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SPECIAL FEATURE

HOW WE REALIZING EVOLUTION

FROM PRODUCTS TO BRANDS

TOMY's Growth Strategy Focused on Market Changes in Pursuit of Evolution

With the rise of various products, consumers are presented with a wide option of toys, while at the same time the toy market continues to contract. Also, the spread of smartphones and SNS offer consumers a variety of means by which to acquire information. Amid these market changes, TOMY is shifting its focus, from product strategies pursued up to now, to brand strategies aiming for further evolution. This Special Feature introduces TOMY's ongoing efforts to evolve by exploring this growth strategy in terms of the four keywords ENDLESS, AGELESS, BORDERLESS and POA.*

* POA: Point of Availability



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EVOLVE



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KEYWORD for EVOLUTION 1

ENDLESS

DEVELOPING NEW WAYS TO PLAY IN STEP WITH THE CHANGING TIMES



Core Product Evolution

With the arrival of a new age and new toys, amid continually widening options, the LICCA doll, TOMICA and PLARAIL, products that evoke feelings of nostalgia among the parent generation, still fascinate today's children. Behind the ongoing popularity of these core TOMY products among countless children throughout the ages are efforts toward an ENDLESS evolution aimed at providing new value that is always in step with the current generation.

The LICCA doll, which embodies the cuteness and style girls long for, has undergone numerous model changes to maintain its appeal. While incorporating the trends of each generation, we also update the environment surrounding the LICCA doll in line with contemporary trends—for example, the addition of LICCA Dad, who helps with childrearing—evolutions

that enable the enjoyment of modern fashion and make believe play.

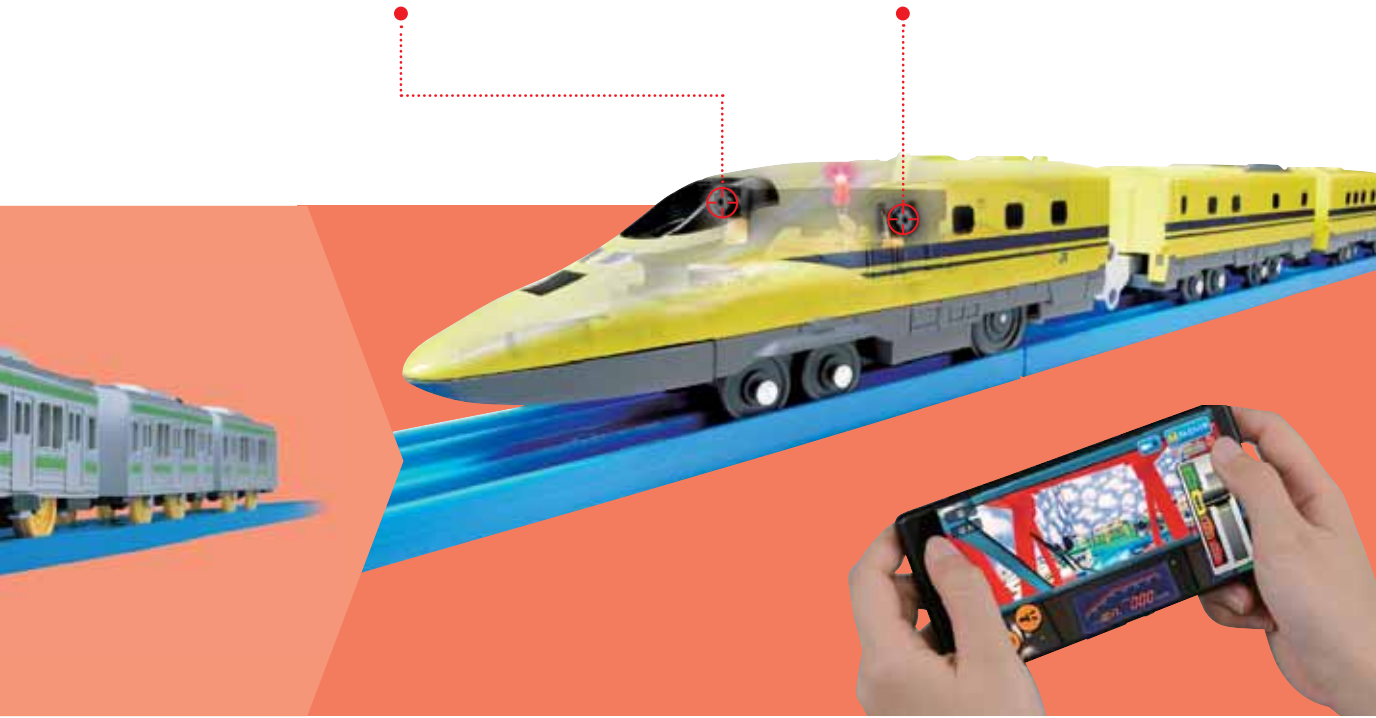
TOMICA, launched in 1970 with six different models, continues to propose new ways of playing through the TOMICA series peripheral products in addition to gimmicks such as sound and action, maximizing the TOMICA appeal with a high degree of perfection and rich variations that continue to be loved across ages and generations. In the 1990s, we launched sales of a sound-making TOMICA, the B/O TOMICA motorized movement series and the R/C TOMICA series of motorized TOMICA vehicles. In the 2000s, we launched the TOMICA Hyper Series, which added science fiction elements to a Tokyo Fire Department hyper-rescue model. This product was released as TOMICA's hero series, and the television program "Tomica Hero: Rescue Force," using actual



