

chapter

TOMY Group's ESG

How will we achieve sustainability?

The TOMY Group must achieve sustainable growth to continue fulfilling the dreams of children and all others. This chapter contains a message from the chairman; information concerning environmental, social and corporate governance (ESG) initiatives; and interviews with outside directors. These features place a spotlight on TOMY Group's sustainability, which is closely related to our CSR Vision, "Become friends with children around the world."

TOMY Group Social Responsibility Framework



For more information regarding the TOMY Group Social Responsibility Framework and other CSR-related information, please see the following section of the TOMY website : www.takaratomy.co.jp/english/company/csr

Message from the Chairman

Recently, I have often thought back to the managerial crisis caused by the 1985 Plaza Accord. This crisis affected us substantially, as we relied on exports for most of our sales at the time. This change turned our world upside down. Our factories in Japan, which had previously been a source of strength, had suddenly become a major burden, and we found ourselves in a tough situation that forced us to choose between these factories or our toys. Ultimately, our overriding priority was the toys, which were our founder's choice of livelihood. Since those days, we have continued to ask ourselves how we can contribute through toys and how we can live up to the many hidden expectations that have been placed upon us.

I have again keenly realized that we need to prepare ourselves for future changes. However, no matter what era we are in, we will continue to provide toys that support the healthy growth of children through play.

Society is currently experiencing a major paradigm shift. We are facing a myriad of issues, including the impact of climate change, which is being felt through a rise in natural disasters and serious sea contamination caused by plastic waste. In addition, society must contend with innovations in AI and other technology and accommodate rapid changes to workstyles and lifestyles that were caused by the novel coronavirus pandemic and are affecting both children and their families. Furthermore, around the world children are being taught about the Sustainable Development Goals (SDGs). In 2020, Japan incorporated this content into its curriculum for compulsory education. The day when consumers who grew up learning about SDGs as children will regularly select products produced by businesses that contribute to the resolution of societal issues is not far off.

We established our CSR Vision, "Become friends with children around the world," to contribute to achieving a world that "leaves no one behind," an oath associated with the SDGs, and advance the TOMY Group's goal of creating an exciting future. This vision informs our efforts to ensure that our operations contribute to society more than ever before. In accordance with this vision, we will avoid responding to societal issues with stopgap measures. Instead, we will raise awareness at management

levels and on site and implement meaningful changes while reexamining societal paradigms and preparing for both the immediate and more distant future.

Moving forward, we will continue to contribute to the achievement of a sustainable society through toys, which are our business pillar, and develop into a sustainable company.

富山 幹太郎

Kantaro Tomiyama

Representative Director,
Chairman & CEO



Relationship between ESG and CSR

The TOMY Group established its CSR Vision, "Become friends with children around the world," and formulated the TOMY Group Social Responsibility Framework (P26), which is focused on achieving this vision, with the goal of responding to the SDGs and other demands from global society.


We have currently formulated key performance indicators (KPIs) designed to measure the progress we have made on our eight material issues.

The table below compiles relationships between ESG and CSR, as well as our core ESG and CSR initiatives.

ESG Category	TOMY Group's Material Issues
S	Ensuring confidence, safety and quality Children play with toys using their own hands, so it is vitally important that we ensure their safety, security and quality. Above all, global society is demanding appropriate management aimed at preventing the use of substances that could cause harm to the human body or ecosystems in both products and the processes through which they are created. The TOMY Group has prioritized safety and quality initiatives and, moving forward, will continue to strengthen all relevant systems.
	Creating new products, services and IP Current demand calls for the toy industry to contribute to the development of industry overall through product development that utilizes new technology and the creation of new services and intellectual property. Some of the TOMY Group's brands have been adored over several generations, and its intellectual properties are one of its strengths. Moving forward, we will continue to create and acquire intellectual properties and implement measures aimed at preventing counterfeit products while contributing to the healthy growth of children through our products and services.
	Promoting universal design TOMY has consistently concentrated on "Accessible-Design toys" that can also be enjoyed by children with sight or hearing disabilities. Moving forward, we will continue to promote universal design with the goal of providing products and services that anyone can enjoy, regardless of age, sex or physical condition. We will carefully choose the expressions used in our advertising and marketing to ensure that they respect the diversity and varied developmental stages of children.
	Organizational governance and communication with stakeholders The TOMY Group communicates with its diverse range of stakeholders and, moving forward, will enhance communication and conferencing with its stakeholders in an effort to achieve its CSR Vision, "Become friends with children around the world," while also disclosing ESG information. Furthermore, we will continue to ensure that we are properly compliant and to train our employees regarding compliance-related requirements.
G	Promoting workstyle reform Societies are increasingly expecting progress in terms of diversity and work environments that allow professionals to perform their jobs efficiently and comfortably while tending to childcare, nursing care and other responsibilities. The TOMY Group aims to create workplaces that enable its diverse human resources to work energetically and recruits new employees based on comprehensive judgments that consider candidate abilities and respect individuality, regardless of qualities such as nationality or gender. Furthermore, we are actively striving to reduce long working hours and respond to incidents of harassment. Moving forward, we will aim to increase our ratio of female managers and consider adopting more diverse workstyles.
S	Responsible procurement Investors, ESG evaluation agencies and other key figures are strongly demanding of thorough and comprehensive supply chain management. In particular, concerns related to the environment and human rights are receiving attention from global society as material issues. Along with its business partners, the TOMY Group has aimed to maintain or improve appropriate work environments within its production facilities. In the future, we will continue to promote responsible CSR procurement as a proud and confident role model for children.
E	Environmental management Environmental issues, such as the depletion of natural resources and climate change, are becoming more serious, and global society is showing more interest in corporate environmental management than ever before. The TOMY Group has called for the efficient use of natural resources and consideration for the global environment in its conduct guidelines while striving to reduce its environmental footprint through eco-friendly toy activities and other initiatives. Moving forward, we will disclose the environmental data expected by investors and ESG evaluation agencies while endeavoring to strengthen our management systems.
S	Encouraging education and culture through our business Toys support the healthy growth of children and provide them with opportunities to learn about science and culture through play. Using its familiar toys, the TOMY Group supports next-generation education by welcoming student field trips and holding lectures at educational institutions. With these efforts, the Company contributes to the development of education and culture through its toy business.

