

Governance

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



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.

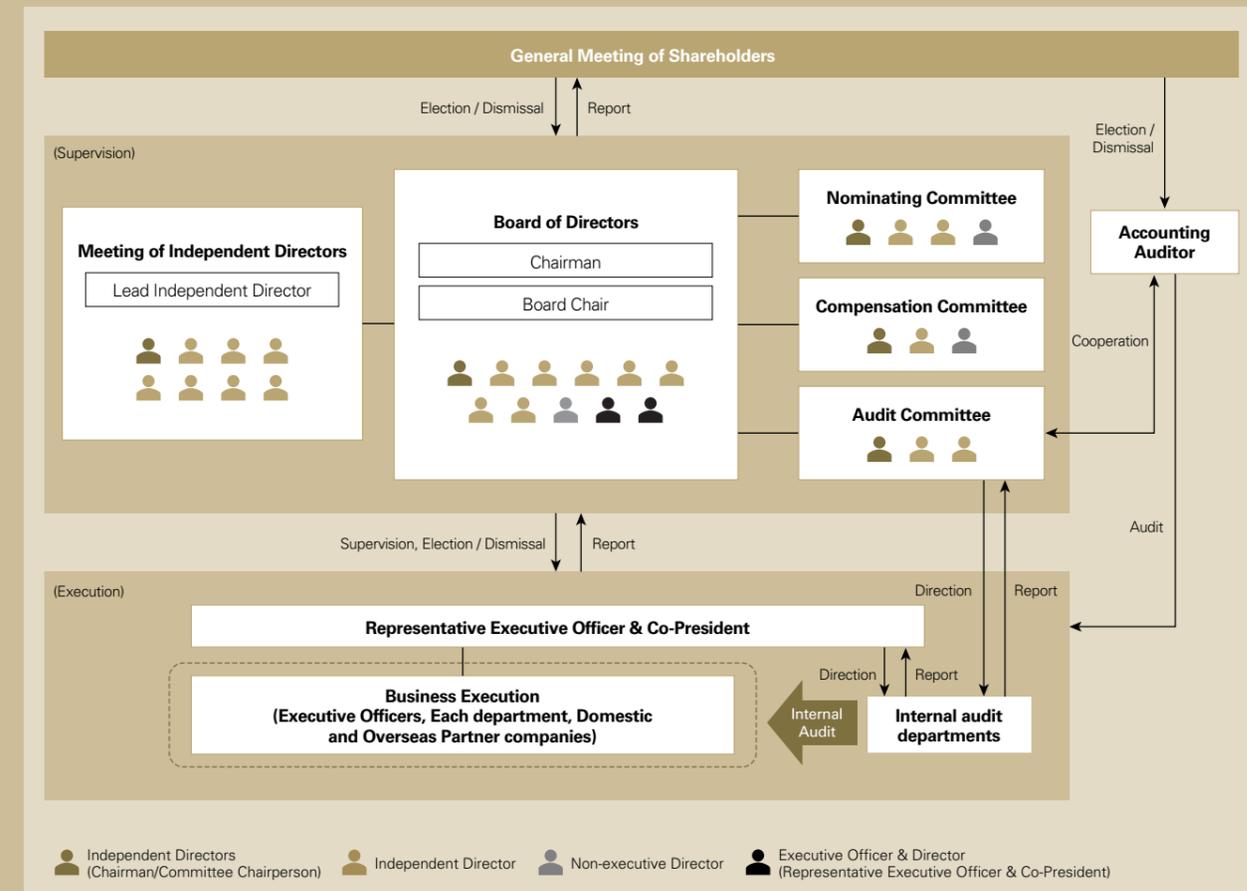
As the Board Chair, I will ensure that all Directors make the greatest possible contributions in order to enable NPHD to pursue growth relentlessly based on the Asset Assembler model and to fulfill the Board of Director's responsibility to protect the interests of minority shareholders.

