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

(December 5, 2023)

Yuichiro Wakatsuki

Thank you everyone. Good afternoon, good evening, or even good morning to some of the European participants for participating in this small meeting today. We only have one hour, and we'll go straight to Q&A. 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 any tougher economy, can you share your views about the current state and future outlook, maybe more as the CEO of NIPSEA Group being closer to the ground.

Wee Siew Kim

Good afternoon, good morning, good evening, everybody. To some of you, it's been exactly a year since we last spoke.

With regards to Wakatsuki's question on China, actually, China has come some way from when we last spoke in November 2022. As you'll remember, at that time, China was still practicing a Zero COVID Policy at that time. November was also the time when there was a big meeting and a leadership succession in China, and everybody was holding its breath that there was going to be a relaxation and even some policy stimulus about to be rolled out.

As we all know, the market has not improved as much as everybody had anticipated, even though COVID is behind us now.

The first quarter improvements in China quickly dissipated to what we see today, which is really an economy facing a lot of headwinds, especially in a sector that we are most interested in, which is the construction sector.

As we all know, the Chinese government's effort to try to de-leverage the entire sector, which is probably in progress for a good part of three years now, have really brought some of the big indebted private developers to its knees. But what is comforting is that in recent times, what several of them have managed to work through its restructuring issues, except for the biggest player, which bought itself a little bit more time yesterday in the Hong Kong courts by having another month to come to arrangements with its foreign debtors.

Along the way, we see that some of the local governments are relaxing some purchases in different cities, a little glimmer of hope. There's even a talk that there is a whitelist of 50 developers that will be eligible for support and funding. All this sort of adds comfort that the government is reacting to the situation. Although I would say that as far as NIPSEA China is concerned, we are really not holding our breath to expect a quick bounce back of the property sector.

All this really affects our TUB business. As you know, our TUB business has really pivoted in the recent past. Pivoting meaning that in the past, we were, like many other of our key competitors, very focused on providing services and products to the big developers. In the recent past, we have pivoted to even the smaller developers in the regions. We have also pivoted to having a customer base from the bigger contractors, services providers, and we are also moving beyond the traditional residential sector to play in the non-residential and infrastructure sector as well in our TUB business.

All in all, we have also looked at the credit standing of all our current customers and are very prudent in where we do business. Which actually means that in some sectors we have actually pulled back significantly, especially in the external insulation sector, where we have actually not done a lot of the businesses that we would have done in the past.

As such, the TUB business, which is the business that really engages the new build and the property developers, has actually seen a reduction in revenue in 2023, and we probably think, at this time, that it will probably be maybe up to minus 10%, less than what we were in 2022. But what is comforting to us is that we believe the business has stabilized. We believe that the market is probably as bad as it can get. We hope that going forward, we will start to build upon a much lower base. Also, what is pleasing is that this segment for us in NIPSEA China is now profitable.

As such, we hope that with this stability, we go into 2024 on a slightly more optimistic basis, which underpins Wakatsuki's comment, which is we are cautiously optimistic. But in reality, the NIPSEA China business, its growth is actually underpinned by our TUC sector which has seen good growth for us in 2023, and we expect that probably it'll be in order of the mid-teens. We see good signs, mainly because for the TUC sector, we have actually implemented several strategies of growth which probably is in its third year.

As some of you will remember that in 2021 August, I did have a discussion with some of you where I laid out some of the things that we are going to put in place for the TUC sector which includes penetration of Tier 3-6 cities which also includes the color strategy. Includes what we call a BMD, Business Distribution Management for some of the key metros.

All this, we believe, takes time to put in place. But we are comforted that now in its third year of implementation, we are seeing good signs of growth and all these strategies seem to be really paying off for us, which translates to this higher growth, higher growth meaning higher than market volume growth and higher than GDP growth for us, in the TUC segment.

Overall, going into 2024, we believe that the TUC will continue to outperform for us.
We believe that TUB will be coming off a very stabilized base and hopefully to take

advantage of any upturn in the new build market whenever it comes. I believe that I totally agree with Wakatsuki's assessment that for us, China is definitely a cautiously optimistic market for us.

