



Basic & New

NIPPON PAINT HOLDINGS

Integrated Report

2018

Year Ended December 31, 2017

Management Philosophy



The leading brand bringing colors & joy to everyday life through innovative coating solutions

* This "Mission" of our Group also represents the reason why we exist in society and will never change over time. The expression may vary with the times but the core is always same.



To be the industry leader driven by passionate people using our strong business foundations to create value & inspire all stakeholders

* This "Vision" shows the direction of the Group and is linked with the immediate targets as well as the state we would like to be in 2030 as specified in the management plan.



Mutual prosperity

To achieve long-term growth and mutual prosperity with all of our stakeholders through unmatched performance and constant improvement

A pioneering spirit

To sustain the pioneering spirit that led us to become a leader in the global paint industry and constantly pursue innovation and excellence

Perseverance

To achieve our mission with unwavering perseverance, dynamism and initiative

* This "Value" is always shared by all employees to realize the Mission and the Vision. They should keep it in mind when taking an action.

Established in January 2018

In addition to the above, we specify "Way," the action guidelines that should be followed by employees to realize the Mission and the Vision, which are published in our website.
(<https://www.nipponpaint-holdings.com/company/vision/>)

Background of the establishment of the new management philosophy

We transitioned to a holding company system in 2014 and consolidated the joint ventures in Asia. While a major structural change was made, this transition also increased the percentage of non-Japanese employees, which now account for 85% of about 20,000 employees in total. In this situation, we redefined our management philosophy in a way that it serves as the compass showing a direction for the company. The dissemination of the philosophy is also significant for group governance and compliance. The state that the Group would like to be in 2030 and the state that the Group should become in 2020 are based on the management philosophy.

Editorial Policy

With this report, we aim to properly inform shareholders, investors, and other stakeholders of the management philosophy of the Nippon Paint Holdings Group, as well as its business strategy and initiatives to improve our corporate value, and show the way to become the leading company committed to continuously creating new values, which is the state that we would like to be in the future.

The period covered and scope of the report

This report covers the fiscal year ending December 31, 2017 (January 1 to December 31, 2017). However, some information from before and after the period is also included in the report as necessary. Unless specifically mentioned, the scope for compiling data is the same as the scope of consolidation.

Name : Nippon Paint Holdings Co., Ltd.

Head Office : 2-1-2 Oyodo Kita, Kita-ku, Osaka 531-8511 Japan

Tel: (+81) 6-6458-1111

Founded : March 14, 1881

Capital : 78,862 million yen

Number of Employees : 230 (Consolidated: 20,257)
(as of December 31, 2017)

Representative : Tetsushi Tado, President & CEO

Business contents : (Nippon Paint Holdings)

Establishment of group strategies and
management of group companies

(Operating companies)

Manufacturing and sales of paints and fine chemicals

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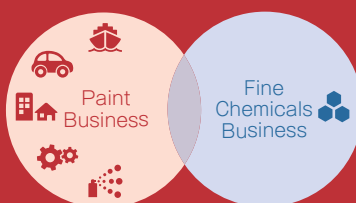
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	Supply Chain Management / Employee Engagement /
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Photo courtesy of East Japan Railway Company

Business Activities

Nippon Paint Holdings Group operates a paint business and a fine chemicals business. We are a comprehensive paint manufacturer that offers a broad variety of products and services, ranging from high-quality and high-functionality paints, including eco-friendly types, to pre-treatment agents for painting, treatment agents that provide functionality to thin films, and systems proposals to improve the efficiency of the painting process.



Paint Business

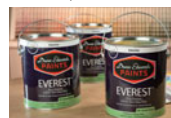
Trade-use paints and house paints

We provide paints widely used at various construction sites such as houses, buildings, and bridges. In addition to eco-friendly paints, our product line-up includes paints that increase functionality such as anti-corrosive paints for structures.

Topics in 2017

Acquisition of Dunn-Edwards Corporation, a US paint manufacturer, as a wholly owned subsidiary

While we used to operate only an automotive paint business in the United States, we have acquired the company as a base to develop a construction paint business in the country.



Acquisition of CRF, a Chinese paint manufacturer, as a consolidated subsidiary

We have entered the business of paints for coating wooden furniture at factories in response to the growth of the market.



Automotive coatings

Our product lineup includes paints with high quality and performance for all steps of the car body coating process, ranging from undercoating to middle-coating and top-coating, and supply them to global car manufacturers.

Topics in 2017

Our original color "Koiai" was adopted for JPNTAXI, a new model of taxis. We developed this deep blue color with a concept of adding depth and vividness to the image of indigo, a familiar color for life in Japan that also symbolizes the country. For this product, we received Project Commendation Chief Engineer (CE) Special Award from Toyota Motor.



Industrial coatings

We provide pre-coat and post-coat paints, as well as eco-friendly paints including powder paints containing no solvent, to a wide range of industries such as construction machinery, agricultural machinery, exterior building materials, office equipment, and home electronic products. We will also continue to expand our business activities in Asia.

Topics in 2017

A cruise train "Train Suite Shiki-shima," which adopted our "Shiki-shima Gold," won GOOD Design Gold Award 2017. Shiki-shima Gold is a high-quality luxurious color that vividly reflects the scenery in Japan, which is different in each of the four seasons, and beautifully colors the country's landscape while fitting the Shiki-shima train's design concept of offering superior experiences to enjoy transitions of time and space.



Photo courtesy of East Japan Railway Company

Marine coatings

We develop and market advanced paints that achieve both environmentally friendliness and cost reduction, such as ultra-low fuel consumption antifouling paints that comply with global environmental regulations in the shipbuilding and marine industry.

Topics in 2017

In response to the tightening of environmental regulations, such as the start of regulation on sulfuric compounds in 2020, we have adopted a product strategy that considers the environment. Our high-end LF-Sea series of fuel-saving antifouling paints for ship bottoms have a water trapping function based on a biomimetic technology developed with an inspiration from the skins of tuna and dolphins to reduce friction. We will introduce this technology into products in the volume zone to further reduce environmental impact.



Auto refinish paints

Applying cutting-edge technologies cultivated for coating new cars, we have developed proprietary paints appropriate for refinishing. These paints help reduce environmental impact and improve the efficiency of the refinishing process.

Topics in 2017

The lineup of our next-generation water-based paints "naxE-CUBE WB" now includes primary colors dedicated to painting for sophisticated design such as Soul Red Crystal Metallic for Mazda. We have also updated our computer-based color mixing system "COLOBO" to add a new function that is the first in the industry in order to help customers improve their productivity and develop human resources.



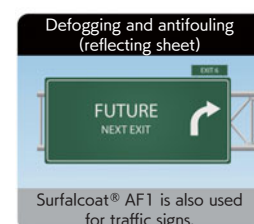
Fine Chemicals Business

Surface treatments

Surface treatments are required in a wide range of industrial sectors. We develop advanced products, such as surface treatments with an affinity for paints and functional thin-film paints that satisfy various customer needs.

Topics in 2017

We launched new products of Surfcoat® AF1, a defogging and antifouling treatment with a self-cleaning function, and Surfalcoat® 9340, a hydrophilic and hydroplaning treatment with a property to let water slip down.



Fine products

We work to offer paint products that meet social needs and help solve problems from a global perspective. We develop advanced products such as UV-curable coating materials and ultrafine organic particles.

Value Creation Process



The leading brand bringing colors & joy to everyday life through innovative coating solutions



To be the industry leader driven by passionate people using our strong business foundations to create value & inspire all stakeholders

Priority Issues to Enhance Corporate Value

Improvement of customer satisfaction by providing new values

Implementation of management at a higher speed and transfer of authority on a global scale

Expansion and dissemination of eco-friendly products

Establishment of an optimal governance system

Strengths

Strong brand in Asia

Sales network in China

Development of eco-friendly products and new technologies

Cost control

Earnings bases that underlie our business activities

Original management model (NN model)

Businesses in Asia

Effective use of investment and sales management costs to achieve growth and profitability at the same time



Earnings base that drives our growth

Businesses in Japan

Control of production and sales management costs through "Survival Challenge"



Stable earnings base in the mature market



Mutual prosperity

To achieve long-term growth and mutual prosperity with all of our stakeholders through unmatched performance and constant improvement

A pioneering spirit

To sustain the pioneering spirit that led us to become a leader in the global paint industry and constantly pursue innovation and excellence

Perseverance

To achieve our mission with unwavering perseverance, dynamism and initiative

Nippon Paint Holdings Group has developed its business activities throughout Asia in partnership with Singapore's Wuthelam Group for more than 50 years.

This unique management model drives the growth of our Group and also generates synergy with our operating companies in Japan to enhance the value of the Group as a whole.

Our Group aims to introduce the model to create values based on the synergy of domestic businesses with the NIPSEA* business globally in order to achieve the medium-term management plan and our "Mission."

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

Priority Issues to Maximize Shareholders' Value

In our approach, we identify the state that the Group would like to be in 2030, as well as the state that the Group should become in the near future as a stage to achieve the goal, examine what we must do to realize them in a strategic manner, and aim to surely implement the activities.

We consider that our Group should solve four major challenges to achieve its "Mission" amid dramatic changes in the paint industry as well as the environment surrounding the industry. In particular, while environmental regulations have been tightened on a global scale in recent years, it is essential for the Group to respond to environmental regulations and expand and

disseminate eco-friendly products as a paint manufacturer. We also consider that the dissemination of products that help conserve the environment will provide new values to society and enhance the value of the Group.

Nippon Paint Holdings Group has expanded its organization globally since 2015. We will enhance the value of the Group through the implementation of management at a higher speed and governance on a global scale at the same time and through the promotion of the establishment of a system that supports the diversity of human resources and work style reforms.

Strengths of the Nippon Paint Holdings Group

The strengths of the Group in the paint industry are a strong presence established in the regions and businesses with high growth potential from a global perspective, along with stable earnings bases. More specifically, we have developed solid bases with a strong brand and sales network in Asia, especially China, which has a large market and high growth potential. The building paint business in China, in which we have established a strong presence, has the largest market size and high growth potential and will continue to drive our growth as an earnings base.

With respect to our businesses in Japan, although dramatic growth cannot be expected, they serve as stable earning bases to support the Group as a whole. We secure stable earnings in the mature market especially through quality assurance and cost reduction at each of the product design, material procurement, and product production stages.

Unique management model

We recognize that our growth in the Asian business, which is the backbone of our Group, is driven by our unique management model called "NN model," which came from the initials of Nippon Paint Holdings and the NIPSEA Group. While continuously improving the components of this model, we will introduce it into other regions where the Group operates its business other than Asia, i.e. on a global scale, in the future. Attaching importance to regional management based on the

proper governance of regional headquarters by the global headquarters, we aim to ensure that the "region x business" matrix management is achieved in a healthy and autonomous manner in each region. We believe that this will build a strong collaboration system, enable optimal allocation of management resources worldwide, and speed up the implementation of management in each region.

Medium-term Management Plan "N-20"

Nippon Paint Holdings Group announced a new medium-term management plan "N-20" for the years 2018 to 2020 in May 2018.

Designed to promote the global growth of the Group and solidify its outstanding presence in Asia, N-20 presented the Group's medium/long-term management policy. The plan sets "the leading company committed to continuously creating new values" as the state that we would like to be in 2030 and requires the Group to "become the top leader in all business domains and regions" as the state that it should be in 2020 as a step to realize the ultimate goal based on the "Future Pull" approach. To this end, we will (1) strengthen the businesses in existing segments, (2) accelerate expansion of the portfolio, (3) improve earnings capacity, and (4) enhance the structure of "Global One Team," as the four key initiatives in accordance with the conditions of each business domain/region. We will also maximize the values provided to all stakeholders in all business domains and regions. Through the steady implementation of this plan, we aim to achieve net sales of 750 billion yen and an operating margin of 14% in fiscal 2020.

Group Medium/Long-term Management Policy

The state that we would like to be in 2030

The Leading company committed to continuously create new value



Moving towards the goal



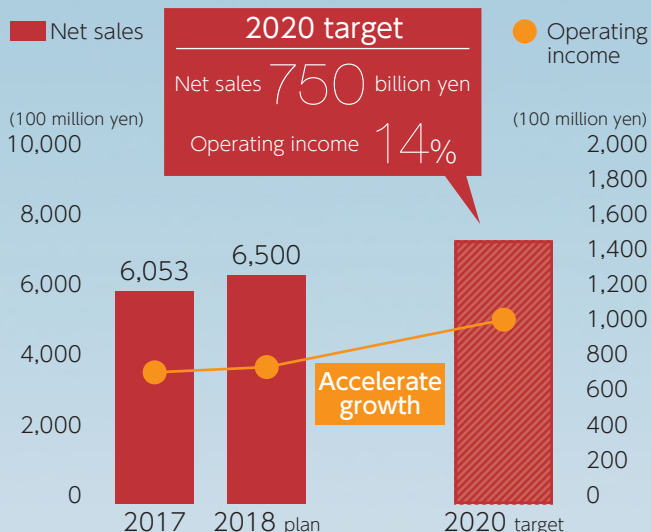
Future Pull

The state that we should be in 2020 according to the medium-term management plan for 2018-20

Become the top leader in all business domains and regions

Net sales target of 750 billion yen in 2020
Maximization of value provided to all stakeholders
⇒ Maximization of shareholders' value

Consolidated Earnings Plan for 2018-20



Key Initiatives

Implement the following key initiatives 1 to 3 by operating the "Global One Team"

1. Strengthen the businesses in existing segments

- Increase share
- Enhance strengths

Accelerate growth in each business segment

2. Accelerate expansion of the portfolio

- Generate growth momentum
- Achieve synergistic effects early

Implement M&A and accelerate PMI

3. Improve earning capacity

- Increase operating income
- Efficiently use management resources

Achieve an operating margin of 14% after growth investment

4. Enhance the structure of "Global One Team"

- Reinforce regional management with "Region x Business"
- Collaborate with functional departments globally

Deploy the GNN model on a global scale

Business Plan and Expansion Measures for FY2018

Business Plan

We will continuously work to grow mainly through the expansion of the trade-use paint business and the automotive paint business.

In the trade-use paint business, we aim for further growth in the market of paints for housing interiors sector in China, which is our core region where we have the largest share, through the use of our strong brand and nationwide sales network to create and stimulate the demand. We will also work to further increase demand in Southeast Asia, in which our Group has a large share, and other Asian countries. In the Americas, we will expand our business through the platform of Dunn-Edwards Corporation, a US construction paint manufacturer, which was converted into a wholly-owned subsidiary in March 2017.

In the automotive paint business, we will actively approach both Japanese and non-Japanese manufacturers. We will promote the expansion of our share and the creation and stimulation of

demand in China and other Asian countries to enhance our presence in those markets. In the Americas and Europe, in which car production volume is forecast to grow steadily, we will focus our efforts on increasing our share in the automotive paint market.





On the other hand, it is anticipated that the prices of raw materials will remain challenging and we will continue our efforts to reduce costs and sales management expenses in order to secure profits.

As a result of the above factors, our outlook for consolidated business performance in fiscal 2018 is net sales of 650 billion yen and operating income of 78 billion yen.

In the meantime, we will promote the optimization of global governance and the maintenance of balance between different regions and business segments, which underlie our activities to pursue the plan, from a medium/long-term perspective.

Continue to grow mainly through the expansion of the trade-use paint business

(unit: 100 million yen)

		FY2017	FY2018
Paint Business	Automotive coatings 	1,484	1,553
	Trade-use paints 	3,088	3,465
	Industrial coatings 	730	716
	Other paints	560	566
	Total	5,864	6,300
Fine Chemicals Business 		189	200
Total		6,053	6,500

Continue to grow especially in Asia

(unit: 100 million yen)

		FY2017	FY2018
Japan	Net sales	1,759	1,775
	Operating income*1	306	294
Asia	Net sales	3,470	3,800
	Operating income	408	458
Americas	Net sales	682	780
	Operating income	32	62
Others	Net sales	141	145
	Operating income	2	4

* 1 Excluding dividends from overseas Group companies

Tasks and Measures for the Future

Optimization of global governance

Tasks Establish a more effective global corporate governance framework for the Nippon Paint Holdings Group, involving the eight joint venture companies in Asia converted into consolidated subsidiaries in 2014.

Measures In consideration of the increasing complexity of the situation with the crossover between regional governance systems and business-based global management systems, we have begun to review the authority and responsibility for governance and management on regional and business bases.

Strengthening of the businesses in existing segments

Tasks Accelerate growth in each business segment

Measures We aim to further increase our market shares in the trade-use paint business in China and other Asian countries, in which we already have large shares, by speeding up the dissemination of our brand and improving our one-stop services.

