

# Our Aims and the Management We Have Adopted to Achieve Them

Throughout its existence, the TOMY Group has created products that children love, including numerous long-selling products that have appealed to consumers of all generations and hit products that reflect current trends. For nearly a century, technological development has been striking and customer needs have been changing substantially. Furthermore, the world is now facing a global pandemic that has further accelerated change. In this section, we will introduce growth strategies described by President Kazuhiro Kojima and explain the targets the TOMY Group is pursuing, as well as the management it has adopted to achieve them.



## Message from the President

We will create a better world and a brighter future with the power of *asobi*, bringing excitement, surprise, emotion and smiles to children and adults alike.

### Looking Back on the Fiscal Year Ended March 2021

During the COVID-19 pandemic, we have been forced to transform how we live into something completely different from what we have come to know. Amid this unprecedented crisis, we have made every effort to prevent the spread of infections, such as by dramatically reducing the outside movements and work attendance of employees and promoting telework, to ensure the health and safety of employees and their families, customers and business partners. I would like to express my deep gratitude to each of our employees, who have taken the initiative in efforts to develop innovative solutions, and for being able to continue business operation with the help of all our valued stakeholders in this rapidly changing environment.

Looking back on the fiscal year ended March 2021, due to the spread of COVID-19 infections the release of some products had to be postponed at the beginning of the year, leading to lost sales opportunities. However, we were able to continue normal operation of production activities in China, Vietnam and Thailand, resulting in only a limited disruption to the supply chain.

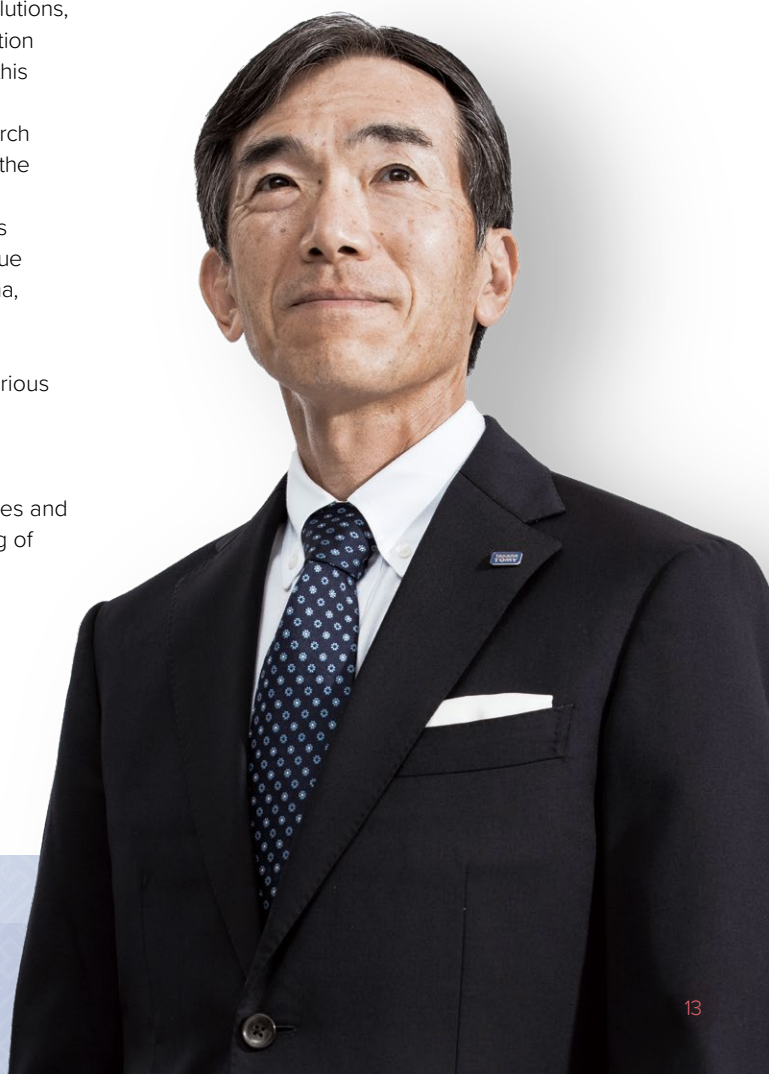
On the other hand, with lockdowns in various countries and repeated state of emergency declarations in Japan to stop the spread of infections, the end of the pandemic was still uncertain, leading to postponed movie releases and the cancellation, postponement or downsizing of

various events. The TOMY Group experienced an unexpectedly long delay in the recovery of its retail businesses, including KIDDY LAND and TOMICA PLARAIL Shops, and in the event business, including the TOMICA EXPO and PLARAIL EXPO events. In addition, there was a decline in sales opportunities for some staple products sold at recreation spots and through public transportation. However, products catering to the demand to stay at home became popular, and e-commerce purchases saw further growth.

