

**Investor Briefing on the NIPSEA Business Presentation Summary**  
**September 27, 2021**



Investor Relations Deck

Good afternoon. Yuichiro and I are very pleased to have this dialogue with all of you today.

## Role of Co-President

### Role

- Oversees global business operations of all business partners which includes:
  - Information technology & systems
  - Supply chain
  - Product safety & quality management
  - R&D and product development
- Aim of expanding revenue and maximizing operation profitability
- Jointly responsible for MSV
- **Primarily responsible for maximizing EPS**



Wee Siew Kim

Yuichiro Wakatsuki

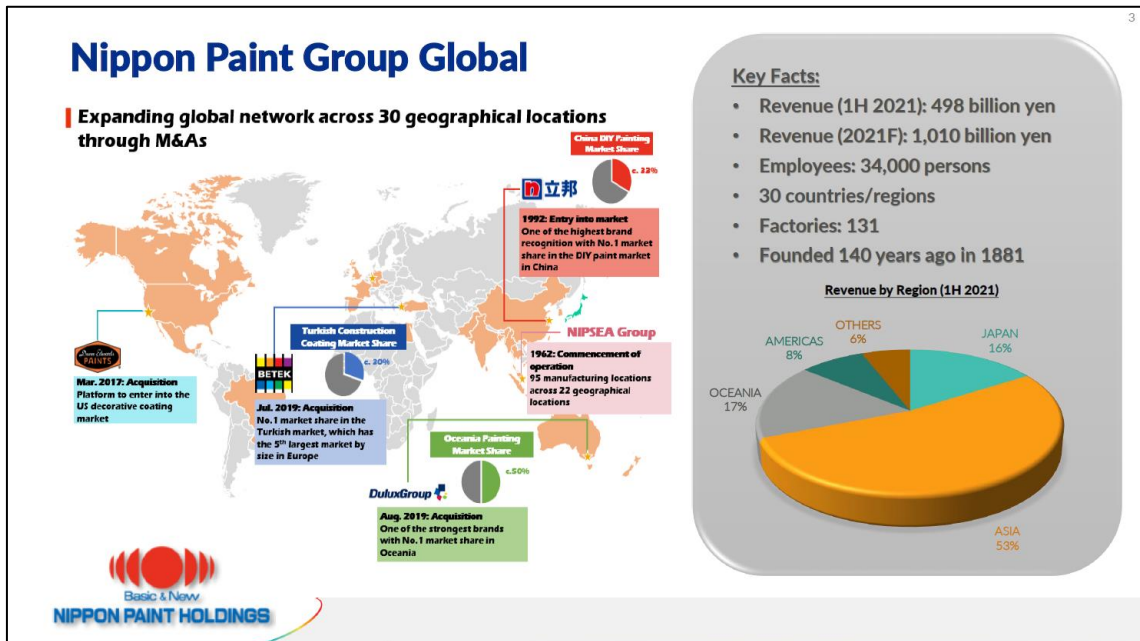
### Role

- Corporate management which includes:
  - Corporate planning
  - Finance and accounting
  - Investor relations & public relations
  - Legal affairs & auditing
  - General affairs & human resources
  - Promotion of ESG \* SDGs
- Aims to achieve further growth through proactive IR activities, optimal financial strategies and M&A
- Jointly responsible for MSV
- **Primarily responsible for maximizing PER**



