

## Message from the Chairman

### Hitting the 100-year milestone and aiming to build resilience as a company



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In February 2024, TOMY celebrated its 100th anniversary. As well as experiencing a real sense of gravity at being a company with a 100-year history, we in the TOMY Group have also felt a growing sense of excitement about embarking on our 101st year.

To achieve sustainable growth as a company, it is essential to have a resilient management foundation to support such growth. We have always considered the reinforcement of risk management and compliance systems, the enhancement of corporate governance and the continuous improvement of internal control systems to be management priorities and have worked to develop these systems. To maintain such efforts into the future, the mindset of individual officers and employees is of the utmost importance. I believe that when individuals are always conscious of compliance and corporate governance, this spreads across the entire organization like a mesh, leading to the establishment of watertight compliance systems and sound corporate governance.

Human beings are unlikely to act unless they are fully onboard. It follows, therefore, that to firmly establish a compliance and corporate governance-oriented mindset

across an entire organization, it is essential that each member of the organization realizes and understands why compliance and corporate governance are important. One initiative to encourage this is our annual Compliance Day event. A compliance leader appointed in each department plays a central role in activities to increase compliance awareness across the Group by conducting awareness-raising activities and sharing case studies. We update the information every year to raise the level of awareness at our business sites. We also limit the term of office of compliance leaders to one year to create a mechanism where the number of people who have served as a compliance leader continues to increase every year, until eventually all employees will have served in the role.

It would be next to impossible for the departments in charge of internal control and corporate governance to notice everything that is askew in an organization on their own. Moreover, the approach of trying to catch people “up to no good” puts people on the defensive, encouraging cover-ups. The ideal is, therefore, an environment where employees can check whether something is okay. To this end, it is also important to have a process through which employees’ questions are dealt with and employees can be persuaded and understand through dialogue and discussion whether something is okay. In many cases, we as an organization have the knowledge gained through experience to address the doubts harbored by employees. I am keen to “chat” with employees and, in these chats, I encourage dialogue, telling employees to try interacting with other departments that have experienced similar failures. Dialogue leads to insight and understanding.

The same also applies to group governance. In 2024, we launched the Group Audit & Supervisory Board Meeting where Audit & Supervisory Board members sent from the Head Office to each Group company share issues across the Group. The aim is that Audit & Supervisory Board members share information with each company, gain insight from cases that have happened at other companies in the Group and prevent issues from occurring.

Governance is essentially the separation of execution and oversight or a mutual check-and-balance system, similar to the gas pedal and the brake pedal in a car. This is how things should work in emergency situations. However, I think that, in normal situations, a combination of execution and oversight is advisable, in other words, individuals know what the red lines are that require them to brake before they put their foot on the gas. I will continue conveying the importance of compliance and corporate governance to our employees through dialogue and communication, bolstering our foundations as a company that can proudly hold our heads high before the children who are our first and foremost customers.