Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Date Last Updated: July 23, 2018

Nippon Paint Holdings Co., Ltd.
Tetsushi Tado, President & CEO, Representative Director of the Board
Contact Person: Yukiko Mochida, General Manager, Corporate Communication
Securities Code: 4612
http://www.nipponpaint-holdings.com/en/

The corporate governance of Nippon Paint Holdings Co., Ltd. (the "Company") is described below.

## I. Basic Approach to Corporate Governance and Basic Information about the Company including Capital Structure and Corporate Attributes

### 1. Basic Approach Updated

The Company, for the purpose of realizing the sustainable growth and medium/long-term enhancement of the corporate value of the Nippon Paint Group by putting into practice its following "Management Philosophy", continues to enhance and strengthen corporate governance on an ongoing basis aiming to create a management mechanism that enables the Company to respond to changes in the management environment promptly and effectively and to realize high management transparency.

[Management Philosophy]

Note: English translation is under construction.

Our basic approach to corporate governance, corporate governance framework, and operating policy are stated in the "Nippon Paint Holdings Corporate Governance Policy," which is published on the website of the Company.
http://www.nipponpaint-holdings.com/en/company/cg/

### [Reason for Not Implementing the Principles of the Corporate Governance Code] Updated

The Company is implementing the principles of the Corporate Governance Code prior to its revision as of June 1, 2018, and plans to update the update the implementation status by the end of 2018 based on the new code released on June 1, 2018.

### [Disclosure Based on the Principles of the Corporate Governance Code] Updated

The followings are the details of the disclosure items based on the principles of Corporate Governance Code prior to its revision as of June 1, 2018.

[Principle 1-4: Policy on cross-shareholdings and criteria for the exercise of voting rights pertaining to such shares]
(Policy on cross shareholdings)
The Company holds shares of other listed companies as cross-shareholdings if it is determined to be reasonable in consideration of, among other things, the necessity of it for business activities (e.g., to maintain and strengthen the relationship with the business partner) and the status of the issuer. The Company, based on this policy, regularly examines the reasonableness of such a cross-shareholding at its board meetings to determine whether to continue to hold such shares.
(Criteria for the exercise of voting rights)
The Company, based on the cross-shareholding policy mentioned above, exercises voting rights pertaining to such shares based on a comprehensive judgment, taking into consideration, among other things, the opportunity for medium- to long-term increases in the corporate value of the investee in the cross-shareholding and the effect of such exercise on the Company and its subsidiaries (the "Group").

[Principle 1-7: Framework for checks on related party transactions]
The Company reports to the Board of Directors and discloses in the "Notice of Annual General Meeting of Shareholders" and the "Annual Securities Report" related party transactions, such as significant transactions between the Company and a major shareholder, competing transactions between the Company and a director, transactions for itself, and conflict of interest transactions, within the scope of disclosure required by the Companies Act and applicable accounting standards (limited to important transactions exceeding a certain monetary threshold).
Further, when the Company intends to carry out a related party transaction, the Company will make a comprehensive judgment regarding the reasonableness of the transaction taking into consideration its terms and conditions, profit and cost levels, etc., to ensure that the transaction will not harm the interests of the Company or the common interests of its shareholders and obtain the approval of the Board of Directors.

[Principle 3-1: Full disclosure]
(i) Management philosophy, management strategy, and management plan of the Company
The Company has adopted and published a "Management Philosophy." The Company has also published its "Medium-term Management Plan" in the website of the Company.
"Management Philosophy"
http://www.nipponpaint-holdings.com/company/vision/
"Medium-term Management Plan"
http://www.nipponpaint-holdings.com/en/ir/library/materials/

(ii) Basic approach to corporate governance and basic corporate governance policy
As stated in "1. Basic Approach" above.

(iii) Board policies and procedures in determining the compensation of management executives and Directors of the Board
The Company has established the Compensation Advisory Committee consisting of Directors of the Board and Outside Directors of the Board as an advisory body to the Board of Directors.
The member composition of the Designation and Compensation Advisory Committee was changed in January 2017 and the Company's

policy is that the committee is chaired by an Independent Director of the Board and 50% or more of the members are Independent Directors of the Board. With this member composition, the Committee's policy is to deliberate on the appropriateness of the policy on the determination of compensation, etc., and compensation levels as well as the designation of candidates for Directors of the Board and Audit & Supervisory Board Members with a higher degree of fairness and transparency. Moreover, from March 2018, Designation and Compensation Advisory Committee has been divided into Designation Advisory Committee and Compensation Advisory Committee.

The basis policy is that the composition of the compensation of Directors of the Board and Executive Officers and the level of their base annual salary are deliberated by the Designation and Compensation Advisory Committee in consideration of, among others, social conditions, comparison with other companies, and market levels and determined by the Board of Directors based on the report of the Committee. The compensation, etc. of the Directors of the Board (excluding Outside Directors of the Board) consists of job-based compensation, performance-linked compensation, and longer-term incentive.

For the details of the compensation, see "II 1. Matters concerning governing body structure, operations of organization, etc. [Voluntary Committee's name and State of Establishment, Member Composition, and Attributes of Chairperson] [Incentives] [Compensation of Directors of the Board].

(iv) Board policies and procedures for the appointment of management executives and the nomination of candidates for Directors of the Board and Audit & Supervisory Board Members

The Board of Directors shall appoint the Representative Director of the Board and Executive Officers (hereinafter "Management Executives") and nominate candidates for Directors of the Board and Audit & Supervisory Board Members among those who have a wide variety of experience, deep insight, strong expertise, etc., that are adequate for a director/audit & supervisory board member and can contribute to the sustainable growth and the medium/long-term enhancement of the corporate value of the Group from Japan and foreign countries as well as from inside and outside the Group.

As the advisory institution of the Board of Directors, the company has established the Designation Advisory Committee comprised of Directors and Outside Directors. From January 2017, an Independent Director acts as the chairperson of the Designation and Compensation Advisory Committee and Independent Directors forms more than half of the committee members. With regard to the nomination of candidates for Directors and Auditors, the policy is to deliberate in a fairer and more transparent manner. In addition, from March 2018, Designation and Compensation Advisory Committee has been divided into Designation Advisory Committee and Compensation Advisory Committee.

Management Executives are appointed after completing the procedure in which the growth as a candidate for a management position through the Management Executive development program and performance evaluation of candidates in their important executive duties, etc., are shared and deliberated at a meeting of the Board of Directors attended by Independent Directors of the Board and Independent Audit & Supervisory Board Members.

Candidates for Outside Directors of the Board and Outside Audit & Supervisory Board Members are nominated among those who satisfy the "Independence Criteria for Outside Officers" established by the Board of Directors of the Company.

In the Ordinary General Meeting of Shareholders held on March 28 of this year (hereinafter "This Ordinary General Meeting of Shareholders"), the Board of Directors of the company added three more Outside Directors. So far, the Company had five Inside Directors and two Outside Directors, which has now become five Inside Directors and five Outside Directors. Background and the company's thought process behind this is published in "Notice Relating to the Candidates on the Director Election Proposal for the Annual General Shareholders Meeting" dated March 1 on the website of the company.

http://www.nipponpaint-holdings.com/en/ir/news_release/

(v) Explanation with respect to the individual appointments and nominations of management executives and candidates for Directors of the Board and Audit & Supervisory Board Members

For the reasons for selection as individual candidates for Directors of the Board and Audit & Supervisory Board Members, see "Notice of Annual General Meeting of Shareholders" published in the website of the Company.
"Notice of Convocation of Annual General Meeting"
http://www.nipponpaint-holdings.com/en/ir/library/meeting/

[Supplementary Principle 4-1-1: Outline of the scope of delegation from the Board of Directors to the management]
The Company's Board of Directors Regulations prescribe matters requiring the decision of the Board of Directors, which include the following particularly important matters:

- Medium- to long-term and short-term management plans
- New business plans
- Appointment of Management Executives, nomination of candidates for Directors of the Board and Audit & Supervisory Board Members, and other important matters concerning personnel affairs.
- Large capital investments, contracts for the acquisition or transfer of a business or a company split, and matters concerning the financing and investment of funds.
- Establishment and amendment of the Corporate Governance Policies of the Group and matters concerning the supervision of the operation status of internal controls and the supervision of conflict of interest transactions.

