

# Strengths that Form the Basis for Value Creation — Unique Core Technologies and Growth Potential

The Group has invested considerable business resources into fields where it can leverage its technological strengths—such as technologies for the synthesis of pigments and resins, and processing technologies such as dispersion, coating and coating film structure control. Going forward, we will work to create healthier and more comfortable lives for people around the world by focusing on the creation of new businesses in three key development areas—sustainability, communication, and life.

## Unique core technologies

### Synthesis

The Toyo Ink Group creates original materials according to the required function using molecular design and synthesis technology. Pigments with controlled chromogenic properties and wavelengths and polymers with controlled adhesive and electrical characteristics are used in materials for sensors and electronic devices.

#### Coloring

#### Pigments



#### Bonding

#### Polymers

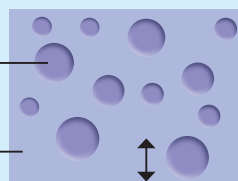


### Dispersion

Dispersion technologies that control the shape and surface state of pigments enhance printability and stability and bring out superior functionality. They are used for printing inks, display materials and materials for lithium ion batteries.

Pigments

Polymer

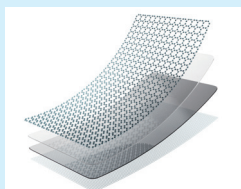


Nano size

(1/100,000 of hair thickness)

### Coating and coating film structure control

We deliver products with functions that meet the needs of our customers by processing sheets and films using coating and coating film structure control technologies. They are used for applications such as electromagnetic wave shielding films and sensor components.



## Products that form the basis for value creation

### Synthesis x Dispersion x Coating and coating film structure control

Can coatings

**No.1** share in Japan

Laminating adhesives

For packaging  
**No.1** share in Japan

Printing inks

For paper and packaging  
**No.1** share in Japan

Plastic colorants

For PET bottle caps  
**No.1** share in Japan

Pigments

**Core materials**

Color resists

**No.1** share in Japan

Electromagnetic wave shielding films  
Conductive adhesive sheets

**No.2**  
global share

PSA for healthcare

For athletic tapes  
**No.1** share in China

Products that apply or use evolved versions of existing products or technologies

Priority areas of development and value provided

### Environmentally friendly products

LED-UV curing inks  
**No.1** global share

Biomass ink lineup  
**No.1** share in Japan (offset)

Water-based inks for laminating package  
**No.1** share in Japan

### Eco-conscious package Recycling

Helping to create a recycling-oriented society using environmentally friendly packaging materials by utilizing biomass materials and building recycling systems



### Functional masterbatches

### Clean energy

Helping to create a recycling-oriented society through environmentally friendly energy such as solar cells and secondary batteries for EVs



### Materials for lithium ion batteries

Near infrared absorption pigments  
Blue light cut materials  
UV cut materials

### Optical control / sensing

Enabling safe and secure lifestyles through sensor materials used in autonomous driving control and near-infrared cameras



Sensor resists  
**No.2** share in Japan

### 5G / IoT

Facilitating more comfortable lifestyles with stable, high-speed, high-capacity communication

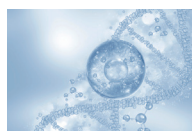


Low dielectric sheets / resin

Transdermal patches  
Biocompatible resin

### Medical

Enabling healthy lifestyles with medicated adhesive patches and biotech solutions that apply polymer synthesis technologies



Sustainability

Communication

Life

A recycling society that co-exists in harmony with the global environment

**Environmental Value**

**For a Vibrant World**

A society where people can live comfortably, healthily and safely

**Lifestyle Value**

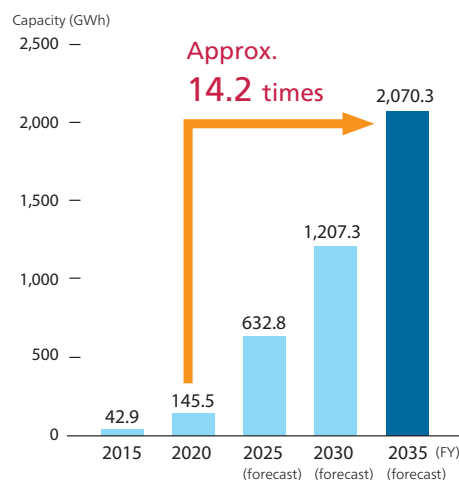
\* Shares according to our research

## Strengths that Form the Basis for Value Creation — Initiatives in growth markets

With the global trend toward decarbonization, the shift to EVs is progressing rapidly. In particular, manufacturers are constructing production plants and trying to improve production capacity for automotive batteries in anticipation of future growth in demand, primarily in Europe, the United States, and China. Various projects are also being implemented to encourage the spread of EVs, with the involvement of governments of various countries. Partly as a result of these developments, the global market for lithium-ion batteries (LiBs) is expected to increase in size by around 5–10 times over the course of the next ten years, to 2030, and continue to further expand.

Carbon nanotube (CNT) dispersions for automotive LiB cathode materials—supplied by Toyocolor Co., Ltd.—utilize our unique dispersion technologies to achieve high battery capacity, contributing to weight reductions and extended cruising ranges for EV batteries. The Group has established a production and supply network in major global production regions for LiBs, enabling delivery of products in a timely manner. Going forward, we will continue to support the supply of CNT dispersions as a leading company in the automotive LiB market—which we expect will continue to expand further in the future—through the supply of materials, thereby contributing to the creation of a decarbonized society.

Automotive LiB battery market trends and forecasts (capacity basis)



Source: Ministry of Economy, Trade and Industry (METI)  
“Current Situation and Issues in the Storage Battery Industry”  
(November 2021)

### Dispersions for LiB: An introduction to dispersion technologies

Toyocolor Co., Ltd. has traditionally had strengths in carbon dispersion, and has since acquired various carbon nanotube (CNT) synthesis technologies, developed technologies for stably dispersing CNTs with difficult-to-disperse physical properties, and applied them to various products. Since 2015, the company has been developing and supplying carbon dispersions for cathode materials for lithium-ion batteries (LiBs,) and has gained trust and accumulated results as a manufacturer of LiB materials.

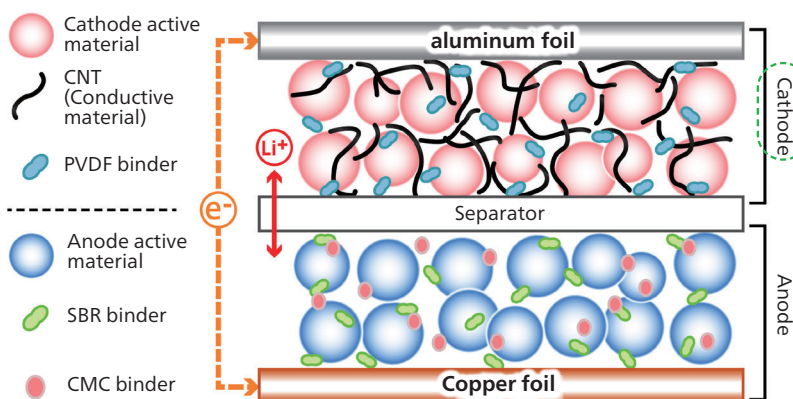
LiB cathode materials are composed mainly of an active material, a conductive material, and a binder. By using CNTs instead of carbon black as the conductive material, it is theoretically possible to achieve conductive performance with only a small amount of conductive material. However, this requires nano-level particle control, in which the fibers of the CNTs are loosened one by one—while maintaining their length—and uniformly adsorbed on the surface of the active material. In addition, since CNT fibers have the property of reducing the fluidity of liquids, there has been an issue in

that highly concentrated dispersions with high fluidity must be designed.

Toyocolor has succeeded in greatly reducing the resistance value of the LiB cathode with a small amount of conductive material by dramatically improving the dispersibility and conductivity of CNTs using a unique dispersant and dispersion manufacturing method, and improving the level of adhesion and distribution to the surface of the active material. In addition, they have achieved high concentration of CNT dispersions with reduced viscosity in comparison with existing products.

By combining these technologies, battery manufacturers—who are our customers—have been able to reduce costs associated with adding conductive materials to LiBs and increase the amount of active material in their cathodes, thereby achieving higher capacity and more compact batteries. High-capacity automotive LiBs utilizing Toyocolor’s CNT dispersions offer extended EV operating ranges and improved fast-charging performance.

#### Structure of LiB electrode



#### Raw materials for cathode materials

- ① **Active materials**  
(Generating electric charge)
- ② **Binders**  
(Keeping the active material dispersed)
- ③ **Solvents**  
(Providing fluidity during coating)
- ④ **Conductive materials (CNT dispersion)**  
(Providing high electrical conductivity)



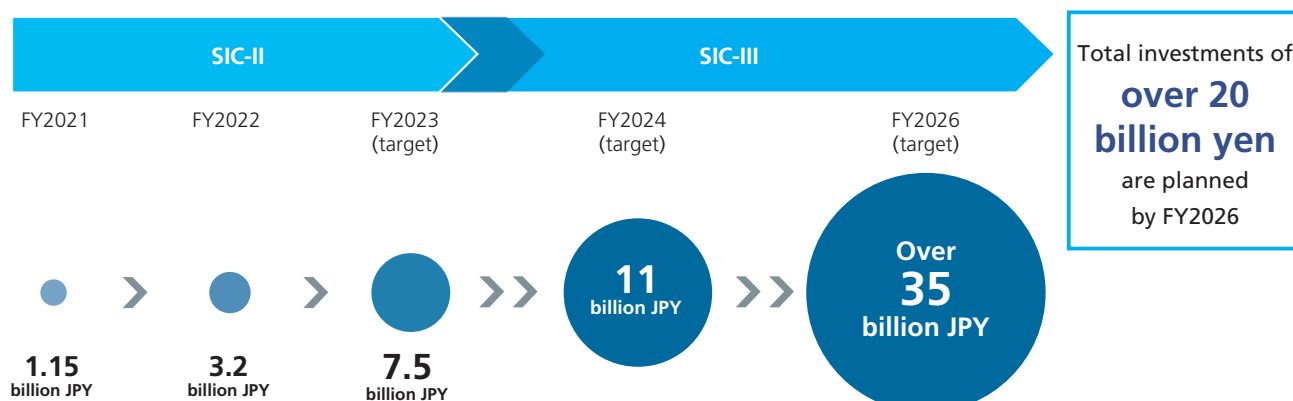
## Establishment of mass production and supply networks in four global regions

Toyocolor Co., Ltd. is the first in the industry to establish five mass production bases in four key global regions (Europe, the United States, China, and Japan,) and has built a supply network for global LiB manufacturers. At the same time, it has also obtained various patents relating to CNT dispersions globally.

At the same time as improving conductive materials for next-generation LiBs and exploring new materials, we are also developing dispersants that are optimal for materials, and we will continue to develop products that match market needs.



## Sales results and targets for the LiB materials business (SIC27 period)

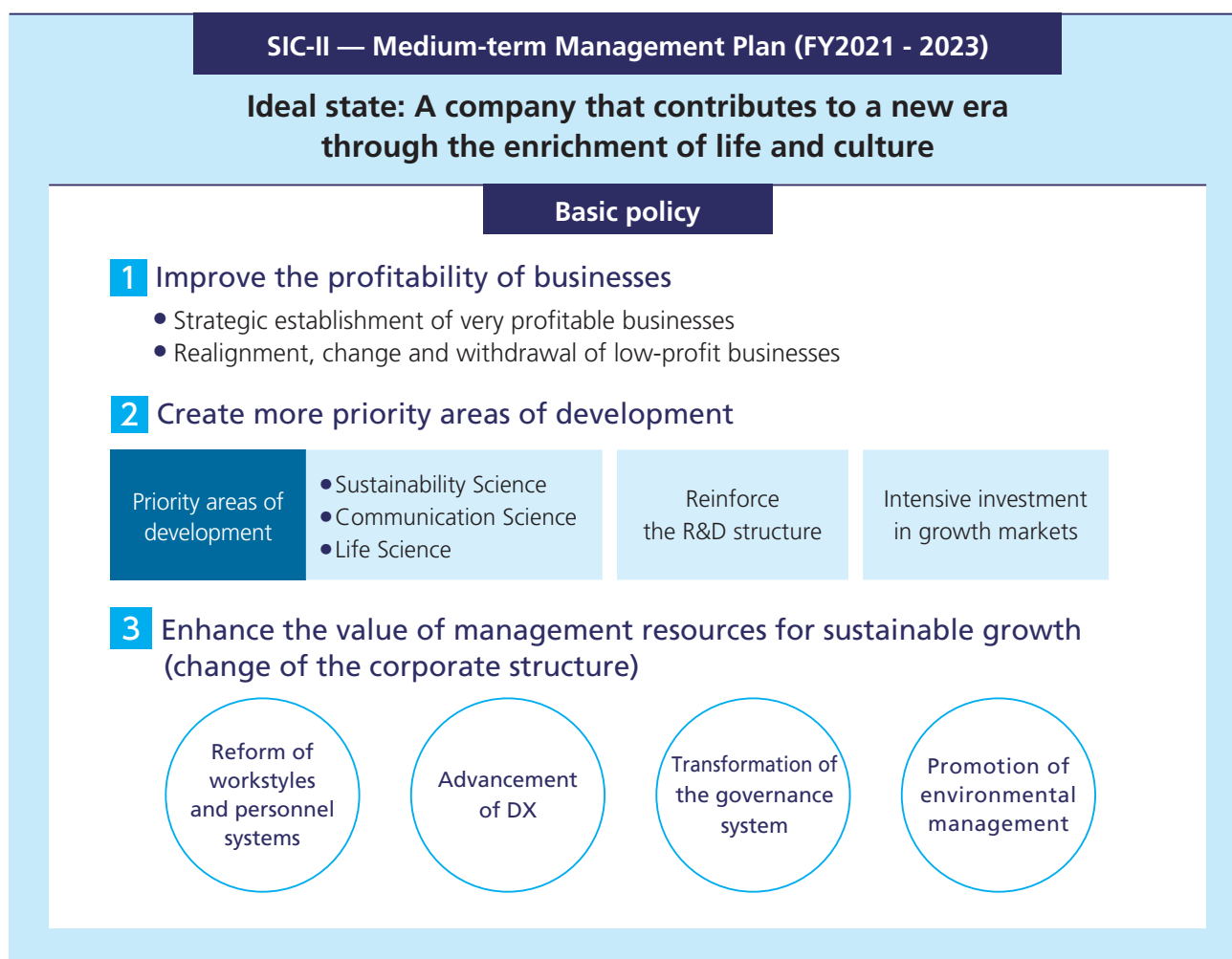




# Progress of the SIC-II Medium-term Management Plan to Achieve Sustainable Growth

Our SIC-II medium-term management plan, which started in 2021, is the second stage of our long-term vision, SIC27, which is comprised of three medium-term management plans. Our vision under SIC-II is to be a company that contributes to a new era through the enrichment of life and culture, and we aim to continue to provide value that is truly needed to meet the changing needs of society.

## SIC-II — Medium-term Management Plan (FY2021 - 2023)



## Major Targets for Business Performance under SIC-II

	FY2021 (result)	FY2022 (result)	FY2023 (target)
Consolidated net sales	287,989 million JPY	315,927 million JPY	330,000 million JPY
Consolidated operating profit	13,005 million JPY	6,865 million JPY	11,000 million JPY
Operating margin	4.5%	2.2%	3.3%
ROE	4.4%	4.3%	2.7%

\* Based on the results for fiscal 2022, we have revised our targets for fiscal 2023, the final year of the SIC-II period.

## Making investments in areas where profits are expected and delivering returns to shareholders

In our SIC-II medium-term management plan, we have set the goal of improving ROE, and are leveraging cashflow and cross-shareholdings within the Group to invest in areas where more earnings can be expected and deliver returns to shareholders. In particular, to invest in the rapidly growing field of EVs, we increased our capital investment plan by more than 6 billion yen from the initially planned figure of 40 billion yen. In response to the growing market for metal cans, which are being re-recognized for their excellent recyclability, the Group acquired a can coating manufacturer in Thailand in March 2023. The challenge going forward will be to improve earnings by working to secure returns on these investments.

With regard to shareholder returns, on which we place equal importance, we will continue to pay stable dividends while at the same time buying back over 10 billion yen of treasury stock during the SIC-II period. We will continue working to return profits to shareholders while considering all aspects of our situation.



**Hiroyuki Hamada**

Senior Managing Director in charge of  
Corporate Departments (CFO)

## FY2022 results

Although there were signs of a gradual recovery from the COVID-19 pandemic, high raw material and energy prices—against the backdrop of the prolonged situation in Ukraine and restrictions on economic activities in China—and a rapid slowdown in the LCD panel and electronics market had a significant impact on our consolidated financial results.

Despite these conditions, the Group is steadily implementing the three basic policies laid out under SIC-II. Under Policy 1, “Improve the profitability of our business,” we have worked to build a resilient business portfolio by reforming business structures and expanding our presence in overseas markets. Under Policy 2, “Create more priority areas of development,” we have made active investments and developed materials, such as the creation of a supply network for materials for automotive LiBs and the construction of a new pilot plant building to develop new polymer materials. Under Policy 3, “Enhance the value of management resources for sustainable growth” we worked to utilize materials informatics in product development, develop our system for promoting diversity and inclusion, and strengthen governance, such as by shifting to a company with audit and supervisory committee system.

As a result of these measures, the Group’s consolidated net sales for FY2022 increased, although operating profit, ordinary profit and profit attributable to owners of parent decreased.

## Making capital investments that drive growth

In FY2022, we made capital investments of 17.2 billion JPY. By business segment, in the Colorants and Functional Materials Business functions were transferred from the Mobara Plant to Fuji Factory, and in the Polymer and Coatings Business a new polymer materials pilot plant building was constructed at the Kawagoe Factory. In the Packaging Materials

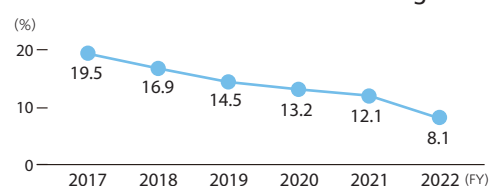
business, we made capital investments, including the construction of plant buildings in Turkey, and the expansion of facilities.

## Reduction of cross-shareholdings

Although we hold shares in various companies that we deem necessary as part of our corporate management strategy such as business alliances, maintaining and strengthening business relationships, and stable procurement of raw materials, we are actively reducing these cross-shareholdings to improve capital efficiency.

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### Ratio of the amount of cross-shareholdings to net assets



## Agile approach to shareholder returns, based on stable dividends

The Group’s basic policy with regard to shareholder returns is to continuously pay stable dividends while ensuring a stable business foundation over many years. While we have set the rate of 90 JPY / year as the lowest limit during the SIC-II, we will consider reviewing this figure depending on financial results. In addition, we will also take an agile approach to advancing comprehensive shareholder return measures, including the acquisition of treasury stock. Our policy is to allocate internal reserves to capital investment in basic businesses and business areas in which growth is expected, as well as in research and development that can contribute to future profit growth.

## Progress of the SIC-II Medium-term Management Plan to Achieve Sustainable Growth

## 1 Improve the profitability of businesses

In a business environment that is significantly affected by raw materials, logistics and geopolitical conditions, we are expanding our business presence in continually growing overseas markets and taking bold measures with respect to businesses that are facing structural issues.

### Strategically promote development of key sources of revenue and structural reforms

Under this policy, in order to strengthen the profitability of the businesses that drive the growth of the Group, we are implementing reforms to restructure mature businesses in line with market size, while actively investing in and allocating resources to businesses that are expected to grow or expand in the future.

While operating profit in FY2022 fell far short of our targets due to soaring raw material and energy prices, we continued to engage in various efforts both in Japan and overseas. In Japan we streamlined operations through integration and consolidation of area sales companies, while overseas we worked to strengthen our sales network and production capacity to expand our business in our eight mainstay product groups. Going forward, we will continue to develop key sources of revenue and structural reforms for each of our businesses to enhance the Group's overall earning power.



**Hiroyuki Hamada**  
Senior Managing Director in charge of  
Corporate Departments

## Realignment, change and with drawal of low-profit businesses

### Structural reform of the Printing and Information Business

The commercial printing market in Japan—which includes leaflets, advertisements, and publications—is currently undergoing an accelerating structural shrinkage due to the progress of digitalization. Market size has decreased by more than 20% over the past 10 years (according to Ministry of Economy, Trade and Industry (METI) statistics,) and we expect this trend toward market shrinkage to continue in the future.

In the domestic Printing and Information Business, in addition to various cost reduction measures, we have been collaborating with other companies in the same industry and revising prices, and are working to enhance profitability by implementing further structural reforms to create a business structure that is appropriate for the size of the market. In January 2023, we merged six area sales companies in Japan

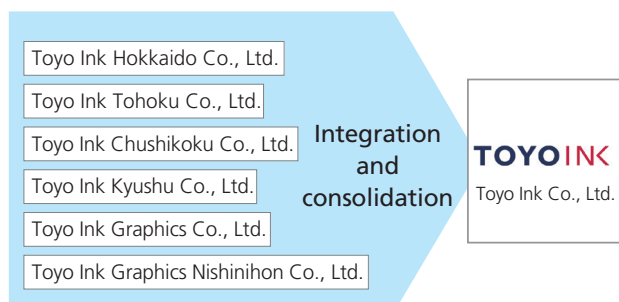
into Toyo Ink Co., Ltd. and began efforts to consolidate and streamline our sales networks in each area of Japan. Going forward, we will continue working to build more optimal production, logistics, and sales systems, and shift the Group's resources to growth fields.

### Improving efficiency in the Colorants and Functional Materials Related Business

In the Colorants and Functional Materials Business, we are enhancing profitability by improving the efficiency of both domestic and overseas businesses.

In Japan, we are working to improve efficiency by consolidating dispersed production bases. Specifically, in the pigment dispersion business, we are currently transferring the production functions of Toyocolor Co., Ltd.'s Mobara Plant (Mobara, Chiba) to Fuji Works (Fuji, Shizuoka.) The transfer is scheduled to be completed in June 2023.

