

Initiatives to Address the Eight Material Issues

Ensuring Confidence, Safety, and Quality

Setting Independent Quality Standards That Are More Stringent than Industry Safety Standards

In line with the global deployment of products, we carry out inspections based on original safety standards that are stricter than the 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 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), which applies to 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 were revised to reflect contemporary conditions in the 2021 edition issued in August 2021. 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.

*The ST Mark can be placed on toys that have passed the ST standard compliance inspection performed by a third-party inspection body. The mark is recommended by the industry to show that a toy has been made with careful attention to safety.



Training and Awareness-Raising for Employees Regarding Safety and Quality

We conduct "Safety Day" for all Group employees in Japan and overseas 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.

Gathering Feedback from Customers and Reflecting It in Future Products (After-sales Service)

The TOMY Group Customer Service Department receives more than 230,000 consultations and inquiries annually (FY2020). 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 the Christmas season, the Customer Service Department receives a high volume of inquiries. To reduce this number, we recommend through our website, Twitter and other outlets that products using batteries be tested before the Christmas season. In response to these recommendations, we have received product evaluations from Santas (customers) and retailers across Japan.



Tensile strength test



Drop testing

Creating New Products, Services, and IP

Expanding Operating Domains through the IP Business

The TOMY Group is enthusiastically working to create new IPs centered on appealing original content to reach a new customer base. We are striving to create IPs as the original creator with the likes of KIRAMEKI POWERS!, SHINKALION Z and BEYBLADE BURST, and have made progress expanding the IP business by developing and commercializing toys in-house, and licensing IPs for products and services other than toys.



© TOMY / OLM / Kirameki Powers Production Committee / TV TOKYO



Establishing and Enhancing the TOMY Brand

We have proactively acquired intellectual property rights regarding our own brand and products and are among the top companies in the industry in terms of the number of such applications filed. Acquiring intellectual property rights establishes and leads to the sustainable growth of brand value, including technologies and forms of play.

In addition, because activities that infringe upon TOMY's intellectual property rights such as the manufacture or sale of counterfeit goods or the unauthorized posting of copyright works on social media might damage brand value while also causing damages to customers through counterfeit goods, we regularly monitor e-commerce sites in Japan and overseas and take appropriate measures by exercising intellectual property rights.

Promoting Universal Design

Accessible-Design Toys That Anyone Can Enjoy

The TOMY Group began creating toys for children with disabilities in 1980 and later began developing Accessible-Design toys for the general market that could also be enjoyed by children with visual or hearing disabilities. At present, these activities have expanded to become initiatives that are implemented throughout the toy industry.

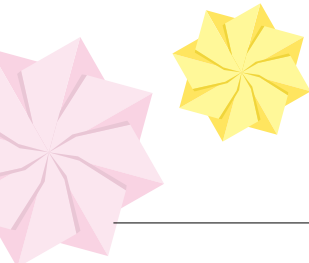
Accessible-Design toys include design features benefiting people with visual disabilities, such as raised surface marks on the ON side of power switches and sounds that are generated when toys are turned on. For people with hearing disabilities, we include a variety of features that contribute to fun playtime without the use of sound, including lights, vibrations and text, movement and pictures. These Accessible-Design toys are approved through screenings conducted by the Japan Toy Association's Accessible-Design Toy Committee. Because these toys are sold along with general toys, special packaging is used to make them easily identifiable as Accessible-Design toys: We place

a "Guide Dog Mark" logo on the packages of toys for children with visual impairments and a "Rabbit Mark" on the packaging of toys for children with hearing disabilities. TOMY also strives to raise awareness concerning Accessible-Design toys and understanding regarding disabilities (the barrier-free spirit) through online lectures for universities and other educational institutions, classes for elementary schools and so on.



LICCA with smoke and sizzle, lively barbecue Accessible-Design toys that sight-impaired children can also enjoy shared play with. The included accessories are designed so that they can be identified by touch, while LICCA provides voice guidance on the proper operation.

© TOMY



Active Participation of Diverse Personnel

Developing a Workplace Environment Where Employees Can Continue to Work with Peace of Mind

In 2014, we officially introduced the Work-at-Home System, under which employees whose time is limited due to such factors as providing childcare or nursing care can work from home once per week. 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 to support a work-life balance, TOMY sees nearly 100% of its female employees utilizing childcare leave and returning to work.

