
Responsibilities

The TOMY Group's goal is to achieve continuous 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.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Consumer Issues

Product Safety and Quality: Our Own Standards and Thorough In-House and Third-Party Testing

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 find appealing.

What this means in practice is that as we advance our products globally, in addition to working to ensure safety and quality through compliance with the laws and regulations of every country, we have also established even stricter original TOMY Group safety and quality standards that address potential problems and prevent their occurrence. Our controls on toxic heavy metals and plasticizers (phthalates) in our hit products include not only third-party testing but also in-house analysis using our own equipment to check for lead and other heavy metals as well as phthalates. If heavy metals or phthalates are found in any product we stop that product from going to market. After looking into the source of the trouble and making improvements we conduct new production and testing, with shipment proceeding only after confirmation that there are no problems with the product.

We hold annual meetings attended by all employees for discussions, led by the units in charge of product safety and quality, that are geared toward promoting awareness and understanding of the importance of safety and quality control.



Testing being conducted on in-house equipment.



Labor Practices

Keeping and Cultivating Human Resources for Continuous Growth

The TOMY Group takes a positive approach toward work-life balance and work-style innovation, maximizing the added value generated by our human resources at the individual and organizational levels. In August 2014, we introduced our Work-at-Home System, which provides structures that enable employees engaged in child care or nursing care to continue working from home, thereby increasing their motivation. In addition, we are moving forward with programs such as introducing iPads for greater efficiency through effective use of travel time and paperless meetings. TOMY has also been awarded the "Kurumin" certification in recognition of our having met certain child-raising standards established by the Ministry of Health, Labor and Welfare as measures to deal with the low birthrate issue.

We began holding our Management Cram School in July 2013 as an in-house study program aimed at activating and cultivating human resources, and over the subsequent seven-month period we engaged in cultivating next-generation leaders and formulating a vision to coincide with the 100th anniversary of our founding. We also conduct planning development training aimed at making us a richly imaginative company, as well as cross-cultural training aimed at sharing the diversity in values that is vital to development outside Japan and to the creation of new business, and cross-business training through collaboration with other companies.



"Kurumin" certification



In-house poster to promote work-life balance

Environment

Card-Game Format Eco-Activity Reports Befitting a Toy Company

The TOMY Group is creating card-game format eco-activity reports using the “My Earth” environmental card game. By adding a spirit of fun to activity reports that mainly take the form of pamphlets, children can have fun learning about ecology and develop awareness while playing.

In 2013, these were distributed to around 11,000 children through lessons provided at elementary schools, company tours and a variety of events.

We were able through play to impart to children an understanding of environmental issues and the eco-activities in which we can engage.



An environmental card game designed and created by My Earth LLC.

The TOMY Group and the Ministry of the Environment Partnering in Two Test Programs for the Creation of a Recycling Society

The TOMY Group has teamed up with the Ministry of the Environment in the PLA-PLUS Project to test the collection and recycling of used toys.

The TOMY Group is the only member of the toy industry participating in this social experiment, which transcends the boundaries of the industry. In 2014 (the second round of the project), the total volume of plastic material collected at stores was 3,200 kg, which was also used in tests of new recycling technology.

We are also testing effective ways to use packaging and container waste as a resource. More than 50% of household waste is packaging and containers (according to the Ministry of the Environment). We are testing ways to use this

material to actually make toys, which presents challenges such as the removal of coloring and safety issues.

We will continue with such testing programs for the sake of the future of the world’s children.



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

Increasing Environmental Awareness of Children through Toys

The TOMY Group seeks to help children become more aware of the environment through the use of items nearest and dearest to them—their toys.

We launched the Eco-Toy Committee made up of members from throughout our organization and enlisted the advice of third-party organizations to establish environmental standards spanning the product life cycle, including during toy manufacturing and their use. Products meeting one or more of these standards are certified as Eco-Toys. In addition, our PLARAIL products, which are made with recycled materials, have been granted the Eco-Mark certification.

In recognition of our efforts to lead the industry in raising the awareness and understanding of environmental issues by children, we received the Superiority Prize at the 13th Green Purchasing Awards and the 2013 Eco-Mark Awards Gold Medal.



Receiving the Japan Environment Association 2013 Eco-Mark Awards Gold Medal.

Community Involvement and Participation

Development of Accessible Design Toys for Play Irrespective of Disability

The TOMY Group began developing products for physically challenged children in 1980 and currently is developing our toys for the general market as “Accessible Design Toys,” which can be enjoyed irrespective of disability. Our efforts in this area have now spread throughout the toy industry.

Accessible Design Toys include design features benefitting the sight-impaired, such as placing a raised surface mark on the ON side of the switch, whereas for the hearing-impaired we include a variety of features in addition to sounds that contribute to fun playtime, such as light, vibration, movement, text and images.

In 2014, we began engaging in cooperative efforts to improve the existing application that replaces the voice in voice-activated toys to make them operable by the hearing-impaired.

