

# EPISODE 4

## Stakeholders and Value Creation

TOMY Group toy manufacturing is realized through integrated business activities, from planning and development, to production, sales and after-sales services. In each of these processes, we generate added value while meeting a variety of customer needs supported by employees and business partners and interacting with society and the environment. Within this value creation process, we share issues with stakeholders and recognize the extreme importance that aiming to resolve these issues by promoting initiatives from a long-term perspective has on sustainable corporate growth.

**Educational  
Support  
Grand Prix  
Silver Prize**

Elementary School  
Visiting for Teaching  
Program

**Good Design/  
Long Life  
Design Award**

**Winner**

TRANSFORMERS:  
MASTERPIECE  
Series

**59th  
Japan Magazine  
Advertising  
Association Award  
Silver Award**

LiccA, adult version of  
the LICCA doll

**Award for  
Companies Promoting  
Experienced-based  
Learning Activities for Youth  
Judge's Commendation**

Elementary School  
Visiting for Teaching  
Program

**GP  
Green Printing  
Eco Awards**

**Grand Prize**

LICCA Dolls  
Catalog

# 10

## LACP 2015/16 Vision Awards

Worldwide Ranking:  
7th place  
Platinum Award (No.1),  
Consumer Category

## International ARC Awards

Grand Prize, Summary  
Annual Report Category;  
Gold Prize, Toy Manu-  
facture & Sales  
Category

## Japan Toy Awards Grand Prize 2016

Accessible Design Toy  
Category

## Japan Toy Awards Grand Prize 2016

Innovative Toy  
Category

## Japan Toy Awards Grand Prize 2016

Boy Toy  
Category

### Fiscal 2016 Third-Party Evaluation: 10 Award-Winning Products

The TOMY Group promotes initiatives aimed at creating value with stakeholders. We have been evaluated on our efforts in a wide range of areas, including manufacturing, environmental activities, next-generation education support activities, barrier-free activities (accessible toy design) and communication with shareholders and investors.

## What Must Be Preserved in the Future

Last fiscal year, we launched a Group-wide CSR promotion project, once more reviewing various cases we commonly tackled within the scope of business activities as a corporate citizen up to now, and made an effort to summarize current conditions and disclose information as necessary. It is not a falsehood to say that we have dealt with the many issues that surround TOMY in all seriousness up to now. At the same time, it is also true that various issues have come to light, issues in the face of which we remain powerless, issues resulting from the changing times that require new responses and issues that affect us because we are a toy manufacturer.

In 1930, our founder and predecessors established an industry association for toy manufacturers. Within the document entitled "Tokyo Toy Industry Association Industry Guidance Principles" announced thereafter, an executive precept is written as a commandment for those engaged in the toy industry.

"Those who aspire to eternal prosperity must understand they can only prosper together with others."

They pledged to do their utmost to develop the world ahead through their livelihood of toy manufacturing. This was a time when phrases like "corporate social responsibility" and "sustainable societies" did not exist in the world.

Regardless of the age, I believe toys assist in the healthy growth of children. Thus, for those of us who make toys our livelihood, we must continue to maintain our sense of pride and duty in the mission undertaken by our industry.

"Bringing children of the world more fun, more smiles." This is a very simple thing we must preserve from the past, to the present, and into the future.

### Kantaro Tomiyama

Representative Director & Chairman  
CSR Promotion Project Owner



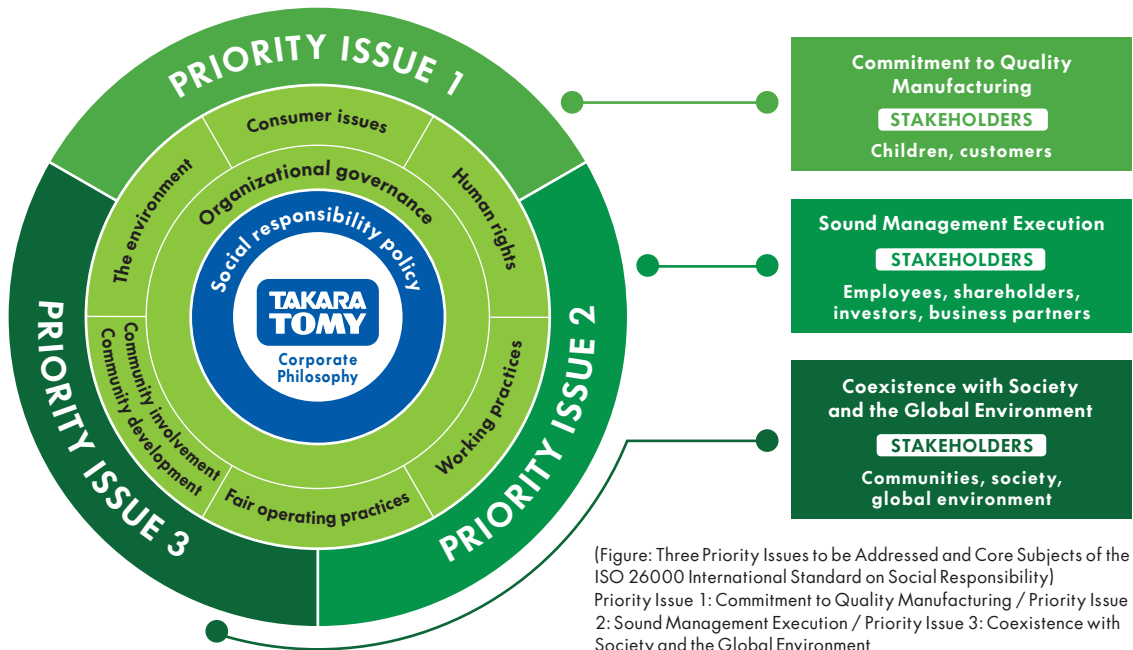
## CSR Policy

### “ We Will Widely Contribute to Society through our Livelihood of Toys ”

TOMY's founding philosophy of "Let's excite the world's markets with our outstanding products" and "Our sincerity and diligence will contribute to society and lead to our own success and happiness" has been passed down over many generations to become the tenets forming the foundation of our CSR policies.

