

Fair Operating Practices

Disseminating the Conduct Guidelines

In June of the year 2000, the centennial of Toppan Printing Co., Ltd., Toppan established the Conduct Guidelines, a set of normal standards of behavior based on the Corporate Philosophy and legal compliance (→P. 31).

In November 2010 Toppan completely revised the guidelines into the Toppan Group Conduct Guidelines, a set of common principles that all Group companies around the world are required to observe for the assurance of strict compliance. These Group-wide guidelines are reviewed every year to adjust to changes in business environments, social conditions, and other circumstances relevant to the Group.

■ Conduct Guidelines Promotion Leader System

The Toppan Group operates a Conduct Guidelines Promotion Leader system. In this system, every Group site assigns a Conduct Guidelines Promotion Supervisor (the “Supervisor”) and Leaders (the “Leaders”) for disseminating the Conduct Guidelines and ensuring full guideline compliance. Supervisors and Leaders implement ongoing activities directly connected with their daily business operations. Seven hundred and forty-one Leaders were deployed across the Group in fiscal 2016, including 82 women (11.1% of the Leaders). A cumulative total of 8,322 employees have worked as Leaders since the system was launched in 2004. The Leaders organize Conduct Guideline read-throughs, facilitate discussion using concrete cases, and implement other measures to activate compliance awareness among their colleagues.

■ Tools to Promote the Conduct Guidelines

Toppan gives every employee in Japan a *Conduct Guidelines Casebook*, a Q&A style casebook describing situations that can arise in daily work. The casebook is used in various guideline promotion activities. The Leaders, for example, use it to disseminate the guidelines at their workplaces.

The Group also posts regular Conduct Guideline Notifications on themes relevant to the guidelines in order to heighten employee awareness and call attention to compliance-related issues.

Toppan Group Helpline

When an employee discovers a legal violation or improper conduct somewhere in the Toppan Group, he or she is to report it to his/her superior for deliberation as a basic rule. If the employee’s superior fails to resolve the problem, the employee is encouraged to call the Toppan Group Helpline, the Group’s internal reporting system. The helpline is open for use by all Group employees, including dispatched staff and part-time workers. The Helpline was used in two cases in fiscal 2016, including one involving power harassment. Both cases were properly handled and followed up with necessary countermeasures to prevent recurrence.

Endeavors for Strict Compliance

■ Training for Conduct Guidelines Promotion Leaders

As in previous years, Toppan held group training for Conduct Guidelines Promotion Leaders in fiscal 2016. The training was scheduled in two phases. In the first, 614 Leaders were trained in 47 sessions across Japan from May to September 2016. In the second, 523 Leaders were trained in 42 sessions from November 2016 to March 2017.

The Group devises ways to enhance the effectiveness of training at the sessions through activities such as group discussions using case methods describing actual incidents and accidents.

■ Compliance Seminar

In fiscal 2016 Toppan invited an outside lecturer (Mr. Tadashi Kunihiro, T. Kunihiro & Co. Attorneys-at-Law) to lead a seminar on the theme of “making compliance into a company strength.” Seven hundred and forty-eight Group personnel attended in total, mainly directors and managerial staff. A poster with a message from the management highlighting the importance of compliance was also produced.

■ Compliance with Transaction-related Laws and Regulations

Toppan regularly organizes transaction-related training, and monitors and audits how business transactions are being handled in Japan. Both activities are key to preventing improper import and export transactions and ensuring compliance with the Subcontract Law. In fiscal 2016, a total of 149 employees participated in group sessions focused on export controls under the Foreign Exchange and Foreign Trade Act; 1,053 employees were trained on compliance with the subcontract law; and 8,432 employees took a course on export controls via the e-learning system. The Group also audited the observance of export controls in 15 departments and compliance with the subcontract law in 34 departments.

