

Strict Compliance

Basic Approach

Approach

Legal compliance in business operations is an indispensable prerequisite for every corporation to fulfill its responsibilities to society.

Toppan established the Conduct Guidelines as a set of compliance standards in June 2000, the centennial of Toppan Inc. These guidelines set forth standards for Toppan personnel's behavior based on the Corporate Philosophy and principles of legal compliance.

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 Groupwide guidelines are reviewed every year to adjust to changes in business environments, social conditions, and other circumstances relevant to the Group. Any revision of the guidelines is subject to a resolution by the Board of Directors of Toppan Inc.

Toppan Group Conduct Guidelines
<https://www.toppan.com/en/about-us/philosophy/conduct-guidelines.html>

Reviewing the Toppan Group Conduct Guidelines

Policy

Training,
education

The Legal Affairs & Intellectual Property Division reviews the Toppan Group Conduct Guidelines every year. The division revised the guidelines on April 1, 2021 based on a review performed in fiscal 2020, the 120th anniversary of Toppan Inc. The last round of guideline revisions was completed a decade earlier.

The latest revisions enable Toppan employees to act appropriately in their initiatives to pursue the Group's

management challenges. Focusing on the United Nations Sustainable Development Goals (SDGs), a topic of growing interest throughout the world, the revised guidelines aim to accelerate individual efforts to address material issues identified in the *TOPPAN SDGs STATEMENT*. Proper actions in accordance with the guidelines will help the international community shape a sustainable society.

■ Main Revisions

1) Revisions in “Chapter 1 Basic Principles”

Chapter 1: Basic Principles (revised portions underlined)

Basic Principles (before revision)

1. Respecting basic human rights
2. Having high ethical standards and acting as a responsible member of society
3. Complying with laws and company rules and conducting fair business operations
4. Avoiding all links with antisocial groups
5. Striving to improve quality and providing creations that contribute to customer satisfaction
6. Recognizing the importance of information related to business and managing it appropriately
7. Proactively undertaking conservation of the global environment
8. Embracing change and taking on new challenges
9. Building trust from society through social contribution activities and appropriate disclosure of information
10. Bringing together individual strengths to fully exploit the integrated strength of the group

Basic Principles (after revision)

1. Respecting human rights
2. Having high ethical standards and acting as a responsible member of society
3. Complying with laws and company rules and conducting fair business operations
4. Proactively undertaking preservation of the global environment to achieve a sustainable society
5. Striving to improve quality and providing dedicated products that contribute to customer satisfaction
6. Respecting personnel diversity and striving to create a rewarding work environment that is physically and mentally healthy
7. Embracing change and taking on new challenges
8. Recognizing the importance of and properly managing business-related information and information process system
9. Providing organizational risk management and control thoroughly against threats that have a serious impact on our corporate activities (added)
10. Striving to improve corporate value through social contribution activities and proper information disclosure/communication

- Article 1 on “respecting human rights” closely relates to Toppan’s time-honored concept of “respect for human beings.” Civil society now urges businesses to take responsible actions on human rights around the world. Toppan therefore puts the human rights clause at the top of the Basic Principles. In the title of the fiscal 2020 edition, “basic human rights” has been changed to “human rights” in line with the wording used by globally recognized standards, primarily the United Nations Global Compact, a voluntary corporate sustainability initiative whose principles Toppan supports.
- Article 2 represents corporate ethics and Article 3 covers legal compliance. Together they form the core of the Toppan Group Conduct Guidelines. The importance of these matters in the revised principles remains unchanged from before.
- Article 6 (renumbered from 10) adds descriptions of a rewarding environment and personnel health and diversity to the former Article 10, which advocated a work environment

that fully exploits individual abilities. These points are now articulated in the title.

- Articles 4 to 6 cover the “environmentally friendly & sustainable production” and “employee health & job satisfaction” themes under the Companywide Materiality category presented in the *TOPPAN SDGs STATEMENT*.
- Article 8 describes information and evinces the importance of information process systems as infrastructure to support information management, with the progress of digital transformation (DX) in a digitalized society.
- Article 9 introduces a basic principle on risk management and control. The avoidance of links with antisocial groups, a point affirmed in the former Article 4, has been integrated into this article.
- The basic principles affirm Group commitment throughout the supply chain to initiatives for human rights, environmental conservation, and product-quality improvement.

2) Revisions in “Chapter 2: Specific Conduct Guidelines”

In tandem with the revisions in the basic principles, Toppan has reorganized the paragraphs describing the specific conduct guidelines and added new paragraphs, as follows (examples).