ONBOARD DRIVING CAMERA



WINDOW CAMERA



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TOMICA, was broadcast as part of the continuous evolution of TOMICA as an object of boys' adoration.

Targeting those interested in trains, PLARAIL, which was launched in 1959 and enables children to create a world of their own, features the latest Shinkansen and other noteworthy trains and the timely commercialization of popular trains through picture books and other products resulting a full lineup. In addition to 60 varieties of core trains, parts (28 types of rails, 28 types of scenery) are always provided to enable limitless play possibilities loved across generations. We offer not only entry-level sets such as the N700A Shinkansen Basic Set, which is purchased by more than half of all PLARAIL new users, but also more advanced models to expand fan segments. In addition, we developed a smartphone app to further expand the ways

in which users can have fun with PLARAIL. We also have plans to release "Smartphone Driver! Double Camera Doctor Yellow," which has an onboard driving camera and a window camera that users can follow on a smartphone. These are some of our efforts to provide new value through further evolution in step with today's trends.

Going forward, TOMY will continue proposing new ways of play in line with current trends and scientific technologies.

KEYWORD for EVOLUTION 2

AGELESS

INCORPORATING NEW AGE GROUPS

Cultivating a Wide Range of Age Groups and Genres

The rise of various toys and expanding toy options for users is bringing about changes in individual toy target segments. Toys that were previously enjoyed by elementary school students have now become old-hat to children by the time they enter elementary school. However, there is no age limit on a playful heart. By providing new ways of playing, services, and products to all people with a playful heart—not only children, but also adults and seniors—TOMY promotes measures to capture AGELESS fans.

One of these efforts involves the development of products for adults. We are leveraging product creation utilizing modern technologies and concepts that enable adults to experience the future as they felt or imagined it when they were children with the creation of the LINEAR LINER, which uses magnetic power to levitate and move, and a series of robots that include the OHaNAS talking robot. In addition, new products such as the ANIA movable animal figurines, which have grown into a global core product that started in Japan having sold

a total of 2.6 million units in 14 countries and regions in only three years, as well as AUTOMEE S, HELLO! ZOOMER, COLOR CATCH PEN and BAKU SHOWTARO that involved the New Products Planning Group, now in its fifth year since establishment, have earned a strong reputation including a grand prize from the Japan Toy Awards for the fourth straight year. ENDLESS product initiatives also include STEPPY, which enables players to turn, jump and enjoy dancing and is linked to the cultivation of a new genre of novel sports toys.

Also, with respect to e-commerce (EC), we established a new department and are engaged in advertising management using EC marketing and web media. Leveraging original web products and campaigns only a toymaker can offer, we have increased performance in this business to twice that of the previous year in every year since the launch in fiscal 2013. In terms of sales composition, original web products have outsold general products as we steadily cultivate this as a sales channel.



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KEYWORD for EVOLUTION 3

BORDERLESS

NEW MARKETING

Next-Generation Marketing

Within marketing, it is no longer possible to deliver messages to consumers using one-way communications focused on the four types of mass media*¹ used up to now. This is because of media diversification driven by the spread of smartphones and SNS, which enables consumers to select the media through which they acquire information in accordance with their own style and preference. This also enables them to disseminate information on their own. In light of these information society changes, TOMY is focusing efforts on next-generation marketing facilitating two-way and one-to-one communications with consumers. Omnidirectional media development, including new technologies such as SNS and online video, will facilitate the BORDERLESS promotion of our products. Furthermore, we will attempt to maximize this appeal through tie-ups between TOMY products and amusement machines, comics, animation, music, movies and software.

For example, with respect to the BIG BET (highest priority product) BEYBLADE BURST, we initially aimed to create a hit that would surpass the previous two generations of BEYBLADE with the addition of new play value centered on a gimmick whereby a player could burst and break his opponents' BEYBLADE to win the game. To deliver this information to a wide range of age groups, from children to users of the first-generation BEYBLADE who are now adults in their early 20s, we conducted promotions through a wide range of cross media developments including magazines, television commercials and advertisements on animation and video websites. In addition, to deepen the enjoyment for users taking advantage of the point function, we installed machines in stores able to determine individual BEYBLADES via an embedded NFC chip using terminals facilitating communication with the new technology BEYCLOUD SYSTEM. These efforts successfully resulted

in a big hit. We also expanded the appeal of BEYBLADE BURST contests to users of all ages, from children to adults.

