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Nippon Paint Holdings Co., Ltd.

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Securities Code:4612

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

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

1. Basic approach to corporate governance and basic information about the Company including capital structure and corporate attributes, etc.

1. Basic concepts Updated

■ For the sustainable growth of the Company and the corporate group comprised of its subsidiaries (hereinafter referred to as “the Group”), as well as the maximization of shareholder value in the medium to long term, the Company shall continually work on the enhancement and strengthening of corporate governance, through the realization of the “management philosophy” described below.

■ “Maximization of shareholder value” at the Company is defined as “maximizing the financial value remaining after the performance of obligations to customers, employees, trading partners, and society, etc.”

■ Management philosophy

◇ Mission

The leading brand bringing colors & joy to everyday life through innovative coating solutions.

◇ Vision

To be the industry leader driven by passionate people using our strong business foundations to create value & inspire all stakeholders.

◇ Value

・ Mutual prosperity

To achieve long-term growth and mutual prosperity with all of our stakeholders through unmatched performance and constant improvement.

・ A pioneering spirit

To sustain the pioneering spirit that led us to become a leader in the global paint industry and constantly pursue innovation and excellence.

・ Perseverance

To achieve our mission with unwavering perseverance, dynamism and initiative.

◇ Way

・ We will endeavor to develop strong bonds of trust with our customers, work with them as partners, and inspire them with our products and services.

・ We will prioritize the health and safety of group employees while pursuing a dynamic corporate culture.

・ We will value individuality and diversity while pursuing ever closer teamwork.

・ We will commit to tackling environmental and energy issues and will work proactively to address them.

・ We will persistently engage in activities that contribute to society, fulfilling our responsibilities to local communities as a trusted corporate citizen.

・ We will act honestly and in good faith as a member of society and in accordance with all national and international laws, rules, and regulations.

・ We will recognize the importance of communicating with all stakeholders and will disclose corporate information in an impartial, timely, and appropriate manner in order to ensure corporate transparency and to fulfill our social responsibilities.

・ We will pursue the development of major technological innovations, while also improving our technology every day.

・ We will always focus on cost and efficiency, and seek to appropriately invest profits to create new value, help improve the quality of life of our employees, and provide maximize returns to shareholders.

■ The Company has formulated and published the “Nippon Paint Holdings Corporate Governance Policies”, which presents the basic concepts and initiatives concerning corporate governance, and which can be viewed at the URL indicated below.

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

[Reason for not implementing the principles of the Corporate Governance Code]

The Company has implemented the principles of the Corporate Governance Code.

[Disclosure based on the principles of the Corporate Governance Code] Updated

[General Principle 1-4]

■ 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 against the capital cost.

・ The Company, based on this policy, makes a decision every year on the continued holding of all cross-shareholders at the Board of Directors, and disposes and reduces holdings of shares for which the rationality of their holding cannot be recognized.

■ Standards for the exercising of voting rights of cross-shareholdings

The Company, when exercising voting rights, based on the “Policy on the Holding of Cross-shareholdings” described above, exercises voting rights upon making comprehensive judgments of the effect on the Group, from the perspectives of the maximization of the shareholder value in the medium to long term growth and the improvement of the corporate governance of the other company to the cross-shareholding, based on internal standards.

[General Principle 1-7]

■ Mechanism for checks on transactions between related parties

・ 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 or Executive Officer, 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 will obtain the approval of the appropriate decision-making body, such as the Board of Directors.
- In addition, the Company has prescribed the “monitoring for conflicts of interests between the Company and its Directors of the Board, Executive Officers, and controlling shareholders, etc.” as one of the “Roles of Independent Directors of the Board” in Article 17 (Roles of Independent Directors of the Board) of the Company’s “Corporate Governance Policies”.
- Notice of convocation of the Annual General Meeting of Shareholders(<https://www.nipponpaint-holdings.com/en/ir/stock/meeting/>)
- Securities report(https://www.nipponpaint-holdings.com/ir/library/securities_report/)
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[General Principle 2-6]

■ Demonstration of function as a corporate pension asset owner

- The Company, in the management and operation of the defined benefit corporate pension plan, in order to be able to demonstrate the function expected as a corporate pension asset owner, systematically secures personnel with the qualities required for the management and operation of the corporate pension from both within and outside the Group, and deploys such personnel as representatives of the corporate pension fund, and to the Asset Management Committee and Corporate Pension Fund Secretary’s Office. In addition, in partnerships with investment consultants, efforts are made to promote the understanding of the operation status and individual strategies of the pension assets in general, and to further improve the level of expertise.
- In the operation of the corporate pension, decisions are made by the representative committee, based on the activities status report for the investment period, as well as the opinions of the Asset Management Committee, and investment consultants, with the objective of the maximization of the interest of the beneficiaries.
- The selection of investment institution shall be determined in accordance with the standards prescribed in the Basic Policy on Asset Management, upon the performance of a comprehensive assessment of both quantitative aspects, such as investment performance, and qualitative aspects, such as investment policy and compliance.
- In addition, in the exercising of voting rights in companies receiving investment, etc., efforts are made to appropriately manage any conflicts of interest that arise between the beneficiaries and the Company.
- Members of the defined contribution pension plan are provided with education on asset management, such as through training, as well as support for the stable asset formation of members.

[General Principle 3-1]

■ Management philosophy, management strategy, and management plan of the Company (General Principle 3-1(i))

- The Company has adopted and published a “management philosophy.” The Company has also published its “Medium-Term Management Plan” on the website of the Company.
- Management philosophy(<https://www.nipponpaint-holdings.com/en/company/vision/>)
- Medium-term management plan(<https://www.nipponpaint-holdings.com/en/ir/library/materials/>)

■ Basic concepts and basic policy on corporate governance (General Principle 3-1(ii))

Stated in “1. Basic concepts” of this Report.

