

# **TOMY Company, Ltd.**

## **Fiscal Year 2013 Results**

### **(April 1, 2014 – March 31, 2015)**

**May 15, 2015**  
**TSE Securities Code: 7867**

# “New Changes” in Our Industry

## 1st Generation



## Craftsmanship

During and after WWII

## Metal and motors

Reliance on exports

Tinplate toys

Age of materials

## 2nd Generation



Mass development and production

Economic growth

## Material revolution

Focus on exports

Molding of plastic

Age of the product

## 3rd Generation



## marketing

Growth of mass media

Public information revolution

Development of toy marketing

Products with information added value

Age of information

## 4th Generation



## New technology

**analog + digital**

## The personal revolution

**Global development**

**Age of brands**

# FY 2014 Financial Highlights

(April 1, 2014～March 31, 2015)

May 15, 2015

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

# Consolidated Income statements

	FY2014			FY2013	Difference
	Actual	Revised Forecast (10 Feb, 2015)	Original Forecast	Actual	
Sales	1,499	1,490	1,600	1,548	-49
Cost of Sales	972	—	—	1,016	-44
Gross Profit	527	—	—	531	-4
Operating income	24	25	40	33	-9
Operating Profit Margin	1.6%	1.7%	2.5%	2.2%	-0.6%
EBITDA	111	—	—	115	-4
Ordinary Income	20	16	35	33	-13
Net Income (Loss)	-18	-14	10	2	-20

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

- ◆ Sales  
Sales decreased mainly due to sale of subsidiaries TOYS UNION Co., Ltd. and TATSUNOKO PRODUCTION Co., Ltd. (impact of ¥6.4 bn).
- ◆ Gross Profit  
Gross profit declined amid a higher cost of sales partly due to yen depreciation in foreign currency exchange compared with the previous fiscal year.
- ◆ Operating Income  
There were strategic increases in advertising expenses and R&D expenses (see page 5).
- ◆ Ordinary Income  
There was a decrease in foreign exchange gains in non-operating income.
- ◆ Net Income  
In August, settlement fee for civil procedure at a subsidiary and loss from fraud were recorded as extraordinary losses (see page 7).

\* Amortization of goodwill and intangible assets associated with acquisition of TOMY International: FY2014 ¥2.5 bn, FY2013 ¥2.2 bn

\* EBITDA = operating income + depreciation + amortization of goodwill \* US\$ FX rate: FY2014 ¥109.92, FY2013 ¥100.23



# [Reference]Income Statements

## Excluding TOYS UNION and Tatsunoko Production



¥100million

	FY2014	FY2013	Difference
<b>Sales</b>	<b>1,499</b>	<b>1,483</b>	<b>+16</b>
<b>Cost of Sales</b>	<b>972</b>	<b>957</b>	<b>+15</b>
<b>Gross Profit</b>	<b>527</b>	<b>525</b>	<b>+2</b>
<b>Operating income</b>	<b>24</b>	<b>32</b>	<b>-8</b>
Operating Profit Margin	1.6%	2.2%	-0.6 %
<b>EBITDA</b>	<b>111</b>	<b>114</b>	<b>-3</b>
<b>Ordinary Income</b>	<b>20</b>	<b>31</b>	<b>-11</b>
<b>Net Income</b>	<b>-18</b>	<b>1</b>	<b>-19</b>

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

- ◆ Sales exceeded year-on-year results over four consecutive quarters.
- ◆ Sales of PRIPARA, FROZEN, WIXOSS and TRANSFORMERS products were strong.
- ◆ Sales of long-standing products such as TOMICA, PLARAIL, and LICCA dolls were firm, even amid weakening consumer sentiment.
- ◆ In the Japanese market, the competitive environment of toys for elementary-school-age boys changed significantly.

