Corporate Governance

Basic Approach

Approach

Reinforced corporate governance serves as an integral foundation to achieve sustainable growth and medium- to long-term increases in the corporate value of the Toppan Group. Toppan has formulated the Basic Policy on Corporate Governance of Toppan Inc. to clarify the basic approach and framework of its corporate governance based on a full understanding of the principles and aims of the Corporate Governance Code established by the Tokyo Stock Exchange. Toppan revised the basic policy in March 2020 to better align it with efforts related to diversity and the SDGs. The policy was partially revised once more in December 2021 to further enhance corporate governance.

Toppan Inc. works with related companies in the Toppan Group to consolidate management under the Related Company Administration Regulations prescribed for the advancement of fair management within the Group. Toppan promotes governance aimed at maximizing the value of the entire Group through this approach.

More details on the Basic Policy on Corporate Governance of Toppan Inc.
https://www.toppan.com/en/ir/management/governance-policy.html ›

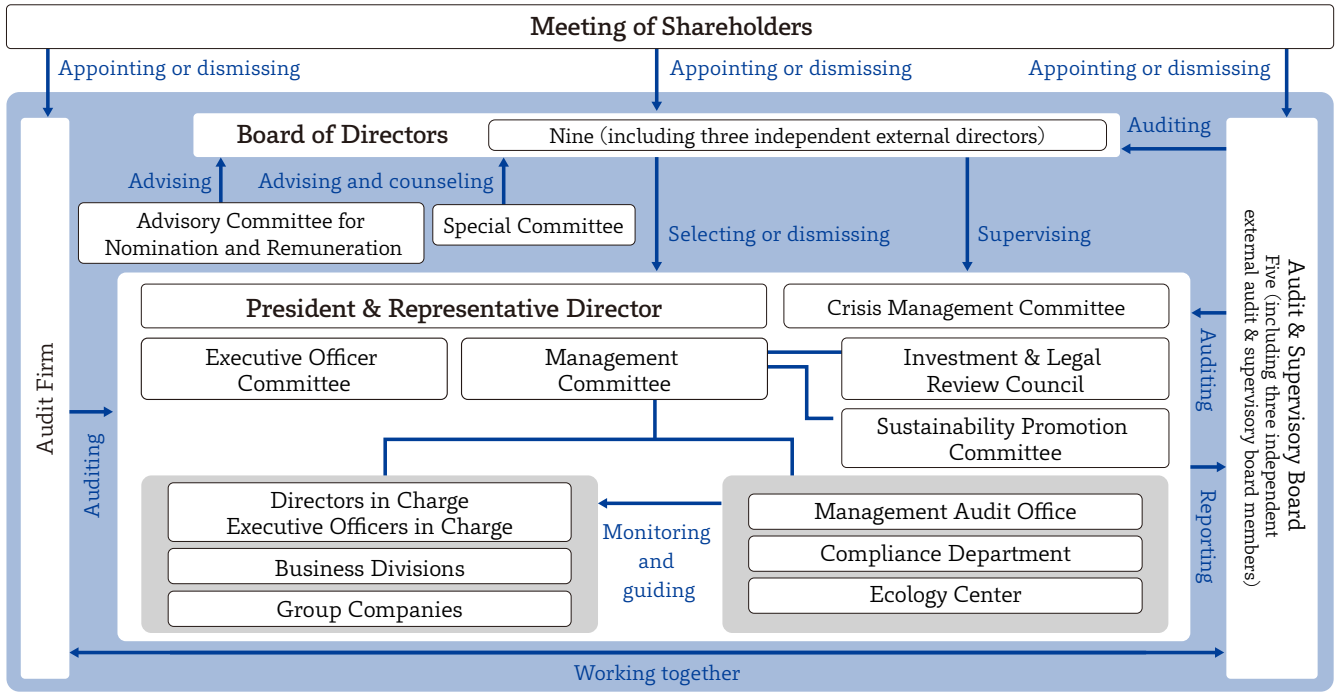
Promotion Framework

Promotion framework

Toppan Inc.'s governance structure employs an Audit & Supervisory Board. As a body entrusted by shareholders, the Board of Directors strives to achieve sustainable growth and a medium- to long-term increase in the corporate value of the Toppan Group while overseeing important managerial decision-making and the execution of duties by each director.

