

Initiatives to Address the Eight Material Issues



Ensuring Confidence, Safety, and Quality

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

The TOMY Group has formulated Product Safety and Quality Management Regulations and works to ensure safety and prevent problems throughout planning to production. To coincide with the global rollout of products, we carry out inspections based on the TOMY Group Product Quality Rules, original safety standards that are stricter than the toy industry safety standards represented by the ST Mark*.

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, the TOMY Group Product Quality Rules define appropriate chemical substance management methods in the manufacturing process. Meanwhile, 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 May 2022, we established the TOMY Group Chemicals Management Policy and have been making efforts to manage hazardous chemical substances across the entire value chain, including during manufacturing.

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 Group Product Quality Rules were revised to reflect contemporary conditions in the 2022 edition issued in August 2022. 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 designated inspection body. The mark is recommended by the industry to show that a toy has been made with careful attention to safety.

 TOMY Group Chemicals Management Policy
https://www.takaratomy.co.jp/english/company/csr/products/safe_and_highquality.html#houshin

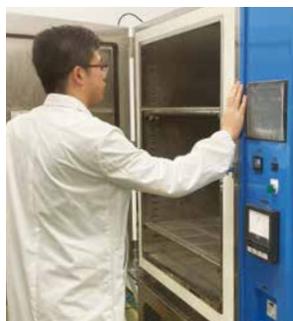


Training and Awareness-Raising for Employees Regarding Safety and Quality

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 200,000 consultations and inquiries annually (FY2021). The details are carefully recorded and analyzed, with all useful and important information provided as internal feedback. 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.



Conducting independent quality standards that are more stringent than toy industry safety standards

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 RizSta-Top of Artists!, TOMICA Heroes Jobrabver-Specially-equipped combined robot and BOTTLEMAN DX, 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.

RizSta
JJK9 / Top of Artists!



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 damage to customers through counterfeit goods, we regularly monitor e-commerce sites in Japan and overseas and take appropriate measures by exercising intellectual property rights.

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Column

Open Innovation! Toy ideas play an active role in space exploration!

SORA-Q, a Transformable Lunar Robot TOMY jointly developed with JAXA and others, is equipped on SLIM (Smart Lander for Investigating Moon) and is scheduled to acquire data on the lunar surface.

During development, the knowledge of miniaturization and weight reduction TOMY has accumulated in the creation of toys such as ZOIDS, TRANSFORMERS and Omnibot 17 Mju i-SOBOT, as well as technologies related to transforming mechanisms, was utilized.

SORA-Q is a Transformable Lunar Robot about 80 mm in diameter and weighing around 250 g. It will be ejected from SLIM in its spherical form, and after landing on the surface of the moon, will transform into a configuration that can drive over it. In addition, images taken with its built-in camera will be transmitted to earth via another probe.



Credit: JAXA / TOMY Company / Sony Group Corporation / Doshisha University



Image of SORA-Q landing on the lunar surface

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 incorporate innovations such as raised ON switches and audible indicators of status or movement for visually impaired children, and elements that enhance play through light, vibration, text, movement or pictures in addition to sound for hearing impaired children. 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" 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.



© TOMY

coemo
Accessible-Design toys that sight-impaired children can also play with. coemo reads back to the user in a voice that sounds just like them. The buttons are raised in convex relief, and sound effects assist operation. The app that integrates with the toy also supports a screen reading feature so that users can rely on sound to operate it.



Guide Dog Mark



Rabbit Mark

Active Participation of Diverse Personnel

Striving to Achieve Diversity & Inclusion

In December 2021, the TOMY Group established the TOMY Group Diversity Policy. By actively working to develop a workplace environment in which a diverse range of people can fulfill their potential, we will provide society with products and services that put smiles on the faces of adults and children alike. As a part of our efforts to develop a workplace in which a diverse range of human resources can flourish, we have promoted the active participation of women from the perspective of gender diversity and formulated an action plan to improve the employment environment enabling women to succeed as managers. We have set a target of raising the percentage of managerial positions filled by women to

at least 20% by the end of March 2026. As a result of initiatives including roundtable discussions for female employees and training, the percentage of managerial positions filled by women at TOMY increased from 9.0% in March 2021 to 12.9% as of April 2022. In addition, since 2019 TOMY has been selected as a constituent of the MSCI Japan Empowering Women Index (WIN).