CSR Vision

Become friends with children around the world

Primary Initiatives in Fiscal 2019	Created Value	SDGs We Can Support Through Our Businesses
<ul style="list-style-type: none"> • Maintain previous high-level safety, security and quality initiatives • Use new, Web-based methods to hold Safety Day for all employees despite the novel coronavirus pandemic • Implement initiatives aimed at preventing the spread of the novel coronavirus and protecting customer safety and health at KIDDY LAND and other stores • Expand disclosure of information concerning safety, quality and chemical management systems 	<ul style="list-style-type: none"> • Provision of safe and secure products 	
<ul style="list-style-type: none"> • Continuously conduct training related to intellectual property rights and risk detection • Actively acquire intellectual property rights and raise internal awareness • Implement measures aimed at preventing counterfeit products 	<ul style="list-style-type: none"> • Contribution to the healthy growth of children • Revitalization of industry through the opening of new markets 	
<ul style="list-style-type: none"> • Compile expertise (tacit knowledge) related to "Accessible-Design toys" in a handbook that will provide explicit knowledge and raise internal awareness • Strengthen collaboration between relevant departments that concerns diversity-related considerations associated with our products and PR 	<ul style="list-style-type: none"> • Acceptance of diversity and the achievement of a society that facilitates mutual growth 	
<ul style="list-style-type: none"> • Begin holding sustainability seminars for our management • Expand disclosure of ESG information • Start conducting ESG-related interviews with institutional investors • Continuously communicate with stakeholders through product-related questionnaires for customers, etc. 	<ul style="list-style-type: none"> • Creation of opportunities to communicate with stakeholders and the maintenance of healthy relationships with them 	
<ul style="list-style-type: none"> • Aim to reduce overtime by holding labor-related seminars for management and conduct management improving activities that involve monitoring overtime performed by individuals and departments • Start a group to consider the promotion of successful contributions from women and consisting of female officers and managers • Conduct initiatives focused on preventing the spread of the novel coronavirus and protecting the health and safety of employees 	<ul style="list-style-type: none"> • Creation of workplaces in which sustained work is both comfortable and rewarding • Promotion of diversity 	
<ul style="list-style-type: none"> • Revise the Code of Conduct for Manufacturers and formulate TOMY Group CSR Procurement Guidelines • Inspect product bases and maintain management initiatives in accordance with the TOMY Code of Conduct (COC) 	<ul style="list-style-type: none"> • Construction of a supply chain that achieves sustainable procurement 	
<ul style="list-style-type: none"> • Formulate a TOMY Group environmental policy • Collect and disclose environmental data from the Japan Group 	<ul style="list-style-type: none"> • Contribution to a recycling-oriented society • Provision of opportunities for play that develops a spirit of environmental consideration in children 	
<ul style="list-style-type: none"> • Continue lectures at educational institutions and other next-generation education activities • Launch a new business that develops SDG leaders using The Game of Life 	<ul style="list-style-type: none"> • Contribution to the formation of abundant cultures • Support for next-generation education activities 	

Business-Based Contribution to the SDGs

The Game of Life Project for Everyone

SUSTAINABLE DEVELOPMENT GOALS



The Game of Life has been enjoyed by many people regardless of gender or age for more than 50 years. We have launched the “Game of Life Project for Everyone” based on the desire to contribute to society through the Game of Life itself, which is held by our product managers. Since 2017, activities associated with this project have contributed to regional revitalization through collaboration with schools, companies and municipalities. In response to the 2020 incorporation of SDG-related instruction into the guidelines for compulsory education, we have utilized the Game of Life as an SDG-related teaching tool and developed this use into a set of activities aimed at developing SDG leaders. Moving forward, we will contribute to SDGs 4 (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all) and 17 (strengthen the means of implementation and revitalize the global partnership for sustainable development) and support the development of SDG leaders through our toys.

