

Nippon Paint Holdings IR DAY 2024
December 2, 2024
NIPSEA Group Business Strategy

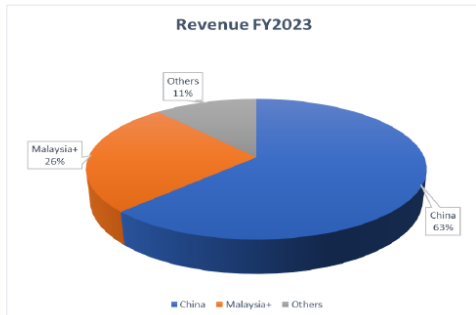


Good afternoon. You have just heard from Patrick Houlihan and Gladys Goh on Branding of 2 Partner Company Groups (PCGs)– DuluxGroup and NIPSEA Group.

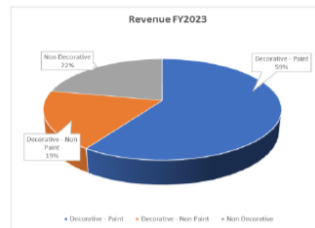
Allow me to use the next 20 plus mins on NIPSEA Group – one of 4 PCGs in the Nippon Paint Group.

NIPSEA Group – One of 4 key Partner Company Groups

Revenue - JPY 771.5 bn | CAGR (21-23) :16%

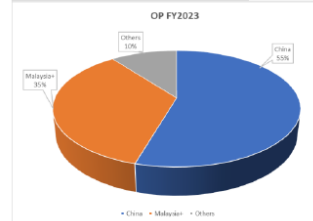


- China & Malaysia+ Group accounts c.89% of overall NIPSEA revenue



- Deco is c.78% of overall NIPSEA revenue with Deco non paint contributing c.19% of overall NIPSEA revenue

OP – 110.4 bn | CAGR (21-23) :27%



- China and Malaysia+ Group account c.90% of entire NIPSEA OP



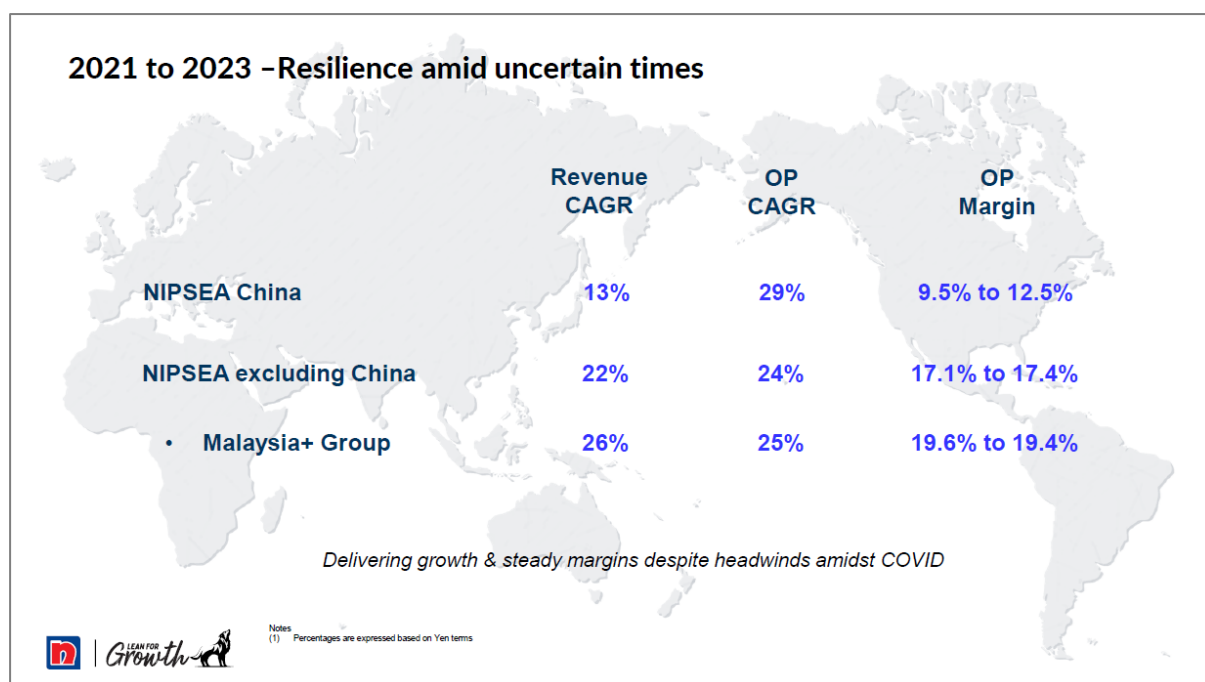
Notes
(1) Malaysia+ Group comprise Malaysia, Thailand Deco, Pakistan, Philippines, Bangladesh, Vital and entities managed by Malaysia comprising PT Nipsea (Indonesia), Betek Boya (Türkiye) and Alina (Kazakhstan) from 2024 & onwards

To set the context, Who is NIPSEA? The companies in NIPSEA Group operate in 28 countries and regions with 29,000 colleagues. The 28 countries are organized within NIPSEA Group in operating business groups. The 2 biggest operating business groups are China (63%) and Malaysia+ Group (26%) – comprising 89% of NIPSEA Group's 2023 revenue of 771 billion yen.