■ Remuneration decision-making policy and procedures (General Principle 3-1(iii))

- The policies and procedures for the determination of remuneration for Directors of the Board and Executive Officers are stated in Article 29 (Role of the Remuneration Committee), Article 30 (Composition of the Remuneration Committee), and Article 31 (Director of the Board and Executive Officer Remuneration, Etc., Decision-making Method and Breakdown) of the “Corporate Governance Policies”.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

■ Policies and procedures for the appointment and dismissal of management level personnel and the nomination of candidate Directors of the Board (General Principle 3-1(iv))

- The policies and procedures for the appointment and dismissal of management level personnel and the nomination of candidate Directors of the Board are stated in Article 15 (Composition of the Board of Directors), Article 16 (Appointment of Directors of the Board, Qualification Standards), Article 22 (Appointment and Dismissal of Representative Executive Officer and President), Article 24 (Policies and Procedures for the Appointment and Dismissal of Executive Officers), Article 26 (Representative Executive Officer and Executive Officer Successor Plan), Article 27 (Roles of the Nomination Committee), and Article 28 (Composition of the Nomination Committee) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

■ Reasons for the nomination of candidate Directors of the Board (General Principle 3-1(v))

- The reasons for selection as individual candidates for Directors of the Board are stated in “Notice of Annual General Meeting of Shareholders” published in the website of the Company.
- Notice of convocation of the Annual General Meeting of Shareholders (<https://www.nipponpaint-holdings.com/en/ir/stock/meeting/>)

[Supplementary General Principle 4-1-1]

■ Overview of scope of delegation from the Board of Directors to management personnel

- An overview of the scope of delegation from the Board of Directors to the management personnel is stated in Article 14 (Roles of the Board of Directors) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[General Principle 4-8]

■ Effective use of Independent Directors of the Board

- The principle of a majority of the Directors of the Board being Independent Directors of the Board is stated in Article 15 (Composition of the Board of Directors) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[General Principle 4-9]

■ Independent Director of the Board judgment standards for independence and qualifications

The independence judgment standards for Outside Directors of the Board prescribed by the Company are stated in “II.1 [Independent Officers] Other matters relating to Independent Officers” of this Report.

[Supplementary General Principle 4-11-1]

- Concepts on the balancing of knowledge, experience, and abilities, as well as the diversity and size of the Board of Directors overall
- The concepts on the balancing of knowledge, experience, and abilities, as well as the diversity and size of the Board of Directors overall, are stated in Article 15 (Composition of the Board of Directors) and Article 16 (Director of the Board Appointment and Qualification Standards) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[Supplementary General Principle 4-11-2]

- Situation of concurrent service of Directors of the Board
- The situation of concurrent service of Directors of the Board is stated on page 16 of the “Notice of Convocation of the 195th Annual General Meeting of Shareholders”
- Notice of Convocation of the 195th Annual General Meeting of Shareholders (<https://www.nipponpaint-holdings.com/en/ir/stock/meeting/>)
- It should be noted that the obtaining of the prior approval of the Board of Directors of the Company in the case of an Outside Director of the Board being newly appointed as an Officer of another company is stated in Article 21 (Concurrent Service of Outside Directors of the Board as Officers of Other Companies) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[Supplementary General Principle 4-11-3]

- Overview of analysis and assessments on the effectiveness of the Board of Directors
- ◇ In regard to the assessment of the effectiveness of the Board of Directors, analysis and assessments are conducted each year based on the self-assessments of Directors of the Board and Audit & Supervisory Board Members, however, from the assessment for the period ending December 2019, we shall introduce a Director of the Board assessment comprised of a questionnaire and individual interviews by third party organization Board Advisors Japan, Inc.
- ◇ An overview of assessment results for the period ending December 2019 is as follows.
- During the period ending December 2019, and through the effective use of various advisory committees, the Board of Directors engaged in lively discussions on issues including the transition to a company with a Nomination Committee, the invitation of the current chairman of the Board, Representative Director of the Board, President and CEO, the acquisition of overseas companies, as well as on internal control and corporate governance, and made decisions through various opinions and useful indications. In addition, detailed discussions were held on the “maximization of shareholder value”, which is the mission of the Company, with such discussions being conducted in awareness of stakeholders, including through the raising of opinions on behalf of minority shareholders in relation to transactions with a conflict of interest and cross-shareholdings.
- The results thereof were an assessment that the Board of Directors is currently improving greatly in effectiveness. Furthermore, it was confirmed that the strengths supporting the Company’s Board of Directors in effectively filling its role are the consensus among Directors of the Board on “maximization of shareholder value,” inside directors with strong company spirit and leadership skills, and the high independence of Independent Directors.
- Meanwhile, auditing of the successor plan and reinforcement of nomination and remuneration functions such as construction of transparent objective and competitive remuneration system; usage of feedback from investors; reinforcement of delegation of rights for establishment of a monitoring model; deepening of debate on and reinforcement of auditing of the medium-term business plan; expansion of debate on key proposals in the form of strategy and capital policy, etc.; and reinforcement of auditing functions were recognized as issues for reinforcement of efforts over the period ending December 2020.
- ◇ From the above results, the Board of Directors of the Company will continue to work to increase its effectiveness in order to ensure sustained “maximization of shareholder value”.

[Supplementary General Principle 4-14-2]

- Policy on training for Directors of the Board
- The policy on training for Directors of the Board is stated in Article 41 (Policy on Training for Directors of the Board) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

[General Principle 5-1]

- Policies on the establishment of a system and initiatives for the promotion of constructive dialog with shareholders.
- The policies on the establishment of a system and initiatives for the promotion of constructive dialog with shareholders are stated in Article 42 (Information Disclosures), Article 43 (Basic Policy on Dialog with Shareholders), and Article 44 (System) of the “Corporate Governance Policies” of the Company.
- Corporate Governance Policies(<https://www.nipponpaint-holdings.com/en/company/cg/>)

2. Capital structure

Foreign shareholding ratio

Above 30%

[Situation of major shareholders] Updated

Name	Number of shares held (shares)	Ratio (%)
NIPSEA INTERNATIONAL LIMITED (Standing proxy: CitiBank N.A. Tokyo Branch)	126,906,000	39.56
HSBC BANK PLC A/C 792827 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	14,474,177	4.51
NATIXIS (Standing proxy: MUFG Bank, Ltd.)	12,357,700	3.85
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	10,817,133	3.37
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	10,750,000	3.35
Sumitomo Mitsui Banking Corporation, Ltd.	9,999,661	3.11

The Master Trust Bank of Japan, Ltd. (Trust Account)	9,254,600	2.88
MUFG Bank, Ltd.	7,133,494	2.22
Sumitomo Mitsui Trust Bank, Limited (Standing proxy: Japan Trustee Services Bank, Ltd.)	7,053,000	2.19
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	5,109,552	1.59

Presence or absence of controlling shareholders (excludes parent company) ———

Parent company Not adopted

Supplementary explanation **Updated**

1. Shareholding ratios to the total number of shares in issue are calculated excluding 4,615,234 shares of treasury stock and 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 Managing Director.

3. The Company has received from MUFG Bank, Ltd. and its joint holders Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., First Sentier Investors (Australia) IM, Ltd., and First Sentier Investors (Australia) RE, 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 10, 2020 indicating that, as of December 30, 2019, they had held shares as indicated below (a total of 27,339 thousand shares [8.40%]). However, as the Company is unable to confirm the number of shares effectively held by each of these companies as of December 31, 2019, the shareholding ratios indicated in "Major shareholders" above are based on the shareholder register as of December 31, 2019.

