

Risk Management

The Toyo Ink 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.

Action Policies on Risk Management in FY2021

1. (Emergency response) We will establish countermeasures and systems for responding to emergencies that may affect the overall Group.
2. (Prevention of the actualization of risks, response to reduction / transfer of loss) We will identify and select existing risks which may affect the overall Group, investigate measures to address the risks, and inform employees of the measures.
3. (Awareness-raising activities) We will improve sensitivity to new risks.

Risk management system

The Risk Management Committee, whose secretariat is the General Affairs Department, exhaustively and comprehensively manages the risks of the entire Group under the operating of cer in charge of risk management (the head of the Risk Management Committee under the Sustainability Committee). In addition, Group companies and departments identify, assess, and examine the risks involved in changes in social environments and in their daily operations and implement measures to address these risks.

The Risk Management Committee 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. If a new problem arises that could develop into a serious

risk, we establish an emergency headquarters to address the risk.

Major activities in FY2021

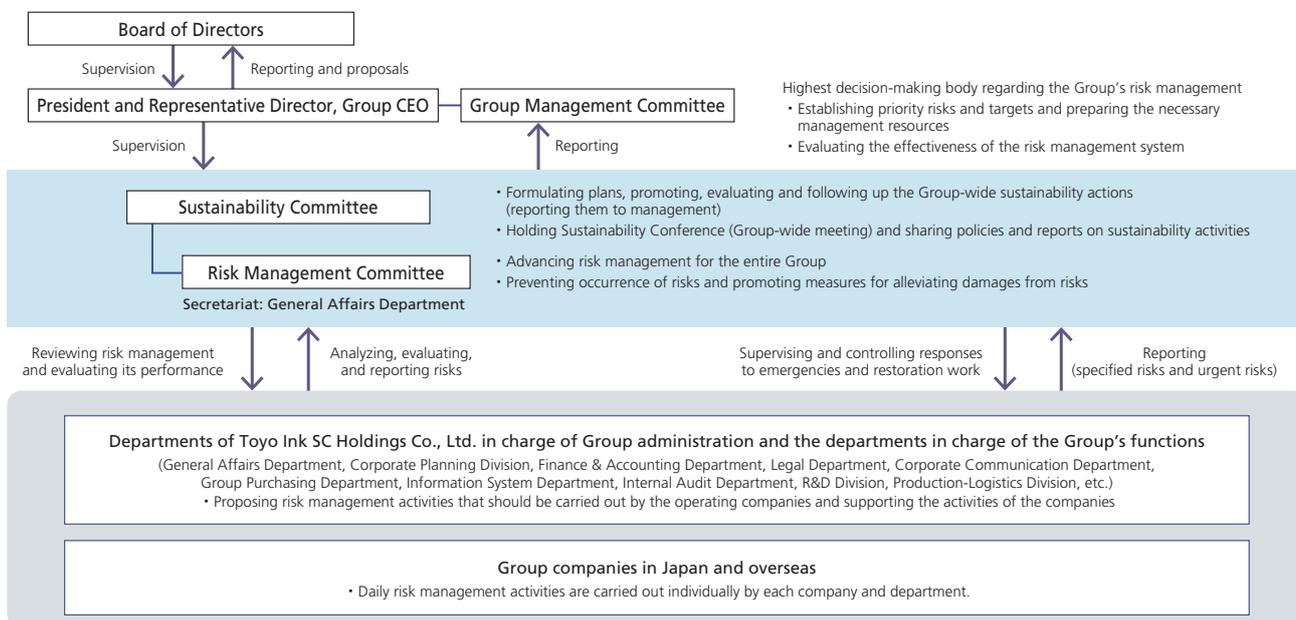
In FY2021, we addressed the spread of COVID-19 as a global risk and advanced initiatives focused on two goals, (1) ensuring employees' health (including the revision of in-house hygiene rules and personnel systems to reduce the risk of infection, and vaccine occupational inoculation) and (2) business continuity (the continuation of procurement, manufacturing, and order acceptance and the promotion of working from home and remote working for operations), while ensuring that the safety and security of our employees and stakeholders all over the world was our top priority. Remote working has been a part of our new normal.

In addition, our Safe Driving Seminars—with the goal of eliminating accidents involving our commercial vehicles—were held as an online seminar via the Internet, for all sales employees at all locations in Japan simultaneously. We carried out this and other risk management activities in accordance with the conditions of the new normal created by the COVID-19 pandemic.