In addition, we will promote M&A, develop products that satisfy environmental regulations, and enhance our supply chain for differentiation from competitors.

TOPICS

We set up M&A Committee

In 2018, chaired by the Chairperson of the Board of Directors, M&A Committee was established and started to be operated with President & CEO and two outside directors as the members. As an advisory body that submits suggestions to the Board of Directors, the committee examines and discusses all of the individual M&A cases for the Group in terms of the details, possibility of generating synergy, and PMI. With an expert in M&A-related corporate laws and an expert who has handled many cross-border M&A cases included in the members, M&A Committee conducts active discussions while giving priority to cases in China and other Asian countries. The committee also examines the cases in other regions that help maximize shareholders' value or fit our business strategy in a proactive manner.

We aim to become
a real global company
as a "Global Paint Major"

Tetsushi Tado

President & CEO
Nippon Paint Holdings Co., Ltd.

The State That the "Global Paint Major" Aims to Be

Completion of the Mid-term Management Plan "Survival Challenge III"

Nippon Paint Holdings Group announced its new management philosophy in January 2018. In consideration of the current situation where overseas employees represent more than 85% in the Group, we updated the management philosophy without losing our DNA in the previous philosophy with an aim to share common awareness among all Group employees not only in Japan but also worldwide through the new philosophy.

As to our mid-term management plan "Survival Challenge," we have completed the stage III-1 for the years 2015 to 2017. Following the six years of Stages I and II, in which we worked to establish a sustainable profitable structure, the three years from 2015 to 2017 was positioned as the first part of Stage III, targeting net sales of 700 billion yen and an operating margin of 15% or more in fiscal 2017. As a result, we almost reached the target net sales when the influence of exchange rates was excluded but failed to meet the target operating margin in fiscal

2017 with the impact of soaring prices of raw materials due to environmental regulations in China and other reasons although the target was met in fiscal 2016.

In the meantime, we have established a strong regional portfolio based on Asia, which is a growing market, as a result of the consolidation of joint ventures that we developed in Asia as well as commitment to the expansion of our business through M&A and other measures mainly in China. In America, we set up a business portfolio with focus on construction paints, which have high profitability and growth potential, as a result of the acquisition of Dunn-Edwards Corporation as a consolidated subsidiary.

We increased our market share in the strategic businesses and regions and also promoted the establishment of growth bases in the new structure after the consolidation of our Asia businesses while sowing seeds for growth, such as M&As that are expected to increase our profit in the future. Thus, we proudly consider that we made significant achievements during those three years.

Key Initiatives of the medium-term management plan "N-20"

1. Strengthen the businesses in existing segments
2. Accelerate expansion of the portfolio
3. Improve earning capacity
4. Enhance the structure of "Global One Team"

To become a leading company committed to continuously creating new values

The demand for paints in the world is currently estimated to be worth 15 to 16 trillion yen and expected to nearly double to around 30 trillion yen by 2030. This growth is led by Asia, especially China. It is obvious that China is important with the largest market and highest growth potential. To exploit the increasing demand for paints and survive the competition, we have to adapt to any changes. Nippon Paint Holdings Group aims to become a "leading company committed to continuously creating new values" as the state we would like to be in 2030 and launched the medium-term management plan "N-20" to meet the target of establishing a position that is high enough to compete with global top companies by 2020 as a step to achieve the goal.

In the medium-term management plan "N-20," we position the period from 2018 to 2020 as "3 years for growth acceleration" and strive to establish an overwhelming position in Japan and other Asian countries, our home region, as a global paint major from Asia to accelerate our growth worldwide. We aim to achieve net sales of 750 billion yen and an operating margin of 14% (based only on existing businesses and excluding new acquisitions, etc.) in 2020, the final fiscal year for the plan.

The reorganization of the global paint industry, as well as oligopoly controlled by the top manufacturers, is making steady progress and the speed of such market reorganization toward oligopoly is expected to become faster than ever. In any case, we have to establish a system and position to compete globally by 2020 in order to reach the goal in 2030 while the market is further expanding. Under such circumstances, Nippon Paint Holdings Group aims to establish an overwhelming position through the comprehensive strengthening of its existing businesses in Asia, in which we have conventionally operated and expanded our businesses, under the current medium-term management plan.

Meanwhile, in the regions outside Asia, we will work to enhance the earnings bases of our existing businesses. In addition, in Europe and the United States, we will seek the establishment of a regional headquarters (RHQ) system and stabilization of its operation in order to further enhance the system in the geographical segments.

Strengthening of the existing segments to thoroughly achieve the medium-term management plan starting in 2018

We have identified the key initiatives to thoroughly achieve the medium-term management plan "N-20." Especially to "strengthen the businesses in existing segments," we will further enhance and expand our core businesses in China and other Asian countries, in which we already have a large share.

For example, we will take measures to further disseminate the Nippon Paint China brand in China and the Nippon Paint brand in other Asian countries. As exemplified by the woodworking paint business for coating furniture at factories in China, which was consolidated in 2017, we will flexibly respond to market and demand changes such as lifestyle changes. We assume that the tightening of environmental regulations in China will give the Nippon Paint Holdings Group a unique opportunity to create an overwhelming competitive advantage. Since the Group owns high technological capacity for water-based paints, which are representative of eco-friendly products, we believe that we can solidify our leading position through the strengthening and acceleration of the development of new products and differentiation from competitors. We will also pay attention to regions other than Asia, in which we will enhance earnings bases of automotive paint and other existing businesses. With respect to the three main businesses, we will enhance the promotion of the automotive paint business not only with Japanese customers but also with non-Japanese customers more aggressively. Through this initiative, we continuously try to increase our share in order to become a global supplier for non-Japanese customers including European, US, and Chinese manufacturers while winning the largest share on a global scale for Japanese customers. For industrial-use paints, we will work to increase our share with coils and transportation equipment as the core business segments and also aim to establish an overwhelming position in the powder coatings business, which has high demand.

We will also introduce our unique management model (NN model), which drives our growth in Asia, globally so that we can establish a solid cooperative system and implement the management at a higher speed in each region and each business and optimize the resource allocation.

Future challenges and targets for ESG management

To achieve the state we would like to be in 2030, we have set targets from the perspective of ESG for the realization of a sustainable society along with the sustainable development of the Nippon Paint Holdings Group. Those targets are set as priority management issues and incorporated into the strategy of the current medium-term management plan "N-20." We will implement the initiatives to meet the targets steadily to help expand the businesses and profits as well.

Firstly, on the "E" (environmental) aspect, since paints are used in every scene of our life, we will work to create and disseminate products that address environmental problems in the areas related to all businesses handled by our Group including automotive, construction, industrial, and marine coatings and surface treatments. We will also help reduce the use of energy and substances of concern both in the paint production process of our Group and in the coating process at the plants of our customers.

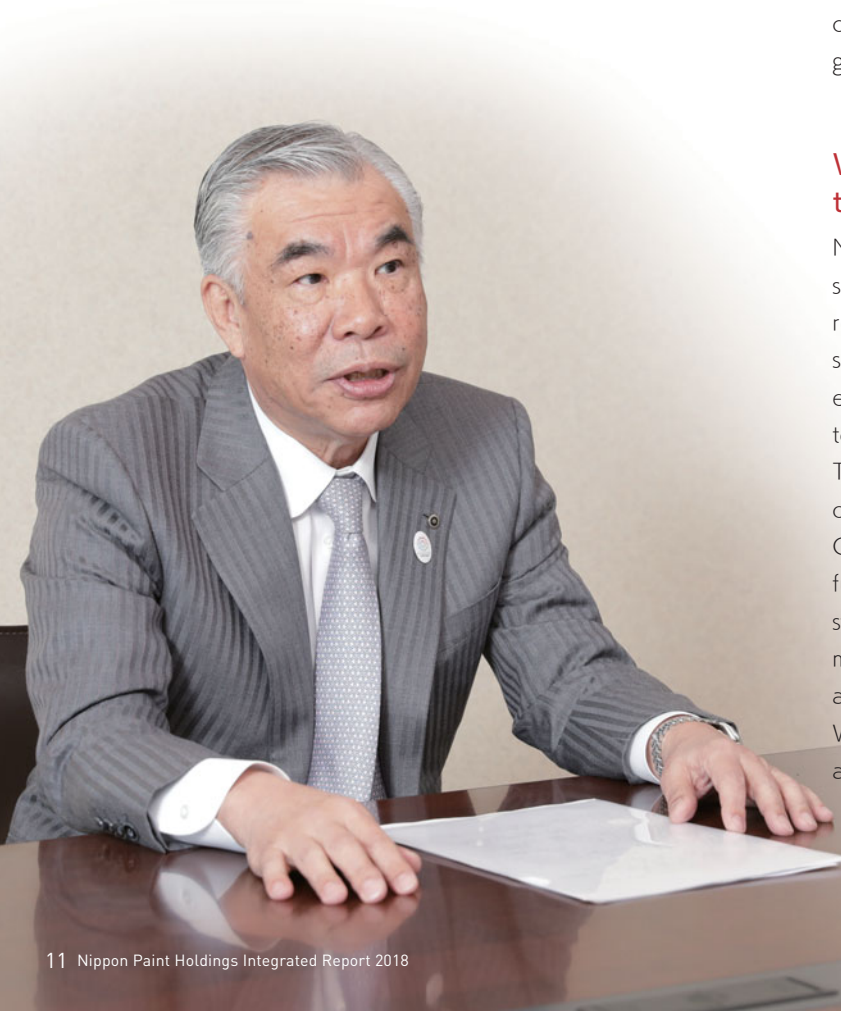
Next, on the "S" (social) aspect, as the Group has diverse human resources with different nationalities, cultural and living habits, specialties, and experience levels, we aim to develop corporate culture where the expertise and experience of each person can be utilized for the decision making process and work approaches and everyone can work with a sense of security.

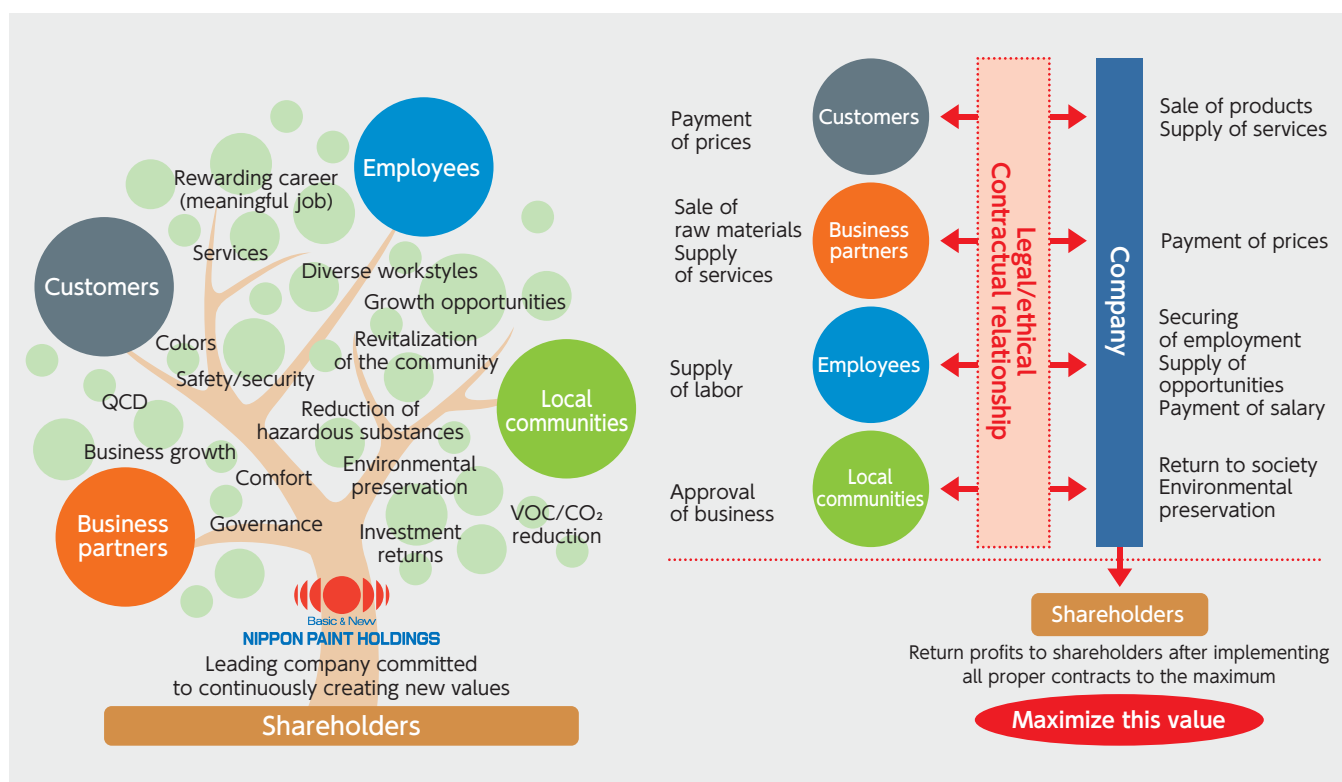
Lastly, on the "G" (governance) aspect, we will set up a governance system that can address global competition by sharing the management philosophy and establishing the RHQ system. In 2014, we transitioned to a holding company structure to include our joint ventures in Asia in the scope of consolidation, which expanded our organization and made a vast majority of our employees have foreign citizenships. As a "compass" showing the direction of the company to such diverse employees, we took one year to re-establish our management philosophy in 2017 and started to promote the dissemination of the new philosophy composed of Mission, Vision, Value, and Way in 2018. The state that our Group would like to be in 2030 and the state that we should be in 2020 are based on this management philosophy and we consider that the global dissemination of the philosophy is also significant for group governance and compliance.

Work style reforms to achieve the medium-term management plan

Nippon Paint Holdings promotes the development of culture, system, and mechanism to ensure that each employee takes responsibility for their own growth and can independently select their work styles to carry out their jobs, as well as the establishment of a cycle where the growth of employees leads to the growth of the company.

To seriously move the company forward, while changing our organization, we also set up a Corporate Reforming Steering Committee as a company-wide project to promote this, and further established working groups under the umbrella of the steering committee to work on issues such as the "penetration of management philosophy," "promotion of CSR/ESG management," and "work style reforms and improvement of labor productivity." Work style reforms and the improvement of labor productivity are inseparable. It is not enough to build a system only but it is





important to achieve the expected results within certain working hours. We expect each employee to be actively committed to work style reforms, work efficiently to create surplus time, and use it for self-development to thereby enhance their individual abilities and value. The organization can also improve its functions by encouraging employees to work in a flexible manner and taking stock of the duties. We hope to achieve such a virtuous cycle where the improvement of the abilities of individuals leads to the growth of the organization through work style reforms. We are now promoting the establishment of programs that allow employees to select from among diverse work styles to ensure that each employee can independently develop a sense of professionalism and make achievements. They include a program to take holidays for one full week (one-week holiday program) and the flexible working system, which have already been operated in Japan. We have also introduced a system for employees to take annual paid holidays by the hour and implemented the teleworking system on a trial basis. I believe that the company and individuals have to enhance their respective value and spare time to do it and the synergy will consequently reform the culture.

In conclusion, the Nippon Paint Holdings Group aims to provide a bigger fruit, or value, to stakeholders based on the nutrients, or fund, from the shareholders. In general, a company gives value to stakeholders based on various contractual relationships. I recognize that the maximization of the value returned to shareholders is our mission.

Our Group strives to become a "leading company committed to continuously creating new values" through all business activities. It means that we are always aware of the maximization of shareholders' value when making management decisions or executing the management strategy. Based on it, the Group will strive to achieve the medium-term management plan with an aim to become a real global company that wins global competition.

I ask for your continued support.

