

Top Message



**Aiming to serve the new era as a
company that contributes to the
enrichment of life and culture**



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Realities exposed by COVID-19

The lives and livelihoods of many people around the world are still at risk due to the COVID-19 pandemic, and the foundations of society are seriously threatened. I would like to express my sincere condolences to everyone who has lost a friend, loved one, or family member to COVID-19 and my heartfelt sympathies to everyone who is or has contracted COVID-19. I also wish to express my profound respect and gratitude to the people working very hard on the medical front lines to treat patients and save their lives.

The pandemic that has confronted people around the world has revealed a number of realities. In response to the state of emergency declared by the Japanese government in April last year, the Toyo Ink Group requested that employees work from home under its basic policy, *do not get infected or infect others*. We also requested that the employees involved in production, working at factories, plants, and similar facilities, continue the production activities at their workplaces while taking thorough measures to control infection. As a person entrusted with the management of the Toyo Ink Group, I continued to ask myself why we were requesting that some of our employees go to their workplaces in this situation. After struggling deeply with this, I was convinced that the Toyo Ink Group, a chemical manufacturer, produces and supplies products that are needed by society — We are an entity needed by society, and we have a responsibility to continue supplying these necessary goods. Then I remembered what happened following the Great East Japan Earthquake in 2011.

A major supplier was affected by the disaster, and we were exposed to the risk that supply of printing ink ingredients may be stopped. Newspaper companies contacted the Japan Printing Ink Makers Association, to which we belong, requesting that the supply of newspaper inks never stop. We began initiatives such as the use of alternative materials and the reformulation of products, enabling us to continue supplying black ink in cooperation with our competitors. This is how we were able to overcome the circumstances. Being needed by society means that we bear a grave responsibility, but it also means that society believes that we are a meaningful entity. This reinforced my thought that we must provide the products and services that are truly needed by society as we move toward a post-pandemic era.

The Group's stance in a changing world

The pandemic can be regarded as a temporary phenomenon that will end some time in the future. However, there is no doubt that it is changing the world significantly. In particular, I feel strongly that the pandemic has accelerated the changing of the time to be much faster than it would have been. To give one example in corporate activities, remote working and online meetings, which had begun to be practiced a long time ago, quickly became ubiquitous because of the COVID-19 pandemic, leading many companies to implement workstyle reforms. Without the pandemic, these reforms would take several more years. In addition, digital transformation (DX) has accelerated in many fields, including education, medicals, restaurants, and logistics. As a result, our lives and the way things are have changed greatly.

Further, I think that global warming and plastic waste problem, which have been global environmental issues for quite a long time, have begun to be common topics in daily conversation. This may also be a result of the COVID-19 pandemic. Encountering the global threat of the pandemic

may have made us more aware of these other issues as our own problems.

I feel that society, which has needed the products made by the Toyo Ink Group, has changed rapidly, and we have entered a new era, or new normal created by the COVID-19 pandemic that will continue during and after the pandemic. This has caused people to evaluate their lifestyles, thinking, sense of value, and other aspects of their lives on different scales than before. I think that our duty as a corporate group in this changing world is to explore, develop, and provide the products and services needed in this new era and by this society. I think this is the path we should follow to remain needed by society.

Corporate Policy and the SIC-II medium-term management plan

The Corporate Policy of the Toyo Ink Group states, “We, the Toyo Ink Group, endeavor to be a company that contributes to the enrichment of life and culture throughout the world.” This policy, established in 1993, integrated the various slogans and mottos that had been advocated internally. Since the establishment of this policy, we have been attaching greater value to the words, “a company that contributes to the enrichment of life and culture.” We desire to be an entity that creates goods that are needed by people all over the world while they seek not just economic wealth but also spiritual fulfillment through their own individual values, lives and cultures.

