

**Financial Results Presentation Meeting for the First Six Months of the Fiscal Year Ending
March 31, 2023**

Outline of Questions and Answers

Q. Net sales are 9.0 billion yen higher than the forecast announced at the beginning of the year. How much is due to the growth of core businesses and how much is due to foreign exchange factors? Please answer the same question regarding operating profit.

A. (Ito, Executive Officer and Head of Corporate Administrations) Both net sales and operating profit are impacted by foreign exchange factors through the share of overseas sales.

Q. Currency rates are subject to big fluctuations. What are your assumptions regarding exchange rates?

A. (Ito, Executive Officer and Head of Corporate Administrations) The yen is depreciating further than our initial assumptions but, to a certain extent, we are hedged against the current foreign rate, thanks notably to a certain level of forward exchange contracts.

Q. Please provide some details with respect to foreign exchange losses within non-operating expenses.

A. (Ito, Executive Officer and Head of Corporate Administrations) Approximately 80% of foreign exchange losses are valuation losses. We use a CMS (cash management system) in order to best use dollars, and we tend to accrue valuation losses on foreign currency-denominated obligations when the yen is low, as it is currently.

Q. The gross profit margin has improved slightly in the second quarter compared to the first one. Please tell us more about the latest trends.

A. (Kojima, Representative Director President & COO) The gross profit margin remains impacted by high cost of sales due to various factors, which doesn't mean that there are any big swings.

Q. The ratio of selling, general and administrative expenses to net sales has decreased in the second quarter compared to the first one. What are your expectations for the second half of the year? Please mention for example what items are likely to increase.

A. (Kojima, Representative Director President & COO) The second half of the year, includes the year-end and new-year holiday sales season which is the biggest sales season of the year. Therefore, we have notably budgeted advertising expenses in order to accrue net sales.

Q. Logistics costs continue to surge in the Europe and U.S. business, are there signs of stabilization?
Please share your outlook on the future.

A. (Ito, Executive Officer and Head of Corporate Administrations) Several indicators show a stabilization of logistics costs in Europe and the U.S. We understand that inflation will continue to be a factor to a certain extent. However, the current sharp rises should stabilize and we expect this normalization to contribute to profit in the Europe and U.S. business.

Q. What are the reasons for the increase in inventory compared to the previous fiscal year? Will the inventory level return to a suitable range in the second half of the year?

A. (Kojima, Representative Director President & COO) This term we proceeded with goods preparations early, through advance orders for example, in order to mitigate disruptions in logistics. Preparations for the Christmas sales season were completed ahead of time. We also considered the impact of foreign exchange since overseas activities are accounted for on a yen basis.

Q. Please explain the impact of inflation on the business.

A. (Kojima, Representative Director President & COO) In general terms, in an inflationary climate, it is assumed that spending shifts toward daily essentials, so it is highly likely that spending will shift to daily essentials in Europe and the U.S. due to inflation. At the same time, the Japanese inflation rate is not as high as the rates in Europe and the U.S., therefore we believe the domestic situation to be different.

Q. What is your outlook on the cost ratio for the next fiscal year compared to the current fiscal year?
Also, please explain your initiatives to improve the cost ratio.

A. (Tomiyama, Managing Director Chief Head of Business Headquarters & Head of Global Business)
Based on the foreign exchange situation, we expect the harsh conditions surrounding the cost ratio to persist. In light of these circumstances, this fiscal year we implemented price revisions on products such as TOMICA, PLARAIL and LICCA.

One of our points of focus for next fiscal year is the expansion of net sales from “kidults.” We also expect an increase in overseas-bound exports of TRANSFORMERS for example.

We will continue to implement countermeasures against the rise of the cost ratio through the development of high value-added products or the expansion of overseas-bound exports.

(Ito, Executive Officer and Head of Corporate Administrations) Regarding next fiscal year’s forward exchange contracts, we are properly hedged to maintain the same level and scope as this fiscal year.