# SG&A Breakdown

¥100million

	FY2014	FY2013	Difference
<b>SG&amp;A (total)</b>	<b>502</b>	<b>498</b>	<b>+4</b>
Personnel expense	179	184	-5
Advertising expense	89	82	+7
R&D expenses	22	22	+0.3
Distribution expenses	68	69	-1
Amortization of goodwill and intangible assets associated with acquisition of TI	25	22	+3
	\$22.5MM	\$22.5MM	0

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

## ◆ SG&A (total)

Advertising expenses and R&D expenses increased as a result of strategic efforts to enhance marketing and new product development.

# Overseas Net Sales



¥100million

Area	FY2014	FY2013	Difference
Japan	857	909	-52
North America, Europe and Oceania	518	533	-15
Asia (excluding Japan)	101	83	+18
Others	22	22	+0.1
<b>Total</b>	<b>1,499</b>	<b>1,548</b>	<b>-49</b>
Ratio of overseas sales	42.8%	41.3%	+1.5%

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

## ◆ Japan

Sales decreased due to removal of TOYS UNION Co., Ltd. and TATSUNOKO PRODUCTION Co., Ltd. from the scope of consolidation (impact of ¥6.4 bn).

Sales of existing businesses were firm.

## ◆ North America, Europe and Oceania

Product shipments were weak reflecting the impact from major customers in Europe lowering their inventory levels and intensified price competition against rival companies.

## ◆ Asia(excluding Japan)

Exports of TRANSFORMERS to Asia grew as a result of the latest hit movie.

# Extraordinary Loss Breakdown

## ■ Major year-on-year items changed

¥100million

	FY2014	FY2013	Difference
Extraordinary Loss	18	18	+0.1
Loss on sales of investment securities	0	5	-5
Loss from fraud	2	1	+1
Settlement fee	11	0	+11

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

### ◆ Loss from fraud

Loss from fraud associated with improper accounting practices at T-ENTAMEDIA.

### ◆ Settlement fee

Recorded due to a consolidated U.S. subsidiary civil procedure settlement.

### ◆ Loss on sales of investment securities

Recorded loss on sales of shares of Index Corporation and TOYS UNION Co., Ltd. in FY2013.

# Consolidated Balance Sheets Breakdown

## ■ Major year-on-year items changed

¥100million

account	FY2014	FY2013	Difference
<b>Inventories</b>	<b>211</b>	<b>182</b>	<b>+29</b>
<b>Japan</b>	<b>119</b>	<b>113</b>	<b>+6</b>
<b>Overseas</b>	<b>125</b>	<b>100</b>	<b>+25</b>
<b>Elimination of unrealized profits</b>	<b>-33</b>	<b>-32</b>	<b>-1</b>

<b>Total Interest Bearing Debt</b>	<b>753</b>	<b>728</b>	<b>+25</b>
<b>Loans Payable</b>	<b>653</b>	<b>505</b>	<b>+148</b>
<b>Bonds</b>	<b>100</b>	<b>100</b>	<b>0</b>
<b>Convertible Bonds</b>	<b>0</b>	<b>123</b>	<b>-123</b>

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

## ◆ Inventories

Overseas subsidiary TOMY International \$+3MM (YoY) (¥+1.9 bn converted))

(FY2014: \$97MM; FY2013: \$94MM. US\$ FX rate: FY2014: ¥120.17; FY2013: ¥102.92)

## ◆ Interest Bearing Debit

CB redemptions of ¥4.9 bn in June and ¥7.4 bn in December.

Funds were borrowed to finance purchase of treasury shares in December.

		FY2014	FY2013	Difference
<b>Amortization on goodwill of TI</b>	\$ MM	234	249	-15
	¥ 100million	282	257	25
<b>intangible assets of TI</b>	\$ MM	146	153	-7
	¥ 100million	175	158	17



