

### Basic Views of Corporate Governance Policies

Nippon Paint Holdings recognizes that effective corporate governance is an all-important management issue. Through the implementation of our “Management Philosophy” and the “Nippon Paint Group Vision,” we strive to develop a comprehensive and robust corporate governance system that will realize a management structure highly transparent and capable of responding quickly and appropriately to changes in the operating environment, enhancing mid- to long-term corporate value and sustaining growth. We have organized our basic thinking, framework, and management guidelines regarding corporate governance into the Corporate Governance Policy, which we have disclosed at the following webpage.  
<http://www.nipponpaint-holdings.com/en/company/cg/>

### Corporate Governance System

Nippon Paint Holdings has adopted a company with an Audit & Supervisory Board system and introduced a corporate officer system. The corporate governance system is as shown in the following “Organization Chart of Corporate Governance.”

### Regarding Board of Directors

According to the Articles of Association, our Board of Directors is to have no more than ten members and is composed of executive directors, independent outside directors, and non-executive directors designated from inside and outside Japan and inside and outside the group. The Board currently comprises seven directors, two of whom are outside directors to ensure that the Board considers various points of view when making decisions and to further strengthen supervisory functions.

In addition to supervising directors in the execution of their duties, the Board in principle convenes once a month as a

deliberating and decision-making body to evaluate matters stipulated by the Company Act and important matters relevant to management. The Chairman of the Board, who is a non-executive director, presides over the meetings.

With regard to the business execution of important matters and agenda items raised at Board of Directors meetings, to enable thoughtful decisions by examining issues from multiple perspectives, we have also established the Senior Executive Management Committee and the Executive Management Committee, which are mainly managed by an executive director.

In addition, our directors, corporate officers, or other individuals qualified to serve as directors are dispatched as needed to important affiliate companies to ensure that our management policies are properly implemented.

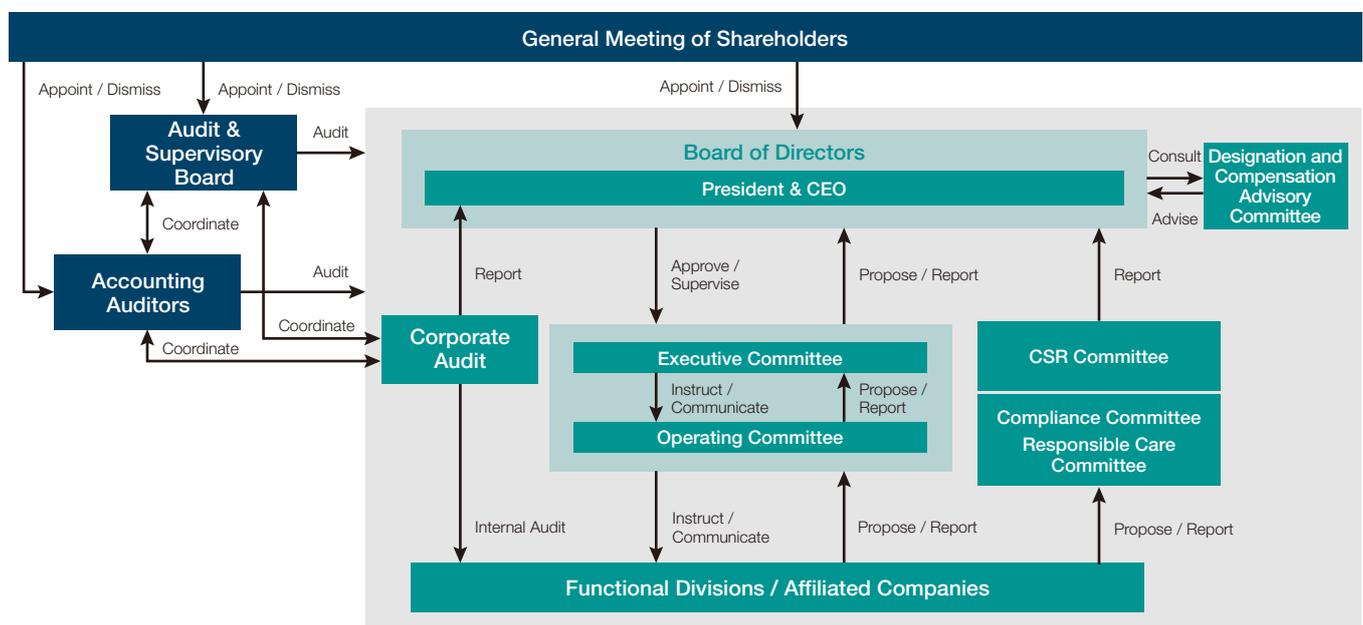
### Policy and Procedures for Designating Directors and Auditors

In designating candidates for director and auditor positions, it is the policy of the Board of Directors to designate those individuals from inside and outside Japan and inside and outside the company who will contribute to the sustainable growth of Nippon Paint Group and facilitate the improvement of its corporate value, and who possess diverse experience, good judgment, and significant expertise that make them particularly suited to serve as directors or auditors.

