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Message from Co-President Wakatsuki

Yuichiro Wakatsuki
Director, Representative Executive Officer & Co-President

Delivering Sustainable EPS Growth and PER Expansion Through Disciplined Capital Allocation and Integrity

Executive Summary

1. A corporate culture grounded in Integrity is what enables MSV to serve as our sole basis for judgment. Management's responsibility is to ensure that the MSV Journey advances step by step in a deliberate and consistent manner.
2. The most reliable way to strengthen investor conviction is through the consistent delivery of results and clear accountability. This, in turn, elevates expectations for the MSV Journey and supports sustained improvement in PER.
3. The essence of the Asset Assembler model lies in enabling strong partner companies to create value with greater autonomy and systematically redeploying the cash they generate into the next opportunity for growth.
4. By engaging our partner companies in the spirit of "What can we do for you?", we reinforce their inherent strengths and translate those strengths into the realization of MSV.
5. We have shifted more decisively toward acquisitions that place greater emphasis on capital efficiency, become more selective in the opportunities we pursue, and will make no compromise where risk and return are not appropriately aligned. This disciplined approach will further strengthen the certainty of the MSV Journey.
6. We will demonstrate through our track record, rather than words, that the MSV journey is equally compelling to investors.

MSV as the sole basis for judgment: the beginning of our MSV Journey

Maximization of Shareholder Value (MSV) is not a slogan: it is our sole mission and the standard against which every decision is made. Whether in capital allocation, finance strategy, operations, or governance, we evaluate all actions through one lens: do they contribute to MSV? This discipline underpins our management approach.

Our commitment to MSV leaves no room for personal ego or ambition of management. Growth for its own sake, or pursuit of transactions that merely appear attractive, holds no value unless it strengthens MSV. Ultimately, the quality of management is defined not by high-profile decisions, but by the consistent ability to act rationally with clarity and discipline.

What sustains this rationality is Integrity, as I define it. Integrity is not merely a matter of ethics. It is the discipline to face inconvenient facts without turning a blind eye, to observe reality with clarity, and to think through - honestly - what is most rational in light of MSV. In management, the greater risk lies not in uncertainty itself, but in flawed judgment shaped by complacency and preconceived views. For this reason, we place the highest priority on surfacing negative information early, addressing issues without concealment, and engaging in candid discussion. A corporate culture grounded in such Integrity is what enables MSV to serve as our sole basis for decision-making. Indeed, one of our core strengths lies in leaders who embody this principle, coming together to engage in open and substantive dialogue, consistently placing substance above form.

Basic & New
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Our MSV Journey is guided by this same philosophy. We respect the capabilities of each partner company - the strength of its management and the resilience of its business foundation. By unlocking their full potential, we drive organic growth and reinvest the cash generated into the next avenue for expansion. This disciplined cycle of growth enables us to steadily compound EPS, deepen the confidence of the capital markets, and ultimately realize MSV. It is the responsibility of management to ensure that each step in this journey is deliberate, consistent, and firmly grounded.

Addressing market concerns directly and elevating expectations for our MSV Journey

We define MSV as the combination of two elements: sustainable EPS compounding and the expansion of PER. While EPS is generated through our own execution, PER is not something we determine on our own. It is formed by the capital markets' assessment of the quality and consistency of our growth, and by their expectations for what lies ahead. In essence, PER reflects the market's confidence in our MSV Journey.

For this reason, the essence of PER expansion does not lie in additional explanation alone. It lies in consistently delivering on what we have communicated and demonstrating that commitment through a clear and credible track record. Trust from the capital markets is not secured through a single message; it is built through the steady accumulation of results. Ultimately, it is the ability to translate our medium- to long-term commitments into consistent day-to-day performance that leads to a sustained improvement in PER.

Against this backdrop, we regard **our current share price and valuation** as a candid reflection of the capital markets' perspective. Management's responsibility is not to dismiss this assessment, but to understand with precision the concerns and perception gaps that shape it, and to respond with clarity and decisive action.

I recognize three primary factors underlying investor caution regarding our future prospects.

The first is the residual perception of our past reliance on **the China business**. While our portfolio is becoming increasingly diversified - supported by the acquisition of AOC and growth across Asia beyond China - and our earnings profile is steadily evolving, alongside our continued profitability growth in China under difficult market conditions, full market recognition of this shift requires continued clarity in communication and consistent delivery of results. The second is concern over the **organic growth of our partner companies**. The question is whether businesses that have joined our Group, including **AOC**, can sustain autonomous growth even in a challenging environment. Internally, our conviction is strong. For the market, however, confidence will be established only through the steady accumulation of results over time. The third is broader skepticism toward M&A. By its nature, M&A entails risk, and an approach centered simply on the number or scale of transactions can invite doubt from the capital markets. Our approach is different. We pursue disciplined, rational **M&A** grounded in sound risk-taking, and we remain committed to building a consistent and credible track record.

We do not seek reassurance from the capital markets through words alone. The most reliable way to strengthen investor conviction is through the consistent delivery of results, accompanied by clear accountability. It is this combination that elevates expectations for our MSV Journey and, in turn, supports a sustained improvement in PER.

The core of our Asset Assembler model

The essence of our Asset Assembler model lies not in the simple accumulation of high-quality assets. Rather, it is a **capital allocation framework** that enables strong partner companies to further create value autonomously, while systematically redeploying the cash they generate into the next opportunity for growth.

We generate cash by driving organic growth within our existing businesses and redeploy that cash into disciplined M&A, thereby enabling sustainable EPS compounding. In large, headquarters-led asset assembly transactions, we place primary emphasis on the intrinsic quality of the business at the time of acquisition and its ability to create value on a standalone basis. While we pursue synergies post-acquisition, they are not treated as a basis for justifying elevated valuations. In contrast, for partner company-led bolt-on acquisitions, management teams closest to the market assess the strategic rationale themselves and take direct responsibility for capturing synergies and realizing growth opportunities.

Most importantly, we evaluate M&A not by the completion of a transaction, but by its contribution to MSV. The number of deals, their scale, or their headline appeal is not the measure of success. Our criteria are clear: first-year EPS accretion, strong cash generation, disciplined valuation, sound leverage, and returns that exceed the cost of capital. If a transaction does not meet these standards, we decline it without hesitation. It is this discipline that underpins our Asset Assembler model.

