

Cover illustration: Vivid Red

Illustrator: Ken Matsuda

Born in 1990, from Yonago City, Tottori Prefecture. Graduated from the Department of Early Childhood Education, Faculty of Education, Shimane University.

Using a pen and watercolor, the main theme is the coexistence of animals and plants.

In the absence of art experience, he strives to create works by relying on his sensibility and experience, with the issue of how painting can bring out more vitality.

After resigning from the city hall, he moved his base to Kanto in April 2019 and started full-scale production activities.

TOYOINKGROUP

Toyo Ink Group
Integrated Report
2023

TOYOINKGROUP

<https://sched.toyoinkgroup.com/en/>



Toyo Ink Group's Philosophy

Corporate Philosophy | People-oriented management

Corporate Policy

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

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

Guiding Principles

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

Established April 1993, Revised April 2014

On the Publication of the Integrated Report 2023

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

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

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



June 2023

Satoru Takashima

Group CEO
President and Representative Director

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〈Period covered〉

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

* Some sections cover the period before FY2021 or FY2023.

〈Areas covered〉

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

〈Guidelines used as reference〉

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



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Caution concerning forward-looking statements

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

History of the Toyo Ink Group

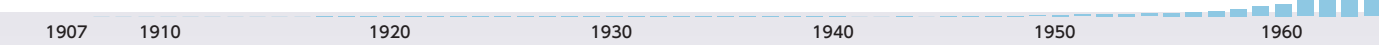
Over the more than 120 years since its foundation, the Toyo Ink Group has continued to grow by responding flexibly to the changing conditions and demands of society. During each era the Group experienced, we made major decisions on strategy and persistently and tirelessly implemented them, enabling the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



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

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

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



1896—

1907—

1950—

1960—

1990—

2010—

Establishment of Kobayashi & Co.

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



Ink color sample sheets used by Kobayashi & Co.

Toward the integrated production of inks made in Japan

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



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

From an ink manufacturer to a chemical manufacturer

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



"ORIBAIN™," Pressure sensitive adhesive "DOUBLE-FACE™," Double-sided adhesive tape

Expansion and growth into a global company

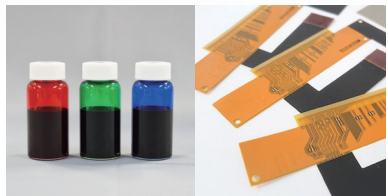
In 1961, in parallel with its growth in the domestic market, the company established an overseas representative office in Hong Kong, with the goal of full-scale product exports to China and Southeast Asia. In 1963, the first overseas subsidiary after WWII was established in Hong Kong as a joint venture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



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

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

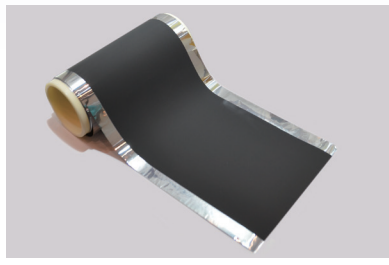
Since the 1990s, the company has been advancing R&D activities to create applications for its own technologies used in existing products, such as printing inks, adhesives, coatings, and plastic colorants, in new industrial fields. The company evolved its technologies to add functionality, based on the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



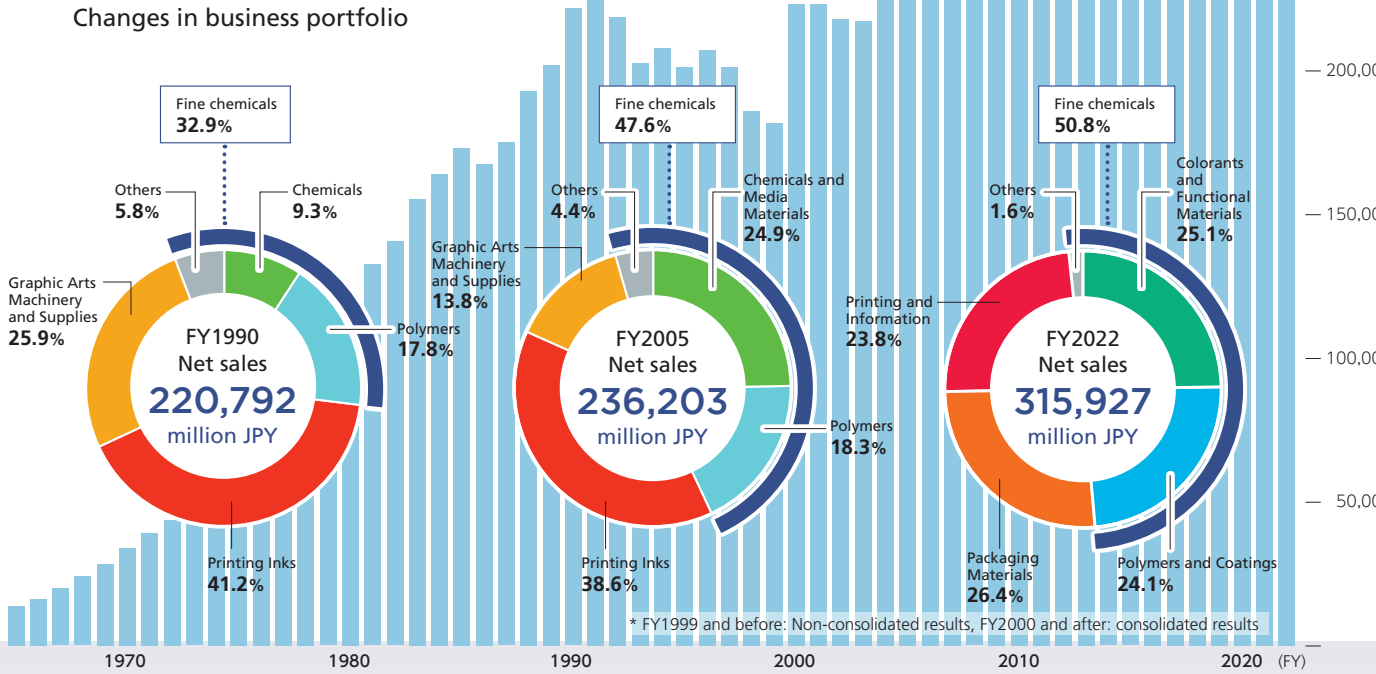
"Liocure™," Color resist for FPD "LIQELM™ TSS," Electromagnetic wave shielding film

Taking on challenges to realize a sustainable society

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



"LIOACCUM™," Electrode material for lithium ion batteries



Overview of the Toyo Ink Group

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

Colorants and Functional Materials Business

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

〈Core operating company〉 Toyocolor Co., Ltd.

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



Polymers and Coatings Business

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

〈Core operating company〉 Toyochem Co., Ltd.

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



Packaging Materials Business

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

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

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



Printing and Information Business

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

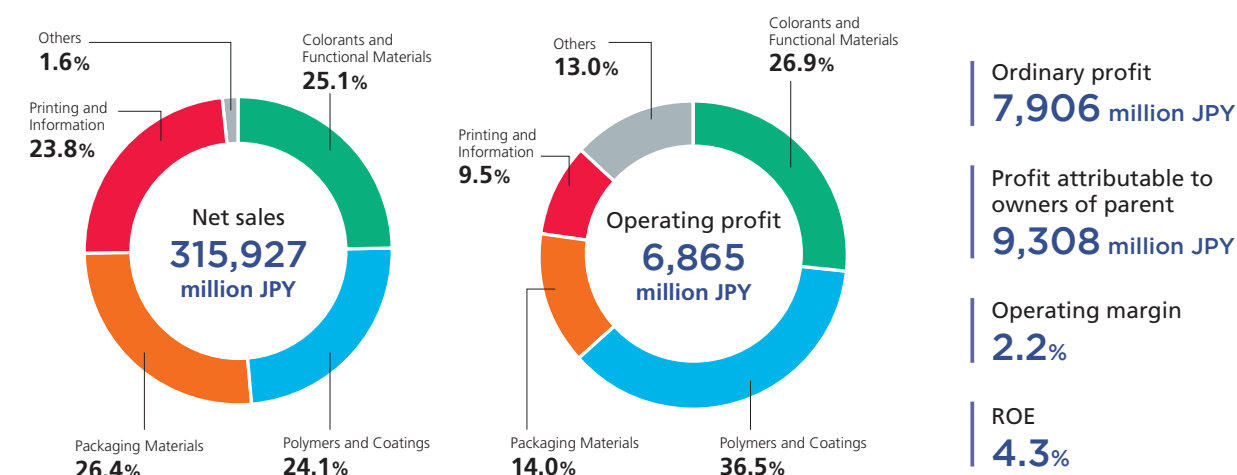
〈Core operating company〉 Toyo Ink Co., Ltd.

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

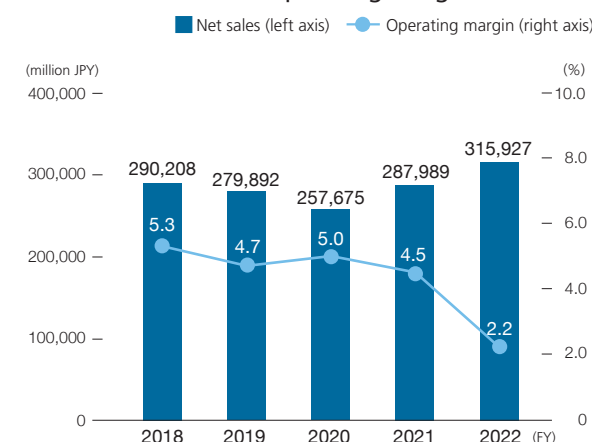


Numerical Information (As of December 31, 2022)

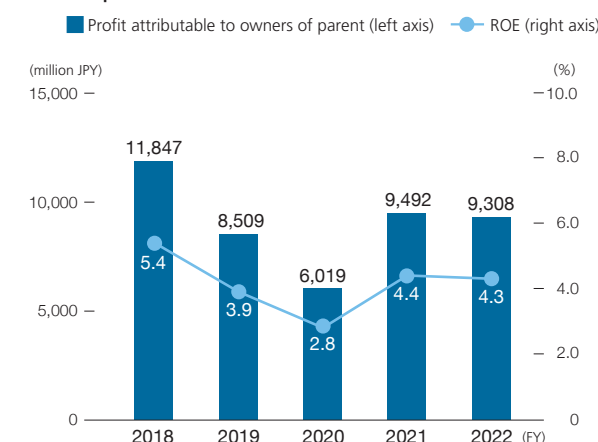
Net sales and operating profit by business segment



Trends in net sales and operating margin



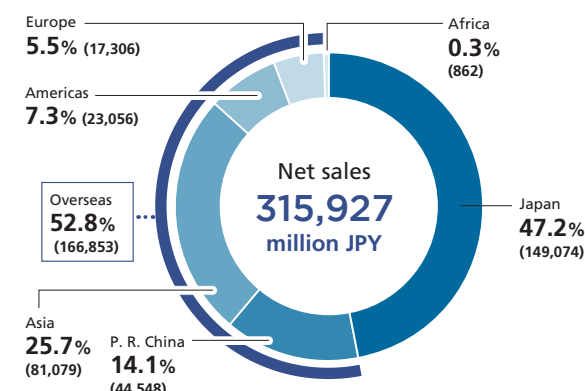
Trends in profit and ROE



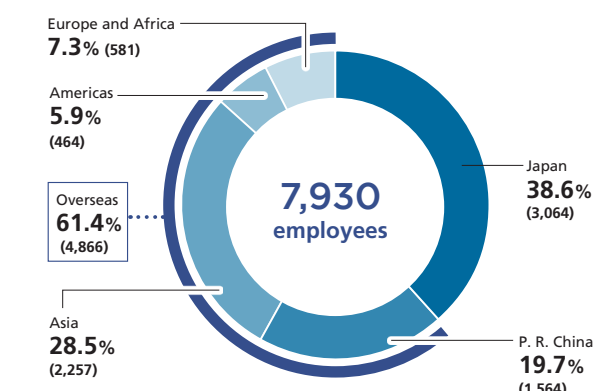
Global Expansion



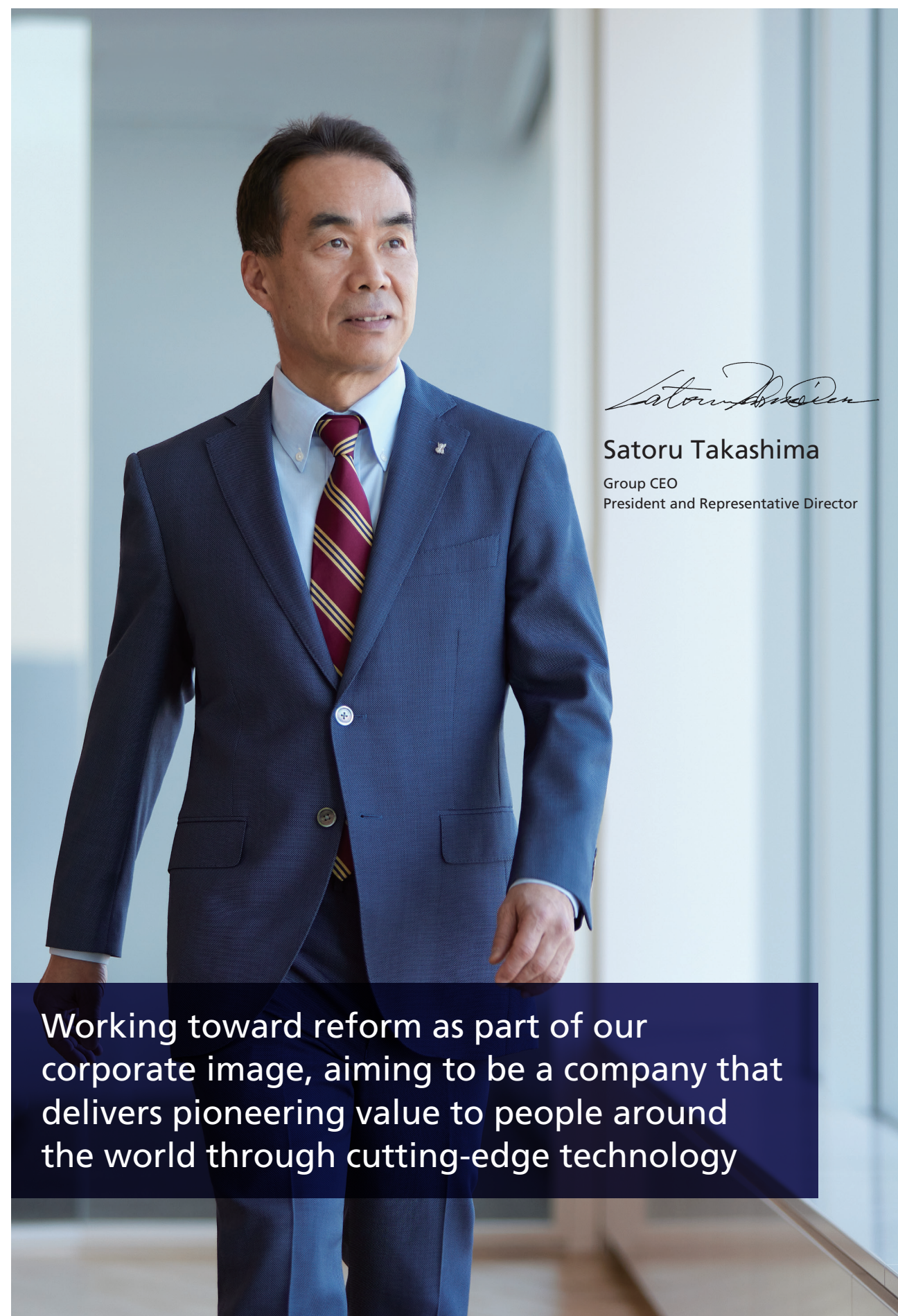
Net sales by business area (Unit: million JPY)



Employees by business area (Unit: Number of employees)



Top Message



Satoru Takashima

Satoru Takashima

Group CEO
President and Representative Director

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

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

Responsibilities and actions as top-level management

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

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

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

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

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

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

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

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



America and respond to the rapid growth in demand in the US car battery market boosted by large-scale policy support. In the environmentally conscious Packaging Materials business, which also targets the sustainability science field, we are actively investing in the development and production of environmentally valuable products that contribute to the reduction of CO₂ emissions from a supply chain perspective, such as biomass and water-based raw materials, and functional products that enhance the recyclability of base materials.

Initiatives for sustainability issues under the new system

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

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

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

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

Vision for human capital management

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

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

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

New corporate brand “artience”: Determination to change

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

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

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

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



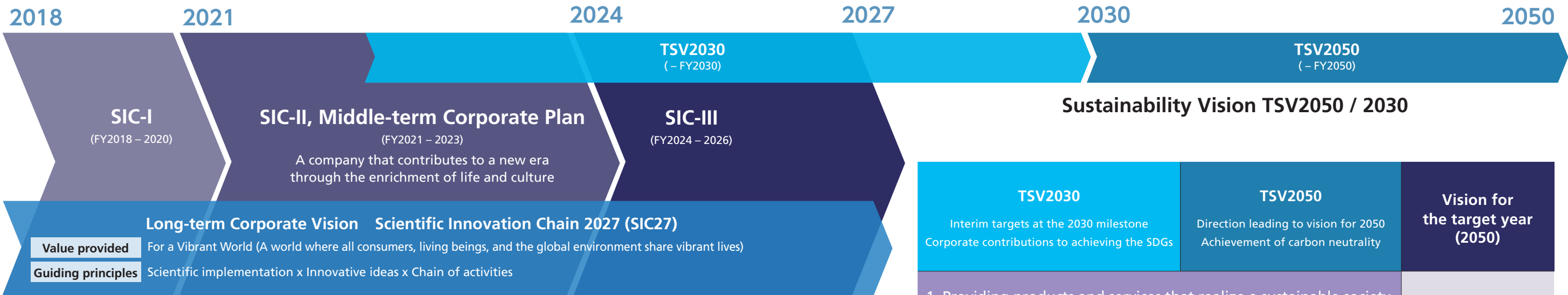
Toyo Ink Group Value Creation Looking Ahead to 2050

In order to adapt to the rapidly changing business environment, the Toyo Ink Group is working to achieve the goals of its long-term corporate vision that target year is 2027, Scientific Innovation Chain 2027 (SIC27) by implementing three-year medium-term management plans. In SIC27 we define the concept of “Sustainable Growth” as the Toyo Ink Group growing sustainably and contributing to the improvement of society’s sustainability through our corporate activities to provide value by realizing a world where all consumers, living beings, and the global environment share vibrant lives.

In addition to engaging in business activities with financial targets in each medium-term management plan, we have

also identified five key material issues relating to the sustainability of the Group and society, and are engaged in sustainability activities in conjunction with our medium-term management plan.

The Group has also established the Sustainability Vision TSV2050/2030 as a set of long-term practical targets for its sustainability activities. We have established this vision with a view to 2050, based on our belief that initiatives and targets set with a more long-term outlook than SIC27 will be needed in view of intensifying global trends and demands on companies with regard to climate change, carbon neutrality, and initiatives for the achievement of the SDGs.



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

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



Value Creation Model

The Group works to provide value through products and services created through its business activities, with the aim of sustainable growth of the Group and society as shown in "Sustainable Growth." In addition to recognizing and understanding various social and environmental issues on a global scale, we will continue our business model of co-creating



ways to contribute to solving these issues together with customers by demonstrating the Group's technological capabilities, and spiral up the flow of value creation as a lifestyle and culture creation company that contributes to a new era.



Capital Sources of Value Creation

The Toyo Ink Group's six forms of capital—financial, manufactured, human, intellectual, social and relationship and natural—support its management base and serve as sources of value creation. By freely utilizing these sources of capital, we will continue to engage in business activities that solve various social issues. The economic value, environmental value and lifestyle value created by the Group's business activities will act as a driving force for strengthening its management base and achieving further value creation.

* Figures are as of the end of December 2022 unless stated otherwise.



Financial capital

A sound financial base that emphasizes the balance between investment and shareholder returns

Investments for the sustainable growth of the Group can be realized with a sound financial base. The Toyo Ink Group supports its value creation activities by allocating resources with an emphasis on achieving an appropriate balance between the three elements of “financial soundness,” “active investment for growth” and “shareholder returns.”

■ Total assets	411,177 million JPY
■ Profit attributable to owners of parent	9,308 million JPY
■ Net income attributable	219,047 million JPY
■ Cash flows (balance of cash and cash equivalent)	53,385 million JPY



Manufactured capital

A manufacturing platform that serves as the foundation for the enrichment of life and culture

Since the time of its founding, the Toyo Ink Group has aspired to contribute to society as a manufacturing company. Through an integrated production system that enables production of everything from raw materials such as pigments and polymers to products such as inks and other functional products, we realize enriching life and culture that we hold. By sharing formula, know-how and production technologies among the Group companies in Japan and overseas, we can build a system of local production for local consumption and global quality management, and provide solutions that exceed expectations for the needs of each region and market.

■ Integrated production system from raw materials to products	
■ Global quality management network	
■ Production bases	13 bases in Japan, 27 bases overseas
■ Capital investments	17,190 million JPY
■ Overseas production ratio (quantity basis)	62.3%
■ Frequency rate of lost-workday injuries	0.286 (Japan)



Human capital

Diverse human resources and good employee engagement to support value creation

▶▶▶P.19

The management resources that the Toyo Ink Group regards as most important are its employees. Approximately 8,000 diverse human resources are engaged in various missions around the world, supporting the Group's value creation. Through various HR strategies, training and development programs, we are working to build good engagement between the Group and its employees by promoting diversity and inclusion, creating a rewarding work environment and supporting the career development of each employee. In order to accelerate business reform through digital technologies, we are also working to develop human resources who can respond to digital transformation needs.

■ Number of consolidated employees	7,930 employees (3,064 in Japan, 4,866 overseas)	■ Number of overseas managers recruited locally	514 persons
■ Ratio of female hires (new graduate and mid-career recruits)	33.3% (employees registered at Toyo Ink SC Holdings)	■ Employee satisfaction	83.9% (positive response rate in employee awareness survey in Japan)
■ Ratio of female managers	4.5% (as of January 2023 in Japan)		



Intellectual capital

Technology infrastructure and systems to drive the creation and expansion of new businesses

▶▶▶P.24

■ R&D system divided and layered into basic research, applied research, and product development		■ Research and development expenses	9,111 million JPY
■ Technology platform that enables a wide range of business development		■ Number of patents	2,099 patents in Japan, 922 patents overseas
■ Number of employees in R&D and Technology departments	776 persons in Japan		



Social and relationship capital

Network for promoting local production for local consumption and sound supply chain

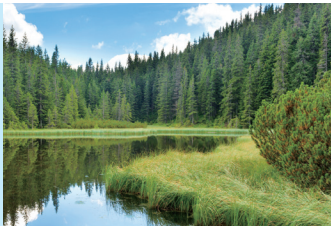
■ Number of Affiliates	61 consolidated subsidiaries, 7 equity-method affiliates	■ Major suppliers	Approx. 300 companies in Japan
■ Business regions and sites	24 countries or region, 109 sites	■ Time spent maintaining trusting relationships with customers	127 years (Founded in 1896)
■ Overseas sales ratio	52.8%		



Natural capital

Global environment and resources supporting sustainability of the Group and society

■ Energy consumption	85,075 kL [crude-oil equivalent]	■ Raw materials (fossil, non-fossil)	161,313 t
■ Water consumption	4,827 thousand m³		



Capital Sources of Value Creation — Human Capital Management

The Group upholds the concept of “people-oriented management” as its corporate philosophy, and regards its employees as its most important form of capital (management resources). We have established a personnel policy based on the idea that the active participation and growth of employees is essential for a company to provide value to stakeholders in a continuous and constantly developing manner. In accordance with this policy, we have established a Group human capital strategy, and are implementing various measures.

