

Corporate Governance

Corporate Governance

Promoting Transparent Management

Three Distinctive Features of TOMY Corporate Governance

1 Outside directors are the majority of directors. Women constitute 33.3% of outside directors.

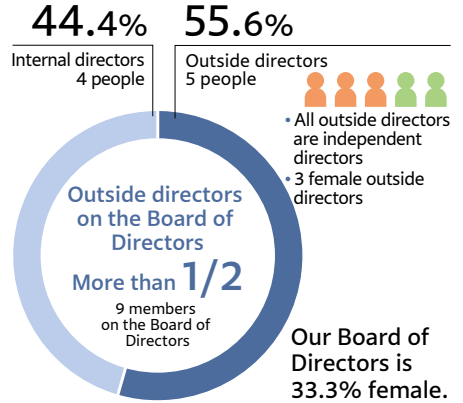
All outside directors are independent directors.

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.

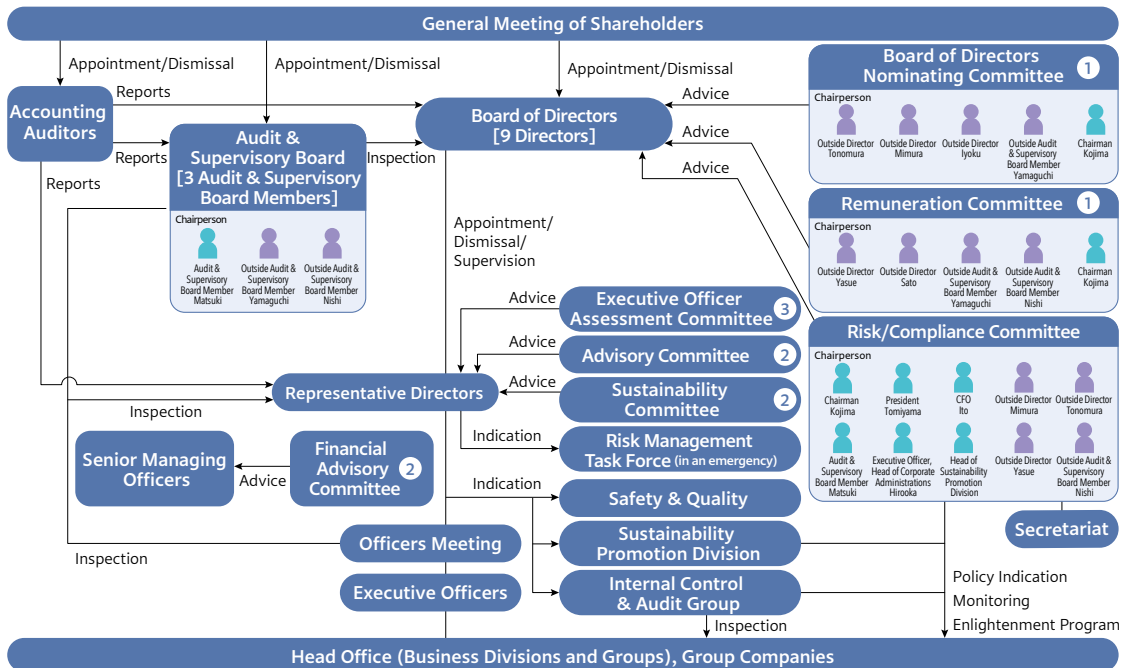
3 Group company management and support framework for outside directors and Audit & Supervisory Board members

In principle, TOMY appoints one or more TOMY officers or other employees to serve as part-time directors or part-time Audit & Supervisory Board members for each major Group. Based on the internal regulations, these officers provide necessary management and guidance based on the characteristics and status of each Group and enable the regular exchange of information between the Head of Corporate Administrations of TOMY and the part-time Audit & Supervisory Board members, to strive for improved effectiveness of Group company management. Before each meeting of the Board of Directors, the outside officers are furnished with a pre-meeting briefing. The Internal Control & Audit Group provides organizational support for the work of the Audit & Supervisory Board members. These measures provide a support framework for the supervision and auditing of the execution of operations.



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.



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.

https://www.takaratomy.co.jp/company/pdf/gov_report2024.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/Sustainability 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. The Company has also established the Sustainability Committee as an advisory body to the President. This body deliberates comprehensively on efforts related to sustainability and provides reports and presents viewpoints to the Board of Directors and Officers' Meeting as necessary.

