Execution of Medium- to Long-Term Management Strategy

In April 2024, we unveiled our Medium-Term Strategy, which is focused on sustainable EPS compounding through both organic and inorganic growth.

In this section, we will elucidate the key aspects and provide illustrative examples of our Finance Strategy, M&A Strategy, Sustainability Strategy, and Strategy by Asset, which we are advancing under our Medium-Term Strategy.

Review of the Medium-Term Plan

Medium-Term Plan

2009-2014
Survival Challenge Program I & II
(Released in May 2009)

Reform cost structure in Japan

Basic strategy
- Reform the cost structure/expand sales and profit of existing businesses/create new markets
- Reinforce sustainable growth and the profitable business structure in Asia/reinforce the earnings base in North America

Targets and results

	2014 (JGAAP)	
	Plan	Results
Net sales	¥250.0 bn	¥260.6 bn
Operating income	¥25.0 bn	¥33.4 bn
Operating income margin	10.0%	12.8%

Outcomes
- Significantly improved profitability and achieved targets through rigorous cost saving mainly in Japan

Challenges
- Drastically reduced costs including spending on long-term investment as part of emergency measures to respond to the global financial crisis, which is the cause of the current aging facilities and workforce
- Growth in China and other Asian countries achieved through the Asian JVs, which were consolidated in 2014

2015-2017
Survival Challenge Program III
(Released in May 2015)

Capture demand in the high-growth Asian markets

Basic strategy
- Establish a foundation to achieve a “dominant” position in China, our most critical market
- Significantly transform our business structure to Asia-driven business expansion, thereby increasing the proportion of decorative paints characterized by high growth potential and profitability

Targets and results

	2017 (JGAAP)	
	Plan	Results
Net sales	¥700.0 bn	¥605.3 bn
Operating income	¥105.0 bn	¥75.0 bn
Operating income margin	15.0%	12.4%

Outcomes
- Restructured the Japanese businesses and implementedcompany splits based on lines of business, and transitioned to a holding company structure
- Achieved significant earnings growth through consolidation ofthe Asian JVs

Challenges
- Underachieved the plan due to the yen’s appreciation, as well as a rise in raw materials caused by environmental regulations in China
- Profit capture through full integration of the Asian JVs

2018-2020
N-20
(Released in May 2018)

Establish a solid regional and business portfolio

Basic strategy
- Strengthen the businesses in existing segments
- Accelerate expansion of our portfolio
- Improve earnings capacity
- Enhance the structure of “Global One Team”

Targets and results

	2017	2020	
	Results*	Plan	Results
Revenue	¥610.2 bn	¥750.0 bn	¥781.1 bn
Operating profit	¥85.4 bn	¥105.0 bn	¥86.9 bn
Operating profit margin	14.0%	14.0%	11.1%

* Figures recalculated in accordance with IFRS

Outcomes
Steadily reinforced the organizational base for sustained growth
- Expanded business in Oceania and Türkiye through M&A (DuluxGroup and Betek Boya)
- The full integration of the Asian JVs and the Indonesia business announced

Challenges
Improvement of sustainability and profitability over the medium to long term
- Operating profit margin reached 13.8% in 2018, but fell below the target in 2019 due to impairment losses and in 2020 due to the pandemic and other factors
- Achieve sales growth and profitability improvement that outpace competitors in the growing paint market
- Create business opportunities through ESG initiatives and work on net zero GHG emissions
- Utilize DX (Digital Transformation) and recruit competent talent to respond to aging facilities and workforce in Japan

Corporate actions

2009-2014
- Kenji Sakai appointed President & CEO and Survival Challenge Program launched (April 2009)
- Consolidation of the Asian JVs announced (February 2014)
- Transition to a holding company structure (October 2014)

2015-2017
- Domestic business restructuring, seperation of operating companies by lines of business, and Tatsushi Tado appointed President & CEO (April 2015)
- Acquisition of U.S. Dunn-Edwards announced (December 2016)

2018-2020
- Increase of Outside Directors based on a shareholder proposal submitted by Wuthelam Group (January 2018)
- Appointment of Masaaki Tanaka as Executive Chairman of the Board, Representative Director of the Board announced (February 2019)
- Acquisition of Australian DuluxGroup and Turkish Betek Boya announced (April 2019)
- Appointment of Masaaki Tanaka as President & CEO announced (September 2019)
- Transition to a Company with Three Committees (March 2020)

Review of the Medium-Term Plan

2021-2023
Medium-Term Plan (FY2021-2023)
(Released in March 2021)

Relentlessly pursuing growth based on Asset Assembler model

Strategy by Asset
Further reinforcing our global growth foundation while proactively addressing new challenges

Finance Strategy
Leveraging our robust cash flow generation capability, we aim to reinforce our financial base and secure funds for growth initiatives, such as M&A and business investments

M&A Strategy
Leveraging the paint market's growth potential and the stability of cash generation, actively considering the inclusion of new partner companies

Sustainability Strategy
Expanding business opportunities through ESG initiatives towards sustainable growth

Targets and results

		2023 guidance (Released in March 2021)	2020*	(1) 2021	(2) 2022	2023
Revenue	Original guidance	¥1,100.0 bn	¥720.0 bn	¥890.0 bn	¥1,200.0 bn	¥1,400.0 bn
	Year-end results		¥781.1 bn	¥998.3 bn	¥1,309.0 bn	¥1,442.6 bn
	Overachievement rate		+8%	+12%	+9%	+3%
Operating profit	Original guidance	¥140.0 bn	¥63.0 bn	¥87.0 bn	¥115.0 bn	¥140.0 bn
	Year-end results		¥86.9 bn	¥87.6 bn	¥111.9 bn	¥168.7 bn
	Overachievement rate		+38%	+1%	-3%	+21%
EPS	Original guidance	¥45.00	¥15.59	¥29.17	¥34.49	¥41.73
	Year-end results		¥27.83	¥29.41	¥33.82	¥50.45
	Overachievement rate		+79%	+1%	-2%	+21%

* Original guidance announced in May 2020;
EPS was calculated using the number of shares after stock split

Outcomes

Succeeded in sustainable EPS compounding as Asset Assembler

- Achieved both organic and inorganic growth through our Asset Assembler model
- Despite drastic changes in the business environment beyond our original assumptions, we maintained profitability through agile responses. With a business model and earnings capacity that are mostly unaffected by market conditions for each asset, we largely met our original guidance over the three-year period
- Acquiring high-quality assets with a low PER allows for EPS accretion from Year 1

Challenges

Enhancing expectations from capital markets while improving profitability of Japan Group

- In pursuit of maximizing PER, we strive to elevate capital market expectations regarding sustainable EPS accretion
- While the groundwork for improving the profitability of Japan Group is taking shape, a foundation for profitability improvement of Japan Group is being established, we are only halfway to reaching the levels achieved in 2017-2018

»» P29 Our Strategy for Maximizing PER
»» P59 Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Guidance revised downward at mid-term
(1) 2021: (Factors) COVID, raw material inflation, chip shortage, etc.
(2) 2022: (Factors) Increase in provision in China, hyperinflationary accounting in Türkiye, etc.

- Asian JVs fully integrated and Indonesia business acquired (January 2021)
- Transitioned to a Co-President structure led by Yuichiro Wakatsuki and Wee Siew Kim (April 2021)
- European automotive and India businesses transferred to Wuthelam Group (August 2021)
- International secondary offering (January 2022)

Improving profitability of Japan Group
- Nippon Paint Corporate Solutions (NPCS) established (January 2022)

Sustainability
- Endorsement of the TCFD recommendations (September 2021)
- Deepening of autonomous sustainability structure (January 2022)

Accumulation of assets through M&A
- Vital Technical (March 2021)
- Cromology (October 2021)
- JUB (October 2021)
- Chinese automotive JVs (November 2021)
- NPT (February 2023)
- Buyback of India businesses from Wuthelam Group (August 2023)
- Alina (November 2023)

»» For press releases and presentation materials regarding each acquisition transaction, please refer to the "M&A Information" section on our website.

Medium-Term Strategy (Released in April 2024)

2024–

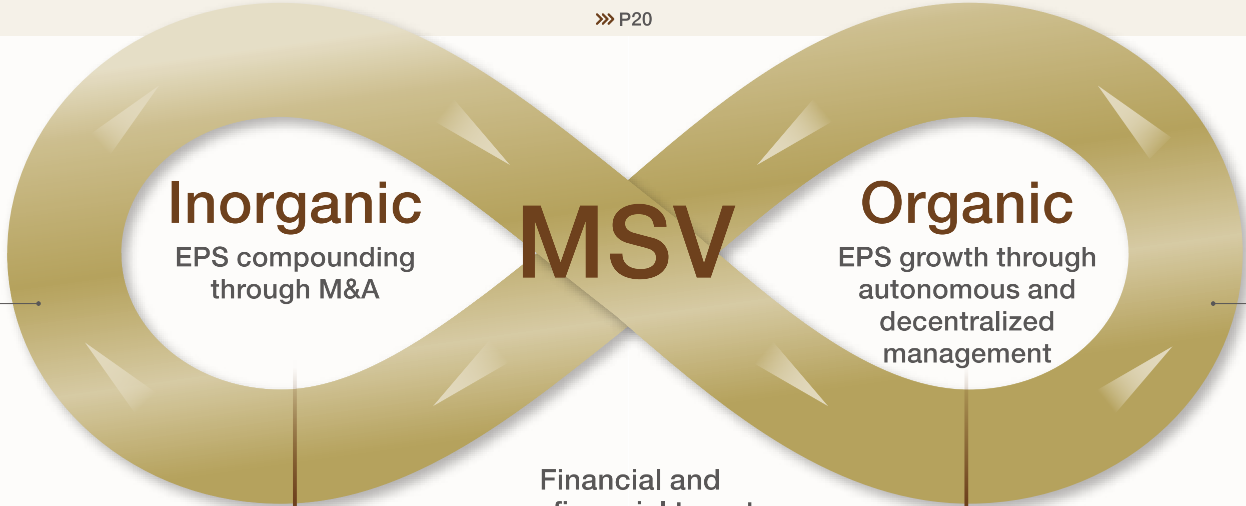
As Asset Assembler, striving to achieve MSV in the long term, not bound by a three-year timeframe

In April 2024, we revisited the advantage of our Asset Assembler model and unveiled a Medium-Term Strategy focused on sustainable EPS compounding across both organic and inorganic growth. For organic growth, based on our 2023 business portfolio, we are targeting a medium-term consolidated CAGR of 8-9% in revenue and 10-12% in EPS. For inorganic growth, we are focused on M&A that ensure safe and sustainable EPS compounding. By securing conviction from the capital markets towards our capacity and track record in EPS compounding, we aim to raise PER and thereby achieve MSV from a long-term perspective.

Asset Assembler model

››› P20

Accumulating excellent assets, including newly acquired brands, talent, and technology



Aggressively sharing and leveraging technologies, channels, sourcing, know-how, brands, etc., across the Group

Financial and non-financial targets

Acceleration of EPS compounding with active pursuit of M&A opportunities

Target companies can be of any region, business area, or size, provided they offer low risk and good returns

Carefully judging the balance between risk and valuation for M&A, allowing for stable EPS compounding

Consolidated medium-term CAGR assuming our 2023 business portfolio*

Revenue	HSD (c.+8-9%)
EPS	LDD (c.+10-12%)

Striving to unlock the full potential of our assets

* 2023 portfolio including the two India businesses (NPI and BNPA) and Alina (Kazakhstan)

By maintaining sustainable EPS compounding, we aim to gain conviction from the capital markets in our capacity and track record of compounding EPS, thereby serving to enhance PER

Medium-Term Strategy (Released in April 2024)

EPS compounding through organic growth

EPS compounding through market +α growth

For organic growth, we leverage the advantage of our autonomous and decentralized management, fostering autonomous growth of each asset through low-cost and strong cash generating ability, and the utilization of operating leverage. Simultaneously, we aim for EPS compounding through market +α growth by harnessing our Group's platform, creating synergies among assets and achieving breakthroughs.

Growth forecast by asset

			2020-2023 results		Medium-term forecast (in LCY)	
			Revenue CAGR (in LCY)	2023 OP margin (Tanshin)	Revenue CAGR	2026 OP margin*1 (vs 2023)
Japan Group			+7.5%	9.5%	+0–5%	↗
NIPSEA China	Segment total		+12.4%	12.5%	c. +10%	→
		TUC	+23.5%*2	—	+10–15%	—
		TUB	+0.5%*2	—	c. +5%	—
NIPSEA Except China	Segment total		+32.5%	17.4%	+15–20%	→
		Singapore Grp. Malaysia Grp. Thailand Grp.	+17.8%	—	+5–10%	→
		PT Nipsea (Indonesia)	+12.6%	32.9%	c. +10%	→
		Betek Boya (Türkiye)	+87.3%	10.9%	c. +10%	(→)*3
		NPI/BNPA (India)	(For reference) +26.6%*4	(For reference) 4.7%*4	c. +10%	→
		Alina (Kazakhstan)	(For reference) +20.6%*4	(For reference) 20.2%*4	c. +10%	→
DuluxGroup	DGL (Pacific)		+5.7%*5	12.8%	c. +5%	→
	DGL (Europe)		+12.4%*6	4.4%	+5–10%	↑
Dunn-Edwards (U.S.)			+2.5%	—	c. +5%	↗

*1 ↑: ≧+2%, ↗: +1–2%, →: −1–+1%, ↘: −1– −2%, ↓: ≦−2% *2 2020 figures are based on the former segmentation (DIY/Project)
*3 Subject to change due to the impact of hyperinflationary accounting
*4 The 2020-2023 results are unaudited pro forma figures. The 2023 OP margin (Tanshin) was calculated using the exchange rates of 1 INR=1.74 JPY and 1 KZT=0.31 JPY
*5 2020 figures include Craig & Rose and Maison Deco *6 Calculated using 2022-2023 figures

Market growth forecast by asset

		Market growth forecast*1 (2024-2026)	
		Volume basis	Value basis*2
Japan Group	Decorative	-1%	+1%
NIPSEA China	TUC	+3%	+1%
	TUB	+1%	+2%
NIPSEA Except China	Singapore Grp. Malaysia Grp. Thailand Grp.	Singapore +1% Malaysia +3% Thailand +2%	Singapore +1% Malaysia +5% Thailand +2%
	PT Nipsea (Indonesia)	+3%	+6%
	Betek Boya (Türkiye)	+1%	+7%
	NPI (India)	+6%	+4%
	Alina (Kazakhstan)	+3%	+4%
DuluxGroup	DGL (Pacific)	−+1%	+2–2.5%
	DGL (Europe)	±0–+1% (France)	+1–3% (France)
Dunn-Edwards (U.S.)		+2% (overall U.S.)	+5% (overall U.S.)

*1 Internal estimates
*2 Including the impact of volume changes

» P48 Our Strategy by Asset Presented by Co-President Wee
» For more information including the medium- to long-term growth strategy of each asset, please refer to the "Medium-Term Strategy" briefing presentation on our website.

EPS compounding through inorganic growth

Accumulating excellent assets that contribute to EPS accretion from Year 1

Regarding inorganic initiatives, we will leverage our advantage of lean headquarters to sustainably compound EPS through M&A endeavors targeting companies of any region, business area, or size, provided they offer low risk and good returns. By assessing the balance of risk and returns, we will pursue safe and sustainable EPS compounding that contribute to EPS accretion from Year 1 post-acquisition.

» P21 Competitive Advantage of Asset Assembler Model
» P47 M&A Strategy

Finance strategy aimed at accelerating EPS compounding » See page 44.
As Asset Assembler, pursue a finance strategy to drive EPS compounding

Sustainability initiatives that drive EPS and PER » See page 31.
Aim to achieve MSV by increasing the earnings and capital markets' expectations via sustainability activities

Our approach to maximizing PER » See page 29.
Elevate capital markets' expectations by effectively communicating our equity story as Asset Assembler

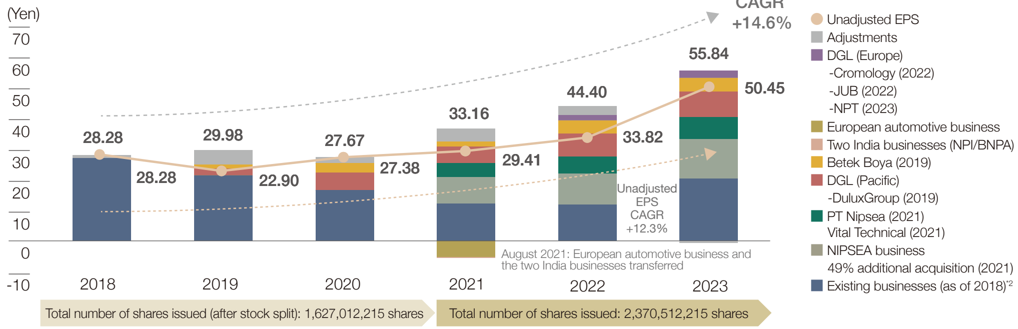
Medium-Term Strategy (Released in April 2024)

Our approach to compounding EPS

Successfully and substantially compounded EPS by driving organic and inorganic growth

Alongside the steady organic growth of existing assets, we pursue inorganic growth through safely and continuously compounding EPS by skillfully utilizing M&A, thereby achieving sustainable EPS compounding.

