

**TOMY Company, Ltd.
Fiscal Year 2017 Results
(April 1, 2017–March 31, 2018)**

**May 16, 2018
TSE Securities Code: 7867**

FY2017 Financial Highlights (April 1, 2017–March 31, 2018)

May 16, 2018

Hiroya Kutsuzawa
Senior Executive Officer & CFO
TOMY Company, Ltd.

Consolidated Income Statements



¥100 million

	FY2017 (April 1, 2017–Mar 31, 2018)				FY2016	Difference
	Actual	Revised Forecast (Apr 27, 2018)	Revised Forecast (Oct 27, 2017)	Original Forecast	Actual	
Sales	1,773	1,773	1,770	1,700	1,676	+97
Cost of Sales	1,051	–	–	–	1,039	+12
Gross Profit	722	–	–	–	637	+85
Operating Income	131	131	115	80	77	+54
Operating Income Margin	7.4%	7.4%	6.5%	4.7%	4.6%	+2.8%
EBITDA	223	–	–	–	162	+61
Ordinary Income	124	123	115	80	78	+46
Net Income	79	79	70	55	53	+26

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

- ◆ Sales
Toy sales in the Japanese and Asian markets were brisk; overseas-bound exports of “TRANSFORMERS” and “BEYBLADE BURST” increased.
- ◆ Gross Profit
Sales increased and inventory write-down decreased.
- ◆ Operating Income
Gross profit increased and profitability of overseas businesses improved.
- ◆ Ordinary Income
Operating income grew substantially, while foreign exchange gains in the previous fiscal year turned to foreign exchange losses.
- ◆ Net Income
Ordinary income increased significantly, while extraordinary losses including impairment loss on intangible assets in the Americas were recorded (see to p.6).

*Sum of amortization of goodwill and intangible assets associated with the acquisition of TOMY International (TI): ¥2 bil for the FY under review; ¥2 bil for the previous FY

* EBITDA=Operating income + depreciation + amortization of goodwill *Dollar conversion rate: ¥110.85 during the FY under review; ¥108.38 during the previous FY

SG&A Breakdown

¥100 million

	FY2017	FY2016	Difference
SG&A (total)	590	559	+31
Personnel expenses	197	191	+6
Advertising expenses	152	134	+18
R&D expenses	33	30	+3
Distribution expenses	69	70	-1
Amortization of goodwill and intangible assets associated with acquisition of TI	20	20	—
	\$18 MM	\$18 MM	—

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

◆ SG&A (total)

The Group focused on marketing and new product development to promote its sales expansion, leading to increases in personnel expenses, advertising expenses and R&D expenses.

Net Sales by Region



¥100 million

Region	FY2017	FY2016	Difference
Japan	1,126	1,059	+67
North America	325	339	-14
Europe	111	99	+12
Oceania	28	28	—
Asia	161	132	+29
Others	20	16	+4
Total	1,773	1,676	+97
Ratio of overseas sales	36.5%	36.8%	-0.3%

*Net sales are based on customers' addresses and classified into country or region.
*All figures have been rounded down to the nearest ¥100 million.

- ◆ Japan
Sales were strong in each product group, including new products such as “HATCHIMALS (“Umarete! Woomo”)”, “Miracle Tunes!”, and “Oonies”, in addition to core brands and other highest priority products.
- ◆ North America
Although sales of “TRANSFORMERS” and “BEYBLADE BURST” increased, sales of character-related toys and baby products decreased.
- ◆ Europe
Net sales increased on the back of strong sales of “TRANSFORMERS” and “BEYBLADE BURST”, despite sluggish sales of baby and preschool products.
- ◆ Oceania
Net sales remained unchanged from the previous year's level due to weak sales of character-related toys, despite growth of sales of “TRANSFORMERS” and “BEYBLADE BURST”.
- ◆ Asia
Net sales grew due to increased shipments of “BEYBLADE BURST” and “Pokémon”-related toys as well as “TRANSFORMERS”, the movie of which was released in the summer of 2017.

Extraordinary Loss Breakdown

■ Major year-on-year items changed

¥100 million

	FY2017	FY2016	Difference
Extraordinary Loss	26	7	+19
Impairment Loss	13	6	+7
Provision of Allowance for Doubtful Accounts	5	—	+5

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

◆ Impairment Loss

Impairment loss on some of the intangible assets (¥888 million) in the Americas (North America and Latin America) of the TOMY International Group was recorded as a result of examination of future collectability.

◆ Provision of Allowance for Doubtful Accounts

Provisions of allowance for doubtful accounts (¥529 million) were recorded in the U.S. and Canada as a result of a U.S. toy retailer filing for bankruptcy protection in the U.S. and Canada.

Consolidated Balance Sheets Breakdown

■ Major year-on-year items changed

¥100 million

Account	FY2017	FY2016	Difference
Inventories	143	155	-12
Japan	79	95	-16
Overseas	75	80	-5
Elimination of unrealized profits	-11	-20	+9

Total Interest Bearing Debt	427	647	-220
Loans Payable	327	547	-220
Bonds	100	100	—

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

*Dollar conversion rate: ¥106.24 during the FY2017; ¥112.19 during FY2016

		FY2017	FY2016	Difference
Amortization of goodwill of TI	\$MM	169	182	-13
	¥100 million	180	204	-24
Intangible assets of TI	\$MM	88	102	-14
	¥100 million	93	114	-21

On the Medium-Term Management Plan

NEXT STEPS

① Previous Medium-Term Management Plan (FY2014–2017)

② New Medium-Term Management Plan (FY2018–2020)

