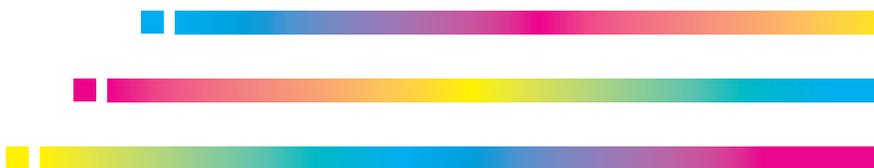


TOPPAN

CSR REPORT 2006

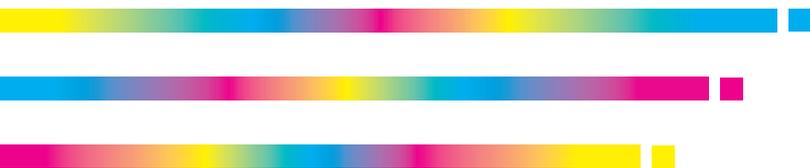
Report on Corporate Social
Responsibility Activities



As a mainstay of information and culture

Toppan is proud of its considerable contributions to the development of information and culture through printing. In anticipation of the changes ahead, the Company will continue to play the same roles using various advanced technologies with pride and passion.

Toppan is defined “as a mainstay of information and culture” in its Corporate Philosophy. To put CSR into practice through business: that is the starting point of Toppan’s CSR.



Toppan invests its passion in Cyan, Magenta, and Yellow, the three primary colors of printing. Sincerity, Enthusiasm, and Creativity. Toppan communicates with every stakeholder with sincerity, enthusiasm, and creativity.

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To the Readers

This *CSR Report 2006* is a communication tool used to disclose information to stakeholders and solicit their comments. The report was prepared with the following points in mind.

● Readability

Environmental Reporting Guidelines 2001—With a Focus on Stakeholders by the Ministry of Economy, Trade and Industry was used as a reference. Most readers are assumed to have an interest in CSR. Toppan has taken special care to organize the material, layout, color schemes, typeface, and font sizes in this report so that it helps readers understand the activities of Toppan as clearly as possible.

● Completeness and Materiality

The contents of this report were strictly chosen in consideration of the businesses of the Toppan Group based on the following guidelines and items in the questionnaire on socially responsible investment (SRI). The "Special Report" section summarizes the most important issues.

- Environmental Reporting Guidelines (fiscal 2003 version) from the Ministry of the Environment
- Environmental Performance Indicators for Businesses (fiscal 2002 version) from the Ministry of the Environment
- Environmental Accounting Guidelines (2005 version) from the Ministry of the Environment
- Environmental Reporting Guidelines 2001—With Focus on Stakeholders from the Ministry of Economy, Trade and Industry
- Sustainability Reporting Guidelines 2002 from the GRI (Global Reporting Initiative)

● Reliability

KPMG AZSA Sustainability Co., Ltd. has provided an annual independent review of Toppan reports on the environment and social responsibility, starting with the 2001 report. As a testament to the reliability of the environmental information described in this report, Toppan is authorized to attach the following mark. This means that the report meets the standards for environmental report assurance and registration established by the Japanese Association of Assurance Organizations for Environmental Information (<http://www.j-aoei.org/>). Toppan has received the opinions and advice of key figures in the CSR field as a guideline for producing the *CSR Reports 2004 & 2005* and this report (*CSR Report 2006*). This year Toppan consulted Mr. Yoshiki Midorikawa, co-chair of The Valdez Society and director of the Green Consumer Research Group, for his advice and guidance.



In addition to appearing in print once yearly, this report is available on the Toppan website, along with environmental performance data on each site, the latest information on ISO 14001 certification throughout the Toppan Group, and other relevant data. The Toppan website is regularly updated.

URL for *CSR Report*: <http://www.toppan.co.jp/english/corporate/csr/index.html>

Scope of this Report

In principle, this document reports on the environmental and social activities of Toppan Printing Co., Ltd. and Group entities that have been consolidated for accounting purposes. This report mainly covers activities during fiscal 2005 (April 2005–March 2006) but also includes information on prior and subsequent periods. Most of the information on personnel applies to personnel within Toppan Printing Co., Ltd., the parent company. The scope of environmental performance information and environmental accounting has been decided in accordance with respect to the importance of environmental conservation among subsidiaries (→P.21). The EMS targets cover 58 domestic sites and 13 overseas sites.

Publication Dates

Published in December 2006. Toppan plans to publish the next report in December 2007.

Inquiries on Content and Contact Information

Compliance Department, Legal Affairs Division, Toppan Printing Co., Ltd. (Tokyo, Japan)

Email: compliance@toppan.co.jp

Contributing to a Fulfilling Lifestyle

The Toppan Group continues to serve as an essential and reliable corporate citizen by fulfilling its social responsibilities in its businesses and operations.

Toppan's Social Mission

The Toppan Group was founded by a group of printing engineers from the printing bureau of the former Finance Ministry who wished to bring the benefits of printing technology to society. Since its foundation in 1900, Toppan has worked in partnership with customers, shareholders, business partners, local communities, and stakeholders in every field to contribute to the development of information and culture with printing-based businesses.

Since Gutenberg's invention of the printing press 500 years ago, printing has contributed immeasurably to the spread of two intangible yet vital parts of our culture: information and human feelings. The progress of printing technology now allows people to share the same information in different parts of the world at the same time. It is no exaggeration to say that printing makes up the richness of culture.

The development of information technology, digitalization, and the birth of various new media have changed the methods used to express and transmit information in print. What has not changed is the social responsibility entailed in the act of printing.

The social mission of the Toppan Group of today is to convey information, foster culture, and contribute to fulfilling lifestyles.

To be a Trustworthy Corporation

To fulfill its social responsibilities, Toppan must win the esteem of the public in all walks of life and continue to be an essential part of society. The Group should take on social and environmental tasks with this in mind, endeavoring to serve society by contributing culturally, conserving the environment, and respecting human rights as it pursues its economic goals.

I believe that a company's corporate activities should be piloted by a company's approach to corporate social

responsibilities (CSR). Through our corporate activities at Toppan, we realize our Corporate Structure which describes the values and codes we hold important.

To achieve this, all of the people working in the Toppan Group must understand their responsibilities to society and to stakeholders, and work to fulfill those responsibilities in their daily work. I am convinced that we can continue bringing our Company into closer harmony with society and the environment.

The Priority Themes of Toppan's CSR

In 2000, the centennial anniversary of our founding, we established *TOPPAN VISION 21* as our corporate vision and foundation of all of our business activities for the 21st century. *TOPPAN VISION 21* consists of a Corporate Philosophy to form an overall framework for our activities and plans, a Corporate Creed to define our standards for corporate activities, and a set of Conduct Guidelines to express rules of behavior based on our corporate ethics and our spirit of compliance with laws and regulations. Based on *TOPPAN VISION 21*, we have formulated six priority themes to guide us as we develop our three primary fields of activity: economy, society, and environment. Descriptions of these themes follow.

- **Corporate Governance:** We will perform our management activities rapidly and efficiently with a robust commitment to forming clear managerial strategies, strengthening our supervisory and auditing capabilities in corporate management, and improving the transparency of our managerial activities.
- **Compliance:** We will conduct our corporate activities in strict observance of corporate ethics and all applicable laws and regulations. All employees will follow our corporate Conduct Guidelines with an unwavering sense of ethics and morality.



- Improving Customer Satisfaction: We will strive to see things from the customer's perspective. Through our work with knowledge and technology, we will devote ourselves to the creation of products that bind us to our customers in a relationship of trust based on responsibility, passion, and skill.
- Respecting and Leveraging Human Assets: Through our strict commitment to human asset development and respect for individuals, we will foster employees that continue to enhance their abilities and meet their full potential. The people within the Toppan Group will share the enjoyment of their work within a corporate atmosphere that is gratifying and rewarding to inhabit.
- Activities for Society and Culture: As a leader in the information communication industry, we will develop activities to promote social and cultural progress. We will also work to create a rich cultural environment in partnership with local communities.
- Commitment to the Environment: Under the initiatives set forth in Toppan's Declaration on the Global Environment (1992), we will continue to alleviate the environmental burden of our operating activities by proposing, developing, and providing environmentally-friendly products and services that coexist in harmony with our irreplaceable global environment.

Last Year's Initiatives

In fiscal 2005 we listed a set of action points for each of the priority themes mentioned above and then developed a program of actual activities. Back in 2000, the Securities Printing Division took the initiative to become one of the first organizations in the industry to acquire the Privacy Mark certification. Last year, after the government enacted the Act concerning Protection of Personal Information, Toppan accomplished its goals for the acquisition of the Privacy Mark certification. On the environmental front, we

made significant progress in reducing VOCs such as toluene and dichloromethane. Considerably more still needs to be done to reduce emissions of CO₂, however. We will continue these efforts and endeavor to accomplish higher goals in the future.

Toppan has pledged its support for the United Nations Global Compact as an active participant. We intend to introduce the basic tenets of the United Nations Global Compact in our business management in order to fulfill our social responsibility from a global perspective.

On the Publication of this Report

This report, the third CSR report from Toppan, reports the activities we undertake in our businesses to fulfill our responsibilities to society.

Through reading this report, we hope that a great many stakeholders will come to understand and appreciate the activities of the Toppan Group. Henceforth we will be steadily refining our approach based on what we learn through dialogue with stakeholders. Please let us know your candid opinions.

The Toppan Group will continue its work as a trustworthy corporate citizen to help realize a society that can provide rich and fulfilling lifestyles. We hope to benefit from your continued support and guidance in the future.

September 2006

A handwritten signature in black ink that reads "N. Adachi's". The signature is stylized and written in a cursive-like font.

Naoki Adachi
President & CEO
Toppan Printing Co., Ltd.

Escalation of Global Warming and the Need for Sound Forest Nurturing

Environmental problems such as global warming,* ozone depletion, increasing levels of waste products, and ocean and soil pollution continue to worsen. Among them, global warming is the priority issue to address.

Under the Kyoto Protocol put into effect from February 2005, Japan is committed to reduce its average emission of the greenhouse gasses, including carbon dioxide (CO₂), by 6%. Of this target reduction, 3.9% will be attained by CO₂ absorption by the trees grown in the country (130 million tons of carbon). Yet based on the progress thus far made, the actual reduction from these measures is expected to fall far below the target. That is why the government and the private sector must urgently pool their efforts for sound forest nurturing and maintenance in the country. Key for the use of the forests will be an optimal forestal cycle from planting through nurturing and harvest.

More than 50 years have passed since the forestation after the end of WWII. Much of the country's forest has been neglected and needs to be maintained by thinning and other operations. The excessive growth of badly kept and neglected forests blocks out the sunlight. This harms the forest ecology by causing the trees to thin and weakening the bird and insect populations. The Forestry Agency has responded by undertaking KIZUKAI-UNDOH (Wood

Products Utilization Campaign), a campaign to encourage forest maintenance through the promotion of the use of domestic lumber, including that harvested from forest-thinning operations.

Toppan approves of KIZUKAI-UNDOH. To promote sound nurturing and maintenance of the country's forest resources, the Company actively uses domestic lumber for Cartocan, a paper-based beverage container.

Social Significance of Toppan's Cartocan, a Product Produced from More than 30% Domestic Lumber

Cartocan is a unique paper container manufactured using an improved version of a system originally developed in Europe 10 years ago. Toppan modified the original method by adding an aseptic filling technique. More than 30 percent of its ingredients are from domestic lumber, including lumber harvested from forest-thinning operations. Toppan donates part of its sales to the Green Fund, a program that funds volunteer organizations involved in forest maintenance throughout the country.

Cartocan is an environmentally-friendly recyclable product with versatile features: 1) It can be used in vending machines, and thus can be deployed on existing distribution routes. 2) The aseptic filling technique extends the shelf life and better preserves the flavors and nutritional ingredients. Aseptic filling was previously thought to be too difficult for paper

Special Report 1

Toppan Endeavors to Mitigate Global Warming with Cartocan, a Paper-based Beverage Container

Global warming is said to have caused extreme weather and sea-level elevation in recent years. Sound forest nurturing is now called for in order to mitigate these changes. Toppan helps mitigate global warming through its own paper-based beverage container, Cartocan—that is Toppan's unique effort to tackle the problem.

*A widely accepted hypothesis is that global warming is caused by increase in greenhouse gas emissions such as carbon dioxide (CO₂), methane, dinitrogen monoxide, and CFC substitutes in the atmosphere. The CO₂ increases when fossil fuels such as oil and coal are burnt in human activities, or when CO₂ sinks decrease as a result of deforestation.

products. 3) It is made entirely of paper and thus can be heated in microwave ovens.

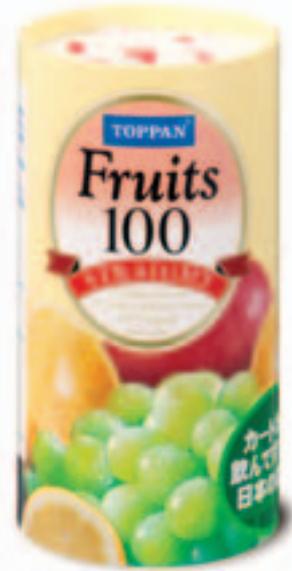
Japan now mainly uses lumber imported from abroad. The Japanese self-sufficiency rate for wood pulp and chip, the raw materials of paper so important for Toppan's operations, was only 11.2% in fiscal 2004. This is less than one-third of the rate 20 years ago (see the figure below).

Toppan understands how crucially it relies on forest resources for its printing paper and paper packaging operations. Cartocan made from domestic lumber is one of the Company's first major steps to help mitigate global warming by protecting and nurturing the country's forests. At the moment, Toppan promotes the use of the homegrown lumber and Cartocan through the Morikami (Forest and Paper) Conference, a conference to promote the usage of environmentally-friendly paper-based containers for beverages. About 40 organizations and companies, including the Forestry Agency, attend the conference. Toppan, meanwhile, asks its stakeholders to understand forestry in Japan and tries to inspire an awareness of global warming mitigation.

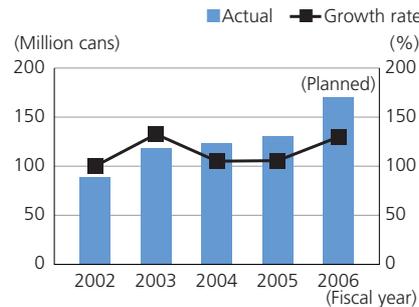
Toppan continues to commit itself to global environment protection by "paying back" the forest with Cartocan.



Press presentation during the preparations for the Morikami (Forest and Paper) Conference (April 2004)



Cartocan: Quantity Manufactured



Features of Cartocan

The special nozzle is also ideal for pouring high-viscosity drinks such as cocoa and soup. Cartocans are made from a high-quality and fully recyclable paper similar to that used for milk cartons. They can also be recovered as a heat resource.



Un-thinned Forest
Blockage of the sunlight prevents the bottom weed from growing, resulting in forest deterioration.



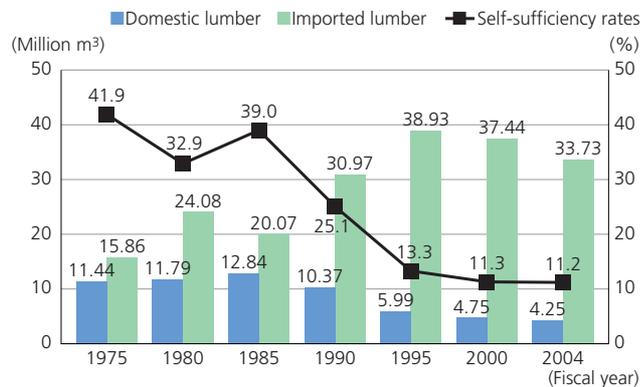
Thinned Forest
The sunlight reaches to the ground surface. This restores forest life by nurturing the growth of shrubs and weeds on the forest bed.



The 3.9 GREENSTYLE MARK, a logo of the KIZUKAI-UNDOH, promoted by the Forestry Agency. Toppan also obtained the registration number.

Cartocan obtained the forest-thinning product mark.

Self-sufficiency and Supply and Demand Trend for Source Lumber for Wood Pulp and Chip



Compiled from operational data of Wood Utilization Division, Forestry Agency

VOICE



I expect Cartocan made from domestic wood from forest-thinning operations to help promote awareness of the protection and the nurturing of the forest

Mr. Toshio Kondo
Manager of System Operation Department
National Federation of Cooperative Associations for Forest Owners

Toppan uses forest resources for products such as printed materials and paper containers. Its corporate philosophy is to pay back the environment with Cartocan, a product made from domestic lumber, including wood harvested from forest-thinning operations, to protect and nurture the forest. This is a wonderful thing. Henceforth the Company should call more attention to Cartocan. To give just one example, Toppan could promote the concept of Cartocan recycling by installing vending machines with drinks packaged in Cartocans at the entrances to forest parks around the country. This would raise the awareness of visitors, especially the children, on recycling and resource preservation.

Cartocan's Cycle for Nurturing Sound Forests

Cartocan is produced from the forest and recycled to toilet paper.

Toppan is one of various companies and stakeholders in the supply chain involved in the Cartocan cycle.

Voices

(1) Forest Management and Chip Control



Domestic wood from forest-thinning operations must be more efficiently used

Mr. Katsuyuki Kimoto
Forest and Chip Operation
Nichiita Geibo Sangyo Co., Ltd.

Too often I see thinning trees left abandoned and unused. Recently I joined a biomass study group to learn if there are ways to use these trees efficiently. To make efficient use of wood from forest-thinning operations, you must spend money to transport the wood and run the lumbering machines. Part of the sales of Cartocan is donated to the Green Fund, a program to fund volunteers involved in forest maintenance throughout the country. Recently I have been trying to promote Cartocan by installing vending machines in related workplaces.

(5) Paper Recycling



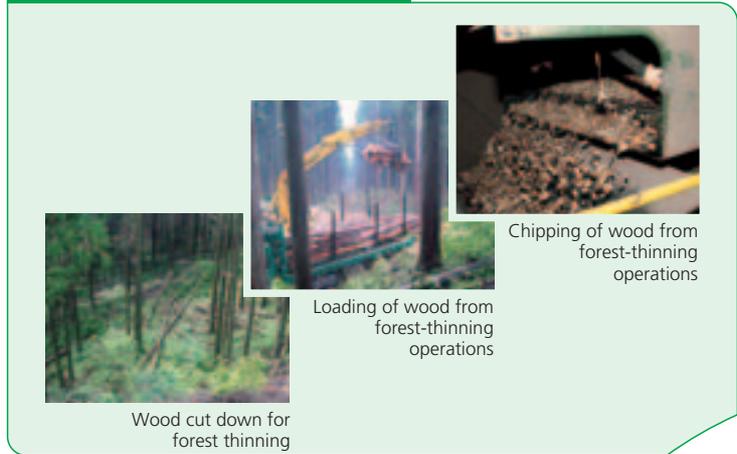
Using Cartocan promotes global warming mitigation

Mr. Yutaka Kurebayashi
Director, Senior Manager of Manufacturing and Senior Manager of Facilities
Tokai Seishi Co., Ltd.

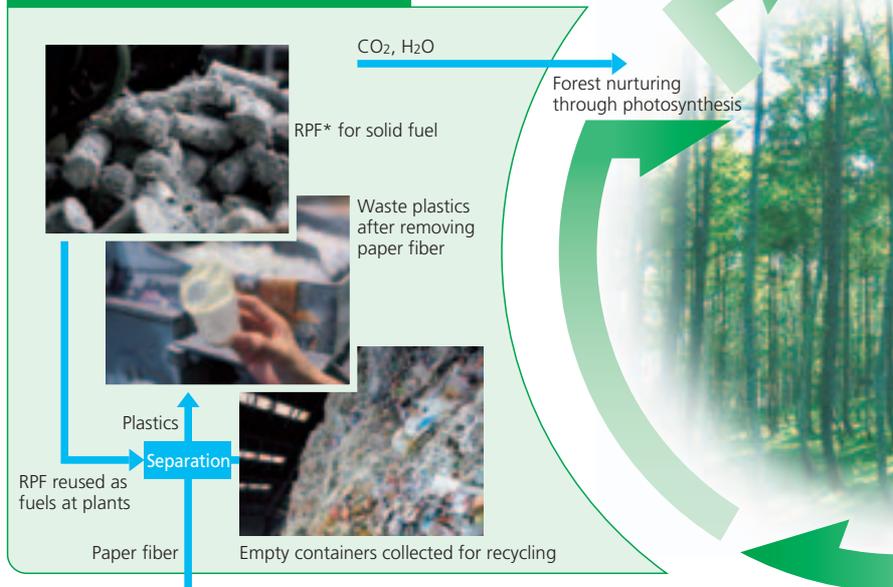
Our company takes out paper fiber from used Cartocan to manufacture toilet paper composed at least 10 percent domestic wood from forest-thinning operations. Plastics generated in the process are used in-house as the RPF to replace oil for zero-emission. People from environmental organizations overseas and elementary and junior high school students from all over the country come to see our plant. When they visit we explain the concept and process of Cartocan recycling to raise their awareness on global warming mitigation and forest nurturing through the use of wood from forest-thinning operations.

Cycle Flow of Cartocan

(1) Forest Management and Chip Control



(5) Paper Recycling



Separated paper fiber recycled as toilet paper



Cartocan containers collected after use



Containers torn apart at the hands of consumers

*Abbreviation for Refuse Paper and Plastic Fuel. RPF is a high-calorie solid fuel made from used paper and plastics, industrial materials that are difficult to recycle.

(2) Paper Making



Piles of chips from domestic wood harvested from forest-thinning operations



Manufacturing of paper for Cartocan

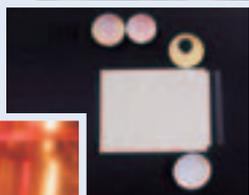


Rolled up Cartocan paper

(3) Printing and Processing

TOPPAN

Printing on Cartocan paper



Processing of Cartocan container



Filling of drinks such as juice

Promotion and advertisement of Cartocan



Commercialization of Cartocan-packaged drinks



Purchase of Cartocan-packaged drinks by consumers

(4) Distribution, Sales, and Recovery

(2) Paper Making



Our work with Cartocan has become a major CSR activity for our company

Mr. Hiroshi Inai (right)
Senior Manager of the Manufacturing Dept. and Manager of Genshitsu Section, Geibo Plant

Mr. Takashi Muranaka (left)

Manager of the Technology Section, Technology and Environment Office

Nippon Daishowa Paperboard (West Japan) Co., Ltd.

The landslides during heavy rains and typhoons would do much less damage if the forests were properly felled. The profit-sharing forest that my company works with in Hiroshima Prefecture is thinned regularly. The ratio of domestic wood chip harvested from forest-thinning operations is carefully considered in manufacturing paper for Cartocan. Forest nurturing through the manufacture of paper for Cartocan is positioned as a major CSR activity for our company.

(3) Printing and Processing



Wide use of Cartocan promotes forest improvement and nurturing

Mr. Kenji Ooba
Senior Managing Director, Plant Manager
Sodegaura Beverage Plant
Toppan Packaging Service Co., Ltd.

We often hear, in legend, about the old man who went to the mountains to gather firewood... Many human activities of today have gone unchanged from ancient times in Japan. The forest in Shimane Prefecture, near my home town, has deteriorated considerably since the days of my youth. Cartocans are filled by an aseptic filling method that causes less damage from heat. The lower temperatures used ensure a better retention of taste and nutritional value over a longer period. I hope that we can help our forests by promoting the Cartocan cycle.

(4) Distribution, Sales, and Recovery



Cartocan matches health consciousness and awareness of forest protection

Mr. Akira Sekimoto (right)
Manager of the Ecology Goods Section
MD Department,
Merchandise Head Office

Ms. Miho Saito (left)

Public Relations Section, Corporate Communications Office
Radishbo-ya Co., Ltd.

Sekimoto: "I love hiking in the mountains. I'm worried that I don't hear birds singing in the forest."

Saito: "As to be expected of a former environmental NPO, many of our members are highly aware of health and forestry protection issues. We ask our members to wash and tear apart the Cartocans after using them. The containers are used for popular vegetable and fruit juices made from the produce from organic farms or farms that use low levels of agricultural chemicals. We take various steps to publicize the need for forest nurturing, such as merchandising recycled toilet paper and running the "School of the Forest" event for our members."

Morikami (Forest and Paper) Conference

Cross-functional, such as vendors and machine manufacturers



Advice

Forestry Agency
National Federation of Forest-owners Cooperative Associations

Toppan Supports Safety and Security in Your Lives

Toppan develops advanced technologies in fields such as Information & Networks, Living Environment, and Electronics. Many are used in various scenes of daily life. Toppan recognizes the social importance of providing safety and security in cooperation with its consumers.

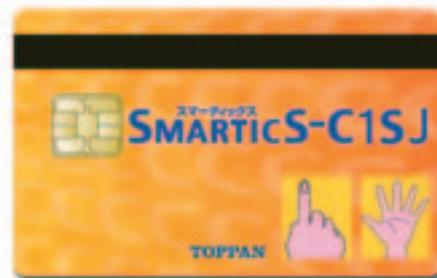
Special Report 2

In the Street

Providing Safety and Security at Public Places such as Banks, Hospitals, and City Halls

The illegal reading of cash cards has recently become a problem at financial institutions such as banks. Like fingerprints, the veins of every human body have a unique and individual pattern. An IC cash card that identifies its owner by reading the vein patterns on his or her palms and fingertip ensures robust security against illegal reading. Toppan proposes solutions to prevent damage at the hands of inscrutable people who “skim” the various cards sent out by financial institutions as direct mail. Anshindesu-shi is a special protective sheet of paper designed to shut out incoming electric waves. This secures the information on the card before it reaches the customer in the mail.

Another growing concern is accidents at medical facilities such as hospitals. Toppan produces transparent vapor deposition films and GL/GX films for the packaging of pharmaceuticals. Unlike aluminum foil, these films contain no metals. This enables manufacturers to detect foreign objects in containers using metal detectors. The material properties secure the safety of both human health and the environment. Once discarded, the films require less



An IC cash card capable of authenticating the palm and finger veins of the “cardholder”

energy to incinerate and never release harmful chlorine gases as they burn. As an added safety enhancement at hospitals, Toppan provides an IC tag technology for the control of pharmaceuticals to prevent medical accidents such as mix-ups of intravenous drips.

Security technologies—special ink, hologram technology, techniques to print characters so small that copying makes them illegible—help assure authenticity of the certificate of seal or the residence registry issued by local governments and public offices. The same technologies are also used to prevent the counterfeiting of various securities or gift certificates.



Use of the Anshindesu-shi to prevent “skimming” damage



A gift certificate incorporating a hologram technology to prevent counterfeiting



At the Office

An Advanced Information Management and Security Technology to Ensure Safety and Security at the Office

An office manages many types of confidential information on personnel and in-house/external companies. As IT gains in prevalence, public attention is drawn to the access-management systems in place to protect the confidential information stored in PCs and servers. The SmartOn Solo series prevents the unauthorized viewing of information. Employees in offices with the SmartOn Solo system use IC-equipped ID cards as keys to access PCs. The system works just as well in large corporations as it does in tiny offices with few people.

Contact-type IC cards with the eTRON specification are integrated with a personal profile feature to handle personal information safely. Personal information is encrypted and stored internally, and an eTRON-based protocol is used for transmission. The 400kb memory is large enough to store information such as graphic images for face recognition.



An ID card that uses eTRON technology to handle personal information safely

At Home

Managing Safety and Security in the Home

The GL/GX films from Toppan help to ensure the safety and security of the food containers used most commonly in daily life. These films have the same barrier properties as aluminum foil: they shut out air (the cause of oxidization and mold growth) prevent the release of odors, and extend the shelf life of food. Applications are widespread for both food and toiletry products.

A recent social problem is a rising incidence of accidents or crimes involving children on their way to and from school or after-school lessons. The HotConPass application service provider (ASP) sends email to guardians to notify them when their children arrive at school when they leave school later in the day. Card readers installed at the school sense IC tag cards that the children carry. The children are safer and their guardians have peace of mind.

Toppan continues to leverage the integrated strength of the Group to press forward with its activities to support safety and security.



GL/GX films (above) to ensure food safety and example of use (below)



HotConPass IC tag card and card reader to ensure the safety of children

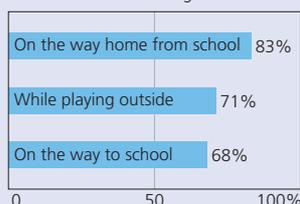
COLUMN

A Survey on Safety and Security for Children

Toppan surveyed parents with young children (nursery, kindergarten, elementary school, or junior high school) to get a fuller grasp of their views and needs in the areas of child safety and crime prevention. According to the results, over 90 percent of the parents were concerned about potential risks in their neighborhoods, near the children's schools, and so on. News reports and rumors about suspicious individuals have alerted them to the need for security services and goods to ensure safety. Toppan will continue to survey the public on security issues from the viewpoints of ordinary citizens.

Awareness of Security Goods

When do children need goods and services to guard their safety



*Compiled from the Survey on Child Safety and Crime Prevention
 Surveyed areas: Tokyo Metropolis and Kanagawa, Chiba, and Saitama Prefectures
 Survey method: closed Internet survey
 Number of respondents: n = 360

Toppan Designs Corporate Communication

Companies continue to place more importance on corporate communication (CC), their tool for conveying corporate identity to various stakeholders. Toppan would like to help build a confidence network by assisting the development of CCs effective in enhancing corporate value.

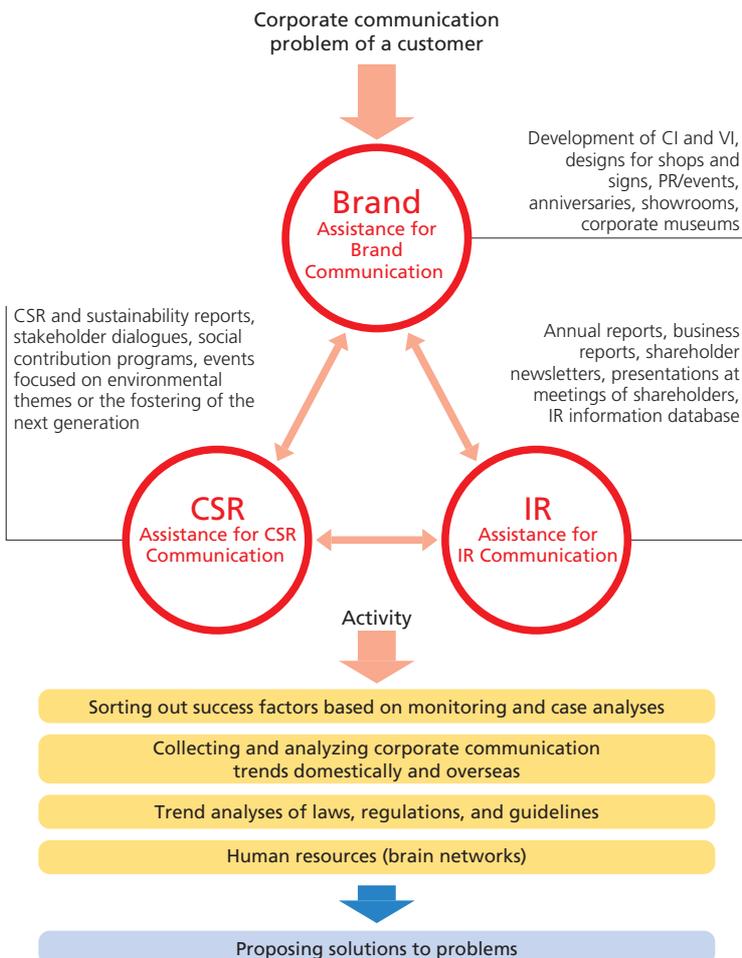
Special Report 3

Toppan supports the corporate communications of companies and organizations in various fields. Most of the detailed CC work takes place in the Toppan Idea Center, the design and planning department of the Company.

When put to the test for CSR, companies are now expected to play a public role in society. The information companies send out increasingly focuses on accountability rather than traditional appeals to convince customers of their merits.

Toppan supports corporate communication to convey information of all types, from disclosures on risk information to branding, as coherent corporate messages.

Conceptual Diagram for the Provision of CC Solutions



CC Strategy Fair

Toppan held seminars and planned exhibitions on CSR communication in fiscal 2003 and 2004 as another activity to support CSR. Soon afterwards, in fiscal 2005, it held a Corporate Communication (CC) Strategy Fair to expand the scope of CSR communication. The fair was conceived and planned in response to the recent changes in corporate communication trends involving the reorganization and integration of information tools such as brand, CSR, and IR.

The programs and events of the fair focused on four subject areas to offer comprehensive perspectives on corporate communication: Brand Communication, Social Contribution and Development of the Next Generation, Stakeholders and CSR, and M&A and IR. Experts in each of these areas presented keynote speeches and led panel discussions. At the CC Creative Exhibition Corner, Toppan exhibited the environmental reports and CSR reports published by 90 domestic companies and organizations with support from Toppan in fiscal 2005. Toppan took orders as a provider of myriad services from editing and production. Also exhibited were examples of Toppan's assistance in nurturing the next generation, the development of corporate culture facilities, and so on.

The CC Strategy Fair was attended by 907 visitors. Many enjoyed the fair and offered favorable

Booklet on the CSR Communication Fair

Toppan published *CSR Communication* and *CSR Communication 2005*. These booklets summarized the contents of the seminars at the CSR Communication Fairs of fiscal 2003 and 2004 in order to share the accomplishments of the fairs with as many people as possible.





remarks. Comments of the following types were frequent: "I walked away with a good sense of where we should go from now;" "It was interesting to witness the growing importance placed on CSR and to see the CSR reports from so many different types of companies;" "The fair was a good source of ideas on cooperation between companies and NPOs in the future."

Overview of the Corporate Communication Strategy Fair

Dates

Seminar: February 7 (Tue.) to 10 (Fri.), 2006
Exhibition: February 7 (Tue.) to 24 (Fri.), 2006

Site

Toppan Koishikawa Bldg.
Seminar: ABC Conference Room, 12th floor
Gutenberg Room, B1st floor
Exhibition: PLAZA21, 2nd floor

Seminar Programs

February 7 (Tuesday): Brand Communication

- [Keynote Speech] Today's issues on Corporate Branding: from Global Branding to Inner Branding
- Branding in the Ad Campaign to Introduce the Lexus in Japan

February 8 (Wednesday): Social Contribution and Development of the Next Generation

- [Keynote Speech] CSR Design to Develop Creative Environments for Children
- [Panel Discussion] A Company and Nurturance of the Next Generation: How do they Relate?

February 9 (Thursday): Stakeholders and CSR

- [Panel Discussion] Internal Communication
- Restructuring CC Information Tool System and Designing the Web with CSR

February 10 (Friday): M&A and IR

- [Keynote Speech] Newest Developments in M&A: Enhancement of Corporate Value and Anti-takeover Strategies
- [Panel Discussion] Loyal Shareholders as a Corporate Defense

COLUMN 1

Foundation of the Kids Design Association

Society as a whole is devoting more attention to the nurturance of the next generation and measures addressing the declining birthrate. To fulfill their CSR, companies are finding ways to improve their working environments, to make it easier for their employees to bring up children, and to develop educational programs for children. These are important issues for all companies, not just those manufacturing children's products.

The Kids Design Association was established in May 2006 to promote the creation of a society that protects and nurtures its children by enhancing safety and providing a richer environment for growth, learning, and development. The association invites companies and organizations from different industries to a forum for voluntary discussion on these objectives. Toppan, one of the leading companies in the association, heads the administration office.

The association works in cooperation with industry, government, academia, and private sectors to measure and analyze data on the physical development and behavior of children, as well as to collect and analyze data on accidents involving children in or near the home or in the streets. The association also grants the Kids Design Award to outstanding designs and concepts for children's products and content from a child's perspective using those data. This philosophy is disseminated in society.



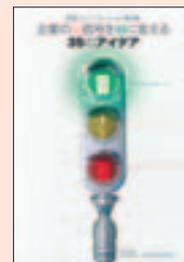
The association mission explained at a symposium commemorating the founding of the association

COLUMN 2

Thirty-five Ideas to Change the Company's Red Signals to Green

Toppan supported the production and printing of *Thirty-five Ideas to Change the Company's Red Signals to Green*, a collection of case histories in the field of environmental communication. The book was commissioned by the Office for the Coordination of Environmental Measures in Industry (Environmental Policy Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry).

The collection mainly introduces the successes of companies in organizing and applying methodologies for environmental communication. The book is helpful in promoting more effective and active environmental communication with stakeholders involved in companies.



A 110-page, A4-size book introducing company activities, questionnaire surveys, demonstration experiments, and so forth

COLUMN 3

Planning, Designing, and Constructing a Company Museum

Some companies establish museums to archive collected materials on specific themes and display their various accomplishments to the public. The company museum is important as a showplace to appeal directly to customers for corporate identity, brands, business style, and efforts for social responsibility.

Toppan offers companies various proposals on the creation of corporate cultural facilities that embody a company's individuality and engender new corporate value. Companies can consult with Toppan on the full process for facility development, from initial planning to construction.



Constructing i-muse in Ishikawajima-Harima Heavy Industries Co., Ltd. Visitors to i-muse can learn the history of creation and challenges at Ishikawajima-Harima, a company at the frontier of engineering for over 150 years.



Stakeholder Dialogue

Toppan's CSR—As a Mainstay of Information and Culture

In August 2006 Toppan invited five key figures from different industries to participate in a stakeholder dialogue with Mr. Fumitake Sakamoto, facilitator. These experts offered myriad perspectives on how Toppan should communicate with stakeholders in fulfilling its responsibilities to society—the ideal ways to shape Toppan's CSR activities.

Sakamoto (facilitator): We will begin today with a brief presentation on Toppan Printing Co., Ltd. Afterwards we would like to hear your impressions about the Company.

Harai: Toppan has a long history and a domain of printing. I'm interested in the posture Toppan will take when new businesses coming into Toppan's domain. I think the key word is people, and the key question is how to deal with people. When you advocate CSR and compliance, it's impossible to control them only with rules and a mechanism. It's important to work out measures on how you can touch each person's soul.

Nomura: Earlier I helped exhibit at the Printing Museum, Tokyo and was invited to judge a Poster Exhibition on the Environment sponsored by the Japan Graphic Designers Association Inc. I was impressed by the views of Toppan on the connections between printing and culture.

I had never assumed that there were cultural gaps between Japan and international society. But after reading the Toppan CSR report, the report seems somehow less international.