Each employee plays a leading role

The common sentiment among Group employees has been to respect the values and diversity of all people, and to continue to grow while providing value, both for people’s lives and to society, through the Group’s products and services as a lifestyle and culture creation company. This sentiment will not change going forward.

In recent years, the environment surrounding companies and people has changed rapidly and significantly. Since the COVID-19 pandemic, in particular, the business environment and even work styles have changed dramatically. Under such circumstances, the Group has refrained from changing its company name or guiding principles, and is about to take a step toward a new future. Based on our belief that an environment in which employees—who are the driving force for sustainable growth—can take the initiative and engage energetically in active roles will be the foundation for new value creation, we have begun considerations for a new personnel system that will break away from conventional concepts and practices and enable us to take on the challenges of corporate transformation, with each and every employee playing a leading role. During the SIC-II period, we are engaging in various measures in cooperation with Group companies, divisions, and bases, such as advancing women’s empowerment and gender understanding, developing an educational system that supports the growth and autonomy of employees, and supporting health promotion and balancing work with childcare and nursing care so that employees can play active roles with peace of mind.

“There is no road ahead of me, the road is paved behind me”—which is part of a Kotaro Takamura poem—is one of my favorite phrases. Based on our wish for employees to pave their own roads ahead, we aim to foster a culture in which a diverse range of employees can think freely and take their first steps, and to create a liberal work environment for collaboration, where opinions are freely exchanged and respected.



Junji Sekino

Operating Officer in charge of Human Resources, General Manager of Human Resources Department

Three pillars of our Human Resources Policy to support employee growth

One of the Group’s guiding principles is to “respect the realization of all employees’ ambitions.” As a practical implementation of this principle, we aim to create workplaces where diverse human resources can fully demonstrate their capabilities and enjoy job satisfaction regardless of gender, age, or disabilities.

The Human Resources Policy which the Group established in 2015 summarizes our approach to people, human

resources, and human rights, the image of employees required by the company, and the training system and workplace environment to be established, in order to standardize the HR policies and strategies of Group companies located around the world, in countries with different labor laws. The Human Resources Policy is also used in training employees posted overseas and local HR personnel.



Employment and career / human resources development

For the Group to achieve sustainable growth, it is essential for every employee to have their own vision for growth, and grow steadily toward that vision. We believe that it is our responsibility as a Group to hire human resources with a growth-oriented mindset and continuously provide opportunities for growth. We respect the diverse values and career aspirations of our employees, and are focused on efforts to develop human resources who can take on challenges in new fields and deliver high-quality work.

The Group’s HR development efforts consist primarily of three key measures: human resource rotation, which encourages career development through personnel changes; the Toyo Ink Academy training and education system; and the President Award / Business Idea Competition system, which encourages employees to come up with new ideas and take on new challenges.

Metrics and Results

	FY2020	FY2021	FY2022
Training costs per person (thousand yen)	20	30	30
Number of participants in DX training and re-skilling	620	409	1,143
	FY2014-2022		
Number of hires under the job return system	7		

* Job return system: A system in which employees who have left the company for reasons such as childbirth, childcare, nursing care, or career advancement are rehired so that they can play active roles again utilizing their career experience and skills. It is also called a comeback system or in-house mid-career recruitment system.

Human resource rotation system

The purpose of the Group’s human resource rotation system in Japan is to help employees improve and augment their skills through department and job transfers, and to shape their respective careers. There are four specific measures: training transfers, self-assessment-based transfers, internal recruitment / career challenge system, and overseas workshops.

Measure	Mechanism and aims	Eligible employees in the past three years
Training transfers	Employees in their sixth year since joining the company as new graduates are transferred for the purpose of actively building their careers, fostering a challenge-oriented mindset, and creating innovation.	92 employees
Self-assessment-based transfers	These transfers reflect the will and intentions of the employee him or herself, based on annual self-assessment report questionnaire surveys. We strive to help employees to achieve the career plans they envisage for themselves.	
In-house recruitment system Career challenge system	A system in which departments present recruitment requirements and employees can apply, without obtaining the approval of their superiors. This allows employees can take on the challenges of work they want to try for themselves.	22 employees
Overseas workshop	An overseas training system (internships at overseas Group companies) for developing global human resources. Through this system, employees develop their abilities to adapt to overseas business, and cross-cultural communication skills.	The program is currently suspended due to the COVID-19 pandemic.

Toyo Ink Academy

The Toyo Ink Academy is a domestic Group-wide training and education system, established in 2007 for the purpose of human resources development and corporate cultural reform. The academy promotes mindset and skill acquisition, including grade and job-specific training and global human resources development training, and conducts various training and activities based on its basic policy of raising the level of human resources and developing future managers and executives.

During SIC-II, we are focusing on significantly expanding online training, providing DX-related training to employees and executives, re-skilling and supporting recurrent education.

In addition to the Toyo Ink Academy, the president himself has presided over a Future Discussion Task Force aimed at fostering the next generation of senior managers, developing executive candidates who can make independent management decisions.

VOICE

Supporting the career and life plans envisaged by individual employees is the basic foundation of the mindset that is essential for the mission of HR development. To enable each employee to realize their dreams, it is important not only to provide training during the input formation period, but also to enable them to grow through discussions with other employees, and through their work. Going forward, we will continue to provide recurrent and re-skilling education, and appropriate job placements that are in line with employees’ life stages, to support all employees so that they can work in a fulfilling manner.



Kazuaki Takashima

Leader of Human Resource Development Group, Human Resources Department

President Award / Business Idea Competition (incentive initiatives)

We are engaged in various incentive initiatives to increase individual motivation and organizational morale, and link them to employee growth. We present the Group President Award on an annual basis to recognize business activities that produced excellent achievements and results each year. We also hold the Business Idea Competition, with the aims of enhancing the ability to convert new ideas into tangible forms and fostering a corporate culture where employees continue to take on challenges and make proposals. Projects that receive high scores in the contest are organized to promote commercialization initiatives, with the award winners themselves involved in them, providing opportunities for employees to achieve self-realization.

Capital Sources of Value Creation — Human Capital Management

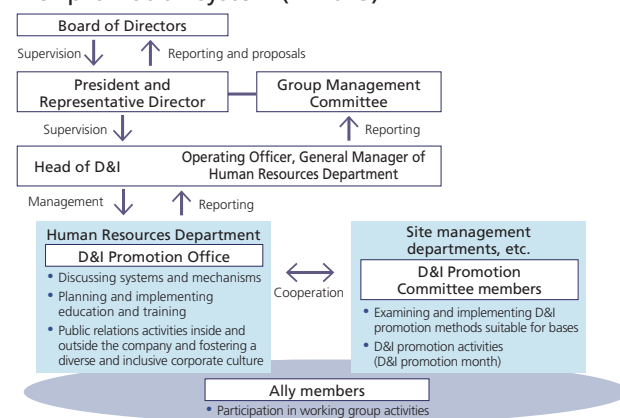
Diversity & Inclusion

From the perspective of our management philosophy of People-oriented management, we recognize diversity and inclusion (D&I) as one of the top priority issues to be addressed to strengthen the Group's human capital. We have established a D&I strategy to create a workplace environment where diverse values, thoughts, and ideas are respected regardless of gender, age, nationality, or disabilities, where all employees can engage fully in their work.

In September 2021, we launched the Diversity Promotion Project, which lasted for around one year, with activities including surveys and analyses of the Group's current situation, exchanges of opinions with management, proposals for D&I initiatives that the Group should pursue, and unconscious bias training for management employees. In this training, participants gained an understanding of the necessity and risks of D&I within the Group, became aware of unconscious bias within themselves, and renewed their awareness of diversity within their own departments. This was distributed to all employees in Japan through video content streaming.

The Group's D&I measures assume employees with various attributes, such as women, people with disabilities, and senior citizens. However, since the current ratio of female managers is only about half of the domestic average, we are currently placing a particular emphasis on promoting active roles for women. As of fiscal 2023, we will establish a D&I Promotion Office within the Human Resources Department of Toyo Ink SC Holdings Co. Ltd., to take over the role of running the Diversity Promotion Project, and accelerate the promotion of D&I initiatives under a new organizational framework.

D&I promotion system (FY2023)



Metrics and Results

	FY2020	FY2021	FY2022
Percentage of newly hired female employees (%) ^{*1}	31.3	32.2	32.5
Percentage of female managers (%) ^{*2}	3.9	4.5	4.5
Percentage of employees with disabilities (%) ^{*3}	2.35	2.56	2.60
Number of non-Japanese employees ^{*3}	21	27	28
Number of participants in diversity training ^{*4}	—	—	66
Number of ally supporters ^{*4}	—	—	94

^{*1} Does not include hires of experienced personnel.

^{*2} Calculated based on numbers as of January of the following year.

^{*3} Original employees of Toyo Ink SC Holdings Co. Ltd.

^{*4} Conducted as of FY2022.

Promotion of active participation by women

Along with other D&I themes, the promotion of active participation and advancement for women is one of the most important themes in strengthening the Group's human capital, and we aim to be a company where many female employees can play active roles. In addition to setting targets for the ratio of women in new hires and managerial positions as KPIs, we are also implementing measures such as system reforms to promote the appointment of women to key positions, training female managerial candidates, and the establishment of a system to support a smooth return to work for mothers returning after childcare leave.

In addition to encouraging female employees, we also believe that it is essential to change the mindset of male employees, and are holding seminars for officers and department heads and revising the system for male employees to take childcare leave. In response to the enforcement of the revised Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers (Caring for Children or Other Family Members) in October 2022, we revised our guidebook, heard opinions from system users and labor unions, identified issues, and conducted manager training and employee awareness activities.

In terms of the workplace environment, we aim to create a workplace that is "comfortable and easy for employees to work in, regardless of gender or age," and are working to identify issues and make improvements through the Group-wide Workplace Environment Improvement Subcommittee.

Understanding and Responding to LGBTQ+

We recognize that the theme of diversity relating to gender differences such as gender identity, sexual orientation, and gender expression is an important human rights issue in modern society. Beginning with a reform of our corporate culture with a focus on understanding and enlightenment of employees and officers, we are working actively on specific systemic reforms and improvements to our workplace environment.

In addition to establishing Guidelines for Deepening Understanding and Supporting LGBT Issues, holding seminars and engaging in other activities to expand the circle of allies (people who understand and take the side of people with all differences,) in June 2022 we introduced a "partnership system," to provide internal systems and benefits relating to congratulations and condolences, childcare and nursing care, transfers / relocations and overseas assignments—which were previously applied only to legal spouses—to partners, expanding the scope of this definition to include common-law marriages and same-sex partners. In recognition of these activities, in November 2022, we were certificated Gold status in the PRIDE Index, which is an index for initiatives in support of sexual minorities in the workplace.



VOICE

The Group aims to be a group that creates new value through diverse human resources by making maximum effective use of the individuality and strengths of each and every employee to produce results. It is important not to be bound by conventional wisdom and values, but to grasp issues from multiple perspectives and to hold discussions and engage in consideration from a broad-ranging perspective. We aim to create a situation where human resources with all manner of attributes and different values participate in various decision-making situations.

Maiko Yanagida

Leader of D&I Promotion Office,
Human Resources Department



Members of the D&I Promotion Office (April 2023.) Office Leader Maiko Yanagida is on the front row, second from left.

Creating a workplace environment where employees can work with peace of mind (health management and work-life balance)

We regard each and every employee as an asset of the company, and it is essential for the sustainable growth of the Group to create a workplace environment where employees can make maximum use of their abilities and work with peace of mind. Based on this awareness, the Group engages in initiatives (health management) to maintain and improve the health of its employees, including health promotion, disease prevention, and mental health care. We are also working to support labor management, system reforms, and welfare support programs that lead to improvements in labor productivity and engagement, while respecting the diversity of each employee's personal values, such as lifestyles, life plans, and career orientations.

Metrics and Results

	FY2021	FY2022
Investments relating to health and productivity management (million yen)	125	123
Average overtime hours (hours/month)	7.6	7.2
Average number of days of annual paid leave taken (days / year, provisional)	11.1	12.3
Average number of days of total paid leave taken* (days / year, provisional)	15.2	16.7
Percentage of employees taking regular health checks (%)	100	100
Percentage of employees taking childcare leave or leave for childcare purposes (%)	female 100 male 25.8	female 100 male 92.7

* Total paid leave = annual paid leave + nursing care leave + special leave + accumulated leave

Employee health surveys / sleep improvement measures through industry-academia collaboration

We have been conducting questionnaire-based employee surveys on health since fiscal 2022, with the aim of understanding the current state of employee health, presenteeism, and engagement, and clarifying the relationship between them. Presenteeism means a state in which work efficiency declines due to mental and physical disorders or illness, even though employees attend work. Unlike leave or absenteeism, it is considered a loss that is difficult to visualize.

Through internal analysis, the Group has clarified the relationship between employee sleep (quality / quantity) and engagement and productivity, and is implementing a Group-wide sleep improvement program to improve engagement and productivity by helping employees to acquire correct sleeping / lifestyle habits and lead healthy lifestyles. Based on the aforementioned questionnaire-based survey, the effectiveness of this program was verified through industry-academia collaboration with the Faculty of Political Science and Economics and the Faculty of Education and Integrated Arts and Sciences at Waseda University, where a statistical analysis revealed that employees who improved their sleeping habits also improved their productivity by an average of 4.4%.

2023 Health and Productivity Management Outstanding Organizations (White 500) certification

The Toyo Ink Group has been certified as a Health and Productivity Management Outstanding Organization (White 500) for seven consecutive years, as a corporate group that practices management taking the health of its employees into consideration. In addition to our measures to improve sleep through industry-academia collaboration, we are implementing health promotion measures in line with the needs of each employee—such as employee cafeteria events aimed at improving physical health through dietary habits, initiatives to encourage dependents to undergo health checks, feedback on health check results, and prevention of aggravation of existing health issues—in cooperation with health insurance associations and healthcare promotion leaders at Group locations. We have also established an in-house counselor system for providing various counseling and listening to employees' mental health concerns.



Capital Sources of Value Creation — Strengthening Manufactured Capital

As a manufacturing company, the Toyo Ink Group provides value to society through its products and services. Increasing manufacturing capital—such as factory facilities and production equipment—and increasing production efficiency drives quantitative and qualitative improvements in the value we provide, thereby enabling us to achieve a balance between both contributing to the improvement of social sustainability and achieving sustainable growth for the Group.

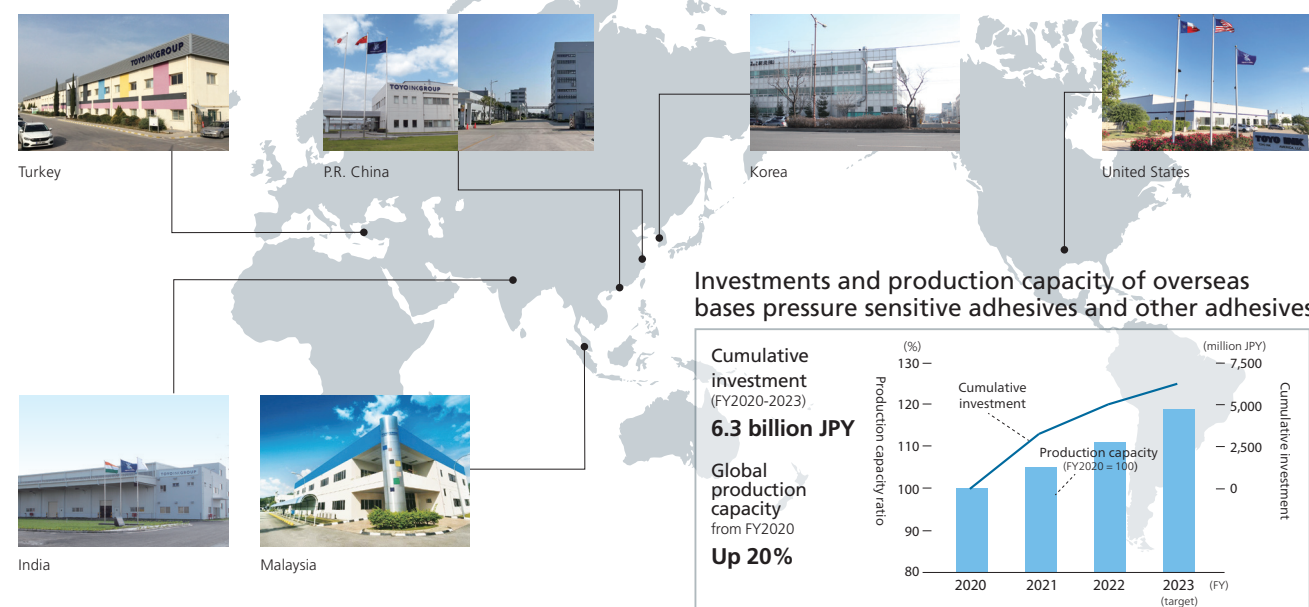
Continuous investment in overseas polymer production bases

The Group's global Polymer and Coatings Business is currently experiencing rapid growth in demand due to factors such as population growth and improvements in consumer lifestyles in emerging countries. In order to meet this demand, we are actively investing in major production bases in the overseas Polymer and Coatings Business during the three years of SIC-II to increase production capacity.

In pressure sensitive adhesives, we have commenced operation of a string of new facilities in China, India, the United States, and South Korea, increasing production capacity by 20%. In India, in particular, demand is expected to increase significantly more than initially expected, so we are already considering further investments for the next fiscal year. With the growing movement toward domestic production of adhesive tape for building materials and au-

tomotive applications, we are taking advantage of the increasing domestic procurement of pressure sensitive adhesives by local tape manufacturers as an opportunity to make profitable investments.

In laminating adhesives, we have increased our production capacity by 13% through increased investment in production facilities in Turkey and China for laminating adhesives for use in flexible packaging, and are also working to increase our production capacity in Malaysia to enter operation in the summer of 2023. In addition, considering the United States as a strategic market for the Group, we have increased production capacity for pressure sensitive adhesives at our Texas plant, and are also driving market development with an awareness of local production of laminating adhesives and can coatings.



Qualitative enhancement by improving the efficiency of production facilities

In terms of measures to bolster manufacturing capital, we are not only strengthening quantitatively, but also improving quality. Specifically, in order to replace energy such as heat and electricity used at production sites with renewable energy, we will actively introduce solar power generation equipment and replace existing production equipment with highly energy-efficient alternatives (with better energy-saving performance) to reduce Scope 1 and Scope 2 CO₂ emissions, providing customers with the added value of low-carbon performance in their finished goods.



VOICE

Pressure sensitive adhesives and laminating adhesives have a wide variety of applications, from food packaging to industrial materials, and demand for them is growing worldwide. We are actively investing in providing high-performance, stable-quality products in various regions, leveraging our superiority in terms of performance. Going forward, we will continue to provide value to our customers and contribute to solving social issues through flexible and well-balanced investments, including collaborative business partnerships.

Taichiro Matsuoka
General Manager of Global Management Department, Toyochem Co., Ltd.



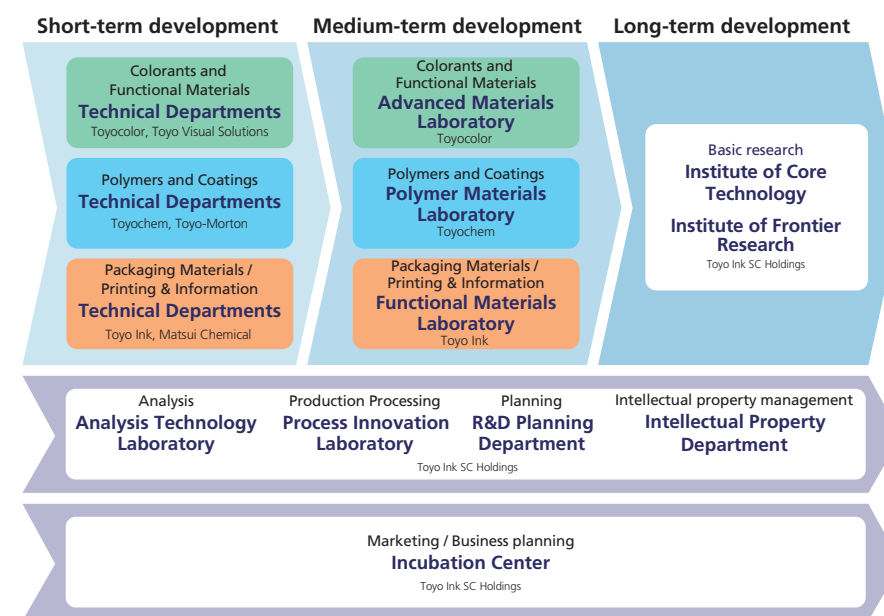
Capital Sources of Value Creation — Strengthening Intellectual Capital

Strengthening intellectual capital helps to increase and nurture the key pillars of the businesses that will support the Group in the future. In addition to restructuring its group-wide R&D system, the Toyo Ink Group is also working to strengthen intellectual capital by speeding up R&D through the effective use of digital transformation (DX) and combining internal and external knowledge through open innovation with external R&D institutions.

Direction and structure of R&D activities

Based on the SIC-II medium-term management plan, we are working to create new businesses centered on key development areas (environment, digital, and health.) We regard the holding company's research laboratories as being responsible for long-term development themes, we have established research laboratories for medium-term development themes at core operating companies responsible for each business segment.

In fiscal 2023, we established the Incubation Center, which is responsible for a wide range of roles from marketing to business planning functions, driving the further creation of new products and businesses.



Open innovation in collaboration with external organizations

In order to strengthen its intellectual capital in the future, the Group is not only utilizing internal knowledge, but also engaging in open research and development to discover and combine with diverse external knowledge. In January 2022, in partnership with the Tokyo Institute of Technology, we established the Toyo Ink Group Collaborative Research Center, which conducts cutting-edge research in the fields of the environment, IT and biotechnology. Going forward, the center will take on the challenges of creating value demanded in new eras through efforts such as next-generation batteries and CO₂ utilization solutions to solve global environmental problems, developing IT-related material technologies that contribute to the further advancement of digital technologies, and exploring biotechnologies that will lead to next-generation medical technologies.



We have also dispatched employees to the 7th phase of the Phoenix Incubation Program (November 2022 – March 2023,) in which we participated as a sponsor. In this program, participants (called “fellows”) stayed at a dedicated facility for four months and worked to create and commercialize new businesses that will lead to the resolution of social issues, through daily cross-industry exchange-



es. Through this program, the Group aims to strengthen its ability to plan and execute new businesses, and continue to provide value that is truly needed as “a company that contributes to the enrichment of life and culture throughout the world” by establishing a deeply rooted “culture of challenge” within the Group.