By Product segments: Decorative is 78% (59% decorative paints and 19% decorative non-paint). The non-paint part is key, as they allow us to provide a more complete offerings to our customers.

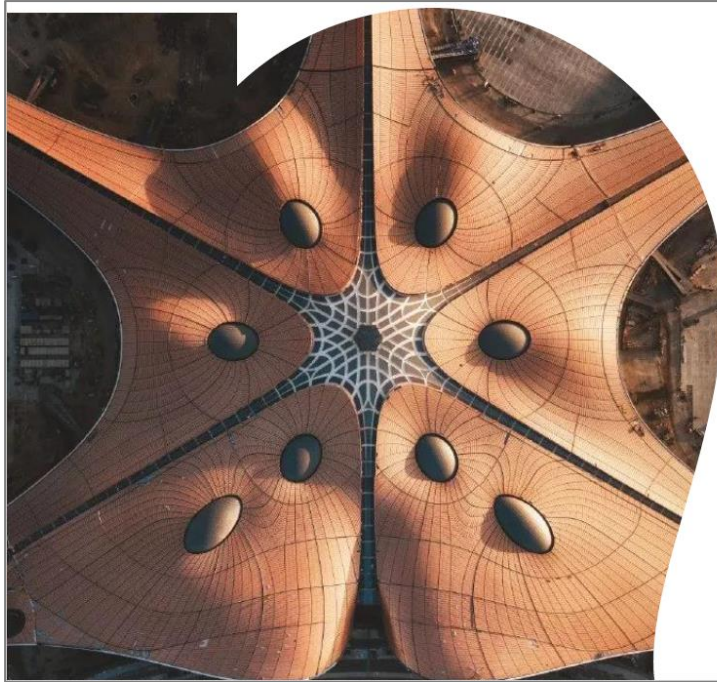
At the operating profit level, China is 55% and Malaysia+ Group 35%; both totaling 90% of NIPSEA Group's operating profit.

With China and Malaysia+ Group at approx. 90% of revenue and operating profit; and Decorative at 78% of revenue, in this presentation, I will focus on China, Malaysia+ Group and Decorative Segment.



In the last 3 years, COVID and also China's Zero-COVID policy; supply chain disruptions; inflation and hyperinflation; wars all reared their ugly heads.

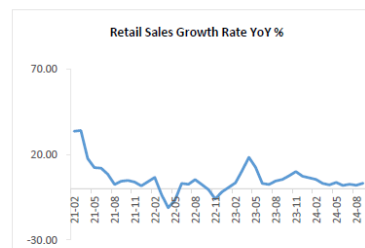
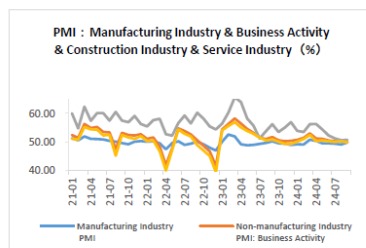
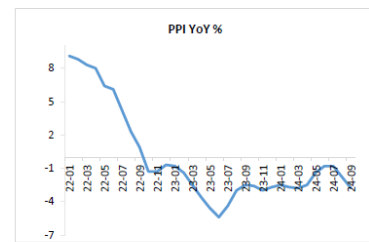
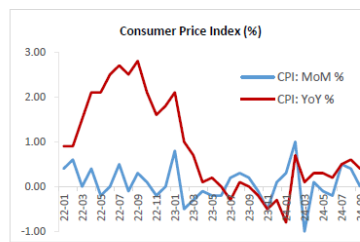
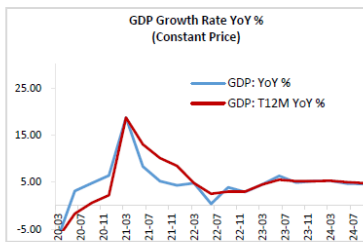
In spite of these challenges and uncertainties, NIPSEA China and Malaysia+ Group remained fairly resilient: both growing revenue, operating profit and increasing margins.



NIPSEA China



China macroeconomy – Sluggish economy driven by deflation, cautious consumer sentiment and low spending



Source: National Bureau of Statistics of China

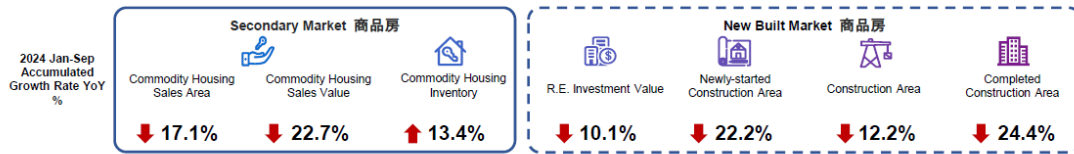
China is a sluggish economy afflicted by disinflation, poor consumer sentiments, low spending and buffeted by trade/technological decoupling.

