Integrated Report 2021

TOPPAN

Digital & Sustainable Transformation

Integrated Report 2021 Contents

Editorial Policy

This Integrated Report was prepared to reflect the opinions of institutional investors and other stakeholders voiced in discussions, and to report comprehensively on the Company's activities and growth strategies, including not only financial information but also ESG (Environmental, Social, and Governance) and other non-financial information. We hope that it will help readers to understand how the Company aims to solve social issues through corporate activities.

For more detailed information on the Company's financial position, please see the securities report (Japanese only).

Note: Names of products and services etc., in this report are trademarks or registered trademarks of the Company, the Group, or each company.

Scope and Boundary

Period covered: April 1, 2020, to March 31, 2021
(Also includes information about certain activities outside of this period)

Entities covered: Toppan Inc. and consolidated subsidiaries
(Also includes information about certain activities of Toppan Inc. on a non-consolidated basis)

Forward-Looking Statements

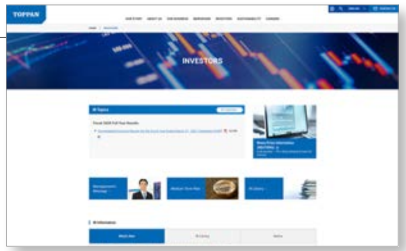
This report includes certain forward-looking statements. These statements are based on management's current expectations and are subject to change in certain circumstances. Actual results may differ due to changes in economic, business, competitive, technological, regulatory, and other factors.

Information Disclosure on the Company's Website

Toppan also provides information for investors and information on sustainability on its website. Please utilize this report in conjunction with the website.

Investors

https://www.toppan.com/en/ir/



Sustainability

https://www.toppan.com/en/sustainability/

Change of English Company Name

To drive further global business development under the TOPPAN global brand, from June 29, 2021, the English name of the Company has been changed as follows.

New name: TOPPAN INC.
Former name: TOPPAN PRINTING CO., LTD.

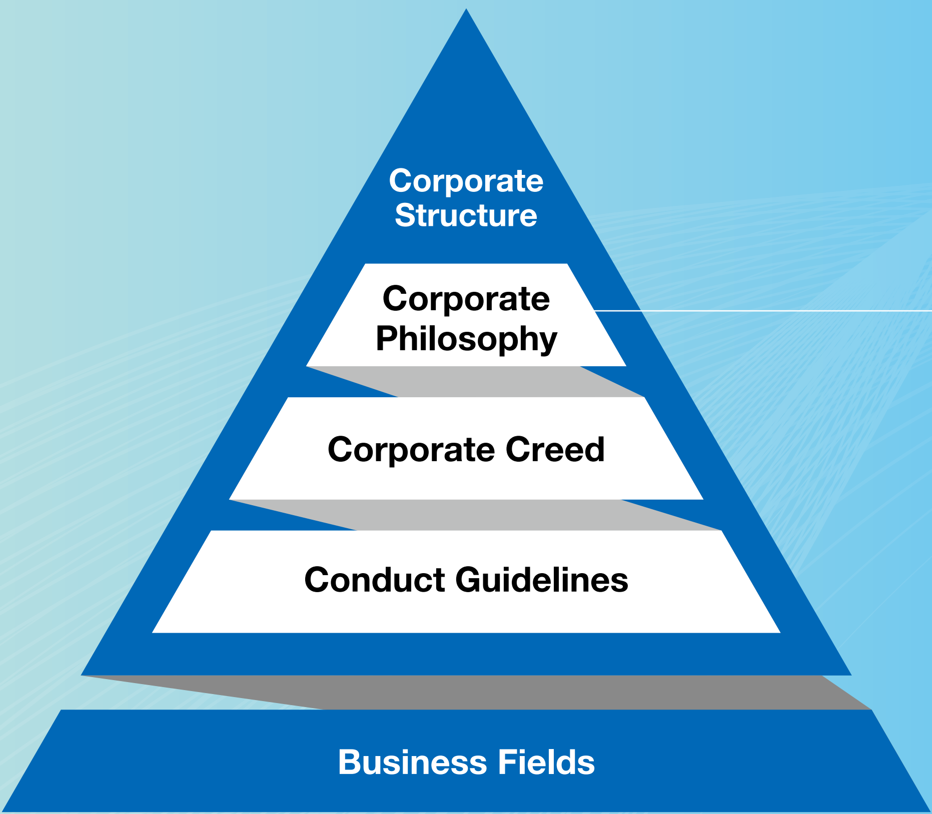
New English name:

TOPPAN INC.

TOPPAN VISION 21

TOPPAN VISION 21 presents the values that each of us working in the Toppan Group should adhere to and the goals that we all share. It is composed of the Corporate Structure, which expresses our fundamental values, and the Business Fields.

By making TOPPAN VISION 21 a reality, Toppan aims to expand its fields of business and generate new benefits and value for society.



Corporate Philosophy

Toppan's Corporate Philosophy is an overarching concept pertaining to all our activities and expresses the values and approach that we hold dear as a company.

Each of us

Our corporate philosophy expresses common values shared by every Toppan employee and conveys the concept of human dignity valued by Toppan.

Reciprocate our customers' continued trust

The satisfaction of customers (corporate clients and consumers) is our primary concern in all daily operations. We consider strong customer relationships an essential part of business and our customer-first approach will remain the cornerstone of all future business endeavors.

Create dedicated products

Every product and service we provide to our customers must be of superior quality. Created with dedication, passion, and ingenuity, our products and services represent years of experience and knowledge. We will never waver from creating "dedicated products."

Harness our vibrant knowledge and technology

Our design and marketing knowledge and technical prowess give rise to vibrant reproducibility, creativity, and detail in print to meet our customers' requirements.

Contribute to a fulfilling lifestyle

We contribute to more enriched, satisfying lifestyles by invigorating person-to-person, person-to-corporation, and corporation-to-corporation communications.

A mainstay of information and culture

We have made major contributions to information and culture through our printing operations. In response to future challenges, we will continue developing technologies that keep us ahead of the curve and will fulfill our role in society with pride and resolve.

Financial and Non-Financial Highlights

Toppan Inc. and Subsidiaries

Operating Results (Fiscal Year Ended March 31, 2021)

Net sales

Down 1.3% year on year

¥1,466.9 billion

- Living & Industry and Electronics grew revenues, while Information & Communication saw a decrease in revenues.

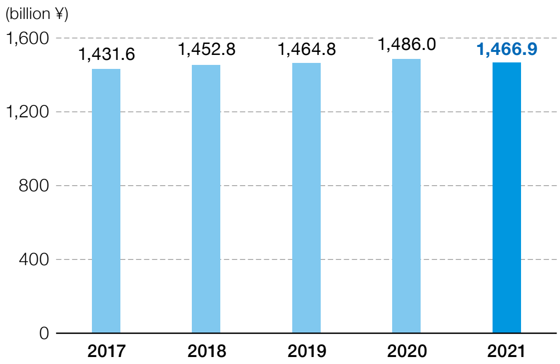
Operating profit

Down 11.5% year on year

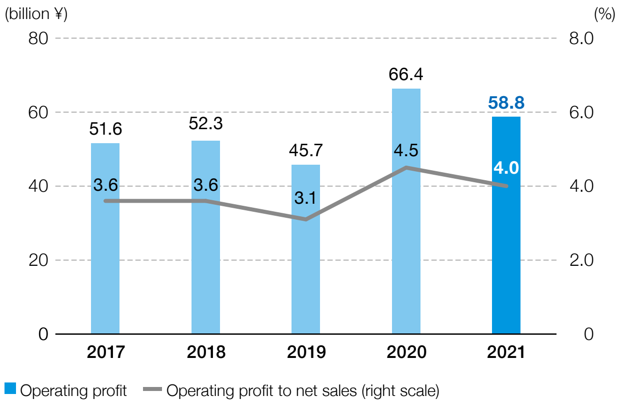
¥58.8 billion

- Earnings were down in all segments, especially Information & Communication, which recorded a 9.2% decrease in earnings.

Net sales



Operating profit & operating profit to net sales



Cash dividends per share (DPS)

¥40.00

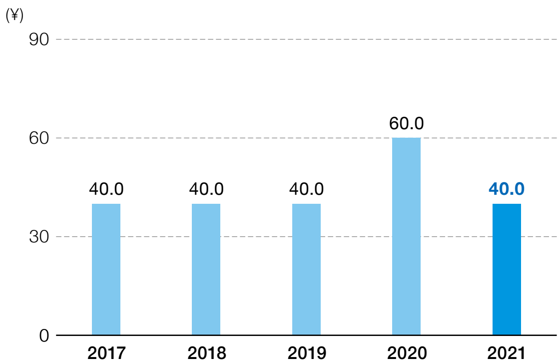
Earnings per share (basic)

Down 9.2% year on year

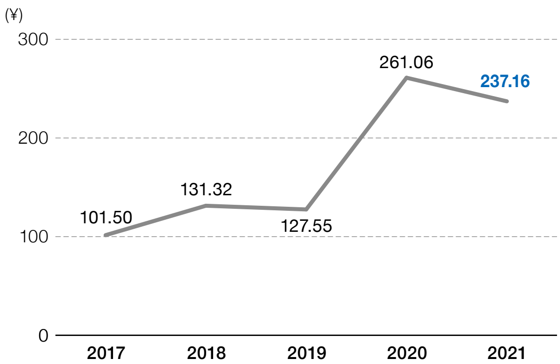
¥237.16

- The end-of-term dividend was ¥20.00 per share.
- Including an interim dividend of ¥20.00 per share, total annual dividends were ¥40.00 per share.

Cash dividends per share (DPS)



Earnings per share (basic)



Financial Position (As of March 31, 2021)

Total assets

Up 10.3% year on year

¥2,363.5 billion

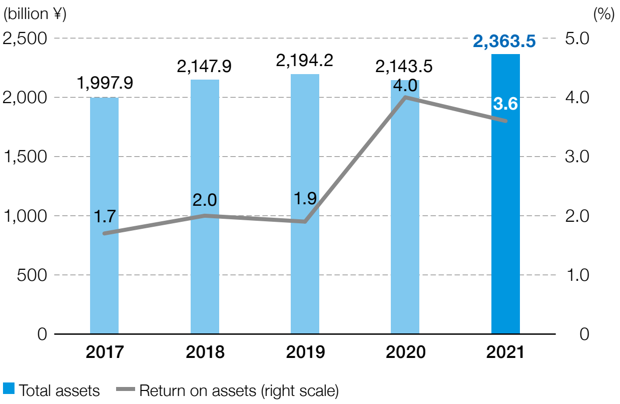
Net assets

Up 10.9% year on year

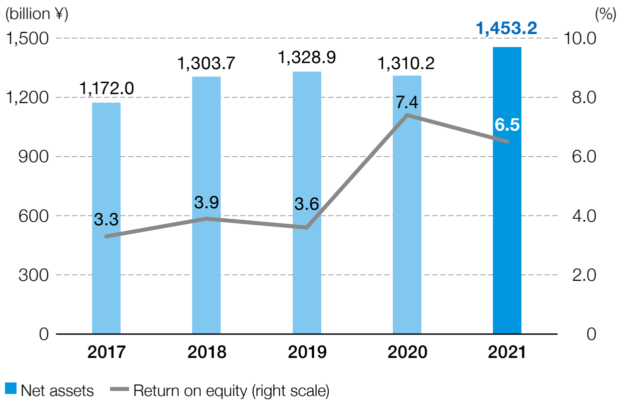
¥1,453.2 billion

- Major factors increasing total assets included increases of ¥226.8 billion in cash and deposits and ¥148.4 billion in investment securities.
- Major factors increasing liabilities included increases of ¥100.4 billion in long-term borrowings and ¥31.4 billion in deferred tax liabilities.
- Major factors increasing net assets included increases of ¥87.4 billion in valuation difference on available-for-sale securities and ¥61.0 billion in retained earnings.

Total assets & return on assets



Net assets & return on equity



Return on assets (ROA)

Down 0.4 point year on year

3.6%

Return on equity (ROE)

Down 0.9 point year on year

6.5%

Equity ratio

Up 0.8 point year on year

56.0%

Debt-equity ratio

Up 3.1 points year on year

25.2%

Interest coverage ratio

Down 5.2 points year on year

19.2

Cash and cash equivalents at end of period

Up 67.5% year on year

¥497.2 billion

ESG Data

External directors to Board of Directors

(As of July 2021)

Up 14.5 points year on year

33.3%

(3 of 9)

Female management and supervisory staff

(As of April 2021)

Up 37 year on year

590

Employment of persons with disabilities

(As of June 2021)

Up 14 year on year

339

Consolidated number of employees

(As of March 31, 2021)

Down 198 year on year

52,401

GHG emissions (Scope1+2)

(As of March 31, 2021)

Down 3.1% year on year

1,175 thousand t

VOC emissions into the atmosphere

(As of March 31, 2021)

Down 0.7% year on year

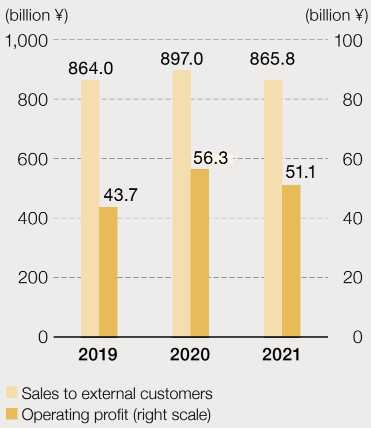
2,480 t

Segment Highlights

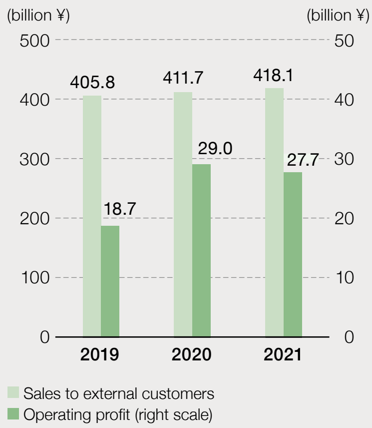
Information & Communication	Living & Industry	Electronics
FY2021.3	FY2021.3	FY2021.3
Net sales	**Net sales**	**Net sales**
Down 3.3% ¥878.2 billion	Up 1.3% ¥425.9 billion	Up 3.1% ¥183.7 billion
Operating profit	**Operating profit**	**Operating profit**
Down 9.2% ¥51.1 billion	Down 4.4% ¥27.7 billion	Down 1.7% ¥12.0 billion

Sales to external customers & operating profit by segment

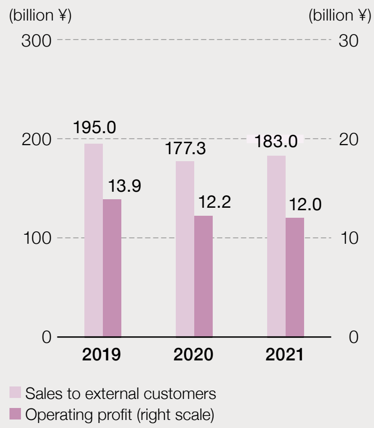
Information & Communication



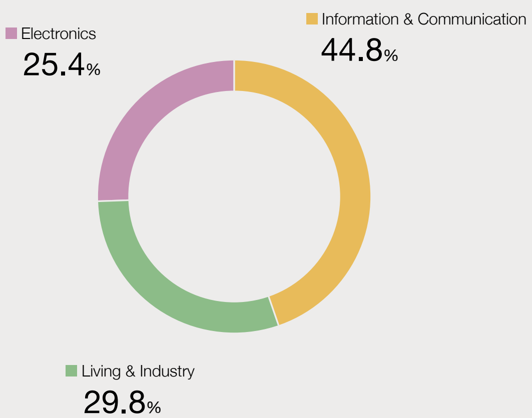
Living & Industry



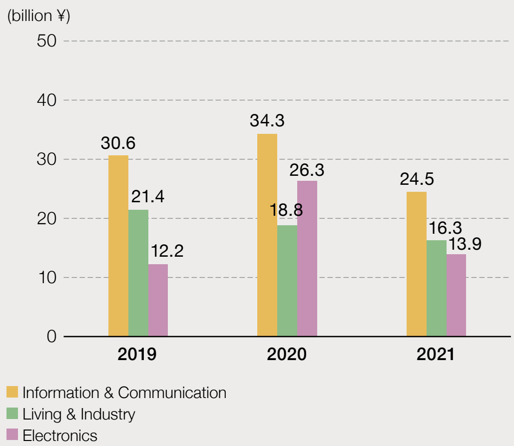
Electronics



Capital investment by segment



Capital investment



Review of Operations by Business Segment

Information & Communication

Net sales decreased 3.3% year on year, to ¥878.2 billion, and operating profit was down 9.2%, to ¥51.1 billion.

Security

In the Security business, revenues were down in reaction to the previous year's demand for premium vouchers, but the smart card business recorded a strong performance. Overseas, new subsidiaries acquired at the end of the previous fiscal year took steps to address demand, such as for e-government-related systems. An antiviral card became the first of its kind in Japan to be certified by the Society of International sustaining growth for Antimicrobial Articles (SIAA). The Group also acquired the world's highest level of security certification for the manufacture of holograms.

In Business Forms, there was a decrease in forms used at counters due to an increase in non-face-to-face procedures, and there was also a rebound from the rise in demand in the previous fiscal year associated with a change in the Japanese era name and an increase in the consumption tax rate. As a result, sales of business forms declined sharply. In the data printing services (DPS) business, we made efforts to address demand for notices, mainly from government agencies. However, there was a decrease in notifications and direct mail due to the impact of COVID-19, and the DPS business registered a small decline in revenues year on year.

Content & Marketing

There was a decline in revenues from publication printing, such as magazines and books, and revenues from sales promotion-related tools and the commercial printing business were down year on year due to the cancellation and postponement of events and to a decline in leaflets and pamphlets. Looking at digital transformation (DX) initiatives, we developed an AI sales promotion system for using store signage to deliver content that matches customers' attributes and other factors, and we started providing an ID integration platform that allows for a single login to multiple services. In the e-book business, where competition is intensifying, BookLive Co., Ltd. implemented measures to acquire a broader range of customers, such as airing TV commercials.

Business Process Outsourcing (BPO)

We recorded an increase in orders from businesses, the national government, and local authorities, and revenues were favorable. In May 2020, to advance the development of a knowledge-intensive BPO service, the Group established TB Next Communications Co., Ltd., in a joint venture with BELLSYSTEM24 Holdings, Inc.

Living & Industry

Net sales increased 1.3% year on year, to ¥425.9 billion, and operating profit was down 4.4%, to ¥27.7 billion.

Packaging

In flexible packaging, products for processed food applications recorded strong results, but sales declined, centered on packaging for the food service industry. Sales of folding cartons declined due to a decrease in packaging for toiletries. The Group worked to fulfill its social responsibilities through the continued supply of packaging materials for food and other daily necessities. We also developed new products that use mechanically recycled PET film for the base material of GL BARRIER, as well as paper-based packages with an antiviral function. In Indonesia the Group worked to capture demand for packaging for toiletries and other products, while in Europe and North America we focused on expanding sales of eco-friendly products that use barrier films.

Décor Materials

In the Décor Materials business, the housing market in Japan followed a moderate recovery trend, but the non-housing market, such as for stores and hotels, continued to face challenging conditions due to the influence of the postponement and cancellation of projects. On the other hand, looking overseas, markets were strong due to the expansion of interior-related demand, such as for furniture, amid continued lockdowns and requests for people to stay at home. Moreover, the acquisition in the previous fiscal year of INTERPRINT GmbH, a leading European décor materials manufacturer, also had an effect, and sales increased. To address growth in needs related to environmental hygiene, the Group obtained certification from the SIAA for its PVC and coated paper décor sheets, in addition to those made of olefin, and expanded the lineup of antiviral and antibacterial décor products.

Electronics

Net sales increased 3.1% year on year, to ¥183.7 billion, and operating profit was down 1.7%, to ¥12.0 billion.

Semiconductors

In photomasks, sales were up year on year, with needs for online conferencing supporting demand for semiconductors for use in server, memory, and telecommunication applications. Strong sales were recorded by FC-BGA high-density semiconductor package substrates. In these circumstances, the Group leveraged its industry-leading quality and technology to address demand for high-value-added large and multilayer products. In addition, the Group started offering a subscription-based service that provides the equipment and software needed to construct systems using the next-generation low power wide access (LPWA) ZETA protocol in preparation for the widespread adoption of IoT devices.

Displays

Sales of color filters declined due to sluggish market conditions, although demand showed signs of recovery in the second half, centered on in-vehicle applications. The Group worked to address demand for ultra-high-definition products, including those for VR/AR goggles, and focused on expanding their uses. Sales of anti-reflection films were up year on year, as the Group worked to meet demand for high-value-added products, including high-definition anti-glare (AG) products, against the backdrop of increasing demand for products for televisions, laptops, and monitors associated with the trend toward people staying at home. Sales of small and medium-sized TFT LCD panels were down for the full year due to sluggish market conditions in the first half, although demand for in-vehicle and industrial equipment applications recovered in the second half. In new businesses, addressing needs for non-contact solutions, the Group developed an aerial touch display that is the first in the world of its type. In addition, in the light control device business, we started to receive orders for installation at offices and commenced sales of reverse products.

Business Domains and Products and Services

Toppan operates in three business domains: Information & Communication, Living & Industry, and Electronics. Drawing on its strengths in original printing technologies, the Company pursues each of these businesses, providing comprehensive solutions to challenges faced by customers and society.

Information & Communication

Providing customers who require smooth communication with solutions that enhance the value of information and deliver it effectively

Security

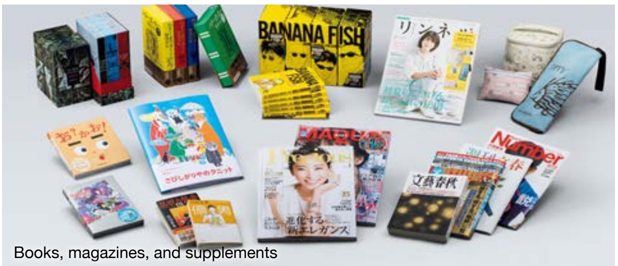
- Securities documents
- Business forms
- Data printing services (DPS)
- Smart cards, various types of other cards and in-store instant smart card issuing services
- Gift card ASP services
- RFID tags, RFID solutions
- Counterfeit prevention devices
- Payment services


Securities documents

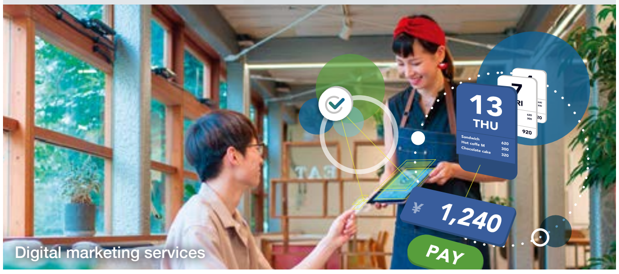
Payment services

Content & Marketing

- Books, magazines, and supplements
- Textbooks
- E-books
- Flyers, catalogs, pamphlets
- Promotional tools (POP materials, various gift items, premiums)
- Space design, event planning and implementation
- Digital content
- Digital marketing services



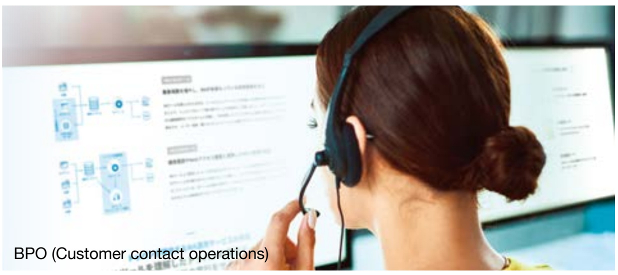
Books, magazines, and supplements



Digital marketing services

BPO

- Back-office operations services
- Customer contact operations (campaign offices, direct mail, contact centers, etc.)
- Operations support


BPO (Customer contact operations)

Living & Industry

Providing a wide range of products and services throughout the world to create living environments that offer comfort and peace of mind

Packaging

- Flexible packaging
- Folding cartons
- Composite liquid containers
- Plastic molded goods
- Corrugated fiberboard
- Sustainable packaging development
- Contract-based filling services


Flexible packaging, etc.

Décor Materials

- Decorative sheets
- Flooring materials
- Decorative panels
- Exterior products and materials
- Flame retardant products and materials


Decorative sheets, etc.

Functional Products & Energy

- Transparent barrier film
- Media and supplies for printers
- Electronics packaging materials
- Lithium-ion battery-related materials
- Precision processed and exterior decorated components


Transparent barrier film

Electronics

Providing display-related and semiconductor-related products based on microfabrication technology

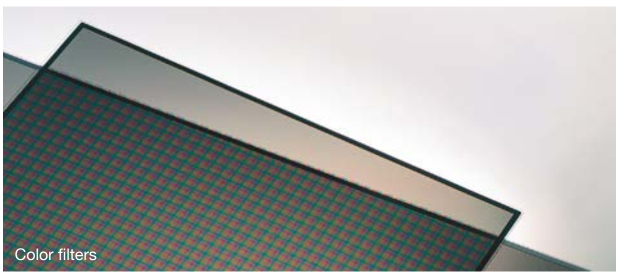
Semiconductors

- Photomasks
- LSI design service
- FC-BGA substrates
- Lead frames
- Etched products
- On-chip color filter arrays
- Nanoimprint molds


Photomasks

Displays

- Color filters
- Surface treatment films
- Small and medium-sized TFT LCDs
- Metal masks for OLEDs
- Copper touch sensors
- Light control film


Color filters

History of Creating Value

1900 | 1950 | 2000

Printing-related trends and demand

- Printing products becoming important means of relaying various information
- Circulations and mass production increasing
- Production efficiency increasing through IT
  Catering to need for diversified, small-lot manufacturing
- Increasing demand for various printing products

Toppan's History

Business establishment / printing expansion

While Japan was in the process of industrializing, a number of companies that used new technologies to address new needs were established. Building on the Erhöht relief printing method, which was a leading-edge technology at the time, Toppan's founders identified business opportunities in such fields as securities printing and package printing.

Founded 1900
Toppan Printing Limited Partnership launched

Erhöht relief printing copperplate

1900
Folding cartons

1901
Commercial printing

1902
Securities printing

1907
Publication printing

1938
Flexible packaging

Diversifying, growing into an integrated printing company

1986
Completion of Toppan Technical Research Institute

Information & Communication

1955
Business forms

Planning and design division launched

1961
Service Center established (now the Toppan Idea Center)

1970
Computerized typesetting system developed and implemented

1983
IC chip card developed

Use of the internet, expansion of digital content business

1999
Started Bitway digital content distribution business

Living & Industry

1956
Décor materials

1976
EP-PAK multilayer laminate paper container for liquids developed

1986
GL FILM transparent barrier film developed

Environmentally friendly products developed

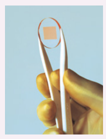
1996
Started sales of Cartocan paper beverage containers

Electronics

Advanced into electronics business

1959
Masks for mesa transistor manufacturing developed

1971
Color stripe filter for image pick-up tubes developed



Sustainability

1991
Ecology Center established

1992
Toppan Printing Declaration on the Global Environment established

Toppan was founded in 1900 with a view to taking advantage of the Erhöht relief printing method, a leading-edge technology of the day. Since then, the Toppan Group has continually addressed society's needs and developed its business operations by extending the applications of printing into a broad range of fields.

Going forward, Toppan will continue rapidly identifying changes in society's needs, and we will aim to achieve sustained growth as a creator of social value in order to help resolve those needs around the world.

2015

2020

Decreasing demand for paper media
Advancing digital transformation

Transforming the printing business through new solutions

Digital business expansion

2000
Formulated TOPPAN VISION 21

2001
Digital advertising flyer website Shufoo! launched

2011
Integrated e-bookstore BookLive! opened

2013
Toppan Group Data Center launched

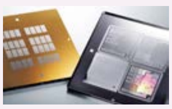
Strengthened functional films and packaging business

2009
Completed construction of the Fukaya Plant, a production base for next-generation functional films

2014
Completed construction of the Gunma Central Plant, a production base for flexible packaging materials

2004
Commenced manufacture of large color filters

2005
Toppan Photomasks, Inc. established



Advancing digital transformation (DX)

Made full-scale start in the DX business

2016
Began full-scale operations at BPO Square Asaka

2019
Commenced provision of NAVINECT digital transformation support solutions for manufacturing

2020
Established the DX Design Division

Accelerating global development

2016
Completed construction of the Toppan USA Georgia Plant, a production base for transparent barrier films

2017
Flexible packaging business in ASEAN region strengthened

2019
Acquired Interprint GmbH, a European décor printing company

Creating new markets and businesses

Created new businesses in four growth fields

2019
Developed mono-material barrier packaging

2019
Started mass production of LPWA ZETA communications modules

Becoming a Social-Value-Creating Corporate Group

2006
Joined the United Nations Global Compact

2009
The Toppan Group Declaration on the Global Environment established

2015
Health Management Declaration established

2019
Announced support for TCFD

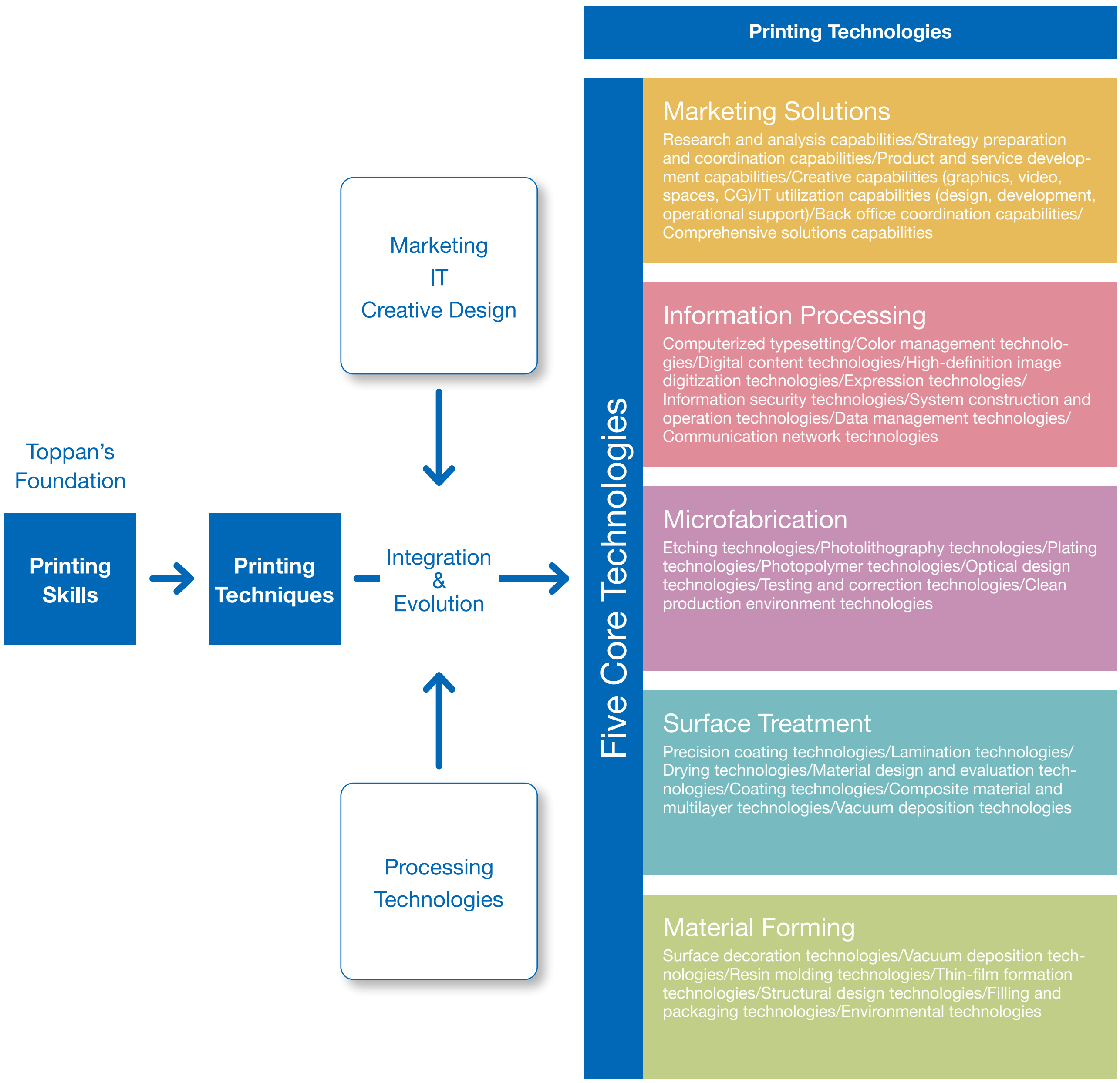
2019
Formulated TOPPAN SDGs STATEMENT

Comprehensive Solutions Enabled by Printing Technologies

Erhöht relief printing, the Japanese word for which became our name, was a leading-edge technology at the time of our foundation. Based on this technology, we have pursued and realized business opportunities in securities printing, package printing, and other fields.

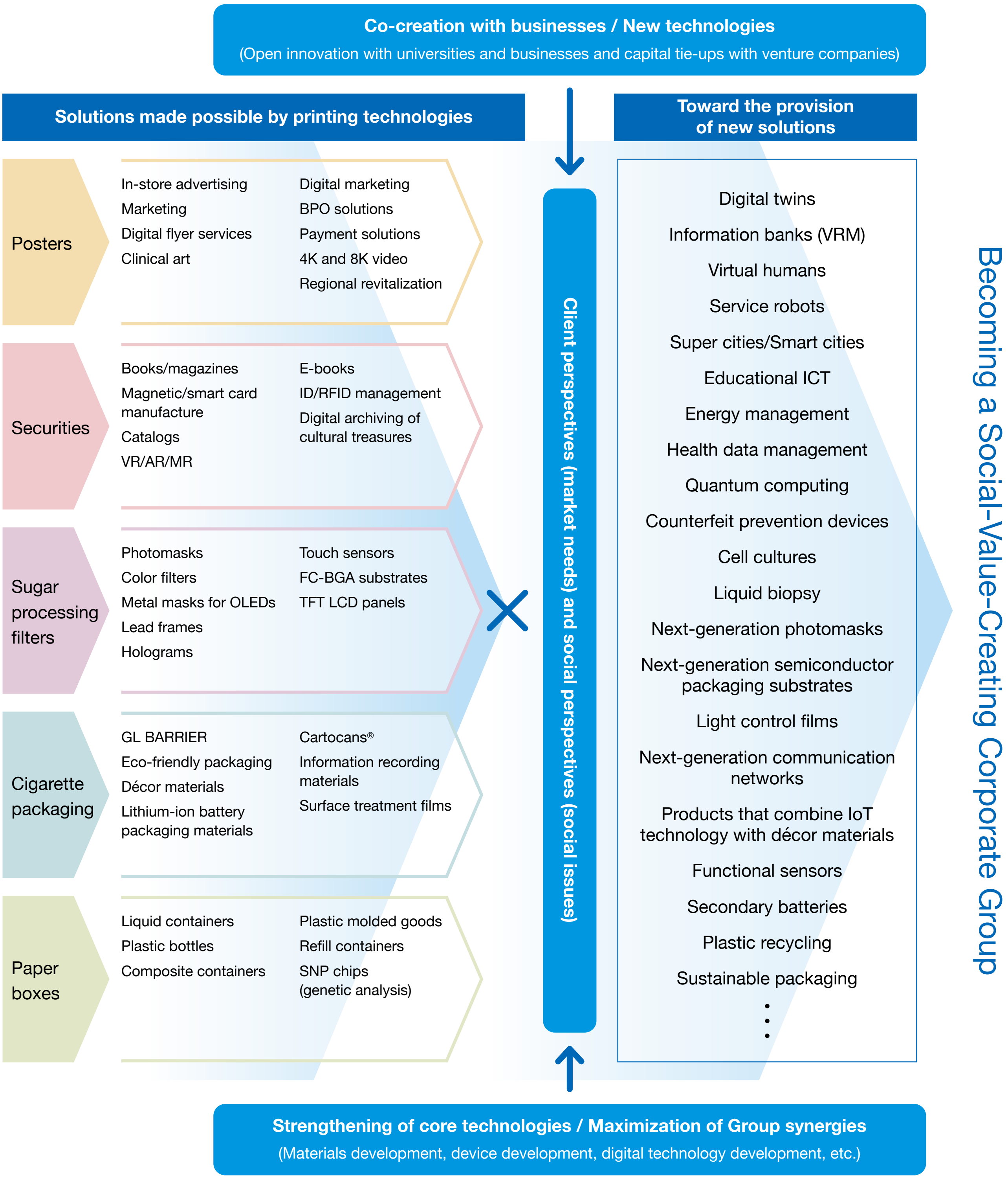
During our long history, printing skills—our starting point—became printing techniques. By further evolving these techniques through integration with diverse expertise and processing technologies, we have made printing technologies a proprietary resource.

In addition to applying information processing, microfabrication, surface treatment, material forming, and marketing solutions as discrete technologies, we combine them to create powerful new solutions.



Reflecting client perspectives (market needs) and social perspectives (social issues), the Toppan Group adapts its printing technologies to realize comprehensive solutions to diverse issues.

As we take on technological innovation and expand our business fields, we will strengthen and extend our core technologies. At the same time, Toppan will advance co-creation with universities, business partners, venture companies, and other organizations in Japan and overseas. Through such efforts, we will strive to become a company that also takes a proactive approach to the provision of new solutions and continuously creates social value.



