Corporate Governance

Our advanced governance is one of the unique strengths underpinning Asset Assembler model for pursuing MSV. As a Company with Three Committees (Nominating, Compensation, and Audit), NPHD has a Board of Directors where Independent Directors are the majority. The Board upholds the achievement of MSV as a common objective and the basis of judgment shared with the major shareholder. At the same time, it is thoroughly committed to the protection of minority shareholders’ interests. This section explains the features and key points of our governance framework.

History of governance reforms and governance reinforcement for achieving MSV

- Edited one Independent Director
- Established Corporate Governance Policies
- Launched an evaluation of the effectiveness of the Board of Directors
- Changed the composition of the Nominating and Compensation Advisory Committee, which began discussions on nominations of candidates for Directors and Company Auditors
- Increased the number of Independent Directors from two to five
- Transitioned from a Company with Board of Auditors to a Company with Three Committees structure
- Established the M&A Advisory Committee
- Transferred to a Company with Board of Auditors from one to two
- Established Corporate Governance Policies
- Increased the number of Independent Directors from two to five
- Transitioned from a Company with Board of Auditors to a Company with Three Committees structure
- Established the M&A Advisory Committee

Roadmap

<table>
<thead>
<tr>
<th>Governance initiatives of the Board</th>
<th>2023</th>
<th>~2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further improving the operational efficiency of the Board of Directors</td>
<td>Increasing contributions of Independent Directors Enhancing succession plan</td>
<td></td>
</tr>
</tbody>
</table>
| Governance initiatives of the management | Improving risk management through self-assessments of related party companies (PCs) based on the Global Risk Management Basic Policy | Verifying the effectiveness and upgrading the whistleblowing hotline at PCs Upgrading the governance system including compliance and risk management |}

Five features of our corporate governance structure

1. Thorough protection of the interests of minority shareholders while sharing the common objective of MSV with the major shareholder

2. Enhanced Board effectiveness under the leadership of Independent Directors

3. Succession planning with a focus on substance rather than formality

4. Compensation structure that effectively contributes to achieving MSV

5. Audit structures that respond to the increasing globalization of operations
Message from Board Chair

Supporting bold and timely risk-taking by the management team

Masayoshi Nakamura
Lead Independent Director and Board Chair

Two years have passed since the launch of the Co-President structure in April 2021. During this time, our Group successfully built a leaner organization resilient to drastic supply chain changes caused by the pandemic, Russia’s invasion of Ukraine, and other events. We also made sound progress in further solidifying the foundation of Asset Assembler model designed to drive the Group’s growth to the next level.

Still, further risk-taking is vital to our pursuit of MSV. There are three types of risks that Nippon Paint Holdings should consider taking: namely, the risks associated with actions to enhance the value of existing businesses and assets, risks associated with building up new businesses and assets (i.e., acquisitions), and risks related to the management of our balance sheet, including financing from capital markets. The Board of Directors, in its oversight role, carries the mission of working together with management to determine where we aspire to be in the future as a company. Accordingly, Board discussions, while remaining mindful of solving current challenges, are shifting toward discourses on growth strategies for a more sustainable leap forward. The Board utilizes opportunities, such as brainstorming sessions on long-term roadmaps and offsite meetings for roadmap implementation, to frequently exchange views and share common ground with management. Through such activities, it encourages the management team to take risks in a timely and appropriate manner.

Our Board comprises nine Directors (including six Independent Directors) with experience and background in corporate management, global business operations, and M&A. To meet the responsibilities entrusted by our shareholders, the Board seeks to facilitate risk-taking that leads to MSV.

Of the Three Committees, the Nominating Committee is responsible for consistent assessment and verification of the Board’s composition. The objective is to provide the Board with the resources to accurately understand the risks related to actions proposed by the management, flexibly measure the risk tolerance of our Company, and guide the management team to the right direction.

The Compensation Committee has the task of exploring an ideal form of executive compensation. Such compensation framework should empower members of the management to confidently take risks without being frequently and uselessly affected by the ever-changing business environment. It should also allow them to align their interests with those of our shareholders.

Finally, our internal control system based on mutual trust is the Group’s most essential underpinning that enables aggressive risk-taking by the management team. This system allows the management team to properly identify risks inherent in existing businesses and assets and to take appropriate actions. The Audit Committee makes full use of the “Audit on Audit” framework to maintain effectiveness of the internal audit process, which is the backbone of mutual trust that unites our Group.

As the Lead Independent Director and Board Chair, I am committed to mobilizing the collective knowledge and experience of the nine Directors to guide our Board through deliberations and decision-making, encouraging all Directors to contribute to the Board to their fullest capabilities. Every effort will be made to thoroughly fulfill our duties toward the Group’s achievement of persistent value creation under our Asset Assembler model, and to ensure protection of minority shareholders’ interests.
Our Management Structure

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NPHD has adopted a governance structure consisting of a Company with Three Committees in order to bolster management transparency, objectivity, and fairness. This structure aims to effectively separate and strengthen the functions of business execution and management oversight.