One advantage of **our inorganic strategy** lies in our ability to access relatively low-cost funding in Japanese yen. What matters, however, is not the financing itself, but how effectively it is combined with disciplined investment decisions and deployed in ways that contribute to MSV. In the current environment of rising interest rates and a higher cost of capital, we place even greater emphasis on capital efficiency, cash conversion, and financial soundness. In managing leverage, we focus on maintaining the appropriate balance between preserving flexibility for the next growth

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opportunity and safeguarding financial strength. Sustaining debt capacity for future growth, while maintaining a capital structure that reinforces the confidence of the capital markets, is essential to realizing MSV over the long term.

Autonomous, decentralized management and a lean headquarters

The source of our Group's competitiveness lies in the strength of the management teams leading each region and business. The CEOs and leadership teams of our partner companies possess the deepest understanding of their local markets and operate closest to their customers. It is therefore neither practical nor rational for the headquarters to intervene unnecessarily in day-to-day operations. By consistently upholding an **autonomous, decentralized management model**, we entrust significant authority to local management.

That said, decentralization does not imply an absence of oversight. Authority must be matched by accountability, and in this regard, our role as the holding company is essential. Through structured frameworks for the nomination, evaluation, and compensation of each partner company's CEO, we ensure that incentives are appropriately aligned and accountability remains clear.

A lean headquarters does not operate the business in place of local management. Its role is to support the realization of MSV across the Group through disciplined capital allocation, robust governance, and effective risk management. A defining feature of our governance is the spirit with which we engage our partner companies - asking, "What can we do for you?". By reinforcing their inherent strengths, we ensure that these strengths translate into the consistent realization of MSV.

Results across organic and inorganic growth, and the evolution of acquisition discipline

Since the release of our **Medium-Term Strategy** in 2024, we have delivered steady progress despite a challenging market environment. On the organic side, we have focused on improving profitability and expanding market share across regions and businesses, including in **China**. On the inorganic side, partner companies that have joined our Group continue to generate cash and contribute to EPS in line with our expectations. What matters is not to treat these as isolated outcomes, but to demonstrate that our Asset Assembler model can deliver such results consistently and on a replicable basis.

For example, we are seeing a growing number of **cases** in which partner companies unlock their full potential by leveraging the Group's capital strength and expertise. This is not simply a reflection of PMI outcomes; it is clear evidence of the effectiveness of our platform itself. The same applies to operational improvement initiatives, including the **use of AI**. Our strength lies in ensuring that such efforts do not remain isolated optimizations, but are shared as best practices across the Group and deployed horizontally. We also expect each partner company to learn proactively from **AOC's** highly effective business systems, thereby contributing to value creation across the Group.

In addition, we continue to refine our acquisition criteria in response to changes in the market environment. As interest rates and the cost of capital rise, we have shifted more decisively toward transactions that place greater emphasis on capital efficiency. We have also become more selective in the opportunities we pursue and will make no compromise where risk and return are not appropriately aligned. This disciplined approach to acquisitions will further strengthen the certainty of our MSV Journey in the years ahead.

An unending pursuit of shareholder value through the advancement of our MSV Journey

As we advance the MSV Journey, our role as a holding company is not to create value directly, but to unlock the full potential of each partner company and support its value creation. Across the Group, we are supported by outstanding management teams, powerful brands, abundant growth opportunities, and a distinctive platform that connects them. By aligning these elements under the common language of MSV, and by consistently upholding disciplined capital allocation and management grounded in Integrity, we will continue to pursue the creation of shareholder value without limit.

We will demonstrate through our track record - rather than words - that the MSV Journey is as compelling to investors as it is to us. By deepening our dialogue with investors, we will pursue MSV through both sustained EPS compounding and continued improvement in PER.

I look forward to your continued support as we move forward.

Director, Representative
Executive Officer & Co-President

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Message from Co-President Wee

Wee Siew Kim
Director, Representative Executive Officer & Co-President

Driving Sustainable EPS Growth by Enhancing Earnings Quality Through People and Systems

Executive Summary

1. Our enduring strength lies in the combination of trust in people and systems that inspire trust. By empowering high-quality management teams with autonomy and resources under the shared purpose of MSV, we reinforce a resilient platform for safe and sustainable EPS growth.
2. The true significance of the AOC acquisition lay in bringing into the Group an exceptional management team and well established business systems with a proven record of consistent performance.
3. Growth potential is shaped not only by market conditions, but by the ambition and judgment of our people on the ground — their ability to identify opportunities and act decisively.
4. NIPSEA China is well positioned to grow alongside its customers, supported by established relationships in China, technology capabilities spanning Japan, Europe, and China, and access to the Group's global operating footprint.
5. Knowledge is shared across the Group not only in times of challenge, but also in the normal course of business, across areas such as raw material procurement, pricing strategy, cost management, digitalization, and the expansion of SAF.
6. Looking ahead, we will continue to build safe and sustainable EPS growth through both organic and inorganic initiatives, underpinned by strong people, robust systems, and a management system that balances decentralization with collaboration.

"Safe and sustainable EPS growth" — a core pillar of MSV

At the heart of **Maximization of Shareholder Value (MSV)** lies the pursuit of safe and sustainable EPS growth. While year-on-year earnings expansion is important, what matters more is the strength and durability of the underlying business foundation — how consistently earnings can be generated and how long they can continue to compound. This, in essence, defines what I consider the "quality of earnings."

Over the years, we have enhanced shareholder value through our **autonomous and decentralized management approach**, harnessing the strengths of each region and business segment. This is a proven approach refined through years of disciplined execution. However, autonomy alone does not create value. For delegated authority to function effectively, it must be supported by capable talent and robust systems that enable early identification of risks and timely, appropriate responses.

Our enduring strength lies in the combination of trust in people and systems that inspire trust. By empowering high-quality management teams with autonomy and resources, while aligning them around MSV, we reinforce a resilient platform for safe and sustainable EPS growth.

AOC: Bringing the Asset Assembler strategy to life

AOC was the first clear and tangible demonstration of how our Asset Assembler strategy works in practice. **The acquisition** was not simply about securing a high-quality asset at an attractive valuation. Its true significance

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lay in bringing into the Group an exceptional management team and well established business systems with a proven record of consistent performance.

