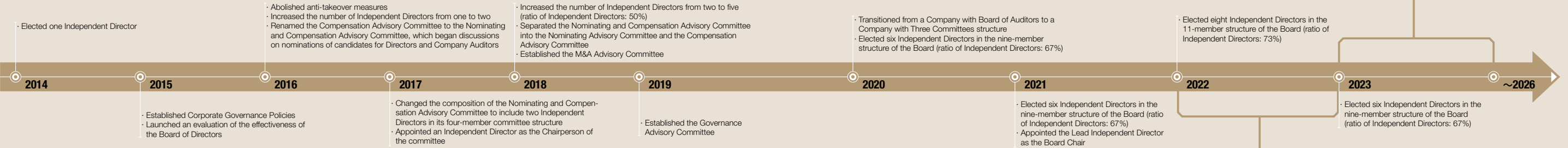


Corporate Governance

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.

Roadmap		
	2023	~2026
Governance initiatives of the Board	<div><div>· Further improving the operational efficiency of the Board of Directors</div><div>· Increasing contributions of Independent Directors</div><div>· Enhancing succession plans</div></div>	<div><div>· Raising the level of growth strategy discussions by Directors</div><div>· Enhancing/implementing succession plans</div></div>
Governance initiatives of the management	<div><div>· Improving risk management through self-assessments of risks by partner companies (PCs) based on the Global Risk Management Basic Policy</div><div>· Firmly establishing and increasing the effectiveness of the whistleblowing hotline at PCs</div></div>	<div><div>· Verifying the effectiveness and upgrading the risk management system through self-assessments of risks by PCs</div><div>· Verifying the effectiveness and upgrading the whistleblowing hotline at PCs</div><div>· Upgrading the governance system (including compliance and risk management) to respond to changes in social requirements</div></div>

History of governance reforms and governance reinforcement for achieving MSV



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 formalism
4. Compensation structure that effectively contributes to achieving MSV
5. Audit structures that respond to the increasing globalization of operations

Name	Title	Committee membership				Number of years in office	Attendance at the Board of Directors/committee meetings in FY2022 (attendance/number of meetings)				Experience/Expertise						
		Nominating Committee	Compensation Committee	Audit Committee			Board of Directors meetings	Nominating Committee meetings	Compensation Committee meetings	Audit Committee meetings	Corporate management experience	Global business experience	M&A experience	Finance	Legal affairs	IT/Digital	Manufacturing/Technology/R&D
Yuichiro Wakatsuki Date of birth: August 28, 1966 Number of NPHD shares held: 180,110	Director, Representative Executive Officer & Co-President				One year	11/11*	—	—	—	○	◎	◎	◎	○			
Wee Siew Kim Date of birth: August 19, 1960 Number of NPHD shares held: 100,000	Director, Representative Executive Officer & Co-President				One year	11/11*	—	—	—	◎	◎	◎	○			○	
Goh Hup Jin Date of birth: April 6, 1953 Number of NPHD shares held: —	Chairman	○	○		Eight years	16/16	12/12	12/12	—	◎	◎	○	○	○	○	◎	
Hisashi Hara Date of birth: July 3, 1947 Number of NPHD shares held: 100,215	Independent Director	○ (Chairperson)			Five years	16/16	12/12	—	—	◎	◎	◎		◎			
Peter M Kirby Date of birth: August 2, 1947 Number of NPHD shares held: 36,800	Independent Director			○	One year	11/11*	—	—	—	◎	◎	◎	○	○	○	○	
Lim Hwee Hua Date of birth: February 26, 1959 Number of NPHD shares held: 36,800	Independent Director		○ (Chairperson)		One year	11/11*	—	—	—	○	◎	◎	◎		○		
Masataka Mitsuhashi Date of birth: September 30, 1957 Number of NPHD shares held: 63,089	Independent Director			○ (Chairperson)	Three years	16/16	—	—	14/14	○	◎	◎	◎				
Toshio Morohoshi Date of birth: August 24, 1953 Number of NPHD shares held: 83,089	Independent Director	○		○	Five years	16/16	12/12	—	14/14	◎	◎	○			◎	○	
Masayoshi Nakamura Date of birth: November 10, 1954 Number of NPHD shares held: 96,296	Lead Independent Director Board Chair	○	○		Five years	16/16	12/12	14/14	—	○	◎	◎	◎				

