

Our Management Structure for Achieving MSV

Chapter

4

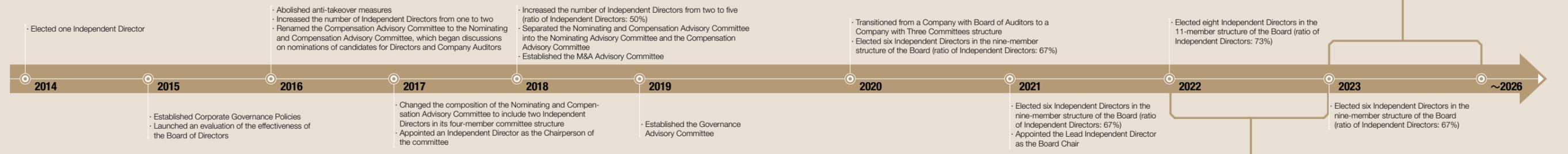
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Corporate Governance

Our advanced governance is one of the unique strengths underpinning Asset Assembler model for pursuing MSV. As a Company with Three Committees (Nominating, Compensation, and Audit), NPHD has a Board of Directors where Independent Directors are the majority. The Board upholds the achievement of MSV as a common objective and the basis of judgment shared with the major shareholder. At the same time, it is thoroughly committed to the protection of minority shareholders' interests. This section explains the features and key points of our governance framework.

Roadmap		
	2023	~2026
Governance initiatives of the Board	<ul style="list-style-type: none"> Further improving the operational efficiency of the Board of Directors Increasing contributions of Independent Directors Enhancing succession plans 	<ul style="list-style-type: none"> Raising the level of growth strategy discussions by Directors Enhancing/implementing succession plans
Governance initiatives of the management	<ul style="list-style-type: none"> Improving risk management through self-assessments of risks by partner companies (PCs) based on the Global Risk Management Basic Policy Firmly establishing and increasing the effectiveness of the whistleblowing hotline at PCs 	<ul style="list-style-type: none"> Verifying the effectiveness and upgrading the risk management system through self-assessments of risks by PCs Verifying the effectiveness and upgrading the whistleblowing hotline at PCs Upgrading the governance system (including compliance and risk management) to respond to changes in social requirements

History of governance reforms and governance reinforcement for achieving MSV



Five features of our corporate governance structure

1. Thorough protection of the interests of minority shareholders while sharing the common objective of MSV with the major shareholder

2. Enhanced Board effectiveness under the leadership of Independent Directors

3. Succession planning with a focus on substance rather than formalism

4. Compensation structure that effectively contributes to achieving MSV

5. Audit structures that respond to the increasing globalization of operations

Name	Title	Committee membership			Number of years in office	Attendance at the Board of Directors/committee meetings in FY2022 (attendance/number of meetings)				Experience/Expertise						
		Nominating Committee	Compensation Committee	Audit Committee		Board of Directors meetings	Nominating Committee meetings	Compensation Committee meetings	Audit Committee meetings	Corporate management experience	Global business experience	M&A experience	Finance	Legal affairs	IT/Digital	Manufacturing/Technology/R&D
Yuichiro Wakatsuki Date of birth: August 28, 1966 Number of NPHD shares held: 180,110	Director, Representative Executive Officer & Co-President				One year	11/11*	—	—	—	○	◎	◎	◎	○		
Wee Siew Kim Date of birth: August 19, 1960 Number of NPHD shares held: 100,000	Director, Representative Executive Officer & Co-President				One year	11/11*	—	—	—	◎	◎	◎	○			○
Goh Hup Jin Date of birth: April 6, 1953 Number of NPHD shares held: —	Chairman	○	○		Eight years	16/16	12/12	12/12	—	◎	◎	○	○	○	○	◎
Hisashi Hara Date of birth: July 3, 1947 Number of NPHD shares held: 100,215	Independent Director	○ (Chairperson)			Five years	16/16	12/12	—	—	◎	◎	◎		◎		
Peter M Kirby Date of birth: August 2, 1947 Number of NPHD shares held: 36,800	Independent Director			○	One year	11/11*	—	—	—	◎	◎	◎	○	○	○	○
Lim Hwee Hua Date of birth: February 26, 1959 Number of NPHD shares held: 36,800	Independent Director		○ (Chairperson)		One year	11/11*	—	—	—	○	◎	◎	◎		○	
Masataka Mitsuhashi Date of birth: September 30, 1957 Number of NPHD shares held: 63,089	Independent Director			○ (Chairperson)	Three years	16/16	—	—	14/14	○	◎	◎	◎			
Toshio Morohoshi Date of birth: August 24, 1953 Number of NPHD shares held: 83,089	Independent Director	○		○	Five years	16/16	12/12	—	14/14	◎	◎	○			◎	○
Masayoshi Nakamura Date of birth: November 10, 1954 Number of NPHD shares held: 96,296	Lead Independent Director Board Chair	○	○		Five years	16/16	12/12	14/14	—	○	◎	◎	◎			

Main initiatives in FY2022

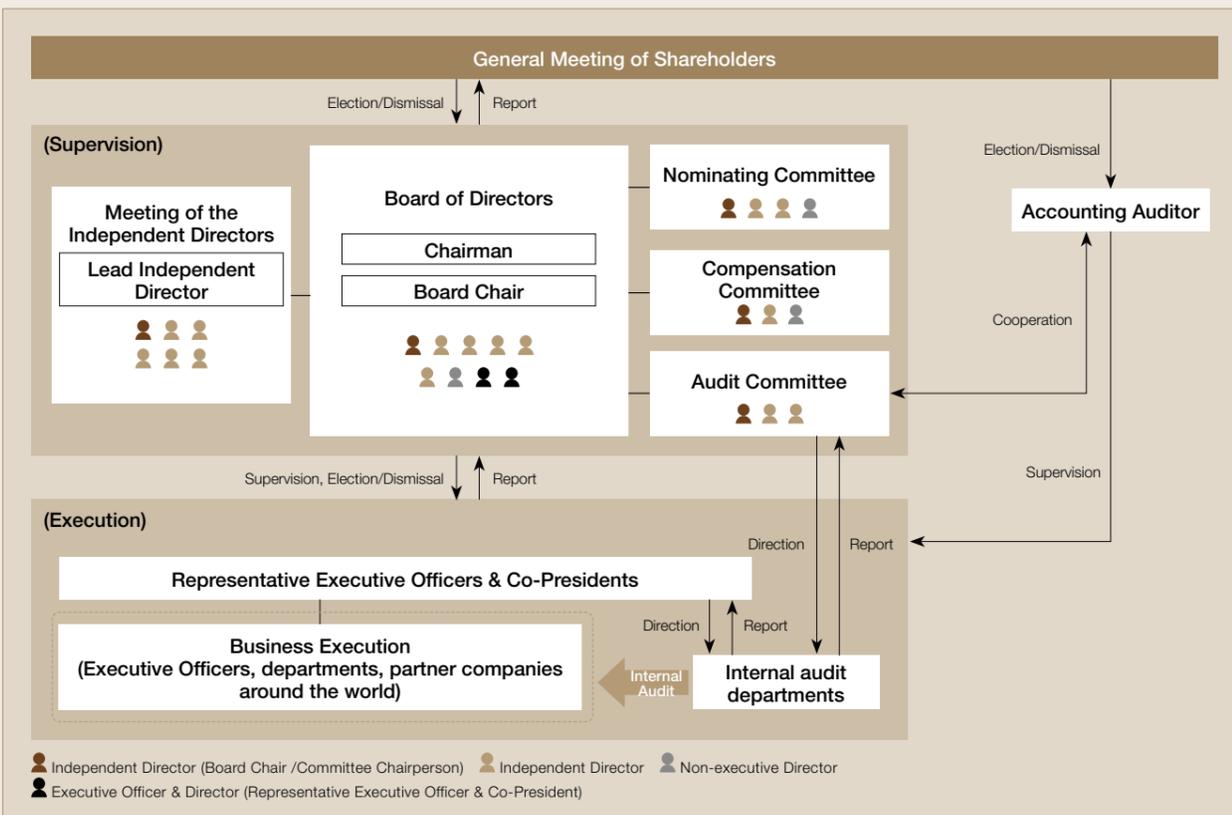
In FY2022, we worked steadfastly on the following four initiatives to further improve our Board's effectiveness.

1. Enrichment of discussion on growth strategy
2. Improvement of the operational efficiency of Board meetings
3. Further contribution of Independent Directors
4. Enhancement of the functions of The Secretariat of Board of Directors

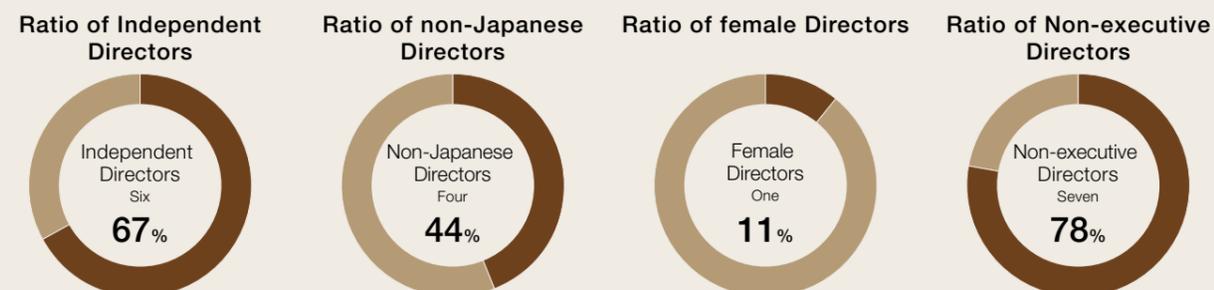
As a result, progress was achieved on a number of fronts. We accomplished further separation of the oversight and execution responsibilities, and established a more sophisticated monitoring model. In addition, deepened common understanding of the role of our Board, which pursues MSV, has elevated our Board meeting discussions to an even higher level.

▶ See "Analysis and assessment of the effectiveness of the Board of Directors" on page 105.

Corporate governance structure



Features of the Board's composition



Message from Board Chair

Supporting bold and timely risk-taking by the management team



Masayoshi Nakamura
Lead Independent Director
and Board Chair

Two years have passed since the launch of the Co-President structure in April 2021. During this time, our Group successfully built a leaner organization resilient to drastic supply chain changes caused by the pandemic, Russia's invasion of Ukraine, and other events. We also made sound progress in further solidifying the foundation of Asset Assembler model designed to drive the Group's growth to the next level.

Still, further risk-taking is vital to our pursuit of MSV. There are three types of risks that Nippon Paint Holdings should consider taking: namely, the risks associated with actions to enhance the value of existing businesses and assets, risks associated with building up new businesses and assets (i.e., acquisitions), and risks related to the management of our balance sheet, including financing from capital markets. The Board of Directors, in its oversight role, carries the mission of working together with management to determine where we aspire to be in the future as a company. Accordingly, Board discussions, while remaining mindful of solving current challenges, are shifting toward discourses on growth strategies for a more sustainable leap forward. The Board utilizes opportunities, such as brainstorming sessions on long-term roadmaps and offsite meetings for roadmap implementation, to frequently exchange views and share common ground with management. Through such activities, it encourages the management team to take risks in a timely and appropriate manner.

Our Board comprises nine Directors (including six Independent Directors) with experience and background in corporate management, global business operations, and M&A. To meet the responsibilities entrusted by our shareholders, the Board seeks to facilitate risk-taking that leads to MSV.

Of the Three Committees, the Nominating Committee is responsible for consistent assessment and verification of the Board's composition. The objective is to provide the Board with the resources to accurately understand the risks related to actions proposed by the management, flexibly measure the risk tolerance of our Company, and guide the management team to the right direction.

The Compensation Committee has the task of exploring an ideal form of executive compensation. Such compensation framework should empower members of the management to confidently take risks without being frequently and uselessly affected by the ever-changing business environment. It should also allow them to align their interests with those of our shareholders.

Finally, our internal control system based on mutual trust is the Group's most essential underpinning that enables aggressive risk-taking by the management team. This system allows the management team to properly identify risks inherent in existing businesses and assets and to take appropriate actions. The Audit Committee makes full use of the "Audit on Audit" framework to maintain effectiveness of the internal audit process, which is the backbone of mutual trust that unites our Group.

As the Lead Independent Director and Board Chair, I am committed to mobilizing the collective knowledge and experience of the nine Directors to guide our Board through deliberations and decision-making, encouraging all Directors to contribute to the Board to their fullest capabilities. Every effort will be made to thoroughly fulfill our duties toward the Group's achievement of persistent value creation under our Asset Assembler model, and to ensure protection of minority shareholders' interests.

Corporate Governance

Basic approach to governance

How Shareholder Value Is Maximized

▶ See page 5.



NPHD has adopted a governance structure consisting of a Company with Three Committees in order to bolster management transparency, objectivity, and fairness. This structure aims to effectively separate and strengthen the functions of business execution and management oversight.

Guided by our Purpose, which defines a shared identity for the Group, we seek to create wealth by consistently striving to reinforce corporate governance and pursue MSV that remains after fulfilling our obligations to customers, suppliers, employees, society, and other stakeholders, as well as our sustainability obligations.

As a company committed to achieving MSV, our basic approach is autonomous and decentralized management, respecting the autonomy of partner companies underpinned by the relationship of mutual trust they forge with Co-Presidents. We strive to strengthen governance suited for an Asset Assembler relentlessly pursuing growth by empowering each partner company to excel in their performance. The Board of Directors, which plays the oversight role, encourages risk-taking by the management in a timely and appropriate manner without slowing down the speed of decision making on management proposals.