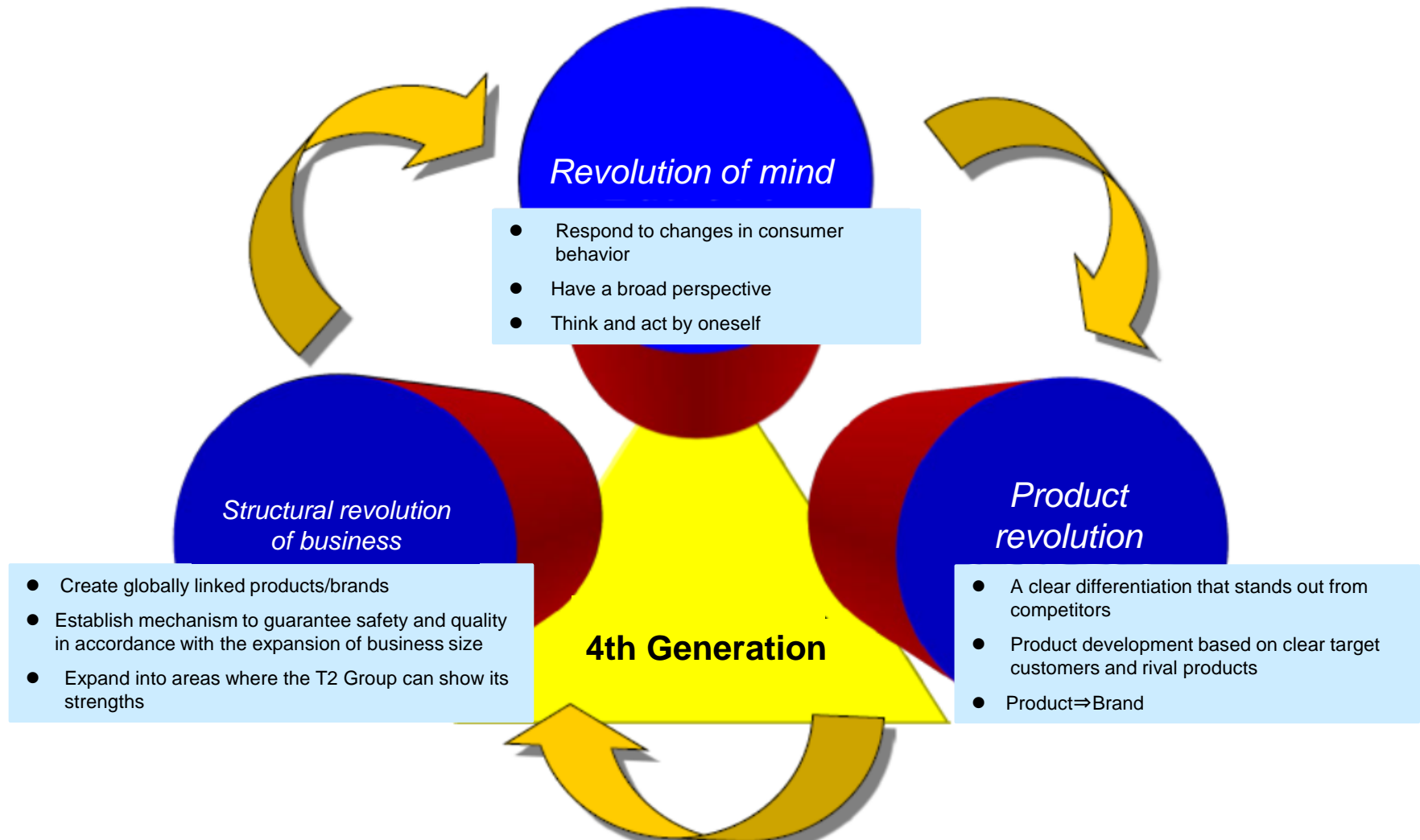
Kazuhiro Kojima
Representative Director, President & COO
TOMY Company, Ltd.



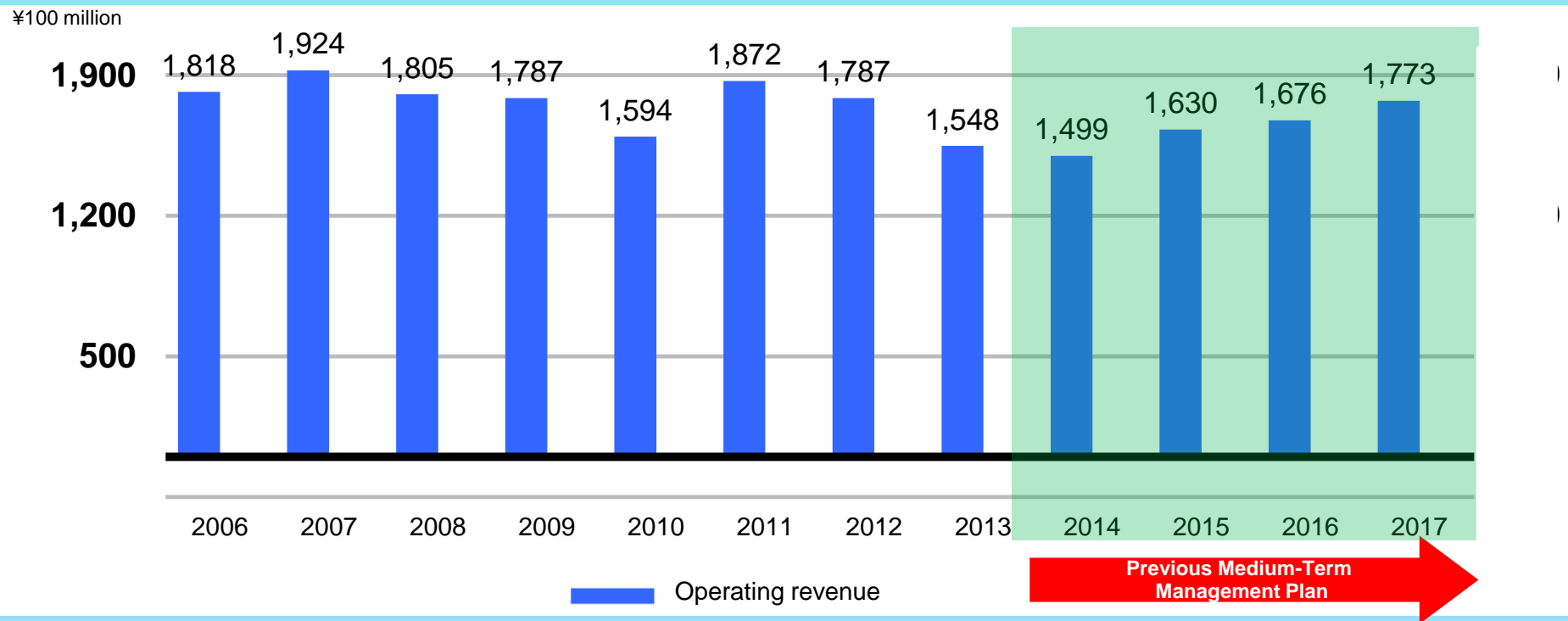
① Previous Medium-Term Management Plan (FY2014–2017)

