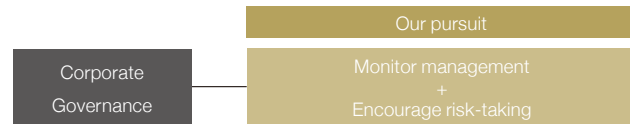


Corporate Governance

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.

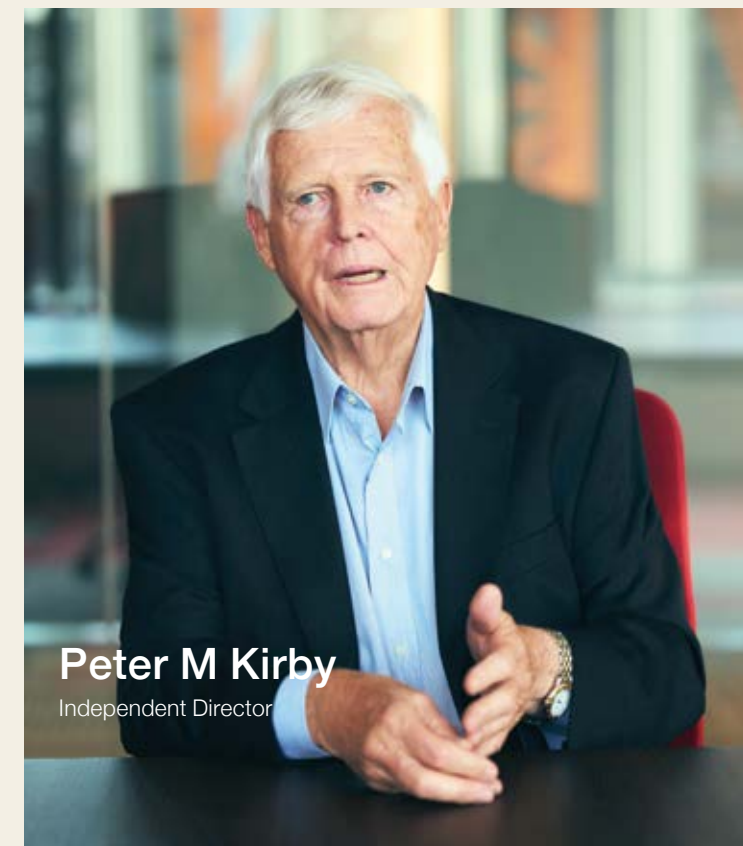
» For more information on the discussions by the Board of Directors regarding the share transfer of the European automotive business and the two India businesses to Wuthelam Group in August 2021, please refer to the "Share transfer of the European Automotive Coatings Business and India Businesses" [section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