With the Diversity Taskforce playing a leading role, we will continue to promote initiatives with the aim of achieving diversity and inclusion.

TOMY Group Diversity Policy
https://www.takaratomy.co.jp/english/company/csr/work_style_reform/



Developing a Workplace Environment That Enables People to Continue to Work with Vitality

We have established work-life balance as a management strategy. To produce the most added value from individuals and organizations, we are developing a workplace environment that enables people to continue to work with vitality during the various stages of their lives. As one such initiative, we have established an extensive support system for employees. For instance, to ensure that employees who wish to take childcare leave can go on leave and return to the workplace with peace of mind, our in-house counselors explain how the scheme works

and provide pre-leave and pre-return consultations. As a result, in fiscal 2021, around 100% of eligible female employees at TOMY took childcare leave and subsequently returned, while 60% of eligible male employees took childcare leave, with 100% subsequently returning. With these results, we have achieved the goal in our action plan to have at least 30% of eligible male employees take childcare leave by the end of March 2026. We will continue to promote initiatives aimed at increasing the number of eligible male employees who plan to take childcare leave.

TOPICS

Conducting Employee Engagement Surveys

To create forms of *asobi* that respond to the diverse values of society, the TOMY Group recognizes the importance of respecting the individuality of diverse human resources and unleashing employee autonomy and creativity. In addition, based on the belief that strengthening two-way ties between individual employees and the company leads to improved productivity and business performance, in fiscal 2021 we conducted employee engagement surveys for the first time across the TOMY Group in Japan. We used these surveys to gauge employee engagement and stress, and to identify the TOMY Group's strengths and where there are issues with work fulfillment. The results of the surveys are also provided as feedback to individual employees and the organization. Through improvement actions in the future, we will work to create an environment in which each employee can demonstrate his/her potential and be more successful by working with greater vitality.



TOPICS

Inclusion in ESG-Related Indexes

The TOMY Group has been included in various stock indexes in recognition of its efforts in the areas of the environment, society and governance. The Group will continue contributing to the development of a sustainable society.

S&P/JPX Carbon Efficient Index
(selection continuously since June 2020)



MSCI Japan Empowering Women Index
(selected continuously since December 2019)

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

FTSE Blossom Japan Sector Relative Index
(selected since March 2022)



FTSE Blossom
Japan Sector
Relative Index

Note: The inclusion of TOMY Company, Ltd., in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of TOMY Company, Ltd., by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Note: FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that TOMY Company has become a constituent of the FTSE Blossom Japan Sector Relative Index as a result of an independent investigation. The FTSE Blossom Japan Sector Relative Index is widely used to create and assess sustainable investment funds and other products.

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 in order to evolve the TOMY Group into a tougher corporate entity. In terms of mandatory training, we conduct tiered training based on position and role, from managerial-level employees to junior ranks, and conduct value chain training for newly hired employees. In fiscal 2021, to quickly develop management-level human resources, we conducted next-generation manager development training for division manager-level employees and next-generation leader development training for

departmental and section manager-level employees. We also offer various skill improvement training on an elective basis and help employees develop their skills by subsidizing TOEIC test taking and correspondence courses. In addition, the TOMY Group conducts Toy Technology Workshops to equip the next generation with expertise that tends to become tacit knowledge, such as considerations of toy structure and technologies related to molds. We have also developed multilingual technical glossaries and checklists, and have created, shared and utilized the TOMY Toy Technology Thinktank booklet that compiles the expertise and other information needed when launching a production site.

TOMY International Group Established the DEI Committee

TOMY International, which is responsible for our overseas business, established the DEI Committee as an employee initiative in 2020. DEI stands for Diversity, Equity and Inclusion and while extending well beyond national boundaries, this initiative is centered in the U.S., U.K., and Europe.

Drawing from an internal survey aimed at further reinforcing DEI activities, the DEI Committee identified the following four pillars with advice from an outside consulting firm.