The Company delegates to its Executive Officers the execution of business plans, matters not requiring a resolution of the Board of Directors, and decisions on the execution of daily business operations.

The Company has established the Group Top Management Committee and the Executive Management Committee that deliberates on matters to be submitted to the Board of Directors in advance in order to strengthen the business execution functions.

[Principle 4-8: At least two Independent Directors of the Board should be appointed]

The Company has appointed five Independent Directors of the Board who satisfy the "Independence Criteria for Outside Officers" established by the Board of Directors of the Company and have no conflict of interest with general shareholders for the purpose of ensuring decisions by the Board of Directors from diverse perspectives and further enhancing its supervisory function.

[Principle 4-9: Independence Criteria for and Qualifications of Independent Directors of the Board]

<Independence Criteria for Outside Officers>

1. Nippon Paint Holdings will determine that Outside Directors of the Board and Outside Audit & Supervisory Board Members (hereinafter collectively referred to as "Outside Officers") or candidates for Outside Officers are sufficiently independent from Nippon Paint Holdings if they are found to satisfy all the requirements prescribed in the following items as a result of a reasonable investigation by Nippon Paint Holdings.

   (1) The person in question is not an executive (See Note 1) or an ex-executive (See Note 2) of Nippon Paint Holdings or any of its subsidiaries (hereinafter "Nippon Paint Group").

   (2) The person in question does not fall under any of the following persons either currently or anytime during the past three years:
      1) A major shareholder of Nippon Paint Holdings (See Note 3) or an executive of such a shareholder
      2) A person whose major business partner is the Nippon Paint Group (See Note 4) or an executive of such a person
      3) A major business partner of the Nippon Paint Group (Note 5) or an executive of such a business partner

4) A person belonging to an audit corporation that conducts statutory audits of the Nippon Paint Group
5) A person who receives a significant amount (Note 6) of money, etc. from the Nippon Paint Group, in addition to remuneration of Directors of the Board or Audit & Supervisory Board Member
6) An executive of an organization that receives a significant amount (Note 6) of donation or aid from the Nippon Paint Group

(3) The person in question is not a spouse or a relative within the second degree of kinship of a person falling under any items of (1) or (2) above.

2. Independent Directors of the Board/Audit & Supervisory Board Member shall strive to maintain the independence prescribed by these Independence Criteria until the resignation from office. If an Independent Director of the Board/Audit and Supervisory Board Member no longer satisfies these Independence Criteria, he/she shall promptly notify Nippon Paint Holdings of the fact.

Notes:
1. An executive means an executive director, an executive officer, a corporate officer, or a person holding a similar position at a corporation or other organization.
2. An ex-executive means a person who has been an executive anytime during the past 10 years.
3. A major shareholder means a person who directly or indirectly holds 10% or more of the total voting rights.
4. A person whose major business partner is the Nippon Paint Group means a person who has received from Nippon Paint Holdings a payment equivalent to 2% or more of the annual consolidated net sales for the latest fiscal year of that person.
5. A major business partner of the Nippon Paint Group means a person who has paid to the Nippon Paint Group an amount equivalent to 2% or more of the annual consolidated net sales for the latest fiscal year of Nippon Paint Holdings or a person who has an outstanding balance of loans to Nippon Paint Holdings that is equivalent to 2% or more of the consolidated total assets of Nippon Paint Holdings as of the end of the latest fiscal year of Nippon Paint Holdings.
6. A significant amount means an amount exceeding an annual amount of 10 million yen on average over the past three fiscal years of Nippon Paint Holdings.

[Supplementary Principle 4-11-1: Views on the balance among knowledge, experience, and skills of the Board of Directors as a whole as well as on its diversity and size]

The Board of Directors of the Company consists of 10 or fewer directors as prescribed by the Articles of Incorporation. The Board consists of Executive Directors, Independent Directors, and Non-Executive Directors, who are selected from Japan and foreign countries as well as from inside and outside the Company. The Independent Directors of the Board to be appointed should satisfy the “Independence Criteria for Outside Officers” established by the Board of Directors of the Company to further promote active discussion at board meetings and to increase the corporate value/shareholder value of the Company.

[Supplementary Principle 4-11-2: Concurrent positions held by Directors of the Board and Audit & Supervisory Board Members]

The status of significant concurrent positions held by Directors of the Board, Audit & Supervisory Board Members, and candidates for them including positions as an officer of another listed company are disclosed each year in the “notice of annual general meeting of shareholders” and the “annual securities report.”

Outside Directors of the Board and Outside Audit & Supervisory Board Members may concurrently serve as an officer of a listed company other than the Company only to a reasonable extent that permits them to secure time and energy necessary for the execution of their duties at the Company. If they receive a new request from another company to serve as its officer, they are required to notify the board of directors to that effect. Moreover, when an Outside Director newly assumes the position of a director of another company, he/she is required to obtain the prior approval of the Board of Directors of the company.

“Notice of Convocation of Annual General Meeting”
http://www.nipponpaint-holdings.com/en/ir/library/meeting/
“Securities Report”
http://www.nipponpaint-holdings.com/ir/library/securities_report/

[Supplementary Principle 4-11-3: Summary of analysis and evaluation results of the effectiveness of the Board of Directors]

The Company had decided to perform analysis and evaluation of the effectiveness of the Board of directors each year based on self-evaluations of Directors of the Board and Audit & Supervisory Board Members.

During this term (term ended December 2017), in the Board of Directors’ meetings, various opinions and useful suggestions regarding risks were presented while deliberation upon acquisition and other matters. Stakeholders oriented discussions also took place, for example, opinions have been expressed also from the perspective of protecting the interest of stakeholders such as minority shareholders, and in addition, opinions were expressed about risk management and internal controls.

From this, it has been evaluated that the effectiveness of the Board of Directors of the Company is sufficiently ensured.

Although the Company has made some improvement on the matters recognized as challenges (enhancement of discussion on issues concerning the Medium-term Management Plan at the meetings of the Board of Directors, supervision of the succession plan, opinions, suggestions, and feedbacks from investors) in the previous fiscal year (ended December 2016), the Company recognizes the need for further improvement and will strengthen its efforts as follows in the current fiscal year.

(Enhancement of discussion on issues concerning the Medium-term Management Plan)

During the current fiscal year, the Board of Directors checked the status of achievement of the Medium-term Management Plan. As for the new Medium-term Management Plan starting from this fiscal year, the Board of Directors will check the progress status, and the Board of Directors will have deeper discussions for achieving the plan.

(Supervision of the successor plan)

In the previous fiscal year (ended December 2016), it was decided that the chairperson of the Designation and Compensation Advisory Committee will be an Independent Director, and Independent Directors will form at least half of the committee members. With this, the Company revised its system where the Independent Directors’ involvement would be deeper. After revising the system, in this term (ended December 2017), the revised system was operated throughout one year. Moreover, from March 2018, the Designation and Compensation Advisory Committee has been divided into the Designation Advisory Committee and the Compensation Advisory Committee.

Even in the current fiscal year, based on the deliberations and questions and answers in the Designation Advisory Committee, the Board of Directors further deepen the discussion about nomination of candidates for the positions of Directors and Audit & Supervisory Board Members and the succession plan.

(Feedback of opinions and comments received from investors)

The Board of Directors has already been provided with the feedback of opinions received through dialogue with shareholders. Analysts’ reports were shared with the Board of Directors members, and outcomes of the IR briefing sessions were reported to the Board of Directors after the briefing sessions. In this fiscal year, the Company will increase the frequency of reporting to the Board of Directors, and highly suggestive comments made by the shareholders during the IR activities would be reflected in the management.

[Supplementary Principle 4-14-2: Training policy for Directors of the Board and Audit & Supervisory Board Members]

The Company provides training for newly appointed Outside Directors of the Board and Outside Audit & Supervisory Board Members to learn about the organization, business, business category, etc., of the Company upon their assumption of office.

The Company also provides training for all Directors of the Board and Audit & Supervisory Board Members on such topics as necessary legal knowledge and corporate governance every year on an ongoing basis.