Main initiatives in FY2022

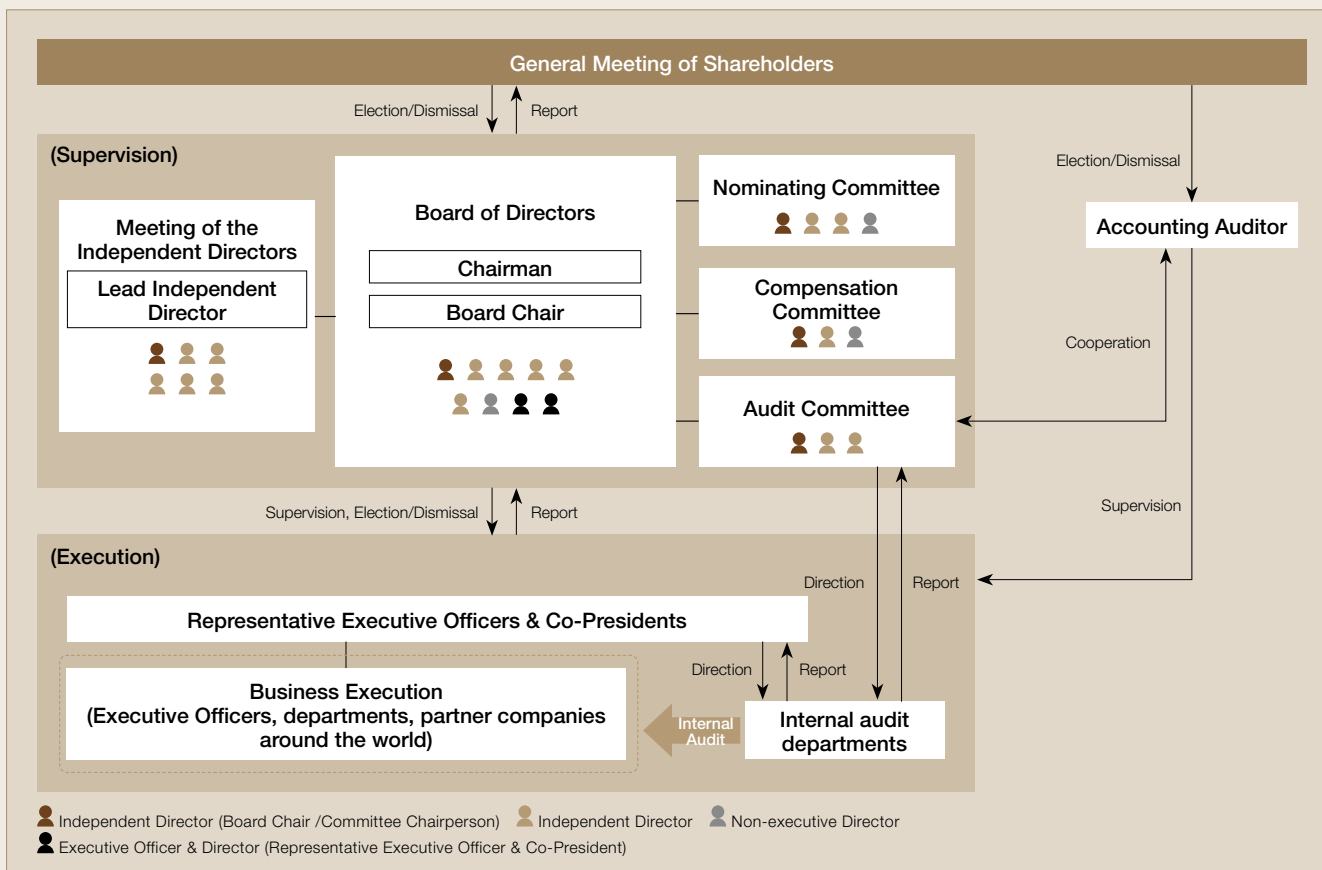
In FY2022, we worked steadfastly on the following four initiatives to further improve our Board's effectiveness.

1. Enrichment of discussion on growth strategy
2. Improvement of the operational efficiency of Board meetings
3. Further contribution of Independent Directors
4. Enhancement of the functions of The Secretariat of Board of Directors

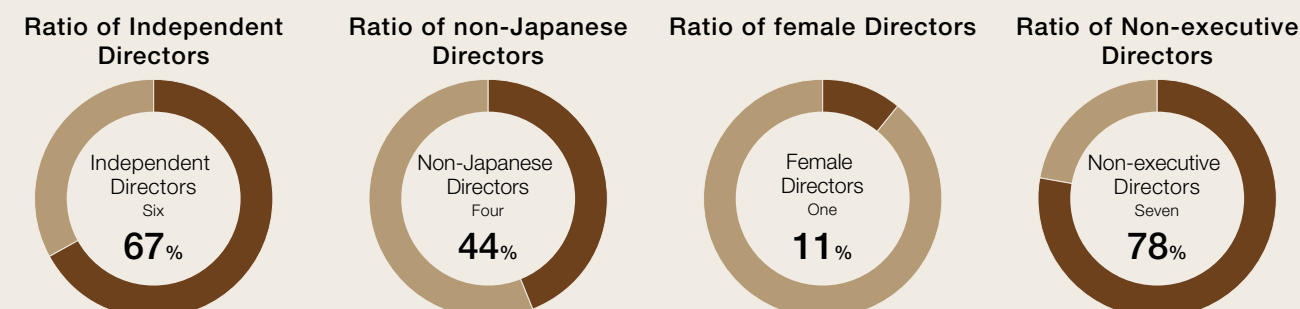
As a result, progress was achieved on a number of fronts. We accomplished further separation of the oversight and execution responsibilities, and established a more sophisticated monitoring model. In addition, deepened common understanding of the role of our Board, which pursues MSV, has elevated our Board meeting discussions to an even higher level.

