

# **Presentation on Acquisition of RC2 Corporation**

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President & CEO of TOMY Company, Ltd.

**March 11, 2011**



# **1. Background of the Acquisition**

2. Overview of RC2

3. Acquisition Synergies

4. Overview of the Acquisition and  
Financial Impact

# Background of the Acquisition



Key step to realize our vision of sustainable mid/long-term growth

“Re-Engineering  
and  
Globalization”

- We have formulated a medium term plan, designating FY2009 to FY2012 as our “4 Years of Re-engineering and Globalization”
- In FY2009, Tomy focused on key management issues: strengthening consolidated business management, improving profitability independent of sales growth, strengthening our overseas business and promoting structural reform and **profit enhancement initiatives to achieve our highest profit since the merger of Takara and Tomy**

“Growth”

- The acquisition will provide Tomy access to RC2’s broad global platform, including a powerful global distribution network, a stable of exceptionally strong brands and an outstanding management team
- **This would be our first significant step to realizing our vision of sustainable growth as a true global player**

# Our First Significant Step to become a True Global Player



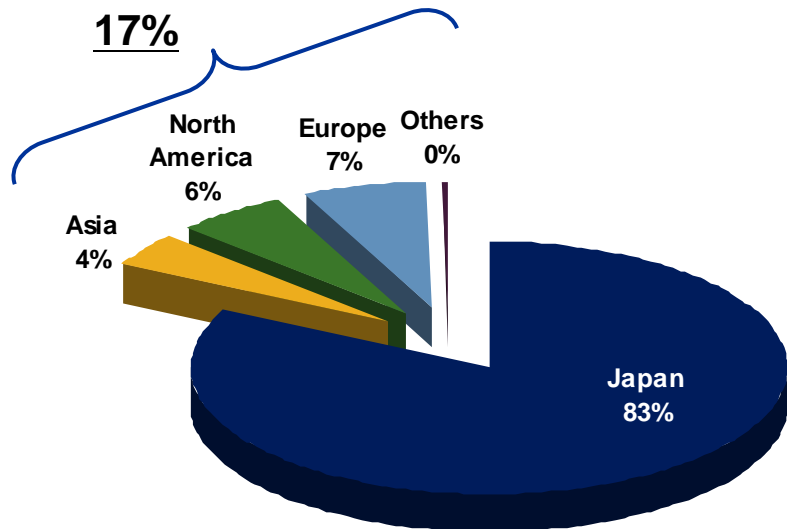
Tomy will be the only toy company to operate across such a broad range of geographic regions, including Europe, China, Southeast Asia and Australia, while continuing to focus on our key markets of North America and Japan, the #1 and #2 toy markets in the world

**Tomy: Regional Sales Breakdown**

**Tomy: Proforma Regional Sales Breakdown**

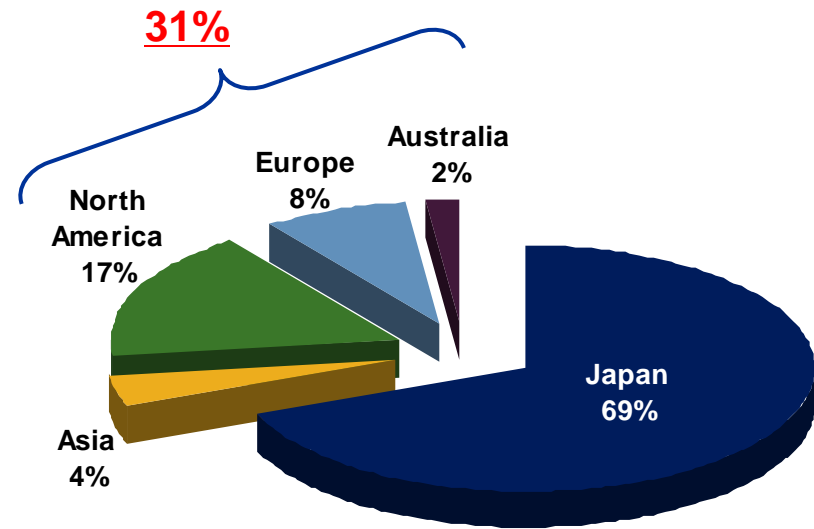
Int'l Sales ratio:

**17%**



Int'l Sales ratio:

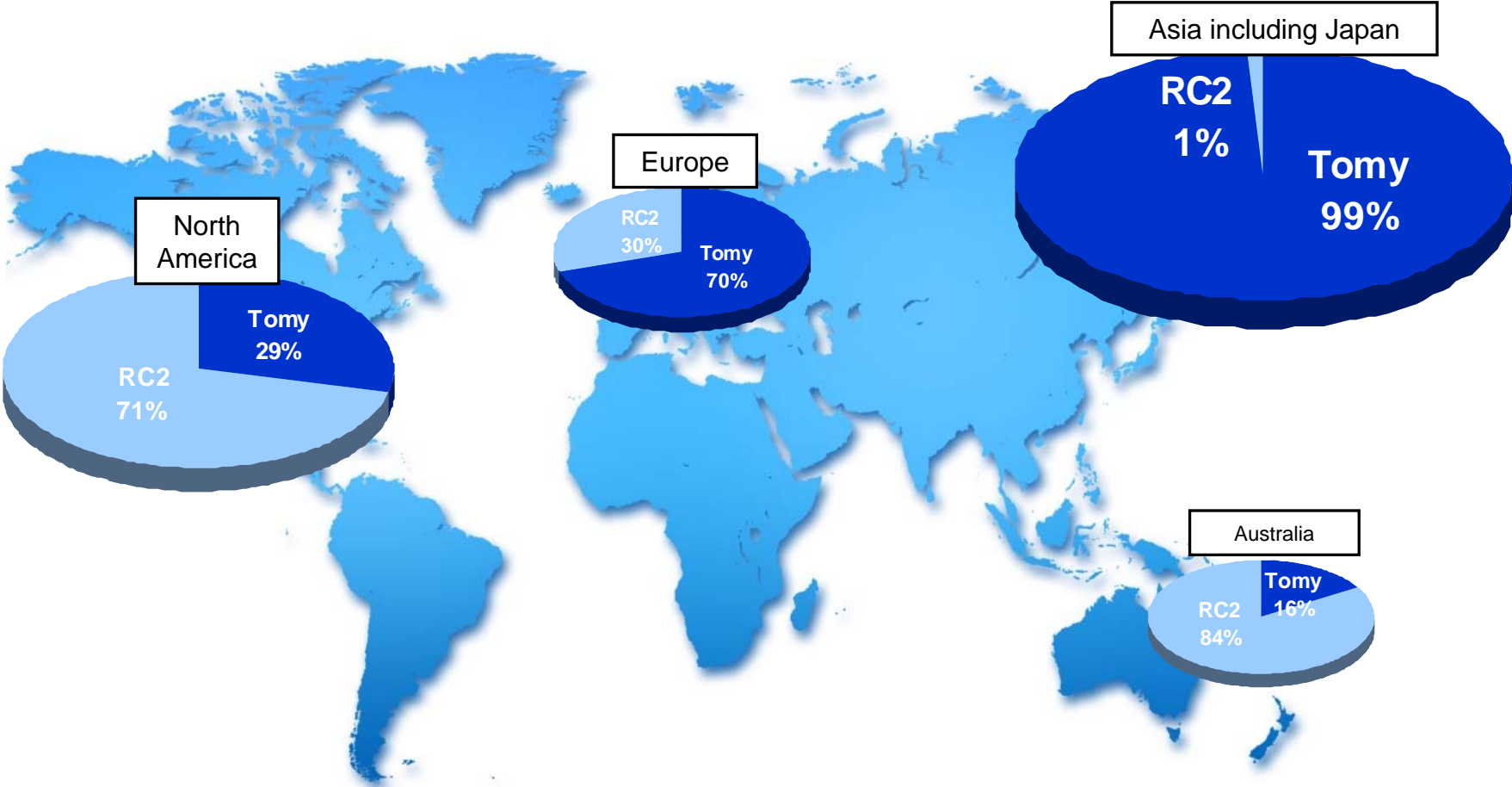
**31%**




Note:

- (1) FX rate USD1 = JPY82
- (2) Used FYE March 2010 figures for Tomy and FYE December 2009 figures for RC2 for the above breakdown
- (3) Above percentage represent the sum of the financials for both companies and do not include any consolidation adjustments

# Our Post-Acquisition Group Infrastructure



Note:  
(1) FX rate USD1 = JPY82  
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1. Backgrounds
  - 2. Overview of RC2**
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  4. Overview of the Transaction and Financial Impact

# RC2 Overview

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- **Corporate name:** RC2 Corporation (“RC2”)
- **Year of incorporation:** 1996\*  
(\*RCI Group and RCL Group, the predecessors of RC2, were incorporated in 1989)
- **Location:** Illinois, USA
- **Business description:** Producer and marketer of toys and collectible products for infants/children and adults
- **Operating area:** US, Europe (including UK, Germany, France), Australia, HK and China
- **Employees:** 720 (as of December 31, 2010)
- **Key Brands:** Learning Curve, The First Years, Lamaze, Chuggington, John Deere, ERTL, Johnny Lightning, Take & Toss

# RC2 Products and Brands



## Preschool, Youth & Adult (PYA)

FY2010 Sales: \$231.9M  
(54.3% of total business)



Thomas & Friends



Chuggington

Dinosaur Train

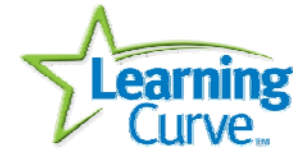


John Deere

Johnny Lightning

## Mom, Infant & Toddler (MIT)

FY2010 Sales: \$195.5M  
(45.7% of total business)



