

Small Investor Meeting with Outside Director Q&A Summary
(October 20, 2021)

◆ Questions by Investor A

Q1	<p>I have a question about the relationship between corporate governance and Maximization of Shareholder Value (MSV). What is your idea of MSV? Supposing that MSV is translated as the growth of earnings per share (EPS), I believe one of the roles of corporate governance is to put a stop to actions aimed at increasing EPS at any cost. Is my understanding of the relationship between corporate governance and MSV correct? For example, the transfer of the European automotive coatings business and the India business to the Wuthelam Group probably makes sense from the perspective of improving EPS. However, it was a rather rare scheme. If the scheme causes people outside to be concerned about or raise doubts about a possible conflict of interest even if the transaction was executed via the right process, I think you can choose not to carry out the transaction from the perspective of corporate governance.</p>
A1	<p>As to your question about my idea of MSV, a higher EPS generally leads to a higher stock price and greatly benefits shareholders. You may think that MSV is similar to the concept of shareholder primacy. However, shareholder primacy differs greatly from MSV, which is the ultimate objective of the Nippon Paint Group.</p> <p>The Board of Directors is constantly required to make decisions on subjects including investment projects. Therefore, the board members occasionally exchange opinions with the key leaders of the Nippon Paint Group called Global Key Persons (GKP) even when there is no agenda submitted to the board. As you could see, the word MSV includes “Maximization”; let me try to explain our duty as a private-sector company in relation to the satisfaction of employees and customers.</p> <p>If the Nippon Paint Group maximized the satisfaction of all stakeholders other than shareholders, our shareholder value, which is the residual value, would probably be zero. Being an incorporated company, I believe that the Nippon Paint Group has various contracts with stakeholders. Looking at the relationship with employees, for instance, the Nippon Paint Group provides compensation to employees for their work and supports systems for their career plans. These are some of the types of contracts. In addition, the Nippon Paint Group has contracts with customers, such as contracts for selling products at</p>

appropriate prices and guaranteeing the quality of products. Employees and customers determine whether to work for the Nippon Paint Group or to purchase products supplied by the Nippon Paint Group based on this premise. Another point I would say is that the Nippon Paint Group has general social responsibilities, but cannot maximize the satisfaction of residents in areas where the Nippon Paint Group's factories and the head office are located. Nevertheless, the obligations of the Nippon Paint Group while operating businesses in those areas are based on certain forms of contracts (regardless of whether they are written or not). What remains after taking those obligations into account is EPS.

I believe it is very important for the board to keep an eye on whether the Nippon Paint Group uses an appropriate process for generating EPS and to provide the management team with various viewpoints. For instance, building a corporate culture is a very important element of a certain type of contract with employees. A slight misstep in the creation of corporate culture may cause an issue such as neglecting to perform compulsory testing by some of the leading Japanese companies, which made newspaper headlines recently. I believe it is inappropriate for the board to allow a corporate culture that accepts such misconduct to remain as is. As I explained earlier, MSV is equivalent to EPS when put in figures from a very broad perspective. In the meantime, we closely oversee the process for achieving the proper EPS.

At the same time, we must avoid waste in order to achieve the proper EPS after appropriately fulfilling our obligations to customers, employees, and society. Wee Siew Kim, the Co-President of Nippon Paint Holdings, used the term Lean For Growth (LFG) in the Integrated Report 2021. As expressed by this term, the Nippon Paint Group is aiming to accomplish a transformation into a very lean organization.

To give you the background to the transfer of the European automotive coatings business and the India businesses to the Wuthelam Group, the automotive coatings business of the Nippon Paint Group was not performing well after the acquisition of Bollig & Kemper (B&K). As a result, the board requested a restructuring plan and reviewed the plan three or four times. There were a few excellent plans. However, this business required several years for restructuring and the gap between us and competitors significantly widened while we were working on improving the performance of this business. As a result, we have continued to lag behind competitors in the European

automotive coatings business for many years. With regard to the India businesses, the management team previously made decisions that disregarded the perspective of MSV. As a result, these businesses also needed restructuring.

Naturally, the board strongly requested an improvement in the performance of these businesses. The two newly appointed Co-Presidents fully understood that this was their responsibility and decided that the existing performance improvement plans would not work. I think all outside directors had reservations at first about the Nippon Paint Group's relationship with the Wuthelam Group becoming complicated again so soon after the simplification of the capital relationship following the completion of the acquisition of 100% ownership of the Asian JVs in January 2021.

