



Basic & New

NIPPON PAINT HOLDINGS

Integrated Report

2016

Year Ended March 31, 2016



Management Philosophy

The Nippon Paint Group is committed to contributing to the welfare of society as a whole through its business activities, working together for the mutual prosperity and benefit of everyone.

Group Vision

We will deliver satisfaction and deep impression to our customers by providing excellent specialty chemicals products and services, centering coatings technology

We will grow globally based on respect for the cultures and values of entire world

We will pursue corporate culture that accumulates people with challenging spirits and enthusiasm

Editorial Policy

We have started issuing the "Integrated Report" since FY2016.

Our Report shows efforts to improvement of corporate value, management policy, business strategy, as well as initiatives that Nippon Paint Group becomes a "Global Paint Major".

The period covered and scope of the report

This report covers the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016). However, some information from before the target fiscal year and after April 2016 is also included in the report as necessary. The scope for compiling data is the same as the scope of consolidation.

Corporate Profile

Name: Nippon Paint Holdings Co., Ltd.

Head Office: 2-1-2 Oyodo Kita, Kita-ku, Osaka 531-8511 Japan
Tel: (+81) 6-6458-1111

Founded: March 14, 1881

Capital: 78,862 million yen

Employees: 241 (Unit), 16,498 (Consolidated) (as of March 31, 2016)

Representative: Tetsushi Tado, President & CEO

Our Businesses: Establishment of group strategies, management of group companies (Nippon Paint Holdings)
Manufacturing and selling paints and fine chemicals
(Each operating company)

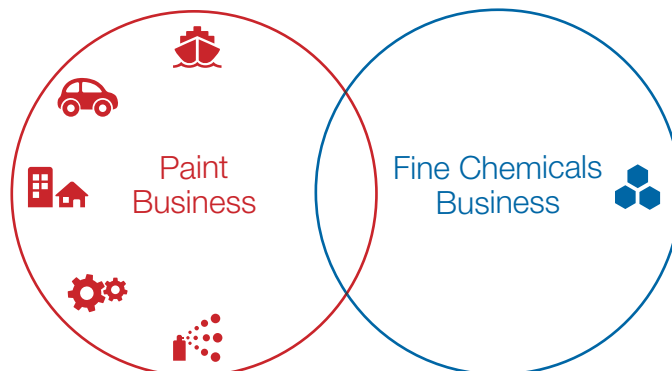
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Business and Markets

Nippon Paint Group operates a paints business and a fine chemicals business. Nippon Paint Group is an comprehensive paint manufacturer that offers a broad variety of products and services, ranging from high quality and high-functionality paints, surface treatment agents that provide functionality in materials in the pre-painting process, eco-friendly products, and systems proposals to improve paint process efficiency.



Paint Business



Trade-use paints and House paints

● Major sales regions

We provide paints used at a wide variety of construction sites, including for detached houses, buildings and bridges. Of course, eco-friendly paints are part of our product line-up, as are paints that increase functionality, including paints that protect structures from corrosion.



Automotive coatings

● Major sales regions

Complete line-up of high quality and highly functional paints for the entire spectrum, covering from undercoat body paint to primer coat and top coat paints.



Industrial coatings

● Major sales regions

Provide pre-coat and post-coat paints for broad industrial areas, such as construction machinery, agricultural machinery, exterior building materials, office equipment and home electronic products, and highly functional paints, such as powder paints that do not include solvents. We continue to expand the market regions we target in Asia.

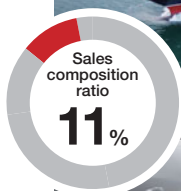
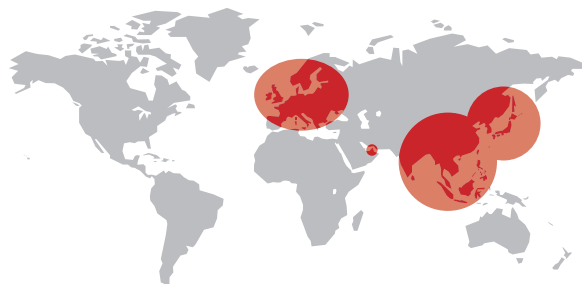




Marine coatings

Developed ultra fuel-saving antifouling paint offering superior fuel economy and complied with global environmental regulations in the shipbuilding and marine industry. This paint has been recognized for its functionality and is used by a total of more than 1,800 vessels.

● Major sales regions



Auto refinish paint

Using cutting-edge technologies cultivated for new automobile coatings, we developed proprietary automotive refinish paints appropriate for refinishing. These paints help reduce the burden on the environment and lead to a more efficient refinishing process.

● Major sales regions



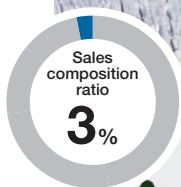
Fine Chemicals Business



Surface treatments

Surface treatments are required for a broad spectrum of industrial applications. We develop advanced products, such as surface treatments with an affinity to paints and functional thin-film paints that serve the needs of various customers.

● Major sales regions



Fine products

There is a need to look for products that contribute to society's needs and offer solutions from a global perspective. We develop products that utilize advanced technologies, such as UV-curable coating materials and ultrafine organic particles.

● Major sales regions



Business Strategy and Strengths

Nippon Paint Group has outlined objectives that seek to realize a medium- to long-term vision for continuous growth as a global company.

We have taken up the challenge of becoming a “Global Paint Major” that stands shoulder-to-shoulder with the world's leading manufacturers.

We are particularly focused on China, where we expect further business growth. Nippon Paint Group has strong brand recognition and a sales network across the entire country.

* NIPSEA
Abbreviation for Nippon Paint South East Asia, which manages businesses in Asia

Laying the groundwork

2014

Started strategic alliance with NIPSEA*

Expanding Growth

2017

(Medium-term)

Will have established a foothold to acquire a leading position in strategic businesses and regions

To be a Global

We have positioned China as the most important market where we will continue to expand market share for our trade-use paint products

Reasons for positioning China as the most important market

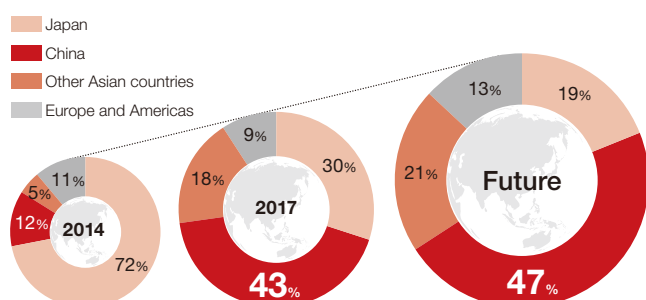
Asia accounts for roughly 40% of the global paint market. We believe that the market has opportunities for further growth. In Asia, particularly in China, while economy growth is said to be slowing, the paint market continues to experience strong growth.

We established LiBang, a local Chinese subsidiary, in 1992 and it has been posting remarkable results. We expect this business to further expand and have positioned China as our most important market.

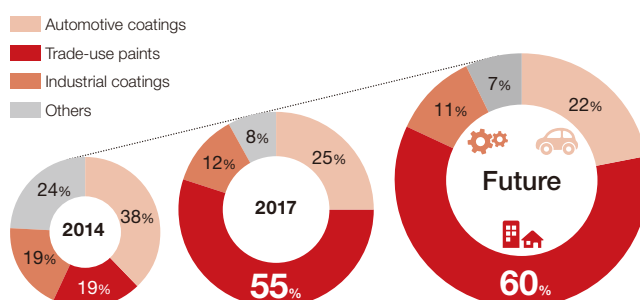
Concentrate on trade-use paint business (mainly construction paints)

Trade-use paint products occupy roughly 40% of the global paint market. They are highly profitable and the scale of the market in China—our most important market—is significant. It is also expected to further expand. LiBang has a large market share, particularly for Trade-use paint products (29% share of DIY interior paints for consumers in 2015.) and should continue to grow going forward.

Sales composition plan by region



Sales composition plan by business



Aim to be
the global
market leader

Global Paint Major

From **2020**
(Long-term)

Will have attained a leading
position in strategic businesses
and regions, and built
a foundation for growth

Our coating and related businesses
will have attained a leading position
in each global region, and
built a foundation for growth.

Management philosophy and vision

Paint Major

Strengths in trade-use paints in China

We have had a business partnership in Asia with Singapore-based Wuthelam Group (hereafter “Wuthelam”) since 1962. Stemming from the relationship of trust we have enjoyed with Wuthelam over several long years, we have been developing our businesses in China and Asian countries by taking advantage of our respective strengths: Nippon Paint is in charge of product technology and Wuthelam is in charge of developing a sales network.

