

Our Strategy for Maximizing PER

We are dedicated to sustainable EPS compounding, aiming to raise capital market expectations in our pursuit of maximizing PER. Our detailed plans of action are: (1) analyzing perception gap in capital markets, (2) fostering a deeper understanding of our business model and track record, and (3) enhancing opportunities for investor engagement while enriching our disclosure materials.

Maximization of PER

Conviction from capital markets of our sustainable EPS compounding

Effectively communicating our equity story as Asset Assembler

Enhanced engagement
(700+ companies annually)

Enhanced disclosure
(Integrated Report, etc.)

(3) Enhancing opportunities for investor engagement while enriching our disclosure materials

Step 3 Showcase our safe M&A track record and potential for EPS compounding through future M&A

Step 2 Showcase the potential for future EPS growth within our current portfolio

Step 1 Clearly present our business model and proven track record

(2) Fostering a deeper understanding of our business model and track record

Market concern for China

Underestimation of our growth prospects

(1) Analyzing perception gap in capital markets

(1) Analyzing perception gap in capital markets

(i) Our stock price analysis (in comparison with the TOPIX chemical sector average and the average of our competitors) » P27 Management Focused on Stock Price

⇒ Over the past five years, our stock price has outperformed the average of our competitors, backed by strong EPS growth.

⇒ From 2021 to 2022, our stock price was impacted by the decline in PER.

(ii) Performance analysis of our China business (in comparison with Chinese macroeconomic indicators)

» P57 Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

⇒ Revenue from our TUC segment has historically outpaced the growth rate of commercial and residential property sales areas. We observe a low correlation between our TUC revenue and macroeconomic indicators.

⇒ Revenue from our TUB segment has historically grown faster than the rate of growth of new construction starts.

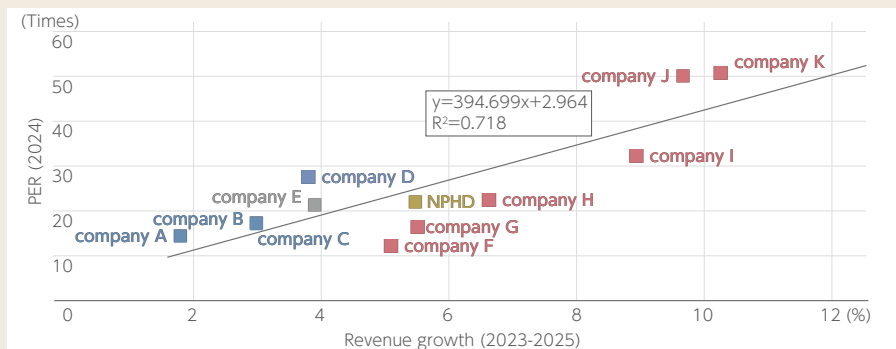
⇒ In comparison to our local competitors, our Group's dependence on the Chinese market is lower, and our margins are higher.

(iii) Correlation analysis between PER and revenue growth in the paint industry

⇒ An analysis of "PER for 2024" and the "average revenue growth forecast from 2023-2025" (both based on analysts' consensus estimates) within the paint industry reveals a determination coefficient (R²) of 0.718, indicating a strong correlation between these two factors.

⇒ In our Medium-Term Strategy, we projected a medium-term consolidated CAGR of 8-9% for our revenue based on our 2023 portfolio, which includes our Kazakhstan operations and the two India businesses. However, analysts' forecasts (as shown in the chart below) forecast a lower growth rate for our revenue at 5.5%, placing us below the regression line. Considering our aggressive M&A strategy, we analyze that this growth estimation may not be capturing our growth potential.

