



Annual Report
2008

NIPPON PAINT

Management Principles

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 harmony and benefit of everyone.

Corporate Vision

The Company is working to expand globally as a specialty chemical company, offering high value-added coatings. Our fundamental commitment is to become a trusted, eco-friendly company that helps protect the environment.

The 5 Cs Code of Behavior

Credibility

We shall respond to public confidence in our performances with right and fair judgment, keeping in mind a high sense of integrity and responsibility.

Customer-oriented

We shall meet customer expectations by providing them with the best solutions through the Group's joint forces and all-out efforts.

Creativity

We shall create new values with wisdom, foresight and highly flexible ideas.

Challenge

We shall establish the highest possible goals and make every effort to achieve the highest levels of standards in the world.

Collaboration

We shall cultivate a corporate culture of freedom and generosity through positive communication and cooperation by acknowledging the diversity of human characteristics.

Water-Friendly
Soil-Friendly

Air-Friendly
Human-Friendly

In line with our mission to contribute to society by providing environmentally friendly products, the Nippon Paint Group has set an environmental target of making all of our products environmentally friendly by fiscal 2010. Nippon Paint proactively develops energy-saving paints, coatings and coating systems that contribute not only to the reduction of VOCs (volatile organic compounds) but also of CO₂ (carbon dioxide).

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Disclaimer:

The current plans, strategies and beliefs of Nippon Paint Co., Ltd. and the Nippon Paint Group contained in this annual report are based on assumptions and beliefs in light of information available to the Company at the time of preparation, and are subject to various inherent risks and uncertainties. Accordingly, please be advised that actual results and business performance of Nippon Paint Co., Ltd. and the Nippon Paint Group may differ substantially from the forward-looking statements, including projections, described herein.

Greetings From the President

“Preserving the Beautiful and Irreplaceable Earth for Future Generations” is the desire of the Nippon Paint Group

Ever since its inauguration in 1881, Nippon Paint's management principles have been to contribute through its business activities to society at large. In 2005, I was honored to be appointed as the Company's 12th president. Looking back at where Nippon Paint has come from, I feel the weight of just over 125 years history on my shoulders. From the perspective that a company should function as an organ of society, our business activities have been conducted in accordance with our management principles so as to meet the needs of each era throughout our history. In fact, this is the very reason that society has allowed us to continue to exist as a company. For this, I have nothing but deep admiration for the wisdom and efforts of our predecessors. In my role as president, I recognize that my responsibilities include clearly stating the contemporary relevance of our management principles and working to achieve their aims.

[“The Earth looks blue, and outer space is pitch black. Between Earth and outer space, there is the indescribable and subtle beauty of the thin veil of the Earth's atmosphere.”](#)

This is the message sent from space by Mr. Soichi Noguchi, the Japanese astronaut who traveled on the space shuttle Discovery. This thin veil that so impressed him protects the planet brimming with life that we know as home.





“Tuvalu is a small island nation located 90 centimeters on average above sea level, about the height of a chair. The island is faced with the very real threat of being swallowed up by rising sea levels caused by global warming. This is an environmental issue that could see one of the world’s countries and the home of 10,000 people disappear forever.”

This is how Japanese photographer Mr. Shuuichi Endou publicized the plight of Tuvalu, the South Pacific island on the verge of submersion as sea levels rise due to global warming.

The thin protective veil of our atmosphere has been affected and is now at grave risk. This has already resulted in climate changes in different parts of the world, and now an entire country – a tropical paradise – is about to disappear. It has become apparent that all economic activities impact on the environment to some degree or another. For this reason, it is the responsibility of today’s top executives to ensure that actions are taken to preserve the future of our Earth.

Our desire is “To Preserve the Beautiful and Irreplaceable Earth for Future Generations.” Under this “trade mark phrase,” we at Nippon Paint work to determine the social relevance of our management principles in the sphere of protecting the environment, and then to implement it in our corporate activities. As a leader in the paint and coating industry, we are acutely aware of our responsibility to develop environmentally friendly products and technologies. As espoused by our management principles, we aspire to become both an eco-friendly company that ensures conservation of the environment and saves resources and energy, and a specialty chemical company that is expanding globally.

August 2008
Representative Director and President
Makoto Matsuura



A Message From the President

“Hit the Market, Fight for the SOM” – Our slogan for aggressive entry into the world market.

On behalf of the Nippon Paint Group, I would first like to take this opportunity to thank all of our stakeholders for your support and cooperation. Taking this occasion, I would like to outline our management policy for the fiscal year ending March 31, 2009.



Closing the second year of the 2010 long-term management plan

March 31, 2008 marked two years since we embarked on our long-term management plan targeting fiscal 2010. In the second year, our profits fell short of our initial target, although we were able to achieve our net sales target. The profit shortfall was mainly due to the sharp increase in raw material costs stemming from soaring crude oil prices. Even under such crucial circumstances, we were able to make several positive moves during the past two years, which I believe should serve as a solid foundation for the future global management of the Nippon Paint Group. Among the measures we took during the past two years include the acquisition of Bee Chemical Company in the U.S. We also initiated procedures to turn the NIPSEA joint venture into our consolidated subsidiary, and also pursued full-scale entry into the Indian market.

Fiscal 2008 initiatives

We project that our business environment will remain extremely challenging throughout fiscal 2008. Escalating crude oil prices caused a steep rise in the price of raw materials for paint and coatings, including naphtha. This continues to apply downward pressure on our earnings. Dark clouds still loom over the world's economy. The subprime loan crisis that suddenly emerged in the summer of 2007 has been making a serious global impact, contrary to general projections. Even so, I would like to take a positive view of the current situation, because I believe that it is precisely this kind of situation that requires an aggressive stance, not a defensive one. In fiscal 2008, we will proactively launch into the market with the explosive energy we have accumulated over the past two years. Our slogan for fiscal 2008, “Hit the Market, Fight for the SOM” reflects this aggressive stance, and we are determined to win each sales battle in the marketplace and achieve positive results.

In sales activities, we aim to firmly grasp what our customers require and what satisfies them, and reflect these findings in our product development and technical service. Our basic policy is 100% replacement of products with those that are environmentally friendly by fiscal 2010. To this end, we are accelerating our development efforts. But whether we can actually accomplish this policy objective depends on the choices that our customers make. In this respect, the environment-friendly products that we offer must at the same time be beneficial and satisfactory to our customers. Incorporating these customer-friendly elements into our products will surely boost their value, which in turn will lead to an increased value of paint and coatings as a whole. I believe that this is indeed the social responsibility that we assume as a leader in the paint and coatings industry.

Moreover, further globalization is vital for the sustainable development of the Nippon Paint Group. To solidify our

position as the clear leader in Asia, we will strive to expand our operations in India, a country with growth potential that ranks next to China. To this end, we will complete a factory in Chennai and start production of trade-use paints by the end of the present fiscal year. We will also increase our equity stake in the NIPSEA joint venture to 51% on a step-by-step basis.

With regard to R&D, in 2007 we established a wholly owned research center in Shanghai, China. This facility will start full-scale operations this year, centered on the development of resins. A technology center for automotive coatings is already in place in Thailand. We will continue expanding our global network of R&D facilities.

Global Group management is another high-priority management objective for us. The Nippon Paint Group is made up of companies segmented by business field, such as trade-use paint sales, manufacture and sale of marine coatings and others. I believe the true strengths of the Nippon Paint Group as a whole can be demonstrated only when all companies comprising the Group operate in tandem, harmoniously collaborating with each other and functioning as a single company. As an embodiment of this concept, we have initiated Nippon Paint Offices, which integrate the functions of Nippon Paint Group sales offices within each respective region.

Key products and new technologies

This year, we are focusing on three main products and technologies. The first is industrial coatings for plastic products. We aim to proactively adopt the advanced technology that we have built in the field of automotive plastic coatings for non-automotive fields such as mobile phones and game machines.

The second is maintenance of our social capital, namely transportation infrastructure, such as tunnels and bridges. We intend to actively promote a coating system designed to prevent concrete delamination, as well as anti-rust, anti-corrosive paint that protects bridges from salt or other damage.

The third is INSULEED, a highly functional electrodeposition coating. This material offers excellent electrical insulation, chemical resistance and various other advantages. It is based on our cationic electrodeposition coating (CED) technology and enables the application of insulation coating to intricately shaped or high-precision electronic components through a CED process. INSULEED has already been employed in the manufacture of lithium ion batteries, which require especially high reliability in terms of insulation. We are expecting to see expanding applications for this innovative product.

CSR-oriented management

Corporate social responsibility (CSR) is the backbone of our Group management, and credibility, I believe, is the core



value of this management orientation. The end of the present fiscal year will mark the 128th anniversary of Nippon Paint's founding. This long-standing tradition is nothing but an indication of the recognition that we have earned over the past years as a valued company. Carrying on the efforts and dedication of our predecessors, we will combine the efforts of the entire Group to achieve sustained growth while serving as an entity that is beneficial to society.

For Nippon Paint to remain beneficial to society, harmonious coexistence with society and the global environment is also vital. To become a responsible corporate citizen, the Nippon Paint Group has promoted social contributions in various ways. The initiatives we have implemented range from relatively large-scale projects such as the construction of schools and tree-planting overseas to community services including cleanup of parks in the neighborhood of our plants and volunteer repainting of play equipment.

Our goal of offering a 100% environmentally friendly product line by fiscal 2010 is one way of presenting the Nippon Paint Group's commitment to realizing harmonious coexistence with the global environment. A main topic of the G8 Hokkaido Toyako Summit, preservation of the global environment is a matter of highest concern worldwide. As such, I believe that our declaration of making all of our paint and coating products environmentally friendly is a social responsibility that the Nippon Paint Group should meet as a pioneer in the Japanese paint industry.

In closing

Needless to say, it is my chief duty as the president of Nippon Paint to steer our Group effectively through this extremely tough situation. I am aware that it is equally important to establish a foundation to ensure sustained growth for the Nippon Paint Group.

Your continued support and understanding will be greatly appreciated.

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V 2010
夢活き活き

Toward Completion of the 2010 Long-term Management Plan

The Nippon Paint Group is determined to become a recognized name in the paints and coatings industry renowned for its global scope and world-class technology. In April 2006, the Company embarked on a new long-term management plan, scheduled to conclude in fiscal 2010, designed to help in achieving this aim. Ensuing business initiatives will see the Group draw on its collective capabilities in a bold push to attain plan objectives.

Management Strategies

Nippon Paint will approach Japan and the rest of Asia as one and the same market, positioning automotive coatings and trade-use paints as core business operations as it strives to build a more entrenched market presence. The Company will also develop eco-friendly technologies to expand earnings by establishing a presence in these products.

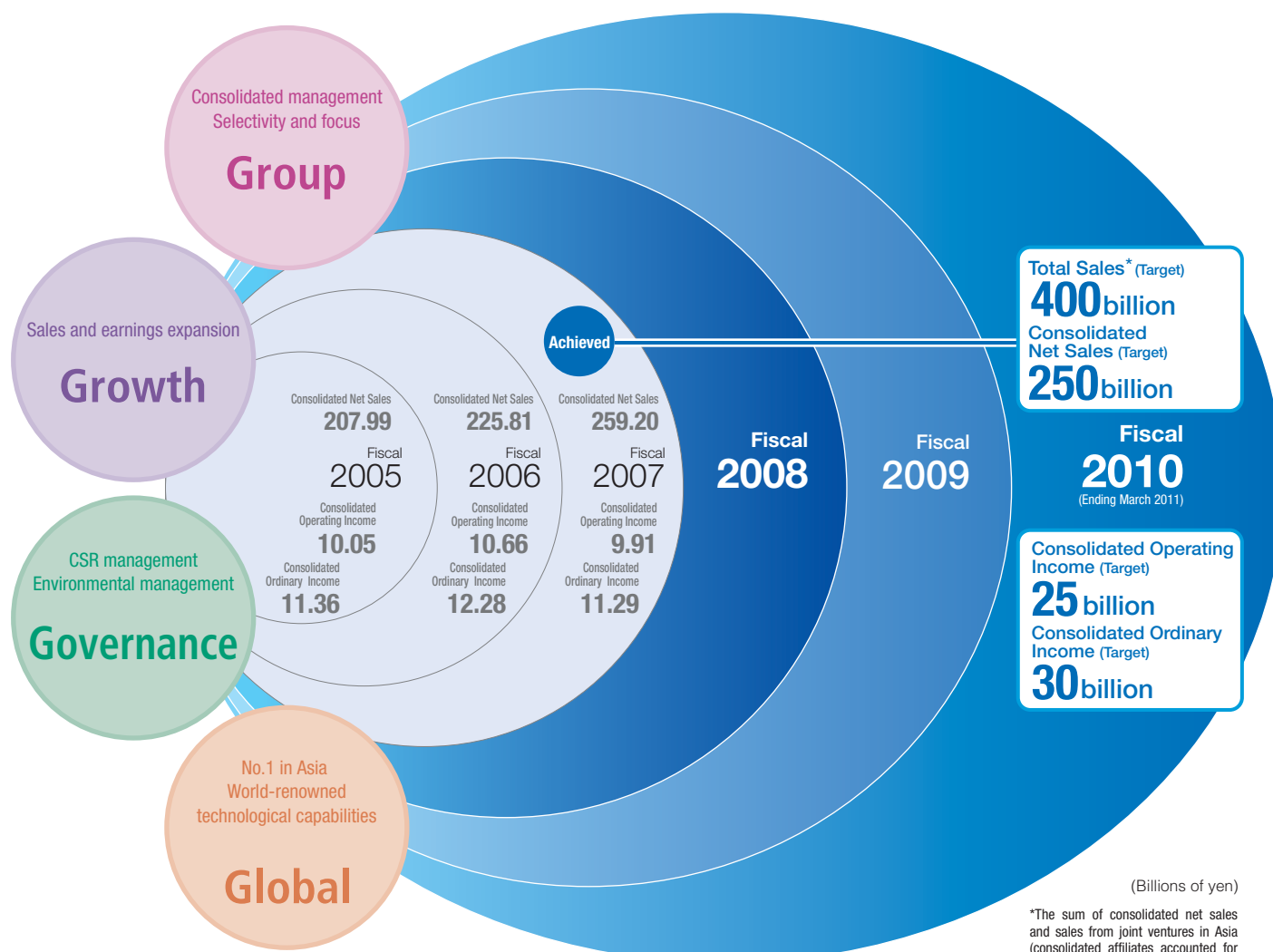
The Nippon Paint Group has also positioned non-paint businesses as its next source of growth, and will work to identify business domains and accelerate commercialization to this end.

Management Approach

Fiscal 2008 marks the third year of the 2010 Long-term Management Plan. During the past two years, Nippon Paint has almost completed developing and strengthening its base and infrastructure. Accordingly, from fiscal 2008 we will unite our Group-wide efforts to display our competitive edge to the maximum in the market and pursue the following four management approaches to attain our business targets.

- 1 CSR management that gives top priority to social responsibility—fundamental to conducting corporate activities
- 2 Environmental management that contributes to environmental preservation and reductions in resource and energy usage
- 3 Consolidated management able to capitalize on Group scale
- 4 Human resource management that optimizes and brings to the fore employee talents

Through these four approaches, the Nippon Paint Group, under the corporate slogan “Alive with Ambition, Brimming with Skill,” is committed to becoming a more dynamic corporation supported by outstanding technological capabilities.



Toward the Third Year of the Long-term Management Plan

The 2010 Long-term Management Plan, which commenced in fiscal 2006, is entering its third year in fiscal 2008. During this year, we aim to display our competitive edge to the maximum in the market by uniting our Group-wide efforts. We will also continue to focus on key initiatives, namely enhancing “automotive coatings on a global scale”, “the strategic promotion of environmentally friendly products”, and “the upgrade and expansion of supply capabilities”, as we push toward attaining plan targets.

As we move forward in our global expansion, we will establish an earnings base in North America and accelerate our efforts to take a majority stake in our Asian joint-venture business, which we are planning to achieve by fiscal 2010. We will also continue to expand our operations in China, which is continuing to record market growth, and develop our base and infrastructure in India.

In automotive coatings, domestic automobile production volume continues to be flat, while automobile production volume in the North American market is likely to decline, reflecting the impact of the subprime loan problem. The Asian market, however, is expected to see continued growth and expansion. Faced with such conditions, we will continue to develop and enhance water-based coatings and other environmentally friendly products and coating systems that meet the environmental needs of Nippon Paint customers. We will also work to boost the rate at which we obtain new colors. In particular, we are focusing on the water-based “three wet-on” coating system, which contributes to customers’ environmental protection initiatives.

Furthermore, in response to the wider adoption of plastic materials in automotive design and growing needs for coatings compatible

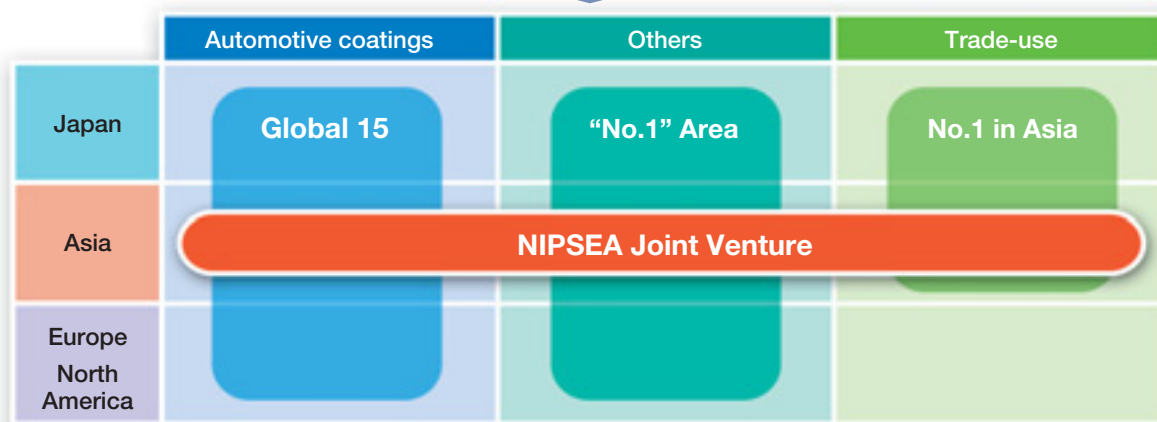
with both steel plating and plastic in coming years, we will promote global market development by responding to customer needs tied to the integration of plastic in vehicle bodies.

As for trade-use paints, we will promote replacement with environmentally friendly products, and in the field of construction coatings, we will strengthen activities to acquire authorization as a designated supplier and work to expand new markets. In the field of heavy-duty anti-corrosive paints as well, we will endeavor to enhance convenience in terms of smaller orders and shorter delivery times, and we will promote sales growth by developing business on a full scale in the concrete corrosion-prevention market.

