

Organizational Governance

Corporate Governance

Corporate governance provides the foundation for addressing the seven core subjects under ISO 26000.

Toppan has strengthened its governance structure through the establishment of a Management Audit Office, Compliance Department, and Ecology Center under the purview of a Board of Corporate Auditors* according to the Companies Act of Japan. Toppan implements governance aimed at maximizing the corporate value of the entire Group under the Related Company Administration Regulations prescribed for the advancement of fair management for the Group.

Directors, Board of Directors, and Various Meetings

Toppan has 26 directors, including two outside directors, on its board (as of the end of March 2016). Board meetings are held monthly and whenever a pressing matter requires action or deliberation. Especially important matters are deliberated beforehand by the Management Committee, a body made up of directors selected by the President & Representative Director. The goal is to lay weight on managerial efficiency in business decision-making. Toppan will reinforce its corporate governance in fiscal 2016 by introducing an executive officer system and establishing an advisory committee to deliberate on the appointment of directors and the remuneration they receive.

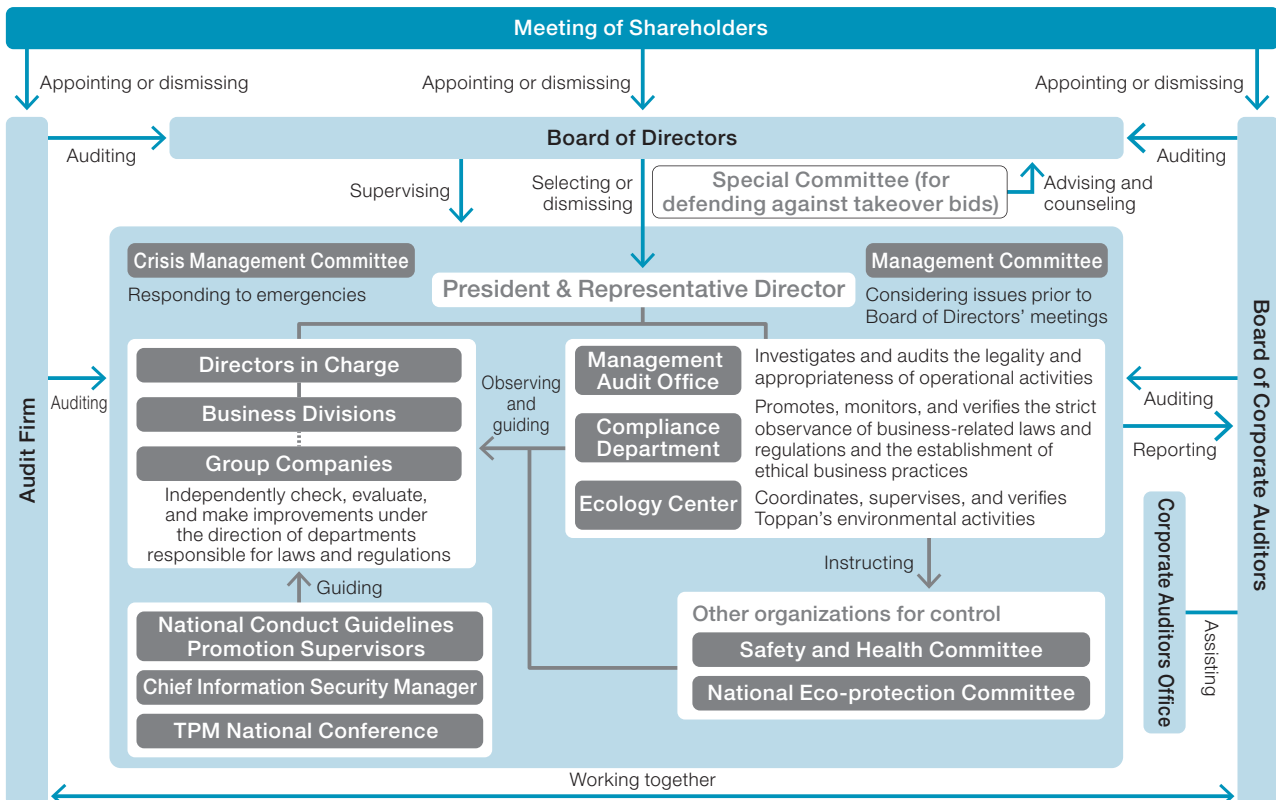
Corporate Auditors, Board of Corporate Auditors, and Audit Firm