◆ Question from Participant A

Q1	I'd like to start with a quick follow up on NIPSEA China. Despite the difficult macro, the execution has been excellent, so thank you for the strong profit. How do you see the sustainability of market share gain in TUC? If you could discuss, if there is a sharing of best practice from NIPSEA Group to NIPSEA China, that's my first question. The second question is kind of related, you talked about the improving Japan Group margin in this year's annual report by implementing NIPSEA Group's best practice. If you could comment on how successful it is. It is good to see margin improvement. Do you see further improvement going into 2024? You mentioned about 15% target. What do you need to change further to get to that level?
A1	**Wee Siew Kim** On NIPSEA China, the sustainability of TUC's market share and growth. Actually, we believe that we should be able to continue to capture market share. For one, it is underpinned by our belief that there is still a lot of headroom for growth. If you look at the TUC sector, NIPSEA China share is about 27%. Our two closest competitors are in the high single digits. If you look at it, there's still almost half the market for the three of us to get it. Also, that, we believe that there has been a volume contraction in the recent year. As such, when the economy does pick up, there will be new growth. We had spent two years building the outreach in Tier 3-6 cities by putting the teams in place and also developing a whole new product that is actually more acceptable to Tier 3-6 cities. Also, more importantly, because of the brand strength, we are able, in the Tier 3-6 cities, to also reach out to regional partners. When I say regional partners, I talk about it in two dimensions. One is in order for us to have a more complete offering to the market, we actually believe that we have to couple our traditional paint and coatings product offering with a dry mix mortar and putty offering to be a more complete supplier to the market. When we decided to do that, maybe eight, nine years ago, we were actually new to that segment of the product offering. We went on a very asset-heavy approach because we have to learn the business. Asset-heavy meaning we start to build a factory, and we start to learn how to produce it. By producing it, by reaching out to the market, on a selective market basis and regional basis, we begin to understand what the market needs. Over time, we got comfortable and knowledgeable about that part of the business. When we get to a certain level of confidence and competence, we start to now use our brand power, reach out to many of the regional putty and mortar producers. There are many of these smaller producers in China. Convince them that come, be a partner of NIPSEA China, use our brand, use our technology advantage. Maybe even sometimes, use our buying power advantage and together, we can create the business. We bring the brand, we bring the technology, we bring some outreach, but a lot of our partners bring some regional presence, maybe even a factory, and some also bring local relationships. Together, we grow the business and without having to invest in the hard assets on the ground, especially in some far-flung regions of China, we began to morph into a more asset-light approach

	to this entire piece of the business. That is the dry mix and mortar. Then, when we sort of got a little bit confident that this model does work, we began to also look at the paints and coatings side, because even in China, there are many smaller regional players who also play on a regional basis in the paints and coatings space. Again, we bring to them the technology, brand, some distribution, and coupled with the local strengths they have, we actually also manage to enlarge our presence. This partnership is only possible because we actually bring a brand to the table that people value. As such, all this took time to put in place, but it's beginning to pay off, and I think that actually results in the performance of this year in 2023. We do believe that the signs are quite positive. That there is a lot of headroom, there is a lot of momentum in this strategy, and we should be able to continue to sort of reap the rewards in time to come. In answer to the question, I think the sustainability of the market share gain is realistic. On top of that, I think the other thing that began to pay off for us is, for the third year now, we are also pushing a very aggressive color strategy. We believe that in order to stimulate the market, especially when the new build volume is low, we have to stimulate the repainting market. One way to stimulate the repainting market is actually to bring up the awareness that color is a very important aspect of the entire aesthetics of a home. With less resale activity on the market, generally repainting will drop. We believe that by stimulating the market, we are beginning to convince people that even if you stay in a house that looks a little aged, you can actually have a whole new environment and feel by adding colors by repainting. We stimulate that market and if you do pay attention to some of the advertisements that we do, you will actually be aware that we have been very active in promoting what we call Magic Paint. Magic Paint is a texture paint, and it is beyond the traditional texture paint because it is more easily applicable. We are able to train painters and applicators in large numbers that can apply it. Beyond the previous texture interior offerings of many of our competitors and ourselves, this texture offering is now able to be applied on all walls as opposed to in the past, very limited application on feature walls. As such, we're stimulating the market with colors. On the back of advertisement, Magic Paint and the technology advancement of the application of the Magic Paint, we also couple it with the rollout of computerized color matching (CCM) machines because we believe that once we stimulate the market, if we succeed, we must be able to allow our customers easy access to all the colors and the paints. As a result, we have a very aggressive rollout of CCM machines into the market, so much so that today, we must have about 18,000-plus CCM machines in the market, which is probably about 40%-plus of the in-stock base of CCM machines in China. We continue to roll out maybe at a pace of maybe 10,000 CCM machines a year going forward. We believe we'll continue to have headroom for this strategy. We believe that that is also viable because if we compare to another market, like India, the China in-stock base of CCM machines is only 20% of India's in-stock base. That gave us some confidence that this strategy still has some headroom for growth. As such, overall, we believe that our strategies in TUC still have a lot of life in it and we continue to grow on it. Now, the next question is whether the rest of NIPSEA brings best practices to China. Actually, I've always believed that China is a very fast-moving market, especially in the TUC area. In fact, the rest of NIPSEA Group actually gets more ideas from NIPSEA China than NIPSEA China gets from the rest of the group. I'm just saying on a net basis, NIPSEA China teaches the rest of the NIPSEA Group market and brings new products to the NIPSEA Group market.

