

—Basic approach toward employees—

- We value the trustworthy relationship between management and employees and foster an energetic corporate culture.
- We will achieve job satisfaction and improve performance through teamwork.
- We will carry out management to bring out the full potential of individual employees.
- We will focus on individual responsibility in human resources development because a willingness to grow and self-reliant efforts are essential for people's growth.

Diversity and inclusion

Basic ideas on promoting diversity

Based on our management philosophy, we are dedicated to maintaining an organizational culture that uses diversity involving the experiences, skills, ideas and other capabilities of people as strengths. This encompasses everyone regardless of gender, age, nationality or other characteristics. We want to be a company where people with many distinctive qualities can perform important and meaningful tasks. To promote a change in the mindset and the development of a culture that leverages diversity, we have continued to conduct forums for creating future jobs since FY2016. At these forums, participants revisit their ideas about how they work, how to make their jobs more rewarding and how to achieve their career goals while they also share information about their experiences. This creates an opportunity for people to view these subjects as their own issues to resolve.



Forum for creating future jobs

Number of employees (persons)

	2017	2018	2019
Nippon Paint Holdings only	230	210	243
(Average number of temporary employees not included above)	Less than 10%	25	30
Japan	3,013	3,223	3,373
Asia	14,449	14,287	14,303
Americas	2,407	2,492	2,640
Oceania	—	—	3,735
Others	388	400	1,919
Consolidated total	20,257	20,402	25,970

Empowering women

The Group is committed to fully leveraging the capabilities and potential of women. We provide women opportunities for further career development, including internal and external training programs for changing one's mindset and improving skills. Opportunities also include leadership training for women and interaction with people at companies in other industries.

Creating a rewarding workplace

Fostering a vibrant culture

We have adopted working groups (WG), comprised of people selected from each group company, to oversee measures for establishing a vibrant culture where passionate and determined people gather.

The Management Philosophy Dissemination Working Group is in charge of conducting a management philosophy workshop at worksites. From FY2018 to FY2019, the group hosted 150 workshops that were attended by about 2,500 employees and executives. Participants learned the importance of using dialogues for mutual understandings of values and ideas. The workshop also gave participants the opportunity to think about ways to realize the vision defined by the philosophy.

In an effort to make NPHD an attractive company, the Work Style Reform and Labor Productivity Improvement Working Group launched the "Project SWITCH!" campaign to switch the mindset and actions of employees. The "360° Use of San" campaign aims to reinforce communication by urging people to use "san" (the most commonly used honorific suffix) toward everyone in order to establish a culture where everyone can freely state their ideas and opinions regardless of job title. Other initiatives include a guidebook about the purposes and length of meetings for improving meeting quality and a facilitation training program. Those measures are aimed at making work more efficient and altering how jobs are performed.

In Japan, town hall meetings were held at 11 locations to enable management and employees to discuss a variety of issues at the Company. At all of these events, there were straightforward exchanges of information and opinions between executives and employees.



A town hall meeting



A management philosophy workshop

Initiatives to cultivate a sense of unity among employees

To cultivate a sense of unity among employees, as more than 80% of the Company's workforce is in countries outside Japan, a women's table tennis team was started in 2017. Watching games and supporting the team has created new channels of communication, bringing together people of all ages and backgrounds throughout the Group.

In addition, we use table tennis as a community activity, such as by holding classes for residents in our worksites and other locations.



The Nippon Paint Mallets table tennis team

Recruitment of diverse human resources and cultivation of management personnel

Cultivation policy

Our recruiting and skill development activities are all based on the belief that people cannot grow without an underlying willingness to grow and self-help efforts, and therefore, we set self-responsibility as the basis of human resource development.

Recruitment

When hiring new graduates, we promote the recruitment of candidates for management staff for the next generation who can lead the market regardless of nationality. We try to secure human resources with great abilities from the two perspectives of experience in leadership and challenges in the global environment based on the requirements for human resources linked to management and business demand. Interns are also accepted proactively from inside and outside of Japan. In 2020, we quickly shifted to online recruiting activities due to the COVID-19 pandemic.

