

Interim Report by the Study Group on the Value of Toys

June 30, 2025

Lifestyle Industries Division, Manufacturing Industries Bureau

Outline of the Study Group on the Value of Toys

Objective of the Study Group

- To enable the country's toy industry to gain a global market share while adapting to major changes in the current landscape of the industry and maintaining its competitive advantages into the future, we established the Study Group on the Value of Toys as a public-private joint study group comprised of experts, with the objective of considering strategies for sustainable development of the industry.

1st meeting (Sep. 2, 2024)

Discussion on the current situation and issues of the toy industry

<Topics>

- The current situation and issues of the toy industry (changes in how toddlers play, changes in sales channels, tapping into the growth of overseas markets)

2nd meeting (Nov. 28, 2024)

Discussion on strategies to popularize and promote the use of educational toys

<Topics>

- How to use educational toys
- Utilization of technology, etc.
- Common standards and language
- The need for expanding the educational toy business across global markets

3rd meeting (Mar. 5, 2025)

Discussion on strategies for overseas expansion

<Topics>

- Issues related to overseas expansion (short-term and medium- to long-term issues)

4th meeting (Apr. 25, 2025)

Discussion on strategies to enhance consumer touchpoints and the direction the toy industry should aim for

<Topics>

- The current situation and issues to be addressed in order to enhance consumer touchpoints
- Interim report

<Members> (Honorifics omitted; in Japanese alphabetical order)

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<Observers>

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The Japan Toy Association
Japan Plamodel Industry Association
The Toy Journal
PwC Consulting LLC
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<Secretariat>

Lifestyle Industries Division, Manufacturing Industries Bureau, the Ministry of Economy, Trade and Industry

Main Points of Discussion by the Study Group on the Value of Toys

Global expansion

- Japan's original cast metal puzzle series called Huzzle are currently sold in 57 countries and regions since the series was launched in 1983, with total sales reaching over 26 million units. The Huzzle series received the Global Success Award at the Japan Toy Awards 2024.
- When entering new markets, the company collaborates with toy manufacturers that are already operating in those countries, and uses their distribution networks. The company's collaboration product with the Legend of Zelda launched in 2023 was a bestseller with total global sales of 420,000 units.
⇒ In order to effectively use limited and scarce management resources and gain a competitive edge in a niche market not covered by large companies when expanding business overseas, it is important to collaborate with content and establish distribution networks.



Acquisition of a diverse fan base

- The Magnetic Number Board used in the Kumon learning method is not just an effective basic teaching tool for small children. It has also become a long-selling product widely used in general households and in other countries. In addition, it can also be used in learning therapy that is expected to prevent dementia and slow cognitive decline in middle-aged and senior citizens.
⇒ The idea that toys are only used by children for play at home is a preconception of the past. It is important for the industry to not only have an significant influence on the growth of children through toys but also to fulfill its purpose as a creator of culture and become an industry that enriches people's lives by expanding use cases and discovering new demand for toys.



Enhancement of consumer touchpoints

- With the diversification of the toy retail industry, consumer touchpoints with toys have also diverged. In response, large companies that sell toys with strong brand recognition have set up touchpoints with toys through the enhancement of brand experience, and as part of school classes and work experience. On the other hand, it is difficult for SMEs, which account for the majority of the toy industry, to increase consumer touchpoints on their own.
⇒ The Japan Toy Association holds the International Tokyo Toy Show to create consumer touchpoints with toys. Moreover, it announces the Japan Toy Awards, and makes various efforts to convey the charm of toys to children in communities.

Interim Report and Toy Compass

- After sorting out the current situation of the toy industry based on the discussions up to the fourth meeting of the Study Group, we formulated the interim report based on the following three courses of actions to be taken: global expansion, acquisition of a diverse fan base, and enhancement of consumer touchpoints.
- As part of the interim report, we also formulated the Toy Compass, new guidelines to promote the development of the toy industry based on the premise of public-private collaboration towards achieving the future vision of the toy industry, which is currently in a phase of transformation.