Overseas, we have strengthened profit management at each of our plastic colorants business sites worldwide. Through this measure, we identified unprofitable sites in France and the Philippines and worked to improve the profitability of the business as a whole.

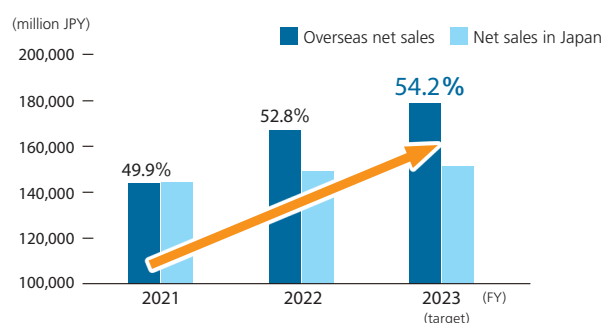


Fuji Factory, Toyocolor Co., Ltd.

## Expanding overseas operations for eight major product lines

The Group's overseas sales ratio is increasing year by year. In the eight core product lines that we believe will expand in overseas markets in particular, we will seek to expand our business by actively developing, launching, and investing in environmentally conscious products.

### Overseas sales ratio and targets



### Initiatives for eight major product lines

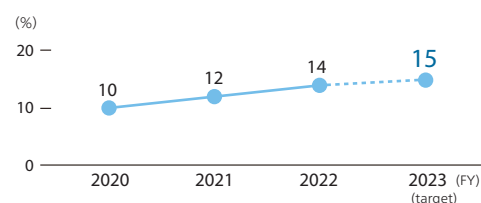
Media materials	Expand sales in the Chinese market. Strengthen efforts in the markets for small and medium-sizes and sensors.
Plastic colorants	Focus on environmentally friendly products (easy recycling, materials for solar cells.)
Functional dispersions	Increase supply of dispersants for LiB in the European, U.S., Chinese, and Japanese markets.
Adhesives	Expand sales leveraging new facilities in China, India, the U.S., and South Korea.
Laminating adhesives	Expand production capacity in Malaysia and increase sales in Southeast Asia.
Can coatings	Expand sales of water-based coatings that comply with European and US environmental regulations in the United States and China.
Gravure inks	Expand sales of PVC-free, water-based, middle-grade products in Southeast Asia and India.
UV curing inks	Shift to the paper packaging materials market.

## Media materials Respond flexibly to changes in the flat panel display market

Among our eight major product lines, the display materials business is one of the most important businesses to make efforts overseas. In the display materials business, we are developing products for color filters for flat panel displays (FPDs,) with the Group engaging in integrated production of everything from pigments (raw materials) to mill base / pastes (intermediates) and color resists (as final products,) which we refer to as display materials. Our strengths are cost competitiveness through the overall improvement of production processes and high-level technology development capabilities for responding quickly to various needs.

Currently, around 60% of large-sized LCD displays are produced in China. The shift toward China is also progressing during the SIC-II period, and the Chinese share is expected to reach 70% by 2026. Since commodity products for TVs are the mainstream in the Chinese market, cost competitiveness is the biggest key point. Going forward, the Group will seek to further increase sales through cost competitiveness with innovative manufacturing methods utilizing integrated production, and by strengthening its sales network through partnerships and alliances with trading companies. At the same time, since high-end products are the mainstream in the market for small and medium-sized LCD displays such as PCs and in-car panels, it will be important to offer unique colorants that can be differentiated from those offered by competitors, and high-level technical capabilities to respond to customer needs. By making maximum use of our unique Green and Yellow colorants to meet market demands, we will expand our market share in small and medium-sized markets. We will continue to maximize earnings by implementing strategies that leverage our strengths in each of these two markets with differing needs.

### Global market share and targets for color resists



### VOICE

Toyo Advanced Science Taiwan Co., Ltd. produces and supplies color resists to the Taiwanese and Chinese markets. Although the Taiwanese market has suffered from widespread supply anxiety due to logistics disruptions due to the COVID-19 pandemic and difficulties in procuring raw materials, our stable production and supply system has been highly evaluated by customers, and we are expanding our market share. Our Green colorant have been adopted (following on from Red,) and the transition to our products is progressing, especially for large TVs. In the Chinese market, the quality of our Blue colorant and sales structure in collaboration with local partners have gained high recognition, and two companies have adopted it for large-size TVs. We will continue to develop and provide products that meet the needs of our customers and continue to grow.

#### Karina Huang

Sales Specialist of Display Device  
Material Sales Division, Toyo Advanced  
Science Taiwan Co., Ltd.





## Progress of the SIC-II Medium-term Management Plan to Achieve Sustainable Growth

## 2 Create more priority areas of development

At the Toyo Ink Group, we have identified **Green**: Rising awareness of environmental problems, **Digital**: Rapid acceleration of digitalization, and **Health**: Rising awareness of safety, security, and health as new social needs and have established three priority areas of development corresponding to the respective issues: Sustainability Science, Communication Science, and Life Science. We will provide the value that is truly needed for these social needs and create and expand new businesses.

### Accelerating the creation of new businesses by further strengthening our organization

In terms of progress on this policy, we are significantly increasing net sales, especially in the area of Sustainability Science. This reflects the full-scale production of materials for automotive LiBs and the development of new customers in China and Japan. At the same time, we believe that further strengthening of our organization is a key issue in developing new businesses in the areas of Communication Science and Life Science.

In terms of measures to respond to this issue, in the area of Communication Science, we are making effective use of our Technical Center in Shenzhen, China, which opened in 2022, and the new polymer pilot building in Kawagoe, Saitama. In the Life Science domain, we are engaged in a business alliance with Nobelpharma Co., Ltd., in the field of biopharmaceuticals. We are also utilizing our collaborative research center within the Tokyo Institute of Technology for advanced research in priority development areas.



**Shintaro Yamaoka**  
Senior Executive Operating Officer,  
Chief Technical Officer

### Priority areas of development



#### Sustainability Science

For creating a sustainable society

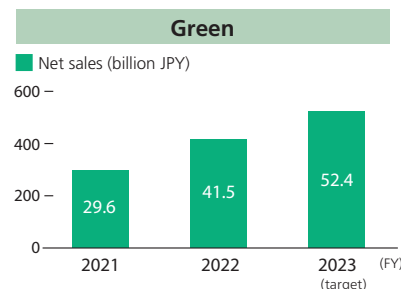
##### Eco-conscious packages

Biomass / Recycling



##### EV / New energy

Materials for lithium ion batteries



#### Communication Science

Contribute to a 5G and IoT society with key materials and solutions

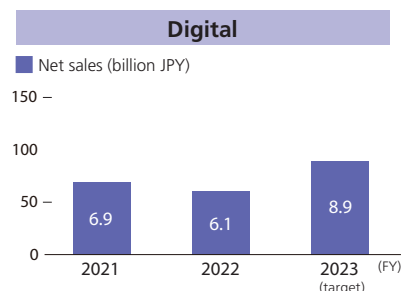
##### IoT / Sensors

Optical control materials



##### 5G / Semiconductor

Low dielectric materials / Functional films

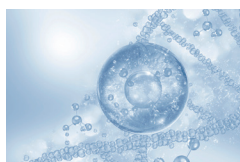


#### Life Science

Enrich people's lives and improve their health

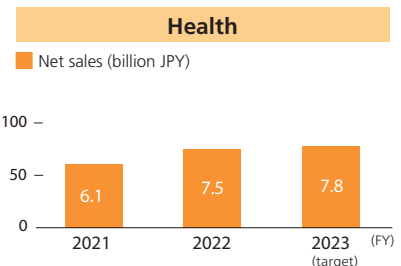
##### Medical

Transdermal patches / Biocompatible materials



##### Digital printings

Inkjet inks



## Electronics-related Business

## Strengthening the organization and expanding business in the Communication Science field

We are strengthening development and marketing to expand our business in the field of Communication Science. The main products driving this area are pressure sensitive adhesives, other adhesives, and coating materials for the electronics sector.

The Group has strengths in its in-house design technologies for acrylic, urethane, and polyester resins. We supply pressure sensitive adhesives and other adhesives with added functionality, and coating materials processed into films for the electronics field. In particular, our functional films such as electromagnetic shielding for 5G and conductive adhesive sheets are used in smartphones made by many major manufacturers, and we boast a top-class global market share in this area.

Behind the establishment of this share in the market for functional films are the Group's polymer synthesis technologies and dispersion technologies for materials that exhibit electrical characteristics, enabling us to achieve both the necessary heat resistance and flexibility required to produce flexible substrates. In addition, by marketing to major manufacturers in Japan, the United States, China, and South Korea (all major markets in the electronics industry,) we believe that we have been able to avoid missing any important turning points in technology trends, and make timely proposals.

In order to further expand our business, we opened a Technical Center in Shenzhen, China in July 2022 with the aim of strengthening our marketing system. Through close exchanges of technologies with brand owners, module manufacturers, and other electronics-related companies, we are acting as a hub for accelerating new development activities relating to semiconductor technologies. In April 2023, we established a new polymer pilot plant building at Toyochem Co., Ltd.'s Kawagoe Factory, and established a

system that enables the development and prototyping of new functional polymers and medium-scale production.

By strengthening this system, we will accelerate business expansion into the electronics field and the rollout of products for the semiconductor field, which requires advanced functionality.



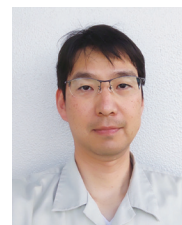
Polymer pilot plant building

### VOICE

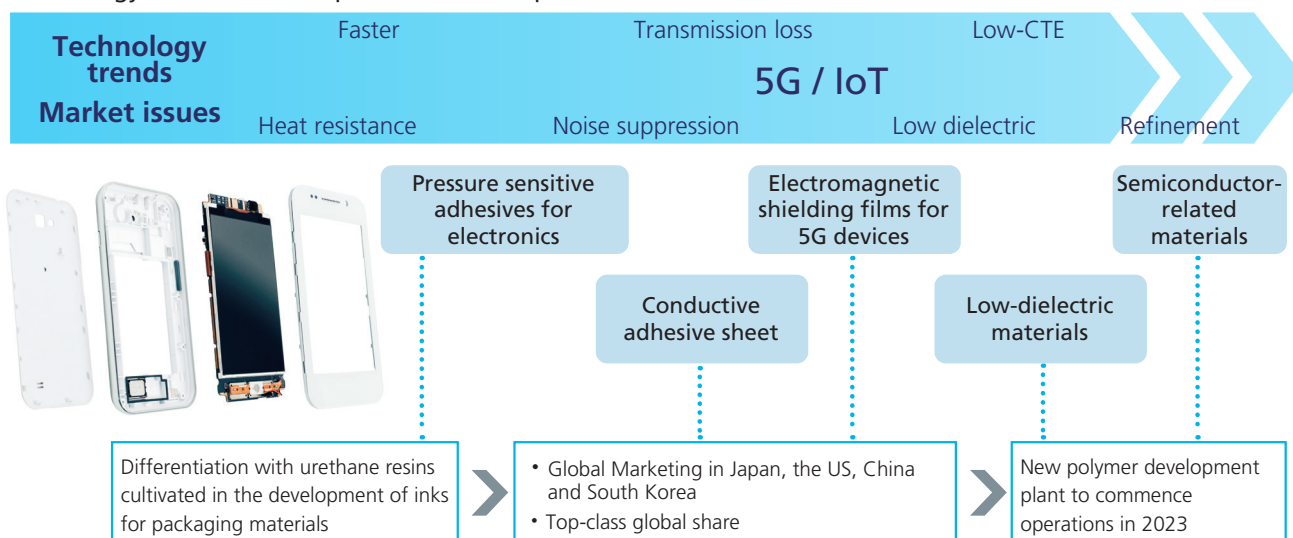
We believe that the electronics market will continue to expand significantly in line with contemporary needs. In order to expand the Group's business operations, we believe that it is necessary to develop products with even higher functionality by utilizing new polymers and composite technologies in addition to existing polymers. We have therefore established a new polymer pilot plant that enables prototyping to medium-scale production of new polymers and their processed products. The new resins produced in the first phase of the polymer pilot building will be mainly condensation polymers with heat resistance and flexibility. Through these efforts, we will continue to propose products that meet contemporary needs, such as applications in semiconductor-related materials and functional adhesives as materials for high-speed communications and EVs.

#### Yasushi Ariyoshi

General Manager of Polymer & Coating R&D Division, Toyochem Co., Ltd.



## Technology trends and Group business development in the field of electronics



## Progress of the SIC-II Medium-term Management Plan to Achieve Sustainable Growth

### 3 Enhance the value of management resources for sustainable growth (change of the corporate structure)

To improve the value of the management resources that support our sustainable growth, we will strengthen initiatives for reforming workstyles and our personnel system, promoting digital transformation (DX,) transforming our governance system, and promoting environmental management.

#### Working to resolve social and environmental issues through organizational collaboration

In recent years, against the backdrop of growing awareness of the global environment, resources and widespread recognition of the SDGs, demands are now being placed on companies to take measures to help solve social and environmental issues such as achieving carbon neutrality and creating a circular economy. In response to these demands, in FY2022, the Group established the TSV2050/2030 sustainability vision. In FY2023, we will establish the ESG Promotion Office to strengthen our organization, with the aim of further accelerating the next medium-term management plan. It is difficult to achieve environmental targets such as reducing CO<sub>2</sub> emissions through activities in the production division alone, so it is crucial to improve efficiency in our sales strategies and reform technical methods and processes. Through interdivisional collaboration and sharing of information and awareness, we will implement comprehensive measures to enhance the feasibility of our sustainability strategy. We will also make efficient use of management resources in these activities to create new value.



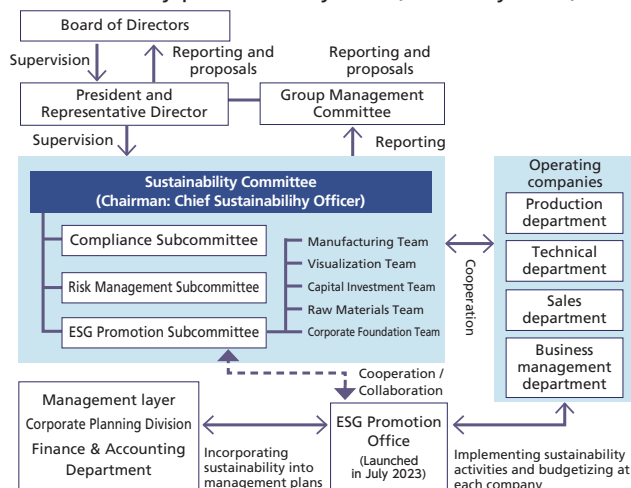
**Tetsuaki Sato**  
Director in charge of Sustainability (CSO)

#### Strengthening the company-wide sustainability promotion system

Since January 2022, the Sustainability Committee and its subordinate ESG Promotion Subcommittee have taken a leading role in promoting group-wide sustainability activities.

Based on our recognition that close collaboration with the divisions of each Group company and integration with management strategies can lead to results and increase corporate value in group-wide sustainability activities, in July 2023 we will establish a new ESG Promotion Office with the aim of enhancing the effectiveness of these activities in management. As the practical center of group-wide

#### Sustainability promotion system (after July 2023)



sustainability activities, the office will work with various committees, senior management, corporate divisions, and the management divisions of each business company to incorporate sustainability strategies into management plans, develop and implement them through various activities, and budgetize them.

#### Formulation of a human rights policy

In March 2023, the Group established the Toyo Ink Group Human Rights Policy, consolidating its basic approach to human rights and policies set forth in its existing Business Code of Conduct and Human Resources Policy.

The establishment of this human rights policy is also in response to the global movement on human rights issues, which began with the support of the UN Human Rights Council's Guiding Principles on Business and Human Rights in 2011. It follows international norms such as the International Bill of Human Rights, the Guiding Principles on Business and Human Rights, the ILO Declaration, the OECD Guidelines for Multinational Enterprises, and the Children's Rights and Business Principles. This policy applies to all members of the Group, including officers, employees, and contract employees working for the Group, and we also require all business partners who make up the Group's supply chain to understand and comply with it.

## Updating of Procurement Principles and Formulation of Guidelines

The Group established its basic Procurement Principles and Standard for Selecting Suppliers in 2005. In October 2022, we drastically revised the principles and selection criteria to eliminate disparities with recent trends in global procurement management—such as the diversification of environmental issues and the increasing importance of social issues such as respect for human rights and information security—and match actual conditions in the business environment.

At the same time, we have formulated a set of Sustainable Supply Chain Guidelines which summarize the code of conduct that the Group and the suppliers who belong to its related supply chain should work to comply with, and published them on our website. The structure and contents of these guidelines comply with the United Nations Global Compact, RBA Code of Conduct 7.0, JEITA Responsible Corporate Conduct Guidelines 1.0 and GCNJ CSR Procurement Self-Assessment Questionnaire 1.1., with a focus on (1) complying with global standards of corporate conduct and (2) aligning as much as possible with the codes of conduct applied by the Group's client companies.

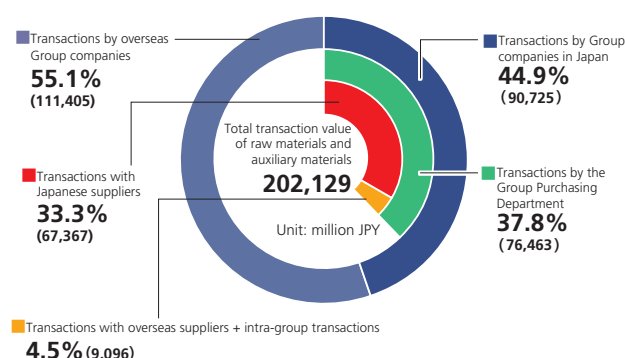
 The Procurement Principles, Standard for Selecting Suppliers, and Sustainable Supply Chain Guidelines are posted under CSR Related Policies in the CSR section of the Company's website.

## CSR procurement survey

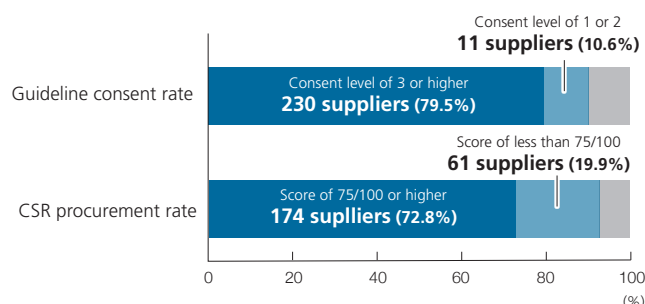
In conjunction with the revision of the Procurement Principles and Standard for Selecting Suppliers, as well as the formulation of the Sustainable Supply Chain Guidelines, we conducted a CSR procurement survey of the Group's raw material and auxiliary material suppliers. The purpose of this survey was to quantify the degree of consent of suppliers to the Group's guidelines in the Group's associated supply chain ("guideline consent rate") and the degree to which a certain level of CSR has been achieved ("CSR procurement rate"), and to provide feedback for improvement activities while continuously monitoring them. Since the transaction amount varies from supplier to supplier, calculations were based on transaction value, not the number of supplier companies.

Although Group has business relationships with many suppliers, in FY2022, the Group Purchasing Department surveyed 274 Japanese suppliers (transaction value of 67,367 million yen = 33.3% of the Group's total transaction amount) and requested them to send a signed consent form consenting to the guidelines. Since the intentions and views of various suppliers cannot be expressed only by the presence or absence of written documents, we made it possible to select one of the "consent levels" in the table below. We defined transactions with suppliers with consent level 3 or higher as procurement activities that agree with the guidelines. At the same time, we conducted a questionnaire using GCNJ's CSR Procurement Self-Assessment Questionnaire 1.1, and defined transactions with suppliers with normalized scores of 75/100 or higher as en-

gaging in procurement activities that achieve a certain level of CSR. As a result, the guideline consent rate was 79.5% and the CSR procurement rate was 72.8%.



Consent level	Content of consent to the guidelines
1	Company has received the guidelines and confirmed and understood their purpose and content
2	Support the Toyo Ink Group's ongoing efforts to comply with the guidelines
3	Comply with this guidelines or an equivalent code of conduct established by the company
4	Endeavor to request the same CSR activities from upstream business partners
5	Discuss and cooperate with the provision of information, investigations, and improvements requested by the Toyo Ink Group



## Revision of the rules of employment (Abolition of wage deductions as a disciplinary measure)

Although Japanese labor laws and regulations still allow wage deductions (pay reductions) as a disciplinary measure, punitive wage deductions are already prohibited in many countries, and that has become the global standard. In January 2023, the Group revised the Disciplinary Provisions (Article 67) of its Rules of Employment as part of its response to the trend of strengthening the protection of human rights in business. Wage deductions as a disciplinary measure have now been abolished, and the four types of disciplinary sanctions under the previous rules (formal reprimand, salary reduction, suspension, and disciplinary dismissal) have been changed to the following four types: reprimand, suspension, dismissal by request for resignation, and disciplinary dismissal.



# Sustainability Management

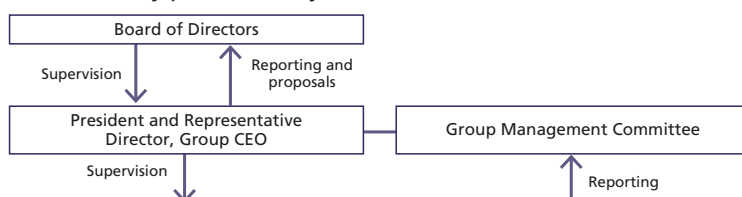
## Basic approach

In the SIC-II medium-term management plan launched in 2021, we laid out the vision of being “a company that contributes to a new era through the enrichment of life and culture” with three key policies: (1) Improve the profitability of businesses, (2) Create more priority areas of development, and (3) Enhance the value of management resources for sustainable growth (change of the corporate structure.)

