Corporate Governance

Discussions by the Board of Directors

Theme India Businesses Buyback from Wuthelam Group

In August 2023, our Board of Directors approved a resolution to repurchase two India businesses that had been part of the three businesses transferred to Wuthelam Group in August 2021. The third business, a European automotive entity, was not considered for repurchase. Prior to reaching this resolution, we sought an evaluation from an independent third-party entity, mirroring the process undertaken during the initial transaction two years ago. To ensure thorough consideration and protect the interests of minority shareholders, we established a Special Committee dedicated to this matter.

This section presents the key comments made by our Directors concerning this significant transaction.

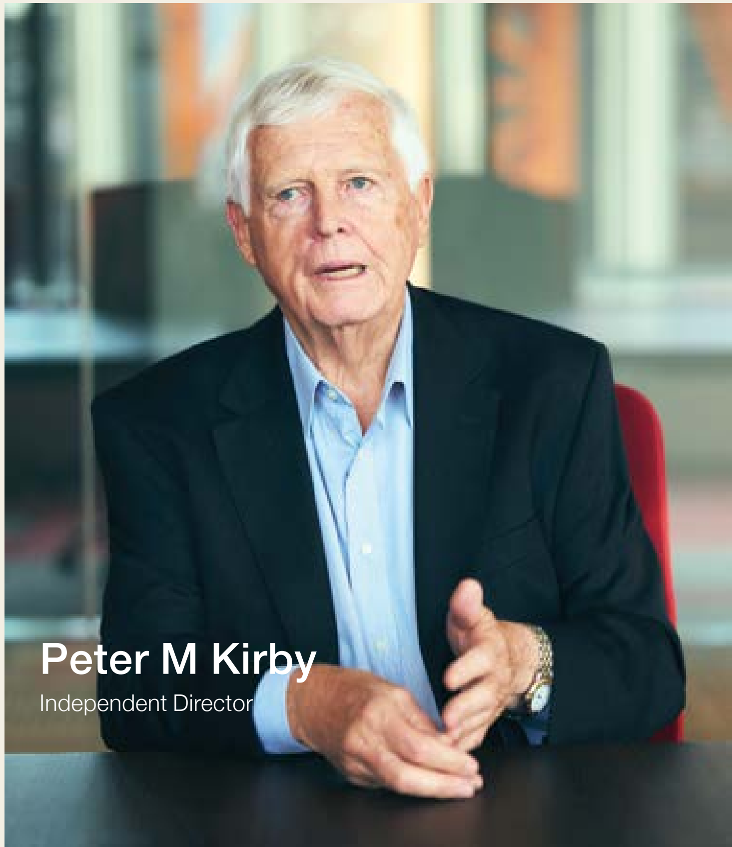
* Please note that Director Goh, being an interested party, abstained from participating in all relevant meetings.

For more information on the discussions by the Board of Directors regarding the share transfer of the European automotive business and the two India businesses to Wuthelam Group in August 2021, please refer to the "Share transfer of the European Automotive Coatings Business and India Businesses" section on our website.

Q In evaluating the validity of the repurchase transaction, we aim to revisit and ascertain whether our initial decision to transfer the businesses to Wuthelam Group was indeed the optimal choice for protecting the interests of minority shareholders and Maximization of Shareholder Value (MSV).

A The catalyst for reevaluating our India businesses was a comprehensive review of our business portfolio following the full integration of the Asian joint ventures in 2021. Our relatively late entry into the rapidly growing Indian market resulted in us lagging behind major competitors in terms of growth and profitability. At the same time, the market saw an influx of new entrants from various sectors. We faced a critical decision: whether to continue investing to compete with these new and existing competitors. It became clear that any reduction in investment would result in losing our competitive edge. However, winning the competition would necessitate substantial investments in advertising and channel development, with no guarantee of success.

Under these circumstances, we considered multiple scenarios, including independently restructuring the India businesses or selling them to a third party. Independent restructuring would entail a significant short-term financial burden. Given the complexities of the Indian market, we had reservations about whether such an allocation of capital, from a risk-return standpoint, would contribute to MSV. Conversely, selling the businesses to a third party would likely eliminate the opportunity to repurchase them in the future, potentially closing off a growth pathway for our Group in the region. With Wuthelam Group providing us with an alternative that assumes various risks and preserves future options, we determined that this was the optimal decision from the perspective of MSV and protecting the interests of minority shareholders compared to other restructuring proposals. Reflecting on the past two years, the performance of our India businesses has exceeded expectations in terms of profitability improvement and market share expansion, reinforcing our belief that the decision made at that time was indeed the right one.



Peter M Kirby
Independent Director

Corporate Governance

Q Why is now the optimal time for this buyback transaction?

A With our Group continuing to provide management services to the India businesses, they have successfully implemented significant structural enhancements and aggressive promotional activities. After a period of losses, we began to see a pathway toward sustainable earnings growth. Specifically, in the two southern states where we are focusing our efforts in decorative paints, we have achieved both a significant increase in market share and profitability. Our high brand recognition is a key advantage, making autonomous and sustainable growth possible. Therefore, we determined that it is the right decision to buy them back now, before their earnings increase further and the repurchase price becomes higher.