Paragraph headings:

- Striving to maintain and promote physical and mental health
- Understanding the characteristics of social media and using it with self-awareness and responsibility as a working professional
- Promoting development of products and services by incorporating a standpoint of universal design
- Striving for appropriate management of information processing system and network
- Simulating emergency and taking precautions
- Acting properly at the time of disaster
- Striving to secure cyber security

The principle on the environment set forth in the specific guidelines from before was presented in two paragraphs, headed as follows: “striving to reduce the environmental burden of business activities” and “promoting businesses with consideration for the environment.” With the growing concerns about global environmental issues and tougher environmental legislation and policies worldwide, this principle is now expressed in four paragraphs, headed as follows: to “establish a low-carbon society,” “create a recycle-based society,” “take environmental risk measures,” and “preserve biodiversity.”

The principle of the prohibition of discrimination specifies types of discrimination in the heading of the paragraph declaring Toppan’s commitment to non-engagement in discrimination on the basis of disability, sexual orientation,

and gender identity. This paragraph reflects the increased employment of persons with disabilities and enhanced global awareness about lesbian, gay, bisexual, transgender, and queer or questioning (LGBTQ) persons.

The diversity principle had been expressed in a paragraph on “recognizing the diverse values of individuals and respecting personal qualities and individuality.” The words “diversity and inclusion” have been added to the paragraph heading to manifest Toppan’s dedicated approach to diversity and inclusion (D&I) as a means of ensuring heightened D&I awareness among employees throughout Group workplaces.

The heading for the paragraph stipulating the building of appropriate relationships with business partners has been revised to include “procurement with responsibility” in order to accentuate Toppan’s commitment to fulfilling social responsibilities throughout the entire supply chain. Toppan has drafted the content of this paragraph in line with the Toppan Group CSR Procurement Guidelines.

The revised specific guidelines contain a paragraph on the contribution to popularization and promotion of culture, arts, and sports through business activities. In addition to the development and passing on of skills and culture, Toppan has reviewed its employee athlete program, the Kanosei Art Project (“*kanosei*” means “potential” in Japanese), its Groupwide projects focused on social topics such as education, arts, and healthcare, and various other initiatives the Group has recently been advancing.

Toppan has also revised several other principles to adjust to current social demands, business environments, and other circumstances relevant to the Group.

Disseminating the Revised Conduct Guidelines

Toppan gives every Group employee in Japan a booklet presenting the revised Conduct Guidelines and arranges an e-learning program to heighten awareness of the revisions. Toppan also organizes group training for Conduct Guidelines Promotion Leaders (“Leaders”) to brief them on the details and intent of the latest revisions. The Leaders disseminate the revised guidelines at their workplaces throughout the Group.



