

Launch of New NPAC

~Global integration of automotive coatings business~



October 1, 2020

Nippon Paint Holdings Co., Ltd.

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1. Outline and Strategic Significance of the Realignment

The operational integration includes the acquisition of 100% ownership of Asian JVs

■ Outline and objective

“To realign automotive coatings and motorcycle coatings operations worldwide” (effective January 1, 2021)

“To achieve overall optimization of the automotive coatings business”

1. Position Nippon Paint Automotive Coatings as the global headquarters of the automotive coatings business and consolidate reporting lines
 2. Integrate the automotive coatings business in Asia, as well as the automotive coatings business functions, mainly in Europe and the Americas
 3. Start using the GKAM system* to strengthen the ability to respond to customer needs
- *Global Key Account Managers system

■ Strategic significance

1. Accelerate management initiatives associated with the acquisition of 100% ownership of Asian JVs and the Indonesia business
2. Establish global R&D and sales structures capable of responding quickly to customer needs
3. Step up investments for capacity expansion and productivity improvements at automotive coatings plants in Japan
4. Strengthen the automotive coatings business in Europe and the Americas

Become a customer-centric automotive coatings manufacturer that earns the trust of customers

2. Overview of NPAC

Implement the worldwide realignment of the automotive coatings business

Nippon Paint Automotive Coatings Co., Ltd. (“NPAC”) will be the headquarters of all NPHD Group automotive coatings and motorcycle coatings operations. NPAC will become a company with FY2019 net sales exceeding 150 billion yen^{※1}.

Current organization

NPAC

Effective January 1, 2021 (scheduled)

Name



Nippon Paint
Automotive Coatings
Co., Ltd.

NIPSEA
(automotive related
division)



NPAC
(Nippon Paint Automotive Coatings
Co., Ltd.) the headquarters

Employees



Approx. 3,200



Approx. 2,600^{※2}



Approx. 5,800

Affiliates



34 companies

(including companies in
Europe, Americas, and Asia)



19 companies^{※3}

(in Asia)



53 companies (global)

※1 Figure obtained by adding net sales of automotive coatings and motorcycle coatings in P.T.Nipsea (Indonesia) to NPHD Group's net sales in automotive coatings business in FY2019

※2 Figure including P.T.Nipsea (Indonesia)

※3 Figure including all companies in the automotive and motorcycle coatings business

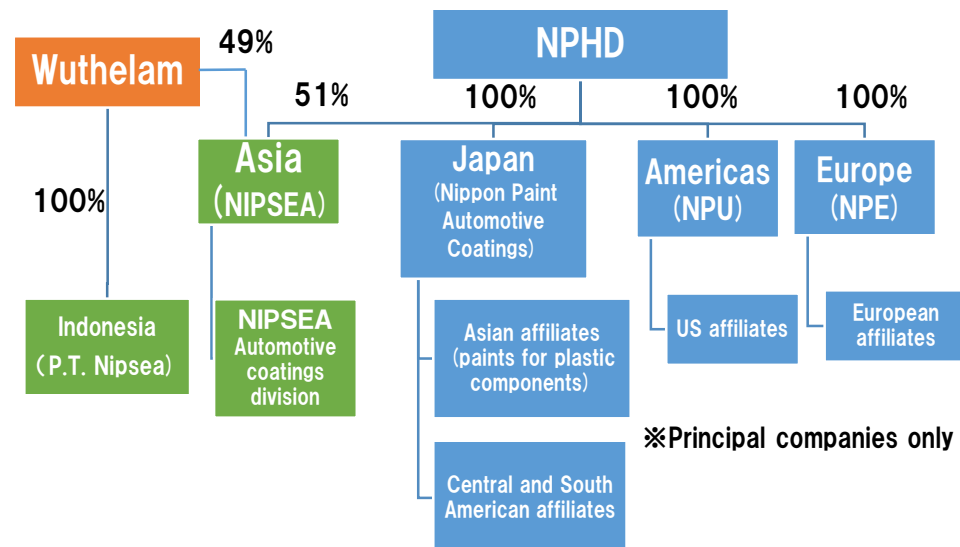
3. Organizational Structure of the New NPAC

To achieve overall optimization of the automotive coatings business

Integrate the automotive coatings business worldwide under the oversight of NPAC
 ~Consolidating points of customer contact to establish a streamlined and efficient operating structure~

