Chapter 04

Corporate Governance

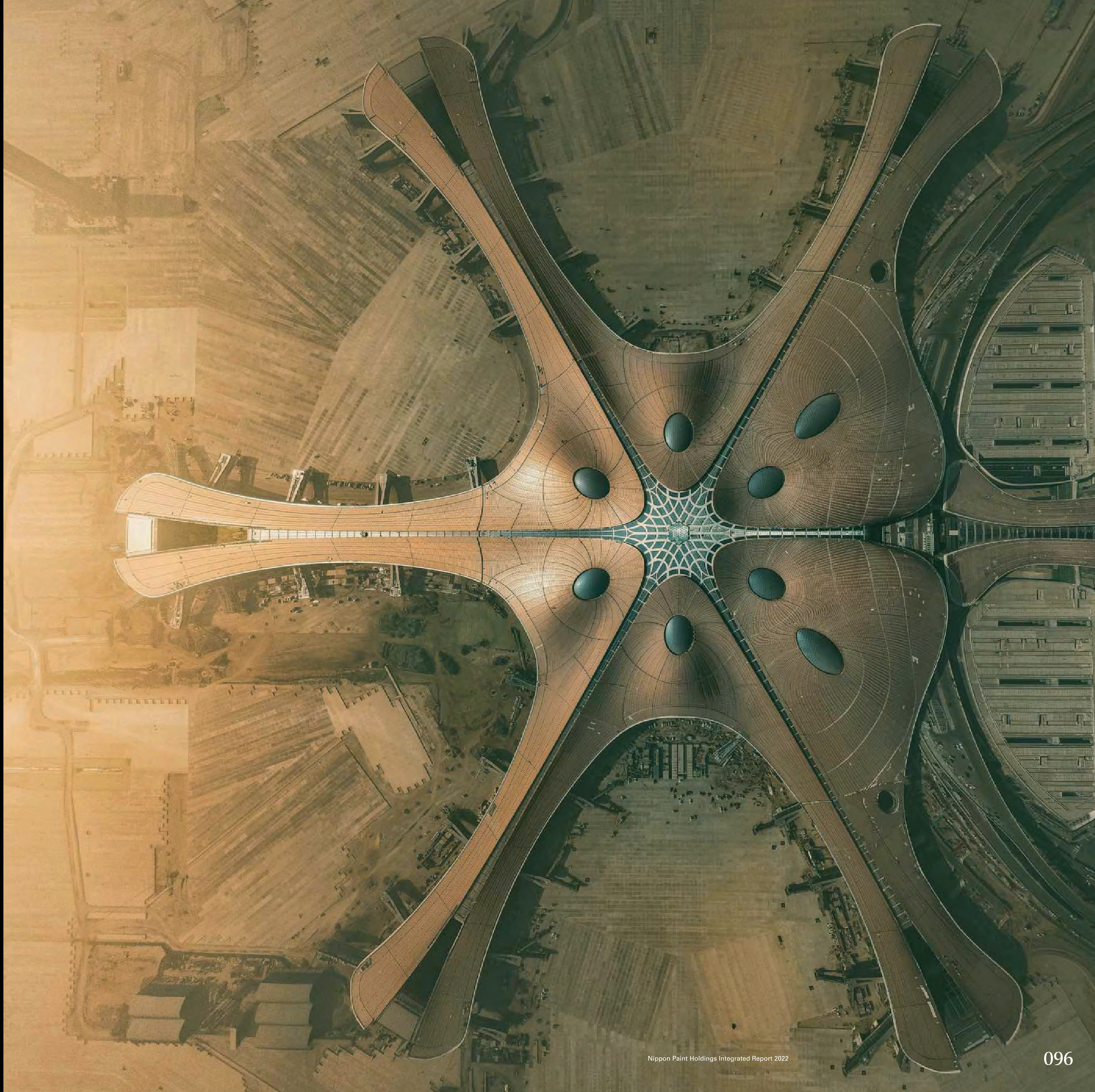


PHOTO
China / Beijing Daxing International Airport

Governance

A corporate governance structure that realizes Maximization of Shareholder Value (MSV)

Masayoshi Nakamura
Lead Independent Director and Board Chair

Strategies for achieving further growth are one of the highest priorities of the Board of Directors

Since January 2021, we have taken many actions, starting with the full integration of the Asian JVs and acquisition of the Indonesia business, which have been goals for many years, and completion of the transition to the Co-President setup. These actions made it possible to advance the management of Nippon Paint Group to our Asset Assembler model.

The Co-Presidents have successively launched new initiatives to strengthen collaboration among the management teams of partner companies based on mutual trust while respecting the autonomy of each partner company. Nippon Paint Group has generated additional revenue by sharing brands and technologies. In addition, we launched an autonomous sustainability structure for ESG activities at all partner companies and are devoting the group's management resources to the Japan segment to improve its profitability. This past year was an evolutionary year for the Board of Directors, making breakthrough reforms as Nippon Paint Group underwent several actions to advance to the next stage of growth.

To support these initiatives, the meetings of the Board of Directors, the Independent Directors, and the Nominating, Compensation, and Audit Committees, which all perform supervisory roles, were "always on," even outside the meeting hours. In addition, Directors maintained close and extensive communications with the Co-Presidents and other Executive Officers as well as Global Key Persons (GKP), who are local management of partner companies. These actions have allowed us to build a new framework for the Board of Directors to supervise Nippon Paint Group's growth model as Asset Assembler that is practiced by the Co-Presidents based on proper mutual understanding built on Trust.

The Co-Presidents have prepared the Group to move on to the next stage of growth. With the addition of the Co-Presidents and two new Independent Directors, Peter M. Kirby and Lim Hwee Hua as new members, the Board of Directors must now raise its perspective and provide guidance as needed to properly shape the future of Nippon Paint Group. To perform this role, we need to reform the Board of Directors so that it can shift its focus from dealing with immediate issues to concentrating on discussing and determining growth strategies to enable Nippon Paint Group to achieve more sustainable and further growth.

We are significantly revising the operations of the Board of Directors in order to accomplish our reformation. For example, the Directors hold brainstorming sessions to determine a long-term roadmap for achieving MSV and hold offsite meetings to thoroughly examine the feasibility of roadmaps submitted by the Co-Presidents.

As the Board Chair, I will ensure that all Directors make the greatest possible contributions in order to enable NPHD to pursue growth relentlessly based on the Asset Assembler model and to fulfill the Board of Director's responsibility to protect the interests of minority shareholders.

Five features of our corporate governance structure

1 **Ensure the protection of the interests of minority shareholders while sharing MSV as the common objective with the major shareholder** P99

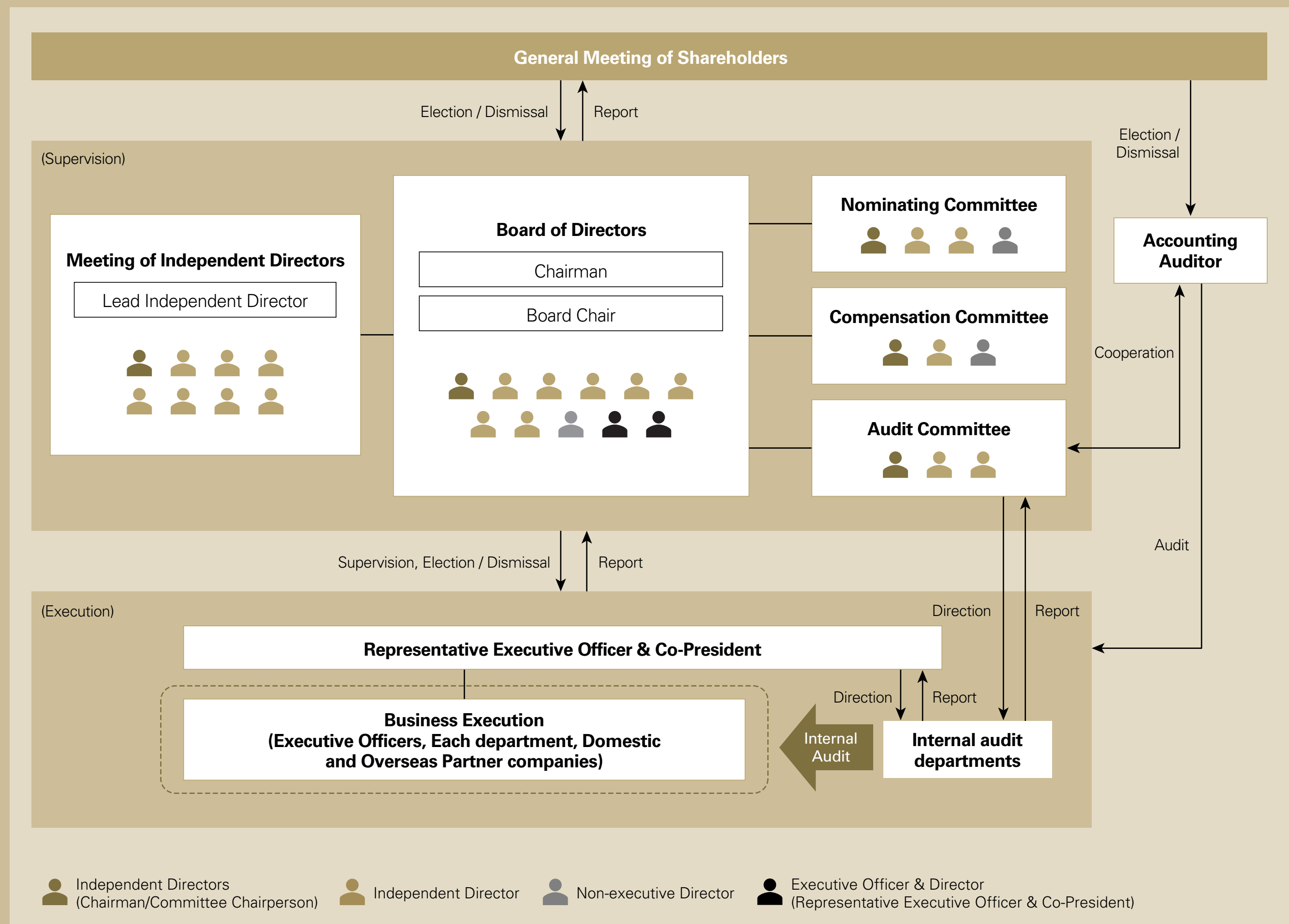
2 **Improved effectiveness of the Board of Directors under the leadership of Independent Directors** P101

3 **Succession planning with a focus on substance rather than formalism** P103

4 **Compensation design that truly contributes to achieving MSV** P105
For more information about our compensation design, see "Governance Discussions by Independent Directors" on page 111.

5 **Audit structures that respond to increasing globalization of operations** P107

Corporate governance structure



Basic approach to governance

The Company has adopted "a Company with a Nominating Committee, etc." as its governance structure in order to enhance the transparency, objectivity, and fairness of management, as well as to separate and strengthen the supervision of management and business execution functions. In addition, the Company, based on its "Purpose," which defines shared identity of the Group, and its "Business Philosophy," which sets the Group's guidelines, shall promote its business and engage in ongoing efforts to enhance and strengthen its corporate governance, and thereby, will maximize shareholder value that remains after fulfilling our obligations to customers, employees, suppliers, society, and other stakeholders (Maximization of Shareholder Value (MSV)) including obligations relating to sustainability, as its sole mission.

In order to realize MSV, the Company will respect the autonomy of partner companies based on mutual trust with the Co-Presidents and create a management environment as an Asset Assembler in which each partner company can realize its full potential and pursue unceasing growth.

* For further details, see the "Corporate Governance Policies (Attachment: "Independent Criteria for Outside Director of the Board")" and the "Corporate Governance Report" available on the Sustainability page of our website. https://www.nipponpaint-holdings.com/en/sustainability/governance/

History of governance reform

Since 2014, the Company has increased the number of Independent Directors and delegated authority from the Board of Directors to executive departments in order to separate and strengthen the business execution function and management oversight. To further accelerate this process, we shifted to "a Company with a Nominating Committee, etc." structure in March 2020.

At present, the Board of Directors of NPHD has a majority of Independent Directors, and, following the change in the management structure in April 2021, the Lead Independent Director has been serving as the Board Chair.

Relationship with major shareholder and protection of minority interests

The company shares a philosophy of MSV with Wuthelam Group which has a history of cultivating business partnerships with the Company for over 60 years, and which has taken steps to ensure that the interests of minority shareholders are properly protected. In addition, the acquisitions of 100% ownership of the Asian JVs and the Indonesia business in January 2021 simplified our ownership structure, causing the interests of the major and minority shareholders to be perfectly aligned. This created a management structure to pursue MSV while ensuring the protection of the interests of minority shareholders. In the meantime, the acquisitions have made Wuthelam Group our major shareholder. From the viewpoint of protecting the interests of minority shareholders, when conducting transactions with Wuthelam Group, we ensure appropriate involvement and supervision by the Independent Directors, such as obtaining approval at the Board of Directors with a majority of Independent Directors, and appointing an Independent Director to serve as the Board Chair.

In addition, the Company shall report significant transactions between related parties that exceed a certain amount (such as important transactions between the Company and a major shareholder, competing transactions between the Company and Directors or Executive Officers, self-dealings, and conflicts of interest transactions) to the Board of Directors and disclose them in the "Notice of Convocation of a General Meeting of Shareholders" and "Securities Reports."

Furthermore, when conducting related-party transactions, the Company will make a comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels, and other factors, to ensure that the transaction will not harm the interests of the Company or of its minority shareholders and obtain the approval of the appropriate decision-making authority.

