

# Our strategic partnership boosted the Nippon Paint brand to a dominant position in Asia

Nippon Paint Holdings and the Wuthelam Group have steadily deepened and broadened our partnership since we established the Asian Joint Ventures (NIPSEA business) in 1962. This strategic partnership elevated Nippon Paint to a dominant brand in Asia and was further substantiated in January 2021 with NPHD's acquisition of 100% ownership of the Asian JV. This page traces the history of our Japan-Singapore partnership for 60 years. The Wuthelam Group is now an asset management company engaged in investment activities.

## Maximization of Shareholder Value (MSV)

Boost to Nippon Paint brand power  
Boost to market presence (share gains)  
Boost to returns (sales and profits)

The structure of the Japan-Singapore partnership in the 1960s



**WIN-WIN**

\* The Wuthelam Group now is an asset management company engaged in investment activities.

### Historical background

1963 Malaysia formed	1971 Nixon shock	1975 Fall of Saigon	2001 China accession to the WTO
1965 Singapore declared independence	1972 US-China Joint Communiqués	1978 Japan-China Peace and Friendship Treaty	2007 Vietnam accession to the WTO
1967 ASEAN formed	1973 The fourth Middle East War The first oil crisis	1979 US-China Diplomatic Normalization Iranian Revolution The second oil crisis	2008 Global financial crisis
		1985 Plaza Accord	
		1995 US-Vietnam Diplomatic Normalization	
		1997 Asian currency crisis	

### History of the Japan-Singapore Partnership

**1962**

Partnered with Wuthelam for expansion of distribution channels in Asia and launched the Asian JVs (NIPSEA business) (NPHD ownership ratio: 40%)

Deepened and broadened the 60-year partnership with the Wuthelam Group that culminated in the integration of Asian operations

**2021**

Acquisitions of the Asian JVs and the Indonesia business (NPHD ownership ratio: 100%)

**2014**

Consolidation of the Asian JVs (NPHD ownership ratio: 51%)



### History of the NIPSEA business

**1962**

Jointly established Pan Malaysia Paint Industries (the current Nippon Paint (Singapore) Co. Pte. Ltd.)

**1967**

Entry into the Malaysia market  
Entry into the Thailand market

**1969**

Entry into the Indonesia market

**1970**

Entry into the Hong Kong market (China)

**1976**

Entry into the Philippines market

**1977**

Entry into the South Korea market

**1992**

Entry into the China market

**1994**

Entry into the Vietnam market

**2004**

Entry into the Taiwan market (China)

**2006**

Entry into the India market

**2007**

Entry into the Pakistan market

**2011**

Entry into the Bangladesh market

**2012**

Entry into the Sri Lanka market

**2014**

Entry into the UAE market

**2017**

Entry into the Myanmar market

**2019**

Entry into the Turkey market  
Entry into the Egypt market

## Japan-Singapore partnership aimed at the growth potential of the Asian paint market

### The beginning of our partnership

Our partnership with the Wuthelam Group dates to 1962, when we jointly established Pan Malaysia Paint Industry (the current Nippon Paint (Singapore)). Nippon Paint and the Wuthelam Group agreed to broaden their business exchange relationship to encompass technical cooperation and capital investment, and decided to construct a new factory. The background for the expanded partnership was as follows: ① Southeast Asian nations including Singapore were in a construction boom and had potential to grow into a major paint market, ② Exporting paint from Japan to Southeast Asia was costly and delivery times were slow, requiring Nippon Paint to become more competitive to succeed in this market, and ③ the Singapore government announced plans to impose high tariffs on import paint products in 1961. This was the start of the current NIPSEA (Nippon Paint South East Asia) business.