Correlation analysis of PER and revenue growth



Source: FactSet (as of February 9, 2024), Wall Street Research; The correlation factor was calculated by excluding Chinese companies

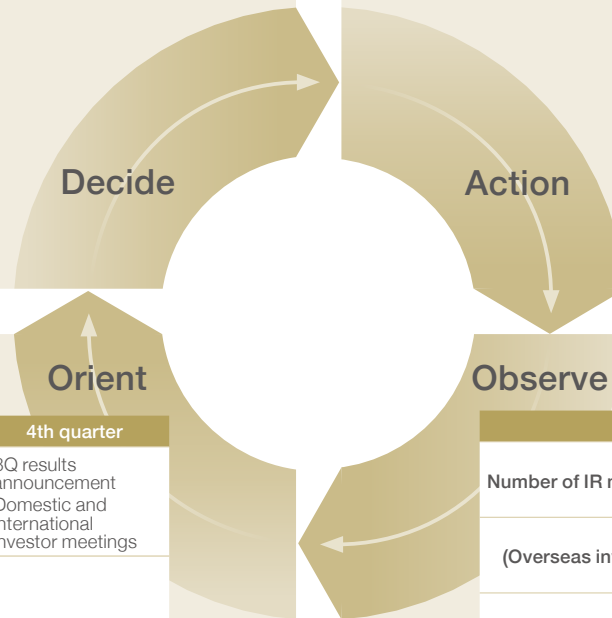
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(2) Fostering a deeper understanding of our business model and track record

- (i) Our approach, business model, and track record** »P20 Asset Assembler Model
 - ⇒ Sustainable compounding of EPS, driven by both organic and inorganic growth
 - ⇒ Synergistic effects created from the advantage of our Asset Assembler model
- (ii) Growth potential within our existing portfolio** »P41 Medium-Term Strategy (Released in April 2024)
 - ⇒ Target a medium-term consolidated CAGR of 10-12% for our EPS
 - ⇒ Expand our market share and EPS across all regions and businesses
- (iii) Proven record of successfully executing safe M&As and assurance of future growth potential** »P47 M&A Strategy
 - ⇒ Demonstrate a stable growth track record of our acquired companies and improvement in individual ROIC
 - ⇒ Our unique M&A model, which assumes EPS accretion from Year 1, even with large-scale acquisitions, paves the way for limitless enhancement in EPS.

(3) Enhancing opportunities for investor engagement while enriching our disclosure materials

- (i) Enhancing opportunities for investor engagement**
 - ⇒ Increase our meetings with investors, particularly targeting those in the US and Europe, new investors, and global investment funds
 - ⇒ Actively participate in conferences hosted both in Japan and overseas
- (ii) Enriching our disclosure materials**
 - ⇒ Integrated Report provides detailed explanations on key topics of interest, such as our Asset Assembler model and our commitment to protecting minority shareholder interests.
 - ⇒ IR website presents case studies that highlight our innovations and human resource strategy, and explains the results of our cross-functional collaborations within the Group.
- (iii) Expanding IR events**
 - ⇒ Considering launching the “IR Day,” which will serve as an extension of the “Small Investor Meeting with Co-Presidents” and “Small Investor Meeting with Board Chair” that we have traditionally held
 - ⇒ Continue to hold the Medium-Term Strategy briefing and M&A briefing



IR activity plan (2024)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly results announcement	•4Q results announcement •Domestic and international investor meetings	•1Q results announcement •Domestic and international investor meetings	•2Q results announcement •Domestic and international investor meetings	•3Q results announcement •Domestic and international investor meetings
Integrated Report	•ESG investor meetings		•Publication of Integrated Report •Integrated Report briefing •ESG investor meetings	
Domestic investor conferences	•Daiwa Securities •SMBC Nikko Securities	•CLSA Securities •Mitsubishi UFJ Morgan Stanley Securities	•UBS Securities •BofA Securities	•Nomura Securities
International investor conferences	•BofA Securities (Americas)		•Daiwa Securities (Australia)	
IR events	•Co-Presidents' information exchange with sell-side analysts	•Medium-Term Strategy briefing		•IR Day (Integration/enhancement of small investor meetings with Co-Presidents/ Board Chair)

Observe

KPIs of IR activities (2022-2023)

	2022	2023
Number of IR meetings held (companies)	695	707
(Overseas investors)	384	397
(New investors)	118	82
(Meetings hosted by Co-President)	108	87
(Roadshows for international secondary offering)	121	–
Liquidity to market capitalization ratio	0.18%	0.17%
Analyst coverage (companies)	7	6