

Toy Market

The size of the Japanese toy market in fiscal 2021 grew 8.5% year on year to ¥894.6 billion on a suggested retail price basis. This is the highest figure recorded since market research in its present format was started in 2001. We believe it suggests that even under the emergency situation of the COVID-19

pandemic and a declining birth rate that has become increasingly evident in recent years, the demand for toys is extremely high and even has great potential for further growth in the future. (source: Japan Toy Association website)

Performance Highlights

Despite the prolonged effects of the COVID-19 pandemic, gross profit improved in response to the strong performance among mainstay toy products and T-ARTS.

Restrictions on behavior, such as voluntarily staying at home, have continued intermittently due to repeated state of emergency declarations and their repeals. In addition, for the TOMY Group, the retail business, such as KIDDY LAND, TOMICA Shop and PLARAIL Shop, and the event business including TOMICA EXPO and PLARAIL EXPO, were affected by the trend of postponement of movie releases, and the cancellation, postponement and scaling-down of various events.

The TOMY Group implemented measures to prevent the spread of infections, including continuing remote working to reduce instances of employees leaving their homes and attending workplaces, as well as continuing measures such as the prohibition on overseas business trips and voluntary restraint on domestic business trips. Furthermore, as part of measures to prevent the spread of COVID-19, the Company required everyone in the workplace to be vaccinated three times.

In addition, the business environment surrounding the Company became increasingly uncertain with new issues such as the sharp rise in the price of raw materials and severe foreign exchange movements caused by the sudden deterioration of the situation in Ukraine from 2022.

For the LICCA series, toys such as “LICCA with smoke and sizzle, lively barbecue” and “LICCA Pet Clinic” gained popularity. For the trading card game DUEL MASTERS, proactive marketing ahead of the 20th anniversary of the series was also successful and sales grew substantially. For the Pokémon series, “MONSTER COLLECTION” and other related toys remained robust, while the Pokémon Pikatto Academy Kids PC, a PC for kids that enables them to learn while playing with Pokémon, enjoyed a surge in popularity. Overseas-bound exports of TRANSFORMERS grew, mainly in North America and Europe. Furthermore, “Punirunes,” the LCD toy launched in July, gained popularity as a product with more than 50 appealing characters that appear on an LCD screen, providing the ability to enjoy a curious sense of integration between digital and analog as if directly touching them, and sales grew. In addition, for amusement machines, Pokémon Mezastar, which was launched in September 2020, and Waccha PriMagi!, the 10th anniversary product of the Pretty Series that was launched from October 2021, gained popularity. In the GACHA capsule toy business, sales increased due to the expanded installation of large-scale GACHA sales spaces and because of related products using popular content, amid a market environment where the popularity of GACHA capsule toys is growing.

Net sales were ¥165,448 million (up 17.2% year on year). This was due to the growth in toy shipments compared with the previous fiscal year amid various restrictions, despite the lingering effects of the trend of restrictions on consumers' outings due to COVID-19 in the retail business and the event business, as well as increased popularity of GACHA capsule toys and amusement machines launched by T-ARTS Company, Ltd.

Net Sales

TOMICA “Transform! Deluxe Police Station,” which automatically transforms a police station building with the touch of a button, gained popularity. PLARAIL launched toys related to “SHINKALION Z,” which is the second season of the TV animation series that started airing in April 2021, and the “Packed with popular plays! PLARAIL BEST SELECTION SET.”

In October 2020, the Fat Brain Group, an independent U.S. toy company, became a subsidiary of TOMY International, Inc. and has been included in the scope of consolidation. The rollout of products also commenced in TOMY International Group's European and Australian regions and business was steady.

Profit

Operating profit was ¥12,344 million (up 74.4% year on year), and ordinary profit was ¥12,666 million (up 76.7% year on year). This was mainly attributable to an increase in gross profit due to steady net sales of mainstay toys, GACHA capsule toys and amusement machines, as well as the progress of expense control based on the state of the spread of COVID-19 and in-

store sales. In addition, to make flexible and efficient use of management resources and strengthen the financial position, the TOMY Group reviewed its assets retained, and then transferred real estate for office use, which is a non-current asset owned by TOMY (Hong Kong) Ltd., a consolidated subsidiary of the Company, in the first three months. Including the gain on the transfer, extraordinary income of ¥2,175 million was recorded. An extraordinary loss of ¥1,070 million was also recorded due to factors including partial asset impairment in the first nine months with the impact on the retail business from COVID-19 continuing from the previous fiscal year, which resulted in profit attributable to owners of parent of ¥9,114 million (up 69.6% year on year).

Overview by Regional Segment

Japan

Mainstay toys including staple products as well as new products are gaining popularity. The GACHA and amusement machine sales grew, achieving year-on-year increases.

In Japan, the TOMICA "Transform! Deluxe Police Station," gained popularity and TOMICA launched the new series "TOMICA Premium unlimited," targeted at adults and fans. PLARAIL launched toys related to "SHINKALION Z," and sales grew. In addition, for TOMICA and PLARAIL, we launched "First TOMICA," targeted at children aged 1.5 years and older, with, and the "Push and GO! Easy-to-Play First PLARAIL" series. For the LICCA series, toys such as "LICCA with smoke and sizzle, lively barbecue" and "LICCA Pet Clinic" gained popularity. Moreover, LICCA dolls, TOMICA, PLARAIL, GACHA capsule toys and other variety toys as collaboration products with "Demon Slayer: Kimetsu no Yaiba" were released and well received.