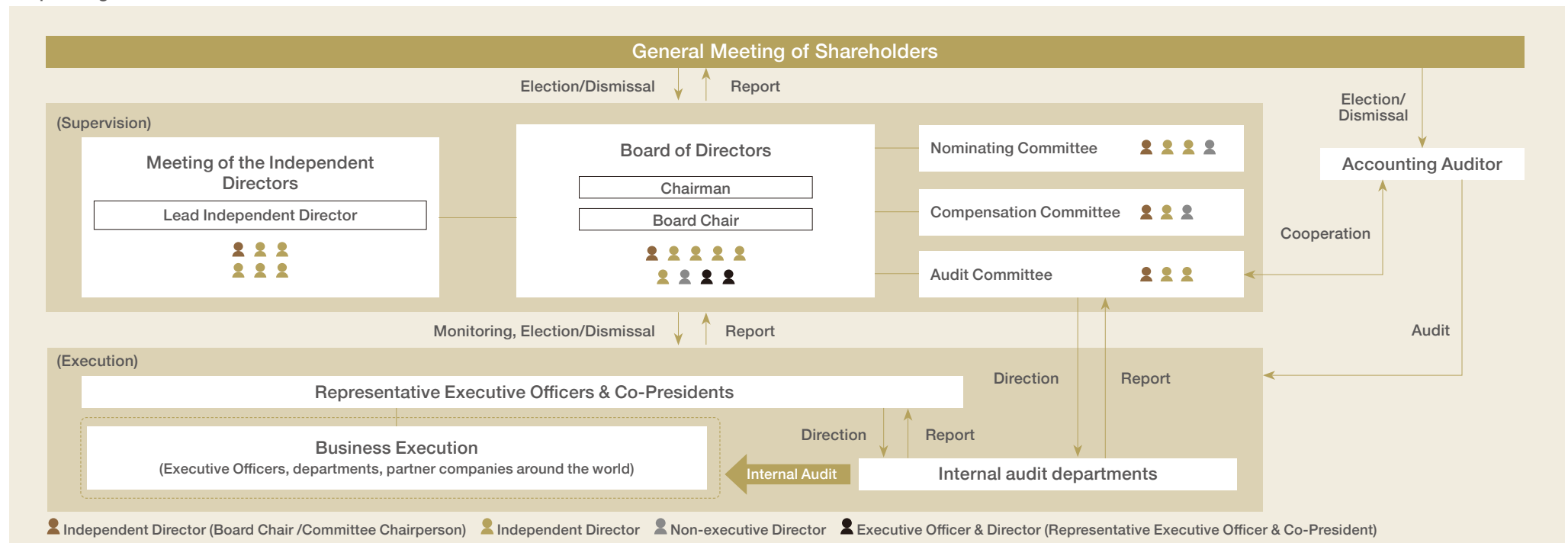
A In our current business portfolio, each partner company is capable of achieving autonomous and sustained growth. Therefore, we believe the likelihood of resorting to such options, aside from these three underperforming businesses, is quite low.

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</p> <p>All Directors in FY2023: 9 Managing Executive Officer, General Council (GC): 1</p> <p>Method</p> <p>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</p> <p>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</p> <p>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</p> <p>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"> 1. 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 2. Improvement of the operational efficiency of Board meetings Dedicate further efforts to improve Board operation, to facilitate more sophisticated discussions 3. Thorough engagement in succession planning Review and draw up plans to identify and develop talent for the future management team 4. 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

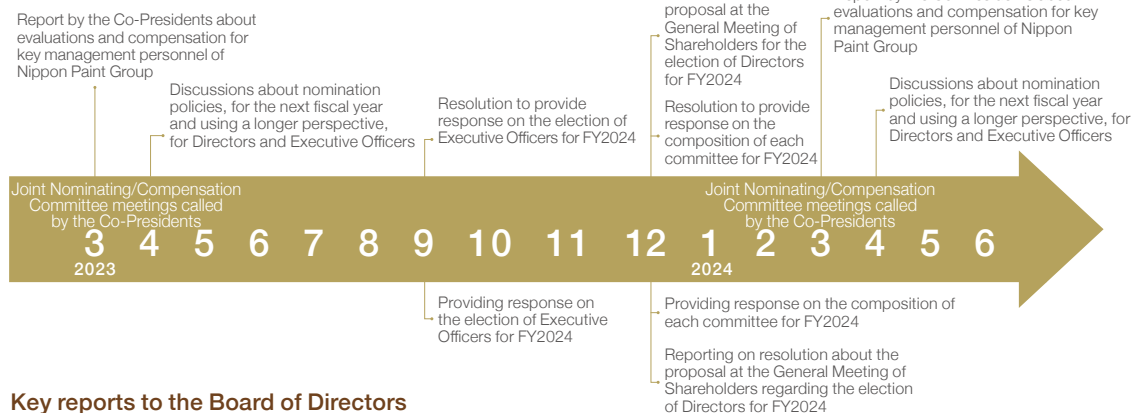
most suitable candidates for various situations, including unforeseen risk events. For next-generation leaders, we prioritize discovering exceptional talent through our growing internal and external networks, rather than relying solely on uniform selection criteria or pre-established development paths. 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.		

