

Platform 4 CSR Initiatives

Toward a Sustainable Society

TOMY Group toy manufacturing is realized through a series of business activities, from planning and development, to manufacture, production, sales and after-sales services.

In each one of these processes, we create added value in relation to customers with various needs, the employees and partners who respond to these needs and society and the environment.

The TOMY Group recognizes that sharing issues with stakeholders and aiming to solve them together is extremely important for the sustainable growth of companies, so TOMY promotes these initiatives from a long-term perspective.





Message from the Chairman



TOMY, founded in 1924, celebrates its 95 anniversary this year.

All of our activities are based on the philosophy of toys expressed by our founder, Eiichiro Tomiyama, which has been maintained and passed on for the past 95 years. This spirit is reflected in TOMY's 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."

For the past four years, we have been engaged in deep discussions rethinking how to address various social issues through our livelihood of toy manufacturing to better understand exactly what CSR means for the TOMY Group.

We reaffirmed our social responsibility policy aim: "We strive to contribute to society comprehensively through our pillar business,

the world of toys." The year before last, we considered the 100th anniversary of our founding and thought about what TOMY should be in the future with the UN Sustainable Development Goals (SDGs) as the focal point. In fiscal 2018, while continuing to engage in dialogue with our stakeholders, we examined important Material Issues that the Group should address to get closer to what we should be and do in the future.

As a result, we identified material issues and were able to complete the TOMY Group Social Responsibility Framework for promoting TOMY Group CSR over the medium to long term, and I think that we have finally reached the starting line in terms of our efforts as a Company.

There is nothing that makes me prouder than our livelihood of creating toys that support the healthy growth of children responsible for the next generation. Toys may not satisfy hunger, nor will they overcome cold. However, toys have the power to put smiles on the faces of children. And I believe that children's smiles have the power to change the future of world.

TOMY Group toys contribute to healthy children and cultural development, transforming the world into a richer place, which itself is the most important aspect in terms of our CSR efforts.

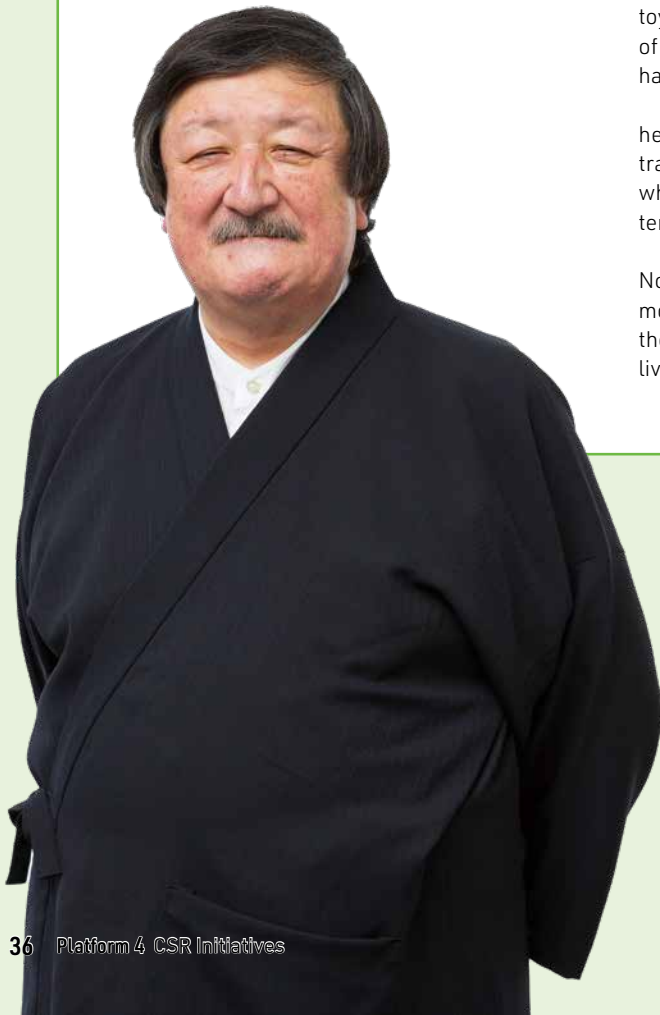
Our founder's heartfelt sentiment that "my No.1 wish is for children of the world to have more fun and become happier" continues to be the motivation behind our pride and duty in our livelihood of making toys.



富山 幹太郎

Kantaro Tomiyama

Representative Director, Chairman & CEO
CSR Project Owner



Social Responsibility Policy

We strive to contribute to society comprehensively through our pillar business, the world of toys.

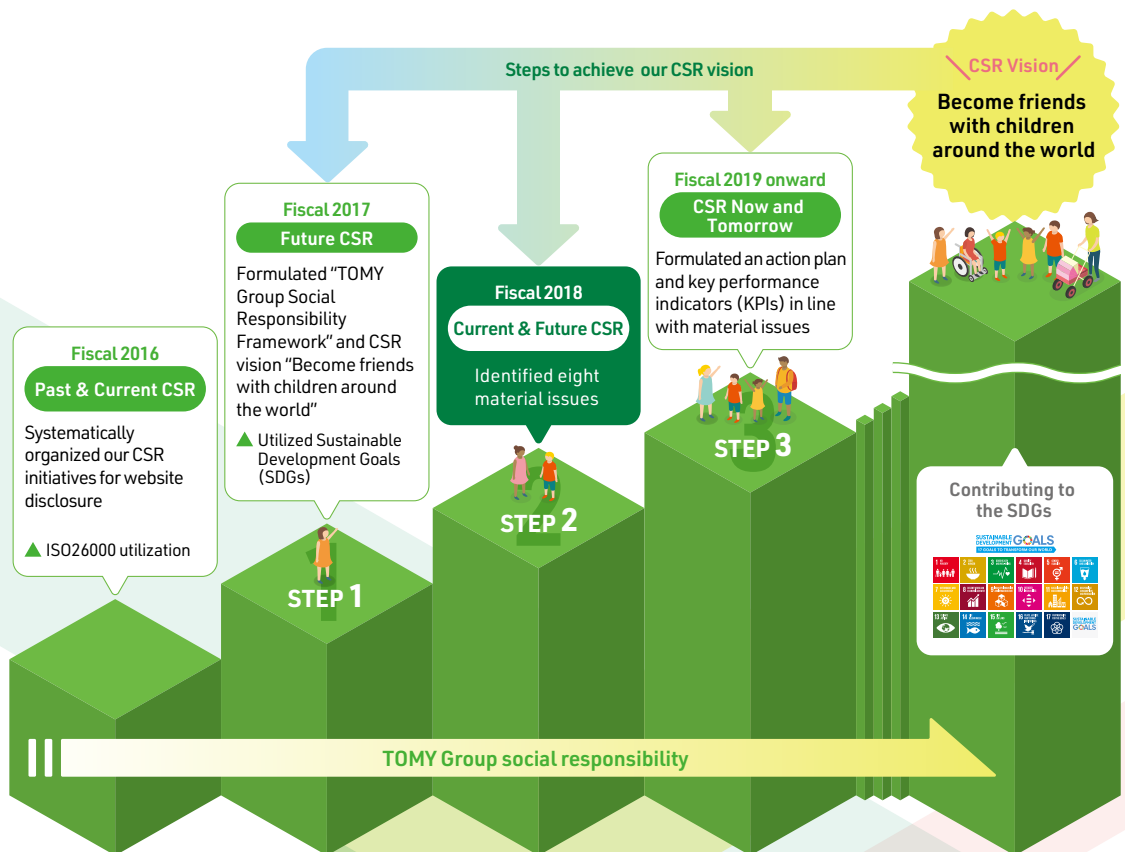
TOMY's Founding Philosophy of "Let's Excite the World's Markets with Our Outstanding Products" and "Our Sincerity and Diligence Will Contribute to Society and Lead to Our Own Success and Happiness" Has Been Passed Down Across Generations and Is the Foundation of Our Social Responsibility Policy.

