

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.