

Basic Policy Pertaining to Internal Control Systems

Resolved at the Board of Directors meeting on May 12, 2015  
 Resolved at the Board of Directors meeting on December 17, 2013  
 Resolved at the Board of Directors meeting on May 28, 2012  
 Disclosed in the Business Report issued on May 11, 2010  
 Disclosed in the Business Report issued on April 15, 2008  
 Resolved at the Board of Directors meeting on May 11, 2006

Item	Basic Policy
<p style="text-align: center;"><b>Basic concept</b></p>	<p>One of the most important management issues for TOMY Group today is maintaining the trust of our stakeholders while offering continual improvements in corporate value and building on sound and transparent management practices. We will make every effort to achieve this through enhancing corporate governance and continually improving internal control systems.</p>
<p>(1) Systems to ensure that the execution of duties by directors and employees complies with existing laws and ordinances and the Articles of Incorporation</p> <p style="text-align: center;"><b>Compliance system</b></p>	<p>TOMY Group Rules of Conduct have been established to clarify that all officers and employees in the organization must not only comply with existing laws and ordinances, but also strive through the implementation of sincere and fair corporate activities to fulfill their social responsibilities. These rules are accompanied with thorough efforts to achieve the widest possible understanding of this stance on the part of officers and employees.</p> <p>To both enhance and achieve greater thoroughness for the Group's compliance system and risk management system, an arrangement has been adopted in which the Risk/Compliance Committee, a body chaired by the President &amp; CEO and composed of outside directors and outside audit &amp; supervisory board members and others, has been established to deliberate on the important issues concerning risk and compliance and report upon the results of those discussions to the Board of Directors.</p> <p>The Internal Control &amp; Audit Group, an organization under the direct control of the President &amp; CEO, shall audit the status of compliance in the Company and Group and report on the results to the Representative Director and Audit &amp; Supervisory Board as deemed necessary.</p> <p>No relationships of any kind shall be maintained with anti-social groups or organizations that threaten social order or the sound activities of the Company, while systematic responses shall be mounted with a firm stance to unreasonable demands and similar situations.</p> <p>In the event of emergencies such as the occurrence of large-scale purchasing of the Company shares, the Board of Directors shall establish a Special Committee composed of outside directors and/or outside audit &amp; supervisory board members, shall give the utmost respect to each such Committee's investigation and evaluation of the nature of any such purchasing and to the Committee's advice as to the necessity for the initiation of countermeasures against the purchasers, and shall decide policy for addressing the situation.</p>
<p>(2) Systems pertaining to the preservation and management of information concerning the execution of duties by directors</p> <p style="text-align: center;"><b>Information management system</b></p>	<p>Information pertaining to the execution of duties by directors shall be recorded and preserved in document or electromagnetic media form, in accordance with the Company's internal guidelines.</p> <p>The <i>Information Security Basic Rule</i> has been determined pertaining to the management of information, with measures devised to ensure the reliable protection of information assets, including personal information.</p> <p>Strengthening of the disclosure system shall be undertaken in the pursuit of speedy information disclosure and greater transparency throughout the Company's management.</p>
<p>(3) Rules and regulations pertaining to the management of risk of loss and other systems</p> <p style="text-align: center;"><b>Risk management system</b></p>	<p>The <i>Risk/Compliance Committee</i> and the <i>Internal Control &amp; Audit Group</i> have been established as the organizations assigned to coordinate all areas of risk management, thereby creating a company-wide risk management system integrated with the internal control system.</p> <p>To deal with the occurrence of unexpected circumstances, <i>Risk Management Task Forces</i> shall be promptly established, with prompt and precision actions taken to both minimize losses and damages and effective measures devised to prevent recurrences of such situations.</p> <p>The <i>Environment Dept, president Office</i> and the <i>Safety &amp; Quality Assurance Division</i> have been established as an organization to deal exclusively with the environment and product safety, with efforts being advanced to strengthen the process of dealing with environmental problems and offering outstanding products that can be used with confidence.</p>
<p>(4) Systems to ensure the efficient execution of the duties of directors</p> <p style="text-align: center;"><b>Ensuring efficient execution of duties</b></p>	<p>Regular meetings of the Board of Directors shall be convened once each month, while extraordinary meetings of the said Board shall be held as deemed necessary. These meetings shall be used to determine basic policies and strategies for the Group as a whole, as well as to issue decisions concerning the performance of important business operations, to audit and supervise the performance of business operations, and to take other relevant steps.</p> <p>Each Officers Meeting (the "Toukatsuhonbu-Kaigi") has been established and shall be held, in principle, at least once each month with the purpose of conducting the Group's business operations and management in smoother and more efficient fashion. The Members of the Meeting shall engage in versatile decision-making on matters concerning the overall implementation of Group business management.</p> <p>The resolved matter of the Executive officers Meeting shall be reported to the Board of Directors, as deemed necessary.</p> <p>The <i>Board Director Nominating Committee</i> and the Remuneration Committee, composed of outside directors and/or outside audit &amp; supervisory board members, is established as an advisory body to the Board of Directors and is requested to provide proposals and counsel with regard to policy relating to matters such as the amounts of directors' assessment, appointment and remuneration.</p> <p>The <i>Advisory Committee</i>, composed of outside directors and/or audit &amp; supervisory board members, has been established as an advisory body to the Representative Director, and is requested to render a broad range of counsel pertaining to the effectiveness of business performance, the reliability of the Group's financial affairs and other important matters.</p> <p>The <i>Executive Officer Assessment Committee</i>, composed of full-time directors, is established as an advisory body to the Representative Director and is requested to provide proposals and counsel with regard to policy relating to matters such as the Executive Officers' assessment.</p> <p>Delegation of authority and other steps taken through the establishment of the Executive Officer System shall be advanced to achieve greater speed and efficiency in the performance of business operations in all managing divisions, under the policies, strategies and supervision of the Board of Directors.</p> <p>The <i>Mid-term Management Plan</i> shall be established to clarify the basic strategies and management goals over the medium term, with specific measures implemented for the purpose of achieving those goals based on the <i>Business Plan (Budget)</i> for each fiscal year.</p>
