

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 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 Mobarra 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

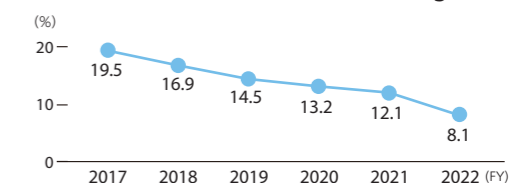
business, we made capital investments, including the construction of plant buildings in Turkey, and the expansion of facilities.

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.

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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.

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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 drawal of 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 Nishinohon Co., Ltd.

Integration and consolidation



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.

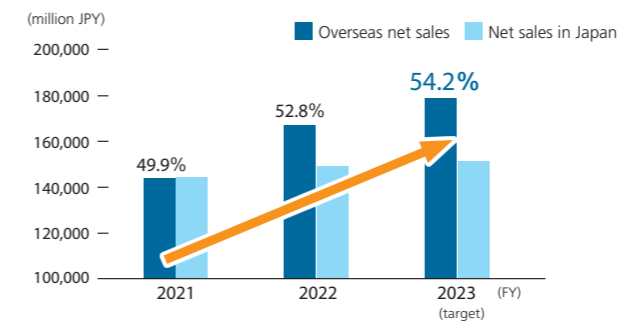


Fuji Factory, Toyocolor Co., Ltd.

Expanding overseas operations for 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

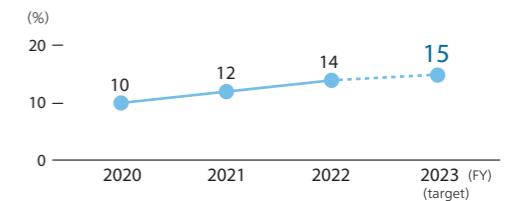
Among our eight major product lines, the display materials business is one of the most important businesses to make efforts overseas. In the display materials business, we are developing products for color filters for flat panel displays (FPDs,) with the Group engaging in integrated production of everything 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

Eco-conscious packages

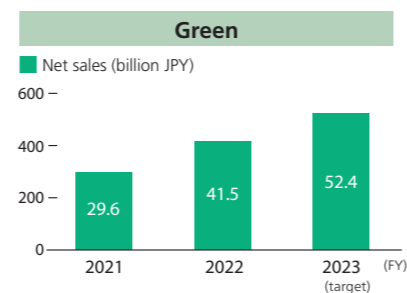
Biomass / Recycling



EV / New energy

Materials for lithium ion batteries






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


IoT / Sensors

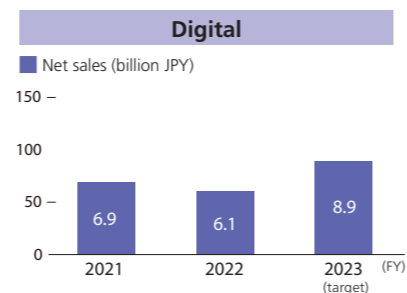
Optical control materials



5G / Semiconductor

Low dielectric materials / Functional films





Life Science Enrich people's lives and improve their health

Medical

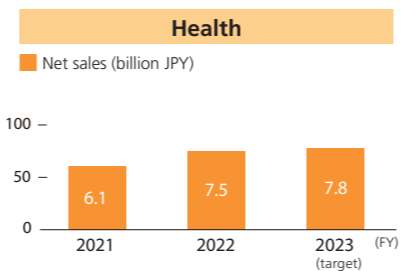
Transdermal patches / Biocompatible materials



Digital printings

Inkjet inks





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.

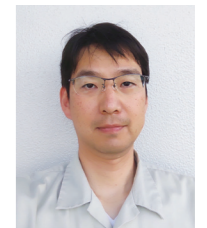
By strengthening this system, we will accelerate business expansion into the electronics field and the rollout of products for the semiconductor field, which requires advanced functionality.



