

## Aiming to Practice the Management Philosophy

To achieve the sustainable growth of the Nippon Paint Holdings Group and improve the corporate value, we will work to establish a management mechanism that can properly respond to changes in the business environment.

Masayoshi Nakamura  
Independent Director  
of the Board

Yasunori Kaneko  
Independent Director  
of the Board

Toshio Morohoshi  
Independent Director  
of the Board

Takashi Tsutsui  
Independent Director  
of the Board

Hisashi Hara  
Independent Director  
of the Board

Atsushi Nagasaka  
Managing Executive Officer,  
Director of the Board

Manabu Minami  
Managing Executive Officer,  
Representative Director  
of the Board

Masaaki Tanaka  
Executive Chairman of the Board,  
Representative Director  
of the Board

### Executive Officer

**Yasuyuki Matsumoto**  
Managing Executive Officer  
(General Manager of Corporate Planning &  
Development, in charge of management strategy)

**Satoshi Nishimura**  
Executive Officer  
(Representative Director and President  
of Nippon Paint Surf Chemicals Co., Ltd.)

**Tetsuro Fujita**  
Senior Executive Officer  
(Nippon paint (USA) Inc. CEO)

**Yusaku Kobata**  
Executive Officer  
(General Manager of the R&D)

**Takeshi Shiotani**  
Senior Executive Officer  
(Representative Director and President of Nippon Paint  
Industrial Coatings Co., Ltd.)

**Masakazu Kato**  
Executive Officer  
(General Manager of Global Safety, Environment,  
Quality Assurance in charge of Corporate Audit Office,  
Production Planning Office)



**Hiroshi Miwa**  
Audit & Supervisory  
Board Member

**Toya Kawabe**  
Audit & Supervisory  
Board Member

**Toshihiko Oinuma**  
Independent Audit  
& Supervisory  
Board Member

**Ichiro Wakita**  
Independent Audit &  
Supervisory Board Member

**Yu Okazawa**  
Independent Audit &  
Supervisory Board Member



**Tetsushi Tado**  
President & CEO,  
Representative Director  
of the Board

**Seiichiro Shirahata**  
Managing Executive Officer,  
Director of the Board

**Hup Jin Goh**  
Director of the Board

**Shoichi Mure**  
Senior Executive Officer  
(President of Nippon Paint Automotive Coatings)

**Hiroshi Hanaoka**  
Executive Officer  
(Nippon Paint (Europe) Ltd. CEO)

**Masuo Kida**  
Senior Executive Officer  
(President of Nippon Paint)

**Takeshi Ohnishi**  
Executive Officer  
(General Manager of NN-Model Development & Management,  
NIPSEA MANAGEMENT COMPANY PTE. LTD. V.P. China Liaison)

**Masakazu Wada**  
Executive Officer  
(General Manager of Human Resources)

# Corporate Governance: Directors and Audit & Supervisory Board Members

	Name	Current position and responsibilities	Important positions concurrently held outside the company	Attendance in 2018	Date of appointment as a director	Number of shares owned
				Board of Directors meetings		
Inside Directors	Masaaki Tanaka	Executive Chairman of the Board, Representative Director of the Board	External Director, Money Forward, Inc.	—	March in 2019	0
	Tetsushi Tado	President & CEO, Representative Director of the Board	NIPSEA MANAGEMENT COMPANY PTE. LTD. Director Chairman, Japan Paint Manufacturers Association (Retired on May, 2019)	18 (attended all meetings)	June in 2013	13,152
	Manabu Minami	Managing Executive Officer, Representative Director of the Board Division Director of General Administration, in charge of Global Purchasing & Procurement, Financial Strategy	NIPSEA MANAGEMENT COMPANY PTE. LTD. Director	18 (attended all meetings)	June in 2013	14,570
	Seiichiro Shirahata	Managing Executive Officer, Director of the Board In charge of Technical	President, Representative Director of the Board, Nippon Paint Marine Coatings Co., Ltd.	13 (attended all meetings)*	March in 2018	10,407
	Atsushi Nagasaka	Managing Executive Officer, Director of the Board Division Director of Human Resources & Corporation Administration, in charge of Diversity & Inclusion, International, Human Resource Strategy	NIPSEA MANAGEMENT COMPANY PTE. LTD. Director	18 (attended all meetings)	March in 2017	21,778
	Hup Jin Goh	Director of the Board	NIPSEA HOLDINGS INTERNATIONAL LTD. Director WUTHELAM HOLDINGS LTD. Managing Director NIPSEA PTE. LTD. Managing Director NIPSEA MANAGEMENT COMPANY PTE. LTD. Director NIPSEA INTERNATIONAL LIMITED Director	18 (attended all meetings)	December in 2014	0