PERFORMANCE

Carry Out Three Revolutions

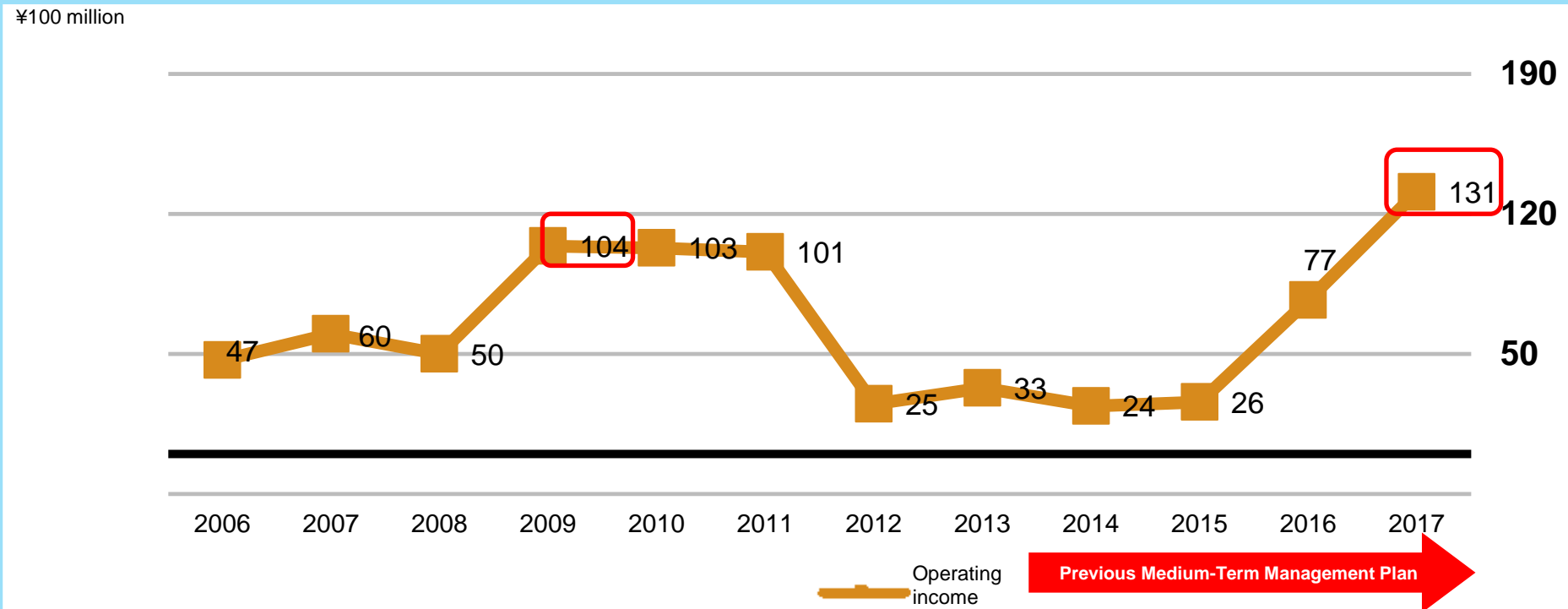


Do Not Fear Challenges and Embrace the Medium- and Long-Term Growth Strategy



From FY2014: Growth strategy

Achieved Record Operating Income



Achieved record operating income of ¥13.1 billion in FY2017, exceeding operating income of ¥10.4 billion posted in FY2009

Achievements over Four Years

**Evolution of
core brands**

Sales of core brands such as TOMICA, PLARAIL, and LICCA dolls reached a record high

**Creation of
new products**

Many new products were created, including HATCHIMALS (“Umarete! Woomo”), Oonies, and PRINTOSS

**Implementation of
original IP strategy**

Aggressively promoted original IPs such as BEYBLADE BURST, DRIVE HEAD, and Miracle Tunes!

