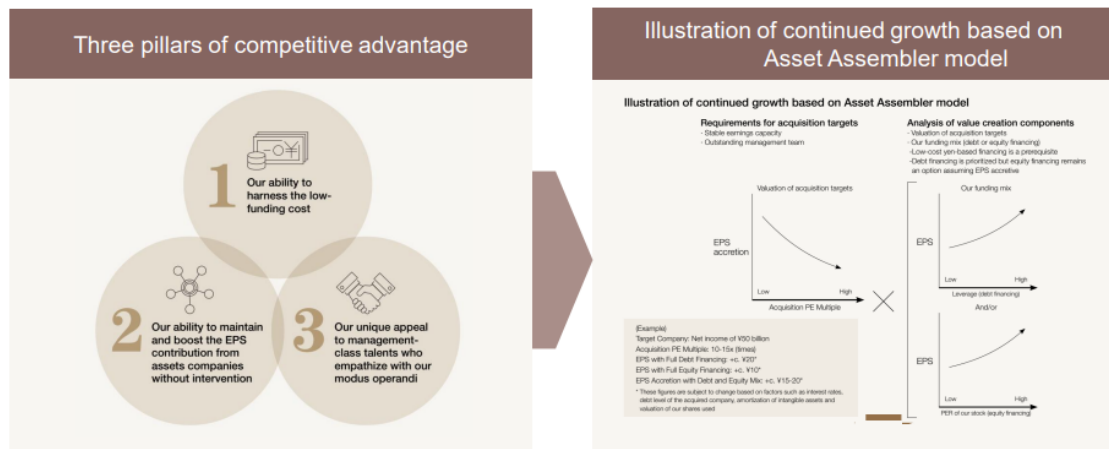
Using revenue as a key example of our financial assets and comparing our current revenue to that of the base year, fiscal year 2018, revenue from our existing businesses in fiscal year 2023 saw an impressive increase of 138% and an addition of 445.4 billion yen through new consolidation.

Our non-financial assets have been growing consistently in tandem with our M&A activities, such as the number of major brands within our portfolio, the talented CEOs who spearhead our operations in various countries and regions, and the skilled engineering professionals dedicated to our research and development activities.

We aim to enhance EPS and improve PER by accumulating these outstanding assets in our journey towards achieving MSV.

The Basis of Our Asset Assembler Model

→ p. 37



Describe our strategy that enables Year 1 EPS accretion, even for large-scale acquisitions, and explain the uniqueness of our model underpinned by autonomous and decentralized management and exceptional management team

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On page 37, we spotlight the competitive advantage provided by our Asset Assembler model.

We've shifted our approach to emphasize our strengths in M&A compared to the competitive advantage outlined in the 2022 edition. A key highlight in this year's presentation is our in-depth discussion on the first pillar of our competitive advantage, which is "Our ability to harness the low-funding cost."

While we have received feedback that requested inclusion of our former strengths, the updated competitive advantage's second and third pillars align with our former strengths, focusing on autonomous and decentralized management as well as exceptional management talent.

Our management talent and platform cannot be replicated by other companies and form the very backbone of our Asset Assembler model.



Feature Article(1): M&A Success Case

→ p. 61



2022

Accelerated growth after joining Nippon Paint Group

Revenue: JPY 314.9 bn
Growth since the acquisition (FY2019) : **+133.4%**

Operating profit: JPY 29.7 bn
Growth since the acquisition (FY2019) : **+87.0%**

Market share (Australian paints): 50%
Growth since the acquisition (FY2019) : **+2pp**



Patrick Houlihan
DuluxGroup
Chairman and
Chief Executive Officer

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What are the factors that enabled DuluxGroup to accelerate growth after joining Nippon Paint Group?

1. **Already an excellent company before the acquisition**
DuluxGroup has a long history of strong performance and resilient profit growth
2. **Appeal of the Nippon Paint Group platform**
DuluxGroup and Nippon Paint Group are a powerful combination
3. **Accelerating growth by leveraging the Group platform**
DuluxGroup has step changed its growth as part of the Group, with M&A as a key enabler
4. **Establishing new strategic growth pillars as part of the Group**
DuluxGroup will continue to seek profitable growth moving forward with the aim to maximize shareholder value

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Starting on page 61, we discuss the feature articles in the 2023 edition.

The first feature article is a deep dive into one of our most successful M&A transactions: "What are the factors that enabled DuluxGroup to accelerate growth after joining Nippon Paint Group?" This feature article showcases the key elements of the M&A strategy as outlined by Co-President Wakatsuki.

