

TOMY Company,Ltd
Fiscal Year 2019 Results
(April 1,2019-March 31,2020)

May 19,2020
TSE Securities:7867

FY2019 Financial Highlights

(April 1, 2019-March 31, 2020)

May 19,2020

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

- With regard to the spread of infections of COVID-19, the impact on the production was limited, partly because the Group has promoted “China plus one,” a production area relocation approach, for some time.
- In the 4th quarter, there was also no significant impact on buying patterns at stores, and the impact on operating results in FY2019 was limited.

Consolidated Income Statements



¥ 100 million

	FY2019(April 1,-Mar 31,2020)			FY2018	Difference
	Actual	Revised Forecast (Feb 12,2020)	Original Forecasts	Actual	
Net Sales	1,648	1,640	1,800	1,768	-120
Cost of Sales	984	—	—	1,033	-49
Gross Profit	663	—	—	734	-71
Operating Profit	106	100	145	144	-38
Operating Profit Margin	6.4%	6.1%	8.1%	8.1%	-1.7%
EBITDA	187	—	—	224	-37
Ordinary Profit	102	95	144	143	-41
Profit Attributable to Owners of Parent	45	50	95	93	-48

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

◆ Net Sales

Declined due to the factors including a decrease in the sales of BEYBLADE BURST, and a reactionary drop in the movie TRANSFORMERS related product sales. There was, however, strong growth in sales for products such as the long-standing TOMICA brand as well as products related to the movies Toy Story 4 and Frozen 2.

◆ Operating Profit

Sales decline resulted in reduced gross profit ,more than offsetting savings from selling, general and administrative expenses.

◆ Ordinary Profit

Operating profit decreased and foreign exchange losses were incurred.

◆ Profit Attributable to Owners of Parent

Declined due to recognizing extraordinary losses of ¥2,816 million, including impairment losses on the full amounts of goodwill and intangible assets held by the subsidiary in Oceania and the partial amount of intangible assets held by a subsidiary in the United States.

*Sum of amortization of goodwill and intangible assets associated with the acquisition of TOMY International (TI): ¥1.9 bil for the FY ; ¥2 bil for the previous FY

* EBITDA=Operating profit + depreciation + amortization of goodwill * Dollar conversion rate: ¥108.73 during the FY ; ¥110.90 during the previous FY

SG & A Breakdown

¥ 100 million

	FY2019	FY2018	Difference
SG & A(total)	556	590	-34
Personnel expenses	172	194	-22
Advertising expenses	145	157	-12
R & D expenses	45	38	+7
Distribution expenses	62	66	-4
Amortization of goodwill and intangible assets associated with acquisition of TI	19	20	-1
	\$ 17MM	\$ 18MM	- \$ 1MM

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

◆SG&A (total)

Advertising expenses and distribution expenses decreased in conjunction with a fall in net sales. Personnel expenses declined due to the personnel shift to the development department in addition to a decrease in provision for bonuses

Net Sales by Region



¥ 100 million

Region	FY2019	FY2018	Difference
Japan	1,105	1,173	-68
North America	281	304	-23
Europe	78	80	-2
Oceania	19	25	-6
Asia	151	171	-20
Others	11	13	-2
Total	1,648	1,768	-120
Raito of overseas sales	32.9%	33.7%	-0.8%

* Net sales are categorized into a country or region based on the customer's location.

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

◆ Japan

(+) Sales of the long-standing products TOMICA brand and products related to the movies Toy Story 4 and Frozen 2 increased.

(-) Sales declined due largely to a decrease in the sales of BEYBLADE BURST and a reactionary drop in the sales of LICCA whose strong performance lasted for two years from the 50th anniversary of its birth.

◆ Europe, U.S. and Australia

(+) Launch of strategic product "Rizmo" globally and distributed "DRUMOND PARK" games brand products in Europe.

(-) Overseas exports of "BEYBLADE BURST" and "TRANSFORMERS" declined, and sales of character-related toys that were sold in the first quarter of the previous fiscal year decreased.

◆ Asia

(+) There was strong growth in sales of long-standing "TOMICA" brand and products related to the movie "Toy Story 4."

(-) Sales of "BEYBLADE BURST" decreased mainly in South Korea.

Extraordinary Loss Breakdown

■ Major year-on-year items changed

¥ 100 million

	FY2019	FY2018	Difference
Extraordinary Loss	28.1	9.4	+18.7
Impairment Loss	27.9	9.1	+18.8

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

◆ Impairment Loss

Recognized impairment losses of ¥2,553 million, including the full amounts of goodwill and intangible assets held by the subsidiary in Oceania and the partial amount of intangible assets held by a subsidiary in the United States.