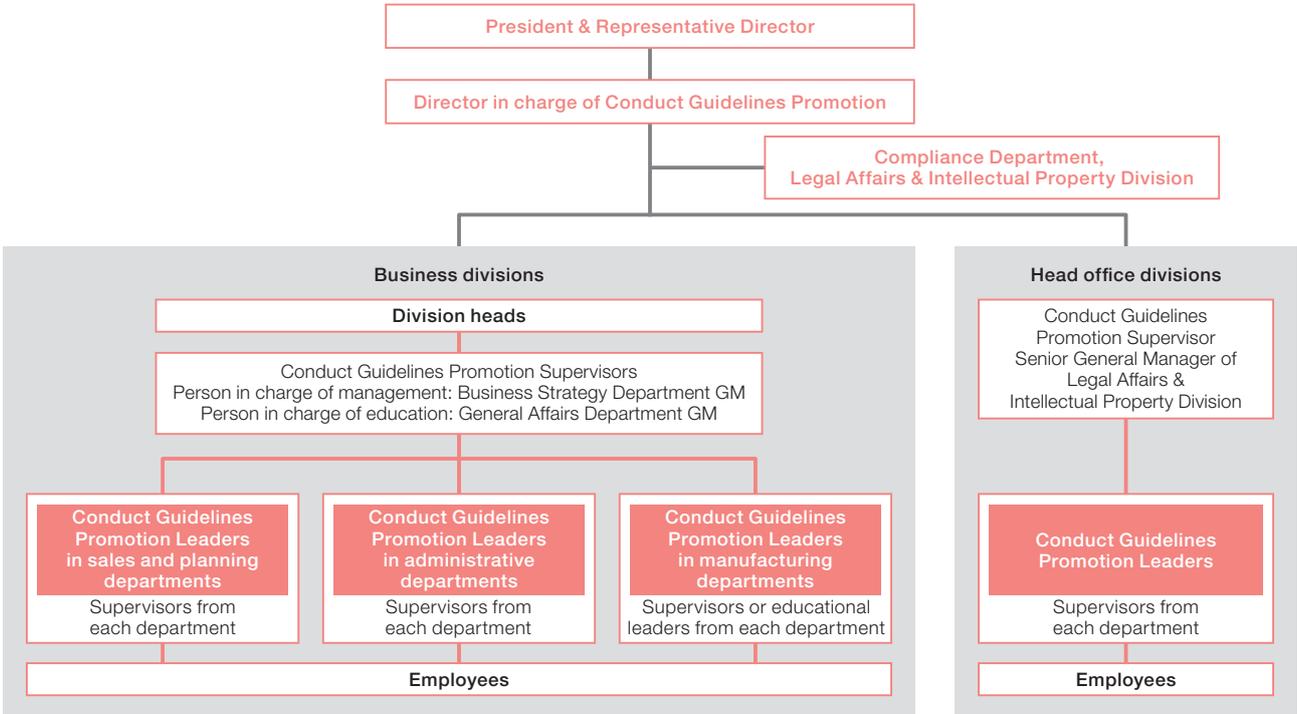
■ Anti-Corruption

Toppan participates in the United Nations Global Compact and conforms to its anti-corruption principle by stipulating the “prohibition of bribery and inappropriate entertainment practices” in the Toppan Group Conduct Guidelines. In fiscal 2016 the Group established a set of anti-bribery rules and formulated a compliance framework led by the Director in charge of Legal Affairs as the chief anti-bribery manager. Group employees will be apprised of further intensive actions against bribery through internal training sessions developed in cooperation with relevant departments.

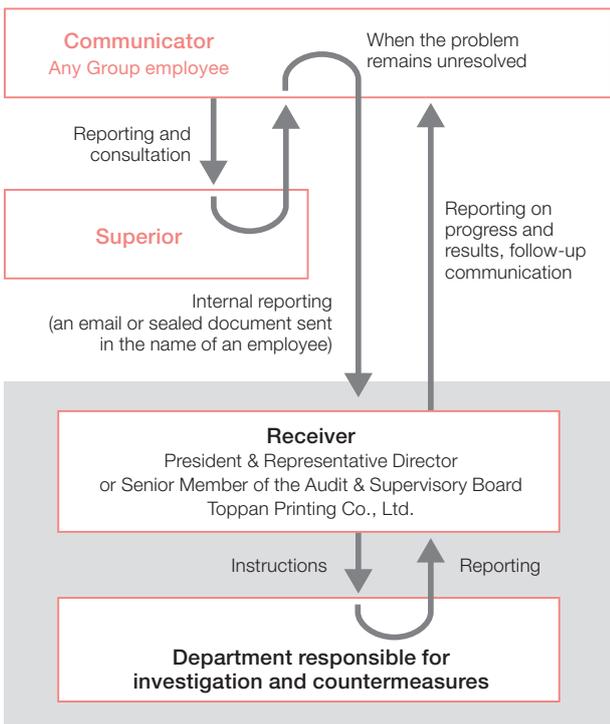
■ Briefing on Compliance

Toppan was not involved in any serious incidents or violations of laws or regulations in the course of business in fiscal 2016.

