

**TOMY Company, Ltd.**  
**Fiscal Year 2013 Results**  
(April 1, 2013 – March 31, 2014)

**May 16, 2014**  
**TSE Securities Code: 7867**

# **FY 2013 Financial Highlights**

## **(April 1, 2013~March 31, 2014)**

**May 16, 2014**

Kazuhiro Kojima  
Board Director  
Chief Financial Officer  
Senior Executive Officer  
TOMY Company, Ltd.

# Consolidated Income statements



¥100million

	FY2013			FY2012	Difference (Yr-to-Yr comparison)
	Actual	Revised Forecast (12 Feb, 2012)	Original Forecast (14 May, 2013)	Actual	
Sales	1,559	1,550	1,830	1,790	-231
Operating income	34	28	50	25	+9
Operating Profit Margin	2.2%	—	—	1.4%	+0.8%
EBITDA	115	—	—	100	+15
Ordinary Income	33	30	44	26	+7
Net Income	4	2	22	-70	+74

## ◆ Sales

Decreased mainly due to sale of subsidiary TOYS UNION Co., Ltd

## ◆ Operating income

Non-achievement of original forecast due to partial withdrawal of China business and below-target results from businesses in Europe and ASEAN region

## ◆ Net Income

Extraordinary losses were lower, and net income returned to the black

\* All figures have been rounded down to the nearest ¥100million.

\* Amortization of goodwill and intangible assets associated with acquisition of TOMY International : FY2013 ¥2.2bn, FY2012 ¥2.6bn

\* EBITDA=operating income + depreciation + amortization of goodwill

\* US\$ FX rate : FY2013 ¥100.23, FY2013 ¥83.10

¥100million

	FY2013	FY2012	Difference (Yr-to-Yr comparison)
Sales	1,513	1,436	+77
Operating income	34	22	+12
Operating Profit Margin	2.3%	1.6%	+0.7%
EBITDA	115	97	+18
Ordinary Income	33	22	+11
Net Income	4	-72	+76

- ◆ Existing businesses realized both sales and profit growth
- ◆ The effects of TOYS UNION Co., Ltd. share transfer in July is as follows  
(outside scope of consolidation from the second quarter)

## [Results of TOYS UNION]

FY2013 Actual (results for same period of previous FY in parentheses)

Sales	45million (353million)
Operating Income	-0.1 (2.9)
Ordinary Income	0 (3.9)
Net Income	0 (1.9)

\* Simple deduction of TOYS UNION's results from consolidated results

\* All figures have been rounded down to the nearest ¥100million.

# SG&A Breakdown



¥100million

	FY2013	FY2012	Difference (Yr-to-Yr comparison)
Cost of Sales	1,027	1,238	-211
Cost Rate	65.9%	69.2%	-3.3%
<b>SG&amp;A (total)</b>	<b>498</b>	<b>526</b>	<b>-28</b>
Personnel expense	184	189	-5
Advertising expense	82	96	-14
R&D expenses	22	27	-5
Distribution expenses	69	70	-1
Amortization of goodwill and intangible assets associated with acquisition of TI	22	26	-4

\* All figures have been rounded down to the nearest ¥100million.

## ◆ Cost Rate

Improved due to TOYS UNION Co., Ltd. sale in the video game software wholesale business

## ◆ SG&A (total)

Reduced mainly advertising expenses

## ◆ Personnel expense

Salary cuts for managers carried out in the second half of FY2012 were cancelled, and total personnel expenses were down slightly for the current fiscal year after including performance-linked bonuses

# Overseas Net Sales



¥100million

地域	FY2013	FY2012	Difference (Yr-to-Yr comparison)
Japan	920	1,242	-322
North America, Europe and Oceania	533	457	+76
Asia (excluding Japan)	83	74	+9
Others	22	15	+7
<b>Total</b>	<b>1,559</b>	<b>1,790</b>	<b>-231</b>
Ratio of overseas sales	41.0%	30.6%	+10.4%

\* All figures have been rounded down to the nearest ¥100million.

- ◆ The growth in ratio of overseas sales was assisted by group reorganization that was implemented to consolidate core businesses
- ◆ Japan  
Decreased mainly due to sale of TOYS UNION Co., Ltd.
- ◆ Overseas  
Increase of ¥5,200 million in North America

# Extraordinary Loss and Extraordinary Profit Breakdown



## Major year-on-year items changed

¥100million

	FY2013	FY2012	Difference (Yr-to-Yr comparison)
Extraordinary Profit	11	5	+6
Gain on sales of investment securities	8	—	+8

Extraordinary Loss	16	79	-63
Loss on sales of investment securities	5	—	+5
Loss on impairment of fixed assets	2	62	-60
Special extra retirement payments	—	8	-8

\* All figures have been rounded down to the nearest ¥100million.

### ◆ Gain on sales investment securities

Mainly gain on sale of shares of group company TATSUNOKO PRODUCTION Co., Ltd

### ◆ Loss on sales investment securities

Loss on sale of shares of Index Corporation and TOYS UNION Co., Ltd.

### ◆ Loss on impairment of fixed assets

Mainly impairment of intangible assets of some overseas subsidiaries in the previous fiscal year

### ◆ Special extra retirement payments

Implemented call for voluntary retirement in fiscal year ended March 31, 2013

# Consolidated Balance Sheets Breakdown



## Major year-on-year items changed

¥100million

account	FY2013	FY2012	Difference (Yr-to-Yr comparison)
<b>Inventories</b>	<b>182</b>	<b>203</b>	<b>-21</b>
<b>Japan</b>	<b>113</b>	<b>142</b>	<b>-29</b>
<b>Overseas</b>	<b>100</b>	<b>103</b>	<b>-3</b>
<b>Elimination of unrealized profits</b>	<b>-32</b>	<b>-42</b>	<b>+10</b>

<b>Total Interest Bearing Debt</b>	<b>728</b>	<b>662</b>	<b>+66</b>
<b>Loans Payable</b>	<b>505</b>	<b>530</b>	<b>-25</b>
<b>Bonds</b>	<b>100</b>	<b>9</b>	<b>+91</b>
<b>Convertible Bonds</b>	<b>123</b>	<b>123</b>	<b>0</b>

\* All figures have been rounded down to the nearest ¥100million.

### ◆ Inventories

YoY decline of US\$7 million for overseas subsidiary TOMY International¥1,000 million for TOYS UNION Co., Ltd in FY2012

### ◆ Interest Bearing Debt

Issuance of private placement bonds in March to provide funds for partial redemption of CB and operating capital

\* US\$ FX rate : FY2013 ¥100.23, FY2012 ¥83.10



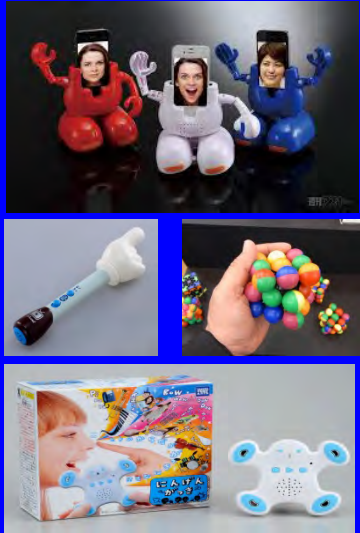
A hand in a dark suit jacket is pointing towards the right side of the frame. The background is a dark grid with a semi-transparent chart overlay. The chart features a red line graph with square markers and a blue area chart below it. The text is overlaid on a semi-transparent white rectangular area.