TOMY has also formulated a new action plan to create a comfortable working environment so that all employees can balance work and home life while fully demonstrating their abilities. We are pursuing initiatives based on established targets, such as achieving a male employee childcare leave usage rate of at least 30% by the end of March 2026.



Striving to Achieve Diversity & Inclusion

As a part of efforts to develop a workplace in which a diverse range of human resources can succeed, the TOMY Group has promoted female empowerment from the perspective of gender diversity and in 2019 was selected for the first time as part of the MSCI Japan Empowering Women (WIN) Select Index. We have also formulated an action plan to develop an employment environment

in which women can succeed in managerial positions. We have set the target of having female employees account for at least 20% of managers by the end of March 2026.

Internal review meetings made up of the Human Resources Department and female managerial-level employees are held to further strengthen the promotion of female empowerment.

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Inclusion in Select Indexes

The TOMY Group has been selected for inclusion in various indexes in recognition of its efforts on management issues regarding the environment and ensuring diversity. Moving forward, the Group will continue contributing to the development of a sustainable society.

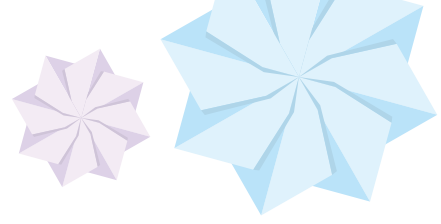
S&P/JPX Carbon Efficient Index
(selected March 2021)



MSCI Japan Empowering Women Index
(selected June 2021)

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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Human Resource Development Aimed at Enhancing Competitiveness

Ahead of the TOMY Group's 100th anniversary in 2024, we are establishing an educational system and conducting training to build the foundations for strengthening people and organizations to evolve the TOMY Group into a tougher corporate entity. Next-generation leader development training, management training and tiered training are among the mandatory training curriculums. In addition, elective training for various skills improvement and subsidized TOEIC tests and correspondence courses are offered to support the skills development of employees. The TOMY Group has also established systems to pass on technologies and expertise that easily become tacit knowledge to future generations, including skills related to the structural design and molding techniques for toys.

In fiscal 2018, we held toy technology workshops lasting approximately eight months for junior employees, covering planning and development, technological development, production technologies and quality control. Since fiscal 2019, we have conducted three-month technical training for technical career track employees, equipping trainees with basic knowledge on toy development through classroom learning, on-site experience and review exercises. In addition, we have developed multilingual technical glossaries and checklists and have created, shared and utilized the TOMY Toy Technology Thinktank booklet, which compiles the expertise and other information needed when launching a production site.

TOMY International Group Established the DEI Committee

The TOMY International Group, which is responsible for our overseas business, established the DEI Committee as an employee initiative in late 2020. DEI stands for Diversity, Equity and Inclusion, and the committee's membership ensures we have a diverse representation from various office locations.

The Committee has identified four pillars of action within the organization:

- (1) Communication
- (2) Employee Training and Engagement
- (3) Talent Recruitment, Retention and Mentorship
- (4) Philanthropic and Sponsorship

We encourage every employee to foster Diversity, Equity and Inclusion, which includes respect and acceptance of others regardless of their backgrounds. Our DEI initiatives will ensure that TOMY International is recognized as a better workplace that gives all employees an equal chance to live, work, flourish and grow.





Responsible Procurement

Building a Supply Chain That Considers the Impact on Society

The TOMY Group strives to provide safe, high-quality products while also protecting human rights at factories, caring for the environment and contributing to society. Previously, we have demanded that manufacturing contractors comply with the TOMY Code of Conduct for Manufacturers, which includes items related to the environment and society. We also include the code of conduct in all contracts with business partners. However, in recent years, international societal demand concerning human rights and the environment is growing to higher levels than ever before. In response, the TOMY Group has identified responsible

procurement as one of eight material issues that need to be addressed and revised the TOMY Code of Conduct for Manufacturers accordingly in fiscal 2019. We also formulated the TOMY Group Responsible Procurement Guidelines in May 2020.

Moving forward, we will thoroughly ensure that knowledge regarding these issues and guidelines is universal throughout the Company. At the same time, we will secure compliance with the TOMY Group Responsible Procurement Guidelines from business partners by providing them with relevant and understandable guidance through seminars and other means.