Value Creation Process

Management Capital (Input)

As of March 31, 2021

Financial capital (Consolidated)

• Net sales	¥1,466.9 billion
• Operating profit	¥58.8 billion
• Total assets	¥2,363.5 billion

Human capital (Consolidated)

- Number of employees 52,401
- Human resources with skills in digital fields Approx. 3,000

Manufacturing capital

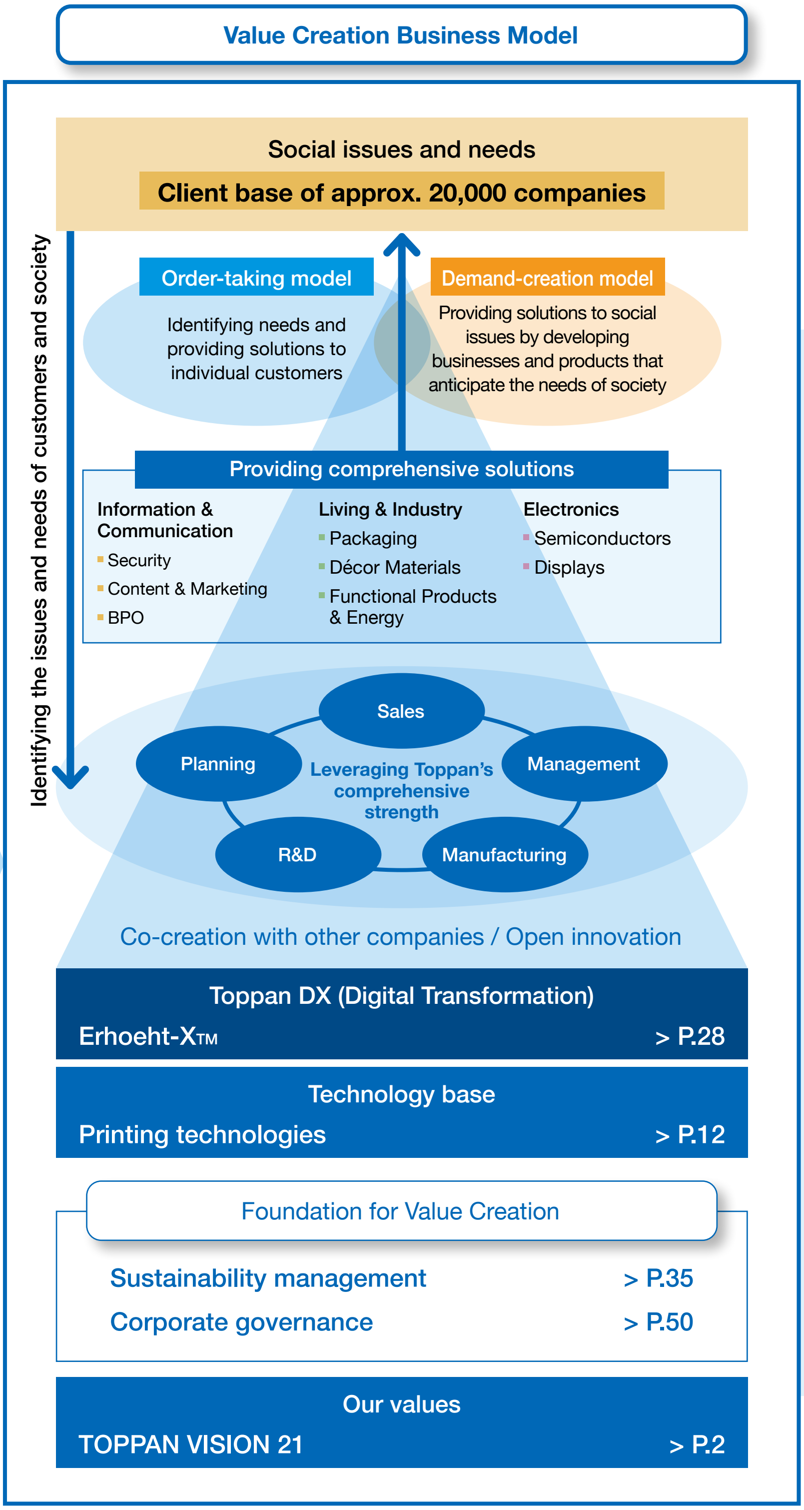
- Main manufacturing bases
  Domestic 77 bases
  Overseas 54 bases
  (16 countries and 1 region)

Intellectual capital

- Original printing technologies cultivated since our founding
- Co-creation with other companies, open innovation

Social capital

- Client base of approximately 20,000 companies
- Strong relationships with stakeholders



We are working in accordance with TOPPAN VISION 21, which expresses our fundamental values.
With printing technologies as our technical foundation, we are taking steps to advance digital transformation (DX), leverage our integrated strength, and provide comprehensive solutions, thereby helping to provide solutions to issues faced by customers and society.

Vision

(DX) (SX)

Digital & Sustainable Transformation

Becoming a leading provider of solutions
to social issues worldwide through DX and SX

Strategy

Medium Term Plan

> P.16

1. "Transforming the business portfolio" to enhance profitability
   ① Driving the DX business
   ② Expanding the Living & Industry business overseas
   ③ Creating new businesses (frontier business)
2. "Strengthening management foundations" to generate new growth
   ① Modernizing system infrastructure
   ② Advancing smart factories
   ③ Strengthening R&D functions
   ④ Driving human resource development
3. "Expanding ESG initiatives" to support sustainable value enhancement
   ① Implementing initiatives related to the environment, addressing climate change
   ② Incorporating approaches to the SDGs into management strategy
   ③ Implementing initiatives to enhance governance

TOPPAN SDGs STATEMENT > P.35
TOPPAN Business Action for SDGs > P.38

Understanding the business environment

- Acceleration of digital shift
- Heightened consciousness of environment and SDGs globally
- Impact of COVID-19
- Expansion of global markets

Value created and provided by Toppan (outcome)

Social issue resolution through the provision of total solutions, centered on DX and SX

Contribution to SDGs, realization of a sustainable society

Medium Term Plan and Vision for the Medium to Long Term

Toppan has formulated and announced the Medium Term Plan (April 2021 to March 2023), for which the fiscal year ending March 31, 2022 will be the first year. This plan has been positioned as the first phase of the Company's initiatives for further growth in the future. Under this plan, Toppan will work to transform its businesses and focus on strengthening its management foundations.

In addition, with "Digital & Sustainable Transformation" as the key concept, we will work to support the creation of a sustainable society and to increase corporate value as a leading provider of solutions to social issues worldwide through DX and SX.

Vision for Toppan

(DX) (SX)
Digital & Sustainable Transformation

Becoming a leading provider of solutions to social issues worldwide through DX and SX

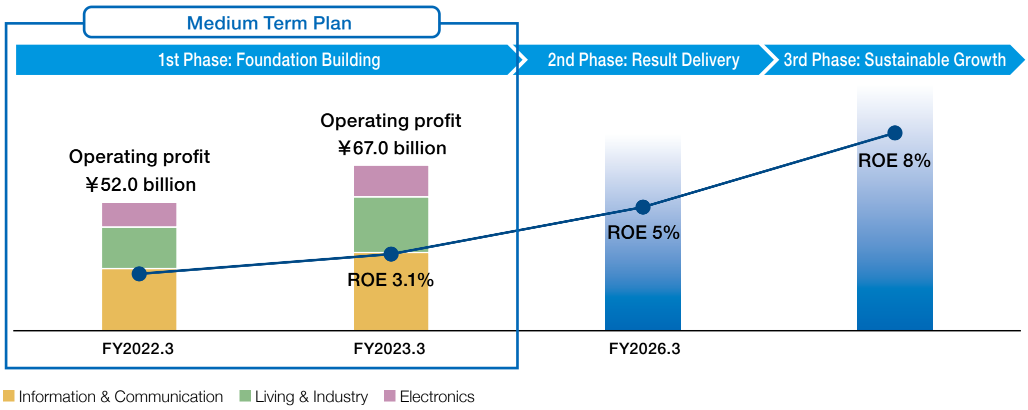
DX: Digital Transformation

Leveraging digital approaches to transform society, customers' businesses, and Toppan's own businesses

SX: Sustainable Transformation

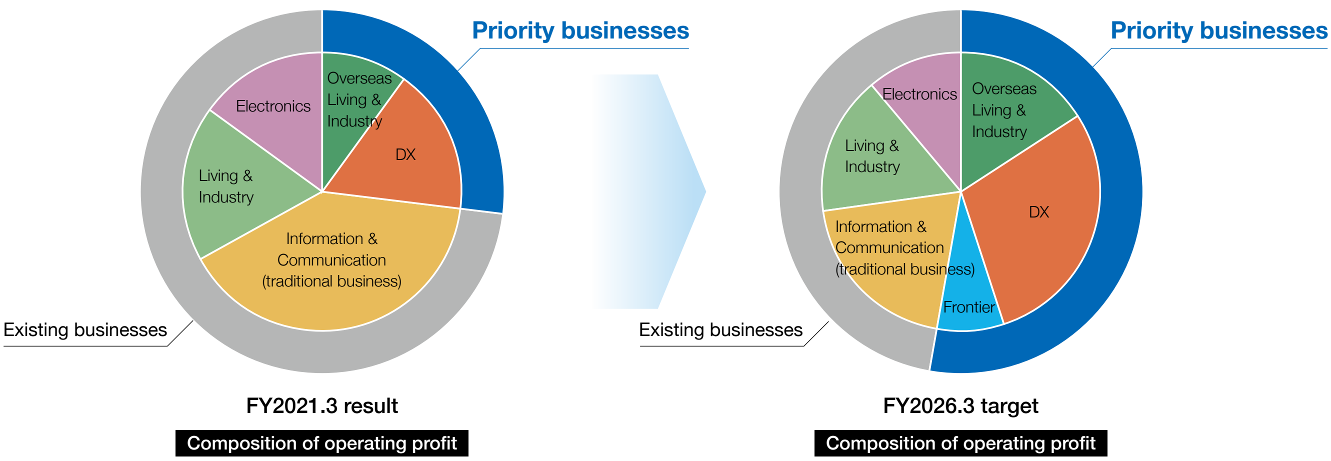
Fostering transformation with the aims of resolving social issues through business activities and implementing management with a focus on sustainability

Positioning of Medium Term Plan and Management Target Roadmap



Composition of Operating Profit: Target for the Fiscal Year Ending March 31, 2026

For our operating profit composition, we are aiming to transform our business portfolio so that in the fiscal year ending March 31, 2026, priority businesses account for more than half of total operating profit, with DX-related business accounting for 30%.



Priority Measures for the Medium to Long Term

The Group has announced the following priority measures for the medium to long term: “1. Transforming the business portfolio” to enhance profitability, “2. Strengthening management foundations” to generate new growth, and “3. Expanding ESG initiatives” to support sustainable value enhancement. Moving forward, we will strive to achieve our management targets and realize our vision.

1. Transforming the business portfolio

Transform Drive DX business

- Shift to data-based high-added-value business
- Create next generation BPO and make it a strategic strength
- Accelerate collaboration across the Company and the Group

Target 30% of total operating profit in FY2026.3

Expand Expand Living & Industry business overseas

- Cater to sustainability-related demand in Europe and North America
- Expand local business in ASEAN region
- Establish global platform

Target at least 15% of total operating profit in FY2026.3

Create Create new businesses (frontier business)

- Accelerate development of new businesses focused on next-generation technologies
- Co-creation investment in venture companies

Target at least 10% of total operating profit in FY2026.3

2. Strengthening management foundations

- Modernize system infrastructure
- Advance smart factories
- Strengthen R&D functions
- Drive human resource development

3. Expanding ESG initiatives

- Initiatives related to the environment, addressing climate change
- Incorporating approaches to the SDGs into management strategy
- Initiatives to enhance governance

Financial Policy and Capital Policy

Financial Policy

We will aim to generate social value together with all our stake-holders for the creation of a sustainable society. To achieve this long-term goal, we will adopt a financial strategy that supports sustainable growth.

- Enhance profitability through proactive investment
- Enhance asset efficiency by reorganizing assets held
- Maintain a sound financial position based on financial discipline

Capital Policy and Returns to Shareholders

We will allocate cash generated by business activities to growth investment and shareholder returns in a well-balanced manner while maintaining a sound financial position for the medium to long term. We will strive to enhance returns to shareholders while concentrating efforts on increasing cash flows and working to improve profitability and financial health.

- Providing stable returns to shareholders, targeting a consolidated dividend payout ratio of 30%
- Considering additional returns to shareholders, based on an accurate assessment of market conditions, business performance, and financial position

Reduction of Strategic Shareholdings

To further increase asset efficiency, we will accelerate the process of reducing strategic shareholdings that have decreased in relevance.

Web
For details about the Medium Term Plan, please also refer to the Company’s website.
https://www.toppan.com/en/ir/management/policy.html

Chairman’s Message

Shingo Kaneko Chairman & Representative Director

Creating new value for society by addressing today's needs and accelerating transformation

First, I would like to express our heartfelt sympathy for those who have been affected by the spread of COVID-19. At Toppan, with our highest priorities on preventing the spread of infection and ensuring the safety of employees, we will work to fulfill our social responsibility for business continuity while moving quickly to implement necessary measures.

The social trends toward digitalization and remote interactions have picked up speed, as seen in the growing use of online meetings during the COVID-19 pandemic, and the utilization of the latest technologies, such as AI and 5G, is expanding. In addition, lifestyles are changing, and there is growing consciousness of environmental hygiene. These trends are leading to a rise in new types of demand. With society transitioning to the new normal, economic frameworks, working styles, and means of communication and transportation are undergoing transformations.

At this turning point, we have formulated a Medium Term Plan in order to accelerate our own transformation and clarify our vision inside and outside the Company. The fiscal year ending March 31, 2023 will be the plan's final year. Over the next two years, which correspond to the first phase of our medium-to-long-term roadmap, we will implement aggressive investment in foundation building. In the second phase (up to the fiscal year ending March 2026) we will deliver results, which will then be linked to full-scale, sustainable growth in the third phase.

A major feature of this plan is the clear formulation of Toppan's vision, based on digital transformation (DX) and sustainable transformation (SX). With our starting point in the Erhöht relief printing method, a leading-edge technology at the time of our founding, we expanded our operations in three business fields. Now, we will build new strengths through the Groupwide sharing and recombination of the fundamental technologies and know-how cultivated in these diverse, wide-ranging businesses. On that basis, we will work to drive the digital transformation of society and customers and, through our businesses, a sustainable society. As a world leader in solutions for social issues, we will transform ourselves into a new business entity that transcends the framework of the traditional printing business.

Under this plan, we have also incorporated approaches to the United Nations Sustainable Development Goals (SDGs) into our management strategy. Aiming for the creation of a sustainable society, we will strive to foster a proactive spirit of challenge and innovation as we work toward a bold vision for the future, while recognizing the importance of environmental, social, and governance (ESG) dimensions.

Since its founding, Toppan has opened up new possibilities in printing technologies, and we have worked to fulfill our mission as a diversified printing company. Moving forward, we will continue to address the needs of society and our customers as we pursue further growth. I would like to ask our shareholders and investors for their continued support.

August 2021

Chairman & Representative Director

Interview with the President

Hideharu Maro President & Representative Director

We will work to achieve sustained growth by transforming our business portfolio, based on DX and SX.

Q What is your view of the current circumstances for the Toppan Group, including the impact of COVID-19?

A The changes in society and markets are aligned with the Toppan Group's future direction, and we consider these changes to be excellent opportunities to accelerate our transformation.

The COVID-19 pandemic has had a number of effects on our current results. There have been both positive and negative effects on each of our businesses, but for the results of the Group as a whole, the net effect has been positive.

In the fiscal year ended March 31, 2021, net sales declined overall, but excluding special factors (impact related to retirement benefit costs in the previous fiscal year), we recorded an increase in profits, due largely to improvement of the product mix and growth in overseas business and digital transformation (DX) business. Toppan has been working to strengthen our operations in these growth fields, and even if there have been some minor changes in demand, there has not been any change to the nature of the needs that we are addressing.

For some time, I have been strongly emphasizing the necessity of transformation through DX and global business development, but our sense of crisis and urgency within the Company—that is, the conviction that we must change—was not strong enough. However, it has become clear that we need to promptly address the changes that have arisen since 2020 in society and in our markets.

To actually advance these reforms, it will be necessary for all members of the Group to be aware of their own role and to address management challenges in their daily work activities. The entire Group will continue to steadily implement initiatives so that the engine of reform creates a driving force for progress at each work site.

Q What is the fundamental approach of the Medium Term Plan, which was formulated in May 2021?

A **The period of the plan has been positioned as the first phase of our medium-to-long-term roadmap. During this phase, we will work to reform our business portfolio and strengthen our management foundations. Subsequently, these initiatives will be linked to the delivery of results in the second phase.**

The recently formulated Medium Term Plan was originally scheduled to be announced in 2020, but we took another year to refine the plan with a focus on the social changes caused by COVID-19. Accordingly, the plan covers the two-year period to March 2023, corresponding to the first phase of our medium-to-long-term roadmap.

The plan's first phase will be a period of foundation building. In addition to transforming our business portfolio, as a first step toward growth, we will invest aggressively in modernizing our system infrastructure and strengthening R&D. To that end, in the fiscal year ending March 31, 2022, the first year of the plan, our operating profit target is ¥52.0 billion, which is a decrease. However, for the following year, the fiscal year ending March 31, 2023, we are aiming for operating profit of ¥67.0 billion. The second phase (up to the fiscal year ending March 31, 2026) will be a period for the delivery of results, and in this phase we will aim for an ROE of 5%. Then, in the third phase, we will strive to achieve an ROE of 8%. (Please refer to Positioning of Medium Term Plan and Management Target Roadmap on page 16.)

For the transformation of our business portfolio, we have announced the key concept of Digital & Sustainable Transformation. Our original printing technologies have continued to advance as our business operations have diversified. On a foundation of those technologies and know-how, we will aim for dramatic growth worldwide as a company that creates social value, based on digital transformation (DX) and sustainable transformation (SX).

Until now, we have not publicly disclosed our medium-to-long-term plans, but by informing stakeholders of our specific targets, we will fulfill our responsibility as executives to provide explanations regarding our results, and a positive sense of urgency will extend throughout the Group. We determined that more aggressive disclosure would also be effective in encouraging the application of the Medium Term Plan to the challenges addressed by individual employees and the rigorous implementation of initiatives on the front lines.

Management targets

million ¥

	Year ended March 2021 (Actual)	Year ending March 2022 (Forecast)	Year ending March 2023 (Plan)
Net sales	1,466,935	1,450,000	1,500,000
Operating profit	58,789	52,000	67,000
Ordinary profit	58,053	51,000	66,000
Profit attributable to owners of parent	81,997	31,000	41,000
ROE (%)	6.5%*	2.3%	3.1%

* When based on ordinary profit that does not take into consideration extraordinary profit or loss items such as gain on the sale of investment securities and structural reform costs, the ROE is 3.0%.

Q Please discuss the business portfolio transformation and the growth strategy in the Medium Term Plan.

A **We have positioned our DX- and SX-related operations and our overseas Living & Industry operations as growth fields, and we will continue to invest aggressively in these areas.**

In the analysis and evaluation of our business portfolio, we have introduced business management based on return on invested capital (ROIC), and we have mapped each business on a graph with “attractiveness of market” and “efficiency” as the axes.

First, we have identified three growth businesses: digital BPO and other DX businesses, eco-friendly packaging (sustainable packaging) and other SX businesses, and décor materials and other overseas Living & Industry businesses. We will continue to implement aggressive investment in these businesses. In addition, while continuing to advance structural reforms, within a set period of time, we plan to identify “businesses for structural reform,” which are businesses that face issues with growth potential and efficiency. We will aim to maximize efficiency through the optimal allocation of management resources and steady transformation of businesses.

Interview with the President

Growth fields: Increasing added value and growing business through DX

Paper media (existing printing business) currently accounts for about 20% of the Toppan Group's sales, but we expect this to eventually decline to about 10%. In this setting, we will strengthen the DX business as our next growth driver. As a medium-to-long-term target, in the fiscal year ending March 31, 2026, which will be the final year of the second phase, we expect DX business to account for 30% of our operating profit. We think that the DX business will become a major pillar of our earnings. (Please refer to Composition of Operating Profit: Target for the Fiscal Year Ending March 31, 2026, on page 16.)

In the fiscal year ended March 31, 2021, the digitalization of society accelerated, and digital BPO and other DX businesses recorded further growth. This was due in part to special factors during the COVID-19 pandemic, but we were able to confirm certain positive signs for future growth, and this has enhanced our confidence. Moving forward, we will strive to increase the added value of DX businesses and explore further possibilities for Toppan's printing technologies.

Growth fields: Expanding overseas Living & Industry business through SX and a local production for local consumption model

In Japan, the population is declining and the domestic market potential is limited, especially in the Living & Industry segment. Accordingly, if Toppan is going to aim for an ROE of 8% or more in the future, we must expand on a worldwide scale.

To that end, we will aim to expand the overseas packaging business through SX. In recent years, there has been significant growth in needs related to sustainability, such as

Business Portfolio Transformation

ROIC-based management for maximization of business efficiency throughout the company

Attractiveness of market (Low → High) / Efficiency (Low → High)	Low efficiency	High efficiency
High attractiveness of market	**Initial stage businesses** (Expand share by inputting resources) ■ New businesses (frontier business) ■ Overseas security ■ New electronics products	**Growth businesses** (Focused capital investment and business investment) ■ DX (digital BPO, etc.) ■ SX (sustainable packaging, etc.) ■ Overseas Living & Industry
Low attractiveness of market	**Businesses for structural reform** (Identify) ■ Small and medium-sized TFT LCD panels ■ Folding cartons ■ Existing printing	**Stable businesses** (Control investment, secure cash) ■ Semiconductors ■ Domestic security ■ Domestic décor materials

Structural Reform of Business So Far and Future Policy

<table>
<tr><th></th><th>So far</th><th>Future policy</th></tr>
<tr><td>Information & Communication</td><td>Increase in efficiency for existing printing business
• Made Tosho Printing a full subsidiary
• Enhanced efficiency by optimizing production control and consolidating lines
• Capital investment from perspective of overall optimization
• Optimal allocation of personnel</td><td>Structural reform of existing printing business
• Drive restructuring of bases
• Transform to competitive production structure in line with market needs, enhance productivity and profitability</td></tr>
<tr><td>Living & Industry</td><td>Domestic and overseas packaging business
• Production in optimal locations and reform of order structure
Corrugated fiberboard business
• Enhanced efficiency through collaborative scheme with external company</td><td rowspan="2">Strengthen earnings of underperforming businesses
• Improve earnings by careful selection and focus
• Set KPIs for decisions on continuation or withdrawal</td></tr>
<tr><td>Electronics</td><td>Color filter business
• Stabilized earnings through change in scheme
Small and medium-sized TFT LCD panel business
• Enhanced efficiency by consolidating lines
• Raised technology level by sending engineers to local sites</td></tr>
</table>

cutting down on the use of plastics and reducing food loss. In response to these types of global issues and needs, we will work to expand our overseas packaging business through the use of GL BARRIER, a highly environmentally friendly transparent barrier film, and mono-material packaging technologies. In addition, we will strengthen our approaches to U.S. and European global brands that have set a series of ambitious sustainability targets in recent years. As a good partner, Toppan can support these companies in the achievement of their targets, and, based on SX, we have opened up new business opportunities in the global market.

Furthermore, in expanding the overseas Living & Industry business, it will be important to build a local production for local consumption model in the décor materials business. In implementing this strategy, a core role will be played by Interprint GmbH, of Germany, a leading décor printing company that we acquired in 2019. Interprint has bases in countries where Toppan has not yet established a presence, such as Brazil and Russia, and we anticipate synergies in the area of technology. Accordingly, we will focus on the establishment of a global platform that draws on Interprint.

In the fiscal year ending March 31, 2026, the final year of the second phase, we expect the overseas Living & Industry business to account for at least 15% of Toppan's operating profit.

Q Would you provide an overall view of the Toppan Group's DX business?

A We are aiming for sales of ¥500 billion for DX business in the fiscal year ending March 31, 2026, centered on digital BPO, marketing DX, distribution DX, manufacturing DX, and global security.

Leveraging Toppan's distinctive strengths in the DX business

Toppan's DX business covers a wide range of areas, reflecting our broad customer base of approximately 20,000 companies across a wide range of businesses and industries. We will aim for further growth in five fields in particular: digital BPO, marketing DX, distribution DX, manufacturing DX, and global security.

Toppan's greatest strength in the DX business is the ability to provide comprehensive solutions that directly address the challenges faced by each company. Specifically, products are delivered to consumers through the supply chain, ranging from manufacturing to distribution, wholesale, and retail, but there are only a few companies that can collect and analyze the massive amounts of related data and provide one-stop services. The data handled in the DX business contains personal information, and a high level of security is also required. Starting with securities printing, Toppan has established a strong track record in security-related businesses over many years. In particular, in digital BPO, the provision of services that guarantee high-level security is a major point of differentiation, and we have received a significant number of orders for projects from the national government as well as local governments.

We recently formulated a new brand concept, Erhoeht-X™ ("erhoeht cross"). This includes the DX business, which leverages Toppan's distinctive strengths, as well as the foundation of that business, which is the implementation of DX within

Toppan itself. The word “erhoeht” is derived from the Erhöht relief printing method, which was our starting point and a leading-edge technology at the time of the Company’s founding. Our corporate DNA of aggressively introducing new technologies has not changed since our founding. This DNA has been passed down to the present, and in that tradition we will strive to expand the DX business going forward.

For details about Erhoeht-X™ (“erhoeht cross”), please also refer to the special feature on page 28.

Addressing the accelerating digitalization of society

The fiscal year ended March 31, 2021 was extremely significant in terms of the growth and development of the DX business. Measures that we had been implementing meshed with market demand, and the outcome of those efforts can be seen in our results. In particular, in digital BPO, we significantly expanded projects from the national government and local governments. There were also temporary factors amid the COVID-19 pandemic, but there are a limited number of companies that can meet sudden increases in demand, and we were able to reconfirm Toppan’s true capabilities.

In September 2021, the government is due to launch the Digital Agency. The implementation of the digital society is accelerating. Moving forward, we will draw on the resources that we have acquired over the past year, and work to achieve further growth in the DX business. In the fiscal year ending March 31, 2026, the final year of the second phase, we will aim to increase total DX business sales from the current level of approximately ¥250 billion to ¥500 billion.

The DX Design Division, which was established last year, is leading this series of initiatives. As a Companywide unit with about 1,000 employees, this division has become a major driving force in advancing the DX business in a manner that leverages Toppan’s distinctive strengths and is aligned with the digitalization of society. In promoting DX, it is also important to strengthen human resources. In line with the philosophy that companies depend on their employees, for many years we have focused on human resource development. It is human resources with skills in digital fields who will support the promotion of DX, and accordingly we will work to increase the number of people with these skills from the Group’s current level of approximately 3,000 to about 6,000 in the fiscal year ending March 31, 2026.

Q How is the Company addressing the revision of the Corporate Governance Code?

A With consideration for the demands of the age, we are steadily taking steps to strengthen governance, such as changing the composition of the Board of Directors and addressing the TCFD.

Enhancing the effectiveness of the Board of Directors

Based on the aims of the revised Corporate Governance Code, we are working to build a more effective governance system. As one part of those efforts, in June 2021 we made a significant revision to the structure of the Board of Directors, reducing the number of internal directors from 13 to six.

There are three external directors, all of whom are independent officers. Yoshinobu Noma is Representative Director and President of Kodansha Ltd. and has extensive experience and insight as a manager. Ryoko Toyama has great insight into business administration supported by an academic background. Mieko Nakabayashi joined the Board last year. With an academic background in politics, economics, and global business, Ms. Nakabayashi has broad insight into international affairs and other areas, including friction between the U.S. and China, which affects the management of Toppan’s business.

At meetings of the Board of Directors, all of the external directors actively comment from an independent perspective, backed up by their expertise, and they are making a significant contribution to enhancing the supervisory function of the Board. We believe that we have met the requirements of the revised Corporate Governance Code.

Following the recent structural change, the Board of Directors now has nine members. In addition to strengthening the supervision of business execution, we will make meetings of the Board a venue for discussing more substantive themes in depth and making decisions promptly.

Disclosing information related to climate change (addressing the TCFD)

Under the revised Code, companies are being asked to disclose climate-related information. In May 2019, Toppan announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2020, we started a working group under the Sustainability Promotion Committee, which I chair. We analyzed and evaluated business-related risks and opportunities caused by climate change. In addition, our policy is to take steps to further strengthen our approach to climate change through a series of initiatives, such as inviting outside lecturers to take part in workshops for executives.

Q You have started your third year as president of Toppan. Would you discuss your aspirations for the future?

A **Moving forward, we will continue taking steps to appropriately address social issues and global needs, which are changing with the times, and the entire Group will work together to fulfill our corporate social mission.**

About six months after I became president, the unexpected COVID-19 pandemic began, and we delayed the announcement of our Medium Term Plan by a year. However, in the fiscal year ended March 31, 2021, we were able to see certain results, such as the growth of our DX business. I think that we did a good job in responding to the COVID-19 pandemic.

In the fiscal year ending March 31, 2022, we are starting to implement the Medium Term Plan. Aiming to achieve business portfolio transformation and to be a company that creates social value, I would like every employee to consider what needs to be done and to engage in extensive discussions. If these discussions are widely held, then I believe that we will be able to leverage Toppan's potential and achieve the targets in the Medium Term Plan.

At the beginning of the COVID-19 pandemic, we considered a worst-case scenario, but despite the unprecedented circumstances, we were able to get through the crisis due to the serious efforts and hard work of all of our employees. In addition, Toppan's employees are very earnest, and they carefully consider the future of the Company. With a theme of proposals for the period after COVID-19, we created opportunities for teams of employees to make online presentations directly to me. Approximately 250 people participated, and we had a wide range of discussions.

This earnest approach is an integral part of Toppan's corporate culture. I once again sensed that we are a company in which employees appropriately address changing social issues and society's needs, take action to change themselves, and open up possibilities. This is a result of Toppan's history and know-how. Over the period of more than 120 years since our founding, we have leveraged our base of printing technologies and worked earnestly to provide solutions to the challenges faced by customers in a manner that reflects the changing times.

We are proud that our customers rely on Toppan, and going forward I would like to make Toppan into a company that families, friends, and people around the world can be even more proud of. Moving forward, the entire Toppan Group will work together as we strive to fulfill our corporate social mission.

August 2021

Hideharu Maro

President & Representative Director

Message from the CFO

While aiming for a balance between enhanced earnings capacity and a sound financial position, we will advance the process of transformation in a rapid, consistent manner.

Takashi Kurobe

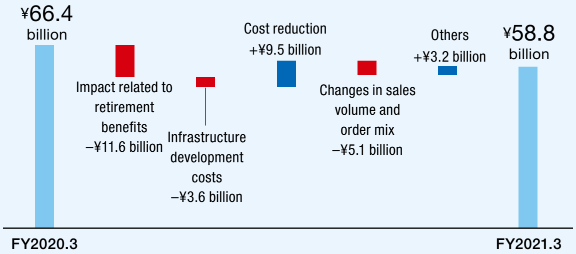
Director & Managing Executive Officer, Finance & Accounting Division

Results in the Fiscal Year Ended March 31, 2021

Looking at our consolidated results in the fiscal year ended March 31, 2021, net sales were down 1.3% year on year, to ¥1,466.9 billion. Operating profit declined 11.5%, to ¥58.8 billion, and profit attributable to owners of parent was down 5.8%, to ¥82.0 billion. The level of operating profit reflects an increase in retirement benefit costs, which was a special factor that had the effect of decreasing profit. Excluding this special factor, operating profit was up by ¥4.0 billion year on year.

Results in the Fiscal Year Ended March 31, 2021

Change in operating profit versus prior year



Financial Policy and Capital Policy in the Medium Term Plan

Toppan recently launched its Medium Term Plan (April 2021 to March 2023). The plan's financial policy and capital policy cover a three-year period, including results in the fiscal year ended March 31, 2021.

The overall framework for cash allocation calls for a three-year cumulative total of more than ¥300.0 billion in operating cash flow,* with priority allocation to growth investment. In addition, our policy is to pay stable, ongoing dividends while working to increase asset efficiency through reorganization of assets held, centered on the reduction of strategic shareholdings. On that basis, we will aim for a balanced allocation.

* Operating cash flow is calculated before the deduction of tax payments associated with the divestment of assets.

Investment Strategy

We are planning a total of approximately ¥280.0 billion in investment, as shown in the chart below. Targeting the implementation of priority measures, we will expand capital investment in growth fields related to digital transformation (DX) and sustainable transformation (SX), and we will continue business investment, such as in M&A. Our M&A activities will be centered on further development of DX and overseas businesses as well as on frontier businesses.

Through these measures, we will maintain a sound financial position while implementing aggressive investment to achieve medium-to-long-term targets. In making investment decisions, we will rigorously implement ROIC-based management and work to achieve further improvement in investment efficiency.

Investment Strategy

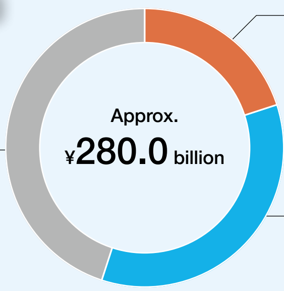
- Expand allocation of investment to initial stage businesses and growth fields
- Continue to advance M&A and other business investment to drive future expansion
- Make investment decisions using ROIC to improve investment efficiency

Three-year investment plan

(FY2021.3–FY2023.3)

Capital investment in stable fields and fields for structural reform (45%)

- Capital investment in businesses subject to structural reform and existing businesses has been controlled for some time
- Allocate investment budget to other fields on a priority basis



Business investment (20%)

- Envisaging M&A centered on DX, overseas, and frontier fields

Capital investment in initial stage and growth fields (35%)

- Expand capital investment focused on implementing priority measures

Reduction of Strategic Shareholdings

Printing has been an industry in which companies worked together with their customers to create made-to-order products. The aim of strategic shareholdings has been to grow together with customers while strengthening the relationship over an extended period of time. Accordingly, Toppan's strategic shareholdings have the purpose of reinforcing business relationships and are different from so-called cross shareholdings. Our strategic shareholdings contributed to the establishment of a stable foundation for taking orders, and at the same time stock values have increased and asset values have risen.

Nonetheless, in recent years we have focused on cost of capital and internal fundraising, and from that perspective we have actively reduced our strategic shareholdings. After obtaining the understanding of customers, we have divested assets based on our assessment of the rationality of holding them. Over the three years to March 2021, we reduced our strategic shareholdings by selling the shares of 43 companies (13%). Including sales that involved only a portion of our holdings of a company's shares, we have sold shares of more than 100 companies. The amount of these transactions was approximately ¥240.0 billion.

For new business creation in the future, we are separately implementing strategic co-creation investment in venture companies. Moving forward, we will continue to assess the rationality of holding assets, and we will accelerate the process of reducing assets that have decreased in relevance.

Shareholder Return Policy

Toppan has continued to pay stable dividends since the Company was founded. We will continue this approach going forward, and targeting a consolidated payout ratio of at least 30%, we will implement ongoing, stable dividends. In addition, we will consider additional returns to shareholders going forward based on accurate assessment of the level of achievement of management strategies, market conditions, and financial position.

Looking at per-share dividends in the fiscal year ended March 31, 2021, we paid interim and year-end dividends of ¥20.00 each, resulting in an annual dividend of ¥40.00 per share. In addition, in December 2020 we announced a total of ¥20.0 billion in treasury stock purchases, which we are currently implementing. In the fiscal year ending March 31, 2022, we plan to continue with an annual dividend of ¥40.00 per share.

Balance between Profitability and Financial Soundness

In May 2019, Toppan announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the fiscal year ended March 31, 2021, we conducted scenario analysis, identified important risks and opportunities, and evaluated financial impacts. Going forward, we will formulate management strategies that reflect consideration for climate change, and we will work to further enhance information disclosure. (Please read this section in conjunction with Addressing Climate Change and the TCFD on page 40.)

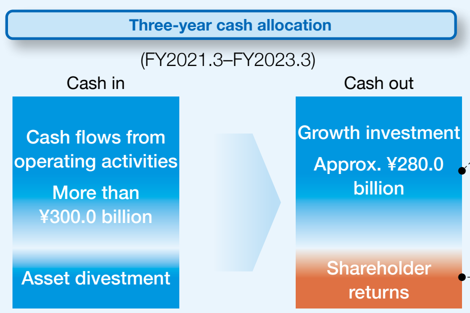
The COVID-19 pandemic has clarified the importance of maintaining financial soundness at all times. Our ability to quickly raise enough funds for the Company to continue even if operations were halted for one year is attributable to the high level of trust that we have established due to our strong financial foundation.

In the fiscal year ended March 31, 2021, we raised ¥9.5 billion through cost reductions, and allocated additional funds to foundation building expenses, such as R&D and system construction costs. Corporate management has offensive and defensive aspects. While doing your utmost to increase profitability, you also have to maintain a sound financial position. You can't have one without the other, and it is important to focus on maintaining a balance between the two.

From a financial perspective, we will support the business portfolio transformation outlined in the Medium Term Plan, and we will strive to achieve transformation in a rapid, consistent manner. I would like to ask for your continued support as we address the challenges that lie ahead.

Capital Policy and Returns to Shareholders

- Strive to enhance returns to shareholders while concentrating efforts on increasing cash flows and working to improve profitability and financial health.



Maintenance of sound financial position

To achieve medium-to-long-term targets, make proactive investments while ensuring appropriate cash on hand to maintain a sound financial position.

■ Capital investment to strengthen profitability Approx. ¥220.0 billion

Reorganization of existing equipment (including initial stage/growth fields)

■ Investment for business growth Approx. ¥60.0 billion

Investment in growth fields including M&A (DX, SX, global security)

■ Co-creation investment in venture companies for the future

■ Policy for returns

Stable dividends paid consistently since founding. Continue sustainable shareholder returns into the future.

■ Dividends

Sustainable, stable dividends (consolidated payout ratio of at least 30%)

■ Additional shareholder returns

Consider additional returns based on balancing market conditions and a sound financial position while monitoring results of strategies.