Guided by our Purpose, which defines a shared identity for the Group, we seek to create and foster a management policy and the corporate culture that remains after fulfilling our sustainability obligations. As a company committed to achieving MSV, our basic approach is consistent striving to reinforce corporate governance and pursue MSV that remains after fulfilling our sustainability obligations.

Corporation governance

Corporate Governance

Message from Chairman

Goh Hup Jin
Chairman

Nippon Paint’s appeal as an Asset Assembler

Nippon Paint considers the Maximization of Shareholder Value (MSV) as its sole mission. As elaborated in last year’s report, MSV entails maximizing the residual value after proper fulfillment of our legal, social, and ethical obligations to all stakeholders. This concept is based on the premise that shareholders rank last from both a legal and practical standpoint. With a clear distinction between “Corporate Value Enhancement” and “Maximization of Shareholder Value” and a view that the concept of “stakeholder capitalism” is absurd, we firmly assert that MSV should be our exclusive mission as a public listed company.

Despite the prevailing social trends advocating so-called ‘stakeholder value maximization’, we at Nippon Paint intend persistently to appeal to the public with our commitment to the MSV concept. All over our organization, from Board members to operations managers, all decision makers have come to base their reasoning and judgements on MSV.

Mr. Wakatsuki and Mr. Wee exemplify the constant application of MSV in their executive decision-making process. Their exceptional skills and diverse backgrounds complement each other, making our Co-President setup, a rarity globally, remarkably effective.

We look to Asset Assembler model as an effective means to achieve our mission as has been raised in the Co-Presidents’ Messages. We are confident that we are now well-prepared to relentlessly pursue shareholder value maximization. Our adoption of this platform is based on the recognition of our three pillars of competitive advantage. Firstly, our low funding cost. Secondly, our ability to maintain and boost the EPS contribution from acquired subsidiaries without intervention. Thirdly, our unique appeal to management-class talents who

emphasize with our modus operandi. As we deepen our engagement with the CEOs of subsidiaries acquired herefore and witness their accelerated growth post-acquisition, I am increasingly convinced of the viability of what we call the “federation” approach.

The advantage we enjoy in funding is evident considering the notion that MSV is broken down to two components, i.e. the maximization of EPS and PER. EPS accretion can be achieved with the acquisition of an asset of relatively low PER, even if the acquisition is entirely funded by shares. Adding an optimized level of low cost debt to equity financing will obviously greatly boost the accretion, which is what maximization is about. Our target assets being stable and low-risk, even if without prospect of high growth, repeated acquisitions will enable a continued climb in EPS, which if appreciated by the market, will ultimately go towards maximizing our PER.

By persisting with acquisitions supported by a well-balanced combinations of equity and debt financing, there is no limit to our growth potential. In this journey of EPS accretion, Wuthelam has no qualms about the dilution of its voting rights. This underscores my belief that the interests of Wuthelam are entirely aligned with those of minority shareholders.

We recognize intensely the risks inherent in our ongoing M&A pursuits driven by Asset Assembler model, so it is our plan to proceed with utmost caution and thoroughness. Meantime as the major shareholder and Chairman of the Board, I wholeheartedly support and commit to the current management direction of Nippon Paint in its pursuit of MSV.

Approach to governance reform (roadmap)

As initiatives to enhance governance by the Board of Directors, we are working to improve the operational efficiency of Board meetings and to realize greater contributions from our Independent Directors, so as to enrich and elevate the quality of the Board’s growth strategy deliberations. Ongoing discussions, led by the Nominating Committees, regarding Board composition that enhances Board effectiveness as well as succession planning constitute another area of focus geared towards our sustainable pursuit of MSV.

On the execution front, we are working to further bolster our governance base by asking each partner company to firmly establish an internal control system and a framework for risk self-assessment, guided by the Global Risk Management Basic Policy. Moreover, we will continuously promote the exchange of best practices among partner companies and enhance the governance structure to increase its overall effectiveness.
Corporate Governance

| Analysis and assessment of the effectiveness of the Board of Directors

### Issues identified by the FY2021 Board effectiveness assessment and initiatives for FY2022

#### Issues that required stronger initiatives in FY2022

1. **Enrichment of discussion on growth strategy**
   - Further increase opportunities for strategic discussions and enable the Board of Directors to concentrate more on discussions about growth.
   - These discussions cover strategies for the growth of existing businesses, portfolio expansion and other goals. In addition, the Board of Directors created and improved an environment for concentrating on growth strategy discussions, such as brainstorming and offline meetings.
   - See “History of agenda items and growth strategy discussions at the Board of Directors meetings” on page 106.