	And as such, I would think that it is a two-way traffic, but the traffic is actually more biased one way. NIPSEA China is exporting a lot of innovations to the rest of NIPSEA Group. There was another comment about margins in Japan Group. As you could see from the third quarter results, our margins in Japan Group are creeping back up and in 2023, we are probably in the 9% range. Of course, the usual question asked is that, can it get back to the heydays of the 16%, 17% of, say, the 2017 or 2018 timeframe? I say that, of course, we are pushing our people there, and it is on the back of a lot of productivity improvements that we're putting into the workforce. You made a comment to say that the best practices of NIPSEA Group. I look at it as more from a standpoint of sharing ideas and allowing our Japanese colleagues to pick and choose what they think works for them in Japan Group. The big breakthrough, I think, is the freeing up of the mindset to say that there can be different ways of doing things in Japan Group that will work. In the past, there was this belief that there is a Japan way of doing things. Now that we have closer collaboration between our partner companies, between our colleagues outside of Japan Group and our Japanese colleagues, this intermingling allows people to see different ideas at work, and be able to pick and choose and adapt. I would say that there are practices being adopted in Japan Group, but more importantly, it's the whole new mindset change which we actually term JLFG, with J for Japan, LFG for Lean for Growth. There is now a growth mindset in spite of a market that traditionally people believe do not grow and there's also this lean mindset to say that we want to get value. We want to eliminate waste. But it does not mean that we cut costs to the bones, but it actually means that we invest in the right area. If you look at investment, you could tell that we are investing in facilities. We've brought up the new Okayama plants. We are now building the new Shinagawa R&D Center. All in all, our Japanese colleagues are saying that there is reality in Lean for Growth. We continue to invest where we believe that there is value, and we continue to cut where we think there is fat. The two actually go hand in hand. Actually, what I feel is that with the momentum we are getting and with a new mindset, we believe that we definitely can improve on the current margin performance. As such, I'm definitely hopeful, and I'm also hopeful because we are also entering into new areas. Like recently, we pooled together all the different offerings into the EV (Electric Vehicle) areas from the different partner operating businesses in Japan Group, pooled them into one concerted unit that actually prosecutes the market as one, offering our customers the best of what each of the operating divisions or companies in Japan Group can offer as one single point of approach. We believe the emerging areas will also give us the opportunity to leverage upon the strong base that we already have in Japan Group.

◆ Questions from Participant B

Q1	In 2023, you faced some price wars in both TUC and TUB segments in NIPSEA China. Are you considering to further lower the price in the future? Are there any gross profit margin target in the China business or gross profit margin floor? The second question is that you think that China's business environment should be better in 2024 than in 2023 but actually, in 2023, if you look at new housing completions, that has been increasing by like almost 20% year on year, but in 2024, that is expected to decline. Are you prepared that the market in China in 2024 may actually be worse than in 2023?

