



**Eric Chung**  
CEO

SWOT analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Established brand in China with significant market share, looking to further consolidate and enhance its brand power</li> <li>Continuously expand business scope and product range to meet ever-evolving customer needs</li> <li>Robust manufacturing, retail sales and stakeholder networks have facilitated efficient production and cemented Nippon Paint's reputation as a trusted industry leader</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Organizational structure and business model need to adapt to match the existing market and customer needs</li> <li>Boost operational efficiency with greater investment in technology</li> <li>Build a people management strategy that enhances performance incentives and rewards valuable talent</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Obtain in-depth market insights to scope out new opportunities in infrastructure, especially as investment in the next few years is set to scale up</li> <li>Leverage changes in consumer consumption patterns, especially a rise in online consumption</li> <li>Adopt digitalization to revolutionize operational efficiency, organizational structure and business model development</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Other manufacturers are developing products that could encroach on Nippon Paint's market share, e.g. coating manufacturers are producing waterproofing products, waterproofing manufacturers are producing coating products</li> <li>The real estate cycle is in a less than ideal phase, with a slowdown in growth rates of new housing developments and a drop in property speculation</li> <li>The COVID-19 pandemic has impacted supply chains, affecting both downstream and upstream processes</li> </ul>

PROFILE

Eric Chung is the CEO of Nippon Paint China, currently heading all its business units in Greater China. He held managerial roles in two subsidiary companies of Master Kong Holdings Co. Ltd. before joining Nippon Paint China in 2007. Armed with a clear business vision, he has spearheaded company-wide transformation in areas of corporate strategy, image, branding and product technology. He has also expanded Nippon Paint's scope, overseeing its evolution from paint manufacturer to a provider of overall coating solutions. Under his leadership, Nippon Paint China has achieved more than double digit growth for the past 10 consecutive years.

DIY Growth Strategy

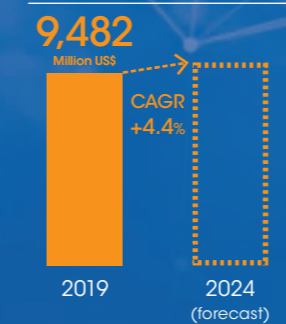
Market features and outlook

- After a housing boom triggered by government reforms, the commercial housing property market has started to plateau, and now sees year-on-year slowdown
- Government-mandated regulations have also led to an increase in new property launches featuring fully decorated and move-in-ready units, as opposed to bare units that require renovation
- At the same time, a rising proportion of existing/ mature housing estates across the country generate huge demand for repairs, renovation and repainting
- Growing need to look beyond selling paint - shifting focus to solutions that integrate products and services into a cohesive, convenient customer experience

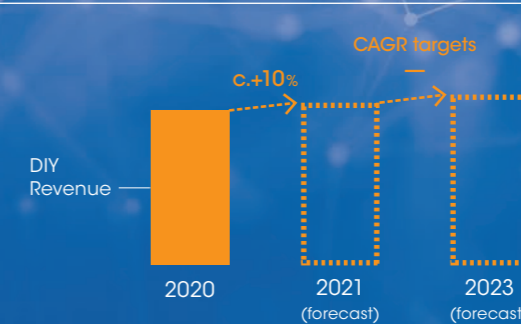
Growth strategy for FY2021-2023

- Focus on carving out a brand identity that creates customer loyalty
- Strive to build and enrich high quality product lines, integrating product systems into customer needs
- Expand scope from selling products to selling services, underscoring our transformation from a pure paint manufacturer/ seller to a total coatings solution provider
- Expand market share in the repainting and renovation market
- Embrace digital strategies and data-driven business transformation

Market growth rate (decorative: overall) \*1



Performance \*2



\*1 ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>  
\*2 FY2020 and FY2021 figures are in local currency

# Nippon Paint China



Nippon Paint China was first established in 1992 and has risen to the fore as a respected leader in the coating industry. Since its inception, it has steadily expanded its reach across China in tandem with the country's rapid economic and social growth. Driven by a commitment to becoming a full-service provider, Nippon Paint China has diversified its product offerings to tap into various markets and harnesses innovative technology to produce superior offerings for Chinese consumers. Its products proudly feature on buildings ranging from Olympic stadiums to Shanghai World Expo venues.

