

Nippon Paint Holdings Co., Ltd.
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Press Conference summary of the Change in Representative Directors of the Board announced on September 20, 2019

Date & Time: September 20, 2019 (Friday), 16:00 to 17:00

Location: Conference Room at Osaka City

Participants: Masaaki Tanaka, Executive Chairman of the Board, Representative Director of the Board

Tetsushi Tado, President & CEO, Representative Director of the Board

1. Remarks by Tetsushi Tado at the press conference announcing the selection of his successor

Thank you for taking the time to attend today's press conference. At 13:00, Nippon Paint announced that the board of directors approved a resolution today concerning the appointment of a new president and CEO. I will end my term as president and CEO on January 1, 2020, and my successor will be Masaaki Tanaka, who is currently the chairman of Nippon Paint Holdings.

The Nippon Paint Holdings Group consolidated our joint venture companies in Asia (the NIPSEA business) and switched to a holding company structure. We used these changes as an opportunity to strengthen current business operations in Japan and other countries, expand our overseas operations, and upgrade corporate governance. In 2016, we acquired Bollig & Kemper in Germany and in 2017 we acquired Dunn Edwards in the United States and CRF in China. More recently, we made two large acquisitions, DuluxGroup of Australia and Betek Boya of Turkey. These activities have greatly expanded our business portfolio. As a result, our sales in the fiscal year ending in December 2020, with all these acquisitions included in the consolidated financial statements, will be about ¥850 billion. Furthermore, the group's workforce has grown from 5,755 in 2013 to more than 25,000 now. We have operations in 27 geographical locations. I believe we are nearing the point where we have an infrastructure that is worthy of being called a global organization.

Looking ahead, one of the most critical goals for our increasingly global corporate group is transforming ourselves as much as possible into a "truly global organization" in every respect. In other words, the next few years will be a crucial period when the Nippon Paint Holdings Group advances to a new stage. Accomplishing this will require building an even more powerful base of operations by becoming more global and strengthening our governance.

This is why the decision has been made to name Masaaki Tanaka, who is currently our chairman, as the next president and CEO. Mr. Tanaka has many years of management experience involving international business operations and the ability to make quick decisions and actions in a global business environment. The board of directors believes that Mr. Tanaka has the right skills to speed up the implementation of our group's growth strategy and maximize shareholder value, which is instrumental to our goal of achieving sustained growth.

The success of the Nippon Paint Holdings Group will depend on our ability to continue providing value to all our stakeholders in order to compete and win worldwide. We must become an even more powerful and attractive company on a scale that exceeds our expectations. I am confident that I can pass on this spirit regarding our future to Mr. Tanaka, who has many years of experience managing business operations in extremely competitive global markets.

Some people may think that I should do my duty by remaining CEO until the conclusion of the N-20 medium-term business plan that will end in December 2020. However, I believe this is the best timing for this change for two reasons. First, we need to increase the speed of designing new management structures in order to strengthen our governance from a global perspective. Second, 2020 will be a critical year for determining management strategies to take the Nippon Paint Holdings Group to its next stage of growth.

I am confident that making Mr. Tanaka the president and CEO will result in fast decision-making, an even stronger global governance framework, including the transition to a Company with Three Committee Structure, and more growth for the Nippon Paint Holdings Group.

Starting in January 2020, I will use my role as a director of Nippon Paint Holdings to provide support to Mr. Tanaka as he takes the actions needed for more growth and progress at our group. Thank you for your understanding and support as we look ahead to making this change in our leadership.

2. Press Conference Remarks by Masaaki Tanaka

Let me make some brief remarks due to the importance of today's announcement about my acceptance of very significant responsibilities as the new CEO.

At the shareholders meeting that was held on March 27, I was asked by Nippon Paint Holdings to become the Executive Chairman. I accepted this request because it was based on the wishes of all external and internal directors and the entire senior management team. During my first six months in this position, I have spent much time studying the history of Nippon Paint Holdings Group and technologies involving paint. I also visited our factories in Japan and other countries where I met many of the people of our group. Overall, it was a very worthwhile and rewarding period.