	Name	Current position and responsibilities	Important positions concurrently held outside the company	Attendance in 2018	Date of appointment as a director	Number of shares owned
				Board of Directors meetings		
Outside Directors & Independent Officers	Hisashi Hara	Director of the Board	Attorney Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd.	13 (attended all meetings)*	March in 2018	793
	Takashi Tsutsui	Director of the Board	Representative, Ryuju Consulting	13 (attended all meetings)*	March in 2018	364
	Toshio Morohoshi	Director of the Board	Outside Director, WingArc1st Inc.	12 (among 13 meetings)	March in 2018	100
	Yasunori Kaneko	Director of the Board	Arcus Biosciences Lead Independent Director Kaneko Investments LLC Managing Director	13 (attended all meetings)*	March in 2018	2,000
	Masayoshi Nakamura	Director of the Board	Representative Director, OCTAHEDRON Inc.	13 (attended all meetings)*	March in 2018	1,322

	Name	Current position and responsibilities	Important positions concurrently held outside the company	Attendance in 2018		Number of shares owned
				Board of Directors meetings	Audit & Supervisory Board meetings	
Auditors	Hiroshi Miwa	Audit & Supervisory Board Member	—	13 (attended all meetings)*	13 (attended all meetings)*	23,433
	Toya Kawabe	Audit & Supervisory Board Member	—	18 (attended all meetings)	19 (attended all meetings)	13,828

	Name	Current position and responsibilities	Important positions concurrently held outside the company	Attendance in 2018		Number of shares owned
				Board of Directors meetings	Audit & Supervisory Board meetings	
External Auditors & Independent Officers	Toshihiko Oinuma	Auditor	Lawyer, Patent attorney	18 (attended all meetings)	19 (attended all meetings)	113
	Ichiro Wakita	Auditor	Certified public accountant	18 (attended all meetings)	19 (attended all meetings)	0
	Yu Okazawa	Auditor	—	13 (attended all meetings)*	13 (attended all meetings)*	264

Reasons for the appointment	Advisory bodies for the Board of Directors in which they are members (as of May 2019)			
	Designation Advisory Committee	Compensation Advisory Committee	M&A Advisory Committee	Governance Advisory Committee
Masaaki Tanaka has been engaged in the management of Mitsubishi UFJ Financial Group, Inc. for many years. He has also served as President and Director and in other positions at a U.S. financial institution, and has abundant international experience as a business manager.	●	—	●	●
Tado is the first president of Nippon Paint Holdings who is from a Group company. After becoming the president in April 2015, he realized the expansion of our overseas business through the acquisition of a US construction paint company as a subsidiary and other initiatives. Tado is leading the promotion of the medium-term management plan, N-20.	—	—	●	●
Since he joined the company, Minami has consistently worked in the finance/accounting area. He has also been in charge of IT, procurement, administration, engineering, and other areas in recent years to promote the improvement of management efficiency from a comprehensive perspective. Minami realizes the smooth transition to IFRS in 2019.	—	—	●	—
Shirahata was originally an engineer and spearheaded the domestic business restructuring project completed in April 2015. Having served as the president of two affiliates, he also has broad experience as a manager.	—	—	—	—
Nagasaka reformed the Group's cost structure for raw materials as the responsible person for raw materials procurement and also strengthened the Europe business while working for a German affiliate. He now promotes initiatives for "work style reforms and CSR management" as Division Director of Human Resources & Corporate Administration.	—	—	—	—
As the representative of the joint venture partner in Asia, Goh helped Nippon Paint achieve the largest share in Asia. He became a director of Nippon Paint Holdings in December 2014 and contributed to the revitalization of Board activities.	●	●	●	●

