

Toyo Ink Group  
Integrated Report  
2023



## Toyo Ink Group's Philosophy

### Corporate Philosophy | People-oriented management

#### Corporate Policy

**We, the Toyo Ink Group, endeavor to be a company that contributes to the enrichment of life and culture throughout the world.**

- Contribute to the affluence and culture of people worldwide.
- Create lifestyle value for the new age.
- Provide advanced technology and quality products and services.

#### Guiding Principles

- Provide knowledge that enhances customer trust and satisfaction.  
CS (Customer Satisfaction)
- Respect the realization of all employees' ambitions.  
ES (Employee Satisfaction)
- Act as a responsible corporate citizen in harmony with society and the environment.  
SS (Society Satisfaction)
- Respect shareholders' rights, improve shareholder value and enhance market valuation.  
ShS (Shareholder Satisfaction)

Established April 1993, Revised April 2014

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## On the Publication of the Integrated Report 2023

This Integrated Report explains the Toyo Ink Group's management strategies, businesses, corporate governance, environmental and social initiatives in an integrated manner, to convey an overall picture of the Group and its value creation story, and to promote understanding of how the Group recognizes all manner of social issues, and how it is thinking and working to resolve them.

Integrated Report 2023 focuses on explaining human rights and human resource development, which the Group has identified as material issues. These themes are the implementation of the Group's management philosophy of "people-oriented management," and lie at the foundation of sustainable growth for both companies and society, which is another one of our key philosophies. To enhance the Group's value creation story based on its current SIC-II medium-term management plan and TSV2050/2030 sustainability vision, this Integrated Report focuses on explaining strengthening human capital through human resource development and diversity and inclusion as core measures, and the process of solving social issues through the key strength of technological capabilities that the Group has accumulated over the course of more than 120 years.

This Integrated Report has been compiled as a tool to actively disclose financial and non-financial information and enhance communication with stakeholders—including shareholders and investors, and the customers and business partners with whom the Group shares its supply chain—to enhance the Group's medium-to-long-term corporate value. The editorial process and content of the report are supervised by the Group Management Committee, which is a decision-making body for decisions relating to the Group's execution of business. We hope that you will read this Integrated Report and use it as an opportunity for communicating with the Group's management. We look forward to your continued support.



June 2023

A handwritten signature in black ink, appearing to read 'Satoru Takashima'.

**Satoru Takashima**

Group CEO  
President and Representative Director

### 〈Period covered〉

January 1, 2022 to December 31, 2022 (FY2022)

\* Some sections cover the period before FY2021 or FY2023.

### 〈Areas covered〉

Information in this report covers Toyo Ink SC Holdings Co., Ltd. and its consolidated subsidiaries and equity-method affiliates in Japan and overseas. The areas covered differ for some information, including environmental data and personnel data.

### 〈Guidelines used as reference〉

- Value Reporting Foundation (VRF,) International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation
- Global Reporting Initiative (GRI,) Sustainability Reporting Standards
- TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures



### 〈Dates of publication〉

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### Caution concerning forward-looking statements

The opinions and forward-looking statements contained in this report are our views as of the time of the creation of this report. We do not guarantee or promise the accuracy or completeness of this information. Accordingly, future results may differ from those expressed in our forward-looking statements.

# History of the Toyo Ink Group

Over the more than 120 years since its foundation, the Toyo Ink Group has continued to grow by responding flexibly to the changing conditions and demands of society. During each era the Group experienced, we made major decisions on strategy and persistently and tirelessly implemented them, enabling the Group to be what it is today. We will continue to pass down our intent to “contribute to the enrichment of life and culture of people worldwide,” which is a part of our corporate DNA, to realize a sustainable society.



## For high-quality domestic printing inks that help the spread of learning and education

Kamataro Kobayashi moved from Yokohama to Tokyo when he was 11 years old. After apprenticing for a sign maker and working as a clerk at an art supply store, he became independent and opened a printing ink shop in Nihombashi, Tokyo in 1896. Kamataro could not attend school since his early childhood and remained illiterate throughout life. Therefore, he believed that learning and education are the most important factors for the development of Japan, and established Toyo Ink Manufacturing Co., Ltd. in January 1907, with the goal of domestically producing and improving the quality of printing inks for books and textbooks, which are necessary for learning and education.