小島 一洋

Kazuhiro Kojima

Representative Director,  
President & COO



In the Americas, Europe and Oceania, we achieved solid sales mainly of baby care products, which constitute daily necessities, against the backdrop of higher demands for staying at home and rapid growth in e-commerce purchases due to COVID-19. In addition, in October 2020 TOMY International, Inc., made the independent U.S.-based toy company Fat Brain Group a subsidiary, adding its business results to consolidated performance. Since the Fat Brain Group was formed in 2002, its toy and game retail, toy manufacturing and wholesale businesses have spread to 33 countries around the world, and through a direct-to-consumer (D2C) platform featuring high efficiency and scalability thanks to in-house logistics, the Group sells toys directly to consumers across the United States. By using its strengths in the D2C business to expand market share and develop products that directly reflect customer feedback, we aim to create further synergies as a growth driver.

In 2020, TOMICA celebrated its milestone 50th anniversary. We released merchandise related to TOMICA EARTH GRANNER, an animated television series based on the TOMICA brand that began airing in April 2020, and promoted the TOMICA

50th Anniversary Auto Maker Collaboration Project, among other activities. In addition, in Taiwan, which has managed to keep COVID-19 infections to a minimum, TOMICA EXPO in TAIWAN was held as the first overseas TOMICA EXPO.

As a result of these initiatives, even with the effects of the COVID-19 pandemic we posted net sales of ¥141.2 billion (down 14.3% year on year) compared with the initial forecast of ¥145.0 billion. On the profit front, due to growth in the high gross margin toy business and ongoing cost-cutting measures during the pandemic, we recorded operating profit of ¥7.0 billion (down 33.7% year on year) compared with an initial forecast ¥5.5 billion, and ordinary profit of ¥7.1 billion (down 29.7%) compared with ¥5.5 billion expected initially. As a result, despite year-on-year profit declines, we beat our initial forecasts. In addition, profit attributable to owners of parent was ¥5.3 billion (up 19.2% year on year), beating our initial forecast of ¥3.0 billion, in part due to recording extraordinary income, including a gain on the sale of cross-shareholdings. Moreover, the share of overseas sales rose 5.3 percentage points from the previous fiscal year to 38.2%.



©TOMY

### Steady Strengthening of Our Profit Structure With the Previous Medium-Term Management Plan

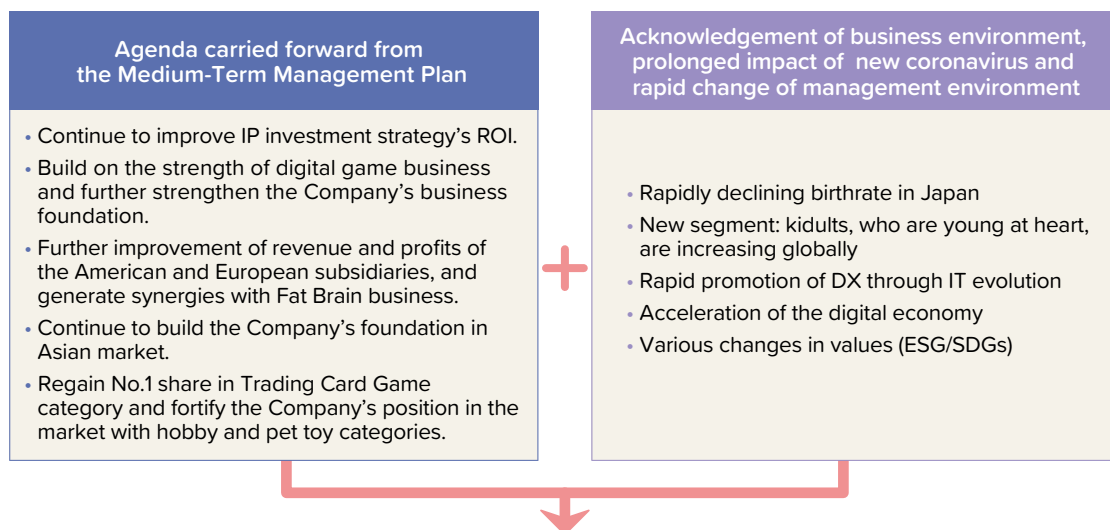
The fiscal year ended March 2021 marked the final year of the medium-term management plan that was started in the fiscal year ended March 2019. In the fiscal year ended March 2019, our businesses in Japan and Asia made steady progress and we scheduled the full-scale rollout of the highly profitable digital business in the fiscal year ended March 2020. Because of these and other factors, we upwardly revised our target operating profit to ¥16.0 billion. However, in the fiscal year ended March 2021, in connection with the growing COVID-19 pandemic that no one could have predicted, we were sadly unable to meet our target due to reduced sales opportunities for some staple