Through due diligence, it became clear that AOC was not only an excellent company, but one underpinned by disciplined mechanisms executed consistently over time, closely aligned with our own philosophy. AOC already had a management team we could trust, and under our Group, it was well positioned to scale further. At the same time, it created learning opportunities for other partner companies.

More broadly, AOC represents what we consider a "system asset": with capabilities, practices, and know-how that can be shared across the Group. While we respect partner autonomy, we also believe that superior methods and systems should be leveraged for collective benefit. In this sense, AOC embodies our Asset Assembler approach.

Expanding into adjacencies and new geographies

Our organic growth is not confined to paint and coatings alone. We view paint and coatings together with adjacent categories as an integrated growth domain. While core markets are expected to continue expanding steadily, relying on them alone may limit our ability to further elevate investor expectations. This is why we are cultivating adjacencies as our next growth engine.

The strengths underpinning this strategy are threefold: strong brands across multiple markets; extensive distribution networks that enable portfolio expansion; and technology capabilities rooted in chemistry.

A clear example is SAF (Sealants, Adhesives & Fillers). The addition of the **Selleys brand** through DuluxGroup in 2019 and the acquisition of Vital Technical in Malaysia in 2021 meaningfully advanced this strategy. Vital Technical expanded a business that had previously been more B2C oriented by opening new avenues of growth in B2B, project, new build, and industrial applications. This demonstrates how a bolt-on acquisition can enhance long-term growth potential rather than simply add revenue.

Importantly, Vital Technical was not a marketed asset. It was acquired through sustained relationship building and trust developed by local management over time, underscoring our distinctive, ground-up approach to growth.

Organic growth for us also encompasses exports, localization of operations, selective bolt-on acquisitions, and geographic expansion. Ultimately, growth potential is shaped not only by market conditions, but by the ambition and judgment of our people on the ground — their ability to identify opportunities and act decisively.

The true value of our China business: Earnings quality over cycles

I fully recognize investor concerns surrounding **our China business**, particularly given challenges in China's property market. However, the business should not be assessed solely through short-term news flow. Rather, the focus should be on how it has operated within this environment and how the **quality of its earnings** has continued to evolve.

Since 2000, NIPSEA China has been a central growth driver for the Group. From 2011 to 2020, the business executed three consecutive three-year plans, doubling revenue every three years. This performance was achieved not simply through favorable market conditions, but through disciplined expansion into new segments, the introduction of higher value-added products, and sustained gains in market share. As a result, the business today is fundamentally different from what it was in 2010.

This adaptability is evident in initiatives such as the Building Materials Delivery (BMD) model and the Painters' Club initiative. Even as the slowdown in the new build market persisted, NIPSEA China anticipated the structural shift towards repainting early on and steadily developed its systems and painter networks across major cities. While the pace of market expansion has been slower than initially expected, the underlying direction remains unchanged.

The resilience of NIPSEA China, despite the sharp contraction of the TUB segment — previously accounting for approximately 25% to 30% of the decorative paints business — demonstrates that earnings are diversified and not dependent on a single source. Other segments absorbed the impact over a relatively short period, underscoring the robustness of the underlying business foundation. This portfolio resilience is a clear expression of what I define as the quality of earnings.

Extending the horizon of growth beyond China

NIPSEA China's growth potential is not confined to China alone. In addition to decorative paints, the business has a well established industrial platform, particularly in automotive coatings. As Chinese automotive OEMs accelerate their global expansion, there are clear parallels with the overseas growth of Japanese OEMs from the 1970s onward. In a similar way, NIPSEA China is well positioned to grow alongside these customers, supported by established relationships in China, technology capabilities spanning Japan, Europe, and China, and access to the Group's global operating footprint.

Beyond China, our growth opportunities continue to broaden. Following the acquisition of **Betek Boya** in Türkiye in 2019, the NIPSEA Group strengthened its platform by combining Betek Boya's capabilities with the expertise of its Malaysia Group, extending its reach into North Africa and from Kazakhstan, further into Central Asia. Betek Boya has since evolved into the Türkiye Group—an independent

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organization entrusted with responsibility for a wider region. This reflects our approach to people: identifying opportunities and empowering management teams we trust.

In India, alongside our core decorative paints and automotive refinish businesses, we are building additional pillars of growth through a series of bolt-on acquisitions in industrial coatings. While these initiatives may not deliver immediate results, they are deliberate investments to position the Group across multiple long-term growth vectors.

Autonomous management, collaboration, and the role of systems

A key source of the Group's competitiveness lies in combining **autonomous and decentralized management** with a deeply embedded **culture of collaboration**. Knowledge is shared across the Group not only in times of challenge, but also in the normal course of business, across areas such as raw material procurement, pricing strategy, cost management, digitalization, and the expansion of SAF. In some cases, expertise developed in NIPSEA China is applied in other regions; in others, successful models from elsewhere provide valuable insights for China. This collaboration enhances resilience, particularly during periods of disruption.

Within the NIPSEA Group, we have embedded "VITALS" as six behavioral principles that bring our Lean for Growth culture to life. Among these, teamwork is especially important. What allows us to remain decentralized while operating as one cohesive organization is a shared North Star: MSV. Anchored by this common objective, each region and business can act autonomously while maintaining alignment in direction and values.

This philosophy also shapes how we approach AI. We do not view AI simply as a tool for improving efficiency, but as a broader management challenge that requires us to rethink how we engage with people and how work is organized. Initiatives such as the Job Crafting Center within the Japan Group reflect our commitment to supporting our people through change, ensuring that technological adoption translates into sustainable value creation.

AI has the potential to enhance capabilities across manufacturing, supply chains, sales, R&D, and productivity. However, meaningful value emerges only when the necessary foundations are in place: well designed processes, accumulated data, integrated systems, and people equipped to use them effectively. Ultimately, it is not the technology itself that matters most, but how it strengthens our people and organization.

Closing perspective

Looking ahead, we will continue to build safe and sustainable EPS growth through both organic and inorganic initiatives, underpinned by strong people, robust systems, and a management system that balances decentralization with collaboration. I encourage investors to look beyond short-term fluctuations and focus instead on earnings quality and the replicability of growth over time. We remain committed to demonstrating both through consistent execution.

