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**artience**

**artience Co., Ltd.**

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## The Toyo Ink Group will become “artience”

On January 1, 2024, Toyo Ink SC Holdings Co., Ltd. changed its company name to “artience” (stylized in all lowercase letters.)

The artience is a chemical manufacturer developing and proposing fine chemical materials. Since our foundation in 1896, we have been offering products matched to the needs of society at each era based on our core colorant design, polymer design, dispersion, coatings and other technologies.

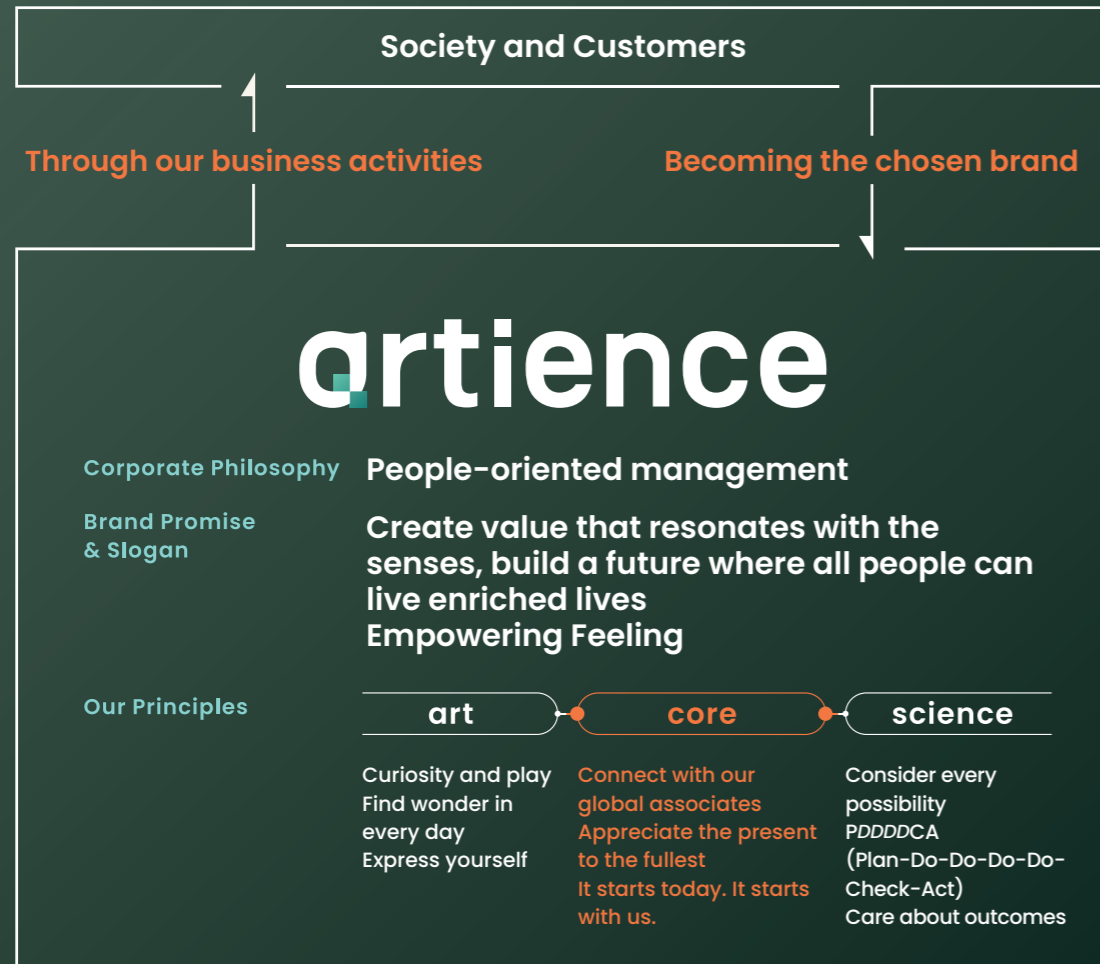
The change of the company’s name demonstrates our strong resolution to transform into a company that delivers pioneering value to people around the world using cutting-edge technologies amid the drastic changes in the social environment.

We refine art, the value that moves people’s minds, surprising, exciting and comforting them, as well as science, the trust based on the functionality and high quality supported by our reliable technologies. This enables us to create value that resonates with the senses.

With value that resonates with people’s sensibilities, we will contribute to solving the issues faced by our customers and society, and take on a challenge to create a society where people can live spiritually enriched lives.

# artience

# Philosophy System



**What is needed to achieve a sustainable and bright future?**

**We believe that it is the realization of a society in which all people can live enriched lives.**

**Our role is to connect various technologies and ideas, leading society to the solutions to its problems.**

**Instead of going it alone, we will deliver beauty, comfort and peace of mind that fills people's hearts by collaborating and joining forces with our partners.**

**We will create value that resonates with people's senses, from the things they see, the objects they touch, and what they feel through product quality, continually taking on the challenge of building an enriched future.**

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## On the Publication of the Integrated Report 2024

This Integrated Report explains the artience Group's management strategies, businesses, corporate governance, environmental and social initiatives in an integrated manner, to convey an overall picture of the Group and its value creation story, and to promote understanding of how the Group recognizes all manner of social issues, and how it is thinking and working to resolve them.

Integrated Report 2024 is the first integrated report to be published after the company changed its name to artience. It features our new medium-term management plan that started in the current fiscal year and our strengths that support it details by frank opinions from executives in charge of different parts of the company to communicate the Group's will to transform. We hope that you will read this Integrated Report and use it as an opportunity for communicating with the Group's management. We look forward to your continued support.

June 2024



# artier

**Satoru Takashima**  
 Group CEO  
 President and Representative Director

**We aim to transform our corporation based on our history and trust and seek to create new value leveraging art and science.**

The business environment surrounding us is changing rapidly and dramatically. The COVID-19 pandemic has impacted the world for three years. It brought forward many different things in society. As a result of the fast pace of digitalization, we have suffered an irreversible decline in demand for printing inks. Just after becoming president, I myself felt a huge sense of crisis in the face of the issues. This prompted me to think seriously about the corporate transformation.

Let me look back at the starting point. Our founder Kamataro Kobayashi was illiterate and thought that education would be an indispensable part of Japan's development. He started a business manufacturing and selling printing inks for books and school textbooks. The spirit of looking to the future and serving society has been passed down through the generations to us.

I will always pay attention to the fundamental questions of do we create things that are really needed by society and can we continue to create them. To achieve this, we will resolutely transform the corporation. I will lead our transformation into a company that can continue to create new value.

**Putting the word art into the name of the company is an enterprising move**

In January 2024, we made a fresh start after changing our company name to artience Co., Ltd. It is not easy for a 129-year-old company to rebrand itself. In the past, we transformed from an ink manufacturer into a specialty chemical manufacturer. We have been offering products and services suited to the times to live up to the trust that people have had in us. Earnings have

been sluggish in recent years, so we strongly resolved to transform on the basis of the credibility we have cultivated without rejecting our past history. We changed the name of the company to demonstrate this resolution to people inside and outside the company.

In the processing of considering what the new company name would be, we collected comments broadly from inside the company and identified our strengths and weaknesses and the direction that we should move in. We narrowed down around 50 proposals to three. During final selection, many of the project members chose artience.

“artience” is a fusion of the words “art” and “science.” We are aware that we are a science-oriented company. This is reflected in the fact that our previous medium-term management plan included the Scientific Innovation Chain (SIC) concept. It was an enterprising attempt to incorporate art into this. We strongly feel that the combination of rationality based on scientific thinking and human feelings, aspirations and passions may create some unprecedented value.

The art here also refers to the liberal arts. The liberal arts, such as the study of culture and the humanities, is an academic discipline that values flexible thinking and contextual understanding and that accepts multiple diverse solutions based on multi-faceted thinking. Given that already more than 50% of our total sales is overseas sales, I believe this perspective is very important for our future global expansion. The new name of our company embodies our policy of paying attention to and respecting people’s histories, cultures, religions, ethnicities and other characteristics, seeking coexistence.

### Our unchanging management philosophy and our Brand Promise

Along with changing the name of the company, we established a new philosophy consisting of the Corporate Philosophy, the Brand Promise and Our Principles. We have worked to transform the company, changing everything except one thing, our Corporate Philosophy, “People-oriented management.” People are always at the heart of all of our activities. In other words, individuals (employees) are essential to the whole (company), and not vice versa.

We have formulated the Brand Promise, “Creating value that resonates with the senses and building a future where all people can live enriched lives.” In the process of determining the new name of the company, it was proposed that we introduce emotional value to our philosophy system. This is closely linked to the notion of art. If we define the value that resonates with the senses as something that makes people excited, happy or comfortable, it can vary from person to person. I hope that we can do activities, such as asking all the staff to write down things that they think have emotional value and sharing them.

A recent good example of creating value that resonates with the senses is the development of the *Nama*

*Jokki Can* (Draft mug can) that we are engaged in jointly with Asahi Breweries Co., Ltd. The *Nama Jokki Can* enables a frothy head to rise from the open can. Traditionally, it was undesirable for bubbles to come out of the can when it is opened. However, we scientifically elucidated the mechanism behind the bubbles and developed an inner coating technology to control it. This was combined with Asahi Breweries’ desire to can their beer in a new way and resulted in the success delivering an excitement to the consumer that is similar to what they would feel when drinking a beer at a bar or pub. This creation of new value would never have been achieved by us alone as a manufacturer of materials. It will be great if we can create other kinds of new value in collaboration with other companies.

### Through SIC-II towards a new medium-term management plan aimed at growth

#### Review of the previous SIC-II Medium-Term Management Plan

The previous Medium-Term Management Plan, SIC-II, ended in FY2023. The initial net sales target was met, but income was far below the target. The underlying circumstances included the disruption of supply chains during the COVID-19 pandemic and the prolonged conflict in Ukraine. The most significant cause of the failure to achieve the operating profit target was our failure to quickly respond to the global increase in the prices of raw materials. In addition, the insufficient specificity of our business plan led to a delay in the establishment of new businesses as the market changed.

During the three-year period, we addressed the urgent issue of increasing our profitability, which had weakened, and we carried out intensive cost reduction measures. In Japan, we integrated six sales companies within the Group to restructure the printing inks business and consolidated production at the Mobarra Plant in Chiba Prefecture. Outside Japan, we withdrew from the colorants business in France and in the Philippines and the pigments business in Tianjin, China. In FY2023, our price revisions caught up with the soaring prices of raw materials. This helped us reach the income level that we had achieved in FY2019.

Meanwhile, we invested a cumulative total of 46.8 billion yen in growth businesses mainly outside Japan in preparation for future growth. These investments have already begun to produce effects in India, Southeast Asia and Turkey. We hope to continue these activities over the next three years.

#### Resolution behind the new artience 2027 Medium-Term Management Plan

In January 2024, with a slogan “GROWTH,” we started implementing the new management plan, artience 2027/2030. After regaining profitability, this plan presents our specific course of action towards growth. It addresses three key management issues: the trans-

formation of the business portfolio, the maximization of capital efficiency and cash flow, and the establishment of the foundation of our corporation and sustainability management practices.

In the first three years of the artience 2027 management plan, we will focus on the transformation of the business portfolio. In the existing businesses with growth potential, we will work to increase profitability. In other businesses, we will conduct more intensive reforms. We will also define strategic priority businesses and allocate management resources heavily to them. Specifically, the strategic priority businesses are the mobility and battery related business which handles carbon nanotube (CNT) dispersions for lithium-ion batteries (LiB) and other products, and the display and advanced electronics related business, which, for example, is involved in sensors and semiconductors.

We will be investing 30 billion yen of capital in existing businesses and another 30 billion yen in CNT dispersions for LiBs. In total, we will be investing 60 billion yen. This figure is larger than the 46.8 billion yen invested during SIC-II. It reflects our serious determination to transform the business portfolio.

To maximize capital efficiency and cash flow, we have decided to introduce two indicators, return on invested capital (ROIC) and the cash conversion cycle (CCC). The goal of this is to increase the visibility of

targets for each division and performance management. Many times, I have stressed our intention to value freedom and discipline in the company. These indicators are a part of that discipline. We will persistently seek to achieve positive results and to keep our promise with the market while respecting the abilities of all our employees to freely take on new challenges. I hope this culture takes root within our company.

### Enhancing shareholder return while implementing large-scale investments

As I said, the top priority action in artience 2027 is to implement the growth strategy. We have set a net sales target of 400 billion yen and an operating profit target of 25 billion yen. On the other hand, we recognize that our cost of shareholders’ equity is around 7%. It is necessary that we achieve an ROE of at least 7%. This is a mere milestone. I believe that we can achieve a PBR of 1.0 or above by aiming for an ROE above 10%.

In terms of cash allocation, we will appropriate 60 billion from the forecasted cash flow of 95 billion yen in the three-year period to investments for growth, as I mentioned earlier. In parallel with this, we will also be spending 20 billion yen to pay dividends and repurchase treasury stock as we believe that a well-bal-



## Top Message

anced shareholder return is important. With a projected profit of 40 billion yen, the total return ratio will be 50% or more. I believe that this is a fairly ambitious plan that will allow us to implement large-scale investments while also enhancing shareholder return.

We have received a proposal regarding the repurchase of treasury shares from a shareholder. No stable return can be offered without continuing corporate growth. While we will continue our efforts to reduce our cross-holding shares, we will continue to engage in dialogue to increase stakeholder understanding of our capital policy in order to carry out our growth strategy.

### Increasing sustainability management practices

Also during the new medium-term management plan, we will continue to expand our ESG initiatives based on our asv 2050/2030 Sustainability Vision and implement sustainability management practices. My approach to business administration is based on the idea of the inseparability of morality and economic activity (*Gi-Ri Gouitsu*.) This idea was consistently asserted by leading Japanese industrialist Eiichi Shibusawa in his publication, *"Rongo to Soroban (The Analects and the Abacus.)"* To be moral (*Gi*) means to do the right thing, and the goal of economic activity is profit (*Ri*.) They are never in a trade-off relationship. They are compatible with each other.

To serve the global environment, it is vital that we fulfill our responsibilities based on an understanding of our environmental impact as a chemical manufacturer. Roughly speaking, there are two courses of action. One is to create products that aid a sustainable society. The other is to reduce the environmental impact of our manufacturing operations.

To address climate change, we aim to reduce our CO<sub>2</sub> emissions in Japan by 35% from the FY2020 level by FY2030 and reduce our overseas emissions by 35% in FY2030 from the business-as-usual (BAU) level with an eye towards achieving carbon neutrality in 2050. We will make similar efforts regarding waste and hazardous chemicals emissions. We will set numerical targets for the individual plants to control these emissions.

We will strive to heighten the ratio of sustainability-enhancing products to total products in terms of net sales to 80% by FY2030 and to 100% in 2050. I am sure that products that help the environment and society will go beyond merely contributing to sustainability and they will increase our competitiveness.

As part of our reform of corporate governance, we transitioned to being a company with an audit and supervisory committee in March 2022. Today, three of our outside directors are women. We are increasing the percentage of officers that are outside officers to enable discussions to be more active and include more diverse perspectives. In FY2024, we reduced the number of operating officers and corporate advisors from 26 to 16. I believe it was a major decision to pass the

baton to the next generation. Apart from that, we will continue to improve our corporate governance by continually improving our whistle-blowing systems and information security measures, including outside Japan.

### Enhancing human capital at the heart of all of our activities

It is always humans that support our growth. Since we are committed to people-oriented management, our human capital strategy is of course significant to us. This year is the third year that we have had our Task Force on artience's Future workshops headed by the president for employees in their forties and fifties. A significant part of the Task Force's purpose is its function as a succession plan. In January 2024, a former member of the Task Force was appointed to be an operating officer.

In addition, we established an incubation center in response to a strong proposal from workshop members regarding the establishment of a system under the direct control of the president for the creation of new businesses. This brought about very good initiatives including a program which enables the team winning an internal business contest to work to commercialize the business they have proposed.

In FY2024, we began holding semimonthly Incubator Campus Project events. They provide opportunities for invited people from start-ups, local governments and non-governmental organizations that are active in the subject area of the event to interact. They are open to employees and in the future we will open them to customers and others outside the Group. Ideally, I want to make the artience Group into a company where people and information from around the world gather through the global expansion of human networks. I hope that this project will be an initial step towards the realization of this.

Amid the current increase in personnel mobility, we hope to be a company that attracts personnel rather than a company that discourages personnel from leaving. To increase productivity in response to the labor shortage that is anticipated in the future, we must take measures to improve employee engagement and motivation. In my thirties, I was assigned to the United States. There, it was difficult to cultivate new customers by myself, as I was not used to speaking English. However, I feel that my struggles at that time have shaped what I am today. Now there are more efficient ways of working, but I hope that young staff members will do jobs that gives them experience that will help them later. I think we need to properly assign staff to achieve this.

Additionally, from the perspective of diversity we must create an environment that is friendly to the women working with us, even at plants where workers have been traditionally male. Diversity is the source of new value creation. This is not just gender diversity but also diversity in terms of nationality and disability.



### Working for world peace together with stakeholders

Following the waning of the COVID-19 pandemic, we have been working intensively on face-to-face communication with employees since last year. For this purpose, I have been visiting our bases across the country. When I directly stress the significance of the corporate transformation that the Group is striving to achieve, I often feel that it resonates well with employees. Some employees from different age groups comment that they already feel the company is changing. I hope that the solid feeling of changes will spread across the Group. In FY2024, I will be visiting as many overseas bases as possible. I hope that my visits will energize workers. Often, these visits energize me.

I am responsible for steering the company, and I aspire to make artience a good company. My own

definition of a good company has three characteristics. First, a good company produces products and services that aid society. Second, its employees have job satisfaction, and third, it is capable of continuously improving its financial results. There are lots of things that cannot be done by us alone. We will involve customers, business partners, competitors and other parties in our activities and work towards our ideals.

The outlook regarding the international situation is still uncertain. However, I believe that world peace can be achieved through economics. Since we are a corporate group, we can build closer industrial relationships beyond national boundaries to create new things together with a wide variety of people. Believing in the significance of the role the economy plays in peace, we will strive towards a bright future in collaboration with stakeholders all around the world.

# History of the artience Group

Over the more than 120 years since its foundation, the artience Group has continued to grow by responding flexibly to the changing conditions and demands of society. During each era the Group experienced, we made major decisions on strategy and persistently and tirelessly implemented them, enabling the Group to be what it is today. We will continue to pass down our intent to "contribute to the enrichment of life and culture of people worldwide," which is a part of our corporate DNA, to realize a sustainable society.



## For high-quality domestic printing inks that help the spread of learning and education

Kamataro Kobayashi moved from Yokohama to Tokyo when he was 11 years old. After apprenticing for a sign maker and working as a clerk at an art supply store, he became independent and opened a printing ink shop in Nihombashi, Tokyo in 1896. Kamataro could not attend school since his early childhood and remained illiterate throughout life. Therefore, he believed that learning and education are the most important factors for the development of Japan, and established Toyo Ink Manufacturing Co., Ltd. in January 1907, with the goal of domestically producing and improving

Founder  
**Kamataro Kobayashi**  
(1875 - 1938)

## 1896—

### Establishment of Kobayashi & Co.

Having witnessed the significant progress that was occurring at the time in color printing technologies, Kamataro established a printing ink shop, in 1896. In those days, most printing business operators did not purchase inks as finished products. They bought raw materials, such as pigments and varnishes (resins for inks,) and custom-mixed them to produce original inks. In response, Kamataro began providing a custom-mixed ink service as an outsourcing service for small- and medium-sized business operators who did not have the staff to dedicate to making inks. Later, Kobayashi & Co. grew to the scale of manufacturing and selling finished inks, but Kamataro faced a barrier: expensive imported raw materials were indispensable for the manufacturing of high-quality inks. And this barrier led Kamataro toward a new dream, the realization of the in-house production of raw materials.



Ink color sample sheets used by Kobayashi & Co.

## 1907—

### Toward the integrated production of inks made in Japan

Kamataro established the first stock company in the ink industry in 1907 and began researching the in-house production of pigments and varnishes, the raw materials of inks, with the goal of producing high quality inks that were fully made in Japan. Catalyzed by the difficulty of procuring organic colorants during the First World War, he accelerated R&D efforts. In 1920, Toyo Ink Manufacturing succeeded in the in-house production of azo pigments such as Brilliant Carmine 3B, which excel in color development and durability, and started mass production. Then, in 1937, the company succeeded in the inhouse production of Phthalocyanine Blue, which later became a flagship pigment product from the Toyo Ink Group. In this way, Toyo Ink Manufacturing acquired the technological capabilities to support integrated production ranging from materials to printing inks and developed into a leading ink manufacturer in Japan.



Head office of Toyo Ink Manufacturing Co., Ltd. in its early days (around 1910)

## 1950—

### From an ink manufacturer to a chemical manufacturer

In 1951, Toyo Ink Manufacturing entered into a technological tie-up with Interchemical Corporation (now known as BASF SE,) which was the largest chemical company in the United States, and introduced synthetic resin technologies. This resulted in the creation of a synthetic resin-based ink featuring excellent colors, gloss, and durability that were unachievable with conventional inks. In addition, the company also introduced technologies for metal coating agents, adhesives, pressure sensitive adhesives and other products to enable its evolution into a chemical manufacturer that provides a wide variety of products, including coating agents for cans, plastic colorants, double-sided tapes for industrial use and resist inks for printed circuit boards. Separately, the company set up its first overseas subsidiary after WWII in Hong Kong in 1963 to fully engage in exports to China and Southeast Asia. After that, the company opened offices around the world to build a global foundation for its business.



"DOUBLE-FACE™" Double-sided adhesive tape

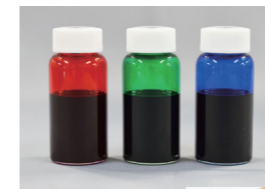


"ORIBAIN™" Pressure sensitive adhesive

## 1990—

### Expanding into new markets mainly leveraging the company's own technologies

Since the 1990s, the company has been advancing R&D activities to create applications for its own technologies used in existing products, such as printing inks, adhesives, coatings, and plastic colorants, in new industrial fields. The company evolved its technologies to add functionality, based on the electronic and optical properties of organic pigments and polymers, the film structure control technologies of printing and coating, and the dispersion control technologies used for the development of adhesives and colorants, then the company developed and sold materials such as organic colorants for OPC drum, conductive inks, resists for FPD color filter, and electromagnetic wave shielding films for new markets for the Group, including electronics, displays, telecommunication, automobiles, and solar cells.



"Liocure™" Color resist for FPD

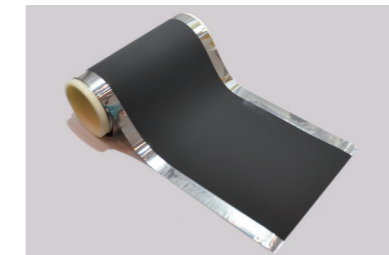


"LIOELM™ TSS," Electromagnetic wave shielding film

## 2010—

### Taking on challenges to realize a sustainable society

The Group, which adopted a holding company system in 2011, has been developing advanced products as a materials chemical company by targeting new markets, taking on challenges to help build a sustainable society. The development efforts produced a broad range of achievements including the reduction of the petrochemical materials in printing inks and adhesives, packaging materials that meet needs related to paper containers and packages and enhanced material recyclability, sealing materials that improve the efficiency and service life of solar cells, carbon nanotube (CNT) dispersions for lithium-ion batteries, and functional polymer materials for high-speed high-capacity communication and the semiconductor sector. The Group began operating in the medical field in 2016. In this field, it is focused on solutions for healthcare professionals and materials related to drug discovery, mainly in the transdermal patches business.



"LIOACCUM™" Electrode material for lithium ion batteries

# 2024—

## artience: Determination to change

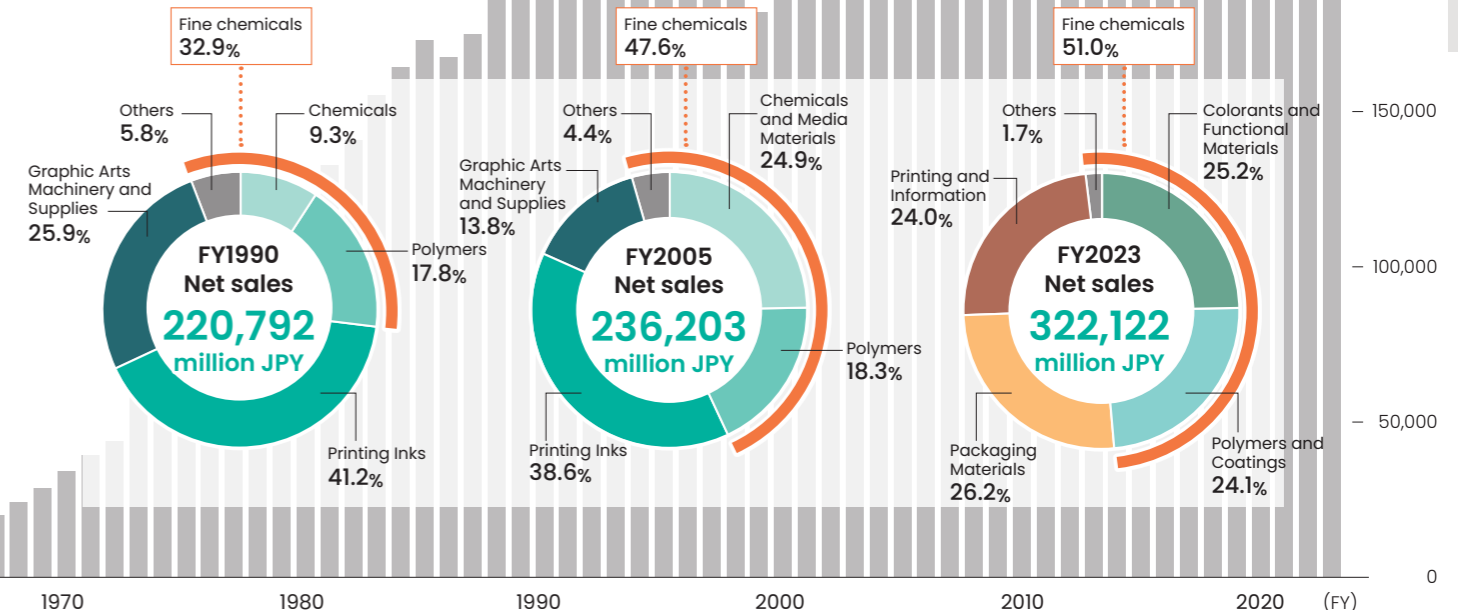
In January 1, 2024, we changed our company name to artience Co., Ltd. This means that we stopped using the TOYO INK brand name, which was our brand name for the 117 years since the company was established in 1907. This displays the Group's determination to achieve this major transformation and make a fresh start to people inside and outside the Group. With a strong determination to transform into a company that delivers pioneering value to people around the world using cutting-edge technologies, the entire Group will work as one to create value that will resonate with the senses and build a future where all people can live enriched lives.



### Changes in net sales

\* FY1999 and before: Non-consolidated results, FY2000 and after: consolidated results

### Changes in business portfolio



# Overview of the artience Group

We will not only work to create products that increase convenience for society, we will also surprise and excite consumers in an effort to build a future where all people can live enriched lives.


### Colorants and Functional Materials Business

By merging colorant design and dispersion technology, we develop functional materials in a variety of fields, including Color Resist Inks for displays and sensors, conductive carbon nanotube dispersions for cathode materials of lithium-ion batteries, and more.



### Polymers and Coatings Business

Drawing on our strengths in integrated production from raw materials to end-products by way of our polymer design technologies and coating technologies, we provide cutting-edge products in the electronics, semiconductor, and medical sector. In addition, we also focus on development of environmentally friendly products.




### Packaging Materials Business

We offer a variety of environmentally friendly products, such as water-based, solvent-free, and biomass items, as well as promoting recycling. We do our part to achieve a more sustainable society by enriching people's lives with our products while ensuring their safety and at the same time by caring for the natural environment.



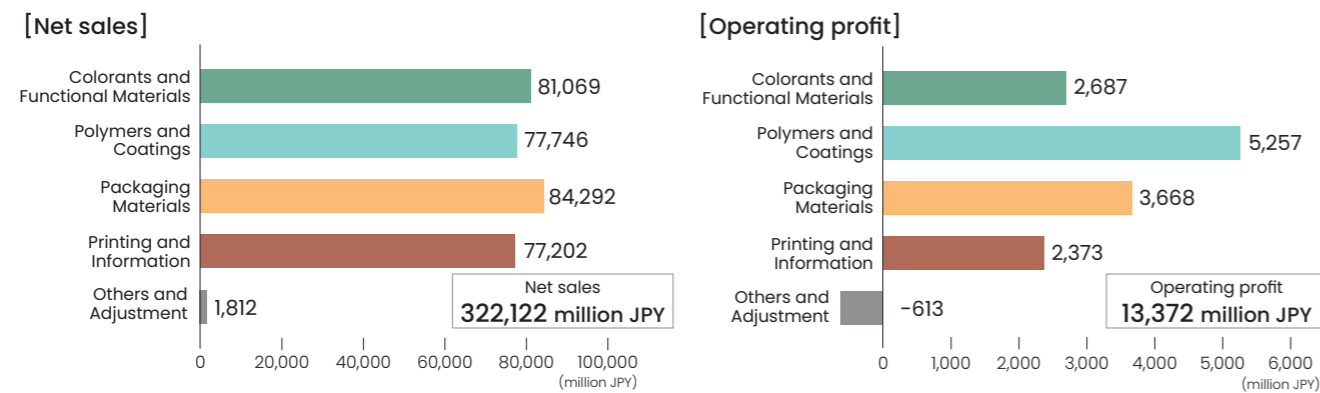
### Printing and Information Business

The artience Group has been engaged in the printing ink business since its very beginning, and the sector is an important one in support of information infrastructure. By applying the technologies we have developed over many years in the business, we continue to challenge ourselves to new possibilities in printing, such as the development of functional inks for use in electronics.



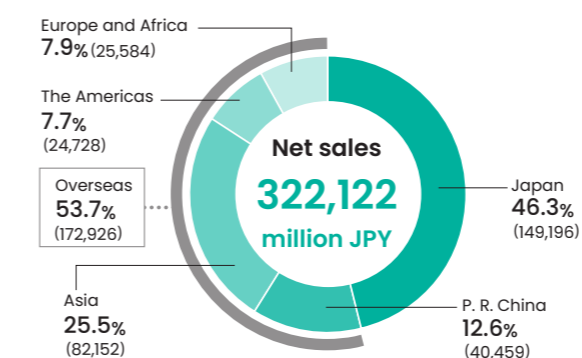
## Numerical Information (As of December 31, 2023)

### Net sales and operating profit by business segment

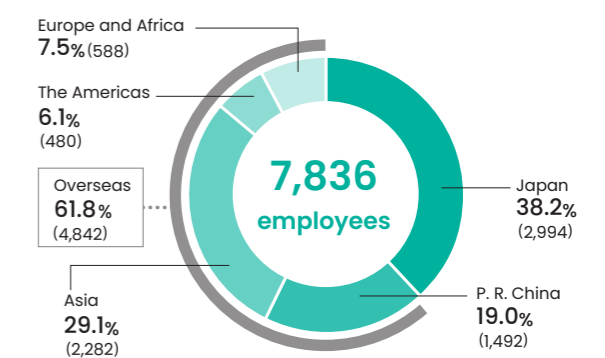


Ordinary profit: 12,880 million JPY | Profit attributable to owners of parent: 9,737 million JPY | Operating margin: 4.2% | ROE: 4.2%

### Net sales by business area (Unit: million JPY)



### Employees by business area (Unit: employees)



### Global Expansion

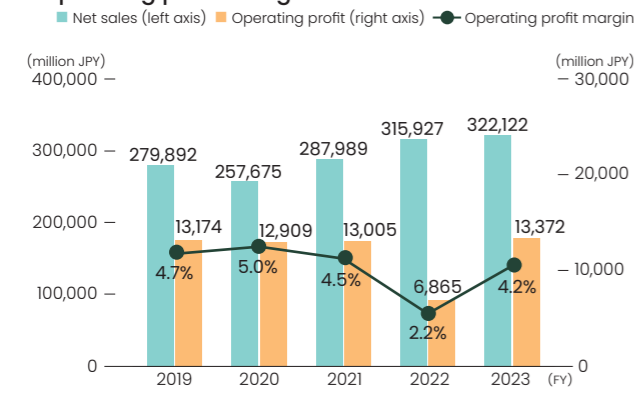
\* including holding company

Japan: 13 companies / 32 sites  
 Overseas (excluding Japan): 23 country or region / 49 companies / 78 sites

# Overview of the artience Group

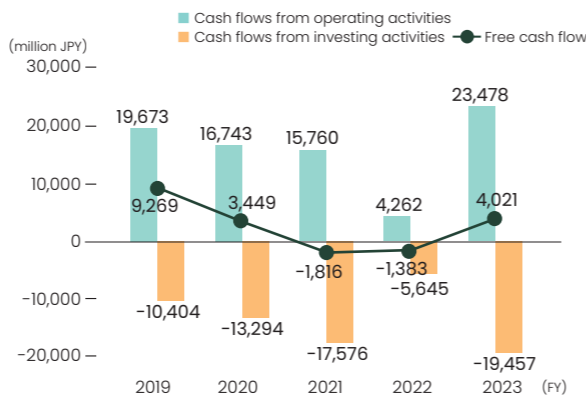
## Financial Highlights

### Net sales, operating profit, operating profit margin



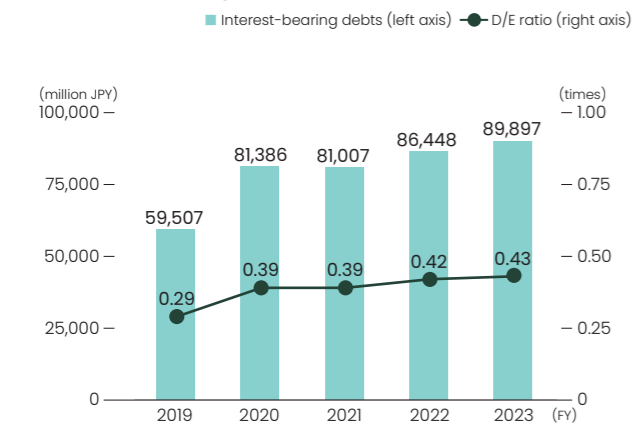
To address the soaring prices of raw materials, we reduced costs, revised prices and structurally reformed to achieve an increase in sales and profit. The operating margin also rallied, even though performance was sluggish in the electronic-related business and in the color filter materials business.

### Cash flows



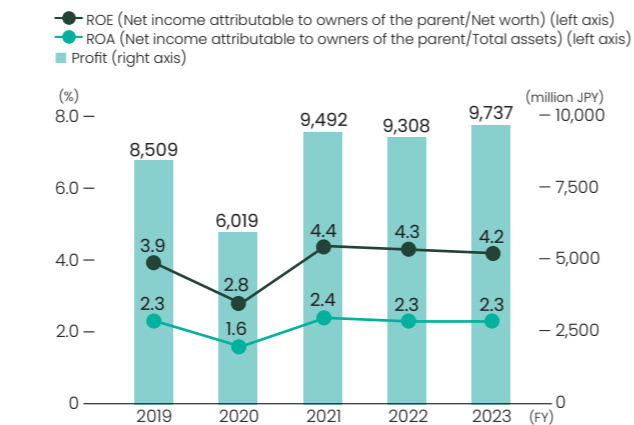
Net cash provided by operating activities increased by a large margin from the previous year due to the increase in operating profit and decrease in inventories. Net cash used in investing activities increased from the previous fiscal year, which included a large sale of investment securities. The increase is explained by the construction of a new overseas plant, the acquisition of a Thailand-based manufacturer of can coatings and other factors.

