

Toyo Ink Group's Material Issues

The Toyo Ink Group determined its CSR material issues after repeated dialogue with its stakeholders. In FY2018, we began to advance CSR activities based on these material issues in conjunction with the SIC-I medium-term management plan. Under SIC-II, we will continue to advance CSR activities in a well-planned manner, while also striving to further integrate those activities with our management strategy.

Material issues	Targets during SIC-I (FY2018 - 2020)	Targets during SIC-II (FY2021 - 2023)
Material Issue 1 Provide Value that Exceeds Customer Expectations and Contribute to Society  P43-44	- Expansion of new products (Colorants and Functional Materials: 5 billion JPY, Polymers and Coatings: 4 billion JPY, Packaging Materials and Printing and Information: 14 billion JPY) - Construction rate of quality management system: 100% - Continuing to hold private shows	- Creation of products, services and technologies that contribute to provision value to society - Initiatives to improve quality: Operation of the Quality Global Standard at all production bases around the world
Material Issue 2 Co-exist in Harmony with the Environment through Innovative Technologies  P45-46	- Sales ratio of environmentally friendly products : 62% (up 3 percentage points from the FY2017 level) - Eco-conscious efficiency index: 9.2 (up 0.5 points from the FY2017 level) - CO₂ emissions (Japan): 88,000t (down 4% from the FY2017 level) - Specific energy consumption (overseas): 154 L/t (down 6% from the FY2017 level) - ISO 14001 certification acquisition rate at overseas production bases: 80% (up 5 percentage points from the FY2017 level)	- Reduction of CO₂ emissions (Japan): 67,500 t (down 12% from the FY2020 level) - Improvement of specific energy consumption (overseas): 165.0 L/t (down 3% from the FY2020 level) - Reduction of chemical emissions (Japan): 62.2 t (down 10% from the FY2020 level) - Reduction of amount of waste treated off-site (Japan): 10,500 t (down 19% from the FY2020 level) - Increasing of sales ratio of environmentally friendly products: 70.0% (up 4 percentage points from the FY2020 level) - Conservation of forest and aquatic ecosystems: Tree-planting, ecological surveys, strengthening of water intake / drainage management at production bases with high water risks, etc.
Material Issue 3 Co-exist and Co-prosper with the Supply Chain and Fulfill the Trust of Stakeholders  P47-48	- Implementation rate of assessment based on the Criteria for Selecting Suppliers for major suppliers in Japan: 100% - Promoting the penetration of the Procurement Principles among overseas affiliates - Attendance rate of human rights education during overseas assignment training: 100%	- Implementation of major supplier assessments based on the Criteria for Selecting Suppliers (Continuation of 100% implementation rate) - Conducting a sustainability suppliers: Implementation rate 100% - Promoting efficiency and sustainability improvements through collaboration in logistics - Thorough human rights education during overseas assignment training: Continuation of 100% attendance rate
Material Issue 4 Value Employees and Pursue Their Happiness and Job Satisfaction  P49-50	- Continuing to be selected as <i>White 500</i> the Certified Health and Productivity Management Organization, and acquire <i>Eruboshi</i> certification the corporate promoting women's advancement - Zero serious accidents - Continuing 30% hiring rate of female graduates (Japan) - Total number of employees who participated in the trainings of the Toyo Ink Academy: 1,500 employees	- Continuing to be selected as <i>White 500</i> by promoting health and productivity management - 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% - 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 - Zero serious accidents / disasters and continuing reduction of lost-workday-injury
Material Issue 5 Build a Solid Base that Underpins Trust  P51 ~ 54	- Zero serious compliance violations - Increasing the number of participants in compliance meeting in each site - Increasing the number of participants in various seminars (Anti-monopoly Act, Subcontract Act, and bribery prevention, etc.) - Implementation of various seminars at overseas affiliates - Implementation rate of risk assessment: 100% - Formulation rate of disaster response manual at each business location in Japan: 100% - Continuing and expanding activities for communication with local communities - Continuing and expanding educational / cultural activities in local communities	- Zero serious compliance violations - Comprehensive implementation and content enhancement of compliance meeting in each site - 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.) - Promoting activities for communication with local communities - Promoting educational / cultural activities in local communities - Promoting social contribution activities: Volunteer activities or their support, disaster counter-measure support, etc.

Material issues

1

Provide Value that Exceeds Customer Expectations and Contribute to Society



Basic approach and policy

With globalization and the evolution of technology proceeding at an unprecedented pace, our lives, industries, and businesses are also changing at an unimaginable speed due to the COVID-19 pandemic in addition to the development of IoT, big data, AI and other technologies. To “Provide Value that Exceeds Customer Expectations and Contribute to Society” in this new era, it is important to understand the social issues faced by consumers and society, including the issues related to the SDGs, and to continue to propose effective solutions to the issues.

We believe that, to propose these solutions, it is essential to pursue the possibilities of the unique technologies we have cultivated to date, expand our technological base, and acquire technologies in new areas, to enable our products and services to evolve into new ones which help solve social issues.