products sold at events, recreation spots and on public transportation, along with an ongoing and uphill battle for our retail and event businesses.

Although sales declines in Japan and Asia due to COVID-19 were the primary factor for this, in the Americas, Europe and Oceania, where sales had been on the decline, there were signs of a recovery with an upturn in sales.

As ups and downs in business performance within a single year are a persistent characteristic of the toy industry, when we look back at the various measures we have taken in the past three medium-term management plans beginning in the fiscal year

## Agenda carried forward from the previous Medium-Term Management Plan



ended March 2013, the fiscal year ended March 2016 and the fiscal year ended March 2019, in terms of total figures, three-year cumulative sales have been roughly the same over the past nine years, but cumulative operating profit has steadily increased at an average annual growth rate of around 25%. As seen from these results, the TOMY Group has made continuous improvements to its profit structure.

In terms of the progress of our business strategies, while there are some areas in which we have failed to achieve targets laid out in Company-wide plans for value creation, we believe we have made progress in seizing opportunities leading to growth in the next period through the development of new brands and IPs for game and video content. In terms of customer demographics, we have identified business opportunities that resonate outside our core targets, such as the strong performance of TOMICA Premium, our line of high-detail collectible models aimed at adults.

Despite this, we recognize that we face ongoing challenges. We expect that until the

COVID-19 pandemic is completely over restrictions on going out, temporary closures and shortened operating hours of stores and the cancellation or postponement of events will continue to occur in and after the fiscal year ending March 2022, making it necessary to swiftly and flexibly respond to changes in the management environment. In terms of our IP investment strategy, we must continue to improve ROI while working to strengthen the foundations of the digital game business by utilizing our strengths. In addition to creating synergies with the Fat Brain Group we acquired in October 2020, we will further improve the profitability of existing brands of our subsidiaries in Europe and the United States, while continuing to build foundations in the growing Asian market. In terms of changes to the business environment brought about by the COVID-19 pandemic, while the birthrate is rapidly declining in Japan, modes of play and values are changing globally, fostering the development of adults who maintain a playful spirit, known as "Kidults." In recent years consumer values have also changed, such as the preference for products from companies that show a strong awareness of the environment and society, and the TOMY Group will need to drive changes aimed at sustainable growth by strengthening and broadly disseminating information about its existing ESG initiatives along with activities contributing to the SDGs.



## TOMY's Vision

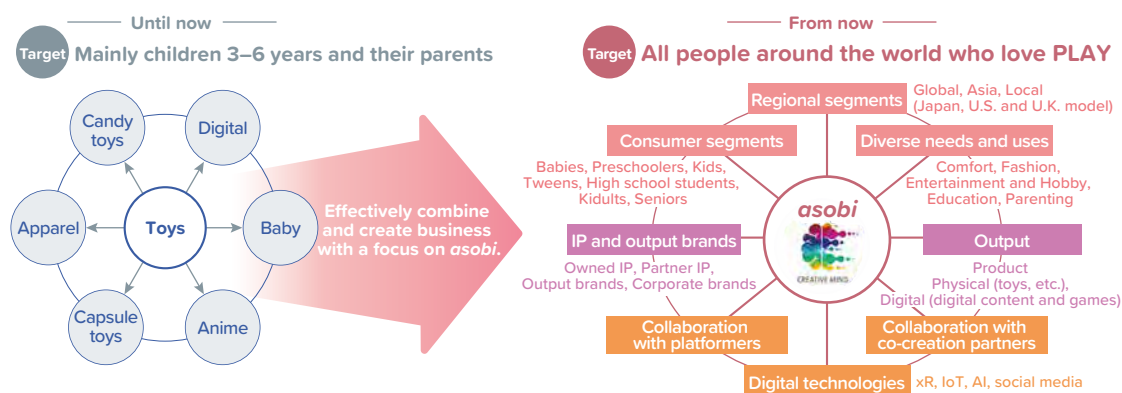
With the way people play and their values undergoing considerable change, combined with the changing business environment in response to COVID-19, we have continued to pursue peace of confidence, safety and quality for children based on the Founding Philosophy that serves as the lodestar of the TOMY Group. This “commitment to quality manufacturing” has and always will remain the same. At the same time, we must continually change the products and services that we offer. In response to the changing management environment, including the rapidly declining birthrate in Japan, we employ the keywords “excitement,” “surprise,” “emotion” and “smiles” to convey the value we will create toward sustainable growth. These concepts do not apply only to children. The TOMY Group is looking to expand its segments, enhancing lifetime value to everyone, from children to seniors.