E-learning program on the revised guidelines

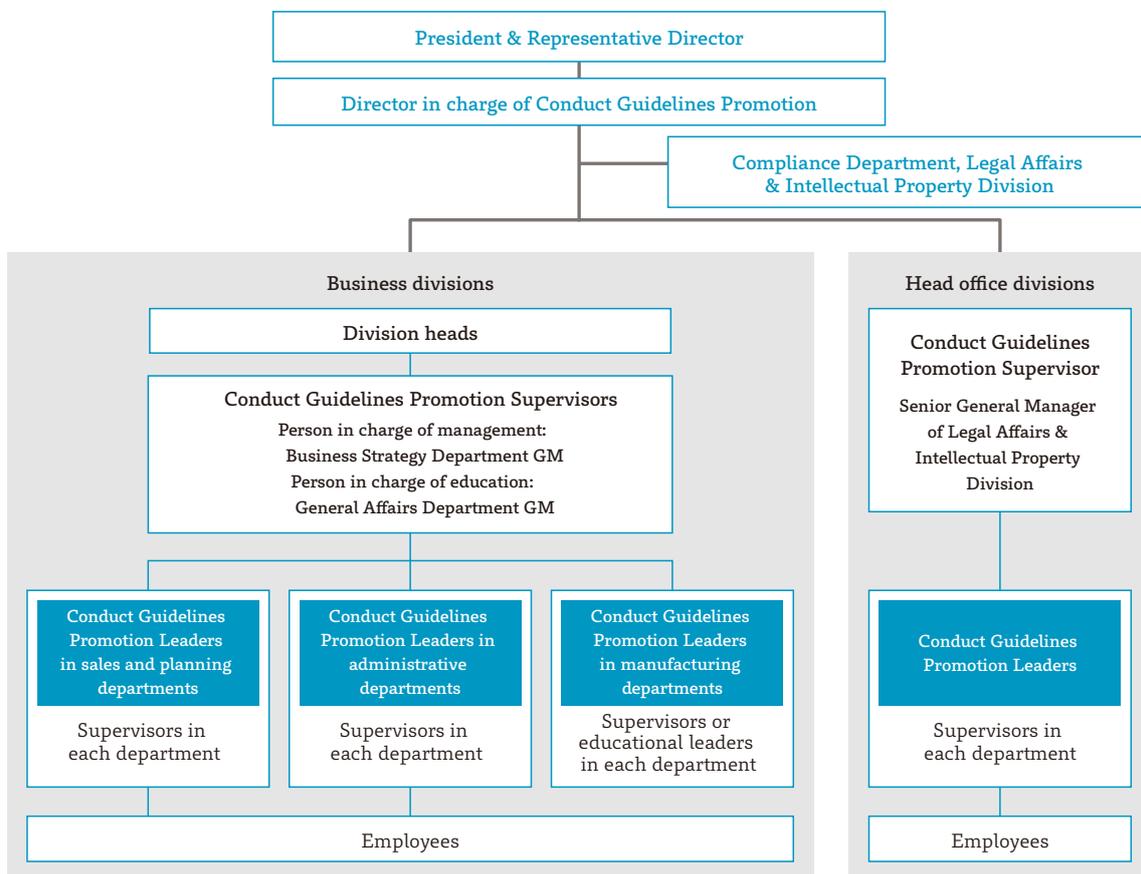
Compliance Promotion Structure

Toppan believes that the strict observance of the Conduct Guidelines directly links to legal compliance. The Conduct Guidelines Promotion Leader system is a core mechanism to ensure full observance of the guidelines. Upon their election every year, the Leaders initiate guideline compliance in daily operations at their workplaces under the Director in charge of Conduct Guidelines Promotion.

Seven hundred and twelve Leaders were deployed across the Group in fiscal 2020, including 98 women (13.8% of the Leaders). A cumulative total of 11,132 employees have worked as Leaders since the system was launched in fiscal 2004.

	Number of Newly Deployed Leaders	Number of Female Leaders Deployed (Percentage)	Cumulative Total Number of Leaders
Fiscal 2017	733	95 (13.0%)	9,055
Fiscal 2018	677	86 (12.7%)	9,732
Fiscal 2019	688	87 (12.6%)	10,420
Fiscal 2020	712	98 (13.8%)	11,132

Structure to Promote the Conduct Guidelines



Compliance Training

Training,
education

Toppan organizes group training for Conduct Guidelines Promotion Leaders (“Leaders”) every year. The Group devises ways to enhance the effectiveness of training sessions through activities such as group discussions using case methods describing actual incidents. Thirty-six training sessions were held for 528 Leaders from Toppan Inc. and Group companies across Japan in fiscal 2020.

Toppan also gives every Group 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 Compliance Department in the Legal Affairs

& Intellectual Property Division, meanwhile, posts monthly *Conduct Guideline Notifications* on topics relevant to the guidelines at the workplace to ensure strict compliance under the Leaders. Toppan has also been holding seminars, producing posters, and implementing other compliance promotion activities to ensure full observance of the guidelines among Group employees.

In fiscal 2020 Toppan held two online training sessions for 51 employees at Group affiliates in Shanghai, China to disseminate the guidelines and ensure strict compliance at overseas subsidiaries. Toppan will continue to organize education on the Conduct Guidelines for employees working at Group affiliates in other countries and regions.

■ Compliance in fiscal 2020

Toppan was not involved in any serious incidents or violations of laws or regulations in the course of business in fiscal 2020.

Anti-Corruption Initiatives

Policy

Activity results,
performance data

Toppan has been undertaking various anti-corruption initiatives in conformance with the anti-corruption principle set out by the United Nations Global Compact. The Toppan Group Conduct Guidelines affirm wide-ranging principles on corruption prevention, such as the “prohibition of bribery and inappropriate entertainment practices,” “prohibition of receipt or provision for personal gain or rebate,” “prohibition of illegal political contributions or donations,” and “prohibition of collusion and cartels.”

To better combat corruption, Toppan established a set of anti-bribery rules and guidelines in March 2017 and formulated an anti-corruption framework led by the Director in charge of Legal Affairs & Intellectual Property as the chief anti-bribery manager. For more intensive anti-bribery control, Toppan also launched a system requiring pre-authorization for the offering of any entertainment or gifts to a public official or the like.

In April 2018 the Group issued an FAQ describing specific

cases of bribery to further heighten employee awareness and call strict attention to compliance-related issues. No cases of inappropriate entertainment or gifts to public officials or the like were identified across the Group in fiscal 2020.

In training sessions organized each year for candidates for overseas assignments, trainees learn reinforced strategies to combat bribery in the commercial and public sectors and become familiar with the Group’s system for pre-authorization. Twenty employees attended five sessions in Japan in fiscal 2020.

