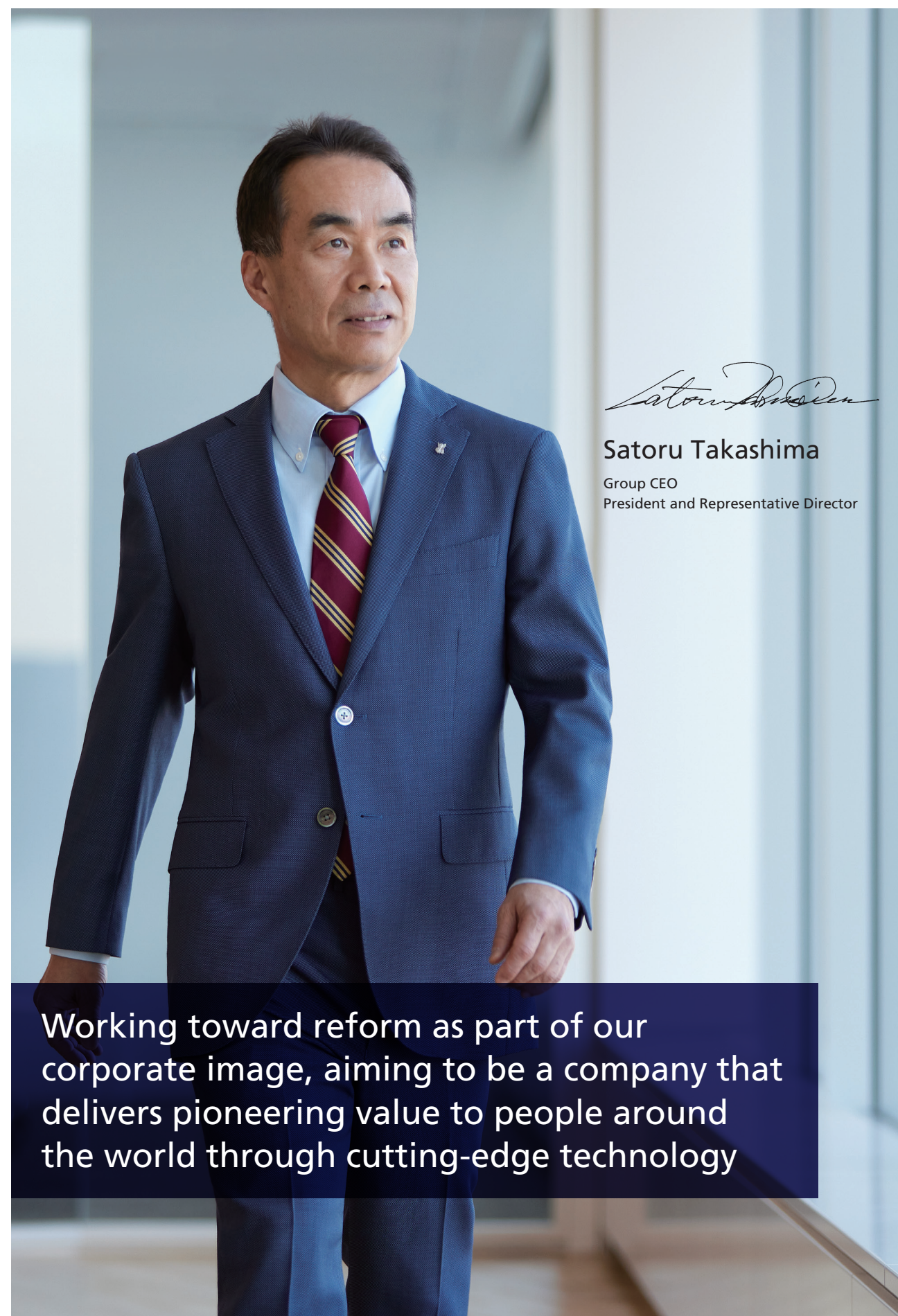


## Top Message



*Satoru Takashima*

**Satoru Takashima**

Group CEO  
President and Representative Director

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

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

### Responsibilities and actions as top-level management

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

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

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

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

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

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

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

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



America and respond to the rapid growth in demand in the US car battery market boosted by large-scale policy support. In the environmentally conscious Packaging Materials business, which also targets the sustainability science field, we are actively investing in the development and production of environmentally valuable products that contribute to the reduction of CO<sub>2</sub> emissions from a supply chain perspective, such as biomass and water-based raw materials, and functional products that enhance the recyclability of base materials.

## Initiatives for sustainability issues under the new system

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

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

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

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

## Vision for human capital management

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

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

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

## New corporate brand “artience”: Determination to change

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

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

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

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