The outside directors asked the two Co-Presidents about the business plan underlying the transaction and how the European automotive coatings business and the India businesses can contribute to MSV. Although this transaction is a scheme to sell those businesses to the Wuthelam Group, before drawing a conclusion, we started discussions by reviewing the business plan to determine the objective of the transaction. After this process, we concluded that the transaction, in a way, is the launch of a venture business, which is a normal transaction for any publicly listed company. It was a case of starting a new venture business, which is an aggressive plan that cannot be carried out by the Nippon Paint Group alone. The discussion centered on if it is possible for us to ask shareholders who have invested in our group based on a sufficient understanding of our businesses to assume the financial risk of this plan as the Nippon Paint Group supplies the business resources for this joint venture.

The European automotive coatings business and the India businesses are strategically important, so we wanted to turn around their performance. On the other hand, there was a possibility of failure. If we were to start a business from the ground up, we could take on a new challenge with a new local partner. However, this was a restructuring of failing businesses as a result of wrong management decisions in the past. Considering these points, we discussed the following scheme: (1) NPHD will sell these businesses to the Wuthelam Group, which has a deep understanding of the Nippon Paint Group's businesses, (2) the Wuthelam Group will provide funds to restructure the businesses, and (3) NPHD will retain the right to buy back the businesses at some point.

The India businesses, which include the Nippon Paint Group's existing joint venture, were in a very complicated situation. Taking into account the overall

	<p>growth potential of the Nippon Paint Group’s business in India, we decided to temporarily transfer the India businesses along with the European automotive coatings business.</p> <p>I believe this scheme has good prospects for success. We set up a special committee to examine this scheme and employed an independent advisor to evaluate the pricing, valuation and legality of the scheme. What I would like to emphasize here is that we did not use a process or make decisions as a mere formality simply to avoid a conflict of interest. This is a glimpse into the inner conflict of each director and discussions by the board involving this scheme. I hope you understand that we made this bold decision based on thorough discussions from a broad perspective.</p> <p>I expect that we will be having a heated debate again when the Nippon Paint Group considers buying back these businesses in the future.</p>
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◆ Questions by Investor B

Q1	<p>I think MSV is a very simple and rational concept, and I recognize the consistency of corporate governance decision making because MSV is the only criterion. However, I have some concerns about how the Nippon Paint Group views the fulfillment of duties to stakeholders. I think it is possible that the Nippon Paint Group’s actions to achieve MSV will not actually lead to MSV if there is a gap in understanding between the Nippon Paint Group and its stakeholders, including society and shareholders. Isn’t there a possibility of this type of gap occurring?</p> <p>For instance, there have been various changes in the business climate, such as increases in requirements and the awareness of the need for actions concerning the environment and gender equality. Has the Nippon Paint Group been able to appropriately fulfill these obligations to stakeholders in response to the expectations of people outside the group? What is the board’s policy and how does the board oversee the management team’s decisions?</p>
A1	<p>The six outside directors may not necessarily have a thorough understanding of the expectations of all stakeholders, although we are making the best effort to do so. In addition, the views of stakeholders change day by day. Therefore, the important thing is to keep up with the latest trends.</p> <p>There are several ways to do this. One is to listen to the opinions of the executive department or GKP in the paint and coatings business and paint</p>

related business of the Nippon Paint Group. They also manage operations by keeping in mind the perspective of various stakeholders. The Nippon Paint Group's partner companies include a company formerly listed on the Australian stock exchange. We can benefit from their expertise and knowledge regarding the ideal stance concerning corporate social responsibility and duties to stakeholders and internal control systems to determine what kind of duties the Nippon Paint Group should fulfill in every operating region and business. I believe the best information source unquestionably is the opinions of the local management.

The Board of Directors is consulted about various subjects such as investment projects, organizational changes, and personnel changes. The Independent Directors of the Board meeting enhances the capabilities of outside directors, who supervise and give advice to management from the perspective of fulfilling obligations to stakeholders. The Independent Directors of the Board meetings are held 14 or 15 times a year immediately after the Board of Directors meeting or when we have more time. The meeting is run without any agenda or keeping minutes. The focus of discussions is on increasing knowledge and updating information to raise the capabilities of every outside director, rather than on achieving a consensus of the six outside directors. Discussion topics include what roles the six outside directors should fulfill in the Nippon Paint Group and information about potential issues.

From time to time, external experts are asked to attend the Independent Directors of the Board meeting. For instance, we invited a legal professional to explain recent changes in the U.S. laws that impose more stringent requirements and discussed potential issues involving the Nippon Paint Group created by those changes. We also invited professors from U.S. universities with expertise concerning corporate governance and discussed corporate governance issues that are emerging in the U.S. and Europe. And also the Board of Directors evaluates the board's effectiveness once a year. Based on the result of this evaluation, we exchange opinions with the outside advisor who creates an independent third-party report on the board's effectiveness. In this way, we are working to enhance our ability to fulfill the Nippon Paint Group's obligations to stakeholders. As part of this process, we constantly exchange views about diversity, such as the potential candidates we should invite to become directors based on their practical knowledge and experience in certain areas.