- 1) Communications
- 2) Philanthropy and Sponsorship
- 3) Talent Recruitment, Retention and Mentorship
- 4) Employee Training and Engagement

DEI is an ongoing journey, and we are on that development path now. We are committed to putting DEI at the center of our organization by embedding DEI throughout the employee experience, and also that of both our consumers and stakeholders.

Initiatives of the DEI Committee

https://www.takaratomy.co.jp/english/company/csr/story/2022/ti_dei_initiatives.html



- 1) Communications: The DEI Committee publishes an internal monthly DEI newsletter featuring DEI topics.



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

The TOMY Group makes effective use of resources and strives to develop products that are 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 to spread green procurement initiatives in the toy market.

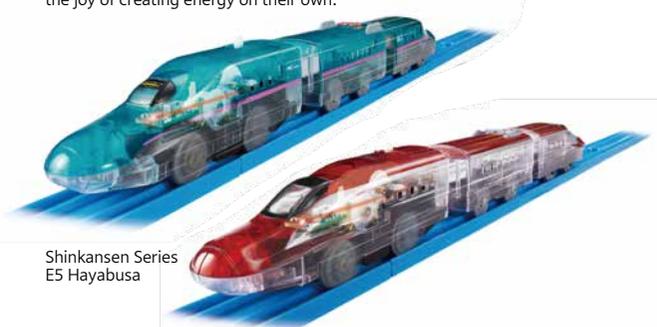
the first years

GreenGrown
TOMY International Group has released eco-friendly products that use non-petroleum-derived materials.



PLARAIL

No batteries needed, all aboard! Te-cology Charge Roll back and forth by hand to charge without batteries for electric driving! This is a mechanism that charges the toy through the rotation of its wheels when the vehicle is rolled back and forth. Children can feel the joy of creating energy on their own.



Shinkansen Series E5 Hayabusa

Shinkansen Series E6 Komachi

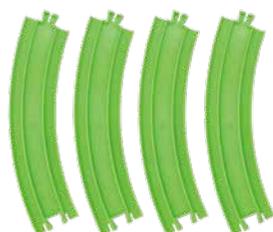
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“PLARAIL” is a registered trademark of TOMY Company, Ltd. Product commercialization licensed by JR East



ECO Mark



Eco-Friendly Toy Mark



PLARAIL Eco Curved Rail

© TOMY

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.

Climate Change Initiatives (Responding to the TCFD Recommendations)

The TOMY Group recognizes that climate change is an important matter that affects the Group's business. Based on the TCFD* recommendations, the Group has made disclosures about governance, strategy (risks and opportunities), risk management, and metrics and targets. We will continue to proactively respond to climate change to achieve our sustainability vision.

*Task Force on Climate-related Financial Disclosures

Governance

Sustainability-related initiatives, which include the TOMY Group's action on climate change, are primarily overseen by the Sustainability Promotion Division with ultimate responsibility resting with the President. An Environment Task Force made up of a supervising executive officer and a diverse range of members from across the Group implements and promotes initiatives and develops new proposals. The progress of the task force's activities is monitored at regular quarterly meetings. Reports and recommendations are periodically made to representative directors, and matters are reported to, recommended and discussed at meetings of the Board of Directors or the Officers Meeting as necessary.

Risk Management

The TOMY Group examines risks related to climate change and other environmental issues through the Sustainability Promotion Division's cross-departmental Environment Task Force to establish strategies and share them with business divisions and Group companies.

Metrics and Targets

The TOMY Group calculates and manages scope 1 and 2 emissions. Furthermore, we are formulating medium- to long-term CO₂ emission reduction targets to be set with our new medium-term management plan.

Strategy (risks and opportunities)

Our Group has identified the following risks and opportunities arising from climate change and its various collateral effects. Moving forward, the cross-departmental Environment Task Force within the Sustainability Promotion Division will take the lead in discussing the impacts on our business and planning strategies from a medium- to long-term perspective.