### Interest-bearing debts, D/E ratio



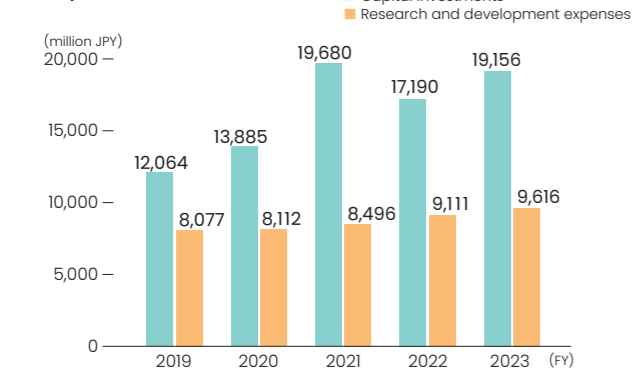
Interest-bearing debt increased 3,449 million yen from the previous fiscal year. This is due to fund procurement ahead of the schedule for repaying long-term loans payable by means of the second issuance of unsecured straight bonds. The D/E ratio has also increased slightly.

### ROE, ROA, profit



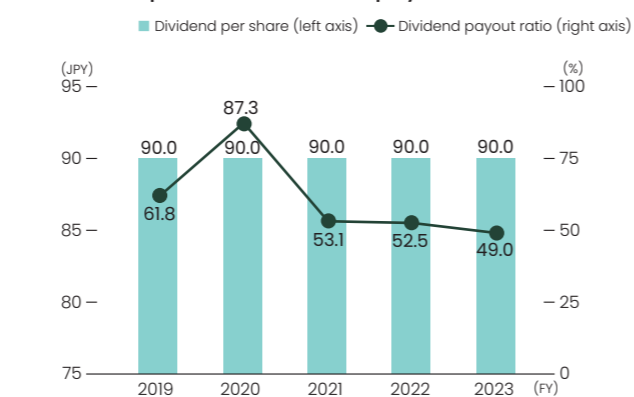
Profit attributable to owners of parent stayed almost flat from the previous fiscal year which included a massive gain on sale of investment securities. Consequently, both ROE and ROA stayed flat.

### Capital investments, research and development expenses



As in the previous fiscal year, we continued to invest in the development of a system for supplying materials for automotive lithium-ion batteries. Research and development expenses were also higher than in the previous fiscal year.

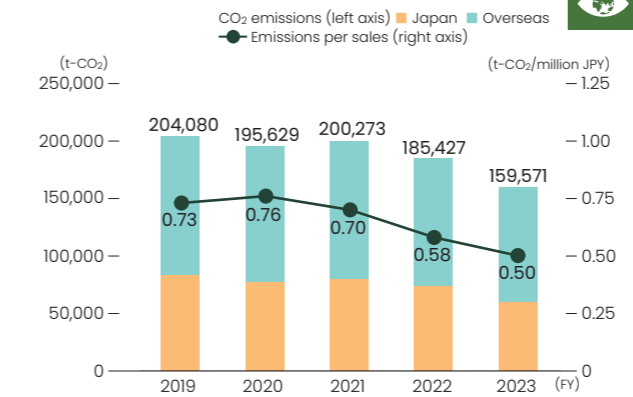
### Dividend per share, dividend payout ratio



During the period of the medium-term management plan, we set the total payout ratio target at 50% or more while maintaining the basic principle of providing stable dividends.

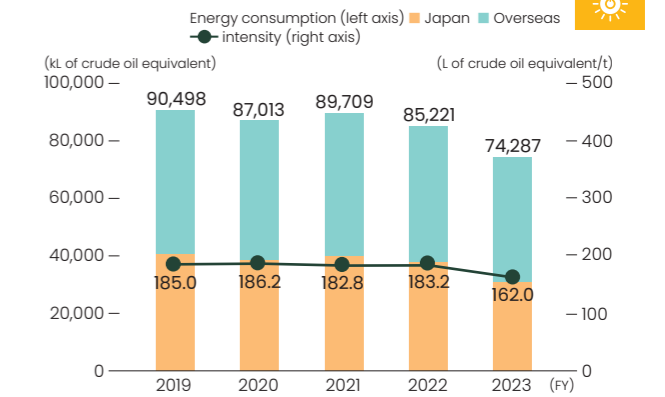
## Non Financial Highlights

### CO2 emissions



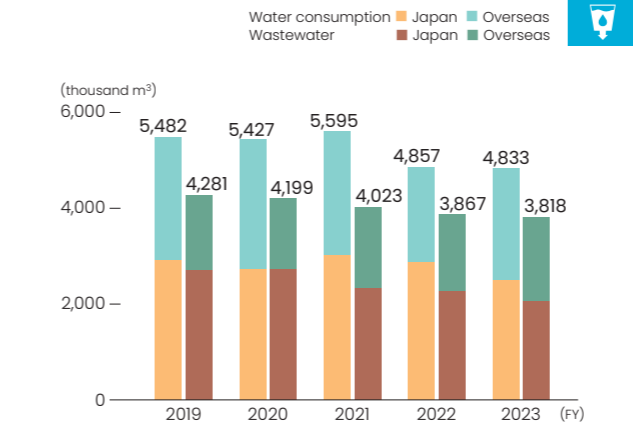
In asv2050/2030, we have set the target of reducing total domestic and overseas CO2 emissions to 145,000t-CO2 by FY2030.

### Energy consumption



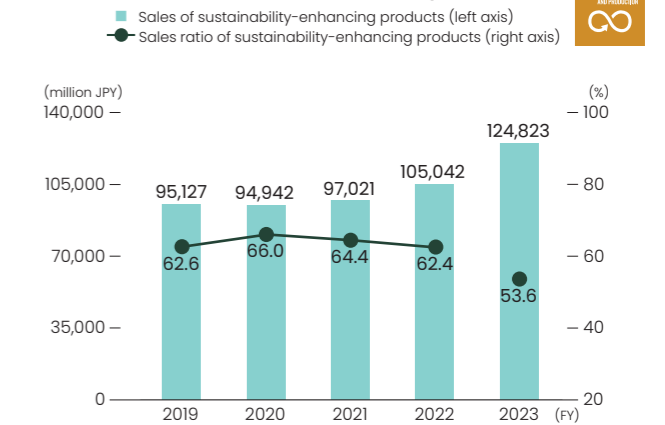
Energy consumption decreased year on year both in Japan and overseas after changes in items and quantity of production. Energy consumption rate dropped slightly.

### Water consumption and wastewater



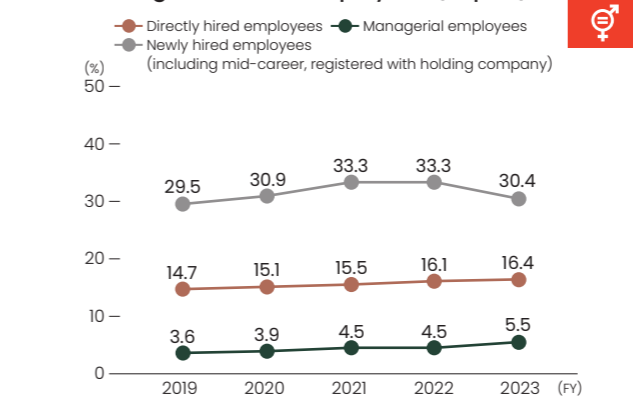
We are striving to reduce the water consumption through measures such as re-using water as process water (reaction solvents, washing water, etc.) after using it as cooling water.

### Sales of sustainability-enhancing products



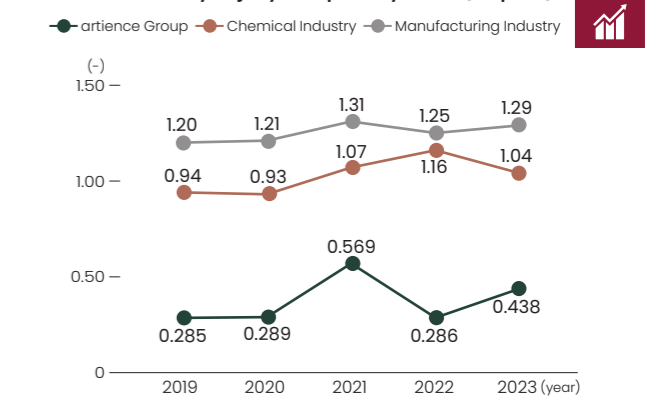
In FY2023, a new definition of sustainability-enhancing products was introduced under asv 2050/2030 and the scope of calculation was expanded to include overseas sales. The figures up to an including FY2022 are net sales and sales composition ratio of conventional environmentally friendly products.

### Percentage of female employees (Japan)



Our Declaration of Active Participation of Women stipulates that the ratio of women among newly hired employees in Japan (including mid-career hires) shall be at least 30%, and that the percentage of female managers shall be at least 8% or higher.

### Lost-workday injury frequency rate (Japan)



There were one lost-workday injuries and the frequency rate increased from FY2022, but below that of the chemical industry and the manufacturing industry as a whole.

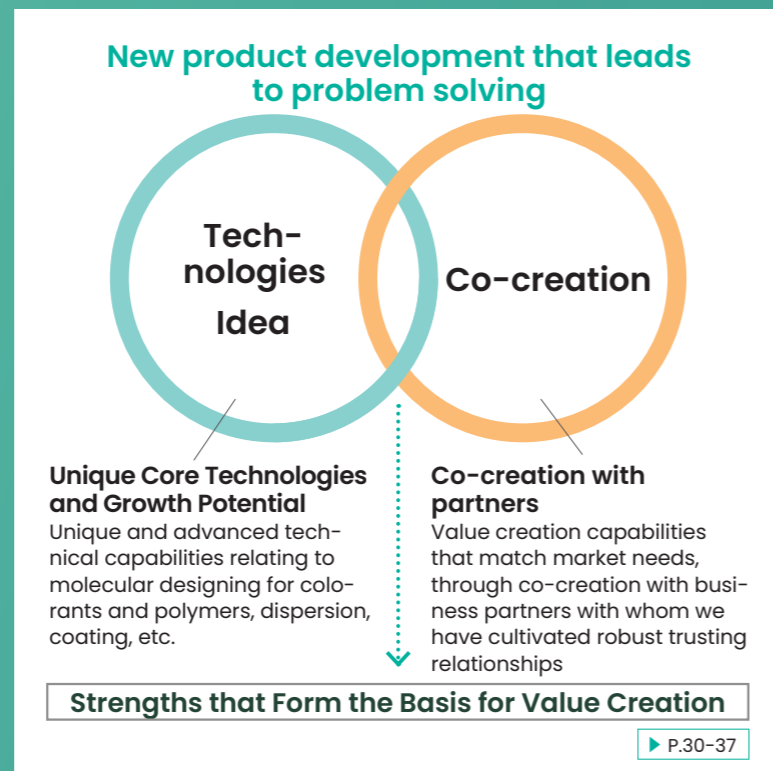
# Value Creation Model

The Group works to provide value through products and services created through its business activities, with the aim of sustainable growth of the Group and society. We recognize and understand the many different social and environmental issues around the world. We will continue, without interruption, our business model of creating ways to help solve these issues in collaboration with our partners by demonstrating the Group's technological strengths. As a company that delivers pioneering value using leading-edge technology to people around the world, we will push forward the upward spiral of the value creation process.

## INPUT ..... Value Creation Process ..... OUTPUT ..... OUTCOME

- Capital Sources of Value Creation**
- Financial Capital**  
A sound financial base that emphasizes the balance between investment and shareholder returns
  - Human Capital**  
Diverse human resources and good employee engagement to support value creation
  - Manufactured Capital**  
A manufacturing platform that creates value that will resonate with the senses
  - Intellectual Capital**  
Technology infrastructure and systems to drive the creation and expansion of new businesses
  - Social and Relationship Capital**  
Network for promoting local production for local consumption and sound supply chain
  - Natural Capital**  
Global environment and resources supporting sustainability of the Group and society

▶ P.20-21



### Medium-term Management Plan artience2027

- Basic Policy 1**  
Shift to existing businesses with high profitability
- Basic Policy 2**  
Creation of strategic priority businesses
- Basic Policy 3**  
Reform of business foundation

▶ P.24-29

### Five material issues

1. Provide value that exceeds customer expectations and contribute to society
2. Co-exist in harmony with the environment through innovative technologies
3. Co-exist and co-prosper with the supply chain and fulfill the trust of stakeholders
4. Value employees and pursue their happiness and job satisfaction
5. Build a solid base that underpins trust

▶ P.66-67



### Three strategic priority businesses

- Mobility and Battery Related Businesses
- Display and Advanced Electronics Related Businesses
- Next-generations Businesses (Environmental, biotechnology and energy)



# Capital Sources of Value Creation


The artience 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.

### 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 artience 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	447,798 million JPY
Profit attributable to owners of parent	9,737 million JPY
Shareholders' equity	245,762 million JPY
Cash flows (balance of cash and cash equivalent)	56,040 million JPY




### Human capital

Diverse human resources and good employee engagement to support value creation

The management resources that the artience 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 DE&I (diversity, equity and inclusion,) supporting the career development for proactive employees, and creating a rewarding work environment. 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	7,836 employees (2,994 in Japan, 4,842 overseas)
Ratio of female hires (new graduate and mid-career recruits)	30.4% (employees registered at holding company)
Ratio of female managers	5.5% (as of January 2024 in Japan)
Number of overseas managers recruited locally	560 persons (as of the end of March 2024)
Employee satisfaction	82.7% (positive response rate in employee awareness survey in Japan)




### Manufactured capital

A manufacturing platform that creates value that will resonate with the senses

Since the time of its founding, the Group has aspired to contribute to society as a manufacturing company. We have an integrated production system encompassing everything from raw materials such as pigments and polymers to products such as inks and various functional items. This system enables us to create value that resonates with the senses, as the Group aims to achieve. By sharing formula, know-how and production technologies between Group companies both 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.

Production bases	12 bases in Japan, 27 bases overseas
Capital investments	19,156 million JPY
Overseas production ratio (quantity basis)	60.8%
Frequency rate of lost-workday injuries	0.438 (Japan)




### Intellectual capital

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

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, we are 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.

Number of employees in R&D and Technology departments	828 persons (as of June 1, 2024 in Japan)
Research and development expenses	9,616 million JPY
Number of patents	2,169 patents in Japan, 962 patents overseas




### Social and relationship capital

Network for promoting local production for local consumption and sound supply chain

Corporate value cannot be increased without building good relationships with diverse stakeholders, including customers, employees, local communities, shareholders, investors and business partners. The Group establishes sustainable supply chains, conducts manufacturing activities aligned with local communities, and listens to stakeholders through many different communication methods. Through these activities, we are striving to meet their expectations.

Number of Affiliates	56 consolidated subsidiaries, 6 equity-method affiliates
Business regions and sites	24 countries or region, 78 sites
Overseas sales ratio	53.7%
Major suppliers	Approx. 520 companies in Japan
Time spent maintaining trusting relationships with customers	128 years (Founded in 1896)




### Natural capital

Global environment and resources supporting sustainability of the Group and society

We take seriously the fact that all business activities are heavily dependent on natural resources. The Group carries out activities that help improve the sustainability of the global environment and society to protect rights and interests of future generations of people. Our activities include reducing the consumption of petrochemical raw materials, reducing greenhouse gas (GHG) emissions and the circular use of water and natural resources.

CO <sub>2</sub> emissions	160,727t-CO <sub>2</sub>
Energy consumption	74,287kl [crude-oil equivalent]
Water consumption	4,833 thousand m <sup>3</sup>
Raw materials (fossil, non-fossil)	150,701t



\* Figures are as of the end of December 2023 unless stated otherwise.

# artience Group Value Creation Looking Ahead to 2050

The artience Group has been working on a long-term concept with the target year of 2027 called Scientific Innovation Chain 2027 (SIC27) and we have been implementing three-year-long medium-term management plans. To make a fresh start as artience in FY2024, the Group formulated artience2027/2030 "GROWTH", a new management plan whose target year is 2030, so as to implement the transformation consistently.

In addition to engaging in business activities with financial targets in each medium-term management plan, we have also identified key material issues relating to the sustainability of the Group and society, and are engaged in sustainability activities in conjunction with our medium-term management plan. The Group

established its asv 2050/2030 Sustainability Vision as a set of long-term practical targets for its sustainability activities. The goal is to respond to recent global trends regarding climate action, carbon neutrality and initiatives for the achievement of the SDGs, as well as the current social situation which includes an increasing number of demands being made of businesses.

To serve in new area and achieve continued growth in fast-changing social circumstances, we will transform into a company that delivers pioneering value to people around the world using cutting-edge technologies and work together as one group to create value that resonates with the senses for a future where all people can live enriched lives.

### Targets for business performance

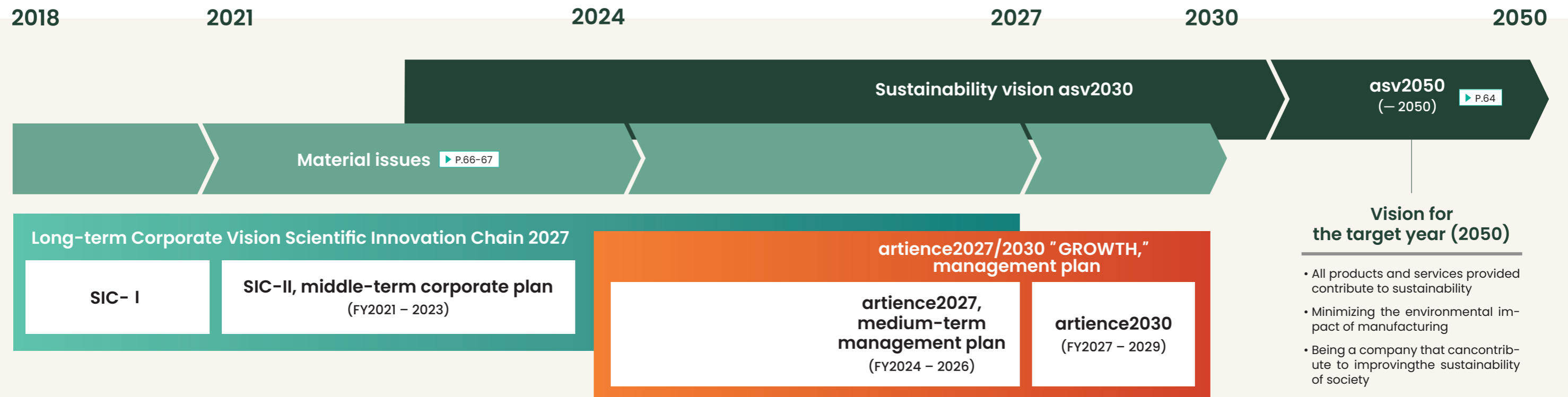
	FY2021 (result)	FY2022 (result)	FY2023 (result)	FY2024 (planned)	FY2026 (target)	FY2029 (target)
Consolidated net sales	287,989 million JPY	315,927 million JPY	322,122 million JPY	340,000 million JPY	400,000 million JPY	500,000 million JPY
Consolidated operating profit	13,005 million JPY	6,865 million JPY	13,372 million JPY	14,500 million JPY	25,000 million JPY	—
Operating margin	4.5%	2.2%	4.2%	4.3%	6.3%	—
ROE	4.4%	4.3%	4.2%	—	7.0% or more	10.0% or more

### Summary of the previous SIC-II Medium-term Management Plan (2021-2023)

There was some progress in growth initiatives and the net sales target was achieved. However, operating profit was far below the target due mainly to a decrease in the operating margin due to rising raw material prices and a decline in volume.

#### Achievements and issues in the SIC-II period

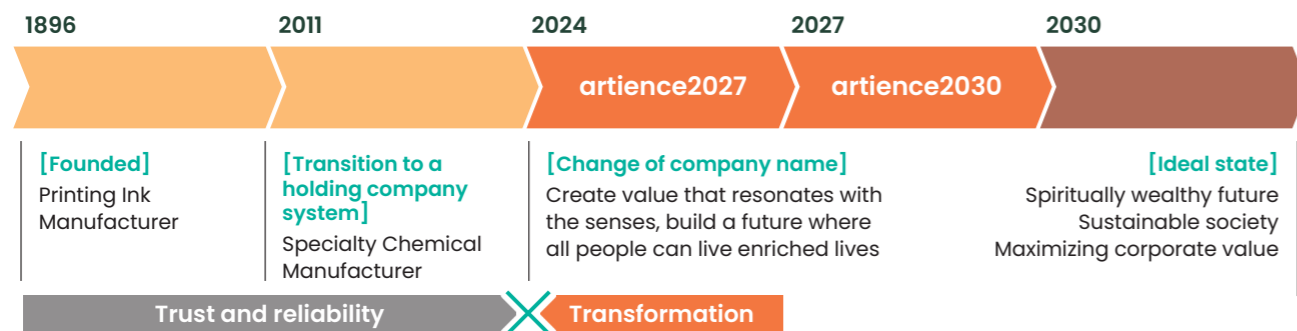
Basic policy	Achievements	Issues
1. Improve the profitability of businesses	<ul style="list-style-type: none"> <li>Progress was made in the expansion of business and investment in growth regions (India, Southeast Asia and Turkey): Overseas sales ratio: 46.4% → 53.7%</li> <li>Business structure rationalized</li> <li>Printing and Information: Sales companies in Japan were integrated and alliances were formed with other companies</li> <li>Colorants and Functional Materials: Bases reorganized and integrated (France, Philippines, Tianjin and Mobarra)</li> </ul>	<ul style="list-style-type: none"> <li>Change the market we operate within and reform the product portfolio to increasing profitability</li> </ul>
2. Create more priority areas of development	<ul style="list-style-type: none"> <li>Global supply chain management (SCM) system for CNT dispersions for LiBs constructed and put into practical operation</li> <li>The number of sustainability-enhancing products (formerly, environmentally-friendly products) increased</li> <li>The number of high value-added products (e.g. functional coating materials) increased</li> </ul>	<ul style="list-style-type: none"> <li>Intensively invest in the expansion of the business of CNT dispersions for LiBs, create earnings pillars and achieve growth through new businesses</li> </ul>
3. Enhance the value of management resources for sustainable growth (change of the corporate structure)	<ul style="list-style-type: none"> <li>asv 2050/2030 Sustainability Vision (formerly TSV 2050/2030) and a dedicated ESG department established</li> <li>Organizational reform implemented to change the cost structure of back office operations</li> <li>Enhanced governance and acceleration of business execution (transformation into a company with an audit and supervisory committee, increased in the number of directors that are women and halved the number of operating officers (from 26 to 13 as of December 31, 2023))</li> <li>Cross-shareholdings reduced (13.1 billion yen)</li> <li>Treasury shares purchased (10.7 billion yen)</li> </ul>	<ul style="list-style-type: none"> <li>Correct the cash flows that had deteriorated due to an increase in working capital due to the COVID-19 pandemic and other external conditions and actively invest</li> </ul>



# artience2027, Medium-term Management Plan

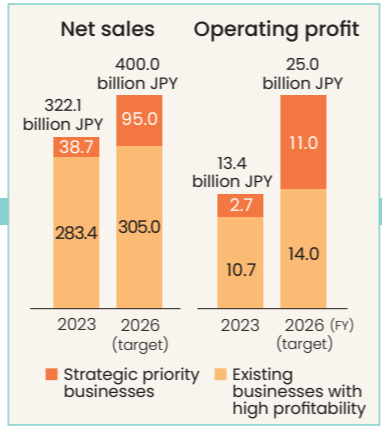
The goal of the management plan up to 2030, artience 2027/2030 "GROWTH," is to build a future where all people can live enriched lives and a sustainable society and to maximally increase corporate value. In the plan, three key management issues were identified: the transformation of the business portfolio, the maximization of capital efficiency and cash flow, and the establishment of a corporate foundation and sustainability management practices. During the artience 2027 Medium-term Management Plan, we will transform our existing businesses into highly profitable ones and create strategic high-profitability businesses. We will transformation the foundation of our management centered on organizational, personnel and cash flow management. This is where we will start the transformation.

artience2027/2030 "GROWTH," management plan



## artience2027 Medium-term Management Plan (FY2024-2026)

Key management issues	artience 2027 Basic Policies
<b>Business portfolio transformation</b> ▶ P.25-27	<b>1 Shift to existing businesses with high profitability</b> <ul style="list-style-type: none"> <li>Expansion of growth businesses</li> <li>Increase in profit of profitable core businesses</li> <li>Liquidation of unprofitable businesses and reconstruction of strategies</li> </ul>
<b>Maximization of capital efficiency and cash flows</b> ▶ P.28-29	<b>2 Creation of strategic priority businesses</b> <ul style="list-style-type: none"> <li>Mobility and Battery Related Businesses</li> <li>Display and Advanced Electronics Related Businesses</li> <li>Next-generations Businesses (Environmental, biotechnology and energy)</li> </ul>
<b>Establishment of corporate foundations and sustainability management practices</b>	<b>3 Reform of business foundation</b> <ul style="list-style-type: none"> <li>Personnel, culture and organization: Improvement of engagement and DE&amp;I</li> <li>Cash: Cash flow management and improvement of capital efficiency</li> <li>Manufacturing: asv2050/2030 and supply chain management</li> <li>Information/DX: Carry out digital reforms and make the most of SAP</li> <li>Technologies and intellectual property: Strengthening of the technological foundation and the proactive use of intellectual property</li> </ul>



## Business portfolio transformation

The artience Group's business portfolio consists of products for which materials and technologies derived from printing inks are used. It stretches across a wide variety of markets and sectors. We will review our numerous businesses to prioritize them and concentrate our resources on high-priority businesses for the development of competitive businesses. With this business portfolio transformation, we seek to achieve continued growth.

### Making strengths stronger

Characteristics of our business portfolio are that it includes a large number of products, stretches across a wide variety of sectors and broadly serves markets in Japan and overseas. We have developed technologies based on the colorants and polymers used in printing inks to supply a broad range of products from daily necessities to cutting-edge materials for many different markets. Our businesses do not depend on specific sectors. This provides an advantage in that risks are diversified but the drawback is that resources tend to be scattered.

The acceleration of digitalization means that the ongoing shrinkage of the information printing markets will continue. Color filter materials for liquid crystal displays used to be one of our major sources of revenue.

The commoditization of final products resulted in prices falling. It is now difficult to the previous level of profitability from them.

In these business circumstances, we must depart from the stance of generally addressing all of our businesses, and increase operating profit back to the FY2016 level and higher. During the 2027 Medium-term Management Plan, we will clarify the areas we will focus on and concentrate our resources in these areas. We will make our strong businesses stronger. In so doing, we will transform our business portfolio and accelerate the growth of both existing and new businesses.

**Hiroyuki Hamada**

Senior Managing Director in charge of Corporate Departments



# artience2027, Medium-term Management Plan

## Business portfolio transformation

### Shift to existing businesses with high profitability

#### Divide the existing businesses into three groups and focus on the growth businesses

Previously, we carried out structural reforms including the promotion of alliances, the integration of sales companies and the closedown and integration of production bases in unprofitable areas to achieve some positive results.

During the artience 2027 Medium-term Management Plan, we will take a proactive stance. We have divided our existing businesses into three groups, growth businesses, stable earnings base businesses and businesses where we will implement a restructuring and rebuilding strategy. We then determined our approaches for each of these groups. Acting uniformly is the same as intensively doing nothing. The idea behind Basic Policy 1 is to change the ways that we think more drastically and to make our strengths stronger.

In the growth businesses group, we have set the goal of increasing operating profit from 6.5 billion yen in FY2023 to 9.0 billion yen in FY2026. We suspect there are more existing businesses in which we can seek greater profit. Instead of being satisfied with a certain level of profit, we will work thoroughly to avoid missing any opportunity.

The growth businesses deal mainly in packaging-related materials, including liquid inks, pressure sensitive adhesives and laminating adhesives. In Japan, we have a large share of the markets for all of these products. Since these markets are not expected

grow significantly, they are not positioned as revenue foundation businesses. However, from a global perspective, there is great potential for these businesses to leap forward.

#### Shifting to growth driven by overseas businesses

We will work very hard on our strong businesses in Southeast Asia, India, Turkey and other regions that have the potential for the growth of their populations in the future.

Our liquid inks for packaging materials in Southeast Asia are strong in Thailand and Malaysia. In the future, we will put more energy into Indonesia as well. Its population is nearly 300 million. Among the companies in our Group, our India business has one of the leading growth rates, but I believe that there is still significant room to expand its market share. In Turkey, a new production base will begin operating in July 2024. According to our plan, we will increase the number of production bases and increase their capacity to increase sales not only in Turkey but also to Europe, the Middle East and Africa.

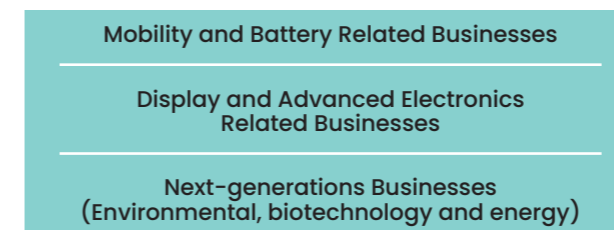
In markets that are expected to expand in the future, we will identify areas where we can leverage our business advantages. We will operate our businesses, not in a generalized manner but by placing clear emphasis on certain areas. We will develop our businesses outside of Japan into growth drivers, especially in the Asia region.

Currently, overseas net sales are approximately 54% of the Group's total net sales. Our goal is to earn 60% to 70% of our net sales overseas.

### Creation of strategic priority businesses

We determined three domains of strategic priority businesses from the perspective of growth potential of the markets and areas where our technologies can be utilized. During the medium-term management plan, we will focus on two domains. The one is Mobility and Battery Related Businesses and the other is Display and Advanced Electronics Related Businesses. We will invest intensively and on an unprecedented scale in these domains to develop them into future growth pillars.

#### Three domains of strategic priority businesses determined in Basic Policy 2



#### Materials for lithium-ion batteries

At present, we are putting the greatest emphasis on carbon nanotube (CNT) dispersions for automotive lithium-ion batteries. CNT dispersions are a key material for extending the driving range of electric vehicles. CNTs are so difficult to handle that the dispersion technologies that we are strong in are significant in their practical application.

Our CNT dispersions have been highly received and been selected by a series of major battery manufacturers. To seize this opportunity, we increased the funds in our investment plan from over 25 billion to more than 49 billion yen. (This is a cumulative total amount including the approximately 15 billion that has already been invested.)

We forecast that the net sales of the CNT dispersions business alone will be more than 20 billion yen in FY2025 and more than 40 billion yen in FY2026. Centering on this business, our business portfolio will change dramatically. The day may possibly come in the not-so-far future when artience will be an electric vehicle brand.

#### Display and semiconductor materials

Color filter materials for displays used to be an earnings pillar. Since they have become commoditized, they have become less profitable than in the past. Display production bases are moving to China. We see this change in business structure as an opportunity.

Our trust-based relationships with customers that we have established in our conventional businesses such as color filter materials and electromagnetic wave shield materials are a great advantage and

asset to us. This is also true in the electronics sector. I believe that there are still latent business opportunities in the areas around the display and advanced electronics-related products that we have supplied. We will take advantage of our relationships with markets to broaden our horizons and capture needs for related materials in a bid to promote materials for next-generation displays and semiconductors.

### artience as a revamped company

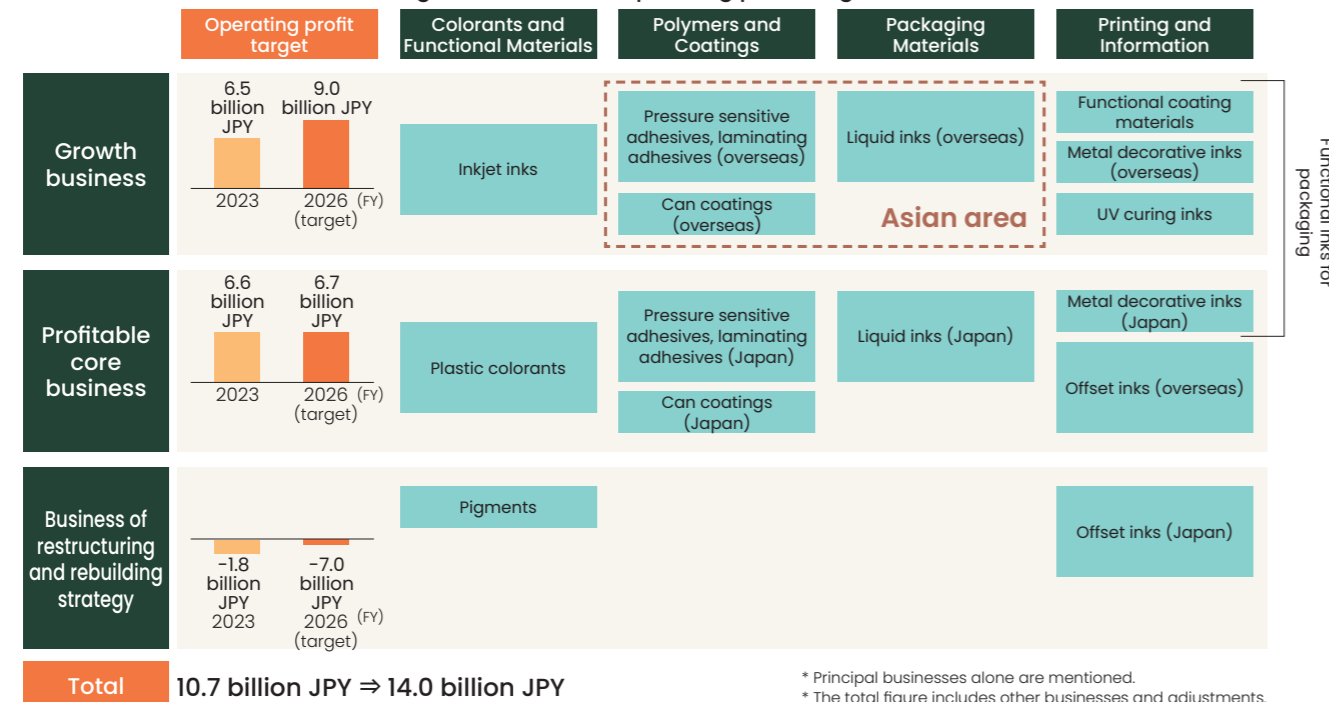
#### Increasing competitiveness with value that resonates with the senses

My thinking is that, not only our design features such as colors and feels, customer's peace of mind based on the materials we supply is also a value that resonates with the senses. We have consistently provided value that resonates with the senses in many different forms. We have recently defined value that resonate with the senses as a part of the value that we should offer. I believe that our purposeful efforts to increase this value will enable us to be competitive and lead to services that we provide to customers and to society.