**TOMY Company, Ltd.**  
Business Strategy Meeting for Analysts  
Presentation materials

May 16, 2014  
Chief Operating Officer  
H.G.MEIJ

# The Unbeatable Strengths of Tomy

## Powerful creativity and imagination



Industry leader in IP submission※

## Utilization of our unique assets



Over 60 brands  
Extending to 15 out of 16 categories

## Passion

Dream

You are the star role

The charm does not fade

Quality and safety

Keeping abreast of trends/ localizing



Concept and global sales channels for toys

# Our Clear Business Plan



※Number of trademark registrations in 2012 (Tomy's own research)



# Important Decision Time for Tomy

Reforming of the  
current business

Next generation toys

Globalization

Balance between Tomy  
original and partner products

Taking risks and inventing  
new play for the next  
generation



**TAKARA  
TOMY**

Analog centric

Execution by area (regionally specific)

Increase in partner product ratio

Pattern of repeating successes (keeping past scenarios as they are, unchanged)

# Strengths and Reform Points for Tomy



**Strong knowhow of growth markets**

**Poor POA (Point of Availability)**

**Active development of products in  
15 of 16 toy categories**

**Structure – Many organizations  
and layers**

**Global Presence**

**Willingness – Spirit of risk taking**

**strong products and brands**

**Venturing into “White Space”**

**Powerful creativity**

**Developing brands that suit the age**



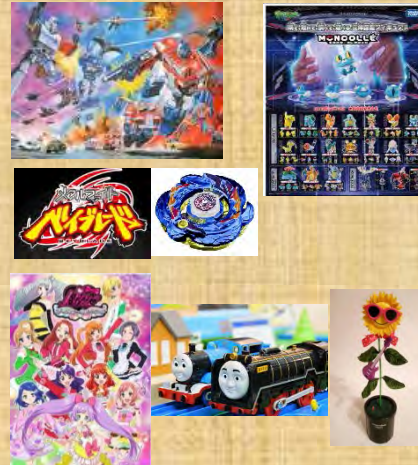
# “New Changes” in Our Industry

## 1st Generation

## 2nd Generation

## 3rd Generation

## 4th Generation



## Craftsmanship

## Mass development and production

## marketing

## New technology

During and after WWII

Economic growth

Growth of mass media

analog + digital

## Metal and motors

## Material revolution

## Public information revolution

## The personal revolution

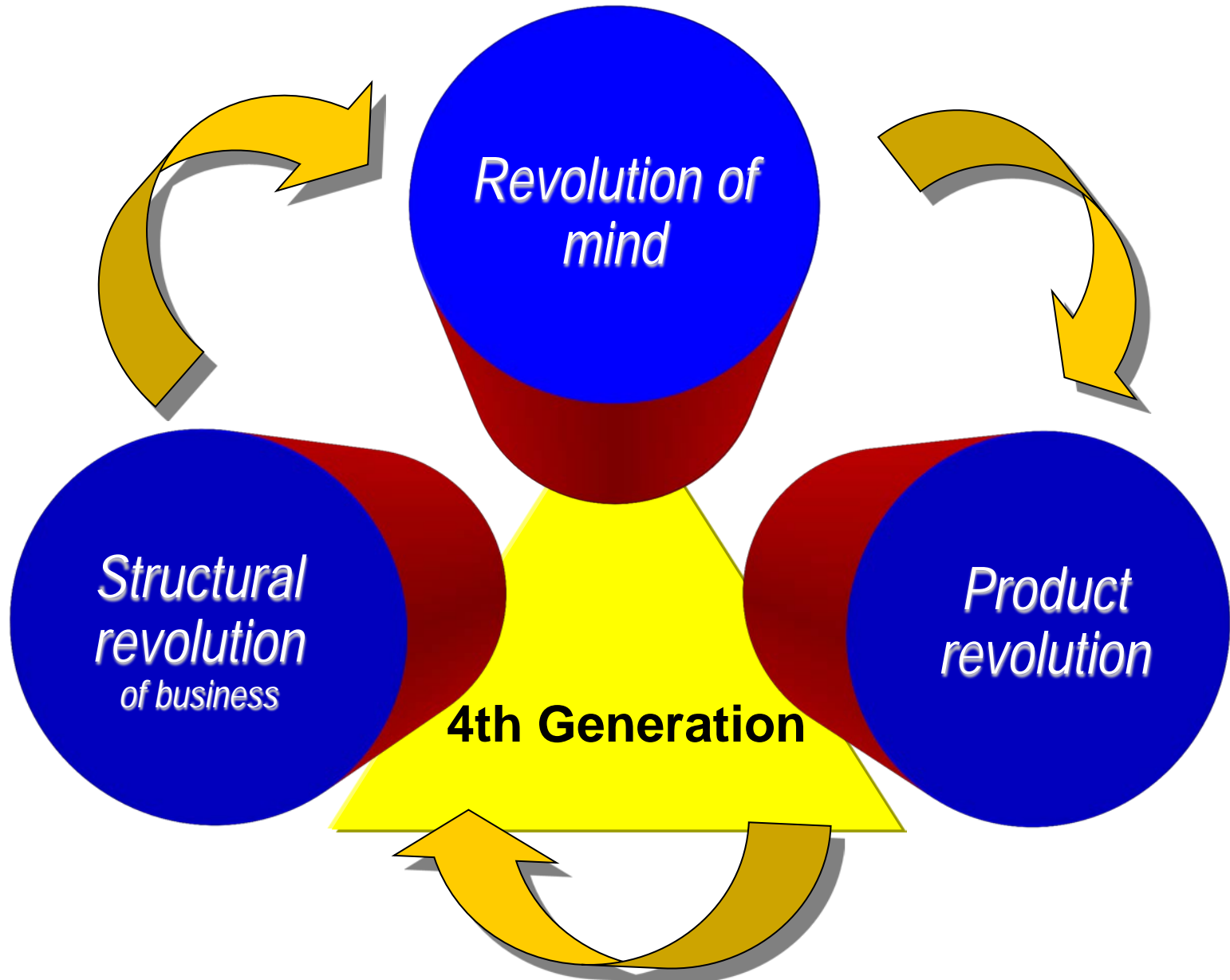
Reliance on exports  
Tinplate toys  
Age of materials

