

TOMY Company Ltd.
Fiscal Year 2016 1st Half (6 months)
Results
(April 1, 2016 – September 30, 2016)

Nov 10, 2016
TSE Securities Code: 7867

Fiscal Year 2016 1st Half (6 months) Highlights

(April 1, 2016 – September 30, 2016)

Nov 10, 2016

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

FY2016 1st Half

Consolidated Income statements



¥100million

	FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
Sales	766	778	-12
Cost of Sales	481	500	-19
Gross Profit	285	277	+8
Operating income	25	8	+17
Operating Profit Margin	3.4%	1.1%	+2.3%
EBITDA	66	53	+13
Ordinary Income	16	7	+9
Profit Attributable to Owners of Parent	5	2	+3

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

◆ Sales

Decreased despite strong sales in the Japanese market. The decline is largely attributable to releases of products related to movie content having run their course and the strong yen in the Overseas market.

◆ Gross Profit

Increased largely due to strong results in the high-margin domestic toy business, combined with a decrease in the cost of procurement and other outlays.

◆ Operating income

Increased despite higher advertising expenses due to a sales expansion drive. The increase is attributable to the increase in gross profit, in addition to a decrease in selling, general and administrative expenses largely as a result of workforce reductions implemented as part of TOMY International Group's restructuring measures.

◆ Ordinary Income

Improved following the improvement of operating income despite an increase in foreign exchange losses in non-operating expenses.

◆ Profit Attributable to Owners of Parent

Improved despite having recorded ¥565 million in extraordinary loss, which includes some impairment loss on intangible assets with respect to certain baby products in Oceania at the TOMY International Group.

¥100million

	FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
SG&A (total)	259	269	-10
Personnel expense	89	101	-12
Advertising expense	59	49	+10
R&D expenses	14	12	+2
Distribution expenses	32	33	-1
Amortization of goodwill and intangible assets associated with acquisition of TI	9	14	-5
	\$9.4MM	\$11.6MM	-\$2.2MM

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

◆ SG&A (total)

- Advertising expenses increased following stronger marketing with the aim of expanding sales.
- Personnel expenses decreased due to workforce reductions implemented as part of TOMY International Group's restructuring measures initiated in the previous fiscal year.

Net Sales by Region

FY2016 1st Half

¥100million

Area	FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
Japan	488	434	+54
North America	160	203	-43
Europe	46	54	-8
Oceania	11	14	-3
Asia	52	54	-2
Others	7	16	-9
Total	766	778	-12
Ratio of overseas sales	36.3%	44.2%	-7.9%

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

- ◆ **Japan**
Sales were strong in each product group, namely, “long-standing,” “new,” “big bets (highest priority products)” and “Toys 4.0,” backed by strengthened development in each.
- ◆ **North America**
Net sales decreased despite growing sales of POKEMON-related products. The decrease was mainly attributable to releases of products related to movie content having run their course.
- ◆ **Europe**
Net sales decreased because sales of baby products such as bath-time toys, and agricultural machinery toys performed weakly, and releases of products related to movie content ran their course.
- ◆ **Oceania**
Net sales decreased mainly due to the withdrawal from certain unprofitable products, aimed at improving profitability, and releases of products related to movie content having run their course.
- ◆ **Asia**
Shipments increased for products from TOMY Asia Limited, established in the previous fiscal year, such as TOMICA, which is commanding popularity, and character-related products. However, shipments of toys for Hong Kong decreased at the TOMY International Group.

Extraordinary Loss Breakdown FY2016 1st Half

■ Major year-on-year items changed

¥100million

	FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
Extraordinary Loss	5	0.5	+4.5
Impairment Loss	5	0.3	+4.7

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

◆ Extraordinary Loss

Recorded ¥565 million in extraordinary loss, which includes impairment loss on intangible assets with respect to certain baby products, etc. in Oceania at the TOMY International Group.

