

Compensation Committee Report



Takashi Tsutsui
Independent Director
Compensation Committee Chairperson

Pursuit of a compensation plan that will contribute to the achievement of MSV and the more growth in the future

To implement Asset Assembler model adopted by Nippon Paint Holdings, it is essential to create an environment where all management teams of Nippon Paint Group can maximize their performance based on mutual trust under the leadership of the Co-Presidents. To achieve this goal, the optimal solution is not management through a uniform compensation structure. Instead, we must thoroughly and more flexibly examine what types of compensation really contribute to MSV.

We believe that when the total compensation for the Co-Presidents reaches a certain level, their motivation is maximized by being trusted by the Board of Directors and given the heavy responsibility for the Group's fate, rather than the level of compensation.

Based on this approach, we set the total compensation for Co-President Wee in FY2022 to the same as in the previous fiscal year. We decided that we did not need to increase motivation by increasing compensation. Regarding the ratio of cash to stock, we determined that replacing the existing cash compensation with stock compensation would not raise the incentive to achieve MSV. Consequently, we decided to make compensation entirely cash. We also repeatedly discussed the balance of compensation under the Co-President setup, and decided to pay only cash compensation to Co-President Wakatsuki as well.

The mission of the Compensation Committee is to maximize the motivation of the Co-Presidents for achieving MSV as the sole mission and to further share value with shareholders by rigorously evaluating the performance of the Co-Presidents. We will continue to seek a compensation plan that will support the achievement of MSV and contribute to significant growth of NPHD.

Compensation decision-making policy for Officers

At our Company, the Compensation Committee, chaired by an Independent Director, determines the level of total compensation amount and its composition for Directors and Executive Officers. For Global Key Persons (GKPs), who are the key management personnel of partner companies, the decision-making process for the compensation amount is supervised through reports from the Co-Presidents. The Compensation Committee deliberates on and determines the specific level and composition of compensations in a fair and transparent manner based on the "Compensation Philosophy" and the "Design Policies for the Compensation of the Representative Executive Officer & Co-Presidents" (see page 112) set forth by the Compensation Committee, by gathering and analyzing objective information such as the social circumstances, comparison of compensations with comparable companies, the market compensation standard, and other factors considering advice from external advisors.

excluding Representative Executive Officer & Co-Presidents, consists of "Job-based Compensation," "Performance-linked Compensation," and "Long-term Incentives." The Compensation Committee decides the amount of "Performance-linked Compensation" and "Long-term Incentives" according to the evaluation by the Co-Presidents.

"Performance-linked Compensation" is a comprehensive evaluation based on a non-financial assessment in addition to a financial evaluation, in order to provide appropriate incentives through flexible and proper evaluation in a rapidly changing business environment. Non-financial assessment items are based on contributions related to governance, such as group internal controls including risk management, and achievements in diversity, equity and inclusion (DE&I), such as the creation of a highly dynamic work environment and culture for diverse human resources and human resource development.

"Long-term Incentives" are cash compensation, determined based on a

comprehensive evaluation of longer-term sustainability, contribution to the overall optimization of the Group, and expectations for contributions, and paid out in thirds per fiscal year, over a three-year period.

Composition of Directors' compensation

Compensation for Directors (Independent Directors) who do not concurrently serve as Executive Officers consists of "Job-based Compensation," "Allowances for Committee Memberships and Other Roles" and "Long-term Incentives."

"Long-term Incentives" are restricted stock compensation. This is intended to promote further value sharing with shareholders toward the realization of MSV, as Directors not only supervise the Group's management as Asset Assemblers, but also assume the role and risk-taking of making important decisions regarding the allocation of management resources entrusted to them by shareholders.

Composition of executive compensation

Composition of Representative Executive Officers & Co-Presidents' compensation

For the Co-Presidents' compensation, the optimal mix of cash and stock compensation is settled each fiscal year after determining the total amount of compensation. Specifically, the total amount of compensations for the following fiscal year is redefined each fiscal year from the ground up after a comprehensive evaluation of the performance of the Co-Presidents from both financial and non-financial perspectives of the previous fiscal year through close communication with the Co-Presidents and GKP, in addition to continuity with past compensations, market and peer benchmarking surveys, and other factors. The composition of cash and stock compensation is also reviewed each time. In this way, the compensations maximize motivation to realize MSV and incentivize further leaps forward.

Composition of Executive Officers' compensation

Compensation for Executive Officers,

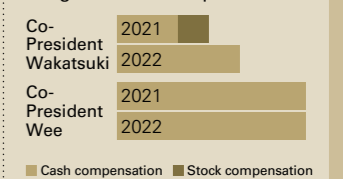
Composition of Executive compensation

Representative Executive Officers & Co-Presidents' compensation

Entire amounts of compensations are variable

- Total compensations for the current fiscal year are determined by linking them to the comprehensive performance evaluation for the previous year
- Total compensations for the following fiscal year are redefined each fiscal year from the ground up after a comprehensive evaluation of the performance from financial and non-financial perspectives, and the composition of cash and stock compensation is also reviewed each time

Image of Basic Composition



Executive Officers' compensation

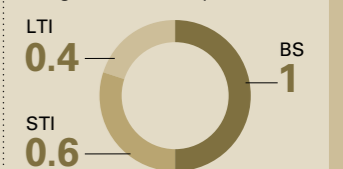
Fixed compensation

- Job-based Compensation (BS)
Amounts paid are determined by position based on roles and responsibilities

Variable compensation

- Performance-linked Compensation (STI)
Amounts are determined by combining financial and non-financial evaluations based on individuals job responsibilities
- Long-term Incentives (LTI)
Cash-based LTI

Image of Basic Composition



Directors' compensation

Directors who do not concurrently serve as Executive Officer (Independent Director)

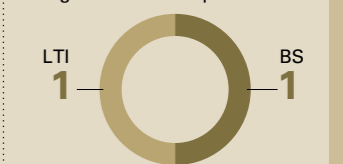
Fixed compensation

- Job-based Compensation (BS)
Amounts paid are determined by position based on roles and responsibilities
- Allowances for Committee Memberships and Other Roles

Variable compensation

- Long-term Incentives (LTI)
Granting restricted stocks as an incentive for MSV
Introduced Malus Clawback Clause to ensure the soundness of MSV

Image of Basic Composition



Chairperson Takashi Tsutsui (Independent Director)



Roles of the Committee Decide the policies for determining the individual compensation for Directors and Executive Officers, and the details of other compensation.

Numbers of meetings held
FY2021 (From late March 2021 to early March 2022) 18
FY2022 (From late March 2022 to end of June 2022) 3

Main Activities
The Compensation Committee resolved the policies for determining the individual compensations and other benefits for Directors and Executive Officers (Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officer and Co-Presidents) and the details of individual compensation based on such policies.

Main activities of the Compensation Committee