Furthermore, we have established an internal control framework based on Nippon Paint Group Global Code of Conduct which serves as our paramount guiding principle. This code outlines essential standards of compliance, ethics, and sustainability that must be shared and observed by all individuals in the Group. This framework includes the Global Risk Management Basic Policy and the Global Basic Policy of Whistleblowing Hotline, which serve as pillars supporting our autonomous and decentralized management.

▶ For more information, see the section titled Corporate Governance Policy ("Independence Criteria for Outside Director" on a separate page) and the section on Corporate Governance Report, which are available on the Sustainability page of our website.

- Corporate Governance Policies
- Corporate Governance Report

<https://www.nipponpaint-holdings.com/en/sustainability/governance/cg/>

History of governance reform

Starting from FY2014, NPHD has consistently increased the number of Independent Directors and delegated authority from the Board of Directors to executive departments. This move aims at separating and strengthening the business execution and management oversight functions. To further accelerate this process, in March 2020, we transitioned to a Company with Three Committees structure.

Subsequent to the management structure change in April 2021, the Lead Independent Director has assumed the role of the Board Chair.

At present, Independent Directors constitute the majority of the Board of Directors.

▶ For more information, see "History of governance reforms and governance reinforcement for achieving MSV" on page 99.

The composition of the Board of Directors (FY2020-2023)

FY	Composition	Independent Directors
FY2020	9	67%
FY2021	9	67%
FY2022	11	73%
FY2023	9	67%

Approach to governance reform (roadmap)

As initiatives to enhance governance by the Board of Directors, we are working to improve the operational efficiency of Board meetings and to realize greater contributions from our Independent Directors, so as to enrich and elevate the quality of the Board's growth strategy deliberations. Ongoing discussions, led by the Nominating Committee, regarding Board composition that enhances Board effectiveness as well as succession planning constitute another area of focus geared towards our sustainable pursuit of MSV.

On the execution front, we are working to further bolster our governance base by asking each partner company to firmly establish an internal control system and a framework for risk self-assessment, guided by the Global Risk Management Basic Policy. Moreover, we continually promote the exchange of best practices among partner companies and enhance the governance structure to increase its overall effectiveness.

▶ For more information, see "Analysis and assessment of the effectiveness of the Board of Directors" on page 105 and "Risk Management" on page 121.

Our relationship with the major shareholder and protection of minority interests

With a business partnership spanning over 60 years, NPHD and Wuthelam Group, our major shareholder, unite under the common mission of MSV, and protecting the interests of minority shareholders. The full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021 simplified our capital relationship, aligning the interests of the major shareholder and minority shareholders. This created a management structure dedicated to pursuing MSV while ensuring the protection of minority interests.

To protect the interests of minority shareholders, we maintain a diligent approach and involve Independent Directors in all such transactions with the major shareholder to ensure proper oversight and scrutiny. To achieve this, all such transactions require approval at the Board of Directors meeting, where the Lead Independent Director serves as Board Chair and Independent Directors hold the majority of seats. We adhere to a strict policy regarding significant related-party transactions, (including those between the Company and the major shareholder, competing transactions involving Directors and/or Executive Officers, self-dealing, and conflict of interest transactions). Any such transactions surpassing a predetermined threshold are promptly reported to the Board of Directors. Moreover, these transactions are disclosed in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report (available only in Japanese) to ensure transparency and accountability.

Furthermore, when we conduct related-party transactions, we exercise comprehensive judgment regarding the reasonableness of the transaction, taking into consideration its terms and conditions, profit and cost levels and other relevant factors. The objective is to ensure that the transaction will not harm the interests of NPHD or of its minority shareholders. As a part of this process, we require the approval of relevant individuals with appropriate decision-making authority.



Message from Chairman

Nippon Paint's appeal as an Asset Assembler

Goh Hup Jin
Chairman

Nippon Paint considers the Maximization of Shareholder Value (MSV) as its sole mission. As elaborated in last year's report, MSV entails maximizing the residual value after proper fulfillment of our legal, social, and ethical obligations to all stakeholders. This concept is based on the premise that shareholders rank last from both a legal and practical standpoint. With a clear distinction between "Corporate Value Enhancement" and "Maximization of Shareholder Value" and a view that the concept of "stakeholder capitalism" is absurd, we firmly assert that MSV should be our exclusive mission as a public listed company. Despite the prevailing social trends advocating so-called 'stakeholder value maximization', we at Nippon Paint intend to persistently appeal to the public with our commitment to the MSV concept. All over our organization, from Board members to operations managers, all decision makers have come to base their reasonings and judgements on MSV. Mr. Wakatsuki and Mr. Wee exemplify the constant application of MSV in their executive decision-making process. Their exceptional skills and diverse backgrounds complement each other, making our Co-President setup, a rarity globally, remarkably effective.

We look to Asset Assembler model as an effective means to achieve our mission as has been raised in the Co-Presidents' Messages. We are confident that we are now well-prepared to relentlessly pursue shareholder value maximization. Our adoption of this platform is based on the recognition of our three pillars of competitive advantage. Firstly, our low funding cost. Secondly, our ability to maintain and boost the EPS contribution from acquired subsidiaries without intervention. Thirdly, our unique appeal to management-class talents who

empathize with our modus operandi. As we deepen our engagement with the CEOs of subsidiaries acquired heretoforth and witness their accelerated growth post-acquisition, I am increasingly convinced of the viability of what we call the "federation" approach.

The advantage we enjoy in funding is evident considering the notion that MSV is broken down to two components, i.e. the maximization of EPS and PER. EPS accretion can be achieved with the acquisition of an asset of relatively low PER, even if the acquisition is entirely funded by shares.

Adding an optimized level of low cost debt to equity financing will obviously greatly boost the accretion, which is what maximization is about. Our target assets being stable and low-risk, even if without prospect of high growth, repeated acquisitions will enable a continued climb in EPS, which if appreciated by the market, will ultimately go towards maximizing our PER.

By persisting with acquisitions supported by a well-balanced combinations of equity and debt financing, there is no limit to our growth potential. In this journey of EPS accretion, Wuthelam has no qualms about the dilution of its voting rights. This underscores my belief that the interests of Wuthelam are entirely aligned with those of minority shareholders.

We recognize intensely the risks inherent in our ongoing M&A pursuits driven by Asset Assembler model, so it is our plan to proceed with utmost caution and thoroughness. Meantime as the major shareholder and Chairman of the Board, I wholeheartedly support and commit to the current management direction of Nippon Paint in its pursuit of MSV.

Corporate Governance

Analysis and assessment of the effectiveness of the Board of Directors

Issues identified by the FY2021 Board effectiveness assessment and initiatives for FY2022

Issues that required stronger initiatives in FY2022	Main initiatives in FY2022
<p>1) Enrichment of discussion on growth strategy Further increase opportunities for strategic discussions and enable the Board of Directors to concentrate more on discussions about growth</p>	<p>For growth strategy discussions at meetings, the Board of Directors spent more time discussing medium to long-term management strategies from a broad perspective. These discussions cover strategies for the growth of existing businesses, portfolio expansion and other goals. In addition, the Board of Directors created and improved an environment for concentrating on growth strategy discussions, such as brainstorming and offsite meetings. ▶ See "History of agenda items and growth strategy discussions at the Board of Directors meetings" on page 106.</p>
<p>2) Improvement of the operational efficiency of Board meetings Minimize time spent on regular agenda items and other regular proceedings; focus on discussions that truly contribute to the achievement of MSV</p>	<p>Due to progress involving Asset Assembler model, the agenda items and reports submitted by Co-Presidents and other executives are becoming even more complex. In response, the operation of the Board of Directors has become even more thorough in accordance with the monitoring model. In addition, the Board of Directors has made progress with establishing a proper framework that reflects the Group's management structure and business model reforms. The Board of Directors is using highly detailed agenda building, the early preparation of annual plans, reexaminations of standards for agenda items at Board meetings and other measures to operate more efficiently.</p>
<p>3) Further contribution of Independent Directors Improve the contribution of every Independent Director by having these Directors submit more constructive questions to challenge the management team</p>	<p>Adding the fresh perspectives of two non-Japanese Independent Directors with a broad range of experience and professional skills enables the Board of Directors to hold discussions that incorporate many viewpoints. This diversity is helping the Board properly perform its supervisory and advisory roles. Furthermore, regular meetings of the Independent Directors and the use of IT for close communications that do not require meetings make possible the efficient sharing of information and opinions between the Independent Directors, who have knowledge in many areas. These activities enabled the Directors to conduct rigorous discussions and reach proper decisions for achieving MSV.</p>
<p>4) Enhancement of the functions of The Secretariat of Board of Directors Strengthen support functions for Directors to facilitate more thorough strategic discussions, and provide for secretariat functions that reflect the global scale of the Group operations</p>	<p>The Board of Directors ensured that all materials and minutes of the Board's meetings are available in both Japanese and English for the efficient and accurate provision of information. In addition, we revamped Board materials to enable a more accurate understanding of key points of agenda items and are distributing Board materials faster by strengthening cooperation with drafting departments. The Board of Directors increased the digital transformation of Board meetings and perform information sharing in a secure environment in a timely and appropriate manner.</p>

Evaluation for FY2022 and issues for FY2023

Guidelines for making evaluations	Overview of evaluation outcome
<p>Evaluation target All Directors in FY2022: 11 Managing Executive Officer, General Counsel (GC): 1</p> <p>Method By placing emphasis on the continuity of evaluations following the change in the Board's composition, a third-party organization, Board Advisors Japan, Inc. (BAJ), was selected. A questionnaire and individual interviews were used.</p> <p>Questions (i) Status of progress with resolving issues identified in the FY2021 Effectiveness Assessment of the Board of Directors (ii) Issues for the Board of Directors and committees following the change in the Board's composition</p> <p>Evaluation process Step 1: Distribute questionnaires to Directors Step 2: Conduct a separate interview with each Director based on the results of the questionnaire Step 3: Summarize and analyze the results of questionnaires and individual interviews Step 4: Report and discuss 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, the Board of Directors has concluded that the Board was generally effective in FY2022.</p> <p>Summary of BAJ's assessment</p> <ul style="list-style-type: none"> The Board of Directors has a common understanding about its role and everyone is committed to the policy of pursuing MSV. The Board's composition with Independent Directors comprising the majority allows the Board to perform oversight over the management team from an objective perspective. Led by the Board Chair, the Directors are discussing important agenda items, such as medium to long-term management strategies. All Directors engage in active discussions by leveraging their knowledge from the perspective of supporting the management team.
	<p>Issues requiring stronger initiatives in FY2023</p> <p>1) Upgrading operation of the Board of Directors Upgrade the quality of the Board's discussions by holding meetings more efficiently in order to increase the percentage of time spend on agenda items involving strategies</p> <p>2) Contributions of Independent Directors Further increase the contributions of Independent Directors by raising their awareness of various issues and enabling them to submit more constructive questions that challenge the management team</p> <p>3) Engagement in succession planning Systematically discuss succession plans for the management team and Independent Directors and consider the optimal Board composition</p>

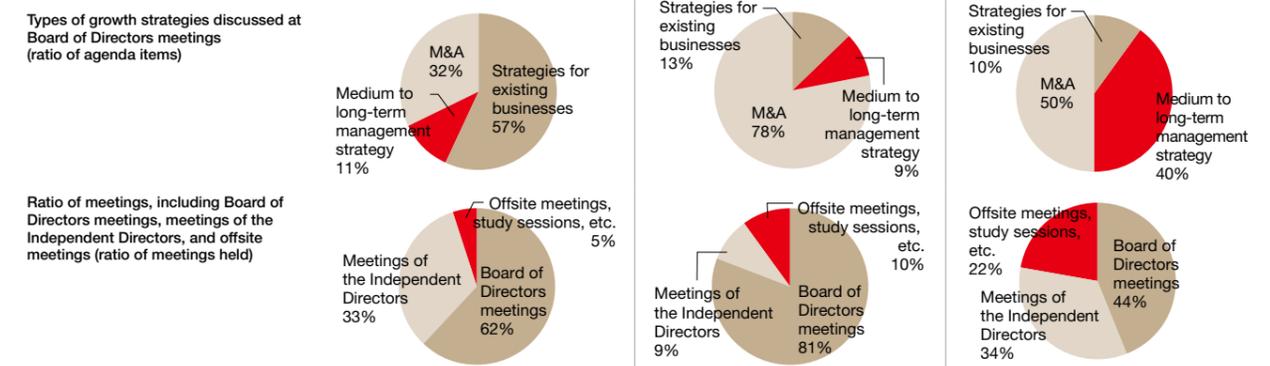
History of agenda items and growth strategy discussions at the Board of Directors meetings

	FY2020 (April 2020 to March 2021)	FY2021 (April 2021 to March 2022)	FY2022 (April 2022 to March 2023)
<Group management structure/model>	Chairman of the Board, Representative Executive Officer and President Tanaka	Representative Executive Officers & Co-Presidents Wakatsuki and Wee; Board Chair and Lead Independent Director Nakamura	
	Spider web management	Autonomous and decentralized management	
		Refinement of Asset Assembler model	

<Operation of the Board of Directors meetings>	FY2020 (April 2020 to March 2021)	FY2021 (April 2021 to March 2022)	FY2022 (April 2022 to March 2023)
Agenda items of Board of Directors meetings (number of items)	175	125	73
Board of Directors meetings (number of meetings)	16	23	12

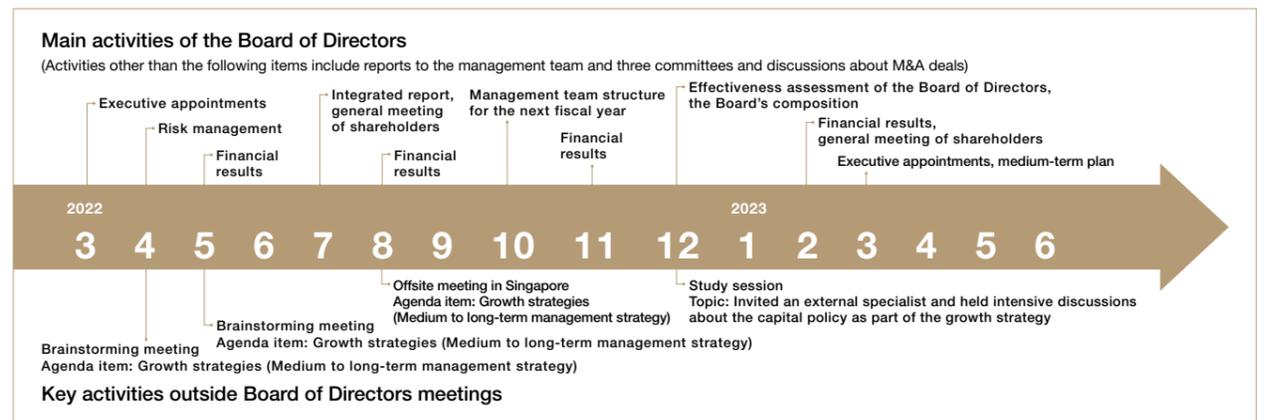
- NPHD transitioned to a Company with Three Committees in FY2020, completed the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021, and adopted the Co-President structure in April 2021. During these past two years, the Board's most urgent task was to establish a framework to respond to the transformation of the Group's management structure and business model. As a result, the number of agenda items increased temporarily.
- In FY2021, the number of Board of Directors meetings increased due to extraordinary meetings held discuss several M&A deals.
- In FY2022, the number of meetings and agenda items returned to near normal levels following progress with the structural transformation.

