

**Small Investor Meeting with Outside Director Presentation Summary**  
**October 20, 2021**

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Masayoshi Nakamura  
Lead Independent Director and Board Chair  
Nippon Paint Holdings

**NIPPON PAINT GROUP**

Good afternoon. I'm Masayoshi Nakamura, the Lead Independent Director of Nippon Paint Holdings.

Thank you for taking the time to attend today's meeting.

In the first 20 minutes, I will answer some of your questions that you submitted in advance. In the remaining 40 minutes of this meeting, I will answer your questions directly.

## 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.

My profile is provided on this page, but I will give you more information about my professional career.

After graduating from college in 1977, I joined Mitsubishi Bank, Ltd. Coincidentally, Mr. Masaaki Tanaka, the former Chairman of the Board, Representative Executive Officer, President & CEO of Nippon Paint Holdings (NPHD), joined Mitsubishi Bank at the same time. I left the bank after five years and returned to school for about two years. Then, I moved to Lehman Brothers and remained there for about 20 years and subsequently was at Morgan Stanley for five years. All in all, I have more than 30 years of experience in the global investment banking business, in particular in M&A advisory and financing from the capital markets.

Following the establishment of the Mitsubishi UFJ Financial Group (MUFG), the management team of MUFG at that time consulted with me regarding the launch of the investment banking business in order to focus more resources on securities operations. I was the executive officer in charge of collaboration between the securities and investment

banking business of MUFG and the Head of the Investment Banking Division of Mitsubishi UFJ Securities Company for about five years until 2010. My career at MUFG culminated in MUFG's investment in Morgan Stanley in 2008 and the establishment of a joint venture between Morgan Stanley Tokyo and Mitsubishi UFJ Securities Company. I started my own business in 2012 and have been working on my own since then.

The corporate governance section of the Integrated Report describes the history of the Nippon Paint Group's governance since 2014. My relationship with the Nippon Paint Group dates back to the spring of 2017 when I met Mr. Goh Hup Jin, the representative of the Wuthelam Group, for the first time. When I met Mr. Goh, it was just three years after the Nippon Paint Group consolidated the Asian JVs in 2014, making the Wuthelam Group a major shareholder of NPHD with a shareholding of 39.6%. Between 2014 and 2017, the Nippon Paint Group took various actions to improve governance, such as the election of outside directors and abolishment of the takeover defense plan. The focus was on what kind of relationship the Nippon Paint Group should establish with the Wuthelam Group, its major shareholder, to expand its operations globally.

I heard later that a certain person suggested that Mr. Goh contact me because of my insight. I remember we started exchanging views within moments of meeting about the concept of Maximization of Shareholder Value (MSV). MSV is the concept I have come to embrace through my many years in the investment banking business, and it struck me then that "Here is another person who thinks the same way as I do."

During my 30 years of M&A advisory experience, in particular during the last 10 years, I created proposals involving how Japanese companies and businesses can integrate with overseas companies and businesses for global expansion. Some of these proposals led to successful M&A transactions. I remember going home after lunch with Mr. Goh, pondering how I can help the Nippon Paint Group to drive its global expansion based on its outstanding technical capabilities.

I had several opportunities thereafter for exchanging opinions with Mr. Goh when he visited Japan. Those opportunities allowed me to acquire knowledge about the paint business little by little. At the same time, I became convinced that the aspiration of Mr. Goh and the Nippon Paint Group to grow into a leading paint and coatings company was

not at all unrealistic. I also realized that I can use my M&A expertise and experience to help accomplish that goal.

These are the developments through the fall of 2017. I had an impression that Mr. Goh's concerns about the governance of the Nippon Paint Group increased between the end of October and November 2017, when the Nippon Paint Group considered the acquisition of an overseas paint manufacturer. This turn of events led NPHD to decide to drastically change the board composition to be submitted at the general meeting of shareholders in March 2018. Right after the New Year holidays of 2018, I met with the other four outside director candidates. The focus of our discussion was the same as today: "Do we properly understand MSV?" We shared the thinking that today's understanding of MSV may not be accurate tomorrow because the environment changes day to day; therefore, we must always think about MSV with flexibility. I told Mr. Goh, "All of us have our own professional careers. We are considering becoming independent directors of the Nippon Paint Group to help with activities for the achievement of MSV. What is most important is that we will put our entire reputation we have established on the line." I also added, "The chances are high that we have or will have different views or opinions in some respects from those of the Nippon Paint Group's management team and you, Mr. Goh. If this is what you are looking for, we will be happy to become the independent directors and support the Nippon Paint Group's activities to achieve MSV." After some heated discussions for over two hours, the five outside director candidates, including me, and Mr. Goh reached a consensus. Following a subsequent meeting with the Nippon Paint Group's management team at that time and the March 2018 shareholders meeting, we established a governance structure with 10 directors: four internal directors, Mr. Goh and five independent directors.