#### Taking a proactive stance through the transformation of our portfolio

The desirable state of the company that I envision is a lively atmosphere where new challenges are taken on one after another. When sales and profit increase, the atmosphere in the company will be brighter and more lively. It is important that many staff members think about how to spread this positive effect through their work and how to act with a sense of ownership. With the transformation of the business portfolio, we will get back on a growth track and revitalize the Group.

#### Classification of the main existing businesses and operating profit targets



# Financial Strategy

Business portfolio transformation is one of its material management issues defined in the artience 2027 Medium-term Management Plan. We will strive to increase the profitability of existing businesses and actively invest in new growth businesses. To financially support these actions and maximize capital efficiency and cash flow, we will use indicators such as return on invested capital (ROIC), free cash flow and cash conversion cycle (CCC.)

## Financial achievements and issues during the previous medium-term management plan

During the period of the previous medium-term management plan, specifically from FY2021 to FY2023, the COVID-19 pandemic forced different plants to operate in difficult conditions. We also faced several issues including the difficulty of procuring raw materials resulting from chaos in the supply chain. We increased on-hand liquidity position by 20 billion yen. It was a necessary action to prepare for unexpected situations with a view toward maintaining inventories so that we would always fulfill our responsibilities as a manufacturer to supply product and avoid the nonpayment of our suppliers and employees. However, inventories stayed high even at the end of the previous fiscal year, even though the impact of the pandemic faded. This remains to be addressed.

On the other hand, we worked to improve our balance sheet. During the period of the previous plan, we sold 13.1 billion yen of stock that we held. Additionally, we repurchased more than 10.7 billion yen of treasury shares to start the efforts to reduce capital through shareholder return. In preparation for the future increase of interest rates, we increased our methods for procuring funds, such as the issuance of bonds and procurement from government-affiliated financial institutions.

## Take actions to enable management with an awareness of capital costs and share price

<b>Business portfolio transformation</b>	<ul style="list-style-type: none"> <li>Increase the earnings capacity of existing businesses, including structural reforms of low-profitability businesses.</li> <li>Steadily enlarge strategic priority businesses and clarify the growth story.</li> </ul>
<b>Increase capital efficiency</b>	<ul style="list-style-type: none"> <li>Introduce ROIC as an indicator to the whole company to improve efficiency.</li> <li>Improve the CCC to reduce operating funds.</li> </ul>
<b>Capital policies</b>	<ul style="list-style-type: none"> <li>Increase shareholder returns on the basis of the total payout ratio.</li> <li>Reduce cross-shareholdings</li> </ul>
<b>Efforts to lower capital costs</b>	<ul style="list-style-type: none"> <li>Disclose information in a timely and appropriate manner, step up IR activities including the positive distribution of information and increase dialogues with stakeholders.</li> </ul>

## To achieve a PBR of 1.0

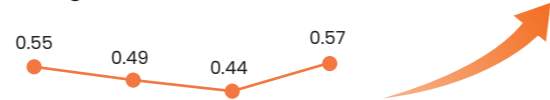
We understand that our cost of equity is around 7%. By transforming our business portfolio and increasing the expansion of growth businesses and highly profitable businesses, we will achieve an ROE of 7% or more in FY2026 and 10% or more in FY2029 as we work to increase our corporate value and PBR.

Effective asset utilization is vital in the improvement of capital efficiency. According to the plan, we will increase capital efficiency by improving profitability of existing businesses and by intensively injecting resources into businesses and regions that are expected to grow in a firm effort to enhance our earning capabilities.

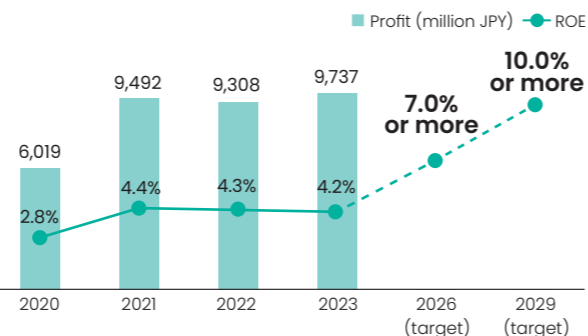
## Actively investing in priority businesses while hedging risks

Specifically, during the period of the current medium-term management plan (FY2024 to FY2026), we will be investing 30 billion yen in the CNT dispersions for LiBs business. The size of this investment is unprecedented. We have made the decision to invest nearly 20 billion yen in this particular business. Most of this investment was funded by selling stock that we held and using sur-

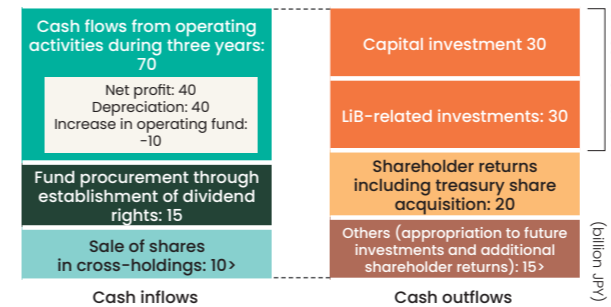
## Changes in PBR



## Changes and targets in business performance



## Cash allocation



plus funds held by the Group, so we have minimized the procurement of funds from outside sources.

How to hedge the financial risks involved in the investment of 30 billion yen during the current medium-term management plan is a big question. Enjoying the support of the Development Bank of Japan, we managed to procure funds through a scheme under which we will repay the loans within the limit of the cash flows produced by the business. I believe that this will ensure the financial health of the whole Group even if any business risks materialize. We will thus hedge risk while actively investing in priority businesses in an effort to maximize cash flows.

## Using ROIC to enhance capital efficiency

To maximize capital efficiency as stated in the medium-term management plan, we have begun using ROIC, free cash flow and other indicators to improve company-wide awareness of capital efficiency. In terms of investments, we will monitor the ROICs of individual businesses to use resources in an efficient way.

Our activities to develop a solid awareness of efficiency within the Group as a whole are now under way. We have established a task force to facilitate the introduction of capital efficiency indicators and disseminate information about them. It began its activities to encourage the use of these indicators in business activities.

To manage free cash flow and the CCC, we have established yearly targets for them and we have started working to manage them on a monthly basis.

## Balance sheet reform and shareholder return

During the previous medium-term management plan, we sold 13.1 billion yen of cross-holding shares as well as idle real estate and implemented shareholder re-

turn activities with a total payout ratio of nearly 90% in the three-year period. Meanwhile, net assets increased due to a rise in the prices of cross-holding shares and a surge in the foreign currency translation adjustment. In the three-year period of the current medium-term management plan, we will move forward with the sale of at least 10 billion yen of cross-holding shares, aiming to reduce our assets.

The medium-term management plan includes a shareholder return policy with a total payout ratio of 50%. This means that we will return at least a half of the cash that we gain to shareholders and appropriate the remaining half to investments for growth.

## Missions and roles of the General Manager of the Finance & Accounting Dept.

To increase corporate value in the medium and long term, it is necessary for the business to grow. People inside the company and external stakeholders share this idea. However, people's ideas regarding the time frames for acting, the balance between growth and returns and other matters are different depending on their perspective. We will present our policy in the medium-term management plan and engage in investor relations activities to explain the policy to people to enable them to understand it. Internally, we will develop budgets and goals that reflect the policy and control them. I understand that my roles are to build a system for ensuring this, to set targets and to manage the progress toward them.

My mission is to establish a virtuous cycle in which we maximize cash flows using ROIC, free cash flow, CCC and other indicators to increase capital efficiency and in which we will appropriate the cash flows to shareholder returns and to investments for our growth. To achieve the perpetual development of the company, it is also necessary to maintain a solid financial foundation. I think we definitely need to maintain A-ratings from financial rating agencies.

**Takeshi Arimura**

Operating Officer in charge of Finance, General Manager of Finance & Accounting Department



# Strength of artience Group

## STRENGTHS 1

### Personnel strategy that draws on the individuals, a source of value creation



**Junji Sekino**  
Operating Officer in charge of Human Resources, General Manager of Human Resources Department

Personnel are at the heart of all of artience's activities. Based on the notion that individual employees are essential to the company as a whole, we will support a *People-oriented Management* through personnel management to encourage employees to take on challenges.

#### Valuing the senses of individuals and supporting their taking on challenges through personnel management

We introduced a fresh philosophy system when we changed the name of the company, but we maintained our *People-oriented Management* Corporate Philosophy as a unique unalterable principle. From the standpoint of human resources management, we see this Corporate Philosophy as bringing out the maximum potential of the individual employees. The artience is the company that places its staff at the center of all of its corporate activities and that achieves the growth of its business based on *People-oriented Management*.

Today, I believe that, from the aspect of human resources, we should seek to implement personnel development that will fulfill the Brand Promise, "Creating value that resonates with the senses and building a future where all people can live enriched lives." In a situation where non-quantitative value that is not reflected in performance or prices is valued and where needs are diverse, we need to detect the latent needs of customers and markets and incorporate them into manufacturing. To do this, individual staff members need to stretch out their antennae. This is why we emphasize the senses of individuals in the new philosophy system.

In the past, many times our staff were reactive when meeting customers' needs. To encourage them to proactively discover problems and propose solutions, we are developing a system that evaluates people who take on challenges highly. In the system, they are encouraged to plan to take on challenges unique to each employee, implement the plans and achieve results when doing their day-to-day duties. We will incorporate the evaluation of their actions at separate

stages into their overall evaluation in order to reward their efforts and results. We are endeavoring to introduce this new evaluation scheme in FY2025.

Before that, we already revised the personnel management system for manager-class employees in January 2024 to introduce job-based treatment and performance-linked evaluation. We also reviewed the functions of operating officers and corporate advisors. We will massively decrease the number of officers and corporate advisors and pass the management of the company down to the next generation.

#### Increasing investments in human capital to develop and retain human resources

Our basic stance on personnel management in the artience 2027 medium-term management plan is to change the definition of personnel from a resource to capital and to invest more in developing and retaining personnel while maintaining the three pillars of our human resources management established in 2015.

Regarding personnel development, we have traditionally emphasized rank-specific training. In the future, we will develop a comprehensive education system including the development of future management executives, the development of IT, DX and other expert skills and new business creation. When we changed the name of the company, we renamed our *Toyo Ink Academy* groupwide training and education system to the "artience growth field." This new name embodies a vast field where employees act freely to achieve their own growth. Beyond conventional training programs teaching skills which employees use internally, we will support employees' development into professionals

#### Three Pillars of Human Resources Management (Established in 2015, revised in January 2024)

##### Fostering a Culture that Empowers Diverse Human Resources

We will create a corporate culture in which diverse personnel can play an active role in the company based on the belief that we will be able to provide the world with new value by respecting the human rights of our employees who come from different backgrounds as well as their diverse values, views and ideas and by helping them fulfill their duties.

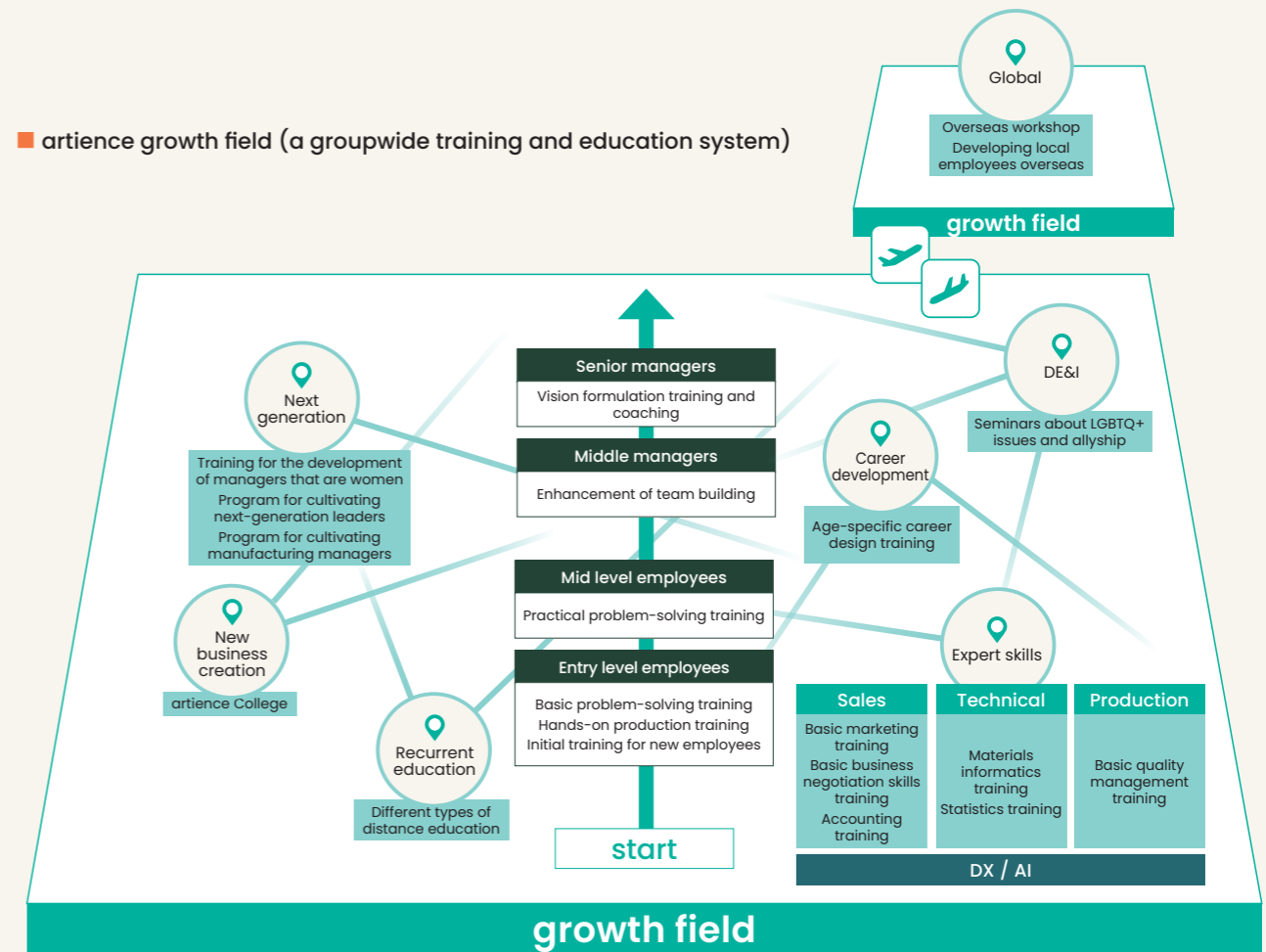
##### Building a System that Allows Independent Career Choices

We will build and implement a personnel development system based on the belief that as a corporation we bear a responsibility to hire personnel that are capable of designing their own careers and that are orientated toward growth and to continually provide them with opportunities to train and grow with a view toward the development of their careers.

##### Creating a Work Environment Where Employees Can Work with Peace of Mind

We believe that workplace safety and health, labor management and evaluation and employee health and welfare are essential for employees to work with peace of mind and maximize their capabilities. Based on this, we will develop and continuously improve our workplace environment.

#### artience growth field (a groupwide training and education system)



who can play active roles anywhere. We do this because we are convinced that these professionals will be new sources of value creation and that the company will have win-win relationships with its employees.

Traditionally, Japanese companies had a tendency to see male employees who joined them just after graduation as their core personnel. However, we must increase diversity as we aim to create value that resonates with the senses. We will recruit more experienced workers and actively hire personnel who have cultivated knowledge outside the Group. The male to female ratio in our workforce has long been an issue for us. Women are 41.5% of the employees we recruited in FY2024. We are building a foundation for promoting the active participation and advancement of women. We are increasing our efforts towards meeting the target of 10% of our managers being women by FY2030.

#### The improvement of employee engagement is at the heart of personnel strategy

A perspective that includes communicating information to people inside the company is also important. We are proud that our staff retention rate is high and that many employees have worked for us for a long time. As a result, an addiction to tacit understandings that only worked within the company has become the culture of the Company. For example, we tend to think that other staff members should understand a thing even if we have not said it to them. Amid the increase in the number of people recruited mid-career and the percentage

of overseas employees, we cannot leave this situation as it is. We are currently planning to hold workshops to share information about our new philosophy system known so that the whole Group understands it.

In addition, the improvement of employee engagement is always at the heart of our personnel strategy. We will address a wide variety of issues including employee treatment, the workplace environment, job satisfaction and the sharing of the corporate philosophy. In parallel with these efforts, we will consider conducting groupwide engagement surveys. Proper pay increases are necessary since they are directly associated with engagement. We will also need to review staff assignments and personnel transfers to enable employees to more independently choose their career paths. It is also vital that we collaborate with group companies and establish a structure for cooperating with them.

The management and employees share the same aspirations regarding corporate development and their own personal development. The role of the Human Resources Department is to link the two sides and build and coordinate the relationship of mutual trust between them. Their goals are identical in some ways but they have different needs at times. To pursue people-oriented management, we will steady carry out personnel management or human capital management in our ideal form with a view toward creating an organization and a culture with that has an attractive vitality and discipline as well as the serious and persistent pursuit of positive results.

# STRENGTHS 2

## Technology and Intellectual Property Strategy for Creating New Value through a Combination of Internal and External Sources



**Toshinori Machida**

Executive Operating Officer in charge of Technical, R&D, Intellectual Properties (CTO)

The artience Group possesses a wide range of technologies, including colorant, polymer, dispersion and coating technologies. Based on these technologies that we have cultivated, we will create new technologies and provide value that will exceed customers' expectations. In addition, we will more actively exchange of information and personnel and work more actively on our intellectual property strategy.

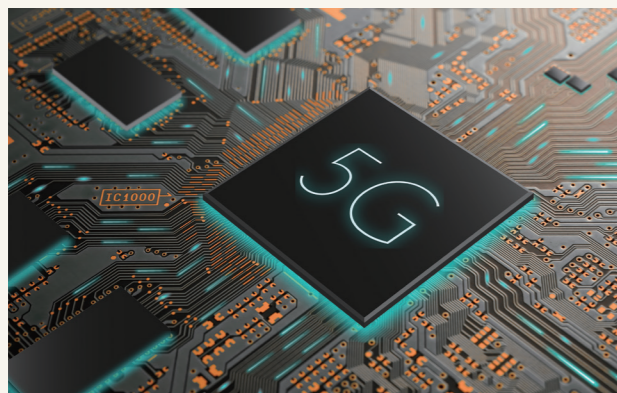
### ■ Diverting technologies for maximizing value

An advantage that we have is that we possess numerous businesses and a wide variety of technologies that support them. For example, there are many different products in the adhesives category, including pressure sensitive adhesives, laminating adhesives and hot-melt adhesives. Customers do not want pressure sensitive adhesives per se. They want to bond something. I believe it is a big advantage to possess many methods to do that.

Our leading products include the polymers used in labels, packaging materials and other products. Products based on this same technology can be applied in semiconductor sealing and adhesion by also using additional technologies. By applying technologies used to manufacture low-priced multipurpose items in other areas, it is possible to increase added value ten fold or, in some cases, 100 fold.

### ■ Focusing on semiconductors as the next technology

We are putting our development efforts into the semiconductor field. We see it as the technology following the CNT dispersions for LIBs technology, which we are currently working hard on. Semiconductors are now at a major turning point. The industry is shifting to three-dimensional (3D) packaging arising from the need for higher-capacity and higher-speed semiconductors. Since its beginning, manufacturers with a proven track record have had an overwhelming



advantage in the semiconductor market. However, during a structural change, there are opportunities for new players to enter the market. Specifically, the 3D packaging of semiconductors is connected to a heat problem. And it raises some unprecedented questions regarding how this heat should be dissipated and how the stress arising from the heat should be mitigated. They create big opportunities for new competitors to enter the market.

My understanding is that value that resonates with the senses means that we should offer value that exceeds customers' expectations. We wish to turn elaborate proposals into reality using science. I believe that this will lead to future development and the creation of new businesses.

### ■ Introducing AI to stimulate the exchange of information and people

We have created a database of technologies that we developed in past that we use as a technology platform. I would like to develop it into a more advanced exclusively internal artificial intelligence (AI).

The artience Group has a large number of business divisions. Inevitably, walls emerge between divisions. The walls between organizations tend to block the exchange of information and engineers.

The years of experience accumulated by the company is meaningless if it cannot be fully utilized. We should keep sound records about the objectives of experiments, discussions and what the engineers thought about them in addition to the results and make sure that the data can be easily retrieved. That may sound easy but is in fact more difficult than expected. We will use the AI as a means of solving questions, hoping that the data will be easier to search and that the information that we desire will be easily obtained.

If our technologies alone are insufficient to bring a new idea into reality, we want to be able to search for and immediately contact the personnel in the Group who are capable of making it possible or who are familiar with the related domains beyond the organizational boundaries. We would like to develop a system that will allow us to do this. Connections between people will make it easier to create new things.

We will not just implement this initiative in Japan. We will develop a system that includes overseas bases as well. The system will allow us to ask questions without hesitating, and someone familiar with the field will respond. In some cases, dispatching personnel may help speedily resolve global issues to open the way toward sales and differentiation. We will establish a mechanism like that.

### ■ To create new technologies, we must have a corporate culture that does not fear failure

I was president of Toyochem Co., Ltd. until December 2023. In an initiative unique to the company, we called on all of its employees to take on the smallest challenges and launched an award program to honor outstanding people who took on challenges. Take on challenges without fearing failure. Small challenges will lead to bigger ones, generating new technologies and profits. I suppose that this initiative, in addition to the exchange of technologies and personnel, has helped created a good corporate culture.

We hope to spread the culture of taking on challenges without fear of failure to the entire Group. I think this is a part of my duties.

### ■ Actively acquiring outside technologies to thrive in ten years

We will of course work to steadily achieve results as mentioned in the medium-term management plan. The technology departments of the operating companies conduct short- and long-term development projects while the R&D Department of artience Co., Ltd. is engaged in long-term projects. They each work with an eye toward what will be future core businesses.

To thrive in ten years, we will leveraging backcasting to develop a scenario for corporate growth. Valuing uniqueness of artience, we will establish technologies to win out over our competitors. In this process, if we cannot develop technologies using our own resources alone, we will in the future need to conduct activities to gaining new technologies from outside the Group, such as technologies from start-ups and universities overseas and in Japan.

The integration of our technologies and these outside technologies may open the way toward a new combination of art and science and toward serendipitous development. One good example is the inner coating of the *Nama Jokki Can* (Draft mug can) created through the open innovation with Asahi Breweries.

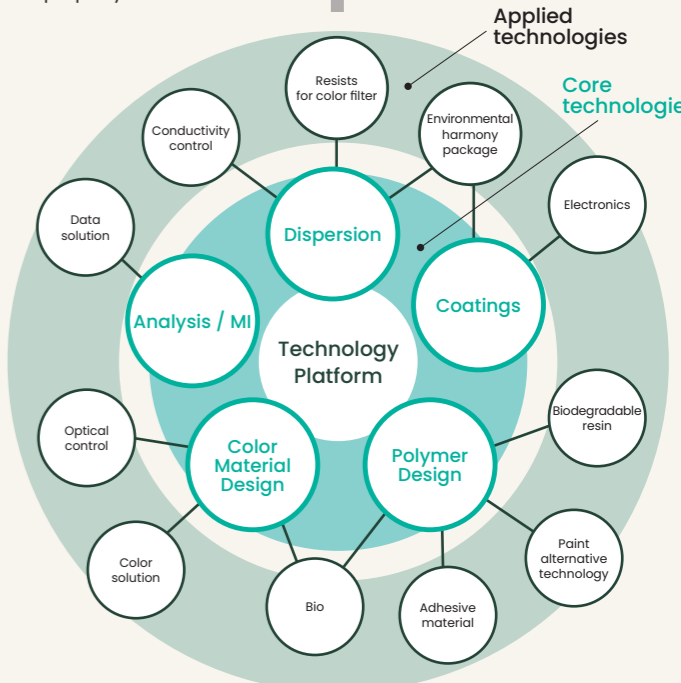
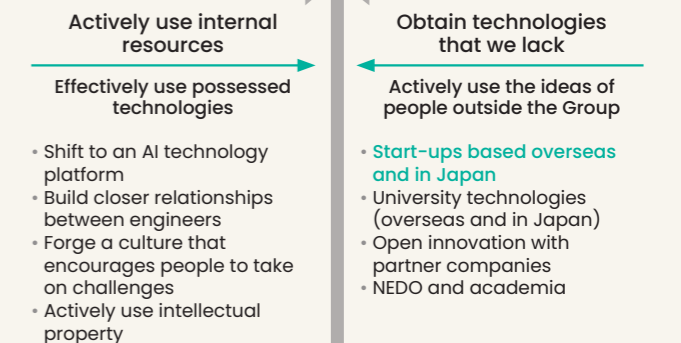
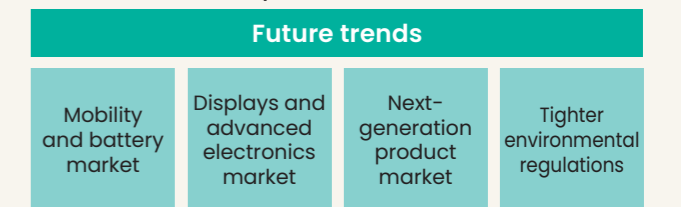
### ■ Strengthening powerful intellectual property and engineering personnel

Another thing that I wish to focus on is using intellectual property well. We are working to turn newly developed technologies into patents, and we will also turn the technologies that we take for granted and already use into patents. In addition, the speed with which we apply for a patent is vital when it comes to

intellectual property. We embarked on activities for to realize AI-assisted intellectual property management with the goal of quickly securing intellectual property rights for inventions and creations using artificial intelligence. We will strategically utilize intellectual property to strongly aid sales activities.

To accelerate development, we will set up an overseas R&D organization to improve our overseas engineering teams. We hope to develop more specialists and more distinctive personnel in Japan and overseas. We will review our personnel treatment to encourage them to take on new challenges that they find rewarding. We will develop this kind of corporate culture in the whole Group.

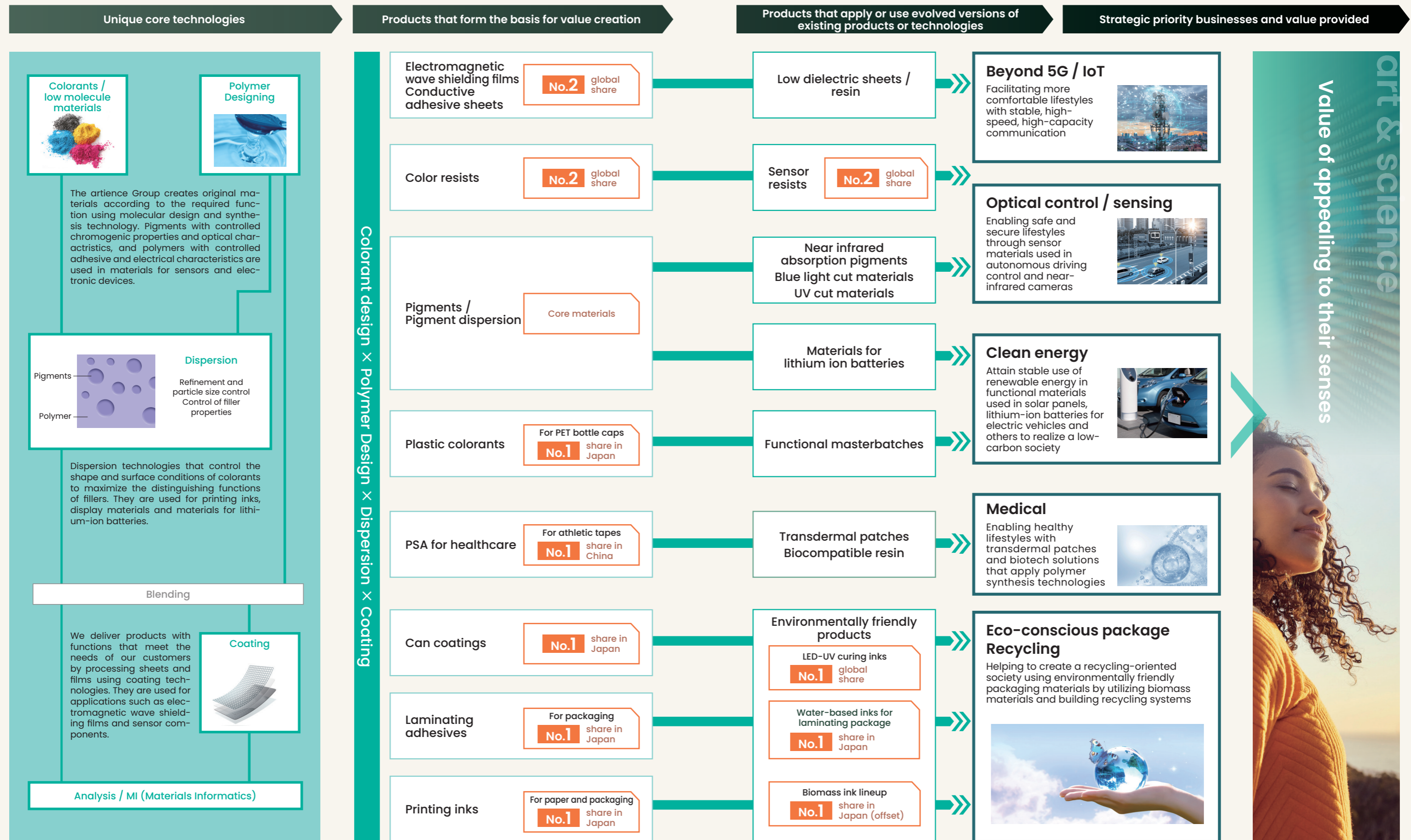
### ■ Structure for the development of technologies that lead to the development of future businesses



- Shift to an AI technology platform
- Build closer relationships between engineers
- Forge a culture that encourages people to take on challenges
- Actively use intellectual property
- Start-ups based overseas and in Japan
- University technologies (overseas and in Japan)
- Open innovation with partner companies
- NEDO and academia

Strength of artience Group

■ Applying and advancing core technologies to create value



\* Shares according to our research

# STRENGTHS 3

## Proactive Investing to Open the Way toward Market Strategies for New Businesses

The Business of Making CNT Dispersions Used as Materials for Lithium-Ion Battery Cathodes



**Koji Obata**

General Manager of Functional Materials Sales Department, Toyocolor Co., Ltd.

The artience Group's conductive carbon nanotube (CNT) dispersions are used as the materials for lithium-ion battery (LiB) cathodes. They are a key material that paves the way toward the increase of the capacity and output of LiBs. They are significant products that help ubiquitize electric vehicles (EVs), which is a growing market. We see CNT dispersions as a strategic priority business that will drive the Group's growth, and we are increasing our efforts in this area.

### Evolving from printing ink pigments to CNT dispersions

The technologies supporting the manufacturing of the CNT dispersions that are applied in automotive LiBs are originally based on pigment dispersion technologies for printing inks.

A black pigment called carbon black is used to print newspapers. Its conductivity is so high that it has also been used in antistatic coatings for audio cassette tapes, VHS video tapes and other recording materials. Developed from these technologies, carbon black dispersions were used as conductivity agents in LiBs for hybrid vehicles for the first time in 2015.

However, it is difficult to disperse carbon black, so this made it difficult to advertise our uniqueness. At that time, I learned through marketing activities that in China, people had begun using CNT as an conductivity agent in LiBs. We thus started working to develop CNT dispersions. CNT is a material that helps improve LiB performance since a smaller amount of CNT will fulfill the role of a larger amount of carbon black. However, its dispersion was very difficult and there were big hurdles to clear before it could be commercialized. The advanced dispersion technologies that we had cultivated since our foundation greatly aided our commercialization of CNT.

After they were first used in 2019, our conductive CNT dispersions for LiB cathode materials have been

used by a series of large LiB manufacturers. In February 2024, Primeearth EV Energy Co., Ltd. began using our CNT dispersions for Toyota's hybrid vehicles. It is the first time that CNT dispersions are being used as conductivity agents in the materials used to make LiB cathodes for a mass-produced vehicle made in Japan.

### Our strengths are technologies, dispersants, and optimization of production processes

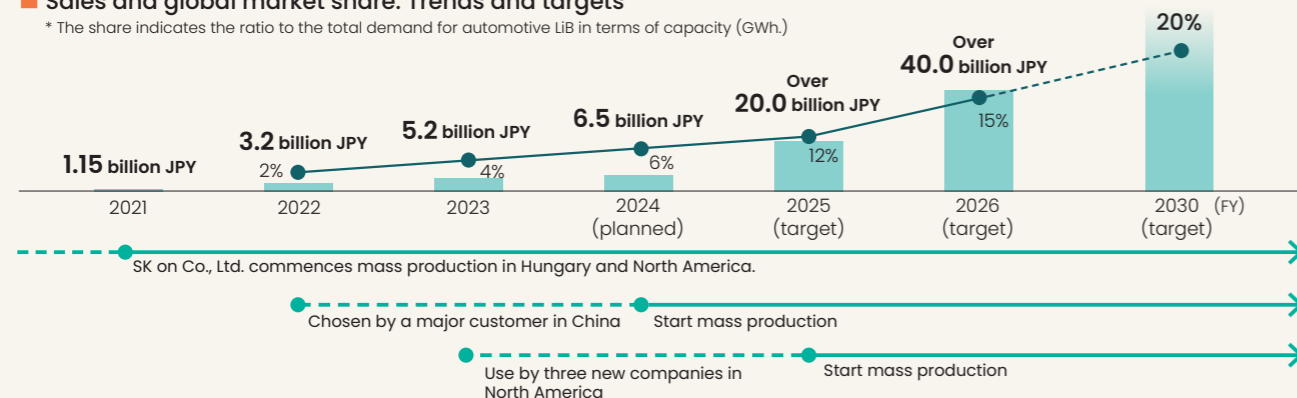
We not only have CNT dispersion technologies, but also develop dispersants independently, and establish a high-level of production process. We have strengths in three areas; the dispersion technologies, the development and improvement of dispersants, and the optimization of production processes.

The most important thin in LiB safety is the prevention of contamination with any metallic foreign matter. The contamination of CNT dispersions with metallic foreign matter would cause a short circuit between the cathode and the anode of the battery, increasing the risk of ignition and heat generation. The level of contamination prevention requested varies from customer to customer. We closely discuss the issues and coordinate with customers to develop a system for meeting their quality requirements.

We are convinced that the trust customers have in us and the expansion of sales that we are achieving today are a result of our customization of products

### Sales and global market share: Trends and targets

\* The share indicates the ratio to the total demand for automotive LiB in terms of capacity (GWh.)



to meet their needs and the establishment of robust quality management and assurance systems in addition to the CNT dispersion technologies.

### The trend towards EVs will not change, even through there are political risks

Currently, we produce CNT dispersions for LiBs in the United States, Hungary, China and Japan. In FY2023, we established a second production base in the United States. LioChem is a subsidiary based in the US state of Georgia and our first LiB production base in the United States. It has been mainly producing colorants for plastics and gravure inks since the 1980s. Today, John Easley is the President of the company. In the process of establishing the new base, he secured a workforce, negotiated local subsidies and took other steps to support our business independently.