Regional Revitalization “The Magnificence of Our City” Tatsunuma Elementary School in Adachi, Tokyo

As an event commemorating the 40th anniversary of its founding, Tatsunuma Elementary School in Adachi, Tokyo, completed its own Game of Life with participation from all 468 of its students. Younger students from lower grades drew pictures and students from higher grades wrote text for this special game, which gave children the opportunity to connect with their city. The completed game was displayed in both the school and within the nearby Tokyo Metro Kita-Ayase Station, serving as a tool facilitating communication between the students and regional residents.



2017



Regional Revitalization "The Magnificence of Our Town"

Elementary schools in Taketomi, Okinawa

2018

All 308 schoolchildren from 11 elementary schools located in the six islands of Taketomi, Okinawa, collaborated to create the Taketomi Game of Life for Everyone. The finished game, which was completed with cooperation from the entire town of Taketomi, was covered with phrases that are unique to the area, including "You won your dream cow during the Cow Festival!" Each student received a printed poster of the game, which was also made into a large tapestry that was displayed in departure terminals on the island of Taketomi and in each of the participating elementary schools.



SDGs

"Doing What We Can to Build a Sustainable World in the Future"

Yotsugi Elementary School in Katsushika, Tokyo



The TOMY Group developed the "Game of Life Project for Everyone" with the goal of developing SDG leaders, and the Game of Life, which is a familiar toy for many children, inspires interest in the SDGs. Yotsugi Elementary School in Katsushika Ward, Tokyo, was the first school to participate in this project, and its 367 young students cooperated to create an "SDGs Game of Life." This game was made into posters that were distributed to each student. The students can use these posters by placing them on top of the seventh edition of the Game of Life, which will provide them with an opportunity to deepen their understanding concerning SDGs through gameplay.



2019

ESG Initiatives (Social)

Commitment to Quality Manufacturing

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 2020 edition issued in September 2020. 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.



Tensile strength test

After-Sales Service

The TOMY Group Customer Service Department receives more than 250,000 consultations and inquiries annually (FY2019). 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.

Intellectual Property Rights

The TOMY Group acquires intellectual property rights for its original brands and products and has one of the highest numbers of patent applications in the industry. The acquisition of intellectual property rights has enabled us to establish brand value that includes technology and play styles and ensure growth for these brands. We support further development of creative products by widely distributing and sharing information concerning intellectual property rights within the Company.

In addition, actions that infringe upon the Company's intellectual property rights, including the manufacture or sale of counterfeit goods or the

unauthorized publication of copyrighted materials on SNS, could damage brand value and simultaneously represent a risk to customers. In response to this threat, we regularly monitor e-commerce websites in Japan and overseas and appropriately exercise our intellectual property rights when violations are discovered.

At the same time, we strive to prevent infringement upon the intellectual property rights of others by thoroughly investigating these rights during our product development processes and implementing training for employees that incorporates e-learning and other approaches.

Accessible-Design Toys

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 participation in events such as the International Home Care & Rehabilitation Exhibition and visiting lectures and seminars held at universities and other educational institutions.



Sing ♪ Nyakko Island (two types in all)
An Accessible-Design toy that children with visual disabilities can also enjoy. Accessories can be identified by the sounds they generate, and the toy generates a specific sound when it enters sleep mode.



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Retaining and Cultivating Human Resources

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 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.

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 a workplace atmosphere that values family.

In fiscal 2019, 167 children and 113 adults, a total of 280 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.

In addition, the Group has established systems for passing on technologies and expertise that are easy to understand implicitly, including considerations regarding toy design and molding technology. In fiscal 2018, we held toy technology workshops for young employees in planning and development, technological development, production technologies and quality control for a period of eight months. During fiscal 2019, we implemented technical training for newly hired technological career path employees over the course of three months. This training equipped these new hires with basic knowledge related to toy creation through classroom learning, field experience and reflection exercises. In addition, we translated internal technical glossaries and checklists into multiple different languages and have created, shared and utilized the TOMY Toy Technology Think Tank brochure, a compilation of varied expertise applicable when launching new production bases or in other situations.

Initiatives Supporting the Success of Women in the Workplace

While focusing on promoting gender diversity, the TOMY Group is supporting successful contributions from women as part of its efforts to create workplaces that enable active participation from a diverse range of human resources. In fiscal 2019, 9.0% of the Company's managers were female, short of its goal of 15% for fiscal 2021. However, this ratio was a 1.6-percentage-point improvement over the 7.4% recorded in fiscal 2016, and the Company was included in the MSCI Japan Empowering Women Select Index (WIN) for the first time in December 2019. Moving forward, we will intensify initiatives supporting successful contributions from women while centrally focusing on an internal study group that will involve our personnel department and female managers (please see the outside director interview on page 40 for more details).

Together with Our Business Partners

Formulation of TOMY Group Responsible Procurement Guidelines Aimed at Achieving Sustainable Societies

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. 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 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.