The Company will continue to work to increase the number of Outside Directors of the Board, to enhance the diversity of the Board of Directors, and to enhance training opportunities for Directors of the Board and Audit & Supervisory Board Members.

[Principle 5-1: Policy for the improvement of systems and initiatives to promote constructive dialogue with shareholders]

The Company promotes investor relations and shareholder relations activities lead by the Representative Director of the Board and other Management Executives to support sustainable growth and medium/long-term enhancement of corporate value.

The Company monitors the shareholder composition to ensure constructive dialogue with shareholders. In having such dialogue, the Company pays close attention to any possibility of a leakage of insider information.

The Company has designated an officer who supervises such dialogue and the designated officer ensures an organic coordination between departments that support the dialogue. The officer also reports the opinions of shareholders expressed in the course of the dialogue regularly to the Board of Directors and ensures that useful comments will be reflected in the management.

## 2. Capital Structure

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|---|---|
| Foreign shareholding ratio | 30% or more |

[Major Shareholders] Updated

| Name | Number of Shares Held | Shareholding Ratio (%) |
|---|---|---|
| NIPSEA INTERNATIONAL LIMITED<br>(Standing proxy: Citibank) | 126,906,000 | 38.99 |
| HSBC BANK PLC A/C 792827<br>(Standing proxy: The Hong Kong and Shanghai Banking Corporation) | 14,474,177 | 4.44 |
| NATIXIS<br>(Standing proxy: MUFG Bank, Ltd.) | 12,357,000 | 3.79 |
| Nippon Life Insurance Company<br>(Standing proxy: The Master Trust Bank of Japan, Ltd.) | 10,817,133 | 3.32 |
| Sumitomo Life Insurance Company<br>(Standing proxy: Japan Trustee Services Bank, Ltd.) | 10,750,000 | 3.30 |
| Sumitomo Mitsui Banking Corporation | 9,999,661 | 3.07 |
| MUFG Bank, Ltd. | 7,133,494 | 2.19 |
| Sumitomo Mitsui Trust Bank, Limited<br>(Standing proxy: Japan Trustee Services Bank, Ltd.) | 7,053,000 | 2.16 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 6,918,600 | 2.12 |
| The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account) | 5,109,552 | 1.57 |

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|---|---|
| Controlling Shareholders (other than the parent company) | ——— |
| Parent Company | None |

Supplementary Explanation Updated

1. Shareholding ratios to the total number of shares in issue are indicated with any digits beyond two decimal places discarded.

2. NIPSEA INTERNATIONAL LIMITED is a wholly owned subsidiary of WUTHELAM HOLDINGS LTD. at which Hup Jin Goh, who is a Director of the Board of the Company, serves as the representative.

3. The Company has received from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and its joint holders Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. a copy of a Report of Possession of Large Volume (change report) that had been submitted to the Director of the Kanto Local Finance Bureau on January 6, 2015 indicating that, as of December 22, 2014, they had held 24,791 thousand shares of the Company (7.62%). However, as the Company is unable to confirm the number of shares effectively held by each of these companies as of June 30, 2018, the shareholding ratios indicated in “Major Shareholders” above are based on the shareholder register (as of June 30, 2018).

4. The Company has received from Sumitomo Mitsui Trust Bank, Ltd. and its joint holder Nikko Asset Management Co., Ltd. a copy of a Report of Possession of Large Volume (change report) that had been submitted to the Director of the Kanto Local Finance Bureau on December 19, 2014 indicating that, as of December 15, 2014, they had held 12,401 thousand shares of the Company (3.81%). However, as the Company is unable to confirm the number of shares effectively held by each of these companies as of June 30, 2018, the shareholding ratios indicated in “Major Shareholders” above are based on the shareholder register (as of June 30, 2018).

## 3. Corporate Attributes

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|---|---|
| Listed Exchanges and Market Section | Tokyo Stock Exchange, 1st Section |
| Fiscal Year-end | December |
| Business Category | Chemical |
| Number of Employees (Consolidated) as of the end of the Previous Fiscal Year | 1000 or more |
| Net Sales (Consolidated) as of the End of the Previous Fiscal Year | Not less than 100 billion yen, but less than 1 trillion yen |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal year | Not less than 100, but less than 300 |

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with the Controlling Shareholder

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## 5 . Other Special Circumstances that may have Material Impact on Corporate Governance

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## II. Status of the Corporate Governance System including the Business Management Organization Pertaining to Management Decision-making, Execution and Supervision

### 1. Matters Concerning Governing Body Structure, Operations of Organization, etc.

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| Organizational Form | Company with Audit & Supervisory Board |

[Directors of the Board]

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| Maximum number of Directors of the Board stipulated in the articles of incorporation | 10 |
| Term of office of Directors of the Board stipulated in the articles of incorporation | 1 year |
| Chair of the Board of Directors | Chairperson of the Board (excluding cases where that person concurrently serves as the President & CEO) |
| Number of Directors of the Board | 10 |
| Appointment of Outside Directors of the Board | Appointed |
| Number of Outside Directors of the Board | 5 |
| Number of Outside Directors of the Board who are designated as Independent Director of the Board | 5 |

Relationship with the Company (1)

| Name | Attribute | Relationship with the Company (*) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Hisashi Hara | Attorney | | | | | | | | | | | |
| Takashi Tsutsui | Comes from another company | | | | | | | | △ | | | |
| Toshio Morohoshi | Comes from another company | | | | | | | | | | | |
| Yasunori Kaneko | Comes from another company | | | | | | | | | | | |
| Masayoshi Nakamura | Comes from another company | | | | | △ | | | | | | |

* **Categories for "Relationship with the Company"**

* **"○" when the Director of the Board presently falls or has recently fallen under the category; "△" when the Director fell under the category in the past**

* **"●" when a close relative of the Director of the Board presently falls or has recently fallen under the category; "▲" when the close relative fell under the category in the past**

a. Executive of the Company or its subsidiary
b. Executive or Non-Executive Director of the Board of the parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. Person whose major client or supplier is the Company or executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accounting expert or legal expert who receives a large amount of monetary consideration or other property from the Company besides compensation as Outside Director
g. Major shareholder of the Company (or an executive of the said major shareholder if it is a juridical person)
h. Executive of a client or supplier company of the Company (which does not fall under any of d, e, or f) (the Outside Director himself/herself only)
i. Executive of a company at which outside officers are appointed from among the officers of the Company and vice versa (the Outside Director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the Outside Director himself/herself only)
k. Others

Relationship with the Company (2) Updated

| Name | Independent Officer | Supplementary Explanation of the Applicable Items | Reason for Appointment |
|---|---|---|---|
| Hisashi Hara | ○ | He is an outside audit & supervisory board member of Chugai Pharmaceutical Co., Ltd. | Hisashi Hara has been a practicing attorney for more than 40 years and he has been involved in several cross-border M&A transactions. Moreover, he has also been involved in the legal matters of various |