Ishida: I think Toppan has caught the current of the times very well. Our dialogue today and CSR activities we have

read about attest to this. Other than paper-based printings, Toppan also has advanced in electronic technologies.

If Toppan is engaged in meaningful CSR activities in its main fields of business, it will have to take successive measures to meet social needs as a leading company. You should clarify both your proactive points and defensive points.

Adachi: Toppan works in every aspect of the environment and society. It invests great energies to improve things for its employees and the environment. It has lots of relationships with external organizations and strives to feed wisdom back to the Company.

If I were to give advice, I'd urge Toppan to specialize in one field. Companies overseas nowadays are focusing on the issue of child labor in addition to the environment. You should take the initiative with an eye to the future to distinguish yourself.

Sakamoto: So far we have been discussing the social needs companies can define and the extent to which companies can lead others to address needs overseas. Now, I'd like to hear your thoughts on how CSR should be positioned based on its business strategies, and the problems you think need to be resolved.

Ishida: I wonder how deep the Corporate Philosophy of *TOPPAN VISION 21* has actually been instilled at Toppan. You can make strengths by defending what you should defend and deploying your resources for what you should offer. By assigning priority to what you should defend and what you should offer, you can gain insight onto how you can develop your business from a CSR viewpoint, fitting within your business strategies. You can engage in CSR activities based on your business when you know the measures you should take for your next improvements. You can damage your corporate image and share price if you don't focus your CSR activities in areas where you can differentiate yourself from competitors.

Toyama: Toppan has a Corporate Philosophy, a Corporate Creed, and Conduct Guidelines. But when I speak to the employees at Toppan, I only express CSR in terms of "Must" and "Must Not." I don't think I talk about the Corporate Philosophy in the right terms. Our president talks about making a product with a passion to create a "work." We appreciate this, but when we talk about compliance we can't help but think about it in terms of "must not."

Ishida: It may be that the top leadership understands the philosophy and corporate creed conceptually without taking steps to put them into effect at a working level. The employees, meanwhile, might be under too much pressure to raise profits and to meet targets, with an exclusive focus on the pursuit of economic value. If this is the case, it may end up causing needless accidents. If a company starts taking that posture, how can it recover its balance? This is important for CSR approaches in the future.

Nomura: I've recently been active, here in Japan, promoting the Global Compact (hereafter GC) advocated by the UN. The GC is a global standard for defining a company's CSR value. A focus on compliance is now to be expected. The question is how proactively a company positions itself as it sets up its CSR activities.

The UN decided to form an alliance with private companies in order to harness the vitality and creativity in the corporate sector. Corporations can be a key driver of change in international society. Companies can do much good by organizing activities that connect to international society in areas related to their main businesses. They need to offer ideas as well as funding support.

Harai: A company must send out information that dictates how it wants to be seen by the public. There are always discrepancies between a corporate philosophy and the reality. Management needs to interpret its corporate philosophy and add practical details to reify that philosophy through concrete actions. A workforce that shares a cohesive company vision will build a strong company.

Nomura: The scope of GC covers not just top management, but all employees through the rank and file. Every person in a company must thoroughly implement the 10 principles on a working basis.

Sakamoto: How is the management at Toppan conveying the Corporate Philosophy, the Corporate Creed, and the Conduct Guidelines under *TOPPAN VISION 21* to the Toppan workforce?

Toyama: The Conduct Guidelines were created with more than legal compliance in mind. They were defined based on the Corporate Philosophy and Corporate Creed. About 700 Conduct Guidelines Promotion Leaders were appointed within the Toppan Group to lead efforts for the promotion of the

Conduct Guidelines at workplaces. We try to raise awareness further by changing these Leaders every year.

Sakamoto: From your perspective as experts outside the Company, how should Toppan go on the offensive? What weapons can it wield to the most effect on the CSR front? Could you tell us an appropriate process or viewpoint for the Company?

Nomura: Toppan can engage in social and international activities closely related to its businesses, as a mainstay of information and culture. Toppan must solicit the ideas from its various employees to draw from their rich knowledge. It should get people together in teams and encourage them to create new selling points for the Company.

Adachi: Defensive management in environment-related areas is crucial from a preventive standpoint and requires steady efforts. Proactive management to create a sustainable environment and society is equally important. I expect the Company to take a distinctive approach. To do so you need to have quick and easy access to external information.



Mr. Akio Nomura
Worked as the deputy chief editorial writer and general manager of the American Bureau at Asahi Shimbun, and as a director of UN Information Center, Tokyo. Promoted the Global Compact during his appointment at the UN Information Center. Now a visiting professor at the Okuma School of Public Management, Waseda University.



Mr. Shinsuke Harai
Worked as the manager of the Human Resource and Planning Group of Fuji Xerox Co., Ltd. Currently President & CEO of HR Labo. A commission member of the Japan Organization for Employment of the Elderly and Persons with Disabilities, a commission member of HRD Japan 2007 (JMA), and a lecturer at the Japan Society of Human Resource Management (J-SHRM).



Facilitator
Mr. Fumitake Sakamoto
A corporate PR consultant at Witan Associates Limited. Plans and drafts proposals on corporate social responsibility. Offers management assistance for NPOs.



Mr. Hiroshi Ishida
Worked at the Industrial Bank of Japan, Ltd. Currently an executive director of Caux Round Table-Japan. Associate professor, Institute of Business and Accounting, Kwansei Gakuin University. Carries out CSR issue analysis for managers and employees inside and outside of Japan.



Mr. Jiro Adachi
Executive director, non-government organization, Japan Center for Sustainable Environment and Society. Author of *Environmental Tax—Taxation and Financial Reform and Sustainable Welfare Society* (Tsukiji-shokan).



Mr. Takeshi Toyama
Executive Vice-president, Toppan Printing Co., Ltd. Promotes CSR as a Director in charge of CSR.

Toyama: Toppan has contributed to society through its work to digitalize China's Palace Museum heritage and Japanese paintings. Through projects like these, Toppan helps to create "a fulfilling lifestyle as a mainstay of information and culture." But Toppan isn't publicizing these activities in the right fashion. The Printing Museum, Tokyo operated by Toppan is unique but not well-known. And the museum seems to lack global perspective. We need to take one more step for that.

Nomura: The UN issues various publications. Looking through the ones printed overseas, I often think the Japanese can do a better job. If Toppan's technologies are applied to children's educational materials, it will be a real social contribution.

Ishida: The Company, especially its management, needs to break down the Corporate Philosophy, the Corporate Creed, and Conduct Guidelines, to find out how these elements work in the management processes, and to identify the gaps in internal communication. The earlier you find out problems, the sooner you can counteract with measures.

It's valuable to organize workshops for dialogue between management and each stakeholder group—dialogue with business partners, with main customers, with employees (groups of 40 to 50), and so on. After the workshops the participants can have beer and pizza. Employees will come up with positive opinions if management listens.

The Company should take in external opinions, align its opinions with NGOs, and find out Toppan's strengths from a

global perspective. This will help Toppan create a distinctive brand of CSR.

Sakamoto: You're saying that the Company should protect all the defensive parts of the operations. It should specialize in an area close to its main business as an offensive point. It should determine the investment area by considering the market environments and social circumstances. Is that right?

Harai: When you aim for the sustainable development of the Company, you need to raise the level of your employees. Employees create value in the future, so you need to make a serious survey. The people on the front lines should have an acute sensitivity as analysts of the social needs for the B2B structure. People engaging in the field know very well what they should do as Toppan's employee, and they know the direction they need to take. If you can collect employees' opinions within the whole Group, it will be extremely strong.

Sakamoto: Specifically, what are the specific social needs? What problem will surface in five years? To what areas should you devote the most care as management or as a Company as a whole?

Adachi: When it comes to the environment, you can't get around global warming and the Kyoto Protocol. For Toppan, a company deeply involved in the use of paper, forestation is an important issue to be addressed. And the threats to biodiversity by forestation

are also important. The Company must refine and elaborate its methods for forestation in partnership with local communities.

Ishida: Human rights management through supply chain management is essential as another vital issue for the future, particularly for the globalized Japanese companies. Human rights management and CSR based on the main business will become critical issues in the latter half of 2006 or next year.

Nomura: Sustainability issues will come to count. The Millennium Development Goals of the UN assign an equal agenda for each country to accomplish by 2015. The goals are to eradicate extreme poverty, reduce AIDS and malaria, create circumstances where children can receive elementary education, and eliminate male-female divides. Last is the reduction of cultural friction. Wars and conflicts break out when diversity is neglected. In terms of working on a full understanding of culture, I hope that Toppan promotes activities in every area in which it can contribute.

Harai: Declining birth rates have an important bearing on human resources. You need to hire more women, more elderly, and more foreigners in a society with a low birth rate. When we speak of "diversity," we often think of racial or gender diversity. Diversity is a system that helps people activate each other and build bridges by sharing different ways of thinking, different activities, and different environments. It will be important, in promoting diversity, to foster management within an environment in which managers take an interest in all their employees and care for them individually. This is how you enhance the level of performance. Success in promoting diversity will determine corporate power in the future.

Sakamoto: Another question is how Toppan should monitor and evaluate its CSR approaches within its in-house system.



Harai: You must apply some kind of indicator to measure the degree to which stakeholders perceive you as you wish them to. If you want, for example, to measure the satisfaction your employees take in working hard, then think about how devoted they are to their jobs, or how fast they come up with ideas. It isn't very difficult to express those things quantitatively, as indicators, if you have firm targets.

Nomura: The Japanese companies which have joined the GC have formed the Japan Network as a venue for reporting their respective activities. You can get valuable information by attending this forum. It's important to share information online through mutual learning.

Ishida: Try to clarify where your advantages and disadvantages have been positioned. Then ask yourself how you are going to improve the problems you found. How are you going to enhance employee satisfaction? It is important to promote CSR based on the main business and disclose information during the PDCA cycle.

Adachi: If you want to minimize the risk of liability for unforeseeable environmental and social problems, if you want to remain a leading company in environmental and social fields, then sound out opinions from various NGOs. Maintain relationships with NGOs that offer appropriate advice on Toppan's activities.

NGOs also pay attention to the opinions a company expresses in government policies. I expect Toppan to make active statements in enhancing governmental and international environmental policies.

Sakamoto: What should Toppan think about as its next step? What should it aggressively target next?

Nomura: First of all, I hope that Toppan joins the GC. It's important that all employees enjoy the activities in which they engage. If they do they will produce a good product or service for society. Research on Toppan's selling



points at internal meetings and during interactions with business partners is also crucial. How are we highly evaluated? What should we try to become? Those are important questions.

Harai: The employees at Toppan seem to approach their activities with high expectations. I see that as one of Toppan's virtues. That's why I'd like Toppan to continue asking each of its employees about his or her expectations. People with vision and working hard are to be received recognition. It's the Toppan's essence.

Adachi: When it comes to the environment, there are still issues we never can expect to solve even through steady work on a daily basis. The need for major reductions in CO₂ emissions is one example. You might need to set up a team of in-house and external people to work out a game plan. You should devise a system to allocate money and assign people to research.

Harai: To make a breakthrough in something you need not just a system, but a person who sticks to it. A workplace requires a legendary figure such as Mr. So-and-so who kept fighting for zero emissions.

Ishida: If Toppan looks to ISO 26000 for 2008 as a means to strengthen stakeholder engagement, you should reassess the direction in which you're headed here. As the first step, you need to rethink your situation and the insufficiencies you need to address. Does the PDCA really work well?

Sakamoto: Counting backward from the implementation schedule for ISO 26000, you don't have enough time. You need to determine the activities you should do now.

Toyama: We've got piles of tasks. If we think about the weapons we should wield on the CSR front, there are various things we must ponder. We've heard valuable opinions on the advantages Toppan should publicize and the high expectations of Toppan employees. I'm going to meet with the others to discuss the points we should bring into focus as we promote Toppan's vision.

We are still at the stage of stakeholder dialogue. Henceforth we hope to engage in further dialogue until we move into the stages of stakeholder engagement and even cooperation. We will sincerely appreciate your assistance and cooperation.

Thank you very much for today.

CSR Activity Topics

Entry to the United Nations (UN) Global Compact

Topic 01

Toppan announced its upcoming entry to the UN-proposed Global Compact (GC) and the support of its 10 principles to further promote CSR activities.

The Global Compact was proposed by the Secretary-General of the UN Kofi Annan at the World Economic Forum held on January 31, 1999. It was officially founded at the UN headquarters on July 26, 2000.

The Global Compact encourages business leaders, international organizations, labor, and civil societies to participate as members in activities for the support of 10 principles in the four areas of human rights, labor standards, environment, and anti-corruption.

As of September 2006, the Global Compact had a membership of more than 3,000 companies, international labor organizations, and civil societies from 105 countries in the world.

Toppan supports and implements the 10 principles as a socially responsible corporation with a global perspective.



**THE GLOBAL
COMPACT**

The Global Compact
<http://www.unglobalcompact.org>

The Global Compact is a mechanism for encouraging every business to bring about positive changes in the world by observing and implementing internationally accepted regulations for human rights, labor standards, and the environment

in the course of business. Every business is requested to support and implement those regulations within the scope of its influence. (The addition of a new principle on anti-corruption in June 2004 increased the number of principles from 9 to 10.)

The 10 Global Compact Principles

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labor Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.

Recognition as a Company with a Distinguished Record in the Employment of the Disabled in 2005

Topic 02



Tokyo Metropolitan Prepress Toppan Co., Ltd.



A barrier-free environment developed by installing handrails and widening the halls for wheelchair traffic

The Minister of Health, Labour and Welfare awarded Toppan a prize in recognition of its achievement as a Company with a Distinguished Record in the Employment of the Disabled in 2005. The award ceremony was co-hosted by the Ministry of Health, Labour and Welfare and the Japan Organization for Employment of the Elderly and Persons with Disabilities. The hosts established the award to publicly commend enterprises with programs to actively hire persons with physical disabilities. Toppan has been active in this way for many years. In 1993, for example, the Company set up Tokyo Metropolitan Prepress Toppan Co., Ltd., a third sector entity jointly formed with the Tokyo Metropolitan and Itabashi Ward governments, to employ persons with physical disabilities. Toppan's efforts to employ persons with physical disabilities have enabled the Company to continuously attain the legal employment rate, an achievement which has been highly evaluated. Toppan provides a barrier-free working environment designed in consideration of employees and visitors. It has also created a friendlier environment by offering activities such as sign-language courses and health counseling, as well as stringent measures for safety control and worksite evacuation.

Toppan Awarded the Medal with Dark Blue Ribbon in Recognition of its Support Activities for Areas Affected by the Niigata Chuetsu Earthquake

Toppan has been awarded the Medal with Dark Blue Ribbon from the Cabinet Office for its support activities for the area affected by the Niigata Chuetsu earthquake, which occurred in October 2004. The Medal with Dark Blue Ribbon is awarded to individuals and organizations that contribute their personal fortunes to causes for the public welfare. Nine individuals and 57 organizations were awarded the medal this year. Toppan was recognized for its monetary donation to the victims of the Niigata Chuetsu earthquake. As an added measure, some of Toppan's employees voluntarily formed the Toppan Printing Niigata Chuetsu Earthquake Victim Support Society to collect in-house contributions from operational sites around the country for donation to the quake-affected areas. The Toppan Group received a letter of appreciation from the governor of Niigata Prefecture. Toppan continues to organize social action programs in the hopes that the area affected will recover as soon as possible.



Bestowal of the Medal with Dark Blue Ribbon (above) and the certificate conferred (left)

Topic 03

Test Operation of System for Receiving Emergency Earthquake Reports

In October 2005, Sendai Plant in Sendai, Miyagi Prefecture, introduced a system for receiving emergency earthquake reports. Trial runs of the system were conducted to evaluate items such as the transmission speeds and accuracy of the information conveyed. Based on emergency earthquake reports preliminarily issued by the Meteorological Agency and received on satellite dish, engineers at the Sendai Plant estimated the earthquake intensities and the time intervals between the onset of preliminary tremors and the main quakes. When an earthquake with a seismic intensity of five or more is estimated, an audio message is automatically broadcast in the plant and the employees take emergency procedures to secure safety, such as halting dangerous work and evacuating areas with foreseeable risks such as falling objects. Large quakes can cause breakdowns if they strike when machinery is in operation. Precautionary actions will ensure that operations can return online sooner with less labor and at a reduced cost. Toppan will study the deployment of this system in its plants nationwide in the future.



The satellite dish to receive emergency earthquake reports (above) and the receiving system (below)

Topic
04

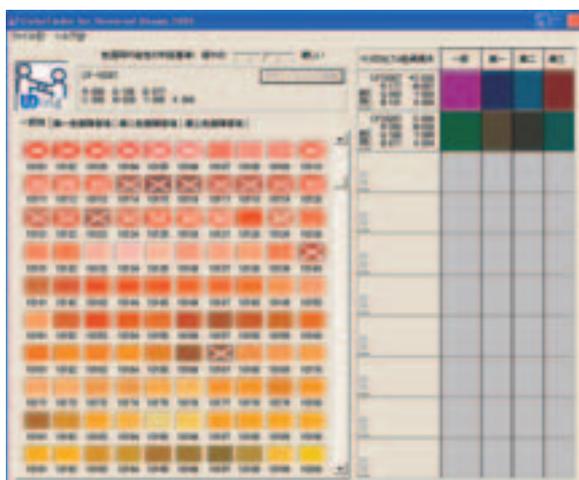
Promotion of Chromatic Universal Design

Topic
05

Toyo Ink Mfg. Co., Ltd., a Toppan Group company, has been developing and promoting technologies for chromatic universal design.

In 2004, Toyo Ink collaborated with Shigeki Nakauchi, an associate professor from the Department of Information and Computer Science at Toyohashi University of Technology, to develop a

technology to correct color designs automatically. People with defects in color perception can distinguish colors more easily with the use of this technology. Toyo Ink is now using this technology in the Color Finder for Universal Design, a design application to create color designs more efficiently for people with poor recognition of colors in designs. This software alerts local governments and manufacturers to the specialized needs of persons with impairments in color perception. It may lead to the establishment of chromatic universal design in society.



The CFUD tool finds colors that can be easily distinguished by people with defects in color perception.

On Measures Taken on Soil and Groundwater Pollution

In October 2005, redevelopment work was completed for the soil and groundwater pollution at the vacant premises of the former Fukuoka No. 1 Plant in Koga, Fukuoka Prefecture. The groundwater has been monitored eight times over two years to confirm the effects of the work. No problem was found in any of the measurements taken up to June 2006, when the third round of inspections was conducted. Toppan reports all of the measured values to the prefectural government. In a voluntary investigation at the Asaka area in Niiza, Saitama Prefec-

ture, 0.063 mg/l (environmental standard of 0.03 mg/l) of a VOC (trichloroethylene) was detected from one investigation well. A soil investigation around the well shortly afterwards revealed no soil contamination within the premises. A subsequent groundwater investigation in the surrounding area (outside the premises) by the prefectural government confirmed that all of the measurements fell within the reference values. The Company is now monitoring the groundwater under government direction.

Topic
06

Participation in the National Festival for the Junior Eco-Club

About 80,000 elementary school and junior high school students engage in environmental activities organized by the Junior Eco-Club, the brainchild of the Ministry of the Environment. Toppan sponsored the National Festival for the Junior Eco-Club at Nishino Park in Kameyama, Mie Prefecture, on March 25 and 26, 2006. The event served as an excellent occasion to exhibit Toppan's environmentally-friendly household products, mainly those designed for the Living Environment Field. Toppan also hosted two "Let's Make..." workshops at the festival—"Let's make fiber from PET bottles" and "Let's make postcards from Cartocans."



Topic
07

Events using household materials such as Cartocans and PET bottles

Investigation and Measures Taken on Blasted Asbestos for Buildings

Topic
08

A new set of Asbestos Damage Prevention Regulations took effect in July 2005. The regulations require enterprises and persons handling asbestos to understand how products containing asbestos are used. They also must endeavor to replace existing asbestos with substitutes and remove blasted asbestos, a possible cause of drift hazard. Toppan responded by inspecting the use of asbestos in all 917 of its facilities—plants, sales offices, warehouses, dormitories, and recreation facilities from

August 2005. As a result, 43 facilities were identified as sites requiring new measures for asbestos control. The measures have now been taken at 42 of the facilities and the whole task will be completed by March 2007. Meanwhile, air quality measurements were conducted at 19 facilities where asbestos was adequately covered and no risk of drift hazard was detected. The result was 0.5f/l, confirming the absence of health hazards.

Business Outline

Toppan has developed its activities through the integrated strength of the Group in five fields of business: Information & Networks, Living Environment, Electronics, Personal Service, and Next-generation Products. Toppan's activities in all of these fields have been expanded with printing technology at the core.

Corporate Profile

Corporate name	Toppan Printing Co., Ltd.
Head office	1, Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-0024 Japan Phone +81-3-3835-5111
Established	January 17, 1900
President & CEO	Naoki Adachi
Number of employees (Nonconsolidated)	10,582 (end of March 2006)
Number of employees (Consolidated)	35,954 (end of March 2006)
Capital (Nonconsolidated)	104.9 billion yen

Group Profile

The Toppan Group comprises Toppan Printing Co., Ltd. and 171 related companies (149 subsidiaries and 22 affiliates) engaged in manifold businesses in three main fields: Information & Networks, Living Environment, and Electronics.

On the opposite page you will find an outline of the positioning of Toppan and its affiliated companies in these fields.

Fields of Business



● Mapion, Internet-based map information service



● Securities and Cards



● Commercial Printing



● Publications Printing

Personal Service

Providing valuable information, products, and services to individual users by leveraging our information technologies, digital and security technologies, and marketing skills.

Information & Networks

Supporting the businesses of customers via the processing, management, and operation of diverse content and the creation of new value with information.

Electronics

Providing high-performance parts and electronics products and services in the fields of semiconductors and displays.



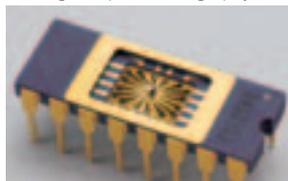
● Electronics



● Optronics

Next-generation Products

Developing and providing high-performance industrial materials for markets with large growth potential, based on technologies such as coating and photo-lithography.



● Hydrogen sensor

Living Environment

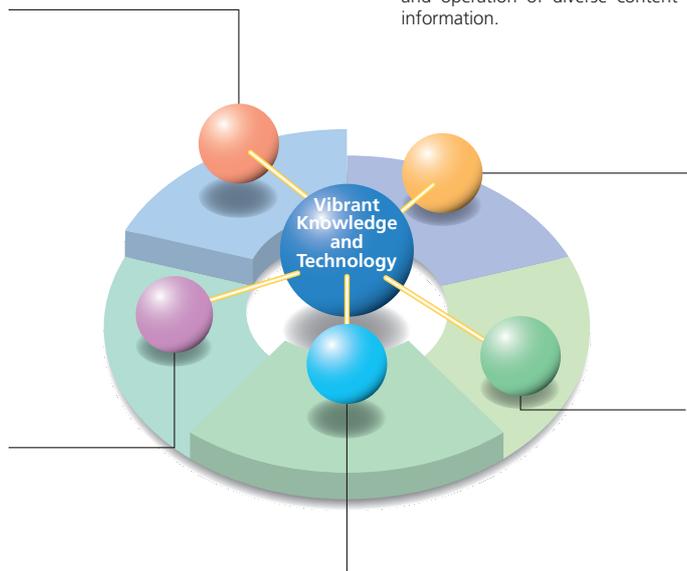
Providing products and services that contribute to comfortable lifestyles while meeting the needs of both individuals and society from environmental and other standpoints.



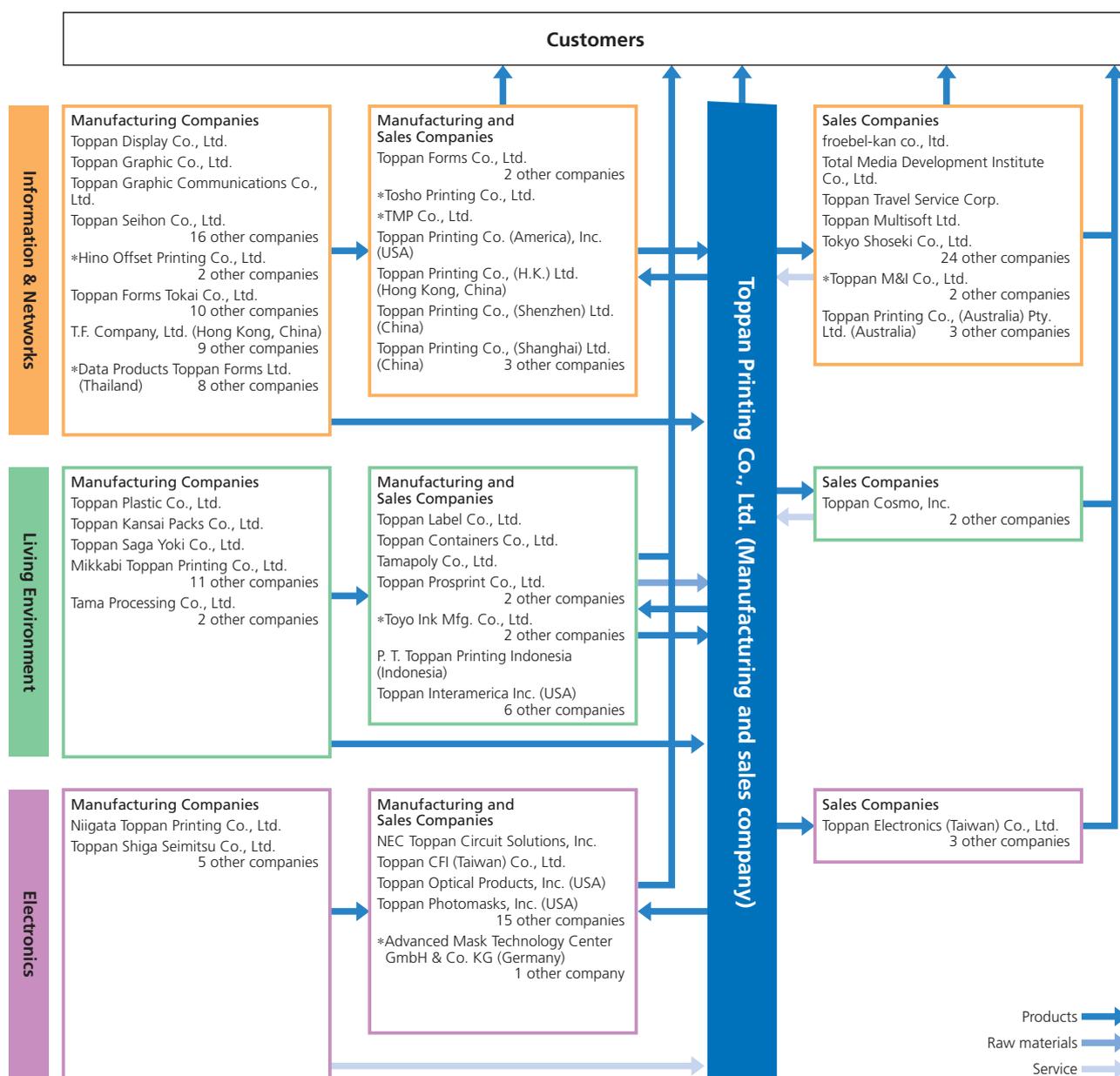
● Packaging



● Industrial Materials



Toppan Group Structure



Notes:

- No symbol: subsidiary—149 companies; (asterisk): affiliated companies—22 companies (end of March 2006)
- While Toppan Group's business activities are divided into five fields, three segments are adopted on the basis of the current size of the business and other factors.
- Among Toppan's subsidiaries, Toppan Forms Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange.

■ Main Changes to Operating Companies

- The Industrial Materials Division of Toppan Printing Co., Ltd. merged with Toppan Cosmo, Inc. and became a manufacturing and sales company on July 1, 2005.
- Dupont Photomasks (U.S.) became a wholly owned subsidiary on April 23, 2005.
- Tokyo Magnetic Printing Co., Ltd. changed its name to TMP Co., Ltd. on September 1, 2005.
- Bitway, a digital content distribution service, was spun off into a separate company, Bitway Co., Ltd., on October 3, 2005.

■ Scope of the Report

This report is principally concerned with the social and environmental activities carried out by Toppan Printing Co., Ltd. and the organizations included in the scope of Toppan's consolidated accounting. The report mainly covers the activities carried out in fiscal 2005 (April 2005 to March 2006), but it also presents supplementary information on activities undertaken during fiscal 2004 or before and activities scheduled for fiscal 2006 or after. Most data on personnel in this report covers the personnel of Toppan Printing Co., Ltd. only. The scope of the environmental performance data and environmental accounting is determined based on the importance of each subsidiary in the field of environmental conservation. (Including Toppan Forms Co., Ltd., Toppan Cosmo, Inc., Toppan Prosprint Co., Ltd., Toppan Containers Co., Ltd., Toppan Label Co., Ltd., Toppan Logistics Co., Ltd., and Tamapoly Co., Ltd.) The scope of EMS encompasses 58 domestic sites and 13 overseas sites.

Outline of Consolidated Operating Performance

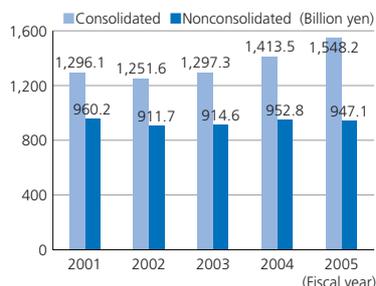
The Japanese economy recovered steadily in 2005, buoyed by improved corporate earnings and growth in capital investment and individual consumption. Domestic advertisement expenses recovered and business for electronic devices such as semiconductors and displays remained outstanding, though the total

value of shipments for the printing industry declined for the eighth year in a row due to elevated material cost caused by rising crude oil prices.

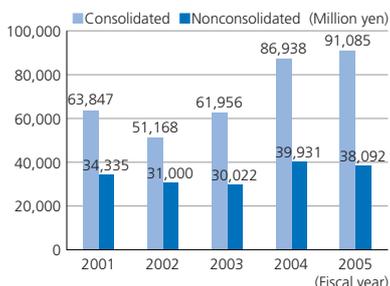
Under these circumstances, the Toppan Group aggressively promoted demand-creative sales activities and ongoing cost-reduction measures with the full integrated strength of the Group, based on the Corporate Philosophy established in *TOPPAN VISION 21*.

Consequently, consolidated sales increased 9.5% from the previous year to 1,548.2 billion yen in fiscal 2005. Operating income increased 4.8% to 91 billion yen, net income, meanwhile, stood at 15.1 billion yen.

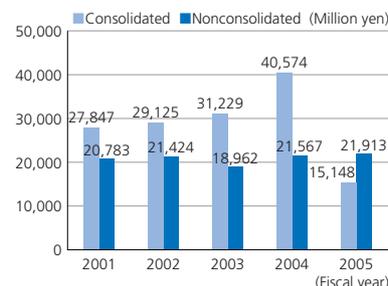
Sales



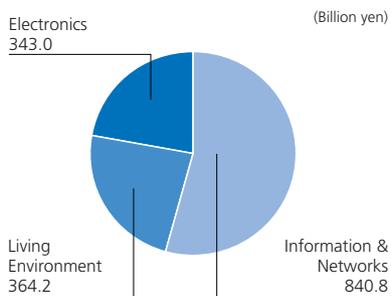
Operating Income



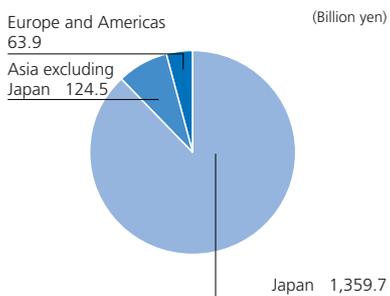
Net Income



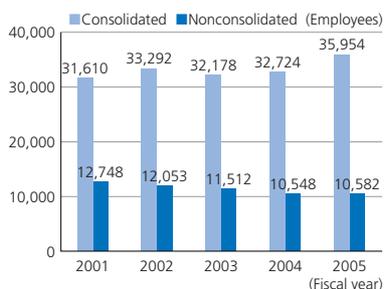
Sales by Segment (consolidated)



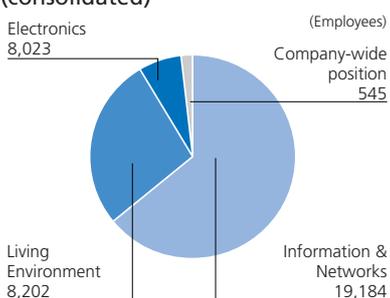
Sales by Area (consolidated)



Number of Employees



Number of Employees by Segment (consolidated)



Note: In "Sales by Segment (consolidated)," sales are divided into three segments on the basis of the size of the business and other factors.

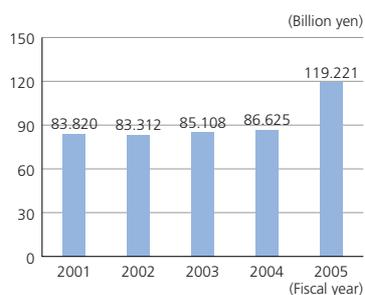
Key Financial Data (consolidated)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Sales (million yen)	1,296,195	1,251,605	1,297,357	1,413,580	1,548,208
Operating income (million yen)	63,847	51,168	61,956	86,938	91,085
Net income (million yen)	27,847	29,125	31,229	40,574	15,148
Total assets (million yen)	1,354,999	1,317,454	1,461,305	1,483,477	1,727,636
Shareholders' equity (million yen)	707,489	715,438	740,481	768,245	803,678
Interest bearing debt (million yen)	144,265	136,294	239,209	205,008	304,736
Capital expenditures (million yen)	83,820	83,312	85,108	86,625	119,221
R&D expenses (million yen)	19,144	20,252	21,302	22,255	27,593
Corporate, residential & enterprise taxes (million yen)	27,422	24,872	24,918	22,154	34,073
Share price—high (yen)	1,410	1,437	1,396	1,380	1,648
Share price—low (yen)	944	732	690	1,002	1,050
Net income per share (Basic) (yen)	40.84	42.29	45.57	60.09	22.13
Net income per share (Diluted) (yen)	40.27	41.77	44.86	59.94	22.02
Shareholders' equity per share (yen)	1,037.62	1,053.22	1,104.62	1,154.21	1,216.04
Dividends per share (yen)	16.00	16.00	17.00	19.00	20.00
Return on assets (ROA; %)	2.0	2.2	2.2	2.8	0.9
Return on equity (ROE; %)	3.9	4.1	4.3	5.4	1.9
Cash and cash equivalents at end of period (million yen)	141,179	107,214	202,149	168,804	206,974
Number of employees	31,610	33,292	32,178	32,724	35,954

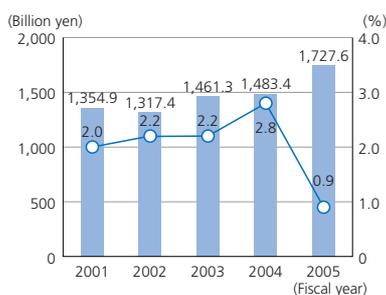
Notes:

- Sales do not include consumption taxes.
- The number of employees is indicated as the "Number of staff on payroll."
- From the start of fiscal 2002 the Company has adopted "Accounting standards related to treasury stock and the use of legal reserves."
- From the start of fiscal 2002 the Company has adopted the "Accounting standards related to net earnings per share" and "Guidelines on accounting standards related to net earnings per share" in calculating net assets per share, net income per share (basic), and net income per share (diluted).
- From the start of fiscal 2004 the Company has adopted "Accounting standards related to the impairment of fixed assets" and "Guidelines on accounting standards related to the impairment of fixed assets."
- High and low share prices are prices on the first section of the Tokyo Stock Exchange. For more detailed data, please see the IR pages of the Toppan website.

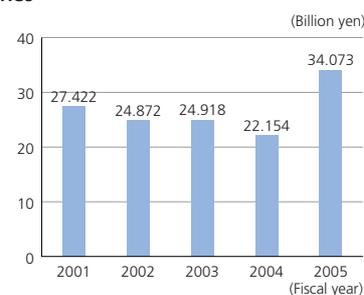
Capital Expenditures



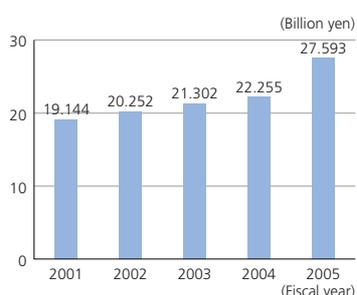
Total Assets & Return on Assets (ROA)



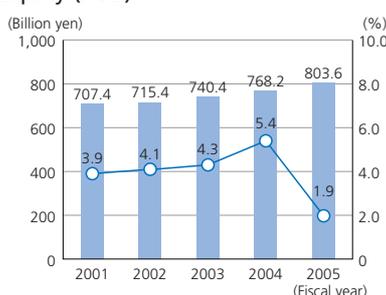
Corporate, Residential & Enterprise Taxes



R&D Expenses



Shareholders' Equity & Return on Equity (ROE)



Toppan's Social Responsibilities

Toppan has been contributing to the development of society with a focus on printing since the Company's foundation in 1900. Toppan devotes itself to comprehensive CSR activities based on *TOPPAN VISION 21*, the Group vision for the 21st century.

Toppan's History and Social Responsibility

Toppan was founded in 1900 by a group of printing engineers from the former Finance Ministry who wished to build an industry around the most advanced printing plate technology of the day, the Erhört Letterpress. Europeans flocked to the International Paris Exhibition the very same year. Japan was steadily building up its modern industries in the aftermath of the Meiji Restoration.

