

Business overview

In fiscal 2018, the Japanese economy continued to be on a gradual recovery trend as indicated by a turnaround in consumer spending backed by improvements in employment and income, increases in capital investment, etc. Car production volume remained unchanged from the previous fiscal year. On the other hand, there were some downward market trends such as a year-on-year decrease in the number of new housing starts partly due to the occurrence of large-scale natural disasters from June to September.

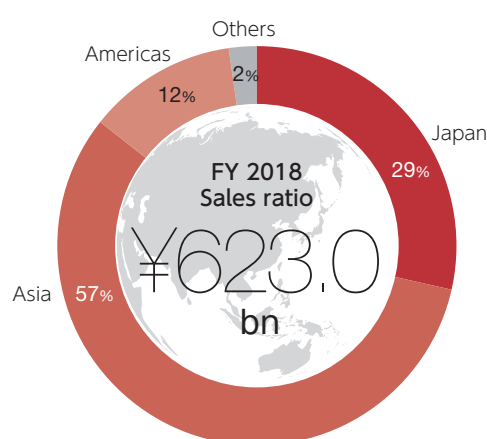
In China, which is the core region in Asia, there were some signs of an economic downturn including a year-on-year decline in car production volume owing to the impact of trade conflicts between major countries and other reasons. In addition to a slowdown in consumer spending, the new and

second-hand housing sales market remained sluggish as a result of the tightening of regulations on housing investment by the government mainly in the urban area. In Asian countries other than China, the market remained stable. Especially in Thailand, car production volume increased year-on-year with the growth of domestic demand due to the strong domestic economy.

In the Americas, car production volume in the region decreased from the previous fiscal year and demand for passenger cars declined while demand for small trucks increased. Our construction coating business in the southwestern United States was affected by the bad weather from January to February.

In Europe, car production volume in the region dropped year-on-year.

Consolidated sales by region

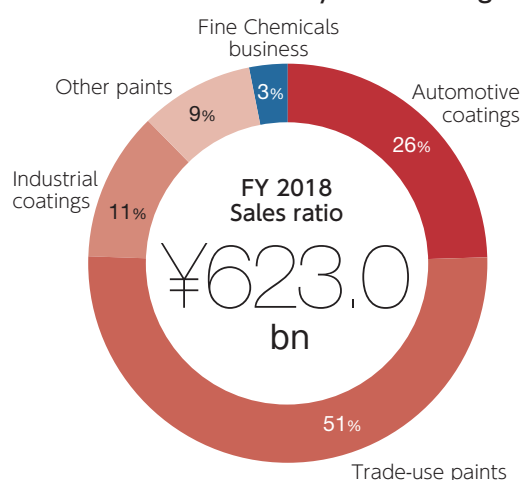


(Unit: 100 million yen)

		2018	2017	2016 (Jan.-Dec.)	2015	2014
Japan	Net Sales	1,781	1,759	1,716	1,743	1,872
	Operating income*	276	306	322	292	264
Asia	Net Sales	3,557	3,470	2,978	3,174	439
	Operating income*	361	408	433	377	45
Americas	Net Sales	752	682	322	332	258
	Operating income*	31	32	52	52	27
Others	Net Sales	139	141	126	109	37
	Operating income*	-7	2	-4	-9	1

*Excluding dividends from overseas Group companies

Consolidated sales by business segment



(Unit: 100 million yen)

		2018	2017	2016 (Jan.-Dec.)	2015	2014
Paint Business	Automotive coatings	1,596	1,484	1,394	1,388	934
	Trade-use paints	3,183	3,088	2,369	2,534	458
	Industrial coatings	689	730	683	683	464
	Others	569	560	515	580	595
	Sub-total	6,036	5,864	4,960	5,184	2,451
Fine Chemicals business		194	189	180	174	155
Total		6,230	6,053	5,141	5,357	2,606

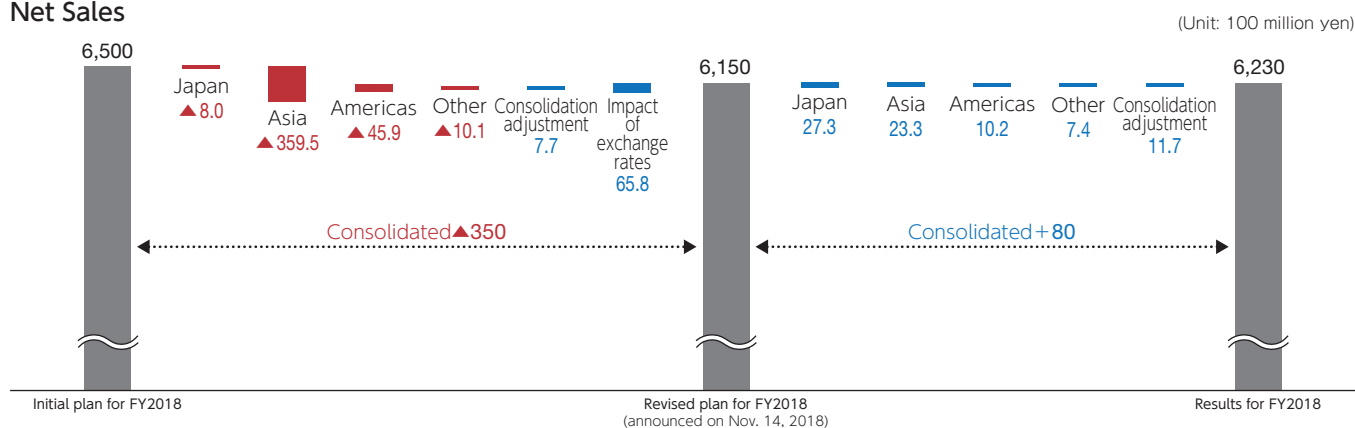
Review of the business plan for fiscal 2018