Our strengths in China are supported first and foremost by our brand value. We established our business in China prior to the spread of interior paints. LiBang gained significant recognition and built a reputation for reliability in China using aggressive advertising and high quality products. In a brand reputation survey conducted by an British marketing company every year, LiBang has been the only brand selected as a Big Six brand five years in a row. Furthermore, according to our company’s survey, LiBang’s Net Promoter Score (the ratio of buyers who recommend LiBang service to a third party minus the people who do not recommend its services) improved from 65% in 2014 to 98% in 2015.

As 75% of LiBang’s trade-use paints are B2C (business to consumer), strong brand value with consumers is very important to expand sales.

To further enhance brand value going forward, we will strive to further strengthen our eco-friendly technologies and improve reliability as a company such as CSR activities.

Our second strength is our sales network. We have been working to create sales channels since LiBang’s inception, and

now have more than 40,000 exclusive stores and multi-brand stores, and plan to further expand our sales network.

Major initiatives—Investment and M&A

To further strengthen our position in the Chinese market, Nippon Paint Group will continue to aggressively pursue capital investment in China. Over the next three years, we will invest roughly ¥30 billion of the ¥50 billion that we have planned for capital investment. This capital investment is meant to increase production capacity. We will establish nine new production sites for construction paints, starting with two large-scale plants, and will make capital investments in response to greater demand for eco-friendly products and environmental regulations.

Our M&A strategy covers businesses in all areas related to paints, and aims to complement and generate synergy with our existing businesses. We are particularly interested in M&A opportunities in China. In China, we plan to implement a “complementary M&A” strategy, whereby we seek collaborations with manufacturers that possess the ability to project their strengths in certain fields. At the same time, Nippon Paint Group remains committed to establishing a second pillar, and is examining M&A opportunities while evaluating the balance between regions and businesses.

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

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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%



● 2011-2014 store openings	44 cities
● 2015 store openings	17 cities
● 2016 new store openings (as of May 2016 planned 115 cities in 2016)	14 cities

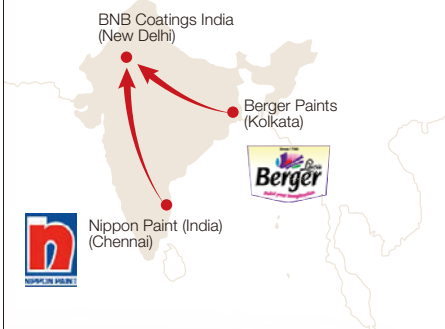




Expand alliance area with Berger Paints, the second largest paint manufacturer in India

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



Message from CEO



Tetsushi Tado

President & CEO
Nippon Paint Holdings Co., Ltd.

Profile

Tetsushi Tado was born in Hiroshima Prefecture in 1952. After graduating from Faculty of Economics at Doshisha University, he joined a medical equipment trading company and later a foreign ship engine manufacturer. In 1983, he started working at the Nippon Paint's subsidiary, Nippon Bee Chemical Co., Ltd. (presently Nippon Paint Automotive Coatings Co., Ltd.) mid-career and had been involved in sales ever since. Then in 2006, he was appointed as Director and Executive Officer, and oversaw the restructuring of a local North American subsidiary in 2007. He was appointed as president of Nippon Bee Chemical in 2009, and entitled an additional title, Director and Senior Executive Officer of Nippon Paint, in 2013. Following the transition to a holding company structure in October 2014, he was appointed as President and CEO when the Group was reorganized based on business segments into a new four company structure in April 2015.

Pictured at the Company Museum

Dedicating to the challenge of becoming a “Global Paint Major”

Fortifying our partnership with the Wuthelam Group

Nippon Paint Group has supported the development of domestic and overseas industries and lifestyles as an comprehensive paint manufacturer throughout the course of its 135 year history, beginning with its founding in 1881.

In October 2014, we transitioned to a holding company structure to promote optimal management and enhance the independence of our business operations. To ensure solid growth in the Asian region, in December 2014 we deepened our 50 year partnership with the Singapore's Wuthelam Group (hereafter “Wuthelam”) and consolidated the majority of our joint ventures in Asia that sprung from our partnership by converting them to subsidiaries.

The catalyst to consolidate our Asia businesses was the fall 2008 financial crisis.

It is not an exaggeration to say that the crisis period was the greatest danger we faced since our founding, and it was necessary to undertake drastic measures for our survival. For six years, starting from FY2009, the Group worked as a team to develop a resilient profit structure and build a sound management foundation.

To quickly advance the growth strategies developed by this foundation, rather than separately pursuing growth in Japan and in Asia, a consensus was reached to collaborate with our partner Wuthelam to leverage our respective strengths and expertise, and through the maximization of our competitive advantages, strive to become a leading global manufacturer. That is, we resolved to walk hand-in-hand in the pursuit of global growth, resulting in a unique business scheme for which there is no global precedent.

This strategy has allowed us to solidify our position as the largest paint maker in Asia while further deepening our relationship with Wuthelam. Presently, both companies are completely united in an effort to “grow together while securing a foothold in the Asia market.”

Mid-term Management Plan Launching “Survival Challenge: Stage III”

The consolidation of some of our Asia businesses resulted in a dramatic improvement in sales to ¥535.7 billion and an operating income of ¥71.4 billion in FY2015. In terms of scale, it was a year of significant growth. That said, I believe that we are presently merely in a state of transition, and are still far from achieving what we view as our ideal state.

In April 2015, to facilitate faster and more dynamic decision-making and business management in line with the growth models for different regions and businesses, we divided and realigned our core businesses into four business domains. Under a holding company structure, Nippon Paint embarked on a new start built around four business companies that focus on specific fields: automotive paints, Industrial-use paints, trade-use paints, and surface treatments.

Furthermore, the company launched a medium-term management plan dubbed “Survival Challenge: Stage III” (hereafter “SC III”) with FY2017 as its final year. Although SC III targets sales of ¥700.0 billion and operating profit of ¥105.0 billion, its main priority is to transform Nippon Paint into a “Global Paint Major.” We have been striving to put in place the foundation to realize this ambitious target throughout the three years of the medium-term management plan.

Further strengthen our position in the Chinese market

One of the most important priorities among the growth strategies outlined in SC III is “strengthening our position in the Chinese market.” Although there are indications that economic growth in China is slowing, GDP growth remains above 6%, a high level. This means China will continue to be a highly attractive market. Earnings growth at our China businesses has exceeded GDP growth in recent years: sales in the previous fiscal year (local currency basis) grew 14%; this number, which exceeded the country's growth rate, affirmed the robustness of our China businesses.

Going forward, our China businesses will mainly focus on implementing three initiatives.

Message from CEO

First, expanding market share. Last year, we increased our market share to 29% of the DIY market (housing interior paint), and as part of our plans to boost our share to 40% by 2020, we will expand our sales channels to include 3,900 exclusive stores and 62,000 multi-product stores by FY2018.

Second, develop the capability necessary to offer one-stop service. We believe that the Chinese market is showing an increasing preference for “quality and service,” rather than “price,” and we plan to offer comprehensive services that range from interior design, paint selection and coating specification and other consulting to process and construction management and after sales services. We already have 44 “antenna shop” stores in China offering such services, including in Shanghai, and plan to increase the number of these stores to 115 by the end of this fiscal year. These stores enable us to reach customers and quickly respond to market changes as they can gauge changes in customer needs.

The third is to be responsive to Chinese environmental regulations. Our production capacity in China is set to peak in 2017, and we plan to reconstruct our production facilities while adhering to the environmental regulations. Our integrated, local and specialized plants are all part of our overall production supply chain in China, and we plan to increase our integrated plants from five to seven, and specialized factories from 17 to 25 by FY2018.

Proactively pursue M&A to compete globally

We have set aside ¥300.0 billion for M&A aimed at expanding our businesses and plan to proactively pursue M&A opportunities.

M&A is not solely aimed at expanding sales as our overall goal is to enhance corporate value. Presently, we are examining targets that complement existing businesses and that will produce synergy in Asia, with a particular interest in opportunities in China.

Of course, a business structure heavily oriented to China poses certain risks. As such, we are also interested in expanding our businesses in international monetary blocks that are not sensitive to fluctuations in the Renminbi. This strategy will allow us to develop a robust business structure that achieves a balance between China and other regions.

In January 2016, we converted Bollig & Kemper GmbH & Co. KG (B&K), a German automotive OEM coatings manufacturer, to a wholly-owned subsidiary. We had strengthened our relationship with B&K through jointly setting up an automotive paint distributor in China and other initiatives. This move provides us with a solid foothold in Europe and is part of

our efforts to become a paint maker that competes globally.

Following an initial investment in B&K in 2013, Nippon Paint has gradually acquired more shares in the company over several years, helping to facilitate its conversion to a wholly-owned subsidiary. B&K's consolidation is an incremental step in our efforts to increase our understanding of the European market and businesses. Europe has a long history and even though Japan also operates according to capitalist logic, initiatives may still stall. We believe it is important to take meaningful steps forward to benefit from globalization that is shaped by actual conditions.