► See "Analysis and assessment of the effectiveness of the Board of Directors" on page 105.

Corporate governance structure



Features of the Board's composition



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.

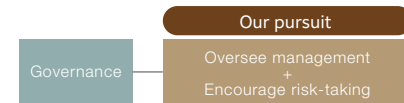
As the Lead Independent Director and Board Chair, I am committed to mobilizing the collective knowledge and experience of the nine Directors to guide our Board through deliberations and decision-making, encouraging all Directors to contribute to the Board to their fullest capabilities. Every effort will 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.

Corporate Governance

Basic approach to governance

How Shareholder Value Is Maximized

► See page 5.



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 wealth by consistently striving to reinforce corporate governance and pursue MSV that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders, as well as our sustainability obligations.

As a company committed to achieving MSV, our basic approach is autonomous and decentralized management, respecting the autonomy of partner companies underpinned by the relationship of mutual trust they forge with Co-Presidents. We strive to strengthen governance suited for an Asset Assembler relentlessly pursuing growth by empowering each partner company to excel in their performance. The Board of Directors, which plays the oversight role, encourages risk-taking by the management in a timely and appropriate manner without slowing down the speed of decision making on management proposals.

Furthermore, we have established an internal control framework based on Nippon Paint Group Global Code of Conduct which serves as our paramount guiding principle. This code outlines essential standards of compliance, ethics, and sustainability that must be shared and observed by all individuals in the Group. This framework includes the Global Risk Management Basic Policy and the Global Basic Policy of Whistleblowing Hotline, which serve as pillars supporting our autonomous and decentralized management.

► For more information, see the section titled Corporate Governance Policy ("Independence Criteria for Outside Director" on a separate page) and the section on Corporate Governance Report, which are available on the Sustainability page of our website.

- Corporate Governance Policies
- Corporate Governance Report

<https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/>

History of governance reform

Starting from FY2014, NPHD has consistently increased the number of Independent Directors and delegated authority from the Board of Directors to executive departments. This move aims at separating and strengthening the business execution and management oversight functions. To further accelerate this process, in March 2020, we transitioned to a Company with Three Committees structure.

Subsequent to the management structure change in April 2021, the Lead Independent Director has assumed the role of the Board Chair.

At present, Independent Directors constitute the majority of the Board of Directors.

► For more information, see "History of governance reforms and governance reinforcement for achieving MSV" on page 99.

The composition of the Board of Directors (FY2020-2023)

FY	Composition	Independent Directors
FY2020	9	67%
FY2021	9	67%
FY2022	11	73%
FY2023	9	67%

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 Committee, 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 continually promote the exchange of best practices among partner companies and enhance the governance structure to increase its overall effectiveness.

► For more information, see "Analysis and assessment of the effectiveness of the Board of Directors" on page 105 and "Risk Management" on page 121.

Our relationship with the major shareholder and protection of minority interests

With a business partnership spanning over 60 years, NPHD and Wuthelam Group, our major shareholder, unite under the common mission of MSV, and protecting the interests of minority shareholders. The full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021 simplified our capital relationship, aligning the interests of the major shareholder and minority shareholders. This created a management structure dedicated to pursuing MSV while ensuring the protection of minority interests.

To protect the interests of minority shareholders, we maintain a diligent approach and involve Independent Directors in all such transactions with the major shareholder to ensure proper oversight and scrutiny. To achieve this, all such transactions require approval at the Board of Directors meeting, where the Lead Independent Director serves as Board Chair and Independent Directors hold the majority of seats. We adhere to a strict policy regarding significant related-party transactions, (including those between the Company and the major shareholder, competing transactions involving Directors and/or Executive Officers, self-dealing, and conflict of interest transactions). Any such transactions surpassing a predetermined threshold are promptly reported to the Board of Directors. Moreover, these transactions are disclosed in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report (available only in Japanese) to ensure transparency and accountability.

Furthermore, when we conduct related-party transactions, we exercise comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels and other relevant factors. The objective is to ensure that the transaction will not harm the interests of NPHD or of its minority shareholders. As a part of this process, we require the approval of relevant individuals with appropriate decision-making authority.



Message from Chairman

Nippon Paint's appeal as an Asset Assembler

Goh Hup Jin
Chairman

Nippon Paint considers the Maximization of Shareholder Value (MSV) as it's 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 to persistently 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 reasonings 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

empathize with our modus operandi. As we deepen our engagement with the CEOs of subsidiaries acquired heretoforth 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.

