

May 11, 2021

To all related parties:

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Notice Concerning Introduction of Performance-Based Stock Compensation Plan for Directors

This is to provide notification that at the meeting of the Board of Directors held today, TOMY Company, Limited. (hereinafter “Tomy”) resolved that it would introduce a trust-type performance-based stock compensation plan (hereinafter, the “Plan”) for Tomy’s directors (excluding outside directors as described below), and submit a proposal regarding the introduction of the Plan at the 70th Ordinary General Meeting of Shareholders scheduled on June 23, 2021 (hereinafter, the “General Meeting of Shareholders”).

1. Introduction of the Plan

The remuneration for Tomy’s directors consists of basic compensation, performance-based compensation, and stock compensation-type stock options. Of the above plans, new grant of shares of stock compensation-type stock options will be discontinued, and stock compensation under the Plan will be newly introduced instead.

The purpose of the Plan is to further clarify the link between remuneration for directors and Tomy’s performance and its stock value, and to heighten the awareness of directors towards contributing to improve its medium- to long-term performance and increase its corporate value by sharing the benefits and risks of changes in share price with shareholders.

More specifically, in addition to the maximum amount of remuneration for directors approved at the ordinary general meeting of shareholders held on June 27, 2006 (not more than ¥400 million per year), and stock option compensation approved at the ordinary general meeting of shareholders held on June 24, 2015 (not more than ¥200 million per year; however, excluding outside directors), the new performance-based stock compensation will be provided to Tomy’s directors (excluding outside directors; the same applies hereinafter) in office during the three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 (hereinafter, the “Plan Period”).

With the introduction of the Plan, remuneration for Tomy’s directors will consist of basic compensation, performance-based compensation, and stock compensation under the Plan.

The introduction of the Plan is conditional on the approval and adoption at the General Meeting of Shareholders. Furthermore, subject to the said approval and adoption, the previous stock compensation-type stock option plan for directors will be abolished, and new stock acquisition rights based on the said plan will not be granted to the directors thereafter.

In addition, if approval on the introduction of the Plan is given at the General Meeting of Shareholders, a stock compensation plan similar thereto will also be introduced for executive officers and managerial personnel of Tomy, and directors (excluding outside directors; the same applies hereinafter), executive officers and managerial personnel of some of Tomy’s subsidiaries.

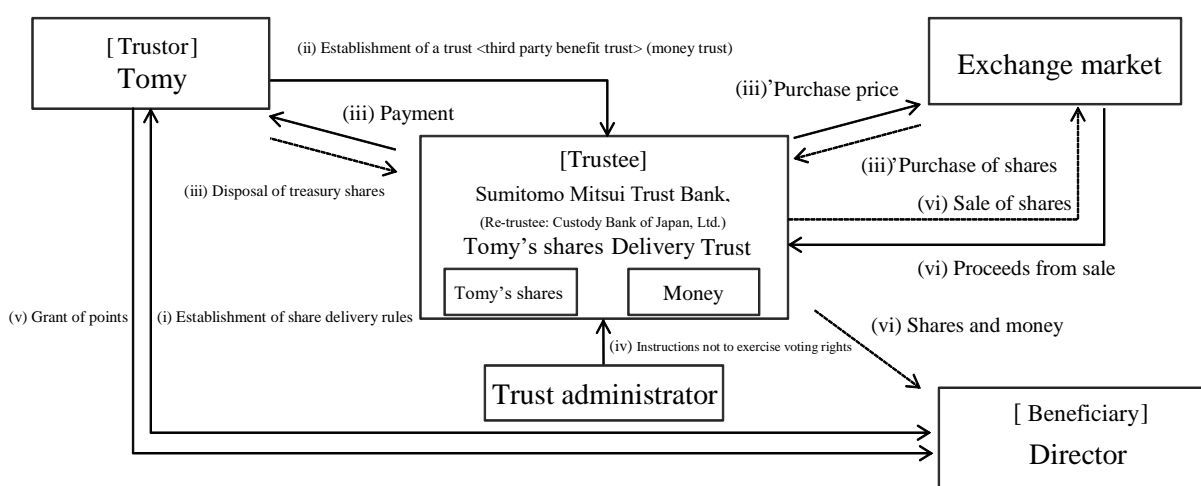
2. Overview of the Plan

(1) Framework of the Plan

The Plan is a stock compensation plan under which Tomy's shares are acquired through a trust established by Tomy by monetary contribution (hereinafter, the "Trust") acquires shares of Tomy, and the number of Tomy's shares corresponding to the number of points granted to each director by Tomy shall be delivered to each director through the Trust.