Director, Representative
Executive Officer & Co-President

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Message from Chairman

Goh Hup Jin
Chairman
(Director, Nipsea International Limited (Wuthelam Group))

To Our Shareholders and Investors

At Nippon Paint Holdings Co., Ltd., **Maximization of Shareholder Value (MSV)** is our sole mission that anchors the core values and decision-making principles of both the Board of Directors and the executive team. Since the governance reforms in 2018, a majority of our Board members are Independent Directors. Every agenda item brought before the Board is thoroughly examined and resolved based on MSV.

As Chairman, I offer insights borne out of decades of business experience, while deliberations by the full Board shape all final decisions.

Our Co-President setup, helmed by Mr. Wakatsuki and Mr. Wee, is remarkably effective. Their exceptional skills and diverse backgrounds have proven to be complemental to a great extent, allowing speedy and effective decision making and execution across the organization.

The relationship between Nippon Paint as a listed company and Wuthelam as the majority shareholder is another rarity. Nonetheless, the interests of the majority shareholder and minority shareholders are completely aligned in the pursuit of the maximization of long-term value. The funding capability of a public listed company combined with the strength of a private shareholder has created a more potent growth engine. It is clearly a Win-Win relationship as what is good for Nippon Paint is without question good for Wuthelam.

If an acquisition opportunity calls for equity financing, I have no qualms about the dilution of Wuthelam's stake, as long as the transaction is significantly EPS accretive. As the Company's majority shareholder, Wuthelam will strongly support it. Needless to say, it is of utmost importance to gain the support of all our shareholders if NPHD were to raise capital through stock issuance. The maximization of minority shareholders' interests is paramount.

I have consistently reiterated these points in the past, and my convictions remain unchanged.

The most notable development of the past year was certainly our acquisition of AOC. It stands as a comprehensive illustration of the goal of our **Asset Assembler model**. This acquisition offers a substantial increase in EPS from the very first year, despite a risk profile including valuation that's arguably lower than that of the paint business. AOC has also brought an exceptional local management team and strong cash generation. By any measure, it was an outstanding acquisition, but many investors have yet to appreciate its merit.

In response, we can only provide **AOC's** earnings contribution through tangible results, while proactively engaging with investors to foster better understanding. From my perspective, I will persevere on the path of pursuit of further Low Risk, High Accretion acquisitions that match the calibre of the AOC transaction.

My association with Nippon Paint dates back to 1979, marking a relationship that now spans over 47 years. Over this journey, I have drawn upon my experience to lead the Company's expansion into Asian markets and to drive our global growth strategy. For future acquisitions, I look forward to staying abreast of all stages from target selection through financing and deal execution.

Post-acquisition, I will also firmly monitor aspects like compensation to secure the motivation of the management of the acquired companies. In my capacity as Chairman of Nippon Paint, I will also continue to be involved in the succession planning and motivation of the current executive team.

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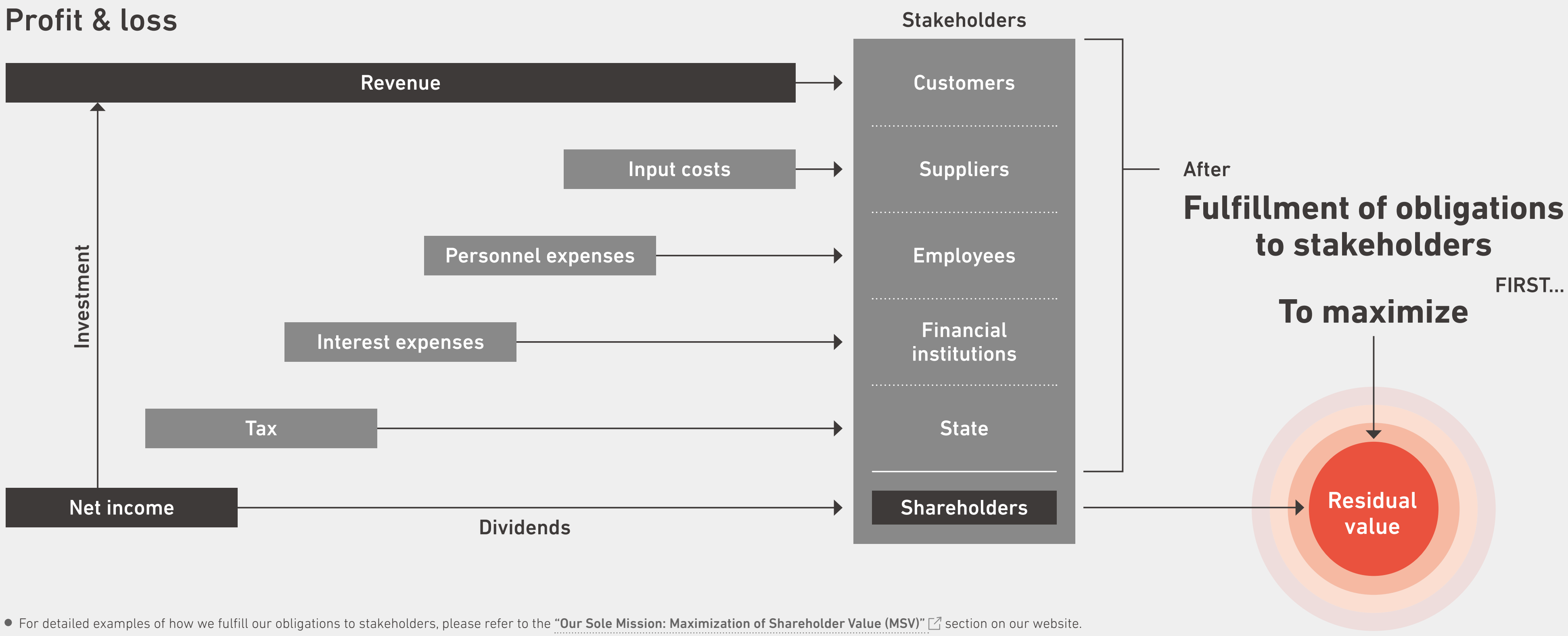
Maximization of Shareholder Value (MSV)

Unlocking the Unlimited Upside in Shareholder Value

We pursue Maximization of Shareholder Value (MSV) as our sole mission.
The diagram below shows stakeholder relationships using a profit and loss statement. Fulfilling our obligations to all stakeholders first and foremost is the primary premise. These obligations include not only legal ones but also social, ethical and sustainability obligations.
MSV is about maximizing residual value after fulfilling our obligations to all stakeholders. While obligations to stakeholders have upper limits, residual shareholder value has none.