Adjusted EPS[*1] compounding



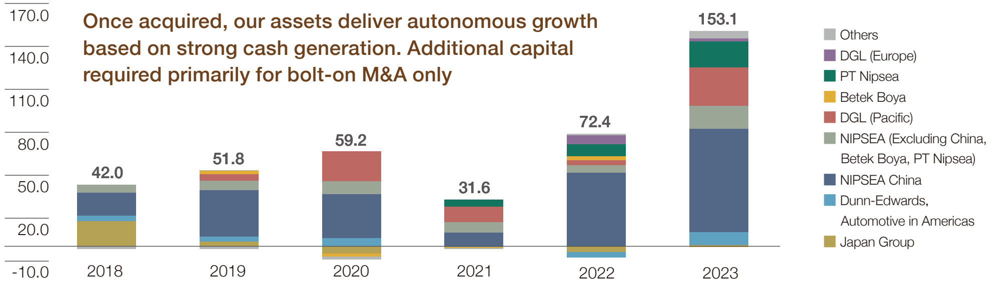
*1 Calculated using simple sum of earnings after excluding one-off factors with major impacts (impairment, M&A expenses, provisions, hyperinflationary accounting, etc.) and dividends received from the Group subsidiaries; for 2018-2020, calculated using the number of shares adjusted for the stock split conducted in 2021

*2 Japan Group, automotive in Americas, automotive in Asia, overseas marine, Dunn-Edwards, European automotive business, NIPSEA business (51% ownership)

Each of our assets has strong cash flow generation capabilities, characterized by high margins and low capex requirements

Each asset features low capex requirements, along with business model and earnings power largely unaffected by market turbulence. They are working on expanding market share while stably generating cash flows.

Cash flow[*3] generation



*3 Calculated as simple sum of Operating CF (excl. dividend income from Group subsidiaries) – CAPEX (excl. M&A and lease expenses)

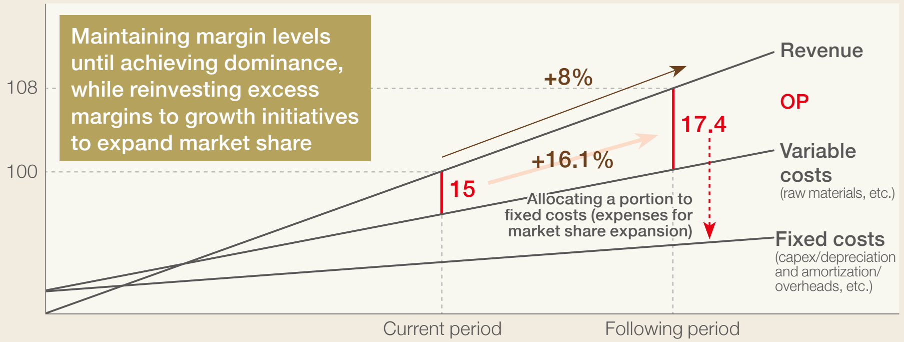
Illustrative operating leverage model

The paint business, characterized by its relatively low requirements for fixed costs including capital expenditures, typically facilitates the generation of leverage effects. This enables us to achieve operating profit growth that surpasses revenue growth. However, these effects can vary across different regions and business segments. In a standard model (see the illustration below), variable costs account for approximately 50% of revenue, while fixed costs constitute around 35%, leading to an operating profit margin of 15%. Under normal conditions, increases in fixed costs and capital expenditures are outpaced by revenue growth. Consequently, an 8% growth in revenue can result in a 16% increase in operating profit.

While operating under this illustrative model, we aim to strategically reinvest our excess margins into growth-oriented initiatives, such as advertising and sales incentives, maintaining our operating profit margin levels. This strategy remains vital until we reach market dominance, which we define as securing a market share of approximately 50-60%; we will emphasize growth-focused investments during this phase. Furthermore, depending on the competitive landscape, additional investments might still be needed even after achieving market dominance.

We have established financial guidance aiming for a medium-term consolidated CAGR of 8-9% in revenue and 10-12% in EPS, factoring in the considerable effects of operating leverage. However, we remain committed to continuing our growth-focused investments towards achieving MSV from a long-term perspective.

Our illustrative model



	Current period		Following period
Revenue	100	+8%	108
Variable costs (raw material and other variable costs)	-50	+8%	-54
Fixed costs			
Capex/depreciation and amortization	-3	±0%	-3
Overhead	-32	+5%	-33.6
OP	**15**	**+16.1%**	**17.4**
OP margin	**15%**	**+1pp**	**16%**

Our Finance Strategy Presented by Co-President Wakatsuki

Driving EPS compounding through our finance strategy

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

How Shareholder Value Is Maximized »See pages 3-4.

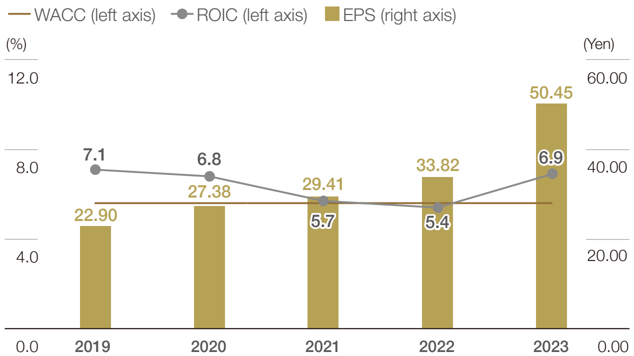
Our pursuit

Rigorous financial discipline — Debt leverage with market acceptance + Equity financing with EPS accretion

Our consolidated ROIC performance

In 2023, our consolidated Return on Invested Capital (ROIC) reached 6.9%, reflecting a 1.5 pp increase compared to 2022. This improvement is primarily attributed to: (1) limited increment in goodwill absent large-scale M&A activities in 2023, (2) accelerated compounding of EPS within our existing businesses, and (3) improved Cash

WACC/Consolidated ROIC/EPS



* ROIC (IFRS): After-tax operating profit / (net debt + total equity)

Conversion Cycle (CCC), particularly in our China business. We estimate our Weighted Average Cost of Capital (WACC) to be around 6%.

Over the past five years, while EPS has steadily increased, ROIC has remained static in the range of 5-7%. This stability is largely due to the posting of goodwill associated with our M&A activities.We consider this to be inevitable for a company that places M&A as a pillar of its growth strategy.

Our approach to ROIC

We have noticed increased interest from our investors concerning our approach to ROIC. To address this, I would like to clarify our basis by answering the following questions.

Q1 Are we acquiring companies with high capital efficiency?

Our strength as Asset Assembler lies in our ability to consistently make safe acquisitions. While our goal is to maximize long-term and sustainable EPS through these acquisitions, we believe that a strategy overly focused on improving ROIC does not optimally utilize our platform nor align with our overall strategy. I would like to emphasize that the companies we acquire (1) operate their businesses with high capital efficiency relative to the invested capital, such as working capital and capital expenditure, and (2) generally present low business risks and high safety due to their stable business models, strong brand power, and quality management teams.

Please refer to the chart labeled "ROIC of major acquired assets" on the following page. Since we are allocating capital entrusted to us by investors for acquisitions, our standard procedure is to examine the respective ROIC of each acquisition. Our goal is to achieve an ROIC that surpasses the WACC within a few years post-acquisition. Indeed, the

Our Finance Strategy Presented by Co-President Wakatsuki

major five companies we acquired since 2019 have either already seen their ROIC exceed the WACC or are on a steady path towards this goal, with all demonstrating year-on-year improvements in their ROIC. For your reference, observing the evolution of individual companies' ROIC excluding goodwill shows that these companies already had relatively high ROIC immediately after their acquisition, specifically in Year 1 or Year 2 post-acquisition.

There is a common perception that companies actively engaged in M&A carry significant risk. However, a unique characteristic of our business is its high efficiency: we generate cash and profits locally, and our capex requirements are relatively low. As we consistently acquire such safe companies our Group, even with the inclusion of goodwill in our consolidated accounts, can be confidently described as a collection of very low-risk assets.

Q2 How should we interpret your strategy for returning value to shareholders? Are there any plans to enhance shareholder payouts?

During our dialogues with investors, some have expressed a desire for double-digit expected growth rates. We note that our business domain generates substantial cash flow that can be deployed towards share repurchases, rather than undertaking M&A, which will consistently improve ROIC. Indeed high-ROIC paint manufacturers can demonstrate a scenario of achieving double-digit growth through a combination of single-digit organic EPS growth and share repurchases.

On the other hand, as outlined in our Medium-Term Strategy, we already have the potential for double-digit growth, with a medium-term consolidated CAGR target of 10-12% organic growth in EPS without any repurchases. The substantial cash flow generated is primarily allocated towards M&A that contribute to the maximization of long-term EPS. We aim for robust growth with 10-12% organic EPS growth, plus additional upside through M&A contributing to EPS from Year 1 post-acquisition.

Based on this strategy, our approach to returns is twofold: (1) to expand the basis of EPS growth through M&A rather than focusing on short-term shareholder returns, and (2) to reserve cash flows as dry powder (standby funds) for future M&A, even if this reduces leverage in the short term. While we have consistently acknowledged the potential for equity financing in acquisitions, we prioritize debt financing given the lower cost. In this context, short-term returns such as share repurchases could also create an opportunity loss by limiting our financing optionality for larger-scale acquisitions.

Within our Asset Assembler model, we do not set limitations on the business areas, regions, or scale of our M&A targets as long as they are low-risk and offer good returns. Given the abundance of safe targets that contribute to EPS, we believe our policy and strategy are justifiable. As we naturally consider ROIC as one of the key indicators, we are dedicated to achieving organic profit growth and shortening CCC. However, we believe it is not appropriate to rely solely on consolidated ROIC to evaluate the potential of our Company.

ROIC of major acquired assets*

	2019	2020	2021	2022	2023
DuluxGroup (Pacific)	-	3.6%	4.2%	5.6%	5.8%
Betek Boya	-	9.4%	11.8%	8.1%	12.6%
PT Nipsea	-	-	3.7%	5.3%	6.5%
Cromology	-	-	-	2.6%	3.1%
JUB	-	-	-	-	5.9%

* ROIC (IFRS): after-tax operating profit (after PPA amortization of intangible assets) / acquisition cost (including transfer consideration and subsequent capital increase, etc.), converted into Japanese yen using actual exchange rates
* The ROIC calculation for DuluxGroup (Pacific), Betek Boya, and JUB excludes Year 1 as these companies were acquired during the fiscal year.
* The ROIC for DuluxGroup (Pacific) is calculated by subtracting Cromology and JUB from DuluxGroup's consolidated figures. The 2022 figures exclude expenses related to the acquisition of Cromology and JUB, as well as expenses related to other small-scale acquisitions.
* The ROIC for Betek Boya is calculated using the statutory effective tax rate for 2022 and 2023, as the tax rates were at abnormal levels due to the application of hyperinflationary accounting and other factors.

For reference: ROIC of major acquired assets (excluding goodwill)*

	2019	2020	2021	2022	2023
DuluxGroup (Pacific)	-	9.7%	10.5%	12.6%	12.9%
Betek Boya	-	16.8%	21.1%	14.5%	22.5%
PT Nipsea	-	-	13.8%	19.5%	24.1%
Cromology	-	-	-	6.9%	7.8%
JUB	-	-	-	-	8.4%

* ROIC (IFRS): after-tax operating profit (after PPA amortization of intangible assets) / acquisition cost (excluding goodwill but including transfer consideration and subsequent capital increase, etc.), converted into Japanese yen using actual exchange rates
* The ROIC calculation for DuluxGroup (Pacific), Betek Boya, and JUB excludes Year 1 as these companies were acquired during the fiscal year.
* None of these companies incurred any acquisition-related costs in Year 1.
* The ROIC for DuluxGroup (Pacific) is calculated by subtracting Cromology and JUB from DuluxGroup's consolidated figures. The 2022 figures exclude expenses related to the acquisition of Cromology and JUB, as well as expenses related to other small-scale acquisitions.
* For the ROIC calculation of Betek Boya, the goodwill excluded from the denominator does not reflect the effects of hyperinflationary accounting. The statutory effective tax rate is used for the 2022 and 2023 calculations, as the tax rates were at abnormal levels due to the application of hyperinflationary accounting and other factors.

Our Finance Strategy Presented by Co-President Wakatsuki

Our financial discipline

Our financial discipline focuses on prioritizing debt financing while preserving leverage capacity to maintain access to low-cost funding. Recognizing the crucial importance of fostering a clear understanding of our Company's risk profile among financial institutions and rating agencies, we are facilitating active dialogue with these entities and enhancing our disclosure materials.

Financial discipline

1. Prioritize debt financing
2. Maintain the leverage capacity and promote engagement with financial institutions
3. Equity financing remains an option assuming EPS accretive

Balance sheet management

KPI: CCC, CF, Net Debt/EBITDA, ROIC, etc.

Balance sheet management

In terms of balance sheet management, we have established CCC as one of the key performance indicators. Each partner company is working to shorten CCC by reviewing transaction terms within each region and business. As a result, we saw a considerable improvement in our CCC in 2023, particularly within our Asian operations, notably in China. While our fixed assets (tangible and intangible assets, goodwill) have increased primarily due to our M&A activities, we have been proactively monitoring these assets with an emphasis on efficiency and profitability. Our marine business within Japan Group, for one, has undergone structural reforms. Regarding goodwill, we strive to minimize impairment risks by selecting cash-generating target businesses, ensuring smooth post-merger integration (PMI) through our autonomous and decentralized management approach, and consistently pursuing high-quality M&A at reasonable valuations.

Regarding our financial leverage, in 2023, we saw a significant rise in cash generation, driven by revenue growth and an improved CCC. As a result, our net debt/EBITDA ratio decreased to 2.2 times by the end of the year (see the chart below). Our debt financing is primarily denominated in yen, and as of the end of 2023, we have achieved a highly stable debt composition, with an average duration of 3.5 years and a pre-tax average interest rate of 0.4%. Moving forward, while retaining adequate debt capacity to seize new opportunities, we will strive for an optimal capital structure and work towards fostering trust and creditworthiness with financial institutions and rating agencies.

Capital allocation

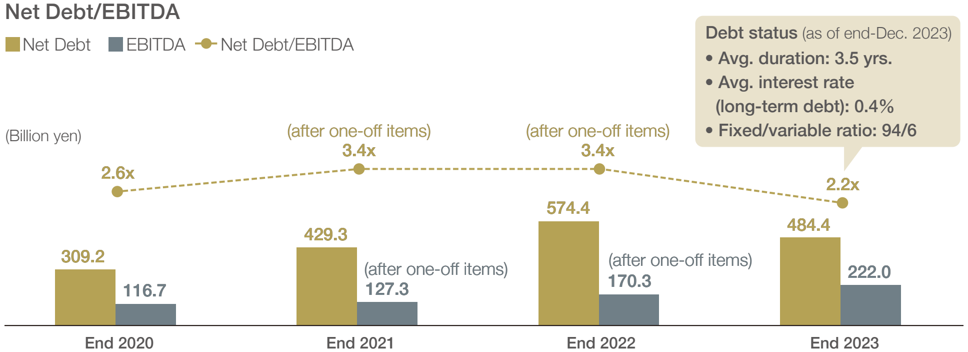
Our capital policy prioritizes growth-oriented investments while maintaining financial discipline, with the primary objective of sustainable and long-term maximization of EPS, ultimately leading to the maximization of PER (see the diagram below).

We deploy capital expenditures aimed at securing future sustainable growth noting the burden of capital investment is relatively small, accounting for only approximately 3% of revenue, mostly in maintenance capex. We maintain a disciplined approach to new investment initiatives aimed at enhancing production capacity, reinforcing digital transformation (DX), and advancing research and development across all regions and business segments. Consequently, M&A remains our most capital-intensive investment. In line with our Asset Assembler model, we will continue to focus on accumulating high-quality, low-risk M&A at reasonable valuations. Our current dividend policy aims to maintain steady payments with a target payout ratio of 30%, considering overall business performance and investment opportunities.