In addition, in order to strengthen the Board’s supervisory functions and enhance the specialized, multifaceted perspectives of its deliberations, the Board designates as independent outside directors and auditors several individuals who fulfill the Independence Criteria for Outside Directors/Corporate Auditors established by the Board.

Based on these policies, at a Board of Directors meeting

### ▼ Organization Chart of Corporate Governance



attended by independent outside directors and auditors, individuals are deliberated and designated based on reports from the Designation and Compensation Advisory Committee.

In January 2017, the structure of the Designation and Compensation Advisory Committee was modified to make the committee chair and at least half the members independent outside directors. This was done in order to ensure the appropriateness of the policy for determining remuneration and of remuneration levels and to make the process of designating director and auditor candidates more impartial and transparent. (The Independence Criteria for Outside Directors/Corporate Auditors are published in the Notice of Annual General Meeting of Shareholders and the Corporate Governance Policy on our website.)

#### Notice of Annual General Meeting of Shareholders

[http://www.nipponpaint-holdings.com/en/ir/news\\_release/](http://www.nipponpaint-holdings.com/en/ir/news_release/)

#### Corporate Governance Policy

<http://www.nipponpaint-holdings.com/en/company/cg/>

(The structure of the Designation and Compensation Advisory Committee is as follows.)

#### ▼ Structure of Designation and Compensation Advisory Committee

	(Number of persons)
All members	4
Directors	4
Of which, outside directors	2
Chairperson	Outside director

### Method of Determining Remuneration for Directors and Auditors

Remuneration of company directors (excluding outside directors) includes job-based remuneration, performance-linked remuneration, and long-term incentive remuneration. Job-based remuneration is a fixed amount determined in line with the roles and responsibilities of individual directors. Performance-linked remuneration is different for each director position and as a rule is 45% to 50% of total compensation. The base amount changes within a zero to 200% range every year depending on consolidated, department, and business company results.

Long-term incentive remuneration is granted as stock option-based compensation based on amounts determined by position.

Directors' and corporate officers' remuneration composition and standard annual remuneration amounts are determined by the Board of Directors based on conclusions stemming from deliberations at the Designation and Compensation Advisory Committee, taking into account social conditions, industry peers, and the market standard.

Remuneration for outside directors and auditors, including that for outside auditors, is limited to pay based on job

classification, with consideration for the specific duties of the position, and does not include performance-linked remuneration or long-term incentive remuneration.

### Status of Corporate Auditor's Audit and Accounting Audit

Auditors shall attend Board of Directors meetings and other important meetings to perform auditory functions to confirm the legality of duties executed by directors, the effectiveness of internal control systems established by the Company, and the integrity of the financial information creating process. Auditors shall also hold regular meetings with the Representative of the Board of Directors, to confirm management policies and exchange views on major issues facing the company, business risks, and important auditing issues.

The Audit & Supervisory Board presently comprises five auditors. Of the five, three are outside auditors who are qualified as certified public accountants and lawyers with no special conflicts of interest with the company and who can fulfill supervisory roles from an expert perspective.

Outside auditors shall attend Board of Directors meetings to perform auditory functions to confirm the legality of duties executed by directors, obtain reports as needed for business audits and audit meetings, and express their views regarding the status of auditory operations at various departments and affiliated companies. Several personnel have been specifically assigned to ensure that auditors are able to conduct their work smoothly.

### Role of an Internal Auditing Department

We have established a Corporate Auditing Unit under the direct control of the President that is responsible for performing internal audits from 2016. The unit is made up of 14 personnel who also serve other roles. The Corporate Auditing Unit performs internal audits to strengthen and improve the internal governance system of Nippon Paint Holdings as well as group companies. Audit results are reported to the President, management officers, head of the audited department and auditors. In the event of a problem with the findings of the Internal Audit Unit, the problem shall be resolved through discussions with the head of the relevant department by following up with the unit.

