

Strategy by Asset

Embracing transformation and changing work styles —our path to improving EPS to contribute to MSV—

Altering mindsets by transforming how tasks are performed and organizations

Japan Group is dedicated to contributing to MSV by increasing EPS through productivity improvements. For this purpose, we are embracing the transformation of organizations and human resources management, fundamentally reviewing the organizations and how tasks are performed, and altering the mindset of every employee.

For instance, Japan Group adopted a Japanese LFG (Lean For Growth; J-LFG) in the early FY2021 that provides the action guidelines and mindset changes for the future based on the LFG culture of NIPSEA Group. After that, we have been using meetings and management communications at offices and factories in order to deepen employees' understanding of J-LFG. We also used many activities to identify inefficient tasks and processes and eliminated some of them where it was appropriate (Lean). Resources made available as a result of these activities are used for measures that contribute to our future growth (Growth), such as developing products that meet customers' needs, improving service quality, and

increasing the skills of employees. In addition, we launched the J-LFG Awards program for recognizing teams and individuals that contributed to the growth of businesses and organizations by implementing J-LFG. In these ways, we are building a culture where people recognize and praise each other's skills and accomplishments as they share information about successful initiatives within Japan Group. (See the next page.)

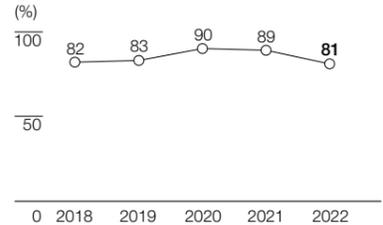
In addition, to improve EPS, Japan Group is taking actions for transforming how tasks are performed and organizations (See the chart below.) For instance, we are transforming our organizational structure to create a powerful framework for growth, efficiency, and productivity. We also implemented the Next Career Plan voluntary early retirement program to allow employees to pursue new career goals.

Enhancing communication with priority on the effects of transformations

Japan Group is improving employee engagement while paying attention to the effects of transformations too.

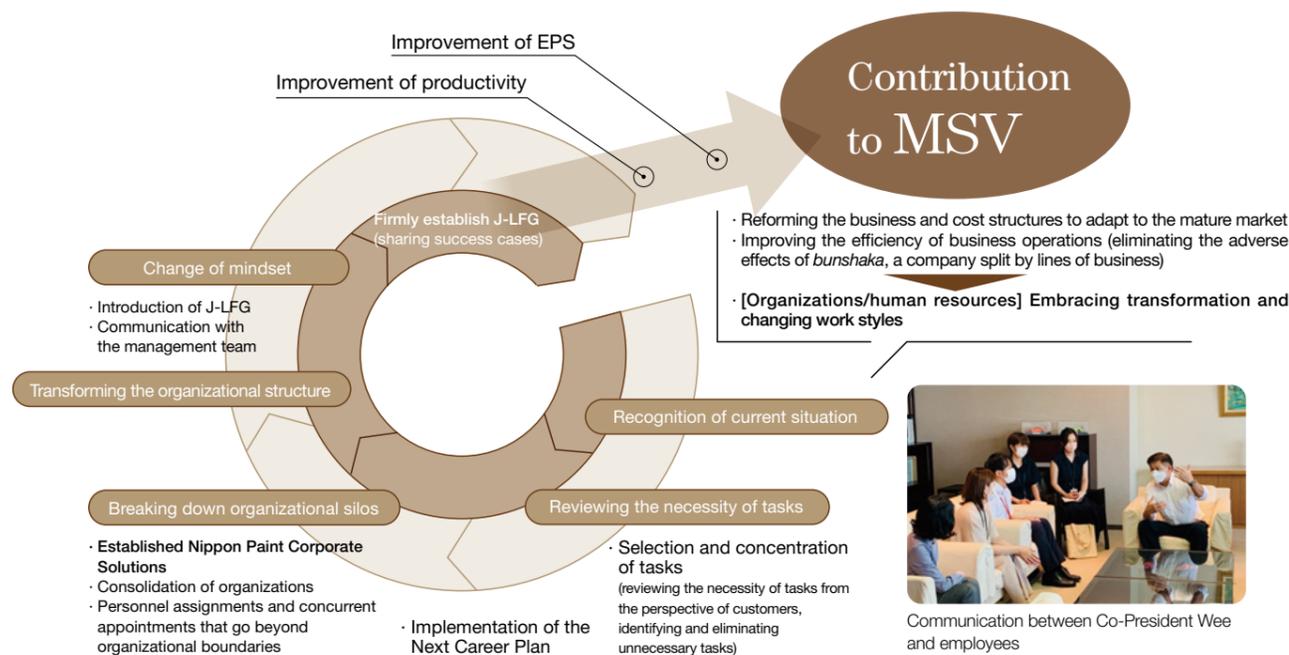
According to the survey conducted by Nippon Paint Labor Union at the end of FY2022, employee satisfaction declined to 81%, decreasing for the second consecutive year. In response to this survey, we are taking actions such as providing workplaces where people can realize their full potential and designing a compensation structure that rewards excellent work. At the same time, we are reexamining our organization with the goal of increasing motivation. In addition, activities are underway to enhance communications, such as through messages from Co-Presidents and other senior executives whenever appropriate and management communications at partner companies.