<Transition of growth strategy discussions>



<p>Focus on strategies for the growth of existing businesses The Board of Directors mainly discussed strategies for the growth of existing businesses to lay the groundwork for formulating Medium-Term Plan (FY2021-2023)</p> <p>▶ Key issues for the next fiscal year Implement a growth strategy by holding more thorough discussions on important agenda items, such as M&A</p>	<p>Laser-focus on discussions about important agenda items, such as M&A Following the shift to autonomous and decentralized management, the number of M&A deals conducted mainly by Partner Company Groups (PCG*) increased. * PCG: Group of companies by region and business</p> <p>▶ Key issues for the next fiscal year Further increase opportunities for discussing medium and long-term strategies and upgrade growth strategy discussions by the Board of Directors.</p>	<p>More thorough growth strategy discussions More and better offsite meetings and other occasions for discussions and more thorough discussions using a broad perspective about medium and long-term management strategies at Board of Directors meetings.</p> <p>▶ Issues for the next fiscal year</p> <ul style="list-style-type: none"> Upgrading operation of the Board of Directors Contributions of Independent Directors Engagement in succession planning
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▶ See "Issues requiring stronger initiatives in FY2023" on page 105.



Corporate Governance

Meetings of the Independent Directors

In FY2022, NPHD held 10 Independent Directors meetings chaired by the Lead Independent Director, where the members (exclusively, Independent Directors) not only discuss the agenda items of the Board of Directors and Nominating, Compensation, and Audit Committee meetings, but also engage in discourse concerning the medium- to long-term direction of the Company and share insights on the overall background leading up to proposals by management. These meetings are designed to contribute to the smooth and proper resolution of agenda items at the Board and three committee meetings. The Lead Independent Director prepares summaries of opinions expressed at the meetings of the Independent Directors as necessary and submits these reports to the Chairman, Co-Presidents and the Executive Officers to enable more thorough discussions.

Agenda items in FY2022

- Follow-up on the Board of Directors meetings; Confirmation of finance strategy and risks; and Preliminary information sharing about important proposals
- Follow-up on meetings of the three committees; and Exchange of opinions about executive compensation
- Look back on the FY2022 evaluation of the Board of Directors effectiveness and examine initiatives for FY2023
- Preliminary discussion for an offsite meeting
- Onsite visit

Upgrade functions of the Secretariat of Board of Directors

In order to enable Independent Directors to quickly and accurately grasp the status of the management of business operations at our company, Finance & Accounting, Investor Relations, and other departments regularly provide information updates. In addition, Co-Presidents provide opportunities to share in person the opinions of capital market participants and a wide range of information involving the management of business operations in order to facilitate a deeper understanding by Independent Directors of our business operations. The BOD office organizes the attendance of Directors at executive meetings and other meetings, as well as the the Directors' visit to factories and other business sites in Japan and other countries.

The Board of Directors Office also actively utilizes IT tools to drive the digital transformation of Board meetings.

Cross-shareholdings policy

Each year, the Board of Directors discusses whether NPHD should continue strategic ownership of certain stock, in reference to the Company policy on cross-shareholdings shown below. Shares whose ownership by the Company is deemed unreasonable are either disposed of completely or reduced in amount.

Company policy on cross-shareholdings

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 December 2022, the Board of Directors reviewed all of the Company's shareholdings in listed companies to verify the rationale for such holdings, and determined that there were legitimate reasons to sell the shares of a number of companies. Some of these sales have already been completed.

When exercising voting rights, NPHD makes comprehensive judgments based on the above policy and other internal standards. Such judgments take into account medium- to long-term maximization of the corporate value of companies in which we have strategic shareholdings, and the votes' effects on our Group, among other factors.

Strategic shareholdings and total balance sheet amount (as of December 31)

	2020	2021	2022
Number of companies	24	22	18
(Number of listed companies)	6	6	2
Total balance sheet amount (Million yen)	23,645	30,191	5,831
(The amount for listed companies) (Million yen)	22,704	29,268	4,834

Discussions by the Board of Directors

Advancing sustainability in harmony with Asset Assembler Model

Sustainability discussions are important for Nippon Paint Group to stay competitive for many years—Following the revision of the Basic Policy on Sustainability in March 2023, the Board of Directors had a fresh discussion on our Group's approach to sustainability initiatives. This page features excerpts of the discussion.

Identifying issues involving target setting and other matters

◆ **Comment from a Director**

I would like to start a discussion about the pros and cons of having a shared vision and targets across the Group. How can we incorporate the consolidated perspective into our sustainability initiatives regarding climate change and other relevant themes?

◇ **Comment from a Team Leader**

A unique aspect of Nippon Paint Group is that each partner company operates its business in their respective market, which significantly differs in business structure and maturity. For instance, carbon emissions from energy sources and power generation vary across the regions in which each partner company operates. Energy sources pose challenges for climate change initiatives at each partner company. Therefore, it is very appropriate to tailor sustainability targets to the characteristics of each region and business.

We establish improvement targets for each area within every partner company. These targets are determined by considering the level and maturity of the markets in which our Partner Company Groups conduct their businesses. For instance, it is rational and reasonable to set different targets involving global warming gas emissions for partner companies in regions where renewable energy is readily available versus regions where widespread use of renewables are yet to come. Important factors that will affect target setting for partner companies are policy objectives in countries where they operate, whether they need to aim for net-zero emissions by 2050 or by 2060, and the possibility of policy changes in the future. It is also essential to consider the influence of customer behavior based on policy targets and any subsequent changes.

We assess the achievements and specific initiatives for target achievement at each partner company based on the significance of their businesses. It is essential that we disclose information that is of great interest to stakeholders, including customers and investors. Furthermore, we must prepare for the disclosure of information that may be subject to mandatory reporting on a consolidated basis.

◆ **Comment from a Director**

In our information disclosure strategy, a vital aspect involves understanding our direction and aligning it with the expectations of society and investors. Since NPHD aims to increase its assets, it is important to strike a balance between sustainability initiatives and our ambitions. When determining the necessary and the ideal form of information disclosure, we must take this balance into account.

We may need to disclose certain indicators requested by stakeholders. Therefore, it's essential to stay vigilant and attentive to their requirements. This approach allows our company to cleverly respond to possible changes in circumstances.

◆ **Comment from a Director**

We must avoid rushing into decisions without proper planning. It is crucial to carefully assess the potential consequences of disclosure on a consolidated basis and setting targets from the top-down, as this could negatively impact our businesses. The headquarters shouldn't impose various requirements from external sources on partner companies in a centralized manner. However, we must remain vigilant and take measures, such as closely monitoring the moves of global competitors.

Identifying issues involving procurement (1)

◆ **Comment from a Director**

Does our Group have a wide-ranging supplier base? For instance, are there any potential risks of our procurement being impeded by issues concerning child labor during raw material production or concerning conflict minerals?

◇ **Comment from a Team Leader**

Conflict minerals, such as mica, are the main concerns of our Group. Mica is normally used as a raw material for coatings for automobiles and motorcycles with bright, glittering colors. In order to replace this material with an alternative, we will need to work from the product development phase. So, we will have to work with the Innovation & Product Stewardship Team.

From the standpoint of developing alternative raw materials, we are experiencing a rise in customer inquiries about bio-based raw materials and receiving proposals from

suppliers. The trend stems from a growing emphasis on the product life cycle impact. I believe that fostering collaborations between the Procurement Team and the Innovation & Product Stewardship Team is of utmost importance.

I believe that the risk of child labor involvement among our Group's suppliers is very low.

Identifying issues involving procurement (2)

◆ **Comment from a Director**

What measures are we implementing to mitigate risks related to cross-border procurement, including the utilization of alternative raw materials?

◇ **Comment from a Team Leader**

In the event of procurement challenges concerning raw materials, we normally investigate the availability of alternative materials through regular transactions. Accordingly, we regularly update the list of suppliers. During the pandemic, we reviewed the possibility of procuring raw materials from different regions, such as procuring raw materials that were previously obtained from China, from India, and other suitable regions.

Other discussion (selected partial excerpts)

- When engaging in diversity discussions, the primary emphasis in Japan is on gender balance. However, we need to select topics of discussion based on regional characteristics. In regions where diversity discussions involve broader themes, such as LGBTQ, we should embrace such subjects. In regions where cultural backgrounds necessitate a cautious approach, we should be mindful of our stance.
- Regarding the management of chemical substances, we are identifying products that contain chemicals of concern and initiating a phased approach to discontinue their use. It is important to have a prudent perspective when determining the timing and extent of abolishment, taking into account factors such as market demand and other relevant considerations.
- Our ongoing focus remains on addressing governance issues by reinforcing important commitments, including anti-bribery measures, and introducing a governance assessment indicator to assess governance.
- The Sustainability Teams are taking flexible actions that are aligned with our Asset Assembler model while also considering and respecting regional characteristics and business needs.
- The Board of Directors finds the promotion of sustainability by the five Sustainability Teams highly encouraging, as it serves as an effective means of enhancing communication among partner companies, employees, and investors.

Nominating Committee Report



Hisashi Hara
Independent Director
Nominating Committee Chairperson

Ensuring the effectiveness of the Board of Directors in order to contribute to MSV

Following the shift to the Co-President structure, Co-Presidents have executed numerous corporate actions focused on MSV, consistently delivering results despite the rapidly changing business environment, while making steady progress preparing measures for our Group's leap to the next stage.

The Board of NPHD, in its oversight role, is tasked with the maintenance of an effective Board

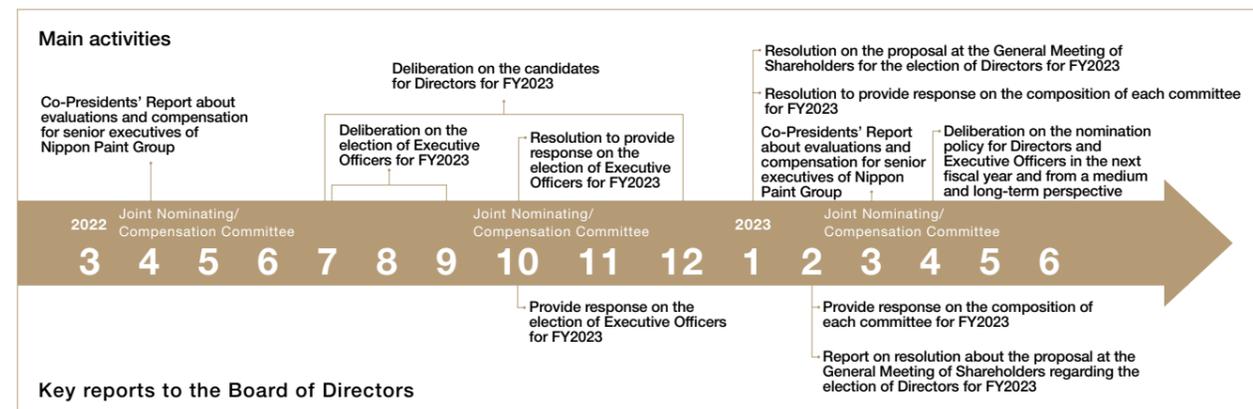
constitution that allows proper supervision and advice, encouraging appropriate and bold risk-taking by the management team without slowing down its decision-making process. For this, the Board must have the ability to accurately analyze where the potential benefits and risks lie in the various actions the Group takes, along with the degree of impact such benefits and risks present. In this respect, the Nominating Committee should not be overly swayed by diversity for the sake of formality or by planned agendas. Rather, its mission is to select Director candidates capable of giving valuable advice in light of the Group's business growth and Directors moving forward, and to deliver true diversity that can maximize Board performance.

