

**TOMY Company Ltd.**  
**Fiscal Year 2015 1st Half (6 months)**  
**Results**  
**(April 1, 2015 – September 30, 2015)**

**Nov 13, 2015**  
**TSE Securities Code: 7867**



Fiscal Year 2015 1st Half  
(6 months)

RESULTS



RESULTS

H. G. MEIJ  
November 13, 2015

# Business results



## FY2015 Q1

FY2015 Q1	Consolidated Difference	Difference
Sales	+4%	

## FY2015 Q2

FY2015 Q2	Consolidated Difference	Difference
Sales	+5%	

## FY2015 1<sup>st</sup> half



Six consecutive quarters of growth

FY2015 1st half	Consolidated Difference	Difference
Sales	+4%	

## FY2015 1stHalf

¥100million

	FY2015 1stHalf Actual	Original Forecast	FY2014 1stHalf Actual	percentage achievement	Difference
Sales	778	800	746	97%	+4%
Operating income	8.3	10.0	15.0	83%	▲44%

### Sales

- Toy sales in Japan up 7.5%
- Double-digit sales growth in Asia
- Fallback from surge in overseas exports such as TRANSFORMERS

### Operating income

- Operating income decreased due to increases in advertising expenses and R&D expenses



**Corporate  
customers**



**Customers  
(consumers)**



**Collaboration  
partners**



**Overseas**



**Employees**



A close-up photograph of a blue, textured surface, likely a car's interior or exterior panel. The texture consists of a repeating pattern of hexagonal shapes. A large, white, stylized number '1' is prominently displayed in the center of the frame. The lighting is dramatic, with highlights and shadows that emphasize the three-dimensional quality of the texture and the number.

1

**Corporate  
customers**



**Six consecutive quarters  
of growth**

**Named top vendor by  
our No. 1 customer for  
five months running**

**POA<sup>※</sup> steadily expanding**

**Drug stores: 250 outlets**

**Book stores: 300 outlets**

**Cinemas: 300 outlets**

**Conveyor belt sushi restaurants, sports shops,  
family restaurants, etc.**

**※POA: Point of Availability**



A green curved structure, possibly a ramp or a slide, with a white arrow pointing to the right. The background is a bright, hazy sky. A red fabric is visible in the bottom left corner.

**Customers  
(consumers)**

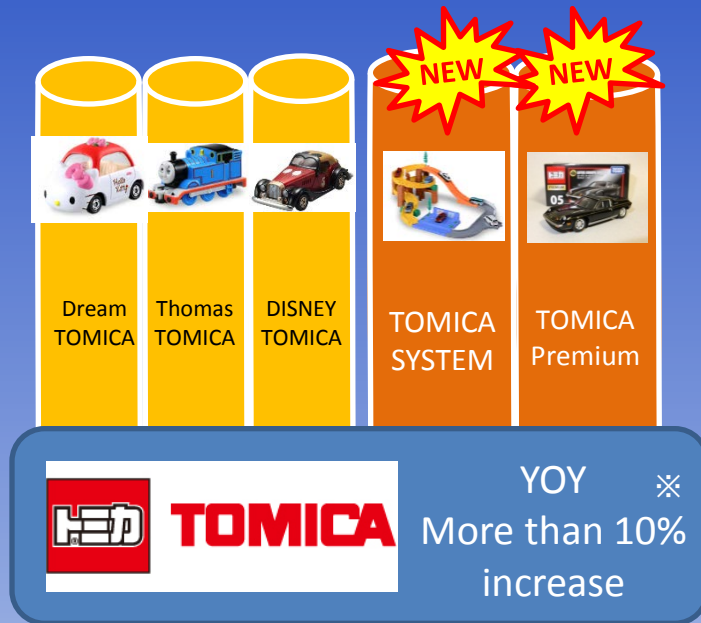
Customer satisfaction at a historical high of 98.2%※

Results emerging from advanced versions of long-standing products

New products are being well received



# Enhancement of Core Brands





# New Products

takaratomymall

Web



2014年度 ⇒ 2015年度  
Two-fold increase  
(Full-year forecast)

Adult



Toy Awards



Sold-out in three days



Linearliner



A flood of pre-orders! Over 500,000 attended the exhibition event!



Cooking Toy

Girls

Boys



Registrations topped 2 million in just 15 months!



Huge potential



Original



# Collaboration partners





# Initiatives with collaboration partners

Already a social phenomenon! Three new episodes about to start!