• For detailed examples of how we fulfill our obligations to stakeholders, please refer to the "Our Sole Mission: Maximization of Shareholder Value (MSV)" section on our website.

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How Shareholder Value Is Maximized

Pursuing the Maximization of Both EPS and PER Towards MSV

Stock price equates to EPS (earnings per share) multiplied by PER (price-to-earnings ratio). We aim to maximize both EPS and PER through the execution of strategic initiatives in pursuit of MSV.

MSV logic tree

Maximization of Shareholder Value (MSV)

EPS — Maximize EPS

Two pillars of EPS maximization:

1. Organic growth of existing assets
2. Inorganic asset assembly

We strive to maximize both pillars through operational initiatives as well as disciplined M&A accompanied by ideal financing.

We pursue the maximization of EPS rather than just net income. Simply put, EPS-dilutive share issuance can undermine shareholder value even if net income increases.

PER — Maximize PER

PER basically reflects capital markets' expectations of the company's EPS growth. We focus on maximizing our PER by using a variety of IR activities, a carefully formulated finance strategy, sustainability initiatives, as well as assembling quality assets to raise our EPS growth potential.

Sustainability

- Environment & Safety → Develop low-carbon/eco-friendly products + Ensure safe people and operations
- People & Community → Recruit/train diverse employees + Earn the trust of stakeholders
- Innovation & Product Stewardship → Develop sustainable products (NPSI↗/LCA) + Chemicals of concern
- Corporate Governance → Monitor management + Encourage risk-taking
- Sustainable Procurement → Low-cost and sustainable procurement + Reduce environmental and human rights risks

Closely integrating sustainability into our business operations is the prerequisite for MSV

Organic (existing businesses)

EPS growth backed by autonomous and decentralized management (improve market share and profitability)
- Relentless pursuit of technologies, talents, intensive use of IT
- Vigorous pursuit of higher quality, lower cost, capex efficiency
- Utilization of our Asset Assembler platform

Inorganic (M&A)

EPS compounding through M&A
- Rally targets aspiring to join the federation
- Strive to lower funding cost & risk and maintain high PER

Balance-sheet management

Rigorous financial discipline → Debt leverage with market acceptance + Equity financing with EPS accretion

Communications with capital markets

Nurture market expectations → Ingrain equity story + Increase engagement + Enhance disclosure materials

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Asset Assembler Model

Compounding EPS via Organic and Inorganic Growth Towards MSV

**The Asset Assembler model is our unique business model for pursuing MSV.
We aim to compound EPS in a low-risk and stable manner through both organic growth in existing assets and inorganic growth through asset assembly via M&A.
By building capital market confidence in both our ability and our track record to sustain that compounding, we will drive a higher PER and realize MSV over the long term.**

Assumptions (medium- to long-term outlook)

- 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

Features

- 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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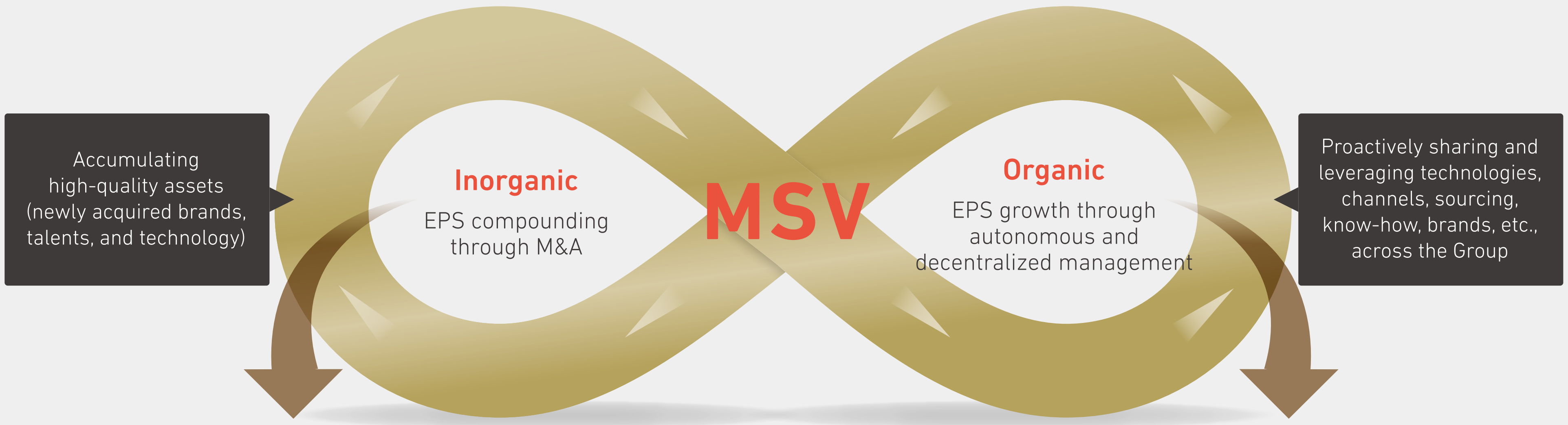

Advantage of a lean headquarters

1. Our capability to fully leverage the benefits of low funding costs
2. The capability of asset companies to maintain and expand the EPS contribution without the intervention of the holding company
3. Our ability to attract world-class management talents who empathize with our business model

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Advantage of autonomous and decentralized management

1. Autonomous growth of high-quality assets by harnessing low-cost operations, high cash generation capability, and operating leverage
2. Accelerating growth through the use of our Group's platform (financial strength, brands, etc.)
3. Achieving synergy and breakthroughs via collaboration between excellent assets

