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.

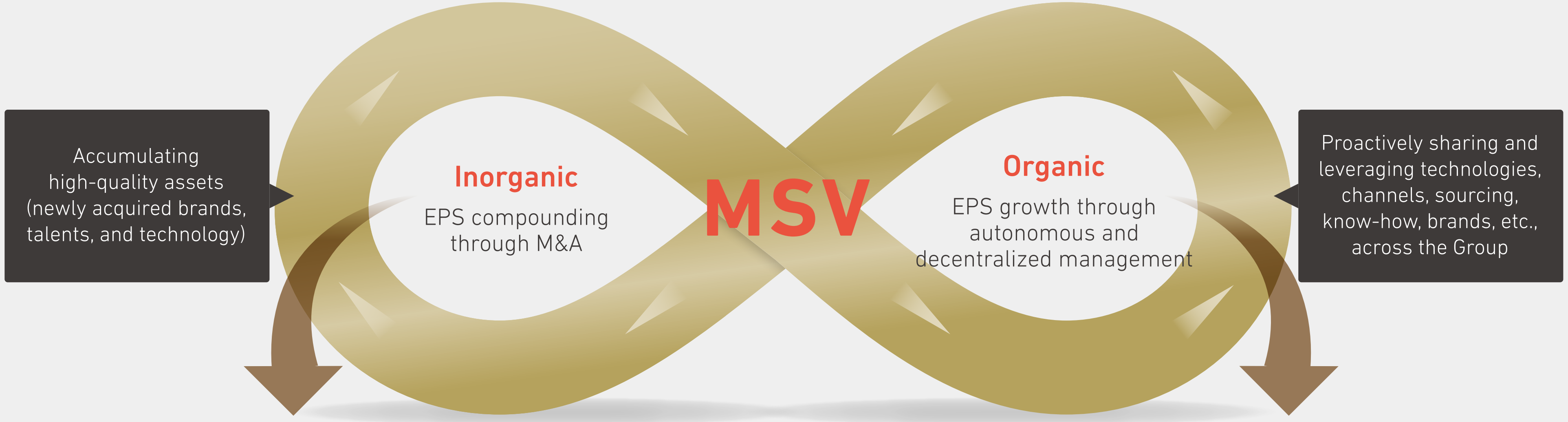
Assumptions (medium- to long-term outlook)

- 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

Investors' Three Key Questions About Our MSV Journey—Q1 P34



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

Investors' Three Key Questions About Our MSV Journey—Q2 P34

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

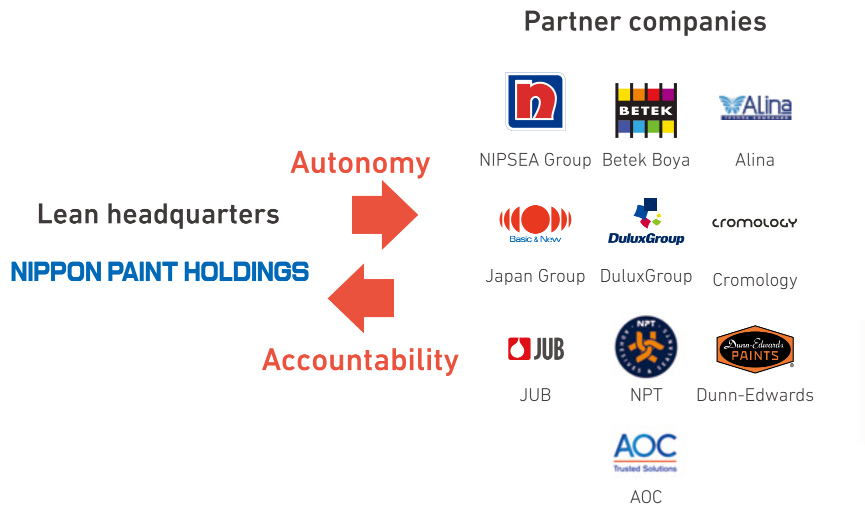
Investors' Three Key Questions About Our MSV Journey—Q3 P34

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.

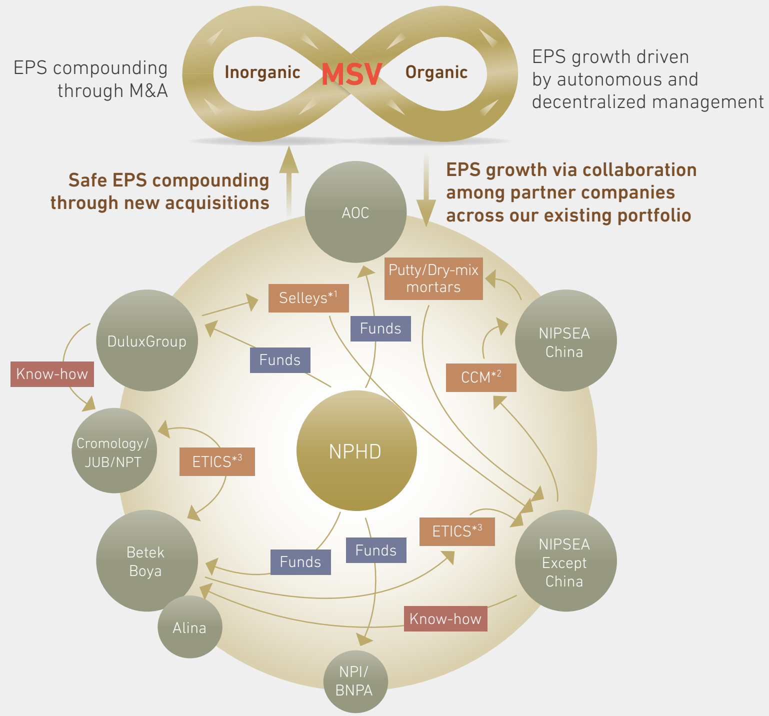
The balance between autonomy and accountability is the key to recruiting and retaining exceptional talents and strengthening competitiveness, and serves as the driving force behind sustainable EPS compounding.