The Toyo Ink Group will contribute to solving social issues, including the issues related to the SDGs, through its businesses with a focus on the priority areas of development established in the SIC-II medium-term management plan that began in 2021. In addition, we will provide safety and security to customers by ensuring that product information is provided and that product quality is thoroughly controlled and through an array of communication activities.

Priority areas of development focused on during SIC-II

 Sustainable Science For creating a sustainable society Biomass inks, recycling system for plastic containers and packaging, materials for lithium ion batteries, etc.	 Communication Science Contribute to a 5G and IoT society with key materials and solutions Non-optical behavior detection system, high-frequency EMI shielding materials, low dielectric materials, etc.	 Life Science Enrich people's lives and improve their health Transdermal patches, adhesives for medical tapes, inkjet inks, etc.
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Actions to address material issues and major initiatives in FY2020

Actions	KPIs / Achievements
Create the enrichment of life and culture based on the three strategic orientations of Life, Communication and Sustainability	- Created new products and services to create value (biodegradable pressure sensitive adhesives, highly biomass pressure sensitive adhesives, antiviral functional hard coatings, UV curing antibacterial varnishes, black color masterbatch compatible with plastic recycling, etc.) - Hosted the “Co-Creation Forum”, an online private show, where we introduced approx. 50 new products, technologies, and solutions.
Build customer trust through safe products and services	
Assure highest quality	
Achieve a high level of customer satisfaction	

*Details of SDGs goals and targets related to the material issue are shown on our official website.



Status of the implementation of major actions

Assure highest quality

Our approach to quality assurance

The Toyo Ink Group dependably implements quality assurance at all stages, from planning and R&D to sales and after-service, to provide products of guaranteed quality. New products and businesses are evaluated and verified according to our regulations before commercialization. We have also implemented ISO 9001 standards for quality to enhance and strengthen quality assurance throughout the company.

In addition, we revised our quality assurance rules in April

Basic Policy on Quality Assurance

1. Build a market-oriented quality assurance system by having the idea and action based on "Provide advanced technology and quality products and services," which is included in the Corporate Policy of the Toyo Ink Group, instilled in the overall operations. The term "quality" covers not only functions of goods but also safety and environmental initiatives related to products.
2. Implement company-wide activities for enhancing and strengthening quality assurance by using ISO 9001 international standards. Where an approach to quality assurance is set forth separately in a law, etc., quality assurance activities shall be enhanced and strengthened to follow that approach.

2020, reflecting the fact that because we have expended our business into the field of medical care, we follow the Good Manufacturing Practice (GMP) standards on the manufacturing and quality management of pharmaceuticals including transdermal medical patches.

Quality assurance system

We work to establish quality assurance systems and improve the level of quality assurance at all production bases of the Toyo Ink Group, with the leading by the Quality Management Committee. At the quarterly meetings of the committee, strategies for quality assurance activities are shared by all production bases in Japan and overseas.

To reduce out-of-control processes* in Japan, we are engaged in mainly measures for intangible aspects, including measures to reduce human error from the perspective of cerebral physiology. Thus, we are striving to reduce the number of out-of-control processes caused by human factors. In addition, as a new initiative during SIC-II, we have established the Quality Global Standard for production systems to ensure that we supply products with the same high quality anywhere in the world, and we are applying this standard at our production bases.

*Out-of-control process: Potential defects that may be risks for complaint and rejection

Achieve a high level of customer satisfaction

Communications with customers

The Toyo Ink Group established an inquiry system on its web-site for products, services, business activities and the like. The languages handled are Japanese, English and Chinese. PRTRs and SDSs are provided on our customer portal site, "Sommelier".

Protection of personal information

The Toyo Ink Group appropriately handles and takes steps to protect personal information. In addition to enacting the "Privacy Policy" and "General Rules Regarding Personal Information Based on the Privacy Policy," we established "Personal Information Management Rules" and appointed personal information managers to each department. A personal information ledger is used to properly manage information as part of our efforts to maintain customer confidence. We are also advancing our compliance with the EU General Data Protection Rule (GDPR).

Online private show: Co-Creation Forum 2020

We hosted the Co-Creation Forum 2020 (September 28 to October 9, 2020), an online trade show for invited guests only, as a new form of trade show during the COVID-19 pandemic. We hold a private show every year with the aim of solving social issues and gain a foothold for future co-creation by combining the Toyo Ink Group products and solutions with customers' technologies and ideas. This year, we made product information, seminars, and videos available online, to enable visitors to feel the possibilities of innovations taking advantage of the materials and technologies of the Toyo Ink Group.



Material Issue

2

Co-exist in Harmony with the Environment through Innovative Technologies



Basic approach and policy

Tackling environmental problems including climate change is an essential task for manufacturers. The Toyo Ink Group included acting in harmony with the environment in its Guiding Principles, based on our understanding that the events caused by environmental problems threaten our lives. Guided by this principle, we promote energy conservation in manufacturing and develop and sell environmentally friendly products to contribute to the creation of a sustainable society that is in harmony with the environment.