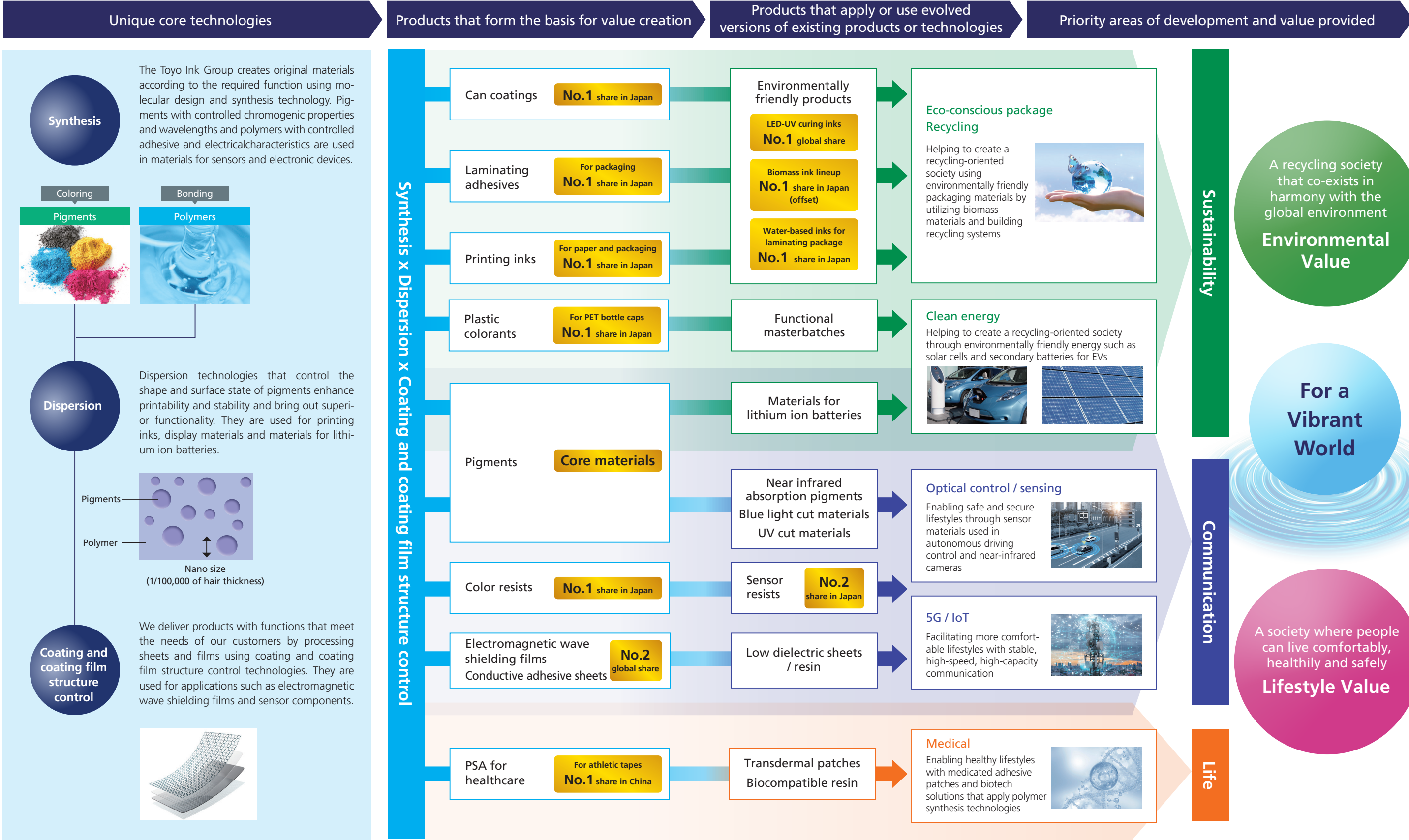
Accelerating R&D through digital transformation (DX)

In utilization of DX in R&D, we are working to introduce materials informatics (MI.) In materials exploration and development, by building and applying data-driven methodologies through the introduction of MI, shifting away from conventional methods that require huge amounts of information, researcher experience, we are achieving greater efficiency and sophistication in R&D. In particular, we are beginning to see results in colorant design technology, which is one of the Group's core technologies.

We are also applying DX in production process development. By utilizing digital sensor tools, computational science, and simulations, we can better understand the feasibility of scaling up new product development on actual production machines, predict the occurrence of quality deviations, and predict optimal production process conditions, enabling us to achieve a speedy and seamless transition to the commercialization of development results.

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

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



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

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

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

Dispersions for LiB: An introduction to dispersion technologies

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

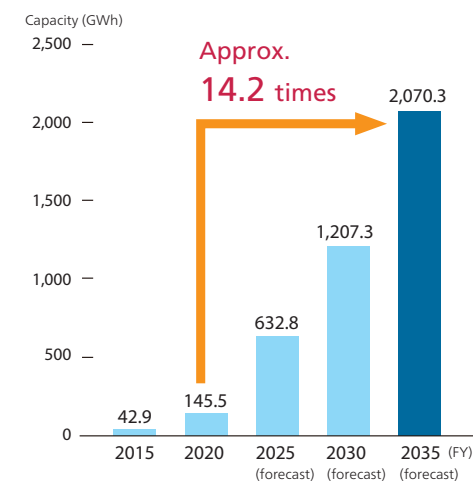
LiB cathode materials are composed mainly of an active material, a conductive material, and a binder. By using CNTs instead of carbon black as the conductive material, it is theoretically possible to achieve conductive performance with only a small amount of conductive material. However, this requires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

that highly concentrated dispersions with high fluidity must be designed.

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

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

Automotive LiB battery market trends and forecasts (capacity basis)



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

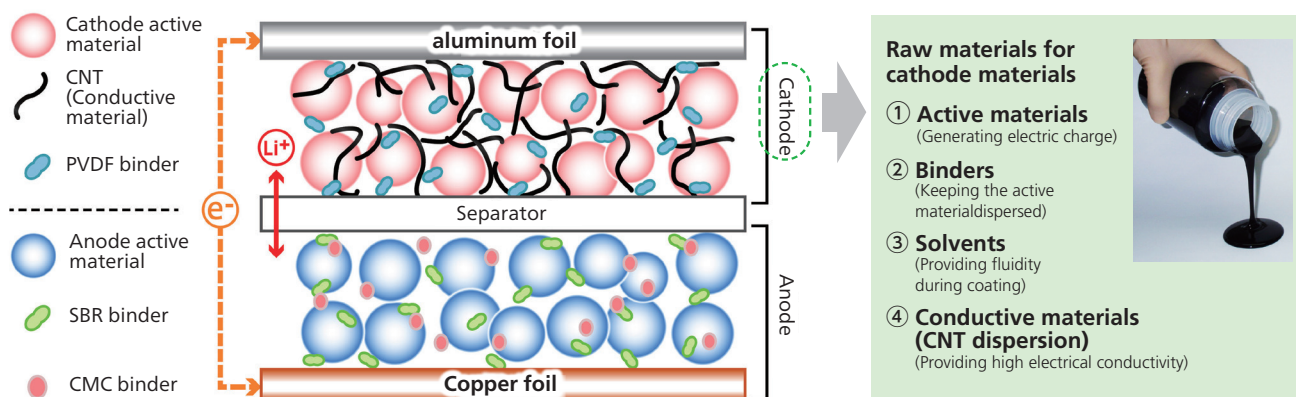
Establishment of mass production and supply networks in four global regions

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

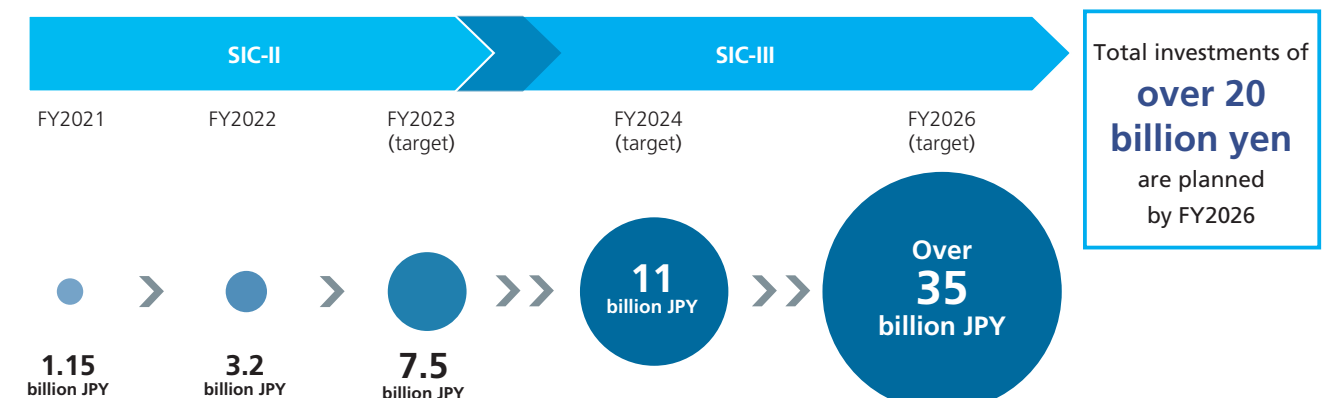
At the same time as improving conductive materials for next-generation LiBs and exploring new materials, we are also developing dispersants that are optimal for materials, and we will continue to develop products that match market needs.



Structure of LiB electrode



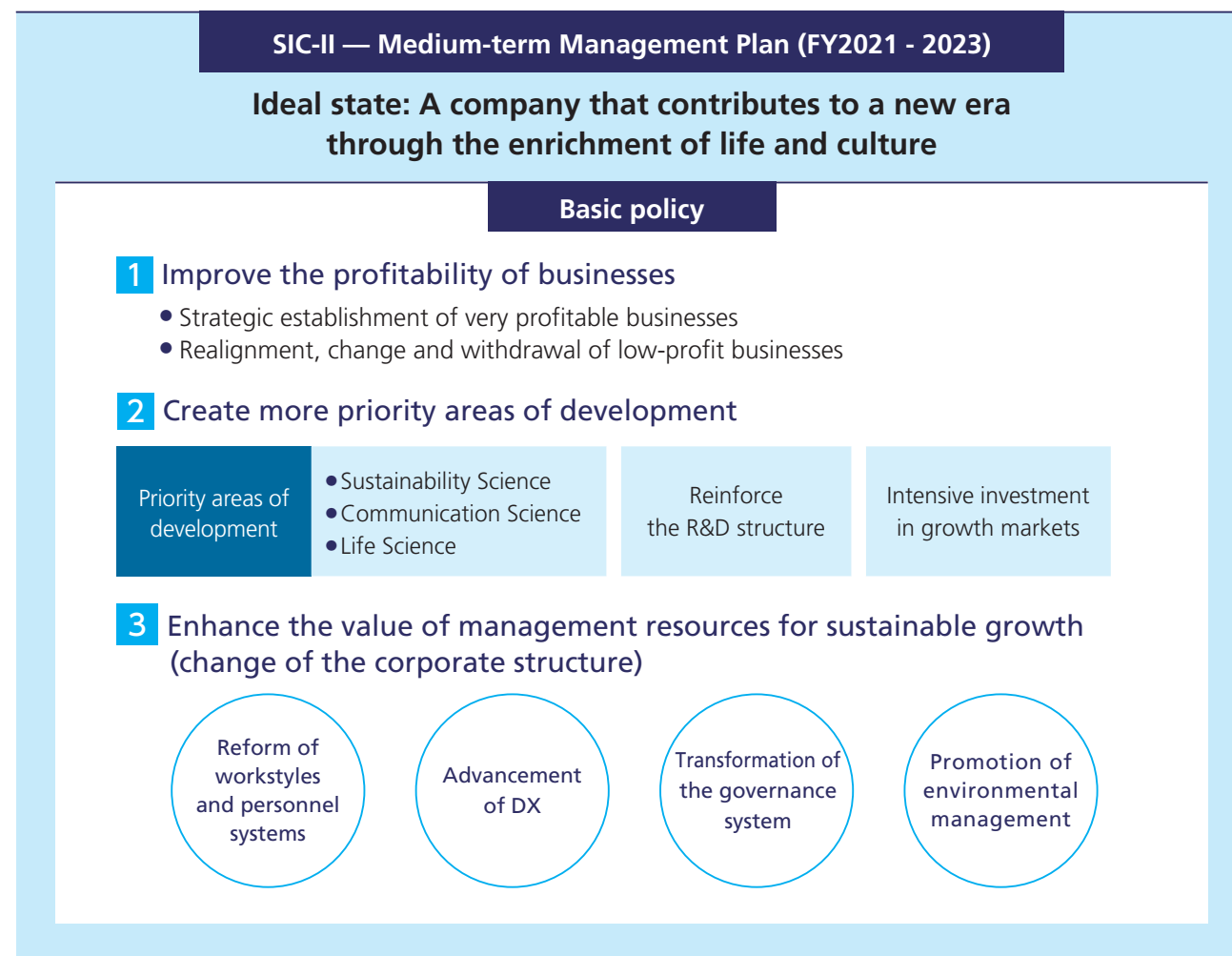
Sales results and targets for the LiB materials business (SIC27 period)



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

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

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



Major Targets for Business Performance under SIC-II

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

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

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

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

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



Hiroyuki Hamada
Senior Managing Director in charge of
Corporate Departments (CFO)

FY2022 results

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

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

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

Making capital investments that drive growth

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

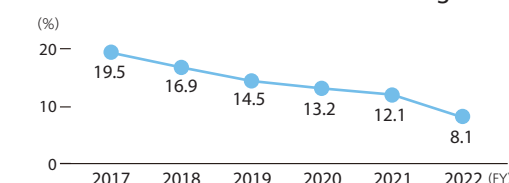
business, we made capital investments, including the construction of plant buildings in Turkey, and the expansion of facilities.

Reduction of cross-shareholdings

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

▶▶▶ P.66

Ratio of the amount of cross-shareholdings to net assets



Agile approach to shareholder returns, based on stable dividends

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

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

1 Improve the profitability of businesses

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

Strategically promote development of key sources of revenue and structural reforms

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

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



Hiroyuki Hamada
Senior Managing Director in charge of Corporate Departments

Realignment, change and with drawalof low-profit businesses

Structural reform of the Printing and Information Business

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

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

Toyo Ink Hokkaido Co., Ltd.
Toyo Ink Tohoku Co., Ltd.
Toyo Ink Chushikoku Co., Ltd.
Toyo Ink Kyushu Co., Ltd.
Toyo Ink Graphics Co., Ltd.
Toyo Ink Graphics Nishinihon Co., Ltd.

Integration and consolidation

TOYO INK
Toyo Ink Co., Ltd.

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

Improving efficiency in the Colorants and Functional Materials Related Business

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

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

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

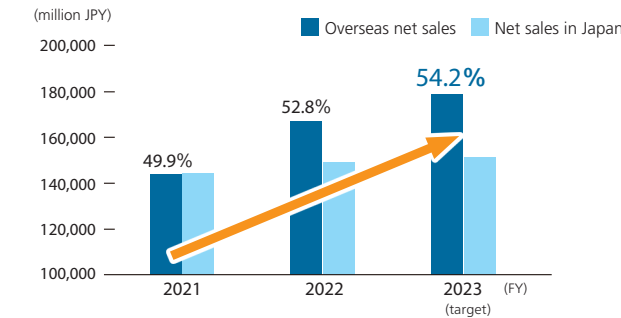


Fuji Factory, Toyocolor Co., Ltd.

Expanding overseas operationsfor eight major product lines

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

Overseas sales ratio and targets



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

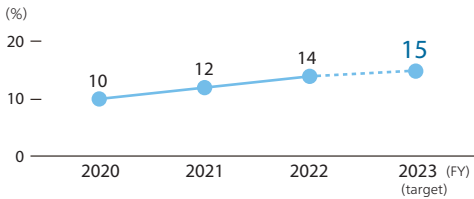
Among our eight major product lines, the display materials business is one of the most important businesses to make efforts overseas. In the display materials business, we are developing products for color filters for flat panel displays (FPDs,) with the Group engaging in integrated production of everything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

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

Initiatives for eight major product lines

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

Global market share and targets for color resists

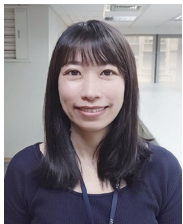


VOICE

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

Karina Huang

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



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

2 Create more priority areas of development

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

Accelerating the creation of new businesses by further strengthening our organization

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

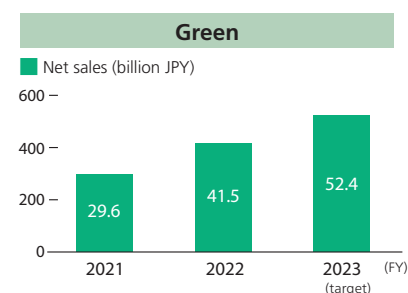
In terms of measures to respond to this issue, in the area of Communication Science, we are making effective use of our Technical Center in Shenzhen, China, which opened in 2022, and the new polymer pilot building in Kawagoe, Saitama. In the Life Science domain, we are engaged in a business alliance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



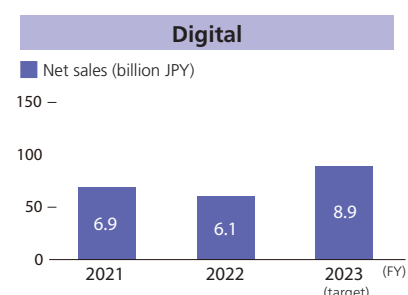
Shintaro Yamaoka
Senior Executive Operating Officer,
Chief Technical Officer

Priority areas of development

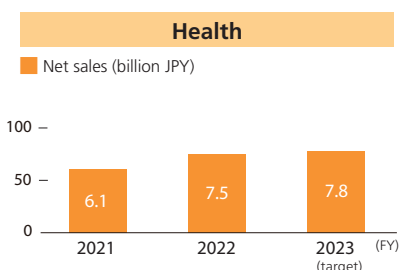
Sustainability Science For creating a sustainable society



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



Life Science Enrich people's lives and improve their health



Electronics-related Business

Strengthening the organization and expanding business in the Communication Science field

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

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

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

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

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

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



Polymer pilot plant building

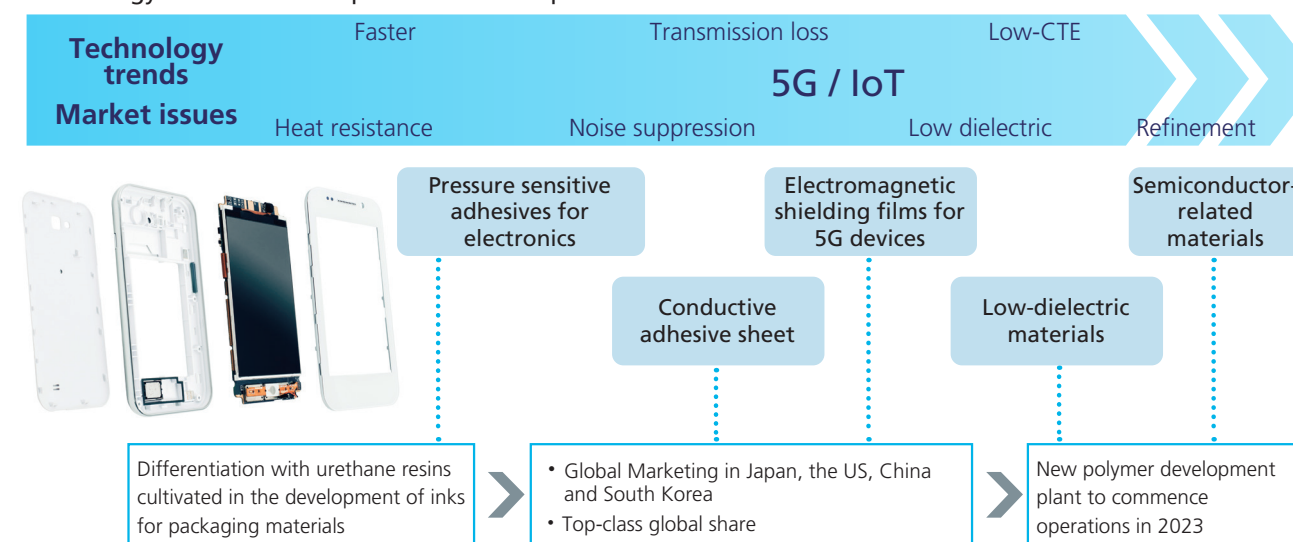
VOICE

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

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



Technology trends and Group business development in the field of electronics



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

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

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

Working to resolve social and environmental issues through organizational collaboration

In recent years, against the backdrop of growing awareness of the global environment, resources and widespread recognition of the SDGs, demands are now being placed on companies to take measures to help solve social and environmental issues such as achieving carbon neutrality and creating a circular economy. In response to these demands, in FY2022, the Group established the TSV2050/2030 sustainability vision. In FY2023, we will establish the ESG Promotion Office to strengthen our organization, with the aim of further accelerating the next medium-term management plan. It is difficult to achieve environmental targets such as reducing CO₂ emissions through activities in the production division alone, so it is crucial to improve efficiency in our sales strategies and reform technical methods and processes. Through interdivisional collaboration and sharing of information and awareness, we will implement comprehensive measures to enhance the feasibility of our sustainability strategy. We will also make efficient use of management resources in these activities to create new value.



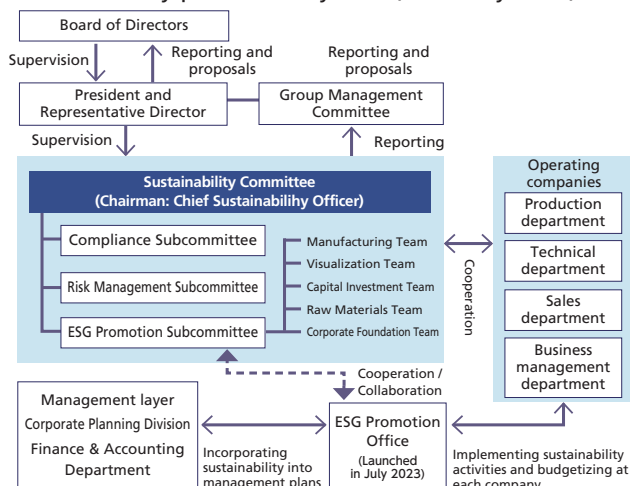
Tetsuaki Sato
Director in charge of Sustainability (CSO)

Strengthening the company-wide sustainability promotion system

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

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

Sustainability promotion system (after July 2023)



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

Formulation of a human rights policy

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

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

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Updating of Procurement Principles and Formulation of Guidelines

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

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

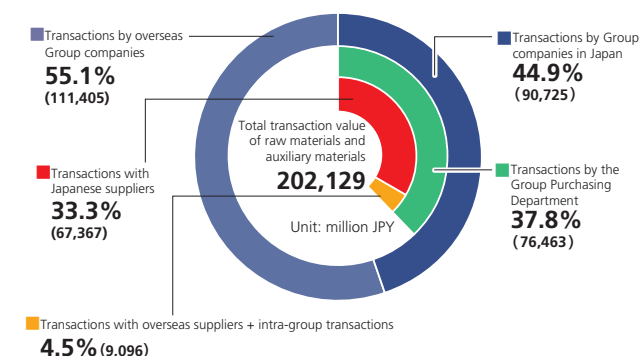
The Procurement Principles, Standard for Selecting Suppliers, and Sustainable Supply Chain Guidelines are posted under CSR Related Policies in the CSR section of the Company's website.