Though Nippon Paint Group will continue to focus on services for Japanese automobile manufacturers, the reality is that Japanese automobile manufacturers combined make up only approximately 23% of global production. The remainder comprises European and North American manufacturers. In light of this fact, we will aggressively exploit opportunities in markets that offer the possibility of increasing our market share.

Utilize the capabilities and experience of each employee

Nippon Paint Group will strive to enhance collaborations among the group, and will continue to focus on our human resources strategy to maintain our competitive edge.

In April 2016, we established a Diversity Promotion Unit within the Human Resources Department, and aim to increase the number of women in key positions by 10% by 2025. At the same time, we will continue to proactively recruit non-Japanese employees and utilize the capabilities and experience of each employee as we work to create a personnel recruitment system that places employees in suitable roles. It is no easy feat to transform the disposition of Japanese people to make them more global-oriented as Japanese people are almost natural introverts and do not easily interact with different cultures. Nevertheless, we believe it is critical to break out of the prototypical group-think mindset and take up the challenge of becoming a “Global Paint Major.”

Furthermore, we will continue to promote younger bring out new ideas at our businesses. We launched project teams in April 2016 headed by leaders in their forties that will work to optimize the operations of both the entire Nippon Paint Group and business divisions at each of our companies. We set up specific teams to “revamp production,” “upgrade our operations management systems,” and “strengthen our governance framework,” which are initiatives that are relevant across the entire Group. We have set a one year target to achieve these initiatives, with team leaders working alongside the heads of each group company and various functional

departments as they undertake the responsibility of transforming the group.

By promoting capable personnel of achieving these objectives, we aim to change the mindset of our company. We will create a corporate culture that encourages each person to take his/her own initiatives, and will continue our efforts to build an organization capable of competing globally.

The qualities of a Global Paint Major

The Nippon Paint Group's overarching goal, beyond pursuing the present medium-term management plan, is to become a company that stands shoulder-to-shoulder with top Global Paint Manufacturers boasting significantly more than ¥1 trillion in sales. However, this does not simply mean pursuing higher sales, but must be achieved after cultivating an environment that gives us a competitive edge in terms of management efficiency, management strategy, corporate culture, organizational structure as well as employee guidelines and other areas. These are the requirements the Nippon Paint Group must satisfy to become a Global Paint Major.

The Nippon Paint Group was founded 135 years ago. There are several thousand companies in Japan that were founded more than 100 years ago, but I wonder how many these time-honored companies have made the commitment to expand globally. We do not wish to be a company that only finds value in existing. It is therefore important to

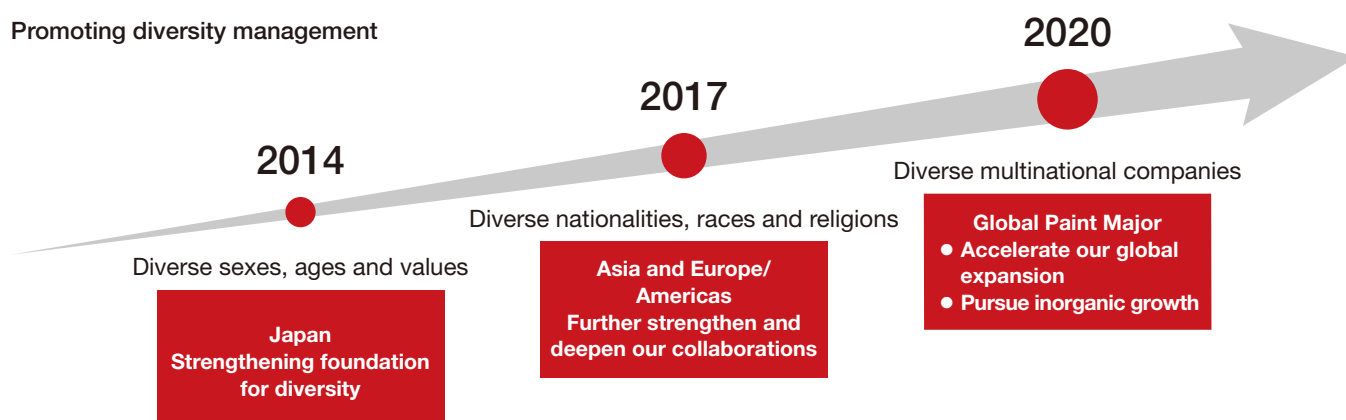


enhance our corporate value and maximize our potential.

There will be no turning back once we assume a global posture, nor do we plan on turning back. We envision a never-ending battle and are making the necessary preparations.

The Nippon Paint Group is working as a single unit as it strives to foster new growth and further enhance corporate value. We therefore ask for the continued consideration and support of our investors and shareholders.

Promoting diversity management



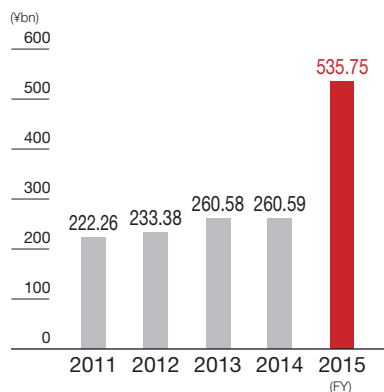
Create diversity that is not observable (intellectual diversification) using diversity that is observable, such as age, sex and nationality.

Financial Highlights for FY2015

(as of March 31, 2016)

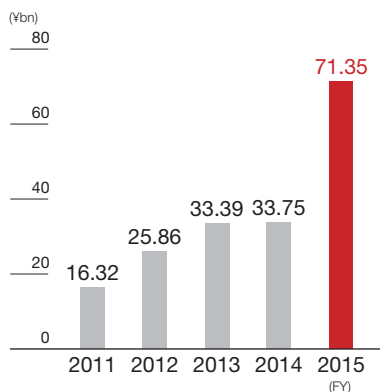
Net sales

¥535.8_{bn}



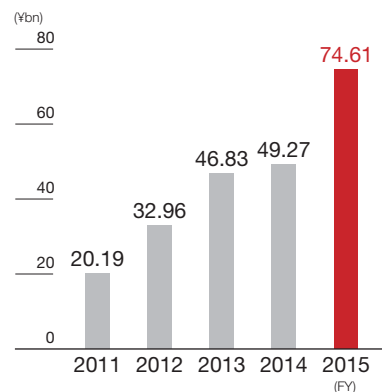
Operating income (profit)

¥71.35_{bn}



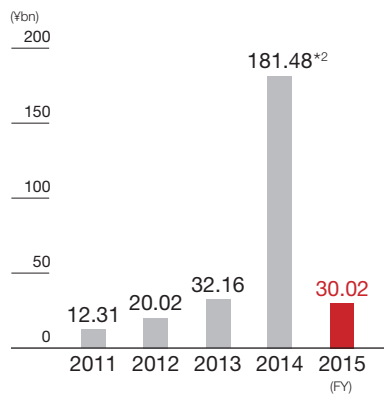
Ordinary income

¥74.61_{bn}



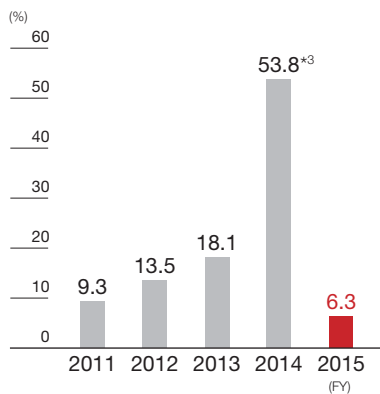
Net income*1 (profit)

¥30.02_{bn}



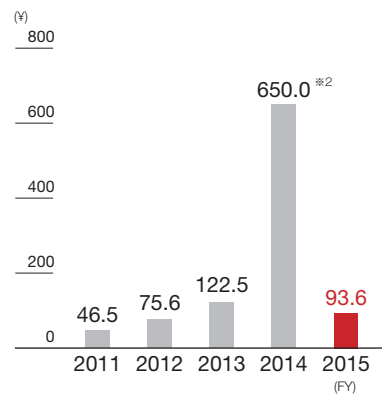
ROE

6.3%



Net income per share

¥93.6



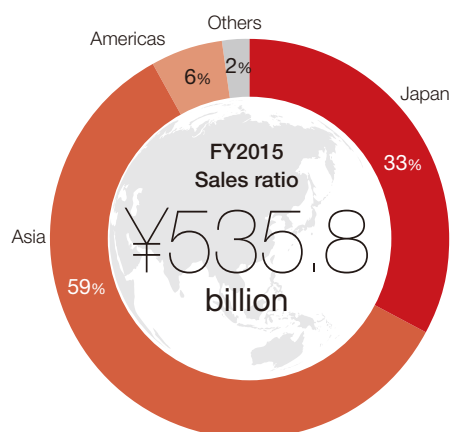
*1 Profit attributable to owners of parent

*2 Due to the booking of an extraordinary profit of ¥148.8 billion (gain on step acquisitions) in the third quarter of fiscal 2014 because of the consolidation of equity method affiliates in the Asian region.

