

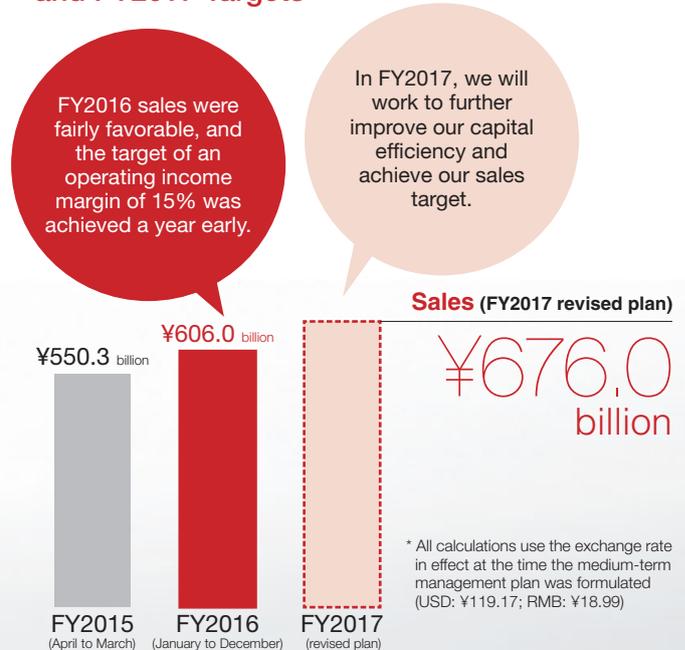
Business Plan and Expansion Measures for FY2017

We started medium-term management plan “Survival Challenge” to tackle fundamental structural reforms after the global financial crisis in 2008. Following six years of “Survival Challenge” (Stages I and II), during which profit was steadily expanded, 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 keys 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 implemented the course of action 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 higher net sales and operating income in FY2016 than in FY2015.

From FY2017, we will focus on expanding our existing businesses to maintain growth, particularly in Japan and Asia, and will aggressively invest in M&A and strategic partnerships to accelerate our growth in the global market.

Medium-Term Management Plan Progress and FY2017 Targets



Growth Strategy: Establishing a Business Structure with a Competitive Advantage

Growth Strategy

- 1. Integrated management of the Nippon Paint Group**
- 2. Establish strong operating companies**
Strike a balance between the delegation of authority and group governance.
- 3. Formulate and implement a Future Pull plan**
Thoroughly discuss the “why” and “how” for achieving goals.
- 4. Deepen and expand strategic alliances**
Share the vision with NIPSEA and implement a new alliance strategy.
- 5. Promote diversity management**
Change the mindset and create a corporate culture that recognizes and accepts “difference.”

FY2017 Project Themes

Steering committee for reformulating management philosophy

Establish a management philosophy that can be shared among group companies worldwide.

Steering committee for establishing group governance

Establish a model and goals for future group governance under a matrix structure based on operational and geographical segments.

Project to reorganize domestic production

Formulate a plan to handle issues with domestic production and verify its effectiveness.



Ongoing growth led by expanded operations for automotive coatings and trade-use paint businesses

(unit: ¥bn)

		FY2016 ^{*1} (January to December)	FY2017 (revised plan)
Paint Business	Automotive coatings 	139.38	149.1
	Trade-use paints 	236.88	285.1
	Industrial coatings 	68.29	69.5
	Others	51.49	54.1
	Total	496.04	557.8
Fine Chemicals Business 	18.04	19.2	
Total	514.08	577.0	

Sustaining Growth, particularly in Japan and Asia

(unit: ¥bn)

		FY2016 ^{*1} (January to December)	FY2017 (revised plan)
Japan	Net sales	171.61	181.0
	Operating income ^{*2}	32.16	32.8
Asia	Net sales	297.75	311.1
	Operating income	43.34	45.6
Americas	Net sales	32.17	71.4
	Operating income	5.15	5.9
Others	Net sales	12.55	13.5
	Operating income	-0.37	0.2

^{*1} From FY2016, the end of the fiscal year was changed from March to December. To facilitate comparison with earlier financial results, this report uses the actual results for the twelve-month period from January 1 to December 31, 2016.

^{*2} Excluding dividends from overseas group companies

Tasks and Measures Going Forward

Optimization of global governance

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

Measures In addition to geographical segment governance systems, we must conduct global business management for operational segments. In light of the increasing complexity of the situation, we have begun studying new definitions pertaining to governance and management for the various geographical and operational segments.

Balanced business development

Tasks Eliminate dependence on specific areas and review our portfolio

Measures In order to build a second pillar, we are considering the possibility of M&A and strategic partnerships, while keeping under consideration a balance between regions and businesses. In March 2017, we acquired the US paint manufacturer Dunn-Edwards Corporation. We will continue to explore other potential M&A.