TOMY Company, Ltd.  
Fiscal Year 2014 Results

# The Next Phase — Execution

May 15, 2015  
COO H.G.MEIJ



# Essential Three Revolutions to Achieve the 4th Generation

- Take more risks
- Pursue globalization
- Heighten employee motivation

**Revolution  
of mind**

**Structural  
revolution**  
Of business

**Product  
revolution**

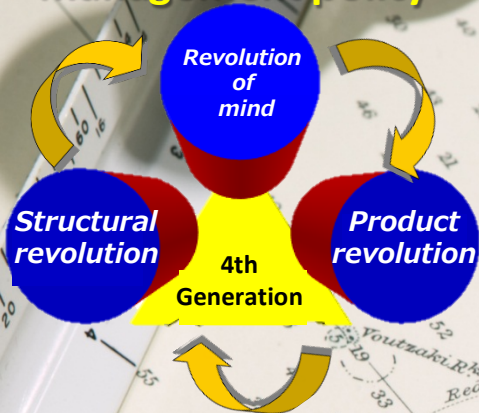
**4th Generation**

- Integrate subsidiaries
- Appropriately reduce number of divisions/departments
- Rejuvenate

- Toys 4.0
- Switch to brands
- Expand into WhiteSpace



management policy



# New Medium Term Management Plan

announced by May 2014

Medium-Term Base plan

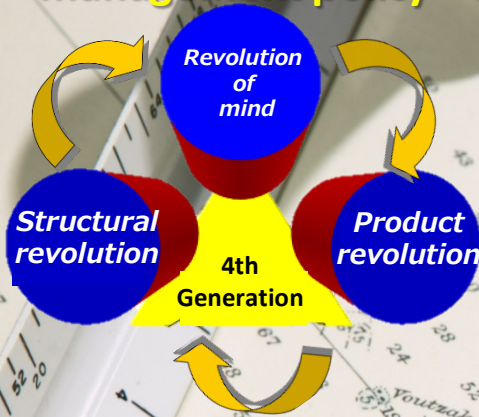
	FY2013	FY2014 Targets	FY2015 Targets	FY2016 Targets
Sales	1,548	1,600	1,640	1,700
Operating income	33	40	60	80
Operating Profit Margin	2.2%	2.5%	3.6%	4.7%
EBITDA	115	126	149	164

+

Acquisition of toy merchandising rights for multiple movie



management policy



# New Medium Term Management Plan

announced by May 2014

## Top10 revolution Project

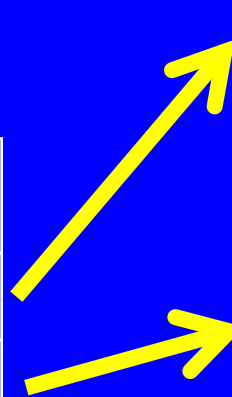
- Executing Top 10 of 72 projects
- Integration of subsidiaries
- Remuneration system
- POA (Point of Availability)
- Innovation Funnel
- Next-generation marketing
- Strengthening POP
- P&L by brand/SKU
- Online sales
- Other expenses
- (Environment inside TOMY)

# Medium-Term Base plan

¥100million

	FY2013	FY2014 Targets	FY2015 Targets	FY2016 Targets
Sales	1,548	1,600	1,640	1,700
Operating income	33	40	60	80
Operating Profit Margin	2.2%	2.5%	3.6%	4.7%
EBITDA	115	126	149	164

	FY2014
Sales	1,499
Operating income	24.7
Operating Profit Margin	1.6%
EBITDA	111



Sales 1,600→1,499  
 → EU  
 → DUEL MASTERS  
 → Australia  
 → Others

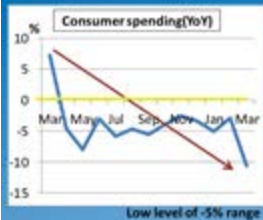
△¥10.1billion  
 around¥4.0billion  
 around¥2.5billion  
 around ¥0.6billion  
 around ¥3.0billion

Operating income  
 40→24.7  
 → Foreign exchange  
 → EU Pre-School

△¥1.53billion  
 around ¥0.8billion  
 around ¥0.7billion



# Substantial Headwinds



Source: Ministry of Internal Affairs and Communications of Japan Family Income and Expenditure Survey



# European Business pressures



- Major customers lowering their inventory levels  
12 weeks → 6 weeks
- Intensification of price competition from rival companies