Interim Report

- The toy market in Japan is steadily growing, however, with the widespread use of smartphones and tablet devices, **more and more children are shifting away from toys due to factors such as less opportunities to use them.**
- Considering the above, **we have set the direction the toy industry should aim for, from the perspectives of global expansion, acquisition of a diverse fan base, and enhancement of consumer touchpoints.**
- To achieve global expansion, **it is important to collaborate with and promote Japanese content.**
- To acquire a diverse fan base, **it is important to re-evaluate the functional value of toys and develop attractive toys.**
- To enhance consumer touchpoints, **it is important to increase opportunities for users to directly experience brands and toys and cultivate their interest in them through events, etc., and provide toys that are preferred and picked by users themselves.**

Toy Compass

- Instead of formulating a roadmap that should be followed by the entire industry, **we formulated new guidelines to promote the development of the toy industry to facilitate each business to make efforts at its own pace by using the guidelines as a compass.**
- The guidelines set out a vision of the future the toy industry aims to achieve through short-term, medium-term, and long-term initiatives based on the three themes of global expansion, acquisition of a diverse fan base, and enhancement of consumer touchpoints, which are the key topics of the Study Group.
- The public sector and the private sector will work together to realize the future the toy industry aims to achieve (acquisition of fans in Japan, development of infrastructure for younger generations who will shape the next form of society, and revitalization of communities).

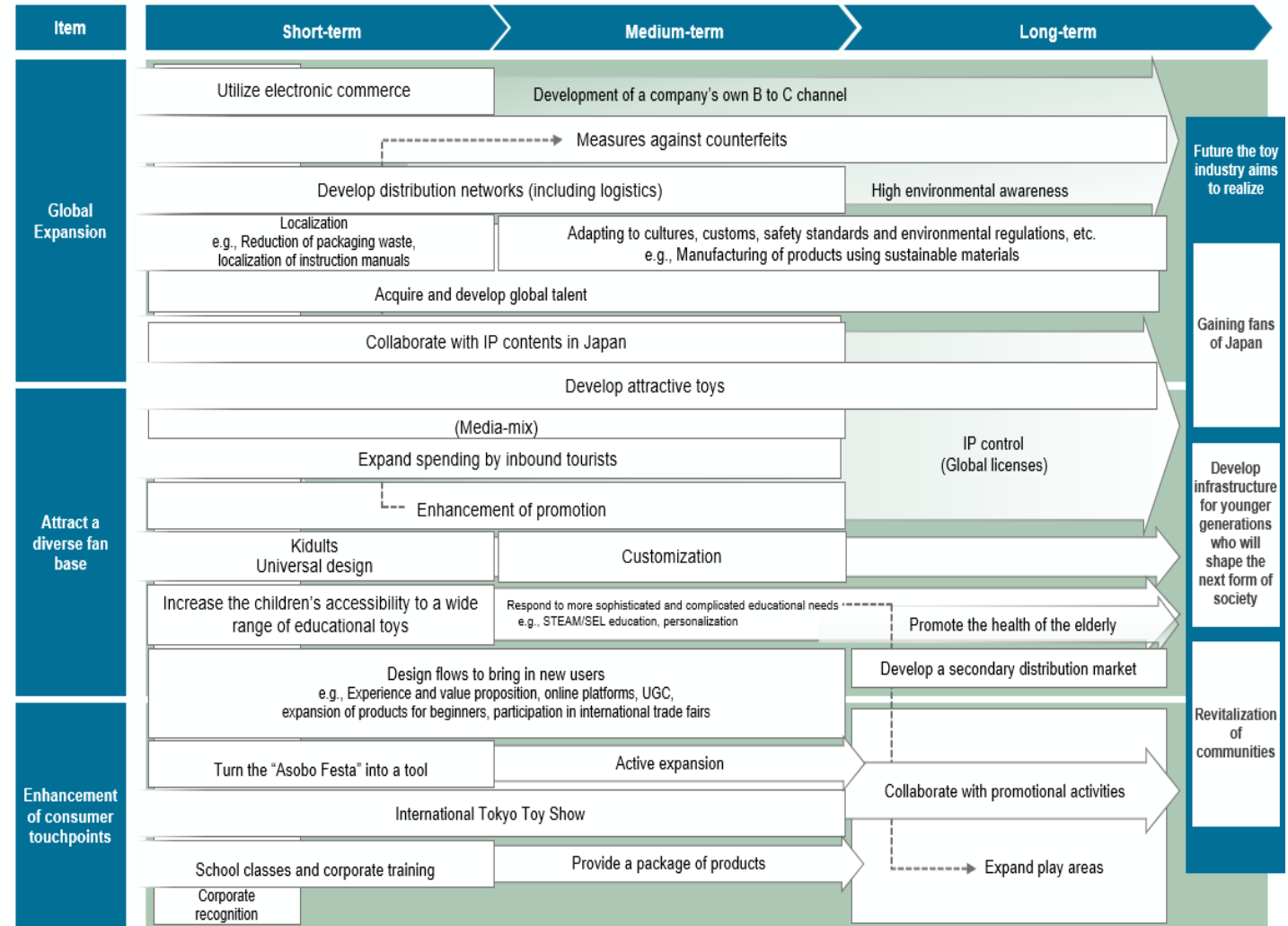
Toy Compass

Changes in the macro environment affecting the toy industry

Structural characteristics of the industry stemming from the characteristics of products

