

Integrated Report Briefing Q&A Summary  
(January 19, 2024)

◆ Question from Participant A

Q1	<p>I eagerly look forward to your Integrated Report each year, as it stands out as a premier example among companies embracing single materiality. The report consistently impresses me for its effective incorporation of investor feedback from meetings into the planning process. This adherence to your core philosophy throughout the report is commendable. The 2023 edition, with its focus on MSV and the clarity it brings to various topics, was particularly noteworthy.</p> <p>I have a few suggestions for the upcoming 2024 edition. I believe an explanation of the PMI process would be valuable, as it's a crucial aspect of your Asset Assembler model. While it's essential to highlight growth potential, maintaining the trend analysis of ROIC on a consolidated level is also important.</p> <p>The 2023 edition's inclusion of ROIC for individual companies was beneficial, but providing trends in ROIC alongside a comparison with WACC for recently acquired companies or analyses of underperforming partner companies would enhance our ability to evaluate the success of your Asset Assembler model. Additionally, consolidating all pertinent ROIC information into a single article would be greatly appreciated. This would streamline the process of gathering necessary data for discussions, saving time and effort.</p>
A1	<p>As you've highlighted, the PMI process is a fundamental component of our M&amp;A approach in our role as an Asset Assembler. Our approach to PMI is marked by its low risk and cost efficiency. A key criterion we consider when evaluating potential M&amp;A targets is their affordability in terms of acquisition valuation. Specifically, we look for companies that can positively impact our EPS from the first year of acquisition.</p> <p>I'll explore our PMI strategy using the recent acquisition of Alina, a company based in Kazakhstan, as a case study. Prior to this acquisition, our partner firm in Turkey, Betek Boya, already had a presence and understanding of the Kazakhstani market, particularly in local distribution. Our approach with Alina extended beyond just finalizing the acquisition price. We engaged in ongoing dialogues with Alina's management, focusing on the potential for growth. Our conversations fostered a sense of trust with the management team at Alina. This was primarily due to the partner-like relationship we cultivated with them even before finalizing the agreement. As a result, we successfully retained their outstanding management team. This approach helped avoid any misunderstandings and enabled the team to perform at their highest level.</p> <p>In contrast to the 2022 edition, the 2023 edition of our Report placed greater emphasis on Asset Assembler model, particularly highlighting our strengths in M&amp;A. However, this focus led to some feedback indicating that aspects related to human resources and organizational structure were less clear. Notably, our approach to M&amp;A, which is characterized by autonomous and decentralized management coupled with trust, was not as prominent. We will incorporate this</p>

	<p>feedback to improve the 2024 edition of the Report.</p> <p>I recently discussed with Co-President Wakatsuki about our future approach to discussing ROIC. We agree that it has increasingly captured the interest of investors. To engage further on this topic, we plan to utilize opportunities such as our upcoming New Medium-Term Plan (MTP) briefing in April and the release of the 2024 edition of the Report to deepen discussions with investors.</p>
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◆ Questions from Participant B

Q1	<p>Your Integrated Report is very interesting, and in fact, it is the best-integrated report I have come across. Compared to integrated reports from other companies, which tend to be more formal, your Report effectively conveys the appeal of your company. Additionally, the Report properly reflects feedback from investors.</p> <p>That being said, although it may contradict my high regard for the Report due to its uniqueness, I believe it is a good idea to attempt creating a report by following a certain format and referring to the evaluation criteria used by external evaluation agencies. Regardless of how excellent your Integrated Report may be, there are numerous instances where reports receive lower scores during evaluations conducted by external agencies. I suggest that you strategically formalize your report, trying to receive an award from external evaluation agencies.</p>
A1	<p>In developing our Integrated Report, we consider the assessment standards of domestic and international external evaluation agencies as a guideline. Nevertheless, our primary aim is to ensure that the Integrated Report acts as a useful guide for investors to gain insights into our Group. Co-President Wakatsuki shares the view that the report's focus should not solely be on meeting external evaluations. For the 2024 edition, our approach will balance the originality and formality typically associated with an integrated report.</p>

Q2	<p>Common evaluation items of external evaluation agencies include questions such as “Does the report offer consistent information disclosure?” I feel that your report tends to lose points because establishing Group-level KPIs is challenging in your Group.</p>
A2	<p>Concerning our efforts in sustainability, we have actively engaged in Group-wide initiatives since 2020. Initially, we adopted a top-down approach in 2020 and 2021. However, starting from 2022, we shifted to a more autonomous and decentralized strategy. While these initiatives are ongoing, we are committed to maintaining continuing dialogues with our five sustainability teams.</p>

◆ Question from Participant C

Q1	<p>The 2023 edition of the Report presents the ROIC for individual companies but does not adequately explain the reasons behind the lower ROIC at the consolidated level. For the 2024 edition, I am interested in qualitative information that goes beyond what is shared in the New MTP briefing and other investor meetings. I think that offering detailed information, such as specific measures</p>
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	taken to improve ROIC, will deepen understanding.
A1	We recognize that ROIC is an important metric and actively discuss it. We will continue to engage in two-way communication with capital market participants, aiming to provide explanations that meet investor expectations both at the New MTP briefing and in the 2024 edition of the Report.