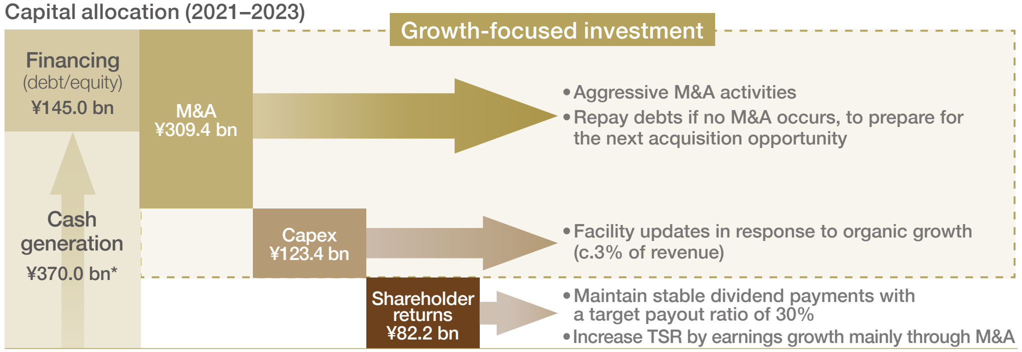
Reflecting on the three-year period from 2021 to 2023, we generated approximately JPY370 billion in operating cash flow, while allocating approximately JPY120 billion to capital investments, approximately JPY80 billion to dividends, and more than JPY300 billion to M&A activities. Although our net debt increased, we also experienced a rise in EBITDA. Given the nature of our businesses, we remain in a safe zone for debt leverage.

Regarding share buybacks, despite our dissatisfaction with the current stock price as of the end of July 2024, they are not under consideration at this point in time. We believe that utilizing our valuable capital for safe M&A activities will contribute more to the sustainable compounding of EPS in the future than allocating it to the purchase of our own shares. However, we remain flexible and will continue to assess market trends, keeping all options open for the future.

Net Debt/EBITDA



Capital allocation (2021–2023)

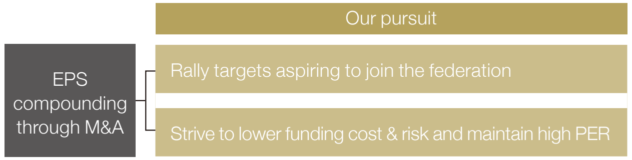


* Operating cash flow (on a continuing operations basis)

M&A Strategy

By leveraging the competitive advantage of our Asset Assembler model, we actively seek M&A opportunities to further accelerate the growth and compounding of EPS.

How Shareholder Value Is Maximized »» See pages 3-4.



No limitations on M&A target areas, regions, or scale

We believe, by leveraging the competitive advantage of our Asset Assembler model, we should be able to compound EPS with limited risk, without setting limitations on the business areas, regions, or scale of our M&A targets. To date, our M&A activities have been primarily focused on acquiring decorative paints companies. However, our strategic considerations are not confined to the paints and adjacencies arena. We remain open to every opportunity that promises to contribute to MSV.

»» P20 Asset Assembler Model

Rigorous acquisition criteria that minimize risk

When selecting M&A targets, our sole criterion is whether they contribute to MSV. We specifically focus on companies that: 1) present low-risk and good returns, 2) have an excellent management team, and 3) generate good cash flows.

Essentially, our acquisitions are centered around what we term "good companies." We place considerable emphasis on financial discipline, particularly ensuring that a newly acquired company contributes to EPS accretion from Year 1. This reflects our meticulous approach to pursuing low-risk M&A. Moreover, our Co-Presidents and Directors, who have extensive experience in M&A, leverage their discernment abilities to assess the appeal of acquisition targets and the competency of their CEOs. This approach allows us to unlock the growth potential in partner companies through our autonomous and decentralized management.

»» For more information about our M&A process, please refer to the "M&A Strategy" section on our website.

Fostering high growth in acquired companies through autonomous and decentralized management

The decorative paints market is characterized as local production for local consumption, with diverse business models across different countries and market segments. To address this, we implement an autonomous and decentralized management approach. By delegating authority and accountability to excellent local management teams, we facilitate swift local decision-making.

The strength of our platform rests on the collaborative efforts of our colleagues, united by a shared goal of achieving MSV. They assist each other across borders when needed and proactively share growth strategies for both mature and emerging markets. Additionally, they exchange expertise from existing and new businesses among partner companies. This approach is not imposed by the headquarters; instead, each partner company has the autonomy to choose its path. This collaborative and flexible approach fuels synergistic growth across our portfolio, benefiting both our existing businesses and the companies we acquire.

»» P23 Our Platform That Underpins Autonomous and Decentralized Management

New M&A opportunities brought about by Asset Assembler model

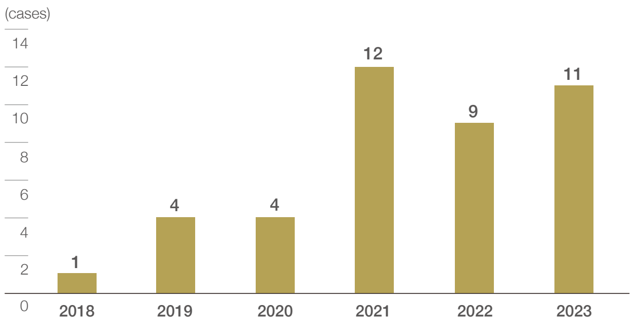
Unlike the cost-cutting approach typically seen in Western companies, our approach has been generating new opportunities thanks to our proven track record and solid reputation. We have observed a growing interest from growth-focused local CEOs in joining our Group, as this allows them to fully demonstrate their management skills. Additionally, our commitment to respecting the legacy, brand, and leadership of target companies—especially private ones—appeals to asset owners who have a strong attachment to their companies and are seeking a seamless transition to the next generation.

Rigorous acquisition criteria

Acquisition targets

- Companies that present low-risk and good returns
- Companies led by excellent management teams
- EPS accretive from Year 1

M&A* transactions



* Including small-scale business acquisitions (undisclosed) across different regions and business segments

Growth since joining our Group

	2019-2023		
	CAGR of revenue	CAGR of operating profit	Market share
DuluxGroup (Pacific)	+13.3%	+15.7%	48% → 50%
Betek Boya	+27.1%	+25.5%	27% → 35%
PT Nipsea*	+26.2%	+25.2%	17% → 19%

* The comparison of PT Nipsea covers the period from 2020 to 2023

Our Strategy by Asset Presented by Co-President Wee

NIPSEA Group:
Navigating headwinds to seek out opportunities for growth

With delivery of the Medium-Term Plan (FY2021-2023) (MTP) commitments, it is worthwhile reflecting on what we had gone through and where we could have done better. In our previous MTP, our Group encountered three significant challenges that affected the operating landscape that were not fully anticipated when we crafted the plan: a prolonged pandemic and its aftermath on supply chains; China's property market crisis and its knock-on effects on market sentiments; and the hyper-inflationary conditions and economic distress in several of our markets.

The pronounced effects of the pandemic delayed recoveries in several markets. Operationally, challenges in the supply chain arose from parts and material shortages, coupled with the difficulties of logistically moving goods. Rising costs of material and energy inputs impacted performance. Kudos to all our colleagues. It is only through their collective and concerted effort that we mitigated the consequences on our customers and the Group.

China's property market woes deepened and stretched out to an extent that was unprecedented. This coincided for long periods with the country's Zero-COVID policy. In China, our colleagues not only persevered through the constraints of the Zero-COVID policy and kept our operations going, but they also orchestrated a strategic shift. We broadened our customer base in the traditional TUB Business (Trade Use Business: business transactions direct to Project customers and main contractors, etc.; B2B business) to regional developers, constructors and contractors. Beyond the residential new build segment, Nippon Paint China developed a slew of product offerings that targeted specific applications like clean rooms, factories, hospitals, schools, etc. As we began to look at widening our addressable market, our TUB colleagues leveraged on the footprint of fellow TUC colleagues to serve smaller, rural customers. Additionally, the TUC business (Trade Use Consumer: business to consumers, DIY business, sales via dealers/distributors and e-commerce to end consumers, etc.; B2C business) ramped up resources to penetrate the smaller Tier 3-6 cities. To succeed in these 4,000 smaller cities in China, different products were developed and distributed and more of our talent base was redeployed to these new growth areas. Although it is still early days, the higher sales growth in Tier 3-6 cities over the past two years gave us confidence that we are heading in the right direction.

As we ventured out of the big metropolitan areas, the sales and marketing strategies were supported by a supply chain initiative with outreach to many regional paint and putty manufacturers as partners to complement our own regional factory networks. Through partnerships with these manufacturers, we were able to expand our product sales under our brand at a faster pace and scale, broadening our access to remote markets. In many instances, the strong NIPPON PAINT brand coupled with the attributes of a larger global group were highly attractive to our partners. Last year, our call for partnerships was met with positive responses from 60 companies and we are working hard to bring into the fold many more in 2024.

As the number of new residential apartments will drop in the foreseeable future, we hope to stimulate the renovation and repainting demand with our "Color Strategy." We kicked off with extensive advertising and promotional campaigns for Magic Paint, our innovative new

Our Strategy by Asset Presented by Co-President Wee

product that combines exceptional design and texture finishes with environmentally friendly features. For our customers to have easy access to the thousands of colors on offer, Computerized Color Matching (CCM) machines were rapidly installed. By the end of 2023, we had installed approximately 19,000 CCM machines across China.

>>> P54 China Business Strategy

The last three years have been a baptism of fire for the Group as we faced unprecedented hyper-inflationary and economic distress conditions. Whilst we endured the financial impact of hyper-inflationary accounting, our Betek Boya colleagues in Türkiye focused on basic operating discipline, launching new products, and continuing to invest in the market, gaining five percentage points of market share along the way. With an eye on the future, productive capacities were increased both in Türkiye, and in Betek Boya's subsidiary in Egypt. With our recent acquisition in Kazakhstan, Alina, the leading manufacturer of paint and dry-mix mortar joining the Group, Betek Boya is well poised to look at Central Asia as an exciting growth area.

>>> P25 Harnessing Our Platform for Group Collaboration: The Betek Boya Success Story

In August 2021, we strategically chose to divest our India businesses to Wuthelam Group, our majority shareholder, with the aim of enabling these businesses to undertake an aggressive growth path. This decision stemmed from our recognition that such an aspiration to surge in a rapidly growing market and close the gap with the market leaders in two regional but sizable Indian markets would require bold and substantial investments that, as a Group, we deemed highly uncertain and risky at that time. Since then, our Indian colleagues did accomplish significant strides in gaining market shares and achieved sustainable profitability. To a large extent, one could say that the initiatives in India post divestment paid off, creating a brighter pathway to more robust and profitable growth prospects. As a result, we decided to exercise the option to repurchase these businesses in August 2023.

Our Indonesian operations also merit a mention. It is one entity that has attracted attention with its consistently higher profitability. However, what is exciting is that our Indonesian colleagues have set about reinventing themselves with new products that are reputedly best in class and penetrated into new segments. The seeds planted ought to signal stronger growth prospects for the Group in the coming years.

>>> P51 Indonesia Business Strategy

Japan Group: Creating an enhanced "profit-making platform" through organizational reforms and functional unification

A voluntary early retirement program, Next Career Plan (NCP), was introduced in 2022. NCP was among the most challenging and heartfelt initiative undertaken. Designed to ensure fair treatment for employees through special early retirement packages and job placement services for their subsequent careers, it was at times quite traumatic for the organization as we saw some of our long serving colleagues depart.

Recovering from NCP, at the very first Japan Group's General Management Meeting, leaders embraced a rallying call for "One NIPPE." Since the *bunshaka* restructuring in 2015, which divided the organization along focused business lines—Automotive, Decorative, Industrial, Marine, and Surface Treatment—Japan Group has accelerated reforms within each partner company. Acceptance of this new unifying approach recognizes that we must find a way to retain the benefits of *bunshaka* restructuring while addressing structural impediments to operating as one cohesive unit. It was about how to have our cake and eat it. Striking a new balance would likely introduce significant risks that necessitate pragmatic approaches to bring our people together along the journey.

One clear intent was to motivate an open collaborative ethos among all staff in Japan. A firm believer that leaders must demonstrate by example, our leaders were persuaded to wear multiple hats and actively exemplify this principle of oneness. With double hatting in both a partner company role as well as a pan-Japan Group role, senior management constantly grapple with the trade-offs between business units and the group, and among different business units. Over time, a new working attitude will evolve. Even today, we see some of our cohort of managers and staff starting to embrace this desired working mindset and feel encouraged enough to look beyond narrowly defined boundaries of roles and organizations, daring to think in terms of enlarged common value creation.

In addition to these efforts, the journey of our Marine Coatings reassured us that a phased pathway toward financial health and growth can work in Japan. In the first phase, we refreshed the management teams under the leadership of Takeshi Shiotani from our Industrial Coatings entity. As President of both Marine and Industrial Coatings, he could draw upon the resources and strengths of both. Additionally, Mr. Shiotani personally led the efforts to return to profitability in Japan while deputizing Gladys Goh to address the revamp of the international associates. Phase 1 of rescue and resuscitation ended in December 2023 with all units in Marine Coatings regaining profitability, thereby triggering Phase 2 in which Ms. Gladys took the reins to invigorate growth and expansion.

Building on the experience gained in restructuring Marine Coatings, especially in customer and segment profitability, Mr. Shiotani assumed the pan-Japan, cross-

Our Strategy by Asset Presented by Co-President Wee

organizational role of Chief Commercial Officer (CCO). The success he wrought in energizing sales focus and profitability in a stagnant Japan marine arena is now expected to be replicated across our Japan industry, starting next in the automotive and decorative areas.

A pragmatic tailored approach had been the guiding principle when we approached the objective of creating an enhanced "profit-making platform." Take, for example, the auto segment in Japan. The emphasis in the initial phase was on the technical division as we assessed that we had fallen behind technologically and needed to have the technical leadership pull together and deploy valuable resources to specific future projects that would reset the competitive field. The NIPSEA CTO (Chief Technology Officer) who has an automotive background doubled up as the Global Auto CTO so that we can leverage resources from outside of Japan. It is only when key technical projects are well underway that we set about initiating sales force reforms spearheaded by the CCO.

There is no one solution fits all mentality. The key is pragmatism. In late 2023, there was another step up in cross-Japan Group collaboration as the so-called Jupiter and Gemini task forces were set up to target the electric mobility and 3C markets with a combined array of product offerings drawn from different partner companies. What is encouraging is the enhanced communication and rapport between task force members from different entities who are approaching key customers as one unified team.

Many experiments are underway. The common thread is to encourage collaboration, and break silos with a view to growing the business and making money.

These management reshuffles and shifts in employee mindset have yielded some initial successes. There is still a long way to go.

›› P59 Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Automotive business: Nurturing global collaboration with customer centricity

Collectively, the automotive segment in Nippon Paint Group is the second largest segment after decorative paints. However, in 2021, our Automotive business faced numerous challenges, including tougher competition, operating losses in several markets, bloated cost structures and glaring technical deficiencies. At that time, the automotive segment in the Group functioned as disparate entities divided by region——Japan, NIPSEA Group, Europe, and the Americas——where the primary link was that the majority of customers were Japanese OEMs. This balkanized set-up posed significant challenges for our Group, hampering our ability to present compelling sales propositions to many customers. The lack of a common purpose and direction meant that we were rather dysfunctional in technology and talent developments.

The first order of the day was to swiftly marshal the technological resources of Japan Group and NIPSEA and redirect focus on a limited portfolio of key projects. Leveraging the key strengths of our Japanese colleagues with the Japanese auto OEMs, they undertook global responsibilities for product development and support for Japanese auto OEMs. NIPSEA and our European colleagues took on the responsibilities for European and Chinese auto OEMs. While this is a broad bifurcation by customer focus, by having a CTO that straddles both the Japan segment and NIPSEA meant that emerging technologies could be shared and offered to different auto OEMs, irrespective of their country of origin. Anecdotally, there are pockets of progress. Hopefully in 2024, we achieve some substantial customer wins in the main programs. Winning is the only acid test of progress.

For the automotive business in the Americas, the focus was on integrating separate operations in the United States, Mexico and Brazil and building bridges so that our American and Mexican colleagues work as part of a more extensive Nippon Paint Group Automotive segment. At this point in time, all the auto units in the Americas have regained profitability and our US colleagues are playing key roles in the emerging film segment, as well as pulling their weight in the automotive parts arena with their intimate relationships with the global-tier parts manufacturers.