TOMY Hong Kong Initiatives

TOMY Hong Kong manages the production of products for customers (licensors) that have particularly strict codes 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 and addresses environmental sustainability. Actual audits are conducted based on the TOMY COC Program and incorporate processes including kickoff meetings, facility visits, employee interviews, document surveys and final meetings.

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Overview of the United Nations Global Compact

In May 2021, the TOMY Group indicated its support for the United Nations Global Compact, the international framework for the global community to achieve sustainable growth. The Group will promote initiatives to achieve the 10 principles of the Global Compact that cover the areas of human rights, labour, the environment and anti-corruption.



The 10 Principles of the United Nations Global Compact

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|------------------------|--------------|--|
| Human Rights | Principle 1 | Business should support and respect the protection of internationally proclaimed human rights. |
| | Principle 2 | Make sure that they are not complicit in human right abuses. |
| Labour | Principle 3 | Business should uphold the freedom of association and the effective recognition of the right to collective bargaining. |
| | Principle 4 | The elimination of all forms of forced and compulsory labour. |
| | Principle 5 | The effective abolition of child labour. |
| | Principle 6 | The elimination of discrimination in respect of employment and occupation. |
| Environment | Principle 7 | Businesses should support a precautionary approach to environmental challenges. |
| | Principle 8 | Undertake initiatives to promote greater environmental responsibility. |
| | Principle 9 | Encourage the development and diffusion of environmentally friendly technologies. |
| Anti-Corruption | Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery. |

Environmental Management

Initiatives to Reduce the Impact on the Environment through Business Activities

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 TOMYTEC domestic factory pulverizes waste generated from plastic molds and recycles it. In logistics, we are striving 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

Development of Eco-friendly Products (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 nine 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-friendly Toy Mark

BOTTLEMAN series
With bottles as the “target” and bottle caps as the “bullets,” the parts of familiar PET bottles are separated for play. Product packaging and instruction manuals communicate to children the need to sort waste and recycle after play.

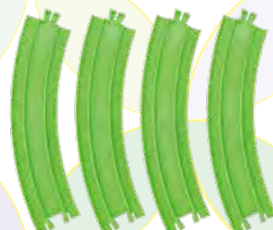


Eco Mark

Ahead of other companies in the industry, TOMY was the first to obtain the Eco Mark for a toy. The Eco Mark is applied to products certified by the Japan Environmental Association Eco Mark Office as benefiting environmental conservation. The mark is designed to make it easier for customers who wish to live in eco-friendly ways to choose products.



TOMICA Double action building (special 50th anniversary edition)
Quick transformation! Enjoy two modes!
A huge TOMICA parking building! The elevators are designed to switch between electric and manual modes, allowing play to continue even without batteries.



PLARAIL Eco Curved Rail

© TOMY

Encouraging Education and Culture through Our Business

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. These activities have been highly praised by professionals in the educational field for providing opportunities to nurture children's awareness and vocational perspectives on the symbiosis between the environment and society. A cumulative total of about 74,000 children have participated in these experiences (as of March 31, 2021).

In addition, since 2017 we have been working on the GAME OF LIFE Project for Everyone, an initiative to contribute to regional revitalization in cooperation

with schools, companies, local governments and other entities. In response to the Sustainable Development Goals (SDGs) being newly incorporated into the educational guidelines for mandatory education from 2020 onward, the GAME OF LIFE has been utilized as an SDG educational material, evolving into an activity fostering leaders in the SDGs. Even during the COVID-19 pandemic, improvements have been made to the program details, with simultaneous interactive online lessons being conducted nationwide. We contribute to Sustainable Development Goals 4, "Quality education," and 17, "Partnership for the goals," and make every effort to facilitate the development of SDG leaders through toys.



New employees and supervising employees act as instructors to conduct online lessons



Community Support Activities Overseas

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

In the United Kingdom, we participate in toy donations and fundraising events through the offices of charitable organizations to provide support for children who are either in need due to poverty or afflicted with disabilities. We also donate to breast cancer research support groups.

In the United States, we strive to provide children with opportunities to have fun through play by participating in a variety of community activities, including toy donations for families and children in need.