In 2018, we established the M&A Advisory Committee. As a member of the committee, I was actively involved in discussions about M&A targets. The Nominating and Compensation Advisory Committee was reorganized as the Nominating Advisory Committee and the Compensation Advisory Committee, where discussions are led by the outside directors. The Compensation Advisory Committee Chairperson and the Nomination Advisory Committee Chairperson were both outside directors and I concurrently served as a member of the Compensation Advisory Committee. We significantly changed the remuneration structure. The biggest point was the start of share-based remuneration for both the management team and the outside directors. The underlying idea is that share-

based remuneration is extremely effective for enabling the management team and the outside directors to work together for the achievement of MSV.

From the middle of 2018 to 2019, the M&A Advisory Committee discussed the potential acquisition of DuluxGroup in Australia and Betek Boya in Turkey. In the second half of 2018, it was announced that Mr. Tanaka, who was the President & CEO of Japan Investment Corporation, would resign from the post. We started discussing the possibility of inviting Mr. Tanaka to join the management team of the Nippon Paint Group. After much discussion, we decided that he should become a director and join the management team as Chairman, with the approval of shareholders at the general meeting in March 2019. The new board structure had 11 members: four existing internal directors, Mr. Tanaka as the newly-appointed Chairman, Mr. Goh, and five independent directors. Under this new structure, we continued to focus on MSV and accelerated the development of the governance structure of the Nippon Paint Group.

NPHD announced the acquisition of DuluxGroup and Betek Boya in the spring and summer of 2019. At about the same time, Mr. Tetsushi Tado, the President & CEO of NPHD at that time, and Chairman Tanaka had discussions about the management structure to be implemented at the beginning of 2020. As a result, they decided on a new management structure in which Mr. Tanaka would take over management in a new capacity as Chairman of the Board, Representative Executive Officer, President & CEO in January 2020. Around the same time, we swiftly implemented reforms of the governance structure under the leadership of Mr. Tanaka for the shift to a Company with Nominating Committee, etc. structure in March 2020.

NPHD established a new board structure in March 2020 in which six of the nine members are independent directors. The directors are Mr. Tanaka, the new CEO, Mr. Manabu Minami, who was the former Senior Executive Officer in charge of financial strategy, Mr. Goh, and outside directors including newly elected Mr. Mitsuhashi, who became the Audit Committee Chairperson, and Ms. Koezuka, who held various executive posts at Takashimaya, following the retirement of Mr. Kaneko, who has a proven track record as a venture capitalist in the U.S.

Under the new board structure, we moved forward with discussions about the acquisition of 100% ownership of the Asian JVs and the Indonesia business. This transaction, which

was announced in the summer of 2020, has raised the ownership of the Wuthelam Group in NPHD from 39.6% to 58.7%.

Concurrently with the reform of the governance structure, under the leadership of Mr. Tanaka, the Nippon Paint Group established the New Medium-Term Plan that started in FY2021 and made preparations for the global integration of the automotive coatings business (NPAC). The Nippon Paint Group announced the New Medium-Term Plan in March 2021 and conducted a five-for-one stock split in April 2021. All directors were reelected at the general meeting of shareholders in March 2021. However, at the end of April Mr. Tanaka expressed his intention to retire. As a result, NPHD currently has eight directors: Mr. Minami, Mr. Goh and six independent directors.

At the end of April 2021, the Nippon Paint Group established a co-president structure with Mr. Yuichiro Wakatsuki and Mr. Wee Siew Kim serving as the Co-Presidents. The two Co-Presidents are not directors, but they attend the board meetings in their capacity as the executive officers. Before this change, the Board Chair was served by the Chairman of the Board of Directors. The new board structure separated two functions and I, as the Lead Independent Director, became the Board Chair.

The management team is constantly required to make strategic decisions. One recent major decision is the transfer of the European and India businesses to the Wuthelam Group (conversion into joint ventures). The Nippon Paint Group will continue to manage these businesses, with the intention of buying them back in the future. In addition, based on the Center of Excellence (CoE) concept, NPHD will transfer the functions for supporting the operations in Japan to newly established company and concentrate on its role as a publicly traded holding company. This will allow NPHD to increase its focus on business portfolio management.

These are the events involving the Nippon Paint Group's governance structure. NPHD's board always places the highest priority on selecting the most suitable leaders as explained in the Integrated Report. In fact, NPHD's leadership has shifted from the management team led by Mr. Tado and the management team led by Mr. Tanaka to the co-president structure of Mr. Wakatsuki and Mr. Wee. These changes in the structure for conducting business operations that have taken place since I became an outside director

three and a half years ago reflect the belief of the directors that the current structure is the most suitable for achieving MSV.

This completes my presentation. I will be happy to elaborate on points that were not made clear and answer questions which were submitted in advance but were not answered fully during my presentation as much as possible. Now, I will take questions.