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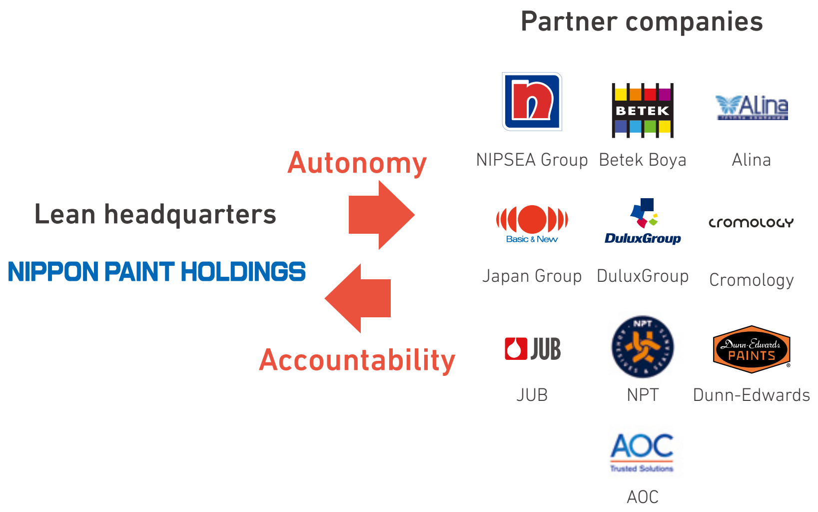
Autonomous and Decentralized Management

Sustainable EPS Compounding Anchored in Autonomy and Accountability

**Our Group has adopted a unique autonomous and decentralized management framework for pursuing MSV.
This framework empowers management teams in each region and business segment to make swift and flexible decisions.
Its greatest strength is the ability to allow us to exercise agility and competitiveness in a rapidly changing business environment.**

Autonomous and decentralized management



Autonomy and accountability

At the core of autonomous and decentralized management are the values of autonomy and accountability. By granting a high degree of discretion to the management teams of each partner company while holding them accountable for outcomes, we promote prompt, agile, and autonomous decision-making, while maintaining an appropriate degree of oversight across the Group.

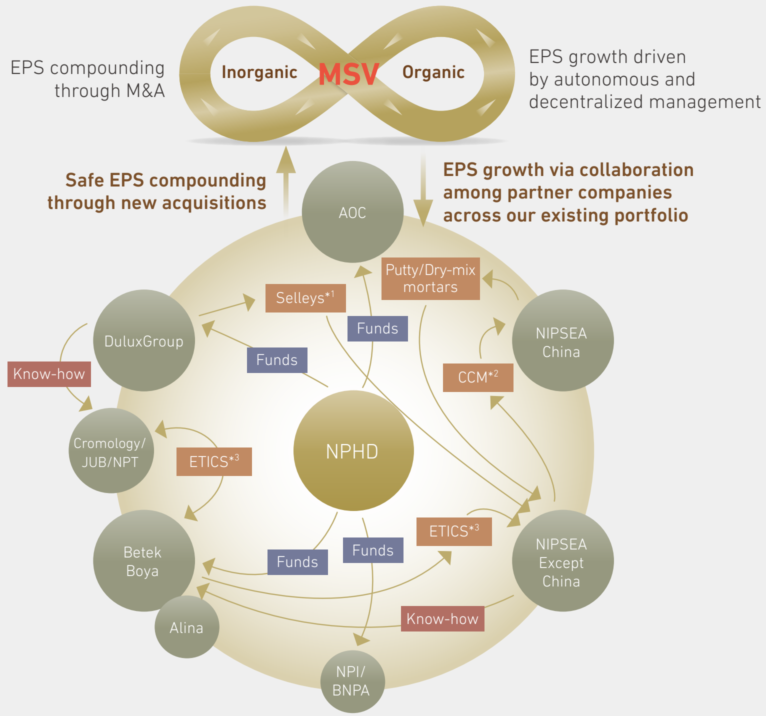
The balance between autonomy and accountability is the key to recruiting and retaining exceptional talents and strengthening competitiveness, and serves as the driving force behind sustainable EPS compounding.

Achieving synergy and breakthroughs through collaboration among high-quality assets

Our platform that underpins autonomous and decentralized management

Under our autonomous and decentralized management framework, each partner company proactively harnesses the management resources within our Group platform, such as financial strength, technological capabilities, and brand equity, and strives for growth and occasionally learns from one another voluntarily.

Asset Assembler model P29



*1 Brands in adjacencies, such as adhesives and sealants
*2 Computerized color matching machine *3 External thermal insulation composite system

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What Are Acquisition-Driven Compounders?

While our "Asset Assembler" model is unique, it is recognized globally as the "Compounder" model. On this page, the key takeaways draw on and adapt the framework and analysis of acquisition-driven compounders developed by Oddbjørn Dybvad, Kjetil Nyland and Adnan Hadžiefendić in their book *The Compounders: From Small Acquisitions to Giant Shareholder Returns*. The selection, interpretation and application to Nippon Paint Holdings are our own.

1 Definition and Core Characteristics

Compounders are companies that continuously generate free cash flow and reinvest the majority of it over long periods at high returns on invested capital, thereby compounding earnings per share over time. Their key characteristics are:

- ✓ These companies are excellent at sourcing and closing acquisitions in the private market at highly attractive multiples
- ✓ Strong cash flow generation, which in turn is reinvested at high returns on capital
- ✓ Management teams are excellent capital allocators and often own a significant part of these companies
- ✓ They adopt decentralized business models
- ✓ Exposure to a diverse array of small private companies spanning multiple end-markets
- ✓ Dual engines of profitable growth (organic and through acquisitions)

2 The Best of Two Worlds

To harness the power of compounding, companies need to manage both risk and return:

1. Fundamental downside protection:

A well-diversified foundation, like a resilient tree's deep and wide roots, is essential to mitigate risks. It means favoring companies with internal diversification—businesses that don't rely on a single product line, customer, or market.

2. Sustainable growth opportunities:

The branches and leaves of a company, representing reinvestment and growth, must grow wide and strong. This is achieved by deploying capital effectively, often through multiple small acquisitions that expand the company's reach without overexposing it to single-point risks.