Consolidated Balance Sheets Breakdown

Major year-on-year items changed

¥100million

account	FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
Inventories	193	244	-51
Japan	138	135	+3
Overseas	97	147	-50
Elimination of unrealized profits	-42	-39	-3

Total Interest Bearing Debt	677	740	-63
Loans Payable	577	640	-63
Bonds	100	100	0

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

◆ Inventories

Overseas subsidiary TOMY International \$-30 MM (YoY) (¥-5.2 bn converted)

(FY2016:\$82MM FY2015:\$113MM)

	<US\$ FX rate>		FY2016 1st Half (2016/4-9)	FY2015 1st Half (2015/4-9)	Difference
	FY2016 ¥101.12	FY2015 ¥119.96			
Amortization on goodwill of TI	\$MM		188	227	-39
	¥ 100million		191	272	-81
intangible assets of TI	\$MM		104	142	-38
	¥ 100million		106	171	-65

TOMY COMPANY,LTD.

1st Half 2016 Results

**Our changes are producing
concrete results**

H.G. Meij
President & CEO

Review of May 2016 Analyst Meeting



→ Large scale changes continuing & producing results – Japan & Asia seeing large sales growth

✓ FY 2015 Sales = +9% ✓ 8 Quarters of growth ✓ Brand Power ↑

(Japan ↑、Asia ↑、TI※ ↑)

※TOMY International

→ Overseas improvements implemented

✓ Direct management from Japan ✓ Impairment ✓ Profit over sales

→ Well foreseen new products & content ready – will drive future growth

✓ 20 large domestic contents ✓ 3 year consecutive TF※ movies

✓ Big Bet exceeding plan + overseas expansion moving forward

※ Transformers






Sales	Vs YAG
2016 1Q	+2 %
2016 2Q	-4 %
2016 1H	-1 %



FX Neutral

+2%

<Oct 27 2016>
Announced **upward revision** for the 1st 6 months of the fiscal year ending
VS annual plan Operating income  Ordinary income  Profit attributable to owners of parent 

TOMY surging

(2016 1H vs YAG)



= (All base brand up, new prod. & BeyBlade trending)



= (TOMY sales Asia segment)



=



=

TOMYTEC =

Brexit



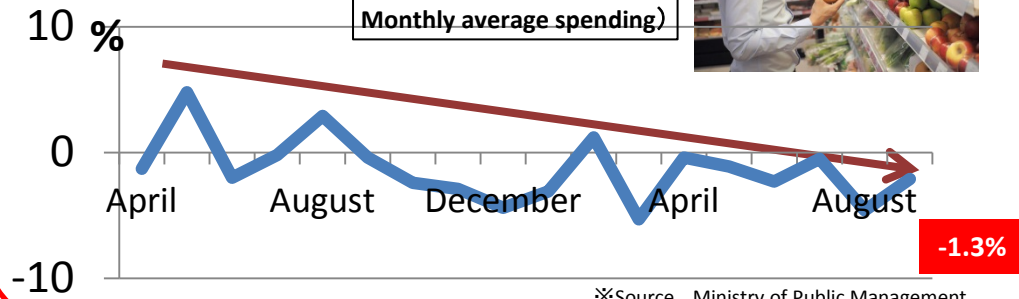
1 £ = \$1.7



Declining consumer spending



Monthly average spending



※Source Ministry of Public Management

\$ → ¥

negative effect



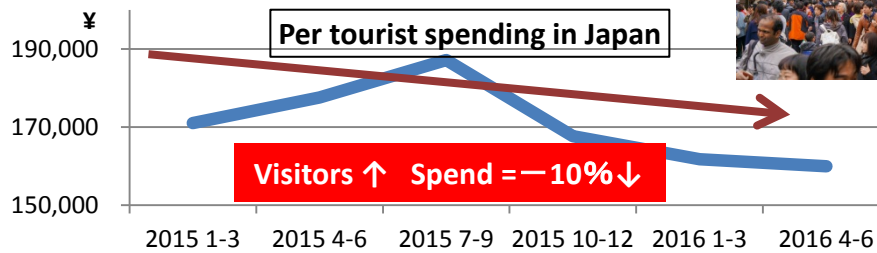
\$1 = ¥124



Declining tourist spending



Per tourist spending in Japan



※Source Japan Tourism Agency

Toy Market = approx. -10%[※]



Top Customer A Stop all toy sales
Top Customer B NB → PB

※Source: NPD data aggregation period (2016/1/1-8/14)



Visitors
 2014 = 470,000
 ↓
 2016 = 700,000
 +50%



Sales ↑ ↑

New Record

America WINTER 2016
HOT TOY!