# Shifting Rates of Exchange



Fore-end ¥102



End-of-the-FY ¥120



Around  $\Delta$  ¥2.5 billion  
profit impact

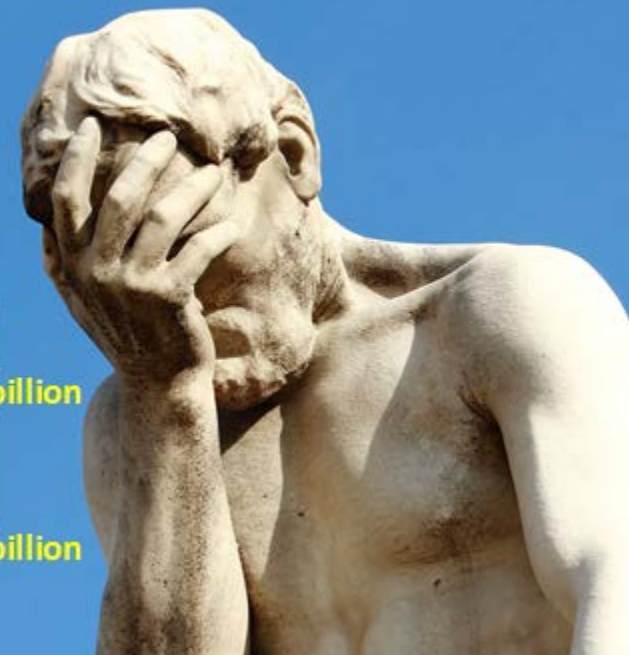
# Issues

Junk fax incident

→ Around ¥1.1 billion

T-ENTAMEDIA  
Company, Ltd.

→ Around ¥0.2 billion





#### Revolutions increase earning power ※100million

	FY2013	FY2014 Targets	FY2014
Sales	1,548	1,600	1,499
Operating income	33	40	24.7
Operating Profit Margin	2.2%	2.5%	1.6%
EBITDA	115	126	111



	FY2013	FY2014
Sales	1,483	1,499
Operating income	32	24.7
Operating Profit Margin	2.2%	1.6%

FY2014  
Foreign exchange  
neutral estimate:  
→ **¥5.04billion**

※ FY2013= Excluding TOYS UNION and Tatsunoko Production

- Establishment of a compliance day
- All-employee training + certificate
- Launch and reinforcement of an internal audit organization
- Separating duties involving management monitoring support, management monitoring function and business execution function



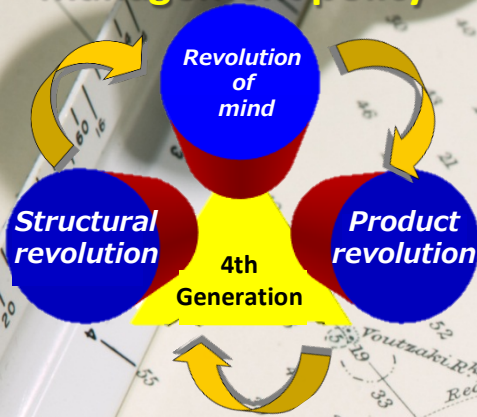


management policy

# New Medium Term Management Plan

announced by May 2014

## Top10 revolution Project



INPUT

Idea  
+  
Contents

PROCESS

Business processes

OUTPUT

Sales

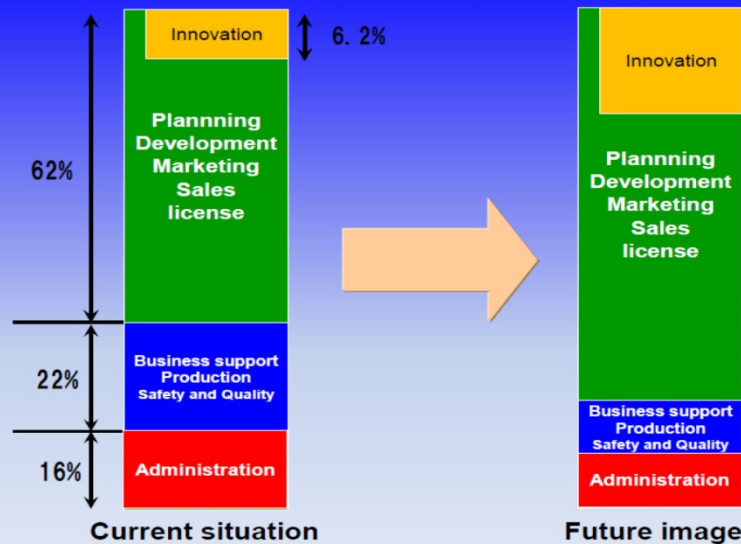
Doubling the number of development personnel  
Expansion of TOMY original content  
Establishment of new teams (adult & online markets)  
Acquisition of content of 3 large franchises