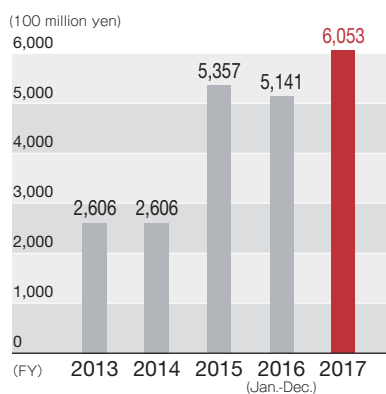
Tetsushi Tado

President & CEO

Financial Highlights for FY2017

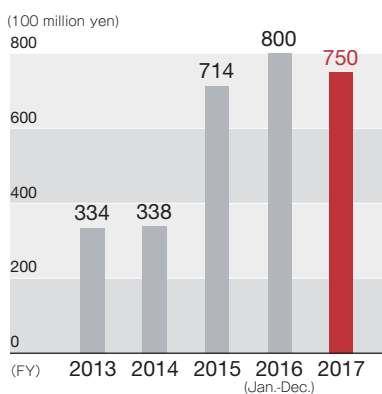
Net sales

¥605.3 bn



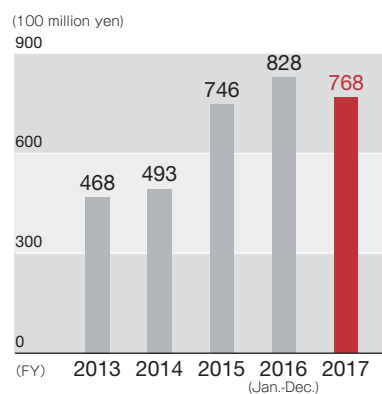
Operating income

¥75.0 bn



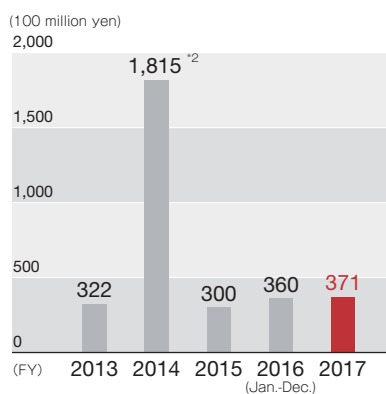
Ordinary income

¥76.8 bn



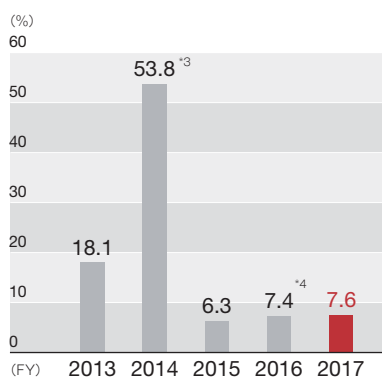
Net income^{*1}

¥37.1 bn



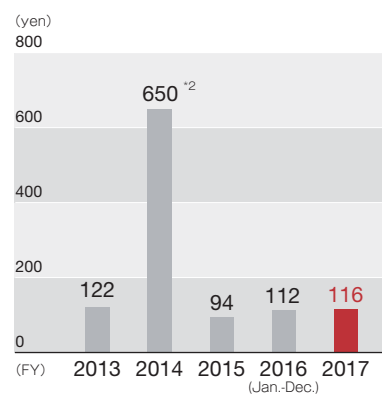
ROE

7.6%



Net income per share

¥116



Consolidated financial results by year

	2017	2016(Jan.-Dec.)	2015	2014	2013
Net sales (100 million yen)	6,053	5,141	5,357	2,606	2,606
Operating income (100 million yen)	750	800	714	338	334
Ordinary income (100 million yen)	768	828	746	493	468
Net income ^{*1} (100 million yen)	371	360	300	1,815 ^{*2}	322
ROE (%)	7.6	7.4 ^{*4}	6.3	53.8 ^{*3}	18.1

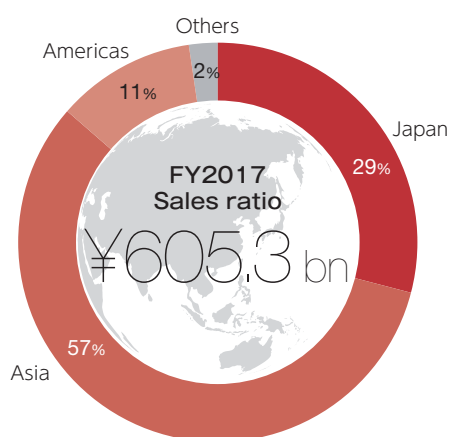
^{*1} Profit attributable to owners of parent

^{*2} Due to the booking of an extraordinary profit of ¥148.8 billion (gain on step acquisitions) in the third quarter of fiscal 2014 because of the consolidation of equity method affiliates in the Asian region

^{*3} ROE is 9.7% when the extraordinary profit mentioned above (^{*2}) is subtracted from net income.

^{*4} Disclosed results (period: Apr.-Dec. for Japan; Jan.-Dec. for overseas)

Consolidated sales by region

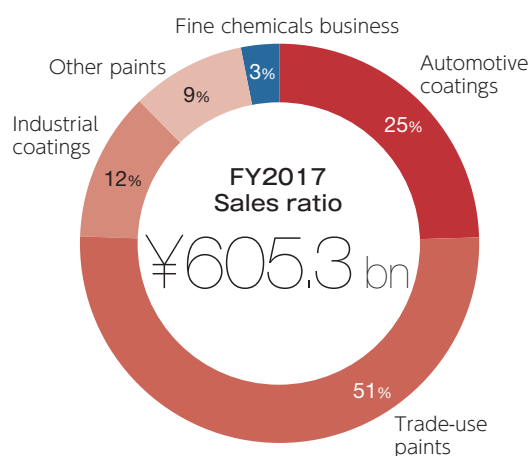


(Unit: 100 million yen)

		2017	2016(Jan.-Dec.)	2015	2014	2013
Japan	Net sales	1,759	1,716	1,743	1,872	1,875
	Operating income *	306	322	292	264	270
Asia	Net sales	3,470	2,978	3,174	439	457
	Operating income	408	433	377	45	43
Americas	Net sales	682	322	332	258	236
	Operating income	32	52	52	27	20
Others	Net sales	141	126	109	37	38
	Operating income	2	-4	-9	1	1

* Excluding dividends from overseas Group companies

Consolidated sales by business segment



(Unit: 100 million yen)

		2017	2016(Jan.-Dec.)	2015	2014	2013
Paint Business	Automotive coatings	1,484	1,394	1,388	934	925
	Trade-use paints	3,088	2,369	2,534	458	501
	Industrial coatings	730	683	683	464	476
	Others	560	515	580	595	558
	Sub-total	5,864	4,960	5,184	2,451	2,459
Fine Chemicals Business		189	180	174	155	146
Total		6,053	5,141	5,357	2,606	2,606

Investments and other expenses by year

(Unit: 100 million yen)

	2017	2016*	2015	2014	2013
Capex	248	210	190	51	60
Depreciation	178	135	162	59	61
R&D expenses	148	120	152	60	59

* Disclosed results (period: Apr.-Dec. for Japan; Jan.-Dec. for overseas)

Consolidated cash flow by year

(Unit: 100 million yen)

	2017	2016*	2015	2014	2013
Cash flow from operating activities	793	779	631	344	269
Cash flow from investing activities	-1,007	-427	-53	-870	-72
Cash flow from financing activities	-114	-86	-247	853	-210

* Disclosed results (period: Apr.-Dec. for Japan; Jan.-Dec. for overseas)

Initiatives to Support Our Corporate Values

CSR Management

History and Development of Eco-friendly Products



Environmental

For the Global Environment and Safety

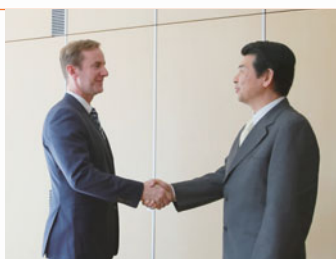
- P19 Promotion of Responsible Care Activities
- P21 Prevention of Global Warming
Waste Reduction and Zero Emissions
- P22 Comprehensive Management
of Chemical Substances
- P23 Air and Water Conservation
- P24 Occupational Health and Safety



Social

Living with Society

- P25 Maintenance and Improvement of
Product Quality
- P26 Supply Chain Management
- P27 Employee Engagement
- P31 Contributions to Local Communities
and International Society



Governance

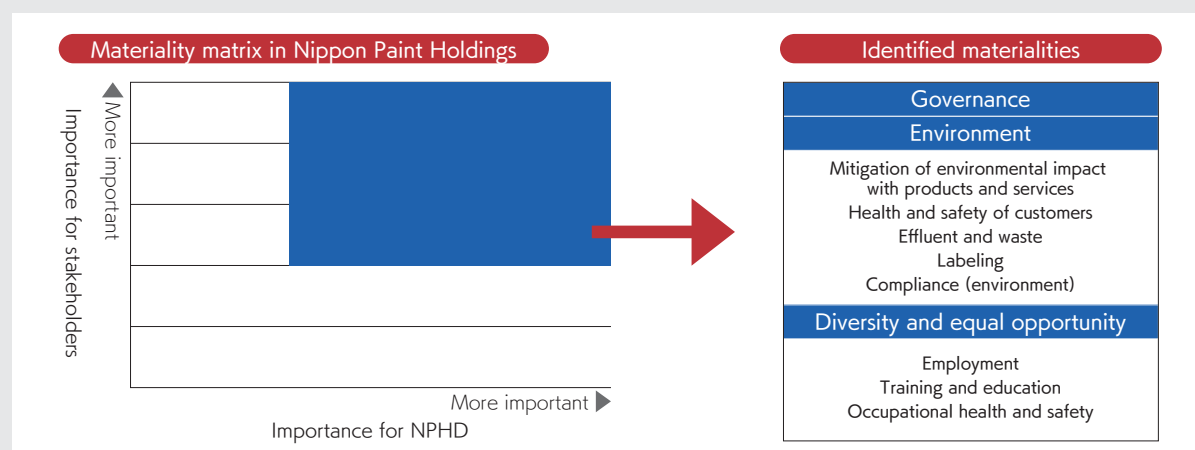
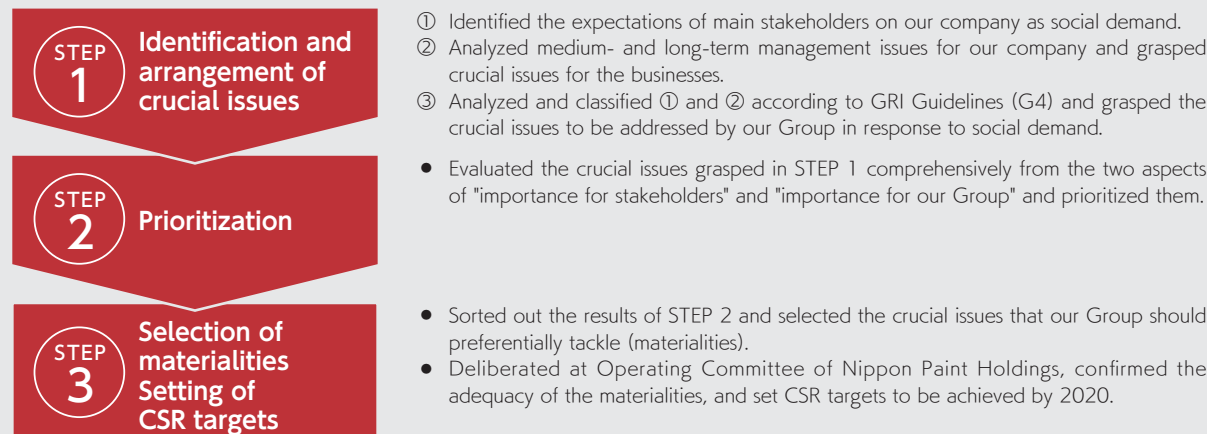
- P35 Corporate Governance

CSR Management

Nippon Paint Holdings Group considers that ESG management is to supply new values to stakeholders through the practice of "mutual prosperity," which is mentioned in the Group's management philosophy.

In fiscal 2017, our Group selected materialities (crucial issues) for the realization of a sustainable society and the sustainable growth of Nippon Paint Holdings and set CSR targets based on the materialities.

Materiality (crucial issue) selection process



Setting of CSR targets

We re-classified the identified materialities into three fields of governance, environment, and diversity and set the state that we would like to be in 2020 (targets) for each of the three fields.

Aspect	State that we would like to be	Issues	Targets for fiscal 2020 (state where they are achieved)
Governance	Governance system capable enough to compete globally	<ul style="list-style-type: none"> Share the new management philosophy Establish RHQ management system (Americas, Europe, Asia) 	In global ① Penetrate the new management philosophy ② Establish CSR promotion system ③ Deploy NN model "Overall harmony of global governance"
Environment	Create value by dealing with environment and expand businesses and earnings	<ul style="list-style-type: none"> Create and spread eco-friendly products Proper management of chemical substances 	In global ① Promote development and expansion of Eco-friendly products ② Manage properly and reduce emission of chemical substances
Diversity	"Diversified knowledge" by gathering diverse personnel	<ul style="list-style-type: none"> Collaboration among diverse personnel Decision-making should be done by diverse personnel Safe and secured workplace 	In global ① Build an HR system with uniform standards ② Retain highly-skilled personnel and provide diverse work style ③ Secure personnel that are active to work on a world-wide level ④ Zero serious accidents

Initiatives to Disseminate Eco-friendly Products

Nippon Paint Holdings Group has selected "mitigation of environmental impact with products and services" as a materiality (crucial issue) in CSR management and set the promotion of development and dissemination of eco-friendly products as a CSR target to be achieved by 2020.

Key Initiatives for Environmentally Friendly Products

Reduction of hazardous materials

• Reduction of VOCs, heavy metals, and other hazardous materials

Energy saving

• Development and sales of products and services that help reduce CO₂ emissions



Development of environmentally friendly products that also meet customer demand

The origin of the Nippon Paint Holdings Group dates back to the year 1878 when we successfully produced zinc oxide as a pigment for the first time in Japan to replace the hazardous lead white in face powder and reduce the impact on human bodies.

While a paint business became our core thereafter, paints are also used to maintain the good appearance of ships, buildings, vehicles, etc. and protect the materials. Our Group recognized the importance of environmental preservation early and has been actively committed to the reduction of the environmental impact of our business activities as well as the diffusion of environmentally friendly products based on technological innovations.

We announced "Global Environment Declaration" as our Basic Policy for Responsible Care in 1993 and joined the Japan Responsible Care Council (JRCC) as a founder in 1995. Thus, we have worked to develop and disseminate environmentally friendly products with focus on the reduction of hazardous materials, energy saving, and other aspects for many years.

While environmental regulations have been tightened worldwide in recent years, regulations on chemical substances contained in paints have been also enhanced. Our Group considers that development of new environmentally friendly products and painting processes in response to such regulations will strengthen our operations.

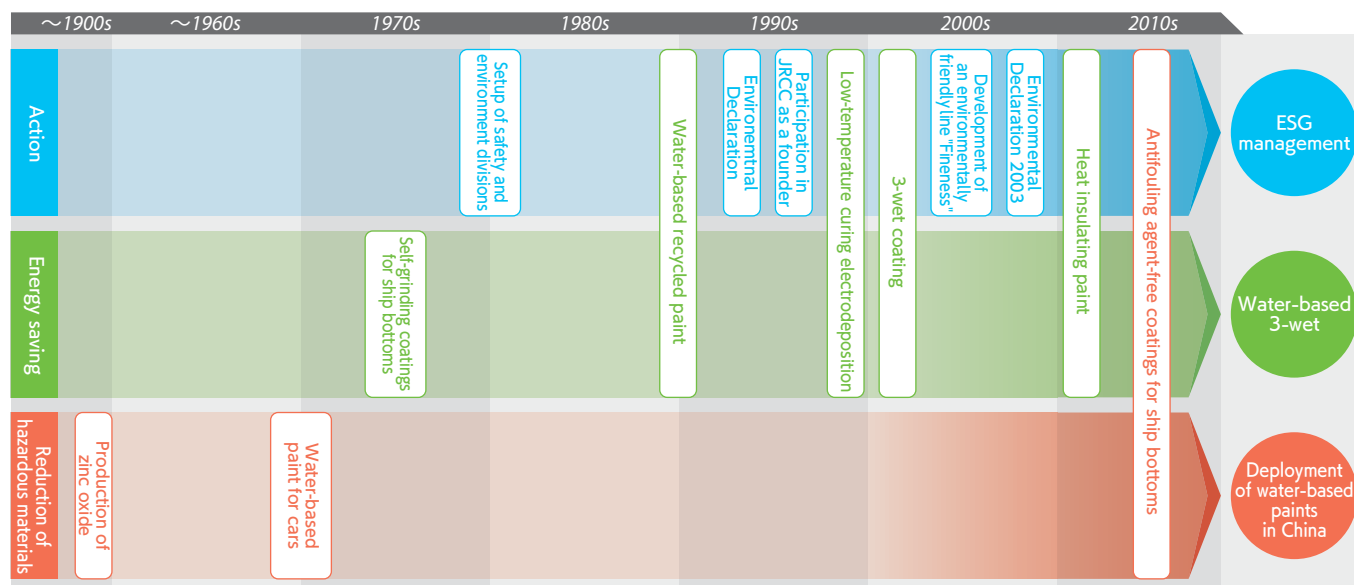
In our automotive and industrial-use paint businesses, we develop water-based paints and powder paints that reduce VOC emissions from the painting process of customers, as well as painting processes that help reduce CO₂ emissions, to meet customer demand and consider the environment at the same time.