TOMY CSR Progress

Under the Social Responsibility Policy, the TOMY Group promotes medium- and long-term CSR initiatives through CSR projects across the Group. From the past until now, we have organized activities according to ISO 26000 international guidance on social responsibility, and after efforts to expand CSR information disclosure, in fiscal 2017 we formulated our CSR Vision of "Become friends with children around the world" focused on our

upcoming 100th anniversary and the future of society. To achieve this vision, we created the "TOMY Group Social Responsibility Framework" with reference to the UN Sustainable Development Goals (SDGs).

Furthermore, in fiscal 2018, we identified eight material issues with the aim of establishing a concrete approach to taking action.



TOMY Group Social Responsibility Framework and Eight Material Issues

In determining material issues, we conducted a comprehensive investigation, identifying approximately 400 social issues* that were evaluated and organized according to their relevance to Group business. Next, we conducted detailed surveys of CSR initiatives to determine whether the 15 Group companies in Japan and other countries had policy and management systems in place to address each social issue.

In narrowing down material issues and incorporating the opinions of stakeholders, in addition to questionnaires submitted to customers, employees and investors, as well as interviews with experts, we held a "Kids' Symposium" where children and employees, who are both important stakeholders, engaged in discussions on equal terms.

After that, CSR Project members repeatedly discussed the degree of concern among stakeholders and impacts on the TOMY Group. This resulted in

the identification of material issues that the Group should prioritize through its main business: (1) Ensuring confidence, safety, and quality, (2) Creating new products, services and IP, (3) Promoting universal design, (4) Organizational governance and communication with stakeholders, (5) Promoting workstyle reform, (6) Responsible procurement, (7) Environmental management and (8) Encouraging education and culture through our business.

Going forward, we will formulate a concrete action plan in line with the eight material issues as well as key performance indicators (KPIs) to assess the progress of our efforts.

Note: GRI Standards, ISO26000, US Sustainability Accounting Standards Review Board (SASB), ESG Evaluation Facility (MSCI) Evaluation Items, Sustainable Development Goals (SDGs), demands from business partners, etc.



Kids' Symposium

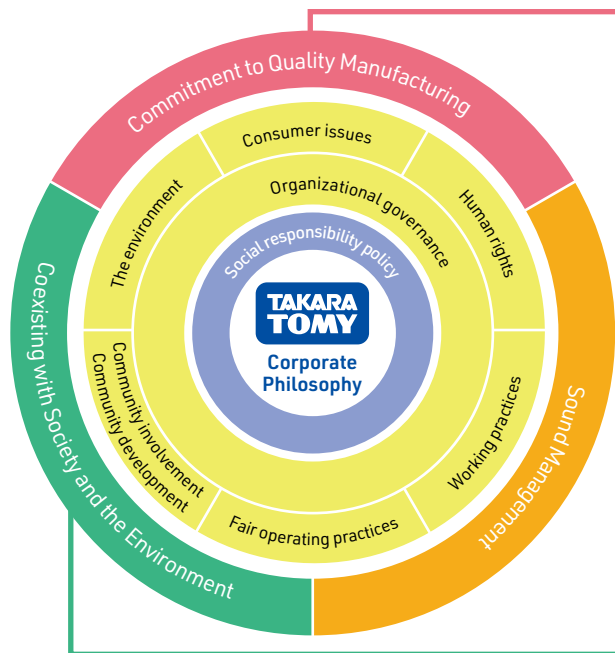


Figure: Three Priority Issues to be Addressed and Core Subjects of the ISO 26000 International Standard on Social Responsibility

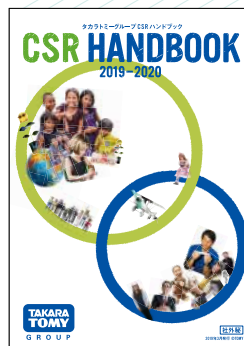
Our CSR site provides a detailed explanation of the process of identifying the material issues.
www.takaratomy.co.jp/english/company/csr/feature/2018/materialityprocess.html



Toward Unified Group Promotion — Distribution of CSR Handbook —

The understanding and actions of each and every employee are indispensable for the promotion of CSR initiatives. To inculcate CSR, the TOMY Group CSR Handbook is published in Japanese, English, Chinese and Thai and distributed to Group employees in Japan and other countries to spread awareness.

Based on the Chairman's message that "the business itself must change so that it can contribute to society even more," the handbook introduces CSR efforts of each employee and visualizes the connections between TOMY Group business and society.



TOMY Group Social Responsibility Framework (As of June 2019)



TOMY Group's CSR Vision
Become friends with children around the world

Our CSR site introduces details of the eight material issues.
www.takaratomy.co.jp/english/company/csr/materiality/



Three Pillars: Commitment to Quality Manufacturing

Be it different cultures, genders, disabilities and abilities, lifestyles or values, we live in a diverse world. We seek to help children grow by providing safe and secure toys that reflect such diversity and expand play for children around the world to enjoy.

Safe and Reliable Toy Manufacturing

The TOMY Group basic policy regard to safety is to provide high-quality toys that appeal to customers the world over by manufacturing safe and reliable products that consider the environment. Ensuring the high quality and safety of toys is important in all processes, from planning and development, to production, sales and after-sales services, and leads to the creation of competitive toys.

Safety Quality and Chemical Substance Management

In line with the global deployment of products, we carry out inspections based on original safety standards that are stricter than toy industry safety standards represented by the ST mark. We have also established Product Safety and Quality Management Regulations and work to ensure safety and prevent problems throughout planning to production.

We also conduct in-house inspections and utilize third-party testing to prevent the contamination of heavy metals and phthalate esters. In the event these substances are discovered, we have a system in place that prevents affected products from being released to the market. In particular, to reduce and eliminate regulated hazardous substances from products shipped to Europe and the United States, TOMY Quality Rules define chemical substance management methods in the manufacturing process. The CSA (Chemical Safety Assessment) / targeting partner companies and factories involved in the manufacture of products, is performed on parts and raw materials. In the unlikely event of product contamination, we have established a system to prevent the product from entering the market, and we work to ensure

continuous safety and quality of all products through thorough management.

As safety considerations for toys change with the emergence of new types of play and the advance of technology, standards and inspection details set forth in the TOMY Quality Standard have been revised to reflect contemporary conditions in the 11th edition issued in 2019. Furthermore, to ensure children enjoy safe playtime, usage warnings and cautions based on the anticipated behavior of children are displayed on merchandise packaging, in user manuals and on our website among other efforts focused on safety measures from the children's perspective.

In addition, we conduct "Safety Day" targeting all Group employees in Japan and overseas who gather once each year to consider the importance of safety and quality and confirm safety awareness on a global basis. We also appoint safety leaders from each department and Group company, including development, quality control, sales and customer service, and during their one-year term, they promote the creation of safe toys and strive for Company-wide education and awareness regarding safety and quality.



