

Strategy

Our Aims and the Management We Have Adopted to Achieve Them

— TOMY Group Growth Strategy

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. In times that are changing at unprecedented speed, including a pandemic, climate change and advancing technologies, how will the TOMY Group move forward and what will we aim for to offer *asobi* that meets the values and needs of diverse people? We would like to introduce our growth strategies as described by President Kazuhiro Kojima.



Message from the President

To contribute to future society through *asobi* and build an even stronger management base

To continue to deliver excitement, surprise, emotion and smiles

We are surrounded by a macro environment of deepening uncertainty known as the age of VUCA, an acronym that stands for Volatility, Uncertainty, Complexity and Ambiguity. We recognize that we have entered an age where the future is truly difficult to predict, driven not only by the changing lifestyles of consumers and employees brought about by COVID-19 but also due to intensifying friction between the United States and China, divisions in the international community due to Russia's invasion of Ukraine, the formation of an economic bloc involving the Global South, soaring raw material prices and rapidly fluctuating exchange rates.

Even in times such as these, we have put forward Our Corporate Mission to create new value from play for the dreams of all our stakeholders as an enduring ideal toward which the TOMY Group strives. To offer the excitement, surprise, emotion and smiles found in toys to even more people with this mission in mind, we are expanding our customer segments by shifting the basic focus of our businesses from toys to *asobi*, aiming to be a company that can flexibly respond to changes in customer values.

Looking back on the fiscal year ended March 2023

In our Medium-Term Management Plan, we have embraced the basic medium-term policy of “establishing the foundations for achieving sustainable growth leveraging our strengths on a global scale” and the vision that “we believe *asobi* makes the world better, therefore we will contribute to the future global society through *asobi*.” The fiscal year ended March 2023 was the key second year of our Medium-Term Management Plan. We vigorously pursued six Company-wide strategies including growing core brands based on their strengths.

Under this environment, we achieved steady shipments of toys while the rapid progress of Group companies made significant contributions to overall results, including the continued popularity of amusement machines and GACHA operated by T-ARTS, the recovery of in-store traffic including overseas visitors to Japan at KIDDY LAND stores and sales growth from the success of character strategies. As a result, net sales rose 13.2% year on year to ¥187.2 billion and operating profit rose 6.3% to ¥13.1 billion, surpassing the consolidated results forecasts announced at the start of the year.

小島 一洋

Kazuhiro Kojima
Representative Director,
President & COO



Customer transformations typified by the increase in “kidults”

According to estimates by the Ministry of Internal Affairs and Communications, as of April 1, 2023, there were 14.35 million children under the age of 15 in Japan. This figure has continued to set record lows for 42 consecutive years since 1982. As a result, while children as a percentage of the total population were 23.5% in 1980, in 2023 this figure has halved to just 11.5%. Meanwhile the population of those aged 15 and older has increased by around 23% from 89.53 million people in 1980 to 110.12 million in 2023.

Even in worldwide terms, the consumer segment aged 12 and older, known as kidults, has increased, fostering a certain market made up of adults who love *asobi* that is attracting attention as a customer segment.

To flexibly adapt to this customer transformation, we hope to enhance Lifetime Value by having a broader range of age groups and customers in many regions enjoy the *asobi* we offer during various stages of their lives.

Expanding customer segments leveraging our brand strengths

As I mentioned earlier, in our current Medium-Term Management Plan we are working to expand our target age groups and expand on a regional basis. And the foundation of these strategies is in the diverse brands we own, including standard products such as TOMICA, PLARAIL and LICCA dolls, as well as BEYBLADE, TRANSFORMERS and ZOIDS.

By fully utilizing these IPs through a wide range of in-house and partner brand palettes, and properly rolling out them out based on the target age groups, markets and regions for each brand, we will work to leverage the strengths of the TOMY Group and achieve further growth.

For example, we developed TOMICA Premium in 2015 as an adult version of our TOMICA series. This series has been popular primarily in the kidults segment as we reproduce the car forms, detailed painting and printing, wheel designs and other elements as realistically as possible. Since November 2021, we have been developing TOMICA Premium unlimited, a new series targeting fans of movies, TV dramas and comics by reproducing the cars that appear in these media forms. In the fiscal year ended March 2023, products in this series developed in collaboration with the film *Shin Kamen Rider* attracted attention. In addition, in March 2023 the second iteration of the Dream TOMICA



Keywords in consumption

Kidults

Narrative

Fan Economy

Digital Natives



©TOMY
JR East licensed merchandise, Odakyu Electric Railway licensed merchandise



© Studio Ghibli © 2008 Studio Ghibli - NDHDMT

Everything Ghibli! series produced in collaboration with Studio Ghibli was released to favorable reviews. Merchandise based on the TRANSFORMERS, DIACLONE and ZOIDS franchises have also attracted attention from the kidults demographic, while even in the GACHA capsule toy business operated by T-ARTS, merchandise using hit content aimed at adults has been expanded and driven sales growth.