In addition, we develop and market environmentally friendly products in a wide range of fields including thermal insulation paints for houses and road surfaces and hazardous material-free self-grinding fuel-saving antifouling coatings for ship bottoms.

Nippon Paint Holdings Group will continuously contribute to environmental preservation from various aspects through its paint business and enhance its competitiveness through such environmental activities.

History and Development of Main Environmentally Friendly Products

* Nippon Paint Holdings Group has developed environmentally friendly products for many years.





Aiming to Expand Businesses and Profits by Creating Values through Environmental Preservation Activities

Reduction of hazardous materials



Deployment of products in compliance with global standards

Our China businesses are so important that we generate about 40% of the Group's consolidated net sales in the country. Among the China businesses, the housing interior paint business, which is growing at an especially high rate, is the most focused business domain in China.

Since its advance to China in 1992, the Nippon Paint Holding Group has continuously increased its share in the business domain, taking advantage of its brand and sales network.

A factor that supports the brand is the deployment of environmentally friendly products. In particular, housing interior paints are required to be safe and high quality because they are used in the environment where people live.

Our Group deploys water-based paints containing less VOCs and

formaldehyde so that customers can use them in various places including child's rooms with a sense of security. The products are popular among the customers who seek safety and quality.

In the meantime, there have been growing calls to tighten environmental regulations, including those on control of dangerous substances and air pollution, in China in recent years. It is therefore likely that the demand for environmentally friendly products keeps growing.

Nippon Paint Holdings Group will continue to deploy products that customers can use with a sense of security.



Energy saving



Commercialization of energy-saving paints for automobiles

Nippon Paint Holding Group conducts an automotive coating business worldwide including Japan, Asia, the Americas, and Europe.

In car production, coating is a process that occupies a large proportion of energy use and production time. Car manufacturers have therefore been committed to process saving and energy saving in the coating process in consideration of the environment.

Our Group also commercialized a 3-wet coating system of solvent-based paints and started to supply it to car manufacturers in 2002.

The 3-wet coating system can reduce VOC emissions and energy consumption in the coating process because this coating system requires a baking step to dry the coating only once while conventional coating systems require the step twice.

We have also commercialized a 3-wet coating system with water-based paints that can more significantly reduce VOC emissions, which has been adopted by car manufacturers that promote advanced environmental activities.

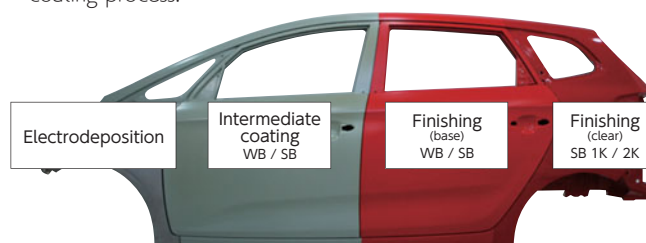
In comparison with solvent-based paints, the water-based 3-wet coating evaporates more slowly and is susceptible to humidity and temperature, which can affect the appearance. Accordingly, the coating system is extremely difficult to handle and also requires sophisticated skills in the design.

The car industry, which is a key sector, is required to address

environmental issues around the world. Demand for energy saving in the coating process is therefore expected to grow in a steady and continuous manner.

To achieve environmentally friendly technologies including those for the coating process and beautiful appearance at the same time, Nippon Paint Holdings is committed to the improvement of techniques for chipping prevention, scratch recovery, and other functions. We also work to develop products that play a key role in the future car industry including low-temperature curing paints for plastic.

In the automotive coating business, in addition to the water-based 3-wet coating system, our Group makes efforts to develop technologies that play a key role in the future car industry including low-temperature curing paints for plastic, which reduces energy use, and environmentally friendly technologies including those for the coating process.



Promotion of Responsible Care Activities*

Under a Responsible Care management system based on our Basic Policy for Responsible Care, we implement a plan-do-check-act cycle (PDCA) for continuous improvement.

* Responsible Care activities are voluntary management activities of business operators that handle chemical substances. Measures related to the environment, safety, and health, such as environmental protection, security and disaster prevention, occupational health and safety, and chemical safety, are taken for improvement at all stages of the lifecycle from development to disposal. Nippon Paint Holdings Group has implemented the activities as a member of the Japan Responsible Care Council (JRCC) since the foundation of the council in 1995 and also participates in Coatings Care activities, which are Responsible Care activities for coatings.



〈Basic Policy for Responsible Care〉

Based on the principle of actively contributing to Responsible Care activities* including environmental beautification and preservation through the creation of colors and landscape and the protection of materials and resources in the business activities, the Nippon Paint Holdings Group is committed to the activities through the coordination of all organizations in the Group, including all employees, with awareness of the respective missions and responsibilities, aiming to contribute to the establishment of relationships based on mutual trust with the global community, local communities, and customers.

To this end, all of our business activities are required to follow the rules below:

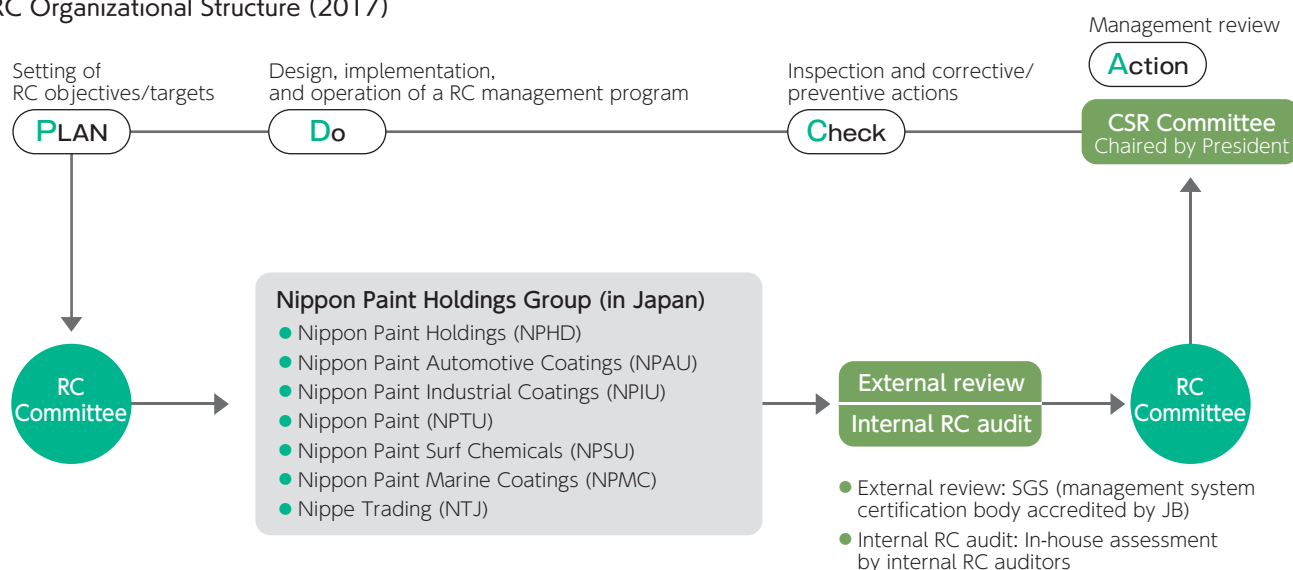
- 1) We will endeavor to preserve the global environment and protect the ecosystem while striving to conserve energy and other resources in the course of all business activities.
- 2) We will promote the development of products with less environmental impact and technologies that help the products reduce such impact and will consider the impact of our products on the environment, safety, and health at all stages of their lifecycle from development to disposal.
- 3) We will work to reduce the environmental impact of our operations and ensure security and disaster prevention while striving to ensure the health and safety of local residents and employees.

Responsible Care Organizational Structure

Considering that the understanding and management of the environmental impact and safety of chemical substances is an important duty for paint manufacturers, we have re-established a management system to expand the scope to include occupational health and safety and chemical and product safety, in addition to

the environment, and conducted Responsible Care (RC) activities since fiscal 2010. We will encourage employees to act in an autonomous and independent manner in the activities oriented to their primary duties for efficient operation of the system while also continuously improving the system through the PDCA cycle.

▼ RC Organizational Structure (2017)





Responsible Care Plan

Under the Responsible Care organizational structure of the Nippon Paint Holdings Group, the Group companies set their own RC priority targets at the beginning of each fiscal year. In the lifecycle of the products handled by each company, which covers the stages from development to production, distribution, use, final consumption, and disposal, the targets are set based on the risks and

opportunities for the company selected from among its unique internal and external issues in the stages after its involvement, as well as the demand and expectation of stakeholders. The targets are then included in the management system for spiral-up. The targets set by the Group for fiscal 2017 and the results on them are shown below.

▼ Results on RC priority targets (FY2017)

Priority subjects	Targets	Company-wide results and their analysis
Internal management of RC activities	Implementation of activities by each company according to the RC manual as specified by the overall plan throughout a year	The target was achieved as the companies basically operated the activities as planned without major problems.
Environmental conservation	Reduction of CO ₂ emissions and energy consumption. The basic KPI is per unit reduction by 1%.	While some companies achieved improvement through the installation of new equipment and other measures, per unit results slightly increased overall.
Reduction of RC risks	Setting of targets for reducing disaster risks based on the risk assessment of each company. The basic KPI is the achievement of zero disasters.	The companies promoted safety activities and worked to prevent accidents in response to intrinsic risks. As a result, a total of 14 accidents occurred in the Group in fiscal 2017 (while 12 accidents, including one accident resulting in lost time, occurred in the previous fiscal year), which consisted of no accident resulting in lost time and 13 accidents without lost time. Although relatively minor accidents slightly increased, we managed to prevent major accidents.
Development of RC-related products and promotion of their use	Promotion of the development of process-shortening products, environmentally friendly products, and low VOC paints	The development of process-shortening products was advanced mostly as planned. The replacement of lead-containing paints and chromate treatment products that are targeted for reduction with non-containing products was advanced steadily.

Environment and Work Safety Management

Acquisition of ISO 14001 certification

Nippon Paint Holdings Group (in Japan) received ISO 14001 multi-certification for the seven companies in the Responsible Care structure and their subsidiaries. In November 2016, we underwent a renewal inspection in a revised version by an outside inspection body and received the certification with no non-compliance identified. We also received surveillance last year and obtained the certification. For the opportunities for improvement identified through the surveillance, we immediately took and completed measures and have confirmed that there is no problem in the operation after that.

Overseas management

Our Group provides active support to overseas companies for their health and safety activities. In Asia and China, action bodies on environmental and safety issues have been set up in the respective countries together with the regional headquarters and are supported by the Group to enable Group companies to establish improvement activities based on mutual assessment or self-assessment. While the safety and environmental levels on the sites have been steadily improved in comparison with last year, we are working to enhance mutual communication and share information to help solve the problems to the maximum extent.

In Europe and the Americas as well, we conduct environment-related audits and provide support for corrective actions on an as-needed basis in cooperation with domestic operating companies.

Prevention of Climate Change

Reduction of CO₂ emissions

The initiatives of the Nippon Paint Holdings Group (in Japan) to prevent global warming mainly aim to reduce energy use.

We reduce energy use through meticulous daily efforts to reduce energy use, including the optimal use of various equipment and devices that consume power or gas, modification of the operating conditions of compressors, boilers, chillers, and other equipment on the production sites using large equipment, and strict temperature control of air conditioners and efforts to turn off the power of unused office equipment in the offices for indirect jobs, etc.

While CO₂ emissions increased in fiscal 2017, per unit emissions decreased and we consider that the initiatives mentioned above had a positive impact. We will continue to work to reduce CO₂ emissions.

Data on the emissions of greenhouse gases other than CO₂ are not disclosed because they are negligible.

* Scope of data collection:

Former Nippon Paint Co., Ltd. before the spin-off for the data in FY2014 and earlier

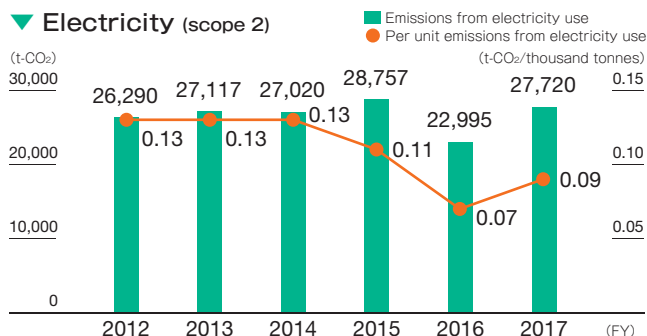
NPAU, NPIU, NPTU, and NPSU for the data in FY2015

NPAU, NPIU, NPTU, NPSU, and NPMC for the data in FY2016 and FY2017

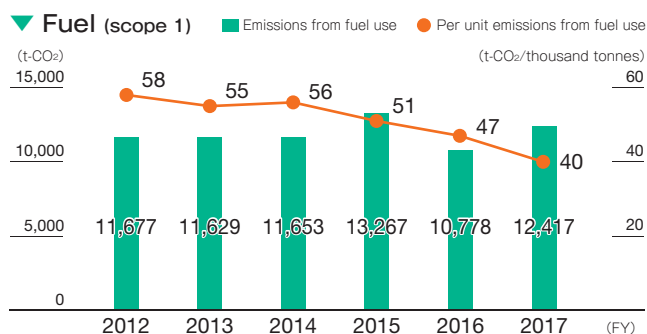
* Data collection period:

April to December (nine months) only for FY2016

Electricity (scope 2)



Fuel (scope 1)

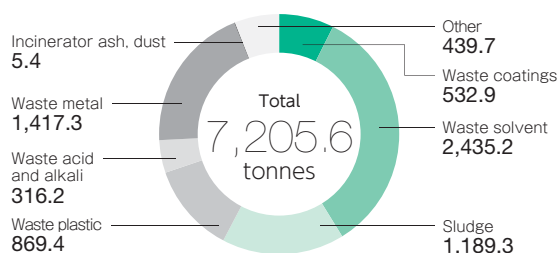


Waste Reduction and Zero Emissions

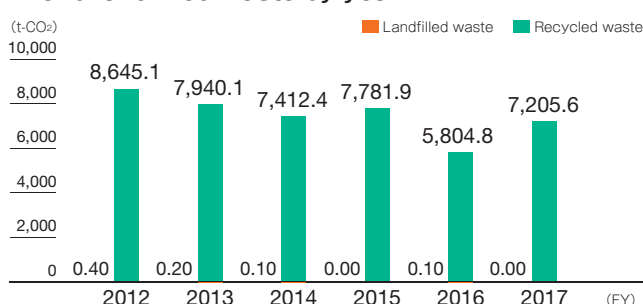
Initiatives in FY2017

Using an electronic manifest system, which was also used in the previous fiscal year, the Nippon Paint Holdings Group (in Japan) made Group-wide efforts to reduce waste such as reduction of waste generation and proper disposal of waste including effective use. In fiscal 2017, although our recycling activities covered all waste, the amount of waste generated increased year-on-year.

Breakdown of waste (FY2017)



Waste generation, recycled waste, and landfilled waste by year



* Scope of data collection:

Former Nippon Paint Co., Ltd. before the spin-off for the data in FY2014 and earlier

NPAU, NPIU, NPTU, and NPSU for the data in FY2015

NPAU, NPIU, NPTU, NPSU, and NPMC for the data in FY2016 and FY2017

* Data collection period: April to December (nine months) only for FY2016

Comprehensive Management of Chemical Substances

Basic Approach

Paints contain various chemical substances originating from the raw materials and some of them can be harmful to the environment. Laws and regulations concerning chemical substances have become increasingly stringent globally in recent years. For the management of chemical substances, our Group Product Safety Committee, which is set up under the Responsible Care (RC) Committee, makes discussions with Group companies and prepares management standards to standardize the handling of chemical substances and prevent incorrect operation.

Measures to Comply with Laws

We properly responded to legal changes made during fiscal 2017, including the revision of the Industrial Safety and Health Act, partial revision of the Cabinet Order for the Designation of Poisonous and Deleterious Substances, and revision of the Chemical Substance Control Law. For our products containing the substances newly specified in the Ordinance on Prevention of Hazards Due to Specified Chemical Substances, we took additional measures such as modification of labeling and the issuance of Safety Data Sheets. We also take necessary measures to comply with the Poisonous and Deleterious Substances Control Law because our products include 2-tert-butylphenol and drug products containing the substance. We have not been required to take corrective actions by the competent ministry or authority as to this issue. The easing of regulations on low volume or low production volume new chemical substances in the Chemical Substance Control Law was promulgated and we have notified it in the Group to get prepared for the enforcement in fiscal 2019.