To accomplish this, every year, the Nominating Committee evaluates the effectiveness of the Board, identifying the status and issues surrounding the Board at that given time, and comprehensively evaluating the qualities and contributions of each Director. And taking this assessment into consideration, we select candidates from within and outside our Group, making use of personal relationships and different lines of communication. We also constantly share information with the Directors concerning the proper composition of the Board in order to get on the same page regarding this important point.

The Nominating Committee will continue to contribute to MSV by ensuring the effectiveness of the Board and creating a Board composition that can encourage and support appropriate and bold risk-taking by the management team.

Overview and main activities

Chairperson	Hisashi Hara (Independent Director)	Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Committee members	<ul style="list-style-type: none"> 1 Non-Executive Director 3 Independent Director 	Main activities	The Nominating Committee passed a resolution regarding the election and dismissal of Directors for FY2023 to be submitted to the General Meeting of Shareholders, and deliberated and provided responses on the selection of Executive Officers for FY2023.
Roles of the Committee	Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, discussions about succession plans for Directors based on advice from the Board of Directors, appointments and dismissals of the Representative Executive Officer and President and other Executive Officers, and submission of opinions about the succession plan and other proposals.		



Our approach concerning the composition and skills of the Board of Directors

NPHD ensures that the Board of Directors and the three committees consist of Directors with suitable backgrounds so that effective oversight can be maintained in a sustainable manner regardless of a constantly changing business environment. To this end, the Nominating Committee emphasizes seven categories of experience and skills based on which selections of Directors are made (see the table below). In terms of the three committees, the Nominating Committee recommends their compositions to the Board in consideration of the high level of specialization required in the respective roles, and committee members are appropriately selected at the Board of Directors meeting.

Experiences in corporate management, global business operations, and M&A are of particular value to NPHD, which pursues MSV under Asset Assembler model. Especially important is the experience in corporate management: namely, the experience in leading sustainable growth of a corporate body, embracing such concepts as ESG. We believe that concrete and appropriate supervision and advice based on such track record and specialized skills can greatly contribute to MSV. Meanwhile, experiences in global business operations and M&A are indispensable to our efforts in identifying excellent assets from a global and medium and long-term perspective and facilitating growth of the partner companies after they join Nippon Paint Group.

At the General Meeting of Shareholders held in March 2023, shareholders approved our proposal for the election of nine Directors. The Nominating Committee refers to the results of the annual assessment of Board effectiveness, among other sources, to continually monitor contributions of individual Directors and the comprehensive performance of the Board as a team based on mutual trust. Through these activities, we constantly work on determining the best candidates and composition of the Board that can contribute to MSV. Since FY2020, when NPHD became a Company with Three Committees, we have maintained an effective Board structure with Independent Directors making up the majority of the Board, although there were some changes in

Board members. Of the nine Directors of the Board for FY2023, six (67%) are Independent Directors, five (56%) are foreign nationals or live outside Japan, and one (11%) is a woman. This diversified composition allows the Board to perform multidirectional oversight to achieve MSV through advice from a broad perspective.

Identifying future management talent and an environment where people can upgrade their skills (strengthening human capital, selections and dismissals)

We recognize that our highest priority is to strengthen the Group's human capital as the globalization of operations and drastic changes in business environment continue.

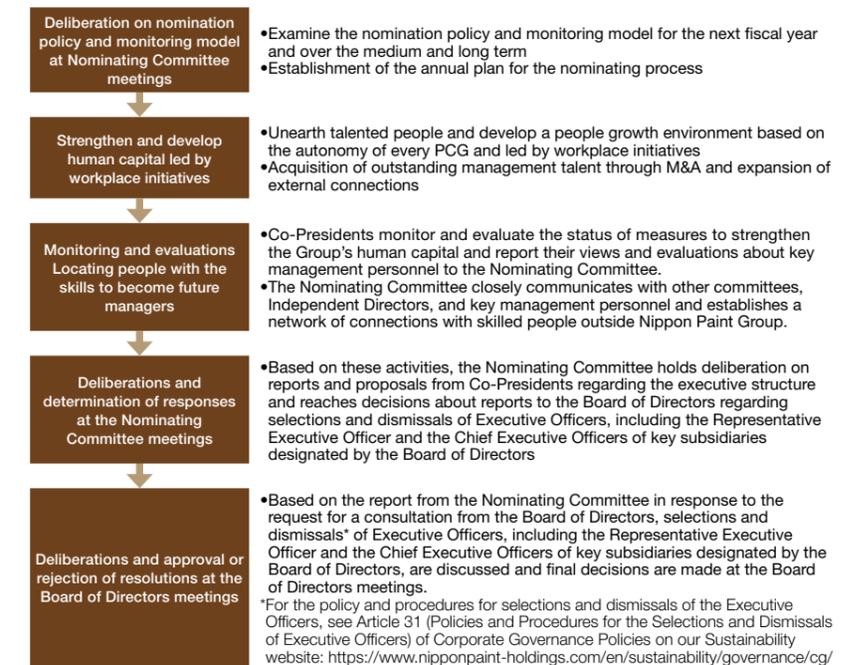
We do not use a one-size-fits-all approach for the recruitment and development of future management talent. Instead, we are finding talented people and maintaining an environment for their advancement, with respect for the autonomy of every PCG based on mutual trust between Co-Presidents and the heads of PCGs. Co-Presidents are taking actions to strengthen the Group's human capital, such as by

monitoring and evaluating the status of the Group's human capital through continual communication with the heads of PCGs, as well as by submitting reports periodically to the Compensation and Nominating Committees.

The Nominating Committee determines the status of the Group's human capital and evaluations of key management personnel based on reports from Co-Presidents. The Committee also closely cooperates with other committees and the meeting of Independent Directors, communicates with key management personnel, and strengthens the network of connections with external experts in various fields.

Through multifaceted and fair evaluations of the Executive Officers including Co-Presidents based on these activities, the Nominating Committee examines people who have the skills to become future management personnel to achieve MSV. Committee members also determine responses to requests for consultations from the Board of Directors to enable appropriate decisions about selections and dismissals of key management personnel.

Process of strengthening human capital and selections and dismissals of Executive Officers



Required experience/skills

1 Experience in corporate management	The ability to supervise and give advice concerning a broad range of matters about management from the formulation of business strategies to their implementation
2 Experience in global business operations	The ability to supervise and give advice concerning the businesses of Nippon Paint Group, which operates globally, taking into consideration diverse business environments, economic conditions, and cultures around the world
3 Experience in M&A	The ability to supervise and give advice concerning the suitability of M&A deals that Nippon Paint is pursuing, and the PMI process
4 Finance	The ability to supervise and give advice concerning capital allocation and other financial activities
5 Legal Affairs	The ability to supervise and give advice concerning regulations involving operations, GRC (Governance, Risk Management and Compliance), and internal controls
6 IT/Digital	The ability to supervise and give advice concerning the improvement of operations and creation of new business models through IT and the Digital Transformation
7 Manufacturing/Technology/R&D	The ability to supervise and give advice concerning creation of new technologies through R&D by making use of his/her knowledge of technology related to manufacturing operations and the businesses of Nippon Paint Group

Compensation Committee Report



Lim Hwee Hua
Independent Director
Compensation Committee Chairperson

Our roles to attract and train excellent talent

Nippon Paint Holdings, as a business with maximizing shareholder value (MSV) at its core, is not very different from many multi-national groups – its reliance on talent. Talent recruitment and retention is everything. Engendering appropriate compensation schemes is one of the necessary elements.

I am gratified to note that much thought had gone into the compensation philosophy – setting of goals, incentives for performance and ultimately

accountability to all shareholders.

To attract talent, the company's vision, mission and strategy must be clearly articulated. Employees must feel responsible for fulfilling this vision and contribute towards refining the strategy along the way. Taking ownership of business strategy would be crucial.

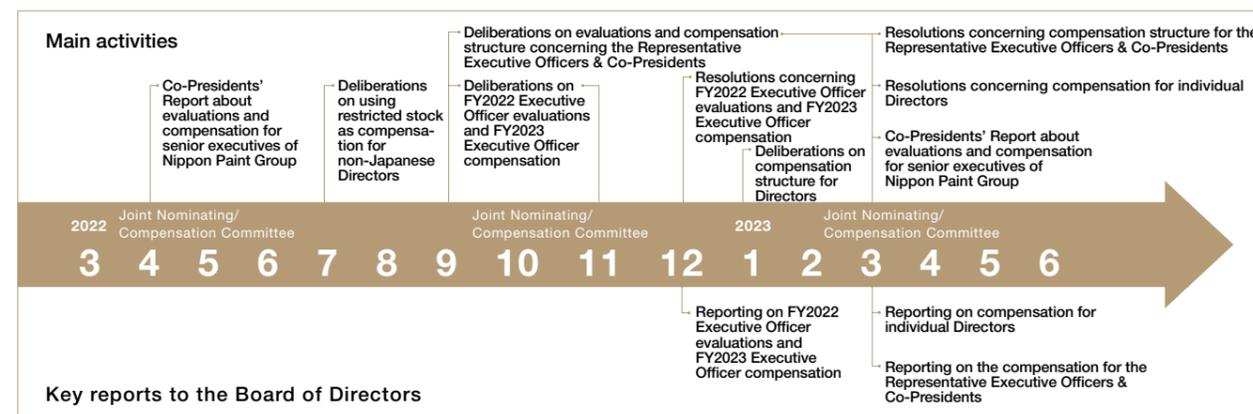
Secondly, compensation must be market-competitive. Even as employees accept a variable component, with increased seniority, this portion must accord with performance and be regarded as fair. Employees must be motivated to give off their very best and consistently. Setting key performance targets annually and holding employees accountable would be necessary. When used appropriately, long-term incentives can have a powerful effect on aligning longer-term interests with the company's.

Thirdly, having an appropriate compensation scheme is insufficient. Some form of career development within a meaningful cluster of businesses is necessary, involving an element of training or even re-skilling in technological innovation and market dynamics. Equally important would be a good understanding of the geopolitical influences at play.

The Compensation Committee will work closely with the Nominating Committee on succession planning for senior management. The goal is to ultimately breed a corps of independent-minded, committed and competent talent individuals.

Overview and main activities

Chairperson	Lim Hwee Hua (Independent Director)	Number of meetings	FY2022 (late March 2022 to mid-March 2023) 11 FY2023 (late March 2023 to end of June 2023) 2
Committee members	<ul style="list-style-type: none"> 1 Non-Executive Director 2 Independent Directors 	Main activities	The Compensation Committee resolved compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Compensation Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents)
Roles of the Committee	Establishment of policies for determining the compensation of individual Directors and Executive Officers, and decisions about compensation for individuals and other matters		



Compensation decision-making policy for Executives

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also oversees decisions about the compensation of senior partner company executives by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, compensation of executives at other companies, and compensation in the market for senior executives. In accordance with the Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussions and make decisions.

► For more information, see the Compensation of Directors and Executive Officers section of our website.
<https://www.nipponpaint-holdings.com/en/sustainability/governance/board/reward/>

How the Compensation Committee contributes to achieving MSV while protecting minority shareholders

Independent Directors are the majority of the Compensation Committee, and the committee is chaired by an Independent Director. In addition, all committee members are non-executive Directors. This composition ensures independence from executives for business operations. Furthermore, approximately half of compensation of the Independent Directors is restricted stock for the purposes of achieving MSV and further aligning the interests of these Directors with the interests of other shareholders. Based on the premise of protecting the

interests of minority shareholders, the Compensation Committee performs rigorous evaluations with emphasis on measures for providing compensation for the Representative Executive Officers & Co-Presidents that is consistent with the pursuit of MSV and the results of this compensation. At the same time, the committee is working to create compensation that will serve as motivation for even more actions to achieve MSV.

Evaluation and compensation of the Representative Executive Officers & Co-Presidents

Compensation for the Representative Executive Officers & Co-Presidents is determined by the Compensation Committee based on a comprehensive assessment of their performance in the previous year. After reaching a decision about compensation for the next year, the Compensation Committee determines the composition, including cash, stock and other forms of compensation.

FY2023 compensation for Co-Presidents has taken into consideration compensation of presidents at competing companies and other large companies in Japan. Compensation also reflects financial factors such as revenue and net income growth compared with the performance of competitors and MSV

Evaluation of the performance of Co-Presidents Comparisons with Competitors (Major financial indicators)

Items	FY2022 Actual	Growth*2 vs. FY2021	Growth*2 vs. FY2020
Revenue	JPY1,309 bn	31.1% (10.8%)	29.5% (12.9%)
Profit attributable to owners of parent	JPY79.4 bn	17.5% (-3.2%)	33.4% (2.7%)
EPS	JPY33.82	15.0% (-2.8%)	10.2% (3.9%)
PER*3			
LTM (Last Twelve Months)	32.1x (28.1x)		
NTM (Next Twelve Months)	24.6x (19.0x)		

indicators (EPS, PER) as well as non-financial factors such as upgrading a framework and taking measures for achieving MSV. To be precise, for Co-President Wee, the committee decided on all-cash compensation in the same amount as in FY2022 based on the belief that this compensation will continue to maximize his motivation to achieve MSV. For Co-President Wakatsuki, in consideration of the need for balance between the two Co-Presidents, the committee decided on all-cash compensation that is about 13% higher than in FY2022 as an incentive for more growth and other advances at Nippon Paint Group.

