Small Sell-Side Analyst Meeting with Co-Presidents Q&A Summary

(December 5, 2023)

Yuichiro Wakatsuki

Thank you everyone for participating in this small meeting today. We only have one hour, and we'll go straight to Q&A as just stated. But before that, I thought it may make sense to start off with the usual China question. Siew Kim, as I maintain my cautiously optimistic view towards our China operations in a tougher economy, can you share your views about the current state and future outlook, probably more as a CEO of NIPSEA, being closer to the ground?

Wee Siew Kim

A very good afternoon to everybody who is online. Thank you for joining this session. For some of you, we met almost exactly a year ago in November last year. The situation in China has actually changed a fair bit since last November when we last met and spoke about the situation.

As you can remember, last November, China was still in a Zero COVID Policy situation. At that time, as we were speaking, there was a big meeting in Beijing happening and everybody was looking forward to stimulus packages, end of lockdown, end of Zero COVID, and hopefully, everything will be rosy thereafter. A year later, I think, as we all know, we are still facing headwinds, and that is what underpins Wakatsuki's comment that we are cautiously optimistic in very trying conditions.

Why do we say that the property sector, where we are most exposed to as a Paint and Coatings company, is probably still in a state of recovery, and especially for the new build, it is a state of recovery from a very low and almost decimated base?

As you know, some of the big developers have been in trouble and one or two of them have actually restructured their loans and it looks like they may be coming off from the bottom. The biggest of those developers is still struggling. As of yesterday, the courts gave them another month to come back with the restructuring plans. We hear or read in the papers that there is a white list of property companies that the government would encourage the banks to continue to lend to. There are signals in the policy area in certain cities that encourages home purchases and land sales.

All in all, there seems to be funding support, there seems to be a policy support, but still, it is very early days to see how fast the sector can rebound.

For us, what do we do in such a situation?

We certainly have re-looked at our entire TUB business which is actually the business that deals with the property developers, and we have diversified a fair bit, in that we are now working with even the smaller developers in the regions. We are working with beyond the developers through the other contractors and services providers. We are also diversifying very rapidly outside the core residential sector.

From our standpoint, we feel that we have stabilized our TUB business in the face of still very trying market conditions. When we say stabilized, what we really meant is that we have exited from many of the troubled counters. We have gone on a very strict credit regime, and we have also exited some of the non-performing areas that we've experienced. As such, we enter actually from the third quarter into the fourth quarter in a lot better shape, and we hope to enter 2024 on an even more firmer footing. Our entire TUB business, I believe, will be able to catch any upturn whenever it comes. But nonetheless, we are continuing to operate prudently, but not holding our progress for any upturn.

As far as our China business is concerned, although as Wakatsuki had pointed out in the last quarter announcement, the TUB business may actually contract versus last year for us. But our TUC business, which is actually our retail business, continues to grow. This year, we should see at least, the mid-teens in terms of growth for the TUC business and we continue to perform well there.

I remember that two years ago, in 2021 August, I did make a presentation where we laid out some of the strategies for the TUC business. Two years later, I actually believe that many of the things that we said we're going to do, have actually panned out rather well for us. This is exactly what is positioning us for growth in the TUC sector and overall, because the TUC is a much bigger piece of our business in China, in the deco business versus the TUB. Overall, China for us is a growth proposition this year and, hopefully, continuing into next year.

If everything goes well for the rest of the year, we actually believe that China for us, in spite of the headwinds, in spite of the additional provisions that we intend to take, will have on an absolute basis, in RMB terms, the highest ever for our NIPSEA China Group. Even on an OP basis, we believe, we will also have a very strong OP versus all previous years.

As such, we believe that the TUC will continue to perform for us on the basis of some of things we have set up to do. The TUB business has stabilized and, hopefully, we'll be able to catch any upturn whenever it comes.

◆ Questions by Atsushi Ikeda, Goldman Sachs Japan Co., Ltd.