Corporate Governance

Analysis and assessment of the effectiveness of the Board of Directors

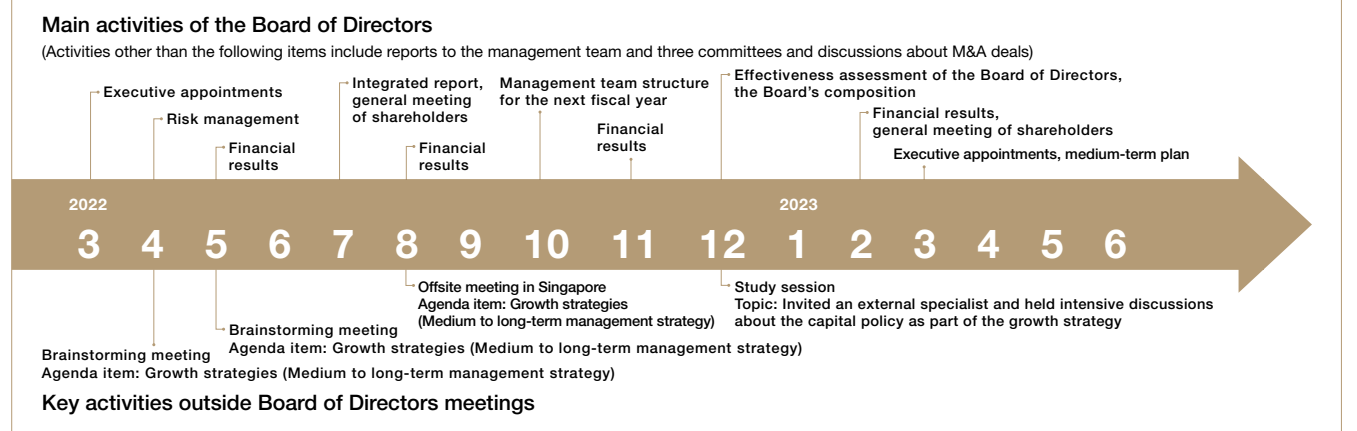
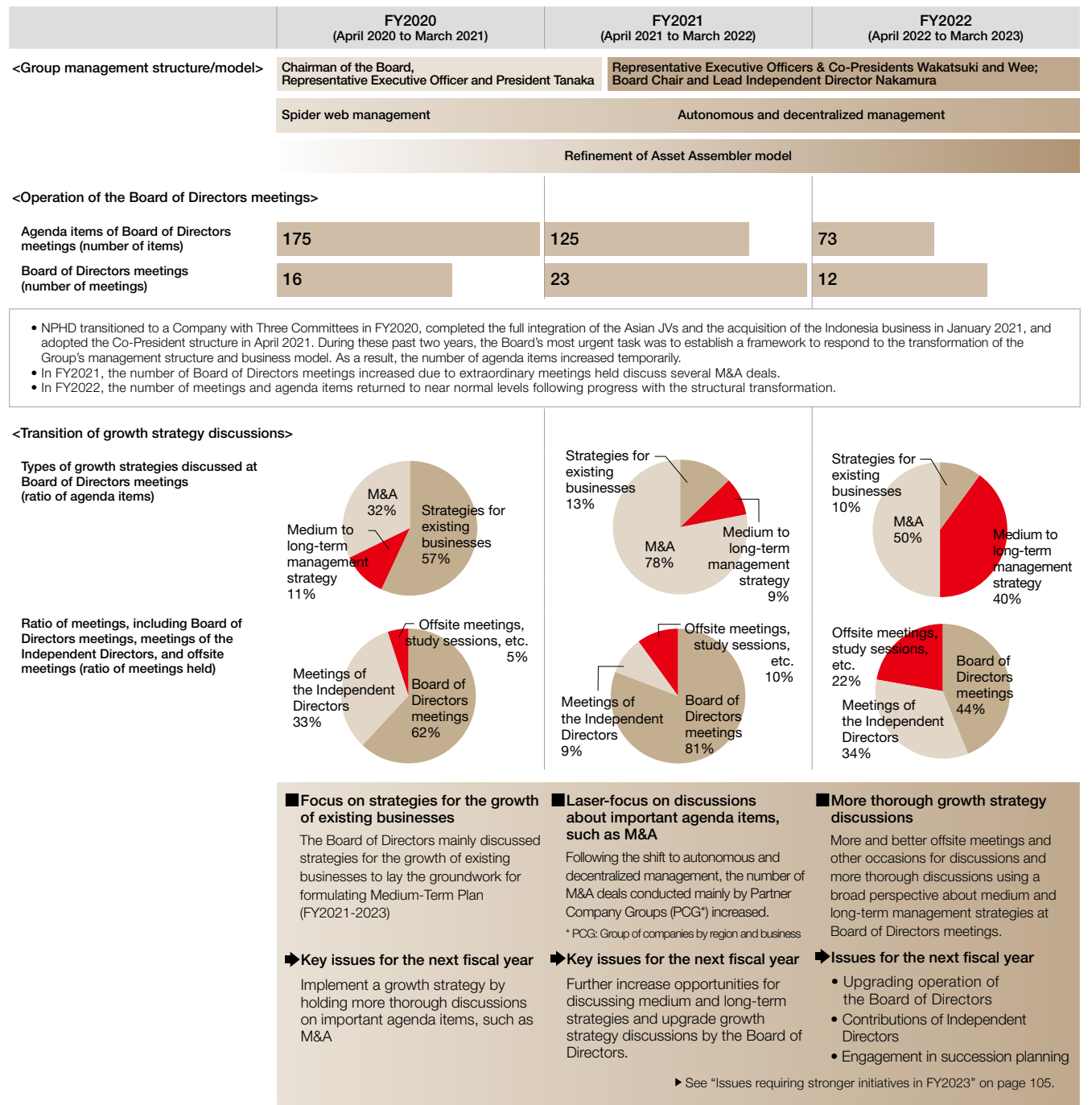
Issues identified by the FY2021 Board effectiveness assessment and initiatives for FY2022