Corporate data

Employees: 9,300  
Headquarters: Shanghai, China  
Ownership Ratio: 100.0%

## DIY Market features and outlook

China's housing reforms in 1998 led to a huge wave of real estate activity, with 20 billion square meters of commercial housing sold since. However, as the dust settled post-housing boom, growth rates have slowed, resulting in excess housing stock. The current estimated area of available commercial projects totals 1.7 billion square meters.

There has been an increase in construction of new residential buildings, with developers rushing to launch projects to shore up revenue amidst tight financial conditions. Notably, many of these new buildings feature move-in ready units that require no refurbishment or renovation - a trend that has gained traction since a 2017

policy was introduced by China's Ministry of Housing and Urban-Rural Development, requiring 30% of all newly built residential properties to be fully renovated by 2020.

At the same time, opportunities have arisen from the large base of mature housing estates across the country. Recent government initiatives encouraging refurbishment of these estates have sparked huge demand for home renovation products and services.

## DIY Growth strategy for FY2021-2023

We have pinpointed several key measures to generate growth in the DIY Market from 2021-2023. These are:

1. Focus on continuous brand building and upgrading
2. Strive to build and enrich high quality product lines, integrating product systems into customer needs
3. Expand scope from selling products to selling services, underscoring our transformation from a pure paint manufacturer/ seller to a total coatings solution provider
4. Expand market share in the repainting and renovation market
5. Embrace digital strategies and data-driven business transformation

Unlike brands and products in other industries, paint is an industry without a logo; consumers are not likely to save paint buckets after using paint products. As such, building brand recognition in the coatings industry requires a different approach. In 2020, Nippon Paint created a brand mission that taps into customer perceptions of lifestyle and identity, themed "Refreshing a Beautiful Living Space." It portrays the spaces in which we reside—i.e. spaces for working, living, fitness and entertainment—as indicators of a good life.

The brand mission conveys the message that a refreshed living space represents a new vision and a change of mindset. Such an approach has paid off - in April, Nippon Paint and Wood Coatings both took the top spot in the 2021 C-BPI® Industry Brand Power Index, a brand ranking and analysis report by the rating authority Chnbrand. Being selected as No. 1

brand in the wood coatings category for nine consecutive years is testament to the recognition and trust we have gained from our consumers.

Nippon Paint also aims to build comprehensive user experiences to ensure we remain the first choice for all home improvement needs. We launched our "Beyond Paint" strategy in 2014, drawing from our in-depth understanding of customer demands. At the heart of this strategy is a focus on diverse, high-quality product lines and integrated services. We innovate a wide range of products that go beyond coating materials, offering top quality and environmentally friendly base and auxiliary materials such as putty, waterproofing products, silicone, tools and more.

Furthermore, we provide one-stop solutions by integrating services into our repertoire. For example, we launched our refresh service in 2011, which appeals to customers because they outsource the painting work to us. The service, which emphasizes customer

convenience and now allows them to repaint more frequently, amplifies our role in the consumer journey and has become the word-of-mouth choice for more than 600,000 households.

Repainting services

We also hope to capitalize on a growing home renovation market, triggered by national policies prioritizing the transformation of mature real estate. At the Politburo meeting on 17 April 2020, a measure was proposed to actively expand investments to implement the renovation of old communities. Over the past two years, the Chinese government encouraged renovation of the nearly 160,000 mature housing communities across the country, spanning an estimated 4 billion square meters. We see this as an important market opportunity as our DIY product system and refresh services ease the burden for consumers keen to repaint and renovate their homes. This allows us to expand our market share, creating a viable revenue stream that offsets dwindling sales from traditional business (i.e., relying on sales from walk-in customers).