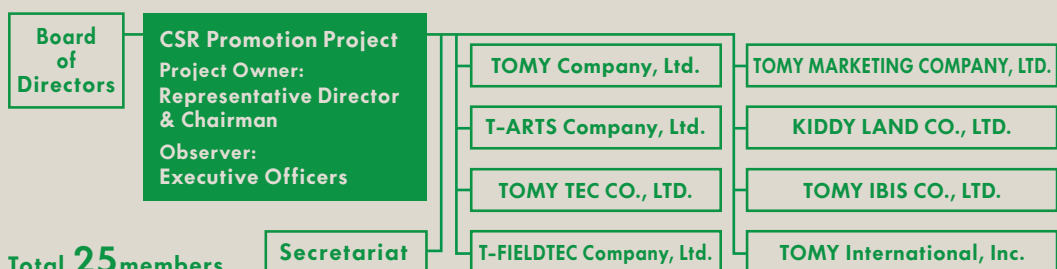
The TOMY Group recognizes ISO 26000 as

an important guideline for upholding our social responsibility. We have formulated three priority issues to be addressed in order to cover the seven core subjects of the guideline. We will identify medium- and long-term priorities to be addressed in our CSR Promotion Project, which is a Group-wide organization.



## Project Organization Chart

Project comprising 25 members selected from each TOMY division and Group company worldwide



## Priority Issue: Commitment to Quality Manufacturing

### Toy Safety and Quality

Because children enjoy and play with toys, they must never cause injury or accidents. The TOMY Group's basic quality policy is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide high quality that they find appealing. Focusing on ensuring that toys are high-quality and safe in all processes, from planning and development to after-sales services, leads to creating toys that have a competitive advantage.

In line with the global rollout of products, we perform inspections demonstrating TOMY's strict independent safety standards, which are higher than toy industry safety standards, represented by the Safety Toy (ST) logo and safety standards in each country. We also formulated Product Safety and Quality Management Regulations, and by establishing a sequential flow from planning to production, we work to ensure safety and prevent problems. We also conduct in-house inspections and utilize third-party testing to prevent the inclusion of toxic heavy metals and plasticizers (phthalates) in our products. In the unlikely event that these substances are discovered in our products, we have a system in place that prevents those products from being released on the

market and we strive to thoroughly manage and ensure the ongoing safety and quality of all our products.

As toy safety considerations change along with the rise of new ways of playing in line with the times and technological advances, we make an effort to consistently and thoroughly manage safety and quality by updating regulations, safety standards and inspection details when necessary. In addition, we conduct "Safety Day" so that all employees can come together and think about the importance of safety and quality with the intention of educating and enlightening Group employees worldwide. Our Product Safety and Quality Management Regulations stipulate that this event is held once annually, and we strive to promote Company-wide recognition and understanding and reflect both in our products.



The TOMICA safety and quality checklist covers approximately 500 items



TOMY Quality Regulations

### Examples of Toy Safety and Quality Inspections

#### CHECK 1

We inspect the size of parts using a small parts cylinder approximating the size of a child's mouth to ensure children cannot swallow toy parts.



#### CHECK 2

We use a sharp point tester to inspect materials to prevent children from being injured by sharp points. When sharp points are detected, the instrument lights up.



No light means the toy is safe!

#### CHECK 3

We inspect items by putting them in inspection equipment that recreates environments inside transport ships, trucks and other shipping containers.



#### CHECK 5

We conduct drop testing to determine whether products break into dangerous pieces when dropped.



#### CHECK 4

We conduct inspections to determine whether products can be broken even when pulled using a machine called a tension gate.



When manufacturing toys, it is important to maintain a balance between safety and fun. To ensure that play is safe as well as exciting and fun, we display items customers must observe on packaging, in user manuals and on our website. We also focus efforts on safety measures from the children's perspective, displaying target ages, usage warnings and cautions regarding predictable child behaviors, and pictograms that are easy for children to understand.

#### △ バイブレードで遊ぶときの注意

バイブレードで遊ぶ時は、スタジアムに顔を近づけて遊ばないでください。

バイブレードがはじけ飛んだ際、目や顔などに当たる恐れがあります。



Pictogram example

**B-48 スターター ゼノエクスカリバー.M.I付属の  
ソードランチャーの使用の注意**

ソードランチャーを使用の際は下記図の様にセットした  
バイブレード本体と手が当たらないように離してお持ちください。

**ソードランチャーの持ち方について**

写真の様にソードランチャーを持った手と、  
バイブレードが当たらない様に注意してください。

正しい使用方法でバイブレードをお楽しみください。  
今後ともバイブレードバーストを宜しくお願い致します。

Cautionary statement on the TOMY official website

Safety efforts continue even after the toy arrives in the customers' hands. The number of consultations, opinions and inquiries the Customer Service Department accepts totals nearly 240 thousand throughout the year. The details of these inquiries are carefully recorded and analyzed, with all beneficial and important information shared internally as appropriate feedback. Information that requires particular attention includes anything involving injury or accidents. Close call incidents where children used a toy in an unanticipated manner are meticulously reviewed by the Customer Service Department, then countermeasures are shared internally and incorporated into future production efforts.