Flatter structure by "9 cells"  
Decreasing number of divisions/departments by 20%  
Reduction in the average age of executives by 5 years  
Decreasing number of subsidiaries from 38 to 35  
More equitable and transparent remuneration systems  
Next-generation marketing and IR  
Cost cutting target from ¥1.0 bn to ¥1.5 bn

Sales increases achieved over 4 consecutive quarters  
Japan: Sales increases at 14 out of 32 TOMY Group companies  
Separate POA and POI teams  
Affirmation of actual POP results  
Overseas: Flat in America (lower EU sales)  
New branch offices in Russia and Poland  
New employees and new customers in South America



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



Increase development and sales workforce through BPR

Upgrading business for the adult and online market

High target contents



公式ショッピングサイト  
タカラトミーモール



## Expansion of TOMY original content

This section highlights the expansion of TOMY original content. It features anime series like "selector" and "WIXOSS", and movies like "TRANSFORMERS". Key statistics include "Over 1.2 million members", "Achievement of 600% of target", "One in two girls", and "High profit". A timeline shows the distribution of content from FY2014 to FY2019, with a 6-year period marked.

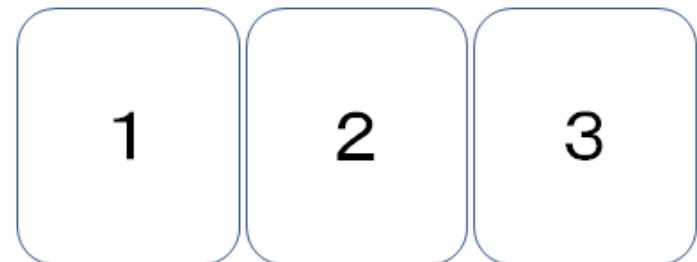
**TRANSFORMERS** Distribution for

- FY2014 Movie
- FY2015 Animation
- FY2016 Animation
- FY2017 Movie
- FY2018 Animation
- FY2019 Movie

※Scheduled

6 years

Acquisition of merchandising rights of 3 large franchises

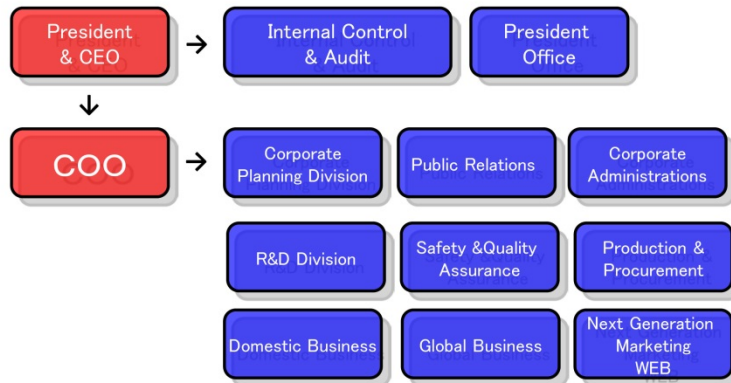


Sales of ¥10.0 bn in FY2015

## Organizational Changes

**Flatter structure (9 "cells")**  
**Suitable function/division/department**  
**Rejuvenation**

From October 1



## Organizational Changes

**Flatter structure (9 "cells")**  
**Suitable function/division/department**  
**Rejuvenation**

From October 1

	Headquarters	Divisions	Groups	Departments/ teams	Total
Current	3	26	33	78	140
New	3	19	27	68	117
Decrease	0	-7	-6	-10	-23
Decrease (%)	0%	-27%	-18%	-13%	-16%

