

Maintaining and Improving Product Quality

Initiatives in FY2016

In November 2016, we held a Global Quality Conference (GQC) to provide a forum for reporting on team activities targeting improved quality assurance and productivity at production plants. This was the 11th conference since the scope of participation was expanded to a global scale and the 45th conference since it was initiated, originally as a forum for reporting on domestic activities.

About 40 interested parties gathered at the company's head office the day of the conference, and the meeting was transmitted to all domestic business sites via a videoconferencing system.

Seven qualifying teams from Japan and another seven from Asia, Europe, and the Americas participated and shared with each other descriptions of their activities, but this was not merely a competition. The aim was to share improvement methods and deepen relations between group companies. We hope that, despite differences between regions and business areas, the stories about the drive to improve and the improvement activities by and for those actually involved in production will lead to big results at the various production sites.



Presentation at GQC



GQC participants

Supply Chain Management

Nippon Paint Group is able to conduct business precisely because of the services and the raw materials, equipment, and other commodities supplied by our business partners.

We strive to conduct fair and reliable procurement activities based on mutual trust with those business partners.

Our Thinking and Initiatives Regarding Procurement of Raw Materials

We have conducted a number of initiatives in terms of business continuity planning (BCP), including the integration of raw materials, securing of multiple suppliers, and assessment of substitutes.

We have also requested that our suppliers conduct BCP activities, and we are building a system to make simultaneous inquiries to suppliers to determine impact as a first response in the event a disaster or accident does occur.

In terms of complying with statutes and social norms, of course we comply with the laws and regulations of each country in which we operate, but we are also working to exclude any antisocial forces, and we prohibit the procurement of raw materials suspected of containing conflict minerals.

We investigate upstream in the supply chain to ensure there is no suspicion of human rights violations such as conflict minerals

and child labor associated with the raw materials we are procuring.

When selecting suppliers, we confirm not only that they can provide us with stable quality and competitive prices, but also that they respect human rights, comply with statutes and social norms, conduct BCP initiatives, conduct environmental protection and safety initiatives, and have sound management processes.

Nippon Paint Group (domestic) conducts initiatives to ascertain compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors ("Subcontracting Act"). We assign an individual to each operating company to be in charge of matters related to the Subcontracting Act. These individuals naturally confirm that there are no issues with payments, but also monitor the content of orders issued by plants. In addition, we conduct annual training for all employees involved with subcontractors to improve their understanding of the Subcontracting Act.

Employee Engagement

We at Nippon Paint Group strive to create a lively work environment for all of our employees as we become a Global Paint Major.

Basic views on employees

- Cultivate an active corporate culture, stressing mutual trust between management and employees.
- Achieve rewarding work and improve corporate performance through teamwork.
- Conduct manpower management that allows employees to demonstrate their individual capabilities to the fullest.
- Stress self-responsibility in personnel education, since individuals cannot develop without motivation to grow and personal effort.

Promoting Diversity

We would like to develop a corporate culture in which our employees view diversity as a strength, and will create an atmosphere that rewards individual experience, ability, vision, and diverse forms of knowledge, irrespective of sex, age, or nationality. We are committed to becoming a company where every employee can perform to the best of their ability.

In order to make diversity the norm as a source of the group's competitiveness, we are advancing four pillars of diversity promotion.

The company's thinking as to what should constitute "the norm"

Appointment of diverse human resources should be the norm

This will allow us to clarify positions and missions and get the right employee in the right place.

Independent human resources should be the norm

Independent actions by employees around the globe based on a shared vision are producing results.

Innovation should be the norm

It is important to accept differences that can be leveraged as strengths in developing organizational abilities.

In April 2016, with the commitment of top management, we inaugurated a Diversity Promotion Unit and a Diversity Promotion Committee. The latter will deliberate and make decisions on measures to promote the creation of a corporate culture and organization that leverages diversity throughout the group.

Change management mindset –Diversity management workshop–

We conducted workshops for department heads in FY2016 and from FY2017 are conducting them for all managers to convey the goals of and necessity for diversity promotion and to promote specific diversity management practices to leverage individuality within the company's various organizational structures.

By accepting the differences among diverse employees and leveraging those differences, we can improve the performance of organizations and teams, leading to the cultivation of a corporate culture that thrives on diversity.

▼ Promoting diversity



Diversity management workshop (for department heads)



Diversity management workshop (for persons in key positions)

**Instruction in diversity for all employees
-Forum on the future of work-**

Nippon Paint Group (domestic) holds lectures four times a year to enlighten all employees about diversity.

The theme of each lecture is different, but the lectures always provide opportunities to think about the work they do with their teams, their work style, their motivation, and their careers going forward. The aim of the initiative is to fill the company to overflowing with independent employees.