Since becoming a part of Nippon Paint Group in 2019, DuluxGroup has experienced accelerated growth enabled by the four key factors:

- (1) DuluxGroup has a long history of strong performance and resilient profit growth
- (2) The appeal of Nippon Paint Group's platform as evaluated by DuluxGroup's management team in pursuit of further growth
- (3) Leveraging this platform has allowed DuluxGroup to pivot to further growth with mainly through bolt-on acquisitions
- (4) Finally, DuluxGroup has established the pillars of additional strategic growth based on Nippon Paint Group's policy of respecting autonomy in pursuit of MSV

When DuluxGroup was acquired by NPHD in 2019, some players in the capital markets raised concerns about the high acquisition multiples. However, we firmly believe that this acquisition holds significant value for several reasons:

- (1) DuluxGroup has consistently contributed to the accumulation of EPS every year, even in mature markets.
- (2) The acquisition has acted as a catalyst, accelerating our M&A activities in Europe.
- (3) The brands and expertise owned by DuluxGroup have been instrumental in driving business growth in other regions.

Commentary about Our China Business

→ pp. 54, 85

Feature Article (2): High Growth Potential of the China Business



Provide a comprehensive explanation of China's uncertain market outlook and the competitive advantage of our businesses

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The Impact of China's Macroeconomic Data on the Earnings of Nippon Paint Group



The percentage of the China business (TUC/TUB) in the Group's business portfolio

The impact of macroeconomic data on the China business (TUC/TUB)

NIPSEA China's management team explains our thoughts and interpretation given that our stock tends to fluctuate more on news flow rather than based on our earnings results

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On page 85, we introduce the second feature article, titled “High Growth Potential of the China Business.” This article directly addresses the keen interest of investors in our operations in China, especially in light of the uncertainties surrounding the Chinese economy.

In this feature, we delve into an in-depth analysis of the market climate, with a focus on the real estate sector, elaborate on how our Group has been responding to these market conditions, and outline our strategies aimed at driving further growth.

While the current macroeconomic situation in China may lead many to adopt a cautious or even pessimistic view of our business there, our Integrated Report is designed to offer a more long-term perspective. To this end, under the title “Rapid Expansion of Repainting Market Driven by Arrival of Stock Housing Era,” the Report furnishes detailed explanations about the market data available to us and the measures we are implementing to address recent trends.

On page 54, we feature a column titled “The Impact of China’s Macroeconomic Data on the Earnings of Nippon Paint Group.”

Our stock price often reacts more to news coming out of China than to our actual business performance. Recognizing this, the column explains the percentage of our Chinese businesses, namely TUC and TUB, within our overall business portfolio. Moreover, the executive in charge of NIPSEA China provides a detailed explanation, focusing on the correlation between the macroeconomic data and our performance in China business, grounded in factual data.

This particular column was developed in response to suggestions from our investors, and for this, we are extremely grateful.

Commentary about Sustainability

→ pp. 41, 108

Sustainability as the Prerequisite for MSV

Basic Policy on Sustainability

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

Key points

	ESG Statement (August 2020 - February 2023)	Basic Policy on Sustainability (March 2023-)
Positioning of MSV	The policy states that progress with a sustainability improvement plan will create new business opportunities and help achieve MSV.	The policy states that MSV is the goal of sustainability.
Business model	The sustainability policy was created for the paint and coatings business and articulates actions for accomplishing goals.	Formulated to align with our Asset Assembler model and autonomous and decentralized management.
Procedure for establishment of the Basic Policy on Sustainability	Discussions about a sustainability policy took place mainly at the ESG Committee (at that time) and the results of these discussions were reported to the Board of Directors. (August 2020)	The proposed Basic Policy on Sustainability was discussed by the Directors and approved. (March 2023)

Discussions by the Board of Directors



- ✓ Our approach that sustainability is the prerequisite for MSV has been thoroughly discussed in multiple Board meetings (discussed in “Discussions by the Board of Directors”)
- ✓ The link between sustainability and EPS/PER is illustrated in the MSV Logic Tree
- ✓ Clearly explain that we link sustainability initiatives with business operations for identifying business opportunities and reducing vulnerability to business risk
- ✓ Explain key points of the Basic Policy on Sustainability formulated in March 2023

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Let's now look into the Sustainability section. To us, sustainability is a fundamental requirement for achieving MSV.

Page 16 outlines these key elements. Additionally, the “Discussions by the Board of Directors” on page 108, highlights how our Board has engaged in extensive deliberations, viewing sustainability as a cornerstone of MSV. This is further explained in the MSV Logic Tree on page 5, demonstrating the interplay between sustainability, EPS, and PER.

Beginning on page 65, the sustainability section explains our approach to identifying business opportunities and directly linking them with our business activities, while mitigating business risks through sustainability initiatives. Furthermore, page 41 provides the key aspects of our Basic Policy on Sustainability, formulated in March 2023.