11th edition of the TOMY Quality Standard



TOMY Vietnam's onsite laboratory conducts in-house inspections to ensure safety quality and prevent chemicals such as heavy metals and phthalate esters.



After-Sales Service

The TOMY Group Customer Service Department receives over 300,000 consultations and inquiries annually (FY2018). The details are carefully recorded and analyzed, with all useful and important information provided as internal feedback. In particular, incidents of near-accidents that could lead to injuries or accidents are verified in detail by the Customer Service Department, then shared internally and incorporated into future manufacturing.

During Christmas season, when the Customer Service Department receives a high volume of inquiries, customers must often wait for long periods of time until they receive a response. To reduce the number of inquiries during Christmas season, we started recommending that products using batteries be tested by or before Christmas. These efforts announced using our website and Twitter have been reflected by Santa's (customers) and retailers across Japan.



Customer Service Department

Christmas season announcement posted on the TOMY website and Twitter



Letters from customers displayed in TOMY office



Accessible design initiatives through toys

Carrying on the intention of our founder, who said his wish was “my No.1 wish is for children of the world to have more fun and become happier,” TOMY is working on the creation and development of “Accessible-Design toys” that can be enjoyed by everyone regardless of physical ability.

Accessible-Design Toy Initiatives

The TOMY Group began creating toys exclusively for children with visual disabilities in 1980, later developing toys for the general market as accessible-design toys that children with visual or hearing disabilities could play with. At present, these activities have expanded to become initiatives engaged in by the toy industry overall.

Accessible-Design toys include design features benefiting people with visual disabilities, such as placing a raised surface mark on the ON side of power switches and making a sound when the toys turn on. 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, movement and pictures. Accessible-design toys' initiative is to make toys that are easy to handle even for fathers and mothers who have vision or hearing disabilities.

Creation of More than 100 Accessible Design Toys

As a manufacturer driving the promotion of Accessible-Design in the toy industry, the TOMY Group has created more than 100 Accessible-Design toys every year. Since these are sold along with general toys, special packaging is used to make Accessible-Design toys easily identifiable. Toys that children with visual impairments can enjoy are indicated by a “Guide

Dog Mark” logo, while toys that children with hearing disabilities can enjoy display a “Rabbit Mark”. The use of these logos requires the toys to have passed a screening by the Japan Toy Association's Accessible-Design Toy Committee.

Providing a Greater Number of People with More Fun

In the Let's Play Together Toy Catalog, we introduce not only Accessible-Design toys for children with visual and hearing impairments, but also ingenious and stylish products that can be enjoyed by seniors and a variety of other people. The catalogue includes points for consideration and specialist suggestions regarding details on imaginative ways of playing with Accessible-Design toys. Furthermore, we are devising ways in which these toys can be enjoyed by more people, including posting on our website text-only user manuals that convey how to operate toys using only words for people who have difficulty seeing diagrams and illustrations, as well as a sound catalog aimed at conveying the fun of toy movement and shapes mainly for people with visual impairments.

TOMY also promotes the understanding of disabilities (the barrier-free spirit) through awareness activities at International Home Care & Rehabilitation Exhibition to inform as many people as possible about the activities TOMY is engaged in, as well as through lectures at universities and school lesson visits for children.



The Shogakukan NEOGlobe
© TOMY © Shogakukan



Chico Will Scold You!
Chico Voice Changer
Chico Will Scold You! ©NHK

Intellectual Property Strategy Supporting Brand 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.

Acquiring Multiple Intellectual Property Rights

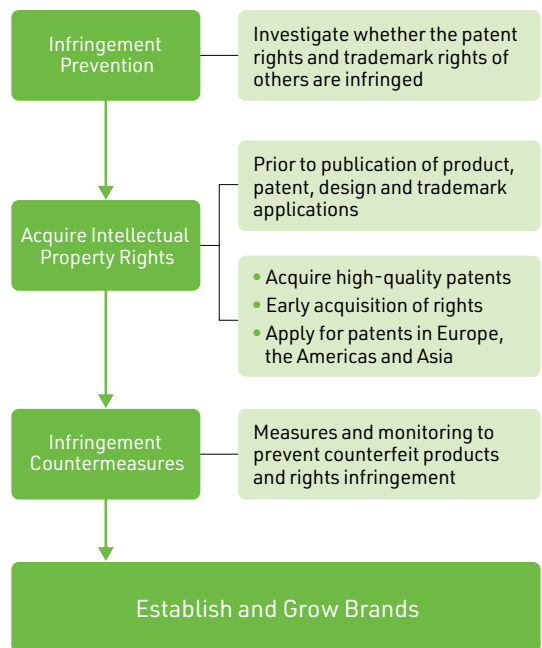
The TOMY Group actively acquires intellectual property rights for product planning and development results and original brands, and one of the highest number of patent applications in the industry. By acquiring and maintaining intellectual property rights for single brands or products in multiple ways, we have established a brand value that includes technology and play styles leading to the sustainable growth of that brand. In recent years, we have been aggressively promoting the acquisition of intellectual property rights in other countries in accordance with overseas business development in Europe, the United States, Asia and other regions, as well as improving the quality of patent rights and the early acquisition of rights. With regard to TOMY's intellectual property rights, we disseminate information widely within the Company, and promote rights utilization and protection to support creative product development.

Intellectual Property Rights Infringement Countermeasures

The TOMY Group also works to eliminate counterfeit products in order to protect its brands. We exercise intellectual property rights and take appropriate measures to prevent activities such as the manufacture and sales of counterfeit goods that pose a risk to customers and the unauthorized publication of copyrighted materials on SNS that may damage brand value. Specifically, to prevent the distribution of counterfeit products, we regularly monitor overseas 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

In order to prevent infringement of the intellectual property rights of others, the TOMY Group thoroughly investigates intellectual property rights, such as the patent rights and trademark rights of others, during the product development process to prevent infringement. To ensure that we are respecting the intellectual property rights of others, we implement training for employees incorporating e-learning and other approaches.



Three Pillars: Coexisting with Society and the Environment

Today's society faces multiple pressing problems including the depletion of resources, climate change, and environmental issues. We seek to minimize the negative impact of our business, contribute to regional development and protect the environment to help preserve sustainable communities and the Earth for future generations of children to smile and play with toys.

Responding to Large-Scale Disasters Associated with Climate Change

The TOMY Group is working on the establishment of a Business Continuity Plan (BCP) to respond to large-scale disasters such as major earthquakes, flood damage caused by typhoons, and torrential rains, and outbreaks of viral infectious diseases.

TOMY Group Business Continuity Plan (BCP)

In the event of an emergency, the TOMY Group places top priority on ensuring safety and saving lives. After confirming the safety of employees, we have a management system in place to respond promptly and appropriately to maintain company facilities, realize a rapid recovery of systems, maintain customer trust and ensure work for our employees by quickly resuming and continuing operations. In addition, the TOMY Group strives to contribute to society as much as possible, including cooperation and collaboration with local communities and recovery and reconstruction support efforts.

In terms of information systems, TOMY Group's mission-critical systems utilize cloud environments and data centers outside the Company to optimize systems operating in Japan and overseas to improve business continuity. In addition, the introduction of a safety confirmation system establishes a mechanism whereby the safety status of employees and their families can be confirmed as quickly as possible.