Reasons for the appointment	Specialty and background					Advisory bodies for the Board of Directors in which they are members (as of May 2019)			
	Legal	Financial	Governance Advisory Committee	M & A	IT	Designation Advisory Committee	Compensation Advisory Committee	M&A Advisory Committee	Governance Advisory Committee
With a career of more than 40 years as a lawyer, Hara has dealt with many corporate legal cases. He has also been involved in a large number of cross-border M&As and enjoys high reputation in foreign countries as well.	●	—	—	●	—	●	—	—	●
Tsutsui has served as a director, president, vice president, etc. in Nomura Securities, JASDAQ Securities Exchange, and LIXIL Group. With broad experience as a manager, he also has a profound knowledge of M&A and IR.	—	●	—	●	—	—	●	—	—
Morohoshi is an IT specialist with a career of more than 40 years. Having served as the president of IT companies such as NCR Japan and Yaskawa Information Systems, he is also experienced as a manager.	—	—	●	—	●	●	—	—	●
Kaneko has worked actively in life science and various other fields and served as a director, etc. of companies in Japan and overseas. He also served as a member of the advisory committee of Stanford Graduate School of Business in the United States.	—	●	—	●	—	—	●	—	—
Nakamura has held executive positions including a director in financial institutions, such as banks and securities firms, in Japan and overseas. He has over 30 years of work experience as an M&A adviser and financing expert.	—	●	—	●	—	—	●	●	—

Reasons for the appointment	Major career records
Miwa was originally an engineer in the industrial coatings field and became the president of a company related to industrial coatings. He has also been engaged in the transition to a holding company system and consolidation of joint ventures in the Asia region as a director of Nippon Paint Holdings.	<p>April 1982    Joined the company</p> <p>June 2013    Senior Executive Officer, Director of the Board</p> <p>April 2015    Representative Director and President of Nippon Paint Industrial Coatings Co., Ltd.</p> <p>March 2018    Audit &amp; Supervisory Board Member (to the present)</p>
Kawabe has mostly worked in the sales field. As an executive officer of Nippon Paint Holdings and General Manager of the Corporate Planning Department, he was involved in the transition to a holding company system and consolidation of joint ventures in the Asia region to contribute to the establishment of the current Group structure.	<p>April 1979    Joined the company</p> <p>April 2009    General Manager of the Corporate Planning Department</p> <p>April 2012    Senior Executive Officer</p> <p>June 2016    Audit &amp; Supervisory Board Member (to the present)</p>

Reasons for the appointment	Specialty and background		
	Legal	Financial	Global business
Oinuma is a lawyer and patent attorney and also admitted to practice in New York State, the US. He also served as a visiting professor of a graduate school as an expert of intellectual property laws and is familiar with engineering fields as well.	●	—	—
As a certified public accountant working for a major auditing corporation, Wakita has audited financial statements and internal control of listed companies and also been engaged in human resource development. He also has work experience in a car manufacturer.	—	●	—
Okazawa has mostly worked in the international field in Shiseido and served as General Manager of the China Business Department and General Manager of the International Sales Department. He is also engaged in corporate management as a director and executive officer.	—	—	●

\* For the Directors and Audit & Supervisory Board Members who were appointed at the 193th General Meeting of Shareholders held on March 28, 2018, attendance at the Board of Directors meetings and Audit & Supervisory Board meetings held after the appointment is shown.



## Basic Approach to Corporate Governance

Nippon Paint Holdings Group is continuously committed to improving and enhancing corporate governance for the establishment of a management mechanism that can respond to changes in the business environment in a prompt and proper manner, as well as for the implementation of transparent management, in order to achieve sustainable growth and medium- and long-term increases in its corporate value through the practice of the management philosophy. Our basic approach to corporate governance, its framework, and the administrative guidelines are outlined as the "Corporate Governance Policy" in the following page of our website.

<https://www.nipponpaint-holdings.com/company/cg/>

## Corporate Governance Structure

Nippon Paint Holdings has adopted a "Company with Audit & Supervisory Board" system and introduced an "Executive Officer" system. The corporate governance structure is illustrated in the Corporate Governance Organizational Chart below.