An Audit & Supervisory Board composed of a majority of independent external members audits the execution of duties by directors from a position independent from management. An Advisory Committee for Nomination and Remuneration of Directors has also been set up to enhance the objectivity and transparency of personnel affairs and remuneration of directors. Toppan has adopted an executive officer system to clarify the authority and responsibilities of those in charge of business execution.

Corporate Governance Structure (As of June 29, 2022)



Directors, Board of Directors, and Various Meetings

The Articles of Incorporation of Toppan Inc. stipulate that the number of directors shall not be more than 15 and that resolutions for the appointment of directors shall be adopted by a majority of the votes of attending shareholders who hold one-third or more of the voting rights of the shareholders entitled to vote at the general meeting.

The Board of Directors is made up of six internal directors and three independent external directors (as of June 29, 2022). Toppan has also adopted an executive officer system to clarify the authority and responsibilities of those in charge of business execution and to enable prompt responses to changes in business environments. In addition to the executive officers concurrently serving as directors, the Company has 33 executive officers not concurrently serving as directors.

Ordinary meetings of the Board of Directors are held monthly as a basic rule to make decisions in accordance with the Regulations of the Board of Directors, receive reports from directors, and supervise their business execution. With consideration for the urgency of matters, in addition to ordinary meetings the Board holds extraordinary meetings as required. Eighteen board meetings were held in fiscal 2021.

Especially important managerial matters to be presented to the Board of Directors are deliberated beforehand by the Management Committee, a body made up of directors and several other officers nominated by the President & Representative Director. The committee makes certain decisions by laying weight on managerial efficiency in business decision-making. Nineteen committee meetings were held in fiscal 2021.

Audit & Supervisory Board and Board Members

Toppan Inc. has five audit & supervisory board members, including three independent external members (as of June 29, 2022). In accordance with the audit standards set by the Audit & Supervisory Board, audit & supervisory board members attend meetings of the Board of Directors, the Management Committee, the Investment & Legal Review Council, and other important meetings. They also attend the meetings of executives and other meetings held by business divisions. In attending the foresaid meetings, the audit & supervisory board members exchange opinions with representative directors, receive reports from directors and other officers on the execution of their duties, view approval documents and other important documents, and request business reports from consolidated subsidiaries. Through audits conducted mainly by these methods, the audit & supervisory board members supervise and audit management.

Full-time audit & supervisory board members, meanwhile, have striven to ascertain the situation regarding the execution of business by attending business-divisional executive meetings held in Japan and overseas and by visiting research facilities, plants, sales offices, and other Group sites around the world to interview personnel working there. In Fiscal 2021 they arranged a series of remote audits, in addition to their routine site visits. The board members also regularly convene a meeting of audit & supervisory boards from Group companies to exchange information and opinions, in order to monitor Group governance and confirm the operational status of management, primarily internal control.

Audit & supervisory board meetings are held monthly as a basic rule, and extraordinary meetings are held whenever necessary. The Audit & Supervisory Board determines audit plans, the division of audit duties, and other audit matters. The board also receives reports from board members on the status and results of audits they have performed and reports from directors, executive officers, internal auditors, and audit firm personnel regarding the execution of duties. When reviewing the reports, the board requests explanations from them as necessary. Sixteen audit & supervisory board meetings were held in fiscal 2021.

