

# TOPPAN

## CSR REPORT 2007

Report on Corporate Social  
Responsibility Activities



## As a mainstay of information and culture

Toppan has contributed to the development of information and culture through printing since its foundation in 1900.

Toppan is defined “**as a mainstay of information and culture**” in its Corporate Philosophy. The starting point for Toppan is to use its businesses to contribute to the building of a society rich with opportunities for fulfilling lifestyles for people of all generations.



Toppan expresses its commitment to communicate with society in the three primary colors of printing: Blue for Sincerity, Red for Enthusiasm, and Yellow for Creativity.

Toppan takes a sincere, enthusiastic, and creative approach in communication to fulfill the expectations of all of its stakeholders, from its customers and employees to its shareholders/investors, business partners, communities, and society as a whole.

## Contents

### To the Readers

This *CSR Report 2007* is a communication tool used to disclose information to stakeholders and solicit their comments. The report was prepared with the following points in mind.

- **Readability**  
Environmental Reporting Guidelines 2001—With a Focus on Stakeholders, a set of guidelines by the Ministry of Economy, Trade and Industry, was used as a reference. Most readers are assumed to have an interest in CSR. Toppan has taken special care to organize the materials, layouts, color schemes, typefaces, and font sizes in this report in ways that will help readers understand the activities of Toppan as clearly as possible.
- **Completeness and Materiality**  
The contents of this report were strictly chosen in consideration of the businesses of the Toppan Group based on the following guidelines and items in the questionnaire on socially responsible investment (SRI). The “Special Report” section summarizes the most important issues.
  - Environmental Reporting Guidelines (fiscal 2003 version) from the Ministry of the Environment
  - Environmental Performance Indicators for Businesses (fiscal 2002 version) from the Ministry of the Environment
  - Environmental Accounting Guidelines (2005 version) from the Ministry of the Environment
  - Environmental Reporting Guidelines 2001—With Focus on Stakeholders, from the Ministry of Economy, Trade and Industry
  - Sustainability Reporting Guidelines 2002 from the Global Reporting Initiative (GRI)
- **Reliability**  
KPMG AZSA Sustainability Co., Ltd. has provided annual independent reviews of Toppan reports on the environmental and social responsibility, starting with the 2001 report. As a testament to the reliability of the environmental information described in this report, Toppan is authorized to attach the following mark. This means that the report meets the standards for environmental report assurance and registration established by the Japanese Association of Assurance Organizations for Environmental Information (<http://www.j-aoei.org/>). Starting from the 2004 report, Toppan has received the opinions and advice of key figures in the CSR field as guidance for producing its CSR reports. In preparing the *CSR Report 2007*, Toppan consulted for the third year in a row with Mr. Yoshiki Midorikawa, co-chair of The Valdez Society and director of the Green Consumer Research Group, to seek his opinions.



URL for *CSR Report*: <http://www.toppan.co.jp/english/corporate/csr/index.html>

### Scope of this Report

In principle, this report is concerned with the social and environmental activities of Toppan Printing Co., Ltd. and Group entities that have been consolidated for accounting purposes. This report mainly covers activities during fiscal 2006 (April 2006–March 2007) but also includes supplementary information on other periods. Most of the information on personnel applies to personnel within Toppan Printing Co., Ltd., the parent company. The scope of environmental performance data and environmental accounting has been decided based on the importance of environmental conservation among its subsidiaries (→P.5). The Environmental Management System (EMS) encompasses 63 domestic sites and nine overseas sites.

\*The Information and Communication Division was formed through a merger of the Securities Printing Division and the Commercial Printing Division on April 1, 2007.

### Terms Used in this Report

- **CSR**: Corporate social responsibility
- **Stakeholder**: A person (or interested party) who has a direct or indirect relationship with the corporation, such as a customer, employee, shareholder/investor, or business partner. A community and a society can also be stakeholders.
- **Stakeholder dialogue**: Dialogue and exchange of views with stakeholders
- **Corporate governance**: Framework for the governance of corporate activities
- **Compliance**: Adherence to laws, regulations, and corporate ethics
- **PDCA**: A sequence of four procedures—Plan, Do, Check, and Act

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### Publication Dates

Published in November 2007. Toppan plans to publish the next report in November 2008.

### Inquiries on Content and Contact Information

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\*A new section in charge of CSR promotion, formed on October 1, 2007  
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# Contributing to a Fulfilling Lifestyle

The Toppan Group continues to serve as an essential and trustworthy corporate citizen by fulfilling its social responsibilities in its businesses and operations.

## Toppan's Social Mission

Just as the steam engine was once the driver of the industrial revolution, printing has been a driving force behind civilization and culture since Gutenberg's invention of printing technology about 560 years ago. Printing has served as an important medium to express abstract information and human feelings widely throughout societies around the world. Progress in printing technologies has exponentially increased the speed of information transmission and now allows many people to share the same information at the same time. It is no exaggeration to say that printing makes up the richness of culture.

The Toppan Group was founded in 1900 by a group of printing engineers from the printing bureau of the former Finance Ministry who wished to bring the benefits of printing technology to society. Since its foundation, Toppan has worked in partnership with customers, shareholders, business partners, local communities, and stakeholders in every field to contribute to the development of information and culture with printing-based businesses.

The development of information technology epitomized by digitalization and the birth of various new digital media have substantially changed the methods used to express and transmit information in print. What has not changed is the social role played by printing.

The social mission of the Toppan Group of today is to convey information, foster culture, and contribute to fulfilling lifestyles.

## To be a Trustworthy and Respected Corporation

I am always telling people at the Company, "Let's build up a trustworthy, respected, and strong company together." This ideal follows from recognition that Toppan must win the perpetual esteem of the public and maintain its role as an essential part of society. To this end, Toppan must confront social and environmental tasks in a balanced manner while it pursues its economic goals. Social and cultural contribution, environmental conservation, and respect for human rights are crucial.

I believe that a company's corporate activities should be piloted by a company's approach to corporate social responsibilities (CSR). At Toppan, this means the realization of the Corporate Structure that embodies the values and codes we hold important.

Through business operations of the Toppan Group, all the people working in the Group must understand their responsibilities to society and to stakeholders, and work to fulfill those responsibilities in their daily work. These efforts will help Toppan become a strong company that is trusted and respected by society.

## The Priority Themes of Toppan's CSR

In 2000, the centennial anniversary of our founding, we established *TOPPAN VISION 21* as our corporate vision and as the foundation of all of our business activities for the 21st century. We base our efforts to promote CSR on a Corporate Philosophy, a Corporate Creed, and a set of Conduct Guidelines. The Corporate Philosophy forms an overall framework for the Corporate Structure, the Corporate Creed defines our standards for corporate activities, and the



Conduct Guidelines provide rules of behavior based on our corporate ethics and our spirit of compliance with laws and regulations. We have formulated six priority themes to guide us as we develop our three primary areas: the economy, society, and the environment. Descriptions of these themes follow.

- **Corporate Governance:** We will perform our management activities rapidly and efficiently with a robust commitment to forming clear managerial strategies, strengthening our supervisory and auditing capabilities in corporate management, and improving the transparency of our managerial activities.
- **Compliance:** We will conduct our corporate activities in strict observance of corporate ethics and all applicable laws and regulations. All employees will follow our corporate Conduct Guidelines with an unwavering sense of ethics and morality.
- **Improving Customer Satisfaction:** We will strive to see things from the customer's perspective. Through our work with knowledge and technology, we will devote ourselves to the creation of products that bind us to our customers in a relationship of trust based on responsibility, passion, and skill.
- **Respecting and Leveraging Human Assets:** Through our strict commitment to human asset development and respect for individuals, we will foster employees that continue to enhance their abilities and meet their full potential. The people within the Toppan Group will share the enjoyment of their work within a corporate atmosphere that is gratifying and rewarding to inhabit.
- **Activities for Society and Culture:** As a leader in the information communication industry, we will develop activities to promote social and cultural progress. We will also work to create a rich cultural environment in partnership with local communities.
- **Commitment to the Environment:** Under the initiatives set forth in Toppan's Declaration on the Global Environment (1992), we will continue to alleviate the environmental burden of our operating activities by proposing, developing, and providing environmentally-friendly products and services that coexist in harmony with our irreplaceable global environment.

## Looking Back on the Last Year

Toppan resolved to participate in the United Nations Global Compact at its board meeting of September 2006. Since then, we have pledged our support for the United Nations Global Compact, within and outside of the Company, by introducing the basic tenets of the Compact in our business management and performing CSR activities to fulfill our social responsibilities from a global perspective.

Toppan was elected as one of the Global 100 Most Sustainable Corporations in the World in February 2007. It also had the distinction of winning second prize in the nonfinancial industry category at the Key Firm of Integrity Award in Japan. On the environmental front, however, we have not achieved our targeted reduction of CO<sub>2</sub> emission, a major cause of global warming. We are keenly aware of the need to renew our efforts for various social initiatives as well.

Based on self-examination, Toppan will continue its work and endeavors to accomplish higher goals in the future.

## On the Publication of this Report

In the special section for this CSR report, we report our CSR activities in connection with our core businesses in the information communication industry.

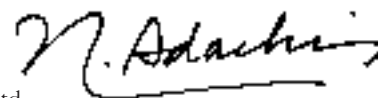
We hope that many stakeholders will come to understand and appreciate the activities of the Toppan Group by reading this report.

I believe that ongoing dialogue with stakeholders is essential for CSR activities. As a starting point, we will be emphasizing information disclosure. Please let us know your candid opinions.

The Toppan Group will continue its work as an essential and trustworthy corporate citizen to help realize a society that can provide rich and fulfilling lifestyles. We hope to benefit from your continued support and guidance in the future.

August 2007

**Naoki Adachi**  
President & CEO  
Toppan Printing Co., Ltd.



# Group Business Outline

Toppan has developed its activities through the integrated strength of the Group in five fields of business: Information & Networks, Living Environment, Electronics, Personal Service, and Next-generation Products. Toppan's activities in all of these fields have been expanded with printing technology at the core.

## Corporate Profile

Corporate name	Toppan Printing Co., Ltd.
Head office	1, Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-0024 Japan Phone +81-3-3835-5111
Established	January 17, 1900
President & CEO	Naoki Adachi
Number of employees (Nonconsolidated)	10,899 (as of the end of March 2007)
Number of employees (Consolidated)	36,757 (as of the end of March 2007)
Capital (Nonconsolidated)	104.9 billion yen

## Group Profile

The Toppan Group comprises Toppan Printing Co., Ltd. and 171 related companies (150 subsidiaries and 21 affiliates) engaged in manifold businesses in three main fields: Information & Networks, Living Environment, and Electronics.

On the opposite page you will find an outline of the positioning of Toppan and its related companies in these fields.

## Business Fields

### Information & Networks

Providing solutions that increase the value of information and effectively deliver information for clients who require smooth communication



● Securities and Cards



● Commercial Printing



● Publications Printing

### Personal Service

Providing innovative information services and devices to consumers with Toppan's own brand to mediate the links between people and goods



● Mapion, Internet-based map information service (in Japanese)

### Living Environment

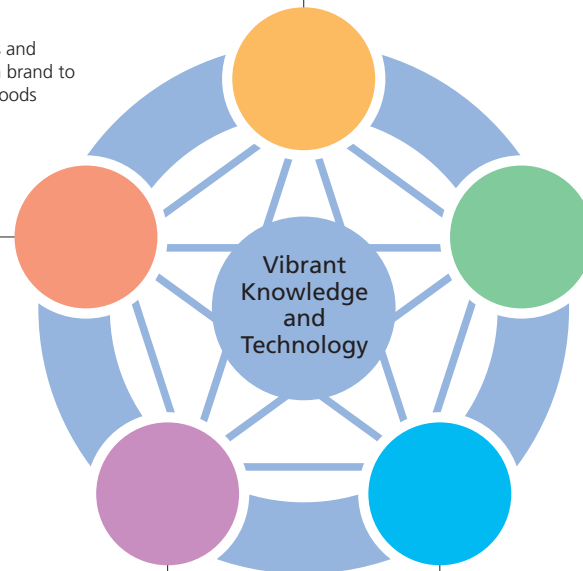
Providing optimal products and services for living in areas such as medicine, food, and housing, to help create fulfilling lifestyles globally



● Packaging



● Industrial Materials



### Electronics

Working with leading-edge technologies to provide electronic components with strong potential to be adopted as de facto standards in the fields of semiconductors and displays



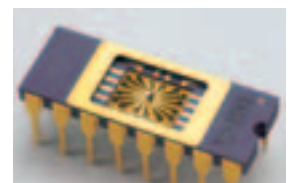
● Electronics



● Optronics

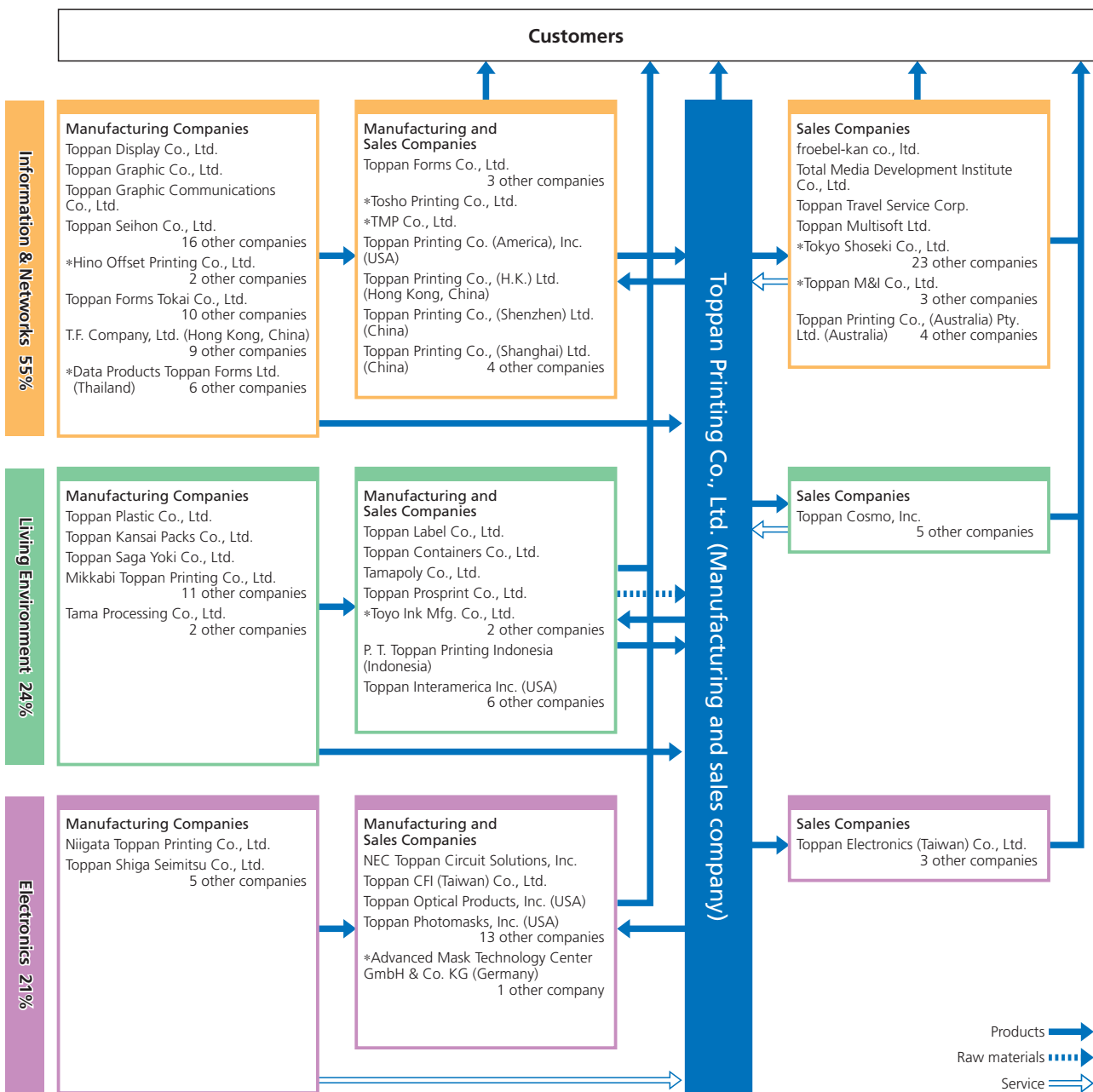
### Next-generation Products

Providing high-performance industrial materials with links to the next generation by developing fields of business with growth potential



● Hydrogen sensor

Toppan Group Structure



Notes:

- No symbol: subsidiary—150 companies \*: affiliated companies—21 companies (as of the end of March 2007)
- Toppan Group's business activities are usually divided into five fields. Here, however, they are divided into three fields on the basis of the current sizes of the businesses and other factors.
- The composition ratios given under each business field are percentages of overall sales contributed. (The net sales by business field are shown on P.6.)
- Among Toppan's subsidiaries, Toppan Forms Co., Ltd. is listed on the first section of the Tokyo Stock Exchange.

■ Scope of this Report

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- The scope of environmental performance data and environmental accounting has been decided based on the importance of environmental conservation among Toppan Printing Co., Ltd. and its subsidiaries.
- The EMS encompasses 63 domestic sites and nine overseas sites.

## Outline of Consolidated Operating Performance

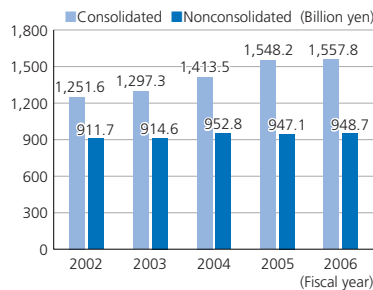
The Japanese economy recovered steadily in 2006, buoyed by improved corporate earnings and growth in capital investment. The printing industry, however, has contended with severe price competition arising from the elevated costs of materials caused mainly by the rising price of crude oil.

Within this environment, the Toppan Group has striven to expand its business and strengthen its management bases

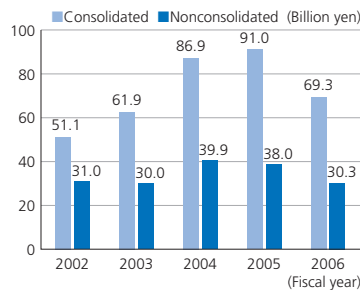
cooperatively within the Group by taking advantage of the marketing and technical capabilities acquired mainly in printing. To expand its business fields further, the Group has renewed its core strategies in the Business Fields established under *TOPPAN VISION 21*, the corporate vision for the 21st century. Toppan has increased its production capacity and accelerated technological development in markets with high growth potential, such as electronics and security. Management has also been innovating the Company's profit structure and cutting costs further.

Consequently, consolidated net sales increased by 0.6% from the previous year to 1,557.8 billion yen in fiscal 2006. Consolidated operating income decreased by 23.8% to 69.3 billion yen. Consolidated net income, meanwhile, stood at 26.0 billion yen, up by 72.1% from the 15.1 billion yen earned last year.

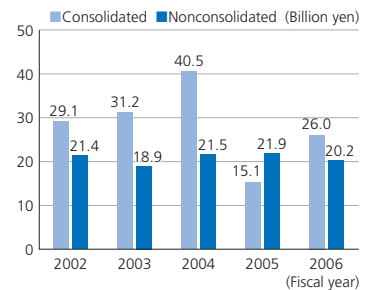
### Net Sales



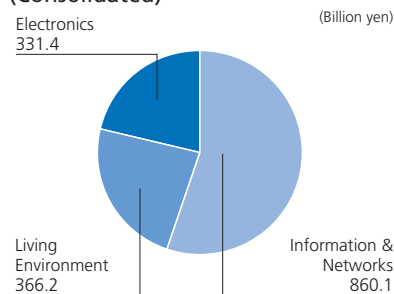
### Operating Income



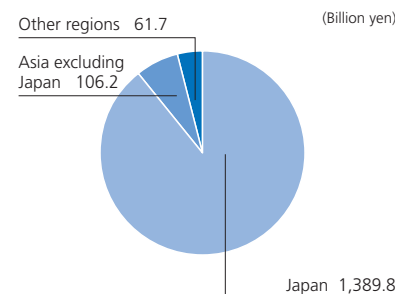
### Net Income



### Net Sales by Business Field (Consolidated)



### Net Sales by Region (Consolidated)



Note: In "Net Sales by Business Field (Consolidated)," sales are divided into three business fields based on the sizes of the businesses and other factors.

### Number of Regular Employees

	(Employees)				
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Consolidated	33,292	32,178	32,724	35,954	36,757
Nonconsolidated	12,053	11,512	10,548	10,582	10,899

### Number of Employees by Business Field (Consolidated)

	(Employees)			
	Information & Networks	Living Environment	Electronics	Company-wide Position
	20,009	8,311	7,750	687



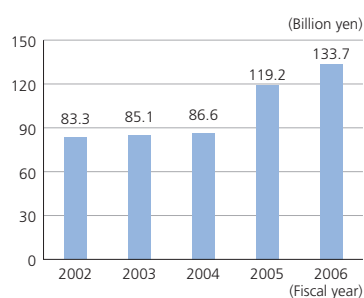
## Key Financial Data (Consolidated)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Net sales (million yen)	1,251,605	1,297,357	1,413,580	1,548,208	1,557,876
Operating income (million yen)	51,168	61,956	86,938	91,085	69,376
Net income (million yen)	29,125	31,229	40,574	15,148	26,067
Total assets (million yen)	1,317,454	1,461,305	1,483,477	1,727,636	1,837,719
Net assets (million yen)	715,438	740,481	768,245	803,678	918,002
Interest bearing debt (million yen)	136,294	239,209	205,008	304,736	359,631
Capital expenditures (million yen)	83,312	85,108	86,625	119,221	133,722
R&D expenses (million yen)	20,252	21,302	22,255	27,593	29,132
Corporate, residential & enterprise taxes (million yen)	24,872	24,918	22,154	34,073	32,354
Share price—high (yen)	1,437	1,396	1,380	1,648	1,645
Share price—low (yen)	732	690	1,002	1,050	1,161
Net income per share (Basic) (yen)	42.29	45.57	60.09	22.13	39.58
Net income per share (Diluted) (yen)	41.77	44.86	59.94	22.02	39.40
Shareholders' equity per share (yen)	1,053.22	1,104.62	1,154.21	1,216.04	1,222.27
Dividends per share (yen)	16.00	17.00	19.00	20.00	20.00
Return on assets (ROA; %)	2.2	2.2	2.8	0.9	1.5
Return on equity (ROE; %)	4.1	4.3	5.4	1.9	3.2
Cash and cash equivalents at end of period (million yen)	107,214	202,149	168,804	206,974	240,596
Number of employees	33,292	32,178	32,724	35,954	36,757

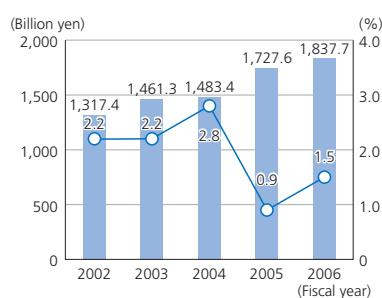
## Notes:

- Net sales do not include consumption taxes.
- The number of employees is the number of regular employees.
- Toppan has applied the "Accounting standards related to the impairment of fixed assets" and the "Guidelines on accounting standards related to the impairment of fixed assets" since fiscal 2004.
- Toppan has calculated the net assets by applying the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" since fiscal 2006.
- High and low share prices are prices on the first section of the Tokyo Stock Exchange.

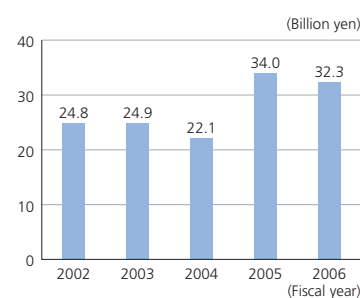
## Capital Expenditures



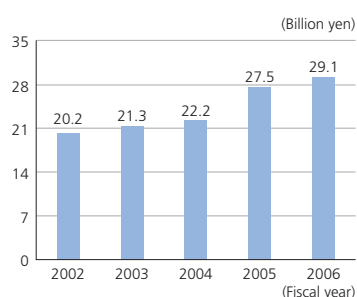
## Total Assets &amp; Return on Assets (ROA)



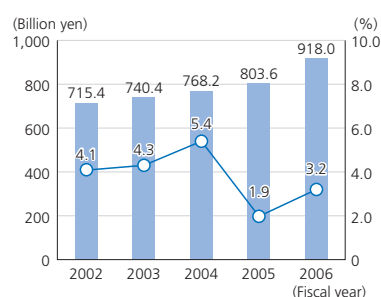
## Corporate, Residential &amp; Enterprise Taxes



## R&amp;D Expenses



## Net Assets &amp; Return on Equity (ROE)



# Special Report 1

## Information Security

There recently seems to be no end to accidents involving the leakage of personal information. Public concern over information security has been growing at an unprecedented pace, and the trend is expected to continue.

As entities that handle vast amounts of personal information on customers, printing companies must be more strictly accountable for their information management. This is why Toppan assigns great value to information security. The rigorous information management in Toppan is crucial for winning the trust of clients and society. Toppan also recognizes that it should take the initiative as the industry leader.



Left: Entrance gate secured by a personal authentication system and double door to restrict entry to authenticated persons only

Right: PC secured by an authentication with employee ID cards (IC cards) to restrict use to authenticated persons only

### Responsibility for Handling High-quality Information in Large Quantities

Households and companies benefit from a staggering array of information services via advanced IT networks in this age of digital information. Yet in many systems, just a single input error on a keyboard can leak information stored in PC servers through networks in bulk quantities. In other cases an intruder or insider can access and leak sensitive information with dire consequences.

Printing companies in the information communication industry manage and handle vast amounts of information from their various clients every day. Some of the information is highly confidential. Toppan, for example, handles millions of names and addresses to print out direct mailing materials for clients such as insurance companies and credit card issuers. In some cases the Company handles information on the most advanced technologies and the newest products produced by competing manufacturers at the same time. Advertising materials such as flyers may contain sensitive information on products and prices that must be never publicly disclosed before the materials are distributed. Toppan takes charge of the information from its clients under close relationships of mutual trust: No information is ever to be leaked.

### Engagement throughout the Company

Information security management resembles flood-control levee management. Just a small hole bored by an ant can reap serious damage. Every department and every employee has to take the required precautions and pay attention at all times.

Toppan has constructed its Company-wide information security structure under the above-mentioned concept. The Company's Personal Information Protection Policy (established in 1999), Rules on the Management of Personal Information (1999), and Rules on Information Security Management (2001) have put Toppan ahead of the rest of the industry. The proper handling and strict control of information are thoroughly reinforced through various measures from wide-ranging viewpoints.

Toppan shapes its efforts in information management by keeping track of the information-related accidents that occur outside of the Company. The Company has issued numerous in-house notifications to plainly comment on these accidents and to call attention to them as lessons for conduct. A popular file-sharing program called "Winnie" has posed a particularly strong risk in Japan, as it can instantly spread the information stored in a PC such as viruses via the Internet. When a string of Winnie-related incidents were reported in 2006, Toppan disseminated notifications on countermeasures against Winnie throughout the entire Company and gained assurance in writing from all of its departments that employees would shun Winnie both at work and at home.

## Information Security Management: Toppan's Mission as the Industry Leader

## ● Company-wide Engagement

### Management System

Back in March 2000, the Securities Printing Division took the initiative to acquire the Privacy Mark certification for the protection of personal rights. One by one across the Group, other divisions and Group companies acquired the same certification. In June 2002, TOPICA service from the E-business Division acquired the Information Security Management System (ISMS) certification, an official guarantee that TOPICA service had established a comprehensive risk management system to properly manage information and protect confidential matters on an organizational basis. Toppan Forms Co., Ltd., a Group company, also acquired ISMS certification in February 2003.

### Human Resources

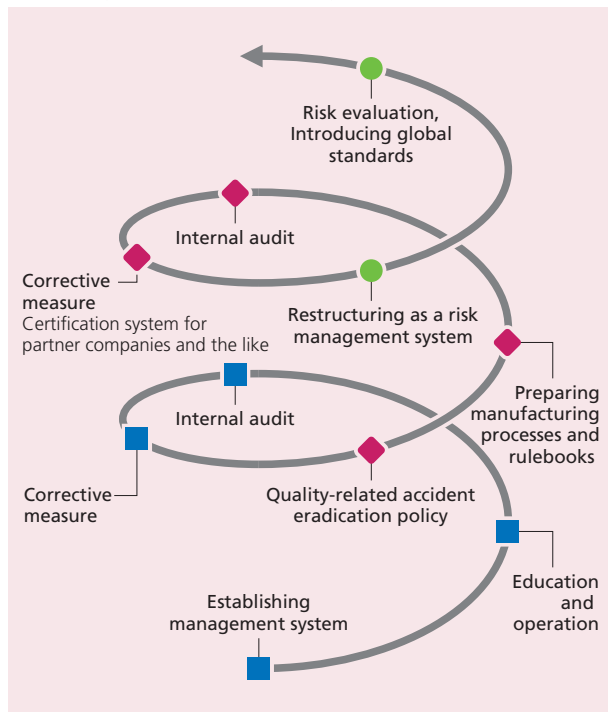
Toppan strives to strengthen information security management in order to uphold respect for human life and dignity. Through the approach of employee education, a crucial and fundamental activity for this purpose, the Company distributes *Information Security Management Guidebooks* and other materials to all of its employees, including its part-time and temporary staff, for the thorough improvement of awareness on this matter.

Toppan improves information management by asking employees and others to sign written pledges of confidentiality when necessary and by installing surveillance cameras where especially sensitive information is handled. The Company is creating a working environment in which frequent reporting, liaison, and counsel are encouraged.

### Facilities/Equipment

The Company strives to minimize the possibility of information leakage by strict control of entries and exits from rooms and buildings, access to networks and USB memories, and user authentication for PCs. It has also introduced a system to monitor the details of the jobs carried out by the employees authenticated for access.

## ● PDCA Cycle to Ensure Security



## Countermeasures against Personal Information Leakage: A Critical Issue

There is growing interest in personal information leakage as one of today's most pressing social problems. To address this critical issue, Toppan further strengthened its countermeasures to eliminate unauthorized data extraction in fiscal 2006.

More specifically, the President & CEO issued a notification to reconfirm the establishment of security at each workplace to all managerial staff. The Information Security Management Promotion Committee, meanwhile, issued a notification on the urgent need to improve personal information management to the information security managers. There was a call for the comprehensive implementation of top-priority improvement countermeasures against the unauthorized extraction of confidential information, and control was tightened.

The Company consecutively carried out the emergent survey of actual conditions regarding personal information management. The survey revealed the actual conditions of security at each operational site/plant for each top-priority improvement countermeasure (electronic storage media management, etc.). Ongoing corrective measures have been taken based on the survey results.

## Upgrading Information Security: ISO/IEC 27001

Toppan intends to adapt the security management measures established in the ISO/IEC 27001 Information Security Management System (ISMS), the global standard of information security. It aims to shift to stricter and more specific security management measures while promoting certification acquirement across the Company. ISO/IEC 27001 requires continuous maintenance and

improvement of PDCA to secure the confidentiality, integrity, and availability of information assets by identifying all risks and determining the required security levels for personal information and other forms of data.

Data on new products and data on devices and instruments in the Electronics Field, for example, require confidentiality to restrict access to authenticated persons only. Systems for creating advertising materials such as flyers must be integral, as the product and price data printed and the methods for handling those data must be accurate and intact. Plate-making data and back-up data must be kept available, as the persons who work with them will need rapid access. Toppan will renew its management structure to conform with ISO/IEC 27001 requirements such as the preparation of criteria for risk evaluation, the clarification of criteria for evaluating the effectiveness of measures taken, the reporting of operational conditions to senior management, the reviews specified by senior management, and so on.

## To be a Trustworthy Corporation

Toppan investigates and supervises operational sites throughout the Group in order to position the reinforced information security management structure as a common view and policy of the Group. On a broader scale, Toppan endeavors to improve security levels on an industry-wide basis and to strengthen the reliability of the information communication industry by providing the All Japan Federation of Printing Industry Associations with various sorts of expertise.

As before, Toppan works to completely eliminate personal information leakage accidents through the activities described above.

# Special Report 2

## Universal Design

Toppan established its original Six Principles on Universal Design in 2001. It has implemented “a set of activities to realize products, spaces, environments, service, and communication methods which are accessible and useful to as many people as possible.” Toppan strives not only to create easy-to-see and easy-to-use products as a printing company, but also to design information that can be easily understood by recipients as a mainstay of information and culture. Toppan will press forward with its endeavors in Universal Design (UD).



### ●Toppan’s Six Principles on Universal Design

Toppan has defined UD as “a set of activities to realize products, spaces, environments, service, and communication methods which are accessible and useful to as many people as possible.” Based on this definition, the Company has established a set of six UD principles.

Principle 1	Design products and services that are more responsive to people with different physical abilities and perceptions.
Principle 2	Facilitate communication using multiple channels for communication, including visual, aural, and tactile channels.
Principle 3	Make products easier to use by making them easier to understand.
Principle 4	Make products that are easier to move, easier to approach, and require less strength (remove the physical burdens).
Principle 5	Design products that are safe to use procedurally, functionally, structurally, materially, and environmentally.
Principle 6	Provide products at a reasonable price and in the amounts required by society.

## Toppan’s Ideal for Universal Design

Universal Design aims for “easy-to-understand” and “easy-to-use” for everyone, as a progenitor of the barrier-free concept to remove inconvenient obstacles from the lives of the disabled and elderly. The scope of UD is not limited to the creation of goods. It encompasses urban development and formats for offering information and service with optimal accessibility and utility to as many people as possible, regardless of age, gender, physical ability, etc.

Toppan, a company in the information communication industry, submits various proposals from the UD viewpoint for issues related to communication between companies and individuals in commercial printing, securities/card printing, publications printing, packaging, and industrial materials. The Company wishes to satisfy individual end users and direct client companies through its business activities.

This special section reports the UD initiatives undertaken by the Information and Communication Division and Packaging Division, and the UD issues considered when preparing this CSR report.

### ●Specific Items Considered

- Ease of identifying information (easy-to-see visuals, easy-to-read displays, etc.)
- Visceral understanding (with photos, figures, symbols, and the like)
- Clarity and understandability of the writing itself
- Brief and short expressions
- Little possibility of misunderstanding or error
- Ease of handling and using
- No dependency on the physical characteristics of the users
- Easy accessibility with less physical burden
- Diversity and substitutability of information media
- Reasonable (proper/adequate) price setting
- Ability to provide products in the amounts required by society
- Consideration of design aspects
- User satisfaction and feeling during use (amusement, joy, etc.)

# Universal Design: Deliverable to Everyone, and Easy for Everyone to Understand and Use

## Universal Design of Information To Improve the Sales Materials of Financial Products

### Information and Communication Division

Many people use financial products such as insurance, housing loans, and products for financial investment to stabilize and improve their lives. The details of those financial products, however, are complicated and difficult to explain to users. Many of the brochures and pamphlets are filled with baffling technical terms, disclaimers, and explanations on risk in tiny print, making them difficult to understand. This can be confusing and troublesome for customers. A new law on financial product transactions fully enacted on September 30, 2007 requires understandable documentation in various advertising materials for financial products. The terminology, presentations, etc. will have to be reviewed with great care. This poses a challenge for financial institutions: Though page space is limited, they have to communicate the advantages of their products and corporate brands while explaining product details in understandable ways with legible font sizes to protect the users of those financial products.

To resolve these problems, Toppan's Security Solution Center has started to provide the Creative Evaluation Service. This service assists Toppan's client companies to develop sales materials that fully publicize product advantages and corporate brands in understandable ways for everyone by embracing UD principles for information communication.

### Starting with Housing Loan Pamphlets

Housing loan pamphlets are generally difficult to understand for persons taking out their first loans. The language and information on interest rate plans and the terms of contract are complicated and abstruse. Financial institutions often have trouble in their efforts describe the details plainly when they prepare their materials. Toppan classified the critical points of housing loan pamphlets into three areas—"term/description," "design/layout," and "prevention of false recognition"—and extracted problems and solutions in each. Group interviews with housing loan customers were also held to explore their actual situations. Based on an analysis of those results, Toppan created a checklist for an ideal housing loan pamphlet with over 100 check items.



Pamphlets (in Japanese) prepared based on creative evaluation

Toppan prepared a test housing loan pamphlet based on this checklist. The test pamphlet won high praise in all of the nine areas (e.g., "easy to read," "amount of data," "intention to use") at a review session to compare it with actual pamphlets in use. About 50 monitors took part.

### In-house Materials Prepared from the Same Viewpoint

Toppan promotes the policy of communicating plainly and precisely in the in-house manuals of financial institutions. To protect the consumers of financial products, all of the employees working in the institutions that sell those products, including part-time and temporary staff, should properly understand and be able to perform all of the procedures of sales and clerical work.

To this end, Toppan started a service in 2005 to help financial institutions improve the visual understandability of their operation manuals by introducing plainer and more transparent expressions and illustrations. The service is available for the entire financial industry, and it has received acclaim from the institutions that have used it. Financial Institutions report that the improved visual understandability of their new manuals facilitates training and deepens the understanding of their employees. According to one customer, organized descriptions of the procedures employees should and should not perform have reduced clerical errors in their offices.

### From the Viewpoints of the Financial Institution and the Consumer

The needs for these services will increase as laws on user protection are revised, internal control is reinforced in financial institutions, and working structures change. Toppan intends to help establish better and closer relationships between financial institutions and their customers by upgrading and expanding its services.



#### Placing Importance on the Viewpoint of CSR Support

Communication Planning Department, Security Solution Center, Information and Communication Division

Toppan developed this service with the expectation that specific designs and description rules for understandability could be established for the financial product sales materials used by institutions that handle a great deal of information in common. The Company will continue to place importance on the viewpoints of user satisfaction and CSR support for client financial institutions in the future.

# Sensible and Thoughtful Design for Containers

## Packaging Division

Easy to hold, easy to use, easy-to-see visuals, and suitability for storage and disposal.... The main application for Universal Design throughout Toppan's businesses has been the creation of product packaging. This section reports the UD efforts of the Packaging Division to develop containers for food and everyday items.

### Since the Age of Barrier Free

Toppan started its efforts for UD in the beginning of 1990's, when the barrier-free concept was still mainstream. The Company tackled this endeavor with a conviction that developing containers with more satisfying and user-friendly properties would become a key in the packaging business.

Toppan collected opinions from its clients (manufacturers of food and everyday items), distributors (wholesalers and stores), and end users (consumers). By reviewing the usability of various product packages and establishing a database of criteria, the Company developed its original Universal Design Diagnostic System. The approximately 750 samples now registered in the database help Toppan make proposals to clients. The diagnostic system enables the Company to propose designs to resolve the various packaging challenges of client companies on two levels: with ideal shapes and structures, and with design features that can be easily seen and understood.

### The Products to Meet Social Expectations

Requests for evaluation and proposals have rapidly increased in the last few years. Several factors are adding momentum. First, society is looking harder at the environmental considerations and safety of products. Second, consumers demand usability and beauty, in addition to safety and environmental friendliness. Third, there are now more elderly consumers.

In response to these social advances, Toppan systematized its UD concept in fiscal 2006 by setting four main points for packaging functions and graphics, each taking into account the nine major factors for package planning and production, as well as

the entire product life cycle from purchase to disposal. Based on this systemization, A UD Consulting Service Menu and its model products, UD SELECTION, have now been developed. Toppan can thus provide comprehensive UD services promptly to its clients.

### Constant Progression with a Sensible and Thoughtful Mindset

Easy to open for right-handers and left-handers alike; easy to hold with big hands or small hands; drip-resistant when being poured.... Though seemingly simple in themselves, these UD requirements can be hard to reconcile with other requirements such as product strength and cost. But once a design is commercialized, consumers take it for granted and never think of it as UD.

Toppan will maintain a sensible and thoughtful mindset underlying all of its UD endeavors. It will also begin fostering its own UD Consultants to analyze packages based on UD criteria and submit UD proposals to clients. The Company will continue to make high added-value proposals at all times and create products based on UD considerations.

#### ●The Nine Requirements for Universal Design at Toppan

- Easy to identify the product
- Easy to pick-up and pull-out
- Convenient to store
- Easy to hold
- Easy to understand
- Easy to dispose
- Easy to open
- Useful functions
- Prevents injuries



Morinaga redesigned its "pino" package with help from Toppan. The size and location of the tab were changed to make the package easier to open, and the opening itself was enlarged to make it easier to pick up and remove the content (bite-size morsels of chocolate-coated ice cream).



#### Proposals Foregoing Consumers' Requests

Ms. Akina Tsuji  
Morinaga Milk Industry Co., Ltd.

Morinaga created "pino" as a product to be enjoyed by consumers of every age. By anticipating the requests and preferences of customers, we hope to make an even better and more satisfying "pino" as the years go by. We will continue to rely on Toppan's support as we redesign and renew our product packages in the future.

