



Management Structure That Supports Risk-Taking and Oversight

Our advanced governance is one of our unique strengths. As a Company with Three Committees, 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 majority shareholder. At the same time, it is thoroughly committed to the protection of minority shareholder interests.

This section explains the features and key points of our governance framework.

75 Corporate Governance

- 76 Message from the Board Chair
- 77 Discussions by the Board of Directors
- 81 Nominating Committee Report
- 83 Compensation Committee Report
- 85 Audit Committee Report

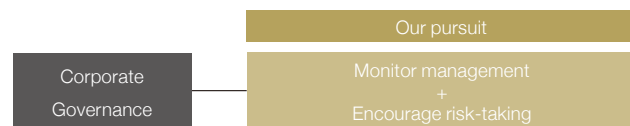
87 Governance Discussions

91 Risk Management

94 Directors and Executive Officers

Corporate Governance

How Shareholder Value Is Maximized >>> See pages 3-4.



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

>>> For more information, please refer to the ["Corporate Governance Policy \("Independence Criteria for Outside Director" on a separate page\)" section and the "Corporate Governance Report" posted on the Sustainability page of our website.](#)

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 majority 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

Our relationship with the majority shareholder and protection of minority interests


With a business partnership spanning over 60 years, NPHD and Wuthelam Group, our majority 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 majority 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 majority 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 majority 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.

Related content




Message from the Board Chair
>>> See page 76.



Governance Discussions
>>> See page 87.



Discussions by the Board of Directors
(India Business Buyback from Wuthelam Group)
>>> See page 77.



Website (1) Viewpoints of Independent Directors >>>



Website (2) Partnership with the Wuthelam Group, Our Majority Shareholder >>>

Corporate Governance

Message from the Board Chair

Elevating Board effectiveness through diversity and independence

Our Board comprises a total of nine Directors: two Directors who also spearhead business execution as Co-Presidents, one non-executive Director representing the majority shareholder Wuthelam Group, and six Independent Directors.

Maximization of Shareholder Value (MSV)—the sole mission of Nippon Paint Group—is synonymous with the maximization of minority shareholder value. All members of the Board share this notion, and we constantly ask ourselves whether we are fulfilling our duties in representing the shareholders.

In particular, we are entrusted by our minority and other shareholders to constantly monitor whether the Group is thoroughly capturing the investment opportunities that lead to MSV, and whether the potential risks of the measures proposed by the management team are being assessed with sufficient accuracy. To fulfill these responsibilities, we must make the most of the diverse strengths of each Director, as indicated in the skills matrix, and apply them to our Board discussions to evaluate matters from multiple perspectives.

The activities of our Board are not limited to the scheduled Board meetings. In fact, our Board is “always on.” This aspect vastly minimizes the information gap between execution and oversight, while successfully achieving further separation between the two.

The Independent Directors seek to maintain a shared understanding of the latest information by closely communicating with Co-Presidents Wakatsuki and Wee and the top management of partner companies. In addition, regularly updated information such as routine reports on business operations, including IR, is shared promptly among them. Information associated with the Board meeting agenda is also shared in advance according to the meeting schedule.

Further, we have designated the Independent Directors’ meetings, free of agenda preparation or minutes-taking, as a forum for open and frank discussions and information exchange toward the maximization of minority shareholder interests. These meetings have been immensely helpful in allowing each Independent Director to make more accurate judgments.

In such ways, the “always-on” Board enables the timely exchange of information and opinions ahead of our Board meetings. We work to achieve more flexible and agile decision-making by positioning the actual Board

meetings, where all Directors assemble, as a place to focus on discussing the Group's growth strategy.

We, the Directors, seek to fully draw upon each other’s expertise when we exchange opinions closely or engage in discussions on specific business matters that require decision-making. Through these interactions, we continue to evaluate each other’s contribution to the Board and confirm each other’s independence.

As we move forward, we remain committed to achieving more in-depth communication, further refining MSV that Nippon Paint Group pursues, and thereby fulfilling the duties of the Board.

Q&A with Independent Director

On the “Q&A with Independent Director” page of our website, our Lead Independent Director Masayoshi Nakamura responds to governance-related questions raised by investors during our engagement activities.

Key topics	Content
Compensation for Representative Executive Officers & Co-Presidents	How exactly do you determine the total compensation for Co-Presidents, and why are they not provided with stock-based compensation?
Sustainability	Given the increasing significance of sustainability in growth strategies, what advantages have become apparent to you following the shift of your sustainability structure from a headquarters-driven model to an autonomous framework?
Asset Assembler Model	You have explained that the holding company has sound check and balance and monitoring functions for partner companies based on the Asset Assembler model. What do you think is necessary for the soundness of checks and balances? Are there any risks that have been overlooked in your existing risk management framework?
Our Governance Issues and Challenges	What do you as the Board Chair regard as the biggest governance issue and challenge at the Nippon Paint Group?

»» For more information, please refer to the [“Q&A with Independent Director”](#) section on our website.



Masayoshi Nakamura

Lead Independent Director and Board Chair

Corporate Governance

Discussions by the Board of Directors

Theme India Businesses Buyback from Wuthelam Group

In August 2023, our Board of Directors approved a resolution to repurchase two India businesses that had been part of the three businesses transferred to Wuthelam Group in August 2021. The third business, a European automotive entity, was not considered for repurchase. Prior to reaching this resolution, we sought an evaluation from an independent third-party entity, mirroring the process undertaken during the initial transaction two years ago. To ensure thorough consideration and protect the interests of minority shareholders, we established a Special Committee dedicated to this matter.

This section presents the key comments made by our Directors concerning this significant transaction.

* Please note that Director Goh, being an interested party, abstained from participating in all relevant meetings.

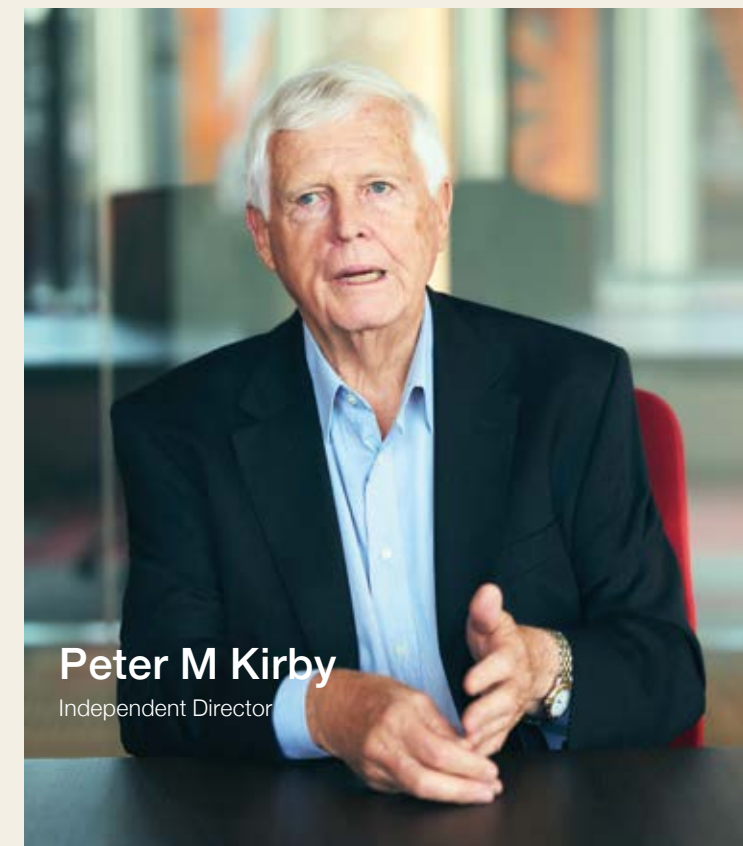
» For more information on the discussions by the Board of Directors regarding the share transfer of the European automotive business and the two India businesses to Wuthelam Group in August 2021, please refer to the "Share transfer of the European Automotive Coatings Business and India Businesses" [section on our website](#).

Q In evaluating the validity of the repurchase transaction, we aim to revisit and ascertain whether our initial decision to transfer the businesses to Wuthelam Group was indeed the optimal choice for protecting the interests of minority shareholders and Maximization of Shareholder Value (MSV).

A The catalyst for reevaluating our India businesses was a comprehensive review of our business portfolio following the full integration of the Asian joint ventures in 2021. Our relatively late entry into the rapidly growing Indian market resulted in us lagging behind major competitors in terms of growth and profitability. At the same time, the market saw an influx of new entrants from various sectors. We faced a critical decision: whether to continue investing to compete with these new and existing competitors. It became clear that any reduction in investment would result in losing our competitive edge. However, winning the competition would necessitate substantial investments in advertising and channel development, with no guarantee of success.

Under these circumstances, we considered multiple scenarios, including independently restructuring the India businesses or selling them to a third party. Independent restructuring would entail a significant short-term financial burden. Given the complexities of the Indian market, we had reservations about whether such an allocation of capital, from a risk-return standpoint, would contribute to MSV. Conversely, selling the businesses to a third party would likely eliminate the opportunity to repurchase them in the future, potentially closing off a growth pathway for our Group in the region. With Wuthelam Group providing us with an alternative that assumes various risks and preserves future options, we determined that this was the optimal decision from the perspective of MSV and protecting the interests of minority shareholders

compared to other restructuring proposals. Reflecting on the past two years, the performance of our India businesses has exceeded expectations in terms of profitability improvement and market share expansion, reinforcing our belief that the decision made at that time was indeed the right one.



Peter M Kirby
Independent Director

Corporate Governance

Q Why is now the optimal time for this buyback transaction?

A With our Group continuing to provide management services to the India businesses, they have successfully implemented significant structural enhancements and aggressive promotional activities. After a period of losses, we began to see a pathway toward sustainable earnings growth. Specifically, in the two southern states where we are focusing our efforts in decorative paints, we have achieved both a significant increase in market share and profitability. Our high brand recognition is a key advantage, making autonomous and sustainable growth possible. Therefore, we determined that it is the right decision to buy them back now, before their earnings increase further and the repurchase price becomes higher.

