

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

The Company holds shares of other companies as a policy when it determines that they are necessary as part of management strategies, such as sustained business alliances, or in order to develop good relationships with its business partners and facilitate smooth running of business. The Board of Directors annually examines the significance of acquisition or holding of and economic rationality for each individual cross-shareholding, and any cross-shareholdings of which the Board of Directors does not recognize the reasonableness are to be reduced. As a result of review, the Company sold some

cross-shareholdings during the fiscal year ended March 31, 2019.

(2) Exercise of voting rights

For voting rights as to the cross-shareholdings, the Company determines whether it agrees or not on each proposal after comprehensively considering the following points: whether a company issuing the shares has established an appropriate corporate governance system; and whether such company provides the proposal for improving its corporate value in the medium- and long-term; and effects on the Company. The Company makes a careful decision especially in the case of a long-term decline in earnings, a serious scandal or such a proposal that damages shareholder value.

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 including approval and reporting at the Board of Directors meeting in accordance with laws and regulations or the Regulations of the Board of Directors of the Company, in proportion to the importance and characteristics of the transaction.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company periodically monitors the management of plan assets and reviews the policy composition of plan assets when necessary. In addition, the Company provided the basic policy on asset management and the asset management guidelines to asset managers and comprehensively assesses them by conducting quantitative assessment as well as qualitative assessment of their investment policies, asset management processes and compliance. The Human Resources Department of the Company reviews their management of assets and periodically exchanges information with them.

Principle 3.1 Full Disclosure

(1) Business principles and business policy and business strategies

Founding Philosophy

“Let’s excite the world’s markets with our outstanding products.
Our sincerity and diligence will contribute to society and lead to our own success and happiness.”

Founding Philosophy is a fundamental and permanent component of the TOMY Group which has served us well.

Corporate Guidelines

Corporate Guidelines are based on Corporate Philosophy and clarify "The TOMY Group Way."

Customers

For TOMY Group customers, we will bring dreams to reality through products which offer new forms of play value.

Employees

For TOMY Group employees, we will strive to offer a dynamic working environment which maximizes individual initiative and creativity.

Shareholders

For TOMY Group shareholders, we will satisfy expectations and earn trust through sound management and quality earnings growth.

Business Partners

For TOMY Group business partners, we will deal fairly and honestly, aiming for mutual prosperity.

Society

For society, TOMY Group will continue to be a faithful and trusted corporate citizen for the 21st Century.

【Management Indicators】

For TOMY Group, we aim for 8% of consolidated operating Margin.

【Medium-term Business Strategy】

TOMY group advances further reinforcement of core toy business and establishment of solid operating base as well as promotion of overseas expansion and plans for reformation to a true global enterprise for the "Realization of a dream of all stake holders" written in

Corporate Philosophy.

From FY 2018, we have started Medium-term Management Plan and have advanced business strategies below.

- ① Promote in-house original global brand strategies
- ② Create original brands for Japan and Asia
- ③ Category No.1 strategy
- ④ Expand business in "high-target" products for adults segment and for elderly segments
- ⑤ Expand business in Asia market
- ⑥ Comprehensive strategy for business revitalization for Europe and North America

Through the above, we aim for net sales of ¥1,900 billion, and operating profit of ¥1,400 billion in FY 2020.

(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/dismissal 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.
- (v) In the case where any director committed fraud or a serious violation of law in the performance of his/her duties or where it is found that any director has difficulty in performing his/her duties in an appropriate manner, reasons for his/her dismissal are explained, and deliberation and counsel therefor are received at a meeting of the said "Board Director Nominating Committee," and then such dismissal is resolved by the Board of Directors and discussed at the General Meeting of Shareholders.

Explanations with Respect to Individual Appointments and Nominations

The Company states reasons for appointment/dismissal of each 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 Company has not established its own independence standards but appoints persons free from potential conflicts of interest with its ordinary shareholders as independent directors of the Company, applying mutatis mutandis the requirements of outside directors provided in the Act and the independence standards established by Tokyo Stock Exchange, Inc.

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 the management from diverse perspectives is indispensable for developing its business, promoting globalization and advancing 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 conducts a self-assessment of its effectiveness as a whole by

distributing questionnaires to the members of the Board of Directors once a year (or more if necessary). Based on the result of questionnaire, evaluation results and tasks are discussed at the Risk/Compliance Committee, which is an advisory body to the Board of Directors, and shares at the Board of Directors to improve the effectiveness of the Board of Directors.

TOMY company confirmed about effectiveness of the Board of Directors that all directors and audit & supervisory board members had held active discussions at the Board of Directors and that systems to approve important management matters and to appropriately supervise execution of operations had been established. In addition, we evaluated that the Board of Directors had developed a medium term management plan to improve its corporate value and had actively disclosed information and established internal control and risk management systems. On the other hand, capacity development of Directors and strengthening of the monitoring function on the medium-term management plan were given as tasks.

We 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
- Compliance
- Business strategies, business description and operating structure
- New products and popular products to promote understanding of “value of play”

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.