Issues that required stronger initiatives in FY2022	Main 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	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 offsite 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 Minimize time spent 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, reexaminations 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 questions to challenge the management team	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 secretariat functions 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 perform information sharing in a secure environment in a timely and appropriate manner.

Evaluation for FY2022 and issues for FY2023

Guidelines for making evaluations Evaluation target All Directors in FY2022: 11 Managing Executive Officer, General Counsel (GC): 1 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 (i) Status of progress with resolving issues identified in the FY2021 Effectiveness Assessment of the Board of Directors (ii) Issues for the Board of Directors and committees following the change in the Board's composition Evaluation process Step 1: Distribute questionnaires to Directors Step 2: Conduct a separate interview with each Director based on the results of the questionnaire Step 3: Summarize and analyze the results of questionnaires and individual interviews Step 4: Report and discuss the effectiveness evaluation at the Board of Directors meetings	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 <ul style="list-style-type: none"> The Board of Directors has a common understanding about its role and everyone is committed to the policy of pursuing MSV. The Board's composition with Independent Directors comprising the majority allows the Board to perform oversight over the management team from an objective perspective. Led 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 spend 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

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



Meetings of the Independent Directors

In FY2022, NPHD held 10 Independent Directors 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-up on the Board of Directors meetings; Confirmation of finance strategy and risks; and Preliminary information sharing about important proposals
- Follow-up on meetings of the three committees; and Exchange of opinions about executive compensation
- Look back on the FY2022 evaluation of the Board of Directors effectiveness and examine initiatives for FY2023
- Preliminary discussion for an offsite meeting
- Onsite visit

Upgrade functions of the Secretariat of Board of Directors

In order to enable Independent Directors to quickly and accurately grasp the status of the management of business operations at our company, Finance & Accounting, Investor Relations, and other departments regularly provide information updates. In addition, Co-Presidents provide opportunities to share in person the opinions of capital market participants and a wide range of information involving the management of business operations in order to facilitate a deeper understanding by Independent Directors of our 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.

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 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.

Discussions by the Board of Directors

Advancing sustainability in harmony with Asset Assembler 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 target setting and other matters

◆ Comment from a Director

I would like to start a discussion about the pros and cons of having a shared vision and targets across the Group. How can we incorporate 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 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 sources pose challenges for climate change initiatives at each partner company. Therefore, it is very appropriate to tailor sustainability targets to the characteristics of each region and business.

We establish improvement targets for each area within every partner company. These targets are determined by considering the level and maturity of the markets in which our Partner Company Groups conduct their businesses. For instance, it is rational and reasonable to set different targets involving global warming gas emissions for partner 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 companies 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 behavior based on policy targets and any subsequent changes.

We assess the achievements and specific initiatives for target achievement at each partner company based on the significance of their businesses. 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 may be subject to mandatory reporting on a consolidated basis.

◆ Comment from a Director

In our information disclosure strategy, a vital aspect involves understanding our direction and aligning it with the expectations of society and investors. Since NPHD aims to increase its assets, it is important to strike a balance between sustainability initiatives and our ambitions. When determining the necessary and the ideal form of information disclosure, we must take this balance into account.

We may need to disclose certain indicators requested by stakeholders. Therefore, it's essential to stay vigilant and attentive to their requirements. This approach allows our company to cleverly respond to possible changes in circumstances.

◆ Comment from a Director

We must avoid rushing into decisions without proper planning. It is crucial to carefully assess the potential consequences of disclosure on a consolidated basis and setting targets from the top-down, as this could negatively impact our businesses. The headquarters shouldn't impose various requirements from external sources on partner companies in a centralized manner. However, we must remain vigilant and take measures, such as closely monitoring the moves of global competitors.