A1	**Wee Siew Kim** We fear price war. But we know we are in a very competitive situation, and we believe that there are certainly some segments where price will be at play, especially in the mass market. In a market where the consumer sentiment is actually low, there are certainly signs that some parts of the consumer base are actually trading down, which means that the demand for the mass and economy products are higher. If you look at the mass and economy part of the paint business in China, what we track as ASP, the Average Selling Price of those segments, it is certainly coming down. There is certainly a price element there at work. But what is sometimes not visible other than the price is that over the past year, we have gotten to have sharpened our pencils. Raw material prices have also dropped. We have gotten even more aggressive on improving our formulation costs and bringing down the cost so much so that it opens up the buffer for us to compete. I give another example. We used to compete with a very key competitor on an exterior texture product, which was its very key profit pool, and we were never able to compete, mainly because we were never able to get the cost structure down to a level where you can compete. But I guess sometimes when you are in an adverse situation, it sort of brings out the best in our people. In that, over the months of coming from behind, we actually managed to come up with a formulation and approach to this product that actually now puts us in the lead in terms of being able to have a cost structure that competes at a price point that can beat our competitors as well as with margin. I would think that in some segments, there is price war but there are also margins that can be maintained. Another aspect of margins and price is that when we start to do the color strategy, when we start to roll out CCM machines, we continue to maintain our dominance in the premium market. That is where I think we continue to build our lead. If you look on a more discrete level, some areas may suffer price competition but overall, we believe that we can maintain our margins in each of the segments. When you come to margins, there's also an element of product mix. Over the past year, you could see that our TUC business is growing very rapidly, and our TUB business has actually shrunk. The TUB business has traditionally been a lower margin business versus the TUC business. When that proportion changed, the overall NIPSEA China margin also changes along the way. As such, we're able at least to keep and maintain some level of profitability that we believe to be respectable. At the end of the day, our people have always been very focused on making sure we get the best margin that a brand like ourselves can command. We hope to be a responsible brand leader. In that, we keep credible prices in the market and not succumb to short-termism in terms on a price cutting that leads to a destructive market environment. Going forward, I believe that we will be able to keep our profitability and continue to grow, especially when we grow the top line and get some advantage of operating leverage. You did ask that do we have a margin target? We really want to push our people. We never set a target that you cannot go beyond because everything has to be reflective of reality. Instead of setting a margin ahead of time, we rather challenge our people every month in every segment to think less on one single number macro basis but to look at each business, each region with its local characteristics and hopefully, they arrive at the right decisions. You did ask, will 2024 be better? Because you see that there's a lot of housing completions in 2023. In 2024, housing completions will be less.

	Actually, housing completions are probably at a high because the government, Chinese authorities rather, would want to see the uncompleted flats completed as soon as possible, so that the people who have paid deposits quickly get their home and maybe, there will be less disquiet in the market. Going into 2024, I did say that we are not holding our breath for the new build market to bounce back. We are focusing a lot on the TUC business, and we continue to hope we do the right things in the TUB. In that, we have pivoted to a much broader customer base. We are looking at beyond just the residential segment. In fact, in the TUB business, we are also looking at very specific sectors like having a product offering for central kitchens, product offering for hospitals, product offering for government offices, product offering for schools. So much so that we become very specialized in offering such packages to very specific customer base and hopefully, that differentiates ourselves from the rest of our competitors and also diminishes the adverse impact that will come about when housing completions actually could drop in 2024. We expect that to come. Hopefully, the measures we put in place are able to mitigate some of the downsides.

Q2	Thank you very much, and I have a follow-up question. For the small projects, like the TUB segment, I heard that the price has been lowered a lot in 2023. One of your competitors has a lot of service people to serve those small project buyers. They've also got some distributors who have local resources. Are you going to hire more people so you could serve those small projects' buyers better? Are you ready to also lower your price? Because the price competition in that segment is quite fierce.
A2	**Wee Siew Kim** I don't suppose you will see all our numbers in detail, and so you'll probably not be able to get the flavor of what was done in the TUB business in the past year. We've actually walked away from a lot of the business, and we want to make sure we have credible customers who are prepared to pay, and customers who are prepared to pay a margin for our products. As such, the business has shrunk 10%. Actually, in the residential areas to the big property developer, it has shrunk a lot more, but it is offset by the growth in the new areas, it's offset by providing services to the smaller developers, and to the building contractors. You made a comment about our key competitor. I think they employ a lot of people to service the small projects and engaging a lot of dealers and also engaging in lowering the price in order to at least get some volume. We actually also go out and reach out to partners in the market. Earlier on, I did say that one of the strategies in the TUC business was to actually go to partners in the region. Give them our brand, our product, leverage on their local relationships and hopefully grow the market together. By engaging these local partners, we bring the Nippon Paint brand advantage to them, and we get in return their ability to service the customers and their relationships there. In effect, some of these local partners of ours are actually also doing small projects. It was traditionally what you call a TUB business, but it's now done by a TUC approach. As such, we actually now maybe distance ourselves slightly from the need to increase tremendously this headcount in order to serve smaller and smaller projects by leveraging on the strengths of our partners, but at the same time, we bring the buying power and the brand advantage and some pricing power of the Nippon Paint brand to our local partners so that all in all, hopefully, we do better than our competitors. If you even just compare the business growth of our key competitor versus ourself, you'll see that we are really pushing the TUC side where they are really

	pushing the TUB side. There is a little difference in our market focus. I actually don't really want to be compared to them because I think that the market is big enough for both of us and we can happily go about doing our own things and hopefully, let's see whose strategies pays off better in the long run. Time will tell. We don't know, but we are competitors.