Factors that may potentially impact the TOMY Group (as of March 2022)

Transition risks	Physical risks	Opportunities
<ul style="list-style-type: none"> • Transition from plastic to alternative materials as the primary raw material for toys • Skyrocketing energy and distribution prices • Adjustments to the supply chain (product design, manufacturing processes) • Decreased popularity of toys primarily made of plastic 	<ul style="list-style-type: none"> • Ceased operation of Group bases or partners due to natural disasters • Disrupted distribution networks due to natural disasters (loss of sales opportunities, increased cost of alternative distribution methods) • Reduced child and other customer footfall at stores and events due to increase of extremely hot days • Change of suppliers or company bases due to rising sea levels 	<ul style="list-style-type: none"> • Competitive advantage from success in converting to alternative materials with low environmental impact • Greater support and affinity for Eco Toys and education for future generations due to increased customer awareness of sustainability • Increased sales via our online store and greater opportunities to acquire new customers through more digital events • Success in addressing environmental issues through environmental management; improved corporate value through greater disclosure • Avoidance of physical risk through improved adaptability to natural disasters

Check detailed information about climate change here.

The TOMY Group makes disclosures based on the TCFD recommendations.

https://www.takaratomy.co.jp/english/company/csr/environment/climate_change.html



Check the implementation status of the Climate Change Workshops here.

https://www.takaratomy.co.jp/english/company/csr/story/2022/climatechange_workshop.html



Financial impact assessment based on scenario analyses

The TOMY Group performs scenario analyses to investigate risks and opportunities with high materiality and the potential impacts these may have, as well as to assess Group business and strategy resilience in 2030. In our scenario analysis, we referenced multiple published scenarios* and considered the impact on the TOMY Group in 2030 for an average temperature increase of 1.5°C by 2100 (1.5°C scenario) and a rise of 4°C (4°C scenario).

*Scenarios published by the Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA), etc.

Results of risk and opportunity financial impact assessment

Transitional risks	Overview of potential impacts	Impact on business		Example current or potential initiatives
		1.5°C scenario	4°C scenario	
Transition from plastic to alternative materials as the primary raw material for toys	Stronger regulations on plastic and recycling; stronger demand for information disclosure; financial penalties for insufficient regulatory compliance; transition to alternatives to plastic, the primary raw material for toys	Medium	Medium	<ul style="list-style-type: none"> Investigating alternatives to petroleum-based plastics Reducing plastic waste
Skyrocketing energy and distribution prices	Introduction of carbon taxes or emissions trading schemes; steep rises in prices of petroleum-based plastics and other raw materials, energy or distribution	Low	High	<ul style="list-style-type: none"> Engaging in strategies to manage and reduce CO₂ emissions Investigating alternative materials
Adjustments to the supply chain (product design, manufacturing processes)	Supply chain changes (product design, manufacturing processes) that become necessary in the course of decarbonization or the transition away from petroleum-based plastics; loss of potential opportunities for new product sales due to channel shift (expansion of used goods markets)	High	High	<ul style="list-style-type: none"> Investigating alternatives to petroleum-based plastics, and easily -recyclable product designs Expanding customer base into new segments
Decreased popularity of toys primarily made of plastic	Loss of opportunities if we do not meet rising demands from licensors or distributors; poorer reputation with consumers from utilizing plastic as a raw material; less interest in TOMY from investors or financial institutions who support decarbonization and transitioning away from petroleum-based plastics	High	Low	<ul style="list-style-type: none"> Promoting responsible procurement Investigating alternatives to petroleum-based plastics Disclosing more information about decarbonization and transitioning away from petroleum-based plastics
Physical risks	Overview of potential impacts	Impact on business		Example current or potential initiatives
		1.5°C scenario	4°C scenario	
Ceased operation of Group bases or partners due to natural disasters	Damage to our bases caused by natural disasters; impact on our contractors caused by natural disasters	Medium	High	<ul style="list-style-type: none"> Updating our Group BCP and measures for our bases and contractors that may potentially be impacted
Disrupted distribution networks due to natural disasters (loss of sales opportunities, increased cost of alternative distribution methods)	Disruption to distribution networks (loss of sales opportunities, increased costs of alternative distribution methods) caused by natural disasters; loss of sales opportunities due to ceased operations caused by natural disasters	Medium	Medium	<ul style="list-style-type: none"> Further strengthening our BCP for distribution and retail stores Expanding online store operations
Reduced child and other customer footfall at stores and events due to increase of extremely hot days	Increased costs to maintain product quality as temperatures rise; decreased child and other customer footfall at stores and events due to increase of extremely hot days; impact of extreme heat on employees	Medium	Medium	<ul style="list-style-type: none"> Improving measures at events for extremely hot days to further assure safety Investigating heat-resistant alternative materials for maintaining product quality as temperatures rise
Reconsideration of suppliers or company bases due to rising sea levels	Reconsideration of suppliers or company bases	Low	Low	<ul style="list-style-type: none"> Reconsidering the location of bases that could be potentially impacted by rising sea levels
Opportunities	Overview of potential impacts	Impact on business		Example current or potential initiatives
		1.5°C scenario	4°C scenario	
Competitive advantage from success in converting to alternative materials with low environmental impact	Comprehensive energy conservation; conversion to renewable energy sources; improved competitive advantage by establishing ourselves as an environmentally-conscious brand	High	Low	<ul style="list-style-type: none"> Investigating alternatives to petroleum-based plastics Promoting further energy conservation; converting to renewable energy sources
Greater support and affinity for Eco Toys and education for future generations due to increased customer awareness of sustainability	Expansion of markets for new products and services with the shift toward environmentally-conscious lifestyles; increased sales of products that are adapted to climate change; expansion of education-related markets	High	Medium	<ul style="list-style-type: none"> Providing services suited to changes in consumer lifestyles, and improving lifetime value Further expanding environmentally-friendly product and service ranges
Increased sales via our online store and greater opportunities to acquire new customers through more digital events	Improved cost structure and decreased environmental impact by changing our business model	Medium	Medium	<ul style="list-style-type: none"> Expanding online store operations and reexamining overall business structure Exploring the option of digital events
Success in addressing environmental issues through environmental management; improved corporate value through greater disclosure	Success in addressing environmental issues through environmental management; improved corporate value through greater disclosure; decreased costs through operating our business by leveraging hybrid working styles; improved productivity	High	Medium	<ul style="list-style-type: none"> Promoting environmental management
Avoidance of physical risk through improved adaptability to natural disasters	Avoidance of physical risk through improved adaptability to natural disasters	High	Medium	<ul style="list-style-type: none"> Updating our Group BCP and measures for our bases that may potentially be impacted