Revisions Made to the Responsible Procurement Guidelines

Previous TOMY Code of Conduct for Manufacturers

- | | | | |
|----------------------|-----------------------------------|-----------------------------------|-------------------|
| 1. No Child Labor | 5. Freedom of Association | 8. Environment and Sustainability | 11. Auditing |
| 2. No Forced Labor | 6. Working Hours and Compensation | 9. Legal Compliance | 12. Announcements |
| 3. No Discrimination | 7. Occupational Safety and Health | 10. Subcontracting | |
| 4. No Harassment | | | |



Enacted in May 2020 TOMY Group Responsible Procurement Guidelines

- | | | | |
|---|--|--|--|
| 1. Human Rights
1-1. Prohibiting Child Labor
1-2. Prohibiting Forced Labor
1-3. Eliminating Discrimination
1-4. Prohibiting Harassment
1-5. Guaranteeing Freedom of Association
1-6. Controlling Long Working Hours
1-7. Offering Appropriate Wages | 2. Occupational Safety and Health
2-1. Workplace Safety and Health
2-2. Preventing Occupational Accidents or Diseases
2-3. The Safety and Health of Industrial Facilities and Equipment
2-4. Employee Health Management | 3. Environment
3-1. Minimizing Environmental Impact
3-2. Managing Chemical Substances

4. Fair Operating Practices
4-1. Upholding Laws and Regulations
4-2. Anti-Bribery Measures
4-3. Protecting Intellectual Property
4-4. Protecting Personal Information | 4-5. Electronic Data Security
4-6. Subcontractors

5. Improving the Quality of Products and Services
5-1. Guaranteeing Safe and Secure Product Quality
5-2. Appropriate Labeling

6. Miscellaneous
6-1. Auditing
6-2. Announcements |
|---|--|--|--|

TOMY COC Team and TOMY Hong Kong, Initiatives

TOMY Hong Kong manages 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 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.

Community Activities

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. 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, 2020).



TOMY's newly employed and persons 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. TOMYTEC, located in Mibu, Tochigi Prefecture, had participated each year in a zero-trash movement sponsored by Toy Industrial Park. However, in fiscal 2019, the event was cancelled due to the novel coronavirus pandemic, so we conducted our own voluntary local cleaning activities in the region.

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 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.

Eco-Cards



ESG Initiatives (Environment)

Environmental Activities

TOMY Group Environmental Policy

Several global environmental issues have become visible, including the depletion of natural resources and climate change. In view of these issues, the TOMY Group has formulated a new environmental activity policy. In accordance with this new policy, we will minimize any negative effects that could possibly occur because of our operations while contributing to regional development and environmental conservation.

TOMY Group Environmental Policy

To protect our environment so that children around the world can continue to enjoy playing with toys 100 years from now, we seek to minimize the environmental impact of our business operations and help spark children's awareness of the environment through their most familiar items—toys.

1. Aim to build a sustainable society

We build and promote environment management systems and strive to reduce environmental impact by consistently maintaining and improving those systems.

2. Adhere to environmental laws and regulations

We adhere to applicable laws and regulations, and seek to accurately grasp societal demands to determine and uphold internal standards.

3. Establish, implement and verify environmental targets

We set, implement and regularly review environmental targets.

4. Offer environment-conscious products and services

We promote the provision of environment-conscious products and services, and seek to effectively utilize resources and consider environmental impact in our product manufacturing. Within the TOMY Group business activities, we strive to counteract climate change, conserve resources and energy, prevent pollution, and reduce and recycle waste.

5. Conduct environmental activities befitting a toy company

We provide opportunities for children to consider the global environment and foster creativity. We communicate with children and listen to their opinions in order to create new values.

6. Reduce environmental impact by cooperating with business partners

We cooperate with our business partners in a joint effort to reduce environmental impact at every stage from purchasing through to customer provision.

7. Thoroughly publicize and promote understanding of environmental policy

We make sure this environmental policy is well understood by all employees and executives, including those at affiliated companies.

We also promote educational and awareness-raising activities to ensure everyone can understand and implement the policy.

Anyone can freely browse the environmental policy, which is available on request.

Established in May 2020

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 TOMYTEC domestic factory pulverizes waste generated from plastic molds and recycles it.

TOMY Marketing also strives 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 TOMYTEC 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 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.

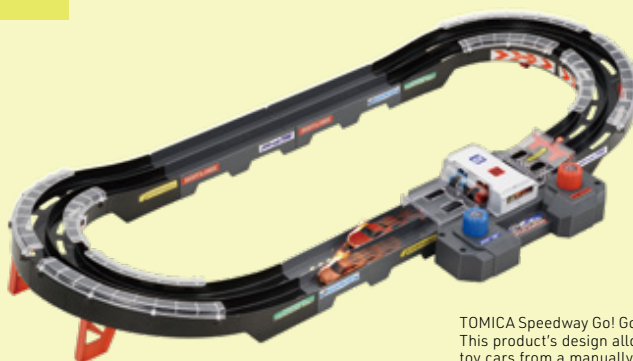


Winnie the Pooh Gym/House 2 way-Playset
This playset transforms to provide amusing play that is appropriate for the developmental level of the child using it. Its design allows it to provide enjoyment for a long period of time.

