

Feature Article

Japan Group: Striving for Greater Profitability by Unifying Efforts and Overcoming Organizational Barriers and Boundaries

Under the leadership of our Co-Presidents, Japan Group has made steady advancements in profitability, thanks to the structural reforms implemented in recent years. These reforms have included unconventional approaches and measures. However, we recognize that our journey to restore the operating profit margin levels achieved during 2017-2018 is only halfway complete. To expedite this progress, we are accelerating cooperative and collaborative initiatives that transcend organizational barriers and boundaries. These efforts are being led by the senior management of each partner company, with the ultimate objective of achieving sustainable EPS compounding.

In this section, we will present the collective projects and initiatives undertaken by Japan Group, outlining our strategic roadmap towards further enhancing profitability.

» P48 Our Strategy by Asset Presented by Co-President Wee

United in our pursuit of realizing “One NIPPE”



Aiming to improve market share and profitability, elevating market expectations

Our goals Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries

Japan Group				
NPAC	NPTU	NPIU	NPSU	NPMC
Integration of sales activities, overseen by the President of NPIU » P60				
Integration of resin production activities, overseen by the President of NPAC » P60				
Integration of production and logistics functions, overseen by the President of NPTU » P60				
Consolidation and upgrading of administrative overhead functions (NPCS), overseen by the Deputy President of NPCS » P61				
Revamping and upgrading operations by leveraging digital technology, overseen by the Managing Executive Officer of NPCS » P61				

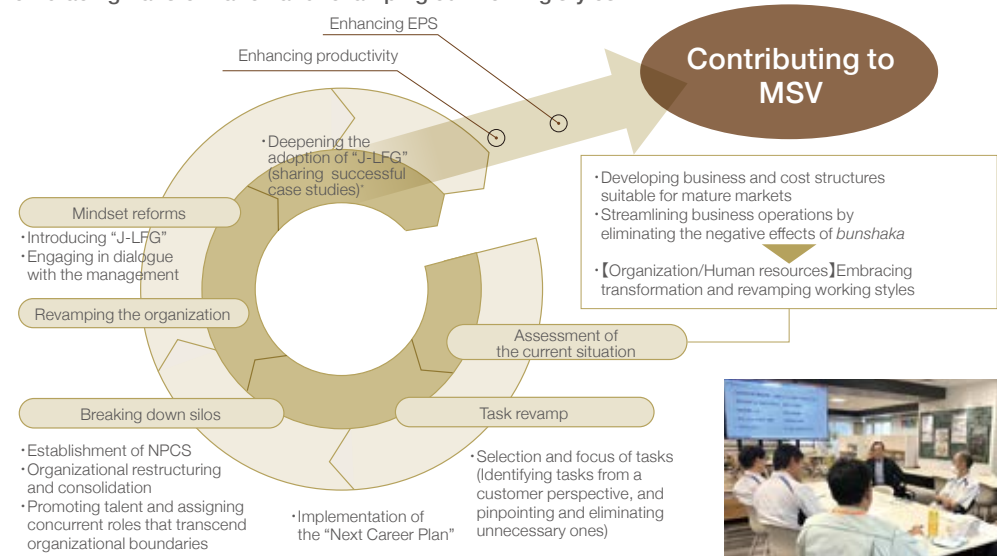
Eliminating overlaps and gaps in our business areas, and fostering cooperation and collaboration that transcend organizational barriers and boundaries

Since the implementation of *bunshaka*, a company split by lines of business, in 2015, Japan Group has seen increased autonomy and accountability within each business unit. However, over time, several issues have emerged, including inflated cost structures, duplication of functions, complex business processes, organizational silos, and rigidity in personnel allocation.

To address these challenges, we have implemented several measures: (1) identifying issues and considering/implementing remedial actions through task forces, (2) consolidating and upgrading group support functions via the establishment of Nippon Paint Corporate Solutions (NPCS), (3) implementing the “Next Career Plan” voluntary early retirement program, (4) restructuring the automotive and marine businesses, and (5) transforming corporate culture and employee mindsets through the adoption of “J-LFG.”

Currently, under the banner of “One NIPPE,” we are advancing a unified approach where the five partner companies within Japan Group operate as a single entity. This approach focuses on eliminating overlaps and gaps in our business areas and fostering cooperation and collaboration that transcend organizational barriers and boundaries. Under the leadership of senior management, who concurrently hold multiple positions, our partner companies are mutually leveraging each other’s management resources. This shift from individual optimization to overall optimization is strengthening our foundation for cost competitiveness.