Q1	We're not so concerned about the situation in China. But on the other hand, the investors are concerned that the construction sector has been performing negatively for a couple of years, and there is a poor negative sentiment. In NIPSEA China, you have achieved a stable growth as well in the third quarter, and you have kept your optimistic view. Your brand equity and your brand value is quite high. However, this business is not completely consumer based. I would like to once again ask what is the driver of this strong growth? How have you been capturing the demand for repainting? Your growth is expected to outperform the market. But can you please give us some more color on your strategy so that we can kind of mitigate the concerns of the investors? Also, in China, the economic situation is deteriorating. How has that been impacting consumer behaviors and how has that been impacting your performance? Is there a possibility that the control of SG&A expenses in 3Q will affect sales growth in FY2024 and beyond?
A1	**Wee Siew Kim** As you pointed out, we all agree that the construction sector in China is probably at a low point. But what sometimes in such dire situations, we take comfort in whatever small glimmer of signals that the market sends us. Today, I just read that the PMI in China has ticked up a little bit. I think it's a cause for some celebration in very, very difficult times. But nonetheless, as you rightly pointed out, we believe very strongly our brand equity is there and it propels a lot of the strategies that we have put in place, especially where we think we're going to capitalize on the growth in the TUC sector. As you know, in the TUC sector, our market share is only 27% (our estimate). If you look at our two closest competitors in this space, they are probably in the high-single digits, which actually means that among the three key competitors in this market, there is still almost, 50-plus, 60% headroom to grow. Why do you think ourselves and our two closest competitors can take market share? We can only take comfort in the fact that this has been happening in the last two to three years. We have taken market share not only in our strongholds in the metros, but we have also seen very rapid growth in the third to sixth tier cities, that we have a focus on growth opportunities. This is a strategy that has been in place since about the late 2020-2021, early 2021. It takes time for a strategy to play its course because we have to build the distribution, put the team in place, and in some of the third to sixth tier cities, put the right product portfolio in place. All these are already well underway. We are seeing the growth in that area. The growth in that area is not only by just putting more manpower, not only reaching out to the market, not only just advertising and leveraging on our brand strength, but also coupled with a couple of other strategies that we have put in place. One of that is actually a very asset-light outreach towards how we complement our main paints and coatings offering with our putty and mortar products. Here, we have outreached to some of the local providers, who are suppliers to the market, who have the connections and the facilities and even some of them who have access to lower cost raw materials. We have co-opted them as partners and why do they join us? Mainly because they see that by partnering with NIPSEA China and the brand 立邦, they can go even further together. It's not only on the dry mortar and powder, in another part of our partnering, we're also reaching out to the smaller paints and coatings regional manufacturers, and also bringing them onboard as partners to NIPSEA China. As such, we are leveraging our brand, which you say that, brand is not about

	everything, but actually, we believe brand is a key point when we reach out to consumers, when we reach out to our partners because they see the strength in that. We are seeing ourselves taking market share, and we are taking market share not at the expense of price as well and margin. Overall, we believe that strategy is in its third year is beginning to pay off in terms of growth for us. I believe that when the market turns, when the consumer confidence becomes a lot stronger, we are going to be very well positioned to take advantage of that. Which was another question you asked is that what do our consumers or what do you think our consumers are responding to this, maybe, difficult economic situation? But although everybody says it's difficult, yes, the construction sector is difficult, primarily because the deleveraging efforts by the government for the past three, four years have really hurt a lot of the big developers and the new build has slowed down a lot. The home-buying sentiments have dropped. But what we see in our consumer is that there are probably some signs of people trading down, that we see that the mass and economy products are selling more in terms of demand. But nonetheless, by being the biggest brand out there, we continue to keep our share of the premium market. Yes, consumer sentiments may actually ratchet down in tandem with the economic outlook. But nonetheless, we believe that from the standpoint of brand awareness, from the standpoint of brand preference, from the standpoint of keeping our share in both the premium as well as the economy side of the business, NIPSEA China is actually tracking very well. To give you another example of how we leverage our brand strength is that the last two years, if you can see from our advertising, you can see from our actions in the market, NIPSEA China has positioned itself to be a leader in the color side. We are promoting color in a big way because we feel that as a market leader, we should set the pace and we decided that color is the way that we're going to stimulate the market. Color is the way where we think that we're going to even stimulate the repainting market even in a very poor market, whenever the resale market is low, repainting will drop. But nonetheless, when people stay in a house that is a bit aged, we hope that with our color strategy, with our advertising, with our product offering, we are able to stimulate demand. That is, I guess, another comment to your question about how do we see the repainting market. Advertising is very anchored on what we call Magic Paint, an interior texture paint. But coupled with Magic Paint is the idea to beautify your interior with colors and textures. On the back of that, we have rolled out, as part of our color strategy, increased penetration of the market with color machines. If you look at our color machines today, we have probably over 18,000 machines, which is a multiple fold increase from just two years ago. Today, as far as the color tinting machines in the retail market is concerned, we believe that NIPSEA China must have more than 40 percent of the installed base and growing. We believe there's still a lot of runway for this strategy. Because if you look at just a market like China versus like a market in India, the installed base of machines in China is only one fifth of that of India. There is still a lot of headroom to grow. We believe that there is still a lot of headroom to stimulate the repainting market and to prosecute our color strategy. I hope that gives you some confidence that we are able to continue as a market leader to stimulate the market, to interest people in colors, and actually build volume and build demand.

