Risk Management

Basic Approach

Approach

Risks surrounding corporations continue to diversify and grow more complex. The most pressing risks include global shifts in political and economic landscapes, environmental shifts brought by climate change, the growing sophistication of cyber-attacks with the advance of digitalization, and human rights issues such as forced labor.

As a group of companies engaged in manifold businesses, Toppan views accurate detection, appropriate management, and steady prevention of these impending risks as one of its principal management challenges. In keeping with this viewpoint, Toppan identifies a set of "significant risks" affecting the Group through annual risk assessments and takes steps to prevent their occurrence.

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

Promotion Framework

Promotion framework

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

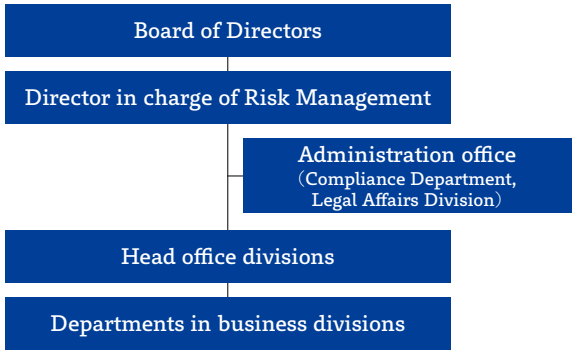
Risks associated with diverse businesses are assessed every year. The frequency and severity of possible risks are reviewed, and countermeasures are formulated based on the assessment results. Midway through each fiscal year, the Group monitors the progress of mitigation measures designed at the beginning of the year.

Among the risks identified, Toppan defines those that can exert severe adverse impacts on management as "significant risks." Working as part of the Corporate ESG Project, the Risk Management Working Group (led by the Director in charge of Risk Management; attended by persons in charge of risk management at the responsible head office divisions; and administrated by the Compliance Department in the Legal Affairs Division) set under the Sustainability Promotion Committee (chaired by the President & Representative Director) reviews the results of risk assessments performed by relevant business divisions, subsidiaries, and Group companies. The working group also considers social conditions, the possibility of risks arising over the medium-to-long term, and various other risk-related circumstances surrounding the Group. Based on the review results, a significant risk designation for the current year is finalized with authorization from the Sustainability Promotion Committee.

See the "Promotion Structure for Sustainability Initiatives" on page 12 for details >

Toppan designated 26 significant risks in fiscal 2022. The responsible head office divisions spearhead Groupwide efforts to plan countermeasures against these risks and implement comprehensive measures to control them (see page 140). The Director in charge of Risk Management regularly reports the outcomes of those measures to the Board of Directors.

