

Top Message



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Transforming into a corporate group that meets the expectations of the children who will shape the future, based on our core values as a company that enriches life and culture

Our company's raison d'être: aiming to become a company that enriches life and culture

The COVID-19 pandemic has now continued for over two years, and the impact of Russia's invasion of Ukraine in February of this year has caused major fluctuations in supply chains around the world, including major increases in energy and raw material prices. During these challenging times, we at the Toyo Ink Group have continued to adapt to the "New Normal" and various other changes in our environment. It is because it is an age of such violent changes and uncertainty for the future that we have taken the opportunity to clarify what we should act on as an anchor point to fulfill our corporate responsibilities. In our medium-term management plan, SIC-II, we laid out the vision of aiming to become a company that contributes to a new era through the enrichment of life and culture. This vision is also connected to the Group's corporate policy, and is considered one of our core values.

What is a company that enriches life and culture? All around the world, people with diverse values are living their daily lives while faced with various issues and problems that stem from their regional, generational and social environments. My idea of the enrichment of life and culture is to provide products and services that contribute not just to economic affluence but also cultural and spiritual enrichment for the lives of such people. I also believe that this does not conflict with securing profits in business. The book *Rongo to Soroban* (The Analects and the Abacus) by Eiichi Shibusawa discusses the concept of *Giri Goitsu* (the unity of public and private interests), the idea that the pursuit of profits and contribution to society go hand in hand. Going forward, we will make maximum effective use of the Group's key strengths—its technological capabilities and global network—to contribute to society and generate profits at the same time. This is what aiming to be a company that enriches life and culture means.

There is also another key point in aiming to become such a company. The Group places importance on the satisfaction of customers, employees, society and shareholders. I think that this can be rephrased as "making the children of the future happy." In addition to responding to the demands of the Group's current stakeholders, the question of what we should do for the children who will build our future—and the people of future generations—also leads to issues such as the achievement of the SDGs and ESG management. Going forward, we will look to the future as we conduct our business operations, create jobs, generate revenue and pay taxes, and reinvest in new, future-oriented businesses. I am confident that, by staying aware of this obvious need on a daily basis as we engage in our corporate management activities, we can create a Toyo Ink Group that can meet the expectations of the children of the future.

Two-way engagement between employees and the organization for continued growth

I believe that the relationship between companies and employees has been changing significantly for some time. The era where companies were able to grow with the support of employee loyalty is over, and we are now entering an era in which individuals and companies grow together through the bi-directional power of employees and companies with diverse values. I believe that this will be the essence of engagement for the future.

The Toyo Ink Group has a personnel rotation system known as "sixth-year rotation." Under this system, employees in their sixth year after joining the company as new graduates are transferred to departments in different job areas. But I have heard numerous opinions from the workplace questioning whether this is really the best system, for the company to transfer employees at the time when we want them to take active roles as key personnel after five years of training. I can understand the feelings of those who raise this point, but considering the growth of the person in his or

her long life, I think a change of scenery is positive for both employees and the company. While a familiar work environment provides employees with a sense of security and partial organizational strength, it can also hinder the development of individual potential and the growth of the organization as a whole without us realizing it.

The experiences that shaped the foundation for my current self come from being stationed in the United States during my 30s. I learned that pigments are the source of the color for everything in the world, and joined the company because I was drawn to this idea. A while after my joining the company, the then president announced what he called the “First Year of Internationalization,” and my desire to be posted overseas grew stronger. My wish came true a few years later, when I was posted to the US. I remember it as a very fruitful time during which I learned the mindset to tackle challenges in any environment, the enjoyment of facing difficulties, and how to clearly express my ideas under different cultural conditions.

The growth of a company or business is achieved through the growth of its employees, because the whole is made up of individuals. I want the company to always be ready to make reforms to facilitate appropriate engagement between employees and the organization, and enable us to continue to be an organization where employees can get a real feel for their own growth.