The Toppan Group continues to win more contracts with national and local governments, primarily for business process outsourcing (BPO) projects in Japan. To ensure proper conduct, Toppan organizes regular training sessions on the prevention of collusion and bribery. The target trainees are mainly Group employees who are often assigned to sales and planning operations for public sector projects.

Training for Compliance with Transaction-related Laws and Regulations

Policy

Training,
education

To enforce compliance with major transaction-related laws and regulations, the Toppan Group has been comprehensively preventing improper import and export transactions and ensuring compliance with the Subcontract Law of Japan.

In fiscal 2020, a total of 2,592 employees from departments that customarily conduct transactions with subcontractors were trained on compliance with the subcontract law, and 9,219 employees took an e-learning course on export controls under the Foreign Exchange and Foreign Trade Act of Japan.

The Group also audited compliance with the subcontract law in 43 departments and the observance of export controls in 35 departments.

Audits in fiscal 2020 confirmed conformance with these laws across the Group. No serious legal violations or cases of misconduct were identified, and no problems or incidents occurred in import or export transactions or transactions with subcontractors.

Training to Prevent Infringements of Intellectual Property

Training,
education

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 other 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.

Internal Reporting System

System

Activity results,
performance data

When a person at Toppan discovers a legal violation or improper conduct somewhere in the Group, they are to report it to their superior for deliberation as a basic rule. If their superior fails to resolve the problem, the person is encouraged to call the Toppan Group Helpline, the Group's internal reporting system. The helpline is open for use by all officers and employees (including dispatched staff and part-time workers) at Group companies (excluding listed corporations). This system allows the Group to ensure strict compliance with the Toppan Group Conduct Guidelines by promptly identifying and properly dealing with legal violations and misconduct.

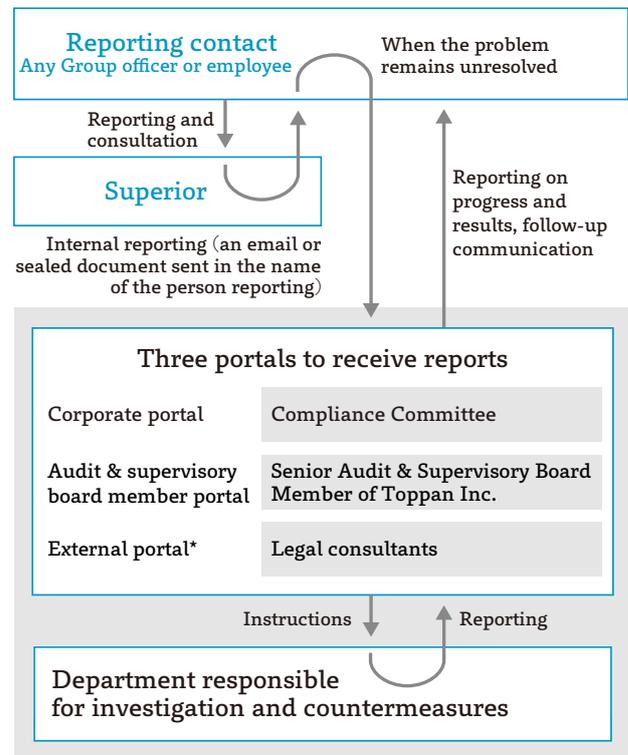
The Group revised the rules on reporting in November 2019 to encourage Group personnel to call the helpline by lowering the threshold for use. The revised rules stipulate the establishment of three portals to receive reports: a "corporate portal" and "audit & supervisory board member portal" operated in-house, and an "external portal" operated by legal consultants. The receiver has thus been changed from the President & Representative Director or Senior Audit & Supervisory Board Member of Toppan Inc. to the three portals that have been in operation since April 1, 2020. The President & Representative Director currently serves as the chief manager of the helpline.

An intranet portal site of the Group, meanwhile, posts topics on the intent of the reporting system, system outlines, and precautions regarding calls placed to the helpline, along with other helpline information. Toppan also holds rank-based training, training for new employees, and other types of training to inform Group personnel about the system.

■ Number of Internal Reports

The Toppan Group Helpline was used in seven cases in fiscal 2020. No serious legal violations or cases of misconduct were reported. Six of the helpline reports were on harassment. In the seventh, the reporting contact called for improvements in a Group internal management system. Every case was properly handled and followed up with necessary countermeasures to prevent recurrence.

Toppan Group Helpline



(as of April 1, 2020)

*The Compliance Committee investigates issues reported to the external portal and considers and formulates measures, etc. to handle them.