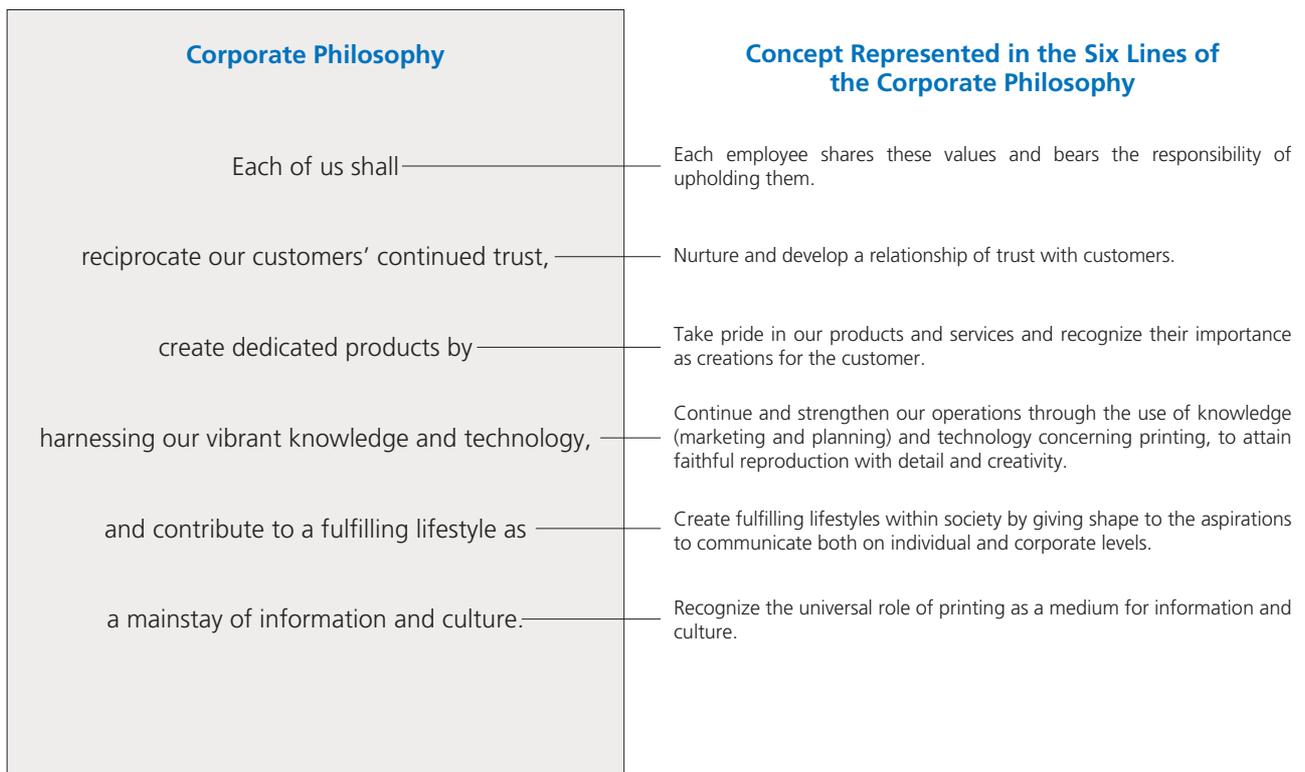
The printing industry contributed to society in three main areas at this time: 1) printing of banknotes, bonds and securities, important instruments for the establishment of modern capitalism; 2) the publication of newspapers, the medium for public discussion on the progress of civilization; and 3) the publication of

translations, novels, and magazines to enlighten the public and encourage the establishment of the modern state.

Toppan was established in this era and has spent the last century widely expanding and playing important roles in all of its business fields with printing technology at its core. The Company has advanced the information culture of the nation by printing and disseminating sundry information in books, magazines, pamphlets, calendars, food packages, wallpaper, and countless other goods and materials ubiquitous in daily life. More recently, in the field of Electronics, Toppan has also been helping to improve quality of life for the public by producing photomasks and color filters.

Toppan has fulfilled its social responsibilities through the business activities it has engaged in since its foundation.

As Toppan ventures into the future, it created *TOPPAN VISION 21* as a foundation for its CSR in the 21st century in 2000, the centennial anniversary of the Company.



Established in June 2000

Toppan's Passion

TOPPAN VISION 21 consists of Toppan's new Corporate Structure and Business Fields. The Corporate Structure, meanwhile, is made up of three elements: Toppan's Corporate Philosophy, Corporate Creed, and Conduct Guidelines. These elements specify the complete system of values and standards of the Toppan Group. By realizing its Corporate Structure, Toppan can fulfill its social responsibilities.

Corporate Philosophy

The Corporate Philosophy is the top-level concept that underpins Toppan's corporate activities and defines its most important values and thinking. Every sentence of the Corporate Philosophy has been wrought with Toppan's passion.

Corporate Creed and Conduct Guidelines

The Corporate Creed expresses the standards that Toppan applies to its activities.

The Conduct Guidelines build on the Corporate Philosophy, elaborate the Corporate Creed, and express the behavioral norms on the basis of every employee's compliance with laws and regulations and corporate ethics in daily work.

Under no circumstances will any member of the Toppan Group engage in an operational activity that infringes the rules of society or poses any risk of environmental or social harm. The Group also understands that any faltering in the development of its operational activities may make it difficult to guarantee a profitable return and benefit for society.

Every employee must closely observe

the Conduct Guidelines if Toppan is to fulfill its social obligations as a corporate citizen.

These Conduct Guidelines must be kept open to review. This is essential for rationally adapting to changes in corporate and social environments. In April 2006 Toppan carried out a second revision to reflect priority management themes and to change the language used to subjective expressions.

Corporate Creed

To build our customers' trust through sincerity, enthusiasm, and creativity in all our corporate endeavors.

To strive for total innovation from a global perspective by conducting marketing and technological development rich in originality.

To conduct fair and open business operations while acknowledging our social responsibilities and aspiring for harmony with our global environment.

To create a positive working environment by maximizing our individual talents and strengths as a team.

To enhance our corporate standing and promote the continual development of the Toppan Group through the exploration of new possibilities.

Established in June 2000

Conduct Guidelines

Chapter 1

Basic Principles

1. Respecting basic human rights
2. Maintaining public order and standards of decency
3. Complying with laws and ethics
4. Conducting fair business operations
5. Striving to improve quality
6. Appropriate management and disclosure of information
7. Environmental and safety considerations

Chapter 2

Specific Conduct Guidelines

- Section 1: Building customer trust
- Section 2: Reforming operations
- Section 3: Fulfilling corporate responsibilities
- Section 4: Creating a positive work environment
- Section 5: Developing the Toppan Group

Established in June 2000; revised in April 2006
For more detailed information on the Conduct Guidelines, please see P.81.

Toppan's Relationships with Stakeholders

Toppan can only succeed in its businesses and stay viable as a corporation through strong ties to various stakeholders. The Company has defined five categories of stakeholders vital for its business activities: customers, business partners, communities, employees, and shareholders/investors. Toppan recognizes the great importance of maintaining good communications with stakeholders and building closer relationships of trust to enable continuous development.

Companies Toppan deals with directly in business are not the only customers Toppan serves. End users are also customers. By listening to the ideas of cus-

tomers and employees, Toppan can study the potential of those ideas and work to realize them one by one. Through this approach, Toppan opens up new worlds of possibility to surprise and delight society.

Communication with Stakeholders

Toppan's CSR activities have been promoted through dialogues with stakeholders. Toppan invited five key figures representative of stakeholders to participate in "What We Expect from Toppan's CSR," a roundtable discussion held to collect valuable opinions on CSR activities in 2004. Since 2005, another expert in the CSR field has participated in internal meetings to offer guidance on setting new tasks and other forms of planning.

Toppan will shape its CSR activities in 2006 based on stakeholder advice to sustain effective and constant dialogue with stakeholders. This will be the first step for introducing stakeholder engagement into the Toppan CSR management cycle.

Toppan's Relationship with Stakeholders and Tools for Communication

●For All Stakeholders

Corporate Guide
CSR Report
Various guides for individual divisions
Financial statements
Quarterly business reports
Website, etc.

●For Shareholders and Investors

Shareholders and investors expect and need a complete and accurate understanding of Toppan's activities. Toppan understands this and goes to great lengths to disclose its corporate information and explain its activities promptly and appropriately. By developing its business and increasing its corporate value, Toppan aims to be appreciated by shareholders and society alike.
Shareholder newsletter Toppan Story
Business reports
Annual Report, etc.

●For Employees

Toppan's employees are by far the single largest resource for its business. The Company never stops searching for ways to create a lively, energizing workplace and cultivate the individual abilities of its employees. It does so out of respect for them and as an expression of gratitude for their contributions.
Internal newsletter CONVEX
Overseas internal newsletter Interlink
Pamphlets on welfare benefits, etc.

●For Customers

Toppan's customers are not just the enterprises with which Toppan does business. Directly or indirectly, Toppan serves just about every person in society. The Company strives to merit the trust of its customers by satisfying their requirements, staying attuned to the latest changes in the environment, and adapting to the trends of the times with sincerity, enthusiasm, and creativity.
Various reports on business operations
Various brochures on products
Various newsletters, etc.

●For Business Partners

Another crucial element in strong customer trust is a steady relationship of trust and cooperation with the suppliers that provide the raw materials, the plants that manufacture products in tie-ups with Toppan, and the other companies with which Toppan does business. Toppan is building a system to foster good trading relationships by conducting business on an equal footing with its partners in a fair and open manner.
Procurement guidelines on the Toppan website, etc.

●For Communities

The business conducted by Toppan affects local communities and the global environment in many ways. Toppan strives to conserve the environment, win the trust of communities and benefit society as a corporate citizen.
Plant guides
Operational site reporting
Annually report Printing Museum, etc.



Basic Concept of CSR

To earn stakeholders' trust and improve brand value, the Company should recognize its social responsibilities and fulfill them sincerely. The objective of Toppan's CSR is to secure a sustainable business and create new added value in business by resolving social challenges and needs through CSR activities. The Company spares no effort to operate as a trustworthy corporate citizen in perpetual growth.

The business activities under the Corporate Philosophy, Corporate Creed, and Conduct Guidelines result in the fulfillment of social responsibilities. In keeping with the concept of triple bottom lines—the balanced development of the economy, society, and the environment—

Toppan defines its priority themes as a guiding framework for its CSR activities.

Six Priority Themes

To proceed with more effective and involved CSR activities to fulfill social responsibilities, Toppan has set out six priority themes of focus.

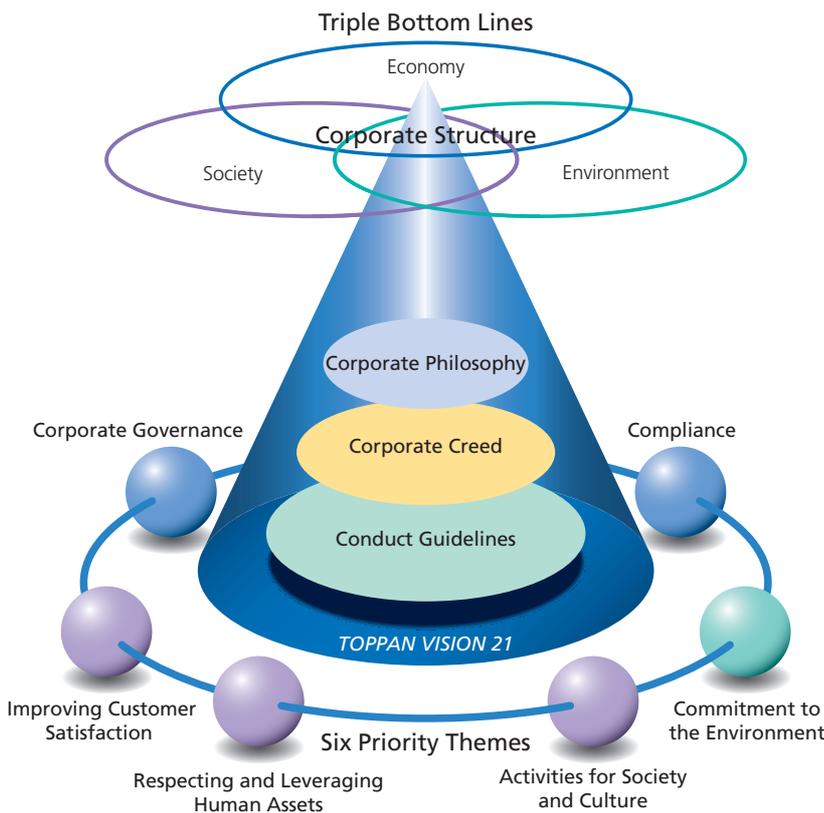
The CSR activities have been carried out according to the action points and goals for each priority theme. Each point and goal is reviewed yearly to assess the level of achievement.

System for Promoting CSR

To promote CSR on a wider scale, the President & CEO and Executive Vice-president in charge of CSR are leading a move to develop activities through col-

laboration with the relevant management departments of the head office and the Compliance Department of the Legal Affairs Division, the department undertaking administrative operation. These parties regularly convene a CSR promotion meeting to assess the progress of each action point and discuss ways to resolve related problems and challenges.

Relationship between Six Priority Themes and the Company



Toppan's CSR Promotion System



Review of CSR Activities and New Initiatives

Toppan carries out various CSR activities based on the action points established for each of the six priority themes and then reviews them annually. The following two pages summarize the main activities and achievements in fiscal 2005 and issues and targets for fiscal 2006 and beyond.

Results of Fiscal 2005 and Future Issues and Targets

Priority Themes	Action Points in Fiscal 2005	Main Activities and Achievements in Fiscal 2005	Self-evaluation
Corporate Governance	Strengthening audit and control functions	<ul style="list-style-type: none"> Follow-up audits in 10 operational sites to confirm their compliance with laws and in-house regulations Comprehensive audits in 3 divisions and 9 domestic/overseas subsidiaries Operation audits for manufacturing departments in 3 divisions 	A
	Improve risk management system	<ul style="list-style-type: none"> Reconfirmation of information flow to streamline and quicken communication for the emergency initial response mechanism Ongoing examination of the basic plan for disaster countermeasures in connection with the business continuation plan 	B
	Increase the transparency of management activities	<ul style="list-style-type: none"> Annual Report in Japanese Disclosure of the annual remuneration of all directors and corporate auditors in the CSR Report 	A
Compliance	Compliance promotion activities	<ul style="list-style-type: none"> The second revision of the Conduct Guidelines 28 training sessions for Conduct Guidelines Promotion Leaders and participation of 206 new Leaders in the correspondence course Delivery of 11 Conduct Guidelines Newsletters through the intranet and awareness-development training for employees 23 training sessions on the revised Antitrust Laws for sales personnel 	A
	Information risk management	<ul style="list-style-type: none"> Acquisition of Privacy Mark certifications by 8 divisions and 10 Group companies Confirmation on the creation of management procedure manuals in all departments that handle personal information Participation of 98% of employees, including those in manufacturing subsidiaries, in e-learning through the intranet 	A
	Strengthening supply chain management	<ul style="list-style-type: none"> Ongoing review of compliance with the ISO 9000-series supplier appraisal and Group-wide procurement policy and supplier selection standards from the viewpoint of CSR procurement Ongoing review of operating procedures for feeding back the results of supplier checkups in connection with supplier selection standards 	B
Improving Customer Satisfaction	Strengthening product quality assurance	<ul style="list-style-type: none"> Guidance and training on quality improvement in 11 plants by 3 experienced in-house consultants conversant with Toppan's proprietary technologies Quality assurance audits for food product packaging and follow-up audits in 19 plants 	A
	Technological development aimed at value creation	<ul style="list-style-type: none"> Cost reduction for resists and improved production efficiency through the installation of coating equipment for large-size color filters Development of chips and devices for tailored medical care—completed and now in testing 	A
	Products and services developed with society in mind	<ul style="list-style-type: none"> Development and commercialization of products based on Toppan's Six Principles on Universal Design Active participation in the International Association for Universal Design, Universal Design Consortium, and similar organizations 	B
Respecting and Leveraging Human Assets	Merit-based personnel policies	<ul style="list-style-type: none"> Revision of the salary and promotion system for managerial staff, with plans for implementation by April 2007 Revision of the retirement allowance system to reflect contributions to the Company more precisely 	B
	Foster, develop, and utilize human assets	<ul style="list-style-type: none"> Human Resources Development Leader Meetings to report present situations and analyze effects by rotation Career development training as follow-up education for new employees, and Career Design Training added to the Toppan Business School curriculum 	A
	Leveraging human assets	<ul style="list-style-type: none"> Formation of 4 all-female teams in 3 divisions to develop businesses that leverage female perspectives and sensitivities Revision of the Senior Reemployment System and creation of new opportunities for 65-year-olds to work based on a recent revision of the Law Concerning Stabilization of Employment of Older Persons 	A
	Realize a safe and secure working environment	<ul style="list-style-type: none"> Launch of project encompassing work-life balance and diversity, and review of related implementation measures Creation of a Mental Health Support Team in the Personnel & Labor Relations Division in the head office and issuance of the Health Enhancement Manifesto 	A
Activities for Society and Culture	Contributing to the traditions and development of culture and sharing impressions	<ul style="list-style-type: none"> 5th anniversary exhibition and summer vacation experience workshops in the Printing Museum, Tokyo Concerts at Toppan Hall and 14 Espoir Special concerts to foster talented youth from overseas 	A
	Tree planting activities	<ul style="list-style-type: none"> Support and participation in tree planting projects 	A
	Activities for contributing to local communities	<ul style="list-style-type: none"> Broad communication with communities through cleanup activities, plant tours, open-houses for local residents at operational sites, events, and so on 	A
Commitment to the Environment		Targets and results for Toppan's environmental commitment shown on P.58	A

Valuation standard: S, Results achieved greatly in excess of targets; A, Targets achieved; B, Activities fully carried out but targets unachieved; C, Activities were insufficient

Action Points in Fiscal 2006	Main Issues and Targets for Fiscal 2006 and Beyond	For Details
Strengthening audit and control functions	<ul style="list-style-type: none"> •Comprehensive audits for divisions and subsidiaries to confirm common issues on a Group-wide basis •Enhancement of audit tools to upgrade quality, speed, and skills •Maintenance of in-house regulations, etc. and creation of a management structure •Management activities with increased transparency 	P.30
Improve risk management system	<ul style="list-style-type: none"> •Risk reexamination, regular risk evaluation, and establishment of risk management rules •Countermeasures against earthquake disasters 	P.32
Compliance promotion activities	<ul style="list-style-type: none"> •Dissemination of revised Conduct Guidelines through briefing sessions •Establishment and dissemination of Conduct Guidelines in subsidiaries •Reelection of Conduct Guidelines Promotion Leaders to increase the number of employees who enroll in Leader training and to improve the ratio of female Leaders •e-learning for the Conduct Guidelines 	P.34
Information risk management	<ul style="list-style-type: none"> •Integration of guidebooks on information security management with guidebooks on personal information management, and education throughout the Company, including manufacturing subsidiaries •Internal audits for the main manufacturing subsidiaries and partner companies by the head office and all divisions •Confirmation on the progress of the internal audits in divisions and audits for each promotional department and office by the head office 	P.36
Strengthening supply chain management	<ul style="list-style-type: none"> •Creation of a Basic Policy of CSR Procurement and the issuance of Requests on CSR Procurement •Installation of hotlines for suppliers and the promotion of CSR procurement 	P.38
Strengthening product quality assurance	<ul style="list-style-type: none"> •Increase of 1 experienced in-house consultant, and thorough guidance and training in 19 plants •Ongoing product quality assurance audits for measures to prevent contamination of foreign matter in food product packaging and food filling plants 	P.42
Technological development aimed at value creation	<ul style="list-style-type: none"> •Commercialization of more products applying electronic paper technology and establishment of elemental technologies responsive to colorization and flexibilization •Evaluation of system effectiveness through test operation of chips and devices for tailored medical care 	P.44
Products and services developed with society in mind	<ul style="list-style-type: none"> •Ongoing examination of development themes based on Toppan's Six Principles on Universal Design •Participation in external organizations such as the International Association for Universal Design, and active information delivery 	P.44
Merit-based personnel policies	<ul style="list-style-type: none"> •Revision and disclosure of the salary and promotion system for managerial staff 	P.46
Foster, develop, and utilize human assets	<ul style="list-style-type: none"> •Reinforced coordination between Company-wide training and divisional/departmental training through the ongoing Human Resources Development Leader Meetings •Education on the promotion of CSR activities through rank-based training •Enhanced understanding of work contents by applicants through internships, summer recruitment, and so on 	P.48
Leveraging human assets	<ul style="list-style-type: none"> •Increased leveraging of female employees through positive action (ratio of females in managerial and supervisory positions: 2.5% as of April 2007) •Reexamination of treatment for experienced employees (response to the continuous employment system and leveraging of middle-aged and elderly employees) 	P.49
Realize a safe and secure working environment	<ul style="list-style-type: none"> •Initiation of labor and management project to enhance its measures to support the development of the next generation •Promotion of action plans towards certification acquirement for the Law for Measures to Supporting the Development of the Next Generation •Cuts in working hours through strengthened organization management, and health guidance for employees who work long hours •Company-wide implementation of mental health enhancement activities (introduction of mental health curriculum in managerial staff training and rank-based training) 	P.50
Contributing to the traditions and development of culture and sharing impressions	<ul style="list-style-type: none"> •Promotion of <i>Kan-kan Gaku-gaku</i> Museum (frank and lively debate on museums), a cooperative project with other corporate museums in Japan •Information and cooperative activities with educational institutions, etc. in and around Bunkyo Ward •33 Toppan hall concerts and ongoing Lunchtime Concerts to foster talented youth 	P.52
Tree planting activities	<ul style="list-style-type: none"> •Ongoing support and participation in tree planting projects 	P.75
Activities for contributing to local communities	<ul style="list-style-type: none"> •Ongoing cleanup activities, plant tours, open-houses for local residents at operational sites, events, and so on 	P.54
Commitment to the environment	Medium- and Long-term Environmental Targets in fiscal 2006 and beyond shown on P.60	P.55-

Corporate Governance

Corporate governance represents the foundation on which Toppan can fulfill its social responsibilities promptly and thoroughly. The Company is enriching corporate governance by reinforcing its auditing and supervising function in business operations, enhancing its risk management system, and improving the transparency of its corporate activities.

Toppan's Corporate Governance

Toppan places top priority on three issues in its corporate management: developing continuously, raising its corporate value, and winning the approval of shareholders, customers, and society as a whole. While the Company is equipped with the Board of Corporate Auditors under the Company Law, it has strengthened the propriety and effectiveness of its governance system by establishing the Management Audit Office, the Compliance Department, and the Ecology Center. Just days after the Company Law went into force in May 2006, the Board of Directors resolved the basic policies for the establishment of an internal control system at Toppan.

Toppan governance is also geared to maximize corporate value of the Group and establish integrated management structures with Group companies based on the Related Company Administration Regulations formulated to promote fair Group management. Capitalizing on the integrated strength of the Group, Toppan aims to provide products and services with growing profitability by lever-

aging the technology and expertise of Group companies while promoting the effective use of production assets.

Directors, the Board of Directors, and Various Meetings

Toppan has 31 directors on its board. Board meetings are held monthly and whenever pressing business requires action or deliberation.

Especially important business matters are examined beforehand in Management Committees made up of directors selected by the President & CEO. The goal is to lay weight on managerial efficiency in business judgment. Directors from the head office and other directors acting as division chiefs come to these meetings to discuss and examine measures and policies directly related to the business from various perspectives.

Corporate Auditors, Board of Corporate Auditors, and Audit Firm

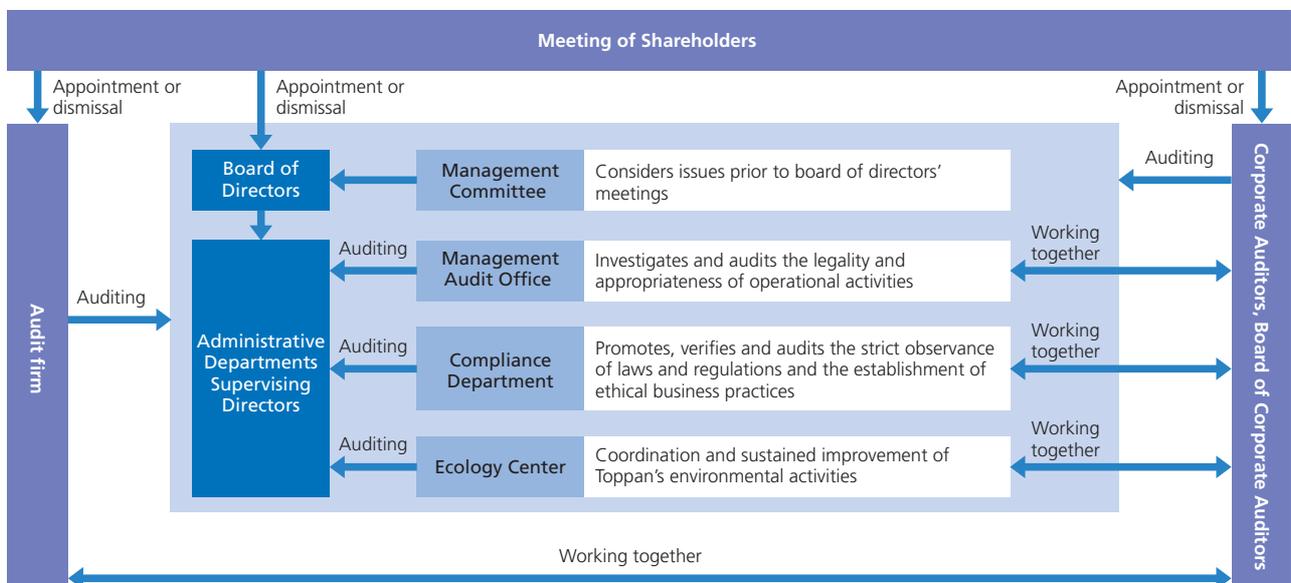
Toppan has adopted a system of corporate auditors. One of the three corporate auditors (as of the end of March 2006) appointed is external. In addition to the six meetings a year for the Board of Corporate Auditors, corporate auditors

attend important meetings of the Board of Directors, meetings of the Management Committee, and management discussions on the environment and other pressing issues. They regularly audit operational sites and affiliated companies from a preventive perspective to ensure the legality of the business activities of the directors and departments. Full compliance with regulations and Company policy is crucial for smooth and appropriate management.

The Board of Corporate Auditors of the Toppan Group also meets on a regular basis to improve the effectiveness of the audits by the corporate auditors on a Group-wide basis.

Toppan's corporate auditors receive advice from KPMG AZSA & Co., an independent auditing firm. KPMG AZSA cooperates with the Company's corporate auditors to verify the propriety of the Company's accounts and enhance the reliability and transparency of financial information.

Toppan's Corporate Governance System



Strengthening Audit and Control Functions

Internal Audits by the Management Audit Office

As a part of corporate governance, Toppan has established the Management Audit Office to handle internal audits for the creation of a firm auditing system to keep track of overall management activities and reduce management risks.

The office remains independent of the operating departments to improve soundness in management through its audits. Its audits to date have included a management audit and operation audits at each operational site and plant. The management audit is conducted to verify and evaluate compliance with business goals, the effectiveness of risk control, and a variety of other management areas with an emphasis on process. The operation audit reviews and confirms the current status of compliance with laws and internal regulations, and mechanisms to prevent improper practices and obstacles to efficiency or accuracy in daily operations. Proposals for improvements are issued when necessary and the audit results are reported to the President &

CEO, each director in charge of relevant departments, and corporate auditors.

In fiscal 2005, as in the year before, the Management Audit Office performed follow-up audits in 10 operational sites to review overall compliance in personal information and information security management, Subcontract Law, personnel administration, safety-, health- and environment-related matters, etc. As a new activity, it also began conducting a comprehensive audit consisting of management audits and operation audits in three divisions and nine domestic/overseas subsidiaries in fiscal 2005. The operation audit covers information systems and manufacturing/production management and quality control methods in three divisions cross-sectionally to press forward with the Company-wide challenge of improving quality and reducing cost.

Toppan will continue to strengthen its auditing functions in fiscal 2006 by establishing a firmer internal control system in compliance with the Company Law.

Auditing and Supervising Functions by the Compliance Department and Ecology Center

The Compliance Department created under the Legal Affairs Division in April 2003 spearheads efforts to ensure compliance with laws and to firmly establish corporate ethics systems throughout the Company. Other department functions include employee education on compliance with Conduct Guidelines and the existing regulations, and internal audits conducted collaboratively with quality assurance departments to improve effectiveness in information security and personal information management in operational sites that have acquired the Privacy Mark certification.

The Ecology Center handles environment-related audits of operational sites. The center requests the sites to submit an Improvement Plan, monitors the progress and effects of the plans, and creates mechanisms to unflinchingly achieve improvement goals. The center now adheres to a stricter set of internal management standards and evaluates compliance with those standards in addition to the various environment-related laws and regulations.

Internal Audits Conducted in Fiscal 2005

Audit Items		Fiscal 2005 Results
Comprehensive Audit (including management audit and operation audit)	Overall audit of business management, operation management and compliance with laws and regulations	3 divisions, 5 domestic subsidiaries, 4 overseas subsidiaries
Management Audit	Follow-up audit of large-scale capital investments	5 businesses
Operation Audit	Audit of manufacturing/production management and quality control Information system audit	3 divisions, 1 department of the head office
Follow-up Audit	Cross-sectional audit of compliance for divisions Cross-sectional audit of procurement management and compliance Information system audit Audit of manufacturing/production management	4 divisions, 6 divisions, 1 department of the head office, 1 domestic subsidiary, 2 divisions



Internal audit of information security



Internal environmental audit

Improve Risk Management System

The Crisis Management Committee created in the head office formulates and promotes a comprehensive risk management system to provide both crisis management and risk management functions via weekly meetings. In building its comprehensive risk management system, Toppan began by systematically identifying the most threatening risks to the Company—the risks that require tight and absolute control when they become actual. As shown in the chart below, Toppan has instituted a systematic risk management framework that allots the responsibility of risk response to specific departments in the head office based on the type of risks involved. Since July 2004, the Company has established an urgent response system for risks requiring a rapid response. Later, in fiscal 2005, it reconfirmed the information flow to improve the efficiency and speed of communication.

In fiscal 2006, Toppan plans to establish and regularize the risk evaluation methods while creating an internal

control system in compliance with the Company Law. Relevant internal rules and management systems, meanwhile, should be prepared and maintained.

Countermeasures against Earthquake Disasters

The system for receiving emergency earthquake reports operated by the Japan Meteorological Agency has been introduced in the Sendai Plant and tested (→P.18). In addition to the regular fire drills, Toppan held a vestibule training session to test whether escape would be possible in the event of a large-scale earthquake in the area of the head office. The Company has decided to continue to review the basic plans for countermeasures against earthquake disasters in connection with the business continuation plans.

Increase the Transparency of Management Activities

Toppan is working to improve the transparency of its management activities. Much of this effort focuses on the active disclosure of information. Toppan has created various communication tools to satisfy the needs of its stakeholders (→P.26). Using these tools, Toppan reliably fulfills its duty of explaining its operations with timely and appropriate information.

Disclosure of IR Information

Under the internal Basic Policy on IR, Toppan has established an exclusive IR website to ensure fairness and transparency in its disclosure of IR information. Toppan has been announcing its financial results quarterly via two channels: its website, and *Toppan Story*, a newsletter for shareholders. Public meetings with institutional investors and analysts are also held to explain the Company's interim and full-year results. All documents distributed at the meetings are posted on the Company's website.

Since fiscal 2005, the annual report has been published in Japanese as well as

Risk to be Managed and Relevant Main Divisions at the Head Office

Risk to be Managed		Division
Accidents involving products/product liability	Accidents or complaints related to products	Corporate Manufacturing, Technology & Research
Accidents or disasters related to company operations	Accidents related to main systems	Business Innovation
	Accidents at the workplace, traffic accidents, other accidents involving employees	Personnel & Labor Relations
	Debt-related incidents	Finance & Accounting
	Legal problems with orders received	Legal Affairs
	Leakage of personal information or internal confidential information	Legal Affairs
	Leakage of personal information or internal confidential information through a computer network	E-business
	Damage to the Company's computer system for customers as a result of cyber terrorism, illegal access, or illegal usage	E-business
	Accidents or disasters related to fires or explosions	Corporate Manufacturing, Technology & Research
Defamation, slander, and other criminal damages	Illegal activity related to the storage of solvents, management of hazardous chemicals, etc.	Corporate Manufacturing, Technology & Research
	Damage to the Company's internal computer system due to cyber terrorism, illegal access, illegal usage, or leakage of personal information or internal confidential information	Business Innovation
Natural disasters	Crimes against the Company (threats, bribery, theft)	Personnel & Labor Relations
Unlawful activities related to external contracts	Material losses or personal accidents sustained by customers or the Company due to earthquakes, wind or water damage, lightning, etc.	Personnel & Labor Relations
Infringement of intellectual property	Violations of Subcontract Law, illegal activity with suppliers	Corporate Planning
Environmental problems	Infringement of patents, trademarks, copyrights	Legal Affairs
	Violations of environmental laws or standards, illegal disposal of industrial waste	Corporate Manufacturing, Technology & Research

in English (earlier annual reports were published in English only).

Remuneration to Directors and Retiring Directors

Remuneration to directors is determined at the Board of Directors by the endorsement of the Meeting of Shareholders, taking into account performance, responsible roles, and the fulfillment of operational targets of each director. The retirement allowance for directors is decided based on internal rules relating to retirement allowances; i.e., the sum total of monthly remuneration at the time of retirement multiplied by the coefficient of the period in office at each rank and on an individually ranked basis. Total annual remuneration to directors: 1,201 million yen (including 8 million yen for an outside director.); total annual remuneration to corporate auditors: 64 million yen (including 16 million yen for outside auditors) in fiscal 2005*.

Overview of Stock and Shareholders

The total number of shares issued was 699,412,481 and the total number of shareholders was 48,407 as of the end of March 2006. Among shareholders, financial institutions, individual and others, overseas corporations, and other corporations make up 42.57%, 21.99%, 20.56%, and 13.49%, respectively. The main shareholders are listed below.

Dividend Policy

Toppan's basic policy on profit distribution is to provide stable dividends to shareholders and to increase dividend payouts while taking into account the dividend payout ratio and aiming to enhance internal reserves through the establishment of a stable revenue base and the strengthening of Toppan's business structure. To improve its corporate value, in addition to allotting internal reserves to capital expenditures and R&D to support expansion in business areas deemed to have growth prospects, the Company also is trying to steadily improve the use of the reserves aimed at

increasing long-term investment efficiency. Toppan recognizes that conducting profit distribution in this manner will lead to a stronger business structure, will contribute to increased profits in the future, and will allow Toppan to return profits to investors.

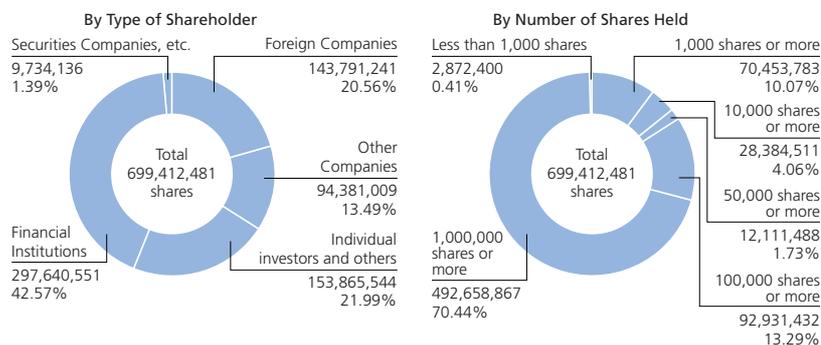
Based on growth in consolidated business results, the annual dividends per share at the end of fiscal 2005 increased 1.0 yen from the previous year to 20.0 yen, with a dividend payout ratio of 61.3%.

*The above-mentioned figures include salaries and bonus payments for directors also listed as staff members. Apart from the above-mentioned figures, the company also paid 185 million yen as retirement allowances to three retiring directors in line with decisions made at the Meeting of Shareholders.

Basic Policy on IR

1. Information Disclosure Standards
Toppan discloses all information required under the Rules on Timely Disclosure established by the Tokyo Stock Exchange. It also uses its website in a positive and fair manner to disclose useful information not required by the rules, in order to help shareholders and investors fully understand the Company.
2. Information Disclosure Methods
Information applicable to the Rules on Timely Disclosure is disclosed on the Timely Disclosure network (TDnet) provided by Tokyo Stock Exchange under the rules. Information disclosed on TDnet is posted on the Company's website as soon as possible.
In addition, the Company's website does not include all of information disclosed by the Company; may include different expressions from those in other sources.

Stock Ownership Profile



Name	Number of Shares Held (1,000 shares)	Percentage of Total Number of Share Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	44,481	6.36
Japan Trustee Service Bank, Ltd. (Trust Account)	36,203	5.18
Nippon Life Insurance Company	29,648	4.24
The Dai-ichi Mutual Life Insurance Company	24,750	3.54
Depository Nominees Inc.	16,963	2.43
The Bank of Tokyo-Mitsubishi UFJ	15,628	2.23
Sumitomo Mitsui Banking Corporation	15,628	2.23
Employees' Stock Club	13,247	1.89
Kodansha Ltd.	13,077	1.87
The Sumitomo Trust & Banking Co., Ltd. (Trust Account B)	12,983	1.86

Compliance Promotion Activities

For a company to fulfill its social responsibilities, every one of its employees must fully comply with the laws and corporate ethics in all business areas. Toppan is involved in Group-wide efforts to thoroughly implement its corporate ethics guidelines, the Conduct Guidelines.

Toppan's Conduct Guidelines

In *TOPPAN VISION 21*, a Corporate Structure for the 21st century, Toppan has established a set of Conduct Guidelines with a Corporate Philosophy and Corporate Creed. It expresses the behavioral norms on the basis of every employee's compliance with laws, regulations, and corporate ethics (→P.81).

Revision of Conduct Guidelines

Toppan's Conduct Guidelines have been annually reviewed according to the view that employees' behavioral norms should be revised as needed to accommodate the various changes in the environment surrounding the Company. The first revision was implemented in July 2003. The second was implemented in April 2006 to more precisely respond to the various issues caused by spread and change of business activities. Briefing sessions have been held across the country since then to deepen the understanding of the revised points and the purpose of the revision among the Toppan workforce.

Dissemination and Full Execution of Conduct Guidelines

Conduct Guidelines Promotion Leaders

To further its efforts to establish a compliance system and corporate ethics through the full execution of Conduct Guidelines in daily operations, in October 2004 Toppan created a Conduct Guidelines Promotion Leader system by appointing members of the workforce to lead the Company's activities to promote the Conduct Guidelines. Under this system, Conduct Guidelines Promotion Supervisors (the "Supervisors") and Leaders (the "Leaders") have been deployed in each Group company and operational site to promote the Conduct Guidelines in actual working sites. Of some 690 Leaders now operating across Japan, 206 were newly appointed in fiscal 2005.

Dissemination of Conduct Guidelines

The Leaders promoting the Conduct Guidelines have orchestrated persistent and steady dissemination activities tailored to the actual situations in various

workplaces such as number of employees, and environment/timing to hold meetings.

In October 2005, one year after establishment of the system, the Supervisors promoting the Conduct Guidelines convened for a national meeting to share and discuss the various outstanding activities at the workplaces in and around the operational sites.