Compensation for the Representative Executive Officers & Co-Presidents based on the premise of protecting the interests of minority shareholders



*1 Comparisons using the six largest paint companies based on global sales (Nippon Paint Group ranks fourth)
*2 For compound annual growth rate calculated based on each company's indicated currencies, figures in parentheses are medians
*3 Source: FactSet (as of December 30, 2022), figures in parentheses are medians

Composition of executive compensation

Compensation for Directors Directors who do not concurrently serve as Executive Officer (Independent Directors)	Fixed compensation	<ul style="list-style-type: none"> Job-based compensation (BS) Compensation is set at levels that can attract and retain management talent with the skills required to supervise the management of Nippon Paint Group, which has operations worldwide. Decisions about compensation take into account social circumstances, compensation of executives at other companies, and compensation in the market for senior executives.
	Variable compensation	<ul style="list-style-type: none"> Allowances for committee memberships and other roles Allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committees, the Lead Independent Director, and other positions. Long-term incentives (LTI) Directors supervise the Group's management and assume the role and associated risk of making important decisions regarding the allocation of corporate resources on behalf of shareholders. As a result, Directors receive restricted stock as an incentive for achieving MSV and as a means of further aligning the interests of Directors with those of shareholders. Introduced Malus Clawback Clause to ensure the soundness of MSV.
Compensation for the Representative Executive Officers & Co-Presidents	Entire amounts of compensation are variable	<ul style="list-style-type: none"> Compensation takes into account the level and composition of compensation in the individual's home country, continuity with prior compensation, benchmarking using other companies' compensation, and other considerations. Discussions with Co-Presidents, frequent communications with executives of partner companies, and other activities are used for a comprehensive evaluation of performance using financial and non-financial perspectives. Every year, the determination of the following year's compensation starts by resetting compensation to zero. The cash-stock ratio and other aspects of the composition of compensation for Co-Presidents are also reviewed every time.

Audit Committee Report



Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Contributing to MSV by enhancing the effectiveness of the “Audit on Audit” system

Every year, the Audit Committee performs a self-evaluation of the effectiveness of our audit activities. The Committee reports to the Board of Directors the results of this evaluation and improvement status of the items that require improvements on a regular basis. Through this process the Audit Committee shares information and exchanges opinions with Directors

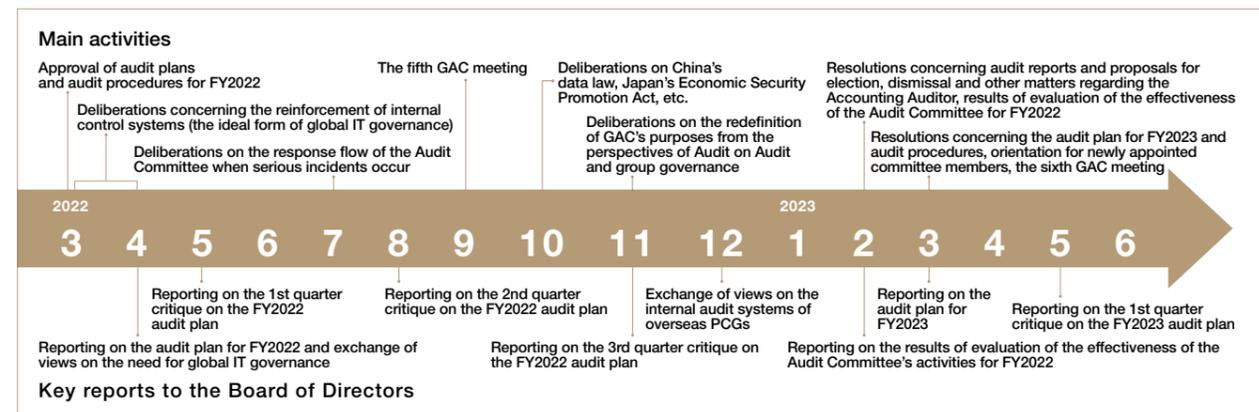
who are not Audit Committee members, and this raises the objectiveness of our self-evaluation.

In FY2023, based on the results of the FY2022 evaluation, the Audit Committee has been continuously working on strengthening “Audit on Audit” framework in the Group, which is based on the results of internal and external audits (see the next page). In March 2023, we held the first in-person Group Audit Committee (GAC) meeting which facilitated direct communications among the people who are responsible for our Group’s internal audits. Participants examined the results of risk assessment of the PCGs and confirmed the “Audit on Audit” approach. We also discussed common issues among PCGs, such as cyber security and the risk profiles of newly acquired companies. By bringing everyone together, this meeting became a valuable occasion for internal auditors to exchange information about the best practices, to openly discuss various problems they have and to have better communication. We will continue to reinforce relationships rooted in mutual trust and maintain an effective auditing system that can contribute to MSV based on Asset Assembler model.

Peter Kirby, an Independent Director, was appointed as a member of the Audit Committee in FY2023. I am confident that his knowledge, professional skills and management experience of the global paint industry will further enhance the effectiveness of the “Audit on Audit” system.

Overview and main activities

Chairperson	Masataka Mitsuhashi (Independent Director)	Number of meetings	FY2022 (late March 2022 to mid-March 2023) 13 FY2023 (late March 2023 to end of June 2023) 2
Committee members	<p>3 Independent Director</p>	Main activities	The Audit Committee: <ul style="list-style-type: none"> Prepared audit reports based on the results of audits on the status of the execution of duties by the Executive Officers and Directors and other items. Resolved on 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., audit cases, audit findings, risk management, reasons for selecting audit themes) and held theme discussions (J-SOX evaluations, reinforcement of the Audit on Audit system) at GAC.
Roles of the Committee	Conduct audits on the execution of duties by Executive Officers and Directors, prepare audit reports, and determine proposals regarding the election, dismissal and refusal of reelection of the Accounting Auditor to be submitted to the General Meeting of Shareholders.		



Supervision of the group-level internal audit activities by the Audit Department

The Audit Department, which supports the activities of the Audit Committee, ensures the committee's independence from the executives by establishing dual reporting lines to the Audit Committee and the Representative Executive Officers & Co-Presidents. Specifically, the Audit Department performs J-SOX evaluations, as well as periodically checks the status of audits as part of the supervision of the audit activities conducted by internal audit units of PCGs and reports the results to the Audit Committee.

At the biannual GAC meetings, best practices of internal audits at PCGs are shared within the Group. In addition, the results of analysis by the Audit Department on material risks identified by each PCG are shared within the Group, which will allow all group companies to have a shared risk recognition. The results are reflected in the internal audit plans of PCGs to enhance the effectiveness of our group-level internal audits.

Coordination with Accounting Auditor, local audit firms, and corporate auditors

The Audit Committee has continuously been monitoring and verifying whether the Accounting Auditor conducts appropriate audits while maintaining its independence. At the Trilateral Audit Meeting held on a regular basis participated by the Audit Committee, the Audit Department and the Accounting Auditor, participants share information and exchange views on matters such as the audit plan, the status of audits during period and risk responses. (See the figure on the right.) With regard to Key Audit Matters (KAM), the Audit Committee closely cooperates with the Accounting Auditor by taking actions such as holding discussions on items that involve significant management decisions, including accounting estimates and items likely to have a significant impact on financial statements, including estimates of provisions for doubtful accounts and reasonableness of estimates of goodwill recorded due to acquisitions.

The Audit Committee also conducts interviews and discussions with local audit firms in charge of accounting audits of major overseas partner

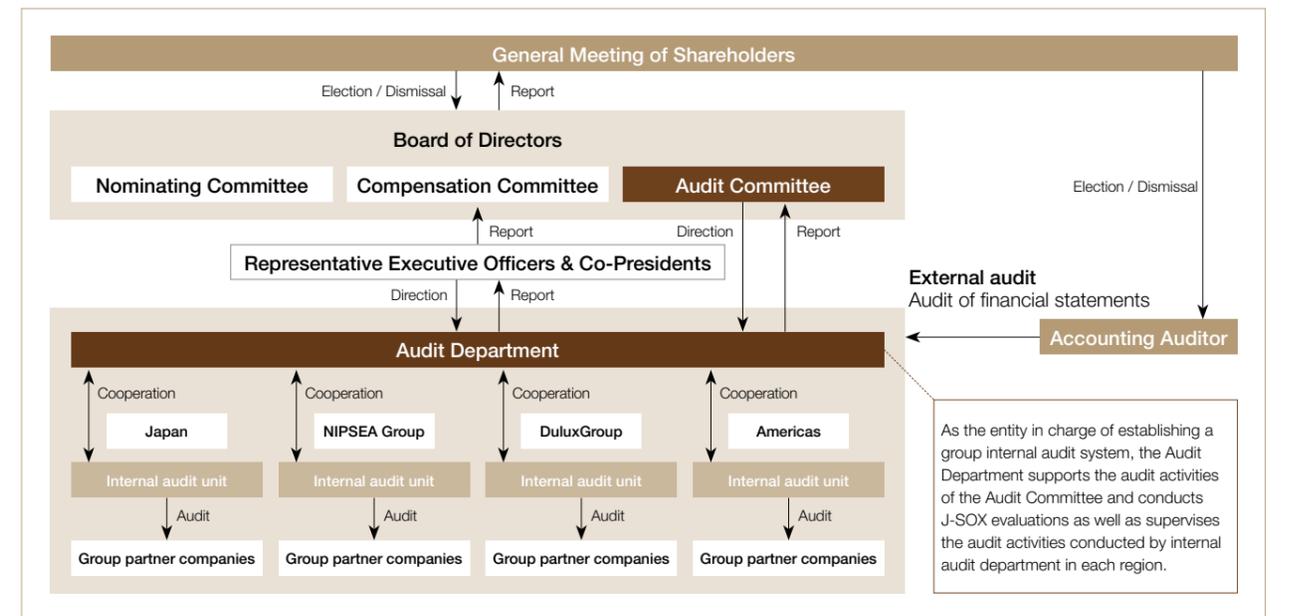
companies (PCs). The topics of discussions include audit findings at PCs which they are responsible for, financial and tax risks, and the status of communications with local management teams and NPFD's Accounting Auditor. Through these activities, the Audit Committee identifies risk factors and determines the status of the performance of local audit firms.

In Japan, the Audit Committee holds regular meetings with corporate auditors of PCs to share information and exchange views on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working on further enhancing the effectiveness of its activities.

Trilateral audit system: Promoting efficient and effective audits



“Audit on Audit” Group audit system



Governance Discussions



Masataka Mitsuhashi
Independent Director
Audit Committee Chairperson

Masayoshi Nakamura
Lead Independent Director and
Board Chair

The ideal form of the group audit system to pursue MSV based on Asset Assembler model

What is the effective and efficient implementation of group audits based on respect for autonomy of partner companies (PCs), which we aim for as a global business group? Independent Directors Masayoshi Nakamura (Board Chair) and Masataka Mitsuhashi (Audit Committee Chairperson) look back on discussions held repeatedly by the Board of Directors and the Audit Committee regarding the appropriate approach to group audits at NPHD and changes in the audit system for group audits. The focus of discussion in this dialogue are the ideal form of group audits that contributes to MSV and the challenges that must be overcome.

1. Transition from the Board of Corporate Auditors to the Audit Committee

Nakamura · It's been three years since NPHD changed its corporate governance structure from a Company with a Board of Corporate Auditors to a Company with Three Committees (Nominating, Compensation and Audit). One of the aims set out by the Board for implementing this change was to strengthen our global audit system.

Under Asset Assembler model led by our Co-Presidents, NPHD is now working to build up quality assets to accomplish sustainable growth and to ultimately achieve MSV. In this model, Co-Presidents delegate the business execution authority and the internal controls responsibility to the head of each Partner Company Group (PCG) based on a relationship of mutual trust. The underlying idea is to maximize autonomous growth of every PCG. The Board is responsible for oversight of the Group's management team, starting with

Co-Presidents, that is in charge of business operations spanning 45 countries and regions around the world. And in terms of the Board's functions, maintaining appropriate transparency in Group operations and supporting timely and appropriate risk-taking by the management are of utmost importance. In this respect, there is a growing need to strengthen the group audit system and ensure its effectiveness.

"What is the ideal form of group audit system for pursuing MSV under Asset Assembler model?" This is the topic explored in today's discussion with Mr. Mitsuhashi, who has been the Audit Committee Chairperson since NPHD became a Company with Three Committees. We will look back on our past activities and discuss our current challenges and goals for the future.

First, please explain the situation when you were elected the Audit Committee Chairperson in March 2020. What was your intention when we changed to the

Audit Committee under a Company with Three Committees from the Board of Corporate Auditors?

Mitsuhashi · In 2019, the year before the establishment of the Audit Committee, NPHD completed the acquisition of Betek Boya in Turkey and DuluxGroup in Australia. Following these acquisitions, our Group's portfolio further expanded globally. During this time, the Board had its eyes set on the full integration of the Asian JVs as our Company's next step towards achieving MSV. We believed that our Company needed to separate the oversight of business operations from the execution and strengthen both of these functions. We also wanted to establish an objective and transparent corporate governance structure from a global perspective. The Board of Corporate Auditors is a common organizational structure for Japanese companies. Overseas investors consider companies with this structure as lacking sufficient checks and balances on management

from the corporate governance perspective because Corporate Auditors do not have voting rights at the Board meeting. On the other hand, at a Company with Three Committees, Independent Directors are the majority of the Audit Committee that performs the management oversight function. The Audit Committee members participate in management decision making by voting at meetings of the Board of Directors, which is responsible for protecting the interests of shareholders. This process increases the transparency of management. I believe it was only natural that NPHD as a global business group transitioned to a Company with Three Committees.

Nakamura · Let me dig deeper into the background that required NPHD to quickly strengthen its group audit system at that time. What were the issues you had identified that instigated this move?