These 5 charts paint an economy that has muddled along, seemingly still unable to tip back into vibrancy.



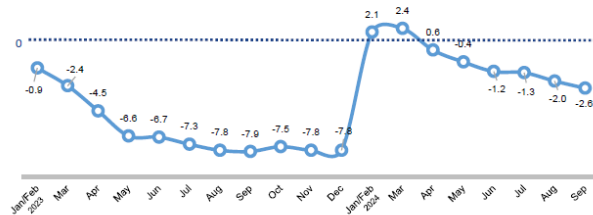
Residential market & building materials segment is soft

China Real Estate Market



Retail Sales in Building Materials Trailing 12M Growth Rate YoY %

- Stimulus underwhelming
- Developers cashflow constraints
- Low Buyer Confidence



Source: National Bureau of Statistics of China

Besides consumer sentiment, residential/new building sales is a key driver of market growth.

Commodity housing sales (used as a proxy for residential housing) in both the secondary and new build markets continue to decline in 2024.

Since the Three Red Lines led a year later to the collapse of a major real estate developer, the property sector in China has been in a tailspin.

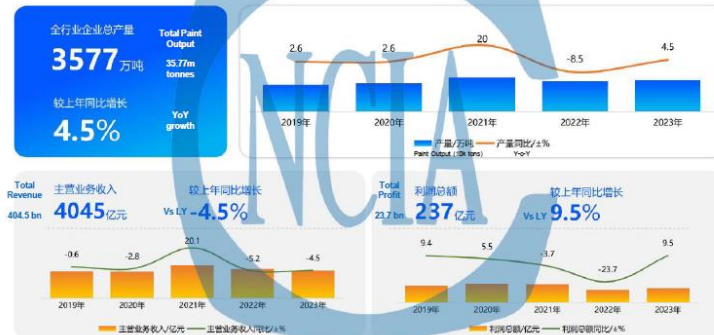
Underwhelming stimuli; developer cash flow tightness; low property buyer confidence contributed to falling building material sales.



Paint market facing challenges. Where are the opportunities?

2023年度中国涂料行业发展情况分析

1、2023年中国涂料行业发展概况



- Paint output, Revenue, Profit has not recovered to 2021 levels
- Market consolidation favouring stronger incumbents
- Building on NIPSEA China Deco strength (i) Premium branding, (ii) High Top of mind, (iii) Strong presence Tier 0-2, (iv) Robust growth in Tier 3-6
- China TUB pivoting beyond residential developers



Source: China National Coatings Industry Association (CNCIA)

Paint industry revenue and profits in China have been volatile; and have hardly moved from 2019 levels.

All of you look at China with different data sets. But the broad consensus is quite clear - both the Chinese economy and paint market are quite bad. My colleagues on the ground are taking this dismal situation in our stride. But we see opportunities.

You will wonder if we are out of our minds. Let me deal with the “WHY” we see a glass half full, as opposed to half empty? Where we see opportunities. And HOW? Which is what we have to do to persevere and thrive.

We see market consolidation favoring incumbents. Difficult operating conditions are making it difficult for many smaller paint and coating companies to continue business as usual. Although there are some 42,700 paint and related companies on the China Paint Association register, close to half of them in some state of dormancy.

And we hope to capitalize by:

- Building on NIPSEA China strength (i) premium branding, and (ii) driving high Top of Mind and (iii) with our strong presence across Tier 0 and 1-2 cities (iv) springboard into the erstwhile “local” markets in Tier 3-6 cities;

while

- China TUB pivots beyond residential developers (which had previously been the singular focus) into other targeted segments like factories, schools, hospitals and public buildings.

From now on, there will be less financial numbers. More on views, thoughts, approaches and actions.



Using the next 9 charts and 2 short videos, I hope to share with you what keeps my colleagues in Nippon Paint China busy, motivated and positive.

For a start, the changing landscape and developing opportunities sharpened the arena we wanted to play:

Let me dive into each of them.



To the Public Sector, we are organized to reach out with a narrative pulling together our extensive portfolio backed by decades long commitment to ESG and sustainability agenda in China itself.