Use of the Casebook

To enhance understanding and further spread of the Conduct Guidelines, Toppan published the *Conduct Guidelines Casebook*, a Q&A style casebook reporting actual situations that can arise in daily work. The casebook was published in November 2004 and distributed to all Leaders promoting the Conduct Guidelines. To provide a clear image of the contents of the Conduct Guidelines, the Leaders read through the cases pertinent to the actual operations at their workplaces. A revised casebook with more cases will be distributed to all employees in fiscal 2006 to deepen their understanding of the Conduct Guidelines.

Revision History and Outline of Conduct Guidelines

June 2000 Established

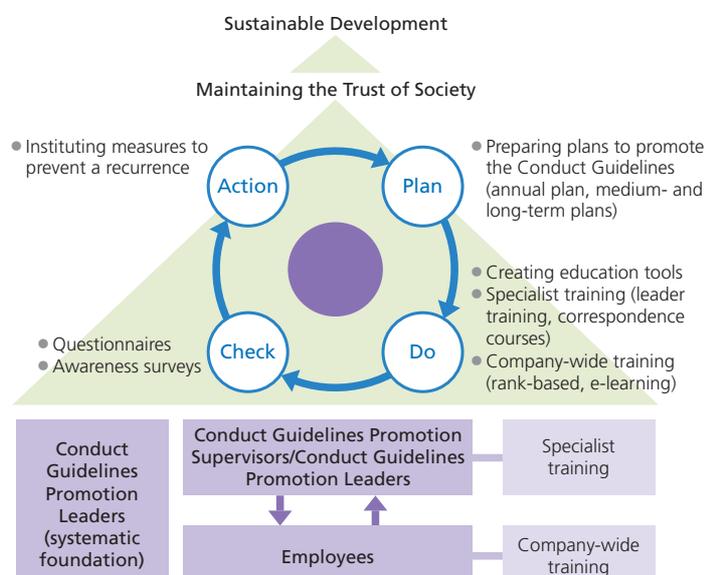
July 2003 First Revision

- New items added to further promote compliance management
- Some phrases modified to ensure its consistency with the Corporate Philosophy and Corporate Creed

April 2006 Second Revision

- Priority themes reflected in
 - 1) CSR promotion
 - 2) Total quality assurance
 - 3) Personal information protection
 - 4) Response to globalization
- Unified modification to more subjective expressions
- Re-announcement of the Toppan Helpline

Summary of Activities to Promote the Conduct Guidelines



Operation of Helpline

Since August 2003, Toppan has been operating Toppan Internal Reporting Rules and Toppan Helpline, an internal reporting system. This Toppan Helpline opens for use by temporary staff and part-time workers as well as directors and employees.

When a legal violation or injustice is discovered, it is to be reported to superiors for deliberation. When an employee's superiors fail to settle a problem, they are encouraged to call the Helpline. The Whistleblower Protection Act effective as of April 2006 guarantees the rights of all persons who judge it necessary to use the Helpline.

In fiscal 2005, the Helpline was used in four cases regarding personnel administration, sales promotion policy, business sales, and charges from a partner company. All four cases were strictly investigated and appropriately treated to prevent recurrence.

Compliance Education

Compliance Training

Training to promote the Conduct Guidelines was held for 578 Leaders in 28 sessions held across Japan from December 2004 to March 2005. Time was devoted in the latter half of each four- to six-hour session to discuss case methods among small groups of participants and to share processes for problem detection and settlement. Following the previous year, correspondence courses were held for the Leaders newly appointed to promote the Conduct Guidelines. Two-hundred and six Leaders had attended as of March 2006.

Toppan also organized Company-wide training to disseminate the Conduct Guidelines at rank-based training sessions for new employees, new supervisors, and new managerial staff in fiscal 2005.

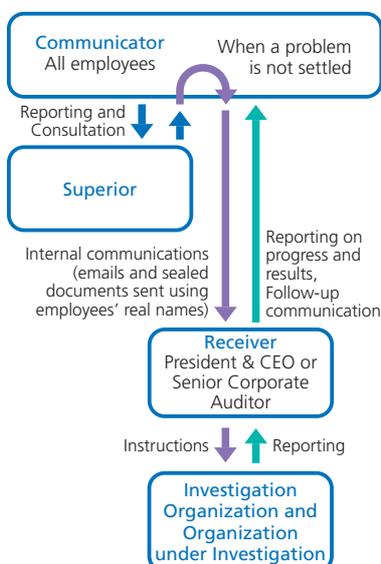
To boost awareness of the Conduct Guidelines, the *Conduct Guidelines Newsletters* has been distributed among the workforce via the Company intranet about once a month since April 2005. The next e-learning session on the Conduct Guidelines will be conducted in

fiscal 2006. The session this year was cancelled due to the recent revision of the Conduct Guidelines.

Education on Compliance with Laws and Regulations/Dissemination of Conduct Guidelines in Overseas Sites

In response to the enforcement of the revised Antitrust Laws in January 2006, Toppan held 23 training sessions across the country for 3,154 employees in the sales, planning, sales promotion, purchasing, and production management departments to educate the workforce on the basics of the Conduct Guidelines, the meaning of the recent revisions, and the points revised. Education on the revisions of the law and other important issues is provided as needed. Toppan is also pressing ahead with its efforts to boost awareness of fundamental human rights and to spread the revised Conduct Guidelines in its overseas sites.

Toppan Helpline



Training for the Conduct Guidelines Promotion Leaders



Conduct Guidelines Casebook

Themes of Conduct Guidelines Newsletter

- Vol. 1 Billing fraud
- Vol. 2 Bid rigging
- Vol. 3 Compliance with the Subcontract Law
- Vol. 4 Information management
- Vol. 5 Month for the promotion of corporate ethics
- Vol. 6 Copyrights
- Vol. 7 False declaration
- Vol. 8 Revised Antitrust Laws
- Vol. 9 Conduct Guidelines Promotion Leaders
- Vol. 10 Portable tool for information management
- Vol. 11 Revision of Conduct Guidelines

Information Risk Management

Toppan has established an Information Management Policy and Rules on the Protection of Personal Information. As important tasks to be performed, the Company ensures that all of its employees manage information properly and take due measures. The handling of information is carefully treated to avoid accidents in every business operating process.

Company-wide Acquisition of the Privacy Mark Certification

The fiscal 2005's goal was successfully accomplished: eight divisions and 10 affiliated companies (two operational sites in one of the companies) have acquired Privacy Mark certifications through Company-wide promotion activities. Since the Securities Printing Division obtained the first certification in the industry back in March 2000, Toppan has established an information management system in line with the actual situation at each department. Organizational, personal, physical, and technical safety management have also been promoted in accordance with guidelines established by Ministry of Economy, Trade and Industry. All of these efforts are reported to customers in a brochure published for disclosure purposes.

Lastly, a Company-wide Plan, Do, Check, Action (PDCA) cycle has been in motion since April 2006 with the target of integrating all of the acquired Privacy Mark certifications into a single certification for the entire Group.

Divisions Granted the Privacy Mark Certification

Division	Certification Number
Securities Printing Division	A190005 (04)
Commercial Printing Division	A190018 (03)
Nishinohon Division	A190100 (01)
Chubu Division	A190171 (01)
Hokkaido Division	A190212 (01)
Information & Publications Division	A190255 (01)
Packaging Division	A190268 (01)
Electronics Division	A190281 (01)
E-business Division	A190294 (01)
Head office	A190366 (01)
Tohoku Division	A190383 (01)

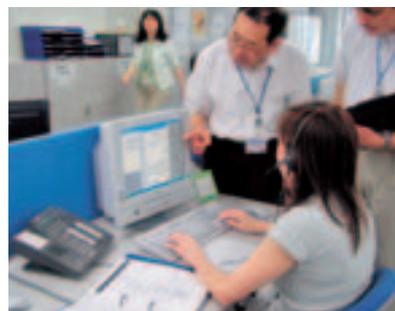
Affiliated companies newly granted the Privacy Mark Certification in fiscal 2005: Tokyo Computer Type Co., Ltd., Toppan Graphic Communications Co., Ltd., Toppan Seihon Co., Ltd., Toppan Display Co., Ltd., Tosho Printing Co., Ltd., Toppan Multisoft Ltd., Information Systems Division and Higashi-Nihon Business Division of Toppan Forms Co., Ltd., Toppan Forms Nishinohon Co., Ltd., Toppan Forms (HOKKAIDO) Co., Ltd., and Toppan Forms (Sanyo) Co., Ltd.

Personal Information Protection in Production Processes

Toppan handles a massive amount of personal information entrusted by customers in various production processes, especially in direct-mail publishing and campaign surrogate business.

As an added level of security for personal information management in these processes, the Company established the Personal Information Management Promotion Committee in the head office in October 2004 to implement audits and recommend quality-improvement measures for all divisions, including the manufacturing subsidiaries and other partner companies.

Information management audits were implemented in 10 divisions in the Company and 17 partner companies in fiscal 2005 (at most two audits for one division/at longest 12 man-days per audit). After the audits, the committee checks whether the recommended measures for improvement are infallibly implemented.



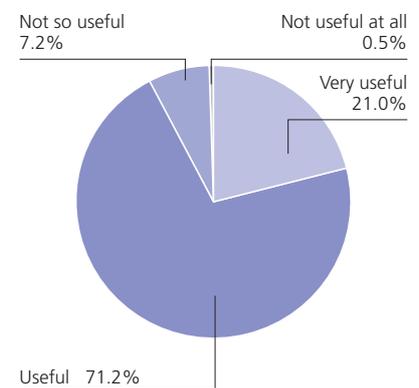
Process audit in campaign surrogate business

Intensive Employee Education

Based on the Rules on the Management of Personal Information and the related bylaws, Toppan issued *Personal Information Management Guidebooks* to educate employees about personal information protection in October 2005. The Guidebooks were distributed to all of the employees, including those in manufacturing subsidiaries, and e-learning programs were conducted during five periods from December 2005 (after assembly training). Course certification has only been granted to trainees who answer all of the questions correctly in the exams for each chapter. As of May 2006, 98% of Toppan employees have been certified. According to a questionnaire on the value of education programs for personal information protection, 92% of respondents answered that the programs were useful for daily operations.

In February 2006, special booklets were distributed to part-time workers to apprise them of the routines for information security management, and booklet read-through activities were conducted for information dissemination.

Questionnaire on education of personal information protection



Internal Audit and Corrective Measures

Internal audits for information security management, personal information management, and production processes were implemented across the board in fiscal 2005.

The Internal Audit Implementation Manual and Internal Audit Checklist were both revised according to a review of practices in fiscal 2004, and the schedule for the Company-wide internal audits was planned in detail prior to the implementation. Education for internal auditors, feedback of recommendations, and reports of audit results were subsequently conducted in each division.

The annual internal audit program was reviewed after the Company-wide interim reports were presented at the Meeting of Information Security Representative Managers in February 2006.

Moreover, the Company has continuously checked the implementation of corrective measures.

Integration and Realignment of Information Management Rules and Bylaws

The internal audits revealed the importance of promoting not only personal information management, but also general information security management. In March 2006, Toppan responded by incorporating the Rules on the Management of Personal Information into the Rules on Information Security Management (established in April 2001 under International Standards, ISO/IEC 17799). The amendment draft of JIS Q15001, a Privacy Mark standard, was also referred to in the sections related to personal information management.

And since April 2006, the Company has reorganized 11 bylaws which had originally been sub-classed under the rules. This effort has enhanced the effectiveness of Toppan's comprehensive information management regime.

Countermeasures against Winny, etc.

Toppan has taken vigilant preventive actions against information flow by viral-infected file sharing software such as Winny.

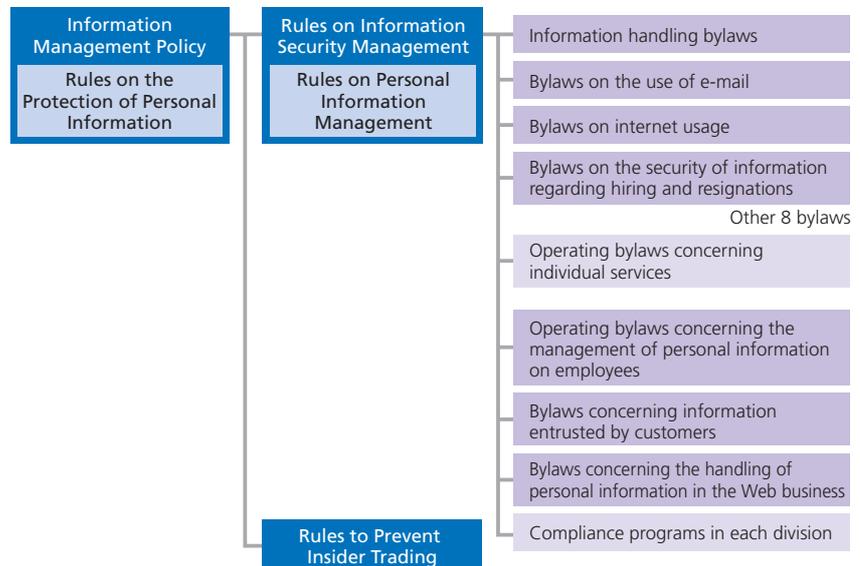
A system for the rule-based prohibition of off-the-job software installation is now introduced, software installation in Company computers is monitored centrally, software is automatically screened with anti-virus software, data distribution software is functionally nullified, and connections between the internal network and external PCs are constantly monitored.

Toppan also emailed two messages to all employees with the Company: "Re: Complete prohibition of off-the-job software installation" in December 2004 and "Re: Prevention of external data flow by viral PC infections" in March 2005. Company-wide information dissemination of these messages was confirmed in April 2005.

Corrective Measures Suggested by the Internal Audit

- Improvement of operation in information security management: e.g. confirmation of regular password alteration, etc.
- Policy dissemination using a guidebook stipulating preferential measures: e.g., case not displaying in-house secret-information demarcations such as "TOP SECRET," "CONFIDENTIAL," or "FOR INTERNAL USE ONLY."
- Establishment of a unified system for regular audits and the site inspections of partner companies
- Examination of constant supervision of adherence to the related rules in the departments handling personal information

Rules on Internal Information Management



Strengthening Supply Chain Management

Committing to appropriate and fair trading with suppliers, our important partners, Toppan takes thorough measures to ensure that CSR applies throughout the entire supply chain through cooperation with suppliers. The Company is also fully promoting green procurement and green purchasing.

Fair and Equitable Dealings

Toppan prescribes its social responsibility in the procurement of equipment/raw materials and outsourcing of manufacturing/processing in the Conduct Guidelines, Procurement Guidelines, Purchasing Rules, and Subcontract Law Compliance Manual. The Company also carries out extensive educational and training programs for all employees dealing with suppliers to ensure the discharge of their social responsibilities.

Toppan regards suppliers as important business partners. It makes every effort to deal with suppliers fairly and transparently, and all suppliers who meet the required standards are given a fair and equitable opportunity to do business with the Company. With the understanding and cooperation of suppliers, Toppan approaches CSR activities throughout the entire supply chain in order to improve its reliability.

Purchasing Rules

In order to ensure reasonable and smooth operation of purchasing, the Purchasing Rules were established in 1985 as a regulation to be observed by all employees engaged in purchase and procurement. The Purchasing Rules have been revised several times in response to external environmental changes as needed.

The latest revision in March 2006 strengthens the internal control system by improving transparency and archiving of procurement transactions and placing a new emphasis on compliance with laws/regulations and corporate ethics in business with suppliers. Those revision points have been brought home to employees in purchasing departments through training sessions.

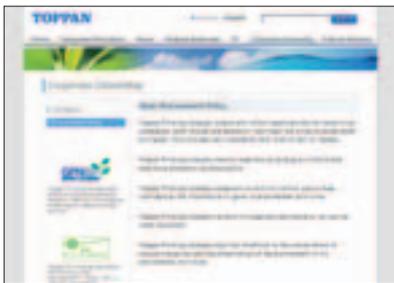
The Purchasing Division of the head office regularly audits the operations of the purchasing departments of each operational site to verify whether or not the internal/external procedures and operations are fairly carried out under the Conduct Guidelines and Purchasing Rules.

Reinforcing Confidential Relationships with Suppliers

Toppan has started regularly monitoring suppliers to investigate their satisfaction with Toppan's procurement operations and the Company as a whole. Based on their comments, Toppan evaluates the negotiations and practices of its purchasing departments and makes modifications if required. A service counter has been created in the Purchasing Division of the head office to receive the views of suppliers, including complaints and accusations if need be. This has improved Toppan's partnerships with suppliers.

The following provision was newly added to the revised Purchasing Rules in order to strengthen Toppan's confidential relationships of trust with suppliers through close communication under fair and equitable principles.

Clause 17 of Purchasing Rules
The Purchasing Management Department should monitor suppliers through satisfaction surveys every two years. The department should also accept complaints and accusations by suppliers via telephone, email, etc.



Basic Procurement Policy on the Toppan website <http://www.toppan.co.jp/english/csr/policy.html>

Procurement Guidelines

Basic Procurement Policy

- Toppan will provide procurement opportunities in a fair manner to suppliers that meet its Supplier Selection Standards.
- Toppan will conduct its procurement activities fairly in keeping with the principles of fair trade and in full compliance with both domestic and international laws.
- Toppan will strictly manage information acquired in the course of procurement and make every reasonable effort to maintain confidentiality.
- Toppan will make every effort, in conducting its procurement activities, to protect and preserve resources and the environment.

Supplier Selection Standards

Toppan provides fair and equal business opportunities to suppliers that meet the following standards. Once suppliers are selected, Toppan continually assesses their performance based on its original selection standards in a cooperative effort to realize an even better trading relationship.

Legal Compliance	Fulfills social responsibilities and complies with both domestic and international law
Quality	Meets Toppan's standards and provides stable quality
Price	Offers products at prices equal to or lower than those of competitors
Supply	Meets Toppan's delivery requests and provides a stable supply of products
Toppan reviews the performance and management stance of its suppliers by evaluating the following items:	
Management Foundation	Maintains a sound corporate financial base
Technical Ability	Actively improves conventional technologies and develops new products and technology
Information Supply Ability	Provides necessary and effective information in a timely and appropriate manner
Confidentiality	Strictly manages information acquired through trade and maintains confidentiality
Concern for Environment	Conducts business with sufficient concern for resource protection and environmental preservation
CSR Measures	Takes CSR measures and discloses them

Supplier Checkup

Supplier checkups for the main suppliers have been implemented under each plant's guidelines established in accordance with ISO standards. So far, however, a unified set of standards is still being prepared for basic evaluation points and methods on a Company-wide basis.

The following provisions will be added to the existing Procurement Guidelines to prepare the comprehensive Basic Policy of CSR Procurement: 1) a social provision regarding basic human rights to prohibit child labor, forced labor, invidious discrimination, etc. and; 2) a provision regarding the elimination of specified chemicals under the RoHS directive, etc. The Supplier Selection Standards, the standards for supplier checkups, have also been reviewed for Company-wide integration, including the Company's operation rules, its actual checkup procedures, and methods for feedback to suppliers.

Toppan aims to fulfill its social responsibility and to improve corporate values mutually through communications with suppliers.

Improvements in Accordance with the Subcontract Law

In the *CSR Report 2005*, Toppan reported that though several points were identified to be in need of improvement in the operational site inspections by the Small and Medium Enterprise Agency in May 2004, no violations had been observed in the purchasing departments or production management departments from August 2004 onwards. The report credited this achievement to the Company-wide dissemination of content on the points in need of improvement.

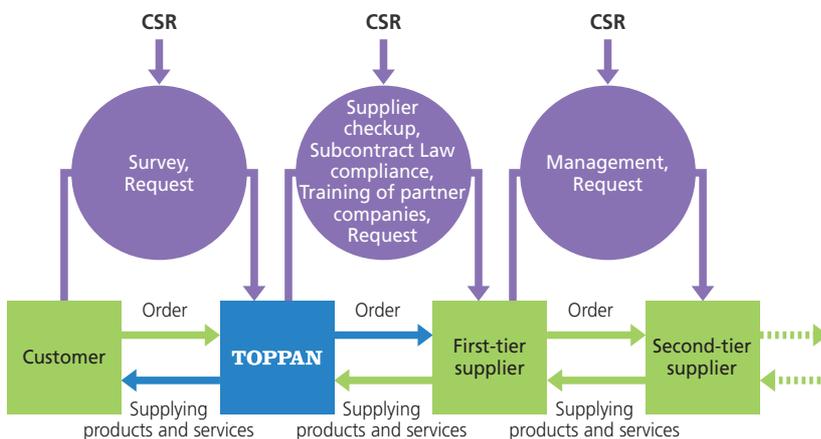
In fiscal 2005, Toppan constantly strove to maintain its operational record free of violations. It did so by regularly auditing compliance with the Subcontract Law and holding training sessions to promote awareness by introducing actually recommended cases under the Subcontract Law.

Green Procurement and Green Purchasing

One important factor in building a recycling-oriented society is to select environmentally-friendly products preferentially. In April 2002, Toppan introduced a Green Procurement system that conforms to the Green Standards for Offset Printing Services established by the Japan Federation of Printing Industries. Toppan's achievement ratios under these standards were 21.3%* for paper and 97.3% for ink in fiscal 2005. After the revision of the Green Standards by the Japan Federation of Printing Industries in March 2006, Toppan's Green Procurement Standards were also revised and will be applied sequentially in fiscal 2006.

Toppan adopted a Basic Policy of Green Purchasing for its operations in January 1999 and launched a Company-wide green purchasing initiative. The Company selects products that meet in-house green standards and purchases them on a continuing basis.

Overview of Supply Chain Management Based on CSR



Green Purchasing Network (GPN)

A nationwide network founded in 1996 to promote Green Purchasing. As of May 18, 2006, the network comprised 2,819 organizations (2,245 companies, 296 government institutions, and 278 private organizations). The network announced its Order Guidelines for Offset Printing Services (GPN-GL14) in December 2001.



*According to the *Report on the Activities of the Used Paper Recycling Committee* issued by the Japan Federation of Printing Industries in March 2004, the actual rate of used paper reutilization was 21%, while the target rate was 42%.

CSR Review Meeting with Stakeholders

As part of stakeholder communication, Toppan invites an external stakeholder to review the Company's CSR activities throughout the year and discuss the future direction of CSR activities.

CSR Review Meeting

The CSR promotion members held the CSR Review Meeting on March 27, 2006 with the same meeting facilitator from the July 2005 meeting, Mr. Hideto Kawakita. Mr. Kawakita is an expert on CSR communication and CEO of IIHOE, the International Institution for Human, Organization and the Earth.

The participants began the meeting by reviewing the contents of the CSR activities in fiscal 2005 to assess their progress against the 2005 activity targets formulated based on the six priority themes. The points progressing well and the points requiring more focused efforts were identified for each action plan. Next, the directions for the targets for fiscal 2006 were determined based on those points.

The points identified to have progressed most swiftly were the receipt of the Privacy Mark throughout the Company, reinforced quality control, and enhancements in environment-related businesses. Remaining challenges for the

future included the further promotion of personnel diversity for leveraging human resources, the identification of methods for using the ISO certification at workplaces once it is received, and the further diffusion of universal design.

Mr. Kawakita stressed the importance of CSR awareness for the success of future CSR activities. He urged that the Company instill CSR awareness not only in the top echelons of company management and persons in charge of the activities, but in the Toppan workforce at every level.

Summaries of the achievements in fiscal 2005 and targets for fiscal 2006 confirmed at the meeting are listed in the section entitled "Review of CSR Activities and New Initiatives" (→P.28).



Participants:

Facilitator: Mr. Hideto Kawakita (IIHOE)
 CSR promotion members: Legal Affairs Division, Ecology Center, Corporate Planning Division, Personnel & Labor Relations Division, Corporate Manufacturing, Technology & Research Division, Purchasing Division

Hideto Kawakita
 CEO of IIHOE (International Institution for Human, Organization and the Earth): After working as a public relations and international recruiting specialist at Recruit Co., Ltd., Mr. Kawakita served as a secretary in charge of policy for a member of the Japanese Diet and as the Japanese representative for NGOs involved in international youth exchanges. He established IIHOE in 1994 as an organization to provide management support to NPOs and corporations.
<http://www.iihoe.com>



Mr. Kawakita has been involved in Toppan's main CSR communications activities since Toppan launched its Environmental Communication Exhibition in 2000. He continues to advise Toppan based on his understanding of the development of Toppan's CSR activities.

Social Report

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Strengthening Product Quality Assurance

Toppan promotes quality assurance activities based on Total Quality Assurance not only in its departments directly engaged in manufacturing and quality control, but also for all processes throughout the whole Company. Toppan strives to create "dedicated products" through collective efforts with top priority on quality assurance.

Toppan's Total Quality Assurance

The manufacturing and quality control departments are by no means the only sections of Toppan involved in quality assurance. Toppan's Total Quality Assurance means quality assurance in all processes, including marketing, R&D, planning, designing, sales, and delivery. The goal is to provide products of uniform quality with guaranteed safety and functions at reasonable costs within the prescribed lead time. Total Quality Assurance is Toppan's top-priority task.

Multi-faceted activities, including inspection by top management, are in place to enhance quality. A Company-wide campaign to promote "No exceptions in Total Quality Assurance" (campaign slogan) has been underway since early 2005. In 2006 under the same banner, Toppan has been striving to create "dedicated products" through a collective focus on quality improvement via process control methods using IC tags, quality audits under ISO, and the Company's original Total Productive Maintenance (TPM) activities.

Activities in the Sales and Planning Departments

In carrying out their daily business activities, the sales and planning departments seek to continuously increase customer satisfaction by taking part in the whole process of proposal-making as effectively as possible with close consideration to customer needs, manufacture, delivery, and payment.

The Company works diligently to satisfy customers by assisting them with its marketing abilities in product development and proposing various solutions based on its advanced technologies.

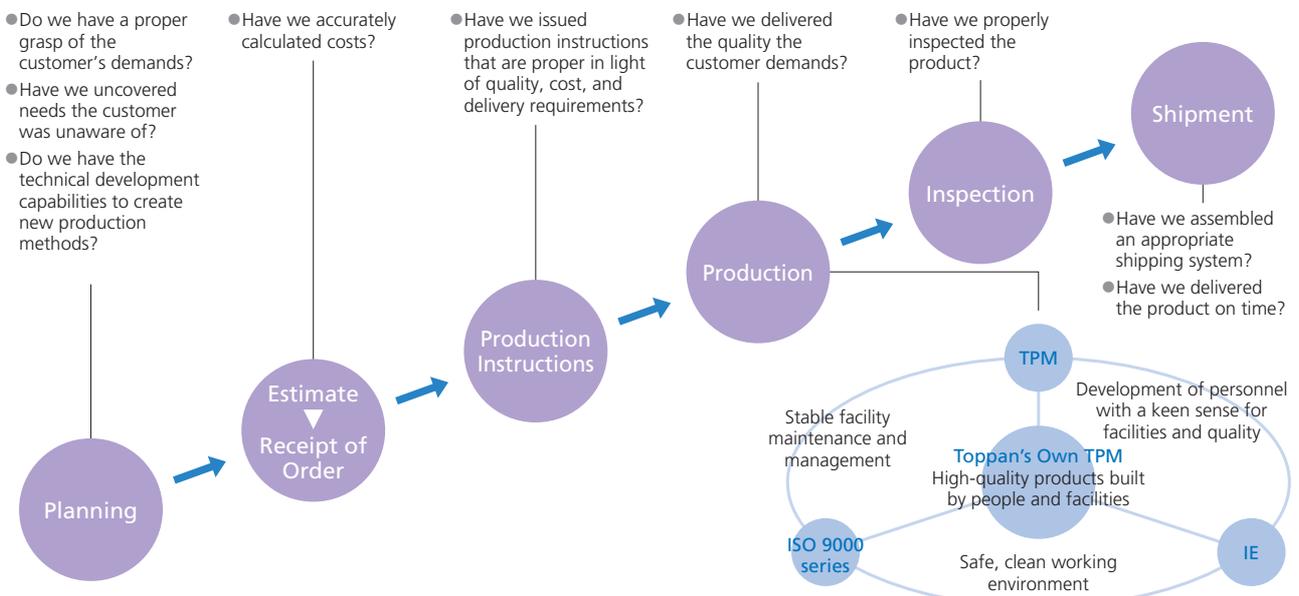
Moreover, the sales departments, the front lines of communication with customers, are expected to immediately report customer complaints to the relevant departments and respond to them in good faith.

TPM Promotion

In Toppan's production departments, TPM activities, the entire activities aiming at zero production loss through modifications of equipment and employees' awareness, have been developed in all plants to strengthen its competitiveness in light of quality, cost, and the lead time.

In fiscal 2005, Toppan began promoting more thorough TPM activities (including those mentioned above), improved Industrial Engineering (IE) activities, and maintenance and management activities under ISO 9001 to entrench them in all departments throughout the Company. A quality guidance system run by experienced in-house consultants familiar with Toppan's proprietary technology has been established since fiscal 2004. The quality improvement education and guidance was implemented by three in-house consultants in 11 plants in fiscal 2005.

Total Quality Assurance in Toppan's Business Activities



Promotion of ISO 9001 Certification Acquisition

Four operational sites were newly registered in fiscal 2005 as part of the Company-wide effort to have all operational sites certified. The operational sites that have already acquired the certification are to be routinely screened once a year and screened more thoroughly for renewal every three years.

To confirm whether ISO 9001 is appropriately and effectively put into practice in each operational site, the head office carried out operational site audits in 25 sites in addition to the internal audits in all operational sites. Internal auditor training sessions were held 21 times in fiscal 2005 to improve the quality of internal audits in each operational site.

Through these activities, Toppan's quality control system has been spiraling upwards continuously.

Promotion of IE Activities

The IE activities mean the technology to design an effective production system and enhance its productivity through improvement of overburden, waste, and unevenness in human and other resources, materials, equipment, and information. Toppan exploits the quick-acting effects of these IE activities as it works to enroot them in sites as a part of its overall TPM effort.

The improvement activities by the IE method are based on scientific foundations of five principles: sites, actual things, facts, principles, and general rules. Through these improvement activities, Toppan has established standard procedures at each operational site and conducted regular follow-ups.

The arrangement research groups and processes organized throughout the Company in fiscal 2005 emphasized how Toppan can make good use of standard arrangement technique and one-by-one production concepts.

Quality Assurance in the Food Container and Filling/Packing Business

Toppan develops materials for food product containers and packages, prints and processes the packages, and fills them for food manufacturers. Toppan attaches great importance to quality assurance for food safety and sanitation, especially in the food container manufacture and food filling processes. Strict quality standards are enforced to achieve this assurance. As in the previous year, audits were carried out in all operational sites engaged in the food business to maintain their quality standards in fiscal 2005.

In addition to the existing audits, improvement guidance on the recommended points was also implemented in fiscal 2005. As a result, the number of quality troubles at manufacturing partner companies decreased from several cases a year to zero in fiscal 2005.

Based on the Basic Stance on Product Safety Management, the audits for the food container and filling/packing business will be carried out continuously to maintain and improve quality.

Basic Stance on Product Safety Management

Toppan prevents product-related accidents and protects the health and safety of the users of its products through the following steps:

- Recognize the importance of product safety.
- Promote measures to improve Toppan's product safety management.
- Contribute to society through Toppan's product safety management.

Established March 1999

Research Groups and Improvement Points of IE Activities

Toppan addresses the following improvement points and issues targeted by its arrangement research groups throughout the Company.

- Precise printing press registration in the first attempt
- Reduction of waste paper at the start of the web offset press
- Arrangement research group on zeroing unevenness of paper containers
- Arrangement research group on loss reduction at the start of package forming machines

Audits on Food Container and Filling/Packing Business

Audit Team

- Analyst of Technical Research Institute
- Quality control manager of the head office
- Quality manager of Packaging Division
- Quality manager of Hokkaido Division
- Quality manager of Tohoku Division
- Quality manager of Nishinohon Division
- Quality manager of Toppan Packaging Service Co., Ltd.

Target Operational Site

- 9 in-house plants
- 10 subsidiaries
- Other manufacturing partner companies

Audit Points

- Agreement with customers
- Quality assurance system
- Management of equipment and inspection devices
- Management of safety and sanitation
- Interfusion prevention of different sorts of products
- Interfusion prevention of foreign substances
- Outflow prevention of defectives
- Contamination prevention
- Traceability
- Security
- Education and training
- Maintenance of systems and frameworks

Technological Development Aimed at Value Creation/ Products and Services Developed with Society in Mind

Toppan has created various products, systems, and services with high added value facing up to future needs using its advanced technologies and innovative ideas acquired through the printing business. Its efforts in Universal Design are fully utilized in the products of customer companies.

Technological Development Aimed at Value Creation

The Technical Research Institute plays a central role in exploring untapped areas of science by thinking freely and pushing forward with R&D projects on new products designed to respond to the anticipated needs of the future market. The Company has successfully developed numerous products with enhanced environmental benefits and high-value added by offering technical advantages and systemized techniques. Development efforts are guided by surveys on the latest trends in the market and customers in close cooperation with sales and promotion departments.

In the area of production technology, on the other hand, Toppan endeavors to improve quality, shorten lead times, and reduce costs by automating production lines, saving labor and energy, and modifying processes in close collaboration with manufacturing departments.

Next-generation Products Developed by Technology Evolved from Printing

Advances in technology acquired by printing, surface processing, and the application

of prepress technology to microfabrication led to the development of next-generation products such as color filters for large liquid crystal displays (LCDs), full-color organic Electro Luminescent (EL) displays, and medical chips for examination.

Industry-Government-Academia Alliance

Toppan's cooperative structures with internal R&D departments and various external research institutes have been strengthened to promote technology development activities. In addition to engaging in national collaborative projects (including contract research sponsored by the New Energy and Industrial Technology Development Organization, an independent administrative agency), Toppan researchers collaborate with many universities in Japan and overseas (including the University of Tokyo, the Tokyo Institute of Technology, Tohoku University, Yamagata University, Massachusetts Institute of Technology, and Oxford University). Toppan has also been active in technical cooperation with domestic and overseas companies to provide products, systems, and services with high added value in a wide range of fields.

Efforts in Universal Design

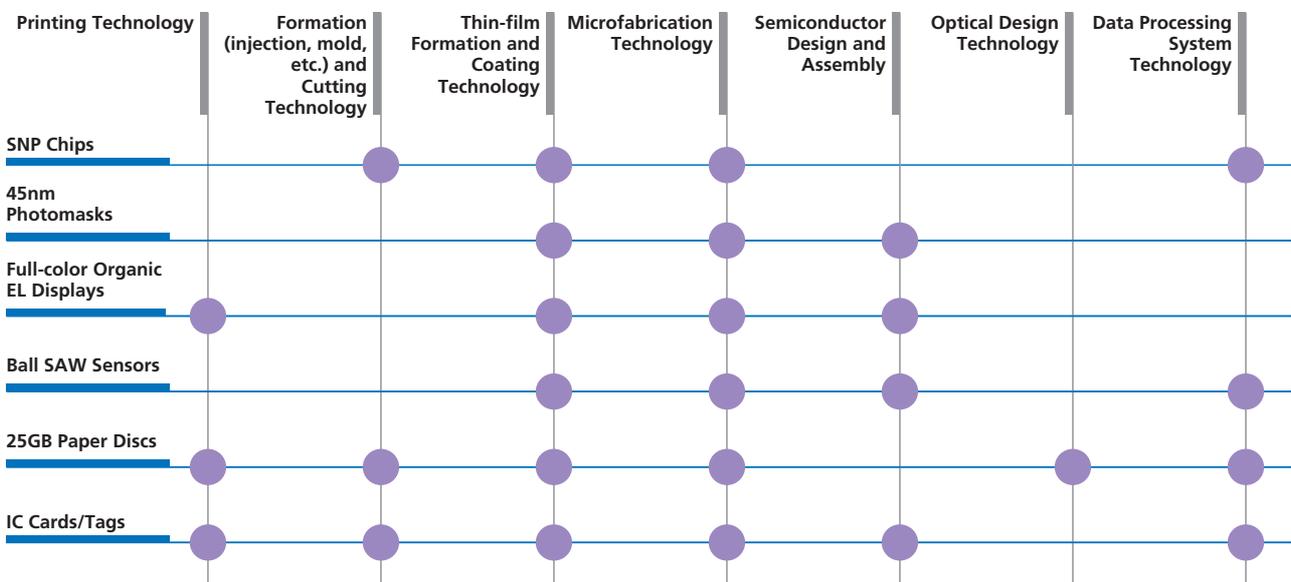
Toppan quickly launched a Universal Design (UD) business and sponsored the Universal Design Philosophy exhibition in 2001.

Toppan has defined UD as "a set of activities to realize products, spaces, environments, services, and communication methods which are accessible and useful to as many people as possible." Toppan has established its Toppan's Six Principles on Universal Design based on this concept and created a number of products and services in accordance with the six principles.

Efforts in Packaging Departments

In Packaging, Toppan has developed the Universal Design Diagnostic System for Packaging, a guideline conceived from the viewpoint of the product life cycle, for use as a tool to evaluate customer packages and propose recommendations for improvements. Toppan proposes various package designs which are easy-to-use from both "soft" and "hard" perspectives, based on considerations of the consumer's preferences and needs. Toppan has also contributed to society

Toppan's Map of Next-generation Product Technologies



through its cooperative efforts to develop JIS standards using the expertise and technologies it has acquired through those businesses.

Research & Development from a UD Perspective

Toppan is now researching color, an important element in UD in today's aging society. Research has confirmed that the perception of color actually changes with age. Through experiments to simulate how elderly people see, Toppan researchers are developing signs, displays, and designs that everyone can easily understand. In Information & Networks, meanwhile, the Company is researching methods to effectively convey image effects tailored to different audiences and environments. Ultimately these methods will be applied for the production of video content.

Development of SNP Chips for Medical Facilities

When Toppan established a set of research themes in 1999, it made its first forays into several branches of the life sciences anticipated to rapidly develop. The Company now works with Shimadzu Corporation and RIKEN, an independent administrative institution, for the development of medical chips, SNP chips.

Toward Tailored Medical Care

SNP chips are used for bio-molecular analyses as part of a service called tailored medical care. The chip designs incorporate the printing, microfabrication, and coating technologies developed by Toppan through its operations.

These unique chips are capable of identifying differences in individual genes. With this information, a doctor can more accurately assess whether a drug will have a favorable or adverse effect on a given patient. This allows doctors to plan out treatment strategies tailored to their patients.