Mitsuhashi · Following the occurrence of quality fraud issues at a number of manufacturing companies in Japan that started around the end of 2017, rebuilding internal controls and internal audits at Japanese companies became the focus of attention. We couldn't see this as somebody else's problem. In fact, there were instances at our key Japanese subsidiaries involving the failure to promptly report to our headquarters about customers' complaints caused by inadequate quality management. As a result, there was an urgent need for the reform of our organization and culture to correct the distortions and insufficient discipline in our customs and rules.

We believed that a reexamination of the business processes in our Group by the Audit Committee, whose members are Independent Directors, from an objective viewpoint can catalyze the organizational shakeup needed to eliminate routine work done just for the sake of conforming to official procedures. We created dual reporting lines to the President and the Audit Committee for the Audit Department, which is the internal audit unit of NPHD, when this committee was established. We believe this laid the groundwork for strengthening cooperation involving audits between the internal audit function on the management side and the Audit Committee.

Nakamura · In addition to these dual reporting lines, you proposed the concept of "Audit on Audit" as a group audit system as soon as the Audit Committee was

established. What was the aim of this concept, Mr. Mitsuhashi? How did you arrive at this concept?

Mitsuhashi · The group audit system plays a part in the management structure and business model of our Group. Before explaining "Audit on Audit", let's look back on the significant changes in the management structure and business model of our Group in recent years.

The transition process can be broken down into three stages. The initial stage is the period between the consolidation of the Asian JVs (an increase in NPHD's ownership ratio from 40% to 51%) in December 2014 and the end of 2019, when we pursued the World Headquarters (WHQ)/Regional Headquarters (RHQ) model. The second stage is Spider Web Management, which we started with the transition to a Company with Three Committees in March 2020. The third stage is the current period with Asset Assembler model based on autonomous and decentralized management, which we started following the establishment of the Co-President structure after the completion of the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021.

In the WHQ/RHQ model stage, the management team was pursuing a stronger group control function with the headquarters in Japan serving as WHQ in a centralized manner. Another goal was growth suited to the business environment of each region and business through regional controls based on the delegation of authority to RHQs, which are managed by executives seconded from WHQ. The start of my time as the Audit Committee Chairperson was when our Group was transitioning from the WHQ/RHQ model to taking a step forward towards Spider Web Management with greater focus on the autonomy of every PC. NPHD was the core of the Group control function as WHQ. At the newly established Audit Committee, I proposed the concept of "Audit on Audit" that aims to increase the effectiveness of audits across the Group. NPHD's internal audit unit performs on-site audits of PCs in every region and country while referring to and utilizing the audit results submitted by the PCs. The aim was to effectively utilize audits that were performed autonomously in Japan and overseas based on the RHQ structure that was already in place. The Audit Committee was just starting up

at that time. The NPHD Audit Department as well as the Audit Committee members were conducting on-site audits of PCs in order to check their status by using the objective viewpoint of the Audit Committee.

Nakamura · What were the challenges you identified when you were working to improve the effectiveness of the group audit system based on "Audit on Audit"?

Mitsuhashi · The "Audit on Audit" framework in those days was primarily focused on on-site audits at PCs by the NPHD Audit Department while also referring to and utilizing the audit results submitted by the PCs. As a result, the challenge I identified for the NPHD Audit Department to address was to have sufficient resources and strengthen know-how concerning on-site audits.

There were issues such as delays in reporting deficiencies in quality management at our PCs in Japan, as I mentioned earlier. In addition, risk assessments and responses as well as risk reporting were not done appropriately. Also, these PCs did not appear to have a sufficient commitment to taking actions to remediate the issues identified by audits.

On the other hand, there were some instances of successful auditing practices in our Group, which was already operating worldwide. One of them was DuluxGroup in Australia, which was using an advanced, risk-based approach by outsourcing internal audits to a local audit firm. DuluxGroup determined the importance of risk factors and performed risk management by measuring the possibility of events and the impact of the events when they happened. In addition, there were recommendations from the standpoint of opportunity loss and other perspectives. DuluxGroup used its Audit Risk Committee, which meets three times a year, to share information about risk factors with senior management. Another example was NIPSEA, which operates mainly in Asia. NIPSEA was using the approach of proposing solutions to business challenges based on Corporate Assurance Reviews, rather than using the conventional approach of merely pointing out issues. NIPSEA used a small team to perform assessments focused on business operations with the goal of increasing the value of their businesses.

Nakamura · As the Audit Committee Chairperson, you thought at that time that increasing the trustworthiness of audit information in every region would be

Governance Discussions

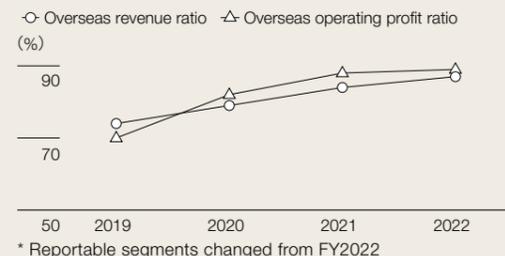
Transitions in the Group management structure/model and design concept of Group audit framework

	FY2019	FY2020	FY2021	FY2022	FY2023
Organizational structure	Company with the Board of Corporate Auditors		Company with Three Committees (Nominating, Compensation, Audit)		
Group management structure	Centralized management → Spider web management → Autonomous and decentralized management				
Business model	World Headquarters (WHQ)/ Regional Headquarters (RHQ) model		Asset Assembler model		
Design concept of the Group audit framework	Pursued the Global audit structure through the cooperation between the Board of Corporate Auditors and the internal audit unit based on the WHQ/RHQ model → Pursued Audit on Audit with the shift to the spider web management → Evolved our audit framework to Audit on Audit suited to autonomous and decentralized management based on Asset Assembler model				

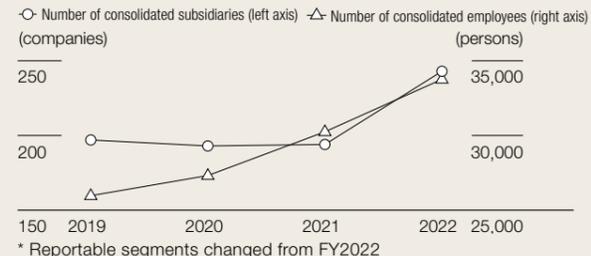
Our key M&A/group restructuring, financial and non-financial data

	FY2019	FY2020	FY2021	FY2022	FY2023
Key M&A/group restructuring					
NPHD/Japan		· March 2020: Transitioned to a Company with Three Committees structure	· January 2021: Completed the full integration of the Asian JVs and acquisition of the Indonesia business · April 2021: Adopted the Co-President structure	· January 2022: Completed restructuring into a pure holding company and Japan-focused functional company	
NIPSEA	· July 2019: Completed the acquisition of Betek Boya		· March 2021: Completed the acquisition of Vital Technical · August 2021: Completed the transfer of the European automotive business and India businesses to Wuthelam Group	· May 2022: Completed the full integration of the Chinese consolidated automotive subsidiaries	
DuluxGroup	· August 2019: Completed the acquisition of DuluxGroup		· January 2022: Completed the acquisition of Cromology	· June 2022: Completed the acquisition of JUB · February 2023: Completed the acquisition of NPT	
Americas					

Overseas revenue/ overseas operating profit ratio



Number of consolidated subsidiaries/ consolidated employees



essential for enhancing the effectiveness of group audits based on “Audit on Audit” framework. And you believed that our internal audit function needed to be strengthened to improve the audit quality across the entire Group. Is that correct?

Mitsuhashi - Exactly. The Audit Committee understood that it was vital to improve audit quality throughout the Group by incorporating these best practices and deploying them at all Group companies. When we established the Audit Committee, we formulated an Audit Policy of the Audit Committee by foreseeing an ideal status of our Group’s global audit system to be achieved 10 years later in 2030 with the mission of “Provide risk-based, objective assurance, protection, advice, and insight to maximize shareholder value which is our management mission.” I believe that further enhancing the effectiveness of the group audit by implementing and evolving “Audit on Audit” framework will lead to accomplishing our mission.

2. Adoption of Asset Assembler model based on the Co-President structure

Nakamura - A comparison of our performance in FY2019, just before the transition of NPHD to a Company with Three Committees, and our FY2023 guidance reflects a double-fold growth in consolidated revenue from JPY692 bn to JPY1,400 bn, a climb in number of employees from around 26,000 to around 34,000, and an increase in number of consolidated subsidiaries from 197 to over 240. During this time, we completed the full integration of the Asian JVs and the acquisition of the Indonesia business in January 2021, achieving further unity as a Group. Following the start of the Co-President structure in April 2021, our Company’s governance structure changed significantly based on Asset Assembler model spearheaded by Co-Presidents. The group audit system is an important component of our governance structure. How did the group audit system centered on “Audit on Audit” change during this process?

Mitsuhashi - During the evolution of our Group’s management structure and business model from the Spider Web Management model to Asset Assembler model based on autonomous and decentralized management, the Audit Committee explored the ideal form of the group audit system regarding effectiveness

and efficiency.

Previously, members of the NPHD Audit Department in Japan who were assigned to a specific PC visited companies to conduct audits in accordance with the policy of strengthening the group’s control functions with NPHD as WHQ. However, I identified some issues. For instance, when we conduct audits in Indonesia, wouldn’t audits be more effective if we entrust the work to the internal audit unit of our Indonesian PC? After all, these people know the actual business conditions and have much better understanding of local laws and regulations, business customs, and labor practices than auditors sent from Japan do. And wouldn’t audits be more efficient by using an approach in which the PCGs autonomously establish and operate governance and risk control systems and NPHD would monitor the status of their governance and risk controls by using a small number of people rather than implementing centralized controls by maintaining a large team of internal auditors at the headquarters?

Considering the quality and scale of resources necessary for establishing an audit system and the cost of implementing this system, I believed that we can better keep a balance between the effectiveness and efficiency of audits by conducting group audits based on the results of audits performed by the PCGs, rather than having the NPHD Audit Department perform on-site audits. Our “Audit on Audit” framework, which was launched in March 2020, started evolving based on Asset Assembler model.

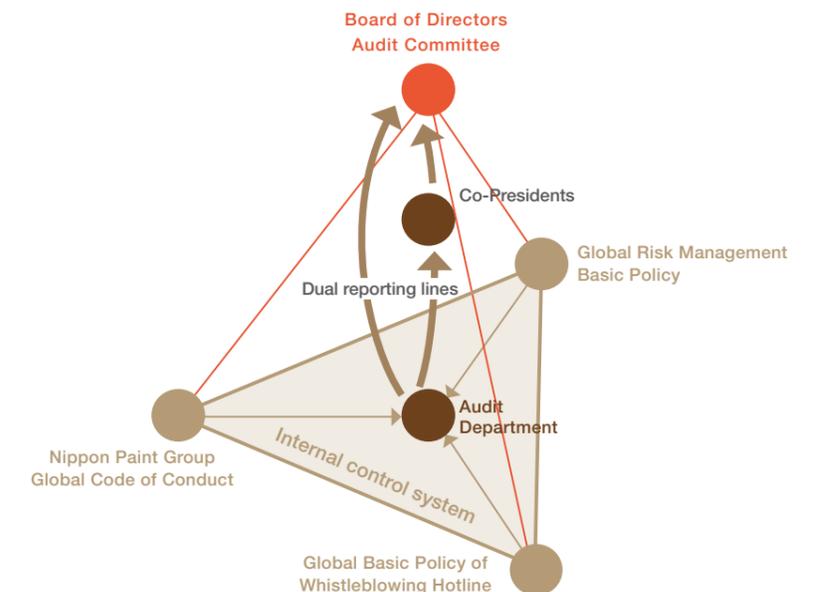
Nakamura - I believe you faced challenges pursuing an audit system that relies on audits performed by each PCG. What actions did you take to lay the groundwork for evolving the “Audit on Audit” framework?

Mitsuhashi - There were two things which I thought were essential to enhance group audits based on the “Audit on Audit” framework. First was to clarify where risks exist and second was to improve the audit capabilities and skills of every PCG.

In order for “Audit on Audit” to work, the major premise is to ensure that internal controls that are autonomously maintained and operated by PCGs are effective as group-level internal controls.

For this purpose, the Board worked with Co-Presidents to create the Global Code of Conduct and revised the Basic Policy on Internal Control Systems in FY2021. Based on these basic policies, we revised the Global Risk Management Basic Policy and the Global Basic Policy of Whistleblowing Hotline, which has guidelines for the establishment and operation of the internal reporting hotline at each PCG. These policies are rigorously implemented by PCGs as a framework for group-level internal controls under the oversight by Co-Presidents. The audit functions of the PCGs confirm that these policies are followed. Based on the existing “Audit on Audit” framework, the Audit Committee is responsible for ensuring that this framework of internal controls is functioning and properly used.

Following the establishment of the Global Risk Management Basic Policy, we



Governance Discussions

have been carrying out a Control Self-Assessment (CSA), a risk assessment survey targeting PCGs, since FY2022 as a means of clarifying responsibility for risk management. The head of each PCG conducts a self-inspection and assessment of risk items in the CSA that cover all potential business risks. In addition, these PCG heads are required to present to Co-Presidents five major risks and the measures to mitigate these risks. The results of the CSA will also be reported to the Audit Committee, which will utilize the information to create a roadmap for internal audits at all PCGs with the priorities and perspectives to be used in conducting their audits. Under the initiatives of the Audit Committee, best practices in our Group are shared with the PCGs through the Group Audit Committee (GAC), where the NPHD Audit Department is the secretariat. This sharing has contributed to improving the audit capabilities and skills of PCGs, which has further enhanced the effectiveness of our group audit system.