While we originally forecast consolidated net sales of 650 billion yen and consolidated operating income of 78 billion yen in the initial plan announced on February 14, 2018, our performance was affected by more stagnant growth of the new housing market than initially expected after the second quarter due to tightened regulations, especially the restriction on home purchases for investment purposes in China. We revised the earnings forecasts on November 14, 2018 because the market for the housing interior sector, which is one of our main businesses, slowed down far more than initially anticipated, the sales were expected to fail to reach the initially planned level in the regions outside China as well,

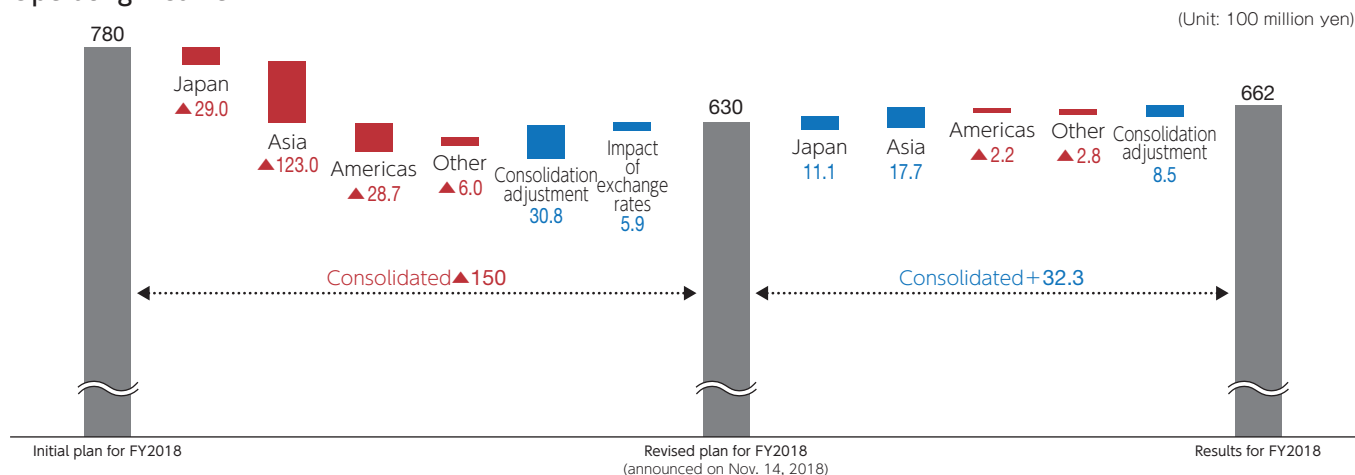
and our profits were influenced by global increases in the prices of raw materials.

Consolidated net sales were 622,987 million yen, which exceeded 615 billion yen in the revised plan, with sales increases attributed to stable weather from October to December and recovery from the natural disasters that occurred from June to September in Japan, as well as less stagnant markets than expected in Asia. Consolidated operating income was 66,231 million yen, which also exceeded 63 billion yen in the revised plan, thanks to higher sales than expected in Japan and more solid markets in Asia than anticipated.

Net Sales



Operating income



Progress in the medium-term management plan

Nippon Paint Holdings Group aims to establish an overwhelming position in Asia and also accelerate global growth as a medium- and long-term management policy for the Group in the medium-term management plan "N-20" for the period from 2018 to 2020. To "become the top leader in all business domains and regions" is set as the state the Group should be in 2020. To this end, we (1) strengthen the businesses in existing segments, (2) accelerate expansion of the portfolio, (3) improve earning capacity, and (4) enhance the structure of "Global One Team" as the key initiatives in accordance with the conditions of each business domain/region. Through these initiatives, we aim to maximize the values provided to all stakeholders in all business domains and regions.

While the medium-term management plan, N-20 sets the target of achieving net sales of 750 billion yen and an operating income ratio of 14% by the Japanese standards in fiscal 2020, net sales and operating income ratio in fiscal 2018 were 623 billion yen and 10.6%, respectively.