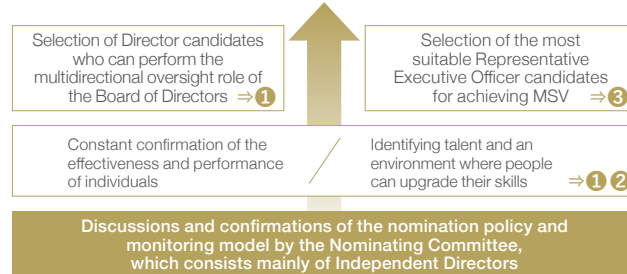
Main activities



Key reports to the Board of Directors

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

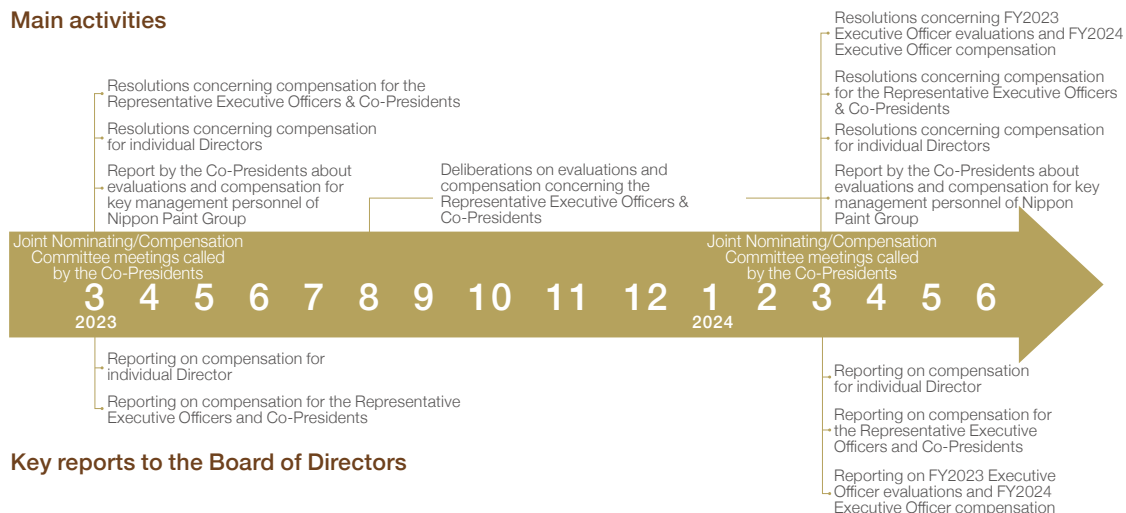
Committee members



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

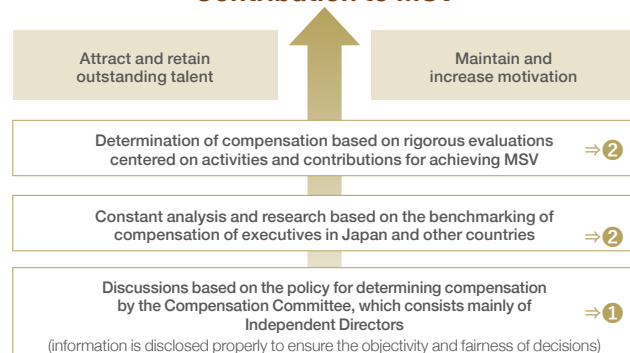
Main activities



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>Fixed compensation</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>Image of basic composition</p>	<p>Variable compensation</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 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>All compensation is variable</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>3 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

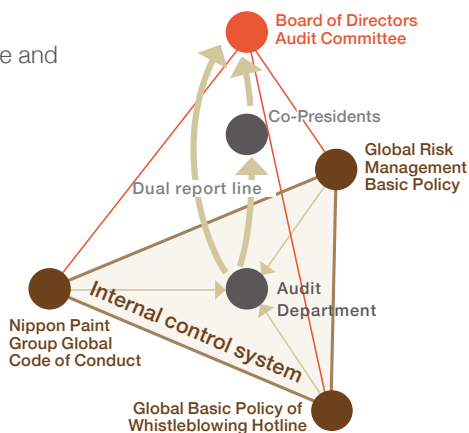
Corporate Governance

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