With DUEL MASTERS, a trading card game that will celebrate its 20th anniversary in 2022, we recorded rare cards and increased their collectability, and our aggressive marketing efforts were effective and sales grew substantially. The BEYBLADE BURST "Dynamite Battle Layer" series, a new product in Japan, performed well. While overseas-bound exports were rather modest, they exceeded internal expectations, consolidating their popularity as long-selling products. In addition, overseas-bound exports of TRANSFORMERS grew, mainly in North America and Europe. For the Pokémon series, "Monster Collection" and other related toys remained robust,

while the Pokémon Pikatto Academy Kids PC enjoyed a surge in popularity. The TV animation, PAW Patrol, which entered its third year of broadcasting, had an increased degree of recognition and popularity for its content due to being aired on YouTube and other distribution services, as well as being released in movie theaters in the summer, leading to strong sales of related products. "Punirunes," the LCD toy launched in July, gained popularity as a product for children to enjoy the strange sensation of seemingly directly touching the characters that appear on the LCD, and sales grew.

Furthermore, we continued to roll out "NELTIP" dedicated printing machines for nail tips targeting adults and teens to expand new business domains, and launched sales of "My baby Ami-chan," a communication doll equipped with a facial recognition system for seniors.

For the digital business, DUEL MASTERS PLAY'S, a card game app that marked the second anniversary of its launch in December, remained strong with the periodic release of new card packs, and the rollout of marketing campaigns. In addition, for amusement machines, Pokémon Mezastar and Waccha PriMagi! performed well.

In the GACHA capsule toy business, sales increased due to the expanded installation of large-

scale GACHA sales spaces and because of related products using popular content, amid a market environment where the popularity of GACHA capsule toys is growing.

In addition, a micro-miniature transformable lunar robot “SORA-Q,” jointly developed by the Company with JAXA and others, is to be installed on JAXA’s small moon landing demonstration machine “SLIM.” The development utilizes knowledge in miniaturization and weight reduction that the

Company has cultivated through making toys and our technologies in deformation mechanisms.

Net sales were ¥130,289 million (up 15.0% year on year), and operating profit was ¥14,039 million (up 55.2% year on year). This was due to the growth in toy shipments compared with the previous fiscal year amid various restrictions, as well as the increased popularity of GACHA capsule toys and amusement machines launched by T-ARTS Company, Ltd.

Overseas

Impact from logistics disruptions amid a slowdown in e-commerce purchase trends due to the relaxing of restrictions Sales contribution from strong results at the Fat Brain Group

Americas

In addition, with the easing of various restrictions to prevent the spread of infection due to the progress in COVID-19 vaccinations, consumption of services involving leaving the home increased, while stay-at-home demand and e-commerce purchases slowed. Amid these conditions, agricultural machinery toys and tableware for babies were steady, despite the impact of logistics turmoil caused by container shortages, while in-store sales of products such as the plush toy Club Mocchi- Mocchi- grew. Net sales were ¥27,093 million (up 24.0% year on year), and operating profit was ¥415 million (up 86.8% year on year), despite the surging logistics costs caused by container shortages. The solid business performance of the Fat Brain Group, which became a subsidiary of TOMY International, Inc., in October 2020, also contributed to these results.

Europe

Various restrictions have eased due to the progress in COVID-19 vaccinations. E-commerce purchases have slowed, while in-store sales of agricultural machinery toys, such as BRITAINS, grew.

Furthermore, sales of infant products, including Toomies bath toys and Toomies Jurassic World related products, remained steady, and sales of preschool game products grew. Net sales were ¥7,206 million (up 20.1% year on year), and operating profit was ¥47 million (compared with an operating loss of ¥75 million in the previous fiscal year). This was partly attributed to the start of handling Fat Brain Group products.

(Millions of yen)

	2021.3	2022.3	Change	Change (%)
Net sales	141,218	165,448	24,230	17.2
Japan	113,328	130,289	16,960	15.0
Americas	21,845	27,093	5,247	24.0
Europe	5,998	7,206	1,208	20.1
Oceania	1,917	2,358	441	23.0
Asia (other than Japan)	41,458	46,974	5,516	13.3
Eliminations and corporate	(43,330)	(48,474)	(5,143)	-
Operating profit (loss)	7,079	12,344	5,264	74.4
Japan	9,048	14,039	4,991	55.2
Americas	222	415	193	86.8
Europe	(75)	47	123	-
Oceania	113	173	60	53.4
Asia (other than Japan)	724	1,297	572	79.1
Eliminations and corporate	(2,953)	(3,630)	(676)	-

Oceania

Various restrictions such as those on entering the country and on leaving home under lockdowns imposed because of the spread of COVID-19 were eased with the progress in vaccinations. Ride-on type agricultural machinery toys remained strong, and for infant and preschool products, products for infants such as child seats and Toomies Jurassic World related products performed well. Net sales were ¥2,358 million (up 23.0% year on year), and operating profit was ¥173 million (up 53.3% year on year). This was partly attributed to the efforts for shipping products through wide distribution channels according to the sales conditions at retail stores and to the start of handling Fat Brain Group products.

Asia (excluding Japan)

Even after the spring of 2021, additional restrictions imposed on outings issued in some countries and regions significantly affected purchasing trends.

The new series of BEYBLADE BURST, developed for South Korea, Hong Kong and other Asian regions, gained in popularity, and sales of single-pack TOMICA vehicles and TOMICA World, etc., were steady. In addition, shipments of toys related to “SHINKALION Z,” which is a TV animation series that started airing in Hong Kong from the autumn, also grew, and for the Pokémon series, the expansion of the sale floors in South Korea and enhancements to the product lineup resulted in increased sales. Net sales were ¥46,974 million (up 13.3% year on year), while operating profit was ¥1,297 million (up 79.1% year on year).