Special Feature

Toppan's Evolving DX

Erhoeht-X™ Initiatives

Under the Medium Term Plan that started in the fiscal year ending March 31, 2022, Toppan has positioned digital transformation (DX) as a pillar of the Company's initiatives to transform its business portfolio, which is a priority measure. The Company has announced a goal of increasing the contribution of the DX business to operating profit to 30% in the fiscal year ending March 31, 2026. Toppan established the DX Design Division in April 2020 to support the Company's united efforts to advance its strategies. In addition, Toppan recently redefined the brand concept in the DX business, giving it the name Erhoeht-X™. This reflects Toppan's starting point and communicates the Company's distinctive, multifaceted DX initiatives aimed at a business transformation for the new digital age.

New Innovation Through the Use of Digital Technologies

Erhoeht-X™ ("erhoeht cross") is the DX brand concept for Toppan, which is supporting the digital transformations of customers and society and accelerating its own digital transformation.

The word "erhoeht" is based on the Erhöht relief printing method, which was Toppan's starting point. It is derived from the German word "erhöhen," which means "raise" or "elevate." The word "cross" expresses our determination to advance a distinctive hybrid DX business that fuses the latest digital technologies with evolving printing technologies.

Approximately 120 years after its founding, Toppan will take on the challenge of innovation in the digital field, a challenge that ranks with the Company's innovative initiatives in the past. By focusing on the future and realizing the ideals and innovativeness expressed by the word "erhoeht," Toppan will aim to further enhance its printing technologies.

This special feature includes a message from the division leader, followed by introductions to the DX business, which supports digital transformation for customers and society, and to Toppan's internal DX promotion initiatives, which are aimed at strengthening management foundations.

Message from the Division Leader

Driving Business Innovation with the Hybrid DX Strategy

Hiroki Shibatani

Executive Officer

DX Design Division & R&D Strategy Office

The DX Design Division was established in April 2020 as a Companywide unit that shapes Toppan's overall concept for the DX strategy. In the fiscal year ended March 31, 2021, the division's first year, we focused on the development of digital services, which will be the core of the DX strategy. In the fiscal year ending March 31, 2022, our second year, the division is working to strengthen sales and go-to-market initiatives. Other division activities include expanding a business model integrating digital services and operations, establishing system infrastructure to support business operations, and systematically working to develop and secure human resources with skills in DX.

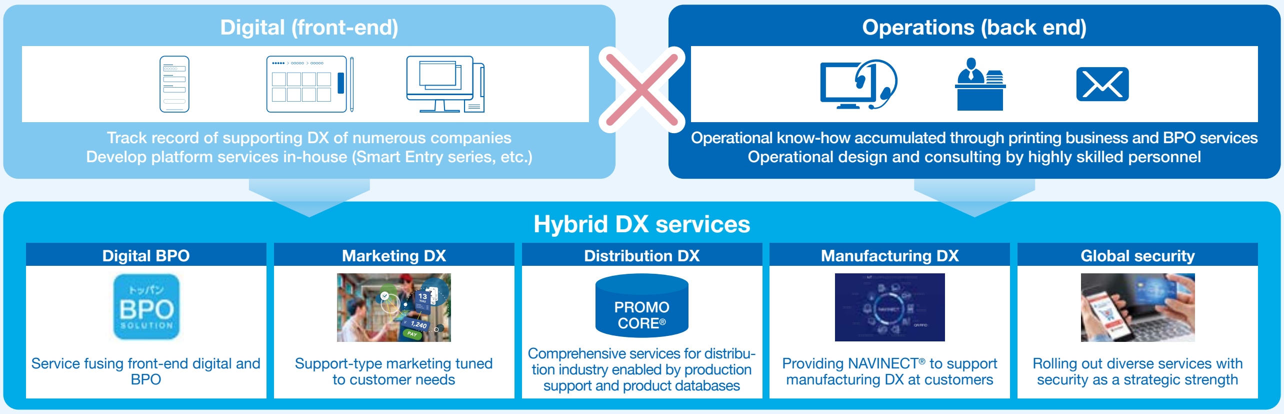
Fusing Digital and Real Operations

Toppan is advancing DX as a business that not only provides digital services but also supports the business innovation of customers and the transformation of society in response to the digital age. Accordingly, to achieve more comprehensive support while also expanding Toppan's business, the Company is combining digital services with real operations cultivated in the business process outsourcing (BPO) business. We are advancing initiatives for the provision of hybrid services centered on AI-based data analysis and effective data utilization.

The basic business model for the integration of digital services and operations involves the provision of digital services on the front-end, which links customer companies and users, and operational proxy services on the back end, where related operations are handled. We are rolling out this business model in the fields of digital BPO, marketing DX, distribution DX, manufacturing DX, and global security. In the fiscal year ended March 31, 2021, we made steady progress in each of these fields, and our initiatives have gained traction, meaning that overall we achieved about half of the net sales target for the fiscal year ending March 31, 2026.

■ Toppan's DX Business

We provide hybrid DX services that are a cross between our digital technologies and our advanced operational know-how, centered on the use of data.



Advancing Initiatives to Set the Stage in the Medium Term Plan's Foundation-Building Phase

In the Medium Term Plan, Toppan has positioned the two-year period to the fiscal year ending March 31, 2023, as a foundation-building phase. We are implementing various initiatives to set the stage for DX from the perspective of both operations and administration.

Looking at the system infrastructure for business, we started to give shape to the basic design for the appropriate shared use of the Company's data center and the cloud. In addition, we began the full-scale modernization of our in-house system infrastructure. Furthermore, in the development and hiring of people skilled in DX, we have reassigned approximately 100 people to DX departments, and we have launched a reskilling program that also covers existing departments. We have also established satellite offices in Nagano Prefecture and Okinawa Prefecture, and we are moving ahead with efforts to hire people skilled in ICT. We have introduced digital printing for the printing of flexible packaging materials, and to establish the next-generation DX business, we have commenced full-scale R&D in such areas as leading-edge XR and digital twin technologies, IoT communications security technologies, and quantum secure cloud technologies. We have also acquired a 5G base station license.

In these ways, our initiatives to unify management and DX have received plaudits. In April 2021, Toppan was certified as a DX business operator, and in June Toppan was selected as one of the stocks in the Digital Transformation Stocks 2021 (DX Stocks). Moving forward, we will continue to advance the creation of a strong business foundation, leading into the results delivery phase from the fiscal year ending March 31, 2024.

Special Feature: Toppan's Evolving DX—Erhoeht-X™ Initiatives

Advancing the DX Business —Targeting Business Portfolio Transformation—

The domestic DX market is estimated to grow from ¥791.2 billion in fiscal 2019 to ¥3,042.5 billion in fiscal 2030.[*1] A number of technologies, such as IoT, AI, RPA,[*2] 5G, and blockchain, are finally reaching the point of commercialization, and full-scale investment in DX utilizing these technologies is underway. This trend has been boosted by the acceleration of digitalization during the COVID-19 pandemic and by the government's establishment of the Digital Agency. Competition in the DX market is intensifying.

In this setting, Toppan has made DX and sustainable transformation (SX) the key concepts of its Medium Term Plan, and in particular the Company has positioned the DX business as the core of business portfolio transformation, which is a priority measure. Specifically, we will aim to increase DX business net sales to approximately ¥500.0 billion and DX business operating profit to 30% of consolidated operating profit in the fiscal year ending March 31, 2026. In this way, we will strive to develop the DX business into a pillar of earnings that surpasses overseas Living & Industry operations (targeting at least 15% of consolidated operating profit) and frontier businesses (targeting at least 10% of consolidated operating profit).

*1. Source: 2020 report on the future outlook for the digital transformation market from Fuji Chimera Research Institute, Inc.
*2. RPA: Robotic Process Automation

■ Priority Measures for Medium Term Plan "Transforming the business portfolio"

Transforming the business portfolio

I. Driving the DX business

- Shift to data-based high-added-value business
- Create next-generation BPO and make it a strategic strength
- Accelerate collaboration across the Company and the Group

II. Expanding the Living & Industry business overseas

III. Creating new businesses

Toppan's Growing Digital BPO

There is growing demand for business process outsourcing (BPO), where companies and organizations seek to increase efficiency by outsourcing business processes. Furthermore, there are changes to the social landscape, such as working style reforms. In this setting, the scale of the BPO market is increasing. Toppan has earned an excellent reputation for its contributions to customers' operational improvement and optimization. Among the Company's wide range of DX business services, in the fiscal year ended March 31, 2021, digital BPO secured a range of demand and recorded strong growth. We expect to record solid growth in the future by addressing the trend toward digitalization.

Within BPO services, digitalization will make increasing progress in such areas as applications used by residents for local government administrative procedures. Toppan will leverage its digital technologies to advance the digitalization of front-end administrative procedures. At the same time, in the management and use of application data, Toppan will provide outsourcing services that draw on the advanced operational know-how that the Company acquired through traditional printing operations and BPO services. In these ways, digital BPO, based on Toppan's hybrid DX strategy combining digital and operations elements, will differentiate Toppan from conventional IT companies and system integrators, and will also make possible a fundamental transformation of the earnings structure.

Targeting Further Growth in Digital BPO

Securing Steady Earnings:

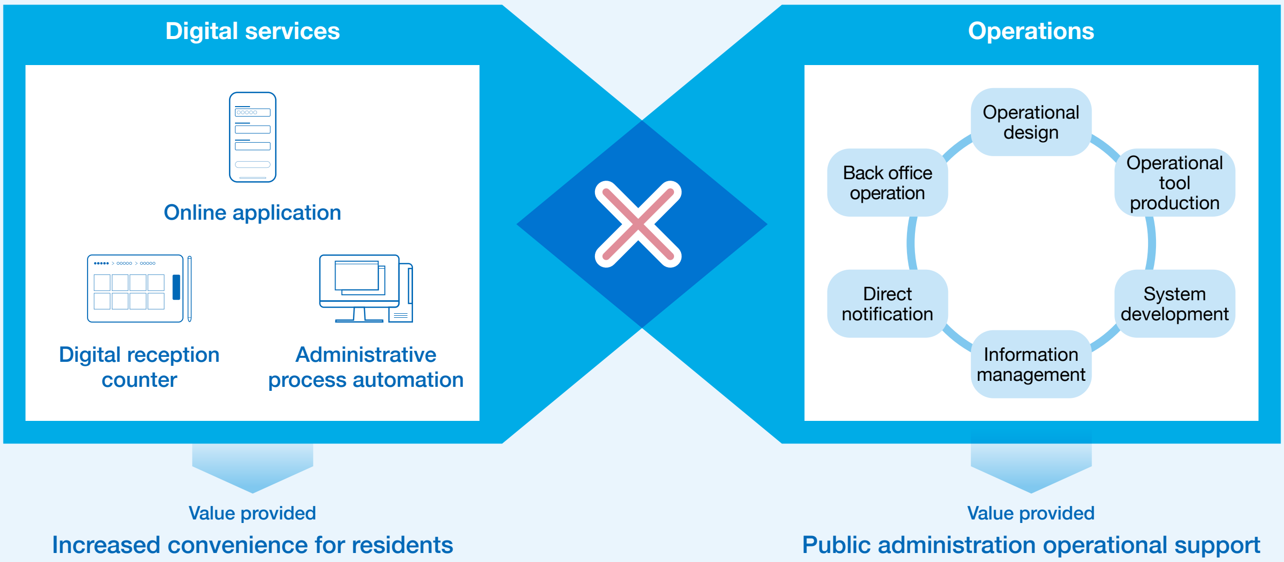
In BPO, there are many large projects that are handled on a short-term, one-off basis, such as government economic measures. Of course it is important to secure these projects, but moving forward we will aim for more stable and sustained growth. In particular, we will provide BPO services that reduce social administration costs, such as by streamlining operations and eliminating complexity for administrative procedures for government and local authorities. We will work to build a new business model that enables us to handle services provided on a continuous basis.

From an Order-Taking Model to a Demand-Creation Model:

In digital BPO for administration, we will strive to help reduce administration costs and enhance diversifying resident-targeted services by standardizing various operations and introducing digital technologies. In addition, by making these services a platform business for local authorities throughout the country, we will contribute to increasing convenience and efficiency for society as a whole. Through the development and provision of services that resolve social issues, Toppan is advancing initiatives targeting the transition toward the demand-creation business model that the Company is aiming for.

■ Digital BPO

We will provide a hybrid BPO model that combines administrative procedures and other front-end digital services directly related to consumers with back end operations.



Value Provided by Toppan	**Provide hybrid outsourcing service through a cross between digital technologies and analog operations** • Provision of optimal BPO services based on the use of digital tools and know-how in operational design and high-volume bulk processing ➡ Streamlining of operations and elimination of complexity for government and industry, reduction of social administration costs
Measures for expansion	**Create shared central cloud operation center** • Roll out public sector DX business targeting non-core routine operations of local authorities • Consolidate operations and enhance efficiency at shared center for financial sector

Special Feature: Toppan's Evolving DX—Erhoeht-X™ Initiatives

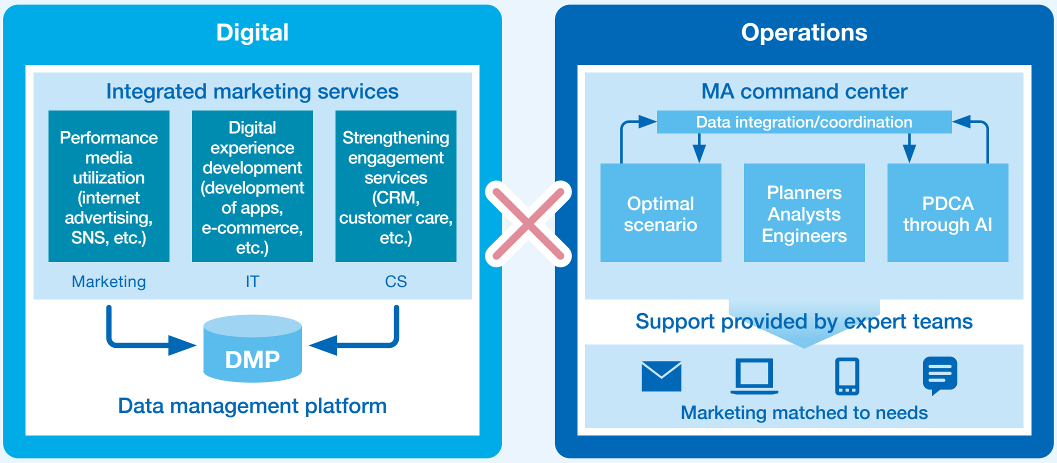
Other Hybrid DX Services

Marketing DX

We will integrate marketing and technology and provide support for the transformation of consumer-oriented business activities. We will promote DX in all areas of marketing, including customer experience branding, the shift to non-face-to-face purchasing channels, and fan engagement.

■ Digital Marketing

Toppan will be a digital agency that can understand the current situation for each customer and provide a customer experience that meets their needs. Accordingly, we will invest aggressively and expand our service lineup. In addition, we will advance data integration and coordination and provide advanced marketing operations capabilities that leverage technology.



Value provided by Toppan	**Solutions for customers based on advanced marketing technology** • Design and marketing technology leveraging capabilities supporting a CRM track record of serving more than 400 companies • Provision of expert teams that effectively utilize data-led marketing
Measures for expansion	**Further enhancement of marketing automation (MA) command center** • Human resource development and product expansion with view to collaboration and M&A • Establishment of nationwide service provision network with digital marketing center at its core

Distribution DX

Toppan is providing comprehensive support for DX inside and outside stores, including the production and distribution of real and digital sales promotion media, centered on PROMO CORE®, a sales promotion support system that provides centralized management of retail product data. Moreover, through the coordination and analysis of various types of data, such as product movement and marketing data, we will propose rationalization and loss reduction initiatives for the entire supply chain, and contribute to the growth of the distribution industry as a whole.

Manufacturing DX

We offer four categories of NAVINECT®, a manufacturing DX support service. These are NAVINECT® Cloud, which inexpensively and easily visualizes the situation on the manufacturing floor; NAVINECT® Edge, which collects data from manufacturing equipment; NAVINECT® Linebuild, which supports the design and construction of entire manufacturing lines; and NAVINECT® Insight, which makes use of analysis of various data to drive on-site improvements. In this way, we are addressing the different types of demand specific to each industry. In addition, NAVINECT® Cloud was recognized as a tool eligible for the Japanese government's IT Introduction Subsidy 2021 program, and we are aggressively promoting its introduction to small and medium-sized companies.

In-House DX Initiatives
—Strengthening Management Foundations With DX—

Toppan has positioned its own digital transformation as an important initiative in the advancement of Erhoeht-X™. Our objective is to further reinforce the foundations that support our business by applying DX to in-house operations, such as internal system infrastructure, manufacturing at plants, R&D, and human resource strategy. On that basis, we take steps to further enhance DX. Toppan will accelerate Companywide initiatives while combining offensive elements, such as DX support for society and customers as a business, and defensive elements, such as strengthening our management foundation for the DX business.

■ Strengthening Management Foundations Through DX

Strengthen management foundations by using digital technologies for IT systems, manufacturing, R&D, and HR to support the transformation of business.

Modernizing internal system infrastructure

- ■ Centrally manage management information of Group companies in the cloud
- ■ Collect management information in real time and enable data-driven management
- ■ Invest approximately ¥20 billion in systems over five years

Advancing smart factories

- ■ Reduce manufacturing costs through innovation
- ■ Drive manpower saving in anticipation of future labor shortages
- ■ Introduce next-generation manufacturing execution systems (MES) in at least 50% of factories by fiscal 2026

Further enhancement of Toppan's competitiveness based on DX

Strengthening R&D functions

- ■ Focus on technological innovation and create new technology-based businesses
- ■ Sustainability, DX, post-COVID-19
- ■ Strengthen intellectual property strategy

Driving human resource strategy

- ■ Strengthen personnel responsible for DX strategy
  Training for each specialist skill required
  Increase DX personnel from current 3,000 to 6,000 by fiscal 2026
- ■ Advance initiatives from an SDGs perspective

Modernizing Internal System Infrastructure

Toppan has identified "modernizing internal system infrastructure" as a strategy for strengthening management foundations through DX. Currently, we are advancing initiatives for the construction and introduction of a new core system.

■ Strengthening management foundations through introduction of new core system

	Current issues
Human resources	• Aging of core system engineers • Rising procurement prices for external resources, difficulty securing engineers for aging technologies
Technology	• Time limitations on software and hardware product lifecycles (infrastructure lifespan) • Upgrading of aging technology
Management	• Business continuity risk • Passing down skills • Rising external procurement costs due to shortage of engineers • Addressing digital business • Silo management style hinders structural reform

Introduction of new core system

Measures enabled by introduction

- Carefully examine operations in all businesses and consolidate elements that should be shared into the new core system
- Consolidate operations particular to specific businesses into optimal systems for each business

Expected effects

- Respond to trend technologies and enhance user experience
- Minimize legacy risks by upgrading system infrastructure

2025 Digital Cliff Problem

A 2018 report from the Ministry of Economy, Trade and Industry (METI) pointed out the problem of the "2025 Digital Cliff". Many long-established companies face the risk that existing core systems and other IT infrastructure will become legacy systems. Currently, the majority of those systems are written in outdated programming languages, and there is concern that in 2025, when many of the engineers addressing this issue will be approaching retirement, there will be a shortage of human resources, leading to business continuity risk.

Toppan also faces this issue, and the Company carefully examined its internal systems with the objective of eliminating legacy systems. In October 2019, we started an initiative to completely rebuild legacy systems, and currently we are steadily advancing this project.

Start of Operation of New Core System in April 2023

This project goes hand in hand with the revision of management rules. Until now, systems were constructed in accordance with rules that assumed the traditional printing industry production and operational flow. However, accompanying the growth of the digital business, it will be necessary to revise the management rules and build systems in a way that incorporates the special characteristics of the digital business.

In consideration of this point, in the new rules Toppan decided to introduce SAP* for operations that should be shared among all businesses, such as sales, purchasing, and accounting. Furthermore, targeting business portfolio transformation, we will introduce earnings management by business and advance measures such as enhancing the KPI system based on ROIC and cash flow.

In the future, we plan to start operation of this new core system at three Group companies, including Toppan, in April 2023, following test operation and preparation for migration. Subsequently, we plan to roll out the system to manufacturing subsidiaries and Group companies, and we will invest a total of approximately ¥20.0 billion over five years, including in the upgrading of other legacy systems. This will contribute to the timely tracking of information helpful to management, enable prompt and accurate decision-making, and result in cost reductions through increased efficiency.

*SAP: Core system package developed by SAP SE, of Germany.

Aiming for More Sustainable Growth

Another initiative to strengthen management foundations will be advancing the transition to smart factories through DX. We plan to introduce next-generation manufacturing execution systems (MES) in at least 50% of factories by the fiscal year ending March 31, 2026. In this way, we will reduce manufacturing costs and drive manpower savings in anticipation of future labor shortages. Strengthening R&D functions will be another important theme in the development of future strategic strengths. We will consistently allocate funds for R&D spending, especially in areas related to sustainability and DX. With a focus on the post-COVID-19 period, we will also aim to create new businesses that have technology as a starting point. As one part of our human resource strategy, we plan to increase the Groupwide total of the personnel who will support the DX strategy from the current level of approximately 3,000 to about 6,000.

With a focus on foundation building and results delivery, and then sustainable growth, Toppan will work to further strengthen its management foundations and its own competitiveness through DX.

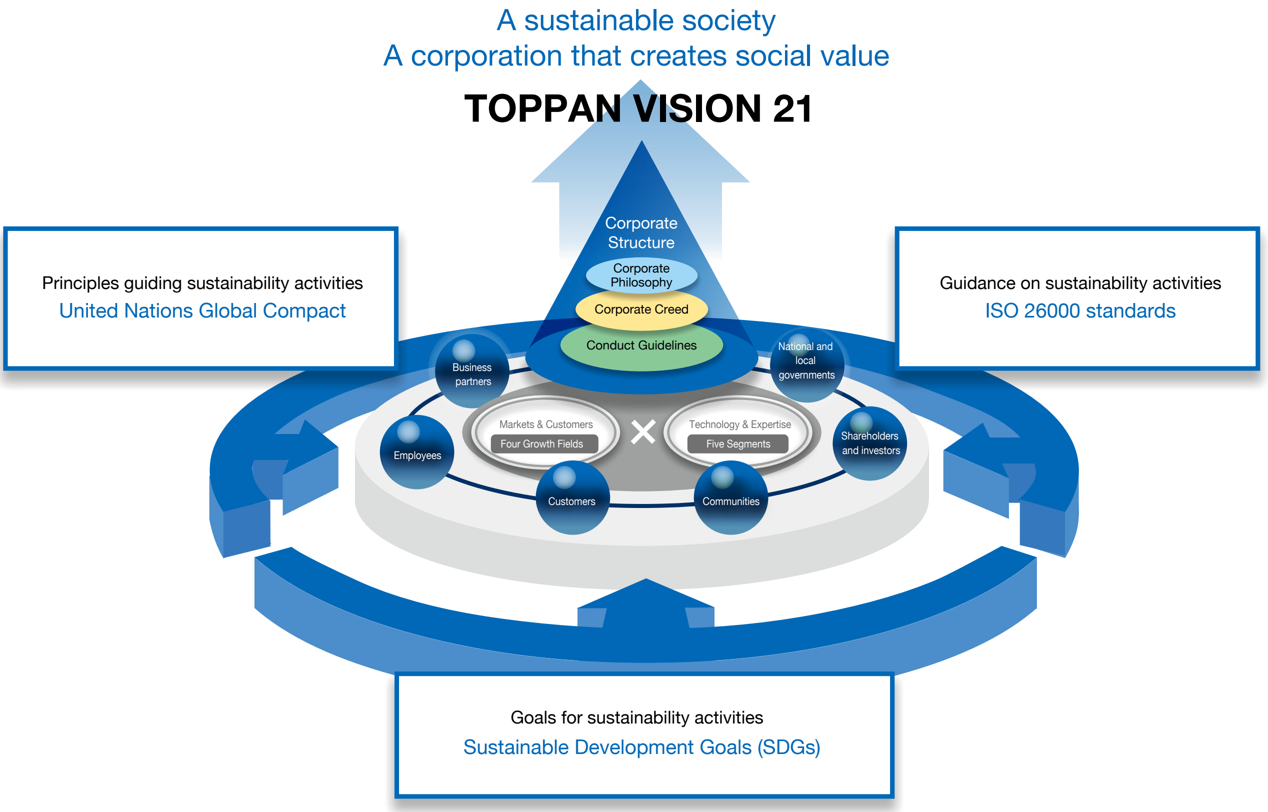
Toppan's Sustainability Management

Toppan's Approach to Sustainability

In pursuing sustainable development initiatives, Toppan follows the principles of the United Nations Global Compact (UNGC) and the guidance of the ISO 26000 international standard for organizations' social responsibility. Targets for the Company's activities also incorporate the Sustainable Development Goals (SDGs).

To set common development goals for the world, 193 countries, including Japan, adopted the SDGs at the General Assembly of the United Nations in September 2015. The SDG framework comprises 17 SDGs and 169 targets, which stem from social issues that international society aims to resolve by 2030. In addition, this initiative calls for companies' active participation in issue resolution. To continue developing as a social-value creator, Toppan is proactively addressing the issues that the SDGs have identified.

In November 2019, Toppan published the TOPPAN SDGs STATEMENT, which sets out how the Company aims to enhance SDG initiatives and integrate them into its management activities. The statement specifies how SDG initiatives will become an engine for Toppan's evolution as a company that creates social value, and it identifies the material issues that will be the focus of special attention. The Company is advancing initiatives targeting these material issues, which have been positioned at the center of Toppan's sustainability activities.



Information on Sustainability at Toppan

Detailed information about Toppan's sustainability activities is provided in the Sustainability section of the Company's website (https://www.toppan.com/en/sustainability/) and through the following tools.

Sustainability Report

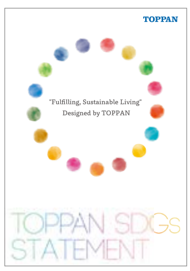
This provides detailed information, including the Company's basic approach to sustainability initiatives, promotion framework, and a variety of performance data.

https://www.toppan.com/en/sustainability/sustainability-report.html

TOPPAN SDGs STATEMENT

This introduces the SDG-related material issues Toppan has selected, the thinking that underlies their selection, and the story for achieving the corresponding goals.

https://www.toppan.com/assets/pdf/sustainability/toppan_sdgs_statement.pdf



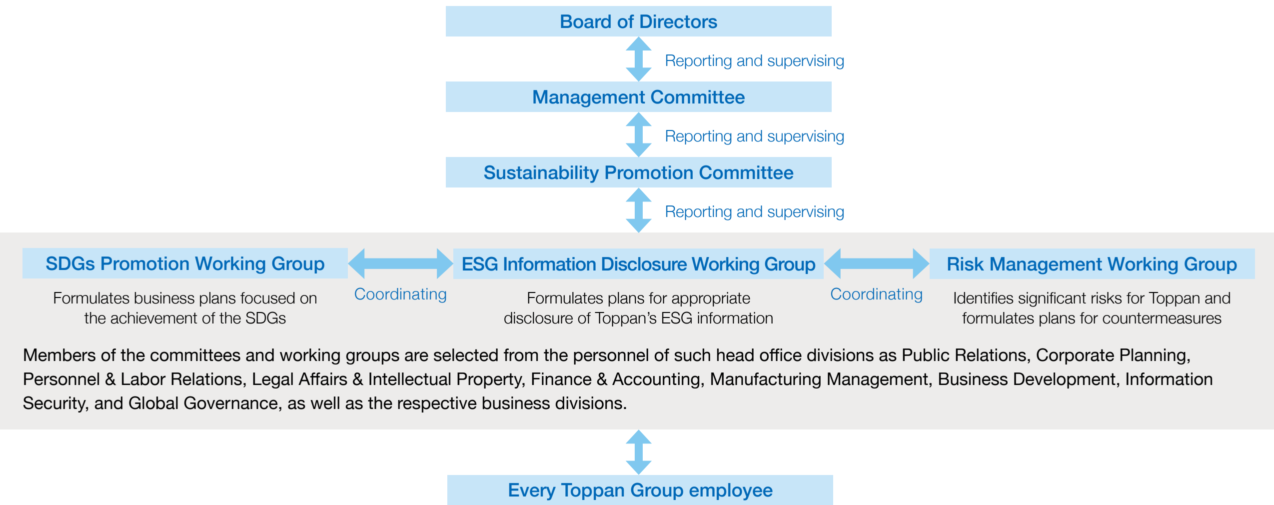
Toppan's Sustainability Management

Sustainability Promotion Structure

Toppan has established a Sustainability Promotion Committee chaired by the President & Representative Director to drive the Group's sustainability activities.

Working groups (WGs) are set under the committee to check the progress of sustainability activities and set out Toppan's approach for promoting future activities. The committee deliberates the conclusions of the WGs and reports and makes relevant recommendations to the Board of Directors through the Management Committee. Based on the decisions of the Board of Directors on the directions of activities, the committee encourages the WGs to guide relevant departments across the Company in the planning and implementation of concrete measures.

Toppan also coordinates and shares information with Group companies to advance Groupwide sustainability initiatives. For intensified sustainability management, Toppan holds training sessions on sustainability for new employees every year and organizes annual Groupwide basic education programs for the employees of Toppan and the other main companies in the Group.



Material Issues

Toppan has selected material issues that will be given special attention in the Company's sustainability activities. The issues have been grouped under "Business Materiality," to be addressed on a priority basis through our business activities, and "Companywide Materiality," to be addressed through Companywide activities focused on being a good corporate citizen.

The material issues are aligned with the Corporate Structure and Business Fields of TOPPAN VISION 21, and they have been selected from areas in which we can create new value by leveraging Toppan's technologies and expertise.

Going forward, Toppan will proactively advance sustainability activities in each part of the business, centered on these material issues. We will implement initiatives to further our aim of being a company that creates social value and contributes to fulfilling living.

Material Issues

	Theme	Relationship with the SDGs
Business Materiality (Issues of focus in the Group's business activities)	Environment (sustainable global environment)	12, 13, 14, 15
	Communities (creation of safe, secure, enriched communities)	8, 11, 16
	People (empowerment and fulfillment of body and mind)	2, 3, 4
Companywide Materiality (Issues addressed in Groupwide activities as a good corporate citizen)	Environmentally friendly & sustainable production	12, 13
	Employee health & job satisfaction	3, 5, 8

Material Issue Selection Process

Toppan selected the material issues by comprehensively assessing corporate activities through discussions with relevant departments across the Company. The appropriateness of the selections was checked through dialogue with stakeholders and external experts. Senior management thereupon reviewed the selections and finalized them with authorization from the Board of Directors.

Identification of issues that threaten the sustainability of global society	Generation of business ideas that address the social issues that have been identi-fied and enable Toppan to make a distinctive contribution	Judgment of importance in line with two axes—degree of use of Toppan resources and degree of contribution to society	Selection of material issues, centered on fields associated with important business ideas	Checking appropriateness through dialogue with external experts, making certain revisions	Authorized by Board of Directors after discussion among senior management

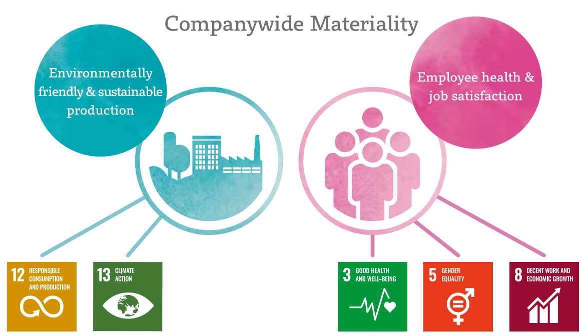
Relationship between Business Materiality and Companywide Materiality

To promote fulfilling, sustainable living, an ideal the Group is committed to realizing through its sustainability initiatives, Toppan has classified the material issues into two categories: “Companywide Materiality” (two themes) and “Business Materiality” (three themes).

Business Materiality

- Sustainable global environment
- Creation of safe, secure, enriched communities
- Empowerment and fulfillment of body and mind

The three Business Materiality themes are guide-posts for Toppan to follow through the Group’s efforts to realize fulfilling, sustainable living. Efforts focused on every theme link to the other themes to reinforce the sustainability activities.



Companywide Materiality

- Environmentally friendly & sustainable production
- Employee health & job satisfaction

As a solid foundation for corporate activities, the two Companywide Materiality themes provide a platform to support the Toppan Group’s initiatives focused on the three Business Materiality themes.

Toppan's Sustainability Management

Business Materiality Initiatives — TOPPAN Business Action for SDGs

In November 2020, Toppan formulated and announced TOPPAN Business Action for SDGs in order to further accelerate initiatives for material issues addressed through business.

In the Sustainability Promotion Committee and its SDGs Promotion Working Group, repeated discussions were held among senior management, business departments, and strategy departments. For Business Materiality, nine areas of focus were identified, centered on fields in which Toppan can leverage its unique technologies, know-how, and strengths. This process used a backcasting approach based on expectations for society in 2030.

Going forward, we will aggressively implement measures to realize "fulfilling, sustainable living" while providing reports on the progress of initiatives.

TOPPAN Business Action for SDGs

Vision and Targets in TOPPAN Business Action for SDGs

Environment Sustainable global environment	Communities Creation of safe, secure, enriched communities	People Empowerment and fulfillment of body and mind
Creating a circular economy	**Contributing to enhanced quality of life for communities**	**Using innovative digital technologies to enhance health**
Percentage of sales of sustainable packaging	Number of local authorities providing services for residents optimized for the community*	Number of services that contribute to health by using digital technologies*
FY2026.3: 50% → FY2031.3: 100%	FY2026.3: 70 → FY2031.3: 100	FY2026.3: 20 → FY2031.3: 30
Prevent pollution and destruction due to waste by driving processes from sharing and recovery to upcycling based on the 3Rs (reduce, reuse, recycle), product life extension, and material development.	Take advantage of nationwide network and digital technologies to provide residents with optimal region-specific services and contribute to sustaining provincial cities.	Contribute to longer healthy lives for people throughout the world by facilitating access to healthcare information and services that transcends national or regional borders.
Decarbonizing	**Creating a safe society in which we can be ourselves**	**Reducing food loss to help eliminate hunger**
Number of services contributing to greenhouse gas reduction*	Number of services enriching people's lives* (Use of VRM platform)	Total weight of food in packaging that contributes to longer shelf lives
FY2026.3: 15 → FY2031.3: 20	FY2026.3: 5 → FY2031.3: 10	FY2026.3: 200 thousand tons → FY2031.3: 260 thousand tons
Contribute to reduction in greenhouse gas emissions and the mitigation of global warming by providing eco-friendly materials and schemes as well as solutions for energy saving and energy creation.	Leverage security system technologies to create environments that enable everyone to use their own data safely and provide personal data usage services that achieve both enhanced usability and privacy protection.	Reduce food loss throughout the value chain from primary industry sectors to consumers by combining functional packaging and digital transformation to extend shelf lives and optimize the balance of supply and demand.
Expanding eco-friendly products and solutions	**Showcasing and preserving culture**	**Creating obstacle-free educational environments**
Percentage of sales of eco-products and solutions	Number of archives of materials related to culture and industry*	Number of people whose learning we contribute to
FY2026.3: 55% → FY2031.3: 60%	FY2026.3: 100 → FY2031.3: 150	FY2026.3: (Japan) 20 million → FY2031.3: (Japan) 30 million (Overseas) 100 million
Expand Toppan's development of mono-material GL FILM and other eco-friendly products and solutions and ensure contribution to the environment is visible and widely recognized by establishing certification programs.	Combine experience in the fields of culture and education with cutting-edge technologies to develop solutions for preserving and passing down tangible and intangible culture and protecting the world's diversity.	Create a society in which anyone can learn anywhere and anytime by providing a global platform combining educational software and translation technologies.

* For items marked with an asterisk (*), target figures are cumulative figures over the years leading up to the target year. Figures for other items are single-year targets.

Companywide Materiality Initiatives — Environmentally Friendly & Sustainable Production

In 1992, Toppan formulated the Toppan Printing Declaration on the Global Environment, which set out our basic philosophy on environmental conservation activities. With a view to realizing a sustainable society in which all forms of life can exist, in April 2009 the Group revised this declaration to create the Toppan Group Declaration on the Global Environment, our basic philosophy for Groupwide activities.

In November 2019, we formulated the TOPPAN SDGs STATEMENT, once again declaring our proactive approach to addressing environmental issues. In addition, in January 2021, we formulated and announced the Toppan Group Environmental Vision 2050. In these ways, Toppan has been conducting activities that consider environmental conservation.

Toppan Group Environmental Vision 2050

In January 2021, Toppan formulated and announced the Toppan Group Environmental Vision 2050, which sets out long-term initiatives addressing global environmental issues.

With the Toppan Group Environmental Vision 2050, the Company has clarified its long-term targets for 2050. We will aim to implement long-term, sustained initiatives to address environmental problems, such as climate change and marine plastic debris.

Toppan Group Environmental Vision 2050

As a member of international society, the Toppan Group aims to enable "fulfilling, sustainable living" by contributing to decarbonization, resource circulation, and the optimal use of water through forward-looking activities with consideration for preservation of the global environment.

① Contributing to Decarbonization

Aiming for virtually zero Scope 1 and 2 greenhouse gas emissions.

② Contributing to Resource Circulation

Aiming for zero waste emissions.

③ Optimal Water Use

Reducing water consumption and contributing to improved water quality by preventing pollution.

Toppan Group Medium-and-Long-Term Environmental Targets for Fiscal 2030

Based on the Toppan Group Environmental Vision 2050, we have also revised the Toppan Group Medium-and-Long-Term Environmental Targets for Fiscal 2030.