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| | | | companies. He also has the experience of working as outside audit & supervisory board member of JP Morgan Securities Co., Ltd. and Chugai Pharmaceutical Co., Ltd. He is a highly reputed attorney who in involved in cross-border M&A transactions and he has also received Chambers Asia-Pacific Lifetime Achievement Award from Chambers Partners in 2011. Due to his extensive experience, the company expects him to contribute to governance development from the global standpoint, which is the essential precondition for the future growth of the company. The company appointed him an Outside Director of the company in March 2018 because his knowledge is required for developing governance in order to “Maximize the shareholder value” after the company has completely fulfilled its duties to its stakeholders from medium to long-term viewpoint. Moreover, he satisfies the independence criteria set forth by the Tokyo Stock Exchange and the company’s “Criteria for determining independence of outside executives”. The company determined that there is no risk of conflict of interests with the ordinary shareholders, and hence he was designated as an independent officer. |
| Takashi Tsutsui | ○ | Takashi Tsutsui was a Senior Executive Officer of Nomura Securities Co., Ltd. in the past, which is the lead securities business operator of the company. However, more than 8 years have passed after he resigned from the post of advisor of Nomura Securities Co., Ltd., and hence the company decided that there is no risk of any conflict of interests with the ordinary shareholders. | Takashi Tsutsui worked with Nomura Securities Co., Ltd. for several years, and he has the experience of working as Representative Director of Jasdaq Securities Exchange, Inc. and Director and Vice President Executive Office of LIXIL Group Corporation, where he handled M&A and IR related matters. In that sense, he has abundant experience of management global businesses, which is expected from outside directors. Moreover, he has a deep knowledge of corporate governance in terms of protecting the rights of minority shareholders. The company appointed him an Outside Director of the company in March 2018 because his knowledge is required for developing governance in order to “Maximize the shareholder value” after the company has completely fulfilled its duties to its stakeholders from medium to long-term viewpoint. Moreover, he satisfies the independence criteria set forth by the Tokyo Stock Exchange and the company’s “Criteria for determining independence of outside executives”. The company determined that there is no risk of conflict of interests with the ordinary shareholders, and hence he was designated as an independent officer. |
| Toshio Morohoshi | ○ | ——— | Toshio Morohoshi has more than 40 years of experience of working as an IT expert. Moreover, he participated in the management of Fujitsu Corporation, a leading global electronics company of Japan, and after working as the Japan Representative of several global companies, he has the experience of working as President and CEO of Yaskawa Information Systems Corporation. The corporate governance code emphasizes diversity of the composition of the Board of Directors. His appointment as outside director brings diversity to the Board of Directors of the company and we can expect that discussions would become more lively. The company appointed him an Outside Director of the company in March 2018 because his knowledge is required for developing governance in order to “Maximize the shareholder value” after the company has completely fulfilled its duties to its stakeholders from medium to long-term viewpoint. Moreover, he satisfies the independence criteria set forth by the Tokyo Stock Exchange and the company’s “Criteria for determining independence of outside executives”. The company determined that there is no risk of conflict of interests with the ordinary shareholders, and hence he was designated as an independent officer. |
| Yasunori Kaneko | ○ | Independent Director of Arcus Biosciences. | Yasunori Kaneko is active in life science and other various business fields in Japan and overseas, and he has worked as Director, CFO, etc. of Japanese and foreign companies. Moreover, he was a Member of Advisory Committee of Stanford University Graduate School of Business from where he graduated, and he has expertise in business management, finance, and accounting. The company appointed him an Outside Director of the company in March 2018 because his knowledge is required for developing governance in order to “Maximize the shareholder value” after the company has completely fulfilled its duties to its stakeholders from medium to long-term viewpoint. |

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| | | | Moreover, he satisfies the independence criteria set forth by the Tokyo Stock Exchange and the company's "Criteria for determining independence of outside executives". The company determined that there is no risk of conflict of interests with the ordinary shareholders, and hence he was designated as an independent officer. |
| Masayoshi Nakamura | ○ | Masayoshi Nakamura was a Senior Executive Officer of MUFG Bank, Ltd. in the past. Although the company has business relations with this bank, more than 7 years have passed after he resigned from the post of Executive Officer of Mitsubishi UFJ Financial Group, Inc. and hence the company decided that there is no risk of any conflict of interests with the ordinary shareholders. | Since 1984, Masayoshi Nakamura has worked with Lehman Brothers and Morgan Stanley, large US investment banks, and Mitsubishi UFJ Securities Co., Ltd, which is the core securities company of Mitsubishi UFJ Financial Group, Inc., and he has more than 30 years of extensive experience as an experience of M&A advisory services and sourcing of capital from the capital markets. During this period, he has led several large cross-border M&A transactions, and he has contributed to the globalization of business through M&A of Japanese companies. Based on this extensive experience of several years, we can expect him to contribute to the development of the company's business through accurate advice for risk control regarding domestic and overseas M&A transactions. The company appointed him an Outside Director of the company in March 2018 because his knowledge is required for developing governance in order to "Maximize the shareholder value" after the company has completely fulfilled its duties to its stakeholders from medium to long-term viewpoint. Moreover, he satisfies the independence criteria set forth by the Tokyo Stock Exchange and the company's "Criteria for determining independence of outside executives". The company determined that there is no risk of conflict of interests with the ordinary shareholders, and hence he was designated as an independent officer. |

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| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee | Yes |

Voluntary Committee's Name, Composition, and Attributes of Chairperson Updated

| r | Committee name | Total number of committee members | Number of full-time committee members | Number of Inside Directors | Number of Outside Directors | Number of outside experts | Number of other committee members | Chairperson |
|---|---|---|---|---|---|---|---|---|
| Voluntary committee equivalent to Nomination Committee | Designation Advisory Committee | 3 | 0 | 1 | 2 | 0 | 0 | Outside Director of the Board |
| Voluntary committee equivalent to Compensation Committee | Compensation Advisory Committee | 4 | 0 | 1 | 3 | 0 | 0 | Outside Director of the Board |

Supplementary Explanation

1. The member composition of the Designation and Compensation Advisory Committee was changed in January 2017 and the Company's Policy is that the committee is chaired by an Independent Director of the Board and 50% or more of the members are Independent Directors of the Board. With this member composition, the Committee is able to deliberate on the appropriateness of the policy on the determination of compensation and compensation levels as well as the designation of candidates for Directors of the Board and Audit & Supervisory Board Members with higher degree of fairness and transparency. Moreover, from March 2018, Designation and Compensation Advisory Committee has been divided into Designation Advisory Committee and Compensation Advisory Committee.
2. The Designation Advisory Committee, at the request of the Board of Directors, deliberates on the nomination of candidates for Directors of the Board and Audit & Supervisory Board Members, and advise the Board of Directors on the deliberation results. The Compensation Advisory Committee, at the request of the Board of Directors, deliberates on the compensation of Directors of the Board and Executive Officers, etc., and advise the Board of Directors on the deliberation results.

## [Audit & Supervisory Board Members]

| | |
|---|---|
| Establishment of the Audit & Supervisory Board | Established |

| | |
|---|---|
| Maximum number of Audit & Supervisory Board Members stipulated in the articles of incorporation | 5 |
| Number of Audit & Supervisory Board Members | 5 |

## Status of Coordination among Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Audit Department

1. The Company has established a system for information communication among Audit & Supervisory Board Members, the Accounting Auditor, and Corporate Audit For the details, see [Support system for Outside Directors of the Board (Outside Audit & Supervisory Board Members)] below.

2. The Audit & Supervisory Board has prescribed, in the “Audit & Supervisory Board Member Audit Standards” and the “Standards for the Administration of Consultation Meetings between the Accounting Auditor and Audit & Supervisory Board Member,” their responses to cases in which they have received a report from the Accounting Auditor to the effect that there has been a fraud or a significant violation of laws and regulations or the articles of incorporation in relation to the execution of duties by a Director of the Board.

| | |
|---|---|
| Appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members | 3 |
| Number of Outside Audit & Supervisory Board Members who are designated as Independent Audit & Supervisory Board Members | 3 |

## Relationship with the Company (1)

| Name | Attribute | Relationship with the Company (*) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Toshihiko Oinuma | Attorney | | | | | | | | | | | | | |
| Ichiro Wakita | Certified public accountant | | | | | | | | | | | | | |
| Yu Okazawa | Comes from another company | | | | | | | | | | | | | |

* Categories for “Relationship with the Company”

* “○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “△” when the Audit & Supervisory Board Member fell under the category in the past