Customer support  
focused on safety  
considerations



Letters from  
customers displayed  
internally



In-house inspections using  
various inspection equipment



## Extending the Barrier-Free Spirit with Toys

As we must embody the idea our founder envisioned of “corporate management that contributes to the world,” the TOMY Group continues its efforts aiming to create “toys that can be enjoyed by everyone” regardless of physical ability.

The TOMY Group began developing toys for children with disabilities in 1980, later developing toys for the general market as Accessible Design toys that children with vision or hearing impairment could play with. At present, these efforts have spread throughout the toy industry, with general toy sales areas including easily recognizable seeing-eye dog marks and rabbit marks on product packaging that has passed screening by the Japan Toy Association’s Accessible Design Toy Committee.

Accessible Design Toys include design features benefitting people with visual disabilities, such as placing a raised surface mark on the ON side of power switches, 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, move and picture.

The TOMY Group continues to be proactively engaged in the planning and development of “toys that can be enjoyed by everyone,” leading the industry for the past 37 years up to now with more than 100 types of Accessible Design toys certified each year.

As a result of our successful efforts, we were recognized by a variety of third parties. In 2009, we received the Cabinet Office Extraordinary Minister Commendation Excellence Award for the Barrier-Free Universal Design Promotion Distinguished Service Award. In 2013, for the fourth consecutive year, we received the Japan Toy Awards Grand Prize in the Accessible Design Toys category, our eighth consecutive year of awards beginning in 2010.



うさぎマーク



もうどうけん  
盲導犬マーク

**Accessible Design Toy Mark**  
Found on certified toys that can be played with and enjoyed by people with visual or hearing disabilities



Raised surface switch



HELLO! WOONYAN enables children with hearing disabilities to enjoy visual fun.



ANIA series creatively utilizes the sense of touch so that visually impaired children can also enjoy playing.



DO RE MI FA CAT series emphasizes the fun of listening.



HEALING PARTNER dolls that can talk are enjoyed by seniors.



At the same time, in addition to the children with visual and hearing disabilities targeted by Accessible Design toys, it is also necessary to consider providing even more people with enjoyment. To this end, we continue to conduct screenings and development focused not only on children with disabilities, but also senior citizens. We also publish a catalog of toys that cultivate kindness, which includes points for consideration and specialist suggestions regarding Accessible Design toys. We also promote the understanding of disabilities (the barrier-free spirit) through awareness activities at international assistive device exhibitions to inform as many people as possible about the activities TOMY is engaged in, as well as lectures at universities and school lesson visits for children.



Lecture by  
employee expert



International  
assistive device  
exhibition

カメラとゲームで ワクワク遊ぼう。  
**小学館の図鑑 NEO Pad**  
しょうがく館のネオパッド



The Shogakukan NEO Pad  
enables children with developmental  
disabilities to have fun together.

© TOMY ©Shogakukan



Cooperation with the Fukushima  
Barrier-Free Toy Exhibition



University lecture  
collaboration



Various toy considerations compiled in one  
catalog introducing suggestions from specialists.



## Intellectual Property Strategy Supporting Brands Growth

The TOMY Group continues to manufacture ingenious products in an effort to create new play value. While promoting strategies to grow brands from products, we proactively execute intellectual property strategies as one measure to strengthen our core toy business.

Specifically, we aggressively acquire intellectual property rights related to the results of product planning and development and TOMY proprietary brands, creating brand value and supporting the sustainable growth of our brands by promoting the use and ownership of intellectual property.

## Acquiring Multiple Intellectual Property Rights

From the initial stages of planning and development, the TOMY Group's Intellectual Property Division works closely with business divisions and the R&D Division proactively acquiring patent rights related to novel and inventive technologies in an effort to ensure business advantage. In addition to patent rights, we also acquire design rights on our original product designs and trademark rights on our proprietary brands and product names.

For example, in addition to the new play value offered by BEYBLADE BURST, centered on a gimmick whereby players burst and break their opponents' BEYBLADE to win the game, we acquired patent rights regarding original inventions such as the bursting gimmick and the "BEY LOGGER" smartphone app, which enables players to record the outcome of battles. We also acquired design rights to accessory items such as the spinning top, launcher and winder, trademark rights to the brand name and each product name and we hold copyrights on package design and



other elements. In this way, we acquire and possess multiple intellectual property rights for individual brands and merchandise, which establishes brand value including technologies and play, and facilitates the sustainable growth of that brand.

This strategy is not limited to BEYBLADE BURST, but also executed with respect to other brands, including TOMICA, PLARAIL and LICCA. TOMY is a global leader in patent applications as a toy manufacturer. In 2016, we ranked in the top 20 in terms of the number of registered design patents, trademark patents and patent applications overall, with more patents acquired than any other toy manufacturer (ranked 16th in design patents acquired and 12th in trademark patents acquired. Source: Japan Patent Office Statistics Data in 2017).

Furthermore, in recent years, we have also been aggressively promoting improvements in the quality of patent rights and the early acquisition of rights, as well as the acquisition of intellectual property rights in foreign countries in line with business developments in Europe, the Americas and Asia.