Impact levels

Low: May potentially have a small impact on Group operations or finances

Medium: May potentially have a somewhat larger impact on Group operations or finances

High: May potentially have a large impact on Group operations or finances

* This contains accounts relating to the future of the TOMY Group, including current forecasts, targets, plans and strategies, which are made based on assumptions at the time analyses are performed. Various factors such as national policies in different countries, international circumstances, or social unrest may cause actual results to greatly differ from these forecasts. They are not a commitment to nor guarantee of actual Group performance or business development in the future.

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.

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.

Check the TOMY Group Responsible Procurement Guidelines here.
https://www.takaratomy.co.jp/english/company/csr/supply_chain/responsible_procurement.html



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 U.S., 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.

TOPICS

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

- | | |
|-----------------|---|
| Human Rights | Principle 1: Businesses 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: Businesses 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. |

Encouraging Education and Culture through Our Business

Next-Generation Education Support Activities

The TOMY Group engages in efforts to support the education of the next generation, including online classes for elementary and junior high school students, and university lectures. These efforts have been highly regarded by schools as opportunities to cultivate children's awareness and vocational outlooks regarding the environment and an inclusive society. Cumulatively, approximately 80,000 children have participated in these experiences (as of March 2022).

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 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 U.K., 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 U.S., 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.



ToyTrust Event in 2022 (Dragon Boats Racing)
ToyTrust is the charity of the U.K. toy industry.
The money raised helps disadvantaged children and their families with donations and provides emergency funding through events.

Organizational Governance and Communication with Stakeholders

Business Continuity Planning (BCP) / Initiatives of Each Company

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 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 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.

Under endemic COVID-19 conditions, we have continued to implement telework and staggered working hours, reducing the ratio of employees who are required to commute to work. In addition, since July 2021 we have continued to implement workplace vaccinations as a measure to prevent COVID-19

infections, thus helping to speed up the rate of vaccination in the community.

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 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, 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.