I believe the past six months allowed me to acquire a sufficient understanding of the management policies of Mr. Tado, the current president and CEO. Mr. Sakai, the previous president, made the big decision to move ahead one more step with the integration of the NIPSEA Group, which is a joint venture with Wuthelam Group in Asia. The very heavy responsibility for achieving worldwide growth of the Nippon Paint Holdings Group was then been passed on to Mr. Tado, who has overseen business operations for the past five years.

During this five-year period from 2013 to 2019, sales increased 170% from ¥260 billion to about ¥700 billion and will be about ¥850 billion in the next fiscal year. Operating income increased about 150% from ¥33.4 billion and will be almost ¥100 billion in the next fiscal year. Furthermore, the stock price is up almost six times from ¥938 in 2013 to more than ¥5,400 now. This raised our market capitalization by a multiple of 6.6. With a market capitalization of more than ¥1,700 billion, Nippon Paint Holdings currently ranks between the 75th and 80th largest companies in Japan.

Generally speaking, the sustained growth of corporate value is now the primary mission of business executives in Japan. In financial terms, market capitalization can be used to express corporate value. I have seen no other large listed company achieve growth of the same magnitude as Nippon Paint Holdings did during the past five years.

Furthermore, two big acquisitions in April 2019 raised our workforce to more than 25,000. Japan accounts for only about 3,000 of these people. I believe that this dramatic growth is a very impressive accomplishment of Mr. Tado.

In addition, Mr. Tado has taken on a number of major issues at this company during the past five years.

One is to improve productivity in Japan by establishing an even better framework for the group's manufacturing operations. As Mr. Tado stated in a previous interview, he started a project that involved taking the manufacturing infrastructure and supply chain in Japan to a higher level.

Nippon Paint Holdings owns about 20,000 square meters of land in Shinagawa for its Tokyo Office. Work has already started on the redevelopment of this site in order to establish the group's world headquarters at this location, within a couple of years.

In Australia, Nippon Paint Holdings acquired DuluxGroup, that country's largest paint manufacturer. At the recent meeting of the Board of Directors, which I attended as a director of the company, I found that DuluxGroup has outstanding management as Australia's top company in its industry. This group also manufactures adhesives used in buildings and is studying the feasibility of selling them in China.

In China, where operations are overseen by the NIPSEA Group, which is based in Asia, there are concerns about the economic outlook. Nevertheless, our operations in China are growing steadily. I believe this accomplishment is due to the excellent management team of the NIPSEA Group, which is able to alter its business model to reflect changes in the economic environment.

The people of the Nippon Paint Holdings Group maintain an exceptional corporate culture that resulted in a very warm welcome when I joined the group. I will use all my energy to help achieve the sustained growth of our group. I am convinced that our organization has many strengths that can make this growth possible.

One example, which you may already know about, is a coating that functions as a thermal insulator. The heat island effect is becoming a growing problem in Japan. I think we can help solve this social problem by making more advances with this thermal insulation paint technology. Our group has many other technologies, too. Approximately 1,000 of our workforce of 3,000 in Japan are engineers. I will strive to create an environment where they can realize their aspirations in order to contribute to more growth of the Nippon Paint Holdings Group.

Now, I have taken on an enormous responsibility. I will do my best to match the speed at which Mr. Tado achieved progress during his tenure. As president and CEO, Mr. Tado has numerous significant accomplishments. As the new CEO, I am determined to lead the Nippon Paint Holdings Group with the goal of continuing to build on these accomplishments and momentum.