History of governance reform

2014	● Elected one Independent Director
2015	● Established Corporate Governance Policies ● Initiated an "Evaluation of the Effectiveness of the Board"
2016	● Abolished anti-takeover measures ● Increased the number of Independent Directors from one to two ● The Compensation Advisory Committee is renamed the Nominating and Compensation Advisory Committee, and began its deliberations on the nomination of candidates for the Directors and Company Auditors
2017	● Changed the composition of the Nominating and Compensation Advisory Committee to designate two of the four members from among the Independent Directors ● Appointed Independent Directors as the Chairperson of the Committees
2018	● Increased the number of Independent Directors from two to five (ratio of Independent Directors: 50%) ● Separation of the Nominating and Compensation Advisory Committee into the Nominating Advisory Committee and the Compensation Advisory Committee ● Established the M&A Advisory Committee
2019	● Established the Governance Advisory Committee
2020	● Transition from "a Company with Board of Auditors" to "a Company with a Nominating Committee, etc." structure ● Six out of the nine members of the Board of Directors are Independent Directors (ratio of Independent Directors: 67%.)
2021	● Six out of eight members of the Board of Directors are Independent Directors (ratio of Independent Directors: 75%.) ● Appointed the lead Independent Director as the Board Chair
2022	● Eight out of eleven members of the Board of Directors are Independent Directors (ratio of Independent Directors: 72%.)

Message from Chairman

The Mission of Nippon Paint

Nippon Paint's sole mission is Maximization of Shareholder Value (MSV). This was undoubtedly the mission for limited liability companies when they first emerged 400 to 500 years ago. Regrettably, this goal is now viewed as heresy.

Where I grew up, profit for shareholders was by default the only purpose of a for-profit company. There was never a need to state explicitly the company's mission because everyone was born and bred with the same idea. MSV was a given. But upon getting involved in Nippon Paint, to my consternation, shareholder value was anything but the mission of the company. I was therefore forced to coin the language MSV and proselytize the idea. Frankly in spite of the fact that I'm the author of the term, I found it somewhat comical to have to invite my colleagues to recite it.

"Corporate Value Enhancement" is the widely accepted term in Japan. But both "corporate value" and "enhancement" are problematic terms. In reality, you can enhance corporate value while reducing shareholder value at the same time. If your purpose is to just "enhance" corporate value, you might opt for an easier decision that leads to a mere 10% earning boost over a more difficult one that gets 50% boost. This is why I have been advocating that a company should pursue maximization (not enhancement) of shareholder value (not corporate value).

Another concept I would like to clarify is "Stakeholder Capitalism", which indicates that corporations should NOT ONLY focus on shareholders but ALSO pay attention to stakeholders. This is complete nonsense. I have never heard of a listed company that is not working to fulfill its obligations to suppliers, employees, communities, environmental protection, and other social needs 24 hours a day, 365 days a year. This is why I don't understand why people say corporations should ALSO pay attention to stakeholders. The only imaginable use for this idea is an excuse for poor business performance. MSV is the maximization of the residual value after properly fulfilling obligations to all stakeholders. Shareholders come last from a legal and practical standpoint. We may be going against today's social trends advocating stakeholder value maximization. But we are convinced that MSV should be the sole mission of notably publicly listed companies.

Goh Hup Jin
Chairman

Looking back, when I joined the management of Nippon Paint as Director of the board in 2014, I had a tough time getting my colleagues to take shareholder value seriously. Almost no companies advocated shareholder value and the Japanese Corporate Governance Code, which had just started, was at best ambiguous on shareholder value as the objective. Over the years, my colleagues have gradually come to understand and approve of MSV as the only corporate mission and I am grateful that the board members and operational decision makers of Nippon Paint Group are now making decisions based on MSV. In addition, the Asset Assembler model is evolving into the strategy towards this mission. I am glad that a framework for pursuing MSV through the maximization of EPS and PER is taking shape.

The relationship between Nippon Paint as a listed company and Wuthelam as a major shareholder is rarely seen in the world. Nonetheless the interests of the major shareholder and minority shareholders are completely aligned towards the maximization of long-term value. The funding capability of a listed company combined with the strength of a privately owned shareholder has created a more potent growth engine in Nippon Paint. This is clearly a Win-Win relationship as what is beneficial for Nippon Paint is without question good for Wuthelam.

With this in mind, as Chairman and Board Member, to the best of my ability, I pledge to work towards Nippon Paint's MSV.

Analysis and assessment of the effectiveness of the Board of Directors

Issues for FY2020 based on effectiveness assessment and initiatives for FY2021

In FY2021, when the Company transitioned to the Co-President structure on April 28, 2021, we took the following actions on the four main issues that we identified for improvement on the basis of our FY2020 effectiveness assessment.

Issues that require stronger initiatives in FY2021	Main initiatives in FY2021
1) Upgrading the monitoring model	At the time of the Group's transformation, when the Co-President structure was launched, we focused on establishing a structure that would enable us to avoid information asymmetry and fulfill our respective roles toward the achievement of MSV, our sole mission, while further separating execution and supervision as "a Company with a Nominating Committee, etc." structure. In addition, assuming that the meetings would be held remotely due to the pandemic, the duration of each meeting was shortened, and regular Board of Directors meetings, along with non-regular Board meetings, were generally held twice a month (22 meetings during the FY2021 term). Furthermore, discussions with Global Key Persons (GKPs), the Group's key management personnel, were held at the Independent Director meetings (17 times during the same period), leading to deliberations at Board of Directors meetings based on an accurate understanding of the situation regarding execution.
2) Enhancement of discussion of important agenda items	For M&A projects such as DuluxGroup's acquisition of Cromology and JUB, the Board of Directors deliberated from the initial consideration stage and provided timely support for the implementation of growth strategies through appropriate risk-taking by the Co-Presidents. In the transfer of the European automotive business and the India businesses to Wuthelam Group a special committee of Independent Directors was established to ensure a highly professional and objective decision-making process, thereby expanding the discussion and improving transparency and fairness, as well as protecting the interests of minority shareholders.
3) Further reinforcement of audit	We have introduced "Audit on Audit" as the auditing system for the Group, which is rapidly globalizing, establishing an effective auditing system that is in line with the actual conditions of each partner company, which are growing autonomously under the Co-President structure.
4) Reinforcement of nominating function	In the transition to the Co-President structure, we have achieved a speedy and smooth Presidential succession. Furthermore, based on the skills matrix, two additional Independent Directors have been appointed, Mr. Peter M. Kirby and Ms. Lim Hwee Hua, who have management experience in global paint and investment companies. Also, by appointing both Co-Presidents as Directors, we have evolved to a Board of Directors structure that will contribute to further advancing MSV. Furthermore, by increasing opportunities for direct communication with GKP, we have gained an understanding of the current status of the "human capital" of our senior management and strengthened the foundations for the evaluation of Group management by the Co-Presidents, who unite the GKPs.

Evaluation for FY2021 and issues for FY2022

Guidelines for making evaluations

Target Group
All Directors in FY2021: 8
Representative Executive Officers & Co-Presidents: 2
Managing Executive Officer and GC: 1

Method
Selected a third-party organization, Board Advisors Japan, Inc. (BAJ), and conducted questionnaire and individual interviews

Content of Questions
(i) Status of progress in resolving issues identified in the FY2020 Effectiveness Assessment of the Board of Directors
(ii) Issues for the Board of Directors and various Committees following a transition to the Co-President Structure

Evaluation process
Step 1: Distribute questionnaires to Directors
Step 2: Conduct separate interviews with each Director based on the results of questionnaire
Step 3: Summarize and analyze the results of questionnaire and individual interviews
Step 4: Report and deliberate of the effectiveness evaluation at the Board of Directors meetings

Overview of evaluation outcome

Based on the following evaluation by the BAJ and the Board of Directors' discussion that followed in response, the Board of Directors has assessed that the overall effectiveness of the Board of Directors for FY2021 is generally assured.

BAJ's assessment summary
- The Board of Directors has been proactively and positively responding to the evolution of the Company's management since the transition to the Co-President structure.
- The agenda setting and facilitation by the new Board Chair have greatly contributed to the effectiveness of the Board of Directors.
- By significantly increasing the number of Board of Directors meetings and holding them flexibly, deliberation on important matters has been enhanced.
- In order to improve the functions of the Board of Directors, steps are being taken to enhance the composition of the Board of Directors (such as inviting CEOs with experience overseas).
- Some progress has now been made in addressing the issues identified in FY2020, including measures to strengthen the audit function.

Issues requiring stronger initiatives in FY2022

1) Enhance Growth Strategy discussions
Further increase opportunities for strategic discussions and make the Board of Directors a place to concentrate more on growth discussions

2) Streamline Board of Directors operations
Minimize time spent on regular agenda and other usual proceedings, and focus on discussions that truly contribute to the achievement of MSV*

3) Further contributions by Independent Directors
Improve each Director's contribution by posing more constructively challenging questions to the management team

4) Strengthen the Board of Directors secretariat functions
Enhance support functions for Directors to further expand strategic discussions, and for secretariat functions to respond to the globalization of the Board of Directors

* Ten regular Board of Directors meetings are planned for FY2022.

Roles of Independent Directors

The Company holds Independent Directors Meetings regularly, chaired by the Lead Independent Director and comprised solely of Independent Directors. Discussions take place that lead to resolutions at Board of Directors meetings and Committee meetings, such as agenda of the meetings of the Board of Directors and the Nominating, Compensation, and Audit Committees, as well as sharing the comprehensive background of agenda on part of business execution and discussion on the Company's mid-to-long-term direction. In addition, the Lead Independent Director puts together opinions expressed in the Independent Directors meeting as necessary and shares and discusses them with the Chairman, Representative Executive Officers & Co-Presidents, and Executive Officers.

Functions to support Independent Directors

Independent Directors regularly receive information from departments such as Finance and Accounting, and Investor Relations for the purposes of quickly and accurately grasping the status of business execution in the Company. In addition, the Co-Presidents directly share comments from the capital markets and a variety of information on business execution with the Independent Directors to support them to further deepen their understanding of our businesses. In addition, support is provided to Independent Directors by offering prior explanations about the background of the agenda at the Board of Directors meetings, coordinating schedules for attending meetings held by the business execution, sharing information, arranging regular plant and site visits, as well as to provide information on Companies Act and Corporate Governance Code for new Independent Directors.

The Board of Directors office provides various types of support, and, by sharing necessary information without delay, the Company has established a system that enables Independent Directors to work more effectively. Furthermore, since the Board of Directors office is also tasked with supporting the Nominating, Compensation, and Audit Committees, it is possible to comprehensively organize requests from Independent Directors, taking into consideration language and time differences in response to globalization. In this way, the Board of Directors office endeavors to enhance the effectiveness of the Board of Directors.

Policy on cross-shareholdings

The Company makes a decision every year on the continued holding of cross-shareholders at the Board of Directors based on the policy described below and disposes of or reduces holdings of shares for which the rationality of their holding can't be recognized.

Cross-shareholding policy

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

In addition, the Company, based on the above policy and internal standards, exercises voting rights upon making comprehensive judgment, from the perspectives of maximization of corporate value in the medium to long term of the counterparty company of our Cross-Shareholdings and its impact on our Group.

Number of shares held for purposes other than net investment and carrying amounts

	2019	2020	2021
Number of stock issues	32	24	22
Of which, the number of listed issues	14	6	6
Total carrying amount (Million yen)	24,621	23,645	30,191
Of which, the total amount of listed stocks (Million yen)	23,717	22,704	29,268

As asset owner of corporate pension fund

The Company, to promote stable asset formation for the members of the corporate pension and to secure the soundness of the financial condition of the Company, takes the following actions for management and operation by the Nippon Paint Corporate Pension Fund.

(1) The Company systematically secures human resources with the qualities required for management and operation of the corporate pension from inside and outside the Group and assigns them to the Nippon Paint Corporate Pension Fund representative, asset management committee member, and secretary (hereinafter referred to as Representatives and other stakeholders)

(2) The Company, through the Representatives and other stakeholders, confirms the selection of an investment institution by the fund, the monitoring of the activity status and investment results of the investment institution, and that management of conflicts of interest that arise between the beneficiaries and the Company is performed appropriately and effectively, and voices an opinion when necessary.

Nominating Committee Report

Hisashi Hara
Independent Director
Nominating Committee Chairperson

Creation of a structure that contributes to MSV in terms of both business execution and supervision

Since April 2021, the Board of Directors established a management structure suitable for pursuing growth through Asset Assembler model. This was accomplished by shifting to the Co-President setup, reducing the number of Executive Officers, and electing non-Japanese Independent Directors and Representative Executive Officers & Co-Presidents as Directors. We are proud of the fact that the Nominating Committee has been able to contribute to the establishment of a structure that will contribute to MSV for further growth in terms of both business execution and supervision.

The committee's activities are not based on initiatives in accordance with uniform frameworks established in advance, such as a management talent development plan and implementation measures. On the basis of respecting the management autonomy of partner companies based on mutual trust, we are focusing on the examination of human capital issues, such as the character of President and other senior executives and whether they are worthy of trust.

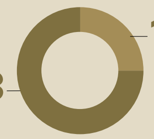
In the future, M&A will add new management talent, resulting in a deeper base of Global Key Persons (GKP) at the Group and the realization of the potential of our human capital more than we can imagine. Each partner company's external human networks are also valuable assets for finding additional talent. Continuous growth by pursuing Asset Assembler model will greatly expand the possibilities for finding the best and right people from around the world, whether internally or externally. These people will become a talent pool for individuals capable of succeeding Executive Officers including President.

The Nominating Committee will continue to focus on flexibly taking actions, anticipating the next changes and identifying people with the potential to become the next senior executives.