In some countries, there may be some political risks, such as the drastic changes in attitudes towards the reduction of CO<sub>2</sub> emissions due to government policies and other factors. But on a global scale, CO<sub>2</sub> emissions reduction policies are common, and the trend towards EVs will not change. It may possibly stagnate temporarily, but I assume that the upward trend will continue.

### Increasing investments aiming to have a 20% share of the global market in FY2030

We have set the target of having a 20% share of the global market for CNT dispersions for LiBs (to total demand for automotive LiBs capacity) in FY2030. Given that the time it takes to develop a vehicle in the automobile industry, we are currently working on the business with an eye towards the future beyond the artience 2027 medium-term management plan.

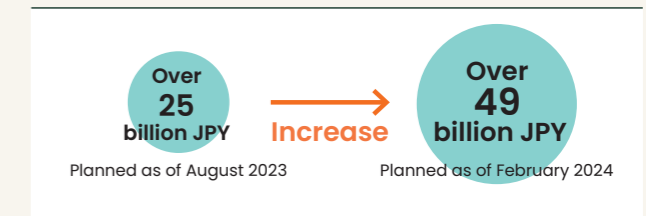
With the global trend toward decarbonization, the shift to EVs is progressing rapidly. It is forecast that by 2030 the global LiB market will grow to five to ten times its size in 2020 and it will continue to expand. The pace of the growth of the EV market decreased in the second half of 2023, but we are certain that it is temporary and that the upward trend will continue in the future. I believe that the goal of having a 20% share of the global market in FY2030 is reasonably achievable.

### Five production bases in four regions



To support the achievement of this goal, we have increased the cumulative total investment planned from over 25 billion yen to over 49 billion yen. The Group has never invested this much in a single project before. In this process, we procured 15 billion yen from the Development Bank of Japan (DBJ) to be used in capital investments. We assume that the DBJ closely examined our strategy and made the decision to give us the loan.

### Total investment planned in this project (from FY2019 onwards)



\* Including 15 billion yen that has already been invested

### Creating value that resonates with the senses through CNT dispersions

We are engaged in B2B businesses and general consumers never pick up our products directly from the shelves. However, we will collaborate closely with our direct customers such as battery manufacturers and carmakers to surprise and excite general consumers by increasing EVs' driving range and by improving their quick charging capabilities leveraging the CNT dispersions that we supply.

We will propose many different types of value to markets in collaboration with our direct customers. We expect that this will increase our market value. In our business activities, we will pay attention to providing value that appeals to the senses of the consumers who use the final products.

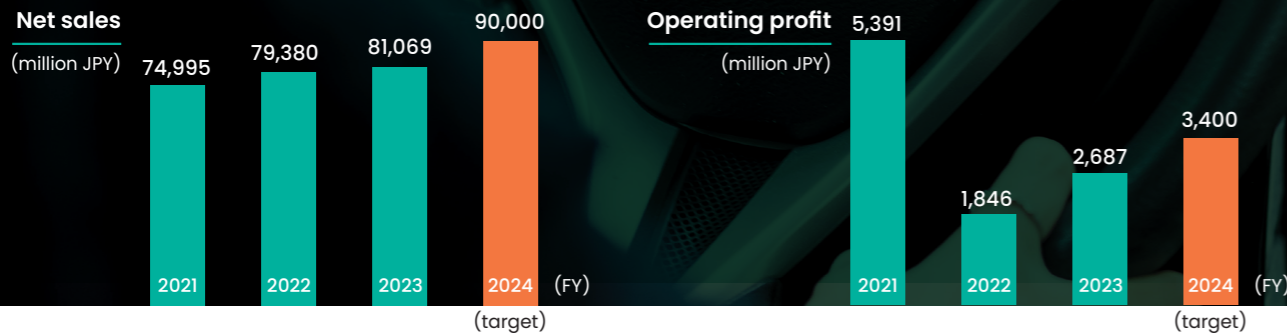
### Direction of the Company's technology development

Short term	Long term
<ul style="list-style-type: none"> <li>Swiftly introduce products for lithium manganese iron phosphate (LMFP) batteries and other medium-capacity batteries</li> </ul>	<ul style="list-style-type: none"> <li>Developing related materials, including those for anode materials, and taking steps to have them evaluated by customers</li> <li>Products for all-solid-state batteries: Joint development with a customer under way</li> <li>Strengthening cooperation with Tokyo Institute of Technology, too</li> </ul>

# Colorants and Functional Materials Business

## Pursuing technologies to achieve colors and functionality, with organic pigments as the starting point

Changes in performance (As of February 2024)



### SWOT analysis

	《 Positive factors 》	《 Negative factors 》
Internal factors	<p><b>S</b> (Strength)</p> <ul style="list-style-type: none"> <li>Capable of developing products—from material to finished product—based on dispersal technologies, particle and interface control technologies, and synthesis technologies</li> <li>Integrated development and production system covering all stages from pigment synthesis to finished product</li> </ul>	<p><b>W</b> (Weakness)</p> <ul style="list-style-type: none"> <li>Profit structure biased toward only certain product groups</li> <li>Scale of our operations in the pigments and plastic colorants business is small compared to that of major global manufacturers</li> </ul>
External factors	<p><b>O</b> (Opportunity)</p> <ul style="list-style-type: none"> <li>Expansion of the renewable energy</li> <li>Popularization of electric vehicles (EVs)</li> <li>Growing needs for environmentally friendly products</li> </ul>	<p><b>T</b> (Threat)</p> <ul style="list-style-type: none"> <li>Decline in demand for pigments for printing inks due to acceleration of digitalization</li> <li>Decline in demand for plastic products, resulting from growing environmental awareness, including awareness of the waste plastic problem</li> </ul>

Category	Major products	Major applications
Chemicals	Pigments, pigment dispersions	Printing inks, paints for vehicle, plastic colorants, etc.
High functional chemicals	High functional pigments, pastes for color filter	Resist for color filter of flat panel display (FPD), inks for digital printing
Display materials	Color resist	Color filters for FPD, imaging sensors, etc.
Plastic colorants	Color Masterbatches, Functional Masterbatches, Functional Compounds	Plastic containers, vehicle interior / exterior, OA equipment, electrical appliances, etc.
Developed products and others	CNT dispersions, inkjet inks, paints for data recording materials	Lithium-ion batteries, signboards, labels, magnetic tape for data storage, etc.

### Message from management

**Hideki Okaichi**

President and Representative Director  
Toyocolor Co., Ltd.



#### >> Review of FY2023

In the Colorants and Functional Materials Business, we combine colorant design technologies and dispersion technologies to provide functional materials for many different sectors.

Regarding liquid crystal color filter materials, the operating rates of LCD panel manufacturers fluctuated seasonally, but in the full year, shipments were strong due to the progress in the expansion of sales in China and the increase in our market share in Taiwan. Despite this, the performance of the business decreased due to the delayed recovery of medium- and small-sized LCD displays for PCs and other applications and the decrease of large display prices.

Regarding plastic colorants, sales to the United States for automobiles and to China for solar cells were strong. On the other hand, sales for containers were weak in Japan due to restrained consumer spending. Overseas, demand for office automation equipment dropped. Sales and profit from inkjet inks both rose. They had been impacted by inventory adjustments in overseas markets but started to rally in the second half.

Sales of lithium-ion battery materials for automotive applications grew through the ramp-up of supply in the U.S. and Europe, and the Group expanded facilities to meet further expansion in demand in the U.S. and China.

#### >> Medium-term strategy and priority measures for FY2024

We will put the greatest focus on CNT dispersions for LIBs. A series of customers, mainly in the United States and China, have unofficially selected CNT dispersions. In the next three years, we will increase our supply capacity with five bases in four regions and work to expand this business into a primary source of revenue. While working hard to increase our competitiveness in terms of performance and cost in view of the future environment, we will also work to develop next-generation technologies including solid-state batteries.

Regarding liquid crystal color filter materials, we will shape a local production for local consumption business leveraging local partners in China to maximize our market share and earnings as the display market shifts to China. We will also seek to increase the added value of products with a view toward increasing the number of applications for sensors and other next-generation technologies.

Regarding plastic colorants, we will transform our product portfolio to center on environmentally-friendly products and other functional products and advance the structural change of the business in Japan. In the area of inkjet inks, we will capture demand related to the growth of the label market in China to increase our market share and endeavor to develop technologies to differentiate ourselves.

#### >> Value that resonates with the senses provided by the Colorants and Functional Materials Business

The value that resonates with the senses provided by this business is the result of solutions to problems that were created by combining diverse opinions, knowledge, technologies, ideas and a strong determination to not be swayed by history or convention.

To create this value, individual employees must understand their own strengths and weaknesses and work in the domains where they excel to solve issues faced by customers and society in the manners in which they do well. To do this, more of our employees need to have the mental and physical ability to respond to change and influence the people around them.

People's feelings about colors and their perception of them vary from person to person. The range of this variation is infinite. Value that resonates with the senses also varies from person to person. We aim to build a cluster of different sensations that will create new sensations.

I understand that my job is to concentrate resources on businesses that I feel positive about launching immediately if we have yet to start the business and to shape individual businesses so they are promising. I hope that Toyocolor Co., Ltd. can serve society from this point of view.

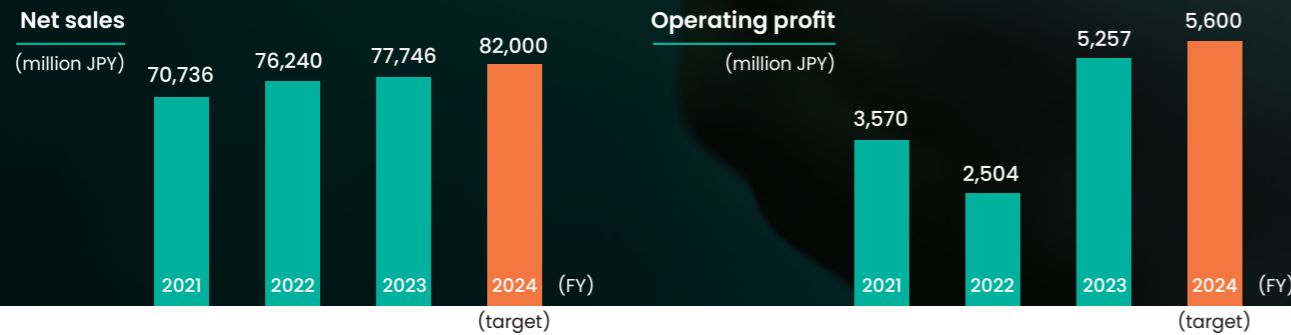
# Polymers and Coatings Business

## Providing value to diverse markets based on polymers with greater functionality

### SWOT analysis

	《 Positive factors 》	《 Negative factors 》
Internal factors	<p><b>S</b> (Strength)</p> <ul style="list-style-type: none"> <li>Advanced technological capabilities in precision polymer synthesis, dispersion stabilization, precision coating and processing</li> <li>Integrated production from self-produced materials (polymers) to adhesive manufacture and coating</li> </ul>	<p><b>W</b> (Weakness)</p> <ul style="list-style-type: none"> <li>Business earning structure susceptible to fluctuations in raw material prices</li> <li>Scale of operations and supply capabilities is small compared to that of major global manufacturers</li> </ul>
External factors	<p><b>O</b> (Opportunity)</p> <ul style="list-style-type: none"> <li>Expansion of new markets as a result of changes in industry structure (semiconductors, EVs, secondary batteries and bio)</li> <li>Growth in demand for environmentally friendly products resulting from increasing global environmental awareness</li> </ul>	<p><b>T</b> (Threat)</p> <ul style="list-style-type: none"> <li>Toughening of environmental regulations and increasing social demands (abandoning the use of plastics, recycling, solvent emission regulations and CO<sub>2</sub> emission regulations)</li> <li>Sharply rising raw material prices and difficulty in procuring raw materials</li> </ul>

### Changes in performance (As of February 2024)



Category	Major products	Major applications
Adhesives	Pressure sensitive adhesives, laminating adhesives, hot-melt adhesives	Packaging films, flat panel display (FPD), bookbindings, body-wrapping labels for PET bottle, etc.
Coating materials	Adhesive tapes, functional film materials for electronics, marking films	Double-sided adhesive tapes, electronic products, signboards and interior / exterior decoration, etc.
Paints and resins	Can coatings, resins, hard coating materials	Beverage cans, food cans, drums, architectural paints, functional films, FPDs, etc.
Developed products and others	Medical products, natural extracts	Transdermal patches, foods, feeds, etc.

### Message from management



#### >> Review of FY2023

In the Polymers and Coatings Business, we leverage our advantage in the development of not only products but also materials using polymer design technologies and coating technologies to deliver cutting-edge products.

Since 2022, the electronics market has been weak around the world. Among functional films and tapes, sales of functional films for smartphones recovered in the demand season, but full-year sales were down, and materials for LCD panels were also lackluster amid a continued adjustment in the market.

Slow growth in domestic sales of pressure sensitive adhesives for labels and displays was offset by increased sales of pressure sensitive adhesives in the U.S., India and China. Sales of adhesives for packaging in Japan and overseas were sluggish due to a downturn in consumption, while sales of adhesives for industrial use in overseas markets were strong, attributable partly to efforts to expand sales of adhesives for lithium-ion batteries.

Sales of can coatings were restrained, reflecting the slow growth of customer operations in Japan, and overseas sales of coatings for food cans were poor, mainly due to a decline in the fish catch. However, the expansion of the business proceeded as a result of efforts to expand sales in Turkey and the acquisition of Thai Eurocoat Ltd., a coating manufacturer in Thailand.

In total, sales and profit increased, since the business was positively affected by cost reduction efforts and the revision of prices, in addition to the above.

#### >> Medium-term strategy and priority measures for FY2024

We are endeavoring to develop into a manufacturer of adhesives that possesses a number of products that have the largest shares of their global markets. To do this, we are working to expand businesses overseas and develop technologies to differentiate ourselves.

Regarding pressure sensitive adhesives, we will explore the possibility of alliances with partners particularly in India, China and North America to increase production capacity and promote high value-added products aligned with the needs of individual markets to enlarge the business. In the area of adhesives, we will work to capture the increasing demand for products with applications in packaging in Southeast Asia and India and to broaden the array of products for lithium-ion batteries and other industrial uses. Regarding can coatings, the needs for environmentally-friendly features are increasing. We will expand the business by mainly promoting BPA-NI (bisphenol A not intent) coatings, which intentionally do not contain BPA.

In the semiconductor and next-generation display markets, changes in product structures have brought new needs into being. We will use the polymer pilot building at the Kawagoe Factory to develop new resins and functional films and tapes, aiming to have more customers select our peripheral materials for the next-generation semiconductor post-process market and other markets.

#### >> Value that resonates with the senses provided by the Polymers and Coatings Business

In your daily life, you may be surprised to see a product or service that is beyond your expectations. We call this value that resonates with the senses. In our view, there are two elements to this. One is a tangible element derived from the product itself. The other is an intangible element perceived in the process of providing the product.

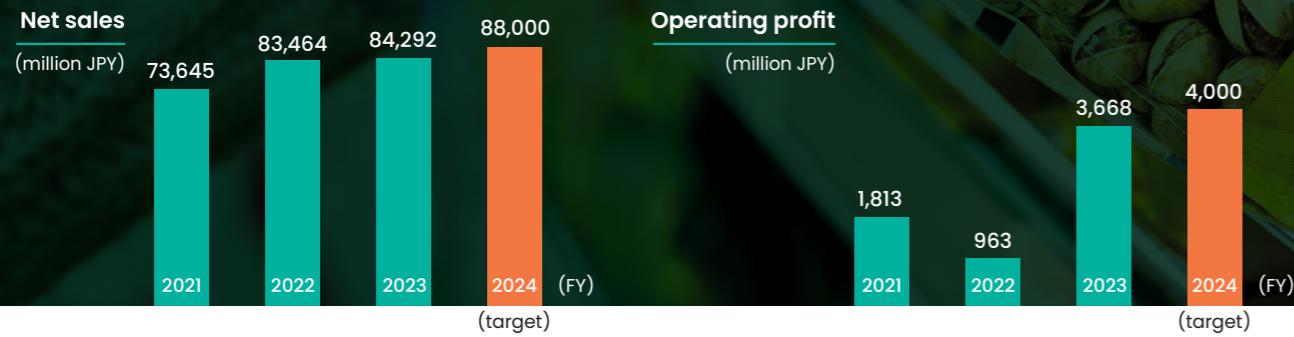
The tangible element is the thing the manufacturer should create. General consumers have few opportunities to directly feel our B2B products. I suppose that our coatings for high-foam beer cans jointly developed with a customer several years ago and adhesives for plastic bottle labels that leave little adhesive residue are examples of value that resonates with the senses delivered in a B2B2C manner.

The intangible element is generated from human ideas and communication. Examples include sales services that are detailed and considerate, technologies that fulfill needs, reliable quality assurance and efficient delivery. We will be able to convert these things into value by quickly providing them using our organizational capabilities. We are using digital tools and seeking ways to connect humans and knowledge more intimately to enrich this intangible element. We will continue to endeavor to create a future where all people can live enriched lives by producing value that resonates with the senses beyond customers' expectations.

# Packaging Materials Business

## Providing eco-conscious packaging materials in view of a product's entire lifecycle

Changes in performance (As of February 2024)



### SWOT analysis

	《 Positive factors 》	《 Negative factors 》
Internal factors	<p><b>S</b> (Strength)</p> <ul style="list-style-type: none"> <li>Technical capabilities to design and develop pigments, resins, inks, platemaking technologies and laminating adhesives.</li> <li>Integrated production system and quality control capabilities covering all stages from materials to products</li> <li>Printing equipment necessary for the development of packaging materials and technologies for evaluating their performance</li> </ul>	<p><b>W</b> (Weakness)</p> <ul style="list-style-type: none"> <li>Easily affected by rising raw material prices, making it difficult to revise prices quickly</li> <li>Low-level market presence in Western markets</li> </ul>
External factors	<p><b>O</b> (Opportunity)</p> <ul style="list-style-type: none"> <li>Population growth in emerging countries and consequent continued growth in overall demand for packaging materials</li> <li>Shift to paper and (recyclable) mono-materials to help achieve the SDGs and establish a circular economy</li> </ul>	<p><b>T</b> (Threat)</p> <ul style="list-style-type: none"> <li>Trend toward abandoning the use of ink and adhesives as a response to the SDGs and circular economy</li> </ul>

Category	Major products	Major applications
Liquid inks	Gravure inks, flexographic inks	Flexible packaging materials, building materials, corrugated cardboards, labels, paper containers, etc.
Gravure printing systems and prepress	Gravure printing systems, gravure and flexographic plate making	Gravure / flexographic printing, precision plate making for electronics

### Message from management

**Hideki Yasuda**

President and Representative Director  
Toyo Ink Co., Ltd.



#### >> Review of FY2023

In the Packaging Materials Business, we deal chiefly with liquid inks used for printing on food packages. In response to the global increase in environmental awareness, we provide many different environmentally-friendly products, such as water-based products, solvent-free products and biomass products. We are also working to construct a recycling system. For example, to establish a high quality plastic recycling system, we establish cross-industry joint development agreements aimed at developing processes and machinery for cleaning, removing inks, separating foreign matter, recycling and other processes.

In FY2023, sales of products for food packaging were weak in Japan due to consumers' restraint in purchasing amid rising prices, but demand for packaging materials for pet food and souvenirs was strong in the country. Sales of products for cardboard boxes were also lackluster as demand for fruit and vegetable applications declined due to extreme heat and surging prices. Overseas, demand was firm and sales were strong in India, Southeast Asia and Turkey. On the other hand, sales of products for food packaging were poor in China due to weak local consumption.

In Japan and overseas, we worked to reduce production costs and revise selling prices in response to rising raw material prices and we also worked to expand business. As a result, sales and profit increased in this business.

#### >> Medium-term strategy and priority measures for FY2024

In overseas markets that are expected to grow, we will work to increase our market share, mainly leveraging sustainability-enhancing products, and we will create markets by constructing recycling systems in the medium- and long-term.

Food packaging is less susceptible to changes in economic conditions than other categories of products in the Group. It is expected that food shipments will be relatively stable even when economic conditions are poor. In addition, the overseas market is expected to expand in line with population growth. We will benefit from the growth of the market in India and Southeast Asia. In tandem, we will roll out water-based inks and other environmentally friendly products before rolling out other types of products in the market as we work hard to increase our market share. In addition, the Group will expand the business globally by taking advantage of increased supply capacity, such as sales expansion in China through bolstered sales and technology structures and the start of operation of a new plant in Turkey.

At the same time, we will implement activities to establish a recycling system that transforms used packaging materials into resources instead of waste. We will work with partners beyond the boundaries between industries in different ways to help establish a circular society and to expand our business through the creation of markets.

#### >> Value that resonates with the senses provided by the Packaging Materials Business

We aspire to be a company that is capable of continuously providing value that exceeds customers' expectations. We believe that succeed in providing value that resonates with the senses when our products, services and solutions exceed customer expectations, amaze them and cause them to appreciate our work.

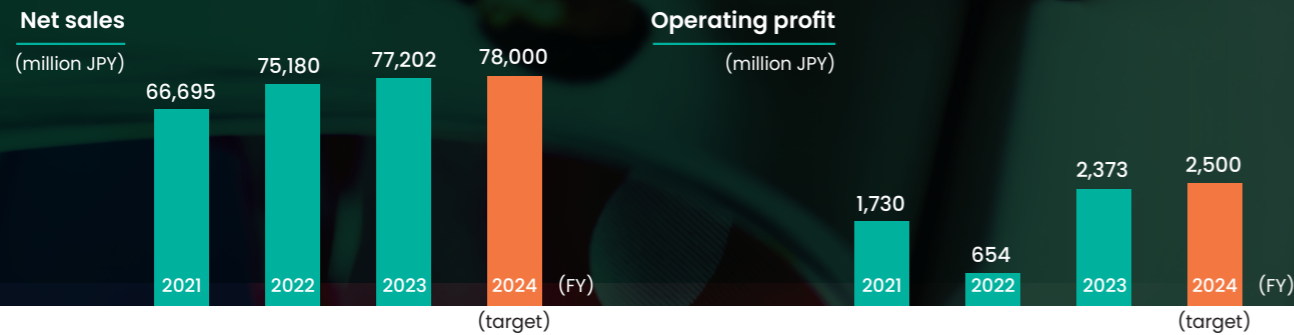
In the Packaging Materials Business, we will work to meet environment-related demand by proposing biomass inks and water-based inks, which we have been doing for a long time, and proposing solutions that will help resolve environmental issues faced by society and customers such as solutions to the microplastic waste issue and solutions that reduce CO<sub>2</sub> emissions. These include, for example, the shift to paper, the reduction of the volume of plastic used and the transition mono-materials to facilitate recycling. We will broaden our lineup of barrier coating agents, heat-resistant coating agents, water- and oil-resistant coating agents and other functional coating agents. They compensate for the weakening of the functionality of packaging materials due to environmental measures.

Inks play significant roles in the addition of design features to packaging materials. At the same time, removing inks, which are impurities, in the process of recycling packaging materials is an issue. We hope to create technologies in collaboration with partner companies to remove inks and establish recycling processes that open the way toward material recycling without having to sacrifice design features, which are an essential function of inks. We will thus excite consumers to recognize a circular society.

# Printing and Information Business

## Deploying products in the high-value added printing market featuring environmentally friendly technologies and technologies that enable superior functionality

Changes in performance (As of February 2024)



Category	Major products	Major applications
Offset inks	Offset inks, newspaper inks, metal decorative inks, UV curing inks	Flyers, books, magazines, newspapers, stickers / labels, paper containers, beverage cans, food cans, etc.
Printing materials and machinery	Offset printing materials, printing inspection equipment	Offset plate making, newspaper printing inspection system, etc.
Developed products and others	Screen inks, others	Packaging, instrument panel for vehicles, printed electronics materials, etc.

### SWOT analysis

	《 Positive factors 》	《 Negative factors 》
Internal factors	<p><b>S</b> (Strength)</p> <ul style="list-style-type: none"> <li>Formulation technologies, evaluation technologies and equipment</li> <li>Extensive lineup of environmentally friendly products</li> <li>The Business has the largest share of the Japanese commercial printing using rotary offset inks and UV curing inks market</li> <li>Capable of independently producing two major materials, pigments and resins</li> </ul>	<p><b>W</b> (Weakness)</p> <ul style="list-style-type: none"> <li>Scale of business infrastructure is too large for the decrease in demand due to digitalization and population decline</li> </ul>
External factors	<p><b>O</b> (Opportunity)</p> <ul style="list-style-type: none"> <li>Expansion of paper packaging materials due to the trend of shifting away from the use of fossil fuel resources and plastics</li> <li>Accelerating global expansion by advancing the use of information and communication technologies</li> </ul>	<p><b>T</b> (Threat)</p> <ul style="list-style-type: none"> <li>Domestic printing industry continues to shrink due to digitalization and population decline and continuing decline in demand for inks</li> <li>Decline in demand for offset inks due to partial shift to inkjet printing method</li> </ul>

### Message from management

**Hideki Yasuda**

President and Representative Director  
Toyo Ink Co., Ltd.



#### >> Review of FY2023

In the Printing and Information Business, we deal mainly with printing inks for commercial printing applications such as books, magazines and flyers and for container applications such as paper containers and beverage cans.

The COVID-19 pandemic triggered the quick digitalization of the industry. As the commercial printing market shrank at an accelerating speed, we carried out structural reforms including the integration of six regional sales companies in Japan and the encouragement of production alliances with competitors. In addition, we stringently streamlined our business. These efforts had a positive effect.

In FY2023, our performance was solid. While sales of inks for flyers, ads and publication were poor amid the ongoing structural contraction of the information printing market, sales of ultraviolet (UV) curing inks for paper container packaging were strong with the help of sales promotion activities. Overseas, sales and profit grew. Although sales were poor due mainly to the slowing real estate market in China and flagging economic conditions following sluggish exports, sales of functional coating agents that replace conventional film lamination for paper container packaging expanded.

#### >> Medium-term strategy and priority measures for FY2024

The information printing market in Japan is forecast to continue shrinking as the shift to paperless and digital operations proceeds. We understand that the structural reform remains one of our top priority issues. We will accelerate efforts to form production and logistical alliances and other efforts to streamline our supply chain and increase revenue.

Regarding functional inks for packaging, the paper container packaging market is expected to grow amid the worldwide trend towards decarbonization. We will push ahead with the transformation of our business portfolio on a global scale. Specifically, we will expand sales of UV curing inks for paper containers and functional coating agents in Japan. In addition, we will actively promote sheet-fed printing inks for paper containers and metal decorating inks for can production overseas.

We will also work to construct a global supply chain management (SCM) system for existing businesses and develop new markets by capitalizing on our long-cultivated material design and ink technologies. We will create and supply new products aligned with the characteristics of customers and regions to continually increase value.

#### >> Value that resonates with the senses provided by the Printing and Information Business

In the the Printing and Information Business, we provide solutions that lead to the reduction of CO<sub>2</sub> emissions and energy costs for the commercial printing, the paper container packaging and label markets. One example is UV-LED. UV-LEDs have high curing performance even if the number of UV lamps is reduced, and they have a high energy-saving effect. We will work hard to develop and commercialize UV products with high curing performance. The use of our original resin design and curing property control technologies makes this possible.

We will also actively expand the core technologies we have cultivated in the ink business to markets and sectors other than those we have served. We leverage conductive materials in the sensor business. They are some of our core materials. Not only in the ink business but also in this business, we will build a structure for providing comprehensive device solutions in collaboration with outside partners. We will also push ahead with the ubiquitization and application of optical control materials in the electronics market and the sensing field. Ultra-low reflection materials and infrared transmissive materials that allow specific wavelengths to pass through are examples of these materials. We will take on many different challenges to enable people to live comfortable lifestyles in the future, including our efforts to make autonomous vehicles a reality.

# Sustainability Talks

## DIALOGUE

**Satoru Takashima**

President and Representative Director, Group CEO

**Ken Shibusawa**

CEO of Shibusawa & Company Ltd. Chairperson of Commons Asset Management, Inc.

**Giri Goitsu (inseparability of morality and economic activities) and People-oriented Management**

The artience Group has made a fresh start under the slogan of corporate transformation.

What do society and investors want from the Company?

We invited Ken Shibusawa to talk with our president Satoru Takashima.

Mr. Shibusawa is the chairperson of Commons Asset Investment Inc. and an expert in long-term investing who is also familiar with sustainability management.

**profile**

He established Shibusawa and Company, Inc. in 2021 after gaining experience at multiple foreign financial institutions and hedge funds. He founded Commons Inc. (currently known as Commons Asset Management Inc.) in 2007. He became the chair of the company in 2008. Chief Executive Officer of Shibusawa and Company, Inc. He is a great-great-grandchild of Mr. Eiichi Shibusawa.

### The manager's role in living up to the *Giri Goitsu* concept

**Takashima** In January 2024, we started our first year as the artience Group. The two-year project to change the name of the company began during the third year since I became the president. The name change does not indicate an end. It is the start of something that is really important. We are in a stage of transforming our business and increasing our corporate value. There are many things to learn from Eiichi Shibusawa's book *Rongo to Soroban* (The Analects and the Abacus.) I have read it many times. I intend to commit to *Giri Goitsu* where we contribute to the interests of both corporations and society, as Eiichi Shibusawa has advocated.

**Shibusawa** To tell you the truth, I have not thought about Eiichi Shibusawa, my great-great-grandfather, for a long time. When I founded a company at the age of 40, I paid attention to the book he wrote. He was involved in the establishment of 500 companies. Until that time, I thought that he was uninterested in leaving a fortune to his descendants, but I realized that he left us a great asset, his words. Those words have often given me useful insights when running my investment company.

You started to transform your company by giving up the name of your long-standing company. That shows your strong determination. I believe that there have been struggles for you as a president.

**Takashima** I had a sense of crisis even before, because of our weak earnings. However, the impact of the COVID-19 pandemic had a strong trigger for the final push for my determination for the reform. In the April of the year I became president, the Japanese government declared a state of emergency. I told our office staff to work from home, but I continued to ask our factory staff to work at the factory to avoid a halt in production. At that time, I really struggled wonder-

ing if there was really a cause to justify this difference. I asked myself if we were able to provide something to society that we needed to continue to produce, even if that meant exposing the staff to infection risk. When the Great East Japan Earthquake occurred, our mission was to prevent the stoppage of the supply of inks for newspapers which communicate information. Today, in the era of digitalization, the situation is different. At that time, I realized that we had to change our business to produce things that are truly needed by society.

**Shibusawa** As you experienced, business managers often experience agony when there are conflicting requirements. One example is that customers want prices to be lower, employees want wages to increase and investors want profit.

It is interesting that Eiichi Shibusawa's book is entitled *The Analects and the Abacus*, not *The Analects or the Abacus*. "Or" suggests selection. It increases efficiency and a selection is made from existing options. "And" means the coordination of multiple factors that may conflict with one another.

**Takashima** Indeed, the importance of this "and" is observed in various situations. In business administration, there are many cases where we pick one option and give up another, but sometimes we must make both coexist in harmony by whatever means available.

**Shibusawa** In an organization, decision-making is left to a higher and higher level people when it is difficult to choose one option and abandon others. The final decision maker is the president. They must make a decision weighing the unforeseen future and the present, by looking into both. The role of managers lies in choosing "and," rather than "or." New value and innovation are created there.

### Respecting the value of individuals based on *People-oriented management*

**Takashima** In the course of transforming almost everything about the corporation, we will never change our Corporate Philosophy of *People-oriented Management*. In Japan, people tend to prioritize the whole over the individual. When speaking, we tend to use sentences having the organization as the subject. Fundamentally, however, the organization does not exist without the individuals. When you get right down to it, a company or a division comes down to a specific individual. I think this is important.

**Shibusawa** You are absolutely right. There are lots of attractive Japanese individuals but they are often buried in an organization. It is quite a waste. People-orientedness is increasing the visibility of the value of these individuals. There are few manufacturers that have stressed the importance of individuals from the beginning. I feel this is novel.

**Takashima** This statement of the importance of indi-



Sustainability Talks



viduals is a new thing for us. Since we are a manufacturer, we as an organization have long operated on a model of thinking about the stable production of high quality goods at low cost. It is indeed important, but today the environment is changing so drastically that the structure of society will probably be totally different in ten years due to the increased use of AI and other factors. In this situation, I believe that the value based on the senses of individuals will be more important—in addition to the scientific and logical value that we have

emphasized. In a chaotic era, we will actively create new businesses based on free thinking, for example, combining one thing with another to make some other thing possible. We will thus develop a strategy model that capitalizes on value that resonates with the senses that is provided by individuals. This concept is reflected in our Brand Promise, “Creating value that resonates with the senses and building a future where all people can live enriched lives,” and also in our new company name coined by combining art and science.

**Shibusawa** It sounds interesting. It is related to employee independence. In the future, the independence of individuals will be a key to the corporate creation of value. It is vital that individuals act proactively and independently, not reactively after being told to do something by the company or their superiors, in pursuit of things that are aligned with the company’s aspirations. The term of purpose-driven management has been often used in the last several years. The difference between the purpose and the mission lies in this. The mission shows what we do, while the purpose is why we do it. It can be expected that companies whose purposes agree with individuals’ purposes will create value in the future.

Increasing human capital to create new value

**Shibusawa** In the past, it was said that the goal of businesses was to maximize profit. Today, it is not possible for businesses to win the support of society if they ignore the various environmental and social issues and only seek profit. We should strive to maximize value. This includes both financial and non-financial value. And in many cases, the genuine value of the company is obscure. Only the tip of the iceberg is visible. I suppose it will take time for the remainder to be visible. In particular, the value relating to people is among the most invisible. But this is exactly what is absolutely necessary from the perspective of new value creation.

**Takashima** Yes, I agree. The most significant key to the people-oriented management we seek to implement is how we improve the value of humans or human capital. This is largely dependent on motivation. We need to create an environment that maximizes the performance of individuals.

**Shibusawa** More and more companies say that personnel are their greatest asset. However, unlike factories and land, which can be owned and recorded as assets in companies’ balance sheets, personnel are different from tangible assets as they cannot be owned by companies. Even so, they are without doubt something that needs to be included for value generation. Corporate value can only be created by a combination of financial and human capital.

**Takashima** Nowadays, we also see an increase in the percentage of human capital that are from overseas in the Group. The overseas market is now a growth driver. After years of operating businesses, we have

more bases around the world and our networks are increasingly broad. Regarding this, the biggest issue is people. We need to improve the functionality of our human resources in accordance with our global strategy. We wish to be able to appoint local staff to manage overseas bases as soon as possible and increase personnel exchanges beyond the borders between nations. Globalization is necessary for the management of corporations. For example, non-Japanese nationals should be hired as officers to increase the diversity of the Board of Directors.

**Shibusawa** I feel that companies find it difficult to quantify human capital when it is easy to quantify financial capital. At the same time, investors, who evaluate companies, are not homogeneous. Some investors have a short-term perspective and ask that an ROE be achieved. Others see businesses from a long-term viewpoint and appreciate the corporate stance of respecting individuals while achieving some financial results.

**Takashima** This story is very encouraging. In fact, I also realized this in recent dialogues with investors. Since last year, I have been working hard to visit our bases all over the country and talk directly with employees. When I mentioned this in an investor relations event, some investors asked different questions about the staff’s reactions and their changes. An investor mentioned that these employees’ reactions and changes were good sign. I was happy to learn that there are actually investors who had an interest in these aspects of our operations.

