

## Meeting Expectations for Our Company and Delivering New Values to Society - CSR Management

To supply new values through the practice of "mutual prosperity," which is mentioned in the Group's management philosophy, we have selected materialities (crucial issues) for the realization of the sustainable growth of society and set CSR targets for fiscal 2020.

### Concept of ESG management

In recent years, the three perspectives of Environment (E), Society (S), and Governance (G) have attracted attention as necessary elements for companies to grow sustainably over the long term.

Nippon Paint Holdings Group recognizes these ESG perspectives as management issues to be tackled preferentially and actively promotes measures on each aspect.

Specifically, on the "E" (environmental) aspect, as a manufacturer of paints used in all aspects of social life, we will mitigate the environmental impact of those products throughout the processes from production to painting, as well as the aspects where various painted items such as buildings and cars are actually used, and help customers solve the environmental problems they face.

Meanwhile, on the "S" (social) aspect, we focus on the fact that our Group is a global company having a wide range of human resources with different genders, nationalities, cultures, and living habits and will work to develop an organization where those human resources are mutually respected and can demonstrate their abilities.

Furthermore, on the "G" (governance) aspect, while developing the "NN model," in which we can make effective use of the uniqueness of each region of the Group companies that similarly have diverse backgrounds, we will be committed to the establishment of a robust governance system centered on the global headquarters and regional headquarters (RHQ).

Considering that these initiatives are keys to creating new values for stakeholders and winning a leading position, Nippon Paint Holdings Group identified crucial issues (materialities) for the company from each of the perspectives and then set the

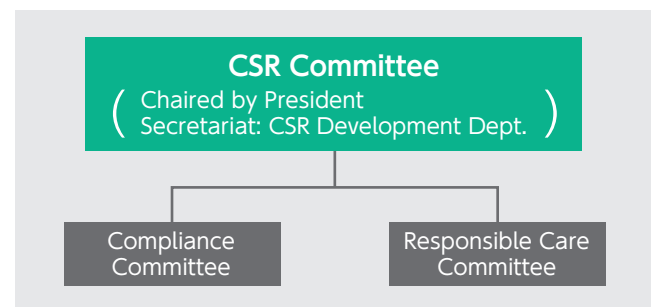
targets to be achieved by 2020 in January 2018. Our activities to achieve them are currently underway.

### Organizational structure

Our Group has set up CSR Committee, which is chaired by President, in Nippon Paint Holdings to discuss issues concerning governance and social fields. Under the committee, Responsible Care Committee (in charge of the safe environment) and Compliance Committee, which are both composed of the heads of our functional departments and the representatives of our main subsidiaries in Japan, have been founded to promote CSR activities in a cross-sectoral manner across the Group.

In fiscal 2018, we also set up Corporate Reforming Steering Committee as a measure to reform the culture and established CSR/ESG Management Promotion Working Group, Work Style Reform Promotion Working Group, and Management Philosophy Dissemination Working Group under the committee to promote new initiatives from the perspective of reforming the culture.

