

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 >>>P.23

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 >>>P.19

Diverse human resources and good employee engagement to support value creation

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 >>>P.24

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

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

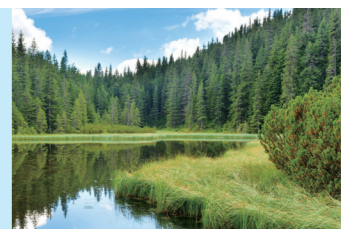
Number of Affiliates	61 consolidated subsidiaries, 7 equity-method affiliates	Major suppliers	Approx. 300 companies in Japan
Business regions and sites	24 countries or region, 109 sites	Time spent maintaining trusting relationships with customers	127 years (Founded in 1896)
Overseas sales ratio	52.8%		



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 m ³		



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

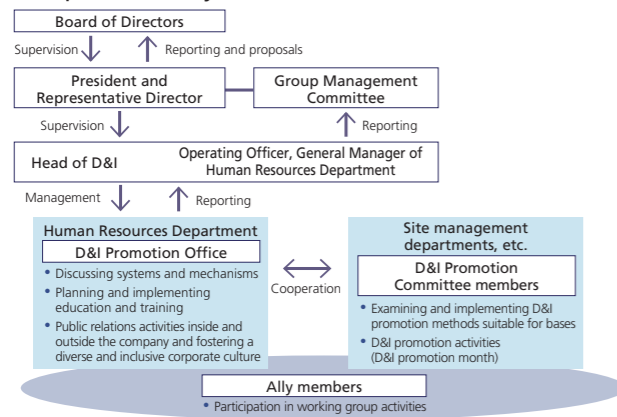
Diversity & Inclusion

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.

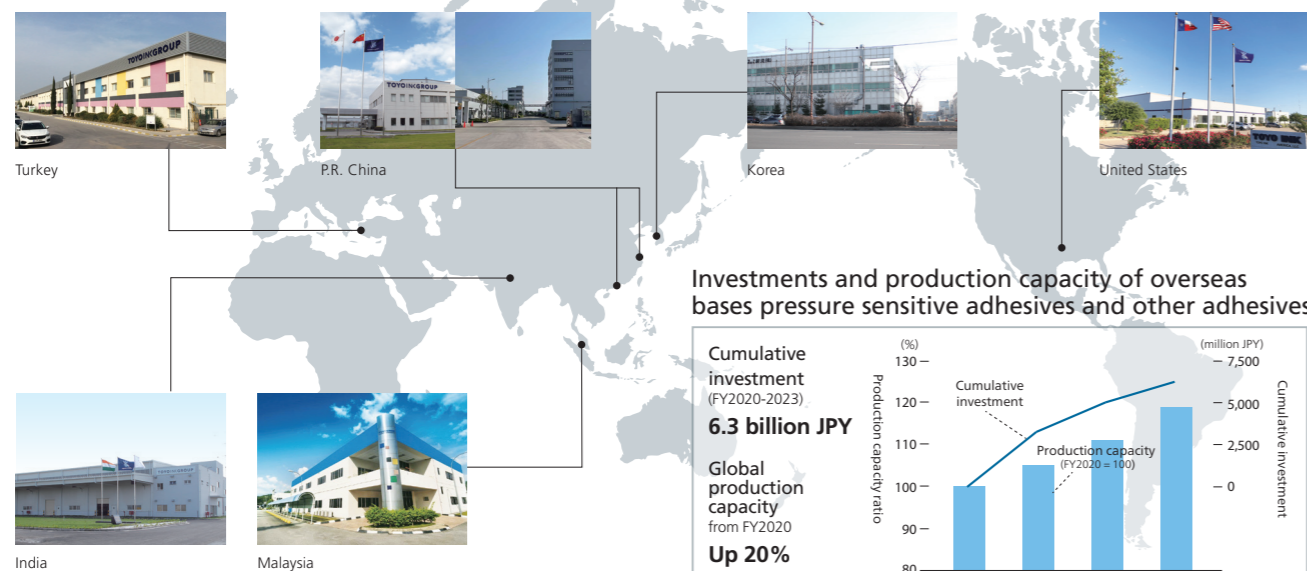
Continuous investment in overseas polymer production bases

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.



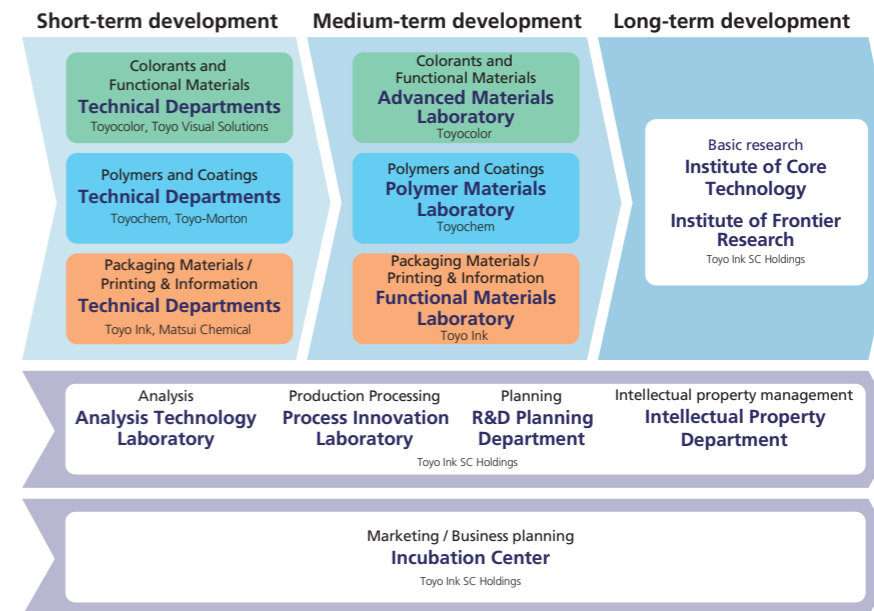
Capital Sources of Value Creation — Strengthening Intellectual Capital

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.