In the fiscal year ending March 2024, we will continue working to expand the target age demographic, such as with the June 2023 release of PLARAIL REAL CLASS, a new PLARAIL railway toy series aimed at adults that balances the fun of decorating with the fun of running trains.

Expansion of markets and regions in the United States, Europe, Australia and Asia

In the global business, agricultural machinery toys such as Ag Replicas have performed strongly in North America, Europe and Oceania, while in Japan the Mocchi-Mocchi- (overseas product name: Club



Club Mocchi-Mocchi-

Mocchi-Mocchi-) series of plush toys has seen growth. This represents success in rolling out merchandise planned for the domestic market globally.

In Asia, we have focused on expanding TOMICA, PLARAIL, LICCA dolls, ANIA and other products in Asia, with TOMICA stand-alone and DIACLONE products in particular producing strong results. In addition to the well-received Punirunes, an LCD toy with new textures developed in Japan, the amusement machines developed by T-ARTS performed well, contributing to an expansion of market regions.

In the fiscal year ending March 2024, we will implement a global rollout of TRANSFORMERS-related merchandise to coincide with a new film release; promote the rollout of merchandise originating in Japan in North America, Europe and Oceania; and pursue the further expansion of the amusement business in Asia.

Pursuing the active development of IPs to create hit products

In the fiscal year ended March 2023, we continued to actively pursue IP development and created numerous hit products. In April 2022, we began streaming the web-based anime *TOMICA Heroes Jobraver-Specially-equipped combined robot*, and in October we will begin airing a toy-derived original television anime series based on the Punirunes LCD toys with new textures that have become highly popular based on the appeal of product characteristics that blend play elements between the digital and real worlds, and the extensive range of characters. This shows how we have developed content for TV and the web and gained popularity for related merchandise.

In the fiscal year ending March 2024, we have maintained momentum with the April 2023 airing of TV anime series including *Adventure Continent ANIA*

Kingdom, which is celebrating its 10th anniversary in 2023, and *Go! Go! Vehicle Zoo*, which incorporates unique characters from TOMICA, PLARAIL and ANIA.



Adventure Continent ANIA Kingdom

©TOMY

In addition to BEYBLADE X, the fourth generation of the BEYBLADE series of modern-style spinning tops that was released in July, in June we began a comic series linked to the toy series and plan to expand this to a television animation series in the autumn. We will also roll out merchandise related to the latest *TRANSFORMERS* movie that released in Japan in August, as part of ongoing efforts to expand sales of merchandise related to movie content in the fiscal year ending March 2024.



BEYBLADE X

©Homura Kawamoto, Hikaru Muno, Posuka Demizu, BBXProject, TV TOKYO
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Initiatives with *asobi* as the key through fusion with technology

In terms of new initiatives that place *asobi* as the key, we have utilized the latest technologies to roll out highly original products and services. One example is coemo, a speaker that uses AI voice synthesis technology to read stories in a synthetic voice that is just like an actual person. We have also launched Metaverse Pop-Up Pirate, which makes it possible to play with toys in the metaverse (virtual space). By providing new *asobi* experiences in the digital space,

we have taken on the challenge of approaches based on new ideas from *asobi* perspectives.

In addition, in the creation of new value through the utilization of DX in the value chain, we are working to expand Lifetime Value by utilizing customer clustering, including customer analysis utilizing databases, the management of customer behavioral data and messaging through social media.

Promoting sustainability and CSR to fulfill our vision of “becoming friends with children around the world”



In our Medium-Term Management Plan, we are promoting sustainability and CSR as one of our Group-wide strategies. With the Sustainability Promotion Division under the direct control of the President playing a core role, we have set targets and KPIs while pursuing efforts based on the eight material issues to fulfill our sustainability vision of “becoming friends with children around the world.” Among these, for the themes that require Group-wide initiatives such as Chemical Management, Diversity, Responsible Procurement and the Environment, we have launched task forces made up of members from across the Group to drive activities aimed at achieving our targets.

For example, with Diversity, the female manager ratio at TOMY Company, Ltd., was 12.7% as of April 2023, a 3.7-percentage-point increase from the fiscal year ended March 2021. To develop a comfortable work environment, in addition to enhancing systems that promote diverse working styles such as telework and super flextime*, we encourage eligible male employees to take childcare leave and achieved a usage rate of 80% in the year ended March 2023. For the environment, we are driving efforts to research environmentally friendly materials and reduce the use

of single-use plastics. In terms of action on climate change, we have identified medium- and long-term risks and opportunities, assessed their importance, considered response measures and implemented initiatives after making disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Moreover, in August 2023 we formulated the TOMY Group Human Rights Policy and established a new Human Rights Due Diligence task force. We respect the human rights of people related to our business activities and will address human rights issues so as to avoid directly causing or contributing to human rights violations.

