

Risk Management and Control

Basic Approach

Approach

The Toppan Group views the accurate detection and appropriate management of impending risks as a corporate social responsibility.

In keeping with this view, the Group has identified and taken steps to mitigate quality-related incidents, natural disasters, and other types of risk requiring action to limit

the possibility of adverse impact on business operations.

When a risk actually arises, Toppan immediately collects necessary information and takes comprehensive and strategic countermeasures under the Group's risk management structure to minimize losses, ensure business continuity, and maintain the trust of society.

Division-specific Risk Management Structure

Promotion framework

Activity results, performance data

In accordance with the Rules on Risk Management, the Toppan Group has identified risks that require action and 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 identified. When a risk requiring action arises somewhere in the Group, the responsible division reports it to the Board of Directors. When emergency response

actions are needed, the President & Representative Director or the Executive Vice President & Representative Director is responsible for forming an emergency taskforce to properly handle the issue. The taskforce is composed of directors in charge of the relevant head office divisions, audit & supervisory board members, legal consultants, and other external experts.

Fostering Risk Awareness

Toppan's internal portal site posts the Group's Rules on Risk Management, details on the division-specific risk management structure, and a list of risks requiring action. This site is constantly updated to present the latest risk-related information for Group employees.

Based on the division-specific risk management structure, responsible head office divisions proactively develop measures

to prevent or avoid impending risks such as information and cyber security incidents, natural disasters, outbreaks of infectious disease, occupational accidents, environmental problems, and compliance violations. The divisions also carry out regular training and audits to foster employee awareness of risks facing the Group.

Risks Requiring Action and the Responsible Head Office Divisions in Charge

Type	Risks Requiring Action	Divisions in Charge
Product-related incidents or product liability	Quality-related incidents	Manufacturing Management Div.
Risks encountered in raw material procurement	Major shortages or delays in delivery from manufacturers, or spikes in raw material prices	Manufacturing Management Div.
Accidents or disasters related to company operations	Accidents or disasters related to fires, explosions, etc.	Manufacturing Management Div.
	Illegal activities related to the storage of solvents, dangerous chemicals, etc.	Manufacturing Management Div.
	Occupational accidents, traffic accidents, or other accidents involving employees	Personnel & Labor Relations Div.
	Incidents related to receivables	Finance & Accounting Div.
	Legal problems associated with orders received	Legal Affairs & Intellectual Property Div.
	Leakage of personal information or confidential information	Information Security Div.
	Suspensions of business operations caused by cyber-attacks	Information Security Div.
	Accidents related to computer systems	Digital Innovation Div.
Environmental problems	<ul style="list-style-type: none"> Violations of environmental laws or regulations or environmental impact levels exceeding applicable regulatory standards Illegal disposal of industrial waste 	Manufacturing Management Div.
Climate change or water risks	<p>Transition risks:</p> <ul style="list-style-type: none"> Greenhouse gas emission pricing, strengthened obligations for emission reporting, or higher incidence of climate-related lawsuits Risks related to the transition to a low-carbon economy or replacement of existing products by low-carbon alternatives Changes in customer behavior or increases in raw material costs Widespread public disapproval of the industry or changes in the attitudes of customers or society <p>Physical risks:</p> <ul style="list-style-type: none"> Escalation of typhoons, hurricanes, flooding, or other natural disasters caused by extreme weather Shifts in global climate patterns such as rising sea levels or increasing average temperatures 	Manufacturing Management Div.
Natural disasters	Material losses or personal accidents caused by earthquakes, storms, floods, lightning strikes, etc.	Personnel & Labor Relations Div.
	Spreading of new strains of influenza	Personnel & Labor Relations Div.
Related to company acts	Shareholder derivative lawsuits or hostile takeovers	Legal Affairs & Intellectual Property Div.
Improper practices in disclosing information in financial reporting	False reporting or improper statements	Finance & Accounting Div.
Legal violations or misconduct	Violations of subcontract laws or illegal transactions with business partners	Manufacturing Management Div.
	Improper conduct related to accounting, taxes, or payments (fictitious orders, etc.)	Finance & Accounting Div.
	Harassment, discrimination, violations of labor standard acts, etc.	Personnel & Labor Relations Div.
	Misappropriation, etc.	Personnel & Labor Relations Div.
	Collusion, insider trading, violations of subcontract laws, illicit export transactions, or bribery	Legal Affairs & Intellectual Property Div.
Infringements of intellectual property rights	Infringements of patents, trademarks, or copyrights	Legal Affairs & Intellectual Property Div.
Relationships with antisocial organizations	Unreasonable demands from antisocial organizations or transactions conducted between subcontractors or suppliers and antisocial organizations	Legal Affairs & Intellectual Property Div.
Defamation, slander, or other criminal damages	Acts of violence against the Group (threats, kidnapping, theft, etc.)	Personnel & Labor Relations Div.
Risks encountered in overseas business activities	<ul style="list-style-type: none"> Product-related incidents, harassment, dismissals, environmental problems, fires, natural disasters, etc. Damage to human or physical assets of customers or the Group caused by international conflicts, terrorism, etc. 	<p>Corporate Planning Div</p> <p>Personnel & Labor Relations Div.</p>

More details on the directors overseeing head office divisions in charge of risks
<https://www.toppan.com/en/about-us/officer.html>

(revised on January 1, 2021)

Risk Management Liaison Meeting

Promotion
framework

All of the personnel in charge of risk management in the head office divisions assemble on a regular basis to share information at the Risk Management Liaison Meeting. When a risk actually

arises, the responsible persons from relevant head office divisions convene an extraordinary meeting to take necessary management actions and develop preventive measures.