Governance with an emphasis on *Freedom and Discipline*

**Shibusawa** How information is shared with investors is another important matter. These days, corporate PBR figures below 1 are being talked about a lot. This suggests that the market is concerned about companies losing net assets (book value), in the future. In other words, they are worried about companies’ financial value. It is often the case that the reasons underlying this concern is that information about non-financial value is not sufficiently communicated. Long-term investors pay attention to how companies perceive their issues and plan actions to overcome them, rather than to current achievements. Information must be disclosed strategically. The art of storytelling—properly presenting the non-financial value that decides the future as well as financial value—is important.

**Takashima** Of course, we must firmly address the PBR issue. It is necessary not only to increase financial value but also to visualize non-financial value, including human capital.

Governance is another very significant element of the non-financial aspects of business. We have stressed the slogan *Freedom and Discipline* inside the Group. Regarding discipline, we are clearly committed not only to compliance but also to results. This means

that to achieve our targets we have to clarify who is responsible them. We will also build an environment that enables employees to take on challenges more freely and revise our personnel system to ensure this.

**Shibusawa** I feel this is related to the essence of governance. Freedom and discipline are two sides of a coin. It will be vital to allow the staff to act freely as long as they do so responsibly. Governance that restricts employees so that they can only do things that have been stipulated in the rules does not create value.

**Takashima** At present, a majority of our Board of Directors are outside directors. They share a culture of positively allowing personnel to take risks and try new things. They do not unilaterally say that something will fail or that it should not be done. I feel very grateful to them when they say that the role of outside directors is to watch and appreciate employees’ taking on challenges.

**Shibusawa** Brilliant. Originally, the word risk refers to the high level of uncertainty about whether something will end in success or failure. In this situation, risk management is the steering of actions in a better direction. It is totally different from doing nothing at all because of a fear of poor results.

Expanding diverse networks and trying to step into unknown areas

**Takashima** The new medium-term management plan, *artience 2027*, was started in FY2024. It embodies our determination to transform. It clearly defines the business domains that we focus on. We will allocate our management resources intensively to these domains by taking risks to live up to stakeholders’ expectations.

**Shibusawa** In this talk with you, I have come to understand that your determination is strong. Your company started with the manufacturing of printing inks and later diversified its businesses according to changes of the times. You have organically evolved. I hope you will keep in mind the importance of putting *dots* of business in different areas in your ongoing process of selection and concentration. Even if they do not directly impact the figures for the current fiscal year, the dots will connect to form some kind of shape in 10, 20 or 30 years and possibly bring about new changes.

**Takashima** I will take this as a significant suggestion. In many cases, we cannot step into unknown areas alone. We will extend new networks and explore the possibility of collaborating with different companies and organizations. Thank you very much for joining me today.



# Top Management (As of March 26, 2023)



**Katsumi Kitagawa 1**  
Chairman and Representative Director

App. & Rem.

April	1977	Joined the Company
June	2004	Operating Officer
June	2005	Director
April	2011	President and Representative Director
March	2020	Chairman and Representative Director

**Satoru Takashima 2**  
President and Representative Director, Group CEO

App. & Rem.

April	1984	Joined the Company
June	2012	Operating Officer
June	2013	Director
March	2020	President and Representative Director
March	2022	Group CEO

**Hiroyuki Hamada 3**  
Senior Managing Director in charge of Corporate Departments

April	1981	Joined the Company
June	2013	Operating Officer
June	2016	Director
March	2023	Senior Managing Director
March	2023	In charge of Corporate Departments

**Shingo Kaneko 4**  
Outside Director

Outside

April	1973	Joined Toppan Printing Co., Ltd. (current Toppan Holdings Inc.)
June	2003	Director of Toppan Printing Co., Ltd.
June	2010	President and Representative Director of Toppan Printing Co., Ltd.
June	2019	Chairman and Representative Director of Toppan Printing Co., Ltd.
March	2020	Outside Director of the Company

**Chise Onodera 5**  
Independent Outside Director

App. & Rem. Outside Independent

April	2018	Professor of College of Law, Nihon University
March	2019	Outside Audit & Supervisory Board member (part-time) of the Company
March	2021	Outside Director of the Company

**Tomoko Adachi 6**  
Independent Outside Director

Outside Independent

June	2006	Board member of Aiku Association for Maternal, Child Health and Welfare
December	2017	Director of Aiku Association Maternal and Child Health Center Aiku Hospital ("Aiku Hospital")
April	2022	Honorary Director of Aiku Hospital
March	2023	Outside Director of the Company

**Yoshinobu Fujimoto 7**  
Independent Outside Director

Outside Independent

April	1991	Registered with the Daini Tokyo Bar Association
April	1991	Joined Masuda and Ejiri Law Office (current Nishimura & Asahi (Gaikokuho Kyodo Jigyō))
January	1999	Partner of Nishimura & Asahi (Gaikokuho Kyodo Jigyō)
March	2024	Outside Director of the Company

**Sato Tetsuaki 8**  
Director in charge of Quality Assurance, Production and Environment, Sustainability, Purchasing and Logistics

April	1985	Joined the Company
June	2017	Operating Officer
March	2023	Director
July	2023	In charge of Quality Assurance, Production, Environment, Sustainability, Purchasing and Logistics

**Yutaka Yokoi 10**  
Leading Independent Outside Director Audit and Supervisory Committee member

App. & Rem. Outside Independent Audit

April	1979	Joined the Ministry of Foreign Affairs of Japan
August	2013	Ambassador Extraordinary and Plenipotentiary of Japan to Turkey
March	2016	Ambassador Extraordinary and Plenipotentiary of Japan to the People's Republic of China
December	2020	Retired from the Ministry of Foreign Affairs of Japan
March	2021	Outside Director of the Company
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)

**Keiko Kimura 11**  
Independent Outside Director Audit and Supervisory Committee member

App. & Rem. Outside Independent Audit

October	2002	Registered with Daiichi Tokyo Bar Association
October	2002	Joined Anzai & Sotoi Law Offices (currently Anzai Law Offices)
June	2016	Outside Director of the Company
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)

**Masayuki Kano 9**  
Director Audit and Supervisory Committee member (full-time)

Audit

April	1984	Joined the Company
June	2013	Operating Officer
March	2024	Director (Audit & Supervisory Committee member (full-time))

**Minoru Matsumoto 12**  
Independent Outside Director Audit and Supervisory Committee member

Outside Independent Audit

October	1983	Joined Tohmatsu & Aoki Audit Corp. (currently Deloitte Touche Tohmatsu LLC)
March	1987	Registered as a Certified Public Accountant
September	2012	Retired from Deloitte Touche Tohmatsu LLC
March	2021	Outside Audit & Supervisory Board member (part-time) of the Company
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)
October	2022	Representative employee of Terada Kaikai Office (tax accountants)

# Corporate Governance

## Basic approach

The artience Group has defined the “Enhancement of corporate governance through continuous reform” as one of the key objectives of sustainability management in its Sustainability Charter.

### Enhancement of corporate governance through continuous reform

We will continue to incessantly reform and validate management resources and risk management, and build and maintain effective corporate governance. We will adapt flexibly to changes in the business environment and work to achieve resilient corporate management that contributes to the sustainable growth of the Group.

Excerpt from the “Sustainability Charter” (revised January 2024)

We will address individual corporate governance issues in accordance with the basic policy regarding corporate governance in an effort to establish proper corporate governance.

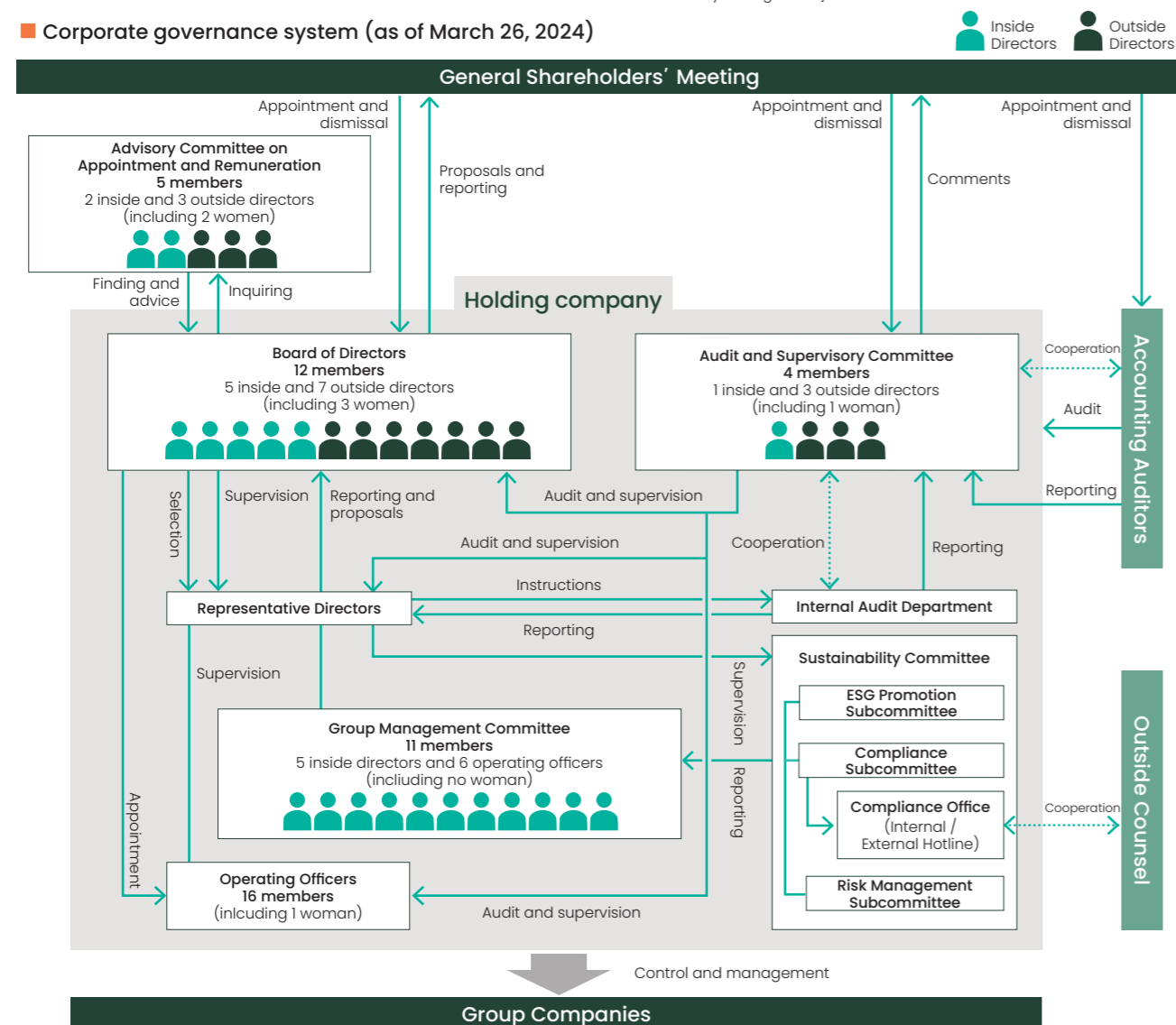
By adopting an Audit and Supervisory Commit-

tee 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.

**WEB** For more information about the Sustainability Charter, visit our website and click on [Sustainability > artience Group’s Sustainability > Sustainability Management.]

## Corporate governance system (as of March 26, 2024)



## Major Organizational Units and Meeting Bodies and their Roles

Organizational unit / meeting body	Members	Roles	Meeting held in FY2023
<b>Board of Directors</b> Term: 1 year	<b>Chair:</b> President and Representative Director <b>Members:</b> Twelve members (three of whom are women): eight directors who are not Audit and Supervisory Committee members (of whom four 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.	17 times
<b>Audit and Supervisory Committee</b> Term: 2 years	<b>Members:</b> Four Audit and Supervisory Committee members (including three external members and three 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. It gives reports with the Internal Audit Department—the Group's internal auditing division—at regular meetings of the Audit & Supervisory Committee and holds information exchange meetings as appropriate. The committee reports audit results to accounting auditors and holds information exchange meetings as appropriate.	13 times
<b>Group Management Committee</b>	<b>Members:</b> 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.	26 times
<b>Advisory Committee on Appointment and Remuneration</b>	<b>Chair:</b> Outside Director <b>Members:</b> Two inside directors and three outside directors	It discusses 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. Beginning in FY2024, it holds four meetings a year to closely discuss successor plans and other matters.	once
<b>Sustainability Committee</b>	<b>Chair:</b> Chief Sustainability Officer (Director) <b>Secretariat:</b> ESG Promotion Office / Corporate Communication Department	The Sustainability Committee discusses policies, strategies, plans and measures regarding sustainability for the Group. It reports the progress of sustainability activities to the management and seeks the approval of the Group Management Committee and the Board of Directors approval of important matters.	twice
<b>ESG Promotion Subcommittee</b>	<b>Chair:</b> General Manager of ESG Promotion Office <b>Secretariat:</b> ESG Promotion Office	It carries out specific measures to disclose information in compliance with the TCFD recommendations, addresses climate change, reviews material issues, discusses new material issues and draws up measures to address the material issues.	13 times
<b>Compliance Subcommittee</b>	<b>Chair:</b> General Manager of Human Resource Department <b>Secretariat:</b> Legal Group, General Affairs Department	It discusses policies, plans and measures related to compliance for the Group. It works to advance the groupwide ethics and compliance system. It plans and implements education to enhance compliance and awareness-raising activities through having a compliance month and using the Group's intranet.	twice
<b>Risk Management Subcommittee</b>	<b>Chair:</b> General Manager of General Affairs Department <b>Secretariat:</b> General Affairs Group, General Affairs Department	It discusses policies, strategies, plans and measures regarding risk management for the Group and performs groupwide risk reviews to analyze and evaluate risks and report its findings to the management. It reports material risks to the Group Management Committee and to the Board of Directors. When any risk of great urgency materializes, it sets up an emergency headquarters and leads and controls emergency measures.	twice

Skill matrix of the Board of Directors

We define the areas where we expect the individual directors to provide helpful supervision and advice regarding management issues. We also make sure that the Board of Directors is composed of diverse directors with abundant experience and expert knowledge to enable proper deliberation and supervise the execution of business.

Composition and the activities of the main meeting bodies, expertise and careers of the members (skill matrix)

●: Chair person ○: Member

As of March 26, 2024

Name and position	Age	Gender	Nationality	Attendance rate at meetings*1			Main expertise and careers*4							Job experience and expected roles	Period of service as director Number of the Company's shares owned		
				Board of Directors	Audit & Supervisory Committee	Advisory Committee on Appointment and Remuneration	Corporate Management	Technical / R&D Production	Sales Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG Compliance Risk Management				
<b>Katsumi Kitagawa</b> Chairman and Representative Director	70	Male	Japan	○ 100% (17/17)		○ 100% (1/1)	○	○	○							Since becoming president and representative director in 2011, he has been leading strongly, executing business and supervising the overall management of the Company and doing the same for the Group as a whole. It is expected that he will continue to fulfill his duties as a director of the Company, supervising the management of the Company as a whole and increasing the Group's corporate value.	18 years 9 months 51,913 shares
<b>Satoru Takashima</b> President and Representative Director, Group CEO	63	Male	Japan	● 100% (17/17)		○ 100% (1/1)	○		○	○						After working mainly in the corporate planning division and holding important posts within major affiliates in Japan and overseas, he was appointed president and representative director in 2020. He has since been leading strongly, executing business and supervising the overall management of the Company. Since 2022, he has been executing business and supervising the Group as a whole as the Group CEO. It is expected that he will continue to fulfill his duties as a director of the Company, supervising the management of the Company as a whole and increasing the Group's corporate value.	10 years 9 months 33,488 shares
<b>Hiroyuki Hamada</b> Senior Managing Director in charge of Corporate Departments	65	Male	Japan	○ 100% (17/17)					○	○	○		○			After holding key positions mainly in the Corporate Administration division and at overseas representatives, since assuming the position of Director in 2016, he has supervised the management of the Company and executed business with a high level of competence and expertise relating to corporate strategy. He is expected to properly fulfill his duties as a director of the Company and use his knowledge in the relevant areas to supervise the management of the Company.	7 years 9 months 8,623 shares
<b>Shingo Kaneko</b> Outside Director	73	Male	Japan	○ 100% (17/17)			○		○							After his long service as a director at TOPPAN Holdings Inc., he was appointed President and Representative Director of the company in June 2010. He has an abundance of experience and broad-ranging insights in corporate management and various other areas. As an expert in business administration familiar with the industry, he has, since his appointment as a director of the Company in 2020, been giving advice and guidance on the management of the Company as a whole from an objective point of view in consideration of business circumstances surrounding the Group. It is expected that he will continue to give helpful advice and opinions regarding the Group's management based on his experience and knowledge.	4 years 4,300 shares
<b>Chise Onodera</b> Independent Outside Director	58	Female	Japan	○ 100% (17/17)		○ 100% (1/1)							○			She has advanced and specialized knowledge in the Insurance Act and the Companies Act and outstanding insight as a legal scholar. She has been supervising the management of the Company from an objective and neutral point of view since she was appointed auditor of the Company in 2019 and director in 2021. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	3 years 2,600 shares
<b>Tomoko Adachi</b> Independent Outside Director	70	Female	Japan	○ 100% (13/13) *2			○	○					○			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. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial position and from an objective and neutral viewpoint based on her experience and knowledge.	1 year 1,100 shares
<b>Yoshinobu Fujimoto</b> Independent Outside Director	58	Male	Japan	○ *3							○				○	He is a certified lawyer with advanced expertise and extensive knowledge particularly in M&A agreements and overseas transactions. It is expected that he will give advice regarding the management of the Company based on his career background and knowledge and impartially and properly supervise the execution of business from an objective and neutral point of view.	Newly appointed 0 share
<b>Tetsuaki Sato</b> Director in charge of Quality Assurance, Production, Environment, Sustainability, Purchasing and Logistics	63	Male	Japan	○ 100% (13/13) *2				○							○	After gaining experience in the engineering division, he held important positions in the production and production management divisions. Since he became a director of the Company in 2023, he has been executing business leveraging his outstanding capabilities and expertise in the areas of engineering, production and production management. He has also been supervising the management of the Company. He is expected to properly fulfill his duties as a director of the Company and use his knowledge in the relevant areas to supervise the management of the Company.	1 years 11,732 shares
<b>Masayuki Kano</b> Director Audit and Supervisory Committee member (full-time)	61	Male	Japan	○ *3	●								○	○		He mainly held important positions in the personnel affairs division and in the general affairs division. Since becoming an operating officer, he has been performing his duties in the areas of personnel strategies, corporate governance, risk management and other areas leveraging his advanced skills and expertise. He is familiar with the management operations of the Group as a whole. It is expected that he will appropriately audit and supervise the Company's execution of business leveraging his experience and knowledge.	Newly appointed 11,298 shares
<b>Yutaka Yokoi</b> Leading Independent Outside Director Audit and Supervisory Committee member	69	Male	Japan	○ 100% (17/17)	○ 100% (13/13)	● 100% (1/1)								○		He has held important positions in the Ministry of Foreign Affairs for many years and possesses an international perspective cultivated through diplomacy and wide-ranging insight into world affairs. The Company appointed him to be an outside director in 2021 and an outside director also serving as an Audit & Supervisory Committee member in 2022. He has since been supervising the management of the Company from an objective and neutral viewpoint. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	3 years 2,200 shares
<b>Keiko Kimura</b> Independent Outside Director Audit and Supervisory Committee member	64	Female	Japan	○ 100% (17/17)	○ 100% (13/13)	○ 100% (1/1)							○	○		She is a certified lawyer with advanced knowledge and extensive insight particularly regarding labor law and personnel and labor affairs. The Company appointed her to be an outside director in 2016 and an outside director also serving as an Audit & Supervisory Committee member in 2022. She has since been supervising the management of the Company from an objective and neutral viewpoint. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	7 years 9 months 1,900 shares
<b>Minoru Matsumoto</b> Independent Outside Director Audit and Supervisory Committee member	67	Male	Japan	○ 94% (16/17)	○ 100% (13/13)								○	○		As a certified public accountant, he has extensive experience in accounting audits and considerable knowledge in finance and accounting. The Company appointed him to be an outside director in 2021 and an outside director also serving as an Audit & Supervisory Committee member in 2022. He has since been supervising the management of the Company from an objective and neutral viewpoint. It is expected that he will continue to fulfill his duty to supervise management from an impartial standpoint utilizing his experience and knowledge.	2 years 0 share

\*1 Attendance rate in 2023 \*2 Appointed on March 23, 2023 \*3 Appointed on March 26, 2024 \*4 The above matrix does not show all the expertise or careers of each director.

## Corporate Governance

### ■ 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.
	Technical / 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 / DE&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	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 asv2050/2030 sustainability vision, and solve social issues indicated by the Group's material issues.

### Criteria for assessing independence of outside directors

We elect outside directors in accordance with the "Standards Concerning the Independence of Outside Officers" to ensure their independence.

\* The details of the "Standards Concerning the Independence of Outside Officers" are stated in securities reports and corporate governance reports.

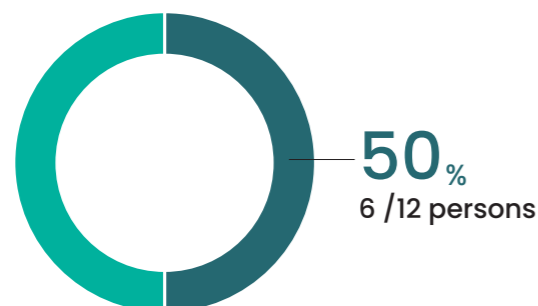
**WEB** To read the Corporate Governance Reports, visit our website and click on [Investor Relations > IR archives > Corporate Governance Report.]

### Diversity of Directors

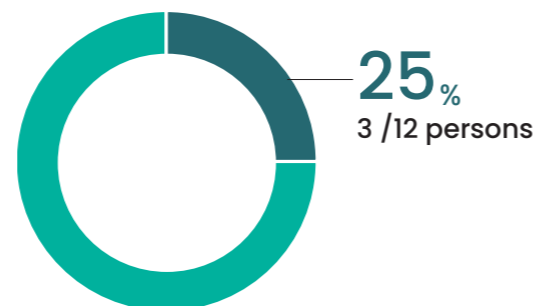
We select the members of our Board of Directors in consideration of diversity and expertise. We pay attention to their knowledge and experience in different areas of business management, to the achievement of gender equality and to other aspects to ensure di-

versity. The Board must be composed of directors with a wide variety of advanced skills. At least one third of its members must be independent outside directors that meet the standards we have determined for the independence of outside officers.

■ Percentage of independent outside directors



■ Percentage of female directors



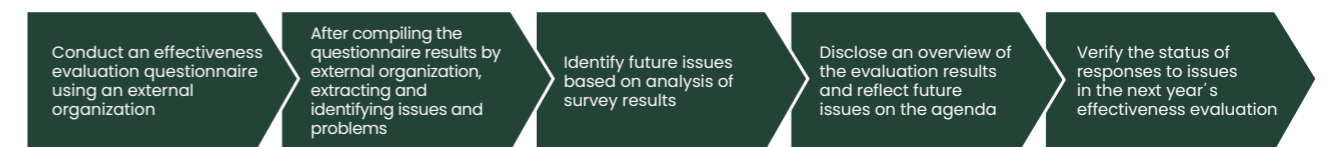
### Evaluation of the effectiveness of the Board of Directors

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 2024, 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]



##### [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 12, 2024 to January 25

##### [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
- Summary

##### [Initiatives implemented in 2023]

The evaluation of effectiveness conducted in January 2023 pointed out training opportunities for officers, feedback to the Board of Directors on the status of dialogues with shareholders, and the operation of the Advisory Committee on Appointment and Remuneration. In response, in 2023, the Board of Directors confirmed the training curriculum for officers and submitted a proposal for an IR activity report. It also reviewed the frequency of meetings of the Advisory Committee on Appointment and Remuneration starting in FY2024.

##### [Evaluation results and issues]

Generally positive evaluations were received, such that necessary discussions were taking place in line with the proposal, and we recognized that the effectiveness of the Board of Directors as a whole was generally ensured. Improvements were also confirmed in the matters pointed out in the evaluation of effectiveness in 2023. Issues that did not produce results in a single fiscal year were designated as continuing issues.

- In 2024, the composition of the Board of Directors was newly pointed out.
- We will work to make these improvements during FY2024, 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 topics discussed and deliberated at the Board of Directors meetings in FY2023 include, in addition to statutory resolutions, matters required by the Corporate Governance Code (evaluation of the effectiveness of the Board of Directors, verification of the

economic rationality of cross-shareholdings, analysis of results of voting rights executed at the General Meeting of Shareholders,) revisions to Our Principles (action guidelines) and sustainability-related policies due to the change of philosophy system and trade name, the Medium-Term Management Plan artience 2027, annual plans, initiatives to improve capital efficiency and large-scale investments and loans.

### 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 FY2023, we organized governance training (for newly appointed operating officers and those newly assigned to management positions at overseas locations,) training for understanding menopause and

climacteric symptoms to increase people's understanding of promoting women's participation and advancement in the workplace (for directors, operating officers and heads of departments) and training on insider trading regulations (for officers to whom stock compensation is paid and outside directors.)

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 implement training and other

programs in accordance with the human resource development plan and report the state of activities to the Board of Directors through the Advisory Committee on Nomination and Remuneration 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 con-

sent 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

In order 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 op-

erations 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.

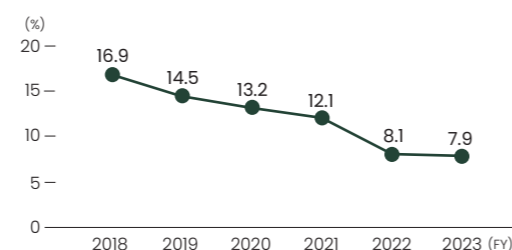
Approach to cross-shareholdings

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.

Ratio of the amount of cross-shareholdings to net assets



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 longterm 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 entrepreneurship, 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 (FY2023)

Position	Total amount of remuneration, etc. (million JPY)	Total amount of remuneration, etc. by type (million JPY)			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)	267 (29)	187 (29)	73 (-)	6 (-)	9 (4)
Directors (Audit and Supervisory Committee member) (outside directors)	54 (30)	54 (30)	-	-	4 (3)
<b>Total (outside directors)</b>	<b>321 (59)</b>	<b>241 (59)</b>	<b>73 (-)</b>	<b>6 (-)</b>	<b>13 in total (7 in total)</b>

\* The number of people and the amounts of compensation above include the two directors who resigned at the closing of the Annual General Meeting of Shareholders held on March 23, 2023.

# Message from Outside Director

## Exploring what a board of directors should be like and applying this within the Company as an academic researcher studying the Companies Act

Five years after being appointed, the Board of Directors has changed and so did the degree of my expectation of the Company

My relationship with the Company dates back to 2014, when I was appointed to be a member of the Independent Committee. Then I was an auditor for two years starting in 2019 and I became an outside director in 2021.

I study commercial law, including the Companies Act, the Insurance Act and other laws related to companies at the College of Law of Nihon University. I fulfill my duties as an outside director by stating my opinions on ESG, compliance, risk management and other issues chiefly from a legal perspective.

As artience operates B2B businesses, I did not know the details of its businesses before I began to work for them. Its staff clearly explained the businesses before I started working. Before I started, I was given opportunities to visit plants and other facilities.

The content of the discussions of the Group Management Committee are always explained to me, including the background behind the matters that are discussed. Any matters where I have questions or ask for clarification are appropriately explained. This allow me to fully understand the situation before attending Board of Directors meetings.

I feel that the atmosphere at the meetings of the Board of Directors has changed dramatically over the five years since I became an auditor. Since then, the Company has been proactively appointing outside officers and actively discussing issues to listen to the opinions of people who have a perspective that is outside the company. Of course, I never felt any pressure making me hesitate to speak up because I am a woman.

I feel that the change of the Company's name in 2024 improved shareholders' impression of the Company. At the recent general meeting of shareholders, one shareholder asked, "The Company intends not only to operate the ink business but also to expand into new fields?" The president replied, "The new company name shows our determination." I understood that this question implied shareholders' hopes for the future of the Company and their support for the Company. I found the meeting fulfilling.

### Appreciating the Company's perspective on social contribution, and what I expect from the Company

Businesses have the responsibility to society to create and maintain employment. I feel that the Company's low turnover is one of the points that it can be proud of. The Company's corporate culture embodies its viewpoint as a manufacturer. I applaud the Company for approach-



**Chise Onodera**  
Independent Outside Director

ing its business operations with a strong aspiration to contribute to society. In addition, I feel that it is increasing its engagement in dialogue with stakeholders. I hear that it will continue to actively organize briefings for institutional investors and provide meeting opportunities for personal investors.

On the other hand, let me mention some management issues. The Company uses different management indicators in its business. I think that the Company should have stronger attachment on each number and that a sense of urgency is essential in its attitude for achieving those numbers.

The artience's Corporate Philosophy is *People-oriented Management*. I suppose that there is room for improvement for the Company to seek a system that makes the most of its human capital. Each generation has different strengths. So it is necessary to coordinate the values of the different generations of people, and I think this is a way to maximize the Company's human capital.

### My mission to apply my expert knowledge within the Company

When I look back at my own performance, I wonder if I have been able to thoroughly oversee operating companies overseas. The artience Group operates globally. As overseas businesses are drawing attention these days, the officers of the Group's holding company should broadly monitor the Group's overseas subsidiaries as well. Going forward, I should have a broader perspective and oversees their operations while paying attention to the balance between the businesses in Japan and overseas.

As a legal scholar who studies corporate law, I am in a position to explore a more desirable form for the organization. I look at how the Board of Directors should be, including such aspects as highly transparent management, responsible decision-making, a contribution to society and improved dialogue with stakeholders. I hope to incorporate, into artience, the ideal form for companies. For this, the mindset reflecting that ideal form needs to be shared among members of the Board of Directors.

# Risk Management

## Basic approach

The artience Group advances initiatives based on our understanding that identifying risks that may affect business continuity and addressing these risks promptly and appropriately to minimize the impact of the risks is an important task.

In line with the change of the name of the Company and the Company's philosophy in January 2024, we reorganized our policies and guidelines related to sustainability and established the Basic Policy on Risk Management and the Basic Policy on Development of Internal Control System.

### Related Policies

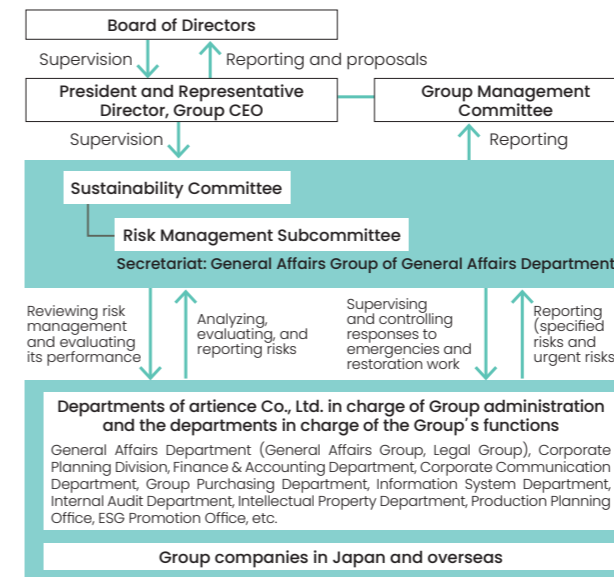
- Basic Policy on Risk Management (revised on January 1, 2024)
- Basic Policy on Development of Internal Control System (revised on January 1, 2024)
- Risk management action policy

**WEB** For information about the Basic Policy on Risk Management, the Basic policy on Development of Internal Control System, and the risk Management action policy, visit our website and click on [Sustainability > Governance > Risk Management.]

## Risk management system

The Risk Management Subcommittee, whose secretariat is the General Affairs Department, exhaustively and comprehensively manages the risks of the entire Group under the operating officer in charge of risk management (the chair of the Risk Management Subcommittee.) Each company and department of the Group are working to identify risks that are hidden in the changes in the social environment and in day-to-day operations to assess and study them, prevent risks from materializing and carry out measures to reduce risk-related damage.

### Risk management system (FY2024)

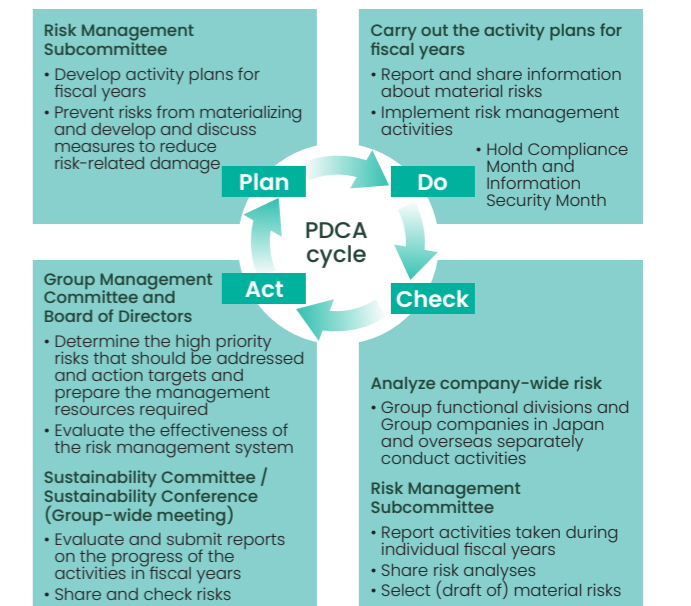


\* Excerpts and additions from P.65 Sustainability promotion system (FY2024)

The Risk Management Subcommittee assesses the risks of each company and department based on the frequency of occurrence and severity, and creates and shares a risk map. The committee checks the progress and level of achievement of activities for the mitigation of serious risks. It reports Groupwide risks, which need to be addressed by the Group as a whole, to the Group Management Committee and the Board of Directors. If a new problem arises that could develop into a serious risk, we report to the Board of Directors and establish an emergency headquarters to address the risk.

## Risk Management Process

Leveraging the risk management system, we review risks and implement a PDCA cycle to improve the quality of activities.



**WEB** For information about the implemented risk management activities, visit our website and click on [Sustainability > Governance > Risk Management.]

## Internal controls

At the artience Group, we recognize that the improvement and utilization of the internal controls system is an important management issue. The Board of Directors has formulated the "Basic Policy on the Internal Controls System (revised on January 2024)," and we strive to put in place the implementation systems and monitoring systems needed to ensure that we carry out our business activities in an appropriate manner.

**WEB** For information about the Basic Policy on Development of Internal Control System, visit our website and click on [Sustainability > Governance > Risk Management.]

Typical business risks and our response

Representative risks that management recognizes could have a significant impact on the financial position, operating results and cash flows of the Group are as follows. (This is not an exhaustive list.)  
 In FY2023, there was no new risk of a significant adverse impact on the Group.