Chairperson Hisashi Hara (Independent Director)

Number of meetings held
FY2021 (From late March 2021 to early March 2022) 15
FY2022 (From late March 2022 to end of June 2022) 2

Committee Members

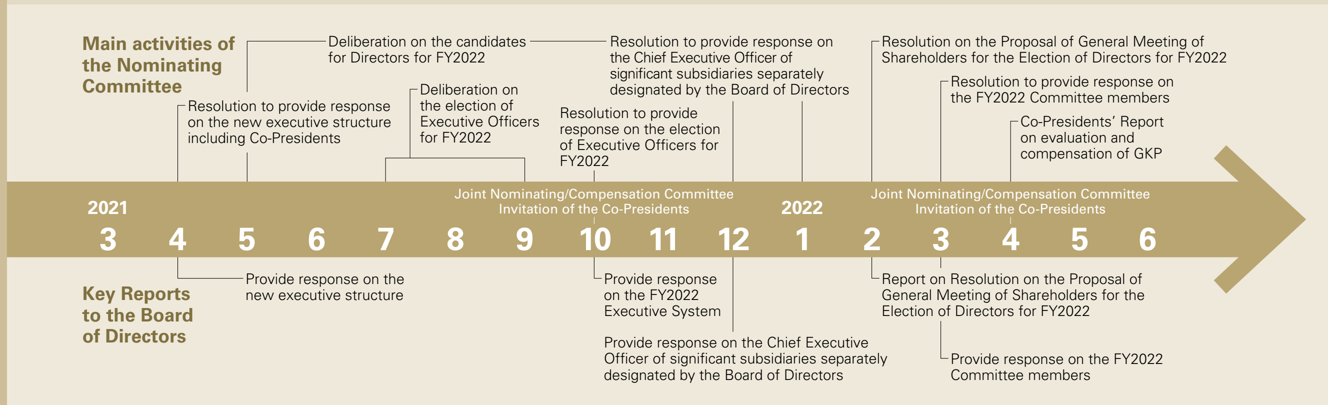


Non-Executive Director
Independent Director

* An Independent Director serves as the Committee Chairperson.

Main Activities The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2022 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2022.

Roles of the Committee Decide on the content of proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, and deliberate on succession plans for Directors, the appointment and removal of the Representative Executive Officer, and President, and other Executive Officers, and their succession plans.



Our approach to the composition and skills of the Board of Directors (Election criteria, diversity, and other elements)

We ensure that the Board of Directors and each of three Committees are comprised of Directors with a suitable background to demonstrate supervisory functions in a sustainable manner in an ever-changing business environment. The Nominating Committee designates candidates, under the following seven items, as required experience/skills of our Directors to ensure that the Board of Directors is comprised of members that are well balanced in terms of those seven categories (see the table below). In addition, for each Committee, the Board of Directors appropriately makes an appointment considering a higher degree of expertise.

The Nominating Committee emphasizes that the Directors have the "Experience in corporate management" needed to pursue our Asset Assembler model. To date, the Company has implemented mergers and acquisitions to expand its business portfolio and fully integrate its Asian JVs and has established a Board of Directors structure for the realization of further growth. At the General Meeting of Shareholders in March 2022, four new Directors were elected: Mr. Peter M. Kirby and Mrs. Lim Hwee Hua as Independent Directors, and the two Co-Presidents as Directors who will also serve as the Executive Officers.

With these appointments, "Experience in corporate management" in paint and investment companies has been strengthened with the addition to the existing organizations of those in the manufacturing and distribution industries, financial institutions, and auditing and legal firms. At the same time, we have also strengthened "Experience in global business operations" and "Experience in M&A," which are essential for identifying better assets from a medium- to long-term perspective as well as facilitating the growth of partner companies after M&A.

Also because of "Experience in corporate management," it is possible to elevate expertise in "Legal affairs" to GRC (Governance, Risk Management, and Compliance), and "IT/Digital" and "Manufacturing/Technology/R&D" skills that will allow us to link our growth strategies more organically through more efficient information sharing within the Group and synergies in product development.

In addition, our Board of Directors is working to ensure and expand diversity based on a skills matrix, without focusing on specific attributes such as age, nationality, or gender. In the composition of the Board of Directors in FY2022, foreign nationals now account for nearly 40% of the Board of Directors, and the number of women Directors has increased to two, ensuring a diversity of opinions and multifaceted supervisory functions.

Unearthing future management talent and development of growth environment

We recognize that strengthening our Group's human capital is an important management issue in the face of globalization and drastic changes in the business environment.

We do not recruit and develop future management personnel in a uniform manner. Based on mutual trust between Co-Presidents and the heads of each partner company group (PCG: Nippon Paint Group companies grouped by region or business), we are developing an environment for discovering and growing human resources based on respect for the autonomy of each PCG. This field-based human capital enhancement is appropriate for our company, which is oriented toward the "Asset Assembler" model, and we believe that it will greatly contribute to the realization of MSV.

Based on this policy, the Group's key management talent are identified as GKPs, who are entrusted with formulating and executing succession plans for the senior management of each PCG, monitored and assessed by the Co-Presidents, thereby strengthening the Group's human capital. Under the leadership of the Co-Presidents, our Group continuously seeks future management talent, both in and outside the Group, while at the same time creating an environment in which such talent can fully exert their potential and growth.

Twice a year, the Co-Presidents report their approaches to and assessment of respective GKPs to the joint Nominating and Compensation Committees to conduct an open discussion on the Group's human capital. In addition, the Nominating Committee also focuses on direct communication with each GKP. These efforts lead to properly assessing and recognizing the performance of Co-Presidents as leaders in our Group, and provide the basis for the succession and appointment/dismissal of an appropriate future Representative Executive Officer & President of the Company. Based on this policy by the Board of Directors and Nominating Committee, we are "always on" the identification of future management personnel, including our top management, and the strengthening of human capital by developing the growth environment to realize MSV and to achieve future leaps forward.

Appointment and dismissal process for management personnel

Executive Officers including Representative Executive Officer & Co-President and Chief Executive Officer of significant subsidiaries separately designated by the Board of Directors
⇒ Resolved by the Board of Directors based on providing response by the Nominating Committee

GKP (Global Key Persons)
⇒ Decided by Representative Executive Officers & Co-Presidents

Required experience/skills

1 **Experience in corporate management:** The ability to supervise and give advice concerning a broad range of matters on overall management from the formulation of business strategy to its implementation

2 **Experience in global business operations:** The ability to supervise and give advice on the business of the Company, which operates globally, taking into consideration diverse business environments, economic conditions, and cultures around the world

3 **Experience in M&A:** The ability to supervise and give advice on the validity of M&As that the Company is pursuing, and the process of PMI

4 **Finance:** The ability to supervise and give advice on capital allocation and other financial activities of the Company

5 **Legal Affairs:** The ability to supervise and give advice on regulations concerning operations, GRC (Governance, Risk Management and Compliance), and internal controls

6 **IT/Digital:** The ability to supervise and give advice on improvement of operations and creation of new business models through IT and Digital Transformation

7 **Manufacturing/Technology/R&D:** The ability to supervise and give advice on creation of new technology through R&D by making use of his or her knowledge of technology related to manufacturing operations and the businesses of the Company

Compensation Committee Report

Takashi Tsutsui
Independent Director
Compensation Committee Chairperson

Pursuit of a compensation plan that will contribute to the achievement of MSV and the more growth in the future

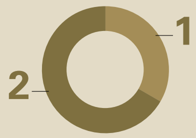
To implement Asset Assembler model adopted by Nippon Paint Holdings, it is essential to create an environment where all management teams of Nippon Paint Group can maximize their performance based on mutual trust under the leadership of the Co-Presidents. To achieve this goal, the optimal solution is not management through a uniform compensation structure Instead, we must thoroughly and more flexibly examine what types of compensation really contribute to MSV.

We believe that when the total compensation for the Co-Presidents reaches a certain level, their motivation is maximized by being trusted by the Board of Directors and given the heavy responsibility for the Group's fate, rather than the level of compensation.

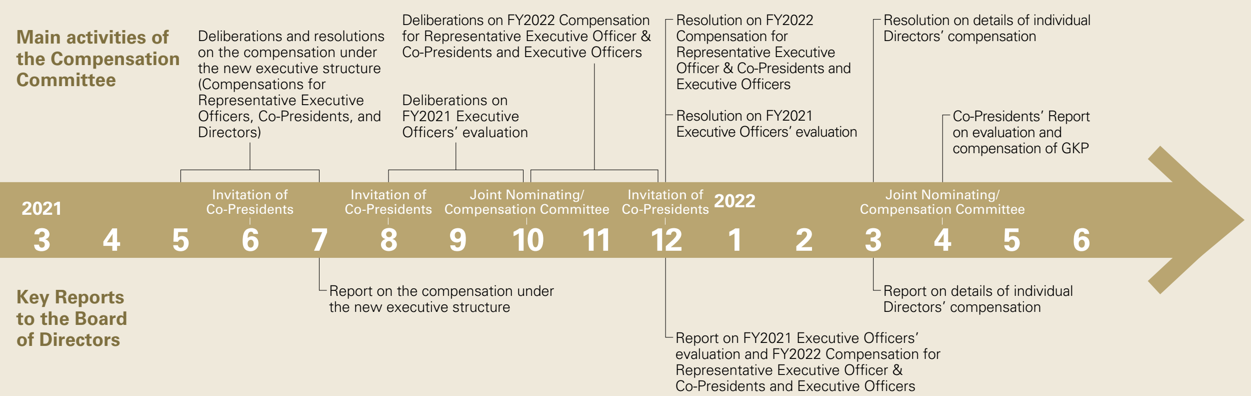
Based on this approach, we set the total compensation for Co-President Wee in FY2022 to the same as in the previous fiscal year. We decided that we did not need to increase motivation by increasing compensation. Regarding the ratio of cash to stock, we determined that replacing the existing cash compensation with stock compensation would not raise the incentive to achieve MSV. Consequently, we decided to make compensation entirely cash. We also repeatedly discussed the balance of compensation under the Co-President setup, and decided to pay only cash compensation to Co-President Wakatsuki as well.

The mission of the Compensation Committee is to maximize the motivation of the Co-Presidents for achieving MSV as the sole mission and to further share value with shareholders by rigorously evaluating the performance of the Co-Presidents. We will continue to seek a compensation plan that will support the achievement of MSV and contribute to significant growth of NPHD.

Chairperson	Takashi Tsutsui (Independent Director)
Committee Members	(see chart)
Roles of the Committee	Decide the policies for determining the individual compensation for Directors and Executive Officers, and the details of other compensation.
Numbers of meetings held	FY2021 (From late March 2021 to early March 2022) 18 FY2022 (From late March 2022 to end of June 2022) 3
Main Activities	The Compensation Committee resolved the policies for determining the individual compensations and other benefits for Directors and Executive Officers (Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officer and Co-Presidents) and the details of individual compensation based on such policies.



* An Independent Director serves as the Committee Chairperson.



Compensation decision-making policy for Officers

At our Company, the Compensation Committee, chaired by an Independent Director, determines the level of total compensation amount and its composition for Directors and Executive Officers. For Global Key Persons (GKPs), who are the key management personnel of partner companies, the decision-making process for the compensation amount is supervised through reports from the Co-Presidents. The Compensation Committee deliberates on and determines the specific level and composition of compensations in a fair and transparent manner based on the "Compensation Philosophy" and the "Design Policies for the Compensation of the Representative Executive Officer & Co-Presidents" (see page 112) set forth by the Compensation Committee, by gathering and analyzing objective information such as the social circumstances, comparison of compensations with comparable companies, the market compensation standard, and other factors considering advice from external advisors.

Composition of executive compensation

Composition of Representative Executive Officers & Co-Presidents' compensation

For the Co-Presidents' compensation, the optimal mix of cash and stock compensation is settled each fiscal year after determining the total amount of compensation. Specifically, the total amount of compensations for the following fiscal year is redefined each fiscal year from the ground up after a comprehensive evaluation of the performance of the Co-Presidents from both financial and non-financial perspectives of the previous fiscal year through close communication with the Co-Presidents and GKP, in addition to continuity with past compensations, market and peer benchmarking surveys, and other factors. The composition of cash and stock compensation is also reviewed each time. In this way, the compensations maximize motivation to realize MSV and incentivize further leaps forward.

Composition of Executive Officers' compensation

Compensation for Executive Officers, excluding Representative Executive Officer & Co-Presidents, consists of "Job-based Compensation," "Performance-linked Compensation." and "Long-term Incentives." The Compensation Committee decides the amount of "Performance-linked Compensation" and "Long-term Incentives" according to the evaluation by the Co-Presidents.

"Performance-linked Compensation" is a comprehensive evaluation based on a non-financial assessment in addition to a financial evaluation, in order to provide appropriate incentives through flexible and proper evaluation in a rapidly changing business environment. Non-financial assessment items are based on contributions related to governance, such as group internal controls including risk management, and achievements in diversity, equity and inclusion (DE&I), such as the creation of a highly dynamic work environment and culture for diverse human resources and human resource development.

"Long-term Incentives" are cash compensation, determined based on a comprehensive evaluation of longer-term sustainability, contribution to the overall optimization of the Group, and expectations for contributions, and paid out in thirds per fiscal year, over a three-year period.

Composition of Directors' compensation

Compensation for Directors (Independent Directors) who do not concurrently serve as Executive Officers consists of "Job-based Compensation," "Allowances for Committee Memberships and Other Roles" and "Long-term Incentives."

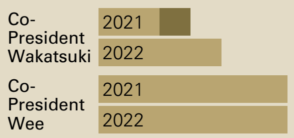
"Long-term Incentives" are restricted stock compensation. This is intended to promote further value sharing with shareholders toward the realization of MSV, as Directors not only supervise the Group's management as Asset Assemblers, but also assume the role and risk-taking of making important decisions regarding the allocation of management resources entrusted to them by shareholders.