Founder **Kamataro Kobayashi** (1875 - 1938)

1907 1910

1920

1930

1940

1950

1960

## 1896—

### Establishment of Kobayashi & Co.

Having witnessed the significant progress that was occurring at the time in color printing technologies, Kamataro established a printing ink shop, in 1896. In those days, most printing business operators did not purchase inks as finished products. They bought raw materials, such as pigments and varnishes (resins for inks,) and custom-mixed them to produce original inks. In response, Kamataro began providing a custom-mixed ink service as an outsourcing service for small- and medium-sized business operators who did not have the staff to dedicate to making inks. Later, Kobayashi & Co. grew to the scale of manufacturing and selling finished inks, but Kamataro faced a barrier: expensive imported raw materials were indispensable for the manufacturing of high-quality inks. And this barrier led Kamataro toward a new dream, the realization of the in-house production of raw materials.



Ink color sample sheets used by Kobayashi & Co.

## 1907—

### Toward the integrated production of inks made in Japan

Kamataro established the first stock company in the ink industry in 1907 and began researching the in-house production of pigments and varnishes, the raw materials of inks, with the goal of producing high quality inks that were fully made in Japan. Catalyzed by the difficulty of procuring organic colorants during the First World War, he accelerated R&D efforts. In 1920, Toyo Ink Manufacturing succeeded in the in-house production of azo pigments such as Brilliant Carmine 3B, which excel in color development and durability, and started mass production. Then, in 1937, the company succeeded in the in-house production of Phthalocyanine Blue, which later became a flagship pigment product from the Toyo Ink Group. In this way, Toyo Ink Manufacturing acquired the technological capabilities to support integrated production ranging from materials to printing inks and developed into a leading ink manufacturer in Japan.



Head office of Toyo Ink Manufacturing Co., Ltd. in its early days (around 1910)

## 1950—

### From an ink manufacturer to a chemical manufacturer

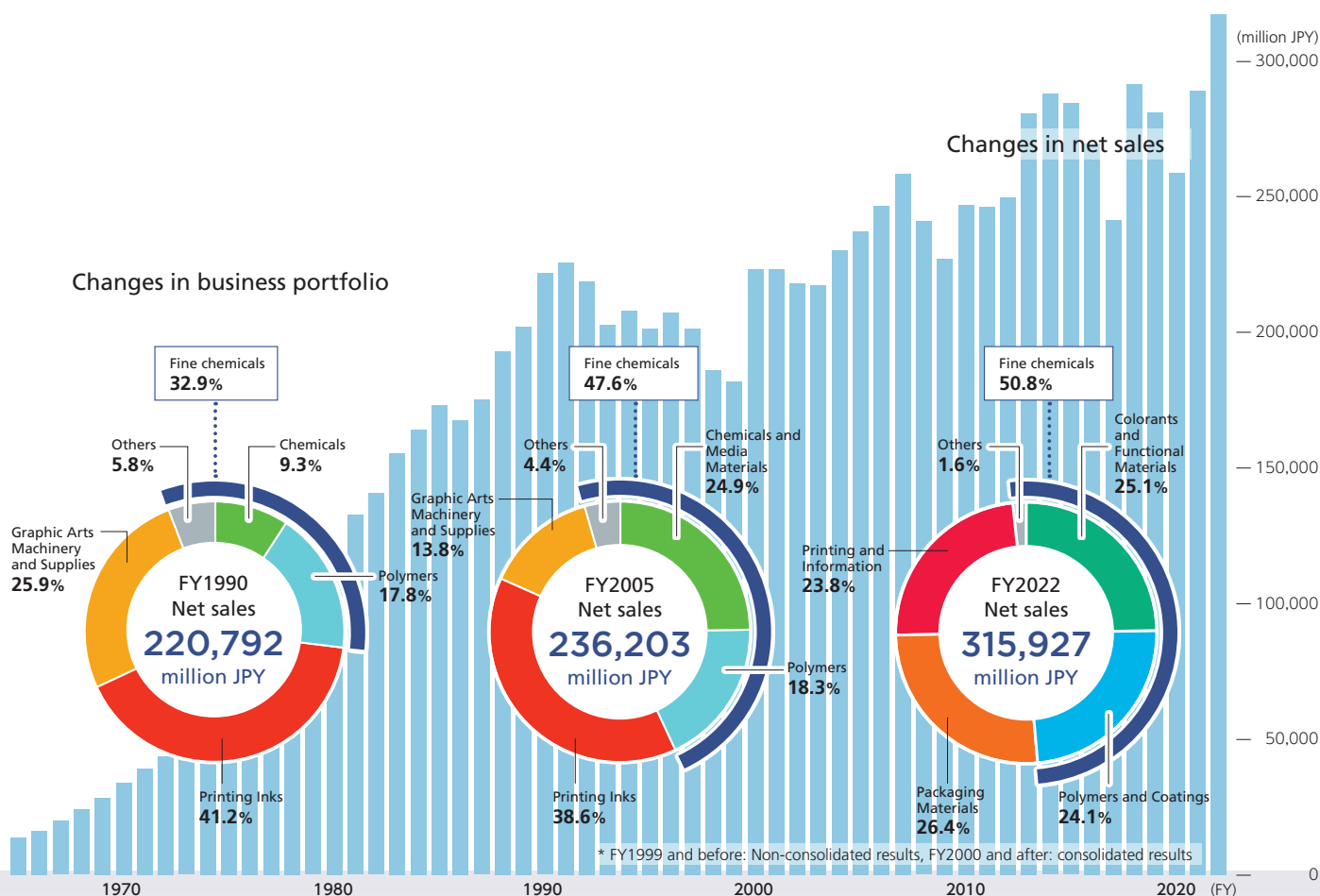
In 1951, Toyo Ink Manufacturing entered into a technological tie-up with Interchemical Corporation (now known as BASF SE,) which was the largest chemical company in the United States, and introduced synthetic resin technologies. This resulted in the creation of a synthetic resin-based ink featuring excellent colors, gloss, and durability that were unachievable with conventional inks. In addition, the company also acquired technologies for pigment textile printing agents, metal coating agents, adhesives, and pressure sensitive adhesives, and entered a new business with polymer materials beyond printing inks. The company was also proactively developing applications for new products and evolved as a chemical manufacturer providing a wide variety of products, including coating agents for beverage cans, plastic colorants, double-sided tapes for industrial use, and resist inks for printed circuit boards.