Focus on exports  
Molding of plastic  
Age of the product

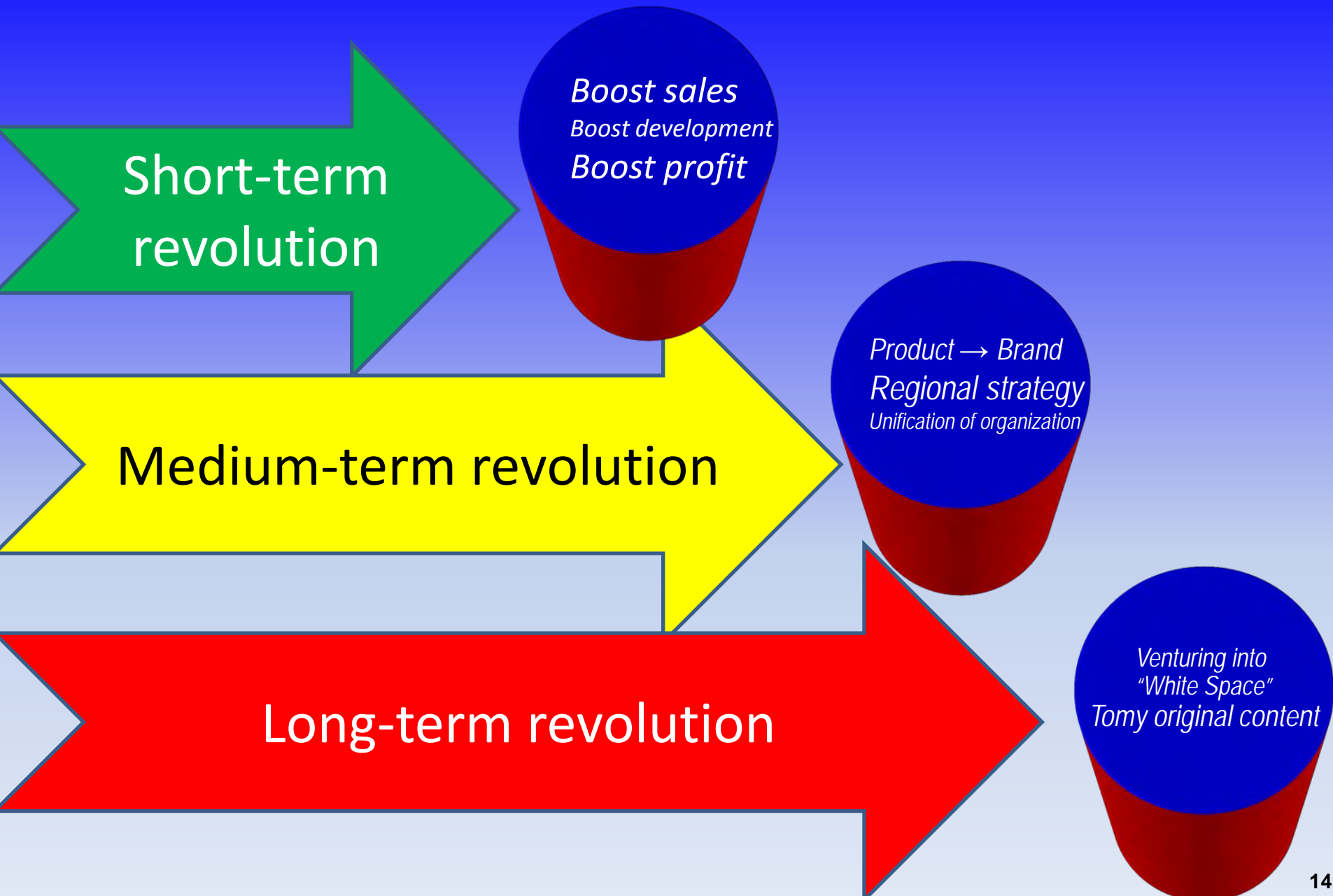
Development of toy marketing  
Products with information added value  
Age of information

Global development  
Age of brands

# Essential Three Revolutions to Achieve the 4th Generation

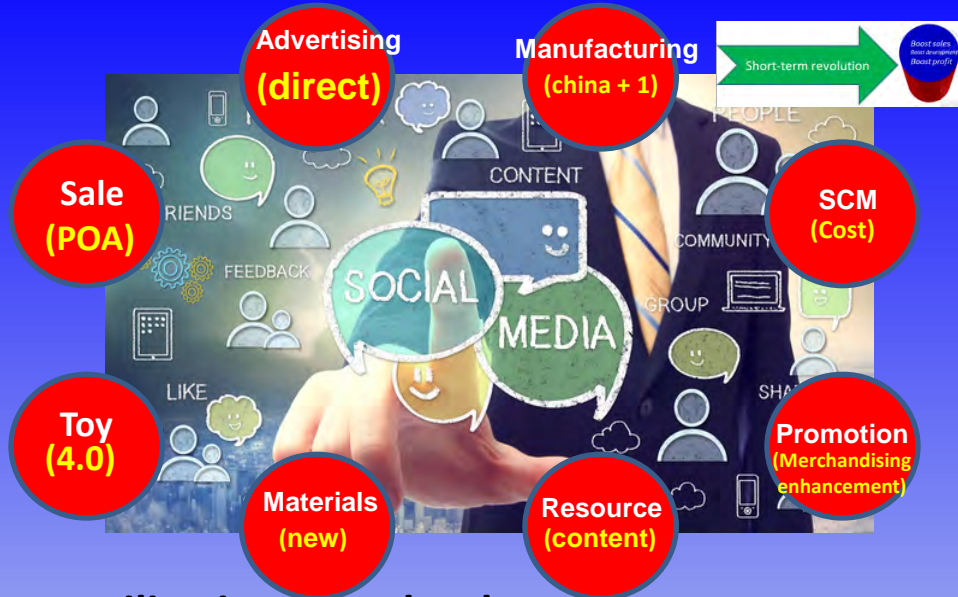


# Time Axis of Three Revolutions of 4th Generation

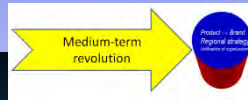




# Evolution of Tomy in the 4th Generation



**Utilization of technology**  
(Efficiency up, cost down)



**Construction of regional strategy**  
(maximization of fields of expertise)



**From products to brands**  
(Maximization of ROI)



**Acquisition of "White Space" markets**  
(Adults, babies, brand expansion)



# Our products are extremely good. The problem is a lack of POA



Currently: Approx. 4,500 locations in Japan



**Increase sales locations!**

Search for places where there are children

**POA: Point of Availability**

— Toys are not being sold in the places where there are children and their parents