2. **Improvement of the operational efficiency of Board meetings**
   - Meetings time on regular agenda items and other regular proceedings; focus on discussions that truly contribute to the achievement of MSV.
   - Due to progress involving Asset Assembler model, the agenda items and reports submitted by Co-Presidents and other executives are becoming even more complex. In response, the operation of the Board of Directors has become even more thorough in accordance with the monitoring model. In addition, the Board of Directors has made progress with establishing a proper framework that reflects the Group’s management structure and business model reforms. The Board of Directors is using highly detailed agenda building, the early preparation of annual plans, reassessments of standards for agenda items at Board meetings and other measures to operate more efficiently.

3. **Further contribution of Independent Directors**
   - Improve the contribution of every Independent Director by having these Directors submit more constructive interviews were used.
   - Adding the fresh perspectives of two non-Japanese Independent Directors with a broad range of experience and professional skills enables the Board of Directors to hold discussions that incorporate many viewpoints. This diversity is helping the Board properly perform its supervisory and advisory roles. Furthermore, regular meetings of the Independent Directors and the use of IT for close communications that do not require meetings make possible the efficient sharing of information and opinions between the Independent Directors, who have knowledge in many areas. These activities enabled the Directors to conduct rigorous discussions and reach proper decisions for achieving MSV.

4. **Enhancement of the functions of The Secretariat of Board of Directors**
   - Strengthen support functions for Directors to facilitate more thorough strategic discussions, and provide for efficient operations that reflect the global scale of the Group operations.
   - The Board of Directors ensured that all materials and minutes of the Board’s meetings are available in both Japanese and English for the efficient and accurate provision of information. In addition, we revamped Board materials to enable a more accurate understanding of key points of agenda items and are distributing Board materials faster by strengthening cooperation with drafting departments. The Board of Directors increased the digital transformation of Board meetings and performance sharing in a secure environment in a timely and appropriate manner.

#### Main initiatives in FY2022

**Overview of evaluation outcome**
- Based on the following evaluation by the BAJ and the Board of Directors discussion that followed, the Board of Directors has concluded that the Board was generally effective in FY2022.

**Summary of BAJ’s assessment**
- The Board of Directors has a common understanding about its role and everyone is committed to the policy of pursuing MSV.
- The BAJ’s composition with Independent Directors comprising the majority allows the Board to perform oversight over the management team from an objective perspective.
- Lied by the Board Chair, the Directors are discussing important agenda items, such as medium to long-term management strategies.
- All Directors engage in active discussions by leveraging their knowledge from the perspective of supporting the management team.

**Issues requiring stronger initiatives in FY2023**

1. **Upgrading operation of the Board of Directors**
   - Upgrade the quality of the Board’s discussions by holding meetings more efficiently in order to increase the percentage of time spent on agenda items involving strategies.

2. **Contributions of Independent Directors**
   - Further increase the contributions of Independent Directors by raising their awareness of various issues and enabling them to submit more constructive questions that challenge the management team.

3. **Engagement in succession planning**
   - Systematically discuss succession plans for the management team and Independent Directors and consider the optimal Board composition.

#### Guidelines for making evaluations

**Evaluation target**
- All Shikou of progress with reaching issues identified in the FY2021 Effectiveness Assessment of the Board of Directors (issues for the Board of Directors and committees following the change in the Board’s composition)

**Method**
- By placing emphasis on the continuity of evaluations following the change in the Board’s composition, a third-party organization, Board Advisors Japan, Inc. (BAJ), was selected. A questionnaire and individual interviews were used.

**Questions**
- 1) Status of progress with reaching issues identified in the FY2021 Effectiveness Assessment of the Board of Directors (issues for the Board of Directors and committees following the change in the Board’s composition)
- 2) Conduct a separate interview with each Director based on the results of the questionnaire
- 3) Summarize and analyze the results of questionnaires and individual interviews
- 4) Report and discuss the efficiency of evaluation at the Board of Directors meetings

**Evaluation process**

**For growth strategy discussions at meetings, the Board of Directors spent more time discussing medium to long-term management strategies from a broad perspective. These discussions cover strategies for the growth of existing businesses, portfolio expansion and other goals. In addition, the Board of Directors created and improved an environment for concentrating on growth strategy discussions, such as brainstorming and offline meetings.**

**Issues identified by the FY2021 Board effectiveness assessment and initiatives for FY2022**

<table>
<thead>
<tr>
<th>Group management structure/model</th>
<th>Chairman of the Board</th>
<th>Representative Executive Officer and President Tendera</th>
<th>Representative Executive Officers &amp; Co-President Watanabe and Wei; Board Chair and Non-Independent Directors</th>
<th>Spider web management model</th>
<th>Autonomous and decentralized management</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020 (April 2020 to March 2021)</td>
<td>175</td>
<td>125</td>
<td>73</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>FY2021 (April 2021 to March 2022)</td>
<td>175</td>
<td>125</td>
<td>73</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>FY2022 (April 2022 to March 2023)</td>
<td>175</td>
<td>125</td>
<td>73</td>
<td>16</td>
<td>12</td>
</tr>
</tbody>
</table>

**Message from the Management**

- MSV - Our Sole Mission Our Medium to Long-Term Management Strategies

**History of agenda items and growth strategy discussions at the Board of Directors meetings**

- More thorough growth strategy discussions.
- More and better offline meetings and other occasions for discussions and more thorough discussions using a broad perspective about medium and long-term management strategies at Board of Directors meetings.