Forum on the future of work

Human Resource Development

Promoting the success of women in the workplace

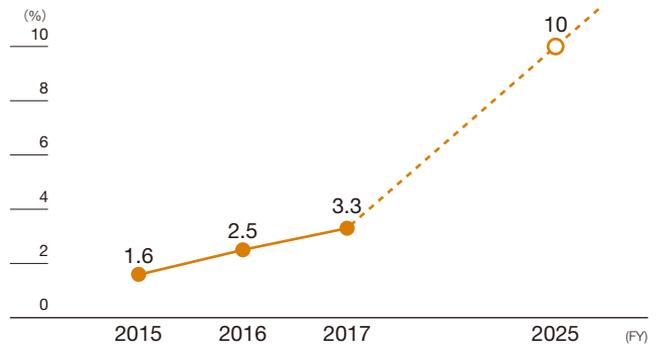
Since FY2015, we have conducted leadership training for women who are candidates for managerial positions. The program is intended to cultivate leadership and the desire for further improvement, encouraging participants to paint a picture of how they want to progress and build their careers.

Other initiatives include an issue resolution project led by a women's team and efforts to get more women into sales and leadership roles. At the same time, we are working to ensure the company has an environment promoting career service for both women and men.



Training for women leaders

▼ Ratio of women in key positions



Training by level

Conventional training focused on skilled suited to employees' years of service and the teaching of logical thinking, but after clarifying the sort of competencies needed for human resources with a global perspective, we are now working to revise our training system to suit specific growth levels.

Specifically, we aim to nurture human resources in terms of leadership and global perspective and select individuals who can strengthen our pool of management candidates.

Global joint training

We conduct leadership training each year by level with employees in the Asian region as one of our initiatives for fostering human resources who will be responsible for global growth in the future.

Although this initiative is only conducted for employees in the Asian region at present, hereafter we plan to select employees from group companies around the world and create opportunities for them to improve their basic abilities in "global leadership" and help each other grow. During training, participants even eat and sleep together, helping them to better understand each other's cultures and develop relationships of mutual trust. In order to become a Global Paint Major, we will strive to produce human resources who can confront the world together in a unified group.



Participants in global joint training

Overseas posting of young employees

We select young employees with a strong desire to see action on the global stage and post them overseas for training. We have continued such postings since FY2014 as we continually aim to cultivate the next generation of globally minded human resources.

Accepting long-term interns from overseas

We accept employees from overseas Group companies as long-term interns and provide them with training. The aim of this program is not just to foster human resources, but to support globalization within Japan and strengthen relationships with the interns' home companies. The program is helping us cultivate a globally minded corporate culture and increase acceptance of diversity.



Reception for interns at Tochigi plant

Human Resources Forum

The Human Resources Forum is held once a year to bring together members of the Human Resources Department and persons in charge of human resources at group companies (overseas).

Participants share human resources issues encountered at the various companies, develop resolution plans, and discuss follow-up actions. They also share information on achievement status, which can lead to best practice. The forum provides an important opportunity for resolving human resources issues on a local, regional, and global level.



Human Resources Forum

Hiring

In regard to hiring new graduates, we are strengthening activities from the perspective of producing the next generation of human resources for management positions.

We seek to hire human resources who have set goals for themselves and worked independently toward those goals, even if they have experienced failures and setbacks along the way, but we are also working to secure diverse human resources, including Japanese with experience studying abroad and foreigners who have studied in Japan.

In addition, we actively conduct mid-career hiring, seeking human resources with relevant outside experience to support our global expansion efforts as we strive to become a Global Paint Major.

Creating a Rewarding Workplace

Aiming for an organization of diverse human resources who respond well to change, we actively seek to provide a workplace environment that is comfortable to employees from a wide variety of backgrounds.

It is not only the employees that benefit when we provide stable employment and a workplace where they can work with peace of mind. We believe it also contributes to society in a broader sense.

The frequency with which employees make use of our childcare and nursing care leave systems is increasing. We also have a One Week Holiday system by which employees may take five consecutive days of holiday, with team members covering the work that the person on holiday would normally be doing. This makes it easier for each employee to plan and take holidays.

We also take workplace harassment very seriously, providing training for all employees and instruction for superiors to prevent its occurrence. In addition, we conduct stress checks to track workplace status and try to prevent psychological or emotional issues, and we monitor employees' satisfaction levels to improve their motivation so they can perform to the best of their ability.

We are working to create new systems to counter issues discovered during diversity promotion activities. Work style reform is indispensable if we are to make diversity a source of Nippon Paint Group's competitiveness.

We will continue striving to create a corporate culture and systems that allow all employees to be responsible for their own growth, to select their own work style, and to carry out their duties effectively. We will also promote a virtuous circle in which the growth of our employees leads to growth of the company and vice versa.

Contributions to Local Communities and International Society

Rooted in our management principles of working for the “mutual prosperity and benefit” of society, we engage in activities that focus on our ties with the community, and both domestically and overseas strive to conduct community activities that build closer relationships with regions.