Learning Curve



The First Years



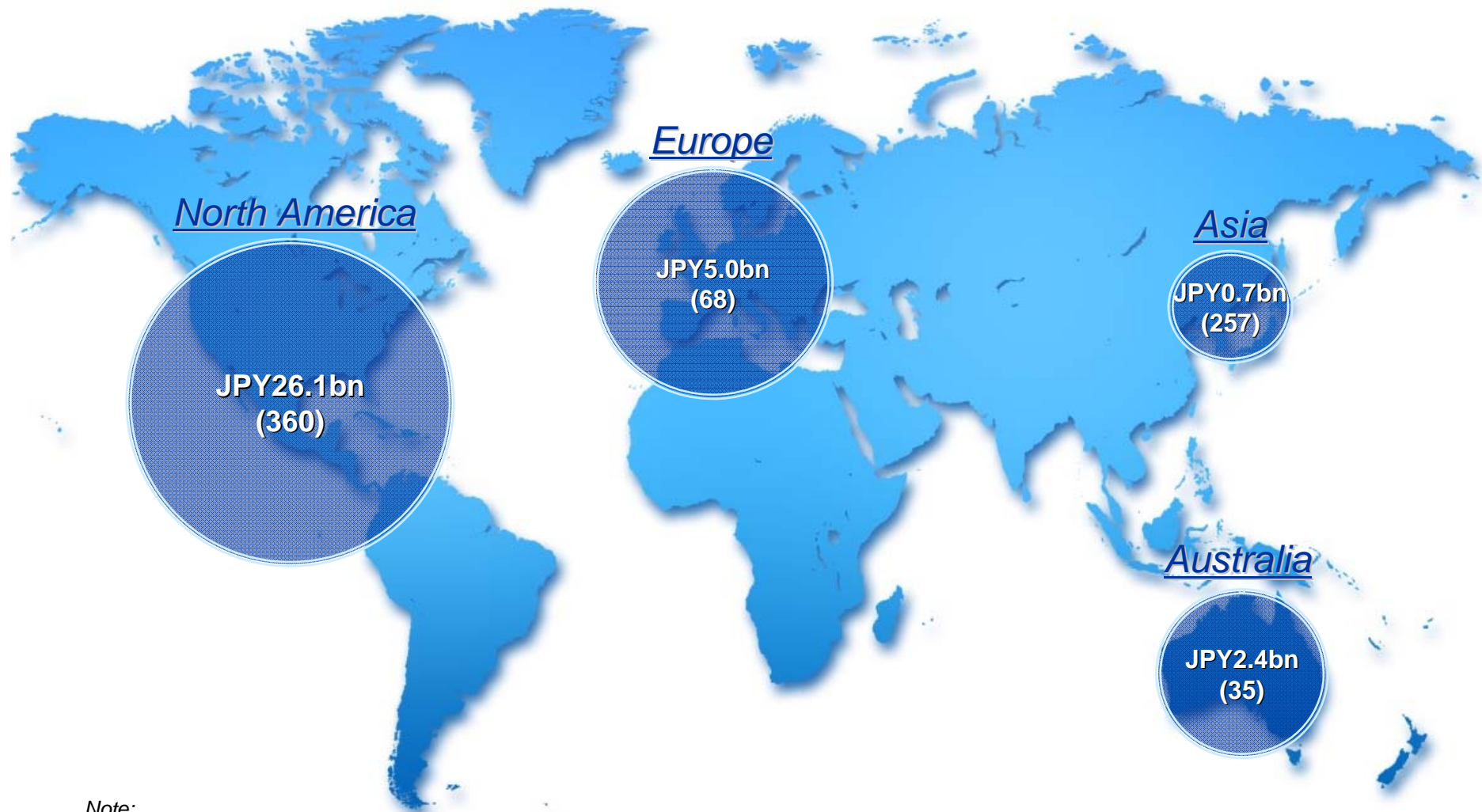
Lamaze Infant Development System



JJ Cole Collections



# RC2's Operating Regions



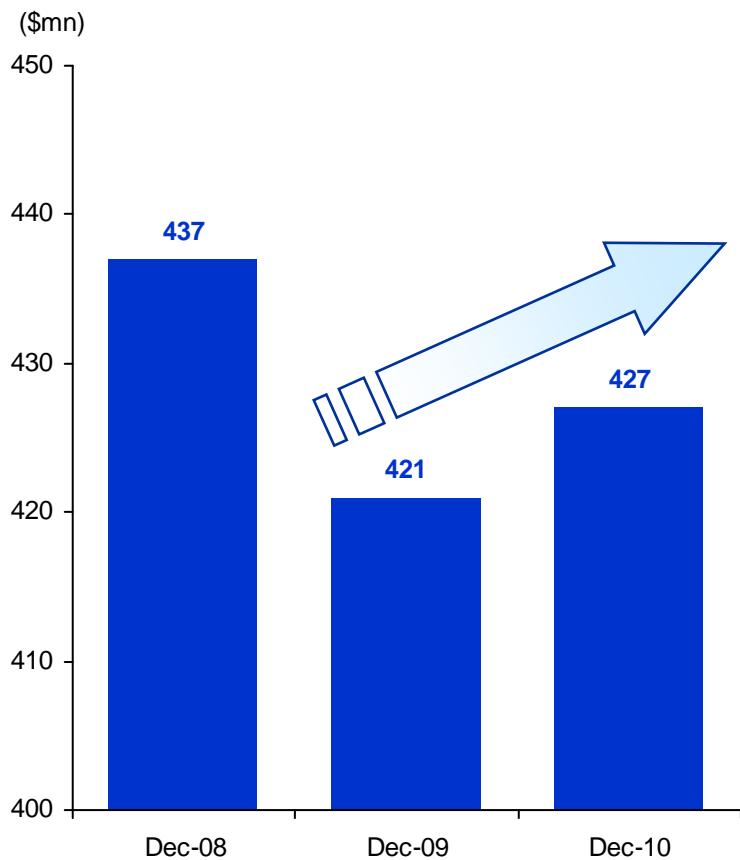
Note:  
(1) Figures in parentheses are number of employees  
(2) FX rate USD1 = JPY82

