

# Corporate Governance

## Basic approach

The Toyo Ink Group strives to achieve appropriate corporate governance in accordance with the “Basic Corporate Governance Policies,” in order to enhance the corporate value of the Group as a whole through the enhancement of the Group’s strategic functions, speedy management, and a balance between Group-wide optimization and the optimization of individual businesses.

By adopting an Audit and Supervisory Committee system, we have enabled Committee members to exercise their voting rights at meetings of the Board of Directors, thereby increasing the level of fairness and transparency of management and strengthening oversight of the Board of Directors. By adopting an operating officer system (one-year term), we have clarified the division of roles between management supervisory and executive functions and are speeding up decision making and enhancing supervisory functions with regard to execution of business.

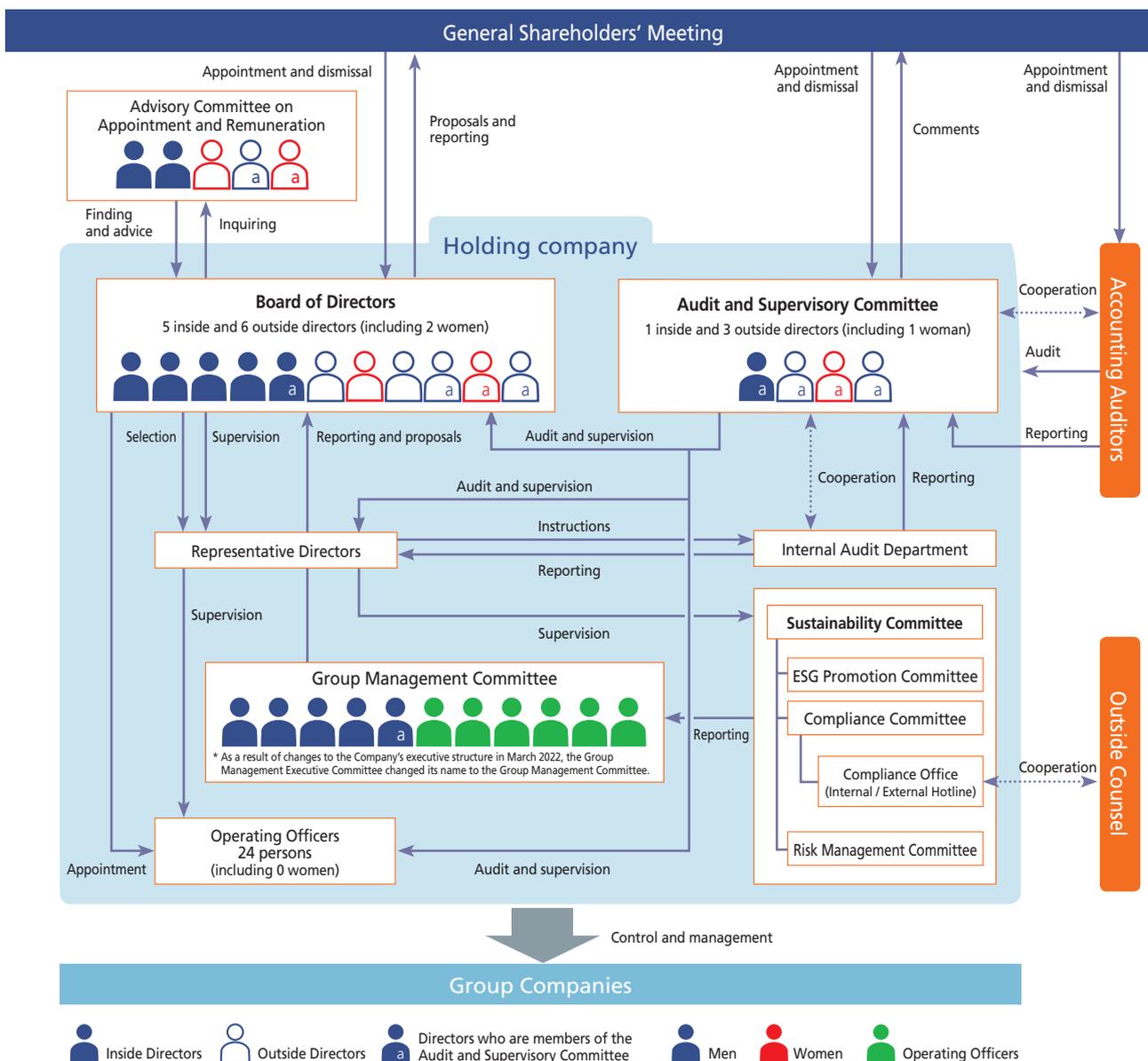
Additionally, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., the core operating companies of the group, each have an Operating Company Management Committee that regularly meets to share management policies and strategies, and discuss issues and achievements regarding the execution of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

