

Corporate Governance Compensation Committee Report



Lim Hwee Hua

Independent Director
Compensation Committee Chairperson

Compensation designed to maximize Co-Presidents' motivation to propel their pursuit of MSV

The Compensation Committee is committed to attracting and retaining outstanding talent through appropriate compensation schemes and succession planning. Ultimately, we seek to maximize shareholder value.

Specifically, designing the most appropriate compensation schemes for the Co-Presidents, who are crucial to executing our company's growth strategy, is extremely important. We view maximizing the Co-Presidents' motivation to attain MSV as fundamentally linked to value sharing with shareholders. To achieve this, it is essential to provide compensation that encourages the Co-Presidents to drive our Asset Assembler model forward and take appropriate risks without missing opportunities. Based on extensive deliberation, we have decided to simplify the Co-Presidents' compensation as much as possible and make it entirely in cash.

We have been working in collaboration with the Nominating Committee and maintained continuous communication with the Co-Presidents while evaluating their performance from multiple perspectives. We have confirmed that they view this as an appropriate

assessment and demonstrate stronger leadership towards achieving MSV. Indeed, our Group has achieved strong growth compared to competing companies since their appointment*. Considering the bold decision-making and successful implementation of initiatives that contribute to the improvement of medium- to long-term EPS and PER, we have determined that the current Co-Presidents' compensation is conducive to the pursuit of MSV.

At the same time, we strive to ensure the appropriateness of compensation schemes for Non-Executive Directors. We focus on determining compensation that stimulates their maximum contributions to both the executive and oversight roles while constantly seeking ways to enable value sharing with our shareholders.

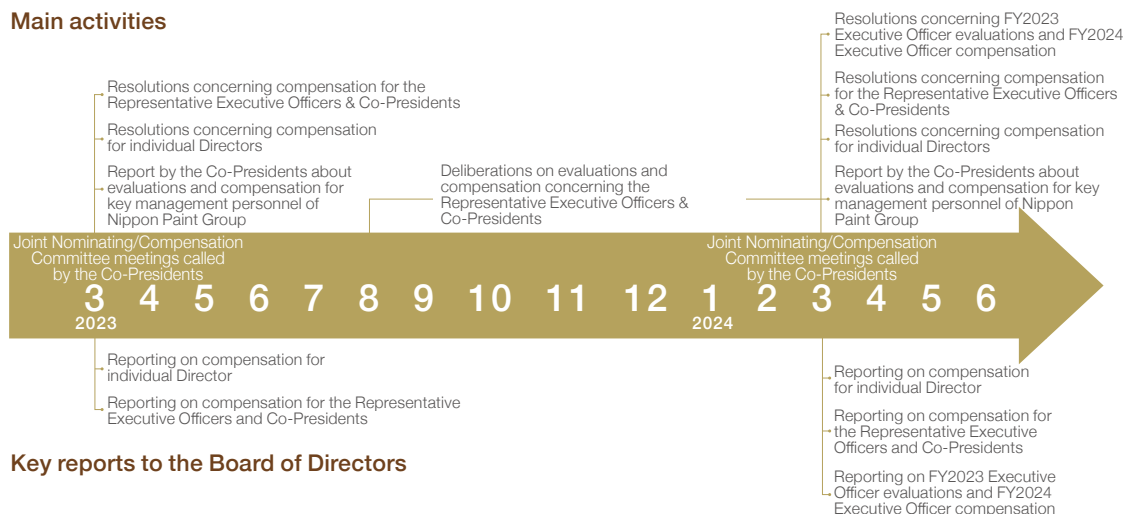
The Compensation Committee will continue to engage in sincere deliberations, taking into account the analysis based on compensation benchmarking and other metrics, and strive to make optimal compensation decisions that ultimately contribute to the achievement of MSV.

»» P84 Evaluation of the performance of Co-Presidents

Overview and main activities

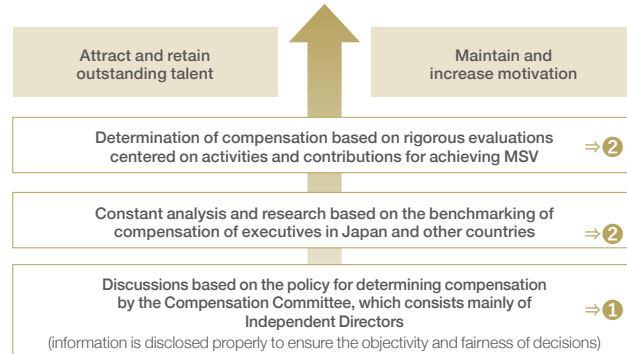
Chairperson	Lim Hwee Hua (Independent Director)	Number of meetings	FY2023 (late March 2023 to mid-March 2024) 7 FY2024 (late March 2024 to end of June 2024) 2
Committee members	<ul style="list-style-type: none"> 1 Non-Executive Director 2 Independent Director 	Main activities	The Compensation Committee approved resolutions concerning compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Compensation Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents).
Roles of the Committee	Establishment of policies for determining the compensation of individual Directors and Executive Officers and decisions about compensation for individuals and other matters		

