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.

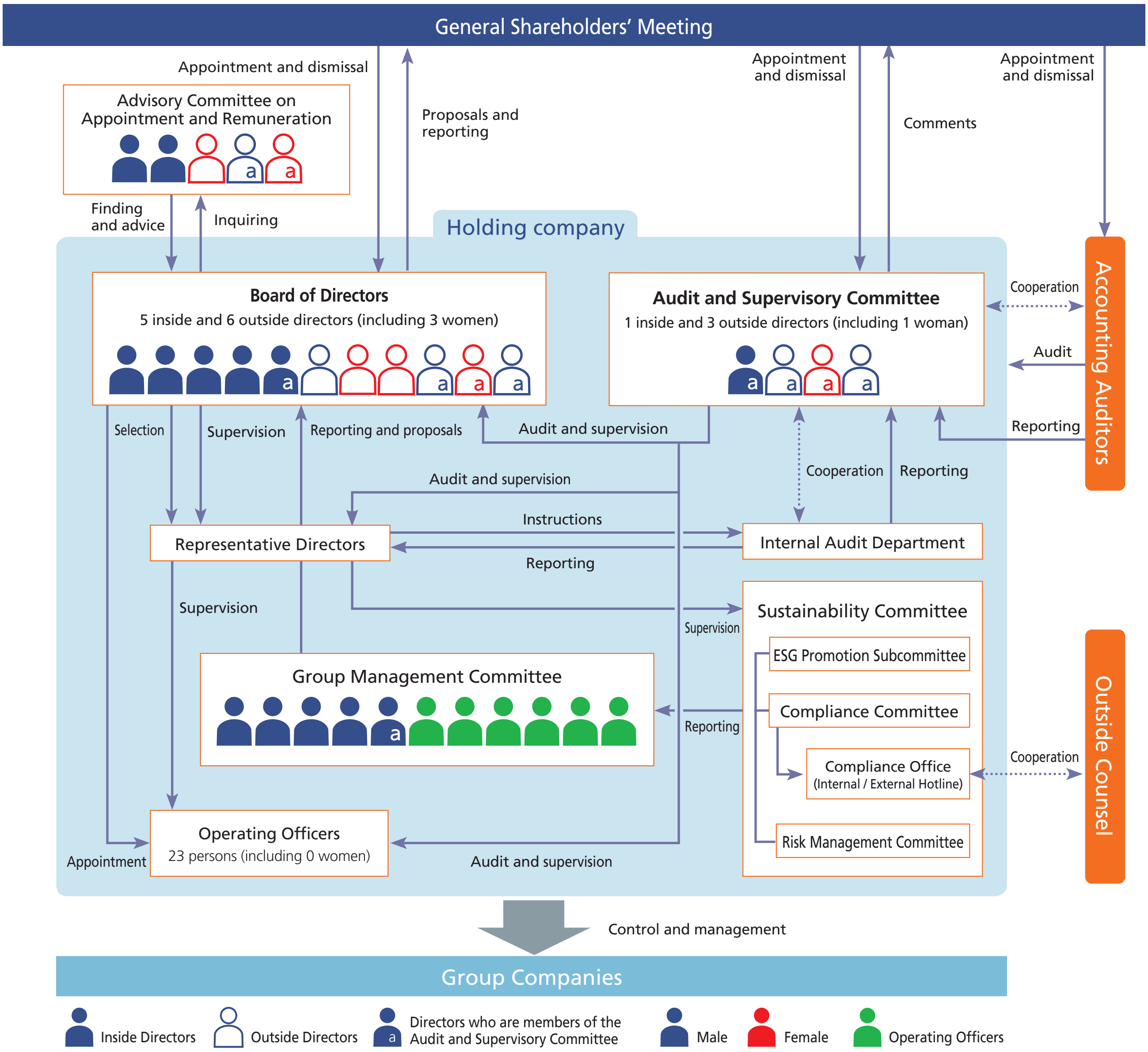
Additionally, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., the core operating companies of the group, each have an Operating Company Management Committee that regularly meets to share management policies and strategies, and discuss issues and achievements regarding the execution of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

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.

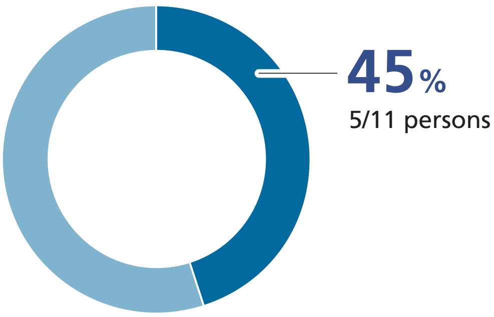
Details of each skill and reason for selection

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.

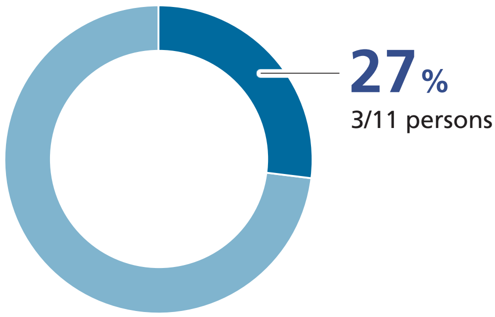
Roles expected of outside directors and details of duties

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



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 >

Conduct an effectiveness evaluation questionnaire using an external organization

After compiling the questionnaire results by external organization, extracting and identifying issues and problems

Identify future issues based on analysis of survey results

Disclose an overview of the evaluation results and reflect future issues on the agenda

Verify the status of responses to issues in the next year's effectiveness evaluation

< 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

< 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.

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 Corporate 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.)

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 locations) 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 deliberation 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 distributing 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.

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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

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, operated 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.