

Governance

Messages from the Outside Directors

Promoting the development of a framework that supports true globalization of operations

Hisashi Hara  
Independent Director of the Board



Working to protect the rights of minority shareholders

NPHD's governance structure already exceeded those of other companies when I was appointed as an outside director of the Company back in 2018. I believe that management is still on track with the Group's vision.

Moreover, discussions in the Board of Directors are well-balanced, without being biased to the opinions of any particular members. For instance, I agree with Mr. Goh Hup Jin, the director and major shareholder of NPHD, about maximizing shareholder value but sometimes disagreed with him on some other fronts. The Board of Directors does not hold discussions that only respect the opinions of major shareholders, and I think that the rights of minority shareholders are adequately protected.

Selecting the best CEO to achieve truly globalized operations

What we placed the most importance on in selecting the CEO was to choose talent who can contribute to achieve truly globalized operations. With this in mind, I found Mr. Masaaki Tanaka to be a suitable candidate due to the extensive global experience and knowledge he accumulated over many years of experience in managing multiple domestic and foreign financial institutions. As the chair of the Nomination Advisory Committee, I discussed the necessity of nominating Mr. Tanaka with other committee members and also held many discussions during Board of Directors' meetings on this matter. As a result, he was appointed CEO with the unanimous consent of all directors.

Some may argue that appointing Mr. Tanaka, who was Chairman of the Board, to serve concurrently as the CEO goes against the Company's corporate governance policy of separating supervision and execution. However, I believe Mr. Tanaka, who thoroughly understands the Group's

overall picture and has extensive experience in managing global companies, will be a great advantage for the NPHD Group as it undergoes drastic changes. Additionally, as six outside directors, among total nine directors, all have qualifications and skills in providing appropriate management supervision from an objective standpoint, the Company's governance function will remain assured. We will continue to establish an optimal governance structure that is appropriate for each growth stage of the Group.

Strengthening the global audit system by appointing new outside directors

We appointed two new outside directors, Mr. Masataka Mitsuhashi and Ms. Miharu Koezuka, to reinforce the portfolio of specialized skills required in the Board of Directors. For instance, Ms. Koezuka is a female director who has management experience and is well-versed in broad-ranging industries. Therefore, her joining the Board allows the Group to incorporate a practical diversity perspective into management. Mr. Mitsuhashi, on the other hand, has an extensive experience in global audits based on his career at PwC. I believe we have appointed optimal talent as the Company endeavors to strengthen its global audit system, following its transition to a Company with a Three Committee structure.

The NPHD Group's operations have become dramatically globalized compared to the situation seven or eight years ago. As the Group's overseas subsidiaries are expected to increase through M&As, the Group will further enhance the Audit Committee and the Audit Department to establish a global audit system while exploring, for instance, optimal collaboration between the Company and its domestic and overseas subsidiaries.

Building a framework to Maximize Shareholder Value

Masayoshi Nakamura  
Lead Independent Director of the Board



Transitioned to a Company with a Three Committees structure

At the time of my appointment as Director in March 2018, NPHD was a company with an Audit & Supervisory Board and half of the Directors on the Board were independent directors. Following the appointment of current President & CEO, Mr. Masaaki Tanaka, as the Chairman of the Board of Directors in March 2019, the Company carried out acquisitions in Australia and Turkey, invited outside talents including the new CFO, and worked to build a new management structure. Subsequent to resolution of the General Meeting of Shareholders in March 2020, NPHD shifted its governance structure to a Company with a Three Committees structure. Over these past two years, as the Company underwent continuous transformation, I have served on the Board with consistent commitment to maximizing shareholder value.

Deepening mutual understanding with the execution team

Of the nine Directors currently on the Board, six board members, including two who were appointed this year, are independent directors. Two-thirds or more of the committee members of the Nomination, Remuneration, and Audit Committees are independent directors and each committee is chaired by an independent director. At the Independent Directors' Meeting, which I chair, we share the topics discussed at each committee to better understand each other's views. We also gather the opinions of the six independent directors on agendas and proceedings of the Board of Directors meetings, and convey them to the Board's Chairman. Furthermore, the Independent Directors' Meeting serves to deepen mutual understanding between the independent directors and the executive teams through direct communication with the Executive Officers including the President & CEO and the CFO, and members of the management of our Group companies overseas.

The objective of the Independent Directors' Meeting lies in the accurate assessment of the performance of the President & CEO, who are central to business execution, as well as other Executive Officers and Corporate Officers. To achieve this objective, the Independent Directors' Meeting makes every effort to minimize the information gap between the execution and the supervision functions in the Board of Directors' decision making process, while transferring significant authority to the executive team.

An appropriate remuneration system for officers executing the Company's operations is key to the effective monitoring of business operations by the Board of Directors. For NPHD to further expand operations as a major global paint manufacturer and maximize shareholder value, it is essential for us to secure and retain excellent talents. The Remuneration Committee I partake in aims to build a remuneration system that is aligned with the actual standing of the Company, by incorporating short-term and long-term incentives including stock award benchmarked against the remuneration levels of global competitors.

Regarding M&A, which is an important growth strategy of the Company, the executive teams periodically update the Board of Directors of recent developments based on a list of potential acquisition targets to allow for timely decision-making.

Incorporating SDGs and ESG into our business perspective

In order to maximize shareholder value, which is separate from shareholder primacy, we must incorporate SDGs and ESG into our business perspective. We are expected to constantly review our duties to customers, business partners, employees, and the society at large from a medium- to long-term standpoint, factoring in the New Normal, such as our responses to the COVID-19 pandemic. The role played by the Board of Directors—particularly the independent directors—in this process is significant, and I am wholeheartedly preparing myself for the challenge.