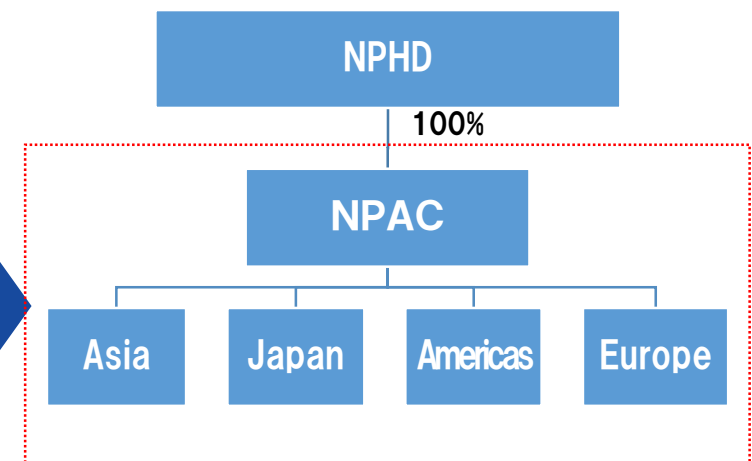
Pre-realignment

As of October 1, 2020



Post-realignment

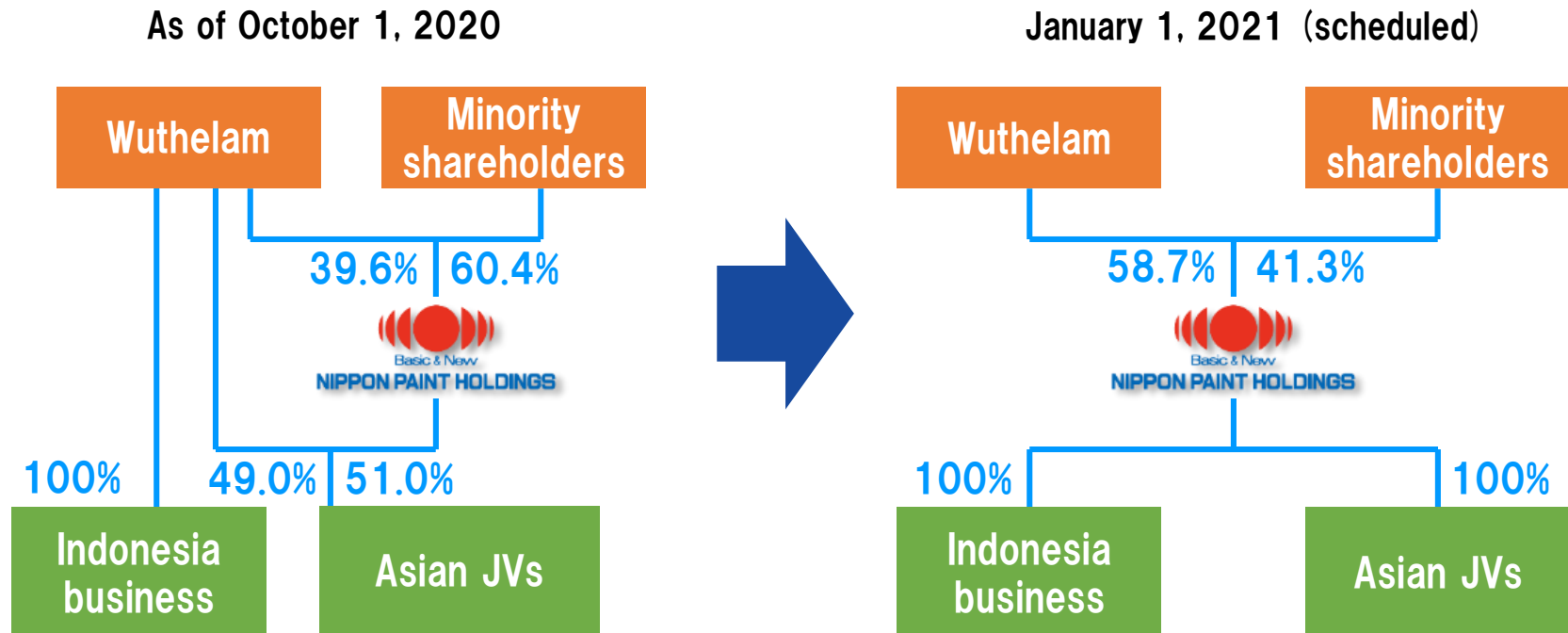
January 1, 2021 (scheduled)



※Nippon Paint Automotive Coatings (“NPAC”) will become the headquarters under the new structure to be launched on January 1, 2021. There will be no change to registered company name.