We believe that we have started pulling together the automotive business entities into a unified group not a moment too soon. As Chinese automakers set their sights on the export markets especially with their competitive electric vehicles (EVs), Nippon Paint Group Automotive with our global footprint and intimate knowledge of the Chinese auto OEMs are well placed to try to grow globally with these customers and eco-system partners. Internally, we are organized in a way that incentivizes our Chinese colleagues to ensure that we gain globally by assisting overseas Nippon Paint auto colleagues.

As all our key customers are global, we have customer-focused global key account managers (GKAMs) and local key account managers (LKAMs) to ensure that we meet the current and future expectations of our key OEM auto and auto parts manufacturers. This set up is new and we have much to learn. This enhanced customer-centric approach, we hope, will serve us well and make us the main partner of choice.

In summary, even in the face of market upheavals and input cost challenges, delivery of the last MTP commitments spoke volumes of the tenacity and ingenuity of our people. We embarked on many transformations and went about turning around loss-making businesses and units. With some positive experiences and eagerly awaiting the seeds planted to flourish, we look forward with confidence as we embark on the task at hand of delivering the Medium-Term Strategy.

Asset Strategy Aimed at Compounding Sustainable EPS (1)

PT Nipsea Paint and Chemicals (Indonesia)
Tay Lim Heng
President Director

How Shareholder Value Is Maximized

See pages 3-4.

Maximization of EPS

Improve market share and profitability

Indonesia business strategy

Business environment

Growth drivers
1. Brand 2. Distribution channel
3. Human resources

Market growth forecast (2024-2026)
Decorative:
Volume basis: +3% / Value basis: +6%

Our medium-term forecast (in LCY)
Revenue CAGR: c.+10%
2026 OP margin: c.32.9% (2023 results)

Indonesia Business Strategy

—Solidifying No. 1 position in the decorative market by strengthening brands, distribution channels, and human resources

Navigating the decorative paints landscape

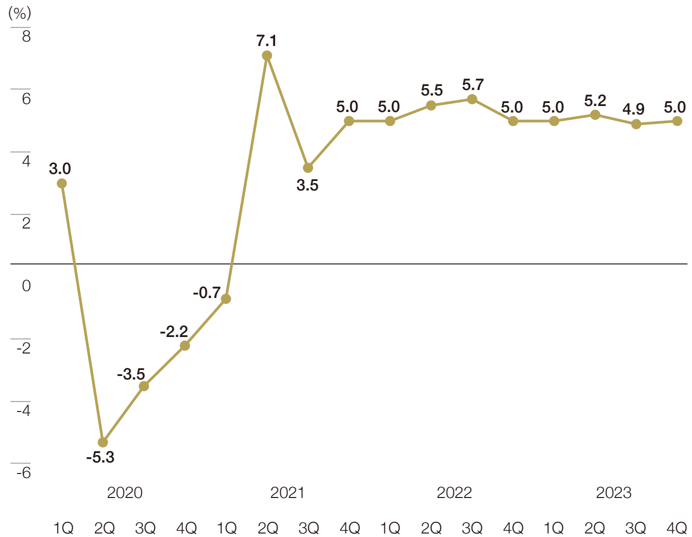
Amidst the global slowdown of 2023, the Indonesian economy grew relatively strongly at 5.05%, and the middle class in Indonesia has been growing faster than other groups; according to World Bank Data, there are now at least 52 million economically secure Indonesians or one Indonesian in every five. The market is expected to see continued growth fueled by government infrastructure and construction projects, specifically investment given the ongoing national strategic projects (PSN), including the new capital city (IKN) development.

The economy segment is highly competitive, with local and international players vying for market share. Price sensitivity is a key factor for this segment and PT Nipsea holds a strong position by leveraging our extensive distribution network and brand recognition. We cater to budget-conscious consumers by introducing economy lines alongside our core mid-tier offerings and product guarantee, ensuring affordability without compromising on quality.

On the other hand, the premium segment is experiencing growth due to rising disposable incomes. Here, consumers seek superior aesthetics, functionality, and eco-friendly benefits. Established international brands and local players with strong brand recognition hold sway in this segment. We differentiate ourselves by capitalizing on our global reputation for innovation to introduce premium lines with best-in-class features, as a reputable, trusted Japanese brand and exceptional customer service to stand out in this competitive landscape.

By strategically catering to the entire spectrum—economy, mid-tier, and premium—PT Nipsea is well-positioned to maintain Indonesia market leadership. Our differentiated product offerings and targeted brand positioning ensure we capture the full potential of this exciting market.

Indonesia GDP growth rate



Indonesia Business Strategy

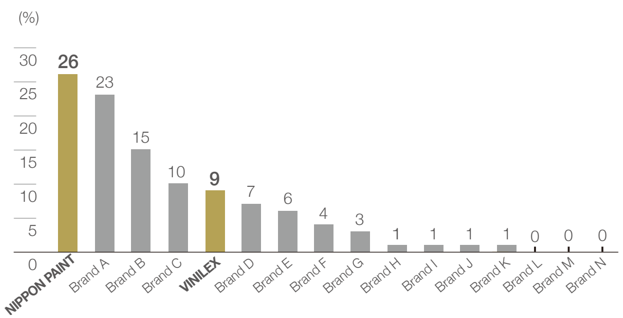
EPS compounding strategy that leverages growth drivers

Holistic branding

PT Nipsea has established a strong brand presence in Indonesia since 1969, and our brand awareness has gained a Top of Mind score of 26% in the latest Nielsen Brand Health Check, solidifying our leadership position. We offer comprehensive paint solutions, from budget-friendly options to innovative premium lines.

Our multifaceted marketing strategy builds loyalty across the entire value chain: (1) We empower our exclusive dealers through training initiatives, marketing collaborations, and sales incentives, enabling them to recommend our products effectively. (2) We offer training programs for painters, equipping them with product knowledge for our entire range and promotional tools to effectively market their services, thus ensuring superior application quality and reinforcing brand value. (3) We engage homeowners through targeted advertising campaigns across various media channels to establish Top of Mind awareness. Additionally, sales promotions and loyalty programs further incentivize purchase and strengthen brand affinity. This holistic approach solidifies our leadership position.

Top of Mind rating



Source: 2023 Nielsen Indonesia Brand Health Check- H1 2023 (4,940 homeowners, 52 cities)

Dominating the economy segment

PT Nipsea dominates the economy segment with a strategic approach that leverages our strong brand heritage. We understand budget is key, so we offer economy lines alongside core offerings. This ensures budget-friendly options to consumers without sacrificing quality—a promise reinforced by our #1 Top of Mind score. Our extensive distribution network guarantees product accessibility across Indonesia, eliminating the need for consumers to seek alternatives. We collaborate with local dealers, leveraging their market knowledge and established business partners. Exclusive programs, product rebates, bundled packages and sales incentives empower our dealers to confidently endorse PT Nipsea's value lines to their customers. We also utilize targeted promotions, like discounts and product guarantees, to further incentivize purchase for cost-conscious consumers. This approach not only drives sales but also reinforces the value proposition of our economy product lines.

By combining brand strength, accessibility, business partnerships, targeted promotions, and product guarantees, this multi-pronged strategy ensures we deliver a compelling value proposition that resonates with budget-conscious consumers across the country.

Vinilex series

Leading the premium segment

Capitalizing on our #1 ranking and global reputation, we offer premium lines that provide best-in-class formulations (superior hiding power, vibrant colors, smoothness, minimum spattering, and eco-friendly), surpassing our stakeholders' expectations. Our targeted marketing campaigns demonstrate the transformative power of our premium paints. These campaigns utilize high-end media channels and feature inspiring design projects to position our products as the key to achieving a dream living space. We also understand the influence of KOLs (Key Opinion Leaders) and designers in the premium segment. By forging partnerships with these influencers and professionals, we leverage their expertise to position Nippon Paint as the premium choice for high-end projects. This not only increases brand visibility but also reinforces the trust and value proposition associated with our premium lines. Understanding the distinct journey of the premium customers, we provide unparalleled customer service that extends beyond the point of purchase. This includes personalized consultations, color and product expertise, and readily available after-sales support. This holistic approach ensures a premium experience that matches the caliber of our products.

Four designers for Ramadan Color Trend Campaign

Indonesia Business Strategy

Dominant distribution edge

PT Nipsea's six strategic pillars

1. Expand distribution points across Indonesia
2. Drive stronger distribution of CCM machines and increase product penetration in all segments
3. Develop new channel through business partners
4. Key account management for high revenue dealers
5. Nippe Star Outlets for business partners catering to the specific refinishing and painting needs of the automotive industry
6. Pylox Star Outlet for business partners catering to smaller, localized markets and specific spray paint customer segments

By harnessing our brand's strengths that align with our strategic pillars outlined above, PT Nipsea aims to drive growth of the Indonesia business. Our dominant distribution edge hinges on a two-pronged approach: extensive reach and strategic partnerships. We're expanding distribution points nationwide, ensuring product accessibility. Furthermore, we prioritize computerized color matching (CCM) machine deployment and deeper penetration across all segments. To complement this, we cultivate partnerships with new business partners, empowering them to offer our full range—color-matching options included—to their customers. This comprehensive strategy positions PT Nipsea as the most accessible and versatile paint choice in Indonesia.

Revolutionizing color and product choices

PT Nipsea prioritizes CCM as a key differentiator that offers major benefits for both value and premium customers. Budget-conscious consumers personalize colors within their economy line, while premium customers have access to a vast palette for creating unique designs. This strengthens our competitive edge, particularly in the premium segment, where customization is highly valued. For stores, implementing CCM opens up a wider range of possibilities, leading to higher sales and reducing the inventory cost, and having a CCM positions the store as a one-stop shop—a win-win for all.

CCM shop

Expanding our reach with business partners

Our business partners

We strategically select new business partners, drawing on the stellar track record of our existing distributors. These business partners gain access to our established brand reputation, comprehensive training programs, our selective product portfolio, and special technical services. This empowers them to deliver exceptional customer service and cater to diverse consumer needs, allowing them to replicate the success of our current network. By capitalizing on the expertise of proven partners, we seamlessly expand market reach and solidify our leadership position.

Robust human resource structure

PT Nipsea boasts a robust human resource structure with strengths evident at both the management and frontline levels.

Management powerhouse: Our leadership team brings a wealth of experience from diverse, competitive sectors. This diversity fosters innovative approaches. For instance, our LFG Awards winning projects: Leveraging Sales Promoters & Repurpose of Waste. These initiatives demonstrate their ability to leverage cross-sector expertise and drive impactful results. This talent pool also ensures a strong pipeline for future leadership, with potential successors already groomed and gaining experience for bigger roles in the near future.

Frontline excellence: Our frontline employees are the backbone of our customer experience. We invest heavily in their development, providing comprehensive training programs that equip them with in-depth product knowledge, application techniques, and exceptional customer service skills. This is further exemplified by initiatives to leverage our Sales Promoters to Product and Color Consultant. Through such programs, our frontline staff hone their capabilities and empower customers to make informed paint and color choices, fostering brand loyalty and trust.

By building a dynamic leadership team with diverse industry backgrounds and investing in the continuous development of our frontline workforce, PT Nipsea ensures a high-performing human resource engine that propels our success in the Indonesian coatings market.

Asset Strategy Aimed at Compounding Sustainable EPS (2)

Nippon Paint China (NIPSEA China)
Eric Chung
CEO

How Shareholder Value Is Maximized
See pages 3-4.

Maximization of EPS

Improve market share and profitability

China business strategy

Business environment

Growth drivers
1. Brand 2. Distribution channel
3. Human resources

Market growth forecast (2024-2026)
TUC: Volume basis: +3% / Value basis: +1%
TUB: Volume basis: +1% / Value basis: +2%

Our medium-term forecast (in LCY)
Revenue CAGR...
TUC: +10-15% TUB: c.+5%
2026 OP margin (NIPSEA China): c.12.5% (2023 results)

China Business Strategy

— Establishing dominant No. 1 position by leveraging our brand strengths in various dimensions

Analysis of the decorative paints market landscape

Home renovation boosting TUC market

Real estate remains pivotal to China's economy. As restrictive policies ease, the real estate market is set to usher in a relaxed environment, leading to growing demand for aesthetic living spaces due to rising income. New growth areas are re-renovation, partial renovation, and home renovation. As of November 2023, China's housing stock, accounting for about 40% of home decoration, stands at 13.4 billion square meters, growing steadily at 5-6%. This expansion suggests a future increase in repainting demand.

Color and personalization fueling Tier 1-2 cities

As of 2023, 72.6% of China's home decoration consumers are located in economically prosperous Tier 1 and 2 cities. These areas, with high overall economic development and the post-90s and post-95s generations as key consumers, are seeing increased demand for color and personalization. The main competitors in Tier 1 and 2 cities are a major brand and several art paint brands. The major brand, known for its high visibility, targets young consumers through strategic marketing, while the art paint brands are focused on innovation and price competition to vie for market share.

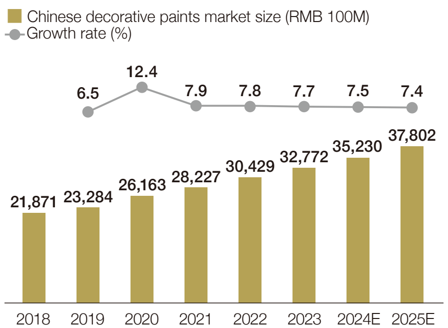
Great market share expansion potential in Tier 3-6 cities

As of 2023, around 27% of home improvement users are found in China's less economically developed Tier 3 to 6 cities, which consist largely of towns and counties. With increasing urbanization and rising per-capital consumption, these under-served areas, particularly Tier 5 and 6 cities, present significant growth potential. Our primary competitors in Tier 3 to 6 cities are a major paint manufacturer and small local ones. The major player invests heavily in aggressive sales promotion and store expansion. Local small players cater to local customers, offering competitive prices and fostering close relationships.

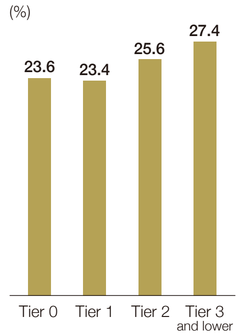
Distribution by tier (2024E)

Distribution by tier	Population (10,000 people)	GDP (RMB million)
Tier 1-2 cities	58,161 (42%)	459,216 (47%)
Tier 3-6 cities	61,942 (45%)	282,978 (29%)
Nationwide	138,034 (100%)	974,975 (100%)

Chinese decorative paints market growth



Breakdown of users by tier



Source: iResearch 2023 China Home Decoration New Trend Insight Report

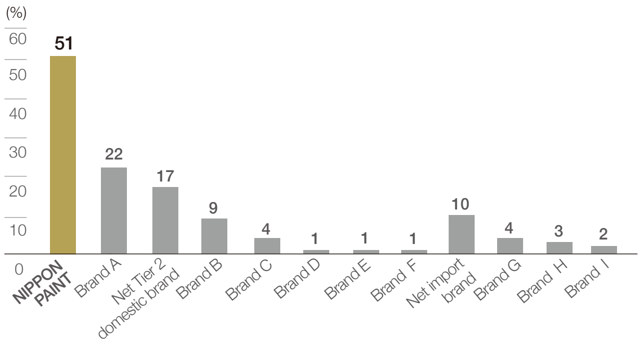
China Business Strategy

EPS compounding strategy that leverages growth drivers

Leveraging top-of-mind brands and training painters

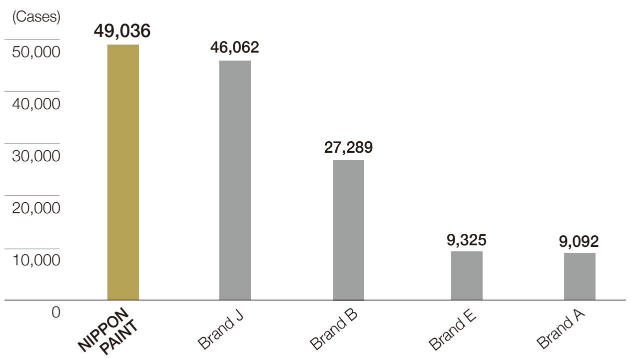
Nippon Paint China entered the Chinese market in 1992 and has since been a pioneer in brand building in the Chinese paint industry. It has always ranked first in brand awareness in the Chinese paint market with a Top of Mind rating of over 50% among consumers.

Top of mind rating



Source: UA Report 2023, NP China

Share of voice



Source: All Media, China

In 2023, Nippon Paint China's Magic Paint became the top independently searched brand in the texture paint category on platforms such as Baidu, Tmall, Douyin, and Xiaohongshu. It attracts more than 7,000 customers monthly through live broadcasts and other forms. These customers are automatically distributed to the nearest dealers for follow-up and service through Nippon Paint China's digital intelligent clue center, creating more business opportunities for dealers.