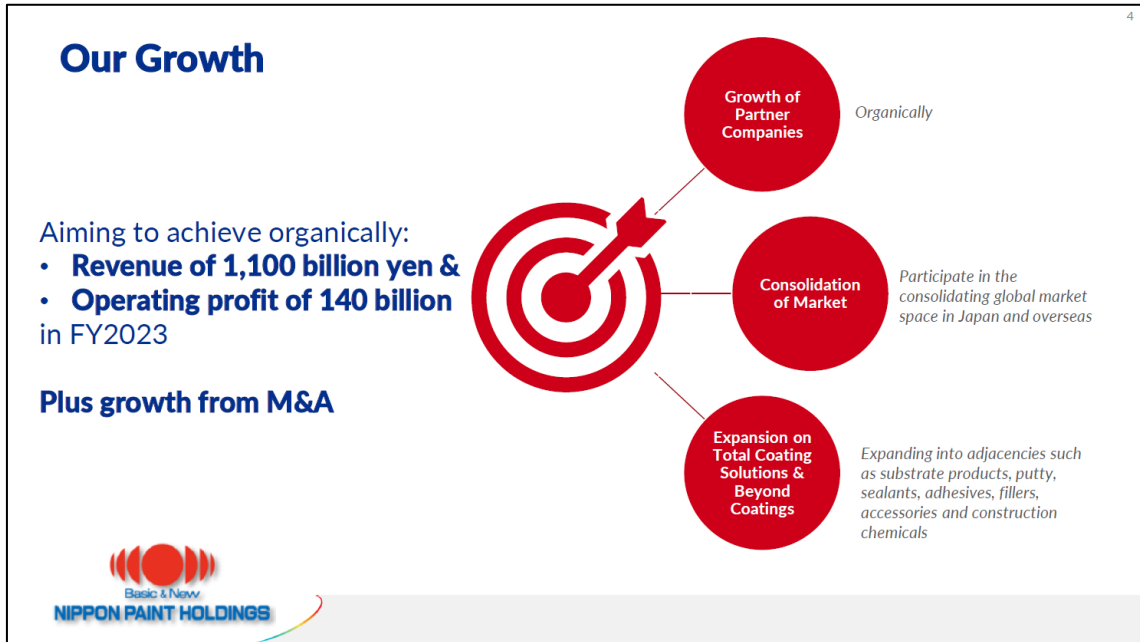
$$\text{MSV} = \text{EPS} \times \text{PER}$$

Both of us have been co-Presidents since April 28, this year – about five months. We hope to build upon the successes of the Nippon Paint Group for the benefit of our shareholders, staff, and society. We do this by staying focused on the Nippon Paint Group's mission, which is maximizing shareholder value – MSV. To us, MSV is the function of both the EPS and the PER, meaning, for all of you investors, an EPS that you are happy with and a growth rate that will attract a nice PER. Both Yuichiro and I are jointly responsible for delivering MSV for all of you.



Let me go through one chart to describe who the Nippon Paint Group is. We are in 30 geographical locations. We are working toward expanding the group – not for the sake of size, but for delivering our mission of MSV. This year, FY2021, we expect to be close to 10,100 *oku* yen in revenue. This is generated 53% in Asia, with Japan and Oceania roughly equal at about 16%-plus each.

For the key milestones of the group, the Nippon Paint Group was founded 140 years ago in 1881 in Japan. NIPSEA was formed for the Asia growth in 1962, almost 60 years ago. We entered China in 1992, which is today our biggest market. In China, we are number one in decor DIY at 33% market share. Later on, this afternoon, I will talk a little bit more about China. In 2017, we entered the decorative market in the U.S. with the acquisition of Dunn-Edwards. In 2019, with the acquisition of Betek Boya in Turkey, we are the number one decorative player in Turkey with 30% market share and growing. In 2019, we entered the Australia market with the acquisition of the DuluxGroup of Australia. Today, DuluxGroup has 50%-plus market share in the Australia-New Zealand market.