### Intellectual Property Rights Infringement Countermeasures

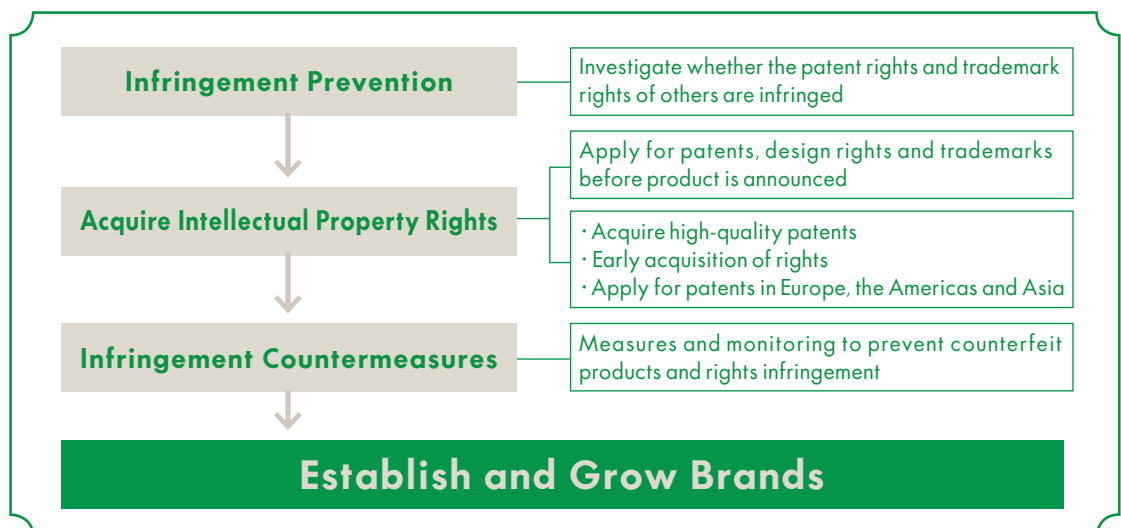
Actions that infringe TOMY Group intellectual property rights lead to Group financial losses and damage our brands. Specifically, the infringement of intellectual property rights involves actions such as

the manufacture and sales of counterfeit products and the posting on social media of copyrighted material without permission. To protect TOMY Group brands, we take appropriate measures and execute intellectual property rights to protect customers from counterfeit products and other damage.

As one example, to prevent the distribution of counterfeit products we regularly monitor Chinese e-commerce websites, and if we discover products that infringe intellectual property rights, we promptly notify the webmaster and request those products be removed from the website. We also work closely with e-commerce webmasters in Japan to prevent counterfeit products.

### Respecting the Intellectual Property Rights of Others

TOMY refuses to promote business that infringes on the intellectual property rights of others. To prevent the infringement of intellectual property rights, the TOMY Group meticulously researches patent rights, trademark rights and other intellectual property rights belonging to others throughout the product development process. Also, we make an effort to thoroughly inculcate awareness and respect for the intellectual property rights of others among all our employees through intellectual property rights education incorporating e-learning and other programs.



## Priority Issue: Coexistence with Society and the Global Environment

## Environmental Activities

The TOMY Group promotes environmentally 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 conduct “Eco-Toy” activities as the pillar of our environmental initiatives based on the concept of “100 Years of Play.”

## Environmentally Friendly Toy Manufacturing

We make effective use of resources and engage in "Eco-Toy" development that is considerate of the environment. "Eco-Toys" are products that have cleared one or more of the eight environmentally conscious "Eco Toy standards" established by the Group-wide "Eco-Toy Committee" with advice from third-party institutions. The "Eco-Toy" mark is displayed on packaging to communicate environmentally friendly efforts to customers in an easily understandable way in an effort to spread green procurement initiatives in the toy market.

The new PLARAIL toy train SOUND SHINKANSEN SERIES E7 KAGAYAKI RAIL SET released in April 2017 incorporates eco-friendly ingenuity everywhere.

Energy-saving measures quadruple the train running time and environmental consideration was given not only to play time, but also in the effective use of materials in the manufacturing process. The set includes "Eco Straight-Line Rails," "Eco Curved Rails" and "Eco Block Bridge Piers" consisting of more than 50% recycled materials. In addition, vegetable oil ink is used on the packaging, and the paper scraps left over when the packaging is made are used for paper crafts among other environmental considerations.

Furthermore, in terms of reducing environmental burdens within our business activities, we strive to utilize waste generated from business activities as resources whenever possible, while of course observing the law and disposing of materials appropriately. For example, the TOMY TEC Co., Ltd., domestic factory pulverizes waste generated from plastic molds and recycles it. We also strive to mitigate environmental burdens through efforts to reduce the amount of cardboard and cushioning materials used while utilizing 100% recycled paper for cushioning materials and foldable containers that can be used repeatedly as well as sharing transportation with different industries.

## SOUND SHINKANSEN SERIES E7 KAGAYAKI RAIL SET



Energy-saving measures quadruple the train running time!

Rails and bridge piers made from more than 50% recycled materials!\*



Approved by  
East Japan Railway Company

Eco-friendly package  
uses vegetable oil ink!

\*Eco Straight-Line Rails, Eco Curved Rails and Eco Block Bridge Piers

## 地球環境に配慮したおもちゃだよ!



**おもちゃづくりがエコ**  
再生材料を使ったおもちゃ

ケラトミ—製金庫に適合した

再生材料 **50%以上** 配合している  
—ール



**あそびがエコ**  
省エネルギー設計のおもちゃ

エコ印刷—ール

エコ印刷—ール

エコフロッグ接着

商品パッケージ

①印刷用インク  
環境友好インクを使用しています。

②ペーパークラフト  
パッケージを組立てる際、  
余った部分の紙を使用しています。

### Environmental Communication with Children

The TOMY Group provides children with an opportunity to think about the environment through toys. In addition to participation with in-store events and the EcoPro environment and energy integrated exhibition, we cooperate with field trips for elementary, middle school and high school students. We also conduct elementary school visits to teach lessons on the theme of PLARAIL pertaining to the manufacture of toys that can be played with for a long time as well as recycling and green procurement. In addition, we engage in next-generation education support activities, and after lessons are finished, students are presented with completion certificates or Eco-Cards, an environmental report for children.