The Toyo Ink Group has revised its environmental goals and set new goals to accelerate its initiatives.

Three Directions of Environmental Goals		Targets during SIC-II (FY2021 -2023)	Medium- and long-term environmental goals	
			FY2030	FY2050
1. Reducing the Environmental Impact of Manufacturing	CO ₂ emissions (Japan)	Down 12% from the FY2020 level	Down 35% from the FY2020 level (Down 50% from the FY2013 level)	Work to reduce CO ₂ emissions to achieve carbon neutrality
	Chemical emissions (Japan)	Down 10% from the FY2020 level	Down 30% from the FY2020 level	
	Amount of waste treated off-site (Japan)	Down 19% from the FY2020 level	Down 50% from the FY2020 level	
	Specific energy consumption (overseas, major production bases)	Down 3% from the FY2020 level		
2. Providing Products and Services that Realize a Sustainable Society	Increasing the sales ratio of environmentally friendly products	70% (up 4 percentage points from the FY2020 level)	80% (up 14 percentage points from the FY2020 level)	
3. Promoting Coexistence with Nature and Community	Promotion of biodiversity	Conservation of forest and aquatic ecosystems through tree-planting, ecological surveys, strengthening of water management at production bases	Continuing and enhancing environmental conservation activities	

Promotion system

Environmental management based on the environmental goals and fiscal year objectives is promoted by the Environment and Safety Committee chaired by the director in charge of the environment, which falls under the CSR Generalization Committee. Activities, their achievements, and other issues are discussed at the CSR Conference as a Group-wide meeting. In addition, the Production-Logistics Division of Toyo Ink SC Holdings Co., Ltd. oversees safety, environmental affairs, quality assurance, chemical management, and trade management of the overall Group as a dedicated organization. It also manages environmental investments. We are striving to acquire ISO 14001 certification, mainly at production bases of Group companies in Japan and overseas, in our efforts to build environmental management systems based on ISO 14001.

Message from the management



Kazuhito Nakano
Managing Director
in charge of Environment

At the Toyo Ink Group, we take initiatives based on a belief that it is particularly important to tackle climate change among other environmental problems.

As a manufacturing company, we will focus on further reducing the CO₂ emissions from our business activities. In addition, under the basic policy (2) of the SIC-II medium-term management plan, "Create more priority areas of development," one of its fields of focus is Green, which includes environmentally friendly products and new energy.

In addition, we will continue to develop products with less environmental impact, such as a new packaging material as an alternative to plastics, and components of lithium ion batteries. Thus, we will contribute to solving social issues, at which SDGs aim, through our business activities.

Actions to address material issues and major initiatives in FY2020

Actions	KPIs / Achievements
Development and dissemination of innovative technologies, products, and services that reduce environmental impact	- Sales ratio of environmentally friendly products: 66.0% (up 3.4 percentage points year on year) - Eco-conscious efficiency index: 9.4 (up 0.2 points year on year)
Efforts to solve and respond to the problem of climate change	- CO₂ emissions (Japan): 76,843t (down 7.1% year on year) - Specific energy consumption (overseas): 163.2L/t (up 0.2% year on year)
Appropriate management of chemical substances	New acquisition of ISO 14001 certification at an overseas production base: Toyo Ink Vietnam Co., Ltd.
Steady promotion of environmental management	Expressed support for the TCFD

*Details of SDGs goals and targets related to the material issue are shown on our official website.



Status of the implementation of major actions

Development and dissemination of innovative technologies, products, and services that reduce environmental impact

Environmentally friendly products

The Toyo Ink Group formulates the “Environmentally Friendly Product Management Rules”, and criteria are set for each stage in the product lifecycle according to the “Environmentally Friendly Product Criteria Table”. Products that meet certain requirements are registered as environmentally friendly products.

In FY2020, sales of environmentally friendly products stood at 94.9 billion JPY (down 0.19% year on year) and sales of all products also declined. However, the sales ratio of environ-

mentally friendly products was 66%, up 3.4% year on year, because the sales ratio increased in gravure inks, flexographic inks, and laminating adhesives.

We will continue to avoid use of harmful chemicals for raw materials and remain proactive in using natural products as materials. At the same time, we will advance initiatives for reducing environmental impact of customers' use of our products and developing products which can contribute to reducing CO₂ in the overall life cycle, in consideration of the life cycle assessment (LCA).

Examples of environmentally friendly products

Representative products	Benefits	Relevant SDGs goals
Non-toluene gravure inks, VOC-free offset printing inks, water-based gravure inks / coatings / adhesives, etc.	Reduction of environmental impact with reduced use of chemicals	  
High-sensitivity UV curing inks, low-VOC / VOC-free inks / coatings, dispersion liquids for lithium ion batteries, etc.	Reduction of environmental impact and energy conservation when using the products	   
Easy-removal UV curing inks, PVC-free marking films	Reduction of waste emissions	  
VOC-free / biomass gravure ink, water-based gravure inks / flexographic inks, biomass UV curing inks, biomass / water-based / solvent-free laminating adhesives / adhesives, etc.	Reduction of CO ₂ emissions	  

Efforts to solve and respond to the problem of climate change

Renewable energy initiatives

The Toyo Ink Group has introduced solar power generation facilities in Japan and overseas as well as using co-generation systems and by-product liquid fired boilers in our efforts to reduce CO₂ emissions.