**STAR WARS**  
フォースの覚醒

Japan release date: December 18, 2015  
US-wide release date: December 18, 2015



A new animation series started in October  
Nationally popular content

**ポケモン**  
エクスワイアード セット  
**XY&Z**

pokemon



Now broadcast nationwide on NHK General TV

**THUNDERBIRDS**  
ガタールビド  
ARE CO



The world-wide hit, "INSIDE OUT"

**インサイドヘッド** *INSIDE OUT*

Japan release date: July 18, 2015 US-wide release date: June 19, 2015





# Partners



Start of TV animation broadcast  
(planned for spring of 2016)



*The Good Dinosaur*

Japan release date: March 12, 2016  
US-wide release date: November 25, 2015



*zootopia*

Japan release date: April 23,  
US-wide release date: March



**NTT docomo** Now available at all  
2,400 NTT DOCOMO Shops!  
(As of September 30, 2015)



**NEW**  
**Big Contents**



**We are receiving more inquiries from collaboration partners than ever before.**





110  
**4**

**Employees**

Sales capability =

Sales expansion in Japan  
Strengthening relationships with corporate customers

Proposal capabilities =

Acquire new collaboration partners and content

Manufacturing and merchandise receiving operations

Cost reduction

High precision management

### Annual Report 2014

LACP Award 19th place overall worldwide, 1st place in the consumer category

Higher ranking Second consecutive year  
6th place overall worldwide, 1st place in the consumer category



the consumer category



We have a different motivation from others!

Takaratomychannel  
Over 120,000 subscribers  
(as of November 2015)



LICCA doll catalog receives GP Award by the Japan Federation of Printing Industries



Appearance in newspaper articles\* up 54% YoY  
TV exposure  
advertising cost conversion\* ¥4.8 bn

\*Converted for April-September

**The various engines that  
drive the TOMY Group  
are working well**



**But  
some of our engines are  
running slowly!**



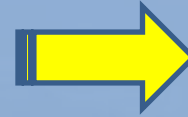
# Overseas



**TOMY INTERNATIONAL (TI)  
sales**

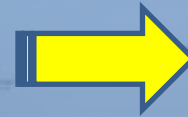
**Up YoY for the 1st  
half of FY2015**

**Sales other than  
new character  
products are down**



**Existing product sales  
are declining**

**Performance in  
the North America  
is up YoY**



**Profits are deteriorating**

**Performance in  
Europe is down  
YoY**



**Sales and profits are  
both declining**



# Issues in the Overseas Business

Rapid foreign exchange  
fluctuation

€ vs US \$

A \$ vs US \$

Business operation gaps

- Differences in business between North America and Europe
  - North America  
Dealing with limited number of major customers
  - Europe  
Dealing with diverse customers in multiple country's markets
- Low profits
  - Tough retail conditions such as discounting
  - Increasing logistics costs
- Sales of highly profitable in-house products declining



# TOMY INTERNATIONAL Reforms

Restructure overseas business → H.G. Meij to serve concurrently as F

Embark on full-scale integration and start of global operations

Radical reform of TOMY INTERNATIONAL

Launch employee-led reform project as in Japan

Product strategy

Operation strategy

Profit improvement strategy

(Input • Process • Output)

## TOMY INTERNATIONAL Improvement Strategies

Products: Strengthen product development based on TOMY original content

Profit: Launch project to reduce cost ratio :  
Revise countries of production

Head Office synergies: Promote synergies in all fields in addition to products, including purchasing, IT, accounting, and auditing

Human resources: Bring in human resources with global outlook and synergy focus



# Main Initiatives for Second Half of FY2015

DISNEY-related products



The Good Dinosaur  
Disney PIXAR  
アロと少年

Japan release date: March 12, 2016  
US-wide release date: November 25, 2015

Launch new products in conjunction with movie releases



Japan release date: December 18, 2015  
US-wide release date: December 18, 2015

Launch multiple movie tie-in products



Launch new-category products

zootopia



Japan release date: July 18, 2015  
US-wide release date: June 19, 2015

Develop products related to new-release movies

TI reform plan



Key products



Animation version in spring 2016



Largest scale TV commercial launched



Licca  
Next-generation lineup debut in spring

Girls Hobby

Expand development of scrunchy craft product and STEPPY

Omnibot

Expand development of OHaNAS at NTT DOCOMO, INC

Core Brands

TOMICA



PLARAIL



Pop-up Pirate



PRIPARA



Focus products





All our people will be working together to achieve our goals!





## **FY2015 2nd quarter of FY2015 Financial Highlights**

# FY2015 1st Half

## Consolidated Income statements



¥100million

	FY2015 1st Half (2015/4-9)	FY2014 1st Half (2014/4-9)	Difference
<b>Sales</b>	778	746	+32
<b>Cost of Sales</b>	500	487	+13
<b>Gross Profit</b>	277	258	+19
<b>Operating income</b>	8	15	-7
Operating Profit Margin	1.1%	2.0%	-0.9%
<b>EBITDA</b>	53	56	-3
<b>Ordinary Income</b>	7	11	-4
<b>Net Income</b>	2	-8	+10

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

### ◆ Sales

Increased YoY for a 6th consecutive period from the 1st quarter of FY2014

### ◆ Gross Profit

Gross profit increased due to the increase in sales.