First Ever

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 ポケットモンスター、ポケモン、Pokémon は任天堂・クリエーターズ・ゲーム・フラインクの登録商標です。
 ニンテンドーSDS は任天堂の商標です。

日本経済新聞 発表
 Annual Nikkei Corporate image Ranking

2015 #158
 ↓
2016 #118

New Record



**17th consecutive months
 Top Vendor**

**Highest ever
 & counting**



BeyBlade
Very high Sales

PriPara
Sold 220,000 cards
in one day

Pokémon Z-Ring
High global
praise

Summer holiday
(Bon holidays)
Sale Push
130% vs YAG

Tokyo Toy Show
3 Top Awards
3 Category
Awards

SEATEC*
Only toy
company ever
to be invited

Stock Price
First time ever 4-digit
after merger

*SEATEC: Combined Exhibition of Advanced Technology

Globalization

Expand outside
of Japan

RC2 acquisition

Lack of Synergy

Obtained Global
movie contents

US/EU
Decline w. large FX swi

Negative Profit

New Strategy

TOMY International Strategy by region (Americas)

- **Structure — Direct management from Japan + restructuring implemented**
- **Invest and concentrate in “6+1” Strategy**

6 → TI America's main brands

- John Deere (Ag & Auto)
- The First Years (MIT)
- JJCole
- Lamaze
- Boon
- Pokémon (Toy & Hobby)

+ 1 → New products not requiring large investments

- Mocchi-Mocchi- (soft plush) 、Ania etc.

Stop the bleeding!

2016 1st Half

TOMY International Americas = Sales as planned

TOMY International Strategy by region (Europe)

- **Structure** — Direct management from Japan + restructuring implemented
- **Invest and concentrate in “Super 8” Strategy**

Super 8 → TI Europe’s major 8 brands

→ Concentrate of UK, Germany and France, close other direct offices, switch to agent sales

Stop the bleeding!

2016 1st Half
TOMY International Europe = Sales as planned

TOMY International Strategy by region (Australia)

- Structure — Direct management from Japan
- Promote local sales abilities to Japanese products
- Concentrate of core products
(Wrote off \$5.1 mln)

Examples of Japanese products for Australia





No.1 TOMICA Big-Item!



Freely operated



Total length up to 100cm!



Revolutionary Pet-toy !



Interactive game toy



Big hit Handicraft toy



New virtual reality fishing toy



Renewed for the first time in 8 years



Popular Shooting toy



Over 5 million units sold!



Popular VR item



	FY2014 Actual	FY2015 Actual	FY2016 Targets	FY2017 Targets
Sales	1,499	1,630	1,680	1,900
Operating Income	24.7	26.9	40	80
Operating Profit Margin	1.6%	1.7%	2.4%	4.2%
EBITDA	111	116	133	173

Sales 163.0 → 168.0 +¥5.0 billion

- BEYBLADE, KAMIWAZA WANDA, MY HERO ACADEMIA, etc. in Japan
- Stable growth in long-standing products
- Overseas business Profit improving Focus

Operating Income 2.69 → 4.0 +¥1.31 billion

- Higher sales and improvement in overseas business

	FY2014 Actual	FY2015 Actual	FY2016 Targets	FY2017 Targets
Sales	1,499	1,630	1,680	1,900
Operating Income	24.7	26.9	40	80
Operating Profit Margin	1.6%	1.7%	2.4%	4.2%
EBITDA	111	116	133	173

Sales 168.0 → 190.0 +¥22.0 billion

- Overseas BEYBLADE
- TRANSFORMERS movie 5
- Other New content

Operating Income 4.0 → 8.0 +¥4.0 billion

→ Higher sales leading to higher profits

FY2016

FY2017

FY2018

FY2019

Japan

Asia

Overseas

BEYBLADE BURST

KAMIWAZA WANDA

MY HERO ACADEMIA

SNACK WORLD

STAR WARS

STAR WARS

STAR WARS

STAR WARS

TRANSFORMERS movie 5

TRANSFORMERS movie 6

TRANSFORMERS movie 7

Movie content

Movie content

TAKARA TOMY GROUP

Around 20 major items of content

New content

New content

New content

TOMY 1st Half 2016

- **Concrete results continue**
 - **Japan & Asia sales continue to be ↑**
 - **Overseas improvements underway**
 - **Corporate image ↑, exciting new products launched**
- **Good range of new products Second Half 2016**
- **Good stock of exciting new products for 2017 and beyond**



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.