Emergency drill



TOMY Marketing Initiatives

The ability to ensure the continuity of logistics functions in disaster situations as well during normal operations is an important issue within business continuity. At TOMY MARKETING COMPANY, LTD., which handles product sorting and packaging, loading and unloading operations, transportation and inventory storage, in addition to reducing the risk of shipment delays by strengthening and repairing material handling functions that are transported and handled by machinery, a Company-wide project was launched consisting of members from logistics, sales, and business management for the further review of business continuity planning (BCP). In March 2019, we conducted internal training for all employees covering a response manual for our business continuity plan (BCP) and indicating internal stockpiles of supplies.

Distribution warehouse





KIDDY LAND Initiatives

At KIDDY LAND, which is engaged in the sales of toys, fancy goods, character merchandise, books and other products, we produce storefronts full of fun and excitement for customers. As KIDDY LAND CO., LTD., has locations all over Japan and a large number of store employees, we formulated a business continuity plan (BCP) that assumes a variety of scenarios, including large-scale disasters and transportation facilities paralysis. We constantly strive to educate and train employees, including ensuring the safety of employees and customers, confirming damage and clarifying the flow of information dissemination.



KIDDY LAND store interior

TOMY MARKETING COMPANY, LTD., President Yoshimitsu Ogoshi explains new BCP to TOMY MARKETING COMPANY employees



Environmental Activities

TOMY is engaged in environmentally-friendly manufacturing for sustainable societies in which children can play with smiles on their faces.

Initiatives to Reduce Our Environmental Footprint

To reduce environmental impacts within our business activities, the TOMY Group strives 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, domestic factory pulverizes waste generated from plastic molds and recycles it.

TOMY Marketing 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.



- ① TOMY TEC CO., LTD. (Tochigi)
- ② Equipment that makes TOMIX train wheels
- ③ Metal scraps left over after cutting train wheels are recycled
- ④ Runners discarded during plastic molding

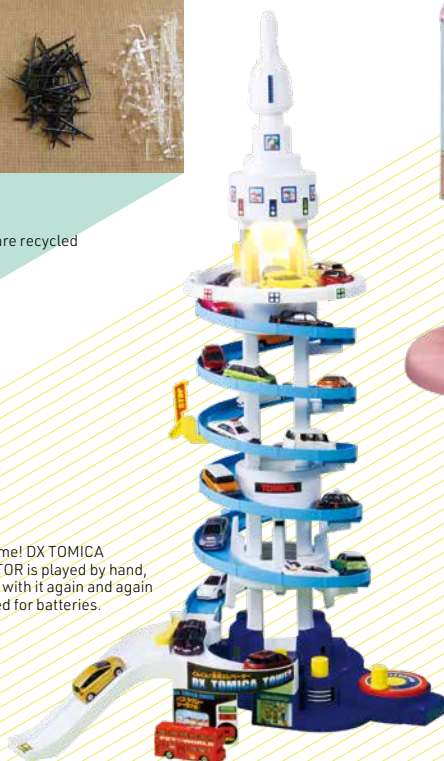
Eco-Friendly Toys

The TOMY Group makes effective use of resources and engages in “Eco-Friendly toys” development that is considerate of the environment. “Eco-Friendly toys” are products that have cleared one or more of the eight environmentally conscious “Eco-Friendly toys standards” established by the Group-wide “Eco-Friendly Toys Committee” with advice from third-party institutions. The “Eco-Friendly toys” 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.



“Eco-Toy” logo

ANIA-FRIENDS
This product’s packaging was designed as a toy that can be played with rather than thrown away.



Let's play big time! DX TOMICA TOWER ELEVATOR is played by hand, so you can play with it again and again without the need for batteries.

Community Activities

The TOMY Group participates in community activities at its bases in Japan and in each of countries where it develops business throughout the world.

Japan Next-Generation Education Support Activities

The TOMY Group strives to support next-generation education by welcoming elementary, middle and high school student field trips, visiting elementary school classrooms and holding lectures at universities. Among these, the elementary school visitation program, which uses “Eco-Friendly toys” and “Accessible-Design toys” as teaching materials, provides an opportunity to nurture children’s awareness and vocational perspective on the symbiosis between the environment and society, receives high praise from the educational field. A cumulative total of nearly 66,000 children have participated in these experiences (as of March 31, 2019).



TOMY’s newly employed and person in charge become instructors during a classroom visit

Participation in Various Types of Events Aimed at Regional Revitalization

Each store owned by KIDDY LAND, which operates specialty stores carrying toys, fancy goods, character merchandise and books, is a member of regional retail associations that participate in community activities. the TOMY TEC, located in Mibu, Tochigi Prefecture, participates in a zero-trash movement sponsored by Toy Industrial Park, in which 129 volunteers from 47 local businesses participated to collect enough trash in 2018 to fill a two-ton truck.

In Tokyo’s Katsushika Ward, where TOMY’s head office is located, 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.

Outside Japan Community Support Activities

TOMY International, which is responsible for overseas business, conducts a variety of activities rooted in local communities in the United States and Europe.

In England, we visit hospitals to deliver toys, and participate in fund-raising events aimed at supporting children with disabilities through charity organizations created by toy companies. In the United States, we are engaged in a variety of activities, including efforts supporting cancer patients and their families and activities aimed at rectifying disparities through toy donations. At TOMY Thailand, we convey Japanese factory culture to local university students and conduct factory tours for employee children and local elementary school students.

Eco-Cards



Three Pillars: Sound Management

Our operational environment is greatly influenced by globalization and the technological revolution, and the responsibility to conduct fair, honest business is growing as companies play an increasingly influential role in society. We should act as proud, respected role models for children and seek to create fun, comfortable working environments across the TOMY Group.

Compliance Promotion

The TOMY Group always conducts business activities based on our Founding Philosophy. In addition, we formulated the "TOMY Group Code of Business Conduct" that must be observed by each and every employee as a company guideline that promises to realize the dreams of all stakeholders as stated in our Corporate Mission. All TOMY officers and employees engage in daily work activities based on these conduct guidelines.

TOMY Group Code of Business Conduct

The Group formulated the TOMY Group Code of Business Conduct based on our Founding Philosophy, Corporate Mission, Corporate Guidelines and Code of Conduct to ensure appropriate conduct. In addition to observing the Founding Philosophy, the TOMY Group Code of Business Conduct specifically defines "the strict forbiddance of 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" as its basic spirit. In addition, specific actions required to comply with the Code of Business Conduct are stipulated to promote the understanding of officers and employees. In the event of a compliance violation or when there are concerns about what told, we encourage employees to consult with their supervisor or a person in charge, explain the situation and utilize the TOMY Group Hotline. By studying and implementing the "TOMY Group Code of Conduct," we aim to realize dreams by reducing the occurrence of violations and raising the awareness of officers and employees.

The "TOMY Code of Business Conduct" is available in eight different languages so that officers and employees at all Group companies can understand them clearly. We also provide training offline as well as e-learning.

Compliance Training

Every year, the Group designates a "Thinking About Compliance Day" during which we conduct awareness activities for all officers and employees. Japan Group company officers and employees meet together to confirm the importance of compliance, and in the unlikely event that a problem arises, share the details, causes and countermeasures to prevent future recurrence. A video of this meeting is provided to officers and employees unable to attend, as well as to overseas Group companies, in an effort to improve compliance throughout the entire Group.

