

*The TOMY Group's goal is to achieve sustainable growth by offering toys that create new value from play. We believe that gaining the trust of all of our stakeholders by establishing guiding principles for sound business practices and fulfilling our social responsibilities is vital to our corporate goals.*

**THE TOMY GROUP'S  
GUIDING PRINCIPLES AND CSR APPROACH**



**I. Customer Relations**

**1. Product Safety and Quality**

The basic quality policy of the TOMY Group is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide the high quality that they will find appealing. This embodies the principles upon which our safety and quality efforts are founded. In our efforts to improve safety and quality, we comply with laws and regulations, establish our own strict standards and exert controls on the use of heavy metals and phthalates.

Compliance with laws and regulations means working to maintain safety and quality in every country by complying with laws and regulations everywhere we operate as we advance our products globally. The TOMY Group has also put in place our own even stricter safety and quality standards to prevent problems from occurring.

To control heavy metals and phthalates, we not only use third-party test labs but also have installed in-house test

equipment to analyze products for the presence of heavy metals, such as lead, and plasticizers (phthalates). If heavy metals or phthalates are found in any product, we immediately prevent it from going to market. The TOMY Group continuously strives to ensure product safety and quality and to implement thorough controls.



**2. Accessible Design Toys**

The TOMY Group began developing products for sight-impaired children in 1980. While we initially emphasized developing toys made particularly for physically challenged children, in 1990 we began working to include the same kind of features in our general toys as well. We expanded those efforts to include considerations for hearing-impaired children, and consequently these efforts spread throughout the toy industry. In addition to design features, such as placing a raised surface mark on the ON side of the switch for the sight-impaired, we implemented measures including using surfaces that allow discrimination by touch or sound, as well as by sight, when it is necessary to tell the difference between two or more items of identical shape. We also produce user manuals that are understandable based on text alone without referring to illustrations, and we make

these manuals accessible via our Web site. For the hearing-impaired, we have tried a variety of design features that will allow fun playtime in addition to sounds, such as light, vibration, movement, text, images and other elements. These kinds of toys are gaining attention as toys that kids can enjoy with friends challenged by sight or hearing impairment. In September 2011, we held exhibitions and demonstrations of the latest Accessible Design Toys for the public at Tokyo shopping malls to increase public awareness of these toys.



Logos for Accessible Design Toys

**II. Employee Relations**

**Realizing a Good Work-Life Balance**

The TOMY Group believes that achieving our goal of becoming the world's leading toymaker requires that we hire, cultivate and leverage diverse human resources within our corporate structure who can serve as the wellspring for value creation. We believe that a world in which the declining birthrate is reducing the numbers of our biggest customers, an aging population is reducing the workforce and globalization continues to accelerate presents an opportunity to revolutionize work options. Therefore, the achievement by our employees of a good work-life balance, as well as promoting the diversity that precedes it, is a vital aspect of our management strategy.

We are therefore participating in the Urgent Low-Birthrate Countermeasures promulgated by the Tokyo Metropolitan

Government. We have been selected by the Tokyo Metropolitan Government for membership in the Project Promotion Team and are engaged in efforts such as achieving diversity in ways of working and support for parenting. Through these efforts, we seek to improve workforce motivation and stability, promote health, enhance work efficiency and productivity, augment self-improvement and achieve similar beneficial effects on employee work styles. In addition, we anticipate a positive effect on business performance, such as creating high-value-added products by ensuring we maintain top-notch human resources. We will continue to promote a variety of measures toward our employees' achievement of a true balance between work and life.

**Tokyo Model Promotion Project Summary**

Objectives	Goals	Main Efforts
1. Elimination of work outside regular hours	Reduce 10% for the year ending March 31, 2013, in comparison with the year ended March 31, 2011	<ul style="list-style-type: none"> <li>•Work revision (business) Implement surveys; training for directors, managers and employees; other efforts</li> <li>•Reduce hours worked Work efficiency training, promotion of annual leave-taking, other efforts</li> <li>•Achieve diverse work styles Work from home, mobile work, etc.</li> <li>•Support for work-life balance, such as childcare support</li> <li>•Support for human resources development Social contribution</li> </ul>
2. Increase rate of paid leave taken	Increase 50% for the year ending March 31, 2013, in comparison with the year ended March 31, 2011	
3. Increase the rate of childcare leave taken by male and female workers	Achieve a 100% rate for females and an increase of five or more males for the year ending March 31, 2013	
4. Implement a work-from-home system, and encourage and expand its use	Achieve a total of 120 employees, including those from Group companies, using this system for the year ending March 31, 2013	
5. Increase the ratio of female management-level employees	Achieve a 10% rate for the year ending March 31, 2013	

### III. Community Relations

#### Environmental Efforts through TOMY Group Toys

In addition to our environmentally friendly toy manufacturing, we intend for our toys to impart a sense of responsibility for the environment to children, who hold the key to our future.