### Basic Corporate Governance Policies

1. Respect the rights of shareholders and make efforts to guarantee their substantial equality.
2. Attempt appropriate collaborations with various stakeholders.
3. Guarantee transparency by disclosing corporate information (including nonfinancial information) appropriately.
4. The Board of Directors acknowledges its fiduciary responsibility to shareholders, and works to maintain and improve its functions.
5. Hold constructive dialogues with shareholders that have investment policies in agreement with medium- and long-term shareholder returns.

Established November 2015, Revised March 2022

## Corporate governance system (FY2022)



## Members of major meeting bodies related to corporate governance (As of March 23, 2022)

◎: Chairman ○: Member

Name and position	Board of Directors	Audit and Supervisory Committee	Advisory Committee on Appointment and Remuneration
<b>Katsumi Kitagawa</b> Chairman and Representative Director	○	—	○
<b>Satoru Takashima</b> President and Representative Director, Group CEO	◎	—	○
<b>Hiroya Aoyama</b> Senior Managing Director, CFO in charge of Human Resources, Finance & Accounting, General Affairs, and Internal Audit Department	○	—	—
<b>Hiroyuki Hamada</b> Managing Director in charge of Corporate Planning, Legal Affairs, and Investor Relations	○	—	—
<b>Shingo Kaneko</b> Outside Director	○	—	—
<b>Chise Onodera</b> Independent Outside Director	○	—	○
<b>Jusuke Ikegami</b> Independent Outside Director	○	—	—
<b>Toshiaki Hirakawa</b> Director Audit and Supervisory Committee member (full-time)	○	◎	—
<b>Yutaka Yokoi</b> Leading independent outside director Audit and Supervisory Committee member	○	○	◎
<b>Keiko Kimura</b> Independent Outside Director Audit and Supervisory Committee member	○	○	○
<b>Minoru Matsumoto</b> Independent Outside Director Audit and Supervisory Committee member	○	○	—

### Board of Directors

The Board of Directors comprises 11 members (two of whom are women): seven directors who are not Audit and Supervisory Committee members (of whom three are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors). In addition to meeting every month as a key organizational body making decisions regarding the overall management of the Group, the Board also meets on an extraordinary basis as necessary, making decisions on legal matters and important management matters and overseeing the state of execution of business.

Chair: President and Representative Director  
Term of Director: 1 year  
Number of meetings held in FY2021: 17 times

### Audit and Supervisory Committee

With the changes made to its Articles of Incorporation in March 2022, the Company shifted from being a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee comprises four directors who are Audit and Supervisory Committee members (three of whom are outside directors). The Audit and Supervisory Committee

cooperates with the Internal Audit Department and accounting auditor and audits the legality and appropriateness of directors' execution of their duties.

The Group's Internal Audit Department reports directly to the representative directors, and audits operations of each Group company to ensure they are being carried out in compliance with laws and regulations and the Articles of Incorporation and in an appropriate manner and that the internal control system is working effectively. In addition to reporting audit results to the representative directors and the director in charge of internal control, the department also reports to the Audit and Supervisory Committee.

In addition, the Audit and Supervisory Committee and the Internal Audit Department collaborate in auditing by formulating information liaison meetings. Further, the General Manager of the Internal Audit Department has been added to opinion exchange sessions of the Committee and accounting auditors, thereby strengthening the three-way auditing system.

Members: 4 Audit and Supervisory Committee members  
(including 3 external members and 3 independent members)  
Term of Audit and Supervisory Committee member: 2 years  
Number of meetings held in FY2021  
(as Audit & Supervisory Board): 13 times

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### Group Management Committee

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. An Audit & Supervisory Committee member always participates in the committee's meeting as part of a system that enables sufficient oversight of the directors' execution of their duties. 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, Chief Production Officer, General Manager of Finance & Accounting Department, and the representative directors of the Group's core operating companies, Toyocolor Co., Ltd., Toyochem Co., Ltd. and Toyo Ink Co., Ltd.