Additionally, TOMY introduced a Compliance Leader system with the aim of further enhancing compliance awareness and establishing a structure of compliance. Approximately 40 senior managers comprising mainly TOMY general managers and domestic Group company directors are appointed as Compliance Leaders, and to ensure appropriate



Compliance Leader training



judgments and conduct within daily corporate activities, we invite lawyers and other outside specialists to conduct training sessions related to laws that must be observed and related knowledge. Additionally, based on the results of the Compliance Awareness Survey, each leader identified problems in the workplace and took the initiative to ensure compliance by utilizing the PDCA cycle to make improvements. The improvement activities conducted by leaders in each workplace during the year are reported on "Think About Compliance Day."

To ensure that everyone possesses understanding and empathy with regard to compliance, we conducted a variety of awareness measures, including displaying posters inside the Company and the distribution of email magazines. Distributed twice monthly, the email magazines feature news, familiar case studies, mini-tests and other content garnering public attention. It also incorporates four-panel comics and illustrations among other intuitively understandable content linked to steadily raising awareness.



Compliance rakugo (traditional Japanese comedic storytelling) makes it fun to learn and reflect on Thinking About Compliance Day



Compliance newsletter

Realizing Comfortable Workplaces

The TOMY Group engages in “work-life balance as a management strategy” and “workplace invigoration measures to stimulate the creation of ideas” as two policies for retaining and cultivating human resources who are the source of corporate value creation.

Work-Life Balance

In 2014, we officially introduced the Work-at-Home System, under which employees whose time is limited are able to work from home once per week to perform child care or nursing care. We provide a full range of support systems, from pre-maternity leave to returning to work after paid holidays, enabling employees to return to the workplace with peace of mind, including access to in-house counselors. As a result of these initiatives, TOMY sees nearly 100% of its female employees utilizing childcare leave and returning to work.

Family Day

The TOMY Group conducts Family Day once every year, inviting the children and family of employees to visit our workplace and observe the work we do. Providing families with knowledge of the work and daily activities of our employees helps deepen their understanding of the workplace, while at the same time, employees are able to gain a better understanding of one another’s family life, making it easier to work together. We aim to create workplace atmosphere that values family.

In fiscal 2018, 180 children and 146 adults, a total of 326 people, visited during Family Day.



Family Day

Human Resource Development and Passing on Technologies and Expertise

The TOMY Group maintains education and training systems to improve job performance and operational efficiency as well as identify and cultivate next-generation leaders. In addition to training for each year of employment and job position, we support the development of employee capabilities through candidate training including cross-industry networking training for the improvement of various skills and financial assistance with TOEIC examinations and correspondence courses.

Education and Training Examples

- TOMY Group Code of Business Conduct (COBC) e-learning training
- Compliance e-learning training
- New employee training
- New executive/new management training
- Value chain training
- Management training
- Marketing training
- Harassment prevention training
- Risk awareness training
- Intellectual Property seminars

In fiscal 2018, we held the toy technology workshops over a period of eight months focused on toy design study and mold technologies for young employees in planning and development, technological development, production technologies and quality control. In addition to workshops conducted as activities conveying these kinds of technologies which easily become tacit knowledge and know-how through next-generation development, the TOMY Group created glossaries and checklists in multiple languages as well as the TOMY Toy Technology Thinktank (booklet), a compilation of production base startup know-how and other information which is shared and utilized throughout the Group.

Together with Our Business Partners

Along with our business partners, the TOMY Group aims to maintain and improve appropriate working environments at all our production facilities.

TOMY Code of Conduct for Manufacturers

The Group strives to provide safe, high-quality products while at the same time protecting human rights at factories, caring for the environment and contributing to society. To this end, TOMY manufacturing contractors are required to comply with the TOMY Code of Conduct for Manufacturers, which includes items related to the environment and society. The TOMY Code of Conduct for Manufacturers is included in all contracts with business partners.

For details regarding the TOMY Code of Conduct for Manufacturers, please visit the CSR section of our corporate website.

www.takaratomy.co.jp/english/company/csr/sound_management/fair_operating_practices/partner.html



TOMY COC Team and TOMY Hong Kong, Initiatives

TOMY Hong Kong manages production of products for customers (licensors) that have particularly strict code of conduct as well as products bound for the United States and Europe. TOMY works with business partners to provide support enabling the ongoing management and operation of manufacturing sites based on the TOMY Code of Conduct (COC) Program, which protects human rights at factories, ensures employee health and safety as well as environmental sustainability. Actual audits are conducted based on the TOMY COC Program and incorporate processes including kick-off meetings, facility visits, employee interviews, document surveys, and final meetings.

Network Briefings for Business Partners

The TOMY Group strives to strengthen coordination with manufacturing contractors and other business partners by sharing information on revisions to laws, regulations and the TOMY Quality Standards as well as case studies aimed at improving safety and quality. Network Briefings have been conducted annually for more than 10 years and have included the introduction of programs related to safety and quality, and from 2019, new initiatives related to the Sustainable Development Goals (SDGs), the TOMY Social Responsibility Policy and material issues.



Network Briefing

Outside Director Interview

Q It has been one year since you were appointed as an outside member of the Board of Directors. What are your impressions of TOMY so far?

I have a very good impression of the TOMY Group, as it has a friendly atmosphere but still maintains a strong feeling of tension and a corporate culture that strives to grow the Company. The toy industry is a difficult business model as many new products are brought to market, but it is difficult to predict whether or not they will be a big hit, thus the business must be solidly promoted to succeed. The Company is preparing for both normal operations and emergency contingencies, although they are very difficult to predict, and still has a lot to learn about risk management. I think it is wonderful that, while creating a variety of new products in pursuit of the next big hit, TOMY does not neglect efforts to maintain the popularity of core products such as TOMICA, PLARAIL and LICCA across all generations.

Q What is your assessment of the efficacy of the Board of Directors?

The TOMY Board of Directors comprises diverse array of members. Outside directors have their own areas of expertise and experience and offer opinions from a variety of perspectives, which makes deliberations quite lively. I think it would be good if more time was allotted to addressing specific topics brought up within the overall discussion. I think there is room for management ingenuity. For example, we could allocate time for discussion on the assumption that explanations and reports are distributed and read in advance, operate the proceedings in order of priority, or make the board meetings themselves longer.

Q As a member of the Advisory Committee, what is your assessment of that body?

I attend all Board of Director Nominating Committee, Remuneration Committee and Risk/Compliance Committee meetings, as well as monthly performance report briefings. The Compliance Division visits Group companies and reports any issues they identify to management, which I think functions extremely well. Going forward, I will dig deeper into the reports to offer opinions and suggestions, support their implementation, and if we can shift the direction of the Group-wide discussions to be more active, I think governance will be further strengthened. Also, this applies not just to the TOMY Group, but I think stronger linkage between management, compliance and risk management is critical.



Mariko Mimura, Board of Director (Outside)

Q As TOMY's first woman director, how do you want to fulfill your responsibilities?

I think contributing to diversity is one of my responsibilities. Women comprise only 8.0% of managers at TOMY, and while this is higher than the 5.8% average in "other manufacturing industries," TOMY needs to make improvements compared to the ratio of female employees. To this end, I would like to deepen exchanges with female employees and contribute to the creation of an environment where women can play an active role while leveraging my role to lead by example in terms of career advancement. Already, I have begun exchanges with proactive female employees at Company luncheons and other events, and my sense is that there are many excellent and ambitious female employees at TOMY. I would like to lead reforms in awareness on the management side toward the active promotion of female employees.

Q What are your expectations for the TOMY Group going forward?