Demographics	Type	<ul style="list-style-type: none"> The industry is divided into small segments with many manufacturing players Strategies vary by company depending on the form of toys In order to distribute a wide variety of toys manufactured by a number of manufacturers at once to retailers, the functions of wholesalers and their distribution networks play an important role
Change in income	Period of use	<ul style="list-style-type: none"> Consumers periodically purchase toys The amount of toys disposed in Japan is estimated to be approximately 60,000 tons per year
Purchasing behavior	Differentiators	<ul style="list-style-type: none"> With a low barrier to enter the market, there are many players including SMEs, micro businesses and various brands From the perspective of international trade, the industry could be subject to the protection of domestic industries Ideas, safety, and quality control are relatively important
Gender-neutral	Product life cycle	<ul style="list-style-type: none"> Manufacturers with long-selling products can maintain stable and strong competitive advantages because of their highly recognized brands As it is difficult to make large capital investments for products with a short life cycle, product manufacturing is primarily outsourced
Higher environmental awareness	Materials	<ul style="list-style-type: none"> The industry is susceptible to the trends of plastic-related regulations, such as reduction of the volume of plastics in the distribution system and promotion of the circulation of plastic resources through reuse and recycling
	Seasonality	<ul style="list-style-type: none"> As the demand fluctuates significantly throughout the year, the industry needs to address the issues of inventory management and production management to prevent unsold inventory remaining for a long period of time and best-seller products being out of stock It may require extra labor and warehousing for a limited period
	Dependency on trends	<ul style="list-style-type: none"> There is a strong tendency toward market-oriented planning and product development by businesses based on an understanding of the wants and needs of consumers
	Purchasers	<ul style="list-style-type: none"> It requires both marketing for parents, etc., who are the purchasers/decision makers, and marketing for children