Nippon Paint China has 16 training and certification centers in China, which have trained more than 400,000 painters over the past 14 years. Nippon Paint China has become the first foreign-funded enterprise in China to obtain a "Private School Operating License," providing professional competency level certification for interior and exterior wall painting construction personnel. At the same time, the "Nippon Paint Club" has over 1.4 million members through points, training, certification and other operations.

Additionally, over the past two years, Nippon Paint China has continued to expand its presence within the Chinese designer community through the "Dream Home Makeover" video series, the "Future Star" Young Designer Competition, and Magic Paint's "Light and Shadow Wonderland" series of exhibitions at Shanghai and Guangzhou Design Weeks. Through these events, we are enhancing our influence on high-end consumers with premium decoration needs.

Brand influence—Nippon Paint China's booth

Empowering Color Strategy through CCM machines

1. TUC's Color Strategy focuses on seizing the Chinese computerized color matching (CCM) market and customers' color mentality.

2. Starting from 2020, we have increased investment in CCM machines, as well as 1,988 color cards and other color tools in the distribution market, and cooperate with Professor Song Jianmin of the China Academy of Art to release annual color trend colors; at the same time, we utilize the community, Xiaohongshu and other online mainstream media platforms to promote Nippon Paint China's popular colors.

3. Starting from 2024, we plan to add 8,000-10,000 CCM units every year. For distribution stores that achieve a certain sales volume, we will provide CCM machines free of charge.

Nippon Paint China's lifestyle store

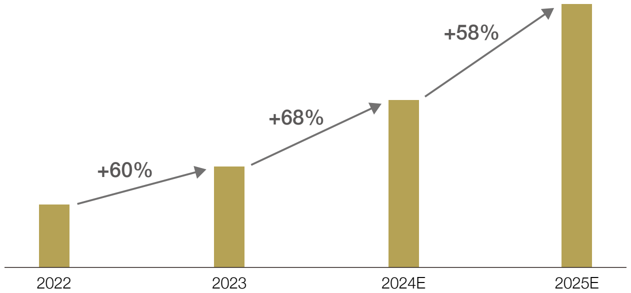
CCM machine

China Business Strategy

Our success with Asset Light strategy

To quickly occupy the market and enhance product competitiveness, Nippon Paint China introduced the "OEM" outsourcing production model on the basis of self-production. In areas with mineral resources, we select OEM manufacturers with resource advantages, production capacity, and logistics distribution capabilities. This strategy allows Nippon Paint China to become asset-light, meet demands for rapid growth in production capacity, and significantly reduce the cost of dry powder mortar products, laying the foundation for the business group to achieve rapid growth and seize the market. By the end of 2023, Nippon Paint China had successfully developed 62 suppliers, distributed in 58 county-level cities in 24 provinces. In addition to our 33 self-owned factories, Nippon Paint China has a total of 95 factories in China, forming a robust supply chain and production network for base materials, yielding remarkable results.

Nippon Paint China's dry mortar production capacity



Overall output achieved in 2023 - by category

	Putty powder	Gypsum plastering	Tile grout
No.1	NIPPON PAINT	NIPPON PAINT	Brand D
No.2	Brand A	Brand C	Brand E
No.3	Brand B	Brand B	NIPPON PAINT

* Internal estimates

Our human resource strategy

1. The competency of management personnel is demonstrated in: result-oriented, prioritization of growth, analytical insight, leadership motivation, and full cooperation; four key positions that will significantly impact the future development of Nippon Paint China (TUB Regional Director, TUC Regional Director Supervisors, Factory Directors, PDT Managers) also have their own competency models, including business execution ability, team leadership, and self-management skills.

2. For management positions, we use competency as the cornerstone and continue to carry out the "selection and retention" of cadres in corresponding positions. At the same time, we conduct echelon inventory every year, target key and high-potential talents, and organize systematic empowerment training and job rotation based on the competencies of higher positions based on the model to accelerate the growth of successors.

3. In terms of employee development, we implement "how to fight, how to train," and design a targeted training system based on job standards and combined with Nippon Paint China's actual combat scenarios. For newly recruited front-line sales, each business group combines differentiated needs to carry out highly directional professional training such as "Shooting Training" and "Sail Power" to accelerate the professionalism of new employees from various aspects such as deep industry insights, product knowledge, and sales skills, thereby fostering their ability growth. For front-line workers and technicians, especially for positions such as color creation and color mixing, we will strengthen certification-based employment and continue to carry out various labor competitions such as color creation competitions to promote the continuous improvement of the professional capabilities of all employees.


Frontline talent building


TUC talent building

Talent development for working level


TUB talent building

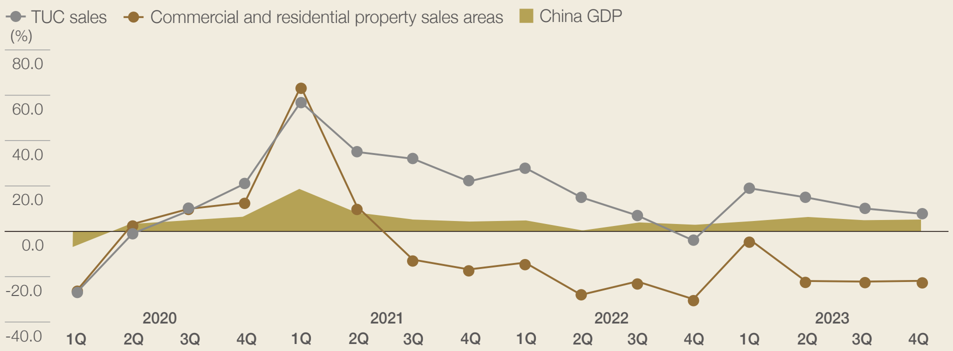
Four Reasons Why Our Performance Does Not Necessarily Correlate with Chinese Macroeconomic Indicators

Our stock price tends to be significantly influenced by news flow from China, more so than by our actual performance results. Our analysis suggests that the capital market participants might be overly focused on Chinese macroeconomic indicators. While we do acknowledge a certain correlation between our performance and Chinese macroeconomic indicators, we believe that these factors are not the sole determinants of our performance due to the following four reasons.

Reason 1 TUC revenue growth has been markedly outpacing the growth in commercial and residential property sales areas

Tier 0 and 1-2 cities, where our TUC business has a dominant No.1 position, have a higher proportion of commercial and residential property sales areas compared to Tier 3-6 cities. These cities are also characterized by faster market recovery. Consequently, the growth rate of TUC tends to be higher than that of property sales areas nationwide. The high revenue growth in the TUC business can also be attributed to factors such as NIPSEA China's extensive distribution networks, the large number of Computerized Color Matching (CCM) machines installed, high brand awareness and quality. Factors such as the arrival of the era of stock housing and our market share gains in Tier 3-6 cities also contribute to a growth rate that exceeds the general macroeconomic indicators.

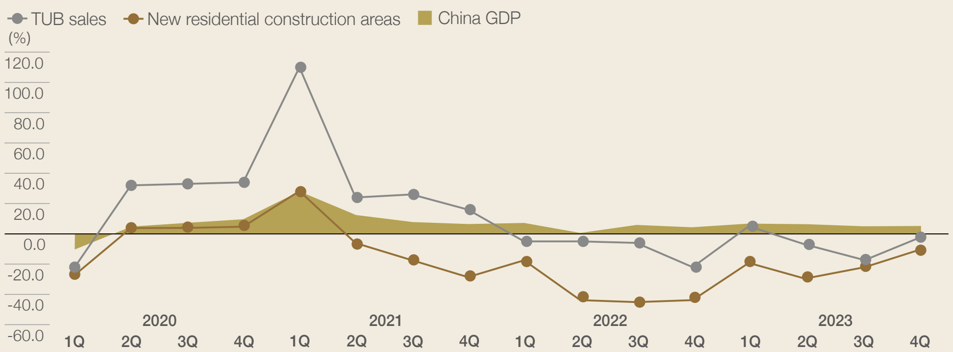
TUC sales trends (QoQ)



Reason 2 TUB revenue growth has been outpacing the growth in new residential construction areas

Since March 2020, our TUB revenue growth has constantly been outpacing growth of new residential construction areas. This strong performance is attributable to: (1) working with financially stronger real estate developers, (2) growth contribution from non-real estate developers, e.g., healthcare, industrial, infrastructure, as well as interior decoration companies and contractors, (3) pushing the adjacencies area, such as substrates and construction chemicals (CC). 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 key channel businesses.

TUB sales trends (QoQ)



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

Reason 3 | TUC's competitive advantage and its significant contribution to NIPSEA China's sustainable growth and profitability

NIPSEA China's overall revenue growth in 2023 may be perceived as weaker. This is mainly due to the sluggish performance of the TUB and automotive businesses against the overall weak economic and property outlook in China. In contrast, the TUC business achieved growth that exceeded both the market and our competitors. In the midst of a challenging business environment, we secured a higher operating profit margin in China than our key local competitors. This is primarily due to the strong and highly profitable TUC sales with the TUC segment representing approximately 70% of overall decorative paints sales in China.

The ability of TUC to maintain high profitability is not solely due to its B2C business model. Other contributing factors include: (1) the ability to control pricing, based on the strong brand power we have built over the years in this B2C brand business, (2) the creation of demand and improvement in margin through the expansion of CCM deployment, (3) our "Asset Light Strategy," (4) The sheer size of the enlarged Group that allows us to leverage our economies of scale and tap into resources spanning from purchasing to marketing. We are optimistic that TUC's medium-term growth forecast will continue to surpass the market growth. Looking ahead, NIPSEA China will steadfastly pursue sustainable growth while preserving the operating profit margin.

NIPSEA China 2023 results

Revenue growth (YoY)	Consolidated*1	+7.1%
	Automotive*1	+0.6%
	TUC*2	+13%
	TUB*2	-7%
OP margin*1 (consolidated)		12.5%
TUC revenue/China decorative revenue*2		c.70%

*1 Tanshin basis
*2 In local currency

›› P41 Medium-Term Strategy (Released in April 2024)
›› P54 China Business Strategy

Reason 4 | Establishing a regional and business portfolio not heavily reliant on China

As Asset Assembler, we boast a well-diversified regional and business portfolio. While China is a significant asset for us, it accounts for 33% of our overall consolidated revenue—a contrast to local entrenched competitors who are heavily dependent on a single geographical market. Furthermore, our operations in Asia Except China continue to achieve sales growth and an operating profit margin that outpace those from our China operations.

Comparison of 2023 results (Tanshin basis): NIPSEA China vs. NIPSEA Except China

		NIPSEA China	NIPSEA Except China
Dependence on the region	Revenue	33%	20%
	OP	36%	30%
Revenue growth (YoY)		+7.1%	+12.0%
OP margin		12.5%	17.4%

Feature Article

Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Under the leadership of our Co-Presidents, Japan Group has made steady advancements in profitability, thanks to the structural reforms implemented in recent years. These reforms have included unconventional approaches and measures. However, we recognize that our journey to restore the operating profit margin levels achieved during 2017-2018 is only halfway complete. To expedite this progress, we are accelerating cooperative and collaborative initiatives that transcend organizational barriers and boundaries. These efforts are being led by the senior management of each partner company, with the ultimate objective of achieving sustainable EPS compounding.

In this section, we will present the collective projects and initiatives undertaken by Japan Group, outlining our strategic roadmap towards further enhancing profitability.

»» P48 Our Strategy by Asset Presented by Co-President Wee

United in our pursuit of realizing “One NIPPE”

MSV
(Maximization of EPS x Maximization of PER)

Aiming to improve market share and profitability, elevating market expectations

Our goals: **Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries**

Japan Group

NPAC	NPTU	NPIU	NPSU	NPMC

- Integration of sales activities, overseen by the President of NPIU »» P60
- Integration of resin production activities, overseen by the President of NPAC »» P60
- Integration of production and logistics functions, overseen by the President of NPTU »» P60
- Consolidation and upgrading of administrative overhead functions (NPCS), overseen by the Deputy President of NPCS »» P61
- Revamping and upgrading operations by leveraging digital technology, overseen by the Managing Executive Officer of NPCS »» P61

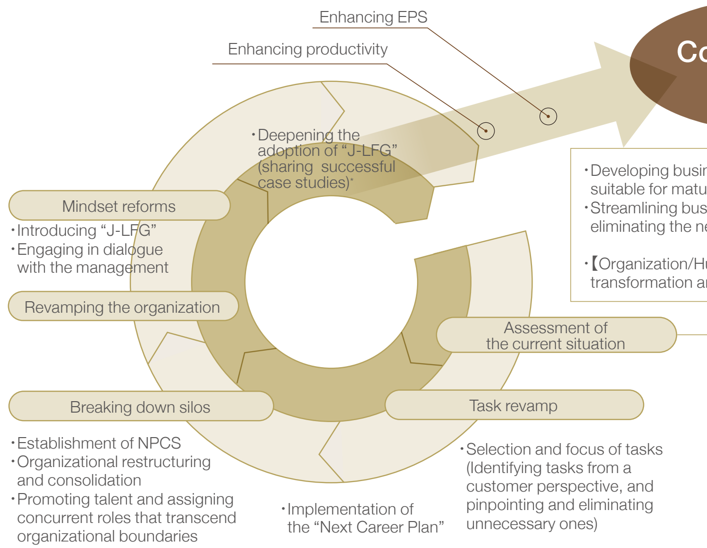
Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries

Since the implementation of *bunshaka*, a company split by lines of business, in 2015, Japan Group has seen increased autonomy and accountability within each business unit. However, over time, several issues have emerged, including inflated cost structures, duplication of functions, complex business processes, organizational silos, and rigidity in personnel allocation.

To address these challenges, we have implemented several measures: (1) identifying issues and considering/implementing remedial actions through task forces, (2) consolidating and upgrading group support functions via the establishment of Nippon Paint Corporate Solutions (NPCS), (3) implementing the “Next Career Plan” voluntary early retirement program, (4) restructuring the automotive and marine businesses, and (5) transforming corporate culture and employee mindsets through the adoption of “J-LFG."

Currently, under the banner of “One NIPPE,” we are advancing a unified approach where the five partner companies within Japan Group operate as a single entity. This approach focuses on eliminating overlaps and gaps in our business areas and fostering cooperation and collaboration that transcend organizational barriers and boundaries. Under the leadership of senior management, who concurrently hold multiple positions, our partner companies are mutually leveraging each other's management resources. This shift from individual optimization to overall optimization is strengthening our foundation for cost competitiveness.

Our organizational and human resource strategies for embracing transformation and revamping our working styles




The Communication Forum held from May to July 2024

»» For more information about our efforts to disseminate the J-LFG spirit, please refer to "Human resource development measures essential for achieving MSV" on our website.

Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Sales functions

Establishing sustainable growth drivers by creating a cross-functional marketing and sales structure across the Group

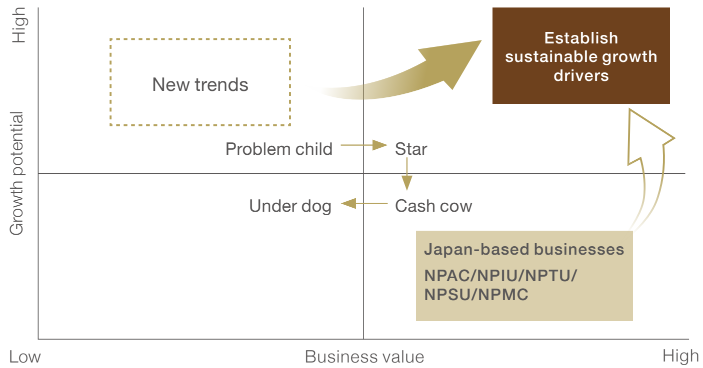
Takeshi Shiotani
Representative Director and President
Nippon Paint Industrial Coatings (NPIU)

For Japan Group to achieve further growth, strong marketing and sales functions are essential. Particularly in emerging markets and areas such as electric vehicles and autonomous driving, we must respond synergistically, efficiently, and swiftly. This requires transcending the boundaries of existing business segments and organizations across the Group.

In response to these challenges, the position of Chief Commercial Officer (CCO) for Japan Group was established in January 2024. President Shiotani of NPIU has assumed this role, overseeing the entire sales function of Japan Group. This position bridges the management and heads of sales units across partner companies, facilitating the implementation of strategies throughout the organization. Beyond the traditional business framework focused on existing markets and customers, the CCO role allows for group-wide supervision of the sales function. This enables us to accurately capture rapidly changing markets and flexibly advance our marketing and sales activities.

By holistically analyzing and sharing insights on the Japanese market and each business within Japan Group from a sales perspective, we aim to enhance our marketing and sales functions across the organization. This approach is designed to improve the profitability of each partner company, deliver sustainable growth through the creation of new business opportunities, and establish sustainable growth drivers.