With regard to the development of KAMIWAZA WANDA, a television animation program created by TOMY that began broadcasting on TBS in April 2016, we created contact points with children targeting all channels, from television, the Internet, publishing and distribution. We are also making a deliberate appeal to parents through events and the dissemination of information via SNS. In terms of the development of related toys, we are promoting sales through convenience stores and other non-toy distribution channels to expand awareness of characters and content and cultivate KAMIWAZA WANDA over the medium to long term.

Furthermore, with respect to advertising expenses used for web media, one successful example is the creation of a viral video*² used to promote The Game of Life that was viewed 10 million times. In next-generation marketing, as of yet there are no fixed or established methods such as television commercials or magazine advertising, therefore there is tremendous potential. We are determined to take on new challenges, the results of which we will carefully examine to enhance the value of products and content.

*¹ The four traditional media: television, radio, newspapers and magazines
 *² A video that becomes popular through sharing on SNS and blogs





ANIME



TOY



MANGA



EVENT



WEB/
APPLICATION



FREE GAME TERMINAL AT STORES
"BEY TERMINAL"



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KEYWORD for EVOLUTION 4

POA

NEW SELLING SPACES AND PRODUCT DEPLOYMENT

Cultivating New Selling Spaces

The number of toy stores in Japan is declining amid a shift from small shops to large stores and the growth of e-commerce driven by the spread of the Internet. In light of these conditions, to thoroughly ensure “where there are children, there are toys,” TOMY strives to expand product deployment through POA (Point of Availability).

When expanding POA, we first examined and ranked “places where children (boys and girls aged 0–12) go,” then proceeded to examine the market environments and commercial distribution and logistics systems of convenience stores, bookstores, drugstores, restaurants and places other than toy stores where children go. We proposed selling spaces corresponding to the particulars of each of these places, while at the same time engaging in the development and proposal of original products in an effort to expand POA. A year has passed since we launched these efforts, during which we expanded selling opportunities by promoting the development of original products, including original TOMICA for convenience stores and the TOMICA Busho series for bookstores. With products like the PriSpo series, we also strove to expand customer contact

points through selling space proposals corresponding to store characteristics. We proposed the introduction of craft and hobby products for girls at handicraft stores and created selling spaces at movie theaters timed to coincide with the release of the *Star Wars* series movies, among other efforts to expand selling opportunities. We have narrowed down a group of target companies to which we are proposing the introduction of products enabling the introduction of non-toy distribution.

Commercial practices, such as transaction conditions, profit structure and logistics structure differ between toys and other products. To overcome these barriers, we will maximize selling opportunities to realize proximity when purchasing in an attempt to introduce numerous products.



SPORTS EXHIBITION



CINEMA



CONVENIENCE STORE



HANDICRAFT SHOP

EXPANSION OF SALES CHANNEL



BOOK STORE



SERVICE/PARKING
AREAS OF HIGHWAYS



INTERNET



DRUGSTORE



REALIZING EVOLUTION

FROM PRODUCTS TO BRANDS

TOWARD FURTHER EVOLUTION

Brand Strategy Promotion

While evolving under the keywords ENDLESS, AGELESS, BORDERLESS and POA, TOMY will wait to release of major content going forward. We will engage in the full-scale deployment of animated television program BEYBLADE BURST, which began broadcasting in Japan this year, to begin broadcasting in North America during this fiscal year.

At present in the global toy market, IP competition and cultivation battles are intensifying among major toymakers. To survive in this environment, TOMY will

use its products, which are its assets, to promote brand strategies to enhance the value of its assets as brands. Products may change, but brands are forever. As brand power grows through the establishment of brand image, we can expect a further contribution to profits through the development of a licensing business and the deployment of products other than toys. Going forward, TOMY will continue its evolution from products to brands.

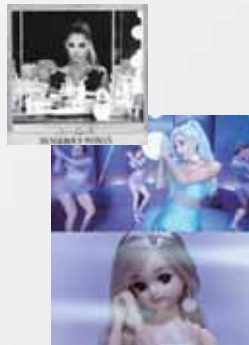
LICCA DOLL BRAND STRATEGY EXAMPLE



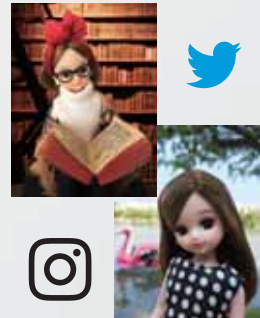
Merchandise deployment



Corporate collaboration



Music video performances



Expand image via SNS

ARIANA × LICCA



Showing a Japanese-version music video* of "Focus," a single by the female U.S. singer Ariana Grande
* Publicly available on YouTube via Universal Music at <https://youtu.be/gdeUxsVkrKY>

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