In addition, mid-career employees are actively hired. Knowledge from external sources is aggressively absorbed to diversify our knowledge. We will continue our efforts to create an appealing company that attracts human resources with various experiences and knowledge.

Management training

To accelerate our progress towards becoming a top global company in the world, we have enhanced human resource development focusing on the cultivation of management personnel and the pipeline management of successors. With "global" and "leadership" as key words, we are reinforcing our position-based leadership programs to improve our leadership training.

We have many programs that teach people the skills and knowledge that are necessary to become successful on a global scale. Examples include overseas study for languages (English and Chinese), MBA programs at universities in Japan and other countries, and the newly established doctorate study program. We plan to further increase the pace of activities that train people to succeed worldwide while reinforcing the development of core skills required by global businesspeople.

Extensive use of online activities

As part of measures to prevent the spread of COVID-19, we proactively switched to online recruiting activities and internal group training programs (new employee training and position-based training programs). Online programs give participants the same opportunities to speak up and the availability of quick interaction with share ideas as if in a conventional class. Additionally, the availability of quick interaction with instructors enables students to focus on the course material. Other advantages of online classes include not having to travel to training locations and reduced impacts on participants' work.

Social Occupational Health and Safety

Health and safety activities in Japan

The Group is committed to the prevention of accidents under the concept that safety takes priority over everything.

In FY2019, we worked to improve health and safety activities and solve relevant problems through the RC Committees, Group safety and environment meetings and product safety meetings.

Health and safety committee meeting is held in each area and site to identify safety and environmental issues in each area, and all employees participate in activities to make improvements. In addition, events to help employees improve their health are designed and organized in cooperation with the labor union.

In FY2019, the number of accidents at the group decreased from FY2018, but there was one serious accident (loss of part of the left thumb). Information about serious accidents is shared with group business sites and companies worldwide for reviewing and strengthening workplace rules and safety measures.

During FY2019, the Group conducted the following safety training activities in Japan.

- Safety training for new employees: 73 participants
- Follow-up training for new employees (danger experience class, risk prediction training, static electricity safety class): 69 participants

Support for overseas group companies in safety control

The Group continuously provides active support for the safety and environmental activities of overseas affiliates. In 2019 as well, we worked to enhance field management and develop activity leaders in Asia and other regions through the NIPSEA Safety Council ("NSC").

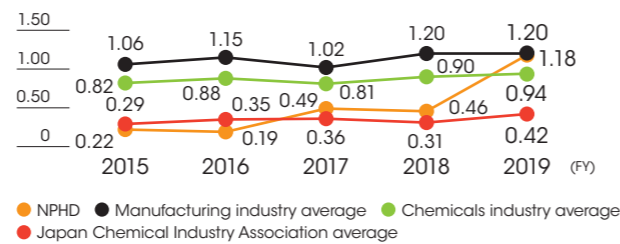
We also conducted safety assessments in each area jointly with NSC members to prevent serious accidents. In these assessments, we used an assessment list prepared to identify and preempt serious risks that might result in a plant shutdown, such as fires and explosions.

In addition to the safety assessments, we monitor fire drills conducted in each of the areas to check the appropriateness of their system in case of a fire or explosion accident.

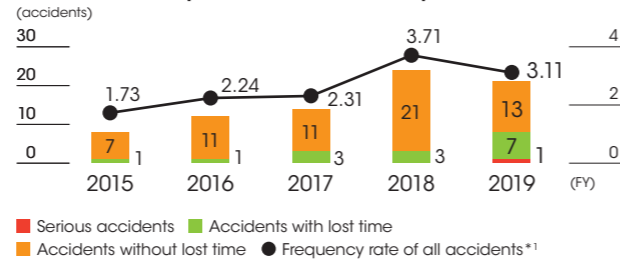
In FY2020, we will start using a revised assessment list as the basis for measures for preventing serious accidents.