**Issues for the Board of Directors and Corporate Governance**

**Corporate Governance**

<table>
<thead>
<tr>
<th>Agenda items of Board of Directors meetings (number of meetings)</th>
<th>Meetings of the Independent Directors (82%)</th>
<th>Meets on corporate strategy and medium to long-term management strategy as the key agenda item</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020 (April 2020 to March 2021)</td>
<td>175</td>
<td>125</td>
</tr>
<tr>
<td>FY2021 (April 2021 to March 2022)</td>
<td>175</td>
<td>125</td>
</tr>
<tr>
<td>FY2022 (April 2022 to March 2023)</td>
<td>175</td>
<td>125</td>
</tr>
</tbody>
</table>

**Key focus on the next fiscal year**
- Focus on strategies for the growth of existing businesses
- Focus on strategies for the growth of existing businesses to be by the groundwork for formulating Medium-Term Plan (FY2022–2023)
- Key issues for the next fiscal year
- More thorough growth strategy discussions at Board of Directors meetings.
- More thorough growth strategy discussions.
- More thorough growth strategy discussions.
Our Management Structure

for Achieving MSV

MSV - Our Sole Mission

Our Medium to Long-Term Management Strategy for Achieving MSV

Corporate Information

Chairman, Co-Presidents and the Director prepares summaries of meetings. The Lead Independent Director at the Board and three committee leaders discuss and determine the medium- to long-term direction of the Company in discourse concerning the medium-long-term strategy of the Company’s business operations.

The BOD office organizes the attendance of Directors at executive meetings and other meetings, as well as the the Directors’ visit to factories and other business sites in Japan and other countries.

The Board of Directors Office also actively utilizes IT tools to drive the digital transformation of Board meetings.

In December 2022, the Board of Directors reviewed all of the Company’s shareholdings in listed companies to verify the rationale for such holdings, and determined that there were legitimate reasons to sell the shares of a number of companies. Some of these sales have already been completed.

When exercising voting rights, NPHD makes comprehensive judgments based on the above policy and other internal standards. Such judgments take into account medium- to long-term maximization of the corporate value of companies in which we have strategic shareholdings, and the votes’ effects on our Group, among other factors.

Cross-shareholdings policy

Each year, the Board of Directors discusses whether NPHD should continue strategic ownership of certain stock, in reference to the Company policy on cross-shareholdings shown below. Shares whose ownership by the Company is deemed unreasonable are either disposed of completely or reduced in amount.

Company policy on cross-shareholdings

The Company holds shares of other listed companies as Cross-Shareholdings, limited to where it can be determined to be reasonable in consideration of, among others, the necessity of it for business activities (e.g., to maintain and strengthen the relationship with the business partner), the status of the issuer, and the return on the capital cost.

In FY2022, NPHD held 10 Independent Director meetings chaired by the Lead Independent Director, where the members (exclusively, Independent Directors) not only discuss the agenda items of the Board of Directors and Nominating, Compensation, and Audit Committee meetings, but also engage in discourse concerning the medium-to-long-term direction of the Company and share insights on the overall background leading up to proposals by management. These meetings are designed to contribute to the smooth and proper resolution of agenda items at the Board and three committee meetings.

The Lead Independent Director prepares summaries of opinions expressed at the meetings of the Independent Directors as necessary and submits these reports to the Chairman, Co-Presidents, and the Executive Officers to enable more thorough discussions.

Agenda items in FY2022

- Follow-ups on the Board of Directors meetings; Confirmation of financial strategy and risks; and Preliminary information sharing about important proposals
- Follow-up on meetings of the three committees; and Exchange regarding about executive compensation
- Look-back on the FY2022 evaluation of the Board of Directors effectiveness and examine Initiatives for FY2023
- Preliminary discussion for an affiliate meeting
- Onsite visit

Identifying issues involving target setting and other matters

One of the biggest challenges for NPHD is to ensure that its business operations in order to facilitate transformation of Board meetings.

The Board of Directors Office also makes comprehensive judgments based on the consolidated perspective into our sustainability initiatives regarding climate change and other relevant themes.

Comment from a Team Leader

A unique aspect of Nippon Paint Group is that the each partner company operates its business in their respective market, which significantly differs in business structure and maturity. For instance, carbon emissions from energy sources and power generation vary across the regions in which each partner company operates. Energy has been a challenge for climate change initiatives at each partner company. Therefore, it is very important to tailor sustainability targets to the characteristics of each region and business.