Establishing sustainable growth drivers by reinforcing the sales function



Production and logistics functions

Rebuilding production and logistics functions, and enhancing and streamlining the supply chain

Masuo Kida
Representative Director and President
Nippon Paint (NPTU)

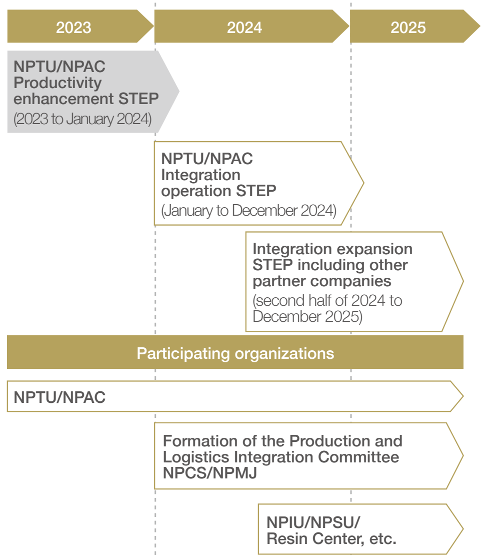
Satoshi Nishimura
Representative Director and President
Nippon Pant Automotive Coatings (NPAC)

Since the implementation of *bunshaka* in 2015, we have observed a fragmentation of management resources and the emergence of organizational silos within the production and logistics units. This fragmentation has led to decreased productivity and efficiency. To address these challenges, we launched the "Production and Logistics Integration Project" in 2023. The goal of this project is to eliminate the issues resulting from the division of production and logistics units and to enhance the production capabilities that serve as the foundation for Japan Group as a whole.

President Kida of NPTU took the helm as project leader, kick-starting the initiative by implementing an integrated operation targeting NPTU and NPAC. In 2024, with the formation of the Production and Logistics Integration Committee, we strengthened cross-functional capabilities in production and logistics by enhancing collaboration between NPTU and NPAC and expanding their activities. Additionally, we focused on nurturing talent to establish and solidify integrated operations. At the newly established Resin Center, under the leadership of President Nishimura from NPAC, we are consolidating development, mass production, and resin-related production technologies—one of our core strengths. Concurrently, we aim to achieve comprehensive optimization of resin manufacturing and the supply chain across Japan Group.

By reconstructing our production and logistics functions and enhancing and streamlining the supply chain, we aim to achieve comprehensive optimization that transcends organizational barriers and silos, enabling us to operate as a unified entity across the entire Japan Group.

Promoting the integration of production and logistics functions



Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Administrative overhead functions

Revamping administrative overhead functions and optimizing the allocation of management resources

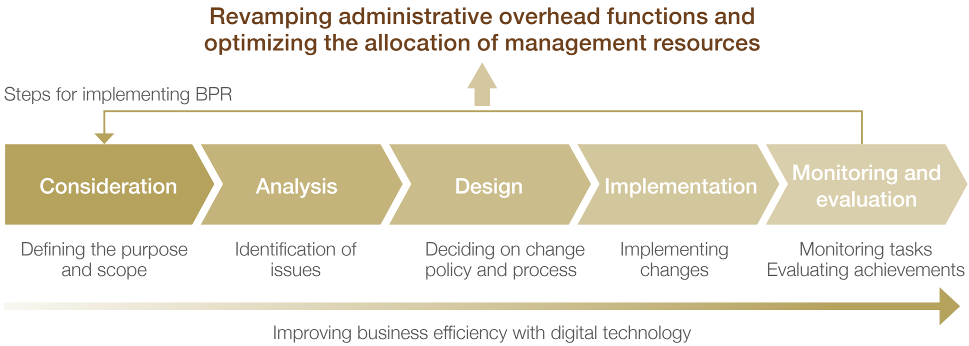
Shinichi Saito
Representative Director and Deputy President
Nippon Paint Corporate Solutions (NPCS)

Established in 2022, NPCS has undertaken the task of dismantling organizational silos within our partner companies in Japan Group. This is accomplished by addressing common issues across the group in areas such as supply chain, production, talent development, research and development, finance, auditing, and information systems.

Under the leadership of Deputy President Saito, who also serves as the President of Nippon Paint Materials, NPCS is currently undertaking a "Business Process Reengineering (BPR)" initiative. This initiative aims to revamp the administrative overhead functions and optimize the allocation of management resources to provide more efficient support to Japan Group. Launched in the second half of 2023, the BPR initiative focuses on five departments: Finance and Accounting, Corporate Service, Human Resources, IT & Solutions, and Operational Excellence. The goal is to identify and streamline inefficient tasks and processes across the organization. Surplus resources generated through this process are then redirected to areas where human involvement can add value. This strategic reallocation aids in enhancing the operational efficiency of NPCS as a support function company.

One key aspect of BPR is its focus on improving business efficiency through the use of digital technologies (see next theme). By integrating IT tools such as generative AI and RPA into our business processes, we aim to create a virtuous cycle that benefits both employees and the organization, while simultaneously enhancing employees' digital literacy.

Overview of BPR



IT/DX

Promoting digital transformation (DX) strategy for new value creation and enhanced and accelerated management decisions

Hiroyuki Ishino
Managing Executive Officer
Nippon Paint Corporate Solutions (NPCS)

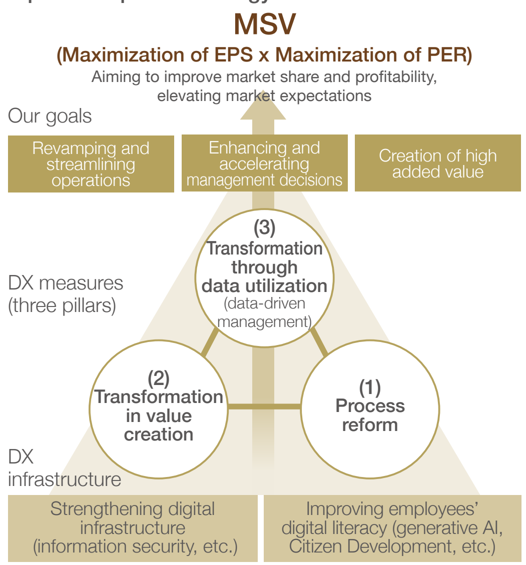
Based on our efforts to strengthen digital infrastructure, including enhanced information security and reformed mission-critical operations and systems, and to improve employees' digital literacy through generative AI and Citizen Development, Japan Group is advancing a three-pillared DX strategy: (1) process reform, (2) transformation in value creation, and (3) transformation through data utilization.

Under the first pillar, process reform, we are gradually introducing a "standard process and supporting ERP system" across the entire Japan Group. By learning from the system implementation experiences and successful case studies of our overseas partner companies, we aim to thoroughly simplify and standardize operations. Under the second pillar, transformation in value creation, we are deploying "NP Assistant," a proprietary AI tool of Japan Group that leverages generative AI to improve operational efficiency and quality. Alongside RPA and low-code tools, each employee, acting as a "Citizen Developer," contributes to the growth of the organization and business by creating new value through innovative approaches. Under the third pillar, transformation through data utilization, we aim to realize "data-driven management" at an early stage through the adoption of the "standard process and supporting ERP system" and process reform. This approach will enable us to swiftly respond to changes in the management environment, optimize the allocation of management resources, strengthen decision-making processes, and expedite management decisions.

By advancing our DX strategy in this manner, we aim to adapt flexibly to the constantly evolving management environment, create new business opportunities, and enhance the profitability of our Japan-based businesses, all with the ultimate goal of achieving MSV.

»» For more information, please refer to "Japan Group's DX Strategy for MSV through Enhanced Profitability" on our website.

Japan Group's DX strategy



Environmental Strategy

Addressing Nippon Paint Group's most material sustainability impacts is a key imperative and priority for the organization to ensure MSV. Within the sustainability aspect of the environment, the identified priority material impacts for the business are Climate Change and Resources and Environment, especially waste and water.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
Environment & Safety	Develop low-carbon/ eco-friendly products + Ensure safe people and operations	Sales (contribute to new products/ new markets) Expenses: Low-carbon raw materials, fuels, utilities, waste processing costs CF: Investments in renewable energy facilities and recycling facilities

Our approach to achieving MSV

During 2023, each Partner Company Group (PCG: PC group by region/business) continued to make further progress on their individual ambitions, targets, and priorities within each of these material impact areas. This has continued to be supported by the global Environment & Safety Team comprising senior environment and safety leaders from each PCG, with a primary focus on benchmarking, sharing best practice, and establishing common performance metrics. Implementation of these metrics across all PCGs continued during the year, including additional businesses calculating their Scope 3 carbon footprints, and once these metrics are fully established they will provide improved understanding and oversight of climate and circularity impacts and performance. This includes carbon footprints, renewable energy and resources, waste recoveries, and high stress water consumption.

Supporting and enabling improved management and understanding of the impacts, risks, and opportunities for both Climate Change and Resources and Environment, will continue to be the primary focus of the Sustainability Team in the coming year, including reviewing best practice approaches for carbon and climate adaptation.

Climate Change

Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.

Reports based on TCFD recommendations

In September 2021, Nippon Paint Group expressed its support for the final report of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. For MSV, we are working to enhance climate change-related measures and information disclosure.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

The Environment & Safety Team, one of our Group's Sustainability Teams, reviews and discusses each partner company's climate change initiatives and reports the findings to the Co-Presidents. The Co-Presidents then submit a report to the Board of Directors as necessary. This arrangement ensures that the Board of Directors can monitor the Materiality-related activities of the Environment & Safety Team.

Strategy

The key risks and opportunities associated with climate change are summarized in Sustainability as the Prerequisite for MSV. There is some variation across individual PCGs, including in the associated identification of priority actions as part of their sustainability strategies and action plans.

Here we show the risks and opportunities based on the climate-related scenario analysis.

» For more information, please refer to "Strategies" under the "Climate change" section on our website.

Climate-related scenario analysis

Risks			Opportunities
Variables	1.5°C	4°C	
Changes in regulations and their impacts, such as carbon pricing and greenhouse gas emission reduction targets	Introduction of strict regulations	Regulations strengthened in limited areas	**Market growth for sustainable products** - 1.5°C scenario Growth of low-carbon products and enhanced performance - 4°C scenario Growth of low-carbon products against extreme weather and enhanced performance **Development of new products and services to capture climate-related business opportunities** - Both for 1.5°C and 4°C scenarios
Increase in supplier costs arising from climate adaptation and decarbonization actions	Large increase in supplier costs due to climate adaptation and decarbonization actions	Certain increase in supplier costs for climate adaptation as limited decarbonization measures are no longer sufficient	
Changes in customer and consumer expectations and behavior	Higher disposition for low-carbon products and lower demand for carbon products	Higher disposition for low-carbon products	
Higher temperatures affecting product functions	Occasional product claims and brand damage due to performance deterioration	Frequent product claims and brand damage due to performance deterioration or malfunction	
Increase in floods and/or water stress negatively affecting operations and supply chain	Occasional floods and/or water stress affecting operations and supply chain	Frequent floods and/or water stress routinely impacting operations and supply chain	

Environmental Strategy

Risk management

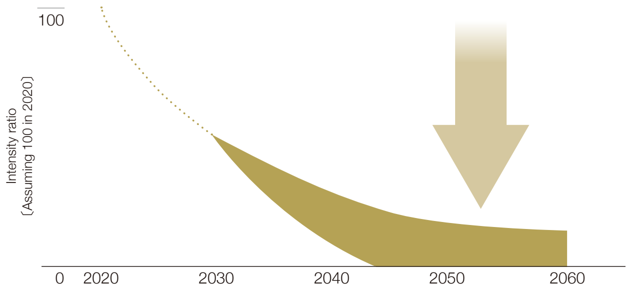
The Sustainability Team that works directly under the Co-Presidents identifies and assesses risks, including their importance, based on the criteria of factors directly related to our operations (e.g., raw materials, energy, and water consumption, greenhouse gas emissions) and our products and customers (e.g., product impacts, product application and feature needs).

» For more information, please refer to "Risk management" under the "Climate change" section on our website.

Metrics and targets

Our PCGs continue to accelerate their response to climate change by identifying and progressing actions to achieve their net zero targets via reductions in carbon emissions and adaptation to a net zero future. Key actions currently being progressed across PCG businesses include energy efficiency initiatives, renewable power purchase, solar system installations, and transition planning for electric vehicle fleets. By taking these actions, our Japan Group and DuluxGroup businesses will achieve net zero for Scope 1 and 2 greenhouse gas emissions by 2050, and NIPSEA Group by 2060. Scope 3 emissions are currently calculated for Japan Group, DuluxGroup (Pacific), and the majority of NIPSEA Group, and is being progressively expanded across our remaining businesses, while some PCGs have also commenced development of potential Scope 3 emissions reduction plans.

Our Group's GHG emissions reduction target (Scope 1 and 2)



Climate Change-related targets

PCG	Targets*		Improvement priorities
	GHG emissions (Scope 1 and 2)	Energy consumption	
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% energy consumption reduction	Additional solar installations and completion of air compressor and dust collector energy efficiency projects in China, plus calculation of Scope 3 emissions for 90% of the group.
DuluxGroup	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	Additional solar installations (Australia, Europe), continued renewable power purchase (Europe, New Zealand), site energy efficiency plans development, Scope 3 reduction planning including supplier consultations, and Scope 3 calculations commencement (Europe).
Japan Group	2030: 37% reduction 2050: Net zero	—	Increased renewable power purchase, continued focus on energy efficiency actions, and Scope 3 reduction planning including supplier consultations.
Dunn-Edwards	—	—	—

* Baseline years for targets are 2021 for NIPSEA Group, 2020 for DuluxGroup, and 2019 for Japan Group

Performance

In 2023, our greenhouse gas emissions (Scope 1 and 2) decreased 27% to 40.2 kilograms per tonne (kg/t) and total energy consumption decreased 10% to 0.46 gigajoules per tonne (GJ/t), driven by reductions across most of the larger businesses through energy efficiency and renewable electricity initiatives, together with changes in production mix across different business units and inclusion of recent acquisitions. Renewable energy consumption remained relatively steady at 5.7% of total energy consumption, while renewable electricity consumption decreased 1.5 percentage points (pp) to 8.7% of total electricity consumption. These changes were driven by the same factors that impacted Scope 1 and 2 emissions and energy consumption performance, together with a decrease in renewable power purchase within Cromology in DuluxGroup (Europe). The Scope 3 emissions increased 3% to 8.4 million tonnes (Mt), reflecting increased production in NIPSEA Group and inclusion of additional business areas. While the Scope 3 emissions currently exclude DuluxGroup (Europe), smaller parts of NIPSEA Group (about 10%), and Dunn-Edwards, these businesses also are preparing to start calculating Scope 3 emissions.

Metrics and results related to Climate Change (2023)

* Figures in brackets indicate year-on-year change.

PCG	GHG emissions (Scope 1 and 2) (kg/t)	GHG emissions (Scope 3) (Mt)	Total energy consumption (GJ/t)	Renewable energy consumption (% of total)	Renewable electricity consumption (% of total)
NIPSEA Group	32.3 (-33%)	6.2 (+5%)	0.29 (-9%)	3.0% (+1.4 pp)	5.8% (+3.0 pp)
DuluxGroup	75.0 (-5%)	0.9 (-6%)	0.83 (-6%)	7.4% (-11.0 pp)	13.8% (-23.9 pp)
Japan Group	149.8 (-2%)	1.2 (+0%)	3.32 (+0%)	10.1% (+5.1 pp)	14.4% (+7.1 pp)
Dunn-Edwards	—	—	0.20 (+5%)	—	—
Total	40.2 (-27%)	8.4 (+3%)	0.46 (-10%)	5.7% (+0.1 pp)	8.7% (-1.5 pp)

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

Environmental Strategy

Our Sustainable Products

In the area of EV coating, Japan Group and NIPSEA have integrated functional coating technologies to create differentiated technologies that meet the needs of each module. We have been accelerating their market introduction in collaboration with EV module customers, like adhesion function, insulation, hydrophobic and flame resistance.

We aim to provide comprehensive solutions to this rapidly growing market. Some products have already been launched to this market, such as PD E-501 as insulating powder and SURFCOAT NRX for surface coating of battery packaging.

Resources and Environment

Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain.

Governance

Under the guidance of the Environment & Safety Team, we promote initiatives to address our specific targets and priorities related to this Materiality.

» For more information about the framework, please refer to the "Governance" under the "Climate Change" section on page 62.

Strategy

Establishing common metrics to improve understanding of circularity impacts and enable identification of risks and opportunities has been the foundation of the current strategy, and good progress is being made. Each PCG is also continuing to progress their individual waste, water, and environment improvement priorities, while circularity and nature-related targets and plans are expected to be developed in the medium term.