# Finance Performance of RC2

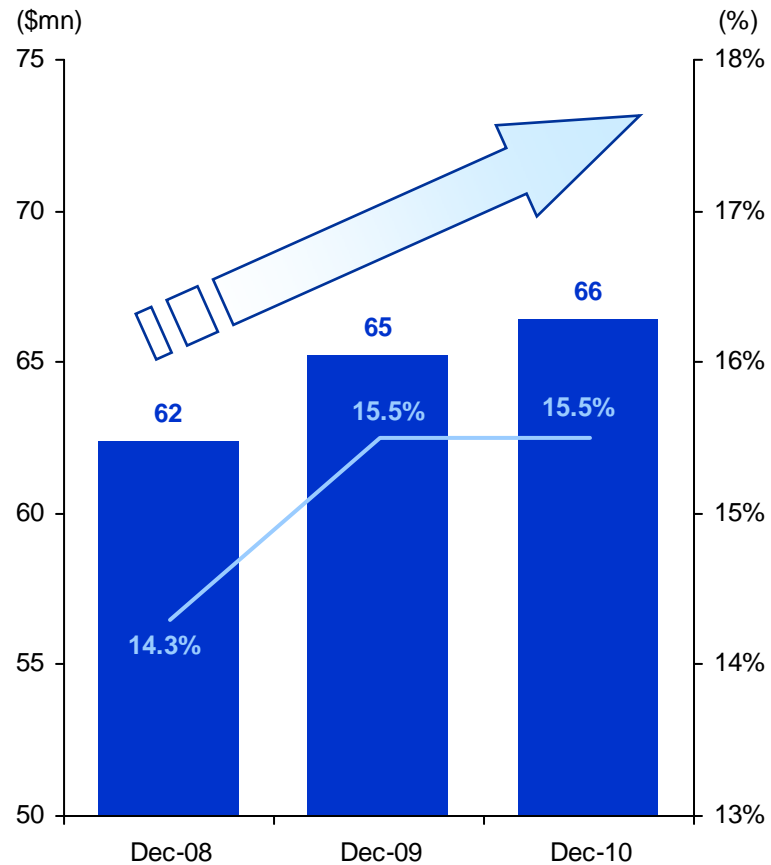


Stable cash flow generation over the last three fiscal years

## Net Sales



## Adjusted EBITDA<sup>(1)</sup>



\*Right axis: EBITDA Margin

Note:

(1) EBITDA numbers represent the Adjusted EBITDA shown on RC2's 10-K

## Curtis W. Stoelting (CEO)



- Curtis W. Stoelting has been the CEO of RC2 since 2003
- Prior to his current position, he led RC2's Finance and Operations Group as the Executive Vice President, and COO of the same group
- Prior to joining RC2 in 1994, he worked at Arthur Andersen

## Peter Henseler (President)



- Peter Henseler has been the President of RC2 since 2002
- Prior to his current position, he led RC2's Sales and Marketing Group as the Executive Vice President
- Prior to joining RC2 in 1996, he led the marketing division of various companies including McDonald's and Hasbro

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- 3. Acquisition Synergies**
4. Overview of the Transaction and Financial Impact

***1. Access to a complementary global distribution network centered around North America***

***2. Strengthened global brand development at both companies***

***3. Enhanced manufacturing / development systems***




***4. Access to global talent / establishment of global structure***

# Acquisition Synergies (1/4)



## 1. Access to a complementary global distribution network centered around North America

- Develop a powerful distribution base in the major global toy markets

Japan & Asia	North America	Europe
 <p data-bbox="259 818 703 1107"><i>Utilize Tomy's distribution network and expedite growth in Asia</i></p>	 <p data-bbox="824 799 1435 1158"><i>Utilize RC2's distribution network along with the existing distribution channel of Hasbro</i></p>	 <p data-bbox="1554 818 1998 1107"><i>Increased efficiency through the combination of our distribution networks</i></p>

## Increased Sales through Integrated BOP<sup>(1)</sup>

Note:

(1) "BOP" stands for "Best Operation Practices"



## 2. Strengthened global brand development at both companies

- Able to strengthen the MIT segment in particular
- Able to increase sales of Tomy products in North America, RC2's growth in Asia by utilizing our distribution network, and development of business platform in Europe through combined distribution networks

	<u>Tomy</u>	<u>RC2</u>
Vehicle ➤	<i>Tomica, Plarail</i>	<i>Chuggington</i>
Nursery & Preschool ➤	TOMY branded toys developed in Europe	<i>The First Years</i>
Boys ➤	New products developed by both companies	
Girls ➤	<i>Licca</i> and new products developed by both companies	

