

Presentation Material for Analyst Meeting

TOMY Group Revitalization Plan

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March 25, 2013

- Earnings forecasts for the current fiscal year (ending March 31, 2013)
- Reasons for revision from previous forecasts announced on November 13, 2012
- Qualitative analysis of current fiscal year earnings forecasts
- Clarification of responsibilities and authorities
- TOMY Group revitalization plan
- New organizational structure supporting the revitalization plan
- Planned targets for the next fiscal year (ending March 31, 2014)
- Business strategy

Earnings forecasts for current fiscal year (ending March 31, 2013)



➤ Revised earnings forecasts which were announced on March 25, 2013

Billions of yen

	Original Plan (announced May 10, 2012)	Previous Forecasts (announced Nov. 13, 2012)	Revised Forecasts (announced Mar. 25, 2013)	Change (Previous vs. Revised)
Net Sales	190	170	175	+5
Operating Income	10	5.1	2.3	-2.8
Ordinary Income	9.3	4.3	1.9	-2.4
Net Income	5	0.6	-7.1	-7.7

Annual Dividend (per share)	14 yen	14 yen	10 yen	-4 yen
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Reasons for revision from previous forecasts announced on November 13, 2012



Billions of yen

	Operating Income	Ordinary Income	Net Income
Previous forecasts (announced Nov. 13, 2012)	5.1	4.3	0.6
Revised forecasts	2.3	1.9	-7.1
Change	-2.8	-2.4	-7.7

➤ Reasons for revising the forecasts:

1. Operating income (down ¥2.8 billion from previous forecast):

(1) TOMY International (down ¥1.8 billion)

- Holiday sales (biggest sales season) were ¥600 million short of estimate.
- Weak sales of baby feeding category and cancellation of new products launch led to ¥3 billion sales decline.
- Tooling and R&D expenses of cancelled new products totaled ¥200 million.

(2) Tinkerbell (down ¥0.7 billion)

- Operating income declined, owing to sluggish sales during year-end to New Year sales season and inventory disposal that followed March 1, 2013 restructuring.
- Character apparel business was transferred to T-ARTS Company, Ltd.
- SPA business was separated and made independent.

Reasons for revision from previous forecasts announced on November 13, 2012 (cont'd)



Billions of yen

	Operating Income	Ordinary Income	Net Income
Previous forecasts (announced Nov. 13, 2012)	5.1	4.3	0.6
Revised forecasts	2.3	1.9	-7.1
Change	-2.8	-2.4	-7.7

(3) China business (**down ¥0.3 billion**)

-Chinese New Year sales (biggest sales season in the market) was short of previous forecasts by 1 billion yen. This also led to disposal of excessive inventory.

2. Net Income (**down ¥5.3 billion excluding ordinary income decline**)

- (1) Impairment of intangible assets owned by TOMY International: **- ¥5.3 billion**
- (2) Integration-related restructuring expenses at TOMY International: **- ¥0.4 billion**
- (3) Severance for those involved in domestic toy business and accepted the call for voluntary retirement : **- ¥1 billion**
- (4) Expected upside variance of income tax and adjustments: **+¥2 billion**

1. Delay in coping with volatile international business earnings trends

- TOMY was slow to respond to volatile earnings trends of businesses in US, Europe and China.
- Management decisions for countermeasures took time to process.

2. Declined productivity of domestic toy business

- Delay in addressing the rise in break-even-point of domestic toy business sales.
- Measures to create products that could prop up domestic toy sales were not provided quickly enough
 - By measures taken after the first 6 months of the current fiscal year, sales from December onwards recovered to the level of previous year.

3. Wide-spread roles of directors who also have responsibilities as executive officers

- Directors were tending to both management decision works and business execution at the same time, making the roles increasingly intricate.
- Functions for governing group companies declined as a result.

1. Clarification of management responsibilities for current fiscal year's sluggish earnings

➤ Clarification of Head Office directors' management responsibilities

(1) President: remuneration will remain reduced

(2) Drastic reform of directors and executive officers organization

*(2) above is scheduled to take effect following annual shareholders meeting.

