

### Basic Views of Corporate Governance Policies

Nippon Paint Holdings recognizes that effective corporate governance is one of all important management issue. Through the implementation of our “Management Philosophy” and the “Nippon Paint Group Vision,” we strive to develop a comprehensive and robust corporate governance system that will realize a management structure that is highly transparent and capable of responding quickly and appropriately to changes in the operating environment, enhancing mid-to-long term corporate value and sustaining growth. We formulated our “Corporate Governance Policies” in November 2015, clearly defining our basic corporate governance approach, system and management policies.

### Corporate Governance System

Nippon Paint Holdings has adopted a company with an Audit & Supervisory Board and introduced a Corporate Officer System. We have also appointed three outside auditors that perform professional audits and do not have any special conflicts of interest with the Company. To ensure that the Board of Directors considers various points of view when making decisions, we have appointed two outside directors to further strengthen supervisory functions.

Nippon Paint Holdings has appointed our own directors or corporate officers to serve at important affiliate companies, as well as individuals qualified to serve as directors, and are thoroughly committed to implementing our management policies.

### Directors and Board of Directors

The Board of Directors presently\* comprises seven directors (including two outside directors). In addition to monitoring supervising directors in the execution of their duties, the Board of Directors in principle convenes once a month as a deliberating and decision making body to evaluate matters stipulated by the Company Act and important matters relevant to management. The Chairman of the Board of Directors presides over meetings.

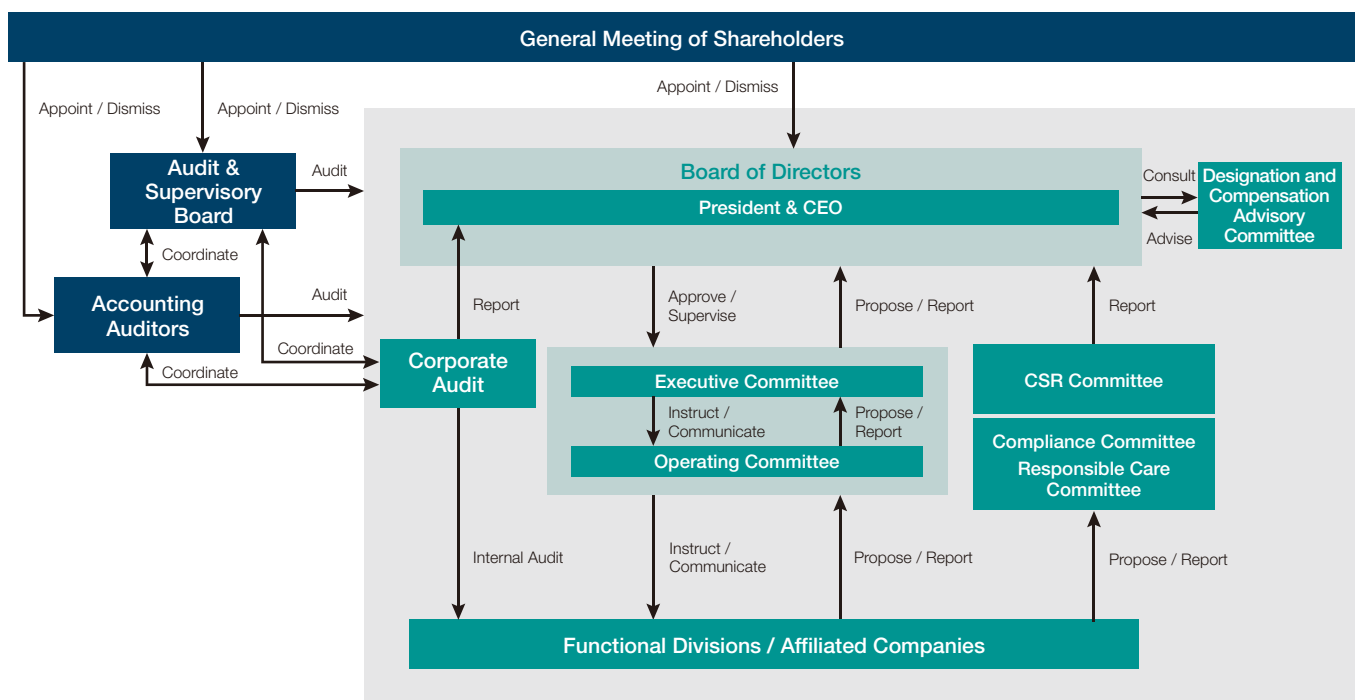
Directors are appointed to one-year terms in order to completely clarify management responsibilities.