"ORIBAIN™,"  
Pressure sensitive adhesive

"DOUBLE-FACET™,"  
Double-sided adhesive tape





## 1960—

### Expansion and growth into a global company

In 1961, in parallel with its growth in the domestic market, the company established an overseas representative office in Hong Kong, with the goal of full-scale product exports to China and Southeast Asia. In 1963, the first overseas subsidiary after WWII was established in Hong Kong as a joint venture with Interchemical Corporation, and built sites in Singapore and Malaysia. In the 1970s, the company established sites in South Korea, Thailand, Belgium, and the United States. In the 1980s, it quickly increased its sites in China and Southeast Asian countries, building a foundation for the global management of the Toyo Ink Group. Since the 2000s, the Toyo Ink Group has been expanding into emerging markets such as India, the Middle East, Turkey, and Central and South America, and building a global supply system based on local production for local consumption.

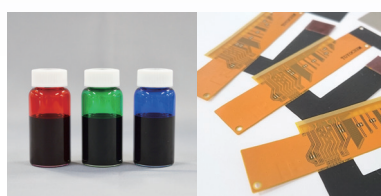


Toyo Ink (Thailand) Co., Ltd. (Established 1971)

## 1990—

### Expanding into new markets mainly leveraging the company's own technologies

Since the 1990s, the company has been advancing R&D activities to create applications for its own technologies used in existing products, such as printing inks, adhesives, coatings, and plastic colorants, in new industrial fields. The company evolved its technologies to add functionality, based on the electronic and optical properties of organic pigments and polymers, the film structure control technologies of printing and coating, and the dispersion control technologies used for the development of adhesives and colorants, then the company developed and sold materials such as organic colorants for OPC drum, conductive inks, resists for FPD color filter, and electromagnetic wave shielding films for new markets for the Toyo Ink Group, including electronics, displays, telecommunication, automobiles, and solar cells.



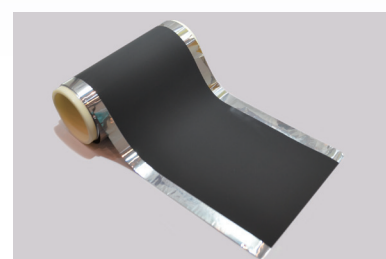
"Liocure™,"  
Color resist for FPD

"LIOELM™ TSS,"  
Electromagnetic wave  
shielding film

## 2010—

### Taking on challenges to realize a sustainable society

The Toyo Ink Group, which adopted a holding company system in 2011, has been developing advanced products for new markets as a material chemical company, taking on challenges to realize a sustainable society. This has led to a wide array of achievements, including printing inks and adhesives made from biomass raw materials, seal materials that improve the efficiency and life of solar cells, and carbon nanotube (CNT) electrode materials for lithium ion batteries. In the medical field, we are also focusing on solutions for healthcare professionals and materials related to drug discovery, with a focus on the transdermal patches business. In its SIC27 long-term corporate vision, which began in 2018, the Toyo Ink Group set the task of reforming its corporate infrastructure to achieve sustainable growth together with society looking 100 years ahead.



"LIOACCUM™," Electrode material for lithium ion batteries

# Overview of the Toyo Ink Group

The business activities of the Toyo Ink Group are divided into four segments, the Colorants and Functional Materials Business, the Polymers and Coatings Business, the Packaging Materials Business, and the Printing and Information Business. Group companies work globally within these businesses with the three core operating companies, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd. playing central roles.