In recent years, awareness of sustainability has been increasing worldwide, including responses to climate change, carbon neutrality, and initiatives for achieving the SDGs. In January 2022, we formulated our TSV2050/2030 sustainability vision, which outlines our ideal vision for driving our corporate activities from a medium to long-term perspective based on three key points: (1) Contributing to sustainability through all of the products and services we provide (Providing products and services that realize a sustainable society,) (2) Minimizing the environmental impact of manufacturing, including carbon neutrality, and (3) contributing reliably to the improvement of social sustainability. ▶▶▶P.13

For more than 120 years since its founding, the Group has continued to provide value demanded by customers and society by leveraging its unique core technologies. The Group’s goal of sustainable management is to continue to provide the products and services needed by customers and society, and fulfill its supply responsibilities based on business continuity, as a company that will continue to be chosen by society. We will continue to promote sustainable management by implementing management strategies under the SIC-II medium-term management plan and steadily executing measures to address material issues, and the goals of TSV2050/2030 that lie beyond.

## Sustainability promotion system (FY2023)



## Promotion system

The Sustainability Committee is chaired by the Group’s Chief Sustainability Officer, with the Group CEO as chief supervisor. The committee formulates plans, implements, evaluates, and follows up on all Group-wide sustainability-related activities. It also reports regularly to senior management at meetings of the Group Management Committee and the Board of Directors, and receives instructions on how to respond as necessary. The three subcommittees of the Sustainability Committee and the administrative departments of each domestic Group company play a central role in supporting the sustainability activities of the entire Group from their various perspectives, and are working to drive activities on a global scale.

In September 2022 we held the Sustainability Conference, a Group-wide meeting, to report on the progress of the Group’s activities (TSV2050/30, risk management, compliance, and the diversity promotion project) and share our activity policies.

### Main sustainability committee themes in FY2022

- Response to climate change (consideration of energy saving measures and introduction of renewable energy, etc.)
- Information disclosure and communication (information disclosure based on the TCFD recommendations, expanding disclosure of non-financial information, etc.)
- Respect for human rights (diversity promotion project, establishment of human rights policy and discussion of activities)
- Promotion of CSR procurement (revision of procurement Principles and Standard for Selecting Suppliers, and establishment of guidelines)

## Establishing material issues

We have formulated a set of material issues that summarize the issues that the Group should address, and are engaged in initiatives to address them.

### Process of formulating the material issues

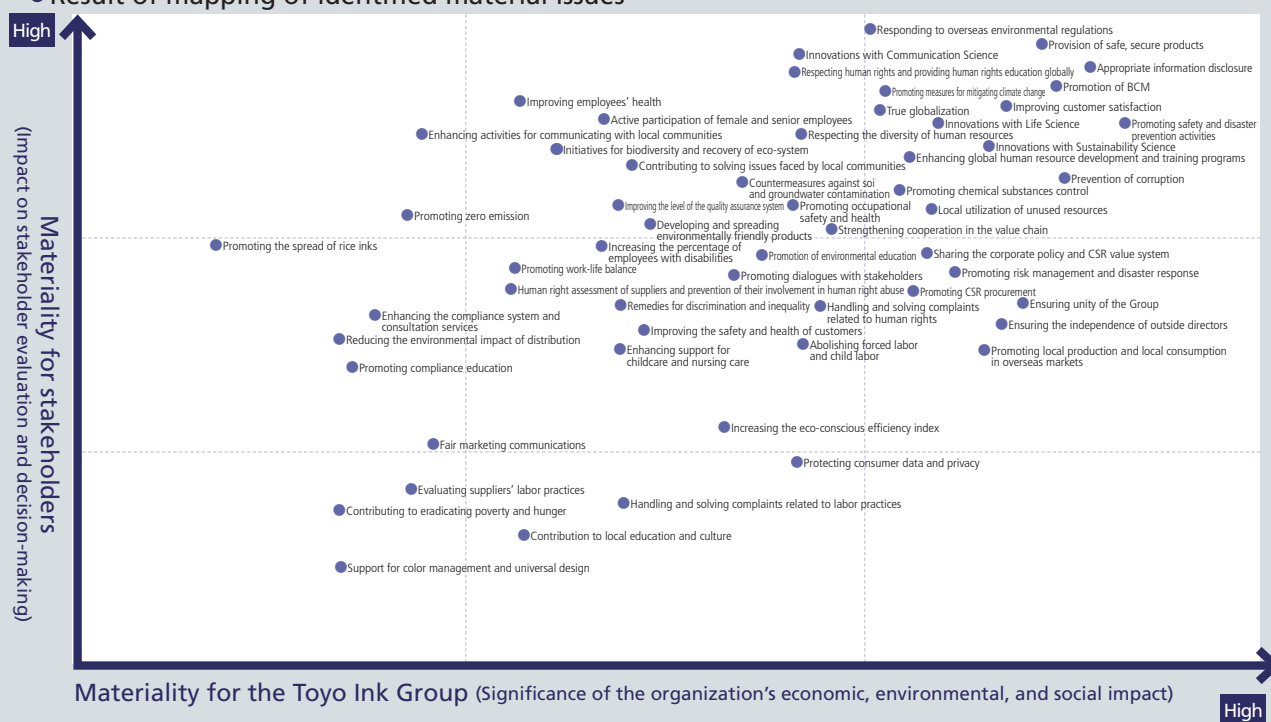
#### STEP1 Identifying issues

Workshops were held with officers—primarily members of the CSR Promotion Subcommittee (now the ESG Promotion Subcommittee)—to identify potential material issues to be addressed, including international guidelines, material issues for chemical manufacturers, aspects in which the Group is expected to have a significant impact on the economy, society, and the environment.

#### STEP2 Prioritizing material issues

Based on the candidate material issues identified, the CSR Promotion Committee (now as CSR Promotion Subcommittee) mapped the issues, with coordinate axes of materiality for stakeholders and materiality for the Toyo Ink Group. Thus, the Committee narrowed the candidate issues down to high-priority ones.

##### ● Result of mapping of identified material issues



#### STEP3 Narrowing the issues from stakeholders' perspective

The members of the CSR Promotion Subcommittee (now the ESG Promotion Subcommittee) responsible for identifying material issues then further narrowed down the key issues through continuous internal and external communication, such as dialogues with external experts and internal workshops.

#### STEP4 Formulating the material issues

We organized the material issues that were narrowed down, ideal states, boundaries (extent of their impact,) and other points, thereby clarifying the five material issues, position of each, and relationships between them. After approval by the CSR Management Committee (now the Sustainability Committee) and the Group Management Committee, we formulated a set of material issues in FY2017 and began activities based on them in FY2018.

## Formulation and penetration of the TSV2050/2030 Sustainability Vision















In January 2022, we formulated the Sustainability Vision, TSV2050/2030, to respond flexibly to drive our corporate activities from a medium to long-term perspective. Going forward, we will review medium to long-term targets and material issues while working to instill awareness and achieve the goals of TSV2050/2030.

## Sustainability Management

### Material issues and progress of our activities

The Toyo Ink Group defined its material issues through dialogue with stakeholders. In FY2018, we linked our sustainability activities to our medium-term management plan, and have since carried out activities with a focus on material issues. In FY2022, we engaged in activities in line with KPIs and targets during SIC-II (FY2021–FY2023,) matching the period of activities for the SIC-II medium-term management plan.

#### Material issues, ideal state and actions

Material issues	Ideal state	Relevant SDGs goals	Actions
<b>Material Issue 1</b> Provide value that exceeds customer expectations and contribute to society	We provide value that contributes to innovations and the solution of issues in society, through creative products and services that exceed customers' expectations. Through these activities, we win the trust of a wide range of stakeholders and contribute to developing a sustainable society.	   	1. Create the enrichment of life and culture based on the three strategic orientations of Life, Communication and Sustainability 2. Build customer trust through safe products and services 3. Assure highest quality 4. Achieve a high level of customer satisfaction
<b>Material Issue 2</b> Co-exist in harmony with the environment through innovative technologies	With innovative environmental technologies, we have become a leading company in society in the aspects of both products and services. In addition, we contribute greatly to harmonizing society with the environment and improving the sustainability of society through initiatives we take in overall business, from the upstream to the downstream.	     	5. Development and dissemination of innovative technologies, products, and services that reduce environmental impact 6. Efforts to solve and respond to the problem of climate change 7. Appropriate management of chemical substances 8. Steady promotion of environmental management
<b>Material Issue 3</b> Co-exist and co-prosper with the supply chain and fulfill the trust of stakeholders	We have built a firm relationship of trust with the supply chain toward co-existence and co-prosperity, by respecting the supply chain on an equal footing and stimulating each other. Based on this relationship, we continue to take on further challenges through mutual cooperation with the supply chain.	 	9. Co-existence and co-prosperity in the supply chain through collaboration 10. Respect for the human rights of all stakeholders
<b>Material Issue 4</b> Value employees and pursue their happiness and job satisfaction	We have established a corporate climate where the personality of each employee and their diversity are respected and employees pursue job satisfaction and self-actualization. In addition, our open, family-like workplace environment serves as the base for creating innovations at home and abroad.	  	11. Thorough occupational safety and health, and promote health and productivity management, which are closely linked to employee satisfaction 12. Foster diversity to invigorate the organization 13. Cultivate human resources that have global perspectives and abilities
<b>Material Issue 5</b> Build a solid base that underpins trust	We have established a solid base that underpins the trust of stakeholders through compliance, communications, and other practices. In addition, this base serves as a secure foundation for the Group to survive until its 200th anniversary while maintaining its traditions.	 	14. Ensure compliance 15. Eliminate corruption 16. Promote effective risk management and disaster preparedness 17. Implement timely, appropriate and proactive information disclosure, and strengthen stakeholder communication 18. Contribute to local community development through our business activities 19. Contribute to the resolution of problems affecting local communities

In particular, the numerical environmental targets (reducing CO<sub>2</sub> emissions through information disclosure based on TCFD recommendations) for Material Issue 2 (reduction of CO<sub>2</sub> emissions) and social targets for Material Issue 4 (promoting health and productivity management, increasing female manager ratio to 8%) are equivalent to “Promotion environmental management” and “Reform workstyles and personnel systems” under Basic Policy 3 of SIC-II “Enhance the value of management resources for sustainable growth (change of the corporate structure,)” and we are bolstering our efforts accordingly. Activities in FY2021 proceeded as planned for the most part.

Evaluation: A as Progress beyond plan, B as Progress as planned, and C as Further efforts required

KPIs and targets during SIC-II (FY2021 - 2023)	Achievements in FY2022	Evaluation for FY2022
<ul style="list-style-type: none"> <li>Creation of products, services and technologies that contribute to provision value to society</li> <li>Initiatives to improve quality: Operation of the Quality Global Standard at all production bases around the world</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new products and services for value creation (adoption of LiB materials by the world's largest in-vehicle battery manufacturer, development of pressure sensitive adhesives that contribute to the reduction of time, energy, and space in manufacturing processes, adoption of Fichvita™ sensing system—the industry's first sensor market that automatically detects posture—for use in air mattresses designed to prevent bedsores)</li> <li>Held online event “Value Showcase” on the Group's website (Feb. 14 to 15, 2022) to introduce material technologies and solutions that are indispensable for creating high value-added products (approx. 5,000 online visitors)</li> </ul>	B
<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 67,500t (down 12% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 165.0L/t (down 3% from the FY2020 level)</li> <li>Reduction of chemical emissions (Japan): 62.2t (down 10% from the FY2020 level)</li> <li>Reduction of amount of waste treated off-site (Japan): 10,500t (down 19% from the FY2020 level)</li> <li>Increasing of sales ratio of environmentally friendly products: 70.0% (up 4.0 percentage points from the FY2020 level)</li> <li>Conservation of forest and aquatic ecosystems: Tree-planting, ecological surveys, strengthening of water intake / drainage management at production bases with high water risks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 73,404 t (down 4.5% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 163.6 L/t (down 3.9% from the FY2020 level)</li> <li>Amount of waste treated off-site (Japan): 13,466 t (up 4.4% from the FY2020 level)</li> <li>Sales ratio of environmentally friendly products: 62.4% (down 5.5% from the FY2020 level)</li> <li>Information disclosure based on the TCFD recommendations (expanding the range of information disclosed)</li> </ul>	B
<ul style="list-style-type: none"> <li>Implementation of major supplier assessments based on the Criteria for Selecting Suppliers: Continuation of 100% implementation rate</li> <li>Conducting a sustainability surveys for major suppliers: Implementation rate 100%</li> <li>Promoting efficiency and sustainability improvements through collaboration in logistics</li> <li>Thorough human rights education during overseas assignment training: Continuation of 100% attendance rate</li> </ul>	<ul style="list-style-type: none"> <li>Revision of Procurement Principles and Standard for Selecting Suppliers</li> <li>Formulation of Sustainable Supply Chain Guidelines</li> <li>CSR procurement survey (requested consent to guidelines and responses to a self-assessment questionnaire on CSR procurement)</li> <li>Guideline consent rate: 79.5%, CSR procurement rate: 72.8% (274 suppliers surveyed, transaction value: 67,367 million yen)</li> <li>Formulation of a human rights policy</li> <li>Number of employees who took human rights education during overseas assignment training: 13 employees (percentage of employees receiving training: 92.9%)</li> </ul>	B
<ul style="list-style-type: none"> <li>Continuing to be selected as <i>White 500</i> company by promoting health and productivity management</li> <li>Continuing acquirement <i>Eruboshi</i> certification by promoting women's employment and active participation: Continuing 30% female recruitment ratio in Japan, and female manager ratio in Japan to be 8%</li> <li>Continuing acquirement <i>Kurumin</i> certification promoting childcare and nursing care support: Continuing 80% childcare leave acquisition (10 days or more) rate for male employees in Japan</li> <li>Zero serious accidents</li> </ul>	<ul style="list-style-type: none"> <li>Continued to be selected as a <i>White 500</i> company, acquired <i>Eruboshi</i> certification and <i>Kurumin</i> certification</li> <li>Promotion of D&amp;I activities through the diversity promotion project (communication of information, event planning, and reporting of activities at company-wide meetings)</li> <li>Percentage of female new graduates hired in Japan: 32.5%</li> <li>Percentage of female managers: 4.5% (as of January 2022)</li> <li>Percentage of male employees in Japan taking childcare leave for 10 days or more: 100%</li> <li>Zero serious accidents (frequency rate of lost-workday injuries in Japan: 0.286, severity rate: 0.002, accident rate: 2.70)</li> </ul>	B
<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Comprehensive implementation and content enhancement of compliance meetings in each site</li> <li>Formulation of the Compliance Programs tailored to local circumstances of each site of the Group, and continuing implementation of education (Anti-monopoly Act, Subcontract Act, bribery prevention, privacy protection regulations, etc.)</li> <li>Promoting activities for communication with local communities</li> <li>Promoting educational / cultural activities in local communities</li> <li>Promoting social contribution activities: Volunteer activities or their support, disaster countermeasure support, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Held compliance meetings in each site (3,663 participants during the first half of the year; 3,896 participants during the Improvement Month)</li> <li>Held various compliance seminars (Anti-monopoly Act: 11 seminars with a total of 406 participants, Subcontract Act: 16 seminars with a total of 365 participants)</li> <li>Held compliance meetings in each site using the Code of Business Ethics and its explanatory materials which are translated into local languages</li> <li>Responded appropriately to natural disasters (earthquakes, typhoons, heavy rain, etc.)</li> <li>Responded to the COVID-19 pandemic (including the revision of guidelines)</li> <li>Conducted risk assessments (100% of locations in Japan, 91.7% of locations overseas)</li> <li>Encouraged the formulation of disaster response manuals at bases in Japan (90.5% of bases have created manuals)</li> <li>BCP questionnaire for initial earthquake response at domestic sites (response rate: 100%)</li> <li>Establishment of information system BCP system (measures to combat cyber attacks, etc.)</li> <li>Volunteer leave system (three employees took volunteer leave)</li> </ul>	B



# Addressing Climate Change

## — Information Disclosure Based on the TCFD Recommendations

The Toyo Ink Group understands that the response to climate change is a material management issue with a huge impact on business activities. We expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) in November 2020. In March 2023, we also announced our participation in the Japan Climate Initiative (JCI) in Japan. We are currently engaged in a number of activities to address climate change based on the Sustainability Vision “TSV2050/2030” at the core of the Group’s sustainability strategy, such as working to reduce CO<sub>2</sub> emissions with the aim of achieving carbon neutrality by FY2050.

In this time’s disclosure, we updated our system for responding to climate change and added quantification data to the first disclosure in July 2022.

**WEB** The first disclosure in July 2022 is posted on the Company’s website under CSR > Five Material Issues > Material Issue 2 > Climate Change Information Disclosure Based on the TCFD Recommendation.

\* In this content, “Metrics and Targets” are omitted from the core elements indicated by the TCFD recommendations. For more information on details of this core element, please visit our website.

### Governance

The Sustainability Committee, which oversees the sustainability activities of the entire Toyo Ink Group—including climate change—and promotes them across the organization, is supervised by the Board of Directors via the President and Representative Director. Important issues are discussed and resolved by the Group Executive Committee, and then reported to the Board of Directors for approval.

The President and Representative Director oversees the Sustainability Committee as the chief supervisor for the Group’s response to climate change, taking ultimate responsibility for management decisions relating to climate change and appointing a Chief Sustainability Officer as the executive officer in charge of sustainability activities.

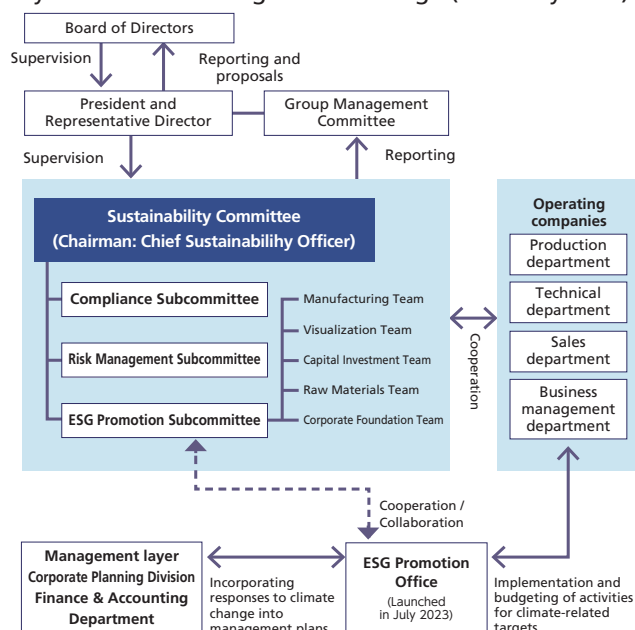
The ESG Promotion Subcommittee, which is a subordinate organization of the Sustainability Committee, is respon-

sible for collecting information on response to climate change, identifying, analyzing, and evaluating risks and opportunities, formulating internal rules, and disclosing information. To enhance the effectiveness of these activities for management, in July 2023 we established the ESG Promotion Office. Working in coordination with the Sustainability Committee, and through cooperation with senior management, the Corporate Planning Division and the Finance & Accounting Department, the office will seek to strengthen the incorporation of responses to climate change into the Group’s management plans. It will also seek to strengthen coordinated efforts within the organization by materializing and budgetizing climate-related targets for various activities, in cooperation with the management departments of each business company.

### Report on climate change to management (Board of Directors and Group Management Committee)

	Contents of report
May 2022	Proposals on a process for identifying high-priority risks and opportunities, specific outcomes and response measures
July 2022	Report on the content of climate change information disclosures (first phase) based on the TCFD recommendations (published in Integrated Report 2022)

### System for addressing climate change (after July 2023)



Committees / Organizations	Roles and activities in addressing climate change
Board of Directors	Supervises all initiatives relating to climate change that have been resolved and approved by the Group Management Committee.
Group Management Committee	Discusses and resolves important issues relating to addressing climate change and reports to the Board of Directors.
Sustainability Committee	Formulates specific policies, targets, and measures relating to addressing climate change, and implements activities in coordination with Group companies.
ESG Promotion Subcommittee	Implements and advances specific activities relating to group-wide sustainability activities, including responding to climate change. Holds regular monthly meetings, and irregular meetings on specific themes. <b>Manufacturing Team:</b> Support for implementing measures to reduce greenhouse gas (GHG) emissions at each production site, aggregation and sharing of information, cross-organizational planning. <b>Visualization Team:</b> Formulates rules, builds systems, and structures the organizational framework relating to visualization of CFP. <b>Capital Investment Team:</b> Formulates rules and establishes mechanisms for climate-related investments, and considers the introduction of ICP. <b>Raw Materials Team:</b> Works to build a sustainable supply chain and transition to low-carbon raw materials to reduce Scope 3 emissions. <b>Corporate Foundation Team:</b> Strategy development and disclosure practices for climate change information disclosure based on the TCFD recommendations.
Risk Management Subcommittee	Implements company-wide risk management activities. Identifies, analyzes, and evaluates climate-related risks in the same way as other corporate risks, in cooperation with the ESG Promotion Subcommittee. Meetings are held twice a year.
ESG Promotion Office (Launched in July 2023)	The practical center of company-wide sustainability activities. Works in cooperation with the management and finance departments to incorporate climate change responses into management plans, implement and budgetize various activities for climate-related targets.

## Risk Management

### Risk / Opportunity Management Process

The Group has established a group-wide risk management system centered on the Risk Management Subcommittee, which is a subordinate organization of the Sustainability Committee. We recognize that climate-related risks, like other corporate risks, are factors that affect the sustainable growth of a Group, and that taking appropriate strategic measures will lead not only to preventing the actualization of risks and the mitigation of their impact when they actualized, but also to opportunities such as increasing business earnings and improving the Group's reputation in the market. The ESG Promotion Subcommittee manages climate-related risks and opportunities in cooperation with the Risk Management Subcommittee, applying the same manage-

ment process as for corporate risks in general.

