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 Indonesian 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 held 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.
**Corporate Governance Structure and Initiatives**

**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.

**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 Nippon Paint 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.

**Financial and Corporate Information**

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 hereby. Where I grow 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 values, 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.

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.
Evaluation for FY2021 and issues for FY2022

Guidelines for making evaluations

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

Method
- Conduct separate interviews with Board Members, and conduct questionnaires and individual interviews

Content of Questions
1) Status of progress in resolving issues identified in the FY2020 effectiveness assessment of the Board of Directors
4) Issues for the Board of Directors and the Company's management, 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 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.

Cross-shareholdings policy

The Company holds shares of other listed companies on a Cross-shareholding, 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.

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 of Board of Directors meetings and Committee meetings, such as agenda items 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 meetings as necessary and shares and discusses them with the Chairman, Representative Executive Officers & Co-Presidents, and Executive Officers.

Evaluation of FY2021 and issues for FY2022

Overview of evaluation outcome

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

BAJ’s assessment outcome
1) 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.
2) The agenda setting and facilitation by the new Board Chair have greatly contributed to the effectiveness of the Board of Directors.
3) By significantly increasing the number of Board Directors meetings and holding them flexibly, deliberation on important matters has been enhanced.
4) 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).
5) 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 enhance opportunities for strategy discussions and make the Board of Directors a place to concentrate on more growth discussions.

2) Streamline Board of Directors operations
Increase time spent on regular agenda items and other usual proceedings, and focus on discussions that are essential to the effectiveness of the Board of Directors.

3) Further contributions by Independent Directors
Enhance 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 secretarial functions to respond to the globalization of the Board of Directors.

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