In 2018, based on this Corporate Policy, we formulated the Scientific Innovation Chain 2027 (SIC27), our long-term corporate vision. This grand design describes what the Toyo Ink Group, which has adopted the ideas of the SDGs, should be like in ten years (in 2027). Specifically, the Toyo Ink Group defines the value it provides as *a world where all consumers, living beings, and the global environment share vibrant lives* and its contributions towards the realization of this world. In SIC27, we define the concept of *sustainable growth* as the Toyo Ink Group growing sustainably and contributing to improvement of society’s sustainability through our corporate activities to provide the value discussed above. Within this framework, we formulate and implement three-year medium-term management plans.

In SIC-II, the new medium-term management plan begun in January 2021, we laid out the vision of being, “*A company that contributes to a new era through the enrichment of life and culture.*” This means that we will provide the things that are needed in the new normal of the pandemic and post-pandemic world. We will concentrate all of our management resources on the areas where we contribute to society. Those resources include the products we deliver to consumers and things that are less visible such as the materials, technologies, and expertise used in the creation of these products. And we will improve our sustainable growth to a level where we are able to provide sufficient solutions for many social issues. This is the foundation of SIC-II.

SIC-II has following three basic policies.

- (1) Improve the profitability of businesses
- (2) Create more priority areas of development
- (3) Enhance the value of management resources for sustainable growth

SIC-II is a three-year management plan with FY2023 targets of net sales at 300 billion JPY, operating profit at 22 billion JPY, and ROE at 7% or higher. To steadily implement this plan and produce achievements, we need to helm the company with a perspective that encompasses multiple timescales. I think that it is not possible for a company to survive without thinking about management dynamism based on the ‘C’ of the “MQY3DC.” We must monitor our monthly status (M) and dis-

close our results on a quarterly basis (Q). We close the books and pay taxes on a yearly basis (Y). We formulate medium-term management plans as three-year plans (3) and set our long-term corporate vision by looking a decade ahead (D). In addition to these, we must manage the company going forward by looking a century ahead (C) with an awareness of the sustainability of the global environment and society. Even in our vision of that distant future, the idea of being a company that contributes to the enrichment of life and culture, which is our Corporate Policy, remains a firm cornerstone, a timeless and invariant pillar.

Create more priority areas of development

I think that every aspect of society's needs will change greatly, for example, type, quality, quantity, and speed, due to the changes in people's awareness. Those changes have been caused by their experiencing the COVID-19 pandemic and the roadmap to the achievement of the SDGs, as we have less than ten years left to achieve them. In SIC-II, we have narrowed down society's needs and placed them into three categories that we should cater to as a chemical manufacturer. One category is *Green* needs, which reflect the widespread knowledge that the sustainability of the global environment is at risk, which has led to increasing environmental awareness and actions across all layers of society, from individuals to nations. We will also cater to *Digital* needs created by the need for social distancing and rapid progress in digitalization. The other category is *Health* needs, which are created by the rising awareness of safety, security, and health. The importance of them have been reaffirmed during the COVID-19 pandemic. We have established the following three priority areas of development so that we will be able to cater to these three categories of needs.

■ Sustainable Science Area

We will provide new materials and systems for creating a sustainable society. Products in this area include biomass materials and recycling systems for eco-conscious packaging materials, as well as functional materials for lithium-ion batteries that support the evolution of EVs and the stable use of renewable energy, etc.