Several factors, including the COVID-19 pandemic and the digital revolution, have also been significant drivers of change and growth. In 2020, the pandemic devastated the construction industry. As such, would-be homebuyers have turned to an emerging trend of home improvement instead of purchasing new homes. Many of them were born in the 90s, making them a generation of digital natives who have fully embraced online consumption. Hence, Nippon Paint is actively exploring a dual-channel online and offline approach, combining customer touchpoints to maximize engagement.

While physical stores remain the cornerstone of the consumer experience, we will explore building a digital second-floor matrix of intra-city shopping, smart shopping malls, and painting clubs to drive a new growth

curve for the brand. We have also launched successful digital initiatives such as a strategic partnership with Tmall, which saw Taobao's top two sales ambassadors selling our products via livestream during last year's 817 Super

Brand Day sale. As we recognize that big data is the future of commerce, we will use its new insights to better understand our customers, terminals, and markets, as well as enhance our own company operations.

Complete solutions for all your home renovation & repair needs

Refresh existing cities

94 cities  
217 service outlets  
990 customer specialists  
5,094 construction specialists

Project Growth Strategy

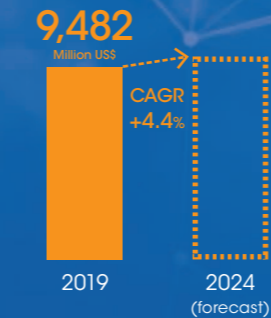
Market features and outlook

- The commercial housing property market has experienced year-on-year slowdown
- Increasing number of new property launches featuring fully pre-decorated units
- Large base of existing/mature housing estates, combined with huge demand for repairs, renovation and repainting
- Move from selling products to selling solutions, promoting sales of paints and related products

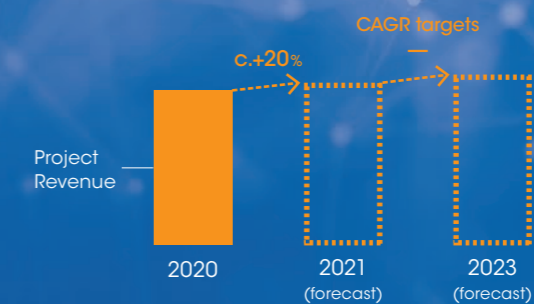
Growth strategy for FY2021-2023

- Engage with a more diverse customer base encompassing both real estate developers as well as their project stakeholders
- Enhance our product range and product systems to meet broader customer demands
- Creating a systematic Project Coating Protection system
- Adopt transformation-driven ethos to spearhead process improvement and organizational change

Market growth rate (decorative: overall) \*1



Performance \*2



\*1 ACA-published Global Market Analysis for the Paint & Coatings Industry (2019-2024), <https://paint.org/market>  
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Project Market features and outlook

Real estate developers have consistently strengthened their market presence over the years. According to a research report studying China's real estate developers, both the top 100 and top 10 developers have seen a year-on-year increase in market share. The Top 100 real estate developers saw a substantial increase of 26.4% market share from 2015-2019, while the Top 10 real estate developers an increase of 11.3% over the same period. The numbers only continue to grow; last year, the sales market share of the top 100 developers rose to 63.2%.