3. Press conference Q&A

Q1	When did Mr. Tado decide to resign as president and CEO and what are the reasons for this decision? What were your thoughts?
A1	<p>Tado:</p> <p>It was in July this year that I was invited to sit on the Nominations Advisory Committee where the deliberations on the next CEO started.</p> <p>At that time, during the course of the discussions in the committee, I mentioned that I thought that the company should always keep continuing to evolve and develop, and that the members of the top management team each have their own activities and mission to fulfil at every stage of this process. For my part, I have been working on driving our global growth in addition to dealing with the issues that emerged in the wake of the “Survival Challenge”, “Split-off” and “Consolidation of the NIPSEA Group” initiatives that Mr. Sakai, the former President, had worked on. Thereafter, the Company has continued to improve its business structure and to strengthen the foundations of its management base.</p> <p>Since that stage, we have moved on so that we are now at the stage of achieving true globalization. It was a very busy five years, but I said that it was the right time to hand over the reins of management so as to revitalize the company for the next stage of its development.</p>
Q2	Did Mr. Tado intend to voluntarily resign as president and CEO from the outset?
A2	<p>Tado:</p> <p>Rather than just voluntarily resigning, I thought that the most appropriate thing to do next would be to actively “hand over” at the next stage.</p> <p>I left the final decision from the Nominations Advisory Committee to the Board of Directors.</p>
Q3	Were there any prior discussions with Mr. Goh of the Wuthelam Group concerning Mr. Tado’s resignation?
A3	<p>Tado:</p> <p>No, there were absolutely none at all.</p>

Q4	Mr. Tanaka, how do you plan to utilize your experience since joining Nippon Paint Holdings in your new role as president?
A4	<p>Tanaka:</p> <p>I have spent many years outside Japan, including years as the CEO of overseas subsidiary of a Japanese company. Due to this experience, I can say that people who have worked only in Japan will inevitably be unable to fully comprehend the real issues involving business activities in other countries.</p> <p>When I was the CEO at a bank in California, I felt it very difficult to convey the true characteristics of operations at the bank to the head office in Japan. There were many instances where people at the head office were unable to acquire an accurate understanding of the thoughts and mood of the bank's personnel. Sound lines of communication between the top executives of the parent company and overseas subsidiary are absolutely necessary in order to eliminate this gap of perception and understanding.</p> <p>For example, I recently had a one-on-one conversation of about two hours with the CEO of DuluxGroup. We agreed to use messaging and other measures to stay in touch and are currently communicating with each other frequently. I am also in frequent contact with the CEO of NIPSEA.</p> <p>Building relationships rooted in trust with these CEOs one by one will be vital to our ability to succeed as a global organization. I think the position of CEO of Nippon Paint Holdings will become a job that plays the role of "CEO of CEOs" for overseeing the operations of both operating companies in Japan and overseas subsidiaries.</p> <p>This is a very big responsibility. I must be able to perform these duties in order to prevent problems from occurring as the Nippon Paint Holdings Group continues to grow on a global scale.</p>

Q5	Mr. Tado, are we correct to understand that you stated your desire to resign at the July meeting of the Nominations Advisory Committee?
A5	<p>Tado:</p> <p>There might have been an option to continue but the fact that we are fighting hard at the stage of establishing ourselves as a true global company means that we have to step up the power of our corporate engine one more level. Consequently, I thought that Chairman Tanaka was a well-qualified person to be the next candidate.</p>

Q6	Mr. Tanaka, what do you regard as the most important issues concerning overseas operations in order to create a truly global organization?
A6	<p>Tanaka:</p> <p>There are two ways to manage a global organization: “radiating style” and “spider web style”. With the radiating style, the head office is positioned as the center for ties with all other locations and the head office makes all decisions.</p> <p>I think the spider web style is the best for Nippon Paint Holdings Group. In Asia, the NIPSEA Group’s operations are always based on a global standpoint. For example, some people ask what types of synergies we hope to generate with DuluxGroup. I think people ask this question because they are using only perspective of the radiating format for management.</p> <p>From the spider web standpoint, we can expect to see synergies between DuluxGroup and China and DuluxGroup and Dunn-Edwards in the United States. Nippon Paint Holdings Group must use spider web management because this will make possible a management framework in which I can function as the CEO of CEOs.</p> <p>Mr. Tado has already discussed a concept for this framework and I am thinking about establishing a global executive committee. All of our CEOs whether in Japan or overseas would meet once or twice every year. Meetings would provide an opportunity to talk about how to capture synergies among our operations as part of spider web management.</p> <p>I believe that one role of the CEO of Nippon Paint Holdings, as we advance to a new stage, is to be a leader for these types of exchanges of ideas.</p>