We establish improvement targets for each area within each partner company. These targets are determined by considering the level and maturity of the markets in which our Partner Company Groups conduct their business. For instance, it is rational and reasonable to set different targets involving global warming emissions per oil companies in regions where renewable energy is readily available versus regions where widespread use of renewables are yet to come.

Important factors that will affect target setting for partner company are policy objectives in countries where they operate, whether they need to aim for net-zero emissions by 2050 or by 2060, and the possibility of policy changes in the future. It is also essential to consider the influence of customer preference behavior on each partner company’s business operations.

We assess the achievements and specific initiatives for target achievement based on policy targets and any subsequent changes. We reassess the achievements and specific initiatives for target setting with the Board of Directors and the management of each partner company based on the information they provide.

It is essential that we disclose information that is of great interest to stakeholders, including customers and investors. Furthermore, we must prepare for the disclosure of information that is subject to mandatory reporting on a consolidated basis.

Identifying issues involving procurement (1)

Comment from a Director

Does our Group have a wide-ranging supplier base? For instance, are there any potential risks of our procurement being impacted by issues concerning child labor during raw material production or concerning conflict minerals?

Comment from a Team Leader

In regions where cultural backgrounds necessitate a cautious approach, we should be mindful of our stance.

Regarding the management of chemical substances, we are identifying products that contain chemicals of concern and including a phased approach to discontinue their use. It is important to have a prudent perspective when determining the timing and extent of abolishment, taking into account factors such as market demand and other relevant considerations.

Our ongoing focus remains on addressing governance issues by reinforcing important commitments, including anti-bribery measures, and introducing a governance assessment indicator to assess governance.

The Sustainability Teams are taking flexible actions that are aligned with our Asset Assessor model while also considering and respecting regional characteristics and business needs that.

The Board of Directors finds the promotion of sustainability by the five Sustainability Teams highly encouraging, as it serves as an effective means of enhancing communication among partner companies, employees, and investors.

Other discussion (selected partial excerpts)

- Large supplies of raw materials and receiving proposals from a number of companies. Some of these sales have already been completed.
- When exercising voting rights, NPHD makes comprehensive judgments based on the above policy and other internal standards. Such judgments take into account medium- to long-term maximization of the corporate value of companies in which we have strategic shareholdings, and the votes’ effects on our Group, among other factors.

Discussions by the Board of Directors

Advancing sustainability in harmony with Asset Assessor Model

Sustainability discussions are important for Nippon Paint Group to stay competitive for many years—Following the revision of the Basic Policy on Sustainability in March 2023, the Board of Directors had a fresh discussion on our Group’s approach to sustainability initiatives. This page features excerpts of the discussion.

Identifying issues involving procurement (2)

Comment from a Director

What measures are we implementing to mitigate risks involved with solar procurement, including the utilization of alternative raw materials?

Comment from a Director

In the event of procurement challenges concerning raw materials, we normally investigate the availability of alternative materials through regular transactions. Accordingly, we regularly update the list of suppliers.

During the pandemic, we reviewed the possibility of procuring raw materials from different regions, such as procuring raw materials that were previously obtained from China, from India, and other suitable regions.

Strategic shareholdings and total balance sheet amount (as of December 31)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of companies</th>
<th>Number of listed companies</th>
<th>Total balance sheet amount (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>24</td>
<td>6</td>
<td>23,645</td>
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<tr>
<td>2021</td>
<td>22</td>
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<tr>
<td>2022</td>
<td>18</td>
<td>2</td>
<td>5,831</td>
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</table>
Nominating Committee Report

Ensuring the effectiveness of the Board of Directors in order to contribute to MSV

Following the shift to the Co-President structure, Co- Presidents have executed numerous corporate actions focusing on MSV, consistently delivering results despite the rapidly changing business environment, while making steady progress preparing Nippon Paint Group for our Group’s leap to the next stage. The Board of NPHD, in its oversight role, is tasked with the maintenance of an effective Board that can encourage and support appropriate and bold risk-taking by the management team, without slowing down its decision-making process. For this, the Board must have the ability to accurately analyze where the potential benefits and risks lie in the various actions the Group takes, along with the degree of impact such benefits and risks present. In this respect, the Nominating Committee should not be overly swayed by diversity for the sake of formality or by planned agendas. Rather, its mission is to select Director candidates capable of giving valuable advice in light of the Group’s business growth and Directors moving forward, and to deliver true diversity that can maximize Board performance. To accomplish this, every year, the Nominating Committee evaluates the effectiveness of the Board, identifying the status and issues surrounding the Board at that given time, and comprehensively evaluating the qualities and contributions of each Director. And taking this assessment into consideration, we select candidates from within and outside our Group, making use of personal relationships and different lines of communication. We also constantly share information with the Directors concerning the proper composition of the Board in order to create a better perspective regarding this important Board role. The Nominating Committee will continue to contribute to MSV by ensuring the effectiveness of the Board and creating a Board composition that can encourage and support appropriate and bold risk-taking by the management team.