We have gone from simply selling high-quality merchandise and products that meet consumer needs, to a new era in which value is placed on products, services and CSR and other initiatives provided as a set of "solutions." We can solve social issues through innovation in products as well as business activities within the supply chain. If we look at companies from the perspective of ability to solve problems being linked to ability to grow, I think that economic and non-economic value (social value) can be understood as one. TOMY is a company whose business itself is directly linked to social value, thus I expect TOMY to achieve sustainable growth and I will do my best to contribute to this.

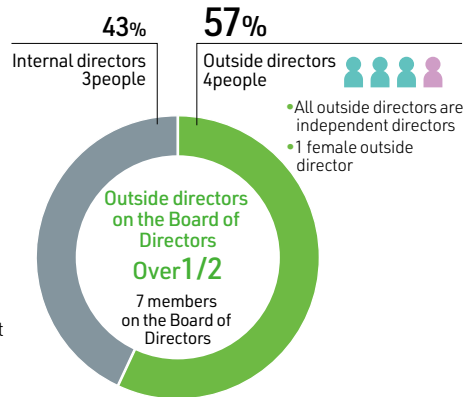
Source: Ministry of Health, Labor and Welfare

The "average value of the ratio of female workers in managerial positions in each industry" related to the accreditation system based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Revised Edition, May 2019)

Corporate Governance

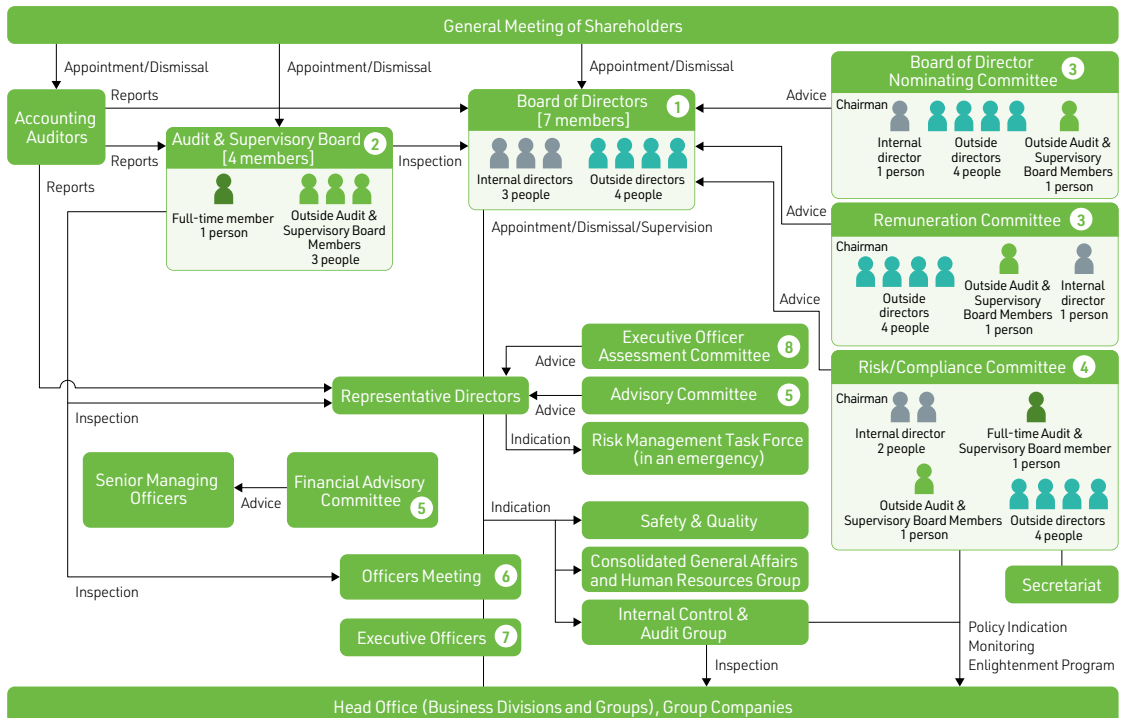
Three Distinctive Features of TOMY Corporate Governance

- 1 Outside directors comprise the majority of the Board of Directors**
All outside directors are independent directors
- 2 TOMY has a Board of Director Nominating Committee and a Remuneration Committee**
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.
- 3 Group company management and outside director support systems**
TOMY has established a department in charge of Group management that provides necessary management and guidance according to the characteristics and circumstances of each Group company based on internal regulations. In addition, we have established a system to support management supervision and business execution, including the sharing of minutes from major meetings at each Group company, independently created by the same department for all independent directors.




Basic Views

One of the most important management issues for the TOMY Group today is maintaining the trust of shareholders, customers and all our stakeholders while offering continual improvements in corporate value and building on sound and transparent management practices. We strive to achieve ongoing improvements in our corporate governance and internal control systems.



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 available on the TOMY website.

 Latest version of the Corporate Governance Report: www.takaratomy.co.jp/company/pdf/ (Partial display)

Management Monitoring System

① Board of Directors

The TOMY Board of Directors consists of seven members (of which four are outside directors, all of which are independent directors). The Board of Directors holds regular monthly meetings and extraordinary meetings as necessary, where overall Group basic policies and strategies are formulated, decisions are made with regard to the execution of critical operations and business execution is monitored. Additionally, the four Audit & Supervisory Board members attend Board of Directors meetings and offer recommendations as necessary.

Attendance in fiscal 2018

Outside directors	Meetings held: 18	
	Participation (number of times)	Participation rate (%)
Kakuei Miyagi	18	100
Shigeyuki Mito	15	83
Mariko Mimura	13*	100*

Note: Appointed at the General Meeting of Shareholders held on June 27, 2018, thus meeting attendance numbers differ from other Directors.

② Audit & Supervisory Board

The Audit & Supervisory Board meets once every month in principle to discuss and determine important matters necessary for the supervision and audit of directors' business execution. Audit & Supervisory Board members consist of four members, three of whom are outside Audit & Supervisory Board members and possess abundant experience and high degree of expertise necessary for auditing and supervising. In addition to monitoring the status of business execution, finance, internal audits, risk management and compliance, Audit & Supervisory Board members exchange opinions and information with accounting auditors and departments in charge of internal controls with regard to important auditing

issues while cooperating on the mutual monitoring of the Group's internal control status. Additionally, they attend important regularly scheduled and extraordinary meetings to receive reports pertaining to the status of management, business performance, financial conditions, internal audit implementation and risk management and compliance.

Attendance in fiscal 2018

Outside Audit & Supervisory Board members	Meetings held: 13	
	Participation (number of times)	Participation rate (%)
Tsunekazu Umeda	13	100
Toshi Yoshinari	13	100
Koichiro Watanabe	9*	100*

Note: Appointed at the General Meeting of Shareholders held on June 27, 2018, thus meeting attendance numbers differ from other Audit & Supervisory Board members.

③ Board of Director Nominating Committee/ Remuneration Committee

Composed of outside Directors and/or outside Audit & Supervisory Board Members, the Board of Director Nominating Committee and the Remuneration Committee 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.

Moreover, both committees comprise five independent directors and one internal director. The Remuneration Committee is chaired by an outside director.

④ Risk/Compliance Committee

The Risk/Compliance Committee, which consists of outside directors and corporate auditors (with an independent director ratio of one-half or more) and the representative director as the chairperson, was established to enhance and thoroughly enforce the compliance and risk management systems and deliberate important risk/compliance issues, the results of which are reported to the Board of Directors. Furthermore, the Internal Control and Audit Department, which is under the direct control of the representative director, audits the status of compliance and reports to the representative director and corporate auditors as needed. 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.