Risk management

The key risks and opportunities for Resources and Environment are largely common across the consolidated group, though individual PCGs do have different focus areas and action priorities that reflect the local maturity of their improvement journeys.

Metrics and targets

In 2023, our total waste generated decreased 7% to 14.7 kilograms per tonne (kg/t), while the hazardous waste proportion increased 3.3 percentage points (pp) to 36.6%. Waste recovered (recycled, reused) decreased 5.5 pp to 30.8% of total waste generated. These changes were driven by a combination of factors, including reduced generation and improved recovery through improvement initiatives in a number of businesses, increased production in NIPSEA Group, changes in production mix across different business units, and inclusion of recent acquisitions. These same factors also influenced water performance, where water withdrawal decreased 7% to 0.54 kiloliters per tonne (kL/t), while water consumed increased 20% to 0.47 kL/t. A new metric has been established to improve understanding of water consumption in regions of high or extremely high water stress, with 61% of total water consumption occurring in such regions during the year. This metric will help determine future priorities for improvement in sustainability impacts associated with water consumption.

Metrics and results related to Resources and Environment (2023)

* Figures in brackets indicate year-on-year change.

PCG	Waste			Water			Improvement priorities
	Total waste generated (kg/t)	Hazardous waste generated (% of total)	Waste recovered (% of total)	Total water withdrawn (kL/t)	Total water consumed (kL/t)	High stress regions water consumed (% of total)	
NIPSEA Group	10.4 (-1%)	46.8% (+3.6 pp)	11.0% (-9.9 pp)	0.49 (-6%)	0.48 (+26%)	66%	Implementation of local improvement projects, including a water project at the Shanghai factory that reduced water discharge by 90% via reuse in production. Water reduction target is 8% by 2025.
Dulux Group	40.1 (-13%)	26.6% (+1.8 pp)	52.5% (+15.0 pp)	0.55 (-11%)	0.34 (-10%)	36%	Implementation of landfill waste plans to achieve 2030 target of 50% reduction in DuluxGroup (Pacific), waste water treatment plant improvements (France, Italy), and implementation of waste and water metrics across recent acquisitions.
Japan Group	53.6 (+7%)	12.4% (-1.9 pp)	80.6% (-15.9 pp)	1.66 (+2%)	0.53 (-13%)	0%	Continued focus on waste separation for recovery and recycling of wash waters in paint manufacturing.
Dunn-Edwards	9.9 (-11%)	1.0% (+1.0 pp)	5.4% (-4.9 pp)	0.63 (+10%)	0.50 (-4%)	93%	—
Total	14.7 (-7%)	36.6% (+3.3 pp)	30.8% (-5.5 pp)	0.54 (-7%)	0.47 (+20%)	61%	Sharing of global best practice across the Group, including implementation support for new high stress region water consumption performance metrics.

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

Human Resource Strategy

As a Japan-origin global corporate group operating in 47 countries worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to MSV by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to stakeholders, which is the premise of MSV.

How Shareholder Value Is Maximized See pages 3-4.

	Our pursuit	Relevant financial information
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Sales (contribute to new markets, productivity) Expenses: Labor, training, hiring

Our approach to achieving MSV

People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone.

Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures.

To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in generating new value and businesses.

Human Resource Development

Governance

In our Group, which values the autonomy of partner companies and operates on autonomous and decentralized management principles, each PCG takes the lead in investing in human capital. Each partner company within PCGs initiates programs for employee competency development tailored to their specific needs, nurturing a diverse and self-reliant human resource pool.

For more information, please refer to "Nippon Paint Group Statement regarding Employee Development" under the "Human Resource Strategy" section on our website.

Strategy

Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth. We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

For more information and details of respective partner company's initiatives, please refer to "Human resource development measures essential for achieving MSV" under the "Human Resource Strategy" section on our website.

Training programs

	Overview
NIPSEA Group	**To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce** • Group Level development programs including Leadership Development (LEAD), Leadership Competencies (AGILE), LFG Values (VITALS), Women Mentorship • Country level programs that include functional training, health safety & environment, information technology & wellness programs • Equipping countries with essential tools, resources, and initiatives for effective development (Learning Management System, development programs, etc.)
Dulux Group	**Comprehensive learning program covering leadership, professional skills** • Residential programs, external programs, virtual programs, livestreams and podcasts • “Learning Festival” – three days of learning on a broad range of topics • Cromology and JUB offer relevant learning programs to support the business and professional skills of their employees
Japan Group	**In 2023, Japan Group started to substantiate talent management of senior and mid-level managers** • Started a unique career program to augment the expertise mainly for technology and manufacturing • Offers training for all employees, such as training by job level according to the expected roles and career stages of individual employees (new employee orientation training for new grads and mid-careers, follow-up training, new manager training, and annual training) • HR department conducted a communication program (1-on-1 meeting, feedback, coaching)
Dunn-Edwards	**Develop and deliver programs that empower team members' long-term professional development** • Leverage both technology (learning management systems, interactive programs, etc.) and current training techniques (micro learning, hands-on sessions, etc.) to build successful careers in an ever-evolving workplace • New-hire orientations • Position-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Harassment Prevention, Risk Management, Safety, Hazardous Materials (HAZMAT), Diversity and Inclusion and more

Human Resource Strategy

Risk management

Increasing employee engagement will lead to creating an environment where excellent human resources can consistently perform to their fullest potential. We regularly monitor and survey employee satisfaction levels of partner companies that join the Group under our Asset Assembler model.

The survey results of each partner company will be compared and analyzed using benchmarks, such as the peer average in the same region, and historical data to examine actions necessary to improve employee satisfaction levels.

For information and details of respective partner company's initiatives, please refer to "Benefits expected from improving employee satisfaction levels" under the "Human Resource Strategy" section on our website.

Metrics and actions of engagement

	Overview
NIPSEA Group	• NIPSEA Group aims to energize its employees and improve engagement and retention through stepping up communication efforts by senior leaders, focusing on aspects such as development and recognition of employees, and streamlining processes (most recent score is 75% in FY2022). • NIPSEA Group will continue to focus on Senior Leaders' communication with employees about business objectives, performance updates, and company initiatives and implement employee development programs comprising of leadership, soft skills, technical, functional, and wellness programs while focusing on employee retention by communicating about career, skill gaps, and growth opportunities.
DuluxGroup	• DuluxGroup focuses on ongoing monitoring of employee engagement through its leaders. Most recent engagement survey (80% satisfaction in FY2021) shows world-class engagement scores. • DuluxGroup will continue to equip leaders to take up their role to lead and engage our people and reinforce connection to their purpose, as well as to their Values and Behaviors in different countries and business units.
Japan Group	• Japan Group embraces employees' engagement as an important management issue and has started in FY2024 the survey adopting NIPSEA's framework. Japan Group will address the issues identified in the survey for future improvement.

Diversity, Equity, and Inclusion (DE&I)

Governance

As one of the Sustainability Teams, the People & Community Team discusses policies and initiatives concerning human resources activities of each partner company and reports updates to Co-Presidents. Then, Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the People & Community Team are overseen by the Board of Directors.

Strategy

Building up human capital with diversity serves as one of the most critical cornerstones of our Asset Assembler model. To this end, we foster the promotion of human resources with a diverse background and of education and awareness of diversity, equity, and inclusion; eliminate the discrimination, harassment, and violence based on race, gender, religion, and any other form of diversity in the workplace; and create a more welcoming work environment where everyone feels welcomed and respected. Each of our partner companies is building up human capital by taking actions that are suitable for the country and region where it conducts business activities.

For more information, please refer to "Building up human capital with diversity" under the "Diversity and Inclusion" section on our website.

Risk management

The Nippon Paint Group Global Code of Conduct, which was established in January 2022, articulates our focus on diversity and respect for human rights. In addition, our partner companies around the world carry out human resource management activities designed to secure and increase diversity. Moreover, our Corporate Governance Policy stipulates that the Group values ensuring diversity.

Human Resource Strategy

DE&I promotion program

	Overview
NIPSEA Group	**Fostering a diverse and inclusive workforce that embraces people of different genders, generations, nationalities, and expertise** • D&I committee continues to champion initiatives focused on promoting diversity and inclusion • Successfully completed Group-level women mentoring program, fostering empowerment and providing support to mentees in establishing local women mentorship program • Introduced D&I policy and campaigns in NIPSEA countries
DuluxGroup	**Focused on creating an environment where everyone feels they belong and can do their best work** • Through a focused effort in our recruiting strategies, our talent management processes and development of our people, we have increased female representation at all levels of the organization, particularly in leadership • Promoting career development opportunities and a compelling employee value proposition, including flexible work arrangements
Japan Group	**Fostering next-generation leaders** • As part of the activities of D&I Committee Japan launched in July 2022, in FY2023 we selected approximately 50 female candidates for next-generation leaders and provided support and programs for their career development » For case studies of D&I initiatives within Japan Group, please refer to "Examples of the Japan Group D&I Initiatives" under the "Diversity and Inclusion" section on our website.
Dunn-Edwards	**Fostering an inclusive and diverse environment, where all employees feel welcomed and valued, and where everyone has equal access to opportunities, guidance, and support** • Expanded resources for career development and career pathing • Launched a DE&I training curriculum for team members • Launched a new Intranet and communication strategy to improve transparency across the organization

Metrics and targets

Roadmap

	2023	2024	2025
DE&I	**Launched D&I training in each PCG** • NIPSEA Group: Launched Women Mentorship Program • Dunn-Edwards: Launched DE&I curriculum for all employees at all levels **Launched D&I working group in each PCG** • NIPSEA Group: Launched D&I across NIPSEA Group • DuluxGroup: Talent and Diversity Council meets quarterly to review progress of key diversity areas	• NIPSEA Group: Develop the 1st batch of mentees to become mentors in their respective NPX • DuluxGroup: Leader-led approach driving toward gender balance • Dunn-Edwards: Continue the hiring and promotion of women • Japan Group: Plan to create a development program targeting junior and middle level employees	• NIPSEA Group: Implement and monitor progress of roadmap towards the goal of achieving 35% female representation in both management and emerging leader category • DuluxGroup: Continue to drive toward our ambition of gender balance across the group • Dunn-Edwards: Continue the hiring and promotion of women • Japan Group: Increase the ratio of women in managerial positions to 10%

Metrics and results related to human capital (2023)

	NIPSEA Group	DuluxGroup	Japan Group	Dunn-Edwards	Total
Ratio of female employees	25.2%	33.4%	22.0%	30.0%	26.9%
Ratio of women in managerial positions	26.6%	30.5%	5.3%	35.0%	26.5%
Ratio of full-time employees leaving the company at their own discretion	-	13.1%	3.6%	22.0%	—

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

R&D Strategy

The world is seeing the emergence of numerous problems that are difficult to solve by using methods of prior years. To help solve these problems, we will use many partnerships to further upgrade our ability to create innovative ideas.

How Shareholder Value Is Maximized »» See pages 3-4.

	Our pursuit	Relevant financial information
Innovation & Product Stewardship	Develop sustainable products (NPSI ↗/ monitor LCA) + Chemicals of concern	Sales (contribute to new products/ new markets) Expenses: R&D Assets,Intangible assets (patents, etc.)

Our approach to achieving MSV

Our technology mission is to drive and sustain growth and market share in Japan and globally as a leading technology organization for coatings and adjacent markets. We have formulated our innovation strategy with three pillars: 1) build an adaptive organization; 2) develop core enabling technology competency; and 3) expand into adjacencies and emerging markets. These are initiatives for MSV from a technology perspective. We believe that our technology organization's culture of being customer-centric, socially responsible and collaborative is the key driver to success.

LSI (Leveraging, Sharing, and Integration) is a collaborative activity within our global R&D partner companies. It involves 14 projects from multiple regions or segments, with a projected business impact of USD530 million over the next three years. In addition to these projects, the technology teams in decorative paints have established a global technical community to exchange best practices and leverage research capabilities in joint technology development projects as part of LSI. These initiatives aim to break down silos, encourage collaboration, and optimize the organization's collective expertise and assets for MSV.

Governance

Nippon Paint Group has approximately 4,300 technical staff globally, including about 990 in Japan. They are the driving force of our powerful innovation and core enabler of competitiveness for achieving sustainable business growth.

We have established a framework that allows the reinforcement of global technology collaboration for increasing the added value of intellectual property. For instance, technology teams in decorative paints have formed a global technology community to share best practices and leverage research capabilities in joint technology projects, which have produced successful outcomes in addressing the needs of customers in each market. We have also started LSI (Leverage, Share & Integrate) activity aimed at driving technology sharing and capability enhancement among partner companies to facilitate technology exchange platforms and cross-organizational projects among partner companies.

Nippon Paint Group manages intellectual property by classifying its core technologies involving paint and coatings in 12 categories: polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, measurement science, AI and sustainability. Experts in each core technology field are working in core R&D teams in the R&D centers and collaborating with scientists from the global network of technical centers to support product development across the Group.

Strategy

Innovation initiatives

We developed the New Product Sales Index (NPSI) as one of the indicators for measuring the sales volume of products produced using innovative technologies, as part of our efforts to foster innovation. Nippon Paint Group has defined NPSI as the percentage of sales revenues generated from new products commercialized in the past three years to the total sales revenues. NIPSEA Group started using the NPSI in 2018 and Japan Group in 2022. Japan Group and NIPSEA Group achieved a combined NPSI of 25% and launched approximately 10,000 new products in 2023.

Sustainability of our products

We define sustainable products and technologies by aligning with the United Nations Sustainable Development Goals (SDGs) and adopting a portfolio sustainability assessment (PSA) process to enable identification of sustainable products. This encompasses a systematic approach that includes main lifecycle stages of a product: Product feedstock, Production, Applications and End of life. At each of these stages, we evaluate how our paint and coatings products outperform market products by mapping specific SDG targets to their attributes. To support this sustainable framework, we have developed the Sustainability Scoreboard, an assessment tool now integrated into the NPSI systems of our partner companies in Japan Group and most NIPSEA Group partner

Our sustainable products

AQUATERRAS is an innovative marine coating product from Nippon Paint Marine that improves ship operations, fuel and cost efficiency and reduces CO_2 emissions in the marine industry. This product, a biocide-free self-polishing coating (SPC), took eight years to be developed and tested, and can reduce ship friction by approximately 15% and fuel consumption and CO_2 emissions by approximately 10%. Applying cutting-edge medical antithrombotic polymer technology, the hydrophilic and hydrophobic microdomain structure prevents biological adhesion. This effectively prevents marine organisms from attaching to and growing on the ship's hull, contributing to the efficient operation of the ship.

»» For more information on our sustainability innovations, please visit "Results of sustainable products" under the "Creation of Sustainable Products" section on our website.

R&D Strategy

companies. Moreover, we have established the "Green Design Review" within our R&D project management systems, which serves as a process to assess each project's contribution towards building a sustainable society.

Risk management

In 2021, Japan Group launched the “Green 30” chemicals management system to minimize the impact of chemicals on the environment and public health. This system is designed to manage Chemicals of Concern (CoC) based on regulations or treaties such as REACH regulations in EU, TSCA in the USA and CSCL in Japan. We classify chemical risks into three categories (Rank A, Rank B, Rank C)* according to the laws and regulations in the countries where we operate. Japan Group started using this system in 2021 and the system is being expanded to our partner companies outside Japan.

Alkylphenol ethoxylates (APEs) are mainly used for surfactants and include the subcategory of nonylphenol ethoxylates (NPEO/NPE). Nonylphenols (NP), raw materials for NPE, are regulated by REACH and TSCA. Nippon Paint Group has been steadily phasing out APEs-containing surfactants.

In addition, we have been replacing UV absorbers such as UV-328 and UV-327 that are considered as persistent organic pollutants (POPs) with other substances. In Japan Group, the phase-out of UV-328 was completed by the end of 2023. Moreover, in Japan we are reducing the use of chlorinated paraffins, including other POPs, medium-chain chlorinated paraffins (MCCP, with carbon chain lengths in the range C14-17 and chlorinated content of 45% by weight or more).

* The definitions of categories
Rank A (Prohibited): Prohibition of introduction
Rank B (Restricted for new introduction): Prohibition of new introduction with some exceptions
Rank C (Avoid new introduction): Decide whether or not to introduce based on regulatory trends, environmental impact, and the business environment
No rank: No impact on raw material introduction

» For our risk management initiatives, please refer to "Initiative" under the "Management of chemical substances" section on our website.

