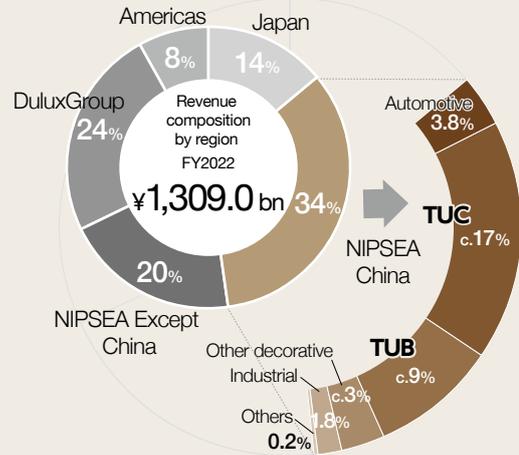


The Impact of China's Macroeconomic Data on the Earnings of Nippon Paint Group

Stock market players are paying attention to the trends of macroeconomic data relevant to our Group's Chinese decorative paints business (TUB/TUC). As a result, NPHD stock price tends to fluctuate more on news flow rather than based on our earnings results.

Although there is some correlation between the performance in the TUC and TUB businesses and certain real estate market data, we believe that there is not a simple correlation between China's macroeconomic data and our Group's consolidated earnings results based on the following analysis: (1) Revenue growth in the TUC and TUB businesses has been outpacing the real estate market data almost over the entire period and (2) TUC revenue accounts for c. 17% of the consolidated revenue and TUB revenue accounts for c. 9%.

For your reference, the analysis of trends in the TUC/TUB business performance by NIPSEA China's management is provided below. Please note that NIPESA China uses multiple indicators for benchmarking and uses the results of multifaceted analysis of these indicators in their marketing activities.



The trends of TUC/TUB businesses based on comment from NIPSEA China's management

TUC revenue growth has been significantly outpacing growth of commercial and residential property sales areas

One of the strengths of NIPSEA China's TUC business is its dominant market share and the leading position in the Tier 0 as well as Tier 1-2 cities. These metropolitan areas are characterized by a higher percentage of commercial and residential property sales areas and quicker market recovery compared to Tier 3-6 provincial cities. Due to these reasons, TUC revenue growth tends to be higher than growth of property sales areas.

The high revenue growth in the TUC business is also attributable to NIPSEA China's extensive distribution networks, a large number of CCM (computer color matching) machines installed, high brand awareness and quality.

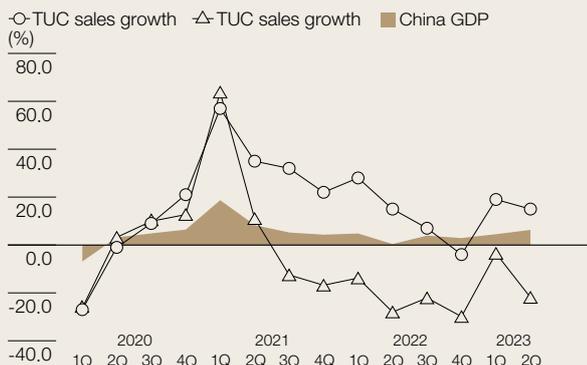
By taking into consideration the arrival of the era of stock housing and our market share gains in provincial cities, we expect that the TUC business will continue to achieve growth that outperforms competitors.

TUB revenue growth has been outpacing the new residential construction areas

Since March 2020, TUB revenue growth has constantly been outpacing growth of new residential construction areas. This strong performance is attributable to (i) working with more financially stronger real estate developers, (ii) growing contribution from non-real estate developers e.g. healthcare, industrial, infrastructure (iii) growing contribution from decoration companies and contractors and (iv) pushing non paint segment growth e.g. substrates and construction chemicals.

We expect that the TUB business will remain on a steady growth track due to the arrival of the era of stock housing and by focusing on the development of six key channel businesses. (▶ See page 90.)

TUC (QoQ)



TUB (QoQ)

