

Work Environment That Is Comfortable and Rewarding at the Same Time

To create an organization where all employees can demonstrate their abilities to the fullest extent, we are working to establish a work environment where they can work in a vibrant manner through various activities including the dissemination of the management philosophy and the promotion of diversity.

Basic approach to employees

- We will value the trust relationship between management and employees and develop an energetic corporate culture.
- We will achieve job satisfaction and improve performance through teamwork.
- We will operate our business based on human abilities by ensuring that employees can perform at their full potential.
- We will focus on individual responsibility in human resource development because a willingness to grow and self-reliant efforts are essential for people's growth.

Diversity and Inclusion

Based on our management philosophy, we are working for the diversification of knowledge such as the experience, abilities, and ideas of individuals irrespective of sex, age, nationality, or other attributes. Our efforts to use diversity as a source of the competitive advantage of our Group are made through four key initiatives to promote diversity. We aim to cultivate a corporate culture that takes advantage of diversity and become a company where unique employees can work more actively.

To promote "change in the mindset and development of a culture" for the effective use of diversity, we constantly hold a forum to create the "work" of the future from fiscal 2016. While also presenting specific examples, this forum provides employees with an opportunity to review the jobs of them as individuals and their team, work styles, job satisfaction, and future career and ask themselves again about what they will do and what they want to do. We continuously organize this enlightenment program to encourage employees to consider those issues to be their own.

Sates that the Group should be

Recruiting diverse human resources.

The positions and missions are clarified and the right people are placed in the right Jobs.

Self-reliant human resources work actively.

All employees around the world act independently and produce results in their respective positions based on a globally shared vision.

Creating innovation.

The power of the organization is developed in a way to accept differences and leverage them as a strength.

Key initiatives to promote diversity



Creation of a Rewarding Work Environment

With an aim to establish an organization that can respond to changes, we actively seek to provide a work environment where employees with diverse values can feel rewarded.

In fiscal 2018, we implemented a "work cloth renewal project" as an initiative for reforming the culture from a bottom-up approach. The work clothes were renewed for the first time in 28 years. We formed a cross-sectoral work team of Group companies in Japan and produced new, safer, and more functional work clothes for our Group with a sense of unity and uniformity based on opinions and suggestions from all employees under the renewal concept of "WE WILL - each and every employee will take on challenges for the future." The work clothes, which are to be introduced in the spring of 2019, are an essential symbol for all Group employees to be united as "One Team."



Number of employees (persons)

	2016	2017	2018
Nippon Paint Holdings only	224	230	210
(percentage of temporary employees)	Less than 10%	Less than 10%	11.9%
Japan	3,005	3,013	3,223
Asia	12,793	14,449	14,287
Americas	627	2,407	2,492
Europe	447	388	400
Consolidated total	16,872	20,257	20,402

Our childcare leave and nursing care leave systems are used more frequently and have been firmly established as options for employees. We have also introduced a one-week holiday system to allow employees to take five consecutive days off as a measure to create an environment where employees can take holidays in a planned manner with teamwork to cover for each other, and more than 95% of the employees have used the system.

In addition, we continuously perform activities to prevent mental illness by understanding the workplace conditions through stress check, as well as monitoring of the awareness and satisfaction level of employees to motivate them and ensure that they can perform to the best of their abilities. We especially regard harassment in the workplace as a crucial challenge and make continuous efforts to eliminate it, such as workshops for all employees including management staff.

Furthermore, we have expanded the scope of application of the flex system from the perspective of work style reforms. The teleworking system and a program to allow employees to take paid holidays by the hour will be formally established in fiscal 2019. We also plan to introduce a new system for employees to have a certain amount of rest between working days on a trial basis.

Work style reforms are essential to make diversity one of the competitive advantages of our Group. We will continuously strive to create a corporate culture and system/mechanism that ensure that all employees are responsible for their own growth and can independently select their own work style to carry out their duties and will establish a virtuous circle in which the growth of our employees leads to the growth of the company.