In principle, the directors shall receive the delivery of Tomy's shares at a specified time every year during the trust period, but as described in (7) below, the delivered shares shall be subject to transfer restrictions for three years (however, in case of retirement before the said period, the transfer restriction will be lifted upon retirement).

<Overview of the framework of the Plan>



- (1) Tomy will establish the share delivery rules for directors.
- (2) Tomy will establish a trust to deliver shares (third party benefit trust) with directors as beneficiaries (the Trust). When doing so, Tomy will entrust the trustee with an amount equivalent to the funds for acquiring shares for money (however, the amount of the funds for acquiring shares to be delivered to Tomy's directors shall be within the amount approved by the General Meeting of Shareholders).
- (3) The trustee will acquire Tomy's shares equivalent to the number of such shares expected to be delivered in the future in a lump sum (by way of disposing Tomy's treasury shares or acquiring shares from the exchange market (including off-hours trading)).
- (4) Tomy will appoint a trust administrator (shall be a person who is independent from Tomy and its officers) who protects the interests of the beneficiaries subject to the share delivery rules throughout the trust period and supervises the trustee). With regard to Tomy's shares held in the Trust, the trust administrator will instruct the trustee not to exercise its voting rights, and the trustee shall not exercise its voting rights throughout the trust period based on the said instruction.
- (5) Based on the share delivery rules, Tomy will grant points to the directors.
- (6) Directors who meet the share delivery rules and the requirements specified in the trust agreement on the Trust will receive the delivery of Tomy's shares from the trustee according to the points granted as the beneficiaries of the Trust. If the case falls under any of certain events predetermined in the share delivery rules and the trust agreement, a portion of Tomy's shares to be delivered may be sold in the exchange market and then money may be delivered.

Of the residual properties of the Trust at the termination of the Trust, all of Tomy's shares will be acquired free of charge by Tomy and cancelled by resolution of the Board of Directors.

Sumitomo Mitsui Trust Bank, Limited, which is the trustee under the Plan, will entrust (re-trust) the

administration of the trust property to Custody Bank of Japan, Ltd.

(2) Establishment of a trust

Subject to obtaining approval for the introduction of the Plan at the General Meeting of Shareholders, Tomy will establish the Trust by contributing funds necessary for the Trust to acquire the number of Tomy's shares reasonably deemed necessary for the delivery in accordance with (6) below in advance with respect to the portion of a certain period. The Trust will apply funds contributed by Tomy as the source of funds to acquire Tomy's shares as described in (5) below.

Sumitomo Mitsui Trust Bank, Limited, which is the trustee under the Plan, will entrust (re-trust) the administration of the trust property to Custody Bank of Japan, Ltd.

(3) Trust period

The trust period will be approximately three years from August 2021 (planned) to August 2024 (planned). However, the trust period may be extended as described in (4) below.

(4) Maximum amount of trust fund to be contributed to the Trust as funds for acquiring shares

During the Plan Period, Tomy will contribute money not exceeding a total of ¥600 million as remuneration for directors in office during the Plan Period as funds for acquiring Tomy's shares necessary to deliver Tomy's shares to directors under the Plan, and it will establish the Trust with directors who will obtain beneficiary rights as beneficiaries as described in (6) (iii) below. The Trust will acquire Tomy's shares from the money entrusted as the source of funds, by way of disposing of treasury shares or acquiring shares from the exchange market (including off-hours trading).

Note: The money actually trusted by Tomy to the Trust will be the total amount of the aforementioned funds for acquiring Tomy's shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees. In addition, if a subsidiary of Tomy introduces a stock compensation plan similar to the Plan for its directors as described above, Tomy will also entrust the funds for acquiring Tomy's shares necessary to deliver them to the said company's directors under the Plan.

In addition, based on the decision of Tomy's Board of Directors, the Plan may continue by extending the Plan Period by specifying a period of up to five fiscal years, and the trust period of the Trust may be extended accordingly (including substantial extension of the trust period by transferring trust property of the Trust to a trust established by Tomy with the same purpose as the Trust; the same applies hereinafter). In such a case, Tomy will additionally contribute money to the Trust in an amount not exceeding the amount obtained by multiplying ¥200 million by the number of fiscal years under the Plan Period of such extended portion. The contribution will be applied to funds for acquiring additional shares of Tomy necessary for the delivery to the directors under the Plan. Tomy will continue to grant points and deliver Tomy's shares as described in (6) below.