Q2	I have a follow-up question about the asset-light approach. For example, waterproof products or putty made by other manufacturers are going to be sold by NIPSEA China. Also, other construction material companies are going to be using your products to sell. Can you please elaborate on the asset-light approach? I believe TUC's market share needs to grow by at least 3% in order to outperform the market. In terms of brand equity, distribution, color machine, penetration, do you think that level of growth is going to be possible?
A2	**Wee Siew Kim** Well, the first question was about our asset-light strategy. Well, we saw that the dry mix putty and mortar was a key complement to our paints and coatings entire portfolio as an offering. We started probably about seven, eight years ago, putting that strategy in place. We started by trying to learn the business. We learned the business by starting it in a small way, building the factory ourselves, controlling the product, and learning what is a good product for the market. Even in certain markets, there are different preferences, but we learn all that. Actually, when we say asset-light, we started actually with an asset-heavy strategy. Asset heavy because we need that to learn the business, to be well prepared before we grow in a significant way. Now that we know what to do and we know what it takes to win in this business, we have gone out on the asset-light strategy, meaning that there are many other dry mix, putty, and mortar small manufacturers in different parts of China. Some of them bring their strengths. Their strength in that they already probably have a distribution. They probably have a smaller scale manufacturing capability. By reaching out to them, it's not only just partnering with them and using the Nippon Paint brand, but also working with them with our view on what the product should be, sharing with them the formulation. It is a true partnership. What NIPSEA China gains is that we now can grow in a much faster way rather than waiting for us to build our own factories. We are able to reach to many far-flung parts of China, where the local players probably have a lot better distribution and maybe even better regional relationships than us. Many of them also bring with them a market outreach, which coupled with our own sales outreach and brand, we hope that one plus one is more than two. That actually underpins our current transition from what earlier on, maybe eight, nine years ago, the asset-heavy strategy, to now, asset-light strategy, so much so that today, if I just look at this year's numbers, more than half of the dry mix and putty that we put into the market actually comes from our partners as opposed to from our own internal factories. That is for dry mix and putty. But we are doing the same for paints and coatings. There are also thousands of small paints manufacturers in different parts of China. Bringing the brand, bringing our technologies, and even bringing certain formulations, we are able to partner with them and grow together. This is where I think the brand helps because if you are any less significant a brand, I think the receptivity of the partners to work with us will be a lot less. **Yuichiro Wakatsuki** Maybe the second question on market share. I guess the question was, do we intend to increase our market share by like three percentage points per year if we want to grow like 10% on TUC. **Wee Siew Kim** If you look at this year's performance, we believe we grew in volume and value and in a market that we think is actually not growing. As such, we believe we are gaining on the market. If we do well in our outreach to all the regional partners and grow along with them, we believe that we are actually indirectly

	soaking up shares that otherwise would have been not a Nippon Paint brand. Whether we'll grow by 3 percentage points a year, I don't know. Time will tell because it's how successful our strategies are. We are actually not working in a vacuum. Our competitors are also very competitive. Although I would see that even among our key competitors, our focus are slightly to be very different now. We seem to be pushing very, very strongly in the TUC. Some of our key competitors continue to try to make a sense of the TUB market. We have different approaches, even among the key players. As such, going forward, if China continues to grow this year and hopefully next at a GDP level of about 4%, we hopefully can outperform the GDP, which is the typical benchmark we use as far as growth is concerned. If they grow at 4% as a GDP, hopefully, we grow, well, one and a half, two times that. I think it is going to be, I believe, a commendable performance in a very difficult market. **Yuichiro Wakatsuki** I'll just add that the analysts should not be bogged down to, let's say, the 27% or 24% number, because the basis keeps changing. It's a very tough market to give a constant and consistent view of the market. Our view towards the market continues to change, even our volume is growing and we're gaining share. Maybe the actual numbers could be a bit different. **Wee Siew Kim** Usually, when it comes to market share, we make guesses and we only can confirm after the fact when we look back a year and when the China paints and coatings industry put out the official statistics, then we can pin down exactly where we are. Right now, whatever we say is just based on what our feel of the market is.