Overseas, we will promote closer collaboration with local firms in product development, manufacturing, logistics, sales, and marketing while further accelerating market development in China, which is experiencing dramatic growth. Through these measures, combined with the expansion of sales in India and the reinforcement of infrastructure for our trade-use paints business in Thailand and other Asian countries, we will solidify our leading position in Asia.

Where industrial coatings are concerned, Nippon Paint will develop, and promote the switch to, environmentally friendly products to comply with VOC regulations, RoHS directives (promoting lead-free and halogen-free products), and other regulatory trends in a timely manner. Moreover, we intend to further expand sales, particularly in industrial machinery, steel furniture, and other areas in the trade-use paints field, by heightening the economic and design advantages enjoyed by customers. We will also take steps to create more sales channels in the field of coatings for industrial-use plastics.

Key Initiatives



Comprehensive Strength / Technological Capabilities

Toward Completion of the 2010 Long-term Management Plan

Development of Environmentally Friendly Products

Full-scale repainting of Aichi Plant with environmentally friendly paints used in presentation of new paint brand Power Factory

Nippon Paint carried out the full-scale repainting of the Aichi Plant (in Takahama-shi, Aichi-ken), a mainstay manufacturing plant for automotive coatings, by using various environmentally friendly paints such as water-based rustproof paints and solar reflective coatings (heat-insulating paint). This task was completed in March 2008. Going forward, we will make active use of this plant in presentations of Power Factory, our brand of paints designed for repainting factories.□

Factories in the past generally tended to focus on their production capacity and location rather than paying attention to the coloring of their external walls or their harmony with surrounding scenery. Accordingly, using the reborn Aichi Plant as a model, we have newly established factory inspection tours inside the plant and produced a DVD that compares the appearance of the Aichi Plant before and after the repainting. In this way, we have created an opportunity for customers to see the results of factory repainting using Power Factory with their own eyes.□

Looking ahead, Nippon Paint Hanbai Co., Ltd. will play a central role in promoting sales of Power Factory while collaborating with the Company's sales outlets and other parties.

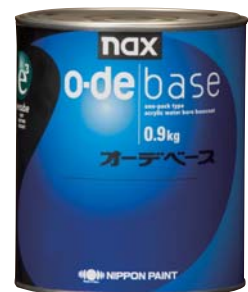


The Aichi Plant after its full-scale repainting

Cutting-edge environmentally friendly paint system gets high acclaim in auto refinish applications

Nippon Paint started developing water-based paint for auto refinish more than ten years ago. In 2005, we released “nax o-de base E³ (pronounced “e-cube”) system”, the first complete water-based paint system in the Japanese market. The o-de base system has reduced VOC emissions drastically by about 75% compared to conventional solvent-type paint systems while combining world-class levels of performance and finishing quality. In addition, we have been developing the market with three systems in the E³ series, following the release of “nax Admila E³ system,” a low-emission-type paint system that reduces VOC emissions by about 30% by using STABI instead of conventional thinners, and “REAL E³ system,” an ultimate solvent-type paint system that combines high levels of workability due to its overwhelming ‘Power-Hiding’ and finishing quality with VOC reduction (approximately 50%).□

Nippon Paint's technologies in the field of paints for auto refinish have also been highly acclaimed. For example, our products were adopted as certified auto refinish water-based paints by a major automobile manufacturer in summer 2007.□



Nippon Paint was the first Japanese paint manufacturer to succeed in creating a complete water-based paint system for auto refinish.

LF-Sea, low-friction antifouling paint that improves fuel efficiency and reduces CO₂ emissions

Nippon Paint Marine Coatings Co., Ltd., a consolidated subsidiary that specializes in ships, has received acclaim for its technological capabilities. For example, it was the first company in the world to develop ECOLOFLEX, an organic tin-free antifouling paint.

“LF-Sea” is a completely new type of low-friction antifouling paint, the idea of which was derived from the mucous membrane covering the bodies of tuna that makes it possible for the fish to swim faster and longer in the sea while saving energy. With the aim of realizing greater fuel efficiency than conventional self-polishing-type paint, which are the mainstream among paints for ship bottoms, Nippon Paint Marine Coatings developed LF-Sea through joint research with Osaka University and Kobe University. After 2005, an operational ship was painted with LF-Sea for a trial conducted with a Japanese ferry operating company, it was recognized that fuel efficiency improved by about 4% and CO₂ emissions were reduced due to lower fuel consumption compared to the levels before painting.

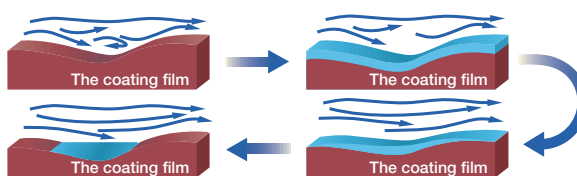
Nippon Paint Marine Coatings started to develop the market for LF-Sea on a full scale in fiscal 2007, and it has already been adopted by more than 50 newly built and repaired vessels in Japan and overseas.

LF-Sea simultaneously improves fuel efficiency and contributes to the global environment through a reduction in CO₂ emissions, amidst continued soaring prices for heavy oil, the fuel used by ships. Consequently, it has attracted the attention of ship owners and shipbuilding companies around the world.



The experimental tank for sea-going ships at Osaka University in which the LF-Sea tests were performed.

► The LF-Sea mechanism



The water is caught on the surface of the coating film. This reduces the surface unevenness, thereby lessening the frictional resistance.

Expansion of business fields that adopt Power Float, an environmentally friendly and energy-saving electro-deposition coating

An increasing number of business fields are adopting Power Float, for which Nippon Paint has gained a favorable reputation in the market, an electro-deposition coating that reduces electrical power use and industrial waste while contributing to economic advantages enjoyed by customers.

Electro-deposition coating is a coating system that involves immersing objects to be coated in an electro-deposition coating in a tank and thereby depositing a coating by means of an electrical action. Previously, as coating ingredients in the tank tended to stay on the bottom of the tank in the case of electro-deposition coating, it was necessary to operate an agitation pump and constantly stir the coating. Power Float, however, is made by adding new suspension technology to coating ingredients, and as this prevents the ingredients from settling, the pump can be temporarily suspended from operation when coating is not being applied. This reduces CO₂ emissions through a reduction in electrical power use and also leads to a reduction in the frequency of cleaning the inside of the tank as well as the industrial waste that is generated by cleaning.

As a result, Power Float, which combines environmental consideration with cost reduction, has continued to be increasingly adopted in a broad range of business fields, extending from automobiles and industrial products to construction materials, construction machinery, and electrical machinery components, since it was launched on the market in April 2004.

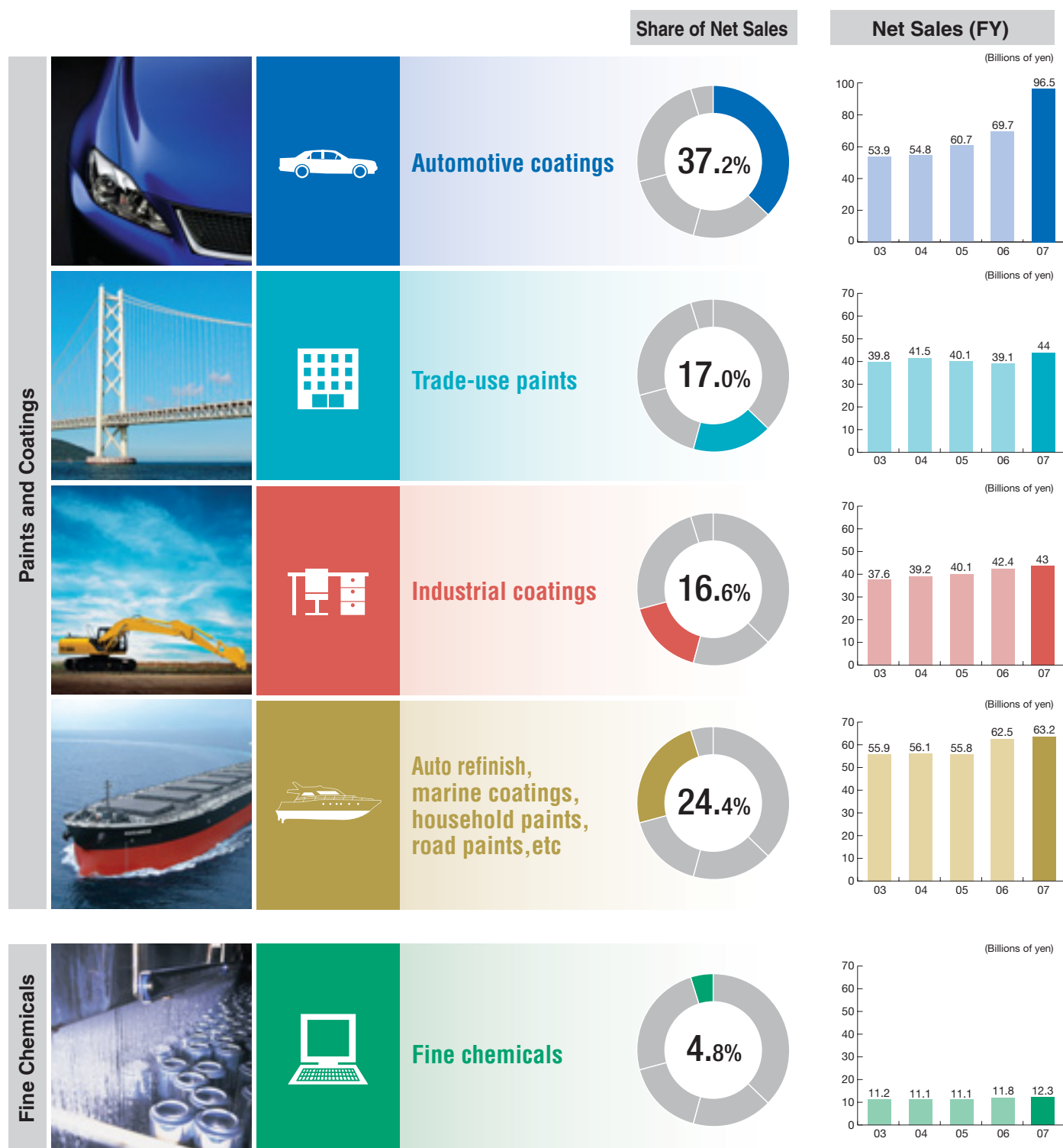


This manufacturing line for transport devices has adopted Power Float

Nippon Paint Group at a Glance

Since its establishment in 1881, the Nippon Paint Group has consistently been a leader in the paint and coating industry. We operate in two business segments paints and coatings, and fine chemicals. The paints and coatings segment comprises four sectors automotive coatings, trade-use paints, industrial coatings, and other paints, which include auto refinish, marine coatings, household paints and road paints.

Business Areas



Results for Fiscal Year 2007

In fiscal 2007, ended March 31, 2008, the Nippon Paint Group recorded consolidated net sales of ¥259,209 million, up 14.8% from the previous fiscal year. Consolidated ordinary income fell 8.1% to ¥11,297 million, and net income decreased 10.3% to ¥6,702 million. The paint segment posted a rise in sales of 15.4% to ¥246,838 million, and sales in the fine chemical segment increased 4.0% to ¥12,371 million.

Applications

New automobiles

Buildings, structures, new and renovated residences

Machinery, metal products, building materials, electrical appliances, adhesive agents

Automobile repairs, ships, homes, road signs

Surface treatment agents, display-related materials, electronic materials, particle materials, etc.

Business Outline

Through our mainstay automotive coatings business, we supply products to customers in Japan and overseas, including coating systems for new automobiles which cover the entire spectrum of applications: from base coatings, middle coatings and top coatings, to coatings for bumpers and other plastic surfaces.

In trade-use paints business, we provide construction-use paints for houses, condominiums, high-rise buildings and other buildings, and heavy-duty anti-corrosive coatings for bridges, storage tanks and other structures.

In industrial coatings business, we provide coatings for a wide variety of applications throughout society, including building materials for housing and other buildings, steel furniture and home electrical appliances, IT products and bullet trains.

The Nippon Paint Group provides a wide range of products in this sector, including paints for auto refinish, marine coatings, household paints and road paints.

Fine chemicals comprises the surface treatment business and fine products business. The latter includes display-related materials field electronic materials.



Automotive coatings New automobiles

More durable, more beautiful and environmentally friendly

As well as focusing on the development of environmentally friendly products and systems, we are responding to the globalization of automakers' operations by developing our business in Europe, the U.S. and Asia.

In addition to meeting customer needs for coatings that extend an automobile's lifetime by protecting it from rust, we provide new added value by creating new body colors that are protected with attractive coating films. Nippon Paint's state-of-the-art technology is reflected in these advanced coatings that are as thin as 0.1 mm.

We have developed highly functional products and systems that reduce the number of coating processes and save energy, and also used our proprietary technology to successfully develop and apply water-based coatings. We can therefore meet automakers' advanced needs by leveraging our cutting-edge coating technologies to offer more environmentally friendly products.



Top Coating line "three wet-on" coating system

Nippon Paint develops its automotive coatings hand in hand with automakers. Recently in the automobile industry, efforts to shorten vehicle development time and globalize and enhance the efficiency of sales and production activities have been accelerating. In response, we are shortening our own development time for new automotive coating colors. We are also proactively responding to the requirements of Japanese automakers for greater supplies of coatings to their overseas bases and for products and systems that improve the efficiency of production lines.

In new high-value-added products, we developed our “three wet-on” system that improves automakers' production efficiency and reduces environmental impact. While providing

the same levels of external finish and coating quality as conventional coating systems, the “three wet-on” coating system reduces the number of coating drying processes for a new automobile from three to two. The processes therefore generate less carbon dioxide, have lower energy costs and require much fewer costly changes in the paint line. These features have earned high praise from Japanese automakers, and overseas automakers are now increasingly using the system.

Furthermore, the Nippon Paint Group's coatings for plastics are often used for the resin-made parts used in bumpers, fender-mirror covers and other automobile components.



Electro-deposition coating line



Bumper using coating for plastics

Results for Fiscal Year 2007

Sales of automotive coatings rose ¥26,740 million year on year to ¥96,525 million. The increased sales included ¥18,330 million resulting from the acquisition two years ago of a North American plastics coatings company and the conversion of former equity-method affiliate NIPPON PAINT (THAILAND) CO., LTD. into a consolidated subsidiary.

Of the remaining ¥8,410 million increase, ¥4,500 million reflected a rise in sales in Japan as a result of successes in developing new colors that help realize stylish designs for

vehicle exteriors, and expanded sales of environmentally friendly products, primarily water-based coatings for plastic vehicle bodies and bumpers. Steady growth in sales in Asia, Europe and the United States contributed the other ¥3,910 million to the overall increase in sales.

Nearly all Asian equity-method affiliates, including those in China, also achieved higher sales.



Akashi-Kaikyo Bridge

Trade-use paints Buildings, structures, new and renovated residences

Protecting buildings and structures with our technological capabilities that match a wide variety of environmental conditions.

Trade-use paints have found a wide range of uses, from detached housing and condominiums to bridges and other structures.

The two basic requirements of trade-use paints are that they protect and add beauty to the structures on which they are used. In recent years, with the increasing number of high-rise buildings and changes in construction materials, customers are demanding that these paints prevent corrosion for longer periods and offer improved weather resistance. Customers are also demanding the development of environmentally friendly products with a very low VOC (volatile organic compound) content. The Nippon Paint Group has been meeting these varied needs by proactively developing high-grade environmentally friendly products, leveraging its reliable quality control system and drawing on its extensive domestic and international sales network.

Spiral Towers, Mode Academy



In trade-use paints, in the 1970s, we began working to accurately meet the needs of local communities by acting in the vanguard of the industry and establishing regional sales companies. In 2004, we integrated these sales companies and formed an organization that made full use of the Nippon Paint Group's combined capabilities, aiming to respond precisely to recent changes in the market landscape.

Amid growing concerns about the environment, we have also been developing environmentally friendly products. To counteract the "sick house" and "sick school" syndromes, we developed water-based paints with less than 1% VOC content, and paints with superior weather resistance for use in renovating housing complexes and painting large structures.

In the heavy-duty anti-corrosion field, we are developing coatings and coating systems that satisfy special conditions, such as the ability to withstand severe external environments or be chemically resistant. These products are used on a variety of large projects and in their follow-up maintenance.

Furthermore, to satisfy the social need of preventing concrete from peeling off and falling as it deteriorates, causing accidents, we provide coatings and a coating system that prevent concrete peeling by using the highly elastic property and ability to apply a thick coating instantly that is made possible by the combination of two liquids.



Shanghai World Financial Center



Tsuruma elevated bridge (Midori Ward, Yokohama)

Results for Fiscal Year 2007

Trade-use paints sales increased ¥4,830 million to ¥44,017 million. This was mainly due to a ¥3,220 million increase resulting from the consolidation of NIPPON PAINT (THAILAND) and a ¥1,610 million rise in domestic sales.

In construction-use paints, we continued to promote environmentally friendly products and strengthen our production and logistics systems for responding to customer needs for small-lot, short-delivery orders. Notwithstanding these efforts, sales were down from the previous year due to the stagnant construction market.

In the heavy-duty anti-corrosion field, by contrast, sales were up significantly as a result of buoyant private-sector demand and a healthy performance in coatings for bridges. Increased demand for products used with concrete also boosted sales.

In the construction coatings business, domestic sales rose on the back of increased orders from housing manufacturers.



SUMITOMO (S.H.I.) CONSTRUCTION MACHINERY SH200

Industrial coatings Machinery, metal products, building materials, electrical appliances, adhesive agents

By developing highly functional products with a wide variety of applications, we contribute to many aspects of society.

With our powder coatings and water-based paints gaining acceptance, environmentally friendly products are accounting for a steadily increasing share of sales.

Nippon Paint offers paints and coatings for metal products and electrical machinery that are finely tuned to customers' tastes and preferences. Our paints and coatings for building construction materials satisfy people's increasing demand for designs that harmonize with the surrounding landscape. These products are underpinned by our advanced technological development capabilities and solid design development organization.

In recent years, customers have been demanding products that are environmentally friendly as well as attractive in appearance. In response to this trend, Nippon Paint has developed powder coatings and water-based paints that have fewer VOCs (volatile organic compounds), solar reflective coatings (heat-insulating paint) that counteract the "heat island" phenomenon, and a new coating system that enables recycling.