Domestic activities

Investing in the Society of the Future

–Children’s Chemical Experiment Show–

Nippon Paint Group participates in the Children’s Chemical Experiment Show sponsored by the Dream Chemistry 21 Committee (Chemical Society of Japan, Japan Chemical Industry Association, and others). The Experiment Show is held annually in Tokyo and Osaka, and Nippon Paint Group has included a display and experiment six years in a row in Tokyo (from 2011) and two years in a row in Osaka (from 2015).

The aims of the Experiment Show are to:

- 1) Increase elementary school children’s interest in chemistry through experiments and show them the critical role that chemical technology has in society and in their lives.
- 2) Make elementary school children and their parents aware of the potential and promise chemistry holds for the future in order to foster promising young human resources for the chemical industry.

We at Nippon Paint Group also support these aims and plan to continue our participation in this event. In 2016, Nippon Paint Group employees and prospective employees (at the time of the show) participated as volunteers (30 volunteers in Tokyo and 50 in Osaka).

In 2016, we supplied a simple experiment to demonstrate the electrodeposition coating method used widely in automotive and industrial applications. Participants used electrodeposition to apply paint to metal rulers. The average person imagines paints being applied with a roller or brush, so the participating children and their parents were quite intrigued by this special process and asked a lot of questions. The experiment was quite a success, in both Tokyo and Osaka.

We plan to continue with such activities in the future in the hope that we can encourage the next generation of human resources for the industry.



Booth where participants experienced a special paint application method

Recovery Support after Kumamoto Earthquakes

–Paint event at temporary housing–

On November 27, 2016, we joined Mitsubishi Jisho Residence Co., Ltd., in an interindustry collaboration to hold a painting event at temporary housing located by Iino Elementary School in Mashiki, Kumamoto. Residents of the temporary housing and children who attend Iino Elementary and their parents used Nippon Paint Group product ROOMBLOOM to paint the interior walls at “Minna no Ie,” the common room at the temporary housing. Participants drew a large tree, made handprints, and generally enjoyed painting images that were meaningful to them. They also used Igusa Paint, a newly developed type of paint that uses as an ingredient igusa rushes grown in Kumamoto.

Nippon Paint Group proposed this support activity for three reasons:

- 1) We wanted to encourage a new form of support for recovery through corporate collaboration.
- 2) We wanted to contribute to recovery in Kumamoto by creating value through a new paint using igusa rushes.
- 3) We wanted to enliven a community through paint.

We believe that we did indeed contribute to enlivening the Mashiki community, connecting people with paint as a communication tool and creating new value by uniting Kumamoto-grown igusa and paint.

Nippon Paint Group will continue working to contribute to communities through the medium of paint.



Putting handprints on the wall

Adults and children enjoying painting

Initiatives in Asia

Supporting Children's Dreams in Malaysia

From 2014 to 2028, Nippon Paint (Malaysia) is supporting the long-term project Art by Children for Children.

The aim of this project is to establish a trust fund in cooperation with Malaysian NGO Yayasan Generasi Gemilang, using funds collected via art exhibitions. Money from the trust fund is then used to provide education to children who have displayed outstanding aptitude to help them fulfill their dreams.

In the Art by Children for Children project, 181 children aged 4 to 16 who are living in child welfare institutions display their works of art. The children who have submitted works participate in a program to help them learn skills they will need to enter society, including IT, financial, English, and decision-making skills. In addition, in order to help them become independent when they leave the welfare institutions at the age of 18, they interact with businesspeople at the exhibitions, creating opportunities for their future endeavors.



Children who participated in Art by Children for Children

Supporting Lifestyle Improvement and Community Recovery in China

Nippon Paint China held a charity walking event, in which more than 600 employees participated. The event raised funds of CNY15 million (about ¥247 million), which will contribute to improving the lifestyles of millions of children via a nongovernmental organization that supports children.

The company also produced art at thirteen schools and five towns, contributing to community promotion as more and more tourists visit to view the art. In producing the artworks, eighteen international artists created works using the company's paints. This effort is also expected to help the company develop new markets.

Building a Strong Relationship with the Community through Tree-Planting in the Philippines

Nippon Paint Philippines provides regional support in the form of a tree-planting campaign.

A total of about 250 local employees have participated in the planting of soursops, a tree native to the Philippines that produces fruit relatively early, in just three to five years after planting. It is hoped that harvesting the fruit will prove helpful in building a livelihood for a community of about 7,000, including some 200 children.

Through this activity, Nippon Paint Philippines is not only building a good reputation in the community, but also realizing good relations with the Philippines Department of Education and school authorities.

Topics

Promotion of CSR Activities Together with the Community

In Tokyo office, regularly repaints playground equipment at the ward's elementary schools.

The ward's administrative policy is to "create 'our town with cooperation between the ward and the ward's (corporate) residents." This policy is promoted by the ward's CSR Promotion Council. Nippon Paint Group joined this council in 2009 because it seeks a symbiosis with the community, and now regularly conducts repainting activities as a member of the community.

