

CORPORATE SOCIAL RESPONSIBILITIES/ CORPORATE GOVERNANCE

A Management Structure That Supports Corporate Value Enhancement

The TOMY Group is proud of the toy business it operates and strives never to forget its corporate responsibilities. For the benefit of all our stakeholders, we continue to create new value from play. Our fundamental philosophy of bringing smiles to the faces of children around the world is also the starting point for our social and environmental activities and responsible actions.



CONTRIBUTING TO SOCIETY THROUGH OUR BUSINESS

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 find appealing.

Our Own Standards and Thorough In-House and Third-Party Testing

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.



Product strength testing (Tomica tests involve more than 500 items.)

Environment

The TOMY Group promotes eco-friendly toy manufacturing. We also aim to cultivate a sustainable society by encouraging environmental awareness through the toys that children hold dear. In line with these aims, we are pursuing environmental initiatives through three approaches creating on the concept of "100 Years of Play."

APPROACH 1

Environmentally Friendly Toy Manufacturing

We conduct our manufacturing in a manner that makes effective use of resources and is considerate to the global environment. For example, we have taken an industry lead in introducing Type II environmental labeling. We have designated toys that meet our specific environmental standards as "Eco-Toys." These standards are set by the Eco-Toy Committee, comprising members from throughout our organization, and the third-party Green Procurement Network, of which we are a member. We also accept guidance from the Eco Mark Office in establishing environmental standards spanning the product life cycle, including toy manufacturing and use. In the year ended March 31, 2015, we introduced a new way to play with Eco-Toys with the Tomica Mecha Action Car Factory, which requires no batteries.



Playing is Eco



Tomica Mecha Action Car Factory

CONTRIBUTING TO SOCIETY THROUGH OUR BUSINESS

APPROACH 2

Environmental Communication through Toys

We provide children with opportunities to think about the global environment and help cultivate their imagination. Specifically, at in-store and various other events we conduct awareness activities where children can learn about the environment through play. We also conduct school visits and host Company tours for elementary, junior high and high school students, where TOMY employees talk to children about their work in building toys and environmentally friendly activities. This sort of "educational CSR" raises children's environmental awareness and gives them a chance to learn about occupations at the same time.



The Eco Life Fair in cooperation with the Ministry of the Environment



Participation in the Green Power Festival sponsored by the Ministry of Economy, Trade and Industry Agency for Natural Resources and Energy



The visiting lesson at a primary school



A summer lecture on the environment for parents and children

APPROACH 3

Environmental Activities Suited to a Toy-Friendly Society

In Tokyo's Katsushika-ku, where the Company was founded and the head office is located, we take part in social contribution activities sponsored by the ward and actively participate in and collaborate with events aimed at stimulating the region. To highlight the local toy-making industry and encourage an interest in craftsmanship, since 1992 we have cooperated in the Toy Idea Contest sponsored by Katsushika-ku for elementary schools within the ward, and we have established the Eco-Toy Awards for innovative toy ideas. We are also cooperating with companies from other industries and broadening our environmental activities in collaboration with other organizations and the Japanese government on awareness efforts to reach an even greater number of people.

PLA-PLUS Project (Ministry of the Environment)

We take part in the PLA-PLUS Project to test the collection and recycling of used toys. Often, toys that are no longer played with are retained in family homes as memories of happy times. Although many people are reluctant to part with toys, a growing number are willing to participate in recycling efforts if this means making effective use of the toys.

The TOMY Group is the only member of the toy industry participating in this project. We selected Kiddyland Harajuku as our initial collection point. In 2014, the project's third round, the total volume of plastic products collected at stores, around 3,200 kg, was also used in tests of new recycling technology.