- Newly added groups
  - 1) Internal Control & Audit Group
  - 2) Next-generation marketing
  - 3) New sales routes
  - 4) High targets (adults)

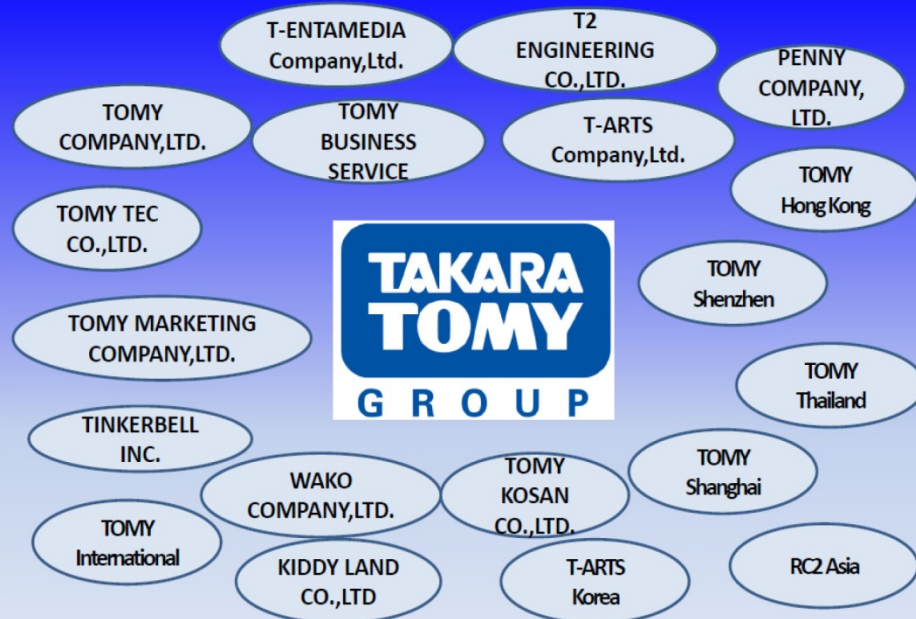
Use the **internal company recruitment system** to recruit (call for 34 positions and transfer for 13 positions)

- Compared with previous organization, new **average** age of executives = Approx. 5 years younger\*

\* Executive officers or higher

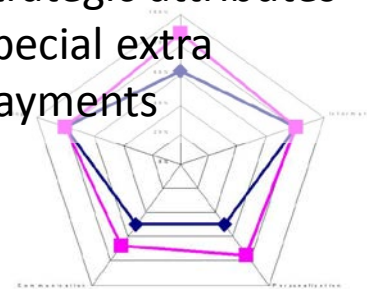
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## Stage 1 Integration of subsidiaries



## Equitable and transparent personnel and remuneration systems

Scale of operations  
 Managerial level  
 Organizational size  
 Strategic attributes  
 Special extra payments





# Next-generation marketing

10 times higher last year,  
3 times higher this year



Licca	40,000
Haikyuu!!	22,400
WIXOSS	21,400
Transformers	15,700
	and Others
Total	140,000

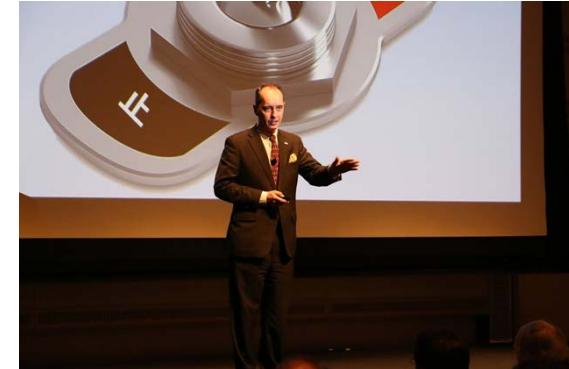
As of May 14, 2015



# Active IR campaign

Shareholders: 1  
Analysts: 7  
Overseas investors: 21  
Individual investors: 4

Presentation  
meetings



Ads in  
newspapers  
130% YoY  
equivalency to  
cost of placing



先日、ブラット・ピットさんが「そば打ち人」をとっても気に入って下さった様子「ZIP!」で放送されました！



Raw Materials

Manufacturing and  
distribution cost-  
cutting target  
¥-1.0 billion  
↓  
¥-1.5 billion (target)

