

Organizational Governance

Corporate Governance

Toppan operates corporate activities under the purview of an Audit & Supervisory Board. The supervisory functions of the Board of Directors and audit functions of the audit & supervisory board members ensure the legality of the execution of the operations of the directors. Toppan has strengthened governance in corporate management in keeping with the Basic Policy on Corporate Governance established on November 26, 2015. The Toppan Group, meanwhile, practices 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. In structuring corporate management, Toppan has appointed three external directors (including two independent external directors) to reinforce supervisory functions. These external directors provide pertinent advice and inputs independently from the management.

■ Directors, Board of Directors, and Various Meetings

Toppan has 19 directors, including three external directors, on its board (as of the end of March 2017). 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 appointed by the President & Representative Director. The

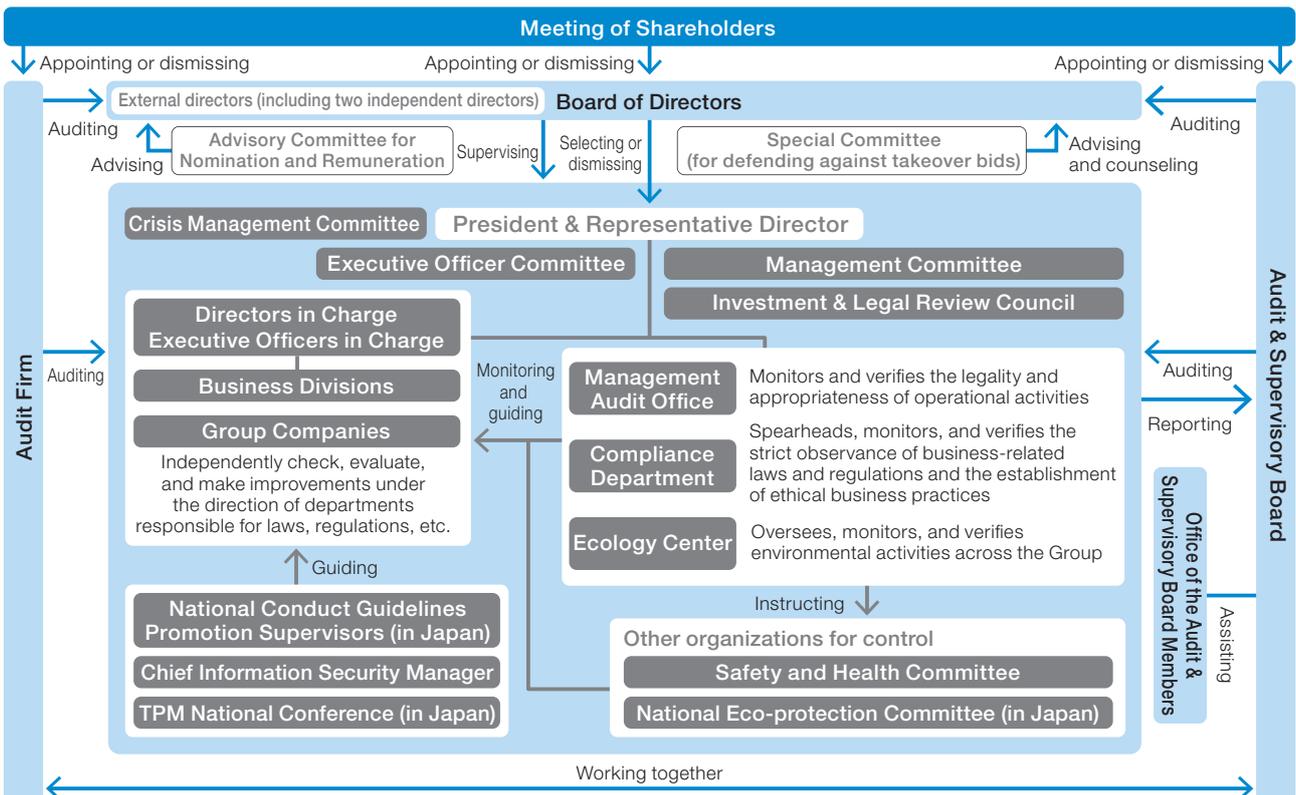
goal is to lay weight on managerial efficiency in business decision-making. Toppan put in place a new corporate governance structure in fiscal 2016 by introducing an executive officer system and establishing an advisory committee to deliberate on the nomination of directors and the remuneration they receive.