On the other hand, the European automotive business is still undergoing revitalization and is therefore not included in the scope of the buyback at this time.

Q Two years have passed since the businesses were transferred to Wuthelam Group. Although there have been notable improvements in business performance in the short term, can we confidently assert that the India businesses will consistently deliver robust and sustainable performance in the long term?"

A The successful restructuring of the India businesses over the past two years has led to sustainable profit growth. As we look ahead at our future business plans, we believe that no additional capital injection will be necessary; the businesses can generate the required

funds for production capacity expansion and advertising to sustain their growth. Additionally, they have an excellent local management team. By making adequate investments in promotion and other necessary areas, initially focusing on the two southern states, we believe we can outpace our competitors. To ensure confidence in our strategy, we currently have no plans to expand into the third and fourth states, but we are always considering future possibilities.

Q Do you anticipate that local competitors will respond to our market share expansion with large-scale campaigns?

A Major competitors have already launched aggressive campaigns, and the entrance of newcomers from non-paint sectors has intensified market competition. However, we are executing various strategies based on comprehensive competitor analysis to seize market share from these major players.

Q When is the buyback of the European automotive business expected to occur?

A The European automotive business has not yet completed its performance improvement, even after two years. Factors such as the conflict in Ukraine, a sluggish European economy, and operational issues (given our role as the business operator entrusted by Wuthelam Group) have contributed to this delay. We have been managing the European automotive business with almost monthly performance reviews. We will consider a repurchase when



Toshio Morohoshi
Independent Director

the business reaches the break-even point and we are confident that sustainable profitability is achievable.

Q Will related-party transactions with the parent company likely continue in the future?

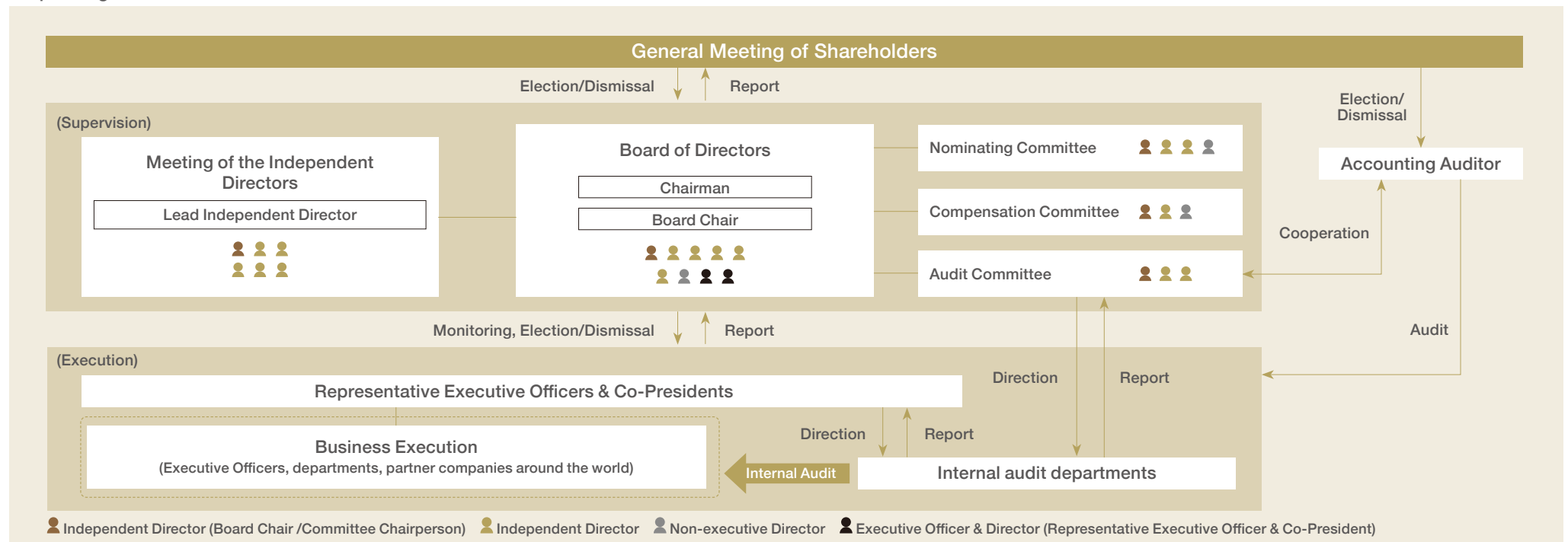
A In our current business portfolio, each partner company is capable of achieving autonomous and sustained growth. Therefore, we believe the likelihood of resorting to such options, aside from these three underperforming businesses, is quite low.

Corporate Governance

Approach to governance reform (roadmap)

	2023	2024	-2026
Board of Directors governance	<ul style="list-style-type: none"> • Further streamlined the Board of Directors operations (careful selection of agenda items, thorough use of IT tools and others) • Further increased contributions by Independent Directors (use of the Meeting of Independent Directors) • Enhanced succession plan (monitoring the status of measures to strengthen the Group's human capital) 	<ul style="list-style-type: none"> • Enrichment of discussion on growth strategy • Improvement of the operational efficiency of Board meetings • Thorough engagement in succession planning • Further fine tuning of the "Audit on Audit" framework 	<ul style="list-style-type: none"> • Further sophistication of growth strategy discussions • Enhance and implement succession plans
Execution governance	<ul style="list-style-type: none"> • Improved effectiveness of Risk Management through CSA List • Firmly establishing and increasing the effectiveness of the whistleblowing hotline at each partner company group (Nippon Paint Group companies grouped by region or business, "PCG") • Overlooked stakeholder needs and activities of the Sustainability Teams, proposed and established an Anti-Bribery and Corruption/Anti-Money Laundering Statement to the Board of Directors 	<ul style="list-style-type: none"> • Proactive improvement tailored to the situation of each PCG through voluntary self-inspections by CSA List • Operating and enhancing the effectiveness of internal reporting channels tailored to the situation of each PCG • Strengthening collaboration within the Sustainability Team to respond to changes in social demands such as "human capital" and others 	<ul style="list-style-type: none"> • Verify effectiveness and refine the risk management system and internal reporting channels • Upgrading the governance framework (including compliance and risk management) to respond to changes in social demand

Corporate governance structure



Corporate Governance

Analysis and assessment of the effectiveness of the Board of Directors

<p>Issues that required stronger initiatives in FY2023</p>	<p>1) Upgrading operation of the Board of Directors</p> <p>Streamline the operation of the Board of Directors meetings to increase the percentage of time spent on agenda items involving strategies, thereby upgrading the quality of the Board's discussions</p>	<p>2) Contributions of Independent Directors</p> <p>Each Independent Director to keep abreast of emerging issues and pose constructive and specific questions to the management team, thereby catalyzing substantial discussions</p>	<p>3) Engagement in succession planning</p> <p>Systematically discuss succession plans for the management team and Independent Directors and consider the optimal Board composition</p>										
<p>Main initiatives in FY2023</p>	<p>Carefully select agenda items and allocate them in a well-planned manner throughout the year</p> <p>→Increase the proportion of discussions on medium- and long-term strategy and other prioritized items to improve the quality of the Board discussions</p> <p>*The growth strategy discussion for 2023 doubled from 2022.</p> <p>Percentage of time spent at BOD meetings by agenda item</p> <table border="1"> <tr> <td>2023</td> <td>46%</td> <td>37%</td> <td>6%</td> <td>11%</td> </tr> <tr> <td>2022</td> <td>23%</td> <td>38%</td> <td>10%</td> <td>29%</td> </tr> </table> <p>■ Growth strategy ■ Executive report (including Financial result) ■ Committees report ■ Development of governance</p>	2023	46%	37%	6%	11%	2022	23%	38%	10%	29%	<p>Regularly convene the Meeting of the Independent Directors</p> <p>Maintain close communication even outside the Board Meeting</p> <p>→Facilitated effective information sharing and exchange of ideas among Independent Directors with diverse knowledge and insights, contributing to high-quality discussions and decision-making at the Board of Directors meetings, thereby aiding in the pursuit of MSV</p>	<p>Grasp the status of the Group's human capital through reports and evaluations provided by Co-Presidents, expanding opportunities for communication with key management personnel</p> <p>→Based on these, continued monitoring the performance and evaluation of Co-Presidents and other key management personnel</p> <p>Discussed the contribution of individual Independent Directors and the suitable composition of the Board through the effectiveness assessment of the Board of Directors and other instances</p> <p>→Maintained the optimal composition of the Board of Directors</p>
2023	46%	37%	6%	11%									
2022	23%	38%	10%	29%									

<p>Guidelines for conducting FY2023 evaluation</p> <p>Evaluation target All Directors in FY2023: 9 Managing Executive Officer, General Council (GC): 1</p> <p>Method Under the guidance of the Board Chair and the Nominating Committee Chairperson, the effectiveness assessment of the Board of Directors was performed through repeated Board discussions based on the survey results. Obtaining third-party assessment as necessary will remain an option.</p> <p>Survey questionnaires Composition of the Board of Directors, preparation and operation, quality of deliberation, contribution of Directors, monitoring of execution, composition and operation of each committee and other matters</p> <p>Evaluation process Step 1: Distribute questionnaires to Directors and an Executive Officer Step 2: Summarize and analyze the survey results Step 3: Perform the effectiveness assessment at the Board of Directors meeting</p>	<p>Overview of FY2023 evaluation results The Board of Directors has concluded that the Board was generally effective in FY2023.</p> <p>Summary of assessment</p> <ul style="list-style-type: none"> Both Directors and the execution side have strengthened their mutual understanding of critical agenda items, further embedding our management policy of pursuing MSV as our sole mission. While Independent Directors make up the majority of the Board, ensuring diversity among members and fostering effective communication has further invigorated discussions at the Board of Directors meeting. All Directors engage in active discussions by leveraging their diverse knowledge from the perspective of supporting the management team. 	<p>Issues that require stronger initiatives in FY2024</p> <ol style="list-style-type: none"> Enrichment of discussion on growth strategy Increase opportunities for and enrich the discussions on medium- to long-term management strategies, to further contribute to MSV Improvement of the operational efficiency of Board meetings Dedicate further efforts to improve Board operation, to facilitate more sophisticated discussions Thorough engagement in succession planning Review and draw up plans to identify and develop talent for the future management team Further fine tuning of the "Audit on Audit" framework Modify the audit framework of the pure holding company to better suit our Asset Assembler model
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» For the analysis and assessment of the effectiveness of the Board of Directors from 2022 and earlier, please refer to the "Effectiveness evaluation (for previous years)" section on our website.