Yoyogi National Gymnasium (Tange Associates)

The Nippon Paint Group has taken the initiative in developing powder coatings and water-based paints that minimize VOCs in the industrial coatings segment, and a new coating system that enables recycling. Powder coatings are environmentally friendly because they do not need solvents; Nippon Paint commands the largest market share in the industry. Our powder coatings toning system, a world first, enables the toning to be done in a powder state, thereby allowing customers to choose their preferred hues on-site. Powder coatings are used for a wide range of products, including system kitchens, home electrical appliances, office equipment, vending machines and machine tools.

In water-based paints, we have developed a groundbreaking coating system that recycles paint and water. Any paint left over

is filtered and condensed for recycling. This system is used for industrial coatings, and by automakers and other manufacturers in their production lines.

Solar reflective coatings are increasingly being used to counteract the “heat island” phenomenon and save energy. Solar reflective coatings curb rises in surface temperature of the objects to which they are applied, and their uses include roofs and exterior walls of buildings, sidewalks, open paved areas and railway rolling stock. With trains traveling ever faster, we have also developed a special paint for bullet trains.

In the adhesive agents sector, Nippon Paint’s adhesive for metal structures has been used successfully for nearly 30 years.



PSP® (Playstation Portable)
©2007 Sony Computer Entertainment Inc. All rights reserved.



Industrial water-based paints and powder coatings used for a workstation.

Results for Fiscal Year 2007

In industrial coatings, sales rose ¥650 million year on year to ¥43,062 million, the result of a ¥3,130 million rise from the consolidation of NIPPON PAINT (THAILAND) CO., LTD. A ¥2,480 million decrease in domestic sales, however, limited the extent of the overall sales increase.

The lower domestic sales resulted from stagnation in the

construction materials market due to the revision of the Building Standards Law of Japan. This soft domestic demand negated higher sales of environmentally friendly products such as water-based paints, powder coatings and high solid paints, and energy-saving electro-deposition coatings, which help customers save money.





Auto refinish, marine coatings, household paints, road paints

The Nippon Paint Group supplies paints for all manner of uses, including auto refinish, marine coatings, household paints and road paints.

● Auto refinish

In the auto refinish paints sector, Nippon Paint mainly sells the Θ^3 (pronounced “e-cube”) series, a paint system for auto refinish that greatly reduces the impact on the environment. We offer three versions of this system, designed for different types of coatings. Created with the environment and greater application efficiency in mind, the Θ^3 Series meets the needs of a wide range of customers.

● Marine coatings

Nippon Paint Marine Coatings Co., Ltd. conducts business in the marine coatings sector. This company has established local subsidiaries with the aim of expanding business in the Asian region, which accounts for around 60% of the global demand for marine coatings. Nippon Paint Marine Coatings contributes to the prevention of oceanic pollution by means such as offering ship bottom paints that contain no tin.

● Household paints

In the household paints sector, we sell products that support people's lives and harmonize with the environment, driven by the basic three-pronged concept of providing products that are “environmentally friendly”, that “highlight or add color to the environment”, and that “protect the environment”. We supply the market with an extremely wide range of “do-it-yourself” products, including paints for repainting dwellings and rooms, and paints for gardening, hobbies and crafts.

● Road paints

Road paints help make travel safer and smoother for people. We offer mainly road marking paints for center lines and similar markings, as well as colored pavement paints. We also contribute to traffic safety with such products as road studs that flash at intersections, road signs and other places on the road.



Results for Fiscal Year 2007

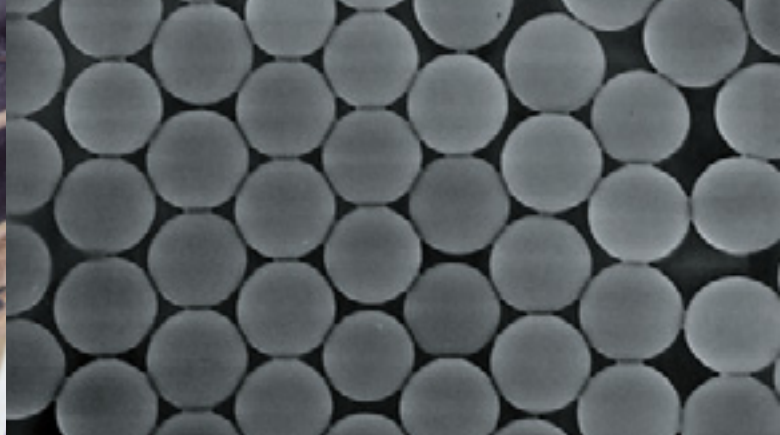
In the marine coatings category, sales increased significantly over the previous year due to a strong shipbuilding industry augmented by steady sales growth at Asian subsidiaries.

In the auto refinish category, sales edged down year on year due to lackluster market conditions despite enhanced sales efforts for products conforming to regulations for VOC (volatile organic compound) emissions. Such products included high

solid paints and water-based paints.

In the coating facility construction and household paints categories, sales declined year on year.

As a result, total sales for all these paint categories increased ¥700 million to ¥63,234 million.



Fine Chemicals

Surface treatment agents, display-related materials, electronic materials, particle materials

The surface treatments business and fine products business use the core technologies of paints and coatings.

● Surface Treatments

Nippon Paint supplies surface treatment agents that are used to modify the surfaces of metal, plastic and other materials before a coating is applied. These agents improve the coating's rust-prevention capability and adhesiveness, and give the coating hydrophilicity and other characteristics. We have developed a variety of environmentally friendly surface treatment products and systems that meet market needs. These include chromium-free treatment agents for steel and aluminum, fluorine-free degreasing agents for aluminum beverage cans and low-temperature treatment agents that reduce carbon dioxide emissions.

● Fine Products

A range of industries—most notably the IT and telecommunications industry encompassing office equipment, mobile phones and digital home electronics—require advanced nano-level control technologies and highly functional coating materials. The Nippon Paint Group is drawing on the painting and coating technologies it has developed over many years to offer its customers new materials that combine phototechnology and nanotechnology.



Results for Fiscal Year 2007

Sales in the surface treatments business rose year on year. This was due to increased sales of chromium- and zinc phosphate-free products and other environmentally friendly products especially in the automobile and steel industries, and also of highly functional and high-value-added products. Moreover, the addition of Nippon Paint (Thailand) Co., Ltd. as a consolidated subsidiary contributed ¥320 million in increased

sales.

In the fine products business, sales decreased year on year mainly due to our withdrawal from the color filter materials business.

As a result, fine chemicals segment sales as a whole rose ¥480 million over the previous year to ¥12,371 million.



A wide variety of color variations are achieved by using metallic nanoparticles

Research & Development

Supporting Our Ongoing Drive to Evolve as a Specialty Chemical Company

Undertaking basic research that builds up proprietary technologies is indispensable to staying at the forefront of progress in coating materials and responding to changing customer needs, as well as to the continued development of high value-added paints and coatings. The Nippon Paint Group channels management resources to R&D divisions to further refine its paints, coatings and associated technologies amassed in its core businesses, and find wider applications for them.

► R&D Organization

Nippon Paint has two domestic centers (Osaka and Tokyo) for research and development activities. The R&D Headquarters is responsible for searching for “R&D seeds” based on the Group’s medium- and long-term strategies, and basic research, and also works closely with the development departments of each business division to ensure rapid market development. The development departments of each business division focus on the R&D themes required for rapidly commercializing products. Furthermore, Nippon Paint also has the Miyakojima Weathering Center, which is an atmospheric exposure test facility designed to strengthen our basic research functions.

The Company aspires to sustain growth into the future by expanding its operations on a more global scale, developing paints and coatings unlike anything currently available, and building businesses in fields other than paints and coatings. However, it is aware of the pressing need to further improve the R&D capabilities that will underpin its operations if it is to achieve these aims. As part of efforts to this end, in September 2007, Nippon Paint established Nippon Paint (Shanghai) Research & Development Co., Ltd. as an overseas R&D site in Shanghai, China. Nippon Paint is planning to establish additional R&D sites in North America and the ASEAN region in future.

► Research & Development Themes

Applying Nanotechnology to Coatings: Developing Metal Nanoparticles as Paint materials

Nanotechnology has become increasingly important in a variety of technological fields in recent years. At Nippon Paint, ongoing research has focused on using metal nanoparticles in paint materials. Metal nanoparticles have been already used as coloring materials for glass, but several hurdles have to be overcome to commercialize metal nanoparticles as materials for paints and coatings.

After many years research, Nippon Paint has developed pastes that include metal nanoparticles that possess high coloring power and transparency. These pastes enable us to use metal nanoparticles as coloring materials for paints, coatings and other applications. A lead-free red pigment that contains one of our gold nanoparticle pastes is being used as a glaze in Kutaniyaki, traditional Japanese porcelain wares. Moreover, we are continuing research on NANOSILVER®, a coating made from silver nanoparticles, as an ultra-metallic coating for aluminum wheels.

We exhibited our paints and coatings that contain gold nanoparticles at Color Session 2008, an exhibition of color materials and technologies held in Tokyo in April 2008. They attract a great deal of attention from visitors. Going forward, Nippon Paint will carry out further research to develop more applications of metal nanoparticles as paint materials.



Design Center

Design Center Uses a Blend of Technology and Aesthetics to Offer Proposals for Products With Optimal Visual Impact.

The role of Design Center is to create paint and coating color schemes. As part of a company specializing in paints and coatings, Design Center is able to choose and combine colors to offer an almost limitless number of designs. We offer proposals for comfortable living spaces, ranging from designs for a wide variety of industrial products such as automobiles to environmentally friendly color schemes for buildings. Our unique creativity is rooted in research results built up over many years.

Surveys for Marketing Solutions

Design Center formulates color plans and strategies for customers after carrying out in-depth market surveys and analyses of all relevant factors. When a customer develops a product, or builds or renovates a building, we provide support at the marketing stage by conducting the necessary basic research and devising marketing concepts.

- Basic policies ● Human factors
- Environmental characteristics
- Data for plans

Final Proposals for Communication Solutions

When a customer prepares a final proposal for their client, Design Center plays a supporting role. We help our customer resolve any differences in goals, aesthetic sense and approach with their client, prepare reference materials for their client presentation and support the consensus-building needed to win the client's acceptance of the design.

- Color cards ● Color schemes
- Conceptual images of completed designs ● Reports



Designs for Designing Solutions

Design Center aids customers in designing activities to investigate possible color combinations and textures based on the ideas derived from our marketing solutions. We then propose a variety of highly inventive options, and reproduce many of the design ideas as actual samples to enable the customer to make quite sure that the design is suitable.

- Color combinations ● Texture proposals
- Color samples

Designs for Reproduction Solutions

We will go all the way back to the paint development stage to create the perfect color scheme. In order to recreate the customer's design image of their product or building, we employ computer color matching, computer graphics and other computer aids to accurately and efficiently create colors and reproduce the design.

- Coating designs
- CCM (computer color matching)

Nippon Paint's Corporate Social Responsibility (CSR)

Nippon Paint Group's CSR

Nippon Paint has strived to promote CSR activities by specifying the direction of its CSR management based on its Management Principles, Corporate Vision, and Code of Behavior. However, the demands that society places on companies have become increasingly intense, hence companies must extend the range and depth of their CSR efforts. To correctly respond to these societal requirements, we believe that it is important to establish a workplace environment that encourages all employees to fully understand CSR issues and address them on their own initiative. Based on this belief, in 2008 we reviewed our past CSR management practices and redefined the Nippon Paint Group's CSR, while also reconstructing our CSR management promotion system.

Management Principles

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 harmony and benefit of everyone.

Corporate Vision

- The Company is working to expand globally as a specialty chemical company, offering high value-added coatings.
- Our fundamental commitment is to become a trusted, eco-friendly company that helps protect the environment.

Five Cs : Code of Behavior

- Credibility
- Customer-oriented
- Creativity
- Challenge
- Collaboration

Nippon Paint Group's CSR

► What is our CSR?

To contribute to society through our business operations.

► What are our CSR activities?

- Activities intended to fulfill our CSR
- Activities intended to meet our stakeholders' expectations
- Activities designed to secure and maintain safety and compliance

► What is compliance?

We understand compliance in a broader sense, including not only observance of laws and regulations but also conformance with industrial standards, societal rules, company regulations and the like.

Economy	Society	Environment
<p>0. Achieve yearly and long-term plans.</p> <p>1. Develop products and services that benefit society while incorporating full consideration for the environment and safety, and supply them in a timely and stable manner. The goal is to offer satisfaction to customers and consumers and earn their trust.</p> <p>2. In all business practices: (1) Abide by applicable laws and regulations inside and outside Japan, and follow business ethics. (2) Conduct appropriate business dealings based on fair, transparent and free competition.</p> <p>3. Respect individuality and diversity of employees and strive to create a safe, motivational and rewarding workplace. Under the basic policy of "a chance for capability and a reward for achievements," we will help employees lead comfortable and affluent lifestyles (demonstration of humanity).</p> <p>4. In global business activities: (1) Respect local cultures, strive to maintain harmony with local economies and communities, and adopt disciplined, orderly behavior as a good corporate citizen. (2) Gain full knowledge of local laws and regulations regarding labor-management relations as well as labor practices, and establish sound relations between employees and management.</p>	<p>1. Aware that interactive communication with society is important for the Nippon Paint Group to serve as a socially beneficial entity: (1) Release corporate information in a fair and timely manner. (2) Promote proactive communication with shareholders as well as other stakeholders. (3) Treat personal information and customer data with due care by taking appropriate security measures.</p> <p>2. Contribute to rectifying and solving societal issues that adversely impact the global environment, humans and local communities by serving as a responsible member of the global and local communities.</p> <p>3. Avoid any interaction whatsoever with antisocial groups or groups that threaten the public order and security, and stand firm against such groups if they make approaches.</p>	<p>1. Aware that addressing environmental issues is an essential part of the Nippon Paint Group's existence and activities: (1) Incorporate due consideration in all business practices to preserve the global environment and protect the ecological system, and strive to conserve energy and resources. (2) Develop products with less impact on the environment and promote development of technologies for reducing environmental impact, while incorporating consideration for the environment, safety and health for a product's entire lifespan from development to final disposal. (3) Work to reduce the environmental impact of business activities and maintain safety and health for the community and employees.</p>

◆ Risk Management Activities

In business, there are two kinds of risk factors, namely those related to business opportunities and those related to business execution. However, these two types of risk are often inseparable or are in fact two sides of the same coin, so it is natural that both of these risks are controlled at worksites where business is carried out. As such, we again returned to our fundamental principles and made sure that managers of each worksite take the initiative for risk management. Risks that cannot be handled onsite should be reported to upper-level management, where appropriate measures can be taken.

Because risk information is relayed along the regular reporting line of business execution up to the management team, the Risk Management Committee formerly specializing in monitoring risk factors was discontinued.

However, that does not mean that risk management is totally left to the discretion of each worksite. Under the new system, the management team and the Head Office administrative departments assuming supportive functions will be responsible

for monitoring ongoing risk management activities at worksites, establishing a control environment and providing technical support.

The newly established organization responsible for internal auditing will oversee the risk management of the Nippon Paint Group as a whole. The organization will give advice and encourage improvement if there are any problems.

◆ Crisis Management System

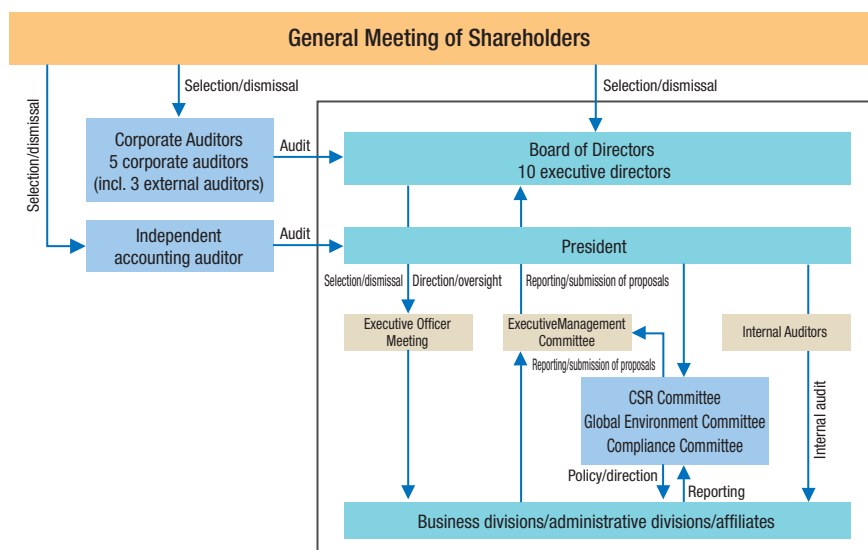
Based on Nippon Paint Crisis Management Rules and Operational Procedures for Head Office/Regional Emergency Headquarters, we have a management system in place and regularly conduct drills to prepare for anticipated hazards or disasters that may occur within the company facilities or in the neighborhood.

Moreover, we have specified the Safety and Health Regulations for Expatriates to respond to country-specific risks accompanying Nippon Paint Group's global business expansion and local natural disaster risk.

Corporate Governance for Nippon Paint Group

The basic policies for Nippon Paint Group's corporate governance are as follows:

- ① Strive to cultivate a healthy and sound Group culture based on common Group-wide values and guidelines that are composed of the Management Principles, Corporate Vision and Code of Behavior.
- ② Ensure that Nippon Paint's management policy is strictly followed by appointing Nippon Paint's directors or corporate officers as directors of its important affiliates.



Executives (as of June 27, 2008)

Directors

Makoto Matsuura
Kenji Sakai
Koichi Kimoto
Ryoichi Baba
Yoshio Ando
Hiroaki Ueno
Yoshiki Yamane
Takafumi Ohara
Toshiaki Morita
Hiroyoshi Suenaga

Corporate Officers

Makoto Matsuura
Kenji Sakai
Koichi Kimoto
Ryoichi Baba
Yoshio Ando
Hiroaki Ueno
Yoshiki Yamane
Takafumi Ohara
Toshiaki Morita
Shoji Oda
Yoshiki Tachibana

Corporate Auditors

Ryoichi Murakami
Yoshitaka Okude
Satoshi Yamamoto
Kanji Nishijima
Tetsuya Toshimitsu
Kei Aoki

Social Contributions

Nippon Paint aims to be a good corporate citizen that is as much a part of people's lives as the paints that enrich their world.

Building a Bridge between People, Supporting Pedestrian Overpass Relocation to Indonesia

To support recovery from the earthquake that struck central Java Island in May 2006, the Osaka prefectural government relocated a pedestrian bridge in the prefecture to the Code River in Indonesia, and an opening ceremony was held on February 19, 2008. The Nippon Paint Group cooperated in this recovery assistance initiative. Nippon Paint supplied paint to repaint the bridge and Nippon Paint Hanbai provided technical guidance regarding painting.