Q7	You said you will establish a world headquarters in Shinagawa. At some point in the future, will you move the Japan head office to Tokyo? Also, please explain the functions of the world headquarters.
A7	<p>Tanaka:</p> <p>The world headquarters is Mr. Tado’s idea. We need to strengthen our ability to comprehend and oversee our businesses worldwide now that our group has so many operations outside Japan.</p> <p>We must also build a global auditing infrastructure. Transitioning to a Company with Three Committees Structure, etc. is one step in this direction. More advances are required for our management frameworks and institutions.</p> <p>To accomplish this evolution, I think Tokyo will be the location that can easily maintain ties with overseas operations. Activities regarding the world headquarters are progressing in order to create the capability to oversee our operations worldwide. We plan to make Shinagawa the location of this headquarters.</p> <p>Therefore, this should not be viewed as moving head office functions from Osaka to Tokyo. Instead, just as many Japanese companies that started operations in various regions of the country are doing, I think we will create a dual structure in which both Osaka and Tokyo have head office functions.</p>

Q8	For corporate governance, how do you plan to divide the roles of the chairman and president? For instance, who will be in charge of business operations in Japan?
A8	<p>Tanaka:</p> <p>We use the calendar year for our fiscal year, so the new management structure will begin in January 2020. As a result, Mr. Tado thought that now is the proper timing to announce the change, so we are holding this press conference today.</p> <p>We will switch to a Company with Three Committees Structure in March 2020, assuming that this change is approved at the next shareholders meeting. The Board of Directors is discussing matters involving the specific governance framework we will use after this transition.</p> <p>We plan to make changes in two stages, once each in January and March next year. Announcements will be made as these decisions are made. I have asked Mr. Tado to continue to be my mentor.</p>

Q9	Did Mr. Tado himself decide to become a director rather than the chairman? What is the reason for this decision?
A9	<p>Tado:</p> <p>Our fiscal year begins in January and the shareholders meeting is held at the end of March. I feel that it would be appropriate for the CEO to first retire from office and then take office as director.</p> <p>Announcement will be made after personnel changes are finalized.</p>

Q10	Mr. Tanaka, you have experience in the financial sector but will soon become the CEO of a manufacturer. How do you feel about this change?
A10	<p>Tanaka:</p> <p>During the past six months I have studied Nippon Paint and learned that this organization has many outstanding people. Consequently, my switch to manufacturing does not worry me at all. Even when I was working in the financial sector, I had many relationships with manufacturers.</p> <p>The management of a company is basically similar whether it is the finance, manufacturing or service sector. I believe there is no reason for concern as long as an executive has a firm grounding in the fundamentals of management. Regarding the shift from finance to the paint industry, I would like to point out that the majority of the senior executives of the Chinese operations of the NIPSEA Group, which is performing very well, began their careers in the instant noodle business. The same people who were a success at China's biggest instant noodle company are now successful in the paint industry.</p> <p>In many foreign countries, it is common for senior executives to use their knowledge of the fundamentals of management in different industries. I realize that I still have a lot to learn. However, the Nippon Paint Holdings Group has a large number of people who are very capable of giving me the additional knowledge I will need.</p>