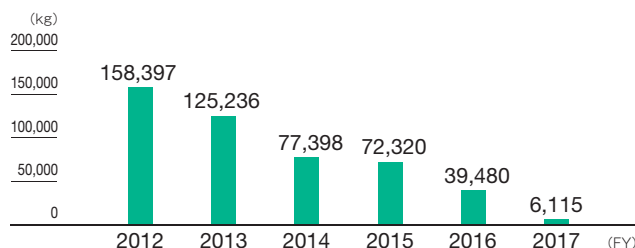
Initiatives in FY2017

In fiscal 2017, as we did in the previous fiscal year, we obtained information via various channels to ensure that we can respond to legal changes on chemical substances on a global scale and also worked to improve the mechanism. We addressed notification and planning for the TSCA Inventory Reset, for which the deadline is the next fiscal year, and responded to the request made by the European Automobile Manufacturers' Association (ACEA) to companies in the world for disclosure on the substances of very high concern of European Chemical Agency because the CAS number is not mentioned or is lacking for some of them.

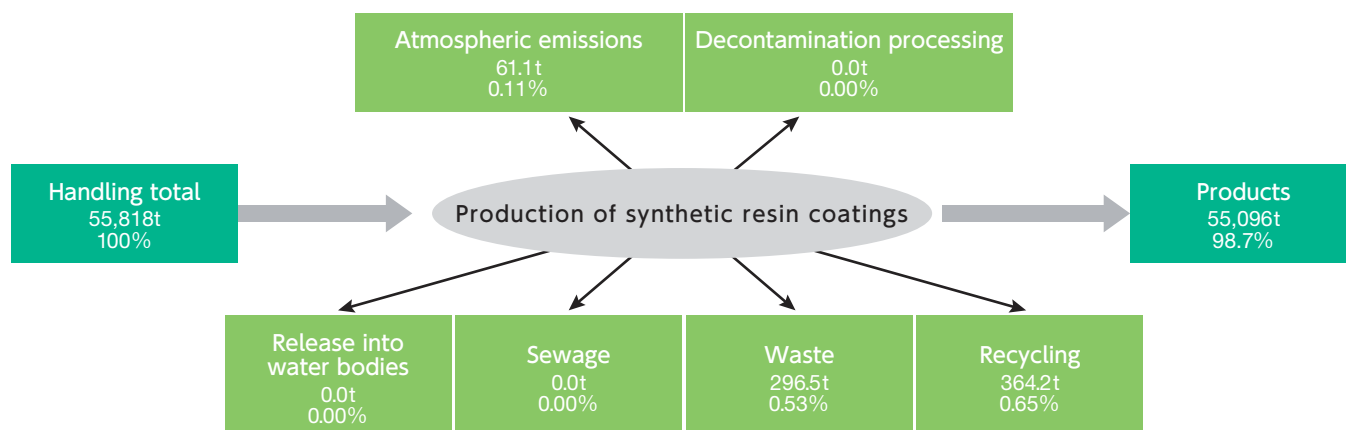
We also made lists on regulatory movements on dangerous chemical products in China, draft revisions of government ordinances on chemical product management in Vietnam, and the outline of registry management of new chemical substances of other Asian countries including the Philippines, South Korea, and Taiwan.

In Japan, we gave support for hazardous material management, SDSs, and GHS label management in the operation of a new management system in response to the expansion of the backbone system in Group companies.

▼ Use of lead compounds by year



▼ PRTR Survey (total amounts for the Nippon Paint Holdings Group in Japan)

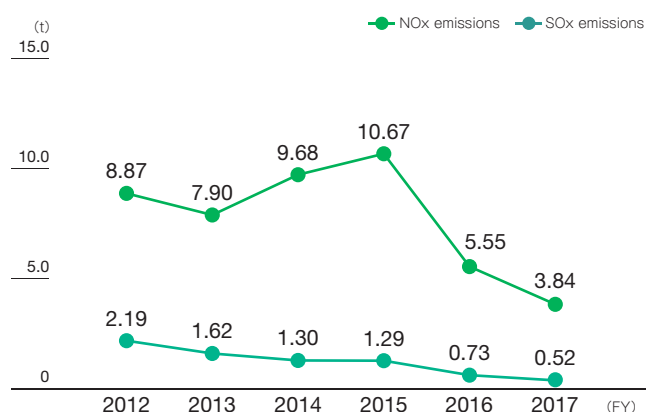


Air and Water Conservation

Prevention of Air Pollution

Nippon Paint Holdings Group (in Japan) complies with regulations pertaining to air pollution through the setting of voluntary reference values and other measures. In FY2017 as well, none of our plants exceeded statutory limits. We reduced the generation of NOx and SOx emissions from the previous fiscal year.

▼ NOx and SOx emissions by year

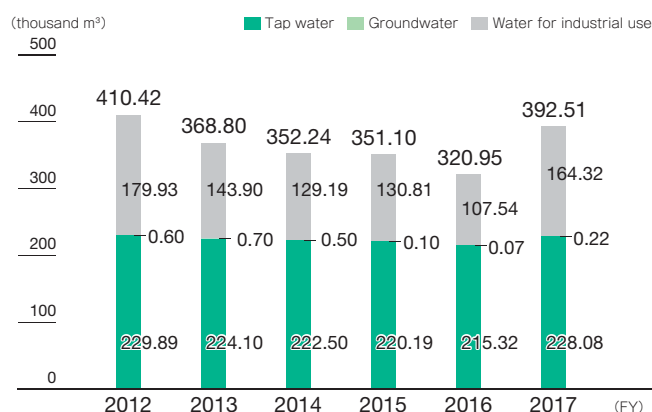


* Scope of data collection:
Former Nippon Paint Co., Ltd. before the spin-off for the data in FY2014 and earlier
NPAU, NPIU, NPTU, and NPSU for the data in FY2015
NPAU, NPIU, NPTU, NPSU, and NPMC for the data in FY2016 and FY2017
* Data collection period: April to December (nine months) only for FY2016

Effective Use of Water Resources

Nippon Paint Holdings Group (in Japan) strives to use water resources more efficiently through the effective use of water in the cleaning process and the recycling of cleaning water on the production sites. However, the use of industrial water increased in fiscal 2017.

▼ Water use by year

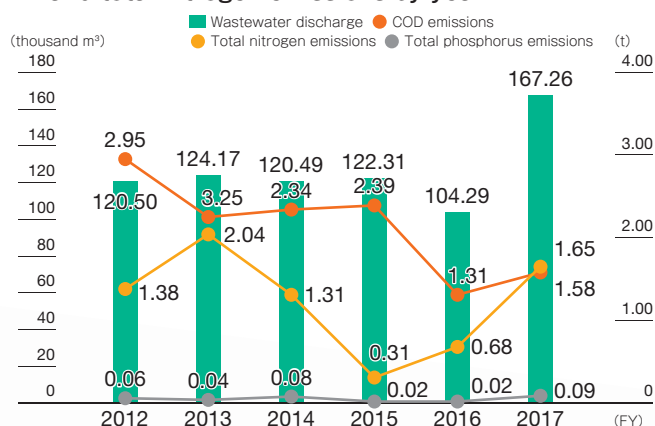


* Scope of data collection:
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NPAU, NPIU, NPTU, and NPSU for the data in FY2015
NPAU, NPIU, NPTU, NPSU, and NPMC for the data in FY2016 and FY2017
* Data collection period: April to December (nine months) only for FY2016

Prevention of Water Pollution

Nippon Paint Holdings Group (in Japan) complies with regulations pertaining to water pollution through the setting of voluntary reference values and other measures. Wastewater discharge increased year-on-year in fiscal 2017.

▼ Wastewater discharge and COD, total phosphorus, and total nitrogen emissions by year



* Scope of data collection:
Former Nippon Paint Co., Ltd. before the spin-off for the data in FY2014 and earlier
NPAU, NPIU, NPTU, and NPSU for the data in FY2015
NPAU, NPIU, NPTU, NPSU, and NPMC for the data in FY2016 and FY2017
* Data collection period: April to December (nine months) only for FY2016

Occupational Health and Safety

Initiatives in FY2017 Health and Safety Activities in Japan

In fiscal 2017, we worked to improve health and safety activities and solve relevant problems through the RC Committee, as well as Group safety and environment meetings and product safety meetings, involving Nippon Paint Holdings Group companies in Japan. In those efforts, we shared information on the accidents that occurred in the Group and the cases of accidents in different business sectors and introduced countermeasures against such accidents throughout the Group to prevent recurrence.

We also held health and safety committee meetings on an area or site basis to execute the decisions made in the committee meetings, etc. and identified the safety and environmental issues in each area, involving all employees in the efforts to improve the problems. Risk assessment is actively conducted in each area to prevent accidents.

In addition, events to help employees improve their health are designed and organized in cooperation with the labor union.

As a result of these health and safety activities, while the total number of accidents in the Group increased by two year-on-year in fiscal 2017, the frequency of accidents declined from the previous fiscal year. There was no casualty due to occupational accidents, either. We will make continuous efforts to reduce occupational accidents.

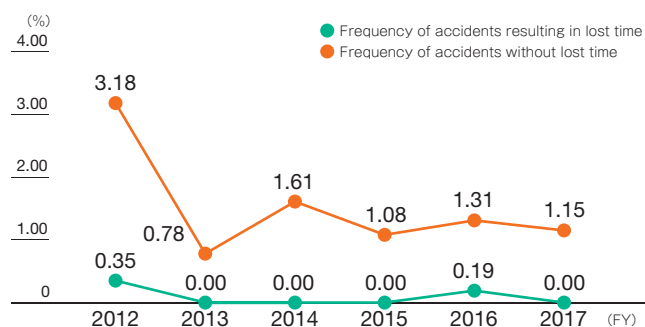
Support for Overseas Group Companies in Safety Control

We provide active and continuous support for the safety and environmental activities of our Group companies.

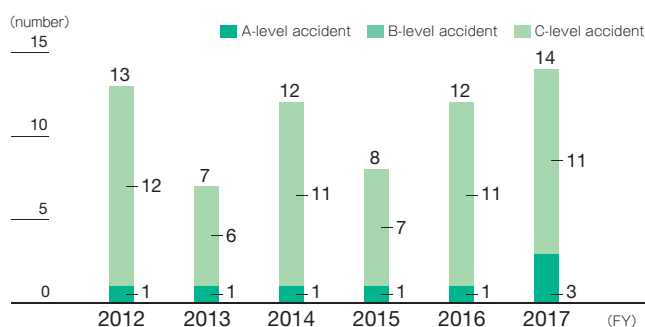
As we did in the previous fiscal year, we worked to enhance field management in each region or area and develop activity leaders through NIPSEA Safety Council (NSC).

We also conducted a safety assessment in each area together with NSC members to prevent serious accidents. In the assessment, we used an assessment list prepared to identify and rectify serious risks that might result in a plant shutdown, such as fire and explosions. In addition to the safety assessment, we have introduced safety activities into overseas production sites, such as a drill that simulates fire and other disasters, initiatives to reduce fire, and experience-based training to enhance the understanding of the danger of static electricity.

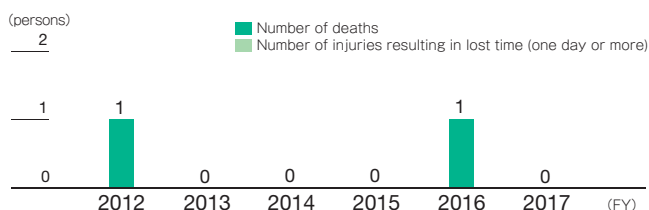
▼ Frequency of accidents



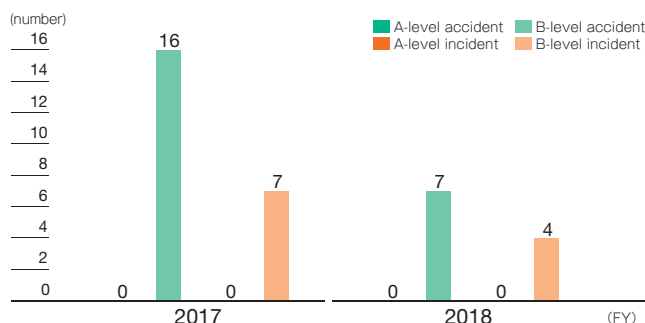
▼ Number of occupational accidents in Japan



▼ Number of casualties due to occupational accidents



▼ Number of accidents overseas



* The number for FY2018 is that for January to May.



Maintenance and Improvement of Product Quality

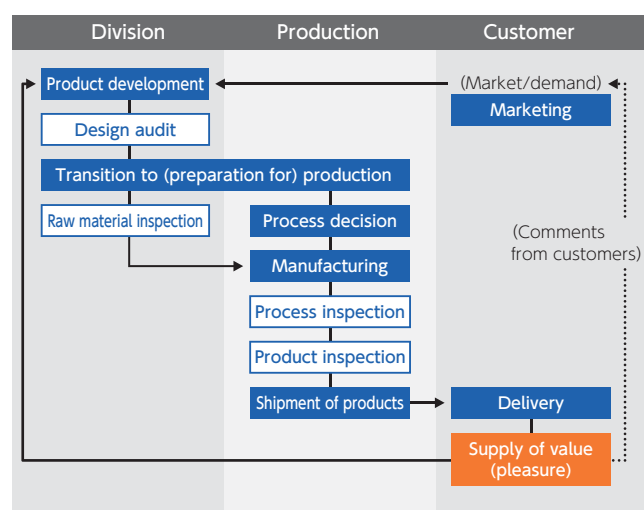
Nippon Paint Holdings Co., Ltd. seeks quality assurance and productivity improvement in the actual production sites involved in manufacturing.

Group Quality Assurance System

Nippon Paint Holdings strives to promote quality assurance activities of the Group companies based on the policy in its internal rules to "maintain and improve the quality of products in a steady and continuous manner with an aim to enhance customer satisfaction with the products of the Group."

Group companies in Japan pay attention to safety and environmentally friendliness of their products at the product design stage and take measures to secure the functions of the products. In addition to strict design audits, as well as examinations before the transition to the production stage, quality checks at different stages including inspections of raw materials used, manufacturing process inspections, and final inspections of products are conducted to sort good items.

We also make efforts to maintain and improve the Group's quality assurance system, including process management to reduce quality variations in the manufacturing process and logistics management to deliver the products of our Group to customers safely by the deadline.



Organization of a Global Quality Conference (GQC)

Nippon Paint Holdings Group held a Global Quality Conference (GQC) to provide a forum for reporting on team activities to improve quality assurance and productivity at actual production sites in September 2017. The 12th conference gathered about 50 interested parties at our head office and was also transmitted via a video conferencing system. This conference is used to share the attitude towards manufacturing in various countries, new discoveries in the production field, and efficient management methods.

Promotion of Quality Assurance Activities in Nippon Paint Automotive Coatings (NPAU)

In addition to conventional quality assurance, NPAU has set up a design audit system with a gate at six stages from the theme setting stage to the mass production stage in order to incorporate the concept of the reduction of environmental impact in the lifecycle of automobiles into product development. Its unique quality assurance rules are in place to audit the status of product development from

various perspectives with the involvement of relevant departments including sales, production, procurement, IP product safety, and quality assurance, along with development and engineering departments. The company is also promoting the active introduction of ISO 14001 and ISO 9001 management systems and the development of original rules on chemical management.

NPAU received FY2017 Overseas Contribution Award for Excellent Supplier from Suzuki Motor Corporation

In January 2018, Suzuki Motor Corporation presented FY2017 Overseas Contribution Award for Excellent Supplier to NPAU at a New Year's gathering.

This award was granted for the recognition of the contribution of Berger Nippon Paint Automotive Coatings Private Limited (BNPA) in India to cost reduction, quality improvement, stable procurement, etc. in Suzuki Motor Gujarat Private Limited.



Members of Berger Nippon Paint

Supply Chain Management

Raw materials, equipment, and various other items and services supplied by suppliers are essential for the businesses of the Nippon Paint Holdings Group. Our Group strives to conduct fair and sincere procurement activities based on mutual trust with our suppliers.