## Colorants and Functional Materials Business

The Toyo Ink Group is a leading company of colorants, and the synthetic technologies for organic pigments are one of the areas we have been developing since our foundation. In addition, the nano-level dispersal technology that we have cultivated in the manufacturing of inks and coatings is applied far beyond the purpose of coloring objects. It is also used in flat panel display (FPD) color filters, automotive lithium ion batteries, and other products.

〈Core operating company〉 Toyocolor Co., Ltd.

〈Major products〉 Pigments, pigment dispersions, high functional pigments, pastes for color filter, color resist, color masterbatches, functional masterbatches, functional compounds, paints for data recording materials, carbon dispersions, inkjet inks, etc.



## Polymers and Coatings Business

We use resins (polymers,) one of the core materials developed by the Group, to create an array of products that respond to the needs of the times. A large number of functional products that we have developed, leveraging our synthetic and coating technologies, are applied in fields that are essential to daily life, such as the food packaging and medical / healthcare fields, as well as automobiles, electronics, and energy, including solar cells.

〈Core operating company〉 Toyochem Co., Ltd.

〈Major products〉 Pressure sensitive adhesives, laminating adhesives, hot-melt adhesives, adhesive tapes, functional film materials for electronics, marking films, can coatings, resins, hard coating materials, medical products, natural extracts, etc.



## Packaging Materials Business

We provide a diverse array of highly functional products for manufacturing processes of packaging materials, which are essential for our lives. In the field of food packaging in particular, where safety and security are essential requirements, we are replacing inks with water-based and non-solvent alternatives, making them more environmentally friendly while at the same time maintaining functionality as packaging materials. We are also proactively developing biomass products ahead of others in the industry, with the goal of breaking free from dependence on petrochemicals and establishing a sustainable society.

〈Core operating company〉 Toyo Ink Co., Ltd.

〈Major products〉 Gravure inks, flexographic inks, gravure printing systems, gravure and flexographic plate making, etc.



## Printing and Information Business

The Toyo Ink Group has been engaged in the printing ink business since its very beginning. It has remained one of our mainstay businesses. Taking advantage of our strengths in integrated production, from raw materials such as pigments and resins down to end-products, we develop a diverse array of products, including sustainability-enhancing products and highly functional UV curing inks. We also provide solutions, including support for the standardization of customers' printing processes and color management.

〈Core operating company〉 Toyo Ink Co., Ltd.

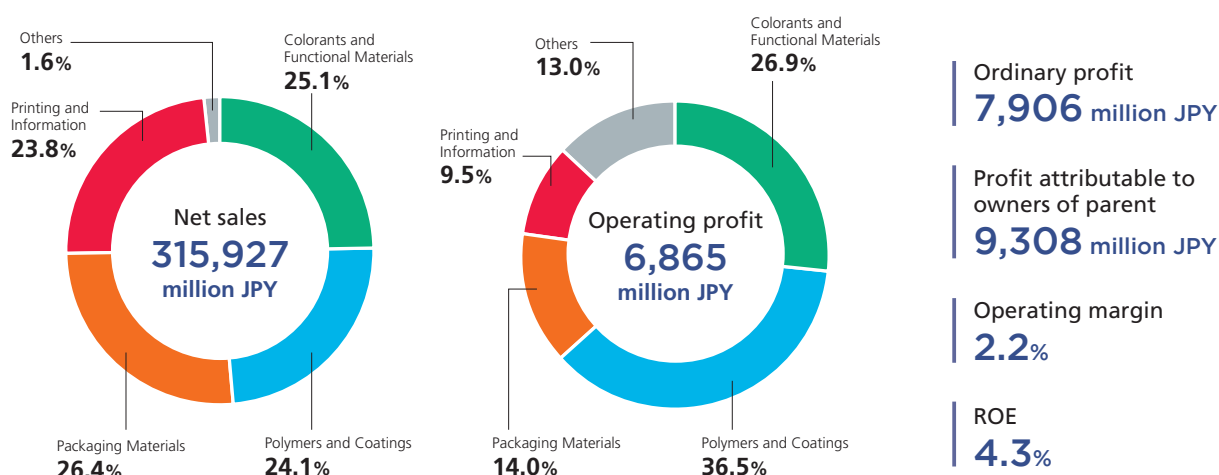
〈Major products〉 Offset inks, newspaper inks, metal decorative inks, UV curing inks, offset printing materials, printing inspection equipment, screen inks, etc.