The ESG Promotion Subcommittee identifies and evaluates climate-related risks, makes proposals and reports to the Group Management Committee and Board of Directors, and shares information and awareness within the Group through the Sustainability Committee, which meets once a year. Senior management and Group companies incorporate response measures and action plans based on these risks and opportunities into their medium-term management plans and business plans, and reflect them in specific measures.

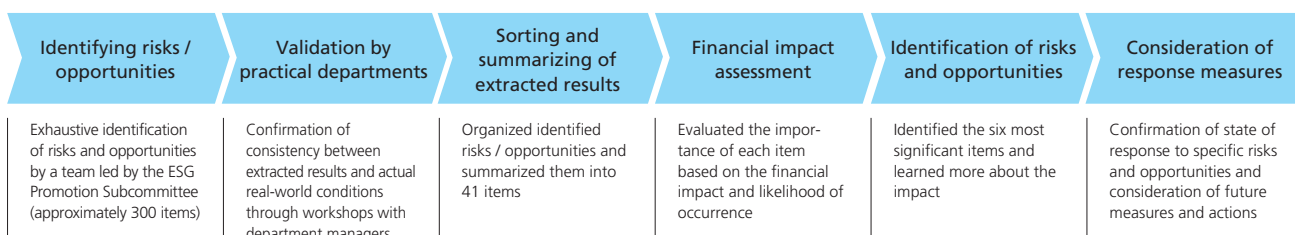
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### Process for identifying and assessing risks / opportunities

Using a matrix of the categories of the risk and opportunity categories defined by the TCFD recommendations (Transition Risks: Policy and Legal, Technology, Markets, and Reputation; Physical Risks: Acute and Chronic; Opportunities: Resource Efficiency, Energy Sources, Products and Services, Markets, and Resilience) and the Group's value chain processes (procurement, production, logistics, sales, R&D, management, use, and disposal,) the ESG Promotion Subcommittee exhaustively extracted risks and opportunities associated with climate change. The validity of the extracted results was confirmed through a workshop for depart-

ment managers at each Group company (held in February 2022 with 34 participants.) The subcommittee then summarized the approximately 300 identified risks and opportunities into 41 items, and evaluated their impact on two axes: financial impact and likelihood of occurrence in accordance with two different climate change scenarios (1.5°C and 4°C.) In this way, we identified four key risks and two key opportunities that are considered especially important to the Group based on the evaluation results.

### Process for identifying and assessing climate-related risks and opportunities



## Strategy

### Basic policies and strategies

The Toyo Ink Group recognizes that the policies and measures taken by national and local governments in response to global climate change have a significant impact on market conditions, the procurement of raw materials and con-

sumer preferences and may have a strong impact on business continuity and business performance in the future. We analyze these risks and opportunities and reflect them in our management policies and business plans.

#### Basic policy on activities to address climate change

The Toyo Ink Group recognizes that climate change is a serious business risk, and actively engages responses to global demands. At the same time, we will endeavor to contribute to the improvement of social sustainability through comprehensive sustainability activities, including addressing climate change.

1. Tracking and reducing greenhouse gas (GHG) emissions in all business activities
2. Provision of products and services that contribute to helping customers and consumers address climate change
3. Building a business foundation that facilitates proactive activities to address climate change
4. Appropriate disclosure of information on the Group's activities to address climate change

## Addressing Climate Change — Information Disclosure Based on the TCFD Recommendations

## Strategy

## Scenario analysis

The purpose of scenario-based analysis is to grasp and understand risks and opportunities that will arise from anticipated climate change and what kind of impact they will have on the Group, confirm the resilience of the Group's sustainable growth strategy in the expected future, and consider the need for further measures. The degree of financial impact and likelihood of occurrence up to fiscal 2030 (which is the target period of the analysis) for the four key risks and two key opportunities identified by the

Group were shown, qualitatively, in three stages.

In performing these analyses, we referred to a 1.5°C scenario, which envisages a world in which various measures are taken to limit the average temperature rise to 1.5°C in comparison with pre-industrial levels, and a 4°C scenario, which envisages a world in which existing political policies and systems continue to be operated as they are currently, the impact of physical risks due to climate change increases.

Categories	Risks / Opportunities	Financial Impact / Expressivity		Periods of increased impact
		1.5°C scenario	4°C scenario	
Transition risks: Legal, Market	Rising raw material and energy prices	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Mid
Transition risks: Technology, Market, Reputation	Decline in demand for packaging materials and printing-related items	Impact 3 / Expressivity 3	Impact 2 / Expressivity 2	Short
Transition risks: Legal	Increased impact of carbon prices on costs	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Physical risks: Acute	Loss of business opportunities due to the intensification of climate-related disasters	Impact 2 / Expressivity 2	Impact 3 / Expressivity 3	Long
Opportunities: Energy Source, Products and services	Increased sales of low-emission products	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Opportunities: Products and Services, Market	Acquisition of business opportunities such as materials for combating extreme heat and infectious diseases	Impact 2 / Expressivity 3	Impact 3 / Expressivity 3	Long

Financial impact: 3=impact of several billion JPY or higher; 2=impact of around one billion JPY; 1=impact of less than one billion JPY

Likelihood of occurrence: 3=already occurring at the present time, or almost certain to occur in the future; 2=relatively high likelihood of occurrence; 1=low likelihood of occurrence

Period of increase in impact: Short-term = around 1 year (period of annual plan) Medium-term = around 3 years (period of medium-term management plan)

Long-term = around 10 years (interim target year of TSV2050/2030 = period up to FY2030)

For our 1.5°C scenario, we refer to the IEA World Energy Outlook: Net Zero Emission by 2050 Scenario and IPCC: SSP1-1.9 scenario.

For our 4°C scenario, we refer to IEA World Energy Outlook: Stated Policy Scenario and IPCC: SSP5-8.5 scenario.

Scope of analysis: Existing businesses of the entire Group and new businesses anticipated at this time

## Quantitative analysis① Amount of impact from carbon taxes

As a Group whose main business is chemical manufacturing, and which has a large amount of CO<sub>2</sub> emissions from its production activities, we recognize that the introduction of carbon taxes in the regions where we operate both in Japan and overseas will have a strong impact on the Group's finances.

The Group has therefore quantitatively analyzed the extent to which the interim targets of the TSV2050/2030

sustainability vision formulated and disclosed in January 2022—CO<sub>2</sub> emissions: 35% reduction in Japan (from the fiscal 2020 level,) 35% reduction in other countries (compared to the fiscal 2030 BAU)—will reduce the financial impact of carbon taxes. For both scenarios used in the analysis, we confirmed that achieving the TSV2030 targets would reduce the impact by approximately 38%.

Scenario		1.5°C	4°C
Carbon tax per ton of emissions* (2030)		14,950 JPY/t-CO <sub>2</sub>	7,475 JPY/t-CO <sub>2</sub>
FY2030BAU	CO <sub>2</sub> emissions	Japan: 88,400 t-CO <sub>2</sub>	Overseas: 146,000 t-CO <sub>2</sub>
	Impact from carbon tax	3.51 billion JPY	1.74 billion JPY
When TSV2030 targets are achieved	CO <sub>2</sub> emissions	Japan: 50,000 t-CO <sub>2</sub>	Overseas: 95,000 t-CO <sub>2</sub>
	Impact from carbon tax	2.17 billion JPY	1.08 billion JPY
Difference		-1.34 billion JPY	-0.66 billion JPY

\* For a carbon tax per ton of emissions, we referred to the IEA World Energy Outlook 2021. The 1.5°C scenario quotes the carbon tax price for developed countries given by the Net Zero Emission by 2050 Scenario, while the 4°C scenario quotes the EU carbon tax price given by the Stated Policy Scenario.

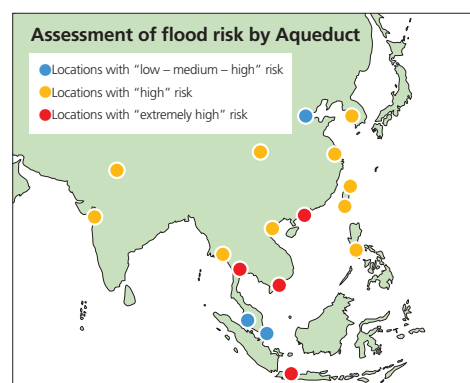
\* The FY2030 BAU assumes that domestic and overseas activity (net sales) will increase by 15% and 23%, respectively, in comparison with FY2020, and that emissions intensity will remain unchanged from FY2020.

## Quantitative analysis② Amount of damage in the event of flooding in areas with high water risk

The Group uses the World Resources Institute (WRI) water risk assessment tool Aqueduct 3.0 to assess physical risks (quantitative and qualitative,) water stress, flood risk, and regulatory and reputational risks on a river basin level. As a result, more than half of our overseas offices in Asia (South-east Asia, India, China, Taiwan, and South Korea) have been assessed as having some kind of water risk (high to significantly high.) In particular, the risk of flooding is significantly high in China (South China,) Vietnam, Indonesia, and Myanmar.

This time, we estimated the amount of damage caused by flooding at business sites located in areas indicated as having a high flood risk. At business sites located in such high-risk areas, we are working to reduce risks by deploying countermeasures implemented by Toyo Ink (Thailand) Co.,

Ltd. (Thailand)—which has experienced large-scale flood damage in the past—across the board, and by conducting regular drills in preparation for the occurrence of floods.



### Amount of damage in the event of flooding\*1 at business sites in areas with high flood risk (estimated)

Category	Specific damage	Number of locations	Amount of damage (estimated)
<b>Direct damage*2</b>	Damage to buildings (offices, factories, warehouses, etc.)	3	2,429 million JPY
	Damage to equipment (production equipment, vehicles, office equipment, etc.)	3	6,618 million JPY
	Damage to inventory (products, work in process, raw materials, etc.)	3	6,816 million JPY
<b>Indirect damage*3</b>	Opportunity losses due to shutdowns	3	7,326 million JPY
<b>Other damages</b>		—	—
<b>Total</b>			<b>23,189 million JPY</b>

\*1 Under the climate scenario of a 4°C rise at the end of the 21st century, we assumed that floods would occur on a scale of about once every 100 years.

\*2 We set damage ratios for each depth of inundation (flooding,) and estimated the amount of damage to buildings, equipment, and inventory at each business site.

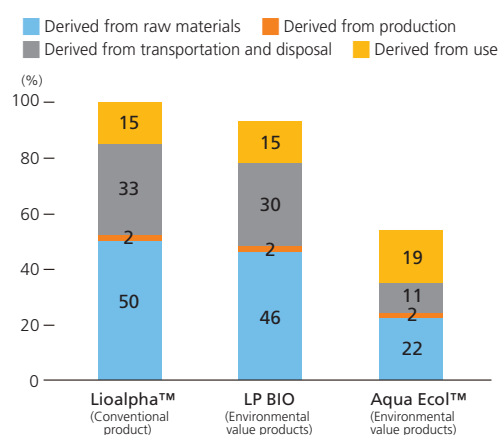
\*3 We set an average number of shutdown days for each depth of inundation, estimated the number of days of shutdown for each affected site, and estimated the amount of opportunity losses.

## Quantitative analysis③ Reducing CO<sub>2</sub> emissions by using environmental value product lines that contribute to sustainability

Under our TSV2050/2030 Sustainability Vision, we added criteria for products with lifestyle value (value that can contribute to the improvement of the sustainability of society) to our existing environmental value criteria for environmentally friendly products and redefined them as sustainability-enhancing products. The Group is accelerating R&D efforts and shifting its product portfolio with the goal of achieving a sales ratio of 80% or more of these sustainability-enhancing products by fiscal 2030.

The environmental value products line is a set of functional products that can reduce environmental impact throughout the product lifecycle, such as through the use of low-carbon raw materials, product weight reduction (achieving the same performance as conventional products with less amounts used,) and energy saving during use. As an example, we have quantified the reduction rate for CO<sub>2</sub> emissions that can be achieved by shifting to biomass and water-based raw materials of gravure inks for packaging materials, which the Group is working to achieve.

### CO<sub>2</sub> emission reduction effects when using environmental value products (gravure inks for packaging materials)





# Human Rights Management Supporting Sustainable Growth

## Basic approach

In accordance with its management philosophy of people-oriented management, the Group aims to develop diverse human resources and create a culture in which they can play active roles, and conducts business activities with a focus on respect for the cultures and values of each region, with respect for human rights and compliance with the labor laws of each country.

Frameworks such as the OECD Guidelines for Multinational Enterprises, the California Transparency in Supply Chains Act, and the UK Modern Slavery Act 2015 require companies to fulfill their social responsibilities covering their supply chains. We therefore focus on initiatives in consideration of human rights, labor, the environment, and other factors by including our supply chains in the scope of our social responsibilities.

## Formulation of a human rights policy

The Group has a global business presence with approximately 70 Group companies operating in around 20 countries around the world. With the globalization of business, supply chains are expanding and becoming more complex, and companies are required to fulfill their social responsibilities, including their supply chains.

In our efforts to respect human rights throughout the supply chain as a company that operates globally, we revised our Procurement Principles and Standard for Selecting Suppliers in October 2022. Additionally, in March 2023, we formulated our Group Human Rights Policy as a basic policy with which all people working at Group sites both in Japan and overseas must comply, organizing the concepts and matters of respect for human rights that have been developed internally in our existing Code of Business Ethics and Human Resources Policy.



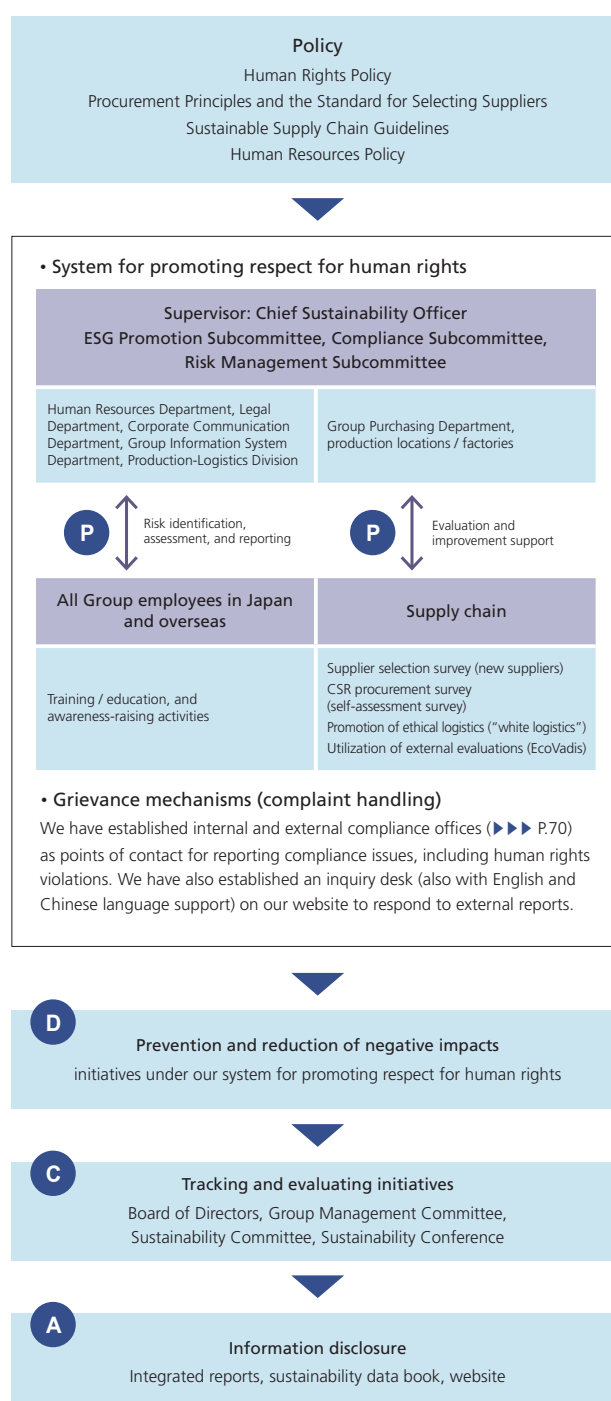
Our Human Rights Policy, Procurement Principles and Standard for Selecting Suppliers are posted under CSR Related Policies in the CSR section of the Company's website.

## System for promoting respect for human rights

Under the supervision of the Chief Sustainability Officer, the three subcommittees of the Sustainability Committee—ESG Promotion Subcommittee, Compliance Subcommittee, and Risk Management Subcommittee—play a central role and coordinate with related departments (namely, the Human Resources Department, Legal Department, Corporate Communication Department, Group Information System Department, Production-Logistics Division of Toyo Ink SC Holdings Co. Ltd.) to advance Group-wide human rights initiatives in Japan and overseas.

The Group Purchasing Department of Toyo Ink SC Holdings plays a central role in human rights initiatives for suppliers and engages in CSR procurement based on the Procurement Principles, the Standard for Selecting Suppliers, and the Sustainable Supply Chain Guidelines.

## Overview of human rights initiatives



## Global response to human rights issues

Based on our belief in the need to ascertain and reduce the negative impact of business activities on human rights, we have shared our Code of Business Ethics / Conduct—which stipulates respect for basic human rights—with overseas Group companies to firmly establish the idea of respect for human rights throughout the Group. In light of recent international developments relating to human rights, we have issued and distributed Human Resources Policy to establish and improve HR management systems at overseas Group companies. The policy represents a systemized version of

the Group's basic policies in its human resources strategy.

We will also continue to work with customers to build and develop supply chain management by checking efforts to respect human rights in procurement activities, conducting CSR evaluations using EcoVadis, and responding to CSR procurement questionnaires.

■ EcoVadis evaluation (Toyo Ink SC Holdings Co. Ltd.):  
2022 score (Bronze)

## Creating a responsible supply chain

Through CSR procurement, we will ensure legal compliance in the supply chain, achieve respect for human rights, and improve working conditions and the global environment. We are developing measures based on three axes of (1) distributing our Procurement Principles and Sustainable Supply Chain Guidelines, (2) conducting surveys, audits, and improvement activities for suppliers, and (3) deepening employee understanding. We are also promoting CSR procurement awareness-raising activities at overseas bases.

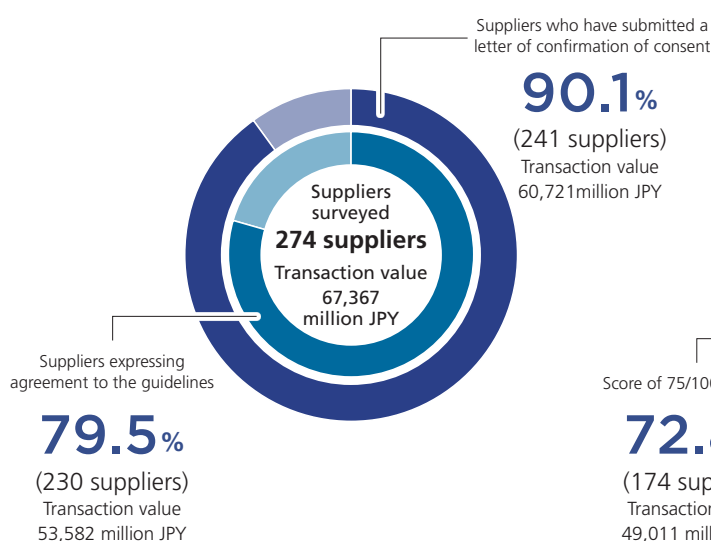
In FY2022, we distributed guidelines to 274 Japanese suppliers under the supervision of the Group Purchasing Department, requested them to submit a letter of consent regarding the contents, and conducted a questionnaire-based survey to confirm the actual state of implementation of CSR at each supplier.

As a result, we received letters of confirmation of con-

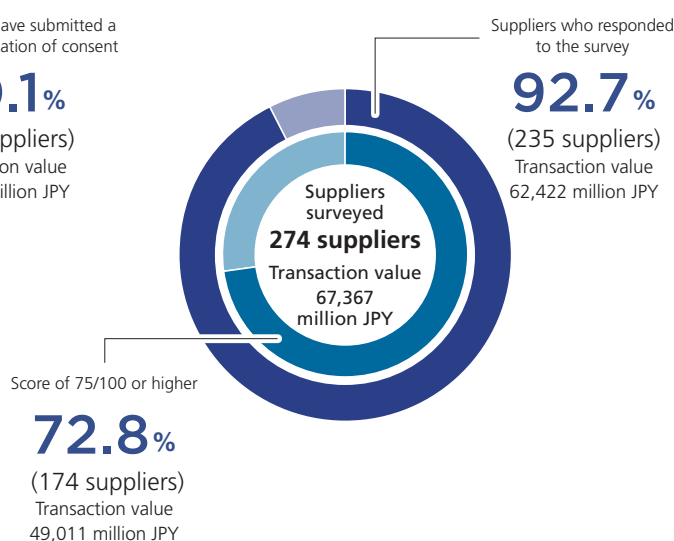
sent from 241 companies, and responses from 235 companies in the questionnaire-based survey. A total of 230 suppliers consented to the guidelines, equivalent to 79.5% based on transaction value. The questionnaire was conducted using the GCNJ (Global Compact Network Japan) CSR Procurement Self-Assessment Questionnaire v1.1, and 174 suppliers scored 75/100 or higher, or 72.8% based on transaction value. Using this value as a KPI that indicates the Group's CSR procurement rate, we will aim to promote sustainability in our global supply chain and improve respect for human rights by continuing to conduct regular surveys, and expanding our survey activities across the board to domestic suppliers not under the supervision of the Group's Purchasing Department and suppliers that engage in transactions with overseas bases.

