

### 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.



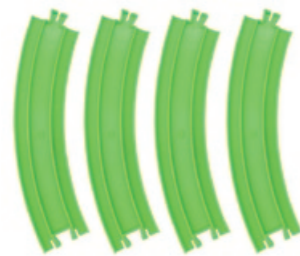
EDASH series of remote control vehicles that require no replaceable batteries.



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

or dishonest actions perpetrated by officers or employees or other conditions requiring reports to the Board of Corporate Auditors, directors or employees shall promptly report upon the said situations to the Board of Corporate Auditors.

Corporate Auditors 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.

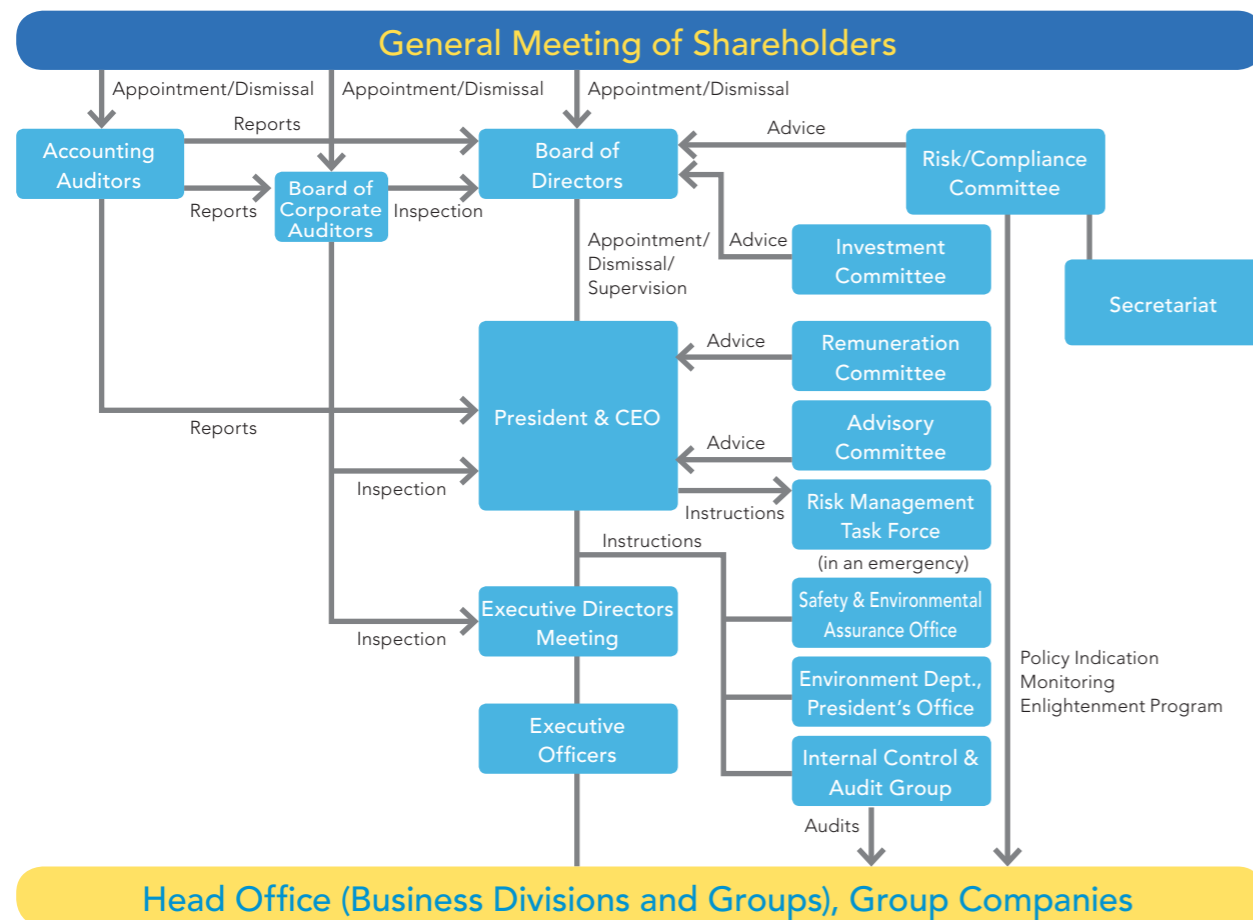
To ensure that corporate auditors maintain a firm grasp of the status of important decision making and the performance of business operations, systems shall be adopted to enable auditors to attend meetings of the Board of Directors, the Executive Directors Meetings and other important conferences; have 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.