The pedestrian bridge, which includes the logos of various companies that provided cooperation, including Nippon Paint, has become familiar to local people, as it is now being reused in a new place.



Opening ceremony of the relocated pedestrian bridge spanning the Code River

Volunteer Painting Activities

Also Contributing Paint to Graffiti-Proofing Campaigns

Nippon Paint Group does repainting volunteer work in parks, schools and so on. The Group also provides paints to graffiti-proofing campaigns conducted in various locations. We recognized these activities as a social contribution what we can make as a paint maker.

Nippon Paint and Nippe Home Products have continued to support a graffiti-proofing campaign conducted by the Keihan Kyobashi Shopping District Promotion Association (in Miyakojima-ku, Osaka City) by providing paint and technical guidance regarding painting. The association's graffiti-proofing campaign was awarded the Special Graffiti Prevention Award in 2007 at the 10th Good Painting Color event, whose main sponsors were the Japan Paint Manufacturers Association, Nittosho, and the Japan Painting Contractors Association.



Colorfully painted walls of the Keihan Kyobashi Shopping District Promotion Association

Nippon Paint Anti-Corrosive Coatings Staff

Participate in Trash Pickup in Tokyo Bay Area

On July 1, 2007, employees from Nippon Paint Anti-Corrosive Coatings and related people took part in a cleanup activity in the Tokyo Bay area, near Nippon Paint's main plant. A total of 46 people including the president, directors, employees, their families and employees of contractors. Everyone joined in to pick up trash in the Sanbanse shallow coastal area in Urayasu City.

Sanbanse is one of only a few tidal flats preserved in Tokyo Bay. It is known as the habitat of various fish and birds. In addition, the Ministry of the Environment selected this area as one of "Japan's 500 Major Wetland Areas."

As part of the Nippon Paint Anti-Corrosive Coatings social contribution project, members of its Osaka Branch also participated in a trash pickup at the nearby Utsubo Park on June 26 and July 20, while the Fukuoka Sales Office staff conducted the same activity at Reisen Park on July 10. All of these activities were carried out with sincerity, a positive attitude and a spirit of teamwork among the participants.



Participants in a trash pickup

Nippon Paint Receives Letter of Thanks for its Cooperation in "The Five Promises" Originally Designed Poster

Nippon Paint recently joined with the Osaka Prefectural Police Department to promote child safety by printing and distributing posters to all elementary schools in the cities of Osaka and Sakai. The posters, called "The Five Promises," are part of a cooperative effort to combat child abduction and other crimes against children.

"The Five Promises" poster is geared toward children, and consists of several instructional guidelines that can help children avoid becoming crime victims. The posters are easy for children to understand, and can help educate them regarding appropriate, everyday measures they can take to recognize and avoid criminal behavior.

Although police on the national level are also involved in such awareness-raising activities, Nippon Paint is determined to contribute to its local communities by ensuring the safety of school children in Osaka and Sakai. Nippon Paint created 400 copies of an advertising display which has its own design and was donated to the Osaka Prefectural Crime Prevention Association.

The Osaka Prefectural Police Department, via the municipal boards of education, began distributing the posters to all elementary schools in Osaka and Sakai in late March 2008, and requested that they be posted in areas where children can easily see them when arriving and leaving school, such as the front gate of a school.



Posters hanging in an elementary school near Nippon Paint's head office

Environmental Preservation

Nippon Paint Group is united in focusing on activities that contribute to the preservation of the environment.

Environmental (Responsible Care) Policy

Basic Approach

Nippon Paint's philosophy is to proactively contribute to the preservation and beautification of the environment through our business activities, which include creating colors and attractive surroundings, while conserving materials and resources. In line with this approach, all employees and internal organizations are making it their own individual mission and responsibility to cooperate in tackling environmental problems. We aim to help create a beautiful environment through mutual trust with people everywhere, including regional communities and our customers.

To this end, we have established the following policies for all business activities:

1. We will pay due attention to preserving the global environment and protecting ecosystems, while striving to conserve energy and other resources in the course of all business activities (including the provision of both products and services),
2. We will advance the development of products with low environmental impact and of technologies that reduce this impact. We will also pay due attention to the environment, safety and health at all stages of a product's lifecycle, from development to disposal.
3. We will work to reduce the impact of operations on the environment, and to secure the safety and health of local residents and employees.

Policy

- ① The following are the aims of our Responsible Care activities:
 - (1) To establish a Responsible Care management system based on international trends.
 - (2) To reduce risk through comprehensive safety management of chemicals.
 - (3) To preserve the environment and ensure safety in the course of daily business activities.
 - (4) To preserve the environment and ensure safety in the course of international business activities and transactions in chemicals.
 - (5) To earn greater trust from society.
- ② We will continue to cooperate in performing the yearly management cycle of "plan, act, report, and review" as a member of the Japan Responsible Care Council.
- ③ We will comply with all relevant laws and regulations in Japan and overseas, as well as other commitments made by Nippon Paint. We will also continuously improve our comprehensive safety management of chemicals, using both scientific knowledge and scientific methodology. In doing so, we will take into consideration trends in Japan and overseas, and adhere to the principles of independent decision-making and responsibility.
- ④ We will familiarize all employees, Group companies and related companies with Nippon Paint's basic approach and policy for Responsible Care, and ensure that they are disclosed to, and understood by, society at large.



● Responsible Care

Companies that handle chemicals conduct Responsible Care activities at all stages from product development to product 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).



● "Eco Action 21" Symbol Mark

As part of our commitment to make a social contribution, Nippon Paint's "Eco Action 21" symbol mark has been created in a further effort to expand and reinforce activities to beautify and preserve the environment. This mark assists our efforts to encourage both strong environmental awareness among employees along with their active involvement in protection activities. At the same time, the mark clearly demonstrates to the outside world our aggressive approach to environmental issues. The design of the mark symbolizes our efforts to preserve the global environment, in line with our cord of behavior. The mark is displayed on environmentally friendly Nippon Paint products, including containers and catalogs.



● Coatings Care

Nippon Paint 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.

Nationwide expansion of Nippon Paint Office concept aimed at bolstering Group sales network

Nippon Paint has stated it will put priority on consolidated management in the 2010 Long-term Management Plan. As part of this policy, we are strengthening and developing our sales network based on the Nippon Paint Office concept, which will enable the Group's comprehensive strengths to be displayed.

The Nippon Paint Office concept is an endeavor to concentrate the sales bases of each Group company within the same region and thereby establish an environment where it is possible to practice co-work (collaboration). Within the site of Nippon Paint's head office and Osaka Plant, which are located in Kita-ku, Osaka, the sales bases of Nippon Paint Hanbai Co., Ltd., Nippon Paint Industrial Coating Co., Ltd., and other companies have been combined. We have therefore initiated activities as the Nippon Paint Office in the Osaka region. We have also combined the Group bases in the Nagoya area in the Nippon Paint Nagoya Building, and this office entered operation in summer 2008. Moreover, we are actively working to enhance customer convenience. For example, we are also establishing new Nippon Paint Offices in regions where the Group has not yet set up sales bases.

We will continue to develop Nippon Paint Offices in various regions of Japan while linking this strategy to the reform of the Group's logistics.



Head office building where the Group's sales bases are located

Establishment of consolidated subsidiaries based on 51% equity stake in affiliated companies in Taiwan, the Philippines, and South Korea

In May 2006, Nippon Paint reached agreement with Wuthelam Holdings Ltd. (headquartered in Hong Kong, China), with which we have operated joint-venture businesses for many years, to revise our equity stake in joint-venture companies in the Asian region. Based on this agreement, in January 2008 we decided to raise our shareholding in a joint-venture company in Taiwan to 51% and thereby turn it into a consolidated subsidiary. We also announced in June 2008 that we would turn our joint-venture companies in the Philippines and South Korea into consolidated subsidiaries.

Asia Industries Ltd., based in Taiwan, mainly manufactures and sells paint and coatings for automobiles and coils. In addition, Nippon Paint Philippines, Inc. in the Philippines manufactures and sells paint and coatings and metal-surface treatment chemicals, while South Korea-based Nipsea Chemical Co., Ltd. manufactures and sells metal-surface treatment chemicals. All of these companies were equity-method affiliates, but as they will become consolidated subsidiaries of Nippon Paint, we will allocate more management resources and technologies to them. While working to expand sales, they aim to contribute to the achievement of our 2010 Long-term Management Plan.

To ensure the further development of our Asian joint-venture businesses, we will continue to turn more joint-venture companies into consolidated subsidiaries.



Asia Industries Ltd. (Taiwan)

Nippon Paint Marine establishes ship paint manufacturing and sales company in Jiangsu, China

In March 2008, Nippon Paint Marine Coatings Co., Ltd., a Nippon Paint Group subsidiary, established Nippon Paint Marine (Zhangjiagang) Co. Ltd. as a company to manufacture and sell paints for ships in Jiangsu, China. This new company is scheduled to enter operation during fiscal 2008.

Many domestic and overseas ship paint companies have already entered the market in China, and competition is intensifying. In this challenging environment, enhancing cost competitiveness was an issue that Nippon Paint Marine faced. However, establishing this new company has enabled it not only to increase its sales competitiveness in China, but also to enhance convenience in terms of production and logistics. In terms of production, in particular, competitiveness will be reinforced in the area of volume and costs, as operations will shift from the previous method of consigned production for Nippon Paint Group companies in China to an in-house production system. As a result, we expect to expand sales of paints for ships in China to around ¥3 billion in fiscal 2010. At the same time, we also aim to increase consolidated sales at Nippon Paint Marine to ¥23 billion or more in the same fiscal year.



Rendering of the completed Nippon Paint Marine (Zhangjiagang) Co., Ltd.

Commercialization of electrolysis activated deposition (EAD), a new technology New organization launched, aiming for full-scale market development

Nippon Paint has embarked on the full-fledged commercialization of electrolysis activated deposition (EAD) technology, which it has independently developed. EAD is an electro-coating material that provides functions such as electrical insulation, high durability, heat resistance, and chemical resistance. It is expected to be used as a new surface processing technology in fields such as electrical and electronic components where coatings were not previously used.

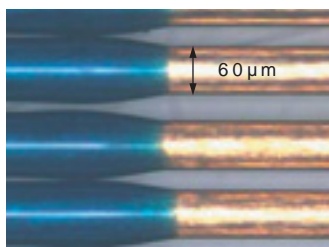
The basic technology for EAD originated from an autonomous research group that young engineers in Nippon Paint's Automobile Paint Division inaugurated more than ten years ago. Research aimed at commercialization of this technology continued, but as full-scale market development recently became a likely prospect, we established the EAD Business Promotion Department as a new organization in April 2008.

INSULEED, a representative product, is an electro-coating material that has an insulation function. It has the advantage of being able to provide an insulation film even after components have undergone complex and subtle processing and is already being used in the lithium-ion battery production process. In the future we will promote the development of this product in the fields of auto parts and electrical and electronic components.

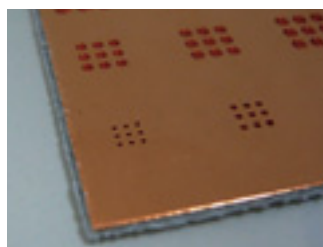
The goal of the EAD Business Promotion Department is to create products that will enable customers to generate innovation, based on the concept of "Value Innovation Coatings".



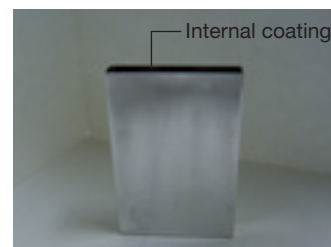
Complex items



Microfabricated items



Printed circuit boards
(Through-hole)



Battery cans

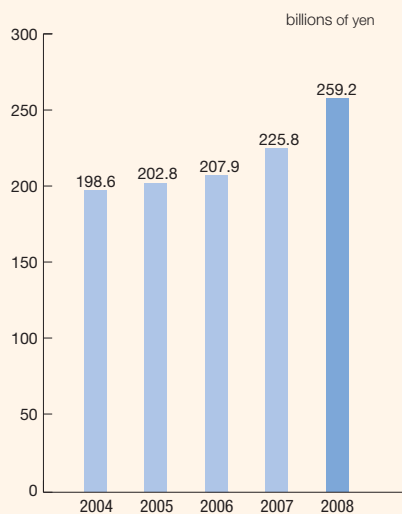
Five-year Financial Highlights

Nippon Paint Co., Ltd. and Consolidated Subsidiaries

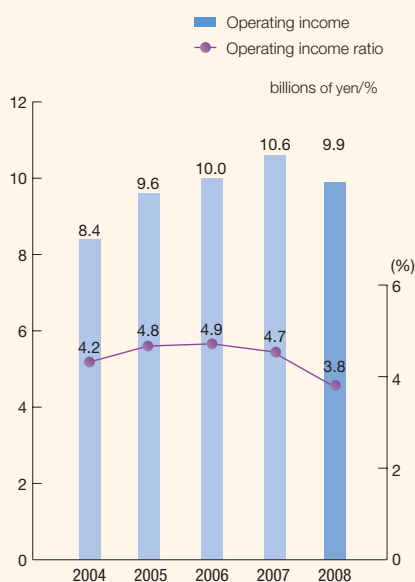
For the years ended March 31:	Millions of yen				Thousands of U.S. dollars	
	2004	2005	2006	2007	2008	2008
Net sales	198,672	202,850	207,999	225,813	259,209	2,587,174
Operating income	8,415	9,694	10,052	10,665	9,918	98,992
Net income	6,802	7,114	6,578	7,472	6,702	66,893
Per share of common stock (Yen):	Yen				U.S. dollars	
Net income	25.49	26.79	24.77	28.19	25.29	0.252
Net assets	384.66	404.72	456.58	489.05	479.53	4.786
Cash dividends	6.00	7.00	7.00	8.00	8.00	0.080
As of March 31:	Millions of yen				Thousands of U.S. dollars	
Total assets	220,331	229,996	243,685	299,382	288,810	2,882,623
Shareholders' equity	102,047	107,308	121,036	135,697	135,098	1,348,418
Indicators:						
Return on assets (%)	3.10	3.16	2.78	2.75	2.28	
Return on equity (%)	6.98	6.80	5.76	5.96	5.22	
Shareholders' equity ratio (%)	46.3	46.7	49.7	43.3	44.0	

Note: U.S. dollar amounts represent translations from yen at the rate of ¥100.19=U.S.\$1, the rate in effect on March 31, 2008.

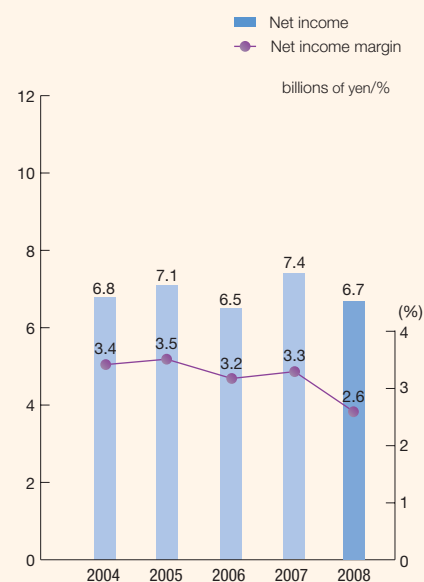
Net sales



Operating income/Operating income ratio



Net income/Net income margin



Management Discussion and Analysis

Consolidated Financial Overview

► Outline of Operations

The Japanese economy gradually recovered during fiscal 2007, the year ended March 31, 2008, on the back of robust capital investment and signs of an improved job market against the backdrop of improved corporate earnings. There is a growing uncertainty about the future, however, triggered by such factors as soaring crude oil prices and plummeting new housing starts in the wake of revisions to the Building Standards Law of Japan.

Overseas, the U.S. economy was sluggish in the second half of the year as a result of the subprime loan problem. China and other Asian economies, meanwhile, remained strong, with continued high growth.

In this business environment, although shipment volume in the Japanese paints and coatings industry remained essentially unchanged from the previous fiscal year, shipments in monetary terms rose year on year.

► Breakdown of Operating Results

Consolidated net sales for the fiscal year ended March 31, 2008 rose 14.8% year on year to ¥259.2 billion. By business category, net sales in the paint segment rose 15.4% to ¥246.8 billion, while the fine-chemical segment saw sales rise 4.0% to ¥12.3 billion.

Gross profit increased 11.6% year on year to ¥80.4 billion due to increased sales, but the gross profit margin declined by 0.9% to 31.0%, the result of increasing raw materials prices caused by prices of crude oil and naphtha which have continued to soar from the previous fiscal year.

Operating income declined 7.0% to ¥9.9 billion due to higher selling, general and administrative expenses from the impact of initially consolidated subsidiaries and business expansion at Asian subsidiaries.

Ordinary income fell 8.1% to ¥11.2 billion mainly as a result of higher interest expense and a wider loss on foreign exchange, despite increases in dividend income and equity in earnings of affiliates.

As regards extraordinary gains, the Company recorded extraordinary gains of ¥0.4 billion from sales of fixed assets and ¥0.6 billion from the partial sale of business of a North American plastics coatings subsidiary acquired last year. On the other hand, the Company recorded extraordinary losses of ¥0.4 billion due to the sale and disposal of fixed assets and impairment.

The ratio of corporate taxes to income before income taxes and minority interests (the effective tax rate) fell 2.0 percentage points, from 38.6% in the previous fiscal year to 36.6% in fiscal 2007. The main reason for the decline was a foreign income tax credit for special dividends in China.

As a result, net income fell 10.3% year on year to ¥6.7 billion. Net income per share was ¥25.29, compared to ¥28.19 in the previous fiscal year.

► Assets, Liabilities and Net Assets

Total assets at March 31, 2008 were ¥288.8 billion, down ¥10.5 billion from the end of the previous fiscal year.

Current assets decreased ¥6.2 billion, the net result mainly of a ¥1.5 billion increase in inventories and a ¥7.6 billion decrease in notes and accounts receivable resulting from the previous fiscal year-end falling on a bank holiday.

Property, plant and equipment fell ¥4.3 billion. Although property, plant and equipment rose by ¥3.9 billion mainly due to an increase in capital investment, there was a ¥10.4 billion decrease in investment in securities due to a significant decline in unrealized holding gains on equity shares held, which resulted from flagging stock prices.