On the other hand, the European automotive business is still undergoing revitalization and is therefore not included in the scope of the buyback at this time.

Q Two years have passed since the businesses were transferred to Wuthelam Group. Although there have been notable improvements in business performance in the short term, can we confidently assert that the India businesses will consistently deliver robust and sustainable performance in the long term?"

A The successful restructuring of the India businesses over the past two years has led to sustainable profit growth. As we look ahead at our future business plans, we believe that no additional capital injection will be necessary; the businesses can generate the required funds for production capacity expansion and advertising to sustain their growth. Additionally, they have an excellent local management team. By making adequate investments in promotion and other necessary areas, initially focusing on the two southern states, we believe we can outpace our competitors. To ensure confidence in our strategy, we currently have no plans to expand into the third and fourth states, but we are always considering future possibilities.

Q Do you anticipate that local competitors will respond to our market share expansion with large-scale campaigns?

A Major competitors have already launched aggressive campaigns, and the entrance of newcomers from non-paint sectors has intensified market competition. However, we are executing various strategies based on comprehensive competitor analysis to seize market share from these major players.

Q When is the buyback of the European automotive business expected to occur?

A The European automotive business has not yet completed its performance improvement, even after two years. Factors such as the conflict in Ukraine, a sluggish European economy, and operational issues (given our role as the business operator entrusted by Wuthelam Group) have contributed to this delay. We have been managing the European automotive business with almost monthly performance reviews. We will consider a repurchase when the business reaches the break-even point and we are confident that sustainable profitability is achievable.

Toshio Morohoshi
Independent Director

Q Will related-party transactions with the parent company likely continue in the future?

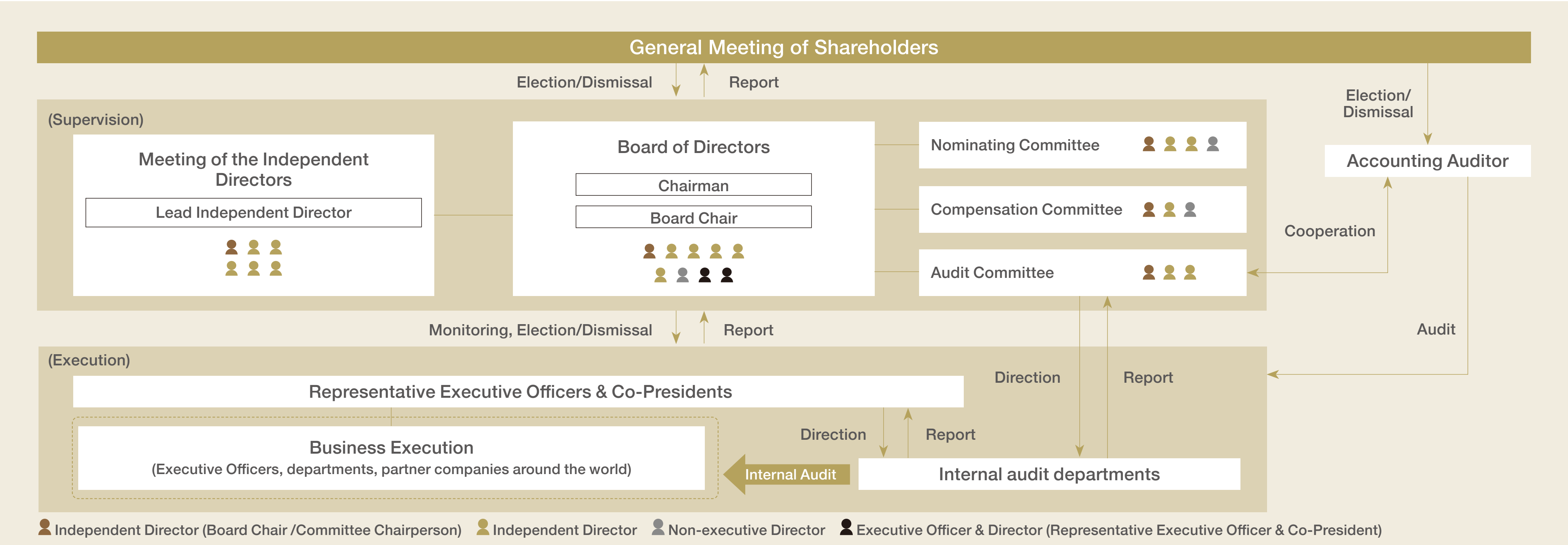
A In our current business portfolio, each partner company is capable of achieving autonomous and sustained growth. Therefore, we believe the likelihood of resorting to such options, aside from these three underperforming businesses, is quite low.