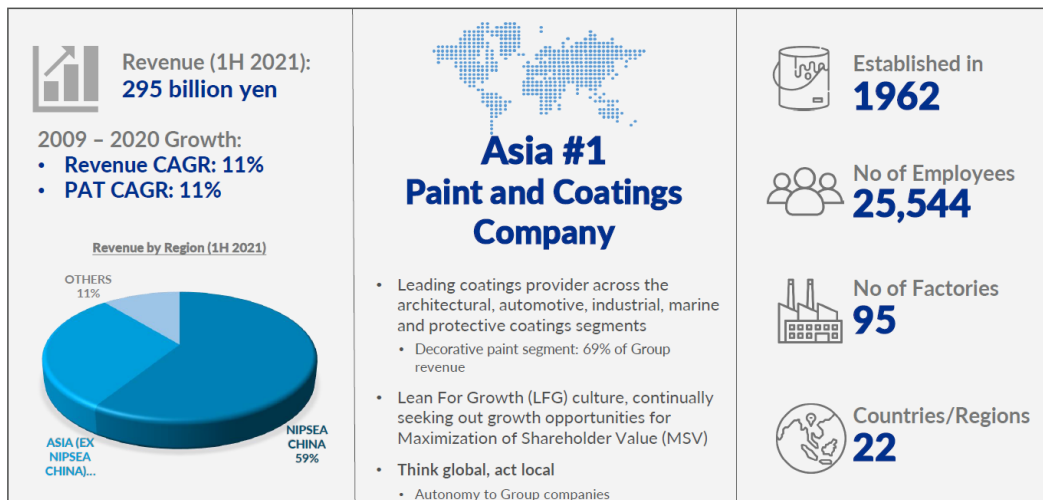


In our mid-term plan, we are targeting 11,000 oku yen of revenue in 2023 with an operating profit of 1,400 oku yen. These coming nine quarters, we will be working very hard to achieve this organic growth. We planned this with the organic growth of our partner companies in Japan, NIPSEA, DuluxGroup, and Dunn-Edwards. We termed them as our partner companies and we actually hope to grow with more partner companies, but with the existing group of partner companies, we want to ensure we drive the organic growth. Secondly, we want to participate in the consolidation of the market, which is more partner companies into our fold. Also, we are looking into beyond coatings and adjacencies. What does beyond coatings mean to us? It is not only growing the broad-based offerings which we have for protecting and beautifying any surfaces, but also to go into the solutions and services for our customers in this area. With adjacencies, which is adjacent to our core paints and coatings area, we are going into waterproofing, sealants, adhesives, fillers, and construction chemicals. All in all, we hope that these three engines will continue to propel our growth.



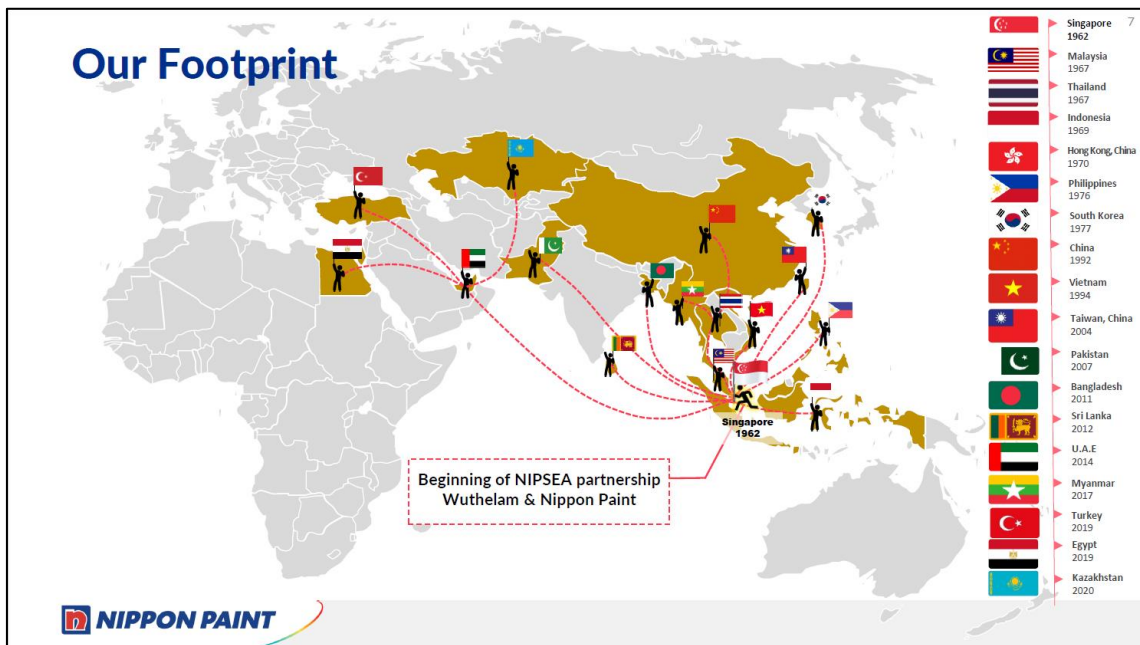
Next, allow me to describe the NIPSEA Group.

## Facts & Figures



We are the number one paints and coatings company in Asia. In the first half of this year, our revenue is 2,950 *oku* yen which is putting us at two times bigger than the number two in Asia and six times bigger than the number four in Asia. If you look at the track record, on a CAGR basis from 2009, at both the revenue and PAT levels, the NIPSEA Group grew at a compounded 11% which is 3.2 times. China is a significant part of the NIPSEA Group at 59% of our revenue. I will talk a little bit more about China shortly.