Nippon Paint Holdings has clarified the responsibilities of various positions to bolster company management. Directors’ duties include determining management policies and medium-to-long term strategies for Nippon Paint Group, as well as monitoring the progress of corporate officers and affiliate company executives in the execution of their duties. Corporate officers’ duties include the business execution in their respective departments of matters resolved at Board of Directors meetings and achieving targets.

With regard to the business execution of important matters and agenda items raised at Board of Directors meetings, to enable thoughtful decisions by examining issues from multiple perspectives, we have also established an Executive Committee and an Operating Committee that are mainly managed by an executive director.

\* September 30, 2016

### Organization Chart of Corporate Governance



## Executive Remuneration

Remuneration of company directors (excluding outside directors) includes job-based remuneration, performance-linked remuneration, and long-term incentive remuneration. Job-based remuneration is a fixed amount determined in line with the roles and responsibilities of individual directors.

Performance-linked remuneration is different for each director position and as a rule is 45% to 50% of total compensation. The base amount changes within a zero to 200% range every year depending on consolidated, department and business company results. Long-term incentive remuneration was changed to stock-option based compensation from June 26, 2015, with stock options distributed based on the amount determined for each director position.

Furthermore, in February 2013, Nippon Paint Holdings established the Compensation Advisory Committee as an advisory body to the Board of Directors. The Committee holds deliberations on the remuneration of directors and corporate officers and other issues and presents the results to the Board. Directors and corporate officers remuneration composition and standard annual remuneration amounts are determined by the Board of Directors based on conclusions stemming from deliberations at the Compensation Advisory Committee, taking into account social conditions, industry peers and the market standard.

The Compensation Advisory Committee was changed to the Designation and Compensation Advisory Committee from April 2016.

Remuneration for outside directors is limited to pay based on job classification, with consideration for the specific duties of the position, and does not include performance-linked remuneration or long-term incentive remuneration.

Remuneration for individual auditors is determined based on discussions among auditors within the scope of total compensation stipulated at the General Meeting of Shareholders. Remuneration for auditors, including that for outside auditors is limited to pay based on job classification, with consideration for the specific duties of the position, and does not include performance-linked remuneration or long-term incentive remuneration.

## Status of Corporate Auditor's Audit and Accounting Audit

Auditors shall attend Board of Directors meetings and other important meetings to perform auditory functions to confirm the legality of duties executed by directors, the effectiveness of internal control systems developed by the Company, and the integrity of the financial information creating process. Auditors shall also hold regular meetings with the Representative of the Board of Directors, to confirm management policies, and exchange views on major issues facing the company, business risks and important auditing issues.

The Audit & Supervisory Board presently comprises five auditors (including three outside auditors). Qualified certified public accountants and lawyers that do not have any special conflicts of interest with our Company and are neutral are appointed to positions.

Outside auditors shall attend Board of Directors meetings to perform auditory functions to confirm the legality of duties executed by directors, obtain reports as needed for business audits and audit meetings, and express their views regarding the status of auditory operations at various departments and affiliated companies.

Two personnel have been specifically assigned to ensure that auditors are able to conduct their work smoothly.

## Optional Committee Status

(Number of people)

Committee name	All committee members	Full-time committee members	Internal directors	Outside directors	Outside experts	Other	Committee President (Chairperson)
Designation and Compensation Advisory Committee	6	0	4	2	0	0	Internal directors

## Roll of an Internal Auditing Department

We have established a Corporate Auditing Unit under the direct control of the President that is responsible for performing internal audits from 2016. The unit is made up of 13 personnel, some of whom also serve other roles. The Corporate Auditing Unit performs internal audits to strengthen and improve the internal governance system of Nippon Paint Holdings as well as group companies. Audit results are reported to the President, management officers, head of the audited department and auditors. In the event of a problem with the findings of the Internal Audit Unit, the problem shall be resolved through discussions with the head of the relevant department by following up with the unit.