Corporate Governance

Nominating Committee Report



Hisashi Hara

Independent Director
Nominating Committee Chairperson

Nominating the ideal leader for a turbulent business environment

The Nominating Committee is dedicated to establishing and maintaining the most effective execution and oversight structures essential for achieving MSV. A primary responsibility is identifying and nominating the Representative Executive Officer & President, who is the key figure in executing our growth strategy. In 2020, we nominated a new President, highly qualified to strengthen our governance structure as we transitioned to a Company with Three Committees. This move was also aimed at driving global business growth through the complete integration of our Asian joint ventures and the acquisition of our Indonesia business. In 2021, shortly after the President announced his intention to resign, we swiftly adopted a Co-President structure within approximately a month. This decision was made to better position our Group for further progress through strategic mergers and acquisitions, while also leveraging our existing business foundation to drive organic growth.

In a turbulent business environment, we continuously evaluate future strategies and the ideal leader profile that will contribute to MSV. This approach ensures that we can promptly and flexibly nominate the

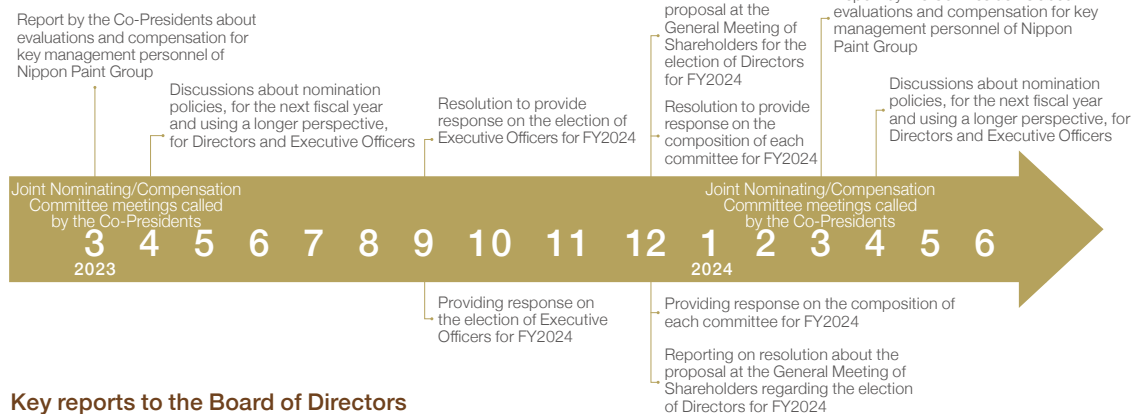
most suitable candidates for various situations, including unforeseen risk events. For next-generation leaders, we prioritize discovering exceptional talent through our growing internal and external networks, rather than relying solely on uniform selection criteria or pre-established development paths. In partnership with the Compensation Committee, we closely assess whether our current Co-Presidents, other key management personnel, and next-generation leaders can be trusted as senior executives for driving our strategies. This evaluation involves thorough communication and a deep understanding of their overall managerial capabilities and personalities.

Following this approach, we consistently evaluate and nominate Directors responsible for overseeing the execution of duties and promoting bold decision-making by our leaders through appropriate guidance. Looking ahead, the Nominating Committee will continue to uphold its responsibility toward achieving MSV by nominating the most suitable candidates, based on a thorough assessment of our Group's strategies and the broader business environment.

Overview and main activities

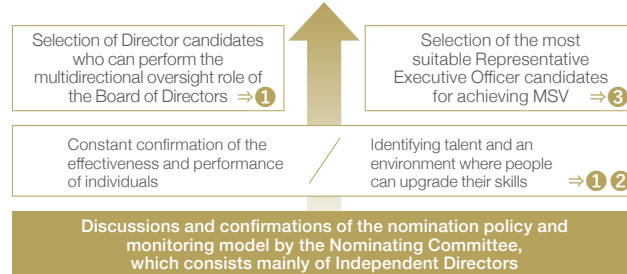
Chairperson	Hisashi Hara (Independent Director)	Number of meetings	FY2023 (late March 2023 to mid-March 2024) 5 FY2024 (late March 2024 to end of June 2024) 2
Committee members	<ul style="list-style-type: none"> 1 Non-Executive Director 3 Independent Director 	Main activities	The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2024 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2024.
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, appointment and dismissal of the Representative Executive Officer and President and other Executive Officers, and submission of opinions about the succession plan and other proposals.		

Main activities



Corporate Governance

Contribution to MSV



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

The members of the Board of Directors and Nominating, Compensation and Audit committees cover a suitable range of backgrounds for consistently performing the effective oversight of NPHD in a business climate that is constantly changing. The Nominating Committee emphasizes seven categories of experience and skills (see table below) that Directors require. NPHD pursues MSV under Asset Assembler model. Consequently, the Nominating Committee places emphasis on selecting Director candidates who have corporate management experience along with experience involving global business operations and M&A.

The Nominating Committee continuously monitors the comprehensive performance of the Board of Directors as a team based on contributions of individual Directors and mutual trust among the Directors. Committee members also

refer to results of the annual assessment of the Board effectiveness and other information. This process is used for constant examinations concerning the best candidates and Board composition for achieving MSV. In FY2020, NPHD transitioned to the Company with Three Committees structure. Since then, Independent Directors have been a majority of the Board, and we have maintained a highly diverse Board of Directors capable of submitting a broad range of advice and holding thorough discussions. As a result, NPHD has a highly effective Board of Directors capable of performing its oversight role from many perspectives for the achievement of MSV.

Composition of the Board of Directors

FY	Number of Directors	Independent Directors	Foreign nationals/Live outside Japan	Corporate management experience	Global business experience	M&A experience
FY2020	9	67%	22%	100%	89%	100%
FY2021	9	67%	22%	100%	89%	100%
FY2022	11	73%	45%	100%	100%	100%
FY2023	9	67%	56%	100%	100%	100%
FY2024	9	67%	56%	100%	100%	100%

2 Identifying future management talent and an environment where people can upgrade their skills

We do not use a single approach for the recruitment and development of future management talent amid the globalization of operations and drastic changes in the business environment. Instead, we maintain an environment

for finding and training talented people that respects the autonomy of every PCG based on mutual trust between the Co-Presidents and heads of the PCGs.

The Nominating Committee uses reports from the Co-Presidents to monitor on a regular basis the status and evaluations of the Group's human capital. Committee members also work closely with the Compensation Committee and meeting of Independent Directors, communicate with key management personnel, and strengthen the network of connections with external experts in various fields. The continuous use of these activities enables the Nominating Committee to play a role in strengthening the Group's human capital and making appropriate decisions about appointment and dismissal.

3 Our approach concerning the nomination of candidates for Representative Executive Officer

As stated in the Corporate Governance Policy, the standard for selections of Representative Executive Officers is a wealth of corporate management experience and achievement to play a key role in accomplishment of sustained growth of the Group and medium- to long-term MSV. Furthermore, these individuals must have the outstanding skills required to be a Representative Executive Officer. This standard applies to all individuals regardless of nationality, gender, and position at Group company in Japan or another country.

Based on these guidelines, the Nominating Committee focuses on making timely selections of the most suitable leaders for implementing strategies for MSV in a rapidly changing business and social environment. To accomplish this goal, we need to do more than simply use the same succession plan and other guidelines for the planned recruitment and development of executives. This is why we work closely with the Compensation Committee and meeting of Independent Directors for constant discussions and examinations. The results of this process are the basis for our input to the Board of Directors concerning appointment and dismissal of Representative Executive Officers.

Required experience and skills for the Board of Directors

1 Experience in corporate management	The ability to perform oversight and give advice concerning a broad range of matters involving management, extending from determining business strategies to their implementation
2 Experience in global business operations	The ability to perform oversight and give advice concerning the businesses of Nippon Paint Group, which operates worldwide, taking into consideration the diversity of business climates and the different economic conditions and cultures of regions and countries.
3 Experience in M&A	The ability to perform oversight and give advice concerning the suitability of M&A deals that Nippon Paint is pursuing and progress during the post-merger integration process
4 Finance	The ability to perform oversight and give advice concerning capital allocations and other financial activities of NPHD
5 Legal Affairs	The ability to perform oversight and give advice concerning regulations involving operations, GRC (governance, risk management, compliance), and internal controls
6 IT/Digital	The ability to perform oversight and give advice concerning the use of IT and the digital transformation for the improvement of operations and creation of new business models
7 Manufacturing/Technology/R&D	The ability to perform oversight and give advice concerning creation of new technologies through R&D by making use of knowledge of technology related to manufacturing operations and the businesses of Nippon Paint Group

Items constantly discussed and examined concerning selections of Representative Executive Officer candidates

- Suitable individuals and frameworks for the implementation of medium- to long-term growth strategies for MSV
- Comprehensive evaluations of the performance of current Representative Executive Officers
- Constant monitoring of Group management talent
- Exchanges of information about talent outside the Group by using internal and external networks of personal connections

Corporate Governance

Compensation Committee Report



Lim Hwee Hua

Independent Director
Compensation Committee Chairperson

Compensation designed to maximize Co-Presidents' motivation to propel their pursuit of MSV

The Compensation Committee is committed to attracting and retaining outstanding talent through appropriate compensation schemes and succession planning. Ultimately, we seek to maximize shareholder value.