**Rise in
store share**

Increased store share by focusing on priority products and strengthening field marketing

**Record sales
in Asia**

Achieved record sales in the Asia region, namely South Korea, Hong Kong, and Taiwan, by strengthening business development

**Improved
productivity**

Improved inventory turnover; increased sales per SKU; promoted transfer of production bases

Sales of long-standing products such as TOMICA, PLARAIL, and LICCA dolls reached a record high

TOMICA Highest sales in the past 48 years



PLARAIL Successful introduction of SHINKALION; record sales



Evolution of core brands

♥ Licca 50th Anniversary ♥

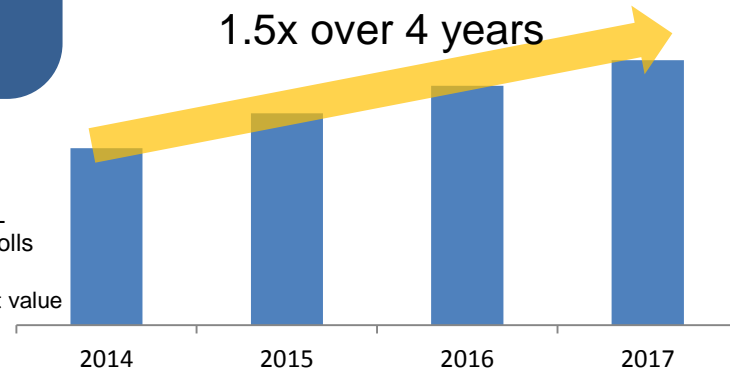


リカちゃん

LICCA dolls 50th anniversary; record sales

1.5x over 4 years

TOMICA
PLARAIL
LICCA dolls
Total
Shipment value



Record sales, increasing for the third consecutive year

Many new products were created, including HATCHIMALS (“Umarete! Woomo”), Oonies, and PRINTOSS

HATCHIMALS (“Umarete! Woomo”) Hit product for two consecutive years; No.1 popularity among girls



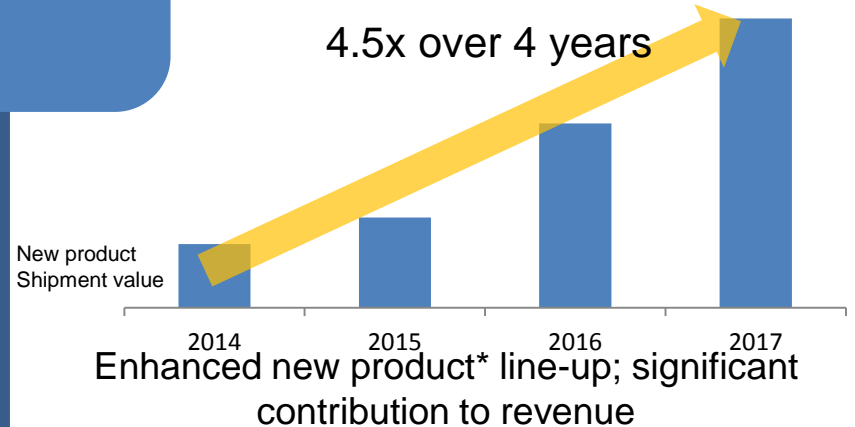
Oonies No.1 hobby among little girls



Creation of new products



PRINTOSS Mega hit; much talked about on social networks, etc.



*New products in the New Products Planning Group, Boys Business and Girls Business Divisions

Aggressively promoted original IPs such as BEYBLADE BURST, DRIVE HEAD, and Miracle Tunes!

Movie will be launched this summer!



TOMICA HYPER
RESCUE
DRIVE HEAD



TOMY's first live-action product for young girls
Successful events, attracting 100,000 visitors in total in one year

Idol x Warrior
Miracle Tunes!



Implementation
of original
IP strategy

BEYBLADE BURST



Tremendous popularity not only in Japan but also abroad. A world championship will be held in 2018!

Increased store share by focusing on priority products and strengthening field marketing

A focus on priority products



Narrowed down SKUs and focused on priority products

Aggressive expansion of shelf spaces in stores

Substantial reinforcement of store maintenance

1,000 unique stores/year

8,000 stores maintenance in total

Rise in store share

No. of shelves

FY2014⇒FY2017

1.7x

Share of store sales

FY2014⇒FY2017

More than 2x

Achieved record sales in the Asia region, namely South Korea, Hong Kong, and Taiwan, by strengthening business development

South Korea



Cumulative sales of BEYBLADE:
Exceeded 10 million units
Launched Miracle Tunes! in S. Korea

Hong Kong



Started TOMICA event roadshow
Shopping mall event extremely popular

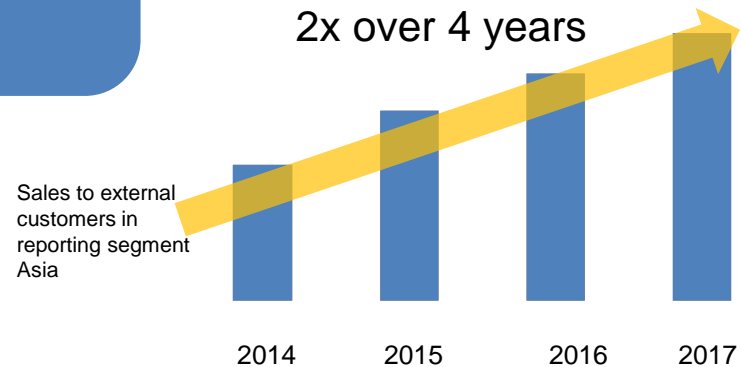
**Record sales
in Asia**

Taiwan



LICCA dolls Strengthened store marketing
Improved brand recognition

2x over 4 years



Reinforced Asia business led to sales increase

Improved inventory turnover; increased sales per SKU;
promoted transfer of production bases