*A flextime system without core time

Striving to achieve the Medium-Term Management Plan and realize sustainable growth

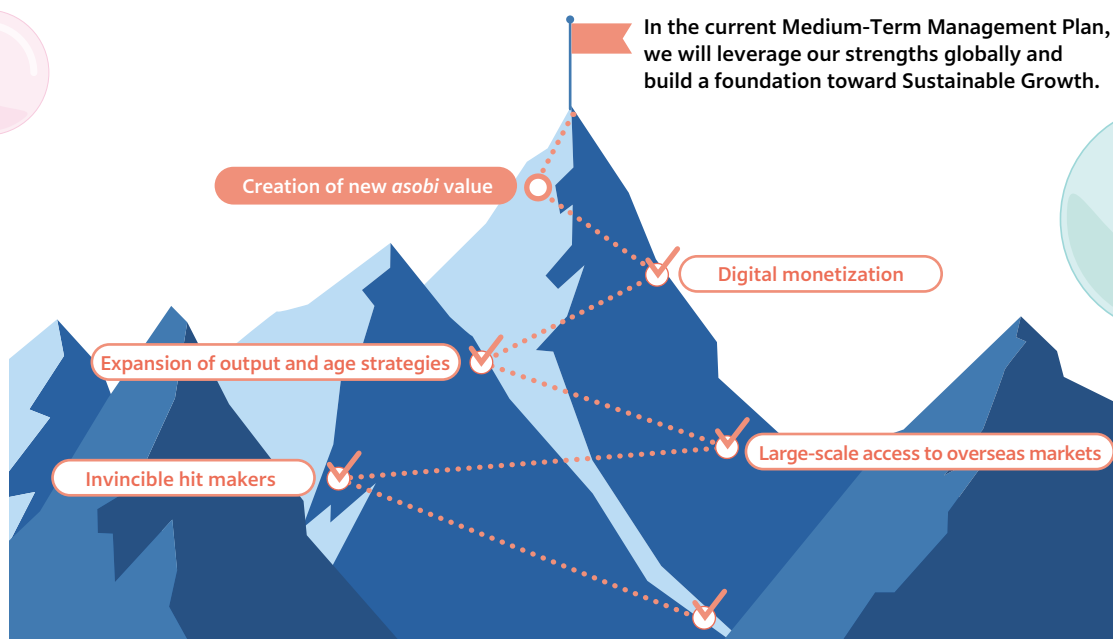
In the last year of its Medium-Term Management Plan, the TOMY Group will steadily implement each strategy to continue to achieve its targets. In the fiscal year ending March 2024, while we project growth in net sales because of forex market fluctuations and the impact of the external environment, we project somewhat conservative figures for operating profit compared with initial forecasts. However, in terms of the attainment level of the Medium-Term Management Plan, in the two years up to the fiscal year ended March 2023 we generated a cumulative ¥25.4 billion in operating profit against a three-year target of ¥35 billion. Thus, we have so far reached 73% of our target. As we project operating profit of ¥13.5 billion for the fiscal year ending March 2024, we expect to surpass the planned medium-term plan

figures with a cumulative ¥38.9 billion in operating profit over the three years.

Also, note that in May 2023, COVID-19 was reclassified from a Class 2 to a Class 5 infectious disease. We will closely monitor how the behavioral modifications and macro-environmental changes that developed during the pandemic will evolve in the post-COVID era, responding in flexible and precise ways to a world that began to change because of the pandemic.

To fulfill its corporate mission of realizing the dreams of all stakeholders, the TOMY Group will strive to further enhance *asobi*, build a solid management base, drive overseas expansion and work to transform into a truly outstanding global company.

We ask our stakeholders for their continued support.



Synergy in the TOMY Group

Having the TOMY Group work together and leverage its strengths across a range of pursuits has become an important key to achieving the targets set forth in the Medium-Term Management Plan. This section introduces T-ARTS Company, Ltd., and KIDDY LAND CO., LTD, two companies that made significant contributions to the TOMY Group's business performance in the fiscal year ended March 31, 2023.

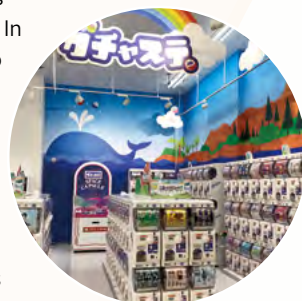
T-ARTS Company, Ltd. Message from Top Management

Hiroyuki Usami Rep-
resentative Director and
President,
T-ARTS Company, Ltd.