Specifically, designing the most appropriate compensation schemes for the Co-Presidents, who are crucial to executing our company's growth strategy, is extremely important. We view maximizing the Co-Presidents' motivation to attain MSV as fundamentally linked to value sharing with shareholders. To achieve this, it is essential to provide compensation that encourages the Co-Presidents to drive our Asset Assembler model forward and take appropriate risks without missing opportunities. Based on extensive deliberation, we have decided to simplify the Co-Presidents' compensation as much as possible and make it entirely in cash.

We have been working in collaboration with the Nominating Committee and maintained continuous communication with the Co-Presidents while evaluating their performance from multiple perspectives. We have confirmed that they view this as an appropriate

assessment and demonstrate stronger leadership towards achieving MSV. Indeed, our Group has achieved strong growth compared to competing companies since their appointment*. Considering the bold decision-making and successful implementation of initiatives that contribute to the improvement of medium- to long-term EPS and PER, we have determined that the current Co-Presidents' compensation is conducive to the pursuit of MSV.

At the same time, we strive to ensure the appropriateness of compensation schemes for Non-Executive Directors. We focus on determining compensation that stimulates their maximum contributions to both the executive and oversight roles while constantly seeking ways to enable value sharing with our shareholders.

The Compensation Committee will continue to engage in sincere deliberations, taking into account the analysis based on compensation benchmarking and other metrics, and strive to make optimal compensation decisions that ultimately contribute to the achievement of MSV.

»» P84 Evaluation of the performance of Co-Presidents

Overview and main activities

Chairperson Lim Hwee Hua
(Independent Director)

Number of meetings FY2023
(late March 2023 to mid-March 2024) 7
FY2024
(late March 2024 to end of June 2024) 2

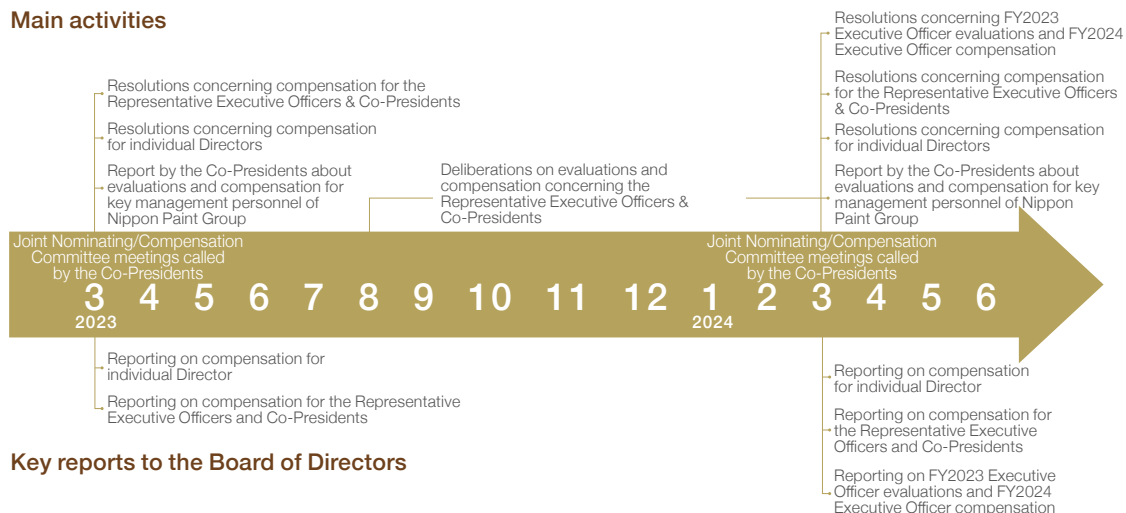
Committee members



Main activities The Compensation Committee approved resolutions concerning 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

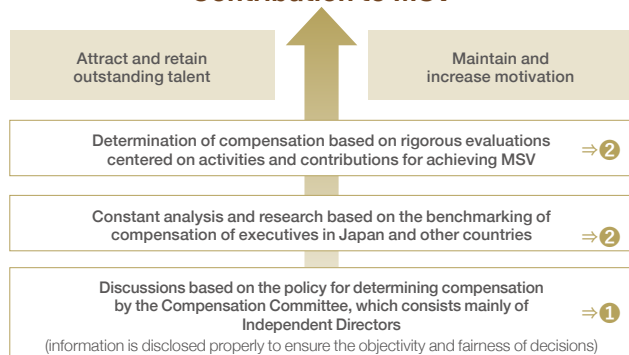
Main activities



Key reports to the Board of Directors

Corporate Governance

Contribution to MSV



1 Policy for determining compensation for Executives

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.

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also monitors decisions about the compensation of key management personnel of partner companies 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.

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

Based on the premise of protecting the interests of minority shareholders, the Compensation Committee performs rigorous evaluations of compensation for the Representative Executive Officers & Co-Presidents with emphasis on their activities and contributions to achieve MSV. At the same time, the committee is working to create compensation that will serve as motivation for

even more actions to achieve MSV. Specifically, the committee comprehensively evaluates the Co-Presidents' performance in the previous year, including a comparison with our competitors, to determine the total compensation for the next year. Then the committee determines the composition, including cash, stock and other forms of compensation.

Key evaluation items for the comprehensive evaluation

- "Maximizing EPS and PER" for achieving MSV
- Improvement of profitability of businesses in Japan and other countries
- Progress with the M&A strategy
- Improvement of position in the capital market
- Strengthening risk management in the Nippon Paint Group
- Transformation of the corporate culture
- Transformation of the management structure
- Strengthening the governance structure and the internal control system

Data and key items for continuous consideration for compensation determination

- The compensation of presidents at competing companies and other large companies in Japan
- Compensation and composition of compensation in the individual's home country and continuity with prior compensation
- Compensation and composition that maintain motivation for achieving MSV and provide effective incentives

Composition of executive compensation

<p>Compensation for Directors Directors who do not concurrently serve as an Executive Officer (Independent Directors)</p> <p>Image of basic composition</p> <p>LTI 1 BS 2</p> <p>Compensation for the Representative Executive Officers & Co-Presidents</p> <p>Image of basic composition</p> <table border="1"> <tr> <td>Co-President Wakatsuki</td> <td>2023</td> <td>2024</td> </tr> <tr> <td>Co-President Wee</td> <td>2023</td> <td>2024</td> </tr> </table>	Co-President Wakatsuki	2023	2024	Co-President Wee	2023	2024	<p>Fixed compensation</p> <p>Variable compensation</p> <p>All compensation is variable</p>	<p>• Job-based compensation (BS) Compensation is set at levels that can attract and retain management talent with the skills required to monitor 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.</p> <p>• 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.</p> <p>• Long-term incentives (LTI) Directors monitor 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. The Malus Clawback Clause is used for the medium- to long-term soundness of long-term incentives.</p> <p>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.</p>
Co-President Wakatsuki	2023	2024						
Co-President Wee	2023	2024						

Evaluation of the performance of Co-Presidents

Compound annual growth rate¹

	2022 to 2023		2020 to 2023	
	Revenue	EPS	Revenue	EPS
NPHD	+10.2%	+49.2%	+22.7%	+22.6%
Competitor median ²	+4.1%	+18.6%	+7.9%	+8.0%

PER³

	Last twelve months	Next twelve months
NPHD	22.8x	21.1x
Competitor median ²	31.2x	17.8x

¹ For compound annual growth rate calculated based on each company's indicated currencies

² Median of the six largest paint companies based on global sales (excluding our company, ranked 4th)

³ Source: FactSet (as of December 29, 2023)

Corporate Governance

Audit Committee Report

Addressing potential risks in our business model and enhancing the “Audit on Audit” system



Masataka Mitsuhashi

Independent Director
Audit Committee Chairperson

The Audit Committee audits and monitors the execution of duties by the Executive Officers, while simultaneously supporting the Group in achieving MSV.

In our business model, where corporate acquisitions are vital as an Asset Assembler, it is crucial to consider the potential impairment risks associated with the goodwill of the companies we acquire. Therefore, proper monitoring of these risks is a key focus for the Audit Committee. For ongoing M&A, we discuss and confirm that the financial assumption of the target company presented at the Board Meeting is appropriate and that we do not foresee any environment issues nor litigation risks that can give rise to material losses. We also monitor the post-acquisition status and, for instance, regarding Cromology in Europe, acquired by DuluxGroup in 2022, the Audit Committee has diligently worked to detect any signs of impairment. This has been achieved through careful scrutiny of estimated future cash flow and the rationality of discount rates related to goodwill valuation by interviewing the Co-Presidents and the management of DuluxGroup as well as by exchanging information with the Accounting Auditor. Furthermore, in 2022, our Company allocated 13.4 billion yen as a provision for

accounts receivable from Chinese real estate developers. The Audit Committee has meticulously verified through interviews with the Co-Presidents and local management that effective measures are being implemented. We have concluded that necessary actions, such as modifying previous business practices and minimizing the collection period, have been adopted to mitigate the risk of recurrence. The Audit Committee will continue to focus on these areas in 2024.

Alongside addressing individual cases and incidents, the Audit Committee is steadily upgrading organizational auditing through the “Audit on Audit” system. This approach is based on internal auditing within PCGs and self-evaluation via Control Self-Assessment (CSA). In 2023, we shared best practices concerning audit planning processes of our internal audits and broadened the scope of assessment items related to cybersecurity risks within our CSA. These initiatives are grounded in active discussions at the Group Audit Committee (GAC) meeting, a forum where those who are responsible for the PCG’s internal audit convene. We will continue to evolve the “Audit on Audit” system through effectively utilizing the GAC.