I would also attribute a large part of our success so far to our people and the culture of the group. This aspect not only contributed to our growth, but it is a strong calling card for future partner companies. We hope the way we do business, the way we treat people, and the way we treat customers are something which other partner companies' management and shareholders will find comfortable in joining with us. If you look at the past two years, DuluxGroup and Betek Boya's management and people have completely adapted and soaked in this approach to both people and business.



The NIPSEA Group started in 1962 in Singapore. In the first 45 years, we focused on North and Southeast Asia. Only in 2007, we started to look westward in Asia with the greenfield start-up in Pakistan, Bangladesh, with the acquisition in Sri Lanka, and now moving into the Middle East with the formation of our presence in Egypt in 2019 and also in Kazakhstan in Central Asia in 2020.



You may ask, “What differentiates us?” What is very dear to us is our brand. It has the highest “Top of Mind” in Asia. We have accolades and award-winning assets across Asia – for example, AYDA, the Asia Young Designer Awards. We take pride in the industry according us some recognition through the awards.

Secondly, as I mentioned previously, it is our people that make all the difference. I mentioned our people and also our culture which we termed LFG, the Lean For Growth culture. Two charts ago, under culture, we talked about autonomy and acting local. From a competitive dimension, it is something which is not easy for our competitors to emulate, hence we really felt that the good people we have and the culture that we have nurtured really put us ahead.

Distribution and market dominance is something that is going to put us ahead of competitors with us actually being number one in six of our markets. We have a very strong supply chain and footprint, but let me also talk about sustainability. At NIPSEA, for many years of the 60 years of our existence, we have been a joint venture and a private company, but all these past years, NIPSEA has published a Sustainability Report, which commits the entire workforce to sustainability goals year in, year out. This has become a way of life for us, even before this ESG movement really took off globally.

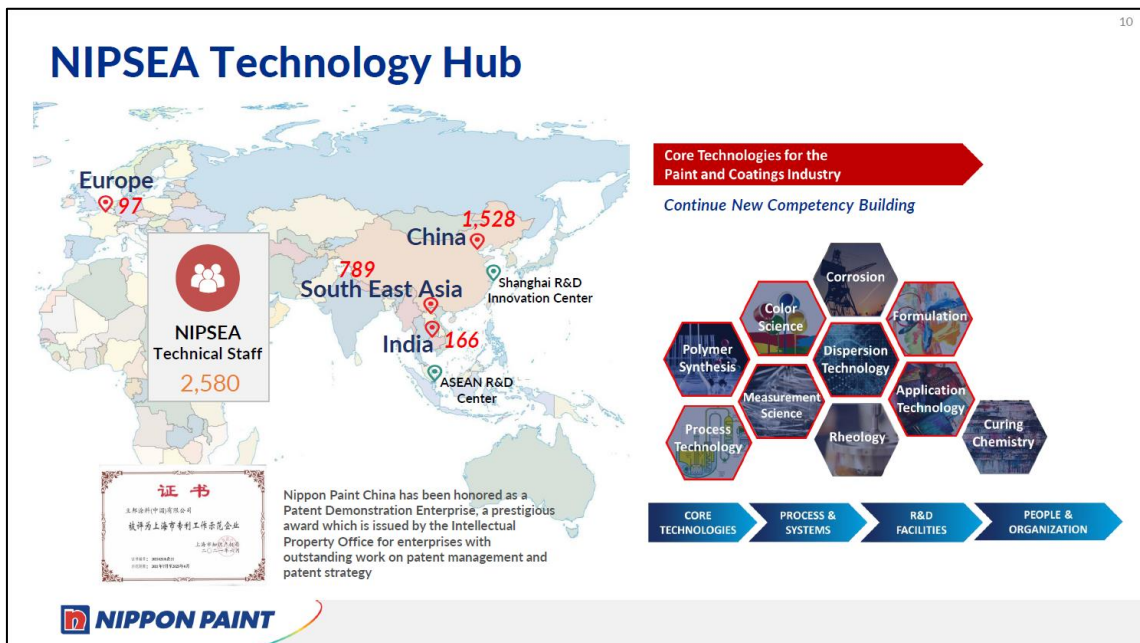


On the technology side, we are also very proud of our technical groups. It is one key plank to develop our vision. The vision of the NIPSEA Group is building a sustainable future through customer-centric growth. The products the customers need and at the same time, contributing toward a sustainable and greener future for all of us. This is what we entrust our technical people to continue to deliver for us.