Category	Typical risks concerning the entire Group	Examples of our response to risks
① Risks related to overseas operations	<ul style="list-style-type: none"> <li>Changes in laws and regulations, and changes in tax systems that could have adverse effects</li> <li>The adverse effect of inadequate social common capital on corporate activities</li> <li>Unfavorable political factors</li> <li>Social turmoil caused by terrorism, war, or infectious disease</li> <li>Unexpected rapid change in the work environment</li> </ul>	<ul style="list-style-type: none"> <li>Expanding business in worldwide and improving the balance of business fields, aiming to build an earnings structure that is unlikely to be affected by economic trends or other risks in individual countries</li> <li>Establishing supply chain management that enables a flexible response to risk</li> </ul>
② Risks related to system fault, information leakage, loss, and damage	<ul style="list-style-type: none"> <li>Suspension of operations due to system failure</li> <li>Occurrence of the leak, loss, or damage of information due to a computer virus or security breach</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring that important systems to be redundant, securing backups of these systems and establishing a computer security incident response team (CSIRT) system</li> <li>Enhancing the information management system and training staff to reduce human risks</li> </ul>
③ Risks related to quality and product liability	<ul style="list-style-type: none"> <li>Accidents or complaints caused by the quality of products</li> <li>The 2024 Problems in Logistics</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring compliance with legal regulations related to quality and safety and carrying out activities to strengthen quality assurance</li> <li>Participating in "White Logistics" (initiatives aimed at creating a healthy and safe working environment in the logistics industry) and cooperating with other companies to improve logistics</li> </ul>
④ Risks related to natural disasters and epidemics	<ul style="list-style-type: none"> <li>Difficulties in procuring raw materials, hindrance to production activities, stagnation of global consumer activities and stagnation of logistics functions in the supply chain, etc., due to natural disasters, such as major earthquakes, heavy rains and epidemics in Japan and other countries</li> </ul>	<ul style="list-style-type: none"> <li>Creating manuals tailored to specific risks and providing regular training to tackle them</li> <li>Establishing a disaster control system and systems for complementary production in Japan and overseas, through business continuity management (BCM)</li> </ul>
⑤ Risks related to the sourcing of raw materials	<ul style="list-style-type: none"> <li>The increase of prices and supply shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other issues</li> <li>Compensation for damages due to the delayed or suspended supply of raw materials from suppliers and the resulting failure to supply products to customers</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing raw materials for appropriate prices by increasing and accuracy of market price and demand forecast</li> <li>Securing stocks of raw materials according to their characteristics by sourcing them from a wide range of suppliers</li> </ul>
⑥ Risks related to exchange rate fluctuations	<ul style="list-style-type: none"> <li>Dramatic fluctuations in exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Taking steps to reduce exchange rate fluctuation risks, including exchange forward contracts and the balancing of foreign currency receivables and payables</li> </ul>
⑦ Risks related to general legal restrictions	<ul style="list-style-type: none"> <li>Changes to legal restrictions in Japan and overseas and the resulting changes in markets</li> <li>Litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement</li> </ul>	<ul style="list-style-type: none"> <li>Collecting information about legal restrictions in Japan and overseas and taking measures to address them</li> <li>Review of compliance-related policies and implementation of measures by the Compliance Subcommittee, a committee dedicated to compliance matters</li> <li>Managing the overall Group with internal control system and improving the effectiveness of the management</li> </ul>
⑧ Risks of environmental burdens	<ul style="list-style-type: none"> <li>Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets</li> <li>Increased expenses caused by delays in taking measures to reduce environmental impact</li> <li>Additional investment and changes on business portfolio in response to social environmental requirements (such as the shift away from plastics and the carbon neutrality, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Advancing environmental measures (including the reduction of CO<sub>2</sub> emissions, the development of VOC-free products, and the recycling of materials including chemical recycling) by reviewing manufacturing processes in the long-term management plan</li> <li>Strengthening the management of chemicals and systematizing management</li> </ul>
⑨ Risks related to climate changes	<ul style="list-style-type: none"> <li>Changes to climate change-related laws and regulations in Japan and other countries and the resulting changes in markets</li> <li>Increase in costs due to delays in responding to social demands, such as the reduction of CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Disclosures based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and promoting measures to address climate change</li> </ul>
⑩ Risks related to common debt collection	<ul style="list-style-type: none"> <li>Difficulty in collecting of trade receivables and other claims due to the worsening of customers' financial conditions</li> </ul>	<ul style="list-style-type: none"> <li>Regular review of customers' credit risk</li> <li>Implementing measures to protect receivables and strengthening credit management</li> </ul>
⑪ Risks relating to impairment losses on non-current assets	<ul style="list-style-type: none"> <li>Impairment losses on non-current assets due to changes in economic conditions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Having discussions in the Group Management Committee and the Board of Directors on investment plans including the amount that is planned to be invested</li> </ul>
⑫ Risks related to human resource	<ul style="list-style-type: none"> <li>Labor shortage due to changes in social environment</li> </ul>	<ul style="list-style-type: none"> <li>Carrying out workstyle reforms and other measures</li> <li>Implementing DX and other measures to streamline operations</li> </ul>
⑬ Risks related human rights	<ul style="list-style-type: none"> <li>Impairment of social trust and suspension of transactions due to human rights issues</li> <li>Lawsuits and conflicts due to human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>Conducting human rights training and activities to raise awareness of human rights</li> <li>Carrying out efforts to address human rights issues in the supply chain</li> </ul>

\* Details of business risks are shown in the securities reports.

# Compliance

Basic approach

Compliance activities of the artience Group are based on the belief that it is important that every single employee should be aware of compliance. We discuss compliance in daily operations, aiming to steadily instill within the Group an awareness of the importance of compliance with laws and regulations.

When the Company changed its name and philosophy in January 2024, we reorganized our policies and guidelines regarding sustainability and revised them to clarify the Group's position and the actions it would take in consideration of the change of society. We traditionally used the Code of Business Ethics as an explanatory document in our compliance activities. We have reorganized and revised it into the "Code of Ethical Conduct."

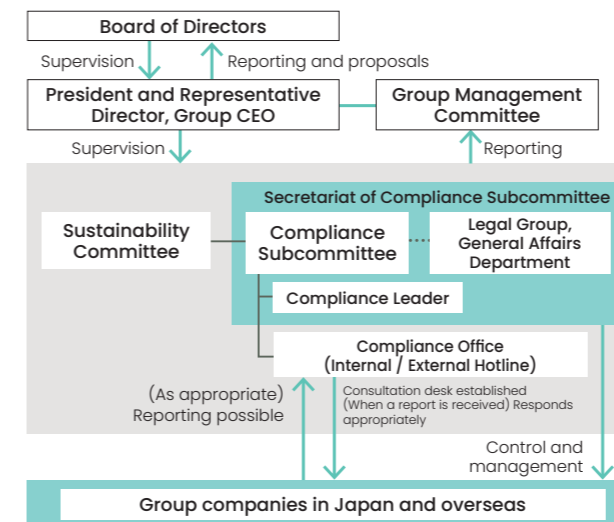
**WEB** For information about our compliance activity policy for FY2023, please visit our website and click on [Sustainability > Governance > Compliance.]

**WEB** Our policies can be read in the [Sustainability > Related policies and guidelines] section of our website.

Compliance system

We are planning compliance measures, disseminating the way of thinking about compliance and providing education on regulations throughout the Group, with the leading role played by the Compliance Subcommittee under the Sustainability Committee. We are also proactive in creating opportunities to deepen our awareness of compliance related to daily operations, with the central role played by compliance leaders in each operation site.

Compliance system (FY2024)



\* Excerpts and additions from P.65 Sustainability promotion system (FY2024)

Whistleblowing system

We have established internal / external Compliance Office as a consultation desk for compliance. We have also established the "Operating Regulations of Compliance Office" to ensure fair and proper operation of the Office. Consultations and reports mainly cover violations of laws and regulations (including corruption such as bribery and violations of the Antimonopoly Act) and violations of internal rules. We investigate the fact based on consultation, and take measures immediately if there is any concern of problem occurrence. In addition, we give maximum consideration to protection and confidentiality of whistleblowers. In consultations with the Compliance Office in FY2023, no issues were reported that could lead to serious risks.

Major activities in FY2023

- Compliance meetings in each site (from March to June) We held meetings at numerous locations in Japan (3,386 participants,) using materials that are used Group-wide, to promote the identification of new compliance issues and the formulation and implementation of solutions.
- Compliance Improvement Month held in October We held meetings at each operation site (3,479 participants.) We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks. In addition, we sent the compliance materials, which are translated into local languages, to all representatives at overseas affiliates, and requested that they hold compliance meetings including local staff, and strengthen their awareness of compliance.
- Compliance education
  - Programs tailored to each grade / level and job function) Compliance seminar for new employees (held once a year)
  - Advance training for overseas assignments (held twice a year)
  - Theme-based programs) Antimonopoly Act seminar (11 sessions, 408 participants)
  - Subcontracting Act seminar (16 sessions, 272 participants)
- Compliance auditing, with the goal of creating an organization with integrity In FY2023, we conducted a questionnaire—based on Q&A previously published by the Japan Fair Trade Commission—to check whether transactions are being conducted in compliance with the Subcontract Act, at all Group companies which engage in transactions subject to the Subcontract Act. As a result, we found no illegal transactions.
- Response to overseas legal risks We also established external hotlines for overseas sites to facilitate whistleblowing and informed overseas representatives and local staff of these hotlines. Further, in China, we check the status of operations in the country every six months based on the "Bribery Prevention Regulations."

# Sustainability Management

**As a chemical manufacturer, we will take the lead in working to improve the sustainability of the global environment and society**

The chemical manufacturing industry, which includes the artience Group have been aiding industrial development and enriching people's lives by creating all kinds of materials that help create the plastics, semiconductors and electronic components that are indispensable in people's daily lives. However, in the past, the consumption of huge amounts of petrochemical resources and energy in these activities has negatively impacted the environment, polluted the air and contaminated the oceans and rivers with hazardous substances. We, the chemical manufacturers understand that this is why we must work ahead of all of the other business sectors to improve the sustainability of the global environment and society to fulfill our corporate responsibilities to the



present and the future. Our new medium-term management plan, artience 2027, started this fiscal year. It is oriented towards sustainability management that helps improve the sustainability of the global environment and society by offering value that resonates with the senses through products and corporate activities. In a collaborative structure that includes the Sustainability Committee and the companies of the Group, we will endeavor to achieve the targets in the plan.

## Formulation and penetration of the asv2050/2030 Sustainability Vision

In January 2022, we formulated the Sustainability Vision, asv2050/2030 (called TSV2050/2030 when established. Changed name in January 2024), to promote 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 asv2050/2030.

### Sustainability Vision asv2050/2030

asv2030 Intermediate targets at milestone towards 2050 Corporate contributions to achieving the SDGs	asv2050 Direction leading to vision for 2050 Achievement of carbon neutrality	Vision for the target year (2050)
<b>1. Providing products and services that realize a sustainable society</b>		
<ul style="list-style-type: none"> <li>Sales ratio of sustainability-enhancing products will be 80%</li> <li>Increasing the number of products able to contribute to the reduction of CO<sub>2</sub> emissions throughout their lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>Making all products sustainability enhancing products</li> <li>Helping customers achieve decarbonization</li> </ul>	All products and services provided contribute to sustainability
<b>2. Reducing the environmental impact of manufacturing</b>		
<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions: 35% reduction in Japan (from the FY2020 level) 35% reduction overseas (compared to the FY2030 BAU)</li> <li>Amount of waste treated off-site (Japan): 50% reduction (from the FY2020 level)</li> <li>Harmful chemical substance emissions (Japan): 30% reduction (from the FY2020 level)</li> </ul>	<ul style="list-style-type: none"> <li>Achieving net zero CO<sub>2</sub> emissions from production activities and minimizing their environmental impact</li> <li>Minimizing waste generation</li> <li>Realizing sustainable water use</li> </ul>	Minimizing the environmental impact of manufacturing
<b>3. Building a foundation for trust</b>		
<ul style="list-style-type: none"> <li>Sourcing raw materials in ways that are friendly to the environment and good for society</li> <li>Respecting the diversity of employees and co-existing in harmony with the natural environment and local communities</li> <li>Continually restructuring our governance system</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to reform and transform our supply chain, human resources, regional activities, and governance from the perspective of environmental and social contribution</li> </ul>	Being a company that can contribute to improving the sustainability of society

## Basic approach

Three basic policies were laid out in the artience 2027 medium-term management plan which began in January of 2024: (1) transform existing business groups into highly profitable business groups, (2) create strategic, high priority business groups, and (3) transform the Company's management foundation. It also clearly specifies sustainability management issues that should be addressed to (3) transform the Company's management foundation, such as the reform of the personnel development program, the maximization of capital efficiency, innovation in production processes, digital transformation and the establishment of a technological foundation for the Company.

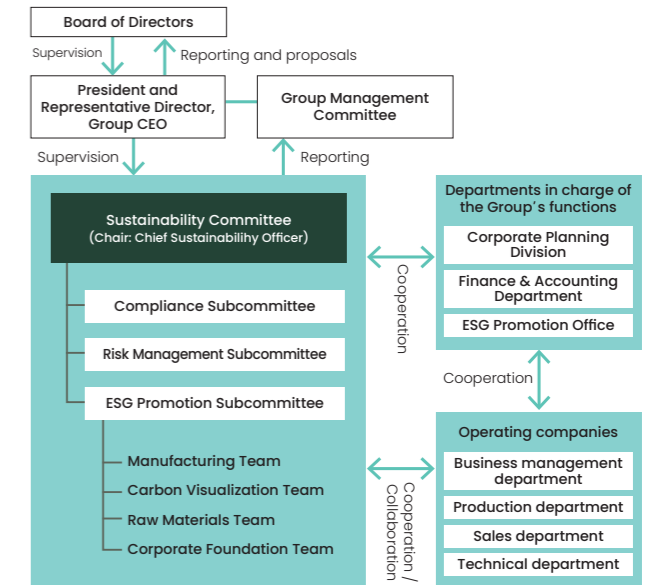
As an entire Group, we also address the many different issues on the path towards the establishment of a sustainable society, such as actions to address climate change, carbon neutrality and actions to help achieve the sustainable development goals (SDGs) with our asv2050/2030 Sustainability Vision that we established for conducting corporate activities from a medium- and long-term perspective.

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 seeks to implement sustainable management that ensures that diverse personnel can have job satisfaction and exert their potential in a workplace environment where they can work with peace of mind, that we will continue to provide products and services wanted by customers and society and that we will create new value in collaboration with customers. We will continue to promote sustainability management by implementing management strategies under the artience 2027 medium-term management plan and steadily executing measures to address material issues, and the goals of asv2050/2030 that lie beyond.

## 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.

### Sustainability promotion system (FY2024)



### Sustainability Committee's main activity themes, their achievements, and future activities (FY2023)

Main activity themes	Measures and achievements
<ul style="list-style-type: none"> <li>Instilling the sustainability concept in the Group</li> <li>Construction of a system for implementing ESG practices</li> <li>Establishment, revision and disclosure of policies regarding sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Holding of groupwide sustainability meetings (September), appointment of ESG management promoters within individual operating companies and education to improve ESG activities</li> <li>Establishment of the ESG Promotion Office and a structure to enable the committee and divisions to collaborate</li> <li>Revision of the Sustainability Charter and policies relating to individual sustainability issues and the formulation of new policies (the Code of Ethical Conduct, policies on risk management, anti-corruption, tax, etc.)</li> </ul>
<ul style="list-style-type: none"> <li>Continuous promotion of compliance within the Group</li> <li>Actions to properly incorporate the cost of labor into prices</li> <li>Whistleblowing system</li> </ul>	<ul style="list-style-type: none"> <li>Meetings at bases in Japan and overseas (April to June and October) and the continued organization of workshops on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (April to September)</li> <li>Surveys of business partners on the proper incorporation of the cost of labor into prices</li> <li>Expanding the scope of descriptions for whistleblowing cases (human rights infringements, discrimination, harassment, breach of intellectual property rights and other issues), and establishing an internal whistleblower hotline exclusively for the base in South Korea (November)</li> </ul>
<ul style="list-style-type: none"> <li>BCP</li> <li>Cyber security</li> <li>Business risk management</li> </ul>	<ul style="list-style-type: none"> <li>Understanding the preparedness status of the BCPs at each Group company, sharing of information about good practices and improving the entire Group's BCP activities</li> <li>Establishment and start of use of the artience-CSIRT system</li> <li>Reidentification of business risks and reassessment using frequency-impact mapping</li> </ul>
<ul style="list-style-type: none"> <li>Responding to climate change</li> <li>Promoting sustainable procurement</li> <li>Human rights due diligence</li> <li>Improving information disclosure and communication</li> </ul>	<ul style="list-style-type: none"> <li>Formulating a roadmap for the reduction of CO<sub>2</sub> emissions per base (80% in Japan and 50% overseas) and the visualization of organizational CO<sub>2</sub> emissions (calculation of the emissions in each Scope)</li> <li>Expansion of the scope of target suppliers (addition of 248 raw materials suppliers for bases in Japan)</li> <li>Holding of gender diversity training for officers, managers of departments and employees wishing to receive it</li> <li>Expansion of disclosure of non-financial information in securities reports, continued publication of the Sustainability Data Book and enhancement of information disclosure</li> </ul>

Material issues and progress of our activities

In FY2021 to FY2023, we engaged in activities in line with KPIs and targets during SIC-II (FY2021 to FY2023,) matching the period of activities for the SIC-II, the previous medium-term management plan. In particular, the numerical environmental targets for Material Issue 2 (reducing of CO<sub>2</sub> emissions, information disclosure based on TCFD recommendation) 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 per-

sonnel systems" under Basic Policy 3 of SIC-II "Enhance the value of management resources for sustainable growth (change of the corporate structure,)" and we focused our efforts on them. Consequently, we achieved positive results regarding the reduction of CO<sub>2</sub> emissions, the improvement of the percentage of female managers, workstyle reform, the acceleration of DE&I and other efforts roughly as planned. In the future, we will review our material issues (targets and KPIs) in the new medium-term management plan to improve and accelerate our sustainability activities.

Material issues 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	KPIs and targets during SIC-II (FY2021 - 2023)	Achievements in FY2023	Evaluation for FY2023
<b>Material Issue 1</b>	Provide value that exceeds customer expectations and contribute to society		<ul style="list-style-type: none"> <li>Creation of products, services and technologies that contribute to provision value to society</li> <li>Initiatives to improve quality: Operation of the Quality Global Standard at all production bases around the world</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new products and services with a view toward the creation of value (construction of networks for the mass production and supplying of LIB materials in North America, Europe, China and Japan with a view toward the establishment of a decarbonized society, the implementation of joint development projects for the establishment of a circular society leveraging high quality plastic recycling)</li> <li>Website renovation to improve the findability of product information and reinforcing information distribution</li> <li>Selection as an AAA website in the all markets category of the All Japanese Listed Companies' Website Ranking for 2023 by Nikko Investor Relations</li> </ul>	B
<b>Material Issue 2</b>	Co-exist in harmony with the environment through innovative technologies		<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 67,500t (down 12% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 165.0L/t (down 3% from the FY2020 level)</li> <li>Reduction of chemical emissions (Japan)*: 118.2t (down10% from the FY2020 level)</li> <li>Reduction of amount of waste treated off-site (Japan): 10,500t (down 19% from the FY2020 level)</li> <li>Increasing of sales ratio of environmentally friendly products: 70.0% (up 4.0 percentage points from the FY2020 level)</li> <li>Conservation of forest and aquatic ecosystems: Tree-planting, ecological surveys, strengthening of water intake / drainage management at production bases with high water risks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 59,669t (down 22.4% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 156.5 L/t (down 8.1% from the FY2020 level)</li> <li>Reduction of chemical emissions (Japan): 102.1t (down 22.2% from the FY2020 level)</li> <li>Amount of waste treated off-site (Japan): 10,625 t (down 17.6% from the FY2020 level)</li> <li>Sales ratio of sustainability-enhancing products: 53.6%</li> <li>Sales ratio of environmentally friendly products: 60.2%</li> <li>Information disclosure based on the TCFD recommendations (expanding the range of information disclosed on our website)</li> </ul>	B
<b>Material Issue 3</b>	Co-exist and co-prosper with the supply chain and fulfill the trust of stakeholders		<ul style="list-style-type: none"> <li>Implementation of major supplier assessments based on Criteria for Selecting Suppliers: Continuation of 100% implementation rate</li> <li>Conducting a sustainability surveys for major suppliers: Implementation rate 100%</li> <li>Promoting efficiency and sustainability improvements through collaboration in logistics</li> <li>Continuation human rights education during overseas assignment training: Attendance rate 100%</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of major suppliers in Japan and dissemination of the Sustainable Supply Chain Guidelines: Implementation rate 100%</li> <li>Conducting a sustainability surveys for major suppliers: Implementation rate 100%</li> <li>Promoting efficiency and sustainability improvements through collaboration in logistics</li> <li>Number of employees who took human rights education during overseas assignment training: 20 employees (attendance rate 100%)</li> <li>Promotion of diversity (publication of a guidebook for understanding LGBTQ+ issues and support and sponsorship of various events)</li> <li>Distribution of human rights information in electronic in-house newsletters and activities to increase awareness of human rights</li> </ul>	B
<b>Material Issue 4</b>	Value employees and pursue their happiness and job satisfaction		<ul style="list-style-type: none"> <li>Continuing to be selected as <i>White 500</i> company by promoting health and productivity management</li> <li>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%</li> <li>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</li> <li>Zero serious accidents</li> </ul>	<ul style="list-style-type: none"> <li>Continued to be selected as a <i>White 500</i> company, acquired <i>Eruboshi</i> certification.</li> <li>artience Co., Ltd. acquired <i>Platinum Kurumin</i> certification, a higher level of certification than <i>Kurumin</i>, for the first time. Three core operating companies newly acquired <i>Kurumin</i> certification.</li> <li>Maintenance of Gold certification in PRIDE Index 2023 for LGBTQ+ initiatives</li> <li>Percentage of female new graduates hired in Japan: 37.0%</li> <li>Percentage of female managers: 5.5% (as of January 2024)</li> <li>Percentage of male employees in Japan taking childcare leave for 10 days or more: 100%</li> <li>Continued zero serious accidents</li> </ul>	B
<b>Material Issue 5</b>	Build a solid base that underpins trust		<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Comprehensive implementation and content enhancement of compliance meetings in each site</li> <li>Formulation of the compliance seminars 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.)</li> <li>Promoting activities for communication with local communities</li> <li>Promoting educational / cultural activities in local communities</li> <li>Promoting social contribution activities: Volunteer activities or their support, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Held compliance meetings in each site (3,386 participants during the first half of the year; 3,479 participants during the Improvement Month)</li> <li>Held various compliance seminars (Anti-monopoly Act: 11 seminars with a total of 408 participants, Subcontract Act: 16 seminars with a total of 272 participants)</li> <li>Held compliance meetings in each site using Code of Business Ethics and its explanatory materials which are translated into local languages</li> <li>Responded appropriately to natural disasters (earthquakes, typhoons, heavy rain, etc.)</li> <li>Conducted risk assessments (100% of locations in Japan, 92% of locations overseas)</li> <li>Safe driving workshops and safety education leveraging e-learning programs at all production bases</li> <li>Bases in Japan and overseas donating to research institutions and providing educational materials and equipment to local schools</li> <li>Social contribution through the volunteer leave system (One employee took volunteer leave)</li> <li>Donation of disaster relief supplies and money to southeastern Turkey which was struck by an earthquake</li> </ul>	B

\* The KPIs and targets have been revised due to a revision in the operation of the data collection system and review of the chemical substances subject to collection.

# Addressing Climate Change

## — Information Disclosure Based on the TCFD Recommendations

Climate change attributable to global warming arising from a worldwide increase in greenhouse gas (GHG) emissions is one of the most serious issues facing the world today. The artience Group understands that responding to climate change is a material management issue with a huge impact on business activities. In November 2020, we expressed support for the Task Force on Climate-related Financial Disclosures (TCFD.) Currently, we conduct activities for addressing climate change such as reducing CO<sub>2</sub> emissions towards carbon neutrality in 2050 in accordance with our Sustainability Vision “asv2050/2030,” which is the axis of the Group’s sustainability strategy. We also disclose information in accordance with the TCFD recommendations.

### Governance

The Sustainability Committee, which oversees the sustainability activities of the entire artience Group—including climate change—and promotes them across the organization, is supervised by the Board of Directors via the President and Representative Director. Important issues are discussed and resolved by the Group Executive Committee, and then reported to the Board of Directors for approval.

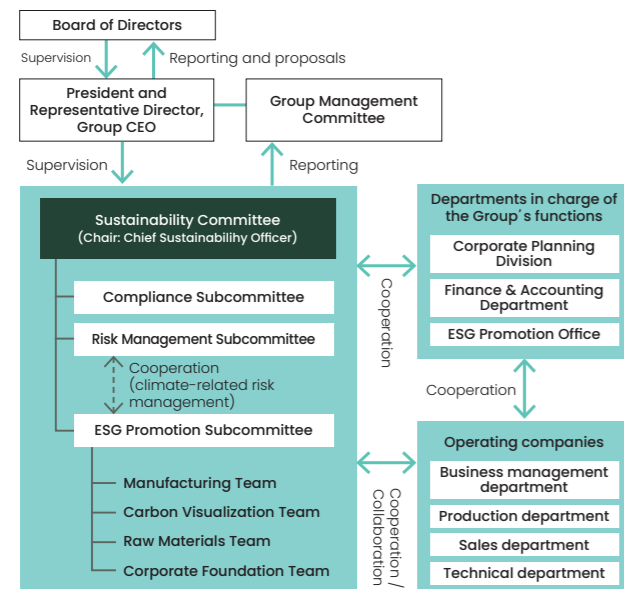
The President and Representative Director oversees the Sustainability Committee as the chief supervisor for the Group’s response to climate change, taking ultimate responsibility for management decisions relating to the Group-wide sustainability activities, and appointing a Chief Sustainability Officer as the executive officer in charge of sustainability activities.

Subordinate to this committee, the ESG Promotion Subcommittee plans and implements specific activities relating to groupwide sustainability, including the response to climate change. To increase the effectiveness of activities to address climate change, the ESG Promotion Office, established in July 2023, takes the initiative in practical processes such as information gathering on climate actions, identification, analysis and evaluation of risks and opportunities, the drafting of internal rules and information disclosure. It is stepping up systematic collaboration with the management team, the group function division, the corporate management divisions of operating companies and other stakeholders to incorporate these activities more deeply into management and business plans and to give shape and budgets to activities to meet climate-related goals.

### Report on climate change to management (Board of Directors and Group Management Committee)

	Contents of report
June 2023	Report on the content of climate change information disclosures (second phase) based on the TCFD recommendations (published in Integrated Report 2023)
September 2023	Prepares decarbonization roadmaps at individual facilities and reports on progress of global CO <sub>2</sub> emissions (Sustainability Conference)
February 2024	Reports on activities in FY2023 and explanations on the activity policy for FY2024 at the Sustainability Committee meeting

### System for addressing climate change (FY2024)



Committees / Organizations	Roles and activities in addressing climate change
Board of Directors	Approves and supervises all initiatives relating to climate change that have been resolved by the Group Management Committee.
Group Management Committee	Discusses and resolves important issues relating to addressing climate change and reports to the Board of Directors.
Sustainability Committee	Discusses specific policies, plans and measures to tackle climate change and reports them to the Board of Directors and to the Group Management Committee.
ESG Promotion Subcommittee	Drafts and formulates specific policies, plans and measures against climate change and carries out activities in collaboration with departments and subsidiaries. Holds regular monthly meetings. <b>Manufacturing Team:</b> Support for implementing measures to reduce greenhouse gas (GHG) emissions at each production site, aggregation and sharing of information, cross-organizational planning. <b>Carbon Visualization Team:</b> Formulates rules, builds systems, and structures the organizational framework relating to visualization of CFP. <b>Raw Materials Team:</b> Works to build a sustainable supply chain and transition to low-carbon raw materials to reduce Scope 3 emissions. <b>Corporate Foundation Team:</b> Strategy development and disclosure practices for climate change information disclosure based on the TCFD recommendations.
Risk Management Subcommittee	Identifies, analyzes, and evaluates climate-related risks in the same way as other corporate risks, in cooperation with the ESG Promotion Subcommittee. Meetings are held twice a year.
Departments in charge of the Group's functions	Carries out practical work, such as the incorporation of climate actions into management plans, earmarking of budgets for them, legal actions, strengthening of human capital, and the distribution of information to insiders and outsiders.
ESG Promotion Office	Incorporates climate actions more intensively into management and business plans, develops specific activities for climate goals and appropriates budgets to these activities in collaboration with the management layer, the group function division and corporate management divisions of operating companies.
Operating companies	In collaboration with the ESG Promotion Subcommittee and the business divisions (corporate management, production, technical and sales) separately work to incorporate climate-related actions into business plans, carry out the actions, collaborate with raw material suppliers, change the production process, conduct marketing and sales promotion of low-carbon products and undertake research and development efforts for technologies aimed at decarbonization.

### Risk Management

#### [Risk / Opportunity Management Process]

The Group has established a group-wide risk management system centered on the Risk Management Subcommittee, which is a subordinate organization of the Sustainability Committee. We recognize that climate-related risks, like other corporate risks, are factors that affect the sustainable growth of a Group, and that taking appropriate strategic measures will lead not only to preventing the actualization of risks and the mitigation of their impact when they actualized, but also to opportunities such as increasing business earnings and improving the Group’s reputation in the market. The ESG Promotion Subcommittee manages climate-related risks and opportunities in cooperation with the Risk Management Subcommittee, applying the same management process as for corporate risks in general.

The ESG Promotion Subcommittee identifies and as-

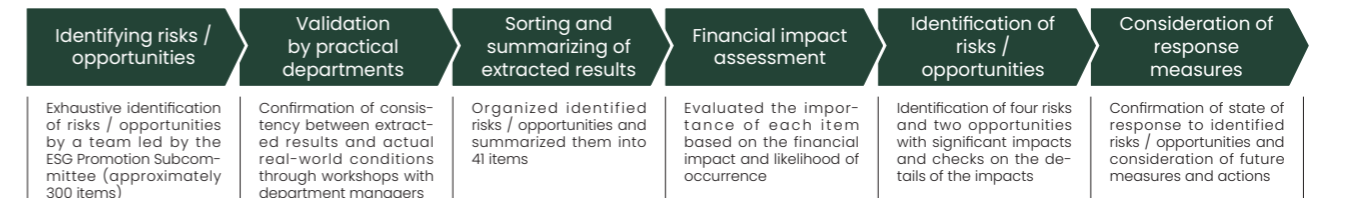
esses climate-related risks and opportunities and reports them to the Group Management Committee and to the Board of Directors. It organizes a Sustainability Conference as a groupwide meeting on an annual basis to provide not only the management layer and managers of divisions in group companies but also general employees with opportunities to hear discussions in a bid to share information and views in the Group. It also provides education and training related to climate change by means of e-learning and webinars to all employees to raise climate awareness, to update them with the latest information and to develop their ability to perceive risks. Management layer and Group companies incorporate response measures and action plans based on these risks and opportunities into their management plans and business plans, and reflect them in specific measures.

#### [Process for identifying and assessing risks / opportunities (conducted from December 2021 to May 2022)]

Using a matrix of the categories of the risk and opportunity categories defined by the TCFD recommendations (Transition Risks: Policy and Legal, Technology, Markets, and Reputation; Physical Risks: Acute and Chronic; Opportunities: Resource Efficiency, Energy Sources, Products and Services, Markets, and Resilience) and the Group’s value chain processes (procurement, production, logistics, sales, R&D, management, use, and disposal,) the ESG Promotion Subcommittee exhaustively extracted risks and opportunities associated with climate change. The validity of the extracted results (i.e. whether or not they are matched with the practical work and the

on-the-spot situation) was confirmed through a workshop for department managers at each Group company (held in February 2022 with 34 participants.) The subcommittee then summarized the approximately 300 identified risks and opportunities into 41 items, and evaluated their impact on two axes: financial impact and likelihood of occurrence in accordance with two different climate change scenarios (1.5°C and 4°C.) In this way, we identified four key risks and two key opportunities that are considered especially important to the Group based on the evaluation results.

#### Process for identifying and assessing climate-related risks / opportunities



#### Risks / opportunities organized and summarized in the process of identifying risks / opportunities (partial list)

Transition Risks	Policy and Legal	<ul style="list-style-type: none"> <li>• Cost increases due to introduction of carbon taxes and soaring emissions trading prices</li> <li>• Toughening and/or changing of environmental regulations on GHG emissions, etc., and their impact on production facilities</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>• Decline in the value of existing technologies accompanying the transition to a decarbonized society</li> <li>• Increasing costs of investment in equipment, human resources development and R&amp;D accompanying the transition to low-emission products</li> </ul>
	Market	<ul style="list-style-type: none"> <li>• Decline in demand for packaging- and printing-related items, etc., accompanying the transition to a circular economy and decarbonization</li> <li>• Rise in raw material and energy prices due to the use of non-fossil and recycled raw materials and compliance with regulations</li> </ul>
Physical Risks	Reputation	<ul style="list-style-type: none"> <li>• Declining preference due to inability to demands from customer for reducing GHG emissions</li> </ul>
	Acute	<ul style="list-style-type: none"> <li>• Failure to fulfill supply responsibilities or loss of business opportunities due to supply chain disruptions as a result of climate-related disasters</li> <li>• Damage to equipment and facilities caused by climate-related disasters, increased recovery costs and loss of business opportunities due to infrastructure stoppages</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>• Increase in measures and relocation costs for bases located in flood and drought risk areas</li> </ul>
Opportunities		<ul style="list-style-type: none"> <li>• Increase in sales due to growing customer demand for products that lead to energy conservation, reduction of GHG emissions and recycling of resources</li> <li>• Capture of business opportunities due to market creation and growth for new climate-related businesses (carbon-neutral materials and products for combating infectious diseases)</li> </ul>

Strategy

[Basic policies and strategies]

The artience Group recognizes that the policies and measures taken by national and local governments in response to global climate change have a significant impact on market conditions, the procurement of raw materials and consumer preferences and may have a strong impact on business continuity and business performance in the future. We have set out the "Policy

on Climate Change" (established in April 2022, revised in January 2024,) analyze these risks and opportunities, reflect them in our management plans and business plans, and engage in appropriate activities to address climate change.

**WEB** For the Policy on Climate Change, visit our website and click on [Sustainability > Environment > Response to Climate Change > Climate change information disclosure based on TCFD recommendations.]

[Scenario analysis]

The purpose of scenario-based analysis is to grasp and understand risks and opportunities that will arise from anticipated climate change and what kind of impact they will have on the Group, confirm the resilience of the Group's sustainable growth strategy in the expected future, and consider the need for further measures.

The Group carried out the scenario analysis on the four risks and the two opportunities it identified by

referring two climate change scenarios. One is a 1.5°C scenario, which envisages a world in which various measures are taken to limit the average temperature rise to 1.5°C in comparison with pre-industrial levels. The other is a 4°C scenario, which envisages a world in which the impact of physical risks due to climate change increases with the existing policies and systems remaining in operation as they are.