Our HELLO! ZOOMER product, which features this application, won the Japan Toy Association Grand Prize in the Accessible Design Category this year. We hope that this application will become an effective tool for use in a variety of toys to create bonds between hearing-impaired and non-impaired children.



A Raised Dot on the Power Switch

A raised dot on the ON side of a power switch helps tactile recognition of ON/OFF.



Labeling Symbols for Accessible Toys

Guidedog Mark for labeling toys to enjoy with friends who cannot see; Rabbit Mark for labeling toys to enjoy with friends who are hard of hearing.

Post Great East Japan Earthquake Recovery Efforts

The TOMY Group has sought to use our toys to return smiles to the faces of those who suffered due to the Great East Japan Earthquake. We support recovery efforts by participating in events held by local governments and others in stricken areas.

In May 2013, we participated in the Koriyama Kids Fair. We also provided support to the children of Fukushima Prefecture, who two years after the disaster are still experiencing great anxiety, by participating in events during Golden Week in May designed to alleviate stress among evacuees by offering the opportunity to play freely with toys.

We also participated in the 3rd Tohoku Kids Fair in October 2013. This event was first held in October 2011 by the Japan Toy Association in conjunction with local governments and others with the goal of bringing smiles to everyone—children and adults alike. The theme in the third such event was also “Smiles for Everyone” and was attended by many children and their families.



The 3rd Tohoku Kids Fair held in October 2013

CORPORATE GOVERNANCE

Basic Policy

TOMY Company Ltd. ("TOMY") places great emphasis on continuous improvement of corporate value and highly transparent, sound management to gain the trust of all TOMY stakeholders. Our executive management team is united in promoting comprehensive corporate governance that encompasses management supervision functions to ensure management efficiency, as well as strong risk control and compliance structures.

Management Monitoring System

1. Outside Directors

TOMY has appointed outside directors to serve from 2006 to enhance corporate governance. Currently, half of our Board of Directors (five of 10) are outside directors.

2. System for Performance of Duties by Directors

a.1_ Regular meetings of the Board of Directors shall be convened once every month, while extraordinary meetings of said Board shall be held as necessary. At these meetings, the directors shall determine the basic policies and strategies for the TOMY Group as a whole and shall formulate strategy, make decisions concerning the performance of important business operations and supervise the performance of business operations.

a.2_ Each Officers Meeting (the "Toukatsuhonbu-Kaigi") has been established and shall be held, in principle, at least once each month with the purpose of conducting the Group's business operations and management in smoother and more efficient fashion. The Members of the Meeting shall engage in versatile decision-making on matters concerning the overall implementation of Group business management. The resolved matter of the Executive officers Meeting shall be reported to the Board of Directors / the Monthly Report meeting from Managing officers Executive (the "Keiei-Shikkou-Houkokukai"), composed of directors and audit & supervisory board members, as deemed necessary.

a.3_ The Advisory Committee, composed of outside directors and Audit & Supervisory

Board members, is established as an advisory body to the Representative Director for the provision of a broad range of counsel pertaining to the effectiveness of business performance, the reliability of financial reporting and other important matters.

a.4_ The Investment Committee, composed of outside directors, has been established as an advisory body to the Board of Directors to provide assessments and counsel concerning important investments.

5_ The Remuneration Committee, composed of outside directors and Audit & Supervisory Board members (outside), is established as an advisory body to the Representative Director for the provision of proposals and counsel concerning policy on matters such as director remuneration.

3. Auditing Function

a.1_ TOMY has an Audit & Supervisory Board, and in compliance with the law the five Audit & Supervisory Board members (four of whom are independent Audit & Supervisory Board members (outside)) perform audit engagements, as well as receive reports through the various committees concerning the status of management, management execution, finances, internal audit execution, risk management and compliance.

a.2_ To ensure a firm grasp of the status of important decisions and the performance of business operations, Audit & Supervisory Board members may attend meetings of the Board of Directors and other meetings, and may have access to the minutes of meeting proceedings, "circulated memos" for staff approvals and other documents concerning the performance of important business operations. Audit & Supervisory Board members may also, as necessary, request explanations of such matters from directors or employees.

a.3_ The Audit & Supervisory Board members individually or the Audit & Supervisory Board shall engage in exchanges of opinions and information with the accounting auditors and the Internal Control & Audit Group with regard to important auditing matters, with all parties collaborating in monitoring the TOMY Group's internal control status.

Implementation of Corporate Governance

1. Executive Officer System

TOMY has introduced the Executive Officer System to ensure the swift, efficient execution by officers of the business with which they are charged at their respective divisions based upon the policies, strategies and oversight of the Board of Directors. There are currently 8 Executive Officers.

2. Internal Controls

1_ Compliance System

TOMY has established the "TOMY Code of Conduct," which stipulates that all directors and employees are required to comply with laws and regulations, and furthermore clearly states that they must fulfill their social responsibilities through honest and fair business practices. Directors are made fully aware of the Code.