### Whistleblowing

We have established whistleblower contact points both inside and outside the company (the latter is a law office) and maintain a system that allows reporting directly to corporate auditors. If an individual discovers that an executive or employee of Nippon Paint Group has or may have done something that constitutes a compliance violation, that individual may report the matter without suffering any disadvantage as a result.

In addition, a compliance committee with authority from the Board of Directors confirms the operational status of the whistleblower system and reports regularly to the Board.

### Promotion of Global Governance

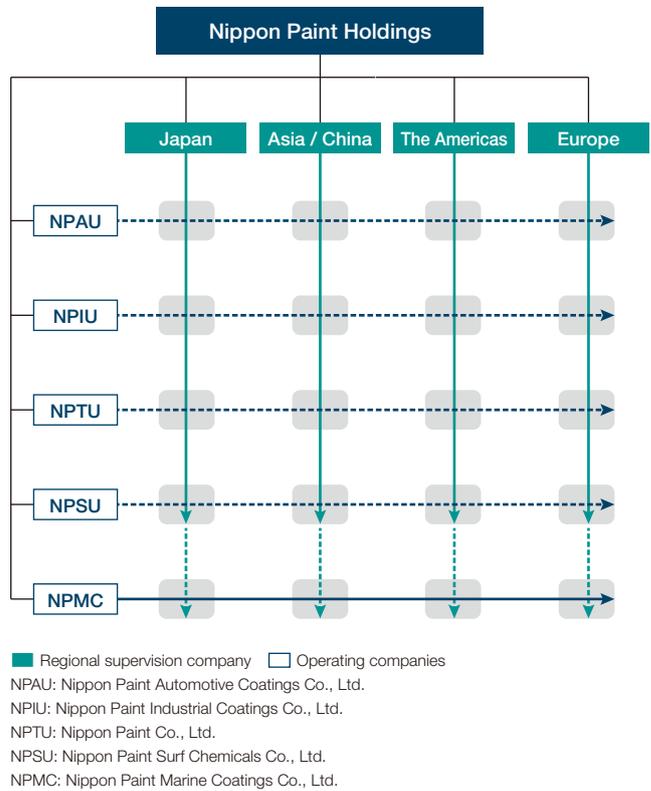
In 2014, we acquired a majority share of the joint ventures we developed in cooperation with Singapore's Wuthelam Group in a partnership that has extended more than 50 years. We used the consolidation as an opportunity to reorganize our global governance system.

In January 2016, after discussion and coordination with the NIPSEA\* companies, we established the Business Management Control Policy to clarify each company's authorities and responsibilities. This policy includes topics such as "submitting important matters to Nippon Paint Holdings' Board of Directors and providing thorough and transparent information regarding reporting channels" and "involvement of domestic operating companies in proposals by NIPSEA companies." The establishment of the new system also took into consideration the need for quick decision-making.

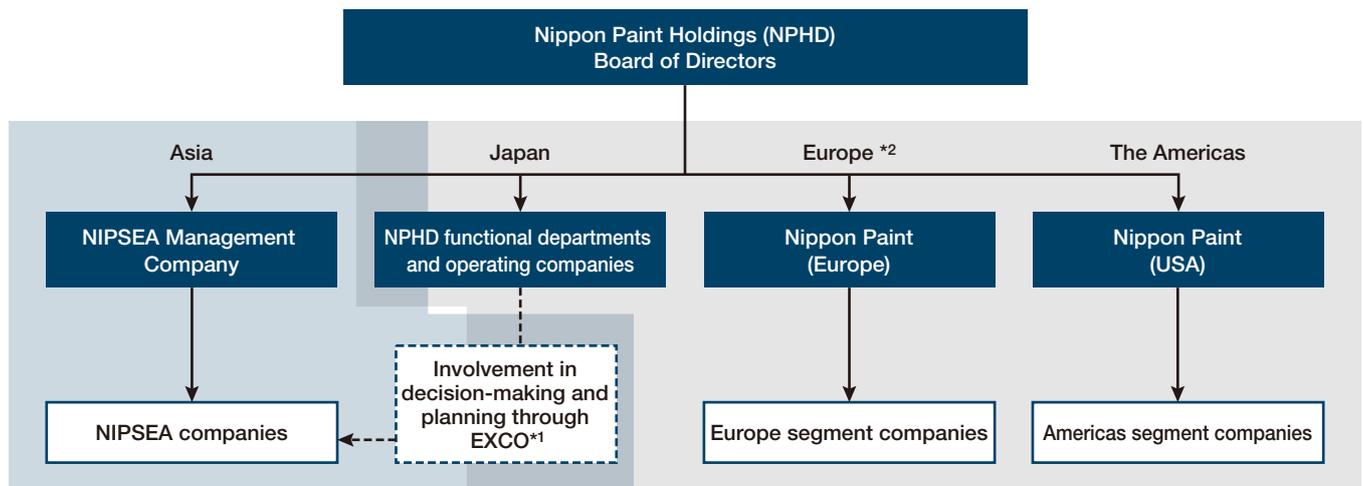
Since we became a holding company in October 2014 and reorganized our domestic businesses in April 2015, the governance system for the conventional geographical segments (Japan, Asia, the Americas, and Others) overlaps with the Global Business Management for operational segments. In consideration of the complexity of this situation, we have begun studying new definitions pertaining to governance and management authorities and responsibilities for the various geographical and operational segments.

