



September 20, 2019

Company name: Nippon Paint Holdings Co., Ltd.
Representative: Tetsushi Tado, President & CEO
(Securities Code: 4612, TSE 1st Section)
Contact: Ryosuke Tanaka, General Manager of
Corporate Communications
(TEL. +81-6-6455-9140)

Nippon Paint Holdings to Shift to Company with Three Committees Corporate Governance Structure

Nippon Paint Holdings Co., Ltd. (Head Office: Kita-ku, Osaka; President & CEO: Tetsushi Tado; hereinafter “the Company”) announces that its Board of Directors today resolved to shift its corporate governance structure from the current Company with an Audit & Supervisory Board structure to a Company with Three Committees (Nomination, Audit and Remuneration) structure, subject to approval at the Ordinary General Meeting of Shareholders scheduled for late March 2020.

1. Overview of Shift to Company with Three Committees Structure

(1) Background of Shift

In the Company management philosophy, we state that our corporate mission is to be “the leading brand bringing colors & joy to everyday life through innovative coating solutions.” Meanwhile, in our current Medium-term Management Plan “N-20,” we aim to maximize “Shareholder Value.”

In order to realize this management philosophy and Medium-term Management Plan, we have pushed forward with our growth strategy, both in Japan and overseas, by strengthening our existing business while accelerating the expansion and enhancement of our regional portfolio through M&A activity and other initiatives. During the current fiscal year we acquired two paint manufacturers, in Australia and Turkey, both of which hold number one shares in their respective markets. In doing so, we are looking to establish a dominant position not only in Asia but in markets around the world.

In order to establish the optimum corporate governance framework for our Group as we look ahead to further expansion of our global business going forward, we have decided to shift to a Company with Three Committees (Nomination, Audit and Remuneration) structure.

(2) Purpose of Shift

i. Enhancement of management transparency, objectivity, and fairness

With 71% of our sales, 87% of our employees, and 59% of ownership by our investors outside Japan at latest count, we believe it is necessary to establish a governance framework that is recognized and easily understood from a global perspective.

In conjunction with this shift, we will establish, nomination and remuneration committees comprised of a majority of independent directors and chaired by an independent director. By establishing a system in which the nomination committee determines director candidates and the remuneration committee determines the compensation provided to directors and executive officers, we will work to enhance the transparency, objectivity, and fairness of our management. Additionally, we will take into account the interests of our minority shareholders, and will strive to promote the understanding of our stakeholders in Japan and overseas, such as overseas institutional investors.

ii. Separation and enhancement of monitoring and executive functions

Since 2015, we have worked to enhance the monitoring function of our Board of Directors and the performance of our executive divisions by delegating authority through the spin-off of our business entities and increasing the number of independent directors on our Board. However in order to respond swiftly to rapid changes in the business environment, we believe that further delegation of authority and enhancement of our executive functions are required.

The shift to a Company with Three Committees structure will not only accelerate decision-making by our executive divisions, but also serve to increase our competitiveness as a global company by allowing our Board of Directors to focus on strategic issues.

iii. Strengthening of global auditing framework

In light of the expansion of our global business and increased delegation of authority described above, from a risk management perspective it is essential that we also strengthen our global auditing framework.

As part of the shift to a Company with Three Committees governance structure, we will establish an audit committee comprised of a majority of independent directors and chaired by an independent director. Additionally, in order to enhance the effectiveness of our auditing we will use the shift as an opportunity to strengthen the function of our internal audit division. Conjunction between the audit committee and internal audit division to audit not only compliance with laws and regulations, as conducted in the past, but also the appropriateness of our operations, will enable us to conduct broad-ranging auditing of our global business management. Through this framework, we will strive to reduce business risk.

(3) Date of Shift

We plan to shift to a Company with Three Committees (Nomination, Audit and Remuneration) governance structure following approval at the Ordinary General Meeting of Shareholders scheduled for late March 2020.

2. Other Matters

Changes to the Articles of Incorporation of the Company and details of the shift, such as officer assignments after the shift, will be announced following their resolution.

Reference Materials (attachment):

Nippon Paint Holdings: Measures to strengthen corporate governance, expansion of holding company structure (Japan/overseas)

Attachment: Nippon Paint Holdings: Measures to strengthen corporate governance, expansion of holding company structure (Japan/overseas)

	FY2014 - FY2017	FY2018	FY2019	FY2020
Shareholders/ General Meeting of Shareholders	<ul style="list-style-type: none"> Abolished takeover defense measures (2016) 	<ul style="list-style-type: none"> Set an objective of maximizing shareholder value in new Medium-term Management Plan “N-20” 		<ul style="list-style-type: none"> Shift to Company with Three Committees (Nomination, Audit and Remuneration) structure (planned)
Board of Directors	<ul style="list-style-type: none"> Appointed one independent director (2014) Established Corporate Governance Policy (2015) Commenced Board of Directors Evaluation (2015) Increased number of independent directors from one to two (2016) 	<ul style="list-style-type: none"> Increased number of independent directors from two to five (independent directors comprise 50% of Board) 		
Advisory Committees	<ul style="list-style-type: none"> Changed Compensation Advisory Committee to Designation/Compensation Advisory Committee, commenced deliberation of director and Audit & Supervisory Board member candidates (2016) Appointed independent directors to two of four posts on the above committee; appointed independent director as chair (2017) 	<ul style="list-style-type: none"> Separated Designation Advisory Committee and Compensation Advisory Committee into two separate committees, appointed independent directors to two of three posts on Designation Advisory Committee, three of four posts on Compensation Advisory Committee Established M&A Advisory Committee 	<ul style="list-style-type: none"> Established Governance Advisory Committee Appointed independent directors to two of four posts on Designation Advisory Committee, three of four posts on Compensation Advisory Committee 	

<p>Expansion of Holding Company Structure (Japan / Overseas)</p>	<ul style="list-style-type: none"> • Shifted to holding company structure (2014) • Incorporated companies formed through joint venture with Wuthelam Group (NIPSEA subsidiaries) as consolidated subsidiaries of the Company under the strategic business collaboration with the Group (2014) • Spun-off Japanese business entities under holding company structure (2015) • Clarified authority and responsibility of NIPSEA companies (2016) • Acquired Dunn-Edwards (US) (2017) 	<ul style="list-style-type: none"> • Established Americas regional headquarters 	<ul style="list-style-type: none"> • Expanded delegation of authority to business entities in Japan • Acquired DuluxGroup (Australia) • Acquired Betek Boya (Turkey) 	
--	---	--	---	--