© Disney. Based on the "Winnie the Pooh" works by A.A. Milne and E.H. Shepard.



"Eco-Friendly Toys" logo



TOMICA Speedway Go! Go! Accelerator Circuit
This product's design allows children to manually launch toy cars from a manually operated shooter. This enables repeated play without the need for batteries.

Responding to Large-Scale Disasters Associated with Climate Change

TOMY Group Business Continuity Plan (BCP)

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 establishes a mechanism whereby the safety status of employees and their families can be confirmed as quickly as possible.

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. 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.

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.

Outside Directors Interview



Mariko Mimura, Board Director (outside)

Of counsel to Nishimura & Asahi; deeply versed in corporate governance and corporate law, including legal matters related to crisis management and corporate scandals; also has experience conducting business at several foreign-owned corporations that are not affiliated with law offices; became an outside director at TOMY in 2018.

Q Please reflect upon and evaluate your second year as an outside director with the Company.

Fumitoshi Sato joined us an outside director in June 2019, and we completed the rest of the year with four outside directors in total. I keenly feel as if the Board of Directors has become more active than ever before. Outside directors are responsible for expressing their opinions and doubts as outside observers, and Outside Director Sato has motivated me to speak up and ask questions more actively. Other members are also sharing their remarks with greater frequency, and Board of Directors discussions have become quite lively.

Of the four outside directors that served this past year, two were attorneys and two had backgrounds in finance, so I feel as if many remarks made at Board of Directors meetings focused on compliance and risk management. The three new outside directors added for this year have abundant business experience, and I expect that the Board of Directors will begin to actively share opinions regarding business as well. The number of female directors has also increased to three, and I look forward to being able to hold highly diverse and multilayered discussions in the future.

Q Please share the progress made in terms of initiatives supporting successful contributions from women.

Since taking office, I have considered the establishment of comfortable working environments for women to be one of my responsibilities. Since last summer, I have endeavored to enrich internal communication, holding regular meetings with around 10 female managers employed by the Company, and these meetings have brought several

issues to light. For example, individuals must acquire management experience in several departments to be considered eligible for certain general management positions, but highly specialized female employees are not often transferred between departments. Moving forward, we will adopt a female perspective when creating a pool of future management candidates that comprises human resources from all departments. In addition, we are considering the implementation of female employee contribution support projects that will enable these candidates to follow appropriate career paths by offering early proposals and other assistance. We realize that our ratio of female managers is well below that typically found acceptable globally and will aim to raise our minimum standards and establish specific numerical goals.

Q What are your evaluations as a member of the Risk/Compliance Committee?

I believe that our risk management response has been extremely quick, including our handling of natural disasters and our reaction to the novel coronavirus pandemic. Furthermore, I consider our risk management systems to be quite strong. We have established systems that are conscious of important compliance points, including the prohibition of child labor and chemical management, within our overseas production bases and throughout the rest of our value chain. Risk and compliance reports submitted by head office staff who have performed on-site inspections are quite transparent, and I do not feel that their content indicates any significant issues. As our overseas operations expand moving forward, I believe it will be advantageous for us to also consider establishing a global compliance system.

Q How do you expect the TOMY Group to contribute to achieving sustainable growth?

The novel coronavirus pandemic has raised attention focused on ESG to new heights, and although they have material they could use to emphasize their strength in terms of ESG, I feel as if the TOMY Group and other Japanese companies have been restrained in their disclosure of this material. I believe that disclosing concrete ESG targets will speed up relevant initiatives. Similarly, I expect we will step up disclosure related to a variety of initiatives that contribute to ESG and SDG attainment.

Q Finally, please share your future aspirations.

I do not have any major concerns regarding risk, compliance or governance at the present time. However, I will aim to preserve our supervisory capabilities moving forward because the coronavirus pandemic will force us to change how we conduct business in the future, and these changes accompany compliance-related risks. In addition, I will strive to accelerate diversity projects in 2020.



What is your impression of TOMY now that you have served as an outside director for one year?

The TOMY Group also shares internal information with its outside directors, so I am able to understand matters quickly and actively share my opinions. The Board of Directors makes decisions based on thorough discussions, during which all directors and Audit & Supervisory Board members vigorously share their views. This decision-making style eliminates governance concerns such as authoritarian management, which is common in companies that have been strongly colored by their founders. During fiscal 2019, the Board of Directors narrowed the range of decisions it must make by delegating some of its authority to lower levels, which has sped up the decision-making process. This move has simultaneously increased the amount of time we have to discuss important matters, such as medium- to long-term issues and risk management. We are currently facing an emergency as the novel coronavirus pandemic continues to spread. However, over the medium to long term, I would like to intensify discussions regarding the balance of profit allocation among shareholders, employees and other stakeholders.