Q2	Your answer gave me a good image of how outside directors with outstanding professional knowledge and experience are constantly making improvements to reach the best possible decisions.
A2	I don't know if we have outstanding professional knowledge and experience or not. But what is certain is that every outside director is participating in the Board of Directors meeting that is "always on" even outside the meeting hours. We are putting our entire reputation which we have established on the line.

◆ Questions by Investor C

Q1	<p>I was very shocked when the Board of Directors changed drastically in 2018 after Mr. Goh Hup Jin signaled the possibility of making a shareholder proposal. I am impressed with the significant improvement in corporate governance achieved since then. At the same time, I was concerned a little bit that this change would increase Mr. Goh's influence too much. I believe the most important decision involving the corporate governance of a company is the selection of the president. My concern is that Mr. Goh is a member of the Nominating Committee.</p> <p>In addition, recent events have caused me to question, from the outsiders' perspective, the legitimacy of the president's nomination process and the management process for transactions with the major shareholder. For instance, the former President & CEO Tanaka resigned after obtaining the approval of shareholders at the general meeting of shareholders. Also, the Nippon Paint Group carried out a transaction with the Wuthelam Group where Mr. Goh is the representative. The Nippon Paint Group has explained that a proper corporate governance structure is in place. As an investor who places a premium on formalities, however, I suggest that Mr. Goh resign his post at least at the Nominating Committee to reassure people outside the Nippon Paint Group. What is your view?</p>
A1	<p>Firstly, let me explain the resignation of Mr. Tanaka as the President & CEO after the general meeting of shareholders. Your point is right that the selection of the most suitable president is one of the highest priorities of the Board of Directors. However, things are different depending on the circumstances. We started communicating with Mr. Tanaka at the end of 2018 for inviting him to the management team. Mr. Tanaka became Executive Chairman of the Board</p>

in 2019 and effectively established a new management structure led by himself in the second half of 2019. As the Lead Independent Director, I closely oversaw the management decisions by Mr. Tanaka. I can tell you that Mr. Tanaka played a very significant role for around two years until his resignation. In particular, he and Mr. Wakatsuki, who was the CFO at that time and is currently the Co-President, worked very hard on creating the New Medium-Term Plan.

In the meantime, it is true that he began to feel less confident about maintaining the higher level of physical and mental stamina needed to implement the New Medium-Term Plan. I believe it is the responsibility of the board members to quickly detect this type of change. Mr. Tanaka did not express his intention to resign before the general meeting of shareholders. However, I believe all the directors were probably aware of the risk of his resignation. The issue was when. In the process of creating the New Medium-Term Plan, the opinion of Mr. Goh, the major shareholder of Nippon Paint Group, was only one of the voices of the eight directors regarding who would execute the New Medium-Term Plan when it is completed and if it would be necessary to replace the senior management halfway through the three-year period.

Regarding the transfer of the European automotive coatings business and the India businesses to the Wuthelam Group, we did not seek the opinions and views of Mr. Goh at the Board of Directors meetings. We checked to see if Mr. Goh was involved in the transaction, but he did not have an opportunity to state his views.

Mr. Goh is a member of the Nominating Committee but is only one of the four committee members including me. Frankly, no board member knows the key leaders of the Nippon Paint Group in Asia as well as in Japan better than Mr. Goh. Therefore, he is a valuable person who can provide a broad range of information at Nominating Committee meetings. That is why he is a Nominating Committee member.

Our discussions with Mr. Goh are not limited to face-to-face discussions at the Board of Directors meetings. We constantly communicate via phone, email and SNS. In the same manner, we keep in close contact with other key leaders of the Nippon Paint Group, including NPHD's Co-President Wee and Co-President Wakatsuki, leaders of our partner companies in Asian countries such as NIPSEA China CEO Eric Chung and Nippon Paint Malaysia Group

	<p>Managing Director Yaw Seng Heng, as well as DuluxGroup CEO Patrick Houlihan in Australia. Our mission is to work out the best solution in each case through our communications to achieve MSV.</p> <p>Outside directors will leave the board if the Wuthelam Group, the major shareholder of NPHD, votes against our election at the general meeting of shareholders. In the meantime, if we feel that the Wuthelam Group is making a decision or pursuing a move that disregards the interests of minority shareholders, all six outside directors would probably offer to resign before the general meeting of shareholders, insisting that we would no longer be able to fulfill our responsibilities. This is our mindset to serving as outside directors, and I believe Mr. Goh understands it well.</p>
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◆ Questions by Investor D