2. Reform of board of directors

- Slim down the number of directors
 - to further improve the speed of management decision making.
 - to strengthen the visibility of management operation

- Separate management and business operations
 - Directors will focus on “What should be done”.
 - “How to realize” will largely delegate executive officers.

*above measures are scheduled to take effect following shareholders meeting.

1. Establish stable revenue base with domestic business

- TOMY positions domestic business as revenue base and aims to lower its break-even point ratio, grow stably, generate cash flow and achieve resources for investment.

2. Focus investment resources to US and European markets and further enhance the globalization process.

- Resources generated by domestic business will be invested in US and Europe businesses to firmly lay foundation for global business development.

3. Explore opportunities in growing Asian market and create foundation for future business.

- In rapidly growing Asian market, TOMY will focus on increasing its presence rather than aspiring for speedy growth. TOMY positions the market as base for the group's *Reverse Innovation Strategy* and location for testing the strategy by trying out businesses.

“Reverse Innovation Strategy”:

TOMY will develop low-price goods for Asian market, test the goods in Asian market and then aim to expand globally.

1. Strengthening revenue base of domestic business

1. Lower break-even-point ratio of domestic business:

- Strengthen revenue base with lowered break-even-point resulting from severance
 - FY2013 break-even-point will lower by 10% and 15% versus FY2012 and FY2011 respectively.
 - Results of call for voluntary retirement :
 - 138 people accepted the offer, resulting in ¥1 billion extraordinary losses.
 - Estimated annual personnel cost savings from the severance is ¥1.5 billion.

2. Creation of product ranges that will create markets without being dependent on large-scale investments:

- Lower break-even-point by business units and manage KPI.
- Provide scheme to enable constant launch of items that would create markets.

3. Growth and development of global contents lead by domestic companies:

- Continue the cycle of acquiring global licenses on a regular basis, lead by **H**ead **O**ffice, and rolling out products globally.
- TOMY and T-ARTS Company will collaborate to work with licenses that have immediate appeal and achieve revenues from hot trends.
- **H**ead **O**ffice will lead the growth of contents and secure future revenues.

1. Strengthening revenue base of domestic business (cont'd)

4. Thoroughly implement sales promotion activities that are in line with sales spaces:

- Management of sales process and logistics are centralized to TOMY Marketing Company which was newly established in October, 2012.
 - Domestic logistic functions (TOMY Logistics) will be integrated to TOMY Marketing Company on March 31, 2013.

- (a) To strengthen relationship with distribution network as well as retail marketing.
- (b) To improve efficiency of domestic logistics and reduce cost.

- Thoroughly strengthen field service and respond to consumer demands.
 - Establish field service teams for core businesses (Tomica, Plarail, Licca dolls and trading card games).

- (a) To communicate product features through instore demonstration and tutorial events.
- (b) To attract new fans and entice them to become core fans.

2. Concentrated investment on US and Europe

1. Clearer management responsibilities:

- Change in CEO to Greg Kilrea from Curt Stoelting, and Masayuki Nagatake assumes the role of COO.
- Increase the transparency of business by improvement of communication through newly established Global Business Headquarter.
- Identify a business risk from an early stage, and plan and execute countermeasures through KPI management.

2. Intensifying toy business at TOMY International:

- Stably expand market share by continuing to acquire global licenses (eg., Pokémon and Disney characters).
- Roll out “Reverse Innovation Strategy” product ranges developed for Asian market.
- Strengthen product planning and development, and governance by increasing number of expatriates from Japan.

3. Reinforcing baby business at TOMY International:

- Execute revitalization plans led by Greg Kilrea, new CEO.
- Strengthen Boon & Keen business and high-end products (JJ Cole and Lamaze) with potential.
- Reconstruct infant feeding business.

Revitalization Plan:

3. Testing business in Asia



1. Test “Reverse Innovation Strategy” and establish success scenario:

- Expand the successful case of “Kiba-O” distribution in China.