Liabilities decreased ¥9.9 billion to ¥153.7 billion. The main reasons for the decrease were a ¥4.7 billion decline in notes and accounts payable resulting from the previous fiscal year-end falling on a bank holiday, a decrease of ¥1.3 billion in accrued income taxes, and a decrease of ¥2.6 billion in deferred income taxes.

Net assets, including minority interests, at the end of fiscal 2007 were ¥135.0 billion, down ¥0.6 billion. This decline mainly reflected a ¥6.6 billion decline in net unrealized holding gains on securities with the aforementioned decrease in unrealized holding gains on equity shares held. On the other hand, there was a ¥4.4 billion rise in retained earnings and a ¥1.9 billion increase in minority interests.

As a result, the shareholders' equity ratio rose from 43.3% to 44.0%.

► Cash Flows

In fiscal 2007, net cash provided by operating activities totaled ¥13.8 billion, net cash used in investing activities totaled ¥11.3 billion, and net cash used in financing activities totaled ¥2.3 billion. As a result, cash and cash equivalents at the end of fiscal 2007 increased by ¥0.2 billion over the previous fiscal year-end to ¥23.3 billion.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥13.8 billion, up ¥3.1 billion from the previous fiscal year. This was mainly due to a decrease in cash outflows of ¥4.1 billion resulting from a decrease in working capital needs (notes and accounts receivable, inventories, and notes and accounts payable). Partly offsetting this was a decrease in cash inflows of ¥0.9 billion, reflecting the net result of depreciation and amortization and other non-cash expenses added back to income before income taxes and minority interests.

Cash flows from investing activities

Net cash used in investing activities totaled ¥11.3 billion. This was mainly due to ¥1.3 billion for acquisition of other investment securities and ¥10.7 billion for purchases of property, plant and equipment. In terms of inflows, the Company recorded ¥0.9 billion in proceeds from sales of investment securities and property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities totaled ¥2.3 billion. This was due mainly to an outflow of ¥2.4 billion for the payment of dividends.

► Capital Expenditures

Capital expenditures for fiscal 2007 amounted to ¥10.8 billion. This consisted mainly of ¥5.0 billion for production capacity expansion and streamlining, ¥1.7 billion for research equipment and facilities, ¥0.7 billion for safety and environmental enhancements, and ¥0.8 billion for software to develop sales, logistics and inventory systems.

► Research and Development

Research and development expenses for the entire Group during fiscal 2007 amounted to ¥8.0 billion, representing 3.1% of consolidated net sales. The total number of industrial property rights totaled 1,254 at the end of fiscal 2007.

Included in research and development expenses was ¥5.7 billion for the paints and coatings business, and ¥0.8 billion for the fine chemicals business. Basic research and development expenses shared by all business divisions totaled ¥1.4 billion.

Going forward, we will build on our base of polymer, photochemical, and mixing design technologies to further enhance our nanotechnology and environmentally clean material compound technology, and will continue with our efforts to develop technologies and products for the paint segment and fine-chemical segment markets.

► Business and Other Risks

The risks that may affect the earnings performance, financial position or other aspects of the Nippon Paint Group are set out below. Forward-looking statements contained herein are based upon management's judgment as of the date of submission of the Annual Securities Report (June 30, 2008).

Domestic Business

Demand for paints and coatings in Japan has been declining since 1996, and there is little prospect of a major recovery. Although the Company is making efforts to adjust sales prices in order to offset the continuing high cost of raw materials, in general sales prices do not reflect the increased costs, putting pressure on profits.

Faced with such conditions, Nippon Paint has sought to increase its share of the domestic market and steadily increase earnings through the development and introduction of environmentally friendly products and reforms to the Group's cost structure.

However, Nippon Paint is highly dependent on petrochemical substances for its raw materials, so fluctuations in prices of crude oil and naphtha have a significant impact on earnings. Also, should the Company be unable to purchase raw materials, there is a possibility that it will be unable to fulfill its supply responsibility to customers.

The Nippon Paint Group achieves stable raw material purchasing and reductions in raw material costs through material compatibility, multiple purchasing and global procurement.

Overseas Business

The Nippon Paint Group expanded into other areas of Asia in the early 1960s, and has since pursued growth opportunities in foreign markets as it steadily developed its overseas business.

There is a possibility that changes in exchange rates, along with country risks specific to overseas businesses, such as changes in laws and regulations, political or economic upheavals, terrorism or war, will have an impact on the financial position or earnings performance of these businesses.

In comparison with the former period of overseas expansion that accompanied our customers' transfer of production facilities overseas, we are now facing an age of global competition, and overseas investment risk is increasing.

Addressing Environmental Concerns

The paints and coatings industry is subject to public regulation in the form of laws and regulations related to the environment and chemical substances. This means that failure to comply with such regulations as the 2004 reforms to air pollution regulation to restrict emissions of volatile organic compounds, the new Japanese Industrial Standards, and the Globally Harmonized System for the classification and labeling of chemicals systems, as well as management of chemical substances related to import and export, and foreign and domestic environmental laws, carries the risk that the Company will be unable to survive.

Beyond complying with laws and regulations, the Nippon Paint Group strives to be a corporation trusted as an "eco-company" that contributes to environmental conservation and reducing resource energy. To this end, we set our own environmental policies, develop products with minimal environmental impact, and pursue technical development to reduce the environmental burden. We also work to reduce the environmental burden of our operations and ensure the safety of local communities.

Disaster Preparedness

A major earthquake, factory accident or other disaster could threaten the safety of employees or the local community, and there is a possibility that in such an event the Company would become unable to provide a steady supply of products to its customers.

Nippon Paint places importance on its risk management organization, which aims to prevent such disasters and minimize any damage or loss should they occur. In its risk management the Company works to minimize damage or loss by making preparations and conducting trainings, emphasizing the principles of 1) preventing disaster proliferation, 2) speedy recovery and restoration, and 3) disclosure of necessary information.

To fulfill its responsibility to provide a stable product supply to customers, management takes the lead in implementing such fundamental initiatives as inspection of production plants from multiple perspectives, consideration of alternative supply/production should a major earthquake or other disaster occur, and making anti-earthquake investments where they are needed, as well as constant verification that the risk management structure will function in the event of a disaster.

Consolidated Balance Sheets

March 31, 2008 and 2007

	2008 (Millions of yen)	2007 (Millions of yen)	2008 (Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash and cash equivalents	¥ 23,331	¥ 23,077	\$ 232,868
Notes and accounts receivable (Note 11)	86,036	93,652	858,728
Less allowance for doubtful accounts	(1,036)	(1,125)	(10,340)
Inventories (Note 5)	28,021	26,490	279,679
Deferred income taxes (Note 7)	3,076	2,990	30,702
Other current assets	5,010	5,563	50,005
Total current assets	144,438	150,647	1,441,642
Property, plant and equipment (Note 12):			
Land (Note 6)	18,150	17,326	181,156
Buildings and structures (Note 6)	71,338	69,592	712,027
Machinery, equipment and vehicles	62,601	62,345	624,823
Tools, furniture and fixtures	22,954	19,912	229,105
Construction in progress	3,371	3,428	33,646
	178,414	172,603	1,780,757
Less accumulated depreciation	(107,825)	(105,936)	(1,076,206)
Property, plant and equipment, net	70,589	66,667	704,551
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	22,159	22,185	221,170
Investments in securities (Note 4)	21,745	32,188	217,038
Deferred income taxes (Note 7)	609	368	6,078
Goodwill	15,618	16,565	155,884
Other assets (Note 12)	13,652	10,762	136,260
Total investments and other assets	73,783	82,068	736,430
Total assets	¥ 288,810	¥ 299,382	\$2,882,623

	2008 (Millions of yen)	2007 (Millions of yen)	2008 (Thousands of U.S. dollars) (Note 1)
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable (Note 11)	¥ 66,992	¥ 71,755	\$ 668,650
Short-term bank loans (Note 6)	24,449	22,944	244,026
Current portion of long-term debt (Note 6)	3,439	8,476	34,325
Accrued income taxes (Note 7)	1,283	2,352	12,806
Deferred income taxes (Note 7)	1	8	10
Accrued bonuses for directors and corporate auditors	3	45	30
Accrued expenses and other current liabilities	15,479	16,322	154,496
Total current liabilities	111,646	121,902	1,114,343
Long-term liabilities:			
Long-term debt (Note 6)	26,037	22,591	259,876
Accrued retirement benefits for employees (Note 8)	8,445	8,964	84,290
Accrued retirement benefits for directors and corporate auditors	334	707	3,334
Guarantee deposits received (Note 6)	3,513	3,493	35,063
Deferred income taxes (Note 7)	2,939	5,579	29,334
Other long-term liabilities	798	449	7,965
Total long-term liabilities	42,066	41,783	419,862
Contingent liabilities (Note 9)			
Net Assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized: 1,000,000,000 shares;			
Issued: 265,402,443 shares in 2008 and 2007	27,713	27,713	276,604
Capital surplus	27,189	27,187	271,374
Retained earnings (Note 19)	65,933	61,483	658,081
Treasury stock, at cost: 455,957 shares in 2008 and 406,260 shares in 2007	(193)	(161)	(1,926)
Total shareholders' equity	120,642	116,222	1,204,133
Valuation and translation adjustments:			
Net unrealized holding gain on securities (Note 4)	3,287	9,895	32,807
Net unrealized gain on deferred hedges	3	2	30
Translation adjustments	3,117	3,477	31,111
Total valuation and translation adjustments	6,407	13,374	63,948
Minority interests	8,049	6,101	80,337
Total net assets	135,098	135,697	1,348,418
Total liabilities and net assets	¥ 288,810	¥ 299,382	\$ 2,882,623

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2008 and 2007

	2008 (Millions of yen)	2007 (Millions of yen)	2008 (Thousands of U.S. dollars) (Note 1)
Net sales	¥259,209	¥225,813	\$2,587,174
Cost of sales (Note 16)	178,786	153,777	1,784,469
Gross profit	80,423	72,036	802,705
Selling, general and administrative expenses (Note 16)	70,505	61,371	703,713
Operating income	9,918	10,665	98,992
Other income (expenses):			
Interest and dividend income	626	484	6,248
Interest expense	(964)	(654)	(9,622)
Equity in earnings of affiliates	3,558	3,412	35,513
Net gain on sales of investments in securities (Note 4)	6	1,686	60
Loss on impairment of fixed assets (Note 12)	(90)	(205)	(898)
Loss on devaluation of investments in securities	(32)	(16)	(319)
Gain on sale of business	661	—	6,597
Other, net	(1,797)	(1,809)	(17,936)
Income before income taxes and minority interests	11,886	13,563	118,635
Income taxes (Note 7):			
Current	2,884	4,217	28,786
Deferred	1,472	1,014	14,692
	4,356	5,231	43,478
Income before minority interests	7,530	8,332	75,157
Minority interests	(828)	(860)	(8,264)
Net income	¥ 6,702	¥ 7,472	\$ 66,893

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2008 and 2007

Millions of yen

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized gain on deferred hedges	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	265,402,443	¥27,713	¥27,187	¥55,879	¥ (119)	¥110,660	¥9,164	¥ —	¥ 1,212	¥ 10,376	¥ —	¥121,036
Reclassified balance at March 31, 2006	265,402,443	27,713	27,187	55,879	(119)	110,660	9,164	0	1,212	10,376	6,711	127,747
Cash dividends	—	—	—	(928)	—	(928)	—	—	—	—	—	(928)
Interim cash dividends	—	—	—	(927)	—	(927)	—	—	—	—	—	(927)
Bonuses to directors and corporate auditors	—	—	—	(13)	—	(13)	—	—	—	—	—	(13)
Net income	—	—	—	7,472	—	7,472	—	—	—	—	—	7,472
Acquisition of treasury stock	—	—	—	—	(43)	(43)	—	—	—	—	—	(43)
Disposition of treasury stock	—	—	0	—	1	1	—	—	—	—	—	1
Other changes	—	—	—	—	—	—	731	2	2,265	2,998	(610)	2,388
Balance at March 31, 2007	265,402,443	27,713	27,187	61,483	(161)	116,222	9,895	2	3,477	13,374	6,101	135,697
Cash dividends	—	—	—	(1,192)	—	(1,192)	—	—	—	—	—	(1,192)
Interim cash dividends	—	—	—	(1,060)	—	(1,060)	—	—	—	—	—	(1,060)
Net income	—	—	—	6,702	—	6,702	—	—	—	—	—	6,702
Acquisition of treasury stock	—	—	—	—	(34)	(34)	—	—	—	—	—	(34)
Disposition of treasury stock	—	—	2	—	2	4	—	—	—	—	—	4
Other changes	—	—	—	—	—	—	(6,608)	1	(360)	(6,967)	1,948	(5,019)
Balance at March 31, 2008	265,402,443	¥27,713	¥27,189	¥65,933	¥ (193)	¥120,642	¥3,287	¥3	¥ 3,177	¥6,407	¥8,049	¥135,098

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized gain on deferred hedges	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	\$ 276,604	\$ 271,354	\$613,664	\$(1,607)	\$ 1,160,015	\$ 98,762	\$ 20	\$ 34,704	\$ 133,486	\$ 60,894	\$1,354,395
Cash dividends	—	—	(11,897)	—	(11,897)	—	—	—	—	—	(11,897)
Interim cash dividends	—	—	(10,579)	—	(10,579)	—	—	—	—	—	(10,579)
Net income	—	—	66,893	—	66,893	—	—	—	—	—	66,893
Acquisition of treasury stock	—	—	—	(339)	(339)	—	—	—	—	—	(339)
Disposition of treasury stock	—	20	—	20	40	—	—	—	—	—	40
Other changes	—	—	—	—	—	(65,955)	10	(3,593)	(69,538)	19,443	(50,095)
Balance at March 31, 2008	\$ 276,604	\$ 271,374	\$658,081	\$(1,926)	\$ 1,204,133	\$ 32,807	\$ 30	\$ 31,111	\$ 63,948	\$ 80,337	\$1,348,418

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2008 and 2007

	2008 (Millions of yen)	2007 (Millions of yen)	2008 (Thousands of U.S. dollars) (Note 1)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 11,886	¥ 13,563	\$ 118,635
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	8,099	6,202	80,837
Interest and dividend income	(626)	(484)	(6,248)
Interest expense	964	654	9,622
Equity in earnings of affiliates	(3,558)	(3,412)	(35,513)
(Gain) loss on sales or disposal of property, plant and equipment	(87)	72	(868)
Loss (gain) on sales of investments in consolidated subsidiaries and investments in securities, net of loss on devaluation of investments in securities	26	(1,670)	260
Loss on impairment of fixed assets	90	205	898
Decrease (increase) in notes and accounts receivable	8,134	(14,010)	81,185
Increase in inventories	(1,354)	(1,323)	(13,514)
(Decrease) increase in notes and accounts payable	(5,729)	12,220	(57,182)
Other	(1,688)	1,977	(16,848)
Subtotal	<u>16,157</u>	<u>13,994</u>	<u>161,264</u>
Interest and dividend income received	2,871	1,432	28,656
Interest paid	(869)	(684)	(8,674)
Income taxes paid	<u>(4,263)</u>	<u>(4,035)</u>	<u>(42,550)</u>
Net cash provided by operating activities	13,896	10,707	138,696
Cash flows from investing activities:			
Purchases of property, plant and equipment	(10,794)	(8,614)	(107,736)
Proceeds from sales of property, plant and equipment	915	250	9,133
Purchases of investments in securities	(1,209)	(1,945)	(12,067)
Proceeds from sales of investments in consolidated subsidiaries and investments in securities	10	2,705	100
Purchases of investments in initially consolidated subsidiaries (Note 13)	(88)	(30,643)	(878)
Other	(145)	(803)	(1,447)
Net cash used in investing activities	<u>(11,311)</u>	<u>(39,050)</u>	<u>(112,895)</u>
Cash flows from financing activities:			
Increase in short-term bank loans, net	1,521	10,670	15,181
Proceeds from long-term loans	7,400	14,400	73,860
Repayment of long-term loans, including current portion	(8,970)	(2,360)	(89,530)
Cash dividends paid	(2,252)	(1,855)	(22,477)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(197)	(395)	(1,966)
Proceeds from issuance of common stock to minority shareholders	168	—	1,677
Other	(31)	(42)	(309)
Net cash (used in) provided by financing activities	<u>(2,361)</u>	<u>20,418</u>	<u>(23,565)</u>
Effect of exchange rate changes on cash and cash equivalents	30	62	300
Net increase (decrease) in cash and cash equivalents	254	(7,863)	2,536
Cash and cash equivalents at beginning of the year	<u>23,077</u>	<u>30,940</u>	<u>230,332</u>
Cash and cash equivalents at end of the year	¥ 23,331	¥23,077	\$ 232,868

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2008

1. Basis of Preparation

Nippon Paint Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Stan-

dards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥100.19 = U.S.\$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates neither consolidated nor accounted for by the equity method are carried at cost.

The assets and liabilities of the consolidated subsidiaries are revalued at fair value as of the respective dates of acquisition of control by the full value method.

Goodwill, the difference between the cost and the underlying net equity at fair value of investment in consolidated subsidiaries or in companies accounted for by the equity method, is amortized principally by the straight-line method over a period of 20 years. Minor differences are charged or credited to income in the year of acquisition.

The balance sheet date of certain consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(b) Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities are translated into yen at the rates of exchange in effect at the balance sheet date. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

The balance sheet accounts of the overseas consolidated sub-

sidaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and minority interests in the consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments, which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated based on the historical experience with bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual doubtful receivables.

(e) Securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value, and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. The cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(f) Inventories

Inventories are stated principally at cost determined by the moving average method.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is determined at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for buildings (excluding attachments to the buildings) acquired on or after April 1, 1998 and assets of the overseas consolidated subsidiaries to which the straight-line method is applied.

The estimated useful lives applied are principally as follows:

Buildings and structures.....	3 - 50 years
Machinery, equipment and vehicles.....	3 - 9 years
Tools, furniture and fixtures.....	2 - 20 years

(h) Computer Software

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or future cost savings. Any such expenditure capitalized as an asset is amortized by the straight-line method over an estimated useful life of 5 years.

(i) Intangible Assets

Sales and technological know-how of overseas subsidiaries is amortized by the straight-line method over estimated useful lives ranging from 10 to 20 years.

(j) Income Taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued Retirement Benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date, as adjusted for the unrecognized net retirement benefit obligation at transition, net unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition is being amortized over a period of 15 years by the straight-line method.

Prior service cost is amortized in the year in which the gain or loss is recognized by the straight-line method over a period

of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Net unrecognized actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

The Company and certain domestic consolidated subsidiaries have unfunded retirement benefit plans for directors and corporate auditors. The amounts required under these plans have been accrued in accordance with their internal regulations.