	Number of Shares Held (thousand shares)	Ratio of holding against total number of issued shares (%)
· MUFG Bank, Ltd.	7,133	2.19
· Mitsubishi UFJ Trust and Banking Corporation	14,470	4.45
· Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	867	0.27
· Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,151	0.35
· First Sentier Investors (Australia) IM, Ltd.	3,342	1.03
· First Sentier Investors (Australia) RE, Ltd.	373	0.11

3. Corporate attributes

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	More than 1000
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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___ 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.

Organizational form	Company with Nomination Committee, etc.
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[Directors]

Maximum number of Directors of the Board stipulated in the Articles of Incorporation	11
Term of office of Directors of the Board stipulated in the Articles of Incorporation	1 year
Chair of the Board of Directors Updated	President
Number of Directors of the Board Updated	9

[Matters relating to Outside Directors of the Board]

Number of Outside Directors of the Board Updated	6
Number of Outside Directors of the Board who are designated as Independent Director of the Board Updated	6

Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Hisashi Hara	Attorney											
Takashi Tsutsui	Formerly a member of another company								△			
Toshio Morohoshi	Formerly a member of another company											
Masayoshi Nakamura	Formerly a member of another company								△			
Masataka Mitsuhashi	Certified public accountant								○			
Miharu Koezuka	Formerly a member of another company											

* * Categories for “Relationship with the Company”

* “○” when the Person in question presently falls or has recently fallen under the category; “△” when the Person in question fell under the category in the past

* “●” when a close relative of the Person in question presently falls or has recently fallen under the category; “▲” when the close relative fell under the category in the past

- Executive of the Company or its subsidiary
- Executive or Non-Executive Director of the Board of the parent company of the Company
- Executive of a fellow subsidiary company of the Company
- Person whose major client or supplier is the Company or executive thereof
- Major client or supplier of the Company or an executive thereof
- 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
- Major shareholder of the Company (or an executive of the said major shareholder if it is a juridical person)
- 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)
- 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)
- Executive of a company or organization that receives a donation from the Company (the Outside Director himself/herself only)
- Others

Name	Affiliated Committee			Independent Officer	Supplementary explanation of the applicable items	Reason for appointment
	Nomination Committee	Remuneration Committee	Audit Committee			
Hisashi Hara	○			○	<Concurrent posts> Consultant for Nagashima Ohno & Tsunematsu law firm.	Hisashi Hara has a career as an attorney spanning over 40 years, has participated in many cross border M&A transactions, and in addition, has been involved in various corporate legal affairs projects. He is highly regarded as an attorney involved in cross border M&A transactions, and in 2011 was awarded the Chambers Area-Pacific Lifetime Achievement Award by Chambers Partners. In addition, as the chair of the Company's Nomination Advisory Committee, he fulfilled an important role in the appointment of the CEO for the next period and the nomination of candidate Directors of the Board from an objective position. Based on this wealth of achievements, and with the expectation that he will contribute to the construction of governance from a global perspective under the premise of the need for the future growth of the business of the Company, we have determined that his opinions are required for the construction of governance towards the "maximization of shareholder value" in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request his assumption as an Outside Director of the Board. He has also been designated as an independent Officer as he satisfies the requirements for Independent Officer established by the Tokyo Stock Exchange as well as the "Outside Director of the Board Independence Judgement Standards" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.
Takashi Tsutsui		○		○	Nomura Securities Co., Ltd., at which Takashi Tsutsui previously served as Executive Officer, is the lead securities companies of the Company, however over 10 years have passed since he retired as an advisor of said company, and we have determined that there is no concern of a conflict of interest arising with general shareholders.	Takashi Tsutsui worked at Nomura Securities Co., Ltd. for many years, and from his experience of working there and as Representative Director of the Board of JASDAQ Securities Exchange, as well as his experience in M&A and IR, etc., from his time as Director of the Board, deputy president and executive corporate Officer at LIXIL Group, he has a wealth of experience in global business management. In addition, he has a high level of knowledge in the corporate governance required for the securing of the rights of minority shareholders, etc. Furthermore, as the chair of the Remuneration Advisory Committee of the Company, he has had significant involvement in the revision of the Director of the Board remuneration system, including the introduction of the non-transferable share based remuneration system. We have determined that his opinions are required for the construction of governance towards the "maximization of shareholder value" in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request his assumption as an Outside Director of the Board. He has also been designated as an Independent Officer as he satisfies the requirements for an Independent Officer established by the Tokyo Stock Exchange as well as the "Outside Director of the Board Independence Judgement Standards" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.

Toshio Morohoshi	○		○	○	<p><Concurrent posts> He is an outside Director of the Board of Wing Arc 1st Inc.</p>	<p>Toshio Morohoshi has had a career of over 40 years as an IT specialist; he has participated in the management of Japanese flagship global electronics company Fujitsu Ltd., has been the Japanese representative of a plurality of global companies, and in May 2018, participated in the management of Yaskawa Information Systems Corp as President & CEO, Representative Director of the Board. In addition, under the background of the diversity of the composition of the Board of Directors to be strengthened under the Corporate Governance Code, we expect that the appointment of such a person with a background as an IT specialist will add diversity to the composition of the Board of Directors of the Company, and will activate discussions. We have determined that his opinions are required for the construction of governance towards the “maximization of shareholder value” in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request his assumption as an Outside Director of the Board. He has also been designated as an Independent Officer as he satisfies the requirements for an Independent Officer established by the Tokyo Stock Exchange as well as the “Outside Director of the Board Independence Judgement Standards” established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.</p>
Masayoshi Nakamura	○	○		○	<p>Masayoshi Nakamura is a former business Executive Officer of Mitsubishi UFJ Securities Co., Ltd. – a subsidiary of Mitsubishi UFJ Financial Group, Inc. – and the Company has a trading relationship with Mitsubishi UFJ Morgan Stanley Securities Co. (the successor to Mitsubishi UFJ Securities Co., Ltd.) and its sibling company MUFG Bank, Ltd.; however, over nine years have passed since his retirement from all executive roles in Mitsubishi UFJ Financial Group, and the Company has determined that there is no concern of a conflict of interest arising with general shareholders.</p>	<p>Masayoshi Nakamura, since 1984, has worked at major US banks Lehman Brothers and Morgan Stanley, as well as at Mitsubishi UFJ Securities Co., Ltd., which is the core securities company of the Mitsubishi UFJ Financial Group, and has a wealth of practical experience spanning over 30 years as a specialist in M&A advisory business and raising funds from capital markets. During this time, he has led many large cross-border M&A transactions, and has also contributed to the internationalization of business through M&A transactions involving Japanese companies. We expect that his many years of experience in M&A transactions will contribute to the development of the business of the Company through his advice on price risk control regarding internal and external M&A transactions, etc., have determined that his opinions are required for the construction of governance towards the “maximization of shareholder value” in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request his assumption as an Outside Director of the Board. He has also been designated as an Independent Officer as he satisfies the requirements for an Independent Officer established by the Tokyo Stock Exchange as well as the “Outside Director of the Board Independence Judgement Standards” established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.</p>