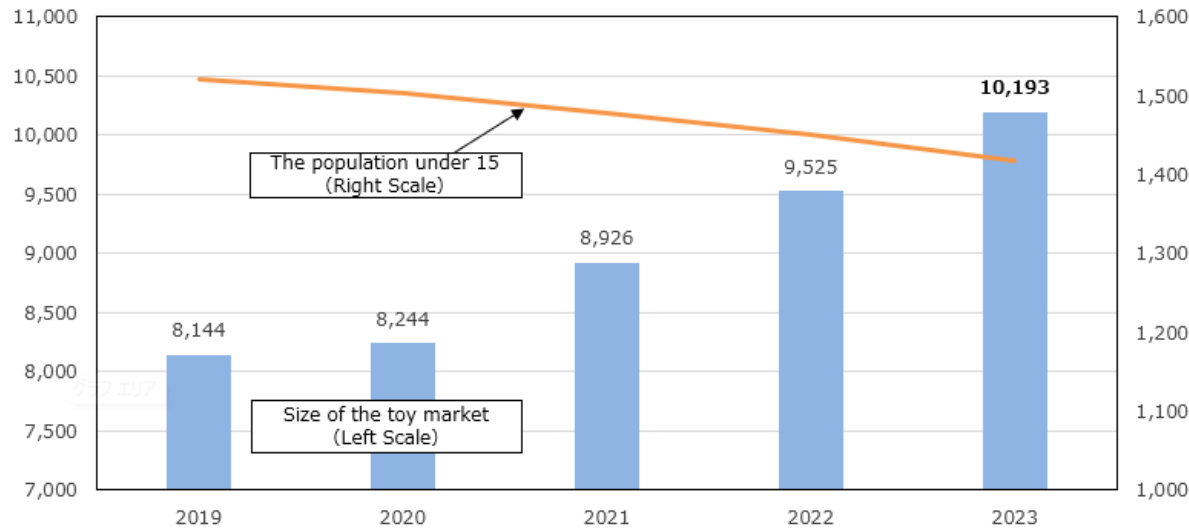
Toy Compass



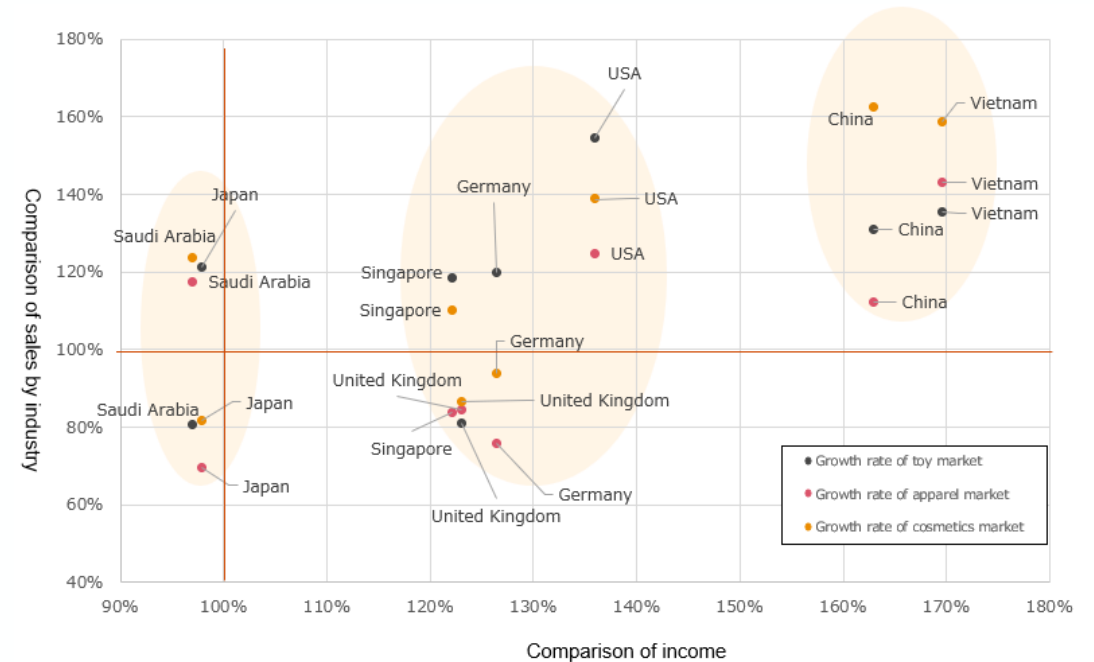
[Reference] Current Landscape of the Toy Industry (1)

- The toy market in Japan has been steadily growing. Although the population under 15 years old continues to decrease, the market size reached a record-high of 1,019.3 billion yen in FY2023.
- Looking at the income growth per household and the sales growth in toys, cosmetics and apparel industries in 2014 and 2022, it shows that, in developed countries, the growth rates of sales of toys tend to be higher than cosmetics and apparel, regardless of their income growth rates. In Japan, the high sales growth rate of the toy industry is believed to be affected by an increase in prioritized spending due to rising consumer prices as well as an increase in spending by kids.

Change in the size of the toy market and the population under 15 in Japan



Comparison of growth of global income and markets in 2014 and 2022



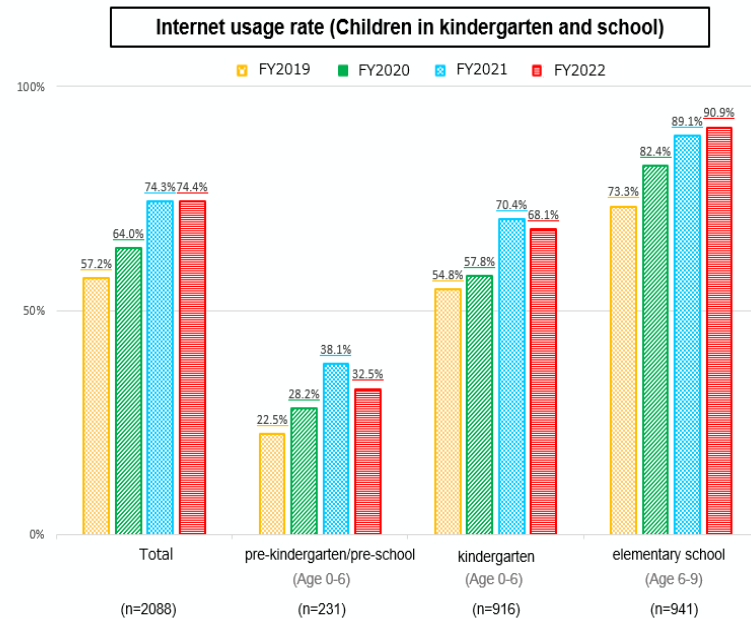
(Source) Prepared by the Ministry of Economy, Trade and Industry based on the Survey on the Toy Market Size by the Japan Toy Association and the Population Estimates by the Ministry of Internal Affairs and Communications

(Source) Prepared based on Euromonitor

[Reference] Current Landscape of the Toy Industry (2)

- With the **widespread use of Internet devices** such as smartphones and tablet devices among the youth, the demand for digital toys is increasing, while **the demand for traditional analog toys is decreasing**, raising concerns that **children may further lose interest in toys**.
- Consumer touchpoints with toys are shifting away from toy specialty stores to other channels** as more people use the Internet to purchase products following the emergence of electronic commerce, and more general merchandise stores and electronics stores now sell toys.
- In addition, other distinctive trends include high-mix low-volume production, a shorter life cycle, and expansion of markets for toys for adults (kidults) and educational toys.