3. Executive Officer Assessment Committee

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

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

Support Framework for Outside Directors and Audit & Supervisory Board Members

Staff of the Corporate Planning Division brief the outside directors and Audit & Supervisory Board members when the Board of Directors convenes, offers them advance briefings outlining motions and provides them with other necessary information. The

Internal Control & Audit Group furnishes a supporting organizational framework for the Audit & Supervisory Board members and works to strengthen coordination between audits by Audit & Supervisory Board members and internal audits.

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) The Company nominates persons whose beliefs are aligned with the TOMY Group Philosophies as the Company's directors, as they can be expected to have a clear understanding of TOMY's vision.
- 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 Kazuhiro Kojima	M	●	●	●	●			●	●		●
Representative Director, President & COO Akio Tomiyama	M	●	●	●	●	●	●				●
Board Director, Executive Vice President Hiroyuki Usami	M	●	●	●	●	●					
Board Director, Senior Executive Officer & CFO Goshiro Ito	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.

Corporate Governance

Board of Directors Effectiveness Evaluation and Process

Evaluation Method

At least once a year, TOMY distributes questionnaires on the overall effectiveness of the Board of Directors as a survey to all Directors and Audit & Supervisory Board members attending the Board of Directors meeting 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 and to the Corporate Planning Division, which serves as its secretariat, leading to improvements that will enhance the effectiveness of the Board. (Survey period: December 27, 2023, to January 31, 2024)

Survey Items

- (1) System necessary for deliberations by the Board of Directors
- (2) Knowledge, experience, and abilities of the members of the Board of Directors
- (3) Enhancement of corporate value
- (4) Risk management and internal control management
- (5) Ensuring appropriate information disclosure
- (6) Planning for the development of management executives

Overview of Evaluation Results

The results have confirmed that the diversity of the members of the Board has been ensured; that internal

and outside officers actively engage in discussions; that a system has been developed to approve key management matters and oversee business execution appropriately; that TOMY has formulated and is managing the progress of its Medium-term Management Plan that helps enhance corporate value; and that active information disclosure is being carried out. Furthermore, the results indicate that the pre-briefing sessions for Board of Directors meeting proposals, which have been held since the fiscal year ended March 31, 2023, have taken root, allowing appropriate time for deliberation and active exchange of opinions at Board of Directors meetings. At the same time, although outside officers have deepened their understanding by participating in the formulation of the Medium-term Management Plan, the results indicate that there is a need for discussion of medium- and long-term management strategies (monitoring of new and overseas businesses, risk management including BCPs, and development and promotion of management executives, including increasing the ratio of female executives) at Board of Directors meetings.

TOMY will pursue initiatives aimed at ensuring further effectiveness of the Board of Directors while taking these issues into account.

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, 2023, are as follows.

Business performance indicators	Year ended March 31, 2024	
	Targets	Results
Consolidated ordinary profit	¥13.0 billion	¥17.8 billion
Profit attributable to owners of parent	¥9.0 billion	¥9.8 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, 2024)

Officer category	Total amount of remuneration (Millions of yen)	Total amount of remuneration (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)	295	124	139	30	-	30	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	18	18	-	-	-	-	1
Outside directors	43	43	-	-	-	-	5
Outside Audit & Supervisory Board members	26	26	-	-	-	-	3
Total	383	212	139	30	-	30	13

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 2023, the Remuneration Committee convened eight times. The main details of the Committee's deliberations are as follows.

Date of committee meeting	Details of deliberations
April 2023	FY2023 officers' bonuses
May 2023	Amendment of the performance-linked stock-based compensation system and revision of related regulations
June 2023	Amount of FY2023 individual officers' remuneration Appointment of Chair of Remuneration Committee
January 2024	Revision of the system of remuneration for officers (remuneration levels, remuneration structure, design of short-term and long-term incentives)
February 2024	Revision of the system of remuneration for officers (remuneration levels, remuneration structure, design of short-term and long-term incentives)
March 2024	Revision of remuneration for directors whose positions changed in April 2024 (remuneration levels, remuneration structure, design of short-term and long-term incentives)

Corporate Governance


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.

 Please refer to the official TOMY website below for details on the activities of each committee.
www.takaratomy.co.jp/english/ir/risk/index.html

Particularly Material Risks

1. Risks involving the impact on hit products
2. Risks involving product safety
3. Disaster-related and other similar risks

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

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 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, risks 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.

Outline of policy for responding to large-scale purchases of Company share

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, “largescale 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.