Contributing to Sports Relief fundraising activities

Raising money for "sports/comic relief," the money raised goes to supporting mental health services, prevent poverty and help people at risk of domestic abuse as some examples.

* The photo above is from an event held in 2019.



Organizational Governance and Communication with Stakeholders

Risk Management (BCP)/Group Company Initiatives

TOMY Group

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.

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, the 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 has established a mechanism whereby the safety status of employees and their families can be confirmed as quickly as possible. We also try to make sure each employee knows how to act appropriately in emergency situations by conducting disaster response training and distributing emergency stocks.

TOMY Marketing

How to ensure that logistics functions continue not only during a major disaster but also during normal operations is an important issue for business continuity.

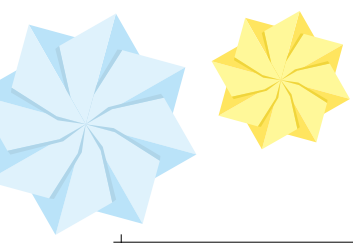
TOMY MARKETING COMPANY, LTD., which handles product sorting, packaging, warehouse receiving and dispatch, transportation and inventory storage, endeavors to mitigate the risks of shipment stoppages through functional enhancements and overhauling of material handling operations involving machine-based conveyance, loading and unloading. An inter-departmental project made up

of members from logistics, sales and management has also been formed to further review the business continuity plan (BCP) in response to the COVID-19 pandemic. Specifically, to prepare for a disaster occurring during the COVID-19 pandemic when there are restrictions to the number of people attending work, different disaster response structures based on employee attendance patterns were developed. This has eliminated issues caused by the people responsible for evacuation guidance, firefighting operations or other operations being absent while working from home.

KIDDY LAND

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 many 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.



Novel Coronavirus Response

The TOMY Group prioritizes the health and safety of its customers, business partners and employees. Accordingly, we implemented several health and safety measures even before the Japanese government declared a COVID-related state of emergency. These measures included hygiene-related criteria for employees, the promotion of shift-based work and telework to reduce on-site staff, and staggered working hours aimed at reducing infection risk.

Even after the Japanese government's state of emergency declaration was lifted, we have continued to implement telework and staggered working hours, reducing the ratio of employees who are required to commute to work. As a measure to deal with COVID-19, we implemented mass workplace vaccinations starting

in July 2021 to help speed up the vaccination rollout. We are also conducting a variety of measures aimed at preventing the spread of COVID-19 at TOMICA, PLARAIL and KIDDY LAND stores. These measures include body temperature checks for staff upon arrival, mandatory mask wearing, compulsory application of alcohol-based disinfectant upon store entry and exit and droplet infection prevention measures achieved through the installation of acrylic panels or transparent sheets between cashiers and customers.



TOMICA Shop
Social distancing notifications affixed to the floor to indicate where customers should stand when lining up for purchases

Compliance Promotion

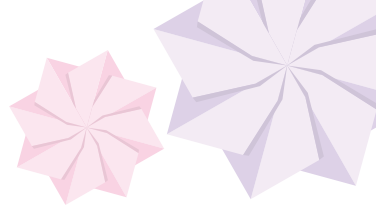
TOMY Group Code of Business Conduct

The TOMY Group has established the TOMY Group Code of Business Conduct based on its Founding Philosophy, Corporate Mission, Corporate Guidelines and Code of Conduct to ensure more appropriate conduct. In addition to observing requirements such as the Founding Philosophy, the TOMY Group Code of Business Conduct conveys the basic spirit that we must never act in a way that presents adults in an unseemly light, in order to be a company that children, our most important customers, continue to look up to. Educational materials on the TOMY Group Code of Business Conduct have been prepared in seven languages to ensure accurate understanding on the part of officers and employees at all Group companies. We also provide offline and e-learning-based training on the Code. In addition, we conduct awareness-raising activities to encourage employees to consult with superiors and related departments or utilize the TOMY Group Hotline regarding violations or possible violations of laws, internal regulations or the TOMY Group Code of Business Conduct.

Compliance Training

The TOMY Group has established "Think about Compliance Day" as part of awareness-raising activities aimed at all officers and employees. This day is designed for domestic Group officers and employees to reaffirm the importance of compliance and share the details, causes and countermeasures to implement in the event a compliance issue occurs. Since fiscal 2019, Think about Compliance Day has been conducted by streaming video and conducting e-learning to prevent the spread of COVID-19.