例



**Theater**



Convenience-store



**Bookstores**



**SAPA**



Internet shopping site



**Supermarkets**



**Restaurants**



**Underserved markets**



**Drugstores**

## Collecting ideas

- Employees
- General public

## Unification of product development

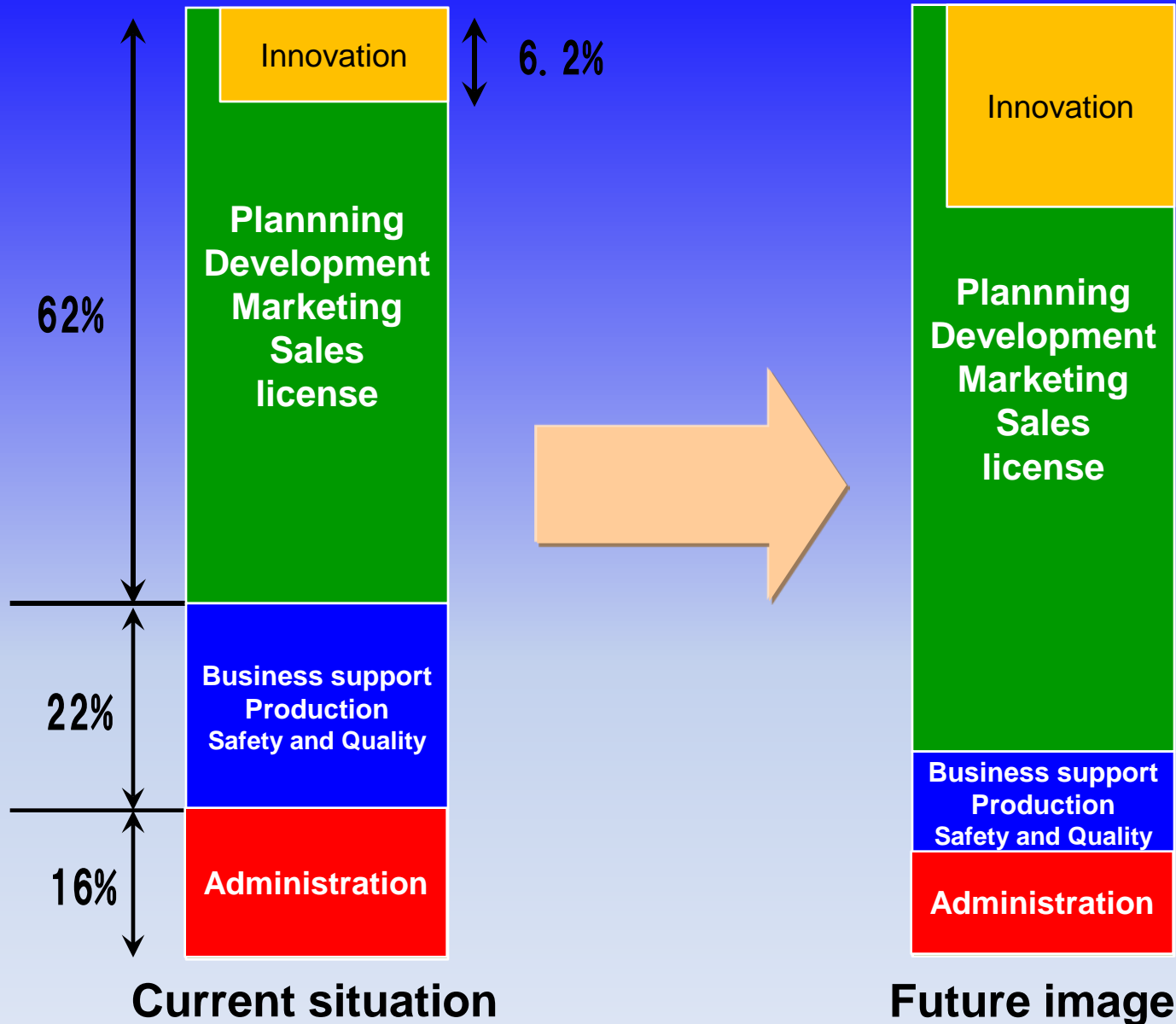
- Brands
- Partners
- Seeds
- Import

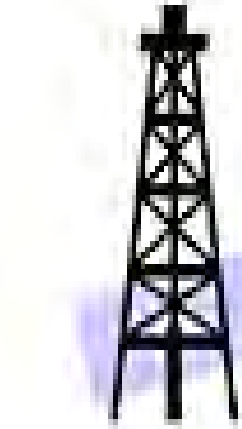
## External information

- Broadcasters
- Publishers

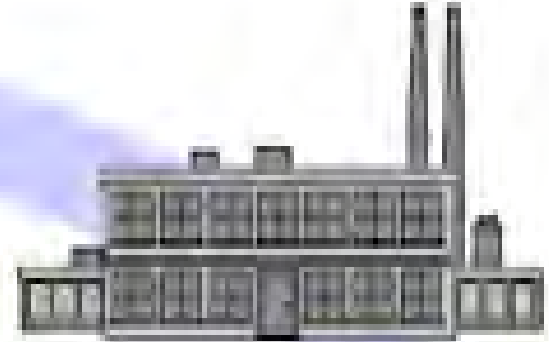
FILTER

# Shifting Personnel to Innovation Roles and Business Departments (Head Office)



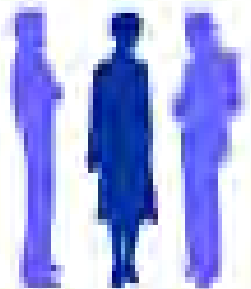


**Raw Materials**



**Manufacturing**

**Cost cuts of  
¥1,000 million  
or more**



**Consumer**

**Manufacturing**



**Customer**

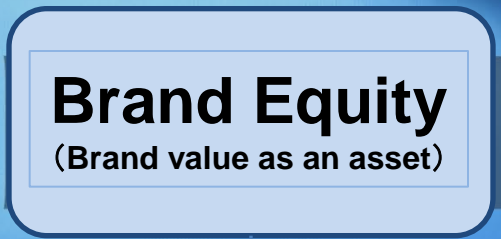


**Distribution**

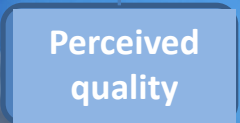
# From Products to Brand Strategy

Strengthening “brand strategy” in terms of concept, product development, promotion

**Importance of brand strategy: Strong brands are the crucial assets that provide the competitive edge and long-term revenue base for the company.**



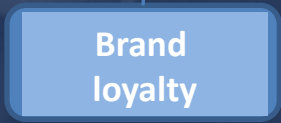
How well is the brand known?



Consumer perceptions of the merits/demerits and reliability of brand quality



Images associated with brands (“cool,” “high quality,” etc.)



Degree of loyalty or attachment that customers hold toward a brand

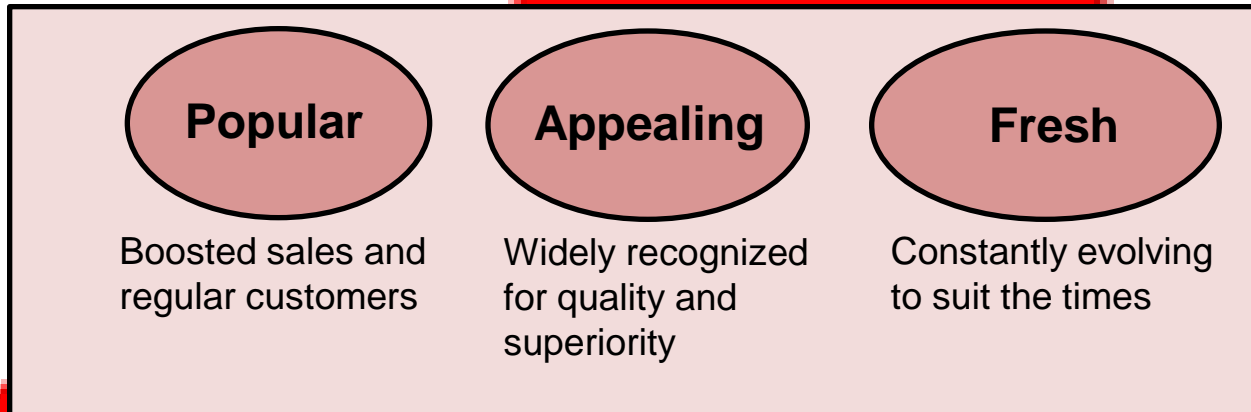


# Reinforcement of Existing Brands

Strengthening “brand strategy” in terms of concept, product development, promotion

**Importance of brand strategy: Strong brands are the crucial assets that provide the competitive edge and long-term revenue base for the company.**

**Strong brands are:**

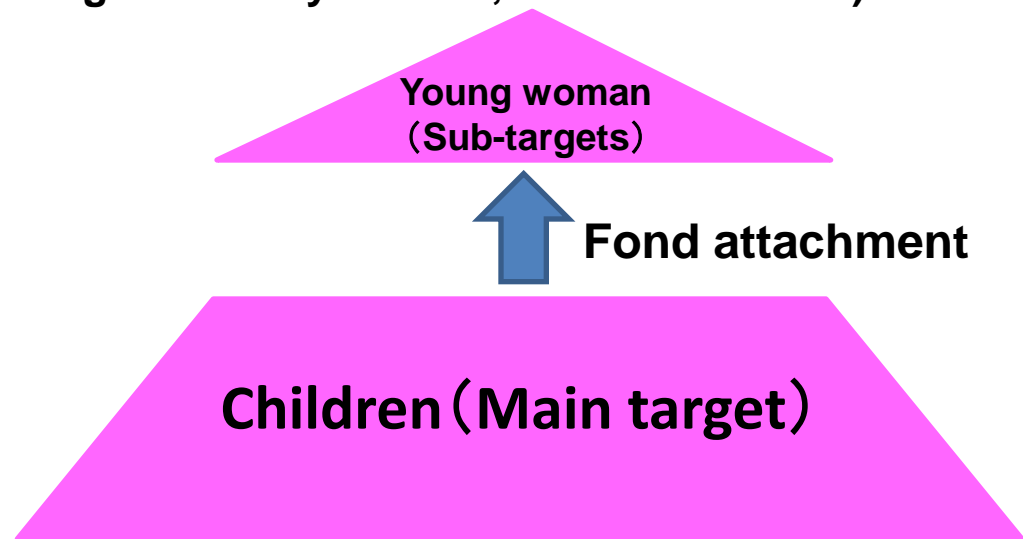


- **Although it is important to develop new products, it is also important to leverage high-recognition-brand product groups such as LICCA dolls and TOMICA, etc. Such brand products have the appeal (strong recognition and high degree of perfection as a product), but the level of freshness drops**
- **It is time to re-evaluate the value of our established brands, and raise their level of freshness. If they are not effectively utilized, the brand will decline -> Loss of a stable revenue source**