If adopted on a widespread basis, tailored medical care with SNP chips will reduce adverse drug effects and excessive

dosing. This, in turn, will help to limit the ever rising expenses for medical care.

A pilot examination device and a pilot SNP chip were completed in fiscal 2005. In fiscal 2006, function tests will be conducted during clinical tests at medical institutions. The Company plans to work on the development of a commercial examination device that can be used for actual treatments in medical facilities.

Toppan will explore further applications for SNP chips as it works to establish tailored medical care in Japan.

Toppan's Six Principles on Universal Design

1. Design products and services that are more responsive to people with different physical abilities and perceptions.
2. Facilitate communication using multiple channels for communication, including visual, aural, and tactile channels.
3. Make products easier to use by making them easier to understand.
4. Make products that are easier to move, easier to approach, and require less strength (remove the physical burdens).
5. Design products that are safe to use procedurally, functionally, structurally, materially, and environmentally.
6. Provide products at a reasonable price and in the amounts required by society.



The SNP chip loaded with a reagent in advance to check reaction with blood

Merit-based Personnel Policies

Toppan values its employees as important assets (“human assets”) for the Company. In line with the personnel policies set to achieve *TOPPAN VISION 21*, the Company extends full support to its personnel to encourage their highly motivated, vigorous, and earnest efforts.

Basic Concept of Human Assets

Toppan values its employees as precious company assets and lives by a philosophy that recognizes how much it depends on its people. From this perspective, Toppan supports the motivated, vigorous, and earnest work of the Toppan workforce.

Toppan keenly understands the importance of a motivation to take on new challenges, a spirit to work vigorously with a healthy body and mind, and an earnest commitment to follow through on tasks to completion. Toppan believes that its people must work in this spirit if they are to show their true abilities.

Toppan strives to enhance the power of its human assets through hiring, appointment, training, promotion, and treatment while drawing out their own organizational powers. To do so, the Company places importance on communication between superiors and subordinates under mutual trust. The Company pursues its goals with well-defined visions, formulates systems to strictly and appropriately enforce rewards and penalties, and works to establish an open and fair environment.

Basic Thinking on Personnel Systems

Toppan recognizes that it can build the trust of the community, customers, and other stakeholders when each employee consistently practices conduct of high value to realize *TOPPAN VISION 21*. In keeping with this conviction, the Company’s personnel policies for hiring, appointment, training, promotion, and treatment are all based on conduct of high value as well as abilities and skills.

The term “conduct of high value” embodies the concrete activities that realize the Corporate Philosophy and Corporate Creed. The “abilities and skills,” on the other hand, are indispensable to the practice of valuable conduct. Job-specific assessment items are set for sales, planning, manufacturing, technology, research, and business administration within the framework of abilities and skills. Business administration is further divided into finance, legal affairs, purchasing, personnel, and labor.

Open Recruitment

Toppan offers employment opportunities through regular hiring in spring (every April) and autumn for new graduates and mid-career recruiting year around for experienced personnel, and so forth. In fiscal 2005, the Company tested out a few new ideas in the recruitment process. It conducted interviews in casual wear, for example, and adopted hiring standards based on behavioral characteristics in order to draw out the innate merits of every candidate. Recruitment screenings are conducted in seven venues in Japan to provide a more open environment for hiring. Internship programs are held continuously.

Number of Employees

As of March 31 in each fiscal year; the number of temporary employees is the average number from January to March (recorded since fiscal 2004).

		Number of Executives	Management Class	Supervisor	Total Number of Employees	Average Tenure	Average Age	Sum Total of Employees	Part-time Employees	Temporary Employees
Fiscal 2003	Male	30	1,890	2,334	10,601	16.1	38.1	11,512	849	—
	Female	1	41	911	9.7	31.1				
Fiscal 2004	Male	30	1,844	2,166	9,679	16.3	38.7	10,548	893	915
	Female	1	46	869	10.0	31.7				
Fiscal 2005	Male	30	1,889	2,106	9,693	16.0	39.1	10,582	1,103	1,142
	Female	1	67	889	9.5	31.6				

Recruits

		Fiscal 2004	Fiscal 2005	Fiscal 2006	
Regular hiring, new graduates, including post-graduate students	Sales, administration, etc.	Male	76	88	142
		Female	29	32	43
	Technical	Male	102	117	166
		Female	18	33	34
	Total (female ratio)	225 (20.9%)	270 (24.1%)	385 (20.0%)	
Mid-career recruits		75	135	150	

Reasons for Leaving

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Personal reasons	292	284	284
Retirement	144	109	56
Request of the company	0	0	0
Accession of director	8	8	5
Total	444	401	345
Turnover rate	3.6%	3.5%	3.1%

Personnel Treatment System

Toppan has formulated a personnel treatment system based on the competence and achievement of each employee. The system is designed to encourage employees to fully exert their diverse skills and abilities.

Functional Classification

Toppan has operated a multi-track job function system for employees since fiscal 2004. Employees in the sales, planning, technology, research, and business administration departments are evaluated under a five-grade scheme. Employees in the manufacturing departments, meanwhile, are working under an eight-grade scheme. As a step forward, these frameworks have also been introduced in a wage revision system tailored to each grade scheme since fiscal 2005. Differences between actual task performance and the appearance of achievement in these two job categories are reflected in the determinations of wages and other allowances.

Goal Setting and Transparency in Evaluation

Toppan applies the management by objectives (MBO) system for managerial staff. Goals are set, midterm goals are modified, and results are evaluated based on conduct of high value according to three criteria of operating performance: achievement, behavior, and competence/skill. Toppan emphasizes sufficient communication with superiors during the process as needed for goal sharing, transparency in evaluation, and enhanced satisfaction.

In working with general staff, Toppan feeds back evaluation results to each employee and has established a framework to share common recognition on achievements, unachieved tasks, and future goals.

Restructuring of Retirement Allowance

The retirement allowance system was revised in fiscal 2005. Under the previous system, the retirement allowance greatly depended upon an employee's tenure. Under the new system, contribution to the Company during service is reflected in allowances more precisely with a yearly

point score on rating grades, qualification, and post. The salary-to-pension ratio, meanwhile, has increased from 30% to 50%. This considerably improves the stability of life after retirement.

Assignment and Appointment

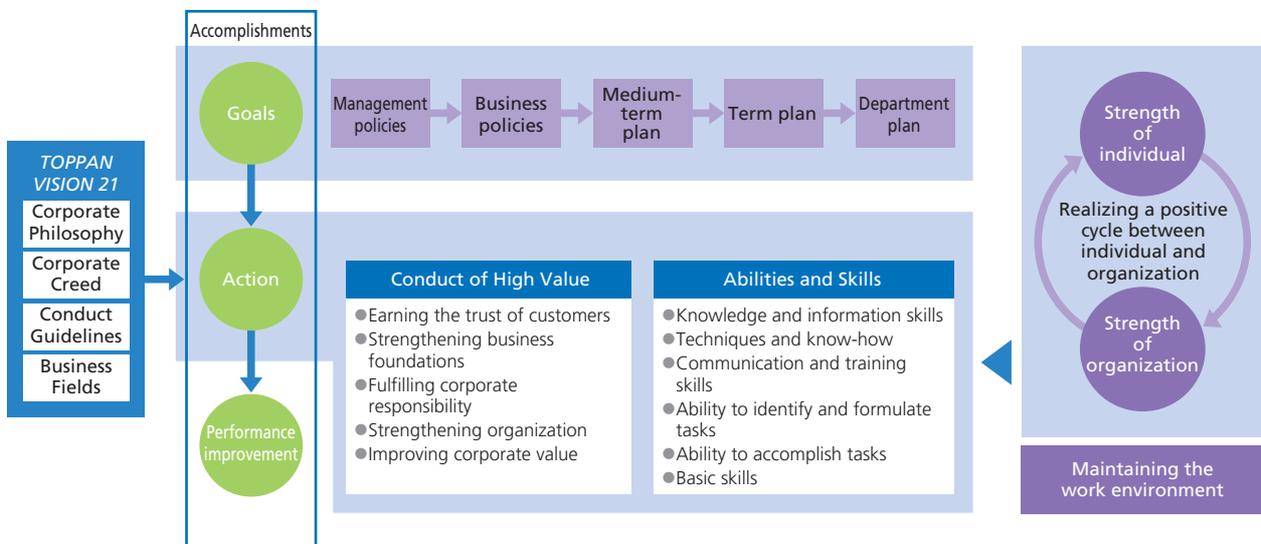
New employees, mainly those hired through regular recruiting, are given at least three chances for interviews before a formal appointment. This gives them opportunities to discuss the best and most coveted sites for assignment when they are newly hired, when they undergo training programs for new employees, and when they move to their assigned divisions.

A follow-up interview is held a year after the new recruit begins his or her first assignment to assess whether the workplace is suited to the new employee. The formal appointment is then issued.

Fixation Ratio of Recruits

	Male	Female
Hired on April 1, 2003	175	50
Remaining as of April 1, 2006	161	39
Fixation ratio	92%	78%

TOPPAN VISION 21 and the Human Assets Education Cycle



Foster, Develop, and Utilize Human Assets

Human assets are developed and fostered at Toppan based on conduct of high value and skills and abilities to develop individuals and the Company as a whole.

Concept of Human Asset Development and Fostering

Toppan has implemented rank-based training. This is aimed to help employees learn and understand the roles, responsibilities, and obligations of each rank, as well as to appreciate and practice conduct of high value. The Company also offers a variety of training programs systematically to encourage employees to acquire the abilities and skills required by each division, department, and workplace. During rank-based and departmental training sessions, employees act as trainers to train others in a style more closely attuned to actual business situations. The intention is to create individuals and an organization that reflects the unique characteristics of Toppan. Some 3,000 employees participated in rank-based and optional training programs sponsored by the head office in fiscal 2005, and a cumulative total of some 19,000 took part in various training programs including those held by divisions.

Toppan uses e-learning to develop the abilities and skills required by all employees: e.g., basic and introductory courses

on the environment, information security, and personal information management. Toppan also offers a Desktop Publishing (DTP) Expert Certification Course and other programs to enhance the capabilities of individual employees. The course is primarily designed for the staff of the sales departments.

Toppan Business School offers a curriculum of over 1,000 courses to every employee of the Company. Optional training, correspondence education, and a video library are all available and customizable to an employee's career design.

Coordination between Development and Fostering

In fiscal 2005, Toppan rotated employees within and between divisions. The objects were to foster human assets capable of dealing with all of Toppan's products and fulfilling the Company-wide priority theme of the year: integrated strength enhancement and Total Quality Assurance. Toppan also implemented a horizontal rotation among different lines of work to cultivate multi skills. Some newly hired employees were rotated between divisions in Tokyo and local cities to bal-

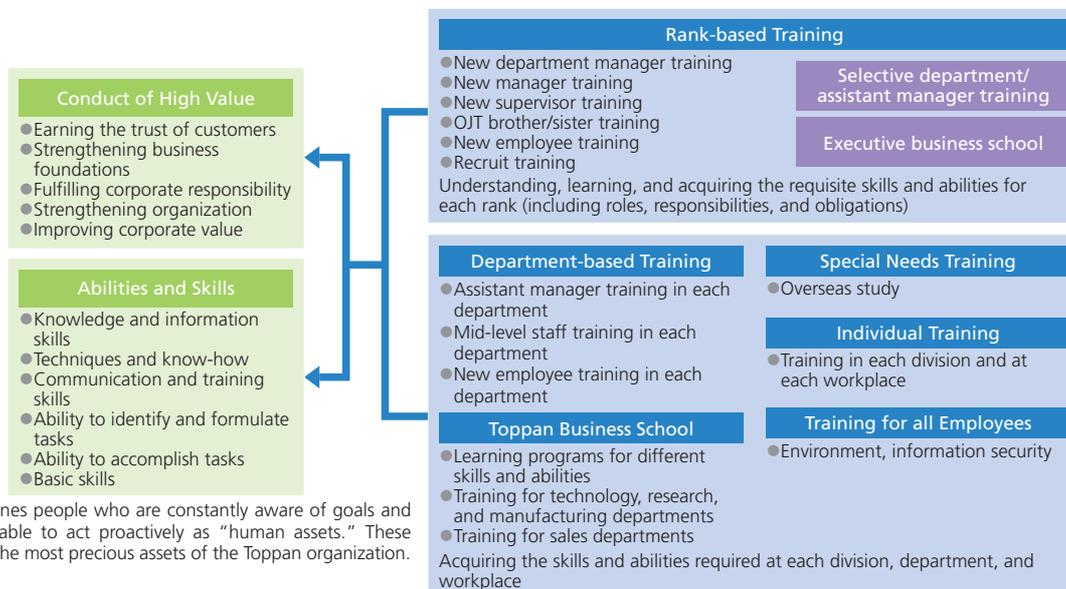
ance their knowledge and expand the scope of their skills.

Rank-based training was conducted for new employees, mid-level staff, and department/assistant managers in the sales, technology, and research departments to strengthen the unity of departments and synergy among divisions.

Toppan also strives to enhance its integrated strength through its commendation system, a system to recognize employee proposals and performance based on the Company's integrated strength.

In the future, Toppan will monitor and discuss the development of human assets at each department through the Human Resources Development Leader Meetings (held since fiscal 2004) while strengthening the pivotal functions of human asset development. While the effects of rotation are verified and follow-up measures are taken for the participants, the synergy of Company-wide training and divisional/departmental training will be reinforced in order to develop human assets more effectively. The Company will also offer job opportunities more finely fitted to the career visions of individual employees.

Toppan's Human Asset Development Program



Toppan defines people who are constantly aware of goals and issues and able to act proactively as "human assets." These people are the most precious assets of the Toppan organization.

Leveraging Human Assets

Competitiveness of the company results from full exertion of each strength of diverse human assets. Toppan has various measures to leverage diverse human assets from the viewpoint of diversity.

Leveraging Diverse Human Assets

Reinforcement in Leveraging Female Employees

Toppan proactively appoints female employees to managerial and supervisory positions. The Company's efforts have increased the number of female managerial and supervisory staff to 90 (as of April 1, 2006). In April 2006, the Company assigned four all-women teams to develop new products and services from a feminine perspective.

Young female managers and supervisors at Toppan have played a central role in launching projects to help maintain working environments in which female employees can work more energetically and freely. Female staff plan and formulate measures through a bottom-up approach.

Support for Second Careers

To positively support second careers in company life, Toppan will provide a broad range of options by developing suitable works and job-ranks. The Company is building up a structure to utilize the knowledge, experience, techniques,

and skills that employees acquire through long years of work. Toppan also operates a Senior Reemployment System to offer retired employees extended tenure at the Company on a post-retirement basis until they reach the age of 65 years.

Systems for Self-determination on the Career Path and the Sounding of Opinions

Toppan offers various opportunities to all of its employees on a yearly basis to encourage them to take on new challenges through the Challenging Job System, in-house staff recruitment system, and overseas study support system. The Company has established an ideal environment for employees eager to create their own careers.

The Challenging Job System offers employees opportunities to mutually exchange opinions not only on career creation, but also convey their opinions to the Company and make requests.

Internal Venture System

The Internal Venture System established in January 2001 has a mechanism to discover human assets abounding in entre-

preneurial spirit and to create next-generation businesses. Forty-nine projects have been applied under the system so far. This has led to the founding of one company (Toppan Character Production Co., Ltd.) and the initiation of two businesses, one of which has been integrated into an in-house project.

Continuing the Employment of Persons with Physical Disabilities

In 1993, Toppan founded Tokyo Metropolitan Prepress Toppan Co., Ltd., a special subsidiary to employ persons with physical disabilities. Since then, Toppan has continued to promote the hiring of persons with physical disabilities mainly via this company. As of June 1, 2006, persons with physical disabilities accounted for 1.81% of the total workforce in the Company.

Toppan was conferred an award by the Health, Labour and Welfare Minister as a Company with a Distinguished Record in the Employment of the Disabled in September 2005 in recognition of Toppan's continuous achievement in attaining the statutory employment rate of persons with physical disabilities.

Results in Human Asset Development

	Funds Spent on Training per Employee*1	Usage Rate of Toppan Training Center*2
Fiscal 2004	45,800 yen	56.9%
Fiscal 2005	36,600 yen	51.8%

*1 Total cost was reduced in fiscal 2005 due to internally-prepared training programs that reflect actual situations in the Company.

*2 Toppan Training Center was newly established in July 2004. The usage rate in fiscal 2004 was calculated by dividing the number of days the facility was available by the number of days it was actually used during the period from July 2004 to March 2005 (including use by subsidiaries and affiliated companies).

Average Annual Salary*

Fiscal 2003	6,530,862 yen
Fiscal 2004	6,890,638 yen
Fiscal 2005	6,957,713 yen

*Including annual bonus and nonstandard wages

Employees with Physical Disabilities

	Employees	Percentage of Total Workforce*
Fiscal 2003	139	1.97%
Fiscal 2004	134	1.83%
Fiscal 2005	138	1.81%

*The rate is calculated based on the total number of employees (as of June 1, 2006) as a denominator. The total number was presented in the Disabled Persons Employment Report in accordance with Article 8 of the Law for Employment Promotion, etc. of Disabled Persons.

Status of Main Work Holiday and Leave Systems

	Average Ratio of Annual Paid Work Holidays Used	Employees Using the Maternity Leave System	Employees Using the Childcare Leave System
Fiscal 2003	38.2%	35	48
Fiscal 2004	38.1%	38	46
Fiscal 2005	38.9%	32	55

Workplace Safety and Health

	Deaths from Work Accidents	Frequency Rate*1	Severity Rate*2
Fiscal 2003	0	0.30	0.01
Fiscal 2004	0	0.41	0.01
Fiscal 2005	0	0.24	0.01

*1 Number of employees injured and dead in labor accidents per million working hours (reflects the frequency of labor accidents)

*2 Number of workdays lost per 1,000 working hours (reflects the severity of labor accidents)

Personnel Rotation*

	Employees Transferred	Percentage of Total Workforce
Fiscal 2003	588	4.5%
Fiscal 2004	343	3.3%
Fiscal 2005	326	3.0%

*Including only rotations among different divisions to develop human assets for integrated strength enhancement and Total Quality Assurance

Realize a Safe and Secure Working Environment

Toppan recognizes that a safe and secure working environment for its employees is not only a social responsibility, but also a prerequisite for improved productivity. The Company goes to great lengths to assure safety and security beyond mere compliance with relevant laws and regulations.

Occupational Safety and Health

Toppan makes every effort to eliminate workplace accidents through the work of the Safety and Health Committee, a body made up of both labor and management. This committee has set up a Safety and Health Subcommittee as part of its Total Productive Maintenance (TPM) activities seeking to increase the synergy of production activities and safety and health measures.

Toppan also carries out proactive safety checks in cooperation with technology departments before installing equipment. This is an essential and highly effective step for avoiding disasters.

Countermeasures against Fires and Disasters

In addition to implementing a comprehensive disaster-preparedness drill, Toppan's fire-response squads have participated in the Self-defense Fire Training Competitions held by local fire departments in alliance with and under the guidance of Toppan Security Service Co., Ltd. These squads have scored in the top ranks at every regional competition. Toppan also conducts drills on earth-

quake countermeasures to practice the initial actions to be taken immediately after a major quake, and specialized drills to confirm safety and provide employees with the information they need to return safely home after a major quake.

Healthcare and Enhancement

In order to prevent and promptly detect diseases and to maintain and enhance the health of employees, Toppan arranges regular medical checkups and screenings for lifestyle-related diseases. The Company operates 59 clinics across the country in cooperation with Toppan Group Health Insurance Union. These clinics hold various lectures on health and offer guidance on healthcare and nutrition based on the results of health examinations. Toppan also supports the enhanced health of the Toppan workforce by providing employees with the opportunity to use 500 fitness clubs contracted by the Toppan Group Fraternal Benefit Society nationwide.

Mental Health

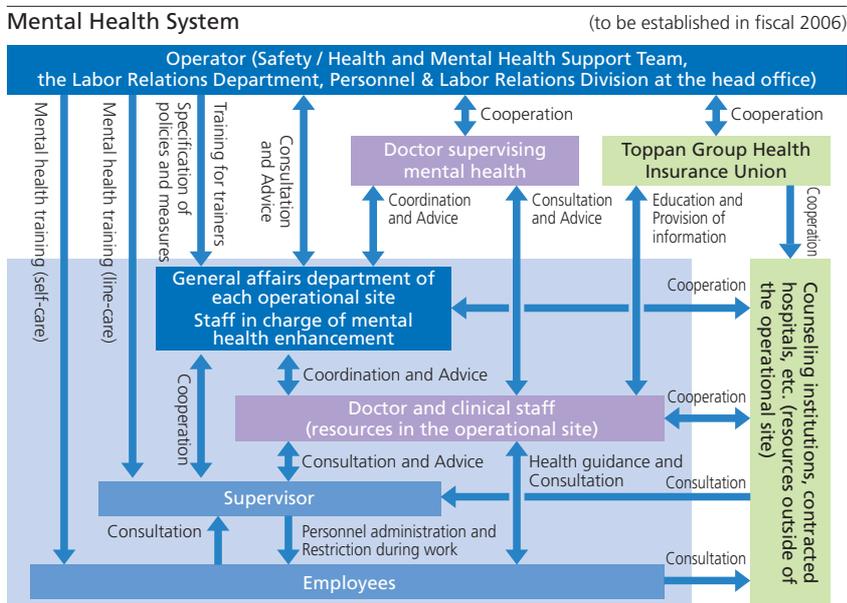
Mental Health Support Team, a special team to provide mental health care services for the support of employees, was

founded in the Personnel & Labor Relations Division at the head office in fiscal 2005 to launch organizational actions for the mental health of employees.

Measures in fiscal 2006 have included the deployment of doctors to supervise mental health at the head office and the appointment of staff to head efforts towards mental health enhancement and to undergo training at each division for the building of a Company-wide structure for mental health. Mental health training is also introduced in rank-based training and optional training to strengthen line-care by supervisors. The Company actively supports self-care by employees through the adoption of mental health checkups and the deployment of mental health counselors.

Vacation

Toppan encourages employees to take holidays individually through planned leave on consecutive holidays granted in summer and other seasons, as well as through personalized holidays to commemorate anniversaries and other important events for individuals. The usage rate of annual paid holidays was 38.9% in fiscal 2005.



Health Enhancement Manifesto

- Every employee must be healthy to pursue self-realization. Employees' health is also an important resource for the Company, as employees can only develop the businesses of the Company and contribute to social activities with their maximum potential if they stay healthy.
- Though employees are responsible for their own health, the Company proactively supports employees to enhance their health.
- Through activities to enhance mental health, the Company is improving individual and organizational powers by establishing a working environment in which all employees find their work meaningful and rewarding.

February 2006

Support for Achieving Work-life Balance

Toppan has striven to establish an environment in which employees can easily take childcare leave. It does so by providing systems for maternity and nursing care leave, for reduced working hours, and for higher dependent family allowance.

For compliance with the Law for Measures to Supporting the Development of the Next Generation, the Company has followed up on the action plan (submitted in April 2005) by seeking certification from the labor bureaus of prefectural governments. Specific plans call for greater gender equality, a program to provide information and skill enhancement training for employees during maternity leave, and the introduction of a reemployment system for employees who resign due to childbearing or childrearing. These issues will be promoted further through dialogues with the labor union. Toppan also participates in the Work-life Balance Research Group, an inter-corporate liaison council, including Shiseido Co., Ltd. and IBM Japan, Ltd., to exchange opinions on how to strike a balance between work and life and to plot out actual measures.

Labor-Management Partnership

In keeping with the perception that labor and management are partners in shared ideals, the Company is working with various administrative issues and holding a range of events in cooperation with the labor union. For instance, Toppan holds business councils as forums to discuss wide-ranging administrative issues and maintains special committees to exchange views on the wage system, working hours, welfare, and many other subjects.

In fiscal 2006, the Company will continue upgrading and expanding its measures to support the development of the next generation throughout the Company. The principal goals will include not only sufficient treatment during maternity leave, but also a smooth return to work with a stable balance between work and childcare after returning. As an added step, labor and management committees will be established at each operational site to propose more effective measures to reduce overtime working and increase the usage rate of annual paid holidays. Other benefit programs will also be continuously reviewed, depending upon the changes of the times.

Respect for Basic Human Rights

The Conduct Guidelines call for the assurance of the dignity of individuals under all circumstances and no invidious discrimination due to race, ethnic group, nationality, religion, gender, or physical characteristics. To raise esteem for basic human rights, including the ongoing prevention of sexual and power harassment, Toppan continuously conducts awareness-raising activities during rank-based training for new employees, new supervisors, and new managerial staff. There were 1,036 trainees in fiscal 2005.

To resolve and prevent troubles with sexual harassment, the Company established the Basic Policy on Sexual Harassment at the Workplace and deployed counselors in July 1999.

No instances of child labor or forced labor have ever occurred in the Company.

Main Work Holidays and Leave Systems/Work-life Balance and Measures to Support the Development of the Next Generation

Stock Leave	Accumulated annual paid leave is generally lost if it is not exercised within two years. At Toppan, it is possible to accumulate 50 days of annual paid leave. This can be used when employees or their dependents require treatment or nursing, or for recovery from unexpected accidents.
Maternity Leave	All employees—fulltime, contract, and part-time—can take six weeks of leave before childbirth and another eight weeks after.
Childcare Leave	Both mothers and fathers are eligible for extended childcare leave until their child reaches the age of 18 months (six male employees have taken childcare leave so far). Employees receive 10 percent of their regular salaries during the leave. Employees can also shorten or extend their leave while taking the leave, and work for shorter hours when they return to the workplace (maximum adjustment of two hours per day). Toppan subsidizes some childcare costs and provides information through a consultation office. Employees can consult with the Company to discuss their career plans before they return to work.
Nursing Care Leave	Employees are entitled to take leave for the nursing care of at least one family member when necessary. The maximum leave is one year and the maximum reduction in a working day is two hours. The Company subsidizes some nursing costs and provides information through a consultation office.
Healthcare Leave	Employees can take up to 10 days a year of unpaid leave to manage the healthcare of a family member. The leave can be taken half-day allotments when necessary.
Volunteer Leave	Toppan operates a volunteer leave system for employees wishing to take leave to engage in socially beneficial activities. Employees can take a maximum of one year of volunteer leave, in principle, with an allowance. In fiscal 2005, one employee took volunteer leave to serve with the Japan Overseas Cooperation Volunteers under the Japan International Cooperation Agency (JICA).
Dependent Family Allowance	The Company pays employees a monthly allowance of 20,000 yen for each offspring (direct descendants) until the first April 1 to arrive after the offspring's 18th birthday.
Partial Subsidization of Babysitter Expenses	The Company subsidizes 50 percent of babysitter expenses, up to a maximum of 5,000 yen a day and for up to 90 days a year. This subsidy is granted via the Toppan Group Fraternal Benefit Society.
Other Systems	Supplementary allowance in addition to lump-sum allowance for childbearing and child rearing; one-year free subscription of monthly childcare magazine <i>Baby and Mommy</i> ; establishment of consultation office regarding health of mind and body. (Operated by the Toppan Group Health Insurance Union.)

Contributing to the Traditions and Development of Culture and Sharing Impressions

Toppan recognizes it as a social duty to pass down printing as a culture and to contribute to the growth of the entire printing industry. The Company is fully involved in the operation of cultural facilities and the promotion of cultural and artistic activities, including musical events.

As a Mainstay of Information and Culture

Ever since its invention, printing has contributed to the growth of culture and art through the conveyance of information. The information conveyed through printing can amaze and leave deep impressions.

Toppan's activities to contribute to society and culture are the most important means to realize the Company's Corporate Philosophy, "contribute to a fulfilling lifestyle as a mainstay of information and culture." The Company has developed various activities for society and culture in the Printing Museum, Tokyo and Toppan Hall, two cultural facilities constructed as annexes of the Toppan Koishikawa Building. All of these activities have been highly praised.

Toppan promotes those cultural and art activities in cooperation with the Group companies engaged in the publication of children's books, illustrated books, and school textbooks, such as roebel-kan co., ltd. and Tokyo Shoseki Co., Ltd.

Toppan puts a priority on contributing to the development of not only the Group, but the entire printing industry.

Printing Museum

Toppan opened the Printing Museum, Tokyo in October 2000 as a facility to share the historical significance of printing, a technology that has contributed tremendously to the development of human civilization. There have been over 170,000 visitors to the museum since its opening.

The public can visit the General Exhibition Zone in the Main Exhibition Room year round, as well as Temporary Exhibitions held several times annually. The museum also includes the Printing Workshop, VR Theater, specialized library, and museum shop. The Printing Workshop, an area for education and training, has been used by over 150 institutions and organizations, including companies, technical colleges, and elementary schools. The museum held two temporary exhibitions in fiscal 2005—The Bicentennial Year of the H. C. Andersen Birthday; and the Golden Age of Printing: From the Collection of the Plantin-Moretus Museum.

For the Development of the Printing Industry

As an industry leader, Toppan has always striven to modernize the printing industry and promote information culture in Japan. Since 1995, Toppan Chairman & Representative Director Hiromichi Fujita has spearheaded efforts to develop the industry through his activities as the chairman of the Japan Federation of Printing Industries.

The Research Group on Measures for the Act concerning Protection of Personal Information was founded in the Japan Federation of Printing Industries after the Act concerning Protection of Personal Information was fully enforced in April 2005. Toppan acts as a chairperson of the research group to contribute to the entire printing industry through the creation and editing of *Personal Information Protection Guidelines for the Printing Industry* in fiscal 2004 and *Q&A on Personal Information Protection in Printing Sites* in fiscal 2005.



The Bicentennial Year of the H. C. Andersen Birthday

Commemorative Lectures and Inauguration of the New Director of the Printing Museum

Koichi Kabayama, an emeritus professor of University of Tokyo and the former director of the National Museum of Western Art, was appointed as the new director of Printing Museum to replace the outgoing (term-finished) founding director, Kiyoshi Awazu. The Commemorative lectures for the fifth anniversary of the Printing Museum—"Let's think of printing"—were held at the Faculty of Letters, University of Tokyo in December 2005. Three guest lecturers were invited, including the new Director Kabayama.



Commemorative lectures for the fifth anniversary of the Printing Museum—"Let's think of printing"



Personal Information Protection Guidelines for the Printing Industry (right) and *Q&A on Personal Information Protection in Printing Sites* (left)

Supporting and Sustaining Education Culture

Since 1989, Toppan has assisted The Mainichi Newspapers Co., Ltd. and the Japan School Library Association as a cosponsor of the Central Contest for Book Report Drawings, their annual drawing contest to encourage youths to express their impressions of books through drawing. The judges of the 17th annual competition in 2005 received over 467,839 picture entries from 7,284 schools.

Tokyo Shoseki Co., Ltd. opened The Textbook Library of school textbooks, the first such institution in Japan, back in 1936. This library now houses about 150,000 books. Every variety of textbook is represented, from the newest editions to literature and documents from the Edo Period. Researchers on education, students, and the general public are all free to browse the collections. The Tosho Education Award was established in 1984 with the aim of contributing to education. The library selects the best essay on teaching from many submissions and chooses a winner every year.

Toppan Hall

Toppan Hall opened in 2000 is a classical concert hall with 408 seats, designed for the sharing of impressions.

Performances of every kind have been held there, from recitals by world-famous musicians to the Lunchtime Concerts and Espoir series to discover and foster talented youths. Special programs such as the Violin Series and <Mozart Zyklus> aroused interest in fiscal 2005, and full-scale concerts held in conjunction with temporary exhibitions in the Printing Museum gained public attention. Toppan Hall is also lent out for the Music Competition of Japan and local elementary schools; a lot of people use it. More than 210,000 people have visited the hall.

Toppan plans to further enrich Toppan Hall as a concert hall.

Contributions to Society through Music

In 1959, Froebel-Kan Co., Ltd., a publisher of children's and illustrated books, organized the Froebel Boys Choir as a social and cultural project. Boys choirs were relatively rare in Japan at that time. As many as 1,000 boys have passed through its distinguished ranks since its founding.

The choir now has about 90 young vocalists, ranging from 3-year olds to junior high-school students. The boys carry out wide-ranging activities, including appearances on television and commercials. Their annual concerts with performances of the movie songs of Anpan Man, the popular animation series for kids, have always commanded a strong following.

Tokyo Shoseki Co., Ltd. is a joint sponsor of the Association of Children's Songwriters in Japan's Nursery Rhyme Culture Award. Tokyo Shoseki is working to popularize children's songs as a means of handing over Japanese culture to the coming generation.



Prize ceremony for the 17th Central Contest for Book Report Drawings



Lunchtime Concert: OB/OG gala concert to commemorate the 250th anniversary of Mozart's birth



Froebel Boys Choir



The Textbook Library



Barrier-free layout: wheelchair accessible



Japan's Nursery Rhyme Culture Award

Activities for Contributing to Local Communities

As Toppan has operational sites throughout Japan, it considers communication with local communities to be an important activity. Every operational site contributes to local society through wide-ranging activities.

Harmony with Local Communities

All of Toppan's operational sites organize activities to deepen ties with the local communities where they operate. Opening their facilities, these sites invite neighbors from the community to take plant tours and hands-on workshops. Toppan employees clean up the environments around their facilities, conduct disaster prevention and anticrime activities, and take part in community events outside the Company. Other organized get-togethers between employees and neighbors are held to nurture friendships and enhance Toppan's coexistence with local communities as a corporate citizen.

Cleaning Up and Beautifying the Environment

Personnel from every operational site beautify the environments around their facilities by pruning and weeding roadside greenery and cleaning up sidewalks, bus stops, and shopping streets.

As many as 10,812 employees at 25 operational sites took part in environmental cleanup and beautification activities last year. In response to a call from the Mie prefectural government, volunteers from the Mie Plant worked with municipal employees and local residents

from Kameyama City to remove electrical appliances and household wastes dumped along the prefectural roads. Two 2-ton-truckloads were recovered.

Opening Operational Sites to Local Communities

The Asaka, Itabashi, Sagamihara, Osaka Ebie, and Shiga Plants open their gymnasiums to neighboring residents, schools, and sports organizations from their communities. They also loan out their meeting rooms and dining facilities as venues for local meetings and anniversary events for the public. The Technical Research Institute and Sagamihara Plant open up their parking lots to neighboring community facilities and kindergartens for special events and for rehearsals for the Bon festival dance in summer. The Koishikawa Site lets the residents of a neighboring condominium use its parking lot as a substitute for their basement parking when the risk of overflow from the Kanda River rises during typhoons. Toppan will continue in this vein in the future.

Plant Tour and Support to Learning Outside School

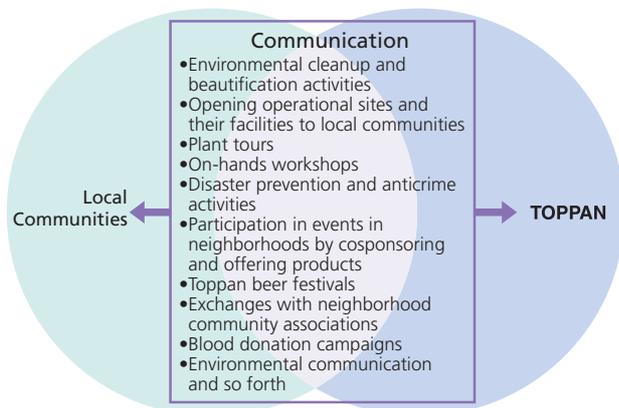
Every operational site invites people from local community groups and students

from neighboring elementary schools, junior high schools, and high schools for on-site tours. About 1,500 people visited plants at 20 operational sites in fiscal 2005. The sites also brought in students on internships and junior high school, high school, and university students for workshop practices. The Company included a good number of persons with physical disabilities among the students invited for the plant tours and light-duty work training, in order to heighten their awareness of the importance of work. Toppan prepares plant environments where practice drills are held securely. Company employees conversant in sign language assist with the drills, for example.

Ensuring Safety in Local Communities

In addition to promoting fire-response activities in-house, the operational sites engaged in various safety activities to protect their neighborhoods. The most common safety activities were disaster drills hosted by neighborhood community associations, fire-fighting exercises in alliance with local fire departments, traffic safety guidance, and anticrime patrols.

Toppan's Activities for Contributing to Local Communities



Neighborhood cleanups around operational sites



Plant tours for students from neighboring elementary schools



Environmental communication



Open facility

Environmental Report

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Toppan's Environmental Activities

Toppan is aware of the importance of the environment as a management issue and is promoting environmental activities in all sectors of its business. Toppan's environmental activities can be placed into two main categories: the development and commercialization of environmentally-friendly products and the reduction of the environmental burden of production. The environmental burden caused by business activities is taken as the base of all activities.

Declaration on the Global Environment

In 1991, Toppan established the Ecology Center and assigned it the role of overseeing its environmental activities. The following April, the Company laid out the Toppan Declaration on the Global Environment, a comprehensive environmental philosophy appended with explanations of methods to be used to translate that philosophy into action. Since then, the declaration has guided the efforts of all employees of the Group as they work together to advance Toppan's environmental activities under the leadership of the Ecology Center.

In September 2000, areas of the Toppan Declaration on the Global Environment were revised to reflect reformed management policies. The Environmental Action Plan is reviewed on a regular basis, and the Environmental Targets are treated as an indicator of Toppan's environmental management as the Company strives to improve its environmental activities (→P.58).

The Toppan Declaration on the Global Environment will be thoroughly reviewed whenever social attitudes on the global environment significantly change. Toppan's work to improve upgrade environmental activities will be ceaseless on every front.

Toppan's Declaration on the Global Environment

1. Each of our employees recognizes the importance of global environmental issues and endeavors to conserve the global environment.
2. We actively promote energy/resource conservation and recycling as a means of conserving the global environment.
3. We abide by the law and social order, striving to prevent environmental pollution.
4. Through our business operations, we actively support our customers' activities to conserve the global environment.
5. In our research, we endeavor to develop products and technologies that help conserve the global environment.
6. We implement corporate activities designed to further global conservation in the context of an international society.

Established April 1992
Revised September 2000

Overview of Environmental Activities

Toppan has a broad business base, and each of the products it manufactures imposes different environmental burdens. Environmental burdens must be reduced in accordance with every product life cycle and production process based on a minute understanding of the individual environmental burdens entailed in the development, commercialization, and manufacture of every product.

Toppan has established a comprehensive set of Environmentally-friendly Product Assessment Guidelines to ensure that this can be achieved for every product group. By acting on assessment guidelines that bring the entire life cycle into view, from product planning and development onward, the Company aims to develop environmentally-friendly products in a manner appropriate to the environmental burden of each business area.