In "contributing to decarbonization," we have increased the target for reduction of Scope 1 and 2 greenhouse gas emissions, and we have set new fiscal 2030 targets for "contributing to resource circulation" and "optimal water use."

Toppan Group Medium-and-Long-Term Environmental Targets for Fiscal 2030

① Contributing to Decarbonization

Reduce Scope 1 and 2 greenhouse gas emissions by 32.5% (446 kt-CO_2e) compared to the fiscal 2017 level (1,373 kt-CO_2e). (Renewable energy ratio of 6.5%)

Reduce Scope 3 greenhouse gas emissions by 20% (1,224 kt-CO_2e) compared to the fiscal 2017 level (6,122 kt-CO_2e).

② Contributing to Resource Circulation

Reduce final landfill waste disposal by 60% (4,444 t) compared to the fiscal 2017 level (7,407 t).

Increase waste plastic material recycling rate by 12 percentage points (to 65%) compared to the fiscal 2017 level (53%).

③ Optimal Water Use

Reduce water consumption, improve water efficiency, and avoid water pollution risks.
(Quantitative targets will be set going forward.)

Note: Categorization of greenhouse gas emissions

Scope 1: Direct emissions from owned or controlled sources
Scope 2: Indirect emissions from the generation of purchased energy
Scope 3: Indirect emissions excluding those in Scope 2

Toppan's Sustainability Management

Addressing Climate Change and the TCFD

Toppan recognizes the scale of the impact of climate change on the Company's business operations, and considers climate change to be an important management issue. In 2019, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board. In 2020, we commenced scenario analysis based on the recommendations.

■ Basic Approach to Climate Change

In 1992, Toppan formulated the Toppan Printing Declaration on the Global Environment, which set out our basic philosophy on environmental conservation activities. In April 2009, we revised the declaration to create the Toppan Group Declaration on the Global Environment, our basic philosophy for Groupwide activities. Based on this declaration, we have taken a more proactive approach to advancing business activities with consideration for environmental conservation.

In November 2019, Toppan formulated the TOPPAN SDGs STATEMENT and announced that the Company would integrate the SDGs into management. Toppan aims to support the realization of "fulfilling, sustainable living" through SDG initiatives.

In addition, we have set out Companywide Materiality, which supports our business foundation, and Business Materiality, in which initiatives are addressed through business operations. For each, we have selected environmental issues, including climate change. In these ways, Toppan is advancing initiatives to address climate change from both Companywide and business perspectives.

■ Addressing the TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board at the request of the G20. It considers how climate-related information should be disclosed and how it should be handled by financial institutions.

The final report issued by the TCFD in June 2017 recommended that companies and other organizations disclose information about risks and opportunities related to climate change in four thematic areas—governance, strategy, risk management, and metrics and targets. In particular, the report recommends disclosure of the resilience of the organization's strategies in an easy-to-understand manner.

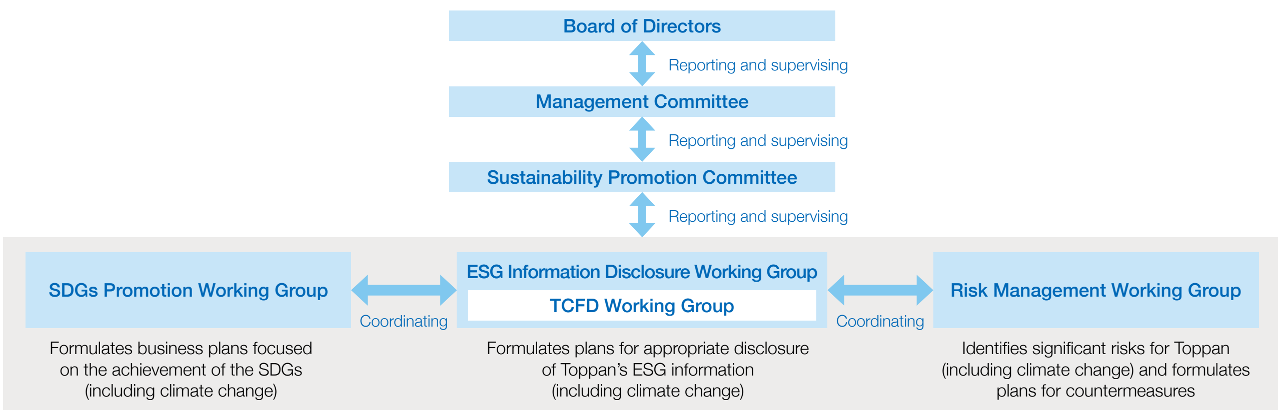
Toppan announced its support for the TCFD in 2019. From 2020, the Company has implemented scenario analysis based on the recommendations, and has started to disclose information based on that analysis. In the future, based on the disclosed information, the Company will use feedback from stakeholders to strengthen the next management strategies related to climate change. This cycle will be implemented continually going forward.

■ Governance Structure for Climate Change

In its Medium Term Plan, which takes fiscal 2021 as its first year, Toppan has announced "expanding ESG initiatives" as one of its priority measures, and the Company is strengthening governance related to ESG, including climate change.

As the structure for advancing initiatives, the Board of Directors has delegated the handling of climate-related issues to the Sustainability Promotion Committee, which is chaired by the President & Representative Director. The Committee has established multiple working groups and coordinates climate-related-issue assessments and countermeasures. Through the Management Committee, the Board of Directors receives reports from the Sustainability Promotion Committee regarding the assessment and status of climate-related issues as well as target management. In addition, it implements comprehensive decision-making with regard to such matters as management strategy, taking climate-related issues into account.

Risks that could have an especially significant impact on management are identified as "significant risks" by the Risk Management Working Group (administered by the Compliance Department of the Legal Affairs & Intellectual Property Division). In regard to climate change, we are identifying significant risks, and in coordination with Companywide risk management activities, the responsible head office divisions spearhead efforts to formulate countermeasures and implement comprehensive management measures. Information regarding the status of those measures is collected and reported to the Board of Directors and a system has been established to ensure appropriate supervision by the Board of Directors.



■ Scenario Analysis

For the implementation of scenario analysis, Toppan has established the TCFD Working Group under the Sustainability Promotion Committee. Related head office departments participate in this working group, which has identified important climate-related risks and opportunities and evaluated impacts, primarily financial impacts.

This was Toppan's first implementation of scenario analysis, and the Company utilized two scenarios* for the entire supply chain, including R&D, procurement, production, and product supply, centered on operations in Japan. Long-term forecasts up to 2050 were considered.

Under the 2°C/1.5°C scenario, we reconfirmed that there are risks of increased costs accompanying the introduction of a carbon tax and higher prices for purchased energy, and that there are opportunities for increased sales of low-carbon-emission products and services, based on changes in consumer consciousness, and for gains in corporate value.

Under the 4°C scenario, it is possible that higher atmospheric temperatures could lead to such risks as an increase in wind and flood damage, resulting in a stoppage at major plants supporting operations, or pollution from chemical substance discharge. However, Toppan is advancing countermeasures, such as BCP formulation.

This analysis and the examination and implementation of countermeasures were implemented based on the discussions of the Sustainability Promotion Committee, which received reports from the TCFD Working Group. By continuing to implement scenario analysis, Toppan will increase accuracy and further advance integration with management strategies, thereby increasing resilience in an uncertain future.

* A 2°C/1.5°C scenario, in which a 1.5°C scenario is jointly used in part of the 2°C scenario, where the increase in the global average temperature at the end of the century is limited to 2°C in comparison with pre-industrial levels, and the 4°C scenario, in which the increase is approximately 4°C.

Climate Change: Opportunity/Risk Evaluation and Countermeasures

2°C/1.5°C Scenario

There will be impacts such as regulations and new tax burdens, but new business opportunities will be created by needs arising from the increase in people's environmental consciousness.

	Expected situation	Item	Impact	Countermeasures
Transition risks	• Introduction of carbon tax on fossil fuels, introduction of carbon border tax, and discontinuance of subsidies as a result of strengthened policies for the transition to a low-carbon society	• Increase in manufacturing costs due to imposition of carbon tax on CO_2 emissions from the utilization of energy derived from fossil fuel use	Medium (Estimating Scope 1 + Scope 2 financial impact of approximately ¥4.7 billion/year in fiscal 2030*1)	• By fiscal 2030, advance energy-saving measures and achieve 6.5% ratio of electricity derived from renewable energy sources (Estimating that the Scope 1 + Scope 2 financial impact resulting from these countermeasures will be a reduction of approximately ¥200 million/year in fiscal 2030*1) ▶ Toppan Group medium-and-long-term environmental targets for fiscal 2030 • By fiscal 2050, achieve 100% ratio of electricity derived from renewable energy sources, together with other measures, achieve virtually zero Scope 1 + Scope 2 CO_2 emissions ▶ Toppan Group Environmental Vision 2050 • Monitoring of systems and renewable energy technologies from long-term viewpoint
		• Increase in manufacturing costs due to imposition of carbon tax on thermal recycling of waste (plastic) arising in manufacturing	Small	• By fiscal 2030, achieve material recycling ratio of 65% for waste plastic from production processes ▶ Toppan Group medium-and-long-term environmental targets for fiscal 2030 • Monitor systems and recycling markets from long-term viewpoint
		• Increase in procurement costs as suppliers pass the cost of adapting to a low-carbon society on to selling prices	Small	• Research suppliers, develop new suppliers, research/consider alternatives • Monitor systems and markets from long-term viewpoint
	• Increase in electricity prices due to increase in adjustability resulting from rise in renewable energy ratio	• Increase in manufacturing costs due to rise in purchased energy prices	Medium	• Advance energy-saving measures and expand introduction of renewable energy for self-consumption
	Expected situation	**Item**	**Impact**	**Securing opportunities**
Transition opportunities	• Growing needs for eco-friendly products due to increase in people's environmental consciousness, shift in consumer awareness from owning to sharing	• Increased sales opportunities through the provision of low-carbon-emission products and services	Large	• Reduction in CO_2 emissions due to customer digital transformation and reductions in movement, operational burdens, and time resulting from Toppan DX "Erhoeht-X™" initiatives • Reduction in CO_2 emissions through the provision of sustainable packaging suitable for reduce/reuse/recycle initiatives • Reduction in CO_2 emissions through the provision of eco-friendly materials and schemes that make a strong contribution to reducing greenhouse gas emissions and the provision of solutions for energy saving and energy creation
		• Promotion of climate change initiatives and related information disclosure	Medium to large	• Recognition as a "Digital & Sustainable Transformation" company • Increase in corporate value due to ESG recognition
		• Increased profit through the creation of environmental process innovation technologies for printing processes	Small to medium	• Cost reductions and granting of licenses due to VOC technology development in the printing business

*1. Financial impact based on assumption of carbon price of ¥10,500/t

4°C scenario

World in which the effect of regulation is small, and there is a possibility of rising risk of natural disasters

	Expected situation	Item	Impact	Countermeasures
Physical risks	• Increasing frequency and intensity of wind and flood damage due to rising atmospheric temperature	• Halt in production at plants due to water and flood damage, etc.	Large	• Reduce the risk of a halt in production by formulating a business continuity plan that addresses flooding, diversifying the supply chain, installing facilities to minimize damage, implementing advance measures for facilities, and using alternatives for chemical substances that have the potential to cause pollution
		• Chemical substance discharge pollution due to torrential rain, floods, etc.	Medium	• Consider the possibility of leakage of chemical substances, formulate and implement countermeasures • Utilize casualty insurance for the purpose of dealing with damage • Monitor anticipated risks
	Expected situation	**Item**	**Impact**	**Securing opportunities**
Physical opportunities	• Need for BCP due to increased frequency and intensity of wind and flood damage	• BCP support business utilizing ICT	Medium	• Supporting operational DX initiatives that address BCP by combining digital technologies with advanced operational know-how

■ Metrics and Targets

- Toppan Group Environmental Vision 2050

> Please refer to page 39.

- Toppan Group Medium-and-Long-Term Environmental Targets for Fiscal 2030

> Please refer to page 39.

- Business Materiality: "Sustainable Global Environment"
  - Creating a circular economy
  - Decarbonizing
  - Expanding eco-friendly products and solutions

> Please refer to page 38.

Companywide Materiality Initiatives — Employee Health & Job Satisfaction

Toppan values its employees as precious "human assets." We emphasize the importance of each employee being motivated, energetic, and earnest so that they can fully realize their potential. In accordance with this approach, Toppan is taking steps to maintain and enhance the health of employees, such as the formulation of the Health Management Declaration in 2015.

Toppan has also launched various initiatives to pursue diversity management with a focus on the creation of a corporate culture that allows diverse human assets to enjoy job satisfaction and perform to their full potential.

Health and Safety / Work-Life Balance

■ Health and Safety

We are taking measures for employee health and safety in light of the Health Management Declaration and the Basic Policy on Safety, Health, and Fire Protection.

We established the Health Management Declaration with the aim of maintaining and enhancing the health of Group employees by adopting a health and productivity management approach. Specifically, the declaration visualizes, reorganizes, and systematizes measures and action plans conducted by the Group and the Toppan Group Health Insurance Union and clarifies health management policies. The declaration has two main focuses. The first is to enhance the health of employees and their families through a range of measures, including support for work-life balance. The second focus is on benefiting society through health-related businesses that help members of the public improve their health.

We established the Basic Policy on Safety, Health, and Fire Protection primarily to eliminate occupational accidents by ensuring that all permanent employees, contract employees, and other employees understand that safety takes precedence over everything else. In accordance with this policy, we are taking measures to eliminate occupational accidents.

Web
Health Management Declaration (in Japanese)
https://www.toppan.co.jp/about-us/our-corporate-approach/health-manage-declaration.html
Basic Policy on Safety, Health, and Fire Protection (in Japanese)
https://www.toppan.co.jp/about-us/our-corporate-approach/safety-policy.html

■ Work-Life Balance

Toppan is implementing a variety of systems and initiatives to enhance the work-life balance of employees. In addition to offering company housing for single employees, employee cafeterias, recreation facilities, and sports facilities, the Company also offers a property accumulation system consisting of an asset-building savings plan and financing, an employee stock club, and asset-building assistance through various group insurance systems. It also works to enhance programs for supporting people's lives and helping them to combine work with childcare or nursing care, and provides systems for short-term and extended leave due to illness as well as a retirement payment and company pension system. The Toppan Group Fraternal Benefit Society conducts activities including leisure-related development, health maintenance/promotion, and life design support. In these ways, the Company is working to enhance the work-life balance of employees and their families.

In addition, on July 1, 2020, Toppan revised its systems related to the spouses of employees to make them applicable to same-sex and common-law partners. Internal systems for employees with spouses, such as congratulatory or condolence leave, related allowances, and gifts for marriage, are applicable to same-sex and common-law partners.

At the ongoing business councils and labor-management committees to support work-life balance, Toppan's labor representatives and management exchange opinions and deliberate measures to further shorten overtime working hours and comply with the revised Labor Standards Act of Japan. They have also been analyzing actual overtime practices, reviewing the use of recently adopted working systems, and examining the introduction of new systems. As a result, the Smart Work system, which was introduced in 2018, was expanded in fiscal 2020. In addition, with a focus on the post-COVID-19 period, systems were newly introduced or revised for working styles under the new normal, such as a remote work system.

Labor and management at each operational site also discuss approaches to creating more accommodating workplace environments that encourage employees to take leave. The measures they have devised and implemented are tailored to the actual working conditions at their sites. The Company has set a target for employees to take an average of at least 10 days of annual paid leave per year.

Selected for the "2021 Health & Productivity Stock Selection" and the "2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)"

Toppan was listed in the 2021 Health & Productivity Stock Selection, which selects companies with superior "health and productivity management"* under a program that is jointly operated by the Japanese Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). This is the second time that Toppan has been selected, following its first selection in 2018.

In addition, Toppan was also selected as an enterprise of excellence in the 2021 Health and Productivity Management "White 500" under a program jointly conducted by METI and members of Japanese health insurance organizations. Toppan has been selected for this program for five consecutive years since 2017.

2021 健康経営銘柄 Health and Productivity

2021 健康経営優良法人 Health and productivity ホワイト500

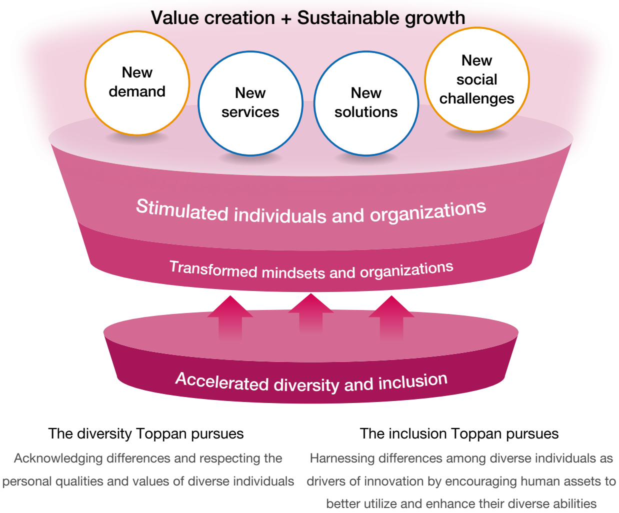
* The term "health and productivity management" is a registered trademark of the Workshop for the Management of Health on Company and Employee.

Diversity and Inclusion

Toppan positions diversity and inclusion (D&I) initiatives as an important management strategy. The Company values its employees as precious "human assets" and understands how deeply it depends on them. Under the foundational concept of respect for the individual, the Group has been undertaking various measures to promote positive working conditions. Toppan promotes diversity by encouraging employees to acknowledge and respect each other's personal qualities and values so as to better utilize and enhance their diverse abilities. In this way, Toppan strives to develop D&I initiatives that harness differences among its diverse human assets as drivers of innovation.

Accordingly, Toppan facilitates ongoing dialogue and nurtures heightened awareness and sensibilities that ensure mutual respect. The Company is consistently creating psychologically safe workplaces where every person can speak and act without inhibition or restraint.

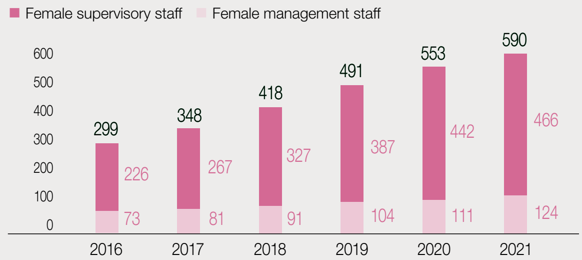
Toppan's vision for diversity and inclusion



Promoting Positive Action

Toppan promotes positive action to bring out the full potential of individual employees and assign them to more diverse positions regardless of gender. Women play important roles in wider arenas and the Company strives to ensure equal treatment in promotion to managerial positions. As of April 2021, Toppan has appointed 124 female employees to managerial positions and 466 female employees to supervisory positions. With these appointments, Toppan has attained an 11.5% ratio of women among managerial and supervisory staff.

Number of female managerial and supervisory staff (as of April 2021)



Inclusion in Nadeshiko Brands

In a continuation from the previous year, Toppan was selected by METI and the Tokyo Stock Exchange for inclusion in the Nadeshiko Brands.

The Nadeshiko Brand initiative aims to spur investment in companies and accelerate their diversity initiatives by introducing promising TSE-listed companies with outstanding performance in gender equality metrics to investors who seek enhanced corporate value over the medium to long term. METI and TSE have been announcing companies with excellent records of female participation and advancement in the workplace since fiscal 2012.

NADESHIKO BRAND 2021

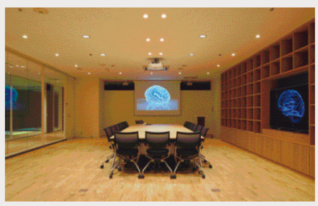
Human Asset Development

Labor shortages are anticipated throughout various industries in Japan. Toppan is convinced that maximizing the performance of the workforce as an asset of society will help solve social issues.

Mindful of how deeply it depends on its employees, Toppan fosters individuals with ambition and integrity who will go on to become the driving force towards the realization of TOPPAN VISION 21. Toppan would like to contribute to society as a corporation blessed with human assets with excellent communication skills and heightened awareness and sensibilities.

Human Resource Development Laboratory

In April 2017 Toppan launched the Human Resource Development Laboratory as a research base to develop innovative personnel training programs that apply brain research, neuroscience, analysis of physical condition, and various technologies. The Human Resource Development Laboratory will be used as a platform to design and implement programs that foster human assets with excellent communication skills and heightened sensibilities. The Company plans to cultivate innovative mindsets among the individuals working at Toppan and to encourage them to leverage and enhance their potential and abilities.



Directors and Audit & Supervisory Board Members

As of June 29, 2021

Directors

Shingo Kaneko

Chairman & Representative Director

1973 Joined Toppan
2003 Director, Head of Commercial Printing Subdivision, Commercial Printing Division
2006 Managing Director, Head of Corporate Planning Division and Overseeing Management Audit Office and Business Innovation Division
2008 Senior Managing Director, Head of Corporate Planning Division and Overseeing Management Audit Office, Public Relations Division, Business Innovation Division, and Legal Affairs Division
2009 Representative Executive Vice President, Overseeing Sales, Management Audit Office, Public Relations Division, Corporate Planning Division, Cultural Project Division, Personnel & Labor Relations Division, and International Division
2010 President & Representative Director
2019 Chairman & Representative Director

Hideharu Maro

President & Representative Director

1979 Joined Toppan
2009 Director, Deputy Head of Kansai Division
2012 Managing Director, Head of International Division
2016 Senior Managing Director, Head of Corporate Planning Division and Overseeing Educational ICT Business Development Division
2018 Executive Vice President & Representative Director, Overseeing Corporate Planning Division, Business Development & Research Division, Manufacturing Management Division, and Information & Communication Technology Management Division
2018 Executive Vice President & Representative Director, Overseeing Corporate Planning Division, Information Security Division, Business Development & Research Division, Manufacturing Management Division, and Information & Communication Technology Management Division
2019 Executive Vice President & Representative Director
2019 President & Representative Director

Shinichi Ohkubo

Executive Vice President & Representative Director
Personnel & Labor Relations Division
Overseeing Secretary Office, Legal Affairs & Intellectual Property Division, and Public Relations Division

1975 Joined Toppan
2005 Director, Head of Personnel & Labor Relations Division
2009 Managing Director, Head of Personnel & Labor Relations Division and Overseeing Secretary Office and Legal Affairs Division
2014 Senior Managing Director, Head of Personnel & Labor Relations Division and Overseeing Secretary Office, Public Relations Division, Legal Affairs Division, and Cultural Project Division
2019 Director & Executive Vice President, Head of Personnel & Labor Relations Division and Overseeing Secretary Office and Legal Affairs & Intellectual Property Division
2020 Executive Vice President & Representative Director, Head of Personnel & Labor Relations Division and Overseeing Secretary Office and Legal Affairs & Intellectual Property Division
2021 Executive Vice President & Representative Director, Head of Personnel & Labor Relations Division and Overseeing Secretary Office, Legal Affairs & Intellectual Property Division, and Public Relations Division

Kazunori Sakai

Director & Senior Managing Executive Officer
Overseeing Corporate Planning Division, Global Governance Division, Information Security Division, Digital Innovation Division, Education Business Development Division, and Sports Business Development Office

1985 Joined Toppan
2014 Director, Head of Chubu Division
2018 Senior Executive Officer, Head of Corporate Planning Division
2021 Director & Senior Managing Executive Officer, Overseeing Corporate Planning Division, Global Governance Division, Information Security Division, Digital Innovation Division, Education Business Development Division, and Sports Business Development Office

Takashi Kurobe

Director & Managing Executive Officer
Finance & Accounting Division

1986 Joined Toppan
2017 Executive Officer, Head of Accounting Department, Consolidated Accounting Department, and Financial Planning Department, Finance & Accounting Division
2021 Director & Managing Executive Officer, Head of Finance & Accounting Division

Hironori Majima

Director & Executive Officer
Manufacturing Management Division

1987 Joined Toppan
2016 Executive Officer, Head of Information & Communication Manufacturing Subdivision, Information & Communication Division
2021 Director & Executive Officer, Head of Manufacturing Management Division

Audit & Supervisory Board Members

Jitsumei Takamiyagi

Senior Audit & Supervisory Board Member

1969 Joined Toppan
2002 Director, Overseeing Manufacturing & Technology, Packaging Division
2009 Executive Vice President, Overseeing Manufacturing, Head of Corporate Manufacturing, Technology & Research Division, and Overseeing Purchasing Division and Living & Environment Division
2014 Senior Audit & Supervisory Board Member

Itaru Kubozono

Audit & Supervisory Board Member

1991 Joined Toppan
2012 General Manager, Accounting Department, Finance & Accounting Division
2018 General Manager, Accounting Department, Living & Industry Division
2019 General Manager, Finance & Accounting Division
2019 Audit & Supervisory Board Member

External Directors

Yoshinobu Noma

External Director

1991 Joined Mitsubishi Bank, Ltd.
1999 Joined Kodansha Ltd. as Director
2003 Managing Director, Kodansha Ltd.
2004 Executive Vice President, Kodansha Ltd.
2010 External Director, Toppan (to present)
2011 Representative Director and President, Kodansha Ltd. (to present)

Ryoko Toyama

External Director

1998 Associate, School of Knowledge Science, Japan Advanced Institute of Science and Technology
2001 Associate Professor, School of Knowledge Science, Japan Advanced Institute of Science and Technology
2008 Visiting Professor, School of Knowledge Science, Japan Advanced Institute of Science and Technology (to present)
Professor, Chuo Graduate School of Strategic Management (to present)
2016 External Director, Toppan (to present)

Mieko Nakabayashi

External Director

1993 Aide, United States Senate Committee on the Budget (U.S. public official/Republican Party)
2002 Researcher, Research Institute of Economy, Trade and Industry (RIETI)
2006 Associate Professor, Faculty of Management, Atomi University
2007 Member, Fiscal System Council, Ministry of Finance
2009 Member of the House of Representatives
2013 Associate Professor, Global Leadership Program (Center for International Education), Waseda University
2015 Director, Society of Global Business (to present)
2017 Professor, School of Social Sciences, Faculty of Social Sciences, Waseda University (to present)
2018 Distinguished Fellow, The Maureen and Mike Mansfield Foundation (to present)
2020 External Director, Toppan (to present)

External Audit & Supervisory Board Members

Hiroyuki Shigematsu

External Audit & Supervisory Board Member

1972 Regular Staff, Board of Audit of Japan
2002 Director General of 4th Bureau, Board of Audit of Japan
2004 Secretary General, Board of Audit of Japan
2009 Commissioner, Board of Audit of Japan
2011 President, Board of Audit of Japan
2012 Retired from Board of Audit of Japan
2014 External Audit & Supervisory Board Member, Toppan (to present)

Keiko Kakiuchi

External Audit & Supervisory Board Member

1998 Registered as attorney
Joined Miyahara Suda & Ishikawa Law Firm
2003 Joined Kasahara Law Office
2012 Established Ryowa Sogo Law Office
2016 External Audit & Supervisory Board Member, Toppan (to present)

Haruo Kasama

External Audit & Supervisory Board Member

1974 Appointed as Public Prosecutor
2009 Superintending Prosecutor, Hiroshima High Public Prosecutors Office
2010 Superintending Prosecutor, Tokyo High Public Prosecutors Office
Prosecutor General
2012 Retired from Public Prosecutors Office and registered as attorney
Attorney, Kasama Law Office
2018 External Audit & Supervisory Board Member, Toppan (to present)

Note: External directors Ryoko Toyama and Mieko Nakabayashi and external audit & supervisory board members Hiroyuki Shigematsu, Keiko Kakiuchi, and Haruo Kasama are designated as independent officers because it is deemed that adequate independence from the Company's Board of Directors is ensured on account of there being no risk of conflicts of interest with general shareholders due to the fact that they do not receive monetary amounts or other assets from the Company other than officers' compensation and that they are not major shareholders of the Company or responsible for the execution of the operations of major business partners. Further, external director Yoshinobu Noma is the representative director and president of Kodansha Ltd., which contracts the Company to perform printing processing and other operations. In light of the Independence Standards for External Officers of Toppan, established by the Company, and the criteria stipulated by the Tokyo Stock Exchange, the Company has confirmed that the appointment of Mr. Noma as an independent director would not be an issue. Sales from Kodansha Ltd. in the past three fiscal years accounted for less than 0.5% of the Group's consolidated net sales.

External Directors and External Audit & Supervisory Board Members

As of June 29, 2021

External Directors	Name	Significant concurrent positions	Number of years in office	Number of shares of Company stock held (as of the end of May 2021)	Reasons for appointment
	**Yoshinobu Noma**	• Representative Director and President, Kodansha Ltd. • President, Musashi Country Club Ltd.	11	34,543	Yoshinobu Noma was appointed as an external director because it was concluded that he is capable of providing valuable opinions and advice on the management of the Company as an external director based on his extensive experience and broad insight as a business manager.
	**Ryoko Toyama**	• Director (Audit and Supervisory Committee Member), M3, Inc.	5	—	Ryoko Toyama was appointed as an external director because we believe that she is capable of successfully fulfilling her responsibility as an external director considering her great insight into business administration supported by an academic background.
	**Mieko Nakabayashi**	—	1	—	Mieko Nakabayashi was appointed as an external director because we believe that she is capable of successfully fulfilling her responsibility as an external director considering her great insight into politics, economics, and global business supported by an academic background.

External Audit & Supervisory Board Members	Name	Significant concurrent positions	Number of years in office	Number of shares of Company stock held (as of the end of May 2021)	Reasons for appointment
	**Hiroyuki Shigematsu**	—	7	—	Hiroyuki Shigematsu was appointed as an external audit & supervisory board member because it was concluded that having served in important posts including commissioner of the Board of Audit of Japan and president of the Board of Audit of Japan, he has thorough knowledge of the practice of corporate accounting supported by many years of experience.
	**Keiko Kakiuchi**	• Attorney, Ryowa Sogo Law Office • External Director, KING JIM CO., LTD.	5	—	Keiko Kakiuchi was appointed as an external audit & supervisory board member because we believe that she is capable of successfully fulfilling her responsibility as an external audit & supervisory board member considering her thorough knowledge of the practice of corporate legal affairs supported by her experience as an attorney.
	**Haruo Kasama**	• Attorney, Kasama Law Office • Director (Outside), Central Japan Railway Company	3	—	Haruo Kasama was appointed as an external audit & supervisory board member because it was concluded that he is capable of successfully fulfilling his responsibility as an external audit & supervisory board member, given that he has extensive experience and high-level expertise in relation to law, having served as an external officer of other companies in addition to being involved in corporate legal affairs as an attorney following important posts including superintending prosecutor at the Hiroshima and Tokyo high public prosecutors offices and prosecutor general at the Supreme Public Prosecutors Office.

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Message from an External Director

Contributing by leveraging an external viewpoint to provide appropriate advice

Mieko Nakabayashi
External Director

Evaluation of Corporate Governance

It has been a year since I became an external director at Toppan. Looking back over that time, my impression is that Toppan is addressing corporate governance in a serious and forthright manner. For example, when misconduct is discovered, the Company promptly convenes an extraordinary meeting of the Board of Directors to explain the situation and discuss improvement measures. In order to prevent a recurrence of the same type of problem, deliberations are held from a variety of perspectives. I found this approach to be very reassuring.

Also, although it is difficult to completely prevent the occurrence of work-related incidents involving accidents or fires at plants, Toppan continually works toward the elimination of these occupational accidents. Every accident is reported and investigated in detail, and the Board of Directors receives thorough reports. These reporting and analysis procedures are linked to improvements in the work environment and productivity, and I believe they are worthy of high praise.

The Role of External Directors

I think that the role of external directors is to provide an outside perspective. The global business environment is changing rapidly, and there is always the possibility of pitfalls that are difficult for insiders to perceive. I have worked in the public sector in Japan and the U.S., and as chair of the Society of Global Business. I have continually focused on global issues, including in my work in academia. The U.S. and China are competing for leadership in technology, and I think that this competition will inevitably intensify and have a significant influence on the private sector. With the new administration in the U.S., the influence of decarbonization on corporate activities is also rapidly strengthening. Going forward, it will likely be necessary to identify the associated risks at an early stage and to reflect that understanding in management activities.

Toppan joined the Green Purchasing Network (GPN) in 1996, and the Company has played a role in the formation of the market for eco-friendly products. However, the transition to a decarbonized society is accelerating, and it is possible that a point will be reached at which a more substantial commitment is necessary. International rules have not yet been formulated, but carbon taxation and other trends are considered to have the potential to transcend national borders.

On the other hand, the transition toward a decarbonized society could also be considered an opportunity for Toppan. The Company could reap the results of initiatives that are a step ahead of the rest of the world, including in the area of technology development. Furthermore, looking at management strategy, there could also be opportunities presented by the collection and sharing of information with related parties. For example, there could be a variety of opportunities for Toppan based on the kinds of international rules that are developed. We are in a period of dramatic change, and accordingly we know that opportunities will arise.

In this era, corporate risk must be considered from wide-ranging perspectives, extending from the activities of overseas investors to the policies of governments and the international order. Toppan is discovering strengths in digital technologies and other fields, and it will be necessary for the Company to pay continued attention to world affairs, especially the technology-related friction between China and the U.S. It is also possible that carbon taxation and other trends could work to Japan's disadvantage, depending on how negotiations regarding the formulation of international rules develop. In the future, companies will need to be increasingly sensitive to overseas trends and information.

Diversity at Toppan

Looking at diversity, Toppan established the Diversity & Inclusion Promotion Office in April 2019, and the Company has continually worked to support people with disabilities, women, LGBTQ individuals, and others in accordance with the concept of Diversity and Inclusion (D&I). The Company offers a wide range of opportunities for training and supports self-improvement for employees.

In terms of career advancement for women, Japan lags far behind other countries around the world, and going forward a global perspective will be essential in addressing this issue. Toppan has started to increase the number of women in management and supervisory positions by way of positive action. As a listed company with an excellent track record in the promotion of active careers for women, Toppan was included in the Nadeshiko Brands for the two consecutive fiscal years ended in March 2020 and 2021.

However, further effort will be required going forward. As of April 2021, Toppan's female management and supervisory staff ratio was 11.5%. From the perspective of global standards, it must be said that this falls far short of the mark.

Nevertheless, establishing and publicly announcing a goal paves the way for step-by-step progress. In a General Employers Action Plan (phase 2), the Company set a new goal of increasing the number of female management and supervisory staff by 50% by the fiscal year ending March 2026, in comparison with the end of March 2021. The Company recognizes the issues that it faces and is taking steps to address them. For example, the TOPPAN SDGs STATEMENT, which was created in 2019, contains the long-term goal of eliminating disparities in manager and supervisor ratios by gender (fiscal 2030 target). Going forward, I believe that continuing to establish and publicly announce detailed goals will be a significant part of further progress.

In Closing

Our values have been significantly changed by the COVID-19 pandemic, and it seems unlikely that our lifestyles will completely return to the way they were before COVID-19. The same could probably be said about trends in the purchasing of products and services. In the midst of this change, Toppan should be able to draw on its advanced technologies and its business philosophy in order to make a contribution to society and enable more people to enjoy fulfilling lives. This will mark a course toward solid growth while enabling Toppan to leverage its trusted reputation as a company, provide new products and services, and generate earnings. I believe that Toppan's culture of acting with characteristic integrity will make it possible for the Company to combine philosophy and profits in the manner described in Shibusawa Eiichi's *Rongo to Soroban (The Analects and the Abacus)*.

Corporate Governance

Toppan aspires to be a company widely esteemed by society as it pursues a path of enduring growth. As well as strengthening the soundness of our management practices, setting up the most appropriate governance system will assist us with our aims of achieving greater efficiency in our operations and maximizing the value of our entire Group.

Corporate Governance System and Approach

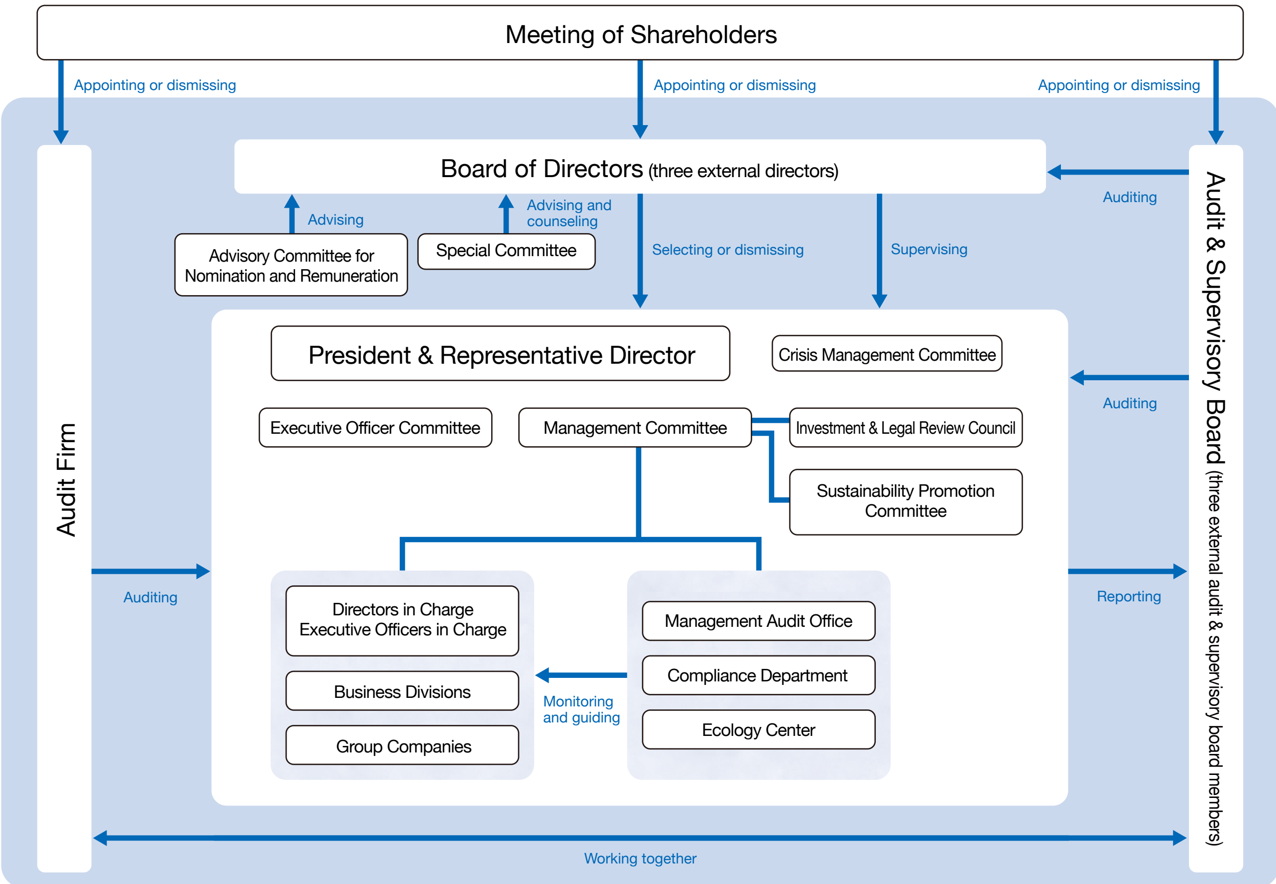
Toppan employs an Audit & Supervisory Board system. As a body that assumes management responsibility on behalf of shareholders, the Board of Directors sustains the Company's growth and enhances medium-to-long-term corporate value while making important decisions on business management and supervising directors' execution of duties. Audit & supervisory board members and the Audit & Supervisory Board, of which a majority of the members are independent external audit & supervisory board members, supervise directors' execution of duties from a position that is independent of business management. Further, to heighten the objectivity and transparency of personnel matters and compensation related to directors, the Company has established an Advisory Committee for Nomination and Remuneration of Directors. The Company has also adopted an executive officer system to further clarify the authority and responsibilities of officers who execute duties.