Successful reduction of inventory

¥100 million

	FY2014	FY2015	FY2016	FY2017
Inventory assets	211	200	155	143



Increase in sales per SKU

SALES

1 SKU

FY2014⇒FY2017

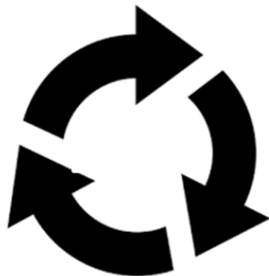
Sales per SKU

1.6x

*Shipment by TOMY Marketing

Improved productivity

SELL

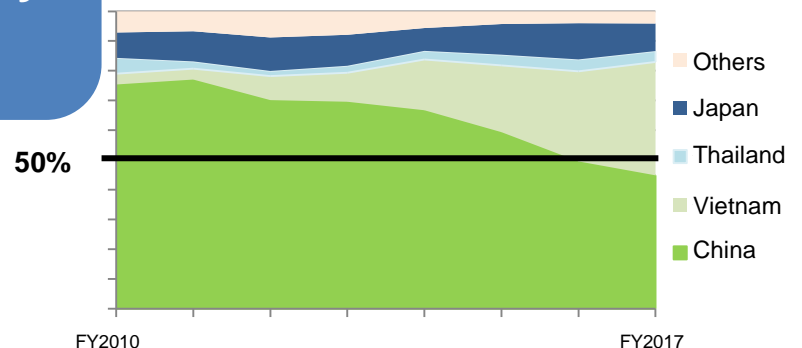


BUY

FY2014 ⇒ FY2017

Inventory turnover* 1.5x

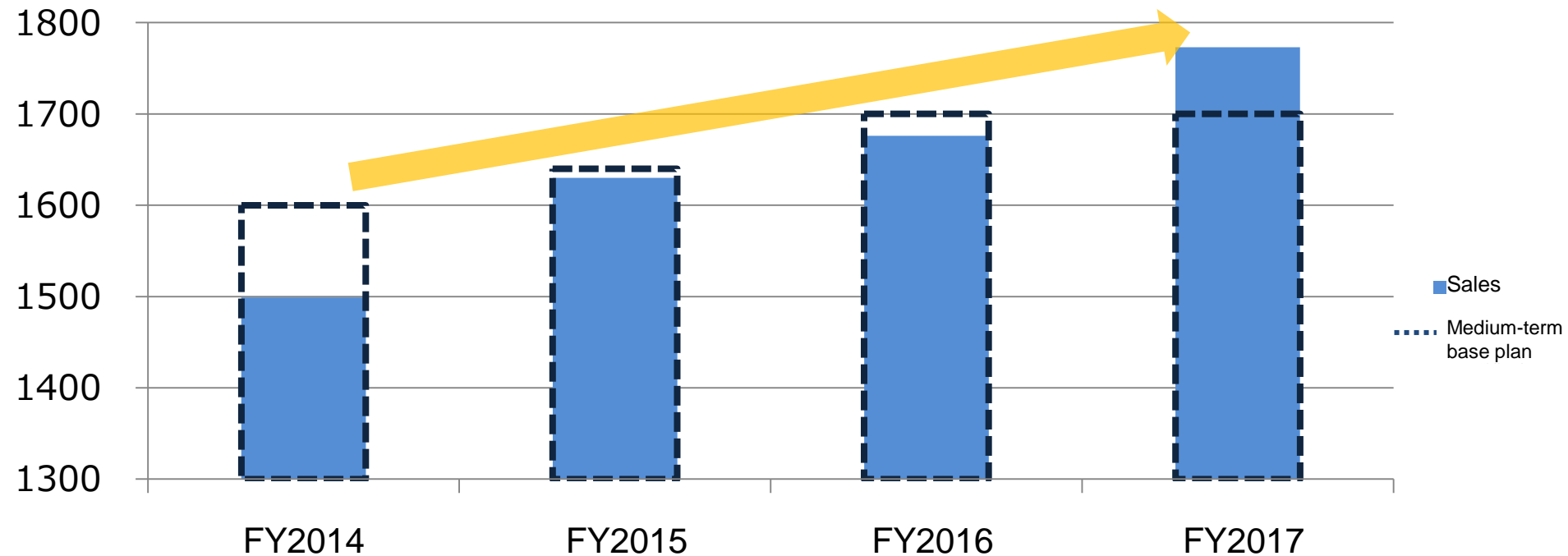
*Operating income / avg. inventory assets during FY



Transferred production bases and increased production in Vietnam
China plus 1 ⇒ Vietnam plus 1