CSR procurement survey

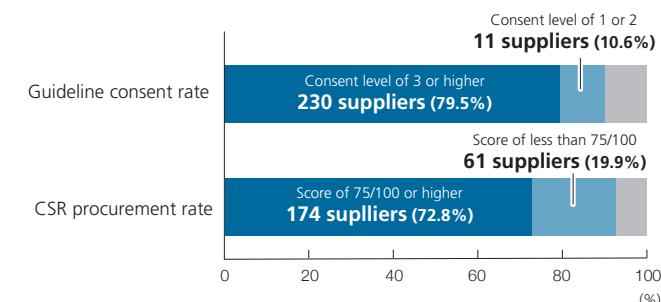
In conjunction with the revision of the Procurement Principles and Standard for Selecting Suppliers, as well as the formulation of the Sustainable Supply Chain Guidelines, we conducted a CSR procurement survey of the Group's raw material and auxiliary material suppliers. The purpose of this survey was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

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

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



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



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

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

Sustainability Management

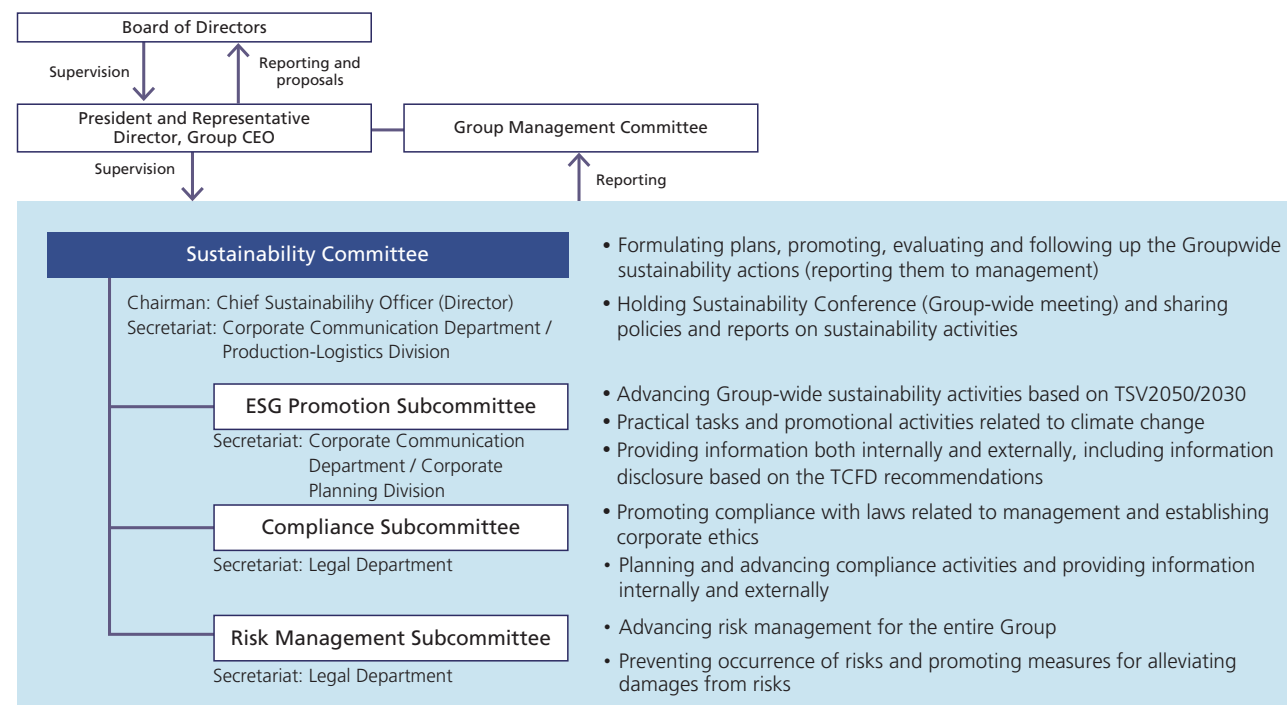
Basic approach

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

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

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

Sustainability promotion system (FY2023)



Promotion system

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

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

Main sustainability committee themes in FY2022

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

Establishing material issues

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

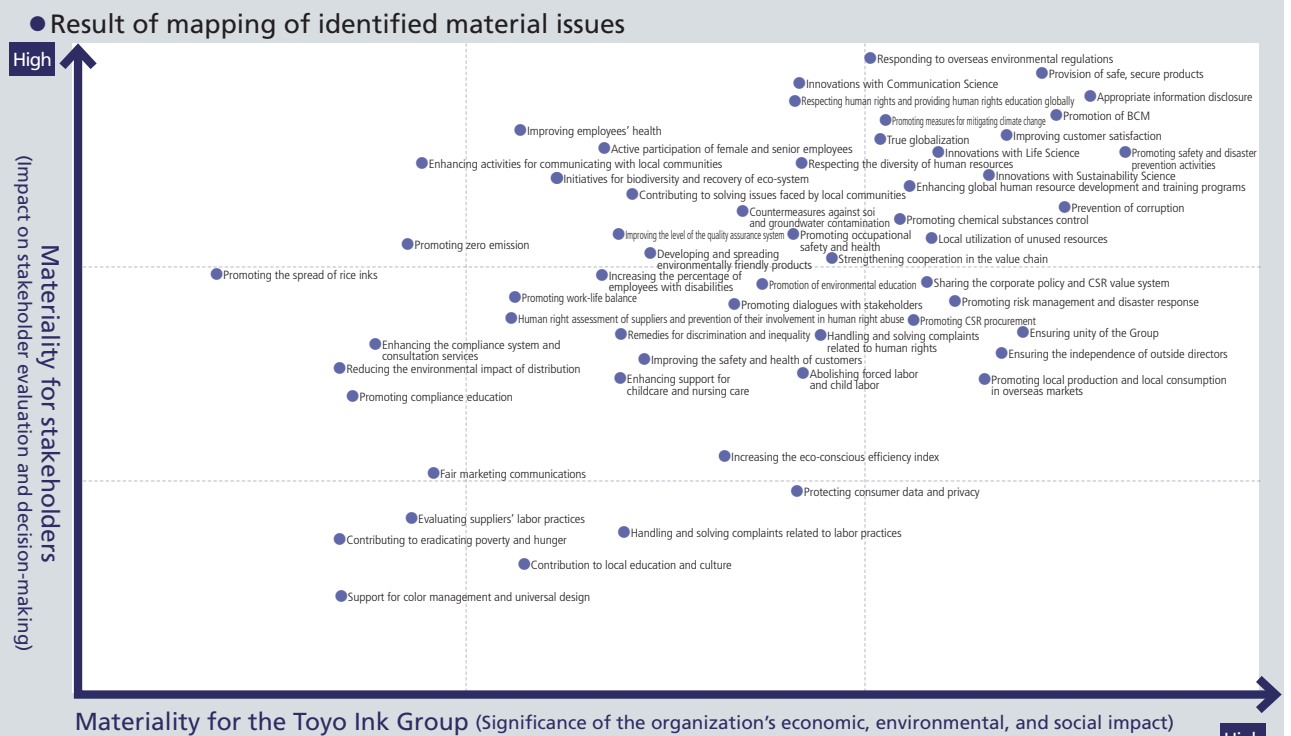
Process of formulating the material issues

STEP1 Identifying issues

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

STEP2 Prioritizing material issues

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



STEP3 Narrowing the issues from stakeholders' perspective

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

STEP4 Formulating the material issues

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

Formulation and penetration of the TSV2050/2030 Sustainability Vision

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

Sustainability Management

Material issues and progress of our activities

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

In particular, the numerical environmental targets (reducing CO₂ emissions through information disclosure based on TCFD recommendations) for Material Issue 2 (reduction of CO₂ emissions) and social targets for Material Issue 4 (promoting health and productivity management, increasing female manager ratio to 8%) are equivalent to “Promotion environmental management” and “Reform workstyles and personnel systems” under Basic Policy 3 of SIC-II “Enhance the value of management resources for sustainable growth (change of the corporate structure,”) and we are bolstering our efforts accordingly. Activities in FY2021 proceeded as planned for the most part.

Material issues, idial state and actions

Evaluation: A as Progress beyond plan, B as Progress as planned, and C as Further efforts required						
Material issues	Ideal state	Relevant SDGs goals	Actions	KPIs and targets during SIC-II (FY2021 - 2023)	Achievements in FY2022	Evaluation for FY2022
<div>Material Issue 1</div> <div>Provide value that exceeds customer expectations and contribute to society</div>	We provide value that contributes to innovations and the solution of issues in society, through creative products and services that exceed customers' expectations. Through these activities, we win the trust of a wide range of stakeholders and contribute to developing a sustainable society.	<div><div>3GOOD HEALTH AND WELL-BEING</div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>9INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>	<div>1. Create the enrichment of life and culture based on the three strategic orientations of Life, Communication and Sustainability</div> <div>2. Build customer trust through safe products and services</div> <div>3. Assure highest quality</div> <div>4. Achieve a high level of customer satisfaction</div>	<div>• Creation of products, services and technologies that contribute to provision value to society</div> <div>• Initiatives to improve quality: Operation of the Quality Global Standard at all production bases around the world</div>	<div>• Creation of new products and services for value creation (adoption of LiB materials by the world's largest in-vehicle battery manufacturer, development of pressure sensitive adhesives that contribute to the reduction of time, energy, and space in manufacturing processes, adoption of Fichvita™ sensing system—the industry's first sensor market that automatically detects posture—for use in air mattresses designed to prevent bedsores)</div> <div>• Held online event “Value Showcase” on the Group's website (Feb. 14 to 15, 2022) to introduce material technologies and solutions that are indispensable for creating high value-added products (approx. 5,000 online visitors)</div>	B
<div>Material Issue 2</div> <div>Co-exist in harmony with the environment through innovative technologies</div>	With innovative environmental technologies, we have become a leading company in society in the aspects of both products and services. In addition, we contribute greatly to harmonizing society with the environment and improving the sustainability of society through initiatives we take in overall business, from the upstream to the downstream.	<div><div>3GOOD HEALTH AND WELL-BEING</div><div>6CLEAN WATER AND SANITATION</div><div>7AFFORDABLE AND CLEAN ENERGY</div><div>12RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13CLIMATE ACTION</div><div>15LIFE ON LAND</div></div>	<div>5. Development and dissemination of innovative technologies, products, and services that reduce environmental impact</div> <div>6. Efforts to solve and respond to the problem of climate change</div> <div>7. Appropriate management of chemical substances</div> <div>8. Steady promotion of environmental management</div>	<div>• Reduction of CO₂ emissions (Japan): 67,500t (down 12% from the FY2020 level)</div> <div>• Improvement of specific energy consumption (overseas): 165.0L/t (down 3% from the FY2020 level)</div> <div>• Reduction of chemical emissions (Japan): 62.2t (down10% from the FY2020 level)</div> <div>• Reduction of amount of waste treated off-site (Japan): 10,500t (down 19% from the FY2020 level)</div> <div>• Increasing of sales ratio of environmentally friendly products: 70.0% (up 4.0 percentage points from the FY2020 level)</div> <div>• Conservation of forest and aquatic ecosystems: Tree-planting, ecological surveys, strengthening of water intake / drainage management at production bases with high water risks, etc.</div>	<div>• Reduction of CO₂ emissions (Japan): 73,404 t (down 4.5% from the FY2020 level)</div> <div>• Improvement of specific energy consumption (overseas): 163.6 L/t (down 3.9% from the FY2020 level)</div> <div>• Amount of waste treated off-site (Japan): 13,466 t (up 4.4% from the FY2020 level)</div> <div>• Sales ratio of environmentally friendly products: 62.4% (down 5.5% from the FY2020 level)</div> <div>• Information disclosure based on the TCFD recommendations (expanding the range of information disclosed)</div>	B
<div>Material Issue 3</div> <div>Co-exist and co-prosper with the supply chain and fulfill the trust of stakeholders</div>	We have built a firm relationship of trust with the supply chain toward co-existence and co-prosperity, by respecting the supply chain on an equal footing and stimulating each other. Based on this relationship, we continue to take on further challenges through mutual cooperation with the supply chain.	<div><div>12RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>16PEACE, JUSTICE AND STRONG INSTITUTIONS</div></div>	<div>9. Co-existence and co-prosperity in the supply chain through collaboration</div> <div>10. Respect for the human rights of all stakeholders</div>	<div>• Implementation of major supplier assessments based on the Criteria for Selecting Suppliers: Continuation of 100% implementation rate</div> <div>• Conducting a sustainability surveys for major suppliers: Implementation rate 100%</div> <div>• Promoting efficiency and sustainability improvements through collaboration in logistics</div> <div>• Thorough human rights education during overseas assignment training: Continuation of 100% attendance rate</div>	<div>• Revision of Procurement Principles and Standard for Selecting Suppliers</div> <div>• Formulation of Sustainable Supply Chain Guidelines</div> <div>• CSR procurement survey (requested consent to guidelines and responses to a self-assessment questionnaire on CSR procurement)</div> <div>• Guideline consent rate: 79.5%, CSR procurement rate: 72.8% (274 suppliers surveyed, transaction value: 67,367 million yen)</div> <div>• Formulation of a human rights policy</div> <div>• Number of employees who took human rights education during overseas assignment training: 13 employees (percentage of employees receiving training: 92.9%)</div>	B
<div>Material Issue 4</div> <div>Value employees and pursue their happiness and job satisfaction</div>	We have established a corporate climate where the personality of each employee and their diversity are respected and employees pursue job satisfaction and self-actualization. In addition, our open, family-like workplace environment serves as the base for creating innovations at home and abroad.	<div><div>4QUALITY EDUCATION</div><div>5GENDER EQUALITY</div><div>8DECENT WORK AND ECONOMIC GROWTH</div></div>	<div>11. Thorough occupational safety and health, and promote health and productivity management, which are closely linked to employee satisfaction</div> <div>12. Foster diversity to invigorate the organization</div> <div>13. Cultivate human resources that have global perspectives and abilities</div>	<div>• Continuing to be selected as <i>White 500</i> company by promoting health and productivity management</div> <div>• 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%</div> <div>• 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</div> <div>• Zero serious accidents</div>	<div>• Continued to be selected as a <i>White 500</i> company, acquired <i>Eruboshi</i> certification and <i>Kurumin</i> certification</div> <div>• Promotion of D&I activities through the diversity promotion project (communication of information, event planning, and reporting of activities at company-wide meetings)</div> <div>• Percentage of female new graduates hired in Japan: 32.5%</div> <div>• Percentage of female managers: 4.5% (as of January 2022)</div> <div>• Percentage of male employees in Japan taking childcare leave for 10 days or more: 100%</div> <div>• Zero serious accidents (frequency rate of lost-workday injuries in Japan: 0.286, severity rate: 0.002, accident rate: 2.70)</div>	B
<div>Material Issue 5</div> <div>Build a solid base that underpins trust</div>	We have established a solid base that underpins the trust of stakeholders through compliance, communications, and other practices. In addition, this base serves as a secure foundation for the Group to survive until its 200th anniversary while maintaining its traditions.	<div><div>10REDUCED INEQUALITIES</div><div>16PEACE, JUSTICE AND STRONG INSTITUTIONS</div></div>	<div>14. Ensure compliance</div> <div>15. Eliminate corruption</div> <div>16. Promote effective risk management and disaster preparedness</div> <div>17. Implement timely, appropriate and proactive information disclosure, and strengthen stakeholder communication</div> <div>18. Contribute to local community development through our business activities</div> <div>19. Contribute to the resolution of problems affecting local communities</div>	<div>• Zero serious compliance violations</div> <div>• Comprehensive implementation and content enhancement of compliance meetings in each site</div> <div>• 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.)</div> <div>• Promoting activities for communication with local communities</div> <div>• Promoting educational / cultural activities in local communities</div> <div>• Promoting social contribution activities: Volunteer activities or their support, disaster countermeasure support, etc.</div>	<div>• Zero serious compliance violations</div> <div>• Held compliance meetings in each site (3,663 participants during the first half of the year; 3,896 participants during the Improvement Month)</div> <div>• Held various compliance seminars (Anti-monopoly Act: 11 seminars with a total of 406 participants, Subcontract Act: 16 seminars with a total of 365 participants)</div> <div>• Held compliance meetings in each site using the Code of Business Ethics and its explanatory materials which are translated into local languages</div> <div>• Responded appropriately to natural disasters (earthquakes, typhoons, heavy rain, etc.)</div> <div>• Responded to the COVID-19 pandemic (including the revision of guidelines)</div> <div>• Conducted risk assessments (100% of locations in Japan, 91.7% of locations overseas)</div> <div>• Encouraged the formulation of disaster response manuals at bases in Japan (90.5% of bases have created manuals)</div> <div>• BCP questionnaire for initial earthquake response at domestic sites (response rate: 100%)</div> <div>• Establishment of information system BCP system (measures to combat cyber attacks, etc.)</div> <div>• Volunteer leave system (three employees took volunteer leave)</div>	B

Addressing Climate Change — Information Disclosure Based on the TCFD Recommendations

The Toyo Ink Group understands that the response to climate change is a material management issue with a huge impact on business activities. We expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) in November 2020. In March 2023, we also announced our participation in the Japan Climate Initiative (JCI) in Japan. We are currently engaged in a number of activities to address climate change based on the Sustainability Vision “TSV2050/2030” at the core of the Group’s sustainability strategy, such as working to reduce CO₂ emissions with the aim of achieving carbon neutrality by FY2050.

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

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

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

Governance

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

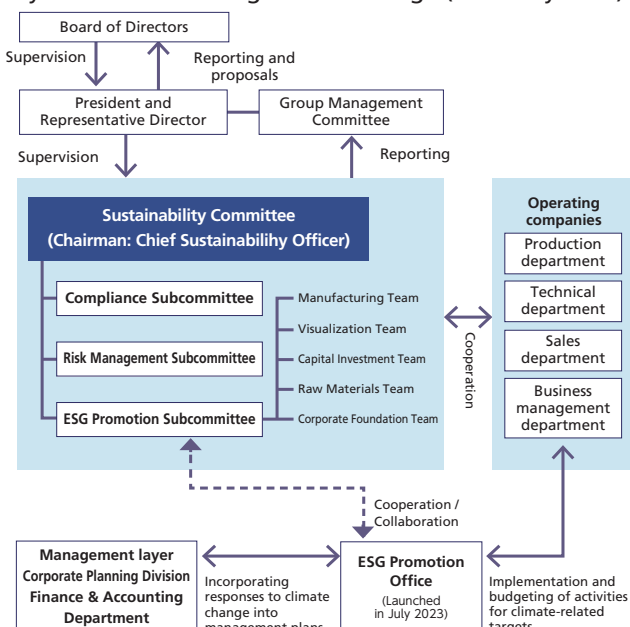
The President and Representative Director oversees the Sustainability Committee as the chief supervisor for the Group's response to climate change, taking ultimate responsibility for management decisions relating to climate change and appointing a Chief Sustainability Officer as the executive officer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

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

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

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

System for addressing climate change (after July 2023)



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

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

Risk Management

Risk / Opportunity Management Process

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

ment process as for corporate risks in general.

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

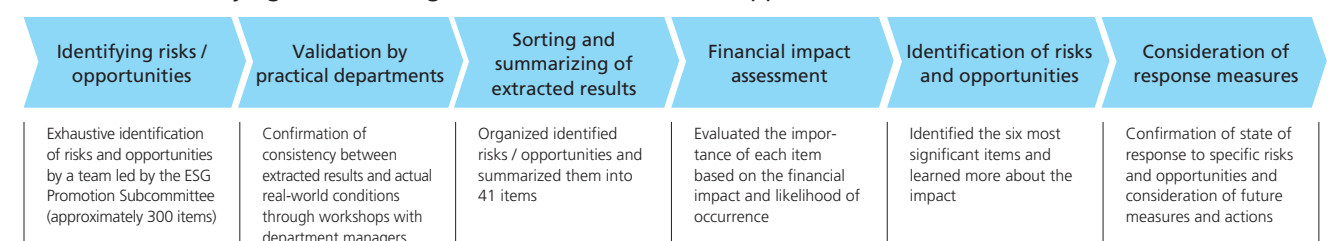
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Process for identifying and assessing risks / opportunities

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

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

Process for identifying and assessing climate-related risks and opportunities



Strategy

Basic policies and strategies

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

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

Basic policy on activities to address climate change

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

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

Addressing Climate Change — Information Disclosure Based on the TCFD Recommendations

Strategy

Scenario analysis

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

Group were shown, qualitatively, in three stages.

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

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

Financial impact: 3=impact of several billion JPY or higher; 2=impact of around one billion JPY; 1=impact of less than one billion JPY
Likelihood of occurrence: 3=already occurring at the present time, or almost certain to occur in the future; 2=relatively high likelihood of occurrence; 1=low likelihood of occurrence
Period of increase in impact: Short-term = around 1 year (period of annual plan) Medium-term = around 3 years (period of medium-term management plan)
Long-term = around 10 years (interim target year of TSV2050/2030 = period up to FY2030)
For our 1.5°C scenario, we refer to the IEA World Energy Outlook: Net Zero Emission by 2050 Scenario and IPCC: SSP1-1.9 scenario.
For our 4°C scenario, we refer to IEA World Energy Outlook: Stated Policy Scenario and IPCC: SSP5-8.5 scenario.
Scope of analysis: Existing businesses of the entire Group and new businesses anticipated at this time

Quantitative analysis① Amount of impact from carbon taxes

As a Group whose main business is chemical manufacturing, and which has a large amount of CO₂ emissions from its production activities, we recognize that the introduction of carbon taxes in the regions where we operate both in Japan and overseas will have a strong impact on the Group’s finances.

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

sustainability vision formulated and disclosed in January 2022—CO₂ emissions: 35% reduction in Japan (from the fiscal 2020 level,) 35% reduction in other countries (compared to the fiscal 2030 BAU)—will reduce the financial impact of carbon taxes. For both scenarios used in the analysis, we confirmed that achieving the TSV2030 targets would reduce the impact by approximately 38%.

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

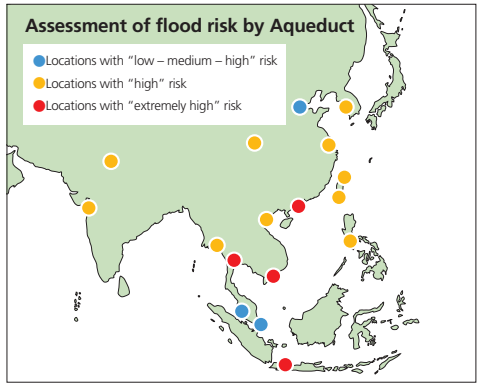
* For a carbon tax per ton of emissions, we referred to the IEA World Energy Outlook 2021. The 1.5°C scenario quotes the carbon tax price for developed countries given by the Net Zero Emission by 2050 Scenario, while the 4°C scenario quotes the EU carbon tax price given by the Stated Policy Scenario.
* The FY2030 BAU assumes that domestic and overseas activity (net sales) will increase by 15% and 23%, respectively, in comparison with FY2020, and that emissions intensity will remain unchanged from FY2020.

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

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

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

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



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

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

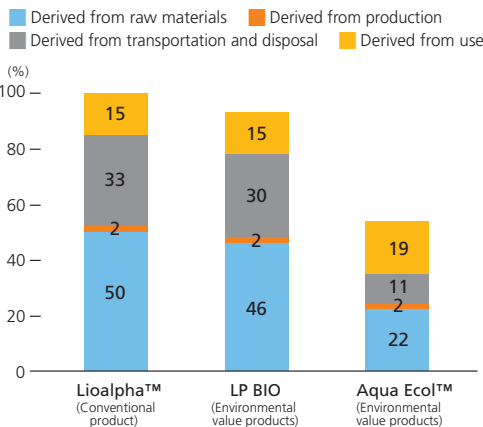
*1 Under the climate scenario of a 4°C rise at the end of the 21st century, we assumed that floods would occur on a scale of about once every 100 years.
*2 We set damage ratios for each depth of inundation (flooding,) and estimated the amount of damage to buildings, equipment, and inventory at each business site.
*3 We set an average number of shutdown days for each depth of inundation, estimated the number of days of shutdown for each affected site, and estimated the amount of opportunity losses.

Quantitative analysis③ Reducing CO₂ emissions by using environmental value product lines that contribute to sustainability

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

The environmental value products line is a set of functional products that can reduce environmental impact throughout the product lifecycle, such as through the use of low-carbon raw materials, product weight reduction (achieving the same performance as conventional products with less amounts used,) and energy saving during use. As an example, we have quantified the reduction rate for CO₂ emissions that can be achieved by shifting to biomass and water-based raw materials of gravure inks for packaging materials, which the Group is working to achieve.