Based on the Related Company Administration Regulations, which serve to promote fair management practices internally, Toppan will conduct business management through mutual collaboration within the Group and implement governance aimed at maximizing the value of the entire Group.

With a view to realizing better corporate governance that contributes to our sustained growth and enhances corporate value over the medium to long term, we established the Basic Policy on Corporate Governance of Toppan Inc. at a meeting of the Board of Directors convened on November 26, 2015. In establishing this policy, we gave due consideration to the intention and spirit of the principles of Japan's Corporate Governance Code. Part of this policy was revised at a meeting of the Board of Directors on March 12, 2020.

Web **Corporate Governance Policy**
https://www.toppan.com/en/ir/governance/governance-policy.html

Corporate Governance Structure (As of June 29, 2021)



Directors, Board of Directors, and Various Meetings

In order to establish a flexible management system that can quickly respond to the changes in the business environment, the number of directors stipulated in the Company's Articles of Incorporation was amended to be not more than 15, based on a resolution of the General Meeting of Shareholders held on June 29, 2021.

As of June 29, 2021, the Board of Directors comprises 9 directors, including three external directors. Based on a resolution of the Board of Directors on April 27, 2016, Toppan introduced an executive officer system with a view to establishing a flexible business management system able to respond rapidly and precisely to changes in business conditions and to clarifying further the authority and responsibilities of officers who execute duties. In addition to executive officers who serve concurrently as directors, there are 31 executive officers who do not serve concurrently as directors.

In principle, ordinary meetings of the Board of Directors are held once per month and decisions are made in accordance with the Regulations of the Board of Directors. The Board receives reports from directors and supervises business execution. With consideration for the urgency of matters, in addition to ordinary meetings the Board holds extraordinary meetings as required. In the fiscal year ended March 31, 2021, the Board of Directors convened 18 times.

Comprising directors and others appointed by the President & Representative Director, the Management Committee conducts preliminary deliberation of matters that will be presented to the Board of Directors. In addition, the Committee makes certain decisions and makes management judgments in a manner that reflects an awareness of management efficiency. In the fiscal year ended March 31, 2021, the Management Committee convened 25 times.

Audit & Supervisory Board Members and Audit & Supervisory Board

Toppan has five audit & supervisory board members, including three external audit & supervisory board members. In accordance with the audit standards determined by the Audit & Supervisory Board, audit & supervisory board members attend important meetings, such as meetings of the Board of Directors, the Management Committee, and the Investment & Legal Review Council, as well as divisional executive meetings held by business divisions, and other meetings. In addition, audit & supervisory board members exchange opinions with the representative directors, receive reports from directors and others regarding the status of execution of their duties, view important documents, such as those related to approvals, and request business reports from consolidated subsidiaries. Through these and other methods, the audit & supervisory board members conduct audits and supervise and audit management.

Full-time audit & supervisory board members attend executive meetings in Japan and overseas and also conduct site visits and interviews at research facilities, plants, sales offices, and other facilities. In these ways, the full-time audit & supervisory board members have worked to ascertain the status of business execution. In the fiscal year ended March 31, 2021, in addition to site visits, other initiatives included the implementation of remote auditing using the internet. To monitor the status of Group governance and to confirm the operational status of internal control, regular meetings involving audit & supervisory boards from Group companies are held, and information and opinions are exchanged.

In principle, the Audit & Supervisory Board meets once per month, and extraordinary meetings are held as required. The Audit & Supervisory Board determines matters such as audit plans and division of duties, and receives reports from audit & supervisory board members regarding the status and results of the implementation of audits. In addition, the Audit & Supervisory Board receives reports from directors, executive officers, internal audit sections, and the audit firm regarding the status of execution of duties, and requests explanations as required. In the fiscal year ended March 31, 2021, the Audit & Supervisory Board met 14 times.

Internal Auditing

To increase the soundness of management, the Company has established the Management Audit Office, which is independent from business departments. The office conducts audits at operational sites and plants, including those of consolidated subsidiaries, centered on management audits and operations audits. As of March 31, 2021, the Management Audit Office had 22 people engaged in audits. Management audits verify and evaluate consistency with management targets and whether necessary and sufficient risk control is being implemented, with an emphasis on processes. Operations audits verify and evaluate compliance with laws, regulations, and Company rules; mechanisms for the prevention of misconduct; and whether there are issues with efficiency or accuracy. Recommendations for improvement are made when needed. In addition, the Management Audit Office reports the results of these audits to the representative directors, other relevant directors, and audit & supervisory board members of the Company and subsidiaries as required.

Corporate Governance

External Directors and External Audit & Supervisory Board Members

We believe that appointing external directors and external audit & supervisory board members with a high degree of independence from the Board of Directors is important for sound governance. In accordance with this approach, from the perspective of strengthening the supervisory function of the Board of Directors, we aim to ensure that the three external directors and the three external audit & supervisory board members we appoint are sufficiently independent of the Board of Directors. To this end, the Company confirms that they do not receive monetary amounts or other assets from the Company other than compensation as officers, are not responsible for the execution of the operations of major business partners, and are not major shareholders of the Company.

With respect to assessments of independence, we clarified standards for assessing the independence of external directors and external audit & supervisory board members by establishing the Independence Standards for External Officers of Toppan through a resolution of the Board of Directors on November 26, 2015. The Company bases assessments of the independence of external directors and external audit & supervisory board members on these standards and the standards of the Tokyo Stock Exchange. Details of our standards are available on our website.

Web
Corporate Governance Policy
https://www.toppan.com/en/ir/governance/governance-policy.html

External directors Yoshinobu Noma, Ryoko Toyama, and Mieko Nakabayashi and external audit & supervisory board members Hiroyuki Shigematsu, Keiko Kakiuchi, and Haruo Kasama are independent officers pursuant to the standards of the Tokyo Stock Exchange.

In addition, we have established a system to support external officers. External directors exchange information and opinions with other directors as required, and the president's office provides external directors with information from inside and outside the Company. External audit & supervisory board members receive internal and external information from other audit & supervisory board members and their dedicated personnel, as required, and exchange information and opinions with other audit & supervisory board members.

Evaluation of the Board of Directors

To ensure the Board of Directors executes duties appropriately and effectively, the Company's Basic Policy on Corporate Governance calls for an annual analysis and evaluation of the effectiveness of the Board of Directors and for the disclosure of a summary of the results. A summary of the results of the evaluation conducted in March 2021 is as follows.

1 Evaluation Method

With respect to the effectiveness of the Board of Directors, the Audit & Supervisory Board surveyed and received responses from all 16 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 Audit & Supervisory Board confirmed that the Company's Board of Directors functions appropriately and effectively overall.
- However, the results indicated the need for improvement with respect to "constructive dialogue" in 1) the role of the Board of Directors; "number of directors" and "ratio of outside directors" in 2) the composition of the Board of Directors; and "securing time for deliberations" and "stimulating more lively discussions" in 3) the administration of the Board of Directors.

3 Response to the Evaluation

Constructive dialogue

We reviewed the administration method to strengthen the Board of Directors' supervisory function, and we took steps to transition the administration of meetings to a focus on deliberation by the directors. These steps included having executive officers and others with business execution duties provide explanations at meetings of the Board of Directors.

Number of directors, Ratio of outside directors

At the General Meeting of Shareholders held on June 29, 2021, major revisions were implemented. The number of directors was changed from 16 to 9, and the ratio of independent external directors was changed to one-third.

Securing time for deliberations, Stimulating more lively discussions

In addition to addressing the "constructive dialogue" item above, the Company also took steps to improve the meeting environment, such as working to enhance the online meeting system.

Remuneration of Officers

Advisory Committee for Nomination and Remuneration of Directors

A resolution of the Board of Directors on May 26, 2016, established the Advisory Committee for Nomination and Remuneration of Directors. Through this committee, the Company aims to further enhance the transparency and objectivity of decision-making processes regarding the nomination and remuneration of directors. Furthermore, external directors meeting the requirements of the Independence Standards for External Officers must make up a majority of the committee. External audit & supervisory board members meeting the same requirements can also be included. The committee comprises two internal directors, three independent external directors, and one independent external audit & supervisory board member as of June 29, 2021.

The role of this advisory committee is to examine proposals relating to the nomination and remuneration of directors, including representative directors, and to provide recommendations that the Board of Directors or persons entrusted by the Board of Directors should refer to when deciding on these proposals.

(1) Matters related to policy on determining the amount of and calculation method for the remuneration of officers

The Company's remuneration of officers comprises fixed compensation and performance-linked bonuses, both of which are monetary amounts, as well as restricted-stock compensation. The policy for determining remuneration of officers is decided by resolution of the Board of Directors. Meanwhile, the Board of Directors has passed a resolution entrusting the President & Representative Director with respect to the individual remuneration of respective directors. With reference to this resolution, the President & Representative Director determines individual remuneration. The Board determined that the most logical and appropriate practice is to have the President & Representative Director, who supervises all aspects of Company management, evaluate the performance and competence of directors and decide their individual remuneration.

A resolution of the 175th Ordinary General Meeting of Shareholders, convened on June 29, 2021, set an annual limit of ¥1.4 billion for the total remuneration of directors, including a limit of ¥100 million for external directors. The total remuneration of directors to which this resolution refers does not include their employee salaries. At the time of the resolution there were nine directors, of whom three were external directors. In regard to the amount of restricted stock compensation, in accordance with a resolution of the 173rd Ordinary General Meeting of Shareholders, convened on June 27, 2019, the total amount of monetary compensation credits paid under this system shall be up to ¥300 million per year. (However, this excludes the employee salary portion of directors concurrently serving as employees.) The fixed compensation, performance-linked bonuses, and restricted-stock compensation are determined within the limits set by these resolutions.

In regard to the proportion of each type of compensation for directors, excluding external directors, the standard is 7:2:1 for fixed compensation, performance-linked bonuses, and restricted-stock compensation, and decisions are made with comprehensive consideration of such factors as levels of compensation at other companies, in line with roles and responsibilities. The compensation of external directors, who are responsible for the supervisory function, is limited to fixed compensation, taking into account their duties.

The Advisory Committee for Nomination and Remuneration of Directors examines the policy for determining remuneration and individual remuneration and submits a recommendation to the President & Representative Director. The President & Representative Director determines remuneration based on due consideration of the advisory committee's recommendations.

Fixed compensation

The Company establishes standard compensation for each position in light of each director's influence on the Group's business management and the scope of responsibilities. Based on this standard compensation, fixed compensation is revised each fiscal year. Under this system, even among directors holding the same level positions, it is possible to revise fixed compensation to a certain extent to reflect the achievements or the degree of contribution to business management of respective individuals in the previous fiscal year.

The remuneration of audit & supervisory board members is determined through consultation among audit & supervisory board members and is within total remuneration determined by a resolution of the general meeting of shareholders.

Performance-linked compensation

In terms of performance-linked bonuses, the Company has established a system that uses certain indicators to link compensation to the business performance of each fiscal year, so that the system functions as an incentive to increase short-term performance. The evaluation indicator primarily used is year-on-year percentage growth in consolidated operating profit. In addition, to appropriately reflect individual directors' degrees of contribution to business performance, comprehensive consideration from the perspective of investment efficiency is also given to such factors as levels of achievement of targets in the TOPPAN SDGs STATEMENT and of targets for the consolidated operating profit of each business segment.

Restricted-stock compensation system

In regard to restricted-stock compensation, the system allocates restricted stock with the aim of providing further incentive to strive for sustained enhancement of corporate value and to encourage greater sharing of value with shareholders.

The eligible directors pay all the monetary compensation credits received under the system (fixed amount by position) in the form of contribution in kind and in return receive shares of the Company's common stock through issuance or disposal by the Company.

The limit on the total number of the shares of common stock to be newly issued or disposed of by the Company under the system is 300,000 shares per year. The amount per share to be paid by the eligible directors shall be determined by the Board of Directors, based on the closing price of the Company's shares of common stock at the Tokyo Stock Exchange on the business day immediately preceding the day when such resolutions are made by the Board of Directors regarding issuance or disposal, within a range that is not particularly advantageous to the eligible directors receiving the shares of common stock.

The issuance or disposal of the shares of common stock of the Company under the system is conditional upon the Company and each eligible director that is to receive the payment of the restricted-stock compensation entering into an agreement on the allotment of restricted stock that includes the following terms; namely, (i) that the eligible director shall not transfer to a third party, collateralize, or otherwise dispose of the Company's shares of common stock that have been issued or disposed of under the system during a given period of time, and (ii) that the Company shall automatically acquire the shares without consideration if certain events occur.

Under the system, in addition to the eligible directors, the Company also pays, based on resolutions of its Board of Directors, similar restricted-stock compensation to the Company's executive officers who do not serve concurrently as directors and newly issues or disposes of the Company's shares of common stock.

(2) Total remuneration provided by the submitting company in each officer classification, total remuneration by type, and number of officers receiving remuneration

Officer classification	Total remuneration (million ¥)	Total remuneration by type (million ¥)			Number of officers receiving remuneration
		Fixed compensation	Performance-linked bonus	Restricted-stock compensation	
Directors (excluding external directors)	903	690	123	90	13
Audit & supervisory board members (excluding external audit & supervisory board members)	71	71	—	—	2
External directors and audit & supervisory board members	81	81	—	—	7

(3) Total consolidated remuneration received from the submitting company by officer

Name	Total consolidated remuneration (million ¥)	Officer classification	Company classification	Consolidated remuneration by type (million ¥)			
				Fixed compensation	Performance-linked bonus	Restricted-stock compensation	Retirement benefit
Shingo Kaneko	208	Director	Toppan Inc.	152	20	12	—
		Director	Toppan Forms Co., Ltd.	11	2	—	—
		Director	Tamapoly Co., Ltd.	7	2	—	—
Hideharu Maro	148	Director	Toppan Inc.	116	20	12	—

Note: Only officers receiving total consolidated compensation of ¥100 million or more have been included.

Approach to Group Management

1 Group Management: Approach and Policies

Our basic approach to Group management is to strive to raise the corporate value of the entire Group. To that end, centered on the resources and core competencies of Group companies, we leverage the Group's comprehensive strengths and work to create new value and contribute to the resolution of issues faced by customers and society. In addition, we work to increase profitability by strengthening collaboration within the Group in a way that enables Group companies to demonstrate their competitiveness in their own fields, and by leveraging economies of scale in such areas as joint purchasing and effective use of assets.

2 Significance of Listed Subsidiaries

Toppan Forms Co., Ltd. (Tokyo Stock Exchange, First Section) is a listed subsidiary of the Company. In regard to the significance of maintaining the listing of Toppan Forms, the Company believes that it has advantages in terms of both sales strategy and securing human resources, such as leveraging the trust in a listed company to expand the receipt of orders, enhance employee motivation, and have a positive effect on employee hiring. The Company believes that maintenance of the current structure is appropriate for increasing the Group's value.

While dividing operations between the Company and Toppan Forms, we act in accordance with the above-mentioned basic approach. We are working to generate Group synergies and maximize corporate value through the entire Group as a result of increased development speed and increased efficiency resulting from joint purchasing, effective asset utilization, and appropriate information sharing.

3 Measures Related to Ensuring the Effectiveness of the Governance Systems of Listed Subsidiaries

Based on the Related Company Administration Regulations, for matters that could have a significant influence on the Group's corporate value, such as important business execution matters of a certain scale, the Company fulfills its management responsibilities as a parent company by requesting advance consultations and reports from Toppan Forms. At the same time, fundamentally, Toppan respects the independence and autonomy of Toppan Forms and places value on independent decision-making. In addition, the Company believes that Toppan Forms has established and operates an independent governance system to prevent conflicts of interest between the general shareholders of the Company and the general shareholders of Toppan Forms. For example, Toppan Forms has multiple independent external directors.

Compliance

Basic Approach

In accordance with the approach that legal compliance in business operations is an indispensable prerequisite for every corporation to fulfill its responsibilities to society, in 2000 Toppan established the Conduct Guidelines as a set of compliance standards for Toppan personnel's behavior based on the Corporate Philosophy and principles of legal compliance. In 2010 Toppan revised the guidelines into the Toppan Group Conduct Guidelines, a set of common principles that all Group companies around the world are required to observe for the assurance of strict compliance.

These conduct guidelines are reviewed every year. In the 2021 review, viewpoints taking into account the SDGs were incorporated, and the guidelines are now used to support approaches to management challenges from the perspective of conduct.

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

Compliance Promotion Structure

Toppan believes that the strict observance of the Conduct Guidelines directly links to legal compliance. The Conduct Guidelines Promotion Leader system is the pillar of those initiatives. In order to ensure full observance of the guidelines in daily operations, the Conduct Guidelines Promotion Leaders at workplaces initiate guideline compliance activities under the Director in charge of Conduct Guidelines Promotion.

Compliance Training

Toppan organizes training for Conduct Guidelines Promotion Leaders every year. Toppan gives every Group employee in Japan a Conduct Guidelines Casebook. The casebook is used in various guideline promotion activities. In addition, the Compliance Department in the Legal Affairs & Intellectual Property Division issues monthly Conduct Guideline Notifications. In these ways, Toppan is working to ensure strict compliance.

Anti-Corruption Initiatives

Toppan supports the anti-corruption principle set out by the United Nations Global Compact and is working to prevent corruption. The Group Conduct Guidelines stipulate the "prohibition of bribery and inappropriate entertainment practices." In addition, a wide range of anti-corruption practices are stipulated, such as prohibitions of the receipt or provision of rebates, collusion and cartels, and illegal political contributions or donations.

In regard to anti-corruption in particular, in 2017 Toppan established anti-bribery rules and guidelines and a compliance framework. In addition, Toppan has introduced an advance application system for entertainment or gifts to public officials and the like. In these ways, Toppan is taking rigorous measures to prevent corruption.

Internal Reporting System

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

To establish an environment in which this system is easier to use, in 2019 we revised the rules on internal reporting by adding a clause stipulating the establishment of three portals to receive reports: a "corporate portal" and "audit & supervisory board member portal" operated in-house, and an "external portal" operated by legal consultants. The three portals were opened for use on April 1, 2020.

Addressing Tax Compliance

In accordance with a basic approach of building relationships of trust with stakeholders, contributing to society, and enhancing corporate value by complying with the tax-related laws and regulations of each country and region and appropriately fulfilling its tax payment obligations, in March 2021 Toppan established the Toppan Group Tax Policy as a standard for making decisions about taxes.

Toppan will bolster efforts to ensure tax compliance and will strengthen tax-related corporate governance. In this way, Toppan will fulfill its corporate social responsibility through the appropriate payment of taxes and will strive for sustainable growth and increased medium-to-long-term corporate value.

Web Toppan Group Tax Policy
https://www.toppan.com/en/about-us/our-corporate-approach/tax-policy.html

Risk Management

Basic Approach

The Toppan Group views the accurate detection and appropriate management of impending risks as a corporate social responsibility.

In keeping with this view, the Group has identified and taken steps to mitigate quality-related incidents, natural disasters, and other types of risk requiring action to limit the possibility of adverse impact on business operations. When a risk actually arises, Toppan immediately collects 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.

Division-Specific 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. The directors in charge of each relevant division are responsible for taking measures to prevent, avoid, and correct each risk. When a significant risk requiring action arises somewhere in the Group, the responsible director reports it to the Board of Directors.

Risk Management

The Toppan Group manages individual risks specific to organizations such as business divisions, subsidiaries, and Group companies. Specifically, the Group performs annual risk surveys to determine all types of risk that require action. The frequency and severity of possible risks are assessed, and countermeasures are formulated based on the assessment results. Risks that could exert a significant adverse impact on management are considered to be "significant risks." Consideration is given to such factors as the results of risk assessments at business divisions, subsidiaries, and Group companies; social conditions; and risks that could arise over the medium to long term, and the Compliance Department of the Legal Affairs & Intellectual Property Division acts as the administration office. The results of examinations conducted in the responsible head office divisions are collected, and significant risks are identified each year. The responsible head office divisions spearhead efforts to plan countermeasures and take comprehensive measures required for the management of the risks determined to be serious. The Director in charge of Risk Management regularly reports the outcomes of the measures taken to the Board of Directors.

From the fiscal year ending March 31, 2022, the identification of significant risks is handled by the Risk Management Working Group, which has been established under the Sustainability Promotion Committee. Looking at the significant risks for the fiscal year ending March 31, 2022, the previous year's risks have been combined with the risks listed in the securities report, for a total of 26 items. Decisions about risks are also confirmed by an external organization.

Significant Risks (Fiscal Year Ending March 31, 2022)

1. Human injury or physical damage caused by earthquakes, storms, flooding, other natural disasters, or infectious diseases	14. Fluctuations in foreign exchange rates
2. Climate change risk	15. Damage to brand image due to leaks or improper handling of information
3. Characteristics of the printing business	16. Negative impact on business due to cyberattacks
4. Risks associated with strategic partnerships, investments, and acquisitions	17. Loss of trust from society due to suspension of production lines or digital service businesses caused by problems with ICT infrastructure
5. Risks associated with R&D investment loss, etc., product R&D (changes in markets, the worsening of the performance of alliance partners or companies in which we have invested, delays in the timing of commercialization or sales launches, etc.)	18. Quality-related incidents and self-imposed product recalls that could develop into issues in wider society (legal violations, fluid leaks, odors, foreign matter)
6. Securing the human resources to support growth	19. Risks associated with raw material procurement
7. Securing financing	20. Pollution of soil, groundwater, or water for public use due to leaks of toxic substances
8. Risks associated with control of the Group	21. Risks associated with waste
9. Risks associated with overseas business (legal or regulatory violations, lawsuits, customer claims, conflicts, labor disputes, international taxation, etc.)	22. Fires and industrial accidents
10. Intense market competition and price competition	23. Risks associated with labor issues (violations of labor-related laws, labor disputes, etc.)
11. Non-performing or long-term retained inventory assets due to inadequate asset management	24. Harassment
12. Risks associated with receivables (bad debt, customer bankruptcy, etc.)	25. Infringement of patents, copyrights, and other intellectual property rights
13. Fluctuations in current value of marketable securities	26. Misconduct (serious improper conduct or inappropriate actions, etc.) and compliance violations (bid-rigging, bribery, other legal or regulatory violations)

Risks to Be Managed and the Relevant Head Office Divisions in Charge

Type	Risks to be managed	Divisions in charge
Product-related incidents or product liability	Quality-related incidents	Manufacturing Management Div.
Risks in raw material procurement	Substantial shortages in supply amount or delivery delays from external manufacturers, rising prices for raw materials	Manufacturing Management Div.
Accidents or disasters related to Company operations	Accidents or disasters related to fires or explosions, etc.	Manufacturing Management Div.
	Illegal activities related to the storage of solvents, dangerous chemicals, etc.	Manufacturing Management Div.
	Occupational accidents, traffic accidents, or other accidents involving employees	Personnel & Labor Relations Div.
	Incidents related to notes or accounts receivable	Finance & Accounting Div.
	Legal problems with orders received	Legal Affairs & Intellectual Property Div.
	Leakage of personal information or confidential information	Information Security Div.
	Interruption of business operations by cyber attacks	Information Security Div.
	Accidents related to main computer systems	Digital Innovation Div.
Environmental problems	• Violations of environmental laws or regulations • Environmental impact levels exceeding applicable regulatory standards • Illegal disposal of industrial waste	Manufacturing Management Div.
Climate change or water risks (transition risks)	Transition risks • GHG emission pricing, strengthened obligations for emission reporting, or higher incidence of climate-related lawsuits • Risks related to the transition to a low-carbon economy or replacement of existing products by low-carbon alternatives • Changes in customer behavior or increases in material costs • Widespread public disapproval of the industry or changes in the attitudes of customers or society Physical risks • Escalation of typhoons, hurricanes, floods, or other natural disasters caused by extreme weather • Shifts in global climate patterns such as rising sea levels or increasing average temperatures	Manufacturing Management Div.
Natural disasters	Material losses or personal accidents due to earthquakes, wind or water damage, lightning, etc.	Personnel & Labor Relations Div.
	Spreading of new strains of influenza	Personnel & Labor Relations Div.
Related to the Companies Act of Japan	Shareholder derivative lawsuits, hostile takeovers	Legal Affairs & Intellectual Property Div.
Improper practices in disclosing information in financial reporting	False reporting or improper statements	Finance & Accounting Div.
Legal violations or misconduct	Violations of the Subcontract Law of Japan, illegal transactions with business partners	Manufacturing Management Div.
	Improper conduct related to accounting, taxes, or payments (fictitious orders, etc.)	Finance & Accounting Div.
	Harassment, discrimination, violations of the Labor Standards Act of Japan, etc.	Personnel & Labor Relations Div.
	Misappropriation or other improper conduct	Personnel & Labor Relations Div.
	Collusion, insider trading, violations of the Subcontract Law of Japan, illicit import or export transactions, or bribery	Legal Affairs & Intellectual Property Div.
Infringement of intellectual property rights	Infringements of patents, trademarks, or copyrights	Legal Affairs & Intellectual Property Div.
Relationships with antisocial organizations	Unreasonable demands from antisocial organizations, transactions conducted between subcontractors or suppliers and antisocial organizations	Legal Affairs & Intellectual Property Div.
Defamation, slander, or other criminal damages	Acts of violence against the Company (threats, kidnapping, theft, etc.)	Personnel & Labor Relations Div.
Risks in overseas business activities	• Product accidents, harassment, dismissals, environmental problems, fires, natural disasters, etc. • Damage to human or physical assets of customers or the Company caused by international conflicts, terrorism, etc.	Corporate Planning Div. Personnel & Labor Relations Div.

Shareholdings

Classification of Investment Shares

The Company classifies shares that are held exclusively for the purpose of receiving profits through changes in share prices or from dividends related to shares as investment shares held for the purpose of pure investment and classifies other shares as investment shares held for purposes other than pure investment.

Investment Shares Held for Purposes Other Than Pure Investment

Details of policy, method of verifying rationale, and verification by the Board of Directors of the appropriateness of holding specific stocks

The Company's basic policy is to strategically hold shares that are deemed necessary for contributing to the enhancement of corporate value over the medium to long term or for strengthening business relationships and business collaboration as part of management strategy.

In accordance with this policy, the Company re-examines the rationale of continuing to hold shares in light of comprehensive analysis from the perspectives of business management and of value as investment assets—which includes consideration of whether the purpose of holding each stock is appropriate as well as whether the attendant holding benefits and risks are commensurate with the shareholding cost based on internal regulations—and in light of annual verification of holding rationale by the Board of Directors.

Through disposal and other measures, the Company reduces holdings of stocks deemed to be no longer relevant or meaningful in light of the aforementioned considerations.

Number of Stocks and Amounts on the Balance Sheet

	Number of stocks	Total on the balance sheet (Millions of yen)
Unlisted shares	153	20,792
Stocks other than unlisted shares	168	481,559

Stocks for Which Number of Shares Increased in the Fiscal Year under Review

	Number of stocks	Total acquisition cost incurred due to the increase in the number of shares (Millions of yen)	Reason for increase in the number of shares held
Unlisted shares	11	1,305	Maintenance and strengthening of business relationship and business collaboration
Stocks other than unlisted shares	20	51,341	Maintenance and strengthening of business relationship and business collaboration, return of retirement benefit trust

Stocks for Which Number of Shares Decreased in the Fiscal Year under Review

	Number of stocks	Total value of divestment related to the decrease in the number of shares held (Millions of yen)
Unlisted shares	10	520
Stocks other than unlisted shares	56	102,078

Recognition

As of July 2021

Inclusion in ESG Investing Indices and Awards and Recognition for ESG

● Dow Jones Sustainability™ World Index
● Dow Jones Sustainability™ Asia/Pacific Index

The Dow Jones Sustainability Indices are leading global ESG investment indices compiled by S&P Dow Jones, of the U.S. Toppan has been selected as a component of the DJSI World Index for four consecutive years. Company activities are assessed from three perspectives—environmental, social, and governance criteria—and the stocks of companies that are sustainability leaders are selected for this index. In 2020, of the approximately 3,500 large companies from around the world that were assessed, 323 companies were selected, including 39 Japanese companies. Toppan was the only Japanese company in the Commercial & Professional Services group to be selected. In addition, Toppan also received a top score in the "Information Security/Cybersecurity" category, which was assessed for the first time. Toppan has also been selected for two consecutive years for the DJSI Asia Pacific index, which is composed of companies in the Asia-Pacific region.

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

● FTSE4Good Index Series
● FTSE Blossom Japan Index

The FTSE4Good Index Series and the FTSE Blossom Japan Index are ESG investing indices developed by FTSE Russell, of the U.K. The FTSE Blossom Japan Index focuses on Japanese companies and is composed of those implementing outstanding ESG practices. In a continuation from the previous fiscal year, Toppan was selected for both of these indices for 2021.

FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that TOPPAN Inc. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE Blossom Japan

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that TOPPAN Inc. has been independently assessed according to the FTSE Blossom Japan criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

● MSCI Japan Empowering Women Index (WIN)

MSCI Japan Empowering Women Index (WIN) is an ESG investment index provided by MSCI, of the U.S. Among ESG initiatives, this index has a special focus on the evaluation of gender diversity in the workplace, including the percentages of women among new hires and management. In a continuation from the previous fiscal year, Toppan was selected for this index for 2021.

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

http://info.msci.com/l/36252/2017-06-27/kj5n9b

In addition to the above, Toppan's ESG initiatives have been recognized with selection as a component of numerous ESG investment indices and with ESG-related awards and accreditation.

- **CDP Climate Change: Evaluation of –A**
- **S&P/JPX Carbon Efficient Index: Selected**
- **Ethibel EXCELLENCE Investment Register: Selected**
- **ECPI INDICES: Selected**
- **SOMPO Sustainability Index: Selected for 10 consecutive years**
- **EcoVadis: Awarded Silver Medal**
- **FY2020 Nadeshiko Brands: Selected**
- **Digital Transformation Stocks (DX Stocks) 2021: Selected**
- **2021 Health & Productivity Stocks: Selected**
- **2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500): Selected for five consecutive years**

Web For further information, please refer to the Company's website.
https://www.toppan.com/en/sustainability/evaluation.html

Financial Section

Consolidated Eleven-year Financial Summary

Toppan Inc. and Subsidiaries

Years ended March 31

	2011	2012	2013	2014	2015
FOR THE YEAR					
Net sales	¥ 1,556,457	¥ 1,510,415	¥ 1,502,308	¥ 1,532,043	¥ 1,526,915
Cost of sales	1,297,383	1,263,371	1,253,965	1,280,004	1,272,460
% of net sales	83.4%	83.6%	83.5%	83.5%	83.3%
Selling, general and administrative expenses	214,065	215,489	216,251	216,317	213,578
% of net sales	13.8%	14.3%	14.4%	14.1%	14.0%
Operating profit	45,009	31,555	32,092	35,722	40,877
% of net sales	2.9%	2.1%	2.1%	2.3%	2.7%
Profit before income taxes	32,097	8,807	38,849	40,735	46,405
Profit (Loss) attributable to owners of parent	12,153	3,068	18,562	20,621	22,868
% of net sales	0.8%	0.2%	1.2%	1.3%	1.5%
% of assets	0.7%	0.2%	1.2%	1.2%	1.2%
% of equity	1.6%	0.4%	2.5%	2.7%	2.7%
Per share of common stock (yen and dollars)					
Earnings (losses) per share (Basic)	¥ 18.89	¥ 4.77	¥ 28.90	¥ 32.12	¥ 35.67
Earnings (losses) per share (Diluted)	—	—	—	31.10	31.96
Cash dividends per share	18.00	18.00	18.00	18.00	18.00
Research and development expenses	¥ 23,445	¥ 21,496	¥ 20,689	¥ 19,821	¥ 19,084
Capital expenditures	65,020	66,814	76,827	72,177	76,138
Depreciation and amortization	82,940	80,923	67,965	62,473	61,176
AT YEAR-END					
Current assets	¥ 849,243	¥ 767,831	¥ 800,645	¥ 836,681	¥ 924,728
Current liabilities	453,121	407,945	453,121	420,152	515,536
Working capital	396,122	359,886	347,524	416,529	409,192
Cash and cash equivalents	288,462	190,804	256,058	287,690	335,911
Property, plant and equipment, net of depreciation	608,616	574,506	552,511	553,291	566,125
Long-term indebtedness	281,666	232,264	224,041	299,588	254,345
Total assets	1,694,329	1,586,823	1,633,066	1,712,351	1,994,642
Net assets	864,017	866,219	888,422	913,108	1,082,844
Equity ratio	43.3%	46.1%	46.3%	45.7%	46.8%
Debt-equity ratio	46.1%	35.4%	38.9%	42.1%	38.3%
OTHER STATISTICS					
Number of employees	48,197	47,872	48,878	48,751	48,999
Number of common shares issued (thousands of shares)	699,412	699,412	699,412	699,412	699,412
Number of consolidated subsidiaries	163	165	167	154	151

* U.S. dollar amounts are translated from yen at the rate of ¥110.71=U.S.$1, as of March 31, 2021.

2016	2017	2018	2019	2020	Millions of yen except per share data 2021	Thousands of U.S. dollars* except per share data 2021
¥ 1,474,682	¥ 1,431,595	¥ 1,452,752	¥1,464,756	¥1,486,008	¥1,466,935	$13,250,248
1,209,281	1,162,202	1,178,447	1,189,828	1,185,871	1,165,533	10,527,802
82.0%	81.2%	81.1%	81.2%	79.8%	79.5%	
216,869	217,792	222,015	229,201	233,723	242,612	2,191,419
14.7%	15.2%	15.3%	15.6%	15.7%	16.5%	
48,532	51,601	52,290	45,727	66,414	58,790	531,027
3.3%	3.6%	3.6%	3.1%	4.5%	4.0%	
52,968	60,229	65,484	65,187	134,855	130,020	1,174,420
35,245	32,536	42,268	41,049	87,048	81,998	740,656
2.4%	2.3%	2.9%	2.8%	5.9%	5.6%	
1.8%	1.7%	2.0%	1.9%	4.0%	3.6%	
3.8%	3.3%	3.9%	3.6%	7.4%	6.5%	
¥ 55.04	¥ 50.75	¥ 131.32	¥ 127.55	¥ 261.06	¥ 237.16	$ 2.14
49.34	48.01	124.26	120.67	—	—	—
18.00	20.00	40.00	40.00	60.00	40.00	0.36
¥ 17,975	¥ 19,368	¥ 19,426	¥ 17,838	¥ 19,268	¥ 22,348	$ 201,861
63,203	64,990	72,015	68,581	86,419	60,855	549,679
59,692	58,536	60,219	60,285	55,953	63,002	569,072
¥ 852,207	¥ 884,928	¥ 843,084	¥ 863,768	¥ 902,759	¥1,066,995	$ 9,637,747
462,106	431,713	409,021	467,837	489,985	436,492	3,942,661
390,101	453,215	434,063	395,931	412,774	630,503	5,695,086
292,676	295,126	273,334	272,990	296,873	497,238	4,491,356
537,977	526,581	555,649	553,732	600,528	571,779	5,164,655
208,340	226,130	243,451	198,397	183,135	283,582	2,561,485
1,876,575	1,997,909	2,147,932	2,194,216	2,143,455	2,363,504	21,348,604
1,066,852	1,171,959	1,303,674	1,328,875	1,310,233	1,453,165	13,125,869
49.8%	51.0%	52.9%	53.2%	55.2%	56.0%	
30.1%	24.7%	22.6%	23.5%	22.1%	25.2%	
46,705	50,705	51,210	51,712	52,599	52,401	
699,412	699,412	349,706	349,706	349,706	349,706	
146	150	155	162	194	195	

Note 1: The Company implemented a share consolidation, effective October 1, 2018, on the basis of consolidating two shares of common stock into one. As a result, the "Earnings (losses) per share (Basic)" and the "Earnings (losses) per share (Diluted)" as well as the "Cash dividends per share" have been recalculated assuming that the consolidation was carried out at the beginning of the year ended March 31, 2018.