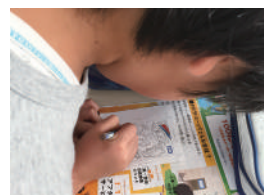
Our school visit program has gained a strong reputation as an opportunity to cultivate an awareness of environmental consideration and career consideration among children. In recognition of these efforts, TOMY has received the Jury Prize at the Youth Experience Activity Promoting Company Awards held by the Ministry of Education, Culture, Sports, Science and Technology twice in a row beginning in fiscal 2015.



### Eco-Cards, an Environmental Report for Children Who Learn While Playing

Includes a Braille seal so that children with visual impairments can participate as card readers.

In fiscal 2016, TOMY received three awards from the third parties in recognition of our environmental activities



EcoPro 2016

School visit



## Community Activities

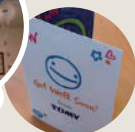
The TOMY Group participates in community activities at each of its bases throughout the world.

### U.K.

In support of World Smile Day, we visit hospitals to deliver toys and message cards as well as participate in fundraising events aimed at supporting children with disabilities.



England: fundraising events aimed at supporting children with disabilities



U.K.: In support of World Smile Day, visiting hospitals with message cards



TOMY TEC Co., Ltd., factory tour

In Japan, KIDDY LAND Harajuku, which operates a toy and fancy goods specialty store, sponsors local events such as a Halloween parade. It also participates in the Red Light Up Project, a campaign aimed at gaining a wider understanding of Red Cross activities that consider the importance of humanity.

TOMY TEC Co., Ltd., located in Mibu, Tochigi Prefecture, conducts factory tours as part of local summer festival events. It also participates in regional contribution activities such as the zero trash movement sponsored by Toy Industrial Park, which collected enough trash in 2017 to fill a two-ton truck.

### Thailand

Initiatives to communicate Japanese factory culture to local university students and factory tours for local elementary school students



Thailand: Factory tour



TOMY TEC Co., Ltd., zero trash movement





In Tokyo's Katsushika Ward, where the head office is located, we take part in social contribution activities sponsored by the ward and participate in and collaborate with events aimed at invigorating the region. To highlight the local toy-making industry, we support the Toy Idea Contest and we established the Eco-Toy Awards for innovative toy ideas conceived by elementary school students. Each year in September, we do *Uchimizu*, sprinkling water on Sakura Dori, the street in front of our head office, as part of our contribution to the community during the Tateishi Festival held in a local commercial district.

Overseas, the TOMY International (TI) Group supports

World Smile Day in England by visiting hospitals to deliver toys and message cards, and participates in fundraising events aimed at supporting children with disabilities through charity organizations created by toy companies. In the United States, the Community Service/Social Responsibility Committee was set up to conduct a variety of social activities, including support for cancer patients and their families, support for adoptions and support for organizations that try to rectify disparities from houses. In Thailand, we convey Japanese factory culture to local university students and conduct factory tours for employee children and local elementary school students.

### Japan

Harajuku: Sponsors local Halloween parade and other events; participates in the Red Light Up Project

Mibu, Tochigi Prefecture: Participates in the zero trash movement and conducts factory tours

Katsushika Ward: Supports the Toy Idea Contest and established the Eco-Toy Awards; sprinkles water on the street during the Tateishi Festival

### United States

Supports cancer patients and their families, adoption and organizations that try to rectify disparities from houses



Red Light Up Project



Toy Idea Contest Eco-Toy Award winners



More than 100 children participate in *Uchimizu*, sprinkling water in front of the TOMY head office during the Tateishi Festival

## Priority Issue: Sound Management Execution

### Comfortable Working Conditions and Systems

We engage in “work-life balance as a management strategy” and “workplace invigoration measures to stimulate the creation of ideas” to deliver “excellent toys” as two policies for retaining and cultivating human resources who are the source of corporate value creation. Rather than separating work and private life, we aim to create synergy by enriching both.

In fiscal 2016, we held a variety of in-house events planned by a project team led by the president centered on seasonal events such as the *Tanabata* Festival and Halloween to encourage employees to work together enjoyably as a means of workplace invigoration. Also, each year when children are on summer break, we conduct Family Day and invite employee family members to our workplace with the intention of understanding each other's family situation and creating an atmosphere in which employees can

help one another when necessary. Through interactions at these events, we attempt to achieve smooth internal communication and cultivate a corporate culture with an atmosphere of natural cooperation.

To realize “work-life balance as a management strategy,” we create systems making it easy to work and a comfortable work environment for employees. In particular, we promote the creation of systems that make it easy for employees raising children while working. Under our Work-at-Home System, which began as a trial program in 2010 and was officially incorporated as policy in 2014, employees whose time is limited are able to work from home once per week to perform child care or nursing care. In addition to being able to use paid holidays that have been lost in the past due to prenatal care and hospitalization before maternity leave, we provide a full range of support systems, from pre-maternity leave to returning to work after paid holidays, enabling employees to return to

Halloween event



Tanabata festival



the workplace with peace of mind, including the ability to maintain the number of regular paid holidays in the event a child suddenly needs to be nursed back to health after returning to the workplace. Furthermore, we also provide access to two in-house counselors with experience in childcare. As a result of these initiatives, TOMY sees nearly 100% of its female employees utilizing childcare leave and returning to work.