■ Communication Science Area

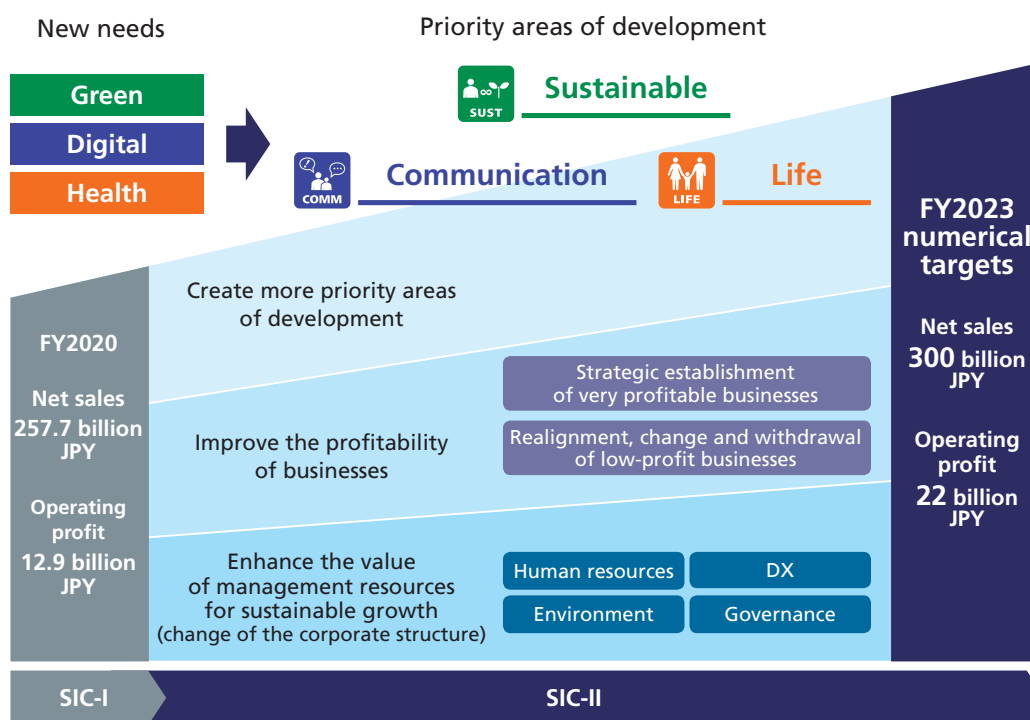
We will contribute to 5G and IoT society with key materials and solutions that form the foundation of digital devices. Products in this area include optical control materials used for IoT devices and image sensors, as well as low-dielectric polymer materials and functional film materials intended for enhanced mobile broadband (eMBB) and the semiconductor market.

■ Life Science Area

We will create products and solutions enrich people's lives and improve their health. Products in this area include transdermal patches, which are attracting attention as a safer dosing technology, as well as next-generation printing technologies and inkjet printing materials that are used in every industry.

It is easy to imagine that markets will evolve rapidly and more sophisticated needs will appear in these priority areas of development. As a materials manufacturer, the Toyo Ink Group has reorganized its R&D divisions, which had been consolidated at the Group's head office. We have established new specialized research centers within the three core operating companies that are primarily responsible for our businesses, positioning these research centers as the core of our medium-term (two to five years) development strategies. Thus, we will strengthen the cooperation between the R&D, marketing, and production and supply divisions to improve our ability to develop

Outline of SIC-II, the new medium-term management plan



materials and accelerate our creation of new products and businesses. In parallel with this, we will invest intensively in growth markets, such as the markets for EV-related materials, medical supplies, and packaging materials in emerging countries, to globally promote the creation of priority areas of development. We plan to invest approx. 40 billion JPY during the period of SIC-II. We will take advantage of synergy, aiming to increase net sales in the markets of the priority areas of development, which are presently approx. 44 billion JPY, to approx. 80 billion JPY.

Improve the profitability of businesses

The new era that we envision is not an era where the business environment returns to stability after a transition period. To confront the rapidly changing business environment, we will again scrutinize the businesses we have been operating and those we are working to develop, divide them into the businesses which are expected to be highly profitable and those we expect will face difficulties unless measures are taken, and apply specific strategies for them.

In highly profitable businesses, we will strategically advance initiatives such as the differentiation of our products and services by integrating our technology and marketing divisions, narrowing down targets to the ones we should focus on to survive amid global competition, and clarifying the position we aim to achieve, in our efforts to expand our businesses aggressively and maximize profits. On the other hand, we will review our existing basic strategies in low-profit businesses, and

focus our efforts on markets and fields where a certain level of profit can be expected. At the same time, we will restructure our bases, reform workflows, and take other initiatives to optimize these businesses. If the measures prove ineffective and it is difficult to improve, withdrawal is one strategic option.