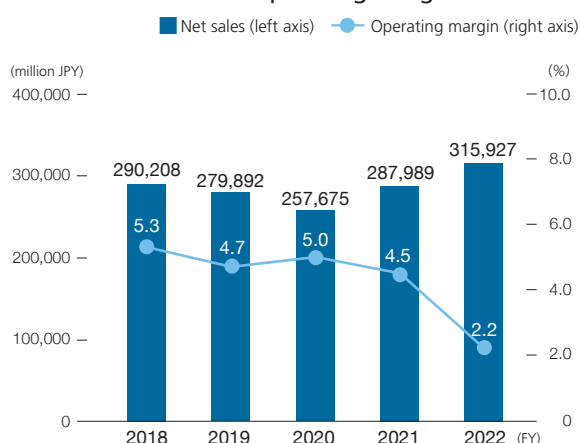


## Numerical Information (As of December 31, 2022)

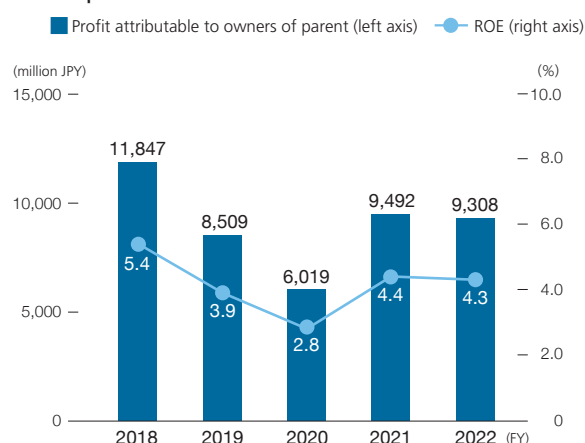
### Net sales and operating profit by business segment