*3 ROE is 9.7% when the extraordinary profit mentioned above is subtracted from net income.

		2015	2014	2013	2012	2011
Net sales	(Billions of yen)	535.75	260.59	260.58	233.38	222.26
Operating income	(Billions of yen)	71.35	33.75	33.39	25.86	16.32
Share of profit of entities accounted for using equity method	(Billions of yen)	1.12	14.10	11.27	4.89	4.33
Ordinary income	(Billions of yen)	74.61	49.27	46.83	32.96	20.19
Net income	(Billions of yen)	30.02	181.48 *2	32.16	20.02	12.31
ROE	(%)	6.3	53.8 *3	18.1	13.5	9.3

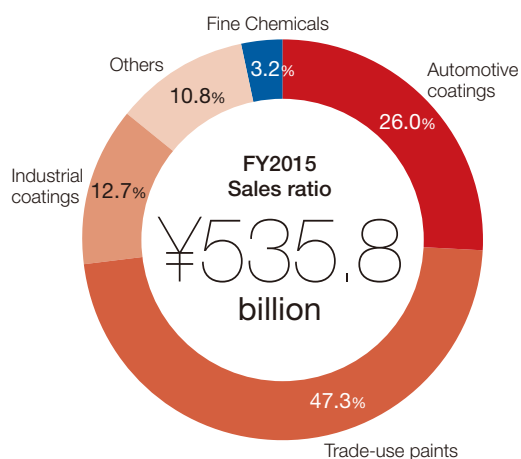
Consolidated net sales by region



		(Billions of yen)				
		2015	2014	2013	2012	2011
Japan	Net sales	174.28	187.20	187.48	174.52	172.33
	Operating income	57.29	34.23*	27.02	22.44	15.27
Asia	Net sales	317.40	43.87	45.71	37.07	32.40
	Operating income	37.75	4.53	4.26	2.45	1.36
	Equity in earnings of affiliates	1.20	14.18	11.27	4.89	4.33
Americas	Net sales	33.16	25.79	23.55	19.14	15.08
	Operating income	5.18	2.69	1.98	0.92	-0.28
Others	Net sales	10.91	3.72	3.84	2.65	2.45
	Operating income	-0.90	0.07	0.08	-0.08	-0.04

• Due to the transition to a holding company structure in October 2014, dividends income from overseas group companies were booked as operating income for Japan segments.
(Dividends mentioned above were ¥7.8 billion in the second half of fiscal 2014 and are forecast at ¥300 million and ¥26.7 billion for first half and full year 2015, respectively).

Consolidated sales by business segment



		(Billions of yen)				
		2015	2014	2013	2012	2011
Paint Business	Automotive coatings	138.76	93.35	92.51	81.29	72.41
	Trade-use paints	253.35	45.79	50.06	43.77	39.76
	Industrial coatings	68.28	46.45	47.56	43.64	42.13
	Others	57.97	59.50	55.81	51.69	54.50
	Sub-total	518.36	245.09	245.94	220.39	208.81
Fine Chemicals		17.38	15.50	14.64	12.99	13.45
Total		535.75	260.59	260.58	233.38	222.26

Investments and other expenses

(Billions of yen)					
	2015	2014	2013	2012	2011
Capex	19.03	5.13	5.98	5.11	3.55
Depreciation	16.18	5.90	6.11	6.42	7.53
R&D expenses	15.18	5.99	5.92	6.02	6.57

Consolidated cash flow

(Billions of yen)					
	2015	2014	2013	2012	2011
Cash flow from operating activities	63.10	34.42	26.92	31.85	22.48
Cash flow from investing activities	-5.31	-86.97	-7.17	-6.92	-3.71
Cash flow from financing activities	-24.70	85.30	-21.03	-18.74	-11.94

Analysis of Operating Results

During the fiscal year ended March 31, 2016, net sales of NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) increased by 105.6% from the corresponding period of the previous year (the “previous year”), to ¥ 535,746 million, due to the acquisition of equity of joint venture companies in the Asian region (making them into subsidiaries) in the previous year. Operating income increased by 111.4% from the previous year, to ¥71,352 million, as a result of the effects of acquiring equity in the joint venture companies and the recording of related amortization expenses for goodwill and intangible assets in selling and administrative expenses. Ordinary income increased by 51.4% from the previous year, to ¥74,606 million. Profit attributable to owners of parent decreased by 83.5% from the previous year, to ¥30,020 million partly due to posting of gain on step acquisitions of ¥148.8 billion as extraordinary income during the previous year, following the conversion of the aforementioned companies into subsidiaries.

Results by business segment are as follows. Overseas group companies, with the exception of some companies, adopt a December fiscal year-end, and a corresponding period for the period ended March 31, 2016 is from January to December 2015.

Japan

In this region, as a result of efforts to expand market share amid the decreasing number of automobiles manufactured, net sales of automotive coatings remained at the same level as the previous year. As for industrial coatings, in line with a decline in market conditions, decreased sales of coatings for construction materials and construction machinery and other factors led to lower net sales compared to the previous year.

With respect to trade-use paints, while performance has been weak in the overall market, owing to efforts in sales promotion activities including new products, net sales increased compared to the previous year.

As a result of these factors, net sales for the Japan segment decreased by 6.9% from the previous year, to ¥174,280 million. Operating income increased by 67.3% from the previous year, to ¥57,287 million due to the transition to a holding company that occurred on October 1, 2014 leading to the recording of dividend income from overseas group companies (recording ¥28,127 million for the fiscal year ended March 31, 2016), and continued activities to reduce costs. All of this dividend income is eliminated as an internal transaction under “Inter-segment transaction eliminations and other adjustments.”

Asia

In this region, net sales and operating income increased substantially due to the acquisition of equity of joint venture companies in the Asian region (making them into subsidiaries) during the previous year. Particularly, in China, the core region of the Asia segment, net sales were robust for trade-use paints such as paints for housing interiors. However, due to making the companies into subsidiaries, share of profit of entities accounted for using equity method decreased.

As a result of these factors, net sales for the Asia segment increased by 623.5% from the previous year, to ¥317,396 million, operating income increased by 733.3% from the previous year, to ¥37,748 million, and share of profit of entities accounted for using equity method decreased by 91.5% from the previous year, to ¥1,203 million.





Americas

In this region, net sales increased due to an increase in the number of automobiles manufactured. Furthermore, in addition to reduced expenses for the import of raw materials from Japan due to a strong dollar (a weaker yen), continued activities to reduce costs led to a significant improvement in profitability.

As a result, net sales for the Americas segment increased by 28.5% from the previous year, to ¥33,156 million, and operating income increased by 92.8% from the previous year, to ¥5,177 million.

Other

Net sales for this geographic segment increased by 193.3% from the previous year, to ¥10,912 million due to the consolidation of a German paint manufacturer, Bollig & Kemper GmbH & Co. KG (B&K), and operating income or loss amounted to a loss of ¥897 million (income of ¥69 million in the previous year) partly due to an increase in amortization of goodwill.

Outlook for FY2016 (as of September 30, 2016)

Since the Company plans to change its fiscal year-end in the next period (period ending December 31, 2016), consolidated performance outlook for the next period is for the nine-month period from April to December for the Company and subsidiaries with fiscal year ending March 31 and is for twelve-month period from January to December for subsidiaries with fiscal year ending December 31.

Domestically, although a moderate economic recovery is expected, the future remains uncertain. Under such circumstances, for automotive coatings, amid forecasts for automotive production to increase slightly, the Company will aim to increase market share and enter new markets for parts manufacturers. We will continue efforts to increase our trade-use paints market share in the next fiscal year by moving forward with the introduction of new products to the market that match customer needs, and aim to establish a reputation in important markets through measures such as introducing new products to the market for residential materials coatings in industrial coatings.

Additionally, while price fluctuations in crude oil and naphtha are unpredictable, the three low-price strategies the Group has been pursuing (design / procurement / production) will continue to be implemented, ensuring profits by working toward the continued reduction of costs.

In Asia, deceleration is forecast to continue in emerging markets, mainly in China. Under such circumstances, the Company will work to share business strategies with the NIPSEA Group (*), which is operated together with Singapore's Wuthelam Group, our joint venture partner for 50 years, and by executing business operation as a unified group, aim to further increase added-value for products and services in the region. Additionally, in China, which serves as the core market, the Company will continue with efforts to reduce raw materials costs under the Chinese Survival Challenge (Lean for Growth), achieving cost competitiveness and creating and rousing demand against a backdrop of high brand strength.