Q1	I believe M&A will be the key to growth of the Nippon Paint Group. Please tell us how the Board of Directors is involved in decision-making concerning M&A.
A1	<p>We leave the decision-making on very small M&A deals to the management team. Only a large proposal that requires a press release is submitted to the Board of Directors.</p> <p>We had many discussions about M&A deals at the M&A Advisory Committee which was previously in place. After this committee was abolished in January 2020, M&A proposals are submitted to the board after thorough discussions by the management team. But we are reviewing this process because there was a case in which the board was required to make a decision at the last minute. The management teams of the Nippon Paint Group's partner companies in every operating region are requested to submit a long list of acquisition target companies both for investments and acquisitions. This is a wish list of targets for investment and acquisition and has many pages. We receive a briefing about each potential deal by the GKP involved with these proposed deals and we prioritize these potential deals. We then examine the feasibility of these deals and hold discussions to work out the details, such as the timing and the scheme.</p> <p>The Board of Directors constantly discusses the potential deals and the road map for using M&A for growth. I believe thinking about the Nippon Paint Group's road map for growth based on the market cap and the balance sheet of NPHD explains why NPHD acquired 100% ownership of the Asian JVs through</p>

	<p>a third-party allotment. Financing the transaction through borrowings would impair the balance sheet and, by extension, the growth prospects of the Nippon Paint Group. On the other hand, the third-party allotment would strengthen the Nippon Paint Group's balance sheet even though the Wuthelam Group's shareholding in the Nippon Paint Group would increase temporarily. Considering these points, we concluded that taking this action would be the best option for our growth as long as we were certain that the Wuthelam Group will never object to an equity financing in the future that would be dilutive to them. In this manner, the Board of Directors constantly discusses and shares views about the Nippon Paint Group's visions and capital policy.</p> <p>For some projects, the board is required to make a decision within a very short period of time. We have asked the management team to promptly report to the board about a potential M&A deal when they start examining the project. In particular, the board receives reports about highly significant M&A deals even if enough information is not available yet, and goes through the process of multiple reports and deliberations before a resolution is officially approved or rejected.</p> <p>M&A proposals require a timely resolution. We will miss out on an M&A opportunity if the Board of Directors meeting is not held in a timely manner. The Board of Directors considers a potential M&A deal in advance based on the wish list of potential investment and acquisition projects submitted by the management team, the vision and road map of the Nippon Paint Group being discussed by the board, and prior information. There are potential deals we abandon in the course of this process. There are only few cases where the board members have not seen a potential deal before the resolution for the deal is submitted. In this manner, the board members basically are constantly informed of updates on potential M&A deals.</p>
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Q2	So the Nippon Paint Group makes decisions about an acquisition after examining the deal based not only on the PER (Price to Earnings Ratio) but also on financial considerations such as if the transaction will contribute to EPS growth. Is my understanding correct?
A2	Whether or not the project is EPS accretive is the most critical criterion for investment and acquisition projects that are submitted to the Board of Directors. When we estimate the acquisition value of a company, we look at PER and EV/EBITDA multiples and review the level of financial soundness we

	need after the transaction is completed. The management team will basically abandon an acquisition target which cannot be expected to be EPS accretive in the course of review without submitting the deal to the board for discussions.
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◆ Questions by Investor E

Q1	I understand that the Nippon Paint Group is placing great importance on increasing EPS to pursue MSV. On the other hand, minority shareholders cannot form a majority interest even when combined. As a result, the only incentives for minority shareholders to invest in the Nippon Paint Group are increases in the stock price and dividend. Please share with us the discussions and stance on the stock price at the Board of Directors meetings and the Independent Directors of the Board meetings.
A1	<p>The Nippon Paint Group is keenly aware that its stock price has been weak compared to the high price level reached at one time. The Nippon Paint Group's policy is to take actions to increase EPS through business operations while continuing to pursue MSV. In addition, the Nippon Paint Group is committed to value creation from a financial perspective as well as from the perspective of improving corporate governance, investor relations and public relations in order to increase PER, which is a component of stock price improvement. I myself check the price of our stock several times every day.</p> <p>The board members receive a report on trends concerning NPHD's stock price, investors, and competitors on a monthly basis, and exchange opinions based on these reports. In my personal opinion, NPHD's stock price should ideally reflect the concept of MSV. When our stock is overvalued or undervalued, whichever is the case, I believe NPHD needs to evaluate its own enterprise value. I think the estimation of enterprise value should be based not only on EPS and PER but also on the growth potential of our operating regions and businesses. Some Indian companies have a very high PER, and NPHD should consider if this high-PER can be used as a basis for estimating its enterprise value. In addition, NPHD should have a basis for determining whether its stock is undervalued or overvalued.</p> <p>To estimate our enterprise value, we need to factor in our achievements over the past 10 years, as well as the impacts of more recent initiatives such as the New Medium-Term Plan and the new management structure. The stock price is currently being affected to some extent by higher prices of raw materials and</p>