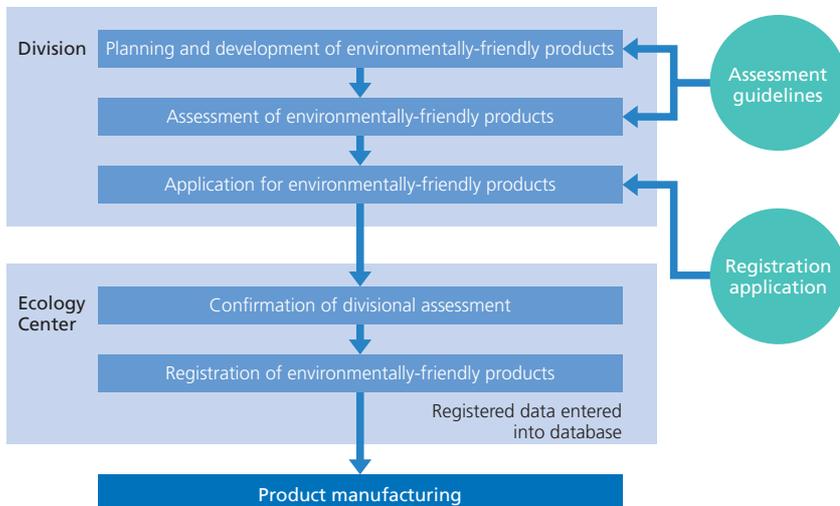
Toppan compiles and ascertains data on the environmental burden associated with its production activities in three separate business fields, and every Toppan production site undertakes its own set of environmental activities to manage its own environmental burdens.

Toppan's Environmental Burden and Environmental Impact

The first step in reducing environmental burden is to ascertain the environmental impact of the Company's overall business activities. Toppan compiles data on the balance of materials at each production site based on INPUT (materials and energy used)/OUTPUT (materials discharged as a result of production) and then assesses the impacts of sites from various environmental perspectives. The Company establishes Environmental Targets based on the results of these assessments, clarifies its priorities, carries through with the environmental activities in pursuit of its targets, and verifies the results of those activities.

As a company engaged in a diversity of businesses, Toppan imposes environmental impacts in various forms. To evaluate the extent and variation of its environmental burden rationally, the Company compiles and ascertains its environmental data independently in its three main business fields: Information & Networks, Living Environment, and Electronics (→P.57).

Flow of Environmentally-friendly Products



Main Environmentally-friendly Products in the Business Fields

Information & Networks

Supporting the businesses of customers via the processing, management, and operation of diverse content and the creation of new value with information



Recycled Vegetable-oil Ink

Printing ink and printed materials made with recycled vegetable oil as a substitute for 70% or more of the original soybean oil component

Living Environment

Providing products and services that contribute to comfortable lifestyles while meeting the needs of both individuals and society from environmental and other standpoints



GL Family

A transparent barrier film made entirely without chlorine-based resin: used in solar batteries, in display materials, and as a packaging material for foods, beverages, pharmaceuticals, and many other goods

Electronics

Providing high-performance parts and electronics products and services in the fields of semiconductors and displays

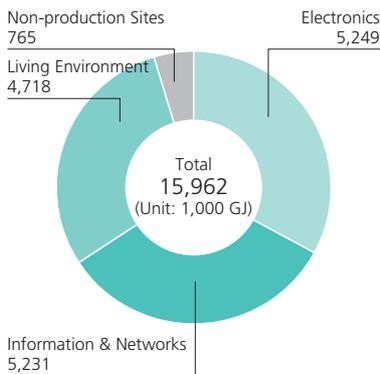


Anti-reflection Film

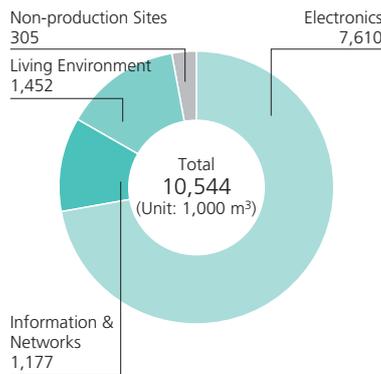
An anti-reflection optical film with 50% less plastic material compared to our existing product range: attached to the surface of the liquid crystal displays used in cellular phones and PCs

Major Environmental Burdens in Each Business Field (INPUT/OUTPUT data)

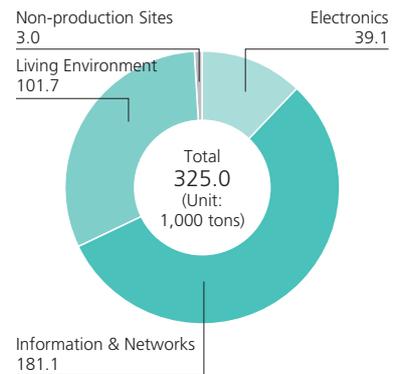
Total Energy Consumption



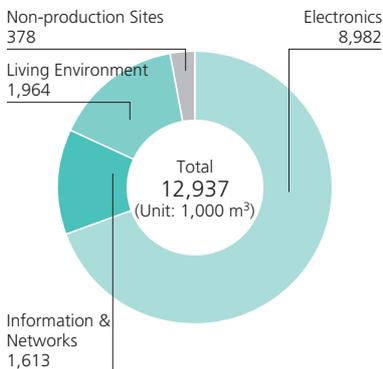
Total Effluent Discharge



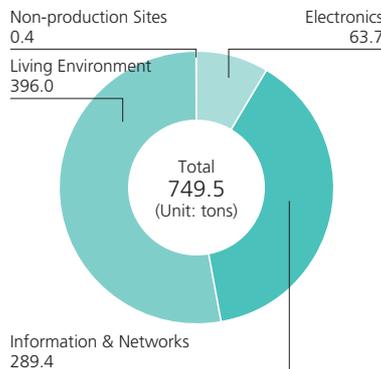
Total Waste Generation



Total Water Consumption



Total PRTR Release



When the data are broken down by business field, Electronics accounts for about 70% of the water consumption and effluent discharge, Information & Networks accounts for about 55% of waste generation, and Living Environment accounts for about 55% of release of PRTR-law designated chemical substances. The total energy consumption, i.e., the quantity of electricity and fuels consumed, is about the same in each business field. Differences in the material units accounted for in the three business fields make it difficult to calculate the total material input volumes on a comparative basis. Information & Networks clearly accounts for a large percentage of the paper consumed.

Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries. The total PRTR release is calculated by totaling the releases of PRTR-law designated substances at each operational site. Dioxins are not included among target substances due to differences in the counting units.

Fiscal 2005 Results and Environmental Targets

Based on its Environmental Action Plan, Toppan specifies concrete policies to realize the targets of its Declaration on the Global Environment, the basic philosophy of its environmental activities. The Company also reviews and establishes Medium- and Long-term Environmental Targets and Environmental Targets for every fiscal year.

Environmental Targets

Based on its Environmental Action Plan, Toppan specifies concrete policies for all businesses to achieve the targets of the Declaration on the Global Environment, the basic philosophy of its environmental activities. The Environmental Action Plan specifies Medium- and Long-term Environmental Targets and Environmental Targets for the current fiscal year. The Declaration on the Global Environment provides a roadmap for expanding environmental activities along with its busi-

ness and encouraging every employee to take an active role.

Toppan takes one fiscal year as one cycle for its environmental activities and reviews its environmental activities within that time frame. The Medium- and Long-term Environmental Targets are reviewed and the Environmental Targets for the following fiscal year are set based on the evaluations of achievements in the current fiscal year.

Evaluation of Progress in Environmental Targets

Toppan set 19 Environmental Targets for fiscal 2005 and undertook various programs and activities to attain them. As of the end of the year, 16 of the targets including three with set figures were reached and three were not.

Toppan has been substantially achieving its targets in environment-related businesses and its targets for waste reduction, recycling promotion, and reduced emissions of chemicals into the

Environmental Targets and Fiscal 2005 Results

Environmental Objectives	Medium- and Long-term Environmental Targets
Mitigation of global warming through the development of energy-saving measures	Reduce CO ₂ emissions per unit of sales by 10% compared to the fiscal 2000 level by fiscal 2010
Promotion of waste reduction and recycling	Reduce waste generation per unit of sales
	Expand the material recycling of industrial waste
	Reduce final landfill waste disposal by 90% compared to the fiscal 2000 level by fiscal 2010
Prevention of atmospheric pollution via VOC emission restraints	Efficiently utilize the industrial waste materials generated in the manufacturing stage and realize zero-emissions at all domestic sites by fiscal 2010
	Reduce VOC emissions into the atmosphere by 80% compared to the fiscal 2001 level by fiscal 2010
Contributing to the environment via the development and marketing of eco products	Promote environment-related business through expanded sales of environmentally-friendly products
	Develop environmentally-friendly products and apply LCA in product development
Promotion of environmental communication	—
Avoidance of environmental risk	Establish and observe appropriate in-house management guidelines that embrace regulatory controls
	Prevent the risk of soil contamination
	Maintain appropriate communication with stakeholders
Enhancement of environmental education and the dissemination of environmental awareness to all employees	—
Upgrading of environmental management systems at our overseas production sites	—

Valuation standard: S, Results achieved greatly in excess of targets; A, Targets achieved; B, Activities fully carried out but targets unachieved; C, Activities were insufficient

Note: Partially applicable to overseas subsidiaries. Not applicable to certain independent subsidiaries.

atmosphere since 2004. The Company was not successful, however, in meeting its targeted reductions of carbon dioxide (CO₂) emissions in fiscal 2004 and 2005. The Company has also fallen considerably short of achieving its targets for the development of environmentally-friendly products.

Review of Environmental Targets

The targets in fiscal 2006 were reviewed based on evaluations of the accomplishment of the Environmental Targets for fiscal 2005. Toppan added one new measure for the control of risks from chemicals in the Company's existing Medium- and Long-term Environmental Targets, resulting in 15 medium- and long-term targets and 18 Environmental Targets for fiscal 2006, to promote environmental activities.



Toppan's Declaration on the Global Environment

Environmental Targets for Fiscal 2005	Fiscal 2005 Results	Evaluation	Reference Page
CO ₂ emissions per unit of sales: Reduce by 4% compared to the fiscal 2004 level	CO ₂ emissions per unit of sales: Reduced by 0.9% compared to the fiscal 2004 level	B	P.68
Establish targets for fiscal 2006	Target for fiscal 2006 established	A	P.69
Establish targets for fiscal 2006	Target for fiscal 2006 established	A	
Final landfill waste disposal: Reduce by 10% compared to the fiscal 2004 level	Final landfill waste disposal: Reduced by 35% compared to the fiscal 2004 level	S	
Expand the number of certified zero-emission sites: To 23 sites	Expand the number of certified zero-emission sites: Increased to 23 sites	A	P.70
Establish targets for fiscal 2006	Target for fiscal 2006 established* ¹	A	
Toluene emissions into the atmosphere* ² : Reduce by 45% compared to the fiscal 2004 level (reduce by 90% compared to the fiscal 2001 level)	Toluene emission into the atmosphere: Reduced by 52% compared to the fiscal 2004 level (reduced by 92% compared to the fiscal 2001 level)	A	
Dichloromethane emissions into the atmosphere: Reduce to zero by the end of fiscal 2005	Target accomplished by the end of March 2006 (emission volume in fiscal 2005: 2.6 tons)	A	P.72
Sales in environment-related business* ³ : 61.4 billion yen (increase by 7% compared to the fiscal 2004 level)	Sales in environment-related business: 62 billion yen (increased by 8.1% compared to the fiscal 2004 level)	A	
Expand the number of products registered as environmentally-friendly products: 14 new products	Number of products registered as environmentally-friendly products* ⁴ : Increased to 78 in total; 9 items added	C	
Apply LCA in product development at regional divisions (Living Environment)	Applied LCA at the Nishinihon Division	A	P.67
Evaluate research themes based on LCA	Evaluation implemented by LCA subcommittee of Technical Research Institute	A	
Implement environmental communication by exhibiting at Eco-Products 2005	Exhibited at Eco-Products 2005	A	
Observe in-house management guidelines at all operational sites and review them as necessary	Evaluations implemented in 52 domestic sites through internal environmental audits	A	P.64
Implement soil investigations at operational sites that track the use of designated toxic substances	Soil investigations implemented at Asaka and Ebie areas and the required actions conducted	A	
Expand the number of operational sites that issue <i>Site Reports</i> : To 20 sites	Expand the number of operational sites that issue <i>Site Reports</i> : Increased to 20 sites (15 Reports in total)	A	P.67
Expand e-learning systems (trainee base: 10,000 people at Group companies)	Number of employees participated in e-learning systems: 8,805 (20,123 in total for four years)	B	P.65
Implement internal environmental audits at overseas production sites: Taiwan and China regions	Implemented at three operational sites in Taiwan region (Five operational sites in China region from May to June 2006)	A	P.64
Monthly records of conformance to local regulatory guidelines and environment-related data	ISO 14001 certification acquired by Toppan Printing Co., (Shanghai) Ltd. in April 2006	A	

*1 Target in the industry: 41% reduction by fiscal 2010 compared to the fiscal 2000 level

*2 Calculated based on performance at 11 plants

*3 Target figure revised according to the calculation criteria in fiscal 2005

*4 Number of products that can now be manufactured by the Company

Environmental Targets for Fiscal 2006

Environmental Objectives and Medium- and Long-term Environmental Targets	Environmental Targets for Fiscal 2006	Details on Specific Measures
Mitigation of global warming through the development of energy-saving measures		
Reduce CO ₂ emissions per unit of sales by 10% compared to the fiscal 2000 level by fiscal 2010	CO ₂ emissions per unit of sales: Reduce by 4% compared to the fiscal 2005 level	<ul style="list-style-type: none"> • Develop and operate a methodology for proper energy management by setting up management guidelines that demonstrate the status of efficient energy usage at each operational site • Reinforce large-scale energy-saving measures (exploring the possibility of partnering with ESCO)
Promotion of waste reduction and recycling		
Reduce waste generation per unit of sales	Waste generation per unit of sales: Reduce by 5% compared to the fiscal 2005 level	<ul style="list-style-type: none"> • Reduce material consumption and improve recovery rates
Expand the material recycling of industrial waste	Material recycling rate: 60%	<ul style="list-style-type: none"> • Seek recycling partners using the Toppan Group Network • Monitor recycling processes through site inspections of contractors
Reduce final landfill waste disposal* ¹ by 90% compared to the fiscal 2000 level by fiscal 2010	Final landfill waste disposal: Reduce by 10% compared to the fiscal 2005 level	<ul style="list-style-type: none"> • Reduce the direct landfill waste disposal by reducing the generated waste • Reduce the volume of residual processed waste by selecting efficient intermediate treatment technologies
Efficiently utilize the industrial waste materials generated in the manufacturing stage and realize zero-emissions at all domestic sites by fiscal 2010	Expand the number of certified zero-emission sites* ² : To 26 sites	<ul style="list-style-type: none"> • Promote waste recycling by reviewing waste separation guidelines and adopting them as binding rules • Expand in-house treatment and recycling facilities while selecting appropriate recycling partners
Prevention of atmospheric pollution via VOC emission restraints		
Reduce VOC emissions into the atmosphere* ³ by 70% compared to the fiscal 2000 level by fiscal 2010	VOC emissions into the atmosphere: Reduce by 10% compared to the fiscal 2005 level	<ul style="list-style-type: none"> • Perform a detailed examination of total VOC emissions in fiscal 2005 • Install processing equipment for effluent gas with sufficient consideration of energy circulation, such as solvent collection and waste heat recovery
Control of risks from chemicals		
Reduce the consumption of PRTR-law designated chemical substances	Consumption of PRTR-law designated chemical substances: Reduce by 10% compared to the fiscal 2005 level	<ul style="list-style-type: none"> • Reduce the consumption of materials containing designated chemical substances and shift to alternative materials with low content of the same • Use the Toppan Group Network to develop in-house standards for materials containing no designated chemical substances
Contributing to the environment via the development and marketing of eco products		
Promote environment-related business through expanded sales of environmentally-friendly products	Sales in environment-related business* ⁴ : 63.6 billion yen (increase by 7% compared to the fiscal 2005 level)	<ul style="list-style-type: none"> • Promote sales and marketing activities for environmentally-friendly products via ISO 14001 operations
Develop environmentally-friendly products and apply LCA in product development	Expand the number of products registered as environmentally-friendly products: 5 new products	<ul style="list-style-type: none"> • Develop products based on Environmentally-friendly Product Assessment Guidelines • Disclose product environmental data through the Toppan Environmentally-friendly Product Certification Label
	Apply LCA in product development at regional divisions (Living Environment)	<ul style="list-style-type: none"> • Newly apply LCA at the Chubu and Hokkaido Divisions and upgrade LCA at the Tohoku and Nishinoh Divisions • Extend project support from the head office for divisions applying LCA
	Evaluate research themes based on DfE (Design for Environment)	<ul style="list-style-type: none"> • Establish a DfE materialization system at Technical Research Institute
Promotion of environmental communication	Implement environmental communication by exhibiting at Eco-Products 2006	<ul style="list-style-type: none"> • Disseminate information through environmental forums, exhibitions, and lecture presentations
Avoidance of environmental risk		
Establish and observe appropriate in-house management guidelines that embrace regulatory controls	Observe in-house management guidelines at all operational sites and review them as necessary	<ul style="list-style-type: none"> • Establish in-house management guidelines through internal environmental audits and confirm the validity of criteria measures
Prevent the risk of soil contamination	Implement monitoring inspection for the vacant lots of restored operational sites	<ul style="list-style-type: none"> • Regularly monitor underground water and report the results to governmental agencies
Maintain appropriate communication with stakeholders	Expand the number of operational sites that issue <i>Site Reports</i> : To 24 sites	<ul style="list-style-type: none"> • Issue a <i>CSR Report</i> and <i>Site Reports</i>
Enhancement of environmental education and the dissemination of environmental awareness to all employees	Continuously implement environmental education via e-learning (follow-up for those yet to participate)	<ul style="list-style-type: none"> • Expand the number of learners in environmental education by setting up an intranet e-learning system • Promote two-way environmental communication using Toppan Environmental Link (another intranet system)
Upgrading of environmental management systems at our overseas production sites	Implement internal environmental audits at overseas production sites: Americas and Southeast Asian regions	<ul style="list-style-type: none"> • Conduct internal environmental audits, including site inspections • Confirm the establishment of environmental management systems through internal environmental audits
	Monthly records of conformance to local regulatory guidelines and environment-related data	<ul style="list-style-type: none"> • Conduct activities aimed at acquiring ISO 14001 certification • Periodically release data on environment-related issues via the <i>Monthly Overseas Site Reports</i>

*1 Final landfill waste disposal: Direct landfill disposal + landfill disposal of residues from intermediate treatment

*2 Zero-emission site: Operational site with a recycling rate of 98% or more (subject to approval by the Ecology Center)

*3 VOC emissions into the atmosphere: The industry targets a 41% reduction by fiscal 2010 compared to the fiscal 2000 level

*4 The sales of the former Industrial Materials Division is excluded from the result in the previous year, the basis for the target value in fiscal 2006, due to the spin-off of the division into a separate company.

Environmental Investment and Conservation Benefit

Toppan has been keeping an environmental account and disclosing its results since fiscal 1998. The Company has reviewed its methods for counting and disclosing its environmental account from fiscal 2005. In addition to the amounts invested in equipment for environmental conservation, the fiscal 2006 accounting discloses the cost for treatment of soil/underground water and the cost for asbestos removal.

Cost of Equipment for Environmental Conservation

Toppan has been keeping an environmental account since fiscal 1998 to help the Company calculate the cost and cost effectiveness of the equipment used for environmental conservation. The accounting results have been disclosed every year since the accounting was commenced. This year, however, the company reviewed its methods for accounting and disclosure. This review focused on the Environmental Conservation Equipment Investment and the Environmental Conservation Benefit in order to exclude reliance on estimates, insofar as possible. This is expected to improve the accuracy of examinations on cost effectiveness.

Toppan has invested 3,722 million yen in environmental equipment this fiscal year, 3% more than the amount invested last year. While the capital investment in energy-saving measures and waste disposal has decreased, the additional installation of equipment for VOC effluent gas treatment resulted in an 11% increase in overall investments in equipment for pollution prevention year on year. The major capital investments for the current fiscal year are as follows: new construction of

VOC treatment equipment at production sites in the Living Environment and expansion of VOC treatment equipment and new construction of wastewater treatment equipment at production sites in the Electronics.

Other capital investments have been outlaid to fund energy-saving improvements in lighting-related equipment (e.g., modifications of mercury vapor lamps and the construction of new heat exchangers for the effective use of waste heat) and waste-processing improvements in new disposal equipment (such as the installation of disintegrators and wastepaper treatment equipment for volume reduction and recycling).

Other Environment-related Cost

Toppan invested 184 million yen in countermeasures to prevent the pollution of soil and underground water in the vacant lots of the former Fukuoka Plant and Asaka area in fiscal 2005. Henceforth, another 297 million yen will be spent on asbestos removal work (to be finished by the end of March 2007).



Equipment for the detoxification of VOC effluent gas from gravure printing presses (Sagamihara Plant)



Wastewater recycling system for the treatment of wastewater containing heavy metals and processing to produce purified water (Toppan CFI (Taiwan) Co., Ltd.)

Environmental Conservation Equipment Investment

(Million yen)				
Item	Major Contents	Fiscal 2005	Increase/Decrease from Fiscal 2004	Total Sum for the Last Five Years
1. Investment in equipment to prevent pollution	Investment in equipment to prevent atmospheric and other forms of pollution	3,106	356	12,625
2. Investment in equipment to conserve the global environment	Investment in equipment to conserve the global environment by mitigating global warming	354	▲28	1,910
3. Investment in equipment to circulate resources	Investment in equipment for adequate treatment and the recycling of waste materials	234	▲193	2,170
4. Investment in equipment for management activities	Investment in equipment to monitor and measure environmental burdens and to plant trees at operational sites	28	▲21	460
Total		3,722	113	17,165

Environmental Conservation Benefit

		Increase/Decrease	Fiscal 2005
Energy	Total energy consumption (1,000 GJ)	1352	20,527
Water	Water consumption (1,000 m ³)	449	15,432
Atmosphere	CO ₂ emission (1,000 t-CO ₂)	83	977
	Emission of ozone-depleting substances (ODP-t)	▲1.1	2.5
	NOx emission (tons)	12	232
	SOx emission (tons)	▲10	54
	Emission of dioxins (mg-TEQ)	71	130
Water and soil environments	Total effluent discharge (1,000 m ³)	338	12,569
	Underground penetration (1,000 m ³)	▲12	38
	On-site evaporation (1,000 m ³)	256	2,348
	BOD (tons)	12	191
	COD (tons)	49	196
Waste	Total generation (1,000 tons)	5	396

Total values may not match, as decimals were rounded up or down.

Entities covered: Toppan Group (see P.21)

Period covered: April 2005–March 2006 (January 2005–December 2005 for overseas subsidiaries)

See P.70 for conservation benefit by PRTR release reduction.

Environmental Management System

Toppan has established an environmental management system to enhance the efficiency of its environmental activities and promote the use of the PDCA cycle as an underpinning to environmental action. This section gives a detailed overview of Toppan's environmental management system.

Toppan's Environmental Management

Toppan's environmental management relies on the operation of an established environmental management system covering the sales, sales promotion, and R&D departments in addition to the actual production sites. At one level, executives conduct ongoing environmental management reviews to ensure that the PDCA cycle, a core part of this system, continues to improve the efficiency of environmental measures. Data on the actual results of environmental measures, meanwhile, are regularly collected by the Ecology Center in the head office, evaluated and verified by the Director in charge of Environment, reported to top management via the Management Committees, and so on. The improvements to the system are promoted throughout the entire Company after further reviews.

Characteristics of Toppan's Management System

Toppan's environmental management system is uniquely structured. The Company's PDCA cycle concept is put into practice at every operational site irrespec-

tive of ISO 14001 certification. The Technical Research Institute and 50 domestic production sites have been pressing ahead with their environmental activities to achieve the targets set under the Eco-protection Activity Plan.

Progress of the activities is checked monthly by the Eco-protection Promotion Committee to ensure that any problems that arise are resolved as quickly as possible. Every operational site sends the Ecology Center reports on major environmental results on waste and energy either monthly or every half year. Toppan prepares an effective structure for promptly evaluating progress towards its Environmental Targets and revising the targets as needed.

Status for Obtaining ISO 14001 Certification

Fifty-one domestic sites (34 systems) in the Toppan Group had obtained the ISO 14001 certification as of June 2006. Eight overseas sites have now acquired certification with Toppan Printing Co., (Shanghai) Ltd. in China acquiring certification in April 2006.

This is not limited to production sites alone: Toppan's divisions including

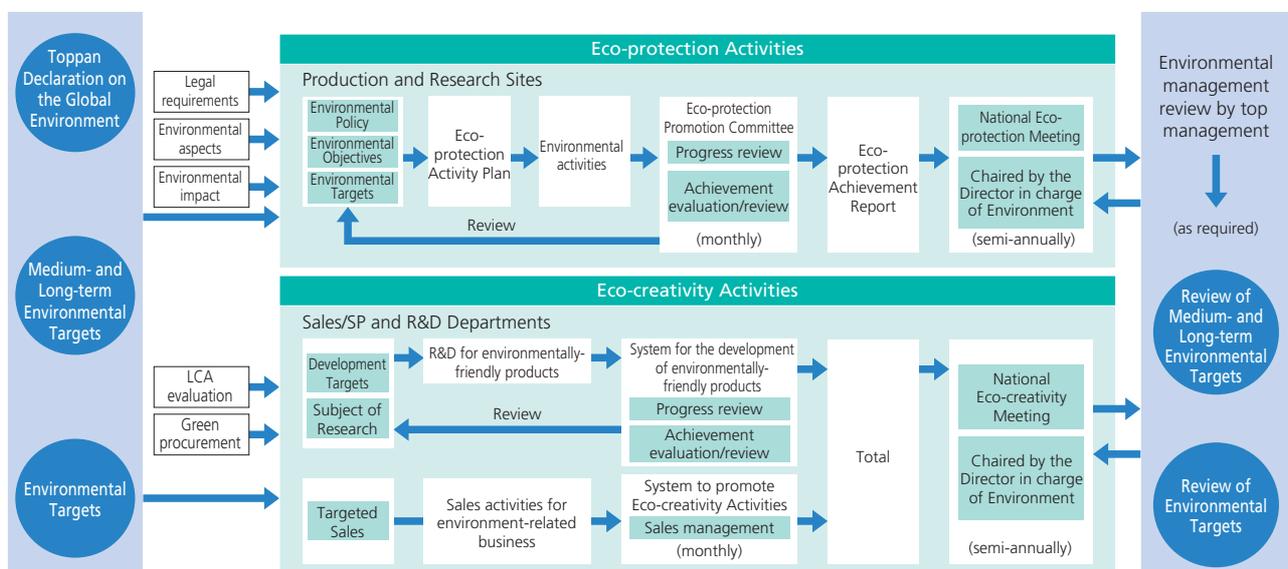
research sites and sales offices have acquired ISO certification in the last two to three years.

Structure to Promote Environmental Activities

Under the control and leadership of the President & CEO and the Director in charge of Environment, Toppan has set up an environmental management system in every production site, R&D department, and sales and sales promotion department inside and outside of Japan. The Ecology Center, a part of the Corporate Manufacturing, Technology & Research Division at the head office, is directly responsible for operating the system. The center works to instill the Environmental Policies and Environmental Targets determined by top management and measures to realize these policies and targets among the employees of the various divisions and production sites, as well as to convey environmental information from the divisions and production sites back to top management.

Specifically, Toppan has established in-house systems to promote the progress

Overview of Environmental Management



and efficiency of the Company's Eco-protection and Eco-creativity Activities to take various environmental measures. These systems are advancing under the direction of the Ecology Center.

Many of Toppan's Eco-protection Activities are launched independently at the site level. Toppan production sites convene their own Eco-protection Promotion Committees, each with its own subcommittees to address specific issues. The Company's strong focus on energy-saving activities has led to a considerable strengthening of the Energy Subcommittees since the beginning of fiscal 2003.

With regard to Toppan's Eco-creativity Activities, each division has established an Eco-creativity Promotion System to

develop environmentally-friendly products and environmental support businesses.

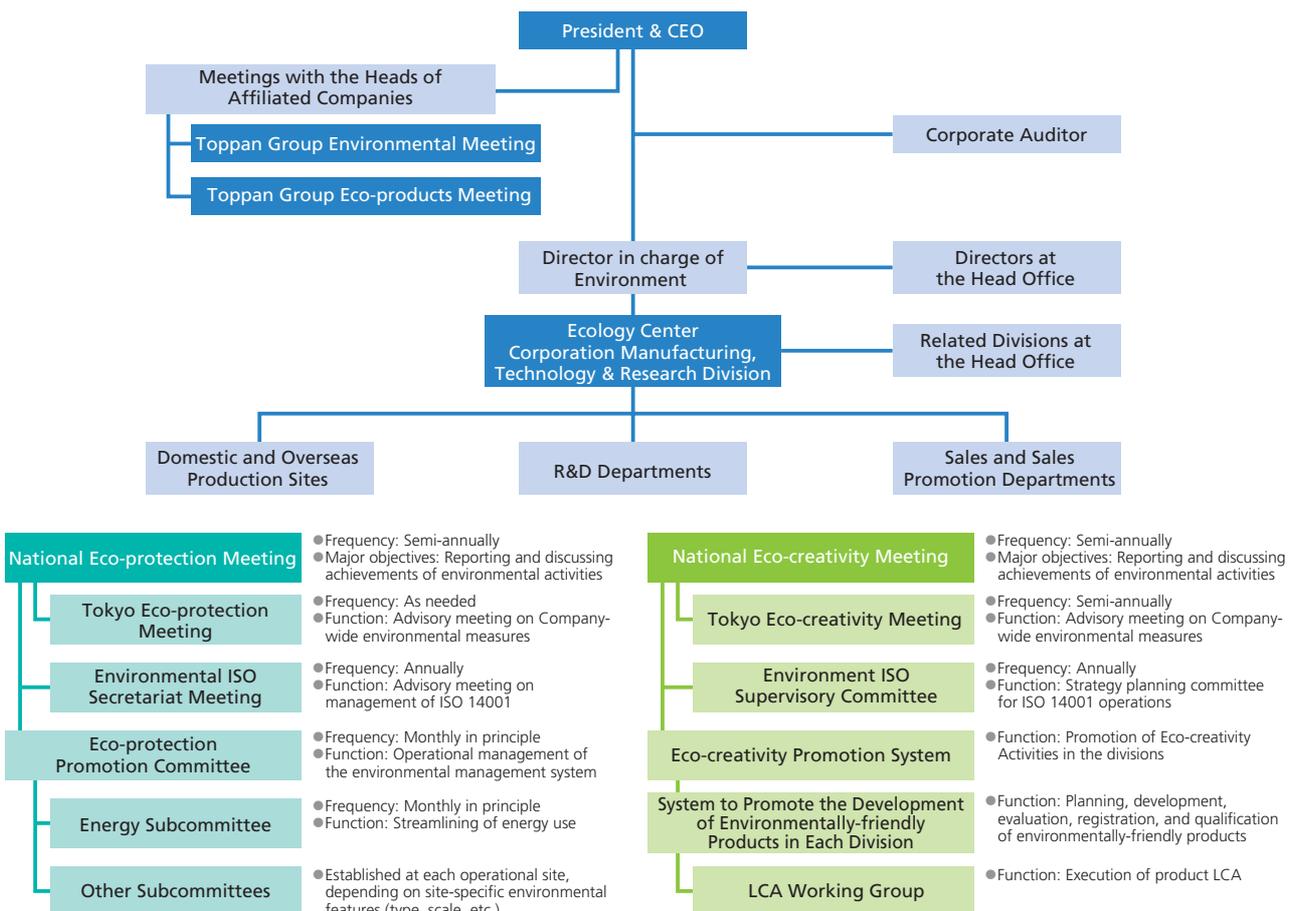
Reinforcing the Integrated Strength of the Group

In fiscal 2003, Toppan began reviews of its environmental management structure as a corporate group and organized a semi-annual Toppan Group Environmental Meeting under the auspices of the Meeting with the Heads of Affiliated Companies. By confirming the progress towards the Environmental Targets of each company and sharing environmental issues, Toppan is strengthening its environmental risk management structure and preparing and implementing measures designed to leverage the inte-

grated strength of the Group.

In fiscal 2004, the Company established the Toppan Group Eco-products Meeting and began operations to promote the sharing of environmental information on the development of environmentally-friendly products in each Group company. Various actions have been conducted to standardize the criteria for product evaluation.

Environment Management System



Environmental Management Activities

Toppan's PDCA cycle is being fully implemented through internal environmental audits and the environmental management systems of its operational sites. In addition to environmental compliance (the upholding of all regulations relating to the environment), the Company also fully implements environmental education to continuously maintain and improve its environment-related activities.

Internal Environmental Audit System

Toppan's internal environmental audit system follows a two-stage screening process: a document audit and an on-site audit. The internal environmental audit team consists of internal environmental auditors in addition to assistant auditors responsible for auditing the environmental management system. The team begins by inspecting and evaluating the structural status of systems, compliance with environment-related laws and regulations, and compliance with in-house standards at all the operational sites audited. Next, the team compiles the Internal Environmental Audit Reports (documents specifying necessary improvements pointed out during audits) and submits them to the director in charge. The internal environmental audits are reviewed within the same fiscal year in order to raise the level of compliance for the following fiscal year.

Results of the Fiscal 2005 Audit

In fiscal 2005, the internal environmental audit team audited 52 operational sites in Japan and compiled a list of 699 areas in

need of improvement. To correct these deficiencies, each operational site follows an Improvement Plan that lists the required improvements and deadlines for completion. Toppan has confirmed the progress of improvement measures on 246 items at 13 operational sites through internal environmental audit reviews. The progress and results of the remaining 453 improvement measures will be reviewed during internal environmental audits of fiscal 2006.

Local hearings and inspections are carried out every other year at overseas production sites in the U.S.A. and Asia regions. In fiscal 2005, three operational sites in Taiwan region were inspected for local environmental audits. These inspections identified 38 items requiring improvement. Most of the inspection examinations focused on the implementation and operation of environmental management systems and the understanding and confirmation of compliance with local environment-related laws and regulations. Other examinations focused on the environmental impact on atmosphere and water and the daily control of energy and waste. To improve operational conditions, the overseas sites have

followed the example of the domestic sites by taking necessary procedures under the Improvement Plan.

Approach to Environmental Compliance

Toppan's production sites endeavor to prevent environmental pollution more rigorously by complying with all environmental laws, regulations, and agreements set by national and local governments and communities. The sites also endeavor to comply with Toppan's in-house standards, which are usually stricter than national and local regulatory standards.

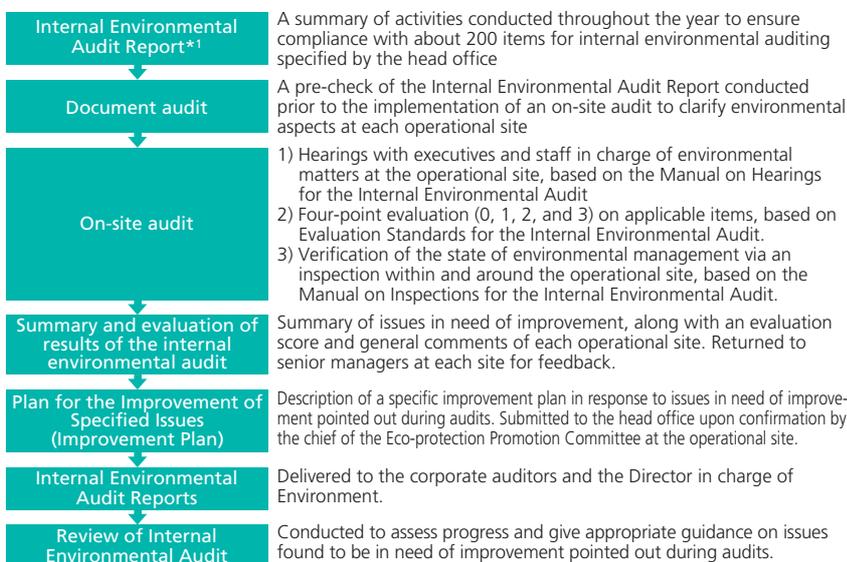
The compliance status at domestic sites is reported to the head office in Eco-protection Achievement Reports every April. Overseas sites, meanwhile, submit *Monthly Overseas Site Reports*, and compliance at both domestic and overseas sites is confirmed by internal environmental audits.

Compliance in Fiscal 2005

No nonconformities related to the atmosphere were detected in any of operational sites in Japan in fiscal 2005.

With regard to water, however, three

Review of the Internal Environmental Audit



*1 Operational sites that have already acquired the ISO 14001 certification report their activities in the management review document.



Internal environmental auditing hearing



Internal environmental auditing

operational sites recorded contamination levels exceeding the regulatory standards (beverage washing drainage, 1 case; BOD, 2 cases; soluble iron content, 1 case). The Company took corrective measures in each case and has kept the levels within the standards since.

Regarding pollution of soil and underground water, there was one confirmed instance of soil contamination exceeding environmental or municipal standards in fiscal 2003 and two in fiscal 2004. All three cases were handled with purification and restoration steps. Based on its experience with soil contamination at the vacant lot of the former Fukuoka No. 1 Plant, Toppan took preventative measures against future soil contamination by implementing voluntary investigations of all operational sites subject to risks of soil contamination one by one in fiscal 2005. As a result of these investigations, trichloroethylene levels exceeding environmental standards were detected in the underground water of a well in the Asaka area (→P.19).

Regarding noise and foul odor, the authorities alerted the Company to odor levels that exceeded regulatory standards in one case in fiscal 2005. The odor

resulted from a defect of deodorizing equipment and was immediately resolved by corrective measures. A full report on the incident was presented to the relevant authorities. Toppan plans to promote more preventive measures and to further reduce the levels of noise and foul odor at its operational sites in the future.

Toppan was not subject to any environment-related litigation, penalties, or fines in fiscal 2005.

Emergency Response

Chemical solvents are handled and used on a daily basis at each operational site. Some types of accidents that occur during handling and use pose a risk of soil and water pollution, particularly those that occur when solvent is being transferred from tank trucks to tanks. Toppan has installed pollution-preventive devices and preparing oil fences, sandbags, and other measures to prevent the outflow of solvents in the event of leaks or similar accidents at operational sites susceptible to environmental impacts.