◆ Question from Takashi Enomoto, BofA Securities Japan Co., Ltd.

Q1	I have a question about NIPSEA Group, excluding China. How do you make NIPSEA Group, excluding China, business so successful? Especially I think in Indonesia, you are getting market share. In Turkey, also, you are getting market share too. I'd like to ask about such successful regions. Also, can I ask, how to make the Kazakhstan business so successful in the future?
A1	**Wee Siew Kim** I thank you for commenting us that we are successful, but I believe we can do a lot more. I always have said that Nippon Paint Group, and even NIPSEA Group, we are fairly diversified. Although we start to talk straightaway about China but in reality, if you look at Nippon Paint Group itself, it is actually fairly diversified in geographic presence. Its concentration is really in the decorative space, where I think decorative is probably 64% of our business as Nippon Paint Group, and it's by choice because we actually feel that decorative is an area we know very well. It's an area that is very stable. It's an area that is usually very cash generative. It's an area where we can leverage our brand strength a lot and make a lot of headways. By choice, we are actually slightly biased towards the decorative area. But that's not to say that we don't like the non-decorative area. As you can see, maybe 12%, 13% of our top line is actually on the automotive area. Automotive area has actually come off the lows of the COVID lockdowns and the supply chain and part shortages. Actually, this year, automotive volume has bounced back, especially in Japan, where we see the uplift in the Japanese auto OEM production really giving us a tailwind. Decorative, Automotive, and of course, other industrials form the entire portfolio. Back to the question of NIPSEA Group, I started talking about the rest of the group mainly because I just want to sort of put in perspective that we are

	actually very diversified. Although in most discussions, two thirds of the time we talk about NIPSEA China, but in reality, I'm glad you brought up the question of NIPSEA Group outside China because it makes my other non-Chinese leaders, well, at least feel that somebody is paying attention to them. We do pay a lot of attention to them, and you're right that this year, they have been fairly successful and the diversified base of NIPSEA Group actually helps us that when one engine or one cylinder in the engine doesn't fire properly, hopefully, the other cylinders fire and, hopefully, year on year, NIPSEA Group as a whole continues to generate growth. Sometimes, one part is growing faster than the other, but overall, we always are consistently delivering growth to the market. If you look at NIPSEA Group outside of China, of course, the two big entities are Indonesia, PT NIPSEA as well as Betek Boya. Indonesia has always mystified people because it tends to have fairly good margins. Every time you ask, can you keep it going? Of course, I wish I could keep it going. Why is it so high? I think last year I did say that, well, if you look back 40 years, Indonesian margins have never been high. It's just that after repeated crisis, we have rational players who continue to focus on maintaining profitability. It ends up that a couple of sizable players in the Indonesian market continue to maintain almost the same level of profitability. That signals to us that there is a fair bit of rationality at work in that market and people focus on delivering value to the consumers and the market as opposed to trying to take share from each other by just undercutting each other. In Indonesia, why are we successful? Well, it is a growing market. It is a market where our brand is also strong. It is a market where we are having very good distribution and we have a good team. But more importantly is that we also have a market leader that we are chasing. It also helps that our market leader is a publicly listed company where we can benchmark every parameter. I can actually gladly say that our Indonesian team has actually closed the gap with our rival in terms on the distance to overtake. I'm not saying that they're not going to pull ahead anytime soon, but we are definitely closing the gap. If you look at the last three, four quarters, we outgrew them. I think the trends are promising, but like I say, it is a rational market. We hope that everybody continues to stay rational, deliver good value to the consumers, and we all continue to make good money. Again, there's no magic in this business. Be sensible. Build on your strength. Build on your distribution. Continue to deliver what the customer wants, which in today's world means that the customer wants a much broader product offering. If you are a one SKU paint company, it is going to be very, very hard to make a headway in such a market. I think in Indonesia, there's still a lot of growth we had. We are hopeful we continue to build upon our success there. Now, we'll talk about Turkey. Turkey is a very different proposition. If you remember what Wakatsuki mentioned in the last results announcement, IAS 29, which is hyperinflationary accounting, actually hurts our actual currency adjusted numbers because we are affected by the need to apply IAS 29. Our top line gets inflated by that and our bottom line gets deflated by IAS 29, so it works in the opposite direction. But nonetheless, we believe that we are making headways. In a high inflationary environment, where everybody tries to pass on the costs as fast as they can, revenue growth numbers sometimes may be very misleading. As a result, when we look at the Turkey market and how we perform vis-à-vis our competitors in that market, we actually look back and fall back on market share. We look back the last three years and vis-à-vis the public numbers that we can get which are the listed Turkish competitors, we actually saw that we have gained market share in the last three years, whereas our two other