▶▶▶ P.36

Status of consent to the guidelines



State of response to the survey



# Colorants and Functional Materials Business

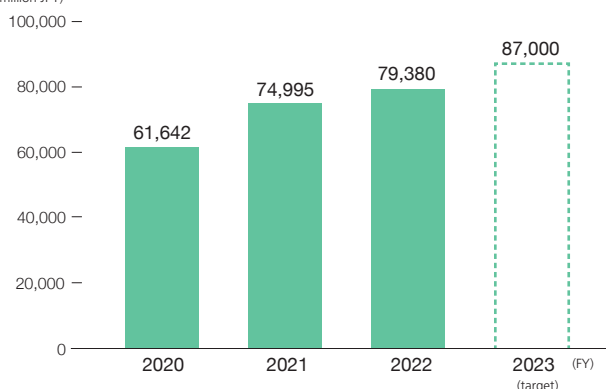
Pursuing technologies to achieve colors and functionality,  
with organic pigments as the starting point

## Changes in performance

(As of February 2023)

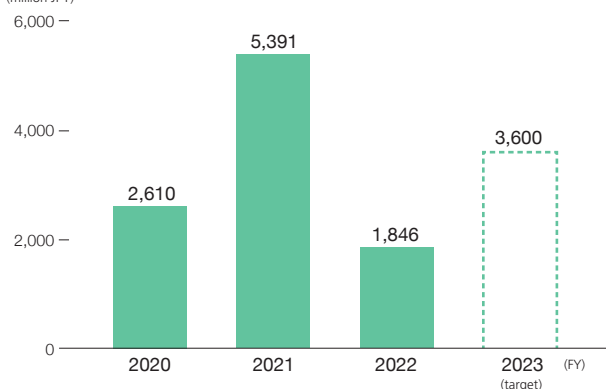
### Net sales

(million JPY)



### Operating profit

(million JPY)



\* Based on the results for fiscal 2022, we have revised our targets for fiscal 2023, the final year of the SIC-II period.

Category	Major products	Major applications
Chemicals	Pigments, pigment dispersions	Printing inks, paints for vehicle, plastic colorants, etc.
High functional chemicals	High functional pigments, pastes for color filter	Resist for color filter of flat panel display (FPD,) inks for digital printing
Display materials	Color resist	Color filters for FPD, imaging sensors, etc.
Plastic colorants	Color Masterbatches, Functional Masterbatches, Functional Compounds	Plastic containers, vehicle interior / exterior, OA equipment, electrical appliances, etc.
Developed products and others	Paints for data recording materials, carbon dispersions, inkjet inks	Magnetic tape for data storage, lithium ion batteries, signboards, labels, etc.

## SWOT analysis

### 《 Positive factors 》

### 《 Negative factors 》

Internal factors	<b>S</b> (Strength) <ul style="list-style-type: none"> <li>Capable of developing products—from material to finished product—based on dispersal technologies, particle and interface control technologies, and synthesis technologies</li> <li>Integrated development and production system covering all stages from pigment synthesis to finished product</li> </ul>	<b>W</b> (Weakness) <ul style="list-style-type: none"> <li>Profit structure biased toward only certain product groups</li> <li>Scale of our operations in the pigments and plastic colorants business is small compared to that of major global manufacturers</li> </ul>
	<b>O</b> (Opportunity) <ul style="list-style-type: none"> <li>Expansion of the renewable energy</li> <li>Popularization of electric vehicles (EVs)</li> <li>Reduction in the amount of plastic used and growing needs for environmentally friendly products</li> </ul>	<b>T</b> (Threat) <ul style="list-style-type: none"> <li>Decline in demand for pigments for printing inks due to acceleration of digitalization</li> <li>Decline in demand for plastic products, resulting from growing environmental awareness, including awareness of the waste plastic problem</li> </ul>

### ► FY2022 results

Technologies for the synthesis of organic pigments were one of the key starting points for the Toyo Ink Group. This business develops organic pigment-based products adapted for various applications. In particular, in liquid crystal color filter materials, we are the only company that manufacture all of the pigments, mill bases (CF pastes,) and color resists (display materials) we sell in-house, and the contribution of these products to the Group's consolidated business results is large.

In fiscal 2022, production was reduced sharply from the second quarter onward due to a decline in demand for liquid crystal display (LCD) panels for large television sets and smartphones, and sales of display materials in the second half of the fiscal year were very sluggish. Sales of plastic colorants were strong, primarily for con-

### Hideki Okaichi

President and  
Representative Director  
Toyocolor Co., Ltd.



tainers and overseas solar power generation, but sales of colorants for automobiles and office equipment in particular were sluggish due to the impact of soaring raw material prices, semiconductor shortages, and lockdowns in China. Sales of inkjet inks for commercial printing and signage were strong, and sales of CNT dispersions for automotive LiBs increased due to the development of bases in Europe and the United States.

### ► Priority measures for FY2023

## Linking the recovery of growth markets recovering from the pandemic to solid business performance

In fiscal 2023, we will seek to improve earnings in growth markets by ensuring that recovery from the COVID-19 pandemic leads to improvements in business performance.

We will continue to cater to new markets and offer new functions—such as recycling and biodegradability—for plastic colorants, which were affected by soaring raw material prices and production adjustments in 2022.

In inkjet ink, we will seek to improve earnings by increasing sales in the European market, where there is growing demand, accelerate the development of flexible packaging materials in Japan, and focus on sign display applications in the Chinese market.

As the market recovers, shipments of liquid crystal color filter materials will increase, primarily in Taiwan and China.

In response to the rapid expansion of the market for CNT dispersions for automotive LiBs, we established LioChem e-Materials LLC (Kentucky, USA) as a second manufacturing base, with preparations now underway for full-scale operation. In line with the expansion of the EV market, net sales in the current fiscal year are expected to more than double in comparison with last year, and production volumes at sites already in operation in Europe and the United States will also increase significantly, as we endeavor to make a swift return on our investments by improving earnings.

### Topics of priority measures

## Improving recycling efficiency — Reduction of CO<sub>2</sub> emissions in recycling by reducing time required —

As efforts to reduce greenhouse gas emissions and create a recycling-oriented society progress globally, we are also making efforts to recycle collected plastics, primarily from PET plastic bottles.

Toyocolor Co., Ltd. has developed a new product to encourage the recycling of PET resin, a key raw material for PET plastic bottles and other products. The addition of this product during the PET recycling process significantly reduces the time taken to transform collected PET into new PET resin. In this way, we can contribute to the widespread recycling of PET and reduce energy usage and CO<sub>2</sub> emissions in the recycling process. We will be supplying this product not only

in Japan, but also simultaneously at our global sales bases, including our locations in North America, China, and Southeast Asia, contributing to efforts toward creating a recycling-oriented society in each country.





# Polymers and Coatings Business

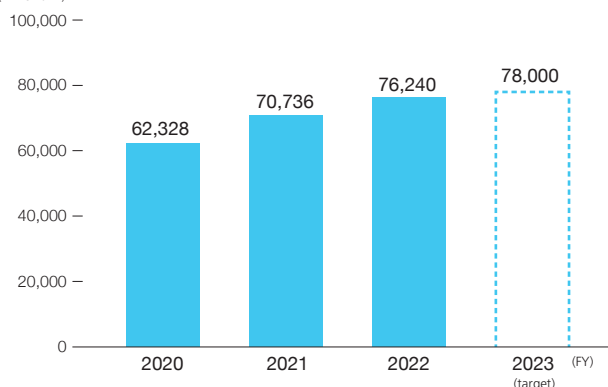
Providing value to diverse markets based on polymers with greater functionality

## Changes in performance

(As of February 2023)

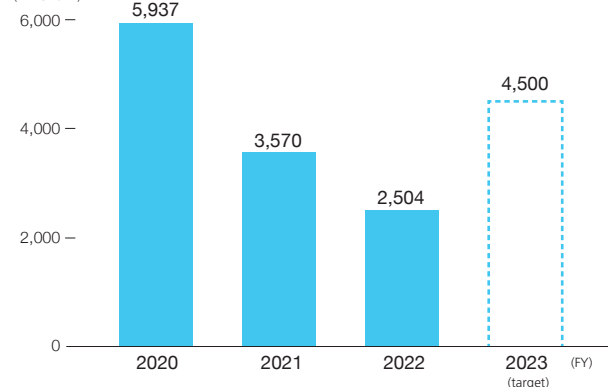
### Net sales

(million JPY)



### Operating profit

(million JPY)



\* Based on the results for fiscal 2022, we have revised our targets for fiscal 2023, the final year of the SIC-II period.

Category	Major products	Major applications
Adhesives	Pressure sensitive adhesives, laminating adhesives, hot-melt adhesives	Packaging films, flat panel display (FPD,) bookbindings, body-wrapping labels for PET bottle, etc.
Coating materials	Adhesive tapes, functional film materials for electronics, marking films	Double-sided adhesive tapes, electronic products, signboards and interior / exterior decoration, etc.
Paints and resins	Can coatings, resins, hard coating materials	Beverage cans, food cans, drums, architectural paints, functional films, FPDs, etc.
Developed products and others	Medical products, natural extracts	Transdermal patches, foods, feeds, etc.

## SWOT analysis

### 《 Positive factors 》

### 《 Negative factors 》

Internal factors	<p><b>S</b> 〈Strength〉</p> <ul style="list-style-type: none"> <li>Advanced technological capabilities in precision polymer synthesis, dispersion stabilization, precision coating and processing</li> <li>Integrated production from self-produced materials (polymers) to adhesive manufacture and coating</li> </ul>	<p><b>W</b> 〈Weakness〉</p> <ul style="list-style-type: none"> <li>Business earning structure susceptible to fluctuations in raw material prices</li> <li>Scale of operations and supply capabilities is small compared to that of major global manufacturers</li> </ul>
	<p><b>O</b> 〈Opportunity〉</p> <ul style="list-style-type: none"> <li>Expansion of new markets as a result of changes in industry structure due to new environmental regulations (5G, EVs, secondary batteries, semiconductors, biotechnology and sensors)</li> <li>Growth in demand for environmentally friendly products resulting from increasing global environmental awareness</li> </ul>	<p><b>T</b> 〈Threat〉</p> <ul style="list-style-type: none"> <li>Toughening of environmental regulations and increasing social demands (abandoning the use of plastics, recycling, solvent emission regulations and CO<sub>2</sub> emission regulations)</li> <li>Sharply rising raw material prices and difficulty in procuring raw materials</li> <li>The rejection of materials and fiercer competition resulting from changes in the specifications of smartphones and other electronics products</li> </ul>

## Polymers and Coatings Business

## Management message

## ► FY2022 results

In fiscal 2022, adhesives performed well both in Japan and overseas, primarily for food packaging applications. Although sales of pressure sensitive adhesives for labels and displays were affected by the global economic slump, sales expanded in the United States and India, where facilities were enhanced and expanded. In functional films and tapes, functional film products for use in finished goods such as smartphones and LCD panels were greatly affected by production adjustments in the global electronics market. Domestic sales of new can coatings with added functionality increased, but overall sales of can coatings saw sluggish growth, reflecting weak over-

## ► Priority measures for FY2023

## Improving resilience to changes in the business environment and getting back on track for future growth

In response to persistently high raw material and energy prices, we will continue to steadily revise our selling prices to appropriate levels, seek to improve profitability, and transform our business profit structure by expanding our lineup of high-value-added products and reviewing low-profit products. At the same time, we will work to expand our business in growing overseas markets, improve our resilience to environmental changes, and strive to get back on track for future growth.

In functional films and tapes / coating materials, we will work to develop new materials for the mobile and semiconductor markets, and enhance our marketing through our Technical Center in Shenzhen, China, and our US bases. In pressure sensitive adhesives and other adhesives, we have been expanding our facilities at our overseas bases, and we will continue discussions for the

## Toshinori Machida

President and  
Representative Director  
Toyochem Co., Ltd.



seas sales of food can coatings due to low catches of fish.

Overall, profits overseas improved due to price revisions and stable raw material prices, while raw material and energy prices in Japan continued to soar, resulting in an increase in sales but a decrease in profit on a consolidated basis.

next phase of expansion for sites in India and North America, which are already close to full operation. In can coatings, we aim to expand our market share in Southeast Asia by developing products that meets local needs by leveraging synergies with Thai Eurocoat Ltd., a food-can coating company acquired by the Group in Thailand. For medical products at the newly completed plant in Moriyama, we will work to develop new products using equipment that complies with the latest regulatory requirements. We will also utilize the new polymer (pilot) building in Kawagoe—which will start operations this fiscal year—to accelerate the development of new polymers for use in semiconductor-related materials and EVs. At the same time, we will expand our environment-friendly product lineup to reduce CO<sub>2</sub> emissions and shift away from the use of plastics.

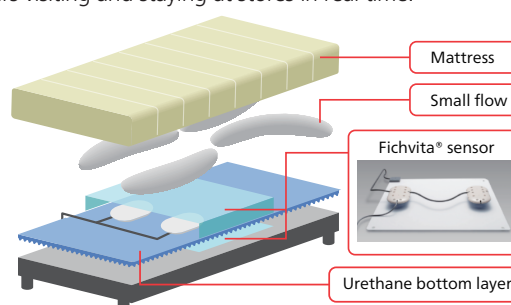
## Topics of priority measures

### Healthcare Business using sensing systems — Paramount Bed “Kokochia Riraku Flow” —

Paramount Bed Co., Ltd.’s bedsores-preventing air mattress Kokochia Riraku Flow equipped with the non-optical sensing system Fichvita®—developed by the Toyo Ink Group—incorporates an industry-first sensor function that automatically detects the user’s posture. It has been very well received, and sales have been increasing steadily since its launch in 2020.

Fichvita®—which was created through the combination of coating technologies cultivated in the development of electromagnetic shielding materials and new electronic circuit design technologies—is being developed through customized development (adjustment) to enable it to work optimally in conjunction with customer products. Since it enables sensing that is fully integrated into daily life, without collecting personal information

and eliminating the feeling of being seen, demonstrative testing is also underway to ascertain and understand the state of seating usage of autonomously operating buses, and the number of customers visiting and staying at stores in real time.



# Packaging Materials Business

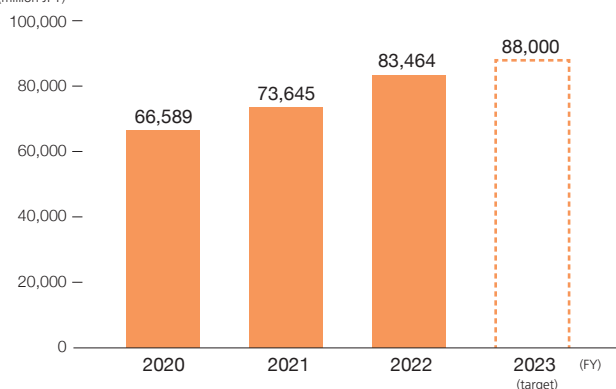
Providing eco-conscious packaging materials in view of a product's entire lifecycle

## Changes in performance

(As of February 2023)

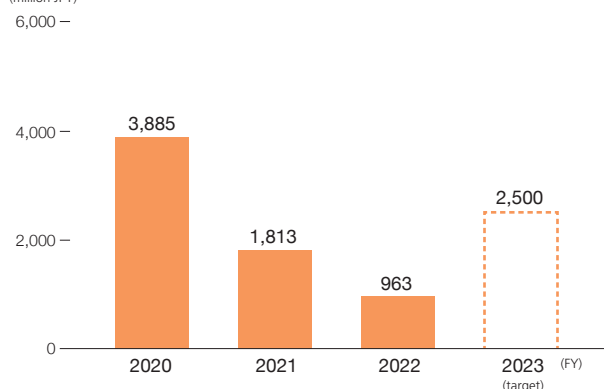
### Net sales

(million JPY)



### Operating profit

(million JPY)



\* Based on the results for fiscal 2022, we have revised our targets for fiscal 2023, the final year of the SIC-II period.

Category	Major products	Major applications
Liquid inks	Gravure inks, flexographic inks	Flexible packaging materials, building materials, corrugated cardboards, labels, paper containers, etc.
Gravure printing systems and prepress	Gravure printing systems, gravure and flexographic plate making	Gravure / flexographic printing, precision plate making for electronics

## SWOT analysis

### 《 Positive factors 》

### 《 Negative factors 》

Internal factors	<p><b>S</b> 〈Strength〉</p> <ul style="list-style-type: none"> <li>Technical capabilities to design and develop pigments, resins, inks, platemaking technologies and laminating adhesives</li> <li>Integrated production system and quality control capabilities covering all stages from materials to products</li> <li>Ability to respond promptly to customers through in-house print prototyping of flexible packaging films and evaluation technologies</li> </ul>	<p><b>W</b> 〈Weakness〉</p> <ul style="list-style-type: none"> <li>Easily affected by rising raw material prices, making it difficult to revise prices quickly</li> <li>Low-level market presence in Western markets</li> </ul>
	<p><b>O</b> 〈Opportunity〉</p> <ul style="list-style-type: none"> <li>Population growth in emerging countries and consequent continued growth in overall demand for packaging materials</li> <li>Changes in the forms and functions demanded of packaging materials as a response to the SDGs and the circular economy, and the shift from plastic to paper and metal</li> </ul>	<p><b>T</b> 〈Threat〉</p> <ul style="list-style-type: none"> <li>Trend toward abandoning the use of ink, and adhesives as a response to the SDGs and circular economy</li> <li>Widespread popularization of recyclable materials and configurations accompanying the movement to eliminate or reduce the use of plastics, and reduce CO<sub>2</sub> emissions</li> </ul>

## Packaging Materials Business

## Management message

## ► FY2022 results

The primary products in this business segment are gravure inks, which are primarily used for food packaging printing. For this reason, stable shipments are expected to continue even in the midst of a recession, and overseas markets in particular are expected to expand in line with population growth. With rising global environmental awareness, there are also growing needs in Japan for biomass inks, which are environmentally friendly products, as well as water-based inks and solvent-free laminating adhesives, which are expected to help reduce CO<sub>2</sub> emissions. There is also a growing overseas trend toward the use of paper packaging materials and mono-materials, with a view to reducing plastic usage.

In fiscal 2022, performance remained strong due to steady demand for inks for food products such as frozen

## Masato Yanagi

President and  
Representative Director  
Toyo Ink Co., Ltd.



foods, beverage labels and noodles remained steady in Japan, despite the COVID-19 pandemic, with customers accumulating inventory in anticipation of rising prices and difficulties in procuring various materials. Overseas, shipments in China declined due to lockdowns. However, sales were firm in other regions, reflecting a recovery in economic activity and effects of expansion of sales. Meanwhile, profits decreased due to difficulties in global procurement difficulties and soaring prices of raw materials, along with rising energy and transportation costs.

## ► Priority measures for FY2023

## Growth investments and price revisions in overseas markets

Our key advantages among printing ink manufacturers are that we have the technology to manufacture the plates required for printing and the technology to develop laminating adhesives that are indispensable for food packaging with multi-layered structures. We also have our own in-house print prototyping equipment and evaluation technologies. This has led to us gaining the trust of many brand owners, and in recent years we have contributed greatly to the development and practical application of products using raw materials with low environmental impact—such as biomass and water-based products—together with brand owners.

By leveraging these strengths, we will continue to

lead the way in addressing environmental issues in the packaging industry in FY2023. In order to respond to the growth in demand for packaging materials due to population growth in emerging countries, we will make swift efforts in second phase augmentation of production equipment in Gujarat, India. At the same time, we expect raw material prices to continue rising this fiscal year, and we are proceeding with appropriate revisions to prices at an early stage. As a fundamental measure for this business, which is susceptible to the influence of raw material prices, we will also implement cost reductions such as increasing profitability through product integration and by introducing labor-saving equipment.

## Topics of priority measures

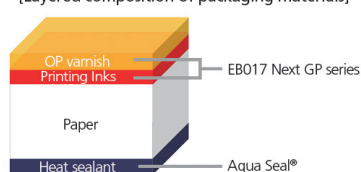
## Heat sealant made of biodegradable resin originating entirely from biomass

## — Ajinomoto Pal Sweet® Slim Up Sugar® packaging material —

Amid growing interest in environmental issues, paper is attracting renewed attention as one measure to reduce plastic usage and CO<sub>2</sub> emissions, and efforts to use paper are also becoming more widespread in packaging materials. As part of such efforts, we have developed environmentally friendly paper packaging materials in partnership with Ajinomoto Co., Inc., ITOCHU Corporation, and ITOCHU PLASTICS INC. This packaging material uses Aqua Seal®, a heat sealant made from 100% biodegradable resin derived entirely from biomass, and printing inks and OP varnish made mainly from biodegradable polylactic acid resin originally developed by our company.

There is currently a strong desire to create a sustainable

[Layered composition of packaging materials]



world, and addressing the problems of waste plastics, marine plastic waste, and global warming has become a pressing social issue. The Group endeavors to provide products and solutions that can cater flexibly to ever-changing needs, with the aim of achieving both enrichment of people's lives and global environmental conservation.



# Printing and Information Business

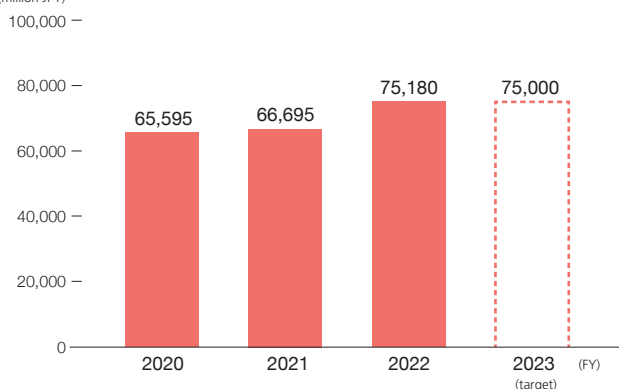
Deploying products in the high-value added printing market featuring environmentally friendly technologies and technologies that enable superior functionality

## Changes in performance

(As of February 2023)

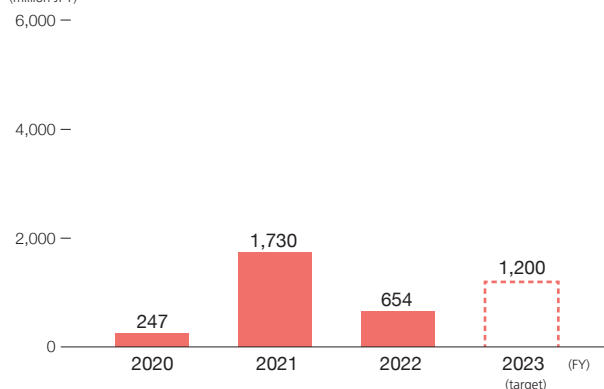
### Net sales

(million JPY)



### Operating profit

(million JPY)



\* Based on the results for fiscal 2022, we have revised our targets for fiscal 2023, the final year of the SIC-II period.