We are already seeing the growth of our employees come to fruition in the workplace. New products and technologies are created in the Group’s divisions on a daily basis, and I feel very reassured by the point that ideas and proposals arise spontaneously from the workplace level while grasping changes in the external environment from a global perspective. I am confident that this culture—in which this bottom-up style of development takes place continuously—is a key feature of the Group, and has become a powerful engine for driving organizational growth.

The COVID-19 pandemic is a time to strengthen our corporate foundation

Our SIC-II medium-term management plan, which started in FY2021, has now entered its second year. While we were formulating this plan, there were internal discussions on whether or not we should be launching a new medium-term management plan at such a time. At the time, the COVID-19 pandemic was spreading, and there were several instances where other companies had postponed the release of their own medium-term management plans as a response to this state of emergency. I think they made the judgement that social trends themselves—let alone the business performance of a single company—were completely opaque at that time, and that postponing of the announcement of their plans was unavoidable.

I had many discussions with executives and employees in charge of corporate planning, but eventually decided to formulate and disclose the plan as scheduled. The reason for this is that I believe that it is precisely because we are facing this COVID-19 pandemic that it is time to reshape the fundamentals of the Group. It is because we are in this challenging situation that important issues relating to the foundation of the Group will become apparent, and I strongly believe that this is a perfect opportunity to target and resolve them.

These fundamentals are not limited only to visible manufacturing capital or intellectual capital such as technology platforms. In formulating the medium-term management plan, we also considered invisible or intangible aspects such as the mindset of our employees, the direction we should take, and what we should base our work on. With the keyword of “a company that contributes to a new era through the enrichment of life and culture” as our vision, we have incorporated our will to continue to be a company that enriches life and culture—which can adapt to the New Normal and contribute to the new era precisely because the future is so uncertain—at the plan’s very core.



Short-term issues to be addressed and medium to long-term strategies

Looking back on FY2021, although net sales reached a level that met the annual target of SIC-II, operating profit lagged behind significantly at 13 billion JPY, below the annual target of 14.5 billion JPY. This should not simply be considered as a decline in profits due to the surge in raw material prices, and it is a point of reflection for management that we were not able to respond sufficiently to environmental changes such as the surge in raw material prices.

In view of this, the short-term issues that the Group should address going forward are clear. Increases in raw material prices are expected to continue in the future, and this is also a matter of concern to our stakeholders. While we are very grateful for the fact that we have already gained the understanding of many customers and other stakeholders with regard to price revisions, as a manufacturer, we will make our best efforts to reduce costs and engage in persistent dialogue with our customers. In the medium to long term, it is essential for us to strengthen the earning power of our business, so that it is not easily affected by any changes in the business environment. In FY2021, in addition to the closure and sale of our production locations in the Philippines and France, as well as the temporary suspension of business in Myanmar, we also reorganized and consolidated our manufacturing and R&D locations in Japan. This fiscal year as well, we will further our efforts to strengthen the profitability of our business, such as reviewing low-profit businesses, and withdrawing in some cases, and drastically transforming our product and business portfolios.

On the other hand, in terms of the creation and expansion of key development areas, I would like to highlight the materials business for lithium ion batteries (LiBs) as a leading new business that will serve as an engine for future growth. Our technological capabilities that enable stable dispersal of CNTs (carbon nanotubes) and our global supply network—in four regions around the world that correspond to key demand regions—are our major strengths. This is a market area with very high demand, and we are working to augment our production locations in each region. There are many things for us to learn from the boldness and speed of investment by major overseas battery manufacturers, who are our customers, and we would like to make this a core component of the Group’s sustainable growth while closely monitoring trends.

In terms of improving our technical capabilities as a foundation for business management, in addition to reorganizing the R&D functionality within the Group, we have also begun to engage in collaborative efforts with the Tokyo Institute of Technology, as an example of intellectual collaboration with external partners. By sharing information and progress among all of the Group’s R&D departments, we are building a speedy and dynamic R&D system that does not deviate from market needs or sense of costs.