4. Change in Capital Relationship Following the Acquisition of 100% Ownership of Asian JVs and the Indonesia Business

The capital structure will be simplified for efficient management aimed at maximizing shareholder value



※Shareholding ratio is calculated by using the number of shares issued (excluding treasury stock) as of June 30, 2020 as denominator

5. Key Points of Realignment

Customer-centric organizational structure

To function as a one-stop source of information and services for customers

Enhance customer services

- Start using the GKAM^{※1} and LKAM^{※2} systems
- Respond to automobile industry business model innovation such as CASE^{※3}
- Strengthen R&D based on customers' perspective worldwide

Improve efficiency and productivity

- Aggressively invest in the latest production facilities to expand production capacity and improve the efficiency of plants in Japan, as well as for technology innovation
- Integrate automotive coatings business functions at overseas affiliates
- Integrate procurement, R&D and other operations worldwide

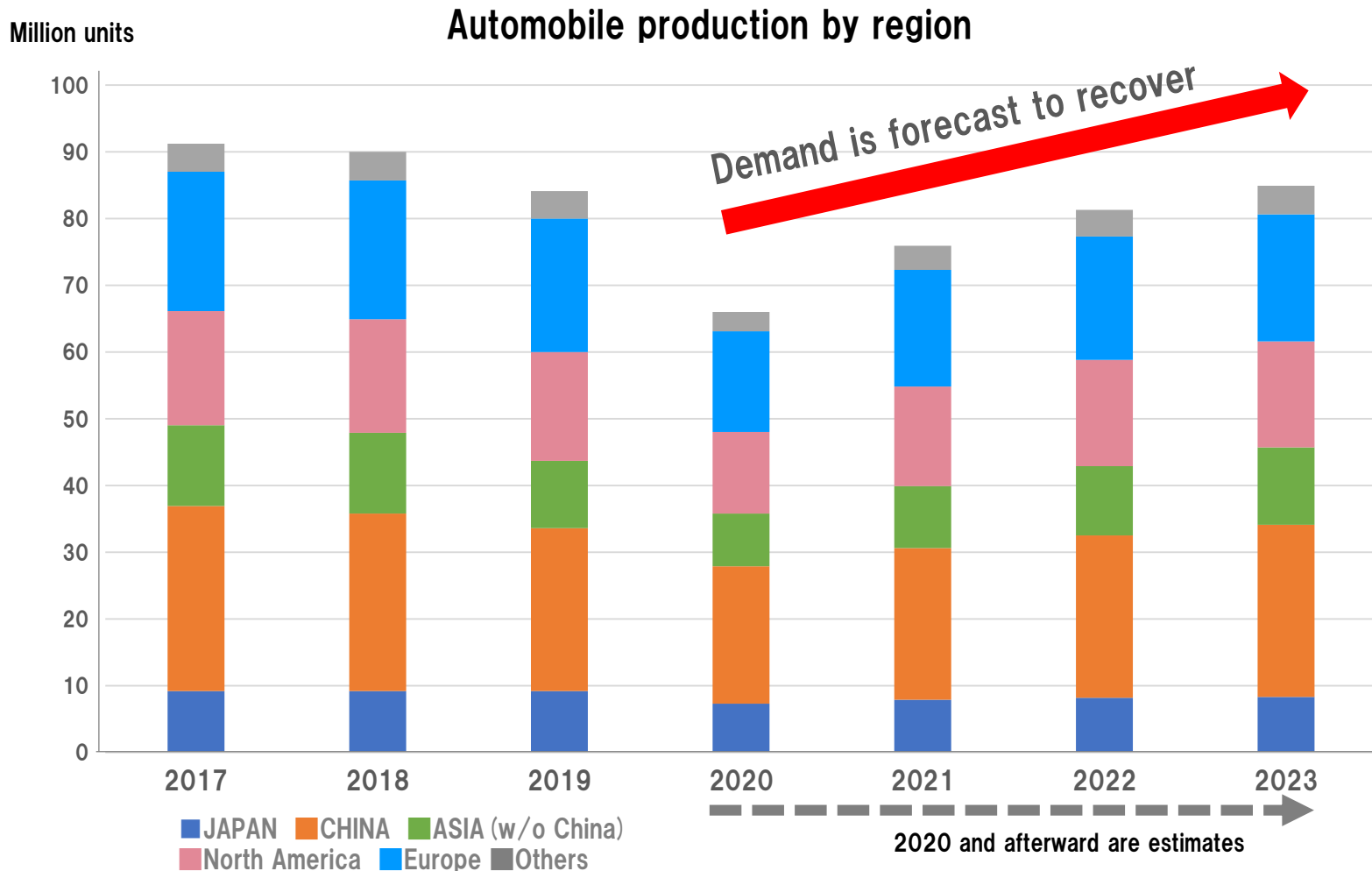
※1 Global Key Account Managers

※2 Local Key Account Managers

※3 Connected, Autonomous, Shared, and Electric

6. Global Automotive Coatings Demand

Global automobile production has been declining due to COVID-19 but is forecast to recover by 2023