CO₂ emission reduction effects when using environmental value products (gravure inks for packaging materials)



Human Rights Management Supporting Sustainable Growth

Basic approach

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

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

Formulation of a human rights policy

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

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

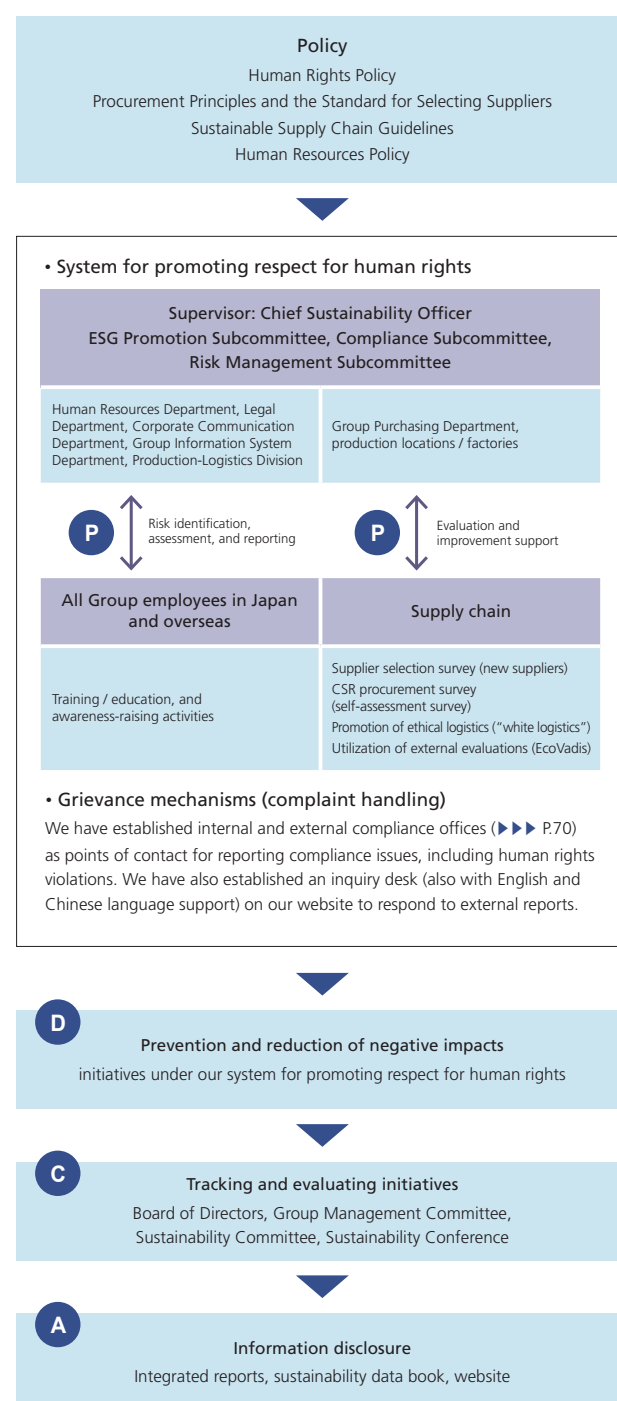
 Our Human Rights Policy, Procurement Principles and Standard for Selecting Suppliers are posted under CSR Related Policies in the CSR section of the Company's website.

System for promoting respect for human rights

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

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

Overview of human rights initiatives



Global response to human rights issues

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

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

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

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

Creating a responsible supply chain

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

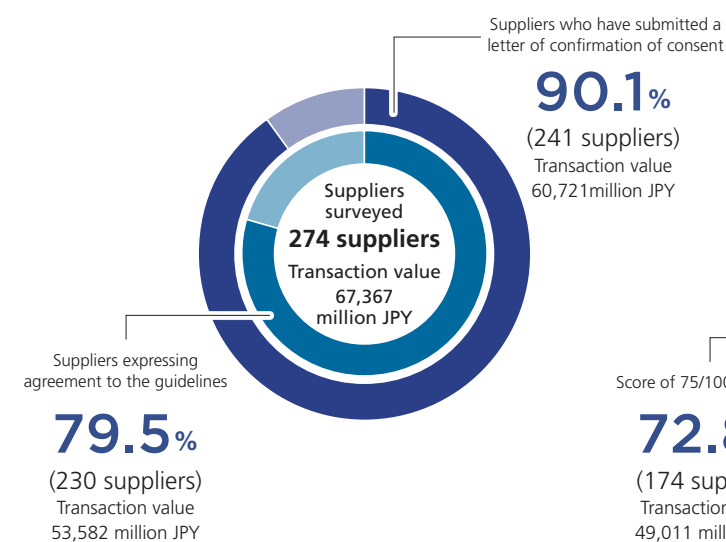
In FY2022, we distributed guidelines to 274 Japanese suppliers under the supervision of the Group Purchasing Department, requested them to submit a letter of consent regarding the contents, and conducted a questionnaire-based survey to confirm the actual state of implementation of CSR at each supplier.

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

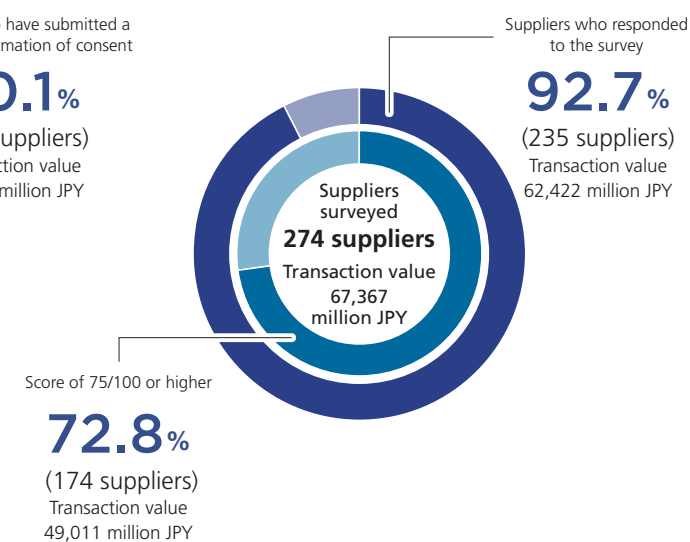
sent from 241 companies, and responses from 235 companies in the questionnaire-based survey. A total of 230 suppliers consented to the guidelines, equivalent to 79.5% based on transaction value. The questionnaire was conducted using the GCNJ (Global Compact Network Japan) CSR Procurement Self-Assessment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

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Status of consent to the guidelines



State of response to the survey



Colorants and Functional Materials Business

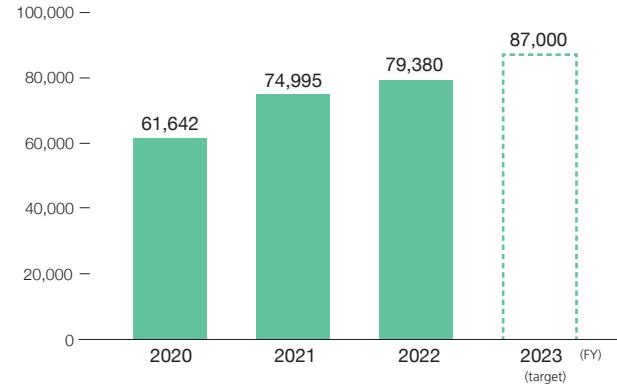
Pursuing technologies to achieve colors and functionality, with organic pigments as the starting point

Changes in performance

(As of February 2023)

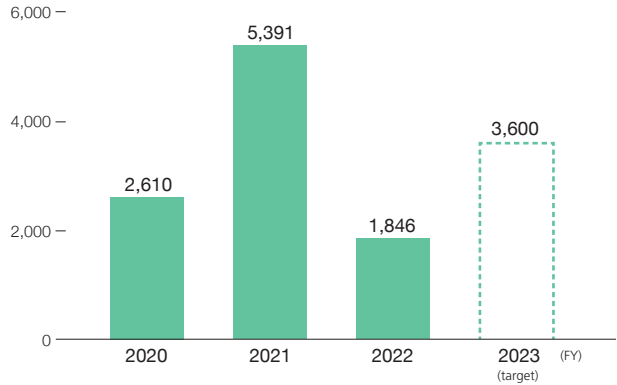
Net sales

(million JPY)



Operating profit

(million JPY)



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

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

SWOT analysis

《 Positive factors 》

《 Negative factors 》

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

Colorants and Functional Materials Business Management message

► FY2022 results

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

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

► Priority measures for FY2023

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

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

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

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

Hideki Okaichi
President and
Representative Director
Toyocolor Co., Ltd.



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

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

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

Topics of priority measures

Improving recycling efficiency — Reduction of CO₂ emissions in recycling by reducing time required —

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

Toyocolor Co., Ltd. has developed a new product to encourage the recycling of PET resin, a key raw material for PET plastic bottles and other products. The addition of this product during the PET recycling process significantly reduces the time taken to transform collected PET into new PET resin. In this way, we can contribute to the widespread recycling of PET and reduce energy usage and CO₂ emissions in the recycling process. We will be supplying this product not only

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



Polymers and Coatings Business

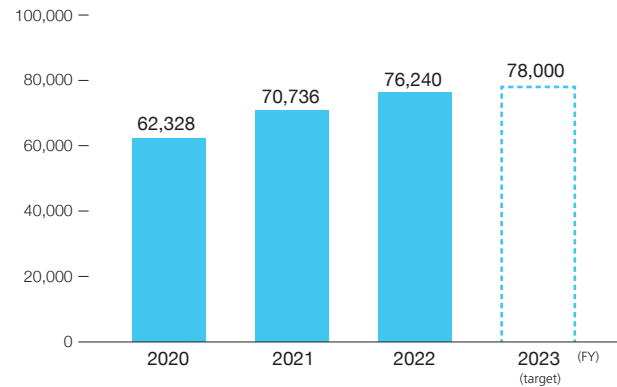
Providing value to diverse markets based on polymers with greater functionality

Changes in performance

(As of February 2023)

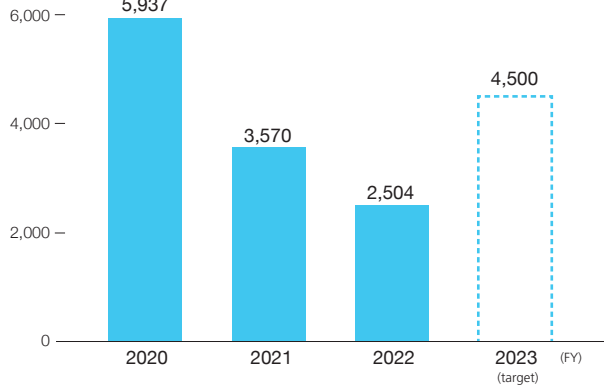
Net sales

(million JPY)



Operating profit

(million JPY)



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

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

SWOT analysis

《 Positive factors 》

《 Negative factors 》

Internal factors	<div><div><div>S</div><div>Strength</div></div><ul style="list-style-type: none">Advanced technological capabilities in precision polymer synthesis, dispersion stabilization, precision coating and processingIntegrated production from self-produced materials (polymers) to adhesive manufacture and coating</div>	<div><div><div>W</div><div>Weakness</div></div><ul style="list-style-type: none">Business earning structure susceptible to fluctuations in raw material pricesScale of operations and supply capabilities is small compared to that of major global manufacturers</div>
	<div><div><div>O</div><div>Opportunity</div></div><ul style="list-style-type: none">Expansion of new markets as a result of changes in industry structure due to new environmental regulations (5G, EVs, secondary batteries, semiconductors, biotechnology and sensors)Growth in demand for environmentally friendly products resulting from increasing global environmental awareness</div>	<div><div><div>T</div><div>Threat</div></div><ul style="list-style-type: none">Toughening of environmental regulations and increasing social demands (abandoning the use of plastics, recycling, solvent emission regulations and CO₂ emission regulations)Sharply rising raw material prices and difficulty in procuring raw materialsThe rejection of materials and fiercer competition resulting from changes in the specifications of smartphones and other electronics products</div>

Polymers and Coatings Business

Management message

► FY2022 results

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

► Priority measures for FY2023

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

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

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



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

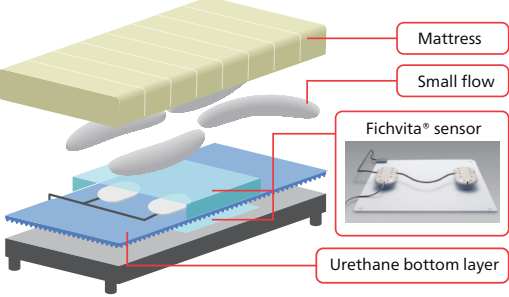
next phase of expansion for sites in India and North America, which are already close to full operation. In can coatings, we aim to expand our market share in South-east Asia by developing products that meets local needs by leveraging synergies with Thai Eurocoat Ltd., a food-can coating company acquired by the Group in Thailand. For medical products at the newly completed plant in Moriyama, we will work to develop new products using equipment that complies with the latest regulatory requirements. We will also utilize the new polymer (pilot) building in Kawagoe—which will start operations this fiscal year—to accelerate the development of new polymers for use in semiconductor-related materials and EVs. At the same time, we will expand our environment-friendly product lineup to reduce CO₂ emissions and shift away from the use of plastics.

Topics of priority measures

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

Paramount Bed Co., Ltd.’s bedsores-preventing air mattress Kokochia Riraku Flow equipped with the non-optical sensing system Fichvita®—developed by the Toyo Ink Group—incorporates an industry-first sensor function that automatically detects the user’s posture. It has been very well received, and sales have been increasing steadily since its launch in 2020. Fichvita®—which was created through the combination of coating technologies cultivated in the development of electromagnetic shielding materials and new electronic circuit design technologies—is being developed through customized development (adjustment) to enable it to work optimally in conjunction with customer products. Since it enables sensing that is fully integrated into daily life, without collecting personal information

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



Packaging Materials Business

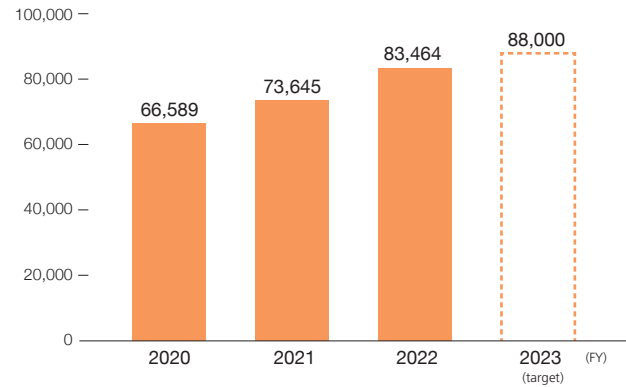
Providing eco-conscious packaging materials in view of a product's entire lifecycle

Changes in performance

(As of February 2023)

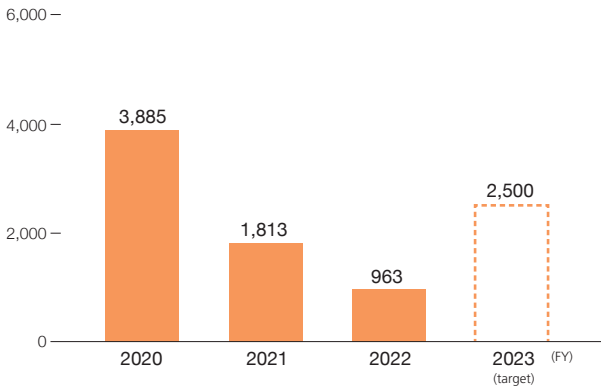
Net sales

(million JPY)



Operating profit

(million JPY)



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

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

SWOT analysis

	《 Positive factors 》	《 Negative factors 》
Internal factors	<div><div><div>S</div><div>Strength</div></div><ul style="list-style-type: none">Technical capabilities to design and develop pigments, resins, inks, platemaking technologies and laminating adhesivesIntegrated production system and quality control capabilities covering all stages from materials to productsAbility to respond promptly to customers through in-house print prototyping of flexible packaging films and evaluation technologies</div>	<div><div><div>W</div><div>Weakness</div></div><ul style="list-style-type: none">Easily affected by rising raw material prices, making it difficult to revise prices quicklyLow-level market presence in Western markets</div>
External factors	<div><div><div>O</div><div>Opportunity</div></div><ul style="list-style-type: none">Population growth in emerging countries and consequent continued growth in overall demand for packaging materialsChanges in the forms and functions demanded of packaging materials as a response to the SDGs and the circular economy, and the shift from plastic to paper and metal</div>	<div><div><div>T</div><div>Threat</div></div><ul style="list-style-type: none">Trend toward abandoning the use of ink, and adhesives as a response to the SDGs and circular economyWidespread popularization of recyclable materials and configurations accompanying the movement to eliminate or reduce the use of plastics, and reduce CO₂ emissions</div>

Packaging Materials Business

Management message



Masato Yanagi
President and
Representative Director
Toyo Ink Co., Ltd.

► FY2022 results

The primary products in this business segment are gravure inks, which are primarily used for food packaging printing. For this reason, stable shipments are expected to continue even in the midst of a recession, and overseas markets in particular are expected to expand in line with population growth. With rising global environmental awareness, there are also growing needs in Japan for biomass inks, which are environmentally friendly products, as well as water-based inks and solvent-free laminating adhesives, which are expected to help reduce CO₂ emissions. There is also a growing overseas trend toward the use of paper packaging materials and mono-materials, with a view to reducing plastic usage.

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

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

► Priority measures for FY2023

Growth investments and price revisions in overseas markets

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

By leveraging these strengths, we will continue to

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

Topics of priority measures

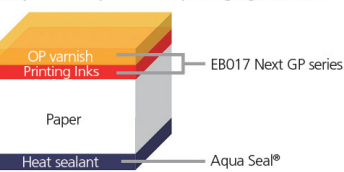
Heat sealant made of biodegradable resin originating entirely from biomass

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

Amid growing interest in environmental issues, paper is attracting renewed attention as one measure to reduce plastic usage and CO₂ emissions, and efforts to use paper are also becoming more widespread in packaging materials. As part of such efforts, we have developed environmentally friendly paper packaging materials in partnership with Ajinomoto Co., Inc., ITOCHU Corporation, and ITOCHU PLASTICS INC. This packaging material uses Aqua Seal®, a heat sealant made from 100% biodegradable resin derived entirely from biomass, and printing inks and OP varnish made mainly from biodegradable polylactic acid resin originally developed by our company.

There is currently a strong desire to create a sustainable

[Layered composition of packaging materials]



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

Printing and Information Business

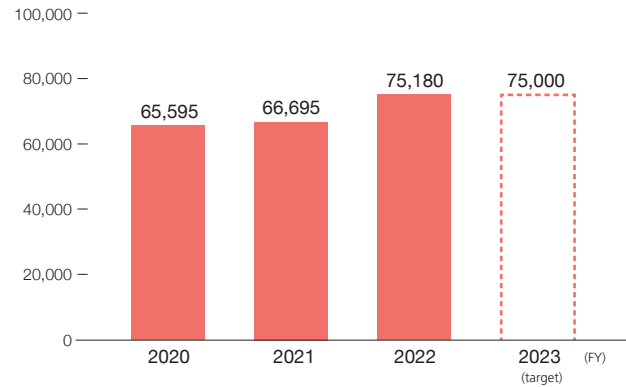
Deploying products in the high-value added printing market featuring environmentally friendly technologies and technologies that enable superior functionality

Changes in performance

(As of February 2023)

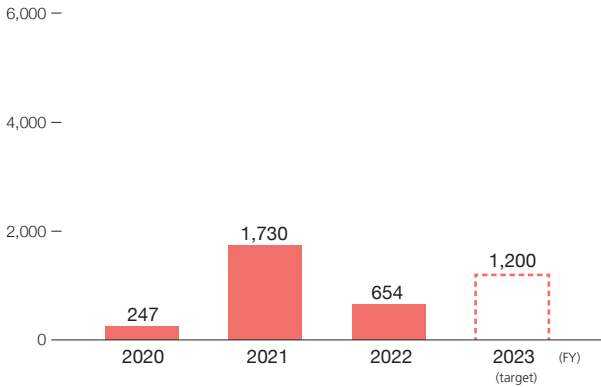
Net sales

(million JPY)



Operating profit

(million JPY)



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

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

SWOT analysis

《 Positive factors 》

《 Negative factors 》

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

Printing and Information Business

Management message

► FY2022 results

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

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

Masato Yanagi
President and
Representative Director
Toyo Ink Co., Ltd.



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

► Priority measures for FY2023

Strengthening structural reforms and expanding sales of functional inks

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

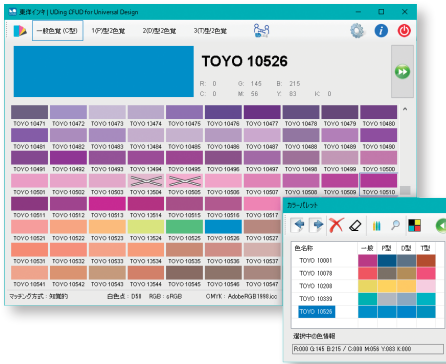
At the same time, UV curing inks, metal decorating inks and screen inks—referred to as functional inks—are printing inks that target markets with high added value, which are expected to display growth in sales volume in the future. In the field of UV curing inks, we aim to further expand sales of environmentally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

Topics of priority measures

Launch of Color Universal Design tool Lioatlas® CFUD subscription service — Achieving “barrier-free” color —

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

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



Round Table Discussion on Corporate Governance

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



Tomoko Adachi
Independent Outside
Director

Satoru Takashima
President and Representative Director,
Group CEO

Yutaka Yokoi
Leading Independent
Outside Director

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

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

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

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

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

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

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

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

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

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

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

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

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

What is governance, as a global corporate group?

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

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

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

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

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

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



Round Table Discussion on Corporate Governance



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Top Management

(As of March 23, 2023)



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

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

App. & Rem.

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



Satoru Takashima
President and Representative Director,
Group CEO
Born April 18, 1960 (age 62)

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

App. & Rem.

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



Tetsuaki Sato
Director in charge of Quality Assurance,
Production, Environment, Sustainability
and Purchasing
Division Director of Production-Logistics Division
Born March 9, 1961 (age 62)

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

New

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



Toshiaki Hirakawa
Director
Audit and Supervisory Committee member (full-time)
Born September 13, 1958 (age 64)

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

Audit

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



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

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

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



Shingo Kaneko
Outside Director
Born November 25, 1950 (age 72)

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

Outside

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



Yutaka Yokoi
Leading Independent Outside Director
Audit and Supervisory Committee member
Born January 10, 1955 (age 68)

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

Outside Independent Audit App. & Rem.

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



Keiko Kimura
Independent Outside Director
Audit and Supervisory Committee member
Born October 13, 1959 (age 63)

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

Outside Independent Audit App. & Rem.

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



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

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

Outside Independent App. & Rem.