Environmental Strategy

→ p. 65

Climate-related scenario analysis

	Risks	Opportunities
1.5°C	Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets. ^{*1}	Market growth for sustainable products (e.g. low-carbon, improved performance). ^{*2}
	Increased supplier costs from climate adaptation and decarbonization actions.	Development of new products and services to capture climate-related business opportunities.
	Changes in customer and consumer expectations and behavior during the transition to a low-carbon future.	-
4°C	Increased extreme weather events (e.g. floods) and climate impacts (e.g. water stress) impacting operations and supply chain.	Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes).
	Product claims and brand damage due to performance deterioration (e.g. temperature extremes).	Development of new products and services to capture climate-related business opportunities.

^{*1} Based on the net zero scenario (IEA), the carbon price (impact on our Group) is estimated to be JPY4.3 billion in 2030 and JPY7.4 billion in 2040 (assumptions: carbon price of USD130 for Advanced economies and USD90 for Selected emerging market and developing economies in 2030; and USD205 for Advanced economies and USD160 for Selected emerging market and developing economies in 2040. The exchange rate is the actual rate for FY2022 (USD/JPY =132.1)). Our Group plans to avoid this impact through emission reductions and other initiatives.

^{*2} In the automotive coatings business of Japan Group, we expect sales of low-carbon products, including low-temperature baking products, to increase about threefold from 2023 to 2025.

Targets by Partner Company Group

PCG	current targets		2022 progress & 2023 plans
	GHG emissions (Scope 1 and 2) reduction	Energy consumption	
NIPSEA Group	2025: 15% reduction 2050: Net zero	2025: 8% reduction of energy consumption	- Individual sites continued to progress with initiatives to achieve the 2025 targets, including solar installations at 8 factories in China and a further 13 factories planned in 2023. - Scope 3 footprint to be calculated in 2023.
DuluxGroup (Pacific)	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	- Developed action plans to achieve 2030 targets and commenced implementation, which will continue in 2023, including site energy efficiency plans, solar installations, preparation for renewable power purchase, and preparation for fleet electric vehicle transition. - Climate risks and opportunities analysis completed, together with ongoing development of business continuity plans for critical supply chains. - Scope 3 footprint calculated for fourth year, with reduction analysis to be completed and potential reduction target determined in 2023.
DuluxGroup (Europe)	-	-	- Cromology commenced 100% renewable power purchase in all European countries. - JUB commenced large solar installation at Serbia plant, with planned completion in 2023. - Carbon and energy reporting to be implemented and potential targets developed in 2023.
Japan Group	2030: 37% reduction 2050: Net zero	-	- Renewable power purchase commenced, with levels to be increased in coming years. - Scope 3 footprint calculated for third year.
Dunn-Edwards	-	-	- Scope 1 and 2 reporting to be implemented in 2023 and reduction targets to be considered in the future.

Provide enhanced disclosure in accordance with TCFD and report on KPIs and progress at each Partner Company Group (PCG)

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In the Environmental Strategy section starting on page 65, we expanded our disclosure based on the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which we endorsed in September 2023.

Specifically, we conducted climate-related scenario analysis and provided KPIs, progress reports, and recent initiatives of each Partner Company Group (PCG) under the autonomous and decentralized management.

R&D Strategy

→ p. 77

Roadmap

	2022	2023	~2027
Sustainable Products	<ul style="list-style-type: none"> NIPSEA Group: Redefined sustainable products NIPSEA Group, Japan Group: Developed Sustainability Scoreboard DuluxGroup: Established sustainable products targets and developed roadmaps for ANZ* businesses 	<ul style="list-style-type: none"> Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company DuluxGroup: Develop GHG emissions (Scope 3) reduction roadmap 	<ul style="list-style-type: none"> Manage the performance of Sustainability Scoreboard of each partner company every quarter Promote creation of more innovative sustainable products DuluxGroup: Implement sustainable products and GHG emissions (Scope 3) roadmaps
Chemicals of Concern	<ul style="list-style-type: none"> Each Partner Company responded to US Environmental Protection Agency (EPA) and REACH DuluxGroup developed position statements for 50% of high concern CoC Dunn-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern 	<ul style="list-style-type: none"> Consider the phase out plan of Chemicals of Concern in each partner company NIPSEA Group: Focus on 4 hazardous heavy metals† DuluxGroup: Complete position statements for 75% of CoC and develop a structured program of CoC in Europe 	<ul style="list-style-type: none"> Create sustainable products based on phase out plan
R&D	<ul style="list-style-type: none"> Developed Green Design Review 	<ul style="list-style-type: none"> R&D activities for sustainable products from Partner Companies beyond Japan and NIPSEA Group, e.g. DuluxGroup, Dunn-Edwards, etc. 	<ul style="list-style-type: none"> Drive innovation towards UN SDGs and carbon neutrality
Product Stewardship	<ul style="list-style-type: none"> DuluxGroup established packaging recycled content targets and developed roadmaps for ANZ businesses 	<ul style="list-style-type: none"> Identify inquiry items Stakeholder questionnaire NIPSEA Group: Reinforce PSARA‡ team DuluxGroup: Implement Product Vision to help with formulation management & regulatory tracking 	<ul style="list-style-type: none"> Implement inquiry management database Inquiry response training Training for customers and business partners DuluxGroup: Implement packaging roadmaps