FY2014–2017 Promoted Reforms;
Sales Increased for Three Consecutive Years

Sales

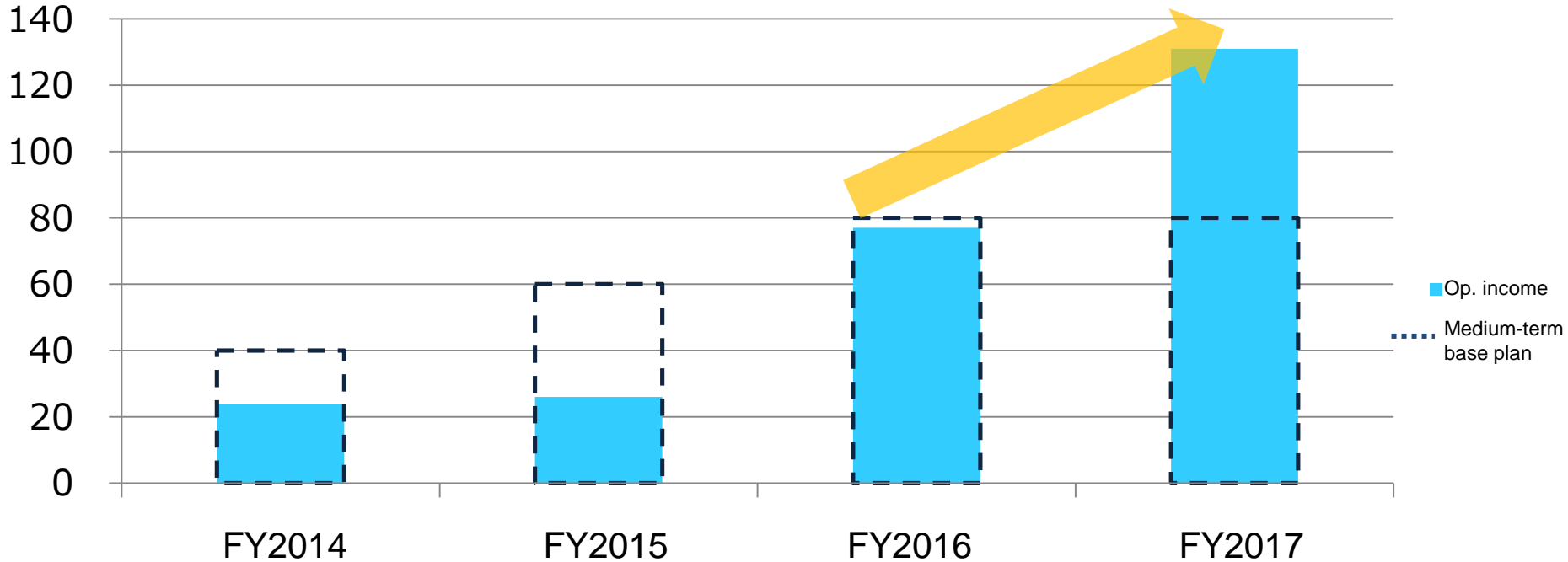


¥100 million

Sales	FY2014			FY2015			FY2016			FY2017		
	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.
	1,499	1,600	-101	1,630	1,640	-10	1,676	1,700	-24	1,773	1,700	73

Profit Structure Improved after FY2016

Operating Income

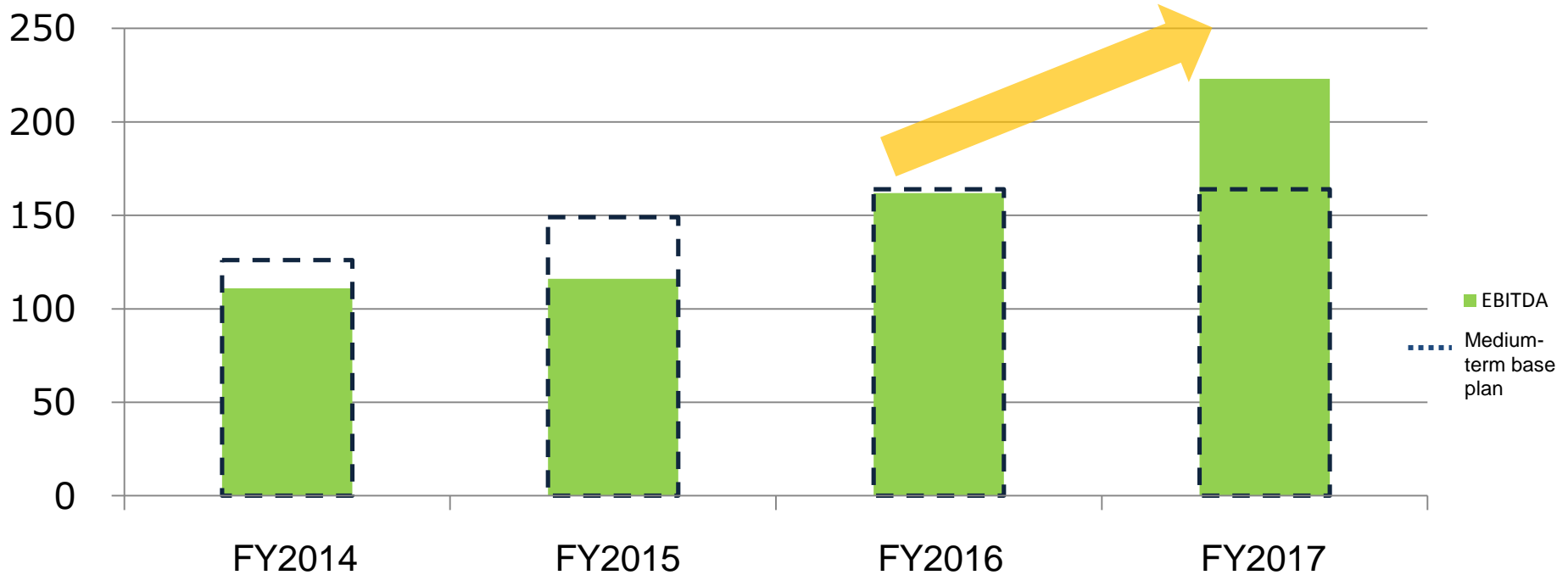


¥100 million

Operating income	FY2014			FY2015			FY2016			FY2017		
	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.
	24	40	-16	26	60	-34	77	80	-3	131	80	51