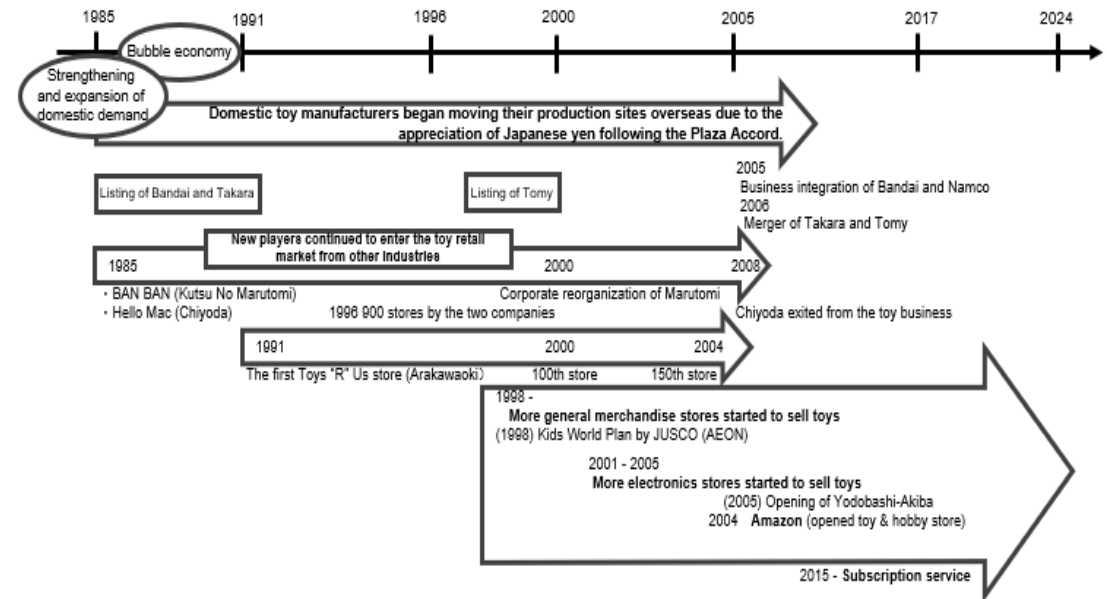
Percentage of young people using the Internet



Internet devices used (n=2088)

Smartphones	24.6%
Smartphones without contracts	20.4%
Mobile phones	5.4%
Household computers and tablet devices, etc.	38.1%
Computers and tablet devices, etc. distributed/assigned by school (GIGA devices)	(25.6%)
■ Survey limited to elementary school students (n=941)	■ 55.9%
Game devices	32.5%
Television (excluding terrestrial and BS broadcasting, etc.)	48.1%

Changes in sales channels



(Note 1) The Internet usage rate of lower age children and the Internet devices are tallied based on all responses received from guardians of lower age children.
 (Note 2) The numbers of responses for FY2021 are as follows: total (n=2294), pre-kindergarten/pre-school (ages 0-6) (n=1013), elementary school (ages 6-9) (n=987).
 The numbers of responses for FY2020 are as follows: total (n=2247), pre-kindergarten/pre-school (ages 0-6) (n=301), kindergarten (ages 0-6) (n=1011), elementary school (ages 6-9) (n=935).
 The numbers of responses for FY2019 are as follows: total (n=2225), pre-kindergarten/pre-school (ages 0-6) (n=351), kindergarten (ages 0-6) (n=974), elementary school (ages 6-9) (n=900).
 (Note 3) The Internet devices were changed from FY2021. The following 15 devices were included in the surveys up to FY2020: smartphones, low-cost smartphones, kids smartphones, smartphones without contracts, mobile phones, kids mobile phones, laptop computers, desktop computers, tablet devices, educational tablet devices, kids entertainment tablet devices, mobile music players, mobile game devices, stationary game devices, and televisions connected to the Internet.

(Source) FY2022 Fact-finding Survey on Internet Use Environment of Young People by the Cabinet Office (May 2023)