Risk Management

Promotion
framework

Activity results,
performance data

The Toppan Group manages individual risks specific to organizations such as business divisions, subsidiaries, and Group companies.

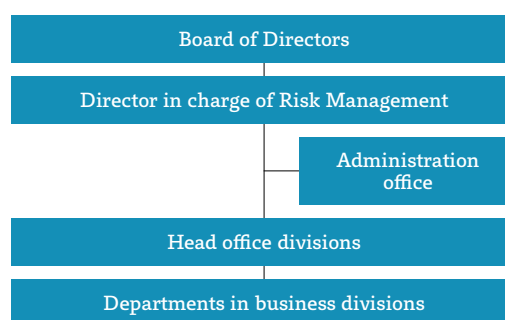
Specifically, the Group performs annual risk surveys to determine all types of risk that require action. The frequency and severity of possible risks are assessed, and countermeasures are formulated based on the assessment results. Midway through the fiscal year, the Group monitors the progress of mitigation measures designed at the beginning of the year.

Among the risks requiring action, Toppan defines those that can exert significant adverse impacts on management as “significant risks.” Working in an administrative capacity, the Compliance Department in the Legal Affairs & Intellectual Property Division identifies the significant risks for the current year in accordance with survey results reported by the responsible head office divisions. To finalize the significant risk designation, the compliance department reviews the results of risk assessments performed by relevant business divisions, subsidiaries, and Group companies, as well as social conditions, the possibility of risks arising over the medium-

to-long term, and various other risk-related circumstances in and around the Group. The responsible head office divisions then spearhead efforts to plan countermeasures and take comprehensive measures required for the management of the risks determined to be significant. The Director in charge of Risk Management regularly reports the outcomes of those measures to the Board of Directors.

The Toppan Group designated 17 significant risks for fiscal 2020 (presented below).

Management Structure



Significant Risks for Fiscal 2020

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|---|--|
| 1. Fires or occupational accidents | 10. Climate change risks |
| 2. Risks associated with control of the Group | 11. Violations of labor standard acts |
| 3. Risks associated with overseas business | 12. Harassment |
| 4. Non-performing or long-term retained inventory assets, etc. due to inadequate asset management | 13. Human injury or damage to physical assets caused by infectious diseases or earthquakes, storms, floods, or other natural disasters |
| 5. Incidents related to receivables (bad debt, customer bankruptcy, etc.) | 14. Risks associated with research and development |
| 6. Damage to Toppan's brand image caused by leakage, improper handling, etc. of information | 15. Infringements of patents, copyrights, or other intellectual property rights |
| 7. Information leakage or shutdown of ICT infrastructure, production lines, digital service businesses, etc. caused by cyber-attacks | 16. Violations of subcontract laws, antitrust acts, or other legislation |
| 8. Quality-related incidents or self-imposed product recalls that can develop into issues in wider society (legal violations, fluid leaks, discharge of odor or foreign matter) | 17. Risks encountered in business transactions with public offices |
| 9. Impact of environment-related legislation (e.g., legislation on the pollution of soil, groundwater, or the public water supply caused by the leakage of toxic substances) | |

The Toppan Group established a Risk Management Working Group (Leader: Director in charge of Risk Management. Members: Persons in charge of risk management at the responsible head office divisions. Administration office: Compliance Department in the Legal Affairs & Intellectual Property Division) under the Sustainability Promotion Committee in September 2020. The working group began determining which risks were expected to be significant in

fiscal 2021. In its deliberations, the working group assessed impending risks for the Group by integrating the significant risks identified for fiscal 2020 with the significant risks noted in the securities report. The Sustainability Promotion Committee reviewed and approved the working group's assessment results in a meeting held on February 9, 2021. The 26 significant risks identified for fiscal 2021 are presented below.

Significant Risks for Fiscal 2021

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|---|--|---|
| 1. Human injury or damage to physical assets caused by infectious diseases or earthquakes, storms, floods, or other natural disasters | 11. Non-performing or long-term retained inventory assets, etc. due to inadequate asset management | 19. Risks encountered in raw material procurement |
| 2. Climate change risks | 12. Incidents related to receivables (bad debt, customer bankruptcy, etc.) | 20. Impact of environment-related legislation (e.g., legislation on the pollution of soil, groundwater, or the public water supply caused by the leakage of toxic substances) |
| 3. Characteristics of the printing business | 13. Fluctuations in the current value of marketable securities | 21. Risks associated with waste |
| 4. Risks associated with strategic partnerships, investments, or acquisitions | 14. Fluctuations in foreign exchange rates | 22. Fires or occupational accidents |
| 5. Risks associated with research and development | 15. Damage to Toppan's brand image caused by leakage, improper handling, etc. of information | 23. Risks associated with labor issues (violations of labor-related laws, labor disputes, etc.) |
| 6. Securing of human resources to sustain business growth | 16. Negative impact on business caused by cyber-attacks | 24. Harassment |
| 7. Securing of financing | 17. Loss of social trust resulting from shutdowns of production lines, digital service businesses, etc. caused by faulty ICT infrastructure | 25. Infringements of patents, copyrights, or other intellectual property rights |
| 8. Risks associated with control of the Group | 18. Quality-related incidents or self-imposed product recalls that can develop into issues in wider society (legal violations, fluid leaks, discharge of odor or foreign matter) | 26. Misconduct (serious improper conduct or inappropriate actions, etc.) or compliance violations (collusion, bribery, or other legal or regulatory violations) |
| 9. Risks associated with overseas business | | |
| 10. Intense market and price competition | | |