

Asset Assembler Model

Compounding EPS via organic and inorganic growth towards MSV



Relentlessly pursuing unlimited upside in shareholder value

Assumptions (medium- to long-term outlook)	<ul style="list-style-type: none"> • Ever-present macroeconomic uncertainty • Low-risk, good-return targets globally • Japan-based advantages (Japan-US interest rate gap, consumer trust in Japanese brands, etc.) are likely to persist
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Features	<ul style="list-style-type: none"> • A model focused on low-risk and steady EPS compounding via organic and inorganic initiatives • Capital markets' conviction in our Asset Assembler model will boost PER, enabling MSV • Unlocks unlimited growth potential for us
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Our Asset Assembler model aims at sustainable EPS compounding via organic and inorganic growth.

Operating under the assumption that the macroeconomic environment will always be uncertain and unclear, we consistently accumulate low-risk assets that offer good returns that still exist globally. In our M&A activities, we leverage not only the advantage of low-cost funding in Japanese yen, but also the trust placed in Japanese companies as acquirers, capitalizing on our unique position as a Japan-based company.

We strive to earn recognition and favorable evaluations from capital markets for our Asset Assembler model, which is committed to the safe and consistent compounding of EPS via organic and inorganic growth. This approach aims to enhance our PER and ultimately achieve MSV. By unlocking the maximum potential of the assets we acquire, we aim to accelerate our organic growth, thereby attracting new assets to our Group. This virtuous cycle enables us to relentlessly pursue unlimited shareholder value upside.

Competitive Advantage of Asset Assembler Model

Accelerating EPS compounding by leveraging the combined advantage of autonomous and decentralized management and lean headquarters

Organic – Advantage of autonomous and decentralized management

1. Autonomous growth of excellent assets by harnessing low-cost operations, high cash generation capability, and operating leverage

Each of our partner companies features low-cost operations and high cash generation capability enabled by the low-capex characteristics of the paint industry. The holding company typically provides capital to each partner company primarily for executing M&A. By creating operating leverage and capturing resilient market demand, each partner company aims to expand its market share in respective local regions.

2. Accelerating growth through the use of our Group’s platform (financial strength, brand, etc.)

Each partner company leverages our Asset Assembler model platform, proactively incorporating management resources such as financial strength, technical capabilities, brand power, distribution network, and purchasing power that our Group possesses, aiming to drive autonomous growth. Many of our partner companies, including Betek Boya and DuluxGroup, which were acquired in 2019, have a track record of accelerating growth after joining our Group.

»» For more information, please refer to the [“Asset Management Report”](#) on our website.

3. Achieving synergy and breakthroughs through collaboration among excellent assets

We extend our unique platform generously to each partner company, a strategy that enables us to unlock their full growth potential. In return, these companies share their best practices and learn from each other voluntarily, which has from time to time led to collaboration among partner companies and given rise to synergy and breakthroughs.

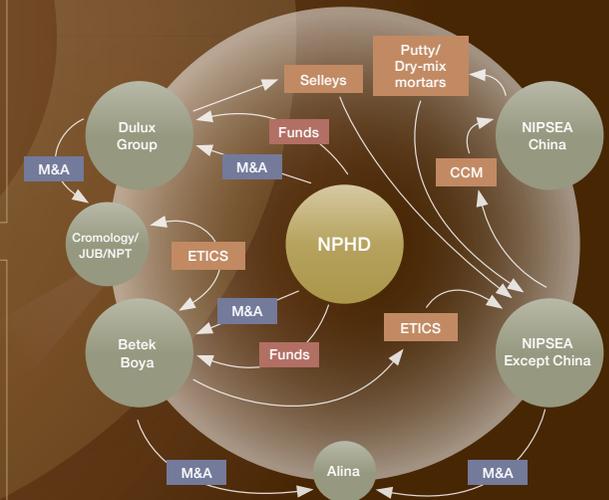
Three primary features of good assets

Autonomous growth enabled by excellent management teams aligned with MSV

Low-cost operations and strong cash generation

Capturing resilient market demand and exploiting operating leverage

EPS growth by leveraging our platform



»» P23 Our Platform That Underpins Autonomous and Decentralized Management

Competitive Advantage of Asset Assembler Model

Inorganic – Advantage of lean headquarters

1. Our capability to fully leverage the benefits of low funding costs

As a company based in Japan, a market known for its stable currency and safety, we have committed to fully leveraging the benefits of low funding costs, thanks to our enduring relationships and strong support from financial institutions. By strategically capitalizing on the persistently low interest rates in Japan, even amidst the stability of the Japanese yen, we are bolstering our competitive edge over Western companies that face higher interest rates.

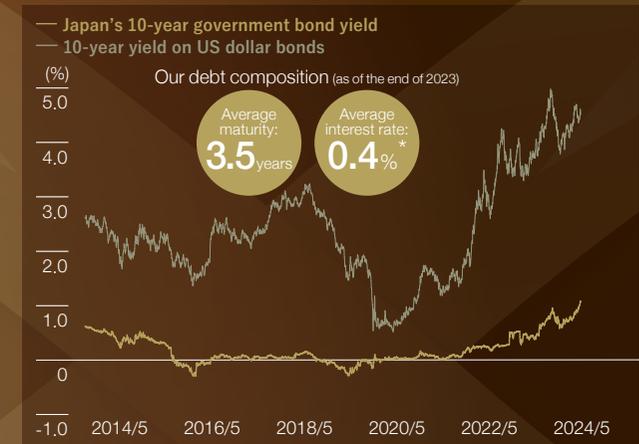
2. The capability of asset companies to maintain and expand the EPS contribution without the intervention of the holding company

Our Company, while maintaining lean headquarters, generously provides each of our partner companies with our unique platform grounded in autonomous and decentralized management. Additionally, we identify low-risk assets and acquire them at reasonable valuations. Following acquisition, we demand autonomy and accountability from our top-tier local management teams. This approach successfully unlocks the full growth potential of each partner company.

3. Our ability to attract world-class management talent who empathize with our business model

Our M&A approach stands apart from the typical Western cost-cutting model, and our established track record and reputation are fostering new M&A opportunities. Our platform promotes enhanced EPS contribution through a combination of autonomy and accountability for talents resonating with MSV. This powerful combination has a strong appeal to high-caliber management talent.

10-year yield on Japanese yen/US dollar bonds



* Average interest rate of our long-term debt

Resonance with MSV



Bringing in excellent management teams