

Financial Results Presentation Meeting for the First Six Months of the Fiscal Year Ending  
March 31, 2022

Outline of Questions and Answers

Q. Distribution expenses have been increasing. What is the current situation and how do you see prospects for the second half?

A. (Kojima, Representative Director, President & COO) A major factor for the inflated distribution expenses was the disruption in logistics caused by shortages of containers, but as surcharges can now be passed on to retailers, distribution expenses themselves are on track to be absorbed to some extent. However, these factors have not been entirely eliminated, so expenses are still at a higher level than in the past.

Q. Will the advertising expenses that were not used in the first half be used in the second half, or will they remain unused? Please tell us your outlook for the second half?

A. (Kojima, Representative Director, President & COO) We intend to maintain the ratio of advertising expenses as a percentage of gross sales. We expect to invest an appropriate amount on advertising in the second half.

Q. The cost of raw materials has been rising. Did this affect earnings in the first half? Will it have an effect in the second half?

A. (Kojima, Representative Director, President & COO) In the first half, we were able to absorb the rising cost on the bottom line through the price adjustment such as by product mix. We will continue to do so in the second half.

Q. Please tell us about progress with the installation of “Neltip” machines and the impact on income.

A. (Tomiyama, Board Director, Senior Executive Officer) Installation work was held back by state of emergency declarations but there are now more than 600 units installed, thriving in commercial facilities in Shibuya, Osaka and elsewhere. They have also been featured on TV, supporting high expectations for the future, when COVID-19 abates. I will refrain from answering about income.

Q. Please tell us about trends heading toward the end of the year with the new LCD toy “Punirunes.”

A. (Tomiyama, Board Director, Senior Executive Officer) We tied up with entertainers and YouTubers to market the product, and it sold well, which led to some shortages. We intend to make a big sales push toward the year-end sales season.

Q. How are things different from last year's year-end sales season?

A. (Tomiya, Board Director, Senior Executive Officer) Unlike last year, I get the impression that people are returning to retail stores. We have a strong lineup for the Christmas sales season, and we have high expectations for sales.

Q. Please tell us specifically about synergies with the Fat Brain Group.

A. (Kojima, Representative Director, President & COO)

- Fat Brain had previously relied solely on distributors for markets outside North America, but TOMY International's European and Australian teams are now selling Fat Brain products in their respective markets. Sales are living up to expectations.
- Building on its D2C (Direct to Customer) sales expertise, Fat Brain is selling TOMY International products on its existing website, as well as creating product-specific portals for particular products to promote sales.
- Three Fat Brain products have been nominated as finalists for the Toy of the Year 2022 overseas. We see Fat Brain being nominated for three products as compared with six for Hasbro and four for Moose Toys as evidence of strong product appeal. I expect that these products will also do well outside North America.

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