(l) Accrued Bonuses for Directors and Corporate Auditors

Accrued bonuses for directors and corporate auditors is provided for the payment of bonuses to directors and corporate auditors based on an estimated amount.

(m) Leases

The Company and its domestic consolidated subsidiaries lease certain equipment under non-cancelable lease agreements referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the Company and its domestic consolidated subsidiaries are accounted for as operating leases.

(n) Hedge Accounting

As a rule, the Company's consolidated subsidiaries apply deferral hedge accounting and gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(o) Distribution of Retained Earnings

Under the new Corporation Law of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 19.

3. Changes in Method of Accounting

(a) Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005).

There was no impact on the Company's operating results for the year ended March 31, 2007 as a result of the adoption of this new accounting standard and the related guidance. Total shareholders' equity under the previous method of presentation amounted to ¥129,594 million at March 31, 2007.

(b) Accrued Bonuses for Directors and Corporate Auditors

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005).

The effect of this change on the accompanying consolidated financial statements for the year ended March 31, 2007 was immaterial.

(c) Accounting Standards for Business Combinations and Business Divestitures

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 22, 2006).

As a result of the adoption of these accounting standards, there was no impact on the Company's operating results for the year ended March 31, 2007.

(d) Depreciation of Tangible Fixed Assets

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have adopted a new method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 based on the revised Corporation Tax Law of Japan. The effect of the adoption of this method on the accompanying consolidated financial statements for the year ended March 31, 2008 was immaterial.

4. Securities

(a) Marketable securities classified as other securities at March 31, 2008 and 2007 are summarized as follows:

	Acquisition cost	Carrying value	Unrealized holding gain (loss)	Acquisition cost	Carrying value	Unrealized holding gain (loss)	Acquisition cost	Carrying value	Unrealized holding gain (loss)
	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
Securities whose carrying value exceeds their acquisition cost:									
Equity securities.....	¥14,841	¥19,945	¥5,104	¥16,327	¥31,492	¥15,165	\$148,129	\$199,072	\$ 50,943
Securities whose carrying value does not exceed their acquisition cost:									
Equity securities.....	1,544	1,170	(374)	67	52	(15)	15,411	11,678	(3,733)
Total.....	¥16,385	¥21,115	¥4,730	¥16,394	¥31,544	¥15,150	\$163,540	\$210,750	\$47,210

b) Proceeds from, and gain and loss on, sales of securities classified as other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds from sales	¥8	¥2,706	\$80
Gain on sales	6	1,718	60
Loss on sales.....	—	(32)	—

c) The carrying value of investments in non-marketable securities at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unlisted equity securities (except for those traded on the over-the-counter market)	¥510	¥515	\$5,090
Investments in limited liability partnerships engaged in investing activities	89	97	888

5. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥16,224	¥15,585	\$161,933
Work in process.....	4,845	4,783	48,358
Raw materials and supplies.....	6,952	6,122	69,388
Total	¥28,021	¥26,490	\$279,679

6. Short-Term Bank Loans, Long-Term Debt and Guarantee Deposits Received

Short-term bank loans principally represent short-term loans with deeds. The average interest rates on these borrowings were 1.64% and 1.57% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured loans from banks and life insurance companies due through 2013	¥ 29,476	¥ 31,067	\$ 294,201
Less current portion	(3,439)	(8,476)	(34,325)
	¥26,037	¥22,591	\$259,876

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized below:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2009	¥ 3,439	\$ 34,325
2010	4,750	47,410
2011	7,120	71,065
2012	7,098	70,845
2013	7,069	70,556
Total	¥29,476	\$294,201

Assets pledged at March 31, 2008 as collateral for short-term bank loans of ¥404 million (\$4,032 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥853	\$8,514
Buildings and structures, at net book value	170	1,697
Total	¥1,023	\$10,211

Guarantee deposits received, principally from customers, bore interest at an average interest rate of 0.34% at March 31, 2008 and 2007.

7. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.6% for the years ended March 31, 2008 and 2007. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rate for the year ended March 31, 2008 differs from the statutory tax rate for the following reasons:

	2008
Statutory tax rate.....	40.6%
Permanently non-deductible expenses.....	2.6
Elimination of dividend income	(5.2)
Foreign tax credit.....	(12.6)
Valuation allowance.....	7.1
Other.....	4.1
Effective tax rate.....	36.6%

Presentation of the corresponding information for the year ended March 31, 2007 has been omitted because the difference between the statutory tax rate and the effective tax rate was less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued enterprise tax	¥ 215	¥ 298	\$ 2,146
Accrued bonuses	1,430	1,598	14,273
Accrued retirement benefits for employees	2,258	3,103	22,537
Elimination of unrealized profit	481	752	4,801
Loss on devaluation of investments in securities	42	75	419
Foreign tax credits	267	267	2,665
Tax loss carryforwards.....	5,090	6,649	50,803
Other	924	1,596	9,223
Gross deferred tax assets	10,707	14,338	106,867
Less valuation allowance	(5,269)	(7,243)	(52,590)
Total deferred tax assets	5,438	7,095	54,277
Deferred tax liabilities:			
Reserve for deferred taxation on gain on property included in retained earnings	(14)	(15)	(140)
Reserve for special depreciation	(23)	(28)	(230)
Unrealized gain on fixed assets	(2,139)	(2,677)	(21,349)
Net unrealized holding gain on securities	(1,744)	(5,744)	(17,407)
Other	(773)	(860)	(7,715)
Total deferred tax liabilities	(4,693)	(9,324)	(46,841)
Net deferred tax assets (liabilities)	¥ 745	¥ (2,229)	\$ 7,436

8. Accrued Retirement Benefits for Employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., the Welfare Pension Fund Plan ("WFPF"), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 for the defined benefit plans of the Company and its domestic consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation.....	¥(62,506)	¥(62,513)	\$(623,875)
Plan assets at fair value	47,059	49,792	469,698
Unfunded retirement benefit obligation	(15,447)	(12,721)	(154,177)
Prepaid pension cost	(3,678)	(1,764)	(36,710)
Unrecognized prior service cost	(4,853)	(5,625)	(48,438)
Unrecognized actuarial loss	8,647	3,387	86,306
Unrecognized net retirement benefit obligation at transition	6,886	7,872	68,729
Accrued retirement benefits for employees ..	¥(8,445)	¥(8,851)	\$ (84,290)

The Company and certain consolidated subsidiaries made amendments to their WFPF with respect to the age of eligibility for annuity payments for the substitutional portion of the benefits and the additional portion of the benefits in accordance with certain amendments made to the Welfare Pension Insurance Law of Japan in March 2000. The Company also made amendments to the expected rates of return on its plan assets and to the discount rate on the annuity payments from their tax-qualified pension plans. As a result, prior service cost (a reduction of the retirement benefit obligation) was incurred for the year ended March 31,

2000. Prior service cost was also incurred with respect to a revision of the Company's defined benefit plans in July 2004, a revision of a lump-sum payment plan of one domestic consolidated subsidiary of the Company in April 2005, and a revision of the Company's WFPF in October 2006.

As permitted under the accounting standard for retirement benefits, the domestic consolidated subsidiaries calculate their retirement benefit obligation for their employees by simplified methods.

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥2,082	¥2,149	\$20,781
Interest cost	1,328	1,380	13,255
Expected return on plan assets	(1,712)	(1,569)	(17,088)
Amortization:			
Prior service cost	(680)	(433)	(6,787)
Actuarial loss	1,114	1,148	11,119
Net retirement benefit obligation at transition..	986	986	9,841
Additional retirement benefits paid to participants in a voluntary early retirement incentive program	57	21	569
Additional contribution for withdrawal from a pension fund	—	117	—
Retirement benefit expenses	¥3,175	¥3,799	\$31,690

The retirement benefit expenses of the domestic consolidated subsidiaries whose retirement benefit obligation was calculated by simplified methods have been included in service cost in the above table.

The assumptions used in accounting for the above plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	2.2%	2.2%
Expected rates of return on plan assets	3.5%	3.5%

9. Contingent Liabilities

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans to com-

panies other than the consolidated subsidiaries in the aggregate amount of ¥799 million (\$7,975 thousand).

10. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2008 and 2007 amounted to ¥3,995 million (\$39,874 thousand).

Movements in treasury stock during the year ended March 31, 2008 and 2007 are summarized as follows:

Number of shares				
2008				
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock	406,260	56,352	6,655	455,957
Number of shares				
2007				
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock	338,433	72,426	4,599	406,260

11. Notes and Accounts Receivable, Notes and Accounts Payable

The balance sheet date of the year ended March 31, 2007 fell on a bank holiday. Consequently, notes receivable of ¥5,308 million, accounts receivable of ¥1,703 million, notes payable of

¥4,386 million and accounts payable of ¥4,544 million with due dates of March 31, 2007 were included in the respective balances and settled on the next business day.

12. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets by internal management segment into the paint business, the fine-chemical business, rental assets and idle assets. For

the years ended March 31, 2008 and 2007, the Company and its consolidated subsidiaries recorded loss on impairment of fixed assets which is summarized as follows:

2008		
Location	Use	Classification
Osaka factory (Kita-ku, Osaka City)	Idle assets	Machinery and other
Office for rent (Oshu City, Iwate Prefecture)	Idle assets	Land
Domestic subsidiaries (Tsu City, Mie Prefecture)	Idle assets	Land and buildings

The Company and its consolidated subsidiaries have written down the net book value of the fixed assets presented in the above table to their respective recoverable value because the sum of their anticipated future cash flows had declined to less than their net book value as a result of suspension of use. Accordingly, an impairment loss totaling ¥90 million (\$898 thousand) was recognized, which consisted of loss on buildings, machinery, land and other fixed assets of ¥16 million (\$160 thousand), ¥28 million (\$279 thousand), ¥42 million (\$419 thousand) and ¥4 million (\$40 thousand), respectively, for the year

ended March 31, 2008.

The recoverable amounts of the assets of the Company were measured at estimated net selling value. Those of an office for rent in Oshu City and idle assets of its domestic consolidated subsidiaries were based on professional appraisals. The recoverable amounts of the idle assets of the Company were valued at nil because it was deemed that they could not be used for any purpose other than their original purpose or that they would be difficult to sell.

2007		
Location	Use	Classification
Osaka factory (Kita-ku, Osaka City)	Idle assets	Buildings, machinery and other
Okayama factory (Shoo Town, Okayama Prefecture)	Idle assets	Machinery
Domestic subsidiary (Ageo City, Saitama Prefecture)	Idle assets	Buildings and other
Domestic subsidiaries (Funabashi City, Chiba Prefecture and other)	Idle assets	Machinery and other

The Company and its consolidated subsidiaries have written down the net book value of the fixed assets presented in the above table to their respective recoverable value because the sum of their anticipated future cash flows had declined to less than their net book value as a result of suspension of use. Accordingly, an impairment loss totaling ¥205 million was recognized, which consisted of loss on buildings, machinery and other fixed assets of ¥96 million, ¥80 million and ¥29 million, respectively, for the year ended March 31, 2007.

The recoverable amounts of the assets of the Company were measured at estimated net selling value and those of its domestic consolidated subsidiaries were principally measured at planned selling value based on the terms of the related contracts. The recoverable amounts of the idle assets of the Company were valued at nil because it was deemed that they could not be used for any purpose other than their original purpose or that they would be difficult to sell.

13. Supplementary Cash Flow Information

(1) For the year ended March 31, 2008, the Company purchased shares of ASIA INDUSTRIES LTD. and initially consolidated its accounts as of and for the year ended March 31, 2008. The assets

and liabilities included in consolidation, acquisition cost of shares and payment for acquisition of shares are summarized as follows:

ASIA INDUSTRIES LTD

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Current assets	¥ 1,265	\$ 12,626
Long-term assets	876	8,743
Current liabilities	(1,043)	(10,410)
Long-term liabilities	(108)	(1,078)
Acquisition cost of shares	¥ 187	\$ 1,866
Cash and cash equivalents	(99)	(988)
Payment for acquisition of shares	¥ 88	\$ 878

(2) For the year ended March 31, 2007, the Company purchased shares of NB Holdings, Ltd., NB Coatings, Inc. and Nippon Paint (Thailand) Co., Ltd. and initially consolidated their accounts

as of and for the year ended March 31, 2007. The assets and liabilities included in consolidation, acquisition cost of shares and payment for acquisition of shares are summarized as follows:

NB HOLDINGS, Ltd.

	Millions of yen
	2007
Current assets	¥ 158
Long-term assets	8,766
Acquisition cost of shares	¥ 15,814
Cash and cash equivalents	(98)
Payment for acquisition of shares	¥ 15,716

NB COATINGS, Inc.

	Millions of yen
	2007
Current assets	¥ 6,154
Long-term assets	8,689
Goodwill	4,905
Current liabilities	(1,509)
Long-term liabilities	(2,688)
Acquisition cost of shares	¥ 13,922
Cash and cash equivalents	(318)
Payment for acquisition of shares	¥ 13,604

NIPPON PAINT (THAILAND) Co., Ltd.

	Millions of yen
	2007
Current assets	¥ 7,069
Long-term assets	4,205
Current liabilities	(4,417)
Acquisition cost of shares	¥ 1,437
Cash and cash equivalents	(114)
Payment for acquisition of shares	¥ 1,323

14. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have

been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
	Millions of yen						Thousands of U.S. dollars		
	2008	2007		2008	2007		2008		
Machinery, equipment and vehicles	¥1,186	¥ 733	¥ 453	¥1,070	¥645	¥ 425	\$ 11,838	\$ 7,316	\$ 4,522
Tools, furniture and fixtures	2,344	1,175	1,169	2,133	1,067	1,066	23,396	11,728	11,668
Total	¥3,530	¥1,908	¥1,622	¥3,203	¥1,712	¥1,491	\$35,234	\$19,044	\$16,190

Lease payments relating to finance leases accounted for as operating leases amounted to ¥714 million (\$7,126 thousand) and ¥575 million for the years ended March 31, 2008 and 2007, respectively, which were equal to the depreciation of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2009	¥ 661	\$ 6,597
2010 and thereafter	961	9,593
Total	¥1,622	\$16,190

Future minimum lease payments subsequent to March 31, 2008 for operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2009	¥ 400	\$ 3,992
2010 and thereafter	1,461	14,582
Total	¥1,861	\$18,574

15. Derivatives

The Company's consolidated subsidiaries utilize forward foreign exchange contracts up to the limit of their underlying foreign currency receivable and payable balances to hedge the risk arising from adverse fluctuation in foreign currency exchange rates. The consolidated subsidiaries evaluate the credit risk associated with these forward foreign exchange contracts as minimal, as all counterparties are domestic banks with high credit ratings.

The consolidated subsidiaries enter into derivatives transactions based on established internal guidelines. The results of these transactions are reported to the Boards of Directors of the consolidated subsidiaries on a quarterly basis.

One consolidated subsidiary also utilizes interest-rate swaps to mitigate the risk of adverse fluctuation in interest rates. The consolidated subsidiary evaluates the credit risk associated with these interest-rate swaps as minimal as all counterparties are domestic banks with high credit ratings.

Disclosure of fair value information on forward foreign exchange contracts and interest-rate swaps at March 31, 2008 and 2007 has been omitted because all forward foreign exchange contracts and interest-rate swaps met the criteria to qualify for hedge accounting.

16. Research and Development Costs

Research and development costs included in product manufacturing costs and in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 amounted to

¥8,020 million (\$80,048 thousand) and ¥7,056 million, respectively.

17. Amounts Per Share

Amounts per share at March 31, 2008 and 2007 and for the years then ended were as follows:

	Yen		U.S. dollars
	2008	2007	2008
Net assets	¥479.53	¥489.05	\$4.786
Net income	25.29	28.19	0.252
Cash dividends	8.00	8.00	0.080

Net assets per share are based on the number of shares of common stock outstanding at the year end.

Net income per share is based on the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended March 31, 2008 and 2007 has not been presented because there were

no potentially dilutive shares outstanding at March 31, 2008 and 2007.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

18. Segment Information

The Company and its consolidated subsidiaries are engaged in two business segments: the paint segment and the fine-chemical segment. The paint segment consists of automotive coatings, trade-use paints, industrial-use coatings, other paints and coatings,

painting equipment and construction work related to painting facilities. The fine-chemical segment consists of surface pretreatment chemicals, photo ED and blood serum separation polymers, color filter materials, printing plates and other items.

