

Basic Policies on Internal Control System

Nippon Paint Holdings Co., Ltd.

1. Basic Approach to the Development of Internal Control Systems

The Company, as a listed holding company, respect the independence and autonomy of its subsidiaries and, in order to ensure the sound and lawful business operations of the entire corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the “Group”), based on these basic policies, establish an internal control system of the Group, continually assess the contents of the system and its operation, and take necessary improvement measures. The Company shall, by making ongoing reviews on these basic policies in accordance with changes in the management environment, endeavor to maintain and operate more effective internal control system.

2. Matters concerning execution of duties by Executive Officers

(1) Ensuring efficiency

- (a) The Board of Directors of the Company shall delegate the authority to make decisions on business execution to the Representative Executive Officers & Co-Presidents, except for matters stipulated by laws and regulations, the Articles of Incorporation, matters delegated by the General Meeting of Shareholders, and important strategic matters concerning the management of the Group. The core of the allocation of businesses and areas of responsibility among the Representative Executive Officers & Co-Presidents shall be determined by the Board of Directors of the Company, and the detailed design and operation shall be left to the Representative Executive Officers & Co-Presidents to ensure the efficiency of execution.
- (b) The Representative Executive Officers & Co-Presidents make certain subsidiary groups in light of region or business nature (hereinafter referred to as the “Partner Company Group”) and entrust heads of Partner Company Groups the authorities to decide and execute their businesses and make them accountable for operation of their internal control system, in order to allow them to concentrate on their own business management.
- (c) The Board of Directors of the Company develops a Medium-Term Plan covering the entire Group, and the Representative Executive Officers & Co-Presidents closely communicate with the Head of the Partner Company Group and report to the Board of Directors of the Company on the achievement of the goals of the plan and the use of the budget.

(2) Storage and management of related information

In accordance with laws, public regulations, and company regulations, the Company shall appropriately store and manage various information concerning the execution of duties by Executive Officers and related officers and employees in consideration of the importance thereof, and shall also provide an environment in which Directors can access such information as needed.

3. Matters relating to ensuring the appropriateness of business operations of the corporate group

(1) Group management system

- (a) The Company shall ensure independence from the Controlling Company, and when conducting transactions with the Controlling Company, the Company shall ensure the fairness and appropriateness of the relationship with the Controlling Company by taking appropriate procedures, such as obtaining approval from the Board of Directors of the Company, of which the majority are Independent Directors.
- (b) As a pure holding company, the Company, while respecting the autonomy and self-reliance of its subsidiaries, shall ensure the appropriateness of the business operations of the entire Group by conducting the necessary business management through the prior approval system for important matters and timely reporting system of incidents with material impacts.
- (c) In addition to the preceding paragraph, with respect to important subsidiaries, the Company shall supervise their execution of businesses by having the Representative Executive Officers & Co-Presidents and other Executive Officers participate in their important meetings such as the Board of Directors and the Executive Committee.
- (d) In evaluating the head of the Partner Company Group, the Company shall consider not only financial factors but also non-financial factors such as fulfilment of its responsibilities related to internal control and exercise its right to elect or dismiss accordingly.
- (e) The Company will establish an Internal Audit Department to oversee the effectiveness of the internal control system of the Group in cooperation with the Internal Audit Department of each Partner

Company Group.

(2) Risk Management System

- (a) The Company shall designate the Representative Executive Officers & Co-Presidents as the person with the highest level of responsibility for risk management, who shall oversee the entire risk management based on autonomous operation, including self-inspection by the head of each Partner Company Group, and shall also report to the Board of Directors of the Company on the status regarding controls on material risks associated with the management and business execution of the Group.
- (b) The Company shall have a system in which the Representative Executive Officers & Co-Presidents shall receive reports from each Partner Company Group in a timely manner, when incidents with certain degree of influence occurs within the Group.
- (c) The Company shall convene the Global Risk Management Committee, chaired by the Representative Executive Officers & Co-Presidents, to deliberate on the management of the Group's material risks and the ongoing review and development of internal control systems for risk management, including governance and compliance.

(3) Compliance System

- (a) The Company establishes the Global Code of Conduct to be observed by all officers and employees of the Group (including Directors, Executive Officers, Audit & Supervisory Board Member and other employees, hereinafter referred to as the "Officers and Employees of the Group") regarding compliance, ethics and sustainability. The Company requires the Officers and Employees of the Group to honor such Code of Conduct when they conduct their businesses, and monitors their compliance status through self-inspection and other means.
- (b) In accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations, the Company shall establish a system that enables implementation of appropriate financial reporting, etc..
- (c) The Company shall properly operate its whistleblowing hotline established by the Group whereby the Officers and Employees of the Group, whether in Japan or overseas, can report to or consult with internal or external focal points, without any disadvantage, if they discover or suspect any violation of laws and rules within the Group. In addition, the status of the operation of the whistleblowing hotline shall be reported periodically to the Board of Directors and the Audit Committee of the Company.

4. Matters concerning the execution of duties by the Audit Committee

(1) Establishment of Assisting Department and securing Independence

- (a) The Company shall designate the Audit Department as a department in charge of assisting the duties of the Audit Committee, which shall be in charge of the secretariat of the Audit Committee and shall conduct audits based on the instructions of the Audit Committee.
- (b) The Audit Committee shall have an authority to agree in advance on the appointment, evaluation, transfer, and disciplinary action of General Manager of the Audit Department. The Audit Committee shall also have an authority to give prior consent to the formulation of the Audit Department's basic policies, the content of the audit plan, and the budget, and may give specific instructions to the Audit Department as necessary. In the event of any conflict between the Audit Committee's instructions to the Audit Department and those of the Representative Executive Officers & Co-Presidents, the Audit Committee's instructions shall prevail.

(2) Reporting system to the Audit Committee

- (a) The Audit Committee shall receive reports from the Officers and Employees of the Group regarding the status of their execution of businesses regularly.
- (b) The Company shall establish a system whereby the Officers and Employees of the Group who become aware of any situation (including violation of laws and regulations and serious accidents) that may cause serious damage to the business or property of the Group shall report such situation to the Audit Committee and the Audit Department, without delay. In addition, the report system shall be established to promptly report other matters upon request from the Audit Committee and the Audit Department.
- (c) The Audit Committee shall request the Accounting Auditor to report periodically or without delay on the status of accounting audits and other important accounting matters.
- (d) The Company shall establish regulations that prohibit disadvantageous treatment of those who report to the Audit Committee or the Audit Department, or those who report through the whistleblowing hotline, and ensure that such regulations are complied with.

(3) Ensuring the effectiveness of the audits by the Audit Committee

- (a) The Audit Committee shall hold regular meetings with the Representative Executive Officers & Co-

Presidents of the Company to exchange opinions on important audit matters and enhance the effectiveness of audits. In addition, the Representative Executive Officers & Co-Presidents of the Company shall, at the request of the Audit Committee, develop various systems and environments related to auditing.

- (b) The Audit Committee shall establish a group audit system centered on the Company in cooperation with the Audit Department, the Audit & Supervisory Board Member, the Internal Audit Department, and other relevant departments of the Group.
- (c) Audit Committee members selected by the Audit Committee and the General Manager of the Audit Department shall attend meetings that the Audit Committee members deem important, and shall review and audit the materials and minutes of such meetings, as well as important decision-making records.
- (d) The Company shall bear all expenses necessary for the execution of duties by the Audit Committee.

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