Internal Audits

Toppan Inc. has established a Management Audit Office independently from its business departments to enhance the soundness of management. The office audits operational sites, plants, and the sites of consolidated subsidiaries, primarily through management audits and operation audits. Twenty-two personnel in the Management Audit Office engage in audits, as of March 31, 2022. In performing the management audits, these personnel verify and evaluate consistency with management goals and confirm whether necessary-and-sufficient risk control is being implemented, by focusing on the management processes at work. In the operation audits, they verify and evaluate the mechanisms for the prevention of misconduct and for compliance with relevant laws, regulations, and in-house rules. They also confirm whether business operations are carried out efficiently and accurately without fail. Based on the operation audit results, the office makes recommendations for improvement whenever necessary. The management and operation audit results are reported to the representative directors, relevant directors, and audit & supervisory board members of Toppan Inc. and its subsidiaries, as required.

External Directors

Toppan Inc. believes that the appointment of external directors and audit & supervisory board members with a high degree of independence from the Board of Directors is critical for sound governance. From this viewpoint, three external directors and three external audit & supervisory board members who are sufficiently independent from the Board of Directors are appointed. Toppan has confirmed that none of the external directors or audit & supervisory board members are major shareholders or stakeholders of the Company, receive monetary amounts or other assets from the Company apart from the remuneration they receive as officers, or bear any responsibility for the execution of the operations of any of the Company's major business partners.

The Company clarified its standards for assessing the independence of external directors and audit & supervisory board members by establishing the Independence Standards for External Officers of Toppan Inc. through a resolution of the Board of Directors on November 26, 2015. Toppan also assesses their independence based on relevant standards of the Tokyo Stock Exchange (TSE), in addition to the standards of the Company.

Toppan's external directors (Yoshinobu Noma, Ryoko Toyama, and Mieko Nakabayashi) and external audit & supervisory board members (Keiko Kakiuchi, Haruo Kasama, and Teruhiko Kawato) are independent officers pursuant to the TSE standards.

A support system for external officers has also been established. The external directors exchange information and opinions with other directors, as required, while the president's office provides them with necessary information from both inside and outside of the Company. The external audit & supervisory board members, meanwhile, receive internal and external information from other audit & supervisory board members and dedicated personnel working under them, as required. They also share information and exchange opinions with other members.

Advisory Committee for Nomination and Remuneration of Directors

Toppan Inc. established an Advisory Committee for Nomination and Remuneration of Directors, pursuant to a resolution of the Board of Directors on May 26, 2016. This committee aims to further enhance the transparency and objectivity of decisions and decision-making processes regarding the nomination and remuneration of directors. In forming the committee, Toppan includes external directors who meet the requirements of Toppan's Independence Standards for External Officers and ensures that the external directors on the committee outnumber the total number of internal directors and audit & supervisory board members serving beside them. External audit & supervisory board members who meet the requirements of the independence standards can also be added. As of June 29, 2022, the advisory committee consists of two internal directors, three independent external directors, and one independent external audit & supervisory board member.

This advisory committee examines proposals from Toppan Inc. relating to the nomination and remuneration of directors (including the representative directors) and provides recommendations to which the Board of Directors or persons entrusted by the board must refer when deciding on the proposals.

Evaluating the Effectiveness of the Board of Directors

To ensure that the Board of Directors executes duties appropriately and effectively, the Basic Policy on Corporate Governance of Toppan Inc. calls for an annual analysis and evaluation of the effectiveness of the Board of Directors and the disclosure of a summary of results. A summary of the results of the evaluation performed in March 2022 follows below.

1. Evaluation Method

With respect to the effectiveness of the Board of Directors, the Company surveyed and received responses from all nine directors and five audit & supervisory board members in relation to 1) the role of the Board of Directors, 2) the composition of the Board of Directors, and 3) the administration of the Board of Directors.

2. Summary of Evaluation Results

As a result of the survey, the Company confirmed that the Board of Directors functions appropriately in general and effectively overall.

With regard to 1) the role of the Board of Directors, the results indicated that the disclosure of non-financial information could be further enriched, while the Board of Director's dialogue on management strategy, management plans, and other management matters was significantly improved.

With regard to 2) the composition of the Board of Directors, the results indicated that the administration of discretionary advisory committees could be further improved in several areas. At the same time, many of the survey respondents expressed favorable views on the substantial re-composition of the Board of Directors effected in the previous year.