◆ Question from Participant D

Q1	The quality of the 2023 edition of the Report is high, and I believe that anyone reading it will gain a deeper understanding of your business model. However, I believe that a company's corporate value and stock price primarily reflect evaluations from investors. In that sense, it seems that what you want to communicate to the capital markets has not sufficiently reached investors. If you continue to provide a detailed explanation about the percentage of your China business within your overall business portfolio and your ROIC, I believe it will gradually be reflected in your corporate value and stock price.
A1	<p>I emphasized earlier that we do not want to be perceived primarily as a “China-focused” company. Nonetheless, it's a fact that our China business contributes to nearly 35% of our total consolidated revenue. Given this significant contribution, we're aware that investors might find it counterintuitive when we advise not to overly concentrate on our China business.</p> <p>While the China business is undoubtedly a vital component of our Group's portfolio, our viewpoint on this segment slightly deviates from the perspective held by the capital markets. We're committed to offering comprehensive information and insights about our China business to market participants. This approach, akin to how we handle ROIC discussions, is anticipated to enhance the understanding of our China business. We believe that this will positively influence our stock price, ultimately benefiting MSV.</p>

◆ Question from Participant E

Q1	<p>Echoing the sentiments of other participants, I've found that the 2023 edition has provided me with a clear insight into the Group's medium-term direction. The level of detail and information in it is so comprehensive that I'm beginning to think that quarterly update meetings might not be essential.</p> <p>As a judge for the Japan Investor Relations Associations, I've observed companies from the chemical sector emerging as strong contenders for the Grand Prize. It's often challenging for general fund managers to grasp the intricacies of material companies. However, your company's diverse investor engagement initiatives have caught my attention. As an investor, I'm increasingly interested in interacting more with your company to gain a deeper understanding of your Group.</p>
A1	I believe investors' expectations for our Group, which has a significant presence in the Chinese market, have fluctuated, responding both positively and negatively to the growth of the Chinese market. I occasionally receive questions regarding areas in which investors should focus their attention in the future. However, our

	<p>strategy does not favor specific regions or businesses; instead, we aim to drive EPS growth by developing individual assets.</p> <p>We understand that what is necessary to contribute to MSV and our stock price is to provide information that will deepen investors' understanding, provide reassurance, and instill confidence in our Group, while also referencing evaluations by external rating agencies. We will maintain our proactive engagement with investors through communication, including the presentation of our performance track record.</p>
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◆ Question from Participant A

Q1	<p>I feel that understanding your company from the perspective of corporate identity is not easy. Your company is a Japanese company with the corporate name Nippon Paint. At the same time, your company has strongly embraced the corporate culture and mindset of NIPSEA Group, which, in my opinion, makes it challenging to comprehend your culture and history.</p> <p>I believe that the mindset of people in Singapore is “people should change in response to changes,” and I think this mindset forms the basis of your approach to human resources. Consider prominently highlighting this mindset in your future Integrated Report, as it will help investors better understand your company.</p>
A1	<p>As a holding company, Nippon Paint Holdings focuses on building up asset. At the operational level, we recognize and value people as the key to business expansion, a sentiment echoed in the 2023 Report. In this respect, our approach aligns with that of typical business enterprises. We are currently evaluating the best methods to clarify our strategy regarding human resources.</p>

◆ Question from Participant B

Q1	<p>Observing today's meeting participants, it appears that everyone diligently reviews your Integrated Report, even when no briefing is scheduled. I propose organizing a briefing specifically for the Integrated Report, aimed at investors who typically don't engage with such reports, if feasible. Additionally, scheduling this meeting before investors start reviewing the report could enhance its effectiveness.</p>
A1	<p>Thank you for your valuable suggestion. We recognize the importance of promptly conducting the Integrated Report briefing following its release. We plan to publish the 2024 edition of the Report earlier than in previous years and, accordingly, schedule the briefing sooner than the current timeline.</p>

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