*1 Australia and New Zealand
 † Lead: Chromium (Six), Cadmium, and Mercury
 ‡ Product Stewardship & Regulatory Affairs

Sustainable product data

New Product Sales Index (NPSI)

20%

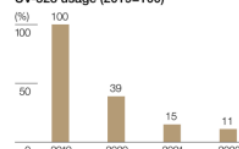
Sustainability product sales ratio of the new product sales

52%

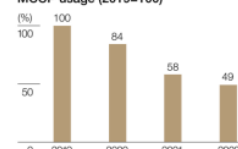
Sustainability product development project ratio in R&D expenses

47%

UV-328 usage (2019=100)



MCCP usage (2019=100)



Provide the roadmap of each PCG to 2025 and explain our lines of sustainable products and management of chemicals of concern using data

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In the research and development (R&D) Strategy section on page 77, we've laid out a clear path and various initiatives that are instrumental in our pursuit of MSV. This includes our roadmap for each PCG leading up to 2025, our sustainable products and the responsible management of chemicals of concern, supporting this with robust data.

We added an explanation about management of chemicals of concern in the Report through discussion with the innovation team, based on suggestions that many investors pay attention, in particular, to the risk of chemicals of concern we face as a chemical sector company, although, being a paint company, the risk is not high.

We are very grateful again for investor suggestions.

Human Resource Strategy

→ p. 71

Roadmap				Human resource strategy of Japan Group			
	2022	2023	~2025	EPS improvement	KPI	Human resources and organizations that embody J-LFG (OUTPUT)	Human capital investment (INPUT)
NIPSEA	Kicked off D&I Week to raise employee awareness Implemented Global CSR Framework	Launching D&I Policy Encourage countries to own the roadmap towards achieving 35% female representation in both management & emerging leader category Weave D&I into Employee Engagement campaigns	- Initiated the NIPSEA Female Mentorship Program - Implementation of roadmap towards the goal of achieving 35% female representation in both management & emerging leader category - Monitor progress towards the goal	Business expansion Profitability improvement	D&I indicators • Ratio of women in managerial positions Engagement indicators • Employee satisfaction level	Active participation of diverse human resources	Aggressive recruitment (new college graduate recruitment, mid-career recruitment)
CultraGroup	Revised draft DEI framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity) Regular reporting to the CEO and the Executive Team on our progress against our diversity ambition	Promote our Employee Value Proposition to all employees, but particularly to women in Supply Chain and Sales Engage each of our Strategic Business Units to develop their own Diversity, Inclusion and Belonging strategy and actions	- Meaningful actions to sustain our momentum toward gender balance, particularly in leadership - Meaningful internal programs to foster inclusion			• Stable supply of young talented human resources • Improve the inequality of human resource distribution among age groups/reduce gaps in age groups Create a culture of encouraging employees to take on a challenge • Supporting proactive actions by employees and increase work fulfillment • Improve employee awareness of management participation	• Restart of new college graduate recruitment for FY2025 • Strategic mid-career recruitment Fair evaluation, compensation, and rewarding systems • Revise the bonus system • Introduce J-LFG Awards, Reward
Dunn-Edwards	Launched DEI Training	Launched phase 2 of DEI curriculum for all employees Share DEI curriculum with NPHG People and Community DEI Committee DEI committee building company-wide interactive activity for April's celebration of diversity, highlighting the diversity that exists within Dunn-Edwards	- Continuously review and adapt company policies to ensure that all charter objectives are met			Talent management • Enhance the pipeline of talent • Stable supply of successors to key positions • Utilize the talent management system (rationalization of human resources)	Autonomous growth and supporting frameworks • Reinforce OJT program • Reinforce 1-on-1 meetings • Enhance selection-based training/interactive training programs
Japan Group	Kicked off DEI Committee Japan. Launched activities to support the skill development and active participation of women employees, revitalize the organization and accelerate business growth	Developed action plans towards 2025 Act on Promotion of Women's Participation & Career Advancement in the Workplace	- Increase the ratio of women in managerial positions to 10% - Selects and trains the next generation of women leaders from non-managerial positions for their skills and career building			Increase job satisfaction and work fulfillment • Work styles suited to different life styles • Work styles with high productivity	Create a comfortable work environment • Reinforce healthcare support • Enhance mental health education • Promote the use of paid leave • Prevent working long hours

Provide the roadmap to 2025 and explain our human resource development approach essential for achieving MSV by using initiatives in Japan Group as an example

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In the Human Resource Strategy on page 71, we have outlined the approach of each PCG to achieve MSV with a roadmap leading up to the year 2025.