● Review of the Fiscal Year Ended March 31, 2023

In the amusement business, Pokémon MEZASTAR, which was launched in September 2020, has continued to perform well. In the GACHA capsule toy business, sales have increased due to the installation of large-scale GACHA sales spaces and the expansion of merchandise aimed at adults that leverages popular IPs, amid a market environment of growing popularity for capsule toys. Similarly, in the FV business, brisk sales of plush toys and other items drove record high net sales of ¥35.3 billion, an increase of 21.8% year on year, for the fiscal year ended March 2023 surpassing the previous fiscal year's record high.

We will continue to take on challenges, aiming to achieve further growth by providing merchandise that bears the hallmarks of T-ARTS.



● The Strengths of T-ARTS

I believe T-ARTS demonstrates two strengths. The first is the sense of speed we achieve by delegating authority to those on the front lines. We recognize the pivotal role that T-ARTS plays in the TOMY Group. For example, we operate with a sense of speed by being involved with commercialization decisions at the early stages, ensuring that the launch of merchandise on the market coincides with the peak popularity of characters.

Second, our human resources are highly sensitive to trends and things of interest. Embracing the motto of “taking out-of-the-box ideas seriously,” we offer original takes on things that look interesting to commercialize or which seem ordinary at first glance, producing appealing merchandise offering a unique twist.

Underpinning those strengths is a corporate culture of not fearing failure. We avoid the excessive swings of joy and sorrow that come from obsessing over the sales of each piece of merchandise and instead roll out an extensive variety of products, emphasizing corporate growth through overall optimization.

The environment surrounding the toy industry can be intense, but by monitoring the changing times and emerging trends with a speedy focus, we work to create hit products and fulfill customer expectations.

● Creation of Group Synergy

In the GACHA capsule toy business, PENNY COMPANY, LTD., handles domestic operations. Mechanisms to roll out sales locations marketing seasonal merchandise have been developed in conjunction with thorough inventory control on a per-warehouse and per-store basis, thus achieving a sell-through rate above 99%. In South Korea, we have partnered with T-ARTS KOREA to expand the amusement business and the GACHA capsule toy business.

In the candy toy business, we release merchandise such as original TOMICA products included with snacks, incorporating TOMY IPs into the T-ARTS sales strategies to create synergy.

We intend to increase these kinds of collaborations with Group companies to generate even bigger business opportunities.



KIDDY LAND CO., LTD.
Message from
Top Management

Kaoru Mayoi
Representative Director
and Chairperson,
KIDDY LAND CO., LTD.

● **Review of the Fiscal Year Ended March 31, 2023**

Thinking back to the COVID-19 pandemic, conditions were particularly tough for stores in urban areas with people refraining from going out, the temporary closures of stores, shortened operating hours and other effects. However, in 2022 store traffic gradually returned and with the easing of international border restrictions in November, the number of foreign tourists has also been on the rise. In addition, in part due to expanding toy sales in response to the rising popularity of characters including among adult customers, in the fiscal year ended March 31, 2023, we posted net sales of ¥15.6 billion, a 64.2% year-on-year increase. This was a reminder of the joy that comes with welcoming many customers to our stores and the appreciation we feel for the efforts of our employees on the sales floors daily.

In the fiscal year ending March 31, 2024, I believe we can further expand sales thanks to the projected increase in inbound tourism demand.



● **The Strengths of KIDDY LAND**

KIDDY LAND's greatest strength is in the maintenance of large stores in prime locations in eastern and western Japan, notably the Harajuku and Umeda branches. There are few large stores or chain stores that carry character-based merchandise and miscellaneous goods. In addition to store operations that have been refined over more than a half-century, the fact that our stores secure extensive large floor area for sales provides a good base. As we work from this base to build good relationships with business partners and develop an internal structure that can respond swiftly when needed, we have many opportunities to receive attractive planning proposals, leading to an extensive range of product rollouts tailored to the latest trends.

As we have also built relationships of trust with copyright holders over many years, we launch original merchandise as a character specialty store and employ other techniques that differentiate the unique capabilities of KIDDY LAND from its competitors.

In addition, by developing sales floors that reflect each region in which we operate, we employ a number of innovations that capitalize on the strengths of a physical store, ensuring that customers not only find the products they have in mind but also have the opportunity to encounter surprising products and other things they want, feeling the appeal of a product by holding it in their hands.

● **Creation of Group Synergy**

Many adult customers visit our branches located in urban areas. That is why when new merchandise aimed at adults (kidults) is released from the TOMY Group, we leverage the strength of being able to engage directly with customers and hold product demonstrations and other hands-on events at KIDDY LAND stores.

We also utilize information such as sales trends at our stores and changing customer preferences for product development at the TOMY Group, and work on product development in collaboration with Group companies. We will continue to take on challenges to create new synergies, such as by utilizing the IPs of the TOMY Group to plan store development.