In the Americas, which is centered on automotive coatings, it is forecast that automotive unit production will continue to trend favorably, and the Company will aim to maintain and expand net sales and profits. In other regions, it is forecast that automotive unit production will trend strongly in Europe, and through B&K newly consolidated in April 2015, the Company will aim to expand market share and improve profitability.

As a result of the above factors, our outlook for next fiscal year's consolidated business performance is ¥500.0 billion in net sales, ¥71.0 billion in operating income, ¥74.0 billion in ordinary income, and ¥34.0 billion in profit attributable to owners of parent.

* Abbreviation for Nippon Paint South East Asia, which manages our businesses in Asia.





Initiatives to support our corporate values

Governance

20 Corporate Governance

Environmental

Global Environment and Safety

23 Promoting Responsible Care

24 Comprehensive Management of Chemical Substances

25 Preventing Climate Change

Waste Reduction and Zero Emissions

26 Occupational Health and Safety

Social

Living with Society

27 Customer Relations

Employee Relations

29 Local and International Community Relations

Basic Views of Corporate Governance Policies

Nippon Paint Holdings recognizes that effective corporate governance is one of all important management issue. Through the implementation of our “Management Philosophy” and the “Nippon Paint Group Vision,” we strive to develop a comprehensive and robust corporate governance system that will realize a management structure that is highly transparent and capable of responding quickly and appropriately to changes in the operating environment, enhancing mid-to-long term corporate value and sustaining growth. We formulated our “Corporate Governance Policies” in November 2015, clearly defining our basic corporate governance approach, system and management policies.

Corporate Governance System

Nippon Paint Holdings has adopted a company with an Audit & Supervisory Board and introduced a Corporate Officer System. We have also appointed three outside auditors that perform professional audits and do not have any special conflicts of interest with the Company. To ensure that the Board of Directors considers various points of view when making decisions, we have appointed two outside directors to further strengthen supervisory functions.

Nippon Paint Holdings has appointed our own directors or corporate officers to serve at important affiliate companies, as well as individuals qualified to serve as directors, and are thoroughly committed to implementing our management policies.

Directors and Board of Directors

The Board of Directors presently* comprises seven directors (including two outside directors). In addition to monitoring supervising directors in the execution of their duties, the Board of Directors in principle convenes once a month as a deliberating and decision making body to evaluate matters stipulated by the Company Act and important matters relevant to management. The Chairman of the Board of Directors presides over meetings.

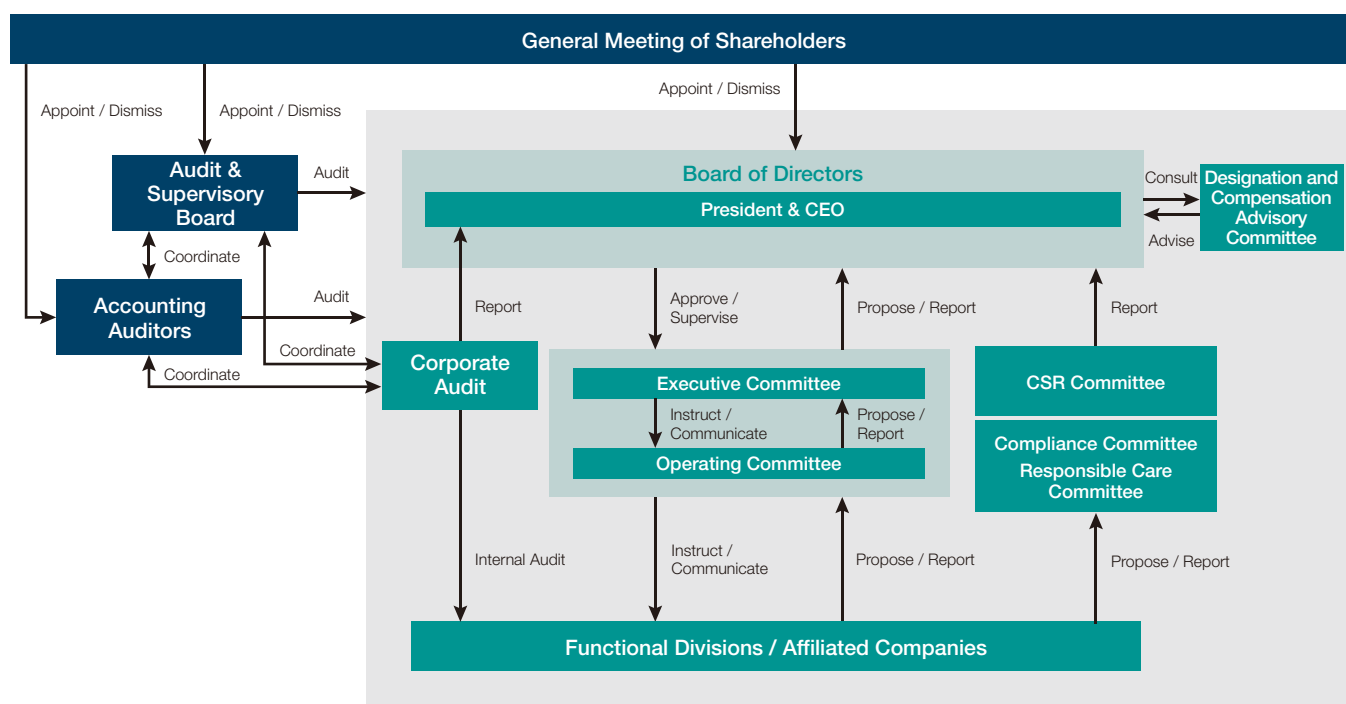
Directors are appointed to one-year terms in order to completely clarify management responsibilities.

Nippon Paint Holdings has clarified the responsibilities of various positions to bolster company management. Directors’ duties include determining management policies and medium-to-long term strategies for Nippon Paint Group, as well as monitoring the progress of corporate officers and affiliate company executives in the execution of their duties. Corporate officers’ duties include the business execution in their respective departments of matters resolved at Board of Directors meetings and achieving targets.

With regard to the business execution of important matters and agenda items raised at Board of Directors meetings, to enable thoughtful decisions by examining issues from multiple perspectives, we have also established an Executive Committee and an Operating Committee that are mainly managed by an executive director.

* September 30, 2016

Organization Chart of Corporate Governance



Executive Remuneration

Remuneration of company directors (excluding outside directors) includes job-based remuneration, performance-linked remuneration, and long-term incentive remuneration. Job-based remuneration is a fixed amount determined in line with the roles and responsibilities of individual directors.

Performance-linked remuneration is different for each director position and as a rule is 45% to 50% of total compensation. The base amount changes within a zero to 200% range every year depending on consolidated, department and business company results. Long-term incentive remuneration was changed to stock-option based compensation from June 26, 2015, with stock options distributed based on the amount determined for each director position.

Furthermore, in February 2013, Nippon Paint Holdings established the Compensation Advisory Committee as an advisory body to the Board of Directors. The Committee holds deliberations on the remuneration of directors and corporate officers and other issues and presents the results to the Board. Directors and corporate officers remuneration composition and standard annual remuneration amounts are determined by the Board of Directors based on conclusions stemming from deliberations at the Compensation Advisory Committee, taking into account social conditions, industry peers and the market standard.

The Compensation Advisory Committee was changed to the Designation and Compensation Advisory Committee from April 2016.

Remuneration for outside directors is limited to pay based on job classification, with consideration for the specific duties of the position, and does not include performance-linked remuneration or long-term incentive remuneration.

Remuneration for individual auditors is determined based on discussions among auditors within the scope of total compensation stipulated at the General Meeting of Shareholders. Remuneration for auditors, including that for outside auditors is limited to pay based on job classification, with consideration for the specific duties of the position, and does not include performance-linked remuneration or long-term incentive remuneration.

Status of Corporate Auditor's Audit and Accounting Audit

Auditors shall attend Board of Directors meetings and other important meetings to perform auditory functions to confirm the legality of duties executed by directors, the effectiveness of internal control systems developed by the Company, and the integrity of the financial information creating process. Auditors shall also hold regular meetings with the Representative of the Board of Directors, to confirm management policies, and exchange views on major issues facing the company, business risks and important auditing issues.

The Audit & Supervisory Board presently comprises five auditors (including three outside auditors). Qualified certified public accountants and lawyers that do not have any special conflicts of interest with our Company and are neutral are appointed to positions.

Outside auditors shall attend Board of Directors meetings to perform auditory functions to confirm the legality of duties executed by directors, obtain reports as needed for business audits and audit meetings, and express their views regarding the status of auditory operations at various departments and affiliated companies.

Two personnel have been specifically assigned to ensure that auditors are able to conduct their work smoothly.