As I said, the brand is most dear to us. Our brand promise is “Innovation with heart and people at our core.” In surveys across Asia, we come up tops in “Top of Mind” at 34%, and have a very high brand preference among our customers. We have brand assets across Asia. I mentioned AYDA earlier. Also, our corporate social responsibility (CSR) platforms like n’Shakti, like Colourful Dreams, like Color Way of Love in China, and the ART+ programs. What more? We also make all these CSR platforms inclusive in that we welcome external partners to come along with us because we always believe in such endeavors, the more, the merrier. The more resources we have, the more impact we can make.

On recognition, recently we are and won the Top Brand Power Index in China for paints and coatings. We have the Trusted Brand Award. Also, last year, we won the Asia Responsible Corporate Award. Of course, you can see across Asia, we are proud to be quietly protecting and beautifying the key icons across Asia.



If you look at the purpose statement, vision, and brand promise - technology stands out. I will mention the Nippon Paint Group's purpose, which is that of the parent company: our purpose is "Enriching our living world through the power of Science + Imagination. If you look at the vision of the NIPSEA Group, I mention again, it is "Building a sustainable future through customer-centric growth" and our brand promise is "Innovation with heart and people at our core." You can tell that technology and people stand out everywhere in our purpose, vision, and promise. We are extremely proud of all the 2,580 technical staff in our group. They are all working in the Shanghai Innovation Center, in the ASEAN R&D Centre, and in the countries' development labs. If you ask me for a quick summary of what makes the NIPSEA Group tick, I would summarize it in three words: People, Brand, and Technology.

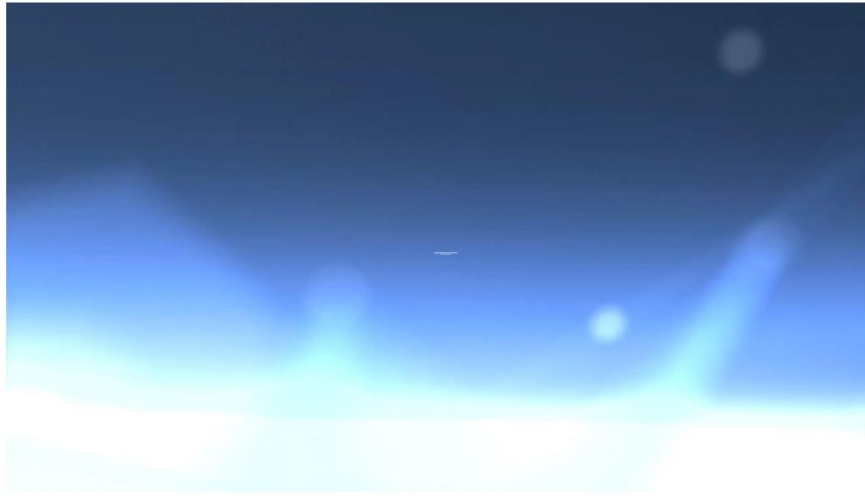


Now, let me talk about China. China contributes 59% to NIPSEA's revenue. 81% of China's revenue is from the decorative segment, and 19% from the auto and industrial coatings segment. Both in size and reputation, Nippon Paint China is number one in the market. You can tell this from the China Brand Power Index for wall and wood coatings, the latest of which was 2020. Since 2009, our China business has grown at a compounded basis for revenue at 12% and at a PAT level at 10%. China is a huge market. We continue to invest for growth and we look at China and our Chinese market and our China business with a lot of legs for growth. This year alone, in the first half, the entire China business grew about 40% for us.



When it comes to what underpins our future success in China, the same differentiating attributes ring true in China, as well as for the NIPSEA Group. What I would elaborate more for China would be: in China, we are number one in a very large market, and for us, there are lots of headroom for growth at both the revenue and margins levels. Our reach and scale in China are very potent competitive dimensions and advantages for us. Our reach is 58,000 sales locations, and we are penetrating deeper and deeper into China. This year alone, we grew 42% in the third and fourth-tier cities, so we are going into many areas that in the past we have neglected.

## Advanced Production Facilities



Here, I would like to take a breather with a video of our largest and mostly-automated plant in Hubei. This is slightly over two minutes. I hope you can take from this video of this latest plant we have which is six times more productive than our earlier plants, incorporating elements of Industrial 4.0 in the production and supply areas, and it is also a big step forward for us in our environmental commitment. Enjoy the video.