This culminated in our recent participation at the CIEE (China International Import Expo) in Shanghai last month. I was there. As we hosted delegations of provincial and city officials, I saw for myself the wow effect when they realized that Nippon Paint China was more than an interior/exterior wall paint company. We took this opportunity to do the global launch of products that showcased the extensive portfolio we could stitch together to meet China's needs with our global capabilities. These are:

- (1) Photocatalytic paint. Painted on the exterior wall of a 6-story apartment block in Shanghai will remove exhaust pollutants equivalent to the annual emissions of 10 cars. For cities in China, it is an exciting option in their urban renewal and air purification drive. An additional appeal is the technology behind this product was developed through an innovation platform co-founded by Nippon Paint, East China University of Science and Technology, and East China Normal University;
- (2) Green auto coating products that reduces energy inputs thereby reducing footprint. You may be aware that the painting workshop is the most energy-consuming part of automobile production, accounting for approximately 70% of the total energy consumption in automotive manufacturing, reducing 1.5m tons of carbon emission based on 2023 total car production volume in China;
- (3) Street makings that are visible in poor ambient conditions that are better noticeable by the human eye and Lidar detectors a 100 meters sooner than current applications. Additionally, this product is environmentally friendly and wear resistant. Compared to traditional water-based road marking paints, the service life of product can be increased

by 3 to 4 times under the same amount of usage. Additionally, the product has the characteristic of fast drying, capable of drying in just 15 minutes, reducing the road occupation time during construction.

This year we are already working on 100 plus projects. Having gotten the attention of these provincial and city leaders and administrators, we have to work hard to convert the discussions into real revenue flow.



To Business – Pivoting, driving strategy shift, positioning for sustainable growth



China International Industry Fair





Shenzhen International Electronics Exhibition





China International Pharmaceutical Machinery Exhibition



Participating in industry exhibitions, strengthening professional brand leadership, reaching target clients



工业



医院



学校



住宅



建筑更新

Diversification & pivot from developers and residential to Infrastructure, Industrial, Public Sector

Public Sector push
Old homes repainting, City renewal

Upskilling, training, certification of Painters

To date, 3.23m painters registered under Painters Club

Establishing relationship with the Ministry of Human Resources and Social Security to implement talent training and certification qualifications for painters and tiers

Support for the National Vocational Skills Competition in the "Painting and Decoration" category

Class training and certification qualifications issued by the government

The 1st "Tiger's Republic of China Youth School Training License" issued by the government to foreign firms

Certification

Certification by Human Resources and Social Security



Jiangling Automobile Plant in Jiangsu Province



Yuehu Mount Lab in Changsha, Hunan Province



Beijing Anchen Hospital

Successes & track record with beyond residential business partners

Through participating in dedicated industrial exhibitions and fora, our pivot beyond residential properties are getting the awareness of the intended customers. Beyond the traditional large national developers, we now engage with a wider customer base of regional players and local contractors; offering targeted solutions from old house renovation; old districts refurbishment; hospitals, schools uplifts. Dedicated teams are reaching out to business partners in industrial parks and factories, precision manufacturing and food processing – meeting specific needs with our tailored solutions; opening up a new large addressable market.

Take for example, at the CIIE, we showcased four urban renewal micro-scenarios that we had pitched to city authorities and property owners over the past 2 years: historical building restoration, public building renovation, industrial building transformation, and old neighborhood refurbishment, including classic coating solutions for urban revitalization settings, such as the “Restoration as Original” coating solution and the “Fast Facade Refresh” solution without tile removal.

Here, we come across as a solution provider who understands the pain points of our customers, and not just a paint purveyor. These solutions excel in shortening renovation timelines, reducing resource waste, enhancing green energy-saving measures, and improving overall living comfort. For instance, our rapid hallway renovation solution reduces the project time to just 6 hours, saving over six days compared to traditional methods.

And we do not forget the application teams – which is an indispensable piece of our service delivery. In Nippon Paint’s network of schools, we train painters for the specialized applications – and we are recognized as the first Government certified foreign private enterprise to award such certificates.



To Consumer – Colour strategy & Textured products “Magic Paint” key, strengthening our position as market leader

Premium, Youthful, Professional



Reaching & engaging consumers & designers via Exhibitions



Quarterly Popular Colours



Extensive CCM network nationwide with 40+% share, ease of colour availability



Two years ago at this IR briefing, I rolled out the color and texture strategy to gain dominance in the consumer market. As the market leader, by doing so we hope to stimulate demand and buying interest by engaging the consumer, increasing their access to colors through our growing footprint of CCM (computer color matching) machines and also to ensure we achieve customer satisfaction by training an army of applicators. With textures, this is even more critical – as texture coating is more skill demanding than basic brush and roller applications.



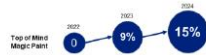
To Consumer – Colour strategy: Annual Colour Trend Launch Campaign - Retaining long term & attracting potential consumers



Here, the video does the talking.