# Universal Design in this CSR Report

The Company reviewed the *CSR Report 2006* issued last year from the viewpoint of Universal Design. The review has identified improvements in the color scheme, search-and-guide function, and several other points.

## Color Scheme

The editorial team tried to create eye-friendly conventions and schemes for precise information distribution for readers with normal color perception and weaker color perception alike. The team used the Color Finder for Universal Design application reported in the last CSR report to carefully select the colors for use in *CSR Report 2007* and to identify the optimal color combinations. The revised draft was reviewed by a nonprofit organization, the Color Universal Design Organization (CUDO).

## Major Points Considered

- Use of the colors easily distinguishable even by persons with weaknesses in color perception, in figures, tables, graph, etc. that rely on color-coded information schemes to describe the differences in concepts and meanings.
- Using schemes with line and space for clarifying the separation, shape variation, and accompanied written information to precisely convey information without relying solely on color-coding.

## Other Improvements

The search-and-guide function was improved by enlarging the page titles and using titles and tabs. Information is easier to find and understand as a result.

## Layout and Typestyle

### Features of the CSR Report

- Wide-ranging content and intensive use of graphics (figures, photos, graphs, etc.)

A triple-column style is used to facilitate understandability on report pages with heavy graphics (figures, photos, graphs, etc.), and the graphics themselves are aligned in the columns. A double-column style, meanwhile, is used for other pages. The letters are printed in highly legible gothic fonts.



The *CSR Report* was reviewed from the UD viewpoint, especially the color scheme and designs.

Figure in this report

Simulation of how persons with weak color perception perceive the figure: Demonstrates how a change of colors can prevent false recognition of the intended meaning

Arrows in *CSR Report 2006*

The arrows are revised in this report (P.5) to prevent false recognition. Readers can distinguish the arrows by differences not only in color, but also in shapes and patterns.

Graph in *CSR Report 2006*

Graphs are revised in this report (P.6) to improve visibility. Spaces are placed between adjoining bars and white outlines are added for the numbers overlapping the colored bars.



## Promoting Color UD

**Mr. Koichi Iga**  
Nonprofit organization, Color Universal Design Organization (CUDO)

Not everyone can perceive differences in color in the same way. Reliance solely on color for classification and emphasis may lead to imperfect recognition among persons with weaknesses in color perception. Reviews of design and color usage with this in mind will make the materials easier for everyone to understand. We would like to promote this concept of color UD.





Stakeholder Dialogue

# Towards a Society where Universal Design is Common

## The Roles Expected of a Printing Company

What can Toppan do to create a society where universal design is common; a society where people from diverse backgrounds can enjoy fulfilling lifestyles?

Stakeholders experienced in evaluating universal design met with Toppan to offer views and suggestions on Toppan's efforts and what should be expected of the Company in the future.

**Sakamoto:** To begin, I would like each of you to describe your own conception of what universal design is all about.

**Nishida:** We provide elderly people with opportunities to enjoy art as a way to help alleviate their symptoms of dementia. People should realize that there are many unknowns. Even when all of our efforts are going well, we should remember that there are other options. We must always try to see things from the viewpoints of others while keeping our own limits in mind.

**Iga:** We work on chromatic universal design, a discipline with a rather short history. An estimated 3.2 million people in Japan have weaknesses in color perception. But the exact number is hard to know. Many people with weaknesses in color perception hesitate to admit it, so we can't recognize them. When we try to communicate something by highlighting it in color, we aren't getting through to these people—we fail in our communication without knowing it. But how can we know this? And how are we going to change the situation? These are important questions.

**Oyano:** Our organization conveys the voice of the consumer to companies. We evaluate not only the considerations that are built into a product or service from a company, but the extent to which the viewpoints of consumers are reflected in the process. When consumers choose products and services, they also consider the reliability of the company that produces them. This is how universal design directly improves the reliability of a company.



**Mr. Manabu Akaike**

Representative director and general manager, Universal Design Intelligence, Inc. Develops products and engages in community development based on universal design.



**Mr. Koichi Iga**

Technical advisor, nonprofit organization, Color Universal Design Organization. A consultant specialized in color schemes that can be easily seen and understood. Devises visual strategies to reduce the likelihood of misreading and errors for all people with different color perception.



**Ms. Yumiko Oyano**

Director of executive office, nonprofit organization, Universal Design of Citizen Network. Engages in collaborative work with various companies for spreading universal design from consumer viewpoints.



**Ms. Kiyoko Nishida**

Standing director, nonprofit organization, Japan Clinical Art Association. Executive director, Institute of Formative Art, Co., Ltd. Studies the information recognition capabilities of the elderly people based on clinical experience.



**Akaike:** Ms. Oyano has it right. It's crucial to be involved in the process of creating a product or service. When I create products with manufacturers, especially in local regions, I begin by building a system to enable persons with physical disabilities, NPOs, and children to participate in the design and development of a new product. Universal design takes place by combining participation and creation. There are great advantages to the process. First, a product is developed from the viewpoint of the consumer. Second, the people who participate in the design of products and services become the first users and promote the product at the same time.

## Universal Design to Openly Engage a Diversity of People

**Sakamoto:** For whom is universal design intended?

**Nishida:** People lump "the elderly" altogether in a single category. From a universal design standpoint, that category of elderly people is too broad. We would never group a baby and a 30-year-old together into a single category of person. But that's just what we do with the elderly, grouping people thirty years apart together. In universal design we divide the elderly into two groups: early elderly and late elderly. We run into various kinds of problems if we don't make this distinction.

**Iga:** You can summarize by saying that universal design helps people with weaknesses in color perception recognize things more easily. But the colors these people can distinguish vary from individual to individual. It's one thing to find the optimal colors for just one person. Finding colors that will be commonly recognized by many is a different thing altogether. The products being designed and the people who will use the products are important factors. However you approach it, there must be lots of flexibility.

**Oyano:** Toppan's direct customers are companies, so its relationship with consumers is less direct. But consumers should still be regarded as important stakeholders. When thinking about universal design, Toppan should keep in touch with consumers to discuss their experiences as end users. More user engagement will lead to more user participation and involvement in the development of products and services.

**Hiomura:** Toppan recognizes consumers as important stakeholders. Though opportunities for direct contact with consumers are limited, the Company works with corporate customers from many industries and fields of operation. These people help Toppan keep abreast of consumer trends and preferences. The practice of interfacing with end users is one of Toppan's strengths. The Company can use the information it gleans from consumers to improve universal designs for all of the people in the world who use Toppan products. This is the true meaning of our work on universal design.



**Mr. Fumitake Sakamoto**  
Facilitator  
Senior Consultant, Witan Associates Limited. Plans and drafts proposals on corporate social responsibility. Offers management assistance for NPOs.



**Mr. Shingo Kaneko**  
Managing Director, head of the Corporate Planning Division, in charge of the Legal Affairs Division. Promotes CSR as the Director in charge of CSR.



**Mr. Shungo Hiomura**  
Director, head of the Information and Publicity Division. In charge of general corporate public relations at Toppan.

**Venue and Date of the Dialogue**  
Toppan Koishikawa Building,  
from 14:30 to 17:00  
on July 3 (Tue.), 2007

### Mining Universal Design Hints by Focusing on Individuals

**Sakamoto:** Changes in society and technological advancement may compel us to think about universal design from new viewpoints. What do you think Toppan should focus on as it considers universal design for the future?

**Nishida:** I think the elderly will become a great source of consumption in the future. In an ageing society with a low birthrate, positive lifestyles for the elderly will activate the social climate. People who have retired from their companies are living with great ideas in their minds. Some retired employees from Toppan can propose great ideas for universal design. You might make unexpected discoveries by including those seniors in your reviews of management resources.

**Iga:** Companies are now releasing interesting technologies. One software application simulates how people with impaired color vision actually see, to help those of us who see normally understand. Another application displays the name of a color when the color is touched on screen. As theories on color perception improve in the future, more tools to assist people with weaknesses in color perception are likely to be released. The incidence of cataracts, meanwhile, is also expected to rapidly increase in the elderly. People with cataracts will have to be considered as well.

**Akaike:** Various researches are underway. There are many tools that enable normal people to experience various disabili-



ities. One technology allows a normal person to experience the vision of a person with weaknesses in color perception. It will be very important to use these advanced technologies to monitor and evaluate the products and services you develop. The pursuit of universal design for special types of people can sometimes lead to outstanding designs for general people. R&D on designs for children has enhanced safety for children, for example, while also revealing challenges and discrepancies in creating products and social systems. By the same token, the participation of people with various disabilities or diseases in the process of product creation can sometimes reap seeds for products ideal for broad categories of people. Toppan can find values that people with physical disabilities cherish and help such people in positive ways through various business operations.

**Sakamoto:** Where will universal design go globally? How does universal design in Japan compare to universal design in other countries?

**Oyano:** Universal design in Japan is evolving quite differently from universal design in other countries. Japanese companies are spearheading the designs for consumers as beneficiaries. The NGOs, NPOs, and citizens are more active in Europe. If a company takes a stance contrary to the consumer's viewpoint in Europe, a citizen or citizen's organization will point it out.

**Akaike:** In some European countries, it's the norm to assist a disabled person getting on or off a bus or subway car. We should do the same in Japan. In addition to developing products, Japanese companies should cultivate a cordial and helpful spirit as they promote communication and services through their business operations.

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## What Does the Future Hold for Universal Design?

**Sakamoto:** We've heard your views on the diversity of stakeholders, technology use, and balance between products and service. Where will universal design go in the future? How should Toppan prepare and participate?

**Akaike:** When consumers "create together," they build systems for creating goods for their own use. Some describe this as customizing\*<sup>1</sup> or personalizing\*<sup>2</sup>. So far we have been designing one basic model and using it to develop products for the elderly, the physically challenged, and children. The various businesses of Toppan in the future will provide products and services more closely tailored to individuals. The universal design circle hasn't discussed this issue yet. I take this as a very important next step for universal design.

**Hiromura:** Work to personalize or customize a product costs money and imposes environmental burdens. We need to find a way to have stakeholders understand these issues.

**Akaike:** When users who take part in product creation become consumers, they are more likely to pay premium prices for the products they help to create. If you're concerned about environmental burdens when you customize products, you should draw up a participation program that touches upon environmental issues as well. Users involved in the development of a product will form an attachment to the product. A participation program for universal design can be quite helpful for Toppan.



**Oyano:** Universal design principles, applied in their ultimate form, will result in single-function products capable of being customized to provide add-on or alternate functions as options for different individuals. Universal design should allow for broader choices as well.

**Akaike:** That's true. The core function is simple, but various options can be chosen. That's basic.

**Iga:** Information in general media can be personalized, and some types don't require many colors. By reorganizing information you can make it easy to see not just for people with weaknesses in color perception, but for everyone. You can develop outstanding products simply by re-creating existing ones from scratch.

**Nishida:** Elderly people don't want to use things stereotypically intended for elderly people. They want simple things that they can think of as their own and use for a long time.

**Kaneko:** It certainly can be difficult to deal with people one-on-one. But we can create a common basis for as many people as possible and offer broad choices as an option. When a product serves inadequately under some condition, you can develop a service to compensate. The value gained here is the opposite of the value gained by mass manufacturing identical items quickly at low cost. We need to enhance this service as our technique and expertise. We must know what consumers think about and what they want. With that knowledge, we can make ideal proposals to please our customers and win the recognition of society.

\*1 Modifying a product or service designed by manufacturers to one's preference  
\*2 Adapting a product or service designed by manufacturers for one's self



**Akaike:** Toppan has basic resources for developing products with social value, or what we call “socialware\*<sup>3</sup>.” In my talks with Toppan’s development people, I was often impressed by the socially useful technologies they described. Toppan’s medical chips are a good example. I wonder if the results of their research can somehow be applied in universal design. An inventory of techniques may result in seeds for new businesses. With the right efforts, Toppan can turn these seeds into merchandise for fulfilling its CSR.

### The Importance of a Consumer Mindset for All Employees

**Sakamoto:** When undertaken only by some of the employees, true universal design can’t be realized. Every employee must handle individual tasks in the overall process of business to realize UD. Toppan seems to be working in a Company-wide structure. What can be added to this stance?

**Akaike:** How about establishing programs to send employees out to communities outside their core territories? A program for Bunkyo Ward in Tokyo, the home ward for the Toppan Koishikawa Building, would be ideal. Programs of this type would encourage employees to develop value for the good of the public and spread that value into the community. It would be a good idea to support employee activities like this.

**Oyano:** When a company engages in universal design, the people in the field should think like ordinary users. All of the departments should connect in a cross-sectoral manner and work from the user’s standpoint. I was once involved in every

stage of product development for a company, from collecting information on consumer needs to planning, designing, prototyping, monitoring, and evaluation. The staff in the field saw the monitoring and evaluation with diverse people for themselves. The experience greatly changed their mindset. Your own mindset won’t change until you hear the voice of the consumer.

**Iga:** Companies must use colors in many situations. When a review of the use of color is proposed for products or in-house presentation materials, a person with weaknesses in color perception has an opportunity to confess his or her weakness. Just one such person in the project can change the mindset of the entire team. Members will immediately understand the need to consider color into account in the development. A development team must think about universal design from the very initial phase. Making a final check after the completion of a product is often too late. Early thinking about universal design facilitates the development of a product or service at low cost.

**Nishida:** As Ms. Oyano said, employees must realize their identities as consumers as well as corporate workers. An in-house training program to help participants realize their sensibilities and identities will give them balanced outlooks as corporate workers and ordinary people. This, in turn, will improve their performance at work. Toppan seems to send out enormous amounts of information. If Toppan takes steps to continually enhance the sensibilities of its employees as consumers, it will become a dynamic source of information intelligence within industry and society.



\*3 Technologies, products, and services to assist the activities taking place in various communities

**Akaike:** I'd like to see Toppan to develop socialware with corporate customers, especially socialware that appeals to the sensibilities and memories of ordinary people. Every product should have good content with a compelling story behind it, not to mention an attractive external design. Customers should feel a heartening warmth when they hold a product and a growing affinity with the product as they use it. When Toppan's printing and communication techniques fully harmonize with a product like this, a complete package will be created as an interesting model for universal design.

**Sakamoto:** Thank you for presenting your various views. All of you have encouraged changes in viewpoints. By compiling inventories of current technologies and techniques, the Company can see if and how its technologies and techniques can be diverted. The Company must realize that its information is limited and look at things from standpoints of consumers and ordinary people. The Company also should ask consumers to participate in product development from early stages. This itself becomes communication for universal

design. You have also stressed the importance of encouraging a consumer mindset among all employees within the Company. This stakeholder dialogue has provided various clues for universal design. We expect much of Toppan's future efforts.



### Responding to Stakeholder Dialogue

This was a valuable opportunity to exchange views with stakeholders on Toppan's efforts in universal design. Toppan has researched printing and communication techniques for more than 100 years. The Company is now convinced that it can use its techniques even more for the benefit of society. All of Toppan employees have plenty of ideas for universal design, both as consumers and as

experts in their professions. We all will be engaging more with society and consumers, and we all will strive to change our conventional viewpoints. We would like to create new businesses for society in the future.

Shingo Kaneko  
Managing Director

## Topic 01

### Cartocan Received “eco products award”

Toppan developed and promoted Cartocan in collaboration with the Morikami (Forest and Paper) Conference, a cross-industrial meeting to promote the usage of environmentally-friendly paper-based containers for beverages. The Minister of Agriculture, Forestry and Fisheries awarded Cartocan in the eco products category of the third eco products awards.

Cartocan is a paper-based container for beverages, developed by Toppan as an environmentally-friendly product in 1996. More than 30 percent of the paper composing Cartocan is from domestic lumber, including lumber harvested from forest-thinning operations. The use of Cartocan helps to curb global warming by promoting the optimal foresting cycle, from planting and nurturing to harvest and optimal use.



About 140 products of some 40 manufacturers have already introduced Cartocan. Toppan donates some of the proceeds from Cartocan sales to the Green Fund, a program that funds volunteer organizations involved in forest maintenance throughout the country.

Cartocan was conferred the eco products award in recognition of its excellence as a cyclical product for foresting. Whenever consumers purchase a beverage in a Cartocan, they participate in foresting indirectly and are reminded of the global eco-system.



## Topic 02

### User-friendly Ecotainer Wins the KINOSHITA PRIZE

The User-friendly Ecotainer® developed by Toppan received the 31st KINOSHITA PRIZE in the Section of Packaging Improvement & Rationalization in 2007. The Japan Packaging Institute confers the KINOSHITA PRIZE each year to products that have contributed notably to the research and development of packaging technologies and the streamlining, improvement, and enhancement of packaging.

Toppan has been producing the Ecotainer® as a container for cooking oils and liquid detergents since 1991. Ecotainer is a composite container made from an outer case of recycled paper, a plastic film lining with a gas barrier property, and an easy-to-pour spout. Two environmental advantages have earned Ecotainer the Eco Mark certification: easy fractionation for disposal and a 65% reduction in resin consumption compared to existing plastic bottles for cooking oils.

Toppan has applied its expertise in Universal Design consulting to develop the User-friendly Ecotainer, an advanced Ecotainer that is easier to hold and to pour. The container design also enhances suitability for recycling through the use of Ecogloss®, an environmentally-friendly printing process technology with excellent de-ink properties. These improvements in the User-friendly Ecotainer attracted the attention of the KINOSHITA PRIZE panel.



User-friendly Ecotainer designed for ease of use from various viewpoints, with an anti-slip surface on the outer case, rear sides fashioned in an hour-glass shape, and big-letter displays

Highlights 2006–2007

# CSR Activity Topics

Topic **03**

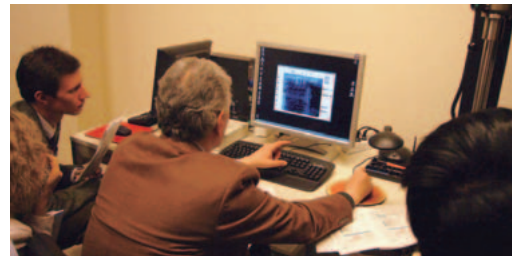
## Cicero Project: A Quest for Lost Knowledge

Toppan has been working with the Bibloteca Apostolica Vaticana (Vatican Library) in the Cicero Project to revive important documents from ancient and medieval Europe.

The Cicero Project was commenced in the spring of 2004 as an international effort to decipher about 200 palimpsests kept in the Vatican Library archives. A palimpsest is a parchment manuscript (apograph). Before the advent of durable solid paper, the ancient and medieval Europeans wrote on specially treated parchments made from the hides of sheep and cattle. Because of the great expense of parchments, the scribes would often rub out older text on the parchments when they had something new to write. Some of the documents rubbed out over the centuries are likely to contain important paleography.

Toppan developed a special scanner to read faint traces of the words rubbed off from the parchments, together with an analysis application capable of estimating the ages of the rubbed out words based on slight color differences in the faint inks and displaying them in different colors corresponding to their estimated ages. The first scanner was shipped from Japan to the Vatican in April 2005. A second scanner presented in fiscal 2006 has greatly improved the efficiency of research.

As one outcome, the project team discovered the work of a 10th century historian hidden on a parchment beneath a newer text from the 12th century. A Vatican researcher announced the discovery at an international conference.



(Top) Cardinal Jean-Louis Tauran, former Archivist and Head Librarian of the Holy Roman Church (left—now President of the Pontifical Council for Interreligious Dialogue) and President & CEO Naoki Adachi (right)

(Middle) Researchers of the Vatican Library engrossed in their analytical work

(Bottom) The image after the analysis: the colors of the displayed words correspond to the estimated dates when they were written.

Topic **04**

## Enhancing and Expanding Measures to Foster the Next Generation: Rehiring Employees who Leave the Company to Raise Children

On January 1, 2007, Toppan introduced a system for rehiring employees who resign from the Company to deliver and raise children. This system was developed in response to requests from employees whose needs could not be met by the existing systems for maternity leave and reduced working hours. Some employees want to concentrate on childcare while their children are very young; others have to resign after childbirth for various reasons but wish to return

to their jobs later. Toppan therefore gives employees who resign a chance to return to work before their children enter primary school. The system has advantages for both the resigned employees and the Company: the resigned employees can concentrate on childcare with peace of mind and the Company can secure human resources well acquainted with the work done at Toppan (→P.57).

## Topic 05

# Detecting Hexavalent Chromium at the Itabashi Plant of Toppan Printing Co., Ltd.

Since detecting soil and groundwater pollution at the former Fukuoka Plant I in October 2005, Toppan Printing Co., Ltd. has voluntarily inspected soil and groundwater at its operational sites.

In May 2007, Toppan inspected six investigation wells on the premises of the Itabashi Plant (Itabashi Ward, Tokyo) to test for the presence of various hazardous chemical substances the plant had used, including hexavalent chromium and lead. As a result, 0.13 mg/L of hexavalent chromium, a level in excess of the environmental standard of 0.05 mg/L, was detected in one well in the northwest at the plant. Upon the detection, the Company reported the result to neighboring residents and the local authority (Itabashi ward government). Toppan and the Itabashi ward government both released this information to the press on June 28, 2007. The Company has been investigating within the premises since June 19 to determine the cause of the pollution.

The local authority has concluded that this case calls for a voluntary investigation and countermeasures, as opposed to administration guidance with regulatory enforcement. Recognizing the importance of the matter to fulfill its corporate social responsibility, Toppan is to determine the source of the pollution with the counsel of the local authority. Toppan intends to purify the pumped underground water in the areas where heavy contaminations were

detected and to install underground water shielding walls on the borders of the premises to prevent any form of outflow. It will take these measures even if the source of the contamination in this case is found to be outside the premises.

Toppan will report the results of its current investigation on the source of the contamination in the *CSR Report 2008*.



Boring check



On-site inspection and confirmation by the local authority



# CSR Management

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# Basic Approach to CSR

Toppan has been contributing to the development of society with a focus on printing since the Company's foundation in 1900. Toppan devotes itself to comprehensive CSR activities based on *TOPPAN VISION 21*, the Group vision for the 21st century.

## Towards Sustainable Development

When Toppan was founded in 1900, Japan was steadily building up its modern industries in the aftermath of the Meiji Restoration.

The printing industry was contributing to society in three important areas: 1) the printing of banknotes, bonds, and securities, important instruments for the establishment of modern capitalism; 2) the publication of newspapers, the medium for public discussion on the progress of civilization; and 3) the publication of translations, novels, and magazines to enlighten the public and encourage the establishment of a modern state.

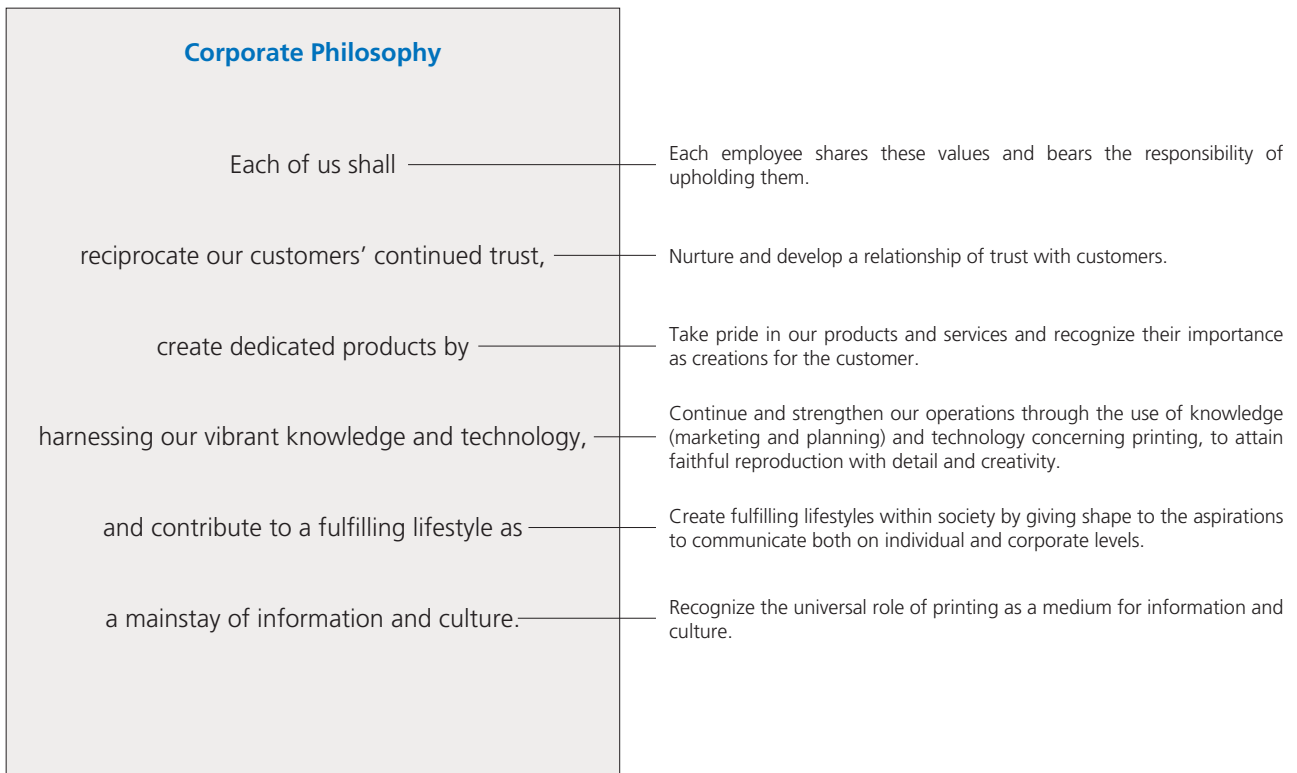
Toppan began in the last century as a provider of printing services to support the establishment of modern Japan.

Today it has grown into a multifaceted enterprise with myriad businesses such as IT and electronics, centered around core printing technologies. Toppan supports the development of information culture and the creation of fulfilling lifestyles in many ways.

Toppan has steadily progressed amid the drastic changes that have taken place worldwide in the more than 100 years since its founding. These changes continue to pose threats to the earth and humankind in the 21st century. The world must contend with poverty, abuses of human rights, environmental destruction, and health problems. In Japan, meanwhile, birthrates are declining and the population is ageing.

Toppan believes it has a responsibility to help solve these kinds of problems by contributing "to a fulfilling lifestyle as a

mainstay of information and culture" through its business operation in cooperation with all of its stakeholders. The Company contributes as an essential corporate citizen with an active commitment to realizing sustainable development for itself and society.



Established in June 2000

**Toppan's Social Responsibility: Realizing an Ideal Corporate Structure**

TOPPAN VISION 21 expresses the basic concept and directionality of the activities undertaken by Toppan to steadily grow in harmony with society and the global environment.

TOPPAN VISION 21 consists of the Corporate Structure and Business Fields. The Corporate Structure, meanwhile, is made up of three elements: Toppan's Corporate Philosophy, the Corporate Creed, and the Conduct Guidelines. These elements specify a complete set of values, standards, and guidelines for the business operations of the Toppan Group. Toppan will fulfill its social responsibilities by realizing this Corporate Structure.

**Corporate Philosophy**

The Corporate Philosophy is the top-level concept that underpins Toppan's corporate activities and defines its most important values and thoughts.

**Corporate Creed and Conduct Guidelines**

The Corporate Creed expresses the standards that Toppan applies to its activities.

Built on the Corporate Philosophy and Corporate Creed, the Conduct Guidelines express the behavioral norms based on every employee's compliance with laws, regulations, and corporate ethics.

Under no circumstances will any member of the Toppan Group engage in a business operation that infringes the rules of society or poses any risk of environmental or social harm. The Group also understands that any failure to maintain

its high standards for business may make it difficult to guarantee profitable returns and benefits for society.

The Conduct Guidelines specify items that every employee in the Toppan Group should closely observe. The Toppan Group believes that these Conduct Guidelines must be kept open to review in order to rationally adapt to changes in corporate and social environments. In April 2006, Toppan revised its Conduct Guidelines for the second time to incorporate priority management themes and to rephrase the text using more subjective expressions.

**Corporate Creed**

To build our customers' trust through sincerity, enthusiasm, and creativity in all our corporate endeavors.

To strive for total innovation from a global perspective by conducting marketing and technological development rich in originality.

To conduct fair and open business operations while acknowledging our social responsibilities and aspiring for harmony with our global environment.

To create a positive working environment by maximizing our individual talents and strengths as a team.

To enhance our corporate standing and promote the continual development of the Toppan Group through the exploration of new possibilities.

Established in June 2000

**Conduct Guidelines**

Chapter 1: Basic Principles

1. Respecting basic human rights
2. Maintaining public order and standards of decency
3. Complying with laws and ethics
4. Conducting fair business operations
5. Striving to improve quality
6. Appropriate management and disclosure of information
7. Environmental and safety considerations

Chapter 2: Specific Conduct Guidelines

- Section 1: Building customer trust
- Section 2: Reforming operations
- Section 3: Fulfilling corporate responsibilities
- Section 4: Creating a positive work environment
- Section 5: Developing the Toppan Group

Established in June 2000; revised in April 2006  
For more detailed information on the Conduct Guidelines, please see P.85.

### Toppan's Relationships with Stakeholders

Toppan can only succeed in its businesses and stay viable as a corporation through strong ties with various stakeholders. The Company has defined five categories of stakeholders vital for its business activities: customers, business partners, communities, employees, and shareholders/investors. Toppan tries to build closer relationships of trust with its stakeholders in these categories by actively disclosing information and engaging stakeholders in dialogue.

The companies that Toppan deals with are by no means the only customers that Toppan serves. End users are also cus-

tomers. By listening to the ideas of customers and employees, Toppan can study the potential of those ideas and work to realize them one by one. Through this approach, Toppan finds new ways to surprise and delight society.

#### Communication with Stakeholders

Dialogues with stakeholders are a very effective way to regularly grasp social needs. Toppan promotes and upgrades its CSR activities by incorporating dialogues with stakeholders into the PDCA cycle of its CSR activities.

Toppan held special dialogue sessions with key stakeholder representatives in 2004 and 2006, in addition to the regular dialogues held in the course of busi-

ness. The stakeholders who took part in the 2006 dialogue session expressed opinions on ideal directions and targets for Toppan's CSR activities in the future. Starting from 2005, Toppan has also been inviting an external expert into in-house meetings to hear CSR promotion members review the Company's annual CSR activities. This expert continues to offer guidance on Toppan's activity reviews, and advice on setting new tasks.

### Toppan's Relationships with Stakeholders and Tools for Communication

●For All Stakeholders

- ◎Corporate Guide
- ◎CSR Report
- Various guides for individual divisions
- Financial statements
- Quarterly business reports
- Website, etc.

(◎: Tools for communication)

●For Customers

Toppan's customers are not just the companies with which Toppan does business. Just about every person in society is a Toppan customer, in some way or another. The Company strives to merit the trust of its customers with sincerity, enthusiasm, and creativity at all times by satisfying customer requirements through Total Quality Assurance throughout the entire product life cycle, from planning and manufacturing to use and disposal.

- ◎Various reports on business operations
- ◎Various reports on products and services
- ◎Various newsletters, etc.

●For Shareholders and Investors

Toppan strives to improve its corporate value through sustainable business development on the basis of stable dividends. The Company makes itself fully accountable by promptly and appropriately disclosing corporate information to ensure that shareholders and investors completely and accurately understand the Company's business activities.

- ◎Shareholder newsletter *Toppan Story*
- ◎Business reports
- ◎Annual Report
- ◎Corporate governance reports, etc.

●For Business Partners

Another crucial element in strong customer trust is a steady relationship of trust and cooperation with the business partners who provide the raw materials, the people in plants who manufacture products in tie-ups with Toppan, and the other companies with which Toppan works. Toppan does business on an equal footing with its partner companies in a fair and open manner as a matter of course. The Company strives to fulfill the social responsibilities that customers and society expect it to fulfill by promoting CSR procurement in cooperation with business partners.

- ◎CSR Procurement Guidelines on the Toppan website, etc.

●For Employees (including part-time workers and temporary staff)

Toppan strives to provide comfortable workplaces where various employees can work to their full potential—workplaces where the dignity and lives of all employees are respected. The Company offers meaningful work that fulfills employees themselves and tangibly contributes to the goals of the corporation.

- ◎In-house newsletter *CONVEX*
- ◎Overseas in-house newsletter *Interlink*
- ◎Pamphlets on welfare benefits, etc.

●For Communities

The business conducted by Toppan affects local communities and the global environment in many ways. Toppan strives to win the trust of communities by conserving the environment and contributing to society as a mainstay of information and culture.

- ◎Plant guides
- ◎Site Report
- ◎Annual report *Printing Museum*, etc.



**Specific Concept of CSR Activities**

The purpose of Toppan's CSR activities is to realize sustainable development of society and the Company. To achieve this, Toppan must be a trustworthy and respected corporation for stakeholders of all types, including society and consumers. Only companies with this policy can expect to succeed in resolving social issues and needs by creating added-value businesses through operations over the years.

Toppan has therefore set out priority themes for its activities by combining its policy towards the balanced development of the economy, society, and the environment with a conviction that a realization of an optimally organized Corporate Structure will help the Company fulfill its

social responsibilities. Toppan pledged its support for the United Nations Global Compact as an active participant in 2006. By disseminating the basic tenets of the Global Compact across the Company, Toppan promotes CSR activities in consideration of the roles it is to play as a member of international society.

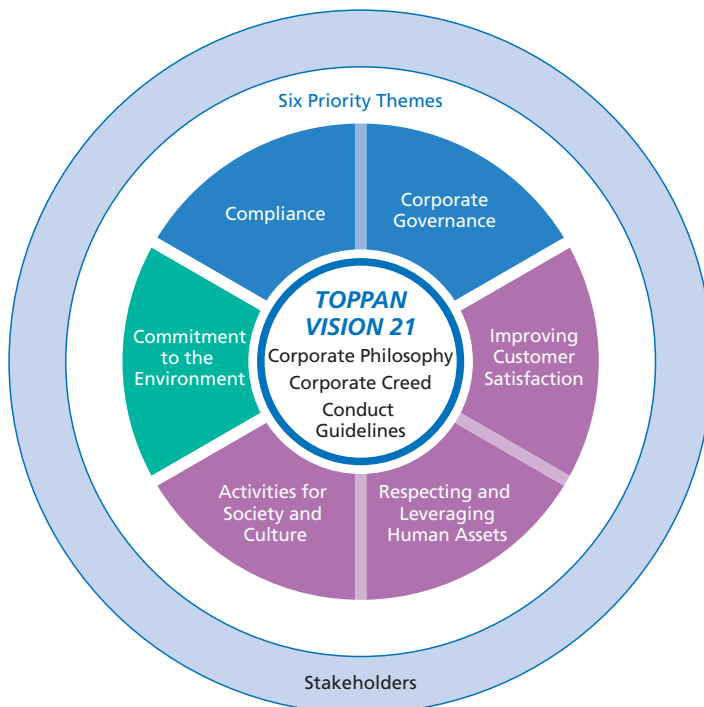
**Six Priority Themes**

To proceed with more effective and involved CSR activities for the fulfillment of its social responsibilities, Toppan has set out six priority themes of focus. The Company sets action points and goals for each priority theme, and reviews them yearly by assessing the levels of achievement. The review of the six priority themes in fiscal 2007 will reflect the opinions from stakeholders.

**CSR Promotion Structure**

To promote CSR on a wider scale, the President & CEO and the Director in charge of CSR are leading a move to develop activities through collaboration with the relevant management divisions of the head office and the Compliance Department of the Legal Affairs Division, the department undertaking administrative operation. These parties regularly convene a CSR promotion meeting to assess the progress of each action point and discuss ways to resolve related problems and challenges.

Six Priority Themes Based on the Corporate Structure and Stakeholders



Toppan's CSR Promotion Structure



**United Nations Global Compact**

The United Nations Global Compact comprises 10 principles in the four areas of human rights, labour standards, environment, and anti-corruption. Toppan supports and implements the 10 principles as a socially responsible corporation.

# Results for Fiscal 2006 and Future Issues and Targets

Toppan carries out various CSR activities based on the action points established for each of the six priority themes and reviews them annually. The next two pages summarize the main activities and achievements in fiscal 2006, and the issues and targets for fiscal 2007 and beyond.