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



Tomoko Adachi
Independent Outside Director
Born March 10, 1954 (age 69)

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

Outside Independent

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



Minoru Matsumoto
Independent Outside Director
Audit and Supervisory Committee member
Born February 16, 1957 (age 66)

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

Outside Independent Audit

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

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

Corporate Governance

Basic approach

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

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

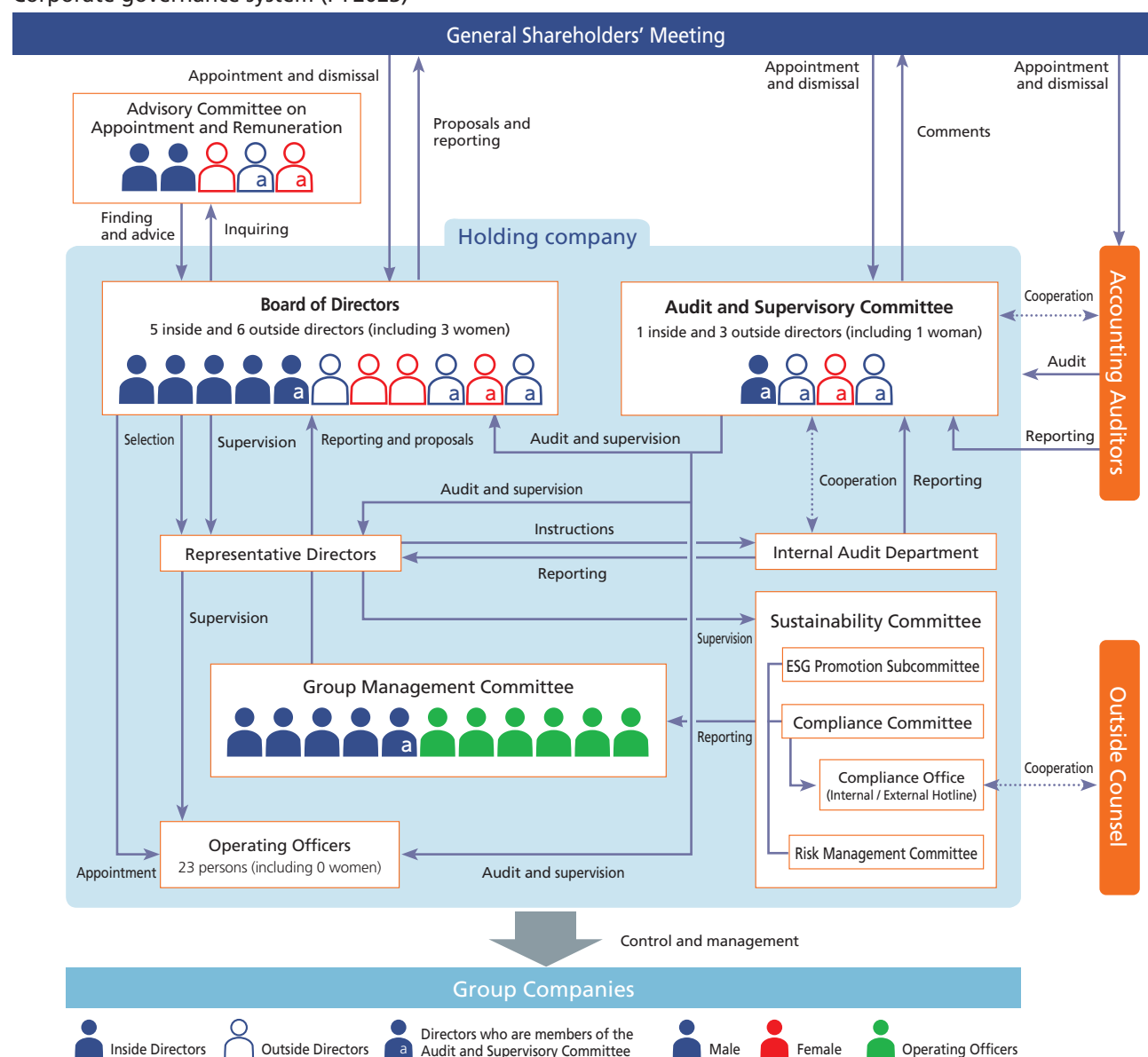
Additionally, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., the core operating companies of the group, each have an Operating Company Management Committee that regularly meets to share management policies and strategies, and discuss issues and achievements regarding the execution of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

Basic Corporate Governance Policies

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

Established November 2015, Revised March 2022

Corporate governance system (FY2023)



Key Organizational Units and Meeting Bodies and their Roles

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

Members of major meeting bodies related to corporate governance (As of March 23, 2023) ◎: Chairman ○: Member

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

Corporate Governance

Expertise and careers (skills matrix) of directors

The Board of Directors is composed of a diverse range of directors with a wealth of experience and specialized knowledge. We use a skills matrix to set areas of particular expectation, to enable useful supervision and advice on management issues.

Expertise and careers (skills matrix) of directors

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

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

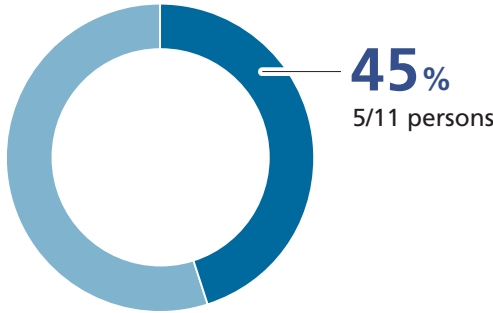
Details of each skill and reason for selection

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

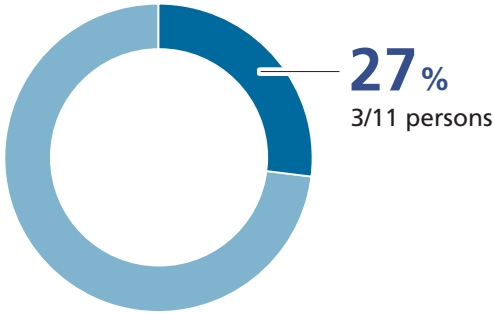
Roles expected of outside directors and details of duties

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

Percentage of independent outside directors



Percentage of female directors



Corporate Governance

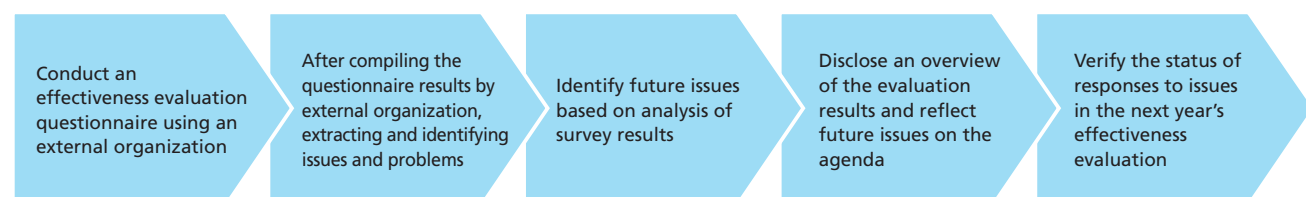
Evaluation of the effectiveness of the Board of Directors

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

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

Outline of evaluation of effectiveness

< Implementation process >



< Target participants >

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

< Evaluation method >

Anonymous questionnaire

< Survey period >

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

< Survey question items >

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

Facilitating animated discussion by the Board of Directors

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

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

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

< Improvements from the previous survey >

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

< Evaluation results and issues >

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

Training of directors and operating officers

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

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

Succession planning plan for chief executive officers, etc.

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

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

Appointment and dismissal of senior management and nomination of director candidates

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

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

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

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

Supporting System for Outside Directors

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

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

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

Approach to cross-shareholdings

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

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

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

▶▶▶P.30

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

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

* Stocks other than unlisted stocks

Corporate Governance

Remuneration system for officers

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

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

Policies on the remuneration of officers

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

Process for determining remuneration for officers

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

Overview of Officer Remuneration

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

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

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

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

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

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

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

Risk Management

Basic approach

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

Action Policies on Risk Management

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

Risk management system

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

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

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

Major activities in FY2022

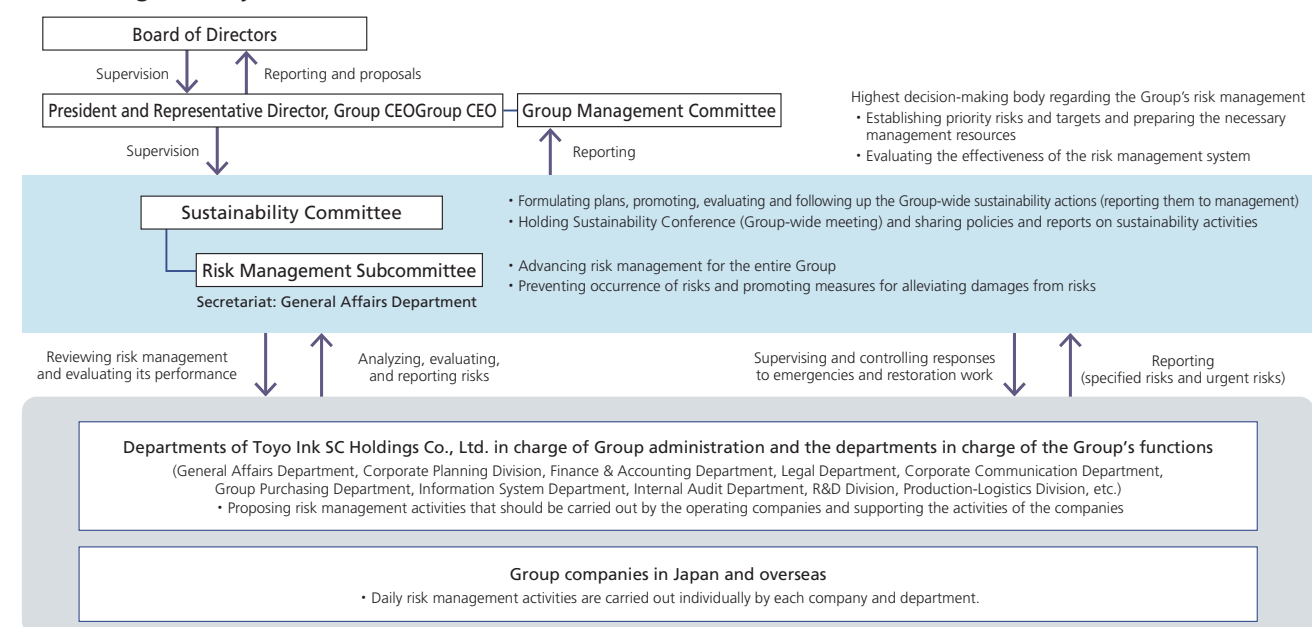
In fiscal 2022, we reviewed the functions of the Risk Management Subcommittee, rebuilt the risk management system, and examined and shared information on new issues such as (1) analysis and sharing of information on expected issues (accidents, disasters, and quality assurance,) (2) reaffirmation of disaster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

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

Internal controls

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

Risk management system (FY2023)



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

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

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

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

Basic approach

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

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

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

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

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

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

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

- **Compliance meetings in each site (from March to June)**
We held meetings at numerous locations in Japan (3,663 participants,) using materials that are used Group-wide, to promote the identification of new compliance issues and the formulation and implementation of solutions.
- **Compliance Improvement Month held in October**
We held meetings at each operation site (3,896 participants.) We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks. In addition, we sent the Toyo Ink Group's Code of Business Ethics and its explanatory materials, which are translated into local languages, to all representatives at overseas affiliates, and requested that they hold compliance meetings including local staff, and strengthen their awareness of compliance.

< Programs tailored to each grade / level and job function >
Compliance seminar for new employees (held once a year)
Advance training for overseas assignments (held twice a year)
< Theme-based programs >
Antimonopoly Act seminar (11 sessions, 406 participants)
Subcontracting Act seminar (16 sessions, 365 participants)

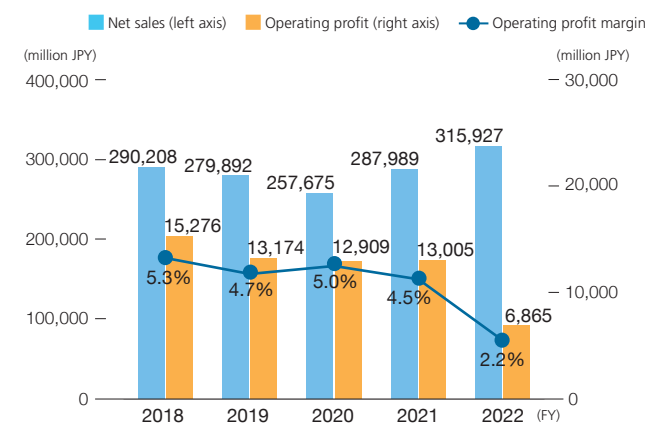
In FY2022, we conducted a questionnaire—based on Q&A previously published by the Japan Fair Trade Commission—to check whether transactions are being conducted in compliance with the Subcontract Act, at all Group companies which engage in transactions subject to the Subcontract Act. As a result, we found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

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.”

Data Highlights

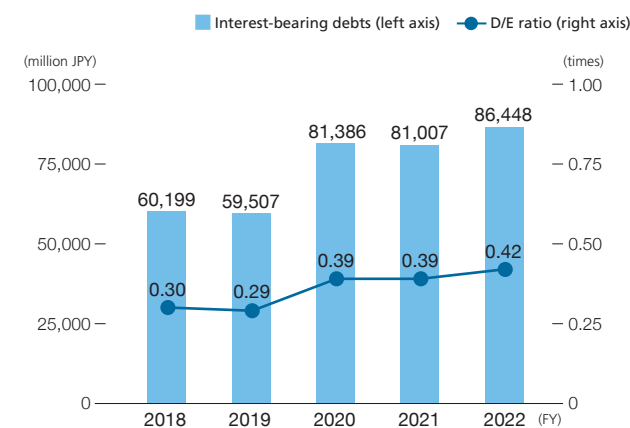
Financial Highlights

Net sales, operating profit, operating profit margin



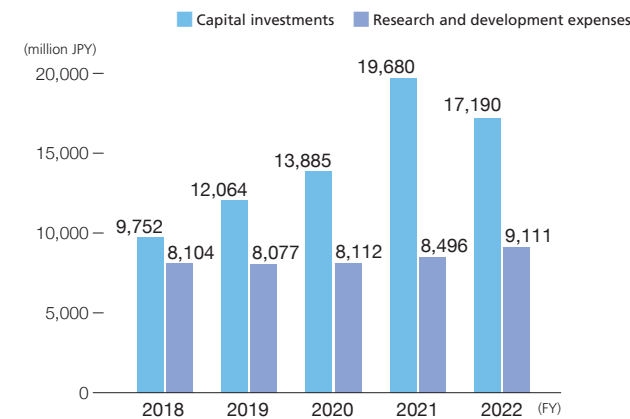
Net sales reached a record high due to the impact of currency fluctuations, but operating profit fell sharply due to soaring raw material prices, rising energy costs, delays in passing on prices, and a deterioration of the electronics market during the second half of the year.

Interest-bearing debts, D/E ratio



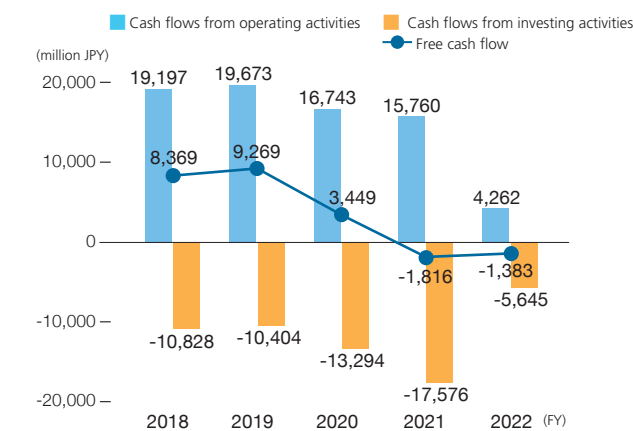
Interest-bearing debts increased by 5,441 million JPY from the end of the previous fiscal year. The D/E ratio has also increased slightly. This increase was due to borrowings such as funds for the construction of new plants overseas.

Capital investments, research and development expenses



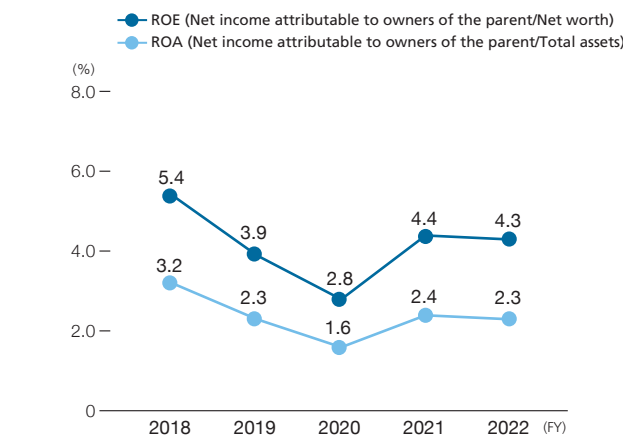
In order to create more priority areas of development under Policy (2) of the medium-term management plan, we continued to make investments such as for the creation of a supply system for materials for automotive LiBs, although the total amount of investments was less than in the previous year.

Cash flows



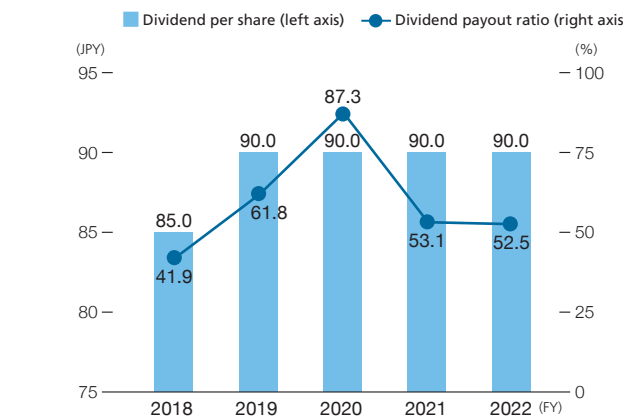
While cash flows from operating activities decreased slightly due to an increase in inventory assets, causing a decrease in cash flows from investing activities, free cash flow amounted to an outflow of 1,383 million JPY.

ROE, ROA



Profit attributable to owners of parent decreased slightly year on year, resulting in lower ROE and ROA than the previous year.

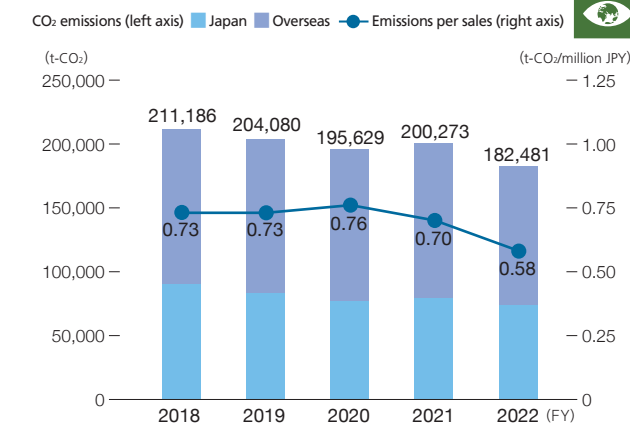
Dividend per share, dividend payout ratio



Based on our basic policy of continuing to pay stable dividends, we set the minimum dividend amount at 90 JPY per year during the SIC-II period.

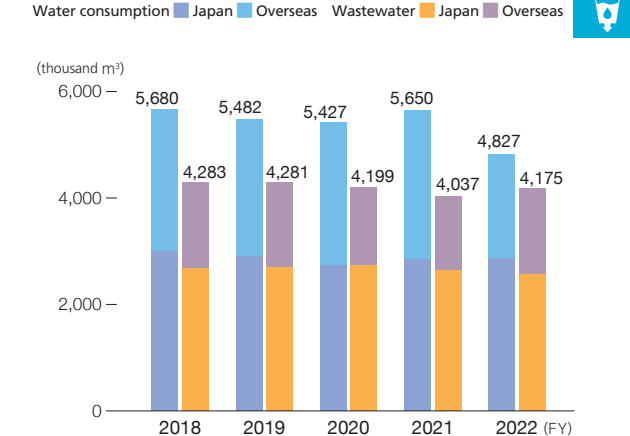
Non Financial Highlights

CO₂ emissions



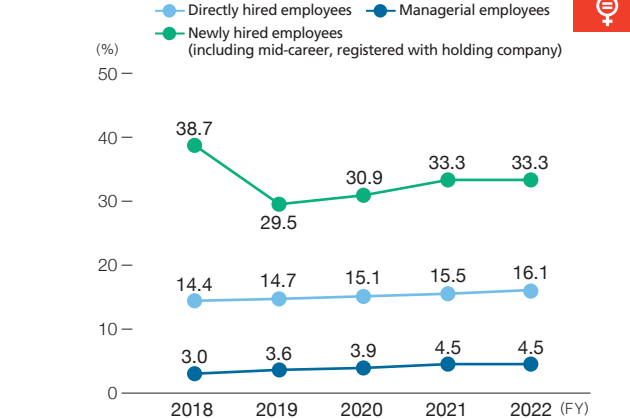
In TSV 2050/2030, we have set the target of reducing total domestic and overseas CO₂ emissions to 145,000t-CO₂ by FY2030.

Water consumption and wastewater



We are striving to reduce the water consumption through measures such as reusing water as process water (reaction solvents, washing water, etc.) after using it as cooling water.

Percentage of female employees (Japan)

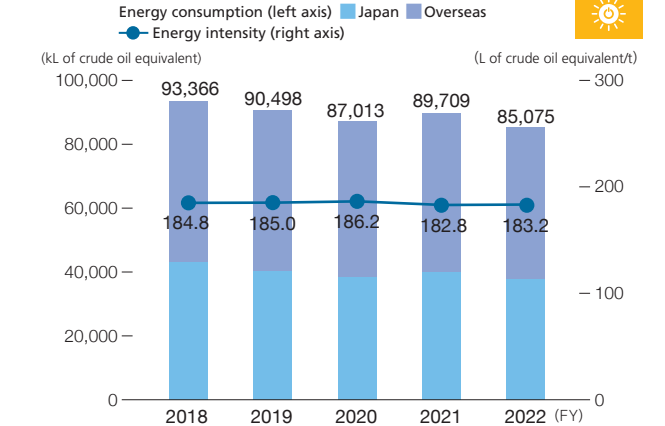


Our Declaration of Active Participation of Women stipulates that the ratio of women among newly hired employees in Japan (including mid-career hires) shall be at least 30%, and that the percentage of female managers shall be at least 8% or higher.

* The percentage of female employees is calculated as of the end of the fiscal year for directly hired (full-time and part-time) and newly hired employees (including mid-career hires.) For managerial employees, it is calculated as of January of the following year.

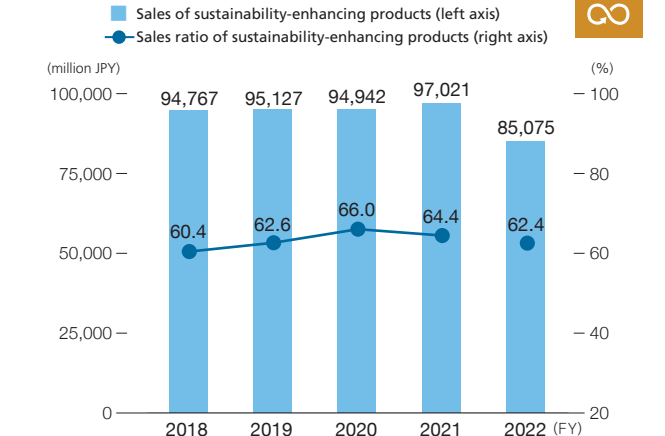
* The frequency rate of accidents requiring time off work is calculated based on the number of accidents requiring time of work by direct employees and temporary employees of the Group. The number of accidents requiring time off work at contractors is not included.

Energy consumption



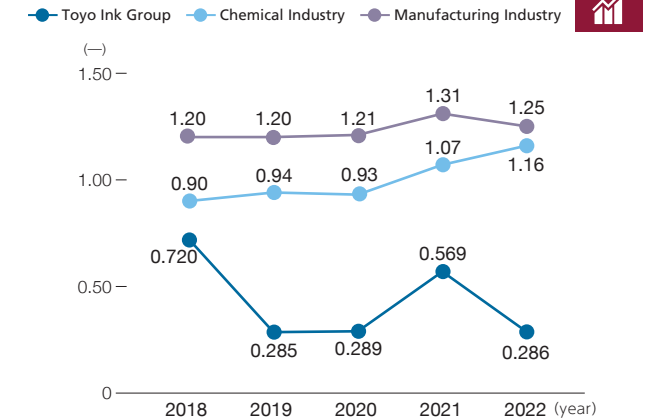
Energy consumption decreased due to a year-on-year decline in production volume, while specific energy consumption (intensity) increased slightly due to a decrease in capacity utilization rates.

Sales of sustainability-enhancing products



As of fiscal 2022, we have changed the definition of products that contribute to sustainability based on TSV2050/2030 and aggregated sales data accordingly. The values up to fiscal 2021 are net sales and sales composition ratio of conventional environmentally friendly products.

Lost-workday injury frequency rate (Japan)



In FY2022, there were two lost-workday injuries and the frequency rate decreased from the previous fiscal year, but below that of the chemical industry as a whole, and the manufacturing industry as a whole.

