

August 8, 2014

To all related parties:

Name of the Company: TOMY Company, Ltd.  
Name of the Representative: Kantaro Tomiyama  
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### **Notice Concerning Settlement of Federal Class Action Lawsuit in U.S.**

A settlement agreement, dated August 6, 2014 (State of California time, U.S.), was reached with the plaintiffs in a class action lawsuit filed against TOMY International, Inc. (hereinafter "TI"), a consolidated U.S. subsidiary of TOMY Company, Ltd. (hereinafter "Tomy"), based on a claim filed with the district court in California in the U.S. that TI allegedly violated the Telephone Consumer Protection Act (\*) (hereinafter "TCPA"), a federal law in the U.S., as described below. The settlement will be formalized with the acquisition of preliminary approval and final approval from the court.

#### **1. Events from filing of lawsuit to settlement**

As Tomy has described hitherto in its earnings summaries and securities reports since the second quarter of the fiscal year ended March 31, 2013, a class action lawsuit alleging a violation of the TCPA was filed against TI by Craftwood II, Inc. on August 14, 2012, based on a claim that TI allegedly sent unsolicited faxes about TI's products as advertisements to certain customers. TI previously contended this claim by making assertions including that a TCPA violation hadn't been established and the criteria for a class action lawsuit have not been satisfied. However, on June 7, 2014, TI entered into mediation procedures with the plaintiffs in order to resolve this matter. On August 6, 2014, U.S. time (August 7, 2014, Japan time), TI reached agreement with the plaintiffs regarding a settlement.

(\*) Telephone Consumer Protection Act: A law forbidding the sending of unsolicited advertisements for sales purposes by fax and certain forms of telemarketing

#### **2. Details of the settlement**

Tomy will pay a settlement package of 10,075,000 U.S. dollars (1,029 million yen) and the plaintiffs will drop all lawsuits against TI.

#### **3. Reasons for reaching the settlement**

Although TI has denied fault, wrongdoing, or liability of any kind, if it had refused the settlement proposal presented during the mediation procedures, there was a high likelihood that the matter would have been resolved by the court. Therefore, TI judged that, in light of advice from specialists including lawyers and in consideration of such matters as the expected costs if this matter had been adjudicated by the court, the inherent risks of U.S. class action lawsuits, the amount of time it would have taken to resolve the matter, and the disruption to business

operations this would have caused, at present, resolving the matter through a settlement will result in far less of a burden for the Tomy Group, and is accordingly the best option.

#### **4. Impact on earnings**

A total of 10,619,000 U.S. dollars (1,084 million yen) comprised of the above-mentioned settlement package and various costs associated with the settlement will be recorded in the first quarter of the fiscal year ending March 31, 2015, as extraordinary losses. For the impact on the consolidated earnings for the fiscal year ending March 31, 2015, please refer to “Notice Concerning Recording of Extraordinary Losses and Revision of Earnings Forecasts” released as a timely disclosure separately today.

#### **5. Actions going forward**

Tomy fully intends to further enhance and strengthen the compliance structure at its overseas subsidiaries. In particular, at TI, which is an important subsidiary responsible for the Tomy Group’s overseas business, Tomy plans to take this occurrence as an opportunity to implement the following measures.

- Establish a Litigation Risk Management Committee, carefully monitor changes in legislation and trends in case law in the U.S. with the help of external law offices, and reflect this information in Tomy’s policies and training on compliance in a timely manner.
- Once a year, hold deliberations together with the Tomy management on the Enterprise Risk Management process and review the process as necessary.
- By conducting training sessions for employees once a year, enhance employee awareness of matters such as potential risks, laws and regulations that must be complied with, case law, damage compensation and penalties resulting from violations of laws and regulations, and internal regulations relating to these matters.
- Have employees sign letters of consent regarding compliance with laws and regulations and establish a yearly certification process.
- Enhance the present internal control functions and implement activities that are focused on business operations with high potential risks.

End of notice