*1 Deaths/injuries per one million actual working hours
 *2 Scope of data collection:
 NPAU, NPIU, NPTU, NPSU, and NPHD for the data in FY2015
 NPAU, NPIU, NPTU, NPSU, NPHD, NPMC, ASP, ASR, and NAC for the data from FY2016 to FY2018
 *3 Scope of data collection:
 NIPSEA for the data in FY2016
 NIPSEA and Oversea groups (Asia, US, Europe, South America) of NPAU for the data in FY2017
 NIPSEA, Oversea groups (Asia, US, Europe, South America) of NPAU and Asia group of NPMC for the data in FY2018
 NIPSEA, Oversea groups (Asia, US, Europe, South America) of NPAU, Asia group of NPMC and Dunn-Edwards for the data in FY2019

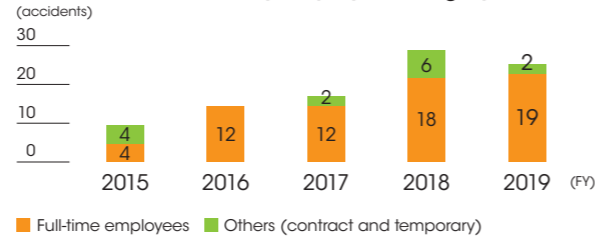
Frequency rate of accidents in Japan resulting in lost time*1



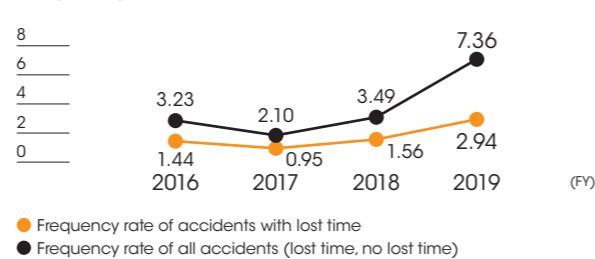
Number of workplace accidents in Japan*2



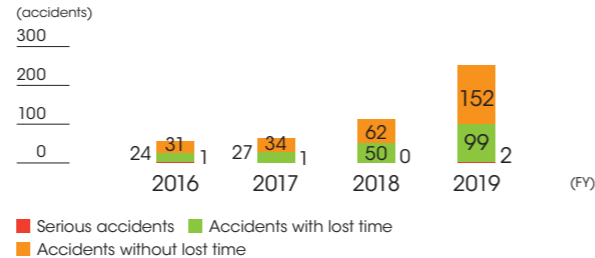
Number of accidents by employee category



Frequency rate of accidents overseas*1



Number of accidents overseas*3



Group Quality Assurance

Group quality assurance system

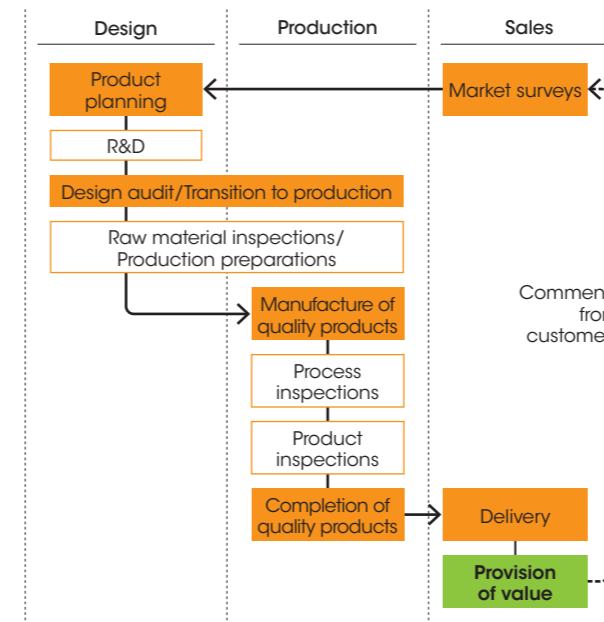
Basic concept

The Group strives to promote quality assurance activities of Group companies based on the policy in its internal rules to maintain and improve the quality of products in a steady and continuous manner with an aim to enhance customer satisfaction with the products of the Group.

We pay attention to the safety and environmental friendliness of products at the product design stage and take measures to ensure their functionality. In addition to strict design audits, as well as examinations before transition to the production stage, strict quality checks are conducted at different stages, including inspections of raw materials used, manufacturing process inspections, and final inspections of products.