Categories	Risks / Opportunities	Financial Impact / Expressivity		Periods of increased impact
		1.5°C scenario	4°C scenario	
Transition risks: Legal, Market	Rising raw material and energy prices	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Mid
Transition risks: Technology, Market, Reputation	Decline in demand for packaging- and printing-related items	Impact 3 / Expressivity 3	Impact 2 / Expressivity 2	Short
Transition risks: Policy and Legal	Increased impact of carbon prices on costs	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Physical risks: Acute	Loss of business opportunities due to the intensification of climate-related disasters	Impact 2 / Expressivity 2	Impact 3 / Expressivity 3	Long
Opportunities: Energy Source, Products and services	Increased sales of low-emission products	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Opportunities: Products and Services, Market	Acquisition of business opportunities such as materials for combating extreme heat and infectious diseases	Impact 2 / Expressivity 3	Impact 3 / Expressivity 3	Long

Financial impact: 3=impact of several billion JPY or higher; 2=impact of around one billion JPY; 1=impact of less than one billion JPY  
Likelihood of occurrence: 3=already occurring at the present time, or almost certain to occur in the future; 2=relatively high likelihood of occurrence; 1=low likelihood of occurrence  
Period of increase in impact: Short-term = around 1 year (period of annual plan) Medium-term = around 3 years (period of medium-term management plan)  
Long-term = around 10 years (interim target year of TSV2050/2030 = period up to FY2030)  
For our 1.5°C scenario, we refer to the IEA World Energy Outlook: Net Zero Emission by 2050 Scenario and IPCC: SSP1-1.9 scenario.  
For our 4°C scenario, we refer to IEA World Energy Outlook: Stated Policy Scenario and IPCC: SSP5-8.5 scenario.  
Scope of analysis: Existing businesses of the entire Group and new businesses anticipated at this time

[Quantitative analysis①: Amount of impact from carbon taxes]

As a Group whose main business is chemical manufacturing, and which has a large amount of CO<sub>2</sub> emissions from its production activities, we recognize that the introduction of carbon taxes in the regions where we operate both in Japan and overseas will have a strong impact on the Group's finances.

The Group has therefore quantitatively analyzed the extent to which the interim targets of the asv2050/2030

sustainability vision – CO<sub>2</sub> emissions: 35% reduction in Japan (from the FY2020 level,) 35% reduction in other countries (compared to the FY2030 BAU) – will reduce the financial impact of carbon taxes. For both scenarios used in the analysis, we confirmed that achieving the asv2030 targets would reduce the impact by approximately 38%.

	1.5°C scenario	4°C scenario
Carbon tax per ton of emissions *1 (2030)	14,950 JPY/t-CO <sub>2</sub>	7,475 JPY/t-CO <sub>2</sub>
FY2030BAU *2	CO <sub>2</sub> emissions	Japan: 88,400 t-CO <sub>2</sub> Overseas: 146,000 t-CO <sub>2</sub>
	Impact from carbon tax	3.51 billion JPY
When asv2030 targets are achieved	CO <sub>2</sub> emissions	Japan: 50,000 t-CO <sub>2</sub> Overseas: 95,000 t-CO <sub>2</sub>
	Impact from carbon tax	2.17 billion JPY
Difference	-1.34 billion JPY	-0.66 billion JPY

\*1 For a carbon tax per ton of emissions, we referred to the IEA World Energy Outlook 2021. The 1.5°C scenario quotes the carbon tax price for developed countries given by the Net Zero Emission by 2050 Scenario, while the 4°C scenario quotes the EU carbon tax price given by the Stated Policy Scenario.

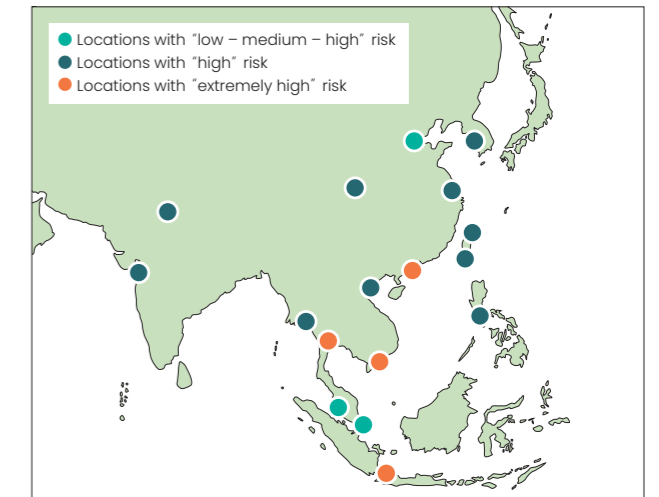
\*2 The FY2030 BAU assumes that domestic and overseas activity (net sales) will increase by 15% and 23%, respectively, in comparison with FY2020, and that emissions intensity will remain unchanged from FY2020.

[Quantitative analysis②: Amount of damage in the event of flooding in areas with high water risk]

The Group uses the World Resources Institute (WRI) water risk assessment tool Aqueduct 3.0 to assess physical risks (quantitative and qualitative,) water stress, flood risk, and regulatory and reputational risks on a river basin level. As a result, more than half of our overseas offices in Asia (Southeast Asia, India, China, Taiwan, and South Korea) have been assessed as having some kind of water risk (high to significantly high.) In particular, the risk of flooding is significantly high in China (South China,) Vietnam, Indonesia, and Myanmar.

This time, we estimated the amount of damage caused by flooding at business sites located in areas indicated as having a high flood risk. At business sites located in such highrisk areas, we are working to reduce risks by deploying countermeasures implemented by Toyo Ink (Thailand) Co., Ltd. (Thailand)—which has experienced large-scale flood damage in the past—across the board, and by conducting regular drills in preparation for the occurrence of floods.

■ Assessment of flood risk by Aqueduct



■ Amount of damage in the event of flooding\*1 at business sites in areas with high flood risk (estimated)

Category	Specific damage	Number of locations	Amount of damage (estimated)
Direct damage*2	Damage to buildings (offices, factories, warehouses, etc.)	3	2,429 million JPY
	Damage to equipment (production equipment, vehicles, office equipment, etc.)	3	6,618 million JPY
	Damage to inventory (products, work in process, raw materials, etc.)	3	6,816 million JPY
Indirect damage*3	Opportunity losses due to shutdowns	3	7,326 million JPY
Other damages			—
Total			23,189 million JPY

\*1 Under the climate scenario of a 4°C rise at the end of the 21st century, we assumed that floods would occur on a scale of about once every 100 years.  
\*2 We set damage ratios for each depth of inundation (flooding,) and estimated the amount of damage to buildings, equipment, and inventory at each business site.  
\*3 We set an average number of shutdown days for each depth of inundation, estimated the number of days of shutdown for each affected site, and estimated the amount of opportunity losses.

[Quantitative analysis③: Reducing CO<sub>2</sub> emissions by using environmental value product lines that contribute to sustainability]

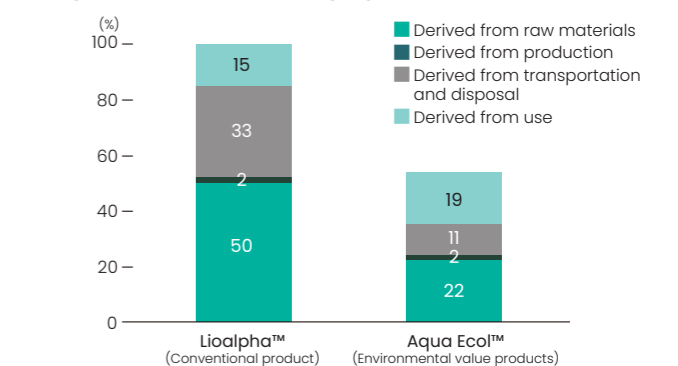
Under our asv2050/2030 Sustainability Vision, we added criteria for products with lifestyle value (value that can contribute to the improvement of the sustainability of society) to our existing environmental value criteria for environmentally friendly products and re-defined them as sustainability-enhancing products. The Group is accelerating R&D efforts and shifting its product portfolio with the goal of achieving a sales ratio of 80% or more of these sustainability-enhancing products by fiscal 2030.

The environmental value products line is a set of functional products that can reduce environmental impact throughout the product lifecycle, such as through the use of low-carbon raw materials, product weight reduction (achieving the same performance as conventional products with less amounts used,) and energy saving during use. As an example, we have quantified the reduction rate for CO<sub>2</sub> emissions that can be achieved by shifting to water-based raw materials of gravure inks for packaging materials, which the Group is working to achieve.

We estimated CO<sub>2</sub> emissions from two products at four different stages of raw materials, production pro-

cess, transport and disposal, and consumption. One of the products is the Lioalpha™, the Group's conventional gravure ink for packaging materials. The other is the Aqua Eco™, a product with alcohol-water solution as solvent. If the emissions from the conventional product are expressed as 100, those from the water-based ink are confirmed to be as low as 54.

■ The effect of environmental value products in reducing CO<sub>2</sub> emissions in their life cycle (gravure inks for packaging materials)



\* The figures represent estimates calculated using the Inventory Database for Environmental Analysis (IDEA) version 2.3. Our recommended conditions apply to the dilution ratio of solvent and others.

## Addressing Climate Change – Information Disclosure Based on the TCFD Recommendations

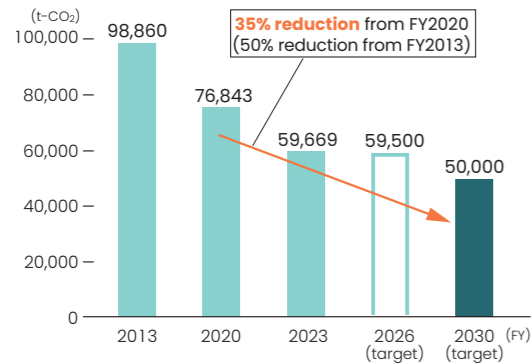
### Metrics and Targets

#### [Metrics⓪: CO<sub>2</sub> emissions – Indicator for risk]

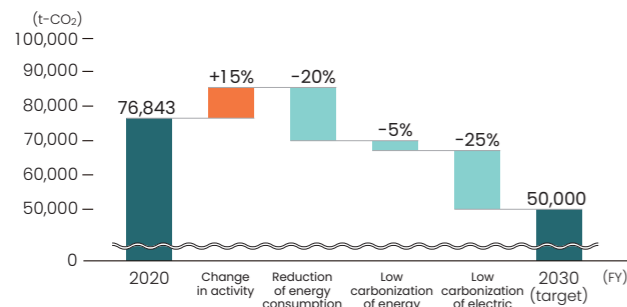
Since launching the “CO<sub>2</sub> Reduction Project” in FY2010, the artience Group has been striving to reduce CO<sub>2</sub> emissions from its production bases in Japan and overseas.

Our Sustainability Vision asv2050/2030 declares that the artience Group will reduce CO<sub>2</sub> emissions from its production activities and achieve carbon neutrality by 2050. In addition, it sets specific interim targets of reducing CO<sub>2</sub> emissions in Japan by 35% (50,000 t-CO<sub>2</sub>) from the FY2020 level by FY2030 and CO<sub>2</sub> emissions overseas by 35% (95,000 t-CO<sub>2</sub>) from the business-as-usual (BAU) level in FY2030.

#### ■ Changes in CO<sub>2</sub> emissions and targets (Japan)



#### ■ Major reduction measures and assumed reduction amount (Japan)

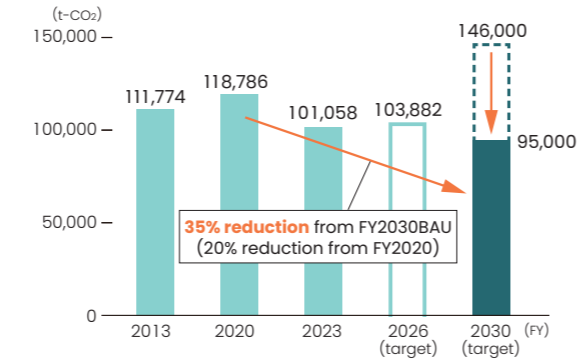


#### [Case: Completion of a Nearly ZEB Technical & Administration Building]

In March 2022, Toyochem Co., Ltd.’s Kawagoe Factory completed construction of a “Nearly ZEB” certified Technical & Administration Building. This certification is granted to buildings where effective energy consumption has been reduced by 75% or more. In addition to energy-saving measures such as reducing air-conditioning load by adopting horizontal eaves that limit direct solar radiation, the effective energy consumption of the building was reduced by 76% by creating energy through on-site PPA model solar panels utilizing subsidies from Japan’s Ministry of the Environment (MOE). The building was awarded Nearly ZEB certification and the highest rating (five stars) under the Building-Housing Energy-efficiency Labeling Sys-

tem (BELS). Toyochem also won the Energy Conservation Center, Japan (ECCJ) Chairman’s Award in the Best Practice Category in the 2022 Energy Conservation Grand Prize. It was awarded for advancing energy conservation activities that started at this technology management building and for introducing the energy conservation method across the organization.

#### ■ Changes in CO<sub>2</sub> emissions and targets (overseas)



Direction of measures	Major reduction measures
Reduction of energy consumption	<ul style="list-style-type: none"> <li>Energy conservation (eliminating energy loss in processes)</li> <li>Production process reform from an energy-saving perspective</li> </ul>
Low carbonization of energy	<ul style="list-style-type: none"> <li>Electrification of production equipment (reducing direct emissions)</li> <li>Preparation and research for the use of LNG alternative fuels</li> </ul>
Low carbonization of electric power	<ul style="list-style-type: none"> <li>Introducing low-carbon power</li> <li>Introducing renewable energy equipment</li> </ul>

tem (BELS). Toyochem also won the Energy Conservation Center, Japan (ECCJ) Chairman’s Award in the Best Practice Category in the 2022 Energy Conservation Grand Prize. It was awarded for advancing energy conservation activities that started at this technology management building and for introducing the energy conservation method across the organization.



The new Technical & Administration Building at Kawagoe Factory, Toyochem Co., Ltd. (left)  
ECCJ Chairman’s Award trophy at the 2022 Energy Conservation Awards (right)

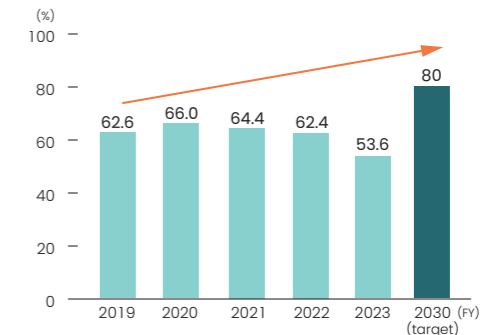
#### [Metrics⓪: Sales ratio of sustainability-enhancing products – Indicator for opportunity]

The artience Group began our efforts to improve the environmental friendliness of our products in the early days of the Group. In the 1990s we started placing environmentally friendly products on the market. Our Sustainability Vision asv2050/2030 defines our products that help improve the sustainability of society as sustainability-enhancing products. This category of products offers not only the environmental value provided by environmentally friendly products but also lifestyle value, which includes comfort, health, welfare, safety and peace of mind in people’s lives. Through the Group’s scenario analysis, we have identified two climate-related opportunities, namely increased sales of low-emission products and the acquisition of business opportunities such as materials for combating extreme heat and infectious diseases. Sustainability-enhancing products include products that are associated with these opportunities.

The asv2050/2030 adopts the ratio of sales of these sustainability-enhancing products to the Group’s total sales as an indicator of the Group’s climate action

and sets a target of attaining 80% or more in this indicator by FY2030.

#### ■ Sales ratio of sustainability-enhancing products and targets

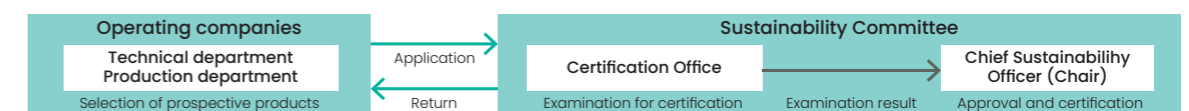


\* In FY2023, a new definition of sustainability-enhancing products was introduced under asv 2050/2030 and the scope of calculation was expanded to include overseas sales. The figures up to an including FY2022 are net sales and sales composition ratio of conventional environmentally friendly products.

#### ■ Values provided by sustainability-enhanced products and their direction

Provided Value	Direction	Keywords	Examples of measures and products
Environmental Value	Decarbonization	Clean energy / new energy Energy reduction / Shift to EV-based transportation	Proposal and advanced development of materials and technologies that contribute to the acceleration of the shift to EVs (LiB materials, thermal control materials and components) Contributing to reducing CO <sub>2</sub> emissions during use (shift to UV / EB) Developing environmentally friendly new power generation systems and proposing materials for these systems
	Resource circulation	Reduce Reuse Recycle Replace	Reducing the percentage of petroleum raw materials and replacing them (shift to biomass, water-based materials) Simplification of product components, replacement with paper (biodegradable materials, functional coatings) Materials and systems that support the recycling of plastics (materials and systems supporting horizontal recycling)
	Coexisting with nature	Environmental harmony, coexistence, and purification Reduction of substances with environmental impact	Heat shielding paint, thermal insulation Soil improvement, wastewater purification, and utilization of renewable energy
	Carbon recycling		Developing Carbon Capture, Usage and Storage (CCUS) technologies, utilizing CO <sub>2</sub> -derived raw materials
Lifestyle Value	Medical / healthcare area	Prevention / diagnosis	Development of diagnostic materials and systems which lead to the early detection and prevention of diseases and the reduction of risk of being affected by diseases
		Medical treatment	Development of pharmaceutical and medical materials which contribute to advanced therapies and self-care
		Safety / security	Provision of safe, reliable products which do not affect living bodies (do not contain harmful substances)
	Communication / Electronics / Digital area	High-speed, large-capacity communication	Development of next-generation materials which support photonics, high-speed, large-capacity transmission, and high-speed computing
		Advanced sensing	Provision of key materials aimed at the development of a sensor society and a society connected via IoT
Big data	Developing technologies which lead to a convenient society based on the utilization of data		

#### ■ Program for certification of sustainability-enhancing products



The Group’s products are examined based on specific sustainability evaluation items. They include orientation to the environmental value and the lifestyle value, definition and GHG emissions intensity. Any product that is evaluated as fulfilling the certification criteria is certified as a sustainability-enhancing product. The Sustainability-Enhancing Products Certification Office

conducts the examination for certification. The Chief Sustainability Officer, who also chair the Office, grants approval for examination results and authorizes certification. The certification criteria are reviewed regularly in accordance with changes in sustainability requirements in the market and in society.

# Financial Information

## Key Consolidated Financial Data

		March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(million JPY)	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927	322,122
Operating profit	(million JPY)	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865	13,372
Ordinary profit	(million JPY)	20,553	19,411	18,466	19,262	17,473	15,429	13,847	12,543	15,442	7,906	12,880
Profit attributable to owners of parent	(million JPY)	12,260	13,304	11,818	12,702	10,376	11,847	8,509	6,019	9,492	9,308	9,737
Comprehensive income	(million JPY)	30,351	32,605	5,196	13,179	16,371	-2,441	10,675	-3,993	19,892	11,705	31,888
Net assets	(million JPY)	186,608	213,756	211,859	216,979	228,384	221,091	226,892	217,325	226,947	227,877	255,653
Total assets	(million JPY)	336,601	364,262	359,395	364,066	378,459	371,610	376,130	380,227	406,896	411,177	447,798
Net assets per share*2	(JPY)	3,031.96	3,473.08	3,442.76	3,608.23	3,792.89	3,668.36	3,757.35	3,589.24	3,911.64	4,133.90	4,634.95
Profit per share (Basic)*2	(JPY)	205.46	222.98	198.09	214.98	177.73	202.93	145.72	103.06	169.36	171.49	183.69
Profit per share (Diluted)*2	(JPY)	—	—	198.05	214.84	177.53	202.60	145.44	102.85	169.09	171.30	183.57
Total shareholders' equity ratio	(%)	53.7	56.9	57.2	57.9	58.5	57.6	58.3	55.2	53.7	53.3	54.9
Interest-bearing debts	(million JPY)	74,441	66,924	68,786	64,759	61,772	60,199	59,507	81,386	81,007	86,448	89,897
Return on total shareholders' equity ratio*3	(%)	7.3	6.9	5.8	6.1	4.8	5.4	3.9	2.8	4.4	4.3	4.2
Return on total assets ratio*4	(%)	3.9	3.8	3.3	3.5	2.8	3.2	2.3	1.6	2.4	2.3	2.3
Price earnings ratio	(times)	10.1	12.6	11.4	12.5	18.8	12.0	18.3	19.1	11.4	10.5	14.3
Cash flows from operating activities	(million JPY)	17,603	25,702	25,727	23,370	18,663	19,197	19,673	16,743	15,760	4,262	23,478
Cash flows from investing activities	(million JPY)	-13,249	-6,198	-17,457	-10,611	-5,912	-10,828	-10,404	-13,294	-17,576	-5,645	-19,457
Cash flows from financing activities	(million JPY)	-7,305	-13,585	-5,817	-11,231	-8,355	-5,695	-6,247	16,221	-11,988	-8,102	-2,629
Balance of cash and cash equivalent	(million JPY)	34,723	42,546	43,744	44,132	49,262	50,958	53,765	73,117	60,949	53,385	56,040
Dividend payout ratio	(%)	31.6	32.5	39.1	37.2	45.0	41.9	61.8	87.3	53.1	52.5	49.0
Number of employees	(persons)	7,781	7,919	8,116	8,021	8,135	8,274	8,246	8,157	7,887	7,930	7,836

\*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

\*2 The Company implemented a consolidation of its common stock at the ratio of five shares to 1 share on July 1, 2018.

Accordingly, the above figures have been calculated assuming such share consolidation was conducted at the beginning of the fiscal year ended March 2014.

\*3 Return on total shareholders' equity ratio (ROE) (%) = Profit attributable to owners of parent / Net worth

\*4 Return on total assets ratio (ROA) (%) = Profit attributable to owners of parent / Total assets

## Overseas Sales\*2

		March 2014	March 2015	March 2016	March 2017	December 2017*1	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Asia	(million JPY)	95,018	101,550	101,329	86,992	95,699	106,304	101,361	94,252	113,523	125,627	127,470
The Americas	(million JPY)	11,863	13,983	15,275	13,660	13,940	14,909	14,386	13,286	16,430	23,056	20,029
Europe	(million JPY)	5,171	7,464	7,581	12,212	12,825	12,912	12,393	11,562	13,098	17,306	25,098
Africa	(million JPY)	254	401	434	309	461	513	576	510	644	862	463
Total	(million JPY)	112,308	123,399	124,621	113,175	122,926	134,639	128,718	119,613	143,696	166,853	173,061
Overseas sales ratio	(%)	40.2	43.0	44.0	42.2	51.1	46.4	46.0	46.4	49.9	52.8	53.7

\*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

\*2 Overseas sales include sales of artience Co., Ltd. and its consolidated subsidiaries in countries or regions other than Japan (excluding internal sales among consolidated subsidiaries).

## Financial Information

## Segment Information

## ■ Segment Information by Business Group

(Unit: million JPY)

Net Sales	March				December							
	2014	2015	2016	2017	2017*1	2018	2019	2020	2021	2022	2023	
Colorants and Functional Materials Business	76,414	78,465	71,878	65,935	63,385	74,660	67,400	61,642	74,995	79,380	81,069	
Polymers and Coatings Business	56,742	59,495	60,894	58,325	52,028	66,099	65,887	62,328	70,736	76,240	77,746	
Packaging Materials Business	62,530	63,114	64,623	62,965	55,640	68,047	68,071	66,589	73,645	83,464	84,292	
Printing and Information Business	85,527	87,468	87,439	81,651	69,011	79,378	76,680	65,595	66,695	75,180	77,202	
Others	5,403	5,704	5,980	6,115	5,166	7,228	7,291	6,229	5,746	4,948	5,609	
Adjustment	-7,061	-7,564	-7,608	-6,509	-4,889	-5,205	-5,439	-4,708	-3,831	-3,287	-3,797	
Total consolidated	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927	322,122	

(Unit: million JPY)

Operating profit	March				December							
	2014	2015	2016	2017	2017*1	2018	2019	2020	2021	2022	2023	
Colorants and Functional Materials Business	8,140	7,290	4,227	4,604	5,273	5,329	3,386	2,610	5,391	1,846	2,687	
Polymers and Coatings Business	3,428	3,646	5,547	6,641	5,868	6,035	6,013	5,937	3,570	2,504	5,257	
Packaging Materials Business	1,982	1,768	2,723	2,871	2,096	1,491	3,058	3,885	1,813	963	3,668	
Printing and Information Business	4,263	2,639	2,977	3,317	2,996	931	314	247	1,730	654	2,373	
Others	1,890	2,833	2,754	1,777	541	1,481	424	234	531	890	-601	
Adjustment	23	33	5	18	-1	6	-23	-7	-30	5	-12	
Total consolidated	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865	13,372	

\* Inter-segment transactions and Company-wide expenses have not been deducted from the figures for each business segment above.

\*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

## ■ Segment Information by Location

(Unit: million JPY)

Net Sales	March				December							
	2014	2015	2016	2017	2017*1	2018	2019	2020	2021	2022	2023	
Japan	192,946	188,973	181,884	176,297	134,961	181,666	175,513	161,798	173,526	176,986	178,091	
Asia*2	95,522	102,163	100,732	86,592	96,331	106,499	101,192	94,478	113,580	126,888	128,807	
Europe	10,587	14,190	14,481	18,361	19,988	20,210	19,842	17,954	21,059	26,944	28,871	
The Americas	10,881	12,425	14,234	12,825	13,159	14,258	13,992	12,708	16,223	22,711	24,842	
Adjustment	-30,379	-31,068	-28,124	-25,592	-24,096	-32,426	-30,648	-29,264	-36,400	-37,604	-38,491	
Total consolidated	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927	322,122	

(Unit: million JPY)

Operating profit	March				December							
	2014	2015	2016	2017	2017*1	2018	2019	2020	2021	2022	2023	
Japan	14,244	12,641	11,885	12,671	9,650	9,602	7,774	6,427	7,268	2,938	4,194	
Asia*2	6,241	5,733	6,075	6,176	6,157	5,449	5,671	5,868	4,774	3,657	6,296	
Europe	37	151	359	587	1,030	406	-204	523	1,336	500	2,006	
The Americas	-563	-353	-135	-106	-101	-145	-207	-57	77	-126	1,136	
Adjustment	-231	37	52	-96	37	-36	139	147	-450	-103	-262	
Total consolidated	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865	13,372	

\* Inter-regional transactions and Company-wide expenses have not been deducted from the figures for each geographical area above.

\*1 In 2017, the company's fiscal year end was changed from March 31 to December 31.

\*2 Includes Oceania regional net sales and operating profit until 2018.

## Financial Information

## ■ Gains on property, plant and equipment and intangible fixed assets (by business group)

(Unit: million JPY)

	March 2014	March 2015	March 2016	March 2017	December 2017 <sup>*1</sup>	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Colorants and Functional Materials Business	3,281	4,258	3,130	4,190	2,293	3,615	4,524	4,922	5,185	6,325	8,647
Polymers and Coatings Business	2,923	3,156	2,920	3,254	1,204	1,664	2,129	3,739	8,118	5,618	4,526
Packaging Materials Business	1,663	2,039	4,033	2,807	2,253	2,272	2,347	2,563	4,594	3,373	3,402
Printing and Information Business	9,740	4,189	5,577	4,578	1,341	2,574	3,319	2,781	1,997	2,024	2,817
Others	178	281	378	254	201	149	247	104	211	144	562
Total consolidated	17,788	13,925	16,039	15,085	7,294	10,277	12,567	14,111	20,107	17,486	19,956

\* In 2017, the company's fiscal year end was changed from March 31 to December 31.

## ■ Depreciation (by business group)

(Unit: million JPY)

	March 2014	March 2015	March 2016	March 2017	December 2017 <sup>*1</sup>	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Colorants and Functional Materials Business	3,648	3,731	3,783	3,499	2,869	3,425	3,235	3,353	3,615	3,846	4,275
Polymers and Coatings Business	2,127	2,159	2,207	2,330	1,849	2,295	2,047	2,000	2,207	2,608	2,748
Packaging Materials Business	1,451	1,488	1,666	1,678	1,498	1,558	1,697	1,692	1,773	2,096	2,188
Printing and Information Business	2,092	2,407	2,663	2,809	2,354	2,472	1,931	1,973	1,970	1,993	1,923
Others	157	170	199	222	160	187	176	167	163	200	203
Total consolidated	9,478	9,958	10,520	10,540	8,731	9,939	9,087	9,187	9,731	10,747	11,339

\* In 2017, the company's fiscal year end was changed from March 31 to December 31.

## ■ Research and development expenses (by business group)

(Unit: million JPY)

	March 2014	March 2015	March 2016	March 2017	December 2017 <sup>*1</sup>	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Colorants and Functional Materials Business	3,012	2,950	3,003	2,810	1,997	2,752	2,899	2,912	3,533	3,838	4,024
Polymers and Coatings Business	1,618	1,641	1,625	1,786	1,529	2,117	2,122	2,308	2,440	2,574	2,717
Packaging Materials Business	1,017	934	955	951	822	1,308	1,266	1,310	1,464	1,543	1,643
Printing and Information Business	1,798	1,798	1,835	1,822	1,539	1,916	1,779	1,572	1,051	1,149	1,224
Others	347	15	15	19	5	9	10	8	5	5	6
Total consolidated	7,794	7,340	7,434	7,390	5,894	8,104	8,077	8,112	8,496	9,111	9,616

\* In 2017, the company's fiscal year end was changed from March 31 to December 31.

## Financial Information

## Quarterly Financial Data (Consolidated)

## ■ Consolidated Statements of Income

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

	December 2020				December 2021				December 2022				December 2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	63,424	59,866	64,128	70,257	68,359	70,996	71,609	77,023	74,245	80,512	80,247	80,921	74,826	78,849	84,559	83,886
		[123,290]	[187,418]	[257,675]		[139,356]	[210,965]	[287,989]		[154,758]	[235,006]	[315,927]		[153,676]	[238,235]	[322,122]
Operating profit	3,004	2,545	2,885	4,473	3,527	3,702	2,515	3,259	2,817	1,798	694	1,556	1,909	2,843	4,378	4,241
		[5,549]	[8,435]	[12,909]		[7,230]	[9,746]	[13,005]		[4,615]	[5,309]	[6,865]		[3,771]	[9,131]	[13,372]
Ordinary profit	1,989	2,944	2,532	5,077	4,222	4,439	2,496	4,283	3,906	2,822	506	671	1,594	3,771	4,406	3,107
		[4,933]	[7,466]	[12,543]		[8,662]	[11,159]	[15,442]		[6,728]	[7,235]	[7,906]		[5,365]	[9,772]	[12,880]
Profit attributable to owners of parent	1,161	1,484	1,569	1,804	3,159	3,159	665	2,507	3,161	5,248	348	550	487	3,355	3,376	2,517
		[2,646]	[4,215]	[6,019]		[6,319]	[6,985]	[9,492]		[8,410]	[8,758]	[9,308]		[3,842]	[7,219]	[9,737]

## ■ Segment Information by Business Group

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

Net sales	December 2020				December 2021				December 2022				December 2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Colorants and Functional Materials Business	15,070	13,686	15,558	17,326	18,516	18,280	18,711	19,486	19,105	20,267	19,651	20,355	18,709	20,654	21,175	20,529
		[28,757]	[44,315]	[61,642]		[36,796]	[55,508]	[74,995]		[39,373]	[59,025]	[79,380]		[39,364]	[60,539]	[81,069]
Polymers and Coatings Business	14,847	15,084	15,667	16,729	16,285	17,329	18,061	19,060	18,334	19,810	18,611	19,483	17,325	19,024	20,836	20,559
		[29,931]	[45,598]	[62,328]		[33,614]	[51,676]	[70,736]		[38,144]	[56,756]	[76,240]		[36,349]	[57,186]	[77,746]
Packaging Materials Business	16,321	16,589	16,267	17,411	17,047	18,358	18,152	20,087	18,878	21,109	22,159	21,316	20,215	20,145	22,069	21,860
		[32,910]	[49,177]	[66,589]		[35,406]	[53,558]	[73,645]		[39,988]	[62,148]	[83,464]		[40,361]	[62,431]	[84,292]
Printing and Information Business	16,874	13,939	16,375	18,407	16,156	16,477	16,213	17,847	17,488	18,843	19,418	19,430	17,876	18,467	20,060	20,797
		[30,813]	[47,188]	[65,595]		[32,633]	[48,847]	[66,695]		[36,332]	[55,750]	[75,180]		[36,344]	[56,404]	[77,202]
Others	1,551	1,768	1,334	1,575	1,543	1,679	1,249	1,274	1,223	1,272	1,208	1,244	1,469	1,365	1,252	1,522
		[3,319]	[4,654]	[6,229]		[3,222]	[4,471]	[5,746]		[2,495]	[3,704]	[4,948]		[2,834]	[4,086]	[5,609]
Adjustment	-1,240	-1,201	-1,073	-1,192	-1,188	-1,129	-779	-733	-784	-792	-801	-908	-770	-808	-835	-1,382
		[-2,442]	[-3,516]	[-4,708]		[-2,318]	[-3,097]	[-3,831]		[-1,576]	[-2,378]	[-3,287]		[-1,579]	[-2,414]	[-3,797]
Total consolidated	63,424	59,866	64,128	70,257	68,359	70,996	71,609	77,023	74,245	80,512	80,247	80,921	74,826	78,849	84,559	83,886
		[123,290]	[187,418]	[257,675]		[139,356]	[210,965]	[287,989]		[154,758]	[235,006]	[315,927]		[153,676]	[238,235]	[322,122]

## Operating profit

(Unit: million JPY) The lower row is the total amount since the beginning of the year.

