

## Disclosures based on the principles of the Corporate Governance Code

### 1. Basic Views

(1) TOMY Company, Ltd. (hereinafter called as the “Company”) places responding to expectations of its stakeholders, including shareholders and customers, and achieving continued improvement of its corporate value and highly transparent and sound management as a top priority, and strives to enhance its corporate governance and continuously improve its internal control systems.

(2) The Company complies with all the principles of Japan’s Corporate Governance Code (hereinafter called as the “Code”).

(3) Disclosure based on the principles of the Code

**Definitions of terms used herein are as follows:**

- “Officer” means a director or audit & supervisory board member.
- “Outside Officer” means an outside director, who falls under the “Outside Director” prescribed in Article 2, item (xv) of the Companies Act (hereinafter called as the “Act”) and Article 2, paragraph (3), item (v) of the Ordinance for Enforcement of the Companies Act (hereinafter called as the “Ordinance”), or an outside audit & supervisory board member, who falls under the “Outside Company Auditor” prescribed in Article 2, item (xvi) of the Act and Article 2, paragraph (3), item (v) of the Ordinance.
- “Executive Directors” mean directors who execute the business.
- “Full-time Audit & Supervisory Board Members” mean audit & supervisory board members appointed by the Audit & Supervisory Board as full-time members among the audit & supervisory board members (Article 390, paragraph (3) of the Act).

### 2. Disclosure based on the principles of the Code

#### Principle 1.4 Cross-Shareholdings

(1) Policy on cross-shareholdings of other listed companies

The Company holds shares of other listed companies as a policy only when it determines that cross-shareholdings are economically rational. In the determination process, the Company takes into consideration the needs in business activities, such as maintenance or strengthening of business partnerships and value changes of shares held by the Company.

(2) Explanation of objective and rationale behind cross-shareholdings

The Company periodically examines existing cross-shareholdings as is the case with new cross-shareholdings and decides whether to continuously hold them.

(3) Exercise of voting rights

The Company exercises the voting rights after comprehensively evaluating the following points: whether companies issuing the shares have established appropriate corporate governance systems and whether those companies provide proposals for improving their corporate value in the medium- and long-term.

**Principle 1.7 Related Party Transactions**

When the Company engages in transactions with its directors, audit & supervisory board members or major shareholders, to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders and prevent any concerns with respect to such harm, the Board of Directors monitors the transactions through appropriate procedures established beforehand in proportion to the importance and characteristics of the transaction.

**Principle 3.1 Full Disclosure**

(1) Business principles and business policy and business strategies.

Corporate Mission

“We strive to create new value of play to make all dreams come true:

- to make children’s dreams come true,
- to make our employees’ dreams come true,
- to make our shareholders’ dreams come true,
- to make our business partners’ dreams come true, and
- to make our community’s dreams come true.”

Management Policy and Business Strategies

The Company continues to change and grow along with the times but have been keeping some promises: putting smiles on the faces of children around the world as a top priority in conduct standards for all Officers and employees, applying pride in our handiwork to the safe and secure quality and most minute detail, and having a strong feeling to maintain flexible creativity as our basis of toy making to address the times and continue our progress. The Company has a strong desire to grow its “global smile network” as a

leading toy company and will turn its employees' passion into strength to continue to spawn dreams and take on the challenges of the times.

Children are enveloped in an environment marked by a rapid pace of change with the popularity of smartphones and tablets, as well as expanding use of social media, broadly changing what a toy is and the modes of play. Such times call on us to evolve the universal significance of our toys cultivated in over 90 years in business and our carefully nurtured brand value by aligning them with the times.

In the rapidly changing modern society, the Company promotes New Medium-Term Management Plan (FY2018-2020) below.

•Medium-term business strategy

- I** Promote in-house original global brand strategies
- II** Create original brands for Japan and Asia
- III** Category No.1 strategy
- IV** Expand business in “high-target” products for adults segment and for the elderly segments
- V** Expand business in Asia market
- VI** Comprehensive strategy for business revitalization for Europe and North America

•FY2020 Management Target

- Sales: ¥190 billion
- Operating income: ¥14 billion
- Operating income to sales ratio: 8%

(2) Basic views and guidelines on corporate governance

This information is included in “1. Basic Views.”

(3) Remuneration of Officers

(Remuneration Committee) Supplementary Principle 4.10.1

- (i) The Remuneration Committee is composed of Outside Officers as an advisory body to the Board of Directors. The committee provides proposals and counsel about policy on the amount of remuneration of each director.
- (ii) Policies in determining remuneration for Officers are as follows:
  - The amounts of remuneration for directors as a group and audit & supervisory board members as a group shall be capped at ¥400 million and ¥70 million per annum (fixed

remuneration) respectively by resolution of the General Meeting of Shareholders.

Simultaneously, the maximum amounts of remuneration, etc. relating to subscription rights to shares issuable as stock options shall be ¥200 million per annum for directors as a group excluding outside directors.

- The committee shall deliberate and report about the amount of remuneration, bonuses and other considerations for each Officer. The Board of Directors decides the remuneration for each director and the Audit & Supervisory Board discusses the remuneration for each audit & supervisory board member.