Financial Information

Key Consolidated Financial Data (11 years)

		March 2013	March 2014	March 2015	March 2016		March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	(million JPY)	248,689	279,557	286,684	283,208		268,484	240,344	290,208	279,892	257,675	287,989	315,927
Operating profit	(million JPY)	17,547	19,728	18,210	18,236		19,231	16,774	15,276	13,174	12,909	13,005	6,865
Ordinary profit	(million JPY)	18,468	20,553	19,411	18,466		19,262	17,473	15,429	13,847	12,543	15,442	7,906
Profit attributable to owners of parent	(million JPY)	8,714	12,260	13,304	11,818		12,702	10,376	11,847	8,509	6,019	9,492	9,308
Comprehensive income	(million JPY)	18,169	30,351	32,605	5,196		13,179	16,371	-2,441	10,675	-3,993	19,892	11,705
Net assets	(million JPY)	161,322	186,608	213,756	211,859		216,979	228,384	221,091	226,892	217,325	226,947	227,877
Total assets	(million JPY)	299,571	336,601	364,262	359,395		364,066	378,459	371,610	376,130	380,227	406,896	411,177
Net assets per share*2	(JPY)	2,628.10	3,031.96	3,473.08	3,442.76		3,608.23	3,792.89	3,668.36	3,757.35	3,589.24	3,911.64	4,133.90
Profit per share (Basic)*2	(JPY)	146.02	205.46	222.98	198.09		214.98	177.73	202.93	145.72	103.06	169.36	171.49
Profit per share (Diluted)*2	(JPY)	—	—	—	198.05		214.84	177.53	202.60	145.44	102.85	169.09	171.30
Total shareholders' equity ratio	(%)	52.4	53.7	56.9	57.2		57.9	58.5	57.6	58.3	55.2	53.7	53.3
Interest-bearing debts	(million JPY)	71,059	74,441	66,924	68,786		64,759	61,772	60,199	59,507	81,386	81,007	86,448
Return on total shareholders' equity ratio*3	(%)	5.8	7.3	6.9	5.8		6.1	4.8	5.4	3.9	2.8	4.4	4.3
Return on total assets ratio*4	(%)	3.0	3.9	3.8	3.3		3.5	2.8	3.2	2.3	1.6	2.4	2.3
Price earnings ratio	(times)	15.1	10.1	12.6	11.4		12.5	18.8	12.0	18.3	19.1	11.4	10.5
Cash flows from operating activities	(million JPY)	17,460	17,603	25,702	25,727		23,370	18,663	19,197	19,673	16,743	15,760	4,262
Cash flows from investing activities	(million JPY)	-14,363	-13,249	-6,198	-17,457		-10,611	-5,912	-10,828	-10,404	-13,294	-17,576	-5,645
Cash flows from financing activities	(million JPY)	-1,465	-7,305	-13,585	-5,817		-11,231	-8,355	-5,695	-6,247	16,221	-11,988	-8,102
Balance of cash and cash equivalent	(million JPY)	35,333	34,723	42,546	43,744		44,132	49,262	50,958	53,765	73,117	60,949	53,385
Dividend payout ratio	(%)	41.1	31.6	32.5	39.1		37.2	45.0	41.9	61.8	87.3	53.1	52.5
Number of employees	(employees)	7,469	7,781	7,919	8,116		8,021	8,135	8,274	8,246	8,157	7,887	7,930

*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

*2 The Company implemented a consolidation of its common stock at the ratio of five shares to 1 share on July 1, 2018. Accordingly, the above figures have been calculated assuming such share consolidation was conducted at the beginning of the fiscal year ended March 2010.

*3 Return on equity (%) = Net income attributable to owners of the parent / Net worth

*4 Return on asset (%) = Net income attributable to owners of the parent / Total assets

Overseas Sales*2 (11 years)

		March 2013	March 2014	March 2015	March 2016		March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
Asia	(million JPY)	72,790	95,018	101,550	101,329		86,992	95,699	106,304	101,361	94,252	113,523	125,627
The Americas	(million JPY)	9,732	11,863	13,983	15,275		13,660	13,940	14,909	14,386	13,286	16,430	23,056
Europe	(million JPY)	1,628	5,171	7,464	7,581		12,212	12,825	12,912	12,393	11,562	13,098	17,306
Africa	(million JPY)	134	254	401	434		309	461	513	576	510	644	862
Total	(million JPY)	84,286	112,308	123,399	124,621		113,175	122,926	134,639	128,718	119,613	143,696	166,853
Overseas sales ratio	(%)	33.9	40.2	43.0	44.0		42.2	51.1	46.4	46.0	46.4	49.9	52.8

*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

*2 Overseas sales include sales of Toyo Ink SC Holdings and its consolidated subsidiaries in countries or regions other than Japan (excluding internal sales among consolidated subsidiaries.)

Financial Information

Segment Information

Segment Information by Business Group

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
(Unit: million JPY)											
Net Sales											
Colorants and Functional Materials Business	66,846	76,414	78,465	71,878	65,935	63,385	74,660	67,400	61,642	74,995	79,380
Polymers and Coatings Business	51,010	56,742	59,495	60,894	58,325	52,028	66,099	65,887	62,328	70,736	76,240
Packaging Materials Business	56,160	62,530	63,114	64,623	62,965	55,640	68,047	68,071	66,589	73,645	83,464
Printing and Information Business	75,131	85,527	87,468	87,439	81,651	69,011	79,378	76,680	65,595	66,695	75,180
Others	5,895	5,403	5,704	5,980	6,115	5,166	7,228	7,291	6,229	5,746	4,948
Adjustment	-6,355	-7,061	-7,564	-7,608	-6,509	-4,889	-5,205	-5,439	-4,708	-3,831	-3,287
Total consolidated	248,689	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
(Unit: million JPY)											
Operating income (loss)											
Colorants and Functional Materials Business	7,630	8,140	7,290	4,227	4,604	5,273	5,329	3,386	2,610	5,391	1,846
Polymers and Coatings Business	3,400	3,428	3,646	5,547	6,641	5,868	6,035	6,013	5,937	3,570	2,504
Packaging Materials Business	2,174	1,982	1,768	2,723	2,871	2,096	1,491	3,058	3,885	1,813	963
Printing and Information Business	3,329	4,263	2,639	2,977	3,317	2,996	931	314	247	1,730	654
Others	948	1,890	2,833	2,754	1,777	541	1,481	424	234	531	890
Adjustment	63	23	33	5	18	-1	6	-23	-7	-30	5
Total consolidated	17,547	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865

* Intersegment transactions and Company-wide expenses have not been deducted from the figures for each business segment above.

*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

Segment Information by Location

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
(Unit: million JPY)											
Net Sales											
Japan	186,378	192,946	188,973	181,884	176,297	134,961	181,666	175,513	161,798	173,526	176,986
Asia*2	73,085	95,522	102,163	100,732	86,592	96,331	106,499	101,192	94,478	113,580	126,888
Europe	4,199	10,587	14,190	14,481	18,361	19,988	20,210	19,842	17,954	21,059	26,944
The Americas	9,283	10,881	12,425	14,234	12,825	13,159	14,258	13,992	12,708	16,223	22,711
Adjustment	-24,258	-30,379	-31,068	-28,124	-25,592	-24,096	-32,426	-30,648	-29,264	-36,400	-37,604
Total consolidated	248,689	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022
(Unit: million JPY)											
Operating income (loss)											
Japan	14,765	14,244	12,641	11,885	12,671	9,650	9,602	7,774	6,427	7,268	2,938
Asia*2	3,175	6,241	5,733	6,075	6,176	6,157	5,449	5,671	5,868	4,774	3,657
Europe	131	37	151	359	587	1,030	406	-204	523	1,336	500
The Americas	-396	-563	-353	-135	-106	-101	-145	-207	-57	77	-126
Adjustment	-128	-231	37	52	-96	37	-36	139	147	-450	-103
Total consolidated	17,547	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865

* Inter-regional transactions and Company-wide expenses have not been deducted from the figures for each geographical area above.

*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

*2 Includes Oceania regional net sales and operating profit until 2018.

Financial Information

Gains on property, plant and equipment and intangible fixed assets (by business group)

(Unit: million JPY)

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*	December 2018	December 2019	December 2020	December 2021	December 2022
Colorants and Functional Materials Business	4,630	3,281	4,258	3,130	4,190	2,293	3,615	4,524	4,922	5,185	6,325
Polymers and Coatings Business	2,254	2,923	3,156	2,920	3,254	1,204	1,664	2,129	3,739	8,118	5,618
Packaging Materials Business	2,198	1,663	2,039	4,033	2,807	2,253	2,272	2,347	2,563	4,594	3,373
Printing and Information Business	3,683	9,740	4,189	5,577	4,578	1,341	2,574	3,319	2,781	1,997	2,024
Others	382	178	281	378	254	201	149	247	104	211	144
Total consolidated	13,149	17,788	13,925	16,039	15,085	7,294	10,277	12,567	14,111	20,107	17,486

* In 2017, the company's fiscal year end was changed from March 31 to December 31.

Depreciation by (business group)

(Unit: million JPY)

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*	December 2018	December 2019	December 2020	December 2021	December 2022
Colorants and Functional Materials Business	3,480	3,648	3,731	3,783	3,499	2,869	3,425	3,235	3,353	3,615	3,846
Polymers and Coatings Business	2,045	2,127	2,159	2,207	2,330	1,849	2,295	2,047	2,000	2,207	2,608
Packaging Materials Business	1,327	1,451	1,488	1,666	1,678	1,498	1,558	1,697	1,692	1,773	2,096
Printing and Information Business	1,887	2,092	2,407	2,663	2,809	2,354	2,472	1,931	1,973	1,970	1,993
Others	189	157	170	199	222	160	187	176	167	163	200
Total consolidated	8,929	9,478	9,958	10,520	10,540	8,731	9,939	9,087	9,187	9,731	10,747

* In 2017, the company's fiscal year end was changed from March 31 to December 31.

Research and development expenses (by business group)

(Unit: million JPY)

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*	December 2018	December 2019	December 2020	December 2021	December 2022
Colorants and Functional Materials Business	2,711	3,012	2,950	3,003	2,810	1,997	2,752	2,899	2,912	3,533	3,838
Polymers and Coatings Business	1,622	1,618	1,641	1,625	1,786	1,529	2,117	2,122	2,308	2,440	2,574
Packaging Materials Business	964	1,017	934	955	951	822	1,308	1,266	1,310	1,464	1,543
Printing and Information Business	1,597	1,798	1,798	1,835	1,822	1,539	1,916	1,779	1,572	1,051	1,149
Others	290	347	15	15	19	5	9	10	8	5	5
Total consolidated	7,186	7,794	7,340	7,434	7,390	5,894	8,104	8,077	8,112	8,496	9,111

* In 2017, the company's fiscal year end was changed from March 31 to December 31.

Financial Information

Quarterly Financial Data (Consolidated)

Consolidated Statements of Income

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

	December 2019				December 2020				December 2021				December 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	69,082	70,293	70,080	70,435	63,424	59,866	64,128	70,257	68,359	70,996	71,609	77,023	74,245	80,512	80,247	80,921
		【139,376】	【209,456】	【279,892】		【123,290】	【187,418】	【257,675】		【139,356】	【210,965】	【287,989】		【154,758】	【235,006】	【315,927】
Operating income	2,786	3,324	3,384	3,678	3,004	2,545	2,885	4,473	3,527	3,702	2,515	3,259	2,817	1,798	694	1,556
		【6,111】	【9,495】	【13,174】		【5,549】	【8,435】	【12,909】		【7,230】	【9,746】	【13,005】		【4,615】	【5,309】	【6,865】
Ordinary income	3,044	3,303	3,261	4,237	1,989	2,944	2,532	5,077	4,222	4,439	2,496	4,283	3,906	2,822	506	671
		【6,347】	【9,609】	【13,847】		【4,933】	【7,466】	【12,543】		【8,662】	【11,159】	【15,442】		【6,728】	【7,235】	【7,906】
Net income (loss) attributable to owners of parent	2,393	376	2,640	3,098	1,161	1,484	1,569	1,804	3,159	3,159	665	2,507	3,161	5,248	348	550
		【2,770】	【5,410】	【8,509】		【2,646】	【4,215】	【6,019】		【6,319】	【6,985】	【9,492】		【8,410】	【8,758】	【9,308】

Segment Information by Business Group

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

Net Sales	December 2019				December 2020				December 2021				December 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Colorants and Functional Materials Business	16,807	17,813	16,493	16,286	15,070	13,686	15,558	17,326	18,516	18,280	18,711	19,486	19,105	20,267	19,651	20,355
		【34,620】	【51,114】	【67,400】		【28,757】	【44,315】	【61,642】		【36,796】	【55,508】	【74,995】		【39,373】	【59,025】	【79,380】
Polymers and Coatings Business	15,761	16,940	16,444	16,741	14,847	15,084	15,667	16,729	16,285	17,329	18,061	19,060	18,334	19,810	18,611	19,483
		【32,701】	【49,146】	【65,887】		【29,931】	【45,598】	【62,328】		【33,614】	【51,676】	【70,736】		【38,144】	【56,756】	【76,240】
Packaging Materials Business	16,439	16,995	17,070	17,565	16,321	16,589	16,267	17,411	17,047	18,358	18,152	20,087	18,878	21,109	22,159	21,316
		【33,434】	【50,505】	【68,071】		【32,910】	【49,177】	【66,589】		【35,406】	【53,558】	【73,645】		【39,988】	【62,148】	【83,464】
Printing and Information Business	19,562	18,071	19,656	19,390	16,874	13,939	16,375	18,407	16,156	16,477	16,213	17,847	17,488	18,843	19,418	19,430
		【37,633】	【57,290】	【76,680】		【30,813】	【47,188】	【65,595】		【32,633】	【48,847】	【66,695】		【36,332】	【55,750】	【75,180】
Others	1,799	1,852	1,822	1,816	1,551	1,768	1,334	1,575	1,543	1,679	1,249	1,274	1,223	1,272	1,208	1,244
		【3,652】	【5,474】	【7,291】		【3,319】	【4,654】	【6,229】		【3,222】	【4,471】	【5,746】		【2,495】	【3,704】	【4,948】
Adjustment	-1,288	-1,379	-1,405	-1,365	-1,240	-1,201	-1,073	-1,192	-1,188	-1,129	-779	-733	-784	-792	-801	-908
		【-2,667】	【-4,073】	【-5,439】		【-2,442】	【-3,516】	【-4,708】		【-2,318】	【-3,097】	【-3,831】		【-1,576】	【-2,378】	【-3,287】
Total consolidated	69,082	70,293	70,080	70,435	63,424	59,866	64,128	70,257	68,359	70,996	71,609	77,023	74,245	80,512	80,247	80,921
		【139,376】	【209,456】	【279,892】		【123,290】	【187,418】	【257,675】		【139,356】	【210,965】	【287,989】		【154,758】	【235,006】	【315,927】

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

Operating income (loss)	December 2019				December 2020				December 2021				December 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Colorants and Functional Materials Business	928	1,021	775	661	828	462	425	894	1,176	1,546	1,312	1,354	996	504	-143	489
		【1,949】	【2,725】	【3,386】		【1,291】	【1,716】	【2,610】		【2,723】	【4,036】	【5,391】		【1,501】	【1,357】	【1,846】
Polymers and Coatings Business	1,174	1,615	1,581	1,642	1,169	1,280	1,656	1,831	1,196	793	697	882	795	702	297	710
		【2,789】	【4,371】	【6,013】		【2,449】	【4,106】	【5,937】		【1,989】	【2,687】	【3,570】		【1,497】	【1,794】	【2,504】
Packaging Materials Business	478	669	868	1,040	854	1,061	806	1,162	717	553	205	337	287	182	169	323
		【1,148】	【2,017】	【3,058】		【1,916】	【2,723】	【3,885】		【1,271】	【1,476】	【1,813】		【470】	【640】	【963】
Printing and Information Business	76	-39	98	178	94	-340	-95	589	263	594	138	733	359	228	149	-83
		【37】	【135】	【314】		【-246】	【-341】	【247】		【858】	【996】	【1,730】		【588】	【737】	【654】
Others	139	54	70	160	56	86	77	14	181	225	162	-38	378	183	214	114
		【193】	【263】	【424】		【143】	【220】	【234】		【406】	【569】	【531】		【561】	【776】	【890】
Adjustment	-11	3	-9	-5	-0	-3	15	-18	-7	-11	-1	-11	-0	-2	5	3
		【-8】	【-17】	【-23】		【-4】	【11】	【-7】		【-18】	【-19】	【-30】		【-3】	【2】	【5】
Total consolidated	2,786	3,324	3,384	3,678	3,004	2,545	2,885	4,473	3,527	3,702	2,515	3,259	2,817	1,798	694	1,556
		【6,111】	【9,495】	【13,174】		【5,549】	【8,435】	【12,909】		【7,230】	【9,746】	【13,005】		【4,615】	【5,309】	【6,865】

Financial Information

Consolidated Balance Sheets

(Unit: million JPY)

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*	December 2018	December 2019	December 2020	December 2021	(%)	December 2022	(%)
Assets													
Current assets	161,963	176,609	187,727	183,422	181,214	195,606	203,063	199,969	214,097	223,589	(54.9)	229,247	(55.8)
Cash and deposits	33,996	31,894	39,620	44,470	44,903	50,260	52,706	56,691	76,469	64,816		55,117	
Notes and accounts receivable	82,733	92,991	94,883	90,949	89,049	94,594	95,553	90,173	87,126	94,297		100,390	
Securities	2,278	700	563	529	116	477	43	29	57	24		430	
Merchandise and finished goods	23,683	25,409	27,795	28,560	27,228	29,477	29,873	30,535	28,328	34,149		38,494	
Work in process	1,158	1,541	1,496	1,421	1,279	1,103	1,034	1,319	1,070	726		1,000	
Raw materials and supplies	12,676	15,146	16,139	13,768	13,963	16,085	17,872	16,654	16,790	24,695		28,088	
Deferred tax assets	2,646	2,248	2,048	1,908	1,908	1,380	—	—	—	—		—	
Other	3,379	7,571	6,226	3,046	3,852	3,220	6,744	5,350	5,178	5,979		6,881	
Allowance for doubtful accounts	-590	-893	-1,047	-1,233	-1,086	-993	-765	-786	-924	-1,100		-1,154	
Non-current assets	137,608	159,992	176,535	175,973	182,851	182,853	168,547	176,161	166,130	183,306	(45.1)	181,930	(44.2)
Property, plant and equipment	87,124	96,306	101,865	100,209	101,398	97,081	94,013	99,577	102,616	111,716	(27.5)	122,366	(29.8)
Buildings and structures	32,069	35,141	39,744	39,081	40,639	38,762	36,828	35,940	34,526	39,031		42,258	
Machinery, equipment and vehicles	19,506	20,877	25,329	25,347	25,124	23,105	21,834	21,767	20,324	24,819		27,160	
Tools, furniture and fixtures	2,699	3,090	3,081	2,807	2,827	2,644	2,722	2,873	3,236	3,922		5,349	
Land	28,043	28,771	28,617	28,374	30,003	30,007	30,272	30,669	30,529	30,060		30,490	
Leased assets	141	196	187	251	196	187	136	4,043	3,726	3,895		5,033	
Construction in progress	4,663	8,229	4,903	4,346	2,607	2,373	2,219	4,282	10,273	9,986		12,075	
Intangible assets	736	4,713	2,796	5,683	4,487	4,307	4,649	4,202	3,113	2,225	(0.5)	2,619	(0.6)
Investments and other assets	49,747	58,973	71,873	70,080	76,964	81,463	69,883	72,381	60,399	69,364	(17.1)	56,944	(13.9)
Investment securities	35,816	46,230	62,223	60,604	66,718	68,541	58,302	61,071	48,440	54,093		42,791	
Net defined benefit asset	—	7,552	4,115	4,293	5,927	8,614	6,423	7,964	8,608	10,255		7,645	
Deferred tax assets	1,053	938	1,025	771	833	1,068	2,163	2,333	2,398	2,420		2,826	
Other	13,432	4,739	5,020	4,715	3,904	3,671	3,228	1,194	1,143	2,777		3,881	
Allowance for doubtful accounts	-554	-487	-512	-304	-419	-432	-234	-182	-191	-182		-200	
Total assets	299,571	336,601	364,262	359,395	364,066	378,459	371,610	376,130	380,227	406,896	(100.0)	411,177	(100.0)
Liabilities													
Current liabilities	98,000	101,612	90,742	87,369	97,513	94,808	100,839	106,747	91,411	112,125	(27.6)	113,463	(27.6)
Notes and accounts payable	43,585	48,159	48,773	48,520	49,588	56,129	62,460	59,543	54,608	68,221		70,738	
Short-term loans payable	34,822	33,369	20,931	21,932	30,660	22,507	20,593	30,315	19,379	24,042		24,022	
Income taxes payable	4,371	3,658	2,824	1,880	3,088	1,485	1,470	1,279	1,082	1,652		726	
Provision for environmental measures	—	—	—	—	—	—	884	—	—	537		—	
Other	15,220	16,424	18,212	15,036	14,175	14,685	15,429	15,608	16,340	17,672		17,975	
Non-current liabilities	40,248	48,380	59,763	60,166	49,573	55,267	49,679	42,490	71,491	67,823	(16.7)	69,836	(17.0)
Corporate bonds	—	—	—	—	—	—	—	—	—	—		5,000	
Long-term loans payable	35,383	40,051	44,895	46,037	33,262	38,409	38,845	27,460	60,492	55,415		54,851	
Deferred tax liabilities	1,481	4,664	10,451	10,175	10,884	11,641	7,847	9,584	6,561	8,703		6,276	
Provision for environmental measures	306	365	889	768	2,504	2,349	538	2,348	1,485	364		251	
Provision for retirement benefits	1,432	—	—	—	—	—	—	—	—	—		—	
Net defined benefit liability	—	1,496	1,775	1,891	1,865	1,868	1,784	1,885	1,914	2,275		1,676	
Asset retirement obligations	32	27	27	28	29	29	30	31	31	32		33	
Other	1,611	1,775	1,724	1,266	1,027	968	632	1,179	1,005	1,030		1,746	
Total liabilities	138,249	149,993	150,506	147,536	147,087	150,075	150,518	149,237	162,902	179,948	(44.2)	183,300	(44.6)
Net assets													
Total shareholders' equity	163,461	172,123	180,259	185,338	190,155	195,642	202,600	205,891	206,706	206,236	(50.7)	204,990	(49.9)
Capital stock	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733		31,733	
Capital surplus	32,920	32,920	32,920	32,926	32,918	32,710	32,500	32,500	32,499	32,546		32,530	
Retained earnings	100,540	109,220	117,368	122,450	130,496	136,202	143,379	146,627	147,390	151,740		151,414	
Treasury shares	-1,732	-1,750	-1,762	-1,771	-4,992	-5,002	-5,012	-4,969	-4,916	-9,784		-10,687	
Total accumulated other comprehensive income	-6,625	8,791	26,960	20,060	20,525	25,807	11,570	13,548	2,998	12,213	(3.0)	14,056	(3.4)
Valuation difference on available-for-sale securities	-1	6,065	13,396	12,610	17,726	19,284	11,888	14,273	5,699	9,941		5,007	
Foreign currency translation adjustment	-6,623	3,928	10,933	5,669	1,144	3,299	-1,513	-2,843	-5,284	-1,212		7,986	
Remeasurements of defined benefit plans	—	-1,203	2,630	1,781	1,653	3,223	1,195	2,118	2,583	3,483		1,062	
Subscription rights to shares	—	—	—	38	95	164	248	265	249	163	(0.0)	98	(0.0)
Non-controlling interests	4,487	5,694	6,536	6,422	6,202	6,768	6,671	7,187	7,370	8,334	(2.0)	8,731	(2.1)
Total net assets	161,322	186,608	213,756	211,859	216,979	228,384	221,091	226,892	217,325	226,947	(55.8)	227,877	(55.4)
Total liabilities and net assets	299,571	336,601	364,262	359,395	364,066	378,459	371,610	376,130	380,227	406,896	(100.0)	411,177	(100.0)

* In 2017, the company's fiscal year end was changed from March 31 to December 31.