Approach to Procurement of Raw Materials

The businesses of the Nippon Paint Holdings Group depend on raw materials, equipment, and various other items supplied by our suppliers. Cooperation of suppliers is indispensable for the sustainable growth of the businesses of our Group. To further strengthen our cooperative relationships with the suppliers, we are committed to open, fair, and sincere procurement activities based on mutual trust with them. In addition, in response to the global expansion of our businesses,

we have formulated common rules for the approach and commitment of all Group companies to procurement activities, as well as Group Procurement Policy to ensure that procurement activities are developed in a controlled manner, and work to disseminate them. We would like our suppliers to agree to the policy and promote the establishment of mutually healthy partnerships together.

Initiatives in Line with the Procurement Policy

Since paints are composed of various chemical substances, information on the chemical substances used as their raw materials is important. We grasp necessary material information on all raw materials we purchase, as well as their conformance to domestic and international regulations, through cooperation with the suppliers. Based on the information, we provide product safety information to customers and properly respond to the applicable regulations in the destinations of the exports. Nippon Paint Holdings also participates in an initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain and supplies information at the request of customers. In addition, we strive for quick response to any change in regulations through the identification of the latest trends in domestic and international laws and regulations as well as sharing of information on voluntary regulations with suppliers. We survey conflict minerals, as well as raw materials involving abuse of human rights such as child labor, while also covering the upstream of the supply chain, to prohibit the purchase of such materials.

When selecting suppliers, we make rational judgments based on compliance with human rights, laws, and social norms, commitment to business continuity planning (BCP), commitment to environmental conservation and resource protection, commitment to health and

safety, soundness of business management, technical capabilities, and other issues, in addition to quality and prices. We plan to survey and evaluate the status of such efforts of suppliers and set it as an indicator for procurement activities.

For fair transactions with suppliers, we organize workshops on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors ("Subcontracting Act") for our employees engaged with subcontractors to help them understand the act. We also develop an initiative to deploy persons in charge of the Subcontracting Act in the operating companies to monitor their transactions with subcontractors and ensure legal compliance.

We conduct initiatives for BCP at the procurement stage, such as the integration of raw materials, purchase from multiple companies, and the evaluation of alternative products, and also ask suppliers to work for BCP to reduce risks.

To understand the impact on the supply chain in case of severe natural disasters and accidents and take responsive actions promptly when necessary, we have in place and operate a system to make simultaneous inquiries to suppliers to survey their situation.

In 2017, the system was used for the first response to four earthquakes including Kumamoto Earthquakes, flood in Texas, and other natural disasters, as well as three accidents in suppliers.

Procurement Policy

In accordance with the management philosophy of the Nippon Paint Holdings Group, Procurement Department complies with and promotes the following policy in its procurement activities with the suppliers, which are our precious partners:

1. Legal compliance and respect for human rights:

Nippon Paint Holdings Group will conduct procurement in compliance with laws and international rules, with respect for human rights, and without any abuse of human rights including discrimination or unfair labor practice.

2. Fair transaction:

Nippon Paint Holdings Group will conduct fair and equitable procurement based on free competition and make efforts to eliminate personal interests from the selection of suppliers.

3. Evaluation of suppliers:

Nippon Paint Holdings Group will select suppliers in a rational manner based on business conditions, CSR, promotion of environmental conservation and resource protection, continuous commitment to the control of safety and health risks, etc. in addition to quality, price competitiveness, stable supply, technical capabilities.

4. Establishment of a trust relationship with suppliers:

Nippon Paint Holdings Group will place emphasis on dialogues with suppliers, work to establish a trust relationship, and promote sustainable procurement together. We will also promote the reduction of risks in procurement activities in cooperation with suppliers.

Employee Engagement 〈Engagement〉

To become a global paint major, Nippon Paint Holdings Group strives to create a work environment where each and every employee can work vividly.

Basic approach to employees

- We will value the trust relationship between management and employees and develop an energetic corporate culture.
- We will achieve job satisfaction and improve performance through teamwork.
- We will operate our business based on human abilities by ensuring that employees can perform at their full potential.
- We will focus on individual responsibility in human resource development because a willingness to grow and self-reliant efforts are essential for people's growth.

Diversity & Inclusion

System to promote diversity

We continuously develop activities to promote diversity at the initiative of the Diversity Promotion Unit and the Diversity Promotion Committee. The committee deliberates and makes decisions on measures to promote the creation of a culture and organization that can leverage diversity in the whole Group.

Diversity promotion policy

We will develop a corporate culture that takes advantage of the diversity of the employees and create an environment where knowledge of individuals, including experience, abilities, and ideas, is diversified and all employees can feel rewarded for the job regardless of gender, age, nationality, or other attributes to ensure that everyone can perform to the best of their ability.

To use the diversity as a source of the competitive advantage of our Group, we work to establish the states we should be as "common practices" and promote diversity through four key initiatives.

States that the Group should be

It is common to recruit diverse human resources.

The positions and missions are clarified and the right people are placed in the right jobs.

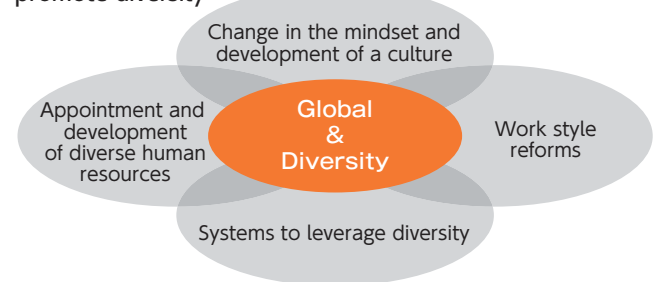
It is common that human resources are self-reliant.

All employees around the world act independently and produce results in their respective positions based on a globally shared vision.

It is common to create innovation.

The power of the organization is developed in a way to accept differences and leverage them as a strength.

Key initiatives to promote diversity



Change in the Mindset and Development of a Culture

Change in the mindset of management - Diversity Management Workshop

In fiscal 2017, we held Diversity Management Workshop for all management personnel under the theme of "team reform" 12 times. We worked to disseminate the understanding of the objective and necessity of promoting diversity and help take specific measures for diversity management that leverage the potential of individuals in each organization. As a result, voluntary activities on a team basis

at the initiative of management personnel are also ongoing in various areas. Acceptance and effective use of differences between diverse employees helps improve the performance of teams and organizations, which also leads to the cultivation of a diversity culture throughout the company.



Diversity Management Workshop



Okayama Manufacturing Section of NPSU



Tochigi Manufacturing Section of NPSU

Raising of awareness of diversity among all employees - Forum to create the "work" of the future

We constantly hold a lecture to raise awareness of diversity among all employees of our Group companies in Japan from fiscal 2016. In fiscal 2017, the lectures were organized under the themes of "different cultures and globalization," "work style reforms," "team development to generate innovation," and "career design." Through the lectures, we continuously give the employees an opportunity to think about the jobs of themselves and their team, job satisfaction, future career, etc. in a self-motivated manner so that the company becomes full of self-reliant workers.

Expansion of the Field Where Women Can Work Actively

Participation in an international women's conference

Women are working actively in increasingly diverse fields. For example, our employees were invited to the Global Summit of Women (GSW), an international women's conference to discuss global issues, such as the economic challenges in different countries and the acceleration of the involvement of women in market opportunities, with the participation of more than 1,300 world-class female leaders including business leaders and ministers from 62 countries.

Cross-industrial exchange meeting (organized by J-Win*, an NPO)

As an initiative to encourage women to work actively, our candidates for key positions attend cross-industrial exchange meetings with participants from other companies every year. This initiative aims to establish a network through interactions with business women from different industries and business categories and also encourage the participants to grow independently through self-development. We strive to develop human resources through active participation in such activities and establish an environment where diverse individuals can display their abilities and play active roles.

* Japan Women's Innovative Network, a specified nonprofit corporation

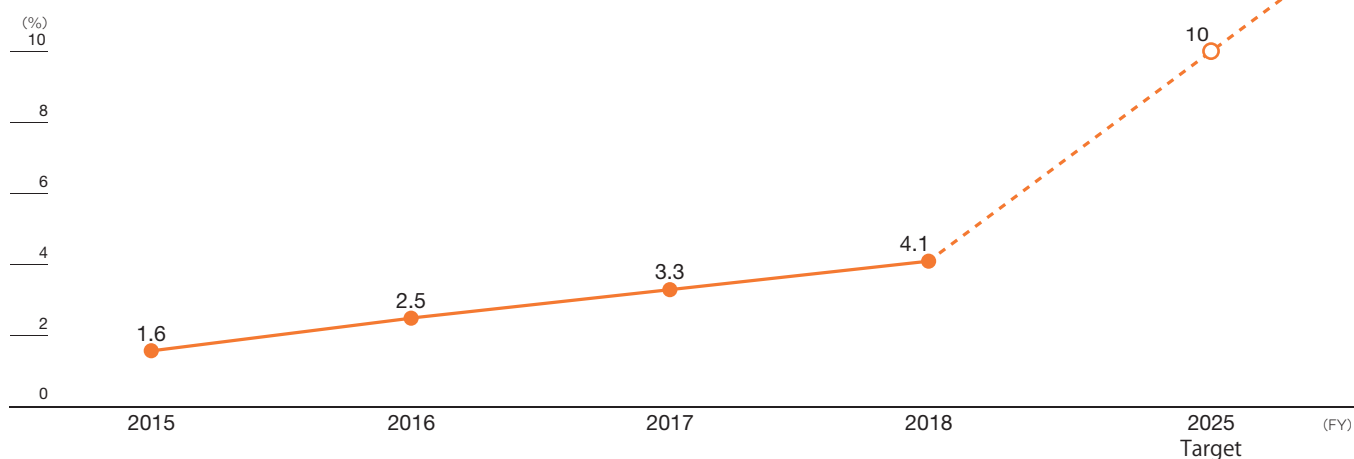


Forum to create the "work" of the future



Global Summit of Women (GSW)

▼ Ratio of women in key positions (in Japan)



Creation of a Fulfilling Work Environment

With an aim to establish an organization with diverse human resources who can respond to changes, we actively seek to create workplaces where employees from various backgrounds can work comfortably. Nippon Paint Holding Group works to provide stable employment and an environment where employees can work with a sense of security not only to give benefit to employees but also to contribute widely to society.

Our childcare leave and nursing care leave systems are used increasingly more frequently and have been firmly established as options for employees. Our Group has also introduced a one-week holiday system to allow employees to take five consecutive days off as a measure to create an environment where employees can take holidays in a planned manner with teamwork to cover for each other. We also regard harassment in the workplace as a crucial challenge and take measures to prevent it, such as workshops for all employees including management staff and instructions to superiors. In addition, we endeavor to prevent mental illness by understanding the workplace conditions through stress check and to monitor the awareness and satisfaction level of employees to motivate them and ensure that they can perform to the best of their abilities.

To address the problems identified through our diversity promotion activities, we also work to develop a work environment where employees with various values can feel rewarded. To this end, we have expanded the scope of application of the flex system, conducted interviews on career during childcare or nursing care leave, and implemented the teleworking system and a program to allow employees to take paid holidays by the hour on a trial basis. Work style reforms are essential to make diversity one of the competitive advantages of our Group. We will continuously strive to create a corporate culture and system/mechanism that ensure that all employees are responsible for their own growth and can independently select their own work style to carry out their duties and will establish a virtuous circle in which the growth of our employees leads to the growth of the company.

Recruitment

When hiring new graduates, we promote recruitment of candidates for management staff of the next generation who can lead the market regardless of nationality. We try to secure human resources with great abilities from the perspectives of "experience in leadership" and "challenge in the global environment" based on the requirements for human resources linked to management and business demand. In addition, we proactively hire mid-career employees and gain knowledge from external sources to diversify our knowledge.



Ceremony to welcome new employees for fiscal 2017

Training

Training system

To accelerate our progress towards becoming a global paint major, we have enhanced human resource development with focus on the cultivation of management personnel and pipeline management of the successors.

With "global" and "leadership" as the keywords, we have developed position-based leadership programs to improve our leadership training. The programs for upper positions, in which employees of our overseas Group companies also participate, aim at friendly competition within the Group and Group-wide collaboration and strengthening of ties for human resource development in Japan and overseas. In addition to the leadership programs, we have prepared internal programs to supplement the abilities and skills required in each generation. We also plan to establish a mechanism to develop management personnel for the next term early by giving the candidates opportunities to build their career in a challenging environment and thereby accelerate their growth. Through these initiatives, we will constantly produce human resources that can contribute to the company.

Generous support for those who aim to grow with self-responsibility

Nippon Paint Holdings Group seeks to strengthen human resources based on the following policy:



<Approach to human resource development (cultivation policy)>

People cannot grow without an underlying willingness to grow and self-help efforts. Therefore, we set self-responsibility as the basis of human resource development.

<Training policy>

- The basis of training and cultivation is on-the-job training (OJT) in the workplace.
- We provide off-the-job training (Off-JT) to supplement the OJT.
- The training is classified into an equal-opportunity type and a selection-based type to clarify the objective of the cultivation.

Acceptance of long-term trainees from overseas (training in the mobility program)

We accept employees from overseas affiliates as long-term trainees and provide them with training in Japan. In addition to human resource development, this program aims to promote globalization of our Group in Japan and strengthen the ties with the companies that dispatch the trainees. The cultivation of a culture that can address globalization has almost been completed in Japan. We have enhanced readiness for diversity through initiatives such as the installation of prayer space in the accepting companies out of consideration for the religion of the trainees.

In fiscal 2017, we invited personnel who will support our future production from overseas affiliates and provided them with training on subjects including quality control and process management of paints in the production field in Japan for about six months. After the completion of the training, the trainees who received long-term training in Japan returned home to play a pivotal role in the horizontal development of production field improvement and other activities in the overseas affiliates. The performance of the trainees who had returned home was also checked to take follow-up actions. We strive to promote the improvement of safety, quality assurance system, and quality control in the whole Group in cooperation with overseas affiliates.



Acceptance of trainees in Chiba

Female leader development training

We promote the establishment of a talent pipeline to enhance diversity in the decision making process.

As part of it, we provide female leader development training to female candidates for management positions. This program aims to encourage them to have a desire to move up, as well as the way of thinking as a leader, and develop their career while setting their goal.



Female leader development training

Human Resources Forum

A human resources forum is held once a year to gather the human resources managers of overseas Group companies. In this forum, the personnel issues of the companies are mutually presented to design plans to implement solutions and develop follow-up actions, and the status of achievement is shared to seek best practices. The forum offers significant opportunities to solve personnel issues on a local, regional, or global level. In fiscal 2017, in addition to the introduction of cases in various countries, active discussions were made to consider subjects including specific cooperative measures for the next fiscal year.



Contributions to Local Communities and International Society

Social Contributions through Sports Activities

Nippon Paint Holdings Women's Table Tennis Club

- Contributions to local communities through table tennis classes

Nippon Paint Holdings founded a women's table tennis club in 2017. Since the foundation, we have promoted interactions with local communities through table tennis.

In June 2017, we participated in a table tennis class of the children's association of Osaka Municipal Oyodo Elementary School in Kita-ku, Osaka, in which the training base for our women's table tennis club is located. The club also coached children of Osaka Municipal Nakaoyodo Kindergarten, which is located next to Oyodo Elementary School, in a table tennis class in March 2018.

Our activities are not limited to the area around the club's training base. Nippon Paint Holdings and Nippon Paint Marine Coatings Co., Ltd., one of the Group companies based in Onomichi City, Hiroshima, co-sponsored a table tennis class organized by Onomichi Municipal Board of Education in January 2018. We also participated in a table tennis event organized by 3kusports Club Yoto, which develops community-based activities in Utsunomiya City, Tochigi in June 2018.

Each of the events gained a good reputation from the participants who enjoyed meaningful interactions with the members of our women's table tennis club while receiving coaching from them.

Table tennis is a lifelong sport that can be played by a wide range of age groups from small children to elderly people. It has become more popular recently and the number of players is expected to keep increasing. In this context, the demand for table tennis classes will also grow. To meet the expectation, our table tennis club continues to actively have interactions with those who enjoy playing table tennis.



Participating in the table tennis class of the children's association of Osaka Municipal Oyodo Elementary School



Table tennis event held in Kawachi Gymnasium, Utsunomiya City

- Support for activities to promote the widespread use of table-tennis tables for children

The social contribution activities of Nippon Paint Holdings through table tennis are not limited to coaching.

Endorsing the activities of Table Tennis Junior Support Japan to promote the widespread use of table-tennis tables specially produced for children and thereby familiarize many children with table tennis at early childhood, we have donated a table-tennis table set for children each to Onomichi Municipal Mukaihigashi Kindergarten and Osaka Municipal Nakaoyodo Kindergarten.