Overview and main activities

Chairperson | Hisashi Hara (Independent Director)

Committee members

- Non-Executive Director
- Independent Director

Roles of the Committee

Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, also discussion on the planning for Directors based on advice from the Board of Directors, appointments and dismissals of the Representative Executive Officer and President and other Executive Officers, and submission of opinions on the succession plan and other proposals.

Main activities

- Provide response on the proposal of each Committee for FY2023
- Deliberation on the proposal of the General Meeting of Shareholders for the election of Directors for FY2023
- Deliberation on the proposal on the composition of each Committee for FY2023
- Co- Presidents’ Report about the Nominating Committee’s activities (Nippon Paint Group)
- Report on resolution about the proposal at the General Meeting of Shareholders regarding the election of Directors for FY2023
- Resolution on the proposal about the appointment of Executive Officers for FY2023
- Resolution on the appointment of Directors for FY2023

Key reports to the Board of Directors

- Resolution on the proposal by the General Meeting of Shareholders regarding the election of Directors for FY2023
- Resolution on the composition of each Committee for FY2023
- Deliberation on the proposal on the election of Directors for FY2023
- Deliberation on the nomination policy for Directors and the selection of Directors focused on the long-term perspective

Our approach concerning the composition and skills of the Board of Directors

NPHD ensures that the Board of Directors and the three committees consist of Directors with suitable backgrounds so that effective oversight can be maintained in a sustainable manner regardless of a constantly changing business environment. To this end, the Nominating Committee emphasizes seven categories of experience and skills based on which selections of Directors are made (see the table below). In terms of the three committees, the Nominating Committee refers to the composition to the Board in consideration of the high level of specialization required in the respective roles, and committee members are appropriately selected at the Board of Directors meeting. Experience in corporate management, global business operations, and M&A are of particular value to NPHD, which pursues MSV under Asset Assembler model. Especially important is the experience in corporate management; namely, the experience in leading sustainable growth of a corporate body, embracing such concepts as ESG. We believe that concrete and appropriate composition and advice based on such track record and specialized skills can greatly contribute to MSV. Meanwhile, experiences in global business operations and M&A are indispensable in our efforts to identify excellent assets from a global and medium and long-term perspective and facilitating growth of the partner companies as they join Nippon Paint Group. At the General Meeting of Shareholders held in March 2023, shareholders approved our proposal for the election of nine Directors. The Nominating Committee refers to the results of the annual assessment of Board effectiveness, among other sources, to continually monitor contributions of individual Directors and the comprehensive performance of the Board as a whole based on mutual trust. Through these activities, we constantly work on determining the best candidates, with the composition of the Board that can contribute to MSV. Since FY2020, when NPHD became a Company with the Co-Presidents, we have made an effective Board structure with interconnected Directors making up the majority of the Board, although there were some changes in

Required experience/skills

- Experience in corporate management
- Experience in global business operations
- Experience in M&A
- Experience in foreign nationals or lives outside Japan
- Experience in legal affairs
- Experience in IT/Digital
- Experience in manufacturing/technology/R&D

The ability to supervise and give advice concerning a broad range of matters related to management from the formulation of business strategies to their implementation.

The ability to supervise and give advice concerning the businesses of Nippon Paint Group, which operates globally, taking into consideration diverse business environments, economic conditions, and cultures around the world.

The ability to supervise and give advice concerning the business of Nippon Paint Group, which operates globally, taking into consideration diverse business environments, economic conditions, and cultures around the world.

The ability to supervise and give advice concerning capital allocation and other financial activities

The ability to supervise and give advice concerning regulatory issues involving Operations, GRC (Governance, Risk Management and Compliance), and Information Technology.

The ability to supervise and give advice concerning the improvement of operations and creation of new business models through IT and the Big Data Transformation.

The ability to supervise and give advice concerning the leap from chemical coating to manufacturing by making use of new technology related to manufacturing. The ability to supervise and give advice concerning capital allocation and other financial activities.

Board members of the nine Directors of the Board for FY2023, six (67%) are Independent Directors, five (56%) are foreign nationals or live outside Japan, and one (11%) is a woman. This diversified composition allows the Board to perform multidirectional oversight to achieve MSV through advice from a broad perspective.

Identifying future management talent and an environment where people can upgrade their skills (strengthening human capital, selections and dismissals)

We recognize that our highest priority is strengthening the Group’s human capital as the globalization of operations and drastic changes in business environment continue. We do not use a one-size-fits-all approach for the recruitment and development of future management talent. Instead, we are finding talented people and maintaining an environment for their advancement, with respect for the autonomy of every PCG based on mutual trust between Co- Presidents and the heads of PCGs. Co- Presidents are taking actions to strengthen the Group’s human capital, such as monitoring and evaluating the status of the Group’s human capital through continuous communication with the heads of PCGs, as well as by submitting reports periodically to the Compensation and Nominating Committee. The Nominating Committee determines the status of the Group’s human capital and evaluations of key management personnel based on reports from Co-Presidents. The Committee also closely cooperates with other committees and the meeting of Independent Directors, communicates with key management personnel, and strengthens the network of connections with external experts in various fields. Through multifaceted and fair evaluations of the Executive Officers including Co- Presidents based on these activities, the Nominating Committee examines people who have the skills to become future managers. The Committee also considers responses to requests for consultations from the Board of Directors to enable appropriate decisions about selections and dismissals of key management personnel.