In January 2021, Gujarat Plant of Toyo Ink India Pvt. Ltd. introduced solar power generation facilities that can cover approx. 20% of total electricity consumed in the plant, with the goal of reducing CO₂ emissions and transforming itself into the Green Factory. Phase-2 construction work is planned in 2022.



Solar power generation facilities of Gujarat Plant of Toyo Ink India Pvt. Ltd.

Support for the TCFD

The Toyo Ink Group expressed support for the Task Force on Climate-related Financial Disclosures (TCFD)* in November 2020, thought that addressing climate change is an important environmental task. Moving forward, we will enhance and accelerate our environmental initiatives, including ones on climate change, and disclose information in accordance with TCFD recommendations.

*The TCFD is an organization established by the Financial Stability Board (FSB) in 2015, to analyze the impact of climate change on the financial affairs of companies and it recommends the disclosure of information about strategies and other initiatives to address climate change.



Material Issue

3

Co-exist and Co-prosper with the Supply Chain and Fulfill the Trust of Stakeholders



Basic approach and policy

The Toyo Ink Group has been developing its business globally, with about 70 companies in over 20 countries around the world. This global expansion has made the Group's supply chains more complex.

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.

In addition, recognizing that business activities must be premised on respect for human rights, we specify rules related to respect for human rights, including the prohibition of child labor and forced labor, in our "Code of Business Ethics" and the "Human Resources Policy". At the same time, we take comprehensive measures to ensure that these rules will be reflected in the overseas assignment training and that the guidelines will be applied and implemented at overseas Group companies.

Promotion system

The deployment of the Human Resources Policy, which includes our approach to respect for human rights, and human rights education in overseas assignment training are undertaken by the Human Resource Department of Toyo Ink SC Holdings Co., Ltd. Noncompliance, including human rights violations, is handled by "Compliance Office," the internal / external hotline.

Supply chain management related to the procurement of raw materials is undertaken by the Group Purchasing Department of Toyo Ink SC Holdings Co., Ltd. through cooperation with each bases of the Toyo Ink Group.

Message from the management



Tadashi Murakami
Operating Officer
in charge of Purchasing

Expectations for companies' CSR have been growing year after year among stakeholders, and CSR activities in the overall supply chain, including business partners, are required. In addition, regulations related to the environment and hazardous items have been made stricter, and it is necessary to respond to new regulations.

Throughout its entire supply chain, the Toyo Ink Group responds promptly to these changes and promotes CSR procurement in consideration of human rights and the environment, as defined by international social norms such as the OECD Guidelines for Multinational Enterprises.

Actions to address material issues and major initiatives in FY2020

Actions	KPIs / Achievements
Co-existence and co-prosperity in the supply chain through collaboration	- Implementation rate of assessments based on the Criteria for Selecting Suppliers for major suppliers in Japan: 100% - Penetration rate of the Procurement Principles among overseas affiliates: 100% - Implementation rate of surveys about conflict minerals (3TG) and cobalt for major suppliers in Japan: 100%
Respect for the human rights of all stakeholders	- Number of employees who took human rights education during overseas assignment training: 14 employees (100% of all trainees) - Running the Global HR Community Website (Japanese and English)

*Details of SDGs goals and targets related to the material issue are shown on our official website.



Status of the implementation of major actions

Co-existence and co-prosperity in the supply chain through collaboration

Promotion of CSR procurement

The Toyo Ink Group has established the “Rules for the Purchasing of Raw Materials” and promotes CSR procurement, which conforms to the “Procurement Principles” and the “Criteria for Selecting Suppliers”. Through CSR procurement, we aim to contribute to ensuring legal compliance in the supply chain and improving both the working environment and the global environment. To do this, we have implemented measures to 1) make the Procurement Principles well-known, 2) conduct examinations and audits for our suppliers, and 3) deepen employee understanding about CSR procurement.

In FY2020, we informed our major suppliers of the Toyo Ink Group’s Procurement Principles and requested that they carry out CSR procurement in accordance with these principles, with the goal of promoting CSR procurement in our supply chain.

- **EcoVadis assessment (Toyo Ink SC Holdings Co., Ltd.):**
2021 scoring 55 (Silver medal)



Related policies are shown on our official website.

We also respond to surveys conducted using third-party platforms, such as EcoVadis, and the CSR questionnaire, thereby promoting the development of a supply chain management system together with our customers.

Measures against conflict minerals and cobalt procurement

The Toyo Ink Group is taking action to avoid the use of minerals (gold, tin, tantalum, and tungsten) that can lead to conflict. Minerals such as these are produced in the Democratic Republic of the Congo and neighboring countries, and serve as sources of funding for local armed groups.