Optional Committee Status

(Number of people)

Committee name	All committee members	Full-time committee members	Internal directors	Outside directors	Outside experts	Other	Committee President (Chairperson)
Designation and Compensation Advisory Committee	6	0	4	2	0	0	Internal directors

Roll of an Internal Auditing Department

We have established a Corporate Auditing Unit under the direct control of the President that is responsible for performing internal audits from 2016. The unit is made up of 13 personnel, some of whom also serve other roles. The Corporate Auditing Unit performs internal audits to strengthen and improve the internal governance system of Nippon Paint Holdings as well as group companies. Audit results are reported to the President, management officers, head of the audited department and auditors. In the event of a problem with the findings of the Internal Audit Unit, the problem shall be resolved through discussions with the head of the relevant department by following up with the unit.

Standards Governing the Appointment of Outside Officers

Outside directors and outside auditors shall be appointed based on the “Independence Criteria for Outside Directors/Auditors” formulated by the Board of Directors.

(The “Independence Criteria for Outside Directors/Auditors” is published in the Notice of Ordinary General Meeting of Shareholders, securities reports and on our webpage).

Developing a Global Governance System

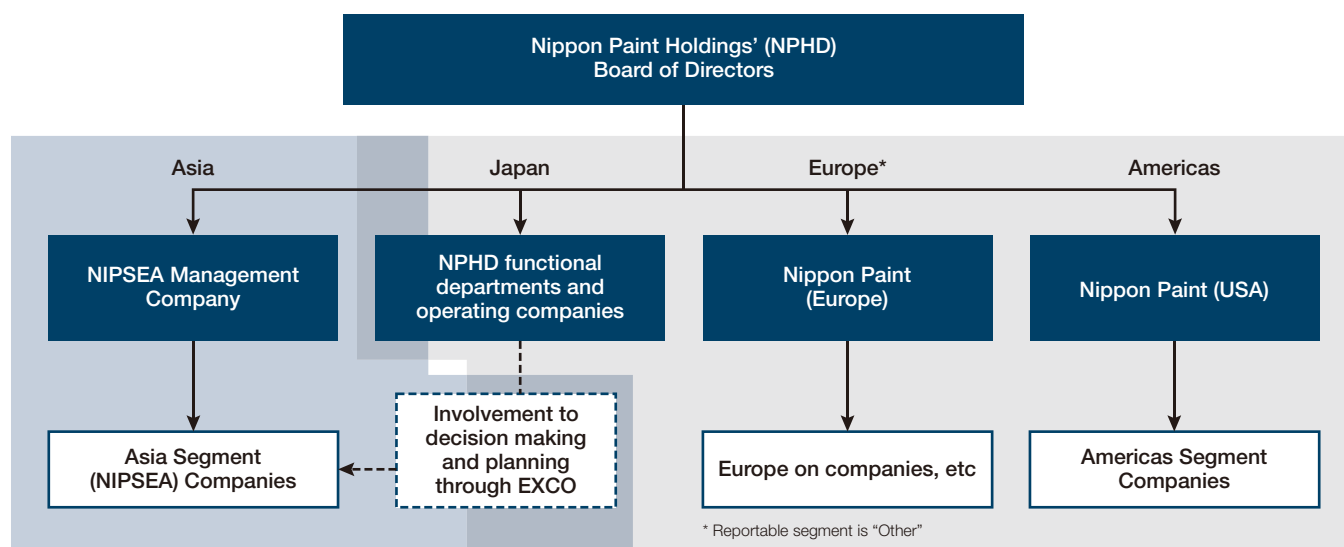
In light of the conversion by Nippon Paint Holdings to consolidated subsidiaries in 2014 of eight joint venture companies (“NIPSEA”) whose businesses in Asia the Company developed together with Singapore’s Wuthelam Group, our joint venture partner for 50 years, we have put in place a global governance system.

We have been examining the creation of a governance system, viewing “submitting important matters to Nippon Holdings’ Board of Directors and providing thorough and

transparent information regarding reporting channels” and “the involvement of domestic business companies in proposals by NIPSEA companies” as important points. We are also mindful of the need for “quick decision-making.”

Through discussions and collaborations with NIPSEA companies, we established a “Global Governance System” in January 2016 and a “Business Management Control Policy” that clarified the authorities and responsibilities of NIPSEA companies. Going forward, we will continue to develop the global governance system as we strive for management transparency and to forge the collective strengths of the Group.

Global Governance System Overview



Area newly organized under "business management and control policy"

Area with previously established submitting and reporting channels

NIPSEA: Nippon Paint South East Asia, which operates businesses in Asia

EXCO: Executive Committee, NIPSEA's decision-making body

Promoting Responsible Care*

Guided by a Responsible Care management system that is based on our Responsible Care policies, we perform a plan-do-check-act cycle (PDCA), which leads to continuous improvements.

* Responsible Care Policy

Companies that handle chemicals conduct

Responsible Care activities at all stages, from product development to disposal. Throughout a product's lifecycle, these companies implement self-management activities to enact and improve environment-, safety- and health-related measures (environmental protection, anti-disaster safety measures, occupational health and safety, and chemical safety).

Nippon Paint Group has continuously practiced Responsible Care activities since becoming a member of the Japan Responsible Care Council in 1995, and has also participated in Coatings Care activities, which are coatings-oriented Responsible Care activities.



Basic Policy for Responsible Care

Nippon Paint Group is committed to the Responsible Care initiative* and contributes to a sound, safe environment through our business activities of creating attractive colors and spaces while conserving materials and resources. The employees of all group organizations recognize this as our responsibility and cooperate to build relationships of trust with our customers and everyone in the global community.

* Responsible Care is a global initiative to improve the chemical industry's performance in environmental preservation, disaster preparedness, occupational health and safety, logistics safety, chemical safety, product safety, and communication with stakeholders

The commitment requires the Group to implement the following measures throughout all of its businesses activities:

- 1) Endeavor to preserve the global environment and protect the ecosystem, while striving to conserve energy and other resources in the course of all business activities.
- 2) Promote the development of products that lessen the impact on the environment and technologies that help these products reduce this impact. Also pay adequate attention to the environment, safety, and health impacts of our products at all stages of the product lifecycle, from development to disposal.
- 3) Work to ensure safety and prevent disasters and reduce the impact of our operations on the environment, and to ensure the safety and health of local residents and employees.

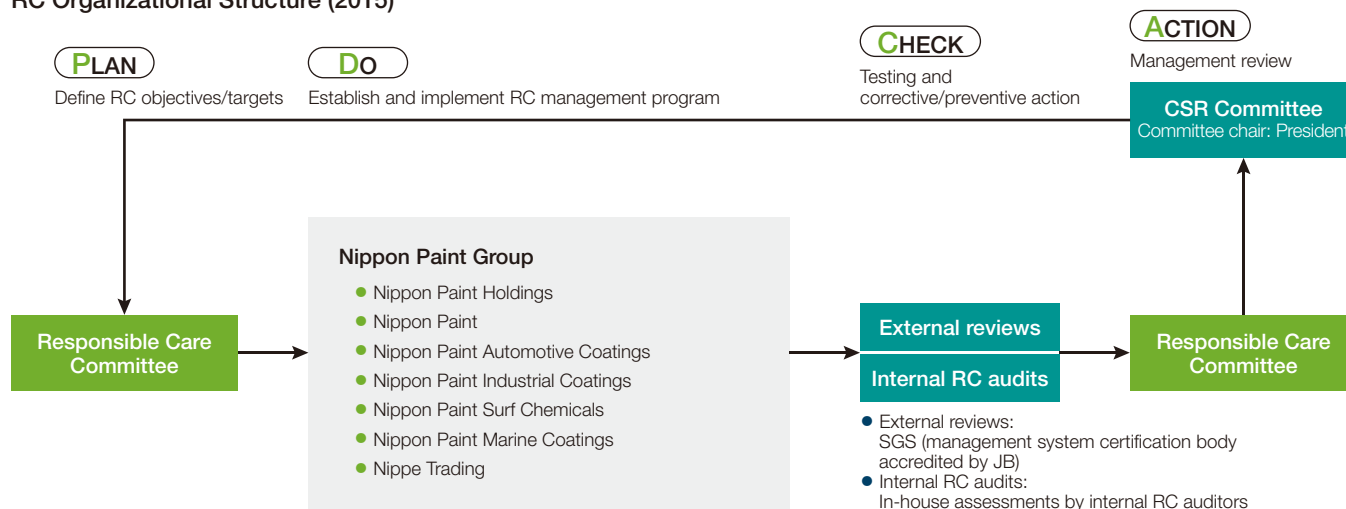
Responsible Care Organization

Based on understanding the influence chemical substances have on the environment and safety, controlling those substances is one of our main responsibilities as a paint manufacturer. As such, we developed a management system that expanded the scope of the areas where we can have an impact in 2010 from only the environment to include occupational health and safety,

chemical and product safety, and have undertaken Responsible Care (RC) initiatives.