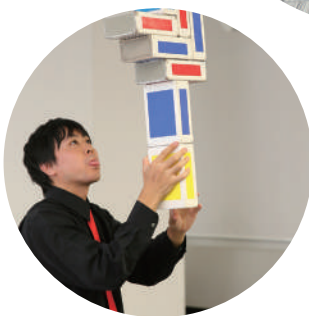
In terms of promoting the active participation of women, we provide a work environment that motivates employees and promote further efforts we believe will lead to enhancing women's careers and an increase in the number of female managers. Systems making it easy to work and corporate culture initiatives linked to the retention and development of human resources indispensable for corporate value creation are also useful for the creation of toys children play with.

### Becoming an Even Better Company

Since 2014, the TOMY Group has regularly conducted employee satisfaction surveys that can be answered in Japanese, English and Chinese. Ascertaining employee thoughts and internal conditions enables us to identify issues and make efforts toward improvements, while at the same time the president himself reports the results of survey analysis and improvement points to employees.



Family  
Day



Childcare  
support  
Kurumin  
mark



## Organizational Governance, Compliance Training

The TOMY Group makes every effort to always conduct corporate activities based on our founding philosophy “let’s excite the world’s markets with our outstanding products” and “our sincerity and diligence will contribute to society and lead to our own success and happiness.” With “fulfilling dreams” as our corporate mission, we define as corporate guidelines our promise to each of our stakeholders. To fulfill the dreams of all our stakeholders in line with our corporate mission, each promise that each employee should keep is established as our “Code of Conduct,” and all officers and employees engage in daily operations based on this code of conduct.

To deepen understanding of our founding philosophy, corporate mission, corporate guidelines and code of conduct, we formulated the TOMY Group Code of

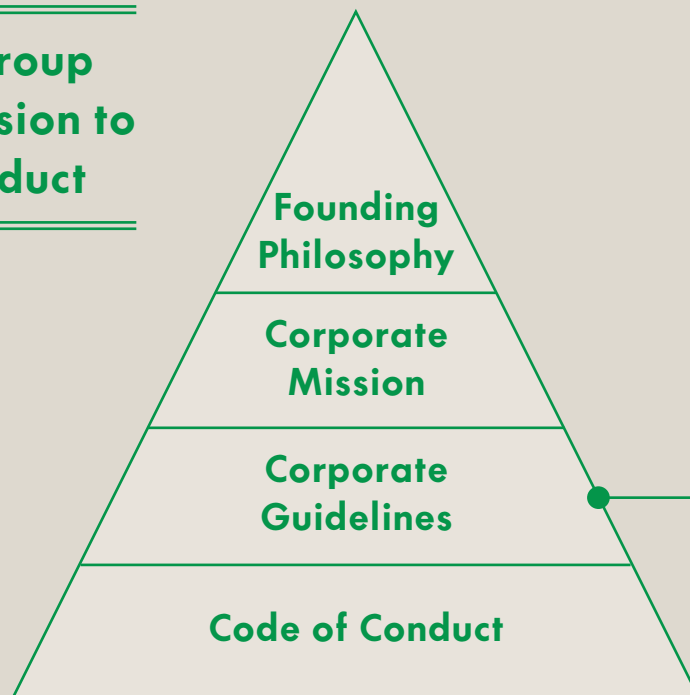
Business Conduct, which in addition to observing the founding philosophy, etc., strictly forbids any behavior that presents adults in an unseemly light in order to be a Company that children, our most important customers, continue looking up to.

We implement various measures to ensure that each employee engages in thorough compliance to clearly demonstrate that we will fulfill our social responsibilities through honest and fair corporate behavior and the observation of laws and regulations.

### Think About Compliance Day

We established Think About Compliance Day to acknowledge the importance of compliance. Japan Group company managers gather to share details pertaining to issues, including causes and countermeasures, the Group has dealt with in the past, and lectures are conducted by specialists on emerging social issues. These efforts heighten compliance

## The TOMY Group Corporate Mission to Code of Conduct



awareness and prevent improprieties. We provide video recordings of the day's events to employees who were physically unable to attend or were absent.

#### **TOMY Group Code of Business Conduct Training**

We create educational materials in Japanese, English, Chinese, French, Thai, Vietnamese and Korean to facilitate understanding among all our Group company employees. We also conduct training for all Group company officers and employees.

#### **Various E-Learning Programs**

We conduct e-learning programs pertaining to the Personal Information Protection Law and a variety of other rules related to legal compliance and operations at all Group companies in Japan.

#### **Other Activities**

In addition to conducting a variety of other compliance measures such as displaying compliance posters internally and distributing an e-mail magazine, the TOMY Group Hotline (for internal reporting) was established to encourage the prompt identification of fraudulent activity.

Even with all these measures, if these initiatives are not properly understood, it is impossible to thoroughly inculcate compliance, thus we also conduct a Compliance Awareness Survey at all Group companies with the aim of revising measures enabling the implementation of more effective measures to ascertain the degree to which compliance is recognized and understood and identify issues in each Group company and business division.

