

Telephone Conference for the First Three Months of the Fiscal Year Ending March 31, 2022:
Questions and Answers Section

Q. In terms of net sales for the first quarter, could you please tell us the monthly trend from April to June?

A. (Ito, Head of Corporate Administrations) Last year, the retail business was mostly inactive due to the declaration of the state of emergency, but it was in operation this year. As a result, sales exceeded last year's level in each month.

Q. Looking at only the figures for the second quarter, the earnings outlook looks somewhat conservative. Also, while selling, general and administrative expenses were 13.9 billion yen for the corresponding period of the year before last (first quarter of the fiscal year ended March 31, 2020), they were 12.0 billion yen for this period. What is this difference of 1.9 billion yen? Is the Company planning to increase selling, general and administrative expenses in the future?

A. (Ito, Head of Corporate Administrations) The outlook for the second quarter has been calculated based on the information available at this moment. In the first quarter, there were no major events such as toy shows, so advertising expenses remained low. From the second quarter onward, we are planning to allocate funds mainly in advertising expenses and other necessary costs, so the operating margin will be relatively low. As we do not disclose the details of expenses we will refrain from responding to your question.

Q. What is your current outlook for the year-end sale? Would you also tell us if the next global product after Rizmo is likely to be launched by the end of the year or the next fiscal year or after?

A. (Ito, Head of Corporate Administrations) We plan to roll out large-scale global products next year or after, not this year. In addition to the product line we rolled out in the first quarter and products such as the "Girls x Warrior Series," and "Punirunes," an LCD toy that we launched from the second quarter, we will strengthen the lineup of PAW Patrol and others to achieve our goals, and steady progress is expected.

Q. You mentioned that Pokémon Mezasta remained strong. Would you please give us some quantitative information, if any? Also, could you please tell us about the difference from the previous product Pokémon Ga-Ole?

A. (Ito, Head of Corporate Administrations) Amusement facilities were closed in the previous fiscal year (fiscal year ended March 31, 2021). Sales were strong this fiscal year, including in rural areas, so

sales were about 10 times higher compared to the same period of last fiscal year. In terms of income, growth is about 10% higher than expected.

Q. Could you tell us more specifically about profit enhancement with product mixes?

A. (Ito, Head of Corporate Administrations) We will refrain from disclosing specific figures, but we analyze that growth of our long-selling products such as “SHINKALION” and LICCA dolls will contribute to increasing the overall margin, because the margin of the long-selling products is relatively high.

Q. In terms of the recovery in the retail market, how much has the recovery progressed compared to the pre-COVID-19 period?

A. (Ito, Head of Corporate Administrations) In particular, the retail market in the Tokyo metropolitan area, which had suspended last year, has achieved considerable recovery this year. More specifically, the operation rate of toy specialty stores has increased. On the other hand, we have heard that more stores are closed in Osaka and surrounding areas compared to last year.

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