* “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “▲” when the close relative fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-Executive Director of the Board or Accounting Advisor of the Company or its subsidiaries

c. Executive or Non-Executive Director of the Board of the parent company of the Company

d. Audit & Supervisory Board Member of the parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. Person whose major client or supplier is the Company or executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accounting expert or legal expert who receives a large amount of monetary consideration or other property from the Company besides compensation as Outside Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if it is a juridical person)

j. Executive of a client or supplier company of the Company (which does not fall under any of f, g, or h) (the Outside Audit & Supervisory Board Member himself/herself only)

k. Executive of a company at which outside officers are appointed from among the officers of the Company and vice versa (the Outside Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Outside Audit & Supervisory Board Member himself/herself only)

m. Others

## Relationship with the Company (2)

| Name | Independent Officer | Supplementary Explanation of the Applicable Items | Reason for Appointment |
|---|---|---|---|
| Toshihiko Oinuma | ○ | ——— | Toshihiko Oinuma is qualified as a lawyer in Japan and in New York, USA has been in active practice both in Japan and overseas for many years. He also teaches at a graduate school as an expert in intellectual property rights and has strong knowledge about technology and has been determined to be able to properly execute duties as an Outside Audit & Supervisory Board Member of the Company. In June 2016, he was appointed as an Outside Audit & Supervisory Board Member of the Company, and he has been giving useful advice from the standpoint of an independent legal expert in the Board of Directors' and the Audit & Supervisory Board meeting. Toshihiko Oinuma has also been designated as an independent officer as he satisfies the independence criteria established by the Tokyo Stock Exchange as well as the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders. |
| Ichiro Wakita | ○ | ——— | Ichiro Wakita joined Tohmatsu Aoki & Co. (currently Deloitte Touche Tohmatsu LLC) in 1982 after working at an automobile manufacturer upon graduating college. He has engaged in audits of financial statements and internal controls of listed companies since his registration as a certified public accountant in 1986. He also engaged in human resource development in the capacity of the general manager of the HR Division and the executive officer in charge of human resource management. He was determined suitable as an Outside Audit & Supervisory Board Member of the Company for his broad experience and knowledge not only as a certified public accountant, but also as a person with experience in working for an operating company and engaging in human resource development. In March 2017, he was appointed as an Outside Audit & Supervisory Board Member of the Company, and he has been giving useful advice from the independent standpoint based on his knowledge and experience in the Board of Directors' and the Audit & Supervisory Board meeting. Ichiro Wakita has also been designated as an independent officer as he satisfies the independence criteria established by the Tokyo Stock Exchange as well as the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders. |
| Yu Okazawa | ○ | ——— | After graduating from the university, Yu Okazawa joined Shiseido. He was mainly involved in international markets, and during his stint in China, Europe, etc., he focused on expanding the Shiseido brand in the local markets. Moreover, he worked as a Director and Executive Officer, and he fully demonstrated his capabilities as a manager, thereby contributing to the growth of the company. He is fluent in English and Chinese, and he has extensive international experience and deep expertise as a manager. As an independent Audit & Supervisory Board Member, the company determined that he can appropriately audit the group's business, which is increasingly becoming global, and hence the company appointed him as an Independent Audit & Supervisory Board Member in March 2018. He has also been designated as an independent officer as he satisfies the independence criteria established by the Tokyo Stock Exchange as well as the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders. |

## [Independent Officers]

| | |
|---|---|
| Number of Independent Officers | 8 |

### Other Matters Concerning Independent Officers

The Company has designated all qualifying outside officers as independent officers.

## [Incentives]

| | |
|---|---|
| Implementation Status of Measures to Provide Incentives to Directors of the Board | Introduction of a performance-liked compensation plan and stock option plans |

Supplementary Explanation of the Applicable Items

The compensation, etc. of the Directors of the Board of the Company (excluding Outside Directors of the Board) consists of job-based compensation, performance-linked compensation, and long-term incentive compensation.

- Job-based compensation is provided as fixed salary that is specified for each position in the Company in accordance with the applicable roles and responsibilities
- Performance-liked compensation changes each year in the range of 0% to 200% of the base amount (which is calculated as 45% to 50% of the total compensation depending on the position) in accordance with the consolidated financial results and the financial results of the division or operating company for which each Directors of the Board is responsible.
- Long-term incentive compensation is provided in the form of stock compensation-type stock options, which are granted to each Director of the Board based on the amount determined for each position.

Compensation of Outside Directors of the Board and Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members consists solely of job-based compensation in view of the nature of their duties. No performance-linked compensation or longer-term incentive has been introduced for them.

| | |
|---|---|
| Persons to whom stock options are granted | Inside Directors of the Board, employees |

Supplementary Explanation of the Applicable Items

Persons to whom stock options are granted: Inside Directors of the Board and Executive Officers of the Company
Purpose of granting stock options: To raise motivation and morale for earnings improvement and sustainable growth of the Company by sharing not only the benefits of rising stock prices, but also the risk of stock price declines with shareholders

## [Compensation of Directors of the Board]

| | |
|---|---|
| Disclosure Status (of Compensation of Individual Directors of the Board) | Compensation of only some of the Directors of the Board is disclosed |

Supplementary Explanation of the Applicable Items

The Company discloses in the business report the total amount of compensation for each of the categories of Directors of the Board, Audit & Supervisory Board Members, and outside officers.
The Company discloses in the annual securities report the total amount of compensation as well as the breakdown by compensation type for each of the categories of Directors of the Board (excluding Outside Directors of the Board), Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members), and outside officers.
In addition, the Company discloses in the annual securities report the total amount of consolidated compensation of each Director of the Board whose total amount of consolidated compensation is 100 million yen or more.

| | |
|---|---|
| Policy for Determining the Amount of Compensation or its Calculation Method | Established |

Disclosure of Policy for Determining the Amount of Compensation or its Calculation Method

The compensation, etc. of the Directors of the Board of the Company (excluding Outside Directors of the Board) consists of job-based compensation, performance-linked compensation, and long-term incentive compensation.

The composition of the compensation of Directors of the Board and Executive Officers and the level of their base annual salary are deliberated by Compensation Advisory Committee in consideration of, among others, social conditions, comparison with other companies, and market levels and it shall be determined by the Board of Directors based on the report of the Committee.

The compensation of each Audit & Supervisory Board Member of the Company is determined through consultation among Audit & Supervisory Board Members within the maximum total amount of compensation approved by the general meeting of shareholders.

## [Support system for Outside Directors of the Board (Outside Audit & Supervisory Board Members)]

(Support staff)
Outside Directors of the Board are supported by the staff of the divisions concerned. Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members are supported by two or more persons on a full-time basis for the smooth execution of their audit duties. Explanations of proposals submitted to the Board of Directors are provided by the staff at the divisions concerned to Outside Directors of the Board and Outside Audit & Supervisory Board Members in advance upon their request.

(Information communication system)
1. The following measures are taken by each to improve the effectiveness of audits:
   - Outside Audit & Supervisory Board Members, based on their respective professional experience and knowledge, and full-time Audit & Supervisory Board Members, based on their extensive internal experience and information, share information and exchange opinions.
   - “Regular meetings between the Representative Director of the Board and Audit & Supervisory Board Members” are held four times each year for information gathering and sharing as well as exchange of opinions that are necessary for them to execute their duties.
   - “Three-way audit meetings,” which are attended by Audit & Supervisory Board Members, the Accounting Auditor, and members of the Corporate Audit and “consultation meetings between the Accounting Auditor and Audit & Supervisory Board Members” are

held on a regular basis to share information and exchange opinions on their audit plans and results, issues identified through different audits, etc., among the attendants.

- The Accounting Auditor conducts interviews with the President & CEO, Representative Director of the Board and the Director of the Board in charge of finance and report its outline at a "three-way audit meeting."

2. Independent Directors of the Board may, subject to the approval of the chairperson of the Audit & Supervisory Board, attend a "regular meeting between the Representative Director of the Board and Audit & Supervisory Board Members" and a "three-way audit meeting" and also attend Audit & Supervisory Board meetings as an observer, if necessary.

## 2. Matters Concerning such Functions as Business Execution, Audit, Oversight, Nomination, and the Determination of Compensation (Overview of the Current Corporate Governance System) Updated

(Outline of the corporate governance system)

The Company has elected to be a Company with Audit & Supervisory Board Members and has adopted an executive officer system. The Company has put in place a management oversight mechanism by appointing three Outside Audit & Supervisory Board Members who do not have any special interest in the Company and can conduct audits from expert perspectives. In addition, the Company has appointed five Outside Directors of the Board for the purpose of ensuring decision-making by the Board of Directors from diverse perspectives and further enhancing its supervisory function.

The Company has, on a voluntary basis, established the Designation Advisory Committee and the Compensation Advisory Committee as the advisory bodies to the Board of Directors. For the details of the Committee, see "Voluntary committee's name, composition, and attributes of chairperson" and "Disclosure of policy for determining the amount of compensation or its calculation method" in "II 1. Matters Concerning Governing Body Structure, Operations of Organization, etc." above.