Textured “Magic Paint”, engaging the young and high-end consumers



Brand leadership – Clear Top of Mind leader

2024 Overall
Top of Mind

N: 3,121

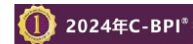
51%

#2: 20%

#3: 11%

	Tier 1	Tier 2	Tier 3	Tier 4
By Market Tier	54% #2: 18%	47% #2: 20%	55% #2: 22%	54% #2: 21%
By Product Positioning	High-end 43% #2: 16%	Middle 56% #2: 22%	Low-end 55% #2: 22%	
By Age Group	20-29 53% #2: 19%	30-34 50% #2: 22%	35-39 51% #2: 20%	40-54 51% #2: 18%

Chnbrand 2024 China
Brand Power Index



墙面漆 立邦(647.5) 8年
木器漆 立邦(581.6) 12年

立邦 ranked No #1 for 8 and 12
consecutive years for wall and
wood paint in China

Leadership in
Texture and Colour

Good Texture effect 2024	72%
Gap vs (#2)	15%
NP improvement vs 2021	+6%

Good Colour effect 2024	68%
Gap vs (#2)	7%
NP improvement vs 2021	+4%



Source: Paint Usage & Attitude Study, IPSO (June 2024) and Chnbrand 2024 China Brand Power Index

For the past 2 years – Top of Mind (TOM) is 51% across age groups, city tiers and price segments. And we specifically test our progress in texture; 68% and 72% TOM respectively. Being the clear TOM leader, when the consumer sentiment returns; and renovations pick up, we believe we are well positioned to ride the wave.



NIPSEA China Distribution

Grabbing Small Middle Projects opportunities
in Tier 1 & 2 by Phoenix dealers



Improving supply chain efficiency & service by tapping on
Phoenix+ (local OEM partners) in Tier 3 to 6 cities



Specialised segment dealers,
further enhancing dealer network



We continue to innovate to ensure that we are backed by strong distribution. A new group of Phoenix partners in the top tier cities enhance our access to small and mid-sized property projects; and new Phoenix partners in the Tier 3-6 cities also amp up our supply efficiency. Here, the market consolidation fuels the induction of new partners, who otherwise were competitors.

With several years of developing adjacencies like tiling adhesive, water proofing products, we are rolling out specialized segment dealers, resulting in more aggressive customer end actions and of course, we hope, wider coverage.



Boosting product appeal across Tier 3 to Tier 6 cities with targeted product offerings and exterior textured paint

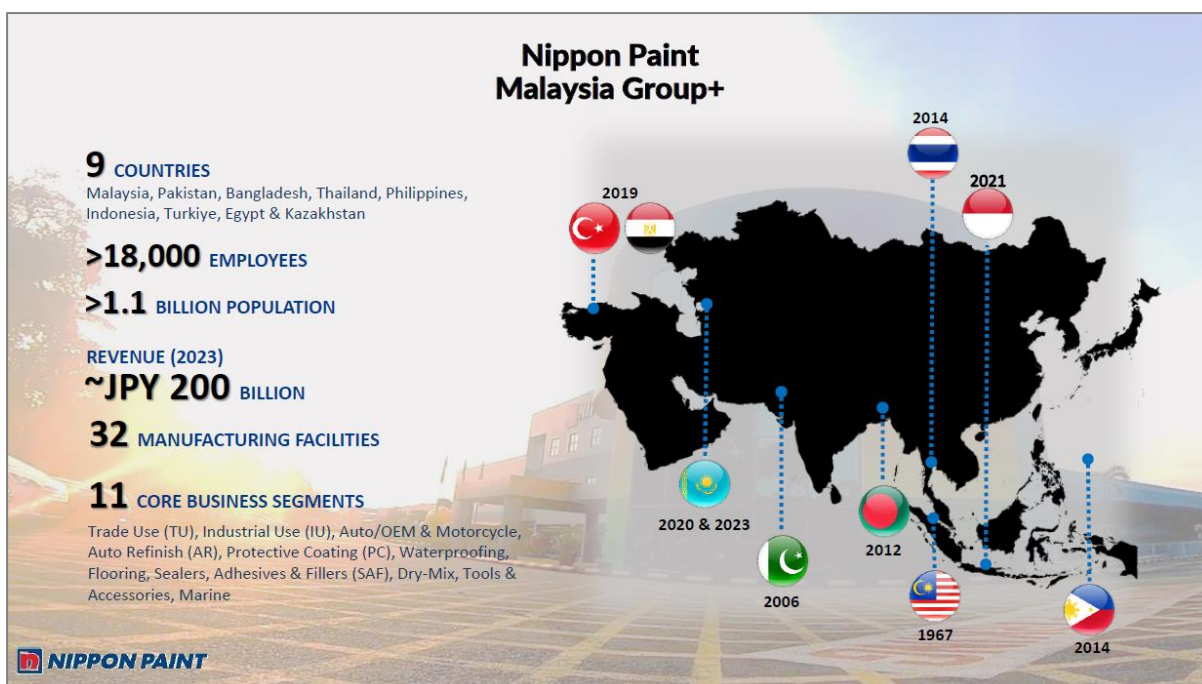
◆ Paint Store: 庄園 interior and 家園美 exterior paint