My family encompasses three generations of PLARAIL fans, including myself, my son and my grandchild. Toys sold by the TOMY Group contribute to the growth and development of children, and I believe that this is because the Company's Corporate Mission, which prioritizes fulfilling the dreams of children, who also happen to be customers, has deeply taken root throughout the Company. Even companies that have the proper systems and rules in place can find open seams in their governance when their corporate missions, which are the springboard for employee behavior, have not taken hold on a Company-wide basis. The TOMY Group has been a leading company in the Japanese toy industry for many years. I believe this is evidence that proves the strength of its founding spirit, the legitimacy of its Corporate Mission and the appropriateness of the goals it aims to achieve through the measures it applies across a wide variety of situations.



What do you believe is your role as an outside director?

Outside directors are elected to their positions by shareholders. Accordingly, they are responsible for ensuring that shareholder interests are reflected in decision making by sharing objective views and advice that are informed by these interests during Board of Directors meetings. Outside directors also carry the major responsibility of monitoring the Company's decision-making processes, as well as the goals of these decisions, from the standpoint of all



Fumitoshi Sato, Board Director (outside)

After a 28-year career at the Bank of Japan, began to conduct business operations at Horiba Ltd. in 2004; in 2019, became an outside director at TOMY, contributing to the Company's management with abundant experience and knowledge gained serving at financial institutions and as a business administrator; also an Outside Audit & Supervisory Board Member at Azbil Corporation

stakeholders, including shareholders, customers, regional residents, business partners and employees. As for myself, I want to support the management of the TOMY Group by utilizing the macroeconomic outlook and legal expertise I cultivated during my time at the Bank of Japan and the business execution experience I gained while employed at Horiba Ltd.



What does the TOMY Group need to continue providing value to society?

Chairman Tomiyama has taken a leadership role, transforming ESG enhancement and SDG attainment into a Company-wide movement aimed at continuously providing value to society. At the same time, the Company is promoting globalization and digitalization with the aim of securing medium- to long-term growth. During this year, the Board of Directors became more diverse as it welcomed three new outside directors (two of whom are women) with backgrounds ranging from IT to global business and start-up launching, as well as Director Akio Tomiyama, who represents a younger generation.

As the world goes through major changes, my goal is to resolve issues through active discussions with individuals who hold a diverse range of perspectives, accelerate growth and fulfill the expectations of customers and shareholders.

ESG Initiatives (Governance)

Compliance Promotion

TOMY Group Code of Business Conduct

The Group formulated the TOMY Group Code of Business Conduct based on its 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, the Company is promoting use of the TOMY Group Hotline and is establishing specific actions required for compliance with the Code of Business Conduct and ensuring that these actions are understood by all officers and employees. The TOMY Group Code of Business Conduct is available in seven 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

The Group designates a “Thinking About Compliance Day” during which it conducts awareness activities for all officers and employees. During typical years, Japan Group company officers would meet to confirm the importance of compliance and, in the unlikely event that a problem has occurred, share details, causes and countermeasures that are useful in preventing recurrence. In fiscal 2019, however, the event was held through video broadcast and e-learning to help fight the spread of the novel coronavirus pandemic.

In addition, TOMY has introduced a Compliance Leader system with the aim of further enhancing compliance awareness and establishing a structure of compliance. The Company appoints senior managers from all departments in Japan Group companies as compliance

promotion officers, who subsequently elect compliance promotion leaders. We then invite external experts who provide these leaders with valuable knowledge and training related to laws and ordinances that must be observed. In fiscal 2019, we divided these leaders into groups and formulated an annual activity plan based on workstyle reform and other important compliance-related themes. Reports on the results through these activities at each workplace throughout the year were shared during the “Thinking About Compliance Day.”

To ensure that everyone possesses understanding and empathy about compliance, we steadily implemented awareness-raising measures, displaying posters within Japan Group companies and distributing e-mail magazines.

Novel Coronavirus Response

Prioritizing the Health and Safety of Our Customers, Business Partners and Employees

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 while making alterations to our attendance system, including adjustments to the ratio of employees who are

required to commute to work. We are also conducting a variety of measures aimed at preventing the spread of the novel coronavirus 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.

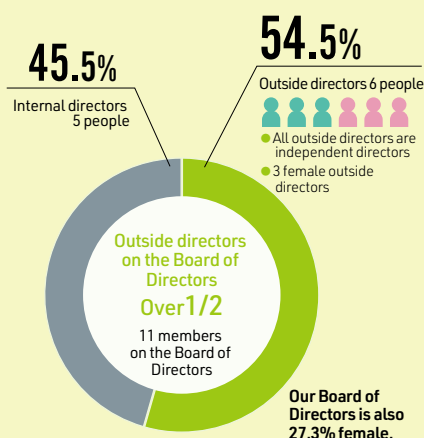
TOMICA Shop
Social distancing notifications affixed to the floor to indicate where customers should stand when lining up for purchases