Composition of Executive compensation

Representative Executive Officers & Co-Presidents' compensation

Entire amounts of compensations are variable
- Total compensations for the current fiscal year are determined by linking them to the comprehensive performance evaluation for the previous year
- Total compensations for the following fiscal year are redefined each fiscal year from the ground up after a comprehensive evaluation of the performance from financial and non-financial perspectives, and the composition of cash and stock compensation is also reviewed each time

Image of Basic Composition

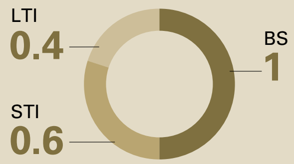


Executive Officers' compensation

Fixed compensation
- Job-based Compensation (BS)
  Amounts paid are determined by position based on roles and responsibilities

Variable compensation
- Performance-linked Compensation (STI)
  Amounts are determined by combining financial and non-financial evaluations based on individuals job responsibilities
- Long-term Incentives (LTI)
  Cash-based LTI

Image of Basic Composition

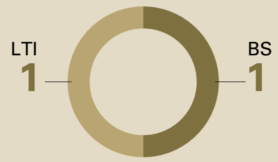


Directors' compensation
Directors who do not concurrently serve as Executive Officer (Independent Director)

Fixed compensation
- Job-based Compensation (BS)
  Amounts paid are determined by position based on roles and responsibilities
- Allowances for Committee Memberships and Other Roles

Variable compensation
- Long-term Incentives (LTI)
  Granting restricted stocks as an incentive for MSV
  Introduced Malus Clawback Clause to ensure the soundness of MSV

Image of Basic Composition



Audit Committee Report

Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Contributing to MSV by strengthening the audit system in line with Asset Assembler model

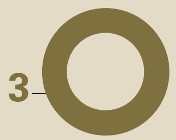
Since its establishment in FY2020, the Audit Committee has been working to improve the Group's audit system through "Audit on Audit," where internal audits of partner companies are fully relied on. At the Group Audit Committee (GAC) meeting, which is held twice a year and attended by people in charge of internal audit of each PCG, we work to raise the overall auditing level through the sharing of best practices and other means, thereby strengthening the cooperative structure between the Audit Department and the internal audit units in each region (see the next page).

We have also established a risk-based global audit system in which the Audit Department assesses the risks of the entire Group through risk assessment surveys to each partner company started in FY2022, while the internal audit units in each region audit and advise on individual risks. In addition, such as introduction of data analytics to each internal audit unit, we contribute to MSV through our audit activities for improving business operation.

Based on its evaluations in FY2021, the Audit Committee has identified issues in the following main areas: (1) the effectiveness of the audit system in the corporate group, (2) the monitoring and verification of the risk management system, (3) the monitoring and verification of financial reporting and information disclosure, (4) the effectiveness of IT governance, and (5) the effectiveness of responding to ESG and SDGs. The Committee is deliberating the implications of these five areas for MSV. In addition, through ongoing interviews with GKP and other senior management, we are furthering our understanding of the situational realities of the workplace, while remaining focused on improving the quality and effectiveness of audits appropriate to our Asset Assembler model.

Chairperson Masataka Mitsuhashi (Independent Director)

Composition of the Committe



● Independent Director

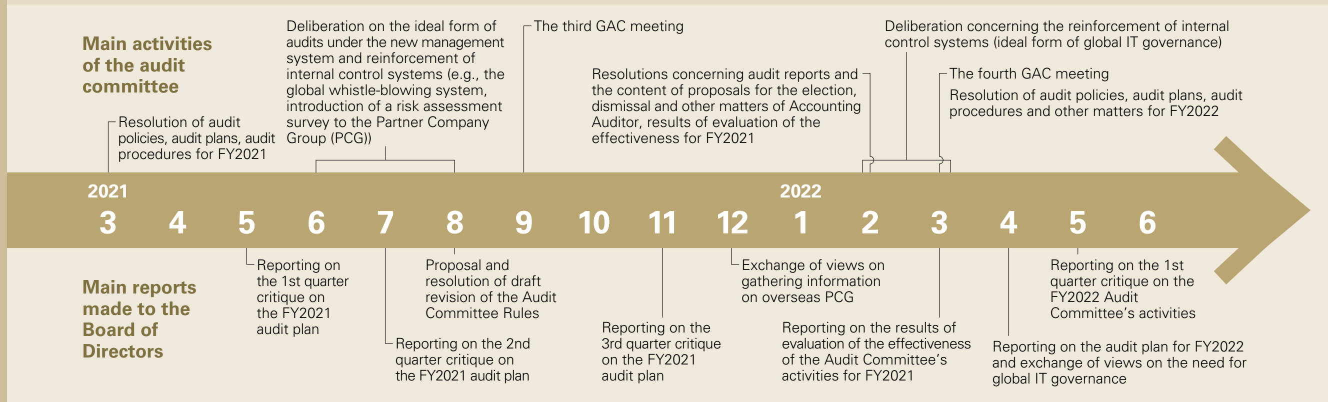
* An Independent Director serves as the Committee Chairperson.

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

Number of meetings held		
	FY2021 (from late March 2021 to early March 2022)	16
	FY2022 (from late March 2022 to early May 2022)	3

Main activities

The Audit Committee:
- Prepared audit reports based on the results of audits on the status of execution of duties by the Executive Officers and Directors and other factors.
- Resolved the content of 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., cases, audit findings, risk management, background of selecting audit themes) at Group Audit Committee (GAC).



Risk-based global audit system

The Company's Audit Department ensures the independence and appropriateness of audits by establishing double reporting lines to the Audit Committee and Representative Executive Officers & Co-Presidents. As the entity in charge of establishing a global internal audit system, the Audit Department supports the audit activities of the Audit Committee and conducts J-SOX evaluations as well as supervises the audit activities conducted by internal audit units in each region. Specifically, on top of analyzing the results of assessments of important risks at each partner company, the Audit Department promotes collaboration among internal audit departments of each partner company to improve the maturity of internal audits for the entire group that contribute positively to MSV. By these methods, we have established an "Audit on Audit" system, where the results of internal audits conducted by each partner company are fully relied on, enabling us to develop an effective global audit system.

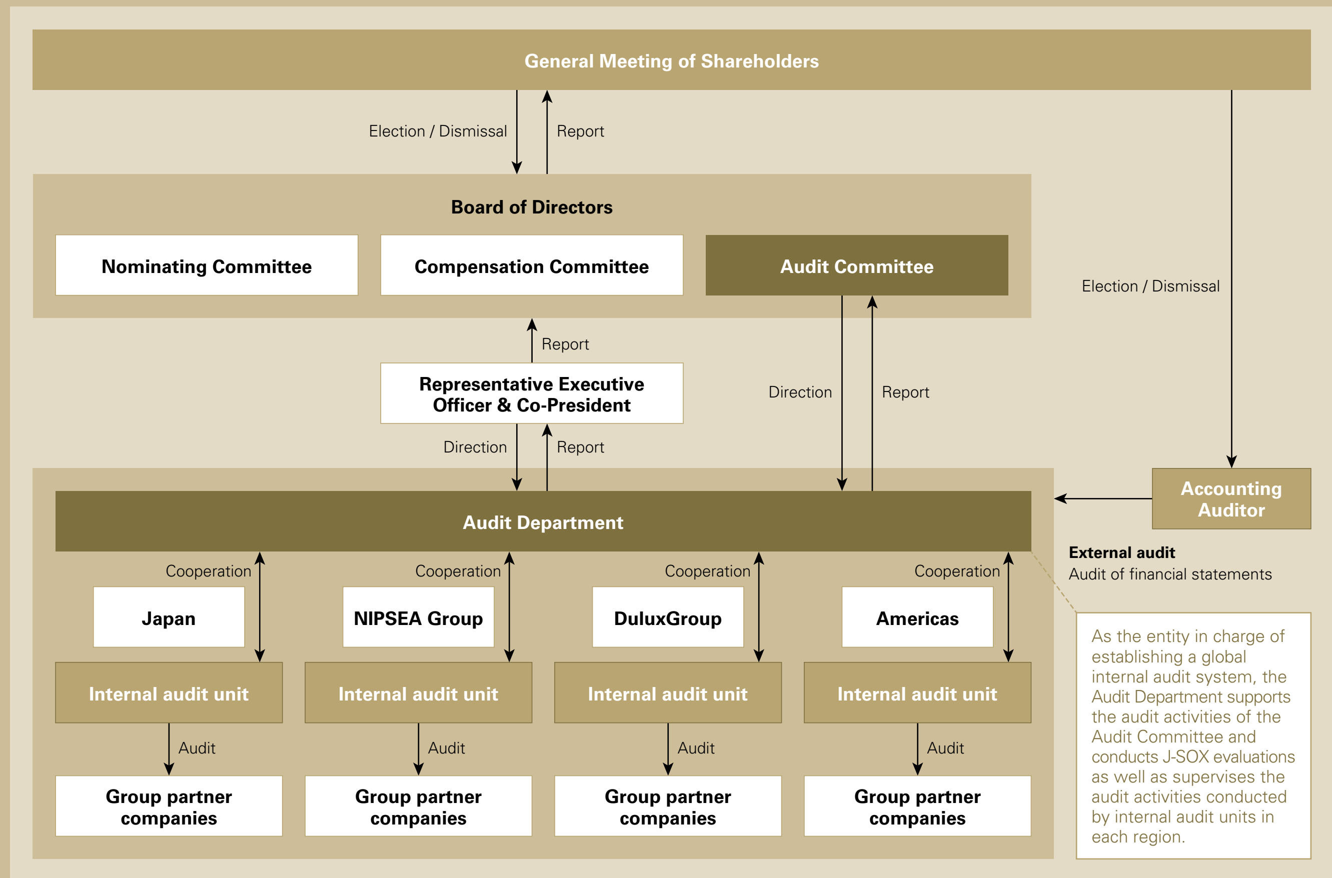
Coordination with Accounting Auditor and local audit firms

The Audit Committee monitors and verifies whether the Accounting Auditor conducts appropriate audits while maintaining its independent position. The status of the execution of duties is checked at the Three-Party Audit Meeting held on a regular basis. Relevant matters of concern are shared as needed to ensure close and organic coordination. Particularly with regard to Key Audit Matters (KAM), which we began adopting in FY2021, the Company held discussions with the Accounting Auditor on items that involve significant management decisions, including accounting estimates, and items likely to have a significant impact on financial statements, and confirmed the appropriateness and consistency of information disclosure.

The Audit Committee also conducts direct interviews with local audit firms in charge of accounting audits of major overseas partner companies. The committee discusses audit findings at the partner companies, financial and tax risks, and the status of communication between local management and the Company's Accounting Auditor to identify risk factors and confirm the performance of duties by local audit firms.

In Japan, the Audit Committee holds regular meetings with corporate auditors of partner companies to share information and exchange opinions on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working to further improve the effectiveness of our activities.

"Audit on Audit" Group audit system



Q&A with the Lead Independent Director

The Lead Independent Director Masayoshi Nakamura comments on and answers to feedback and questions on governance topics received through engagement with investors.

Masayoshi Nakamura
Lead Independent Director and Board Chair

Q1 I understand that Maximization of Shareholder Value (MSV) is premised on the fulfillment of obligations to all stakeholders. How does the Board of Directors ensure that the management team's decisions are fulfilling those obligations?

A1 As Independent Directors, we do our utmost to fully understand the expectations of our stakeholders and I believe that the best source of information is to hear directly from the local management, the heads of the each business, since, naturally, they undertake their operations by taking into account the views of various stakeholders. Therefore, we interview them about their onsite responsibilities to stakeholders and their expertise and knowledge regarding internal control systems to confirm that they are fulfilling their responsibilities in their existing regions and businesses.

In addition, at the Meetings of Independent Directors which were held 17 times during the 2021 term of office the focus was on deepening knowledge of and updating information about each Independent Director through discussions about the roles Independent Directors should play for Nippon Paint Group and the possibility of issues emerging in the future. Furthermore, we made efforts to enhance our knowledge about our obligations to stakeholders by exchanging views with persons in charge of compiling third-party evaluation reports when evaluating the effectiveness of the Board of Directors.

Q2 How does the Board of Directors supervise the sustainability performance of Nippon Paint Group?

A2 The fulfilment of obligations is the premise of our sole mission of achieving MSV. These obligations include not only legal contracts, but also social and ethical obligations, and also encompass the concept of sustainability. In FY2021, the Board of Directors established the "Nippon Paint Group Global Code of Conduct" that sets the standards of conduct including compliance, and ethics, and sustainability rules to be shared and complied with by everyone across the Group. Based on the Global Code of Conduct and using the Asset Assembler model, NPHD is controlling the risk of the Group and pursuing sustainable growth while respecting the autonomy as a "Corporate Group with Integrity."

The results of self-assessment by each Partner Company Group (Nippon Paint Group companies grouped by region or business) are reported to the Co-Presidents annually.

The Co-Presidents then analyze these assessments and report the content to the Board of Directors from a cross-group perspective. Besides these activities, the Board of Directors meeting has the Co-Presidents' Report as a regular agenda item whereby the Co-Presidents provide updates of risks and sustainability measures of the Group in a timely and appropriate manner.

When determining the compensation for the Co-Presidents at the Compensation Committee, we comprehensively evaluate the performance of the Group in relation to both financial and non-financial indicators including the development of corporate culture, the strengthening of human capital and the status of management of sustainable growth at each partner company, along with our expectations for the future performance of these items. Through this comprehensive evaluation, the Board of Directors is constantly supervising the sustainability performance of the Group.

Q3 Has the influence of Mr. Goh Hup Jin on the Board of Directors increased with the increase in the ownership of Wuthelam Group in NPHD? Are there any governance concerns regarding NPHD's actions, such as transactions with Wuthelam Group and the President's nomination process given that Mr. Goh is also a member of the Nominating Committee?

A3 The Nominating Committee consists of four committee members, with Mr. Goh being one of the members, while the remaining three committee members are Independent Directors. Within the Board of Directors, Mr. Goh is asked to serve as a member of the Nominating Committee because he is the person most familiar with the Group's management teams who play an important role in the Group, and he is valuable when the Nominating Committee discusses succession planning and other specific issues.

As NPHD and Wuthelam Group share MSV as the common basis of our decision-making criteria and the Board members frequently communicate with Mr. Goh even outside the meetings. I think that it is unlikely that NPHD and Wuthelam Group will have any significant disagreement in management decision making.