## Results for Fiscal 2006 and Future Issues and Targets

Priority Themes	Action Points in Fiscal 2006	Main Activities and Achievements in Fiscal 2006	Overall evaluation
Corporate Governance	Strengthening audit and control functions	<ul style="list-style-type: none"> <li>Established 9 common issues on a Group-wide basis in comprehensive audits for divisions and subsidiaries; conducted comprehensive audits of 17 departments</li> <li>Created audit manuals and built a database for auditing results</li> </ul>	A
		<ul style="list-style-type: none"> <li>Decided to review and revise the in-house rules and regulations governed by the head office on a regular basis (twice a year); reviewed and organized the in-house rules and regulations in pilot divisions in order to introduce a system for their management</li> </ul>	B
	Improve risk management system	<ul style="list-style-type: none"> <li>Established the Rules on Risk Management, re-examined risks using a risk assessment sheet, and assessed risks in the head office, all divisions, and domestic subsidiaries</li> </ul>	A
		<ul style="list-style-type: none"> <li>Conducted employee training and evacuation drills to help the persons in charge of risk management assess the need for evacuation and so on</li> <li>Rehearsed emergency guidance by informing employees of the routes by which to return to their homes during emergencies and the items to take with them</li> </ul>	B
Compliance	Compliance promotion activities	<ul style="list-style-type: none"> <li>Held 32 briefing sessions across Japan to deepen the understanding of employees on the revised Conduct Guidelines and the types of revisions made</li> <li>Had 30 of the manufacturing subsidiaries and major domestic affiliated companies establish their own Conduct Guidelines and internal reporting systems</li> <li>Elected 393 new Leaders (up by 91% year on year) through the re-election of the Conduct Guidelines Promotion Leaders; 11 of the newly elected Leaders were female (the ratio of female Leaders was 2.2%)</li> </ul>	A
	Information risk management	<ul style="list-style-type: none"> <li>Revised the <i>Information Security Management Guidebook</i> to incorporate guidance on personal information protection, distributed the guidebooks across the Company (including the production subsidiaries), and held briefing sessions on the content</li> <li>Conducted internal audits in the Group, including the production subsidiaries (41 out of 52 companies)</li> <li>Conducted internal audits in all the divisions except 1 (the 1 exempted division underwent a divisional integration)</li> </ul>	A
	CSR promotion in the supply chain	<ul style="list-style-type: none"> <li>Revised the Basic Procurement Policy, prepared to formulate the CSR Procurement Standards by conducting interview discussions with business partners, went on to prepare the standards, and conducted in-house training</li> <li>Continued to examine the installation of hotlines for business partners by clarifying the requirements for operating the hotline system</li> </ul>	B
Improving Customer Satisfaction	Reinforcing Total Quality Assurance	<ul style="list-style-type: none"> <li>Had 4 experienced in-house consultants familiar with Company-specific technologies offer guidance and training for quality improvement in 20 plants</li> <li>Conducted quality assurance audits for food operations at 37 operational sites and for manufacturing processes in the Securities Printing Division and other departments</li> </ul>	A
	Technological development aimed at value creation	<ul style="list-style-type: none"> <li>Commenced full-scale production and supply of key components for electronic ink displays, including electronic books</li> <li>Conducted tests for pilot SNP chips at medical institutions and endeavored to develop the chips for commercial use</li> </ul>	A
	Products and services developed with society in mind	<ul style="list-style-type: none"> <li>Organized Design for You Exhibition (Toppan's exhibition and seminar) and participated in the 2nd International Conference for Universal Design</li> <li>Developed and announced the Universal Design Solutions Service for product packaging and brochures and booklets for the sale of financial products</li> </ul>	A
Respecting and Leveraging Human Assets	Merit-based personnel policies	<ul style="list-style-type: none"> <li>Revised the system for treating managerial staff, conducted dissemination activities to heighten employee awareness of the system, and began applying the system in April 2007</li> </ul>	A
	Fostering and developing human assets	<ul style="list-style-type: none"> <li>Held 4 Human Resources Development Leader Meetings to discuss human resource development and strengthen the synergy of Company-wide training and specialized training in the divisions and departments</li> <li>Conducted educational seminars on the promotion of CSR activities in rank-based training (a cumulative total of 1,795 employees participated)</li> <li>Offered 78 internships and held events such as the TOPPAN CAFÉ (a job hunting and career conference) to help job applicants more thoroughly understand the work done at Toppan (246 applicants attended 9 TOPPAN CAFÉ sessions)</li> </ul>	A
	Leveraging diverse human assets	<ul style="list-style-type: none"> <li>Took advantage of the managerial skills of female employees by appointing more women to managerial and supervisory positions through positive action* (achieved a 2.6% ratio of females in these positions, surpassing the targeted 2.5% as of April 2007)</li> <li>Made the most of the skills of experienced employees through the continuous employment system for post-retirement employees (63 retired employees were reemployed)</li> </ul>	A
	Realizing a safe and secure working environment	<ul style="list-style-type: none"> <li>Reduced working hours by strengthening organizational management and provided health guidance for employees who work long hours</li> <li>Organized Company-wide activities to enhance mental health (e.g., introduced mental health curriculum in managerial staff training and rank-based training)</li> <li>Enhanced measures to support the development of the next generation by initiating a labor and management project (e.g., introduced a rehiring system for employees who resign from the Company to deliver and bring up children, and extended the period during which employees who take care of young children can work a shortened workday)</li> </ul>	A
Activities for Society and Culture	Cultural contributions	<ul style="list-style-type: none"> <li>Promoted <i>Kan-kan Gaku-gaku</i> Museum (frank and lively debate on museums), a cooperative project with other corporate museums in Japan</li> <li>Cooperated in setting up Bunkyo Muse-net, a network of museums in Bunkyo Ward, Tokyo</li> <li>Held 2 temporary exhibitions: <i>Stanhope and The Industrial Revolution and War and Image</i></li> <li>Held numerous exhibitions at the P&amp;P Gallery, including the <i>GRAPHIC TRIAL</i> and <i>Exhibition of "Introductory" Business Cards</i></li> <li>Held 32 Toppan Hall concerts (8 of which were held to foster talented youth—6 were <i>Lunchtime Concerts</i> and 2 were <i>Espoirs</i>)</li> <li>Lent out Toppan Hall to a nearby music college and local elementary schools, and participated in the Mejiro Ba-Rock Music Festival</li> </ul>	A
	Activities for contributing to local communities	<ul style="list-style-type: none"> <li>Organized cleanup activities, blood donation campaigns, plant tours, open-houses, events, and so on at operational sites around the world</li> </ul>	A
	Tree-planting activities	<ul style="list-style-type: none"> <li>Continued to support and participate in tree-planting programs</li> </ul>	A
Commitment to the Environment	Commitment to the environment	The targets and results of Toppan's environmental commitment are shown on P.62–63	

Valuation standard: S, Results achieved far surpass targets; A, Targets achieved; B, Activities fully carried out, but targets unachieved; C, Activities insufficient

Action Points in Fiscal 2007	Main Issues and Targets for Fiscal 2007 and Beyond	For Details
Establishing an internal control system (Responding to the Financial Products Exchange Law)	<ul style="list-style-type: none"> <li>Drafting basic policy documents, grasping the current conditions of Company-wide internal control, reexamining issues for improvement, and offering guidance on improvement toward the creation of an internal control system that meets the requirements of the Financial Products Exchange Law</li> <li>Completing the planned improvements and documentation for the internal control of the operating processes and general control of IT</li> <li>Having the Management Audit Office support the creation of an internal control system and monitor and verify the application of the system</li> <li>Preparing a checklist and an evaluation manual for the self-audits for the divisions to be audited for internal control</li> </ul>	P.30
Reinforcing risk management	<ul style="list-style-type: none"> <li>Validating countermeasures against risks identified through risk assessment</li> <li>Regularly implementing risk assessment (to be scheduled in December)</li> <li>Creating a risk management system, formulating rules and regulations for risk management, and implementing risk assessments in Eastern Asia and the U.S.A.</li> <li>Reviewing the basic plan for countermeasures against earthquake disasters based on the concepts of the business continuation plan</li> </ul>	P.32
Compliance promotion activities	<ul style="list-style-type: none"> <li>Holding follow-up training sessions to execute the Conduct Guidelines Promotion Leaders' Action Plan</li> <li>Re-electing the Conduct Guidelines Promotion Leaders and increasing the ratio of female Leaders to 3.0%</li> <li>Having all of the overseas subsidiaries in the U.S.A. introduce their own Conduct Guidelines, and having overseas sites in Eastern Asia disseminate and entrench the guidelines they introduced in fiscal 2006</li> </ul>	P.34
Information risk management	<ul style="list-style-type: none"> <li>Reinforcing an information security management system that incorporates the management measures stipulated under the global standard ISO/IEC 27001 (e.g., applying 47 management measures for 50 areas under tight security, reviewing the rules and bylaws on information security management and procedures for handling manuscripts, and training 20 more qualified staff members)</li> <li>Inspecting and offering guidance for the improvement of confidential information management at 12 affiliated companies</li> </ul>	P.36
CSR promotion in the supply chain	<ul style="list-style-type: none"> <li>Holding briefing sessions for CSR procurement business partners; grasping the current conditions through cooperative agreements and check sheets</li> <li>Feeding back survey results to business partners; re-inspecting designated chemical substances</li> <li>Installing and operating the Business Partner Hotline</li> </ul>	P.44
Reinforcing Total Quality Assurance	<ul style="list-style-type: none"> <li>Appointing 1 more in-house consultant and launching an in-house consultation in the Electronics Field</li> <li>Continuing the quality assurance audits for food-filling plants and food product packaging plants</li> </ul>	P.40
Technological development aimed at value creation	<ul style="list-style-type: none"> <li>Establishing a high-definition printing technology to ready the organic Electro Luminescent (EL) displays for commercialization</li> <li>Accelerating the development of commercial SNP chips and reinforcing efforts to put them to practical use</li> </ul>	P.42
Products and services developed with society in mind	<ul style="list-style-type: none"> <li>Starting to grasp the actual orders for products that meet the Company-wide Standards for Universal Design and formulating new action goals based on the achievements</li> <li>Holding training and educational seminars in the sales and planning departments to standardize information on Universal Design (UD), to standardize how the discipline is understood, and to help the employees in those departments more ably solve Company-wide issues</li> <li>Promoting the UD application for communication tools issued by the Company</li> </ul>	P.43
Merit-based personnel policies	<ul style="list-style-type: none"> <li>Entrenching the treatment system for managerial staff</li> </ul>	P.50
Fostering and developing human assets	<ul style="list-style-type: none"> <li>Implementing personnel rotation to reinforce Total Quality Assurance</li> <li>Strengthening the synergy of the divisions and departments through ongoing Human Resources Development Leader Meetings</li> <li>Helping job applicants more thoroughly understand the work done at Toppan through internships, the TOPPAN CAFÉ (a job hunting and career conference), and so on</li> <li>Continuing educational seminars on the promotion of CSR activities in rank-based training</li> </ul>	P.52
Leveraging diverse human assets	<ul style="list-style-type: none"> <li>Taking advantage of the management skills of female employees through positive action* (a 2.75% ratio of females in managerial and supervisory positions is targeted for April 2008)</li> <li>Making the most of the skills of experienced employees</li> </ul>	P.54
Realizing a safe and secure working environment	<ul style="list-style-type: none"> <li>Upgrading mental health measures at workplaces</li> <li>Promoting action plans based on the Law for Measures to Support the Development of the Next Generation</li> <li>Promoting efforts to shorten total working hours</li> </ul>	P.56
Cultural contributions	<ul style="list-style-type: none"> <li>Formulating policies on activities for society and culture</li> <li>Promoting educational activities and providing information to educational institutions and cultural facilities in Bunkyo Ward, Tokyo</li> <li>Holding 2 temporary exhibitions: <i>Making Beauty—Early Japanese Lithographic Posters</i> and <i>ENCYCLOPEDIA</i></li> <li>Holding 33 Toppan Hall concerts (including 6 <i>Lunchtime Concerts</i>, 2 <i>Espoirs</i>, and 2 <i>Espoir Specials</i>)</li> <li>Continuing to lend out Toppan Hall to a nearby music college and local elementary schools, and participating in the Mejiro Ba-Rock Music Festival</li> </ul>	P.46
Activities for contributing to local communities	<ul style="list-style-type: none"> <li>Conducting ongoing activities for contributing to local communities at operational sites around the world; running an international social action program (<i>Toppan Charity Concert</i>) to increase literacy rates</li> </ul>	P.48
Tree-planting activities	<ul style="list-style-type: none"> <li>Continuing to support and participate in tree-planting programs</li> </ul>	P.79
Commitment to the environment	The environmental targets for fiscal 2007 and beyond are shown on P.64	P.59–

\*Proactive efforts by a company to resolve problems related to inequities in the treatment of male and female workers in the workplace as a result of outmoded concepts of gender-based division

# Corporate Governance

Corporate governance represents the foundation on which Toppan can fulfill its social responsibilities promptly and thoroughly. The Company is enriching corporate governance by reinforcing its auditing and supervising function in business operations, enhancing its risk management structure, and improving the transparency of its corporate management.

## Toppan's Corporate Governance

Toppan places top priority on three issues in its corporate management: developing continuously, raising its corporate value, and winning the approval of shareholders, customers, and society as a whole. While the Company is equipped with the Board of Corporate Auditors under the Company Law, it has strengthened the propriety and effectiveness of its governance system by establishing the Management Audit Office, the Compliance Department, and the Ecology Center. In May 2006, in response to the enforcement of the Company Law, the Board of Directors resolved a Basic Policy for Establishing Internal Control System at Toppan.

Toppan's governance is geared to maximize the corporate value of the entire

Group with closer cooperative relationships among Group companies to secure fair business within the Group under the Related Company Administration Regulations. Capitalizing on the integrated strength of the Group, Toppan aims to provide products and services and to enhance profitability by leveraging the technology and expertise of Group companies while promoting the effective use of production assets.

### The Directors, Board of Directors, and Various Meetings

Toppan has 31 directors on its board (as of the end of March 2007). Board meetings are held monthly and whenever a pressing matter requires action or deliberation.

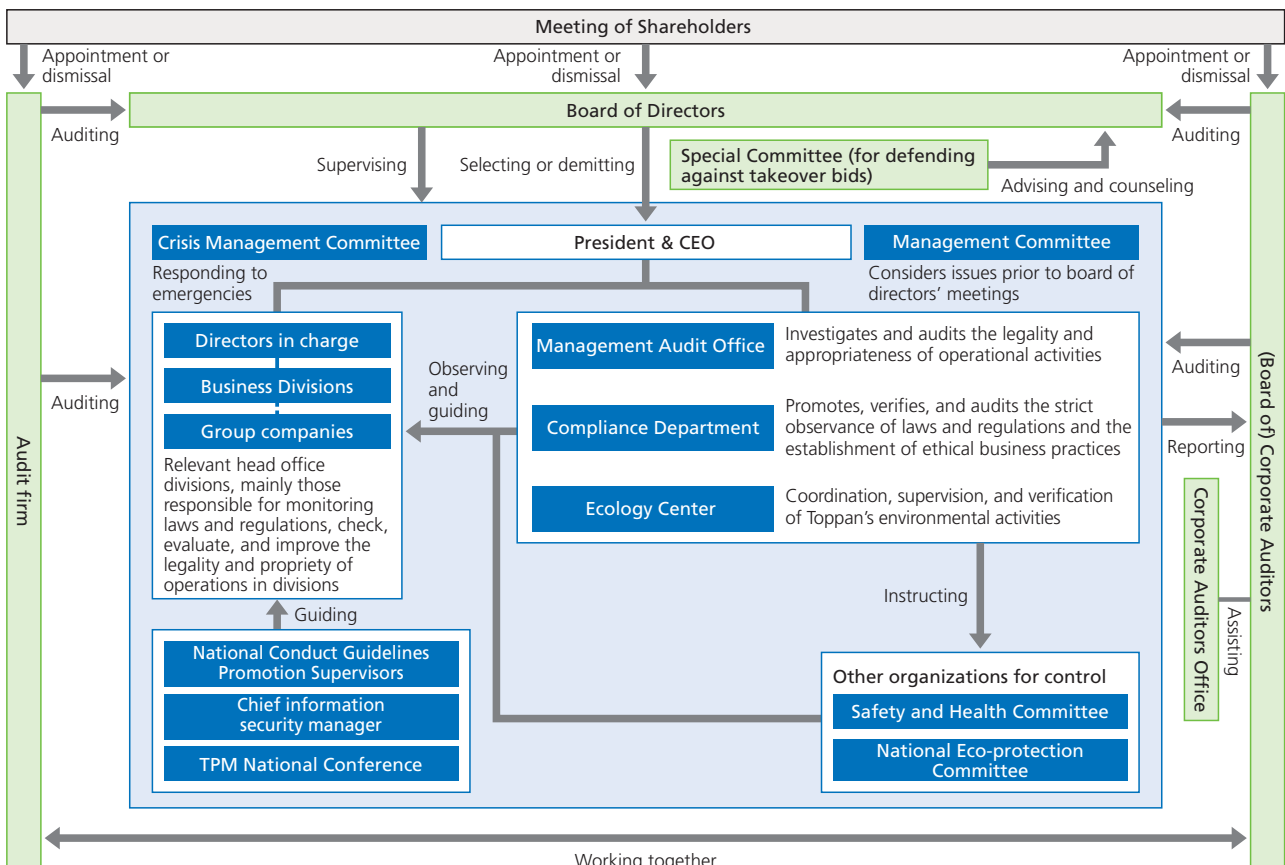
Especially important management themes are examined beforehand in

Management Committees made up of directors selected by the President & CEO. The goal is to lay weight on managerial efficiency in business judgment. Directors from the head office and other directors acting as division chiefs come to these meetings to discuss and examine measures and policies directly related to Company business operation from various perspectives.

### Corporate Auditors, Board of Corporate Auditors, and Audit Firm

Toppan has adopted a system of corporate auditors. Three of the five corporate auditors appointed are external (as of the end of March 2007). In addition to the regular meetings of the Board of Corporate Auditors, the corporate auditors attend important meetings of the Board of Directors, meetings of the

Toppan's Corporate Governance Structure





Management Committee, and discussions on the environment and other pressing issues. They regularly audit and advise the head office and the main operational sites and affiliated companies from a preventive perspective to ensure the legality and effectiveness of the business activities of the directors and departments. Full compliance with regulations and Company policy is crucial for smooth and appropriate management.

Toppan strives to audit effectively through a three-way audit approach pursued in cooperation with the audit firm KPMG AZSA & Co. and the Company's own internal audit-related departments such as the Management Audit Office.

From the viewpoint of consolidated operation management, the Board of Corporate Auditors of the Toppan Group also meets on a regular basis to improve the effectiveness of the audits by the corporate auditors on a Group-wide basis.

In fiscal 2006, Toppan tightened its compliance with the Company Law by revising the Rules for the Board of Corporate Auditors and observing and reviewing the Company's progress in establishing and operating the System to Secure Compliance and the Propriety of Business Operation (an internal control system). The Company also reviewed the

details of the Basic Policies and Measures for the Management of a Joint-Stock Company, in line with the results of discussions by the Board of Directors and the like. As in all years, the independency of the audit firm and the propriety of the firm's audits were closely observed and reviewed. To provide an added assurance, KPMG AZSA reported and explained the state of maintenance and operation of the internal control system under the Quality Control Standards for Auditing.

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

#### Remuneration to Directors and Corporate Auditors

Remuneration to directors is determined at the Board of Directors by the endorsement of the Meeting of Shareholders. The amounts remunerated are set based on considerations of the performance, responsible roles, and fulfillment of the operational targets of each director.

In fiscal 2006, the total annual remuneration to directors was 1,197 million yen and the total annual remuneration to corporate auditors was 81 million yen.

## Strengthening Audit Functions

### Internal Audits by the Management Audit Office

Toppan has established the Management Audit Office independently from the operating departments. To improve soundness in management, this office reviews and verifies the propriety of business operations and compliance with laws and regulations through internal audits conducted at each operational site, plant, and subsidiary.

The internal audits consist of management audits and operation audits. The management audit reviews and evaluates the effectiveness of risk control and the consistency between business activities and business goals. The operation audit reviews and evaluates the current status of compliance with laws and in-house rules, the mechanisms to prevent improper practices, and the obstacles to efficiency or accuracy in daily operations. To make Toppan an even better company, the office feeds back the problems revealed by audits to the relevant departments and proposes measures for improvements when necessary. The audit results are reported to the President & CEO and directors in charge of relevant departments whenever necessary.

#### Internal Audits Conducted in Fiscal 2006

Audit Items		Fiscal 2006 Results
Comprehensive Audit (including management audit and operation audit)	Overall audit of business management, operation management, and compliance with laws and regulations	5 divisions, 5 domestic subsidiaries, 7 overseas subsidiaries
Management Audit	Follow-up audit of large-scale capital investments	2 projects
Operation Audit	Information system audit	1 division from the head office, and related divisions in the Company
Follow-up Audit	Comprehensive audit of divisions	3 divisions
	Audit of domestic subsidiaries	4 subsidiaries
	Audit of manufacturing/production/quality control	3 divisions

The Management Audit Office performed comprehensive audits (i.e., both management audits and operation audits) of 17 departments throughout the Group in fiscal 2006 (in divisions of the head office, divisions of the Company, and the domestic and overseas subsidiaries). The office also conducted an information system audit, two follow-up audits of large-scale capital investments, and a series of follow-up audits of 10 departments to re-examine the results of the comprehensive audits and operation audits on manufacturing management and compliance with laws and regulations last year.

Toppan will be reinforcing its audits primarily to evaluate the establishment and operation of the internal control system required by the Company Law and the Financial Products Exchange Law in fiscal 2007. It will also continue with its comprehensive audits and follow-up audits to promote the sound growth of the Company with social responsibilities foremost in mind.

### Auditing and Supervisory Functions by the Compliance Department and Ecology Center

The Compliance Department created under the Legal Affairs Division spearheads efforts throughout the Company to ensure compliance with laws and regulations and to firmly establish a system of corporate ethics. Other department functions include employee education on compliance with the Conduct Guidelines and existing regulations, and internal audits conducted collaboratively with quality assurance departments to improve the effectiveness of information security and personal information management following the acquisition of Privacy Mark certification.

The Ecology Center audits the operational sites to support their environmental efforts. The center requests the sites to submit Improvement Plans, monitors the progress and effects of the plans, and creates mechanisms to unflinchingly achieve improvement goals. The center now adheres to a stricter set of in-house management standards and evaluates compli-

ance with those standards in addition to the various environment-related laws and regulations.

### Enhancement of Risk Management System

Toppan manages risk comprehensively through regular meetings on risk management to avoid risk and minimize the losses incurred when events at risk occur. In fiscal 2006, the Company reviewed and renewed its risk management framework to comply with the provisions of the newly enacted Company Law.

The Company established a set of Rules and Other Systems for the Management of the Risk of Loss under the Basic Policy for Establishing Internal Control System resolved at the Board of Directors meeting in May 2006. Under these Rules and Other Systems, the Company reconfirmed its systematic risk management framework, a 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 framework, the directors in

Risk to be Managed and Relevant Main Divisions at the Head Office

	Risk to be Managed	Division
Accidents involving products/product liability	Accidents or complaints related to products	Corporate Manufacturing, Technology & Research
	Accidents related to main systems	Business Innovation
Accidents or disasters related to Company operations	Accidents at the workplace, traffic accidents, and other accidents involving employees	Personnel & Labor Relations
	Debt-related incidents	Finance & Accounting
	Legal problems with orders received	Legal Affairs
	Leakage of personal information or internal confidential information	Legal Affairs
	Accidents or disasters related to fires or explosions	Corporate Manufacturing, Technology & Research
	Illegal activity related to the storage of solvents, management of hazardous chemicals, etc.	Corporate Manufacturing, Technology & Research
	Defamation, slander, and other criminal damages	Damage to the Company's internal computer system due to cyber terrorism, illegal access, illegal usage, or leakage of personal information or internal confidential information
Crimes against the Company (threats, kidnapping, theft)		Personnel & Labor Relations
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
Risk in business management	Shareholder derivative lawsuits, hostile takeovers	Legal Affairs
Unlawful activities related to external contracts	Violations of the Subcontract Law, illegal activities with business partners	Corporate Planning
Infringement of intellectual property	Infringements of patents, trademarks, copyrights	Legal Affairs
Environmental problems	Violations of environmental laws or standards, illegal disposal of industrial waste	Corporate Manufacturing, Technology & Research
Risk in overseas business activities	Product accidents, environmental problems, fires and natural disasters, damage to human or physical resources caused by international conflicts or terrorism, etc.	International

charge of each relevant division are responsible for taking measures to prevent, avoid, and correct each type of risk. Toppan, moreover, has held a weekly Risk Management Liaison Meeting to give the persons in charge of risk management in each division of the head office the opportunity to share information. The Company has thus established a practical structure to respond to risk.

The Rules on Risk Management have been established to resolve matters regarding risk avoidance and the minimization of loss when an event at risk occurs. Based on the rule, the Company sorted out and evaluated possible risks and examined countermeasures to be taken. The domestic subsidiaries have also established their own Rules on Risk Management and sorted out and evaluated possible risks by themselves.

The Company will sort out and evaluate possible risks and formulate countermeasures yearly in the future, while maintaining the risk management structure, establishing relevant rules, and sorting out and evaluating risk in the overseas subsidiaries.

### ■ Responding to the Financial Products Exchange Law

A project team in Toppan has been working since fiscal 2006 to improve the reliability of financial reporting in accordance with the requirements of the Financial Products Exchange Law. The team is now preparing a constitution of internal control policies and formulating basic operational plans.

The next steps for Toppan will be to develop documentation for evaluating operating processes and determining the scope of evaluations, in order to establish a system for the evaluation of internal control over financial reporting while testing the state of maintenance and operation.

### ■ Management of In-house Rules and Regulations

Toppan reinforces its internal control by putting in place and managing in-house rules and regulations.

The Company has appointed supervisors overseeing in-house rules and regu-

lations in the Legal Affairs Division and persons in charge of in-house rules and regulations in each division of the head office. These personnel review the in-house rules and regulations controlled by each division of the head office twice a year and determine points to revise, add, or abolish as needed. In fiscal 2007, Toppan will systemize the management of these in-house rules and regulations to establish a system for accessing the latest editions at any time.

To promote these efforts by the divisions throughout the Company, Toppan asked several divisions in fiscal 2006 to implement this system ahead of the other divisions. Thus, the system was used to check the actual conditions of the use of the in-house rules and regulations, and to review whether specific rules and regulations were actually necessary. Efforts to reinforce internal control will be accelerated through preparations for complete implementation at all divisions and for the systemization of the management of in-house rules and regulations in fiscal 2007.

## Countermeasures against Earthquake Disasters

In fiscal 2005, the Sendai Plant introduced a system for receiving the Earthquake Early Warnings issued by the Japan Meteorological Agency, in order to alleviate earthquake damages preemptively. The Asaka, Ranzan, and Takino Plants have introduced the same system over the last two years.

Toppan held an evacuation drill in the vicinity of the head office to rehearse for the eventuality of a large-scale inland earthquake in Tokyo. This included simulation drills for confirmation of disaster conditions, decision-making on the necessity for evacuation, and the establishment of a disaster countermeasure office by the persons in charge of risk management. The Company briefed employees on actions to be taken during and after disasters, and strategies for returning home.

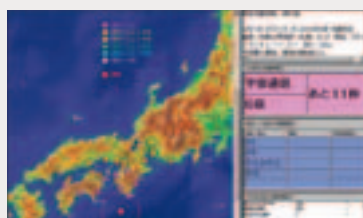
These activities are implemented under the basic plan for countermeasures against earthquake disasters. The Company will reexamine and revise the basic plan to bring it closer into alignment with the business continuation plan.



Parabola antenna to receive radio signals of Earthquake Early Warnings



Decision-making drill for persons in charge of risk management, to help them decide if and when evacuations are necessary



Monitor display (in Japanese) of the system for receiving Earthquake Early Warnings



Information for employees on earthquake disaster response

# Compliance Promotion Activities

For a company to fulfill its social responsibilities, every one of its employees must fully comply with laws, regulations, and corporate ethics in all business areas. Toppan is involved in Group-wide efforts to thoroughly implement its corporate ethics guidelines, the Conduct Guidelines.

## Dissemination of the Conduct Guidelines

### Revision of the Conduct Guidelines

Toppan has established a set of Conduct Guidelines, along with a Corporate Philosophy and Corporate Creed, as the Corporate Structure under *TOPPAN VISION 21*. These guidelines express the behavioral norms on the basis of every employee's compliance with laws, regulations, and corporate ethics.

Toppan's Conduct Guidelines are reviewed each year to keep the behavioral norms for employees in harmony with the changing circumstances around the Company. The second revision was implemented in April 2006 to more precisely respond to the various issues caused by the spread and change of business activities. Thirty-two briefing sessions were held across Japan at the beginning of fiscal 2006 (April to June) to deepen the understanding of employees on the revised Conduct Guidelines and the types of revisions made.

## Conduct Guidelines Promotion Leaders

Toppan introduced a Conduct Guidelines Promotion Leader system in October 2004 to further establish a compliance system and corporate ethics through the full execution of the Conduct Guidelines in daily operations. Under this system, a team of Conduct Guidelines Promotion Supervisors (the "Supervisors") and a cadre of Leaders (the "Leaders") have been deployed in each Group company and operational site to promote the Conduct Guidelines in the workplace. Six-hundred and ninety-nine Leaders are now operating across Japan. With the appointment of 393 new Leaders in fiscal 2006, more employees took on the opportunity to lead. A goal for the future will be to increase the ratio of female Leaders from the current 2.2% to 3.0%.

## Dissemination Activities by Conduct Guidelines Promotion Leaders

The Leaders have persistently and steadily orchestrated dissemination activities tailored to the actual conditions in the workplaces (e.g., the number of employees,

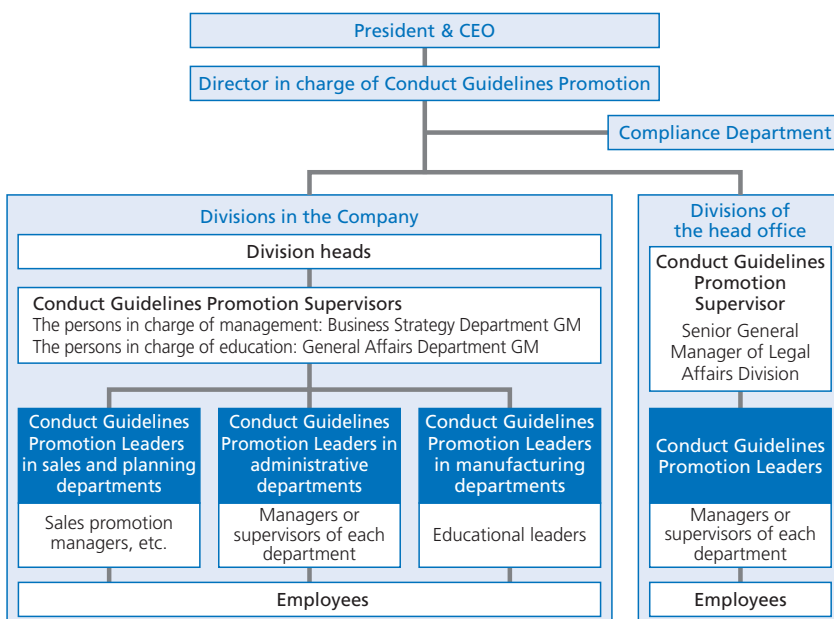
the types of meetings held, and the timing of meetings) in order to heighten employee awareness of the Conduct Guidelines in day-to-day operations.

The National Meeting of Conduct Guidelines Promotion Supervisors is held each October to share and discuss the various outstanding activities at the workplaces in the operational sites across Japan.

## Use of the Conduct Guidelines Casebook

Toppan published the *Conduct Guidelines Casebook*, a Q&A style casebook reporting actual situations that can arise in daily work. To provide a clear image of the content of the Conduct Guidelines, the Leaders read through the cases pertinent to the actual operations at their workplaces. The casebook is also used for compliance education based on employee rank. In earlier years the Company distributed the casebook only to the Leaders promoting the Conduct Guidelines. In fiscal 2006, every employee received a revised casebook with as many as 100 case reports.

Structure to Promote the Conduct Guidelines



Conduct Guidelines Casebook (in Japanese)



Training for the Conduct Guidelines Promotion Leaders

### ■ Operation of Helpline

Toppan has been operating an internal reporting system called the Toppan Helpline since August 2003. In accordance with the Whistleblower Protection Act effective as of April 2006, the Helpline guarantees the rights of all persons who find a need to use it. This line is kept open for use by directors and employees, as well as temporary staff and part-time workers. When a legal violation or injustice is discovered, it is to be reported to superiors for deliberation. When an employee's superiors fail to settle a problem, the employee is encouraged to call the Helpline.

In fiscal 2006, the Helpline was used in three cases. One case involved personnel administration, another involved actual job guidance, and the third involved relationships with superiors. All three cases were strictly investigated and appropriately treated to prevent recurrence.

### ■ Expansion of the Compliance Promotion Structure

#### Development in Group Companies

In fiscal 2006, the Group worked together to establish its compliance promotion structure as a part of the establishment of the internal control system. After the Conduct Guidelines were revised, steps were taken to have them disseminated and fully executed in all of the production subsidiaries. Thirty Group companies, including major domestic ones, have established their own Conduct Guidelines and prepared their own internal reporting systems.

#### Development in Overseas Group Companies

Toppan issued a Chinese version of the Conduct Guidelines to promote compliance in overseas Group companies. The Company held briefings to disseminate the Conduct Guidelines in the Shanghai and Beijing regions in November and December of 2006. A Chinese version of the *Conduct Guidelines Casebooks* tailored to local laws and commercial practices was distributed to employees of local companies.

### ■ Compliance Education

#### Compliance Education

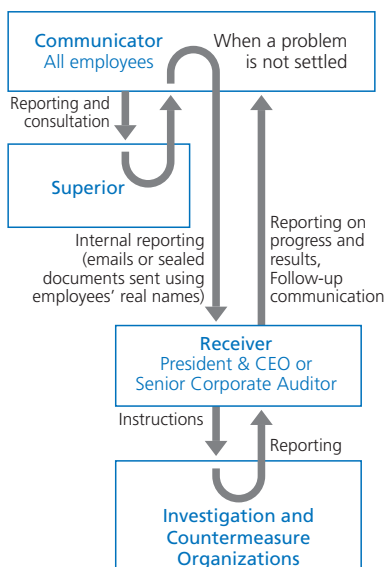
Specialist training to promote the Conduct Guidelines was held for 578 Leaders in 31 sessions held across Japan from December 2006 to March 2007. Following through from the year before, correspondence courses were held for 393 Leaders newly appointed to promote the Conduct Guidelines in fiscal 2006.

Toppan also organized Company-wide training to disseminate the Conduct Guidelines in rank-based training sessions for new employees, new supervisors, and new managerial staff in fiscal 2006.

#### Education on Compliance with the Antitrust Law and Other Laws and Regulations

Toppan held 34 training sessions across Japan for 3,140 employees in the sales, planning, sales promotion, purchasing, and production management departments to once again assure full compliance with the newly revised Antitrust Law enforced from January 2006.

#### Toppan Helpline



#### New Announcements on the Toppan Helpline

The Company reminded employees about the Toppan Helpline through announcements via messages from the President & CEO and various booklets in fiscal 2006.

- Message from the President & CEO
- New Year's message from the President & CEO
  - Briefing on new business fields by the President & CEO

- Booklets
- Revised Conduct Guidelines
  - Vision book: *Creating Toppan's Future Together*
  - Conduct Guidelines Casebook*



Briefing on the Chinese version of the Conduct Guidelines



The Chinese versions of the Conduct Guidelines and the *Conduct Guidelines Casebook*

# Information Risk Management

Reciprocating the trust of customers and society, Toppan will not tolerate a single incidence of information leakage as a result of a careless error. Toppan prevents accidents through intensive education and guidance for all employees and reinforced supervision over manufacturing processes in Group companies and partner companies alike, and maintains a perfect record.

## Integration of Information Security Management System and Application of the Integrated Privacy Mark Certification

Toppan integrated the Rules on Information Security Management and Rules on the Management of Personal Information on April 1, 2006. Its purpose was to restructure the in-house regulations and organizational systems by combining personal information protection and information security management. Company-wide Meetings of the Information Security Managers were held in April 2006 and February 2007 to sum up the overall policies and review efforts to date. The information security supervisors also gathered for meetings in June and September in 2006 to consult with each other intensively at the working level.

The actual conditions of information management were surveyed on seven separate occasions in fiscal 2006 (see the below table) to identify problems and tasks to be handled across the Company. The results of these surveys are used to develop and continuously implement measures for improvement. Through these efforts, the Company applied in April 2007 for an integrated Privacy Mark certification covering all of the divisions

### Activities in Fiscal 2006

- Meetings of Information Security Managers: April 19, 2006 and February 16, 2007
- Meetings of Information Security Supervisors: June 7, 2006 and September 20, 2006
- Regular meetings of the Personal Information Management Promotion Committee\*: weekly
- Various surveys of actual conditions at operational sites
  - Survey of actual practices for handling personal information in the Web-related business: from May to June
  - Survey of actual conditions of use of networks unconnected with the internal LAN: June
  - Regular investigation of use of the Internet data center (excluding TOPICA service): August
  - Inventory count investigation of access authority: from February
  - Survey to confirm management conditions in areas under tight security: February
  - Survey to confirm management conditions in areas where personal information is handled: March
  - Field survey of the aforementioned areas by the Personal Information Management Promotion Committee: from March to April
- Others
  - Interview survey on the handling of personal information in affiliated companies: from September to October
  - Briefing of the *Information Security Management Guidebook* (the version revised in 2006): from December

that had already acquired Privacy Mark certifications of their own.

## Revision of the *Information Security Management Guidebook*

Toppan consolidated the *Information Security Management Guidebook* and *Personal Information Management Guidebook* into a single publication and extensively revised the content to deepen the employees' understanding of the information security management rules.

The Company never wants employees to overlook the various risks of information leakage in their immediate working environments. The guidebook presents abundant illustrations (graphics), examples, and procedures focused on key points organized by chapter to help employees fully understand the rules in their everyday works.

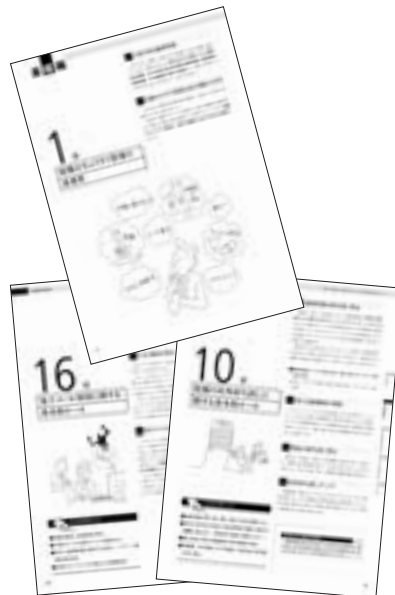
The guidebooks and revised rulebooks were distributed to all employees, and certain temporary staff members when needed. Briefings were held on 40 occasions (one hour each) throughout Japan in fiscal 2006. Departmental meetings were also used as occasions to disseminate the rules on information management to all employees.

## Unified Network Management and Central Control of Access to the Web

The Business Innovation Division is responsible for managing the security of network use in Toppan through the unified control of networks and the monitoring of access to the Web.

In response to a request from customers, Toppan investigated the actual use of outside networks (networks not connected with the internal LAN) by Toppan employees during the month of June 2006. Based on the results of that investigation, the Business Innovation Division and the technology departments of relevant operational sites collaboratively developed a unified management system.

Toppan also monitored the actual conditions of direct Web accesses from within Toppan to realize more effective network management. The results of this monitoring were used to develop a system for designating web accesses into the categories of "free access," "limited access," "access prohibited," or "writing prohibited," based on content classifications of websites. The new system has been applied since May 2007.



The *Information Security Management Guidebook* (in Japanese)



Restriction of Web access (in Japanese)



Briefing on the *Information Security Management Guidebook*

**Development of Company-wide ISO 27001 Certification Acquiring Activities**

Toppan has developed Company-wide activities for acquiring the ISO/IEC 27001: 2005 (JIS Q 27001: 2006) Information Security Management System (ISMS) certifications, the global standards in information security, to meet customer requests for high-quality security service in various business fields.

The data center service of the Commercial Printing Division and the data-processing service of the Securities Printing Division (these two divisions are now consolidated into the newly formed Information and Communication Division) have both acquired the certifications. The Company is working toward acquisition at three other new services by the end of fiscal 2007. Numerous relevant divisions in the head office help these services obtain their certifications through in-house consulting and internal audits on objective viewpoints.

**Reinforcement of the Manufacturing Process Audit and Partner Company Audit**

Toppan further strengthened its partner company audits and the manufacturing

process audits in the departments handling personal information in fiscal 2006.

The Personal Information Management Promotion Committee\* in the head office audited manufacturing processes on 15 separate occasions. Six companies were certified in the audits conducted under the confidential direct mail certification system for partner companies, and four were not. While in-house plants have succeeded in substantially improving their security levels, some of the external partner companies are falling behind. Finding effective ways to close this widening gap is a challenge for the Company.

Divisions carried out internal audits in 41 of 52 production subsidiaries. The results were reported in the Meetings of Information Security Managers.

The Company examined affiliated companies from August to October 2006 to determine which of their departments were handling personal information. The Personal Information Management Promotion Committee held interviews and offered guidance for these departments.

mistake in the handling of personal information, such as an error in delivering a direct mail.

When a problem occurs, the Personal Information Management Promotion Committee and the risk management structure of the head office assess the situation and discuss the measures to be taken. The Company has the relevant departments identify the causes behind the problem and develops measures to prevent recurrence across the Company. All problems are reported to the Japan Information Processing Development Corporation, the organization that grants the Privacy Mark.

Through those efforts, the Company has managed to protect information with complete reliability. Not a single episode of information leakage has occurred in fiscal 2005 or fiscal 2006.

The Ministry of Economy, Trade and Industry praised Toppan for its efforts in a 2006 survey report on the practices of private companies for protecting personal information. Toppan's practices were described in detail to exemplify effective and efficient activities.

\*Name changed to the Information Security Management Promotion Committee in May 2007

**No Cases of Personal Information Leakage**

Company rules now require that all departments report to the head office whenever an employee makes a careless

**Divisions Granted ISO/IEC 27001 Certification**

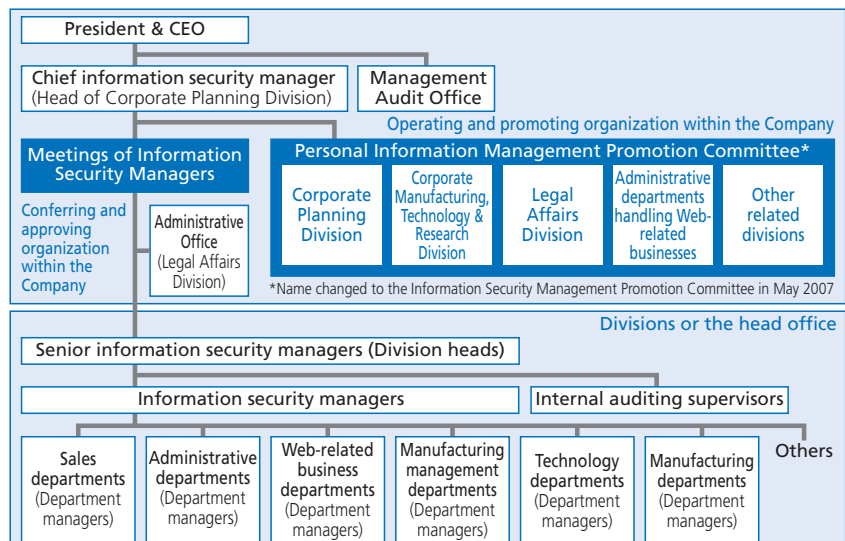
Division	Service Granted Certification	Certification Number
Commercial Printing Division	TOPICA service	I102
Securities Printing Division	Data editing service	IC06J0151

Note: The Information and Communication Division was formed through a merger of the Securities Printing Division and the Commercial Printing Division on April 1, 2007.



Area under tight security

**Information Security Management Structure**



# CSR Review Meeting

To promote stakeholder communication, Toppan invites an external stakeholder every year to review the Company's annual CSR activities and discuss future directions for CSR activities.

## CSR Review Meeting

Toppan has held the CSR Review Meeting on a continuous basis since 2005 with Mr. Hideto Kawakita, an expert on CSR communication who runs IIHOE, the International Institution for Human, Organization and the Earth, as CEO. Toppan's CSR promotion members have attended the meeting for lively exchanges of views.

The third review meeting was held on April 16, 2007. The participants reviewed the details of the CSR activities in fiscal 2006 to assess their progress against the fiscal 2006 targets formulated based on the six priority themes. The points progressing well and the points requiring more focused efforts were identified for each action plan.

The participants identified three areas in which progress was especially swift: waste reduction, the establishment of rules on risk management, and the implementation of supportive actions for fostering the next generation. Remaining

challenges for the future included Company-wide countermeasures against earthquake disasters and the formulation of policies for activities for society and culture.

Mr. Kawakita stressed the importance of further promoting CSR activities by establishing ultra-long-term targets.

Summaries of the achievements in fiscal 2006 and the targets for fiscal 2007 confirmed at the meeting are listed earlier in this report (see the "Review of CSR Activities and New Initiatives" on P.28).