Corporate Governance

Approach to governance reform (roadmap)

	2023	2024	–2026
Board of Directors governance	• Further streamlined the Board of Directors operations (careful selection of agenda items, thorough use of IT tools and others) • Further increased contributions by Independent Directors (use of the Meeting of Independent Directors) • Enhanced succession plan (monitoring the status of measures to strengthen the Group's human capital)	• Enrichment of discussion on growth strategy • Improvement of the operational efficiency of Board meetings • Thorough engagement in succession planning • Further fine tuning of the "Audit on Audit" framework	• Further sophistication of growth strategy discussions • Enhance and implement succession plans
Execution governance	• Improved effectiveness of Risk Management through CSA List • Firmly establishing and increasing the effectiveness of the whistleblowing hotline at each partner company group (Nippon Paint Group companies grouped by region or business, "PCG") • Overviewed stakeholder needs and activities of the Sustainability Teams, proposed and established an Anti-Bribery and Corruption/Anti-Money Laundering Statement to the Board of Directors	• Proactive improvement tailored to the situation of each PCG through voluntary self-inspections by CSA List • Operating and enhancing the effectiveness of internal reporting channels tailored to the situation of each PCG • Strengthening collaboration within the Sustainability Team to respond to changes in social demands such as "human capital" and others	• Verify effectiveness and refine the risk management system and internal reporting channels • Upgrading the governance framework (including compliance and risk management) to respond to changes in social demand

Corporate governance structure



Corporate Governance

Analysis and assessment of the effectiveness of the Board of Directors

Issues that required stronger initiatives in FY2023

1) Upgrading operation of the Board of Directors

Streamline the operation of the Board of Directors meetings to increase the percentage of time spent on agenda items involving strategies, thereby upgrading the quality of the Board's discussions

2) Contributions of Independent Directors

Each Independent Director to keep abreast of emerging issues and pose constructive and specific questions to the management team, thereby catalyzing substantial discussions

3) Engagement in succession planning

Systematically discuss succession plans for the management team and Independent Directors and consider the optimal Board composition

Main initiatives in FY2023

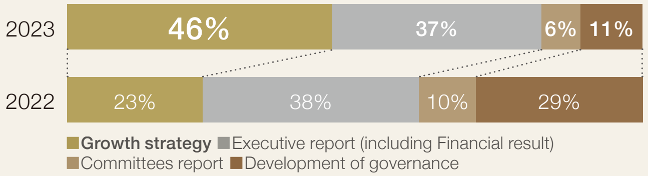
1)

- **Carefully select agenda items and allocate them in a well-planned manner throughout the year**

→Increase the proportion of discussions on medium- and long-term strategy and other prioritized items to improve the quality of the Board discussions

*The growth strategy discussion for 2023 doubled from 2022.

Percentage of time spent at BOD meetings by agenda item



2)

- **Regularly convene the Meeting of the Independent Directors**
- **Maintain close communication even outside the Board Meeting**

→Facilitated effective information sharing and exchange of ideas among Independent Directors with diverse knowledge and insights, contributing to high-quality discussions and decision-making at the Board of Directors meetings, thereby aiding in the pursuit of MSV

3)

- **Grasp the status of the Group's human capital through reports and evaluations provided by Co-Presidents, expanding opportunities for communication with key management personnel**

→Based on these, continued monitoring the performance and evaluation of Co-Presidents and other key management personnel

- **Discussed the contribution of individual Independent Directors and the suitable composition of the Board through the effectiveness assessment of the Board of Directors and other instances**

→Maintained the optimal composition of the Board of Directors

Guidelines for conducting FY2023 evaluation

Evaluation target

All Directors in FY2023: 9

Managing Executive Officer, General Council (GC): 1

Method

Under the guidance of the Board Chair and the Nominating Committee Chairperson, the effectiveness assessment of the Board of Directors was performed through repeated Board discussions based on the survey results. Obtaining third-party assessment as necessary will remain an option.

Survey questionnaires

Composition of the Board of Directors, preparation and operation, quality of deliberation, contribution of Directors, monitoring of execution, composition and operation of each committee and other matters

Evaluation process

Step 1: Distribute questionnaires to Directors and an Executive Officer

Step 2: Summarize and analyze the survey results

Step 3: Perform the effectiveness assessment at the Board of Directors meeting

Overview of FY2023 evaluation results

The Board of Directors has concluded that the Board was generally effective in FY2023.

Summary of assessment

- Both Directors and the execution side have strengthened their mutual understanding of critical agenda items, further embedding our management policy of pursuing MSV as our sole mission.
- While Independent Directors make up the majority of the Board, ensuring diversity among members and fostering effective communication has further invigorated discussions at the Board of Directors meeting.
- All Directors engage in active discussions by leveraging their diverse knowledge from the perspective of supporting the management team.

Issues that require stronger initiatives in FY2024

1. Enrichment of discussion on growth strategy

Increase opportunities for and enrich the discussions on medium- to long-term management strategies, to further contribute to MSV

2. Improvement of the operational efficiency of Board meetings

Dedicate further efforts to improve Board operation, to facilitate more sophisticated discussions

3. Thorough engagement in succession planning

Review and draw up plans to identify and develop talent for the future management team

4. Further fine tuning of the "Audit on Audit" framework

Modify the audit framework of the pure holding company to better suit our Asset Assembler model

» For the analysis and assessment of the effectiveness of the Board of Directors from 2022 and earlier, please refer to the "Effectiveness evaluation (for previous years)" section on our website.