	<p>Tado:</p> <p>Since Chairman Tanaka joined the Company in April, he has deepened his understanding of the Company more rapidly than I had initially expected. Inevitably, there are all sorts of issues facing the Company, but he understands these issues and also the actions that need to be taken to resolve them. I fully realize that these are not the problems that we faced during the period in which I was involved in the paint industry.</p>
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Q11	<p>It is being said that the global paint market is expected to grow, particularly in emerging countries, so are you considering a conglomerate-format business in the future?</p>
A11	<p>Tanaka:</p> <p>Basically, we will continue to keep the focus of our business activities on paints, coatings, and surface treatments. As regards the paint business, there is a view that the Japanese market will not grow significantly. From my own personal perspective, I believe that there is a global population explosion underway, and so this is quite unlike the situation prevailing in Japan. If the population explodes, it will definitely need paint and so I think this is a wonderful industry to be involved in.</p> <p>As we continue to expand globally in the future therefore, we believe that it is a business with a lot of room for growth if we can achieve a firm grasp of the needs of our customers, secure profitability, and concentrate on developing our business. Furthermore, there is a view that Japanese business cannot expect to achieve substantial growth if it continues to do the same things as it is doing now or, at least that it will be difficult to just carry on operating in the same way as before. That said, and although it may just be being optimistic, but I believe that we still have scope to make a breakthrough in the domestic market. I would really like to question a group of 1,000 engineers about the ways in which they think we should set about creating new sources of demand.</p> <p>That said, we will not change the basic strategy for the development of our business which will remain based on our core technologies in paints, coatings, and surface treatments into the future.</p>

Q12	<p>President Tado had previously proposed a policy of acquiring 100% shares of the NIPSEA Group. Did this policy remain the same after Chairman Tanaka became President?</p>
A12	<p>Tanaka:</p> <p>NIPSEA, which currently accounts for about half of our consolidated earnings, is an extremely important group company for us. There are many things that we can learn from the NIPSEA Group, and Japan is strong in technology, and so we would like to continue to strengthen the ties between us in the future.</p> <p>While, on the one hand, we are looking to acquire 100% of the NIPSEA Group, of which we have already acquired 51%, another very big theme for us is the question of how best to promote our dialogue with the capital markets. Now that the Wuthelam Group holds 39% of our shares, we are now thinking, after fully considering the issue of ensuring the protection of the most important minority shareholders, that we would like to consider making it 100%-owned.</p>

Q13	Last year, it was explained that the timing of the 100% share acquisition will be in 2020, but has there been any change since then?
A13	<p>Tanaka:</p> <p>After approval at the General Meeting of Shareholders that is due to be held in March next year, the Company will make the change to a Company with Three Committees Structure. At that time, I think that it would be better, in the interests of protecting minority shareholders, for the ratio of external directors to exceed 50% of the total. As a result, the independence and objectivity of the Board of Directors will be enhanced. With regard to the acquisition of a 100% shareholding, we would like to start considering the issue, once the establishment of the system from the viewpoint of ensuring the protection of minority shareholders has been completed.</p>

Q14	A succession of large-scale M&A projects have already been undertaken, but I would like to ask about your future M&A policies and financing methods.
A14	<p>Tanaka:</p> <p>Regarding overseas acquisitions, a surprising number of approaches emerged from all over the world after I had taken up my post as Chairman, and I realized the high level of attention that our company was receiving in the global paint industry.</p> <p>Going forward, we will determine whether or not to select or implement a project by taking into consideration various factors such as our capital level, procurement capability, credit rating level, and quality of management resources. In analyzing these cases, we will first examine them from the viewpoint of MSV (Maximization of Shareholders Value), which is a philosophy that we strictly adhere to. That said, however, we also want to focus on further enhancing our competitiveness in the global market and on our overall business capabilities.</p>

Q15	Do you have any comment to make on the sale of Axalta, which has been reported in certain media outlets?
A15	<p>Tanaka:</p> <p>We are not considering it at present.</p>

Q16	<p>When Mr. Tanaka took office as chairman, did he have any thoughts of becoming president yourself?</p> <p>I think that your personal circumstances have changed greatly since you resigned as president of JIC. I was wondering what are your own views of the situation.</p>
A16	<p>Tanaka:</p> <p>When I was inaugurated as Chairman, I had no thoughts of being appointed as President. Certainly, there have been a lot of changes in my personal life since my resignation as the President of JIC, but I think that life is only really fun when there are some changes.</p>