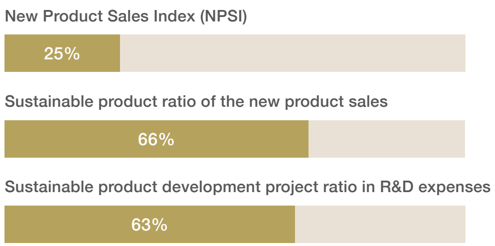
Metrics and targets

Roadmap

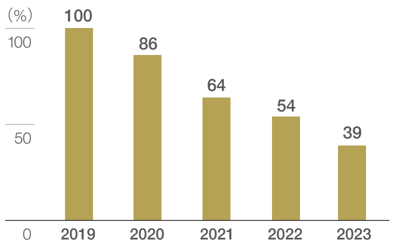
	2023	2024	-2030
Sustainable Products	• Life Cycle Assessment (LCA) of selected products can be calculated at each PCG • DuluxGroup: Implementation of sustainable product sales and packaging roadmaps	• Develop methodologies and modeling of LCA (PCF*1, software, database) • IT Tool implementation for product sustainability scoring in system • Sustainable products portfolio optimization • DuluxGroup: - Develop recommendation for Scope 3 reduction target and roadmap - Continue implementation of sustainable products sales and packaging roadmaps	• Manage the performance of Sustainability Scoreboard of each PCG every quarter • Promote creation of more innovative sustainable products • Implement sustainable products and Scope 3 reduction roadmaps • DuluxGroup: Deliver 2030 Best in Class sustainable product sales target
Chemicals of Concern (CoC)	• The execution of the phase-out plan of CoC in each PCG • NIPSEA Group: Focus on 4 hazardous heavy metals*2 • DuluxGroup: Completed position statements for 75% of CoC and developed a structured program of CoC in Europe	• Proceed with the CoC phase-out plan by regions and business units based on local status • Continuously evaluate other CoC restriction requirements and implementing action plans • DuluxGroup: Continue development of positions statement for 95% of CoC	• Create sustainable products based on phase out plan • Phase-out 4 heavy metals before the end of 2030 globally
R&D	• R&D activities for sustainable products from PCG beyond Japan and NIPSEA, e.g., DuluxGroup, Dunn-Edwards, etc.	• Initiate and drive flagship projects in sustainability • Create sustainable project portfolio and drive sustainable business growth	• Drive innovation towards UN SDGs and carbon neutrality
Product Stewardship	• Identified inquiry items • Stakeholder questionnaire • NIPSEA Group: Reinforced PS&RA*3 team • DuluxGroup: Implemented Product Vision to help with formulation management and regulatory tracking	• Monitor, record and communicate the change of global regulations • Assess raw materials introduction, register new substances and ensure SDS and GHS label generation, registration hazard chemical permits correctly and precisely • Respond to customers' requests, i.e., RoHS, IMDS etc.	• Implement inquiry management database • Inquiry response training • Training for customers and business partners • DuluxGroup: Implement packaging roadmaps

*1 Product Carbon Footprint *2 Lead, Chromate (Cr6+), Cadmium, and Mercury *3 Product Stewardship & Regulatory Affairs

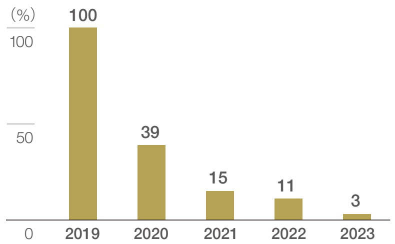
Sustainable products data (2023)



Chlorinated paraffins usage (2019=100)



UV-328 usage (2019=100)



Safe People and Operations

Managing significant safety and health risks effectively to ensure the protection of our people, operations, and communities is a key imperative and priority for the organization. Given the high-consequence disaster and fatality risks associated with our operating plants in particular, this is a material sustainability impact for Nippon Paint Group and a critical focus to ensure our maximization of shareholder value.

How Shareholder Value Is Maximized See pages 3-4.

	Our pursuit	Relevant financial information
Environment & Safety	Develop low-carbon/ eco-friendly products + Ensure safe people and operations	Sales (contribute to new products/ new markets) Expenses: Low-carbon raw materials, fuels, utilities, waste processing CF: Investments in renewable energy facilities and recycling facilities

Our approach to achieving MSV

During 2023 each Partner Company Group (PCG) made further progress on their individual improvement priorities for Safe People and Operations, including both high-consequence risks and everyday injury risks. This has continued to be supported by the global Environment & Safety Team comprising senior environment & safety leaders from each PCG, with a primary focus on benchmarking, sharing best practice, and establishing common performance metrics. Implementation of these metrics across all PCGs continued during the year, and once fully established will provide improved understanding and oversight of high-consequence risk management, including process safety events (e.g., flammable solvent losses of containment) and high potential incidents (e.g., serious near misses involving fatality risks).

Improving the effectiveness of high-consequence risk management will continue to be the key focus of the Sustainability Team in the coming year, including reviewing and establishing common standards for process safety risk management.

Governance

Under the guidance of the Environment & Safety Team, one of our five Sustainability Teams, we promote initiatives to address our specific targets and priorities related to this Materiality.

For more information about the framework, please refer to "Governance" under the "Climate Change" section on page 62.

Strategy

There are significant safety and health risks in our business that could affect our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high consequence risks.

Risk management

While key risks and opportunities with Safe People and Operations are largely common across the consolidated group, individual PCGs do have different focus areas and action priorities that reflect the local maturity of their safety and health risk management improvement journeys.

Performance

There were no fatalities across the Group during the year, which is the second consecutive year following the occurrence of two fatalities in 2021. Process safety incident reporting was implemented during the year and four Tier 1 and 2 process safety events occurred, compared with three events in the prior year. This new metric enables an improved focus on management of high-consequence safety risks and will be further supported by a high potential incident metric in the near future.

The recordable case rate for employees and contractors decreased 7% to 0.84 recordable injuries and illnesses per 200,000 hours worked, while the lost workday case rate for employees and contractors decreased 6% to 0.50 lost time injuries and illnesses per 200,000 hours worked. These changes were primarily associated with performance improvement across DuluxGroup and Dunn-Edwards, together with inclusion of recent acquisitions.

Metrics and results related to Safe People and Operations (2023)

* Figures in brackets indicate year-on-year change.

PCG	Process safety incidents (Tier 1 and 2)	Fatalities	Recordable case rate (per 200,000 hours)	Lost workday case rate (per 200,000 hours)	Improvement priorities
NIPSEA Group	3 (±0)	0 (±0)	0.41 (-0%)	0.27 (+0%)	Regular meetings involving all businesses to share experiences and knowledge in risk mitigation actions, incident learnings, and specific safety themes.
Dulux Group	1 (+1)	0 (±0)	1.60 (-13%)	1.18 (-2%)	Implementation of actions from new process safety hazard studies, fatality prevention lead scorecard reviews, and significant risk audits of recently acquired sites.
Japan Group	0 (±0)	0 (±0)	0.62 (+59%)	0.19 (+138%)	Sharing of incident learnings and corrective actions with all businesses, together with a focus on forklift safety training.
Dunn-Edwards	0 (±0)	0 (±0)	4.72 (+3%)	1.42 (-29%)	Implementation of a comprehensive site audit program, plus a focus on driver safety awareness.
Total	4 (+1)	0 (±0)	0.84 (-7%)	0.50 (-6%)	Sharing of global best practice across the group, including implementation support for new process safety event and high potential incident performance metrics.

For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

Growth with Communities

Based on our CSR framework and long-term community engagement strategy, we will build a better community that includes all stakeholders and achieve sustainable business growth.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Sales (contribute to new markets, productivity) Expenses: Labor, training, hiring

Our approach to achieving MSV

Since its inception, our Company has been dedicated to creating innovative solutions that bring colors and joy to people's everyday lives. As part of our commitment to sustainable development, the Group strives to support and promote the well-being of communities through our business activities. To achieve this, we have established three priority areas known as the "Three Es" under Nippon Paint Group's global CSR initiative, "Coloring Lives. The main activities of these "Three Es" are described as follows.

- Education: Activities for children and students who are our future potential customers or employees
- Empowerment: Support activities and vocational training for socially vulnerable people, and activities to find talented individuals
- Engagement: Collaborations with local communities and stakeholders, cooperation with NGOs, and disaster relief

Governance

As one of the Sustainability Teams, the People & Community Team discusses policies and initiatives concerning human resources and community outreach activities of each partner company and reports updates to Co-Presidents. Then, Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the People & Community Team are overseen by the Board of Directors.

Strategy

Investing in society presents potential opportunities for the Group, such as increased business prospects in thriving local communities, enhanced employee engagement and commitment to our Group companies, and stronger connections with local communities, all of which contribute to our mission of MSV.

Conversely, neglecting our obligations to stakeholders poses potential risks. These risks include a loss of trust from local communities, resulting in diminished ability to attract and retain talented employees and reliable business partners, reduced consumer and customer loyalty, and ultimately, a decline in shareholder confidence and the opportunity to fulfill our promise of MSV.

Risk management

We recognize that while our social contribution activities hold the potential for immense positive change, they are not immune to risks. Therefore, we employ a comprehensive risk management approach that begins with thorough identification and assessment of potential risks and uncertainties. This includes considering factors such as negative public perception, resource constraints, regulatory hurdles, and external factors. Once risks are identified, we develop and implement mitigation strategies tailored to each specific challenge, leveraging our commitment to transparency, stakeholder engagement, and compliance with regulations. Additionally, we continuously monitor and evaluate our social impact of our projects, remaining agile and adaptable in the face of evolving circumstances. By proactively managing risks, we not only safeguard the success of our initiatives but also maximize their long-term impact, ensuring they contribute meaningfully to the betterment of society and the communities we serve.

Metrics and targets

Investment in social contribution activities and their results and impacts (2023)

Number of projects		> 540
Resources input	Monetary donation to beneficiaries	> USD950,000
	Time spent on the activities	> 180,000 hours
	Employees and volunteers who participated in the activities	> 56,000 participants
	Paint used in the activities	> 460,000 liters
Results and impacts	People impacted	> 15.07 million

» See the "ESG Data" section on our website.

Performance

In 2023, our Group carried out about 540 social contribution activities, targeting approximately 15.07 million people worldwide. The total amount of donations to beneficiaries and organizations exceeded USD950,000.

As an example of these initiatives, the "AYDA Awards" hosted by NIPSEA Group, is highly regarded as a global competition in the interior design and architecture sectors held in 20 countries and regions, deepening relationships with global stakeholders. In DuluxGroup's "Color your Club," we are partnering with AFL (Australian Football League) clubs to support the upgrade of local sports facilities through paint donations.

These initiatives demonstrate the Group's dedication to making a meaningful difference in various communities and exemplify our commitment to fostering sustainable development and social well-being.

» For more information, please refer to "Pillars of social contribution activities and examples of activities" posted in the "Growth with communities" section on our website.

Sustainable Procurement

Nippon Paint is firmly committed to doing business ethically and responsibly. Sustainable Procurement is the integration of Nippon Paint's ESG principles into our procurement processes and decisions while maximizing shareholder value.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	Sales (contribute to new products/new markets) Expenses: Raw materials, shipment Assets: Inventories

Our approach to achieving MSV

We engage our suppliers to ensure the sustainable procurement of products and services through environmentally, socially and economically responsible processes. Nippon Paint has in place the Supplier Code of Conduct 2022 to clarify our global expectations for suppliers in the areas of compliance, environment, social and governance. We will conduct a survey for existing and new suppliers to understand their commitment to the ESG principles set forth in our Supplier Code of Conduct.

Suppliers are our important partners in our ESG journey, and we encourage them to adopt progressive practices that align with our approach to ESG.
A sustainability audit for on-site audit is to be developed. This will help to identify areas for improvement in our supply chain.

Governance

As one of the Sustainability Teams, the Sustainable Procurement Team discusses policies and initiatives concerning procurement of each partner company and reports updates to the Co-Presidents. The Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the Sustainable Procurement Team are overseen by the Board of Directors.

Strategy

Our approach to GHG emissions in procurement

The significant contribution of raw materials to our greenhouse gas emissions (Scope 3) is an important issue that we believe needs to be addressed, not just by procurement, but in collaboration with our technical team. We will consider using biomass materials and fuels in response to customer requirements.

Our approach to raw material procurement

Our Group's businesses depend on the supply of a broad range of products and services, such as raw materials, equipment, other materials, and information services. Maintaining and building strategy relationships with key suppliers is essential for the sustainable growth of our businesses.

Enhancing awareness and understanding of sustainable procurement

Our Group has a Group Procurement Policy that is aligned with our basic approach to business transactions. Our goal is to have all group employees and suppliers understand and comply with this policy.

Japan Group has established Procurement Guidelines, which define the Procurement Policy in more detail and clearly set rules and procedures to be followed by our Group and suppliers for responsible procurement. The guidelines are consistent with major international frameworks and standards for social activities, including frameworks for the respect for human rights.

Engaging suppliers on sustainability

Suppliers are important partners, and we encourage them to align with our approach to ESG. Our global Supplier Code of Conduct 2022 was developed to define our expectations for suppliers on sustainability. The Supplier Code of Conduct covers four main areas: compliance, environment, social and governance. Since then, we have been surveying our suppliers on their level of sustainability globally.

A Supplier Sustainability Questionnaire in 5 languages (English, Chinese, Serbian, Slovenian and Turkish) based on our Supplier Code of Conduct was used for the survey. The survey provides visibility to our supply chain with regards

Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
• Legal Compliance • Subcontractor Compliance • Environment, Health and Safety Compliance	• Minimize Impact • Waste Management	• Child Labor • Forced Labor • Discrimination • Working Conditions • Conflict Minerals • Product Safety and Compliance • Safety Training • Freedom of Association	• Anti-Corruption • Gifts and Entertainment • Conflict of Interest • Confidentiality • Record Keeping • Fair Competition • International Trade • Subcontractor ESG Compliance

Sustainable Procurement

to sustainability and identifies areas for improvement. For suppliers who are assessed not to comply with our Supplier Code of Conduct, we will conduct supplier engagement activities for risk improvement.

An ESG component will be developed and incorporated to the supplier audit program to further intensify our sustainability focus. The supplier audit program may include an on-site audit where deemed necessary.

Risk management

The Group conducts supplier risk assessment at each partner company using the questionnaire sheet based on the Code of Conduct. For suppliers who are deemed not to have complied with the criteria, we conduct supplier engagement activities for risk improvement.

NIPSEA Group and Japan Group adopted the Supplier Sustainability Questionnaire to standardize survey methods globally. If nonconformance is found at a supplier site, we discuss and work with the supplier in question on corrective actions to be implemented within a specified period of time.

DuluxGroup manages modern slavery risks throughout its supply chain through its Supplier Procurement Program. The program is designed to accord with standard global supply chain systems and guidance, including International Labour Organization (ILO) conventions, the Ethical Trading Initiative (ETI) base code, ISO 14001 and the SEDEX code, with the aim of identifying and addressing modern slavery risks and maintaining a responsible and transparent supply chain. In addition, DuluxGroup is currently reviewing options for third-party audit providers, to gain further assurance for suppliers deemed to be high risk.

Dunn-Edwards partners with suppliers that share the same values, working together to ensure the supply chain is free from forced labor, child labor, human trafficking and slavery. This effort includes initiatives aimed to clearly articulate our shared expectations and audit for compliance through our Supplier Code of Conduct initiative.

Metrics and targets

Roadmap

	2023	2024	2025
Strengthen internal mindset and enhance understanding of sustainable procurement	• Explored sustainable projects • Established indicators	• Support Group Environment, Health, and Safety (EHS) to compile Scope 3 for the NIPSEA group progressively • Improve understanding of Scope 3/ ESG among the group's procurement through training • Develop supplier ESG audit program with NIPSEA China	• Conduct supplier ESG assessment • Refine Scope 3 disclosure (raw materials related)
Sustainable procurement actions with suppliers	• Conducted supplier questionnaire (target 40% by value)	• Conducted supplier questionnaire (target 75% by value) • Engage suppliers to provide primary data to improve Scope 3 data quality	• Conducted supplier questionnaire (target 90% by value)

Performance

The Supplier Sustainability Questionnaire survey started from October 2022, and to date more than 1,181 suppliers have responded in agreement to our Supplier Code of Conduct. These suppliers are deemed approved, representing about 84% of our group's total procurement value.

Our target is to reach more than 90% of procurement value by 2025 and we will continue to work with our suppliers to enhance their engagement.

Results of Supplier Sustainability Questionnaire (2023)*1

	NIPSEA Group	DuluxGroup	Japan Group	Dunn-Edwards	Total*2
Total number of approved suppliers	812	273	272	106	**1,181**
Ratio to the total procurement value	82%	89%	88%	74%	**84%**

*1 Exclude Cromology, JUB, NPAE, Alina
*2 The total figure for each partner company is a unique value without double counting