Furthermore, a Risk Management Task Force

shall be promptly established when unforeseen situations arise to take prompt and appropriate actions to minimize losses and damage, as well as to devise effective measures to prevent any recurrence. In terms of product safety, we established the Safety and Quality Assurance Group as a dedicated organization engaged in strengthening the processes to provide safe and high-quality products.

⑤ **Advisory Committee/Financial Advisory Committee**

Comprising outside directors and Audit & Supervisory Board members, the Advisory Committee was established as an advisory body to the Representative Director and the Financial Advisory Committee was established as an advisory body to the Senior Executive Officer in pursuit of all-encompassing advice related to the efficacy of Company and Group operational execution and financial reliability.

⑥ **Officers Meeting**

The Senior Executive Officer's Committee was established to smoothly and efficiently manage Group business operations. This Committee meets in principle once every month and makes flexible decisions with regard to overall management execution. Decisions made by the Senior Executive Officer's Committee are reported to the Board of Directors as necessary.

⑦ **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.

⑧ **Executive Officer Assessment Committee**

As an advisory body to the Representative Director, this Committee is composed of full-time directors in pursuit of a wide range of advice regarding the evaluation of executive officers.

Outside Director (Outside Audit & Supervisory Board Member) Support System

Corporate Planning Office staff provide guidance to outside directors and outside Audit & Supervisory Board members regarding Board of Director meetings, prior explanations on the outline of the proposals to the full extent possible and other necessary information. TOMY has one employee who is dedicated to assisting the duties of Audit & Supervisory Board members. In addition, we have established a system to support

management supervision and business execution, such as sharing the minutes of major meetings of each Group company independently created by the department in charge of Group Company Admin Staff with all independent directors.

Appointment and Dismissal of Senior Management and Appointment of Board of Directors and Audit & Supervisory Board Member Candidates

Director Qualifications and Nomination Procedures

- 1) The directors of the Company shall nominate multiple persons who have high ethical standards as well as an excellent personality, insight, ability and abundant experience from inside and outside the Company.
- 2) Regarding the nomination of directors, the Board of Directors' advisory body, the Board of Director Nominating Committee" makes recommendations and advises on policies regarding the evaluation and appointment of each director.
- 3) All directors of the Company are subject to election every year by resolution of the General Meeting of Shareholders, and candidates for newly appointed Directors are approved by the Board of Directors after undergoing a fair and transparent review by the Board of Director Nominating Committee as discussed at the General Meeting of Shareholders.
- 4) To ensure candidates have a good understanding of TOMY's business, the directors will select people who can sympathize with our Founding Philosophy and corporate philosophy.
- 5) In the event that there are illegalities or serious violations of laws and regulations within the execution of director's duties, or if it is deemed difficult for him/her to properly perform his/her duties, the Board of Director Nominating Committee will explain the reasons for dismissal, deliberate them and receive pertinent advice, after which a resolution will be made by the Board of Directors and submitted to the General Meeting of Shareholders.

Audit & Supervisory Board Member Qualifications and Nomination Procedures

- 1) As for Audit & Supervisory Board Members, we will appoint multiple persons from inside and outside the Company who have abundant experience and advanced expertise necessary for auditing.
- 2) With regard to the nomination of Audit & Supervisory Board Member candidates, after obtaining the consent of the Audit & Supervisory Board, it is resolved by the Board of Directors and submitted to the General Meeting of Shareholders.

Reasons for Appointing Outside Directors

Position	Full name	Main occupation	Reason for appointment
Outside director	Kakuei Miyagi	Board Director (outside)	Appointed based on our judgment that he will utilize his extensive knowledge and experience as a financial institution manager. As an independent officer attribute, we have determined that there is no risk of a conflict of interest with general shareholders in light of the independence standards established by the Tokyo Stock Exchange, and we have registered him as an independent officer.
	Shigeyuki Mito	Partner Attorney, TMI Associates	Appointed based on our judgment that he will make use of his high level of expertise and abundant experience as a lawyer. As an independent officer attribute, we have determined that there is no risk of a conflict of interest with general shareholders in light of the independence standards established by the Tokyo Stock Exchange, and we have registered him as an independent officer. There is a business relationship between the Company and TMI involving outsourced legal services, and payments are made based on this relationship, but the amount has been less than 10 million yen in the past three years, and this year, the proportion of payments made to TMI has been less than 0.5% of sales, as in all three previous years.
	Mariko Mimura	Of Counsel, Nishimura & Asahi	She has been appointed based on her knowledge and experience as a lawyer and corporate manager, and will be useful to further strengthening TOMY's corporate governance. As an independent officer attribute, we have determined that there is no risk of a conflict of interest with general shareholders in light of the independence standards established by the Tokyo Stock Exchange, and we have registered her as an independent officer. There is a business relationship between the Company and Nishimura & Asahi involving outsourced legal services, and payments are made based on this. The amount of remuneration has been less than 10 million yen in the past three years, and this year, the proportion of payments made to Nishimura & Asahi has been less than 0.5% of sales, as in all three previous years.
	Fumitoshi Sato	Director, Tokyo Scientific Instruments Association	He has a wealth of knowledge and experience as a corporate manager and a financial alumnus, and was appointed based on the judgment that he will be useful in strengthening TOMY's risk management system. As an independent officer attribute, we have determined that there is no risk of a conflict of interest with general shareholders in light of the independence standards established by the Tokyo Stock Exchange, and we have registered him as an independent officer.

Reason for Appointment as Director

Position	Full name	Main occupation	Reason for appointment
Director	Kantaro Tomiyama	Representative Director, Chairman & CEO	Based on his long experience as a representative director, he plays a sufficient role in determining important management matters and overseeing business execution. His appointment was based on the determination that he will promote the management and supervision of the TOMY Group.
	Kazuhiro Kojima	Representative Director, President & COO	Drawing on his abundant experience as a domestic investment fund manager and manager, he has promoted the establishment of a consolidated management system, the strengthening of TOMY's financial base and devised personnel strategies to improve corporate value. Since January 2018, he has directed the Company with strong leadership as president. His appointment was based on his high level of expertise and experience, and the determination that he is capable of leading the overall management of the Group.
	Takashi Konosu	Board Director, Executive Vice President	He possesses a wealth of business execution experience in the toy and toy-peripheral businesses. He is engaged in strengthening TOMY's core toy business and promotes the expansion of toy-peripheral businesses to enhance corporate value based on his experience as subsidiary president and extensive industry knowledge. He was appointed based on the determination that he will apply his wealth of experience and knowledge to TOMY management.

Board of Directors Effectiveness Evaluation and Process

One or more times each year, the Company distributes questionnaires on effectiveness to members of the Board of Directors for self-assessment. Based on the responses, discussions are held by the Risk/Compliance Committee, which is an advisory body for the Board of Directors, with the results and issues shared at subsequent board meetings, leading to improvements that enhance the effectiveness of the Board of Directors.

In addition, the Board of Directors and Audit & Supervisory Board Members proactively discuss the effectiveness of the Board of Directors, and utilize a system established to confirm the appropriateness of the

approval of important management matters and business execution supervision. Additionally, the formulation of medium-term management plans contributing to enhanced corporate value, the proactive disclosure of information and improvements to internal control systems and risk management are assessed. At the same time, issues are identified, such as the need to strengthen medium-term management plan initiative monitoring and to formulate development plans for senior management.