When I became the president in April last year, I expressed my determination to manage the company with two core goals. One is to be useful to society and do our best for the world. As I mentioned at the onset, the COVID-19 pandemic has reinforced my thought on this matter. And the other is the maximization of profit and increase of our corporate value. By increasing profit and achieving growth, a company acquires the ability to dedicate itself to society. This is the idea of *Giri Goitsu* (the unity of public interest and private interest) advocated by Eiichi Shibusawa in his book, *Rongo to Soroban* (the Analects and the Abacus). The act of pursuing profit as a company and the act of following the path of righteousness by contributing to society do not conflict: both are essential for the survival of a company.

Enhance the value of management resources for sustainable growth

We will create more priority areas of development to supply the things that are needed by society in the new normal created by the COVID-19 pandemic. And we will improve the profitability of businesses to acquire the capacity needed to supply them. The third policy, “Enhance the value of management resources,” will form the foundation for the Toyo Ink Group’s implementation of the above two policies for achieving sustainable growth. The management resource that we regard as most important is people — our employees. The success or failure of the reform of employees’ workstyles and the personnel system will greatly influence our business achievements during SIC-II, as well.

What human resources will be in demand in the new era? I feel that we are now in a world where each person hones their abilities to compete in the world, where each person brings their own traits to the fore, trying to stand high and achieve something without minding that they are different from others, and where these people are respected. I would like to make the Toyo Ink Group a corporate entity that creates new opportunities for individuals to improve their abilities, that values their unique characteristics properly, and that gives new chances even after they take on challenges and fail.

The active participation of women is an area where we are far behind others, and it is imperative that we take measures to address this. At the Toyo Ink Group, women presently make up a low 4% of managers in Japan. In comparison, the average percentage of women managers for all industries is 7.8%, and the target set by the government is 30%. In response, we have vowed to ensure that 8% of our managers in Japan are women before the end of the SIC-II period, in our Declaration of Active Participation of Women. While the reform of our personnel system is of course necessary, it was reported to me that our women employees are not willing to be promoted to executive positions. This does not mean that these women are unmotivated. Our male employees should be aware that the company as a whole has an atmosphere, corporate culture and climate that makes women unwilling to be promoted. I would like to launch radical initiatives to change this culture and climate, including institutional reforms, within the period of this medium-term management plan. I would also like to ensure that the Toyo Ink Group respects diversity, including the diversity of people’s nationalities, gender identities, religions, ages, presence or absence of disabilities, and oth-

er attributes, more than ever, as we expand globally and horizontally.

The adoption of remote working accelerated because of the COVID-19 pandemic. We have officially introduced a remote work system for us to utilize in the post-COVID-19 era. When the first state of emergency was declared, the purpose of teleworking was only social distancing. At present, however, its primary purposes are the improvement of productivity, the improvement of employees' work-life balances and the creation of innovation. We have also introduced a hot desking system and other measures in our office environment to permit more flexible workstyles. We are improving our information system infrastructure to ensure the security of the remote work environment.

We are also working hard to reform our governance system to transform our corporate culture. At the Annual General Meeting of Shareholders held in March, we reduced the number of directors, with half of them being outside directors, revised the compensation directors receive, and made other changes, thus taking the first steps toward the greater independence of our directors and Audit & Supervisory Board members, increased transparency of their compensation system, and a stronger connection of their compensation to our business performance. We have set Shareholder Satisfaction (ShS; respecting shareholders' rights and improving shareholder value) as one of the Group's Guiding Principles. Our efforts to reform our governance will not wane, so that we continue to earn the trust of our shareholders and investors.

The DX of the Toyo Ink Group

We believe that, amid the changing times and the shift of the source of value from goods to knowledge and information, business reforms leveraging digital technologies are a task that management must take on, and the growth of manufacturing companies depend significantly on it. The Toyo Ink Group is advancing its DX focusing on three initiatives: using, creating, and changing.

