

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Dominant market position in Decorative Retail, Automotive & Motorcycle coatings - backed by 3 production sites and a large warehouse network of 46 locations, with additional 16 planned for by end 2022 • Market leading decorative paint brands with strong brand awareness and heritage with the largest distribution coverage of CCM • Strong support from established global customers in Automotive OEM segment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • External shocks from increasing raw material price pressures though steps have been taken to mitigate this through relentless cost optimization and streamlining
<p>Opportunities</p> <ul style="list-style-type: none"> • Growth potential of Indonesian market to drive demand for premium products • Broaden the product and service spectrum to include painting accessories and tools, Sealants, Adhesives, and Fillers (SAF) as well as waterproofing segments • Further entrench distribution reach into 2nd and 3rd tier cities by doubling the number of depots and sales offices 	<p>Threats</p> <ul style="list-style-type: none"> • Prevailing and prolonged pandemic conditions negatively impacting all economic sectors, dampening foreign investment and delaying infrastructure projects • Downward price pressure due to intense competition by other established players and new entrants into the Indonesian market



Budi Fianto Buna
President Director

PROFILE

Budi joined PT Nipsea Paint and Chemicals Indonesia in 1970 and has been the President Director since 1990. Prior to that, Budi, who began his career as an HR & Payroll Executive, rose through a succession of leadership roles across areas including sales, marketing and general management. He was one of the pioneering team members who spearheaded the company's growth in the Indonesian market. Under his leadership, both Trade Use and Industrial Use divisions secured the number 1 position in market share for Decorative, Industrial OEM and Motorcycle coatings businesses. Budi obtained his degree in 1976 from a private university in Indonesia.

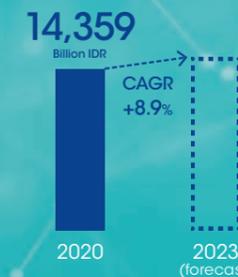
Market features and outlook

- Despite pandemic conditions, the market remains stable with a growing GDP forecasted at an average rate of 4% year-on-year
- With a population of circa 270 million and a majority at productive-age, the market has the right demographic to maintain a positive demand trajectory
- The increase in demand is backed by infrastructure investments and reduction in corporate tax rates giving rise to a better environment for business growth
- Cultural preference to redecorate and repaint every year helps to perpetuate demand

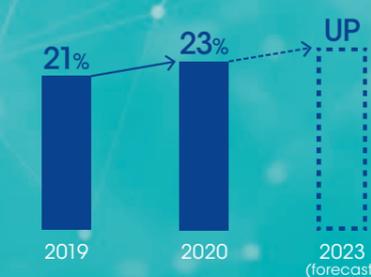
Growth strategy for FY2021-2023

- Heavy investments in brand building to maintain "Top-of-Mind" positioning for our end-customers
- Increase the distribution of our computerized Colour Creations Machines (CCM) and drive product penetration in all product segments in our retail network
- Proactively open new sales channels and distribution locations with a continued focus on strengthening partner and distributor relationships
- Expand e-commerce business to capture demand from online sales initiatives and channels

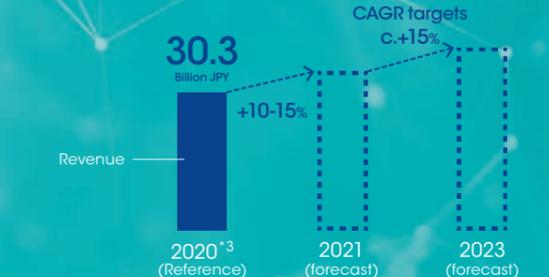
Market growth rate (decorative: Indonesia)^{*1}



Market share (decorative/value: Indonesia)^{*1}



Performance^{*2}



^{*1} NPHD's estimates ^{*2} FY2020 figures are in JPY; FY2021 figures and CAGR figures for FY2021-2023 are in local currency ^{*3} Pro-forma figures ^{*4} PPA amortization: JPY0.2 bn/year (rough estimate)

OP margin (before PPA)^{*4} **33.8%** → →

PT Nipsea Paint and Chemicals



PT Nipsea Paint and Chemicals is Indonesia's leading manufacturer of paints and coatings under the Nippon Paint brand. Dominant in the Automotive OEM coatings business, Nippon Paint is also the market leader in the decorative paints segment and well loved by Indonesian consumers for over 50 years. The company employs over 6,600 staff and is headquartered in Jakarta with a wide sales network covering over 40 locations across the country.

Corporate data

Employees: 6,672
Headquarters: Jakarta, Indonesia
Ownership Ratio: 100.0%

Market features and outlook

The Indonesian paint and coatings industry remains resilient despite retracting due to COVID-19. Worth approximately 14.4 trillion rupiah in 2020. Indonesian paint consumption, especially in the decorative segment, is expected to continue to be buoyant. Our confidence in the market is underpinned by strong demand and the continued growing population base of 270 million. With a young demographic profile and a rising middle class, we expect demand for our products to rise as the Indonesian economy grows.

The Indonesian government has been actively pushing for several large projects and developments to continue

despite the pandemic situation, pledging a cumulative total spend of USD430 billion on infrastructure alone by 2024. This provides ample opportunity for us to generate growth by offering our expanded suite of products and services for these projects.

A positive outcome from the pandemic is the rapid digitalization of the economy and the proliferation of e-commerce. To maintain livelihoods for all Indonesians, the government helped boost connectivity and raised the standard of living in rural cities and villages. This created an increasing demand for concrete housing and paint to beautify and protect them. Coupled with the local

cultural preference to redecorate and paint every year, we believe that our business will continue to thrive into the coming year.

Growth strategy for FY2021-2023

We remain focused on entrenching our dominance in the Indonesian market through a 3-pronged strategy:

1. Enhancing distribution and reach
2. Growing adjacent businesses
3. Expanding into new sales channels

We aim to double the number of stock points from the existing 40 to 80 within the next 3 years. This coupled with our extensive network of 10,000 computerized Colour Creations Machines (CCM) by 2023 will allow us to service even the most remote of areas in Indonesia.

While Indonesia's renovation and repair market projects a positive growth trajectory, we will continue to leverage the Nippon Paint Group's strength to build a product portfolio that goes beyond just paint. This includes the

introduction of paint accessories, tools, SAF, waterproofing, etc. into our existing channels. The diversification of our portfolio and increased focus on adjacent businesses is expected to strongly contribute to our revenue growth over the next 3 years.

Currently, in Indonesia, we have 100% distribution coverage across major cities, servicing a network of 30,000 retailers. To drive further penetration of our products, PT Nipsea Paints and Chemicals will proactively expand into new sales channels and grow our existing distribution network. One key pillar to support growth in this direction will be to expand CCM locations with retail dealers to offer unlimited colour choices in a wide range of products, an area that we are already working to build upon.

In line with the Indonesian government's push toward the digital economy, we will continue to further our e-commerce initiatives and drive product demand online through our various digital engagements. With our

renewed sales and commercial efforts, we aim to capture customer demand for our products by further strengthening our position in this region.

As we look to build a sustainable and resilient business structure to maximize value for all our stakeholders, we will continue to make steady investments in brand development. Through our enhanced product innovation and customer centric services, we hope to deliver the most compelling value proposition for customers, creating a 'Top of Mind' recall for the Nippon Paint in Indonesia.