リカちゃん®



- The child population is declining and the number of toy stores is decreasing. As a result, the exposure and cultural presence of LICCA dolls is fading.
- Second highest name recognition in Japan (95%)
- Although there are market needs for adults in their 20s and 30s who enjoyed Licca dolls at a young age and remained fond of the Licca brand even as an adult, these needs are not being supplied (missing out on royal users, and latent needs)





**Construction and reinforcement of brand**

<http://themyndset.com/>



Easy to understand

Clear target



One company united



Risk-taking spirit



mass media vs. social media

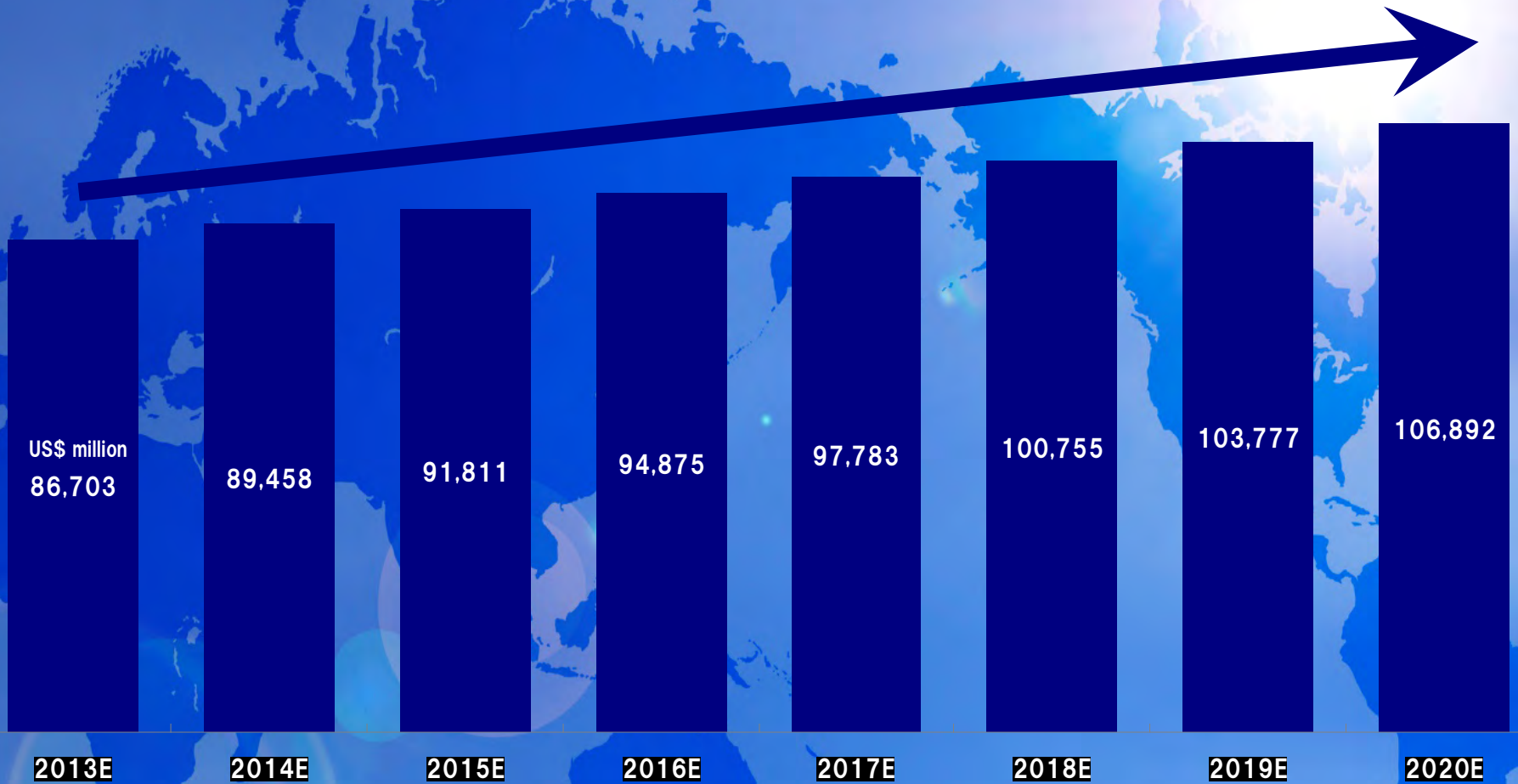


Pride



# Growth Forecasts for the Global Toy Market

Source: Euromonitor International and forecasts by TOMY