## **THE TOMY GROUP WAY**

### **Customers**

**We will bring dreams to reality through products which offer new forms of play value.**

### **Employees**

**We will strive to offer a dynamic working environment which maximizes individual initiative and creativity.**

### **Shareholders**

**We will satisfy expectations and earn trust through sound management and quality earnings growth.**

### **Business Partners**

**We will deal fairly and honestly, aiming for mutual prosperity.**

### **Society**

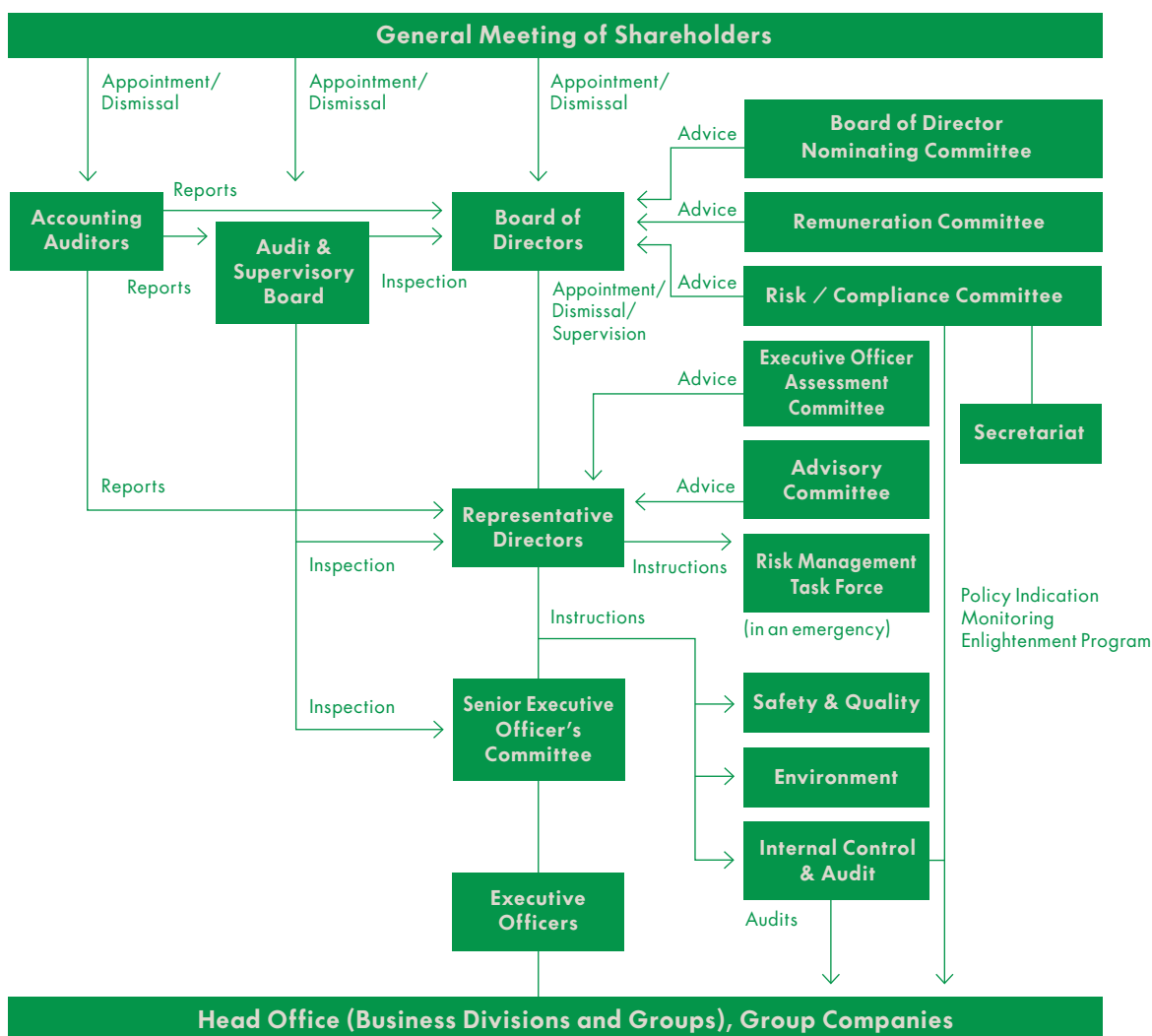
**TOMY Group will continue to be a faithful and trusted corporate citizen for the 21st century.**



## Corporate Governance

### Basic Policy

One of the most important management issues for 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 system, even as we improve operational efficiency.



(As of March 31, 2017)

## Management Monitoring System

1) Regular meetings of the Board of Directors are convened once each month, whereas extraordinary meetings are held as necessary to determine basic policies and strategies for the TOMY Group as a whole, issue decisions concerning the performance of important business operations and audit and supervise the performance of business operations.

2) Officers Meetings are held in each division to facilitate smoother, more efficient Group business operations and management and engage in versatile decision making on matters concerning overall management.

3) The Board of Director Nominating Committee and the Remuneration Committee, composed of outside Directors and/or outside Audit & Supervisory Board Members, were established as advisory bodies to the Board of Directors and are requested to provide proposals and counsel with regard to policies relating to Director assessments, appointment and remuneration.

4) The Advisory Committee, composed of outside Directors and/or Audit & Supervisory Board Members was established as an advisory body to the Representative Directors, and is requested to provide 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. Also, the Executive Officer Assessment Committee was established to provide proposals and counsel with regard to policies relating to Executive Officer assessment and other matters.

Please see the Company's website for further information:  
<http://www.takaratomy.co.jp/english/company/company/governance.html>

## Implementation of Corporate Governance

### 1. Executive Officer System

TOMY introduced the Executive Officer System to ensure 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.