To outline our approach to human capital to achieve MSV, using Japan Group as a case study to demonstrate this strategy, we discuss human resource investment as the “INPUT,” look at the ideal human resources and organizational structure that align with our J-LFG model as “OUTPUT,” and explain our approach to improve EPS using KPIs to measure the progress.

In the information disclosure structure we introduced earlier, we've positioned the Integrated Report as a key tool to articulate our fundamental approaches, policies, and strategic narratives to provide our investors with a clearer and deeper insight into our Group.

In this Report we chose not to include direct inputs from our employees, such as their voices in the workplace or feature articles in the Human Resources Strategy page. Instead, these were made available on our website. But, based on the feedback we've received, this approach may have inadvertently obscured the emphasis we place on human capital, which was highlighted by Co-President Wee. Acknowledging this, we're planning to better organize our information disclosure structure and to enrich our website with more case examples.

NIPPON PAINT HOLDINGS CO., LTD.

→ p. 99

Corporate Governance

Five features of our corporate governance structure

- 1

Thorough protection of the interests of minority shareholders while sharing the common objective of MSV with the major shareholder
- 2

Enhanced Board effectiveness under the leadership of Independent Directors
- 3

Succession planning with a focus on substance rather than formalism
- 4

Compensation structure that effectively contributes to achieving MSV
- 5

Audit structures that respond to the increasing globalization of operations

Main initiatives in FY2022

The Board worked on the following four initiatives to further improve its effectiveness. As a result, we accomplished further separation of the oversight and execution responsibilities, and established a more sophisticated monitoring model. In addition, the deepened common understanding of the role of our Board that pursues MSV has elevated our Board meeting discussions to an even higher level

1. Enrichment of discussion on growth strategy
2. Improvement of the operational efficiency of Board meetings
3. Further contribution of Independent Directors
4. Enhancement of the functions of The Secretariat of Board of Directors

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I'd like to highlight the key aspects of the Corporate Governance section, which starts on page 99 of the Report.


Our corporate governance structure has five distinct features. We see corporate governance as a fundamental pillar of our competitive advantage.

On the other hand, we often receive concerns about the effectiveness of our protection of minority shareholders because we have a major shareholder.

In the corporate governance section, therefore, we collaborated with Board Chair Nakamura and the Corporate Governance Department to outline the transition, current activities, and policy for the future, along with the "Discussions by the Board of Directors" that showcases the effectiveness of the Board's discussions. On our website, we offer content that deepen investors' understanding about the effectiveness of corporate governance at our Group, including interviews of each Independent Director in which they discuss the protection of the interests of minority shareholders and their thoughts about how we pursue MSV.

Message from Board Chair

→ p. 102



Masayoshi Nakamura
Lead Independent Director and Board Chair

Supporting bold and timely risk-taking by the management team

- ✓ Risk-taking is vital to our pursuit of MSV
- ✓ Committed as the Lead Independent Director and Board Chair to mobilizing the collective knowledge and experience of the nine Directors to guide our Board through deliberations and decision-making
- ✓ The Board will make every effort to thoroughly fulfill our duties toward the Group's achievement of persistent value creation under our Asset Assembler model, and to ensure protection of minority shareholders' interests

To facilitate understanding of our corporate governance,
he contributes a message to the Report as well as actively engaging with the capital markets
(via small meetings and "Q&A with Independent Director" on our website)

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On page 102 of our Report, we have an insightful section where Board Chair and Lead Independent Director Nakamura shares his thoughts revolving around the theme of "Supporting bold and timely risk-taking by the management team."

The key takeaways are:

Mr. Nakamura highlights the critical role of risk-taking in achieving MSV. He points out that this involves several key areas: Firstly, taking risks to enhance the value of existing businesses and assets. Secondly, the risks involved in acquiring new businesses and assets. And thirdly, managing risks related to the balance sheet, particularly in terms of financing from the capital markets. Importantly, Mr. Nakamura emphasizes that the Board of Directors is actively encouraging the management team to engage in appropriate and timely risk-taking to achieve these goals.