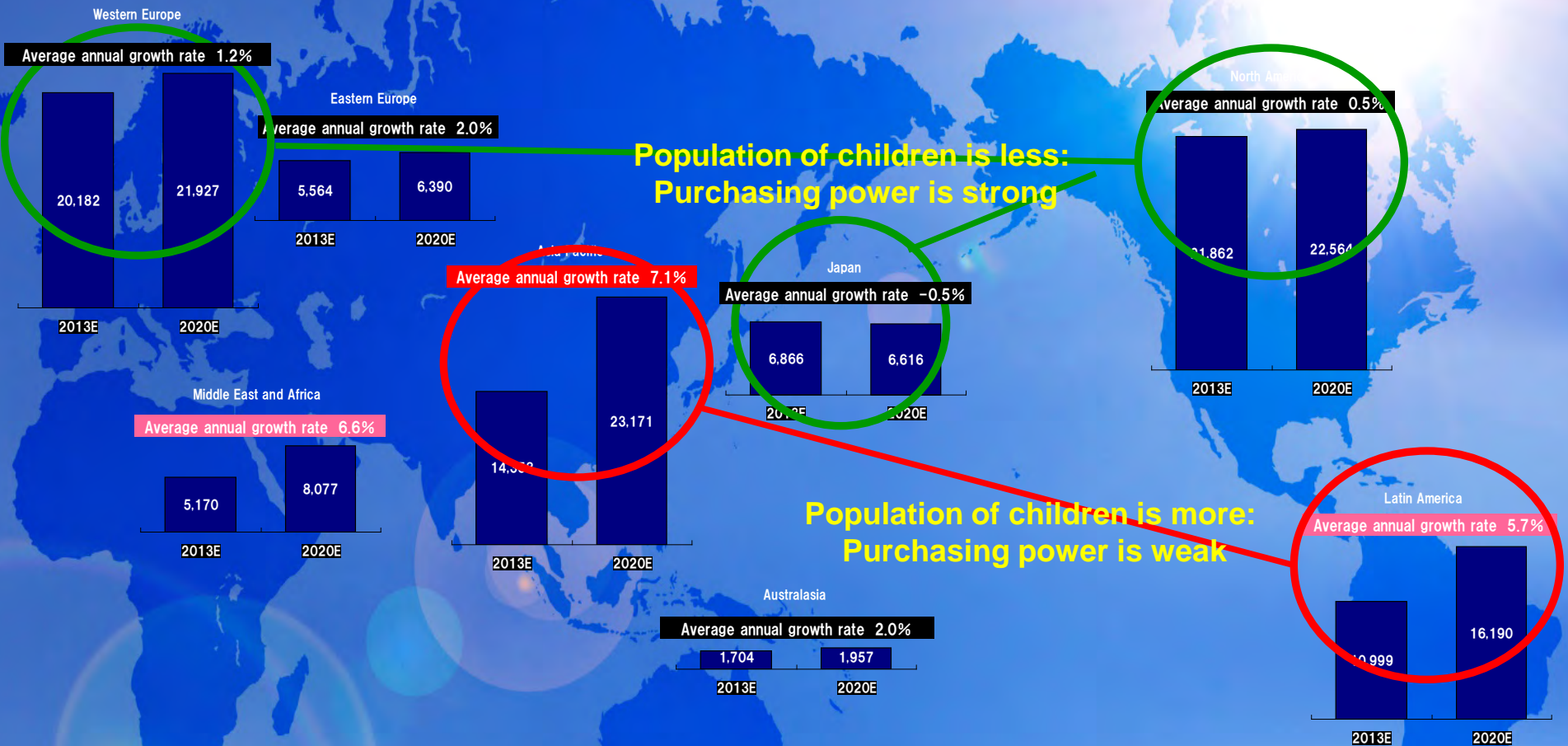


**2013 to 2020** Average annual growth rate **3.0%**

# Toy Market Size Forecasts by Region 2013 to 2020

Source: Euromonitor International and forecasts by TOMY

US\$ million

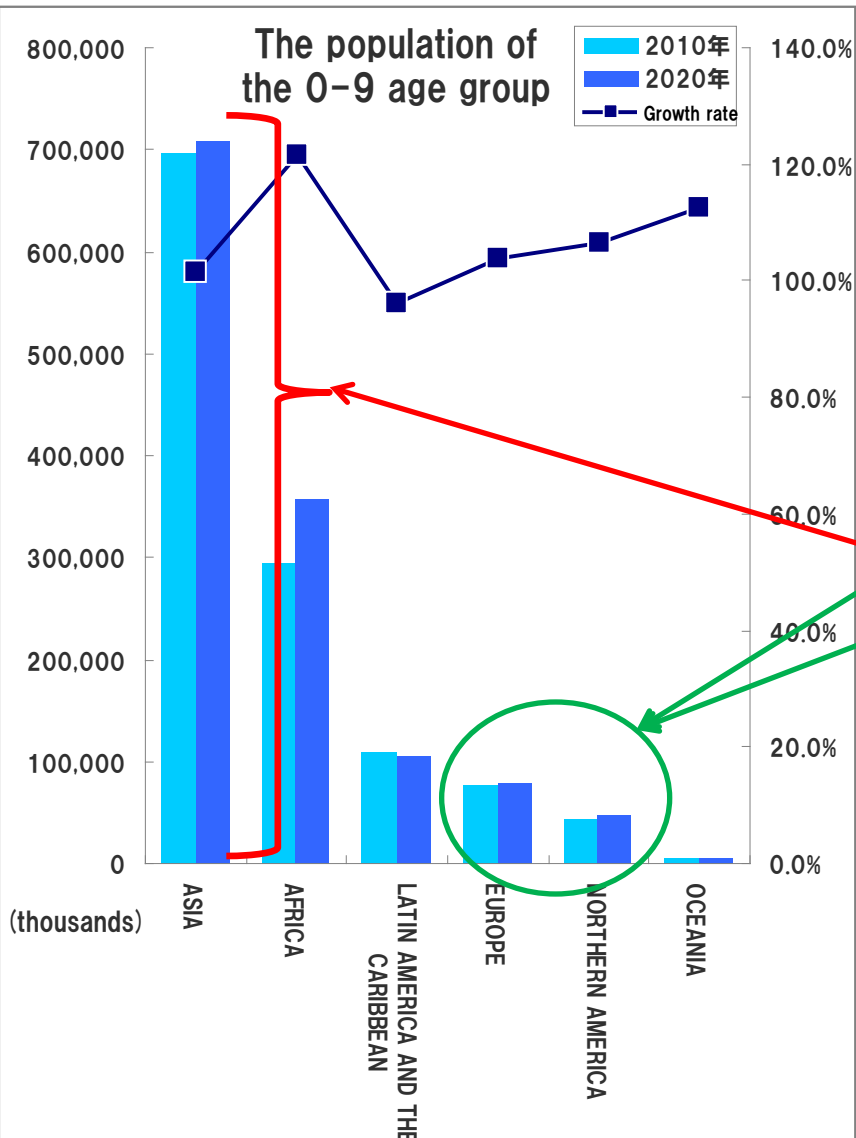


Population of children is less:  
Purchasing power is strong

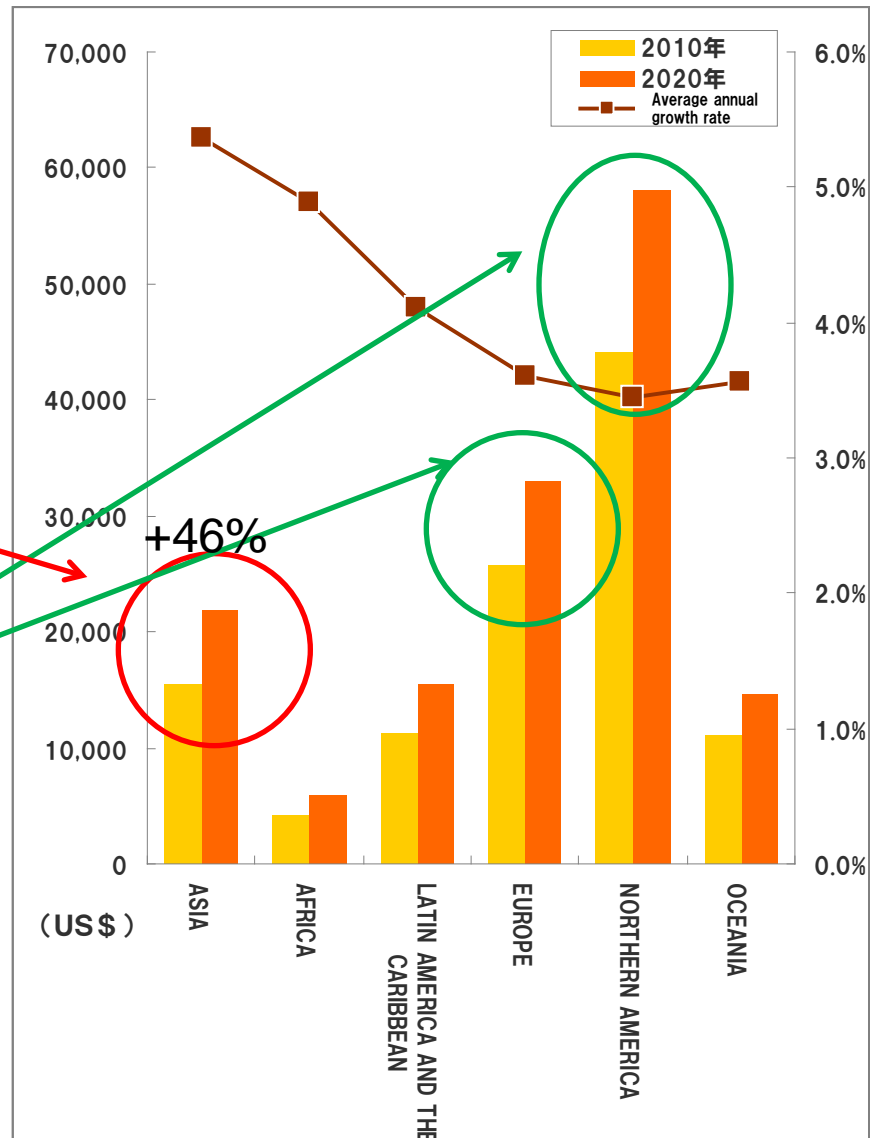
Population of children is more:  
Purchasing power is weak

Forecast for 2020: Largest regional toy market will be Asia Pacific (excl. Japan).  
2013 to 2020 Average annual growth rate 7.1%

# Global Forecasts of Child Population and Purchasing Power



The population of the 0-9 age group is to increase by 6.2% globally. Population is high in Asia and the growth rate is high in Africa.