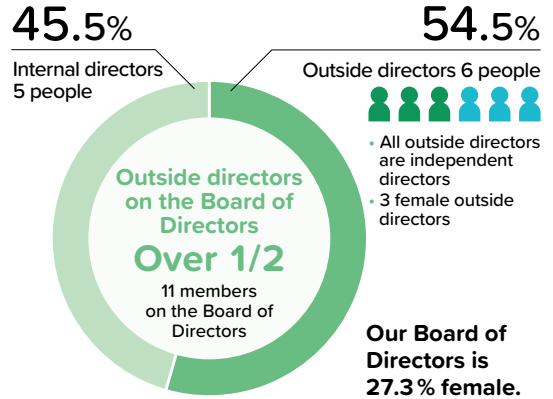
TOMY has also introduced a compliance leader system with the aim of further enhancing awareness of compliance and establishing a compliance structure. Senior managers from each department at domestic Group companies are appointed as compliance promotion officers, who subsequently nominate compliance promotion leaders. These leaders conduct training on the laws and regulations requiring compliance, as well as other generalized knowledge. In fiscal 2020, training was conducted on the Power Harassment Prevention Act that was enacted in June 2020. The compliance promotion leaders who underwent the training implemented dissemination and awareness-raising activities regarding the new law at their respective workplaces.



Promoting Transparent Management

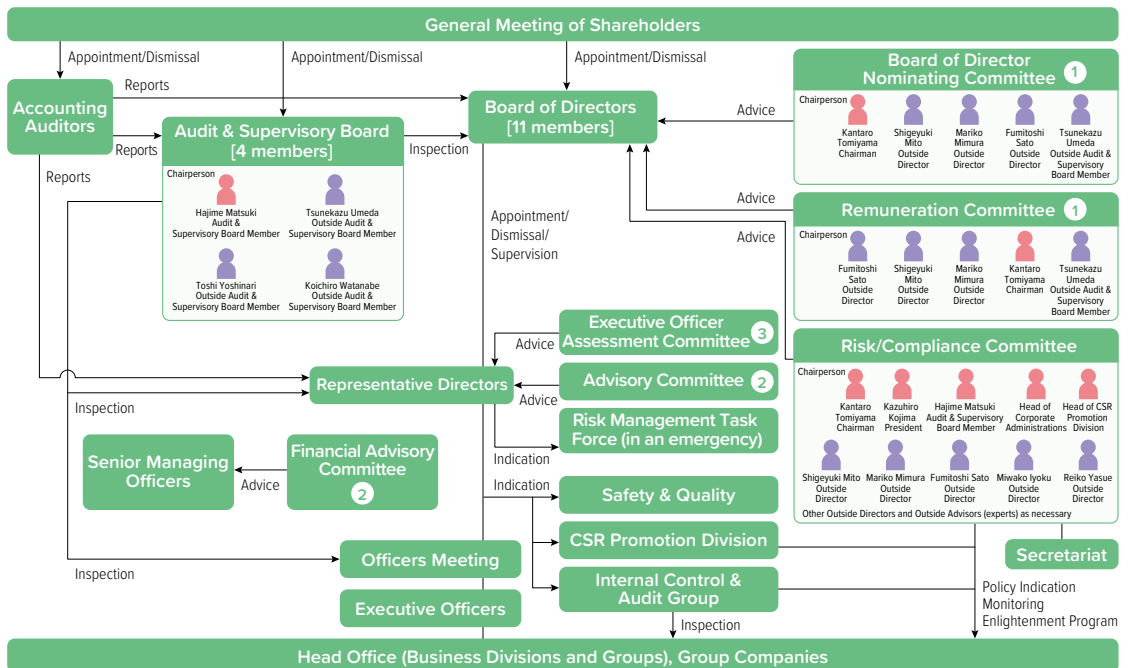
Three Distinctive Features of TOMY Corporate Governance

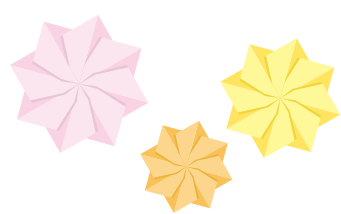
- 1 Most of our directors are outside directors, and 27.3% are women**
 All outside directors are independent directors.
- 2 TOMY has a Board of Director Nominating Committee and a Remuneration Committee**
 The Board of Director Nominating Committee and the Remuneration Committee, composed of outside 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**
 We have established a dedicated department to manage and support Group companies based on internal regulations depending on their specific operations and circumstances. We have also established systems to support supervision and business execution, such as providing outside officers with the necessary information and assigning full-time employees to assist Audit & Supervisory Board members in their duties.