Masayoshi Nakamura
 Lead Independent Director
 and Board Chair

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 Jih
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	Overview of evaluation outcome
<p>Target Group All Directors in FY2021: 8 Representative Executive Officers & Co-Presidents: 2 Managing Executive Officer and GC: 1</p> <p>Method Selected a third-party organization, Board Advisors Japan, Inc. (BAJ), and conducted questionnaire and individual interviews</p> <p>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</p> <p>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</p>	<p>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.</p> <p>BAJ's assessment summary</p> <ul style="list-style-type: none"> 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.
	<p>Issues requiring stronger initiatives in FY2022</p> <ol style="list-style-type: none"> Enhance Growth Strategy discussions Further increase opportunities for strategic discussions and make the Board of Directors a place to concentrate more on growth discussions 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* Further contributions by Independent Directors Improve each Director's contribution by posing more constructively challenging questions to the management team 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.

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.

- 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)
- 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.

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

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.

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

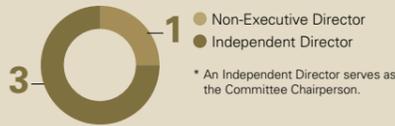
Executive Officers including Representative Executive Officer & Co-President and Chief Executive Officer of significant subsidiaries separately designated by the Board of Directors
⇒ Resolved by the Board of Directors based on providing response by the Nominating Committee

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

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 3



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.



Required experience/skills

- 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
- 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
- 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
- Finance:** The ability to supervise and give advice on capital allocation and other financial activities of the Company
- Legal Affairs:** The ability to supervise and give advice on regulations concerning operations, GRC (Governance, Risk Management and Compliance), and internal controls
- IT/Digital:** The ability to supervise and give advice on improvement of operations and creation of new business models through IT and Digital Transformation
- 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.

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.

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

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,

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



Chairperson Takashi Tsutsui (Independent Director)

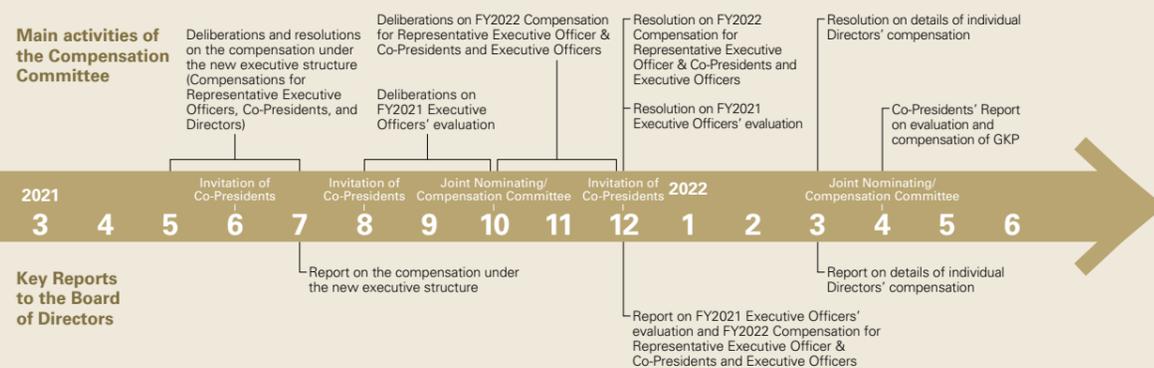


Roles of the Committee Decide the policies for determining the individual compensation for Directors and Executive Officers, and the details of other compensation.

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.

Main activities of the Compensation Committee



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.