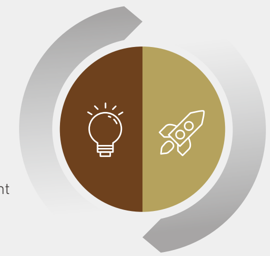
The Best of Two Worlds

The Two Core Engines of Outperformance

How culture and capital allocation combine to create unstoppable compounding machines

HIGH-PERFORMING DECENTRALIZED CULTURES

- ✓ Empowering local leaders
- ✓ Lean HQs
- ✓ Championing meritocracy and saying no to mediocrity
- ✓ Skin in the game (insider ownership & cash-based incentives)
- ✓ Strong alignment between management and shareholders
- ✓ Long-term mindset reinforced by autonomy and accountability



DURABLE REINVESTMENT ENGINES

- ✓ Investor-mindset management
- ✓ Capital allocation free from legacy or geographic constraints
- ✓ High-return reinvestments: organic + bolt-on acquisitions
- ✓ Bias toward acquiring founder-led niche businesses
- ✓ Relentless discipline and repeatability in deploying capital

These two principles—decentralized excellence + reinvestment discipline—allow compounders to:

- ✓ Sustain high ROIC
- ✓ Deliver consistent earnings growth
- ✓ Generate multi-decade, multi-bagger returns

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3 The Two Core Engines of Outperformance

"The Two Core Engines of Outperformance," illustrates "how culture and capital allocation combine to create unstoppable compounding machines." It highlights two core drivers: "HIGH-PERFORMING DECENTRALIZED CULTURES" and "DURABLE REINVESTMENT ENGINES." Companies "Empower local leaders," maintain "Lean HQs," incentivize "Skin in the game," and reinforce a "Long-term mindset" through "autonomy and accountability." At the same time, "Investor-mindset management" keeps "Capital allocation free from legacy or geographic constraints," pursues "High-return reinvestments: organic + bolt-on acquisitions," favors "founder-led niche businesses," and applies "Relentless discipline and repeatability in deploying capital." Together, "these two principles—decentralized excellence and reinvestment discipline—allow compounders to" "Sustain high ROIC," "Deliver consistent earnings growth," and "Generate multi-decade, multi-bagger returns."

4 The 7 Pillars of Acquisition-Driven Compounding

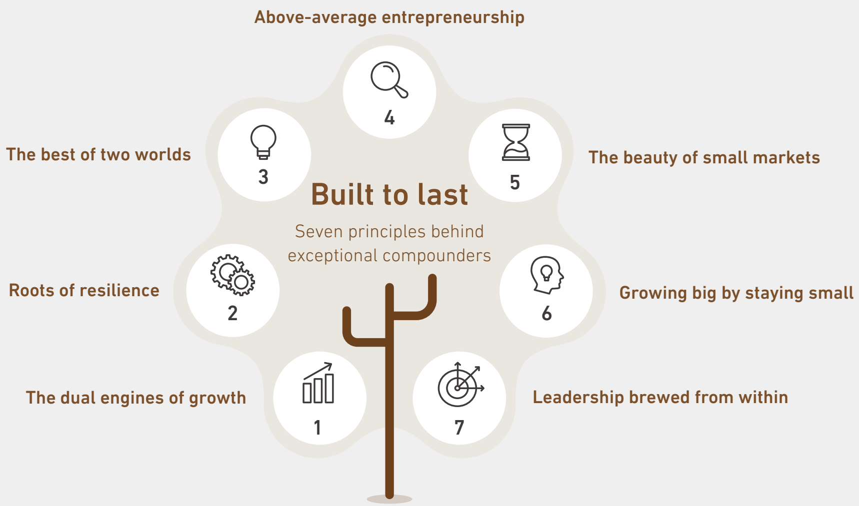
A radically different M&A playbook built for long-term, low-risk value creation.

1. The dual engines of growth — organic reinvestments and programmatic acquisitions of small private companies—provide a unique level of capital deployment. When organic growth slows, the acquisition engine picks up the slack, ensuring a balanced and sustainable trajectory and unlocking the duration of the compounding rate.

2. Roots of resilience — While the focus is often on the length of a tree and its leaves—skyrocketing revenues, expanding markets, and growing dominance—what truly defines a company's longevity and sustains enduring growth lies beneath the surface. The success of compounders is rooted in the stability, the diversity, and the systems they cultivate beneath the surface that can withstand shocks, avoid catastrophic failure, and compound earnings steadily over time.

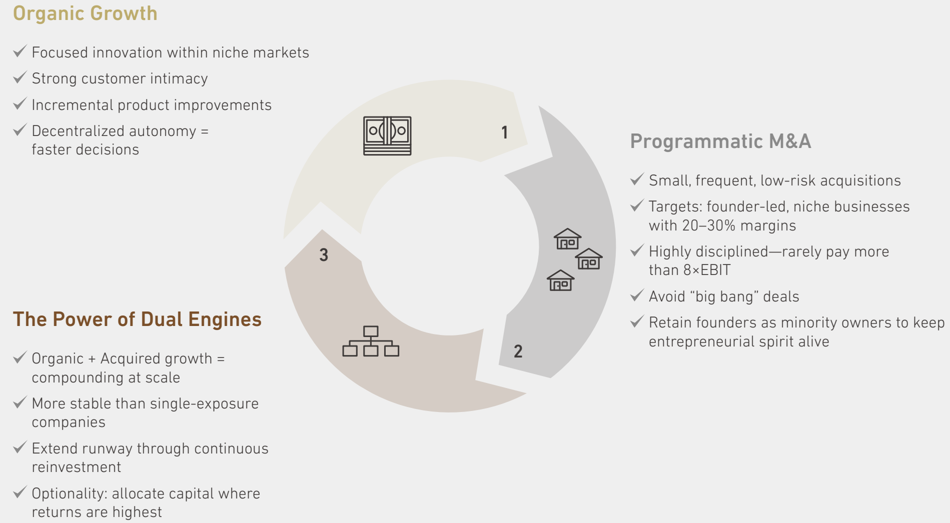
The 7 Pillars of Acquisition-Driven Compounding

A radically different M&A playbook built for long-term, low-risk value creation



The Dual Engines of Growth

They don't just grow. They compound - driven by two reinforcing engines working together over decades:



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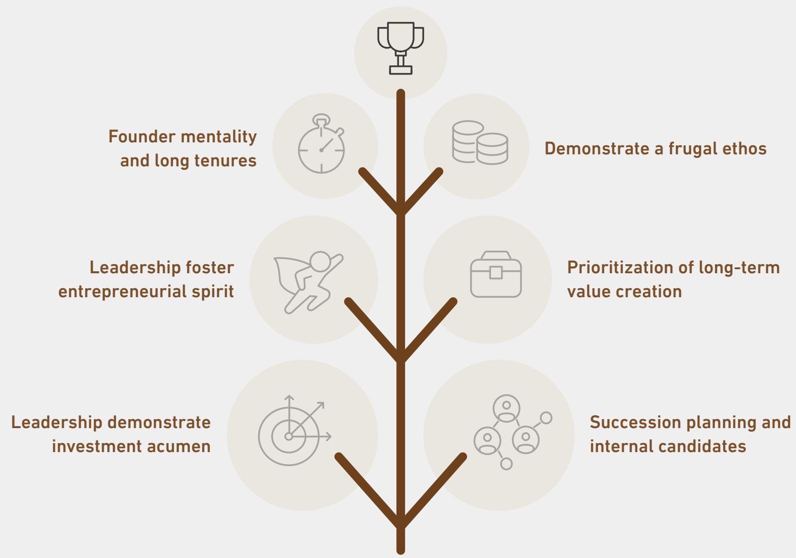
3. The best of two worlds — Balancing risk and return is essential to long-term compounding. To reach the critical compounding phase, ensuring sustained and exponential growth, a business must survive and thrive during its early stage by offering a diverse range of products to a wide variety of customers across multiple end-markets to expand the company's reach without overexposing it to single-point risks.

4. Above-average entrepreneurship — Above-average entrepreneurship is fostered in decentralized groups with a powerful cash culture, disciplined internal capital allocation, and incentives tied to returns. Acquired businesses retain their entrepreneurial spirit, benefit from the sharing of best practices, and pursue self-funded growth, supporting uninterrupted compounding through careful pricing, cost control, and prudent acquisition discipline.

5. The beauty of small markets — The appeal of small markets lies in less competition for acquisitions, more attractive prices and higher shareholder returns. Mission-critical, asset-light offerings of lean businesses with close customer relationships generate predictable cash flow, discourage new entrants, and create a diversified reinvestment engine, allowing these businesses to grow without using much of the cash they generate.

Leadership Brewed From Within

Long-term value through insider ownership and continuity.
Decentralization as a Growth Strategy



6. Growing big by staying small — Scaling through acquisitions works best when operations stay decentralized. Granting autonomy to small business units preserves entrepreneurial culture, close customer relationships, and speed, while headquarters focuses on rational capital allocation. This balance lets a large group grow, adapt, and redeploy resources without losing the agility of a small business.

7. Leadership brewed from within — Enduring businesses are often led by owner-minded insiders who preserve entrepreneurial culture, elevate and empower frontline employees, and think in terms of decades rather than financial quarters. By promoting leaders from within and planning succession carefully, they sustain cultural and strategic continuity, prudent risk-taking, and long-term value creation while safeguarding against management decisions driven by empire-building ambitions or short-term financial strategies that might prove suboptimal.

5 Superior Long-Term Share Price Performance

Global acquisition-driven compounders have delivered exceptional share-price performance over multiple decades.

1. Top-tier value creation:

Over the past 35 years, $10,000 invested in these companies would have grown to $8.7 million – a compounded annual growth rate of around 21%.

2. Relative to the market:

Over the same period, these compounders have returned 867x their starting value, as against nearly 17x for the S&P 500. These companies consistently outperform industry giants like Berkshire Hathaway. They have outperformed all major indices, often by a significant margin.

Based on *The Compounders: From Small Acquisitions to Giant Shareholder Returns* by Oddbjørn Dybvad, Kjetil Nyland and Adnan Hadžiefendić, published by The Book Press.

Basic & New
NIPPON PAINT HOLDINGS

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Frequently asked questions and our perspectives

Q1 How do you think about the balance between organic growth and inorganic growth within the Asset Assembler model?

A Under our Asset Assembler model, we do not prioritize either organic or inorganic growth in isolation. Instead, we pursue **sustained EPS compounding** through the combination of both.

On the organic side, we aim to achieve high-single-digit* adjusted EPS growth by maximizing the potential of each partner company. On the inorganic side, we seek to further enhance EPS by prioritizing the allocation of abundant cash generated by existing businesses to low-risk, good-return M&A that is accretive to EPS from the first year.

In other words, we pursue MSV through a balanced approach: building on steady organic growth while adding unlimited upside through M&A.

* Medium-term consolidated CAGR based on the 2025 business portfolio

Q2 With interest rates rising, why do you believe the competitive advantage of the Asset Assembler model—particularly in inorganic growth—will remain intact?

A We believe the competitive advantage of our **Asset Assembler model** will remain intact even in a rising interest rate environment for three primary reasons.

First, we raise funds primarily in Japanese yen, a stable currency with relatively low interest rates. Even if interest rates in Japan rise, as long as they remain within our assumptions, we expect to retain our relative funding cost advantage over U.S. and European companies. Second, in addition to debt financing, we also consider equity financing as an option, provided it is EPS accretive, and therefore are able to pursue the optimal funding mix without being constrained by debt capacity alone. Third, our corporate philosophy—respecting the brands and management teams of acquired companies—together with the credibility we enjoy as a Japanese company, remains a powerful advantage in attracting outstanding companies for potential acquisition.

Q3 What are the benefits of autonomous and decentralized management that are not only effective in normal times but are most evident in times of crisis, such as the pandemic or heightened geopolitical risk?

A The greatest benefit of **autonomous and decentralized management** in times of crisis is that it enables swift and agile decision-making at the front line in response to rapid changes in markets and operating environment.

In times of crisis, such as supply chain disruptions caused by the pandemic or geopolitical risk, as well as inflation, it is not feasible for headquarters to centrally manage partner companies across the globe. Under our autonomous and decentralized management model, we have therefore built a system that prevents delays in decision-making by delegating authority with accountability to high-caliber local management teams and empowering them to make independent decisions.

In practice, each partner company acts autonomously and with agility, including by switching to alternative raw materials, swiftly passing on cost increases through pricing, and optimizing supply chains. This has become a powerful competitive advantage that supports the Group's growth even in a highly uncertain operating environment.