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. Accordingly, we are conducting initiatives aimed at upgrading our management checking capabilities while striving to maintain managerial efficiency strengthen our risk management and compliance systems and enrich our corporate governance.





Status of Response to the Corporate Governance Code

Please refer to the report posted on the official TOMY website for the status (summary) of the response to items required to be disclosed in the Corporate Governance Report.

📄 Latest version of the Corporate Governance Report www.takaratomy.co.jp/company/pdf/gov_report.pdf

Management Monitoring System

① Board of Directors Nominating Committee/Remuneration

Composed of outside Directors and/or outside Audit & Supervisory Board Members, the Board of Directors Nominating Committee and the Remuneration Committee were established as advisory bodies to the Board of Directors and are requested to provide

proposals and counsel regarding policies relating to Director assessments, appointment and remuneration. Moreover, both committees comprise four independent directors and one internal director. The Remuneration Committee is chaired by an outside director.

② 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.

③ Executive Officer Assessment Committee

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

📄 Please refer to the official TOMY website below for details on the activities of each committee.
https://www.takaratomy.co.jp/english/company/csr/organizational_governance/system1.html

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

Corporate Planning Division staff inform outside directors and outside Audit & Supervisory Board members of Board of Directors meetings, provide advance briefings on outlines of proposals to the extent possible and provide other necessary information. TOMY has assigned an employee whose full-time job is to assist Audit & Supervisory Board

members in their duties. We have also established departments related to Group management that provide the necessary management and guidance in accordance with internal regulations based on the characteristics and status of each Group company. TOMY has established systems to support oversight and business execution.



Appointment and Dismissal of Senior Management by the Board of Directors, and Nomination of Candidate Directors and Audit & Supervisory Board Members

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 Nominating Committee, which is made up of outside directors and outside Audit & Supervisory Board members, has been established as an advisory body to the Board of Directors. The committee makes recommendations and provides advice based 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 Directors 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 a director's duties, or if it is deemed difficult for them to properly perform their duties, the Board of Directors Nominating Committee explains the reasons for dismissal, deliberates said reasons and receives pertinent advice. Afterward, a resolution is passed 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 the 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.

Board of Directors Effectiveness Evaluation and Process

At least once a year, TOMY distributes questionnaires on the overall effectiveness of the Board of Directors to its constituent members to conduct a self-evaluation. The Risk/Compliance Committee, an advisory body to the Board of Directors, engages in discussions based on the results of the responses to the questionnaire. The evaluation results and issues are then shared at subsequent Board of Directors meetings, leading to improvements that will enhance the effectiveness of the Board. The results have confirmed that diversity of the members of the Board has been ensured with respect to its effectiveness, that directors and Audit & Supervisory Board members each actively engage in discussions, and that a system has been developed to approve key management matters and oversee business execution appropriately. In addition, the results appraise that TOMY has formulated and is managing the progress of a medium-term management plan that

helps enhance corporate value, that active information disclosures are being carried out and that internal control systems have been put in place. However, the results have also identified issues, including the need to expand discussions regarding issues such as medium- to long-term management strategy and risk management, the need to enhance monitoring functions, the promotion of digital transformation (DX) and the formulation of plans to cultivate top management. TOMY will pursue initiatives aimed at ensuring the further effectiveness of the Board of Directors while taking these issues into account.