Manufacturing

Consumer

Customer

Distribution





Sales exceeded YoY results  
over four consecutive quarters



14 Group companies  
===== = Last year Sales ↑  
32 Group companies Profits ↑

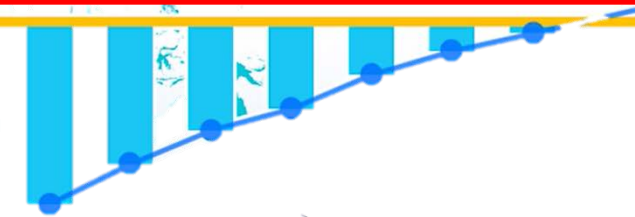
Results with long-  
standing products  
particularly favorable



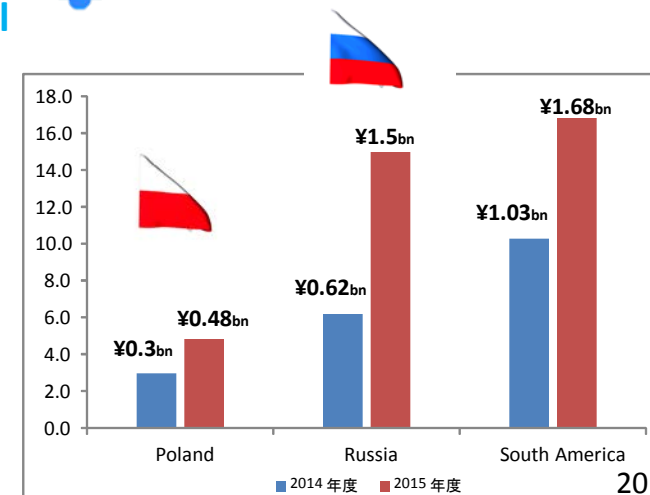
POP displays

Set up in 291 retail stores  
Results  
Gained good traction

100%  
Recovery of U.S.  
sales to levels on  
par with  
previous fiscal  
year



Branch  
offices  
established  
and sales  
launched in  
Poland and  
Russia



# What lies ahead in FY2015?

**FY**  
**First year** **2014**

**FY**  
**2015** **Second year**

# TOMY's fundamental product strategy



Long-standing  
+  
Evolved  
+  
New



Low-priced (for Asia, etc.)  
+  
Specialized (baby items, etc.)  
+  
New (high-tech & adult)

→ TOMY original  
→ Business partners



Sourcing items  
Movie-related products, etc.



# Almost Out of the Woods

## Ongoing reforms



- Continue projects for achieving improvements in Japan and overseas
- Integrate back office operations
- Establish field marketing functions

## New leadership and new content preparation



- Next-generation long-standing products in Japan and overseas
- Make “big bets” on two merchandise brands
- Make further acquisitions involving new movie content
  - New content

## Drastic improvement overseas



- Bring in new employees in Europe
- Pursue drastic business reforms in Asia



Build  
POA/POI

T-ENTAMEDIA Company,Ltd.

Better display appearance by  
eliminating instances of empty shelf space

TOMY MARKETING  
COMPANY,LTD.

Approx. 65 people

New Field Marketing functions

TOMY COMPANY,LTD.

TOMY IBIS CO.,LTD.