However, if Wuthelam Group were to be perceived to be making decisions and proceeding in a manner that disregarded the interests of minority shareholders, and did not prioritize the interests of minority shareholders, I believe that all of the current Independent Directors would find it impossible to fulfil their responsibilities and would tender their resignation.

We believe that it is likely that Mr. Goh himself fully understands that the Independent Directors approach the Board of Diretors meetings from such a perspective.

Q4 I believe M&A will be the key to the growth of Nippon Paint Group. Please tell us how the Board of Directors is involved in decision-making process concerning M&A.

A4 We leave the decision-making on very small M&A deals to the management team on the ground. Only relatively large proposals are submitted to the Board of Directors. The management teams of partner companies in every operating region are requested to submit a long list of acquisition target companies both for investments and acquisitions. Based on this list, these potential deals are then prioritized. We subsequently examine the feasibility of these deals and hold concrete discussions to work out the details, such as the timing and how to realize the scheme. Moreover, the Board of Directors constantly discusses potential deals and the road maps to further medium- and long-term growth of the Group.

We consider potential M&A deals in advance based on such prior information and discussions. While some projects are abandoned midway through this process, there are no projects that we hear about for the first time at the resolution stage, and the members of the Board of Directors are basically always aware of the status of progress, so we can make quick and timely decisions.

Investor engagement

NPHD aims to achieve MSV by building a relationship of trust with its shareholders and investors through communications with capital markets, including thorough and fair information disclosure and continuous engagement with investors around the world, thereby reducing information asymmetries, holding down the cost of capital and thereby maximizing the PER. which will lead to MSV. NPHD also endeavors to understand its shareholder structure to engage in constructive dialogue with investors, and pays close attention to the prevention of leaks of insider information when engaging in dialogue.

NPHD has appointed the Directors, Representative Executive Officers and Co-Presidents and General Manager of Investor Relations Department as points of contact for dialogue with investors, and also provides opportunities for dialogue with independent Directors. Opinions and suggestions from investors obtained through dialogue are fed back to the Board of Directors in an appropriate manner and reflected in management, and the opinions of Directors, including Independent Directors, are also made use of in dialogue with investors.

In FY2021, we strengthened our communication with investors and held IR meetings with 519 companies (an increase of 50.0% from the previous year), in order to promote understanding of the paint market and the company's strategy, and promote the understanding and dissemination of our medium- and long-term strategies. In March, we held the Medium-Term Plan (FY2021-2023) progress report briefing at which Co-President Wakatsuki explained the growth potential of the paint market, our strengths and the future strategic direction of Nippon Paint Group. In September, we held an investor briefing on the NIPSEA business in response to long-term requests from investors. At this event, Co-President Wee explained our medium- and long-term strategy for China and other Asian countries, the current market outlook, and countermeasures against current risks. In October, both Co-President Wakatsuki and DuluxGroup CEO Houlihan hosted the investor briefing on the acquisition of Cromology, explaining the background and the significance of this acquisition.

Besides the above, we took a new approach and held a small investor meeting with Independent Director and Board Chair Nakamura, where he explained the effectiveness of the Board of Directors and the Board's relationship with Wuthelam Group, the major shareholder of NPHD.

In addition, we are continuing to focus on proactive disclosure of information through measures, including the strengthening and expansion of our Integrated report and IR website.

Number of IR meetings held (companies)

	2019	2020	2021
Meeting with domestic investors	140	136	232
Meeting with overseas investors	141	210	287
Of which, meeting with ESG investors (in Japan and overseas)	3	9	30
Total	281	346	519

IR events held (times)

	2019	2020	2021
Teleconference on financial results	4	4	4
Briefing for institutional investors	0	1	4
Briefing on M&A	2	1	2
Briefing for individual investors	3	1	5
Total	9	7	15

Dialogue

Towards the establishment of an executive compensation plan that truly contributes to Maximization of Shareholder Value (MSV)

Why we considered the executive compensation plan compensation system developed by the Compensation Committee will contribute to the achievement of MSV and what were the discussions we held toward creating such a plan? —— On this page, Independent Directors, Masayoshi Nakamura (Board Chair) and Takashi Tsutsui (The Compensation Committee Chairperson), look back at previous discussions held at the Compensation Committee and explain how the optimal executive compensation plan is contributing to MSV, the role of the Compensation Committee, and their thoughts about the design of the compensation plan for the future.

Retracing the footsteps of the Compensation Committee

Nakamura • It has now been over a year since we adopted the Co-President structure on April 28, 2021. Mr. Wee Siew Kim, one of the Co-Presidents, is a Singaporean residing in Singapore, and he became the first non-Japanese president of the company under the current Co-President structure. In early 2022, we announced the adoption of Asset Assembler model for pursuing MSV. By these actions, we have taken the group management to the next stage.

Takashi Tsutsui (left in the photo)

Independent Director and Compensation Committee Chairperson

PROFILE

Takashi Tsutsui was elected Independent Director of NPHD in March 2018, serving as Compensation Advisory Committee Chairperson, and from March 2020, as the Compensation Committee Chairperson. Thanks to his many years of experience in executive election and compensation design he played an important role in formulating Compensation Philosophy and in a reform of the executive compensation plan that aims to achieve MSV. Mr. Tsutsui has ample experience in global business operations for around 30 years at listed companies including Nomura Securities Co., Ltd. and has a keen insight into corporate governance.

Masayoshi Nakamura (right in the photo)

Lead Independent Director and Board Chair

PROFILE

Masayoshi Nakamura was elected Independent Director of NPHD in March 2018, serving as a member of both the Nominating Advisory Committee and the Compensation Advisory Committee member and, from March 2020, as the Lead Independent Director. He has served as the Board Chair since April 2021, and is playing an important role in deepening the content of the discussions in the Board of Directors meetings, such as consolidating the views of the Independent Directors and communicating them to the management team. He has more than 30 years of experience as a specialized professional in M&A advisory services and financing in the capital markets from his roles at Morgan Stanley and at other leading investment banks.

We believe that our executive compensation plan is also undergoing a major transformation. The Compensation Committee members have been and will continue adhering to "what compensation plan will contribute to MSV." As we drive this transformation, Mr. Tsusui, the Compensation Committee Chairperson, and I will look back on why we considered the executive compensation plan developed by the Compensation Committee will contribute to the achievement of MSV and what were the discussions we held towards creating such a plan

Tsutsui • Well, compensation design needs to maintain some degree of continuity. It is not necessarily a good idea to suddenly switch our compensation plan to an ideal one. Naturally, we need to develop a compensation plan that is fair and rational and can fulfill accountability requirements by taking into account objective information and specialized advice by making use of the help of external advisors and other parties. Also, an ideal compensation plan should be able to adapt to fit the company's growth stage and the social circumstances in which it operates. I don't think there is any single perfect goal to always aim at.

It may be a roundabout approach to explaining our conclusion to "what compensation plan will contribute to MSV" but let us begin by retracing our footsteps.

Nakamura • Mr. Tsutsui and I were elected as Directors of NPHD at the General Meeting of Shareholders in March 2018. NPHD transitioned to "a Company with a Nominating Committee, etc." structure in March 2020. As you know, in August 2020, we decided to fully include the Asian JVs, which had grown to account for roughly 50% of the consolidated revenue and over 60% of the consolidated operating profit, into the consolidation by acquiring their remaining 49% equity stakes. Decision to acquire the Indonesia business was also taken at the same time. These events required a major transformation of management teams and their compensation to take the Group to the next growth stage. It was also in 2020 that the Compensation Philosophy was established.

Now, let us look back at NPHD's initiatives for business expansion and changes in the structure of our compensation design for the President in terms of timelines: First, the period "Up until the full integration of the Asian JVs (2018-2020);" and second, the period "From the full integration of the Asian JVs to the adoption of the Co-President structure (2021-2022)." Then we will turn our thoughts to "our vision for the future."

Compensation Philosophy

Overarching Principle

- In order to implement MSV, to build a compensation plan that is transparent and satisfactory and to continue to provide appropriate motivation and incentives to key executives by implementing individual treatment based on the plan.

Guiding Principles

- To be able to attract and keep management talent that excels at practicing MSV.
- To be able to continuously provide motivation so that maximum potential can be encouraged even under changing environments.
- To function effectively and in harmony with the current state of business development, level of maturity of organizational systems, organizational values, and the community.

Design Policies for the Compensation of the Representative Executive Officer and Co-Presidents

- Compensation that contributes to MSV
- Total compensation is commensurate with the performance of the Representative Executive Officers & Co-Presidents
- A compensation structure that promotes appropriate and decisive risk-taking

"Up until the full integration of the Asian JVs" (2018-2020)

What kind of executive compensation plan was necessary to prepare for the full integration of the Asian JVs?

Nakamura • At the time we were elected as Directors, our committee was the Compensation Advisory Committee based on the corporate governance structure of "a Company with a Board of Company Auditors." What was your first impression of the executive compensation plan and the issues it faced when you were initially briefed?

Tsutsui • It may be misleading, but my first impression was that NPHD's executive compensation plan was "an ordinary

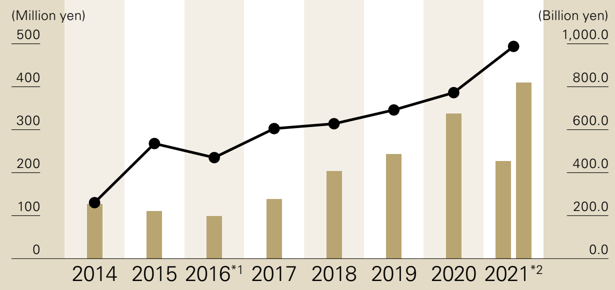
President's compensation

	Prior to 2017	2018-2020 Up until the full integration of the Asian JVs	2021-2022 Under the Co-President structure
Concept	● Shifting from a Japan-oriented to global, evaluation and compensation were determined by using a formula which the growth rate of Nippon Paint Group's consolidated net sales and profit before tax as an indicator.	● Increasing stock-based compensation to be competitive globally ● Establishing financial and non-financial indicators to determine compensation based on comprehensive evaluation	● Reforming the total amount of compensation to be determined by linking it to the comprehensive performance evaluation of the previous year ● Total compensations are redefined each fiscal year from the ground up after a comprehensive evaluation of the performance from financial and non-financial perspectives, through discussions with the Co-Presidents and close communications with GKPs. And the composition of cash and stock compensation is also reviewed each time
Composition	Based on a fixed compensation table established in 2012 (example) 2017 Long-term incentives (LTI) 10% Short-term incentives (STI) 50% Job-based (fixed) 40%	2020 Long-term incentives (LTI) 28% Short-term incentives (STI) 30% Job-based (fixed) 42%	Based on comprehensive evaluation 2021 Co-President Wakatsuki: 2021, 2022 Co-President Wee: 2021, 2022 Cash / Stock (RS)
Indicators used to determine performance-linked compensation (STI)	Financial indicators ● Consolidated net sales, consolidated profit before tax	Financial indicators (20% weight) ● Consolidated net sales consolidated profit before tax Non-financial indicators (60% weight) ● 12 non-financial KPIs involving the new management framework launched during the pandemic and after the transition to "a Company with a Nominating Committee, etc." structure, global management centered on ESG, training to create the next team of senior executives, corporate culture reforms, and other items EPS indicators (20% weight)	Comprehensive evaluation indicators ● Compensation is entirely variable compensation ● Financial indicators: Comparison of net sales, profitability, stock price, and other performance of Nippon Paint Group in the past, and comparison with competitors, as well as the degree of achievement relative to the current fiscal year's plan and the process of implementation, and other items ● Non-financial indicators: Cultivation of corporate culture, human capital enhancement, management for sustainable growth, and expectations for these indicators at all partner companies
Long-term incentives	● Stock option (a 3-year vesting period)	● Restricted stocks (transfer restrictions will be lifted upon retirement)	● Restricted stocks with transfer restriction (transfer restriction will be lifted upon retirement)

Major M&A transactions/Group reorganizations

	2014–2021
NPHD/Japan	● October 2014 Completed the transition to a holding company structure ● April 2015 Completed the company spin-off by lines of business ● March 2020 Completed the transition to "a Company with a Nominating Committee, etc." structure ● April 2021 Transitioned to the Co-President structure ● October 2021 Started organizational realignment to become a pure holding company and a functional company in Japan
Asia	● December 2014 Completed the consolidation of the Asian JVs (ownership ratio: 51%) ● January 2017 Completed the acquisition of Huizhou CRF ● January 2021 Completed the full integration of the Asian JVs and acquisition of the Indonesia business ● March 2021 Completed the acquisition of Vital Technical ● November 2021 Decided to fully integrate the Chinese consolidated automotive subsidiaries
India business European business	● July 2016 Completed the reorganization of the Indian automotive coatings business ● January 2016 Completed the full integration of Bollig & Kemper ● August 2021 Decided to transfer the European automotive business and the India businesses to Wuthelam Group
Oceania	● August 2019 Completed the acquisition of DuluxGroup ● October 2021 Decided to acquire Cromology ● October 2021 Decided to acquire JUB
Americas	● March 2017 Completed the acquisition of Dunn-Edwards
Other	● July 2019 Completed the acquisition of Betek Boya

The total amount of the President's compensation (disclosed in the Annual Securities Report)



*1 FY2016 was nine months due to a change of the fiscal year-end
*2 The Co-President structure started from April 2021

executive compensation plan of Japanese companies without any special features". We both already had a clear vision when we became the Directors that it would be an inevitable decision for NPHD to fully integrate the Asian JVs in the near future to achieve MSV and we had to prepare for this and, at the same time, guide the executives to make that decision.

Based on the executive compensation plan back then, the President's total compensation exceeded 100 million yen and the plan included short-term incentives (STI) in the form of performance-linked compensation and long-term incentives (LTI) through stock options. However, based on what we had in our mind as an ideal executive compensation plan, we thought something was missing—it needed a new approach, and one that was not limited by conventional arrangements, in order to boost the motivation and incentives of the President and other senior management to achieve MSV.