The Company has also established the Group Top Management Committee and the Executive Management Committee as advisory bodies to the President & CEO. These Committees deliberate on matters to be submitted to the Board of Directors in advance. Group Top Management Committee and the Executive Management Committee deliberate on managerial matters of particular importance:

The Company has dispatched its Directors of the Board, Executive Officers, or their equivalents as Directors of the Board of significant subsidiaries and affiliates of the Group to fully enforce the management policy of the Company.

(Liability limitation agreements)

Pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act and Article 26 and Article 35 of the articles of incorporation of the Company, the Company has entered into an agreement with all Outside Directors of the Board and Outside Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount prescribed by the applicable laws and regulations.

(Status of initiatives to strengthen the functions of Audit & Supervisory Board Members)

The Audit & Supervisory Board of the Company consists of five or less members as appropriate as prescribed by the articles of incorporation. Certified public accountants, lawyers, and other persons having extensive international experience and experience as a manager with strong expertise in the fields of finance/accounting and compliance/risk management have been appointed as Audit & Supervisory Board Members in a manner to result in a well-balanced composition of members of the Audit & Supervisory Board without any concentration in one particular area of expertise. A majority of Audit & Supervisory Board Members are independent Audit & Supervisory Board Members satisfying the "Independence Criteria for Outside Officers" established by the Board of Directors of the Company.

(Status of Accounting Auditor)

The Company has appointed KPMG AZSA LLC as the Accounting Auditor.

| Name of certified public accountants who executed audit services | | Name of the audit corporation to which the auditor belongs | Number of consecutive years in which the auditor has been involved in the audit of the Company * |
|---|---|---|---|
| Designated limited liability engagement partner | Motohiro Tanaka | KPMG AZSA LLC | 1 accounting period |
| Designated limited liability engagement partner | Shimpei Takeshita | KPMG AZSA LLC | 1 accounting period |
| Designated limited liability engagement partner | Akishige Nanbara | KPMG AZSA LLC | 1 accounting period |

* We have counted FY 2018 which is the progress year as one accounting period.

Composition of assistants in audit services (fiscal year ended December 2017)

14 certified public accountant and 24 other assistants

Term of appointment of Ernst & Young ShinNihon LLC, the accounting auditor of the company, ended with the conclusion of 193rd Ordinary General Meeting of Shareholders held on March 28. Pursuant to this, KPMG Azsa LLC was appointed as the new accounting auditor.

## 3. Reasons for Adopting the Current Corporate Governance System

The Company has elected to be a Company with Audit & Supervisory Board Members and has appointed three Outside Audit & Supervisory Board Members who do not have any special interest in the Company and can conduct audits from expert perspectives. In addition, the Company has appointed five Outside Directors of the Board for the purpose of ensuring decision-making by the Board of Directors from diverse perspectives and further enhancing its supervisory function. The Company has thereby put in place a management oversight mechanism.

## III. Implementation Status of Measures Concerning Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

| | Supplementary Explanation |
|---|---|
| Early notice of general meeting of shareholders | The Company sends notice of general meeting of shareholders by mail before the legal cut-off time to ensure that shareholders can attend the meeting after giving sufficient consideration to the proposals and can also exercise their voting rights in advance. The Company also publishes the same information on TDnet and the website of the Company before sending notice of general meeting of shareholders by mail. |
| Scheduling the date of the general meeting of shareholders in a manner to avoid the peak day | The Company's policy is to set the schedule related to the general meeting of shareholders appropriately to ensure, among others, that shareholders can attend the meeting after giving sufficient consideration to the proposals and can also exercise their voting rights in advance. |
| Exercise of voting rights by electronic means | Exercise of voting rights through the Internet is available. |
| Participation in electronic voting platforms and other measures to improve the environment for the exercise of voting rights by institutional investors | The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc. |
| Provision of convocation notice (summary) in English | Convocation notice (in a narrow sense) is translated in English and published in the website of the Company and in an electronic voting platform for institutional investors. |
| Other | The Company's first priority concerting the general meeting of shareholders is to operate it in an appropriate and legal manner. The Company's policy is to strive to provide explanations that are easy to understand in a manner friendly to shareholders through, for example, reports using visual materials and to answer any questions from them conscientiously.<br>In order to revitalize the general meeting of shareholders as a place for dialogue with shareholders, the Company held its 193rd Annual General Meeting of Shareholders in continuation of 192nd Annual General Meeting of Shareholders at a hotel near a major terminal station that provides excellent access for attending shareholders and also held a dialogue meeting with shareholders immediately after the general meeting. |

### 2. Status of Investor Relations Activities

| | Supplementary Explanation | Explanation by Representatives |
|---|---|---|
| Development and publication of a disclosure policy | The Company has developed a disclosure policy and has published it in the website of the Company,<br>http://www.nipponpaint-holdings.com/ir/info/index.html | |
| Regular investor briefings for individual investors | The Company holds regular investor briefings for individual investors. | No |
| Regular investor briefings for analysts and institutional investors | The Company holds regular investor briefings on a quarterly basis after the earnings announcement via teleconference in addition to those that are held after the second quarter and full-year earnings announcements to discuss, among others, the Medium-term Management Plan and business summary. | Yes |
| Regular investor briefings for foreign investors | The Company has expanded opportunities for direct dialog with foreign investors by, for example, starting visits to individual investors and participation in conferences (hosted by securities companies) since FY2015. In and after FY2016, the Company has increased opportunities for direct dialogue with both domestic and foreign investors. | Yes |
| Publication of IR materials on the website | The Company publishes, among others, summary financial reports, quarterly reports, annual securities reports, investor presentation materials, notices of general meeting of shareholders, notices of resolutions of the general meeting of shareholders, and year-end reports. | |
| Establishment of a department (or a person) in charge of investor relations | The Corporate Communication Department has been established under the supervision of the Division Director, Corporate Planning & Development. | |

## ]3. Measures to Ensure Due Respect for the Position of Stakeholders Updated

| | Supplementary Explanation |
|---|---|
| Stipulation of internal rules to ensure due respect for the position of stakeholders | In the “Nippon Paint Holdings Corporate Governance Policy”, the company has stipulated that “Based on the relationship of trust with various stakeholders such as domestic and overseas customers, business partners, employees, local societies, and shareholders, the company will practice the Management Philosophy, and undertake CSR activities in various areas of compliance, responsible care, and social contribution in order to fulfill its social responsibilities as a corporate citizen. Moreover, the company will create occasions for appropriate interactions with these stakeholders so that they can understand the company’s business”.<br>http://www.nipponpaint-holdings.com/en/company/cg/ |
| Implementation of environmental protection activities, CSR activities, etc. | The Company has published the “Integrated Report” which shows contents and results of CSR activities as well as business information and financial information.<br>http://www.nipponpaint-holdings.com/en/csr/report/ |
| Development of a policy on the provision of information to stakeholders | The Company, in accordance with the “Disclosure Policy” published in the website of the Company and based on the principles of transparency, fairness, and consistency, strives to provide information promptly to all stakeholders including shareholders and investors so that they can understand the Management Philosophy, management strategies, business activities, etc., of the Company, through which we aim to gain a fair evaluation of the corporate value of the Company and trust from them.<br>http://www.nipponpaint-holdings.com/ir/info/index.html |
| Other | The Company has indicated “Diversified Knowledge by Gathering Diverse Personnel” as a vision in FY2018-FY2020 Medium-term Management Plan “N-20”. Furthermore, the Company has set “retaining high-skilled personnel and providing diverse workstyle in global” as one of the FY2020 goals.<br><br>In order to realize the above, “Diversity & Inclusion Office,” an organization dedicated to diversity promotion, is mainly engaged in enlightenment activities on diversity management targeting managers, the continuous holding of diversity forums for all employees, the dispatching and acceptance of trainees to and from foreign countries for human resource development and promotion of cross-cultural understanding, and revision to systems that responds to diverse values and workstyles.<br><br>In response to the enforcement of the Act of Promotion of Women's Participation and Advancement in the Workplace, the Company has adopted an action plan aiming to raise the ratio of female employees among the employees holding a managerial position within the Group to 10% by 2025 through the promotion of the development of female employees, organizational development, and the improvement of relevant systems and plans from the long-term perspective and has started a training programs for the development of female leaders and for changing the way of thinking of managers in 2015. |

# IV. Matters Concerning the Internal Control System

## 1. Basic Approach to the Internal Control System and Its Implementation status

(Basic policy)

The Company will put in place an internal control system from the perspectives of securing management efficiency and reliable financial reporting, legal compliance, and risk management.