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 impeded by issues concerning child labor during raw material production or concerning conflict minerals? ◇ Comment from a Team Leader Conflict minerals, such as mica, are the main concerns of our Group. Mica is normally used as a raw material for coatings for automobiles and motorcycles with bright, glittering colors. In order to replace this material with an alternative, we will need to work from the product development phase. So, we will have to work with the Innovation & Product Stewardship Team.

From the standpoint of developing alternative raw materials, we are experiencing a rise in customer inquiries about bio-based raw materials and receiving proposals from

suppliers. The trend stems from a growing emphasis on the product life cycle impact. I believe that fostering collaborations between the Procurement Team and the Innovation & Product Stewardship Team is of utmost importance.

I believe that the risk of child labor involvement among our Group's suppliers is very low.

Identifying issues involving procurement (2)

◆ Comment from a Director

What measures are we implementing to mitigate risks related to cross-border procurement, including the utilization of alternative raw materials?

◇ Comment from a Team Leader

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.

Other discussion (selected partial excerpts)

- When engaging in diversity discussions, the primary emphasis in Japan is on gender balance. However, we need to select topics of discussion based on regional characteristics. In regions where diversity discussions involve broader themes, such as LGBTQ, we should embrace such subjects.
- 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 initiating 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 Assembler model while also considering and respecting regional characteristics and business needs.
- 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.

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

	2020	2021	2022
Number of companies	24	22	18
(Number of listed companies)	6	6	2
Total balance sheet amount (Million yen)	23,645	30,191	5,831
(The amount for listed companies) (Million yen)	22,704	29,268	4,834

Nominating Committee Report



Hisashi Hara
Independent Director
Nominating Committee Chairperson

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 focused on MSV, consistently delivering results despite the rapidly changing business environment, while making steady progress preparing measures 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

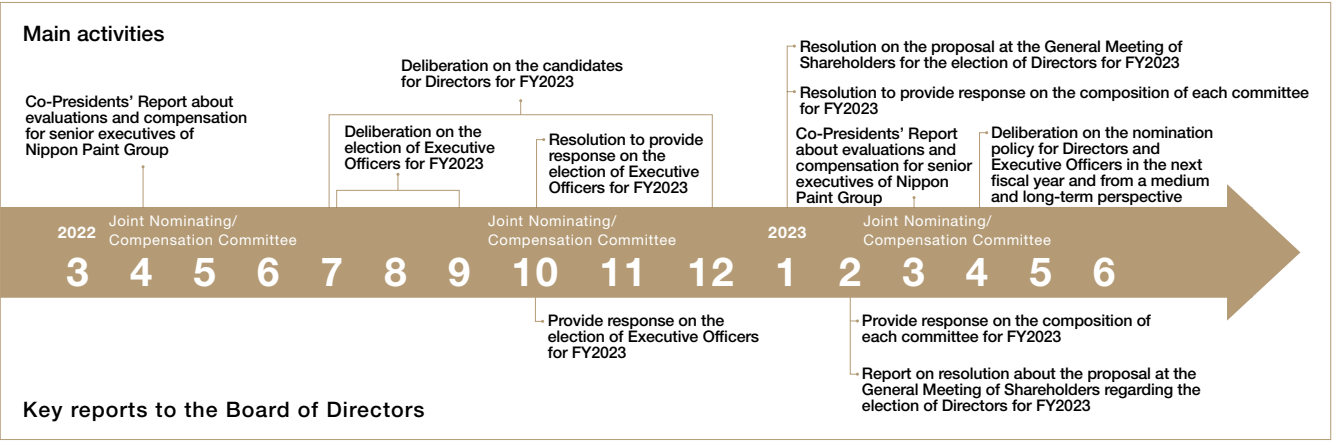
constitution that allows proper supervision and advice, encouraging appropriate and bold risk-taking by the management team without slowing down its decision-making process. For this, the Board must have the ability to accurately analyze where the potential benefits and risks lie in the various actions 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 get on the same page regarding this important point.

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)	Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Committee members	<div><div></div><div>1</div><div>● Non-Executive Director</div><div>● Independent Director</div></div> <div>3</div>	Main activities	The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2023 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2023.
Roles of the Committee	Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, discussions about succession plans 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 about the succession plan and other proposals.		



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 recommends their compositions 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.

Experiences 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 supervision 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 to our efforts in identifying excellent assets from a global and medium and long-term perspective and facilitating growth of the partner companies after 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 team based on mutual trust. Through these activities, we constantly work on determining the best candidates and composition of the Board that can contribute to MSV. Since FY2020, when NPHD became a Company with Three Committees, we have maintained an effective Board structure with Independent Directors making up the majority of the Board, although there were some changes in

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 to strengthen 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 by

monitoring and evaluating the status of the Group's human capital through continual communication with the heads of PCGs, as well as by submitting reports periodically to the Compensation and Nominating Committees.