We also make efforts to maintain and improve the Group's quality assurance system, including process management to reduce quality variations in the manufacturing process and logistics management to deliver the products of our Group to customers safely by delivery time.

Group quality assurance system



Compliance with laws and regulations

We follow a strict design audit system, which is part of our quality assurance system that starts at the design stage, in order to confirm that products comply with all applicable laws and regulations. In addition, we provide customers with a safety data sheet (SDS) for each product that contains information about applicable laws and regulations.

Organization of a global quality conference (GQC)

In overseas Group companies as well, NPHD works to promote the quality assurance system and the improvement of quality management in cooperation with local staff, just as in the case of safety management. To provide a forum for reporting on team activities to improve quality assurance and productivity at actual production sites, a Global Quality Conference (GQC) was held in September 2019. About 70 people from overseas and other Group companies attended this event at the Osaka head office via a video conferencing system. The conference was an effective way to share quality improvement activities with other group companies. This conference is used to share attitudes towards manufacturing in various countries, new discoveries in the production field, and efficient management methods.

For FY2020, we are considering holding GQC meeting online in view of the spread of COVID-19. This event will again be structured to contribute to upgrading the quality assurance programs of all group companies.



The 2019 Global Quality Conference

Promotion of quality assurance activities

Our Group strives to promote improvement activities at manufacturing sites that contribute to quality assurance and the safe environment in the sites.

We position such activities as "on-site quality assurance (QA)" activities and work to reinforce the sites with a focus on "5S" (Sort, Set in Order, Shine, Standardize, Sustain), as well as "visual management," "standardization," "prevention of errors," and "quality risk prediction". In addition, the leaders of the manufacturing sites mutually check the worksites managed by the relevant departments and also have opportunities to deeply examine the issues of the manufacturing sites and discuss fundamental countermeasures.

Through initiatives such as this, we work to raise the levels of quality assurance and safety activities in the manufacturing sites as a whole.

Social Supply Chain Management

—Procurement Policy—

In accordance with the management philosophy of the Nippon Paint Holdings Group, Procurement Department complies with and promotes the following policy in its procurement activities with the suppliers, which are our precious partners:

- 1. Legal compliance and respect for human rights:**
Nippon Paint Holdings Group will conduct procurement in compliance with laws and international rules, with respect for human rights, and without any abuse of human rights including discrimination or unfair labor practice.
- 2. Fair transaction:**
Nippon Paint Holdings Group will conduct fair and equitable procurement based on free competition and make efforts to eliminate personal interests from the selection of suppliers.
- 3. Evaluation of suppliers:**
Nippon Paint Holdings Group will select suppliers in a rational manner based on business conditions, CSR, promotion of environmental conservation and resource protection, continuous commitment to the control of safety and health risks, etc. in addition to quality, price competitiveness, stable supply, technical capabilities.
- 4. Establishment of a trust relationship with suppliers:**
Nippon Paint Holdings Group will place emphasis on dialogues with suppliers, work to establish a trust relationship, and promote sustainable procurement together. We will also promote the reduction of risks in procurement activities in cooperation with suppliers.

Approach to procurement of raw materials

The Group's businesses depend on a steady and reliable supply of raw materials, equipment, supplies, information services and various other products and services. Maintaining healthy cooperative relationship with suppliers is therefore essential to our growth potential. We have established and disclosed the procurement policy that is aligned with our basic approach to business transactions. We also have programs for everyone at our Group, as well as at our suppliers, to make sure that they understand and follow this approach and policy. To ensure that procurement activities are performed responsibly, we established procurement guidelines based on a policy that further clarifies the definition of the items that must be observed by suppliers and members of the Nippon Paint Holdings Group. Our procurement activities also place priority on quality, cost and delivery (QCD) as well as issues involving the environment, society and governance (ESG). Our goal is to further emphasize the sustainability of our supply chains.