December 2018–January 2019	Questionnaires distributed
February 2019	Responses to questionnaires collected and discussed by the Risk/Compliance Committee
April 2019	Reported to Board of Directors

Remuneration

Remuneration Determination Policy

Remuneration is linked to performance and corporate value enhancement over the medium- to long-term corporate value that can be shared with shareholders. Furthermore, the Remuneration Committee was established as an advisory body to the Board of Directors to deliberate officer compensation. Chaired by an outside director, the Remuneration Committee is composed of six members including the chairman, and with the exception of one internal director in charge of governance, all other members are outside directors and outside Audit & Supervisory Board members who are independent officers, ensuring the objectivity and transparency of executive remuneration decisions.

Remuneration Limits

The maximum amount of remuneration for Company officers is determined by resolution of the General Meeting of Shareholders. In accordance with a resolution at the General Meeting of Shareholders held on June 27, 2006, the maximum amount of annual remuneration for directors is ¥400 million. In accordance with a resolution at the General Meeting of Shareholders held on June 24, 2015, the maximum amount of stock option remuneration is ¥200 million (excluding outside directors). In accordance with a resolution at the General Meeting of Shareholders held on June 27, 2006, the maximum amount of annual remuneration for Audit & Supervisory Board members is ¥70 million.

Remuneration Composition and Standards

The Company's executive remuneration system consists of basic compensation and performance-linked compensation. Furthermore, performance-linked compensation consists of cash bonuses, which are incentives that vary based on short-term performance, and stock compensation (stock options, excluding outside directors) that varies based on medium- to long-term performance. The level of executive compensation is determined through deliberation by the Remuneration Committee after objective comparison and verification of

Total Amount of Compensation for Each Director Category, Type of Compensation and Number of Applicable Directors (in the fiscal year ended March 31, 2019)

(Millions of yen)

Director category	Number of applicable directors (people)	Compensation amount	Basic compensation	Stock options	Performance-linked compensation
Directors (excluding outside directors)	4	¥225	¥120	¥10	¥94
Audit & Supervisory Board members (excluding outside members)	2	21	15	0	4
Outside directors	7	64	50	—	13

compensation levels and performance based on executive compensation data from external research institutions.

Performance-Linked Compensation Calculation Method

Within performance-linked compensations, in terms of cash bonuses, which are incentive compensation based on short-term results, TOMY uses profit attributable to owners of parent on the consolidated income statement for the applicable period as an indicator of compensation resources. Profit attributable to owners of parent is used as an indicator of compensation resources because it is deemed appropriate for awareness of shareholder returns. Consolidated ordinary profit is an evaluation index as an important consolidated management index. Also, total cash bonuses vary according to achievement status using a calculation method that multiplies profit attributable to owners of parent shareholders by a fixed rate, which is then multiplied by the consolidated ordinary profit growth rate.

Moreover, the targeted consolidated ordinary profit growth rate, which is an evaluation index for cash bonuses for the current fiscal year, was set at 100%, and the actual result was 115%.

With regard to stock compensation, which is an incentive compensation based on medium- to long-term performance, the Company's plan is based on a stock compensation-type stock option plan with an exercise price of 1 yen. Furthermore, the amount equivalent to stock option cash is determined in advance according to position.

Director Compensation Determination Procedures

In determining Company director compensation, the Remuneration Committee deliberates in accordance with the aforementioned basic policies and reports to the Board of Directors to ensure objectivity and transparency. Regarding director compensation in the fiscal year under review, the Remuneration Committee met twice to deliberate and reported the results to the Board of Directors. Within performance-linked compensation, the total amount of cash bonuses was reported and approved at the General Meeting of Shareholders.

Dialogue with Shareholders and Investors

To promote an understanding and accurate valuation of the Group among shareholders and investors, TOMY discloses information in accordance with the Financial Instruments and Exchange Act and the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities (the "Timely Disclosure Rules") stipulated by the Tokyo Stock Exchange. Information falling under the timely disclosure regulations defined in the Financial Instruments and Exchange Act and the Timely

Disclosure Rules as well as other material information is promptly registered on the Timely Disclosure Network system (TDNet) provided by the Tokyo Stock Exchange. To ensure timeliness and fairness, information registered on TDNet is also disclosed on the TOMY website. In addition, shareholders are informed about the status of TOMY's business, products, CSR and other efforts through shareholder newsletters.

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:

 www.takaratomy.co.jp/english/ir/risk/index.html

Continuation of Anti-Takeover Measures

TOMY received shareholder approval at the 68th Ordinary General Meeting of Shareholders held on June 21, 2019, with regard to the continuation of its policy for responding to large-scale purchases of Company shares (hereinafter, the "response policy"). This response policy consists of a "rights plan with prior warnings" providing for the allotment of stock acquisition rights without contribution (hereinafter, "countermeasures"), the details of which are as follows.

Response Policy Overview

An overview of the response policy is provided below. For additional details, please refer to "Notice Concerning Continuation of Policy toward Large-Scale Purchases, etc. of Company's Shares (Anti-Takeover Measures)" published on the TOMY corporate website on May 10, 2019.

 www.takaratomy.co.jp/english/release/pdf/i190510_03_en.pdf

- (1) A party (hereinafter, "purchaser") intending to make a purchase (hereinafter, "large-scale purchase") of shares amounting to 20% or more issued by the Company must provide TOMY with information on the large-scale purchase in advance.
- (2) The TOMY Board of Directors will, in the event of an emergency, establish a special committee. The special committee will provide the Board of Directors with opinions and justification materials related to the planned large-scale purchase, and may be requested to submit alternative proposals.
- (3) After receiving information from the purchaser and

the Board of Directors, the special committee will respond to issues raised by the Board of Directors within 90 days (however, if the special committee has a justifiable reason, this can be extended up to an additional 30 days) from the time at which the Board of Directors receives a written proposal containing all information necessary to consider the large-scale purchase. The special committee will examine and evaluate the purchase details, determine whether or not to implement countermeasures against the purchaser and make its recommendation to the Board of Directors (moreover, the special committee reserves the right to seek the approval of the General Meeting of Shareholders before recommending countermeasures be taken). If necessary, the special committee can seek the advice of an independent outside expert. In addition, the Board of Directors will negotiate with the purchaser and disclose information to shareholders.

- (4) The Board of Directors shall respect the recommendations of the special committee in as much as possible, and make a resolution on whether or not to ultimately take countermeasures. Moreover, in the event that the special committee invokes its right to seek approval from the General Meeting of Shareholders with regard to the recommended implementation of countermeasures, the Board of Directors shall, in principle, convene a meeting of the General Meeting of Shareholders as soon as practical and submit a proposal for the implementation of countermeasures. In this situation, the Board of Directors will make a resolution as to the implementation of countermeasures in accordance with the decision arrived at by the General Meeting of Shareholders.
- (5) In the event that the purchaser does not comply with the procedures set forth in this response policy, or if it is confirmed that TOMY corporate value and/or the common interests of TOMY shareholders will be clearly damaged and it is deemed appropriate to implement countermeasures, after a judgment by the special committee, the decision to implement countermeasures can be made.
- (6) In the event countermeasures are implemented, acquisition rights can be added for the execution of stock acquisition rights assigned to shareholders not extended to the purchaser or others (hereinafter, "non-qualified persons") as well as the exchange of stock acquisition rights for Company shares from persons other than non-qualified persons. As a result, if Company shares are issued to shareholders other than non-qualified persons, the ratio of Company share voting rights held by said non-qualified persons will be diluted.