



## Message from Chairman

### Nippon Paint's appeal as an Asset Assembler

**Goh Hup Jin**  
Chairman

Nippon Paint considers the Maximization of Shareholder Value (MSV) as its sole mission. As elaborated in last year's report, MSV entails maximizing the residual value after proper fulfillment of our legal, social, and ethical obligations to all stakeholders. This concept is based on the premise that shareholders rank last from both a legal and practical standpoint. With a clear distinction between "Corporate Value Enhancement" and "Maximization of Shareholder Value" and a view that the concept of "stakeholder capitalism" is absurd, we firmly assert that MSV should be our exclusive mission as a public listed company. Despite the prevailing social trends advocating so-called 'stakeholder value maximization', we at Nippon Paint intend to persistently appeal to the public with our commitment to the MSV concept. All over our organization, from Board members to operations managers, all decision makers have come to base their reasonings and judgements on MSV. Mr. Wakatsuki and Mr. Wee exemplify the constant application of MSV in their executive decision-making process. Their exceptional skills and diverse backgrounds complement each other, making our Co-President setup, a rarity globally, remarkably effective.

We look to Asset Assembler model as an effective means to achieve our mission as has been raised in the Co-Presidents' Messages. We are confident that we are now well-prepared to relentlessly pursue shareholder value maximization. Our adoption of this platform is based on the recognition of our three pillars of competitive advantage. Firstly, our low funding cost. Secondly, our ability to maintain and boost the EPS contribution from acquired subsidiaries without intervention. Thirdly, our unique appeal to management-class talents who

empathize with our modus operandi. As we deepen our engagement with the CEOs of subsidiaries acquired heretoforth and witness their accelerated growth post-acquisition, I am increasingly convinced of the viability of what we call the "federation" approach.

The advantage we enjoy in funding is evident considering the notion that MSV is broken down to two components, i.e. the maximization of EPS and PER. EPS accretion can be achieved with the acquisition of an asset of relatively low PER, even if the acquisition is entirely funded by shares.

Adding an optimized level of low cost debt to equity financing will obviously greatly boost the accretion, which is what maximization is about. Our target assets being stable and low-risk, even if without prospect of high growth, repeated acquisitions will enable a continued climb in EPS, which if appreciated by the market, will ultimately go towards maximizing our PER.

By persisting with acquisitions supported by a well-balanced combinations of equity and debt financing, there is no limit to our growth potential. In this journey of EPS accretion, Wuthelam has no qualms about the dilution of its voting rights. This underscores my belief that the interests of Wuthelam are entirely aligned with those of minority shareholders.

We recognize intensely the risks inherent in our ongoing M&A pursuits driven by Asset Assembler model, so it is our plan to proceed with utmost caution and thoroughness. Meantime as the major shareholder and Chairman of the Board, I wholeheartedly support and commit to the current management direction of Nippon Paint in its pursuit of MSV.