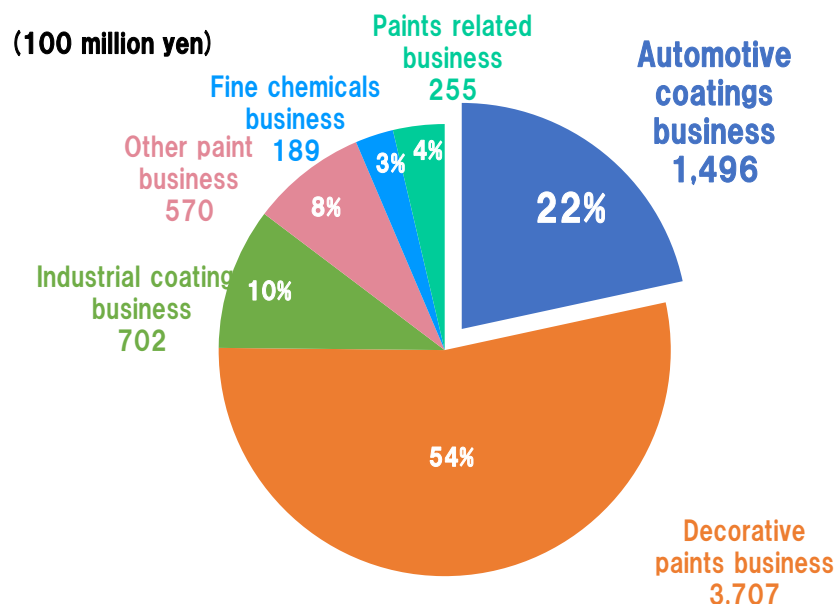


7. Overview of NPHD Group's Automotive Coatings Business

The automotive coatings business has grown along with expansion in Asia to account for more than 20% of the NPHD Group's total sales

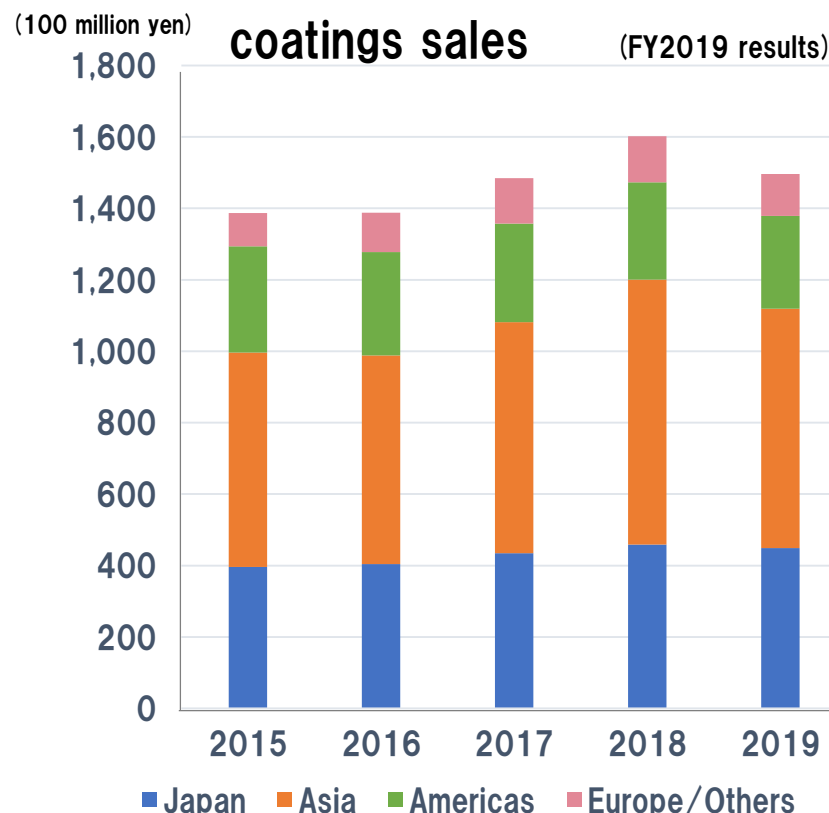
NPHD Group's sales composition

(FY2019 results)



Transition in our automotive coatings sales

(FY2019 results)