Nakamura ● I felt the same way. I visualized a President who would make the decision on the full integration of the Asian JVs or a President who would drive the globalized Nippon Paint Group to the next growth stage following the full integration of the Asian JVs. Then, thinking what kind of compensation plan would be appropriate for this person, I felt that NPHD would not be able to attract the person it required under the existing compensation plan.

Tsutsui ● That's right. What we needed was an executive compensation plan that motivated all of the management teams, from the President and other executives to bring out their maximum potential. If the right candidate is outside the Group, it should be able to attract and retain that person. Accordingly, we proceeded to reform it, focusing on "working out a satisfactory total amount of compensation, raising our compensation to a competitive level," and "designing a compensation structure that requires a clear commitment by the President to achieving MSV."

That said, if we were to determine compensation as the occasion demanded, we would be naturally required to determine compensation that is commensurate with the performance of the President in office at that time. While applying a strict performance assessment for the President, we proactively adopted a new approach to the composition of the President's compensation, by means such as increasing the proportion of stock-based compensation. In this manner, we enhanced our compensation plan in terms both of the total amount and of the composition of the compensation.

Nakamura ● As a result of those compensation reforms, we increased the compensation for the President in FY2020, when NPHD shifted to "a Company with a Nominating Committee, etc." structure, by around 2.4 times compared to the FY2017 prior to our election to the Directors. This was, even from a global perspective, a competitive level of compensation. We invited candidates for the President from outside the Group as well, and we believe that the reform of executive compensation plan paved the way for attracting external talent.

During this time, NPHD further expanded its global operations through the acquisitions of DuluxGroup in Australia and Betek Boya in Türkiye, full integration of the Asian JVs, and acquisition of the Indonesia business. As a result, the Group's overseas revenue increased to 70% of consolidated revenue and NPHD rose to the fourth place in the global paint and coating market after the top three dominant global players. At the same time, the Company reformed its executive compensation for the President to a level and composition appropriate to the leader that will further drive its growth strategy.

Fruition of the Compensation Philosophy

Tsutsui ● During this time, we certainly increased the compensation for the President. This reflects an appropriate evaluation and recognition of the President's job responsibility and performance, while at the same time incorporating the tough requirements that are expected in return. I can proudly say that our stance is reflected in our Compensation Philosophy (See page 112).

What I would like to emphasize, especially regarding the compensation design that we laboriously developed, is the following: The compensation for the President in FY2020 was comprised of job-based compensation as a fixed compensation accounting for around 40% of the total compensation. Of

the remaining 60% variable compensation, the proportion of the STI, which varies according to the performance evaluation, was reduced, while the proportion of the LTI, using restricted stock compensation, was increased by around three times.

The idea behind this composition of the compensation is that the STI portion will be strictly evaluated by the Compensation Committee, while the LTI portion should be evaluated by shareholders through the stock market. We wanted to develop a compensation plan which would make the President keenly aware of our and shareholders' constant scrutiny about his/her commitment to achieving MSV. To put it in extreme terms, our stance is that the President's compensation is never guaranteed in advance.

Why stock-based compensation is part of the compensation for Independent Directors?

Nakamura ● So far, we have been looking back at our thoughts about the compensation for the President. What is required of Independent Directors is the same, in that our performance is always subject to shareholders' scrutiny.

Tsutsui ● Indeed. Although business execution is not a part of our roles, we not only supervise the group management as an Asset Assembler but also assume the role and risk involved in making important decisions regarding the allocation of management resources entrusted to us by our shareholders. We believe that it is important to further enhance value sharing with shareholders, in other words, incentives for achieving MSV. That's why we have introduced stock-based compensation as part of the compensation for the Directors who do not serve concurrently as Executive Officers. This is restricted stock compensation that cannot be sold during the term of office. Also, Malus and Clawback clauses are in place, enabling the Independent Directors to properly share values with our shareholders, especially minority shareholders.

Nakamura ● I believe that our compensation plan for Independent Directors is appropriate for a company that sees MSV as its sole mission. Specifically, the current compensation for Independent Directors is equally divided between cash and restricted stock. In principle, when the restriction is lifted after Independent Directors retire from their office, they have almost nothing left, except NPHD's stock, net of tax. In other words, the only incentive the Independent Directors receiving the restricted stock have is to boost NPHD's stock price continuously, both during their terms of office and after their retirement. The difference before our election and after our retirement as NPHD's Independent Directors is an indication that we will have truly become minority shareholders of NPHD.

Tsutsui ● That is how we have designed the compensation for Independent Directors. In order for the Group to expand operations globally through M&A based on Asset Assembler model and to build a really sustainable management base to achieve MSV, with all possible concerns for the Group eliminated, Independent Directors must not only supervise the Group's management from both "independent and outside" perspectives, but also be committed to devoting a considerable amount of their time and maintaining close and excellent discussions on individual agenda items requiring management decision-making. Considering these points, I believe that it is an appropriate compensation composition for NPHD's Independent Directors to include stock-based compensation.

"From the full integration of the Asian JVs to the adoption of the Co-President structure" (2021-2022)

Nakamura ● We were able to reflect on the discussions and issues surrounding our executive compensation plan that culminated in our Compensation Philosophy. I would now like to take a fresh look at the new reform initiatives of the Compensation Committee to prepare for transition to the current Co-President structure.

Discussions centered on evaluating and determining compensation for the President

Nakamura ● I believe that the Compensation Committee worked from the premise that we should focus on the evaluation and determination of the compensation for the President, who is the head of the Company. Therefore, we have separately established the "Design Policies for the Compensation of the Representative Executive Officers and Co-Presidents Compensation" (See page 112), in compliance with the Compensation Philosophy. First, let us outline the background of this concept.

Tsutsui ● Since our election as Directors, we have envisioned a business model for Nippon Paint Group of expanding its operations for even further growth globally, considering the characteristics of its business areas centered on paint and coatings. What we had in mind specifically was a business model in which NPHD will attract partner companies around the globe and drive growth at each partner company by essentially entrusting these companies with autonomous management based on trust.

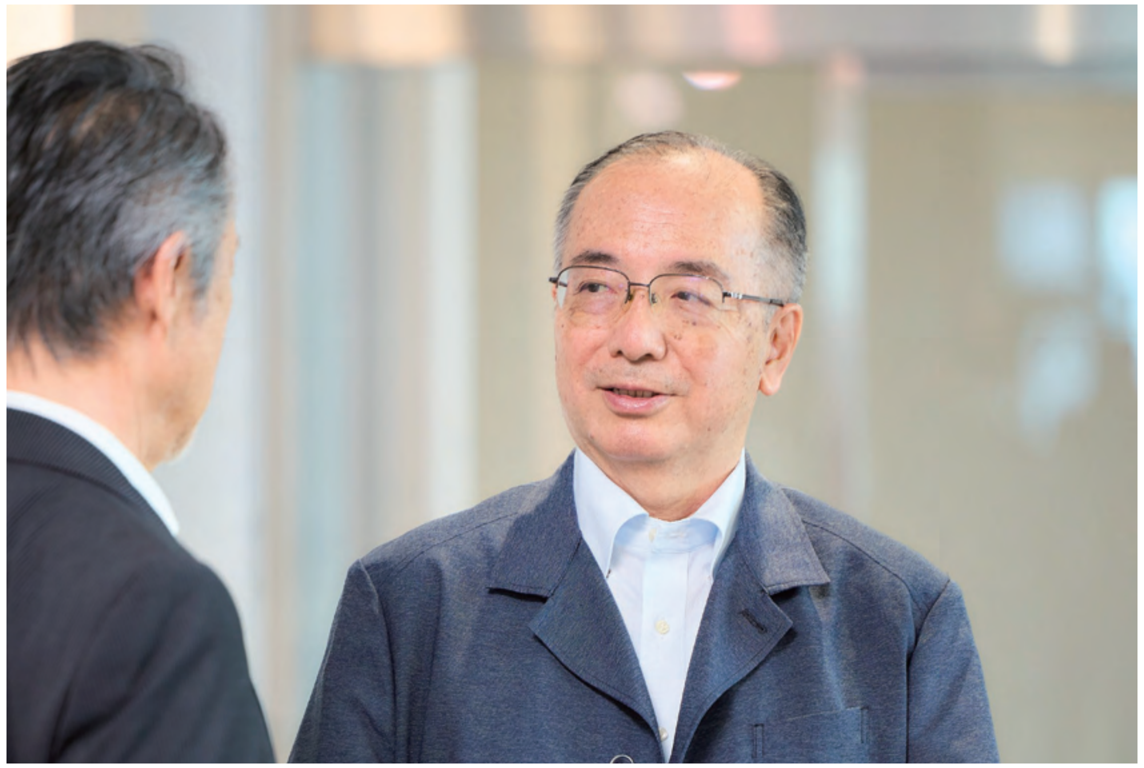
The key to the success of this growth model is, unquestionably, the Co-Presidents of NPHD, which is a pure holding company. Therefore, the Compensation Committee determined that the evaluation and determination of compensation for the Co-Presidents to be our most important role. We needed to establish a compensation plan that would strongly support the group management led by the Co-Presidents. In the meantime, we decided to delegate to the Co-Presidents the responsibility for evaluating and determining the compensation for the management teams of partner companies.

Nakamura ● These discussions led to the development of the current Asset Assembler model. We thought the key parameters for properly evaluating the performance of the Co-Presidents would be: "how well the Co-Presidents lead other Executive Officers, and Global Key Persons (GKPs), who are the key management teams of partner companies," and "how well they determine compensation for GKPs."

Tsutsui ● I believe that is at the core of our approach to the evaluations we will perform. The Compensation Committee members are responsible for evaluating the performance and determining the compensation of the Executive Officers, including the Co-Presidents. The prerequisite for our evaluation of the Co-Presidents is an understanding by the Compensation Committee members of the personalities and performance of the Co-Presidents, as well as GKPs, including the Executive Officers.

Therefore, we have established a procedure by which the Co-Presidents' report to the Compensation Committee on how they manage and evaluate other Executive Officers and GKPs, while the Compensation Committee evaluates and determines the compensation for the Co-Presidents and other Executive Officers after carefully considering the content of reports from the Co-Presidents.

Every partner company has its own approach to evaluation and compensation decisions according to the culture and business practices of each region. Based on Asset Assembler model, we do not impose a standardized compensation structure. Rather, we are required to work with the Co-Presidents to explore a better direction that suits each region and business based on a deep understanding of the uniqueness of each partner company. We believe the diversity of our compensation is going to expand beyond our imagination.



The Co-Presidents make a report to the Compensation Committee jointly with the Nominating Committee members. This enables an organic coordination between proper nomination and compensation decisions for the Co-Presidents and other Executive officers. We believe these integrated activities will contribute practically to Nippon Paint Group's achievement of MSV.

Focusing on communications with the GKPs

Nakamura ● We have been taking the evaluation of the GKPs reported by the Co-Presidents quite seriously. At the same time, our focus has been on seeing for ourselves the Co-President's evaluation of GKPs by directly communicating with GKPs.

Tsutsui ● In order to properly evaluate the performance of the Executive Officers, including the Co-Presidents, and determine their compensation, it is not right to make decisions based solely on the degree of achievement of numerical targets, not is it right to do so by taking the reports from the Co-Presidents at face value. The important thing is to evaluate a person's value as a manager from multifaceted perspectives and so to understand the merit of each person.

Nakamura ● Adequate communication is essential for this purpose, and both the Nominating Committee and the Audit Committee have been working on expanding communication with GKPs.

The Audit Committee follows an "Audit on Audit" system, in which our partner companies are grouped by business or region and NPHD audits the status of auditing within each group. The Audit Committee also interviews each GKP on a regular basis. the meetings of Independent Directors, where I serve as the Chairperson, have also spent time to increase communication with GKPs through meetings over lunch and on other occasions.

The qualitative information and relationship building that these opportunities provide is invaluable for the Board of Directors in understanding the Group's human capital at the senior management level that goes beyond the scope of the Committees.

Nakamura ● Mr. Goh Hup Jin has been in the paint and coatings businesses, working with GKPs longer than any of the other Directors, and he therefore knows them better than any of us. Mr. Goh's relationship with GKPs, which is based on trust, was therefore essential when we began communicating with them. His experience-based insight will be invaluable as we work to expand communications with GKPs. In view of the above, we have nominated Mr. Goh to serve on both the Nominating and Compensation Committees.

While Mr. Goh brings shareholder perspectives to the Compensation Committee's deliberations, his opinion carries only one-third the weight as it is a three-member committee. We believe that it is important for the Compensation Committee to ensure that Mr. Goh's views are not expressed outside the committee and are taken into consideration in decision making. We believe that this will help in gaining the confidence of the management team of NPHD, including the Co-Presidents.

Going beyond formula-based compensation decisions

Nakamura • Through these communications, we have made an effort to assess the merits of the Co-Presidents and other Executive Officers. We have also had many discussions on how we should reflect the results of evaluations based on this assessment for making compensation decisions.

Tsutsui • Under the executive compensation plan that was in place prior to our election as Directors, the amount of performance-linked compensation for the President was automatically calculated by using a formula that used consolidated net sales and profit before tax as indicators.

This compensation is linked directly to Nippon Paint Group's performance and had the advantage of being fair and transparent to some degree. However, we didn't think that it was really the best way to evaluate the performance of executives, nor did we think that each member of the management team would be convinced that their performance had been properly evaluated and recognized. We thought that calculating and determining the compensation based on formulas have limitations because Nippon Paint Group must respond with agility to the rapid changes in business environment, which have been exacerbated by the pandemic. Therefore, we continued to explore an optimal evaluation and compensation determination method that can quickly reflect the current business climate.

Nakamura • I believe this is the core of the transformation, led by the Compensation Committee, from the conventional "evaluation and compensation decisions using a position- based fixed compensation table" to "compensation decisions based on comprehensive evaluations."