**Members:** Directors, Audit and Supervisory Committee members, operating officers who supervise or are responsible for key management functions, presidents of core operating companies  
**Number of meetings held in FY2021:** 26 times

### Advisory Committee on Appointment and Remuneration

We established the Advisory Committee on Appointment and Remuneration in 2017, with the goal of improving the transparency and objectivity of the decisions and the decision-making process regarding appointment of directors and their remuneration. The committee is chaired by an independent director and comprises two inside directors and three outside directors who satisfy the "Standards Concerning the Independence of Outside Directors" established by the Company. The Company convened the committee ahead of the Annual General Meeting of Shareholders to discuss director candidates and their remuneration.

**Members:** 2 inside directors and 3 outside directors (1 of whom is the chairman)  
**Number of meetings held in FY2021:** once

 Standards Concerning the Independence of Outside Directors are shown in the Investors section of our official website.

### Outside directors

There are a total of 11 directors including those who are Audit and Supervisory Committee members, with outside directors forming a majority of six (three outside directors who are Audit and Supervisory Committee members, and three who are not). Outside directors have a wealth of experience and knowledge as management experts familiar with this industry, high level knowledge and wide-ranging insights as legal and business scholars, lawyers and certified public accountants, as well as international perspectives and broad insights into world affairs cultivated through foreign diplomacy. They fulfill their role of overseeing management from an outside perspective and objective standpoint by attending important meetings, including meetings of the Board of Directors, and staying informed on important management information via access to important documents.

We have also appointed a Lead Independent Outside Director, further strengthening cooperation between our independent outside directors and executive directors and establishing a system that enables smooth communication and adjustment.

### Response to the Corporate Governance Code

In response to the coming into effect of Japan's Corporate Governance Code in June 2015, we formulated the "Basic Corporate Governance Policies" in November 2015 (these were subsequently revised, in March 2022). Since then, we have submitted a Corporate Governance Report to the Tokyo Stock Exchange every year.

 The latest version of the Corporate Governance Report are shown in the Investors section of our official website.

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

The Company conducts an annual questionnaire survey of all directors and Audit & Supervisory Board members, including outside directors, to evaluate the appropriateness and effectiveness of the Board of Directors in accordance with its Basic Corporate Governance Policies. In January 2022, a questionnaire was conducted to evaluate the composition of the Board of Directors, its functions, operating methods, state of discussions and exchange of opinions, agenda and other aspects during the previous fiscal year. The report of results in March 2022 confirmed that the Board of Directors is operating soundly and that its effectiveness has improved, with many questions being asked by outside directors and Audit and Supervisory Board members, with lively debate and exchanges of views taking place in a free and open atmosphere, and with each director in charge also responding to questions with polite explanations. At the same time, however, the view that creativity was needed when explaining matters reported to the Board of Directors to outside directors was expressed. Going forward, we will continue to strengthen the foundation for the Group's sustainable growth by working to improve the effectiveness of the Board of Directors based on the above results.

#### Main contents of the questionnaire

- Composition of the Board of Directors
- Roles of the Board of Directors (decision-making function)
- Operations of directors, etc.

### 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.

### Main agenda items of the Board of Directors (FY2021)

The Board discussed the SIC-II medium-term management plan, annual plan, monthly business results, economic rationality of cross-shareholdings, revision of the executive remuneration system, transition to a company with an Au-

dit and Supervisory Committee, and items to be discussed by the Group Management Executive Committee (capital investments, personnel system, measures against the COVID-19 pandemic, etc.)

### Training of directors and operating officers

Regular training is provided to directors and operating officers with the goal of enabling them to improve their knowledge. In FY2021, held DX Mindset Training (for directors, operating officers and department managers) that trainees shared their awareness of DX, considered what DX means to the Toyo Ink Group, and Governance Training (for newly appointed operating officers and employees newly assigned to overseas management positions).

### 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.

From the perspective of emphasizing results and ensuring transparency, our executive remuneration consists of basic compensation (fixed monetary compensation), performance-linked compensation (variable monetary compensation), and transfer-restricted stock-based compensation (non-monetary compensation). The upper limits on the total amount of remuneration resolved at the Annual General Meeting of Shareholders held on March 23, 2022, are as follows. For inside directors who are not Audit and Supervisory Committee members, monetary compensation (total of basic compensation and performance-linked compensation) should be no more than 400 million JPY per year, and non-monetary compensation should be no more than 100 million JPY per annum. Remuneration for outside directors who are not 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 the execution of business. Remuneration for 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. 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.