Career Development of Women

Diversity and the active work of women are considered to be important factors for the implementation of the value creation process of our Group and its further improvement. As part of our efforts for the "appointment and development of diverse human resources," one of the key initiatives to promote diversity, we encourage women to work actively.

We provide women with the following opportunities for further career development, including internal and external training programs for a change in the mindset and the improvement of skills.

● Female leader development training

This program has been continuously organized since 2015. In the fourth year, 10 trainees specified the ideal image of leaders they want to be and worked to accelerate their growth by trial and error.

● Cross-industrial exchange meeting (organized by J-Win*, an NPO)

As an initiative to encourage women to work actively, we send our employees to the cross-industrial exchange meeting with participants from other companies and this is the fourth year of our participation. The participants mutually accept diverse values regardless of industry or business category and facilitate their own growth through friendly competition.

* Japan Women's Innovative Network, a specified nonprofit corporation

Initiatives of the Work Style Reform and Labor Productivity Improvement Working Group

To cultivate a "vibrant culture where passionate and determined people gather," which is mentioned in the new management philosophy, the Work Style Reform and Labor Productivity Improvement Working Group has begun efforts to develop a rewarding work environment and establish a cycle that creates values and enhances productivity. To meet the targets of "improvement of personnel value," "improvement of corporate value," and "improvement of the work-life balance," the working group seeks to realize an attractive company where employees can feel happy and satisfied and have rich ideas.

An attractive company that our Group aims to become

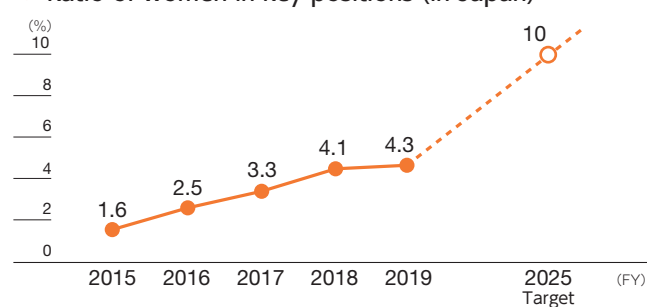
"Work actively like myself." "Surpass myself of yesterday."

"The best rivals are the best colleagues." "Be essential for the world."

We have launched "Project SWITCH!" to switch the mindset and actions of employees. The working group is now striving for the project with the six themes of "improvement of operations and reduction of work volume," "improvement of the efficiency of meetings and material preparation," "communication," "use of IT," "support of management by persons in key positions," and "evaluation system and a mechanism to respect each other," which were selected based on opinions from employees including the results of workshops in the workplace and surveys and questionnaires, as well as the understanding of the current situation based on data.

Work style reform town meetings have also been organized in the sites since fiscal 2018 to have active discussions and exchange opinions on relevant measures with employees.

▼ Ratio of women in key positions (in Japan)



Town meeting at Okayama Office



Female leader training

Recruitment of Diverse Human Resources and Cultivation of Management Personnel

Recruitment

When hiring new graduates, we promote the recruitment of candidates for management staff of the next generation who can lead the market regardless of nationality. We try to secure human resources with great abilities from the perspectives of "experience in leadership" and "challenge in the global environment" based on the requirements for human resources linked to management and business demand. Interns are also accepted proactively. While maintaining the long-term acceptance of students in engineering fields, we will adopt a more global perspective and expand the acceptance of human resources mainly from Asia in fiscal 2019. We are also working to enhance the internship program with focus on local and social contribution. 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 experience and knowledge.

Training

To accelerate our progress towards becoming a top company in the world, we have enhanced human resource development with focus on the cultivation of management personnel and pipeline management of the successors.