## Standards Governing the Appointment of Outside Officers

Outside directors and outside auditors shall be appointed based on the “Independence Criteria for Outside Directors/Auditors” formulated by the Board of Directors.

(The “Independence Criteria for Outside Directors/Auditors” is published in the Notice of Ordinary General Meeting of Shareholders, securities reports and on our webpage).

## Developing a Global Governance System

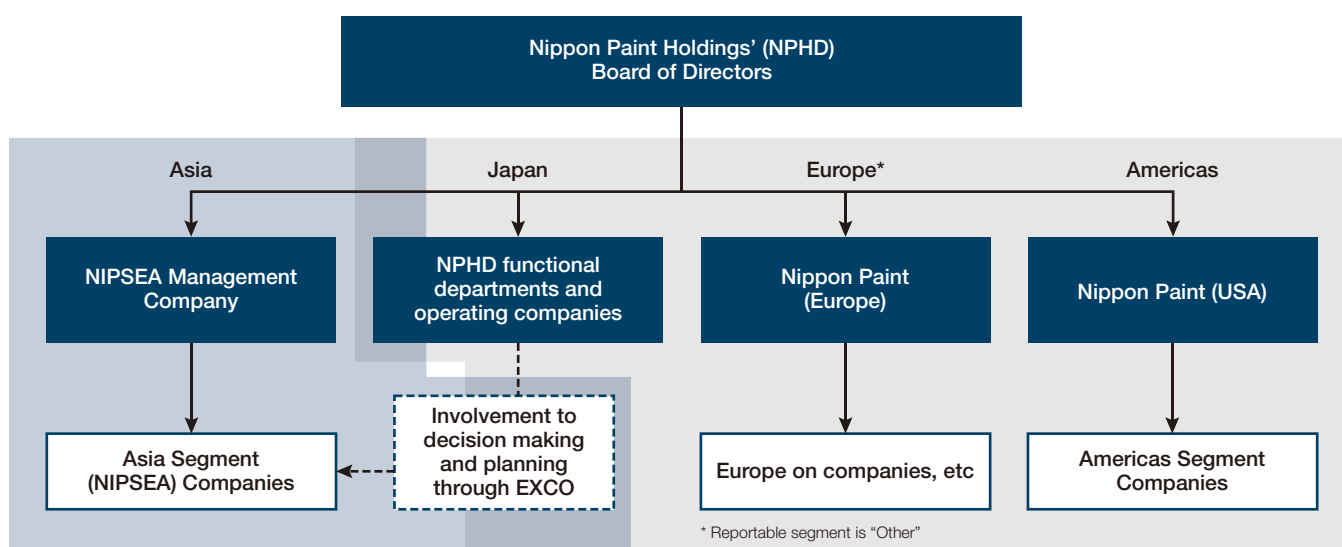
In light of the conversion by Nippon Paint Holdings to consolidated subsidiaries in 2014 of eight joint venture companies (“NIPSEA”) whose businesses in Asia the Company developed together with Singapore’s Wuthelam Group, our joint venture partner for 50 years, we have put in place a global governance system.

We have been examining the creation of a governance system, viewing “submitting important matters to Nippon Holdings’ Board of Directors and providing thorough and

transparent information regarding reporting channels” and “the involvement of domestic business companies in proposals by NIPSEA companies” as important points. We are also mindful of the need for “quick decision-making.”

Through discussions and collaborations with NIPSEA companies, we established a “Global Governance System” in January 2016 and a “Business Management Control Policy” that clarified the authorities and responsibilities of NIPSEA companies. Going forward, we will continue to develop the global governance system as we strive for management transparency and to forge the collective strengths of the Group.

## Global Governance System Overview



■ Area newly organized under “business management and control policy”  
 ■ Area with previously established submitting and reporting channels

NIPSEA: Nippon Paint South East Asia, which operates businesses in Asia EXCO: Executive Committee, NIPSEA’s decision-making body