

Toy Market

The size of the Japanese toy market in fiscal 2022 grew 6.7% year on year to ¥952.5 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 that the adult market

for toys is expanding more and more, partly due to the shift to two and three generations of long-selling brands, and that the toy market can expand further even with the declining birthrate.

(Source: Japan Toy Association website)

Performance Highlights

Social movements recovered due to the relaxing of various restrictions that had been in place under the COVID-19 pandemic. Sales grew due to strong performance at T-ARTS and KIDDY LAND, as well as brisk sales of mainstay toys.

To fulfill its corporate mission of realizing the dreams of all stakeholders, the TOMY Group worked to further strengthen its toy business to build a solid management base, while promoting overseas expansion and transforming itself into a truly Outstanding Global Company. In addition, the fiscal year under review was considered an important one as the second year of our three-year Medium-Term Management Plan (FY2021-FY2023), and we engaged in a variety of management activities to reflect this.

With the relaxation of various COVID-related regulations including limits of activity and border restrictions, socioeconomic activity showed signs of normalization and the toy market saw a recovery trend in the flow of people to physical stores. In terms of the management environment that surrounds the TOMY Group, the sense of uncertainty continued with sharply rising raw material prices associated with the rapid deterioration of the situation in Ukraine, inflation, dramatic fluctuations in exchange rates and other developments.

We vigorously pursued six company-wide strategies, including increased strategies for output, ages and regions, with the “right goods in the right place” concept of our Medium-Term Management Plan as key, and as a result our performance exceeded the consolidated earnings forecast that we initially announced.

for children such as “Big Fire Truck & Transforming Station,” while for adults, we aggressively promoted new products such as the “TOMICA Premium” line, which pursues realism.

In addition, the trading card game DUEL MASTERS, which celebrated its 20th anniversary this fiscal year, saw a renewal of its animated TV series in September, and marketing efforts were strengthened with the release of related merchandise. With the TRANSFORMERS brand, overseas exports saw growth.

In addition, an original toy-derived animated series for television based on Punirunes LCD toys with new textures, which have enjoyed strong popularity since their release, began airing in October, and related merchandise was popular.

We also launched Metaverse Pop-Up Pirate, which makes it possible to play with toys in the metaverse (virtual space). This represents the provision of new *asobi* experiences in the digital space.

The Pokémon MEZASTAR amusement machine operated by T-ARTS continued to perform strongly, while in the GACHA capsule toy business, sales grew due to the expansion of merchandise aimed at adults that leverages popular IPs, amid a market environment of growing popularity for capsule toys.

As a result of the above, net sales were ¥187,297 million (up 13.2% year on year). This was due to steady toy shipments, the continued popularity of amusement machines and GACHA products developed by T-ARTS, and a recovery of store traffic including foreign visitors and stronger sales of character-based toys in the KIDDY LAND retail business following the relaxing of various COVID-related regulations.

Net Sales

In the area of standard products, the Group continued its efforts to plan, develop and strengthen sales of products appealing to adults as well as children. In the TOMICA series, we launched large products

Profit

Despite a decline in the gross profit margin due to the weaker yen and other factors, operating profit increased 6.3% year on year to ¥13,119 million due to a jump in gross profit driven by increased net sales and more efficient management of selling, general and administrative expenses. Ordinary profit was ¥12,043 million (down 4.9% year on year), mainly due

to the recording of non-operating expenses resulting from foreign exchange losses.

Profit attributable to owners of parent decreased to ¥8,314 million (down 8.8% year on year), but this was due to the transfer of office real estate as non-current assets in the first quarter of the previous year and the recording of extraordinary profit as a gain on the transfer.

Overview by Regional Segment

Japan

Toy shipments remained strong due to the continued popularity of standard products and proactive IP development. The GACHA and amusement machine businesses grew, achieving year-on-year increases.

With the relaxation of various COVID-related regulations including limits of activity and border restrictions, socioeconomic activity showed signs of normalization and the toy market saw a recovery trend in the flow of people to physical stores. Tackling the expansion of target customers set out in the Medium-Term Management Plan, we actively worked on standard products and focused on creating new businesses, including digital-related businesses.

In the area of standard products, the Group continued its efforts to plan, develop and strengthen sales of products appealing to adults as well as children. In the TOMICA series, we launched large products for children such as “Big Fire Truck & Transforming Station,” while for adults, we aggressively promoted new products such as the “TOMICA Premium” line, which pursues realism. In addition, following the November 2022 launch of the Dream TOMICA Everything Ghibli! series produced in collaboration with Studio Ghibli, in March 2023 we launched the second iteration of the series to enhance the product lineup. To coincide with the 10th anniversary of the ANIA series, we worked to strengthen the brand by expanding sales with a new standard product and announcing the start of an animated series for television to be broadcast from April 2023.

The trading card game DUEL MASTERS, which celebrated its 20th anniversary in this fiscal year, saw a renewal of its animated TV series for the first time in six years in September, and marketing efforts were strengthened with the release of related merchandise. With the TRANSFORMERS brand, overseas exports increased. In the Pokémon franchise, related

merchandise such as MONSTER COLLECTION continued to gain popularity, while interest in the Pokémon Pikatto Academy Kids PC also remained strong. The popularity of the animated TV series *PAW Patrol* further expanded with the airing of a new series on terrestrial TV, and sales of related products such as *PAW Patrol Word Book* were strong.