## Board of Directors

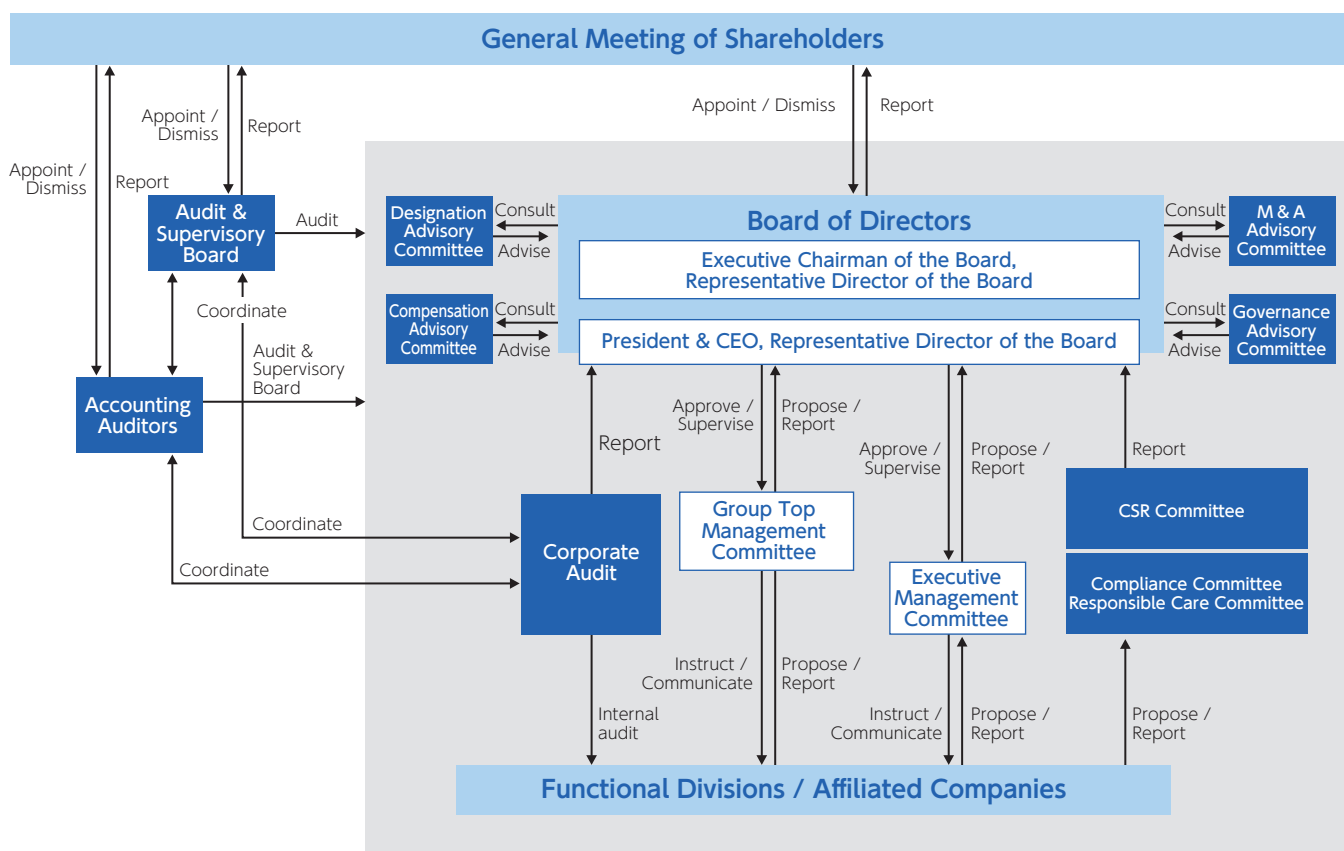
The Articles of Incorporation stipulate that the Company shall have no more than 11 directors. Our Board of Directors is composed of executive directors, independent directors, and non-executive directors, who are selected from among people from both Japan and overseas and from both inside and outside the Group. The current Board of Directors comprises 11 members in total (as of May 1, 2019), five of which are independent directors.

The Board of Directors oversees business execution by directors and meets once a month, in principle, to deliberate and make decisions on matters prescribed in the Companies Act, as well as other important management issues, chaired by the Chairman of the Board.

As advisory bodies to the President, a Group Top Management Committee and an Executive Management Committee have been set up to deliberate on the matters to be submitted to the Board of Directors for decisions on business execution in advance.

Directors or executive officers or other persons equivalent thereto of Nippon Paint Holdings are sent to key affiliates in Japan and overseas as directors to ensure compliance with our management policy.