2. Re-establishment of China business:

- Review existing sales space development and improve efficiency.
 - Strengthen earning power by prioritizing stores from existing expanded distribution network.
- Re-establishment of roll out plan for products which will be distributed globally.
 - Achieve small and timely product distribution by tagging on when larger orders are placed by other markets.
- Provide a system for growing core brands with proven track record in the market like Tomica and Plarail.

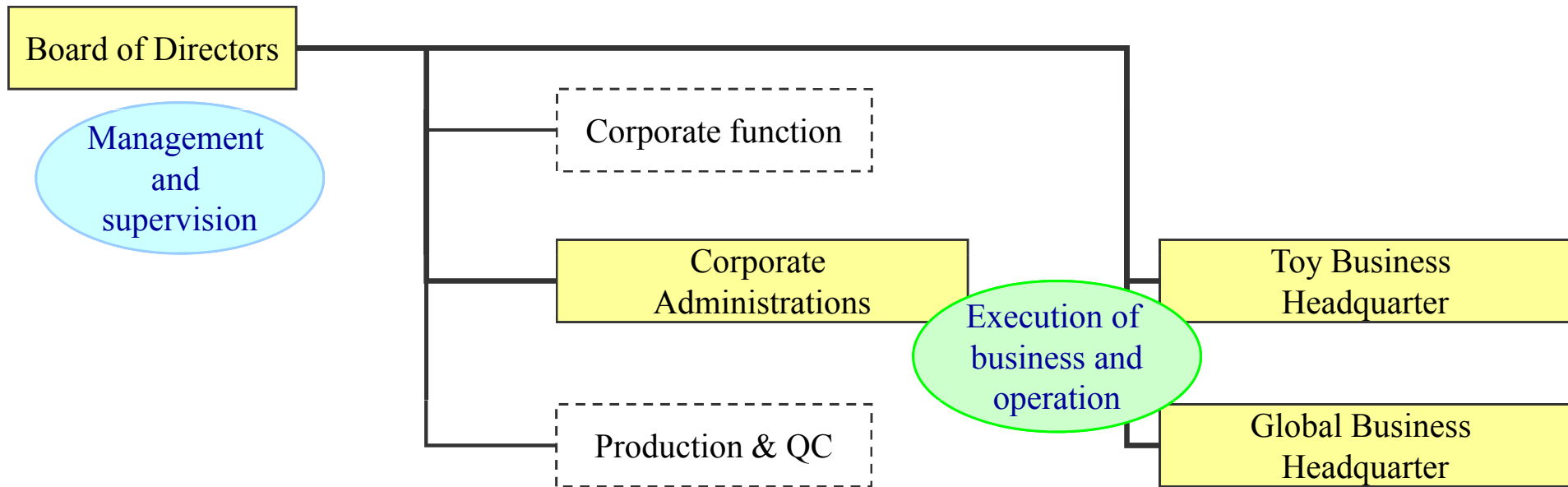
3. Full-fledged entry to ASEAN market:

- Test “Reverse Innovation Strategy” jointly with key distributors.

4. Improve efficiency of existing Asian business:

- Job cuts arising from closure of unprofitable Korean branch.
- Clarifying the policy to jointly work with key distributors.

New organizational structure in support of Revitalization Plan



- Board of Directors will focus on management work and supervision. Business and operational execution work will be delegated.
- New organizational structure consisting of three headquarters:
 - Corporate Administration;
 - Organization aimed to strengthen consolidated administration system.
 - Includes operational execution function which formerly belonged to Bureau of Corporate Strategy.
 - Toy Business Headquarter;
 - Organization that brings together the operational execution related to domestic business.
 - International Business Headquarter;
 - Organization that brings together the operational execution related to international business.

