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SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • High customer responsiveness enabled by developing paint products and technologies together • Differentiated technologies created in a three-region R&D structure in Japan, China, and South Korea and industry-academia collaborations 	<p>Weaknesses</p> <ul style="list-style-type: none"> • High purchase ratio of raw materials subject to local market conditions, making stabilizing raw material costs an issue
<p>Opportunities</p> <ul style="list-style-type: none"> • Growing need for eco-friendly products in automotive coatings and other business fields • Growing demand for high functionality coatings in Asia and other emerging markets 	<p>Threats</p> <ul style="list-style-type: none"> • Shrinking domestic market • Rising raw material prices

Market outlook

In Japan, we anticipate declining demand for coatings for automobiles and steel coils, and flat or slightly increasing demand for coatings for general-use industrial products, beverage cans, and aluminum products. We project overseas demand for coatings to grow rapidly in all business fields, particularly in Asia

Strategy for FY2021-2023

Maximize revenue and profit by continuing the business growth in Japan through market share expansion and by accelerating the growth of overseas Group companies

Nippon Paint Surf Chemicals Co., Ltd. (NPSU)

NPSU provides pretreatment agents for automobiles, general-use industrial products, steel, and aluminum cans, and functional agents which provides various functions in very thin film such as hydrophilic coatings. The company offers technologies created through its three-region R&D system in Japan, China, and South Korea and industry-academia collaborations to customers in Asia and worldwide.

Growth strategy for FY2021-2023

NPSU is establishing sustainable growth and reinforcing its profit structure by applying new technologies to address ESG issues with the objectives of addressing social issues and maximizing its revenue and profit contribution to Group earnings.

In Japan, where we anticipate a shrinking market, we are aiming to achieve sustainable growth through differentiation by offering technologies for reducing environmental impact and lowering running costs and by introducing new products and services, including in new business domains.

In our existing business areas, we will improve the value of our products in the market. Strategies will include developing new technology systems for reducing CO₂ emissions and water consumption to meet customer needs to reduce the environmental impact of manufacturing

processes. We will also meet the growing demand for advanced products with improved antirust performance of coatings. Initiatives in new business fields will seek to establish solid new businesses and will include developing new coating systems, such as antifouling coatings to protect social infrastructure, and material technologies that can contribute to electrification of mobility.

In our production activities, we will maintain our solid foundation of safety, quality, and environmental protection while also stepping up the development of human resources. One initiative in this direction was the introduction of a "Production Meister System" to visualize and enhance the skills of production site engineers. The system will better enable experienced engineers to pass down their expertise, which will strengthen our supply stability and production efficiency of high-quality products. In our logistics operations, we will reduce costs through measures that will include optimizing transport system operations within the Group.

In our global businesses, we will strengthen relationships at all levels, from top management to production divisions, with Group companies in China and South Korea specializing in surface treatment field and work

together to develop products, promote sales, and improve productivity.

Development and sales promotion activities will focus on enhancing value for customers and accelerating development speed by sharing specific customer needs among the Group to combine our technological strengths and provide solutions. We will also reduce production costs by sharing raw material procurement information. In addition, we will help improve the production safety, efficiency, and quality at our Group plants around the world by providing solutions and sharing our experience and expertise.

Through these activities, Group companies in China, South Korea, and all regions will seek to boost worldwide sales and profits in the surface treatment market.