Consolidated Balance Sheets Summary

■ Major year-on-year items changed

¥ 100 million

Account	FY2019	FY2018	Difference
Inventories	150	141	+9
Japan	93	86	+7
Overseas	69	66	+3
Elimination of unrealized profits	-12	-11	-1

Total Interest-Bearing Debt	296	354	-58
Loans Payable	296	354	-58

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

<US\$ FX rate at end of FY> FY2019 ¥108.83 FY2018 110.99

		FY2019	FY2018	Difference
Goodwill balance of TI	SSM	135	156	-21
	¥100 million	147	173	-26
Intangible assets balance of TI	SSM	58	78	-20
	¥100 million	63	86	-23

Status of Acquisition of Treasury Shares

■ Details of the resolution at the meeting of the Board of Directors held on February 12, 2020

1.Type of Shares to be acquired	Common shares
2.Total number of shares to be acquired	1,300,000 shares(maximum) <small>(1.36% of total number of shares outstanding, excluding treasury shares)</small>
3.Total amount for share acquisition	¥1.5billion(maximum)
4.Acquisition period	February 13,2020 to May 31,2020

■ Cumulative total of treasury shares acquired based on the resolution of the Board of Directors above (as of April 30, 2020)

1.Total number of shares acquired	1,011,100 shares
2.Total amount for share acquisition	¥993,973,700

Business Review for FY 2019

May 19, 2020

Kazuhiro Kojima

Representative Director, President & COO

Recognition of challenges in major changes in the management environment

1. Impact of COVID-19 crisis

- Amid the continuing worldwide spread of the infections, we need to be prepared for a considerably long-running battle before the crisis ends.
- The “Stay Home” approach has great impact on people’s lifestyles and behaviors.
 - ✓ “New Normal” that is different from what lifestyle used to be
 - ✓ Changing way of working
 - ✓ Recovery in demand from inbound tourists will be difficult for the time being

Shopping

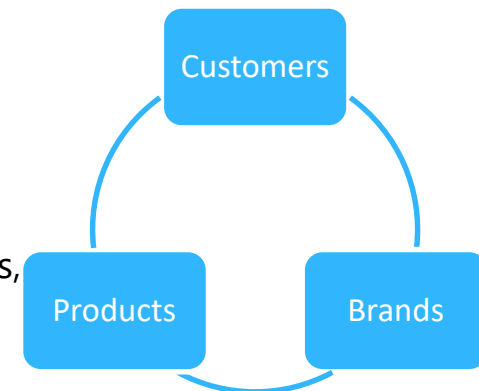
- Also use online shopping service
- By one or a few people during off-hours
- Use electronic payment methods
- Make a plan and shop quickly
- Minimize contact instore displays, including physical samples
- Allow space in front of and behind you when standing in a checkout line

Source: Practice examples of “New Normal” by the Ministry of Health, Labour and Welfare

2. Changes in the management environment brought about by the COVID-19 crisis

<Changes in consumption behavior>

- People who have got used to EC purchase are increasing
- As for the previous shift from “possession of goods” to “experience of services or events,” having or sharing “experience of services or events” itself has become difficult
- Products that satisfy stay-at-home needs (such as games/puzzles, arts & crafts, construction and outdoor toys) are popular



<Changes in business>

- Due to “New Normal,” companies are also required to make reforms for business style that is different from what it used to be.

Policies for FY2020

■ Policies

- Response to COVID-19 giving primary consideration to health and safety of customers, business partners and employees of the Group
- Responding to changes in consumer behavior
- Reform of business structure to respond to changes in the external environment
- Business development taking advantage of TOMY Company, Ltd.'s strength (product appeal, brand power, and customer base)
- Cost control and securing of liquidity according to the management environment

Earnings forecast for FY2020

■ Earnings forecast for FY2020

- Because it is difficult to reasonably calculate the impact of COVID-19, the forecast is “to be determined” at this moment.
- We will assess the impact on earnings performance in the future and promptly release it once disclosure of reasonable forecast becomes available.