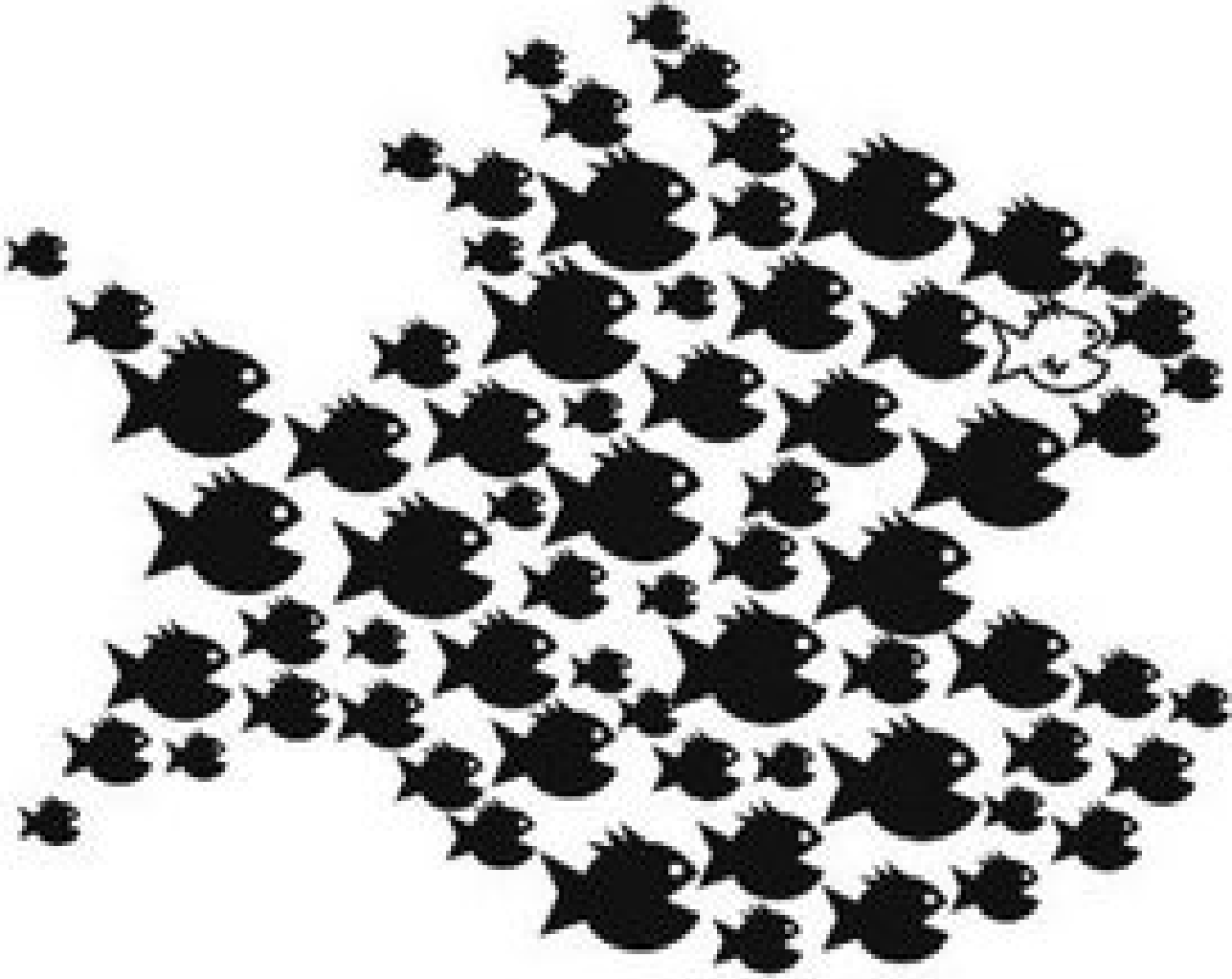


Purchasing power is to increase 4.5% globally. Purchasing power per person is high in Northern America and the growth rate is high in Asia.