Business Segment Information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is outlined as follows:

	Millions of yen				
	2008				
	Paint segment	Fine-chemical segment	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales to third parties	¥246,838	¥12,371	¥259,209	¥ —	¥259,209
Intersegment sales	—	—	—	—	—
Net sales	246,838	12,371	259,209	—	259,209
Operating expenses	238,290	11,001	249,291	—	249,291
Operating income	¥ 8,548	¥ 1,370	¥ 9,918	¥ —	¥ 9,918
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures					
Total assets	¥241,750	¥ 11,305	¥253,055	¥35,755	¥288,810
Depreciation	7,594	505	8,099	—	8,099
Loss on impairment of fixed assets	90	—	90	—	90
Capital expenditures	10,485	342	10,827	—	10,827

	Millions of yen				
	2007				
	Paint segment	Fine-chemical segment	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales to third parties	¥213,921	¥11,892	¥225,813	¥ —	¥225,813
Intersegment sales	—	—	—	—	—
Net sales	213,921	11,892	225,813	—	225,813
Operating expenses	204,737	10,411	215,148	—	215,148
Operating income	¥ 9,184	¥ 1,481	¥ 10,665	¥ —	¥ 10,665
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures					
Total assets	¥243,570	¥ 12,724	¥256,294	¥43,088	¥299,382
Depreciation	5,719	483	6,202	—	6,202
Loss on impairment of fixed assets	205	—	205	—	205
Capital expenditures	6,577	2,075	8,652	—	8,652

	Thousands of U.S. dollars				
	2008				
	Paint segment	Fine-chemical segment	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales to third parties	\$ 2,463,699	\$ 123,475	\$ 2,587,174	\$ —	\$ 2,587,174
Intersegment sales	—	—	—	—	—
Net sales	2,463,699	123,475	2,587,174	—	2,587,174
Operating expenses	2,378,381	109,801	2,488,182	—	2,488,182
Operating income	\$ 85,318	\$ 13,674	\$ 98,992	\$ —	\$ 98,992
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures					
Total assets	\$ 2,412,915	\$ 112,836	\$ 2,525,751	\$ 356,872	\$ 2,882,623
Depreciation	75,796	5,041	80,837	—	80,837
Loss on impairment of fixed assets	898	—	898	—	898
Capital expenditures	104,651	3,414	108,065	—	108,065

Geographic Segment Information

The geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is outlined as follows:

	Millions of yen						
	2008						
	Japan	Asia	North America	Other	Total	Eliminations or coporate	Consolidated
I. Sales and operating income (loss)							
Sales to third parties	¥205,946	¥ 24,853	¥ 25,454	¥ 2,956	¥ 259,209	¥ —	¥ 259,209
Inter-group sales and transfers	9,074	1,638	833	15	11,560	(11,560)	—
Net sales	215,020	26,491	26,287	2,971	270,769	(11,560)	259,209
Operating expenses	206,171	24,436	26,888	3,154	260,649	(11,358)	249,291
Operating income (loss)	¥ 8,849	¥ 2,055	¥ (601)	¥ (183)	¥ 10,120	¥ (202)	¥ 9,918
II. Total assets	¥ 219,664	¥ 25,627	¥ 26,448	¥ 5,768	¥ 277,507	¥ 11,303	¥ 288,810

	Millions of yen						
	2007						
	Japan	Asia	North America	Other	Total	Eliminations or coporate	Consolidated
I. Sales and operating income (loss)							
Sales to third parties	¥ 203,149	¥ 7,294	¥ 13,046	¥ 2,324	¥ 225,813	¥ —	¥ 225,813
Inter-group sales and transfers	6,128	—	539	31	6,698	(6,698)	—
Net sales	209,277	7,294	13,585	2,355	232,511	(6,698)	225,813
Operating expenses	198,216	6,705	14,190	2,715	221,826	(6,678)	215,148
Operating income (loss)	¥ 11,061	¥ 589	¥ (605)	¥ (360)	¥ 10,685	¥ (20)	¥ 10,665
II. Total assets	¥ 224,631	¥ 18,611	¥ 28,634	¥ 6,242	¥ 278,118	¥ 21,264	¥ 299,382

	Thousands of U.S. dollars						
	2008						
	Japan	Asia	North America	Other	Total	Eliminations or coporate	Consolidated
I. Sales and operating income (loss)							
Sales to third parties	\$ 2,055,554	\$ 248,059	\$ 254,057	\$ 29,504	\$ 2,587,174	\$ —	\$ 2,587,174
Inter-group sales and transfers	90,568	16,349	8,314	150	115,381	(115,381)	—
Net sales	2,146,122	264,408	262,371	29,654	2,702,555	(115,381)	2,587,174
Operating expenses	2,057,800	243,897	268,370	31,480	2,601,547	(113,365)	2,488,182
Operating income (loss)	\$ 88,322	\$ 20,511	\$ (5,999)	\$ (1,826)	\$ 101,008	\$ (2,016)	\$ 98,992
II. Total assets	\$ 2,192,474	\$ 255,784	\$ 263,978	\$ 57,571	\$ 2,769,807	\$ 112,816	\$ 2,882,622

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen								Thousands of U.S. dollars			
	2008				2007				2008			
	Asia	North America	Europe	Total	Asia	North America	Europe	Total	Asia	North America	Europe	Total
Overseas sales	¥37,714	¥25,014	¥ 4,090	¥ 66,818	¥18,715	¥ 13,061	¥ 3,591	¥ 35,367	\$376,425	\$249,666	\$40,822	\$666,913
Consolidated net sales				259,209				225,813				2,587,174
Overseas sales as a percentage of consolidated net sales	14.5%	9.7%	1.6%	25.8%	8.3%	5.8%	1.6%	15.7%				

19. Subsequent Event

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, will be approved at a shareholders' meeting of the Company to be held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.00 = U.S.\$0.040 per share)	¥1,060	\$10,580

Report of Independent Auditors

**The Board of Directors
Nippon Paint Co., Ltd.**

We have audited the accompanying consolidated balance sheets of Nippon Paint Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

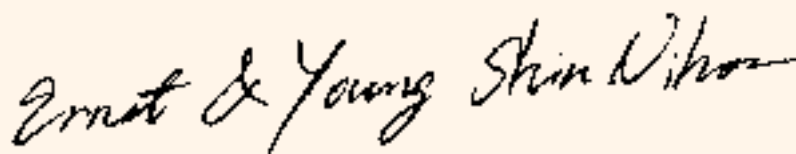
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Paint Co., Ltd. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3 (a), the Company adopted a new accounting standard for presentation of net assets in the balance sheet effective the year ended March 31, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Osaka, Japan
June 13, 2008

A handwritten signature in black ink, reading "Ernst & Young Shin Nihon". The signature is written in a cursive, flowing style.

Domestic Subsidiaries and Affiliates

Sales of automotive and industrial coatings:

Daiwa Paint Trading Co., Ltd.

2-25-1, Honjin-tori, Nakamura-ku, Nagoya-shi, Aichi-ken 453-0041, Japan
Tel: 81-52-461-1311

Sells paints and coatings

Sales of trade-use paints:

Nippon Paint Hanbai Co., Ltd.

4-7-16, Minami-shinagawa, Shinagawa-ku, Tokyo-to 140-8677, Japan
Tel: 81-3-5479-3600

Sells paints and coatings

Sales of industrial coatings:

Nippon Paint Industrial Coating Co., Ltd.

2F Access Oimachi Building, 1-49-15, Shinagawa-ku, Tokyo-to 140-0014, Japan
Tel: 81-3-5743-5610

Sells paints and coatings

Manufacture and sales of specialized paints and coatings:

AS Paint Co., Ltd.

30, Ikeshita, Ano-cho, Toyoake-shi, Aichi-ken 470-1141, Japan
Tel: 81-562-92-1101

Manufactures and sells paints and coatings

Nippe Home Products Co., Ltd.

4-1-15, Minami-shinagawa, Shinagawa-ku, Tokyo-to 140-8675, Japan
Tel: 81-3-3740-1132

Manufactures and sells household paints and coatings

NP Color Plaza Co., Ltd.

Toyono-dai Techno Town Industrial Park, 1-563-8, Toyono-dai, Otonemachi, Kita Saitama-gun, Saitama-ken 349-1148, Japan
Tel: 81-480-72-7716

Coordinates colors of paints and coatings

Nippon Paint Anti-Corrosive Coatings Co., Ltd.

3-7-1, Nishiura, Funabashi-shi, Chiba-ken 273-0017, Japan
Tel: 81-47-434-1221

Manufactures and sells anti-corrosive paint and coatings

Nippon Fine Coatings, Inc.

4-1-15, Minami-shinagawa, Shinagawa-ku, Tokyo-to 140-8675, Japan
Tel: 81-3-3740-1144

Manufactures and sells pre-coatings for metal sheets

Nippon Paint Marine Coatings Co., Ltd.

1-26, Komagabayashi-minami-cho, Nagata-ku, Kobe-shi, Hyogo-ken 653-0045, Japan
Tel: 81-78-735-5301

Manufactures and sells marine paints and coatings

Nippon Bee Chemical Co., Ltd.

2-14-1, Shodai-otani, Hirakata-shi, Osaka-fu 573-1153, Japan
Tel: 81-72-857-5530

Manufactures and sells paints and coatings for plastics

Facility, construction and other engineering applications:

Nippon Liner Co., Ltd.

3F NV Tomioka Building 2-1-9, Tomioka, Koto-ku, Tokyo-to 135-0047, Japan
Tel: 81-3-5646-2316

Designs and constructs road traffic safety facilities

Nippon Paint Plant Engineering Co., Ltd.

2-1-2 Oyodo-kita, Kita-ku, Osaka-fu 531-8511, Japan
Tel: 81-6-6455-9561

Carries out painting and coating work under contract

Other applications:

Nippe Trading Co., Ltd.

22-26, Esaka-cho 1-chome, Suita-shi, Osaka-fu 564-0063, Japan
Tel: 81-6-6338-5651

Sells raw materials for paints and coatings

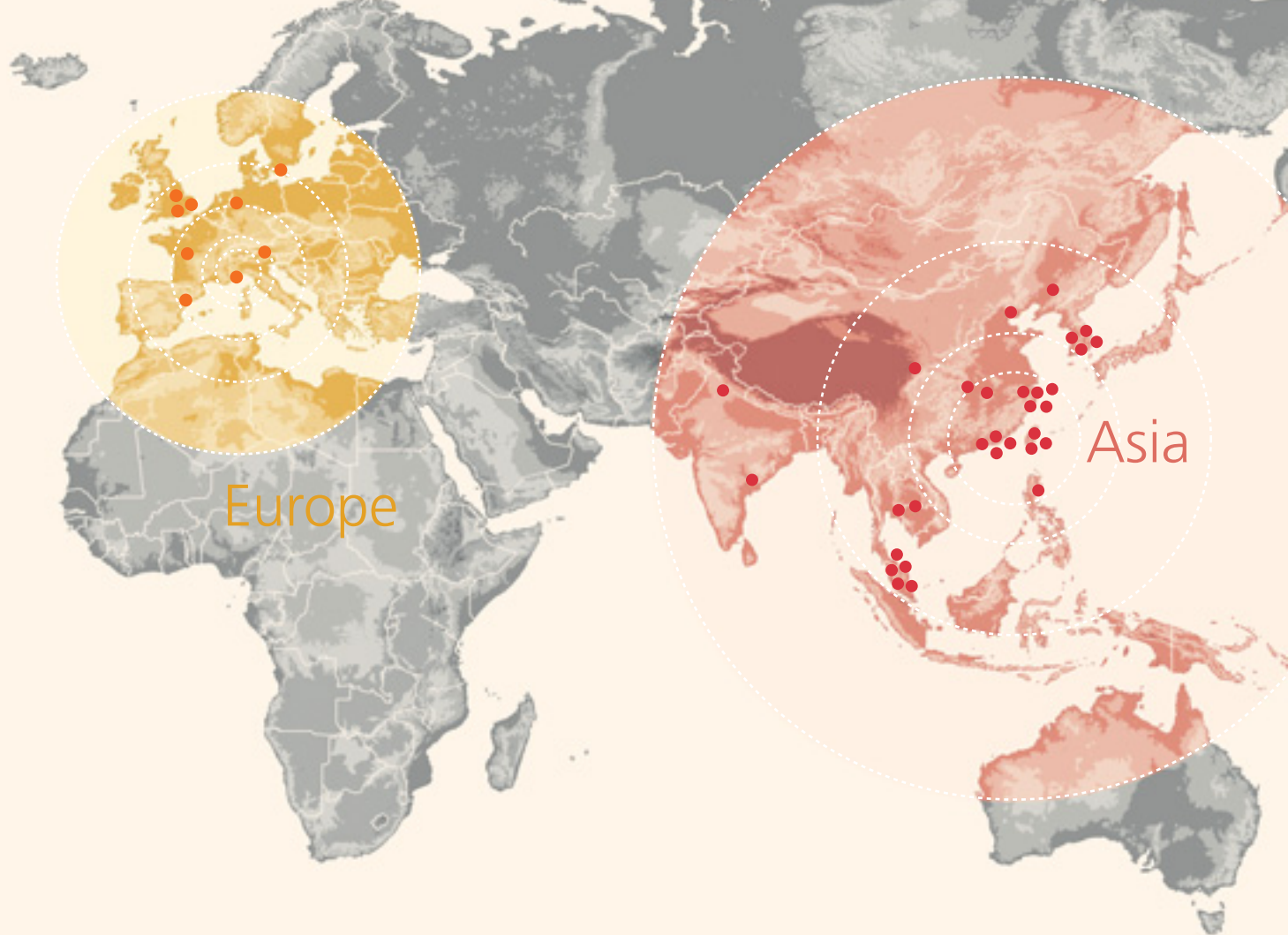
Nippe Graphics Co., Ltd.

4-1-15, Minami-shinagawa, Shinagawa-ku, Tokyo-to 140-8675, Japan
Tel: 81-3-3740-1159

Sells printing-related materials

Eco Systems Co., Ltd.

33-1, Kanzaki-cho, Amagasaki-shi, Hyogo-ken 661-8555, Japan
Treats waste coatings, paints and solvents



Overseas Subsidiaries and Affiliates

Asia

DAIHAN AUTOMOTIVE COATINGS CO., LTD. (South Korea)	Manufactures and sells paints and coatings
DAIHAN BEE CHEMICAL CO., LTD. (South Korea)	Manufactures and sells paints and coatings for plastics
NIPSEA CHEMICAL CO., LTD. (South Korea)	Manufactures and sells metal-surface treatment chemicals
ASIA INDUSTRIES LTD. (Taiwan)	Manufactures and sells paints and coatings
NIPPON PAINT (SHANGHAI) RESEARCH & DEVELOPMENT CO., LTD. (Shanghai, China)	Researches and develops paints and coatings
NIPPON PAINT (H.K.) CO., LTD. (Hong Kong, China)	Integrates businesses in China; sells paints and coatings
NIPPON PAINT (CHINA) CO., LTD. (Shanghai, China)	Manufactures and sells paints and coatings
GUANG LI CHEMICALS (SHANGHAI) CO., LTD. (Shanghai, China)	Manufactures and sells paints and coatings
GUANGZHOU NIPPON PAINT CO., LTD. (Guangzhou, China)	Manufactures and sells paints and coatings
NIPPON PAINT (CHENGDU) CO., LTD. (Chengdu, China)	Manufactures and sells paints and coatings
NIPPON PAINT PHILIPPINES, INC. (The Philippines)	Manufactures and sells paints and coatings
NIPPON PAINT (THAILAND) CO., LTD. (Thailand)	Manufactures and sells paints and coatings
NPT MARKETING CO., LTD. (Thailand)	Sells paints and coatings
NIPPON PAINT (MALAYSIA) SDN. BHD. (Malaysia)	Manufactures and sells paints and coatings
PAINT MARKETING COMPANY (M) SDN. BHD. (Malaysia)	Sells paints and coatings
NIPPON PAINT (SINGAPORE) CO., PTE., LTD. (Singapore)	Manufactures and sells paints and coatings
NIPPON PAINT (INDIA) PTE., LTD. (India)	Manufactures and sells paints and coatings
NIPPON PAINT MARINE (CHINA) CO., LTD. (Shanghai, China)	Manufactures and sells marine paints
NIPPON PAINT MARINE (H.K.) CO., LTD. (Hong Kong, China)	Manufactures and sells marine paints
NIPPON PAINT MARINE (TAIWAN) CO., LTD. (Taiwan)	Manufactures and sells marine paints
NIPPON PAINT MARINE (KOREA) CO., LTD. (South Korea)	Manufactures and sells marine paints
NIPPON PAINT MARINE (MALAYSIA) SDN. BHD. (Malaysia)	Manufactures and sells marine paints
NIPPON PAINT MARINE (SINGAPORE) PTE., LTD. (Singapore)	Manufactures and sells marine paints
NIPPON PAINT MARINE (ZHANGJIAGANG) CO., LTD. (China, Jiangsu)	Manufactures and sells marine paints
CHANGCHUN DUN YANG NBC CO., LTD. (Changchun, China)	Manufactures and sells paints and coatings for plastics



North America

Asia

TIANJIN NBC CO., LTD. (Tianjin, China)	Manufactures and sells paints and coatings for plastics
NBC (NANJING) CO., LTD. (Nanjing, China)	Manufactures and sells paints and coatings for plastics
NBC (WUHAN) CO., LTD. (Wuhan, China)	Manufactures and sells paints and coatings for plastics
NBC (PANYU NANSHA) CHEMICAL CO., LTD. (Guangzhou, China)	Manufactures and sells paints and coatings for plastics
TUNG YANG CHEMICAL CO., LTD. (Taiwan)	Manufactures and sells paints and coatings for plastics
NBC (ASIA) CO., LTD. (Thailand)	Research and technology services for coatings for plastics
NB (SHANGHAI) TRADING CO., LTD. (Shanghai, China)	Sells paints and coatings for plastics
NIPPE TRADING (SHANGHAI) CO., LTD. (Shanghai, China)	Sells raw materials for paints and coatings
BNB COATINGS INDIA LIMITED (India)	Manufactures and sells paints and coatings for plastics

North America

NIPPON PAINT (USA) INC. (U.S.A.)	Integrates businesses in North America
NPA COATINGS INC. (U.S.A.)	Manufactures and sells paints and coatings
NIPPON PAINT RESEARCH INSTITUTE (AMERICA), INC. (U.S.A.)	Develops paints and colors
NB COATINGS, INC. (U.S.A.)	Manufactures and sells paints and coatings for plastics
NB COATINGS CANADA, INC. (Canada)	Sells paints and coatings for plastics
NB COATINGS DE MEXICO SDE RL DE CV (Mexico)	Sells paints and coatings for plastics
NB COATINGS USA, LLC (U.S.A.)	Sells paints and coatings for plastics
NIPPON BEE RESEARCH AMERICA, INC. (U.S.A.)	Researches and develops paints and coatings for plastics

Europe

NIPPON PAINT (EUROPE) LTD. (U.K.)	Integrates businesses in Europe
NP AUTOMOTIVE COATINGS (EUROPE) LTD. (U.K.)	Manufactures and sells paints and coatings
AKZO NOBEL NIPPON PAINT HOLDING BV (The Netherlands)	Integrates coil paint businesses in Europe


History of Nippon Paint



Jujiro Moteki,
founder of Komyosha



Gennosuke Obata,
"founding father" of Nippon Paint

1881	Komyosha (Japan's first paint manufacturing company) founded.		Komyosha company's nameplate
1896	Factory built in Minami Shinagawa (now the Tokyo Office) and production activities transferred there.		
1897	Patent obtained for zinc oxide production method (Nippon Paint's first patent).		Komyotan
1898	Company incorporated and renamed Nippon Paint Manufacturing Co., Ltd. "Hammer" trademark created.		
1903	Nippon Paint awarded first prize at the 5 th Japan National Industrial Exhibition.		Advertisement from the end of the Meiji era
1905	Osaka Branch Plant (now the Osaka Plant) opened in Sagisu Village.		
1908	First issue of "The Paint Journal" published. Paint Engineering Department established.		Hand-operated paint roller
1911	Patent obtained for anti-fouling paint for ship hulls.		
1912	First meeting of the Paint Society (a group of Tokyo and Yokohama area paint-related businesses) held.		
1913	Daikoku-kai (society for sales outlets in Osaka) established.		
1914	Having dominated the domestic market, the company expanded into China, India, and the South Pacific.		
1920	Main operations moved to Osaka.		
1922	Ebisu-kai (society for sales outlets in Tokyo) established.		
1924	New office building constructed in Osaka.		
1925	Tokyo Office rebuilt. "Hinomaru" trademark launched.		
1927	Company name changed to Nippon Paint Co., Ltd.		
1928	"Paint Knowledge Diffusion Group" founded.		
1929	Company visited by the Chamberlain of Emperor Hirohito. "Koken" phenol resin paint marketed, marking the start of synthetic resin paint's popularity.		
1931	Headquarters moved to Osaka.		
1933	Nichiman Paint Co., Ltd. established.		
1939	Manchuria Nippon Paint Co., Ltd. established.		
1940	Taiwan Nippon Paint Co., Ltd. established. Central Research Laboratory and Company Museum established at headquarters in Osaka.		
1942	North China Nippon Paint Co., Ltd. and Nichiman Forestry and Chemical Co., Ltd. established.		
1945	Osaka Plant virtually destroyed by fire bombing.		
1946	Nippon Paint Employees' Union formed.		
1948	"Kozuchi-kai" (society for sales outlets throughout Japan) established.		
1952	Technical tie-up concluded with the U.S. Company, American Chemical Products Inc. Japan Metal Finish Co., Ltd. established.		
1959	New Tokyo Branch Office completed.		
1960	First issue of "Kozuchi" (Nippon Paint in-house journal) published.		
1962	First stage of construction of Chiba Plant completed.		
1963	Pan Malaysia Paint Industries (now Nippon Paint (Singapore) Co., Pte. Ltd.) established.		
1964	Technical tie-up concluded with Copon Associates of the U.S.		
1965	Nippon Liner Co., Ltd. established.		

