

# Risk Management

## Basic Approach

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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 digital transformation, and human rights issues such as forced labor.

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

When a significant risk actually arises, we immediately collect the necessary information and take comprehensive and strategic countermeasures under our risk management structure to minimize losses, ensure business continuity, and maintain the trust of society.

## Promotion Framework

### Promotion framework

We manage 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 evaluated, and countermeasures are formulated based on the results. Midway through each fiscal year, we monitor the progress of mitigation measures designed at the beginning of the year.

Among the risks identified, we define 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 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 TOPPAN Group. Based on the review results, a significant risk designation for the current year is finalized with authorization from the Sustainability Promotion Committee.

The Risk Management Working Group regularly reports activity results to the Sustainability Promotion Committee. The committee members discuss risk management independently and objectively, in cooperation with the TOPPAN Group ESG

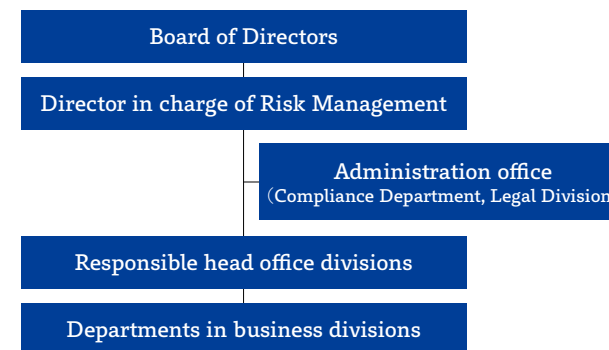
Management Promotion Committee, which includes independent external directors.

Under the leadership of the Director in charge of Risk Management, the working group manages risks from a position independent from the business divisions within the Group.

[See the Promotion Structure for Sustainability Initiatives on page 16 for details >](#)

We designated 25 significant risks in fiscal 2023. The responsible head office divisions spearhead Groupwide efforts to plan countermeasures against these risks and implement comprehensive measures to control them (see page 139). 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 2023

	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 141-143 >
2	Climate change risks	See pages 110-115 >
3	Risks associated with market shifts ● When failing to implement sufficient measures to address market shifts such as globalizing social trends, innovations in information technology, progress in digital networking, and the growing expectations for a sustainable society	● Transform the business portfolio centered on the Group's three growth businesses: DX business, SX in Japan/overseas Living & Industry business, and new businesses (frontier)
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 30-44 >
7	Securing financing	● Diversify financing methods and time spans ● Maintain and solidify a sound financial position ● Review financial plans
8	Risks associated with control of the Group	● Manage and control under the Related Company Administration Regulations ● Disseminate the TOPPAN Group Conduct Guidelines as basic compliance standards
9	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 ● Advance BX, develop Hybrid-BPO™ services, and develop mono-material-based sustainable packaging materials and promote their growing share in the global market
10	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
11	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
12	Fluctuations in the current value of marketable securities	● Periodically review strategic shareholdings and ascertain the financial condition, etc. of issuing companies
13	Fluctuations in foreign exchange rates	● Formulate a set of risk management guidelines ● Use hedging instruments such as foreign exchange contracts
14	Information security risks (cyber-attacks, information leakage)	See pages 148-153 >
15	Risks associated with IT system shutdowns (production lines, digital services, etc.)	● Formulate a set of guidelines for the construction of core IT systems ● Confirm the extent of impact on business, ascertain priorities and procedures for restoration, and organize training
16	Product quality risks ● Outflow of unsafe products to the market ● Self-imposed product recalls	See pages 79-80 >
17	Procurement risks ● Accidents, disasters, or bankruptcies affecting business partners, human rights incidents or violations of environmental regulations committed by business partners, or supply stoppages, significant supply shortages, delayed delivery, soaring prices for energy or raw materials, etc. caused by geopolitical disruptions, etc.	See pages 66-71 >
18	Risks associated with the leakage of toxic substances or environmental pollutants	See pages 122-125 >
19	Risks associated with waste ● Unauthorized dumping, inappropriate disposal, etc. by waste-disposal service vendors	See pages 119-121 >
20	Human rights risks	See pages 54-59 >
21	Fires or occupational accidents	See pages 60-62, 141-143 >
22	Risks associated with labor issues (violations of labor-related laws, labor disputes, etc.)	See pages 54-62 >
23	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.	● Regularly survey the intellectual property rights of other parties in Japan and overseas and follow up on the survey results ● Construct a strong intellectual property rights portfolio by obtaining rights in accordance with individual countries and regions where we do business
24	Misconduct (serious improper conduct or inappropriate actions, etc.) or compliance violations (collusion, bribery, or other legal or regulatory violations)	See pages 144-147 >
25	Overseas business risks (other matters not included in the paragraphs above, such as regulatory violations, geopolitical risks, lawsuits, labor disputes, or issues to do with international taxation)	● Clarify an ideal Group management approach, build optimal governance structures/systems and operate them with overseas Group subsidiaries ● Develop governance structures through internal and financial audits ● Assess risks in the business environment using tools provided by third-party institutions, etc.

\*For details, see the securities report (in Japanese) at: [https://ssl4.eir-parts.net/doc/7911/yuho\\_pdf/S100R83D/00.pdf](https://ssl4.eir-parts.net/doc/7911/yuho_pdf/S100R83D/00.pdf)

## Risk Management Structure

In accordance with the Rules on Risk Management, we have 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

Our internal website posts a set of Rules on Risk Management along with a list of risks facing the Group, details on the division-specific structures set up to address individual risks, and various other risk management materials. This site is constantly updated to keep Group employees apprised of the latest risk-related information.

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 us include information and cyber security incidents, natural disasters, infectious disease outbreaks, occupational accidents, environmental issues, and compliance violations.

The TOPPAN Group ESG Management Promotion Committee is a forum where officers from Group companies share and pool their experience to deepen their understanding of ESG and SDG issues. Experts from outside of the Group present risk management lectures for the committee members. The external directors on the committee also provide additional information and draw senior managers into discussions.

We will continue to hold annual risk management seminars and workshops at the committee.