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

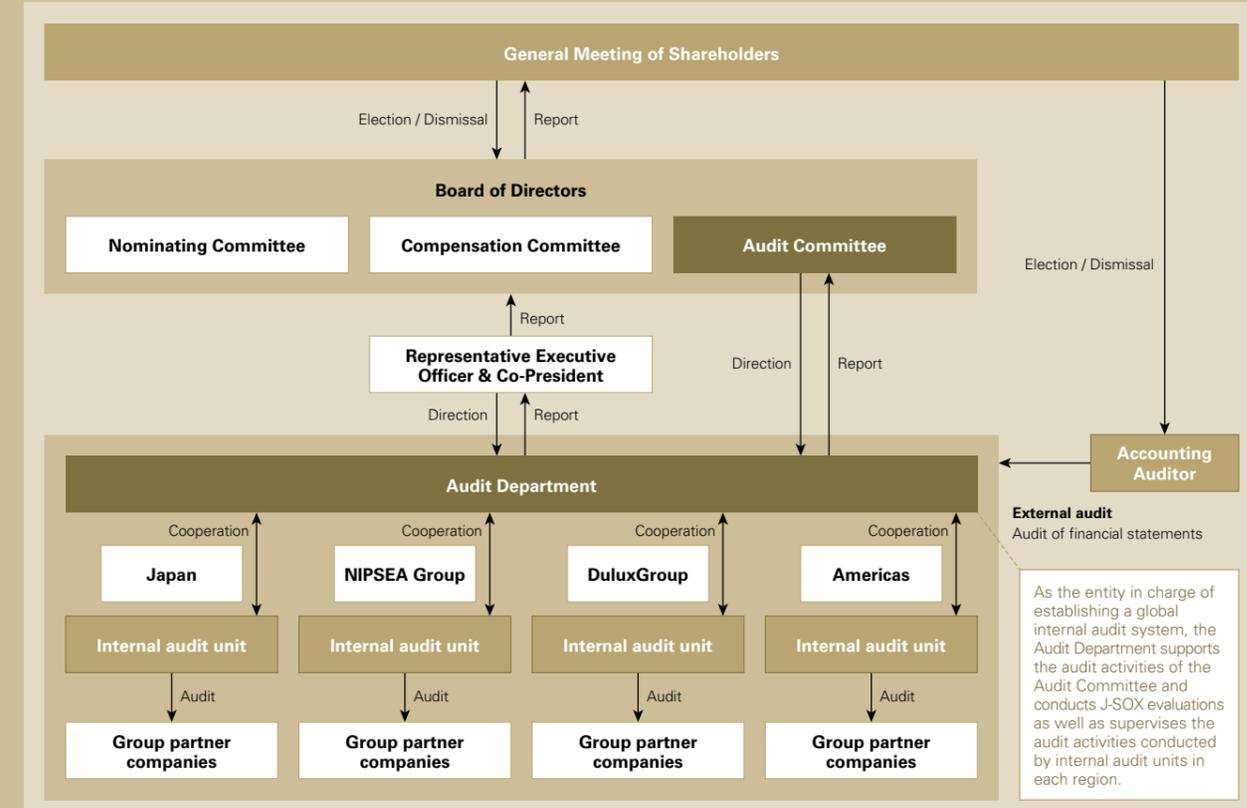
The Audit Committee monitors and verifies whether the Accounting Auditor conducts appropriate audits while maintaining its independent position. The status of the execution of duties is checked at the Three-Party Audit Meeting held on a regular basis. Relevant matters of concern are shared as needed 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

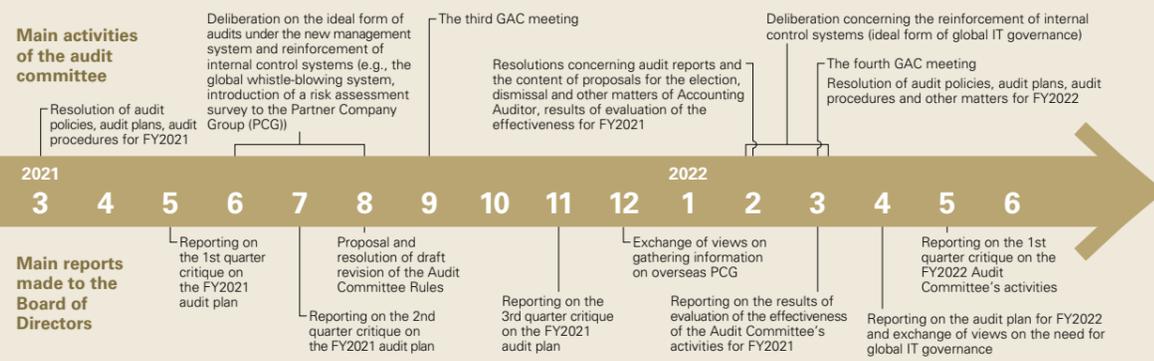


Chairperson	Masataka Mitsuhashi (Independent Director)	Number of meetings held	FY2021 (from late March 2021 to early March 2022) 16 FY2022 (from late March 2022 to early May 2022) 3
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Role of the Committee
 Conduct audits on the execution of duties by 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.

- 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).



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 Directors 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