(5) Method of acquiring Tomy's shares by the Trust, etc.

The initial acquisition of Tomy's shares by the Trust is scheduled to be made by disposing of treasury shares by Tomy or acquiring shares from the exchange market within the upper limit of funds for acquiring shares as described in (4) above, and the details of the acquisition method will be determined and disclosed following a resolution at the General Meeting of Shareholders.

If the number of Tomy's shares held in the Trust falls short of the number of shares corresponding to the number of points to be granted to the directors during the trust period due to reasons such as an increase in the number of directors, additional money may be entrusted to the Trust to have Tomy's shares additionally acquired within the upper limit of the trust fund described in (4) above.

(6) Calculation method and upper limit of Tomy's shares to be delivered to directors

(i) Method of granting points to the directors, etc.

Based on the share delivery rules prescribed by Tomy's Board of Directors, Tomy will grant each director the number of points specified according to his/her position, etc. based on the performance-based indicators that are adjusted within the range of 0 to 200% according to the performance value of the performance-based indicators* on the point granting date during the trust period prescribed in the share delivery rules.

*Performance-based indicators for the initial Plan Period (for three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024) will be consolidated return on equity, which is set as a target in the Medium-Term Management Plan.

However, the total number of points granted by Tomy to the directors will not exceed 100,000 points per fiscal year.

(ii) Delivery of Tomy's shares according to the number of points granted

The directors will receive the delivery of Tomy's shares in accordance with the procedures described in (iii) below, according to the number of points granted in (i) above.

One point shall be equal to one share of Tomy. If, however, in the event of a stock split or share consolidation, etc. for Tomy's shares, the number of Tomy's shares per point shall be adjusted according to the split/consolidation ratio, etc.

(iii) Delivery of Tomy's shares to the directors

In principle, each director will acquire the beneficiary rights of the Trust through prescribed procedures at a specific time of each year during the trust period, and he/she will receive the delivery of Tomy's shares as described (ii) above from the Trust as a beneficiary of the Trust.

However, a certain proportion of Tomy's shares may be delivered as money in lieu of Tomy's shares after they are sold and converted in the Trust to have Tomy withhold funds for the payment of withholding income tax, etc. In addition, if Tomy's shares held in the Trust are converted into money, such as when they are tendered and settled in a tender offer, money may be delivered in lieu of Tomy's shares.

(7) Transfer restriction period

In order to share the benefits and risks of changes in share price with shareholders over the medium to long term, Tomy's shares that have been delivered to the directors under the Plan shall be subject to transfer restrictions for three years from the time of delivery (prohibition of transfer, creation of pledge, and other dispositions) in accordance with the share delivery rules prescribed by Tomy's Board of Directors (however, in case of retirement before the said period, the transfer restrictions will be lifted upon retirement).

(8) Exercise of voting rights

Voting rights pertaining to Tomy's shares held in the Trust will not be exercised uniformly based on the instructions from the trust administrator who is independent from Tomy and its officers. Such a method is intended to ensure neutrality in Tomy's management in regard to the exercise of voting rights on Tomy's shares held in the Trust.

(9) Handling of dividends

Dividends related to Tomy's shares held in the Trust will be received by the Trust and will be allocated to the acquisition costs of Tomy's shares, the trust fees pertaining to the Trust for the trustee, and other related expenses.

(10) Handling of Tomy's shares at the time of termination of the Trust

Of the residual properties of the Trust at the termination of the Trust, all of Tomy's shares will be acquired free of charge by Tomy and cancelled by resolution of the Board of Directors.

Reference: Outline of trust agreement pertaining to the Trust

Trustor	Tomy
Trustee	Sumitomo Mitsui Trust Bank, Limited. (Re-trustee: Custody Bank of Japan, Ltd.)
Beneficiary	Tomy's directors (excluding outside directors) (in addition, Tomy's subsidiaries may also become beneficiaries)
Trust administrator	Will select a third party independent from Tomy and its officers
Exercise of voting rights	No exercise of voting rights pertaining to shares held in the Trust throughout the trust period
Type of trusts	Money held in trust other than money trust (third party benefit trust)
Date of trust agreement	August 2021 (planned)
Trust period	August 2021 -August 2024 (planned)
Purpose of trust	To deliver Tomy's shares to beneficiaries in accordance with the share delivery rules

End of notice