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| December 2020– January 2021 | Questionnaires distributed |
| March 2021 | Responses to questionnaires collected and discussed by the Risk/Compliance Committee |
| May 2021 | Reported to the Board of Directors |



Remuneration

Basic Policy on Officer Compensation

TOMY's basic policy on officer compensation holds that compensation should be linked to business results and enhancement of corporate value in the medium and long term, that the compensation system should be designed to share value with shareholders, that compensation levels should be determined by taking the levels at other companies into account, and that compensation should be determined after a process that is objective and transparent to stakeholders. In addition, a Remuneration Committee deliberates over

the amounts and details of individual compensation and reports to the Board of Directors for resolution. The Remuneration Committee is chaired by an outside director and comprises five members including the chairperson. Except for the inside director in charge of governance, all members of the committee are independent outside directors and outside Audit & Supervisory Board members. This structure has been adopted to ensure objectivity and transparency in the determination of officer compensation.

Remuneration Structure and Levels

The remuneration of executive directors excluding outside directors is made up of fixed basic compensation, performance-linked compensation as officer bonuses and stock-based compensation as non-monetary remuneration. Regarding stock-based compensation, the stock-based compensation stock option system was eliminated by a resolution of the 70th Ordinary General Meeting of Shareholders held on June 23, 2021. At the same time, a performance-linked stock-based compensation system was introduced with the aim of raising directors' motivation to contribute to improved business performance and enhanced corporate value in the medium and long term by further clarifying the link between the directors' compensation and the Company's business performance and share prices and having directors share the benefits and risks of share price fluctuations with shareholders. The details of each element making up compensation are as follows.

1. Fixed compensation

For basic compensation, the amount is determined based on the position and responsibilities of the officer and paid as fixed monetary compensation on a monthly basis.

2. Performance-linked compensation

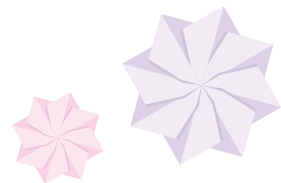
For officer bonuses, performance-linked compensation reflecting key performance indicators (KPIs) is paid as monetary compensation to raise directors' motivation to improve business performance for each fiscal year. Profit attributable to owners of parent in the

consolidated income statement for the fiscal year is multiplied by a certain rate, and a cash bonus is calculated depending on the level of achievement of consolidated ordinary profit. The bonus is paid at a certain time after the end of the fiscal year in question. KPIs, targets and results (each on a consolidated basis) related to officer bonuses for the fiscal year ended March 31, 2021, are as follows.

| Business performance indicators | Year ended March 31, 2021 | |
|---|---------------------------|--------------|
| | Targets | Results |
| Consolidated ordinary profit | ¥5.5 billion | ¥7.1 billion |
| Profit attributable to owners of parent | ¥3.0 billion | ¥5.3 billion |

3. Stock-based compensation

From fiscal 2021, the TOMY Group introduced a performance-linked stock-based compensation system for directors (excluding outside directors and part-time directors). The purpose of the system is to increase directors' motivation to contribute to improved business results and enhanced corporate value in the medium and long term by further clarifying the link between directors' compensation and the Company's business performance and share prices and having directors share the benefits and risks of share price fluctuations with shareholders. Note that the performance-linked indicator used in the first applicable period of this system (the three-year period from the fiscal year ending March 31, 2022, to the fiscal year ending March 31, 2024) will be the consolidated return on equity set as a target in the medium-term management plan. Outside directors are



paid only basic compensation, from the perspective of their roles and in the interests of independence. The compensation of Audit & Supervisory Board members comprises basic compensation only, from the perspective of emphasizing independence and objectivity regarding management, and the

compensation amount of each Audit & Supervisory Board member is determined through discussions among the members. Compensation levels are set appropriately, informed by objective compensation market research data provided by outside professional organizations.

Total Amount of Compensation for Each Director Category, Type of Compensation and Number of Applicable Directors (in the fiscal year ended March 31, 2021)

| Officer category | Total amount of remuneration (¥ million) | Total amount of remuneration by type (¥ million) | | | | Number of eligible officers |
|---|--|--|---------------------------------|-------------------------------------|---|-----------------------------|
| | | Fixed compensation | Performance-linked compensation | Non-performance-linked compensation | Compensation listed on the left that is non-monetary compensation | |
| | | Basic compensation | Officer bonuses | Stock options | | |
| Directors (excluding outside directors) | 201 | 148 | 32 | 21 | 21 | 5 |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 15 | 15 | – | 0 | 0 | 1 |
| Outside Directors | 48 | 48 | – | – | – | 7 |
| Outside Audit & Supervisory Board members | 26 | 26 | – | – | – | 3 |
| Total | 291 | 238 | 32 | 21 | 21 | 16 |