Overview and main activities

Chairperson	Masataka Mitsuhashi (Independent Director)	Number of meetings	FY2023 (late March 2023 to mid-March 2024) 8 FY2024 (late March 2024 to end of June 2024) 2
Committee members	<p>● Independent Director</p>	Main activities	<ul style="list-style-type: none"> 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) and held theme-based discussions at GACs
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	

Main activities



Key reports to the Board of Directors

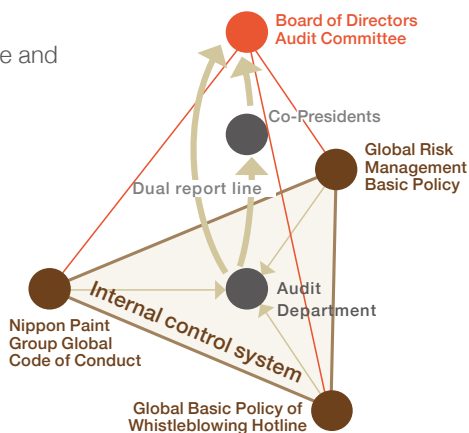
Corporate Governance

Monitoring of the internal control system by the Audit Committee and Audit Department

The Group audit system based on “Audit on Audit” is premised on the assurance by PCG’s internal audit department of the effectiveness of the autonomous internal control system operated by PCG. Our Basic Policy on Internal Control System is anchored by three core elements: Nippon Paint Group Global Code of Conduct, Global Risk Management Basic Policy, and Global Basic Policy of Whistleblowing Hotline. By ensuring that each PCG properly manages its internal control system in the realms of governance, risk management, and compliance, we have in place an effective internal control system across the entire Group.

The Audit Committee, which is responsible for overseeing the proper operation and functional effectiveness of these frameworks, obtains information from the Audit Department about the results of PCG internal audits and important PCG meetings. Additionally, the Audit Committee directly gathers information from members related to the internal audit departments across the major PCGs at the GAC meeting held twice a year. These processes enable the Audit Committee to evaluate the effectiveness of the

governance structure and the internal control system throughout the organization. Furthermore, the Audit Committee receives reports on the operation status of the internal control system from the Co-Presidents at



the Board of Directors meeting once a year. The Audit Department ensures its independence from execution by establishing a dual report line to the Audit Committee and the Co-Presidents. This structure allows the Audit Department to impartially monitor the operation status of the internal control system, and subsequently report its findings to the Audit Committee.

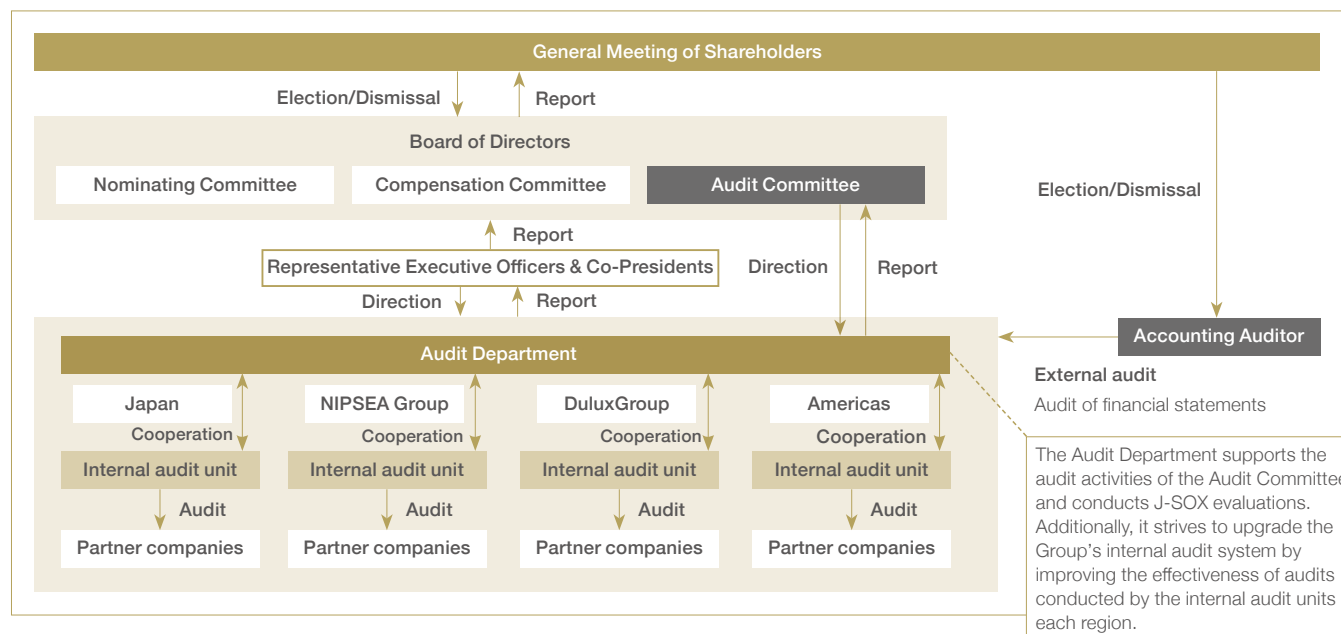
Enhancing the effectiveness of the group-level internal audit by the Audit Department

In fulfilling its role of supporting the activities of the Audit Committee, the Audit Department collects, analyzes and reports information regarding the audit activities conducted by the internal audit units of each PCG, results of the

J-SOX evaluations, and the critical group-level monitoring themes as determined by the Audit Committee.

Meanwhile, with a view to advancing the “Audit on Audit” system, the Audit Department is striving to elevate the audit level and improve the risk recognition within the Group by sharing each PCG’s audit methods and risk assessment results at the GAC meeting convened twice a year. In FY2023, the Audit Department implemented measures to respond to environment changes, such as adding questions about IT governance and cybersecurity risks to the risk assessment evaluation (CSA) conducted annually by the executive side. This effort is part of their commitment to enhancing the effectiveness of the group-level internal audits and risk management.

“Audit on Audit” Group audit system



Governance Discussions



Goh Hup Jin
Chairman
(Managing Director,
Wuthelam Holdings Ltd.)

Toward Corporate Governance in Pursuit of MSV



Masayoshi Nakamura
Lead Independent Director
and Board Chair

Looking back at the governance reforms

Nakamura Mr. Goh, among the members of the Board, you have by far the longest association with Nippon Paint. When did your involvement with the Company begin?

Goh My initial association goes back to 1979. I briefly worked at an instant noodle company Nippon Paint* used to operate in California as part of its business diversification efforts. The Vietnam War ended in 1975, and political unease was prevalent everywhere. Shortly after, I became involved in Wuthelam Group's paint JVs with Nippon Paint (the NIPSEA business) and saw clear prospects in these operations. It must have been a few

* Nippon Paint Co., Ltd. renamed Nippon Paint Holdings Co., Ltd. ("NPHD") upon adopting a holding company structure in 2014.

In the past three Integrated Reports, we have covered the evolution of our corporate governance in the format of a talk session between the Board Chair and the Chairperson of the Nominating Committee (2021), the Compensation Committee (2022), and the Audit Committee (2023).

Our Board comprises the Co-Presidents representing the management, the majority shareholder Wuthelam Group (58.7% ownership of the Company), and Independent Directors accounting for 67% of the Board composition. The Board has sought to build the current governance structure around its shared common value—Maximization of Shareholder Value (MSV), which is the sole mission of Nippon Paint Group and the compass for the Board's decision-making.

In the latest integrated report, Lead Independent Director Nakamura (Board Chair) discusses the evolution of our corporate governance with Chairman Goh, also representing the Wuthelam Group, and explores the essence of our governance.

years later, around 1982, when I came to firmly believe that Wuthelam should just focus on its paint business. At the time, we ran a variety of businesses, including real estate; paint was only one of our many endeavors, and it was barely profitable. While continuing to advocate Wuthelam's consolidation into just the paint business, I led our entry into the paint market in China from 1992. Then, in the aftermath of the Asian financial crisis in 1997, I finally managed to consolidate Wuthelam's operations into just paint.

Nakamura So you have a 45-year relationship with Nippon Paint. I understand the success of the paint business in China prompted Nippon Paint to wish to gain a majority interest in NIPSEA, raising its stake in the paint JVs from 40% to 51%. In turn, the Wuthelam Group came to hold 39% of NPHD in 2014, and you joined the NPHD Board as Director.

Governance Discussions

At the time, the concept of corporate governance as understood in, e.g., the US was still very new to the Japanese market, and ideas like “a publicly traded company belongs to the shareholders” or “a company must ensure shareholders of the transparency and fairness of its decision-making” were widely accepted.

Goh I personally think that, when it comes to a publicly traded company, the concept of the company “belonging to somebody” is meaningless. Shareholders are only one of the company’s many stakeholders, each with specific rights of its own. That being said, among shareholders’ rights also lies the right to unlimited value.

Nakamura That is indeed the fundamental premise of MSV. Going back to 2014, what was Nippon Paint’s Board like then?

Goh In those days, Nippon Paint’s Board was essentially its management team. In that sense, there was less awareness that the Board represented the shareholders’ interests. A few years down the road, Nippon Paint began attempting to expand overseas on its own through M&A. It considered many acquisitions, aspiring in all cases to establish a global presence in a certain business segment. Attention was barely paid to the deals’ impact on EPS and other financial aspects. For companies looking to globalize, generating shareholder value was not necessarily the purpose of acquisitions back then, and Nippon Paint was no exception. I personally believed that MSV was the sole mission of a publicly traded company, so our approaches toward governance should be different.

Nakamura I understand that was the background of Wuthelam Group’s shareholder proposal in 2018. Wuthelam’s business investments at the time were 39% of NPHD, 49% of the

NIPSEA business, and 100% of PT Nipsea (paint business in Indonesia). As an investor seeking to maximize the value of these assets, Wuthelam saw the need for corporate governance reform at Nippon Paint, in light of the future integration of the Asian businesses as well.

Goh Exactly. I took the conventional investor’s notion of “pursuing profits” and came up with MSV as an underlying principle for corporate governance at a publicly traded company. At the time, I made a shareholder proposal to elect five Independent Directors who were fully in support of MSV. These Independent Directors filled half of NPHD’s Board and I became the Chairman. In 2019, the Company made several acquisitions, focusing on EPS accretion for MSV.