Masataka Mitsuhashi			○	○	<p><Concurrent posts> He is an Outside Audit & Supervisory Board Member of FUJIFILM Holdings Corporation, and an Outside Director of the Board of Skymark Airlines Inc. The Company has a trading relationship with the PwC Japan Group, which includes PwC Advisory LLC and PricewaterhouseCoopers Aarata LLC, where Masataka Mitsuhashi has previously served as a business executive; said trading relationship has included the receipt of support for corporate acquisitions and the construction of an internal audit system. In addition, Masataka Mitsuhashi worked as an advisor of the Governance Advisory Committee established as an Advisory Committee for the Board of Directors of the Company until December 31, 2019. However, as the amount of such transactions was less than the amount prescribed in the "Outside Director of the Board Independence Judgment Standards" of the Company, the Company has determined that there is no concern of a conflict of interest arising with general shareholders.</p>	<p>Masataka Mitsuhashi has accumulated diverse experience in accounts auditing as a chartered public accountant at an audit firm as well as through his many years of involvement in M&A related business, and in addition, has also been active as a Representative Director of the Board of a consulting firm. In addition, he has knowledge in the area of sustainability, and we expect that the appointment of a person with such experience as an Outside Director of the Board will not only further strengthen the supervisory function of the Board of Directors of the Company, but will also result in appropriate advice being given on management. Furthermore, in June 2019, he was appointed as an advisor of the Company's Governance Advisory Committee, and he provided useful advice to the Board of Directors of the Company for the organizational reforms towards the transition to a company with a Nomination Committee, etc. We have determined from these perspectives that his opinions and experience are required for the construction of governance towards the "maximization of shareholder value" in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request his assumption as an Outside Director of the Board. He has also been designated as an Independent Officer as he satisfies the requirements for an Independent Officer established by the Tokyo Stock Exchange as well as the "Outside Director of the Board Independence Judgement Standards" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.</p>
Miharu Koezuka			○	○	<p><Concurrent Posts> She is an Outside Director of the Board of JAPAN POST HOLDINGS Co., Ltd., and Nankai Electric Railway Co., Ltd.</p>	<p>Miharu Koezuka has been involved in management for many years as a member of the management team at Takashimaya Company, Limited, and currently serves as an Outside Director of the Board of JAPAN POST HOLDINGS Co., Ltd., and Nankai Electric Railway Co., Ltd. She has a wealth of experience in a variety of industries, and we believe that she has the qualities required of an Outside Director of the Board in order to accelerate the global business development of the Company. In addition, as the Company's first female Director of the Board, we expect that she will provide proper advice to the Company from the perspective of diversity. We have determined from these perspectives that her opinions and experience are required for the construction of governance towards the "maximization of shareholder value" in the medium to long term, upon completely fulfilling obligations to the various stakeholders surrounding the Company, and therefore request her assumption as an Outside Director of the Board. She has also been designated as an Independent Officer as she satisfies the requirements for an Independent Officer established by the Tokyo Stock Exchange as well as the "Outside Director of the Board Independence Judgement Standards" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general shareholders.</p>

[Various Committees]

Composition of Members and Affiliation of Chair of Each Committee **Updated**

	All Committee Members (People)	Standing Committee Members (People)	Internal Directors of the Board (People)	Outside Directors of the Board (People)	Committee Chair (Chair)
Nomination Committee	4	0	1	3	Outside Director of the Board
Remuneration Committee	3	0	1	2	Outside Director of the Board
Audit Committee	4	0	1	3	Outside Director of the Board

[Executive Officers]

Number of Executive Officers Updated	13
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Situation of concurrent service Updated

Name	Presence or absence of representation rights	Presence or absence of concurrent service as Director of the Board			Presence or absence of concurrent service as employee
			Nomination Committee Member	Remuneration Committee Member	
Masaaki Tanaka	Yes	Yes	×	×	Not adopted
Yuichiro Wakatsuki	Not adopted	Not adopted	×	×	Not adopted
Yasuyuki Matsumoto	Not adopted	Not adopted	×	×	Not adopted
Shoich Mure	Not adopted	Not adopted	×	×	Not adopted
Masuo Kida	Not adopted	Not adopted	×	×	Not adopted
Takeshi Shiotani	Not adopted	Not adopted	×	×	Not adopted
Seiichiro Shirahata	Not adopted	Not adopted	×	×	Not adopted
Kohei Tsushima	Not adopted	Not adopted	×	×	Not adopted
Tetsuro Fujita	Not adopted	Not adopted	×	×	Not adopted
Atsushi Nagasaka	Not adopted	Not adopted	×	×	Not adopted
Satoshi Nishimura	Not adopted	Not adopted	×	×	Not adopted
Yoshiaki Kuroda	Not adopted	Not adopted	×	×	Not adopted
Hiroshi Hanaoka	Not adopted	Not adopted	×	×	Not adopted

[Audit System]

Presence or absence of Directors of the Board and employees who should assist with the duties of the Audit Committee Updated	Yes
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Matters relating to independence from Executive Officers of such Directors of the Board and employees Updated

- On January 1, 2020, the Company established an Audit Department that is to be the department in charge of internal audits.
- The Audit Department shall assist with the duties of the Audit Committee, shall serve as secretary of the Audit Committee with the Board of Directors Office, and furthermore, based on the instructions of the Audit Committee, either itself or in partnership with related departments, shall investigate, analyze, and report on matters subject to auditing, and shall conduct on-site audits as necessary.
- As of March 27, 2020, the Audit Department is comprised of the General Manager of the Audit Department and 19 other members.
- The Audit Committee shall have the right to agree beforehand matters relating to human resources rights, such as the appointment, assessment, transfer, and disciplinary action, etc., of the General Manager of the Audit Department.

Status of coordination among the Audit Committee, the Accounting Auditor, and the internal audit department Updated

- "Three-way audit meetings", which are attended by the Audit Committee Member, the Accounting Auditor, and members of the Audit Department, shall be held on a regular basis to share information and exchange opinions on their audit plans and results, as well as issues identified through audits, etc., among the attendants.
- The Audit Department, based on the internal audit plan approved by the Audit Committee and the Representative Executive Officer and President conducts surveys on whether or not the internal control system at the Group has been appropriately composed and is being appropriately operated, as well as audits on the effectiveness and efficiency of company business, the reliability of financial reports, the status of the preservation and effective use of assets, the status of risk management, and the status of compliance with laws, ordinances, etc., and various internal rules and standards, at the Group.
- In the event that an instruction to the Audit regarding a matter relating to audits issued by the Audit Committee conflicts with an instruction issued by the Representative Executive Officer & President, the instruction by the Audit Committee shall have priority.