Process of strengthening human capital and selections of dismissals of Executive Officers

• Examine the nomination policy and monitoring model for the next fiscal year and over the medium and long term
• Establishment of the annual plan for the nominating process
• Identification of the key roles and the heads of PCGs. Co-Presidents monitor and evaluate the status of personnel to strengthen the Group’s human capital and report their views and evaluations about key management personnel to the Nominating Committee. Co-Presidents make reports to the other committees, Independent Directors, and key management personnel and establishes a network of connections with skilled people outside Nippon Paint Group.

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• Refers the Nominating Committee in response to the report from the Nominating Committee, the Board of Directors regarding selections and dismissals of Executive Officers, including the Representative Executive Officer and the Chief Executive Officer of key subsidiaries designated by the Board of Directors.

• Based on the annual plan for the nominating process and other plans, the Board of Directors discusses and makes decisions regarding selections and dismissals of Executive Officers, including the Representative Executive Officer and the Chief Executive Officer of key subsidiaries designated by the Board of Directors.

• Based on the Board of Directors meetings.

• Based on the advice of other committees, the Nominating Committee holds deliberation on reports and proposals from Co-Presidents regarding the executive structure and management of the Board of Directors and the heads of PCGs, referring to reports from the other committees, Independent Directors, and key management personnel and establishes a network of connections with skilled people outside Nippon Paint Group.

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Overview and main activities

Committee members

Roles of the Committee

Main activities

Key reports to the Board of Directors

Composition of executive compensation

Compensation Committee Report

Our roles to attract and train excellent talent

Nippon Paint Holdings, as a business with maximizing shareholder value (MSV) at its core, is not very different from many multi-national groups — its reliance on talent. Talent recruitment and retention is everything. Engendering appropriate compensation schemes is one of the necessary elements.

I am grateful to note that much thought had gone into the compensation philosophy — setting of goals, incentives for performance and ultimately accountability to all shareholders.

To attract talent, the company’s vision, mission and strategy must be clearly articulated. Employees must feel responsible for fulfilling their roles to attract and train excellent talent.

The Compensation Committee will work closely with the Nominating Committee on succession planning for senior management. Independent Committees are the majority of Directors and Executive Officers and members of the Compensation Committee.

Establishment of policies for determining the compensation of Directors and Executive Officers. In accordance with the Compensation Policy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussion and make decisions.

For more information, see the Compensation of Directors and Executive Officers section of our website: https://www.nipponpaint-holdings.com/en/sustainability/governance/board/

How the Compensation Committee contributes to achieving MSV while protecting minority shareholders

Independent Directors are the majority of the Compensation Committee, and the committee is chaired by an independent Director. In addition, all committee members are non-executive Directors. This committee ensures independence from executives for business operations. Furthermore, approximately half of the compensation of independent Directors elsewhere is restricted stock for the purposes of achieving MSV and further aligning the interests of these Directors with those of shareholders.

Based on the premise of protecting the interests of minority shareholders, the Compensation Committee performs rigorous evaluations with emphasis on measures for providing compensation for the Representative Executive Officers & Co-Presidents that is consistent with the pursuit of MSV and the results of this compensation. At the same time, the Committee is working to create a compensation that will serve as motivation for even more actions to achieve MSV.

Evaluation and compensation of the Representative Executive Officers & Co-Presidents

Compensation for the Representative Executive Officers & Co-Presidents is determined by the Compensation Committee based on a comprehensive assessment of their performance in the previous year. After reaching a decision about compensation for the next year, the Compensation Committee determines the composition, including cash, stock and other forms of compensation.

FY2023 compensation for Co-Presidents has taken into consideration compensation of presidents at competing companies and other large companies in Japan. Compensation also reflects financial factors such as revenue and net income growth compared with the performance of competitors and MSV.

Evaluation of the performance of Co-Presidents

Compensation starts by resetting compensation to zero.

Stocks form roughly half of independent Directors' compensation, paid to Directors in equity-based compensation. Other Directors are also rewarded with cash-based compensation.

Based on rigorous performance evaluations that are transparent and open to minority shareholders, the Committee determines compensation for the Representative Executive Officers & Co-Presidents that contributes to the achievement of MSV.

Compensation decision-making policy for Executives

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also oversees decisions about the compensation of senior partner company executives by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, compensation of executives at other companies, and compensation in the market for senior executives. In accordance with the Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussion and make decisions.