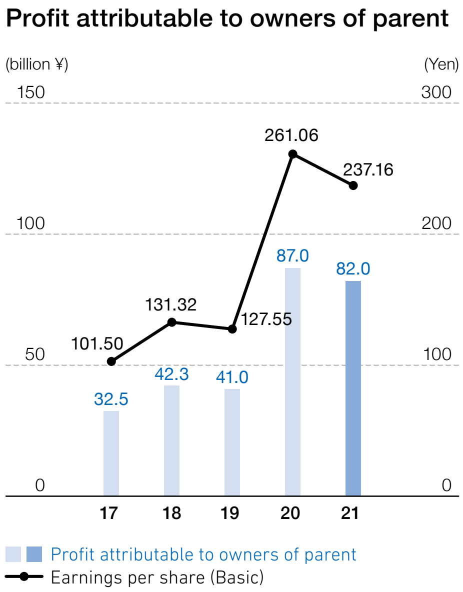
Note 2: The Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the year ended March 31, 2019. The figures for the year ended March 31, 2018 have been reclassified to conform with the presentation for the year ended March 31, 2019.

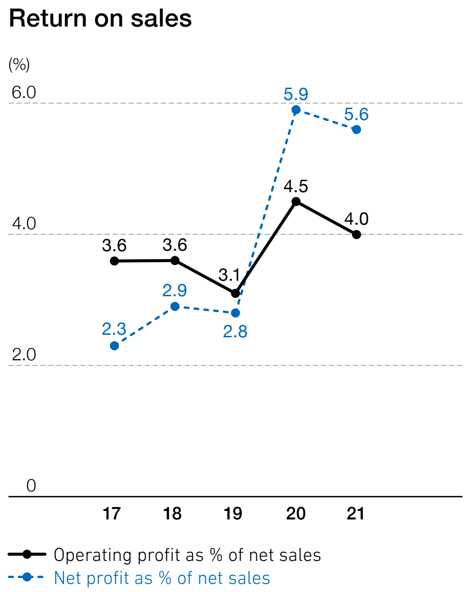
Note 3: In the year ended March 31, 2020, the provisional accounting treatment related to business combinations was finalized. Accordingly, the figures for the year ended March 31, 2019 have been adjusted retroactively to reflect the finalization of the provisional accounting treatment.

Management Discussion and Analysis of Operating Results and Financial Position

Toppan Inc. and Subsidiaries

Years ended March 31





The financial information in this section is based on the consolidated financial statements in this integrated report. The consolidated financial statements are based on generally accepted accounting principles in Japan. The Toppan Group consists of Toppan Inc., 195 subsidiaries, and 29 equity method associates, and conducts a wide range of business activities under three business segments: Information & Communication, Living & Industry, and Electronics. To reflect the performance of all Group companies in the consolidated financial statements, all subsidiaries have been included within the scope of consolidation and all associates have been accounted for using the equity method. In the fiscal year ended March 31, 2021, the following changes have taken place in relation to the Group's subsidiaries and equity method associates:

Consolidated subsidiaries: Seven added and six removed

Equity method associates: Three added and six removed

Overview

In the year ended March 31, 2021, as COVID-19 continued to spread, there were signs of recovery in Japan's economy due to the effect of measures taken in response to the pandemic. Nonetheless, overall economic conditions remained challenging. Given such issues as infection trends in Japan and overseas, uncertainty in overseas economies involving trade problems, and the impact of fluctuations in financial and capital markets, the economic outlook remains uncertain, and continued monitoring of these issues will be necessary going forward.

In the printing industry, the operating environment remained challenging. For example, consumer spending and corporate activity were sluggish due to COVID-19, and the shift to digital information media led to declining demand for paper media. On the other hand, the Group anticipates growth in online demand and at-home consumption due to changes in lifestyles, as well as new demand resulting from increased consciousness of environmental hygiene. In addition, corporations are expected to actively work toward the achievement of the Sustainable Development Goals (SDGs) adopted at the General Assembly of the United Nations in 2015.

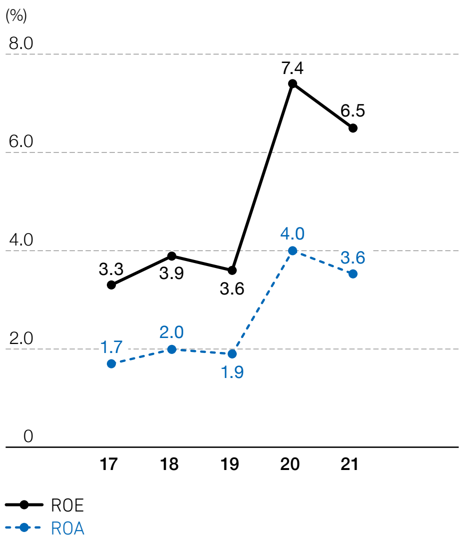
In this environment, the Group announced TOPPAN Business Action for SDGs, a blueprint setting out areas of focus for contributing to the achievement of the SDGs through business activities. This blueprint is based on the TOPPAN SDGs STATEMENT, which outlines our basic approach to SDG initiatives. To establish new earnings models as soon as possible while ensuring a stable financial base, the Toppan Group is actively investing management resources in new businesses. In addition, we are reinforcing our competitive advantages by reducing costs and stepping up technology development in existing businesses.

As a result of initiatives undertaken, in the fiscal year ended March 31, 2021, the Group recorded a 1.3% year-on-year decrease in net sales, to ¥1,466.9 billion. Operating profit decreased 11.5% year on year, to ¥58.8 billion, and profit attributable to owners of parent decreased 5.8% year on year, to ¥82.0 billion.

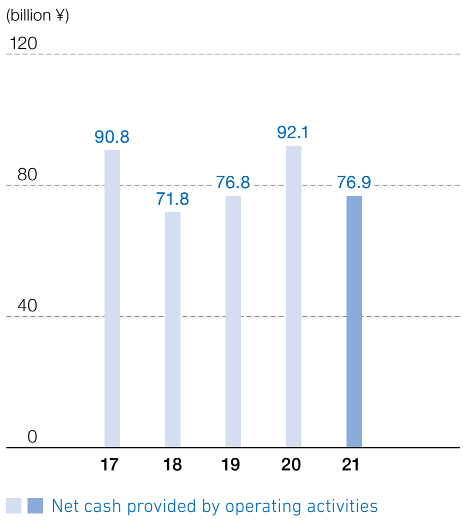
Net sales

In the fiscal year ended March 31, 2021,

ROE & ROA



Net cash provided by operating activities



net sales declined 1.3% year on year, to ¥1,466.9 billion. Net sales by business segment were as stated below.

The Information & Communication segment recorded a 3.3% year-on-year decrease in net sales, to ¥878.2 billion, and operating profit decreased 9.2% year on year, to ¥51.1 billion.

In the Security business, overall results were down year on year in reaction to the previous year's demand for premium vouchers. However, the smart card business recorded a strong performance. Overseas, new subsidiaries acquired at the end of the previous fiscal year took steps to address demand for e-government-related systems and credit cards. An antiviral card, which addresses needs related to environmental hygiene, became the first of its kind in Japan to be certified by the Society of International sustaining growth for Antimicrobial Articles (SIAA), an independent certification body. The Group also moved forward with the provision of security solutions offering even higher levels of security, including acquisition of the world's highest level of security certification for the manufacture of holograms.

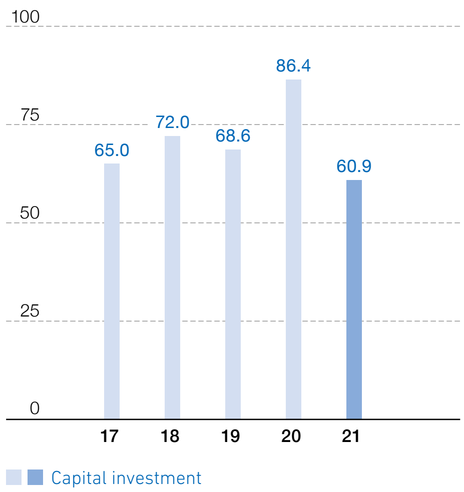
In Business Forms, there was a decrease in forms used at counters due to an increase in non-face-to-face procedures, mainly at financial institutions, and there was also a rebound from the temporary rise in demand in the previous fiscal year associated with a change in the Japanese era name and an increase in the consumption tax rate. As a result, sales of business forms declined sharply. In the data printing services (DPS) business, we made efforts to address demand for notices related to economic stimulus measures and COVID-19 vaccines, mainly from government agencies. However, there were decreases in notifications and direct mail due to the impact of COVID-19, and the DPS business registered a small decline in revenues year on year.

In the Content & Marketing business, there was a decline in revenues from publication printing, such as magazines and books, and revenues from sales promotion-related tools and the commercial printing business were down year on year due to the cancellation and postponement of events and to a decline in leaflets and pamphlets. Overall, results were down year on year. Looking at digital transformation (DX) initiatives, the Group took steps to focus on services using digital technology. These included the development of "AI Sales Promotion," a system for using store signage to deliver optimal digital content that matches customers' attributes and in-store behavior, and the provision of an ID integration platform that allows for a single login to multiple services. In the e-book business, at-home demand increased, and competition intensified due to the full-scale entry of foreign companies. BookLive Co., Ltd. implemented measures to acquire a broader range of customers, such as airing TV commercials.

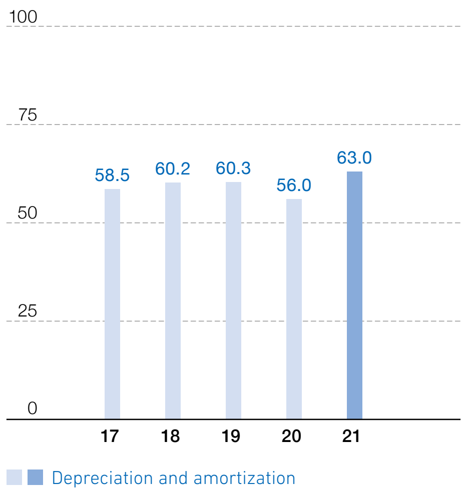
In the Business Process Outsourcing (BPO) business, performance remained strong thanks to greater-than-expected growth in orders, reflecting the capturing of outsourcing demand from businesses, the national government, and local authorities. The Group also entered into a joint venture agreement with BELLSYSTEM24 Holdings, Inc., to establish in May 2020 TB Next Communications Co., Ltd., which supports the DX initiatives of companies. Against a background of social issues such as labor shortages, there is a need for a shift from labor-intensive to knowledge-intensive BPO services, and TB Next Communications will provide next-generation BPO services that

Years ended March 31

Capital investment



Depreciation and amortization



combine Toppan's advanced security infrastructure and operation design capabilities with BELLSYSTEM24's expertise in contact center businesses.

The Living & Industry segment posted a 1.3% year-on-year increase in net sales, to ¥425.9 billion. Operating profit decreased 4.4% year on year, to ¥27.7 billion.

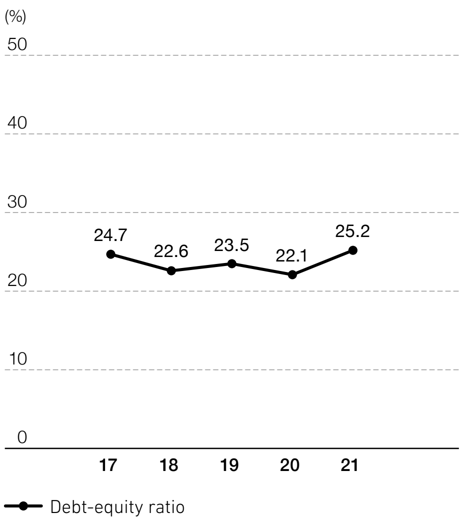
Within this segment, in the Packaging business, sales of flexible packaging decreased year on year, centered on packaging for the food service industry, despite strong sales for processed food applications. Sales of folding cartons declined, reflecting a decrease in packaging for toiletries. With demand for eco-friendly products increasing, the Group worked to achieve both high barrier functionality and environmental friendliness, such as by developing new products using mechanically recycled PET film for the base material of GL BARRIER. In addition, to fulfill its social responsibilities in the COVID-19 pandemic, the Group continued to supply packaging materials for daily necessities, including food. With consideration for demand related to environmental hygiene, we also developed paper packages with an antiviral function. Overseas, in Indonesia the Group worked to capture demand for packaging for such products as toiletries, and in Europe and North America we focused on expanding sales of eco-friendly products using barrier films.

In the Décor Materials business, the housing market in Japan followed a moderate recovery trend, but the non-housing market, such as for stores and hotels, continued to face challenging conditions due to the influence of the postponement and cancellation of projects. On the other hand, looking overseas, markets remained strong due to the expansion of interior-related demand, such as for furniture, amid continued lockdowns and requests for people to stay at home. In addition, the acquisition in the previous fiscal year of INTERPRINT GmbH, a leading European décor materials manufacturer, also had an effect, and overall, sales increased. In particular, to address growth in needs related to environmental hygiene, the Group expanded the lineup of antiviral and antibacterial décor products, obtaining certification from the SIAA for its PVC and coated paper décor sheets, in addition to those made of olefin.

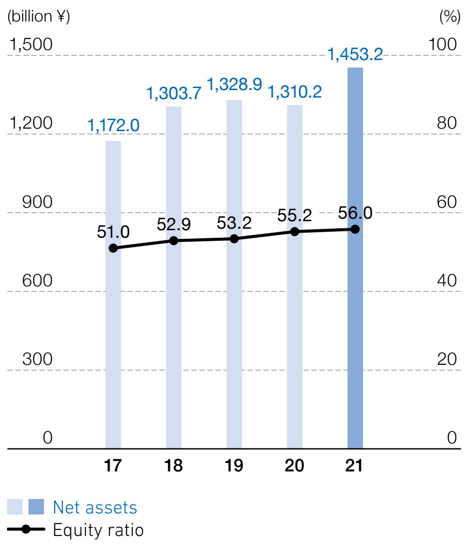
The Electronics segment recorded a year-on-year increase of 3.1% in net sales, to ¥183.7 billion, and a year-on-year decrease of 1.7% in operating profit, to ¥12.0 billion. Within this segment, the Semiconductor business recorded higher sales of photomasks year on year, with demand for semiconductors, mainly for server, memory, and telecommunication applications, underpinned by growing demand for online conferencing against the backdrop of digitalization in society. Sales of FC-BGA substrates, which are high-density semiconductor package substrates, were strong, reflecting rising demand due to an increase in the volume of communication data. In these circumstances, the Group leveraged its industry-leading quality and technology to address demand for high-value-added large and multilayer products. In addition, the Group started offering a subscription-based service that provides the equipment and software needed to construct systems using the next-generation low power wide access (LPWA) ZETA protocol in preparation for the widespread adoption of IoT devices.

In Displays, sales of color filters declined on a full-year basis due to sluggish market conditions, although demand showed signs of recovery in the second half, centered on in-vehicle applications. The Group worked to address demand

Debt-equity ratio



Net assets



for ultra-high-definition products, including those for VR/AR goggles, and took steps to expand their uses. Sales of anti-reflection films were up year on year, as the Group worked to meet demand for high-value-added products, including high-definition AG (anti-glare) products, against the backdrop of increasing remote work and at-home demand for products for televisions, laptops, and monitors. Sales of small and medium-sized TFT LCD panels were down for the full year due to sluggish market conditions in the first half, although demand for in-vehicle and industrial equipment applications recovered in the second half. In new businesses, the Group aggressively advanced technology development. In the field of non-contact touch panels, where needs are increasing, these initiatives included the development of the world's first aerial touch display that creates floating aerial images parallel to the panel. In the light control device business, the Group worked to expand its operations, and we started to receive orders for installation at offices and commenced sales of reverse products.

Cost of sales

In the fiscal year ended March 31, 2021, cost of sales decreased 1.7% year on year, to ¥1,165.5 billion, and cost of sales as a percentage of net sales decreased 0.3 percentage point year on year, to 79.5%. As a result, gross profit increased 0.4%, to ¥301.4 billion. Through comprehensive cost reduction measures, we further lowered the cost of sales as a percentage of net sales from the previous fiscal year, when we reduced it to less than 80%. The Toppan Group will continue working to implement such measures as streamlining its organization, improving production efficiency, and reviewing material procurement.

Selling, general and administrative expenses

Selling, general and administrative expenses increased 3.8% year on year, to ¥242.6 billion. Selling, general and administrative expenses as a percentage of net sales increased 0.8 percentage point year on year, from 15.7% to 16.5%. The Toppan Group intends to continue advancing structural reform of its business to enhance profitability. As part of these efforts, the Group is optimizing personnel deployment to lower outsourcing costs and overall labor costs.

Research and development expenses

Research and development expenses increased 16.0% year on year, to ¥22.3 billion. Research and development expenses as a percentage of net sales increased 0.2 percentage point year on year, from 1.3% to 1.5%. The Toppan Group continues to pursue efficient research and development to secure technological advantages in markets, enhance the performance of its existing products, and develop the next generation of high-value-added products. Going forward, the Group intends to continue undertaking well-planned investment in research and development.

Operating profit

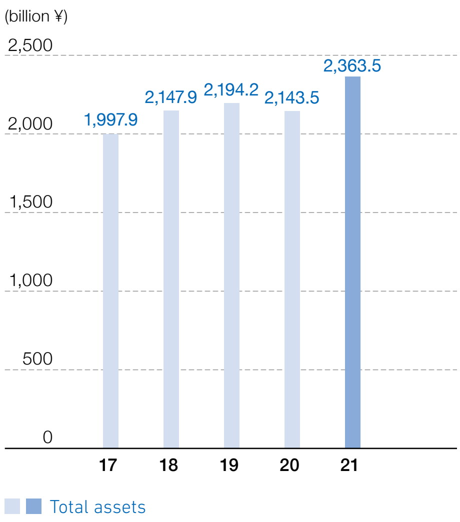
Operating profit decreased 11.5%, to ¥58.8 billion, and the operating profit margin decreased 0.5 percentage points year on year, from 4.5% to 4.0%. The Toppan Group considers operating profit to be an important indicator of the profitability of its core operations. Accordingly, the Group will continue to take proactive measures to grow operating profit.

Total other income (expenses)

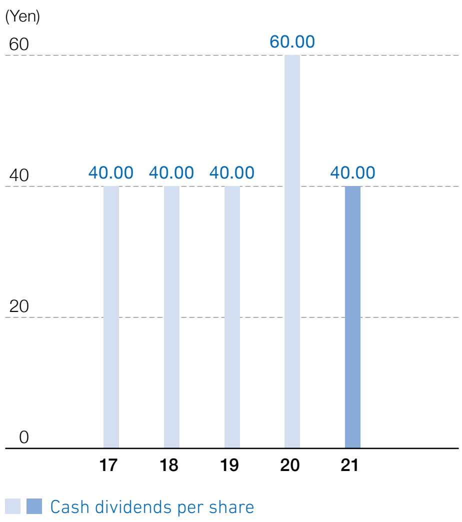
Total other income was up 4.1% year on year, to ¥71.2 billion. This increase was

Years ended March 31

Total assets



Cash dividends per share



attributable to increases in gain on sales of investment securities and gain on sales of non-current assets that resulted from a series of successful measures to re-evaluate owned assets, which outweighed a loss on valuation of investment securities and an impairment loss recognized as a result of the aforementioned measures. As a result, profit before income taxes decreased 3.6% year on year, to ¥130.0 billion.

Income taxes

Total income taxes increased from the previous fiscal year's ¥45.2 billion to ¥46.3 billion. The tax rate after the application of tax effect accounting increased from 33.5% to 35.6%.

Profit attributable to owners of parent

As a result of the aforementioned, profit attributable to owners of parent, net of profit attributable to non-controlling interests, declined 5.8%, to ¥82.0 billion. Earnings per share decreased from the previous fiscal year's ¥261.06 to ¥237.16.

Return on assets (ROA) decreased from the previous fiscal year's 4.0% to 3.6%, and return on equity (ROE) declined from the previous fiscal year's 7.4% to 6.5%.

Cash flows

The Toppan Group maintains a sound financial position and generates cash flows in order to facilitate business management and enable appropriate investments for future strategic growth.

Net cash provided by operating activities decreased 16.6% year on year, to ¥76.9 billion, reflecting adjustments to the ¥130.0 billion in profit before income taxes for non-cash items, such as depreciation, and for credits and debits associated with operating activities.

The Group implemented necessary capital investment. On the other hand, proceeds from sales and redemption of investment securities were recorded. As a result, net cash provided by investing activities was ¥81.2 billion, compared with net cash used in investing activities of ¥35.1 billion in the previous fiscal year.

The Group redeemed bonds and paid dividends. On the other hand, the Group raised funds through long-term loans payable, etc. As a result, net cash provided by financing activities was ¥42.2 billion, compared with net cash used in financing activities of ¥32.7 billion in the previous fiscal year. Consequently, cash and cash equivalents at the year ended March 31, 2021 amounted to ¥497.2 billion, up 67.5% from the previous fiscal year-end.

Financial position

Total current assets at the year ended March 31, 2021 stood at ¥1,067.0 billion, up 18.2% from the previous fiscal year-end. This rise primarily resulted from a ¥200.4 billion increase in cash and cash equivalents, which outweighed a ¥10.9 billion decrease in securities. Total current liabilities were down 10.9% from the previous fiscal year-end, to ¥436.5 billion. This mainly reflected decreases of ¥30.0 billion in current portion of bonds payable, ¥16.4 billion in income taxes payable, and ¥12.6 billion in electronically recorded obligations–operating.

Total property, plant and equipment decreased 4.8% from the previous fiscal year-end, to ¥571.8 billion. Further, total investments and other assets increased 14.6%, to ¥676.5 billion. This reflected such factors as an increase in investment securities of ¥156.5 billion, which outweighed a ¥64.7 billion decrease in net defined benefit asset. Total long-term liabilities increased 38.1% from the previous fiscal year-end, to ¥473.8 billion. This was primarily due to increases of ¥100.4 billion in long-term loans payable and ¥31.4 billion in deferred tax liabilities.

Total net assets increased 10.9% from the previous fiscal year-end, to ¥1,453.2 billion. This was mainly due to increases of ¥87.4 billion in valuation difference on available-for-sale securities and ¥61.0 billion in retained earnings.

The equity ratio increased from 55.2% at the previous fiscal year-end to 56.0%. Net assets per share increased 13.3% from the previous fiscal year-end, to ¥3,870. Total assets stood at ¥2,363.5 billion, up 10.3% from the previous fiscal year-end.

Dividend distribution policy and cash dividends

To return profits to its shareholders flexibly and sustain growth, Toppan pays cash dividends in light of comprehensive consideration of consolidated financial results, the dividend payout ratio, and internal reserves. Specifically, Toppan is committed to raising the level of cash dividends and targets a consolidated dividend payout ratio of 30% or higher.

Toppan's policy is to seek higher corporate value by using internal reserves for capital investment and investments in research and development to expand business areas that promise growth and for measures that increase investment efficiency from a long-term perspective, such as measures to raise the efficiency and dynamism of existing businesses.

Toppan believes that distributing profits in this manner will enhance core corporate strengths and help increase profits, thereby enabling ongoing returns of profits to shareholders.

Reflecting this basic policy, Toppan paid an interim cash dividend of ¥20.00 per share and a year-end cash dividend of ¥20.00 per share. As a result, total annual cash dividends were ¥40.00 per share for the year ended March 31, 2021.

Based on the aforementioned basic policy, Toppan plans to pay total annual cash dividends of ¥40.00 per share for the current fiscal year, which is at the same level as the total annual cash dividends for the fiscal year under review.

Targeted performance indicators

From the perspective of shareholder value, the Toppan Group strives to raise ROE. In conjunction with these efforts, the Toppan Group focuses particular efforts on increasing operating profit as an indicator of the profitability of its core operations. By forging ahead with business management to improve capital efficiency, and thereby heighten corporate value even further, the Toppan Group aims to meet its shareholders' expectations.

Outlook for current fiscal year

In the current fiscal year, ending March 31, 2022, Japan's economic environment is expected to remain uncertain due to COVID-19. Economic conditions are expected to recover due to policy measures and improvements in overseas economies. However, it will be important to continue carefully monitoring the effects of the pandemic on the domestic and overseas economies and the effects of such factors as trends in financial and capital markets.

Looking at the Group's operating environment, opportunities are expected to expand in the digital field, including in internet advertising and digital marketing, and in the environmental hygiene field. However, demand for publication printing and other paper media is trending downward. Moreover, there are concerns about earnings downside risks as a result of such factors as stagnation in private consumption and corporate activity due to the spread of COVID-19, as well as declining unit prices because of intensifying competition. The business environment will likely remain challenging.

In this environment, the Group will act in accordance with TOPPAN VISION 21 and the key concept of "Digital & Sustainable Transformation." The Group has positioned the following as critical management tasks: "Transforming the business portfolio" to enhance profitability, "strengthening management foundations" to generate new growth, and "expanding ESG initiatives" to support sustainable value enhancement. With these tasks in mind, the entire Toppan Group will move forward decisively with efforts to improve business results.

In the current fiscal year, the Toppan Group expects decreases of 1.2% in net sales, to ¥1,450.0 billion, 11.5% in operating profit, to ¥52.0 billion, and 62.2% in profit attributable to owners of parent, to ¥31.0 billion.

Notes on forward-looking statements

This Report includes certain "forward-looking statements," which are forecasts based on currently available information and include assumptions concerning factors such as known and unknown risks. Actual outcome and performance may differ significantly depending on various factors.

Consolidated Balance Sheets

Toppan Inc. and Subsidiaries

As of March 31, 2020 and 2021

ASSETS	2020	Millions of yen 2021	Thousands of U.S. dollars (note 1) 2021
CURRENT ASSETS:			
Cash and cash equivalents (notes 1 and 13)	¥ 296,873	¥ 497,238	$ 4,491,356
Time deposits with original maturities over three months (notes 4 and 13)	42,838	30,735	277,617
Securities (notes 1, 2 and 13)	26,304	15,419	139,274
Notes and accounts receivable —			
Trade (notes 4 and 13)	401,259	393,599	3,555,225
Associates (note 13)	372	473	4,272
Allowance for doubtful receivables (note 1)	(2,040)	(3,740)	(33,782)
Inventories (notes 1 and 4) —			
Merchandise and finished goods	49,685	46,794	422,672
Work in process, raw materials and supplies	59,432	56,777	512,844
Other current assets	28,036	29,700	268,269
Total current assets	902,759	1,066,995	9,637,747
PROPERTY, PLANT AND EQUIPMENT (notes 1 , 4 , 5 and 11)**:**			
Land	154,524	150,864	1,362,695
Buildings and structures	609,852	604,890	5,463,734
Machinery, equipment, vehicles and other	906,008	909,634	8,216,367
Construction in progress	31,671	21,527	194,445
	1,702,055	1,686,915	15,237,241
Accumulated depreciation	(1,101,527)	(1,115,136)	(10,072,586)
Total property, plant and equipment	600,528	571,779	5,164,655
INVESTMENTS AND OTHER ASSETS:			
Investments in and advances to associates (notes 1 and 13)	61,873	53,862	486,514
Investment securities (notes 1, 2 and 13)	422,736	579,271	5,232,328
Deferred tax assets (notes 1 and 6)	27,385	25,821	233,231
Long-term loans receivable	130	129	1,165
Net defined benefit asset (notes 1 and 7)	67,510	2,842	25,671
Intangible assets (notes 1 and 5)	49,638	48,182	435,209
Other assets (note 5)	10,896	14,623	132,084
Total investments and other assets	640,168	724,730	6,546,202
TOTAL ASSETS	¥ 2,143,455	¥ 2,363,504	$ 21,348,604

The accompanying notes to the consolidated financial statements are an integral part of these statements.

As of March 31, 2020 and 2021

LIABILITIES AND NET ASSETS	Millions of yen 2020	2021	Thousands of U.S. dollars (note 1) 2021
CURRENT LIABILITIES:			
Short-term loans (notes 3 and 13)	¥ 33,343	¥ 30,588	$ 276,289
Current portion of long-term indebtedness (notes 3 and 13)	34,466	10,075	91,004
Notes and accounts payable —			
Trade (note 13)	249,302	233,734	2,111,228
Construction	30,093	22,154	200,108
Associates (note 13)	9,137	8,695	78,539
Accrued expenses	59,372	65,524	591,853
Income taxes payable (note 1)	42,896	26,487	239,247
Other current liabilities	31,376	39,235	354,393
Total current liabilities	489,985	436,492	3,942,661
LONG-TERM LIABILITIES:			
Long-term indebtedness (notes 3 and 13)	183,135	283,582	2,561,485
Net defined benefit liability (notes 1 and 7)	50,001	48,698	439,870
Provision for directors' retirement benefits (note 1)	1,609	1,715	15,491
Deferred tax liabilities (notes 1 and 6)	92,604	123,977	1,119,836
Other long-term liabilities	15,888	15,875	143,392
Total long-term liabilities	343,237	473,847	4,280,074
NET ASSETS (note 8)**:**			
SHAREHOLDERS' EQUITY			
Capital stock:			
Authorized — 1,350,000,000 shares in 2020 and 2021 Issued – 349,706,240 shares in 2020 and 2021	104,986	104,986	948,297
Capital surplus	126,785	126,794	1,145,280
Retained earnings	771,956	832,978	7,523,964
Treasury stock, at cost: 3,551,980 shares and 7,671,677 shares as of March 31, 2020 and 2021, respectively	(4,295)	(10,887)	(98,338)
Total shareholders' equity	999,432	1,053,871	9,519,203
ACCUMULATED OTHER COMPREHENSIVE INCOME Valuation difference on available-for-sale securities (notes 1 and 2)	186,079	273,432	2,469,804
Deferred gains or losses on hedges (note 1)	(227)	(176)	(1,590)
Foreign currency translation adjustments (note 1)	(4,211)	(5,745)	(51,892)
Remeasurements of defined benefit plans	1,555	2,340	21,136
Total accumulated other comprehensive income	183,196	269,851	2,437,458
NON-CONTROLLING INTERESTS	127,605	129,443	1,169,208
TOTAL NET ASSETS	1,310,233	1,453,165	13,125,869
TOTAL LIABILITIES AND NET ASSETS	¥2,143,455	¥2,363,504	$21,348,604

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income

Toppan Inc. and Subsidiaries

Years ended March 31, 2020 and 2021

		Millions of yen	Thousands of U.S. dollars (note 1)
	2020	2021	2021
NET SALES	¥1,486,008	¥1,466,935	$13,250,248
COST OF SALES	1,185,871	1,165,533	10,527,802
Gross profit	300,137	301,402	2,722,446
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	233,723	242,612	2,191,419
Operating profit	66,414	58,790	531,027
OTHER INCOME (EXPENSES):			
Interest and dividend income	6,779	6,945	62,731
Interest expenses	(3,772)	(4,055)	(36,627)
Foreign currency exchange gains (losses)	(1,491)	(788)	(7,118)
Share of profit (loss) of entities accounted for using equity method	(50)	1,728	15,608
Dismantlement expenses	(1,279)	(3,328)	(30,061)
COVID-19 related expenses	(174)	(1,669)	(15,075)
Gain on sales of non-current assets	534	4,689	42,354
Loss on sales and retirement of non-current assets	(1,694)	(3,291)	(29,726)
Gain (loss) on sales of investment securities (note 2)	94,378	102,204	923,169
Loss on valuation of investment securities (note 1)	(2,648)	(11,470)	(103,604)
Loss on liquidation of investment securities (note 1)	(356)	—	—
Gain (loss) on sales of shares of subsidiaries and associates	3,245	(2,427)	(21,922)
Gain (loss) on liquidation of subsidiaries and associates	—	145	1,310
Gain on return of assets from retirement benefits trust	—	2,801	25,300
Gain on step acquisitions	—	136	1,228
Impairment loss (notes 5 and 12)	(16,652)	(20,191)	(182,377)
Environmental expenses	(3,124)	—	—
Expenses for integration and closure of business bases	(1,563)	—	—
Loss on withdrawal from business	(949)	—	—
Other, net	(2,743)	(199)	(1,797)
Total	68,441	71,230	643,393
PROFIT BEFORE INCOME TAXES	134,855	130,020	1,174,420
INCOME TAXES (notes 1 and 6):			
Current	50,899	53,018	478,891
Deferred	(5,731)	(6,752)	(60,988)
Total	45,168	46,266	417,903
PROFIT	89,687	83,754	756,517
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(2,639)	(1,756)	(15,861)
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 87,048	¥ 81,998	$ 740,656

		yen	U.S. dollars (note 1)
PER SHARE OF COMMON STOCK (note 9)	2020	2021	2021
Earnings:			
Basic	¥ 261.06	¥ 237.16	$ 2.14
Diluted	—	—	—
Cash dividends, applicable to earnings for year	60.00	40.00	0.36

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Toppan Inc. and Subsidiaries

Years ended March 31, 2020 and 2021

		Millions of yen	Thousands of U.S. dollars (note 1)
	2020	2021	2021
Profit	¥ 89,687	¥ 83,754	$ 756,517
Other comprehensive income:			
Valuation difference on available-for-sale securities	(105,186)	87,848	793,497
Deferred gains or losses on hedges	142	51	461
Foreign currency translation adjustments	(1,469)	(1,638)	(14,797)
Remeasurements of defined benefit plans, net of tax	(4,037)	1,244	11,237
Share of other comprehensive income of entities accounted for using equity method	(1,780)	952	8,599
Total other comprehensive income (note 14)	(112,330)	88,457	798,997
Comprehensive income	¥ (22,643)	¥172,211	$1,555,514
Comprehensive income attributable to:			
Owners of parent	¥ (24,822)	¥168,652	$1,523,367
Non-controlling interests	2,179	3,559	32,147

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Toppan Inc. and Subsidiaries

Years ended March 31, 2020 and 2021

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019	¥ 104,986	¥ 120,032	¥ 700,765	¥ (53,932)	¥ 871,851
Dividends of surplus			(13,206)		(13,206)
Profit attributable to owners of parent			87,048		87,048
Purchases of treasury stock				(157)	(157)
Disposal of treasury stock		(28)		143	115
Change due to share exchange		(4,067)		33,706	29,639
Conversion of Convertible bond-type bonds with share acquisition rights		1,155		15,945	17,100
Transfer from retained earnings to capital surplus		2,651	(2,651)		—
Change in ownership interest of parent due to transactions with non-controlling interests		7,042			7,042
Net changes of items other than Shareholders' equity					—
Total changes of items during the period	—	6,753	71,191	49,637	127,581
Balance at April 1, 2020	¥ 104,986	¥ 126,785	¥ 771,956	¥ (4,295)	¥ 999,432
Dividends of surplus			(20,775)		(20,775)
Profit attributable to owners of parent			81,998		81,998
Purchases of treasury stock				(7,396)	(7,396)
Disposal of treasury stock		(19)		804	785
Transfer from retained earnings to capital surplus		201	(201)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(173)			(173)
Net changes of items other than Shareholders' equity					—
Total changes of items during the period	—	9	61,022	(6,592)	54,439
Balance at March 31, 2021	¥ 104,986	¥ 126,794	¥ 832,978	¥ (10,887)	¥ 1,053,871

Millions of yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥ 292,997	¥ (369)	¥ (2,514)	¥ 4,952	¥ 295,066	¥ 161,958	¥ 1,328,875
Dividends of surplus							(13,206)
Profit attributable to owners of parent							87,048
Purchases of treasury stock							(157)
Disposal of treasury stock							115
Change due to share exchange							29,639
Conversion of Convertible bond-type bonds with share acquisition rights							17,100
Transfer from retained earnings to capital surplus							—
Change in ownership interest of parent due to transactions with non-controlling interests							7,042
Net changes of items other than Shareholders' equity	(106,918)	142	(1,697)	(3,397)	(111,870)	(34,353)	(146,223)
Total changes of items during the period	(106,918)	142	(1,697)	(3,397)	(111,870)	(34,353)	(18,642)
Balance at April 1, 2020	¥ 186,079	¥ (227)	¥ (4,211)	¥ 1,555	¥ 183,196	¥ 127,605	¥ 1,310,233
Dividends of surplus							(20,775)
Profit attributable to owners of parent							81,998
Purchases of treasury stock							(7,396)
Disposal of treasury stock							785
Transfer from retained earnings to capital surplus							—
Change in ownership interest of parent due to transactions with non-controlling interests							(173)
Net changes of items other than Shareholders' equity	87,353	51	(1,534)	785	86,655	1,838	88,493
Total changes of items during the period	87,353	51	(1,534)	785	86,655	1,838	142,932
Balance at March 31, 2021	¥ 273,432	¥ (176)	¥ (5,745)	¥ 2,340	¥ 269,851	¥ 129,443	¥ 1,453,165

Thousands of U.S. dollars (note 1)					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2020	$ 948,297	$ 1,145,199	$ 6,972,774	$ (38,794)	$ 9,027,476
Dividends of surplus			(187,650)		(187,650)
Profit attributable to owners of parent			740,656		740,656
Purchases of treasury stock				(66,806)	(66,806)
Disposal of treasury stock		(172)		7,262	7,090
Transfer from retained earnings to capital surplus		1,816	(1,816)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(1,563)			(1,563)
Net changes of items other than Shareholders' equity					—
Total changes of items during the period	—	81	551,190	(59,544)	491,727
Balance at March 31, 2021	$ 948,297	$ 1,145,280	$ 7,523,964	$ (98,338)	$ 9,519,203

Thousands of U.S. dollars (note 1)							
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2020	$ 1,680,779	$ (2,051)	$ (38,035)	$ 14,045	$ 1,654,738	$ 1,152,606	$ 11,834,820
Dividends of surplus							(187,650)
Profit attributable to owners of parent							740,656
Purchases of treasury stock							(66,806)
Disposal of treasury stock							7,090
Transfer from retained earnings to capital surplus							—
Change in ownership interest of parent due to transactions with non-controlling interests							(1,563)
Net changes of items other than Shareholders' equity	789,025	461	(13,857)	7,091	782,720	16,602	799,322
Total changes of items during the period	789,025	461	(13,857)	7,091	782,720	16,602	1,291,049
Balance at March 31, 2021	$ 2,469,804	$ (1,590)	$ (51,892)	$ 21,136	$ 2,437,458	$ 1,169,208	$ 13,125,869

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Toppan Inc. and Subsidiaries

Years ended March 31, 2020 and 2021

		Millions of yen	Thousands of U.S. dollars (note 1)
	2020	2021	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥134,855	¥130,020	$1,174,420
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation	55,953	63,002	569,072
Impairment loss	16,652	20,191	182,377
Increase (decrease) in net defined benefit liability	(1,787)	4,005	36,176
Decrease (increase) in net defined benefit asset	(10,588)	61,202	552,814
Increase in investment securities due to return of assets from retirement benefits trust	—	(59,879)	(540,864)
Increase (decrease) in allowance for doubtful accounts	(298)	1,663	15,021
Interest and dividend income	(6,779)	(6,945)	(62,731)
Interest expenses	3,772	4,055	36,627
Share of (profit) loss of entities accounted for using equity method	50	(1,728)	(15,608)
Loss (gain) on sales of investment securities	(94,378)	(102,204)	(923,169)
Loss (gain) on valuation of investment securities	2,648	11,470	103,604
Loss (gain) on sales and retirement of non-current assets	1,160	(1,398)	(12,628)
Loss (gain) on sales of shares of subsidiaries and associates	(3,245)	2,427	21,922
Gain on return of assets from retirement benefits trust	—	(2,801)	(25,300)
Environmental expenses	3,124	—	—
Loss on liquidation of investment securities	356	—	—
Decrease (increase) in notes and accounts receivables - trade	17,591	8,046	72,676
Decrease (increase) in inventories	982	6,188	55,894
Increase (decrease) in notes and accounts payable - trade	(16,888)	(15,997)	(144,495)
Decrease (increase) in consumption taxes receivable/payable	1,091	6,799	61,413
Other, net	8,652	15,016	135,634
Subtotal	112,923	143,132	1,292,855
Interest and dividend income received	7,277	6,451	58,269
Interest expenses paid	(3,771)	(4,001)	(36,139)
Income taxes (paid) refund	(24,295)	(68,724)	(620,757)
Net cash provided by operating activities	92,134	76,858	694,228
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (Increase) in time deposits, net	(7,915)	12,380	111,824
Purchase of securities	(26,500)	(5,000)	(45,163)
Proceeds from sales of securities	22,000	17,100	154,458
Purchase of property, plant and equipment	(72,696)	(56,607)	(511,309)
Proceeds from sales of property, plant and equipment	1,632	8,283	74,817
Purchase of intangible assets	(8,706)	(12,193)	(110,135)
Purchase of investment securities	(5,522)	(2,134)	(19,276)
Proceeds from sales and redemption of investment securities	103,932	121,173	1,094,508
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(36,884)	(3,415)	(30,846)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	174	1,572
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,678	—	—
Purchase of shares of associates	(7,302)	(940)	(8,491)
Proceeds from sales of shares of associates	—	7,710	69,641
Payments of long-term loans receivable	(1,491)	(8)	(72)
Proceeds from sales of business	498	—	—
Payments for acquisitions of business	(572)	—	—
Other, net	(1,297)	(5,274)	(47,638)
Net cash provided by (used in) investing activities	(35,143)	81,249	733,890
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	(4,474)	(2,809)	(25,373)
Proceeds from long-term loans payable	31,034	119,878	1,082,811
Repayments of long-term loans payable	(19,356)	(13,369)	(120,757)
Redemption of bonds	(22,900)	(30,000)	(270,978)
Purchase of treasury shares	(22)	(7,395)	(66,796)
Cash dividends paid	(13,293)	(20,894)	(188,727)
Dividends paid to non-controlling interests	(1,397)	(1,380)	(12,465)
Proceeds from share issuance to non-controlling interests	63	61	551
Other, net	(2,395)	(1,877)	(16,954)
Net cash provided by (used in) financing activities	(32,740)	42,215	381,312
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(368)	43	389
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,883	200,365	1,809,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (note 1)	272,990	296,873	2,681,537
CASH AND CASH EQUIVALENTS AT END OF PERIOD (note 1)	¥296,873	¥497,238	$4,491,356

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Toppan Inc. and Subsidiaries

note 1

Summary of Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by Toppan Inc. (the "Company") and its subsidiaries in the preparation of the consolidated financial statements.

Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the five specified items described in 'Principles of Consolidation' as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. $1. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made to the consolidated financial statements for the years ended March 31, 2020 to conform to the presentation for the year ended March 31, 2021.

Principles of Consolidation

The consolidated financial statements for 2020 and 2021 include the accounts of the Company and its subsidiaries (the "Companies") over which the Company has control through majority voting rights or the existence of certain conditions evidencing control by the Company. Significant inter-company balances, transactions and profits have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The difference between the net assets at fair value and book value of investments at acquisition date is recorded as goodwill or negative goodwill. Goodwill is amortized on a straight-line basis over 3 to 15 years, the estimated period to be benefited, and negative goodwill is recognized in income statement immediately.

Investments in associates for which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method.

On June 28, 2019, the Accounting Standards Board of Japan ("ASBJ") issued Practice Issue Task Force No.18, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" ("PITF No.18"). PITF No.18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statement. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statement using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following five items are required in the consolidation process so that their impacts on profit attributable to owners of parent are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Changes in fair value of an equity instrument in other comprehensive income

Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, readily available deposits and short-term investments, which are easily convertible into cash, present insignificant risk of changes in value and have maturities not exceeding three months at the time of purchase.

Securities

The Company and domestic subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and associates ("equity securities"), and (d) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Companies have no trading securities. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of available-for-sale securities are computed using moving average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of available-for-sale securities declines significantly and the decline is considered other than temporary, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline.

If the fair market value of equity securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the consolidated statements of income in the event that the net asset value declines significantly.

In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Allowance for Doubtful Receivables

An allowance for doubtful trade receivables and advances is provided at an amount calculated based on historical experience, while specific allowances for doubtful trade receivables and advances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

Inventories

Inventories are generally stated at cost determined by the following methods:

Merchandise	Primarily specific identification method
Finished goods and work in process	Primarily specific identification method
Raw materials	Primarily moving average method

In cases where the profitability has declined, the book value of inventories is reduced accordingly.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Property, plant and equipment, excluding leased assets and right-of-use assets are depreciated using the straight-line method. The range of useful lives is 8 to 50 years for buildings and structures, and 2 to 15 years for machinery, equipment and vehicles.

Leased assets are depreciated over respective lease terms using the straight-line method without residual value. Right-of-use assets are depreciated over respective lease terms or useful lives, whichever is shorter, using the straight-line-method without residual value.

Software Costs

Costs of software for internal use are depreciated using the straight-line method over their estimated useful lives (2 to 10 years). The net unamortized amount of software costs is included in “Intangible assets” in the consolidated balance sheets.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets or liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating loss. Deferred tax assets or liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The measurement of deferred tax assets or liabilities reflects the tax consequences that would result in the manner and from the period in which the Company expects, at the balance sheet date, to realize or settle the carrying amount of its assets and liabilities.

Net Defined Benefit Asset and Liability

The Companies have defined benefit pension plans and defined contribution pension plans.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and domestic subsidiaries provide the allowance for employees’ severance and retirement benefits at the end of each year based on the estimated amount of projected benefit obligation and the fair value of plan assets at that date.

Prior service costs are amortized over 13 years. Actuarial gains and losses are charged to income or loss using the straight-line method over the employees’ average remaining years of service (primarily 1 year for the defined benefit pension plans and primarily 13 years for the lump-sum retirement plans), commencing with the following period.

Provision for Directors’ Retirement Benefits

Some domestic subsidiaries have unfunded termination and retirement benefit plans for directors and audit and supervisory board members who customarily receive lump-sum payments upon termination, subject to shareholders’ approval. The accrued severance and retirement benefits for directors and audit and supervisory board members are calculated in accordance with internal regulations.

Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for and qualify as hedges, in which case the instrument gains and losses are deferred, net of tax, as a component of net assets in the consolidated balance sheets until the related losses or gains on the hedged items are also recognized.

However, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is reported as part of net interest expense (“the simplified method of hedge accounting”).

The following summarizes hedging derivative financial instruments used by the Company and certain subsidiaries and the items hedged in the year ended March 31, 2021:

Hedging instruments:	Hedge items:
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables and forecast transactions denominated in foreign currency
Interest rate swap contracts	Interest on bonds and loans payable

The Company and certain subsidiaries evaluate hedge effectiveness quarterly by comparing the cumulative changes in cash flows or fair value of the hedging derivative with the corresponding changes in cash flows or fair value of hedged items.

Foreign Currency Translation

Foreign currency transactions are translated into Japanese yen using the exchange rates in effect at the time of the transactions or at the applicable exchange rates under related forward exchange contracts.

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rate.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are also translated into Japanese yen at the current exchange rate. Any resulting translation differences are reflected as foreign currency translation adjustments in net assets in the consolidated balance sheets.

Research and Development Expenses

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses include practical-application research expenses of technical development departments and other research expenses incurred by the Toppan Technical Research Institute.

The subject amounts for the years ended March 31, 2020 and 2021, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Research and development expenses	¥19,268	¥22,348	$201,861

Appropriations of Retained Earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

Significant Accounting Estimates

Judgment on whether an impairment loss on property, plant and equipment and intangible assets is necessary.

(1) Amounts recognized in the current year’s consolidated financial statements

Property, plant and equipment of ¥571,779 million (US$5,164,655 thousand) and Intangible assets of ¥48,182 million (US$435,209 thousand).

(2) Information on the nature of significant accounting estimates for identified items

For non-current assets, the Companies determine whether there is an indication of impairment in each asset group on each year-end. Major events that are considered an indication of impairment are continuous operating losses, a significant change such as the use of an asset management strategy, and rapid deterioration of the business environment.

If an indication of impairment exists for an asset group, the Companies estimate the undiscounted future cash flows of the asset group. If the book value of the asset group exceeds the undiscounted future cash flows, the Companies estimate the recoverable amount of the asset group. In estimating the recoverable amounts, the Companies mainly use the net realizable value for idle assets and the value in use or the net realizable value for other assets. The value in use is the present value derived by discounting the future cash flows with a discount rate over the remaining economic useful life of the asset group. It is based on certain assumptions considered reasonable at the time of estimate. The future cash flows are estimated based on the medium- to long-term business plan approved by the Board of

Directors of the Company. The medium- to long-term business plans are estimated based on the business growth rate considering future market trends, investment plans, and other information considered reasonable by management, taking into account the most recent business performance of the product type, market forecast data obtained from external research agencies, product purchasing plans presented by major customers, cost-cutting measures, and others. The discount rates are estimated based on the historical weighted average cost of capital of the Company. The net realizable value is the market value after deducting estimated disposal expenses. The calculation of market value uses observable market transactions, or other reasonably calculated value such as an appraisal value.

The Companies operate a wide range of businesses, from development, manufacturing to sale or delivery of a variety of products and services. Therefore, the Companies' businesses are affected by various factors. These uncertain future changes in the market environments may cause a significant disparity between the estimates made by management and the actual results. When it becomes necessary to revise assumptions used in estimates, it may have a significant impact on the amounts recognized in the consolidated financial statements for the year ending March 31, 2022.

Projected Benefit Obligation and Retirement Benefit Expenses

(1) Amounts recognized in the current year's consolidated financial statements

Net defined benefit liability of ¥48,698 million (US$439,870 thousand) and Net defined benefit asset of ¥2,842 million (US$25,671 thousand).

(2) Information on the nature of significant accounting estimates for identified items

The Company and some of its consolidated subsidiaries provide various retirement benefits and pension plans and recognize a retirement benefit asset or liability, and retirement benefit expenses to prepare for future payment of retirement benefits to employees. Retirement benefit asset and liability and retirement benefit expenses are calculated based on actuarial assumptions. The actuarial assumptions include a discount rate, long-term expected rate of return on plan assets, estimated rate of increase in salary, retirement rate, mortality rate and others. The discount rate is determined based on fixed-rate government bond yields provided by a certified pension actuary. The long-term expected rate of return on plan assets is determined, considering the long-term estimated rate of return on the present and expected plan asset portfolio. The estimated rate of increase in salary, retirement rate, and mortality rate are determined based on statistical data provided by a certified pension actuary.

Management considers these assumptions reasonable as of the current year-end, but these assumptions may be affected by uncertain future changes in economic conditions. When it becomes necessary to revise assumptions used in estimates, it may have a significant impact on the amounts recognized in the consolidated financial statements for the year ending March 31, 2022.

Accounting Standards Issued But Not Yet Applied

• Accounting Standard for Revenue Recognition

Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, March 26, 2021)

(1) Summary

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following five steps:

Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the year ending March 31, 2022.

(3) Effects of the application of the standards

The Group applied the standard at the beginning of the year ending March 31, 2022. Under this new standard, the Group recognizes revenue from goods or services which the Group has promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to the customer. The main changes from the previous revenue recognition method are as follows.

1. Revenue recognition related to sales of finished goods and merchandise

Previously, revenue was recognized mainly at the time of shipment. This practice has been replaced with the following method. In the case of sales in Japan, revenue is recognized mainly at the time the finished goods or merchandise arrive at the customer's location. In the case of export sales, revenue is recognized mainly at the time that control over the finished goods or merchandise has been transferred to the customer in accordance with the terms of trade stipulated in Incoterms or similar agreements.

2. Revenue recognition related to transactions in which the control is transferred over a specific period

For BPO services and the production of software/content on order, etc., revenue was previously recognized mainly at the time when the provision of goods or services was finished. This practice has been replaced with a method under which the control over the goods or services is transferred to the customer over a specific period, and revenue is recognized over the specific period as the performance obligation to transfer the goods or services to the customer is fulfilled. In addition, regarding construction contracts involving spatial design, installation, etc., the percentage-of-completion method was previously applied where the outcome of the contract could be estimated with sufficient reliability regarding the degree of completion of construction, and the completed-contract method was applied to other types of construction. This practice has been replaced with a method under which the control over goods or services is transferred to the customer over a specific period and revenue is recognized over the specific period as the performance obligation to transfer the goods or services to the customer is fulfilled. Progress in the fulfillment of performance obligations is measured based mainly on the costs incurred by the end of each reportable period as a percentage of the estimated total cost. Further, revenue is recognized by applying the cost recovery method where the progress in the fulfillment of performance obligations cannot be estimated reasonably but the incurred cost is expected to be recovered, such as in the early phase of a contract.

3. Revenue recognition related to agent transactions

Regarding some transactions, the total consideration received from the customer was previously recognized as revenue. This practice has been replaced with a method in which the net amount of transactions where the Group's role in the provision of goods or services to the customer is that of an agent (transactions where the Group does not acquire control over the goods or services to be transferred to the customer and only provides the service of arranging these goods or services), calculated by deducting the amount paid to the supplier from the amount received from the customer, is recognized as revenue.

4. Revenue recognition related to buy-sell transactions in which the Group sells and buys back goods

Previously, goods which have been supplied for a fee were derecognized from inventory. This practice has been replaced with a method in which, if the Group has the obligation to purchase back the supplied goods, the goods remaining at the party to which they were supplied for a fee continue to be recognized as inventory, and liabilities related to the fee-based supply are recognized regarding the amount equivalent to the period-end inventory of the supplied goods. Liabilities related to the fee-based supply are included in "Other current liabilities". In these transactions, revenue related to the transfer of supplied goods is not recognized.

5. Revenue recognition related to buy-sell transactions in which the Group buys and sells back goods

Previously, the total consideration including the purchase price of raw materials, etc. was recognized as revenue. This practice has been replaced with a method with which the net amount calculated by subtracting the purchase price of raw materials, etc. is recognized as revenue, and assets related to the fee-based supply are recognized as the period-end inventory of the supplied goods remaining at the Group. Assets related to the fee-based supply are included in “Other current assets”.

6. Revenue recognition related to sale with a right of return

Previously, provision for sales returns was recognized based on the amount of gross profit. This practice has been replaced with the following method. Regarding finished goods or merchandise which are expected to be returned, revenue and the amount equivalent to the cost of sales are not recognized at the time of sale in accordance with the requirement on variable consideration, and the amount of the consideration which has been or is received in return for the said finished goods or merchandise is recognized as a refund liability, and the right to collect the said finished goods or merchandise from the customer, which will be exercisable at the time of the payment of the refund liability, is recognized as a return asset. Refund liabilities are included in “Other current liabilities”. Return assets are included in “Other current assets”.

The Accounting Standard for Revenue Recognition is applied according to the transitional measures stipulated in the provisions of paragraph 84 of the same standard. Regarding the application of the new accounting policy, it is applied to the balance of retained earnings at the beginning of the year ending March 31, 2022. This balance of retained earnings is obtained by calculating the cumulative impact of the retrospective application of the new accounting policy to periods prior to the beginning of the year ending March 31, 2022, either by adding it to or deducting it from the retained earnings. However, the Group has applied the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition. For contracts whose almost all of revenue was recognized in compliance with the previous method before the beginning of the year ending March 31, 2022, the Group has not retroactively applied the new accounting policy. The Group applied the method prescribed in note (1) of paragraph 86 of the Accounting Standard for Revenue Recognition, accounting for the contract changes made prior to the beginning of the year ending March 31, 2022 based on the contract terms after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the year ending March 31, 2022.

As a result, during the first quarter for the year ending March 31, 2022, net sales decreased by ¥3,252 million (US$29,374 thousand), the cost of sales declined by ¥2,967 million (US$26,800 thousand), selling, general and administrative expenses dropped by ¥9 million (US$81 thousand), and operating profit and profit before income taxes each decreased by ¥276 million (US$2,493 thousand) respectively. The balance of retained earnings at the beginning of the year ending March 31, 2022 increased ¥30 million (US$271 thousand).

• Accounting Standards for Fair Value Measurement, etc.

Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, July 4, 2019)

Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, July 4, 2019)

Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019)

Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020)

(1) Summary

In order to improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement " and " Implementation Guidance on Accounting Standard for Fair Value Measurement " ("Fair Value Measurement Accounting Standards") were developed and its application guidance on how to measure the fair value were established. These standard and guidance are applied to the fair values of the following items.

• Financial instruments under “Accounting Standard for Financial Instruments”
• Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories"

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and notes such as a breakdown by level of the fair value of financial instruments have been established.

(2) Effective date

Effective from the beginning of the year ending March 31, 2022.

(3) Effects of the application of the standards

This new standard has no impact on the consolidated financial statements.

Changes in the Method of Presentation

(Consolidated Statements of Income)

From the year ended March 31, 2021, “COVID-19 related expenses”, which had been included in “Other, net” in other income (expenses) in the year, ended March 31, 2020 have been presented separately due to their increased materiality. To reflect this change in presentation, accounts in the consolidated financial statements for the year ended March 31, 2020 have been reclassified.

Consequently, ¥174 million (US$ 1,599 thousand) included in “Other, net” in other income (expenses) in the consolidated statements of income in the year ended March 31, 2020 is presented as “COVID-19 related expenses”.

From the year ended March 31, 2021, “Dismantlement expenses”, which had been included in “Other, net” in other income (expenses) in the year ended March 31, 2020, have been presented separately due to their increased materiality. To reflect this change in presentation, accounts in the consolidated financial statements for the year ended March 31, 2020 have been reclassified.

Consequently, ¥1,279 million (US$ 11,752 thousand) included in “Other, net” in other income (expenses) in the consolidated statements of income in the year ended March 31, 2020 is presented as “Dismantlement expenses”.

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) has been adopted from the year ended March 31, 2021. The standard requires the Company to disclose significant accounting estimates in the notes to the consolidated financial statements. However, pursuant to the transitional treatment specified in the provision set out in paragraph 11 of the accounting standard, the note does not provide comparative disclosure for the year ended March 31, 2020.

Accounting Estimate for the Spread of COVID-19

The Company makes accounting estimates, including accounting for the impairment of non-current assets, based on information available at the time of the preparation of the consolidated financial statements. The Company makes accounting estimates about the effects of COVID-19 on the assumption that the effects will continue for a certain period after the year ended March 31, 2021, although it is very difficult to predict when the pandemic will subside because its range and magnitude vary from business to business and from region to region. Actual effects could be different from the estimate, and such difference may have a significant impact on the Company’s financial condition and operating results in the subsequent years.

note 2

Marketable and Investment Securities

The following tables summarize historical costs, book values and fair values of securities with available fair values as of March 31, 2020 and 2021:

(a) Held-to-maturity debt securities

Securities with available fair values exceeding book values

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Book value	¥3,300	¥1,401	$12,655
Fair value	3,307	1,405	12,691
Difference	7	4	36

Securities with available fair values below book values

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Book value	¥18,922	¥7,312	$66,046
Fair value	18,834	7,301	65,947
Difference	(88)	(11)	(99)

(b) Available-for-sale securities

Securities with book values exceeding historical costs

		Millions of yen	Thousands of U.S. dollars
Equity securities	2020	2021	2021
Book value	¥348,528	¥525,836	$4,749,670
Historical costs	52,636	109,610	990,064
Difference	295,892	416,226	3,759,606

		Millions of yen	Thousands of U.S. dollars
Bonds	2020	2021	2021
Book value	¥1,248	¥1,590	$14,362
Historical costs	1,245	1,546	13,964
Difference	3	44	398

		Millions of yen	Thousands of U.S. dollars
Others	2020	2021	2021
Book value	¥594	¥4,925	$44,486
Historical costs	559	4,063	36,699
Difference	35	862	7,787

Securities with book values below historical costs

		Millions of yen	Thousands of U.S. dollars
Equity securities	2020	2021	2021
Book value	¥26,829	¥20,227	$182,703
Historical costs	35,403	24,272	219,239
Difference	(8,574)	(4,045)	(36,536)

		Millions of yen	Thousands of U.S. dollars
Bonds	2020	2021	2021
Book value	¥574	—	—
Historical costs	602	—	—
Difference	(28)	—	—

Others	2020	Millions of yen 2021	Thousands of U.S. dollars 2021
Book value	¥36,884	¥13,945	$125,960
Historical costs	37,519	14,013	126,574
Difference	(635)	(68)	(614)

Disclosure of "*Financial instruments of which fair values are difficult to obtain*" as of March 31, 2021 is included under note 13.
In addition, please see "Scheduled redemption for financial instruments with maturities after the balance sheet date" under note 13.

Available-for-sale securities sold in the years ended March 31, 2020 and 2021 are as follows:

	2020	Millions of yen 2021	Thousands of U.S. dollars 2021
Sales amount	¥102,850	¥120,538	$1,088,772
Gross realized gains	94,713	106,399	961,060
Gross realized losses	335	4,195	37,892

note 3

Short-Term Loans and Long-Term Indebtedness

Short-term loans consisted of unsecured loans payable to banks at weighted average interest rates of 2.1% and 0.9% per annum for March 31, 2020 and 2021.
Long-term indebtedness as of March 31, 2020 and 2021 is detailed in the following table:

	2020	Millions of yen 2021	Thousands of U.S. dollars 2021
Unsecured bonds—			
1.4%, due 2020	¥ 30,000	¥ —	$ —
0.9%, due 2023	40,000	40,000	361,304
1.1%, due 2029	20,000	20,000	180,652
0.6%, due 2031	15,000	15,000	135,489
0.7%, due 2036	15,000	15,000	135,489
Unsecured loans—			
0.1-8.0%, due 2020 through 2034	89,436	—	—
0.1-3.7%, due 2021 through 2035	—	195,817	1,768,738
Mortgage loans—			
0.7-3.7%, due 2021 through 2032	8,165	—	—
0.8-8.5%, due 2021 through 2032	—	7,840	70,817
Total long-term indebtedness	217,601	293,657	2,652,489
Less: Current portion included in current liabilities	(34,466)	(10,075)	(91,004)
Net long-term indebtedness	¥183,135	¥283,582	$2,561,485

The aggregate annual maturities of long-term debt as of March 31, 2021 are as follows:

Fiscal year ending March 31	Millions of yen 2021	Thousands of U.S. dollars 2021
2023	¥ 9,291	$ 83,922
2024	8,990	81,203
2025	47,106	425,490
2026	22,243	200,912
2027 and thereafter	105,952	957,023

note 4

Pledged Assets

As of March 31, 2020 and 2021, the following assets were pledged as collateral for current portion of long-term indebtedness and long-term indebtedness:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Time deposits with original maturities over three months	¥ 307	¥ 324	$ 2,927
Notes and accounts receivable — Trade	5,212	3,378	30,512
Inventories	2,434	517	4,670
Land	15,288	15,191	137,214
Buildings and structures	6,534	4,108	37,106
Machinery, equipment, vehicles, and other	2,994	2,183	19,718
Total	¥32,769	¥25,701	$232,147

note 5

Impairment Loss

The Companies assess possible impairment of non-current assets by grouping operating assets into major product category and assess idle assets on an individual asset basis. In calculating recoverable amounts, the Companies mainly use the net realizable value for idle assets and the value in use or the net realizable value for other assets. The discount rates used for calculating the value in use are from 9.0% to 10.1% for the year ended March 31, 2021. The net realizable value is calculated based mainly on the current realizable values of similar assets and official appraised value.

As a result, ¥16,652 million and ¥20,191 million (US$182,377 thousand) were recorded as impairment loss in other income (expenses) in the years ended March 31, 2020 and 2021, respectively.

For the year ended March 31, 2020

Loss on the assets for information recording material-related production plant in Fukaya City was due to a decline in profitability associated with the deterioration of the business environment. Loss on the display-related production plant in Higashiomi City was due to a decline in profitability in a short-term planned period caused by a delay in starting the operation of the business. Loss on the display-related production equipment in Taoyuan City, Taiwan was due to a decline in profitability associated with the deterioration of the business environment. Loss on the display-related production plant in Nankoku City was due to a decline in profitability associated with the deterioration of the business environment. Loss on the security printing-related production equipment in Republic of Singapore was due to a decline in profitability associated with the deterioration of the business environment. Loss on the flexible packaging material-related production equipment in Shanghai City, People's Republic of China was due to the infeasibility of the initially expected level of earnings, from the restructuring of the production system. Loss on the idle assets in Itabashi-ward was due to the result of the decision to dispose of the buildings that have deteriorated significantly as the Company proceeds with preparations for future land use.

In the year ended March 31, 2020, the loss was ¥3,759 million for the information recording material-related production plant, ¥3,641 million for display-related production plant, ¥1,813 million for display-related production equipment, ¥1,282 million for the security printing-related production equipment, ¥1,079 million for the flexible packaging material-related production equipment, ¥1,488 million for idle assets, and ¥3,592 million for other operating assets. By asset category, the loss was ¥5,513 million for buildings and structures, ¥7,804 million for machinery, equipment, vehicles and others, ¥77 million for land, ¥612 million for construction in progress, ¥2,467 million for intangible assets, and ¥180 million for other assets included in "INVESTMENTS AND OTHER ASSETS".

For the year ended March 31, 2021

Loss on the assets for the display-related production plant in Tsu City was due to a decision on a business transfer. Loss on the semiconductor-related production plant in Tamana City was due to a decline in profitability associated with the deterioration of the business environment. Loss on the semiconductor-related production equipment in Texas, USA, was due to a decline in profitability associated with the deterioration of the business environment. Loss on the publishing and commercial printing-related production plant in Kawagoe City was due to the infeasibility of the initially expected level of earnings because of the restructuring of the production system. Loss on the display-related production plant in Tamana City was due to a decline in profitability associated with the deterioration of the business environment. Loss on the display-related production plant in Taoyuan City, Taiwan was due to a decline in profitability associated with the deterioration of the business environment.

In the year ended March 31, 2021, the loss was ¥6,986 million (US$63,102 thousand) for display-related production plant, ¥3,703 million (US$33,448 thousand) for semiconductor-related production plant, ¥2,226 million (US$20,107 thousand) for semiconductor-related production equipment, ¥603 million (US$5,447 thousand) for publishing and commercial printing-related production plant, ¥201 million (US$1,816 thousand) for idle assets, and ¥6,473 million (US$58,468 thousand) for other operating assets. By asset category, the loss was ¥6,995 million (US$63,183 thousand) for buildings and structures, ¥7,536 million (US$68,070 thousand) for machinery, equipment, vehicles and others, ¥2,952 million (US$26,664 thousand) for land, ¥1,118 million (US$10,098 thousand) for construction in progress, ¥1,562 million (US$14,109 thousand) for intangible assets, and ¥30 million (US$271 thousand) for other assets included in "INVESTMENTS AND OTHER ASSETS".

The following table summarizes the location, the purpose of use and the category of impaired assets:

2020

Location	Use	Category
Fukaya City, Saitama Prefecture	Information recording material-related production plant	Buildings and other assets
Higashiomi City, Shiga Prefecture	Display-related production plant	Machinery, equipment and other assets
Taoyuan City, Taiwan	Display-related production equipment	Machinery and equipment
Nankoku City, Kochi Prefecture	Display-related production plant	Machinery, equipment and other assets
Republic of Singapore	Security printing-related production equipment	Right-of-use asset and other assets
Shanghai City, People's Republic of China	Flexible packaging material-related production plant	Buildings and other assets
Itabashi-ward, Tokyo	Idle assets	Buildings and other assets

2021

Location	Use	Category
Tsu City, Mie Prefecture	Display-related production plant	Land and other assets
Tamana City, Kumamoto Prefecture	Semiconductor-related production plant	Machinery, equipment and other assets
Texas, USA	Semiconductor-related production equipment	Machinery and equipment
Kawagoe City, Saitama Prefecture	Publishing and commercial printing-related production plant	Buildings and other assets
Tamana City, Kumamoto Prefecture	Display-related production plant	Machinery, equipment and other assets
Taoyuan City, Taiwan	Display-related production plant	Buildings and other assets

note 6

Income Taxes

The Company is subject to several taxes (corporate, inhabitant and enterprise) based on income.

The following table summarizes the significant differences between the Company's statutory tax rate and the effective tax rate for the years ended March 31, 2020 and 2021:

	2020	2021
Statutory tax rate	30.4%	30.6%
Difference in statutory tax rates of subsidiaries outside Japan	(0.2)	(0.4)
Dividend income and other income permanently excluded from gross revenue	(4.3)	(7.0)
Change in valuation allowance	(4.0)	3.3
Entertainment and other permanently non-deductible expenses	0.9	0.8
Effect of elimination of intercompany dividend distributions	4.0	6.2
Effect of equity in earnings (losses) of associates	0.4	1.2
Special tax credit for research and development expenses and others	(0.3)	(0.5)
Per capita inhabitants' taxes and other	0.4	0.4
Effect of impairment loss on the intangible assets	0.1	0.1
Other	6.1	0.9
Effective tax rate	33.5%	35.6%

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2021 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets			
Allowance for doubtful accounts in excess of deductible expenses	¥ 483	¥ 778	$ 7,027
Provision for bonuses	5,905	6,278	56,707
Depreciation and amortization in excess of deductible expenses	1,453	1,723	15,563
Net defined benefit liability	21,135	20,553	185,647
Unrealized gains (loss) on non-current assets	330	345	3,116
Tax losses carried forward *2	20,384	21,999	198,708
Loss on valuation of investment securities	1,950	3,269	29,528
Impairment loss	11,507	15,259	137,829
Other	18,658	21,349	192,837
Deferred tax assets subtotal	81,805	91,553	826,962
Valuation allowance for tax losses carried forward *2	(9,879)	(13,347)	(120,558)
Valuation allowance for deductible temporary differences	(11,709)	(13,541)	(122,310)
Valuation allowance subtotal *1	(21,588)	(26,888)	(242,868)
Total Deferred tax assets	60,217	64,665	584,094
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(88,155)	(126,410)	(1,141,812)
Reserve for tax purpose reduction entry of property, plant and equipment	(3,513)	(3,407)	(30,774)
Securities withdrawn from retirement benefits trust	—	(14,457)	(130,584)
Net defined benefit asset	(19,335)	(2,807)	(25,355)
Other	(14,433)	(15,740)	(142,174)
Total Deferred tax liabilities	(125,436)	(162,821)	(1,470,699)
Deferred tax assets (liabilities), net	¥ (65,219)	¥ (98,156)	$ (886,605)

*1 Valuation allowance has increased by ¥5,300 million (US$47,873 thousand) from March 31, 2020. This is mainly due to an increase in the valuation allowance for the recording of impairment loss in the Company and some of its consolidated subsidiaries.

*2 Amounts of gross deferred tax assets for tax losses carried forward and valuation allowances by expiration dates as of March 31, 2021 are as follows:

Millions of yen

	less than 1 year	more than 1 year less than 2 years	more than 2 years less than 3 years	more than 3 years less than 4 years	more than 4 years less than 5 years	more than 5 years	Total
Tax loss carried forward (a)	1,111	1,238	1,000	267	133	18,250	21,999
Valuation allowance	(1,026)	(1,065)	(900)	(263)	(123)	(9,970)	(13,347)
Deferred tax assets	85	173	100	4	10	8,280	(b) 8,652

Thousands of U.S. dollars

	less than 1 year	more than 1 year less than 2 years	more than 2 years less than 3 years	more than 3 years less than 4 years	more than 4 years less than 5 years	more than 5 years	Total
Tax loss carried forward (a)	10,035	11,182	9,033	2,412	1,201	164,845	198,708
Valuation allowance	(9,267)	(9,620)	(8,129)	(2,376)	(1,111)	(90,055)	(120,558)
Deferred tax assets	768	1,562	904	36	90	74,790	(b) 78,150

a. The amounts are calculated by multiplying the tax losses carried forward by the statutory tax rates.

b. Deferred tax assets of ¥8,652 million (US$78,150 thousand) were recorded on a part of tax losses carried forward of ¥21,999 million (US$198,708 thousand), after applying the statutory tax rates of consolidated subsidiaries. The Company believes that these deferred tax assets recognized for the tax losses carried forward are likely to be realized mainly through future taxable income.

note 7

Liability for Retirement Benefits

1 Defined benefit plans (Including plans applying the simplified method)

(1) Reconciliations of the balances of projected benefit obligations at beginning and end of period

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Balance of projected benefit obligations at beginning of period	¥155,324	¥152,624	$1,378,593
Service cost	8,306	8,396	75,838
Interest cost	218	203	1,834
Amount of actuarial differences incurred	(754)	178	1,608
Retirement benefits paid	(11,865)	(11,459)	(103,505)
Prior service costs incurred	1,010	—	—
Change in scope of consolidation	501	—	—
Other	(116)	21	189
Balance of projected benefit obligations at end of period	¥152,624	¥149,963	$1,354,557

(2) Reconciliations of the balances of plan assets at beginning and end of period

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Balance of plan assets at beginning of period	¥166,679	¥170,133	$1,536,745
Expected return on plan assets	1,969	1,335	12,059
Amount of actuarial differences incurred	5,056	3,016	27,242
Employer contributions	3,385	3,322	30,006
Retirement benefits paid	(7,026)	(9,206)	(83,154)
Change in scope of consolidation	74	—	—
Return of assets from retirement benefits trust	—	(64,259)	(580,426)
Other	(4)	(234)	(2,114)
Balance of plan assets at end of period	¥170,133	¥104,107	$ 940,358

(3) Reconciliations between balances of projected benefit obligations and plan assets at end of period and net defined benefit liability and net defined benefit asset recorded on the Consolidated Balance Sheets

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Projected benefit obligations of the funded pension plan	¥ 112,721	¥ 109,663	$ 990,543
Plan assets	(170,133)	(104,107)	(940,358)
	(57,412)	5,556	50,185
Projected benefit obligation of the unfunded pension plan	39,903	40,300	364,014
Net liabilities and assets recorded on the Consolidated Balance Sheets	(17,509)	45,856	414,199
Net defined benefit liability	50,001	48,698	439,870
Net defined benefit assets	(67,510)	(2,842)	(25,671)
Net liabilities and assets recorded on the Consolidated Balance Sheets	¥ (17,509)	¥ 45,856	$ 414,199

(4) Retirement benefit expenses and its breakdown

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 8,306	¥ 8,396	$ 75,838
Interest cost	218	203	1,834
Expected return on plan assets	(1,969)	(1,335)	(12,059)
Actuarial differences accounted for as expenses	(10,356)	(727)	(6,567)
Prior service cost accounted for as expenses	(335)	(267)	(2,412)
Retirement benefit expenses relating to the defined benefit plan	¥ (4,136)	¥ 6,270	$ 56,634
Payment of special retirement benefits	¥ 2,979	¥ 512	$ 4,625
Gain on return of assets from retirement benefits trust (Note)	¥ —	¥(2,801)	$(25,300)

Note: Recorded as other income

(5) Remeasurements of defined benefit plans

Breakdown of items (before tax effect adjustment) reported in the remeasurements of defined benefit plans is as follows:

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Prior service cost	¥(1,345)	¥ (267)	$ (2,412)
Actuarial differences	(4,527)	2,114	19,095
Total	¥(5,872)	¥1,847	$16,683

(6) Cumulative remeasurements of defined benefit plans

Breakdown of items (before tax effect adjustment) reported in the cumulative remeasurements of defined benefit plans is as follows:

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Unrecognized prior service cost	¥(608)	¥ (875)	$ (7,904)
Unrecognized actuarial differences	733	2,819	25,463
Total	¥125	¥1,944	$17,559

(7) Plan assets

1. Breakdown of major plan assets

The ratio of each main category to the total plan assets is as follows:

	2020	2021
Bonds	20.1%	32.7%
Equity securities	48.0%	24.3%
Cash and cash equivalents	19.9%	22.9%
Other	12.0%	20.1%
Total	100.0%	100.0%

Note: The total of plan assets includes 40.5% and 3.5% of the assets contributed to retirement benefit trust for the corporate pension plan as of March 31, 2020 and 2021.