1. System to ensure that execution of duties by Directors of the Board and employees of the Company and its subsidiaries complies with laws and regulations and the articles of incorporation

(a) The Board of Directors of the Company, pursuant to the provisions of laws and regulations, the articles of incorporation, Board of Directors Regulations, and other related rules, makes decisions on important management matters of the Company as well as on basic management matters of the enterprise group consisting of the Company and its subsidiaries (hereinafter the "Group"). At the same time, the Board of Directors of the Company oversees the execution of duties by individual Directors of the Board.

(b) In order to strengthen the supervisory function of the Board of Directors, the Company appoints multiple Independent Directors of the Board in accordance with the Independence Criteria for Outside Officers established by the Company.

(c) The Directors of the Board of the Company are required to receive training on, among others, necessary legal knowledge each year to ensure that they act in a manner that complies with laws and regulations and the articles of incorporation.

(d) The Company regards CSR as the most important management challenge and establishes the CSR Committee chaired by the President & CEO, Representative Director of the Board of the Company to ensure group-wide compliance including corporate ethics.

(e) The Company establishes a "suggestion box system" as a consultation and reporting mechanism to put in place a system through which employees of the Group can report any actual or potential compliance violation within the Group that they may find without receiving any disadvantage. Report the status of operation of suggestion box system to the Board of Directors from time to time.

2. System for the preservation and management of information about the execution of duties by Directors of the Board of the Company: Pursuant to the provisions of laws and regulations and the Information Management Regulations, the Company puts in place a system to enable the preservation and management of documents and electromagnetic records concerning the execution of duties by Directors of the Board including minutes of the general meeting of shareholders, minutes of the Board of Directors, minutes of the Group Top Management Committee, minutes of the Executive Management Committee, and written approval requests and to keep them available for inspection by Directors of the Board and Audit & Supervisory Board Members as necessary.

3. Rules and other systems designed to manage risk of loss in the Group

(a) Risks associated with the business operations of the Group are monitored properly and continuously through reporting and deliberations at the meetings of the Board of Directors, the Group Top Management Committee, the Executive Management Committee, and other important governing bodies of the Company.

(b) The CSR Committee of the Company is responsible for ongoing reviews and improvements of the management and internal control systems for controlling key risks related to safety, environment, and compliance of the Group.

(c) The Company establishes Corporate Audit, which is to exercise the internal audit function, for the oversight of the effectiveness of the internal control system of the Group.

4. Basic approach to and system for the elimination of any relationship with antisocial forces

(a) The Group refuses to have any relationship with anti-social forces that pose threats on the order and safety of the civil society and firmly rejects any approaches from them and otherwise respond to them resolutely.

(b) The Group strives to strengthen its ability to handle anti-social forces by preparing manuals and conducting ongoing internal training on how to respond to them. At the same time, the Company puts in place a system to enable organization-wide responses by strengthening the coordination with external experts such as the police.

5. System to ensure the efficient execution of duties by Directors of the Board of each company within the Group

(a) The Company has developed the Medium-term Management Plan based on the management policies and strategies of the Group. Based on this management plan, the Company develops an annual budget for the Group and clarifies implementation measures. The progress status and the degree of achievement of targets in the budges are reported to the Board of Directors of the Company.

(b) The Company introduces an executive officer system for the purpose of separating the decision-making and supervisory functions of the management from the business execution function to clarify roles and responsibilities and increase the implementation speed.

(c) The term of office of Directors of the Board of the Company is one year to clarify their management accountability.

(d) The Company establishes the Designation and Compensation Advisory Committee as an advisory body to the Board of Directors in order to strengthen the functions of the Board of Directors as well as its independence, objectivity, and accountability. The Committee will be chaired by an Independent Director of the Board and 50% or more of the committee members will be Independent Directors of the Board. The Committee will submit to the Board of Directors the results of the deliberation on the designation of candidates for Directors of the Board and Audit & Supervisory Board Members and compensation, etc. of Directors of the Board and Executive Officers.

6. System to ensure proper business operations in the Group

(a) As the Management Philosophy of the group, the company shall form Mission, Vision, Value, and Way. All employees of the group shall thoroughly understand the Management Philosophy, and practice it in their daily work, and thereby strive to achieve sustainable growth and increase the medium and long-term corporate value of the group as a whole

(b) As a holding company, the Company manages and guides the business operations of its subsidiaries to ensure sound and proper business operations of the entire Group and thereby strives to achieve sustainable growth and increase the medium and long-term corporate value of the group as a whole.

(c) The Company appoints its Directors of the Board, Executive Officers, or their equivalents as Directors of the Board of significant subsidiaries and affiliates of the Group to fully enforce the management policy of the Company.

(d) The Company establishes internal regulations on authority and responsibilities, regulations on the management of subsidiaries and affiliates while each group company reports prescribed matters to the Company and obtains the prior approval of the Board of Directors of the Company after they are deliberated by the company's Executive Management Committee and the Group Top Management Committee.

7. Matters concerning the employees to assist the duties of Audit & Supervisory Board Members of the Company, matters concerning the independence of such employees from Directors of the Board, matters concerning measures to ensure the effectiveness of directions of Audit & Supervisory Board Members to such employees

(a) Dedicated assistants (Audit & Supervisory Board Members support staff) are assigned in consultation with Audit & Supervisory Board Members.

(b) The Audit & Supervisory Board Members support staff is responsible for assisting the audit activities of Audit & Supervisory Board Members and carrying out necessary tasks necessary for audits such as research under the direction of Audit & Supervisory Board Members.

(c) Personnel changes of the Audit & Supervisory Board Members support staff such as appointment, employment termination, and assignment to another position are determined by the Board of Directors subject to the consent of the Audit & Supervisory Board.

8. System for reporting to Audit & Supervisory Board Members of the Company and system to prevent any disadvantageous treatment of a person who has made a report to an Audit & Supervisory Board Member of the Company on the ground of such a report

(a) Audit & Supervisory Board Members are authorized to attend the meetings of the Board of Directors, the Group Top Management Committee, the Executive Management Committee, the CSR Committee and other important meetings and to ascertain and audit the details of the deliberations, decisions, etc., on business execution.

(b) Audit & Supervisory Board Members are authorized to require reports on business from Directors of the Board, departments in charge, the Group, etc., as necessary.

(c) If officers and employees of the Group have come to know of a fact that may cause a significant damage to the Group, such as a violation of laws and regulations or the occurrence of a serious accident, they are required to promptly report it to an Audit & Supervisory Board Member of the Company.

(d) The Company puts in place a system to enable employees of the Group to report any issue to an Audit & Supervisory Board Member of the Company directly or otherwise without receiving any disadvantage.

9. Other systems to ensure the effectiveness of audits conducted by the Audit & Supervisory Board Members of the Company

(a) The Representative Director of Board and Audit & Supervisory Board Members meet regularly for exchanging information and opinions.

(b) Audit & Supervisory Board Members coordinate and exchange information with the Accounting Auditor, Audit & Supervisory Board Members of domestic subsidiaries and affiliates, and Corporate Audit as appropriate.

(c) The Company bears necessary audit costs, for example, for using the services of lawyers, certified public accountants, consultants and other external experts to support the audit by Audit & Supervisory Board Members if such costs are determined to be necessary by Audit & Supervisory Board Members.

## 2. Basic Approach to and Implementation Status of the Elimination of Any Relationship with Antisocial Forces

See "IV 1. Basic Approach to the Internal Control System and Its Implementation Status" above.