[Independent Officers]

Number of Independent Officers Updated	6
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Other matters concerning Independent Officers

The Company has specified all Outside Directors of the Board who meet the qualifications for Independent Officer as Independent Officers. The <Outside Director of the Board Independence Judgment Standards> prescribed by the Company are as set forth below.

<Outside Director of the Board Independence Judgment Standards>

1. The Company will determine that Outside Directors of the Board or candidates for Outside Directors of the Board are sufficiently independent from the Company if they are found to satisfy all the requirements prescribed in the following items as a result of a reasonable investigation by the Company.

- (1) The person in question is not an executive (Note 1) or ex-executive (Note 2) of the Company or a subsidiary of the Company (hereinafter referred to as "the Group").
- (2) The person in question does not fall under any of the following persons either currently or anytime during the past three years:
 - (i) A major shareholder (Note 3) of the Company, or an executive of such a major shareholder
 - (ii) A person whose major business partner is the Group (Note 4) or an executive of such a person
 - (iii) A major trading partner (Note 5) of the Group or an executive of such a trading partner
 - (iv) A person belonging to an audit corporation that conducts statutory audits of the Group
 - (v) A person who receives a significant amount (Note 6) of money, etc. from the Group, in addition to remuneration of Officers
 - (vi) An executive of an organization that receives a significant amount (Note 6) of donation or aid from the Group
- (3) The person in question is not the spouse or a relative within the second degree of a person who falls applicable under any of the items of (1) and (2) above.

2. Independent Officers shall strive to maintain the independence prescribed by these Independence Criteria until the resignation from office. If an Independent Officers no longer satisfies these Independence Criteria, he/she shall promptly notify the Company 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 Group means a person who has received from the Company a payment equivalent to 2% or more of the annual consolidate sales revenue or annual consolidated net sales for the latest fiscal year of that person.
5. A major business partner of the Group means a person who has paid to the Group an amount equivalent to 2% or more of the annual consolidated sales revenue for the latest fiscal year of the Company or a person who has an outstanding balance of loans to the Company that is equivalent to 2% or more of the consolidated total assets of the Company as of the end of the latest fiscal year of the Company.
6. A significant amount means an amount exceeding an annual amount of 10 million yen on average over the past three fiscal years of the Company.

[Incentives]

Implementation status of measures to provide incentives to Directors of the Board and Executive Officers	Introduction of a performance-linked compensation plan, stock option plans, and others
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Supplementary explanation of the applicable items **Updated**

1. The compensation, etc., of the Directors of the Board of the Company (excluding Outside Directors of the Board) in FY2019 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-linked compensation is provided as a variable amount within the range of 0% and 170% of job-based compensation.
 - Long-term incentive compensation, towards the maximization of the shareholder value of the Company, and with the objective of further promoting the sharing of value with shareholders, involves the provision of shares with restrictions on transfer.
2. An Outside Director of the Board, in addition to the job-based compensation, shall be granted shares with restrictions on transfer as long-term incentive compensation.

Persons to whom stock options are granted	Inside Directors of the Board, employees
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Supplementary explanation of the applicable items

Share-based remuneration stock options are scheduled to come to an end after the completion of their awarding to overseas dispatched personnel, who are eligible for these, upon their return to Japan.

[Director of the Board and Executive Officer compensation]

Disclosure (of remuneration for each individual Director of the Board)	Compensation of only some of the Directors of the Board is disclosed
Disclosure (of remuneration for each individual Director of the Board)	Individual compensation is not disclosed

Updated

Supplementary explanation of the applicable items **Updated**

- The Company discloses in the business report the total amount of compensation, etc., 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 to this, 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.
- It should be noted that as the Company transitioned to a company with a Nomination Committee, etc. with the approval of the 195th Annual General Meeting held on March 26, 2020, there shall not be remuneration, etc., for Executive Officers in FY2019.

Policy for determining the amount of compensation or its calculation method **Updated**

Yes

Disclosure of policy for determining the amount of compensation or its calculation method

1. The Company established the Remuneration Advisory Committee as an advisory committee of the Board of Directors in FY2018. The Remuneration Advisory Committee is chaired by an Independent Director of the Board, and a majority of its committee members is comprised of Independent Directors of the Board.
2. In regard to remuneration, etc., in FY2019, this shall be deliberated in a fair and transparent manner, in accordance with the decision-making policies and remuneration standards for Director of the Board and Executive Officer remuneration, etc., at the Remuneration Advisory Committee, in consideration of the social circumstances, comparisons with other companies, and market levels, etc., and shall be determined at the Board of Directors, based on the opinion of the Remuneration Advisory Committee.
3. Remuneration, etc., in FY2019 shall be set in accordance with the basic policy described below.
 - Global competitors shall be used as the benchmark, and the standard shall be one in which talented managers can be expected to be attracted and kept
 - The ratio of performance linked pay and share remuneration shall be increased, and the maximization of shareholder value shall be incentivized.
4. It should be noted that in conjunction with the transition to a company with a Nomination Committee, etc. as approved at the 195th Annual General Meeting held on March 26, 2020, the policies on the determination of Director of the Board and Executive Officer remuneration, etc., as well as individual remuneration, etc., are determined by the Remuneration Committee, in accordance with the basic policy described above.

[Support system for Outside Directors of the Board] **Updated**

- The Company will strive to put in place an environment that encourages lively discussion to ensure that discussions at the board meetings are rewarding. For example, the Company will notify board meeting agenda and deliver materials related to them to Directors of the Board in advance in addition to the provision of prior explanation to outside Directors of the Board as necessary.
- The Board of Directors, Nomination Committee, Remuneration Committee, Audit Committee, and Independent Director of the Board Committee may appoint attorneys, chartered public accountants, tax accountants, consultants, and other external specialists at the cost of the Company as necessary, and may receive advice therefrom.
- The Company, in order to ensure the effectiveness of the Board of Directors, the Nomination Committee, the Remuneration Committee, the Audit Committee, as well as meetings of the Independent Directors of the Board, shall establish a secretary's office for each meeting body that has been assigned an appropriate budget and personnel.