Participants

Facilitator: Mr. Hideto Kawakita (IIHOE)  
 CSR promotion members: Legal Affairs Division, Ecology Center, Corporate Planning Division, Personnel & Labor Relations Division, Purchasing Division, Corporate Manufacturing, Technology & Research Division, Secretary Department, Information and Publicity Division

### Mr. Hideto Kawakita

CEO of IIHOE (International Institution for Human, Organization and the Earth): After working as a public relations and international recruiting specialist at Recruit Co., Ltd., Mr. Kawakita served as a secretary in charge of policy for a member of the Japanese Diet and as the Japanese representative for NGOs involved in international youth exchanges. He established IIHOE in 1994 as an organization to provide management support to NPOs and corporations. <http://www.iihoe.com>



### Details of the Discussion (Abstract)

- One remaining challenge for the future will be to link the basic plan for countermeasures against earthquake disasters with the business continuation plan, in terms of both the plan contents and implementation (Legal Affairs Division).  
 →When making decisions, the Company should always aspire to harmonious coexistence with local communities (Mr. Kawakita).
- We progressed well in our dialogues with business partners and our in-house cooperation for the development of the CSR Procurement Standards (Purchasing Division).  
 →The products that partner companies deliver and the stances of these companies are both important for the development of the CSR Procurement Standards. The Company should endeavor to satisfy three procurement standards—manifesto, process, and quality (Mr. Kawakita).
- Another remaining challenge for the future will be to protect biodiversity in the core businesses (Ecology Center).  
 →Actual examples should be examined: e.g., an episode involving a specific risk in one department compels the Company to draw attention to the importance of biodiversity. The Company may be able to find a way to examine biodiversity in the green spaces of the vast operational sites (Mr. Kawakita).

Mr. Kawakita has been involved in Toppan's main CSR communication activities since Toppan launched its Environmental Communication Exhibition in 2000. He continues to advise Toppan based on his understanding of the development of Toppan's CSR activities.



# Social Report

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# Reinforcing Total Quality Assurance

Toppan promotes Total Quality Assurance not only in its departments directly engaged in manufacturing and quality control, but throughout all of the Company's processes. Toppan promises Total Quality Assurance to customers and creates "dedicated products" with the consumers (the end users) always in mind.

## The Basic Concept of Toppan's Quality Assurance

The products manufactured in Toppan's plants bear the brand labels not of Toppan, but of the customers who use them for their own products and services. Every customer requires its own specifications for the products it orders, and every specification requires a separate approach for quality assurance.

### Reinforcing Total Quality Assurance

Quality assurance is a concern not only for the departments that produce Toppan products. The departments involved in marketing, R&D, planning, design, sales, and delivery are all responsible for assuring the quality of every product for every customer.

This is why Toppan describes quality assurance as a "total" activity, setting it as a top priority for its business management.

A Company-wide campaign to promote "No exceptions in Total Quality Assurance" (campaign slogan) has been underway since 2005. Now, in 2007, Toppan creates "dedicated products" with the consumers (the end-users)

always in mind by reinforcing its efforts under the new slogan—"Total Quality Assurance—our commitment to customers."

### Activities in the Sales and Planning Departments

The sales departments at Toppan receive orders and manuscripts from customers, while the planning departments prepare proposals and offer suggestions to help customers. Toppan focuses closely on training in quality assurance for the employees engaged in those activities, in recognition of the roles of their departments as portals for Total Quality Assurance. The goal is to continuously increase customer satisfaction in all processes up to final delivery.

The sales departments, the front lines for contacting customers, are expected to immediately convey customer complaints to the relevant departments and to promptly respond to the complaints in good faith.

## The Quality Assurance Concept in the Technology and Production Departments

Toppan has established its own quality assurance system to strengthen Total Quality Assurance in the technology and production departments responsible for realizing the quality required by customers.

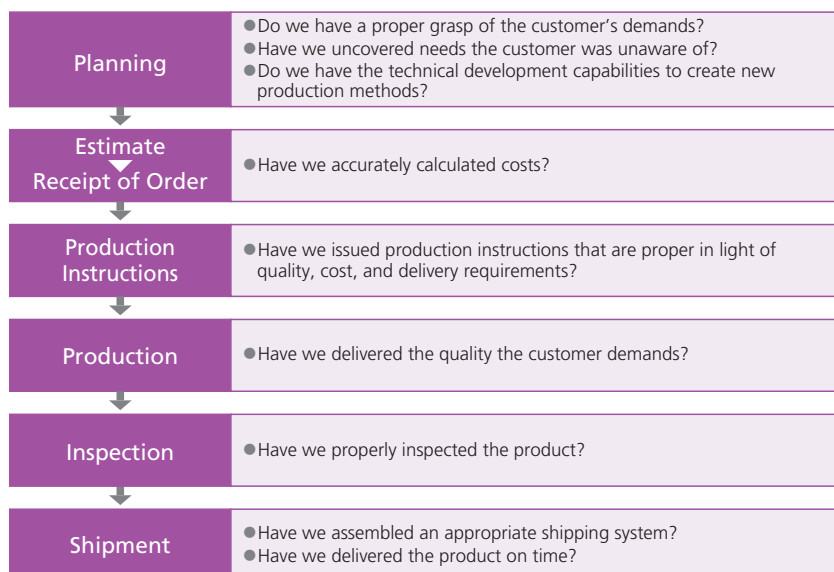
When the production departments receive the ideal production conditions set by the technology departments, they use the Total Productive Maintenance (TPM) technique to refine the conditions towards further improved productivity and the complete elimination of production defects.

Next, Toppan standardizes the refined production conditions as rules in order to maintain them under the ISO 9001 quality management system. Toppan also strengthens its quality assurance by verifying its management structure through regular audits to maintain the quality that customers want and need. The Company thus improves product quality through its own quality assurance system based on integrated TPM and ISO 9001 quality management.



Poster to disseminate Toppan's Total Quality Assurance

### Total Quality Assurance in Toppan's Business Activities



**Improvement Activities by TPM**

All of Toppan's plants have developed and conducted TPM activities, since the introduction of the activities in 1997. Toppan has strengthened its competitiveness in quality, cost, and lead times through concerted activities targeting zero production loss through equipment modifications and enhanced employee awareness.

The production departments have had experienced in-house consultants familiar with Company-specific technologies run a guidance system since fiscal 2004. These consultants direct individual improvement activities to achieve quality enhancement and cost reduction mainly through independently initiated maintenance activities, group activities, and dissemination of the 5S basic principles for optimal manufacturing—*seiri* (organizing), *seiton* (tidying), *seiso* (cleaning), *seiketsu* (purifying), and *shitsuke* (nurturing).

Four in-house consultants offered guidance on improvement activities in 20 plants in fiscal 2006.

**Rooting Quality Assurance by ISO 9001**

Nine operational sites newly acquired the ISO 9001 certification in fiscal 2006 as part of the Company-wide effort to have all operational sites certified. Once certified, operational sites are subject to routine annual surveillance audits and reassessments once every three years for renewal. To confirm whether ISO 9001 is appropriately and effectively put into practice in each operational site, the head office carried out 38 operational site audits in 30 sites in fiscal 2006, in addition to the internal audits carried out in all sites. Nineteen internal auditor training sessions were held to improve the quality of the internal audits. These activities continue to improve Toppan's quality control system.

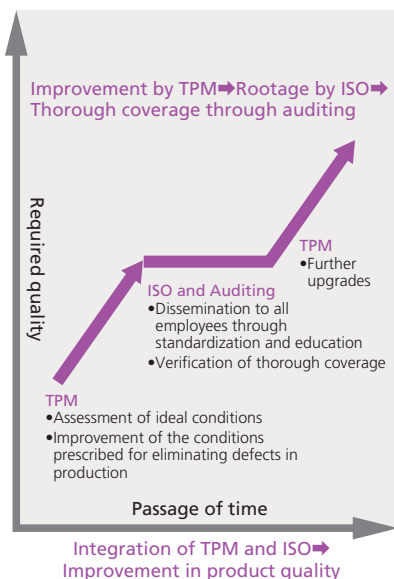
**Assuring Quality by Auditing**

Toppan regularly audits its quality assurance activities to verify whether the points improved through TPM activities and defect detection are properly standardized in the manufacturing rules, whether the standardized rules are accurately observed in manufacturing processes, and whether there are possibilities for further improvement.

The audits in the food filling and packaging business are somewhat stricter, in light of the exacting requirements for quality assurance for safety and health. These audits cover not only in-house plants in this business, but also all operational sites, including those of partner companies. Toppan has adopted a certified approval system to ensure that operational sites can manufacture only after receiving the required ratings based on audit results.

In fiscal 2006, the Company also audited the departments responsible for producing IC cards for customers in financial and transportation industries. The audits verified appropriate quality control and responsible quality assurance practices in those departments.

**Quality Assurance Cycle in Manufacturing Departments**



**Audits on Food Container and Filling/Packing Business**

**Audit Points**

- Agreement with customers
- Quality assurance system
- Management of equipment and inspection devices
- Management of safety and sanitation
- Steps to prevent the admixture of different products
- Steps to prevent the admixture of foreign substances
- Steps to prevent the outflow of defective products
- Steps to prevent contamination
- Traceability
- Security
- Education and training
- Maintenance of systems and frameworks

**Operational Sites Audited**

- 11 in-house plants
- 6 subsidiaries
- 20 other production partner companies

**Basic Stance on Product Safety Management**

Toppan prevents product-related accidents and protects the health and safety of the users of its products through the following steps:

- Recognize the importance of product safety.
- Promote measures to improve Toppan's product safety management.
- Contribute to society through Toppan's product safety management.

Established March 1999

# Technological Development Aimed at Value Creation/ Products and Services Developed with Society in Mind

Toppan uses the advanced technologies and innovative ideas it has acquired in printing to create various products, systems, and services with high added value for the satisfaction of future needs. The Company recognizes its responsibility to promote Universal Design as a mainstay of information and culture.

## Technological Development Aimed at Value Creation

The Technical Research Institute plays a central role in exploring untapped areas of science by thinking freely and pushing forward with R&D projects on new products designed to respond to the anticipated needs of the future market. The Company has successfully developed numerous products with enhanced environmental benefits and high added value by offering technical advantages and systemized techniques. Development efforts are guided by analysis to grasp the latest trends in the market and customers in close cooperation with sales and promotion departments.

In the area of production technology, on the other hand, Toppan endeavors to improve quality, shorten lead times, and reduce costs by automating production lines, saving labor and energy, and modifying processes in close collaboration with production departments.

### Next-generation Products Developed by Technology Evolved from Printing

Advances in technology acquired by printing, surface processing, and the

application of prepress technology to microfabrication have led to the development of next-generation products such as color filters for large liquid crystal displays (LCDs), full-color organic Electro Luminescent (EL) displays, and medical chips for examinations.

### Industry-Government-Academia Alliance

Toppan's cooperative structures with internal R&D departments and various external research institutes have been strengthened to promote technology development activities. In addition to engaging in national collaborative projects (including contract research sponsored by the New Energy and Industrial Technology Development Organization, an independent administrative agency), Toppan researchers collaborate with many universities in Japan (including the University of Tokyo, the Tokyo Institute of Technology, Tohoku University, and Yamagata University).

Toppan has also been active in technical cooperation with domestic and overseas companies to provide products, systems, and services with high added value in a wide range of fields.

## Development of SNP Chips for Medical Facilities

Toppan began its first forays into biotechnology in 1999 by establishing a set of research themes in several branches of the life sciences expected to rapidly develop. The Company now cooperates with entities such as RIKEN, an independent administrative research institution, to develop SNP chips for genetic analyses in hospitals and clinics.

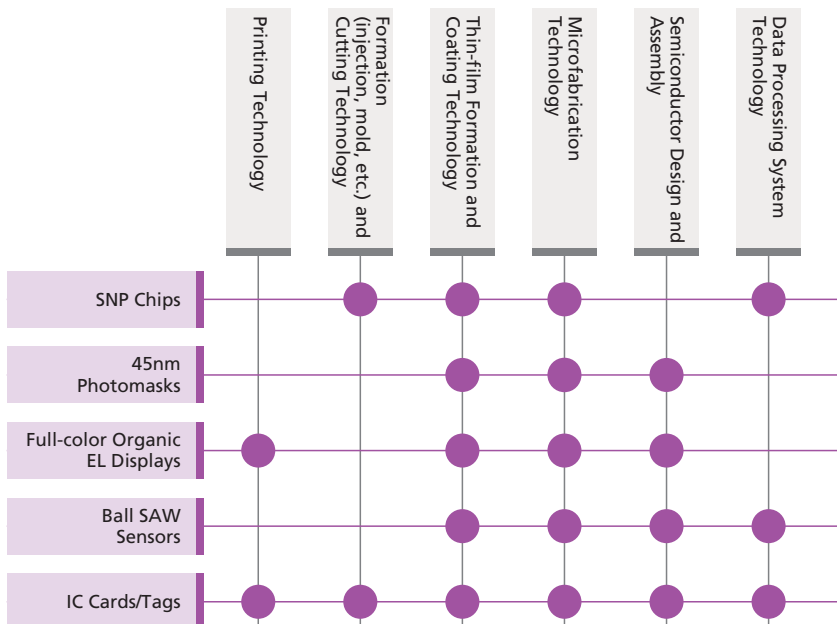
### Toward Tailored Medical Care

SNP chips are used for bio-molecular analyses as part of a service called tailored medical care\*. The chips incorporate printing, microfabrication, and coating technologies developed by Toppan.

These unique chips are capable of identifying differences in individual genes. With this information, a doctor can more accurately assess whether a drug will have a favorable or adverse effect on a given patient and plan out tailored treatment strategies.

If adopted on a widespread basis, tailored medical care with SNP chips will reduce adverse drug effects and excessive dosing. This, in turn, will help to limit the

Toppan's Map of Next-generation Product Technologies



\*Tailored medical care: When patients undergo tailored medical care, they receive optimal individualized therapies and prophylactic regimens based on their genetic profiles. A close analogy would be a ready-to-wear garment that fits one person snugly and another loosely. When two patients with the same symptom receive the same drug, they may respond differently, with adverse effects for example, because of slight differences in their genetic profiles. A physician practicing tailored medical care brings about the optimal response for a patient by identifying the patient's genetic predispositions, just as a tailor fashions the perfect-fitting suit for a customer by taking exact measurements.

ever-rising expenses for medical care.

Toppan asked collaborating medical institutions to conduct functional tests for pilot SNP chips and proceeded with the development of commercial SNP chips applicable for actual treatments in hospitals and clinics in fiscal 2006. Reinforced development efforts in fiscal 2007 are expected to lead to the commercial use of SNP chips soon.

Toppan intends to explore further applications for SNP chips as it works to establish tailored medical care with SNP chips in Japan.

### Challenges in Universal Design

Toppan always devises and provides products and services for the information communication industry based on Universal Design (UD) principles in consideration of the user. The Company has introduced UD to bring about improvements in various fields of communication between client companies and their own customers.

Toppan thinks of UD as a corporate social responsibility. Through its work with UD, the Company creates fulfilling lifestyles and coexists with society by providing products and services in full consideration of as many people as possible.

### Deepening the Awareness of UD in Society

Toppan held the Design for You Exhibition in PLAZA21 of the Toppan Koishikawa Building as a forum to think about UD together with customers and to deepen the awareness of UD in society. UD concepts, examples of UD practices in government agencies and advanced companies, and the UD efforts of companies in the Toppan Group were presented. The exhibition was well received in various quarters.

### Efforts in Packaging

Toppan's packaging segment has reaped great results from its work on UD at the forefront of the packaging industry. Two packaging series inspired by the principles of UD are now available—UD FUNCTION and UD SELECTION. The packages of UD FUNCTION offer user-friendly functions developed based on the knowledge, creativity, and technical and developmental capabilities in UD garnered by Toppan over the last decade and a half. The UD-friendly packages of UD SELECTION are designed in consideration of the entire product life cycle, from purchase, use, and storage to disposal. Both series drew praise from the public at TOKYO PACK 2006. Henceforth Toppan will be designing packages with more ergonomic designs for the convenience and satisfaction of users.



An SNP chip loaded with a reagent in advance to check reaction with blood



Design for You Exhibition



UD-friendly paper containers



UD-friendly flexible packaging materials and plastic containers

# CSR Promotion in the Supply Chain

CSR activities are promoted throughout the entire Toppan supply chain in cooperation with business partners. Toppan will always deal fairly and appropriately with its business partners, the companies on which it depends for ongoing operation.

## Promotion of CSR Procurement

Toppan promotes CSR procurement under the Group's CSR Procurement Guidelines.

The last set of Procurement Guidelines from 2004 were revised and reissued as the Toppan Group CSR Procurement Guidelines in May 2007. These guidelines consist of the Basic Procurement Policy and the CSR Procurement Standards. The Basic Procurement Policy is the conceptual platform for Toppan's procurement activities. Toppan performs its day-to-day procurement operations in keeping with the following principles.

- Fairness/propriety
- Compliance
- Information security
- Environmental consideration
- Pursuit of QCD
- Promotion/development of CSR

The Company incorporates the Conduct Guidelines, the Purchasing Rules, and the Subcontract Law Compliance Manual in training for all employees involved in the procurement of equip-

ment and materials and the outsourcing of production and processing, in order to deepen their understanding of the Basic Procurement Policy.

## Formulation of CSR Procurement Standards

Toppan has also established a set of CSR Procurement Standards to extend CSR principles throughout the entire supply chain. The standards stipulate the requirements to be satisfied by every business partner involved in material and equipment provision, production, and processing for Toppan. There are 20 standards categorized into eight separate areas. All standards conform with the basic principles of Toppan's Conduct Guidelines and the CSR terms established by the Japan Electronics and Information Technology Industries Association (JEITA), in addition to the requirements for Quality, Cost, and Delivery (QCD). Toppan asks its business partners not only to seek cost performance, but also to pay attention to

society and the environment. Green Procurement is one of the important goals of the CSR Procurement Standards.

Before formulating the CSR Procurement Standards, Toppan met with its main business partners individually for interviews and discussion on the directionality, criteria, feasibility, and propriety of CSR procurement operations.

The Company also held in-house briefing sessions in the departments engaged in procurement to enlighten employees on issues concerning CSR procurement and the position of CSR procurement among the Company's CSR activities.

## Management of Chemical Substances

Toppan has tightened the management of chemical materials in the packaging and electronics businesses by establishing separate Green Procurement standards appropriate for each business.

To promote Green Procurement for chemical substances, Toppan applies a

### Toppan Group CSR Procurement Guidelines (revised from the Procurement Guidelines in May 2007)

#### Basic Procurement Policy

- We impartially offer opportunities to all suppliers.
- We comply with all domestic and overseas legislation and perform fair business dealings based on corporate ethics.
- We strictly control the information obtained through our procurement activities.
- We give full consideration to impacts on the environment.
- We pursue QCD (Quality, Cost, Delivery) in order to meet the needs of the market.
- We implement CSR initiatives throughout the entire supply chain.

#### CSR Procurement Standards

1. Basic human rights
  - (1) The company respects basic human rights.
  - (2) The company does not carry out unjust discrimination in the treatment and employment of employees.
2. Public order, compliance with laws, fair business activities
  - (3) The company does not carry out inappropriate profit sharing or receipts.
  - (4) The company does not have dealings with any antisocial individual or group.
  - (5) The company complies with laws, regulations, and government notices applicable to business activities, such as company laws, antitrust laws, subcontracting laws, labor-related legislation, and environment-related legislation.
  - (6) The company complies with laws protecting those who disclose information in the public interest, and it protects the rights of those who report internally.
  - (7) The company complies with legislation related to exports and with the laws of the countries and regions in which it operates.
  - (8) The company does not allow child labor or forced labor.
  - (9) The company does not infringe intellectual property rights such as patents, copyrights, and trademarks.
3. Management and disclosure of information
  - (10) The company carries out appropriate management of confidential information and personal information obtained through its dealings.
  - (11) The company strives to make timely and appropriate disclosure of information relating to matters such as the details of business activities, quality, and product safety.
4. The environment and safety
  - (12) The company strives to use raw materials and components with a low impact on the environment.
  - (13) The company strives to devise processes with a low impact on the environment for manufacturing and processing.
  - (14) The company carries out appropriate management of chemical substances specified by Toppan.
  - (15) The company carries out appropriate disposal of industrial waste.
  - (16) The company strives to prevent work-related accidents and create a safe and clean workplace, and also works to ensure the safety of employees in an emergency.
5. Improving quality
  - (17) The company meets the standards for quality required by Toppan and strives to improve quality.
6. Appropriate pricing
  - (18) The company provides products or services at a price that is competitive in the market.
7. Stable supply
  - (19) The company meets stipulated delivery dates and supplies items safely and reliably.
8. Social contributions
  - (20) The company engages in contributions to society.

set of Standards for the Chemical Components of Raw Materials under the CSR Procurement Standards. The Company has made these unified standards for the whole Company by designating controlled and prohibited substances based on the 24 groups of substances designated by the Japan Green Procurement Survey Standardization Initiative (JGPSSI). Toppan intends to manage chemical procurement in its packaging and electronics businesses through these standards and other criteria for controlling chemical substances used in each business.

**CSR Promotion in Cooperation with Business Partners**

The Toppan Group CSR Procurement Guidelines are posted on the Company's website in both Japanese and English. Toppan has held briefings on the guidelines with all of its major business partners, including overseas manufacturers. The Company will be briefing all of its operational sites one by one in the coming months. These briefings are not only for helping partners understand Toppan's basic policies and standards on CSR procurement, but also for hearing the opin-

ions and requests of partners directly. The goal is to mutually improve corporate value within and outside the Group by promoting CSR cooperatively.

Toppan monitors compliance with the CSR Procurement Standards by sending questionnaire surveys to its business partners. When field surveys and deeper discussions seem necessary, Toppan personnel visit business partners in person. Another way to advance dialogues toward solutions is to feed back the results of the partner surveys.

Toppan will soon be installing a Business Partner Hotline, a portal for receiving reports from business partners.

**Compliance with the Subcontract Law**

The purchase orders sent out to business partners from the planning, production management, and purchasing departments are collected and reviewed by the Toppan head office each month. The review this year confirmed that there were no nonconformities with the Subcontract Law. As in fiscal 2005, there were no compliance problems in fiscal 2006.



CSR Procurement Guidelines  
<http://www.toppan.co.jp/english/csr/policy.html>



Briefing sessions on CSR procurement for business partners

**Green Procurement and Green Purchasing**

One important factor in building a recycling-oriented society is to select environmentally-friendly products preferentially. In April 2002, Toppan introduced a Green Procurement system that conforms to the Green Standards for Offset Printing Services established by the Japan Federation of Printing Industries. Toppan's achievement ratios under these standards were 19.8%\* for paper and 97.1% for ink in fiscal 2006. After the revision of the Green Standards by the Japan Federation of Printing Industries in March 2006, the Company revised Toppan's Green Procurement Standards (→P.80).

Toppan adopted a Basic Policy of Green Purchasing for its office operations in January 1999 and launched a Company-wide Green Purchasing initiative. The Company selects products that meet in-house Green Purchasing standards and purchases them on a continuous basis.

**Green Purchasing Network (GPN)**

A nationwide network founded in 1996 to promote Green Purchasing in Japan. As of January 17, 2007, the network comprised 2,879 organizations (2,295 companies, 300 government institutions, and 284 private organizations). The network announced its Purchasing Guidelines for Offset Printing Services (GPN-GL14) in December 2001.



\*According to the *Report on the Activities of the Used Paper Recycling Committee* issued by the Japan Federation of Printing Industries in March 2007, the actual rate of used paper reutilization was 27%, while the target rate was 35%.

# Cultural Contributions

Toppan operates cultural facilities and proactively organizes other various cultural activities to contribute to the development of culture and art and the growth of the printing industry.

## As a Mainstay of Information and Culture

Ever since its invention, printing has contributed to the development of culture and art through the conveyance of information. The information conveyed through printing can amaze and leave deep impressions. Activities to contribute to society and culture help Toppan live up to its identity “as a mainstay of information and culture” under the Corporate Philosophy.

The Company organizes cultural activities led by Toppan Hall and the Printing Museum, Tokyo, two cultural facilities annexed to the Toppan Koishikawa Building to commemorate the Company’s 100th anniversary in 2000.

Group companies such as Tokyo Shoseki Co., Ltd. (a publisher of school textbooks) and froebel-kan co., Ltd. (a publisher of children’s and illustrated books) have also engaged in cultural contribution activities. Toppan is eager to contribute to the growth of not only the Group, but the entire printing industry.

## Activities to Contribute to Culture

### Printing Museum

The Printing Museum, Tokyo pursues activities toward the establishment of a new academia, the study of printing culture, in the conviction that printing itself has cultural value. More than 190,000 visitors have come to the museum so far.

The public can visit the General Exhibition Zone in the Main Exhibition Room year round, as well as temporary exhibitions held several times annually. The museum also includes the Printing Workshop, VR (Virtual Reality) Theater, specialized library, and museum shop. The Printing Workshop, an area for education and training, has been used by over 150 institutions and organizations, including companies, technical colleges, and elementary schools.

The museum held two temporary exhibitions in fiscal 2006—*War and Image: WWI Propaganda Posters*; and *The Dawn of Modern Printing: Stanhope and the Industrial Revolution*. The first exhibition expounded the details of printing technology during World War I in the U.S., when the lithographic prints for posters

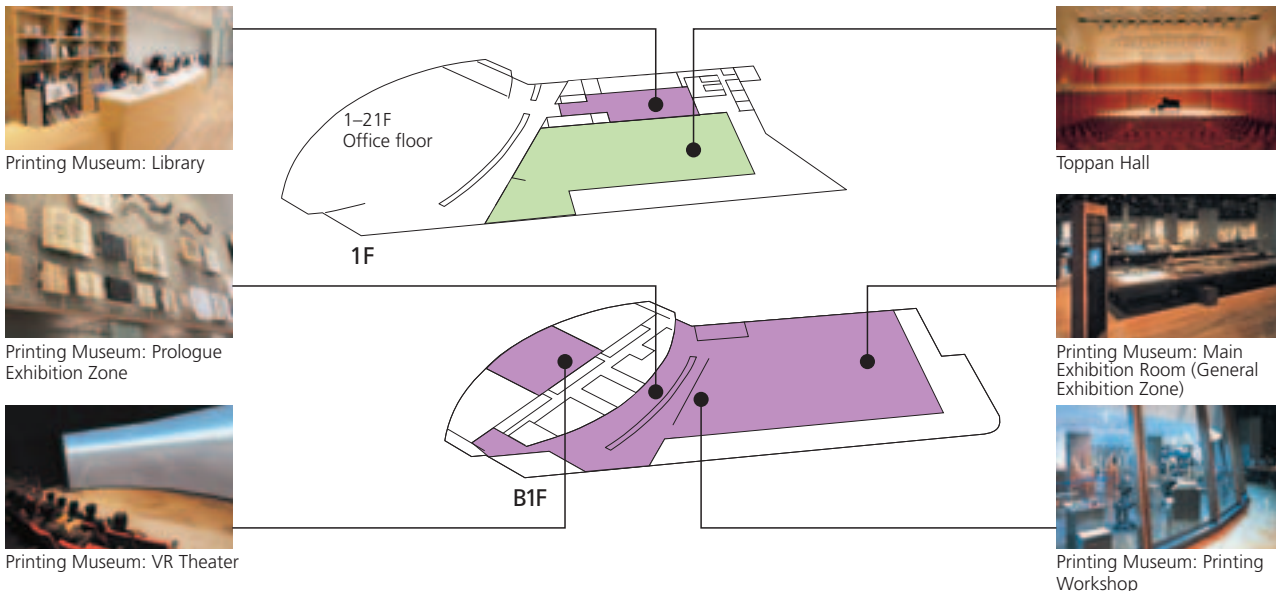
evolved from hand-drawn techniques to photomechanical processes. It also introduced American society and poster artists during the wartime era. The second exhibition traced the history of printing technology from the invention of Gutenberg’s printing press onward.

### Toppan Hall

Toppan Hall is a classical concert hall with 408 seats, designed for the sharing of impressions.

A wide range of performances have been held there, from recitals by world-famous musicians to the *Lunchtime Concerts* and *Espoir* series for the discovery and fosterage of talented youth. Special programs such as *Mozart Zyklus* and *String Duo Series* stirred critical interest in fiscal 2006, and the *Final Concerts* by the oboist Fumiaki Miyamoto attracted great public attention. Toppan Hall is also lent out for the Music Competition of Japan and local elementary schools. Many people use the hall each year (more than 260,000 people since the hall was opened).

### Cultural Facilities Annexed to the Toppan Koishikawa Building





**Supporting and Sustaining Education Culture**

Toppan works with The Mainichi Newspapers Co., Ltd. and the Japan School Library Association as a cosponsor of the Central Contest for Book Report Drawings, an annual contest to encourage students to express their impressions of books by drawing. The judges of the 18th competition in 2006 received 521,985 picture entries from 7,385 schools.

Tokyo Shoseki Co., Ltd. opened The Textbook Library, Japan's first repository of school textbooks, back in 1936. This library now houses about 150,000 volumes, from the newest textbooks to historical literature and documents from the Edo Period. The entire collection can be freely browsed at no charge. The Tosho Education Award was established in 1984 with the aim of contributing to education. The library selects the best essay on teaching from submissions and chooses winners every year.

**Contributions to Society through Music**

In 1959, Froebel-Kan Co., Ltd., a publisher of children's and illustrated books, organized the Froebel Boys Choir as a social and cultural project. Boys choirs are relatively rare in Japan. As many as 1,000 boys have passed through the ranks of the choir since its founding.

The choir now has about 90 young vocalists, ranging from 3-year olds to junior high-school students. The boys carry out wide-ranging activities, including appearances on television and commercials. Their annual concerts with performances of the movie songs of Anpan Man, the popular animation series for kids, have always commanded a strong following.

Tokyo Shoseki Co., Ltd. is a joint sponsor of the Association of Children's Songwriters in Japan's Nursery Rhyme Culture Award. Tokyo Shoseki is working to popularize children's songs as a means of handing over Japanese culture to the coming generation.

**For the Development of the Printing Industry**

Toppan has always striven to develop the printing industry and promote information culture in Japan as the industry leader.

From 1995 to May 2007, Toppan Chairman & Representative Director Hiromichi Fujita spearheaded various efforts to develop the industry through his activities as the chairman of the Japan Federation of Printing Industries.

In fiscal 2006, the standard proof-correction marks for printing in Japan were revised to enable digital composition by computers. The Japan Federation of Printing Industries was deeply committed to this effort, the first full-fledged revision of an industry standard in four decades. The federation issued a list of the revised proof-correction marks and held seminars on correct usage of the marks and proper understanding of *Kanji* (Chinese characters) and character types.

The federation has also established the Integrated Environmental Printing Recognition System, a system to facilitate concerted efforts for environmental conservation by the printing industry.



String Duo Series  
Thomas Zehetmair & Ruth Killius



Central Contest for Book Report Drawings



Japan's Nursery Rhyme Culture Award



Kanatomi Konzert, a concert by Kanatomi Primary School in Bunkyo Ward, Tokyo



The Textbook Library



Froebel Boys Choir

# Activities for Contributing to Local Communities

Wherever Toppan operates around the globe, its operational sites fulfill their responsibilities as members of communities and respond to expectations as corporate citizens coexisting with others in the communities.

## Harmony with Local Communities

Toppan believes every operational site must fulfill its responsibilities as a member of a community and respond to expectations in building better relationships as a corporate citizen coexisting with others in the community. Toppan contributes to and communicates with local communities, mainly through activities in which its own employees participate.

Personnel from every operational site beautify the environments around the plants, hold blood donation drives, and proactively participate and support local events. The operational sites offer plant tours and hold practical training sessions to nurture the next generation and assist with employment support. The sites also open their facilities as venues for local residents, organize initiatives to prevent crime and disasters, and undertake various other activities.

### Community Cleanup, Beautification, and Blood Donation Drives

Toppan employees beautify local environments by weeding shrubbery, caring for

pine forests, and cleaning up public roads, parks, shopping streets, and rivers around the operational sites.

In response to a call from the Mie prefectural government, volunteers from the Mie Plant have cleared up domestic litter illegally dumped along the national roads for the last two years. Employees from the Niigata Plant, meanwhile, have weeded the revetment area at a nearby river and dredged up mud from the riverbed.

In addition to the various other initiatives at the operational sites, 8,495 people at 31 operational sites throughout Japan took part in cleanup and beautification activities and 2,562 people at 29 operational sites participated in blood donation drives in fiscal 2006 (on a cumulative basis).

### Plant Tours and Support for Learning outside School

Toppan's operational sites welcome local residents for plant tours and elementary and junior high school students for on-site tours for the nurturance of the next generation. Toppan received 1,471 visitors at 19 operational sites in fiscal 2006. Cooperating with a learning-through-

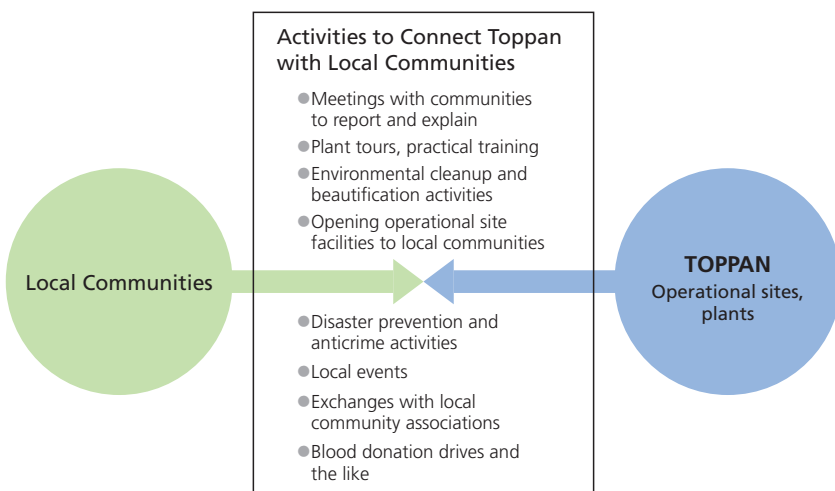
work program held at a nearby junior high school, the Shiga Plant welcomed second-year students to experience documentation and data entry with personal computers.

### Employment Support

Toppan provides employment support by offering students internships to help them glean a practical understanding of the printing industry and an awareness of the importance of work. At the Toppan Idea Center Nishinohon Co., Ltd. in Fukuoka Prefecture, university students from Japan and overseas learned and practiced techniques as directors and digital photographers for the planning and production of printed materials.

Students from schools for the disabled have taken part in plant tours and practical training sessions rich with opportunities for human exchange and recreation with Toppan personnel. In developing practical drills for these students in the plants, Toppan fully considers the capabilities of the students as individuals and appropriately prepares safe and secure environments. Employees conversant in sign language assist with the drills, for example.

## Toppan's Activities for Contributing to Local Communities



Neighborhood cleanups during new employee training



River cleaning

**Opening Operational Sites to Local Communities**

The Niigata, Asaka, Itabashi, Sagami-hara, Shiga, and Osaka Ebie Plants open their gymnasiums to neighboring residents, community groups, and school clubs. Other operational sites loan out their meeting rooms and dining facilities as venues for local meetings. The Technical Research Institute and Sagami-hara Plant open up their parking lots to people visiting nearby grounds and those attending special events at neighboring kindergartens. The Koishikawa Site lets the residents of a neighboring condominium use its parking lot as a substitute for their basement parking when the risk of overflow from the Kanda River rises during typhoons.

**Initiatives Overseas**

Operational sites in the U.S., Europe, and Asia contribute locally and communicate with their communities in the same ways as the operational sites in Japan. The basic policy behind their local initiatives is to carry out community-based activities in full consideration of local laws, customs, and cultures. The operational sites wel-

come people from their local communities for plant tours, while site personnel clean up the surrounding environment, take part in local volunteering activities, hold blood donation drives, make charitable donations, and participate in and support gatherings and events to promote the understanding of different cultures.

**Initiatives in Asia**

P.T. Toppan Printing Indonesia and Siam Toppan Packaging Co., Ltd., Toppan's bases in Indonesia and Thailand, have donated stationery, school bags, and other everyday items to children from elementary schools and orphanages to assist them with their classroom work.

In addition, 74 employees from Siam Toppan Packaging have cooperated with the local Red Cross Society in blood donation drives.

**Initiatives in the U.S. and Europe**

Toppan Photomasks, Inc. operates various bases throughout the U.S. and Europe. Its Santa Clara (U.S.) manufacturing site has donated to the Second Harvest Food Bank, a nonprofit provider of food to those in need. Employee volunteers have participated in campaigns

with the Food Bank to distribute food. Toppan Photomasks Germany GmbH (Dresden), meanwhile, has donated to an organization that supports the mentally disabled and has worked with that organization to offer employment opportunities to people with mental disabilities.

At Toppan Interamerica Inc. in the U.S., 15 employee volunteers helped organize Special Olympics events for children with intellectual disabilities.



Informal session (facility tour)



Donating stationery and everyday items (P.T. Toppan Printing Indonesia)



Donating stationery and everyday items (Siam Toppan Packaging)



Plant tour for elementary school students



Participating in local events

**Monetary Donations to Areas Struck by the Earthquake in Central Java, Indonesia**

Toppan donated money through the Japanese Red Cross Society for recovery assistance in areas affected by the devastating earthquake of May 2006 in Central Java, Indonesia.

# Merit-based Personnel Policies

Toppan values its employees as important assets (“human assets”) for the Company. In line with the personnel policies set to achieve *TOPPAN VISION 21*, the Company extends full support to its personnel to encourage their highly motivated, vigorous, and earnest efforts.

## Basic Concept of Human Assets

Toppan values its employees as precious company assets and recognizes how much it depends on its people. From this perspective, Toppan supports the motivated, vigorous, and earnest work of the Toppan workforce.

Toppan keenly understands the importance of a motivation to take on new challenges, a spirit to work vigorously with a healthy body and mind, and an earnest commitment to follow through on tasks to completion. The Company believes that its people must work vigorously, earnestly, and with strong motivation if they are to fully show their true abilities.

Toppan strives to draw out and enhance the abilities and organizational powers of every employee through the stages of hiring, appointment, training, promotion, and treatment. To do so, the Company places importance on communication between superiors and subordinates under mutual trust. The Company pursues its goals with well-defined visions, formulates structures to strictly and appropriately enforce rewards and

penalties, and works to establish an open and fair environment.

## Basic Thinking on Personnel Policies

Toppan recognizes that it can build the trust and respect of society, customers, and other stakeholders by encouraging all of its employees to pursue the realization of *TOPPAN VISION 21* through conduct of high value. In keeping with this conviction, the Company’s personnel policies for hiring, appointment, training, promotion, and treatment are all based on conduct of high value and abilities and skills.

The term “conduct of high value” describes the concrete activities that go into the realization of the Corporate Philosophy and Corporate Creed. “Abilities and skills,” meanwhile, are indispensable to the practice of valuable conduct. Job-specific assessment items are set for sales, planning, manufacturing, technology, business administration, and research and development within the framework of abilities and skills. Business administration is further divided into finance, legal affairs, purchasing, personnel, and labor.

## Personnel Treatment System

Toppan has formulated a personnel treatment system based on the competence and achievement of each employee. The system is designed to encourage employees to fully exert their diverse abilities and skills.

### Revision of the Managerial Staff Treatment System

Managerial staff at Toppan are treated commensurately with their achievements as evaluated under a newly introduced system. The evaluations focus on efforts to encourage conduct of high value for the realization of *TOPPAN VISION 21*, and overall efforts to improve business performance from the stages of goal setting to the achievement of results. From fiscal 2007, the system for treating managerial staff will place more weight on job roles within Toppan than on capabilities to perform jobs.

### Functional Classification

Toppan has operated a multi-track job function framework for non-managerial staff since fiscal 2004. Employees in the

## Number of Employees

As of March 31 each fiscal year; the number of temporary staff is the average number from January to March.

		Number of Executives	Management Class	Supervisor	Total Number of Employees	Average Tenure	Average Age	Sum Total of Employees	Part-time Workers	Temporary Staff
Fiscal 2004	Male	30	1,844	2,166	9,679	16.3	38.7	10,548	893	915
	Female	1	2	44	869	10.0	31.7			
Fiscal 2005	Male	30	1,889	2,106	9,693	16.0	39.1	10,582	1,103	1,142
	Female	1	11	56	889	9.5	31.6			
Fiscal 2006	Male	30	1,796	2,173	9,964	15.8	39.0	10,899	1,163	1,851
	Female	1	15	69	935	9.4	31.6			

## Recruits

			Fiscal 2005	Fiscal 2006	Fiscal 2007
Regular recruitment of new university graduates and post-graduates	Sales, administration, etc.	Male	88	142	178
		Female	32	43	66
	Technical	Male	117	166	170
		Female	33	34	36
New graduates from high schools and National Colleges of Technology	Male	99	181	151	
	Female	23	28	25	
Total number of regular recruits (percent female)			392 (22.4%)	594 (17.7%)	626 (20.3%)
Mid-career recruitment of experienced personnel			135	150	119

## Reasons for Leaving

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Personal reasons	284	284	320
Retirement	109	56	117
Requested by the company	0	0	0
Accession to directorship	8	5	3
Total	401	345	440
Turnover rate	3.5%	3.1%	3.9%

sales, planning, technology, research, and business administration departments are evaluated under a five-grade scheme. Employees in the manufacturing departments, meanwhile, are working under an eight-grade scheme. As a step forward, a wage system tailored to each grade scheme has been introduced in this framework since fiscal 2005. With this revision, differences between actual task performance and achievement are reflected in the determinations of wages and other allowances.