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 management personnel to achieve MSV. Committee members also determine 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 and dismissals of Executive Officers



Required experience/skills	
1 Experience in corporate management	The ability to supervise and give advice concerning a broad range of matters about management from the formulation of business strategies to their implementation
2 Experience in global business operations	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
3 Experience in M&A	The ability to supervise and give advice concerning the suitability of M&A deals that Nippon Paint is pursuing, and the PMI process
4 Finance	The ability to supervise and give advice concerning capital allocation and other financial activities
5 Legal Affairs	The ability to supervise and give advice concerning regulations involving operations, GRC (Governance, Risk Management and Compliance), and internal controls
6 IT/Digital	The ability to supervise and give advice concerning the improvement of operations and creation of new business models through IT and the Digital Transformation
7 Manufacturing/Technology/R&D	The ability to supervise and give advice concerning creation of new technologies through R&D by making use of his/her knowledge of technology related to manufacturing operations and the businesses of Nippon Paint Group

Compensation Committee Report



Lim Hwee Hua
Independent Director
Compensation Committee Chairperson

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 gratified 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 this vision and contribute towards refining the strategy along the way. Taking ownership of business strategy would be crucial.

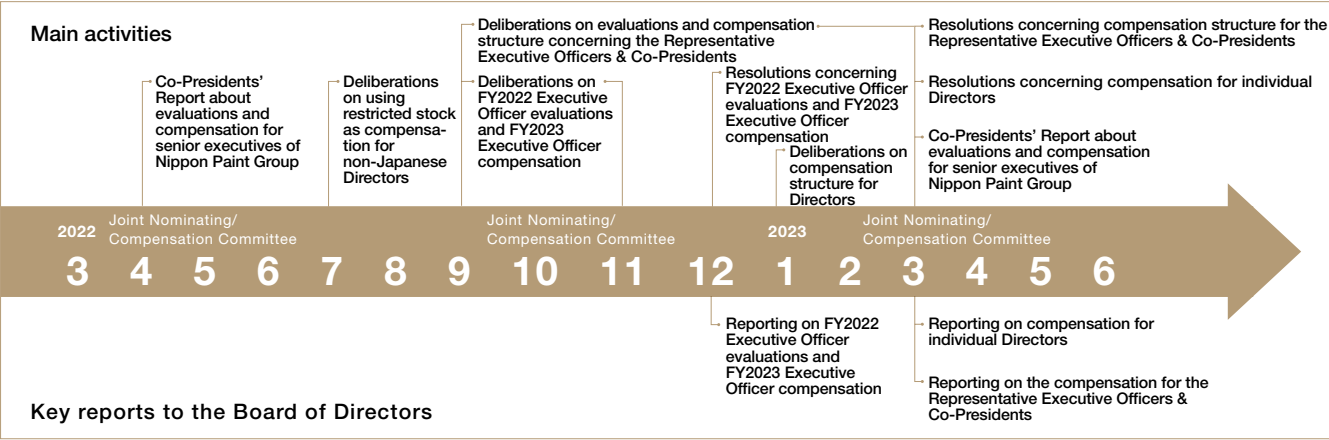
Secondly, compensation must be market-competitive. Even as employees accept a variable component, with increased seniority, this portion must accord with performance and be regarded as fair. Employees must be motivated to give off their very best and consistently. Setting key performance targets annually and holding employees accountable would be necessary. When used appropriately, long-term incentives can have a powerful effect on aligning longer-term interests with the company's.

Thirdly, having an appropriate compensation scheme is insufficient. Some form of career development within a meaningful cluster of businesses is necessary, involving an element of training or even re-skilling in technological innovation and market dynamics. Equally important would be a good understanding of the geopolitical influences at play.

The Compensation Committee will work closely with the Nominating Committee on succession planning for senior management. The goal is to ultimately breed a corps of independent-minded, committed and competent talent individuals.

Overview and main activities

Chairperson	Lim Hwee Hua (Independent Director)	Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Committee members		Main activities	The Compensation Committee resolved compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Compensation Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents)
Roles of the Committee	Establishment of policies for determining the compensation of individual Directors and Executive Officers, and decisions about compensation for individuals and other matters		



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 discussions 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/reward/>

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 composition ensures independence from executives for business operations. Furthermore, approximately half of compensation of the Independent Directors is restricted stock for the purposes of achieving MSV and further aligning the interests of these Directors with the interests of other 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 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 Comparisons with Competitors (Major financial indicators)

Items	FY2022 Actual	Growth*2 vs. FY2021	Growth*2 vs. FY2020
Revenue	JPY1,309 bn	31.1% (10.8%)	29.5% (12.9%)
Profit attributable to owners of parent	JPY79.4 bn	17.5% (-3.2%)	33.4% (2.7%)
EPS	JPY33.82	15.0% (-2.8%)	10.2% (3.9%)

PER*3	
LTM (Last Twelve Months)	32.1x (28.1x)
NTM (Next Twelve Months)	24.6x (19.0x)

*1 Comparisons using the six largest paint companies based on global sales (Nippon Paint Group ranks fourth)
*2 For compound annual growth rate calculated based on each company's indicated currencies, figures in parentheses are medians
*3 Source: FactSet (as of December 30, 2022), figures in parentheses are medians