EBITDA Significantly Increased after FY2016

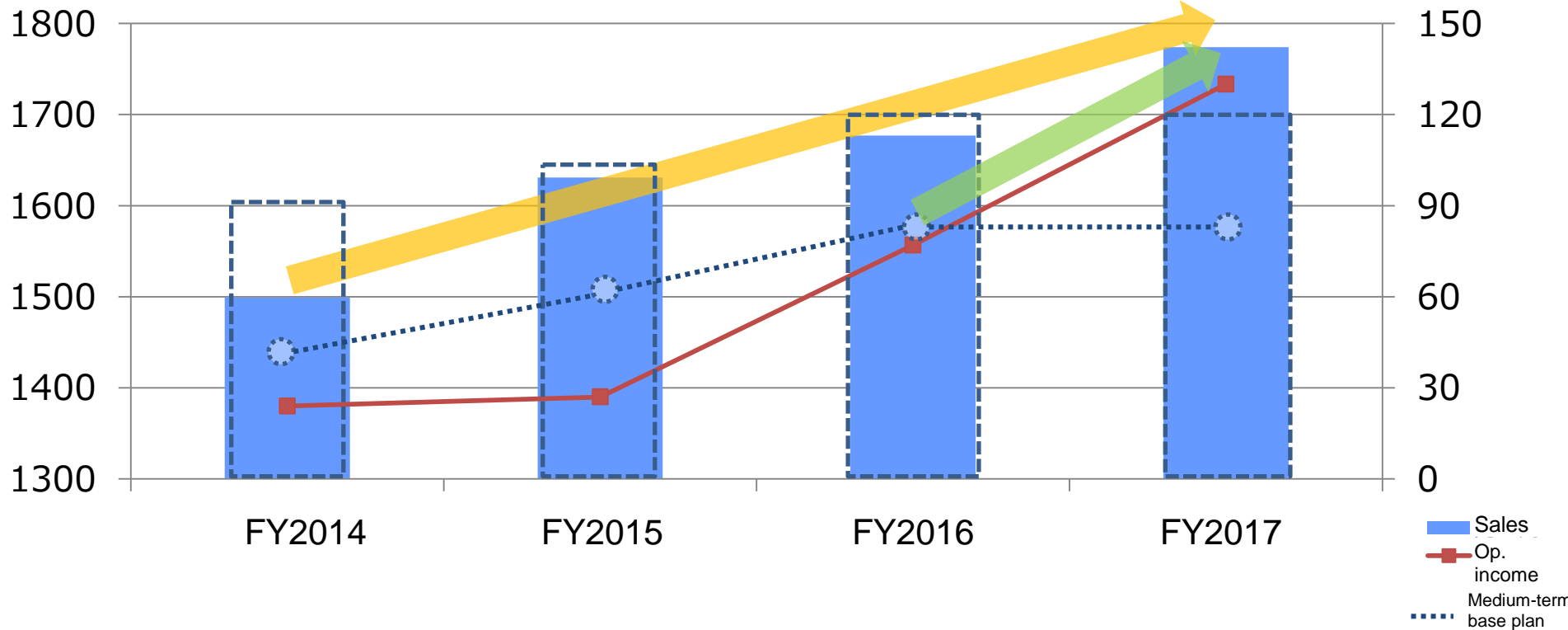
EBITDA



¥100 million

EBITDA	FY2014			FY2015			FY2016			FY2017		
	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.	Actual	Medium-term base plan	Diff.
	111	126	-15	116	149	-33	162	164	-2	223	164	59

Evolved to the Next Stage in FY2016



FY2014–2017: Promoted reforms; sales increased for three consecutive years

After FY2016: Profit structure improved

The background features several rolls of white architectural blueprints, some partially unrolled, showing technical drawings with lines, circles, and text. A blue pen is visible, resting on one of the blueprints. The overall scene is brightly lit, with soft shadows.

② New Medium-Term Management Plan (FY2018–2020)

**Take on the Challenge
toward New Growth**

Difference from the Original Plan for FY2017

FY2017	Original plan	Revised plan (Oct 27, 2017)	Revised plan (Apr 27, 2018)	Actual	Difference between original plan and actual
Sales	¥170.0 bil	¥177.0 bil	¥177.3 bil	¥177.3 bil	+ ¥7.3 bil
Operating income	¥8.0 bil	¥11.5 bil	¥13.1 bil	¥13.1 bil	+ ¥5.1 bil

The next phase: Execute the base plan and aim for results exceeding the plan.

<Factors for sales exceeding the plan>

- ① Evolution of long-standing products Successful introduction of TOMICA DRIVE HEAD, 50th anniversary of LICCA dolls
- ② Successful launch of BEYBLADE in Asia
- ③ Successful new products Sales of new products such as HATCHIMALS (“Umarete! Woomo”) and Onies were strong
- ④ T-ARTS Company, Ltd. Handles many hot products including Airport Gacha and the Ultimate TKG

Although the base plan should be executed, it is difficult to forecast “upward revisions” in the toy market.

- ◇ Large revenues can be gained by steadily achieving the base plan and succeeding in an upward revision
- ◇ The toy business is a trend business in terms of industry characteristics

FY2018 Plan

FY2018 Plan

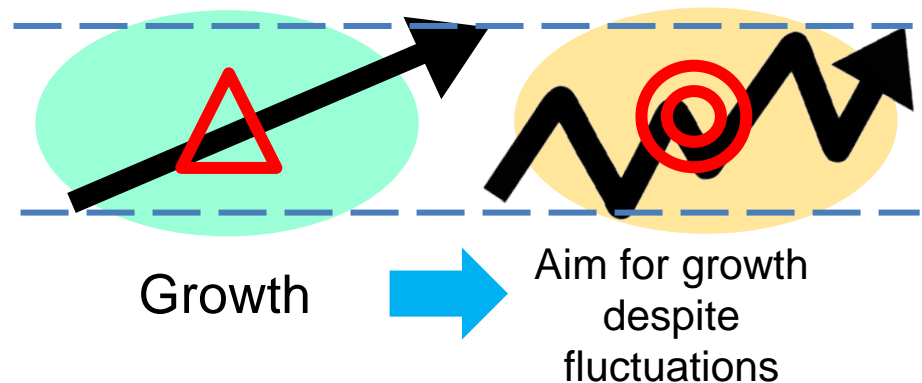
Sales	¥172.0 billion
Operating income	¥10.0 billion
Ordinary income	¥9.5 billion
Profit attributable to owners of parent	¥6.0 billion