We have confirmed that minerals from these areas have not been used in the raw materials of the suppliers with whom we trade indirectly, as well as those with whom we trade directly. We will continue to investigate and check newly adopted raw materials, and also strengthen our measures to prevent the use of minerals from regions of conflict. We will also continue investigations and confirmations to ensure responsible cobalt procurement.

Respect for the human rights of all stakeholders

Human rights policy

In accordance with the corporate philosophy of *People-oriented management*, the Toyo Ink Group has established rules on respect for human rights and compliance with the labor laws of each country and engages in business activities with consideration for the local culture and values of each region, aiming to create a corporate culture that enables the development and active participation of diverse human resources.

In addition, based on our belief that negative impacts of our business activities on human rights should be identified and reduced, we share our Code of Business Ethics, which stipulates respect for basic human rights and others, with overseas Group companies as well, in our efforts to entrench the idea of respect for human rights in the overall Group. Further, in consideration of the international human rights movements recently, we have issued and informed the Human Resources Policy, which is aimed at developing and improving personnel management systems of overseas Group companies. In this policy, our basic approach to personnel affairs is described systematically.



Related policies are shown on our official website.

Impact of business activities on human rights

Procurement	• Child labor or forced labor is suspected at a supplier. • A supplier is suspected of using mineral resources mined in conflict regions, including the Democratic Republic of the Congo and other African countries (conflict minerals). • Health hazards to employees and consumers are caused by insufficient information about chemical substances that was provided by a supplier.
Production	• An overseas affiliate makes its employees work extra hours, exceeding the limits set in local labor standards, or pays them salaries below minimum wage. • A strike or boycott occurs due to abnormal labor-management negotiations, resulting in the shut-down of production. • Gas or water discharged from a plant causes air or water pollution, causing health issues for local residents.
Sales	• Insufficient information about chemical substances (hazardous materials) causes health issues for consumers.

Material Issue

4

Value Employees and Pursue Their Happiness and Job Satisfaction



Basic approach and policy

The Toyo Ink Group has a corporate philosophy of *People-oriented management*. One of our guiding principles has been to *respect the realization of all employees' ambitions*. To make use of the Group's strengths to contribute to society, we are committed to creating a workplace where diverse personnel can demonstrate their individual abilities to the fullest regardless of gender, nationality, age, or disability, and work meaningfully with motivation. We also respect the diverse values and desired careers of employees. We are committed to developing human resources who can take on challenges in new fields and carry out high-quality work, and promoting the active participation of women.

To provide a safe and healthy workplace, we work to eliminate workplace injuries, provide safety education, carry out appropriate labor management, and improve mental health. We are also promoting work style reforms with a focus on work-life balance through support for childcare, nursing care, and workplace communication.

Promotion system

The use and cultivation of human resources, the promotion of health and productivity management, and work style reform in Japan are carried out under the initiative of the Human Resources Department of Toyo Ink SC Holdings Co., Ltd. At the Toyo Ink Academy, established in 2007, various training programs and self-development activities are conducted. In addition, we have disseminated the Toyo Ink Group Human Resources Policy to our overseas affiliates to establish a personnel management system for the overall Group and unify the direction of all Group companies.

Activities for safety and the prevention of workplace injuries are carried out by the Quality Assurance & Safety Section, Production-Logistics Division through collaborations with the safety department of each business location.

 Related policies are shown on our official website.

Message from the management



Junji Sekino
General Manager of
Human Resources
Department

The employment and work environment is seeing rapid change, including the falling birthrate and the aging population, the increase in the number of employees from double-income households and those with families in need of nursing care, and the tightened labor laws. We must also respond to the digitalization and the new normal created by the COVID-19 pandemic. The important issues in Japan are the promotion of the active participation of women, childcare support, the development of human resources for the promotion of DX, and the continuation of health and productivity management. The issue overseas is cultivating and securing next-generation leaders.

We will create an environment where all employees have job satisfaction and enjoy working in order to establish a comfortable workplace environment that enables self-actualization.

Actions to address material issues and major initiatives in FY2020

Actions	KPIs / Achievements
Thorough occupational safety and health, and promote health and productivity management, which are closely linked to employee satisfaction	- Continued to be selected as a <i>White 500</i> company and acquired <i>Eruboshi</i> certification - Zero serious accidents - Frequency of lost-workday injuries in Japan: 0.289, lost-workday-injury severity rate in Japan: 0.01, rate of occurrence of accidents in Japan: 2.2 - Rate of hiring female graduates in Japan: 32%
Foster diversity to invigorate the organization	
Cultivate human resources that have global perspectives and abilities	Total number of employees who participated in the training of the Toyo Ink Academy: 2,542 employees

Details of SDGs goals and targets related to the material issue are shown on our official website.



Status of the implementation of major actions

Cultivate human resources that have global perspectives and abilities

We respect the diverse values and career orientations of individual employees. To develop human resources who will take on new challenges in new realms and those who have the capability for high quality work, we focus our efforts on training employees with the “Human Resource Rotation System” and the “Toyo Ink Academy” as the two pillars.