Employee satisfaction level (Japan Group)* (%)



* Surveys by Nippon Paint Labor Union.

Actions/initiatives for improving EPS



J-LFG Awards for recognizing teams and individuals that contributed to business and organizational growth by practicing J-LFG

J-LFG Awards acknowledge teams and individuals advancing business and organizational growth through J-LFG practices. This program encompasses teams and individuals across all divisions and job categories, spanning production, sales, research and development, as well as planning and administration. Employees in Japan Group, including those affiliated with sub-sub-subsidiaries of Nippon Paint Group, have the opportunity to seek recognition for the award through either self-nomination or nomination by their peers. A panel selects the winners by evaluating their accomplishments and evaluating their commitment to embodying the principles of J-LFG and VITALS. (See page 94.)

Overview of the J-LFG Awards

[Purpose]

Commending and awarding teams and individuals that contributed to organizations and inspired others by practicing J-LFG and VITALS.

[Schedule]

Application period: October 3 to November 4, 2022
 Judging period: Early November to late December 2022
 Notification of results: Team Award
 Early December 2022: Notification of primary results
 Late December 2022: Notification of final results
 Individual Award
 Early December 2022: Notification of selections
 Award presentation: January 5, 2023

Award winners in FY2022

There were many entries for both team and individual awards even though FY2022 was the first year of this award program. Six teams received the J-LFG Excellence Award and one team received the Co-President Award for excellent teams. In addition, 30 individuals received Inspired by You Awards for outstanding performances by individuals.

We will share these initiatives involving J-LFG and VITALS (Vigilance, Insatiable appetite, Teamwork, Agility, Leanness, Stamina) to inspire each other to create a new corporate culture and achieve sustained growth.



Award winners at the awards ceremony



J-LFG Excellence Award: Team Award

Award received	Company	Department	Award-winning theme
Gold Award	NPIU	Procurement Technology Department, Technology Division	An Efficient Raw Material Management System to Ensure a Stable and Cost-Effective Procurement of Materials
Silver Award	NPMC	Project True GSCM at GSCM Division	Optimizing Marine Supply Chain Structures for Cost Reduction
Bronze Award	NPAC	Project X Low-VOC2K Clear Team	Developing and Introducing Eco-Friendly Low VOC Clear O-4100
Bronze Award	NPSU	Joint team for technology, production, and procurement	Commencing the Use of Recycled Raw Materials to Increase Profitability and Uphold an ESG-Focused Approach to Management
Encouragement Award	NPCS	Japan Group Life Cycle Assessment - Working Group	Implementation of an LCA Calculation Method Across Japan Group
Encouragement Award	NPCS	Legal Department	Providing Worksite-Oriented Legal Services Beyond PC and Department Boundaries

Feedback from Award Winners



Gold Award
Akihiro Sawaguchi
 The Spokesperson for the Award Winners

The theme of the project is to develop an ICT tool that facilitates stable raw material procurement at reduced costs, enabling Nippon Paint Group to maximize growth and profitability, irrespective of the business environment. We used ICT tools to centralize information about raw materials and products, which had previously been unevenly accessible and only to designated individuals. Centralizing this information allows for swift and effortless reviews and approvals from various angles, encompassing all functions, including procurement operations, even in

emergency situations. The outcome is a framework designed to enhance profitability promptly by utilizing substitute raw materials. At the core of this framework lies an analysis that involves comprehensive comparisons between the standard and actual prices of substitute raw materials in relation to the price of the materials currently in use. We intend to leverage this tool to overhaul our business processes by engaging multiple departments in partner companies and our key suppliers.



The Co-President Award*
Yasufumi Suzuki
 The Spokesperson for the Award Winners

Initially, we contemplated the essential requirements for leveraging J-LFG to foster growth and enhance value of Nippon Paint Group. Our conclusion emphasized the pivotal importance of instilling a collective awareness among all employees, encouraging them to recognize the significance of J-LFG and translate this understanding into action. The "recognition and understanding" phase plays a critical role in expeditiously integrating J-LFG within the group. Therefore, we undertook a multitude of initiatives, including the creation of awareness posters, dissemination of messages from the management, and organization of briefings for department heads. We are confident that

these initiatives have enhanced employees' comprehension of J-LFG and VITALS, resulting in record high number of entries for the J-LFG Awards.

We have initiated fresh endeavors aimed at raising awareness of J-LFG, with a particular emphasis on not just increasing the quantity of entries for the J-LFG Awards, but also enhancing the quality and diversity of themes submitted. Our commitment remains steadfast in nurturing a new culture in NPTU Group. We aspire to achieve this through activities that promote a sound understanding of J-LFG and inspire individuals to embody this culture in their conduct.

* The special award created by Co-Presidents to recognize the initiatives of NPTU Group as a whole