The ceremony to present the set to Mukaihigashi Kindergarten was held when the table tennis class was organized in Onomichi City as mentioned above. Mr. Yuko Hiratani, Mayor of Onomichi City, and Ms. Yamauchi, the principal of the kindergarten, attended the ceremony to receive the table.

In Nakaoyodo Kindergarten, Akira Fushimi, General Manager of CSR Development Department of Nippon Paint Holdings who also serves as the manager of the table tennis club, presented the table to Mr. Junichi Takahashi, the principal, in front of 66 cheerful kindergarten children. After the presentation, Ms. Saki Tashiro and Ms. Shiho Matsudaira, who are members of the table tennis club, along with Mr. Takahiro Mihara, Head Coach, gave a table tennis lesson and most of the children got excited and enjoyed their first experience of the sport.

The table-tennis table specially produced for children was designed by Mr. Yasukazu Murakami, the representative of Table Tennis Junior Support Japan and the former head coach of the Japanese women's national table tennis team, with particular consideration to safety. To help many children grow up healthy while enjoying playing table tennis, we will continue to sponsor the activities to promote the widespread use of the specially produced table-tennis tables.



Presentation of a table-tennis table in a table tennis class in Onomichi City

From left, Junichi Suzuki, Manager of Onomichi Sales Office of Nippon Paint Marine Coatings, Fushimi, Head of CSR Promotion Development Department of Nippon Paint Holdings, Mr. Murakami, former head coach of the Japanese women's national table tennis team, Mr. Hiratani, Mayor of Onomichi, and Ms. Yamauchi, Principal of Mukaihigashi Kindergarten



Mr. Mihara, Head Coach (right) and Ms. Matsudaira, a member of our table tennis club (left), coaching children of Nakaoyodo Kindergarten

Social Contributions through Business Activities

Activities through ROOMBLOOM, Our Brand of Paints for House Interior

We have created ROOMBLOOM, a brand of paints for house interior, out of a wish to make people's life richer with paints. Using this brand, we make social contributions through business activities while also working to raise the awareness of our interior paint business.

- Support for repaint of the interior of a child welfare institution

In July 2017, we assisted Bott Memorial Home, a child welfare institution in Machida City, Tokyo, in repainting its interior in collaboration with Habitat for Humanity Japan (hereinafter "Habitat"), an NPO.

The building of Bott Memorial Home was constructed more than 40 years ago and parts of the interior were deteriorated.

Dirt in the dressing room was especially conspicuous. The mold was removed and the ripped parts were repaired in advance with the support of ROOMBLOOM staff. The color for the finish repaint was selected by Bott Memorial Home staff based on opinions of the children of the institution and the paints were supplied by Nippon Paint Holdings. On the day of the repaint, children of the institution repainted the interior together with student volunteers involved in the activities of Habitat. It was impressive that the children enjoyed their first experience of repaint while having interactions with the student volunteers.



- Support for an "unoccupied house project" to revitalize a local community

Kanto Gakuin University (KGU) has implemented a project to repair unoccupied houses and make effective use of them with the participation of student volunteers in Yokosuka City, Kanagawa, in which the problem of unoccupied houses due to depopulation has come to the surface. With the largest excess of out-migrants over in-migrants among all municipalities in Japan according to a survey in 2013, Yokosuka City faces a serious challenge of depopulation, and the problem of unoccupied houses is also a major issue across the local community.

Agreeing to the purpose of the KGU unoccupied house project, which works to revitalize local communities through interactions with neighboring people, Nippon Paint Holdings proposed collaboration between it and the Happy Wall Project, which has been developed by ROOMBLOOM. Then, we supported the repaint of local community facilities and the construction of shared houses for students together with the members of the KGU unoccupied house project twice on May 31 and July 2, 2017.

Nippon Paint Holdings Group will continue to make unique contributions to local communities that can be offered only by a paint manufacturer.



Volunteer Cleanup and Paint Activities in Various Areas

As a volunteer initiative linked to local communities, we carry out volunteer cleanup activities and volunteer paint activities in various areas every year. These community-based social contribution activities help maintain the beauty of our neighborhood areas.

▼ Cleanup activities in FY2017

Area	Place	Number of times	Total number of participants
Osaka	Riverbed of Yodo River (participation in cleanup on the following day of Naniwa Yodo River Fireworks Festival)	1	11
Tokyo	Area around the branch	8	773
Aichi	Participation in road cleanup by Yoshihama Town Development Council	2	104
Okayama	Area in the industrial complex and roads in the neighborhood.	1	68
Hiroshima	Roads around the plant	1	70

▼ Paint activities in FY2017

Area	Place	Description	Number of participants
Tokyo	Togoshi Elementary School in Shinagawa Ward	Playground equipment, gate	21
Tochigi	Sakuragaoka Kindergarten	Playground equipment	55
Chiba	Togane Minami Park	Playground equipment	53
Aichi	Januke Park	Playground equipment	28

In the Asia region, the NIPSEA Group conducts various activities effectively using its technologies and features to energize local communities of the countries in which the Group operates its business. The NIPSEA Group designs those activities in a way to ensure that they sow seeds for the Group's future business.

With focus on the improvement of people's lives, the NIPSEA Group currently develops CSR activities to achieve sustainable development goals from the four aspects of education, employment, economy, and the environment. The initiatives of the Group in various parts of Asia are introduced below.

Initiatives in Asia (Malaysia)

Art Venture Camp 2017 Regional Volunteer Program

Outline of the camp

A two-day camp was organized in Miri, Sarawak, Malaysia for 100 children going to schools in the village.

The program was designed with an aim to help the children have confidence by knowing that each of them is one and only, accept differences, and learn various values including the meaning of teamwork and love. Sentiment education using drawing, group singing, games, etc., was developed in the program to make the art camp vibrant.

Features of the camp

The camp was not only for those children. Our Group employees who participated in the camp and cooperated with colleagues away from their daily duties were also reminded of the strength of Nippon Paint Holdings as well as the values created in our business.

We also anticipate that such special experience of contributing to the local community in a unique environment will generate a new driving force for our Group employees to operate businesses.



Impact on Children

1. Development of resilience and positive thinking
We encouraged children to have resilience and persistence in difficult situations and hardships, which are necessary for success.
2. Awareness and expression of strengths
The program was designed to allow children to express their hidden emotions through play and art. We tried to elicit the feelings of children and encouraged them to actively participate and make comments.

Impact on employees

1. Improvement of the sense of unity and enhancement of diversity
2. Promotion of teamwork between employees in each region
3. Encouragement of employees to be aware of their own capacity and growth to become more confident
4. Creation of a corporate culture in which employees acknowledge the strengths of each other and help each other

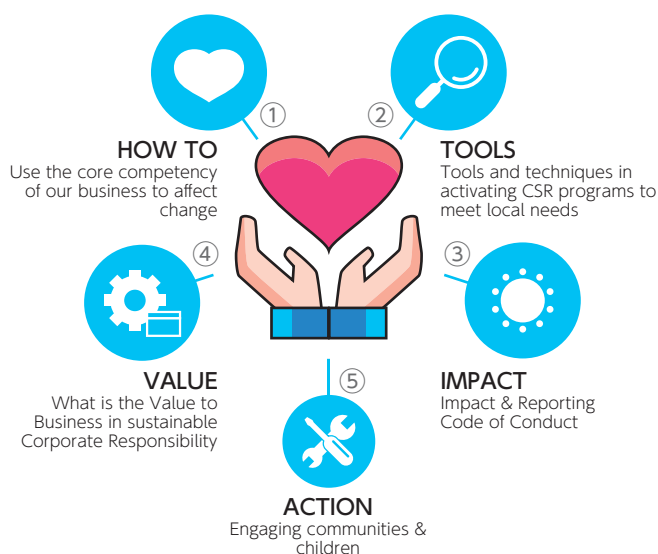


Diagram 1: Unique and organized methodology applied through volunteer training for more depth and understanding the purpose of why we do what we do

Financial Education Program for Employees

Many developing countries face a reality that people have a low income and many of them cannot manage their money properly. Nippon Paint Holdings Group gives advice to employees to enable them to manage their income properly and build assets for their children and other family members. We also help them make effective use of their assets for the future.

This program has achieved a good reputation since the first time and we continuously receive requests from employees to maintain it because it is very useful.

Advantages to our business

- Employees can concentrate on duties without being disturbed by mental burdens related to their family's debt problem.
- The concern over support of family members can be solved.
- Alternatives to debts and other financial problems are available.

Social effects

- People acquire abilities to make proper financial judgments.
- Low-income employees are protected from abuse by crime organizations and vicious moneylenders.
- People can save money for a rainy day.



Employees of Nippon Paint Malaysia studying how to manage family finances and control debts

Initiatives in Asia (China)

Receipt of Four Awards

In fiscal 2017, Nippon Paint China received multiple awards related to CSR.

- For the "Color, Way of Love" project, the company received "CSR Campaign of the Year" and "Media Relations Campaign of the Year" in Ragan Awards.
- The activities of Nippon Paint China were also commended as excellent philanthropy in China Marketing Awards 2016-2017, jointly organized by Economic Observer, an economic paper in China, and the Hong Kong Management Association, an NPO.
- The CSR report of Nippon Paint China for fiscal 2016 was selected as an excellent CSR report in Ragan Awards.

"Color, Way of Love" Project

Nippon Paint China develops the "Color, Way of Love" project, which offers repaint and recovery in school buildings for free in China.

On December 12, 2017, a school in Pingjiang County, Hunan, China held a ceremony to appreciate Guangzhou SUPE Chemical Coating and Nippon Paint China for repairing its building in the project.

SUPE and Nippon Paint China are jointly involved in a charitable program again, in which the jobs of Nippon Paint China include waterproofing of roofs and repaint of interior and exterior walls.



Director of the Board (as of March 28, 2018)



Hup Jin Goh
Chairman of the Board

As the representative of the joint venture partner in Asia, Goh helped Nippon Paint achieve the largest share in Asia. He became a director of Nippon Paint Holdings in December 2014 and contributed to the revitalization of Board activities. Goh became the chairman in March 2018.



Tetsushi Tado
President, Representative Director of the Board

Tado is the first president of Nippon Paint Holdings who is from a Group company. After becoming the president in April 2015, he realized the expansion of our overseas business through the acquisition of a US construction paint company as a subsidiary and other initiatives. Tado is leading the promotion of the medium-term management plan.



Manabu Minami
Vice President, Representative Director of the Board

Since he joined the company, Minami has consistently worked in the finance/accounting area. He has also been in charge of IT, procurement, administration, engineering, and other areas in recent years to promote the improvement of management efficiency from a comprehensive perspective. Minami is leading the transition to IFRS, which is scheduled in 2019.



Seiichiro Shirahata
Vice President, Director of the Board

Shirahata was originally an engineer and spearheaded the domestic business restructuring project completed in April 2015. Having served as the president of two affiliates, he also has broad experience as a manager.



Atsushi Nagasaka
Senior Executive Officer, Director of the Board

Nagasaka reformed the Group's cost structure for raw materials as the responsible person for raw material procurement and also strengthened the Europe business while working for a German affiliate. He now promotes initiatives for "work style reforms and CSR management" as Division Director of Human Resources & Corporate Administration.



Hisashi Hara
Independent Director of the Board

With a career of more than 40 years as a lawyer, Hara has dealt with many corporate legal cases. He has also been involved in a large number of cross-border M&As and enjoys high reputation in foreign countries as well.



Takashi Tsutsui
Independent Director of the Board

Tsutsui has served as a director, president, vice president, etc. in Nomura Securities, JASDAQ Securities Exchange, and LIXIL Group. With broad experience as a manager, he also has a profound knowledge of M&A and IR.



Toshio Morohoshi
Independent Director of the Board

Morohoshi is an IT specialist with a career of more than 40 years. Having served as the president of IT companies such as NCR Japan and Yaskawa Information Systems, he is also experienced as a manager.



Yasunori Kaneko
Independent Director of the Board

Kaneko has worked actively in life science and various other fields and served as a director, etc. of companies in Japan and overseas. He also served as a member of the advisory committee of Stanford Graduate School of Business in the United States.



Masayoshi Nakamura
Independent Director of the Board

Nakamura has held executive positions including a director in financial institutions, such as banks and securities firms, in Japan and overseas. He has over 30 years of work experience as an M&A adviser and financing expert.

Audit & Supervisory Board Member (as of March 28, 2018)



Toya Kawabe
Audit & Supervisory Board Member

Kawabe has mostly worked in the sales field. As an executive officer of Nippon Paint Holdings and General Manager of the Corporate Planning Department, he was involved in the transition to a holding company system and consolidation of joint ventures in the Asia region to contribute to the establishment of the current Group structure.



Hiroshi Miwa
Audit & Supervisory Board Member

Miwa was originally an engineer in the industrial coatings field and became the president of a company related to industrial coatings. He has also been engaged in the transition to a holding company system and consolidation of joint ventures in the Asia region as a director of Nippon Paint Holdings.



Toshihiko Oinuma
Independent Audit & Supervisory Board Member

Oinuma is a lawyer and patent attorney and also admitted to practice in New York State, the US. He also served as a visiting professor of a graduate school as an expert of intellectual property laws and is familiar with engineering fields as well.



Ichiro Wakita
Independent Audit & Supervisory Board Member

As a certified public accountant working for a major auditing corporation, Wakita has audited financial statements and internal control of listed companies and also been engaged in human resource development. He also has work experience in a car manufacturer.



Yu Okazawa
Independent Audit & Supervisory Board Member

Okazawa has mostly worked in the international field in Shiseido and served as General Manager of the China Business Department and General Manager of the International Sales Department. He is also engaged in corporate management as a director and executive officer.

Executive Officer (as of March 28, 2018)

Mitsuo Yamada Senior Vice President
(President, Representative Director of the Board of Nippon Paint Automotive Coatings Co., Ltd.)

Shingo Aida Vice President
(Representative Director and President of Nippon Paint Co., Ltd.)

Tetsuro Fujita Senior Executive Officer
(CEO of Nippon Paint (USA) Inc.)

Yasuyuki Matsumoto Senior Executive Officer
(General Manager of Corporate Planning & Development, in charge of management strategy)

Takeshi Shiotani Senior Executive Officer
(Representative Director and President of Nippon Paint Industrial Coatings Co., Ltd.)

Masakazu Wada Executive Officer
(General Manager of Human Resources)

Satoshi Nishimura Executive Officer
(Representative Director and President of Nippon Paint Surf Chemicals Co., Ltd.)

Yusaku Kobata Executive Officer
(General Manager of the R&D)

Basic Approach to Corporate Governance

Nippon Paint Holdings is continuously committed to improving and enhancing corporate governance for the establishment of a management mechanism that can respond to changes in the business environment in a prompt and proper manner, as well as for the implementation of transparent management, in order to achieve the sustainable growth of the Nippon Paint Holdings Group and medium- and long-term increases in its corporate value through the practice of the management philosophy. Our basic approach to corporate governance, its framework, and the administrative guidelines are outlined as the "Corporate Governance Policy" in the following page of our website.

<http://www.nipponpaint-holdings.com/company/cg/>

Corporate Governance Structure

Nippon Paint Holdings has adopted a "Company with Audit & Supervisory Board" system and introduced an "Executive Officer" system. The corporate governance structure is illustrated in the Corporate Governance Organizational Chart below.

Board of Directors

The Articles of Incorporation stipulate that the Company shall have no more than 10 directors. Our Board of Directors is composed of executive directors, independent directors, and non-executive directors, who are selected from among people from both Japan and overseas and from both inside and outside the Group. The current Board of Directors comprises 10 members in total, five of which are independent directors.

The Board of Directors oversees business execution by directors and meets once a month, in principle, to deliberate and make decisions

on matters prescribed in the Companies Act, as well as other important management issues, chaired by the Chairman of the Board, who is a non-executive director.

As advisory bodies to the President, a Group Top Management Committee and an Executive Management Committee have been set up to deliberate on the matters to be submitted to the Board of Directors for decisions on business execution in advance.