Next fiscal year targets (ending March 31, 2014)



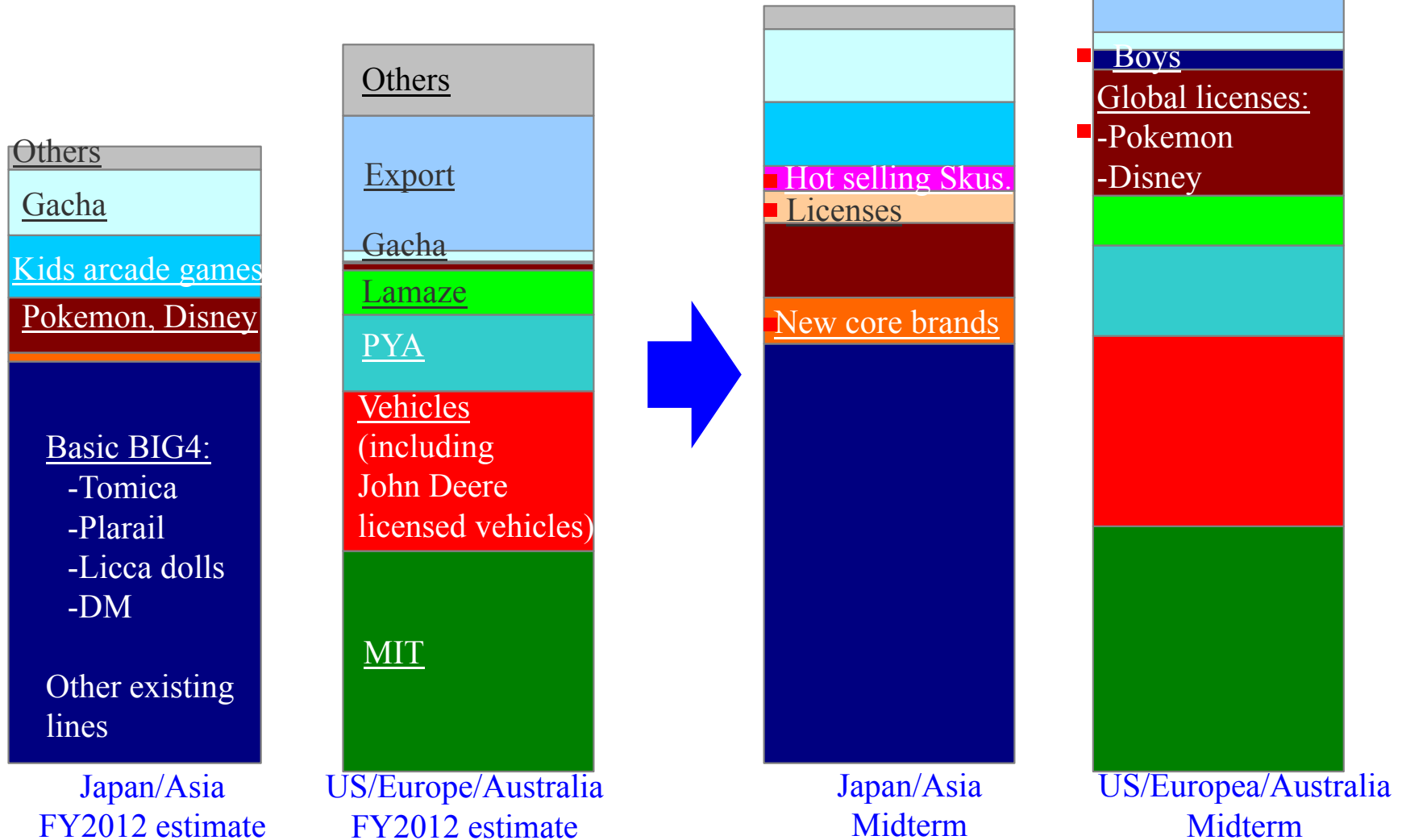
Billions of yen

	Last FY Actual Result (ending March. 31,2012)	Current FY Forecasts (ending March. 31, 2013)	Next FY Targets (ending March. 31, 2014)	Change (Next FY targets vs. current FY forecasts)
Sales	187.3	175.0	178.0	3.0
Operating Income	10.2	2.3	5.0	2.7
Ordinary Income	9.8	1.9	4.1	2.2
Net Income	3.7	-7.1	1.3	8.4
Annual Dividend (per share)	14 yen	10 yen	10 yen (estimate)	