Corporate Governance

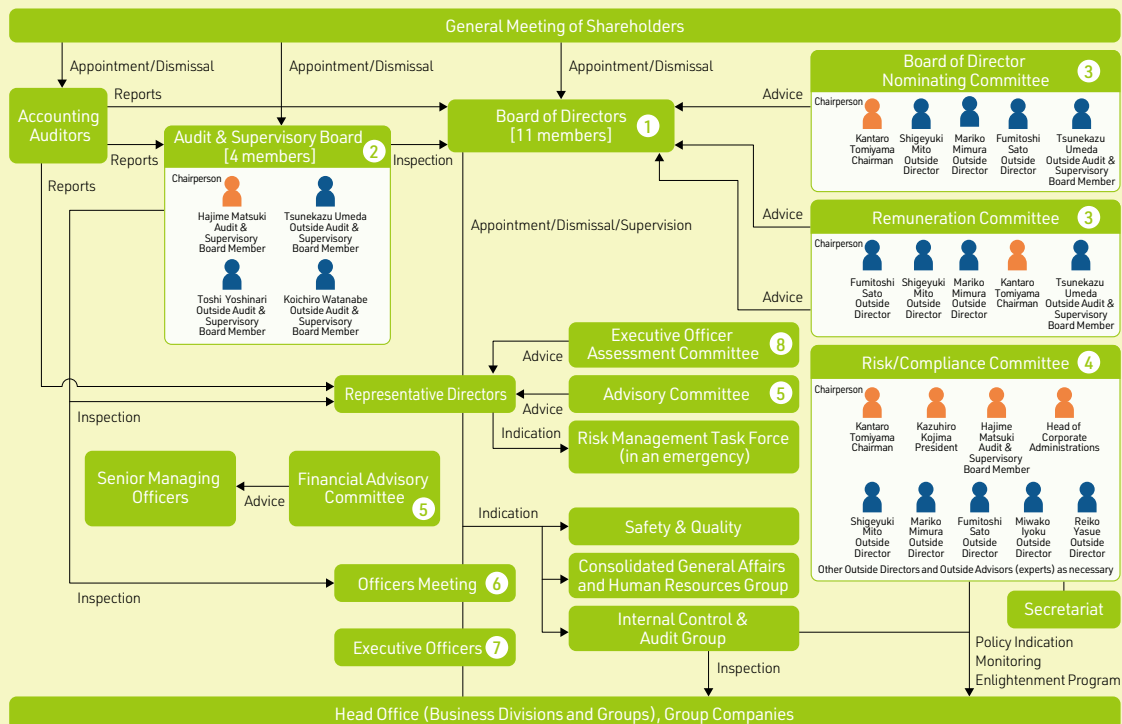
Three Distinctive Features of TOMY Corporate Governance

- Most of our directors are outside directors, and 27.3% are women**
 All outside directors are independent directors.
- 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.
- 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. 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

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 is positioned as a body for formulating basic policies and strategies for the overall group, making decisions about the execution of important operations and overseeing the execution of business. The board holds regular monthly meetings and extraordinary meetings as necessary. The Board of Directors is composed of 11 members (of whom six are outside directors, all of whom are independent executives) and chaired by the president and representative director. In addition, the four Audit & Supervisory Board members attend Board of Directors meetings and offer recommendations as necessary.

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 business execution conducted by directors. In addition, members 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. The Audit & Supervisory Board has four members, three of whom are outside Audit & Supervisory Board members. All these members possess both abundant experience and the high degree of expertise necessary for auditing and supervising.

When conducting internal audits, the Internal Audit Division examines business execution statuses and compliance conditions in each department and reports to relevant board directors and the Audit & Supervisory Board, as necessary.

Appointment, transfer and all other personnel administration decisions involving employees tasked with providing support and assistance to the Audit & Supervisory Board are only implemented with prior approval from the board. These employees operate based on instructions from the Audit & Supervisory Board, and the TOMY Group ensures that they are independent from the Board of Directors. Members of the Audit & Supervisory Board exchange views and information concerning important auditing issues with accounting auditors, departments in charge of internal

controls, the Internal Audit Division and audit departments throughout the Group. Through mutual cooperation, these organizations collectively examine internal control statuses on a Group-wide basis.

Outside Executives' Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board (fiscal year ended March 31, 2020)

	Board of Directors (16 meetings)		Audit & Supervisory Board (14 meetings)	
	Meetings Attended	Attendance Rate	Meetings Attended	Attendance Rate
Kakuei Miyagi Board Director	16	100%	—	—
Shigeyuki Mito Board Director	14	87.5%	—	—
Mariko Mimura Board Director	16	100%	—	—
Fumitoshi Sato* Board Director	11	100%	—	—
Tsunekazu Umeda Audit & Supervisory Board Member	16	100%	14	100%
Toshi Yoshinari Audit & Supervisory Board Member	16	100%	14	100%
Koichiro Watanabe Audit & Supervisory Board Member	16	100%	14	100%

*Board Director Fumitoshi Sato's number of attended meetings differs from those of other board directors because he was appointed to his position during the 68th General Meeting of Shareholders held on June 21, 2019; only 11 Board of Director meetings were held following his assumption of office.

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 four 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. In addition, departments in charge of internal controls and the Internal Audit Division, which answer directly to the representative director, examine compliance conditions at both the Company and the entire TOMY Group while reporting to the representative director and at meetings of the Audit & Supervisory Board, as necessary.