In fiscal 2006, the Company drastically renewed its system for reviewing the performance and making promotion decisions. New criteria were established for the selection of capable employees for early promotion. Interviews, tests on management aptitude, and task announcements were also commenced to tighten the selection process.

**Goal Setting and Transparency in Evaluation**

Toppan applies a management-by-objective (MBO) system for managerial staff. Goals are set, midterm goals are modified, and results are evaluated based

on conduct of high value according to three criteria of operating performance: achievement, conduct, and competence/skill. Toppan emphasizes sufficient communication with superiors during the process as needed for goal sharing, transparency in evaluation, and enhanced satisfaction.

In working with non-managerial staff, Toppan feeds back evaluation results to employees individually and works within a carefully designed framework to share common recognition on achievements, unachieved tasks, and future goals.

**Proper Operation of the Personnel Evaluation System in Cooperation with the Labor Union**

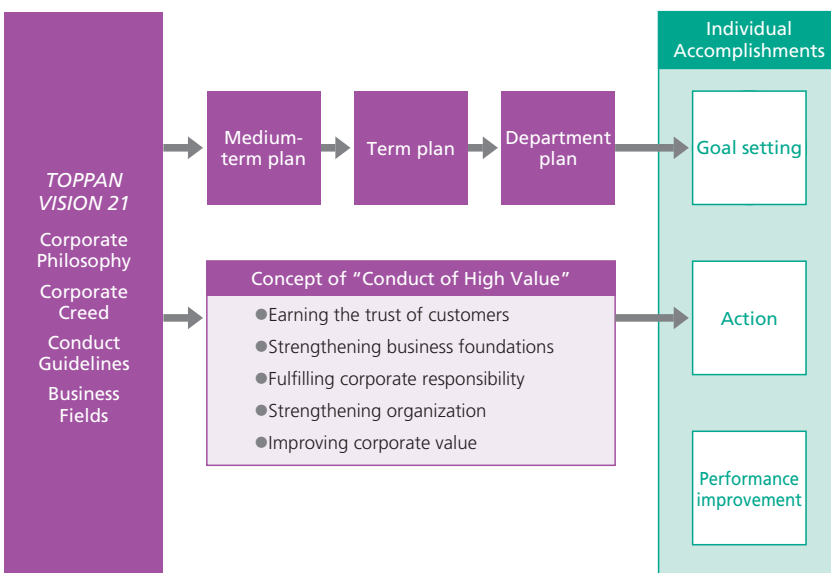
The labor union conducts questionnaire surveys of employees to assess how thoroughly the Company informs its employees of the evaluation criteria the Company uses to set annual allowances and bonuses. The questionnaire gauges the status of opinion exchanges with superiors on the alignment of job goals, the level of achievement, issues to be solved or improved in the future, and the degree to which employees are satisfied

with their feedback interviews.

The questionnaire results are reported to management and used for comprehending and reviewing the operation of the personnel system. Management seeks to develop and operate the personnel system more effectively in cooperation with employees at all times.

Toppan has introduced a union shop system. In principle, all non-managerial employees are members of the labor union.

**Basic Thinking on the Personnel Treatment System**  
Process management from goal setting to the improvement of job performance



**Average Annual Salary\***

Fiscal 2004	6,890,638 yen
Fiscal 2005	6,957,713 yen
Fiscal 2006	6,751,069 yen

\*Including annual bonus and nonstandard wages

# Fostering and Developing Human Assets

Human assets are developed and fostered at Toppan based on conduct of high value and abilities and skills to develop individuals and the Company as a whole.

## ■ Concept of Human Asset Development and Fostering

Toppan's rank-based training helps employees learn and understand the roles, responsibilities, and obligations of each rank, and appreciate and practice conduct of high value. The Company also offers a variety of training programs systematically to encourage employees to acquire the abilities and skills required by each division, department, and workplace. Employees participating in rank-based and departmental training sessions act as facilitators or trainers to lead and train others in styles closely attuned to actual business situations.

A cumulative total of 1,795 employees participated in rank-based training programs sponsored by the head office last year. A cumulative total of 24,140, meanwhile, took part in various training programs held by divisions such as rank-based and departmental trainings and selective or optional trainings. The Toppan Business School, meanwhile, offered training to 4,619 employees cumulatively in the course of the year. The curricula at this school are customizable to employee career designs and include optional

(group) courses, the Challenge School (correspondence learning programs), and a video library with a collection of more than 700 video titles.

In addition to the educational programs on CSR activities, personal information protection, and sales available through e-learning, educational seminars on the promotion of CSR activities are conducted in rank-based training. The preparatory course for DTP experts certificated by the Japan Association of Graphic Arts Technology (JAGAT), meanwhile, offers chances to acquire enhanced individual competencies and skills, mainly for employees from the design, prepress, and sales departments (331 employees have acquired the certification so far.)

## Coordination between Development and Fostering

Toppan rotates employees within and between divisions. The objectives are to foster human assets capable of dealing with all of Toppan's products and to fulfill the Company-wide priority themes: integrated strength enhancement and Total Quality Assurance. Toppan also implemented a horizontal rotation among different lines of work to cultivate versa-

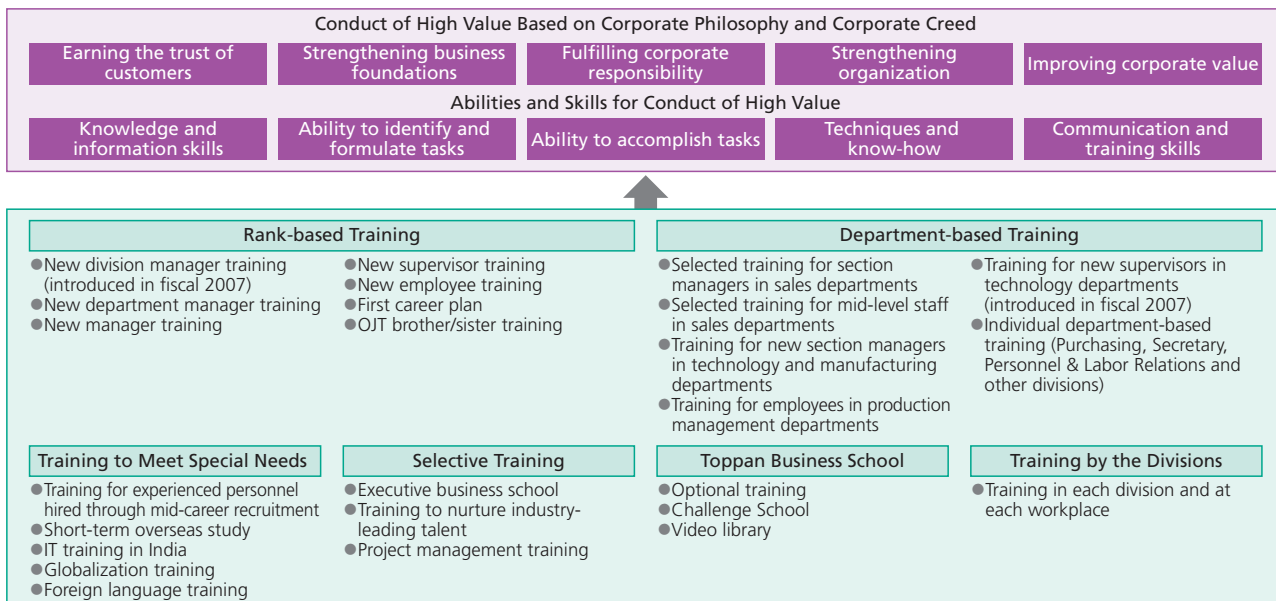
tile skill sets. Some newly hired employees were rotated between divisions in Tokyo and local cities in Japan to balance their knowledge and expand the scope of their skills.

Rank-based training was conducted for new employees, mid-level staff, and department/section managers in the sales, technology, and research departments in Tokyo, in order to strengthen the unity of departments and synergy among divisions.

Toppan also strives to enhance its integrated strength through its commendation system, a system to recognize employee proposals and performance based on the Company's integrated strength.

The Company held four Human Resources Development Leader Meetings in fiscal 2006 to discuss improvement of human resource development. These meetings identify important training issues in departments and strengthen the synergy of Company-wide training and specialized training in the divisions and departments. Toppan will continue to hold these meetings and offer opportunities to more effectively foster human assets by tailoring guidance and training to the career visions of individual employees.

### Toppan's Human Asset Development Program



**Assignment and Fostering of Newly Hired Employees**

Employees hired mainly by regular recruitment are interviewed on at least three occasions before formal assignment: at their recruitment, during orientation just after they enter the Company, and shortly after they are assigned. At each interview they have the opportunity to express their wishes for posting and to confer with their supervisors on the divisions most suitable for their career plans.

Every employee also has a chance to meet with a supervisor after one year to discuss whether the employee's current workplace is suitable or not. After this interview, the Company officially determines the division or departments to which the employee should be assigned.

Toppan regards the first three years after recruitment as the fostering period for a new employee. A senior associate in the employee's new workplace is appointed as a Brother or Sister. The employee, the employee's immediate superior, and the Brother or Sister work together to form a vision of an ideal future for the employee at the end of the fostering period and set career goals. They also prepare a "design sheet for

ability and skill development," an action plan with a checklist of accomplishments that the employee is to achieve on the way to his or her goal.

**People-to-People Exchange with the Overseas Group Companies**

Toppan temporarily assigns employees to posts in overseas Group companies as a means of promoting people-to-people exchange among Group companies. It also accepts employees from overseas Group companies as trainees through its education and skill training systems. The Company received two trainees from Toppan Printing Co., (Shenzhen) Ltd. in fiscal 2006.

**Fostering of Human Assets who Can Respond to Globalization**

Toppan highly values its system to support overseas study for the fostering of people who can play active roles in global businesses. Employees have the opportunity to participate in the following specialist training programs: the MBA abroad program to foster experts in business management, the study abroad program for engineers to foster technical human assets and build overseas networks, IT

training in India for in-house IT specialists, and the support system for short-term overseas training to foster human assets in the sales and planning departments.

Toppan's globalization training to mobilize fitting responses to globalization is a set of individualized courses to help candidates for overseas assignments and employees from departments involved in overseas businesses acquire basic skills for working internationally (such as cross-cultural communication, proposing and presenting in other languages, coordinating and managing conferences, and negotiating and persuading overseas business-people). Toppan has offered effective globalization training since 1996. All of the 100 employees who have participated are now working in overseas Group companies or departments involved in overseas businesses.

**Results in Human Asset Development**

	Funds Spent on Training per Employee	Usage Rate of Toppan Training Center*1
Fiscal 2004	45,800 yen	56.9%
Fiscal 2005	36,600 yen	51.8%
Fiscal 2006	37,900 yen	51.5%

\*1 The Toppan Training Center was established in July 2004. The usage rate in fiscal 2004 was calculated by dividing the number of days the facility was available by the number of days it was actually used during the period from July 2004 to March 2005 (including use by subsidiaries and affiliated companies).

**Personnel Rotation\*2**

	Employees Transferred	Percentage of Total Workforce
Fiscal 2004	343	3.3%
Fiscal 2005	326	3.0%
Fiscal 2006	301	2.8%

\*2 Including only rotations among different divisions to develop human assets for integrated strength enhancement and Total Quality Assurance

**Fixation Ratio of Recruits (percentage of recruits hired in fiscal 2004 who are still working at Toppan)**

	Male	Female
Hired on April 1, 2004	177	47
Still with Toppan as of April 1, 2007	160	37
Fixation ratio	90%	79%
(Average totals for males and females)	(88%)	
Percentage who leave the company before working three years	12%	



Trainees from Shenzhen



Globalization training

# Leveraging Diverse Human Assets

The Company draws its competitive strength from the full use of the diverse strengths of its people. Toppan conducts various measures to leverage an array of human assets from the viewpoint of diversity\*1.

## Open Recruitment

Toppan offers employment opportunities through regular hiring for new graduates from universities, National Colleges of Technology, and high schools in spring (every April) and autumn, and through mid-career recruitment for experienced personnel year round. In fiscal 2006, the Company tested out a few new ideas in the recruitment process in order to draw out the innate merits of every candidate. It conducted interviews in casual wear, for example, and adopted hiring standards based on the conduct of high value in keeping with the principles of Toppan's Corporate Philosophy and Corporate Creed. Recruitment screenings are conducted in seven venues in Japan to provide a more open environment for hiring. Internship programs are held on an ongoing basis. Seventy-eight interns participated in fiscal 2006.

Toppan hired 119 experienced personnel in fiscal 2006. Twenty-nine of them (24.4%) had worked in Toppan previously as temporary staff or part-time workers.

The Company hires foreign nationals and helps them procure working visas when required.

## Systems for Self-determination on the Career Path

Toppan offers its employees various opportunities to take on new challenges through the Challenging Job System, in-house staff recruitment system, and overseas study support system. The Company is establishing an ideal environment for employees who are eager to create their own careers.

The Challenging Job System provides the employees with opportunities to voluntarily report their own work experiences, official qualifications, language abilities, medium-to-long-term career aspirations, and the names of the departments and divisions to which they would like to be transferred. The system also gives employees opportunities to exchange opinions with superiors in interview settings and to personally make requests regarding their own career plans, Company-wide affairs, and other issues.

## Reinforcement in Leveraging Female Employees

Toppan proactively appoints female employees to managerial and supervisory positions. The Company's efforts have increased the number of female managerial and supervisory staff to 112, or 2.6% (as of April 1, 2007); The target for Fiscal 2007 is 2.75%.

Young female managers and supervisors at Toppan have played a central role in launching projects to help maintain working environments in which female employees can work more energetically and freely.

### The Female Project Teams

In April 2006, the Company assigned a number of all-women teams to develop new products and services from a feminine perspective. Four teams are currently in operation: the GTJ Project to plan for sales promotion tools for women's goods; the Consumption Behavior Laboratory to conduct market research on consumer products; the SP Team to plan out advertisements for women's magazines; and the Life Navigator Team to propose packaging for food and daily commodities.

## TOPPAN CAFÉ

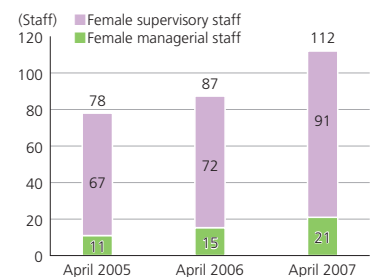
The TOPPAN CAFÉ is a series of consultation sessions to discuss the concerns and difficulties of college students as they prepare to enter the labor market as recruits. In total, 246 third-year college students attended nine sessions held in the Toppan Koishikawa Building in late October, 2006.

TOPPAN CAFÉ is not a company orientation session for students who want to work at Toppan. The purpose is to put college students in touch with young Toppan employees in charge of recruitment, to ease their anxieties about the hunt for employment. By holding TOPPAN CAFÉ in small groups, participants are encouraged to speak and ask questions more freely.



TOPPAN CAFÉ participants in discussion

## Female Managerial and Supervisory Staff



\*1 Diversity: "Diversity is a 'strategy of utilizing a variety of human resources.' Avoiding the hitherto established standards within firms and society and taking into consideration the values and concepts of various attributes (gender, age, nationalities, etc.), this is a strategy which responds to the changes in business environment in a rapid and smooth manner to achieve firm growth and individual happiness." (Regression to the Origin—The Directions of Diversity Management from Japan Federation of Employers' Associations: May 2002)



Toppan's divisions and departments engage in businesses involving far more than the receipt of orders for printed materials. Many departments, for example, study market needs, propose products and services, and design products and distribution channels for client companies. The ideas and sensitivity of women can hone the competitiveness of Toppan in all of these activities.

**Support for Second Careers**

To support second careers in company life, Toppan offers diverse options for second-career employees by developing suitable work categories and positions. The Company builds up a structure to use the knowledge, experience, techniques, and skills that employees acquire through long years of work. Toppan also operates a Senior Reemployment System to offer retired employees extended tenure at the Company on a post-retirement basis until they reach the age of 65. Sixty-three of 117 employees who retired in fiscal 2006 were reemployed in the same year and now remain with the Company.



Members of the four all-women teams

**Internal Venture System**

The Internal Venture System was established in January 2001 to discover human assets abounding in entrepreneurial spirit and to create next-generation businesses. Fifty projects have been proposed under the system so far. This has led to the founding of one company (Toppan Character Production Co., Ltd.), the initiation of two businesses, and a proposal that has been integrated into an in-house project.

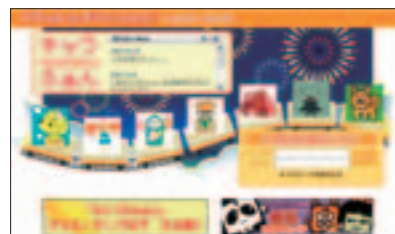
Toppan Character Production received an in-house award from the Company in recognition of its success in business over the first five years of operation.

**Ongoing Success in the Employment of Persons with Physical Disabilities**

In 1993, Toppan founded Tokyo Metropolitan Government (T.M.G.) Prepress Toppan Co., Ltd., a special subsidiary to employ persons with physical disabilities. Since then, Toppan's ongoing measures to promote the hiring of persons with physical disabilities have been handled



Toppan Character Production Co., Ltd. won an in-house award for succeeding in its internal venture business.



Website of Toppan Character Production Co., Ltd. (in Japanese) <http://www.chara-pro.com>

mainly via this company. As of June 1, 2007, persons with physical disabilities accounted for 1.84% of the total workforce in the Company.

In September 2005, the Health, Labour and Welfare Minister named Toppan a Company with a Distinguished Record in the Employment of the Disabled, in recognition of Toppan's ongoing success in attaining the statutory employment rate of persons with physical disabilities.

**Propriety in Contract and Dispatch**

The Toppan head office notified all of the operational sites of the revised Worker Dispatch Law before it was enforced in March 2004. The operational sites have responded accordingly. Based on the actual conditions at workplaces, Toppan always monitors compliance with this law, especially the provisions regarding the distinction between "contract" and "dispatch" in manufacturing departments. Company monitoring has confirmed that no unlawful contracts have been concluded by any of the manufacturing departments to date.

**Employees with Physical Disabilities**

	Employees	Percentage of Total Workforce*2
Fiscal 2004	134	1.83%
Fiscal 2005	138	1.81%
Fiscal 2006	146	1.84%

\*2 The rate is calculated based on the total number of employees (as of June 1, 2007) as a denominator. The total number was presented in the Disabled Persons Employment Report in accordance with Article 8 of the Law for Employment Promotion, etc. of Disabled Persons.



T.M.G. Prepress Toppan Co., Ltd. with its barrier-free working environment

# Realizing a Safe and Secure Working Environment

Toppan recognizes that a safe and secure working environment for its employees is not only a social responsibility, but also a prerequisite for improved productivity. The Company goes to great lengths to assure safety and security beyond mere compliance with relevant laws and regulations.

## Respect for Basic Human Rights

The Conduct Guidelines call for the assurance of the dignity of individuals under all circumstances, and no invidious discrimination on the basis of race, ethnic group, nationality, religion, gender, or physical characteristics. To raise esteem for basic human rights, including the ongoing prevention of sexual and power harassment, Toppan conducts awareness-raising activities during rank-based training for new employees, new supervisors, and new managerial staff. There were 1,795 trainees in fiscal 2006.

To resolve and prevent troubles with sexual harassment, the Company established a Basic Policy on Sexual Harassment at the Workplace and deployed sexual harassment counselors in July 1999.

No instances of child labor or forced labor have ever occurred in the Company.

## Occupational Safety and Health

Toppan makes every effort to eliminate workplace accidents through the work of the Safety and Health Committee, a body made up of both labor and management.

The Safety and Health Subcommittee set up under the committee as a Total Productive Maintenance (TPM) activity is seeking to increase the synergy of production activities and safety and health measures. Toppan also carries out proactive safety checks in cooperation with technology departments before installing equipment. This is an essential step for avoiding disasters.

## Countermeasures against Fires and Disasters

In addition to implementing a comprehensive disaster-preparedness drill, Toppan's fire-response squads have participated in the Self-defense Fire Training Competitions held by local fire departments in alliance with and under the guidance of Toppan Security Service Co., Ltd. These squads have scored in the top ranks at every regional competition. Toppan also conducts drills on earthquake countermeasures to practice the initial actions to be taken, and specialized drills to confirm safety and provide employees with the information they need to return safely home after a major quake.

## Healthcare and Enhancement

Toppan arranges regular medical check-ups and screenings for lifestyle-related diseases in order to maintain and enhance the health of employees by preventing and promptly detecting health problems. Based on the results of these checkups, the Company introduced a Lifestyle Improvement Support Service on a trial basis in fiscal 2006. Employees in need of lifestyle improvements are offered guidance for a fixed period on early actions they can take to stave off health problems. The Company runs 59 clinics across Japan in cooperation with the Toppan Group Health Insurance Union. These clinics hold various lectures on health and offer guidance on healthcare and nutrition based on the results of health examinations. Toppan also supports the enhanced health of the Toppan workforce by offering employees the opportunity to use 500 fitness clubs throughout Japan contracted by the Toppan Group Fraternal Benefit Society.

### Workplace Safety and Health

	Deaths from Work Accidents	Frequency Rate*1	Severity Rate*2
Fiscal 2004	0	0.41	0.01
Fiscal 2005	0	0.24	0.01
Fiscal 2006	0	0.16	0.02

\*1 Number of employees injured or killed in labor accidents per million working hours (reflects the frequency of labor accidents)

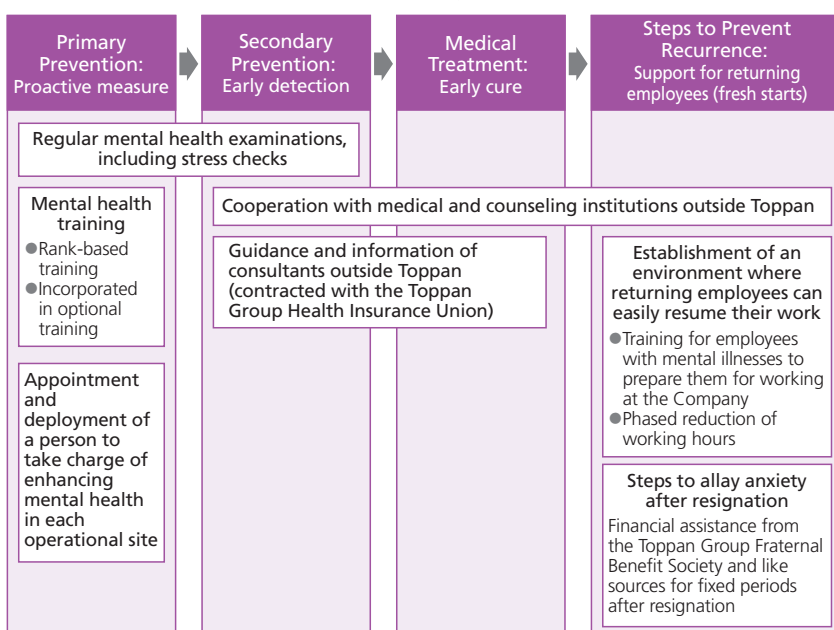
\*2 Number of workdays lost as a consequence of labor accidents per thousand working hours (reflects the severity of labor accidents)

### Status of Main Work Holiday and Leave Systems

	Average Ratio of Annual Paid Work Holidays Used*3	Employees Using the Maternity Leave System	Employees Using the Childcare Leave System
Fiscal 2004	38.1%	38	46
Fiscal 2005	38.9%	32	55
Fiscal 2006	41.2%	40	58

\*3 Average number of holidays used/average number of holidays granted

### Overview of Mental Health Maintenance System



**Reinforcing Measures for Mental Health**

Toppan enhanced rank-based mental health training in fiscal 2006 and appointed a person to take charge of enhancing mental health at each operational site. The reinforced measures for mental health at the workplace are well recognized as Company-wide tasks. Toppan will be taking steps in fiscal 2007 to support returning employees as they resume their work at the Company.

**Efforts to Shorten Total Working Hours**

With the special conditions of the printing industry, the reduction of the hours of overtime worked by employees has been a longstanding challenge. The Company has responded by developing measures focused on actual conditions. Each operational site, for example, has appointed a labor-management committee to reduce overtime work and increase the ratio of annual paid work holidays used. In fiscal 2006, Toppan went back to the basic principle: employees should only perform overwork if instructed to do so directly by their superiors. Efforts to

prevent habitual overtime work and to shorten total working hours have produced steady effects through a strengthening of overtime work management by managerial staff and a tightening of necessary procedures. Toppan encourages employees to take holidays individually through planned leave on consecutive holidays granted in summer and other seasons, as well as through personalized holidays to commemorate anniversaries and other important events for individuals. The usage ratio of annual paid work holidays was 41.2% in fiscal 2006, up by 2.3% from the year before.

**Support for Achieving Work-Life Balance**

Toppan has striven to establish an environment in which employees can easily take childcare leave. It does so by providing systems for maternity and nursing care leave, for reduced working hours, and for higher dependent family allowance.

The Company has introduced a system in fiscal 2006 for rehiring employees who resign from the Company to deliver and bring up children (→P.21). The system for reduced working hours for employees who need to care for a child has also

been extended. This reduced schedule was originally offered to a parent until his or her child reached the age of three; now it is available until the child completes the third year of elementary school. These enhancements of the working environment improve the opportunities for employees to achieve a good work-life balance. The Company will continue to facilitate similar measures in cooperation with the labor union.

**Labor-Management Partnership**

In keeping with the perception that labor and management are partners in shared ideals, Toppan works with various administrative issues and holds a range of events in cooperation with the labor union. Business councils are convened as forums to discuss wide-ranging administrative issues, for example, and special committees are maintained to exchange views on the wage system, working hours, occupational safety, welfare, and many other subjects. Toppan management and the labor union work together to create safe and secure working environments through these efforts, together with measures to nurture the next generation and maintain and enhance health.

**Main Work Holiday and Leave Systems/Work-Life Balance and Measures to Support the Development of the Next Generation**

Stock Leave	Employees can accumulate up to 50 days of annual paid leave that would otherwise be lost if not exercised within two years from the date they are earned. Employees are eligible to use their stock leave when they or their dependents require treatment or nursing, or for recovery from unexpected accidents.
Maternity Leave	Employees—fulltime, contract, and part-time—can take six weeks of leave before childbirth and another eight weeks after.
Childcare Leave	Both mothers and fathers are eligible for continuous childcare leave until their child reaches the age of 18 months (six male employees have taken childcare leave so far). Employees receive 10% of their regular salaries during the leave. They can also work for shorter hours (maximum reduction of two hours per day, in principle) from the date of their return to the job until their child completes the third year of elementary school. Toppan subsidizes some childcare costs and provides childcare-related information through a consultation office. Employees can consult with the Company to discuss their career plans for after they return to work.
Rehiring of Employees who Leave the Company to Raise Children	Rehiring is guaranteed for an employee who resigns to deliver and raise a child, provided that the employee has worked for Toppan for more than three consecutive years just before resigning. A resigned employee who meets these conditions will remain eligible for rehiring until May 1 of the year when her child enters primary school.
Nursing Care Leave	Employees are entitled to take leave for the nursing care of at least one family member when necessary. The maximum consecutive leave is one year and the maximum reduction in a working day is two hours. The Company subsidizes some nursing costs and provides information through a consultation office.
Healthcare Leave	Employees can take up to 10 days a year of leave. These days can also be taken in half-day allotments when necessary.
Volunteer Leave	Employees can take a maximum of one year, in principle, of volunteer leave to engage in socially beneficial activities. Employees on volunteer leave receive an allowance.
Dependent Family Allowance	The Company pays every employee a monthly allowance of 20,000 yen for each child in the employee's family. The allowance is discontinued on the first April 1 to arrive after the child's 18th birthday.
Partial Subsidization of Babysitter Expenses	Toppan Group Fraternal Benefit Society subsidizes 50% of babysitter expenses, up to a maximum of 5,000 yen a day, for up to 90 days a year.
Other Systems	The Toppan Group Health Insurance Union offers a supplementary allowance in addition to a lump-sum allowance for childbearing and child rearing. It also provides one-year free subscriptions to the monthly childcare magazine <i>Baby and Mommy</i> and runs a consultation office for employees with questions about the health of the mind and body.

# Improved Transparency and Appropriate Profit Distribution

Toppa works to continuously enhance corporate value and establish long-lasting stable relationships with shareholders through fair and open disclosure of its management activities and appropriate profit distribution.

## Increasing the Transparency of Management Activities

Adhering to its IR motto "fair and open disclosure of management activities," Toppa thoroughly discloses information through various communication tools for each stakeholder (→P.26).

### Disclosure of IR Information

Under the in-house Basic Policy on IR, Toppa has built an exclusive IR website to ensure fairness, transparency, and promptness in its disclosure of IR information. Toppa has been announcing its financial results quarterly via the Company's website and *Toppa Story*, a newsletter for shareholders. Public meetings with top management are also held to explain the Company's interim and full-year results. All documents distributed at these meetings are posted on the Company's IR website.

## Overview of Stock and Shareholders

As of the end of March 2007, the total number of outstanding common stock was 699,412,481 shares and the total number of shareholders was 48,059. Financial institutions, individual investors, foreign companies, and other companies make up 39.71%, 23.10%, 21.64%, and 13.78% of the shareholders, respectively. The principal shareholders are listed below.

### Dividend Policy

Toppa's fundamental policy for the payment of dividends is to provide shareholders with stable dividend payments and to distribute gradually increasing dividends, taking into account the dividend payout ratio. At the same time, the Company will retain sufficient internal reserves for strengthening the business structure and building a stable profit base. Sufficient reserve will be allotted to capital investment and research and development for expanding business fields with growth potential, with the objective of enhancing corporate value.

The Company will allocate retained funds to increase investment efficiency from a long-term perspective. Toppa believes that its policy on profit distribution will contribute to the enhancement of its corporate structure and increased future profitability, and thereby enable the Company to return profits to its valued shareholders.

The annual dividend per share at the end of fiscal 2006 was 20.00 yen, with a consolidated payout ratio of 50.5%.

### Meeting of Shareholders

Two-hundred-and-two shareholders participated in the ordinary general meeting in June 2007. Toppa believes that the Company should precisely reflect the wishes of its shareholders in the adoption of the Policies on Large-scale Redemption of Company Shares (policies to defend against takeover bids). The Company proposed a resolution to adopt policies to defend against takeover bids, and the proposal was approved at the meeting.

## Basic Policy on IR

### 1. Information Disclosure Standards

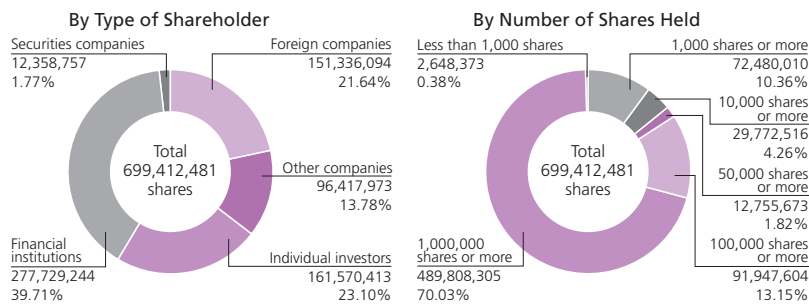
Toppa discloses all information required under the Rules on Timely Disclosure established by the Tokyo Stock Exchange. It also uses its website in a positive and fair manner to disclose useful information not required by the rules, in order to help shareholders and investors fully understand the Company.

### 2. Information Disclosure Methods

Information applicable to the Rules on Timely Disclosure is disclosed on the Timely Disclosure network (TDnet) provided by Tokyo Stock Exchange under the rules. Information disclosed on TDnet is posted on the Company's website as soon as possible.

In addition, the Company's website does not include all of the information disclosed by the Company and may include different expressions from those in other sources.

## Stock Ownership Profile



Principal Shareholders	Number of Shares Held (1,000 shares)	Percentage of Total Number of Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,404	5.77
Depository Nominees Inc.	33,747	4.82
Japan Trustee Services Bank, Ltd. (Trust Account)	31,600	4.51
Nippon Life Insurance Company	29,648	4.23
The Dai-ichi Mutual Life Insurance Company	24,750	3.53
NATS CIMCO	19,090	2.72
The Bank of Tokyo-Mitsubishi UFJ	15,628	2.23
Sumitomo Mitsui Banking Corporation	15,628	2.23
Employees' Stock Club	13,153	1.88
Kodansha Ltd.	13,077	1.86

Note: The 40,909,000 shares of treasury stock are included in the "Individual investors" category of the graph "By Type of Shareholder" and in the "1,000,000 shares or more" category of the graph "By Number of Shares Held." These shares are excluded from the above table "Principal Shareholders."

# Environmental Report

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Environmental Data ————— 80

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# Toppan's Environmental Activities

Toppan is aware of the importance of the environment as a management issue and is promoting environmental activities in all sectors of its business. Toppan's environmental activities can be placed into two main categories: the development and commercialization of environmentally-friendly products and the reduction of the environmental burden of production. The environmental burden caused by business activities is taken as the base of all activities.

## Declaration on the Global Environment

In 1991, Toppan established the Ecology Center and assigned it the role of overseeing its environmental activities. The following April, the Company laid out the Toppan Declaration on the Global Environment, a comprehensive environmental philosophy appended with explanations of methods to be used to translate that philosophy into action. Since then, the declaration has guided the efforts of all employees of the Group as they work together to advance Toppan's environmental activities under the leadership of the Ecology Center.

In September 2000, Toppan revised parts of its Toppan Declaration on the Global Environment to reflect reformed management policies. Reviewing the Environmental Action Plan regularly, Toppan treats the Environmental Targets set under the action plan as benchmarks of Toppan's environmental management performance as it works to improve environmental activities (→P.62).

The Toppan Declaration on the Global Environment will be thoroughly reviewed whenever social attitudes on the global environment significantly change. Toppan's work to upgrade its environmental activities will be ceaseless on every front.

### Toppan's Declaration on the Global Environment

1. Each of our employees recognizes the importance of global environmental issues and endeavors to conserve the global environment.
2. We actively promote energy/resource conservation and recycling as a means of conserving the global environment.
3. We abide by the law and social order, striving to prevent environmental pollution.
4. Through our business operations, we actively support our customers' activities to conserve the global environment.
5. In our research, we endeavor to develop products and technologies that help conserve the global environment.
6. We implement corporate activities designed to further global conservation in the context of an international society.

Established April 1992  
Revised September 2000

## Overview of Environmental Activities

Toppan has a broad business base, and each of the products it manufactures imposes different environmental burdens. Environmental burdens must be reduced in accordance with every product life cycle and production process based on a thorough understanding of the individual environmental burdens entailed in the development, commercialization, and manufacture of every product.

Toppan has established a comprehensive set of Environmentally-friendly Product Assessment Guidelines to ensure that this can be achieved for every product group. By acting on assessment guidelines that bring the entire life cycle into view, from product planning and development onward, the Company aims to develop environmentally-friendly products in a manner appropriate to the environmental burden of each business area.

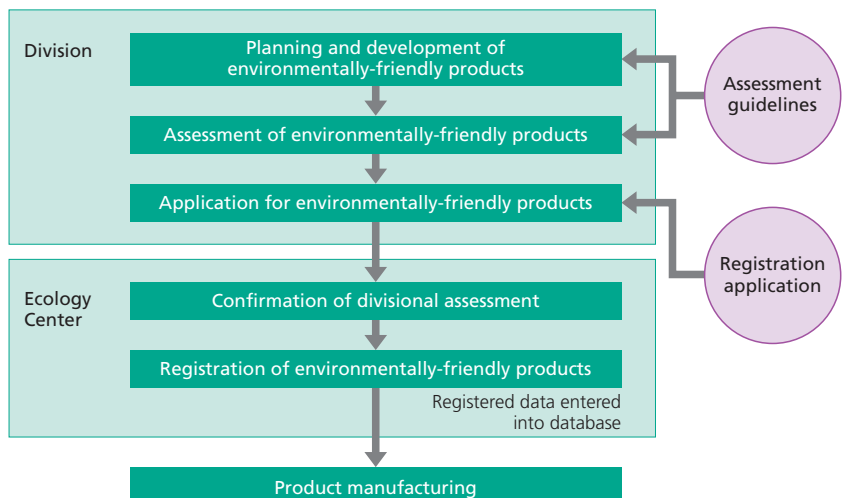
Toppan compiles and ascertains data on the environmental burden associated with its production activities in three separate fields of business and undertakes a set of environmental activities to manage each environmental burden.

## Toppan's Environmental Burden and Environmental Impact

The first step in reducing environmental burden is to ascertain the environmental impact of the Company's overall business activities. Toppan compiles data on the balance of materials at each production site based on INPUT (materials and energy used)/OUTPUT (materials discharged as a result of production) and then assesses the impacts of sites from various environmental aspects. The Company establishes Environmental Targets based on the results of these assessments, clarifies its priorities, carries through with the environmental activities in pursuit of its targets, and verifies the results of those activities.

As a company engaged in diverse businesses, Toppan imposes environmental impacts in various forms. To evaluate the extent and variation of its environmental burden rationally, the Company compiles and ascertains its environmental data independently in its three main business fields: Information & Networks, Living Environment, and Electronics (→P.61).

### Flow of Environmentally-friendly Products



**Main Environmentally-friendly Products by Business Field**

**Information & Networks**

Providing solutions that increase the value of information and effectively deliver information for clients who require smooth communication



**Recycled Vegetable-oil Ink**

Printing ink and printed materials made with recycled vegetable oil as a substitute for 70% or more of the original soybean oil component

**Living Environment**

Providing optimal products and services for living in areas such as medicine, food, and housing, to help create fulfilling lifestyles globally



**GL Family**

A family of transparent barrier films made entirely without chlorine-based resin, based on a vapor deposition coating technology from Toppan (GL film preserves fragrance and protects contents from degradation by oxygen and moisture.)

**Electronics**

Working with leading-edge technologies to provide electronics components with strong potential to be adopted as de facto standards in the fields of semiconductors and displays



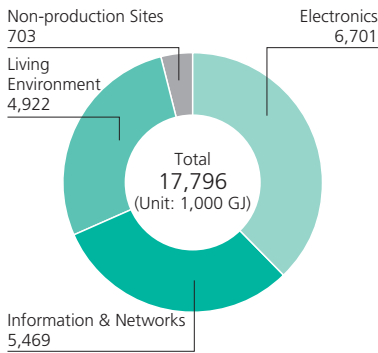
**Anti-reflection Film**

An anti-reflection optical film with 50% less plastic material compared to Toppan's existing product range (placed over liquid crystal displays for cellular phones and PCs)

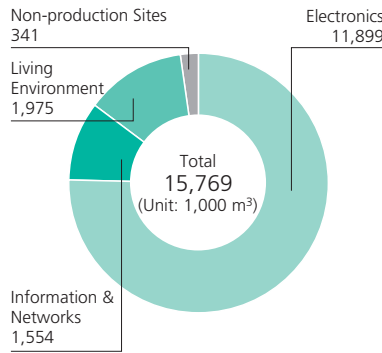
**Major Environmental Burdens in the Business Fields (INPUT/OUTPUT data)**

**INPUT**

**Total Energy Consumption (→P.72)**



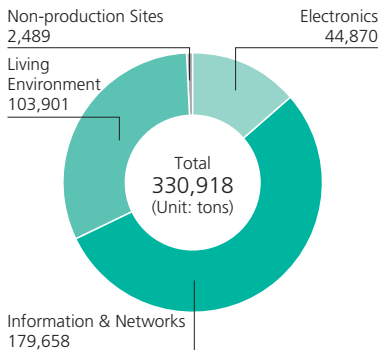
**Water Consumption (→P.80)**



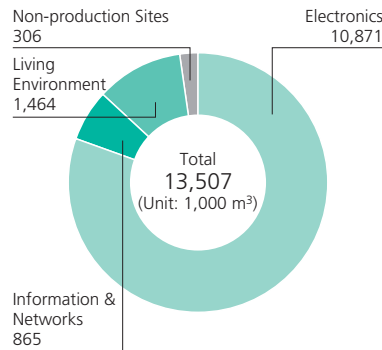
- In a breakdown by business field, Electronics accounts for about 75% of the water consumption and effluent discharge, Information & Networks accounts for about 55% of waste generation, and Living Environment accounts for about 45% of the release of chemical substances designated under the PRTR law.
- The total energy consumption, i.e., the quantity of electricity and fuels consumed, is about the same in each business field.
- Differences in the material units accounted for in the three business fields make it difficult to calculate the total material input volumes on a comparative basis. Information & Networks clearly accounts for a large percentage of the paper consumed.