	December 2020				December 2021				December 2022				December 2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Colorants and Functional Materials Business	828	462	425	894	1,176	1,546	1,312	1,354	996	504	-143	489	542	923	644	577
		[1,291]	[1,716]	[2,610]		[2,723]	[4,036]	[5,391]		[1,501]	[1,357]	[1,846]		[1,465]	[2,109]	[2,687]
Polymers and Coatings Business	1,169	1,280	1,656	1,831	1,196	793	697	882	795	702	297	710	804	1,113	1,808	1,531
		[2,449]	[4,106]	[5,937]		[1,989]	[2,687]	[3,570]		[1,497]	[1,794]	[2,504]		[1,917]	[3,726]	[5,257]
Packaging Materials Business	854	1,061	806	1,162	717	553	205	337	287	182	169	323	697	720	1,157	1,092
		[1,916]	[2,723]	[3,885]		[1,271]	[1,476]	[1,813]		[470]	[640]	[963]		[1,418]	[2,575]	[3,668]
Printing and Information Business	94	-340	-95	589	263	594	138	733	359	228	149	-83	-141	99	983	1,432
		[-246]	[-341]	[247]		[858]	[996]	[1,730]		[588]	[737]	[654]		[-41]	[941]	[2,373]
Others	56	86	77	14	181	225	162	-38	378	183	214	114	12	0	-212	-402
		[143]	[220]	[234]		[406]	[569]	[531]		[561]	[776]	[890]		[12]	[-199]	[-601]
Adjustment	-0	-3	15	-18	-7	-11	-1	-11	-0	-2	5	3	-4	-14	-3	9
		[-4]	[11]	[-7]		[-18]	[-19]	[-30]		[-3]	[2]	[5]		[-18]	[-22]	[-12]
Total consolidated	3,004	2,545	2,885	4,473	3,527	3,702	2,515	3,259	2,817	1,798	694	1,556	1,909	2,843	4,378	4,241
		[5,549]	[8,435]	[12,909]		[7,230]	[9,746]	[13,005]		[4,615]	[5,309]	[6,865]		[4,752]	[9,131]	[13,372]

## Financial Information

## Consolidated Balance Sheets

(Unit: million JPY)

	March 2014	March 2015	March 2016	March 2017	December 2017 <sup>1</sup>	December 2018	December 2019	December 2020	December 2021	December 2022 (%)	December 2023 (%)
<b>Assets</b>											
<b>Current assets</b>	176,609	187,727	183,422	181,214	195,606	203,063	199,969	214,097	223,589	229,247 (55.8)	230,911 (51.6)
Cash and deposits	31,894	39,620	44,470	44,903	50,260	52,706	56,691	76,469	64,816	55,117	57,917
Notes and accounts receivable	92,991	94,883	90,949	89,049	94,594	95,553	90,173	87,126	94,297	100,390	102,930
Securities	700	563	529	116	477	43	29	57	24	430	65
Merchandise and finished goods	25,409	27,795	28,560	27,228	29,477	29,873	30,535	28,328	34,149	38,494	37,714
Work in process	1,541	1,496	1,421	1,279	1,103	1,034	1,319	1,070	726	1,000	722
Raw materials and supplies	15,146	16,139	13,768	13,963	16,085	17,872	16,654	16,790	24,695	28,088	26,282
Deferred tax assets	2,248	2,048	1,908	1,908	1,380	—	—	—	—	—	—
Other	7,571	6,226	3,046	3,852	3,220	6,744	5,350	5,178	5,979	6,881	6,224
Allowance for doubtful accounts	-893	-1,047	-1,233	-1,086	-993	-765	-786	-924	-1,100	-1,154	-944
<b>Non-current assets</b>	159,992	176,535	175,973	182,851	182,853	168,547	176,161	166,130	183,306	181,930 (44.2)	216,886 (48.4)
<b>Property, plant and equipment</b>	96,306	101,865	100,209	101,398	97,081	94,013	99,577	102,616	111,716	122,366 (29.8)	134,258 (30.0)
Buildings and structures	35,141	39,744	39,081	40,639	38,762	36,828	35,940	34,526	39,031	42,258	43,286
Machinery, equipment and vehicles	20,877	25,329	25,347	25,124	23,105	21,834	21,767	20,324	24,819	27,160	29,789
Tools, furniture and fixtures	3,090	3,081	2,807	2,827	2,644	2,722	2,873	3,236	3,922	5,349	5,070
Land	28,771	28,617	28,374	30,003	30,007	30,272	30,669	30,529	30,060	30,490	30,802
Leased assets	196	187	251	196	187	136	4,043	3,726	3,895	5,033	5,608
Construction in progress	8,229	4,903	4,346	2,607	2,373	2,219	4,282	10,273	9,986	12,075	19,700
<b>Intangible assets</b>	4,713	2,796	5,683	4,487	4,307	4,649	4,202	3,113	2,225	2,619 (0.6)	5,290 (1.2)
<b>Investments and other assets</b>	58,973	71,873	70,080	76,964	81,463	69,883	72,381	60,399	69,364	56,944 (13.9)	77,337 (17.3)
Investment securities	46,230	62,223	60,604	66,718	68,541	58,302	61,071	48,440	54,093	42,791	63,874
Net defined benefit asset	7,552	4,115	4,293	5,927	8,614	6,423	7,964	8,608	10,255	7,645	8,410
Deferred tax assets	938	1,025	771	833	1,068	2,163	2,333	2,398	2,420	2,826	3,323
Other	4,739	5,020	4,715	3,904	3,671	3,228	1,194	1,143	2,777	3,881	2,027
Allowance for doubtful accounts	-487	-512	-304	-419	-432	-234	-182	-191	-182	-200	-298
<b>Total assets</b>	336,601	364,262	359,395	364,066	378,459	371,610	376,130	380,227	406,896	411,177 (100.0)	447,798 (100.0)
<b>Liabilities</b>											
<b>Current liabilities</b>	101,612	90,742	87,369	97,513	94,808	100,839	106,747	91,411	112,125	113,463 (27.6)	123,953 (27.7)
Notes and accounts payable	48,159	48,773	48,520	49,588	56,129	62,460	59,543	54,608	68,221	70,738	67,075
Short-term loans payable	33,369	20,931	21,932	30,660	22,507	20,593	30,315	19,379	24,042	24,022	36,542
Income taxes payable	3,658	2,824	1,880	3,088	1,485	1,470	1,279	1,082	1,652	726	1,579
Provision for environmental measures	—	—	—	—	—	884	—	—	537	—	—
Other	16,424	18,212	15,036	14,175	14,685	15,429	15,608	16,340	17,672	17,975	18,756
<b>Non-current liabilities</b>	48,380	59,763	60,166	49,573	55,267	49,679	42,490	71,491	67,823	69,836 (17.0)	68,191 (15.2)
Corporate bonds	—	—	—	—	—	—	—	—	—	5,000	10,000
Long-term loans payable	40,051	44,895	46,037	33,262	38,409	38,845	27,460	60,492	55,415	54,851	40,161
Deferred tax liabilities	4,664	10,451	10,175	10,884	11,641	7,847	9,584	6,561	8,703	6,276	13,563
Provision for environmental measures	365	889	768	2,504	2,349	538	2,348	1,485	364	251	118
Net defined benefit liability	1,496	1,775	1,891	1,865	1,868	1,784	1,885	1,914	2,275	1,676	1,878
Asset retirement obligations	27	27	28	29	29	30	31	31	32	33	34
Other	1,775	1,724	1,266	1,027	968	632	1,179	1,005	1,030	1,746	2,434
<b>Total liabilities</b>	149,993	150,506	147,536	147,087	150,075	150,518	149,237	162,902	179,948	183,300 (44.6)	192,144 (42.9)
<b>Net assets</b>											
<b>Total shareholders' equity</b>	172,123	180,259	185,338	190,155	195,642	202,600	205,891	206,706	206,236	204,990 (49.9)	209,967 (46.9)
Capital stock	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733	31,733
Capital surplus	32,920	32,920	32,926	32,918	32,710	32,500	32,500	32,499	32,546	32,530	32,468
Retained earnings	109,220	117,368	122,450	130,496	136,202	143,379	146,627	147,390	151,740	151,414	156,381
Treasury shares	-1,750	-1,762	-1,771	-4,992	-5,002	-5,012	-4,969	-4,916	-9,784	-10,687	-10,615
<b>Total accumulated other comprehensive income</b>	8,791	26,960	20,060	20,525	25,807	11,570	13,548	2,998	12,213	14,056 (3.4)	35,794 (8.0)
Valuation difference on available-for-sale securities	6,065	13,396	12,610	17,726	19,284	11,888	14,273	5,699	9,941	5,007	19,845
Foreign currency translation adjustment	3,928	10,933	5,669	1,144	3,299	-1,513	-2,843	-5,284	-1,212	7,986	14,809
Remeasurements of defined benefit plans	-1,203	2,630	1,781	1,653	3,223	1,195	2,118	2,583	3,483	1,062	1,139
Subscription rights to shares	—	—	38	95	164	248	265	249	163	98 (0.0)	45 (0.0)
<b>Non-controlling interests</b>	5,694	6,536	6,422	6,202	6,768	6,671	7,187	7,370	8,334	8,731 (2.1)	9,845 (2.2)
<b>Total net assets</b>	186,608	213,756	211,859	216,979	228,384	221,091	226,892	217,325	226,947	227,877 (55.4)	255,653 (57.1)
<b>Total liabilities and net assets</b>	336,601	364,262	359,395	364,066	378,459	371,610	376,130	380,227	406,896	411,177 (100.0)	447,798 (100.0)

<sup>1</sup> In 2017, the company's fiscal year end was changed from March 31 to December 31.

## Financial Information

## Consolidated Statements of Income

(Unit: million JPY)

	March 2014	March 2015	March 2016	March 2017	December 2017 <sup>a)</sup>	December 2018	December 2019	December 2020	December 2021	December 2022 (%)	December 2023 (%)
<b>Net sales</b>	279,557	286,684	283,208	268,484	240,344	290,208	279,892	257,675	287,989	315,927 (100.0)	322,122 (100.0)
<b>Cost of sales</b>	215,401	222,944	218,326	203,095	184,433	227,914	219,559	200,479	229,284	261,725 (82.8)	258,272 (80.2)
<b>Gross profit</b>	64,156	63,739	64,882	65,388	55,910	62,293	60,333	57,196	58,704	54,202 (17.2)	63,849 (19.8)
<b>Selling, general and administrative expenses</b>	44,427	45,529	46,645	46,156	39,136	47,017	47,159	44,286	45,699	47,336 (15.0)	50,476 (15.7)
Packing and transportation expenses	6,397	6,445	6,546	6,420	5,304	6,802	7,181	6,657	7,517	7,811	7,542
Salaries and allowances	10,748	11,301	11,762	11,596	9,991	11,691	11,698	11,272	11,743	12,370	12,903
Bonuses	2,547	2,563	2,708	2,698	2,123	2,760	2,651	2,559	2,499	2,512	2,377
Welfare expenses	2,653	2,914	2,969	3,006	2,443	3,062	3,030	2,917	3,033	3,110	3,124
Depreciation	1,140	1,284	1,412	1,801	1,525	1,805	1,879	1,962	1,961	1,816	1,847
Research and development expenses	3,186	3,082	2,918	2,831	2,786	3,372	3,438	3,224	3,325	3,452	3,637
Other	17,753	17,939	18,328	17,801	14,959	17,524	17,279	15,692	15,617	16,261	19,043
<b>Operating income</b>	19,728	18,210	18,236	19,231	16,774	15,276	13,174	12,909	13,005	6,865 (2.2)	13,372 (4.2)
<b>Non-operating income</b>	2,264	2,656	1,955	1,796	1,925	2,238	1,964	2,012	3,769	4,324 (1.4)	2,586 (0.8)
Interest income	191	212	239	191	229	244	214	245	189	226	411
Dividend income	662	751	1,078	1,094	940	1,126	1,137	1,280	1,263	1,567	1,323
Foreign exchange gains	533	929	—	—	—	—	—	—	1,537	1,833	357
Share of profit of entities accounted for using equity method	—	—	—	43	263	65	—	—	—	—	—
Other	876	762	637	467	491	802	611	485	779	696	494
<b>Non-operating expenses</b>	1,440	1,455	1,725	1,766	1,226	2,085	1,290	2,377	1,332	3,283 (1.0)	3,078 (1.0)
Interest expenses	850	812	735	896	756	745	644	520	544	1,365	1,942
Foreign exchange losses	—	—	736	385	94	904	130	1,129	—	—	—
Share of loss of entities accounted for using equity method	—	—	67	—	—	—	37	77	271	173	8
Loss on net monetary position	—	—	—	—	—	—	—	—	—	1,183	289
Other	590	642	186	484	375	434	478	650	516	560	837
<b>Ordinary income</b>	20,553	19,411	18,466	19,262	17,473	15,429	13,847	12,543	15,442	7,906 (2.5)	12,880 (4.0)
<b>Extraordinary income</b>	199	6,934	205	2,860	929	1,355	2,088	91	694	5,934 (1.9)	2,208 (0.7)
Gain on sales of non-current assets	45	6,854	62	67	579	866	30	23	311	276	130
Gain on sales of investment securities	—	—	9	2,637	340	489	2,057	67	367	5,648	1,953
Compensation for transfer	144	—	—	—	—	—	—	—	—	—	—
Other	9	79	133	155	9	—	—	0	14	9	125
<b>Extraordinary losses</b>	351	4,908	684	4,895	3,637	867	3,629	2,636	3,006	1,480 (0.5)	2,274 (0.7)
Loss on sales and retirement of non-current assets	286	390	375	322	210	290	284	411	262	362	389
Impairment losses	—	257	166	375	3,054	437	364	247	708	456	565
Fire loss	—	—	—	—	—	98	—	—	—	—	—
Environmental expenses	—	—	83	—	—	—	—	—	—	—	—
Amortization of goodwill	—	2,262	—	650	—	—	—	—	—	—	—
Provision for environmental measures	61	530	—	2,950	—	—	2,688	—	—	—	—
Loss on cancellation of securities to retirement benefit trust	—	1,125	—	—	—	—	—	—	—	—	—
Business restructuring expenses	—	—	—	—	—	—	—	—	1,754	125	736
Loss on business restructuring	—	—	—	—	—	—	—	1,040	237	—	—
Loss on remittance fraud at overseas subsidiaries	—	—	—	—	—	—	—	519	—	—	—
Extra retirement payments	—	—	—	—	—	—	—	—	—	233	231
Shut down cost	—	—	—	—	—	—	—	363	—	226	—
Special investigation expenses	—	—	—	—	—	—	283	—	—	—	—
Loss on sales of investment securities	—	—	—	—	—	—	—	—	—	—	297
Other	3	341	59	596	371	41	8	54	42	76	53
<b>Profit before income taxes</b>	20,401	21,437	17,987	17,227	14,765	15,917	12,306	9,999	13,130	12,360 (3.9)	12,815 (4.0)
Income taxes, current	6,750	5,989	4,375	5,346	4,142	3,249	3,313	3,124	3,482	2,839	3,134
Income taxes, deferred	1,017	1,686	1,251	-1,355	-276	367	90	388	-32	129	-91
Total income taxes	7,768	7,676	5,626	3,990	3,865	3,617	3,404	3,512	3,450	2,968 (0.9)	3,042 (0.9)
<b>Profit</b>	—	13,761	12,360	13,236	10,900	12,299	8,901	6,486	9,680	9,392	9,772
Profit attributable to non-controlling interests	372	456	542	534	523	451	392	467	187	83	34
<b>Profit attributable to owners of parent</b>	12,260	13,304	11,818	12,702	10,376	11,847	8,509	6,019	9,492	9,308 (2.9)	9,737 (3.0)

<sup>a)</sup> In 2017, the company's fiscal year end was changed from March 31 to December 31.

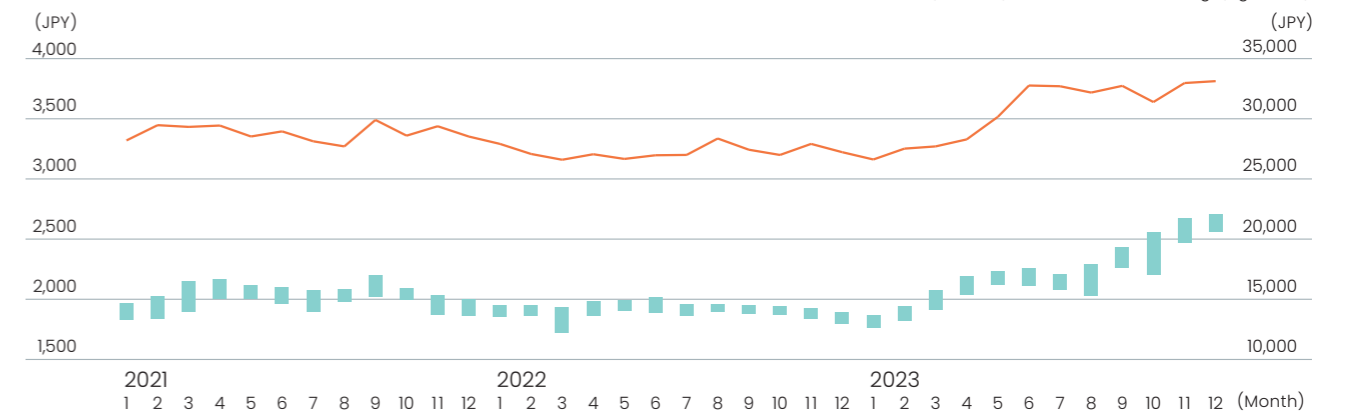
Consolidated Statements of Cash Flows

	(Unit: million JPY)	
	December 2022	December 2023
<b>Cash flows from operating activities</b>	4,262	23,478
Profit before income taxes	12,360	12,815
Depreciation	10,747	11,339
Loss on net monetary position	-	289
Impairment loss	456	565
Business restructuring expenses	125	736
Extra retirement payments	233	-
Shutdown costs	226	-
Interest and dividend income	-1,794	-1,734
Interest expenses	1,365	1,942
Share of profit / loss of entities accounted for using equity method (negative is profit)	173	8
Loss/gain on sale of property, plant and equipment (negative is gain)	-263	-85
Loss on disposals of property, plant and equipment	129	125
Loss / gain on sales of investment securities (negative is gain)	-5,648	-1,655
Decrease / increase in notes and accounts receivable (negative is increase)	-3,481	-498
Decrease / increase in inventories (negative is increase)	-5,328	5,110
Increase / decrease in notes and accounts payable (negative is decrease)	39	-3,859
Other	-3,168	1,899
<b>Subtotal</b>	<b>7,358</b>	<b>27,000</b>
Interest and dividend income received	1,936	1,745
Interest expenses paid	-1,230	-1,828
Income taxes paid	-3,802	-3,438
<b>Cash flows from investing activities</b>	<b>-5,645</b>	<b>-19,457</b>
Net decrease / increase in time deposits (negative is increase)	2,362	-370
Purchase of property, plant and equipment	-17,660	-18,967
Proceeds from sales of property, plant and equipment	535	624
Purchase of intangible assets	-285	-1,039
Purchase of short-term and long-term investment securities	-76	-1,455
Proceeds from sales and redemption of short-term and long-term investment securities	9,546	4,323
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-2,486
Other	-67	-85
<b>Cash flows from financing activities</b>	<b>-8,102</b>	<b>-2,629</b>
Net increase / decrease in short-term loans payable (negative is decrease)	4,451	-3,943
Proceeds from long-term loans payable	152	1,679
Repayments of long-term loans payable	-6,509	-785
Proceeds from issuance of bonds	5,000	5,000
Purchase of treasury shares	-5,734	-4
Repayments of lease obligations	-384	-438
Cash dividends paid	-4,922	-4,770
Proceeds from share issuance to non-controlling shareholders	-	907
Other	-155	-274
Foreign currency translation adjustments on cash and cash equivalents	1,921	1,264
<b>Net increase / decrease in cash and cash equivalents (negative is decrease)</b>	<b>-7,564</b>	<b>2,655</b>
Cash and cash equivalents, beginning of period	60,949	53,385
Cash and cash equivalents, end of period	53,385	56,040

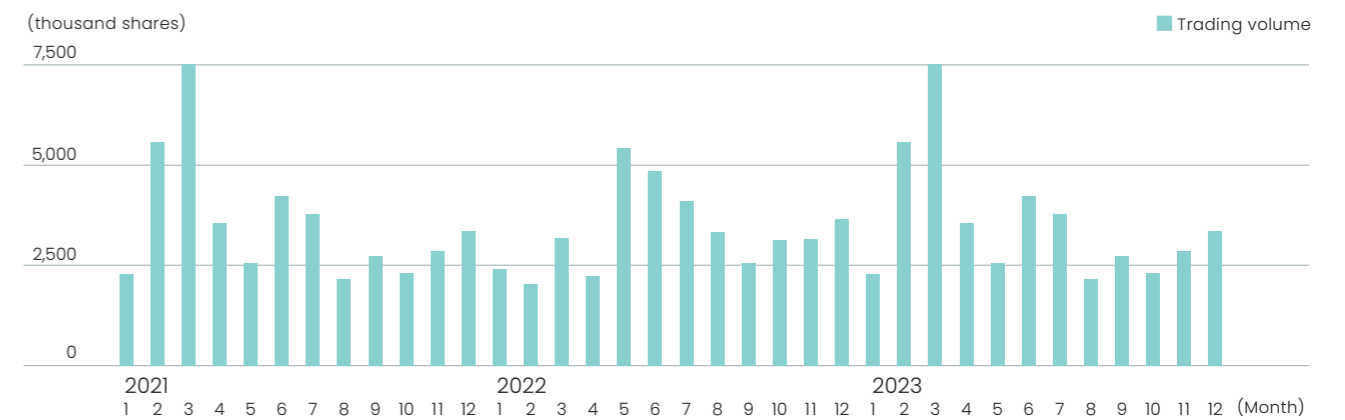
Stock Information (As of December 31, 2023)

Stock exchange listing	Prime Market in Tokyo Stock Exchange	Number of treasury shares	5,262,779 shares
Code	4634	Number of shares issued excluding treasury shares	53,023,765 shares
Number of Authorized Shares	160,000,000 shares	Number of Shareholders	19,182 shareholders
Number of Outstanding Shares	58,286,544 shares		

Trends in Share Prices (on the Tokyo Stock Exchange)



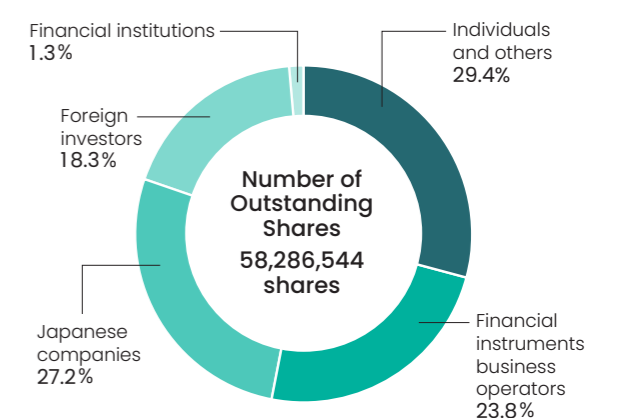
Trends in Trading Volume (on the Tokyo Stock Exchange)



Major Shareholders

Name of Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Toppan Holdings Inc.	10,446	19.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,383	12.04
Custody Bank of Japan, Ltd. (Trust Account)	3,485	6.57
Nippon Shokubai Co., Ltd.	1,661	3.13
Employees' Stock Club	1,591	3.00
Client stock ownership	916	1.73
STATE STREET BANK AND TRUST COMPANY 505001	794	1.50
STATE STREET BANK AND TRUST COMPANY 505103	664	1.25
MUFG Bank, Ltd.	602	1.14
Mizuho Bank, Ltd.	602	1.14

Shareholder Composition by Number of Shares Held



\* Treasury shares are included in "Individuals and others."

# Group Corporate Profile (As of December 31, 2023)

## artience Co., Ltd.

<b>Head Office</b>	2-1, Kyobashi 2-chome, Chuo-ku, Tokyo 104-8377 JAPAN	<b>Capital</b>	31,733,496,860 JPY
<b>Founded</b>	January 1896	<b>Number of Affiliates</b>	13 in Japan, 49 overseas (56 consolidated subsidiaries and 6 equity-method affiliates)
<b>Established</b>	January 15, 1907	<b>Number of Employees</b>	388 employees (Non-consolidated,) 7,836 employees (Consolidated)
<b>Representative</b>	Katsumi Kitagawa, Chairman and Representative Director Satoru Takashima, President and Representative Director, Group CEO	<b>Website</b>	<a href="https://www.artiencegroup.com/en/">https://www.artiencegroup.com/en/</a>

### Production items

- PG Pigments
- PC Plastic colorants
- LM LiB related materials
- DM Display materials
- AD Adhesives
- CC Can coatings
- LI Liquid Inks
- OI Offset inks
- MD Metal decorative inks
- IJ Inkjet inks

## Company List of artience Group

**Holding Company**  
artience Co., Ltd.

### Consolidated Subsidiaries

#### Japan\*1

- Toyocolor Co., Ltd.
- Toyochem Co., Ltd.
- Toyo Ink Co., Ltd.
- Toyo Visual Solutions Co., Ltd.
- Toyo-Morton, Ltd.
- Matsui Chemical Co., Ltd.
- Toyo FPP Co., Ltd.
- Toyo B-Net Co., Ltd.
- Toyo Ink Engineering Co., Ltd.
- Toyo Management Service Co., Ltd.

#### Asia

- TIPPS Pte. Ltd.
- Toyochem Specialty Chemical Sdn. Bhd.
- Toyo Ink (Thailand) Co., Ltd.

- Thai Eurocoat Ltd.
- Toyo Ink (Philippines) Co., Inc.
- TIP LH Corp.
- Toyo Ink Compounds Corp.
- PT. Toyo Ink Indonesia
- PT. Toyo Ink Trading Indonesia
- Toyo Ink Middle East Fze.
- Toyo Ink Vietnam Co., Ltd.
- Toyo Ink Compounds Vietnam Co., Ltd.
- Toyo Ink India Pvt. Ltd.
- Toyo Ink Arets India Pvt. Ltd.
- Toyo Ink Myanmar Co., Ltd.\*2
- Tianjin Toyo Ink Co., Ltd.
- Shanghai Toyo Ink Mfg. Co., Ltd.
- Toyo Ink Asia Ltd.
- Shenzhen Toyo Ink Co., Ltd.
- Jiangmen Toyo Ink Co., Ltd.
- Zhuhai Toyocolor Co., Ltd.
- Jiangsu Toyo Shenlanhua Pigment Co., Ltd.
- Chengdu Toyo Ink Co., Ltd.
- Sichuan Toyo Ink Mfg. Co., Ltd.
- Toyo Ink Far East Ltd.
- Dong Da Li Chemical Co., Ltd.
- Toyo Advanced Science Taiwan Co., Ltd.
- Toyo Ink Korea Co., Ltd.
- Hanil TOYO Co., Ltd.
- Sam Young Ink & Paint Mfg. Co., Ltd.

#### The Americas

- Toyo Ink International Corp.
- Toyo Ink America, LLC
- LioChem Inc.
- LioChem e-Materials LLC
- Toyo Ink Brasil Ltda.
- Toyo Ink Mexico S.A. de C.V.

#### Europe and Africa

- Toyo Ink Europe International N.V.
- Toyo Ink Europe N.V.
- Toyo Ink Europe UK Ltd.
- Toyo Ink Europe Deutschland GmbH
- Toyo Ink Europe Specialty Chemicals S.A.S
- Toyo Ink Europe France S.A.S
- UAB "Toyo Ink Europe Baltica"
- Toyo Ink Hungary Kft.
- Toyo Matbaa Mürekkepleri Sanayi ve Ticaret A.Ş.
- Toyo Ink North Africa S.A.R.L. AU

### Equity-Method Affiliates

#### Japan

- Nippon Polymer Industries Co., Ltd.
- MAVERIQ Partners Inc.\*3
- Logi Co-Net Corp.

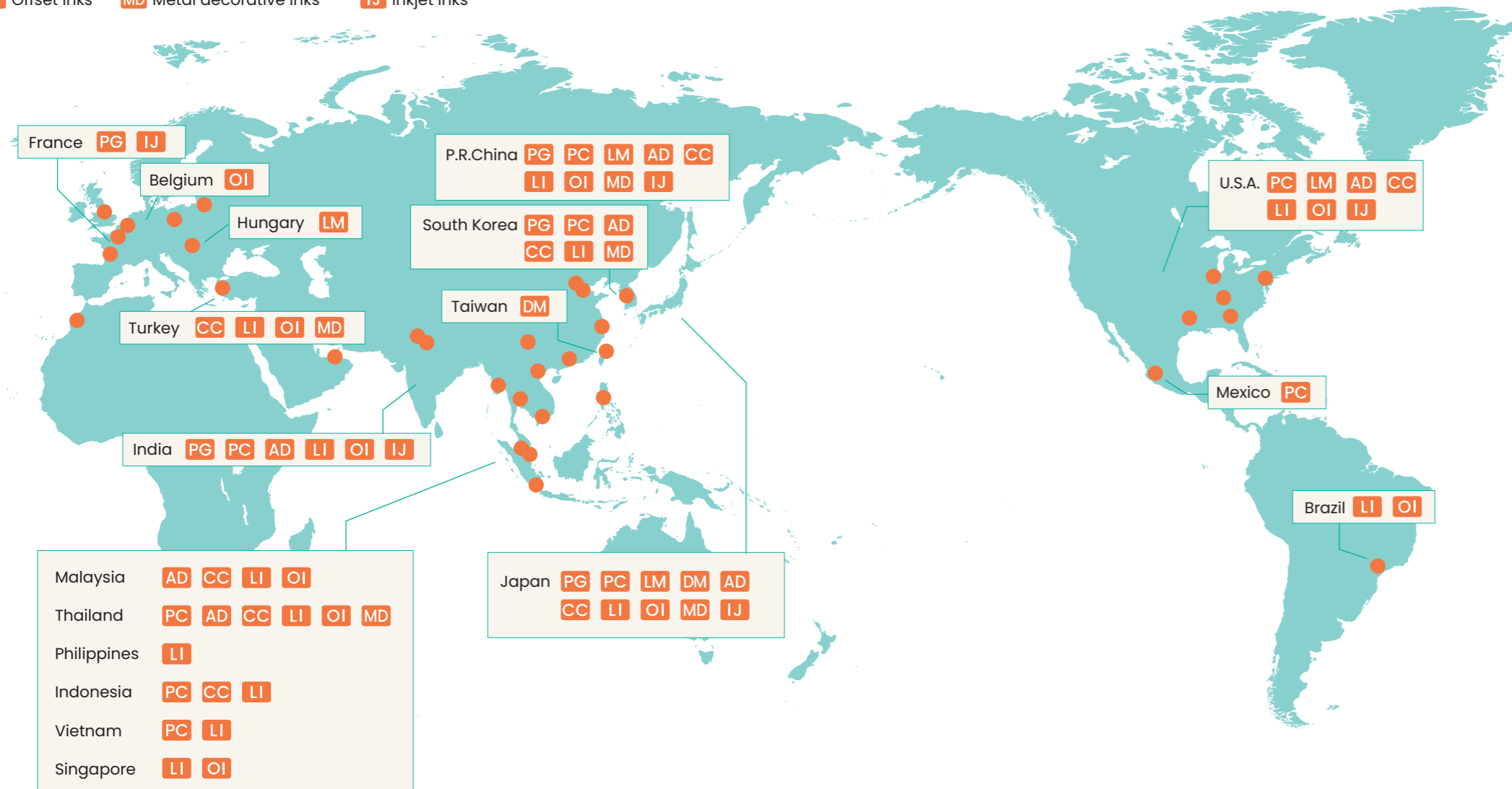
#### Asia

- Sumika Polymer Compounds (Thailand) Co., Ltd.
- Heubach Toyo Colour Pvt. Ltd.
- Zhuhai Sumika Polymer Compounds Co., Ltd.

\*1 Clover Biz Co., Ltd. was established on January 4, 2024.

\*2 All shares of Toyo Ink Myanmar Co., Ltd. were sold to an outside company on March 15, 2024.

\*3 All shares of MAVERIQ Partners Inc. were sold to an outside company on May 14, 2024.



# External Recognition

<p>2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数</p>	<p><b>MSCI Nihonkabu ESG Select Leaders Index</b> This is an investment index designed by MSCI, which provides a range of support tools for institutional investors. Its constituents are Japanese companies which are excellent in terms of their score of MSCI ESG rating controlled for imbalances in industrial types. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)</p>
<p>2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</p>	<p><b>MSCI Japan Equity Women's Empowerment Index (WIN)</b> This is an investment index designed by MSCI, which provides a range of support tools for institutional investors. Its constituents are Japanese companies which are excellent in terms of their promotion of gender diversity. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)</p>
 <p><b>FTSE Blossom Japan Index</b></p>	<p><b>FTSE Blossom Japan Index</b> This is an investment index designed by the global index and data provider FTSE Russell. It is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)</p>
 <p><b>FTSE Blossom Japan Sector Relative Index</b></p>	<p><b>FTSE Blossom Japan Sector Relative Index</b> This is an investment index designed by FTSE Russell. It reflects the performance of Japanese companies which are excellent in environmental, social, and governance (ESG) initiatives in their respective sectors, while minimizing bias toward specific sectors. This index was selected as an ESG index to be used by the Government Pension Investment Fund (GPIF.)</p>
 <p><b>S&amp;P / JPX Carbon Efficient Index</b></p>	<p><b>S&amp;P / JPX Carbon Efficient Index</b> This is an investment index designed by S&amp;P Dow Jones Indices LLC and Japan Exchange Group, Inc. Its constituents are selected from among the TOPIX constituents, weighted by the status of their disclosure of environmental information and carbon efficiency. artience Co., Ltd. has been evaluated according to the methodology of the S&amp;P Carbon Global Standard as a 1st Decile constituent and its carbon information disclosure status is "Not Disclosed."</p>
<p>2024</p>  <p>Sompo Sustainability Index</p>	<p><b>SOMPO Sustainability Index</b> This is an investment index designed by Sompo Asset Management Co., Ltd. This index comprises approx. 300 companies with outstanding ESG initiatives. It is used in SOMPO Sustainable Management, an investment product from SOMPO Asset Management Co., Ltd. that is adopted by multiple pension funds and institutional investors oriented toward the long-term holding of stocks.</p>
 <p><b>EcoVadis Sustainability Rating Bronze status achieved</b></p>	<p>EcoVadis is a company which certifies sustainable supply chains. It evaluates companies' policies, measures, and performance in the four fields of the environment, labor &amp; human rights, ethics, and sustainable procurement. The Bronze rating is awarded to companies ranked in the top 26% to 50% of approx. 100,000 evaluated companies.</p>
 <p><b>2024 Health and Productivity Management Outstanding Organizations (White 500) certification</b></p>	<p>This is a recognition program run by the Ministry of Economy, Trade and Industry, under which the ministry certifies corporations taking excellent health and productivity management measures based on the initiatives for promoting good health advanced by the Nippon Kenko Kaigi. artience Co., Ltd. was recognized as one of the top 500 corporations (White 500) in the large enterprise category after a health and productivity management survey. The company has been recognized by this program for the eight consecutive years since 2017, when it was recognized for the first time.</p>
 <p><b>Pride Index 2023 Gold Award</b></p>	<p>The Pride Index is an index formulated by <i>work with Pride</i> in 2016, to recognize initiatives in support of sexual minorities in the workplace. We have been certified as Gold in recognition of our efforts to promote diversity and increase understanding among employees such as by publishing in-house handbook "Understanding and Responding to LGBTQ+," supporting for "Business for Marriage Equality" which promotes marriage equality, sponsorship of "Rainbow Festa 2023" in Osaka.</p>

\* The inclusion of artience Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of artience Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

\* FTSE Russell confirms that artience Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible investment funds and other products.

# Editorial policies

**[Period covered]**  
January 1, 2023 to December 31, 2023 (FY2023)

\* Some sections cover the period before 2022 or after 2024.

**[Areas covered]**  
The scope of this report covers the artience Group (artience Co., Ltd., its consolidated subsidiaries and equity-method affiliates in Japan and overseas.) For information that falls within a different scope, a note is provided indicating the scope of the report.

- [Guidelines used as reference]**
- "International Integrated Reporting Framework," Value Reporting Foundation (VRF)
  - "Guidance for Collaborative Value Creation," Ministry of Economy, Trade and Industry
  - "Sustainability Reporting Standards," Global Reporting Initiative (GRI)
  - "Recommendations of the Task Force on Climate-related Financial Disclosures," TCFD



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**Caution concerning forward-looking statements**  
The opinions and forward-looking statements contained in this report are our views as of the time of the creation of this report. We do not guarantee or promise the accuracy or completeness of this information. Accordingly, future results may differ from those expressed in our forward-looking statements.

**[Information disclosure system]**