◆ Questions from Participant C

Q1	I have one question for Mr. Wee and Mr. Wakatsuki, respectively. First of all, this is a question to Mr. Wakatsuki. Regarding the M&A target, I have a question. In the Integrated Report, you mentioned that you're not specifying any specific region, but can you please tell us what is the priority between different regions? Let me continue on with my question for Mr. Wee. How are the partner companies collaborating with each other? Not just NIPSEA Group and DuluxGroup, but I'm interested in partner companies across the world, how they're collaborating with each other. I would appreciate a specific example as well.
A1	**Yuichiro Wakatsuki** For the M&A question, yes, it's very simple. It has to serve for our Maximization of Shareholder Value (MSV) journey and it has to make sense. Thereby, the regional sort of focus or anything, it doesn't really matter for us. Is there, let's say, a big hole for us that we need to fill in our broad offerings? To be frank, there is not a must-do deal that I have to fill in. All of the additions of the M&A will have to be EPS accretive, compound our EPS accretion journey, and eventually, it has to be low risk with good return. It is also about valuation. With all those criteria, meaning the asset that we acquire has very good profile, good cash profile and low risk. Then, it could be in Kazakhstan, it could be in India or it could be anywhere. It just happened to be those two regions most recently. We have and we will continue to look at many regions, but there is no boundary for us. That's the simple and probably the right answer.

Q2	I have one follow up for Mr. Wakatsuki. What is your stance for China in that context regarding M&A?
A2	**Yuichiro Wakatsuki** Let me take the China M&A question, which also maybe Wee can follow up. But to be frank, again, if there is such an attractive low risk, good return, low valuation opportunity, maybe we'll look at it. But I guess, to be frank, the probability of finding those targets could be relatively low compared to other regions. I would never say never, but in the profiles that you see, maybe rather than doing something on an M&A basis, our organic growth journey, which Wee just explained, probably serves us better in terms of our capital allocation. **Wee Siew Kim** I fully agree with Wakatsuki that there doesn't seem to be a very compelling valuation in China right now. But if it fits our approach, if it's low risk, it's something that we can make sense of and usually it comes with a good team that we can build upon and if all these things fall in line, it doesn't matter whether it's China, India or anywhere in the world, we will be interested. But if it doesn't fit these conditions, it doesn't matter which part of the world, we will not be interested. We have to be very disciplined in that approach. To answer the second part of the question about the partner companies collaborating. If you remember just two years ago, when Wakatsuki articulated the Nippon Paint Group Asset Assembler strategy and approach to market, we

	defined the partner companies as truly independent and autonomous. How we bring it together as a Nippon Paint Group is to avail to them the financial resources of Nippon Paint Group and allow them the free play to exercise their strengths and grow their own businesses. But at the same time, if and when there are benefits to partner companies collaborating with each other, we fully encourage them to share openly and to be able to take advantage as one commentator said earlier, the best practices, and we fully encourage that. One specific example that is still being rolled out, even on a multi-year basis is the roll out of the Selleys brand in Asia. Selleys is a very successful brand in Australia and New Zealand, but until the acquisition of DuluxGroup by NPHD, Selleys was not really a household name outside of Australia and New Zealand. But NIPSEA Group saw that we could leverage on the brand and use our distribution strength in the different Asian markets we have and roll out Selleys in the non-traditional paints and coating segment, which is one, the SAF (Sealants, Adhesives & Fillers) segment, and also beyond the SAF segment, maybe in the household products and cleaning segment. As such, we saw that we could actually use the Selleys brand to compliment the main Nippon Paint brand in many of the Asian markets, to take advantage of our distribution strength, and on the basis of a second strong brand, able to take more shelf space. That has been rolled out in a significant way in China, different parts of Asia, on lubricants, on sealers, on adhesives, on fillers, and in some big boxes like the supermarkets, which traditionally is not a paint area. But because of the brand, we're able now to also grow into that area. I think that's a concrete example and I think that rollout is still in progress. Take for example, you mentioned India. India, the SAF, Selleys and the RP7 lubricant product are all now part and parcel of the expanded product offering that our Indian team is bringing to market. I think you actually say don't talk to me about DuluxGroup and NIPSEA Group. Talk about something else, about collaboration. Another part of our collaboration is the ability to bring to India what our Australian colleagues are doing. Because India is actually not part of Nippon Paint Group yet. It is going through a regulatory process. But in spite of that, there is a concerted effort to say that our Indian colleagues also sell Nippon Paint brand products. In time to come when they are healthy and good, NIPSEA Group may actually bring them back into the fold which is already happening. Even prior to that happening, our Australian colleagues are deeply collaborating with our Indian colleagues. Wherever it makes sense, whenever it is totally aligned with MSV, our business leaders will just charge ahead. We actually don't need to actually whip, at least crack the whip. They will go and do it on their own because true to their nature, they are truly autonomous, independent, and they make their own decisions, and they will make the right decision if there is value.