■ Audit & Supervisory Board, Board Members, and Audit Firm

As of the end of March 2017, Toppan has five audit & supervisory board members, including three external auditors, of whom two are independent officers. Along with their own board meetings, the board members 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 meeting of audit & supervisory boards from related companies to improve the effectiveness of the audits by board members 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.

■ Corporate Governance Structure (as of March 31, 2017)



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 audit & supervisory board members. The office carried out 30 management and operation audits in fiscal 2016. 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 & Intellectual Property 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. 28, 32). The Ecology Center in the Manufacturing Management Division oversees environmental activities across the Group, conducts internal audits at operational sites, and monitors the progress of their improvements (→P. 38).

■ Remuneration to Directors and Audit & Supervisory Board Members

In fiscal 2016 the total annual remuneration to directors was 1,083 million yen and the total annual remuneration to audit & supervisory board members was 114 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

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

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 a training course on CSR management for new employees (324 persons completed the course in fiscal 2016) and e-learning-based, Group-wide

basic education for employees at the Company and main Group companies (20,276 persons completed the course in fiscal 2016).

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.

The Toppan Group repeats various BCM drills at every site to enhance Group-wide competence for business continuity. In fiscal 2016 Toppan held e-learning-based, basic training for all Group employees in Japan (completed by 20,519 persons) to ensure awareness among employees on business continuity management.

The lessons learned from the Great East Japan Earthquake disaster of 2011 have renewed the Group's awareness of the importance of a stable supply chain for effective BCM. In fiscal 2016 the Group surveyed the business continuity competencies of 184 material suppliers by questionnaire to ascertain their current BCM measures. An expert was also invited to the head office to lecture at a training session for 23 business partners on business continuity management.

The Toppan Group seeks to coexist with communities through ongoing BCM activities.

■ CSR Promotion Structure



■ Types of Risk to Be Managed and the Relevant Head Office Divisions in Charge

Types of Risk to Be Managed	
Product accidents or product liability	Product accidents or quality-related accidents (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 & Intellectual Property Div.)
	Leakage of personal information, internal confidential information, etc. (Legal Affairs & Intellectual Property Div.)
	Accidents or disasters related to fires or explosions (Manufacturing Management Div.)
Defamation, slander, or other criminal damages	Illegal activities related to the storage of solvents, management of dangerous chemicals, etc. (Manufacturing Management Div.)
	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 confidential information, etc. (ICT Management Div.)
Relationships with antisocial organizations	Acts of violence against the company (threats, kidnapping, or robbery) (Personnel & Labor Relations Div.)
	Unreasonable demands from antisocial organizations or transactions conducted between business partners and antisocial organizations (Legal Affairs & Intellectual Property 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 & Intellectual Property 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 & Intellectual Property Div.)
Environmental problems	Violations of environmental laws, regulations, 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 (Fukuoka Plant)



BCM training session for business partners



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.

In fiscal 2016 the Toppan Group adopted a further practical approach to the possible occurrence of a wide-scale disaster based on the experience of responding to the earthquakes that struck Kumamoto Prefecture in April 2016. The Group prepared two wide-scale disaster scenarios: one hitting eastern Japan and the other hitting western Japan. Inter-operational-site drills were organized in March 2017 to enable staff in one region to verify the safety of all Group employees across the areas potentially stricken by disasters in another region. In conjunction with these drills, Toppan built a system for the head office to purchase supplies for Group-wide deployment in the event of a disaster by confirming the current status of stockpiled emergency supplies in real time. 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 verification, the evacuation procedures, the employees' journeys back home from their workplaces on foot, and the distribution of stockpiled supplies.

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.