In 2020, NPHD changed its governance structure to a company with three committees. At the beginning of 2021, it acquired Wuthelam’s 49% stake in NIPSEA, along with the PT Nipsea business, thereby obtaining 100% ownership of the Asian businesses. Wuthelam Group’s stake in NPHD rose to 58.7% as a result, but the intrinsic conflict of interest that had existed between NPHD and Wuthelam was thus resolved.

Chairman’s role under the new governance structure

Nakamura Yes. I recall the Board members made sure that every Board resolution pertaining to that transaction was aligned with MSV. NPHD had long aspired to own 100% of the Asian businesses, but the transaction was not simple because it entailed a conflict of interest with Wuthelam being both the seller and NPHD’s shareholder. The Board established a special committee and made careful deliberations, which eventually led to the Board approval

and execution of a deal that contributed to EPS accretion and MSV.

Also in 2021, NPHD introduced the current Co-President structure. Here again, the Board was able to act promptly toward MSV, based on the Nominating Committee deliberations. Changing the executive structure was a tough decision, but our governance worked well throughout the process. Since their appointment, the Co-Presidents have been advocating Asset Assembler model in pursuit of MSV, and have been working hard to raise the Company’s EPS and improve the P/E ratio.

Goh Yes, they have. On my part, as the representative of majority shareholder Wuthelam Group and a Director of NPHD, I have forged MSV as the Company’s sole mission and am working to keep this concept fresh and alive in our people’s minds. I also evaluate strategies and directions from a bird’s-eye view. I offer ideas on multiple fronts, for instance, in the formulation of strategies for existing businesses as well as acquisitions, development of financing models and tactics, discovery and management of senior talents, and identification and analysis of potential risks. However, I leave the actual implementation to the management team while I just monitor and advise. Separately, since I have been involved in the paint business for many years and have long-standing relations with numerous global players, I am often approached directly with potential acquisition opportunities for NPHD.

Nakamura You know the history of Nippon Paint well and have an in-depth understanding of its businesses. You also have the longest and deepest association with the global paint business and are well-networked in the global chemical manufacturing fields. So, based on your experience and expertise, you offer your insights to the management and the Board, but you never impose or command. That is your approach.

Governance Discussions



The maximization of minority shareholders' interests is crucial to the pursuit of MSV.

Goh Correct. Although I am the Chairman of NPHD, I am only one of the several Directors and have no authority to make decisions on my own. However, I do monitor the situation. For any future acquisitions that could contribute to MSV, I hope to stay abreast of all stages from target selection through financing and deal execution. Post-acquisition, I will also firmly monitor aspects like compensation so that the management of the acquired companies can remain motivated. Especially in situations where NPHD is contemplating an acquisition to enter new markets and domains, I will be even more intimately involved. In my capacity as a member of the Nominating and Compensation Committees, I will also continue to help with the succession planning and motivation of the current executive team.

Toward further pursuit of MSV

Nakamura In effect, Co-Presidents Wakatsuki and Wee share the roles of CEO, COO, and CFO between the two of them. Since becoming Co-Presidents in the spring of

2021, they have advocated Asset Assembler model, which is a two-pronged approach aimed at EPS accretion. The first of the two is EPS growth from the existing businesses through autonomous and decentralized management predicated on mutual trust and accountability. The second is EPS compounding through acquisitions of inexpensive but high-quality assets using low-cost funding. The Co-Presidents have been open to considering any region, business domain, or size of the acquisition target, as long as the transaction ensured NPHD's inorganic growth.

By the way, since 2018, the Company has conducted many acquisitions, which were all funded through bank borrowings. However, if we are to contemplate large acquisitions moving forward, a more flexible fund-raising scheme—perhaps a combination of capital market financing and bank loans—may be called for. Can you share your thoughts on this from the standpoint of the majority shareholder Wuthelam Group?

Goh I have touched upon this topic several times at our Board's brainstorming sessions. Let me emphasize the shared notion of our Board members once again: the most important underlying principle of NPHD's corporate

governance is MSV. If an acquisition opportunity that requires flexible fund-raising (combining debt and equity financing) surfaces down the road, as the Company's majority shareholder, Wuthelam will strongly support it as long as the transaction contributes to MSV, which is NPHD's sole mission. I have no qualms about the dilution of Wuthelam's stake due to stock issuance, provided it is overall the way towards shareholder value maximization. In fact, I would welcome it. Needless to say, it is of paramount importance to gain the support of all our shareholders if NPHD were to raise capital through stock issuance. The maximization of minority shareholders' interests is crucial to the pursuit of MSV.

Nakamura On another topic, in 2021, Wuthelam Group acquired NPHD's automotive business in Europe and two India businesses (NPI and BNPI). These businesses had performed poorly, and our Board at the time exchanged tough opinions on their positioning within the organization. Would you give us some background on this transaction?

Goh The automotive business in Europe was originally called Bollig & Kemper (B&K). Nippon Paint contributed capital to B&K in 2013 and later made it a wholly owned subsidiary. The partnership between Nippon Paint and B&K began in 2008, with the establishment of a sales company handling automotive coatings in Shanghai, China. The two companies worked together to expand sales to the local subsidiaries of European automakers. From 2013, after Nippon Paint's minority investment, B&K revamped its R&D, production, and sales systems to boost its access to the operations of European automakers in both China and Europe in a bid to further expand the sales channels. Unfortunately, it was unable to establish a significant presence in the fiercely competitive European market. In China, though, it gained a foothold in Chinese and European automakers, which meant that the company

Governance Discussions

was strategically indispensable for the global operation of NPHD's automotive business. In the case of the automotive JV (BNPA) with Berger Paints in India, since its inception, the JV had little drive to generate profits on its own; NPHD needed to fundamentally rebuild its relationship with the JV partner and customers. Meanwhile, to propel material growth of NPI, which primarily operates in the decorative paints and automotive refinish businesses in India, bold sales promotion measures to capture greater market share were imperative.

Nakamura Following the transition to a Co-President structure in 2021, the Co-Presidents reevaluated all the businesses of NPHD from a fresh perspective, and concluded that, for NPHD to pursue MSV, daring measures had to be administered to the three businesses under question. At the same time, the Co-Presidents explained that these measures posed financial risks that were beyond what general shareholders of a publicly traded company should bear.

Goh As the representative of Wuthelam Group, I judged that the measures proposed by the Co-Presidents made sense in the context of MSV, and decided to have Wuthelam take on the risk. I knew the background, understood the high risk and difficulty involved, but was also fully aware of the strategic importance. Once we moved on to the execution phase, I did not participate in NPHD's Board deliberations and resolutions because there was a conflict of interest between NPHD and Wuthelam, the majority shareholder.

Nakamura Yes. You did not take part in the Board discussions concerning these transactions. The pricing and other details were first reviewed by a special committee that included third-party experts, and were

We actively exchange opinions based on our experiences and expertise, and seek to continuously fine-tune the concept of MSV.

then passed on to the Board for deliberations and resolutions. By the second half of 2023, the high-risk measures bore fruit. NPHD saw that the initial targets for the automotive JV and the decorative business in India were cleared, and the financial risks were reduced to a level safe enough for general shareholders to bear. For these reasons, the Board approved the buyback of interests in the two Indian businesses.

The implementation of the overall strategy—namely the mitigation of financial risks through support of the majority shareholder—was only possible because NPHD shared a common value (MSV) with Wuthelam that has in-depth knowledge of the Company's businesses. We should also note that, in the deal execution phase, the Independent Directors stringently monitored both the management and the majority shareholder, along with the relevance of the deal content, so that the interests of minority shareholders were not compromised.

Goh The automotive business in Europe is also making some headway under the new leadership, but it is still early to determine whether bringing the business back under the umbrella of NPHD would actually contribute to MSV. As I mentioned earlier, the protection of minority

shareholders' interests is a matter of top priority for us, especially if we are to consider future financing from the capital markets. In that sense, I truly respect the discipline the Independent Directors have demonstrated; their independence, diverse experience, and insights are of great value to both NPHD and Wuthelam.

Takeaway from the talk session

Nakamura "Governance is not all that complex" is my takeaway from listening to you today. The optimal governance for NPHD will be established and maintained naturally, if we stay true to our sole mission of MSV. In practice, whenever we engage in Board deliberations and resolutions, the NPHD Directors question whether the proposals are truly aligned with MSV. In other words, we actively exchange opinions based on our experiences and expertise, and seek to continuously fine-tune the concept of MSV.

It was also very reassuring to hear Wuthelam Group's strong commitment to NPHD as an investor. Thank you for your time.



Risk Management

As Asset Assembler based on mutual trust with all PCGs, the Company has a risk management system in place that has, as its core components, the internal control systems operated autonomously by every PCG.

Our approach to internal control

Sound risk management is the premise for the pursuit of MSV. We closely monitor changes in society and the needs of stakeholders to reexamine and update the internal control system in an appropriate and timely manner.

The internal control system, which was revamped in 2022, is in its second year of implementation and has been gradually integrated in each PCG.

The paint and adjacencies businesses of every PCG have strong regional characteristics, which make these businesses ideally suited for the autonomous management of business operations along with local production for local

consumption. We essentially give each head of PCG the authority to conduct business operations and responsibility for operating the internal control system. The heads of PCGs identify and respond to risks specific to their businesses, and our Co-Presidents oversee the Group's operations through evaluation and appointment/dismissal of the head of PCGs through various reports from these executives.