Our organizational and human resource strategies for embracing transformation and revamping our working styles



The Communication Forum held from May to July 2024

» For more information about our efforts to disseminate the J-LFG spirit, please refer to “Human resource development measures essential for achieving MSV” on our website.

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Sales functions

Establishing sustainable growth drivers by creating a cross-functional marketing and sales structure across the Group



Takeshi Shiotani
Representative Director and President
Nippon Paint Industrial Coatings (NPIU)

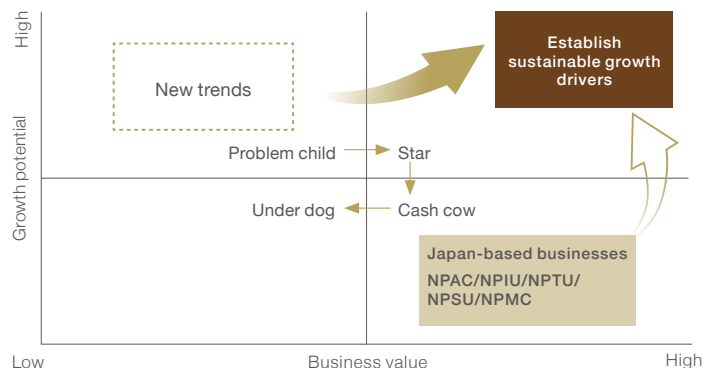
For Japan Group to achieve further growth, strong marketing and sales functions are essential. Particularly in emerging markets and areas such as electric vehicles and autonomous driving, we must respond synergistically, efficiently, and swiftly. This requires transcending the boundaries of existing business segments and organizations across the Group.

In response to these challenges, the position of Chief Commercial Officer (CCO) for Japan Group was established in January 2024. President Shiotani of NPIU has assumed this role, overseeing the entire sales function of Japan Group. This position bridges the management and heads of sales units across partner

companies, facilitating the implementation of strategies throughout the organization. Beyond the traditional business framework focused on existing markets and customers, the CCO role allows for group-wide supervision of the sales function. This enables us to accurately capture rapidly changing markets and flexibly advance our marketing and sales activities.

By holistically analyzing and sharing insights on the Japanese market and each business within Japan Group from a sales perspective, we aim to enhance our marketing and sales functions across the organization. This approach is designed to improve the profitability of each partner company, deliver sustainable growth through the creation of new business opportunities, and establish sustainable growth drivers.

Establishing sustainable growth drivers by reinforcing the sales function



Production and logistics functions

Rebuilding production and logistics functions, and enhancing and streamlining the supply chain



Masuo Kida
Representative Director and President
Nippon Paint (NPTU)



Satoshi Nishimura
Representative Director and President
Nippon Paint Automotive Coatings (NPAC)

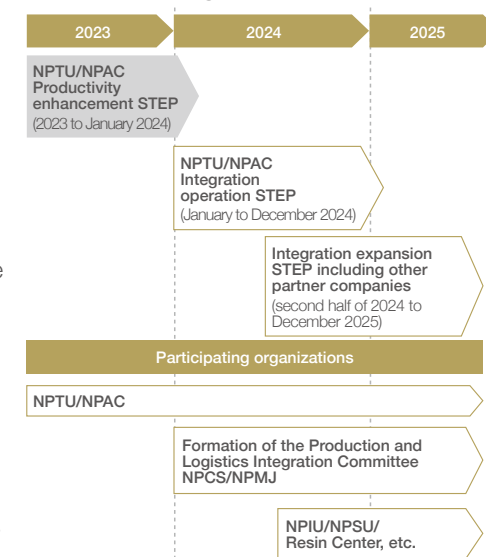
Since the implementation of *bunshaka* in 2015, we have observed a fragmentation of management resources and the emergence of organizational silos within the production and logistics units. This fragmentation has led to decreased productivity and efficiency. To address these challenges, we launched the “Production and Logistics Integration Project” in 2023. The goal of this project is to eliminate the issues resulting from the division of production and logistics units and

to enhance the production capabilities that serve as the foundation for Japan Group as a whole.

President Kida of NPTU took the helm as project leader, kick-starting the initiative by implementing an integrated operation targeting NPTU and NPAC. In 2024, with the formation of the Production and Logistics Integration Committee, we strengthened cross-functional capabilities in production and logistics by enhancing collaboration between NPTU and NPAC and expanding their activities. Additionally, we focused on nurturing talent to establish and solidify integrated operations. At the newly established Resin Center, under the leadership of President Nishimura from NPAC, we are consolidating development, mass production, and resin-related production technologies—one of our core strengths. Concurrently, we aim to achieve comprehensive optimization of resin manufacturing and the supply chain across Japan Group.