Decision-making Authority Regarding Officer Compensation and Policies for Determining the Method of Its Calculation

A Remuneration Committee deliberates over the amounts and details of individual compensation and reports to the Board of Directors for resolution. The Remuneration Committee is chaired by an outside director and comprises five members including the chairperson. Except for the inside director in charge of governance, all members of the committee are independent outside directors and outside Audit & Supervisory Board members. This structure has been adopted to ensure objectivity

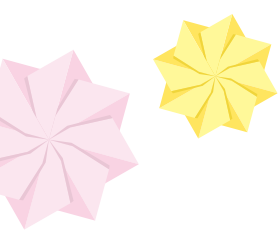
and transparency in the determination of officer compensation. In fiscal 2020, the Remuneration Committee convened three times. The main details of the Committee's deliberations are as follows.

| Date of committee meeting | Details of deliberations |
|---------------------------|--|
| April 2020 | Amount of officer bonuses based on fiscal 2019 results, etc. |
| April 2020 | Whether to grant fiscal 2020 compensation-type stock options |
| June 2020 | Amount of monthly officer compensation for fiscal 2020, etc. |

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, sustainability, CSR and other efforts through shareholder newsletters.



Risk Management


The following major risks could impact the operating results or financial position of the TOMY Group. The Group is striving to strengthen its risk management system, including risk avoidance and responses in the event of risk occurrence based on a recognition of the likelihood of each risk occurring.

— Particularly Material Risks —

1. Risks involving the impact on hit products
2. Risks involving product safety
3. Disaster-related and other similar risks
4. Risks associated with the novel coronavirus pandemic

— Material Risks —

1. Variations in quarterly performance
2. Exchange rate fluctuation
3. Risks associated with overseas business development
4. Impact of changing raw material prices
5. Risks related to agreements with a material impact on management
6. Information leaks
7. Risks associated with valuation and impairment of intangible fixed assets

 Please refer to the Company's official website for details of individual risks.
www.takaratomy.co.jp/english/ir/risk/index.html

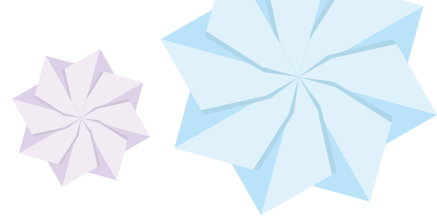
Risk Management

TOMY has developed a Company-wide risk management system integrated with internal control. The system comprises the Risk/Compliance Committee and the department responsible for internal control.

The Risk/Compliance Committee is chaired by the Company's representative director and is made up of outside directors and Audit & Supervisory Board members (more than half of whom are independent members) and was established to enhance and thoroughly implement the Company's compliance and risk management systems. The Committee deliberates key issues related to risks and compliance, with systems in place to report the results to the Board of Directors. In addition, the department responsible for internal control and the department responsible for internal audits, organizations that fall directly under the jurisdiction of the representative director, audit the compliance status of TOMY and the TOMY Group and report to the representative

director and Audit & Supervisory Board as needed. On compliance, risk and information management, we have developed related regulations common across the Group. At the same time, we have worked to foster a Group-wide awareness of compliance and establish a risk management system from a Company-wide perspective, with the Risk/Compliance Committee and department responsible for internal control playing central roles.

In addition, TOMY has a system in place to promptly set up a Risk Management Task Force when an unforeseen situation occurs to take swift and appropriate action, minimize losses and damage, and institute recurrence prevention measures. In terms of product safety, we have established the Safety and Quality Assurance Group, which works to strengthen processes to provide high-quality products that offer peace of mind. We respond to social issues and corporate ethics matters related to sustainability primarily through the CSR Promotion Division.




Continuation of Anti-Takeover Measures

TOMY received shareholder approval at the 68th Ordinary General Meeting of Shareholders held on June 21, 2019, regarding 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 a holding ratio of 20% or more of shares 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 can request the submission of 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, in principle 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 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 as much as possible and make a resolution on whether to ultimately take countermeasures. Moreover, if the special committee invokes its right to seek approval from the General Meeting of Shareholders regarding 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’s 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.