Enhancement of the Global Code of Conduct

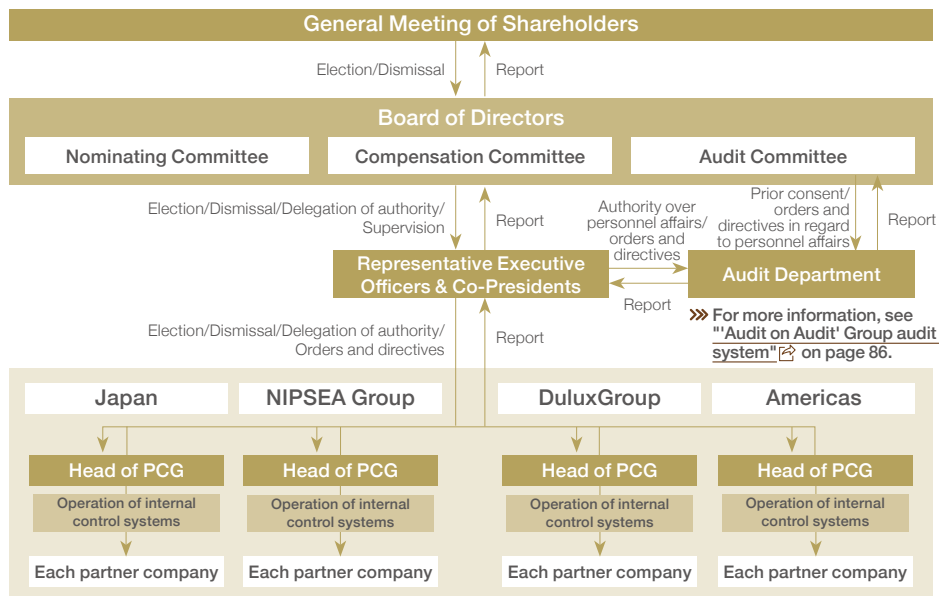
All Nippon Paint Group companies share and comply with the Nippon Paint Group Global Code of Conduct, which

sets out standards/requirements of compliance/ethics rules and sustainability. The code has been refined* by each PCG for the purpose of applying these guidelines in a manner that matches the business climates of different regions. As a result, with the leadership of Co-Presidents, the code has been embraced by group companies in each country and region.

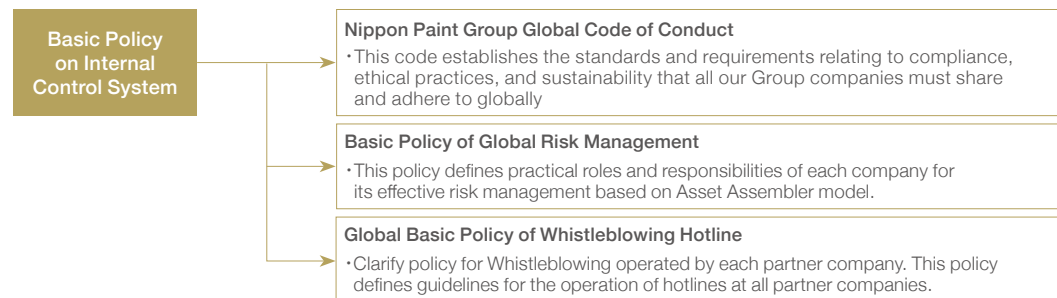
Additionally, to clarify our role in preventing corruption and preventing money laundering in our business activities, we included the following statements in our Global Code of Conduct in November 2023 and disseminated them both internally and externally.

» [DuluxGroup Code of Conduct](#)

Internal control system



The three key components of the Basic Policy on Internal Control System



Summary of the "Group management system" in the Basic Policy on Internal Control System



Risk Management

Anti-Corruption

At Nippon Paint Group, we are committed, under the Global Code of Conduct, to applying fair standards from ethical and legal perspectives in our business practices.

These include, but are not limited to:

We strictly prohibit bribes, kickbacks, gifts and entertainment, payments of any kind or other corrupt practices, which include offering, promising, giving, accepting or soliciting, whether directly or indirectly, improper benefits of any value, whether financial or non-financial, with the intention of obtaining or retaining improper business advantages from government officials or any other individuals and organizations. We shall keep any business gift and entertainment or corporate hospitality modest and reasonable in nature, entirely for the purpose of maintaining good business relations and not intended to influence business decisions made by any parties. We shall keep accurate, complete and up-to-date records of business and financial activities in reasonable detail in accordance with generally accepted accounting principles as well as applicable laws, rules and regulations.

Anti Money-Laundering

We conduct business only with parties involved in legitimate business activities and gaining funds from legitimate sources. We define money laundering as a process designed to conceal or disguise the true origins of illegally derived proceeds so that the proceeds appear to have been derived from legitimate sources. We prohibit any involvement in money laundering in our business activities.

» For more information, please refer to the "Nippon Paint Group Global Code of Conduct" posted on our website.

Risk management system

Our Global Risk Management Basic Policy states that Co-Presidents have overall responsibility for risk management in our Group. The policy also defines the roles of each head of PCG as a frontline. In this manner, autonomous risk management at each PCG is

implemented appropriately by Co-Presidents and the head of each PCG based on their respective roles.

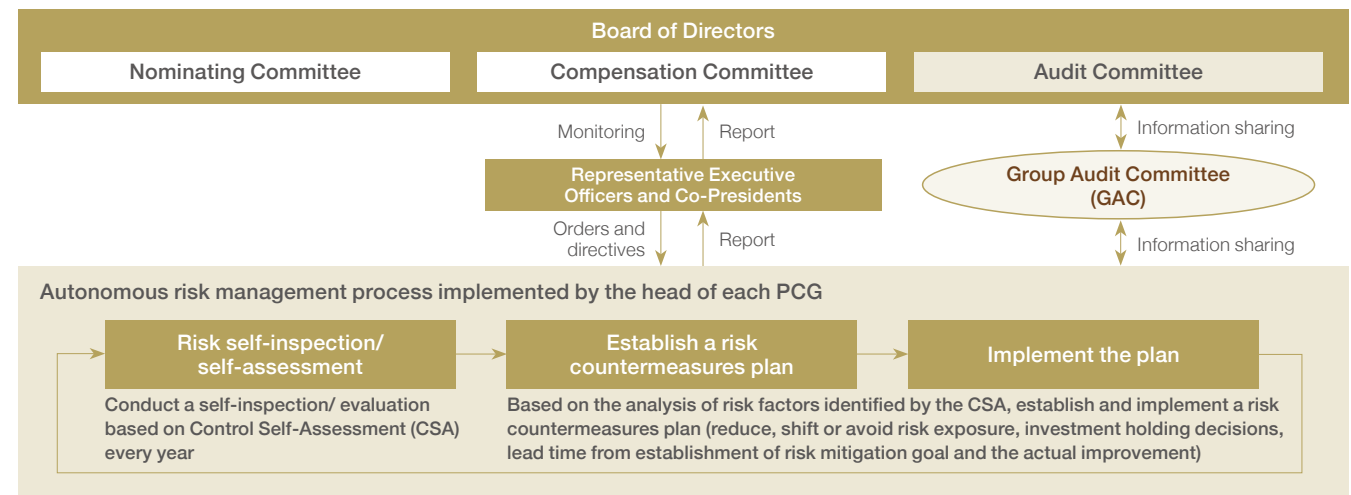
Each head of PCG conducts the control self-assessments (CSA), consisting of self-inspections and self-assessments based on a risk-based approach. They are responsible for using CSA to identify risk factors requiring actions, create risk management plans, and make improvements.

Results of CSA are reported to Co-Presidents, who, based on this information, grasp risk factors at our Group in individual regions and businesses. Then Co-Presidents perform effective monitoring by attending important management meetings of the PCGs and other activities and give the PCGs directions for responses against the identified risks. Indeed, Co-Presidents review the progress of concrete risk management measures based on the results of the CSA, and share the progress of these measures with the head of each PCG. This ensures that monitoring is carried out effectively and in a timely manner. Through these activities, if Co-Presidents identify risk factors that apply to our entire Group and require unified

measures by all PCGs, Co-Presidents hold the Risk Management Committee to discuss and make decisions about countermeasures.

Co-Presidents report the results of the risk analysis to the Audit Committee and the Board of Directors. In addition, the results are discussed at the Group Audit Committee (GAC), which brings together the personnel responsible for risk management and internal audit at each PCG. These meetings function also as a forum for sharing information about best practices for countermeasures. Separately from these activities, a framework is in place for sharing information with Co-Presidents, in a timely or prompt manner, about the occurrence of crises, such as a disaster of some type, environmental pollution, product liability issue, quality problem fraud or other event, which could affect the entire Group, giving rise to incidents or detection of risk with an impact beyond a pre-determined level. This system enables Co-Presidents, when necessary, to give orders covering the entire Group.

The group risk management process



Risk Management

Actions for priority risk factors within our Group

Every year, the Company compiles the results of the CSA performed by the heads of PCGs and identifies/analyzes risk factors that have been rated as priority risk items for that year based on their considerations of the status in our Group, social environment and other factors. A summary of FY2023 risk is shown below.

- The risk related to international taxation, which we began addressing based on the results of risk assessment in FY2022, has seen a decrease in risk sensitivity.
- With the rapid progress of digitization in recent years, “IT risk,” which is one of the components of the “Risk related to business continuity plan,” a priority risk item in FY2022, has come into focus. As a result, the risk associated with IT usage and IT systems has emerged as a priority risk item.
- The risk sensitivity for supply chain risk, risk related to human capital and compliance risk remained largely

unchanged or slightly decreased compared to FY2022. However, due to the significant impact of the external environment and the need for long-term mitigation measures, these risks continued to be assessed as priority risk items for FY2023.

Consequently, the priority risk items for FY2023 are the four items listed in the table below. Each PCG is implementing necessary measures for these priority risk items. As outlined in the “Risk management system,” we continue to monitor these risks and take necessary actions.

Whistleblowing Hotline

The Nippon Paint Group Global Code of Conduct and the Global Basic Policy of Whistleblowing Hotline stipulate confidentiality and prohibit unfair treatment of whistleblowers. Each PCG has autonomously established a whistleblowing hotline based on this policy. They have effectively communicated this system to their employees and are operating it appropriately.

The head of each PCG submits a whistleblowing hotline operations status report once every year to the Audit Committee and Board of Directors.

In addition to these activities, Co-Presidents, in a prompt or timely manner, receive information about whistleblowing reports concerning serious violations of laws and regulations, scandals, violations of laws and regulations by the management team of each PCG, other misconduct, or specific information about the possibility of this type of event. This reporting system enables Co-Presidents to quickly give orders for responding to these events as required.