### Trends in net sales and operating margin



### Trends in profit and ROE

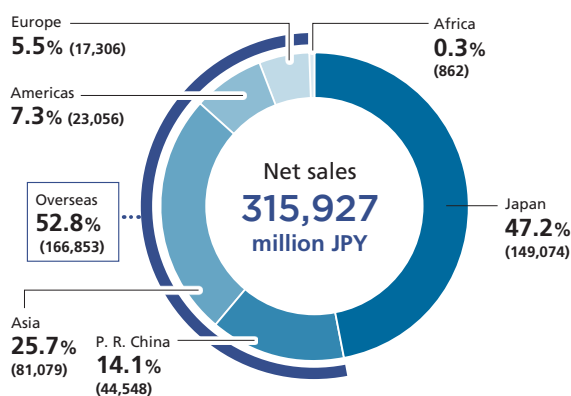


### Global Expansion

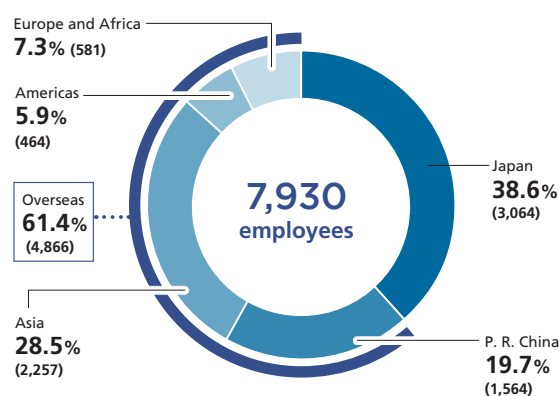


**Overseas**  
**23 country or region / 48 companies / 77 sites**

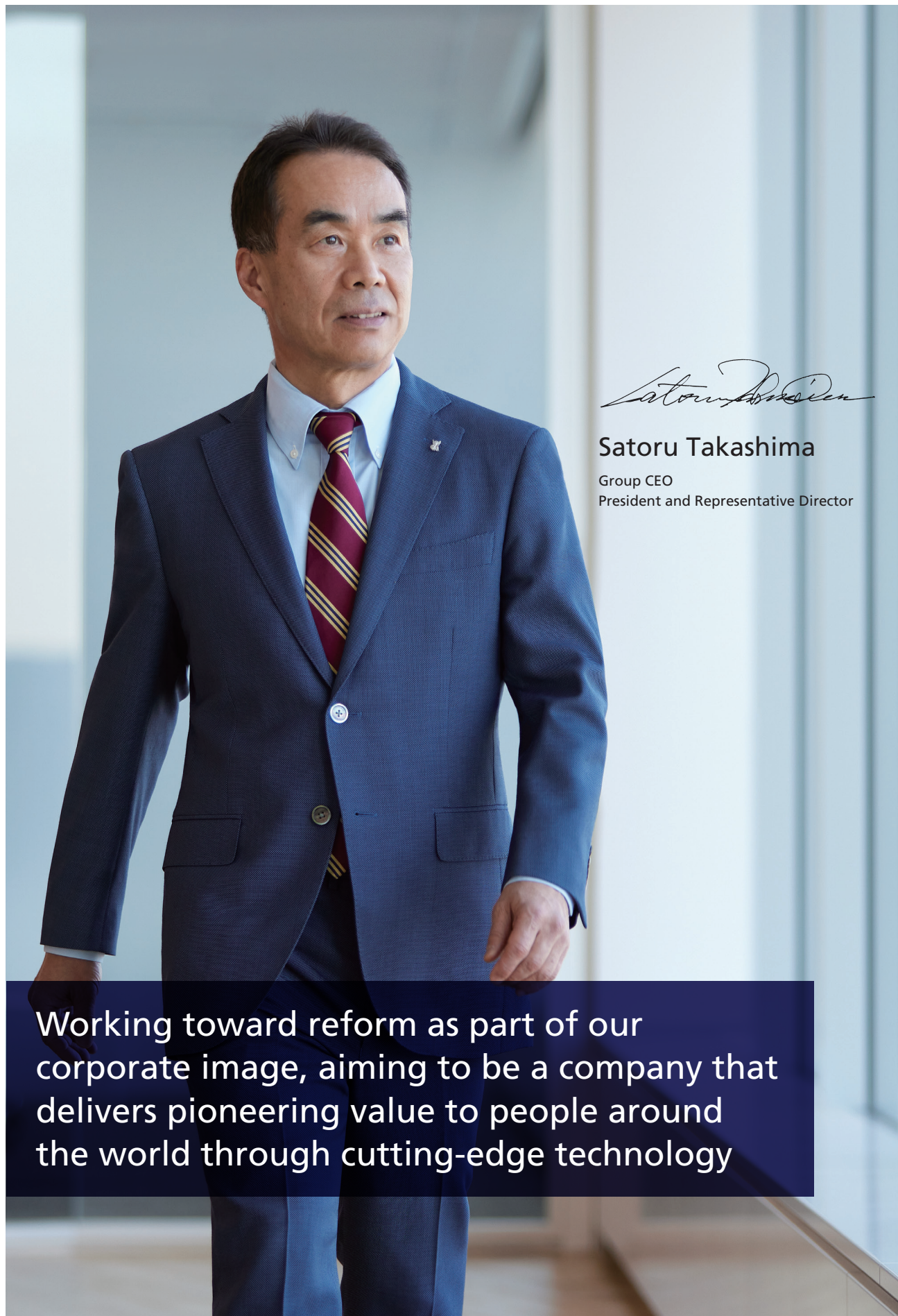
### Net sales by business area (Unit: million JPY)



### Employees by business area (Unit: Number of employees)



## Top Message



**Satoru Takashima**

Group CEO  
President and Representative Director

Working toward reform as part of our corporate image, aiming to be a company that delivers pioneering value to people around the world through cutting-edge technology



As the COVID-19 pandemic—which has lasted for around three years—is finally coming to an end, I have a real feeling that society and people’s lives have changed dramatically. While there was already a movement toward digital transformation (DX) to make the economy and industry more efficient and create added value, the COVID-19 pandemic has acted as an accelerating factor, rapidly advancing the development of digital infrastructure and the utilization of digital technologies, with the essential prerequisite of prioritizing human life and maintaining social functions. Both mental and physical transformations are taking place at the individual, industrial, and social levels, giving birth to new lifestyles, new businesses, and new values. I feel sincerely that we must tackle the many management issues that have come to light in this world of living with COVID-19—a world which has already begun to undergo transformation—and promptly advance a process of self-transformation that will enable the Toyo Ink Group to adapt and evolve in response to this new era.

## Responsibilities and actions as top-level management

It is well known that in fiscal 2022, three years after I assumed the position of president and representative director, the Group experienced extremely poor business results. As a top-level executive I was ashamed, but if I myself sink into a state of depression then I will not be able to make appropriate management decisions, and the negative impact will spread to the entire Group. As leader of the Group, I always strive to behave cheerfully, with a sound mind and body.

One of the responsibilities of top-level management that I place a key emphasis on is the development of the next generation of managers. At the same time as I was appointed president, an outside director suggested that we should start training the next generation of managers. In response, we established the Future Discussion Task Force, an organization similar to the so-called president’s cram school. Around ten employees in their late 40s to early 50s were assembled as management candidates to discuss how we should envision the future of the Toyo Ink Group. We change the members every year, since we want more employees to think about the Group as a whole, and the company name change that will take place in January next year is also an initiative that originated from the discussions of this task force. This fiscal year, too, we are discussing our new medium-term management plan for next fiscal year.