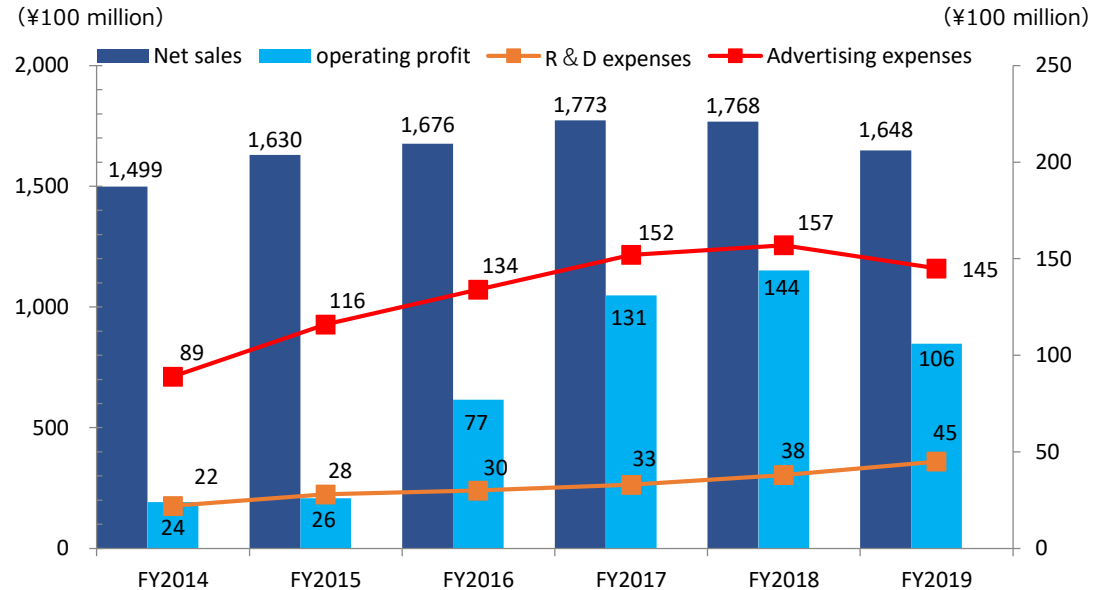
■ Current situation affected by COVID-19

- Production side: Although plants in China, Vietnam and Thailand currently operate as usual, the timing of release of some products has been changed.
- Demand side: While stay-at-home demand and EC purchase have increased, it takes time for the overall market condition, which has been considerably weak, to recover.

Management reforms

Until now

We made up-front investments such as advertising expenses and R&D expenses, increased net sales by aggressively bringing products to market, and aimed for growth in profits.



From now

The external environment has been changing significantly, and we will allocate managerial resources on the assumption that the market size itself will once shrink and consumers' purchase behavior will change.

1. Product-oriented → Customer-oriented
2. Behavioral patterns centered around home
3. Simple/understandable

Changes in the business environment

Stay-at-home demand

ポラレール



Lots of cool stuff! Shinkansen Bullet Train N700S Confirmation Test Train 3D Layout Set

Licensed for commercialization by JR East © T O M Y



THE GAME OF LIFE PLUS REIWA VER.