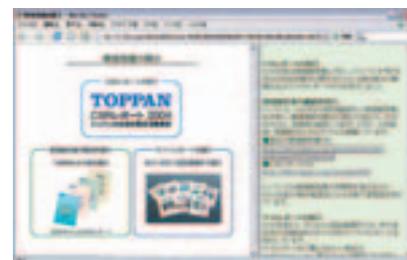
Environmental Education

To maintain and improve the quality and scope of its environmental activities, Toppan recognizes that its employees need to take the initiative to educate themselves further in environment-related areas. The Company provides a systematic range of educational opportunities to raise the environmental consciousness of its entire workforce, from new recruits to senior managers.

In fiscal 2002, Toppan introduced an e-learning system supported by web-based training. This system offers educational opportunities for all employees without any constraints on time or place. The network platform online supports two-way communications for Q&A and other forms of dialogue-based learning. Thanks to this system, employees can learn environmental issues effectively within a short time. In fiscal 2005, Toppan implemented ISO 14001: 2004 Internal Environmental Auditor Training by leveraging the characteristics of this e-learning.

Purification of Soil/Underground Water Pollution Monitored by Self-investigation (fiscal 2005)

Operational Site	Location	Pollution Detected	Purification Treatment
Vacant lot of the former Fukuoka No. 1 Plant	Koga City, Fukuoka	Soil pollution by hexavalent chromium Underground water pollution by hexavalent chromium Underground water pollution by VOCs	Restoration work was completed; underground water is now monitored
Nagoya Plant	Nishi Ward, Nagoya City, Aichi	Soil pollution by hexavalent chromium	Restoration work was completed; underground water is now monitored
Shiga Plant	Higashi-omi City, Shiga	Soil pollution by hexavalent chromium	Restoration work was completed; underground water is now monitored
Asaka Plant	Niiza City, Saitama	Underground water pollution by VOCs	Underground water is now monitored



e-learning

Environmental Communication Activities

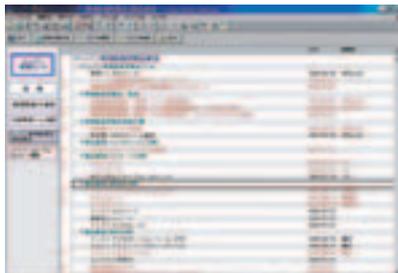
In order to make its environmental activities more fruitful, Toppan considers it important to spread awareness on the environment amongst the wide range of people related to the Group, starting with employees. Toppan is developing various levels of environmental communication, including environmental education and integration into local communities.

Major In-house Communication Activities

Toppan Environmental Link

The Toppan Environmental Link website was set up on the Company intranet in fiscal 2001 as a channel for sharing environmental information and raising employee awareness on the environment. Links to environmental information and data on environmentally-friendly products inside and outside the Company are provided.

The system has supported interactive transmission since fiscal 2003, when the system was modified to help activate in-house communication.



Toppan Environmental Link

Formulation of Toppan's Environmental Logo

All of the employees within the Toppan Group must constantly reconsider environmental issues if the Company is to fully understand its own impacts and promote comprehensive environmental activities. The Toppan Environmental Logo adopted in 1999 is now printed on in-house publications, business cards, and other materials to remind employees of the constant need for environmental action.



Toppan's Environmental Logo

Toppan aspires to devote increasing attention to the global environment through its Eco-protection and Eco-creativity Activities. The Environmental Logo expresses both Toppan's corporate concept and actions. Toppan's environmental efforts and actions are symbolized as a seed that will germinate and grow. The stalk shooting out of the seed symbolizes the "E" of ecology, and its two leaves represent Toppan's Eco-protection and Eco-creativity Activities.

President's Ecology Awards

Toppan newly incorporated the Ecology Awards in its biannual lineup of President's Awards as a strategy to stimulate the environmental efforts of employees. The Toyama Plant of NEC Toppan Circuit Solutions, Inc. was commended as a plant conducting excellent energy management in fiscal 2005.



The staff received an award from the President & CEO

Toyama Plant of NEC Toppan Circuit Solutions, Inc. Honored by the Minister of Economy, Trade and Industry

The Toyama Plant of NEC Toppan Circuit Solutions, Inc. designs and manufactures printed wiring boards for the Toppan Group. The plant develops and executes environmental activities from its site on the alluvial cone of the Kurobe River in the heart of nature's bounty. In the spirit described in its environmental philosophy, "We aim to become an earth-friendly company loved by the earth," the plant has always treated environment-related issues as important administrative tasks.

As a culmination of its long-running efforts for energy saving, the plant received the top award from the Minister of Economy, Trade and Industry at the Fiscal 2005 Awards for Plants Undertaking Excellent Energy Management held in February 2006.

The Energy/Resource-saving Promotion Committee, a body of manufacturing, technology, and energy management depart-

ments, spearheads energy-saving activities of the type recognized by this award. The committee is responsible for the planning of various actions to fulfill quantitative targets for energy saving and employee education. It also monitors the execution of initiatives and the accomplishment of the targets every month. More than 30 energy-saving actions are planned and implemented yearly through this coordinated system, and exemplary cases are adopted throughout the entire plant. The most effective action among them is equipment improvement of high-pressure air used for drying processes and as energy to run plant machinery. In combination with step-by-step efforts such as air leak prevention, this system proved to be capable of reducing the power consumption of high-pressure air by 20% or more compared with the previous level.



Toyama Plant of NEC Toppan Circuit Solutions, Inc.



Top award from the Minister of Economy, Trade and Industry

Disclosure of Environmental Information

Communication with Local Communities

The communities around Toppan's plants filed 37 complaints and inquiries in fiscal 2005, indicating that many stakeholders were inconvenienced. The complaints dealt mainly with noise and foul odors, two forms of urban pollution. While most of the problems were promptly solved, several problems related to production activities require further efforts. Toppan will continue to make capital investments to improve facilities and deepen communication with local residents.

Toppan recognizes the importance of communicating with local communities. To make clearer its responsibility for the impact of its business activities on the environment with the momentum from the launch of the PRTR law, the Company has thoroughly reviewed both its understanding of the current situation through environmental assessment and the methods used to exchange opinions with third-parties through risk communi-

cation. In addition to presenting guidelines from the head office, Toppan shares information by holding Risk Communication Study Groups and implements risk communication based on the actual status of its operational sites.

Publishing Environmental Reports

Toppan has been disclosing the environmental information in its *Environmental Report* (re-named the *CSR Report* in fiscal 2004) since 1998. In line with the development of its global business, Toppan has been making the same report available in English since 2000. Toppan's ISO 14001-certified sites have been issuing *Site Reports*, periodic communications directed to municipalities and residents in surrounding areas since fiscal 2000 (issued by 20 operational sites in fiscal 2005).

Participating in Seminars and Organizing Environment-related Exhibitions

Toppan encourages the public outside the Company to understand its environmental efforts. It does this mainly

through participation in lectures and seminars, including conferences of trade and industrial organizations and programs of its own. Toppan's work to present and hold environment-related exhibitions is allocated as a priority among the Company's environmental communication activities.

The *CSR Report 2006* only presents environmental performance data from the entire Group. Environmental performance data on individual operational sites in the Group can be found at the *CSR Report* URL below. Please contact the following address to request *Site Reports* by email.

- *CSR Report* URL
<http://www.toppan.co.jp/english/csr/index.html>
- Address for requesting *Site Reports*
eco@toppan.co.jp

Exhibiting at Eco-Products 2005

Toppan exhibited products in cooperation with its Group companies (Tokyo Shoseki Co., Ltd., Toppan Forms Co., Ltd., Toppan Cosmo, Inc., and froebel-kan co., Ltd.) at the Eco-Products 2005 exhibition held in December 2005. The environmentally-friendly products on exhibit were classified into five categories to enlighten visitors on the environmental considerations entailed in manufacturing everyday products for the public: recycling, resource-saving, health & safety, environmental education, and office ecology. Visitors of all ages also had the chance to participate in fun Toppan events. Some tried to extract fibers from PET bottles. Others took a special quiz that challenged them to tell real wood apart from printed grain.

Environmental considerations were an important factor in setting up the Toppan exhibition booth. The lighting was carefully controlled to save energy, for example, and the panels and tables were made from environmentally-friendly materials reproduced from source materials such as cardboard boxes and milk cartons.



Soft eco-clay workshop in the booth (presented by froebel-kan co., Ltd.): visitors particularly appreciated the wholesome, non-chemical odor of eco-clay, a feature achieved with the use of a synthetic vegetable oil.



Quiz to compare real wood with printed grain: children scored better than adults.



Tokyo Shoseki Co., Ltd. of the Toppan Group has published a number of books and DVDs on environmental education.



Visitors enjoyed the rare opportunity to see PET bottle recycling firsthand. Most people know that PET bottles are a source of reusable fiber. Few, however, have actually seen the process of fiber extraction.

Mitigating Global Warming and Saving Energy

The expanding scale of production and the new and additional construction of environment conservation equipment prevented Toppan from accomplishing its CO₂ emission target for fiscal 2005. The Company will propel energy-saving activities by reinforcing the energy management system in fiscal 2006.

Energy-saving Activities

Toppan is constantly searching for more effective ways to use energy in an effort to reduce the emissions of carbon dioxide (CO₂) and other greenhouse gasses. To respond to the Kyoto Protocol targets for reduced greenhouse gas emissions, the Company has established the following Medium- and Long-term Environmental Target: To reduce CO₂ emissions per unit of sales by 10% compared to the fiscal 2000 level by fiscal 2010. The Company also sets targets for each fiscal year based on the medium- and long-term targets. To meet Toppan's overall targets for the year, every production site sets individual targets for emissions per unit of production value and emissions per unit of production volume by product type.

Toppan began its activities in fiscal 2005 with the following target: To reduce CO₂ emissions per unit of sales by 4% compared to the fiscal 2004 level. Results fell considerably short of the target, with an actual reduction of 0.9%. The energy-saving effect from reinforcements and modifications of the energy management system failed to keep up with the expanding scale of production

and the new and additional construction of environment conservation equipment.

With the 7.8% increase in CO₂ emissions per unit of sales compared to the fiscal 2000 level, the Company requires more and continued efforts to accomplish its medium- and long-term targets. The various energy-saving measures now being planned and examined should be implemented to reduce CO₂ emissions after fiscal 2006.

Energy Management System

Toppan has been reviewing its management system for the rationalization of energy use since fiscal 2003. Under the Energy Management Guidelines, Toppan's policy for energy management, the Company has appointed personnel to handle energy management at each production site and has established the Energy Subcommittee (meets once a month in principle) to deploy energy-saving activities.

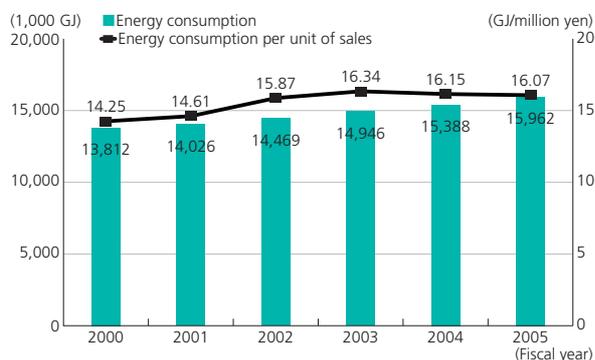
Equipment management activities are also being reviewed at each production site to ensure compliance with the Energy Saving Law. Part of this effort includes the Energy-saving Review, a specialized review for energy saving held

each fiscal year to identify and correct any problems with site checks. These reviews were conducted at 41 production sites targeted for improvements in energy management structure in fiscal 2005. Wide-ranging improvements were confirmed in the energy-saving items indicated in the previous fiscal year.

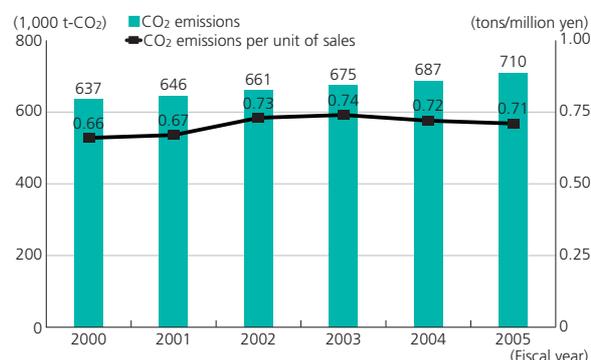


Measure to assure the effectiveness of the air-conditioning system by shielding the outdoor components from direct sunlight (sunshade)

Energy Consumption



CO₂ Emissions



Notes: Excludes figures for overseas subsidiaries and certain independent subsidiaries.

The Company referred to the Ministry of the Environment's Guidelines for Calculating Greenhouse Gas Emissions from Businesses for its own calculations of energy consumption and CO₂ emissions in Japan. Detailed percentage data by energy type are shown on P.79.

The data for the previous year were modified for adjustment to revisions of the calculation method, etc.

In calculating CO₂ emissions for fiscal 1990, Toppan was forced to rely on estimations due to problems in the accuracy of measurement at that time, and expansion and revision of the scope since. For this reason, the calculated result is not used as a management value.

Resource Circulation

Through its skillful management of waste materials, Toppan has reduced its final landfill waste disposal by 35% compared to the previous fiscal year and increased the number of zero-emission sites to 23. Toppan will continue to actively promote the reuse of waste as a recycled resource.

Waste Reduction Activity

Waste paper, a waste product derived primarily from Toppan's Information & Networks and Living Environment Fields, comprises 74% of the total waste generated by Toppan's operational sites. Waste acids (such as waste etchant from plants in the Electronics Field) and waste plastics (from plants in the Living Environment Field) also make up substantial portions of the total waste generated.

As an incentive for improved waste management performance, the Company targets a 90% reduction of its final landfill waste disposal* in fiscal 2010 relative to the level in fiscal 2000. Company-wide efforts to thoroughly separate and recycle wastes in fiscal 2005 led to a 35% reduction relative to the fiscal 2004 level. This far surpassed the 10% reduction target for the year. The final task to be accomplished by fiscal 2010 is the recycling of sludge.

Development of Zero-emission Target

In a move to standardize its approach to waste reduction, Toppan launched activities to achieve zero-emission targets at a number of plants selected as "zero-emission models" in 1999. Based on the results achieved at these model plants, Toppan began certifying "zero-emission sites" in November 2001.

Toppan encountered obstacles in achieving its zero-emission targets when external factors beyond the Company's control began dictating the recycling rate. As a solution, Toppan reviewed its certification criteria and redefined zero-emission sites as plants with recycling rates of 98% or more and approval by the Ecology Center in the head office. The center certified and registered 23 operational sites in fiscal 2005 on the basis of these criteria at the Toppan National Eco-protection Meeting held in November 2005.

Reuse of Waste as Recycled Resources

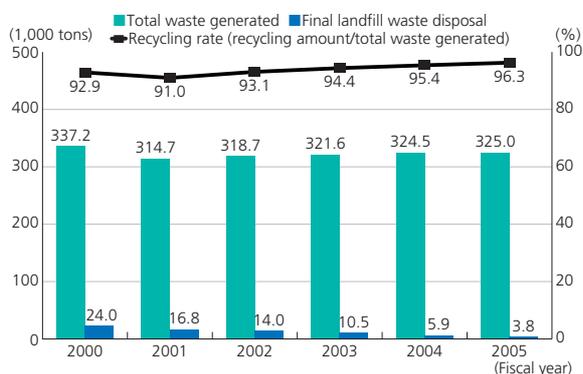
Two important tasks in the drive to achieve zero-emission efforts are to use wastes more effectively in-house and to develop recycling through external communication. Toppan is committed to reusing the waste from each process throughout the Company as much as possible.



Certification of zero-emission site

*Direct landfill disposal + landfill disposal of residues from intermediate treatment: the residues discharged from the recycling processes are included.

Total Waste Generation and Final Landfill Waste Disposal/ Recycling Rate



Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Waste Disposal by Type

Type of Waste	Disposal Amount (tons)	Ratio
Waste paper	240,518	74.0%
Waste plastic	25,377	7.8%
Waste acid	18,220	5.6%
Waste oil	11,263	3.5%
Sludge	9,567	2.9%
Waste alkali	7,741	2.4%
Metal chips	5,905	1.8%
Wooden chips	2,330	0.7%
Cinders	2,159	0.7%
Glass chips	628	0.2%
Others	1,264	0.4%
Total	324,973	

Pollution Prevention and Chemical Substance Management and Reduction

Toppan is working to reduce its burden on the environment and prevent pollution by establishing and complying with in-house control standards even more stringent than the legal regulations. Toppan substantially reduced emissions of VOCs, mainly toluene, in fiscal 2005, repeating its achievement of fiscal 2004.

Pollution Prevention Activities

Toppan is now developing activities to prevent pollution and minimize the environmental burden of its production activities. To accomplish these goals, the Company collects information to glean an accurate picture of the actual state of the various environmental burdens at each operational site. The Company is working actively to reduce its burden on the environment and prevent pollution by complying with in-house control standards (established by the Eco-protection Promotion Committee for each operational site) even more stringent than the legal regulations.

Preventing Atmospheric Pollution and Protecting the Ozone Layer

To prevent atmospheric pollution, Toppan controls smoke and soot generating facilities such as boilers and incinerators by switching fuels and managing operations under appropriate combustion conditions. At the same time, the Company has introduced VOC effluent gas treatment equipment for the thorough control of atmospheric pollution prevention.

Emissions of Hydrochlorofluorocarbons (HCFCs), a family of ozone-depleting substances mainly used in cleaning processes, were reduced by 20% in fiscal 2004 compared to the level in the previous fiscal year, chiefly by adopting substitutes on a larger scale.

Preventing Water and Soil Pollution

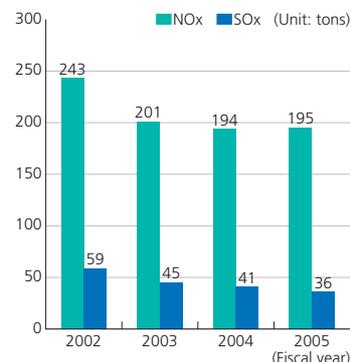
Toppan reduces water pollution at its plants by installing wastewater treatment facilities designed to ameliorate the environmental burden imposed by specific production processes. The introduction of the wastewater recycling systems to reduce water consumption and effluent discharge has improved the reuse rates of wastewater, particularly in production sites in Electronics. The effluent discharged during processes is completely recycled in the Building B of the Mie Plant completed in March 2006.

Toppan's principal safety concern in managing its chemical solution storage tanks is to prevent the leakage of fluids. Walls have been constructed around the storage tanks and workers regularly inspect the tanks and piping to detect cracks and other flaws before soil pollution can occur.

Management of Chemical Substances

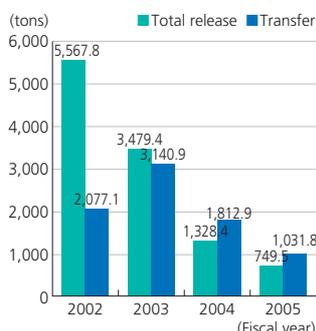
The reduction targets established for toluene and dichloromethane were both achieved in fiscal 2005. From fiscal 2006, Toppan will establish new targets to reduce the consumption of PRTR-law designated chemical substances and systematically promote the switchover to materials with little to no PRTR content.

NOx and SOx Emissions



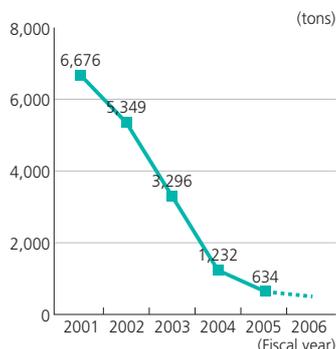
Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries. Figures are calculated based on the Environmental Activities Evaluation Program by the Ministry of the Environment in April 2002.

Total Release and Transfer of PRTR-law Designated Chemical Substances



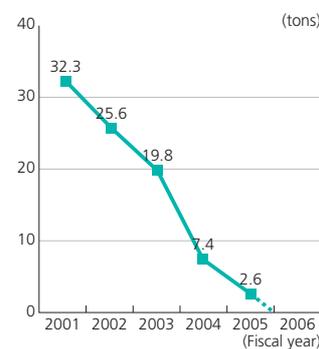
Note: Calculated from the release and transfer of PRTR-law designated substances at each operational site; dioxins are not included as specified substances due to a difference in the counting unit. The figures at overseas subsidiaries and certain independent subsidiaries are excluded. The data in fiscal 2004 were modified for adjustment to revision of the aggregation method.

Toluene Emissions into the Atmosphere



Note: Covers operational sites that handle at least 1.0 ton annually. Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Dichloromethane Emissions into the Atmosphere



Note: Covers all operational sites that have handled the substance so far. Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Approach to Logistics

Toppan Logistics Co., Ltd. handles the distribution and logistics for the Toppan Group. The main environmental challenge in logistics is to reduce the environmental burden caused by transportation. The Company is reducing the levels of CO₂ emissions discharged from trucks and promoting safe and environmentally-friendly transportation.

Reduction of CO₂ Emissions Discharged from Trucks

Toppan Logistics Co., Ltd. targets a 10% reduction in CO₂ emissions per unit of sales compared to the fiscal 2002 level by fiscal 2010.

This company works to improve transport efficiency by mixed loading (in Kanto, Chubu, and Kansai regions), to improve the loading ratio using logistics depots at plants across the country, to optimize the number of vehicles, and to promote modal shifts.

The promotion committee (held every two months) manages operational results in the Kawaguchi area (Packaging, Commercial Printing, and Publications) of Saitama Prefecture, one of the major bases for the Company, with the aim of promoting eco-drive and improving mileage through environmental management programs.

Safe Transportation

Toppan Logistics Co., Ltd. proactively promotes safer transportation of its own 50 vehicles, aiming to obtain the G Mark certification for excellence in operational safety.

Environmentally-friendly Transportation

All operational sites with their own vehicles (Kawaguchi and Niiza Sales Offices) have been recognized for their voluntary activities to control their environmental impacts by implementing eco-drive, introducing low-pollution vehicles, keeping vehicles in good condition through inspections, and reducing waste discharge. These efforts have culminated in the renewal of the Green Management certification.

Results

- 27% reduction in CO₂ emissions per unit of sales compared to the fiscal 2002 level (at logistics sites in Kanto area)
- 13% improvement of mileage compared to the fiscal 2001 level (for company-owned vehicles)
- Establishment of management system
Renewal of ISO 14001 certification
Renewal of Green Management certification
Acquisition of the G Mark certification for excellence in operational safety
- Introduction of low-pollution trucks (including vehicles meeting the standards of the New Long-term Exhaust Gas Regulation)
- Promulgation of eco-drive Seminars for partner companies



Certification of Green Management

Activities to Improve Mileage

1. Eco-drive seminars (semi-annually)
2. On-site training (semi-annually)
 - Comparison with data on middle-aged drivers

[Actual state of benefits]
3. Monitoring of progress
 - Feedback on problems (as necessary)
Indicate and train through individual meetings
 - Disclosure of results (every month)
Disclose results by month and individual

[Confirmation of the degree of achievement]
4. Improvement of driving technique
 - Participate in safe driving contest held by relevant organizations



Disclosure of monthly individual results



Vehicles meeting the standards of the New Long-term Exhaust Gas Regulation



Examination for the G Mark certification of excellence in operational safety

Development and Assessment of Environmentally-friendly Products

The planning and development of environmentally-friendly products is carried out based on Toppan's in-house evaluation criteria, all of which are compliant with ISO 14021. The Company is also striving to quantify environmental burden through its ISO 14040-compliant LCA procedures. Each Group company has introduced Eco-products Standards and taken part in the planning, development, and assessment of environmentally-friendly products.

Toppan's Basic Thinking on Environmentally-friendly Products

Toppan develops its environmentally-friendly products based on its own set of standards established in close consideration of the industry in which each division operates. The overarching criteria are Toppan's 14 Environmental Points based on ISO 14021 standards. The Ecology Center evaluates the developed products and registers those which meet all the criteria as "environmentally-friendly products."

Toppan attaches its Environmentally-friendly Product Certification Labels to all of its environmentally-friendly products to spell out environmental considerations to users and fulfill the requirements of accountability.

The number of environmentally-friendly items produced by Toppan totaled 78 as of the end of March 2006.



EPOP, an electronic POP material made with safe materials and leadless solder around the board



Rear-projection TV screen that consumes 45% less raw materials than existing products

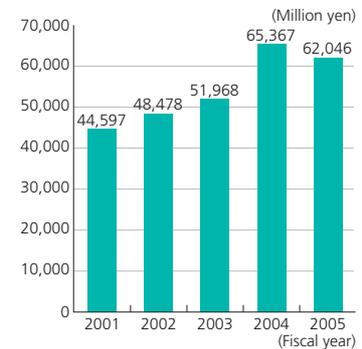


Stripping and heat-sensitive label for glass bottles: no more sticky labels to manage during recycling

Environment-related Business

Toppan divides its "environment-related businesses" into three categories: the development of environmentally-friendly products, recycling business involving the reuse of products, and environmental communication business (e.g., support for other companies as they prepare their own environmental reports). The Company works to realize a recycling-oriented society by promoting these businesses.

Sales of Environment-related Business



Note: The sales of the former Industrial Materials Division is excluded from the result in fiscal 2005, when the division was spun off into a separate company.

Toppan's 14 Environmental Points and Environmental Considerations

Life Cycle Stage	ISO 14021 Environmental Labeling Type II	Toppan's 14 Environmental Points for Environmentally-friendly Products	Toppan's Standards
Products and distribution		1. Use of safe materials	Toppan will not use substances banned by industrial organizations or substances that could potentially contaminate the Company's products with environmental hormones.
	Recycling rate	2. Use of recycled materials	Toppan will not produce products from recycled materials that could potentially contain environmental hormones or substances banned by industrial organizations.
	Resource reduction	3. Resource-saving	The consumption of resources is reduced during the materials production and logistics processes.
		4. Reduced energy consumption in production	The consumption of energy and water is reduced during the production and logistics processes.
	Recovered energy	5. Use of recovered energy	Products are produced with surplus energy or energy recovered from waste materials.
	Reduced solid waste	6. Reduced solid waste	The generation of solid waste is reduced through modifications of the production process, product design, and packaging. (Byproducts reused in processes are not included in this category.)
Use	Energy-saving	7. Energy-saving	Energy consumption is reduced during product operation.
		8. Reduced release of chemical substances	Products release the lowest possible levels of chemical substances.
After use	Long-life products	9. Long product life	Product lifetimes are extended by improving durability and adopting scalable designs.
	Reusable/refillable	10. Reusability	Products can be reused or refilled for their original or related purposes. Systems and infrastructures are provided for collection and reuse.
	Recyclable	11. Recyclability	Systems and facilities are provided for product recycling. Recyclable parts are indicated as such.
		12. Suitability for disposal	The materials used discharge the lowest possible levels of harmful gases during incineration. Landfill waste is carefully treated to prevent all forms of soil contamination.
	Easy detachment design	13. Easy separation and disassembly	Product designs enable easy separation and disassembly. The parts and materials used support product recycling.
	Degradability	14. Biodegradability	The biodegradable and photodegradable materials used in the products break down naturally and are assimilated back into the environment.

LCA Activities

The Nishinohon Division has utilized the Life Cycle Assessment (LCA) approach to quantify the environmental burden of products. An LCA conducted in fiscal 2005 assessed the environmental burden of a proprietary functional film developed by Toppan: a bi-layer moisture-proof transparent film for packaging food. The emissions of CO₂ (a greenhouse gas that contributes to global warming) from this packing material across the life cycle are 60% of those from the existing three-ply product.

Toppan improved the accountability of its operations and won the trust of environmentally conscious customers by disclosing its LCA results. The LCA application system is now better equipped to quantify the environmental burden of products.

Activities by Group Companies

The affiliated companies in the Toppan Group are also helping to establish a recycling-oriented society through production activities that place importance on the preservation of the global environment.

Each Group company has established a set of Eco-products Standards in line with industry conditions and features of product categories. These companies develop, produce, and market products in environment-related businesses under their Eco-products Standards. Total sales in these businesses stood at 150 billion yen in fiscal 2005.

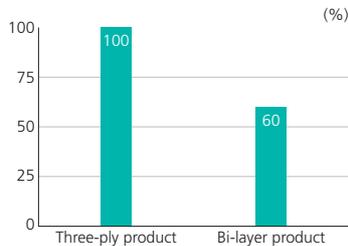
The efforts of Group companies to develop, produce, and market environmentally-friendly products based on their own Eco-products Standards have helped activate the environmental activities throughout the Group.

Management of Chemical Substances in Products

Manufacturers operating globally are urgently pressed to manage chemical substances in products in order to minimize risks to the health of consumers and the global environment by reducing the levels of harmful chemicals in their products insofar as they can.

Toppan has responded by establishing a set of Guidelines for Management of Chemical Substances in Products and applying the guidelines in periodic reviews of in-house rules and systems for quality assurance. In order to monitor the compliance with those rules and systems, on-site audits regarding the management of chemical substances in products have been started in the plants.

LCA Results of Moisture-proof Transparent Packing Material (CO₂ emission)



Toppan proprietary moisture-proof transparent packing material



Ecosheet, a door surface material designed to reduce the levels of chemicals responsible for sick house syndrome, and Coordination Floor, a flooring material. Manufactured by Toppan Cosmo, Inc.



Fresh direct label, a peel-off label made with a highly safe adhesive that complies with the standards of the U.S. Food and Drug Administration. Manufactured by Toppan Forms Co., Ltd.



Data management system for chemical substances in products

Environmentally-friendly Printing Services

Toppan provides environmentally-friendly printing services to respond to the demands of society. Every process is approached from an environmentally-friendly stance, from the initial design and selection of inks and papers to the latter stages of printing, binding, and processing.

Introduction to the GPN Purchasing Guidelines for Offset Printing Services

As a member of the Green Purchasing Network (GPN) (→P.39), Toppan tries to minimize the environmental impact of printing and provides printing services based on the Purchasing Guidelines for Offset Printing Services. The Company applies environmentally-friendly technologies at every step of the process, from the selection of designated inks and papers to surface processing, binding, and packaging. Many local governments and companies involved in green purchasing activities have adopted these services.

Production and Plate-making

Toppan saves natural resources and energy by excluding films and development processes through the full digitalization of every stage from original to plate-making.

Using Environmentally-friendly Inks

Toppan has developed a soybean-oil ink that contains virtually no aromatics, a class of organic compound harmful to

both the human body and the earth's atmosphere. The Company has also commercialized a recycled vegetable-oil ink made from used soybean oil collected from school cafeterias, restaurants, and other such sources.

Providing Environmentally-friendly Paper

Printing paper is a resource made from forest resources. The types of printing paper in use today help conserve forest resources: recycled paper, tree-free paper, FSC-certified paper, and paper made with wood from forest-thinning operations.

Waterless Printing System

The waterless printing system uses a silicone layer that repels ink in lieu of water. This eliminates the need for dampening water containing isopropyl alcohol (IPA),

an organic solvent, and the resulting discharge of liquid waste.

Environmentally-friendly Bookbinding and Finishing Processes

Fragmentation-resistant hot-melt is an adhesive suitable for use on paper to be recycled. Besides offering strong cohesion, it can be completely removed from printed materials without fragmenting during recycling. Toppan has also developed methods for bookbinding and processing to confer outstanding recyclability. With Eco-binding, for example, printed materials can be bound without the use of stitching wire.

Toppan's Advanced Environmentally-friendly Printing Technology

- Color Management System (CMS): A computer-based color management technology for printing
- Digital photography technology: A photographic technology that requires no film
- Direct Digital Color Proof (DDCP): A color proof technology that generates far less film at the plate-making stage
- Computer to Plate (CTP): A plate technology that sends digital data directly to the printing plate

Environmental Considerations in Producing this Report

Toppan actively applies various environmentally-friendly technologies and methods in the printing of the *Toppan CSR Report*.

Toppan has been manufacturing Cartocan to promote the use of wood from forest-thinning operations since 1995 (→P.4). The use of wood from forest-thinning operations conserves domestic forest resources and encourages the proper nurturing of forests. The body of the *CSR Report 2006* is printed entirely on paper containing wood from forest-thinning operations. This is an advance over the *CSR Report 2004*, in which only parts of the body were printed on paper containing wood from forest-thinning operations. The Company will continue to promote environmentally-friendly printing services and the use of paper designed to benefit domestic forest resources.

Environmental Considerations in the *CSR Report 2006*

Process	Specific Measures	Environmental Considerations
Photography	Use of digital photography for the new images recorded for this year's report.	Elimination of filming and development (conventional photographs from previous reports are now recorded digitally)
Design and editing	Digital processes by DTP	Reduction of mid-process materials such as artwork
Plate-making	Plate-making by CTP	Elimination of films for plate-making
Printing	Sheet-fed press waterless printing	Reduction of IPA use, elimination of waste fluids
Paper	Cover: 100% recycled paper Body: 70% domestic pulp, including 10% pulp from forest-thinning operations	Forest resource-saving and proper forest nurturing
Ink	Recycled vegetable oil made for waterless printing	Resource-saving, use of recycled materials
Bookbinding and finishing	Fragmentation-resistant hot-melt (EVA-base)	Improved recycling efficiency

Forest Management and Formulation of Recycling-oriented Society

The strategies Toppan employs to promote forest management through material procurement go well beyond the use of wood from forest-thinning operations. Toppan is fully aware of the importance of taking the initiative in the 3Rs (reducing, reusing, and recycling) to achieve a recycling-oriented society and focuses on the development of a range of recycling mechanisms.

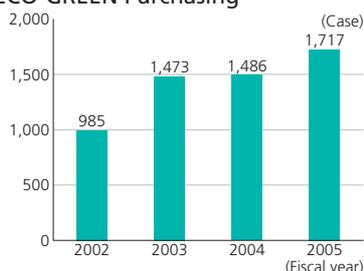
Cartocan Recycling

To extend the benefits of Cartocan, a container made of a high-quality paper similar to that used for milk cartons, Toppan established a system for the recycling of empty Cartocans into toilet paper in January 2002. The Cartocan recycling system salvages the paper from unwashed Cartocans and re-commercializes the recycled material. ECO-GREEN, an environmentally-friendly toilet paper, is made from about 50% used Cartocans. Toppan purchased 1,717 cases (60 rolls a case) of ECO-GREEN in fiscal 2005, making it the nation's largest user of the product. The waste paper generated during Cartocan manufacturing can also be converted into solid fuel. More specifically, the heat generated during incineration can be used for heating and hot water with minimal generation of residue (ash) by incineration (about 2.2% of the incinerated product by weight).

Cartocan Recycling System



ECO-GREEN Purchasing



FSC COC Certification

In May 2002, Toppan became the first company to acquire the Forest Stewardship Council (FSC) Chain of Custody (COC) certification in the field of commercial printing in Japan. The Company is convinced that the diffusion of products with the FSC logo will enhance forest operations and environment-related communication between corporations and customers. Toppan will regularly propose products with the FSC logo to customers.

Countermeasures against Illegal Felling

To promote countermeasures against illegal felling, Toppan supports the Action Guidelines of Japan Paper Association for the Restriction of Illegal Felling.

The Company also strongly urges major overseas manufacturers not to use lumber produced through illegal felling.



FSC COC Certification

The FSC forest management certification system is a framework to approve proper forest management under the principles and standards established by Forest Stewardship Council. The FSC Chain of Custody (COC) certification can only be granted to comprehensive management systems that effectively prevent the admixture of lumber from certified forests with lumber from non-certified forests during any part of the production process from manufacturing to distribution.

Tree Planting Programs

In 1997, Toppan joined with Oji Paper Co., Ltd. and Nissho Iwai Corp. (now Sojitz Corporation) to establish GPFL*1, a tree planting venture to produce hardwood chip in Victoria, Australia. (Hokkaido Electric Power Co., Inc. joined the venture in 2000). Toppan also participates in joint research to develop methodologies for monitoring CO₂ absorption in forests. The Company plans to obtain FSC certification by 2008.

Toppan has participated in the PPT's*2 hardwood planting program in Tasmania, Australia, since fiscal 2004. The planting project has eight sponsors, including Daio Paper Corporation, operated in cooperation with Forestry Tasmania. The afforested area has obtained the Australian Forestry Standard (AFS) forest certification.

Toppan has been collaborating in study and research on plantation as a supporting member of the Japan Overseas Plantation Center for Pulpwood since fiscal 1999.



Tree planting by GPFL (upper) and PPT (lower)

*1 GPFL: Green Triangle Plantation Forest Company of Australia Pty. Ltd.

*2 PPT: Plantation Platform of Tasmania Pty. Ltd.