There was also an unexpected ripple effect from the task force’s discussions. During one session, one of the participating members made the comment that young employees want to talk directly with the president. We then held a friendly discussion with young employees, and it was a very meaningful opportunity to hear frank opinions. One employee commented that they watched my New Year message online, but that my thoughts and sense of urgency would be better conveyed by speaking to them directly. The presidents of Group companies who I felt valued direct dialogue also started similar initiatives, which also had a positive effect.

Through direct dialogue with the employees who will be responsible for the future growth of the company, we have reaffirmed the importance of instilling and sharing our philosophy and vision and maintaining an open atmosphere in the organization. Running a business is an essentially lonely existence. Without dialogue, managers in lonely environments will become self-righteous, and will not hear criticisms or unfavorable opinions. I believe that actively creating opportunities for dialogue and incorporating a diverse range of opinions, perspectives, and values from diverse human resources to build a system that does not become dictatorial is the foundation of good governance, and my responsibility as president.

## Progress of SIC-II and challenges for the next medium-term management plan

In fiscal 2022, although sales increased due to the effects of foreign exchange rates and progress in price revisions, profit fell significantly due to the impact of soaring raw material prices and a rapid slowdown in the LCD panel and electronics markets. Even if we achieve our target of operating profit of 11 billion yen for this fiscal year, it will only be half of our target for the medium-term management plan, so we are in an extremely challenging situation. Although there were major, unavoidable factors that led to the decline in profits, I believe that the fundamental factor that prevented us from overcoming them was our weak ability to respond to the sudden accelerated shrinkage of the paper printing ink market due to the digitalization of society as a whole as a result of the COVID-19 pandemic. I regret that we were unable to respond to changes in the times that exceeded our expectations, and recognize that improving the accuracy of market condition forecasts is an important issue for the formulation of our next medium-term management plan, along with the introduction of new business management and performance indicators, the formulation of a business portfolio strategy, reforms to our balance sheets, and enhancing cash flow management. Despite this poor business performance, the Group has formulated a business strategy and implemented various measures based on the three basic policies laid out in SIC-II.

With the first basic policy of SIC-II—"Improve the profitability of businesses"—we have withdrawn from unprofitable business operations without prejudice, and implemented structural reforms of inefficient business structures based on our strategy of restructuring, reforming, or withdrawing from low-profit businesses. Specifically, we withdrew from operations in France and the Philippines, which were unprofitable locations in the plastic colorants business, and transferred the pigment dispersion production functions of Toyocolor Co., Ltd.'s Mobara Plant to our Fuji Factory. In January of this year, we merged six area sales companies in Japan into Toyo Ink Co., Ltd. and began efforts to consolidate and streamline the domestic sales networks developed in each area over more than 20 years. At the same time, in another strategy, "creation of highly profitable businesses," we have identified eight product groups that the Group expects to have a promising future, especially those in which overseas markets are expanding, and are actively investing resources in these areas. Specifically, we made capital investments to increase the capacity of overseas bases relating to the polymer businesses such as pressure sensitive adhesives (PSA), adhesives, can coatings, and investments in Toyocolor's Moriyama Factory relating to the color filter materials for displays business.

In the second basic policy, "Create more priority areas of development," we have established priority areas of development—Sustainability Science, Communication Science, and Life Science—corresponding to the three social needs (Green, Digital, and Health) that we have identified based on diverse social issues. We are advancing business strategies that correspond to each of these areas, and continuously introducing new products. In the lithium-ion battery (LiB) materials business, which targets the sustainability science domain, the Group has established production bases for carbon nanotubes (CNTs) for cathode materials in each of the major LiB production areas (Europe, North America, China, and Japan) giving us advantages in terms of both physical distance and technical response capabilities. We are actively investing in this mass production and supply network to increase our production capacity. With the establishment of LioChem e-Materials LLC, a new US company, in January of this year, we aim to quadruple our current production capacity in North





America and respond to the rapid growth in demand in the US car battery market boosted by large-scale policy support. In the environmentally conscious Packaging Materials business, which also targets the sustainability science field, we are actively investing in the development and production of environmentally valuable products that contribute to the reduction of CO<sub>2</sub> emissions from a supply chain perspective, such as biomass and water-based raw materials, and functional products that enhance the recyclability of base materials.

## Initiatives for sustainability issues under the new system

The above two basic policies are the basic business strategy of SIC-II, but the third basic policy—“Enhance the value of management resources for sustainable growth (change of the corporate structure)” —is an essential structural reform for us to become a more sustainable corporate group. It is based on four themes: Reform of work styles and personnel systems, Advancement of DX, Transformation of the governance system, and Promotion of environmental management. In fiscal 2022, we renamed and reorganized the CSR Generalization Committee into the Sustainability Committee, driving group-wide sustainability activities and establishing a system to support individual sustainability activities in close cooperation with the departments of each Group company. Under this new system, we focused on two sustainability issues that we had identified as insufficient in the past: human rights and CSR procurement.