### ▼ Corporate Governance Organizational Chart (as of May 1, 2019)



## Policy and Procedures for the Appointment and Dismissal of Top Management Executives and the Designation of Candidates for Directors and Audit & Supervisory Board Members

In our policy, the Board of Directors will appoint the Representative Director of the Board and executive officers (hereinafter "top executives") and designate candidates for directors and audit & supervisory board members from among those who can contribute to the sustainable growth of our Group and the medium- and long-term increases in its corporate value and have diverse experience, a good track record, deep insight, advanced expertise, and other features that are suitable to serve as a top executive or director/audit & supervisory board member. The top executives and candidates are selected and appointed from among people from both Japan and overseas and from both inside and outside the Group regardless of nationality or sex.

We have established Designation Advisory Committee chaired by an independent director, in which at least half of the members are independent directors, as an advisory body for the Board of Directors. The committee makes deliberations based on the above-mentioned policy and then gives advice concerning the appointment and dismissal of top executives and candidates for directors and audit & supervisory board members to the Board of Directors.

When appointing and dismissing top executives, the Board of Directors will consider the degree of their growth as top executive personnel in the management personnel development system, the evaluation of their performance in important executive duties. Meanwhile, when designating candidates for independent directors and independent audit & supervisory board members, the Board of Directors will take procedures to appoint the persons that meet the "Criteria for Judging Independence of Independent Officers" stipulated by it.

When the Board of Directors appoints President, Representative Director of the Board, who is the chief executive officer, a person who has rich experience and a good track record in the field of corporate management and can exercise abilities that are suitable for the position at a high level and realize the management vision will be appointed after deliberations based on advice from the Designation Advisory Committee and the plan on successors. If President, Representative Director of the Board falls under any of the following cases and it is found reasonable to dismiss him/her from an objective perspective, he/she will be dismissed based on advice from the Designation Advisory Committee and after sufficient deliberations by the Board of Directors.

- When he/she violates laws, the Articles of Incorporation, etc. and is considered to have significantly damaged the corporate value of the Nippon Paint Holdings Group
- When he/she has substantial difficulty in performing his/her duties
- When it has been revealed that he/she fails to meet the requirements in the appointment criteria

## Method of Determining the Remuneration of Directors and Audit & Supervisory Board Members

We have established Compensation Advisory Committee chaired by an independent director, in which at least half of the members

are independent directors, as an advisory body for the Board of Directors. The annual amount of the remuneration of directors will be deliberated upon in the Compensation Advisory Committee and decided by the Board of Directors based on advice from the committee.

After April 2019, the remuneration of our directors (excluding independent directors) is composed of job-based salary, performance-based salary, and long-term incentive salary, and the remuneration of independent directors is composed of job-based salary and long-term incentive salary. Fixed job-based salary is paid for each position based on the role and responsibility. The base amount of the performance-based salary is set to be 40% to 45% of the total remuneration according to the position, and the actual amount of the performance-based salary annually varies from 0% to 160% of the base amount depending on the consolidated performance. As the long-term incentive salary, restricted stock compensation is granted. When the restricted stock is granted to directors, monetary claims are supplied as compensation and the annual total will be no more than 600 million yen (including the annual amount of no more than 200 million yen for independent directors). The specific period of payment to the directors and the allocation will be determined by the Board of Directors. The share-remuneration-type stock option is scheduled to be abolished when the employees assigned overseas who are to be granted the option return home and the grant is completed.

The remuneration of audit & supervisory board members including independent audit & supervisory board members is composed of job-based salary only in consideration of their job content. No performance-based salary or long-term incentive salary is introduced for those positions.

## Audit & Supervisory Board Members' Audits

Audit & supervisory board members attend the Board of Directors and other important meetings to fulfill their functions to audit the legality of business execution by directors, the effectiveness of the established internal control system, the soundness of the process to prepare financial information, etc. and also meet the Representative Director of the Board in a regular manner to confirm the management policy and exchange opinions on the issues to be addressed by the company, risks involving the company, important matters on audits, and other subjects.

The Audit & Supervisory Board currently consists of five members (as of May 1, 2019), including three independent audit & supervisory board members with no special interest in Nippon Paint Holdings. Specifically, a lawyer and a certified public accountant who can conduct audits from a professional viewpoint, as well as a person with broad international experience and administrative experience, have been designated as the independent audit & supervisory board members.

