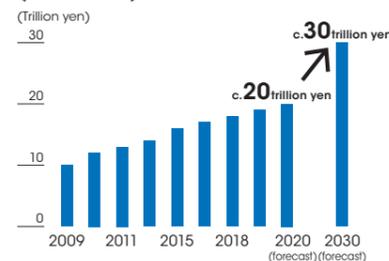


Risks and Opportunities

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

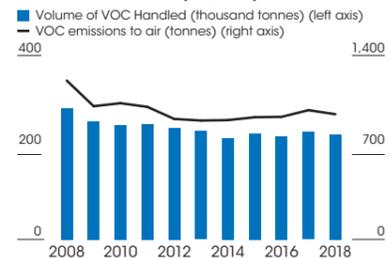
The business environment surrounding the Group as a global company is constantly changing and significantly affecting the Group's operations. We analyze such changes from the perspective of both risks and opportunities, and utilize the results of the analysis to work out and execute initiatives aimed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

Growth of the paint market (worldwide)



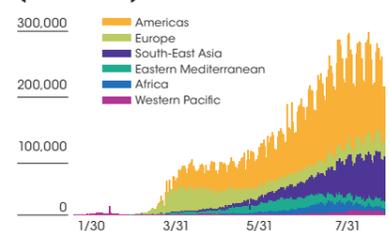
Source: Company estimates based on data from International Paint & Printing Ink Council Report and the United Nations

Volume of VOC handled and emissions to air (Japan)



Source: Japan Paint Manufacturers Association "Coating Care Report 2019"

Number of new COVID-19 cases (worldwide)



Source: World Health Organization "Coronavirus disease (COVID-2019) situation reports"

External environment

Paint and coatings market

Raw materials

Human resources

Natural disasters and occupational accidents

Climate change

Risks	Opportunities
<ul style="list-style-type: none"> ● Paint demand in Japan has been decreasing since 1996 	<ul style="list-style-type: none"> ● The paint and coatings market is certain to grow in line with rapid population growth ● Offers scope for significant market share gains
<ul style="list-style-type: none"> ● Risk that the procurement of raw materials will be discontinued due to production halts at 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 	<ul style="list-style-type: none"> ● Leverage our procurement capability by utilizing the Group's worldwide networks as a global company
<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● Recruit excellent talent by leveraging our strong brand power as a global company
<ul style="list-style-type: none"> ● Unstable product supply caused by major natural disasters ● Suspension of operations due to fire or explosions ● Suspension of operations due to the virus pandemic 	<ul style="list-style-type: none"> ● Support for recovery activities in areas affected by a disaster
<ul style="list-style-type: none"> ● 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 rainfalls that have been increasing in recent years 	<ul style="list-style-type: none"> ● Growth of markets for eco-friendly products

NPHD's actions	
Actions to address risks	Actions to capture opportunities
<ul style="list-style-type: none"> ● 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 spider web management) 	<ul style="list-style-type: none"> ● Earn returns exceeding capital costs and achieve EPS accretion through aggressive M&As ● Raise our global presence through both organic and inorganic growth
<ul style="list-style-type: none"> ● Stabilize the procurement of raw materials by achieving interchangeability 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. 	<ul style="list-style-type: none"> ● Reduce raw material costs by promoting the measures listed on the left through collaboration with overseas Group companies
<ul style="list-style-type: none"> ● Achieve labor-saving and improve efficiency through the introduction of eco-friendly factories with the latest facilities and equipment and visualization of technologies through promoting IoT and digitization ● Promote employee engagement by conducting a variety of PR activities to enhance the corporate brand, as well as management with the SDGs and ESG at the core 	<ul style="list-style-type: none"> ● Advance business strategies by recruiting human resources who can play active roles anywhere in the world by drawing attention to the appeal of the Group's strong global presence and operations
<ul style="list-style-type: none"> ● Implement disaster prevention and mitigation measures to minimize damage from natural disasters and establish an appropriate crisis management framework ● Reinforce safety operations system to prevent accidents involving hazardous materials and chemical substances ● Establish an appropriate infection control framework to protect against infectious disease and prevent the spread of infection 	<ul style="list-style-type: none"> ● Fulfill responsibilities to stakeholders by proactively providing assistance to suppliers, etc. and supporting recovery activities in areas affected by disasters
<p>➔ See page 33, Our Response to COVID-19 Pandemic</p>	
<ul style="list-style-type: none"> ● Formulate product development/technology strategies in anticipation of stricter environmental regulations in the future ● Implement thorough BCP measures to minimize risks in emergency situations 	<ul style="list-style-type: none"> ● Enhance the Group's range of products that leverage our advanced technological capabilities and increase our market shares by taking advantage of the expansion of eco-friendly product market