We will be looking to expand the functions and authorities of the regional supervision company and operating companies in Japan, Asia/China, the Americas, and Europe and strengthen compliance suited to local ordinance and business practices.

### ▼ Global Governance Going Forward



### ▼ Global Governance System Overview



■ Organized according to the Business Management Control Policy

■ Reports and reporting routes have been reorganized

\*1 EXCO: Executive Committee. NIPSEA's decision-making body

\*2 Disclosed segments are included in "Others"

We have begun studying new definitions pertaining to governance and management authorities and responsibilities for the various geographical and operational segments. We will propose plans regarding the prompt and accurate tracking of growth opportunities and risks by region, accelerated decision making, and selection of regions for concentration of resources with a view to optimization. Our aim is to create a matrix structure with implementable geographical segment governance as the warp and global oversight of operational segments as the weave.

As we organize global governance, we will be working to improve management transparency and improve our strength as a group, creating a foundation for sustainable global growth.

\* NIPSEA: Nippon Paint South East Asia, which does business in the Asian region

## Promotion of Global Audits

The consolidation of Asian joint ventures into Nippon Paint Group has resulted in an enterprise with a large number of overseas

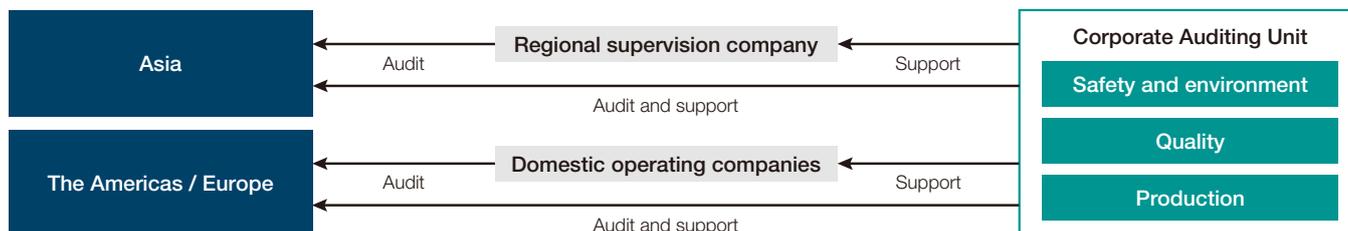
Group companies. The company's internal audit functions are handled by the Corporate Auditing Unit, but cooperation with the regional supervision company and domestic operating companies is indispensable for global audits, and we have established an audit system based on the global governance system.

In Asia, the Corporate Auditing Unit supports audits conducted by the regional supervision company, but for important sites the Corporate Auditing Unit conducts audits directly.

In the Americas and Europe, the Corporate Auditing Unit supports audits conducted by the domestic operating companies, but for important sites conducts audits directly, the same as in Asia.

The results of audits conducted by the Corporate Auditing Unit are shared with the regional supervision company and domestic operating companies in the hopes of achieving further improvement at the subject sites.

### ▼ Global Audit System Overview



## Topics

### Measures to Prevent Bribery and Corruption Overseas

Nippon Paint Group has conducted a number of initiatives to prevent bribery and corruption in light of the worldwide trend toward the strengthening of preventive regulations. In August 2016, we conducted training for parent company executives and officers of group companies and, in April 2017, we widened the scope of training to include employees involved in overseas business and those stationed overseas. We hold seminars with outside specialists.

In addition, we have conducted training using an e-learning course related to overseas bribery and corruption with the aims of reducing the global risk of bribery and corruption and improving compliance awareness. We are also working toward establishing a policy and rules on overseas bribery and corruption for Nippon Paint Group as a whole.