## 2. Internal Controls

### 1) Compliance System

TOMY formulated the "TOMY Code of Conduct" stipulating 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. We ensure that all Directors and employees are made fully aware of the compliance issues through training. TOMY established a Risk/Compliance Committee chaired by the Representative Director and composed of outside Directors and Audit & Supervisory Board members who deliberate 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 Representative Director, audits the Group's compliance status and reports the results to the Representative Director, and the Audit & Supervisory Board.

### 2) Risk Management

The Risk/Compliance Committee and the Internal Control & Audit Group were established to create a Company-wide risk management system integrated with the internal control system.

Please see the Company's website for further information:

<http://www.takaratomy.co.jp/english/ir/risk/index.html>

### 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 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.

## Director and Audit & Supervisory Board Member 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.

### Total Amount of Compensation for Each Director Category, Type of Compensation and Number of Applicable Directors (in the Fiscal Year Ended March 31, 2017)

(Millions of yen)

Director category	Number of Applicable Directors	Compensation amount	Basic compensation	Stock options	Bonuses
Directors (excluding outside Directors)	4	211	92	17	101
Audit & Supervisory Board Member (excluding outside members)	1	19	15	0	4
Outside Directors	5	53	43	0	10

### Persons with Consolidated Remuneration of ¥100 Million or More

(Millions of yen)

Director category	Number of Applicable Directors	Compensation amount	Basic compensation	Stock options	Bonuses
H.G. Meij	1	121	54	9	57

## 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 (68.6% in agreement) at the 65th Ordinary

General Meeting of Shareholders held on June 24, 2016. This response policy consists of a “rights plan with prior warnings” providing for the allotment of stock acquisition rights without contribution.

### 〈Goal of the Countermeasures〉

TOMY’s founding philosophy includes the messages “Let’s excite the world’s markets with our outstanding products” and “Our sincerity and diligence will contribute to society and lead to our own success and happiness.” As these words suggest, since the time of our founding we have concentrated on providing quality, safe products, as well as ones that offer a sense of fun and cultivate a healthy childhood culture. We have formulated a corporate mission that serves as our compass for realizing this founding philosophy (see page 2 of this report).

Our corporate mission is to harness the Group’s activities to fulfill the dreams of our stakeholders. We view this mission as a way to maximize both our corporate value going forward and, by extension, shareholder value. The TOMY Group is working to enhance the TOMY brand value 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. Through brand value management that highlights the TOMY brand, we are convinced that we can fulfill the dreams of all our stakeholders.

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 the 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.

Please see the Company’s website for further information on these countermeasures:

[http://www.takaratomy.co.jp/english/ir/financial/pdf/160526p\\_en.pdf](http://www.takaratomy.co.jp/english/ir/financial/pdf/160526p_en.pdf)

### Status of Response to the Corporate Governance Code

TOMY is implementing all principles called for under the Corporate Governance Code.

A summary of the status of responses to the 11 principles listed in the Corporate Governance Report

are as follows. Please see the Company's website for the Corporate Governance Report revised in June 2017:  
[http://www.takaratomy.co.jp/english/company/company/pdf/gov\\_report2.pdf](http://www.takaratomy.co.jp/english/company/company/pdf/gov_report2.pdf)

1	<b>Cross-Shareholdings</b>	The Company holds shares of other listed companies as a policy only when it determines that cross-shareholdings are economically rational.
2	<b>Related Party Transactions</b>	The Company ensures transactions do not harm the interests of the Company or the common interests of its shareholders and prevent any concerns with respect to such harm.
3	<b>Full Disclosure</b>	The Company makes disclosures with respect to the five items called for in these principles, including information required by law and stock exchanges.
4	<b>Scope of Matters to Be Resolved by the Board of Directors and Scope of Matters Delegated to Management</b>	To increase agility and flexibility in the execution of business, the Board of Directors delegates to Directors decision making on the execution of business other than that pertaining to laws and regulations, the Articles of Incorporation and items listed in the "Regulations of the Board of Directors" and "List of Matters to Be Discussed at the Board of Directors Meeting."
5	<b>Effective Use of Independent Outside Directors</b>	The Company has appointed two independent outside Directors, comprising one-third of all Directors (six in total). Three of the four appointed Audit & Supervisory Board members are independent outside members.
6	<b>Independence Standards and Qualification for Independent Outside Directors and Audit &amp; Supervisory Board Members</b>	The General Meeting of Shareholders appoints outside Directors of the Company in accordance with requirements provided by the Companies Act and by independence standards established by the Tokyo Stock Exchange.
7	<b>Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, etc.</b>	In addition to possessing the knowledge and experience necessary for fulfilling the roles of Executive Director and Outside Director, the Company considers diverse perspectives to be indispensable for promoting business and appropriate oversights/audits, therefore the Company promotes diversity among its Officers.
8	<b>Concurrent Positions Held by Officers</b>	The Company discloses concurrent positions held by respective Officers in the "Notice of Convocation of General Meeting of Shareholders."
9	<b>Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole</b>	The Board of Directors periodically analyzes and evaluates its effectiveness as a whole, taking into consideration relevant matters, including the self-evaluations of each Director.
10	<b>Training Programs for Directors</b>	The Company provides Officers with training opportunities relevant to their respective roles and responsibilities.
11	<b>Policy for Constructive Dialogue with Shareholders</b>	The Company considers shareholders and investors to be stakeholders critical to improving corporate value and places emphasis on constructive dialogues with institutional investors and individual investors to deepen mutual understanding with respect to thinking and position, as well as the importance of formulating appropriate responses to both.