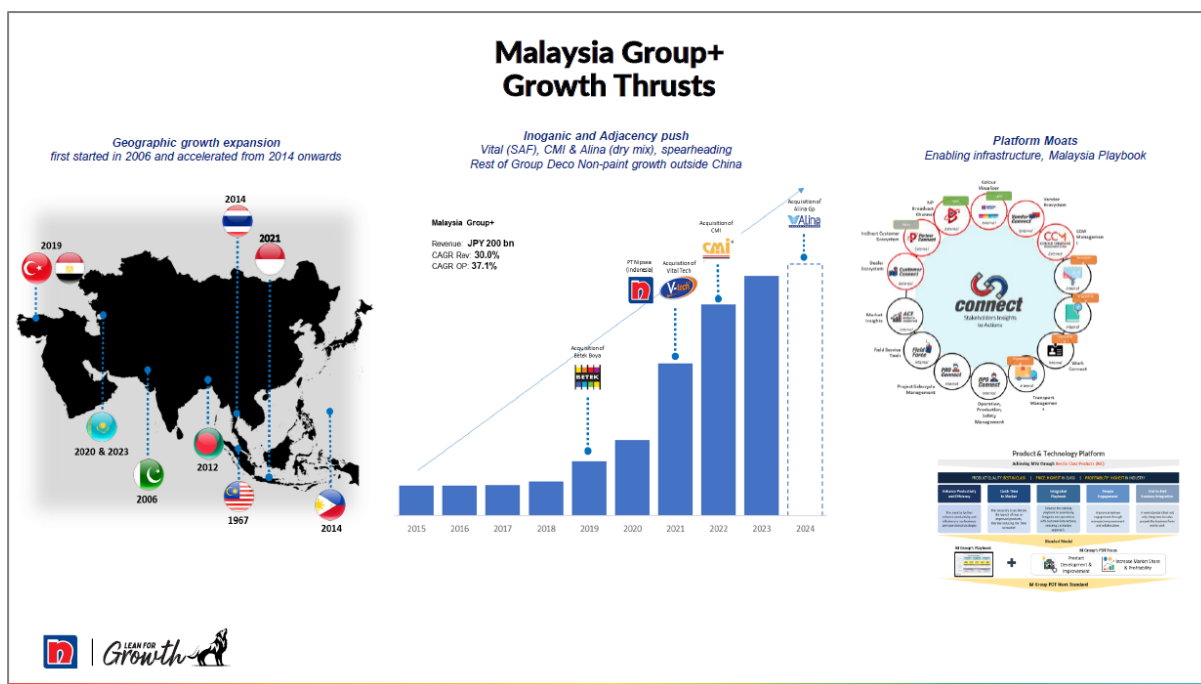
◆ Exterior Texture Store: 1,354 stores



I mentioned that new Phoenix partners in the Tier 3-6 cities also amp up our supply efficiency. We also arm them with product offerings that are functionally and price wise appropriate for these markets.



In the NIPSEA Group, the Malaysia+ Group is a substantial 200-billionyen piece operating in 9 countries and growing. Over the years, we stitch this Group together: Malaysia in 1967, followed by Pakistan, Bangladesh, Thailand, Philippines, Indonesia, Turkey, Egypt and Kazakhstan. Unlike our China Group, Malaysia+ Group is a lot more diverse in nationalities, cultures and business practices. However, it embodies the same essence of the NIPSEA Group in that it subscribes to independent, autonomous local units that is bound together by a common mission of MSV.



From the bar charts, Malaysia+ Group has grown by geographic expansions and also segment growth.

As is true for many entities in the NIPSEA Group, Malaysia+ Group participates in the paint and coatings across multiple segments: Decorative, Industrial including Automotive & Motorcycle, Auto Refinish (AR), Protective Coating (PC), Waterproofing, Flooring, Sealers, Adhesives & Fillers (SAF), Dry-Mix, Tools & Accessories and Marine. When it enters any new geographies, it penetrates with a leading segment and over time brings the entire spectrum of offerings.

Beyond the paints and coatings, with DuluxGroup's Selleys Business Unit (and brand) and China's lead – Malaysia+ Group is building the SAF and dry mix/putty adjacencies which complete its Total Coating & Construction Solutions (TCCS) business approach basing on Vital, CMI and another small bolt on before the end of this year. These additional Paint plus adjacencies added to the growth trajectory. Once Malaysia gets the approach right, the other units in the Malaysia+ Group adapts and also roll out.

Each entity takes and adapts, taking into consideration their peculiar market conditions. Whilst each entity is too small by itself to be able to forge into new segments – but collectively we thrive as we could take the core and adapt. This is the power of local managements coupled with Group investments – affordability, speed to market and of course, tempered with a large dose of flexibility.

The track record of growth and profitability underpins the confidence that we can replicate this play book. This disciplined approach to growth are supported by several platforms that had been built and enhanced over the years.

The units of the Malaysia+ Group are bound together by these platforms which collectively are the moats which defend our competitive positions.