In the in-house magazine, Chiaki Obata, who was Nippon Paint Senior Managing Director at the time expressed expectations for the new factory, "Pan Malaysia Paint will establish Japan's foothold in the faraway market in Singapore, right on the equator. This area has a potential to grow into a major market, which is a great delight for our Company as well as for Japan's paint industry." Commenting on the impression of the Wuthelam Group, he praised them saying, "The people are hardworking, thoroughly inquire into things, and perform their duties with a sense of responsibility. If we form simplistic assumptions about these people, we will fall behind them." He also left prophetic comments for Nippon Paint employees, "Our playing field is not limited to the narrow market in Japan. We should be competing in the greater global marketplace. That should be our real objective."

The new factory started operations as the first modern factory in Singapore with a site area of 8,000m<sup>2</sup> and



The completion ceremony of Pan Malaysia Paint's new factory (1965)



Japanese engineers dispatched to Singapore and Malaysia




Mr. Goh Cheng Liang (the founder of the Wuthelam Group) commemorating the 30th anniversary of Nippon Paint (Singapore) by cutting a cake in the shape of a paint can



Event celebrating the release of a new product



**Market presence of NIPSEA business**

-  Operating region **22** countries and geographical locations
-  Number of paint factories **95** locations
-  Revenue in Asia (FY2020) **¥356.6 bn**
-  Operating profit in Asia (FY2020) **¥55.0 bn**

\* Countries where the NIPSEA business has market presence/No.1 market share

## Dominating the Asian market with the Nippon Paint brand and local marketing capability

production capacity of 300 tons per month. The factory's completion ceremony on April 15, 1965 was attended by some 600 people, including senior government officials from both Japan and Singapore, management and employees of Nippon Paint and the Wuthelam Group, and customers. The event was widely reported in local newspapers with comments including "the new factory will significantly contribute to the economic development and friendship of the two countries," and "all Southeast Asian nations have an interest in its success."

### Leveraging mutual strengths to methodically expand across Asia

Nippon Paint first entered the broader Asian market in 1933, and the partnership with the Wuthelam Group enabled us to leverage the strengths of both companies to further that expansion. Nippon Paint has promoted the sales growth of

the Nippon Paint brand products by dispatching Japanese paint engineers to local production sites to provide paint technologies and production know-how, and Wuthelam uses its expertise and network in the Asian market to manage local operations, sales, and marketing. The partnership has also led to expanding operations into Thailand, Malaysia, the Philippines, South Korea, and other countries through the 1970s. In the 1980s, business grew beyond the decorative paints business with the growing Asian operations of Japanese automobile and home electronics manufacturers into the automotive coatings and industrial coatings markets.

In 1992, we expanded into the huge mainland China market and also established operations in Vietnam, India, Sri Lanka, Turkey, and Egypt. We have achieved high growth by actively meeting the brisk paint demand in the rapidly growing Asian market.

The Japan-Singapore partnership between Nippon

## Achieving dominant market position in the Asian market and MSV

Paint and the Wuthelam Group has evolved over the six decades of the NIPSEA business. Nippon Paint Holdings made the NIPSEA business a consolidated subsidiary in 2014 and a wholly-owned subsidiary in January 2021, thereby bringing the partnership to full maturity (See "Discussions by the Board of Directors" on page 89). We plan to further accelerate the development of globally integrated operations.

### Leveraging our Group's unique management resource to achieve MSV

NIPSEA business, which was established through the Japan-Singapore Partnership, now operates in 22 countries and geographical locations and has grown to command No.1 market share in the decorative paints market in five Asian countries and Turkey. This business has grown into a major growth driver of our Group in Asia with revenue of ¥356.6 billion and operating profit of ¥55.0 billion in FY2020.

The NIPSEA business has generated continuous high growth, by establishing a dominant market position based on the powerful LiBang brand and extensive distribution channels to capture the particularly strong market growth in China, where we estimate CAGR for 2019-2024 will be a brisk 5.3% (See "The Global Paint Market" on page 05).

We will continue solidifying our dominant position in the Asian market using the unique management resources of our 60-year partnership with the Wuthelam Group as we seek to achieve Maximization of Shareholder Value (MSV).