◆ Questions from Participant D

Q1	I have a couple of questions. One is on M&A, specifically Cromology. This is fundamentally in a low growth kind of market. How does it strategically fit with your business? How does it improve it, and how do you make a decent ROIC on that over time? What's the path to that? The second question is on NIPSEA China. Would you talk a little bit about your succession planning? Because I believe that your CEO is probably going to retire in the next few years. Thank you.
A1	**Wee Siew Kim** I think you are specifically talking about Cromology. Cromology and JUB were actually acquired at almost the same time. It was an enactment of a strategy to have our DuluxGroup colleagues participate in

the decorative space in Western Europe.

When we look at Cromology, I guess you're right. What sticks out is the European space is traditionally a low growth market. But when we look at Cromology, we saw beyond just a low growth market. We saw a company that is very strong in France in the trade market, and with good positions in a couple of other European markets, like number one in Italy, number two in Spain, and I think number two in Portugal, and also a position in Switzerland and Morocco.

We saw that our DuluxGroup colleagues could actually bring their playbook in terms of trade marketing and the retail side of the business to complement an otherwise very strong trade business. We saw that they are quite strong on the trade side and there's room for growth. Maybe the growth will not be as stellar as we usually would hope for, but we see a whole wide empty space in the retail side.

Why do we have confidence on the retail side is firstly, our DuluxGroup colleagues are very strong and can bring a lot of insights from years of developing that strategy in Australia.

But secondly, even prior to the acquisition of Cromology, we already have a French asset called Maison Deco that is primarily into the DIY space. We already had a ready pool of talents that we can leverage upon. As such, it wasn't the big number of slow growth European market. But it was that it was a space we could add value in, a space where you can take share that Cromology doesn't have, and on the strength of what Cromology has, on what our Australian colleagues can bring to play, we believe that we can create growth.

It is unfortunate that the acquisition timing coincided with COVID and as you all know, all these Westerner guys actually baffle us. The more they lockdown, the more paint they buy. But post-COVID, the paint volume drops. I think the French market is really going into a funk. But in the last two, three quarters, we're seeing things moving in the right direction. Hence, we think that going into 2024, we'll be on a better footing.

Overall, when you look at the DuluxGroup Group, which we now separate into two parts: DGL (Pacific) which is Australia, New Zealand, and DGL (Europe). But collectively as a whole, I think in 2023, they are probably growing at low double digits which is traditionally higher than what even DuluxGroup is growing in the Australian and New Zealand market. They beat the market. But together with Cromology, the whole group as a whole is growing at the low teens, which is commendable, especially on the back of the comment of a developed market.

I actually believe that, let's hope we are right, we continue to be able to grow and take share and build new space in otherwise a slow growing developed market.

Yuichiro Wakatsuki

Let me jump in and complement what Wee just mentioned.

Because I guess it's as simple as the acquisition of Cromology has brought us EPS accretion. With our capital deployed and it is accretive. Again, compared to the growth in Asia, it may not be as high, but we're still compounding our EPS.

Is it a troublesome company?

No, it's generating cash. It's actually growing, as Wee mentioned. It's the way we compound asset. That's the nature of our Asset Assembler model. You think about it, whether it was better not to do it versus doing it. For us, it was better because our EPS has gone up with that acquisition. It's as simple as that.