Corporate Auditors (or the Board of Corporate Auditors) shall engage in exchanges of opinions and information with accounting auditors and the Internal Control & Audit Group and the TOMY Group Companies' audit divisions with regard to important themes pertaining to auditing and other matters, mutually collaborating to monitor the TOMY Group's internal control conditions.

### 3. Accounting Audits

KPMG AZSA LLC, a limited liability audit corporation, was appointed at a General Shareholders' Meeting to conduct accounting audits of the TOMY Group, which it continues to do effectively. Three CPAs and 14 others who have audited for seven or fewer years for the company executed the auditing.



## II. Appointment of Outside Directors: Independence and Director Remuneration

### 1. Selection and Independence of Outside Directors and Outside Auditors

The TOMY Group seeks to ensure that outside directors make judgments about management from a neutral perspective that is independent from the Group's executive management and that they make fair and just determina-

tions that take the interests of shareholders into consideration in the process of making decisions about important business at Board of Directors meetings. Therefore, in selecting outside directors TOMY chooses persons with rich experience who have demonstrated a high level of discernment as managers, as well as CPAs and attorneys

possessing highly specialized knowledge and experience. Neither the outside directors nor the outside auditors have any direct interest in TOMY.

### 2. Director Remuneration

Concerning remuneration for directors and corporate auditors, it has been decided by resolution of the General Meeting of Shareholders that the amount of remuneration to directors as a group is capped at ¥400 million per annum (fixed remuneration) and the amount of remuneration to corporate auditors as a group is capped at ¥70 million per annum (fixed remuneration).

Additionally, it has also been decided by resolution of the General Meeting of Shareholders that the maximum

amounts of remuneration, etc., relating to subscription rights to shares issuable as stock options are ¥200 million per annum for directors as a group and ¥15 million per annum for corporate auditors as a group for the one-year period beginning from the date of the General Meeting of Shareholders for each fiscal year.

The actual amount of remuneration, etc., to each director and each corporate auditor shall be based on the deliberation and report of the Remuneration Committee, which consists of outside directors and outside corporate auditors, and decided by resolution of the Board of Directors for directors' remuneration or by consultation of the Board of Corporate Auditors for corporate auditors' remuneration.

Total remuneration of each class of director and others

Director class	Total remuneration (¥ millions)	Total amount of each type of remuneration (¥ millions)				No. of directors and/or corporate auditors
		Basic	Stock option	Bonus	Retirement bonus	
Director (except outside directors)	311	213	32	65	-	7
Auditor (except outside auditor)	18	13	0	3	-	1
Outside director and corporate auditor	55	37	6	11	-	9

## III. Internal Controls and Compliance System

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 built on sound and transparent management practices. We will make every effort to achieve this through enhancing corporate governance and continually improving internal control systems.

### 1. Compliance System

The TOMY Group has established the Code of Conduct 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.

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 & CEO and composed of outside directors and auditors 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.

The Internal Control & Audit Group, an organization under direct control of the President & CEO, shall audit the status of the Group's compliance and report on the results to the Representative Director and the Board of Corporate Auditors as deemed necessary.

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.

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 corporate auditors, 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.

### 2. Risk Management

The Risk/Compliance Committee and the Internal Control & Audit Group 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.

To deal with the occurrence of unexpected circumstances, Risk Management Task Forces 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.

The Environment Dept., President's Office and the Safety & Environment Assurance Office have been established as organizations 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.

### 3. Information Management System

TOMY has established the Information Security Basic Rules pertaining to the management of information, with measures devised to ensure the reliable protection of information assets, including personal information. We further strengthen the disclosure system to be undertaken in the pursuit of speedy information disclosure and greater transparency throughout the Company's management.

### 4. Group Business Management System

As a general rule, one or more of the Company's officers or employees shall be appointed as outside directors or outside auditors of the TOMY Group companies. In this capacity, these outside directors and auditors 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 TOMY Group as a whole.

