

# Small Investor Meeting with Outside Director

October 20, 2021

Masayoshi Nakamura

Lead Independent Director and Board Chair

Nippon Paint Holdings

# Profile of Outside Director

Specialized professional in M&A advisory services and financing from the capital market



**Masayoshi Nakamura**  
 Lead Independent Director  
 Board Chair

## Profile

Masayoshi Nakamura was elected Independent Director of NPHD in March 2018, serving as the Nominating Advisory Committee member and the Compensation Advisory Committee member and as the Lead Independent Director from March 2020. He has served as the Board Chair since April 2021, playing an important role in activating discussions in the Board of Directors meetings such as putting together the opinions of the Independent Directors and sharing them with the management team. He has more than 30 years of experience as a specialized professional in M&A advisory services and financing from the capital market, which he gained at Morgan Stanley and other leading US investment banks.

# Main Questions Received from Shareholders and Investors (1)

## Roles, skills and diversity of the independent directors

<p><b>① Roles as the Lead Independent Director</b></p>	<ul style="list-style-type: none"> <li>◆ What was the background of your appointment as an outside director of NPHD?</li> <li>◆ What changes have you noticed in the board since your appointment in 2018? Please tell us how the board has improved and the points that need to be improved.</li> <li>◆ How are you going to leverage your experience to improve the corporate value of the Nippon Paint Group?</li> <li>◆ What are the KPIs you are using to measure your contribution to corporate value as the Lead Independent Director?</li> <li>◆ What are the sources of your incentives and motivation as an outside director that drive you to be significantly involved in management?</li> <li>◆ What do you think are the roles of the Lead Independent Director? What advice would you give to a company which does not have a lead independent director?</li> </ul>
<p><b>② Board skills matrix and diversity</b></p>	<ul style="list-style-type: none"> <li>◆ What do you think are the qualities and mindset required for an outside director?</li> <li>◆ What is your view of the current composition of the directors? What improvements do you think are needed?</li> <li>◆ Do the outside directors have diverse backgrounds? Do the directors use a broad viewpoint for their discussions?</li> <li>◆ Please share your thoughts on the NPHD board's diversity.</li> </ul>

## ■ Main Questions Received from Shareholders and Investors (2) – 1

### ■ The Board's effectiveness and ideal format of its oversight functions

#### ③ The Board's effectiveness, atmosphere, and ideal format of oversight functions

- ◆ Does the Board hold thorough and effective discussions?
- ◆ Are the Board's discussions effective? Are there any cases in which confirmations of agenda items are merely a formality? Please give examples of strategies that were approved based on a proposal of the outside directors or an agenda item that was withdrawn due to objections of the outside directors.
- ◆ With a majority of the board members being the outside directors, how is the board run? What kind of agenda items are discussed and resolved by the board? What kind of agenda items are entrusted the executive officers for deliberation and decisions? I would like to know how the board is currently administered given that the Co-Presidents are not members.
- ◆ Please share with us examples to the extent allowed of agenda items that were withdrawn due to objections of the outside directors to the extent allowable (we may decide to withdraw this question depending on the atmosphere of the meeting or the company's decision.)

## ■ Main Questions Received from Shareholders and Investors (2) – 2

### ■ The Board's effectiveness and ideal form of its oversight functions, etc.

#### ③ The Board's effectiveness, atmosphere, and ideal form of oversight functions

- ◆ How do the outside directors communicate with each other?
- ◆ Please provide information about discussions by the directors regarding the establishment of the New Medium-Term Plan. If I may, please share with us some examples that demonstrate the board's effectiveness and approaches that value investors' viewpoints and MSV.
- ◆ I have questions about ESG-integrated management. I've heard that the ESG Committee reports to the Board four times every year. Please share with us some examples that demonstrate the board's effectiveness and approaches that value investors' viewpoints and MSV.
- ◆ I have questions about the background of NPHD's structural reforms. In recent years, NPHD has undergone significant changes including governance and management structures. Was there already a momentum for reform before Mr. Nakamura joined the company and did this momentum increase after you joined the company in 2018? Or, was the current direction determined in 2018 or afterward?

# Main Questions Received from Shareholders and Investors (3)

## Relationship with the major shareholder, suitability of nomination and remuneration decision process

<p><b>④ Relationship with Wuthelam, the major shareholder</b></p>	<p>◆ If the opinions of Mr. Goh, the representative of the major shareholder Wuthelam, are not aligned with the interests of minority shareholders, how will you deal with this situation? Do you think the current governance structure is adequate?</p>
<p><b>⑤ Business transfer to the major shareholder Wuthelam</b></p>	<p>◆ The carve-out of the India and European businesses, which NPHD announced in August, is a transaction with the major shareholder. What criteria did you use to determine the adequacy of the transaction?</p>
<p><b>⑥ Decisions on nomination and remuneration</b></p>	<p>◆ How are the outside directors involved in the decisions on nominations and remuneration?</p> <p>◆ Who determines the remuneration of the outside directors and how? NPHD provides restricted stock compensation to the outside directors as well. However, not many Japanese companies have a similar remuneration plan. What do you think about this?</p> <p>◆ Do you think that the current remuneration structure is appropriate?</p>

# Main Questions Received from Shareholders and Investors (4)

## Challenges facing the Nippon Paint Group

### ⑦ Challenges facing the Nippon Paint Group

- ◆ Do you see any challenges involving the management of the Nippon Paint Group?
- ◆ How much does the board discuss matters related to Environmental (E) and Social (S) issues?
- ◆ What kind of improvements is the board seeking in terms of the basic management policy and internal control system?
- ◆ Many investors are concerned about the governance of NPHD. What is your take on this? Please give us your frank view as the Board Chair. What kinds of suggestions have the outside directors made to the management team to reflect the stance of the financial community?
- ◆ NPHD already has a better governance structure than most of your peer chemicals manufacturers in Japan. What improvements and challenges need to be addressed?
- ◆ Are there any companies which the board has used as reference for changing the governance structure (companies inside and outside the paint/chemicals industries and both Japanese and overseas companies) ?

### ⑧ Other

- ◆ You mentioned in the Discussion section (page 85 ~ ) of the Integrated Report 2021 that EPS and PER are important metrics for shareholder value. Please elaborate on your understanding of PER as a shareholder value metric.