Let me take the rest of the available time to briefly describe these platform moats:

- (1) Customer Centricity: Total Coating & Construction Solutions (TCCS)
- (2) Technology & Products;
- (3) Digital;
- (4) Business

Moat: Customer Centricity Total Coating & Construction Solutions

The Paint Expert
1979-2021 (transformed to TCCS)

THE COATINGS EXPERT

NIPPON PAINT

TOTAL COATING & CONSTRUCTION SOLUTIONS

Transforming over the years with a customer-centric approach

Architectural Coatings
Interior
Exterior
Glass
Metal
Road
Roof
Tiles & Ceramic
Wood

Flooring Solutions
Industrial Flooring
Commercial Flooring
Carpark Flooring

Protective Coatings
Conventional Coatings
Heavy-Duty Coatings

Drymix Solutions
Plastering / Rendering
Skim Coating
Floor Screeding
Tiling
Chemical Additives
Grouting
Bonding Agents & Accessories

Sealants, Adhesive & Filler Solutions

Waterproofing Solutions
Sheet Membrane
Liquid Membrane
Cementitious Membrane

Services
Refurbishment Solutions
Re-painting
Re-waterproofing
Re-flooring

WATERPROOFING SOLUTIONS

FLOORING SOLUTIONS

ARCHITECTURAL COATINGS

SEALANT, ADHESIVE & FILLER SOLUTIONS

DRYMIK SOLUTIONS

PROTECTIVE COATINGS

Paint All Surfaces
Cover every surface from floor to roof and everything in between with our extensive range of coating products.


Thousands Of Colours
Get inspired by our wide selection of colours that can create any aesthetic that suits your needs.

Green Choice
A series of interior and exterior paints that are formulated with the wellness of the environment and your health in mind.

LEAN FOR GROWTH

Total Coating & Construction Solutions (TCCS) is one such platform moat. Piloted and painstaking developed in Malaysia over the years, TCCS aims to take away the hassle when it comes to decorative and surface protection from both consumers and business. In effect, Nippon Paint Malaysia are still known in many markets as the Paint Expert.


Total Compatible System from Bare to Finish



**TOTAL COATING
& CONSTRUCTION
SOLUTIONS**

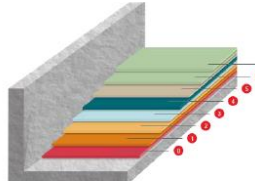
Providing customers a one stop service with compatible solutions from bare concrete surfaces to the finishing, and everything in between

Coating system for Brick Wall



- 1 **Bricklaying**
CMR® Masonry Mortar DB6
- 2 **Plastering | Rendering**
CMR® Masonry Mortar DB6
- 3 **Skim Coat (Top Coat)**
CMR® Base Mortar Grey EX981
- 4 **Painting (Sealer)**
Nippon Paint S-100 Wall Sealer
- 5 **Painting (Finishing)**
Nippon Paint Neutralsense®


Flooring - DeckGuard Basement Deck BD




Epoxy system incorporating moisture barrier system designed specifically for basement car parks where high moisture in the substrate and high wearing activities from the vehicular traffics imposes synergetic stress to conventional car park system


Coating System

- 1 Prepared & Treated Concrete
- 2 Solvent Free Epoxy Primer
- 3 Solvent Free Epoxy Mortar
- 4 Solvent Free Epoxy OP Textured Finish
- 5 Solvent Free Epoxy Body Coat
- 6 SONG Quartz Scatter 35 (30x60) Medium
- 7 Solvent Free Epoxy Fin
- 8 Solvent based PU Finish





