

May 19, 2020

TOMY Company, Ltd.

Financial Results Presentation Meeting for the Fiscal Year Ended March 31, 2020  
(Telephone Conference) Outline of Questions and Answers

Q. Is there any possibility that the spread of the novel coronavirus disease (COVID-19) will affect the current product development? What is the impact on the business performance and the current situation of Gacha capsule toys at physical stores and KIDDY LAND, etc.?

A. (Kojima, Representative Director, President & COO) Regarding the effects on product development, the factories that undertake production are operating as normal and there are no problems at this time. However, we are currently implementing telecommuting at the Company and we are not carrying out any operations that require all members to gather together at work. Since the state of emergency was declared, we have been advancing product development by finding different ways to carry out the business without gathering together, and there have not been any cases where the development process has been delayed. However, there has been an impact on KIDDY LAND physical stores. In April, we temporarily halted the operation of all directly managed stores. Three out of ten franchise stores were also temporarily closed and there was virtually no activity during April. However, for the prefectures where the state of emergency was lifted (\*at the time of this meeting state of emergency had not been lifted at eight out of forty-seven prefectures), we will swiftly reopen stores. Operations, including preparations for after the lifting of the state of emergency, can restart within around five working days. Gacha capsule toys are impacted as the inbound demand faced difficulties to pick up. However, if retail facilities such as shopping centers reopen, we will restart the operations.

Q. What portion of net sales for the year ended March 31, 2020 (¥164.8 billion) were taken up by e-commerce?

Was the total amount of sales through e-commerce in the fourth quarter high compared to an average year? Do you plan to grow e-commerce going forward? With online and e-commerce sales growing due to the impact of COVID-19, I would like to hear whether you are able to respond to this.

A. (Kutsuzawa, Senior Managing Officer, CFO) As we do not have the data for online sales through channels like electronics retail stores, we cannot precisely calculate the figures. However, overall, we think it accounts for about 20% of sales globally. Regarding growth, there was a huge growth in the fourth quarter in particular, especially for core products. However, while sales grew in terms of individual units, its contribution in terms of volume was not that big. Currently, we have a framework ready to respond to online demand. Overseas, particularly in Europe, the ratio of sales made online is overwhelmingly bigger, and we recognize that we are prepared to handle this.

Q. It seems that RIZMO, which was launched last year, did not perform better than expected, so are you making any progress on the development and sale of global products this fiscal year?

A. (Kojima, Representative Director, President & COO) The development of global products is a hurdle we definitely need to clear to become a global company. Ultimately, sales of RIZMO did not reach the amount expected. However, through this product, we took on a challenge we have never tried before, to ship half a million products globally and launch the products on the same day around the world. Through this product launch, we were able to learn how to deal with such an unprecedented challenge, and grasp what kind of schedule we need in order to negotiate with and get products carried by major U.S. retailers. We intend to build on this learning and continue to bring our products to the markets, and our product development teams are making preparations. However, we will review the COVID-19 situation when deciding the launch timing.

Q. On p.14 of the materials for the Fiscal Year 2019 Result, under “From now”, it mentions a shift from product-oriented to customer-oriented. In regard to this, while it is children who play with toys, it is their parents who pay for them, so which are you referring to when you mention consumers and customers?

A. (Kojima, Representative Director, President & COO) Up to now, our sales method has been to create quality products, line them up for sale in stores so that children can physically hold the product and see how to play it. Such sales method focusing on sales stores has been our approach.

Therefore, we used an approach in which we actively invested logistics and sales promotion expenses to secure space on shelves at various retailers and display our products in an appealing manner. However, the current voluntary self-isolation is creating a new lifestyle leading to a situation where purchasers feel reluctant to touch physical samples and plan their purchase beforehand and buy the items in store quickly without strolling around. Therefore, we need to deliver directly to influencers and parents, who influence a decision on purchasing behavior, the information on the product that they would recommend, or that children staying at home think appealing. Customer-focus or family-focus is what matters given such a situation. This is what we were trying to convey using those terms.

Q. In regard to the EC, I believe the profitability is better if you use the Company’s own EC site instead of electronic retail store’s EC sites. Do you have any measures for increasing sales through the Company's own EC site and improving the profit margins?

A. (Kojima, Representative Director, President & COO) I think we need to think carefully about the form it will eventually take and what stages of distribution we will need to go through to get there. Even if children and their parents make purchases through the EC sites, currently they are using the e-commerce sites of electronics retail stores and general merchandise stores. Customers are making purchases through the sites they are familiar with. At this moment, I think we need to factor in the

wider e-commerce distribution picture, such as if a customer has a general merchandise store card that they always use, then they will think it is better to use the same store for e-commerce. Therefore, I think the role of our e-commerce site plays a more substantial role in precisely delivering the contents and products of ours through SNS, such as Twitter and Takaratomy Channel. However, if there comes a time in the future when customers no longer buy at stores and e-commerce accounts for say 80% of the purchases, then as a manufacturer, we will have to sell our products to them directly. In such a case, we would naturally have to use different sales methods from our current ones, but in the current situation, I think it is more realistic to use the e-commerce sites that are used by our customers to distribute our products.

Q. Currently, the Company discloses CO2 emission volumes for eight domestic companies, so I would like you to explain the current state of considerations for the successive disclosure of the CO2 emission volume on a consolidated basis.

A. (Kutsuzawa, Senior Managing Officer, CFO) We are collecting and summarizing global data with the accuracy in the data, but this process has been interrupted by COVID-19.

Q. I would like to hear your thoughts on disclosing the frequency rates and severity of incidents related to occupational health and safety. Also, your company is a women-friendly workplace with a 30% ratio of female employees, but the “Promotion of Women’s Participation and Advancement in the Workplace Plan,” states that you plan to boost the appointment of women in management roles to 15% by March next year. Please share what measures you will implement to achieve this.

A. (Kutsuzawa, Senior Managing Officer, CFO)

Regarding occupational health and safety, we have established a program in our COC (Code of Conduct), and we are providing managerial and operational support to ensure the health and safety of employees, environmental sustainability, and protecting human rights based on the COC. Previously, the COC set a code of conduct that is appropriate for a manufacturing company, but in the TOMY Group Responsible Procurement Guidelines formulated in May, we make these disclosures. Regarding the ratio of women in management roles, we are currently midway through our efforts, but as we disclosed the other day, after the General Meeting of Shareholders to be held on June 26, we will have three female outside directors, making up 27% of the Board.

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