

February 12, 2020

TOMY COMPANY, LTD.

Telephone Conference  
for the First Nine Months of the Fiscal Year Ending March 31, 2020:  
Questions and Answers Section

Q. What do you think is the reason why the sales of RIZMO did not meet expectations?

A. (Kutsuzawa, Senior Managing Officer) We analyze that there are two reasons. First, we were unable to convey the fun and goodness of our products through our promotions, and the second reason is that our products were priced too high.

Q. The initial trend of DUEL MASTERS PLAY'S was good, but the ranking has declined subsequently. It is difficult to raise the ranking once it went down. Could you tell me any measures you're thinking of, to lever up DUEL MASTERS PLAY'S?

A. (Kutsuzawa, Senior Managing Officer) The current situation has remained within our expectations so far. We plan to roll out a new series periodically and will release the second series during the current fiscal year. We know that the trend ultimately determines outcome; however, we expect that sales of the second series will remain on a par with the first series.

Q. Preliminary calculation of forecast for the fourth quarter based on the full-year earnings forecast shows that net sales would decrease by approximately 3 billion yen compared to the previous fiscal year, and operating profit would decrease by approximately 1.5 billion yen. Given this, we get the impression that operating profit plunged significantly in comparison with the decrease in net sales. Could you tell me if you are expecting a write-down of inventory of RIZMO?

A. (Kutsuzawa, Senior Managing Officer) We project some write-down of the inventory; therefore, we project a more significant decrease in operating profit relative to a decrease in net sales.

Q. Could you tell us how much goodwill of the U.S. subsidiary is outstanding, after recognizing impairment of the entire goodwill of your Oceania subsidiary?

A. (Kutsuzawa, Senior Managing Officer) The balance of goodwill is \$69 million.

Q. What are the latest and future impact of coronavirus infections (COVID-19)?

A. (Kutsuzawa, Senior Managing Officer) We believe that the impact on manufacturing is significant. Approximately 35 percent of our production is based in China, while 65 percent are in Thailand, Vietnam, and so forth; however, the impact on production in China, such as for toys using electronic

components, is expected to emerge in March. The lingering situation may also affect the first quarter of the coming fiscal year. Considering the situation where there is no prospect of resuming these factories at this moment, we made a conservative full-year earnings forecast.

Q. As the next fiscal year will be the final year of the Medium-Term Management Plan, are you planning to revise your target of operating profit of 16 billion yen?

A. (Kutsuzawa, Senior Managing Officer) We are examining the extent of the impact of coronavirus infections (COVID-19) on the Medium-Term Management Plan. Any change in the plan will be provided with explanations in conjunction with the FY2019 full year business results coming out in May.

Q. Please consider data disclosure on the rate of labor accidents.

A. (Kutsuzawa, Senior Managing Officer) Although no major accidents have occurred in the TOMY Group and its subcontractors' factories to this day, the disclosure will be considered.

Q. Please consider data disclosure on the number of recalls in the past.

A. (Kutsuzawa, Senior Managing Officer) We will consider both disclosure and the disclosure method.

Q. Could you tell us about the current situation and outlook for the status of factory operation under the influence of coronavirus infection (COVID-19), to the extent you acknowledge so far?

A. (Kutsuzawa, Senior Managing Officer) Initially, the factories were scheduled to commence operation on February 2, but they have not yet resumed. At this moment, the timing of resuming operation is uncertain. The full-year earnings forecast we disclosed today takes such circumstances into account and therefore is conservative to some extent.

If the impact of coronavirus infection (COVID-19) lingers in times ahead, we will carefully analyze what impact will be cast for the next fiscal year, and continue to address this issue while strengthening cooperation with our subcontractors' factories.

Q. Currently, the actual figures of CO2 emissions are disclosed at eight Group companies in Japan, but are you considering disclosing the actual figures on a consolidated basis in the future? Moreover, we would like the disclosure of the target figures to be considered.

A. (Kutsuzawa, Senior Managing Officer) For overseas subsidiaries, we are considering the procedure and method of data collection. As soon as we collect data, we plan to disclose actual figures. Regarding the disclosure of the target figures, we would like to have a little more time as we are considering setting future targets.

Q. Are you considering disclosing the yardstick, etc. of dividend payout and total return ratio, following the announcement of the acquisition of treasury stock?

A. (Kutsuzawa, Senior Managing Officer) We will consider the disclosure under the principle of paying out stable dividends first and foremost, as we consider that the toy industry is in an industry where the business development is susceptible to the presence or absence of hit products, among others.