**OUTPUT**

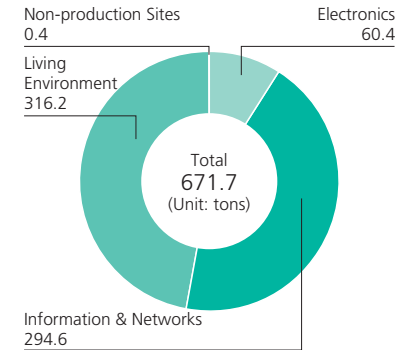
**Total Waste Generation (→P.73)**



**Total Effluent Discharge (→P.80)**



**Total PRTR Release (→P.74)**



Note: The calorific value associated with electricity consumption is calculated uniformly as 0.00983 GJ/kWh. The total PRTR release is calculated by totaling the releases of certain chemical substances (substances designated under the PRTR law) at each operational site. Dioxins are not included, due to differences in the counting units. Excludes figures for overseas subsidiaries and certain independent subsidiaries.

# Environmental Targets and Results for Fiscal 2006

Based on its Environmental Action Plan, Toppan specifies concrete policies to realize the goals of its Declaration on the Global Environment, the basic philosophy behind its environmental activities. The Company reviews and revises the Medium- and Long-term Environmental Targets and Environmental Targets for every current fiscal year.

## Environmental Targets

Based on its Environmental Action Plan, Toppan specifies concrete policies for the realization of the goals of the Declaration on the Global Environment, the basic philosophy of Toppan's environmental activities in all of Toppan's business fields. The Medium- and Long-term Environmental Targets and Environmental Targets for every current fiscal year set under the Environmental Action Plan promote envi-

ronmental activities with participation from every employee.

Toppan takes one fiscal year as one cycle for its environmental activities and reviews its environmental activities within that time frame. The Medium- and Long-term Environmental Targets are reviewed and the Environmental Targets for the following fiscal year are set based on the evaluations of achievements in the current fiscal year.

## Evaluation of Progress in Environmental Targets

Toppan set 18 Environmental Targets for fiscal 2006 and undertook various programs and activities to attain them. As of the end of the year, nine of the targets were reached and nine were not.

The Company has succeeded overwhelmingly in achieving all of the targets it has set for recycling, reduced atmospheric emissions of VOCs, and reduced

### Environmental Targets and Results for Fiscal 2006

Environmental Objectives	Medium- and Long-term Environmental Targets
1. Mitigation of global warming through the development of energy-saving measures	Reduce CO <sub>2</sub> emissions per unit of sales by 10% by fiscal 2010 (compared to the fiscal 2000 level)
2. Promotion of waste reduction and recycling	Reduce waste generation per unit of production value Expand the material recycling of industrial waste Reduce final landfill waste disposal*1 by 90% by fiscal 2010 (compared to the fiscal 2000 level) Efficiently use the industrial waste materials generated in the manufacturing stage and have all domestic sites certified as zero-emission sites*2 by fiscal 2010
3. Prevention of atmospheric pollution via VOC emission restraints	Reduce VOC emissions into the atmosphere by 70%*3 by fiscal 2010 (compared to the fiscal 2000 level)
4. Control of risks from chemicals	Reduce the consumption of chemical substances designated under the PRTR law
5. Environmental contribution via the development and marketing of eco products	Promote environment-related businesses by expanding the sales of environmentally-friendly products Develop environmentally-friendly products and apply LCA in product development
6. Promotion of environmental communication	—
7. Avoidance of environmental risk	Establish and observe appropriate in-house management guidelines that embrace regulatory controls Reduce the risk of soil contamination Maintain appropriate communication with stakeholders
8. Enhancement of environmental education and the environmental awareness of all employees	—
9. Upgrading of environmental management systems at our overseas production sites	—

\*1 Final landfill waste disposal: Direct landfill disposal + landfill disposal of residues from intermediate treatment

\*2 Zero-emission site: Operational site with a recycling rate of 98% or more (subject to approval by the Ecology Center)

\*3 Target in the industry: 41% reduction by fiscal 2010 (compared to the fiscal 2000 level)

\*4 Fiscal 2005 data and fiscal 2006 targets were restated based on revisions of the calculation methods.



disposal of final landfill waste since fiscal 2005.

In fiscal 2006, however, Toppan fell considerably short of achieving its targeted sales in the environment-related business and its targeted reductions of CO<sub>2</sub> emissions and the consumption of chemical substances designated under the PRTR-law. Please refer to the related pages to learn why the Company was unsuccessful in meeting its targets and to read about the initiatives to be taken in the future.

**Review of Environmental Targets**

Toppan reviewed its targets for fiscal 2007 by evaluating the progress in accomplishing its environmental targets for fiscal 2006. By setting the same number of targets in fiscal 2006—15 Medium- and Long-Term Environmental Targets and 18 Environmental Targets for the current fiscal year—the Company will promote environmental activities.

In order to reverse its recent increases in CO<sub>2</sub> emissions, the Company will develop energy-saving measures to help mitigate global warming. One of the most important environmental impacts of the printing industry arises from the use of large amounts of inks and solvents. Toppan will continue to control the risks associated with inks and solvents by reducing its consumption of chemical substances designated under the PRTR law.

Environmental Targets for Fiscal 2006	Results and Status for Fiscal 2006	Evaluation	For Details
CO <sub>2</sub> emissions per unit of sales: Reduce by 4% compared to the fiscal 2005 level	CO <sub>2</sub> emissions per unit of sales: Increased by 2.9% compared to the fiscal 2005 level	C	P.72
Waste generation per unit of production value: Reduce by 5% compared to the fiscal 2005 level	Waste generation per unit of production value: Reduced by 3.6% compared to the fiscal 2005 level	B	P.73
Material recycling rate: 60%	Material recycling rate: 87.3%	S	
Final landfill waste disposal: Reduce by 10% compared to the fiscal 2005 level	Final landfill waste disposal: Reduced by 46.2% compared to the fiscal 2005 level	S	
Expand the number of certified zero-emission sites: To 26 sites	Expand the number of certified zero-emission sites: Increased to 32 sites	S	
VOC emissions into the atmosphere: Reduce by 10% compared to the fiscal 2005 level	VOC emissions into the atmosphere: Reduced by 24.7% compared to the fiscal 2005 level	S	P.74
Consumption of chemical substances designated under the PRTR law: Reduce by 10% compared to the fiscal 2005 level	Consumption of chemical substances designated under the PRTR law: Increased by 11.3% compared to the fiscal 2005 level	B	
Sales in environment-related business: 60.2 billion yen (increase by 7% compared to the fiscal 2005 level)*4	Sales in environment-related business: 54.1 billion yen (decreased by 4% compared to the fiscal 2005 level)*4	C	P.76
Expand the number of products registered as environmentally-friendly products: 5 new products	Number of products registered as environmentally-friendly products: 5 items added	A	
Apply LCA in product development at regional divisions (Living Environment)	Considered at divisions	C	P.77
Evaluate research themes based on DfE (Design for the Environment)	Evaluation implemented by the LCA subcommittee of the Technical Research Institute	B	
Promote environmental communication by exhibiting at Eco-Products 2006	Exhibited at Eco-Products 2006 (held on December 14–16, 2006)	A	P.71
Observe in-house management guidelines at all operational sites and review them as necessary	Evaluations implemented in 59 domestic sites through internal environmental audits	A	P.68
Monitor the operational sites, including the vacant lots of restored sites	Implemented at four sites	A	P.69
Expand the number of operational sites that issue <i>Site Reports</i> : To 24 sites	Expand the number of operational sites that issue <i>Site Reports</i> : Increased to 22 sites (17 reports in total)	B	P.71
Implement environmental education via e-learning on an ongoing basis (follow-up for those yet to participate)	Postponed until fiscal 2007 as a result of a review of the implementing structure	B	P.69
Conduct internal environmental audits at overseas production sites: the U.S.A., China, and Southeast Asia	Implemented at one operational site in the U.S.A. and five sites in China (Postponed until fiscal 2007 for sites in Southeast Asia)	B	P.68
Monthly records of conformance with local regulatory standards and environment-related data	ISO 14001 certification acquired by Toppan SMIC Electronics (Shanghai) Co., Ltd. in February 2007	A	

Valuation standard: S, Results achieved far surpass targets; A, Targets achieved; B, Activities fully carried out, but targets unachieved; C, Activities insufficient

## Environmental Targets for Fiscal 2007

Environmental Objectives and Medium- and Long-term Environmental Targets	Environmental Targets for Fiscal 2007	Details on Specific Measures
<b>1. Mitigation of global warming through the development of energy-saving measures</b>		
Reduce CO <sub>2</sub> emissions per unit of sales by 10% by fiscal 2010 (compared to the fiscal 2000 level)	CO <sub>2</sub> emissions per unit of sales: Reduce by 5% compared to the fiscal 2006 level	<ul style="list-style-type: none"> <li>Set up management guidelines that demonstrate the status of efficient energy usage at each operational site, and develop and operate a methodology for proper energy management</li> <li>Reinforce large-scale energy-saving measures (exploring the possibility of partnering with ESCO)</li> </ul>
<b>2. Promotion of waste reduction and recycling</b>		
Reduce waste generation per unit of production value by 25% by fiscal 2010 (compared to the fiscal 2000 level)	Waste generation per unit of production value: Reduce by 5% compared to the fiscal 2006 level	<ul style="list-style-type: none"> <li>Reduce material consumption and improve recovery rates</li> </ul>
Expand the material recycling of industrial waste	Material recycling rate: 87%	<ul style="list-style-type: none"> <li>Seek recycling partners within the Toppan Group network</li> <li>Monitor recycling processes through site inspections of contractors</li> </ul>
Reduce final landfill waste disposal*1 by 95% by fiscal 2010 (compared to the fiscal 2000 level)	Final landfill waste disposal: Reduce by 15% compared to the fiscal 2006 level	<ul style="list-style-type: none"> <li>Reduce the direct landfill disposal by reducing the generated waste</li> <li>Reduce the volume of residual processed waste by selecting efficient intermediate treatment technologies</li> </ul>
Efficiently use the industrial waste materials generated in the manufacturing stage and have all domestic sites certified as zero-emission sites*2 by fiscal 2010	Expand the number of certified zero-emission sites: To 35 sites	<ul style="list-style-type: none"> <li>Promote waste recycling by reviewing waste separation guidelines and adopting them as binding rules</li> <li>Expand in-house treatment and recycling equipment while selecting appropriate recycling partners</li> </ul>
<b>3. Prevention of atmospheric pollution via VOC emission restraints</b>		
Reduce VOC emissions into the atmosphere by 70%*3 by fiscal 2010 (compared to the fiscal 2000 level)	VOC emissions into the atmosphere: Reduce by 10% compared to the fiscal 2006 level	<ul style="list-style-type: none"> <li>Perform a detailed examination of total VOC emissions in fiscal 2006</li> <li>Install processing equipment for effluent gas with sufficient consideration of resource efficiency, such as solvent collection and waste heat recovery</li> </ul>
<b>4. Control of risks from chemicals</b>		
Reduce the consumption of chemical substances designated under the PRTR law	Consumption of chemical substances designated under the PRTR law: Reduce by 3% compared to the fiscal 2006 level	<ul style="list-style-type: none"> <li>Reduce the consumption of materials containing designated chemical substances and shift to alternative materials with low content of the same</li> <li>Use the Toppan Group network to develop in-house standards for materials containing no designated chemical substances</li> </ul>
<b>5. Environmental contribution via the development and marketing of eco products</b>		
Promote environment-related businesses by expanding the sales of environmentally-friendly products	Sales in environment-related business: 57.9 billion yen (increase by 7% compared to the fiscal 2006 level)	<ul style="list-style-type: none"> <li>Promote sales and marketing activities for environmentally-friendly products via ISO 14001 operations</li> </ul>
Develop environmentally-friendly products and apply LCA in product development	Expand the number of products registered as environmentally-friendly products: 5 new products	<ul style="list-style-type: none"> <li>Develop products based on Environmentally-friendly Product Assessment Guidelines</li> <li>Disclose product environmental data through the Toppan Environmentally-friendly Product Certification Label</li> </ul>
	Apply LCA in product development at regional divisions (Living Environment)	<ul style="list-style-type: none"> <li>Newly apply LCA at the Chubu and Hokkaido Divisions and upgrade LCA at the Tohoku and Nishinohon Divisions</li> </ul>
	Develop products with lower environmental burden	<ul style="list-style-type: none"> <li>Develop new products with sufficient consideration of the CO<sub>2</sub> emission proportions associated with manufacturing methods</li> </ul>
<b>6. Promotion of environmental communication</b>	Promote environmental communication by exhibiting at Eco-Products 2007	<ul style="list-style-type: none"> <li>Disseminate information through environmental forums, exhibitions, and lecture presentations</li> </ul>
<b>7. Avoidance of environmental risk</b>		
Establish and observe appropriate in-house management guidelines that embrace regulatory controls	Observe in-house management guidelines at all operational sites and review them as necessary	<ul style="list-style-type: none"> <li>Confirm the validity of items and reference values established under in-house management guidelines through internal environmental audits</li> </ul>
Reduce the risk of soil contamination	Monitor the operational sites, including the vacant lots of restored sites	<ul style="list-style-type: none"> <li>Regularly monitor underground water and report the results to governmental agencies</li> </ul>
Maintain appropriate communication with stakeholders	Expand the number of operational sites that issue <i>Site Reports</i> : To 24 sites	<ul style="list-style-type: none"> <li>Issue a <i>CSR Report</i> and <i>Site Reports</i></li> </ul>
<b>8. Enhancement of environmental education and the environmental awareness of all employees</b>	Implement environmental education via e-learning on an ongoing basis (follow-up for those yet to participate)	<ul style="list-style-type: none"> <li>Expand the number of learners in environmental education by setting up an intranet e-learning system</li> <li>Promote two-way environmental communication using Toppan Environmental Link (another intranet system)</li> </ul>
<b>9. Upgrading of environmental management systems at our overseas production sites</b>	Conduct internal environmental audits at overseas production sites: Southeast Asia and the U.S.A.	<ul style="list-style-type: none"> <li>Conduct internal environmental audits, including site inspections</li> <li>Confirm the establishment of environmental management systems through internal environmental audits</li> </ul>
	Monthly records of conformance with local regulatory standards and environment-related data	<ul style="list-style-type: none"> <li>Conduct activities aimed at acquiring ISO 14001 certification</li> <li>Periodically collect data on environment-related issues via the Monthly Overseas Site Reports</li> </ul>

\*1 Final landfill waste disposal: Direct landfill disposal + landfill disposal of residues from intermediate treatment

\*2 Zero-emission site: Operational site with a recycling rate of 98% or more (subject to approval by the Ecology Center)

\*3 Target in the industry: 41% reduction by fiscal 2010 (compared to the fiscal 2000 level)

# Environmental Investment and Conservation Benefit

Toppan has been keeping an environmental account and disclosing its results since fiscal 1998. The Company has striven to improve the accuracy of its examinations on the effectiveness of investment from fiscal 2005 onward by reviewing its methods for counting and disclosing its environmental accounts. The fiscal 2007 environmental accounting will factor in the costs for asbestos-removal work.

## Environmental Conservation Cost

Toppan has been keeping an environmental account since fiscal 1998 to help the Company calculate the cost and effectiveness of investment in environmental conservation. Since fiscal 2005, the Company has focused only on the Environmental Conservation Equipment Investment and the Environmental Conservation Benefit, in order to exclude reliance on estimates insofar as possible. This is expected to improve the accuracy of examinations on cost effectiveness.

Toppan has invested 6,003 million yen in environmental equipment in fiscal 2006, 61% more than it invested the year before. This has been the result of increases in capital investments in equipment for waste material treatment, atmospheric pollution prevention, and material recycling (such as the introduction of the wastewater recycling system). The major capital investments for fiscal 2006 are as follows: the additional installation of equipment for recovering solvents from VOC effluent gas at production sites in the Living Environment

Field and the construction of new wastewater treatment facilities with new plants at production sites in the Electronics Field.

Other capital investments have been expended to fund waste-treatment improvements (such as the installation of sludge-drying equipment and dust-collecting equipment for waste volume reduction and recycling) and energy-saving improvements (through painting plant roofs with heat-insulating paint, installing inverters, and creating green spaces for natural conservation, greenery, beautification, and landscape maintenance).

The Environmental Conservation Equipment Investment includes investment to introduce equipment for countermeasures taken in response to complaints and inquiries from neighboring residents and others.

## Other Environment-related Cost

Toppan completed its asbestos-removal work in March 2007. The expenditure for this work, at completion, amounted to 290 million yen.



Equipment for recovering solvents from VOC effluent gas (Gunma Plant)



Wastewater recycling system (Mie Plant II)



Rooftop greenery (Akihabara Building)

## Environmental Conservation Equipment Investment

(Million yen)				
Item	Major Contents	Fiscal 2006	Increase/Decrease from Fiscal 2005	Total Sum for the Last Five Years
1. Investment in equipment to prevent pollution	Investment in equipment to prevent atmospheric and other forms of pollution	3,455	349	14,638
2. Investment in equipment to conserve the global environment	Investment in equipment to conserve the global environment such as by mitigating global warming	164	-190	1,823
3. Investment in equipment to circulate resources	Investment in equipment for adequate treatment and the recycling of waste materials	2,330	2,096	4,328
4. Investment in equipment for management activities	Investment in equipment to monitor and measure environmental burdens and to plant trees at operational sites	54	26	434
<b>Total</b>		<b>6,003</b>	<b>2,281</b>	<b>21,223</b>

## Environmental Conservation Benefit

		Increase/Decrease	Fiscal 2006
Energy	Total energy consumption (1,000 GJ)	1,916	22,443
Water	Water consumption (1,000 m <sup>3</sup> )	2,657	18,089
Atmosphere	CO <sub>2</sub> emission (1,000 t-CO <sub>2</sub> )	55	1,032
	Emission of ozone-depleting substances (ODP-t)	-1	1.9
	NOx emission (tons)	25	257
	SOx emission (tons)	17	71
	Emission of dioxins (mg-TEQ)	-97	33
Water and soil environments	Total effluent discharge (1,000 m <sup>3</sup> )	2,820	15,389
	Underground penetration (1,000 m <sup>3</sup> )	7	45
	On-site evaporation (1,000 m <sup>3</sup> )	86	2,434
	BOD (tons)	39	230
	COD (tons)	22	218
Waste	Total generation (1,000 tons)	21	417

Notes: Total values may not match, as decimals are rounded up or down.

Entities covered: Toppan Group (→P.5), excluding Toppan Photomasks, Inc.

Period covered: Last fiscal year for each company or subsidiary. See P.74 for details on the conservation benefit gained from the reduction in PRTR release.

# Environmental Management Structure

Toppan has established an environmental management system to enhance the efficiency of its environmental activities and promote the use of the PDCA cycle as an underpinning to environmental action. This section gives a detailed overview of Toppan’s environmental management structure.

## Toppan’s Environmental Management

Toppan’s environmental management relies on the operation of an established environmental management system covering the sales, sales promotion, and R&D departments in addition to the actual production sites. Top management conducts ongoing environmental management reviews to ensure that the PDCA cycle, a core part of this system, continues to improve the efficiency of environmental measures. Data on the actual results of environmental measures, meanwhile, are regularly collected by the Ecology Center in the head office, evaluated and verified by the Director in charge of the Environment, reported to top management via the Management Committees, and so on. The improvements to the system are promoted throughout the entire Company after further reviews.

## Characteristics of Toppan’s Management System

Toppan’s environmental management system is uniquely structured. The PDCA

cycle is put into practice at every operational site irrespective of ISO 14001 certification. Fifty-seven domestic production sites and two research facilities have been pressing ahead with their environmental activities to achieve the targets set under the Eco-protection Activity Plan.

The progress of the activities is checked monthly by the Eco-protection Promotion Committee to ensure that any problems that arise are resolved as quickly as possible. Every operational site sends the Ecology Center reports on major environmental results such as for waste and energy either monthly or every half year. Toppan prepares an effective structure for promptly evaluating progress towards its Environmental Targets and reviewing the targets as needed.

## Status for Obtaining ISO 14001 Certification

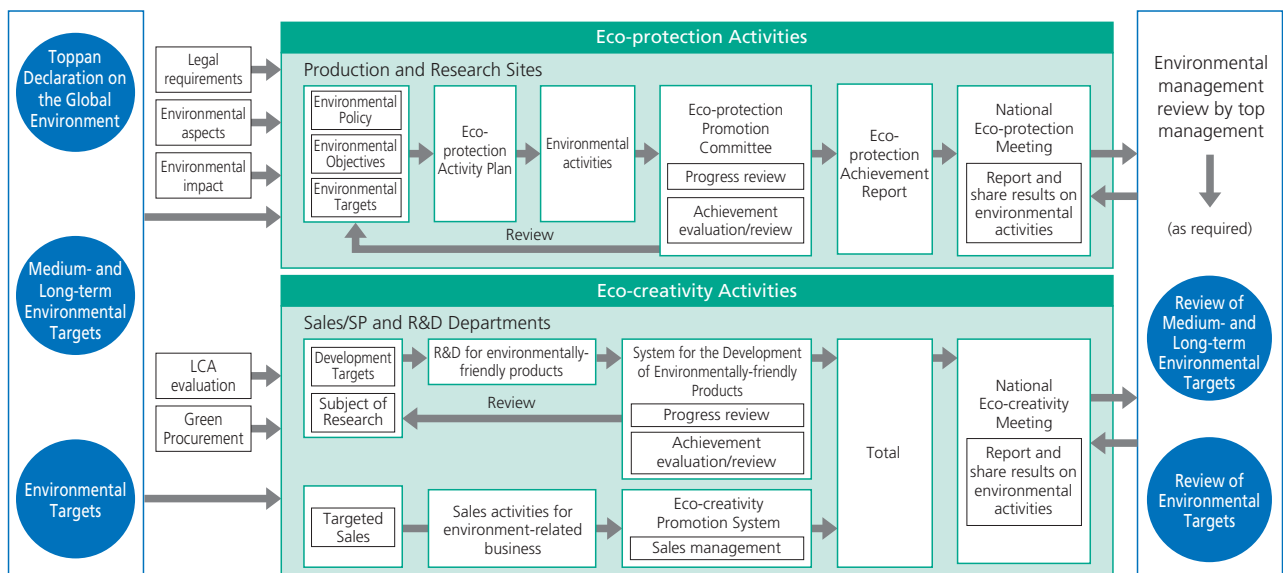
Fifty-four domestic sites (40 systems) and nine overseas sites in the Toppan Group are now ISO 14001 certified (as of April 2007). The latest overseas site to acquire the certification was Toppan SMIC Electronics (Shanghai) Co., Ltd. in China (certified in February 2007).

Once a site is certified, it is subject to routine annual surveillance audits and a reassessment once every three years for renewal. Toppan is working towards the certification of all of its main operational sites in the future.

## Structure to Promote Environmental Activities

Under the control and leadership of the President & CEO and the Director in charge of the Environment, Toppan has set up an environmental management system in every production site, R&D department, and sales and sales promotion department inside and outside of Japan. The Ecology Center, a part of the Corporate Manufacturing, Technology & Research Division at the head office, is directly responsible for operating the system. Once the personnel in charge of environmental matters at the operational sites determine the environmental policies and targets and the measures to implement and achieve them, the Ecology Center works with the employees of the various divisions and production sites to promote those agenda. The

### Overview of Environmental Management



center also conveys environmental information from the divisions and production sites back to the managers at these sites.

Toppan has established in-house systems to promote the progress and efficiency of the Company's Eco-protection and Eco-creativity Activities undertaken in pursuit of various environmental goals. These systems are advancing under the direction of the Ecology Center.

Many of Toppan's Eco-protection Activities are launched independently at the site level. Toppan production sites convene their own Eco-protection Promotion Committees, each with its own subcommittees to address specific issues. The Company's strong focus on energy-saving activities has led to the strengthening and review of the Energy Subcommittees throughout the Company since the

beginning of fiscal 2003.

With regard to Toppan's Eco-creativity Activities, each division has established an Eco-creativity Promotion System to develop environmentally-friendly products and environmental support businesses.

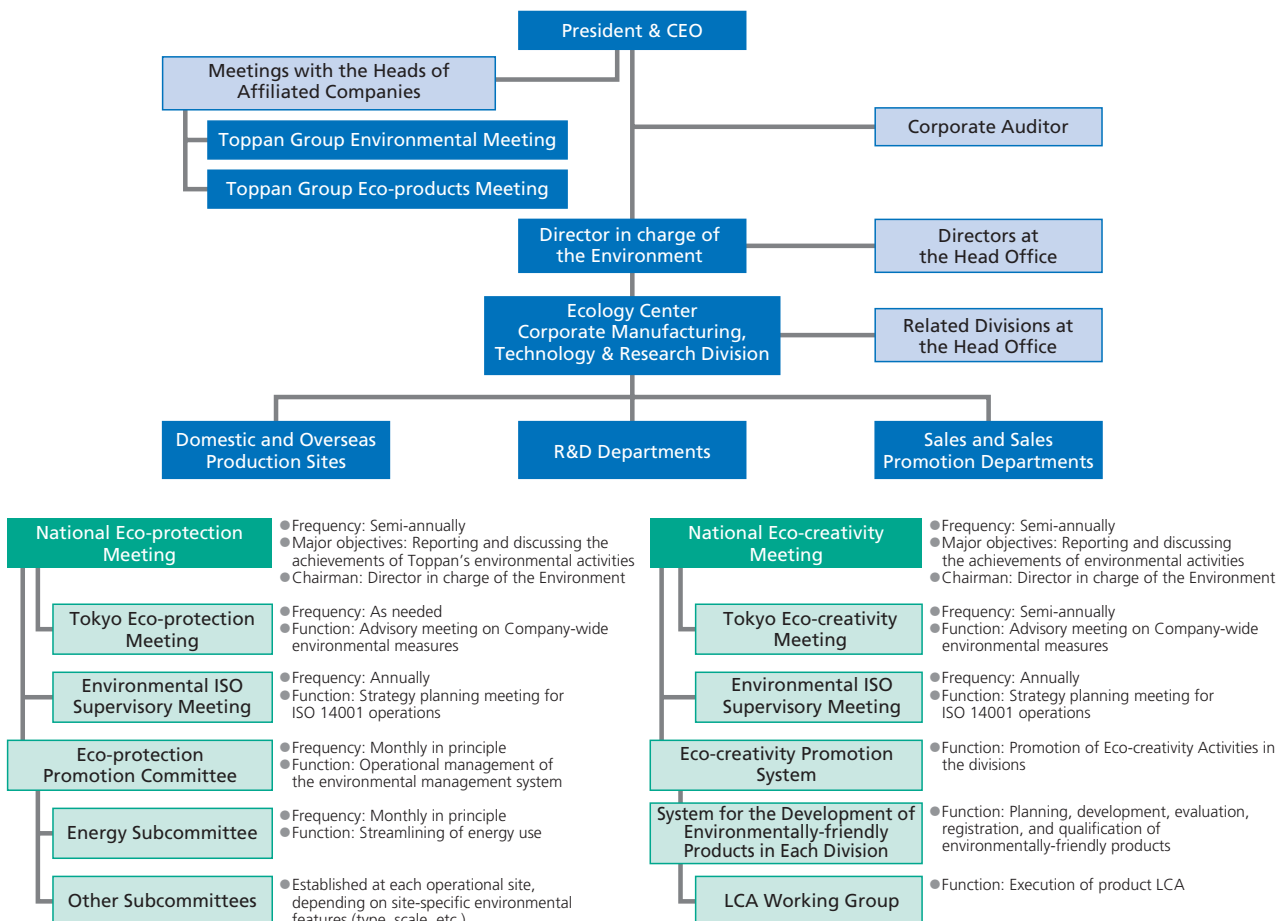
**Reinforcing the Integrated Strength of the Group**

In fiscal 2003, Toppan reviewed its environmental management structure as a corporate group and began organizing a semi-annual Toppan Group Environmental Meeting under the auspices of the Meetings with the Heads of Affiliated Companies. By confirming the progress towards the environmental targets of each company and sharing environmental issues, Toppan is strengthening its environmental risk management struc-

ture and preparing and implementing measures designed to leverage the integrated strength of the Group.

In fiscal 2004, the Company established the Toppan Group Eco-products Meeting to promote the sharing of environmental information on the development of environmentally-friendly products in each Group company. The meeting engages in various actions to standardize the criteria for product evaluation.

**Environmental Management Structure**



# Environmental Management Activities

Toppan's PDCA cycle is being fully implemented through internal environmental audits and the environmental management systems of its operational sites. In addition to environmental compliance (the upholding of all regulations relating to the environment), the Company also fully implements environmental education to maintain and continuously improve its environment-related activities.

## Internal Environmental Audit System

Toppan's internal environmental audit system follows a two-stage screening process: a document audit and an on-site audit. The internal environmental audit team consists of registered EMS assistant auditors in addition to internally certified environmental auditors. The team begins by inspecting and evaluating the structural status of systems, compliance with environment-related laws and regulations, and compliance with in-house standards at all the operational sites audited. Next, the team compiles the Internal Environmental Audit Reports (documents specifying necessary improvements pointed out during audits) and submits them to the Director in charge of the Environment. The internal environmental audits are reviewed within the same fiscal year in order to systematically raise the quality of the audit for the following fiscal year.

### Results of the Fiscal 2006 Audit

The internal environmental audit team identified 527 issues in need of improvement at 59 domestic sites in fiscal 2006.

To correct the deficiencies pointed, each operational site follows an Improvement Plan, a list of required improvements and deadlines for completion. Toppan has confirmed the progress of improvement measures on 127 items at 11 operational sites through internal environmental audit reviews. The progress and results of the remaining 400 improvement measures will be reviewed during the internal environmental audits for fiscal 2007.

Local hearings and inspections are carried out every other year, in principle, at overseas production sites in Asia and the U.S.A. Five operational sites in China and one operational site in the U.S.A. were inspected for local environmental audits in fiscal 2006. The inspections identified 87 items in need of improvement. The main points of focus in the inspections were the implementation and operation of environmental management systems and the understanding and confirmation of compliance with local environment-related laws and regulations. The environmental impacts on water and the atmosphere and the daily control of energy and waste were also closely examined. The overseas sites have followed the example of the domestic sites by

taking necessary procedures under the Improvement Plan for the improvement of operational conditions.

## Approach to Environmental Compliance

Toppan's production sites endeavor to prevent environmental pollution more rigorously by complying with all environmental laws, regulations, and agreements set by national and local governments. The sites also endeavor to comply with Toppan's in-house standards, which are usually stricter than national and local regulatory standards.

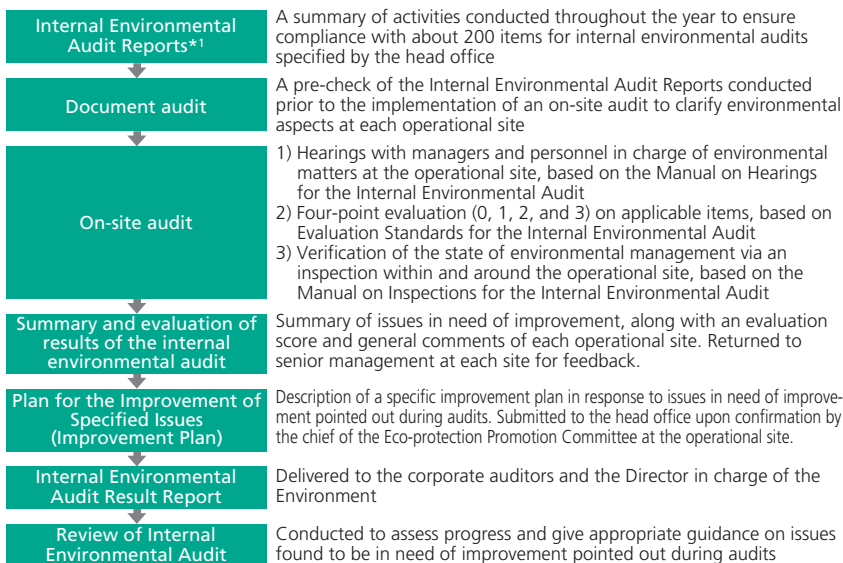
The compliance status at every domestic site is reported to the head office in the Eco-protection Achievement Reports every April. Overseas sites, meanwhile, submit Monthly Overseas Site Reports. Compliance at both domestic and overseas sites is evaluated by internal environmental audits.

### Compliance in Fiscal 2006

No nonconformities related to the atmosphere were detected in any of operational sites in Japan in fiscal 2006.

With regard to water, however, two

### Review of the Internal Environmental Audit



\*1 Operational sites that have already acquired the ISO 14001 certification report their activities in the management review document.



Internal environmental audit hearing



Internal environmental audit inspection

operational sites recorded contamination levels exceeding the regulatory standards (BOD, 2 cases; COD, 2 cases). Toppan took corrective measures in each case and has kept the levels within the standards since. The Company will continue to take permanent measures to reliably prevent recurrence in fiscal 2007.

Regarding the pollution of soil and underground water, there were confirmed instances of contamination exceeding environmental or municipal standards from fiscal 2001 to fiscal 2006 (shown below). Toppan has handled every case by taking soil restoration measures. At plants where soil has been restored, the Company monitors underground water to ensure the reliability of purification operations. Upon detecting pollution of the underground water at the Itabashi Plant in May 2007, Toppan began the process of implementing countermeasures with the counsel of the local authority (→P.22).

Regarding noise and foul odor, the authorities alerted the Company to odor levels that exceeded regulatory standards

in one case in fiscal 2006. The odor resulted from a defect of deodorizing equipment and was immediately resolved by corrective measures. A full report on the incident was presented to the relevant authorities. Toppan plans to promote more preventive measures and to further reduce the levels of noise and foul odor at its operational sites in the future.

Toppan was not subject to any environment-related litigation, penalties, or fines in fiscal 2006.

**Emergency Response**

Chemical solvents are handled and used on a daily basis at each operational site. Some types of accidents that occur during handling and use pose a risk of soil and water pollution, particularly those that occur when solvent is being transferred from tank trucks to tanks. Toppan has installed pollution-preventive devices and prepared oil fences, sandbags, and other measures to prevent the outflow of solvents in the event of leaks or similar accidents at operational sites susceptible to environmental impacts.

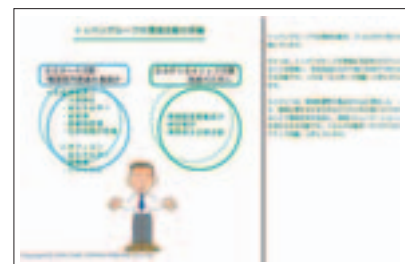
**Environmental Education**

To maintain and continuously improve the quality and scope of its environmental activities, Toppan recognizes the need to enhance the environmental awareness of each employee. The Company provides a systematic range of environmental educational opportunities for its entire workforce, from new recruits to senior management.

Toppan introduced an e-learning system supported by web-based training in fiscal 2002. This system offers educational opportunities for all employees without any constraints on time or place. The online platform supports two-way communications for Q&A and other forms of dialogue-based learning. Thanks to this system, employees can learn environmental issues effectively within a short time. The e-learning content covers environmental issues involving corporations and Toppan Group activities\*2 (→P.83).

**Purification of Soil/Underground Water Pollution Monitored by Self-investigation**

Operational Site	Location	Detail	State in Fiscal 2006
Vacant lot of the former Fukuoka Plant I	Koga City, Fukuoka	Soil pollution by hexavalent chromium Underground water pollution by hexavalent chromium and VOCs	Restoration work was completed; underground water is now monitored
Nagoya Plant	Nishi Ward, Nagoya City, Aichi	Soil pollution by hexavalent chromium (Detected by a voluntary investigation accompanying disposal into underground pits)	Restoration work was completed; underground water is now monitored
Shiga Plant	Higashi-omi City, Shiga	Soil pollution by hexavalent chromium (Detected by a voluntary investigation of areas where substances of concern had been used on the plant premises)	Restoration work was completed; underground water is now monitored
Asaka Plant	Niiza City, Saitama	Underground water pollution by VOCs (Detected by a voluntary investigation of well water on the plant premises)	Underground water is now monitored
Toppan Electronics, Inc. (TEI) Miramar Plant	San Diego County, California, USA	Soil pollution by heavy metals (lead, etc.) and VOCs	Restoration work is now underway
Itabashi Plant	Itabashi Ward, Tokyo	Underground water pollution by hexavalent chromium (Detected by a voluntary investigation of well water on the plant premises)	Countermeasures are now being implemented with the counsel of the local authority (Fiscal 2007)



e-learning: a screenshot (in Japanese)

\*2 Toppan reviewed and reorganized its terminal PC networks for business operations mainly in the sales and planning departments in fiscal 2006. To avoid system complexity and confusion, the Company decided not to conduct e-learning training in fiscal 2006.

# Environmental Communication Activities

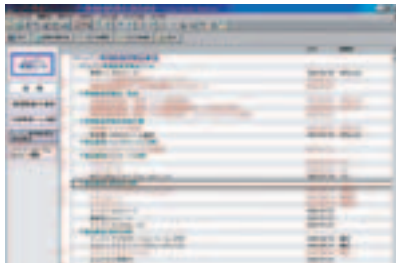
In order to make its environmental activities more fruitful, Toppan considers it important to spread awareness on the environment amongst the wide range of people related to the Group, starting with employees. Toppan is developing various levels of environmental communication, including environmental education and integration into local communities.

## Major In-house Communication Activities

### Toppan Environmental Link

The Toppan Environmental Link website was set up on the Company intranet in fiscal 2001 as a channel for sharing environmental information and raising employee awareness on the environment. Links to environmental information and data on environmentally-friendly products inside and outside the Company are provided.

The system has supported interactive transmission since fiscal 2003, when it was modified to help activate in-house communication.



Toppan Environmental Link (in Japanese)

### Formulation of Toppan's Environmental Logo

All of the employees within the Toppan Group must constantly reconsider environmental issues if the Company is to fully understand its own impacts and promote comprehensive environmental activities. The Toppan Environmental Logo adopted in 1999 is now printed on in-house publications, business cards, and other materials to remind employees of the constant need for environmental action.



### Toppan's Environmental Logo

Toppan aspires to devote increasing attention to the global environment through its Eco-protection and Eco-creativity Activities. The Environmental Logo expresses Toppan's corporate concept and activities. Toppan's environmental action is symbolized as a seed that will germinate and grow. The stalk shooting out of the seed symbolizes the "E" of ecology, and the two leaves represent Toppan's Eco-protection and Eco-creativity Activities.

### President's Ecology Awards

Toppan has incorporated the Ecology Awards in its biannual lineup of President's Awards to encourage the environmental efforts of employees by commending excellent environmental activities. Individuals and groups who have achieved or contributed in the following ways are nominated as candidates to receive the award: those who significantly contribute to in-house environmental conservation activities; those who serve as role models through their successes in promoting ingenious measures for improvement; those who contribute substantially to the development of environmentally-friendly technologies or products that win patents or utility model rights.

Ecology Awards were granted in fiscal 2005 and before to a group of employees who developed a system for withdrawing acetic ether, employees who developed and commercialized a label for Biodegradable Plant Pots, several employees who actively promoted risk communication activities, and several employees who conducted excellent energy management at plants. No Ecology Awards, however, were conferred in fiscal 2006.

## The Environmental Seminar

Toppan held the Environmental Seminar—Forefront of Ecological Marketing at PLAZA21 on the second floor of the Toppan Koishikawa Building from the 5th to the 8th of June, 2007. June 5 is World Environment Day, an occasion established to commemorate the United Nations Conference on the Human Environment held in Stockholm, Sweden on June 5, 1972.

Eight lectures on environmental marketing were presented at the four-day seminar. The lecturers included Toppan personnel in charge of the environment, experts from environmentally advanced companies, members of environmentally active NGOs, and other key figures in the environmental field.

Many companies seek ways to link environmental activities with general operations. To offer guidance to these companies, seminar lecturers from Toppan, Suntory Limited, and Kao Corporation spoke on various practical

activities undertaken in their own companies. Persons with intensive hands-on involvement in environmental activities presented lectures on the latest environmental trends and ways to link environmental efforts among large numbers of companies. Lecture topics covered: the steps that led up to the collaboration between grass-roots movements and companies for milk carton recycling; the recent trend of biomass plastics; eco-product sales methods more intensive than the basic display of environmental information on products; and the relationships between the global environment and forests.

The turnout of 510 visitors to the four-day seminar was counted as a great success. Toppan is watching eagerly to see if this seminar will help participating companies and organizations to promote environmental activities.