2. Setting method of an expected long-term expected rate of return

In determining the expected long-term rate of return on plan assets, the Company considers the current and projected plan asset allocations, as well as the current and expected long-term rate of return on a diversity of assets constituting plan assets.

(8) Actuarial assumptions

Major actuarial assumptions used at the end of each period (presented in weighted average):

	2020	2021
Discount rate	Mainly 0.1%	Mainly 0.1%
Long-term expected rate of return	Mainly 2.5%	Mainly 1.0%
Estimated rate of increase in salary	Mainly 5.6%	Mainly 5.6%

2 Defined contribution pension plan

The amount of the contribution to the defined contribution pension plan in the Companies was ¥3,863 million and ¥3,892 million (US$35,155 thousand) for the years ended March 31, 2020 and 2021.

note 8

Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (“the Law”), in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholders’ meeting.

However, all additional paid-in capital and legal earnings reserve may not be distributed as dividends.

All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the Board of Directors Meeting held on May 27, 2021, the directors approved cash dividends amounting to ¥6,879 million (US$62,135 thousand). The approved dividends have not been accrued in the consolidated financial statements as of March 31, 2021.

note 9

Per Share Information

Basic earnings per share of common stock has been computed based on the weighted average number of shares of common stock issued and outstanding during each year (less treasury stock). Diluted earnings per share is based on the weighted average number of shares of common stock issued and outstanding, and dilutive common stock equivalents. In computing diluted earnings per share, earnings are adjusted for interest expense, net of income taxes, on the dilutive convertible bonds. Dividends per share shown in the accompanying consolidated statements of income have been presented on an accrual basis, also including dividends approved after year-end but attributable to earnings of the year.

note 10

Derivative Transactions

The Company and certain subsidiaries use derivative financial instruments selectively to manage interest rate risk and foreign exchange risk. The Company and certain subsidiaries enter into forward foreign exchange contracts to reduce foreign exchange risks, and use interest rate swap contracts to manage floating interest rate risk. Certain subsidiaries have embedded derivative instruments to enhance yield. To reduce the credit risk of counterparties in derivative transactions, the Company and several subsidiaries select major, creditworthy financial institutions as counterparties.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with established policies, including specified limits on the amounts of derivative transactions allowed and required counterparty credit standing. The Director in charge of the Finance Department reports information on derivative transactions to the Board of Directors quarterly.

The fair value of derivative financial instruments is estimated by obtaining quotes from brokers.

The contracted amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedges, as of March 31, 2020 and 2021, are summarized as follows:

2020	Contracted amount			Millions of yen
	Within one year	Over one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts—				
Sell : U.S.dollars (buy Japanese yen)	¥2,350	¥ —	¥ (17)	¥ (17)
Sell : U.S.dollars (buy Taiwan dollars)	437	—	0	0
Buy : U.S.dollars (sell Japanese yen)	2,487	418	58	58
Interest rate swap contracts—				
Payment fixed rate and Receipt floating rate	—	20,000	(281)	(281)
Total	¥5,274	¥20,418	¥(240)	¥(240)

2021	Contracted amount			Millions of yen
	Within one year	Over one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts—				
Sell : U.S.dollars (buy Japanese yen)	¥3,991	¥ —	¥(133)	¥(133)
Sell : U.S.dollars (buy Taiwan dollars)	758	—	(2)	(2)
Buy : U.S.dollars (sell Japanese yen)	1,478	314	77	77
Interest rate swap contracts—				
Payment fixed rate and Receipt floating rate	—	20,000	(213)	(213)
Total	¥6,227	¥20,314	¥(271)	¥(271)

2021	Contracted amount			Thousands of U.S. dollars
	Within one year	Over one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts—				
Sell : U.S.dollars (buy Japanese yen)	$36,049	$ —	$(1,201)	$(1,201)
Sell : U.S.dollars (buy Taiwan dollars)	6,847	—	(18)	(18)
Buy : U.S.dollars (sell Japanese yen)	13,350	2,836	696	696
Interest rate swap contracts—				
Payment fixed rate and Receipt floating rate	—	180,652	(1,924)	(1,924)
Total	$56,246	$183,488	$(2,447)	$(2,447)

note 11

Leases

(a) Assets capitalized under finance leases

The Companies have leased assets mainly consisting of production equipment for printing business, host computers, computer terminals and software.

(b) Rights-of-use assets

Rights-of-use assets mainly consist of buildings and rights to use land.

(c) Operating leases

Lease obligations under non-cancellable operating leases as of March 31, 2020 and 2021 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Due within one year	¥ 417	¥ 482	$ 4,354
Due over one year	1,405	1,311	11,841
Total	¥1,822	¥1,793	$16,195

note 12

Segment Information

(a) Description of reportable segments

Reportable segments of the Companies are determined as segments whose separate financial information is accessible from among the constituent units of the Companies and that are subject to periodical examination, in order for management to determine the allocation of management resources and to evaluate achievements.

The reportable segments of the Companies are composed of three segments, “Information & Communication,” “Living & Industry,” and “Electronics.” They are defined based on similarity of types, characteristics, and affinity of sales market of products and services.

- Information & Communication: Securities-related documents, passbooks, cards, business forms, catalogues and other commercial printing, magazine/book/publication printing, and BPO (Business Process Outsourcing)
- Living & Industry: Flexible packaging, paper containers and other packaging products, plastic molded products, ink, transparent barrier film, decorative surface materials, wallpaper and other decorative materials
- Electronics: Color filters for LCDs, anti-reflection films, photomasks, TFT LCDs, and semiconductor packaging products

(b) Method of measurement for the amounts of sales, profit (loss), assets, and other items for each reportable segment

The accounting methods used for reporting business segments are the same as stated in “Summary of Significant Accounting and Reporting Policies” (see note1). Reporting segment income figures are based on operating profit. Inter-segment sales and transfers are based on third-party transaction prices.

Information about net sales, profit (loss), assets and other items by reportable segment for the years ended March 31, 2020 and 2021 are as follows:

2020						Millions of yen
	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Net sales—						
Outside customers	¥897,023	¥411,727	¥177,258	¥1,486,008	¥ —	¥1,486,008
Inter-segment	10,996	8,752	885	20,633	(20,633)	—
Total	908,019	420,479	178,143	1,506,641	(20,633)	1,486,008
Operating profit	¥ 56,307	¥ 28,955	¥ 12,172	¥ 97,434	¥ (31,020)	¥ 66,414
Assets	¥850,396	¥475,762	¥219,337	¥1,545,495	¥597,960	¥2,143,455
Depreciation and amortization	25,267	15,903	10,469	51,639	4,314	55,953
Investments in associates	9,636	46,201	4,766	60,603	—	60,603
Increase in property, plant and equipment and intangible assets	34,274	18,812	26,344	79,430	6,989	86,419

2021

	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
						Millions of yen
Net sales—						
Outside customers	¥865,754	¥418,134	¥183,047	¥1,466,935	¥ —	¥1,466,935
Inter-segment	12,416	7,812	685	20,913	(20,913)	—
Total	878,170	425,946	183,732	1,487,848	(20,913)	1,466,935
Operating profit	¥ 51,118	¥ 27,687	¥ 11,966	¥ 90,771	¥ (31,981)	¥ 58,790
Assets	¥802,002	¥441,596	¥207,791	¥1,451,389	¥912,115	¥2,363,504
Depreciation and amortization	27,073	20,138	11,538	58,749	4,253	63,002
Investments in associates	9,310	37,666	5,519	52,495	—	52,495
Increase in property, plant and equipment and intangible assets	24,500	16,291	13,918	54,709	6,146	60,855

2021

	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
						Thousands of U.S. dollars
Net sales—						
Outside customers	$7,820,016	$3,776,840	$1,653,392	$13,250,248	$ —	$13,250,248
Inter-segment	112,149	70,564	6,187	188,900	(188,900)	—
Total	7,932,165	3,847,404	1,659,579	13,439,148	(188,900)	13,250,248
Operating profit	$ 461,729	$ 250,086	$ 108,084	$ 819,899	$ (288,872)	$ 531,027
Assets	$7,244,169	$3,988,763	$1,876,895	$13,109,827	$8,238,777	$21,348,604
Depreciation and amortization	244,540	181,899	104,218	530,657	38,415	569,072
Investments in associates	84,094	340,222	49,851	474,167	—	474,167
Increase in property, plant and equipment and intangible assets	221,299	147,150	125,716	494,165	55,514	549,679

Note: Adjustments are as follows.
(a) Segment operating profit is mainly adjusted for costs related to basic research not assignable to a reporting segment and head office costs.
(b) Segment assets are mainly adjusted for surplus funds (cash and cash equivalents, marketable securities), long-term investments (investment securities), and assets which are related to basic research not assignable to a reporting segment and head office assets.
(c) Segment depreciation and amortization are mainly adjusted for depreciation expenses related to basic research not assignable to a reporting segment and head office assets.
(d) Increase in property, plant and equipment and intangible assets are mainly adjusted for capital expenditures for fixed assets related to basic research not assignable to a reporting segment and increase in head office assets.

Related Information

Information about geographical areas

Sales (based on customers' geographic location) and property, plant and equipment by regions for the years ended March 31, 2020 and 2021 are as follows:

(1) Sales

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Japan	¥1,186,553	¥1,116,642	$10,086,189
Asia	180,535	194,553	1,757,321
Other	118,920	155,740	1,406,738
Total	¥1,486,008	¥1,466,935	$13,250,248

(2) Property, plant and equipment

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Japan	¥446,960	¥422,065	$3,812,348
Asia	104,435	98,230	887,273
Other	49,133	51,484	465,034
Total	¥600,528	¥571,779	$5,164,655

Impairment loss by reportable segment

Impairment loss by reportable segments for the years ended March 31, 2020 and 2021 are as follows:

Millions of yen

2020	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Impairment loss	¥ 5,461	¥ 5,398	¥ 5,793	¥ 16,652	¥—	¥ 16,652

Millions of yen

2021	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Impairment loss	¥4,185	¥1,623	¥14,383	¥20,191	¥—	¥20,191

Thousands of U.S. dollars

2021	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Impairment loss	$37,801	$14,660	$129,916	$182,377	$—	$182,377

Amortization and unamortized balance of goodwill by reportable segment

Amortization and unamortized balance of goodwill by reportable segments for the years ended March 31, 2020 and 2021 are as follows:

Millions of yen

2020	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Goodwill						
Amortization of goodwill	¥1,512	¥ 246	¥—	¥ 1,758	¥—	¥ 1,758
Goodwill ending balance	¥8,438	5,333	¥—	¥13,771	¥—	¥13,771

Millions of yen

2021	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Goodwill						
Amortization of goodwill	¥1,383	¥ 499	¥ —	¥ 1,882	¥—	¥ 1,882
Goodwill ending balance	¥5,931	¥5,006	¥437	¥11,374	¥—	¥11,374

Thousands of U.S. dollars

2021	Information & Communication	Living & Industry	Electronics	Total	Adjustment	Consolidated
Goodwill						
Amortization of goodwill	$12,492	$ 4,507	$ —	$ 16,999	$—	$ 16,999
Goodwill ending balance	$53,572	$45,217	$3,947	$102,736	$—	$102,736

note 13

Financial Instruments

1 Financial Instruments

(1) Policies for Financial Instruments

The Companies raise funds (mainly through bank loans and corporate bonds) in light of the context of the long term capital investment plan. Temporary cash surplus is managed through investment in low risk financial assets, but not speculative investments. Derivatives are held for risk management purposes only as described hereinafter. The Companies do not enter into speculative transactions.

(2) Nature and Extent of Risks Arising from Financial Instruments

Notes and accounts receivables are exposed to the customer credit risk and receivables in foreign currencies are exposed to the market risk of fluctuation in foreign exchange rates. The majority of marketable and investment securities are held-to-maturity securities and stocks related to business or capital alliances with counterparties, and exposed to the risk of market value fluctuations.

Notes and accounts payable are all due within one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign exchange rates. Bank loans, bonds are used to fund capital expenditures and other requirements. Some borrowings are with floating interest rates, and are exposed to the market risk of fluctuation in interest rates.

Derivatives consist of forward foreign exchange contracts, which hedge the market risk of fluctuation in foreign currency exchange rates for receivables, payables and forecast transactions denominated in foreign currency and interest rate swap contracts, which hedge the market fluctuation risk of the interest payments for bonds and loans.

(3) Risk Management for Financial Instruments

① Credit Risk Management (Risk of Economic Loss Arising from a Counterparty's default)

Notes and accounts receivables are managed in accordance with the Company's "Credit Control Procedures" to ensure protection of receivables and improve efficient use of funds. The Company maintains credit control such as due date control and receivable balance control, as well as assesses credit conditions of counterparties on a regular basis.

Debt securities are managed in accordance with the Company's "Financial Instrument Risk Control Guideline" and limited to financial instruments issued by entities with high credit ratings. Thus, the credit risk remains at low level.

Regarding derivatives, the Companies limit its counterparties to financial institutions with high credit ratings to mitigate the counterparty risk.

② Market Risk Management (Risk of Foreign Exchange and Interest Rate Fluctuation)

The Companies hedge the market risk of fluctuation in foreign exchange rates with forward foreign currency contracts, and enter into interest rate swap contracts to hedge the interest rate fluctuation risk in bonds and loans.

Regarding securities, financial condition of issuing entities (counterparties) is monitored on a regular basis to review the benefits in holding the securities. Fair values of listed stocks and listed bonds are specifically monitored on a monthly basis.

Derivative transactions, in principle, require reports and approvals at the management committee. A director responsible for finance and accounting reports the derivatives status to the management committee at the end of each quarter.

(4) Fair Values of Financial Instruments

Fair values of financial instruments include market based values and also values reasonably calculated for some financial instruments when market prices are not available. As the calculation includes certain estimates and assumptions, the fair values could be different amounts depending on estimates and assumptions adopted. Derivative transaction values under note 10 "Derivative Transactions" do not indicate market risks relating to derivative transactions.

2 Fair Values of Financial Instruments

Book values in the consolidated balance sheets, fair values and the differences between book values and fair values as of March 31, 2020 and 2021 are stated in the following tables. The tables do not include financial instruments for which fair values are not readily available. Please see "*Financial instruments for which fair values are not readily available*" below.

2020 — Millions of yen

	Book value	Fair value	Difference
1 Cash and cash equivalents	¥ 296,873	¥ 296,873	¥ —
2 Time deposits with original maturities over three months	42,838	42,838	—
3 Notes and accounts receivable	401,631	401,631	—
4 Marketable and investment securities			
① Held-to-maturity debt securities	15,723	15,641	(82)
② Available-for-sale securities	396,657	396,657	—
③ Investments in associates	41,577	30,002	(11,575)
Total assets	1,195,299	1,183,642	(11,657)
1 Notes and accounts payable	¥ 258,439	¥ 258,439	¥ —
2 Short-term loans	33,343	33,343	—
3 Long-term indebtedness			
① Long-term loans	97,601	102,155	4,554
② Bonds	120,000	122,994	2,994
Total liabilities	509,383	516,931	7,548
Derivative transactions	¥ (240)	¥ (240)	¥ —

2021			Millions of yen
	Book value	Fair value	Difference
1 Cash and cash equivalents	¥ 497,238	¥ 497,238	¥ —
2 Time deposits with original maturities over three months	30,735	30,735	—
3 Notes and accounts receivable	394,072	394,072	—
4 Marketable and investment securities			
① Held-to-maturity debt securities	8,712	8,706	(6)
② Available-for-sale securities	563,524	563,524	—
③ Investments in associates	33,576	23,043	(10,533)
Total assets	1,527,857	1,517,318	(10,539)
1 Notes and accounts payable	¥ 242,429	¥ 242,429	¥ —
2 Short-term loans	30,588	30,588	—
3 Long-term indebtedness			
① Long-term loans	203,657	208,655	4,998
② Bonds	90,000	92,472	2,472
Total liabilities	566,674	574,144	7,470
Derivative transactions	¥ (271)	¥ (271)	¥ —

2021			Thousands of U.S. dollars
	Book value	Fair value	Difference
1 Cash and cash equivalents	$ 4,491,356	$4,491,356	$ —
2 Time deposits with original maturities over three months	277,617	277,617	—
3 Notes and accounts receivable	3,559,498	3,559,498	—
4 Marketable and investment securities			
① Held-to-maturity debt securities	78,692	78,638	(54)
② Available-for-sale securities	5,090,091	5,090,091	—
③ Investments in associates	303,279	208,138	(95,141)
Total assets	13,800,533	13,705,338	(95,195)
1 Notes and accounts payable	$ 2,189,766	$ 2,189,766	$ —
2 Short-term loans	276,289	276,289	—
3 Long-term indebtedness			
① Long-term loans	1,839,554	1,884,699	45,145
② Bonds	812,934	835,264	22,330
Total liabilities	5,118,544	5,186,018	67,475
Derivative transactions	$ (2,447)	$ (2,447)	$ —

* Assets and liabilities relating to derivative transactions are stated on a net basis, and net obligations are presented as ( ).

The method of computing fair values of financial instruments, securities and derivative transactions

Assets

(1) Cash and cash equivalents and (2) Time deposits with original maturities over three months

The book values of cash and cash equivalents and time deposits with original maturities over three months approximate fair value because of their short maturities.

(3) Notes and Accounts Receivable

The book values of notes and accounts receivable approximate fair value because of their short maturities.

(4) Marketable and Investment Securities

The fair values of equity securities are measured at quoted market prices on the stock exchanges, and debt securities are measured at quoted market prices on the exchanges or at the quoted price obtained from counterparty financial institutions. Please refer to note 2.

Marketable and Investment Securities for notes relating to securities categorized by holding purpose.

Liabilities

(1) Notes and Account payable, and (2) Short-term Loans

The book values of notes and accounts payable and short-term loans approximate fair value because of their short maturities.

(3) Long-term Indebtedness

① Long term loans

The book values of long term floating rate indebtedness approximate fair value because this indebtedness reflects market interest rates in the short-term. Some of the long-term loans are qualified for the simplified method of hedge accounting, and their fair values are calculated by discounting the net cash flows of principals and interest payments, and interest receipts of the interest rate swaps with reasonably estimated discount rates which would be applied to those loans if the Companies newly originate the same loans.

Fair values of long-term loans with fixed interest rates are calculated by discounting the cash flow of the principals and interest payments with reasonably estimated discount rates which would be applied to those loans if the Companies newly originate the same loans.

② Bonds

Fair values of corporate bonds for which market prices are not available are calculated by discounting cash flows to their present value, with the discount rates reflecting their remaining life and credit risk recognized.

Derivatives

These fair values are measured at the quoted price obtained from counter-party financial institutions.

Interest rate swaps to which the simplified method of hedge accounting has been applied are accounted for combined with long-term debt designated as the hedged item.

Therefore, their fair values are included in the fair value of the hedged long-term debt.

Financial instruments for which fair values are not readily available

2020	Millions of yen
	Book value
Non-listed stocks	¥33,545
Partnership investments	3,117
Investments in associates (stocks)	19,025
Total	55,687

2021	Millions of yen
	Book value
Non-listed stocks	¥18,742
Partnership investments	3,711
Investments in associates (stocks)	18,920
Total	41,373

2021	Thousands of U.S. dollars
	Book value
Non-listed stocks	$169,289
Partnership investments	33,520
Investments in associates (stocks)	170,897
Total	373,706

These financial instruments are not included in the “Marketable and Investment Securities”, because of the difficulty to obtain fair values.

Scheduled redemption for financial instruments with maturities after the balance sheet date

2020

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Millions of yen
Cash and cash equivalents	¥296,873	¥ —	¥ —	¥ —
Time deposits with original maturities over three months	42,838	—	—	—
Notes and accounts receivable	397,673	1,352	1,773	833
Marketable and investment securities				
Held-to-maturity debt securities	11,100	2,100	2,500	—
Available-for-sale securities with maturities	15,200	2,650	1,650	—
Total	763,684	6,102	5,923	833

2021

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Millions of yen
Cash and cash equivalents	¥497,238	¥ —	¥ —	¥ —
Time deposits with original maturities over three months	30,735	—	—	—
Notes and accounts receivable	390,464	1,432	1,727	449
Marketable and investment securities				
Held-to-maturity debt securities	2,700	900	2,600	—
Available-for-sale securities with maturities	217	3,096	847	—
Total	921,354	5,428	5,174	449

2021

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Thousands of U.S. dollars
Cash and cash equivalents	$4,491,356	$ —	$ —	$ —
Time deposits with original maturities over three months	277,617	—	—	—
Notes and accounts receivable	3,526,908	12,935	15,599	4,056
Marketable and investment securities				
Held-to-maturity debt securities	24,388	8,129	23,485	—
Available-for-sale securities with maturities	1,960	27,965	7,651	—
Total	8,322,229	49,029	46,735	4,056

Scheduled repayment for short-term loans, straight bonds, convertible bonds and long-term loans after the balance sheet date

2020

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Millions of yen
Short-term loans	¥33,343	¥ —	¥ —	¥ —
Bonds	30,000	40,000	20,000	30,000
Long-term loans	4,466	52,669	29,606	10,860
Total	67,809	92,669	49,606	40,860

2021

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Millions of yen
Short-term loans	¥30,588	¥ —	¥ —	¥ —
Bonds	—	40,000	20,000	30,000
Long-term loans	10,075	87,630	75,449	30,503
Total	40,663	127,630	95,449	60,503

2021

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
				Thousands of U.S. dollars
Short-term loans	$276,289	$ —	$ —	$ —
Bonds	—	361,304	180,652	270,978
Long-term loans	91,004	791,528	681,501	275,522
Total	367,293	1,152,832	862,153	546,500

note 14

Other Comprehensive Income

Amounts reclassified to profit that were previously recognized in other comprehensive income and their tax effects for the years ended March 31, 2020 and 2021 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2020	2021	2021
Valuation difference on available-for-sale securities			
Amount incurred during the period	¥ (57,411)	¥ 232,610	$2,101,075
Reclassification adjustments	(92,979)	(106,089)	(958,260)
Before tax effect adjustment	(150,390)	126,521	1,142,815
Tax effect	45,204	(38,673)	(349,318)
Valuation difference on available-for-sale securities	(105,186)	87,848	793,497
Deferred gains or losses on hedges			
Amount incurred during the period	155	68	614
Reclassification adjustments	3	3	27
Before tax effect adjustment	158	71	641
Tax effect	(16)	(20)	(180)
Deferred gains or losses on hedges	142	51	461
Foreign currency translation adjustments			
Amount incurred during the period	(1,239)	(1,354)	(12,230)
Reclassification adjustments	(230)	(287)	(2,593)
Before tax effect adjustment	(1,469)	(1,641)	(14,823)
Tax effect	—	3	26
Foreign currency translation adjustments	(1,469)	(1,638)	(14,797)
Remeasurements of defined benefit plans, net of tax			
Amount incurred during the period	4,846	4,263	38,506
Reclassification adjustments	(10,718)	(2,416)	(21,823)
Before tax effect adjustment	(5,872)	1,847	16,683
Tax effect	1,835	(603)	(5,446)
Remeasurements of defined benefit plans, net of tax	(4,037)	1,244	11,237
Share of other comprehensive income of entities accounted for using equity method			
Amount incurred during the period	(1,482)	985	8,897
Reclassification adjustments	(298)	(33)	(298)
Share of other comprehensive income of entities accounted for using equity method	(1,780)	952	8,599
Total other comprehensive income	¥(112,330)	¥ 88,457	$ 798,997

note 15

Consolidated Statements of Cash Flows

Significant Non-cash Transactions

For the year ended March 31, 2020

Due to a share exchange associated with the conversion of a consolidated subsidiary (Tosho Printing Co., Ltd.) into a wholly owned subsidiary, treasury shares decreased by ¥33,706 million and capital surplus increased by ¥7,134 million.

For the year ended March 31, 2021

Investment securities increased ¥59,879 million (US$540,864 thousand) due to the partial return of assets from the retirement benefits trust.

note 16

Significant Subsequent Events

Business combination by acquisition

The Company signed a share purchase agreement to acquire the shares of InterFlex Investment Holdings, Inc. ("InterFlex Group") on July 16, 2021, and made it a subsidiary. The Company acquired the shares on July 23, 2021.

(1) Overview of business combination

① Name of the acquiree and business description

Name of the acquiree: InterFlex Investment Holdings, Inc. (its four subsidiaries)

Business description: Flexible packaging converter, mainly for food packaging

② Main reason for business combination

The Company completed the construction of TOPPAN USA Georgia Plant in April 2016 as a manufacturing and distribution site in Europe and the U.S for GL BARRIER, a transparent vapor-deposited barrier film. Since then, the Company has stepped up its sales activities in North America, Europe, and Latin America in addition to Japan.

In addition, the Company has adopted "Digital & Sustainable Transformation" as its basic policy, having revealed the medium-term business plan starting in fiscal year 2021 (April 2021 to March 2023). As one of its key measures, the Company is planning to accelerate the global expansion of the packaging business by increasing market share and capitalizing on the demand for sustainable products and constructing a system of local production for local consumption.

On the other hand, InterFlex Group is a global corporate group headquartered in North Carolina, with about 430 employees, founded in 1975. It manufactures and distributes flexible packaging materials for various food items. There are three manufacturing sites in North America and two in the U.K.

The Company will organize a global distribution system to supply its packaging materials by adding converting sites of InterFlex Group in Europe and the U.S, following the expansion in Asia (Indonesia, Shanghai, and Thailand) where the converting business has already commenced. This will enable one-stop product provision from packaging materials, including single-material-based products, to final products, making the Company a global package manufacturer.

③ Date of business combination: July 23, 2021

④ Legal form of business combination: Acquisition of shares

⑤ Company name after business combination: No change

⑥ Ratio voting rights acquired: 100%

⑦ Main grounds for determining the acquirer

The Company is the acquirer because it acquired shares in exchange for cash.

(2) Acquisition cost and breakdown by type of consideration

Consideration for the acquisition:	Cash	$ 141 million
Acquisition cost		$ 141 million

The consideration above is provisional and subject to a closing adjustment in accordance with the share purchase agreement.

(3) Description and amount of main acquisition-related costs

To be determined.

(4) Amount, cause, amortization method and amortization period of goodwill generated

To be determined.

(5) Amount and major breakdown of assets acquired and liabilities assumed on the date of business combination

To be determined.

Independent auditor’s report

To the Board of Directors of TOPPAN INC.:

Opinion

We have audited the accompanying consolidated financial statements of TOPPAN INC. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting and reporting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Reasonableness of the estimate of undiscounted future cash flows related to the impairment of long-lived assets used in the electronics segment	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet at the end of the current fiscal year, the Group recognized property, plant and equipment of ¥571,779 million and intangible assets of ¥48,182 million, the sum of which represented approximately 26% of total assets in the consolidated financial statements. Whenever there is an impairment indicator for a long-lived asset or a group of long-lived assets, the undiscounted future cash flows of the related asset group are compared with the carrying amount of the asset group. If the undiscounted future cash flows are less than the carrying amount, the recognition of an impairment loss is deemed necessary, and the carrying amount is reduced to the recoverable amount of the asset group. The resulting decrease in the carrying amount is recognized as an impairment loss. The Group recognized impairment losses of ¥20,191 million for the current fiscal year due to its deteriorating business environment and other reasons. As described in Note 5, “Impairment Loss” and Note 12, “Segment Information, Impairment loss by reportable segment” to the consolidated financial statements, ¥14,383 million of those impairment losses were recognized on certain asset groups located mainly in Japan used in the electronics segment. The Group used the value in use as the recoverable amount in measuring the impairment losses for these certain asset groups, which was calculated based on the present value of future cash flows. The electronics segment is susceptible to the risk that its operating results may fluctuate due to adverse changes mainly in price levels, volumes or types of products, caused by the shortening of product life cycles, technological innovations and its relationships with particular customers on whom the Group is highly dependent. As described in Note 1, “Significant accounting estimates” to the consolidated financial statements, the undiscounted future cash flows used to determine whether an impairment loss should be recognized on the asset groups in the electronics segment and to measure the impairment losses were estimated based on the medium-term business plan developed by management. The medium-term business plan included certain key assumptions involving uncertainty, such as the demand forecasts based on the market trends considering the economic conditions and product life cycles, the forecasts for customer orders, and the cost reduction measures. Accordingly, management judgements were required to determine whether these assumptions were feasible. We, therefore, determined that our assessment of the reasonableness of the estimate of undiscounted future cash flows related to the impairment of long-lived assets used in the electronics segment was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess whether the estimate of undiscounted future cash flows related to the impairment of long-lived assets used in the electronics segment were reasonable, we inquired of management and the responsible personnel regarding the rationales supporting key assumptions embedded in the medium-term business plan, which formed the basis for the estimate. In addition, we primarily performed the following audit procedures: • assessed the reasonableness of the demand forecasts of products related to each asset group, which were used in the medium-term business plan, by comparing them with market forecast data published by external research organizations; • assessed the reasonableness of the forecasts for customer orders by comparing the forecasts in the medium-term business plan with actual sales results in the past, and inspecting documents supporting the purchase volumes and prices for certain customers who provided their product purchasing plans; and • assessed the reasonableness of the costs by comparing the costs in the medium-term business plan with actual costs incurred in the past, and inspecting the documents supporting the detail of cost reduction measures and the estimate of cost reductions from those measures.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Junshi, Ono
Designated Engagement Partner
Certified Public Accountant

Kiyoyuki, Sakurai
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 24, 2021

Company & Stock Information

As of March 31, 2021

Head Office
1-3-3, Suido, Bunkyo-ku, Tokyo 112-8531, Japan
Phone: 03-3835-5111

Established
January 17, 1900

Capital
¥104,986,430,314

Number of Employees (Consolidated)
52,401

Fiscal Year-End
March 31

Ordinary General Meeting of Shareholders
Held in June

Dates of Record for Shareholders
Ordinary general meeting of shareholders,
year-end dividends: March 31
Payment of interim dividends: September 30

Note: Other dates announced as necessary.

Public Notices
Notices are provided on the Company's website (https://www.toppan.com).

Note: If, due to unavoidable circumstances, notices cannot be provided on the website, they will be published in government gazettes.

Independent Public Accountants
KPMG AZSA LLC
Tokyo, Japan

Transfer Agent/ Special Account Administration Authority
Mitsubishi UFJ Trust and Banking Corporation

Contact Information
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
P.O. Box #29 Shin-Tokyo Post Office
Tokyo 137-8081, Japan
Toll Free: 0120-232-711
Interactive Voice Response: 0120-244-479 (24 hours)

Note: Requests for the necessary forms for notification of change of address, bank account details for depositing dividends, as well as forms for stock succession procedures are received 24 hours a day.

Common Stock
- Authorized

1,350,000,000 shares

- Outstanding

349,706,240 shares

Financial Instruments and Exchange Listings
Tokyo Stock Exchange

American Depositary Receipt (ADR)
Rate: 2 ADR = 1 stock
Exchange: OTC (over-the-counter)
Symbol: TOPPY
U.S. securities code: 890747306
Depositary bank: J.P. Morgan Chase Bank, N.A.
383 Madison Avenue, Floor 11
New York, NY 10179, U.S.A.

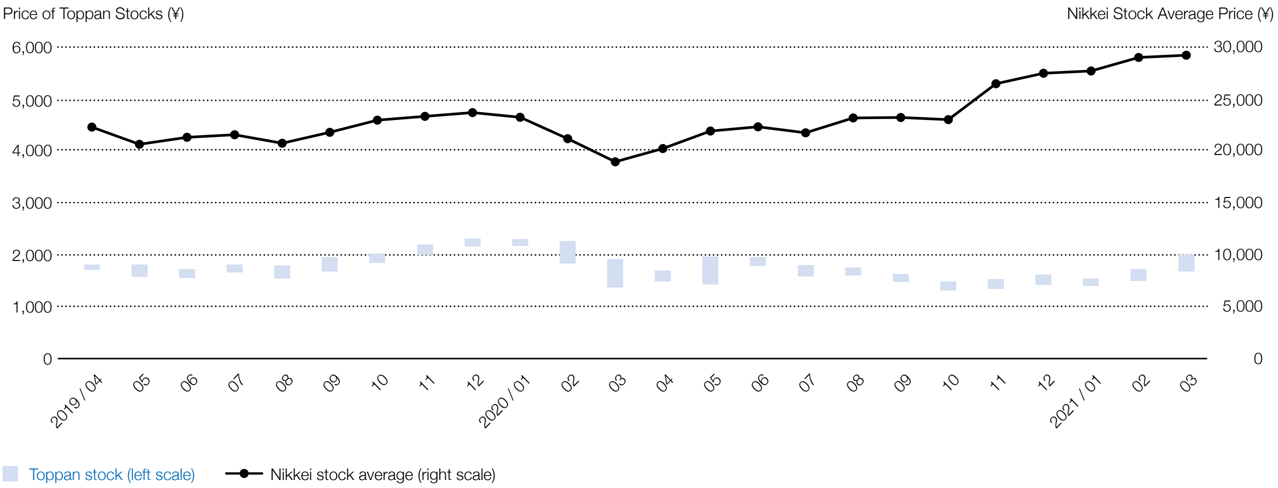
Tokyo Stock Exchange Code
7911

Principal Shareholders

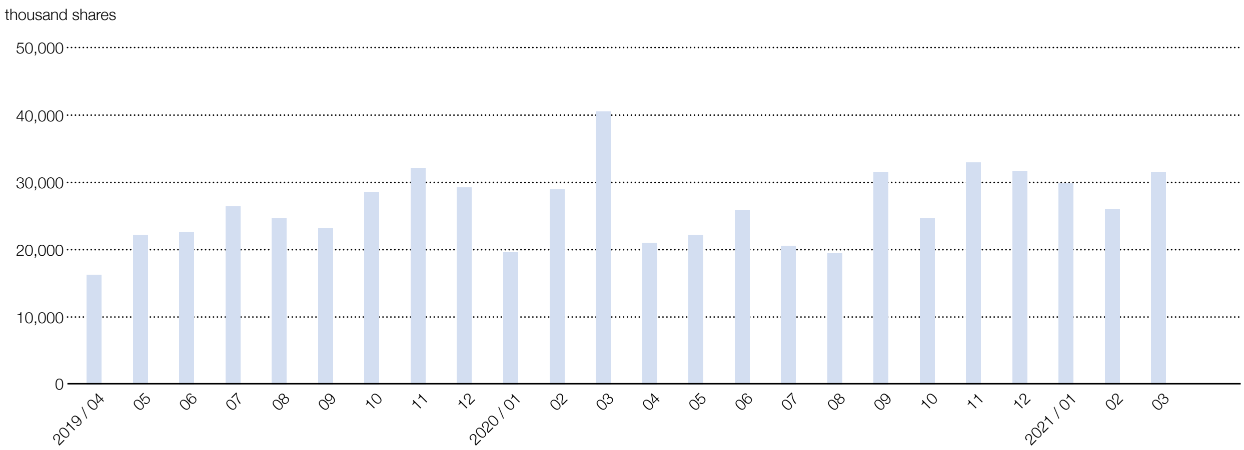
Name	Number of shares held (thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,939	10.16
Custody Bank of Japan, Ltd. (Trust Account)	19,700	5.73
Nippon Life Insurance Company	15,002	4.36
Toyo Ink SC Holdings Co., Ltd.	9,492	2.76
The Dai-ichi Mutual Life Insurance Company	9,154	2.66
Employee Stock Club	7,156	2.08
Kodansha Ltd.	6,710	1.95
Toppan Supplier Stock Club	5,955	1.73
SSBTC CLIENT OMNIBUS ACCOUNT	4,996	1.45
Custody Bank of Japan, Ltd. (Trust Account 5)	4,660	1.36

Note: The percentage of total is calculated using the number of shares resulting from the subtraction of the number of shares of treasury stock from the total number of shares issued.

STOCK PRICE RANGE (Tokyo Stock Exchange)

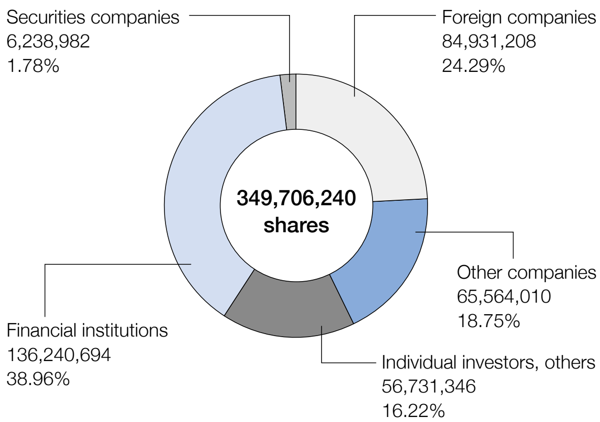


TRADING VOLUME

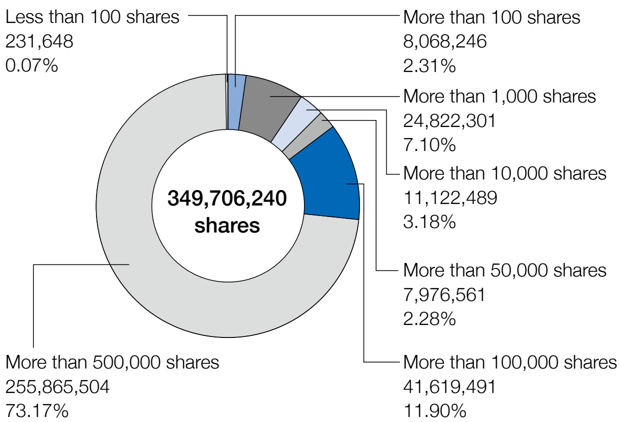


STOCK OWNERSHIP PROFILE

By type of shareholder



By number of shares held



Note: The 5,763 thousand shares of treasury stock are included in the "Individual investors, others" category of the graph "By type of shareholder" and in the "More than 500,000 shares" category of the graph "By number of shares held."