2. Matters concerning such functions as business execution, audit, oversight, nomination, and the determination of compensation (overview of the current corporate governance system) **Updated**

1. An overview of the corporate governance system of the Company shall be as set forth below.

(1) Board of Directors and Directors of the Board

- The Board of Directors supervises the general management of the Group. The Board of Directors delegates decision-making authority for the execution of business to Executive Officers, with the exception of matters requiring the resolution of the Board of Directors pursuant to laws and ordinances and the Articles of Incorporation, matters delegated to the Board of Directors by resolution of the General Meeting of Shareholders, and important matters relating to the management of the Group.
- The Board of Directors is composed of Directors of the Board concurrently serving as Executive Officers and Directors of the Board not concurrently serving as Executive Officers, and a majority of the Directors of the Board are independent Directors of the Board.
- The number of members of the Board of Directors, as of March 27, 2020, is as set forth below (eight males and one female).

Masaaki Tanaka (Chairman of the Board Representative Executive Officer, President & CEO)

Hup Jin Goh

Manabu Minami

Hisashi Hara (Independent Director of the Board)

Takashi Tsutsui (Independent Director of the Board)

Toshio Morohoshi (Independent Director of the Board)

Masayoshi Nakamura (Independent Director of the Board)

Misataka Mitsuhashi (Independent Director of the Board)

Miharu Koezuka (Independent Director of the Board)

- In regard to the tenure of Outside Directors, as a general rule, the same person may be nominated as a candidate for outside Director of the Board by the Nomination Committee up to four times, however, if agreed beforehand by a majority of the Directors of the Board, the same person may be nominated a maximum of eight times.

- The Company, through an election of independent Directors of the Board, has appointed Masayoshi Nakamura as the Lead Independent Director of the Board. The Lead Independent Director of the Board, upon collecting the opinions of the other Independent Directors of the Board as necessary, shall convey the opinion of the Independent Directors of the Board to the chair of the Board of Directors, the Representative Executive Officer and President or other Executive Officer, and shall hold consultation as needed.

- The Lead Independent Director of the Board may convene a meeting of the Independent Directors of the Board, composed of all Independent Directors of the Board, before or after a meeting of the Board of Directors, etc., as necessary.

(2) Committees

The committees prescribed by the Companies Act, as of March 27, 2020, have been established as set forth below.

(i) Nomination Committee

(Role) To make decisions on the content of proposals on the appointment and dismissal of Directors of the Board to be submitted to General

Meeting of Shareholders, and to deliberate and report to the Board of Directors on the Director of the Board successor plan, as well as the appointment, dismissal, and successor plan for the President and Representative Executive Officer

(Committee Members) Hisashi Hara (Committee Chair), Hup Jin Goh, Toshio Morohishi, Masayoshi Nakamura

(ii) Remuneration Committee

(Role) To make decisions on the decision-making policy for the individual remuneration, etc., of Directors of the Board and Executive Officers, and to make decisions on the content of remuneration, etc., for individuals

(Committee Members) Takashi Tsutsui (Committee Chair), Hup Jin Goh, Masayoshi Nakamura

(iii) Audit Committee

(Role) The auditing of the execution of duties of Executive Officers and Directors of the Board, the creation of audit reports, and the making of decisions on the content of proposals relating to the appointment, dismissal, and non re-appointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders

(Committee Members) Misataka Mitsunashi (Committee Chair), Manabu Minami, Toshio Morohoshi, Mihar Koezuka

(3) Executive Officers

As of March 27, 2020, there are 13 Executive Officers, and the Executive Officers make decisions on the execution of business of the Company that they have been delegated by resolution of the Board of Directors, and execute such business.

(4) Voluntarily established meeting bodies

(a) The Company has established the following meeting bodies as advisory bodies for the Representative Executive Officer and President.

(i) Executive Committee

(Role) To accept the consultations of the Representative Executive Officer and President, and to deliberate general matters relating to the Group.

(ii) Core Operating Company Presidents' Committee (OC President Committee)

(Role) To accept the consultations of the Representative Executive Officer and President, and to deliberate matters relating to projects, etc., that are common to Japanese core operating companies.

(b) The Company has established the following committees, in which the Representative Executive Officer and President serves as the committee chair.

(i) ESG Committee

(Role) To propose targets for responding to issues that should be addressed for the sustainable growth of society. The targets proposed at the ESG Committee shall be set as company-wide targets upon their proposal to and approval by the Board of Directors.

(ii) Risk Management Committee

(Role) To continually review the systems for the management of internal control and important risks relating to the safety, environment, and compliance, etc., of the Company and the corporate group comprising of the subsidiaries of the Company, and to deliberate on the improvement of these.

(5) Corporate Officers

The Company has introduced a Corporate Officer system, and as of March 27, 2020, there are eight Corporate Officers (six male, two female) engaged in the execution of the specified business.

2. The situation of audits is as set forth below.

(1) Situation of Audit Committee audits

· As of March 27, 2020, in conjunction with the transition to a company with a Nomination Committee, etc., the Company has an Audit Committee. The Audit Committee is comprised of four Audit Committee members, three of which are Independent Directors of the Board; persons who have a chartered public accountancy qualification and who are able to conduct audits from a specialist perspective, and persons with a wealth of international experience and experience as a manager, have been appointed. In addition, one internal Audit Committee member has many years of experience in the Finance and Accounting Department of the Company.

· The Audit Committee, based on laws and ordinances and the Audit Committee Rules enacted by resolution of the Board of Directors, conducts audits on the execution of duties of Executive Officers and Directors of the Board through the deliberations at the Audit Committee, the activities of each of the Audit Committee members appointed by the Audit Committee (confirmation of the execution of duties of Executive Officers, Directors of the Board, and employees of the Company and the Group, receipt of reports, attendance at meetings of the Board of Directors, the executive committee, the core operating company president's committee, and other important meeting bodies, as well as the viewing of important decision-making documents, etc.), as well as the audit activities of the department in charge of internal audits (Audit Department), which is an organization that assists with the duties of the Audit Committee, and the audits conducted by the Audit Committee itself.

· In addition, regular meetings are held with the Accounting Auditor and the Audit & Supervisory Board Members of group companies, and efforts are made to strengthen cooperation in the system for audits on group management.

(2) Internal audits

· As detailed in "II. 1. [Auditing System]" of this Report.

(3) Situation of Accounting Auditors

· Audit duties are performed by three companies (all of which are designated limited liability employees and business execution employees): Certified Public Accountant Motohiro Tanaka, Certified Public Accountant Shimpei Takeshita, and Certified Public Accountant Akishige Nanbara, who are affiliated with KPMG AZSA LLC.

· The audit firm has taken measures on the business execution employees so that they are not involved in the accounting audits of the Company for longer than a certain period of time.

· The assistants for the audit duties are comprised of 30 certified public accountants and 19 others.

3. Liability limitation agreements are as described below.

· The Articles of Incorporation of the Company contain provisions relating to the agreements prescribed in Article 427 Paragraph 1 of the Companies Act (liability limitation agreements) with Outside Directors of the Board (Article 25 of the Articles of Incorporation).