In order to deepen understanding of our corporate governance structure, we actively engage with the capital markets by covering messages from our Board members in the Integrated Report, organizing small investor meetings, and featuring "Q&A with the Independent Director" on our website.

Message from Chairman

→ p. 104



Goh Hup Jin
Chairman

Nippon Paint's appeal as an Asset Assembler

- ✓ Confident in the pursuit of MSV, with decisions and discussions being conducted comprehensively in line with MSV principles
- ✓ Competitive advantage of Asset Assembler model
- ✓ The advantage we enjoy in funding M&A
- ✓ As the major shareholder and Chairman of the Board, support and commit to the current management decision of Nippon Paint in pursuit of MSV

Mr. Goh's annual message in the Report, as the major shareholder and Chairman of the Board, communicates the most crucial message he wants to convey to the capital markets at that time

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On page 104 of our report, you'll find an important message from Mr. Goh, the Chairman of the Board of NPHD and the Representative of our major shareholder, Wuthelam Group. In his yearly message, Mr. Goh articulates the most essential points he wishes to share with the capital markets at that particular time.

This year, Mr. Goh's message is titled "Nippon Paint's Appeal as an Asset Assembler," expressing his belief that achieving MSV should be the sole mission, particularly for listed companies. He also delves into the competitive advantages of Asset Assembler model.

Furthermore, Mr. Goh addresses Wuthelam's policy regarding voting rights and emphasizes that the interests of Wuthelam are completely aligned with those of the minority shareholders.



Committee Report

→ pp. 109,111,113

Nominating Committee Report



Compensation Committee Report



Audit Committee Report



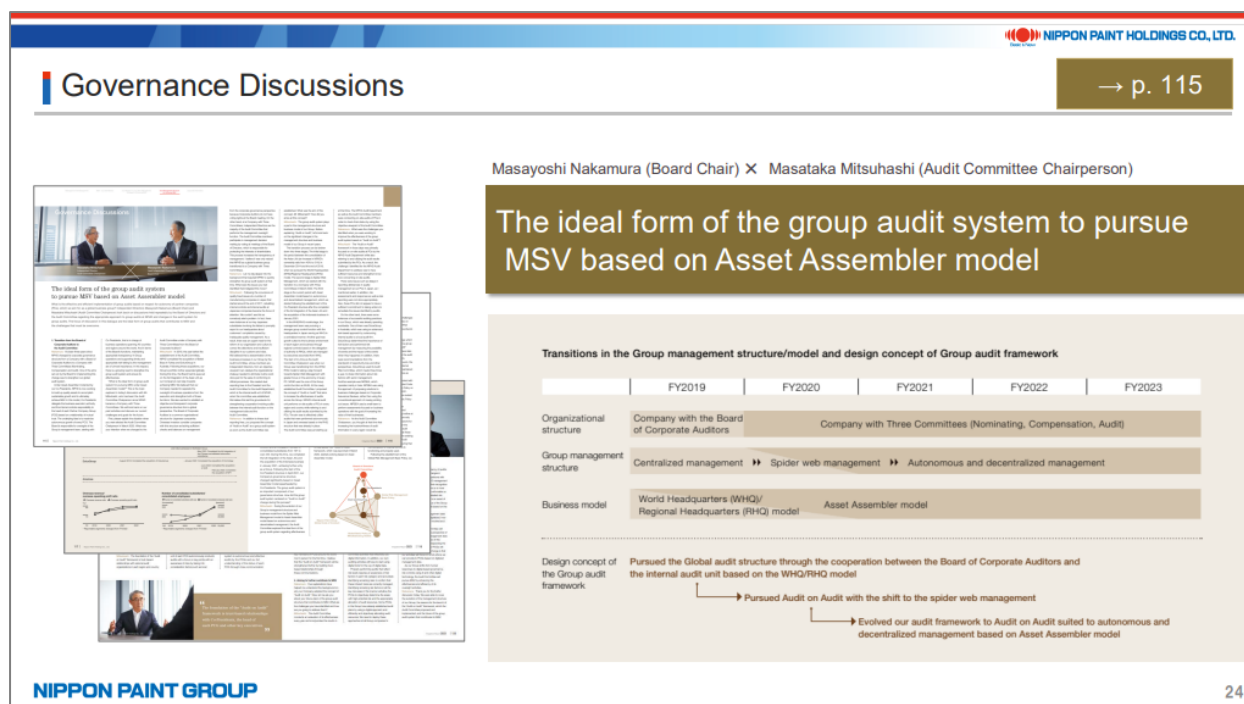
- ✓ The Chairperson of each Committee outlines the progress in addressing identified issues and explains future policies
- ✓ Additionally, offer a summary, outline the roles, and describe the key activities from the past year that were not covered in the Corporate Governance Report
- ✓ Clarify the fundamental strategy and primary areas of concentration for each committee
 - [Nominating] Our approach concerning the composition and skills of the Board of Directors, identifying future management talent and an environment where people can upgrade their skills (strengthening human capital, selections and dismissals)
 - [Compensation] Compensation decision-making policy for Executives, Compensation Committee that contributes to achieving MSV while protecting minority shareholders, evaluation and compensation of the Representative Executive Officers & Co-Presidents
 - [Audit] Supervision of the group-level internal audit activities by the Audit Department, coordination with Accounting Auditor, local audit firms, and corporate auditors