TOMY has in place a Risk/Compliance Committee, which is chaired by the President & CEO and composed of outside directors and Audit & Supervisory Board members (outside) and others, aimed at making the compliance system and risk management system more complete and thorough. This body deliberates important issues concerning risk and compliance, and reports the results of such deliberations to the Board of Directors.

The Internal Control & Audit Group, an organization under the direct control of the executive management team, audits the Group's compliance status and reports on the results to the Representative Director and the Audit & Supervisory Board as necessary.

2_ Risk Management

The Risk/Compliance Committee and the Internal Control & Audit Group have been established as the organizations coordinating all areas of risk management, thereby creating a company-wide risk management system integrated with the internal control system.

Risk Management Task Forces shall be promptly established when unforeseen situations arise to take prompt and appropriate actions to minimize losses and damage, as well as to devise effective measures to prevent any recurrence.

The President's Office Environment Department and the Safety & Quality Assurance Office have been established to deal exclusively with the environment and product safety, respectively.

These are the core organizations in our efforts to strengthen the response to environmental problems and ensure that TOMY continues to offer outstanding products that can be used with confidence.

3_ Group Business Management System

One or more of the Company's officers or employees shall be appointed to serve as non-executive directors or Audit & Supervisory Board members (part-time) of the TOMY Group companies to engage in monitoring and supervising the propriety of the performance of operations at each 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 has been established to coordinate Group company management. This department shall act in accordance with the Company's internal rules in providing management and guidance activities in accordance with the characteristics and status of each Group company.

3. Director Compensation

Director compensation as determined at the General Meeting of Shareholders is ¥400 million or less (fixed) for directors and ¥70 million or less (fixed) for Audit & Supervisory Board members. Also, the upper limit of compensation in the form of stock options as determined at the General Meeting of Shareholders is ¥200 million annually for directors and ¥15 million annually for Audit & Supervisory Board members to be issued within one year of the date of the General Meeting of Shareholders in each fiscal year.

The compensation granted directors and Audit & Supervisory Board members is deliberated on and reported at the Compensation Committee, which is made up of the outside directors and Audit & Supervisory Board members (outside), based on which the compensation of directors is determined at the Board of Directors meeting, with the compensation of auditors determined at the Audit & Supervisory Board Meeting.

4. Anti-Takeover Measures

TOMY is continuing our policy on responding to attempts to conduct the large-scale purchase, etc., of Company stock after having received shareholder approval (79.13% in agreement) at the 62nd Ordinary General Meeting of Shareholders held on June 26, 2013. This response policy consists of a “rights plan with prior warnings” providing for the allotment of stock acquisition rights without contribution (henceforth “the Countermeasures”).

Goal of the Countermeasures

The TOMY Group seeks to improve the value of the TOMY brand by seriously embracing our mission of creating new value from play and improving product quality to “nurture a sound

children’s culture” for children, who are our future. Therefore, in cases in which a purchase of a large volume of Company stock has been proposed, we must carefully look into whether that buyer will respect the TOMY Founding Philosophy and Corporate Mission, as well as contribute to enhancement of the corporate value of the Company and the interests of the shareholders. It is also necessary to ensure that the purchase is reasonable in terms of the feasibility and legality of the business plan proposed by the buyer, the impact on stakeholders, the impact on the enterprise value of the Company and the Group, and participation in the Company’s future plans.

For details, please refer to http://www.takaratomy.co.jp/english/release/pdf/i130514_4_en.pdf



Kakuei Miyagi
Board Director
(outside)

Message from an Outside Board Director

I have served as an outside director at TOMY for five years. TOMY can be summed up by our Corporate Mission—“Fulfilling the Dreams of Everyone”—and as a company we put our all into making that a reality. We seek to offer value in play to fulfill the dreams of all stakeholders, including children, employees, shareholders, our partners and everyone in society. We are convinced that close adherence to this Corporate Mission leads to superior business success.

TOMY’s Executive Team, which includes five outside directors and four Audit & Supervisory Board members (outside), is made up of individuals with truly diverse expertise and rich experience. The CEO pays close heed to the opinions of the outside directors, and those opinions are reflected in the management of the business. In addition, our employees have strong morale and at the same time take a flexible approach to work. Although the merger with Takara in 2005 and the acquisition of RC2 in 2011 greatly increased the scale of the company, our shared Corporate Mission has allowed the successful fusion of those different organizations.

While the approaching “Fourth Business Era” will require a major transformation, our two top executives, the CEO and the COO, are adhering to our Corporate Mission and listening to a variety of opinions as they establish new business strategies. I am certain that by taking up the challenge together with our flexible employees we will succeed in transforming the company.

I look forward to continuing to provide my honest opinions in my role as an Outside Executive Director, and I would like to enlist the support of all our stakeholders, including our shareholders, in safeguarding TOMY.