Internal controls

At the Toyo Ink 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," 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.

Risk management system (FY2022)



* Excerpts and additions from P.31 Sustainability promotion system (FY2022)

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 FY2021, there was no 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"> Changes in laws and regulations, and changes in tax systems that could have adverse effects The adverse effect of inadequate social common capital on corporate activities Unfavorable political factors Social turmoil caused by terrorism, war, or infectious disease Unexpected rapid change in the work environment | <ul style="list-style-type: none"> 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 Establishing supply chain management that enables a flexible response to risk Reducing fixed costs and variable costs such as raw materials expenses |
| (2) Risks related to information leakage, loss, and damage | <ul style="list-style-type: none"> Information leakage, loss, or damage due to computer viruses or security violations Loss of social trust, a breach of a non-disclosure agreement, or a decline in competitiveness due to an outflow or loss of expertise, resulting from information leakage, loss or damage | <ul style="list-style-type: none"> Reduction of risks through the reinforcement of the information security management system, employee training and awareness-raising activities, which are implemented by the dedicated information security department Implementing security measures related to the promotion of teleworking and the formulation of operating rules |
| (3) Risks related to quality and product liability | <ul style="list-style-type: none"> Accidents or complaints caused by the quality of products | <ul style="list-style-type: none"> Ensuring compliance with legal regulations related to quality and safety and carrying out activities to strengthen quality assurance Enhancing and strengthening quality assurance in a Group-wide manner through the application of the ISO 9001 international standard related to quality, and other measures |
| (4) Risks related to natural disasters and epidemics | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Creating manuals tailored to specific risks and providing regular training to tackle them Implementing measures to control COVID-19 and other infectious diseases, establishing related guidelines and operating systems and vaccine occupational inoculation Establishing a disaster control system and systems for complementary production in Japan and overseas, through business continuity management (BCM) |
| (5) Risks related to the sourcing of raw materials | <ul style="list-style-type: none"> Raw materials price increases and stock shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other factors Suspension of raw material supply from suppliers Compensation for damages or the like resulting from an inability to supply products to customers | <ul style="list-style-type: none"> Sourcing raw materials for appropriate prices by increasing and accuracy of market price and demand forecast Securing stocks of raw materials according to their characteristics by sourcing them from a wide range of suppliers Promoting procurement based on the Procurement Principles |
| (6) Risks related to exchange rate fluctuations | <ul style="list-style-type: none"> Dramatic fluctuations in exchange rates | <ul style="list-style-type: none"> Taking steps to reduce exchange rate fluctuation risks, including exchange forward contracts and the balancing of foreign currency receivables and payables |
| (7) Risks related to general legal restrictions | <ul style="list-style-type: none"> Changes to legal restrictions in Japan and overseas and the resulting changes in markets Litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement | <ul style="list-style-type: none"> Collecting information about legal restrictions in Japan and overseas and taking measures to address them Review of compliance-related policies and implementation of measures by the Compliance Committee, a committee dedicated to compliance matters Managing the overall Group with internal control system and improving the effectiveness of the management |
| (8) Risks of environmental burdens | <ul style="list-style-type: none"> Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets Increased expenses caused by delays in taking measures to reduce environmental impact Additional investment and changes in business portfolio in response to social environmental requirements (such as the shift away from plastics and the carbon neutrality, etc.) | <ul style="list-style-type: none"> Advancing environmental measures (including the reduction of CO₂ emissions, the development of VOC-free products, and the recycling of materials) by reviewing manufacturing processes in the long-term management plan Strengthening the management of chemicals and systematizing management |
| (9) Risks related to climate changes | <ul style="list-style-type: none"> Changes to climate change-related laws and regulations in Japan and other countries and the resulting changes in markets Increase in costs due to delays in responding to social demands, such as the reduction of CO₂ emissions | <ul style="list-style-type: none"> Disclosures based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations Continuous efforts to reduce the environmental impact of manufacturing activities (reduction of CO₂ emissions, promotion of carbon neutrality, etc.) as outlined by the TSV2050/2030 Sustainability Vision |
| (10) Risks related to common debt collection | <ul style="list-style-type: none"> Difficulty in collecting of trade receivables and other claims due to the worsening of customers' financial conditions | <ul style="list-style-type: none"> Regular review of customers' credit risk Implementing measures to protect receivables and strengthening credit management |

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