<p>(5) Systems to ensure proper business operations by the corporate group</p> <p style="text-align: center;"><b>Group management system</b></p>	<p>As a general rule, one or more of the Company's officers or employees shall be appointed as outside directors or outside audit &amp; supervisory board members of the main Group companies. In this capacity, these outside directors and outside audit &amp; supervisory board members shall engage in monitoring and supervision of the appropriateness of the performance of the business operations at each such company, thereby striving to strengthen the risk management and compliance system of the Group as a whole.</p> <p>With regard to the Group management system, a department shall be established to oversee Group company management. This department shall act in accordance with the Company's internal rules and guidelines in advancing management and guidance activities in response to the characteristics and conditions of each Group company.</p> <p>Group-wide related rules shall be prepared with regard to compliance, risk management, information management and other areas, with efforts made to foster awareness of compliance throughout the entire Group and establish a risk management system in reflection of the company-wide perspectives, while such systems being monitored by the <i>Risk/Compliance Committee</i> and the <i>Internal Control &amp; Audit Group</i>.</p> <p>Each Group company shall report the progress of its profit plan and other matters at the Group's Monthly Briefing Session, which is held regularly on a monthly basis.</p>
<p>(6) Systems to ensure the reliability of financial reports</p> <p style="text-align: center;"><b>Ensuring financial report reliability</b></p>	<p>To ensure the reliability of financial reports, a specific internal control system shall be established for the purpose of preparing pertinent regulations and the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act.</p> <p>Continuing evaluations shall be conducted to ensure proper functioning of the internal control system, with implementation of required corrections in cases of deficiencies to uphold compliance with the Financial Instruments and Exchange Act and other related laws and ordinances.</p>
<p style="text-align: center;"><b>Audit by audit &amp; supervisory</b></p>	
<p>(7) Systems pertaining to employees assigned to assist with the duties of audit &amp; supervisory board members upon request from audit &amp; supervisory board members for such personnel, as well as matters pertaining to the independence of such employees from directors (and matters pertaining to ensuring effectiveness of directions to such employees)</p>	<p>When deemed necessary by Audit &amp; Supervisory Board, employees shall be assigned to assist with the duties of audit &amp; supervisory board members.</p> <p>Assignment, reassignment and other situations of the employees assisting in the duties of the Audit &amp; Supervisory Board shall be conducted with the prior consent of audit &amp; supervisory board members, and such employees shall perform their operations under the direction and order of the audit &amp; supervisory board members to ensure the independence of such employees from directors.</p>
<p>(8) Systems for reports by directors or employees to audit &amp; supervisory board members and other systems pertaining to reports to audit &amp; supervisory board members (Systems to ensure that those who made reports do not receive disadvantages on the grounds of their reporting, and matters pertaining to policies on treatments and other procedures of expenses arising from execution of duties)</p>	<p>Upon the occurrence of matters capable of causing serious losses to the Group (or the threat of the occurrence of such circumstances), the detection of illegal or dishonest actions perpetrated by officers or employees or other conditions requiring reports to Audit &amp; Supervisory Board, directors or employees shall promptly report upon the said situations to the Audit &amp; Supervisory Board.</p> <p>The audit &amp; supervisory board members shall use attendance at regular important meetings, irregular meetings and other occasions to receive reports on management conditions, as well as the status of business performance, financial affairs, internal audit implementation, risk management, compliance and other matters.</p> <p>It is prohibited that any officer or employee of the Group who made reports to audit &amp; supervisory board members is treated unfavorably on the grounds of his/her reporting, and officers and employees of the Company and Group companies shall be kept informed of it well.</p> <p>A certain amount of annual budget shall be secured for expenses and other liabilities arising from the execution of duties by audit &amp; supervisory board members. Audit &amp; supervisory board members may charge the company they belong to for any expenses necessary for the execution of their duties, and the company shall pay accordingly. Audit &amp; supervisory board members may consult Accounting Auditors and attorneys as needed, and the company they belong to shall bear the related expenses.</p>
<p>(9) Other systems to ensure that audit &amp; supervisory board members conduct effective audits</p>	<p>To ensure that audit &amp; supervisory board members maintain a firm grasp of the status of important decision-making and the performance of business operations, systems shall be adopted to enable audit &amp; supervisory board members to attend meetings of the Board of Directors, and other important conferences; have access to the minutes of meeting proceedings, circular memos for staff approvals and other documents concerning the performance of important business operations; and be able to request explanations of such matters from directors or employees as deemed necessary.</p> <p>Audit &amp; supervisory board members (or the Audit &amp; Supervisory Board) shall engage in exchanges of opinions and information with Accounting Auditors, the Internal Control &amp; Audit Group and the Group companies' audit divisions with regard to important themes pertaining to auditing and other matters, mutually collaborating to monitor the Group's internal control conditions.</p>