As of the end of March 2016, Toppan has five corporate auditors, including three external auditors, of whom two are independent officers. Along with their own board meetings, the corporate auditors attend various meetings, including meetings of the Board of Directors and Management Committee and important meetings on risk management. They systematically carry out audits for operational sites and Group companies in close cooperation with the audit firm and internal audit-related departments of the Company. By these means, they audit and advise the Company from a preventive perspective to ensure the legality of the operations of the directors and departments and smooth and appropriate corporate management in line with company policies and regulations. They also regularly convene a board of corporate auditors from related companies to improve the effectiveness of the audits by corporate auditors across the Group.

Toppan has had KPMG AZSA LLC verify the propriety of the Company's accounts through audits to enhance the reliability and transparency of the Company's financial information.

*Effective from April 2016, two official names in English have been changed:
Corporate Auditors → Audit & Supervisory Board Members
Board of Corporate Auditors → Audit & Supervisory Board

■ Corporate Governance Structure (as of March 2016)



The latest information on corporate governance can be found on the Toppan website (<http://www.toppan.co.jp/ir/management.html> [in Japanese]).

Strengthening Audit Functions

The Management Audit Office is a body established independently from the business divisions of the Company. Working from legal and rational viewpoints, the office conducts fair and objective audits on the administrative and operational systems and practical status of the Company's management activities. The office provides feedback to the relevant departments on problems, proposes measures for improvement, and reports the audit results to the President & Representative Director, directors in charge of relevant departments, and corporate auditors. The office carried out 31 management and operation audits in fiscal 2015. It also conducted maintenance and operational evaluations of internal controls over financial reporting for all business divisions and main subsidiaries.

The Compliance Department in the Legal Affairs Division spearheads the Company's initiatives to ensure the strict observance of laws and regulations and to firmly establish ethical business practices. The department facilitates the complete awareness of the Conduct Guidelines, organizes employee education on compliance with applicable laws, and implements internal audits on information security (→PP. 30, 34). The Ecology Center in the Manufacturing Management Division supervises environmental activities, conducts internal audits at operational sites, and monitors the progress of improvements (→P. 40).

Remuneration to Directors and Corporate Auditors

In fiscal 2015 the total annual remuneration to directors was 1,096 million yen and the total annual remuneration to corporate auditors was 115 million yen. Please refer to the section on corporate governance, etc. in the securities report (in Japanese) for details on the method used to determine remunerations and remuneration-related information.

CSR Initiatives

Promotion Mechanism

Under the President & Representative Director and the Director in charge of CSR, the divisions of the head office work in collaboration with each other to promote CSR activities.

Each division confirms the materiality of action points in line with the seven core subjects set under ISO 26000. The divisions devise action plans and carry out measures based on shared information about the issues they are addressing and the progress they are making. The head office divisions also coordinate and share information with Group companies to advance Group-wide CSR initiatives.

Every year Toppan organizes training sessions on CSR management for new employees (306 participants in fiscal 2015) and e-learning-based basic education programs for employees at the Company and main Group companies (20,105 participants in fiscal 2015).

Risk Management Structure

Toppan manages risk comprehensively to avoid risk and minimize loss incurred when an event at risk of occurring actually occurs.

The Rules on Risk Management have been established to address matters regarding risk avoidance and the minimization of loss when a potentially damaging event occurs. In accordance with these rules, the Company has set up a risk management structure under which the responsibilities for risk management are allotted to specific divisions in the head office based on the types of risk involved. Under this structure, the directors in charge of each relevant division are responsible for taking measures to prevent, avoid, and correct each type of risk.

Toppan reviews various types of risk to be managed once a year and examines countermeasures to be taken in line with the rules. The Company also holds a regular Risk Management Liaison Meeting for the persons in charge of risk management in the head office divisions in order to share information on a continuous basis and respond to risk practically.

Business Continuity Management

To prepare for the possible occurrence of a wide-scale disaster, the Toppan Group institutes business continuity management (BCM) activities under the Basic Plan for Countermeasures against Earthquake Disasters. These activities aim to minimize damage to the Group and maintain a steady supply of products and services to customers.

