Taking actions for driving medium to long-term growth based on an assessment of risks and opportunities

The business environment surrounding the Group as a global company is constantly changing and significantly affecting the Group’s operations. We analyze such changes from the perspective of both risks and opportunities, and utilize the results of the analysis to work out and execute initiatives aimed for the Group’s medium to long-term growth.

**External environment**

**Paint and coatings market**

- Paint demand in Japan has been decreasing since 1996.
- The paint and coatings market is certain to grow in line with rapid population growth.
- Offers scope for significant market share gains.

**Risks**

- Risk that the procurement of raw materials will be discontinued due to production halts of raw materials manufacturers and disruptions of supply chains due to natural disasters, etc.
- Risk that fluctuations in crude oil and naphtha prices will impact the Group’s performance due to the nature of our products.
- Decrease in the number of employees due to the increase in the number of employees who retire upon reaching mandatory retirement age in Japan.
- Increase in competition to recruit young people and people with specialized skills.
- High mobility of human resources outside Japan.

**Opportunities**

- Leverage our procurement capability by utilizing the Group’s worldwide networks as a global company.
- Recruit excellent talent by leveraging our strong brand power as a global company.
- Support for recovery activities in areas affected by a disaster.

**Actions to address risks**

- Create new products (new sources of demand) such as anti-viral coatings.
- Improve productivity (and profitability) by making investments in production bases in Japan.
- Share best practices with overseas group companies (sales and earnings growth through sales and management).

**Actions to capture opportunities**

- Stabilize the procurement of raw materials by achieving inter-regional supply of raw materials, multiple procurement sources, global procurement of raw materials, etc.
- Stabilize the procurement of raw materials through mitigation of the risk of price fluctuations of raw materials by concentrating procurement sources, distribution of procurement areas, extending procurement contracts, etc.

**External environment**

**Human resources**

- Unstable product supply caused by major natural disasters.
- Suspension of operations due to fire or explosions.
- Suspension of operations due to the virus pandemic.

**NPHD’s actions**

- Implement policies, laws and regulations, etc. to deal with climate change that goes beyond forecasts.
- Suspension of production and shipments caused by extreme weather such as typhoons and heavy rainfall that have been increasing in recent years.

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**External environment**

**Natural disasters and occupational accidents**

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**External environment**

**Climate change**

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