Category	Major products	Major applications
Offset inks	Offset inks, newspaper inks, metal decorative inks, UV curing inks	Flyers, books, magazines, newspapers, stickers / labels, paper containers, beverage cans, food cans, etc.
Printing materials and machinery	Offset printing materials, printing inspection equipment	Offset plate making, printing paper surface inspection, etc.
Developed products and others	Screen inks, others	Packaging, instrument panel for vehicles, printed electronics materials, etc.

## SWOT analysis

### 《 Positive factors 》

### 《 Negative factors 》

Internal factors	<p><b>S</b> 〈Strength〉</p> <ul style="list-style-type: none"> <li>Technical capabilities in formulation, extensive evaluation equipment and validation know-how</li> <li>Extensive lineup of environmentally friendly products</li> <li>Top market share in Japan for rotary offset inks and UV curing inks in the commercial printing field</li> <li>In-house production capacity and technical capabilities for the two major raw materials—pigments and resins</li> </ul>	<p><b>W</b> 〈Weakness〉</p> <ul style="list-style-type: none"> <li>Scale of business infrastructure is too large for the decrease in demand due to digitalization and population decline</li> </ul>
	<p><b>O</b> 〈Opportunity〉</p> <ul style="list-style-type: none"> <li>Expansion of paper packaging materials due to the trend of shifting away from the use of fossil fuel resources and plastics</li> <li>Accelerating global expansion by advancing the use of information and communication technologies</li> </ul>	<p><b>T</b> 〈Threat〉</p> <ul style="list-style-type: none"> <li>Domestic printing industry continues to shrink due to digitalization and population decline and continuing decline in demand for inks</li> <li>Decline in demand for offset inks due to partial shift to flexographic and inkjet printing methods</li> </ul>

### ► FY2022 results

The printing & information Business segment offers ink products such as rotary offset, offset sheet-fed offset, newspaper, and metal decorating inks. These can be broadly divided into two types of applications. The first is for commercial printing of books, magazines, and newspapers, etc., and the second is for containers such as paper container packaging materials and beverage cans. The commercial printing market has been shrinking due to the progress of digitalization in recent years, and has shrunk at an accelerated pace due to the impact of the COVID-19 pandemic. Despite this, paper container applications have remained steady and the market is expanding moderately.

In the Japanese domestic market in fiscal 2022, metal decorating inks for paper containers and beverage cans performed particularly well among offset inks, but

### ► Priority measures for FY2023

## Strengthening structural reforms and expanding sales of functional inks

The Toyo Ink Group has the top share in offset inks in Japan and possesses a wealth of formulation design technologies, evaluation equipment—such as printing presses—and validation know-how, as well as an extensive lineup of environmentally friendly products. However, the shrinkage of the commercial printing market due to digitalization is steadily progressing. In FY2023 we have set the priority measure of structural reforms such as restructuring to build optimal production, logistics and sales systems according to the scale of demand for rotary offset, sheet-fed offset and newspaper inks.

performance for commercial printing applications was sluggish, with sales increasing but profit declining significantly. At the same time, sales in the commercial printing field remained sluggish as in Japan, sales and profits overseas increased due to strong shipments for paper container applications, owing to a market environment that differs from that of Japan, with a high ratio of shipments for paper containers.

### Masato Yanagi

President and  
Representative Director  
Toyo Ink Co., Ltd.



At the same time, UV curing inks, metal decorating inks and screen inks—referred to as functional inks—are printing inks that target markets with high added value, which are expected to display growth in sales volume in the future. In the field of UV curing inks, we aim to further expand sales of environmentally friendly biomass products. In metal decorating inks, for which the Group has a very high domestic market share, we will accelerate the growth of environmentally friendly products by introducing power / energy-saving ink products to overseas markets.

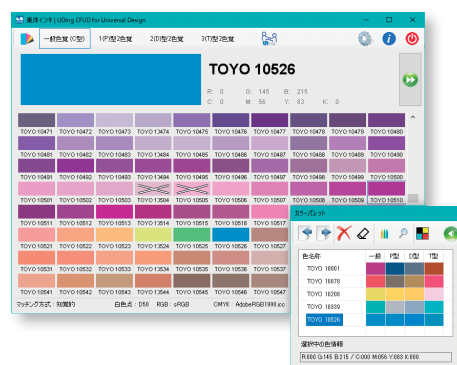
### Topics of priority measures

## Launch of Color Universal Design tool Lioatlas® CFUD subscription service

— Achieving “barrier-free” color —

In everyday life, we often sort out or divide information using colors in order to convey it more easily. However, it is known that there is not only one type of color vision (our born sense of color) in humans, and that there are color combinations that are difficult to distinguish depending on the color vision type. Color Universal Design is an initiative to eliminate the difficulty in distinguishing between colors caused by these differences in color vision types. Lioatlas® CFUD is an assistive tool that supports color universal design by allowing anyone to easily create easy-to-see color combinations that do not differ depending on the color vision type. It not only helps users to select the best color combinations, but also

allows them to see how colors will look different depending on a person's color vision type.



## Round Table Discussion on Corporate Governance

What role do outside directors play in achieving sustainable growth for the Group? Director Yutaka Yokoi, who serves as the Company's leading outside director, Director Tomoko Adachi, who was appointed this March, and President and Group CEO Satoru Takashima held a three-way discussion on the subject.



**Tomoko Adachi**  
Independent Outside  
Director

**Satoru Takashima**  
President and Representative Director,  
Group CEO

**Yutaka Yokoi**  
Leading Independent  
Outside Director

### Background to appointment as an outside director and thoughts on the Group

**Takashima** When I first joined the Board of Directors ten years ago, board meetings lasted around 20 to 30 minutes. Heated discussions on important matters took place at the Group Management Committee, which was attended only by internal officers, and the resolutions were then formally submitted to the Board of Directors. At the time I felt that this must just be how things are, but after I became president three years ago, I began to think about what the Board of Directors should be.

The management issues we are facing have not changed fundamentally over the past few years. This means that we must transform, and be reborn as a growth company. As the saying "Practice what you preach," I thought that we had to make a drastic change to the Board of Directors, and change the mindset of those of us who attend it.

In this newly transformed Board of Directors, I have three expectations for outside directors. First of all, I would like you

to point out frankly when I am wrong, and steering the Group the wrong direction. At the same time, I would also like you to give us advice that will lead to positive change, telling us what will make the Company better. And thirdly, although this may be too greedy, I would like you to lend us your unique knowledge and personal connections as outside directors that those of us within the Company do not have.

**Yokoi** In my previous job, I had several opportunities to talk with members of the Company at embassies and consulates in China and Turkey. Each time I did so, I got the impression that there was no barrier between management and regular employees, and the Company had a family-like atmosphere. So, I felt very happy when I was approached about becoming an outside director. As a diplomat, one of the key duties of my diplomatic missions abroad was doing everything in my power to support Japanese companies expanding their presence overseas. Our work was linked to the activities of Japa-

nese companies, and it was one of my favorite duties in my previous job. After more than 40 years of government work, I was very grateful to be welcomed into the Company in this way, and to be able to aim for growth in the global market together.

**Adachi** I think I first met President Takashima through a mutual acquaintance, a little over a year ago. At that time, he talked about the Company's history, spanning over 120 years, and that it was because there is something "outstanding" about Toyo Ink that it has been able to overcome many turbulent times. However, when we consider the future of management, we must not stick to that alone. I think we talked about such topics in relation to the development of our alma mater, which also has a long history.

Later, I remember him asking me why I was so familiar with business management and economics even though I was a doctor. I have been on the front lines of medical treatment and research for more than 40 years, and as the head of a hospital with more than 400 doctors and staff, I have worked to tackle two major challenges.

One is to provide safe, high-quality medical care and services to increase patient satisfaction, and sound hospital management to achieve that. The other is to create an organization and system that improves the motivation of everyone who works at the hospital. Even though there is a difference in scale between medical care and manufacturing, I believe that I can still leverage my experience and knowledge at the Company. Also, as the government continues to promote support for the active participation of women, I had the valu-

able experience of serving as a member of various government expert panels and committees, where I gave opinions, shared understanding, and reflected them in government policies. When I received an invitation from the president to become an outside director, I was very pleased to be able to contribute to the advancement of the Company.

**Yokoi** I think that the reforms to the Board of Directors that were carried out after President Takashima took office—specifically, the creation of an environment in which outside directors can easily communicate their opinions and criticisms in accordance with their respective areas of expertise, and the preparation of materials in advance of meetings—have been very good in terms of both quantity and quality. We can study in advance, and the fact that we can receive explanatory briefing sessions from the executive side for each item makes our discussions and exchanges of opinions at board meetings more meaningful.

**Takashima** As you said, I feel that there has been a clear qualitative improvement in the Board of Directors. However, that is only among the members or observers attending board meetings, and does not include employees who are on the front lines of business. So, with the help of outside directors, who have a high level of expertise that is not available within the company, I believe that we will be able to enrich and improve the level of the company as a whole by deepening the level of our communication with employees, such as through lectures and social gatherings.

## What is governance, as a global corporate group?

**Takashima** To increase the effectiveness of our governance as a global corporation, we need to identify progressing and receding risks, and sometimes play the role of stepping on the brakes. To survive and compete in the complex world of global business, knowledge of global risk management is also essential.

Quite some time ago, there was a case in which we were pushed to the brink of prosecution by the US Department of Justice. In the end, the case was settled by out-of-court settlement, but it could have been avoided entirely if we had correctly judged the background of the case, the circumstances of the disputed territory, and the international situation.

**Yokoi** I think it's quite hard to understand foreign judicial systems.

**Takashima** Yes, you're right. It was a pathetic performance from start to end, that we charged into the United States with the Japanese logic that they would understand what is right, and got caught up in the local business game where winning is everything. For this reason, I have high expectations for Director Yokoi, who has a wealth of global experience, and for Director Adachi, who has served both as a medical professional and as management in the medical field, which is one of our future key focus businesses.

**Yokoi** I have been stationed in the United States, Beijing,

Shanghai, Malaysia, and Turkey, all of which are locations where the Toyo Ink Group has bases, and which are strategically important and have a large scale of business. I would be happy to offer my counsel if there are any problems or opportunities, regardless of whether or not they fall within the scope of my role as a director.





## Round Table Discussion on Corporate Governance



Discussions are currently intensifying with a view to the formulation of the next medium-term management plan. Please feel free to involve us more with the human resources and risks that will influence the Company's future, especially in terms of strategy.

**Takashima** Thank you, I'm very grateful for that. In fact, we have just launched a study group on the medium-term management plan today, together with young employees. If you don't mind, I would like you to come along and help to deepen the level of their discussions.

**Yokoi** Embassies and other overseas diplomatic missions have manuals for responding to various risks. They place particular emphasis on initial actions, such as media response. Global risks are basically unavoidable, so what kind of response approach can be taken immediately after a risk materializes? I believe that the creation of such an organizational framework is essential. The Company has a large number of overseas bases, and depending on the location our experience may be insufficient. I believe that in global risk man-

agement it is important to prepare manuals and implement thorough drills and training, and to make the correct initial response as much as possible in any case.

**Adachi** It is also important to ensure we can keep track of the situation in the workplace on a day-to-day basis. When an organization reaches a reasonable size, there is often a divergence between the reports received by top-level management from the heads of each department and the actual sense of crisis felt by employees on the ground. Ultimately, this affects the motivation and performance of the people working on the front lines. Communication with employees in the workplace is especially important to prevent such divergences.

**Takashima** I agree. I am often reminded of that by direct dialogue with young employees and visits to our manufacturing sites.

**Adachi** At our hospital, I would take the heads of the nursing and administrative departments to conduct a general patrol once a month, actually visiting all of the workplaces in the hospital from the rooftop to the first floor. We would ask the people working there—everyone from veterans to young employees and part-time staff—if there were any problems, if things were going well, and if they were enjoying their work. Everyone is always very happy when you do that, and it allows you to reconcile the content of the reports with the actual situation in the workplace.

When considering how to increase the effectiveness of the Board of Directors, I believe that if we have a communication system that enables members of the Board of Directors—including outside directors—to directly hear the voices of employees in the workplace, then we will be able to improve the Company even further. In addition to specialized business aspects, there are many things you can ask about topics such as sustainability, D&I promotion, and work styles in each workplace. Communication that improves the openness of the entire organization also serves as a risk management measure.

### What is the role of outside directors, based on the integration of business and sustainability?

**Yokoi** When considering how to train the next generation of corporate leadership, it is said that the difference between Number 1 and Number 2 is astronomically different from the difference between Number 2 and Number 3 and below. Top-level corporate management requires the special qualities of being able to take a top-down, bird's-eye view of risks, opportunities, and management issues from a long-term perspective; to make decisions and produce results on their own. No matter how much you play the role of Number 2 or Number 3, it is not easy to cultivate top-level leadership qualities. I think one way is to entrust candidates to experience the Number 1 spot and ultimate responsibility for various locations and duties, to experience and compete for results.

It is also equally important to develop not only top-level

leadership but also a competent team of assistants who can support them. I feel the need for a development program for other officers, the same as with the development of top-level management. This is a topic that I would like to discuss with you as a future issue.

**Takashima** I was appointed head of our subsidiary in Thailand at the age of 43. At that time, the Thailand location was a large-scale base with more than 300 people in total, including production, sales and engineering, and my time there became a great source of experience for the future. As the responsibilities of the president become heavier in the future, we are starting to talk about considering not only a training plan but also a practical plan, sending candidates out into the world and saying, "We'll leave it up to you."

**Adachi** That kind of delegation is very important, isn't it.

If you leave what you can do 100% to the younger generation, they can only do 70%. Even if you think it's not enough, you have to be patient. Training people requires patience and perseverance. But I think that eventually they will realize that they are where they are today thanks to our patience, and this will be fed back, which will then lead to the development of the next generation.

Also, even if you can only train people who can do 70% of what you do in the beginning, if you can train three such people, they will still be able to do more than twice as much as you, so you can work on other things. I think this is a common aspect of human resource development in general.

**Takashima** There is data that is a little worrisome in terms of human resource development and strengthening human capital. In our employee satisfaction surveys over the past few years, the percentage of employees saying they feel they want to continue working at our company has been gradually decreasing. This may be due to the problem of the desire among young people to change jobs, but I think there is a more substantial problem.

We are actively engaged in sustainability activities for employees, such as health management and human resource development. We are also trying to promote D&I more strongly in the future. But beyond such internal mechanisms, anxiety about our profitability, growth potential, and potential for the future may also be reflected in the survey data. That's why I feel strongly that I want to clearly display a transformation for our growth and make our employees feel that we are a company that attracts them, rather than simply holding them down.

**Yokoi** I think it is important for us to further increase profitability and make Toyo Ink an attractive company. On the other hand, the growing trend in the number of people changing jobs is not limited to our company. Perhaps young people see the world of job-based employment, and lifetime employment is simply not an option for them from the beginning. In the first few years of your working life, they may want to acquire business skills that can be used at other companies, or in other industries. If so, then one approach may be to aim to become a company that is attractive to human resources wanting to improve their skills.

**Takashima** I think you're absolutely right. Recently, we have been strongly urging our head office staff to improve their expertise and become professionals. There is the opinion that if a grown employee quits we are losing everything that we have invested in them, but I feel that rather it is important to take a stance of becoming a company with human resource development capabilities, that increases the market value of its employees.

**Yokoi** I hope that we can raise the level of sustainability of the Company itself—in areas such as health management and diversity—more than ever before, and become a company that is easy to work for, a company that employees can feel proud to be a part of, and a company that they will eventually want to return to, even if they leave for a while.

**Adachi** D&I encompasses a variety of themes, but I believe that the active participation of women is the most key theme, and not only for Toyo Ink. It can be said that Japan

in particular is lagging behind in the rest of the world.

From my experience as a researcher working to support the government's efforts to enable active participation for women, there are three elements that are necessary for women to play an active role. The first is women's career motivation. The second is understanding and cooperation from those around them and their families, especially the way their superiors think and act. These are of the utmost importance. Finally, there is the mechanism of social support.

But even when we say "women" collectively, not everyone is the same. Some women want to have enough time to become pregnant, give birth, and raise children, while many wish to return to work quickly and continue their careers. We should eliminate the stereotype of giving female employees who are working shorter hours for child-care light or low-responsibility work, and it is important to create a system that allows both supervisors and teams to support them in a form that everyone can agree with as an organization where the female employee can work in the way she hopes.

Recently, D&I has evolved globally into Diversity, Equity and Inclusion (DE&I.) It describes initiatives to deepen mutual respect and understanding, exchanging diverse opinions beyond the boundaries of gender, age, experience, work history, and job titles. We should not expect to have a stereotypical female opinion by asking one female employee you see in the meeting, with a question like "What do women think about this?" This is the first step in DE&I.

**Takashima** Yes, it is important for men to be aware of this. Thank you. For me, outside directors are important supporters, who support the growth of the company and act as a braking mechanism when we are going astray. It was a really great to hear from both of you. I look forward to your continued support.



# Top Management (As of March 23, 2023)



## Katsumi Kitagawa

Chairman and Representative Director  
Born September 26, 1953 (age 69)

April 1977	Joined our company
June 2004	Operating Officer
June 2005	Director
April 2011	President and Representative Director
March 2020	Chairman and Representative Director

App. & Rem.

Number of the Company's shares owned 49,121 shares  
Member of Advisory Committee on Appointment and Remuneration  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)  
Attendance rate at Advisory Committee on Appointment and Remuneration in 2022 100% (1/1)



## Satoru Takashima

President and Representative Director,  
Group CEO

Born April 18, 1960 (age 62)

April 1984	Joined our company
June 2012	Operating Officer
June 2013	Director
March 2020	President and Representative Director
March 2022	Group CEO

App. & Rem.

Number of the Company's shares owned 28,312 shares  
Chairman of Board of Directors  
Member of Advisory Committee on Appointment and Remuneration  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)  
Attendance rate at Advisory Committee on Appointment and Remuneration in 2022 100% (1/1)



## Hiroyuki Hamada

Senior Managing Director  
in charge of Corporate Departments  
Born July 19, 1958 (age 64)

April 1981	Joined our company
June 2013	Operating Officer
June 2016	Director
March 2023	Senior Managing Director
March 2023	In charge of Corporate Departments

Number of the Company's shares owned 7,721 shares  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)



## Shingo Kaneko

Outside Director

Born November 25, 1950 (age 72)

April 1973	Joined Toppan Printing Co., Ltd.
June 2003	Director of Toppan Printing Co., Ltd.
June 2010	President and Representative Director of Toppan Printing Co., Ltd.
June 2019	Chairman and Representative Director of Toppan Printing Co., Ltd. *
March 2020	Outside Director of our company

Outside

Number of the Company's shares owned 3,300 shares  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)



## Chise Onodera

Independent Outside Director  
Born January 2, 1966 (age 57)

April 2018	Professor of College of Law, Nihon University
March 2019	Outside Audit & Supervisory Board member (part-time) of our company
March 2021	Outside Director of our company

Outside

Independent

App. & Rem.

Number of the Company's shares owned 2,100 shares  
Member of Advisory Committee on Appointment and Remuneration  
Attendance rate at Board of Directors meetings in 2022 88% (15/17)  
Attendance rate at Advisory Committee on Appointment and Remuneration in 2022 100% (1/1)



## Tomoko Adachi

Independent Outside Director

Born March 10, 1954 (age 69)

December 2017	Board member of Aiiku Association for Maternal, Child Health and Welfare
December 2017	Director of Aiiku Association Maternal and Child Health Center Aiiku Hospital ("Aiiku Hospital")
April 2022	Honorary Director of Aiiku Hospital
March 2023	Outside Director of our company

Outside

Independent

Number of the Company's shares owned 0 shares  
Attendance rate at Board of Directors meetings in 2022 —



## Tetsuaki Sato

New

Director in charge of Quality Assurance,  
Production, Environment, Sustainability  
and Purchasing

Division Director of Production-Logistics Division  
Born March 9, 1961 (age 62)

April 1985	Joined our company
June 2017	Operating Officer
March 2022	Executive Operating Officer
March 2022	In charge of Quality Assurance, Production, Environment, Sustainability and Purchasing
March 2022	Division Director of Production-Logistics Division
March 2023	Director

Number of the Company's shares owned 9,600 shares  
Attendance rate at Board of Directors meetings in 2022 —



## Toshiaki Hirakawa

Director  
Audit and Supervisory Committee member (full-time)

Born September 13, 1958 (age 64)

April 1982	Joined our company
June 2010	Operating Officer
June 2013	Director
March 2021	Audit & Supervisory Board member (full-time)
March 2022	Director (Audit & Supervisory Committee member (full-time))

Audit

Number of the Company's shares owned 14,400 shares  
Chairman of Audit & Supervisory Committee  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)  
Attendance rate at Audit & Supervisory Committee meetings in 2022 100% (10/10)



## Yutaka Yokoi

Leading Independent Outside Director  
Audit and Supervisory Committee member

Born January 10, 1955 (age 68)

April 1979	Joined the Ministry of Foreign Affairs of Japan
August 2013	Ambassador Extraordinary and Plenipotentiary of Japan to Turkey
March 2016	Ambassador Extraordinary and Plenipotentiary of Japan to the People's Republic of China
December 2020	Retired from the Ministry of Foreign Affairs of Japan
March 2021	Outside Director of our company
March 2022	Outside Director of our company (Audit & Supervisory Committee member)

Outside

Independent

Audit

App. &amp; Rem.