Financial Information

Consolidated Statements of Income

(Unit: million JPY)

	March 2013	March 2014	March 2015	March 2016	March 2017	December 2017*	December 2018	December 2019	December 2020	December 2021	(%)	December 2022	(%)
Net sales	248,689	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	(100.0)	315,927	(100.0)
Cost of sales	190,670	215,401	222,944	218,326	203,095	184,433	227,914	219,559	200,479	229,284	(79.6)	261,725	(82.8)
Gross profit	58,019	64,156	63,739	64,882	65,388	55,910	62,293	60,333	57,196	58,704	(20.4)	54,202	(17.2)
Selling, general and administrative expenses	40,472	44,427	45,529	46,645	46,156	39,136	47,017	47,159	44,286	45,699	(15.9)	47,336	(15.0)
Packing and transportation expenses	5,801	6,397	6,445	6,546	6,420	5,304	6,802	7,181	6,657	7,517		7,811	
Salaries and allowances	9,558	10,748	11,301	11,762	11,596	9,991	11,691	11,698	11,272	11,743		12,370	
Bonuses	2,426	2,547	2,563	2,708	2,698	2,123	2,760	2,651	2,559	2,499		2,512	
Welfare expenses	2,498	2,653	2,914	2,969	3,006	2,443	3,062	3,030	2,917	3,033		3,110	
Depreciation	969	1,140	1,284	1,412	1,801	1,525	1,805	1,879	1,962	1,961		1,816	
Research and development expenses	3,204	3,186	3,082	2,918	2,831	2,786	3,372	3,438	3,224	3,325		3,452	
Other	16,011	17,753	17,939	18,328	17,801	14,959	17,524	17,279	15,692	15,617		16,261	
Operating income	17,547	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	(4.5)	6,865	(2.2)
Non-operating income	2,339	2,264	2,656	1,955	1,796	1,925	2,238	1,964	2,012	3,769	(1.3)	4,324	(1.4)
Interest income	117	191	212	239	191	229	244	214	245	189		226	
Dividend income	643	662	751	1,078	1,094	940	1,126	1,137	1,280	1,263		1,567	
Foreign exchange gains	988	533	929	—	—	—	—	—	—	1,537		1,833	
Share of profit of entities accounted for using equity method	—	—	—	—	43	263	65	—	—	—		—	
Other	588	876	762	637	467	491	802	611	485	779		696	
Non-operating expenses	1,418	1,440	1,455	1,725	1,766	1,226	2,085	1,290	2,377	1,332	(0.5)	3,283	(1.0)
Interest expenses	895	850	812	735	896	756	745	644	520	544		1,365	
Foreign exchange losses	—	—	—	736	385	94	904	130	1,129	—		—	
Share of loss of entities accounted for using equity method	—	—	—	67	—	—	—	37	77	271		173	
Loss on net monetary position	—	—	—	—	—	—	—	—	—	—		1,183	
Other	523	590	642	186	484	375	434	478	650	516		560	
Ordinary income	18,468	20,553	19,411	18,466	19,262	17,473	15,429	13,847	12,543	15,442	(5.4)	7,906	(2.5)
Extraordinary income	2,125	199	6,934	205	2,860	929	1,355	2,088	91	694	(0.2)	5,934	(1.9)
Gain on sales of non-current assets	—	45	6,854	62	67	579	866	30	23	311		276	
Gain on sales of investment securities	—	—	—	9	2,637	340	489	2,057	67	367		5,648	
Compensation for transfer	1,994	144	—	—	—	—	—	—	—	—		—	
Other	130	9	79	133	155	9	—	—	0	14		9	
Extraordinary losses	4,948	351	4,908	684	4,895	3,637	867	3,629	2,636	3,006	(1.0)	1,480	(0.5)
Loss on sales and retirement of non-current assets	362	286	390	375	322	210	290	284	411	262		362	
Impairment losses	—	—	257	166	375	3,054	437	364	247	708		456	
Fire loss	—	—	—	—	—	—	98	—	—	—		—	
Environmental expenses	—	—	—	83	—	—	—	—	—	—		—	
Amortization of goodwill	—	—	2,262	—	650	—	—	—	—	—		—	
Provision for environmental measures	—	61	530	—	2,950	—	—	2,688	—	—		—	
Loss on cancellation of securities to retirement benefit trust	—	—	1,125	—	—	—	—	—	—	—		—	
Settlement package	3,824	—	—	—	—	—	—	—	—	—		—	
Business restructuring expenses	—	—	—	—	—	—	—	—	—	1,754		125	
Loss on business restructuring	—	—	—	—	—	—	—	—	1,040	237		—	
Loss on remittance fraud at overseas subsidiaries	—	—	—	—	—	—	—	—	519	—		—	
Extra retirement payments	—	—	—	—	—	—	—	—	—	—		233	
Shut down cost	—	—	—	—	—	—	—	—	363	—		226	
Special investigation expenses	—	—	—	—	—	—	—	283	—	—		—	
Other	761	3	341	59	596	371	41	8	54	42		76	
Profit before income taxes	15,644	20,401	21,437	17,987	17,227	14,765	15,917	12,306	9,999	13,130	(4.6)	12,360	(3.9)
Income taxes, current	6,263	6,750	5,989	4,375	5,346	4,142	3,249	3,313	3,124	3,482		2,839	
Income taxes, deferred	290	1,017	1,686	1,251	-1,355	-276	367	90	388	-32		129	
Total income taxes	6,554	7,768	7,676	5,626	3,990	3,865	3,617	3,404	3,512	3,450	(1.2)	2,968	(0.9)
Profit	—	—	13,761	12,360	13,236	10,900	12,299	8,901	6,486	9,680		9,392	
Profit attributable to non-controlling interests	375	372	456	542	534	523	451	392	467	187		83	
Profit attributable to owners of parent	8,714	12,260	13,304	11,818	12,702	10,376	11,847	8,509	6,019	9,492	(3.3)	9,308	(2.9)

* In 2017, the company's fiscal year end was changed from March 31 to December 31.

Financial Information

Consolidated Statements of Cash Flows

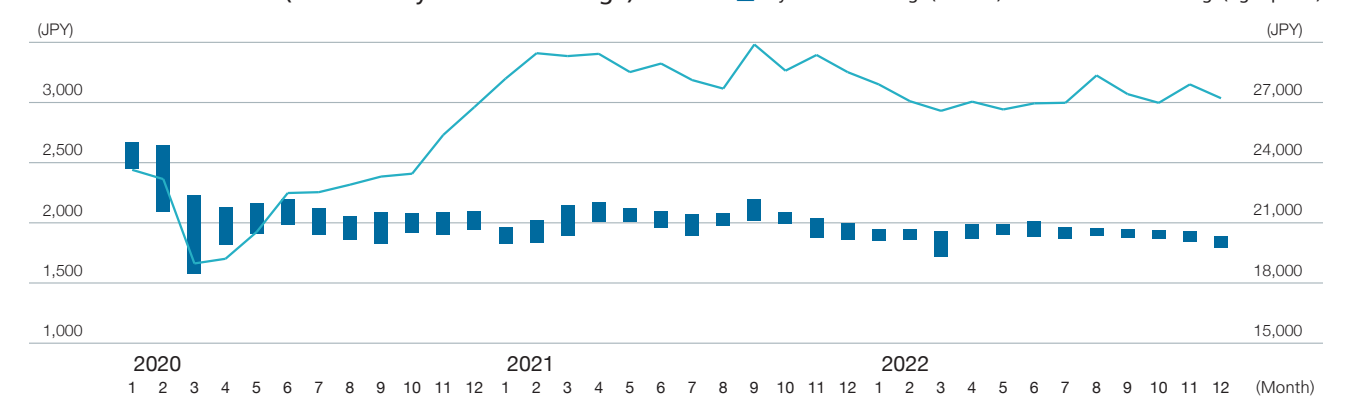
(Unit: million JPY)

	December 2021	December 2022
Cash flows from operating activities	15,760	4,262
Profit before income taxes	13,130	12,360
Depreciation	9,731	10,747
Impairment loss	708	456
Business restructuring expenses	1,754	125
Extra retirement payments	—	233
Shutdown costs	—	226
Interest and dividend income	-1,452	-1,794
Interest expenses	544	1,365
Share of profit / loss of entities accounted for using equity method (negative is profit)	271	173
Loss/gain on sale of property, plant and equipment (negative is gain)	-301	-263
Loss on disposals of property, plant and equipment	88	129
Loss / gain on sales of investment securities (negative is gain)	-367	-5,648
Decrease / increase in notes and accounts receivable (negative is increase)	-5,054	-3,481
Decrease / increase in inventories (negative is increase)	-11,811	-5,328
Increase / decrease in notes and accounts payable (negative is decrease)	12,728	39
Other	-2,171	-3,168
Subtotal	17,799	7,358
Interest and dividend income received	1,455	1,936
Interest expenses paid	-532	-1,230
Income taxes paid	-2,961	-3,802
Cash flows from investing activities	-17,576	-5,645
Net decrease / increase in time deposits (negative is increase)	-388	2,362
Purchase of property, plant and equipment	-18,065	-17,660
Proceeds from sales of property, plant and equipment	552	535
Purchase of intangible assets	-45	-285
Purchase of short-term and long-term investment securities	-33	-76
Proceeds from sales and redemption of short-term and long-term investment securities	573	9,546
Other	-168	-67
Cash flows from financing activities	-11,988	-8,102
Net increase / decrease in short-term loans payable (negative is decrease)	-2,036	4,451
Proceeds from long-term loans payable	1,272	152
Repayments of long-term loans payable	-511	-6,509
Proceeds from issuance of bonds	—	5,000
Purchase of treasury shares	-4,975	-5,734
Repayments of lease obligations	-417	-384
Cash dividends paid	-5,140	-4,922
Cash dividends paid	-102	—
Other	-76	-155
Foreign currency translation adjustments on cash and cash equivalents	1,636	1,921
Net increase / decrease in cash and cash equivalents (negative is decrease)	-12,168	-7,564
Cash and cash equivalents, beginning of period	73,117	60,949
Cash and cash equivalents, end of period	60,949	53,385

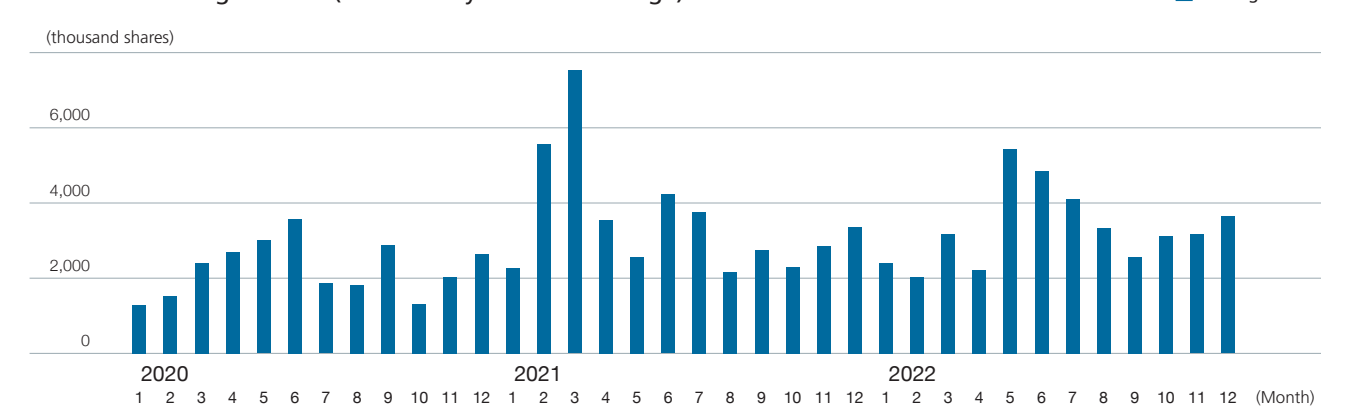
Stock Information (As of December 31, 2022)

Stock exchange listing	Prime Market in Tokyo Stock Exchange	Number of treasury shares	5,298,507 shares
Code	4634	Number of shares issued excluding treasury shares	52,988,037 shares
Number of Authorized Shares	160,000,000 shares	Number of Shareholders	21,023 shareholders
Number of Outstanding Shares	58,286,544 shares		

Trends in Share Prices (on the Tokyo Stock Exchange)



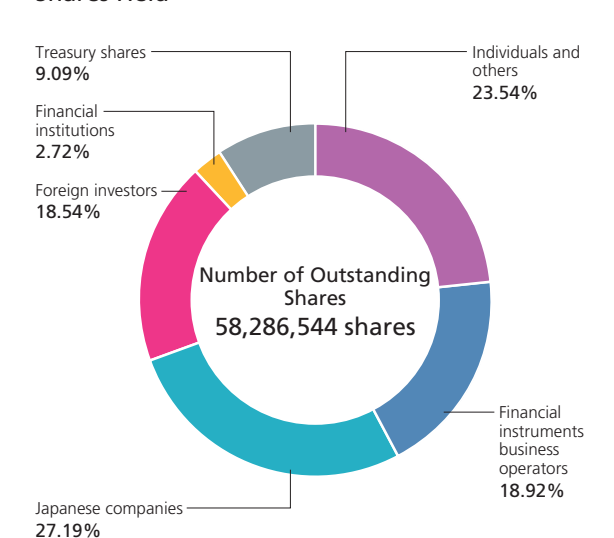
Trends in Trading Volume (on the Tokyo Stock Exchange)



Major Shareholders

Name of Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Toppan Inc.	10,446	19.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,120	9.66
Custody Bank of Japan, Ltd. (Trust Account)	1,893	3.57
Nippon Shokubai Co., Ltd.	1,661	3.14
Employees' Stock Club	1,642	3.10
SMBC Nikko Securities Inc.	1,146	2.16
Client stock ownership	935	1.77
STATE STREET BANK AND TRUST COMPANY 505001	810	1.53
MUFG Bank, Ltd.	753	1.42
Mizuho Bank, Ltd.	753	1.42

Shareholder Composition by Number of Shares Held



Group Corporate Profile

(As of December 31, 2022)

Toyo Ink SC Holding Co., Ltd.

Head Office : 2-1, Kyobashi 2-chome, Chuo-ku, Tokyo 104-8377 JAPAN

Founded : January 1896

Established : January 15, 1907

Representative : Katsumi Kitagawa, Chairman and Representative Director
Satoru Takashima, President and Representative Director, Group CEO

Capital : 31,733,496,860 JPY

Number of Affiliates : 20 in Japan, 48 overseas (61 consolidated subsidiaries and 7 equity-method affiliates)

Number of Employees : 402 employees (Non-consolidated,) 7,887 employees (Consolidated)

Website : <https://schr.toyoinkgroup.com/en/>

Company List of Toyo Ink Group

Holding Company
Toyo Ink SC Holdings Co., Ltd.

Consolidated Subsidiaries

Japan

Toyocolor Co., Ltd.
Toyochem Co., Ltd.
Toyo Ink Co., Ltd.
Toyo Ink Hokkaido Co., Ltd.*1
Toyo Ink Tohoku Co., Ltd.*1
Toyo Ink Chushikoku Co., Ltd.*1
Toyo Ink Kyushu Co., Ltd.*1
Toyo Ink Engineering Co., Ltd.
Toyo Ink Graphics Co., Ltd.*1
Toyo Ink Graphics Nishinohon Co., Ltd.*1
Toyo SC Trading Co., Ltd.*4
Toyo FPP Co., Ltd.
Toyo B-Net Co., Ltd.
Toyo Visual Solutions Co., Ltd.
Toyo Management Service Co., Ltd.
Toyo-Morton, Ltd.
Matsui Chemical Co., Ltd.

Asia

TIPPS Pte. Ltd.
Toyochem Specialty Chemical Sdn. Bhd.
Toyo Ink (Thailand) Co., Ltd.*3
Toyo Ink (Philippines) Co., Inc.
TIP LH Corp.
Toyo Ink Compounds Corp.
PT. Toyo Ink Indonesia
PT. Toyo Ink Trading Indonesia
Toyo Ink Middle East Fze.
Toyo Ink Vietnam Co., Ltd.
Toyo Ink Compounds Vietnam Co., Ltd.
Toyo Ink India Pvt. Ltd.
Toyo Ink Arets India Pvt. Ltd.
Toyo Ink Myanmar Co., Ltd.
Tianjin Toyo Ink Co., Ltd.
Shanghai Toyo Ink Mfg. Co., Ltd.
Toyo Ink Asia Ltd.
Shenzhen Toyo Ink Co., Ltd.
Jiangmen Toyo Ink Co., Ltd.
Zhuhai Toyocolor Co., Ltd.
Jiangsu Toyo Shenlanhua Pigment Co., Ltd.
Chengdu Toyo Ink Co., Ltd.

Sichuan Toyo Ink Mfg. Co., Ltd.
Toyo Ink Far East Ltd.
Dong Da Li Chemical Co., Ltd.
Toyo Advanced Science Taiwan Co., Ltd.
Toyo Ink Korea Co., Ltd.
Hanil TOYO Co., Ltd.
Sam Young Ink & Paint Mfg. Co., Ltd.

The Americas*2

Toyo Ink International Corp.
Toyo Ink America, LLC
LioChem Inc.
Toyo Ink Brasil Ltda.
Toyo Ink Mexico S.A. de C.V.

Europe and Africa

Toyo Ink Europe International N.V.
Toyo Ink Europe N.V.
Toyo Ink Europe UK Ltd.
Toyo Ink Europe Deutschland GmbH
Toyo Ink Europe Specialty Chemicals S.A.S
Toyo Ink Europe France S.A.S
UAB “Toyo Ink Europe Baltica”
Toyo Ink Hungary Kft.
Toyo Matbaa Mreккеpleri Sanayi ve Ticaret A.Œ.
Toyo Ink North Africa S.A.R.L. AU

Equity-Method Affiliates

Japan

Nippon Polymer Industries Co., Ltd.
MAVERIQ Partners Inc.
Logi Co-Net Corp.

Asia

Sumika Polymer Compounds (Thailand) Co., Ltd.
Heubach Toyo Colour Pvt. Ltd.
Zhuhai Sumika Polymer Compounds Co., Ltd.

Europe and Africa

Sumika Polymer Compounds Europe Ltd.

*1 On January 1, 2023, six companies—Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Chushikoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinohon Co., Ltd.—were absorbed into Toyo Ink Co., Ltd.

*2 On January 6, 2023, LioChem e-Materials LLC was established in the United States.

*3 As of March 10, 2023, Toyo Ink (Thailand) Co., Ltd. has acquired Thai Eurocoat Ltd. and made it a subsidiary.

*4 On July 1, 2023, Toyo SC Trading Co., Ltd. will be absorbed into Toyo Be-Net Co., Ltd.

External Recognition

	MSCI Japan Equity Women’s Empowerment Index (WIN) This is an investment index designed by MSCI, which provides a range of support tools for institutional investors. Its constituents are Japanese companies which are excellent in terms of their promotion of gender diversity. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)
	FTSE Blossom Japan Index This is and investment index designed by the global index and data provider FTSE Russell. It is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)
	FTSE Blossom Japan Sector Relative Index This is an investment index designed by FTSE Russell. It reflects the performance of Japanese companies which are excellent in environmental, social, and governance (ESG) initiatives in their respective sectors, while minimizing bias toward specific sectors. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)
	S&P / JPX Carbon Efficient Index This is an investment index designed by S&P Dow Jones Indices LLC and Japan Exchange Group, Inc. Its constituents are selected from among the TOPIX constituents, weighted by the status of their disclosure of environmental information and carbon efficiency. Toyo Ink SC Holdings Co., Ltd. has been evaluated according to the methodology of the S&P Carbon Global Standard as a 1st Decile constituent and its carbon information disclosure status is “Not Disclosed.”
	SOMPO Sustainability Index This is an investment index designed by Sompo Asset Management Co., Ltd. This index comprises approx. 300 companies with outstanding ESG initiatives. It is used in SOMPO Sustainable Management, an investment product from SOMPO Asset Management Co., Ltd. that is adopted by multiple pension funds and institutional investors oriented toward the long-term holding of stocks.
	EcoVadis Sustainability Rating Bronze status achieved EcoVadis is a company which certifies sustainable supply chains. It evaluates companies’ policies, measures, and performance in the four fields of the environment, labor & human rights, ethics, and sustainable procurement. The Bronze rating is awarded to companies ranked in the top 26% to 50% of approx. 100,000 evaluated companies.
	2022 Health and Productivity Management Outstanding Organizations (White 500) certification This is a recognition program run by the Ministry of Economy, Trade and Industry, under which the ministry certifies corporations taking excellent health and productivity management measures based on the initiatives for promoting good health advanced by the Nippon Kenko Kaigi. Toyo Ink SC Holdings Co., Ltd. was recognized as one of the top 500 corporations (White 500) in the large enterprise category after a health and productivity management survey. The company has been recognized by this program for the seven consecutive years since 2017, when it was recognized for the first time.
	Pride Index 2022 Gold Award The Pride Index is an index formulated by Work with Pride in 2016, to recognize initiatives in support of sexual minorities in the workplace. We have been certified as Gold in recognition of our efforts to promote diversity and increase understanding among employees such as by establishing the Guidelines for Deepening Understanding of and Supporting LGBT, introducing a common-law marriage and same-sex partnership system, recruiting allies, and holding seminars inviting members of the LGBTQ community.
	Prize of the Chairman of ECCJ awarded in the 2022 Energy Conservation Grand Prize The Energy Conservation Grand Prize—hosted by the Energy Conservation Center, Japan (ECCJ)—honors the outstanding energy conservation activities of business operators and workplaces that set the examples to be followed by others and the products and business models that demonstrate excellent energy conservation. Toyochem Co., Ltd.’s Kawagoe Factory received the ECCJ Chairman’s Award in the Best Practice Category in recognition of its efforts to deepen the level of energy-saving activities in energy-saving model buildings and apply energy-saving methods across the board.
	Awarded AAA Website Rank in the All Japanese Listed Companies’ Website Ranking 2022 The All Japanese Listed Companies’ Website Ranking is compiled from surveys of the websites of all listed companies conducted by Nikko IR, based on objective evaluation criteria established from the three viewpoints of ease of understanding, ease of use, and abundance of information. A total of 3,926 listed companies were surveyed, and Toyo Ink was awarded the AAA Website rank in the All Markets category (207 AAA, 134 AA, 155 A.)

* The inclusion of Toyo Ink SC Holdings Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Toyo Ink SC Holdings Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

* FTSE Russell confirms that Toyo Ink SC Holding Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible investment funds and other products.

On January 1, 2024, the Toyo Ink Group will become “artience”

On January 1, 2024,
Toyo Ink SC Holdings Co., Ltd. will change its company name to artience Co., Ltd.

Since the company’s founding in 1896, the Toyo Ink Group has been providing products that meet the social needs of each era based on our core technologies in the areas of pigments, resins, and dispersions.

Amidst a rapidly changing social environment, the Toyo Ink Group is determined to transform itself into a company that anticipates the needs and challenges of the changing times with each employee playing a leading role. It also aims to deliver pioneering value with leading-edge technology to people around the world. To underscore these efforts, the Group will create value that resonates with people’s senses by refining the “value” that it offers in the form of emotions evoked by those feelings generated from surprise, excitement and comfort (“art” value). The Group will also enhance user trust in its solutions by delivering functionality and high quality that are backed by its proven technology (“science” value).

Through such art- and science-derived value that resonates with the senses, the Group endeavors to solve the challenges faced by its customers and society, while striving to realize a society in which all people can live enriched lives.

Empowering Feeling
artience

Corporate Philosophy

People-oriented management

Brand Promise

**Create value that resonates with the senses,
build a future where all people can live enriched lives**

Thinking Behind the Company Name

“artience” is a portmanteau of the words “art” and “science.”

The “art” expresses the stimulation of the five senses and the mind, including the application of color as well as a liberal arts perspective; while the “science” represents the application of technology, materials and a rational approach to discovery.

It expresses the idea that the Group will contribute to realizing a future in which everyone can live enriched lives, by providing society with “value that resonates with the senses” and that moves people’s hearts and minds. This value is born from the fusion and refinement of the Group’s strengths in art and science.