We will broaden our target customers from the previous “mainly children 3–6 years and their parents” to “all people around the world who love PLAY,” and expand the products and services we offer to

customers of different ages, regions, needs and uses through various outlets, from hardware such as toys and model chassis to software such as digital content and games. By not only utilizing digital technologies but also combining coordination with external resources including platform holders and co-creation partners, we will expand opportunities for monetization.

The TOMY Group will transform the driving force behind sustainable growth from “toys” to “*asobi*,” and embrace the vision that “we believe *asobi* makes the world better, therefore we will contribute to the future global society through *asobi*.” At the same time, we will expand our business domains through the creation of high information-added businesses and products based on cutting-edge technologies and collaborations with other industries to invigorate markets that target not only children but also all people around the world who love PLAY. Moreover, we will not consider things that are merely an extension of what we have done in the past, but instead make full use of the power of innovation and ingenuity.

### Transforming the driving force behind sustainable growth from “toys” to “*asobi*”



### Developing the Foundations for Sustainable Growth on a Global Basis in the New Medium-Term Management Plan

Given the ongoing challenges from the previous medium-term management plan and recent changes to the management environment, we formulated a new medium-term management plan that runs from the fiscal year ending March 2022 to the fiscal year

ending March 2024—our 100th anniversary. In our new medium-term management plan, we will promote the following six strategies under a basic policy of “We will leverage our strengths globally and build the foundation toward Sustainable Growth.”

---

## 1

### Grow core brands based on their strengths

Our major strength lies in our wide range of brands and IPs that include various staple products. We maintain an extensive in-house and partner brand palette that translates well both inside and outside Japan. By fully utilizing this strength, we will expand target markets globally by broadening age demographics and market regions.

We will expand earnings by placing the “right goods” that appeal to various embodiments of “*asobi*” in the “right places” that segment target markets in detail.

For example, we have kept the TOMICA brand as is but expanded the target ages by offering the TOMICA Premium line of high detail collectible models aimed at adults. Also, with the DUEL MASTERS trading card game that mainly targets elementary school age children, we have recreated scenes of play that will jog memories of when people played as children and appealed to those people with digital game software to expand the customer base to adults as well. Aiming at the potential markets based on “*asobi*” that were proven in the previous medium-term management plan, we will use TOMY’s strengths as a source of sales growth as we expand our regions, outlets and age groups.

---

## 2

### Create big hits in Japan

Another of our strengths is our planning and development capabilities that have long been cultivated as organizational DNA. We will demonstrate these capabilities not only to further develop existing toys but also to develop new styles of “*asobi*” that deliver on the concepts mentioned earlier: excitement, surprise, emotion and smiles.

We have built solid pipelines with partners that lead to the creation of hit products, and we will use them to continually provide markets with new products and operate global rollouts without missing the seeds of the next hit.

---

## 3

### Continue IP investment

For IPs that create staple products and mega hits, we will continue to make investments and pursue development both in-house and with partners to not only utilize those existing IPs but also create new ones. In the fiscal year ending March 2022, SHINKALION, which has been developed as the PLARAIL SHINKALION series since 2015, has had a second animated television series SHINKALION Z from April 2021, following a hiatus of around one and a half years. We will also expand the live action TV drama series GIRLS X WARRIOR, which was launched in the spring of 2017 and still enjoys immense popularity five years later, with the feature-length film version of LOVE PATRINA! as the fourth installment and the new series KIRAMEKI POWERS!, which began airing in July, as the fifth installment. This will be followed in the fiscal year ending March 2023 with movie content from a new major partner as part of efforts to prepare for global growth through continued IP investment.

