

Small Investor Meeting with Independent Director Q&A Summary

(October 18, 2022)

◆ Question by Investor A

Q1	<p>I understand that NPHD's Independent Directors have different roles and responsibilities from their counterparts at other companies. For instance, NPHD's Independent Directors take on the responsibility for pursuing Maximization of Shareholder Value (MSV) and their compensation is partially paid in stock. They are also required to perform a unique checking role. What are your roles as the Independent Director, in particular, your roles in the Audit Committee? Please provide more information about the areas in which each Independent Director is expected to contribute and the division of roles among the six Independent Directors, excluding the two newly elected ones.</p>
A1	<p>Eight of the 11 Directors are the Independent Directors, of which six were re-elected. Mr. Kirby and Ms. Lim were newly elected at the shareholders meeting held in March 2022.</p> <p>I believe the two new Independent Directors are currently learning about the operations of the Nippon Paint Group. We have been receiving questions and advice from a new perspective from them. I believe it was a right decision not to assign them to any committees at the beginning with consideration to appropriately deploying their individual strengths.</p> <p>Of the six re-elected Independent Directors, Mr. Hara is the Nominating Committee Chairperson and Mr. Morohoshi, Mr. Goh, and I are committee members. Of the four committee members, three are Independent Directors. Chairperson Hara focuses on his role in the Nominating Committee while Mr. Morohoshi, Mr. Goh, and I are concurrently members of other committees.</p> <p>In the Compensation Committee, Mr. Tsutsui is the Chairperson and Mr. Goh and I are concurrently members of the Nominating Committee and the Compensation Committee.</p> <p>The Audit Committee consists of three members: Chairperson Mitsuhashi, who is only a member of this committee, and Ms. Koezuka and Mr. Morohoshi, who are concurrently members of the Nominating Committee.</p> <p>The Nominating Committee and the Compensation Committee meet almost monthly, having at least 10 meetings every year.</p> <p>The Board of Directors is discussing the management structure in FY2023. At the same time the Nominating Committee is considering director candidates to be submitted at the General Meeting of Shareholders scheduled for March 2023. We plan to draft a proposal by the end of FY2022. We are also scheduling to decide whether we will appoint Director Kirby and Director Lim as committee members before the March 2023 General Meeting of Shareholders.</p> <p>Concurrently, the Compensation Committee is evaluating the performance of the Co-Presidents and holding discussions to determine their compensation for FY2023. This process involves examining the Co-Presidents' evaluations of the key management teams of our group partner companies, who are called GKP (Global Key Persons), as well as the reputation of the Co-Presidents among GKP. In FY2021, we determined executive compensation for the next fiscal year at this time. However, some Directors have suggested that we should determine executive compensation based on FY2022 earnings, which will be announced in February. We will thoroughly discuss compensation as well as the schedule for decision making because we need to take into consideration some restrictions for tax purposes if we postpone the decision until after the earnings announcement.</p> <p>I participate in Audit Committee meetings as an observer, and the committee is very active and conducts thorough discussions. Besides meeting every month, the committee holds discussions to prepare for General Meetings of Shareholders, discussions with overseas accounting auditors, and discussions with management teams of Group partner companies. In addition, the committee holds the Global Audit Committee (GAC) twice a year. The Audit Committee's activities have significantly helped the Board of Directors to identify and investigate risks and determine necessary responses.</p>

◆ Question by Investor B

Q1	I think having the Wuthelam Group as your major shareholder gives you advantages, such as obtaining a deep knowledge of the paint industry. Are there any concerns about a potential conflict of interest and influence on decision-making due to the significant power the major shareholder has?
A1	<p>Mr. Goh, who is the representative of the Wuthelam Group, is a member of the Board of Directors, the Nominating Committee, and the Compensation Committee. However, this does not give us any concerns about the possibility that decisions made by the Board of Directors, the majority of which is Independent Directors, and the committees may be overturned later. There are only advantages and no disadvantages.</p> <p>There are times we do not agree with Mr. Goh because he is not fully versed in the management of listed companies, in particular for companies in Japan. From time to time Independent Directors' opinions become the Board of Director's conclusion when we need to make a decision involving the management of Nippon Paint as a listed company by taking into consideration the viewpoints of capital markets.</p> <p>All 11 Directors of Nippon Paint have unique backgrounds and opinions. This may be the same for the directors of other companies too. Therefore, thorough discussions involving everyone are necessary for the Board of Directors to reach a conclusion. My role as the Board Chair is to enhance our day-to-day discussions to fully utilize the capabilities of every Director and lead the discussions to an optimal conclusion.</p> <p>Building a relationship of trust with investors is essential for the Nippon Paint Group to continue to grow. Mr. Goh believes strongly that there is a need to expand the investor base. The Nippon Paint Group cannot achieve growth if the Wuthelam Group only pursues its profits without prioritizing the interests of shareholders. If the Wuthelam Group takes this stance, Nippon Paint will lose the trust of the capital markets and the value of Wuthelam Group's ownership of about 60% of NPHD may decline. Mr. Goh is keenly aware of this.</p> <p>NPHD runs its businesses with the mission of maintaining the soundness of its assets to achieve MSV. As a company with a major shareholder, we are committed to providing thorough explanations to address concerns of investors and supply information to reassure investors.</p>

We were unable to answer all the questions received prior to the small investor meeting due to time constraints. We will post answers to those questions on our website later.

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