The independent audit & supervisory board members attend the Board of Directors meetings to fulfill their functions to audit the legality of business execution by directors while conducting business audits on an as-needed basis. They also receive reports on the implementation of audits of departments and affiliates in the Audit & Supervisory Board meetings and give opinions on the reports. To ensure smooth execution of the audit & supervisory board members' audits, more than one person is deployed as dedicated staff.

## Internal Audit

We have set up the Corporate Audit Department in charge of internal audits, which reports directly to the President, with 15 members (who also serve in other positions). The Corporate Audit Department conducts internal audits to improve and enhance the internal control of Nippon Paint Holdings and Group companies and reports the results to the President, officers

in charge of management, heads of the audited departments and audit & supervisory board members. In case of any problem in the results of an internal audit, the department seeks to solve it in consultation with the head of the department in charge through follow-up actions for the relevant department.

## Promotion of Global Audits

Nippon Paint Holdings Group has grown to be a corporate body with many Group companies in Japan and overseas. While the Corporate Audit Department is responsible for internal audits in our Group, it is not realistic for the department to ensure all necessary skills for global audits alone. Such audits also require a full understanding of laws, regulations, business practices, and languages in the respective regions. Accordingly, we consider that coordination with regional headquarters and domestic operating companies is indispensable and conduct audits with an auditing system established based on the global governance system.

More specifically, the Corporate Audit Department supports the audits conducted by regional headquarters in Asia and the Americas, as well as the audits conducted by domestic operating companies in Europe. In either region, the department directly conducts audits in key sites (companies). In the meantime, our

Group companies and regional headquarters in Asia and the Corporate Audit Department actively share information via video conferences and other means, as well as various data and visualized materials related to safety and other issues on the network, and have thereby established a system that enables timely information exchanges. In addition, by ensuring a channel to report accidents and disasters in a speedy manner and improving the quality of communication, we can now prepare management reports effectively. We share information on accidents and disasters in the Group to help prevent their recurrence.

Furthermore, the results of the audits conducted by the Corporate Audit Department are shared with regional headquarters and domestic operating companies to facilitate continuous improvement activities in the targeted sites as well as subsequent support activities.

### ▼ Global Audit System in 2018



## Progress in the Implementation of Global Audits

The Corporate Audit Department selects the companies to be audited in accordance with the total of the scores given to evaluation items including external factors such as revision of domestic and international laws on safety, the environment, etc., internal factors such as the performance of operating companies on safety, environmental, and other issues, and the degree of importance based on the sales volume. In 2018, Nippon Paint (Thailand) Co., Ltd. in Asia and Dunn-Edwards Corporation in the Americas were audited on safety and environmental issues. On the sites, the implementation of measures to address static

electricity (e.g. the grounding method) and the status of security during operations (e.g. the operation of measures to prevent disasters) were especially checked on the safety aspects while whether or not drainage or exhaust has caused any significant environmental impact or other problems was assessed on the environmental aspects. Those audits identified no significant deficiency. We will continue such risk-based audits and also share the audit results in the Group to raise the safety and environmental levels of the whole Group.

## Refinement and Global Development of the NN Model

Our Group has developed the Nipsea businesses in cooperation with Wuthelam, our partner in Singapore, in Asia for more than 50 years. In terms of governance, we have accepted the uniqueness of the business management of Nipsea and controlled the businesses without hindering judgments on business management or the speed of business development, which has led to the dramatic growth of the Nipsea businesses. We believe that we can achieve optimal distribution of management resources and accelerate the management speed in each region by reviewing and refining this unique management model called "NN model" in line with the times and business size and introducing it globally along with the management model of Nipsea, which is a precedent example of group control developed across multiple countries. By enhancing the monitoring and reporting of our Asia businesses, which are becoming more important than ever before, we work to improve the accuracy of judgments on business management in the Group.

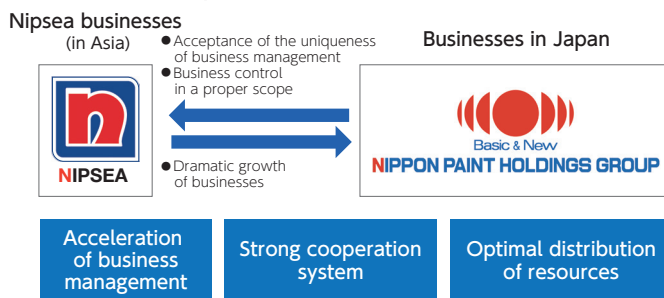
## Promotion of Global Governance

Nippon Paint Holdings started to review the authority and responsibility for governance and management on regional and business bases in 2017. Based on the review, we designed a new regional headquarters system (RHQ system) with Nippon Paint Holdings serving as the global headquarters and launched a project to establish the Americas RHQ system first in February 2018.