Number of the Company's shares owned 1,100 shares  
Chairman of Advisory Committee on Appointment and Remuneration  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)  
Attendance rate at Audit & Supervisory Committee meetings in 2022 100% (10/10)  
Attendance rate at Advisory Committee on Appointment and Remuneration in 2022 100% (1/1)



## Keiko Kimura

Independent Outside Director  
Audit and Supervisory Committee member

Born October 13, 1959 (age 63)

October 2002	Registered with Daiichi Tokyo Bar Association
October 2002	Joined Anzai & Sotoi Law Offices (currently Anzai Law Offices)
June 2016	Outside Director of our company
March 2022	Outside Director of our company (Audit & Supervisory Committee member)

Outside

Independent

Audit

App. &amp; Rem.

Number of the Company's shares owned 1,600 shares  
Member of Advisory Committee on Appointment and Remuneration  
Attendance rate at Board of Directors meetings in 2022 100% (17/17)  
Attendance rate at Audit & Supervisory Committee meetings in 2022 100% (10/10)  
Attendance rate at Advisory Committee on Appointment and Remuneration in 2022 100% (1/1)



## Minoru Matsumoto

Independent Outside Director  
Audit and Supervisory Committee member

Born February 16, 1957 (age 66)

October 1983	Joined Tohmatsu & Aoki Audit Corp. (currently Deloitte Touche Tohmatsu LLC)
March 1987	Registered as a Certified Public Accountant
September 2012	Retired from Deloitte Touche Tohmatsu LLC
March 2021	Outside Audit & Supervisory Board member (part-time) of our company
March 2022	Outside Director of our company (Audit & Supervisory Committee member)
October 2022	Representative employee, Terada Kaikei Office (tax accountants)

Outside

Independent

Audit

Number of the Company's shares owned 0 shares  
Attendance rate at Board of Directors meetings in 2022 94% (16/17)  
Attendance rate at Audit & Supervisory Committee meetings in 2022 100% (10/10)

- \* Mr. Shingo Kaneko concurrently holds the position of Representative Director of Toppan Inc. Although there is no special interest between the Company and Toppan Inc. transactions exist between the Company and the Toppan Group, including the purchase and sale of manufactured products.
- \* Mr. Hiroya Aoyama retired as Senior Managing Director on March 23, 2023. His attendance at Board of Directors meetings in fiscal 2022 was 100% (17/17 times.)
- \* Mr. Jusuke Ikegami retired as an Outside Director on March 23, 2023. His attendance at Board of Directors meetings in fiscal 2022 was 100% (17/17 times.)



# Corporate Governance

## Basic approach

The Toyo Ink Group strives to achieve appropriate corporate governance in accordance with the “Basic Corporate Governance Policies,” in order to enhance the corporate value of the Group as a whole through the enhancement of the Group’s strategic functions, speedy management, and a balance between Group-wide optimization and the optimization of individual businesses.

By adopting an Audit and Supervisory Committee system, we have enabled Committee members to exercise their voting rights at meetings of the Board of Directors, thereby increasing the level of fairness and transparency of management and strengthening oversight of the Board of Directors. By adopting an operating officer system (oneyear term,) we have clarified the division of roles between management supervisory and executive functions and are speeding up decision making and enhancing supervisory functions with regard to execution of business.

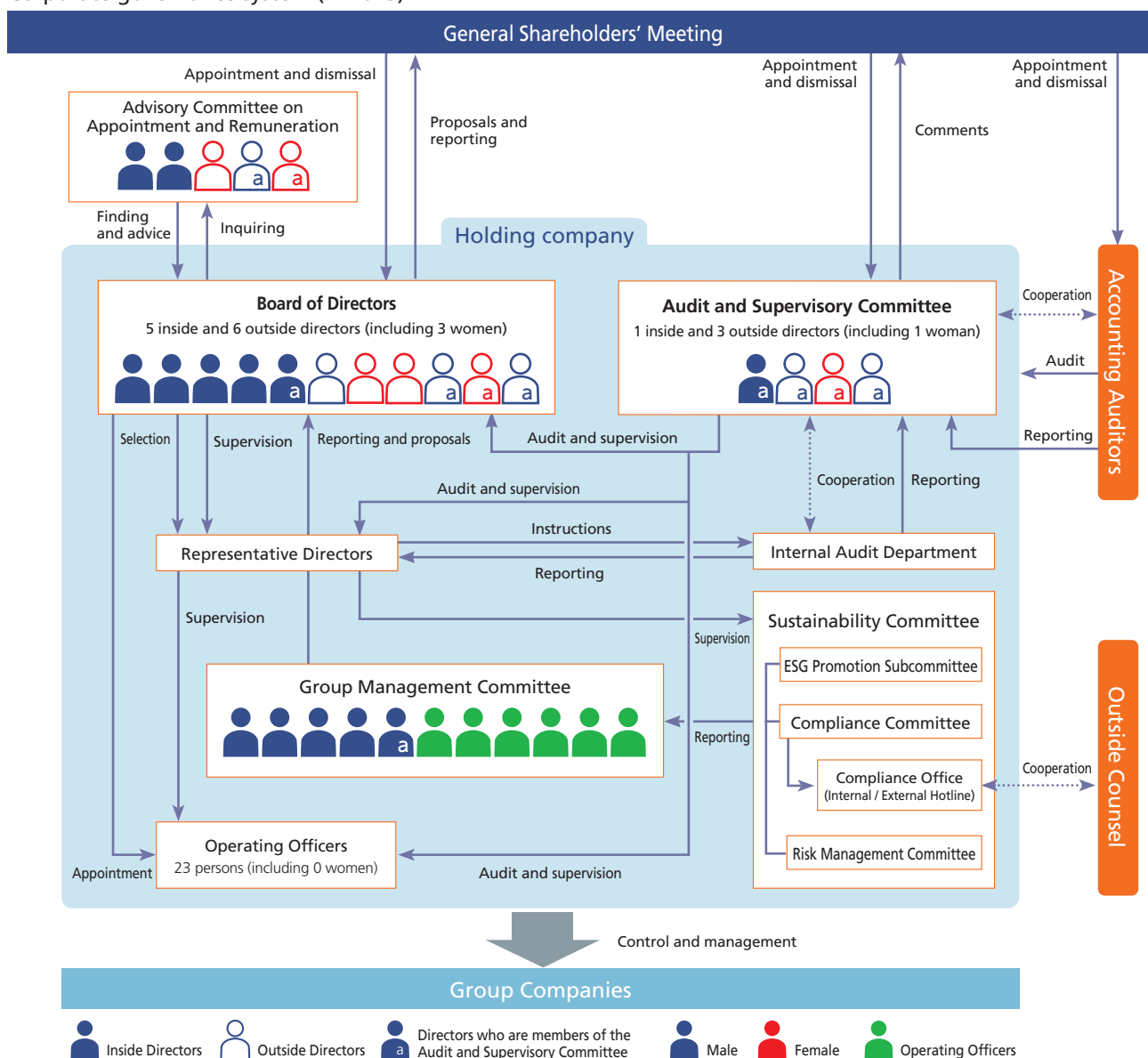
Additionally, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., the core operating companies of the group, each have an Operating Company Management Committee that regularly meets to share management policies and strategies, and discuss issues and achievements regarding the execution of business. Directors of the holding company attend these meeting.

### Basic Corporate Governance Policies

1. Respect the rights of shareholders and make efforts to guarantee their substantial equality.
2. Attempt appropriate collaborations with various stakeholders.
3. Guarantee transparency by disclosing corporate information (including nonfinancial information) appropriately.
4. The Board of Directors acknowledges its fiduciary responsibility to shareholders, and works to maintain and improve its functions.
5. Hold constructive dialogues with shareholders that have investment policies in agreement with medium- and long-term shareholder returns.

Established November 2015, Revised March 2022

## Corporate governance system (FY2023)





## Key Organizational Units and Meeting Bodies and their Roles

Organizational unit / meeting body	Members	Roles
<b>Board of Directors</b> Number of meetings held in FY2022: 17 times Term: 1 year	<b>Chair:</b> President and Representative Director <b>Members:</b> 11 members (three of whom are women): seven directors who are not Audit and Supervisory Committee members (of whom three are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors.)	In addition to meeting every month as a key organizational body making decisions regarding the overall management of the Group, the Board also meets on an extraordinary basis as necessary, making decisions on legal matters and important management matters and overseeing the state of execution of business.
<b>Audit and Supervisory Committee</b> Number of meetings held in FY2022: 10 times Term: 2 years	<b>Members:</b> 4 Audit and Supervisory Committee members (including 3 external members and 3 independent members)	The Audit and Supervisory Committee cooperates with the Internal Audit Department and accounting auditor and audits the legality and appropriateness of directors' execution of their duties. The Group's Internal Audit Department reports directly to the representative directors, and audits operations of each Group company to ensure they are being carried out in compliance with laws and regulations and the Articles of Incorporation and in an appropriate manner and that the internal control system is working effectively. In addition to reporting audit results to the representative directors and the director in charge of internal control, the department also reports to the Audit and Supervisory Committee. The committee reports audit results to accounting auditors and holds information exchange meetings as appropriate. It also gives reports with the Internal Audit Department—the Group's internal auditing division—at regular meetings of the Audit and Supervisor Committee and holds information exchange meetings as appropriate.
<b>Group Management Committee</b> Number of meetings held in FY2022: 26 times	<b>Members:</b> Directors, Audit and Supervisory Committee members, operating officers who supervise or are responsible for key management functions, presidents of core operating companies	The Group Management Committee makes important decisions on the execution of business as a consultative and decision-making body subordinate to the Board of Directors. Because the Group Management Committee mainly examines the Group's business strategies, business-related issues, and business results, its meetings are always attended by Chief R&D Officer, General Manager of Finance & Accounting Department and General Manager of Human Resources Department who do not attend the Board of Directors' meetings, and the representative directors of the Group's core operating companies, Toyocolor Co., Ltd., Toyochem Co., Ltd. and Toyo Ink Co., Ltd.
<b>Advisory Committee on Appointment and Remuneration</b> Number of meetings held in FY2022: once	<b>Members:</b> 2 inside directors and 3 outside directors (1 of whom is the chairman)	The Company convenes the committee ahead of the Annual General Meeting of Shareholders to discuss director candidates and their remuneration. The committee, the majority of which consists of outside directors, advises the Board of Directors on the appointment and remuneration of officers, thereby further enhancing transparency and objectivity in the process of determining the appointment and remuneration of directors.

## Members of major meeting bodies related to corporate governance (As of March 23, 2023)

◎: Chairman ○: Member

Position	Name	Board of Directors	Audit and Supervisory Committee	Advisory Committee on Appointment and Remuneration
Chairman and Representative Director	Katsumi Kitagawa	○	—	○
President and Representative Director, Group CEO	Satoru Takashima	◎	—	○
Senior Managing Director, in charge of Corporate Departments	Hiroyuki Hamada	○	—	—
Director in charge of Quality Assurance, Production, Environment, Sustainability and Purchasing Division Director of Production-Logistics Division	Tetsuaki Sato	○	—	—
Outside Director	Shingo Kaneko	○	—	—
Independent Outside Director	Chise Onodera	○	—	○
Independent Outside Director	Tomoko Adachi	○	—	—
Director (Audit and Supervisory Committee member (full-time))	Toshiaki Hirakawa	○	◎	—
Leading Independent Outside Director (Audit and Supervisory Committee member)	Yutaka Yokoi	○	○	◎
Independent Outside Director (Audit and Supervisory Committee member)	Keiko Kimura	○	○	○
Independent Outside Director (Audit and Supervisory Committee member)	Minoru Matsumoto	○	○	—

## Corporate Governance

### Expertise and careers (skills matrix) of directors

The Board of Directors is composed of a diverse range of directors with a wealth of experience and specialized knowledge. We use a skills matrix to set areas of particular

expectation, to enable useful supervision and advice on management issues.

#### Expertise and careers (skills matrix) of directors

Name	Main expertise and careers						
	Corporate Management	R&D / Production	Sales / Marketing	Global	Finance / Accounting	Human Resources / D&I	ESG / Compliance / Risk Management
Katsumi Kitagawa	●	●	●				
Satoru Takashima	●		●	●			
Hiroyuki Hamada			●	●	●		●
Shingo Kaneko	●		●				
Chise Onodera							●
Tomoko Adachi	●	●				●	
Tetsuaki Sato		●					●
Toshiaki Hirakawa					●		●
Yutaka Yokoi				●			●
Keiko Kimura						●	●
Minoru Matsumoto					●		●

\* The above matrix does not show all the expertise or careers of each director.

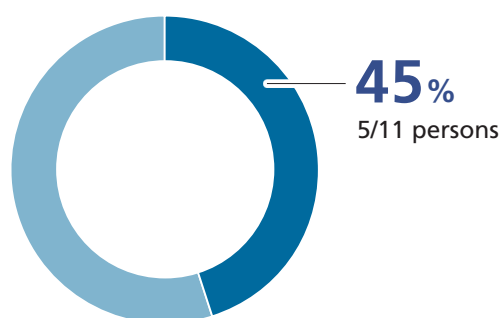
#### Details of each skill and reason for selection

Section		Reason for selection
Matters relating to the base and growth of the company	Corporate Management	Formulating and implementing a sustainable growth strategy in the medium to long term requires comprehensive judgment in corporate management, and experience in business management and/or organizational management were selected as necessary knowledge and skills, with no bias toward individual expertise.
	R&D / Production	Sound knowledge and experience in the fields of technology, research and development, quality, and production were selected as necessary knowledge and skills to further advance and develop the technologies the Group has developed and bring about various innovations.
	Sales / Marketing	Extensive knowledge and experience in sales and marketing were selected as necessary knowledge and skills to steadily increase sales and profits in the market and continue to achieve growth in the medium to long term.
	Global	A wide range of insights and experience relating to overseas management experience, overseas lifestyles and culture, business environments, geopolitics, and regional strategies were selected as necessary knowledge and skills in view of the Group's global business presence.
Matters that ensure the company's growth	Finance / Accounting	Solid knowledge and experience enabling accurate financial reporting, building a solid financial base, making growth investments to sustainably increase corporate value, and strengthening shareholder returns were selected as key knowledge and skills to maximize corporate value through the efficient management of the Company's capital.
	Human Resources / D&I	Human resources are the most important management resource for the Company, and experience, insight, and expertise in the field of human resources (including HR development and D&I) were selected as necessary knowledge and skills for securing diverse human resources to support the Group's value creation.
	ESG / Compliance / Risk Management	A wide range of experience, insights, and expertise in ESG, compliance, and risk management were selected as key knowledge and skills to implement sustainable management, achieve the TSV2050/2030 sustainability vision, and solve social issues indicated by the Group's material issues.

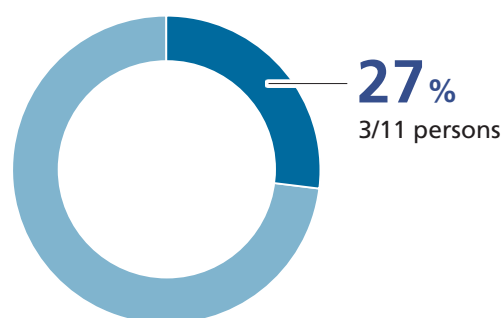
## Roles expected of outside directors and details of duties

<b>Shingo Kaneko</b> Outside Director	After his long service as a director at Toppan Inc., he has an abundance of experience and broad-ranging insights in corporate management and various other areas. Although he does not meet the independence criteria set by the Company for outside directors, he gives opinions as necessary for achieving sound and efficient corporate activities from an objective perspective, as an expert with seasoned knowledge of the industry.
<b>Chise Onodera</b> Independent Outside Director	She has advanced specialist knowledge in the Insurance Act and the Companies Act and outstanding insight as a legal scholar, and gives opinions as necessary for achieving sound and efficient corporate activities from an objective perspective. As a member of the Advisory Committee on Appointment and Remuneration, she also performs a supervisory function in the selection of officer candidates and determining remuneration for officer positions from an objective and neutral standpoint.
<b>Tomoko Adachi</b> Independent Outside Director	In addition to her experience in hospital management, she has served as a member of various national and administrative / local government councils and committees relating to women's empowerment, and has a high level of knowledge and expertise in the areas of pharmaceuticals, health management, and diversity and inclusion. Utilizing this experience and knowledge, it is expected that she will fulfill her duty to supervise management objectively from fair and impartial standpoint.
<b>Yutaka Yokoi</b> Leading Independent Outside Director (Audit and Supervisory Committee member)	He has held important positions in the Ministry of Foreign Affairs for many years, possesses an international perspective cultivated through diplomacy and wide-ranging insights into world affairs. It is expected that he will fulfill his duty to supervise management objectively from an impartial standpoint, and give objective opinions as necessary for achieving sound and efficient corporate activities. As chair of the Advisory Committee on Appointment and Remuneration, he also performs a supervisory function in the selection of officer candidates and determining remuneration for officer positions from an objective and neutral standpoint.
<b>Keiko Kimura</b> Independent Outside Director (Audit and Supervisory Committee member)	She is a certified lawyer with advanced knowledge and extensive insight particularly regarding labor law and personnel and labor affairs. It is expected that she will fulfill her duty to supervise management objectively from an impartial standpoint, and give objective opinions as necessary for achieving sound and efficient corporate activities. As a member of the Advisory Committee on Appointment and Remuneration, she also performs a supervisory function in the selection of officer candidates and determining remuneration for officer positions from an objective and neutral standpoint.
<b>Minoru Matsumoto</b> Independent Outside Director (Audit and Supervisory Committee member)	As a certified public accountant, he has extensive experience in accounting audits and considerable knowledge of finance and accounting. It is expected that he will fulfill his duty to supervise management objectively from an impartial standpoint, and give objective opinions as necessary for achieving sound and efficient corporate activities.

Percentage of independent outside directors



Percentage of female directors



## Corporate Governance

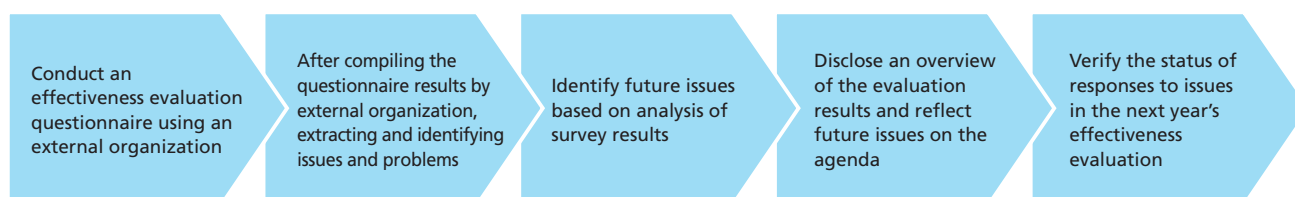
### Evaluation of the effectiveness of the Board of Directors

To ensure that corporate governance functions correctly, we conduct a questionnaire-based survey of our Directors to analyze and evaluate the effectiveness of the Board of Directors as a whole, and work to improve it based on the issues identified.

In 2023, we conducted a survey with the involvement and advice of an external organization. The Board of Directors then deliberated and made its final evaluation based on the results of the survey.

#### Outline of evaluation of effectiveness

##### < Implementation process >



##### < Target participants >

All Board members: 11 members—seven directors who are not Audit and Supervisory Committee members (of whom three are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors.)

##### < Evaluation method >

Anonymous questionnaire

##### < Survey period >

Survey response period: From January 13, 2023 to January 26

##### < Survey question items >

- General state of the Board of Directors
- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussions at the Board of Directors
- The Board of Directors' monitoring function
- Exercising functions of Outside Directors (including Audit and Supervisory Committee members)
- Support system for directors (including Audit and Supervisory Committee Members)
- Training
- Dialogues with shareholders (investors)
- Subjects' own actions
- Operation of the Advisory Committee on Appointment and Remuneration

##### < Improvements from the previous survey >

- In the previous questionnaire-based effectiveness evaluation conducted in January 2022, the opinion was raised that greater creativity was needed when explaining matters reported to the Board of Directors (details discussed at Group Management Committee meetings) to outside directors. In fiscal 2022, we created opportunities to explain the items reported by the Board of Directors in detail to outside directors in advance. As a result, in this survey, we were able to obtain the opinion that information is being provided more appropriately.

##### < Evaluation results and issues >

- Generally positive evaluations were received, such as that discussions and exchanges of opinions at Board meetings are being conducted actively, and that the Board's activities are in line with its emphasis on supervisory functions, confirming that the effectiveness of the Board of Directors as a whole is being maintained.
- Issues identified included training opportunities for officers, feedback to the Board of Directors on the statues of dialogues with shareholders, and the operation of the Advisory Committee on Nomination and Remuneration. We will work to make these improvements during fiscal 2023, and verify the state of response to these issues in the next questionnaire survey to be conducted the following year.

### Facilitating animated discussion by the Board of Directors

Documents regarding agendas are distributed to Board of Directors meeting participants in advance to facilitate spirited discussion.

The main items discussed and deliberated by the Board of Directors in fiscal 2022—in addition to statutory resolutions—were changes in the philosophy system and company name, the SIC-II medium-term management plan, annual targets, monthly business results, matters required by the Cor-

porate Governance Code (economic rationality of cross-shareholdings, confirmation of results regarding the exercise of voting rights at the General Meeting of Shareholders, etc.) and agenda items discussed by the Group Management Committee (namely TSV2050/2030, disclosure of information on the Group's response to climate change, women's empowerment, D&I, revision of basic procurement policies, capital investment, personnel / HR systems, etc.)

## Training of directors and operating officers

Regular training is provided to directors and operating officers with the goal of enabling them to improve their knowledge. In fiscal 2022, we conducted governance training (participants: newly appointed Operating Officers and those assigned to top-level management positions at overseas loca-

tions) and training to deepen understanding of the promotion of women's participation and advancement in the workplace ("Biological and Medical Differences in Health between Men and Women," participants: Directors, Operating Officers, Heads of Department.)