Polymer pilot plant building

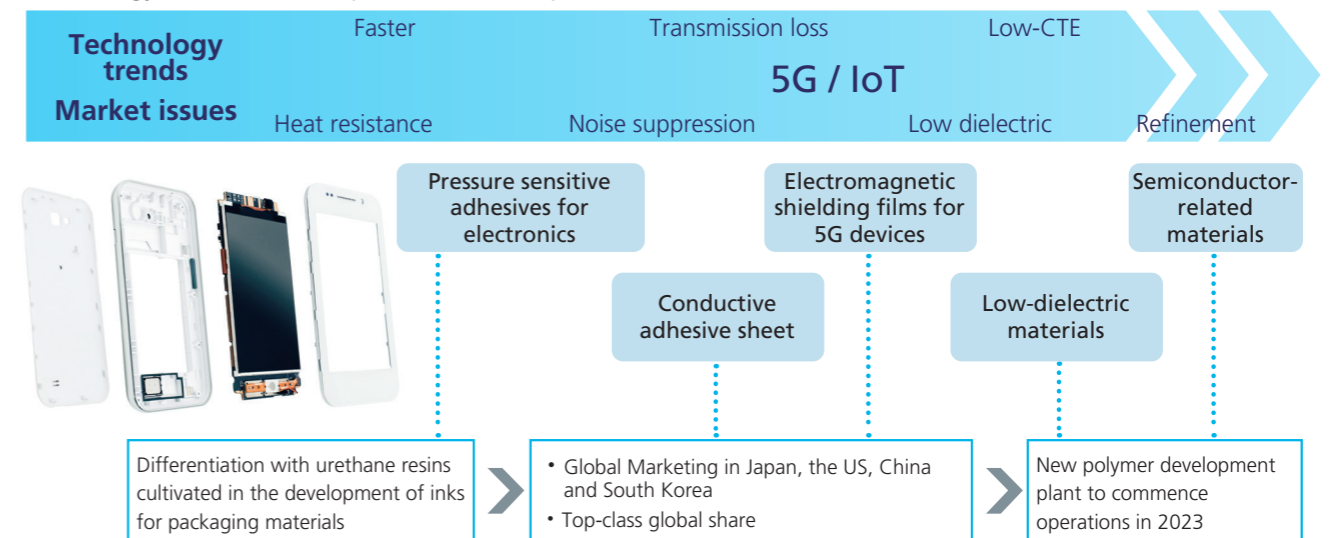
VOICE

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



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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.



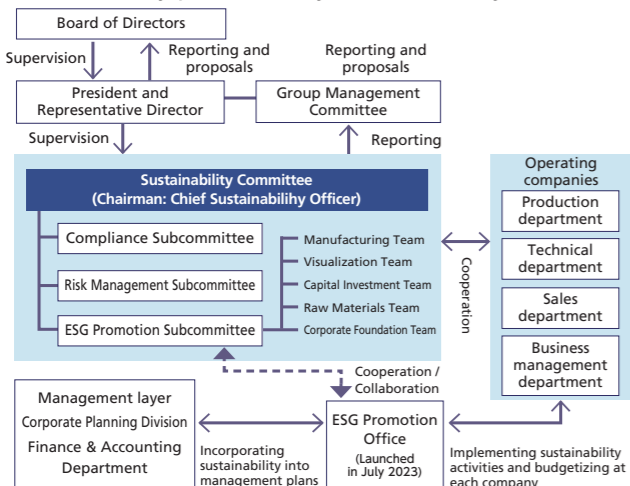
Tetsuaki Sato
Director in charge of Sustainability (CSO)

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.

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.

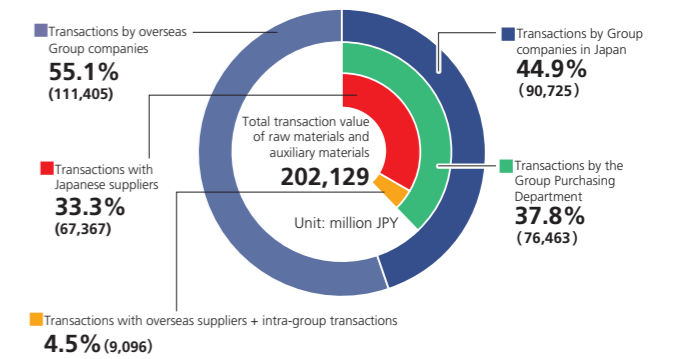
The Procurement Principles, Standard for Selecting Suppliers, and Sustainable Supply Chain Guidelines are posted under CSR Related Policies in the CSR section of the Company's website.

CSR procurement survey

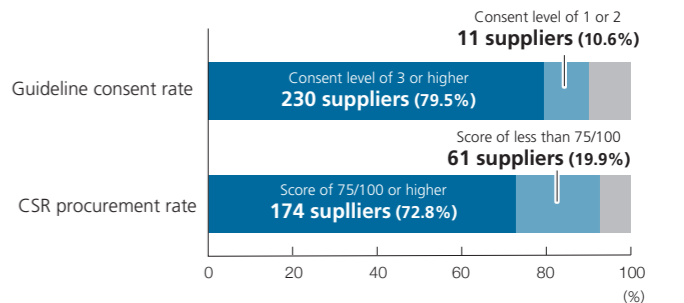
In conjunction with the revision of the Procurement Principles and Standard for Selecting Suppliers, as well as the formulation of the Sustainable Supply Chain Guidelines, we conducted a CSR procurement survey of the Group's raw material and auxiliary material suppliers. The purpose of this survey was 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.