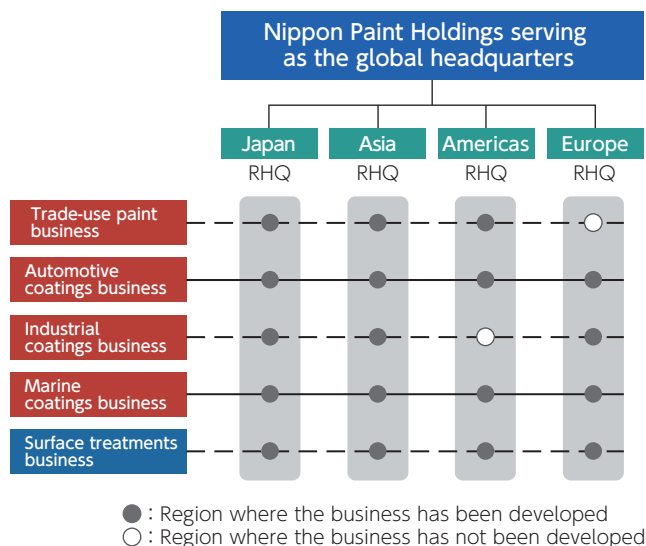
The Americas RHQ system aims to enhance the financial, risk management, and business planning functions that now cover the Americas as a whole. We developed new regulations on authority and responsibility and started to operate the Americas RHQ system in 2019. With this initiative, we seek to enhance proper governance based on local laws, business customs, etc. and achieve the prompt and accurate identification of growth opportunities and risks in each region, the acceleration of the decision-making process, and the streamlining and concentration of resources from the perspective of overall optimization in the region.

We are continuously considering the introduction of the restructuring of the RHQ system, as currently promoted in the Americas, into other regions in sequence. We will continue to develop global governance and strive to improve the transparency and efficiency of business activities as measures that underlie our sustainable growth on a global scale.

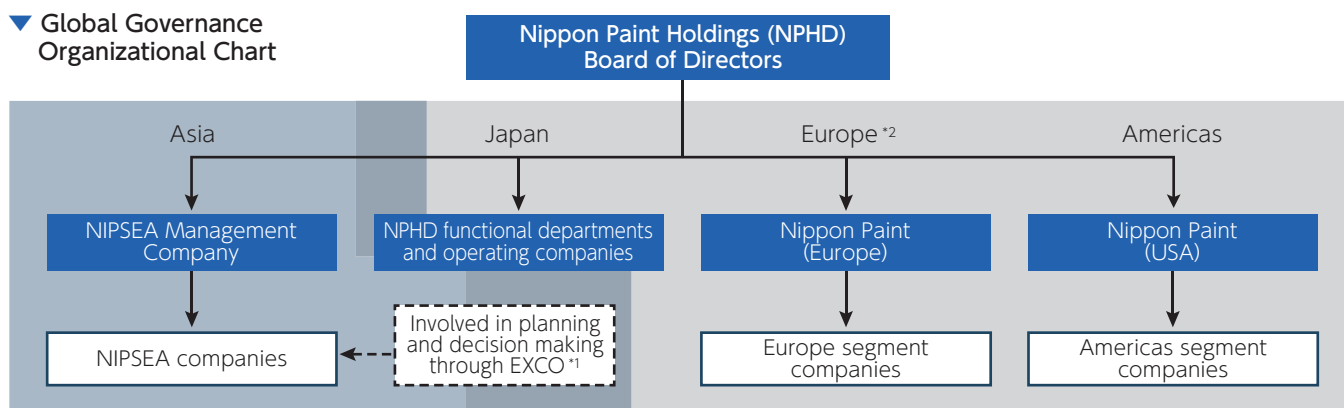
### ▼ NPHD Group



### ▼ The state that the "region x business matrix management" aims to be



### ▼ Global Governance Organizational Chart



\*1 EXCO: Executive Committee, a decision-making meeting in NIPSEA

\*2 Disclosed segments are included in "Others."