Risk Management Structure



Significant Risks and Countermeasures for Fiscal 2022

	Significant Risks	Main Initiatives
1	**Human injury or damage to physical assets caused by infectious diseases or earthquakes, storms, floods, or other natural disasters**	See pages 142-143 >
2	**Climate change risks**	See pages 30-35 >
3	**Characteristics of the printing business** ● When failing to increase sales in new businesses or conduct adequate cost-cutting measures when the market shifts	● Transform business portfolios ● Reinforce cost competitiveness with DX, AI, and other innovative solutions
4	**Risks associated with strategic partnerships, investments, or acquisitions** ● When failing to continue partnerships or gain expected results	● Enhance due diligence efforts, intensify monitoring activities, devise improvement plans, and so on
5	**Risks associated with research and development** ● When progress is halted by delays in commercialization, launches, etc.	● Prevent delays by monitoring progress, judging step-up timing, and identifying risks
6	**Securing human resources to sustain business growth**	See pages 57-67 >
7	**Securing financing**	● Diversify financing methods and time spans ● Maintain and solidify a sound financial position
8	**Risks associated with control of the Group**	See page 127 >
9	**Risks associated with overseas business** ● Political or economic instability in countries or regions ● Infectious disease, wide-scale disaster, conflict, or labor dispute ● Poor governance at Group overseas subsidiaries, etc.	● Build governance structures and systems based on the Operating Guidelines for Overseas Subsidiaries; comply with the guidelines, manage the structures, and operate the system ● Use business environmental risk-assessment systems provided by third-party institutions ● Organize safety training and risk- and crisis-management training before overseas assignments
10	**Intense market and price competition** ● Declining prices or a loss of product or service competitiveness due to fiercer competition in prices or product development	● Devote resources to and reinforce development capabilities in DX business ● Help client companies offer customer experience (CX) services, develop Toppan's Hybrid-BPO™ services, and expand the global market for the Group's sustainable packaging materials
11	**Non-performing or long-term retained inventory assets, etc. due to inadequate asset management**	● Improve the stock turnover ratio by promoting sales interdepartmentally ● Regularly check asset quality and monitor inventory management
12	**Incidents related to receivables (bad debt, customer bankruptcy, etc.)**	● Set credit limits and review credit periodically based on in-house credit management standards ● Take credit protection measures in response to credit uncertainties or credit collection delays
13	**Fluctuations in the current value of marketable securities**	● Periodically review strategic shareholdings and ascertain the financial condition, etc. of issuing companies
14	**Fluctuations in foreign exchange rates**	● Formulate a set of risk management guidelines ● Use hedging instruments such as foreign exchange contracts
15	**Damage to Toppan's brand image caused by leakage, improper handling, etc. of information**	See pages 132-138 >
16	**Negative impact on business caused by cyber-attacks**	See page 135 >
17	**Loss of social trust resulting from shutdowns of production lines, digital service businesses, etc. caused by faulty ICT infrastructure**	● Formulate a set of guidelines on the construction of core infrastructure ● Confirm the extent of impact on business, ascertain priorities and procedures for restoration, and organize training
18	**Quality-related incidents or self-imposed product recalls that can develop into issues in wider society**	See pages 80-81 >
19	**Risks encountered in raw material procurement**	See pages 41-44 >
20	**Risks associated with the leakage of toxic substances or environmental pollutants**	See pages 111-114 >
21	**Risks associated with waste** ● Unauthorized dumping, inappropriate disposal, etc. by waste-disposal service vendors	See pages 109-110 >
22	**Human rights risks**	See pages 37-44 >
23	**Fires or occupational accidents**	See pages 45-47, 142-144 >
24	**Risks associated with labor issues (violations of labor-related laws, labor disputes, etc.)**	See pages 45-51 >
25	**Infringements of patents, copyrights, or other intellectual property rights** ● Risk of being seen to have infringed the intellectual property rights of other parties; risk of being drawn into lawsuits; risk of being unable to prevent the unauthorized use of the Group's intellectual properties; etc.	● Survey the intellectual property rights of other parties across the globe and follow up on the survey results ● Construct a strong intellectual property rights portfolio by obtaining rights in accordance with individual countries and regions
26	**Misconduct (serious improper conduct or inappropriate actions, etc.) or compliance violations (collusion, bribery, or other legal or regulatory violations)**	See pages 128-131 >

*For details, see the securities report (in Japanese) at: https://ssl4.eir-parts.net/doc/7911/yuho_pdf/S100OITA/00.pdf

Risk Management Structure

In accordance with the Rules on Risk Management, the Toppan Group has set up a risk management structure under which the responsibilities for risk management are allotted to specific divisions in the head office based on the types of risk involved.

When a risk actually arises somewhere in the Group, the responsible head office division coordinates with relevant business divisions to minimize the negative impacts on business and reports to the Board of Directors if the incident is severe. When emergency response actions are needed, the President & Representative Director or the Executive Vice President & Representative Director is responsible for forming an emergency taskforce to properly handle the issue. The taskforce is composed of directors in charge of the relevant head office divisions, audit & supervisory board members, legal consultants, and other outside experts.

Risk Management Liaison Meeting

All of the personnel in charge of risk management in the head office divisions assemble on a regular basis to share information at the Risk Management Liaison Meeting. When a risk actually arises, the responsible persons from relevant head office divisions convene an extraordinary meeting to take necessary actions and develop preventive measures.

Fostering Risk Awareness

Training, education

Toppan's internal website posts its Rules on Risk Management, a list of risks facing the Group, details on the division-specific structure to address individual risks, and other risk management materials. This site is constantly updated to present the latest risk-related information for Group employees to check.

Based on the division-specific risk management structure, the responsible head office divisions spearhead Groupwide efforts to organize regular training and audits to foster employee awareness of the risks to be addressed. The impending risks facing Toppan include information and cyber security incidents, natural disasters, infectious disease outbreaks, occupational accidents, environmental issues, and compliance violations.

In parallel, the members of the Management Committee, external directors, external audit & supervisory board members, and the presidents and officers of Group companies convene a Toppan Group ESG Management Promotion Committee (see page 12 for details) to discuss key themes related to the environmental, social, and governance (ESG) issues faced by the Group. Meeting participants share their views on global risks associated with business operations across the Group. Outside experts were invited to hold seminars at the meeting in fiscal 2021. Participants also exchanged their opinions on issues such as human rights risks and climate change risks.