With regard to 3) the administration of the Board of Directors, the results indicated significant improvements achieved in the evaluation of administration (e.g., unrestricted discussions at board meetings realized through the re-composition of the Board of Directors), as well as the need for continuous reviews aimed at further administrative improvements.

Group Management Approach and Policies

Policy | Activity results, performance data

Toppan aims to enhance corporate value across the entire global Group and strives to leverage both comprehensive strengths and the resources and core competencies of each company to create new value addressing challenges for clients and society. Toppan works to increase profitability by strengthening collaboration so that each Group company can be competitive in its field, and by leveraging economies of scale in areas such as joint purchasing and effective use of assets.

Toppan issued its Operating Guidelines for Overseas Subsidiaries in 2019 to reinforce Group governance. The third edition (2021) reflects factors such as changing business environments and revisions in relevant legislation and in-house rules. Toppan applies the guidelines across the Group to help overseas subsidiaries consolidate operating foundations and governance structures while maintaining autonomy.

Sustainability Initiatives

Policy

Toppan has established a Sustainability Promotion Committee chaired by the President & Representative Director to discuss sustainability measures and make reports and recommendations to the Board of Directors. In fiscal 2020, Toppan positioned this committee as a cornerstone of corporate governance.

Details on Toppan's sustainability initiatives and approaches to matters including climate change, the TCFD, human capital, and intellectual property can be found in this report.

Directors and Audit & Supervisory Board Members (As of June 29, 2022)

Directors: 9 (7 men, 2 women) / Audit & supervisory board members: 5 (4 men, 1 woman)

Name	Current Position	independence	First Year*	Tenure in Years*	Attendance at Board of Directors Meetings (Fiscal 2021)	Number of Company Shares Held (thousands)	Expertise / Experience									
							Corporate Management	Finance / Accounting	Sales / Marketing	International	Personnel / Labor Relations	Environmental / Social	Legal Affairs / Risk Management	Digital / ITC	Manufacturing	Knowledge of Other Companies
Shingo Kaneko	Chairman & Representative Director		2003	19	18/18	120	●		●			●		●		●
Hideharu Maro	President & Representative Director		2009	13	18/18	68	●		●	●				●	●	
Shinichi Ohkubo	Executive Vice President & Representative Director		2005	17	18/18	104	●				●	●	●			
Kazunori Sakai	Director & Senior Managing Executive Officer		2019	3	18/18	26	●		●	●	●			●		
Takashi Kurobe	Director & Managing Executive Officer		2018	4	18/18	14	●	●		●						
Hironori Majima	Director & Executive Officer		2021	1	14/14	9	●					●		●	●	
Yoshinobu Noma	Director (external)	✓	2010	12	18/18	34	●	●	●							●
Ryoko Toyama	Director (external)	✓	2016	6	18/18	–	●		●	●						●
Mieko Nakabayashi	Director (external)	✓	2020	2	18/18	–		●		●		●				
Masatoshi Hagiwara	Senior Audit & Supervisory Board Member		2022	–	Assumed office on June 29, 2022	8	●				●					
Itaru Kubozono	Audit & Supervisory Board Member		2019	3	16/18	5	●	●								
Keiko Kakiuchi	Audit & Supervisory Board Member (external)	✓	2016	6	18/18	–						●	●			●
Haruo Kasama	Audit & Supervisory Board Member (external)	✓	2018	4	17/18	–						●	●			●
Teruhiko Kawato	Audit & Supervisory Board Member (external)	✓	2022	–	Assumed office on June 29, 2022	–		●				●	●			

*As a director or an audit & supervisory board member

Average tenure in years	6.42
Percentage of female officers	21.43%
Average attendance rate	98.58%

More details on the 176th securities report (in Japanese)
https://ssl4.eir-parts.net/doc/7911/yuho_pdf/S100OITA/00.pdf

Remuneration to Directors and Audit & Supervisory Board Members

Please see the section covering corporate governance in the securities report (in Japanese) for details on the method used to determine remunerations and other remuneration-related information.