Our Eco-Toy program, which began in 2011, leads the industry in this field. Products meeting one or more of our own company standards for environmental consideration in the toy's life cycle, including the "production" and "play" phases, are certified as Eco-Toys. The Eco-Toy mark and environmental information are displayed on the package and details are provided on our Web site, making it easy for the customer to understand the Eco-Toy concept. Also, we can communicate directly to children about the environment when they play with Eco-Toys at toy shows or eco-product events. For our efforts to deepen children's understanding and concern about the environment, and in appreciation of developing a new field in green purchasing, we received the Superiority Prize at the 13th Green Purchasing Awards.\*

We also produced toys made using safe recycled plastic in July 2012 as a facet of our research into making toys that use fewer natural resources. The *Plarail* "Eco Straight-Line Rail" and "Eco Curved Rail" are the first such products to receive the Eco-Mark.

Many customers have requested we collect and recycle toys that are no longer played with, but given the special characteristics of toys and legal regulations this has presented a major hurdle for a single company to surpass. In 2012, we participated in the Ministry of the Environment's PLA-PLUS Project, a social experiment concerning plastic product recycling in which we field tested toy collection and recycling. This testing provided basic data about needs and issues and will be useful in future efforts.

\*Awards commending efforts to expand and popularize "green purchasing," in which the purchasing of environmentally conscious products and services is prioritized.



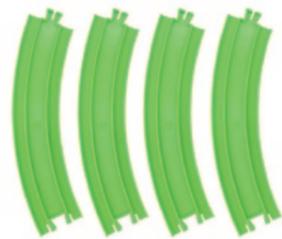
EDASH series of remote control vehicles that require no replaceable batteries.



Environmental communications at events, etc.



Winner of the Superiority Prize at the 13th Green Purchasing Awards



The *Plarail* "Eco Straight-Line Rail" and "Eco Curved Rail" are the first toys to receive Eco-Mark certification. These "green rails" are composed of 50% or more safe recycled materials, making effective use of recycled plastic resources.



Our efforts surpass all others in the industry. We participated in the PLA-PLUS Project, a social experiment concerning plastic product recycling.



## Corporate Governance

### BASIC THINKING ON CORPORATE GOVERNANCE

One of the most important management issues for the 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 strong corporate governance including enhanced self-check functions, risk management and compliance systems, even as we improve operational efficiency.

### 1. Corporate Governance System

#### 1. System for Performance of Duties by Directors

The Company's director and auditor system consists of 13 directors and five corporate auditors including five outside directors and four outside auditors. The TOMY Group has determined that the structures described above are effective in the application of corporate governance necessary to appropriate, efficient corporate management.

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 TOMY Group as a whole, as well as issue decisions concerning the performance of important business operations, to audit and supervise the performance of business operations and take other relevant steps.

The Executive Directors Meetings (the "Jyomu-Kai") shall be held once each week with the purpose of conducting the TOMY Group's business operations and management in smoother and more efficient fashion. The members of the Meetings shall engage in versatile decision making on matters concerning the overall implementation of Group business management.

The Advisory Committee, composed of outside directors and/or auditors, 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 TOMY Group's financial affairs and other important matters.

The Investment Committee, composed of outside directors, is established as an advisory body to the Board of Directors and is requested to provide assessments and counsel with regard to important investments.

The Remuneration Committee, composed of outside directors and/or outside auditors, 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 amounts of directors' remuneration.

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.

The Medium-Term Management Plan 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 Business Plan (Budget) for each fiscal year.

#### 2. Auditing System

The Board of Corporate Auditors is composed of five auditors, four of whom are outside auditors. The Board of Corporate Auditors meets once a month in principle, at which it oversees the business conducted by the directors, as well as deliberates and makes decisions concerning important items necessary to auditing. The auditors also attend important regular meetings and non-scheduled meetings at which they receive reports concerning the management situation, execution of business, financial situation, status of internal audits, risk management and compliance. In addition, so as to strengthen the auditing function, one employee has been posted to the General Affairs Division to assist the auditors in their duties, and the independence of this employee from the directors is maintained.

Upon the occurrence of matters capable of causing serious losses to the TOMY Group (or the threat of the occurrence of such circumstances), the detection of illegal