---

## 4

### Launch new businesses with “*asobi*” as key

By building an organization that incubates new businesses seeking forms of “*asobi*” that will deliver excitement, surprise, emotion and smiles and assigning personnel, we will create new forms of “*asobi*” that have never been thought of before.

For example, through the rollout of Nail Tip laboratory NELTIP targeting teens and adults given an advance launch at select stores from March 2021, the proposal of new forms of “*asobi*” utilizing map data from the Google Maps Platform and life robots for the elderly that incorporate face recognition features utilizing an AI image recognition chip, we aim to deliver new solutions to social issues emerging from the perspective of “*asobi*.”

In addition, we will strive to develop businesses that use our existing strengths in the toy business, such as the EMBOT cardboard robot kit that can be operated using a programming app as a business related to the GIGA School Concept.



### Create new value by utilizing DX for value chain

In addition to pursuing direct-to-consumer (D2C) platforms utilizing digital technologies, we will increase the quantity and quality of strategy execution and further enhance corporate value by improving the quality and efficiency of all operations from marketing, planning and development to production, procurement, logistics, sales and staffing through the use of digital transformation (DX).

For example, in our sales activities we will work to expand new fan bases by creating segments based on customers' preferences for different products and brands and carefully reaching those customers through digital technology. On the research-and-development front, we will pursue the use of AI in toy development.

### Sustainability and CSR initiatives

The TOMY Group has set the sustainability vision of "become friends with children around the world" to achieve both a sustainable society and grow our Group business and has pursued sustainability and CSR initiatives based on the three main pillars: Commitment to Quality Manufacturing, Sound Management and Coexisting with Society and the Environment. We have also set medium-term sustainability targets and KPIs (FY2021–FY2023) and will work on more in-depth initiatives aimed at indicators to be achieved in three

years. As we have seen rising interest in the SDGs from the global community, customers are finding higher added value in the form of ethical products and services. Accordingly, we will actively and proactively implement Group-wide sustainability initiatives that include providing products using eco-friendly materials, reducing our environmental impact such as by cutting CO<sub>2</sub> emissions in our business activities and engaging in responsible procurement. At the same time, we will strive to build a more vibrant workplace environment where a diverse range of human resources can succeed and innovation can emerge to deliver attractive products and services to a wide range of customers.

Through the execution of these strategies, we aim to achieve net sales of ¥185 billion, operating profit of ¥15 billion and return on equity (ROE) above 12% by the fiscal year ending March 2024, the final year of the plan. We also plan to achieve sustainable growth in net sales and profit from the previous plan on a cumulative basis over the three years of the new medium-term management plan.

To demonstrate our strong commitment to achieving this goal, for the fiscal year ending March 2022 we will introduce a performance-based compensation system for officers and employees. By clarifying the interconnection between the TOMY Group's performance and stock value with director and manager compensation, and sharing those profits and risks with shareholders, we will make strong efforts to improve medium- to long-term performance and further enhance corporate value.

## Shareholder Return Policy

As we managed to generate greater than expected profits in the fiscal year ended March 2021 despite the COVID-19 pandemic, we issued a year-end dividend of ¥10 per share to shareholders, ¥2.5 higher than our initial forecast. Combined with the interim dividend of ¥7.5 per share, an annual dividend amounting to ¥17.5 per share was issued to shareholders. In addition to announcing a share buyback of up to 500,000 shares and ¥500 million, we have increased our forecast annual dividend per share for the fiscal year ending March 2022 and expect to issue ¥20 per share (¥10 of which will be an interim dividend).

The stable return of profits to shareholders is one of our key management issues. We determine

dividends considering factors including business performance and dividend payout ratio, with the basic policy of continuing to issue stable dividends. While continuing to anticipate unstable factors in the external environment such as a prolonged COVID-19 pandemic, we will proactively implement business investment in medium- to long-term growth areas such as global expansion. We will also continue to deliver products and services to people around the world by positioning "asobi" as a starting point based on the concepts of excitement, surprise, emotion and smiles, while making every effort to contribute to a better world going forward. Thank you for your continued support.