With "global" and "leadership" as the keywords, we have developed position-based leadership programs to improve our leadership training. The management personnel development programs for upper positions are also attended by employees of our overseas Group companies to promote friendly competition within the Group and enhance Group-wide cooperation and ties for human resource development in Japan and overseas. While helping the trainees acquire management literacy, the programs also provide opportunities to strengthen collaboration between domestic and overseas Group companies. We also accept trainees from overseas actively, which solves the human resource development issues of overseas Group companies and helps them expand their businesses. In addition to the leadership programs, we have prepared internal programs to supplement the abilities and skills required in each generation. We also plan to establish a mechanism to develop management personnel candidates early by giving them opportunities to build their career in a challenging environment and thereby accelerate their growth. Through these initiatives, as well as language training, engineer training, and distance learning programs, we will constantly produce human resources that can contribute to the company in an integrated manner.

Generous support for those who aim to grow with self-responsibility

Nippon Paint Holdings Group seeks to strengthen human resources based on the policy on the right.



Acceptance of interns



New employee training in 2019

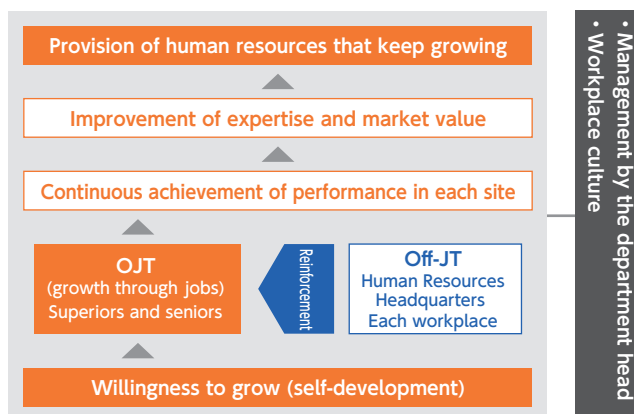
<Approach to human resource development (cultivation policy)>

People cannot grow without an underlying willingness to grow and self-help efforts.

Therefore, we set self-responsibility as the basis of human resource development.

<Training policy>

- The basis of training and cultivation is on-the-job training (OJT) in the workplace.
- We provide off-the-job training (Off-JT) to supplement the OJT.
- The training is classified into an equal-opportunity type and a selection-based type to clarify the objective of the cultivation.



Health and Safety Activities in Japan

Nippon Paint Holdings Group is committed to the prevention of accidents under the concept that "safety takes priority over everything."

In fiscal 2018, we worked to improve health and safety activities and solve relevant problems through the RC Committees of the sites involving domestic affiliates of our Group, as well as Group safety and environment meetings and product safety meetings. In those efforts, we shared information on the accidents that occurred in the Group and the cases of accidents in different business sectors and introduced countermeasures against such accidents throughout the Group to prevent recurrence.

We also held health and safety committee meetings on an area or site basis to execute the decisions made in the committee meetings, etc. and identified the health and safety issues in each area, involving all employees in the efforts to improve the problems.

Risk assessment is actively conducted in each area to prevent accidents. In addition, events to help employees improve their health are designed and organized in cooperation with the labor union.

Despite those health and safety activities, the number of accidents that occurred in the Group increased by 10 year-on-year and the frequency of accidents also rose significantly in fiscal 2018. Thus, challenges remained in the fiscal year. Since most of the accidents without lost time were caused by insufficient adherence to the rules, we will review the rules, provide repetitive training, and enhance the confirmation of compliance with rules in the sites by managers.

We will make continuous efforts to reduce the number of occupational accidents.

Support for Overseas Group Companies in Safety Control

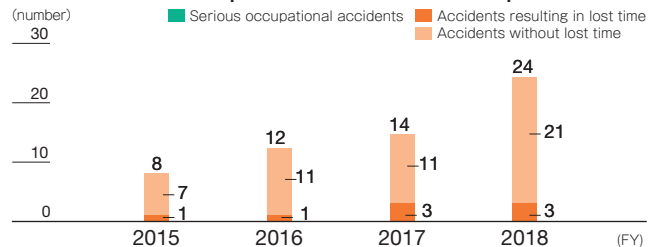
Nippon Paint Holdings Group continuously provides active support for the safety and environmental activities of overseas affiliates. In 2018 as well, we worked to enhance field management and develop activity leaders in Asia and other regions through NIPSEA Safety Council (hereinafter "NSC").