Main activities



Corporate Governance

Contribution to MSV



1 Policy for determining compensation for Executives

Independent Directors are the majority of the Compensation Committee, and the committee is chaired by an Independent Director. In addition, all committee members are non-executive Directors. This composition ensures independence from executives for business operations.

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also monitors decisions about the compensation of key management personnel of partner companies by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, compensation of executives at other companies, and compensation in the market for senior executives. In accordance with the Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussions and make decisions.

» For more information, see the "Compensation of Directors and Executive Officers" section of our website.

2 Evaluation and compensation of the Representative Executive Officers & Co-Presidents

Based on the premise of protecting the interests of minority shareholders, the Compensation Committee performs rigorous evaluations of compensation for the Representative Executive Officers & Co-Presidents with emphasis on their activities and contributions to achieve MSV. At the same time, the committee is working to create compensation that will serve as motivation for

even more actions to achieve MSV. Specifically, the committee comprehensively evaluates the Co-Presidents' performance in the previous year, including a comparison with our competitors, to determine the total compensation for the next year. Then the committee determines the composition, including cash, stock and other forms of compensation.


Key evaluation items for the comprehensive evaluation

- "Maximizing EPS and PER" for achieving MSV
- Improvement of profitability of businesses in Japan and other countries
- Progress with the M&A strategy
- Improvement of position in the capital market
- Strengthening risk management in the Nippon Paint Group
- Transformation of the corporate culture
- Transformation of the management structure
- Strengthening the governance structure and the internal control system

Data and key items for continuous consideration for compensation determination

- The compensation of presidents at competing companies and other large companies in Japan
- Compensation and composition of compensation in the individual's home country and continuity with prior compensation
- Compensation and composition that maintain motivation for achieving MSV and provide effective incentives

Composition of executive compensation

<p>Compensation for Directors Directors who do not concurrently serve as an Executive Officer (Independent Directors)</p>	<p>Fixed compensation</p>	<p>• Job-based compensation (BS) Compensation is set at levels that can attract and retain management talent with the skills required to monitor the management of Nippon Paint Group, which has operations worldwide. Decisions about compensation take into account social circumstances, compensation of executives at other companies, and compensation in the market for senior executives.</p>						
<p>Image of basic composition</p> 	<p>Variable compensation</p>	<p>• Allowances for committee memberships and other roles Allowances are paid for specific roles such as a member or Chairperson of the Nominating, Compensation, Audit and Special Committees, the Lead Independent Director, and other positions.</p>						
<p>Compensation for the Representative Executive Officers & Co-Presidents</p>	<p>All compensation is variable</p>	<p>• Long-term incentives (LTI) Directors monitor the Group's management and assume the role and associated risk of making important decisions regarding the allocation of corporate resources on behalf of shareholders. As a result, Directors receive restricted stock as an incentive for achieving MSV and as a means of further aligning the interests of Directors with those of shareholders. The Malus Clawback Clause is used for the medium- to long-term soundness of long-term incentives.</p>						
<p>Image of basic composition</p> <table border="1"> <tr> <td>Co-President Wakatsuki</td> <td>2023</td> <td>2024</td> </tr> <tr> <td>Co-President Wee</td> <td>2023</td> <td>2024</td> </tr> </table>	Co-President Wakatsuki	2023	2024	Co-President Wee	2023	2024		
Co-President Wakatsuki	2023	2024						
Co-President Wee	2023	2024						

Evaluation of the performance of Co-Presidents

Compound annual growth rate¹

	2022 to 2023		2020 to 2023	
	Revenue	EPS	Revenue	EPS
NPHD	+10.2%	+49.2%	+22.7%	+22.6%
Competitor median ²	+4.1%	+18.6%	+7.9%	+8.0%

PER³

	Last twelve months	Next twelve months
NPHD	22.8x	21.1x
Competitor median ²	31.2x	17.8x

¹ For compound annual growth rate calculated based on each company's indicated currencies

² Median of the six largest paint companies based on global sales (excluding our company, ranked 4th)

³ Source: FactSet (as of December 29, 2023)