### Total amounts of remuneration, etc. by directors and Audit and Supervisory Board members (FY2021)

(Unit: million JPY)

Position	Total amount of remuneration, etc.	Total amount of remuneration, etc. by type			Number of eligible persons
		Basic compensation (Fixed monetary compensation)	Performance-linked compensation (Variable monetary compensation)	Transfer-restricted stock-based compensation (Non-monetary compensation)	
Directors (outside directors)	329 (47)	253 (47)	66 (–)	8 (–)	13 (6)
Audit and Supervisory Board members (outside members)	80 (32)	80 (32)	–	–	7 (4)
Total (outside officers)	409 (79)	334 (79)	66 (–)	8 (–)	20 (10)

\* The number of people and the amounts of compensation above include the three directors and the two Audit and Supervisory Board members who resigned at the closing of the Annual General Meeting of Shareholders held on March 24, 2021.

Transfer-restricted stock-based compensation is a long-term incentive paid to inside directors who are not Audit and Supervisory Committee members, with the aims of sharing the benefits and risks of fluctuations in share prices with shareholders, improving the Company's results over the medium to long term based on a healthy entrepreneurial spirit, and increasing directors' enthusiasm for and contribution to enhancing corporate value. The amount is calculated by multiplying the base amount of compensation by position by a payment rate based on a consolidated performance evaluation. The consolidated performance evaluation gives a weighted average value using a predetermined ratio based on the budget ratio of consolidated net sales and consolidated operating profit and a year-on-year comparison as indicators. These indicators were chosen because the Company believes that the degree of achievement of performance targets in each business year reflects increases and decreases in corporate value and judges them to be appropriate as indicators.

The remuneration of individual directors who are not members of the Audit and Supervisory Committee is determined through the following processes.

- (1) The Board of Directors delegates the determination of the amounts of remuneration for individual directors to the outcome of consultations between the Chairman, the President and the director in charge of personnel affairs (hereinafter referred to as the delegated persons).
- (2) The delegated persons discuss the amounts of performance-linked compensation and the number of shares to be granted in transfer-restricted stock-based compensation for each director. The President then submits a draft proposal to the Advisory Committee on Appointment and Remuneration.
- (3) The Advisory Committee examines and deliberates on this evaluation process and the results of the evaluation, etc. with regard to the original proposal.
- (4) The delegated persons consult to make a final decision on the amount of remuneration for each director, taking the Advisory Committee's report into consideration. The Board of Directors confirms the Company's evaluation of performance-linked compensation and determines the number of shares for transfer-restricted stock-based compensation to be granted to each individual director.

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### Approach to cross-shareholdings for listed shares

Regarding cross-shareholdings for listed shares, 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. In the fiscal 2021, we sold all of the shares of eleven stocks that we held and some of the shares of two stocks that we held. Furthermore, in May 2022, as a result of the cancellation of a capital tie-up with Sakata Inx Corporation, we sold all shares in that company. (Corresponding extraordinary income of 4,717 million JPY was posted in the second quarter.)

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 collect-

ing sufficient information through dialogue with the issuing company and other means.

### Dialogue with shareholders and investors

We believe that our shareholders and investors are important stakeholders in the Group. We have set Shareholder Satisfaction (ShS) as one of the Group's Guiding Principles, and we make effort to respect shareholders' rights and improve shareholder value. In particular, we believe in the importance of constructive dialogue with shareholders and investors. We appoint a director in charge of finance, general affairs, and IR, and ensure that information is shared through cooperation between related departments. The General Affairs Department and the Corporate Communication Department works to promote dialogue with shareholders and investors, respectively. If the feedback obtained through dialogue is deemed to be important, it is reported to the director in charge as necessary.

#### IR Activities (FY2021)

IR Activities	Content
General Shareholders' Meeting Results briefings	Once a year (March) Twice a year (February and August)
Individual meetings	Approx. 50 times
Information communicated via the company website	Securities reports, financial statements, results briefing materials, materials for general shareholders' meeting, fact books, integrated reports, etc. News releases (approx. 60 per year) Sponsored research reports (four times a year, Japanese and English)



Our IR materials are shown in the Investors section of our website.

### Expertise and careers (skills matrix) of directors

Name	Main expertise and careers						
	Corporate Management	R&D Production	Sales Business Strategy Marketing	Global	Finance Accounting	Human Resources	Compliance Risk Management Governance
Katsumi Kitagawa	●	●	●				
Satoru Takashima	●		●	●			
Hiroya Aoyama					●	●	●
Hiroyuki Hamada			●	●	●		●
Shingo Kaneko	●		●				
Chise Onodera							●
Jusuke Ikegami	●		●	●			●
Toshiaki Hirakawa					●		●
Yutaka Yokoi				●			●
Keiko Kimura						●	●
Minoru Matsumoto					●		●

\* The above matrix does not show all the expertise or careers of each director.