We promote the autonomy and independence of our employees through activities centered on their primary duties, and by conducting effective and efficient operations and an ongoing PDCA cycle, continue to constantly improve the system.

RC Organizational Structure (2015)



Comprehensive Management of Chemical Substances

We have decrease risk by reducing the amount of harmful chemical substances contained in our products and thoroughly controlling the level of other chemical substances.

Following Nippon Paint Holdings' transition to a holding company structure on October 1, 2014, each group company voluntarily established a management structure to control the use of chemical substances in products.

Basic Policy

Various chemical substances originating from the raw materials are found in our paints and in some instances those substances can be harmful to the environment. Regulations concerning chemical substances have become increasingly stringent globally in recent years, and amid such regulatory changes our Group will actively take appropriate measures to control chemical substances and reduce harmful agents.

Measures to comply with regulations

Following 2009 amendments to the Chemical Substances Control Law, Nippon Paint Group started to submit notifications as appropriate regarding manufacturing and import volumes to facilitate the assessment of risk posed by general chemical substances.

Due to revisions to the Ordinance for Enforcement of Industrial Safety and Health Act and related substances, the package of paints that contain 1% or more of naphthalene or refractory ceramic fibers shall be labelled, and companies are required to provide a safety data sheet (SDS) for paints that contain 0.1% or more of refractory ceramic fibers. Furthermore, paints that contain more than 1% of naphthalene or refractory ceramic fibers will be classified as Group II Specified Chemical Substances or a Substance Under Specified Supervision pursuant to the Ordinance on Prevention of Hazards Due to Specified Chemical Substances.

Nippon Paint Group launched broad measures to update its current labels and SDS notifications, and has taken the appropriate steps to comply with the revisions mentioned above.

Initiatives in fiscal 2015

Nippon Paint Group has created several information channels to enable it to obtain information to respond appropriately to revisions to regulations around the world, has started to improve its business processes, and continues to develop its electronic systems.

We recognize that while chemical substances offer many functional benefits, some substances present environmental risks. To assess these risks, Nippon Paint Group conducted and reported the results of a survey on 462 substances designated by the amended PRTR Law^{*1} and 417 substances specified by the Japan Chemical Industry Association (JCIA). It started releasing data on newly specified substances from fiscal 2010.

In fiscal 2015, the number of PRTR^{*2} designated substances handled by Nippon Paint Group increased to 59 from 55 in the previous fiscal year, while the overall number^{*3} of JCIA-specified substances was 79.

Since fiscal 2008, we have been using a new, proprietary automatic PRTR system that performs more realistic calculations. As for color PRTR surveys for color-mixing service stations, a PRTR survey support system was introduced from fiscal 2002 to assist in efficiently tallying substance usage data.

^{*1} PRTR Law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

^{*2} PRTR (Pollutant Release and Transfer Register) system requires entities that handle chemicals to confirm and calculate the volume of those chemicals released to the environment and report the data to the government.

^{*3} Overall Number: Substances targeted by both the PRTR Law and the JCIA.

PRTR Survey (Nippon Paint Group total)

(Unit: t)

	Manufacture/ usage	Amount released into the atmosphere	Amount released in water bodies	Amount released into the ground	Amount transferred to sewage	Amount transferred off-site
Nippon Paint Group total (86 substances)	56,899.3	51.3	0.0	0.0	0.0	1,749.0

Preventing Climate Change

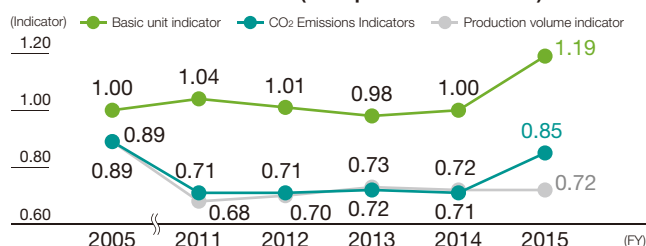
Both our Group companies and their respective sites strive every day to reduce CO₂ emissions to help prevent climate change.

Initiatives in Fiscal 2015

Nippon Paint Group initiatives to prevent climate change involve activities primarily aimed at reducing energy usage.

Energy conservation activities involve meticulous everyday supervision to instill certain daily habits at our businesses and factories, including changing the operating conditions for compressors and boilers, strict supervision, upgrading to energy-saving equipment and fixtures, strict control of air conditioning temperature, monitoring demand, and turning off computers and lights.

CO₂ Emissions Indicators (compared to FY1990)



Waste Reduction and Zero Emissions

Nippon Paint Group is dedicated to reducing waste generated from its production activities as it works to reduce the negative impact on the environment.

Initiatives in fiscal 2015

Nippon Paint Group has worked to reducing and appropriately handling waste materials and creating activities that can effectively utilize such materials.

In fiscal 2015, we have adopted an electronic manifest system to manage industrial waste (excluding certain waste materials), and developed an environment to appropriately treat these materials.

In order to further strengthen our legal compliance mechanisms, we started introducing and operating a Group-wide waste management system.

Maintain and Improve Zero Emissions Status

Nippon Paint Group is taking further qualitative steps to improve our zero emissions status, such as shifting from thermal recycling^{*1} to material recycling^{*2} and selling valuable materials extracted from waste materials.

In fiscal 2015, we continued to convert a new set of waste materials (waste thinner, poly drums, oil tins, etc., from which valuable materials could not be extracted previously) to valuable materials. With our ongoing efforts to recycle waste materials, we are taking qualitative steps to enhance our zero emissions activities.

^{*1} Thermal recycling refers to the recovery and use of thermal energy emitted during waste incineration, rather than simply incinerating the waste.

^{*2} Material recycling refers to processing waste so that it can be easily reused and even used as materials for new products.

Topics2015

Eco-friendly products are spreading as China tightens environmental regulations

China, which faces increasingly serious environmental issues, has been gradually implementing more stringent environmental regulations each year. Furthermore, demand for construction paints has been rising in line with the country's economic development.

In light of these conditions, we develop and sell construction paints that do not contain organic compounds prohibited by China's environmental regulations. As demand for eco-friendly products are expected to spread, we have invested ¥30.0 billion over three years to strengthen our production capacity to produce such products. We hope to play a role in reducing the negative impact on the environment in China through the distribution of eco-friendly products.



Occupational Health and Safety

Creating a safe working environment is a primary aspect of corporate activities.

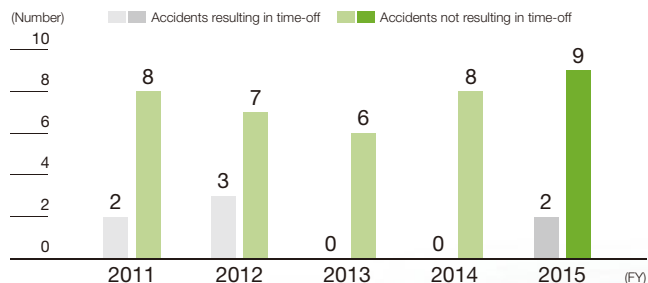
Nippon Paint Group therefore aggressively promotes safety initiatives based on its own safety principles across the entire Group.

Initiatives in Fiscal 2015

In fiscal 2015, even after the Company split off into separate companies in 2014, each Nippon Paint Group company conducted health and safety activities through their participation in the Responsible Care (RC) Committee and Safety and Disaster Prevention Meetings. One example includes risk assessments of chemical substances, which was made mandatory by an amendment to the Industrial Safety and Health Act.

The entire Group conducts health and safety activities through the RC committee and Health and Safety Committees at each business site. However, there was a fire at a Group company in fiscal 2015. To prevent similar fires from occurring, we strengthened preventive measures across the entire Group.

Safety Record (Occupational Accidents)



Safety Measures for Overseas Companies

In fiscal 2015, we started performing “overseas safety patrols” at our overseas sites to assess the likelihood of fires and other major risks.

Overseas safety patrols have been carried out since 1978, and in fiscal 2015 these patrols were carried out at NIPSEA's main business sites (China, Thailand, Malaysia, Singapore, Vietnam, India, Sri Lanka, Taiwan and the Philippines). The patrols aim to assess risks through briefings and on-site visits.

Underscoring our efforts to appropriately manage and eliminate major risks identified through our assessments, in fiscal 2016 we will work to ensure our sites operate safely by creating a safety structure to support safety management at NIPSEA and share safety information across the entire Group.



Customer Relations

Nippon Paint Group, as a paint manufacturer, is committed to forging an organizational structure capable of making a broad contribution to customers.