The Group has long upheld “People-oriented management” as its corporate philosophy and operated a practical code of conduct relating to human rights as internal regulations in the Business Code of Conduct, which is the basis for the actions of all Group employees, and the Human Resources Policy, which is a common set of rules for global HR activities. However, since the documentation and disclosure of these basic policies have been insufficient, we have announced—both internally and externally—that we will consolidate our basic approach and policies on human rights, establish a human rights policy in line with the relevant international norms, and engage in initiatives based on this policy.

In the promotion of CSR procurement, which is another of our initiatives, we have fundamentally revised our basic policy on procurement (Procurement Principles)—which had been in operation

for over 15 years without revision since its establishment—in an effort to resolve discrepancies with recent trends in CSR procurement. At the same time, we have formulated and disclosed a set of Sustainable Supply Chain Guidelines, which summarize the code of conduct that the Group and its suppliers on the same supply chain should work to comply with. Approximately 80% of our suppliers have agreed with the Group's Procurement Principles and these Guidelines. We will continue to engage in CSR procurement in cooperation with our business partners, and work to improve the sustainability of our supply chain.

## Vision for human capital management

In order to further enhance our sustainability as a company of the kind that is needed by society, we believe that it is essential to stably enhance our management resources, especially human capital. Enhancing human capital is an issue that must be tackled on a long-term scale, and we will continue working relentlessly to enhance it.

This March we welcomed Tomoko Adachi to the company's management team as a new female outside director. Although three of our six outside officers are women, this is not a formal attempt to increase the percentage of women on the Board of Directors. Rather, please think of it as an expression of our sense of crisis, and a display of the Group's intention to seriously promote women, even though the percentage of female managers remains low. With this intention in mind, Director Adachi—who is an obstetrician / gynecologist and has experience in hospital management—is able to discuss the sustainability issue of gender diversity from a physical perspective, and we have high hopes for her efforts, including working with the D&I Promotion Office, which is a new organization established this fiscal year.

Initiatives for veteran employees—which often tend to be a trade-off with the selection of female and young employees—require a further speed up and application of effective measures. While there are some workplaces with personnel shortages at Group companies in Japan, such as in growth fields and production sites, there is also a personnel surplus in our former “star” businesses and indirect divisions. In order to eliminate this bias and improve the efficiency of human capital, we are currently engaged in re-skilling on a group-wide scale. However, the re-skilling we are doing is not just relearning, but re-skilling for appropriate placement with full consideration for employees' own career plans and job aptitudes. The Group's goal with re-skilling is not to throw surplus personnel into unwanted workplaces, but to help them to “regrow” into employees with new perspectives, ideas, and opinions that cannot be found in the workplaces to which they are transferred, and to enable them to play active roles by combining the skills that they have developed so far with newly learned and acquired skills. Of course, we believe that this measure can be expected to have a very positive effect not only for the employees themselves, but also for the organization in terms of adding depth to our human capital.

## New corporate brand “artience”: Determination to change

Finally, as was announced in December of last year, in January 2024 we will change our company name to “artience Co., Ltd.” Artience is a new word created by joining the words “art” and “science,” where “art” expresses the stimulation of the five senses and the mind, including the application of color as well as a liberal arts perspective, while the “science” represents the application of technology, materials and a rational approach to discovery.



It is often misunderstood, but it should be noted that the meaning of “art” is not only the common meaning as in artistic works (such as painting and sculpture.) It also carries the meaning of the liberal arts mentioned above, for which the original meaning is that of “arts and disciplines that free human beings from various constraints and restrictions” (“*artes liberales*” during the time of the Roman Republic,) and, in a narrower sense, the so-called liberal arts and humanities. In contrast to the methods of the natural sciences, which pursue a single correct answer, we believe that the methods of the humanities—which favor multiple correct answers—constitute an essential sense of values for globalization. The reason for incorporating the word “art” into our new company name is that we wish to work toward globalization with an attitude of understanding and respecting diversity, rather than trying to standardize the various cultural, historical, religious, lifestyle, philosophical, and ideological differences encountered in global business by simply imposing values in a one-sided manner.

The new corporate brand is instilled with the idea of creating and providing society with “value that resonates with the senses” and moves people’s hearts and minds through the fusion and refinement of art and science.

The name change expresses to all stakeholders, both inside and outside the company, the Group’s strong determination to contribute to a new era, to achieve further growth, and to transform into a company that delivers pioneering value to people around the world with cutting-edge technologies amid dizzying changes in the social environment. Please look forward to the Group’s major transformation, aimed at achieving the sustainable growth of both the Group companies and society.