Based on our activities to enhance the compensation for the President in terms of both the total amount and composition, we decided to comprehensively evaluate the performance of the Co-Presidents through dialogues with them and close communications with GKPs for determining their compensation in FY2021. We also decided that total compensation, starting in FY2022, will be determined every year from the ground up and the percentages of cash and stock-based compensation will be reviewed every year.

Tsutsui • We often hear people say that compensation based on a clearly defined formula makes it more transparent as performance-linked compensation. However, Nippon Paint Group is undergoing drastic transformations. Group companies establish initial plans and budgets as well as KPIs from both financial and non-financial perspectives. We have held many discussions on whether compensation decisions using a formula based on company business plans would really work as an appropriate incentive to achieve MSV at a time when the Group is undergoing growth amid drastic changes in the business environment.

It is our responsibility to strongly support the Co-Presidents as they review business plans with agility and a sense of vigilance. We must also support their relentless pursuit of major goals and by extension growth to achieve MSV. We intend to work with the Co-Presidents to determine actions that are needed to keep changing based on the concept of MSV.

Nakamura • This may not be a good analogy, but members of the Compensation Committee were thinking about the fact that "An officer going to the war is not asked to only follow predetermined KPIs or review KPIs every time." Willis Towers Watson, which is our external compensation advisor, commented that we are oriented toward the OODA (Observe, Orient, Decide, Act) model, which is more flexible and responsive to different situations, rather than the PDCA (Plan, Do, Check, Action) model, which requires careful planning.

Tsutsui • We constantly discuss group activities more at the Board of Directors meetings than at the Compensation Committee meetings. These discussions involve both financial indicators and non-financial indicators, such as ESG and sustainability performance.

However, we do not believe that we can arrive at the compensation plan we seek to achieve by simply calculating compensation by doing additions and subtractions based on the degree of attainment of KPI targets. For example, we could add 5 points because performance exceeded the initial target by 5% for a particular KPI involving ESG.

Rather, it is important to comprehensively evaluate each individual's actions, performance and contributions at that point, taking into consideration the changing environment and other situations. Even if revenue and profits decline, for instance, we may give someone a positive evaluation if the decrease was caused by external factors and the market share increased despite the decline. On the contrary, we may give someone a negative evaluation even when revenue and profit increase if the benefits of price increases to reflect higher expenses did not emerge in a timely manner.

We believe that a comprehensive evaluation that carefully examines performance will serve as a proper incentive for executives to maximize their performance, as well as lead to the retention of these people.

Nakamura • The compensation for the Co-President is based solely on a comprehensive evaluation by the Compensation Committee, and total compensation for the following year will be reviewed from the ground up. Therefore, the Co-Presidents' compensation consists entirely of variable compensation. From the standpoint of people being evaluated, this may be a very demanding compensation plan.

For this compensation system to really function properly, the prerequisite is that we win the trust of the Co-Presidents that our judgments will definitely lead to MSV. I am convinced that the relationship we have developed with them through communications and the mutual trust backed by our track record will be the driving force behind our compensation plan.

Our vision for the future

Nakamura • We have covered the main topics that we considered and discussed leading up to the current Co-President structure. From here on, I would like to summarize our thoughts looking to the future.

What kind of compensation is conducive to sharing value with our shareholders?

Tsutsui • When considering our future compensation design, I believe we should place even more emphasis on determining what kind of compensation is truly conducive to raising incentives for achieving MSV and furthering value sharing with shareholders.

Nakamura • From that perspective, there is also the question of who should share value with shareholders in the first place. We also need to think about whether the best approach is holding stock, receiving stock as compensation, having compensation linked to the stock price, and so on.

Tsutsui • Directors are directly elected by shareholders. Therefore, it is obvious that we need to share value especially with minority shareholders. From a global perspective, there are many examples of companies that establish shareholding guidelines for their presidents. Simply put, the Co-Presidents are subject to these guidelines. It is natural to believe that the shortest path to value sharing with shareholders is for the Co-Presidents to hold a significant number of shares of NPHD stock.

In this regard, we should either establish a policy that allows the Co-Presidents to purchase this stock or design our stock-based compensation in a suitable manner. But in reality, it's not that simple.

Even if the Co-Presidents intend to purchase NPHD stock, they will definitely be exposed to material facts constantly as they implement growth strategies such as our Asset Assembler model. That means they will have very few opportunities to purchase stock. To deal with this issue, we are considering upgrading our insider information management system, including the development of contracts that allow trading of our shares through advance planning. We are still considering whether these steps can address all the issues.

Whether or not the use of stock-based compensation will solve the issues, it is not a good idea to impose a one-size-fits-all compensation plan. This is because, for a company like NPHD, where we consider external candidates for becoming the President or electing a person from an overseas partner company, we must take into account the continuity with existing compensation and the different levels and composition of compensation in other countries, which are strongly influenced by cultural differences.

Nakamura • The Compensation Committee is responsible for ensuring that the Co-Presidents' compensation is structured to allow value sharing with shareholders.

In other words, it is our critical mission to maximize the motivation of the Co-Presidents, who are responsible for business execution to pursue MSV, and to rigorously evaluate their performance with emphasis on value sharing with shareholders. In fact, this is a more demanding task than might be expected and a very serious responsibility.

Our next move to create compensation that further contributes to MSV

Tsutsui • We are determined to fulfill this role. An ideal compensation plan has no goal. We must continue to explore the best way to compensate our executives. I believe the validity of the concept of MSV we have created and our thoughts on the evaluation and compensation decisions based on trust to achieve MSV will be put to the test from now on. I am convinced that our initiatives for achieving MSV will advance to the next stage from here on.

Nakamura • Today, we had an opportunity to reflect on our thoughts on each stage and reaffirm the role of the Compensation Committee. We will do our best to take the committee activities to the next level.

Thank you very much for your time.

Share transfer of the European automotive coatings business and India businesses

—A move based on discussions at the Board of Directors and the Special Committee from the standpoint of protecting the interests of minority shareholders—

NPHD's Board of Directors is committed to improving the transparency, objectivity, and fairness of management by holding thorough exchanges of opinions and discussions, mainly by the Independent Directors who comprise the majority of the Board. The Board of Directors* held many discussions on whether NPHD can ensure the protection of the interests of minority shareholders in association with the transfer of the European automotive coatings business and India businesses to Wuthelam Group. This page explains the objective of this transaction and views of each Director.

* Director Goh is an interested party and did not participate in any meetings regarding this transaction.

Key points of this transaction

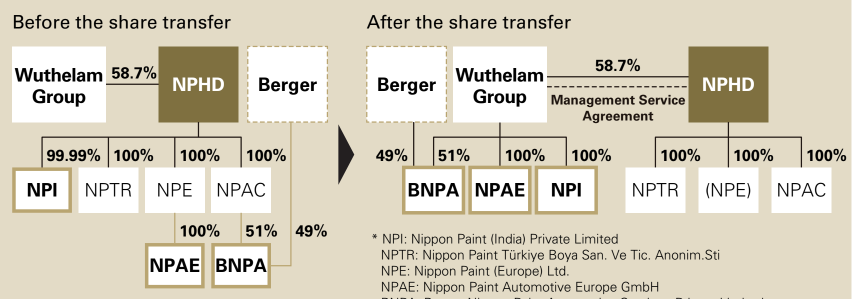
- **The transfer of these businesses to Wuthelam Group will sufficiently contribute to Nippon Paint Group's sustained growth over the medium and long term.**
- **Risk involving this transaction is diversified because Wuthelam Group will be responsible for additional investments and expenses required for short-term business restructuring.**
- **The board determined that the transaction is rational because it will be EPS accretive and NPHD will have an option to buy back the businesses in the future (call option). This transaction is also rational regarding the protection of the interests of minority shareholders and Maximization of Shareholder Value (MSV).**

Impact on consolidated earnings (Billion yen)*1

Revenue	Operating profit	Profit before tax	Profit*2
–14.4	+2.9	+2.9	+2.9

*1 Assuming that the transaction was reflected in consolidated earnings starting on August 1, 2021
*2 Profit attributable to owners of parent

Change in the capital relationship due to the transfer of the businesses to Wuthelam Group



* NPI: Nippon Paint (India) Private Limited
NPTR: Nippon Paint Türkiye Boya San. Ve Tic. Anonim.Sti
NPE: Nippon Paint (Europe) Ltd.
NPAE: Nippon Paint Automotive Europe GmbH
BNPA: Berger Nippon Paint Automotive Coatings Private Limited

Q&A at the Board of Directors Meeting

Q Did NPHD start considering this transaction in 2019, when an impairment loss was posted in the European automotive coatings businesses?

A The business environment changed significantly after 2019 due to the pandemic, shortage of semiconductor chips, and high prices of raw materials. As a result, we started considering the transaction in order to reexamine the strategy that we had established when the impairment loss was recorded. One option was to withdraw from the European market. However, we needed to keep our operations in Europe to maintain access to European automobile manufacturers, which have a growing presence in China. In addition, we knew that the Indian market has many opportunities for growth. Taking these factors into account, we determined that we must make significant investments for business restructuring and reinforcement in order to achieve growth in these regions over the medium and long term.

Q Didn't NPHD have any other restructuring plan?

A We examined numerous options, all based on the recognition that the European and India markets will remain strategically important. Two possibilities were restructuring the businesses by ourselves and divesting the businesses to a third party. If we attempt to restructure the businesses by ourselves, there would be a significant short-term financial burden. In addition, Europe and India are difficult markets. We were concerned about the possibility that the use of funds to turn around these businesses would not contribute to MSV from the perspective of risk and return. Moreover, divesting the businesses to a third party would make it difficult for us to buy them back, causing us to lose an option involving the growth potential of our businesses. The Wuthelam Group decided to bear the risks involved and allow us to make a decision about buying back the businesses in the future. After comparing this with other restructuring plans, we decided that the share transfer to Wuthelam Group would be the best plan from the perspective of MSV and protection of the interests of minority shareholders.

Q What is the position of Wuthelam Group after this transaction and what responsibilities will NPHD have?

A There is no guarantee that the businesses will be turned around as a result of this transaction. The Wuthelam Group will entrust management of the businesses to Nippon Paint Group while bearing the financial risk. Nippon Paint Group will continue to be responsible for supplying automotive coatings in Europe and assume business risk. This scheme of delisting a business temporarily to implement drastic, medium- and long-term measures aimed at a turnaround is often used in management buyout (MBO) deals.

Q Is it legally valid to treat the businesses as outside the scope of consolidation even when they are transferred on the premise that NPHD will receive a call option to buy the businesses back from Wuthelam Group?

A We have confirmed that the businesses will be excluded from the scope of consolidation even if a call option is granted assuming that the buyback will not take place within one year after the share transfer.

Q Isn't there a possibility that the elimination of the businesses from the scope of consolidation will be regarded as a postponement of future impairment charges and losses?

A This is strictly a business divestiture. NPHD will have the right to buy back the businesses in the future but is not obligated to do so. Therefore, this transaction is not intended to postpone impairment charges and losses.

Q We must carefully examine the calculation method for the share transfer price and the buyback price. We must also confirm that management fees required for business restructuring are reasonable. One of the key discussion points is how the restructuring plan's business risk and capital risk are divided between Nippon Paint Group and Wuthelam Group.

A The Special Committee has verified that entrusting the management of the businesses that were transferred is reasonable. Furthermore, this transaction will not significantly affect Nippon Paint Group's earnings. Regarding business risk, Nippon Paint Group will be entrusted by Wuthelam Group to continue to manage and operate the businesses that were transferred without changing their names. As a result, we believe the impact of the transfer of the businesses, including customer relationships, will be minimal. Regarding capital risk, Wuthelam Group will bear the cost of restructuring measures, such as strengthening the business structure and conducting aggressive sales promotion activities.

Q This transaction appears to be very favorable for NPHD and its minority shareholders. Please provide a thorough explanation in disclosure materials to prevent people from having the perception that this is a questionable transaction within Nippon Paint Group.

A We will explain that Director Goh did not participate in the Board of Directors and Special Committee meetings to examine and negotiate the share transfer to ensure independence from Wuthelam Group and that we make a fair judgment about the pros and cons of the share transfer and the rationality of the terms. Just as when NPHD fully integrated the Asian JVs, Wuthelam Group's stance remains unchanged that Nippon Paint Group's earnings growth will be in the interests of Wuthelam Group. Our explanation to the public will emphasize that Wuthelam Group is not expecting to profit from this transaction nor does it expect to earn a capital gain if Nippon Paint Group exercises the call option.

Discussion

Further strengthen risk management by setting appropriate agendas and prompt responses

Yuri Inoue
Managing Executive Officer and GC

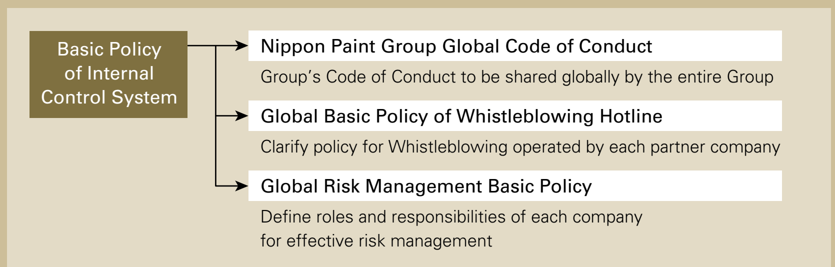
Many hidden risks exist in the frontline. This means that the most effective risk management can be implemented by partner companies around the world that are familiar with their respective regions and markets, rather than by Nippon Paint Holdings, which is a pure holding company. We believe that the best way to contribute to the Group's sustainable growth is to entrust detailed internal controls to the Partner Company Group (PCG: Nippon Paint Group companies grouped by region or business) as a "Corporate Group with Integrity," while limiting our centralized internal controls of partner companies to the minimum required level. Under this concept, we, as an Asset Assembler, take a role to control the Group's risks while respecting the independence and autonomy of the partner companies.