# V. Other

## 1. Adoption of Anti-takeover Measures

| | |
|---|---|
| Adoption of Anti-takeover Measures | Not adopted |

Supplementary Explanation of the Applicable Items

———

## 2. Other Matters Concerning the Corporate Governance System

[Outline of the timely disclosure system]

The status of the internal system for the timely disclosure of corporate information of the Company is as follows:

1. The Company works to improve corporate governance aiming to realize fair and highly transparent management. In particular, the Company regards speedy and accurate disclosure to investors in compliance with the provisions of the Financial Instruments and Exchange Act and other applicable laws and regulations and timely disclosure rules prescribed by stock exchanges as an important management challenge and has adopted the following procedures to ensure timely disclosure.

2. The Company discloses financial reporting information in the summary financial report (kessan tanshin) on the day on which earnings results, which have been audited by the Accounting Auditor, are approved by the Board of Directors following the finalization of the results by the Administration Department. Regarding revisions of financial forecasts, the Executive Management Committee receives regular reports on the earnings outlook from the Administration Department and monitors any changes in the expected financial performance of the Group due to changes in the business environment and deliberates on measures to respond to such changes. Based on the results above, the Board of Directors determines whether to revise the financial forecasts that have been published.

3. Information about decision is disclosed in accordance with the timely disclosure rules promptly after such decisions are made by the Board of Directors.

4. Information about events that have occurred is disclosed in accordance with the timely disclosure rules promptly after all relevant information is collected by the officer in charge of the corporate headquarters. In addition, certain important matters are also disclosed on a voluntary basis.

5. Information about subsidiaries are prescribed in the internal regulations of the Company on the management of subsidiaries and affiliates as matters that should be reported by the officer in charge to the Executive Management Committee of the Company. Highly important information requires the approval of the Board of Directors of the Company and is disclosed in accordance with the timely disclosure rules after the deliberation by the Board of Directors.

6. The general manager of the CSR Development Department has been appointed as the person responsible for information management. The handling of information subject to insider trading regulations is prescribed in the Insider Trading Prevention Regulations and the information handling operation is supervised by the person responsible for information management.

7. The Corporate Communication Department handles any inquiries on disclosure information after it is registered with TDnet. The Company strives to provide opportunities for investors, etc., to have fair and easy access to information. For example, the Company publishes the same information in the website of the Company promptly after it is disclosed to the stock exchange.

[Disclosure policy]

The disclosure policy of the Company is as follows.

1. The Company will, based on the principles of transparency, fairness, and consistency, strive to provide information promptly to all stakeholders including shareholders and investors so that they can understand the management philosophy, management strategies, business activities, etc., of the Company, through which we aim to gain a fair evaluation of the corporate value of the Company and trust from them.

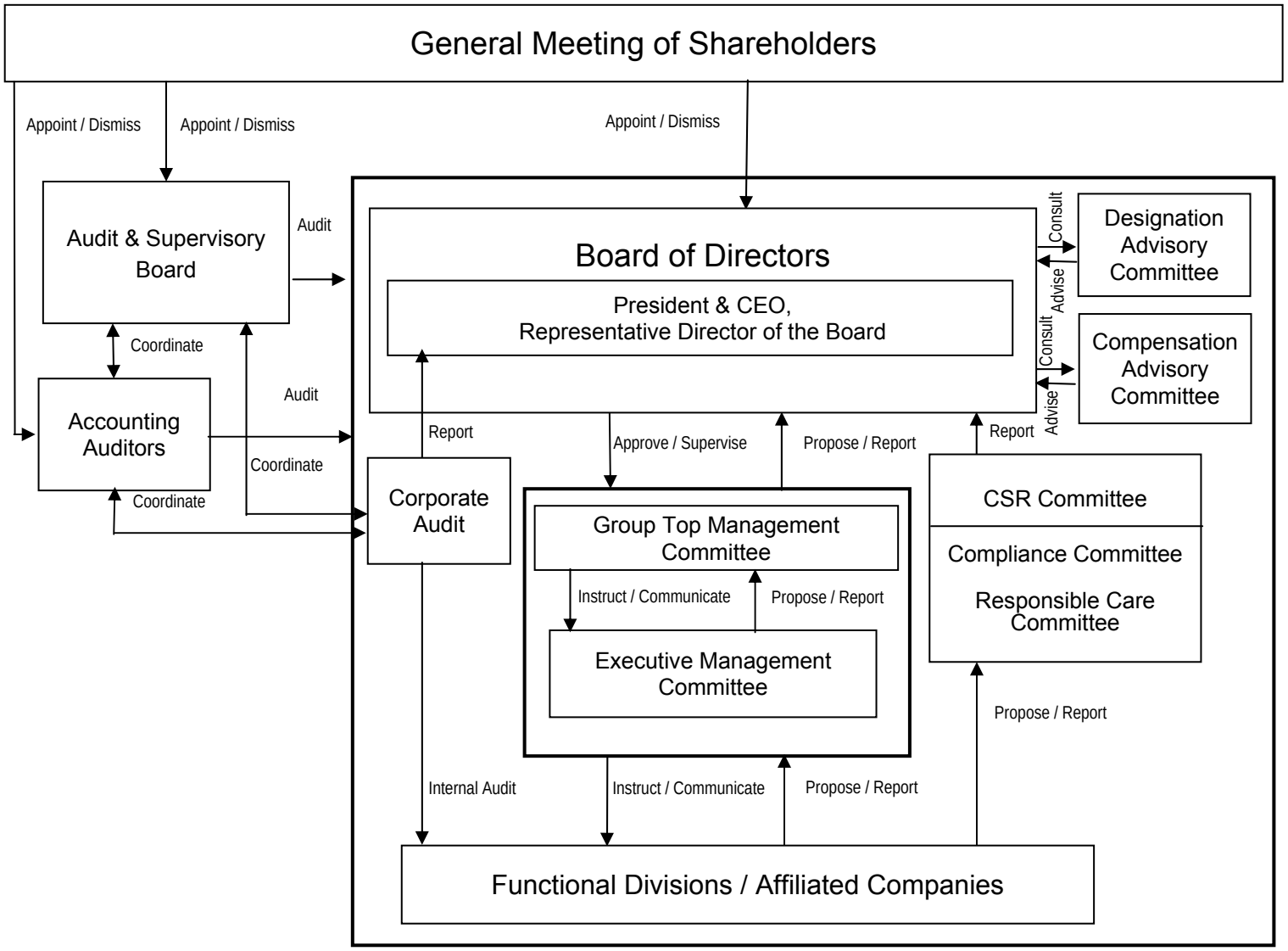
2. The Company will, in accordance with the timely disclosure rules prescribed by financial instruments exchanges, disclose information on a timely basis through TDnet and also disclose the same information promptly in the website of the Company. The Company will also actively disclose any information that is judged by the Company to be useful for all stakeholders for them to better understand the Company.

3. The Company will designate a certain period immediately preceding the announcements of earning results as a “quiet period,” during which it will refrain from replying to any questions or comments on earnings results in order to prevent the leakage of earnings result information and ensure fairness.

4. The Company will strive to disclose information also in English from the perspective of fairness.

*Caution

- Any statement published in the website of the Company that is not a historical fact is a statement of forecasts made by the Company based on information that was available when it was published. These forward-looking statements include known and unknown risks, uncertainties and other factors. Actual results may prove to be different from these forecasts.
- Although the Company strives to ensure the accuracy of information published in the website of the Company with the greatest possible care, the Company shall not be held liable for any damage arising from an error in the published information or a failure during the browsing and downloading of information.
- The information published in the website of the Company is intended for the purpose of providing information and not for the purpose of investment solicitation.
  The readers of the website of the Company are advised to make investment decisions based on their own judgment and at their own responsibility.


General Meeting of Shareholders
Appoint / Dismiss
Appoint / Dismiss
Appoint / Dismiss
Audit & Supervisory Board
Audit
Coordinate
Accounting Auditors
Audit
Coordinate
Coordinate
Board of Directors
President & CEO,
Representative Director of the Board
Consult
Advise
Designation Advisory Committee
Consult
Advise
Compensation Advisory Committee
Report
Approve / Supervise
Propose / Report
Report
Corporate Audit
Group Top Management Committee
Instruct / Communicate
Propose / Report
Executive Management Committee
CSR Committee
Compliance Committee
Responsible Care Committee
Propose / Report
Internal Audit
Instruct / Communicate
Propose / Report
Functional Divisions / Affiliated Companies