Source: IMF, Union Nation

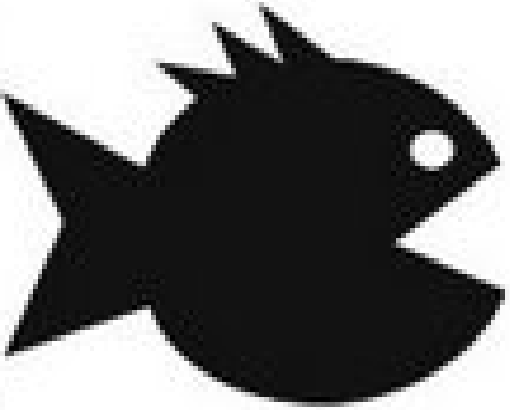
# Quantity

**Asia**  
**Other regions**  
(excl. Japan)

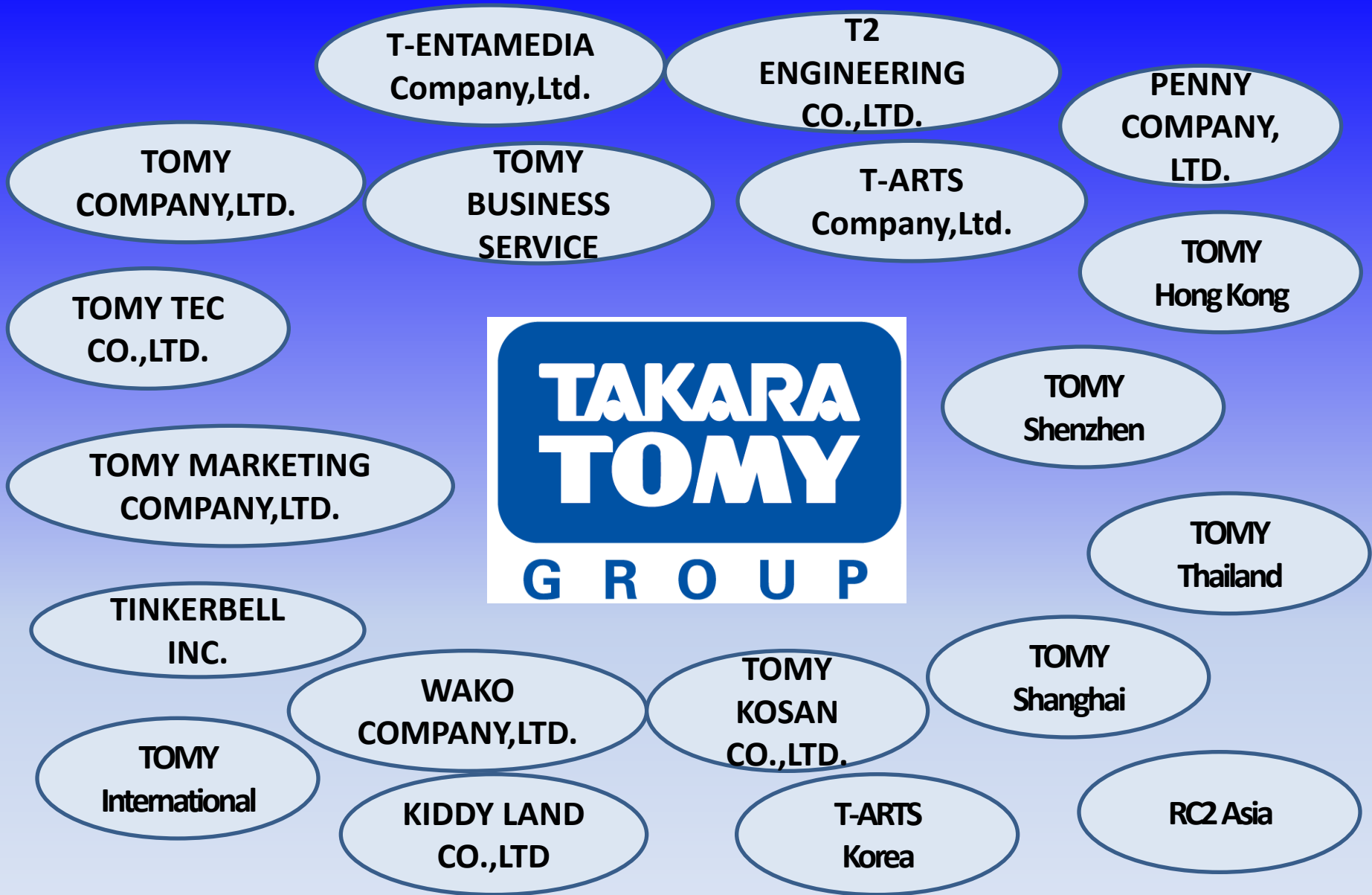


# Quality

**Europe**  
**America**  
**Japan**



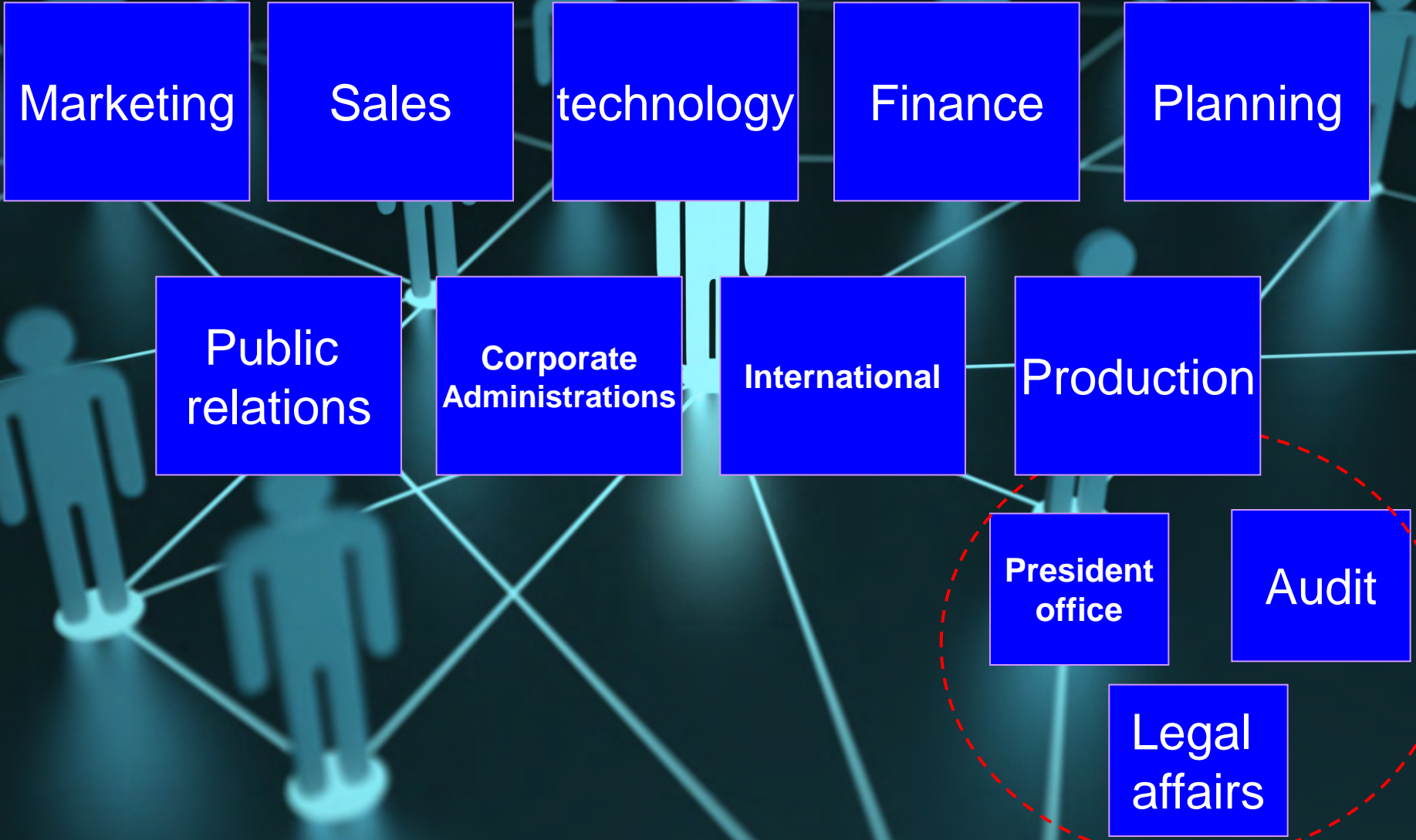
# Group reorganization





# The Organization Will be Led by Nine Groups (Head Office)

Nine Groups



**Number of existing  
reform projects  
exceeds 70**

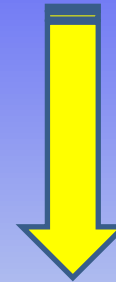
# Medium-term Base plan

¥100million

	FY2013	FY2014 targets	FY2015 targets	FY2016 targets
Sales	1,559	1,600	1,640	1,700
Operating income	34	40	60	80
Operating Profit Margin	2.2%	2.5%	3.6%	4.7%
EBITDA	115	126	149	164



Japan Expansion of retail locations and new products  
 Overseas Expansion of characters and Tomy's original successes



Japan High target (Ages • Prices)  
 Reinforcement of branding  
 US/EU Expansion of area  
 Asia Expansion of low-priced products



Japan Toy 4. 0  
 Export( Partners )  
 US/EU Reinforcement of baby products  
 Asia Expansion of medium-priced products

## Top Line

## Bottom Line

Reform of unprofitable businesses

SCM • Suppliers Cost cuts

Uniformity of standards inside the group  
 Material Cost cuts



# What are our competitive edges?

Long-term revolution



**Tomy original products  
Brands**

**Imports**

**Best partner products  
(Licensed products)**

**Localized  
Products**

**We will soon announce a grand,  
multi-year content plan**

# Medium-term management target

¥100million

	FY2013	FY2014 targets	FY2015 targets	FY2016 targets
Sales	1,559	1,600	1,820	1,930
Operating income	34	40	86	108
Operating Profit Margin	2.2%	2.5%	4.7%	5.6%
EBITDA	115	126	174	198

■FY2016 Sales targets (Fiscal year 2013 results are in brackets)

**Adult** ¥20.0billion(¥17.2billion) 

- Unique-to-Japan high target and ventures for “White Space” adult market (New multi-year material, high target characters and technology-utilizing robots)

Profit ◎

**Events•OEM** ¥8.0billion (¥5.3billion) 

Profit △

**Boys** ¥38.0billion(¥37.8billion) 

- To suit boys’ trends Sustain revenues and exports
- Rise during movie releases, etc

Profit ○

**Girls** ¥11.0billion(¥8.1billion)  

- Expand sales of Licca dolls
- Domestic re-branding
- Expansion of the Asia market

Profit ○

**Others** ¥30.0billion (¥27.0billion) 

- Stable growth of the group’s business companies

Profit △

**Pre-School** ¥51.0billion(¥34.2billion)  

- Expansion of global content acquisition and sales
- Branding of Tomica and Plarail

Profit ◎

**Baby** ¥35.0billion(¥26.4billion)  

- Development and expansion of overseas baby brands, including in Japan and Asia

Profit ◎



This report contains forward-looking statements, targets, plans and strategies for the future. However, these are based on current information and will not guarantee nor warrant any financial estimates or any figures. Therefore, actual results could differ from this report. This is translation on original text in Japanese.