3. Further upgrading the “Audit on Audit” framework based on a trust-based relationship

Nakamura · Under the “Audit on Audit” framework, PCGs’ autonomous management is key to effective and efficient group audits. Well understood. Now, for this framework to function successfully, I believe trust, which is an essential premise in our group management, plays an important role. How have you been building, maintaining, and increasing trust with members of each PCG and other key management personnel?

Mitsuhashi · The foundation of the “Audit on Audit” framework is trust-based relationships with external audit organizations in each region and country

as well as with Co-Presidents, the head of each PCG and other key executives.

Firstly, everything starts with the trust-based relationship with Co-Presidents. Prior to the current Co-President structure, we were unable to make a decision to change our audit system to the “Audit on Audit” framework based on trust. Mr. Wee was the driving force for making NIPSEA the core business of our Group, with revenue accounting for approximately 50% and operating profit for over 60% of our consolidated results of operations. He is well versed in the global management of the paint and coatings and adjacencies businesses. Mr. Wakatsuki has extensive knowledge of the capital markets and excels in the assessment and management of assets based on his experience of successfully completing numerous M&A transactions. We were very fortunate to have the opportunity to name these two highly skilled executives with exceptional communication skills as Co-Presidents following the full integration of the Asian JVs. As I mentioned earlier, Directors worked with Co-Presidents to revamp the Group internal control structure to ensure that internal controls autonomously implemented by PCGs are effective as group-level internal controls. The successful operation of this framework will depend on the leadership of Co-Presidents. Close and substantive communications based on mutual trust with Co-Presidents are vital for this success.

Another important element is the trust-based relationship with the heads of PCGs and other key management personnel. As I stated earlier, we use the following audit approach. The internal audit unit of each PCG autonomously conducts audits with a focus on key points with an awareness of risks by taking into consideration factors such as local

business customs, laws, and labor practices. Our approach is not to have the NPHD Audit Department visit every PCG and perform audits on predetermined items. Based on our audit approach, close communications by the Audit Committee and NPHD Audit Department with the internal audit unit of the PCGs is essential to share audit results and know-how across the Group. In addition, the Audit Committee needs to confirm that the internal audit departments of all PCGs are properly conducting audits as expected. These audits are possible only if we have sound lines of communication and high-quality information sharing based on mutual trust. For instance, NPHD recorded provisions for doubtful accounts amounting to JPY3.6 bn in FY2021 and JPY13.0 bn in the 2Q of FY2022. For these provisions, the Board of Directors and the Audit Committee closely monitored real estate market conditions in China and focused on controlling risk from the initial stage of this matter. I believe this is another example of how communications among Co-Presidents, management teams in China and the Board, based on mutual trust, were extremely useful for an accurate understanding of the overall picture and discussions to determine appropriate responses.

The Audit Committee and NPHD Audit Department regularly receive reports from every PCG. In addition, we regularly interview management teams and external auditors to confirm that they are aware of management issues or potential risks in order to confirm that “Audit on Audit” is working effectively. The key to the efficient operation of this system is autonomous and effective audits by the PCGs and our full understanding of the status of each PCG through close communication

“
The Audit Committee will pursue MSV by enhancing the effectiveness and efficiency of its oversight activities.”



based on mutual trust and the multifaceted information.

The Audit Committee has created many opportunities for communication with the management teams of PCGs in order to build trust-based relationships. Since 2020, when the Audit Committee was established, the Committee members have directly communicated with the management teams of PCGs as often as the circumstances allowed under pandemic-related restrictions. We have had around 40 meetings, which allowed us to have candid and reciprocal communications about identified risk factors and their solutions, including the management strategies of each PCG. I believe that these communications made it possible to build the trust-based relationships we have now.

GAC was established right after the Audit Committee was launched. At the sixth GAC meeting in Tokyo in March 2023, key members of PCGs around the world met in person for the first time. I believe that the “Audit on Audit” framework will be strengthened further by building trust-based relationships through these communications.

4. Aiming to further contribute to MSV

Nakamura · Your explanations have helped me understand the background on why our Company adopted the concept of “Audit on Audit.” Now, let me ask you about your future vision of the group audit structure that contributes to MSV. What are the challenges you have identified and how are you going to address them?

Mitsuhashi · The Audit Committee conducts an evaluation of its effectiveness every year and incorporates the results in

our activities during the following year. The evaluation is also used to identify important themes for the following year. Topics identified for FY2022 were “effectiveness of responses to ESG and SDGs” and “effectiveness of the IT governance and information system structures.” For FY2023, our activities will be focused more on themes such as “effectiveness of risk management system monitoring” and “effectiveness of linkage between internal audit monitoring and audits by the Audit Committee.” Looking slightly to the future, I want to mention what the Audit Committee has been discussing for addressing long-term challenges related to our group audit system.

The Audit Committee has identified “limitations of the human activities” as a challenge. Due to progress with the digitalization of management data, the Audit Committee needs to consider the possibility of shifting to digital-based committee activities that effectively use digital information. In addition, our own auditing activities will have to start using digital tools for the use of digital data.

Properly performing audits that reflect risk levels requires an awareness of risk factors in each risk category and accurately identifying remaining risks to confirm that these inherent risks are correctly managed. Identifying remaining risk factors in all the key risk areas in this manner will allow the PCGs to objectively determine the areas with high potential risk and the appropriate allocation of audit resources. Some PCGs in the Group have already established audit plans by using a digital approach and efficiently and objectively allocating audit resources. We need to deploy these approaches at all Group companies to

improve the quality and efficiency of audits. This will enable us to track changes in remaining risks through comparisons with the prior year data. Then, PCG management teams will be able to share their recognition of risks with the headquarters on a more timely basis. In addition, this will enable us to more efficiently monitor detailed risk information at PCGs, which is an asset of our Group, and the risk status of the Group as a whole in our group audit based on the “Audit on Audit” framework.

Nakamura · Once the management data and audit approaches are digitalized, how will the Audit Committee be involved and what roles will it play?

Mitsuhashi · The Audit Committee will oversee every PCG from the perspective of how they utilize digitized management data and the results of the analysis of this information. Our stance on respecting the autonomous management of PCGs will remain the same. What will change is that our activities will focus on what advice we can provide to PCGs based on digitized management data.

As our Group shifts from human responses to digital-based governance, risk controls using AI and other digital technology, the Audit Committee will pursue MSV by enhancing the effectiveness and efficiency of its oversight activities.

Nakamura · Thank you for the fruitful discussion today. We were able to cover the evolution of the management structure of our Group, the reasons for the launch of the “Audit on Audit” framework, which the Audit Committee proposed and implemented, and the future of the group audit system that contributes to MSV.

“
The foundation of the “Audit on Audit” framework is trust-based relationships with Co-Presidents, the head of each PCG and other key executives.”



Risk Management

Internal controls based on Asset Assembler Model

— Our philosophy regarding governance, risk management and compliance (GRC) —

How should Nippon Paint Group manage its business risk for achieving MSV? As an Asset Assembler based on mutual trust with all partner company groups (Nippon Paint Group companies grouped by region or business, “PCG”), Nippon Paint Group has a risk management system in place that has, as its core components, the internal control systems operated autonomously by every PCG.

Our Approach to achieving MSV

Autonomous and sustainable growth of every PCG is the key to achieving MSV.

The paint and adjacencies businesses of every PCG have strong regional characteristics, which make these businesses ideally suited for the autonomous management of business operations along with local production for local consumption. Every PCG has thorough understanding of the risk that exists in their local regions and markets.

Considering such business characteristics, NPHD gives each head of PCG the authority to conduct business operations while each head of PCG is responsible for the internal control system. Co-Presidents oversee the Group’s operations through evaluation and appointment/dismissal of the heads of PCGs through various reports from these executives.

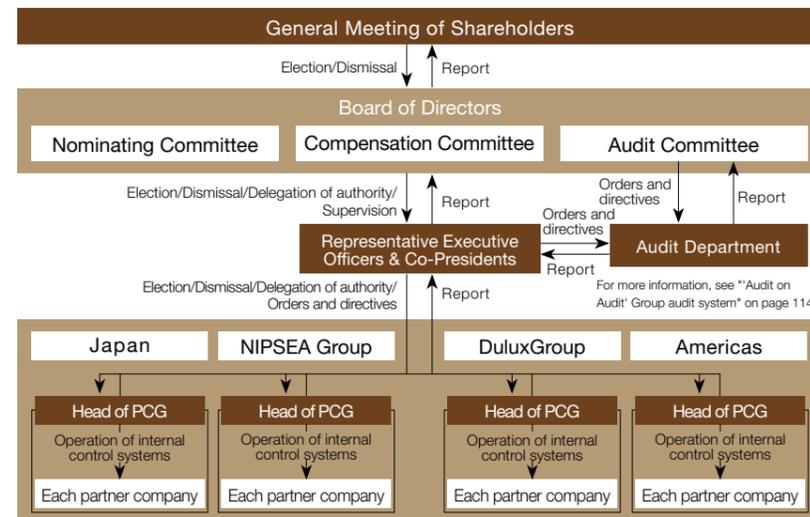
To strengthen risk management as an Asset Assembler, NPHD revised its Basic Policy on Internal Control System in January 2022. This policy sets forth

three core components for the governance executed by management led by Co-Presidents: Nippon Paint Group Global Code of Conduct, the Global Risk Management Basic Policy, and the Global Basic Policies of Whistleblowing Hotline. By following these policies, we perform effective monitoring and give necessary directives for governance, risk management, and compliance in the entire Group.

In addition to this autonomous and decentralized internal control system, there are five sustainability teams under the leadership of Co-Presidents. These teams focus on issues that affect all PCGs, such as climate change and other problems on a global scale as well as social issues that will require actions in the coming years. The teams, which operate on a global scale, are Environment & Safety, People & Community, Innovation & Product Stewardship, Governance, and Sustainable Procurement. Every team is led by a business leader with sufficient skills and experience for the issues the team covers. (▶ See “Sustainability as the Prerequisite for MSV” on page 41.)

About risk management conducted in each region in the Group’s internal control framework and global activities of the sustainability teams for future issues and the social demands, information is shared with each PCG under the direction of Co-Presidents as well as at the Group Audit Committee (GAC). Communications made possible by these frameworks are the foundation for the mutual trust that underpins Asset

Internal control system



Summary of the “Group management system” in the Basic Policy on Internal Control System

Oversight of PCGs
Prior approval rule for important matters and timely reporting system of incidents with material impacts
Election/Dismissal of the heads of PCGs
Evaluations and decisions that include financial and non-financial considerations such as responsibilities for internal controls
Direct participation of the Co-Presidents in main partner company meetings
Participation of Co-Presidents and other executive officers in important meetings of important partner companies
Group audits based on the “Audit on Audit” system
Oversight utilizing the close ties between the NPHD Audit Department and the internal audit unit of each PCG

The three key components of the Basic Policy on Internal Control System



Assembler model.

Sound risk management is the premise for the pursuit of MSV. NPHD will continue to closely monitor changes in society and the needs of stakeholders in order to reexamine and update the internal control system in an appropriate and timely manner.

*1 For more information, see the Internal Control part in Sustainability section on our website. <https://www.nipponpaint-holdings.com/en/sustainability/governance/internal/>
 *2 This meeting, attended by the head of internal audit unit of each PCG, is held twice every year by the NPHD Audit Committee and Audit Department

Risk management system

In line with the revised Basic Policy on Internal Control System, the Group started to apply Global Risk Management Basic Policy in January 2022.

The policy states that Co-Presidents have overall responsibility for risk

management in our Group.

The policy also defines the roles of each head of PCG as a frontline, autonomously running its risk management system in the business in which they operate.

Each head of PCG conducts the control self-assessments (CSA), consisting of self-inspections and self-assessments based on a risk-based approach. They are responsible for using CSA to identify risk factors requiring actions, create risk management plans, and make improvements.

Results of CSA are reported to Co-Presidents, who, based on this information, grasp risk factors at our Group in individual regions and businesses. Then Co-Presidents perform effective monitoring by attending important management meetings of the PCGs and other activities and give the

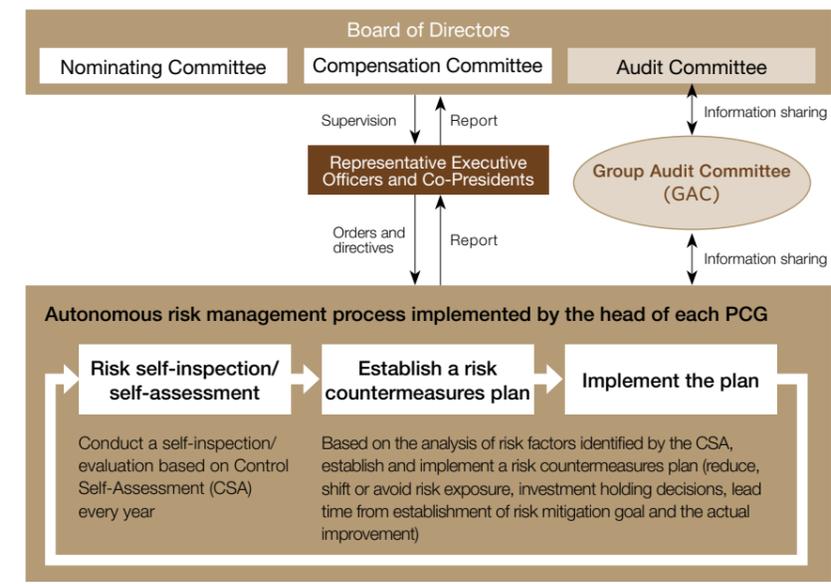
PCGs directions for responses against the identified risks.