Reception at the Environmental Seminar



Lecture on Toppan's environmental efforts



**Disclosure of Environmental Information**

**Communication with Local Communities**

The communities around Toppan’s plants filed 37 complaints and inquiries (16 of them new) at 11 operational sites in fiscal 2006, indicating that many stakeholders were inconvenienced. The complaints dealt mainly with noise and foul odors, two forms of urban pollution. While most of the problems were promptly solved, several problems related to production activities require further efforts. Toppan will continue to make capital investments to improve environmental equipment and deepen communication with local residents.

Toppan recognizes the importance of communicating with local communities. To make clearer its responsibility for the impact of its business activities on the environment with the momentum from the launch of the PRTR law, the Company has thoroughly reviewed both its understanding of the current situation through environmental assessment and the methods used to exchange opinions with third-parties through risk communication.

In addition to presenting guidelines from the head office, Toppan shares information by holding Risk Communication Study Groups and implements risk communication based on the actual status of its operational sites.

**Publishing Environmental Reports**

Toppan has been disclosing environmental information in its *Environmental Report* (re-named the *CSR Report* in fiscal 2004) since 1998. In line with the development of its global business, Toppan has been making the same report available in English since 2000. Toppan’s ISO 14001-certified sites have been issuing *Site Reports*, periodic communications directed to municipalities and residents in surrounding communities, since fiscal 2000 (17 reports were issued by 22 operational sites\* in fiscal 2006).

\*Excluding overseas subsidiaries and certain independent subsidiaries

**Organizing and Participating in Seminars and Environment-related Exhibitions**

Toppan encourages the public outside the Company to understand its environmental efforts. It does this mainly by participating in lectures and seminars, including the conferences of trade and industrial organizations and programs of its own. Toppan regards environment-related exhibitions as platforms for practicing environmental communication activities.

**Exhibiting at Eco-Products 2006**

Toppan exhibited products in cooperation with its Group companies (Tokyo Shoseki Co., Ltd., Toppan Forms Co., Ltd., Toppan Cosmo, Inc., Toppan Label Co., Ltd., and roebel-kan co., ltd.) at the Eco-Products 2006 exhibition held in December 2006. The Company classified the environmentally-friendly products on exhibit into four categories to enlighten visitors on the environmental considerations entailed in the manufacture of everyday products for the public: recycling, resource-saving, health & safety, and environmental education.

Fun environmental events were arranged not only for schoolchildren, but visitors of all ages. All of the Group companies that took part in the exhibit prepared hands-on events of their own. Highlights among them were a quiz to challenge visitors to tell real wood apart from printed grain and the “Let’s” workshops (“Let’s make paper crafts,” “Let’s learn about future energy,” and “Let’s become artists with soft eco-clay”).



Workshops in Toppan’s exhibition booth



Making cards at a workshop by Toppan Forms



Recycling of PET bottles into fibers



Making postcards with Cartocans

# Mitigating Global Warming and Saving Energy

Toppan could not accomplish its target for reducing CO<sub>2</sub> emissions per unit of sales in fiscal 2006. The main factor impeding progress was increased energy consumption caused by the launch of new plants and the installation and operation of environmental conservation equipment. The Company will push further ahead with its environmental conservation activities mainly through the development of energy-saving action on various fronts in fiscal 2007.

## Energy-saving Activities

Toppan is constantly searching for more effective ways to conserve energy to reduce the emissions of carbon dioxide (CO<sub>2</sub>) and other greenhouse gasses. To respond to the Kyoto Protocol targets for reduced greenhouse gas emissions, the Company has established the following Medium- and Long-term Environmental Target: To reduce CO<sub>2</sub> emissions per unit of sales by 10% by fiscal 2010 compared to the fiscal 2000 level. The Company also sets a yearly target based on the medium- and long-term target. To meet Toppan's overall target for the year, every production site sets individual targets for emissions per unit of production value and emissions per unit of production volume by product type.

Toppan began its activities in fiscal 2006 with the following target: To reduce CO<sub>2</sub> emissions per unit of sales by 4% compared to the fiscal 2005 level. By the end of the fiscal year, however, Toppan's various energy-saving activities to reduce CO<sub>2</sub> emissions had failed to counterbalance the additional CO<sub>2</sub> generated by new operations. As a result, CO<sub>2</sub> emissions per unit of sales actually increased

by 2.9%. Energy-saving activities reduced CO<sub>2</sub> emissions by about 10,000 tons, whereas the CO<sub>2</sub> generated by the launch of new plants and installation and operation of environmental conservation equipment exceeded that level.

CO<sub>2</sub> emissions per unit of sales have now increased by 12.0% compared to the fiscal 2000 level. Toppan must clearly take more intensive and longer-running measures to accomplish its medium- and long-term target.

### Details of the Company's Efforts

Toppan controls the use of incidental equipment such as boilers, refrigerating machines, compressors, and ventilation fans on a regular basis to ensure that the equipment stays working under appropriate operational conditions with minimal energy loss. To prevent energy loss due to reduced efficiency in older equipment, Toppan asks third-party companies to identify any equipment in need of overhaul or renewal. The energy-saving measures applied for incidental equipment are adopted for production lines as well. Recent measures to improve energy efficiency include the introduction of thermal insulation coatings to minimize thermal

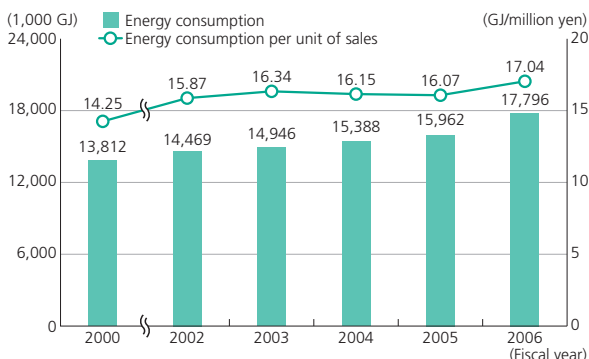
loss from dryers and the use of a unit-based management system to visualize data on energy consumption and production amounts in order to detect and repair energy loss or malfunctions.

Toppan will develop those activities across the Company while organizing new measures to accomplish the target. The new measures call for ongoing fuel conversion efforts, the adoption of energy-saving systems in the air-conditioning equipment for power-hungry clean rooms, and the hiring of experts to check energy efficiency and formulate practical energy-saving measures.

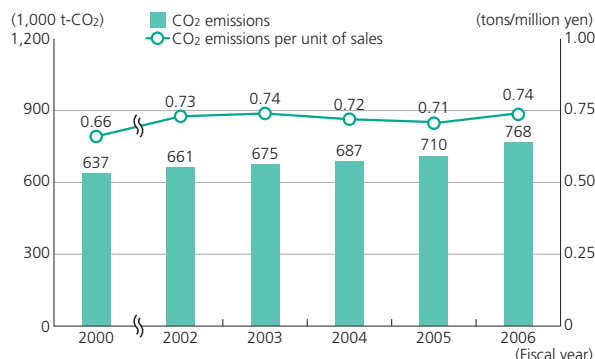


Inspecting heat release spots by thermography

### Energy Consumption



### CO<sub>2</sub> Emissions



Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries. The calorific value associated with electricity consumption is calculated uniformly as 0.00983 GJ/kWh. When Toppan calculates its own CO<sub>2</sub> emissions, it ensures the comparability of emission data over time by referring not to the Manual on Calculating and Reporting Greenhouse Gas Emissions (2007), but to the Ministry of the Environment's Guidelines for Calculating Greenhouse Gas Emissions from Businesses (2003). When calculated by the method specified in the manual, CO<sub>2</sub> emissions in fiscal 2006 amount to 810,519 tons. The large gap in emission volumes results from the difference in emission factors for electricity and city gas. The detailed ratios by energy type are shown on P.83. The Company does not use the 1990 emissions as the base year value, since problems with the accuracy of measurement in fiscal 1990 and expansions and revisions in the scope of data since then would make a retroactive calculation highly contingent on elaborate estimates.

# Resource Circulation

Through its comprehensive management of waste materials, Toppan has increased the number of zero-emission sites to 32 and reduced its waste generation per unit of production value and final landfill waste disposal by 3.6 % and 46.2%, respectively, compared to the previous fiscal year. Toppan will continue to promote the reuse of waste as recycled resources.

## Waste Reduction Activity

Waste paper, a waste product derived primarily from Toppan's Information & Networks and Living Environment Fields, comprises 74% of the total waste generated by Toppan's operational sites. Waste acids (such as waste etchant from plants in the Electronics Field) and waste plastics (from plants in the Living Environment Field) also make up substantial portions of the total waste generated.

Aiming for improved waste management performance, the Company previously set the medium- and long-term target of reducing final landfill waste disposal by 90% by fiscal 2010, compared to the fiscal 2000 level. In fiscal 2006, Toppan achieved a 46.2% reduction of final landfill disposal relative to the fiscal 2000 level, far surpassing the 10% reduction target for the year. This resulted in a 91% reduction from the fiscal 2000 level, enabling the Company to meet medium- and long-term target ahead of schedule by four years. To take advantage of its momentum in this direction, the Company reviewed the earlier target and set a new one for fiscal 2007: to reduce final landfill waste disposal

by 95% by fiscal 2010, compared to the fiscal 2000 level.

From fiscal 2006, Toppan has also been pursuing the new target of reducing waste generation per unit of production value. The result for fiscal 2006 was a 3.6% reduction relative to the fiscal 2005 level, falling short of the 5% reduction target for the year. To control the waste generation on a continuous basis in the years to come, Toppan now aims at a 25% reduction of waste generation per unit of production value by fiscal 2010, compared to the fiscal 2000 level, as its medium- and long-term target for fiscal 2007.

## Development of Zero-emission Target and Reuse of Waste as Recycled Resources

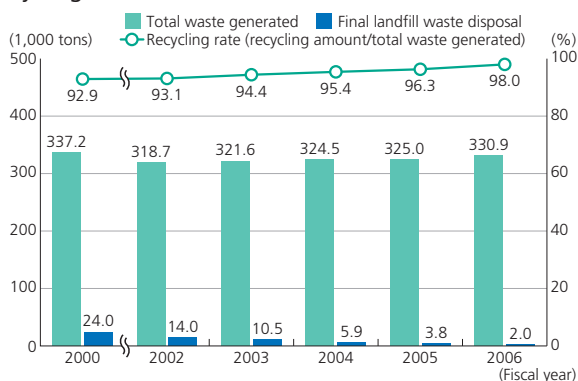
In a move to standardize its approach to waste reduction, Toppan launched activities to achieve zero-emission targets at a number of plants selected as "zero-emission models" in 1999. Based on the results achieved at these model plants, Toppan began certifying "zero-emission sites" in November 2001.

The recycling rate, an external factor

beyond the Company's control, has great influence on the degree to which the Company can expect to achieve its zero-emission targets. To solve this problem, Toppan reviewed its certification criteria and redefined zero-emission sites as plants with recycling rates of at least 98% and zero-emission approval by the Ecology Center in the head office. The center certified and registered 32 operational sites in fiscal 2006.

To advance further in its zero-emission initiatives, Toppan began setting a year-on-year target for its material recycling rate in fiscal 2006. In the first year the Company achieved an 87% recycling rate, surpassing the 60% target set. Two important tasks in further promoting material recycling will be to use waste more effectively in-house and to develop recycling through external communication. Toppan is promoting the maximum reuse of the waste generated from every process throughout the Company, with the target of obtaining the zero-emission certification for all domestic sites by fiscal 2010 (→P.83, 84).

Total Waste Generation, Final Landfill Waste Disposal, and Recycling Rate



Notes: Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Final landfill waste disposal is direct landfill disposal plus landfill disposal of residues from intermediate treatment. It includes the residues discharged from the recycling processes.



Refuse sorting basket



Waste paper volume reduction within the Company

# Pollution Prevention and Chemical Substance Management and Reduction

Toppan is working to reduce its burden on the environment and prevent pollution by establishing and complying with in-house control standards even more stringent than the legal requirements. Toppan worked in fiscal 2006 to reduce emissions of VOCs, mainly toluene, and the consumption of chemical substances designated under the PRTR law.

## Pollution Prevention Activities

Toppan prevents pollution by collecting information at each operational site in order to glean an accurate picture of the actual state of pollution and other environmental burdens. The Company works actively to reduce its burden on the environment and prevent pollution by complying with in-house control standards (established by the Eco-protection Promotion Committee for each operational site) even more stringent than the legal requirements.

### Preventing Atmospheric Pollution and Protecting the Ozone Layer

To prevent atmospheric pollution, Toppan controls smoke- and soot-generating equipment such as boilers and incinerators by switching fuels and managing operations under appropriate combustion conditions. The Company has also introduced VOC effluent gas treatment equipment for the thorough control of atmospheric pollutants. The Medium- and Long-term Environmental Target and the annual target for VOC emissions into the atmosphere have been reviewed based on industry targets since

fiscal 2006. VOC emissions in fiscal 2006 were reduced by 25% compared to fiscal 2005, far surpassing the 10% target set.

Toppan is considering imposing control in accordance with the relevant laws and regulations in order to continuously renew all of its equipment that uses designated chlorofluorocarbon (CFC-11).

### Preventing Water and Soil Pollution

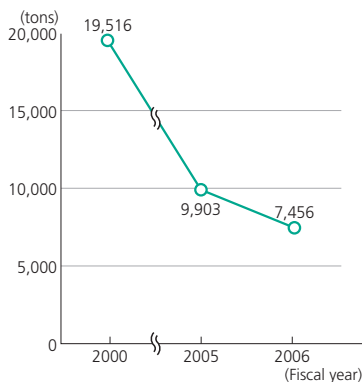
Toppan manages wastewater at its plants by installing wastewater treatment facilities designed to ameliorate specific production processes. Newly introduced wastewater recycling systems have improved the rates of wastewater reusage, particularly in the production sites in Electronics. This has reduced the water consumption and effluent discharge of the Company as a whole. The process wastewater is completely recycled in the Mie Plant II, a facility completed in January 2007.

Toppan's principal safety concern in managing its chemical solution storage tanks is to prevent the leakage of fluids. Walls have been constructed around the storage tanks and workers regularly inspect the tanks and piping to detect cracks and other flaws before soil pollution can occur.

## Management of Chemical Substances

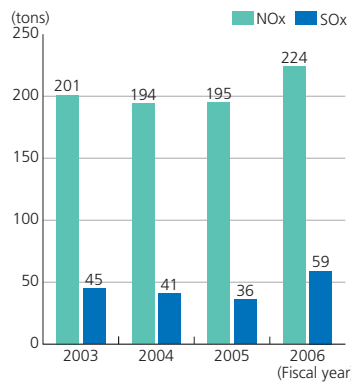
Since establishing a new target to reduce the consumption of chemical substances designated under the PRTR law in fiscal 2006, Toppan has systematically promoted a switchover to materials with little to no PRTR content. Toppan targeted a year-on-year reduction of 10% in the consumption of such materials, whereas the result for fiscal 2006 was an 11% increase. The major factors behind this increase were the inclusion of the NEC Toppan Circuit Solutions, Inc. (TNCSI) Toyama Plant in the total results for fiscal 2006 and the higher chemical consumption resulting from the growth of production. However, Toppan managed to significantly reduce the consumption of chemical substances designated under the PRTR law in the years to come. The actual levels of consumption will be reported in fiscal 2008 after a review of the calculation criteria.

VOC Emissions into the Atmosphere



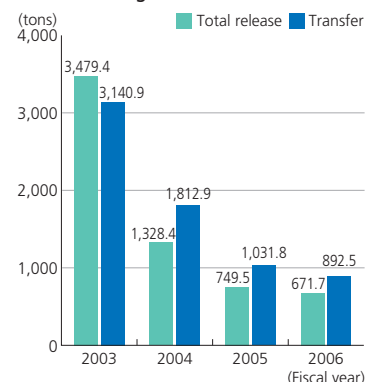
Note: Covers operational sites that handle at least 1.0 ton annually. Excludes figures for overseas subsidiaries and certain independent subsidiaries.

NOx and SOx Emissions



Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries. Figures are calculated based on the Environmental Activities Evaluation Program issued by the Ministry of the Environment in April 2002.

Total Release and Transfer of Chemical Substances Designated under the PRTR Law



Note: Calculated from the release and transfer of chemical substances designated under the PRTR law at each operational site. Dioxins are not included, due to a difference in the counting unit. The figures at overseas subsidiaries and certain independent subsidiaries are excluded. The data for fiscal 2004 have been restated based on the revised methods for aggregation.

# Approach to Logistics

Toppan Logistics Co., Ltd., a Group company, handles logistics for the Toppan Group. The utmost environmental challenge in logistics in the Group is to reduce the environmental burden caused by transportation. The Group is organizing energy-saving measures in logistics while securing safe transportation.

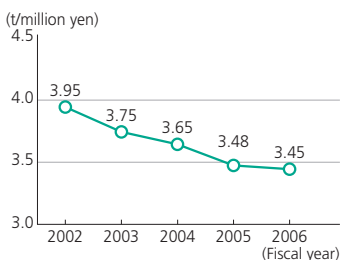
## New Efforts for Energy Saving in Transportation

As a company engaged in the transport of more than 30 million ton-kilometers of freight per year, Toppan is classed a "designated shipper" in the revised Energy Saving Law enforced from April 2006. Under this designation, Toppan will be required to take energy-saving measures for the reduction of CO<sub>2</sub> emissions associated with transportation from fiscal 2007.

Toppan Logistics Co., Ltd. is conducting energy-saving activities together with Toppan to reduce the CO<sub>2</sub> emissions associated with transportation by 1% year over year—the target required by the law.

The Environmentally-friendly Logistics Management System has been operated as a measure to reduce CO<sub>2</sub> emissions during fiscal 2006. This system has reduced CO<sub>2</sub> emissions per unit of sales by 12.7% compared with the fiscal 2002 level.

CO<sub>2</sub> Emissions Per Unit of Sales at Logistics Sites in the Kanto Area



Truck equipped with a digital tachometer

## Efforts to Reduce Environmental Burden

Toppan Logistics operates its ISO 14001-certified environmental management system (EMS) to effectively promote environmental conservation activities as a part of its efforts toward environmentally-friendly transportation. It develops EMSs throughout operational sites across Japan, including the Kawaguchi and Nishigaoka sites, its major logistics bases.

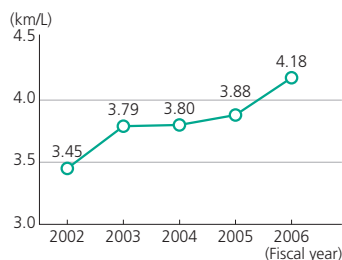
Toppan Logistics is also developing an eco-drive campaign to improve gas mileage by promoting the installation of digital tachometers in its own vehicles and the vehicles of partner companies.

## Efforts for Safe Transportation

Toppan Logistics established a safety management system to improve the safety of its own vehicles under the requirements of the comprehensive law on transport safety enforced in October 2006.

Formulating basic policies and targets on safe transportation, Toppan Logistics has posted them on its website since fiscal 2006.

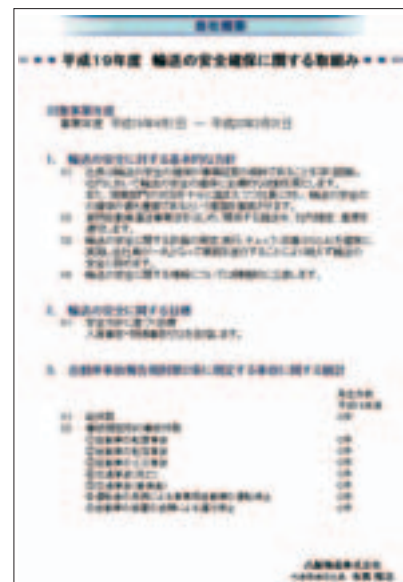
Mileage of Company-owned Vehicles



System to monitor vehicles

## Fiscal 2006 Results

- 12.7% reduction in CO<sub>2</sub> emissions per unit of sales compared to the fiscal 2002 level (at logistics sites in Kanto area)
- 21.2% improvement of mileage compared to the fiscal 2002 level (for company-owned vehicles)
- Establishment of the environmental management system
  - Acquisition of ISO 14001 certifications at all operational sites of Toppan Logistics
  - Renewal of the Green Management certification
- Establishment of the safety management system
  - Acquisition of the G Mark certification for excellence in operational safety
- Installation of more digital tachometers (in about 200 vehicles—diffusion rate: approx. 20% throughout Toppan Logistics and partner companies)
- Adoption of low-pollution trucks
  - Vehicles meeting the standards of the New Long-term Exhaust Gas Regulation
  - CNG vehicles, hybrid vehicles
- Promotion of eco-drive
  - Education and practical training for drivers (twice a year)



Information on safe transportation posted on the Toppan Logistics website (in Japanese)

# Development and Assessment of Environmentally-friendly Products

Toppan plans and develops its environmentally-friendly products based on in-house evaluation criteria, all of which are compliant with ISO 14021. The environmental burdens are quantified through ISO-14040-compliant LCA procedures. Each Group company introduces Eco-products Standards and takes part in the planning, development, and assessment of environmentally-friendly products.

## ■ Toppan's Basic Thinking on Environmentally-friendly Products

Toppan develops its environmentally-friendly products based on its own set of standards established in close consideration of the industries in which the divisions operate. The overarching criteria are Toppan's 14 Environmental Points based on ISO 14021 standards. The Ecology Center evaluates the developed products and registers those that meet all of the criteria for "environmentally-friendly products."

Toppan attaches Environmentally-friendly Product Certification Labels to all of its environmentally-friendly products. These labels fulfill accountability requirements while enlightening users on relevant environmental considerations.

Toppan has produced 85 environmentally-friendly items so far (as of the end of March 2007) (→P.81).



EPOP, an electronic POP tool made with safe materials and leadless solder around the board



Cartocan is a small, paper-based beverage container made without metals such as aluminum foil. The container can be shipped and stored for long periods at ordinary temperatures.

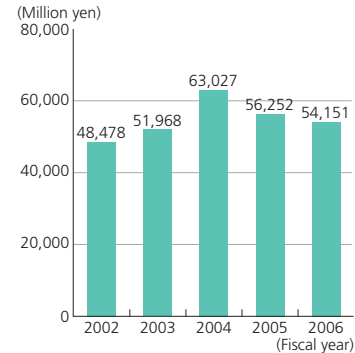


Stripping and heat-sensitive label for glass bottles: no more sticky labels to manage during recycling

## ■ Environment-related Business

Toppan works to realize a recycling-oriented society by promoting the recycling business and marketing environmentally-friendly products. Lower rates of adoption of environmentally-friendly products in Commercial Printing led to a decline in the sales of environmentally-friendly products by Toppan in fiscal 2006. The Company will endeavor to boost sales through collaborative thinking at the Eco-creativity Meeting.

### Sales of Environment-related Business (Nonconsolidated)



Note: The sales of the former Industrial Materials Division have been excluded from the results since fiscal 2005, when the division was spun off into a separate company. The figures for fiscal 2004 and 2005 are restated based on revisions of the calculation methods.

### Toppan's 14 Environmental Points and Environmental Considerations

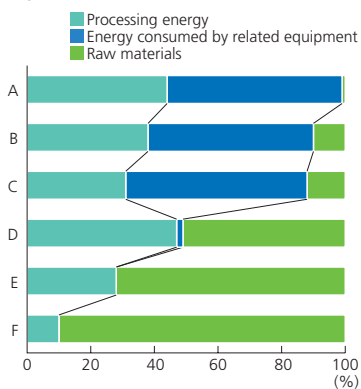
Life Cycle Stage	ISO 14021 Environmental Labeling Type II	Toppan's 14 Environmental Points for Environmentally-friendly Products	Toppan's Standards
Products and distribution		1. Use of safe materials	Toppan will not use substances banned by industrial organizations or substances that could potentially contaminate the Company's products with environmental hormones.
	Recycling rate	2. Use of recycled materials	Toppan will not produce products from recycled materials that could potentially contain environmental hormones or substances banned by industrial organizations.
	Resource reduction	3. Resource-saving	The consumption of resources is reduced during the materials production and logistics processes.
		4. Reduced energy consumption in production	The consumption of energy and water is reduced during the production and logistics processes.
	Recovered energy	5. Use of recovered energy	Products are produced with surplus energy or energy recovered from waste materials.
	Reduced solid waste	6. Reduced solid waste	The generation of solid waste is reduced through modifications of the production process, product design, and packaging. (Byproducts reused in processes are not included in this category.)
Use	Energy-saving	7. Energy-saving	Energy consumption is reduced during product operation.
		8. Reduced release of chemical substances	Products release the lowest possible levels of chemical substances.
	Long-life products	9. Long product life	Product lifetimes are extended by improving durability and adopting scalable designs.
After use	Reusable/refillable	10. Reusability	Products can be reused or refilled for their original or related purposes. Systems and infrastructures are provided for collection and reuse.
	Recyclable	11. Recyclability	Systems and facilities are provided for product recycling. Recyclable parts are indicated as such.
		12. Suitability for disposal	The materials used discharge the lowest possible levels of harmful gases during incineration. Landfill waste is carefully treated to prevent all forms of soil contamination.
	Easy detachment design	13. Easy separation and disassembly	Product designs enable easy separation and disassembly. The parts and materials used support product recycling.
	Degradability	14. Biodegradability	The biodegradable and photodegradable materials used in the products break down naturally and are assimilated back into the environment.

**LCA Approach**

Toppan uses Life Cycle Assessment (LCA) procedures to develop products with lower environmental burden. The Technical Research Institute applied LCA procedures to six products under research and development in fiscal 2005 and 2006 (A to D, products in the Living Environment Field; E and F, printed materials). According to analyses of the environmental burdens of the manufacturing methods and raw materials used for these products, the products can be organized into three groups based on differences in the proportions of their CO<sub>2</sub> emissions associated with manufacturing methods: (A, B, C), (D), and (E, F).

In fiscal 2007, the Technical Research Institute will appoint a person to oversee LCA in each of its departments and to assess and reduce the environmental burdens of Toppan products being researched and developed. Toppan has reviewed the systems and plans for the regional divisions in the Living Environment Field, where the LCA approach has not been carried out as scheduled.

**LCA Results for Products being Researched and Developed (A to F)**  
(Proportion of CO<sub>2</sub> emissions)



**Activities by Group Companies**

Group companies are also helping to establish a recycling-oriented society through production activities that place importance on the preservation of the global environment.

Each Group company has been establishing a set of Eco-product Standards in line with industry conditions and features of product categories since fiscal 2005. These companies develop, produce, and market products in environment-related businesses under their Eco-product Standards. Total sales in these businesses stood at 164.3 billion yen in fiscal 2006.

The efforts of Group companies to develop, produce, and market environmentally-friendly products based on their own Eco-product Standards have helped to activate the environmental activities throughout the Group.

**Management of Chemical Substances in Products**

Manufacturers operating globally are urgently pressed to manage chemical substances in products in order to minimize risks to the health of consumers and the global environment by reducing the levels of harmful chemicals in their products insofar as they can.

Toppan has responded by establishing a set of Guidelines for Management of Chemical Substances in Products and applying the guidelines in periodic reviews of in-house rules and systems for quality assurance. In order to monitor the compliance with those rules and systems, on-site audits regarding the management of chemical substances in products have been started in the plants.



Ecosheet, a door surface material designed to reduce the levels of chemicals responsible for sick house syndrome, and Coordination Floor, a flooring material. Both are manufactured by Toppan Cosmo, Inc.



Fresh direct label, a peel-off label made with a highly safe adhesive approved by the U.S. Food and Drug Administration. Manufactured by Toppan Forms Co., Ltd.



Managing chemical substances at plants

# Environmentally-friendly Printing Services

Toppan provides environmentally-friendly printing services to respond to the demands of society. Every process is approached from an environmentally-friendly stance, from the initial design and selection of inks and papers to the latter stages of printing, binding, and processing.

## Introduction of the GPN Purchasing Guidelines for Offset Printing Services

As a member of the Green Purchasing Network (GPN) (→P.45), Toppan tries to minimize the environmental impact of printing and provides printing services based on the Purchasing Guidelines for Offset Printing Services. The Company applies environmentally-friendly technologies at every step of the process, from the selection of designated inks and papers to surface processing and binding. Many local governments and companies involved in Green Purchasing activities have adopted these services.

## Production and Plate-making

Toppan saves natural resources and energy by excluding filming and development processes through the full digitalization of every stage, from original manuscript to plate-making.

## Using Environmentally-friendly Inks

Toppan has developed a soybean-oil ink that contains virtually no aromatics, a class of organic compound harmful to both the human body and the earth's atmosphere. The Company has also commercialized a recycled vegetable-oil ink made from used soybean oil collected from school cafeterias, restaurants, and other such sources.

## Providing Environmentally-friendly Paper

Printing paper is a resource directly related to the conservation of forest resources. The types of printing paper in use today help conserve forest resources: recycled paper, tree-free paper, FSC-certified paper, and paper made with pulp from forest-thinning operations.

## Waterless Printing System

The waterless printing system uses a silicone layer that repels ink in lieu of water. This eliminates the need for dampening water containing isopropyl alcohol (IPA), an organic solvent, and the resulting discharge of liquid waste.

## Environmentally-friendly Bookbinding and Finishing Processes

Fragmentation-resistant hot-melt is an adhesive suitable for use on paper to be recycled. Besides offering strong cohesion, it can be completely removed from printed materials without fragmenting during recycling. Toppan has also developed methods for bookbinding and processing to confer outstanding recyclability. With Eco-binding, for example, printed materials can be bound without the stitching wire used in saddle stitching.

### Toppan's Advanced Environmentally-friendly Printing Technology

- Color Management System (CMS): A computer-based color management technology for printing
- Digital photography technology: A photographic technology requiring no film
- Direct Digital Color Proof (DDCP): A color proof technology requiring none of the films previously required for the prepress process
- Computer to Plate (CTP): A plate technology that sends digital data directly to the printing plate

## Environmental Considerations in Producing this Report

Toppan actively applies various environmentally-friendly technologies and methods in the printing of the *Toppan CSR Report*.

Toppan has been manufacturing Cartocan to promote the use of wood from forest-thinning operations since 1996 (→P.20, 79). The use of wood from forest-thinning operations conserves domestic forest resources and encourages the proper nurturing of forests.

The body of the *CSR Report* has been printed entirely on paper containing pulp from forest-thinning operations for the last two years. This is an advance over the *CSR Report 2004*, in which only some pages were printed on this type of paper. Toppan will continue to promote environmentally-friendly printing services and the use of paper designed to benefit domestic forest resources.

### Environmental Considerations in the *CSR Report 2007*

Processes and Materials	Specific Measures	Environmental Considerations
Photography	Use of digital photography for the new images recorded for this year's report	Elimination of filming and development (conventional photographs from previous reports are now recorded digitally)
Design and editing	Digital processes by DTP	Reduction of mid-process materials such as artwork
Prepress	Plate-making by CTP	Elimination of the films required for making plates
Printing	Sheet-fed press waterless printing	Reduction of IPA use, elimination of waste fluids
Paper	Cover: 100% recycled paper Body: 70% domestic pulp, including 10% pulp from forest-thinning operations	Forest resource-saving and proper forest nurturing
Ink	Recycled vegetable oil made for waterless printing	Resource-saving, use of recycled materials
Bookbinding and finishing	Fragmentation-resistant hot-melt (EVA-base)	Improved recycling efficiency



# Forest Management and Formulation of Recycling-oriented Society

Toppan procures materials in ways amenable to promote sound forest management for the preservation of the ecosystem. One way to preserve the ecosystem is to develop a range of recycling mechanisms in full recognition of the importance of the 3Rs (reducing, reusing, and recycling) for the realization of a recycling-oriented society.

## ■ Cartocan

An urgent measure to mitigate global warming will be to promote CO<sub>2</sub> absorption by the trees grown in Japan. Efforts for the sound nurturing and maintenance of forest resources will require a pooling of efforts by the government and private sector. The Forestry Agency has responded by undertaking KIZUKAI-UNDOH (Wood Products Utilization Campaign), a campaign to encourage forest maintenance by promoting the use of domestic lumber, including lumber harvested from forest-thinning operations.

Supporting the KIZUKAI-UNDOH campaign, Toppan promotes the sound nurturing and maintenance of the country's forest resources by using domestic lumber to produce its paper-based beverage container, Cartocan.

To extend the benefits of Cartocan, a container made of a high-quality paper similar to that used for milk cartons, Toppan established a system for the recycling of empty Cartocans into toilet paper in January 2002. The Cartocan recycling system salvages the paper from unwashed Cartocans and re-commercial-

izes the recycled material. ECO-GREEN, an environmentally-friendly toilet paper, is made from approximately 50% used Cartocans. Toppan purchased 2,413 cases (60 rolls a case) of ECO-GREEN in fiscal 2006, about 40% more than it purchased in fiscal 2005.

## ■ FSC COC Certification

In May 2002, Toppan became the first company to acquire the Forest Stewardship Council (FSC) Chain of Custody (COC) certification in the field of commercial printing in Japan. In February 2003, the Company acquired the COC certification in wooden processing as well. Toppan is convinced that the diffusion of products with the FSC logo will enhance forest operations and environment-related communication between corporations and customers. The Company will regularly propose products with the FSC logo to customers.

## ■ Tree-planting Programs

In 1997, Toppan joined with Oji Paper Co., Ltd. and Nissho Iwai Corp. (now Sojitz Corporation) to establish GPFL\*1, a tree-planting venture to produce hardwood chip in Victoria, Australia (Hokkaido Electric Power Co., Inc. joined the venture in 2000). The Company participates in efforts to develop methods for monitoring CO<sub>2</sub> absorption in forests. Toppan has also participated in the PPT's\*2 hardwood planting program in Tasmania, Australia since fiscal 2004. The Company seeks to acquire a third-party forest management certification in these afforested areas and to establish a system for the traceability of wood products.

Toppan has been collaborating in study and research on plantation as a supporting member of the Japan Overseas Plantation Center for Pulpwood since fiscal 1999.

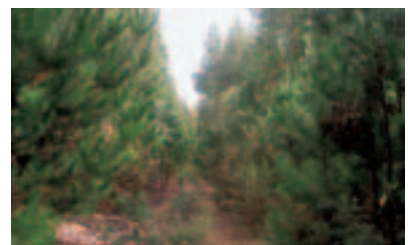


Cartocan obtained the forest-thinning product mark (left). The 3.9 GREENSTYLE MARK, a logo of the KIZUKAI-UNDOH. Toppan obtained the registration number (right).



FSC COC Certification

The FSC forest management certification system is a framework to approve proper forest management under the principles and standards established by Forest Stewardship Council. The FSC Chain of Custody (COC) certification can only be granted to comprehensive management systems that effectively prevent the admixture of lumber from certified forests with lumber from non-certified forests during any part of the production process from manufacturing to distribution.

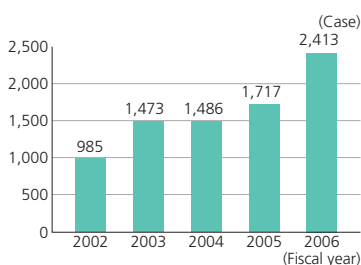


Tree planting by GPFL (upper) and PPT (lower)

\*1 GPFL: Green Triangle Plantation Forest Company of Australia Pty. Ltd.

\*2 PPT: Plantation Platform of Tasmania Pty. Ltd.

## ECO-GREEN Purchasing



## Environmental INPUT/OUTPUT Data by Business Field

## ■ Combined Results by Business

(Entities covered: Toppan Group (→P.5), excluding Toppan Photomasks, Inc.)

		Electronics	Information & Networks	Living Environment	Non-production Sites	Total	
INPUT	Energy	Total energy consumption (GJ)	8,376,089	7,338,393	5,968,508	759,946	22,442,937
		Electricity consumption (GJ)	7,367,659	4,864,381	4,364,809	594,832	17,191,682
		Fuel consumption (GJ)	1,008,430	2,474,012	1,603,699	165,114	5,251,255
	Water	Water consumption (1,000 m <sup>3</sup> )	13,411	2,161	2,163	353	18,089
		Industrial water (1,000 m <sup>3</sup> )	1,780	783	438	0	3,002
		Municipal water (1,000 m <sup>3</sup> )	183	938	665	353	2,140
		Groundwater (1,000 m <sup>3</sup> )	11,448	440	1,059	0	12,947
Use of rainwater (1,000 m <sup>3</sup> )		0	2	0	14	17	
Use of water circulated on premises (1,000 m <sup>3</sup> )	9,434	0	33	0	9,467		
OUTPUT	Atmospheric pollutants	CO <sub>2</sub> emission (tons)	385,393	326,082	289,332	31,237	1,032,044
		Emission of ozone-depleting substances (ODP-kg)	0	1,326	552	0	1,878
		NO <sub>x</sub> emission (kg)	27,658	81,646	131,146	16,411	256,861
		SO <sub>x</sub> emission (kg)	34,326	322	36,706	46	71,401
		Emission of dioxins (mg-TEQ)	0	5.9	27.6	0	33.5
	Water and soil environments	Total effluent discharge (1,000 m <sup>3</sup> )	12,153	1,342	1,574	319	15,389
		Public water system (1,000 m <sup>3</sup> )	10,444	175	992	0	11,611
		Sewage system (1,000 m <sup>3</sup> )	1,710	1,167	582	319	3,778
		Underground penetration (1,000 m <sup>3</sup> )	3	1	41	0	45
		On-site evaporation (1,000 m <sup>3</sup> )	1,204	750	430	49	2,434
		BOD (kg)	122,805	74,708	28,417	4,132	230,062
		COD (kg)	158,470	48,292	10,935	0	217,697
		Nitrogen discharge (kg)	32,340	3,527	9,851	1,264	46,981
	Waste	Phosphorous discharge (kg)	742	388	758	101	1,988
		Total generation (tons)	50,693	235,114	126,029	4,728	416,564
		Reused and recycled (tons)	43,311	232,763	120,555	4,028	400,657
		Final landfill waste disposal (tons)	3,822	1,607	3,599	141	9,168

Note: The Company refers to the Ministry of the Environment's Guidelines for Calculating Greenhouse Gas Emissions from Businesses (2003) for its own calculation of CO<sub>2</sub> emissions. The calorific value associated with electricity consumption is calculated uniformly as 0.00983 GJ/kWh.

## Green Procurement/Green Purchasing

## ■ Toppan's Green Procurement Standards

(Revised in fiscal 2006. Figures for fiscal 2004 and 2005 are based on previous standards.)

	Level 1	Level 2	Performance		
			Fiscal 2004	Fiscal 2005	Fiscal 2006
<b>Paper</b>					
1. Recycled paper usage* <sup>1</sup>	100% recycled paper, or 70% recycled paper plus 30% forest-certified paper	70%+ recycled paper, or forest-certified paper, tree-free paper, paper made with pulp from forest-thinning operations	24.7%	21.3%	19.8%
2. Degree of whiteness* <sup>2</sup>	Below 70% (down to +4%) for non-coating paper	Below 80% (down to +4%) for non-coating paper			
3. Coating volume	Below 12 g/m <sup>2</sup> (Maximum of 8 g/m <sup>2</sup> per single surface)	Below 30 g/m <sup>2</sup> (Maximum of 17 g/m <sup>2</sup> per single surface)			
4. Chlorine-gas-free pulp usage	100% ECF-bleached pulp (no chlorine gas [Cl <sub>2</sub> ] used for bleaching)				
<b>Offset Ink*<sup>3</sup></b>					
1. Avoiding materials harmful to the human body	Conforms to the NL restrictions of the Association of Japan Printing Ink Manufacturers		97.6%	97.3%	97.1%
2. Avoiding the use of substances known to generate hazardous substances	Non-usage of chloride-based resins				
3. Considerations on chemical substances designated under the PRTR law	Non-usage of substances designated under the PRTR law	Identification of substances designated under the PRTR law (preparing for MSDS)			
4. Controlling VOC emissions	VOC content below 1% (non-VOC ink): Excluding ink for web press	VOC content below 15% (low-VOC ink) or soybean-oil ink			

\*1 Recycled paper components, including tree-free paper and paper made with pulp from forest-thinning operations

\*2 Excluding colored tree-free papers and specialized papers \*3 Not applicable to gold, silver, and pearl ink

## In-house Green Purchasing Standards and Level of Fulfillment

Product	Purchasing Standard	Performance		
		Fiscal 2004	Fiscal 2005	Fiscal 2006
OA paper	Recycled component to exceed 70%, whiteness not to exceed 80%	98.9%	99.7%	99.7%
Copy machines/printers	Configured to automatically revert to low-power mode or off mode when not used for a specific period of time	98.5%	93.7%	96.4%
PCs	Configured to automatically revert to low-power mode or off mode when not used for a specific period of time, and to maintain low energy consumption when in low-power mode	100.0%	100.0%	100.0%
Toilet paper	100% recycled paper, whiteness below 80%	100.0%	100.0%	99.9%
Stationery/office goods	Products endorsed with environmentally-friendly qualifications such as the Eco Mark or Green Mark, and products listed in the eco-friendly product catalogues of manufacturers	94.6%	96.8%	95.8%

## Organizational Structure

### ■ Toppan Group Environmental Meeting

Toyo Ink Mfg. Co., Ltd.
Tosho Printing Co., Ltd.
Tokyo Shoseki Printing Co., Ltd.
Toppan Forms Co., Ltd.
TMP Co., Ltd.
Toppan Label Co., Ltd.
Toppan Logistics Co., Ltd.
Tamapoly Co., Ltd.
NEC Toppan Circuit Solutions, Inc.
Toppan Printing Co., Ltd.
10 companies in total

### ■ Toppan Group Eco-products Meeting

Toyo Ink Mfg. Co., Ltd.
Tosho Printing Co., Ltd.
Tokyo Shoseki Printing Co., Ltd.
Toppan Forms Co., Ltd.
Toppan Cosmo, Inc.
Toppan Label Co., Ltd.
TMP Co., Ltd.