	competitors have actually lost market share. From that standpoint, we believe that in a challenging market like Turkey, we continue to make headway, especially from the market share perspective. We can do that mainly because we believe that in NIPSEA, and our Turkish colleagues at Betek Boya continue to do the right thing for the long term and not to take short-term measures. We continue to build the brand, and in Turkey, unlike some other markets, we have a multi-brand strategy. In a multi-brand strategy, you have the top-tier brand, which is Betek Boya. We have the mid-market brand, which is Fawori, and we have the economy brand, which is Tempo. On top of that, we also have a very successful ETICS business, which is the Exterior Thermal Insulation System, which, coupled with the offering, we can leverage on the entire strong distribution chain and be able to sell both the coatings and ETICS offering. ETICS is not an insignificant business for us in Turkey, because it is roughly 20% to 25% of our entire turnover. It's a significant business. It's a business where we have actually built the market on the back of government legislation for external insulation. We actually want to be the market leader, in that we put the technology forefront. That very persistent attention to this strategy actually enables us to almost have a 50% market share of the ETICS business in Turkey. How we make it successful? We inherited a good team. When we acquired Betek Boya in 2019, we continue to maintain this team, and coupled with what the rest of Nippon Paint Group can bring to Turkey, we strengthened the group and we have also strengthened their balance sheet so that in an environment where it's hyperinflationary, they do not have balance-sheet concerns. They continue to focus on the block and tackle of doing well in the market. We believe that Turkey will come out of this dire situation. It's just a matter of when, and when it does come out, we believe we are actually going to come out a lot stronger, and when the dust settles, hopefully, we will emerge smelling really good. Well, but time will tell. I think just keep watch, and hopefully, we'll continue to perform. You asked about Kazakhstan. Kazakhstan is not a new market for us. Our Turkish colleagues have always exported into Kazakhstan. We know a little bit about the Kazakhstan market. Now, when the number one player in Kazakhstan becomes available, our people, of course, are very excited about it. I'm very happy that even in a beauty contest, where I know the seller wants to get the best price, NIPSEA and Betek Boya become their partner of choice. We have signed the agreement. We are going through anti-competition and governmental and regulatory approvals. Hopefully, we'll close on a deal, well, in the first half of this coming year. Kazakhstan is a substantial market for us from several standpoints. One is we are actually acquiring the market leader, so we are building on a very strong base. In most of our acquisitions, we hope that we also inherit a good team, which also comes with Alina. It comes with a good market position. It comes with a solid management team, and what is also very different about Kazakhstan is that Alina, which is the acquired entity in Kazakhstan, is actually very strong in the dry mix part. They are, I believe, almost like a 40% player in the dry mix area, but a smaller player in the paints and coatings part. Exactly where we can bring our strength to leverage on the paints and coatings through Alina and build upon it, and on the base of a very strong entire business that is anchored also by the dry mix. Kazakhstan also promises for us to be our beachhead into the entire Central Asia region. Kazakhstan, a country of 20 million, GDP per capita about US dollar 14,000 to 15,000, which is not small. It allows us to penetrate into all the nearby countries, whether it's Kyrgyzstan, Turkmenistan, and allows us to build that base. We believe that the acquisition of Kazakhstan, not only is

	Kazakhstan for us, but builds another very strong geographic base of operations for us in Central Asia. We talked about Indonesia, we talked about Turkey, we talked about Kazakhstan, but let's not forget that we have what we call the Singapore Group that operates in Singapore, Myanmar, Sri Lanka, and Vietnam. We also have the Malaysia Group that operates in Malaysia, in Thailand Decorative, in the Philippines Decorative, in Bangladesh. All of them actually are growing very nicely this year. In fact, I guess the only blemish in that record is actually Vietnam as the economy is not doing very well. We are facing headwinds there, but we believe that that is all macro driven as far as market conditions are. But overall, NIPSEA Group, outside of China, is actually performing very well this year.