(4) Appointment of senior management and nomination of candidates for Officers by the Board of Directors

(Qualification for Directors and Procedures for Nominating Directors) Principle 4.3

- (i) The General Meeting of Shareholders appoints more than one person with excellent personality, insight and skills, extensive experience and high standards of ethics as the Company's director from inside and outside the Company.
- (ii) The Company has established the "Board Director Nominating Committee," composed of Outside Officers, as an advisory body to the Board of Directors. The committee provides proposals and counsel about policy on the content of assessment and appointment of each director.
- (iii) All directors of the Company are subject to appointment by the General Meeting of Shareholders every year. Any candidate for new director is resolved by the Board of Directors after a fair and transparent examination by the Board Director Nominating Committee and discussed at the General Meeting of Shareholders.
- (iv) The Company nominates those who sympathize with the Company's founding philosophy and corporate mission as the Company's directors since they are expected to understand the Company's business clearly.

(Qualification for Audit & Supervisory Board Members and Procedures for Nominating Audit & Supervisory Board Members)

- (i) The General Meeting of Shareholders appoints more than one person with extensive experience and high degree of professionalism as the Company's audit & supervisory board members.
- (ii) The Audit & Supervisory Board first approves any proposal for appointment of candidates for audit & supervisory board members. The Board of Directors resolves it, and then the General Meeting of Shareholders discusses it.

(Explanations with Respect to Individual Appointments and Nominations)

The Company states reasons for appointment of each Outside Officer in the “Notice of Convocation of General Meeting of Shareholders.”

**Supplementary Principle 4.1.1 Scope of Matters to Be Resolved by the Board of Directors and Scope of Matters Delegated to Management**

The Company has set the “Regulations of the Board of Directors” and “List of Matters to Be Discussed at the Board of Directors Meeting”.

To increase agility and flexibility in execution of business, the Board of Directors delegates to directors decision-making on the execution of business.

**Principles 4.8 and 4.9 Effective Use of Independent Officers, and Independence Standards and Qualification for Independent Officers**

The General Meeting of Shareholders appoints outside directors of the Company in accordance with requirements provided by the Act and by independence standards established by TSE.

**Supplementary Principle 4.11.1 Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, etc.**

(1) Knowledge, experience and skills of directors

The Board Director Nominating Committee selects Executive Directors, taking into consideration their administrative experience in marketing, sales, production and administration, including global knowledge and management experience necessary for appropriately drawing up and deliberating on business strategies.

The Board Director Nominating Committee proposes the candidates for outside directors, taking into consideration their diverse knowledge and deep insight that are derived from operations of the other companies. The committee takes into consideration that the candidates do not have any conflict of interest with stakeholders of the Company.

(2) Knowledge, experience and skills of audit & supervisory board members

The Audit & Supervisory Board nominates audit & supervisory board members, taking into consideration their high degree of professionalism and deep insight as attorney, certified public accountant, or other professional, and experience and qualification necessary for deliberation of business strategies.

The Audit & Supervisory Board selects one of the members on the basis of his/her work experience in administrative divisions, such as accounting and finance, and knowledge

gained from such experience and qualification capable of maintaining independence from Executive Directors.

To enhance independence and neutrality of the Audit & Supervisory Board, outside audit & supervisory board members account for more than half of the Audit & Supervisory Board.

(3) Diversity of Officers

The Company considers diverse perspectives are indispensable for promoting business, globalization and appropriate oversights/audits. The Company therefore promotes diversity of its Officers.

**Supplementary Principle 4.11.2 Concurrent Positions Held by Officers**

The Company states concurrent positions held by respective Officers in the “Notice of Convocation of General Meeting of Shareholders.”

**Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole**

The Board of Directors periodically analyzes and evaluates its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director once or more a year to improve the effectiveness of the Board of Directors.

Questionnaires on effectiveness of the Board of Directors as a whole and each director and audit & supervisory board member were distributed to members of the Board of Directors, and each member conducted a self-assessment. Based on the questionnaire answers, evaluation results and tasks were discussed at the Risk/Compliance Committee, which is an advisory body to the Board of Directors, and shared at the Board of Directors.

Company evaluated that the Board of Directors had developed a medium term management policy to improve its corporate value and had actively disclosed information and established internal control and risk management systems. On the other hand, training of directors, establishment of a structure to deal with strengthening of the monitoring function on the medium term management policies were given as tasks.

The Company will work to ensure the further effectiveness of the Board of Directors, taking into consideration these tasks.

**Supplementary Principle 4.14.2 Training Programs for Directors**

The Company provides its Officers with training about the following, which is relevant to

their respective roles and responsibilities.

- The Act and corporate governance by professionals
- Useful information about management by executives of other companies and experts
- Training about compliance

## **Principle 5.1 Policy for Constructive Dialogue with Shareholders**

### **(1) Basic views**

The Company considers shareholders and investors as an important stakeholder to improve its corporate value. Accordingly, the Company engages in dialogue with its shareholders as follows.

### **(2) Dialogue with institutional investors**

The Company's department responsible for investor relations of President Office is in charge of measures for dialogue with institutional investors. The department holds on regular meetings with institutional investors and explains performance and business situation of the Company to those investors. The Company considers those direct dialogues with them contributing to improve its long-term corporate value. The Company responds to the communication with a reasonable extent to reflect the feedback from those dialogues in its management.

### **(3) Dialogue with individual investors**

The Company's department responsible for shares of Corporate Human Resource & General Affairs Division is in charge of measures for dialogue with individual investors.

The Company takes reasonable time to introduce its businesses overview in order to maintain valuable dialogue with individual investors.

### **(4) Insider information and quiet period**

The Company actively discloses information in order to contribute to constructive dialogue with shareholders and investors.

The Company does not disclose unreleased or confidential insider information to any particular stakeholders. Furthermore, the Company periodically educates its Officers and employees to ensure that they are aware of the importance of handling insider information.