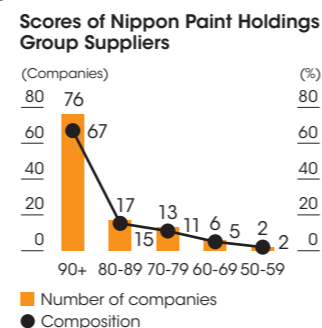
Initiatives in line with the procurement policy

Responsible procurement of raw materials

With the cooperation of the product safety departments, we have examined and updated the safety data sheets and product specifications in compliance with new and revised laws and regulations for the chemicals contained in all raw materials used to manufacture our products. We utilize this information to supply customers with the information they require to use our products in compliance with regulations inside and outside Japan. The Company also participates in the initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain, and supplies information at the request of customers.

CSR procurement survey

The graph on the right shows the results of a self-analysis survey that was prepared by Global Compact Network Japan. The survey was sent to those suppliers of the Nippon Paint Holdings Group which accounted for 90% of all purchases in 2019 in the amount of purchase. We held discussions with companies that scored below 70 points and asked them to make improvements.



Conflict minerals survey

We used a Conflict Minerals Report Template to examine the samples of raw materials which we use that contain tin, tantalum, tungsten, gold or cobalt. The information obtained from these examinations was used to respond to requests from customers concerning conflict mineral surveys.

Business continuity planning

We are taking various measures in order to reduce the risk of supply disruption a particular material, such as purchasing raw material from at least two suppliers. Significant risk factors are monitored by using a simultaneous inquiry system, which was used five times in 2019 to examine the effects of problems at plants, a typhoon and earthquake, and other events.

Quality and safety audits

We visited 34 business sites of 31 companies that supply raw materials or perform outsourced manufacturing tasks in order to check their quality assurance and employee health and safety programs. Afterward, discussions were held concerning items that required improvements.

Investments in Communities

Contributions to local communities and international society

Basic approach

The workforce and workplaces of the Group are becoming increasingly global in nature as the Group continues to grow. As we become increasingly global, we will continue to play a role in finding solutions to social issues in the countries where we do business.

[Japan]

Donated medical masks and ethanol disinfectant to 76 medical institutions and municipalities

The COVID-19 pandemic has made it difficult for medical institutions in Japan to procure masks, disinfectants and other supplies. We used products made in partner factories in China to donate 140,000 N-95 type medical masks (surgical-mask equivalent) and 1,700 liters of ethanol disinfectant to medical facilities, government agencies and other organizations in Japan, for a total of 76 recipients.



Masks and disinfectants being donated to Kariya Toyota General Hospital (left) and Kita-ku, Osaka (right)

[India]

Providing education and empowering women

We conducted training programs in farming villages in India to teach women how to become self-reliant professional house painters. Thus far, the program has created 420 female painters in rural areas of the state of Tamil Nadu. In FY2019, we provided food to these women and their families due to difficulties created by the COVID-19 pandemic.



Female house painters

[Australia]

Support for medical and environmental programs

We support cancer research and emergency care facilities in the medical sector. For environmental activities, we are supporting more than 250 communities for animal rescue and other programs. In 2019, donations of products and cash totaled about A\$500,000.

[Turkey]

Support for schools and professional painters

To support education in Turkey, we have both programs for repainting school buildings and the color effect project. Repainting maintains a healthy school environment so that children remain motivated to learn. A total of about 600 tonnes of paint was used for this program. The color effect project supplies carefully selected color schemes based on an analysis of how different colors influence children. The analysis was performed in collaboration with a psychologist in order to determine how colors affect children and how colors should be used at schools. This collaboration resulted in Turkey's first color collection for children's rooms and schools. More than 10,000 people received information about this collection.

In another program in Turkey, we sent food packages with a total value of about ¥64 million to painters in Turkey who had no or very little work due to the COVID-19 outbreak. We wanted them to know that we are always together at all times, both good and bad.



Repainting and color effect programs assist schools in Turkey

[Mexico]

Helping to prevent the spread of COVID-19

As Mexico combats the COVID-19 crisis, we distributed food to the poorer areas of the country and donated masks, apparel, and sanitizing and disinfecting products to medical institutions. In addition, we shipped masks from Mexico to China when there was a shortage of masks in China.

All of these activities demonstrate how the companies of Nippon Paint Holdings Group cooperate with each other to become responsible members of society.



Distributing food in Mexico