Environmental INPUT/OUTPUT Data by Business Field

■ Combined Results by Business

		Electronics	Information & Networks	Living Environment	Non-production Sites	Total	
INPUT	Energy	Total energy consumption (1,000 GJ)	7,158	6,862	5,690	816	20,527
		Electricity consumption (1,000 GJ)	6,253	4,529	4,251	647	15,679
		Fuel consumption (1,000 GJ)	906	2,334	1,438	170	4,848
	Water	Water consumption (1,000 m ³)	10,700	2,173	2,186	374	15,432
		Industrial water (1,000 m ³)	307	755	498	—	1,560
		Municipal water (1,000 m ³)	1,758	919	750	374	3,800
		Groundwater (1,000 m ³)	8,634	499	939	—	10,072
		Use of rainwater (1,000 m ³)	—	3	—	14	17
Use of water circulated on premises (1,000 m ³)	1,554	—	34	—	1,587		
OUTPUT	Atmospheric pollutants	CO ₂ emission (tons)	340,468	321,677	281,197	34,131	977,472
		Emission of ozone-depleting substances (ODP kg)	2	1,875	602	—	2,479
		NO _x emission (kg)	25,066	83,185	105,117	18,306	231,674
		SO _x emission (kg)	16,477	677	36,512	49	53,715
		Emission of dioxins (mg-TEQ)	157	8,239	121,706	—	130,102
	Water and soil environments	Total effluent discharge (1,000 m ³)	9,036	1,618	1,600	315	12,569
		Public water system (1,000 m ³)	7,622	186	1,003	—	8,811
		Sewage system (1,000 m ³)	1,414	1,432	597	315	3,758
		Underground penetration (1,000 m ³)	—	2	36	—	38
		On-site evaporation (1,000 m ³)	1,355	517	403	73	2,348
		BOD (kg)	69,434	84,259	30,499	6,594	190,786
		COD (kg)	159,361	17,658	18,942	—	195,960
		Nitrogen discharge (kg)	21,498	9,740	7,876	3,174	42,288
	Waste	Phosphorous discharge (kg)	553	606	993	143	2,296
		Total generation (tons)	46,971	227,347	117,653	4,271	396,242
		Reused and recycled (tons)	36,172	223,528	111,888	3,238	374,825
		Final landfill waste disposal (tons)	5,351	1,524	3,233	133	10,240

Green Procurement/Green Purchasing

■ Toppan's Green Procurement Standards

Paper

	Level 1	Level 2	Performance		
			Fiscal 2003	Fiscal 2004	Fiscal 2005
1. Recycled paper usage* ¹	100%	70%+	22.7%	24.7%	21.3%
2. Degree of whiteness* ²	Below 70% (down to +4%)	Below 80% (down to +4%)			
3. Coating volume	Below 12 g/m ² (Maximum of 8 g/m ² per single surface)	Below 30 g/m ² (Maximum of 17 g/m ² per single surface)			

*1 Recycled paper components, including paper from non-lumber pulp sources and paper produced with wood harvested from forest-thinning operations

*2 Excludes colored wood-free papers and specialized papers

Offset Ink*

	Level 1	Level 2	Performance		
			Fiscal 2003	Fiscal 2004	Fiscal 2005
1. Avoiding materials harmful to the human body	Conforms to NL restrictions of the Association of Japan Printing Ink Manufacturers		96.6%	97.6%	97.3%
2. Avoiding the use of chloride-based resins	Non-usage of chloride-based resins				
3. Considerations on PRTR-law designated chemical substances	Non-usage of PRTR-law designated substances	Identification of PRTR-law designated substances (prepared with MSDS)			
4. Restricting VOC emissions	Petroleum solvent ratios below 15% (excluding ink for web press)	Uses aroma-free ink, soybean-oil ink, recycled vegetable-oil ink			

*Not applicable to gold, silver, and pearl ink

In-house Green Purchasing Standards and Level of Fulfillment

Product	Purchasing Standard	Performance		
		Fiscal 2003	Fiscal 2004	Fiscal 2005
OA paper	Recycled component to exceed 70%, whiteness not to exceed 80%	98.3%	98.9%	99.7%
Copy machines/printers	Configured to automatically revert to low-power mode or off mode when not used for a specific period of time	90.8%	98.5%	93.7%
PCs	Configured to automatically revert to low-power mode or off mode when not used for a specific period of time, and to maintain low energy consumption when in low-power mode	100.0%	100.0%	100.0%
Toilet paper	100% recycled paper, whiteness below 80%	100.0%	100.0%	100.0%
Stationery/office goods	Products endorsed with environmentally-friendly qualifications such as the Eco Mark or Green Mark, and products listed in the eco-friendly product catalogues of manufacturers	92.6%	94.6%	96.8%

Organizational Structure

■ Toppan Group Environmental Meeting

Toyo Ink Mfg. Co., Ltd.
Tosho Printing Co., Ltd.
Tokyo Shoseki Printing Co., Ltd.
Toppan Forms Co., Ltd.
TMP Co., Ltd.
Toppan Label Co., Ltd.
Toppan Logistics Co., Ltd.
Tamapoly Co., Ltd.
NEC Toppan Circuit Solutions, Inc.
Toppan Printing Co., Ltd.
10 companies in total

■ Toppan Group Eco-products Meeting

Toyo Ink Mfg. Co., Ltd.
Tosho Printing Co., Ltd.
Tokyo Shoseki Printing Co., Ltd.
Toppan Forms Co., Ltd.
Toppan Cosmo, Inc.
Toppan Label Co., Ltd.
TMP Co., Ltd.
Total Media Development Institute Co., Ltd.
Toppan Logistics Co., Ltd.
Toppan Multisoft Ltd.
Tamapoly Co., Ltd.
froebel-kan co., Ltd.
Toppan Printing Co., Ltd.
13 companies in total

■ List of Environmentally-friendly Products

Business Fields	Toppan's Environmentally-friendly Products	Environmental Points
Securities and Cards	Ecothrough card	Suitability for disposal
	Paper IC Card	Use of recycled materials
	Bulky Waste Processing Sticker	Resource-saving (reduced use of materials)
	Recycleco Gift Card	Use of recycled materials
	Card for ETC	Suitability for disposal
Commercial Printing	Rewritable Paper	Long product life
	Toppan Green Paper 100	Use of recycled materials
	Eco Pack (life-size POP display)	Resource-saving (reduced use of materials)
	Paper Desk Calendar	Use of recycled materials
	Ecology Calendar	Use of recycled materials
	Eco POP	Use of recycled materials, suitability for disposal, energy saving
	Cerap	Suitability for disposal
	Eco Pack Stand	Resource-saving
	Eco Pack Multipanel	Reusability
	Eco Floor Sticker	Suitability for disposal
	Eco Pack End Panel	Resource-saving
	Eco Pack Stand, Round-type	Resource-saving
Publications Printing	EPOP	Use of safe materials
	Recycled vegetable-Oil Ink	Use of recycled materials
	Polyurethane Reactive Hot-Melt	Easy separation and easy disassembly
Electronics	Non-Vinyl Chloride Lenticular Lens	Suitability for disposal
	Low-halogen Printed-wiring board	Suitability for disposal
Optronics	Lenticular Screen	Resource-saving, use of safe materials
	Anti-reflection film	Resource-saving
Packaging	GL Family	Suitability for disposal
	Standing pouch for refill	Resource-saving (reduced use of materials)
	Bottled Pouch	Resource-saving (reduced use of materials)
	Thin-Wall Bottle	Resource-saving (reduced use of materials)
	Plastic Container Made from Recycled Materials	Use of recycled materials
	Ecogloss (environmentally-friendly gloss finishing)	Resource-saving (reduced use of exhaustible materials), use of recycled materials
	Recording Media Packaging	Resource-saving (reduced use of exhaustible materials)
	TT Paper Can	Easy separation and disassembly
	Neover	Use of recycled materials
	Ecotainer	Resource-saving (reduced use of exhaustible resources)
	TL-PAK	Resource-saving (reduced use of exhaustible resources)
	EP-PAK (EP-GL)	Resource-saving (reduced energy usage in logistics)
	EP-PAK (Al)	Resource-saving (reduced energy usage in logistics)
	Stand-up Laminated Tube	Resource-saving (reduced use of materials)

Business Fields	Toppan's Environmentally-friendly Products	Environmental Points
Packaging	Recyclen Cap	Easy separation and disassembly
	AP Cartons	Resource-saving (reduced use of energy in logistics)
	Micro-Flute	Resource-saving (reduced use of energy in logistics)
	TP-Tray	Recyclability
	Corrugated Absorber	Recyclability
	AD-Case	Resource-saving (reduced use of materials)
	Cartocan	Recyclability
	Paper Cup Made from Recycled Paper	Use of recycled materials
	Cup made from Tree-Free paper	Resource-saving (use of byproducts)
	Biodegradable Package	Biodegradability
	Cylindrical Paper Cartridges	Resource-saving (reduced use of energy in logistics)
	Coated Barrier Film	Suitability for disposal
	GL-C Bottle	Resource-saving
	GX film	Resource-saving
	Jar Plus	Resource-saving
	Tray All	Easy separation and disassembly
	GL Film Lined Paper Cup	Resource-saving
	Double-Wall Barrier Cup	Resource-saving
	Oil-Proof Paper	Use of safe materials
	Functional Coated Paper	Recyclability
	In-Mold Barrier Cup	Resource-saving
	Tamper Evident Recyclen Cap	Easy separation and disassembly
	Easy peel-off thermo-cap for PET bottles	Easy separation and disassembly
	Ecoband	Resource-saving
	Water-based Cold Seal	Reduced release of chemical substances
	Biodegradable Plant Pot	Biodegradability
	Barrier Cup (NSP Process)	Resource-saving
	Plastic Clip	Recyclability
	Notchless Easy-cut Container (AL type)	Resource-saving (reduced energy expended in manufacturing)
Recycled PET Clear Case	Recyclability	
ALUGLAS	Suitability for disposal	
Stripping and heat-sensitive label for glass bottles	Easy separation and disassembly	
Food container made from heat-resistant paper	Resource-saving	
Paper carton with temper evident closure	Resource-saving	
One-piece occlusion-preventive plug for TL-PAKS	Resource-saving	
Sealed paper tray	Resource-saving	
Flexible packaging material using paper	Resource-saving	
Clear UV-Blocking Film	Suitability for disposal	
Injection molded articles of biomass-plastics	Resource-saving	
EL-Case	Easy separation and disassembly	

■ ISO 14001 Certification (42 systems, 59 operational sites as of June 30, 2006)

Division/Operational Site	Registrar	Registration Date
Shiga Plants (Electronics Division/Semiconductor Solutions Division/Optronics Division)	JQA	Jul. 1998
Electronics Division (Kumamoto Plant)	JQA	Nov. 1998
Toppan Cosmo, Inc. (Kashiwa Plant/Satte Plant, Toppan Decor Products Inc.)	JQA	Mar. 2000
Electronics Division (Niigata Plant) and NEC Toppan Circuit Solutions, Inc. (Niigata Plant)	JQA	Apr. 2000
Sakado Site	JQA	Oct. 2000
Securities Printing Division (Ranzan Plant)	JQA	Nov. 2000
Packaging Division (Akihabara Office/Ebie Office)*	JQA	Mar. 2001
Itabashi Area (Itabashi Site/Toppan Seihon Co., Ltd.)	JQA	Feb. 2002
Fukusaki Area (Fukusaki Site/Wakayama Plant, Toppan Plastic Co., Ltd.)	JQA	Jul. 2002
Toppan Graphic Co., Ltd. (Kawaguchi Plant/Oji Plant)	JQA	Aug. 2002
Takino Plants (Commercial Printing Division/Securities Printing Division/ Packaging Division)	JQA	Oct. 2002
Gunma Site (Gunma Plant, Tatebayashi Plant)	JQA	Jul. 2003
Asaka Plants (Information & Publications Division/Securities Printing Division/Semiconductor Solutions Division)	JQA	Dec. 2003
Toppan Electronics Fuji Co., Ltd.	JQA	Jun. 2004
West Chugoku & Shikoku Subdivision (Hiroshima Office, Kannabe Toppan Co., Ltd.)	JQA	Oct. 2004
Kansai Area (Kansai Commercial Printing Subdivision/East Chugoku & Shikoku Subdivision/ Kansai Securities Printing Subdivision)*	JQA	Nov. 2004
Tohoku Division	JQA	Mar. 2005
Technical Research Institute	JQA	May 2005
Hokkaido Division (Sapporo Plant/Chitose Plant)	JSA	Jun. 2005
Electronics Division (Mie Plant)	JQA	Jan. 2006
Optronics Division (Satte Plant)	JQA	Mar. 2006

Group Company/Operational Site	Registrar	Registration Date
Total Media Development Institute Co., Ltd. (Entire company)	JSA	Mar. 2001
Toppan Forms Co., Ltd. (Hino Plant)	JQA	Jun. 2001
Toppan Label Co., Ltd. (Fukushima Plant)	JQA	Nov. 2001
Toppan Logistics Co., Ltd. (Kawaguchi Site/ Nishigaoka Site)	JQA	Oct. 2002
Toppan Prosprint Co., Ltd. (Mito Plant)	JSA	Jan. 2004
Toppan Forms Co., Ltd. (Fussa Plant)	JQA	Feb. 2004
Toppan Forms Co., Ltd. (R&D Center)	JQA	Mar. 2004
Toppan Containers Co., Ltd. (Saitama Plant/Miyagi Plant/Sano Plant)	JQA	Apr. 2004
Toppan Forms Tokai Co., Ltd. (Nagoya Plant)	JQA	Aug. 2004
Toppan Forms Kansai Co., Ltd. (Osaka Plant)	JQA	Dec. 2004
Toppan Forms Nishinohon Co., Ltd. (Kyushu Plant)	JQA	Jan. 2005
Toppan Prosprint Co., Ltd. (Koto Production Center)	JQA	Mar. 2005
Toppan Forms Kansai Co., Ltd. (Settsu Plant)	JQA	Mar. 2006

Overseas Subsidiary	Registrar	Registration Date
Siam Toppan Packaging Co., Ltd.	MASCI	Apr. 2002
Toppan Printing Co., (H.K.) Ltd.	DNV	May 2002
Toppan Printing Co. (America), Inc.	DNV	Dec. 2002
Toppan Chunghwa Electronics Co., Ltd.	SGS	Oct. 2003
Toppan Printing Co., (Shenzhen) Ltd.	SSCC	Dec. 2003
Toppan CFI (Taiwan) Co., Ltd.	SGS	Nov. 2004
P. T. Toppan Printing Indonesia	LRQA	Nov. 2004
Toppan Printing Co., (Shanghai) Ltd.	JQA	Apr. 2006

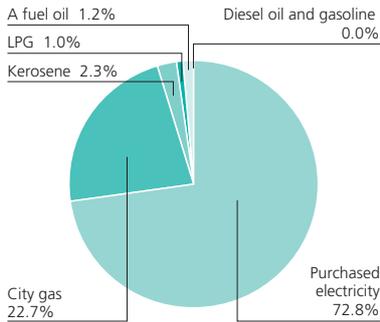
*"Ebie Site" consists of the Ebie Office, the Kansai Commercial Printing Subdivision, and the Kansai Securities Printing Subdivision.

■ Major Environment-related Laws Involving the Printing Industry in Japan

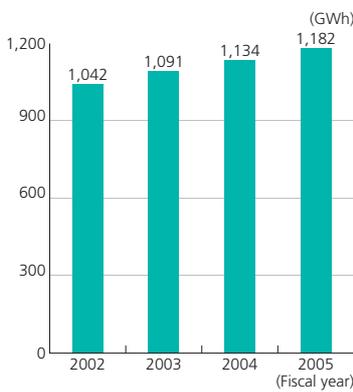
Basic Stance and Rules
The Basic Environment Law
Law for Promotion of Nature Restoration
The Basic Law for Establishing the Recycling-oriented Society
Legislation to Implement a Basic Law on Energy Policy
Law Concerning Increasing the Desire for Environmental Conservation and Promoting Environmental Education
Law Concerning the Promotion of Environmentally Conscious Activities of Specified Businesses through the Promotion of the Provision of Environmental Information
Eco-protection Field
Air Pollution Control Law
Water Pollution Control Law
Sewerage Law
Septic Tank Law
Law Concerning Special Measures for Conservation of the Environment of the Seto Island Sea
Soil Contamination Countermeasures Law
Offensive Odor Control Law
Noise Regulation Law
Vibration Regulation Law
Industrial Water Law
Law Concerning the Rational Use of Energy
Law Concerning the Promotion of the Development and Introduction of Alternate Energy
Law Concerning the Promotion of the Use of New Energy
Waste Disposal and Public Cleaning Law
Law for the Control of Export, Import, and Others of Specified Hazardous Wastes and Other Wastes
Construction Materials Recycling Act
Law Concerning Special Measures against PCB waste
Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemicals and Promoting Improvements in their Management
Law Concerning Special Measures against Dioxins
Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides from Automobiles in Specified Areas
Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures
Law Concerning the Promotion of the Measures to Cope with Global Warming
Factory Location Law
Landscape Law
City Planning Law
Urban Green Law
Law Concerning the Improvement of Pollution Prevention Systems in Specific Factories
Eco-creativity Field
Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities
Law for the Promotion of Effective Utilization of Recyclable Resources
Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging
Law for the Conservation of Endangered Species of Wild Fauna and Flora

Energy Type Ratio and Consumption

Energy Used by Type for Fiscal 2005 (in terms of caloric value)

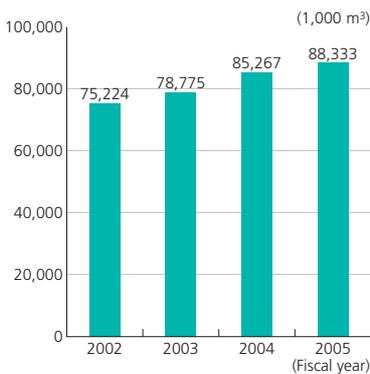


Electricity Consumption



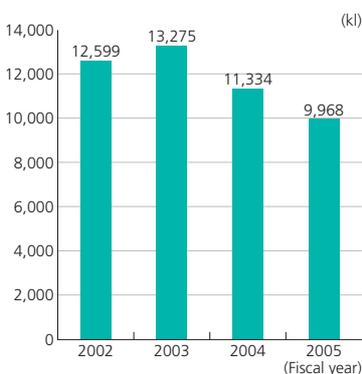
Note: The figure for fiscal 2004 was modified to adjust to the revision of the total.

City Gas Consumption



Note: Toppan statistics now use a unit of 1,000 m³ (standard conditions) to express city gas consumption. Earlier figures have been converted accordingly.

Kerosene Consumption



Fiscal 2005 Results of Toppan's Environmental Education

Training or Education	Contents	Number of Trainees
New employee training	General environmental education (introductory level)	414
New manager training	General environmental education (intermediate level)	159
e-learning	Environmental issues surrounding corporations and Toppan Group activities	8,805 (Sum total: 20,123)
	Additional education responding to the ISO 14001: 2004	412
Toppan Business School	Optional training	
	Introduction to ISO 14001	25
	Introduction to environment-related laws	37
	Introduction to LCA	14
	Discovery of energy-saving projects	10
Challenge school	Seminar to increase the skills of ISO 14001 internal auditors	32
	Four courses related to the environment	10
Video library	Two titles related to the environment	—
Internal environmental auditor training	Internal environmental auditor training program	165

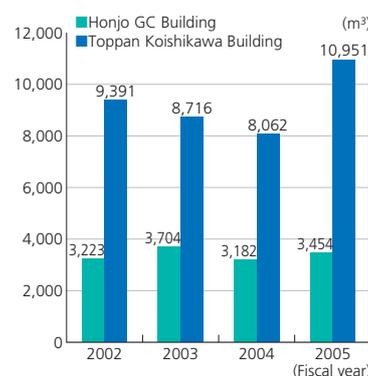
Promotion of Waste Reduction and Recycling

Zero-emission Sites

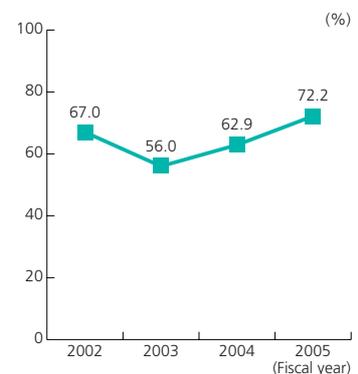
(Certified November 2005)

Operational Site	Total Waste Generated (tons)	Total Recycled Waste (tons)	Recycling Rate (%)
1 Information & Publications Division (Asaka Site)	12,375.2	12,303.5	99.42
2 Toppan Printing Communications Co., Ltd. (Sakado Site)	26,757.6	26,757.6	100.00
3 Electronics Division (Kumamoto Plant)	15,327.4	15,062.4	98.27
4 Optronics Division (Shiga Plant)	218.7	218.7	100.00
5 Information & Publications Division (Itabashi Site)	18,041.6	17,843.9	98.90
6 Toppan Graphic Co., Ltd. (Kawaguchi Site)	48,177.3	48,177.1	100.00
7 Toppan Seihon Co., Ltd.	31,583.3	31,459.4	99.61
8 Toppan Graphic Co., Ltd. (Oji Plant)	3,727.4	3,723.6	99.90
9 Toppan Containers Co., Ltd. (Sano Plant)	3,801.2	3,753.4	98.74
10 Toppan Containers Co., Ltd. (Kumagaya Site)	308.5	306.3	99.29
11 Packaging Division (Sagamihara Plant)	24,237.1	24,181.1	99.77
12 Toppan Plastic Co., Ltd. (Sagamihara Plant)	84.8	84.8	100.00
13 Toppan Decor Products Inc. (Kashiwa Plant)	3,616.7	3,577.0	98.90
14 Toppan Decor Products Inc. (Satte Plant)	4,298.8	4,290.8	99.81
15 Osaka Toppan Display Co., Ltd. (Oyodo Plant)	3,916.4	3,893.9	99.43
16 Packaging Division (Itami Plant)	8,748.8	8,679.3	99.21
17 Toppan Harima Products Co., Ltd.	230.3	229.8	99.78
18 Commercial Printing Division, Kansai Commercial Printing Subdivision Plant (Takino Site)	10,432.2	10,253.8	98.29
19 Chubu Division (Nagoya Plant)	4,142.1	4,089.3	98.73
20 Mikkabi Toppan Printing Co., Ltd.	3,039.6	2,981.8	98.10
21 Nishinohon Division (Fukuoka Plant Manufacturing Department 2)	5,875.7	5,804.5	98.79
22 Kumamoto Toppan Co., Ltd.	5,387.5	5,387.0	99.99
23 Hokkaido Division (Sapporo Plant)	2,506.3	2,498.4	99.69

Rainwater Use



Office Paper Waste Recycling Rate



Preventing Pollution/Management and Reduction of Chemical Substances

■Fiscal 2005 Toppan PRTR Survey and Results

(Unit: kg/year)

PRTR No.	Chemical	Releases			Transfer as Waste	
		1. Atmosphere	2. Water	3. Soil		
1	Water-soluble zinc compounds	6	0	6	0	3,267
16	2-amino ethanol	0	0	0	0	0
24	Linear alkylbenzenesulfonate and chlorides	0	0	0	0	12,376
40	Ethyl benzene	9,538	9,538	0	0	3,387
44	Ethylene glycol monoethyl ether	95	95	0	0	865
45	Ethylene glycol monomethyl ether	123	123	0	0	1,057
46	Ethylene diamine	0	0	0	0	889
63	Xylene	14,252	14,252	0	0	4,973
64	Silver and water-soluble compounds	0	0	0	0	0
68	Chrome and trivalent chromium compounds	27	0	27	0	12,022
69	Hexavalent chromium	0	0	0	0	988
108	Inorganic cyanogens compounds	0	0	0	0	176
132	1,1-dichloro-1-fluoroethane (HCFC-141b)	5,846	5,846	0	0	573
145	Dichloromethane	1,575	1,575	0	0	4,226
172	N,N-dimethylformamide	0	0	0	0	42,144
179	Dioxins	(125 mg-TEQ)	(125 mg-TEQ)	—	—	(704 mg-TEQ)
207	Water-soluble copper compounds	414	0	414	0	141,130
218	1,3,5-tris (2,3-epoxy propyl)-1,3,5-triazine-2,4,6 (1H,3H,5H)-trione	0	0	0	0	0
224	1,3,5-tri-methyl benzene	5,772	5,772	0	0	9,891
227	Toluene	710,856	710,856	0	0	503,553
230	Lead and its compounds	1	0	1	0	107
231	Nickel	0	0	0	0	260
232	Nickel compounds	65	0	65	0	276,454
254	Hydroquinone	0	0	0	0	1,824
304	Boron and its compounds	37	0	37	0	3
309	Poly (oxyethylene) nonylphenyl ether	460	460	0	0	1,796
310	Formaldehyde	107	107	0	0	304
311	Manganese and its compounds	301	0	301	0	8,515

Notes: Calculated over the period from April 1, 2005 to March 31, 2006.

The above 28 substances are materials in scope for reports to the government.

Operational sites in scope: Sites that handle in excess of 1.0 ton of Class I designated chemical substances over the year. (Or specified Class I designated chemical substances in excess of 0.5 tons per year.)

Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Materials transported out from operational sites are listed under "Transfer as Waste" even if they are sold as resources.

Atmospheric Emissions

■Ratio of Greenhouse Gas Emissions by Type
(in tons of CO₂ equivalent)

(Unit: ratio: % total: t-CO₂)

Fiscal	CO ₂	CH ₄	N ₂ O	Total
2002	99.90	—	0.10	661,857
2003	99.91	—	0.09	675,533
2004	99.91	—	0.09	687,427
2005	99.92	—	0.08	710,446

■Ratio of Greenhouse Gas Emissions by Source
(in tons of CO₂ equivalent)

(Unit: ratio: % total: t-CO₂)

Fiscal	Electricity Use	Fuel Use	Waste Incineration	Total
2002	59	35	5	661,857
2003	61	34	5	675,533
2004	62	33	4	687,427
2005	63	33	4	710,446

Notes: Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Previous data were modified according to a review of calculation methods.

Conduct Guidelines

Chapter 1: Basic Principles

1. Respecting basic human rights

We will act in a way that our individual talents and abilities can be demonstrated to their maximum potential based on the concept of respect for people. We will respect basic human rights and in every regard work to ensure the dignity of individuals.

2. Maintaining public order and standards of decency

We will always be aware of our involvement with society, act with good sense, and never act in a way that disturbs public order or that defies common sense. We will sufficiently consider the effects of our operations on society and not act in a way that goes against public order and standards of decency.

3. Complying with laws and ethics

We will conduct ourselves in a way that complies with the laws and ethics in society. We will comply with overseas and domestic laws, regulations, commercial practices, government notifications, and operational and industrial standards applicable to our corporate endeavors. Compliance with these laws and regulations forms the minimum standard of society's rules and we will uphold them without fail. In addition, we will act with a high sense of ethical and moral awareness in carrying out our operations. Even in situations when legal issues do not arise, we still cannot allow humanitarian, moral or ethical problems to develop.

4. Conducting fair business operations

We will conduct all foreign and domestic operations in a fair manner. As an upstanding corporate citizen, we will be aware of our social responsibilities and carry out sound operations that will not damage our reputation in society.

5. Striving to improve quality

With regards to the "dedicated products" that we provide to customers, we will strive to improve quality based on the concept of "Total Quality Assurance", not just in the direct manufacturing and quality management sections but throughout the entire company, including sections related to sales, research and administration.

6. Appropriate management and disclosure of information

Fully recognizing the importance of information, all employees will undertake its appropriate management. Even if it affects us adversely, we will not conceal information but actively undertake its appropriate disclosure and increase the transparency of our operations.

7. Environmental and safety considerations

We will carry out operations in harmony with the global environment. We will protect the precious environment bequeathed to us by nature and perform corporate operations that strive for reduced use of limited resources and facilitate recycling. Furthermore, we will conduct safe production activities, ensure product safety, and aim to facilitate a healthy and secure society to live in.

Chapter 2: Specific Conduct Guidelines

Section 1: Building customer trust

1. Doing our best for the customer
2. Maintaining customer trust
3. Appropriate management of customer property
4. Protecting information about customers
5. Appropriate handling of personal information
6. Protecting confidential corporate information

Section 2: Reforming operations

1. Complying with international rules and respecting the culture and commercial practices of overseas countries
2. Striving to improve knowledge, skills, and technology
3. Fulfillment of work responsibilities
4. Securing and utilizing intellectual property
5. Respecting the rights and interests of others
6. Striving to improve the current situation and targeting new possibilities

Section 3: Fulfilling corporate responsibilities

1. Compliance with antitrust laws
2. Prohibition of unlawful practices in dealings with support companies
3. Prohibition of unlawful acts against corporate competitors
4. Prohibition of receipt or provision for personal gain or rebate
5. Prohibition of bribery
6. Prohibition of inappropriate entertainment practices
7. Prohibition of illegal political contributions and donations
8. Prohibition of providing unjust benefits
9. Prohibition of support for antisocial activities
10. Prohibition of insider trading
11. Prohibition of unlawful import and export transactions
12. Prohibition of child labor and forced labor
13. Curtailment and reduction of environmental impact
14. Promotion of environmentally friendly activities

Section 4: Creating a positive work environment

1. Striving for a lively and vibrant workplace
2. Striving for a safe and clean workplace
3. Following company rules
4. Protecting corporate property
5. Avoiding conflicts of corporate interests
6. Prevention of discriminatory practices
7. Prevention of sexual harassment and power harassment
8. Prohibition of private activities
9. Appropriate use of the Internet
10. Appropriate management of information and records
11. Prevention of tacit approval, false reporting, and concealment of illegal conduct
12. Prevention of retaliation against a person who reports misconduct

Section 5: Developing the Toppan Group

1. Taking pride in the Toppan brand
2. Developing the Toppan brand
3. Strengthening cooperation between group companies
4. Appropriate disclosure of information
5. Promoting communication with shareholders and investors

Established June 2000
Revised April 2006

Independent Review

The conclusion of our independent review is as shown in the Independent Review Report. The following summarizes the improvements from the previous year and opportunities for further improvement that we identified in the course of our review.

Some of the calculation criteria were revised to increase the accuracy of environmental performance data. In all of the calculations for CO₂ emissions from the use of the city gas, for example, the volume of gas actually used was converted to the volume under the standard conditions and then multiplied by an emission factor. There were also certain improvements in data control at the head office, such as the establishment of a procedure to internally verify consistency between PRTR data and data on emissions such as dioxins. These were commendable improvements.

However, there were also incorrectly aggregated data, including those for water pollutants. Data analyses such as a trend analysis and comparisons with ratios (e.g. emissions per unit of sales) are only limitedly carried out when Company-wide data are aggregated. Review procedures conducted by personnel other than those directly involved in data aggregation are also weak. Some of the inaccuracies in the data could have been corrected through internal review procedures. Henceforth Toppan should strengthen data control at the head office level to ensure that it provides more reliable, trustworthy data for external reports and internal management.

The disclosed indicators for social performance were improved. Even so, the prospects for setting quantitative targets based on these indicators need to be further examined.



Kazuhiko Saito
 Manager, KPMG AZSA
 Sustainability Co., Ltd.
 (KPMG AZSA & Co. group)

Independent Review Process

Planning	<ul style="list-style-type: none"> ● Discussion and planning 	Hearing to review improvements from the previous year; examination of methods and scope of aggregation; determination of the schedule and the sites to be reviewed
Implementation	<ul style="list-style-type: none"> ● Interview with responsible personnel ● Head office review of Toppan Printing Co., Ltd. (parent) and Group companies in and outside Japan ● On-site review 	Interview with those responsible for CSR activities; confirmation of Toppan's basic thinking on corporate social responsibility (CSR) and reporting policies in relation to the <i>CSR Report 2006</i> Hearing on data-collection procedures, including internal controls; implementation of analytical procedures and questioning and vouching procedures; examination of the calculation accuracy and propriety of procedures; examination of consistency among data (including descriptions) Mie Plant, Electronics Division, Toppan Printing Co., Ltd.
Final review of the script	<ul style="list-style-type: none"> ● Review at head office 	Confirmation of data on the entire Group and final confirmation of the CSR report content
Internal review at KPMG AZSA Sustainability Co., Ltd.	<ul style="list-style-type: none"> ● Internal review meetings 	Before submission of the Independent Review Report, the internal review of the procedure and results by an internal independent reviewer, and the drafting of conclusions on the <i>CSR Report 2006</i>
Submission of the Independent Review Report	<ul style="list-style-type: none"> ● Submission of the Independent Review Report 	Submission of the Independent Review Report to Toppan
Reporting	<ul style="list-style-type: none"> ● Briefing on the findings of the independent review 	Reports on the findings of the review to Toppan

Third-party Opinion

The *CSR Report 2006*, the third issued, has advanced considerably the earlier reports in terms of both content and the information disclosed.

I would like to start off my statement by commending Toppan for joining the UN Global Compact. I hope the Company will develop specific plans to implement the 10 GC principles in the four areas of human rights, labor standards, environment, and anti-corruption in and outside Japan. The CSR concept is shifting to a stakeholder-oriented concept as it evolves. I understand that the initial dialogues held with stakeholders have been focused on stakeholder engagement.

The "Special Report" goes into extensive detail on Cartocan, a Toppan-developed product designed to nurture domestic forests by promoting the use of wood from forest-thinning operations. I commend Toppan's plan for forest certification and hope the Company will continue to promote the 3Rs and further improve its recycling rates.

An overview of Toppan's CSR activities is presented in a table summarizing targets and achievements. A few companies have started their first attempts to apply the PDCA cycle not only to their environmental reports, but to their CSR activities overall. This is a forward-looking disclosure procedure that I expect to be refined in the future.

In the realm of corporate governance, readers can concretely evaluate the performance information Toppan discloses such as the total remuneration to directors and others, the dividend policy, and the management indicators. In the realm of supplier management, Toppan is clearly unifying a set of supplier selection criteria that go beyond green procurement. I can see Toppan's positive stance in these areas.

Social Report

Among the many issues to consider, "Respecting and Leveraging Human Assets" is an agenda with particular problems and challenges in Japan. Toppan discloses far more data in this area than other corporations and organi-

zations, particularly with respect to its employees and systems for recruitment and retirement. Activities to promote work-life balance and safeguard mental health were admittedly late in coming, but Toppan's initiatives in these areas are gaining momentum as time passes. The basic groundwork for promoting work-life balance is to balance the treatment of men and women and to shorten working hours. I hope Toppan develops strategies for both of these agendas from a long-term viewpoint while enhancing in child rearing. The actual condition and policies of working hours and specific developments in labor/management relations need to be examined as disclosure issues. To cope with the fluctuations in employment and labor issues, sound labor-management relations and comprehensive surveys on employee satisfaction will enable Toppan to develop effective personnel policies founded on respect for employees.

Environmental Report

I understand that Toppan's latest efforts towards resource recycling have culminated in high-quality results in a finished form. The results achieved have far surpassed the targets, leading to further reductions in final landfill waste disposal and higher recycling rates. Good results were also achieved for the control and reduction of chemical substances. Targets were achieved for the reduction of the PRTR-law designated substances and two other substances. One issue for future discussion is the lackluster progress of Toppan's activities to mitigate global warming. I hope the Company will take drastic measures to make itself more accountable for specific targets. I would also like to see Toppan improve its performance as an "eco-factory" by developing more environmentally-friendly products and considering the environment more comprehensively during manufacturing.

In conclusion, I expect that the Company will continue to evolve as a sustainable corporate citizen by setting its own CSR indicators and promoting comprehensive CSR activities combined with the

principles of the UN Global Compact, product liability, and communication with local communities. I hope that the *CSR Report* can be used to promote communication and to elaborate the PDCA in every field, including the setting of numerical targets, to engender stakeholder support and precise self-evaluations.



Yoshiki Midorikawa

Director, Green Consumer Research Group
Co-chair, The Valdez Society

緑川芳樹



Profile

Mr. Midorikawa graduated from the department of law at Chuo University and the department of literature at Waseda University. Most of his career has been devoted to labor administration in the Kanagawa prefectural government, which he joined in 1961. After retiring from the prefectural service in 1995 up to 1999, Mr. Midorikawa served as Executive Officer of the Kanagawa Prefecture Small and Medium Business Management Association. Mr. Midorikawa's NGO/NPO credentials include participation in The Valdez Society, a body engaged in research and proposal-making in corporate responsibility to the environment through collaboration between general citizens and companies (Mr. Midorikawa joined in 1991), and the founding of the Green Consumer Research Group (in the same year). He has authored several books, including *CSR Practice Methods with Visible Effects* (co-authored) and *CSR Management* (co-authored).

Company Reaction to Independent Review and Third-party Opinion

KPMG AZSA Sustainability Co., Ltd. has independently reviewed Toppan's *Environmental Reports* published from 2001 onward, and this year it reviewed the *CSR Report 2006*. Mr. Yoshiki Midorikawa, director of the Green Consumer Research Group and co-chair of The Valdez Society, has provided a third-party opinion on the 2005 and 2006 reports. Toppan would like to thank KPMG AZSA and Mr. Midorikawa for their concrete and useful opinions.

In the three years since Toppan started its work in the area of CSR, it has held stakeholder dialogues to retrace the activities the Company has carried out in the past, to verify that the Company has fulfilled its responsibilities to every group of stakeholders, and to study how it can best communicate with stakeholders in the future. This dialogue has reminded Toppan of the importance of the information disclosure using this *CSR Report* as a basis for communication with stakeholders. Henceforth the Company expects this to become more important still.

The Social Report in 2006 provided an overview listing targets and achievements for the disclosure of information. The format used in 2005 was repeated, but with the addition of a self-evaluation. KPMG AZSA suggested the possibility of setting quantitative targets with some of the social performance indicators that Toppan discloses, and Mr. Midorikawa pointed out several problems remaining in the methods used to quantify the targets. Toppan would like to start judging whether it will be possible to quantify the targets it sets.

Toppan recognizes the importance of shorter working hours and equitable treatment of men and women, two underpinnings of work-life balance. Henceforth the Company must carry out the PDCA cycle for CSR through stakeholder engagement in order to manage its CSR activities. When reviewing responsibilities for each stakeholder, Toppan has decided to rely on a stakeholder satisfaction survey of the type recommended by Mr. Midorikawa as a guide for problem solving.

For the Environmental Report, KPMG AZSA pointed out the need to strengthen data control procedures at the head office level. To further improve its credibility, the Company will take advantage of the momentum gathered in this direction over the past year in its ongoing review of the aggregation system.

Mr. Midorikawa also suggested that Toppan develop drastic new measures to mitigate global warming and make itself more accountable for specific targets. The Company puts top priority on its measures to mitigate global warming in environmental management. Henceforth it will steadily implement energy-saving measures based on careful planning and disclose information on concrete results and issues to be addressed.

Toppan sincerely accepts the proposals and opinions made on its behalf and will strive to present further information and continually improve and implement its future CSR activities.

Editor's Postscript

The editors asked Mr. Yoshiki Midorikawa, the source of the foregoing third-party opinions, to review the *CSR Report 2006*, Toppan's third report on corporate social responsibility. This is the second consecutive year Mr. Midorikawa has contributed editorially. We have reviewed the content and structure of the 2006 report based on his suggestions and recommendations for the *CSR Report 2005*.

The last two reports summarized various performance data in the final "Data and Additional Information" section. This report incorporates all of the data except detailed

environmental data into the text. This has made it possible to present the economic report independently as a business outline, to enhance the performance data on personnel, and to improve the referencing of the report by presenting the data in relevant sections in a conventional page-by-page format.

Toppan wants readers to understand the Company's operations as thoroughly as possible. The report features a paper-based beverage container, Cartocan, as a familiar product made with domestic wood from forest-thinning operations. All of the companies inter-

viewed were eager to commence activities to mitigate global warming. We realize that environmental conservation is possible only when we cooperate with various stakeholders concerned.

It would be impossible for Toppan to give a full account of its activities in the limited space provided here. Even so, we hope that this report will help you understand our CSR activities. We look forward to hearing your opinions and comments.

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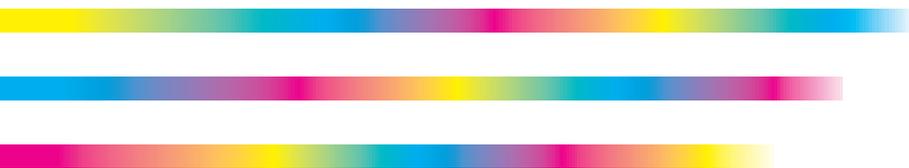
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