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

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.

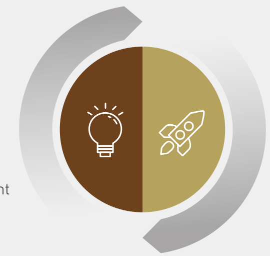
The Best of Two Worlds

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

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

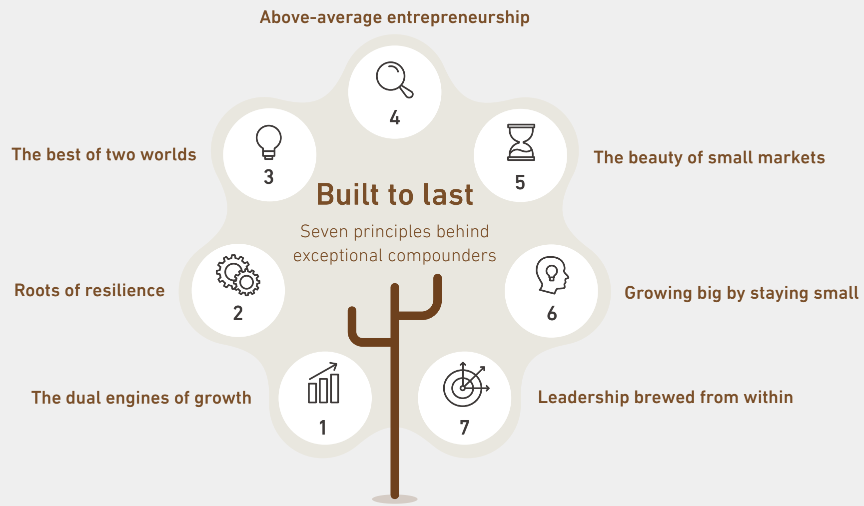
A radically different M&A playbook built for long-term, low-risk value creation.

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

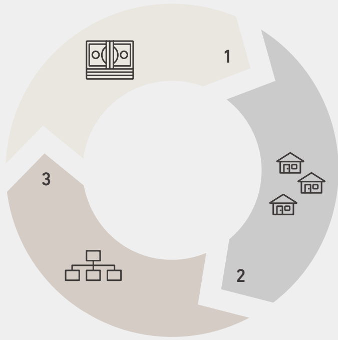


The Dual Engines of Growth

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

Organic Growth

- Focused innovation within niche markets
- Strong customer intimacy
- Incremental product improvements
- Decentralized autonomy = faster decisions



Programmatic M&A

- Small, frequent, low-risk acquisitions
- Targets: founder-led, niche businesses with 20–30% margins
- Highly disciplined—rarely pay more than 8×EBIT
- Avoid "big bang" deals
- Retain founders as minority owners to keep entrepreneurial spirit alive

The Power of Dual Engines

- Organic + Acquired growth = compounding at scale
- More stable than single-exposure companies
- Extend runway through continuous reinvestment
- Optionality: allocate capital where returns are highest

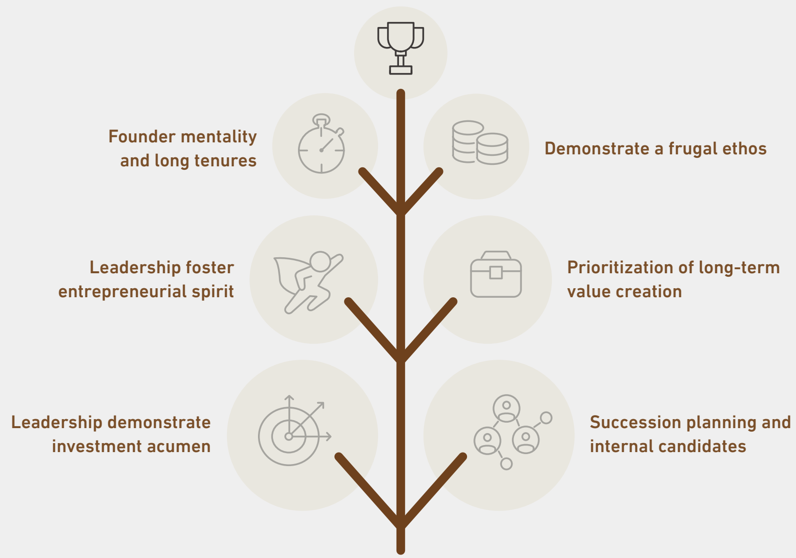
3. The best of two worlds — Balancing risk and return is essential to long-term compounding. To reach the critical compounding phase, ensuring sustained and exponential growth, a business must survive and thrive during its early stage by offering a diverse range of products to a wide variety of customers 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.

Investors' Three Key Questions About Our MSV Journey

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.