## Succession planning plan for chief executive officers, etc.

In our successor development plan, which included CEO positions, we have positioned the Future Discussion Task Force and Training for Next-Generation Leaders programs, as systems to train future management candidates. We conduct

training and other activities based on a development plan, and the status of these initiatives is reported to the Board of Directors as appropriate.

## Appointment and dismissal of senior management and nomination of director candidates

When a candidate for Director is nominated, the Chairman, President and Director in charge of personnel affairs select candidates by comprehensive judgement based on the Group's director nomination standards. The result of the selection is discussed by the Advisory Committee on Nomination and Remuneration, before a final decision is reached through deliberation and a resolution at a meeting of the Board of Directors. Candidates for Directors who are Audit & Supervisory Committee members are determined by de-

liberation and resolution of the Board of Directors after the consent of the Audit & Supervisory Committee has been obtained with regard to the submission of a motion for selection to the shareholder's meeting.

The dismissal of senior management members is advised by the Advisory Committee, pursuant to the dismissal criteria stipulated in the Disciplinary Regulations for Directors.

The criteria for nominating candidates for CEO and Director positions are described in the Corporate Governance Report.

## Supporting System for Outside Directors

To deepen their understanding of the Group's management strategies and the content and status of the Group's business activities, outside directors are given opportunities to learn about the Company at Sustainability Committee meetings (held once a year) and training for officers and managers as well as at the time of their appointment (by visiting business sites and receiving explanations from officers in charge.)

There is a structure in place to enable outside directors to keep up to date with the Company's operations by distribut-

ing materials relating to issues submitted for discussion by the Board of Directors to outside directors in advance and creating opportunities to explain them. Important matters from Management Committee meetings, including meetings of the Board of Directors, are communicated to outside directors by enabling them to view important documents and receive reports given at Board of Directors meetings, regardless of whether or not they attended the relevant meeting.

## Approach to cross-shareholdings

Regarding cross-shareholdings, their economic viability is examined at meetings of the Board of Directors each year. Benefits from holding the shares, status of transaction, and other elements are examined on a stock-by-stock basis in comparison with the capital cost. Where it is deemed to be inappropriate to hold shares in a particular company, the number of shares we own will be reduced, taking into consideration the conditions of the said company and market trends.

Voting rights in relation to cross-shareholdings for listed shares are exercised in an appropriate manner on a case-by-case basis, taking into account whether or not the relevant proposal will help enhance the corporate value of the issuing company over the medium to long term, whether or not it will contribute to the profits of all shareholders, including us, and the qualitative and overall impact it will have on the

Group in terms of their management and businesses. Where an issuing company has special circumstances, such as significant damage to its corporate value or a serious violation of laws, regulations, or other rules, or where there is a concern that an issuing company may damage the corporate value of us as its shareholder, we will determine the actions to be taken carefully by collecting sufficient information through dialogue with the issuing company and other means.

▶▶▶P.30

### Balance of cross-shareholdings at the end of the fiscal year

	FY2020	FY2021	FY2022
Number of stocks	60	52	45
Total amount recorded on the balance sheet (million JPY)	27,832	26,731	17,704

\* Stocks other than unlisted stocks



## Corporate Governance

### Remuneration system for officers

We understand that the remuneration system for officers is an important matter in corporate governance. We have established a system based on the following basic policy, op-

erated from an objective perspective by the Advisory Committee on Appointment and Remuneration.

#### Policies on the remuneration of officers

1. Remuneration should be at a level that reflects economic conditions and corporate performance.
2. It should be at a level that enables the Company to attract and retain talent to increase its corporate value.
3. The remuneration system should embody the Company's Corporate Policy, reflect its medium- and long-term management strategies and strongly inspire sustainable growth.
4. Remuneration should adopt the performance-linked system and inspire the achievement of the disclosed performance forecasts.
5. It should be designed to be fair and rational from a perspective of accountability to the stakeholders. It should be determined through an appropriate process that increases fairness and transparency.

### Process for determining remuneration for officers

In each business year, delegated directors submitted a draft proposal for remuneration for directors, and the Advisory Committee on Nomination and Remuneration then deliberates and reports on the evaluation process and evaluation results, and this is followed by a resolution of the Board of Directors.

#### Overview of Officer Remuneration

From the perspective of ensuring transparency and focusing on performance, remuneration for directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) consists of basic compensation, performance-linked compensation, and transfer-restricted stock compensation. At the Annual General Meeting of Shareholders held on March 23, 2022, it was resolved that the total amount of remuneration, etc. for directors (excluding Directors who are Audit & Supervisory Committee Members) shall be within 500 million yen annually (up to 100 million yen of which shall be paid to outside directors,) and that the total amount of remuneration for directors who are Audit & Supervisory Committee Members shall be within 100 million yen annually. The aggregate amount of monetary compensation claims to be provided as transfer-restricted stock compensation to directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) is set at up to 100 million yen annually, outside the framework of the maximum of 500 million annually for monetary compensation.

- Basic remuneration is fixed monetary remuneration paid monthly, based on a director's post.
- Performance-based compensation is designed to reflect the evaluation of consolidated financial results and takes the form of monthly compensation paid as a short-term incentive. Only directors who are not Audit and Supervisory Committee members are eligible to receive this compensation.
- Transfer-restricted stock-based compensation is a long-term incentive paid to inside directors who are not Audit and Supervisory Committee members, with the aims of sharing the benefits and risks of fluctuations in share prices with shareholders, improving the Company's results over the medium to long term based on a healthy entrepreneurial spirit, and increasing directors' enthusiasm for and contribution to enhancing corporate value.

The percentage ratios of each constituent element of compensation (standard amount when 100% of the targets for performance-linked compensation are achieved) are designed as follows: 65% basic compensation, 35% performance-linked compensation and 5% transfer-restricted stock-based compensation.

Remuneration for outside directors who are members of the Audit and Supervisory Committee is limited to only basic compensation up to a maximum amount of 100 million JPY per year, in light of their duties and roles of supervising and auditing the execution of business.

#### Total amounts of remuneration, etc. by directors and Audit and Supervisory Board members (FY2022)

Position	Total amount of remuneration, etc. (million JPY)	Total amount of remuneration, etc. by type			Number of eligible persons (persons)
		Fixed compensation (Basic compensation)	Variable compensation (Performance-linked compensation)	Transfer-restricted stock-based compensation	
<b>Directors</b> (Excluding Directors who are members of the Audit & Supervisory Committee) (outside directors)	293 (34)	196 (34)	85 (-)	11 (-)	11 (6)
<b>Directors</b> (Audit and Supervisory Committee member) (outside directors)	40 (22)	40 (22)	-	-	4 (3)
<b>Audit and Supervisory Committee members</b> (outside directors)	20 (8)	20 (8)	-	-	5 (3)
<b>Total</b> (outside officers)	353 (64)	256 (64)	85 (-)	11 (-)	20 in total (12 in total)

\* The number of people and the amounts of compensation above include the two directors and the five Audit and Supervisory Board members who resigned at the closing of the Annual General Meeting of Shareholders held on March 23, 2022.

# Risk Management

## Basic approach

The Toyo Ink Group advances initiatives based on our understanding that identifying risks that may affect business continuity and addressing these risks promptly and appropriately to minimize the impact of the risks is an important task.

### Action Policies on Risk Management

1. (Emergency response) We will establish countermeasures and systems for responding to emergencies that may affect the overall Group.
2. (Prevention of the actualization of risks, response to reduction / transfer of loss) We will identify and select existing risks which may affect the overall Group, investigate measures to address the risks, and inform employees of the measures.
3. (Awareness-raising activities) We will improve sensitivity to new risks.

## Risk management system

The Risk Management Subcommittee, whose secretariat is the General Affairs Department, exhaustively and comprehensively manages the risks of the entire Group under the operating of cer in charge of risk management (the head of the Risk Management Subcommittee.) In addition, Group companies and departments identify, assess, and examine the risks involved in changes in social environments and in their daily operations and implement measures to address these risks.

The Risk Management Subcommittee assesses the risks of each company and department based on the frequency of occurrence and severity, and creates and shares a risk map. The committee checks the progress and level of achievement of activities for the mitigation of serious risks. It reports Group-wide risks, which need to be addressed by the Group as a

whole, to the Group Management Committee and the Board of Directors. If a new problem arises that could develop into a serious risk, we report to the Board of Directors and establish an emergency headquarters to address the risk.

## Major activities in FY2022

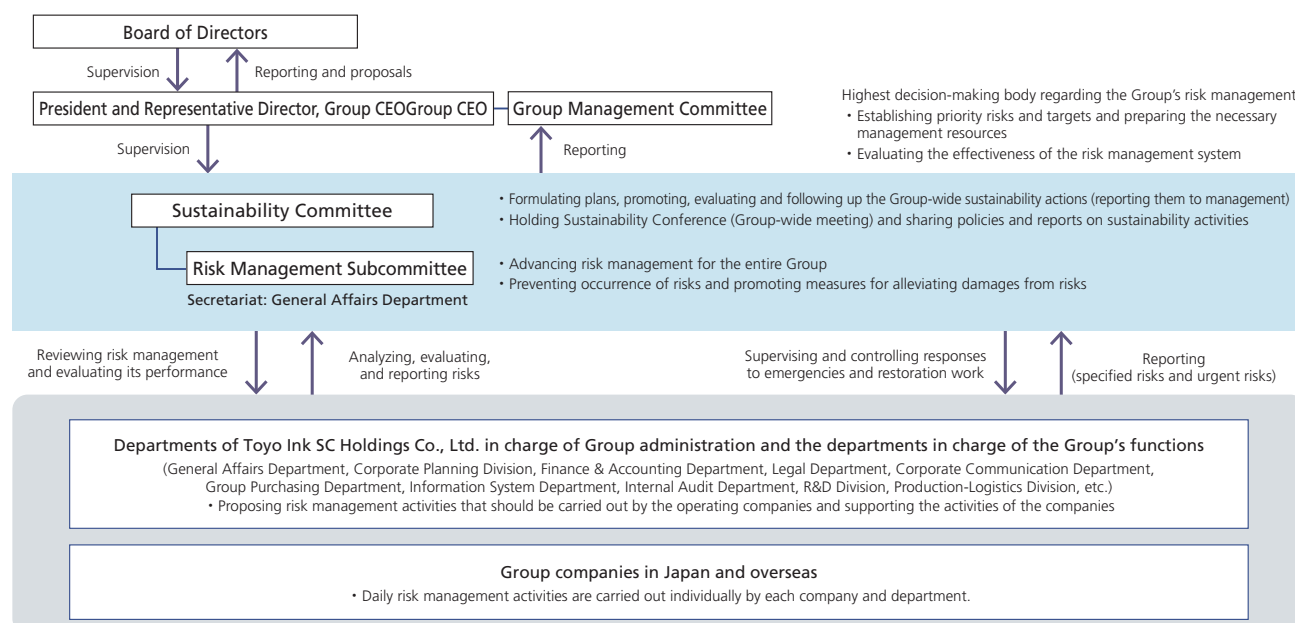
In fiscal 2022, we reviewed the functions of the Risk Management Subcommittee, rebuilt the risk management system, and examined and shared information on new issues such as (1) analysis and sharing of information on expected issues (accidents, disasters, and quality assurance,) (2) reaffirmation of disaster response manuals and BCP systems for in the event of an earthquake directly under the Tokyo metropolitan area, and (3) response measures against raw material price fluctuations and cyberattacks.

Education and awareness-raising activities included (1) safe driving training sessions for sales employees at all sites in Japan, and (2) safety education on chemical injuries and low-frequency work using e-learning at production sites, including temporary and part-time employees (held twice in total, with approximately 2,000 participants each time.)

## Internal controls

At the Toyo Ink Group, we recognize that the improvement and utilization of the internal controls system is an important management issue. The Board of Directors has formulated the "Basic Policy on the Internal Controls System," and we strive to put in place the implementation systems and monitoring systems needed to ensure that we carry out our business activities in an appropriate manner.

### Risk management system (FY2023)



\* Excerpts and additions from P.37 Sustainability promotion system (FY2023)

## Risk Management

### Typical business risks and our response

Representative risks that management recognizes could have a significant impact on the financial position, operating results and cash flows of the Group are as follows. (This is not an exhaustive list.)

In FY2022, there was no new risk of a significant adverse impact on the Group.

Category	Typical risks concerning the entire Group	Examples of our response to risks
① Risks related to overseas operations	<ul style="list-style-type: none"> <li>Changes in laws and regulations, and changes in tax systems that could have adverse effects</li> <li>The adverse effect of inadequate social common capital on corporate activities</li> <li>Unfavorable political factors</li> <li>Social turmoil caused by terrorism, war, or infectious disease</li> <li>Unexpected rapid change in the work environment</li> </ul>	<ul style="list-style-type: none"> <li>Expanding business in worldwide and improving the balance of business fields, aiming to build an earnings structure that is unlikely to be affected by economic trends or other risks in individual countries</li> <li>Establishing supply chain management that enables a flexible response to risk</li> <li>Reducing fixed costs and variable costs such as raw materials expenses</li> </ul>
② Risks related to information leakage, loss, and damage	<ul style="list-style-type: none"> <li>Information leakage, loss, or damage due to computer viruses or security violations</li> <li>Loss of social trust, a breach of a non-disclosure agreement, or a decline in competitiveness due to an outflow or loss of expertise, resulting from information leakage, loss or damage</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of risks through the reinforcement of the information security management system, employee training and awareness-raising activities, which are implemented by the dedicated information security department</li> <li>Implementing security measures related to the promotion of teleworking and the formulation of operating rules</li> </ul>
③ Risks related to quality and product liability	<ul style="list-style-type: none"> <li>Accidents or complaints caused by the quality of products</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring compliance with legal regulations related to quality and safety and carrying out activities to strengthen quality assurance</li> <li>Enhancing and strengthening quality assurance in a Group-wide manner through the application of the ISO 9001 international standard related to quality, and other measures</li> </ul>
④ Risks related to natural disasters and epidemics	<ul style="list-style-type: none"> <li>Difficulties in procuring raw materials, hindrance to production activities, stagnation of global consumer activities and stagnation of logistics functions in the supply chain, etc., due to natural disasters, such as major earthquakes, heavy rains and epidemics in Japan and other countries</li> </ul>	<ul style="list-style-type: none"> <li>Creating manuals tailored to specific risks and providing regular training to tackle them</li> <li>Implementing measures to control COVID-19 and other infectious diseases, establishing related guidelines and operating systems and vaccine occupational inoculation</li> <li>Establishing a disaster control system and systems for complementary production in Japan and overseas, through business continuity management (BCM)</li> </ul>
⑤ Risks related to the sourcing of raw materials	<ul style="list-style-type: none"> <li>Raw materials price increases and stock shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other factors</li> <li>Suspension of raw material supply from suppliers</li> <li>Compensation for damages or the like resulting from an inability to supply products to customers</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing raw materials for appropriate prices by increasing and accuracy of market price and demand forecast</li> <li>Securing stocks of raw materials according to their characteristics by sourcing them from a wide range of suppliers</li> <li>Promoting procurement based on the Procurement Principles</li> </ul>
⑥ Risks related to exchange rate fluctuations	<ul style="list-style-type: none"> <li>Dramatic fluctuations in exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Taking steps to reduce exchange rate fluctuation risks, including exchange forward contracts and the balancing of foreign currency receivables and payables</li> </ul>
⑦ Risks related to general legal restrictions	<ul style="list-style-type: none"> <li>Changes to legal restrictions in Japan and overseas and the resulting changes in markets</li> <li>Litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement</li> </ul>	<ul style="list-style-type: none"> <li>Collecting information about legal restrictions in Japan and overseas and taking measures to address them</li> <li>Review of compliance-related policies and implementation of measures by the Compliance Subcommittee, a committee dedicated to compliance matters</li> <li>Managing the overall Group with internal control system and improving the effectiveness of the management</li> </ul>
⑧ Risks of environmental burdens	<ul style="list-style-type: none"> <li>Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets</li> <li>Increased expenses caused by delays in taking measures to reduce environmental impact</li> <li>Additional investment and changes in business portfolio in response to social environmental requirements (such as the shift away from plastics and the carbon neutrality, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Advancing environmental measures (including the reduction of CO<sub>2</sub> emissions, the development of VOC-free products, and the recycling of materials) by reviewing manufacturing processes in the long-term management plan</li> <li>Strengthening the management of chemicals and systematizing management</li> </ul>
⑨ Risks related to climate changes	<ul style="list-style-type: none"> <li>Changes to climate change-related laws and regulations in Japan and other countries and the resulting changes in markets</li> <li>Increase in costs due to delays in responding to social demands, such as the reduction of CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Disclosures based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations</li> <li>Continuous efforts to reduce the environmental impact of manufacturing activities (reduction of CO<sub>2</sub> emissions, promotion of carbon neutrality, etc.) as outlined by the TSV2050/2030 Sustainability Vision</li> </ul>
⑩ Risks related to common debt collection	<ul style="list-style-type: none"> <li>Difficulty in collecting of trade receivables and other claims due to the worsening of customers' financial conditions</li> </ul>	<ul style="list-style-type: none"> <li>Regular review of customers' credit risk</li> <li>Implementing measures to protect receivables and strengthening credit management</li> </ul>
⑪ Risks relating to impairment losses on non-current assets	<ul style="list-style-type: none"> <li>Impairment losses on non-current assets due to changes in economic conditions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Review of screening criteria for appropriateness of investment plans</li> <li>Consideration of measures to avoid and reduce risks</li> </ul>

\* Details of business risks are shown in the securities reports.

## Compliance

## Basic approach

Compliance activities of the Toyo Ink Group are based on the belief that it is important that every single employee should be aware of compliance. We discuss compliance in daily operations, aiming to steadily instill within the Group an awareness of the importance of compliance with laws and regulations.

## Policies on Compliance Activities in FY2022

We will implement compliance measures to strengthen governance toward sound and sustainable growth based on our corporate philosophy—the unchanging pillar of our company transcending every era—to build a solid, trusted corporate foundation, as the basis for achieving our TSV2050/2030 sustainability vision.

1. Guiding compliance activities that foster a sound corporate culture for the Group
2. We will reinforce and monitor the system for addressing domestic / overseas legal risks.
3. We will provide compliance education with an emphasis on preventing the occurrence of serious legal risks.

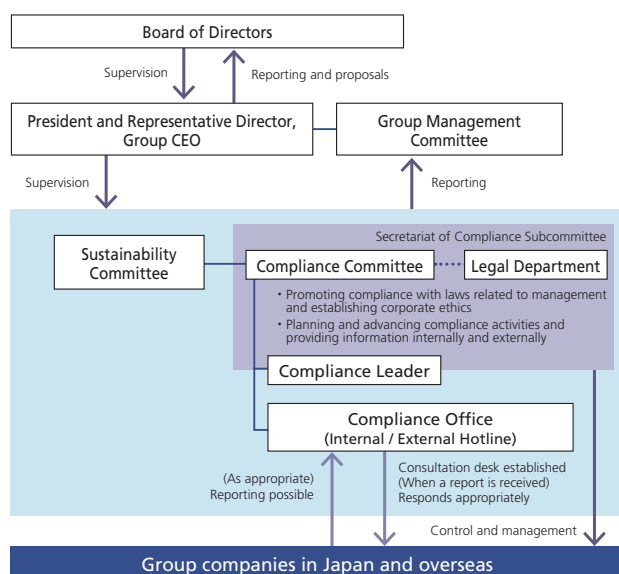
## Compliance system

We are disseminating the way of thinking about compliance and providing education on regulations throughout the Group, with the leading role played by the Compliance Subcommittee under the Sustainability Committee. We are also proactive in creating opportunities to deepen our awareness of compliance related to daily operations, with the central role played by compliance leaders in each operation site.

## Whistleblowing system

We have established internal / external Compliance Office as a consultation desk for compliance. We have also established the “Operating Regulations of Compliance Office” to ensure fair

## Compliance system (FY2022)



\* Excerpts and additions from P37 Sustainability promotion system (FY2023)

and proper operation of the Office. Consultations and reports mainly cover violations of laws and regulations (including corruption such as bribery and violations of the Antimonopoly Act) and violations of internal rules. We investigate the fact based on consultation, and take measures immediately if there is any concern of problem occurrence. In addition, we give maximum consideration to protection and confidentiality of whistleblowers. In consultations with the Compliance Office in FY2022, no issues were reported that could lead to serious risks.

## Major activities in FY2022

- Compliance meetings in each site (from March to June)

We held meetings at numerous locations in Japan (3,663 participants,) using materials that are used Group-wide, to promote the identification of new compliance issues and the formulation and implementation of solutions.

- Compliance Improvement Month held in October

We held meetings at each operation site (3,896 participants.) We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks. In addition, we sent the Toyo Ink Group's Code of Business Ethics and its explanatory materials, which are translated into local languages, to all representatives at overseas affiliates, and requested that they hold compliance meetings including local staff, and strengthen their awareness of compliance.

- Compliance education

< Programs tailored to each grade / level and job function >

Compliance seminar for new employees (held once a year)

Advance training for overseas assignments (held twice a year)

< Theme-based programs >

Antimonopoly Act seminar (11 sessions, 406 participants)

Subcontracting Act seminar (16 sessions, 365 participants)

- Compliance auditing, with the goal of creating an organization with integrity

In FY2022, we conducted a questionnaire—based on Q&A previously published by the Japan Fair Trade Commission—to check whether transactions are being conducted in compliance with the Subcontract Act, at all Group companies which engage in transactions subject to the Subcontract Act. As a result, we found no illegal transactions.

- Response to overseas legal risks

We also established external hotlines for overseas sites to facilitate whistleblowing and informed overseas representatives and local staff of these hotlines. Further, in China, we check the status of operations in the country every six months based on the “Bribery Prevention Regulations.”