We have reformed our internal control system into one suitable for Asset Assembler model. In addition, we have built a mechanism that enables checking the risk factors at the Group in a simple manner by incorporating the newly established Global Code of Conduct (see the next page), the internal reporting system (Whistleblowing Hotline), and risk management policies into this internal control system (see the figure below). The effective functioning of this internal control system requires "mutual trust" and "simple communication channels" that ensures sharing important information between NPHD and its partner companies. In addition, there is a structure in place to immediately and appropriately take actions by using daily communication channels in case a serious problem or concern occurs.

Regarding human capital, raw material procurement, IT, and other risk factors that were identified in January 2022, we decided to take measures on a case-by-case basis in conjunction with the management of each region because taking actions in individual regions is more effective. We believe that this risk management system is superior because it enables us to respond with flexibility to new risks in present society that is difficult to predict and changes rapidly. In Japan, where structural reforms are being carried out to improve profitability, we are also increasing the sophistication of our risk management methods in cooperation with the audit department, which is conducting data analysis, for improving the depth and efficiency of both the structure and the methods for risk management.

Global themes related to ESG, such as the environment, ethical procurement, and human rights, will become increasingly significant business risks. In order to address these issues that are related to global social demands and are difficult to deal with in a single region or business unit, I will further strengthen risk management of the Group by setting appropriate agendas and promptly addressing them with the Co-Presidents and the Global Teams and a proper level of vigilance as the General Counsel.

Relationship between Basic Policy of Internal Control System and related regulations



Establishment of the Global Code of Conduct

In January 2022, our Group established the Nippon Paint Group Global Code of Conduct, a code of conduct on compliance, ethics, and sustainability to be shared and observed by all Group companies. Drafting was conducted with the participation of Compliance, Finance, and Human Resources managers from NPHD and its partner companies in Japan and overseas, and based on discussions from a global perspective with an eye to future business in each region and market.

Promotion of risk management

In January 2022, our Group established a Global Risk Management Basic Policy with the aim of clarifying the global framework for risk management. The Policy specifies that, while the Co-Presidents will be the responsible persons, the head of PCG is accountable for identifying risks that need to be addressed as the first line of defense, for planning and executing their management, conducting self-inspections, and making improvements. The Co-Presidents oversee these risk management activities and monitor the functioning of the risk management system from a Group-wide perspective.

The self-inspection results of each PCG are reported to the Co-Presidents once a year, and global "Risk Management Committee" meetings are held as necessary to discuss the results after recognizing the risks to our Group as a whole and identifying any common risks. These risk analysis results are also reported to the Board of Directors.

Based on the results of self-inspection conducted by PCG in January 2022, the following Group risks have been identified.

Identified Group risks

- Risks related to human capital, including the succession of the Group's management team
- Risks related to the Group's Business Continuity Plan (BCP), including global raw materials price hikes, natural disasters, and IT security
- Risks related to international taxation, etc., resulting from the deepening cooperation among Group companies in terms of brands, and technologies, etc.
- Risks related to compliance issues, such as information leaks and employee misconduct, for which the demand from society to respond is increasing

In addition to the Group risks mentioned above, we also recognize the following individual risks identified in each region and business.

- Risks related to R&D to enhance differentiation and competitiveness in China, and strategic adaptation to changes in customer conditions, etc.
- Risks related to organizational efficiency and labor productivity enhancement to improve profitability in Japan, etc.

Nippon Paint Group Global Code of Conduct

Global Code of Conduct ensure our people act according to our Purpose and our stakeholders understand how we operate.

DEALING WITH INTEGRITY

We maintain our reputation by conducting our business in a fair and honest way.

We compete fairly
We market responsibly
We conduct business ethically
We comply with laws, regulations and maintain accurate records
We do not tolerate bribery or corruption
We avoid conflict of interest and are responsible to act sensibly with gifts and entertainment
We prohibit insider trading
We do not compromise on quality or safety
We protect our assets and confidential information
We use technology and innovation to enhance and enrich

WORKING TOGETHER

We care and work as a team to ensure the safety and well being of all our stakeholders.

We care about people
We work as a team
We embrace diversity
We treat each other and our stakeholders fairly
We provide a safe and healthy workplace free from harassment and discrimination
We act in the best interest of the company
We work collaboratively with our partner companies for the greater good
We act in accordance with the Global Code of Conduct and protect those that speak up

RESPECTING ENVIRONMENT & COMMUNITIES

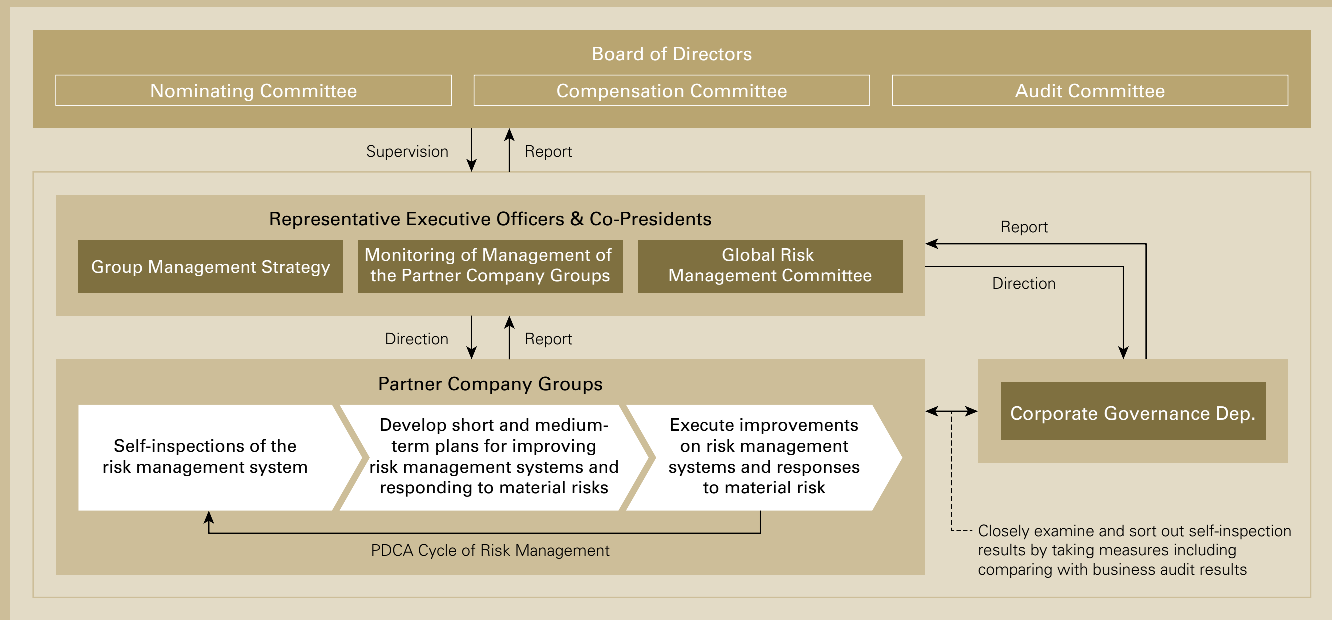
We respect and enrich the environment & communities that we operate in.

We embrace social and environmental responsibility
We respect human rights, including supporting all efforts to eliminate forced labour and child labour
We strive to reduce the environmental impact of what we do
We aim to leave a positive and sustainable footprint

Acting in accordance with Global Code of Conduct, Speaking Up when there is a suspected breach and protecting others who Speak Up is a responsibility for all who work with us. (To Speak Up*)

*Concrete focal point information/procedures for Speak up by employee is provided locally in a manner of no unfair treatment or fear of retaliation to those who make honest speak up.

Risk management system



Directors and Executive Officers

(as of June 30, 2022)

For brief profiles of Directors and Executive Officers, see "Management Team" on our corporate website.
https://www.nipponpaint-holdings.com/en/company/officer/

"Reason for Selection as Independent Directors" is also available on our corporate website.
https://www.nipponpaint-holdings.com/en/sustainability/governance/board_01/

Directors	Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby	Miharu Koezuka	Lim Hwee Hua	Masataka Mitsuhashi	Toshio Morohoshi	Masayoshi Nakamura	Takashi Tsutsui	Ratio of Independent Directors on the Board
Title	Director Representative Executive Officer & Co-President	Director Representative Executive Officer & Co-President	Chairman	Independent Director	Independent Director	Independent Director	Independent Director	Independent Director	Independent Director	Lead Independent Director Board Chair	Independent Director	8/11
Profile	● Former Vice Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) ● Former Senior Managing Corporate Officer and CFO of Nippon Paint Holdings Co, Ltd. and others	● Former Deputy CEO and Defense Business President, Singapore Technologies Engineering Ltd. ● Former Deputy President and Executive Corporate Officer, Nippon Paint Holdings Co., Ltd. and others	● Managing Director, Wuthelam Holdings Ltd. (present) and others	● Attorney of Law ● Former Chairman of Nagashima Ohno & Tsunematsu ● Former Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. and others	● Former Member of Executive Board, Imperial Chemical Industries PLC. ● Former CEO and Managing Director, CSR Limited ● Former Independent Director, Macquarie Bank Limited (currently Macquarie Group Limited) ● Former Independent Director, Orica Limited ● Former Independent Director, Board Chairman, DuluxGroup Limited and others	● Former Representative Senior Managing Director, Takashimaya Company, Limited ● Former President (Representative Director), Okayama Takashimaya Co., Ltd. ● Outside Director, Japan Post Holdings Co., Ltd. (present) ● Outside Director, Nankai Electric Railway Co., Ltd. (present) ● Outside Director, Sekisui Chemical Co., Ltd. (present) and others	● Former Managing Director, Temasek Holdings (Private) Limited ● Former Minister in the Prime Minister's Office ● Former Independent Director, United Overseas Bank Limited ● Independent Director, Jardine Cycle & Carriage (present) and others	● Certified Public Accountant ● Former Representative Director, ChuoAoyama PwC Transaction Services Corporation (currently PwC Advisory LLC) ● Former Representative Director and President, PricewaterhouseCoopers Arata Sustainability Certification Co., Ltd. (currently PricewaterhouseCoopers Sustainability LLC) ● Audit & Supervisory Board Member (Outside), FUJIFILM Holdings Corporation (present) and others	● Former Managing Executive Officer, Fujitsu Limited ● Former President & CEO, EMC Japan K.K. ● Former President & CEO, NCR Japan, Ltd. ● Former President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) ● Outside Director, T-GAIA Corp. (present) and others	● Former Managing Director, Morgan Stanley ● Former Director and Senior Executive Officer, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) and others	● Former Senior Executive Officer, Nomura Securities Co., Ltd. ● Former President and Representative Director, Jasdaq Securities Exchange, Inc. (currently Japan Exchange Group, Inc.) ● Former Director, Vice President Executive Officer and Chief External Relations Officer, LIXIL Corporation ● Outside Director, Rozetta Corp. (currently MetaReal Corp.) (present) and others	
Date of appointment as director	March 2022	March 2022	December 2014	March 2018	March 2022	March 2020	March 2022	March 2020	March 2018	March 2018	March 2018	
Number of shares held	133,110	100,000	None	58,581	None	26,289	None	26,289	46,789	59,472	50,884	
Attendance at the Board of Directors meetings: During the term of office in FY2021*1	—	—	22/22	22/22	—	22/22	—	22/22	22/22	22/22	22/22	
Attendance at the Board of Directors meetings: During the term of office in FY2022*2	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	

*1 From late March 2021 to early March 2022 *2 From late March 2022 to end of June 2022

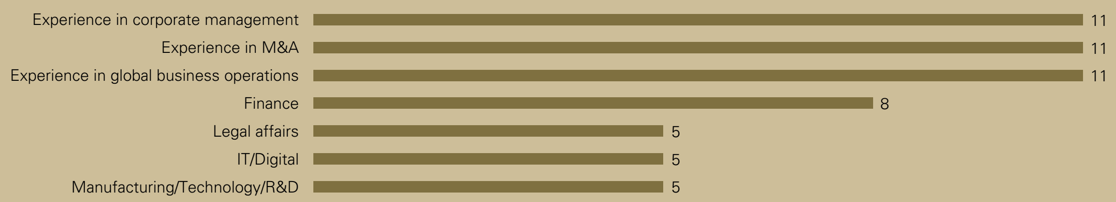
Committee membership

	Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby	Miharu Koezuka	Lim Hwee Hua	Masataka Mitsuhashi	Toshio Morohoshi	Masayoshi Nakamura	Takashi Tsutsui	Number of Independent Directors serving as committee members
Nominating Committee			○	○ (Chairperson)					○	○		3/4
Compensation Committee			○							○	○ (Chairperson)	2/3
Audit Committee						○		○ (Chairperson)	○			3/3

Experience/Expertise

	Yuichiro Wakatsuki	Wee Siew Kim	Goh Hup Jin	Hisashi Hara	Peter M. Kirby	Miharu Koezuka	Lim Hwee Hua	Masataka Mitsuhashi	Toshio Morohoshi	Masayoshi Nakamura	Takashi Tsutsui	Number of applicable Directors
Experience in corporate management	○	◎	◎	◎	◎	◎	○	○	◎	○	◎	11
Experience in M&A	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	11
Experience in global business operations	◎	◎	○	◎	◎	◎	◎	◎	○	◎	◎	11
Finance	◎	○	○	—	○	—	◎	◎	—	◎	○	8
Legal affairs	○	—	○	◎	○	○	—	—	—	—	—	5
IT/Digital	—	—	○	—	○	○	○	—	◎	—	—	5
Manufacturing/Technology/R&D	—	○	◎	—	○	○	—	—	○	—	—	5

Experience/Expertise



Executive Officers (as of June 30, 2022)

Name	Title
Yuichiro Wakatsuki	Director, Representative Executive Officer & Co-President
Wee Siew Kim	Director, Representative Executive Officer & Co-President
Yuri Inoue	Managing Executive Officer, GC