Through both the Risk/Compliance Committee and the departments in charge of internal controls, we aim to establish and strengthen a Company-wide risk management system that incorporates internal control. 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 Board 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 Directors meetings, prior explanations on the outline of 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 departments that will oversee Group administration and are conducting management and

guidance that are appropriate for the characteristics and circumstances of each Group company based on internal regulations. Furthermore, we are establishing systems that will support managerial oversight and business execution, including arrangements through which original accounts of major meetings at all Group companies will be shared with all outside board 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 a director's duties, or if it is deemed difficult for them to properly perform their duties, the Board of Director 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.

Reasons for Appointing Outside Directors

Full Name	Major Concurrent Positions	Reason for Appointment
Shigeyuki Mito Reappointment Independent director	Partner Attorney, TMI Associates Outside Corporate Auditor of Broccoli Co., Ltd. Director of Shonan Bellmare Co., Ltd. Outside Director of Yoshimoto Kogyo Co., Ltd. Outside Director of Faith, Inc.	Appointed as an outside director to make use of the specialized knowledge and experience he gained as a lawyer. We also have judged that his appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.
Mariko Mimura Reappointment Independent director	Of Counsel, Nishimura & Asahi Outside Director of TANAKA Holdings Co., Ltd.	She has been appointed as an outside director to make use of her extensive knowledge and expertise as a lawyer and corporate manager and will be useful in further strengthening TOMY's corporate governance. We also have judged that her appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.
Fumitoshi Sato Reappointment Independent director	Audit & Supervisory Board Member (outside) of Azbil Corporation	He has a wealth of experience and knowledge gained through his time spent serving as a corporate manager and in financial institutions and was appointed as an outside director to make use of this abundant knowledge and experience. We also have judged that his appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.
Shinichi Tonomura Newly appointed Independent director	Representative Director and President of Capgemini	He was appointed as an outside director to make use of his abundant experience and knowledge concerning business operation and administration. We also have judged that his appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.
Miwako Iyoku Newly appointed Independent director	Director, TEPCO Life Service Inc. Outside director, Yamano Holdings Corporation	She was appointed as an outside director to make use of her abundant experience and knowledge as an in-house entrepreneur and company manager. We also have judged that her appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.
Reiko Yasue Newly appointed Independent director	Representative Director, President and Executive Officer of Cybernet Systems Co., Ltd.	She was appointed as an outside director to make use of her abundant experience and knowledge in international business and as a company manager. We also have judged that her appointment as an independent director will generate no risk of a conflict of interest with general shareholders considering the independence standards established by the Tokyo Stock Exchange.

Reason for Appointment as Director

Full Name	Position	Reason for Appointment
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 president of a Japanese subsidiary of TOMY and extensive industry knowledge. He was appointed based on the determination that he will apply his wealth of experience and knowledge to TOMY management.
Hiroya Kutsuzawa	Senior Managing Director & CFO	He is well-versed in overall management operations through his roles as chief financial officer (CFO) and head of corporate administrations.
Akio Tomiyama	Board Director, Senior Executive Officer	He implements corporate strategies based on his experience as chief strategy officer (CSO). His appointment was based on the determination that he will contribute to management by applying his wealth of experience and knowledge.

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. The results of these measures indicated that the Company has formulated a Medium-Term Management Plan that contributes to increasing corporate value, actively discloses information and has established an adequate internal control system. At the same time, results indicated that the Board of Directors should aim to enhance discussions regarding topics such as progress on its Medium-Term Management Plan and risk management, strengthen its monitoring, further diversify its membership and formulate development plans for senior management. In response to these evaluations, the Company will implement measures focused on ensuring the effectiveness of its Board of Directors.

December 2019–January 2020	Questionnaires distributed
March 2020	Responses to questionnaires collected and discussed by the Risk/Compliance Committee
May 2020	Reported to the 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 five 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 Audit & Supervisory Board members and 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 compensation levels and performance based on executive compensation data from external research institutions. Effective June 2020, we discontinued payments of cash bonuses to Audit & Supervisory Board members and outside directors.

Total Amount of Compensation for Each Director Category, Type of Compensation and Number of Applicable Directors (in the fiscal year ended March 31, 2020)

Director Category	Total amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)				Number of Eligible Directors (people)
		Basic Compensation	Stock Options	Performance-Linked Compensation	Retirement Benefits	
Directors (excluding outside directors)	167	117	24	25	—	4
Audit & Supervisory Board members (excluding outside members)	16	15	0	—	—	1
Outside directors	59	59	—	—	—	7

Performance-Linked Compensation Calculation Method

Within performance-linked compensation, 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 71%.

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 and the Audit & Supervisory Board 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 and Audit & Supervisory Board. Within performance-linked compensation, the total amount of cash bonuses was reported and approved at the General Meeting of Shareholders. Due to revisions to our stock-based compensation plan, we have decided not to issue any new stock options as remuneration.

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. Principal risks having the potential to affect the Group's operating performance and financial position are outlined below.


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

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 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 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, 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, 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.