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

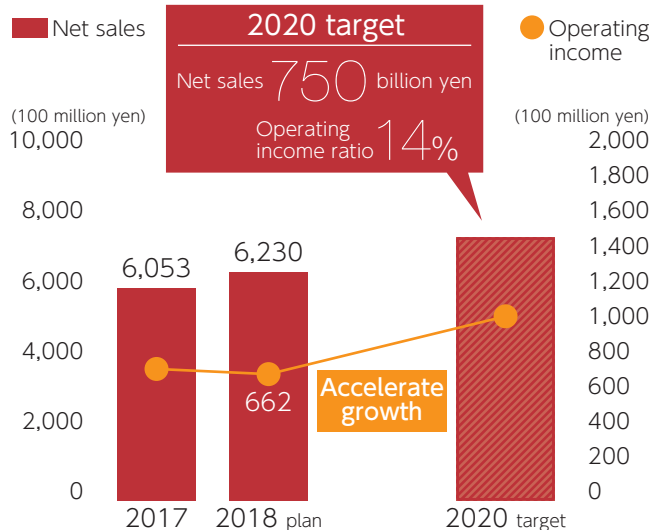
The state that we should be in 2020 according to the medium-term management plan for 2018-20

Become the top leader in all business domains and regions

Net sales target of 750 billion yen in 2020
(Japanese standards)

Maximization of value provided to all stakeholders
⇒Maximization of share holders' value

Consolidated Earnings Plan for 2018-20 (Japanese standards)



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 for fiscal 2019

In fiscal 2019, it is forecast that the Japanese economy continues to be on a recovery trend and remains solid mainly in terms of domestic demand. Nippon Paint Holdings will work to increase its share in each of the businesses in Japan and also capture demand related to the Tokyo Olympic Games to be held in 2020 for the construction and industrial coating businesses.

Meanwhile, amid an uncertain outlook due to trade conflicts between major countries, the hike in the consumption tax rate scheduled in October, etc., we will strive to secure profits through cost control efforts including cost reduction and the suppression of selling and administrative expenses as well as continued modification of product sales prices within a proper range.

Especially in China, which is the core region in Asia, the sluggish growth of housing-related markets is expected to continue as the government policy to curb investment in real estate is retained. In addition, there are expected to be unclear conditions such as a decline in consumer spending attributed to the trade conflicts and the trends of raw material prices reflecting the strict environmental regulations. In the business of paints for housing

(unit: 100 million yen)

		Plan for FY2019 (IFRS)	Results for FY2018 (IFRS)
Paint Business	Automotive coatings 	1,599	1,602
	Trade-use paints 	3,264	3,225
	Industrial coatings 	767	688
	Other paints	565	568
	Total	6,195	6,083
Fine Chemicals Business 		205	194
Total		6,400	6,277

< Key initiative >

Enhance the structure of "Global One Team"

Tasks Establish a more effective global governance framework of the Nippon Paint Holdings Group based on "Region x Business," involving the eight joint venture companies in Asia that were converted into consolidated subsidiaries in 2014.

Measures We are discussing a regional headquarters system (RHQ system) with Nippon Paint Holdings serving as the global headquarters. In 2018, we launched a project to start the operation of the Americas RHQ system. We reviewed the regulations on authority and responsibility and started to operate the Americas RHQ in 2019.

▶ See P46 for details

interior, which is our core business in China, we will work to further increase our share not only in large cities, in which we have already established a strong position, but also in local cities, in which the market is expected to continuously grow in the future, through the expansion of the sales network and product lineup. In the automotive coating business, while the market is weak, we will strive to increase our share in the sector of paints for automobile bodies and parts for the Chinese and Japanese customers.

In the Americas, we will make efforts to increase sales in our construction coating business, which is developed mainly in the southwestern United States, through the opening of new paint retailers as well as sales increases in the stores including existing ones.

Through these measures, we expect to have net sales of 640 billion yen and operating income of 86.5 billion yen by the International Financial Reporting Standards (IFRS) as our financial results for 2019.

(unit: 100 million yen)

		Plan for FY2019 (IFRS)	Results for FY2018 (IFRS)
Japan	Net sales	1,842	1,828
	Operating income	274	296
Asia	Net sales	3,655	3,557
	Operating income	475	524
Americas	Net sales	769	752
	Operating income	58	50
Other	Net sales	134	139
	Operating income	-4	-5
Consolidation	Net sales	6,400	6,277
	Operating income	770	865

< Key initiative >

Accelerate expansion of the portfolio

Tasks Incorporate Asia and other high-growth regions as well as the construction coating business and other high-growth businesses into the portfolio and realize synergy after the expansion.

Measures 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. The committee examines and discusses all of the individual M&A cases in terms of the conditions, details, possibility of generating synergy, and PMI.