人生ゲーム+

©1968,2019 Hasbro.All Rights Reserbed.
© TOMY

黒ひげ海賊団 MAX5

*All images shown are for illustration purpose only.
SUPER POP-UP PIRATES MAX5

© TOMY



BIG STREAM SOMEN SLIDER CUSTOM

©T-ARTS

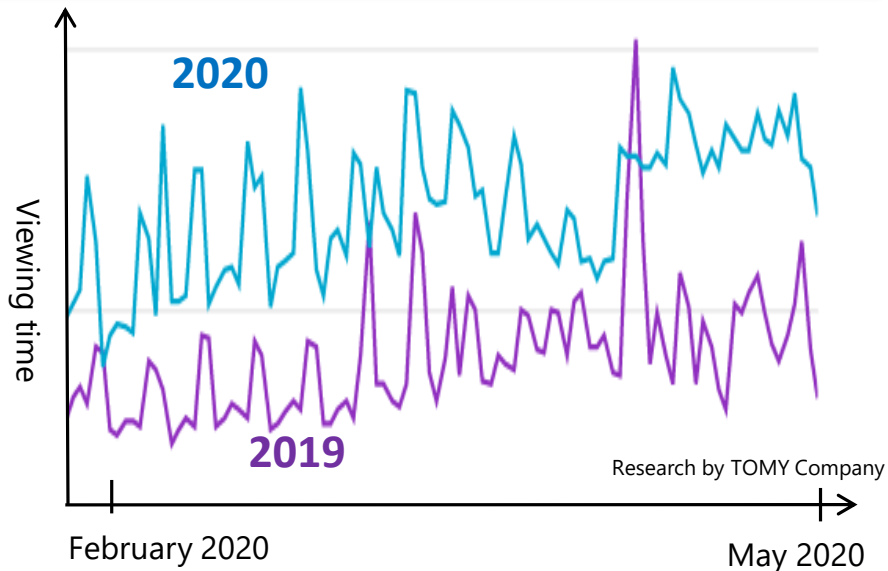


ZW36 RISING LIGER

ZOIDS
ゾイド

© TOMY/ZW Production Consortium and TELEVISION TOKYO

Changes in viewing time of YouTube Takara Tomy Channel



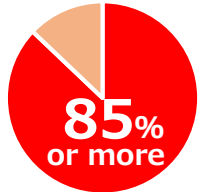
Spread of Takara Tomy's official social media accounts

- Takara Tomy official YouTube Channel
1,120,000 subscribers to the channel
- Takara Tomy official Twitter account
320,000 followers
- LICCA official Twitter and Instagram accounts
A total of 214,000 followers
- DUEL MASTERS official Twitter account
67,000 followers

Brand power of long-standing brands



Market share



Recognition rate among children

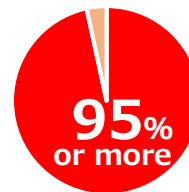
3 years old



4 years old

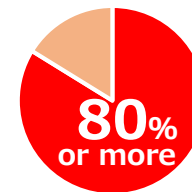


Recognition rate among parents

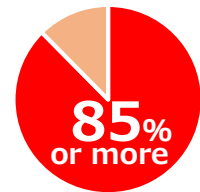


Ownership among children

3 years old



4 years old

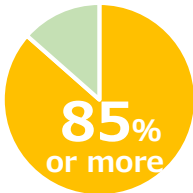


Market share



Recognition rate among children

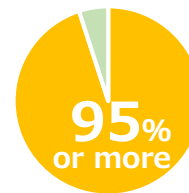
3 years old



4 years old

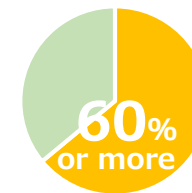


Recognition rate among parents



Ownership among children

3 years old



4 years old



Market share



Recognition rate among children

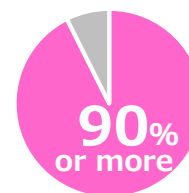
5 years old



6 years old

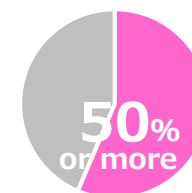


Recognition rate among either mothers or children



Ownership among children

5 years old



6 years old



Preschool

TOMICA and PLARAIL make a strong showing and maintain the stable business scale.

(¥100 million)

FY2016	FY2017	FY2018	FY2019	
Actual	Actual	Actual	Actual	Change
197	206	214	220	+6

■ TOMICA

- Sales increased for single-pack TOMICA vehicles and TOMICAPREMIUM, among others.
- The project for the 50th anniversary of TOMICA started in January 2020.
 - ✓ Anniversary project "Collaboration Project with Auto Manufacturers"
 - ✓ Events
 - ✓ 50th anniversary related products
 - ✓ TV animation "Tomica Kizuna Gattai EARTH GRANNER"
 - ✓ Collaboration with various companies



© TOMY/EARTH GRANNER and Television Osaka

■ PLARAIL

- Sales of a commemorative set increased due to a marketing campaign using the 60th anniversary of the product debut as a trigger.
- In line with release of SHINKALION the Movie, sales of related products were expanded.



© TOMY

Girls

- Despite a recoil reduction from the anniversary project for LICCA, certain business scale has been maintained.
- In FY2020, we aim to create a hit product in each category.

(¥100 million)

FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019	
			Actual	Change
82	98	146	120	-26

Fashion Dolls

■ LICCA doll

- Decreased partly because it reversed its course to lower its sales, which compensated from the strong performance lasted for 2 years from the 50th anniversary (FY2017)
- Increased compared with the year prior to the 50th anniversary (FY2016)

→ **Promote expansion of products equipped with new gimmicks and categories**

Character Toys

■ Live action TV drama series for young girls

- Products related to the season 3, Secret x Heroine Phantomirage!, sold favorably due to the penetration of the series.

→ **In addition to Secret x Heroine Phantomirage! TV drama, a movie is planned to be also released.**

Collection Toys

■ Surprise toys

- L.O.L. SURPRISE! sold strongly due partly to contribution of marketing activities centered around SNS.