Using is the utilization of digital technologies as tools. Having established an intra-Group, cross-sectoral task force to improve efficiency and productivity, we are promoting the utilization of DX in four fields. The first is to accelerate R&D activities using material informatics in the R&D divisions, with the goal of developing new technologies. Second, we will fully leverage the internet and data in the sales and marketing divisions for more effective business building. Third, we will use data technologies within production sites to improve the efficiency of production processes and the precision of quality control. And fourth, we will push forward initiatives in the administrative divisions, such as the transition to paperless operations and the reduction of necessary labor.

Creating is the initiatives for realizing the evolution of technologies, including methods for enhanced mobile broadband (eMBB) such as 5G and 6G, and also IoT, by developing new materials. We are developing materials in the telecommunications field in the Communication Science Area as one of the priority areas of development laid out in SIC-II.

Changing is changing the business models of the Toyo Ink Group itself. For example, we have developed the *Fichvita*™ brand of non-optical behavior detection system. We will apply this system in the automated driving of transportation systems and customer data management at stores, among other uses, to collect and analyze big data and create comprehensive solutions for customers. We will move a step forward from our existing business domains, where we work as a materials manufacturer, to create value that is not clearly visible and propose it to customers.

Promotion of environmental management

The environment is a social issue that the Toyo Ink Group, a chemical manufacturer, has been addressing continuously as a top priority issue. Among the diverse products that we supply to society, the products positioned as *environmentally friendly products* feature environmental impact that is lower than standard, such as reduced CO₂ emissions, VOC content, petroleum-derived materials content, chemicals, energy consumption, and waste, in each phase of the product lifecycle from the raw materials to disposal and recycling. In SIC-II, we set the target of expanding the development of these environmentally friendly products and increasing the sales of these products to 70% of total sales. For this purpose, we are currently promoting an array of R&D activities, including into biomass and biodegradable materials, the replacement of solvents with water-based and non-solvent alternatives, energy conservation during production and use, and the improvement of recycling efficiency.

We are addressing climate change, which is an urgent social issue globally, by positioning it as an issue of particular importance among numerous environmental issues. We expressed our support of the TCFD in November last year. We will continue to identify risks and opportunities, analyze scenarios, formulate management and business strategies, and disclose information in light of the fact that disclosure in line with the TCFD recommendations is encouraged as a result of the revision of the Corporate Governance Code that occurred in March this year. The three-year period of SIC-II is too short to address this issue. We need to take action based on a roadmap that looks at a longer period. Therefore, the Toyo Ink Group established long-term environmental targets with a target year of 2050, as an extension of the environmental targets established in SIC-II. The direction of the long-term targets are the same as the existing targets, that is: (1) reducing the environmental impact of manufacturing, (2) providing products and services that realize a sustainable society, and (3) promoting coexistence with nature and community. We are strongly motivated to achieve our quantitative targets and create initiatives to reduce CO₂ emissions and achieve carbon neutrality by 2050. We would like to achieve this new long-term environmental target to contribute to the resolution of the social issues the SDGs seek to address.

I believe that, to actively implement various reforms and produce results that contribute to the new era, the Toyo Ink Group must be an attractive corporate entity where employees are able to practice independent workstyles. Relationships between the companies and employees are changing. In the past, it was taken for granted that employees felt loyalty and dedicated themselves to their companies. Hereafter, the relationship will change and employees will work for companies to enrich their lives instead of depending on their companies. I think how attractive companies are able to grow to attract excellent human resources is the essence of the keyword, *Engagement*. It is a bidirectional relationship and not a one-way loyalty. The company and employees have built a good relationship under which they need each other without an excessive dependency. The Toyo Ink Group will be an organization like this and an entity that is needed by society. I will lead all of the reforms that are needed to achieve the above from the front. This is my duty as the president. In addition, to fulfill the expectations of our stakeholders who have entrusted me with the duty, I will be dedicated to my duties and value the people around me, who kindly keep me on track with constructive opinions without flattery.