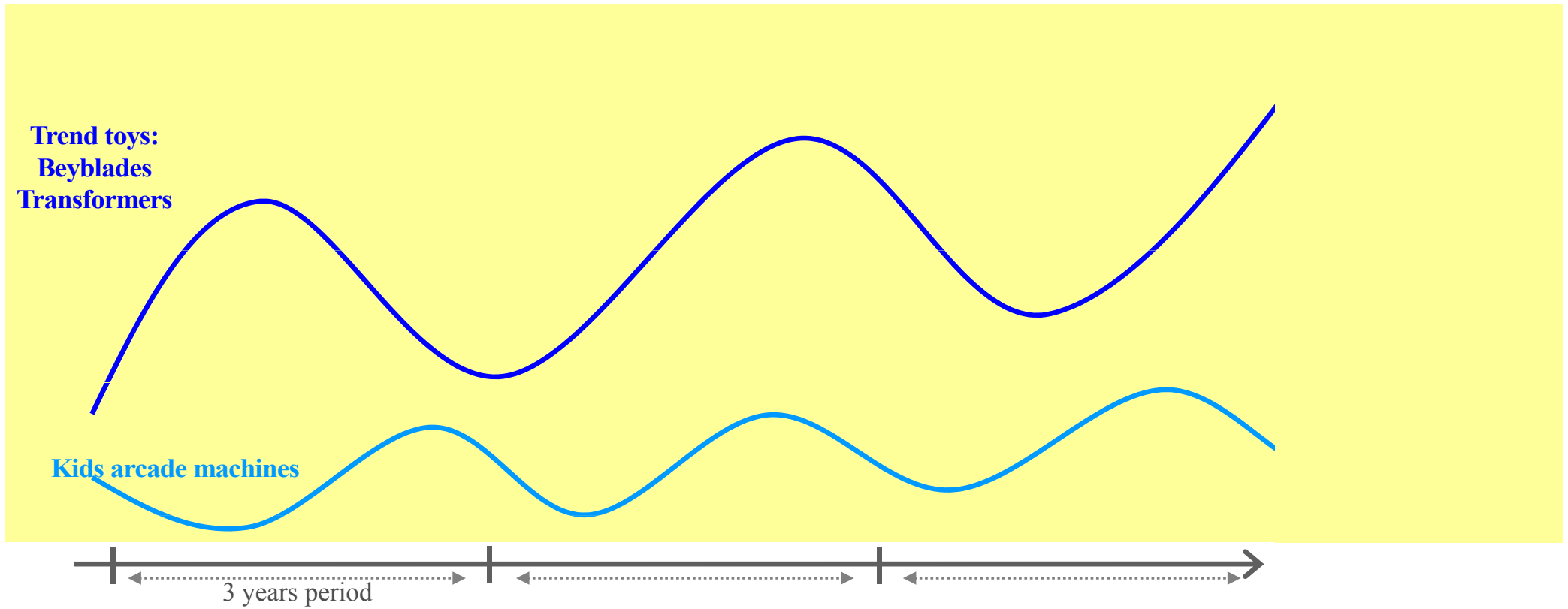
TOMY Group business strategy



- Two pillars: Japan/Asia and US/Europe.
- Stable expansion with core brands.
- Japan/Asia: Creation of new core brands, acquisition of licenses, growing core brands from hot selling SKUs.
- US/Europe: making full use of global licenses like Pokemon.