\*\*\*Video starts\*\*\*

(Video) New, environmentally-friendly, and highly-efficient emulsion paint production automation. The emulsion paint production system of Nippon Paint Hubei Co., Ltd. is the most advanced emulsion paint automatic production system in the world. It was developed by production staff with many years of production experience in Nippon Paint and the famous equipment suppliers in Europe.

In the first phase, eight tanks of 300 m<sup>3</sup> are built, and each kind of material is transported to the tank by tank car. The whole production process is closed. No leakage and no pollution. It is the first green, environmentally-friendly, and highly-efficient automatic production line in the world. A production line can produce 30 tons per batch in 45 minutes and 40 tons per hour. It is the most efficient and environmentally-friendly production line in the world. It achieves a thoroughly automotive management system in the warehouse which consists of non-manpower safety movement and transportation, automatically palletizing, and messages transmitted instantly and automatically through an intelligent and environmental AGV system connecting the assembly line and warehouse

essentially.

New, environmentally-friendly, and highly-efficient emulsion paint automatic production lines will lay a solid foundation for the green production and sustainable management of Nippon Paint and make a more outstanding contribution to the rapid development of Nippon Paint in China. New - the most advanced in the world. Environmentally-friendly - meets EU standards. Highly-efficient - 5.8 times more efficient than the first-generation factory. Nippon Paint will continue to lead the development of the coatings industry through technological innovation, process innovation, automation, and intelligent manufacturing.

\*\*\*Video ends\*\*\*

(Wee) That is our Hubei Plant.





China decorative is a large market for us. As I mentioned earlier, it is 81% of our turnover in China, but the Chinese market is also very important to us from another aspect. It is a very innovative, exciting, and fast-changing market for us.

When I say innovative, I am actually referring to the products and tastes. The Chinese market now sets the standard for air quality and environment. It pushes us, the manufacturers, into higher and higher standards which get reflected in our healthcare, kids care, air care, and low VOC product ranges.

Another aspect of the Chinese market is the digital and speed. The Chinese paints and coatings market is driving new business models. One example is the Building Material Distribution (BMD). For us, it is our way of making sure we get into the hands of the foreman and of the painters, all the materials they need to finish their job. This means not only providing the paints and coatings which is our core produce, but also all the other ancillary items that we packaged in, so that we deliver a complete package into the hands of the foreman and his teams the morning when they start work, and all these could well be ordered the day or two days in advance. This is what we meant by our Building Material Distribution. We piloted it in one city two years ago, and from the second half of last year, we have been rolling it out rapidly, and this year, we hope that we will reach 20 cities in China. The rest of the NIPSEA Group learns a lot from all this experience, and we benefit from it as well. I dare say that China is ahead of many markets in this respect.



Another example is a platform we have called iColor. We started it maybe eight years ago, just as a collection of digital design portfolios, but today, we have grown it to be an integrator of complete home services for homeowners. This is how fast the Chinese market is evolving and driving new business models.

From the productivity aspect, you would never guess that in a country with a 1.3 billion population that we would be short of workers. That drives us toward automation. The video you just saw of the Hubei Plant, and several others under construction – it is not because we are enamored with automation, but because the market and its growing constraints drive us toward that.

Also, as a market, the competition is very fierce and ever-changing. 10 years ago, five years ago, and now, our competitive space and who we see as competitors to beat have completely changed. This brings me to the next chart.

## NIPSEA China - Addressing Potential Threats Head-on

### Continued investment into:



- DIY and Project gaining more ground in 2021 (1H2021 China Decorative Revenue +56%)
- Growing **Premium and Mass market** DIY products – seeing stronger growth for Premium & Mass market vs Economy products
- Shifting away from cut-throat areas (little differentiation)
- Expanding coverage of **Building Material Distribution** to more cities, allowing for **deeper entrenchments** and partnership with individual paint shop
- Accelerating growth and **doubling** the number of **computerized Colour Creations Machines (CCM)** by year end
- Fostering **strong relationship & recognition** - #1 brand - Preferred Paint Vendor by Top 500 Chinese Real Estate Development Enterprises 2021
- Increased spend on **R&D differentiated products**