→ **L.O.L. SURPRISE! will mark the 3rd anniversary of its rollout in Japan in July. Continue to bring new products to market.**

Hobby and other

■ Sumikkogurashi

- The LCD toy with a camera, Sumikkogurashi SUMIKKOSAGASHI, gained popularity in the year-end and new-year trading season.

→ **Roll out new products that capture the trend**

Boys

Despite the rollout of new products in response to BEYBLADE BURST and TRANSFORMERS cycles, the sales decreased considerably, and we continue to try to create the third pillar

(¥100 million)

FY2016	FY2017	FY2018	FY2019	
Actual	Actual	Actual	Actual	Change
353	421	460	360	-100

Battle type (multiplayer play)

■ BEYBLADE BURST

- Sales exceeded the Company's expectations but declined year on year.

■ DUEL MASTERS

- Partly because of a change in the competitive climate, the sales decreased year on year.

■ New products

- Although a product was brought to market as one of new products that cover the wave of trend with the dynamic sales campaign carried out, the sales did not exceed the expectation.

Image type (play with a worldview)

■ TRANSFORMERS

- The sales declined due to a recoil reduction in movie related product sales in the previous fiscal year.

■ ZOIDS WILD

- In FY2019, sales outperformed year on year with the season 2 of TV animation kicking off, among others.

In FY2020, the in-house original global brand will continue to be promoted.
(We will create the third and fourth pillars aggressively.)

We will promote ZOIDS WILD as the third pillar following BEYBLADE and TRANSFORMERS.

Digital Business

Digitalizing successful “analog” content and entering a growing market

■ DUEL MASTERS PLAY’S

- Pre-registration started (from September 26, 2019)
The number of pre-registered players exceeded the target 300,000.
- Distribution started (from December 18, 2019)
Five million download mark passed
- The 2nd wave of card packs were released (from February 27, 2020)
- The 3rd wave of card packs were released (from April 23, 2020)

Trading card game DUEL MASTERS

- The trading card game marks 19th anniversary of its release in 2002 this year.
- Popular among a broad fan base ranging from elementary school students to adults aged 30-plus.

→ **Aiming for stable profit contribution by enhancing game features**
Further proceeding with investments in a next project

■ T-ARTS Company, Ltd.

The project for the PRIPARA app game of the Pretty Series, which marks 10th anniversary in 2020, is also under development.

Overseas Business (Asia)

- While sales of BEYBLADE declined, long-standing brands and movie related products sold favorably.
- Gain a foothold for the Company's branding in the Asian market in FY2020

Expand long-standing brands in Japan

- Sales of TOMICA and PLARAIL grew.
 - Sales of single-pack TOMICA vehicles and Dream TOMICA trended strongly.
 - Due to roll out of TV animated series SHINKALION, sales of related products increased.
 - **Strengthening the branding**
 - **TOMICA : Marketing using the 50th anniversary of the product debut as a trigger**
Rolled out products related to TV animation "Tomica Kizuna Gattai EARTH GRANNER"
 - **PLARAIL : Deployment of strategic localized products for each country or region**

Rolling out content related products and new products

- Decrease in sales of BEYBLADE
 - Sales of BEYBLADE BURST, which had gained popularity mainly in South Korea in the previous fiscal year, declined.
 - **BEYBLADE: Popularity of the toy is increasing in Southeast Asia, and we work to strengthen marketing.**
- In line with the release of movies, related products were well received.
 - "Toy Story 4," "Frozen 2," etc.
 - **Working to deploy products linked to the animation contents.**
- Launch of new products, including global items developed in Japan

Overseas Business (TOMY International Group)

Core products matching customer needs will roll out in FY2020.

■ Americas

- The baby brands have been on a recovery trend since the 2nd half of 2019.
- New baby products are set to launch in 2021.
- Launched preschool TV animated series "Ricky Zoom"*2 products from March 2020.

*2 Produced by eOne, known for Peppa Pig and PJ Masks, the program has high viewership as well as popularity globally, including North America, key European markets and China. Currently 2nd season is in production. As well as regions noted above, the program is also aired in Russia, Turkey, Middle East, North Africa and Latin America.



**Ricky
ZOOM**

※3

■ Europe

- Distributed DRUMOND PARK brand products steadily, responding to "stay-at-home" needs.



※1

JPMA 2020 Innovation Awards

TOMY International received 2 out of total 15 awards



3-in-1 Activity Center



Super Pooper Plus Potty

*1 | Award for baby products hosted by the Juvenile Products Manufacturers Association, Inc.

*3 DRUMOND PARK: The company's European subsidiary acquired distribution rights for this games brand in FY2019



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.