In addition, as IP development on TV and WEB, the animated TV series *BOTTLEMAN DX* began airing in April, while online streaming of *TOMICA Heroes Jobraver-Specially-equipped combined robot* was also launched. Moreover, the highly popular original toy-derived animated TV series based on Punirunes LCD toys with new textures began airing in October, and related merchandise was popular. We also worked to actively expand TOMY IP. For example, Go! Go! Vehicle Zoo, featuring characters from TOMICA, PLARAIL and ANIA, was released on TOMY’s official YouTube channel, while a TV broadcast scheduled for April 2023 was announced.

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 sounds just like an actual person. We also launched Metaverse Pop-Up Pirate to provide new *asobi* experiences in the digital space. In amusement machines operated by T-ARTS, Pokémon MEZASTAR continued to perform well. In the GACHA business that is operated by T-ARTS, the installation of large GACHA sales locations was expanded amid a market environment of growing popularity for capsule toys.

Sales increased with the expansion of merchandise aimed at adults using popular IPs, while sales of plush toys were also strong.

As a result of the above, net sales were ¥148,214 million (up 13.8% year on year) and operating profit was ¥16,484 million (up 17.4% year on year). These results reflected steady toy shipments, the continued

popularity of amusement machines and GACHA products developed by T-ARTS, and a recovery of store traffic including foreign visitors and stronger sales of character-based toys in the KIDDY LAND retail business following the relaxing of various COVID-related regulations.

Overseas

Economic activity began to normalize because of relaxed COVID restrictions, but inflation also had an impact. In Asia, amusement machine sales remained strong, contributing to profit growth.

Americas

COVID-19 restrictions were relaxed and moves to normalize socioeconomic activity were made. However, with the acceleration of inflation, there were changes in purchasing behavior, such as an emphasis on daily necessities.

As a result, some major toy distributors struggled to receive additional orders, especially for baby products, due to overstocked inventories. Meanwhile, sales of agricultural machinery toys were strong, and sales of the plush toy series Mocchi-Mocchi- (overseas product name: Club Mocchi-Mocchi-) developed by T-ARTS in Japan grew, reflecting success in rolling out merchandise planned for the domestic market globally. Although net sales increased 9.0% year on year to ¥29,533 million, partly due to the impact of foreign exchange rates, the operating loss amounted to ¥725 million (down from operating profit of ¥415 million in the previous year) due

to an increase in selling, general and administrative expenses, including higher distribution costs and stronger year-end promotions.

Europe

In European countries, various COVID-19 restrictions were relaxed and moves to normalize socioeconomic activity were made, but purchasing behavior changed with the acceleration of inflation.

Against this backdrop, sales of agricultural machinery toys such as Ag Replicas remained strong and sales of Club Mocchi-Mocchi- plush toys grew, but sales of products for infants and toddlers and board games declined. This resulted in net sales of ¥6,683 million (down 7.3% year on year), and an operating loss of ¥797 million, down from operating profit of ¥47 million in the previous fiscal year, reflecting a deteriorating cost ratio from soaring distribution costs.

(Millions of yen)

| | 2022.3 | 2023.3 | Change | Change (%) |
|--------------------------------|----------------|----------------|---------------|-------------|
| Net sales | 165,448 | 187,297 | 21,849 | 13.2 |
| Japan | 130,289 | 148,214 | 17,925 | 13.8 |
| Americas | 27,093 | 29,533 | 2,440 | 9.0 |
| Europe | 7,206 | 6,683 | (523) | (7.3) |
| Oceania | 2,358 | 2,741 | 382 | 16.2 |
| Asia (other than Japan) | 46,974 | 55,465 | 8,490 | 18.1 |
| Eliminations and corporate | (48,474) | (55,340) | (6,865) | - |
| Operating profit (loss) | 12,344 | 13,119 | 775 | 6.3 |
| Japan | 14,039 | 16,484 | 2,444 | 17.4 |
| Americas | 415 | (725) | (1,141) | - |
| Europe | 47 | (797) | (845) | - |
| Oceania | 173 | 81 | (92) | (53.2) |
| Asia (other than Japan) | 1,297 | 1,895 | 598 | 46.1 |
| Eliminations and corporate | (3,630) | (3,819) | (189) | - |

Oceania

In Australia, various COVID-19 restrictions were relaxed and moves to normalize socioeconomic activity were made, but purchasing behavior changed with the acceleration of inflation.

Under these circumstances, sales of passenger-type toy agricultural vehicles and Club Mocchi-Mocchi-stuffed toys grew, while sales of infant products such as “Lamaze & Friends” infant and preschool products were also strong, resulting in net sales of ¥2,741 million (up 16.2% year on year) and operating profit of ¥81 million (down 53.2% year on year).

Asia

In some countries and regions, various regulations were put in place to combat COVID-19. Although lockdowns and other behavioral restrictions implemented in some Chinese cities were eased, there was a resurgence in COVID-19 infections, which temporarily affected purchasing behavior. Against this backdrop, we have been working to develop standard products and other products in Japan, with single-pack TOMICA vehicles and DIACLONE products performing particularly well. Net sales increased 18.1% year on year to ¥55,465 million, while operating profit rose 46.1% year on year to ¥1,895 million, mainly due to the popularity of Punirunes, an LCD toy with new textures developed in Japan; the strong performance of amusement machines from T-ARTS; and the global expansion of digital businesses.