■ Structure to Promote the Conduct Guidelines



■ Toppan Group Helpline



Lecturer at the compliance seminar

Poster promoting compliance (in Japanese)

Approach to Intellectual Property

Protection and management of intellectual property is a crucial issue for Toppan, a group of companies operating in the three fields of Information & Communication, Living & Industry, and Electronics. The Group devotes strict attention to measures to prevent the infringement of copyrights, trademarks, and other intellectual property rights of third parties while obtaining patents for its own technologies and business models.

Apart from in-house special training, Toppan holds regular training sessions for employees of the Toppan Group and its business partners. Participants in these sessions acquire basic legal knowledge on intellectual property rights by reviewing case histories in design work and other operations involving intellectual property issues within the Group.

Promoting CSR Procurement

The Toppan Group implements CSR initiatives in cooperation and collaboration with business partners throughout the entire supply chain. The Toppan Group CSR Procurement Guidelines are a set of principles the Group observes to drive this endeavor. These guidelines consist of the Basic Procurement Policy, a conceptual framework to be closely observed by every Toppan employee involved in procurement operations, and the CSR Procurement Standards, a set of requirements to be satisfied by every business partner. In January 2014 the Group revised them into guidelines stipulating standards of action pertaining to human rights, labor, the environment, and anti-corruption, the four issues globally emphasized in CSR initiatives. By fiscal 2015 Toppan had briefed 2,068 business partners on the guidelines. The Group held briefing sessions for another seven partners in fiscal 2016.

Turning to the environment, the Toppan Group promotes CSR procurement in line with specific standards such as the Standards for the Management of Chemical Components of Raw Materials and the Paper Procurement Guidelines for the Sustainable Use of Forest Resources.

■ Verifying the Legality of Lumber as a Paper Material

The Toppan Group promotes the sustainable use of forest resources by monitoring paper suppliers (business partners) to ensure that the lumber they use for paper production is legally obtained. The Group surveyed 26 sites of 20 business partners around the world in fiscal 2016 and confirmed that all of the procured lumber was obtained legally. In yen terms, these 26 partner sites supplied 99.6% of the paper used by Toppan in fiscal 2016.

■ Promoting Compliance in Procurement Departments

The Toppan Group regularly monitors whether its procurement departments operate properly in accordance with the Basic Procurement Policy in their transactions with business partners.

The Group asked 10 business partners to fill out questionnaires in fiscal 2016 (a cumulative total of 96 partners since 2008) and used the results to improve compliance in procurement operations. Toppan has also set up the Supplier Hotline*, a portal for receiving reports from business partners, on its website.

*http://www.toppan.co.jp/english/corporateinfo/our_suggestion/supplier_hotline.html

■ Toppan Group CSR Procurement Guidelines

Basic Procurement Policy

- We fairly and impartially offer opportunities to all business partners and potential business partners.
- We comply with domestic and overseas laws and regulations and conduct fair business transactions based on corporate ethics.
- We strictly control the information obtained through procurement activities.
- We work to conserve the environment and reduce impact on the environment.
- We pursue QCD (Quality, Cost, Delivery) in order to meet the needs of the market.
- We work to foster mutual cooperation and build relationships of trust with business partners.
- We promote CSR initiatives throughout the entire supply chain.

CSR Procurement Standards

1. Basic Procurement Standards

- 1) Maintenance and improvement of quality
- 2) Appropriate pricing
- 3) Stable supply
- 4) Product safety
- 5) Management of information
- 6) Compliance with laws and social norms
- 7) Fair business activities
- 8) Protection of and respect for intellectual property rights
- 9) Protection of people reporting improper conduct
- 10) Disclosure of information

2) Labor

- (1) Prohibition of forced labor
- (2) Prohibition of child labor
- (3) Non-discrimination
- (4) Prohibition of harassment
- (5) Respect for workers' rights
- (6) Ensuring occupational health and safety
- (7) The payment of appropriate wages
- (8) Management of appropriate working hours
- (9) Consideration for job security and fulfillment of the obligations of an employer

2. Procurement Standards Concerning Human Rights, Labor, the Environment, and Anti-Corruption

1) Human Rights

Business partners should respect the human rights of all people related to their business activities. They should also ensure that their activities do not infringe human rights directly or indirectly.

3) The Environment

Business partners should comply with local environment-related laws and regulations and work to prevent pollution of the atmosphere, water, and soil. They should also continuously measure and assess the use and discharge of resources and work to reduce impacts on the environment.

4) Anti-Corruption

Business partners should prohibit and prevent conduct such as bribery, corruption, inappropriate provision or receipt of profits, extortion, and misappropriation.