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Beginning on page 109, the Report offers detailed reports from the Nominating, Compensation, and Audit Committees, in alignment with our company's structure as a “Company with Three Committees.”

In the Report, the Chairperson of each Committee provides an overview of the progress made in tackling identified issues, as well as an explanation of future policies. Furthermore, the Report includes a concise summary, details the roles of each committee, and describes their key activities from the past year that were not included in the Corporate Governance Report.

The Report also explains our strategies and significant discussion topics, such as the composition of the Board of Directors, training of next-generation management talent, process of determining executive compensation, and optimal structure of the group audit system.



Our Report annually features an article, titled “Governance Discussions by Independent Directors,” centered around the theme of governance and its role in contributing to MSV.

Page 115 of the 2023 edition offers a compelling exchange between Board Chair Nakamura and the Chairperson of the Audit Committee, Mitsuhashi, under the title “The ideal form of the group audit system to pursue MSV based on the Asset Assembler model.”

In their discussion, they discussed the “Audit on Audit” policy backed by our Asset Assembler model, which is underpinned by autonomous and decentralized management, reflecting on the perspectives and concepts that shaped our group audit framework as we transitioned to a Company with Three Committees and underwent changes in our group management structure and business model.

I encourage you to take a moment to read this article.

Risk Management

→ p. 121

The group risk management process

```

graph TD
    subgraph Board [Board of Directors]
        NC[Nominating Committee]
        CC[Compensation Committee]
        AC[Audit Committee]
    end
    REP[Representative Executive Officers and Co-Presidents]
    GAC[Group Audit Committee GAC]
    
    REP -- Supervision --> NC
    REP -- Report --> CC
    REP -- Report --> AC
    REP -- Orders and directives --> REP
    
    REP -- Information sharing --> GAC
    GAC -- Information sharing --> REP
    
    subgraph PCG [Autonomous risk management process implemented by the head of each PCG]
        RSI[Risk self-inspection/self-assessment]
        ECRP[Establish a risk countermeasures plan]
        IP[Implement the plan]
    end
    
    RSI --> ECRP
    ECRP --> IP
    
```

Autonomous risk management process implemented by the head of each PCG

Risk self-inspection/self-assessment
Conduct a self-inspection/evaluation based on Control Self-Assessment (CSA) every year

Establish a risk countermeasures plan
Based on the analysis of risk factors identified by the CSA, establish and implement a risk countermeasures plan (reduce, shift or avoid risk exposure, investment holding decisions, lead time from establishment of risk mitigation goal and the actual improvement)

Implement the plan

Risk heat map

High risk sensitivity items in FY2022	Change in risk sensitivity (vs FY2021)	Description of risk and major countermeasures
Risk related to human capital	Slightly higher	Succession for management teams of the Group (Actions) Planning and taking actions on succession plans based on the future business plans of individual PCGs Co-Presidents supervise succession plans for key management personnel of each PCG as an important management issue and Co-Presidents provide information about these plans to the Nominating Committee and Compensation Committee.
Risk related to business continuity plan	Slightly higher	BCP concerning the drastic increase in raw materials costs worldwide, foreign exchange fluctuation, political instability, the pandemic, natural disasters, IT security, etc. (Actions) Each PCG created and updated its BCP, conducted necessary drills and education programs for its employees to promptly respond to various risks such as natural disasters, changes in geopolitical situations, foreign exchange impact, IT security risk, etc.
Compliance Risk	Higher	Risk factors such as information leakage and misconduct of employees, which are becoming more serious social issues (Actions) We have established "Nippon Paint Group Global Code of Conduct" to set out standards/requirements of compliance/ethics rules and Sustainability that applies to global group companies. And as a part of risk management activities, all PCGs are using autonomous risk self-inspections, self-assessments and other activities for monitoring compliance with the Global Code of Conduct. Through the Whistleblowing Hotline of PCGs as well, reports have been made of compliance problems. PCGs that experienced such reporting are taking appropriate actions including employee training programs.
Supply chain risk	Significantly higher	More efficient management of inventory and logistics, stricter credit management, etc. (Actions) To reduce risk in product supply arising from the dramatic increase in raw material costs and the change in raw material supply chain, each PCG is swiftly and appropriately taking actions by changing its raw materials, its product mixes, raising product prices and increasing the efficiency of logistics. Converting risks to opportunities by taking actions in every process to avoid or mitigate the risks and by optimizing the supply chain.
Risk involved in international taxation	Significantly higher	International taxation and other issues associated with closer ties among our Group's brands, technologies, etc. (Actions) We have started to rebuild the framework for proper international transactions based on the tax rules and guidelines of individual countries.