Q17	<p>Is the transfer of President Tado to director a provisional measure? And will there be any further changes in the future?</p>
A17	<p>Tanaka:</p> <p>Although I can't talk about the details at this stage, the Company will become an executive officer system by transitioning to become a Company with Three Committees Structure. after receiving approval at the General Meeting of Shareholders.</p> <p>For example, I am currently a Representative Director, but since there will be no Representative Director system in the future, we will need to appoint Executive Officers. The plan is to establish a basic system that will continue to run for one year in January, for the year starting in January, followed by determining the composition of the Board of Directors in March, and will be based on the transition to a Company with Three Committees Structure.</p>

Q18	<p>To a certain extent, it would appear that Mr. Goh of Wuthelam might have had the idea of Chairman Tanaka becoming President. Is this true?</p>
A18	<p>Tanaka:</p> <p>When I was appointed as Chairman, President Tado, Mr. Goh, and the External Directors all addressed me with one voice, and so I decided to accept their proposal. I have a close relationship with Mr. Goh, so when he talked to me about becoming Chairman, I told Mr. Goh that I would not accept any suggestions to push me into the role of Chairman regardless of any disagreements there might be. If the top management group does not speak with one voice, then that management will ultimately end up being shaken, and so I believe that such a management system would not be good for the Company. This is a point that I would like to confirm every time that I talk about this issue.</p>

Q19	Please tell us about your own personal mission and your eagerness and enthusiasm about becoming President.
A19	<p>Tanaka:</p> <p>Looking back at our Company's history, I get very strong sense of that Nippon Paint's mission is very weighty. 138 years have passed since the Company was established, and two year later will mark our 140th anniversary.</p> <p>Mr. Moteki Jujiro, the company's founder, first introduced Western paint technology to Japan, and provided the technology to the Japanese Navy, which did not possess any ship-painting technology at the time, that was the very beginning of our company.</p> <p>It is important to address social issues that confront us and also to provide solutions for them through the use of our technology in areas such as paints, coatings, and surface treatments. Moreover, it is essential not only just to grasp social issues but also social needs in a wide range of different ways, and I think that these challenges also present us with many possibilities.</p> <p>There were many occasions where people like me, who joined the company from outside, got surprised listening to the stories which were taken for granted by the career employees and said "How can you possibly do it!" Since we are rather a "shy" company, there may well be lots of things that we have not talked loud so far, but given the number of amazingly impressive technologies we have to offer, I really want to introduce a much wider range of these technologies into the future.</p>

Q20	How have you been studying and learning, in specific terms, about your company in the six months since you became Chairman?
A20	<p>Tanaka:</p> <p>There are various styles of management. For a long time now, I have been of the view that the "Management by walking around" approach is extremely important, and indeed I have considered myself to be a practitioner, always thinking that, after all, it is impossible to truly understand the work process if you don't actually go into the workplace.</p> <p>I visited a factory in Japan and didn't just take a tour around it but stood right next to the people who were actually working there and asked them various questions and afterwards, I constantly repeated to them, "I won't tell anyone who said what, so I just want you to tell me everything that you really want to say."</p> <p>What's more, I didn't just visit Japan but went overseas as well, and visited some wonderful factories in China, for example, but discovered that the challenges facing the factories in China and Japan were different. You may know, for example, how factories in China conform to stricter environmental standards than Japan and also about the efforts they were making in this area, and may be questioning whether or not it might be possible for that the improvements implemented in China to be used in Japan as well.</p> <p>By constantly repeating this process, I have now come to believe more strongly that the chances of such spider-web-style synergies being able deployed within our own Group are extremely high, and that there is wide range of various possibilities to pursue in this connection. In any case, we are the company whose PBR exceeds three, I believe it alone shows high expectations in the capital markets.</p>