Conduct Guidelines

Basic Principle 1: Respecting basic human rights

1. Recognizing the diverse values of individuals and respecting personal qualities and individuality
2. Prohibition of discrimination of any kind
3. Prohibition of sexual and power harassment

Basic Principle 2: Having high ethical standards and acting as a responsible member of society

In the conduct of business

1. Acting with pride as a member of the Toppan Group
2. Prohibition of tacit approval of illegal conduct and rule violations
3. Respect for foreign cultures and customs

In our private lives

4. Prohibition of conduct that causes distress to other people
5. Prohibition of drink-driving
6. Prohibition of the possession and use of illegal drugs
7. Prohibition of gambling

Basic Principle 3: Complying with laws and company rules and conducting fair business operations

Legal compliance

1. Prohibition of collusion and cartels
2. Prohibition of improper conduct in dealings with business partner companies
3. Prohibition of improper conduct against competitors
4. Prohibition of false transactions
5. Respecting business partners' standpoints and building appropriate relationships with customers
6. Prohibition of bribery and inappropriate entertainment practices
7. Prohibition of illegal political contributions or donations
8. Prohibition of insider trading
9. Prohibition of illicit import and export transactions
10. Prohibition of child labor and forced labor
11. Compliance with international rules and local laws in overseas business

Compliance with company rules

12. Maintaining discipline and order in the workplace
13. Prohibition of other work without the company's permission
14. Prohibition of conduct that causes a conflict of interests with the company
15. Prohibition of receipt or provision for personal gain or rebate
16. Appropriate management of assets entrusted to the company by customers
17. Appropriate management and use of company assets
18. Prohibition of prejudicial treatment of persons that have reported problems via the appropriate procedure
19. Fulfilling duties with integrity
20. Reporting promptly and appropriately

Basic Principle 4: Avoiding all links with antisocial groups

1. Prohibition of any dealings with antisocial groups
2. Prohibition of involvement in antisocial activities
3. Prohibition of provision of unjust benefits

Basic Principle 5: Striving to improve quality and providing creations that contribute to customer satisfaction

1. Making our best efforts for the customer and building a relationship of trust
2. Striving to improve quality in every process
3. Fully ensuring the safety and security of products and services
4. Prohibition of the infringement of the intellectual property rights of others

Basic Principle 6: Recognizing the importance of information related to business and managing it appropriately

1. Protecting information regarding customers
2. Protecting the company's confidential information
3. Appropriate handling of personal information
4. Striving for the appropriate management of information and records

Basic Principle 7: Proactively undertaking conservation of the global environment

1. Striving to reduce the environmental burden of business activities
2. Promoting businesses with consideration for the environment

Basic Principle 8: Embracing change and taking on new challenges

1. Making proposals that embrace change to customers
2. Advancing technical development that meets the needs of customers
3. Having an awareness of problems and striving to improve the status quo
4. Striving to enhance one's knowledge, skills and techniques
5. Securing and using intellectual property

Basic Principle 9: Building trust from society through social contribution activities and appropriate disclosure of information

1. Proactively participating in the company's activities to contribute to society and local communities
2. Contributing to the development and passing on of skills and culture
3. Disclosing information appropriately and enhancing the transparency of business activities

Basic Principle 10: Bringing together individual strengths to fully exploit the integrated strength of the group

1. Striving to create a lively and vibrant workplace
2. Striving to create a safe and clean workplace
3. Taking pride in the Toppan Brand and striving to cultivate it
4. Group companies working together to maximize integrated strength

Established in June 2000 Revised in November 2010

Toppan Group Basic Policy on Information Security

As a group of companies operating in the information communication industry, each of us at the Toppan Group carries out Group-wide information security management in the recognition that the management of information necessary for business is a significant managerial challenge for us as a means to reciprocate our customers' trust and promote the ongoing growth of the Toppan Group.

1. We manage information necessary for our business appropriately in observance of our in-house rules, the law, and the principles of social order.
2. We collect information for appropriate purposes using appropriate methods.
3. We safely manage the information entrusted to us by customers in order to reciprocate our customers' trust.
4. We are deeply aware of the risks to the information assets we handle, such as illegal access, loss, damage, falsification/manipulation, and leakage of information, and take necessary and reasonable safety measures against these risks. We deal with and rectify any problems that occur promptly and in an appropriate manner.
5. We establish, operate, maintain, and continuously improve information security management systems.

Established on April 1, 2001 Revised on August 1, 2011