· An overview of the liability limitation agreements executed by the Company with Outside Directors of the Board based on the Articles of Incorporation is provided below.

(Liability Limitation Agreements with Outside Directors of the Board)

· An Outside Director of the Board, after the execution of this Agreement, in regard to the liability to compensate of Article 423 Paragraph 1 of the Companies Act, if their duties have been performed in good faith and there is no gross negligence, said liability shall be limited to the minimum amount of liability prescribed in Article 425 Paragraph 1 of the Companies Act, and the Company shall waive the Outside Director of the Board from liability for the portion in excess of this as a matter of course.

The Company, in order to further improve the transparency, objectivity, and fairness of management, and to separate and enhance monitoring and execution, with the approval of the 195th Annual General Meeting held on March 26, 2020, transitioned to a company with a Nomination Committee, etc.

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 Updated

	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, etc. 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 concerning 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. Following on from the 194th, at the 195th Annual General Meeting as well, in order to activate the Annual General Meeting as a venue for dialog with shareholders, the venue has been set as a hotel close to a major terminal station, which has excellent convenience for participation.

2. Status of investor relations activities Updated

	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, https://www.nipponpaint-holdings.com/en/ir/info/	
Regular investor briefings for individual investors	Briefings for individual investors are held regularly. (A total of three meetings were held during FY2019 in Tokyo and Osaka)	Not adopted
Regular investor briefings for analysts and institutional investors	<ul style="list-style-type: none"> A briefing is held by conference call on each quarterly results announcement date. As a general rule, briefings are held for analysts and institutional investors after the announcement of the Q2 results and these financial statements. 	Yes
Regular investor briefings for foreign investors	<ul style="list-style-type: none"> Individual visits are conducted for overseas investors. We participate in conferences held by securities companies. 	Yes
Publication of IR materials on the website	The Company publishes, among others, summary financial reports, quarterly reports, annual securities reports, investor presentation materials, quarterly financial results briefing materials, briefing videos, integrated reports, stock and bond information, financial data, notices of General Meeting of Shareholders, notices of resolutions of the General Meeting of Shareholders, and year-end reports.	
Establishment of department (personnel) for IR	<ul style="list-style-type: none"> Name of responsible department: Investor Relations Department Officer in charge: Senior Managing Executive Officer and CFO Yuichiro Wakatsuki 	

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	<p>The Company, in Article 3 (Relationship with Stakeholders) of the “Corporate Governance Policies”, has prescribed that “in order to realize the corporate philosophy based on the relationship of trust with our stakeholders including customers, business partners, employees, local communities, and shareholders both in Japan and overseas, and to fulfill its social responsibility as a corporate citizen, shall promote the conducting of ESG activities in the fields of environment, society, and governance, while providing appropriate opportunities to have dialogue with these stakeholders to promote their understanding of the business of the Company”.</p> <p>https://www.nipponpaint-holdings.com/en/company/cg/</p>
Implementation of environmental protection activities, CSR activities, etc.	<p>The Company, in its “Integrated Report”, publishes business information, financial information, as well as the content and results of its ESG activities.</p> <p>https://www.nipponpaint-holdings.com/en/csr/</p>
Development of a policy on the provision of information to stakeholders	<p>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.</p> <p>https://www.nipponpaint-holdings.com/en/ir/info/</p>
Other	<ul style="list-style-type: none"> · The Company, in the “N-20” 2018 to 2020 group medium-term management plan, has stated the “intent to ‘diversify knowledge’ through the gathering of diverse human resources”, and towards this, has positioned the “establishment and maintenance of diverse work styles and human resources on a global basis” as one of its “objectives for FY2020”. · In addition, the Company, in its “Integrated Report” has published the content and results of activities towards the creation of a workplace environment in which each individual employee can work with passion. <p>https://www.nipponpaint-holdings.com/en/csr/report/</p> <ul style="list-style-type: none"> · 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. In addition, as of March 27, 2020, Officers include one female Director of the Board and two female Corporate Officers.

Matters concerning the internal control system

1. Basic approach to the internal control system and its implementation status **Updated**

<Basic Policy on Internal Control System>

The Company, through the realization of the Mission, Vision, Value, and Way, which is the management philosophy of the Company and the corporate group comprising of the subsidiaries of the Company (hereinafter referred to as "Group"), aims for the sustainable growth of the Group and the maximization of shareholder value in the medium to long term, and in addition, continually assesses the situation of the establishment and operation of an internal control system based on this policy, takes the necessary improvement measures, conducts ongoing reviews on this policy in accordance with changes in the management environment, etc., and endeavors to establish and operate an internal control system that is even more effective.

1. System for ensuring that the execution of the duties of Executive Officers is performed effectively (governance and business management)

(a) The Company has selected the form of a company with Nomination Committee, etc. in order to separate and strengthen audit and execution, and the Board of Directors, with the exception of the following, delegates decision-making authority on the execution of business to the Executive Officers.

- Matters requiring a resolution of the Board of Directors pursuant to laws and ordinances or the Articles of Incorporation.
- Matters delegated to the Board of Directors by resolution of a General Meeting of Shareholders
- Important matters relating to the operation of the Group

(b) The Company shall develop the Medium-Term Management Plan based on the management policies and strategies of the Group. Based on this medium-term management plan, the Company shall develop an annual budget for the Group and clarifies implementation measures. The progress status and the degree of achievement of targets in the budgets shall be reported by the Executive Officers to the Board of Directors of the Company.

2. System for the management of the risk of loss at the Company (risk management)

(a) Risks associated with the business operations of the Group shall be monitored properly and continuously through reporting and deliberations at the meetings of the Board of Directors, the Executive Management Committee, the core operating company presidents' committee, and other important governing bodies of the Company.

(b) The Company, at the Risk Management Committee, which is chaired by the Representative Executive Officer and President of the Company, shall continually review important risk management relating to the safety, environment, and compliance, etc., of the Group, as well as the internal control system, and engages in deliberations on its improvement.

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

3. System for ensuring that the execution of duties of Executive Officers and employees is in line with laws and ordinances and the Articles of Incorporation (compliance)

(a) The Company shall position compliance as its most important management issue, shall establish a Risk Management Committee, and shall engage in risk management, including the promotion of compliance activities at the Company.

(b) The Directors of the Board and Executive Officers of the Company shall be 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 ordinances and the Articles of Incorporation.

(c) The Company, through the creation of a guidebook on compliance with laws and ordinances, etc., and the spreading of awareness and the provision of education, etc., for Officers and employees of the Group, shall establish a system for compliance with laws and ordinances, etc., by the Group.

(d) The Company, for cases where it is discovered that an Officer or employee of the group is committed a compliance violation at the Group, or that there is a possibility of such a violation, shall be established a whistleblowing contact point to which reports can be filed without the suffering of disadvantageous treatment. The operating status of the internal reporting system at the Group shall be reported as appropriate to the Board of Directors and the Audit Committee of the Company.

