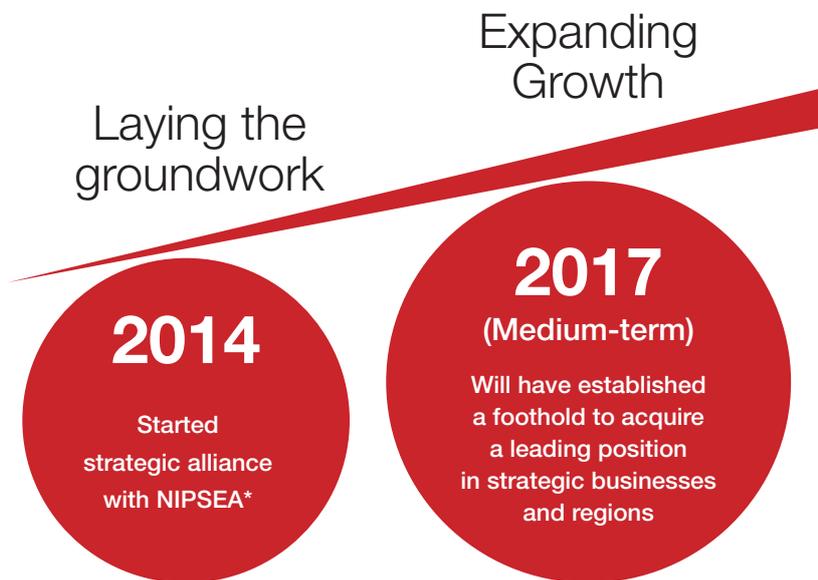


Business Strategy and Strengths

Nippon Paint Group has outlined objectives that seek to realize a medium- to long-term vision for continuous growth as a global company. We have taken up the challenge of becoming a “Global Paint Major” that stands shoulder-to-shoulder with the world’s leading manufacturers. We are particularly focused on China, where we expect growth thanks to strong brand recognition and a nationwide sales network. We will be working to expand our business in China even further.

* NIPSEA
Abbreviation for Nippon Paint South East Asia, which operates businesses in Asia



To be a Global

We have positioned China as the most important market and will continue working to expand market share for our trade-use paint products.

Reasons for positioning China as the most important market

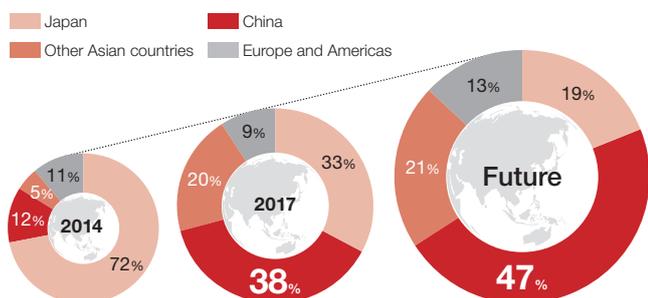
Asia accounts for roughly 45% by value of the global paint market. We believe the market has opportunities for further growth. In Asia, and particularly in China, while economic growth is said to be slowing, the paint market continues to experience strong growth.

We established a local Chinese subsidiary, Nippon Paint China in 1992, and it has been posting remarkable results. We expect this business to expand further and have positioned China as our most important market.

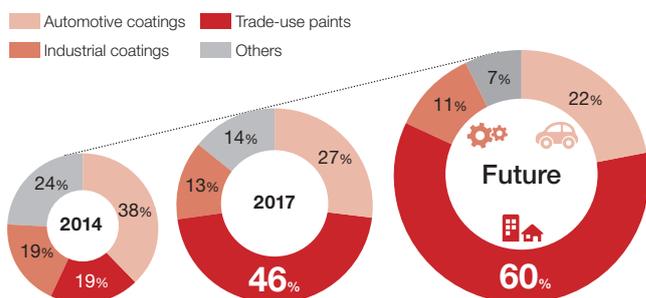
Concentrate on trade-use paint business (mainly decorative paints)

Trade-use paint products occupy roughly 41% of the global paint market in terms of sales. They are highly profitable and the scale of the market in China—our most important market—is significant. It is also expected to expand further. Nippon Paint China has a large market share, particularly for trade-use paint products (31% share of DIY interior paints for consumers in 2016) and should continue to grow going forward.

Sales composition plan by region (consolidated)



Sales composition plan by business (consolidated)



Aim to be
the global
market leader

Global Paint Major

From **2020**
(Long-term)

Will have attained a leading
position in strategic businesses
and regions, and built
a foundation for growth

Our coating and related businesses
will have attained a leading position
in each global region, and
built a foundation for growth

Management philosophy and vision

Paint Major

Strengths in trade-use paints in China

One of our strengths in China and other Asian markets is our partnership with Singapore's Wuthelam Group (hereafter "Wuthelam"). Since 1962 we have worked together to expand business operations throughout Asia, relying on the Nippon Paint Group's prowess in technical development and production, and Wuthelam's prowess in local management, sales, and marketing.

The Nippon Paint Group relies first and foremost on its brand strength. We began business in China in 1992, at a time when interior paints had yet to become common. By providing quality products and conducting aggressive advertising activities, we built strong brand recognition and an extremely high level of trust in "LiBang", our brand in China. In a brand reputation survey conducted annually by a British marketing company, LiBang has been the only brand selected five years in a row as a Big Six brand in the Super Brands China survey. It is also the only paint manufacturer to have been selected at all. Furthermore, according to a survey of our own, LiBang's Net Promoter Score (the ratio of buyers who recommend LiBang's service to a third party minus buyers who do not) improved from 65% in 2014 to 99% in 2016.

As the majority of sales in China are B2C (business to consumer), strong brand value is extremely important for expanding sales. To maintain and enhance brand value going forward, we will strive to improve our reputation for reliability even further by enhancing our range of eco-friendly products, which are of interest to consumers, aggressively conducting advertising activities, and deploying a variety of CSR activities.

Following brand value, our second strength is our sales network. We have been working to develop robust sales channels since we began doing business in China and now have more than 40,000 exclusive and

multi-brand stores throughout China. We already have a high degree of penetration in metropolitan areas and will be aiming to enhance our sales network further, chiefly in China's interior. Using our sales network, we will be striving to develop the repainting market and capture demand in that market. We are steadily expanding our repainting service to new areas and were in 90 cities as of 2016 (compared to 61 in 2015).

Major initiatives—Investment and M&A

To further solidify our position in the Chinese market, we will continue to aggressively pursue capital investment in China. Of the ¥50 billion we have slated for capital investment under the current medium-term management plan (FY2015-FY2017), we expect to invest roughly ¥30 billion in China. This investment is primarily intended to increase production capacity and respond to environmental regulations. Specifically, we will establish nine new production sites for construction paints, starting with two large-scale plants. The purpose of these new plants is to respond to stricter environmental controls and increased demand for eco-friendly products.

Our M&A strategy is to study geographical and operational segments to locate companies that will complement and generate synergy with our existing businesses. We are prioritizing M&A opportunities in Asia, especially in China, and will consider any "complementary M&A" involving fields in which the Nippon Paint Group is not yet involved and coordination with manufacturers possessing notable strengths in certain fields.

At the same time, in order to avoid overemphasis on China and Asia in general, and with the aim of establishing second and third pillars in the Americas and Europe, we will actively evaluate M&A opportunities that can help us realize inorganic growth while giving consideration to a balance between regions and businesses.