

# Business Plan and Expansion Measures for FY2016

We started medium-term management plan “Survival Challenge” named to tackle fundamental structural reforms after the global financial crisis in 2008. Following six years of “Survival Challenges” (Stages I and II) that sought to build a solid profit ratio structure, we positioned 2015 to 2017 as the first part of Stage III, targeting sales of ¥700 billion and operating income margin of 15% in FY2017.

“Future Pull” is one of the keywords behind our efforts to achieve the targets in the management plan. First, we set an ambitious goal of becoming a “Global Paint Major,” then we charted the course of actions in reverse from our ideal state in a few years to what we must do today. Focusing on our business based on this approach resulted in both higher net sales and operating income in fiscal 2015 than in fiscal 2014.

From fiscal 2016, we will focus on expanding our automotive and trade-use paint businesses to maintain growth, particularly in Japan and Asia, and will aggressively invest in M&A and strategic partnerships to accelerate our growth in global market.

## Sustaining Growth, particularly in Japan and Asia

(unit: ¥bn)

		2015 results (twelve months)	2016 plan (based on 2016 exchange rates)		2016 plan (based on 2015 exchange rates)	
		Full year	Based on the full-year*	YoY	Based on the full-year*	YoY
Japan	Net sales	174.3	184.5	+10.3	184.5	+10.3
	Operating income	29.2	30.8	+1.6	-	-
Asia	Net sales	317.4	317.8	+0.4	350.3	+32.9
	Operating income	52.3	54.0	+1.7	-	-
Americas	Net sales	33.2	34.2	+1.0	35.6	+2.4
	Operating income	5.2	5.8	+0.6	-	-
Others	Net sales	10.9	13.4	+2.5	14.4	+3.5
	Operating income	-0.9	-0.3	+0.6	-	-
Consolidated adjustments	Operating income	-14.4	-13.3	-	-	-

\* The fiscal year-end was changed from March to December starting in FY2016. For the purpose of comparisons with the previous fiscal year, we listed planned figures for twelve months from April 1, 2016 to March 31, 2017.

2015

Plans and preparations  
for 2017

2016

“Future Pull”





# Future goal Global Paint Major

2017

Goals for the next three years  
(medium-term management plan)  
to achieve future goals

## Continuance of growth led by expanded operations for automobiles and trade-use paint businesses

(unit: ¥bn)

			2015 results (twelve months)	2016 plan (based on 2016 exchange rates)		2016 plan (based on 2015 exchange rates)	
			Full year	Based on the full-year*	YoY	Based on the full-year*	YoY
Paint Business	Automotive coatings		138.8	149.0	+10.2	157.3	+18.5
	Trade-use paints		253.4	250.9	-2.5	272.0	+18.6
	Industrial coatings		68.3	72.0	+3.7	75.1	+6.8
	Others		58.0	61.4	+3.4	63.0	+5.0
Fine Chemicals Business			17.4	16.7	-0.7	17.4	+0.0
Total			535.7	550.0	+14.3	584.7	+49.0

.....

Laying the foundation  
to achieve future goals  
through implementation and  
modification of the plan  
Crucial year to bring 2017 goals  
within reach!!

### Tasks and Measures Going Forward

#### Optimization of global governance

**Tasks** Establish a more effective global governance framework as the Nippon Paint Group, encompassing the eight joint venture companies in Asia consolidated in 2014.

**Measures** Through discussions and collaborations between the Nippon Paint Group and consolidated companies in Asia, we developed a "Global Governance System" in January 2016. Furthermore, we formulated a "Business Management Control Policy" that defines management roles and authority, and streamlined our global governance. We will continue to make improvements while operating our governance systems.

#### Balanced business development

**Tasks** Eliminate dependence on China business and expand our portfolio

**Measures** We aim to establish the second pillars and examine possible M&A and business alliances to obtain a balance between regions and businesses.



# Business Plan and Expansion Measures for FY2016



## Increase market share for our automobiles and trade-use paint businesses

### Automotive paint business



- Expand market share by acquiring new colors
- Raise our presence with parts manufacturers



World's first heat-shield paint for automobiles  
"Thermo-Tect Lime Green"

### Trade-use paint business



- Expand market share among key distributors
- Expansion of retail sector by introducing new products



Key products for housing  
"Perfect Series"



## Sustaining growth by enhancing "Refresh Your Life" services to better satisfy customer needs

### Paint business for trade-use paint business (DIY)



- Aggressive advertising
- DIY market share 29% → 30%
- Sales growth rate 10%

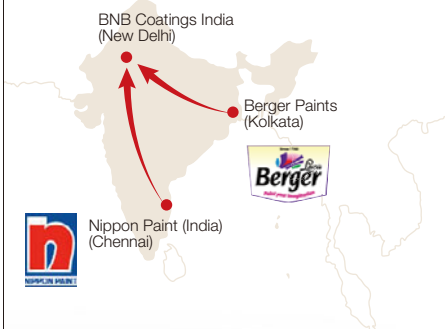




## Expand alliance area with Berger Paints, the second largest paint manufacturer in India

### Automotive paint business

- Integrate businesses into BNB Coatings, which is a joint venture company with Berger Paints
- Develop presence at local plants of Japanese and Western car manufacturers



Automobile production units in 2015: 4.21 million (approx. 7% increase over previous year)  
 Japanese-affiliated firms: Multi Suzuki, Toyota, Honda, etc.  
 Local firms: Tata, Mahindra, etc.  
 Western firms: Ford, GM and VW

## Expansion of production capacity of automotive paint plant

### Automotive paint business

- Establish a new water-borne paint plant in addition to expansion of existing plants
- Sales to local plants of Japanese and Western car manufacturers



Automotive paint plant (Guanajuato)

Automobile production units in 2015: 3.39 million (approx. 6% increase over previous year)  
 Japanese-affiliated firms: Nissan, Honda, Mazda and Toyota  
 Western firms: GM, VW, Ford, etc.



## Business expansion through M&A and partnership

### Automotive paint business

- Germany: Acquired 100% ownership of Bollig & Kemper GmbH & Co. KG, an automotive paint company

### Vessel paint business

- Germany: Marine paint company Conclusion of a joint venture agreement with Wilckens, established Nippon Paint Marine (Europe)
- Brazil: Sales alliance with WEG Tintas