◆ Questions from Atsushi Yoshida, Mizuho Securities Co., Ltd.

Q1	I have a question about NIPSEA Group, excluding China, especially India. You have acquired India back and also you have acquired an entity in Kazakhstan. In the South and Central Asia, I feel that you've been focusing on those regions. Mr. Wee just talked about Uzbekistan and Turkmenistan, but in Central Asia, are you willing to continue doing M&As in this region for further growth? Regarding India, you currently have main operation in the southern part, but do you have any plans to expand your operational area in India?
A1	**Wee Siew Kim** I'm glad you brought up India, because India, sort of, never comes into this discussion because it was never part of Nippon Paint Group for a while. But it's coming back into the fore, and I think that is also going through approvals and, hopefully, India becomes a permanent speaking point in future discussions. The question is that we are in the South and are we going to grow on a wider basis in India? When you talk about the South, it's mainly discussion on the decorative business. It's the discussion on decorative business because in India, in the decorative business, we have a couple of giants ahead of us. We have decided some probably eight years back that we will create more shareholder value if we focus. We started by focusing only in one big state, Tamil Nadu. You may think that you don't want to play the whole India and just play in one state. Are you a little bit of an underachiever? But if you really look at the size of the market, the Tamil Nadu market is almost a 300 million US dollar decorative market. That is, at least six, seven times bigger than the entire country of Singapore. And so, it's not trivial. We also felt that in the face of all these huge competitors entrenched in a market a lot longer than us, let us build our base. And so, we started to focus on Tamil Nadu. We actually now have gotten to be a very strong number two from nowhere in Tamil Nadu. Three years ago, or maybe four years ago, we decided that we are going to now go to the next state in Karnataka. We repeated the same focused market building strategy. We are now a very credible number two there, giving the number one player in the market a run for their money. Are we going to grow for the decorative beyond Karnataka and Tamil Nadu? The answer is probably yes. But the answer will be that we will not rush into it. Because we believe that, one, we want to make sure we anchor our positions in the two big states very, very strongly first before we make other forays. Secondly, we also believe that a lot of the ability to win is the strength of our team. We also don't want to sort of stretch our team until we are sure we can build more bench strength in order that we can take the fight to the other states. But that's not to say that we have no presence in the rest of India. We actually have presence in the rest of India, except that we do not demand as much of

	a market share gain and push from our colleagues in all the other states. Maybe we don't do justice for them. We just lump them under what we call ROI, Rest of India. But actually, if you look at the Rest of India, it's also growing and in India, as everybody knows, for the past few years, it's actually a fairly high growth market. Overall, I think the growth of the market, the presence we have, really lift us up. That is the decorative side of the business. For India, we should not forget that we have two other businesses in India that are also doing very well. We have an auto refinish business that today our Indian team is actually leading not only in India, but also taking the business outside of India and growing the auto-refinish segment for us. We also have a very strong industrial business that this year will probably break some revenue and profit records as well. India, as a whole, on the three divisions: decorative, industrial and auto refinish, is probably going to perform fairly well for us this year. I did say that I'm glad you brought up India because it reminded me that we have been talking a lot about organic growth, whether it's China, whether it's Turkey, whether it's Indonesia, but in reality, in the last couple of years, there have been a number of acquisitions in Nippon Paint Group as well. Alina in Kazakhstan is one of them. In India, although it is not sizable enough that it actually hit the news, but Indian team, especially in auto-refinish, are also acquiring companies to bolt on, and we are growing there as well. Our DuluxGroup colleagues from Australia have also acquired NPT recently which is to help out in our polyurethane and our SAF businesses. As such, India, coming back to the fore, is going to really help us next year, together with some of the other acquisitions. It is not as substantial as, say a DuluxGroup level acquisition. But all these pieces continue to sort of add credibility to our asset assembler approach that is advocated at the NPHD level.