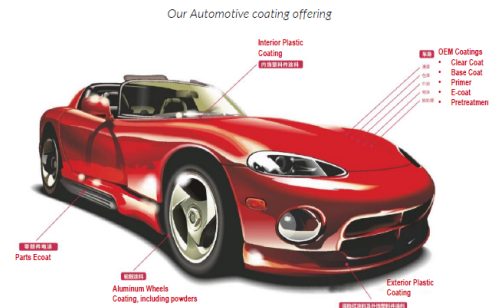
I talked about fierce competitors. Yes, China is a very fierce battleground. We will have to compete head-on. All the growth areas you see on this chart really drive our decorative growth, especially in the first half of this year. In our mid-term plan for China, our expectation is that we hope to step up the historical growth rates. In the short term, for the retail channels, we are gaining ground in revenue market share, both increasing share in the mid-to-premium segment as well as going deeper and deeper into China, which as I mentioned earlier, the 42% growth that we saw in the first half of this year in the areas of the third and fourth-tier cities.

On digitalization and collaborative business models, we are driving this with our business partners even further to increase both our growth, our share of wallet with these customers, and also with the hope of increasing stickiness and move the whole competitive dimension away from a price-sensitive arena.

In the project side, competition is even fiercer. We have signaled that we have the scale, resources, and stamina to outcompete against lower price competitors. We will persevere in our strategy of building viable market shares in the project segments and will take a longer-term approach to ensure that we have a very strong combination of both our DIY as well as project business.

## NIPSEA China - Automotive & Industrial Segment

- **Key supplier to Auto OEMs**
- Adopt **streamlined approach to market**: Strengthening our key position in Japan Auto OEMs, expanding share in non-Japanese Auto OEMs, tap our European connection to grow the European Auto OEM business in China
- **Industrial coatings**: Increasing share of value for environmentally friendly high solids products for Waterbased and Powder coatings
- **Technology & Innovation**: Strong local R&D capability, offering customized coating materials and solutions to meet the needs of customers and ensuring sustainable growth



Beyond our decorative business, the other 19% of our business in China constitutes our auto and industrial coatings segment. All along, we have always leveraged upon our traditional strengths in Japanese OEMs and are rapidly growing in the non-Japanese and Chinese customers in China.

I always see that our key strength is our local knowledge. If you look back 20-plus years, we started by implementing Japanese technologies, then we started to adapt these technologies, but today we are selling completely China-designed technology platforms that are tailored to the local customers. That is why I emphasize that what we are very proud of is our intense local knowledge of the market.

For our return in investments for technology investments, one key metric that stands out is that from 2018 onwards, the number of SKUs of products we put into the market in China that are from locally-developed technology doubles every year. This year alone, more than one-third of the new revenue from this segment for the non-Japanese customers is from new technology platforms. So, again, where is our strength? I really believe it comes from People, Brand, and Technology.



I have focused a lot on China as I am told this is of particular interest, but I also want to ensure that I give also recognition to all the great teams that I have in the other 21 markets outside of China. In five of these markets, we are number one and gaining. If you look at the NIPSEA Group outside of China, since 2009, on a CAGR basis for revenue, 10%, and at a PAT level, 18%. We will continue to push for market share gains over this mid-term period as the playbook which has enabled us to get dominance in Malaysia, Indonesia, and Singapore is being replayed in many other markets. We benefit also from ideas that come from all the other partner companies.

## Our VISION

*Building a sustainable future through customer centric growth*

### Supporting Education



Education Light, Vietnam



Students Education Support Awards,



### Empowering Communities



PKOceed Painter Training, India



Protégé, Thailand

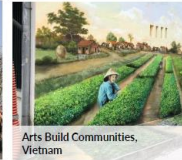


N'Shakti, India

### Protection & Preservation



Art4, Xichang-Grace School, China



Arts Build Communities, Vietnam



Let me close the NIPSEA Group's vision, "Building a sustainable future through customer-centric growth." Our responsibilities to our communities and environment are lived out in the support of education, the empowering of our communities, and how we go about protecting and preserving the environment. We document these in the NIPSEA Sustainability Report and the Nippon Paint Group Integrated Report. If you have the time, I welcome you to read these two reports.

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# THANK YOU



Even better, when we meet in smaller group settings, we will be very pleased to have a dialogue on them with all of you. I look forward to further discussions. Thank you so much.