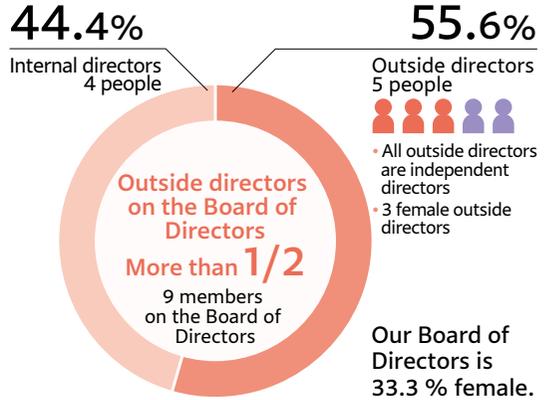
TOMY has also introduced a compliance leader system with the aim of further enhancing awareness of compliance and establishing a compliance structure. With an outside director who is an attorney at law acting as instructor, training is provided to compliance promotion leaders selected from Japan Group

companies regarding the laws, regulations and other requirements that need to be observed. In addition, in fiscal 2021, we recommended that compliance leaders acquire certified harassment counselor qualifications and we worked to expand consultation services as required by the Harassment Prevention Act that went into effect in June 2020. An annual action plan was formulated based on themes including harassment and compliance associated with telework during the COVID-19 pandemic, and the results of activities at each workplace were reported on “Compliance Awareness Day.” Other efforts such as putting up posters at Japan Group companies and distributing e-mail newsletters were also implemented to steadily raise awareness about compliance.

Promoting Transparent Management

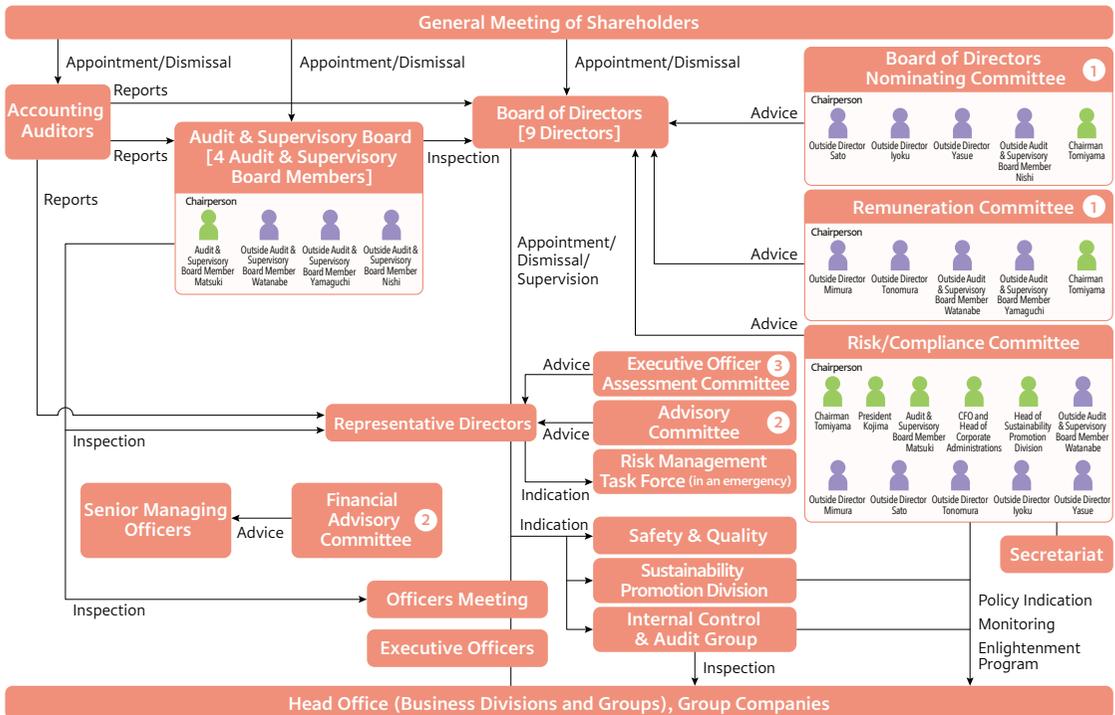
Three Distinctive Features of TOMY Corporate Governance

- 1 Most of our directors are outside directors, and 33.3% are women**
 All outside directors are independent directors.
- 2 TOMY has a Board of Directors Nominating Committee and a Remuneration Committee**
 The Board of Directors 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 Committee

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.