With regard to the TOMY 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.

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 are being monitored by the Risk/Compliance Committee and the Internal Control & Audit Group.

### 5. Ensuring Financial Report Reliability

To ensure the reliability of financial reports, a specific internal control system is being 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 Law.

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 Law and other related laws and ordinances.

counter to the mutual interests of our shareholders. Whether these measures are implemented or eliminated is determined through approval at the General Meeting of Shareholders, and the decision to proceed with them is placed before a Special Committee composed of outside directors and auditors for an objective determination. Therefore, we have determined that the anti-takeover measures damage neither enterprise value nor the mutual interests of shareholders, nor are they intended to maintain the positions of the directors.

## IV. Anti-Takeover Measures

TOMY has implemented anti-takeover measures which, in the event that an offer to buy a large volume of company shares has been made, provide for us to obtain the information necessary for our shareholders to determine whether to respond to said purchase offer, and ensures that we have the time and information needed for the Board of Directors to offer an alternative proposal. We also created these measures because of a need to establish fixed rules to prevent share purchase offers that by their nature threaten TOMY's enterprise value, in that they do not raise enterprise value and are

## V. Information Disclosure System

TOMY engages in appropriate, fair disclosure so as to maintain management transparency and gain the understanding

and fair assessment of our stakeholders through accountability.

Disclosure policy	Our IR Policy stipulates our disclosure standards, internal system for appropriate disclosure timing, means for increasing IR opportunities, etc. For details, please see our home page: <a href="http://www.takaratomy.co.jp/english/ir/etc/policy.html">http://www.takaratomy.co.jp/english/ir/etc/policy.html</a>
Increasing IR opportunities	In addition to semiannual meetings to explain earnings to analysts and institutional investors, we also hold about 200 IR meetings a year mainly with analysts and institutional investors in Japan. We also conduct seminars for individual investors.
Department in charge	IR Section, Corporate Communications Division, Phone: 03-5654-1548

For details of TOMY's corporate governance, please refer to the "Corporate Governance Report" submitted to the Tokyo Stock Exchange.

## Board of Directors and Corporate Auditors

(As of June 27, 2012)



Left to right (Front row): Kazuhiro Kojima, Toshiki Miura, Osamu Mashimo, Kantaro Tomiyama, Shigeki Yanagisawa, Isamu Takahashi, Minoru Rikiishi (Second row): Curtis W. Stoelting, Akio Ishida, Kakuei Miyagi, Osamu Yasaka, Nobuhiko Ito, Takashi Yamamoto

**President & CEO**  
Kantaro Tomiyama

**Senior Managing Director**  
Chief Marketing Officer  
Head of Toy Business HQ  
Osamu Mashimo

**Senior Managing Director**  
Chief Strategy Officer  
Head of Bureau of Corporate Strategy  
Shigeki Yanagisawa

**Managing Director**  
Chief Financial Officer  
Head of Public Relations  
Toshiki Miura

**Managing Director**  
Representative, TOMY International Group  
Isamu Takahashi

**Managing Director**  
Deputy Head  
Bureau of Corporate Strategy  
Kazuhiro Kojima

**Board Director**  
Senior Executive Officer  
Head of Japan & Asia Sales  
Minoru Rikiishi

**Board Director**  
CEO of TOMY Holdings, Inc.  
Curtis W. Stoelting

**Board Director (Outside)**  
Akio Ishida

**Board Director (Outside)**  
Kakuei Miyagi

**Board Director (Outside)**  
Osamu Yasaka

**Board Director (Outside)**  
Nobuhiko Ito

**Board Director (Outside)**  
Takashi Yamamoto



**Corporate Auditor**  
Takeichi Nozawa

**Corporate Auditor (Outside)**  
Tsunekazu Umeda

**Corporate Auditor (Outside)**  
Jun Nogami

**Corporate Auditor (Outside)**  
Shigeyuki Mito

**Corporate Auditor (Outside)**  
Toshi Yoshinari

Left to right (Front row): Takeichi Nozawa, Tsunekazu Umeda, Jun Nogami (Second row): Shigeyuki Mito, Toshi Yoshinari