In FY2023, internal investigations were conducted on a total of 53 whistleblowing cases across the Group companies in response to whistleblowing reports. The appropriate departments within each PCG handled these cases according to their nature, conducting investigations, analyses, and implementing necessary actions. By doing so, we are working towards preventing violations and other improper conduct through measures such as establishing/enhancing appropriate systems and providing employee training. Through the GAC, we share updates on reporting, responses, and awareness initiatives from each PCG, aiming to enhance the effectiveness of our Whistleblowing Hotline.

Risk heat map

Priority risk items for FY2023	Change in risk sensitivity (vs FY2022)	Description of risk and key countermeasures
Risk related to IT use and IT systems	Higher	Management of information assets, data leakage, systems prepared for disasters and other potential disruptions, formulation of information security policies and rules, etc. (Actions) Each PCG is working to establish effective security measures tailored to their real-world situations, and is carrying out training and educational programs for employees to ensure immediate and agile response to various threats
Supply chain risk	Unchanged	Disruptions of raw material supply, exchange rate fluctuations, inventory/logistics management and credit management, etc. (Actions) Each PCG is taking appropriate actions, such as changing raw materials and raising product prices, as well as enhancing operational capabilities by optimizing its supply chain management processes (streamlining logistics, etc.)
Risk related to human capital	Lower	Succession for management teams of the Group (Actions) Each PCG is planning and taking actions on succession plans based on their business plans. Co-Presidents oversee succession plans for key management personnel and share these plans to the Nominating and Compensation Committees
Compliance risk	Slightly lower	Management of classified information and other risk factors that are intensifying in society (Actions) Each PCG autonomously monitors these risk factors through self-inspections and self-assessments and the Whistleblowing Hotline, and takes appropriate actions including employee training programs

Whistleblowing reports received in FY2023	Number of reports
Working environment (industrial accidents, harassment, discrimination, etc.)	31
Loss of assets/Leakage of information (conflict of interest, embezzlement, illegal use of data, etc.)	7
Accounting fraud	0
Violations of laws and regulations (anti-trust law violations, insider trading, bribery, business laws violations, etc.)	4
Others	11
Total	53

» For past records, please refer to our "[Whistleblowing reports](#)" on our website.

Directors and Executive Officers (As of June 30, 2024)

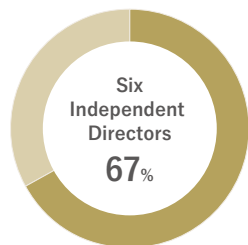
Skill matrix

Name Number of NPHD shares held	Title	Committee membership			Number of years in office	Attendance at the Board of Directors/ committee meetings in FY2023 (attendance/number of meetings)				Experience/Expertise						
		Nominating Committee	Compensation Committee	Audit Committee		Board of Directors	Nominating Committee	Compensation Committee	Audit Committee	Corporate management	Global business	M&A	Finance	Legal affairs	IT/Digital	Manufacturing/ Technology/ R&D
Yuichiro Wakatsuki 180,110	Director, Representative Executive Officer & Co-President				2	9/9	—	—	—	○	◎	◎	◎	○		
Wee Siew Kim 100,000	Director, Representative Executive Officer & Co-President				2	9/9	—	—	—	◎	◎	◎	○			○
Goh Hup Jin —	Chairman	○	○		9	9/9	6/6	7/7 ^{*1}	—	◎	◎	○	○	○	○	◎
Hisashi Hara 117,237	Independent Director	○ (Chairperson)			6	9/9	6/6	—	—	◎	◎	◎		◎		
Peter M Kirby 50,400	Independent Director			○	2	9/9	—	—	5/5 ^{*3}	◎	◎	◎	○	○	○	○
Lim Hwee Hua 50,400	Independent Director		○ (Chairperson)		2	9/9	—	5/5 ^{*2}	—	○	◎	◎	◎		○	
Masataka Mitsuhashi 76,689	Independent Director			○ (Chairperson)	4	9/9	—	—	8/8	○	◎	◎	◎			
Toshio Morohoshi 96,689	Independent Director	○		○	6	9/9	6/6	—	8/8	◎	◎	○			◎	○
Masayoshi Nakamura 109,918	Lead Independent Director Board Chair	○	○		6	9/9	6/6	7/7 ^{*1}	—	○	◎	◎	◎			

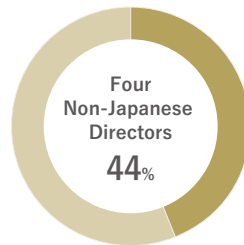
*1 Excluding attendance at committee meetings focused on agenda items in which Directors Goh and Nakamura had a special interest. *2 After assuming the role of Compensation Committee member on March 28, 2023
*3 After assuming the role of Audit Committee member on March 28, 2023

Features of the Board's composition

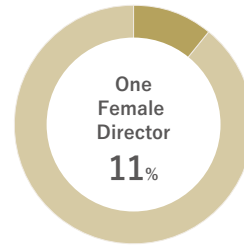
Ratio of Independent Directors



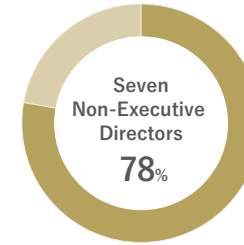
Ratio of Non-Japanese Directors



Ratio of Female Directors



Ratio of Non-Executive Directors



Directors and Executive Officers

Directors ■ Nominating Committee ■ Compensation Committee ■ Audit Committee



Yuichiro Wakatsuki

Director
Representative Executive Officer & Co-President

Date of birth:
August 28, 1966

After building his investment banking career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) and other reputable institutions, Yuichiro Wakatsuki joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) in 2000. He led the company's M&A advisory services, including M&A strategy and fund procurement of clients, first as the Head of Japan Mergers and Acquisitions and later as the Director and Vice Chairman of Japan Investment Banking. In 2019, he joined Nippon Paint Holdings and served as Senior Managing Corporate Officer and CFO, and has been leading execution as Representative Executive Officer & Co-President since 2021.



Wee Siew Kim

Director
Representative Executive Officer & Co-President

Date of birth:
August 19, 1960

Prior to his current position, Wee Siew Kim was Deputy CEO of Singapore Technologies Engineering Ltd., which is an aerospace and defense engineering company. He was a Member of Parliament in Singapore for around 10 years from 2001. Since his appointment as the Group Chief Executive Officer of NIPSEA Group in 2009, he has driven growth of the group to become the core business of Nippon Paint Group. Since 2021, he has been leading execution of Nippon Paint Group as Representative Executive Officer & Co-President of NPHD.



Goh Hup Jin

Chairman



Date of birth:
April 6, 1953

Goh Hup Jin is the Managing Director of Wuthelam Holdings, the parent company of NPHD. Under his initiative, NIPSEA Group expanded operations into China in 1992 ahead of other major paint and coatings manufacturers, and has grown into the Group's core business. His excellent management skills have earned the "NIPPON PAINT" brand a high level of recognition mainly in the decorative paints area in other parts of Asia as well as deep market penetration across markets where the Group operates.



Hisashi Hara

Independent Director
■ (Chairperson)

Date of birth:
July 3, 1947

With a career of over 40 years as an attorney, Hisashi Hara has been involved in numerous cross-border M&A deals and has assisted in various corporate legal matters. In 2011, he received the Chambers Asia-Pacific Lifetime Achievement Award from Chambers Partners, which is just one of many commendations in recognition of his good reputation as an attorney involved in cross-border M&A deals.



Peter M Kirby

Independent Director
■

Date of birth:
August 2, 1947

Peter M Kirby has experience of managing global paint and coatings companies, including Chairman and CEO of ICI Paints Worldwide. He subsequently assisted the management team of DuluxGroup (then an ASX-listed company and currently NPHD's subsidiary) as Board Chairman and other positions. He also served as Independent Director at corporations and investment banks in the U.S. and Australia.



Lim Hwee Hua

Independent Director
■ (Chairperson)

Date of birth:
February 26, 1959

Following her election to the Parliament of Singapore, Lim Hwee Hua held several important positions and cabinet posts in the Singapore Government. Prior to joining the Singapore Cabinet, she served as Managing Director at an investment company owned by the Singapore Government, where she executed restructuring and strategic relations with foreign countries. She had been involved in private equity activity such as Kohlberg Kravis Roberts.

Directors and Executive Officers



Masataka Mitsuhashi

Independent Director
■ (Chairperson)

Date of birth:
September 30, 1957

Masataka Mitsuhashi has many years of extensive experience as a certified public accountant at PwC Japan Group, where he was engaged in accounting audit and M&A-related activities. He also has specialized and global knowledge and experience in long-term value creation for companies from an ESG perspective as Representative Director of a consulting firm.



Toshio Morohoshi

Independent Director



Date of birth:
August 24, 1953

Toshio Morohoshi was formerly involved in the management of Fujitsu Limited, Japan's leading global electronics company, and managed multiple global IT companies and Japanese listed companies as Representative Director and President. He has expertise in transformation of business models, processes, and corporate cultures as well as international business based on his more than 20 years of corporate management around the world and extensive global top management experience.



Masayoshi Nakamura

Lead Independent Director
Board Chair



Date of birth:
November 10, 1954

Masayoshi Nakamura has more than 30 years of experience as a specialized professional in M&A advisory and capital market financing at major US investment banks Lehman Brothers and Morgan Stanley, as well as at Mitsubishi UFJ Securities (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.). He has experience and a track record in successfully executing numerous large-scale cross-border M&A deals.

Executive Officers

Yuichiro Wakatsuki

Director, Representative Executive Officer & Co-President

Wee Siew Kim

Director, Representative Executive Officer & Co-President

Yuri Inoue

Managing Executive Officer, GC

» For brief profiles of Directors and Executive Officers, see [“Management Team”](#) on our corporate website.

» [“Reason for Selection as Independent Directors”](#) is also available on our corporate website.

» For our governance-related achievements from previous years, please refer to the [“ESG Data \(Governance\)”](#) section on our website.