Human Resource Rotation System

The Human Resource Rotation System consists of development transfers, transfers based on self-assessments, in-house recruitment system, and overseas workshop programs. Under our system of development transfers, we help individual employees to build their careers through systematic transfers. For transfers based on self-assessments, we conduct an annual self-assessment survey and strive to carry out transfers based on employees’ intentions.

The in-house recruitment system is a program that allows employees to apply for their desired jobs. Several employees are successfully transferred each year under this program.

The overseas workshop programs are aimed at developing globally competitive human resources. Those who participate in the programs experience working for overseas Group companies as interns and acquire cross-cultural communication skills and the capability to adapt to overseas business.

We provided training to 28 people from FY2012 to FY2020, although we were unable to dispatch anyone in FY2020 due to the COVID-19 pandemic.

Foster diversity to invigorate the organization

Promotion of women’s participation and advancement

In January 2021 we announced our “General Employer Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace”, and in it we established the target of ensuring that women are at least 30% of the people we hire. For five consecutive years, 30% or more of the new graduates we have hired have been women.

In addition, in the SIC-II medium-term management plan, we established the target of increasing the percentage of managers (in Japan) that are women from 4% in FY2020 to 8% in FY2023.

We provide career training intended for our female future leaders and take other initiatives, thus encouraging our female employees to attempt new jobs and duties with confidence and courage.

Formulation of action plan promoting women’s participation and advancement

1. Increasing the female recruitment ratio to 30% or more
2. Ensuring the annual paid leave acquisition rate as 60% or more

Eruboshi Company certification

Toyo Ink SC Holdings Co., Ltd. is certified as an *Eruboshi* company under the Act on Promotion of Women’s Participation and Advancement in the Workplace. The company was evaluated for its achievements recruitment, continuous employment, working hours, and diversity of career paths.



Thorough occupational safety and health, and promote health and productivity management, which are closely linked to employee satisfaction

We believe that each employee is an important asset to the company and it is important to develop an environment which enables our employees to fully exercise their abilities, based on our corporate philosophy of *People-oriented management*. For this, we are building a workplace environment capable of ensuring the good health of our employees through initiatives for their health such as promoting good health, preventing diseases, protecting the mental health, etc.

Information about our system promoting health and productivity management is shown on our official website.

The Toyo Ink Group selected as a Certified Health and Productivity Management Organization

The Toyo Ink Group was recognized in the large enterprise category (White 500) of the 2021 Certified Health and Productivity Management Organization Recognition Program. The Group has been recognized by this program for five consecutive years.



Material Issue

5

Build a Solid Base that Underpins Trust



Basic approach and policy

Strengthening corporate governance involves more than just preventing corruption and avoiding corporate risk; it can also support the enhancement of corporate profitability and medium- and long-term corporate value, as well as providing a basis for sustainable growth. For a company to be able to enjoy continued sustainable growth, the firm needs to remain committed to using dialogue to identify the concerns and expectations of local communities and build a “virtuous circle” of interrelatedness.

The Toyo Ink Group has been working to strengthen its corporate governance framework, focusing on timely decision-making, clear delineation of responsibility, the establishment of sound, transparent management systems, strengthening of the role played by outside directors, etc. At the same time, we have outlined our vision of an ideal corporate governance framework in the Group’s CSR Action Guidelines. Through the activities of the CSR Generalization Committee’s subcommittees, we have been implementing compliance and risk management measures.

Furthermore, by working to solve the problems experienced by local communities through dialogues and implementing society contribution activities, the Toyo Ink Group is contributing to the realization of a sustainable society; at the same time, through these measures and through proactive relevant information disclosure, the Group is aiming to earn society’s trust and enhance the Group’s corporate value.

Promotion system

Toyo Ink SC Holdings Co., Ltd. as the holding company plays the central role in governance. It develops Group strategies and performs tasks for risk management and accountability.

We work continuously to enhance our corporate governance based on basic policies so as to realize the sustainable growth of the Group and improve its medium- and long-term corporate value. At the same time, we have outlined our vision of an ideal corporate governance framework in the Group’s CSR Action Guidelines. Through the activities of the CSR Generalization Committee’s subcommittees, we have been implementing various compliance and risk management measures.

Message from the management



Hiroyuki Hamada
Managing Director
in charge of Legal Affairs

While diverse new risks have successively become apparent due to the COVID-19 pandemic, measures to address them being taken by companies are attracting attention in many settings. We will strive to earn the trust of the market and society as a material and chemical manufacturer that contributes to the sustainable growth of society.

For this purpose, we will enable our BCM, which supports our stable supply of products, to evolve and take measures to strengthen our risk management, including the improvement of risk sensitivity and the establishment of an overseas compliance system. We will also promote the continuing reform of our internal control system and governance, with the goal of being a company that contributes to a new era through the enrichment of life and culture.

