

We are accelerating our activities in the business segments and ESG fields to achieve the medium-term management plan "N-20"

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Review of the year 2018:

Progress in the mid-term management plan

In fiscal 2018, we were greatly affected by changes in the external environment that exceeded the initial estimates, such as stagnant economic growth due to trade issues between major countries, as well as rising prices of raw materials.

Particularly, our trade-use paint business, which accounts for the largest portion in our business, was significantly influenced by the slowdown of the housing market in China, which is our core region, as a result of the tightening of regulations on housing investment by the government from the previous year. Our activities to procure raw materials were also affected by their continued high prices due to environmental regulations in China as well as increases in the prices of raw materials in Japan, the United States, and other regions. In consideration of those impacts, we revised down earnings forecasts in November 2018 and our performance for fiscal 2018 (the Japanese standards) eventually exceeded the revised plan in both sales and operating income.

On the other hand, with respect to "Strengthen the business in existing segments" and "Accelerate expansion of the portfolio," which are key initiatives of the medium-term management plan "N-20" that sets 2020 as the target year, our strategic measures for the businesses were successful and we made solid progress in "becoming the top leader," a policy in the N-20. Despite the

harsh external environment, we have steadily expanded our market share in our priority regions and priority businesses and I feel that we have taken another step closer to the establishment of an environment where we have a competitive edge.

While the business environment remains severe in 2019, I believe that the situation provides us with opportunities and we would like to steadily expand our market share in the priority regions and priority businesses.

Further promotion of ESG management

In recent years, the three perspectives of Environment (E), Society (S), and Governance (G) have attracted attention as necessary elements for companies to grow sustainably over the long term. While also having those ESG perspectives, Nippon Paint Holdings Group will link the priority management issues to sustainable development goals (SDGs), incorporate them into the strategy of the medium-term management plan, N-20, and steadily implement the strategy to expand the businesses and profits.

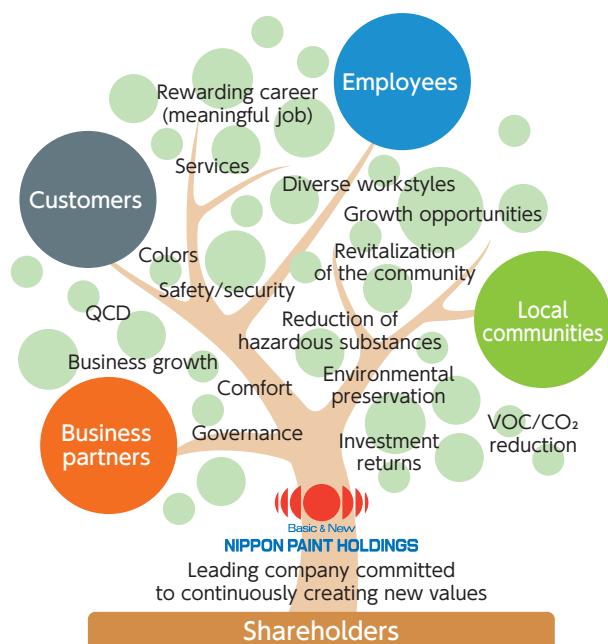
Firstly, on the "E" (environmental) aspect, since paints are used in every scene of our life, we are working to create and disseminate products and services that address environmental problems in all of the areas handled by our Group including automotive, construction, industrial, and marines coatings, as well as surface treatments. We will also help reduce the use of energy and substances of concern both in the paint production process of our Group and in the process using paints at the plants of our customers.

Next, on the "S" (social) aspect, as more than 80% of all employees in our Group are non-Japanese and the Group has diverse human resources with different nationalities, cultural and

Key Initiatives of the medium-term management plan "N-20"

1. Strengthen the businesses in existing segments
2. Accelerate expansion of the portfolio
3. Improve earning capacity
4. Enhance the structure of "Global One Team"

ESG management - the practice of mutual prosperity



living habits, specialties, and experience levels, we aim to develop corporate culture where the expertise and experience of each person can be utilized for the decision making process, work approaches, etc. and everyone respects each other and can work with a sense of security.

Lastly, on the "G" (governance) aspect, we launched a management system where half of the directors are independent directors in March 2018. We are promoting initiatives to separate management supervision from business execution even more than before and transfer authority to the executives to further enhance the transparency of corporate management.

Designation and Compensation Advisory Committee was reorganized into Designation Advisory Committee and Compensation Advisory Committee in March 2018 while M&A Advisory Committee was set up in May 2018. In addition, we established Governance Advisory Committee in April 2019 to start discussions on our future system. Through the discussions, we will build a foundation for our Group to take challenges on a new stage. In 2018, we promoted the dissemination of the management philosophy composed of Mission, Vision, Value, and Way, which was re-established over the entire year of 2017, within the Group. We will continue to promote the sharing of the new management philosophy and also aim to establish a robust governance system that helps us address global competition through the setup of an RHQ system, which is currently under consideration.

The state that the Group would like to be in 2030 and the state that the Group should become in 2020 have been set based on this management philosophy. We are actively promoting the dissemination of the philosophy on a global scale because we consider that it is also of great significance for group governance and compliance.

For the achievement of the medium-term management plan: Initiatives to reform the culture

We recognize that the reform of the culture to create a better company through concerted efforts of all employees is an urgent task to ensure that we can achieve the medium-term management plan and realize sustainable growth of the company. We consider that it is very important to become a company where all employees can work comfortably and demonstrate their respective diverse skills to the full extent possible and also to develop the strength to deal with external factors.

All employees will be actively committed to work style reforms and work efficiently so that they can create surplus time and use it for self-development and other activities to enhance their individual abilities and value. The company will also provide personnel programs that assist such efforts as well as a mechanism that supports diverse work styles. We are thus working to establish a cycle where the growth of employees leads to the growth of the company. Specific programs to support diverse work styles include a program to take holidays for one full week (one-week holiday program) and the flexible working system, which have already been operated in Japan. In 2019, we plan to introduce a system for employees to take annual paid holidays by the hour and the teleworking system, as well as a system for employees to have a certain amount of rest between working days on a trial basis.

The culture cannot be reformed only with the top-down approach. How we can involve employees, change their awareness and attitude and disseminate the culture among them is important. I will also encourage employees to reform the culture through the transmission of information and communication within the company. We will be strongly committed to efforts to become a leading company committed to continuously creating new values so that all Group employees can start the year 2030 with their heads high.

Our Group will provide new values to stakeholders through business activities and strive to make decisions with a constant awareness of the maximization of shareholders' value and implement a strategy based on them in order to achieve the maximization, which is a pillar of the medium-term management plan, N-20, and sustainable growth. Activities to reform the culture are also vital to achieving it.

I ask for your continued support for the Nippon Paint Holdings Group, which will be further increasing its presence on a global scale.

Tetsushi Tado
President & CEO