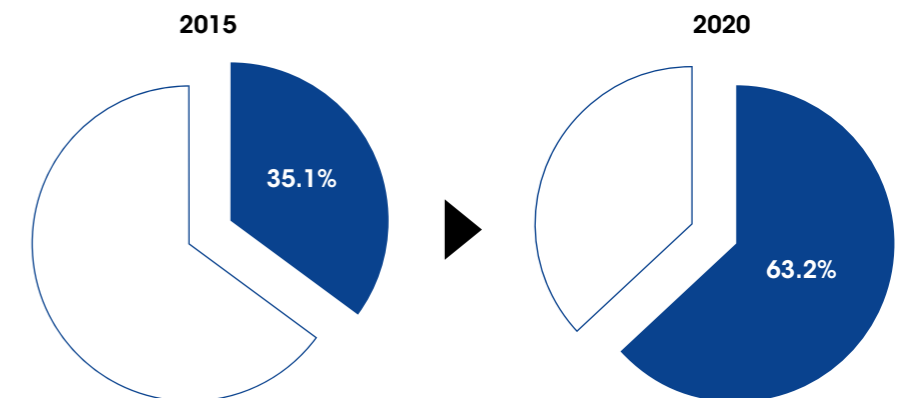
Therefore, it has become imperative to foster deeper cooperation with real estate developers and their project stakeholders, making Nippon Paint as their go-to for innovative products that lead the pack in terms of quality and variety.

In March 2020, the Chinese government initiated a raft of

construction projects categorized as "new infrastructure" projects. This will involve investment of more than \$40 trillion, which will go towards constructing 5G base stations, UHV electrical grids, intercity high-speed railways and urban rail transit, charging piles for new energy

vehicles, big data centers and internet infrastructure. These technology-driven projects will require structures built with higher functionality and resilience, which is where we see great opportunity for us to establish our presence.

Top 100 real estate developer's market share



## Project Growth strategy for FY2021-2023

Although real estate developers comprise the majority of our customers, we have identified a gap in the market space that is ripe for exploration. Our Project Division seeks to forge relationships with the real estate industry's numerous ancillary businesses – including contractors, architecture and engineering firms, or home improvement companies – to fill this market gap.

In order to do so, we aim to consistently improve our product range and product systems. As such, our Project Division innovates high-quality and comprehensive product lines to meet a broad range of customer demands. We continue to expand our product line beyond coatings offerings, providing substrate products, auxiliary materials, and energy-saving insulation products as well. These products are complemented by efficient systems and first-rate delivery services.

By building a platform that integrates customer acquisition with delivery processes, and establishing strong relationships with distributors and construction companies, we provide partners with all-round support for market expansion, technology, supply chain finance, and resources. Through synergizing big data, informatization tools and digital platforms, we can provide our partners with a comprehensive product system, a complete supply chain system, an advanced information management system and an international layout that collectively creates the most value for customers.

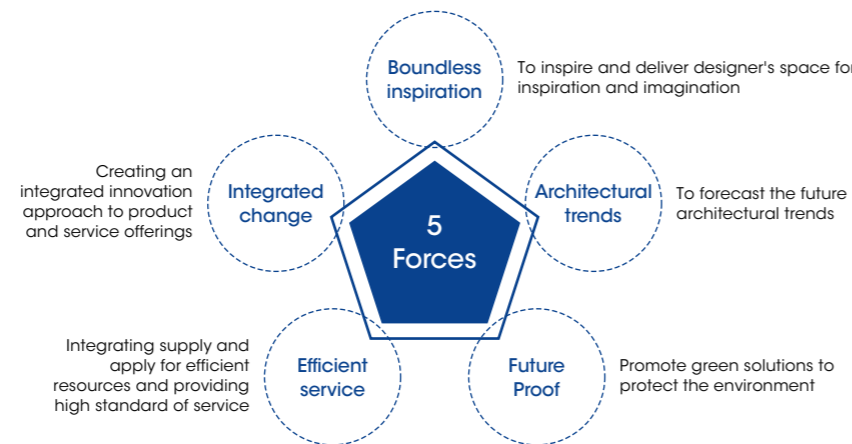
Additionally, in line with our new approach towards “selling solutions,” the Project Division has rolled out four major systems, namely the wall system, ground system, thermal insulation energy-saving system and base material system. The systems encompass product lines, effect lines, procurement standards, process development, system

support, mechanized construction and delivery standards, among others, to achieve an overall technological leadership, high quality standard, improved efficiency, and cost effective solution.