Wee Siew Kim

I'm glad Wakatsuki brought up this point because we really want some of our investment community friends to really view NPHD as an Asset Compounder,

	an EPS Compounder rather. We will not go into the deal if it is damaging to our EPS. Now, NIPSEA China succession. Actually, it is not about NIPSEA China succession. Across NIPSEA Group, we look at succession as well. But I actually want to say that we view succession maybe slightly different from many of our multinational peers. Why different? In that, for many of the senior leaders, age is not a number that we say if you reach a certain age, you retire. For example, of course, I'll come back to NIPSEA China. For example, we've just had a new leader in Indonesia. But the previous leader retired at 73. He was fit, healthy, and contributing, and he was growing for us year after year. We do know he's getting old, but we've put people in place. But we are not about to displace him until he wants to take a different outlook in life. From the company perspective, we are really focused on EPS and value creation. If a person is there, continuing to deliver value, we actually do not want to displace him. Of course, a lot of the comments will say, but if you have a person hogging a position for a long time, what about the talent that's coming up? You actually cannot fulfill the aspirations of your younger people. Then, it becomes the responsibility of Wakatsuki and I to make sure that there's growth in the company. That our growing talents coming from below are able to find meaningful expression of their talents in different areas in our growth areas. For us, we actually view succession, not so much as an onward push from below and we keep pushing the people at the top out. Now, specific to NIPSEA China. Our NIPSEA China business, in spite of all the headwind, is growing. It's growing not only in the top line, but it's growing in the areas that we participate in. If you go back even 5-8 years, there are many segments that we actually were not present in just 5-8 years ago. We are growing multiple segments that can fulfill the aspiration of some of the younger executives that are growing up very rapidly. But still, in that space, if you look at our N-1 in NIPSEA China, there already has been a fair bit of movement. In that, some of our N-1 leaders have actually retired and they are filled by younger people. As such, I am actually less focused on whether our CEO in NIPSEA China is aging. I'm more focused to make sure that the N-1 and N-2 level are vibrant and thriving. As long as he's there delivering value, he's there growing the N-1, N-2 tiers, and everybody's happy working for him, and the shareholders are happy because we continue to grow and make money, then the reason for succession is actually not clear and present in our thinking.

Q2	That's very helpful. Just one pushback on the EPS accretion bit. Given that you are acquiring assets with very low-cost debt, anything will be EPS accretive. I think what's important in Asset Assembler model is also ROIC. That is something that we would look forward to getting a little bit more on because you need ROIC to materially exceed your cost of capital.
A2	**Yuichiro Wakatsuki** It is a difference in views and, again, our asset quality that we acquire, I think, remains very, very good and the return that we're getting is definitely good quality and as such, I think we can fulfill our MSV journey through those EPS compoundation.

◆ Question from Participant E

Q1	Thank you very much for being very clear on the China strategy. I think you were very clear that despite ASP (Average Selling Price) in different segments

	perhaps coming down, you can protect margins. My question is just more on the working capital side. With going into different verticals in the TUB, you mentioned hospitals, central kitchens, etc., how do we expect working capital needs to change in NIPSEA China? Also, given your very strong balance sheet, would you be willing to use working capital as a way to further accelerate your market share gain? Because your competitor, we can see that their working capital has become very bloated. Do you view using working capital as a way to further accelerate market share gains in NIPSEA China?
A1	**Wee Siew Kim** The short answer is I'd rather not. I say I'd rather not because I've learned a lesson and I guess in the implosion of all these private property developers in China, ever since the advent of the three red lines, which the Chinese authorities put in place to force the deleveraging of the private property developers, ourselves and many of our competitors have been hurt. We've been hurt because prior to that, everybody was just trying to outcompete each other by offering credit terms to all these property developers. I must say that we've learned our lesson. That's why I did say earlier on in this session that we have downsized our TUB business. We are very selective on the customers we do business in, and we want to make sure that we get customers who are prepared to pay a good margin and we do not really want to be placed in a position to extend very long credit terms in exchange for business. As such, you're talking to somebody who had his hands burnt, and we are going to be very cautious in using our balance sheet to grow our market share. That is why in many of the businesses out there, we are also leveraging on the strength of some of the regional partners in order to grow the business. Like Wakatsuki said, we never say never, but we have to be very cautious.

End