The advent of a sustainable society is a major business opportunity

In response to the global issue of climate change, many companies are now engaged in proactive efforts of self-analysis and information disclosure based on the TCFD recommendations. Responding to climate change is one of our most important material issues. Approximately 50% of the Group's overall net sales are overseas, and we are conducting analyses on how to ascertain and reduce greenhouse gas (GHG) emissions at overseas locations, how to change our energy mix, which currently relies predominantly on fossil fuels and others. Even though it may be difficult for a single company to make a difference, we will respond by organizing the policies and circumstances of each country in which we operate. Addressing GHG emissions and Scope 3 in the supply chain—from raw material procurement to transportation, use and disposal—is another key material issue. We will cooperate with customers and suppliers to ascertain emissions and take appropriate measures.

Our sustainability vision "TSV2050/2030"—which is a long-term vision for 2050—states that we should work actively to reduce various environmental impacts such as waste and energy consumption in addition to GHG emissions and provide value through products and services aimed at society. The three pillars of this vision are "Providing products and services that realize a sustainable society," "Reducing the environmental impact of manufacturing," and "Building a foundation for trust." Specific numerical targets such as "achieving effective carbon neutrality by 2050" and "over 80% sales ratio for sustainability-enhancing products" are the Group's commitments to future generations, that is the children who will shape our future.

The arrival of a sustainable society represents a major business opportunity for the Group. There is no doubt that if efforts are not made, business opportunities will be lost, and the trust of stakeholders will be damaged. With that firmly in mind, I want us to work actively on these issues.

Laying a foundation for sustainable growth

In order to maintain governance that supports the sustainable growth of the company, it is essential to receive the objective opinions and proposals of outside directors. In addition to situations that require advanced management decisions, there are also frequent situations in which the words of outside directors are the key to active discussions at daily meetings of the Board of Directors.

At the first board meeting of the Board of Directors after I was appointed president, we received a recommendation from an outside director requesting for us to consider fostering the next generation of senior management personnel. The Next-Generation Management Training Program which I am currently hosting was launched in response to this proposal. Every year, we select around eight members and work on concepts for the next long-term management plan and new corporate branding ideas, to foster the next generation of executive candidates who can coordinate between the Toyo Ink group and the world of the future. One of my most important missions is to nurture the next generation of managers who can inherit—and sometimes break down—precedents and make independent management decisions.

In addition to fostering the next generation of managers, securing excellent human resources and placing them in active roles is also another key issue for foundation development. The thousands of employees working within the Group are truly diverse, and each of them has a range of abilities to offer. While matching everyone with jobs that enable them to fully demonstrate their abilities may be idealistic, it is quite possible to imagine cases where employees who have not been able to make use of their abilities so far actually have outstanding skills in responding to digital transformation. That is why management must have the ability to discern the characteristics and strengths of employees in line with the current trends. In order to secure excellent human resources and place them in active roles, whether in Japan or overseas, I believe that it is important for us to

enhance the attractiveness of the Group, both as a company and as a workplace, and to enhance its engagement capabilities with respect to both employees and job seekers.

In terms of diversity and inclusion, we aim to be an organization where employees with all manner of attributes can play an active role. We are currently working to promote active roles for women, seniors, employees with disabilities, foreign employees, etc., as a matter of policy. For example, in promoting active roles for women, we have set targets of hiring 30% female employees and 8% female managers. But simply reforming our recruitment and evaluation systems alone will not enable women to play an active role in the workplace in the true sense. We will work to create a workplace environment in which all employees discard the filter of gender, where childbirth and childcare do not hinder the careers of female employees, where male employees are actively involved in raising their children, and where the children who will shape our future can grow up in a sound and healthy living environment.

For more than 120 years since its founding, the Toyo Ink Group has contributed to enriching life and culture of people around the world. Going forward, we will continue to engage in innovation and tackle new challenges while continuing to inherit the spirit of our founding, so that all stakeholders who have chosen the Toyo Ink Group—whether as a product buyer, materials supplier, workplace, investment or local community neighbor—can be confident that they made the best choice. I hope that you will continue to have high expectations for the growth of the Toyo Ink Group, which aims to be a company that contributes to a new era through the enrichment of life and culture.