Total Media Development Institute Co., Ltd.
Toppan Logistics Co., Ltd.
Toppan Multisoft Ltd.
Tamapoly Co., Ltd.
froebel-kan co., ltd.
Toppan Printing Co., Ltd.
13 companies in total

### ■ List of Environmentally-friendly Products

Business Fields	Toppan's Environmentally-friendly Products	Environmental Points
Securities and Cards	Ecothrough card	Suitability for disposal
	Paper IC Card	Use of recycled materials
	Bulky Waste Processing Sticker	Resource-saving (reduced use of materials)
	Recycleco Gift Card	Use of recycled materials
	Card for ETC	Suitability for disposal
Commercial Printing	Rewritable Paper	Long product life
	Toppan Green Paper 100	Use of recycled materials
	Eco Pack (life-size POP display)	Resource-saving (reduced use of materials)
	Paper Desk Calendar	Use of recycled materials
	Ecology Calendar	Use of recycled materials
	Eco POP	Use of recycled materials, suitability for disposal, energy saving
	Cerap	Suitability for disposal
	Eco Pack Stand	Resource-saving
	Eco Pack Multipanel	Reusability
	Eco Floor Sticker	Suitability for disposal
	Eco Pack End Panel	Resource-saving
	Eco Pack Stand, Round-type	Resource-saving
Publications Printing	EPOP	Use of safe materials
	Recycled vegetable-Oil Ink	Use of recycled materials
	Polyurethane Reactive Hot-Melt	Easy separation and easy disassembly
Electronics	Non-Vinyl Chloride Lenticular Lens	Suitability for disposal
	Low-halogen Printed-wiring board	Suitability for disposal
Optronics	Lenticular Screen	Resource-saving, use of safe materials
	Anti-reflection film	Resource-saving
Packaging	GL Family	Suitability for disposal
	Standing pouch for refill	Resource-saving (reduced use of materials)
	Bottled Pouch	Resource-saving (reduced use of materials)
	Thin-Wall Bottle	Resource-saving (reduced use of materials)
	Plastic Container Made from Recycled Materials	Use of recycled materials
	Ecogloss (environmentally-friendly gloss finishing)	Resource-saving (reduced use of exhaustible materials), use of recycled materials
	Recording Media Packaging	Resource-saving (reduced use of exhaustible materials)
	TT Paper Can	Easy separation and disassembly
	Neovert	Use of recycled materials
	Ecotainer	Resource-saving (reduced use of exhaustible resources)
	TL-PAK	Resource-saving (reduced use of exhaustible resources)
	EP-PAK (EP-GL)	Resource-saving (reduced energy usage in logistics)
	EP-PAK (Al)	Resource-saving (reduced energy usage in logistics)
	Stand-up Laminated Tube	Resource-saving (reduced use of materials)
	Recyclen Cap	Easy separation and disassembly
	AP Cartons	Resource-saving (reduced use of energy in logistics)
	Micro-Flute	Resource-saving (reduced use of energy in logistics)
TP-Tray	Recyclability	

Business Fields	Toppan's Environmentally-friendly Products	Environmental Points
Packaging	Corrugated Absorber	Recyclability
	AD-Case	Resource-saving (reduced use of materials)
	Cartocan	Recyclability
	Paper Cup Made from Recycled Paper	Use of recycled materials
	Cup made from Tree-Free paper	Resource-saving (use of byproducts)
	Biodegradable Package	Biodegradability
	Cylindrical Paper Cartridges	Resource-saving (reduced use of energy in logistics)
	Coated Barrier Film	Suitability for disposal
	GL-C Bottle	Resource-saving
	GX film	Resource-saving
	Jar Plus	Resource-saving
	Tray All	Easy separation and disassembly
	GL Film Lined Paper Cup	Resource-saving
	Double-Wall Barrier Cup	Resource-saving
	Oil-Proof Paper	Use of safe materials
	Functional Coated Paper	Recyclability
	In-Mold Barrier Cup	Resource-saving
	Tamper Evident Recyclen Cap	Easy separation and disassembly
	Easy peel-off thermo-cap for PET bottles	Easy separation and disassembly
	Ecoband	Resource-saving
	Water-based Cold Seal	Reduced release of chemical substances
	Biodegradable Plant Pot	Biodegradability
	Barrier Cup (NSP Process)	Resource-saving
	Plastic Clip	Recyclability
	Notchless Easy-cut Container (AL type)	Resource-saving (reduced energy expended in manufacturing)
	Recycled PET Clear Case	Recyclability
	ALUGLAS	Suitability for disposal
	Stripping and heat-sensitive label for glass bottles	Easy separation and disassembly
	Food container made from heat-resistant paper	Resource-saving
	Paper carton with temper evident closure	Resource-saving
	One-piece occlusion-preventive plug for TL-PAKS	Resource-saving
	Sealed paper tray	Resource-saving
Flexible packaging material using paper	Resource-saving	
Clear UV-Blocking Film	Suitability for disposal	
Injection molded articles of biomass-plastics	Resource-saving	
EL-Case	Easy separation and disassembly	
Large octagonal container for business use	Easy separation and disassembly, recyclability	
Oil-proof paper for fluorine-free cardboard	Use of safe materials	
Paper cup made from pulp from forest-thinning	Resource-saving	
GL-compliant back sheet for solar cells	Suitability for disposal, long product life	
Paper composite container	Resource-saving, recyclability	
Pouch-type fragrance container	Resource-saving, recyclability	
Resource-saving Cartocan (rectangular type)	Resource-saving, recyclability	

## ■ ISO 14001 Certification

(49 systems, 63 operational sites  
as of April 1, 2007)

Division/Operational Site	Registrar	Registration Date
Shiga Plants (Electronics Division/Semiconductor Solutions Division/Optronics Division)	JQA	Jul. 1998
Electronics Division (Kumamoto Plant)	JQA	Nov. 1998
Toppan Cosmo, Inc. (Kashiwa Plant/Satte Plant, Toppan Decor Products Inc.)	JQA	Mar. 2000
Electronics Division (Niigata Plant) and NEC Toppan Circuit Solutions, Inc. (Niigata Plant)	JQA	Apr. 2000
Sakado Site	JQA	Oct. 2000
Securities Printing Division (Ranzan Plant)	JQA	Nov. 2000
Packaging Division (Akihabara Office/Ebie Office)*	JQA	Mar. 2001
Itabashi Site (including Toppan Seihon Co., Ltd.)	JQA	Feb. 2002
Fukusaki Site (including Wakayama Plant, Toppan Plastic Co., Ltd.)	JQA	Jul. 2002
Toppan Graphic Co., Ltd.	JQA	Aug. 2002
Takino Plants (Commercial Printing Division/Securities Printing Division/Packaging Division)	JQA	Oct. 2002
Gunma Site (including Tatebayashi Plant)	JQA	Jul. 2003
Asaka Plants (Information & Publications Division/Securities Printing Division/Semiconductor Solutions Division)	JQA	Dec. 2003
Toppan Electronics Fuji Co., Ltd.	JQA	Jun. 2004
West Chugoku & Shikoku Subdivision (Hiroshima Office/Kannabe Toppan Co., Ltd.)	JQA	Oct. 2004
Kansai Area (Kansai Commercial Printing Subdivision/East Chugoku & Shikoku Subdivision/Kansai Securities Printing Subdivision)*	JQA	Nov. 2004
Tohoku Division	JQA	Mar. 2005
Technical Research Institute	JQA	May 2005
Hokkaido Division (Sapporo Plant/Chitose Plant)	JSA	Jun. 2005
Electronics Division (Mie Plant I)	JQA	Jan. 2006
Optronics Division (Satte Plant)	JQA	Mar. 2006
Toppan Plastic Co., Ltd. (Koshigaya Plant/Kawaguchi Plant/Sagamihara Plant)	QMI	Dec. 2006
Toppan Packaging Service Co., Ltd. (Ranzan Plant)	JQA	Feb. 2007
Packaging Division (Sagamihara Plant)	QMI	Mar. 2007

\*"Ebie Site" consists of the Ebie Office, the Kansai Commercial Printing Subdivision, and the Kansai Securities Printing Subdivision.

Note: The Information and Communication Division was formed through a merger of the Securities Printing Division and the Commercial Printing Division on April 1, 2007.

Group Company/Operational Site	Registrar	Registration Date
NEC Toppan Circuit Solutions, Inc. (Toyama Plant)	JQA	Jan. 1997
Total Media Development Institute Co., Ltd. (Entire company)	JSA	Mar. 2001
Toppan Forms Co., Ltd. (Hino Plant)	JQA	Jun. 2001
Toppan Label Co., Ltd. (Fukushima Plant)	JQA	Nov. 2001
Toppan Logistics Co., Ltd. (Nishigaoka Site, including the Kawaguchi transport department)	JQA	Oct. 2002
Toppan Prosprint Co., Ltd. (Mito Plant)	JSA	Jan. 2004
Toppan Forms Co., Ltd. (Fussa Plant)	JQA	Feb. 2004
Toppan Forms Co., Ltd. (R&D Center)	JQA	Mar. 2004
Toppan Containers Co., Ltd. (Saitama Plant/Miyagi Plant/Sano Plant)	JQA	Apr. 2004
Toppan Forms Tokai Co., Ltd. (Nagoya Plant)	JQA	Aug. 2004
Toppan Forms Kansai Co., Ltd. (Osaka Plant)	JQA	Dec. 2004
Toppan Forms Nishinohon Co., Ltd. (Kyushu Plant)	JQA	Jan. 2005
Toppan Prosprint Co., Ltd. (Koto Production Center)	JQA	Mar. 2005
Toppan Forms Kansai Co., Ltd. (Settsu Plant)	JQA	Mar. 2006
Toppan Forms Co., Ltd. (Kawamoto Plant)	JQA	Aug. 2006
Toppan Forms Kansai Co., Ltd. (Kobe Plant)	JQA	Sep. 2006

Overseas Subsidiary	Registrar	Registration Date
Siam Toppan Packaging Co., Ltd.	MASCI	Apr. 2002
Toppan Printing Co., (H.K.) Ltd.	DNV	May 2002
Toppan Printing Co. (America), Inc.	DNV	Dec. 2002
Toppan Chunghwa Electronics Co., Ltd.	SGS	Oct. 2003
Toppan Printing Co., (Shenzhen) Ltd.	SSCC	Dec. 2003
Toppan CFI (Taiwan) Co., Ltd.	SGS	Nov. 2004
P. T. Toppan Printing Indonesia	LRQA	Nov. 2004
Toppan Printing Co., (Shanghai) Ltd.	CEC	Feb. 2006
Toppan SMIC Electronics (Shanghai) Co., Ltd.	BSI	Feb. 2007

## ■ Major Environment-related Laws Involving the Printing Industry in Japan

## Basic Stance and Rules

The Basic Environment Law  
 Law for Promotion of Nature Restoration  
 The Basic Law for Establishing the Recycling-oriented Society  
 Legislation to Implement a Basic Law on Energy Policy  
 Law Concerning Increasing the Desire for Environmental Conservation and Promoting Environmental Education  
 Law Concerning the Promotion of Environmentally Conscious Activities of Specified Businesses through the Promotion of the Provision of Environmental Information

## Eco-protection Field

Air Pollution Control Law  
 Water Pollution Control Law  
 Sewerage Law  
 Septic Tank Law  
 Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea  
 Soil Contamination Countermeasures Law  
 Offensive Odor Control Law  
 Noise Regulation Law  
 Vibration Regulation Law  
 Industrial Water Law  
 Law Concerning the Rational Use of Energy  
 Law Concerning the Promotion of the Development and Introduction of Alternate Energy

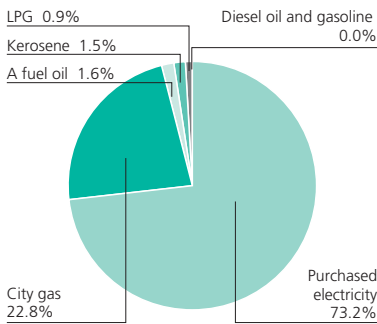
Law Concerning the Promotion of the Use of New Energy  
 Waste Disposal and Public Cleaning Law  
 Law for the Control of Export, Import, and Others of Specified Hazardous Wastes and Other Wastes  
 Construction Materials Recycling Act  
 Law Concerning Special Measures against PCB waste  
 Law Concerning the Recovery and Destruction of Fluorocarbons (Fluorocarbons Recovery and Destruction Law)  
 Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemicals and Promoting Improvements in their Management  
 Law Concerning Special Measures against Dioxins  
 Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides from Automobiles in Specified Areas  
 Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures  
 Law Concerning the Promotion of Measures to Cope with Global Warming  
 Factory Location Law  
 Landscape Law  
 City Planning Law  
 Urban Green Law  
 Law Concerning the Improvement of Pollution Prevention Systems in Specific Factories

## Eco-creativity Field

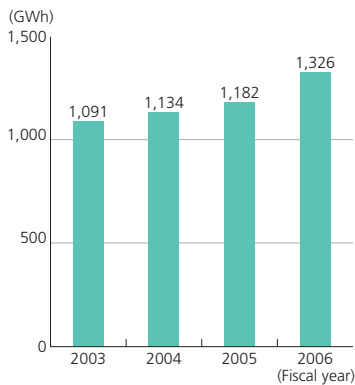
Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities  
 Law for the Promotion of Effective Utilization of Recyclable Resources  
 Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging  
 Law for the Conservation of Endangered Species of Wild Fauna and Flora

## Energy Type Ratio and Consumption

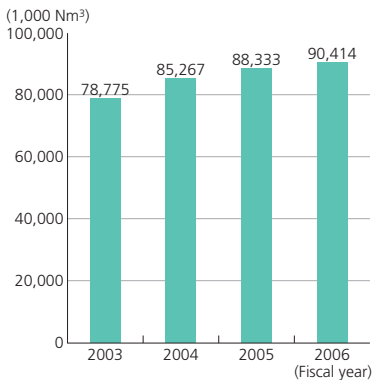
■ Energy Used by Type for Fiscal 2006  
(in terms of caloric value)



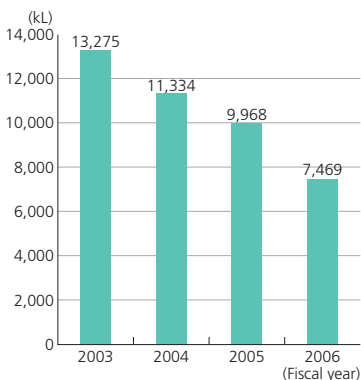
■ Electricity Consumption



■ City Gas Consumption



■ Kerosene Consumption



Notes: The calorific value associated with electricity consumption is calculated uniformly as 0.00983 GJ/kWh.

Excludes figures for overseas subsidiaries and certain independent subsidiaries.

■ Fiscal 2006 Results of Toppan's Environmental Education

Training or Education		Contents	Number of Trainees
New employee training		General environmental education (introductory level)	414
New manager training		General environmental education (intermediate level)	235
e-learning*		Environmental issues involving corporations and Toppan Group activities	0 (Sum total: 20,123)
Toppan Business School	Optional training	Introduction to ISO 14001	42
		Introduction to environment-related laws	33
		Introduction to LCA	7
		Discovery of energy-saving projects (pneumatic systems)	10
		Seminar to enhance the skills of ISO 14001 internal auditors	34
Challenge School	Four courses related to the environment	16	
Internal environmental auditor training		Internal environmental auditor training program	158

\*Toppan reviewed and reorganized its terminal PC networks for business operations mainly in the sales and planning departments in fiscal 2006. To avoid system complexity and confusion, the Company decided not to conduct e-learning training in fiscal 2006.

## Promotion of Waste Reduction and Recycling

■ Zero-emission Sites

(Certified December 2006)

Operational Site		Total Waste Generation (tons)	Total Waste Recycling (tons)	Recycling Rate (%)
1	Securities Printing Division (Asaka Securities Printing Plant)	4,657.7	4,647.5	99.78%
2	Securities Printing Division (Ranzan Plant)	877.1	877.1	100.00%
3	Electronics Division (Kumamoto Plant)	12,877.1	12,750.5	99.02%
4	NEC Toppan Circuit Solutions, Inc. (Toyama Plant)	3,838.1	3,826.6	99.70%
5	Optronics Division (Satte Plant)	1,650.6	1,628.4	98.66%
6	Optronics Division (Shiga Plant)	558.7	558.7	100.00%
7	Information & Publications Division (Itabashi Site)	17,426.2	17,352.9	99.58%
8	Information & Publications Division (Asaka Site)	11,987.9	11,987.5	100.00%
9	Sakado Site	27,331.1	27,331.1	100.00%
10	Toppan Graphic Co., Ltd. (Kawaguchi Site)	46,860.1	46,860.1	100.00%
11	Toppan Graphic Co., Ltd. (Oji Site)	3,468.6	3,468.6	100.00%
12	Toppan Seihon Co., Ltd.	30,528.6	30,493.3	99.88%
13	Packaging Division (Sagamihara Plant)	22,200.3	22,114.8	99.61%
14	Toppan Containers Co., Ltd. (Saitama Plant)	9,202.8	9,094.6	98.82%
15	Toppan Containers Co., Ltd. (Sano Plant)	4,008.9	3,949.3	98.51%
16	Toppan Containers Co., Ltd. (Kumagaya Site)	288.2	287.5	99.76%
17	Toppan Plastic Co., Ltd. (Sagamihara Plant)	58.4	58.4	100.00%
18	Toppan Packaging Service Co., Ltd. (Ranzan Plant)	532.9	524.1	98.35%
19	Toppan Decor Products Inc. (Kashiwa Plant)	3,620.0	3,601.4	99.49%
20	Toppan Decor Products Inc. (Satte Plant)	4,571.5	4,571.5	100.00%
21	Packaging Division (Itami Plant)	9,611.2	9,481.3	98.65%
22	Toppan Harima Products Co., Ltd.	266.4	266.4	100.00%
23	Commercial Printing Division (Kansai Commercial Printing Subdivision Plant [Takino Site])	12,427.7	12,420.6	99.94%
24	Packaging Division (Takino Packaging Plant)	3,447.5	3,424.7	99.34%
25	Securities Printing Division (Takino Securities Printing Plant)	1,402.3	1,397.3	99.64%
26	Chubu Division (Nagoya Plant)	4,119.5	4,068.4	98.76%
27	Mikkabi Toppan Printing Co., Ltd.	2,834.7	2,813.9	99.27%
28	Nishinohon Division (Fukuoka Plant Manufacturing Department 2)	5,949.8	5,870.8	98.67%
29	Toppan Saga Yoki Co., Ltd.	249.9	249.0	99.64%
30	Kumamoto Toppan Co., Ltd.	4,580.5	4,574.3	99.86%
31	Tohoku Division (Sendai Plant)	3,995.3	3,921.1	98.14%
32	Hokkaido Division (Sapporo Plant)	2,693.2	2,691.2	99.93%

## Preventing Pollution/Management and Reduction of Chemical Substances

## ■ Fiscal 2006 Toppan PRTR Survey and Results

(Unit: kg/year)

PRTR No.	Chemical	Releases	Releases			Transfer as Waste
			1. Atmosphere	2. Water	3. Soil	
16	2-amino ethanol	0	0	0	0	39
24	Linear alkylbenzenesulfonate and chlorides	0	0	0	0	13,149
40	Ethyl benzene	11,296	11,296	0	0	1,696
45	Ethylene glycol monomethyl ether	482	482	0	0	1,248
46	Ethylene diamine	0	0	0	0	962
63	Xylene	14,720	14,720	0	0	2,726
64	Silver and water-soluble compounds	0	0	0	0	0
68	Chrom and trivalent chromium compounds	20	0	20	0	11,485
69	Hexavalent chromium	0	0	0	0	1,167
108	Inorganic cyanogens compounds	0	0	0	0	180
132	1,1-dichloro-1-fluoroethane (HCFC-141b)	3,842	3,842	0	0	515
172	N,N-dimethylformamide	0	0	0	0	1,158
179	Dioxins	(28 mg-TEQ)	(28 mg-TEQ)	0	0	(190 mg-TEQ)
207	Water-soluble copper compounds	571	0	571	0	120,150
218	1,3,5-tris (2,3-epoxy propyl)-1,3,5-triazine-2,4,6 (1H,3H,5H)-trione	0	0	0	0	0
224	1,3,5-tri-methyl benzene	4,075	4,075	0	0	6,445
227	Toluene	635,793	635,793	0	0	504,561
231	Nickel	0	0	0	0	0
232	Nickel compounds	44	0	44	0	212,324
254	Hydroquinone	0	0	0	0	1,378
304	Boron and its compounds	37	0	37	0	3
309	Poly (oxyethylene) nonylphenyl ether	542	542	0	0	2,115
310	Formaldehyde	107	107	0	0	13
311	Manganese and its compounds	128	0	128	0	11,174
	Total	671,659	670,858	801	0	892,489

Notes: Period covered: April 1, 2006–March 31, 2007

Substances designated: The 24 substances shown above

Operational sites covered: Sites that handle more than 1.0 ton of Class I designated chemical substances over the year. (Or specified Class I designated chemical substances in excess of 0.5 tons per year.)

Excludes figures for overseas subsidiaries and certain independent subsidiaries.

Materials transported out from operational sites are listed under "Transfer as Waste" even if they are sold as resources.

## Atmospheric Emissions

■ Ratio of Greenhouse Gas Emissions by Type  
(in tons of CO<sub>2</sub> equivalent)(Unit: ratio: % total: t-CO<sub>2</sub>)

Fiscal Year	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	Total
2003	99.91	—	0.09	675,533
2004	99.91	—	0.09	687,427
2005	99.92	—	0.08	710,446
2006	99.93	—	0.07	768,430

■ Ratio of Greenhouse Gas Emissions by Source  
(in tons of CO<sub>2</sub> equivalent)(Unit: ratio: % total: t-CO<sub>2</sub>)

Fiscal Year	Electricity Use	Fuel Use	Waste Incineration	Total
2003	61	34	5	675,533
2004	62	33	4	687,427
2005	63	33	4	710,446
2006	65	31	4	768,430

Notes: Calculated by referring to the Ministry of the Environment's Guidelines for Calculating Greenhouse Gas Emissions from Businesses (2003).

Excludes figures for overseas subsidiaries and certain independent subsidiaries.

## Waste Disposal and Recycling by Type

Type of Waste	Disposal (tons)	Ratio	Recycling Rate	Primary Reusage
Waste paper	243,723	73.7%	99.7%	Recycled paper
Waste plastic	25,318	7.7%	96.7%	RPF, plastic materials
Waste acid	18,695	5.6%	92.7%	Neutralizer
Waste oil	10,723	3.2%	90.1%	Recycled oil, fuel
Waste alkali	10,600	3.2%	92.3%	Neutralizer
Sludge	9,792	3.0%	92.7%	Roadbed materials
Metal chips	5,537	1.7%	99.6%	Metal materials
Wooden chips	2,176	0.7%	99.6%	Chips, paper materials
Cinders	1,900	0.6%	74.6%	Roadbed materials
Glass chips	763	0.2%	92.9%	Glass materials
Others	1,692	0.5%	81.5%	—
Total	330,918	100%	98.0%	—

Note: Excludes figures for overseas subsidiaries and certain independent subsidiaries.

# Conduct Guidelines and Information Management Policy

## Conduct Guidelines

### Chapter 1: Basic Principles

#### 1. Respecting basic human rights

We will act in a way that our individual talents and abilities can be demonstrated to their maximum potential based on the concept of respect for people. We will respect basic human rights and in every regard work to ensure the dignity of individuals.

#### 2. Maintaining public order and standards of decency

We will always be aware of our involvement with society, act with good sense, and never act in a way that disturbs public order or that defies common sense. We will sufficiently consider the effects of our operations on society and not act in a way that goes against public order and standards of decency.

#### 3. Complying with laws and ethics

We will conduct ourselves in a way that complies with the laws and ethics in society. We will comply with overseas and domestic laws, regulations, commercial practices, government notifications, and operational and industrial standards applicable to our corporate endeavors. Compliance with these laws and regulations forms the minimum standard of society's rules and we will uphold them without fail. In addition, we will act with a high sense of ethical and moral awareness in carrying out our operations. Even in situations when legal issues do not arise, we still cannot allow humanitarian, moral, or ethical problems to develop.

#### 4. Conducting fair business operations

We will conduct all foreign and domestic operations in a fair manner. As an upstanding corporate citizen, we will be aware of our social responsibilities and carry out sound operations that will not damage our reputation in society.

#### 5. Striving to improve quality

With regards to the "dedicated products" that we provide to customers, we will strive to improve quality based on the concept of "Total Quality Assurance," not just in the direct manufacturing and quality management sections but throughout the entire Company, including sections related to sales, research, and administration.

#### 6. Appropriate management and disclosure of information

Fully recognizing the importance of information, all employees will undertake its appropriate management. Even if it affects us adversely, we will not conceal information but actively undertake its appropriate disclosure and increase the transparency of our operations.

#### 7. Environmental and safety considerations

We will carry out operations in harmony with the global environment. We will protect the precious environment bequeathed to us by nature and perform corporate operations that strive for reduced use of limited resources and facilitate recycling. Furthermore, we will conduct safe production activities, ensure product safety, and aim to facilitate a healthy and secure society to live in.

### Chapter 2: Specific Conduct Guidelines

#### Section 1: Building customer trust

1. Doing our best for the customer
2. Maintaining customer trust
3. Appropriate management of customer property
4. Protecting information about customers
5. Appropriate handling of personal information
6. Protecting confidential corporate information

#### Section 2: Reforming operations

1. Complying with international rules and respecting the culture and commercial practices of overseas countries
2. Striving to improve knowledge, skills, and technology
3. Fulfillment of work responsibilities
4. Securing and utilizing intellectual property
5. Respecting the rights and interests of others
6. Striving to improve the current situation and targeting new possibilities

#### Section 3: Fulfilling corporate responsibilities

1. Compliance with antitrust laws
2. Prohibition of unlawful practices in dealings with support companies
3. Prohibition of unlawful acts against corporate competitors
4. Prohibition of receipt or provision for personal gain or rebate
5. Prohibition of bribery
6. Prohibition of inappropriate entertainment practices
7. Prohibition of illegal political contributions and donations
8. Prohibition of providing unjust benefits
9. Prohibition of support for antisocial activities
10. Prohibition of insider trading
11. Prohibition of unlawful import and export transactions
12. Prohibition of child labor and forced labor
13. Curtailment and reduction of environmental impact
14. Promotion of environmentally friendly activities

#### Section 4: Creating a positive work environment

1. Striving for a lively and vibrant workplace
2. Striving for a safe and clean workplace
3. Following Company rules
4. Protecting corporate property
5. Avoiding conflicts of corporate interests
6. Prevention of discriminatory practices
7. Prevention of sexual harassment and power harassment
8. Prohibition of private activities
9. Appropriate use of the Internet
10. Appropriate management of information and records
11. Prevention of tacit approval, false reporting, and concealment of illegal conduct
12. Prevention of retaliation against a person who reports misconduct

#### Section 5: Developing the Toppan Group

1. Taking pride in the Toppan brand
2. Developing the Toppan brand
3. Strengthening cooperation between Group companies
4. Appropriate disclosure of information
5. Promoting communication with shareholders and investors

Established June 2000

Revised April 2006

### Information Management Policy

1. Employees shall comply with all internal rules on information management and manage information appropriately in full observance of the law and social order.
2. Employees shall collect information for appropriate purposes using appropriate methods.
3. Employees shall recognize the value of information as an asset and use information safely and efficiently for the stated purpose of use.
4. Employees shall safely manage information handled on behalf of customers to secure customer trust.
5. To ensure the appropriate management of information at all times, the Company and its employees shall improve its information management system based on periodic reviews of social circumstances, technology trends, and the latest revisions in information systems.

Established April 1, 2001

# Independent Review

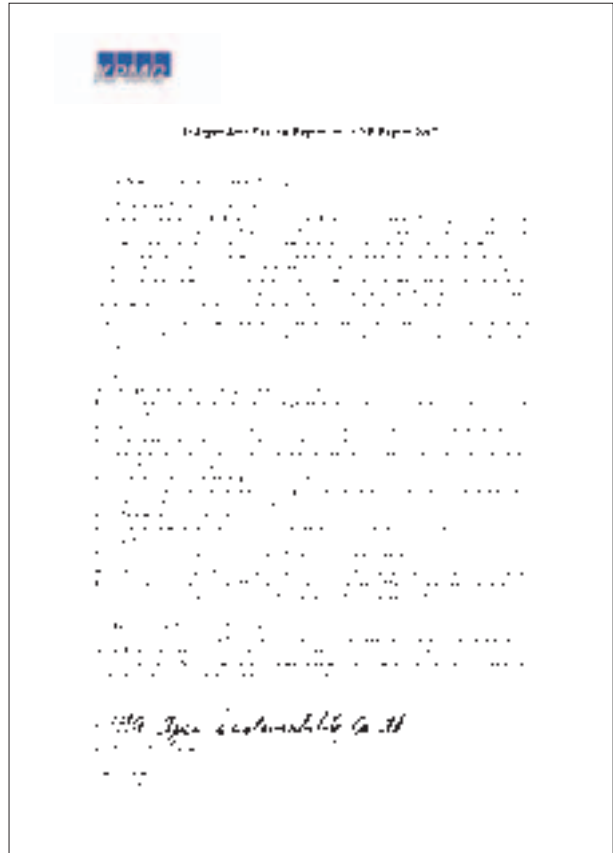
The conclusion of our independent review is presented in the Independent Review Report. The following summarizes the improvements from the previous year and opportunities for further improvement identified in the course of our review.

Toppan set new environmental targets this year for reduced consumption of chemical substances designated under the PRTR law and reduced waste generation per unit of production value. We laud Toppan for pursuing its cleaner production targets by placing an emphasis on reduced generation of pollutants and wastes as opposed to the end-of-pipe treatment of pollutants and wastes generated.

The policies and procedures for specifying emission sources and selecting applicable formulas and emission factors are sometimes unclear, especially those for the emissions of atmospheric pollutants. We also found inconsistencies in interpretation among operational sites. We expect Toppan to formulate clearer policies and communicate them to every operational site.

Responding to the recently published third edition of the Sustainability Reporting Guidelines (G3 Guidelines) from the Global Reporting Initiative (GRI) and the newest edition of the Environmental Reporting Guidelines from Japan's Ministry of the Environment, the definitions of the performance indicators and calculation methods will converge among all companies. Based on these guidelines, Toppan should conduct an overall review of its calculation methods and definitions of the indicators, especially the environmental performance indicators.

In the social field, Toppan established a set of CSR Procurement Guidelines in May 2007 to deploy CSR in the supply chain. The results of the application of these guidelines should appear in the next CSR report.



**Kazuhiko Saito**  
 Manager, KPMG AZSA  
 Sustainability Co., Ltd.  
 (KPMG AZSA & Co. group)

## Independent Review Process

<b>Planning</b>	<ul style="list-style-type: none"> <li>● Discussion and planning</li> </ul>	Hearing to review improvements from the previous year; examination of methods and scope of aggregation; determination of the schedule and the sites to be reviewed
<b>Implementation</b>	<ul style="list-style-type: none"> <li>● Interview with responsible personnel</li> <li>● Head office review of Toppan Printing Co., Ltd. (parent) and Group companies in and outside Japan</li> <li>● On-site review</li> </ul>	Interview with those responsible for CSR activities; confirmation of Toppan's basic thinking on corporate social responsibility (CSR) and reporting policies in relation to the <i>CSR Report 2007</i>  Hearing on data-collection procedures, including internal controls; implementation of analytical procedures and questioning and vouching procedures; examination of the calculation accuracy and propriety of procedures; examination of consistency among data (including descriptions)  Itabashi Plant, Manufacturing Subdivision, Information & Publications Division, Toppan Printing Co., Ltd.
<b>Final review of the script</b>	<ul style="list-style-type: none"> <li>● Review at the head office</li> </ul>	Confirmation of data on the entire Group and final confirmation of the CSR report content
<b>Internal review at KPMG AZSA Sustainability Co., Ltd.</b>	<ul style="list-style-type: none"> <li>● Internal review meetings</li> </ul>	The internal review of the procedure and results by an internal independent reviewer and the drafting of the conclusions on the <i>CSR Report 2007</i> prior to the submission of the Independent Review Report
<b>Submission of the Independent Review Report</b>	<ul style="list-style-type: none"> <li>● Submission of the Independent Review Report</li> </ul>	Submission of the Independent Review Report to Toppan
<b>Reporting</b>	<ul style="list-style-type: none"> <li>● Briefing on the findings of the independent review</li> </ul>	Reports on the findings of the review to Toppan



# Third-party Opinion

Corporate malfeasance and accidents with products have been frequent in many industries in recent years. New systems must be created to cope with mounting issues in all areas, from corporate governance to employment and labor, procurement, and information management. The fundamental principle of CSR is to avoid creating social problems, while solving social challenges proactively. How does Toppan involve itself in social issues?

To serve its social mission as a mainstay of information and culture, Toppan includes in its CSR report an article on the Stakeholder Dialogue and "Special Reports" on information security and Universal Design, areas closely related to the Company's core business. These articles give me an understanding of Toppan's basic stance towards CSR. Toppan received many specific proposals and suggestions during the Stakeholder Dialogue. I expect Toppan to use the results of the dialogue as a guideline for formulating and publicizing new policies and strategies as foundations for the promotion of stakeholder engagement.

In combination with the aforesaid, a Company-wide structure to promote CSR activities will be a key for further progress on the CSR front. The Compliance Department made valiant efforts to promote activities by undertaking administrative operation in coordination with the relevant divisions of the head office. Compliance, however, comprises only one part of a company's social responsibility to observe laws, regulations, and corporate ethics. One way to heighten the level of CSR activities at Toppan would be to set up a division to promote CSR with controlling functions, in order to reinforce the Group-wide foundations of CSR

management. Such a structure would allow Toppan to pursue continuous improvement by establishing Key Performance Indicators (KPIs). The Company would evaluate itself based on stakeholder dialogue and the results of surveys to assess the satisfaction level among all stakeholders.

## Social Report

The Social Report this year is more clearly structured than last year's, and exhaustively organized by stakeholder type. Information disclosure of activities and performance for each stakeholder type is considerably thorough, with detailed and specific efforts covered. I was impressed by the activities for reinforcing Total Quality Assurance reported in the section "For Customers," and by the investigation of compliance with the CSR Procurement Standards reported in the section "With Business Partners." The descriptions on the various difficult issues involving employment and labor in this year's report increased the length of the section entitled "With Employees" to eight pages. Toppan's motivated stance toward information disclosure in these areas is laudable. The report mentions the Company's eagerness to shorten working hours and clearly states that Toppan has confirmed no unlawful contracts to date. Future reports should go into greater detail on the actual working hours of employees, the mental health of employees, and the measures to address the issues of regular and non-regular employees. With these features, the CSR report from Toppan will be an excellent "labor CSR report" unmatched by any other CSR report yet produced in Japan. I also expect the Company to realize the "decent work"

Organization (ILO) under a clearly planned and long-running strategy.

## Environmental Report

Performance has improved considerably and an abundance of detailed information is presented, particularly with respect to environmental management. What remains to be seen are ever more detailed self-evaluation criteria in the PDCA review table summarizing Toppan's targets and results. The information on the volume of total material input, a value expected to be approximated by the volume of total waste generation, is not presented quantitatively. In areas where quantitative disclosure is appropriate, the report should present the quantitative information with an explanation on how the values are estimated.

## Yoshiki Midorikawa

Director, Green Consumer Research Group  
Co-chair, The Valdez Society

緑川芳樹



Discussion on the details of *CSR Report 2007* (April 2007)



## Profile

Mr. Midorikawa worked for many years in the Kanagawa prefectural government, mainly in labor and consumer administration. After retiring from the prefectural service, he served as Executive Officer of the Kanagawa Prefecture Small and Medium Business Management Association. Mr. Midorikawa's NGO/NPO achievements include the founding of the Green Consumer Research Group in 1991 and participation in The Valdez Society, a body that researches and proposes concepts and solutions related to corporate environmental responsibilities through collaboration between citizens and companies (Mr. Midorikawa joined in 1991). He has authored several books, including *CSR Practice Methods with Visible Effects* (co-authored) and *CSR Management* (co-authored).

# Company Reaction to the Independent Review and Third-party Opinion

KPMG AZSA Sustainability Co., Ltd. has independently reviewed Toppan's *Environmental Reports* published from 2001 onward, including the *CSR Report 2007* this year. Mr. Yoshiki Midorikawa, director of the Green Consumer Research Group and co-chair of The Valdez Society, has provided a third-party opinion for the 2005, 2006, and 2007 reports. Toppan would like to thank KPMG AZSA and Mr. Midorikawa for their concrete and stimulating opinions.

Over the four years since it began working with CSR specifically, Toppan has found that there is growing expectation and demand from society for companies not only to comply with laws, regulations, and ethics, but also to solve social issues through business operations. This year's CSR report features "Special Reports" on information security and Universal Design (UD), two areas closely related to Toppan's operations in the information communication industry. In the section on Stakeholder Dialogue, the report explores how Toppan is to work with UD in the future.

Mr. Midorikawa suggested that Toppan

develop the stakeholder dialogues as a foundation for stakeholder engagement by formulating and publicizing policies and strategies based on the results of these dialogues. Toppan will again disclose its efforts and achievements in UD in the CSR report for the next year. Mr. Midorikawa also suggested that Toppan introduce a comprehensive structure to promote CSR on a Group-wide basis. Toppan will be holding repeated discussions, the first of which will focus on the most effective and efficient structures for the promotion of CSR.

The Social Report this year discloses information by stakeholder type. The sections on labor (employees) are more extensive and informative, and a section on CSR procurement activities is added. KPMG AZSA pointed out the need, in future reports, to disclose information on actual conditions once the CSR Procurement Guidelines are fully implemented. Mr. Midorikawa added that Toppan can elevate its information disclosure by describing the working hours, the mental health of employees, and Toppan's efforts to address the issues of

regular and non-regular employees. Toppan will consider the information needs of its stakeholders as it studies these points and suggestions.

In its review of the Environmental Report, KPMG AZSA pointed out the need to strengthen the managerial function of collecting and aggregating data, especially data on the emissions of atmospheric pollutants. Toppan will improve the reliability of its data by constantly reviewing its aggregation system.

Mr. Midorikawa lauded Toppan for some of its improvements in environmental performance and the abundance of the environmental management data used. For further improvement, he suggested that Toppan provide further detail regarding the self-evaluation criteria in the table summarizing the targets and results and disclose quantitative information on the total material input.

Toppan welcomes the proposals and opinions made on its behalf. The Company will broaden information disclosure and improve its future CSR activities on an ongoing basis.

## Editor's Postscript

This report is the fourth CSR report produced. Mr. Yoshiki Midorikawa provided a third-party opinion, and he and other external experts offered editorial guidance to help Toppan make the report easy-to-read and easy-to-understand for its valued readers.

The content of the earlier Social Reports was arranged by the six Toppan priority themes in CSR. This year's report is arranged by stakeholder type, in keeping with Toppan's renewed focus on stakeholders and its own responsibilities to them. In the future we will be reviewing

the six priority themes in CSR with external stakeholders through the discussions of the "materiality" required by the G3 Guidelines from the GRI.

From the viewpoint of Universal Design (UD), the use of colors, font sizes, and other graphical features of the report were reviewed to improve readability. We discovered many things during our meetings with the members of the Color Universal Design Organization. We realized that CSR is the product of collaboration with stakeholders. During the Stakeholder Dialogue, we received views and opinions on Toppan's

efforts for UD from external experts. This report features the "Special Report" and an article on those UD efforts.

It would be impossible for Toppan to give a full account of its activities in the limited space provided here. Even so, we hope that this report will help you understand our CSR activities. We look forward to hearing your opinions and comments.

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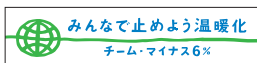
Notes: This table displays the pages on which the corresponding content for the required GRI Guidelines can be found. It does not necessarily certify that the guidelines are being met.  
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