### ◆ Operating Income and Ordinary Income

Operating income and ordinary income declined due to an increase in advertising expenses and R&D expenses resulting from strengthening marketing and new product development as part of a sales expansion initiative.

### ◆ Profit (loss) attributable to owners of parent

Profit (loss) attributable to owners of parent improved due to recording a gain on reversal of subscription rights to shares as extraordinary income and an improvement in extraordinary loss/income (see page 27).

\*Net sales comparison excluding TOYS UNION Co., Ltd. and TATSUNOKO PRODUCTION Co., Ltd.

¥100million

	FY2015 1st Half (2015/4-9)	FY2014 1st Half (2014/4-9)	Difference
<b>SG&amp;A (total)</b>	269	243	+26
<b>Personnel expense</b>	101	91	+10
<b>Advertising expense</b>	49	40	+9
<b>R&amp;D expenses</b>	12	10	+2
<b>Distribution expenses</b>	33	32	+1
<b>Amortization of goodwill and intangible assets associated with acquisition of TI</b>	14	11	+3
	<b>\$ 11.6MM</b>	<b>\$ 11.4MM</b>	<b>+\$ 0.2MM</b>

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

### ◆ SG&A (total)

- Advertising expenses and R&D expenses, etc., increased due to strengthening marketing and new product development as part of a sales expansion initiative.
- Personnel expenses increased, mainly due to an increase in provision for bonuses.



# Overseas Net Sales

FY2015 1<sup>st</sup> Half

**TAKARA  
TOMY**

¥100million

Area	FY2015 1st Half (2015/4-9)	FY2014 1st Half (2014/4-9)	Difference
Japan	434	414	+20
North America, Europe and Oceania	272	264	+8
Asia (excluding Japan)	54	52	+2
Others	16	14	+2
<b>Total</b>	<b>778</b>	<b>746</b>	<b>+32</b>
Ratio of overseas sales	44.2	44.4%	-0.2%

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

## ◆ Japan

Sales increased due to expansion of long-standing products and launch of new products.

## ◆ North America, Europe and Oceania

Sales struggled against persistent difficult market conditions in Europe, however toy sales in North America were strong.

## ◆ Asia (excluding Japan)

Sales of toys developed for Asia, such as TOMICA, were firm.

# Extraordinary Loss Breakdown FY2015 1st Half

## ■ Major year-on-year items changed

¥100million

	FY2015 1st Half (2015/4-9)	FY2014 1st Half (2014/4-9)	Difference
Extraordinary Loss	0.5	15	-14.5
Loss from fraud	—	2	-2
Settlement cost	—	10	-10

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

## ◆ Extraordinary Loss

In the previous fiscal year, loss from fraud associated with improper accounting practices at T-ENTAMEDIA and civil procedure settlement costs at a consolidated U.S. subsidiary were recorded.

# FY2015 1<sup>st</sup> Half Consolidated Balance Sheets Breakdown



## Major year-on-year items changed

¥100million

科目	FY2015 1st Half (2015/4-9)	FY2014 1st Half (2014/4-9)	Difference
<b>Inventories</b>	244	224	+20
<b>Japan</b>	135	151	-16
<b>Overseas</b>	147	122	+25
Elimination of unrealized profits	-39	-49	+10

<b>Total Interest Bearing Debt</b>	740	657	+83
<b>Loans Payable</b>	640	483	+157
<b>Bonds</b>	100	100	0
<b>Convertible Bonds</b>	—	74	-74

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

### ◆ Inventories

Overseas subsidiary TOMY International **+\$6MM(YOY) (¥+1.7bn converted)**

(FY2015 1<sup>st</sup> half: \$113MM; FY2014 1<sup>st</sup> half: \$107MM. US\$ FX rate: FY2015 1<sup>st</sup> half: ¥119.96; FY2014 1<sup>st</sup> half: ¥109.45)

### ◆ Interest Bearing Debit

CB redemption of ¥7.4 bn in December 2014.  
Funds were borrowed to finance purchase of  
treasury shares in the same month.

		FY2015 1st Half	FY2014 1st Half	Difference
Amortization on goodwill of TI	\$ MM	227	242	-15
	¥ 100million	272	265	+7
Intangible assets of TI	\$ MM	142	150	-8
	¥ 100million	171	164	+7

■ [http://navigator.eir-parts.net/EIRNavi/DocumentNavigator/EDownload.aspx?code=7867&dl\\_view=2](http://navigator.eir-parts.net/EIRNavi/DocumentNavigator/EDownload.aspx?code=7867&dl_view=2)

Financial results data may be downloaded in CSV format.





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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