Q2	Let me ask you a follow-up question. In India, you're trying to leverage the knowhow of NIPSEA Group in India, and what do you think is still missing there? If there's nothing missing, then that's fine as well.
A2	**Wee Siew Kim** I'm scratching my head because we can always do more and if I'd known what is missing, I would have done it already. Anyway, I think that is a good reminder that we always must be on our toes. But what we are doing new in India, especially on the decorative side, is we have actually leveraged the strength of the rest of Nippon Paint Group. In that if you look at the product offering in India decorative today, it is no longer just a pure paint and coatings. It is coupled with the SAF products, SAF meaning the Sealers, Adhesive, and Fillers products from Selleys. It is bringing onboard some of the waterproofing products that NIPSEA China is pushing. It is also bringing a lot of floor products. So much so that we are offering a much broader product offering than what we were even accustomed to bringing to the market just five years ago. Those are the pieces. Hence, paint and coatings, coupled with light construction chemicals, coupled with the SAF is a more complete offering to the market. All along, India has been a very colorful market, in that they are more driven to be a little bit more adventurous with colors than many other markets. Even if India is a very color-oriented market, some of the things that we are doing in China, as far as Magic Paint, textures, are also being brought into India so that we can also push a very strong color strategy into India. Right now, we continue to grow our offering in the Indian market. As we know more and experiment more, I'm sure we'll have more missing pieces that we can pluck.

◆ Question from Yifan Zhang, CLSA Securities Japan Co., Ltd.

Q1	My question is regarding the markets in the developed regions of in Australia, in the US, and Europe. Basically, you had very solid positions in that market, but the current situation is that probably Europe, US, and Australia, they are facing some property market headwinds in this market. And so, how to kind of deal with this kind of problems in 2024? What it's more, basically, I think is about your growth strategy because when we look at this company, including the others, we think that you'll have a very solid growth business in Asia, but elsewhere, we cannot really be sure whether they have potential growth or not.
A1	**Wee Siew Kim** Thank you for bringing up the rest of the world, especially the developed world. When you talk about developed world, I'm actually surprised that as a company called Nippon Paint Group, nobody talks about Japan. But let me just bring up Japan. Japan, everybody says, has slow growth. But if you look at our Japanese business this year, it is growing 8-plus percent. It is not exactly a slow growth for a developed market and the profitability has also returned. As such, we hope that some of our friends in the analyst community continue to pay good attention to our Japan part of business because you make our Japanese colleagues very happy. Now, let's come to Australia. Australia, for us, Australia, New Zealand, actually, we look at it as the DGL Group. The DGL Group is now, today, looked at itself in two parts. We call it DGL Pacific and the DGL Europe. DGL Europe is mainly because on the back of the acquisition of JUB and Cromology, our Australian colleagues almost have almost a billion US dollars of top line from the European side. Europe is now coming off a low of the post-COVID bump. They did very well during COVID as in all Westerners, the more you lock down, the more paint they use. But once the lockdown finished, the paint, of course, dropped back to a much lower level. But Europe seems to be coming up and if we look at the last couple of quarters, even in Europe, we are seeing very promising signs. We hope that our growth there will continue to outpace the market. Overall, even though you look at the developed market as slow growing, our Australian or DGL business, which is Pacific plus Europe, will probably grow in the teens for us this year. It's actually outperforming what you think is market growth. Now, come to the US. The US, we have two businesses there in the US. We are in automotive business as well as the decorative business. The decorative business certainly is facing some headwinds, mainly because I guess the high interest rate environment is actually hurting the market to some extent. Also, in the prior year, we actually were performing very well at the margins level. Overall, our US business on the decorative side has seen a bit of a slowdown, mainly because it's market driven. But we believe that if the US does not slide into a recession next year, things will be a little bit more optimistic than what we see this year. Also, our US colleagues also talk about weather patterns because we are anchored in California as well as the south western part of the US, where it seemed to have atypically wet weather this year, which hurts them a little bit, but all in all, I guess we are hopeful that we are going to bounce back. Our automotive business in the US actually has done fairly well because volumes have come back and even the scare of the automotive OEM, labor strikes, which is over now, we hope that even in the remaining days of this year, our OEM customers continue to ramp up production to catch up, and hopefully, we'll finish the year a lot stronger than even last year. Overall, the developed markets do have some headwinds that you mentioned, but I think we're holding

	our ground. **Yuichiro Wakatsuki** Maybe if I may just add one more point. I know we're running out of time, but just be mindful that it is all additive to our EPS. We're compounding EPS even with those low growth markets, and by the way, of course, DuluxGroup is not a low growth, especially in Pacific and all that, but it is the way we create our EPS and don't get bogged down by one segment not as growing like as in Asia. That's not really part of our story as an asset assembler. Maybe just I made a final comment before we close.

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