The Board of Directors Nominating Committee comprises three independent outside directors, one independent outside Audit & Supervisory Board member and one internal director. The Remuneration Committee comprises two independent outside directors, two independent outside Audit & Supervisory Board members and one internal 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.
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.

Policy on Nominating Board Director and Auditor Candidates

We recognize the importance of securing diverse perspectives in corporate management to promote the development and globalization of our business and ensure appropriate supervision and auditing. To that end, when nominating board director and auditor candidates, it is our policy to consider overall balance and diversity when selecting from those candidates

who have management skills and the wide-ranging experience necessary for decision-making, and who fulfill the following requirements. In addition, at least 50% are appointed as independent directors and auditors to improve the transparency and independence of the Board of Directors and Audit & Supervisory Board.

Director Skill Matrix

	Gender	Expertise and experience									
		Management & business strategy	Toy & entertainment business	Innovation & new business	Global business	IP brand business	DX	Finance & accounting	Law, compliance & corporate ethics	HR, labor & human resources development	ESG & sustainability
Representative Director, Chairman & CEO Kantaro Tomiyama	M	●	●	●	●	●			●	●	●
Representative Director, President & COO Kazuhiro Kojima	M	●	●	●	●			●	●		●
Managing Director Akio Tomiyama	M	●	●	●	●	●	●				●
Board Director (part-time) Hiroyuki Usami	M	●	●	●	●	●					
Board Director (outside) Mariko Mimura	F	●			●				●		●
Board Director (outside) Fumitoshi Sato	M	●						●		●	●
Board Director (outside) Shinichi Tonomura	M	●		●	●		●				
Board Director (outside) Miwako Iyoku	F	●	●	●			●				
Board Director (outside) Reiko Yasue	F	●		●	●		●				

Notes: 1. For outside directors, up to four areas have been marked with a ● to indicate those where, out of all the directors' skills, they are expected to particularly utilize their wealth of experience and knowledge. The chart does not indicate all the knowledge and experience possessed by each outside director.

2. IP (intellectual property): In the entertainment industry, intellectual property rights are used to represent titles and characters.

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.

December 2021–January 2022	Questionnaires distributed
March 2022	Responses to questionnaires collected and discussed by the Risk/Compliance Committee
May 2022	Reported to the Board of Directors

Remuneration

Basic Policy on Remuneration for Directors

TOMY's basic policy on remuneration for directors holds that compensation should be linked to business results and enhancement of corporate value in the medium to 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, the 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 to 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 monthly.

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, 2022	
	Targets	Results
Consolidated ordinary profit	¥7.6 billion	¥12.6 billion
Profit attributable to owners of parent	¥6.5 billion	¥9.1 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 to 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, 2022)

Officer category	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)					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	Performance-based stock compensation	Stock options		
Directors (excluding outside directors)	424	160	191	65	8	73	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	17	17	-	-	-	-	1
Outside directors	52	52	-	-	-	-	6
Outside Audit & Supervisory Board members	26	26	-	-	-	-	3
Total	521	256	191	65	8	73	15

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

The 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 2021	Introduction of a performance-based stock compensation system through a trust
April 2021	Amount of officer bonuses, etc., based on fiscal 2020 results, amount of monthly officer compensation in fiscal 2021, etc.
January 2022	Director positions and amount of monthly compensation, 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 (TDnet) system 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 Sustainability Promotion Division.

Continuation of Anti-Takeover Measures

TOMY received shareholder approval at the 71st Ordinary General Meeting of Shareholders held on June 22, 2022, 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, 2022.

 <https://ssl4.eir-parts.net/doc/7867/tdnet/2114714/00.pdf>

- 1) A person (hereinafter, “the purchaser”) seeking to purchase share certificates, etc., issued by the Company that would result in holding 20% or more of said certificates (hereinafter, “large-scale purchase”) shall provide the Company with information regarding the large-scale purchase in advance, as a general rule within 60 days (extended up to 30 days in total) of the Company’s Board of Directors presenting a list of the required information to the purchaser.
- 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.