Composition of executive compensation

Compensation for Directors Directors who do not concurrently serve as Executive Officer (Independent Directors)	Fixed compensation	• Job-based compensation (BS) Compensation is set at levels that can attract and retain management talent with the skills required to supervise the management of Nippon Paint Group, which has operations worldwide. Decisions about compensation take into account social circumstances, compensation of executives at other companies, and compensation in the market for senior executives.
	Variable compensation	• Allowances for committee memberships and other roles Allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committees, the Lead Independent Director, and other positions. • Long-term incentives (LTI) Directors supervise the Group's management and assume the role and associated risk of making important decisions regarding the allocation of corporate resources on behalf of shareholders. As a result, Directors receive restricted stock as an incentive for achieving MSV and as a means of further aligning the interests of Directors with those of shareholders. Introduced Malus Clawback Clause to ensure the soundness of MSV.
Compensation for the Representative Executive Officers & Co-Presidents	Entire amounts of compensation are variable	• Compensation takes into account the level and composition of compensation in the individual's home country, continuity with prior compensation, benchmarking using other companies' compensation, and other considerations. Discussions with Co-Presidents, frequent communications with executives of partner companies, 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



Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

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

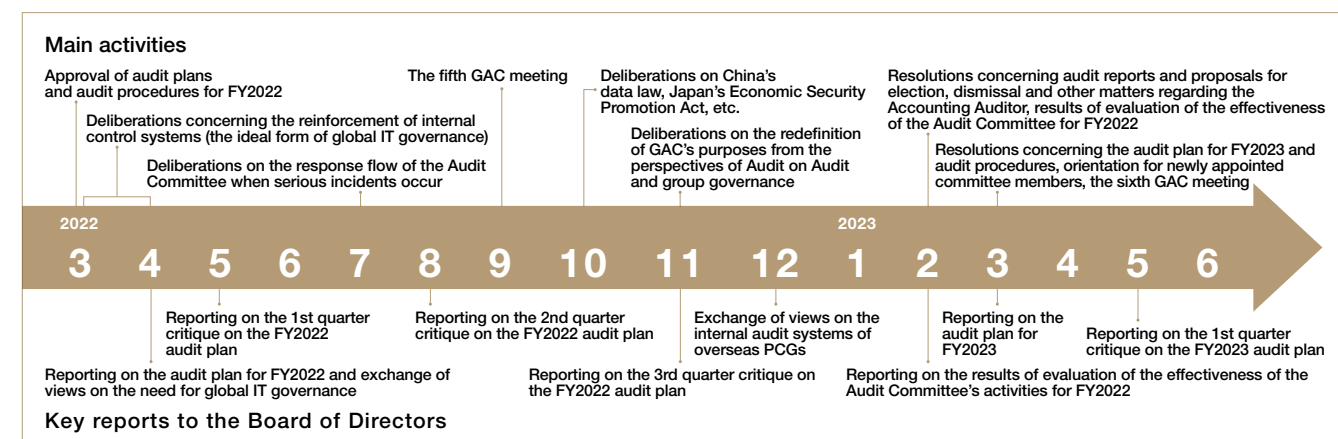
who are not Audit Committee members, and this raises the objectiveness of our self-evaluation.

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 Assembler 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
Committee members		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 refusal of reelection of Accounting Auditor to be submitted to the Ordinary General Meeting of Shareholders. ・ Conducted audits concerning financial results and the Ordinary General Meeting of Shareholders. ・ Shared best practices (e.g., audit cases, audit findings, risk management, reasons for selecting audit themes) and held theme discussions (J-SOX evaluations, reinforcement of the Audit on Audit system) at GAC.
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 refusal of 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.

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.

Coordination with Accounting Auditor, local audit firms, and corporate auditors

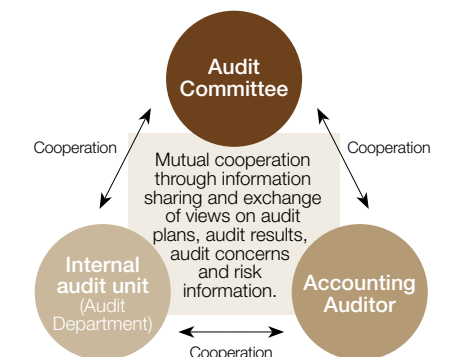
The Audit Committee has continuously been monitoring and verifying whether the Accounting Auditor conducts appropriate audits while maintaining its independence. At the Trilateral Audit Meeting held on a regular basis participated by the Audit Committee, the Audit Department and the Accounting Auditor, 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 (PCs). The topics of discussions include audit findings at PCs which they are responsible for, financial and tax risks, and the status of communications with local management teams and NPHD'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 PCs 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.

Trilateral audit system: Promoting efficient and effective audits



“Audit on Audit” Group audit system

