

Sustainability Management

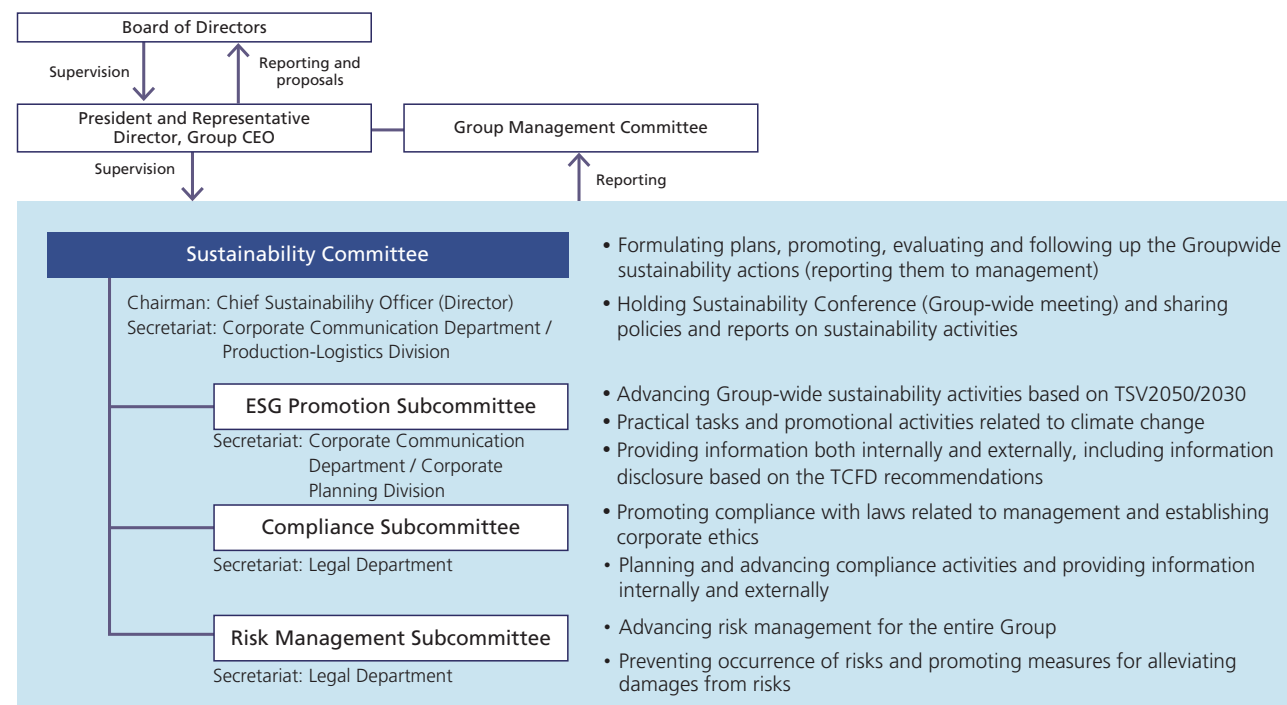
Basic approach

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.

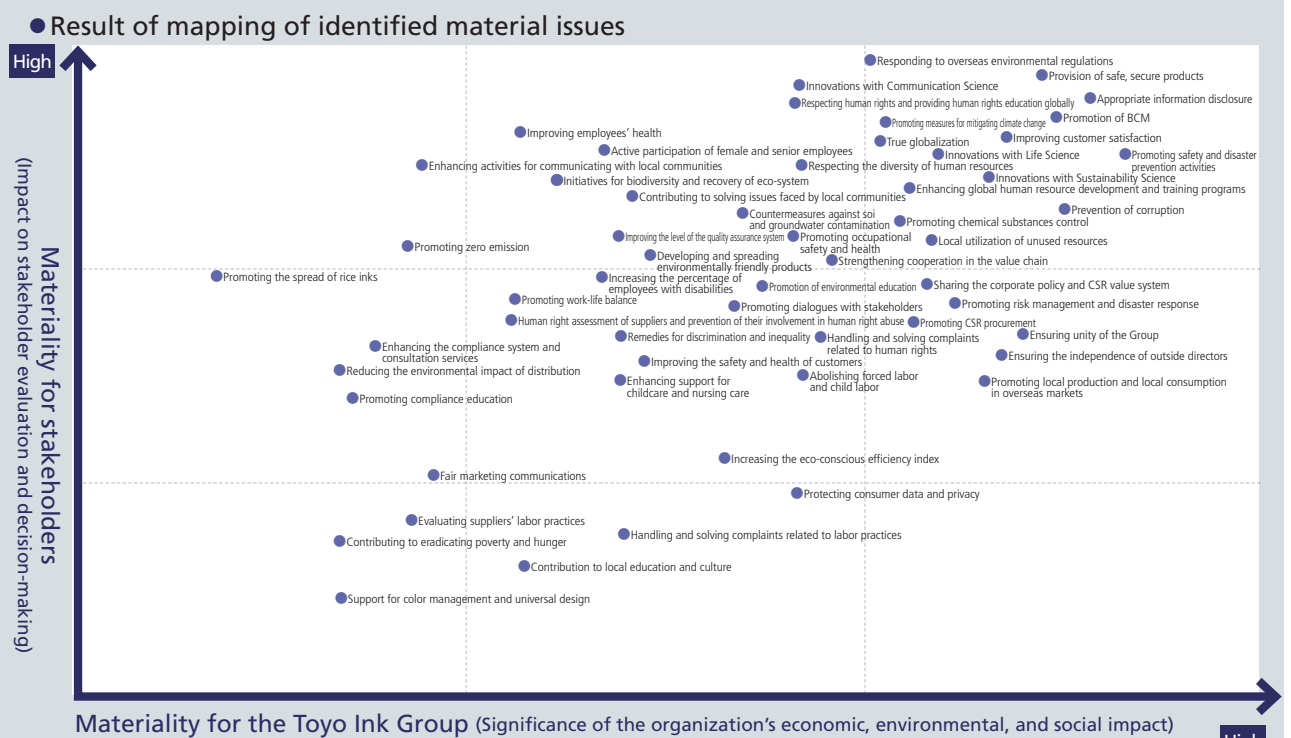
Process of formulating the material issues

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