

Message from Outside Directors



Supporting global management from a financial perspective as an Audit and Supervisory Committee member

Minoru Matsumoto
Independent Outside Director
(Audit and Supervisory Committee member)

Progress since transitioning to a company with an Audit and Supervisory Committee

Toyo Ink SC Holdings has recently transitioned to being a company with an Audit and Supervisory Committee, and I believe that there are two aspects to this. The first aspect is that even if the organizational structure changes, governance function will not be greatly improved by that change alone. What is important is the extent to which we act. Last fiscal year, as an Audit and Supervisory Board member, I provided opinions and advice to ensure that the governance of both the holding company and the group companies under its umbrella function effectively. I want to remain actively involved in efforts toward the actualization of effective governance.

The second aspect is that as a company that is expanding its business operations globally, it is important for us to be aware of the perspective of overseas investors. From that perspective, I believe that this transition to a company with an Audit and Supervisory Committee is a very significant and meaningful change. In order to assert that this is an effective change, we must examine future developments. It had been pointed out by overseas investors in the past that Audit and Supervisory Board members in Japan do not have voting rights at Board of Directors meetings. I believe that an advantage of this change to our organizational structure is that we have been able to send out a clear message in response to the doubts of overseas investors as to whether appropriate supervision is being carried out.

Creating a sustainable growth story from a financial perspective

I believe that the Company is making considerable efforts to resolve the issue of asymmetry of information among internal and outside directors. Since sufficient information such as reference materials and separate explanations are provided in advance, I feel that constructive discussions are possible on the actual day of Board of Directors meetings.

One episode I would like to share is that, perhaps due to our strong customer-oriented corporate culture, I felt that the company has a strong desire to control costs through corporate efforts instead of passing on prices to customers, despite soaring costs such as raw materials and logistics costs. While this is a natural stance for the BtoB manufacturing industry, I expressed the opinion that in order to continue fulfilling our responsibility to supply products, it is also neces-

sary to carefully explain to customers and gain their understanding with regard to the fact that we will transfer cost increases to them in the form of price increases. I believe that efforts to fulfill the Group's responsibilities as a supplier and make appropriate returns to stakeholders other than customers—such as employees and suppliers—will become even more crucial in the future.

The Company has a very high capital adequacy ratio and a deep financial base, which enables stable management. But further efforts are still needed to determine whether we are appealing successfully to external institutional investors with our sustainable growth story. I would like to continue to actively express my opinions—on this issue and others—from an outside perspective.

Achieving growth as a global company

The fact that the Board of Directors is operated efficiently is an advantage, but there is a tendency to end up with a slightly stereotypical meeting. While individual reports are necessary, I also feel that we should create more opportunities for discussion on issues that require sufficient time, such as the direction in which the Company should be headed.

Overseas markets are our growth driver, and our evolution as a global company is directly linked to sustainable growth. Global management is a very difficult management issue, but even from the perspective of international diversity, we can see that not all Group companies share the same corporate culture. For this reason, the Audit and Supervisory Committee also has a shared understanding of the fact that internal audits and other checks will continue to be necessary. While there is also the option of dispatching a president and a person in charge of finance from the head office, as long as we continue to adopt other options from various perspectives we should deal with this firmly as a long-term issue such as by reviewing internal controls, performing regular internal audits, and conducting hearings via web conferencing. In this way, the perspective of risk management is also important for achieving sustainable growth, and I intend to continue to fulfill my role as an Audit and Supervisory Committee member going forward.



Staying actively involved so that both individuals and the organization can grow, based on the spirit and philosophy of people-oriented management

Keiko Kimura
Independent Outside Director
(Audit and Supervisory Committee member)

Features and challenges of the Group's corporate culture

The root issue when discussing our corporate culture is our corporate philosophy of "*People-oriented management*." I often hear the phrases "people-oriented" being used around the Company, and recognize that this basic stance is an important point that we must not lose in order for the Company to continue to survive for the next 100 years to come.

Even at Board of Directors meetings, I feel on a daily basis that there is an attitude of respecting and listening to the opinions of outside directors. The executive side has responded with the stance of wanting to enhance the effectiveness of the Board of Directors and make it a better forum for discussion, and we have received careful explanations not only on matters to be resolved and reported, but also on the background of matters being reported, and details of specific initiatives. I also feel that outside directors are deepening their understanding of the external environment and risks, and that more practical discussions are becoming possible.

It is my understanding that the Company's Board of Directors exists—outside directors included—for the purpose of facilitating deeper management discussions from a long-term perspective. In order to entrust the next 100 years to the next generation of employees and stakeholders, we must always consider what is important now, in the present. I would like us to make the Board of Directors a forum for determining long-term management policies and our corporate stance.

Transition to a company with an Audit and Supervisory Committee

I agreed with the management decision to transition to a company with an Audit and Supervisory Committee with a focus on flexible management as a timely decision, in view of the current situation which requires management with a sense of urgency.

But it would be a problem if the transition to an Audit and Supervisory Committee structure weakened our existing audit function. I believe that it is necessary to respond with an awareness of whether appropriate audits are being carried out in accordance with the internal control system.

In particular, I feel that the Group has a somewhat strong tendency to make judgments based on the view that human beings are fundamentally good natured. Aside from domestic Group companies where communication and su-

perision from Group headquarters are relatively easy to achieve, there are concerns about whether it is acceptable to manage overseas Group companies, which tend to lack proper supervision from Japan, based solely on this perspective. Having been appointed as an Audit and Supervisory Committee member, I want to fulfill my responsibilities as a Committee member by being ever mindful of whether internal control is functioning, and whether each person or organizational unit is fulfilling their roles.

Human capital management that enables global growth

Although we operate using a global value chain, we also respond firmly to the laws and regulations of the countries and regions in which we operate, and provide substantial reference materials and training on overseas human rights issues, such as response to the UK Modern Slavery Act. I feel that the Group practices appropriate human capital management, in terms of risk management aspects.

On the other hand, when considering the development of human resources who will be instrumental in achieving future growth, it is more important than ever to utilize and develop the abilities of diverse human resources, including women. Sustainable growth is difficult to achieve in an organization where it feels like there is a glass ceiling for career advancement. We have actively introduced systems that lower obstacles to becoming a manager, such as the team system, and are working to create an environment that makes it easy for women and young employees to engage in active roles. The reemployment system—which accepts employees who have left the company once—is also functioning. I feel that the return of human resources who have grown outside the company is also a good culture that expresses our philosophy of *people-oriented management* and respect for people.

It is important to have a style in which independent human resources grow autonomously while maintaining a certain sense of distance from the company, and for the company to continue working to remain an attractive organization. I believe that the process of individual human resources and the organization becoming more independent of each other will eliminate over-familiarity and reliance, leading to more sustainable growth. I would like to continue to be actively involved as an outside director to help enable the Company to remain such an independent organization.