Anti-Efflorescence Solutions for Superior Efflorescence Prevention



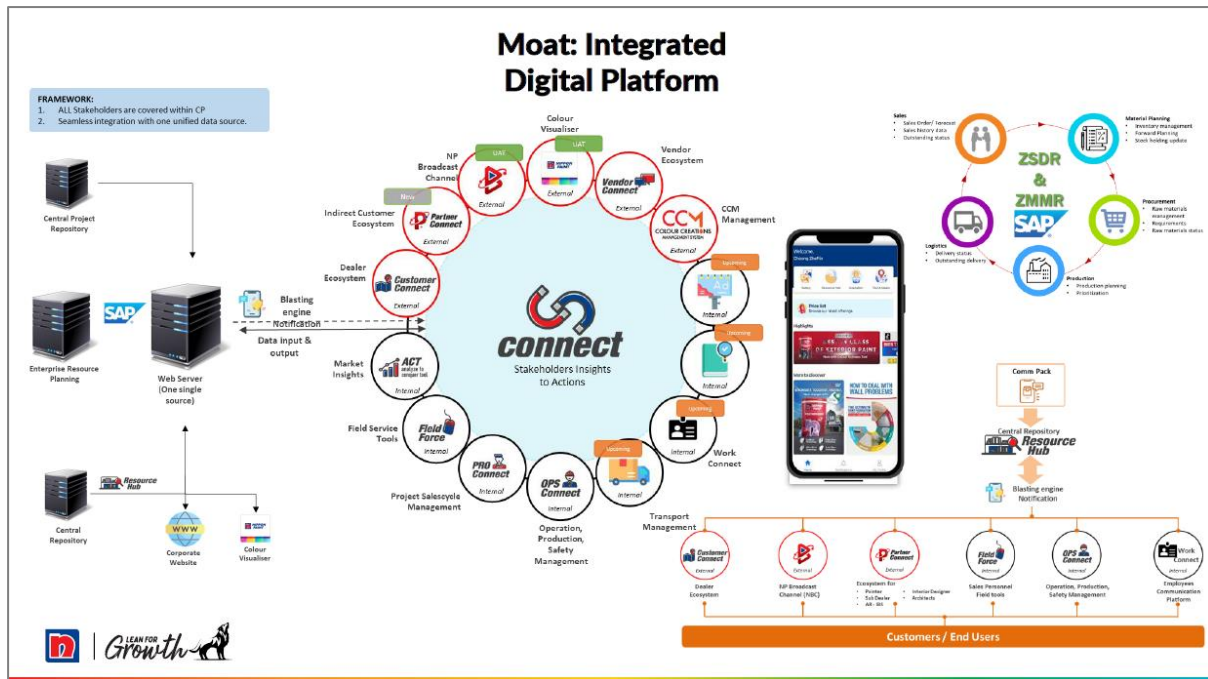
Lean for Growth

Providing our customers with a one stop service with compatible solutions from bare surfaces to the finishing for all insights and technical competence for compatible solutions from bare to finishing – architectural, protective, floor, wood, sealants, fillers & adhesives, dry mix, etc.

Whether renovations or new construction, we constantly engage the tradesmen, trade associations and designers to ensure having the pulse of the market; drive innovations and constantly catalyze early adoption.

Our Malaysia colleagues continually keep pulse with our Chinese colleagues who are also rapidly innovating in this space.

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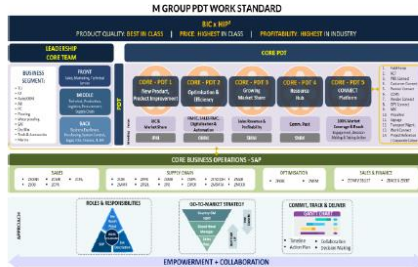


Another platform moat is the Integrated Digital Platform, which is conceived from the beginning with an architecture that allows additional functional capabilities to be bolted on as they are developed. Many of the market facing modules on customer, sales, market data are all deployed. Real time data are backend integrated into our operating system; be they procurement, production, logistics. As you see from “Connect” integrated digital platform – there are still modules that are being developed and progressively deployed across the Group. Connect is also available to customers as they benefit from TikTok and YouTube videos generated by the stakeholders in our eco system as well as from satisfied customers.

Besides being fully mobile enabled, it is beginning to take advantage of AI advances – for example, one key high productivity color matching AI tool will be launched early next year.

Moat: Processes & Systems

- Malaysia+ Group has perfected playbook
- Facilitates easy future expansions and addition
- Capitalising via platform approach that integrates product, technology, coating solutions, and digital connectivity
- Building shared talent pool across countries



NIPPON PAINT

Malaysia+ Group has perfected a playbook

- Allows for growth with future bolt-on modules with relative ease
- And business units via the platform approach that integrates product, technology, coating solutions, and digital connectivity and local competitors as they combine local autonomy with the competences and offerings that the scale of a larger group can bring to bear.

Which proliferation and continual enhancement we want to assure by emphasizing talent development - nurturing a talent pool of executives from various countries that speaks a common language of business approach.

Summary

		Medium Term Forecast (in LCY)(Apr 2024 MTP)	
		Revenue CAGR	2026 OP margin (vs 2023)
NIPSEA China	NIPSEA China total	c. +10%	→
	TUC	+10~15%	
	TUB	c. +5%	
NIPSEA Except China	Malaysia Grp. Singapore Grp. Thailand Grp.	+5~10%	→
	PT Nipsea (Indonesia)	c. +10%	→
	Betek Boya (Türkiye)	c. +10%	→
	NPI/BNPA (India)	c. +10%	→
	Alina (Kazakhstan)	c. +10%	→

Laying the seeds for 2025 & beyond



The journey is exciting and unfolding. We are making money along the way. And we believe that the Malaysia+ Group platform playbook has legs. Latest addition is Alina and by year-end another addition to its dry mix/putty portfolio.

Through the descriptions of China and Malaysia+ Groups, I hope you get a flavor of how we at the NIPSEA Group operationalize our mantra of allowing local autonomy while benefitting from the strength of being part of a larger Group. We take the world as a given and the past 20 mins, you get a glimpse of how we can adapt and thrive.

2024 has been tough going. We continue to lay the seeds for 2025 and beyond.

Thank you.