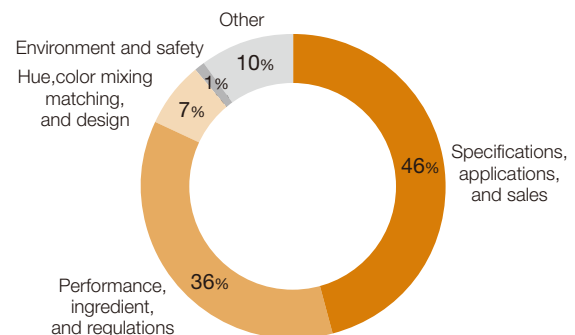
Nippon Paint's Customer Center

In Japan, the Customer Center appropriately responds to questions and provides advice regarding our trade-use paint products. Customer inquiries, opinions, requests, complaints and other information help to improve our services and products, and are therefore compiled and stored in our database.

Please contact the number below for inquiries and advice regarding other paints and products:

Phone: 0570-200-684

FY2015 Customer Center Inquiries



Employee Relations

Nippon Paint Group strive to create a lively work environment for all of our employees.

Personnel Treatment System

Nippon Paint Group's approach to human resource management is based on the following policy:

1. Cultivate an active corporate culture, stressing mutual trust between management and employees.
2. Achieve both rewarding work and improve corporate performance through teamwork
3. Encourage employees to demonstrate their individual capabilities to the fullest

Based on this policy, we developed a personnel treatment system that motivates employees to demonstrate their abilities and wishes.

Specifically, we replaced the previous "ability-based grading system" with a treatment system that evaluates employees based on work results.

This policy will facilitate the promotion of select individuals based on ability and dedication, instead of length of service and seniority, thereby creating a lively organization. Evaluations of job

requirements and performance are carried out with a focus on enhancing mutual trust and understanding through open discussions with superiors, and a target-oriented evaluation system will be utilized to enhance the performance of individual employees and the organization.

From fiscal 2015, with the start of the new company structure built around four businesses*, the Group migrated from the previous treatment system, which permitted the use of different personnel treatment systems, to a uniform system that evaluates employees based on their abilities and duties. We hope to have the new system fully integrated throughout the Group by fiscal 2017.

Unifying the personnel treatment system will enable the Group to have a more fluid policy that focuses on assigning personnel to suitable roles and should enhance the cohesiveness of the Group.

* The companies that manage our four businesses: automotive paints, trade-use paints, industrial-use paints, and surface treatments.

Comfortable, Employee Friendly Workplace

Nippon Paint Group hopes to create a diverse workforce that is capable of responding to change, and is dedicated to creating an employee friendly workplace for workers of diverse backgrounds.

We believe that guaranteeing stable employment and providing a comfortable workplace not only benefits our employees but also the broader society.

Employees are more frequently utilizing the childcare and family care leave systems, and now view them as common options. In addition, we are also creating a one-week holiday program that allows workers to take five consecutive days off by enabling teams to manage their workflow so as to cover the work of employees taking time-off. This system should create an environment in which employees can easily take scheduled time off.

Workplace harassment is an important issue and we conduct seminars for all employees and provide guidance for supervisors. We also developed a stress evaluation system as part of our initiatives to prevent mental disorders.

Human Resource Development (Personnel Training Policy)

Based on a belief that individuals cannot develop without the motivation to grow and personal effort, our personnel education policy stresses “self-responsibility.”

As we strive to become a “Global Paint Major,” it is critical to develop independent human resources that are capable of displaying leadership in the global marketplace. This means it is necessary to create careers paths and enhance the skills of employees to encourage their independence and growth.

Our education program is offered to employees at each different level, and includes selective leadership training for employees at different stages to enhance their abilities and leadership skills, mutual exchange training between domestic and overseas employees and joint overseas training with NIPSEA.

This training environment should develop future managers that will drive the growth of our company.

Diversity and Inclusion

Taking advantage of diversity is important for Nippon Paint Group to unearth new value during the decision-making process and continue to develop strong organizational capabilities to enhance our competitive advantage as we look to become a Global Paint Major.

We held diversity management seminars for all Group employees in December 2015. The seminars aimed to facilitate an understanding of the benefits of diversity and reinforced our commitment to accelerate the Group's efforts to promote diversity.

Going forward, we would like to develop a corporate culture in which our employees view diversity as a strength, and will create an atmosphere that rewards individual experience, ability, vision and other diverse forms of knowledge, irrespective of sex, age or nationality. We are committed to becoming a company where every employee can perform at their ultimate best.

Initiatives Supporting Female Employees

In fiscal 2015, we began training aimed at cultivating female managerial candidates, and have been accelerating efforts to produce female leaders while providing opportunities for training. Furthermore, in addition to proactively hiring women, we are tackling the issue from multiple perspectives, including increasing the number of positions for female managers, and providing OJT and Off-JT that emphasize career development, and fully building out the system.

Nippon Paint Group has formulated an action plan for the entire Group in preparation for the enactment of the Act of Promotion of Women's Participation and Advancement in Workplace in April 2016. The action plan provides training for women from a long-term perspective, aims to transform the organization and put the right systems in place—it targets increasing the percentage of female managers throughout the entire Group to 10% (1.6% as of the end of fiscal 2015) by 2025.

Local and International Community Relations

Rooted in our management principles of working for the “mutual prosperity and benefit” of society, we engage in activities that focus on our ties with the community, and both domestically and overseas strive to conduct community activities that build closer relationships with regions in which we operate.

Domestic activities

Donations to Areas Devastated by the Kumamoto Earthquakes

We gave donations to provide relief to the victims and restore regions damaged by the Kumamoto Earthquakes, which occurred in April 2016. Our ¥10 million donation was provided through Central Community Chest of Japan, which was called on by Japan Business Federation to join the recovery effort.

Furthermore, our domestic and overseas Group employees also gathered donations, with our domestic Group employees raising ¥3 million and our overseas Group employees ¥9 million for employees (and the families) of Nippon Paint Group that were in disaster-stricken regions in Kumamoto and Oita prefectures.

Group-wide Support for Regional Beautification

In November 2015, we provided paint materials for a graffiti removal project that erased graffiti from below the viaduct on the eastern side of the JR Osaka train station.

This project is being led by Osaka City Northern Ward's Kita Red-Light District's Environmental Cleanup Promotion Council, with the Ward Office and other government institutions inviting local residents, high school students, and neighborhood general contractors to participate as volunteer staff. Altogether, approximately 130 people used rollers and brushes to effectively transform an 86 meter wide/4 meter high wall that was covered in graffiti and return it to its previous clean state.



Volunteers removing graffiti

2015 Children's Chemistry Experiment Exhibit

Nippon Paint Group provided an exhibit at the 2015 Children's Chemistry Experiment Show that was held at Kyocera Dome Osaka in October 2015. The Children's Chemistry Experiment Show appeals to elementary students and their caretakers, and conducts free chemical experiments to teach attendees interesting and amazing things about chemistry.

Nearly 40 volunteer staff from Nippon Paint Group participated in the show, conducting demonstrations to teach approximately 300 children and their caretakers over the course of two days about electric paint coloring. The children enjoyed the event and showed enthusiasm to come again next year, with the caretakers listening attentively to our explanations.



Explaining the experiment process to children



Explaining the principles of electric paint to children

Initiatives in Asia

Activities at Schools in Isolated Regions Promoted “Colour, Way of Love”

Nippon Paint Group has conducted its “Colour, Way of Love” initiative in Asia since 2009. The initiative repaints and repairs walls at schools located in secluded areas, and is an ongoing initiative that aims to improve school buildings and the learning environment.

This time, Nippon Paint Vietnam (hereafter “NPV”) repainted the walls of Hoa Phu Secondary School in Vietnam. More than 100 people came together from each NIPSEA company, local NPV staff, customers and local NGOs to repaint the building. It was a large-scale event that separated participants into three groups which interacted with students, conducted classes in English, and repainted the school.

One staff member participating from Japan recalled a sense of contributing to society, stating “sometimes being in Japan makes me forget, but today I was excited to witness how the paint (color) made by our company benefits society. I feel rejuvenated after playing with the children.” The three groups interacted closely with the children, with all participants smiling throughout their activities.



CSR Event

Topics2015

Contributing to the Health of Children in China by Providing Highly-Safe Interior Paint

At our interior construction paint business in China, to protect the health of children, we are selling and developing paint products that conform to standards for interior paint established by the Chinese government in 2015. These products are highly washable and stain-resistant, and the volume of VOC and formaldehyde contained in these paints are strictly controlled.

Furthermore, to prove a sense of familiarity, we designed a brand with “The Little Prince” motif that is gaining increased popularity. We plan to also use this product as part of our “Colour, Way of Love” initiative.





Basic & New

NIPPON PAINT HOLDINGS

<http://www.nipponpaint-holdings.com>

2-1-2 Oyodo Kita, Kita-ku, Osaka 531-8511, Japan