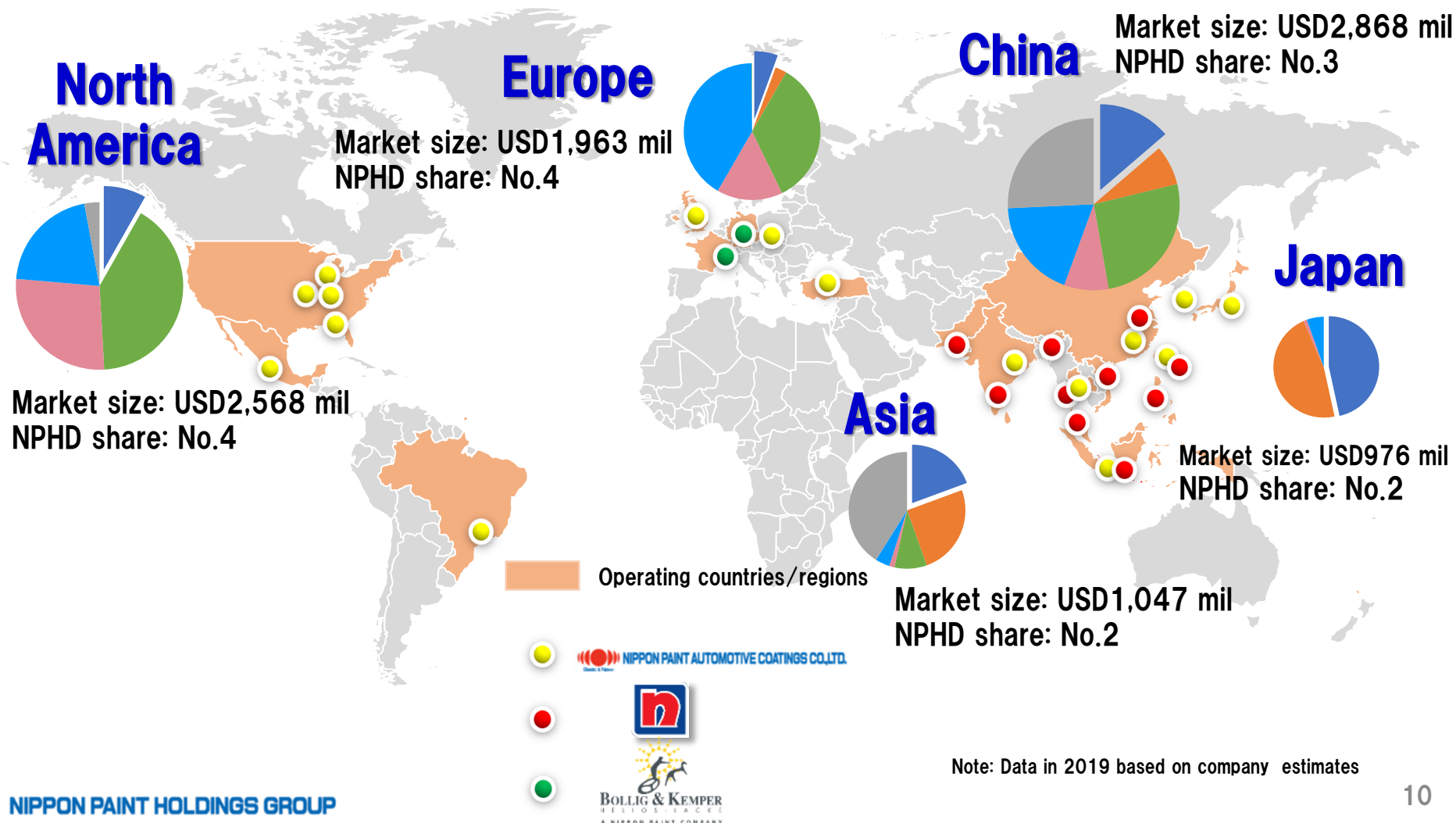


※FY2016 was nine months due to a change in the fiscal year. The above data for FY2016 are pro-forma figures adjusted for 12 months

※Period covered: Apr.-Mar. for 2015, Apr.-Dec. for 2016, Jan.-Dec. for 2017 and subsequent years

7. Overview of NPHD Group's Automotive Coatings Business

Operating in 22 countries and regions centering on Japan, China, and the U.S.
No.3 in global market share



8. Development of Our Automotive Coatings Business -History of Wuthelam and Nippon Paint (NPAU)

Nearly 60 years of partnership in Asia/Progress with the globalization of operations following the 2014 consolidation of Asian JVs

Asian JVs launched