To enhance Group-wide competence for business continuity, Toppan repeats various BCM drills, reinforces buildings and structures with seismic strengthening retrofits, installs satellite-based mobile phone networks, and takes other proactive measures necessary for BCM.

In fiscal 2015 Toppan equipped all Japanese sites with IP transmission systems to doubly protect the lines of communication in an emergency. In addition to regular BCM assessments of business partners, the Group held training sessions for business partners to secure the stable supply chains required for more effective BCM.

Toppan Printing Co., Ltd. received the Grand Prize at the Business Continuity Advancement Organization (BCAO) Award 2015 in recognition of its business continuity efforts over the past five years.

The Toppan Group seeks to coexist with communities as a social benefactor through ongoing BCM activities.

■ CSR Promotion Structure



■ Types of Risks to be Managed and the Relevant Head Office Divisions in Charge

Types of Risks to Be Managed	
Accidents involving products or product liability	Accidents or complaints related to products (Manufacturing Management Div.)
Accidents or disasters related to company operations	Accidents related to main computer systems (ICT Management Div.)
	Occupational accidents, traffic accidents, or other accidents involving employees (Personnel & Labor Relations Div.)
	Incidents related to notes or accounts receivable (Finance & Accounting Div.)
	Legal problems with orders received (Legal Affairs Div.)
	Leakage of personal information, internal confidential information, etc. (Legal Affairs Div.)
	Accidents or disasters related to fires or explosions (Manufacturing Management Div.)
	Illegal activities related to the storage of solvents, management of dangerous chemicals, etc. (Manufacturing Management Div.)
Defamation, slander, or other criminal damages	Damage to the company's internal computer system due to cyber terrorism, illegal access or use of company information, or leakage of personal information, internal information, etc. (ICT Management Div.)
	Acts of violence against the company (threats, kidnapping, or robbery) (Personnel & Labor Relations Div.)
Relationships with antisocial organizations	Unreasonable demands from antisocial organizations or transactions conducted between business partners and antisocial organizations (Legal Affairs Div.)
Natural disasters	Material losses or personal accidents suffered by customers or the company due to earthquakes, wind or water damage, lightning, etc. (Personnel & Labor Relations Div.)
Risk in business management	Shareholder derivative lawsuits or hostile takeovers (Legal Affairs Div.)
Unlawful activities related to external contracts	Violations of the Subcontract Law of Japan or illegal transactions with business partners (Manufacturing Management Div.)
Infringements of intellectual property rights	Infringements of patents, trademarks, or copyrights (Legal Affairs Div.)
Environmental problems	Violations of environmental laws or standards or illegal disposal of industrial waste (Manufacturing Management Div.)
Risk in overseas business activities	Product accidents, environmental problems, fires or natural disasters or damage to human or physical resources caused by international conflicts, terrorism, etc. (Corporate Planning Div.)



BCM drill (Higashinohon Division)



Receiving the Grand Prize at the BCAA Award ceremony



Comprehensive disaster-preparedness drill (Akihabara)

Countermeasures against Disasters

The Toppan Group takes comprehensive disaster-preparedness measures throughout the operational sites across Japan under the Basic Plan for Countermeasures against Earthquake Disasters. The basic plan specifies that Toppan employees are to: 1) take safety-first actions based on the concept of respect for people; 2) fulfill social responsibilities by maintaining steady supplies of products and services that society needs most; and 3) cooperate with governments and communities to minimize damage and provide aid for affected people.

All Japanese sites hold disaster drills and employee firefighting training sessions. In their communication drills, for example, they use their own communication systems to confirm their ability to promptly confirm the safety of their employees and employee families in the event of an actual disaster. In February 2016 Toppan tested an inter-operational-site drill to enable sites to confirm the safety of each other's employees from remote locations by issuing safety confirmation alerts to employees in the Kanto region and the Kinki region on two separate days, one in each region. The head office site in Akihabara and other main Group sites also organize regular comprehensive disaster-preparedness drills to rehearse the actions to be taken during actual wide-scale disasters: the initial damage assessment and safety confirmation, the evacuation procedures, the employees' journeys back home from the workplace on foot, and the distribution of stockpiled supplies. In conjunction with these drills, the Group sites continue stockpiling water, food, and other emergency supplies to support local communities and commuters who will have no means to return to their homes.

The regular repetition of these drills will keep all Toppan employees on alert and provide them with the know-how necessary for dealing with emergency situations quickly and properly.