Strengthening cooperation with our customers is a crucial pillar of our growth strategy. Nippon Paint recognizes that our B-end customers have a unique set of requirements; hence, to satisfy this category of customers, we must ensure our products, services and

technologies meet their needs. To this end, we have embraced the theme “Drive change, stabilize and move fast,” which will underpin our efforts to meet demands. We will implement process improvements and make necessary organizational changes to optimize product development, sales, service and supply chains. The more dynamic and streamlined we are as an organization, the greater our competitiveness, and the greater value we will be able to offer our clients.

### NP Project, the power of refresh Five dimensions of brand support



### Provide an integrated system from the bottom to the surface, wall to floor

- Heat preservation and energy saving**: Integrated decorative thermal insulation system that are both green and energy-saving
- Wall**: High performance, multi-functional for both exterior and interior wall coating system
- Ground**: Professional floor coating systems with multi-functions as well as environmental friendly
- Auxiliary base**: A multiplier based professional complementary system



## Project Division – Key Iconic Projects

### China's Three Super Airports

Nippon Paint China drew from vast experience in spearheading major industrial and public construction projects to provide insulation, interior and exterior wall coatings, and decoration panels for three of China's super airports – namely Beijing Daxing International Airport, Shanghai Pudong International Airport and Chengdu Tianfu International Airport.

In providing solutions and systems to these airports, we took into account safety, durability, aesthetic value and environmental sustainability. The terminal, as a public area where passengers are concentrated, needs a building space that is flame-resistant, anti-mildew and antibacterial, and have good water vapor permeability. We also balanced function with form,

as we installed epoxy grindstone floors in the terminals, which was an attractive, long-lasting and environmentally friendly flooring option.

As a public transportation hub with huge traffic flow, the top and wall decoration materials in the building space had to be built with fireproof interior wall products. Taking Beijing Daxing Airport as an example, a parking lot on the north side of the airport with a capacity of over 4,000 cars consists of three floors above ground and one basement. The fire safety performance of the parking lot determines the safety of the personnel in the airport. To maximize safety, we utilized Nippon Paint inorganic interior wall coatings with excellent resistance to combustion during airport construction.



### China Zun Building

Nippon Paint also brought its expertise to the construction of China Zun Building. Located in the core of Beijing's CBD, this iconic structure is also the city's tallest. As Beijing has the highest seismic fortification requirement of all major cities in China, the construction of China Zun required careful planning of structure and form, and the right coatings solutions to boot.

Our Project Division team provided China Zun with an integrated full-system solution, stable quality coating products and efficient construction services. We designed a complete system of coating solutions that ensured durable, anti-cracking exterior walls, environmentally friendly and flame-resistant interior walls, and non-fiber-dust floors.

External cracking, water leakage and weather damage are all significant concerns for such a towering skyscraper; hence, we provided exterior wall coatings that would take all these risks into account. The building's exterior is partially coated with Nippon Paint elastomeric textured coating, covering

the wall with a safe and durable protective finish. The elasticity of the paint film allows the coating to expand and contract along with the structure when temperature changes occur.

Nippon Paint also equipped China Zun with long-term durability. The dense paint film can prevent external water penetration from corroding the concrete and wall base layer, and reduce the hidden danger of water seepage. Additionally, China Zun is crowned by an apron that requires highly weather-resistant coatings due to its extreme elevation. Here, Nippon Paint China utilized water-based fluorocarbon metallic paint, which not only creates an elegant metal texture effect for the space, but also provides excellent resistance to weather, water and general wear and tear. This coating will allow this part of the structure to withstand exposure to the elements for over 20 years and reduce maintenance frequency.

Our interior wall coatings used in China Zun contain almost no organic components and are naturally “Class A”

flame resistant. The quality and the rate of heat release are extremely low, which can effectively block contact between open flame and the substrate.