## ***3. Enhanced manufacturing / development systems***

- **Development and production systems for designated products**
  - Overseas products: Utilize RC2's distribution development / manufacturing systems
  - Domestic products: Utilize Tomy's distribution development / manufacturing systems
- **Regional production for designated products**
  - China vs. Thailand vs. Vietnam
- **Enhanced manufacturing system through integrated BOP**
- **Improved efficiency through integrated shipping from the main production center China and China office integration for both companies**



## ***4. Access to global talent / establishment of global structure***

*Able to work hand in hand with a proven management team in the global toy business*

*Fine tune management / business systems and accelerate our globalization efforts*

*Significant development opportunities for employees from exchanges across the combined organization*

## Integration team for expediting synergy effects

**Steering Committee**

- Monitoring of entire integration process
- Approval of the integration plan
- Making decisions on practical matters regarding integration



**Project Management Office (PMO)**

(Integration Project Manager)

- Management on progress of the integration project
- Serving as a hub for the integration project related information
- Coordination of work by each task force
- Consultation/coordination with the Steering Committee on decision-making



**Task Force Teams**

Corporate Planning & Strategy Team	Business Expansion Team	Finance & Accounting Team
Production & Development Team	Marketing Team	Europe Team
System Integration Team	HR Team	

**Active Support**

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# Overview of the Acquisition (1/2)



## Tender Offer Price

- \$27.90 per share
  - 30.9% premium to 3 month average<sup>(1)</sup>
- Approximate transaction value of \$640mn

## Acquisition Structure

- Tender Offer
- Expected launch of the Tender Offer at the end of March 2011
- After the closing of the Tender Offer, necessary procedures will be taken to make RC2 a wholly owned subsidiary of Tomy
- Approval by the members of RC2's Board of Directors voting on the transaction

## Acquisition Finance

- Long-term loan : JPY50bn
- Regarding financing schemes, in view of business conditions, our financial position and market trends, we have determined that it will be optimal to secure stable, low cost funding over the medium and long term
- JPY/USD-denominated syndicated loans are being prepared by a syndicate of banks led by SMBC

*Note:*

*(1) As of March 9, 2011*

# Proforma Financials



Proforma sales of two companies exceed JPY200bn and it is our first significant step to becoming one of the largest global players in the toy market

(JPY100 mn)	Tomy		RC2 <sup>(1)</sup>		Proforma <sup>(2)</sup>	
	FYE March 2010		FYE Dec. 2010			
	<i>(% margin)</i>		<i>(% margin)</i>		<i>(% margin)</i>	
<b>Net Sales</b>	<b>1,787</b>	<b>-</b>	<b>350</b>	<b>-</b>	<b>2,138</b>	<b>-</b>
<b>Operating Income</b>	<b>105</b>	<b>5.9%</b>	<b>37</b>	<b>10.5%</b>	<b>141</b>	<b>6.6%</b>
<b>Net Income</b>	<b>90</b>	<b>5.0%</b>	<b>24</b>	<b>7.0%</b>	<b>114</b>	<b>5.3%</b>

Note:

(1) FX rate USD1 = JPY82

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# Overview of the Acquisition (2/2)

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## P&L Impact

- Details regarding the synergy impact and goodwill amortization will be disclosed subsequently
- Based on our preliminary estimates, increased FY2011 EPS after goodwill amortization even after various transaction costs
- Expected to announce the new mid-term management plan incorporating impact from the acquisition in FY2011

## Return to Shareholders

- Stable dividend distribution would be maintained
- Develop synergy impact from the acquisition in order to contribute to shareholder return



## Important Information

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**The tender offer to which this presentation relates has not yet commenced, and this presentation is neither an offer to purchase, nor a solicitation of an offer to sell any securities. Stockholders of RC2 are advised to read the Tender Offer Statement on Schedule TO, the offer to purchase and any other documents relating to the tender offer that are filed with the Securities and Exchange Commission (the “SEC”) when they become available because they will contain important information. Stockholders of RC2 may obtain copies of these documents for free, when available, at the SEC’s website: [www.sec.gov](http://www.sec.gov). or at Tomy’s website at [www.takaratomy.co.jp/release/ir/index.html](http://www.takaratomy.co.jp/release/ir/index.html).**