(e) The Company, through the provision of education to Officers and employees of the Group and partnerships with external specialist agencies, etc., shall establish a system in which the Group has absolutely no relationship with antisocial forces that threaten the order and safety of civil society, and in which in the case of an approach by such an antisocial force, this shall be absolutely rejected and responded to with a resolute stance.

4. System for the preservation and management of information about the execution of duties by Executive Officers (information management): Pursuant to the provisions of laws and ordinances and the Information Management Regulations, the Company shall put in place a system to enable the preservation and management of documents and electromagnetic records concerning the execution of duties by Executive Officers, including minutes of the General Meeting of Shareholders, minutes of the Board of Directors, minutes of the Core Operating Company Presidents' Committee, and documents relating to the approval system and the execution of other duties of Executive Officers, and in addition, and to keep them available for inspection by Directors of the Board as necessary.

5. System to ensure proper business operations in the Group (Group system)

(a) The Company, towards the achievement of sustainable growth and the maximization of shareholder value in the medium to long term through agile management that uses the comprehensive abilities of the Group, shall select the holding company structure. 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.

(b) The Company shall appoint or dispatch its Corporate Officers, Executive Officers, or their equivalents as Directors of the Board of significant affiliates of the Group in order to fully enforce the management policy of the Company.

(c) The Company shall establish rules, such as the Rules on Authority Relating to Group Management, and in regard to the specified projects, shall receive reports from the Group, and in regard to important projects, shall deliberate these at its Board of Directors, executive committee, and core operating company presidents' committee, in accordance with these rules.

6. Matters relating to organizations that should assist with the duties of the Audit Committee

(a) The Audit Department shall assist with the duties of the Audit Committee. In addition, the Audit Department shall serve as secretary of the Audit Committee with the Board of Directors Office, and furthermore, based on the instructions of the Audit Committee, either itself or in partnership with related departments, shall investigate, analyze, and report on matters subject to auditing, and shall conduct on-site audits as necessary.

(b) In order to ensure independence from the Executive Officers of organizations that should assist with the duties of the Audit Committee, the Audit Committee shall have the authority to agree beforehand to matters relating to human resources, including the appointment of the general manager of the Audit Department, evaluation, transfer, and discipline, etc.

(c) The Audit Committee, in regard to the basic policy of the Audit Department, the content of the audit plan, and the formulation of the budget, shall have the authority to agree beforehand to this, and in addition, shall submit specific instructions to the Audit Department as necessary. Further, in the event that an instruction to the Audit Department to the Audit Department issued by the Audit Committee conflicts with an instruction issued by the Representative Executive Officer & President, the instruction by the Audit Committee shall have priority.

7. System for reporting to the Audit Committee

(a) The Audit Committee shall seek reports from Directors of the Board (excludes Directors of the Board who are Audit Committee Members of the Company), Executive Officers, and Audit & Supervisory Board Members of the Group (hereinafter referred to as "Officers, Etc."), regularly, in regard to the status of duties.

(b) The Company shall establish a system whereby Officers, Etc., and employees of the Group report without delay on the matters set forth below to the Audit Committee and the Audit Department, and in addition, in regard to matters outside of the below, promptly provide a report if requested to do so by the Audit Committee or the Audit Department.

- Matters that may cause significant damage to the business or finances of the Group
- Matters relating to internal audits and risk management
- Matters relating to violations of laws and ordinances, etc., as well as the occurrence of major accidents
- Other important matters relating to compliance

(c) The Audit Committee shall hold regular meetings with the Accounting Auditor, and shall request reports on the necessary matters, including the status of accounting audits. The Accounting Auditor shall provide reports on accounting to the Audit Committee as appropriate.

(d) The Company shall clarify in internal regulations, etc., that a person who issues a direct report to the Audit Committee or the Audit Department, or who has issued a report via the whistleblowing system, shall not suffer any disadvantageous treatment on the grounds of having filed such a report, and in addition, shall spread awareness to ensure compliance with such matters.

8. Other systems to ensure the effectiveness of audits conducted by the Audit Committee

(a) The Audit Committee shall hold regular meetings with the Representative Executive Officers, shall exchange opinions on issues that should be addressed by the Company, the establishment status of the auditing environment, and important audit-related issues, etc., and the Representative Executive Officers, based on the requests of the Audit Committee, shall establish an Audit Department system for the effective construction and operation of a system for contact with Audit Committee members and a system for reporting to the Audit Committee.

(b) The Audit Committee, in partnership with the Audit Department and the Audit & Supervisory Board Members and the internal audit departments, etc., of the Group, shall establish a system for the performance of group audits, with a focus on the Company.

(c) The Audit Committee members appointed by the Audit Committee and the general manager of the Audit Department may attend meetings of the Executive Management Committee, Core Operating Company Presidents' Committee, and other meeting bodies that are deemed important by the Audit Committee members, and may check and audit the meeting materials, minutes, decision making system, contracts, and other important decision making records, etc., of these bodies.

(d) In regard to the costs required for the execution of the duties of the Audit Committee (includes the costs for the hiring of attorneys, consultants, and other external specialists), if requested beforehand by the Audit Committee, the Company shall promptly pay these, and for costs that have been paid by the Audit Committee, shall promptly reimburse these upon the issuance of a claim, in accordance with the content of said claim.

2. Basic approach to and implementation status of the elimination of any relationship with antisocial forces

Stated in "IV. Basic approach to the internal control system and its implementation status" above.

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 Updated

[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 and enhance 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 ordinances and timely disclosure rules prescribed by financial instruments exchanges as an important management role and has adopted the following internal system.

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 reported to and approved by the Board of Directors following the finalization of the results by the Finance & Accounting Department. Regarding revisions of financial forecasts, the Representative Executive Officer and President, and the Officer in charge of finance, receives regular reports on the earnings outlook from the Finance & Accounting 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 decisions is disclosed in accordance with the timely disclosure rules promptly after such decisions are made by the party with decision-making authority for the applicable matter, such as 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 other important matters are also disclosed on a voluntary basis.

5. Information about subsidiaries are prescribed in the internal regulations of the Company on the matters that should be reported by the Officer in charge to 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 General Affairs Department has been appointed as the person responsible for insider 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 insider information management.

7. The Investor Relations Department and Public Relations 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 financial instruments 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 around one month preceding the announcements of earnings 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 to ensure fairness. However, in the event of an expectation arising that significantly differs to the performance forecast during the quiet period, information shall be disclosed at the appropriate time and in the appropriate manner, in accordance with the timely disclosure rules, etc.

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.

[Model Diagram] Updated