TOMY Group Business Strategy (in the past)

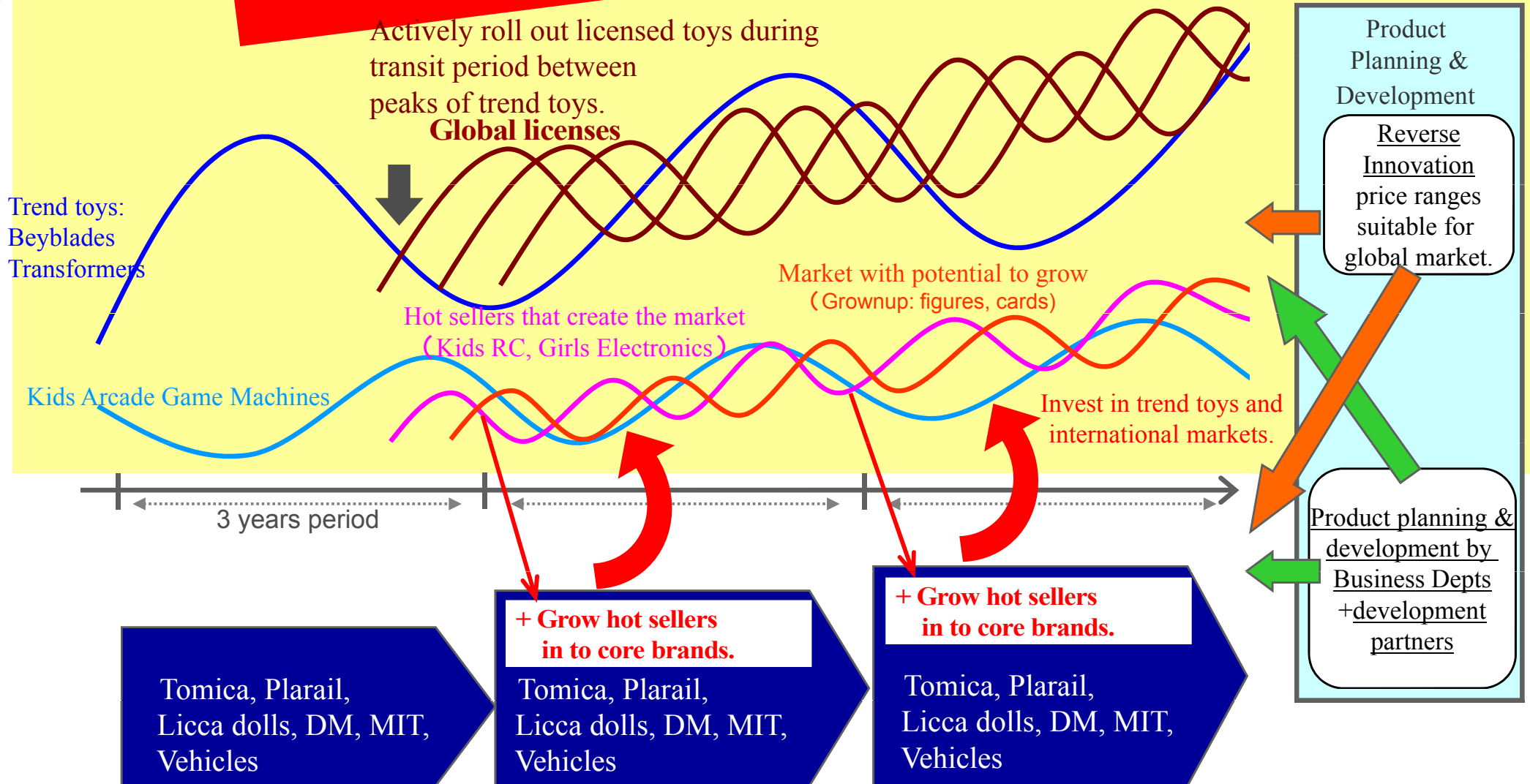


TOMY Group business strategy (moving forward)



Each wave minimizes the volatility from year to year and enables sustainable growth.

Overall sales





This document contains forward-looking forecast, target, plan and strategy related to TOMY Group that are based on our knowledge and assumptions made on the basis of information. They do not guarantee nor warrantee the group's actual earnings as well as the business development. Actual results could differ from this report.

*This document is a translation of the original text in Japanese.