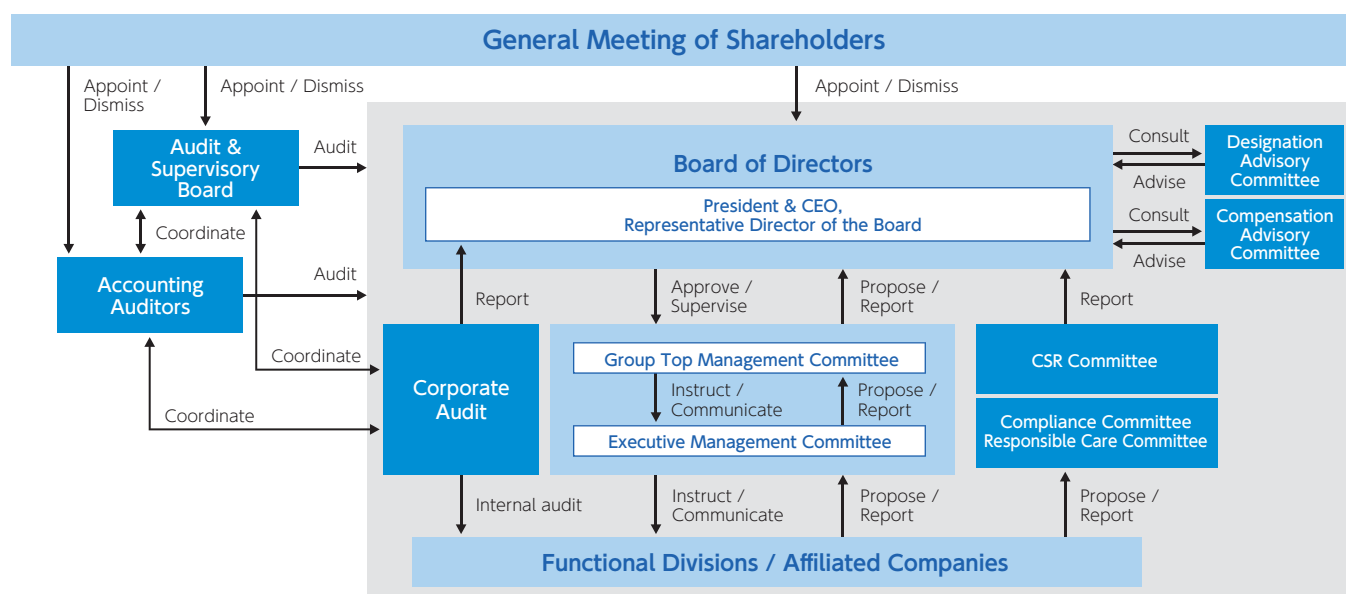
Directors or executive officers or other persons equivalent thereto of Nippon Paint Holdings are sent to key affiliates in Japan and overseas as directors to ensure compliance with our management policy.

Policy and Procedures for the Designation of Directors and Audit & Supervisory Board Members

In our policy, the Board of Directors will designate candidates for directors and audit & supervisory board members from among those who can contribute to the sustainable growth of the Nippon Paint Holdings Group and the medium- and long-term increases in its corporate value and have diverse experience, deep insight, advanced expertise, and other features that are suitable to serve as a director/audit & supervisory board member. The candidates are selected from among people from both Japan and overseas and from both inside and outside the Group.

Furthermore, to strengthen the supervisory function of the Board of Directors and enhance the deliberations at the Board meetings from professional and diversified perspectives, more than one independent director who satisfies the Independence Criteria for Qualifications of Independent Directors of the Board stipulated by our Board of Directors will be designated.

Corporate Governance Organizational Chart



According to the policy above, at a Board of Directors meeting attended by independent directors and independent audit & supervisory board members, deliberations to select directors and audit & supervisory board members are made based on advice from the Designation Advisory Committee.

The Designation Advisory Committee is chaired by an independent director. At least half of the members are independent directors to make the deliberations fairer and clearer in our policy. (The "Criteria for Judging Independence of Independent Officers" are published in "Notice of Convocation of Annual General Meeting" and "Corporate Governance Policy" on our website.)

Notice of Convocation of Annual General Meeting

<http://www.nipponpaint-holdings.com/ir/library/soukai/>

Corporate Governance Policy

<http://www.nipponpaint-holdings.com/company/cg/>

(The composition of the Designation Advisory Committee and the Compensation Advisory Committee is as shown below.)

▼ Composition of the Designation Advisory Committee and the Compensation Advisory Committee (persons)

	Designation Advisory Committee	Compensation Advisory Committee
All members	3	4
Directors	3	4
Of which, independent directors	2	3
Chairperson	Independent directors	Independent directors

Method of Determining the Remuneration of Directors and Audit & Supervisory Board Members

The remuneration of our directors (excluding independent directors) is composed of job-based salary, performance-based salary, and long-term incentive salary. Fixed job-based salary is paid for each position based on the role and responsibility. The base amount of the performance-based salary is set to be 45% to 50% of the total remuneration according to the position, and the actual amount of the performance-based salary annually varies from 0% to 200% of the base amount depending on the consolidated performance and the performance of the department concerned of the operating company. Long-term incentive salary is granted as a share remuneration-type stock option based on the value set for each position.

The composition of the remuneration, etc. of directors and executive officers and the level of the annual amount of remuneration used as

the basis are determined by the Board of Directors based on advice given by the Compensation Advisory Committee through the deliberations made in advance in consideration of social conditions, remuneration level in other companies, market situations, and other factors.

The Compensation Advisory Committee is chaired by an independent director. At least half of the members are independent directors to make the deliberations fairer and clearer in our policy.

The remuneration of independent directors, as well as that of audit & supervisory board members including independent audit & supervisory board members, is composed of job-based salary only in consideration of their job content. No performance-based salary or long-term incentive salary is introduced for those positions.

Audit & Supervisory Board Members' Audits and Accounting Audits

Audit & supervisory board members attend the Board of Directors and other important meetings to fulfill their functions to audit the legality of business execution by directors, the effectiveness of the established internal control system, the soundness of the process to prepare financial information, etc. and also meet the Representative Director of the Board in a regular manner to confirm the management policy and exchange opinions on the issues to be addressed by the company, risks involving the company, important matters on audits, and other subjects.

The Audit & Supervisory Board currently consists of five members, including three independent audit & supervisory board members with no special interest in Nippon Paint Holdings. Specifically, a lawyer and a certified public accountant who can conduct audits from a professional viewpoint, as well as a person with broad international experience and administrative experience, have been designated as the independent audit & supervisory board members. The independent audit & supervisory board members attend the Board of Directors meetings to fulfill their functions to audit the legality of business execution by directors while conducting business audits on an as-needed basis. They also receive reports on the implementation of audits of departments and affiliates in the Audit & Supervisory Board meetings and give opinions on the reports. To ensure smooth execution of the audit & supervisory board members' audits, more than one person is deployed as dedicated staff.

▼ Remuneration of officers The remuneration of directors and audit & supervisory board members of Nippon Paint Holdings for fiscal 2017 is as shown below.

Category of officers	Total amount of remuneration (million yen)	Total amount for each component of the remuneration (million yen)			Number of the applicable officers (persons)
		Job-based salary	Performance-based salary	Stock option	
Directors (excluding independent directors)	330	162	132	35	5
Audit & supervisory board members (excluding independent audit & supervisory board members)	72	72	—	—	2
Independent officers	57	57	—	—	6
Total	460	291	132	35	13

(Note) 1. The data (number of officers and remuneration) shown above include those for an audit & supervisory board member who retired at the closing of the 192nd General Meeting of Shareholders held on March 29, 2017.

2. The annual amount of the remuneration of directors for this fiscal year is set to be no more than 1 billion yen (including the annual amount of the remuneration of independent directors of no more than 60 million yen).

3. The annual amount of the remuneration of audit & supervisory board members for this fiscal year is set to be no more than 120 million yen.

Name	Total amount of the remuneration (million yen)	Category of officers	Total amount for each component of the remuneration (million yen)		
			Job-based salary	Performance-based salary	Stock option
Tetsushi Tado	139	Director	48	78	12

(Note) Persons are listed only when the total amount of their remuneration is 100 million yen or more.

Promotion of Global Governance

Nippon Paint Holdings started to review the authority and responsibility for governance and management on regional and business bases in 2017. Based on the review, we designed a new regional headquarters system (RHQ system) with Nippon Paint Holdings serving as the global headquarters (GHQ) and launched a project to establish the Americas RHQ system first in February 2018.

The Americas RHQ system aims to enhance the financial, risk management, and business planning functions that now cover the Americas as a whole. With this initiative, we seek to enhance proper governance based on local laws, business customs, etc. and achieve the prompt and accurate identification of growth opportunities and risks in each region, the acceleration of the decision-making process, and the streamlining and concentration of resources from the perspective of overall optimization in the region.

We are continuously considering the introduction of the restructuring of the RHQ system, as currently promoted in the Americas, into other regions in sequence.

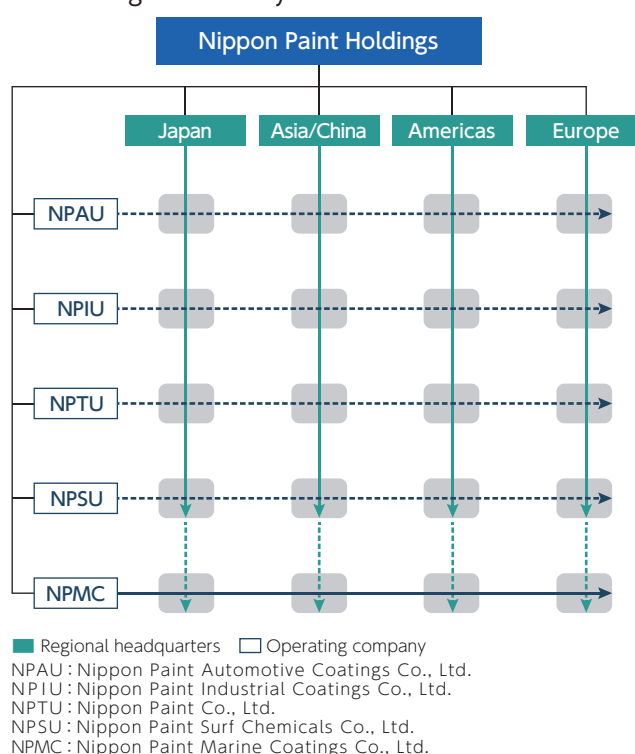
We also recognize that the collaboration system with Singapore's Wuthelam Group, which has been developed in Asia for more than 50 years, drives the growth of our Group as a whole and represents our unique business model. To further improve the cooperative management model as "NN model" (cooperative model between Nippon Paint and NIPSEA), we set up the NN Model Promotion Supervisory Department to initiate activities to deepen it as a flagship model of Nippon Paint Holdings in January 2018.

In the regions other than Asia as well, we aim to ensure that the "region x business matrix management" with focus on regional management based on the NN model is achieved in a healthy and autonomous manner in each region. We believe that the realization of this global NN model will build a strong collaboration system and

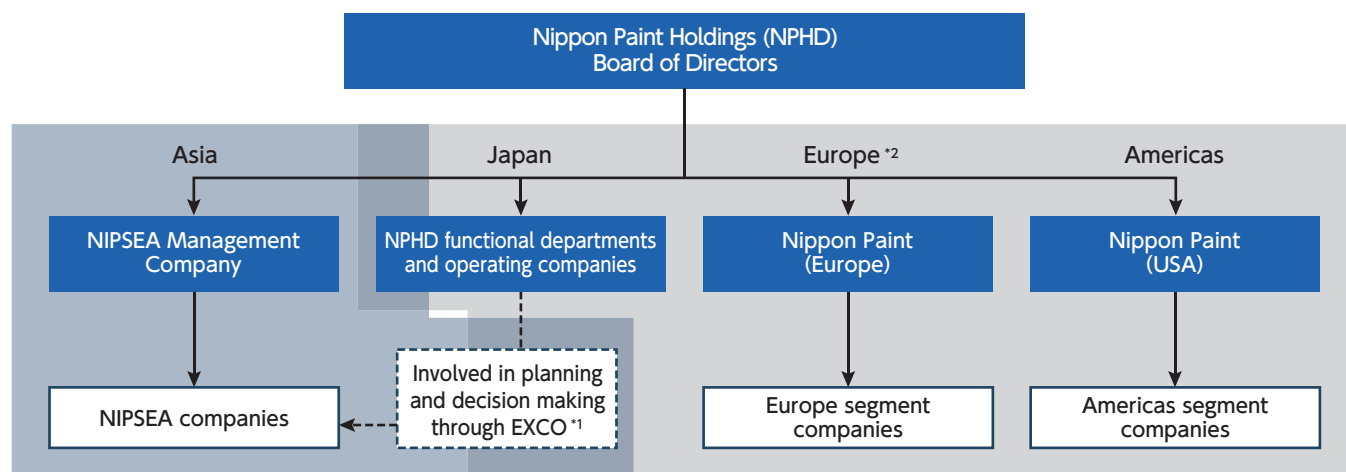
enable optimal distribution of management resources on a global scale, which will realize global governance with prompt judgments for regional management and flexible business operations.

We will continue to develop global governance and strive to improve the transparency and efficiency of business activities as measures that underlie our sustainable growth on a global scale.

▼ Global governance system in the future



▼ Global Governance Organizational Chart



■ Scope developed based on the Business Management Control Policy

■ Scope where the channels for advice and reports had been already developed

*1 EXCO: Executive Committee, a decision-making meeting in NIPSEA

*2 Disclosed segments are included in "Others."

Establishment of an Internal Audit Department

We have set up the Corporate Audit Department in charge of internal audits, which reports directly to the President, with 16 members (who also serve in other positions). The Corporate Audit Department conducts internal audits to improve and enhance the internal control of Nippon Paint Holdings and Group companies and reports the results to the President, officers in charge of

management, heads of the audited departments and audit & supervisory board members. In case of any problem in the results of an internal audit, the department seeks to solve it in consultation with the head of the department in charge through follow-up actions for the relevant department.

Promotion of Global Audits

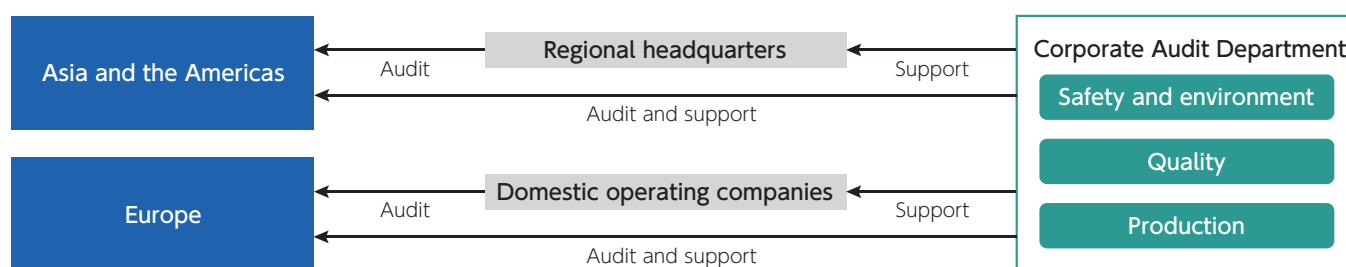
Nippon Paint Holdings Group has grown to be a corporate body with many Group companies in Japan and overseas. While the Corporate Audit Department is responsible for internal audits in our Group, it is not realistic for the department to have all necessary skills for global audits alone. Such audits also require a full understanding of laws, regulations, business practices, and languages in the respective regions. Accordingly, we consider that coordination with regional headquarters and domestic operating companies is indispensable and conduct audits with an auditing system established based on the global governance system.

More specifically, the Corporate Audit Department supports the audits conducted by regional headquarters in Asia and the Americas, as well as the audits conducted by domestic operating companies in Europe. In either region, the department directly conducts audits in key sites (companies).

In the meantime, our Group companies and regional headquarters in Asia and the Corporate Audit Department actively share information via video conferences and other means, as well as various data and visualized materials related to safety and other issues on the network, and have thereby established a mechanism that enables timely information exchanges. In addition, with a channel to report accidents and disasters in a speedy manner, as well as mutual communications, effective management reports can be prepared to realize horizontal development and prevent recurrence.

Furthermore, the results of the audits conducted by the Corporate Audit Department are shared with regional headquarters and domestic operating companies to facilitate continuous improvement activities in the targeted sites as well as subsequent support activities.

▼ Global Audit System



TOPICS

Internal reporting

Nippon Paint Holdings has established internal contacts and external contacts (law firms and specialist companies) for internal reporting that guarantee anonymity, as well as a system to allow direct reporting to audit & supervisory board members, to have in place a system that enables officers and employees of the Nippon Paint Holdings Group to report any non-compliance, including violation of anti-corruption laws, or its possibility within the Group without suffering any disadvantage.

We also make it a rule to report the status of operation of the contacts for internal reporting to the Board of Directors on an as-needed basis.

In fiscal 2017, we also issued a compliance guidebook that explains the appropriate acts for the employees of the Nippon Paint Holdings Group, along with the use of the internal reporting system and the prevention of bribery, in Japanese and English versions and conducted a test to determine the level of understanding of the guidebook among Group employees.



<https://www.nipponpaint-holdings.com>

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