Building relationships at  
front-line operations

Setting up POP displays

# Importance of TOMY's Long-standing Product Line (Japan) + Plans for Expansion





# TOMY Group

Scale of brands on the market



around  
¥ 12.6bn



around  
¥ 12.2bn



around  
¥ 6.6bn



around  
¥ 5.5bn



around  
¥ 3.7bn

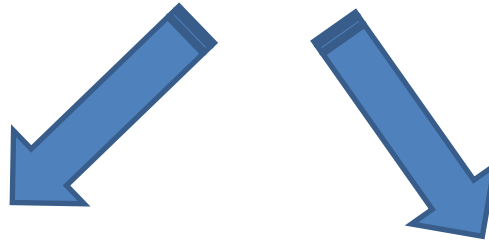


around  
¥ 2.5bn

Note: Figures for TOMICA, PLARAIL, and LICCA dolls calculated on the basis of domestic toy business results only.



## 2 major 「BIG BET」 from 2015





Instinctive

Communicative  
interaction



Four conditions that define  
an ideal toy



アナログ

デジタル

Analog + DIGITAL



グローバル

Global

# The New BEYBLADE BURST...



Official tournaments  
in Japan and overseas

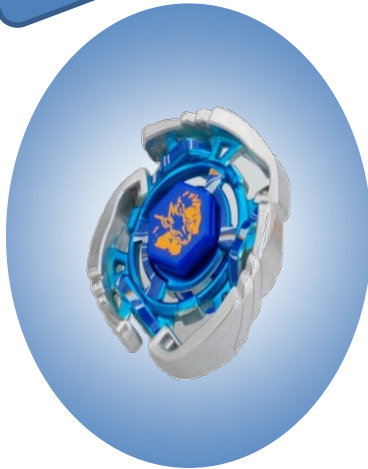
Further market  
expansion  
BeyCloud

Burst

Positive aspects of  
the first and  
second  
generations.

Over ¥200.0 bn

Over ¥165.0 bn



Third generation BEYBLADE (introduced in 2015)

## BEYBLADE BURST

First generation BEYBLADE (introduced in 1999)

**BEYBLADE**

Second generation BEYBLADE (introduced in 2008)

**METAL FIGHT BEYBLADE**



**Movie**

**Toys**

**TV games**

**Comics**

**TV  
animation**



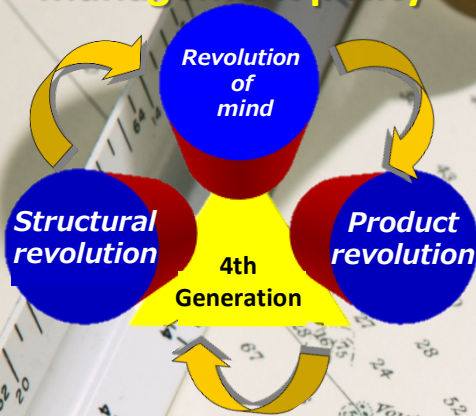
TOMY expects to acquire  
further licensing involving two  
new Movie

management policy

# New Medium Term Management Plan

announced by May 2014

## Top10 revolution Project



**INPUT**

**Idea + Contents**

Doubling the number of development personnel  
Expansion of TOMY original content  
Establishment of new teams (adult & online markets)  
Acquisition of content of 3 large franchises

**Ready**

BEYBLADE, THE SNACK WORLD  
Next-generation robots, Popular science fiction series, etc.  
Acquisitions involving new movie content

**PROCESS**

**Business processes**

Flatter structure by "9 cells"  
Decreasing number of divisions/departments by 20%  
Reduction in the average age of executives by 5 years  
Decreasing number of subsidiaries from 38 to 35  
More equitable and transparent remuneration systems  
Next-generation marketing and IR  
Cost cutting target from ¥1.0 bn to ¥1.5 bn

**Ready**

Further integration of operations (back office integration)  
Full-fledged launch of field marketing

**OUTPUT**

**Sales**

Sales increases achieved over 4 consecutive quarters  
Japan: Sales increases at 14 out of 32 TOMY Group companies  
Separate POA and POI teams  
Affirmation of actual POP results  
Overseas: Flat in America (lower EU sales)  
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New employees and new customers in South America

**Execute**



## Medium-Term Base plan

¥100million

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EBITDA	111	135

Foreign exchange  
neutral estimate:

→ **¥5.7<sub>bn</sub>**

**The Next Phase — Execution**



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.

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