Toy market = Trend business

High volatility

Steadily achieve base plan

**Capture the trends and
secure greater revenues**



FY2020 Management Targets

Medium-Term Management Plan (FY2018–2020) Take on the Challenge toward New Growth

Medium-term
business
strategy

Medium-term cost
reduction and
investment expansion
measures

Medium-term
financial strategy

FY2018 Plan

Sales	¥172 billion
Operating income	¥10 billion
EBITDA	¥18 billion
Capital adequacy ratio	42%

FY2020 Targets

Sales	¥190 billion
Operating income	¥14 billion
EBITDA	¥23 billion
Capital adequacy ratio	50%

Execute Three Plans Including the Medium-Term Business Strategy

Medium-term business strategy

- ① Promote in-house original global brand strategies
- ② Create original brands for Japan and Asia
- ③ Category No. 1 strategy
- ④ Expand business in “high-target” products for adults segment and for the elderly segments
- ⑤ Expand business in Asia market
- ⑥ Comprehensive strategy for business revitalization for Europe and North America

Significant enhancement of development ability

- ① Strengthen planning/development abilities
- ② Improve efficiency of technology, design, prototype production
- ③ Improve quality
- ④ Establish global, dedicated team

Medium-term cost reduction and investment expansion measures

Cost reduction

- ① Cost reduction measures
- ② Reduction of distribution costs

Investment expansion

- ① Strengthen IP investment
- ② Active advertising

Medium-term financial strategy

Generate stable cash flows, secure investment resources for the next generation

Medium-Term Business Strategy ①

Promote In-house original global brand strategies



TRANSFORMERS

Sold in more than 130 countries and regions around the world



BEYBLADE

Sold in more than 80 countries and regions around the world
Latest series: BEYBLADE BURST
More than 16 million units sold in Japan



ZOIDS

Cumulative global sales of more than ¥83 billion
Major original IP in its 35th year

Medium-Term Business Strategy ②

Create original brands for Japan and Asia



SHINKALION

DRIVEHEAD

Idol x Warrior
Miracle Tunes!

Mahou x Senshi
Maji Majo Pures!

Medium-Term Business Strategy ③

Category No.1 strategy

Gain No.1 share in every toy category

- **TOMICA (vehicle)**
- **PLARAIL (train)**
- **LICCA dolls (doll)**
- **BEYBLADE (boys' hobby)**
- **DUEL MASTERS (TCG)**

Category No.1 

Category No.1 

Category No.1 

Category No.1 

Category No.1 

Source: TOMY Company

Medium-Term Business Strategy ④

Expand business in “high-target” products for adults segment and for the elderly segments

Omnibot オムニロボット



WIXOSS
カードゲーム



ZOIDS
FIELD OF REBELLION



WAR OF BRAINS
Reborn

Medium-Term Business Strategy ⑤

Expand business in Asia market

Entire Asia

- ✓ Enhance and expand TOMICA and BEYBLADE business to the next phase



- ✓ Commence full launch of ZOIDS in entire Asia



China

- ✓ Strengthen the expanding EC business
Promote marketing using social networks
- ✓ Renew efforts for LICCA dolls in China



South Korea



- ✓ Further develop BEYBLADE as the No.1 item in South Korea
- ✓ Partner with South Korean app company; make efforts to develop into app-linked toy such as The Snack World

Medium-Term Business Strategy ⑥

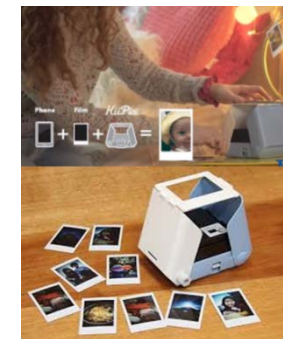
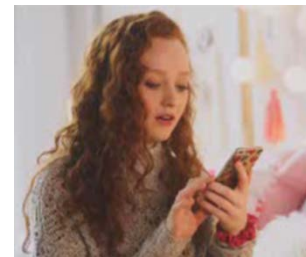
Comprehensive strategy for business revitalization for Europe and North America

Strengthen core brands

Develop original global hit products



JOHN DEERE



Medium-term Cost Reduction and Investment Expansion Measures

Medium-term financial strategy

Medium-term cost reduction and investment expansion measures

① Cost reduction measures

Improve man-hour productivity by office base strategy, stabilize component procurement, and improve plants' productivity by introducing automation

② Reduction of distribution costs

Reduce distribution costs, reduce local distribution costs through effective use of bonded warehouses (China, Vietnam), reduce land transport costs by optimizing discharging points, improve inventory turnover through warehouse operation reforms

Cost reduction ⇒ Investment

① Strengthen IP investment

Aggressive investment aimed at creating new IPs as a growth strategy

② Maximize the effects of advertising

Effective use of social networks and new initiatives in the use of terrestrial broadcasting

Medium-term financial strategy

Secure investment resources for the next-generation by generating stable cash flows

Establish a financial base resilient to large-scale business investments

Strengthen Development Functions: Establish a System with 100 Persons



New Medium-Term Management Plan: Toward Our 100th Anniversary

95th anniversary

100th anniversary

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Previous medium-term mgmt. plan (FY2014–2017)				New medium-term mgmt. plan (FY2018–2020)			4 years toward 100th anniversary			

Revolution of mind

Product revolution

Structural revolution of business

Medium-term business strategy

Medium-term cost reduction, investment expansion measures

Medium-term financial strategy



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