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

Contributing to Children's Eco-Activities Again This Year at the Low-Carbon Cup 2015

The TOMY Group encourages children's eco-activities in a variety of locations, including at school and home. We support the Low-Carbon Cup (sponsored by the Low-Carbon Cup Executive Committee) to broaden the ecological circle. Of all the organizations taking part, this year's Outstanding Next-Generation Award was won by Kawasaki Daishi Nursery School for "Interacting with Nature, Environmental Childcare," which was an enjoyable presentation on the school's efforts to bring smiles to the next generation.



Receiving the Japan Environment Association 2012 Eco-Mark Awards Gold Medal.



Receiving the GP Award in September 2015 by the Japan Federation of Printing Industries

Community Involvement

The TOMY Group believes in “corporate management that contributes to the world.” Accordingly, we create and develop “Accessible Design Toys,” which can be enjoyed irrespective of disability.

A 25-Year History of Accessible Design Toys That Can Be Enjoyed Irrespective of Disability

The TOMY Group began developing toys for children with disabilities in 1980, and in 1990 we began offering these toys for the general market as Accessible Design Toys, which can be enjoyed irrespective of disability. These efforts have now spread throughout the toy industry.

Accessible Design Toys include design features benefitting people with visual disabilities, such as placing a raised surface mark on the ON side of the switch, whereas for people with hearing disabilities we include a variety of features instead of sounds that contribute to fun playtime, such as light, vibrations and text.

Accessible Design Toys are sold in the general toy market, so we do everything possible to make their packaging easily recognizable. For example, toys for children with visual disabilities bear a seeing-eye dog mark, and those for children with hearing disabilities are marked with a rabbit.

To use these marks, toys must pass screening by the Japan Toy Association’s Accessible Design Toy Committee.



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.

The TOMY Group’s Accessible Design Toys

As of August 2015, the TOMY Group had Accessible Design Toys recognized in around 100 categories.

Given the growing number of opportunities for children with and without disabilities to play together at nursery schools and kindergartens, we believe demand for Accessible Design Toys will increase further.

For three consecutive years, TOMY has won the grand prize in the Accessible Design Toys division in the Toy Awards sponsored by the Japan Toy Association

In 2015, our JOUJOU Look for the Color Catch Pen product won the Japan Toy Association Grand Prize in the Accessible Design Category. This toy has sensors capable of detecting some 24 colors and communicates using lights and sound. The use of color increases the level of enjoyment for people with vision difficulties and helps them get a better sense of their surroundings. A free downloadable tablet app allows the sounds emitted by the pen to indicate text, making the toy fun to play with for people with hearing disabilities as well.

TOMY plans to continue promoting Accessible Design Toys going forward.



JOUJOU Look for the Color Catch Pen campaign

CORPORATE GOVERNANCE

Basic Policy

TOMY Company Ltd. ("TOMY") today maintains 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 enhancing corporate governance and continually improving internal control systems. 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. Method of Appointing Directors and Audit & Supervisory Board Members

As an advisory body to the Board of Directors, we have established the Board Director Nominating Committee, composed of outside directors and outside members of the Audit & Supervisory Board. This committee evaluates and provides recommendations and advice on the appointment of directors.

2. Outside Directors

TOMY appoints two independent outside directors, making up at least one-third of its total number of directors (six).

3. System for Performance of Duties by Directors

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.

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 matters of the Executive Officers Meeting shall be reported to the Board of Directors as deemed necessary.

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

4_ 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.

4. Auditing Function

1_ TOMY has an Audit & Supervisory Board, and in compliance with the law the four Audit & Supervisory Board members (three 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.

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.

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 share them with 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 companywide 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 Corporate Human Resources & General Affairs Division, General Affairs Group, Environment Team 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 nonexecutive 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 or less annually for directors 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.

5. Response to the Corporate Governance Code

In accordance with the tenor and the purpose of the Corporate Governance Code, the Company makes a sincere effort to fulfill its duty of accountability to stakeholders. The Company's corporate governance report, filed with the Tokyo Stock Exchange, discloses information regarding decisions and implementation status. For details, please see the Company's website or refer to the Tokyo Stock Exchange's listed company information.