	<p>a possible slowdown in some operating regions and businesses, including in China.</p> <p>The Nippon Paint Group adequately evaluates its enterprise value and will establish its own yardstick to determine whether its stock is undervalued, overvalued, or at an appropriate level. Meanwhile, the board will enhance engagement with investors whenever necessary in cooperation with the Investor Relations Department.</p>
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Q2	Is my understanding correct that stock price is regularly a topic of discussion at the Board of Directors meetings and the Independent Directors of the Board meetings?
A2	That's right. The Board of Directors discusses the future vision and road map for the Nippon Paint Group. Capital policy is naturally part of this discussion, which leads to a discussion of the stock price.

◆ Questions by Investor F

Q1	Is there a risk of people acting on <i>sontaku</i> (preemptive action in anticipation of superiors' unspoken wishes) in the Nippon Paint Group as a whole? Or is it something long gone?
A1	<p>I believe you do not need to act on <i>sontaku</i> in the Nippon Paint Group. However, we need to be on the ball all the time and tell the people around you that <i>sontaku</i> is not needed. Acting on <i>sontaku</i> is unique to Japanese society, which is predicated on lifetime employment. I feel that people are prone to act on <i>sontaku</i> if they spend their entire careers at a single company.</p> <p>The percentage of Japanese employees in the Nippon Paint Group is about 10%. What I hope to do as the Nippon Paint Group expands operations in various businesses is to eliminate the notion that "Japan is special" or "that does not work in Japan" in business decisions through discussions with our group's non-Japanese leaders with the support of the Board of Directors.</p> <p>In addition, we are paying attention to the cost of not trusting people (fellow workers). Large companies in Japan and the U.S. have rules and regulations in place and assign people to manage those rules and regulations, which are the cost of not trusting people. There are risks that occur even when companies appoint people who manage rules and regulations. On the other hand, there are cases where trusting people without assigning people to manage rules and</p>

	<p>regulations increases their motivation. Our discussion is now focused on whether taking a possible risk of trusting people or incurring the cost associated with not trusting people is more conducive to MSV.</p> <p>I believe that it is important for the Nippon Paint Group to have a management style that delegates authority and gives autonomy to acquired companies based on Powerful Partnerships, rather than adopting a centralized management structure. Powerful Partnerships cannot be established unless we tell the partner companies that we trust them before we tell them to trust us. Our policy is to further strengthen the Powerful Partnerships in order to accelerate growth of the Nippon Paint Group.</p>
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◆ Questions by Investor G

Q1	<p>Regarding the unique characteristics of a Japanese company, it appears that Japanese companies are way behind their counterparts on a global scale in the areas of information systems and the digital transformation (DX). The Nippon Paint Group has transformed its capital structure, and I believe has sufficient expertise involving information systems and the DX. Meanwhile, I feel that data visualization in the DX area is a requirement that gives the Nippon Paint Group the trust you just mentioned in your answer. The Nippon Paint Group has carried out a number of M&A transactions and has factories in China. So, please tell us the current status and the challenges involving information systems and the DX that the Nippon Paint Group has identified.</p>
A1	<p>In the Nippon Paint Group, the Japanese businesses are the farthest behind regarding the DX. The NIPSEA Group has promoted the DX from early on throughout Asia including China, and they are quite advanced in factory automation. In addition, DuluxGroup in Australia and Dunn-Edwards in the U.S. have made considerable progress concerning the DX and have created DX processes on an as needed basis.</p> <p>NPHD is a holding company, and therefore does not need a large DX investment because NPHD's role is to aggregate data provided by partner companies in Japan and other countries. I believe DX investments at partner companies are extremely important. I think the DX at the Nippon Paint Group is advanced on a global level, but is lagging behind in some regions including Japan. The Japan segment accounts for about 15% of the Nippon Paint Group's revenue, but is making investments to catch up. Companies in Japan are</p>

	placing priority on the DX mainly with the leadership of CIO Ishino, who oversaw the development and use of IT at Ricoh.
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Please note that answers provided at the small investor meeting were supplemented for clarification where necessary.

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