	Technical tie-up concluded with PPG Industries of the U.S.
	Technical tie-up concluded with Prismo Safety Corp. of the U.S.
1966	Technical tie-up and business collaboration agreement concluded with Daihan Ink and Paint Manufacturing Co., Ltd. of Korea.
1967	Hiroshima Plant completed. Nippon Paint presented with the Minister's Award by the Ministry of International Trade and Industry. Nippon Paint (Thailand) Co., Ltd. and Nippon Paint (Malaysia) Co., Ltd. established.
1968	Research Center completed in Neyagawa City, Osaka. Technical license and sales agreement concluded with Marque Chemical Corporation in the Philippines. New York Office opened.
1969	Technical assistance contract concluded with Sherwin-Williams Co. of the U.S.
1970	"NAPP" photo-sensitive resin printing plate material developed. Aichi Plant completed. Nippon Paint Enterprise (H.K.) Co., Ltd. established.
1971	Nippon Bee Chemical Co., Ltd. established. Nippon Paint International Co., Ltd. established. (now Nippe Trading Co., Ltd.)
1972	NAPP Systems (U.S.A.) Inc. established.
1973	Marine Laboratory established in Tamano City, Okayama. Nippon Paint sales companies established in the Kanto, Chubu, Kinki, and Kyushu areas.
1974	Shikoku Nippe Sales Co. established. Asahi Solvent Kogyo Co., Ltd. established by consolidating AS Paint Co., Ltd.
1975	Chugoku and Hokkaido Nippe Sales companies established. Nippon Paint America Corp. established.
1976	Nippon Paint (Philippines) Inc. established. Nippla Co. established (now Nippon Paint Plant Engineering Co., Ltd.)
1977	Business agreement concluded with International Paint plc. of the U.K. (Now Courtaulds Coatings (Holdings) Ltd.) Tohoku Nippe Sales Co. established (for a total of 8 sales companies in Japan).
1980	Resin plant moved to China.
1981	Nippon Paint celebrated its centennial. Meiji Memorial Building opened. First stage of construction of the Tochigi Plant completed. NAPP Systems (Japan) established.
1982	Hofu Branch Plant of Hiroshima Plant completed. Nippon Paint Training Center completed.
1983	Neyagawa Office reached 2,000 consecutive work days without an accident, totaling 3.9 million accident-free man-hours (class 2). Osaka and Chiba Plants both reached 2.6 million accident-free man-hours (class 1).
1984	Basic elements of the corporate identity renewed, including corporate slogan, color and logo, around the theme of "Nippon Paint, a company that can be trusted." First stage of construction of the Okayama Plant completed.
1985	Second stage of construction of the Okayama Plant completed. Second stage of construction of the Tochigi Plant completed.
1986	"Photo ED System," precision circuit fabrication technology for printed circuit boards, introduced.
1987	Third stage of construction of the Okayama Plant completed. First issue of "Kashiko" (Nippon Paint PR magazine) published.
1988	Production technology of construction paint licensed to China.



Meiji Kinenkan

Early Meiji era filling process



Stirring paint in a Meiji era plant



Entan Plant, Tokyo, in the Meiji era



A Tokyo plant in the Meiji era





DAC company, established in Korea



NPA COATINGS INC.(U.S.A.)



Miyakojima Weathering Center



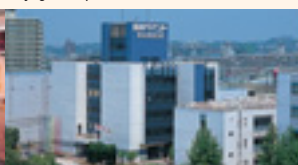
Tokyo Center Building

1989	Third R&D building at Neyagawa Office completed. Third stage construction of the Tochigi Plant completed. Fourth stage of construction of the Okayama Plant completed. Nippon Paint Finance Co., Ltd. established. Nippon Paint (Europe) Ltd. established. "Nippe Fine Toner" for electronic photocopiers introduced. "Surf" brand launched for pretreatment chemicals.	1997	Eight marketing/sales companies for trade-use paints reorganized into five. New concept-based paint store "Colormony" opened. "NOA," the world's first commercialized paint system for ships, launched by Nippon Paint Marine Coatings Co., Ltd.
1990	A new method of production for LCD display color filters developed. Biotechnology-based "Hana-kirin zome" dyeing technology developed. Fourth stage of construction of the Tochigi Plant completed.	1998	The world's first super environmentally friendly "Cationic Electrolyzed Activate Deposition Paint" developed.
1991	Nippe Graphics Co., Ltd. established. New Head Office building completed. New History Museum opened. Seabert Powder Coatings Inc. established in the U.S. "Ferri Sphere" magnetic microparticles for medical diagnostics developed. Nippon Paint Group General Welfare Center opened. Color Design Center completed. Sales agreement concluded with Ciba-Geigy Limited of Switzerland.	1999	Nippon Paint Industrial Coating Co., Ltd. established. Company-wide ISO 14001 certification awarded. Akzo Nobel Nippon Paint Holdings BV established in the Netherlands to expand coil coatings business. Tokyo Center Building completed.
1992	"Flexceed," printing plates that can be developed in water, introduced. A waterborne recycle coating system that helps preserve the environment developed. Nippon Paint Otone Service Center completed. Supratech Systems Inc. established as a U.S. marketing subsidiary for "Flexceed" printing plates. Nippon Paint Color Design Studio (America) Inc. established. Nippon Paint (China) Co., Ltd. established.	2000	Color STN LCD jointly developed with Sharp Corporation. The industry's first "Company Presentation" for investors launched. Nippon Paint's Environmental Report issued.
1993	A workshop for the use of "Flexceed" printing plates completed at the Okayama Plant. First stage of construction of the Fukuoka Plant completed. Courtaulds Coating (Holdings) Ltd. established. Iwate Service Center completed. Fifth stage of construction of the Tochigi Plant completed.	2001	The ECO Action 21 environmental activities mark established. Eco Systems Co., Ltd. established as joint venture with Kansai Paint Co., Ltd. Started construction of Miyakojima Weathering Test Laboratory.
1994	Marine Paint Division separated to form Nippon Paint Marine Coatings Co., Ltd. Nippon Paint Research Institute (America), Inc. established. Nippon Paint (Vietnam) Co., Ltd. established. Nippon Paint (Guangdong) Co., Ltd. established. Powder coating for automotive top clearcoats developed.	2002	Completed environmentally friendly steel coatings system employing lead-free and recyclable materials. Nippe Fine Coatings Co., Ltd. established. Guangzhou Nippon Paint Inc. established.
1995	Nippe Home Products Co., Ltd. established. Courtaulds Nippon Paint AB (Sweden) established. Nippon Paint acquires Mehnert und Veeck GmbH, Germany. NPA Coatings (U.S.A.) Inc. established. NP Automotive Coatings (Europe) Ltd. established. Suzhou Nippon Paint Co., Ltd. established. Nippon Paint (Chongqing) Chemicals Co., Ltd. established. NP Color Plaza Co., Ltd. established. "Filtec Nova," an adhesive EMC material, developed.	2003	"Jpit," a support system for automotive maintenance and repair, launched. 100th "Colormony" paint store opened.
1996	Daihan Automotive Coatings Co., Ltd. established. Langfang Nippon Paint Co., Ltd. established. Courtaulds Nippon Paint SA (France) established. Morton Nippon Coatings (U.S.A.) established. Courtaulds Nippon Paint SA (Spain) established. Joint R&D agreement concluded with Chemetall GmbH (Germany) in the field of surface treatment chemicals.	2004	Nippon Paint Anti-Corrosive Coatings Co., Ltd. established by consolidating the former Mitsui Kinzoku Paints and Chemicals Co., Ltd. Nippon Paint Hanbai Co., Ltd. established by merging the former five Nippon Paint sales companies. The new Nippon Paint Marine Coatings Co., Ltd. founded to develop marine coatings business worldwide through a new organization.
		2005	"E" Series, coating systems for automobile repair paints, including the industry's first completely water-based coating system, are developed. The 2010 environmental target for the percentage sales volume of environmentally friendly products out of all products set at 100%.
		2006	Guang Li Chemicals (Shanghai) Co., Ltd established. Construction of a SURF® facility completed on the grounds of the Okayama Plant. Second stage of construction of the Miyakojima Weathering Center completed. Nippon Paint (Chengdu) Co., Ltd. established. Nippon Paint made Nippon Bee Chemical Co., Ltd. wholly owned subsidiary. Nippon Paint acquired Bee Chemical Company in the U.S. NB Coatings, Inc. established in the U.S. First issue of CSR report published. Tianjin Nippon Paint Shenglianda Co., Ltd. established. Foshan Nippon Paint Shenglianda Co., Ltd. established.
		2007	NIPPON PAINT (THAILAND) CO., LTD. became a subsidiary NIPPON PAINT (SHANGHAI) RESEARCH AND DEVELOPMENT CO., LTD. established.
		2008	ASIA INDUSTRIES LTD. (Taiwan) became a subsidiary.

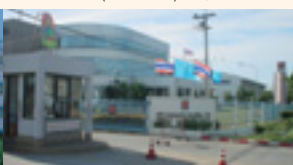
The History Museum



Neyagawa Operation



NIPPON PAINT(THAILAND) CO., LTD.



Corporate Data

(as of June 27, 2008)



Head Office

Company Name: Nippon Paint Co., Ltd.

Head Office:

2-1-2, Oyodo-kita, Kita-ku, Osaka-fu 531-8511, Japan
Tel: 81-6-6458-1111

Established: March 14, 1881

Capital: 27,713 million yen

Employees: 1,667 (as of March 31, 2008)

Directors:

Makoto Matsuura, Representative Director and President
Kenji Sakai, Representative Director and Senior Vice President
Koichi Kimoto, Representative Director and Senior Vice President

Lines of Business:

Paint Divisions: Manufacture and sales of all types of paints (for automobiles, construction, architecture, steel structures, ships, metals, electrical equipment, machinery, roadways, households, etc.)
Non-paint Divisions: Manufacture and sales of surface treatment chemicals, electronic component materials, chemical products, printing materials, and design and construction of industrial plants.

Shares Listed:

Tokyo Stock Exchange, First Section
Osaka Securities Exchange, First Section
Nagoya Stock Exchange, First Section

■ Operations and Plants

Tokyo Operation:

4-1-15, Minami-Shinagawa, Shinagawa-ku, Tokyo-to 140-8675, Japan
Tel: 81-3-3474-1111

Neyagawa Operation:

19-17, Ikeda Naka-machi, Neyagawa-shi, Osaka-fu 572-8501, Japan
Tel: 81-72-827-1111

Tochigi Plant:

12-2, Kiyohara Kogyo Danchi, Utsunomiya-shi, Tochigi-ken 321-3231, Japan
Tel: 81-28-667-1221

Chiba Plant:

630 Sekishita, Togane-shi, Chiba-ken 283-0038, Japan
Tel: 81-475-58-5111

Aichi Plant:

3-1-5, Shinden-cho, Takahama-shi, Aichi-ken 444-1301, Japan
Tel: 81-566-53-2525

Osaka Plant:

2-1-2, Oyodo-kita, Kita-ku, Osaka-shi, Osaka-fu 531-8511, Japan
Tel: 81-6-6458-1111

Okayama Plant:

33-1, Taiheidai, Sho-o-cho, Katsuta-gun, Okayama-ken 709-4321, Japan
Tel: 81-868-38-2525

Hiroshima Plant:

1-30, Nihooki-machi, Minami-ku, Hiroshima-shi, Hiroshima-ken 734-0057, Japan
Tel: 81-82-256-3111

Hofu Plant:

851, Nishinoura, Azaichinomasu, Hofu-shi, Yamaguchi-ken 747-0835, Japan
Tel: 81-835-29-2277

Fukuoka Plant:

523-1, Oaza-hiyoshi, Hirokawa-machi, Yame-Gun, Fukuoka-ken 834-0111, Japan
Tel: 81-943-32-5656

■ Research Laboratories

Tokyo:

4-1-15, Minami-Shinagawa, Shinagawa-ku, Tokyo-to 140-8675, Japan
Tel: 81-3-3474-1111

Neyagawa:

19-17, Ikeda Naka-machi, Neyagawa-shi, Osaka-fu 572-8501, Japan
Tel: 81-72-827-1111

Miyakojima Weathering Center:

3742 Hirara Aza-karimata, Miyakojima-shi, Okinawa-ken 906-0002, Japan
Tel: 81-980-74-6633

■ Sales Offices and Representative Offices

Sapporo, Sendai, Saitama, Tokyo, Yokohama, Nagoya,
Kanazawa, Osaka, Hiroshima, Shikoku, Fukuoka, Okinawa

Share Information

(as of March 31, 2008)

Overview of Shares:

Number of Authorized Shares:

1,000,000,000

Number of Shares Outstanding:

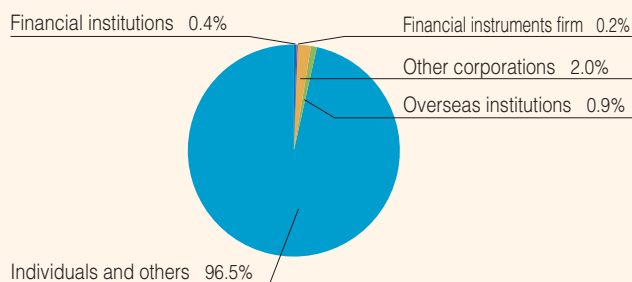
265,402,443

Number of Shareholders:

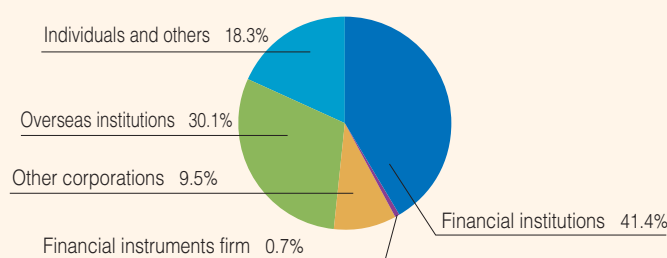
15,894

Distribution of Shares:

Breakdown of Issued Shares by Shareholder Type (%)



Breakdown of Issued Shares by Size of Shareholding (%)

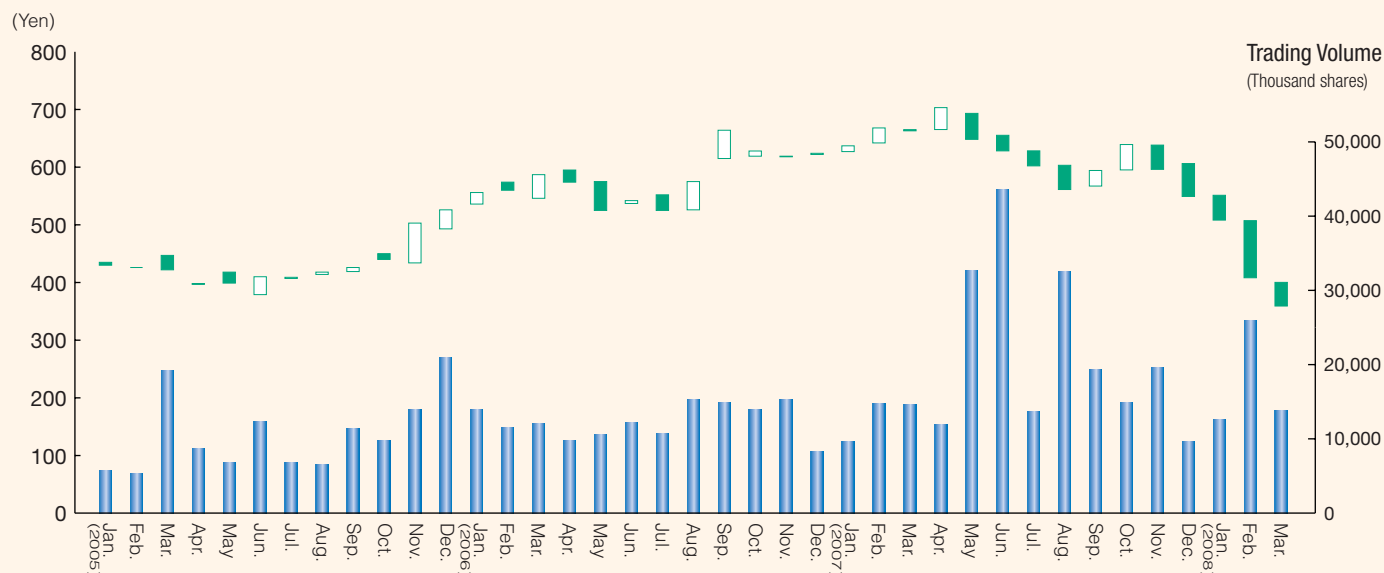


"Breakdown of issued shares by size of shareholding" excludes any number of shares less than a full trading unit.

Principal Shareholders:

	(Thousand shares)
Nomura International (Hong Kong) Limited	14,733
SIS SegalInterSettle AG	13,010
Bank of New York Scotiabank Group GL Scotia Capital Inc.	13,000
BNP Paribas London branch for BNPPPB Nexttock	12,884
Nippon Life Insurance Company	12,651
Sumitomo Life Insurance Company	10,750
Sumitomo Mitsui Banking Corporation	9,999
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,933
The Sumitomo Trust & Banking Co., Ltd.	7,053
Japan Trustee Services Bank, Ltd. (trust accounts)	6,619

Share Price Range





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