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Evaluation of the performance of Co-Presidents

Compensation takes into account the level and composition of compensation in the individual’s home country, compliance with pension and severance base rules, and other considerations. Compensation decisions are determined through discussions with executive officer partners, and other activities are used for a comprehensive evaluation of performance using financial and non-financial perspectives. Every year, the determination of the following year’s compensation starts by resetting compensation to zero.

The cash-stock ratio and other aspects of the composition of compensation for Co-Presidents are also reviewed every time.
Audit Committee Report

Contributing to MSV by enhancing the effectiveness of the “Audit on Audit” system

Every year, the Audit Committee performs a self-evaluation of the effectiveness of our audit activities. The Committee reports to the Board of Directors the results of this evaluation and improvement status of the items that require improvements on a regular basis. Through this process the Audit Committee shares information and exchanges opinions with Directors who are not Audit Committee members, and this raises the objectiveness of our self-evaluation.

In FY2023, based on the results of the FY2022 evaluation, the Audit Committee has been continuously working on strengthening “Audit on Audit” framework in the Group, which is based on the results of internal and external audits (see the next page). In March 2023, we held the first in-person Group Audit Committee (GAC) meeting which facilitated direct communications among the people who are responsible for our Group’s internal audits. Participants examined the results of risk assessment of the PCGs and confirmed the “Audit on Audit” approach. We also discussed common issues among PCGs, such as cyber security and the risk profiles of newly acquired companies. By bringing everyone together, this meeting became a valuable occasion for internal auditors to exchange information about the best practices, to openly discuss various problems they have and to have better communication. We will continue to reinforce relationships rooted in mutual trust and maintain an effective auditing system that can contribute to MSV based on Asset Assimilator model.

Peter Kirby, an Independent Director, was appointed as a member of the Audit Committee in FY2023. I am confident that his knowledge, professional skills and management experience of the global paint industry will further enhance the effectiveness of the “Audit on Audit” system.

Overview and main activities

- **Chairperson**: Masataka Mitsuhashi (Independent Director)
- **Number of meetings**
  - FY2022 (late March 2022 to mid-March 2023): 13
  - FY2023 (late March 2023 to end of June 2023): 2

**Main activities**

The Audit Committee:
- Prepared audit reports based on the results of audits on the status of the execution of duties by the Executive Officers and Directors and other items.
- Resolved on proposals regarding the election, dismissal and reelection of Accounting Auditor to be submitted to the Ordinary General Meeting of Shareholders.
- Conducted financial result and ordinary general meeting evaluations, as well as periodically checks the status of audits as part of supervision of the audit activities conducted by internal audit units of PCGs and reports the results to the Audit Committee.
- At the biannual GAC meetings, best practices of internal audits at PCGs are shared within the Group. In addition, the results of analysis by the Audit Department on material risks identified by each PCG are shared within the Group, which will allow all group companies to have a shared risk recognition. The results are reflected in the internal audit plans of PCGs to enhance the effectiveness of our group-level internal audits.

**Roles of the Committee**

- Conduct audits on the execution of duties by Executive Officers and Directors; prepare audit reports, and determine proposals regarding the election, dismissal and reelection of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

**Supervision of the group-level internal audit activities by the Audit Department**

The Audit Department, which supports the activities of the Audit Committee, ensures the committee’s independence from the executives by establishing dual reporting lines to the Audit Committee and the Representative Executive Officers & Co-Presidents. Specifically, the Audit Department performs J-SOX evaluations, as well as periodically checks the status of audits as part of the supervision of the audit activities conducted by internal audit units of PCGs and reports the results to the Audit Committee.

Coordination with Accounting Auditor, local audit firms and corporate auditors

The Audit Committee has continuously been monitoring and verifying whether the Accounting Auditor conducts appropriate audits while maintaining its independence. At the Trilateral Audit Meeting held on a regular basis participated by the Audit Committee, the Audit Department and the Accounting Auditor, participants share information and exchange views on matters such as the audit plan, the status of audits during period and risk responses. (See the figure on the right.) With regard to Key Audit Matters (KAM), the Audit Committee closely cooperates with the Accounting Auditor by taking actions such as holding discussions on items that involve significant management decisions, including accounting estimates and items likely to have a significant impact on financial statements, including estimates of provisions for doubtful accounts and reasonableness of estimates of goodwill recorded due to acquisitions.

The Audit Committee also conducts interviews and discussions with local audit firms in charge of accounting audits of major overseas partner companies (PCGs). The topics of discussions include audit findings at PCGs which they are responsible for, financial and tax risks, and the status of communications with local management teams and NPHSE’s Accounting Auditor. Through these activities, the Audit Committee identifies risk factors and determines the status of the performance of local audit firms. In Japan, the Audit Committee holds regular meetings with corporate auditors of PCGs to share information and exchange views on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working on further enhancing the effectiveness of its activities.

**“Audit on Audit” Group audit system**

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