We also conducted a safety assessment in each area together with NSC members to prevent serious accidents. In the assessment, we used an assessment list prepared to identify and rectify serious risks that might result in a plant shutdown, such as fire and explosions.

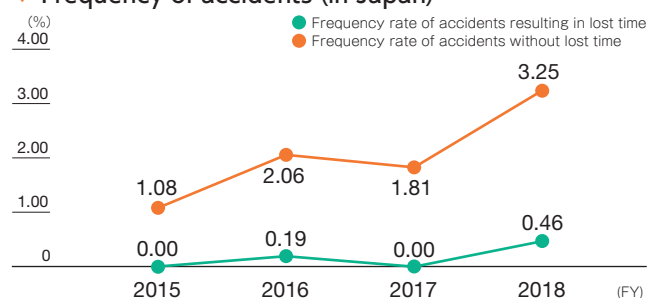
In addition to the safety assessment, we have introduced safety activities including experience-based training to enhance the understanding of the danger of static electricity into overseas production sites. We also monitor the fire-fighting drills conducted in each of the areas to check the appropriateness of the system, roles, and procedures in case of a fire or explosion accident and correct any problems in order to improve the fire prevention system.

For the areas such as North America, China, and Thailand, we support their safety control activities in cooperation with operating companies.

▼ Number of occupational accidents in Japan

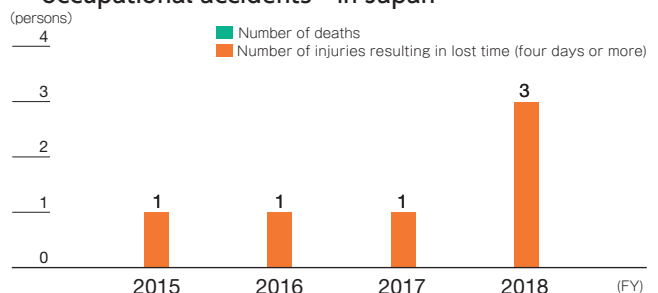


▼ Frequency of accidents (in Japan)



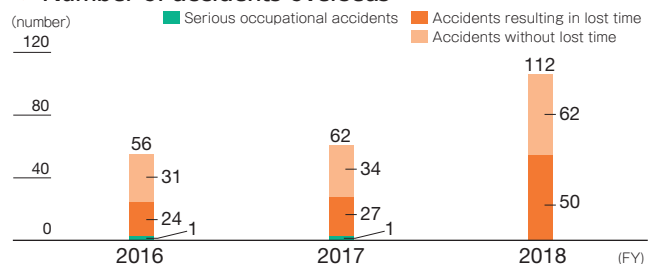
* The frequency rate represents the number of occupational accidents that occurred in one million hours of total actual working hours.

▼ Number of the persons affected by occupational accidents * in Japan

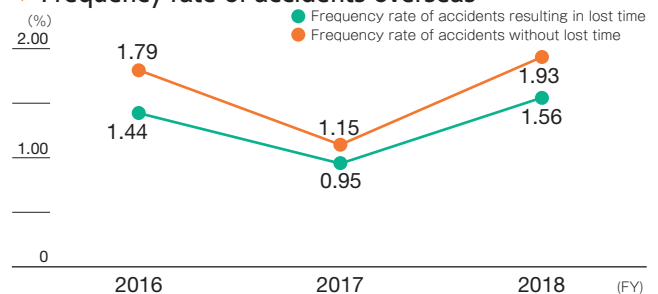


* The accidents resulting in death or lost time for four days or more are included.

▼ Number of accidents overseas



▼ Frequency rate of accidents overseas



Scope of data collection
In Japan: More than 90% is covered in terms of number of persons.
Overseas: More than 80% is covered in terms of number of persons.