

# Small Investor Meeting with Independent Director

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Masayoshi Nakamura

Lead Independent Director and Board Chair

Nippon Paint Holdings

## Profile of Independent Director

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



**Masayoshi Nakamura**  
Lead Independent Director  
and Board Chair

### Profile

Masayoshi Nakamura was elected Independent Director of NPHD in March 2018, serving as a member of both the Nominating (Advisory) Committee and the Compensation (Advisory) Committee member and, from March 2020, as the Lead Independent Director. He has served as the Board Chair since April 2021, and is playing an important role in deepening discussions at the Board of Directors meetings, such as consolidating the views of the Independent Directors and communicating them to the executive side. Including serving in Morgan Stanley, he has more than 30 years of experience as a specialized professional in M&A advisory and financing in capital market, which he gained at Morgan Stanley and other leading US investment banks.

# Main Questions from Investors ( 1 )

## The Board's effectiveness and executive compensation

### ①The Board's effectiveness

- ◆Are there any board resolution items that were revised or eventually rejected because of concerns or oppositions from Independent Directors?
- ◆What is the topic discussed most often at meetings of the Independent Directors?
- ◆What are the criteria Independent Directors use to assess the effectiveness of the Board of Directors?
- ◆Independent Directors cannot serve as “representatives of shareholders” without understanding their thoughts. How do you obtain shareholders' opinions and reflect them in the activities of Independent Directors?

### ②Executive compensation

◆NPHD's compensation plan is characterized by a “comprehensive evaluation” and “compensation composition (cash only in 2022)” in the compensation for the President and “variable compensation” for Independent Directors. However, there is no comprehensive evaluation table to determine compensation for the President. This makes it difficult to monitor the link with MSV over the medium- and long-term, which is the primary focus of shareholders and investors. What do you think about this? Also, the composition of compensation for President makes it difficult to link compensation with MSV in the medium- and long-term. Moreover, no evaluation criteria have been disclosed for determining variable compensation for Independent Directors. This makes it hard from persons outside to assess whether variable compensation will serve as an incentive for pursuing MSV. Please share your thoughts on this.

## ■ Main Questions from Investors (2)

### ■ Relationships with our major shareholder, Wuthelam Group, and Asset Assembler model

#### ③ Relationships with the Wuthelam Group

- ◆ Mr. Goh has a very strong influence on NPHD's management resulting from the Wuthelam Group holding a majority stake in NPHD and Mr. Goh's position as Chairman of the Board. Please explain the benefits of this influence regarding MSV. Also, what are your priorities as the Lead Independent Director in order to protect the interests of minority shareholders? (This question is based on the understanding that the interests of major shareholders and minority shareholders are aligned at this time.) Please also tell us if there is any negative effect of Mr. Goh having too much influence, even when no conflict of interest exists.
- ◆ Have you been maintaining an autonomous and proper relationship with the major shareholder since the full integration of the Asian JVs by NPHD (no direction and supervision from the Board of Directors needed)?
- ◆ From the viewpoint of an Independent Director, do you think the current shareholder composition, with Wuthelam holding 58% shares of NPHD, is truly optimal?
- ◆ What do you think about the current capital composition (shareholder composition)? I don't expect that the Wuthelam Group and Mr. Goh will take actions that disregard the interests of minority shareholders at this time, but there is a risk that an investor cannot ignore from the standpoint of investors. You mentioned in the Integrated Report, all Independent Directors would resign if the Wuthelam Group actually disregarded minority shareholders. However, I don't think that could stop Mr. Goh from taking actions that harm the interests of minority shareholders.

#### ④ Asset Assembler model

- ◆ The roles of the holding company based on Asset Assembler model are the sound checking and monitoring of operations of each partner company. What do you think are the requirements for performing these roles? Please elaborate further on your thoughts and action policy.
- ◆ As an Independent Director, what do you think are the resources (if there are any) NPHD needs to acquire for faster growth as an Asset Assembler?
- ◆ When we divide MSV into maximization of EPS and PER, I believe maximization of PER is largely attributable to evaluations by financial markets. Please share your thoughts on the use of indicators which investors pay attention to as KPIS, such as capital efficiency.

## Main Questions from Investors (3)

### Co-President structure, businesses and sustainability, etc.

<b>⑤ Co-President structure</b>	<p>◆ Please tell us the background and reasons for the Co-President structure. What do you think are the strengths and advantages of the current management structure?</p>
<b>⑥ Businesses/ Sustainability</b>	<p>◆ The effectiveness assessment of the Board of Directors has identified “Enhancement of discussion of important agenda items” as one of the issues that require attention. What do you think are agenda items that particularly require stronger initiatives and a deeper discussion? Due to the growing importance of sustainability activities in your growth strategies, NPHD has changed its former sustainability structure, where the headquarters oversees sustainability initiatives, to an autonomous one. As a related question, do you feel that the new structure is working effectively?</p> <p>◆ Please tell us the position of the Japan Group in the Nippon Paint Group. The Group has strengthened actions for improving profitability in Japan. Is the Board of Directors expected to play a particular role concerning the medium- and long-term growth strategy of the Japan Group?</p> <p>◆ The management structure for business operations is shifting to an autonomous and decentralized one in order to speed up business expansion. How do Independent Directors share information about strategies and other subjects in order to supervise the management of the group’s partner companies?</p>
<b>⑦ Others</b>	<p>◆ What are the strengths and weaknesses of NPHD that you have identified from the perspective of achieving the medium- and long-term growth of corporate value?</p> <p>◆ What characteristics make the Nippon Paint Group attractive to talented management teams around the world? What do you think the Group needs to focus on to become even more attractive?</p>