▶ See P29 and P30 for details

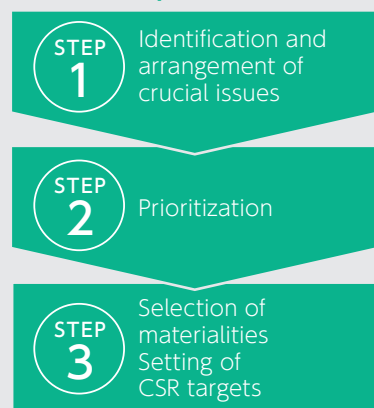


### CSR targets for our Group and progress in achieving them

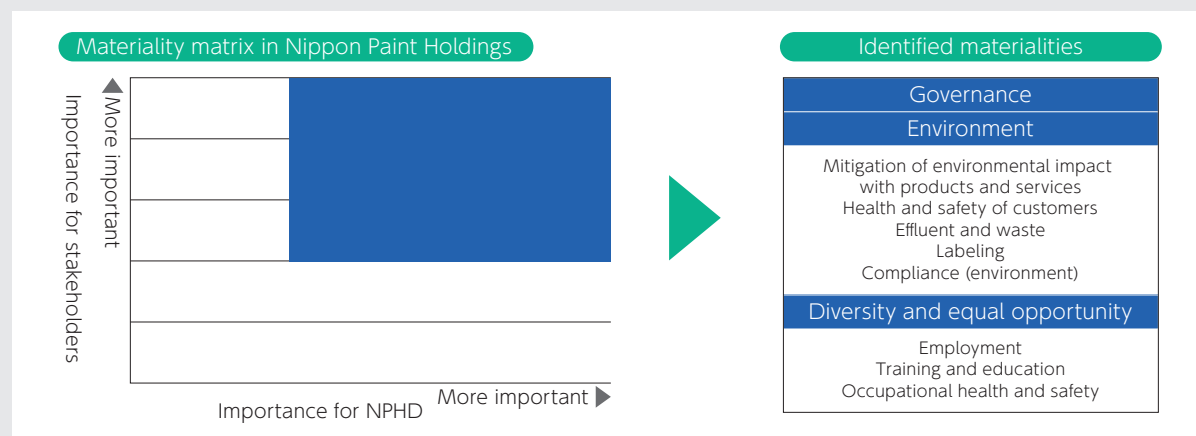
The targets for fiscal 2020 specified based on the set materialities, as well as progress in achieving them in fiscal 2018, are presented below.

Aspect	State that we would like to be	Issues
Governance	Governance system capable enough to compete globally	<ul style="list-style-type: none"> <li>Share <b>the new management philosophy</b></li> <li>Establish <b>RHQ management system</b></li> </ul>
Environment	Create value by dealing with environment and expand businesses and earnings	<ul style="list-style-type: none"> <li>Create and spread <b>eco-friendly products</b></li> <li>Proper management of chemical substances</li> </ul>
Diversity	"Diversified knowledge" by gathering diverse personnel	<ul style="list-style-type: none"> <li>Collaboration <b>among diverse personnel</b></li> <li>Decision-making should be done by diverse personnel</li> <li>Safe and secured workplace</li> </ul>

## Materiality (crucial issue) selection process



- ① Identified the expectations of main stakeholders on our company as social demand.
  - ② Analyzed medium- and long-term management issues for our company and grasped crucial issues for the businesses.
  - ③ Analyzed and classified ① and ② according to GRI Guidelines (G4) and grasped the crucial issues to be addressed by our Group in response to social demand.
- Evaluated the crucial issues grasped in STEP 1 comprehensively from the two aspects of "importance for stakeholders" and "importance for our Group" and prioritized them.
  - Sorted out the results of STEP 2 and selected the crucial issues that our Group should preferentially tackle (materialities).
  - Deliberated at Operating Committee of Nippon Paint Holdings, confirmed the adequacy of the materialities, and set CSR targets to be achieved by 2020.



Results of our efforts in 2018	Targets for fiscal 2020 (state where they are achieved)
<ul style="list-style-type: none"> <li>• (Japan) Made progress in the dissemination of the management philosophy. (Overseas) Prepared materials in English for the dissemination and started to share the philosophy.</li> <li>• Sorted out the challenges for the establishment of a CSR promotion system.</li> <li>• Got ready to establish the Americas RHQ system.</li> </ul>	<ol style="list-style-type: none"> <li>① Establish the activities to disseminate the new management philosophy</li> <li>② Consolidate the CSR promotion system</li> <li>③ Consolidate the NN model and achieve the overall harmony of global governance</li> </ol>
<ul style="list-style-type: none"> <li>• Formulated the definition of eco-friendly products (see P19).</li> <li>• Promoted and implemented the efforts in Responsible Care Committee and mostly achieved the targets.</li> </ul>	<p>On a global scale</p> <ol style="list-style-type: none"> <li>① Promote the development and dissemination of eco-friendly products</li> <li>② Properly manage and reduce the emission of chemical substances</li> </ol>
<ul style="list-style-type: none"> <li>• Implemented the teleworking system and the system for employees to take annual paid holidays by the hour on a trial basis.</li> <li>• Development training for selected female leaders and cross-industrial meeting for women</li> <li>• Launched a program to foster the next generation of managerial talents.</li> <li>• Zero serious occupational accidents</li> </ul>	<p>On a global scale</p> <ol style="list-style-type: none"> <li>① Build a uniform HR system</li> <li>② Establish diverse work styles and retain diverse and highly-skilled personnel</li> <li>③ Secure personnel that can actively work on a worldwide level</li> <li>④ Zero serious occupational accidents</li> </ol>