By reconstructing our production and logistics functions and enhancing and streamlining the supply chain, we aim to achieve comprehensive optimization that transcends organizational barriers and silos, enabling us to operate as a unified entity across the entire Japan Group.

Promoting the integration of production and logistics functions



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Administrative overhead functions

Revamping administrative overhead functions and optimizing the allocation of management resources



Shinichi Saito
Representative Director and Deputy President
Nippon Paint Corporate Solutions (NPCS)

Established in 2022, NPCS has undertaken the task of dismantling organizational silos within our partner companies in Japan Group. This is accomplished by addressing common issues across the group in areas such as supply chain, production, talent development, research and development, finance, auditing, and information systems.

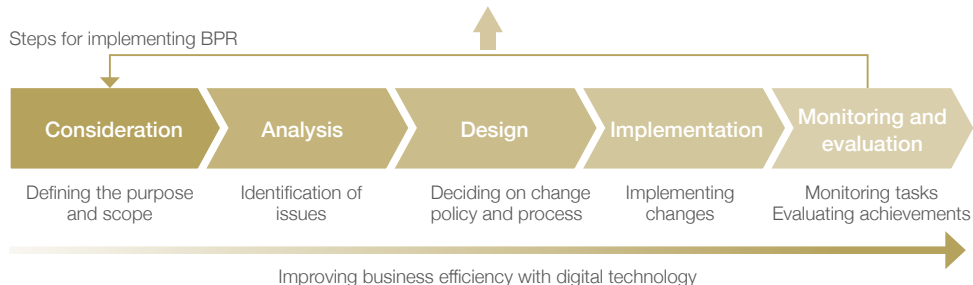
Under the leadership of Deputy President Saito, who also serves as the President of Nippon Paint Materials, NPCS is currently undertaking a “Business Process Reengineering (BPR)” initiative. This initiative aims to revamp the administrative overhead functions and optimize the allocation of management resources to provide more efficient support to Japan Group. Launched in the second half of 2023, the BPR initiative focuses on five departments: Finance and

Accounting, Corporate Service, Human Resources, IT & Solutions, and Operational Excellence. The goal is to identify and streamline inefficient tasks and processes across the organization. Surplus resources generated through this process are then redirected to areas where human involvement can add value. This strategic reallocation aids in enhancing the operational efficiency of NPCS as a support function company.

One key aspect of BPR is its focus on improving business efficiency through the use of digital technologies (see next theme). By integrating IT tools such as generative AI and RPA into our business processes, we aim to create a virtuous cycle that benefits both employees and the organization, while simultaneously enhancing employees’ digital literacy.

Overview of BPR

Revamping administrative overhead functions and optimizing the allocation of management resources



IT/DX

Promoting digital transformation (DX) strategy for new value creation and enhanced and accelerated management decisions



Hiroyuki Ishino
Managing Executive Officer
Nippon Paint Corporate Solutions (NPCS)

Based on our efforts to strengthen digital infrastructure, including enhanced information security and reformed mission-critical operations and systems, and to improve employees’ digital literacy through generative AI and Citizen Development, Japan Group is advancing a three-pillared DX strategy: (1) process reform, (2) transformation in value creation, and (3) transformation through data utilization.

Under the first pillar, process reform, we are gradually introducing a “standard process and supporting ERP system” across the entire Japan Group. By learning from the system implementation experiences and successful case studies of our overseas partner companies, we aim to thoroughly simplify and standardize operations.

Under the second pillar, transformation in value creation, we are deploying “NP Assistant,” a proprietary AI tool of Japan Group that leverages generative AI to improve operational efficiency and quality. Alongside RPA and low-code tools, each employee, acting as a “Citizen Developer,” contributes to the growth of the organization and business by creating new value through innovative approaches. Under the third pillar, transformation through data utilization, we aim to realize “data-driven management” at an early stage through the adoption of the “standard process and supporting ERP system” and process reform. This approach will enable us to swiftly respond to changes in the management environment, optimize the allocation of management resources, strengthen decision-making processes, and expedite management decisions.

By advancing our DX strategy in this manner, we aim to adapt flexibly to the constantly evolving management environment, create new business opportunities, and enhance the profitability of our Japan-based businesses, all with the ultimate goal of achieving MSV.

» For more information, please refer to "Japan Group's DX Strategy for MSV through Enhanced Profitability" on our website.

Japan Group's DX strategy

