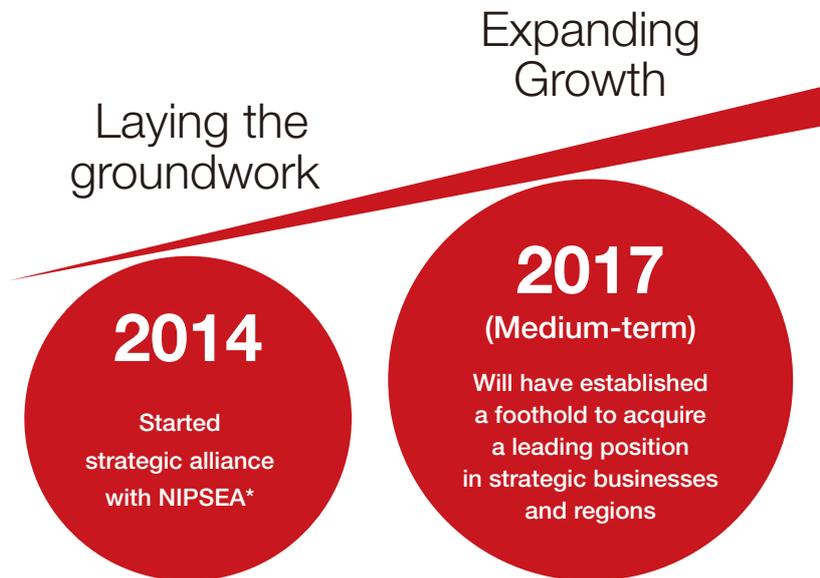


# Business Strategy and Strengths

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

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



# To be a Global

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

## Reasons for positioning China as the most important market

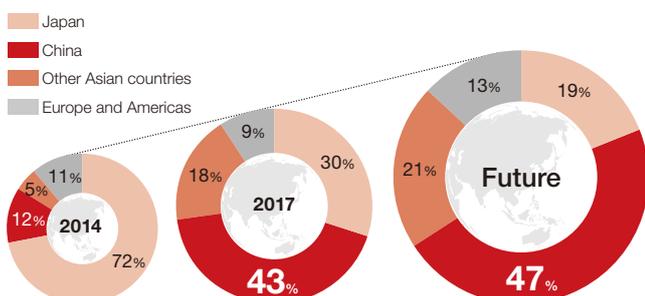
Asia accounts for roughly 40% of the global paint market. We believe that the market has opportunities for further growth. In Asia, particularly in China, while economy growth is said to be slowing, the paint market continues to experience strong growth.

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

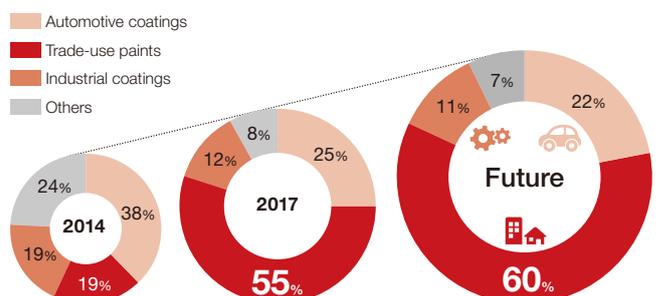
## Concentrate on trade-use paint business (mainly construction paints)

Trade-use paint products occupy roughly 40% of the global paint market. They are highly profitable and the scale of the market in China—our most important market—is significant. It is also expected to further expand. LiBang has a large market share, particularly for Trade-use paint products (29% share of DIY interior paints for consumers in 2015.) and should continue to grow going forward.

Sales composition plan by region



Sales composition plan by business



Aim to be  
the global  
market leader

# Global Paint Major

From **2020**  
(Long-term)

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

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

## Management philosophy and vision

# Paint Major

### Strengths in trade-use paints in China

We have had a business partnership in Asia with Singapore-based Wuthelam Group (hereafter “Wuthelam”) since 1962. Stemming from the relationship of trust we have enjoyed with Wuthelam over several long years, we have been developing our businesses in China and Asian countries by taking advantage of our respective strengths: Nippon Paint is in charge of product technology and Wuthelam is in charge of developing a sales network.

Our strengths in China are supported first and foremost by our brand value. We established our business in China prior to the spread of interior paints. LiBang gained significant recognition and built a reputation for reliability in China using aggressive advertising and high quality products. In a brand reputation survey conducted by an British marketing company every year, LiBang has been the only brand selected as a Big Six brand five years in a row. Furthermore, according to our company’s survey, LiBang’s Net Promoter Score (the ratio of buyers who recommend LiBang service to a third party minus the people who do not recommend its services) improved from 65% in 2014 to 98% in 2015.

As 75% of LiBang’s trade-use paints are B2C (business to consumer), strong brand value with consumers is very important to expand sales.

To further enhance brand value going forward, we will strive to further strengthen our eco-friendly technologies and improve reliability as a company such as CSR activities.

Our second strength is our sales network. We have been working to create sales channels since LiBang’s inception, and

now have more than 40,000 exclusive stores and multi-brand stores, and plan to further expand our sales network.

### Major initiatives—Investment and M&A

To further strengthen our position in the Chinese market, Nippon Paint Group will continue to aggressively pursue capital investment in China. Over the next three years, we will invest roughly ¥30 billion of the ¥50 billion that we have planned for capital investment. This capital investment is meant to increase production capacity. We will establish nine new production sites for construction paints, starting with two large-scale plants, and will make capital investments in response to greater demand for eco-friendly products and environmental regulations.

Our M&A strategy covers businesses in all areas related to paints, and aims to complement and generate synergy with our existing businesses. We are particularly interested in M&A opportunities in China. In China, we plan to implement a “complementary M&A” strategy, whereby we seek collaborations with manufacturers that possess the ability to project their strengths in certain fields. At the same time, Nippon Paint Group remains committed to establishing a second pillar, and is examining M&A opportunities while evaluating the balance between regions and businesses.