Through these activities, if Co-Presidents identify risk factors that apply to our entire Group and require unified measures by all PCGs, Co-Presidents hold the Risk Management Committee to discuss and make decisions about countermeasures.

Co-Presidents report the results of this risk analysis to the Audit Committee and the Board of Directors. In addition, the results are discussed at the GAC, which brings together the heads of risk management and internal audit units of each PCG. These meetings function also as a forum for sharing information about best practices for countermeasures.

Separately from these activities, for certain events, a framework is in place for sharing information with Co-Presidents about certain events in a timely or prompt manner. One is for incidents with an impact beyond a pre-determined level. Another is for incidents or emergence of a risk that affect the whole Group, such as a disaster of some type, environmental pollution, product liability issue, quality problem, fraud or other event. This system enables Co-Presidents, when necessary, to give orders covering the entire group.

The group risk management process



Risk Management

Actions for high-sensitivity risk factors (high-risk items) at our Group

The Company compiles the results of the CSA performed by the heads of PCGs every year and identifies/analyzes risk factors designated as “high” for that year based on their considerations of the status in our Group, social environment and other factors. A summary of FY2022 risk is shown below. Each PCG is taking necessary actions as shown in the following table.

<ul style="list-style-type: none"> Although high-risk items are currently almost the same as in FY2021, the level of risk sensitivity has changed for individual items. Compared with FY2021, when there were imminent and significant risks involving the possible disruption of raw material procurements and other problems caused by the pandemic and political instability, sensitivity has increased in FY2022 concerning 	<p>Business Continuity Plan (BCP) for drastic increase in raw material costs in the medium to long term as well as supply chain risks in the logistics.</p> <ul style="list-style-type: none"> As M&A activity has enlarged our Group's portfolio, we have been seeing an increase in closer ties among the brands, technologies and know-how of group companies. As a result, a suitable framework is required with regard to risk concerning international taxation 	<p>that includes compliance with revisions of tax laws in countries worldwide, but ongoing collaborations and other measures involving the PCGs have reduced the sensitivity to this risk.</p>
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Risk heat map

High risk sensitivity items in FY2022	Change in risk sensitivity (vs FY2021)	Description of risk and major countermeasures
Risk related to human capital	Slightly higher	<p>Succession for management teams of the Group (Actions)</p> <ul style="list-style-type: none"> Planning and taking actions on succession plans based on the future business plans of individual PCGs Co-Presidents supervise succession plans for key management personnel of each PCG as an important management issue and Co-Presidents provide information about these plans to the Nominating Committee and Compensation Committee.
Risk related to business continuity plan	Slightly higher	<p>BCP concerning the drastic increase in raw materials costs worldwide, foreign exchange fluctuation, political instability, the pandemic, natural disasters, IT security, etc. (Actions)</p> <ul style="list-style-type: none"> Each PCG created and updated its BCP, conducted necessary drills and education programs for its employees to promptly respond to various risks such as natural disasters, changes in geopolitical situations, foreign exchange impact, IT security risk, etc.
Compliance Risk	Higher	<p>Risk factors such as information leakage and misconduct of employees, which are becoming more serious social issues (Actions)</p> <ul style="list-style-type: none"> We have established “Nippon Paint Group Global Code of Conduct” to set out standards/requirements of compliance/ethics rules and Sustainability that applies to global group companies. And as a part of risk management activities, all PCGs are using autonomous risk self-inspections, self-assessments and other activities for monitoring compliance with the Global Code of Conduct. Through the Whistleblowing Hotline of PCGs as well, reports have been made of compliance problems. PCGs that experienced such reporting are taking appropriate actions including employee training programs.
Supply chain risk	Significantly higher	<p>More efficient management of inventory and logistics, stricter credit management, etc. (Actions)</p> <ul style="list-style-type: none"> To reduce risk in product supply arising from the dramatic increase in raw material costs and the change in raw material supply chain, each PCG is swiftly and appropriately taking actions by changing its raw materials, its product mixes, raising product prices and increasing the efficiency of logistics. Converting risks to opportunities by taking actions in every process to avoid or mitigate the risks and by optimizing the supply chain.
Risk involved in international taxation	Significantly higher	<p>International taxation and other issues associated with closer ties among our Group's brands, technologies, etc. (Actions)</p> <ul style="list-style-type: none"> We have started to rebuild the framework for proper international transactions based on the tax rules and guidelines of individual countries.

Global Code of Conduct

In January 2022, the NPHD Group enacted Nippon Paint Group Global Code of Conduct to set out standards/requirements of compliance/ethics rules and Sustainability that apply to global group companies. The code has been refined*³ by each PCG for the purpose of applying these guidelines in a manner that matches the business climates of different regions. As a result, with the leadership of Co-Presidents, the code has been embraced by group companies in each country and region.

*3 DuluxGroup Code of Conduct
<https://www.duluxgroup.com.au/media/wfffcpd4/duluxgroup-code-of-conduct-2022.pdf>

Nippon Paint Group Global Code of Conduct

Global Code of Conduct ensure our people act according to our Purpose and our stakeholders understand how we operate.

DEALING WITH INTEGRITY	WORKING TOGETHER	RESPECTING ENVIRONMENT & COMMUNITIES
<p>We maintain our reputation by conducting our business in a fair and honest way.</p> <ul style="list-style-type: none"> We compete fairly We market responsibly We conduct business ethically We comply with laws, regulations and maintain accurate records We do not tolerate bribery or corruption We avoid conflict of interest and are responsible to act sensibly with gifts and entertainment We prohibit insider trading We do not compromise on quality or safety We protect our assets and confidential information We use technology and innovation to enhance and enrich 	<p>We care and work as a team to ensure the safety and well being of all our stakeholders.</p> <ul style="list-style-type: none"> We care about people We work as a team We embrace diversity We treat each other and our stakeholders fairly We provide a safe and healthy workplace free from harassment and discrimination We act in the best interest of the company We work collaboratively with our partner companies for the greater good We act in accordance with the Global Code of Conduct and protect those that speak up 	<p>We respect and enrich the environment & communities that we operate in.</p> <ul style="list-style-type: none"> We embrace social and environmental responsibility We respect human rights, including supporting all efforts to eliminate forced labour and child labour We strive to reduce the environmental impact of what we do We aim to leave a positive and sustainable footprint

Acting in accordance with Global Code of Conduct, Speaking Up when there is a suspected breach and protecting others who Speak Up is a responsibility for all who work with us. (To Speak Up*)

*Concrete focal point information/procedures for Speak up by employee is provided locally in a manner of no unfair treatment or fear of retaliation to those who make honest speak up.

Whistleblowing hotline

In association with the update of the Basic Policy on Internal Control System, Nippon Paint Group started using in January 2022 a Global Basic Policy of Whistleblowing Hotline.

In accordance with Nippon Paint Group Global Code of Conduct and this Policy, we require confidentiality and prohibit unfair treatment of whistleblowers. Each PCG has autonomously established a Whistleblowing Hotline based on this policy, made people aware of this system, and this system has properly been operated.

Based on this Policy, each head of PCG submits a Whistleblowing Hotline operations status report once every year to the NPHD internal controls and internal audit sections. The Audit Committee and Board of Directors also receive these reports.

In addition to these activities, Co-

Presidents, in a prompt or timely manner, receive information about whistleblowing reports concerning serious violations of laws and regulations, scandals, violations of laws and regulations by the management team of each PCG, other misconduct, or specific information about the possibility of this type of event. This reporting system enables Co-Presidents to quickly give orders for responding to these events as required.

During FY2022, internal investigations were made for 62 cases at group companies in response to whistleblowing reports. Depending on the nature of the report, the departments in charge at the PCG where the whistleblowing report was received, investigate, analyze and take necessary actions. These actions for preventing violation or other improper conduct include organizational measures, and employee training.

Whistleblowing reports received in FY2022	Number of reports
Working environment (industrial accidents, harassment, discrimination, etc.)	40
Loss of assets/Leakage of information (conflict of interest, embezzlement, illegal use of data, etc.)	8
Accounting fraud	2
Violations of laws and regulations (anti-trust law violations, insider trading, bribery, business laws violations, etc.)	7
Others	5
Total	62

Directors and Executive Officers

(As of June 30, 2023)

■ Nominating Committee ■ Compensation Committee ■ Audit Committee

■ For brief profiles of Directors and Executive Officers, see "Management Team" on our corporate website.
<https://www.nipponpaint-holdings.com/en/company/officer/>



■ "Reason for Selection as Independent Directors" is also available on our corporate website.
https://www.nipponpaint-holdings.com/en/sustainability/governance/board_01/



Directors



Yuichiro Wakatsuki

Director
 Representative Executive Officer & Co-President

Date of birth: August 28, 1966
 Number of shares held: 180,110 shares

Yuichiro Wakatsuki began his career at The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) and Schroders Japan Limited, and in 2000 joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.). He led the company's M&A advisory services, including M&A strategy and fund procurement of clients, first as the Head of Japan Mergers and Acquisitions and later as the Director and Vice Chairman of Japan Investment Banking. In 2019, he joined Nippon Paint Holdings and served as Senior Managing Corporate Officer and CFO, and has been leading execution as Representative Executive Officer & Co-President since 2021.



Wee Siew Kim

Director
 Representative Executive Officer & Co-President

Date of birth: August 19, 1960
 Number of shares held: 100,000 shares

Prior to his current position, Wee Siew Kim was Deputy CEO of Singapore Technologies Engineering Ltd., which is an aerospace and defense engineering company. From 2001 to 2011, he was a Member of Parliament in Singapore. Since his appointment as the Group Chief Executive Officer of NIPSEA Group in 2009, he has driven growth of the group to become the core business of Nippon Paint Group. Since 2021, he has been leading execution of Nippon Paint Group as Representative Executive Officer & Co-President of NPHD.



Goh Hup Jin

Chairman
 ■ ■

Born on April 6, 1953
 Number of shares held: —

Goh Hup Jin is the Managing Director of Wuthelam Holdings, the parent company of NPHD. Under his initiative, the joint venture between Wuthelam and NPHD expanded operations into China in 1992 ahead of other major paint and coatings manufacturers, and has grown into the Group's core business. His excellent management skills have earned the Nippon Paint brand a high level of recognition mainly in the decorative paints area in other parts of Asia as well and deep market penetration across markets where the Group operates.

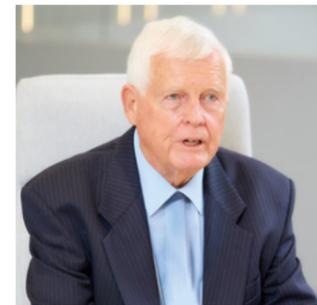


Hisashi Hara

Independent Director
 ■ (Chairperson)

Born on July 3, 1947
 Number of shares held: 100,215 shares

With a career of over 40 years as an attorney, Hisashi Hara has been involved in numerous cross-border M&A deals and has assisted in various corporate legal matters. In 2011, he received the Chambers Asia-Pacific Lifetime Achievement Award from Chambers Partners, which is just one of many commendations in recognition of his good reputation as an attorney involved in cross-border M&A deals.



Peter M Kirby

Independent Director
 ■

Date of birth: August 2, 1947
 Number of shares held: 36,800 shares

Peter M Kirby has experience of managing global paint and coatings companies, including Chairman and CEO of ICI Paints Worldwide. He subsequently assisted the management team of DuluxGroup (then Orica's subsidiary and currently NPHD's subsidiary) as Independent Director and Board Chairman. He also served as Independent Director at corporations and investment banks in the U.S. and Australia.



Lim Hwee Hua

Independent Director
 ■ (Chairperson)

Date of birth: February 26, 1959
 Number of shares held: 36,800 shares

Following her election to the Parliament of Singapore, Lim Hwee Hua held several important positions and cabinet posts in the Singapore Government. Prior to joining the Singapore Cabinet, she served as Managing Director at an investment company owned by the Singapore Government, where she executed restructuring and strategic relations with foreign countries. She has been involved in private equity activity such as Kohlberg Kravis Roberts.



Masataka Mitsuhashi

Independent Director
 ■ (Chairperson)

Date of birth: September 30, 1957
 Number of shares held: 63,089 shares

Masataka Mitsuhashi has many years of extensive experience as a certified public accountant at PwC Japan Group, where he was engaged in accounting audit and M&A-related activities. He also has specialized and global knowledge and experience in long-term value creation for companies from an ESG perspective as Representative Director of a consulting firm.



Toshio Morohoshi

Independent Director
 ■ ■

Date of birth: August 24, 1953
 Number of shares held: 83,089 shares

Toshio Morohoshi was formerly involved in the management of Fujitsu Limited, Japan's leading global electronics company, and managed multiple global IT companies and Japanese listed companies as Representative Director and President. He has expertise in transformation of business models, processes, and corporate cultures as well as international business based on his more than 20 years of corporate management around the world and extensive global top management experience.



Masayoshi Nakamura

Lead Independent Director
 Board Chair
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Date of birth: November 10, 1954
 Number of shares held: 96,296 shares

Masayoshi Nakamura has more than 30 years of experience as a specialized professional in M&A advisory and capital market financing at major US investment banks Lehman Brothers and Morgan Stanley, as well as at other investment banks and Mitsubishi UFJ Securities (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.). He has experience and a track record in successfully executing numerous large-scale cross-border M&A deals.

Executive Officers

Yuichiro Wakatsuki

Director, Representative Executive Officer & Co-President

Wee Siew Kim

Director, Representative Executive Officer & Co-President

Yuri Inoue

Managing Executive Officer, GC