As an Asset Assembler based on mutual trust with PCGs, we have a risk management system in place that has, as its core components, the internal control systems operated autonomously by every PCG

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Page 121 outlines our risk management approach based on Asset Assembler model with significant improvements and expansions made by reflecting our investors' requests.

Specifically, we delved into our risk management framework in which each PCG autonomously operates its own internal control system, grounded in the mutual trust we share with our PCGs as an Asset Assembler.

Furthermore, we explore the specifics of this system and our risk management processes and the evolution of our risk sensitivity and planned policy responses for high-risk items, as identified in our Risk Heat Map.

In Conclusion

Central topics for consideration in the Integrated Report 2024

- ✓ Present a further approach to the maximization of PER
- ✓ Offer a more clear description of the competitive advantage of Asset Assembler model
- ✓ Present our company from diverse viewpoints, moving beyond the perception of being China-focused
- ✓ Update on the progress of individual assets companies
- ✓ Present an article that includes case studies demonstrating the connection between sustainability and EPS/PER
- ✓ Showcase the strengths of our talent, which forms the foundation of our unique business model and strategies
- ✓ Provide a more clear explanation of our strategy towards capital efficiency
- ✓ Present further explanation surrounding Scope 3 emissions with an expanded boundary of disclosure
- ✓ Make the Report more concise to save readers' time
- ✓ Arrange content for dissemination through the company's website, Investor Book, and the Integrated Report, adding numerous case studies and aiming it at the specific target audience

This brings us to the end of my presentation on the key elements of the Integrated Report for 2023.

To wrap things up, I'd like to briefly touch on what's on the horizon for the 2024 edition. On this page, you'll see a list of the main points we're currently contemplating for next year's report. These points are still in the discussion phase within our team, so the content may undergo significant changes.

Now, allow me to provide some additional explanations on these topics.

(1) Presenting a further approach towards maximizing PER.

MSV can be dissected into two key components: Maximization of EPS and Maximization of PER. We plan to offer actions aimed at maximizing both EPS and PER from a medium to long-term perspective.

(2) Offer a more clear description of the competitive advantage of Asset Assembler model

We intend to offer a more comprehensive and clearer explanation, illustrating how our Asset Assembler model is instrumental in achieving MSV and detailing our unique competitive advantages.

(3) Present our company from diverse viewpoints, moving beyond the perception of being China-focused

We plan to offer a more clear insight into our Group as an Asset Assembler, building up assets backed by Asset Assembler model.

- (4) Update on the progress of individual assets companies
Recognizing the importance of explaining the performance of our assets companies, we plan to develop feature articles focusing on topics that have garnered high interest from investors in our investor meetings.
- (5) Present an article that includes case studies demonstrating the connection between sustainability and EPS and PER
Our intention is to highlight our initiatives that have a direct and positive impact on EPS accretion.
- (6) Showcase the strengths of our talent, which forms the foundation of our unique business model and strategies
Our Asset Assembler model and management strategy are deeply rooted in our exceptional talent and culture. We intend to shed light on how our talent and culture give us a competitive advantage.
- (7) Provide a more clear explanation of our strategy towards capital efficiency
We intend to give a more clear insight into our strategy based on the feedback and discussions we had in investor meetings following the release of the 2023 Report.
- (8) Present further explanation surrounding Scope 3 emissions with an expanded boundary of disclosure
While our current disclosure boundary encompasses Japan Group and DGL (Pacific), we are planning to broaden this scope, providing a more comprehensive view of our Scope 3 emissions.
- (9) Make the Report more concise to save readers' time
We've received feedback that requests a more concise report without sacrificing quality because the current length requires a significant time investment to read through.
- (10) Arrange content for dissemination through the company's website, Investor Book, and the Integrated Report, aiming at the specific target audience
The Integrated Report will serve as a high-level overview of our Group. For detailed data and case studies, we will provide links within the Report directing readers to our website. By doing so, we can effectively meet their requests for specific types of content, while still maintaining the comprehensive volume of information that they have access to.

Thank you for your attention today.