Actions to address material issues and major initiatives in FY2020

Actions	KPIs / Achievements
Ensure compliance	Held compliance meetings in each site (3,785 participants)
Eliminate corruption	Held various compliance seminars (Antimonopoly Act: 11 seminars with a total of 470 participants, Subcontract Act: 16 seminars with a total of 273 participants)
Promote effective risk management and disaster preparedness	- Held compliance meetings using the Code of Business Ethics and its explanatory materials which are translated into local languages - Appropriate response to natural disasters (earthquakes, floods caused by typhoon, etc.)
Implement timely, appropriate and proactive information disclosure, and strengthen stakeholder communication	- Response to the COVID-19 pandemic (formulation of guidelines, etc.) - Implementation of risk assessment (at a rate of 100% in Japan and 97% overseas) - Formulation of disaster response manual at each business location in Japan (formulation rate: 82%)
Contribute to local community development through our business activities	Continued implementation of risk communication activities (Kawagoe Factory of Toyochem Co., Ltd. in February 2020)
Contribute to the resolution of problems affecting local communities	Continued acceptance of work experience programs for local junior high school students (Saitama Plant of Toyo-Morton, Ltd. in February 2020)

*Details of SDGs goals and targets related to the material issue are shown on our official website.

Compliance

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 FY2020

We will implement appropriate compliance measures such as strengthening of corporate governance including overseas affiliates in order to construct a solid corporate base that underpins trust in our CSR management, and gain sufficient trust of our stakeholders in an era of increasing opacity and uncertainty.

1. We will guide compliance activities that each base in Japan and overseas will implement as the leading role.
2. We will reinforce and monitor the system for addressing 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 Committee under the CSR Generalization 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.

Compliance system



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 and proper operation of the office. 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 FY2020, no issues were reported that could lead to serious risks.

Major activities in FY2020

• Compliance meetings at each operation site

Compliance leaders, who play a leading role in our compliance activities, held meetings at each operation site (3,474 participants) using Group-common materials, while taking measures against infection such as utilizing web conference tools, etc. Through these efforts they promoted the identification of issues and the formulation and implementation of solutions.

• Compliance Improvement Month held in October

We held meetings at each operation site (3,785 participants) while taking measures against COVID-19 infections. We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks, to entrench, improve, and strengthen our CSR and compliance awareness. 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 and strengthen their awareness of compliance.

• Compliance education

We ran some educational programs tailored to different levels and duties, including Compliance Training for New Employees, Overseas Assignment Training, etc.

We also held web seminars on the Antimonopoly Act (11 seminars with a total of 470 participants) and on the Subcontract Act (16 seminars with a total of 273 participants.)

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

In FY2020, we conducted a questionnaire survey on the regulation of the abuse of dominant bargaining positions as addressed by the Antimonopoly Act and interviewed employees as necessary. As a result, we found no matters which were immediately deemed illegal.

• 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".

Risk Management

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 in FY2020

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 Committee, whose secretariat is the General Affairs Department, exhaustively and comprehensively manages the risks of the entire Group under the operating officer in charge of risk management (the head of the Risk Management Committee under the CSR Generalization Committee). 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 Committee 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 Toyo Ink Group as a whole, to the Group Management Committee. If a new

problem arises that could develop into a serious risk, we establish an emergency headquarters to address the risk.

Major activities in Fiscal 2020

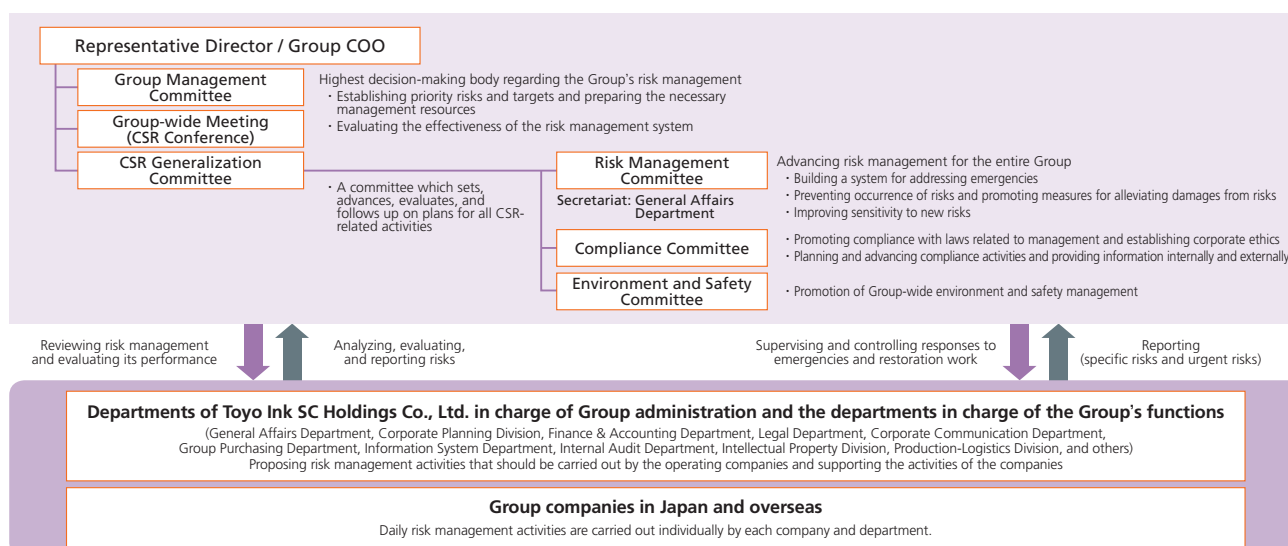
In FY2020, we addressed the spread of COVID-19 as a global risk and advanced initiatives focused on two goals, (1) ensuring employees' health (including the revision of in-house hygiene rules and personnel systems to reduce the risk of infection) and (2) business continuity (the continuation of procurement, manufacturing, and order acceptance and the promotion of working from home and remote working for operations), while ensuring that the safety and security of our employees and stakeholders all over the world was our top priority. We published the "COVID-19 Countermeasures Handbook" and "Telecommuting Guidelines" for employees. Since June 2020, teleworking has been a part of our new normal.

In addition, we had planned to hold Safe Driving Seminars at many locations as a part of the New Rules for the Safety of Company Vehicles with the goal of eliminating accidents involving our commercial vehicles. The seminar was moved to the internet where it was provided simultaneously to the employees in charge of sales at all locations in Japan. We carried out this and other risk management activities in accordance with the conditions of the new normal created by the COVID-19 pandemic.

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



Typical business risks and our response

Risk item	Typical risks concerning the entire Group	Examples of our response to risks
1. Risks related to overseas operations	- Changes in laws and regulations, and changes in tax systems that could have adverse effects - The adverse effect of inadequate social common capital on corporate activities - Unfavorable political factors - Social turmoil caused by terrorism, war, or infectious disease - Unexpected rapid change in the work environment	- 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 - Establishing supply chain management that enables a flexible response to risk - Reducing fixed costs and variable costs such as raw materials expenses
2. Risks related to information leakage, loss, and damage	- Risk of information leakage, loss, or damage due to computer viruses or security violations - 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	- Reduction of risks through the reinforcement of the information security management system, internal training and awareness-raising activities, which are implemented by the dedicated information security department - Implementing security measures related to the promotion of teleworking and the formulation of operating rules
3. Risks related to quality and product liability	Risks related to accidents or complaints caused by the quality of products	- Ensuring compliance with legal regulations related to quality and safety and carrying out activities to strengthen quality assurance - 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
4. Risks related to natural disasters and epidemics	- Risks related to natural disasters, such as large-scale earthquakes, floods caused by heavy rains and epidemics in Japan and other countries - Risks related to the sourcing of raw materials caused by the spread and prolongation of the COVID-19 pandemic - Interference with production activities and the impact of the global slowdown of consumption activities on business performance - Supply risk caused by the stagnation of logistics functions in the supply chain, among other factors	- Creating manuals tailored to specific risks and providing regular training to tackle them - Implementing measures to control COVID-19 and other infectious diseases and establishing related guidelines and operating systems - Establishing a disaster control system and systems for complementary production in Japan and overseas, through business continuity management (BCM)
5. Risks related to the sourcing of raw materials	- Risks of raw materials price increases and stock shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other factors - Risks of being impacted by suppliers' suspension of raw materials supply - Risks of compensation for damages or the like resulting from an inability to supply products to customers	- Sourcing raw materials for appropriate prices by increasing and accuracy of market price and demand forecast - Securing stocks of raw materials according to their characteristics by sourcing them from a wide range of suppliers - Promoting procurement based on the Procurement Principles
6. Risks related to exchange rate fluctuations	Risk that dramatic fluctuations in exchange rates fluctuation affect business performance and financial conditions	Taking steps to reduce exchange rate fluctuation risks, including exchange forward contracts and the balancing of foreign currency receivables and payables
7. Risks related to general legal restrictions	- Risks of changes to legal restrictions in Japan and overseas and the resulting changes in markets - Risks of litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement	- Collecting information about legal restrictions in Japan and overseas and taking measures to address them - Review of compliance-related policies and implementation of measures by the Compliance Committee, a committee dedicated to compliance matters - Managing the overall Group with internal control system and improving the effectiveness of the management
8. Risks of environmental burdens	- Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets - Risks of increased expenses caused by delays in taking measures to reduce environmental impact - Risks imposed on business performance by delays in environmental measures (such as the shift away from plastics and the achievement of carbon neutrality) in society	- Advancing environmental measures (including the reduction of CO₂ emissions, the development of VOC-free products, and the recycling of materials) by reviewing manufacturing processes in the long-term management plan - Strengthening the management of chemicals and systematizing management
9. Risks related to common debt collection	- Risks interfering with the collection of trade receivables and other claims due to the worsening of customers' financial conditions - Risks related to the procurement of funds and financing	- Regular review of customers' credit risk - Implementing measures to protect receivables and strengthening credit management

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