

**TOMY Company, Ltd.**

**Acquisition of RC2 Corporation  
and  
Management Goals**

**May 31, 2011**

**TSE Securities Code: 7867**

- **Global Strategy**
- Post-Acquisition Management Goals
- Global Management

# New Management Goals



## Target for the 90th anniversary of founding (FY2014)

- As true global player,
- Realization of a sustainable growth
- Achievement for Sales \$3billion, Operating income \$300million
- Achievement for international sales 50%

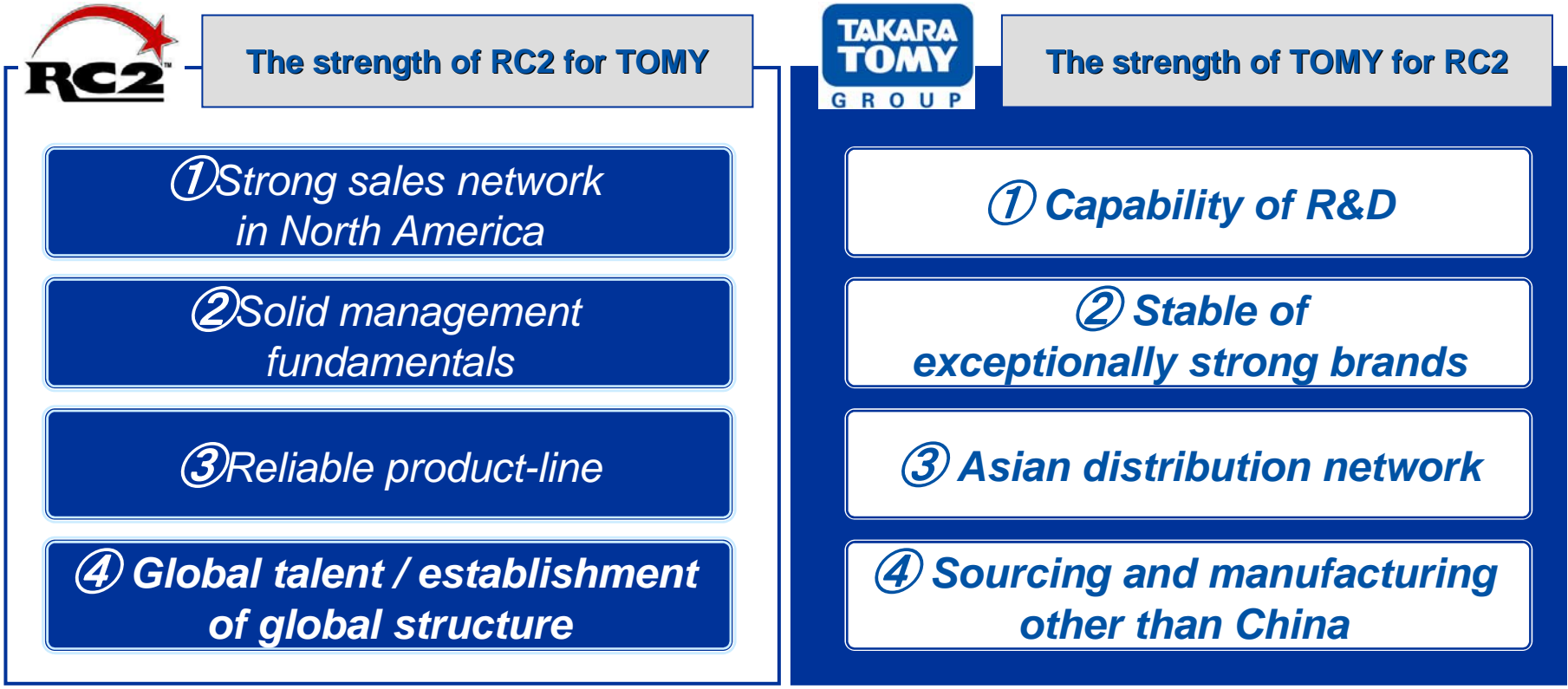
## Medium Term Plan

- Continuation of 'Reform' in Toy Business
- Reinforcing and Expanding Core Business
- Expanding Toy Business in Asia
- Globalize Boys Category Products

**Acquisition of RC2**  
Acceleration & Maximization  
of global expansion

TOMY (2011/03)

# RC2 Acquisition Effect ①



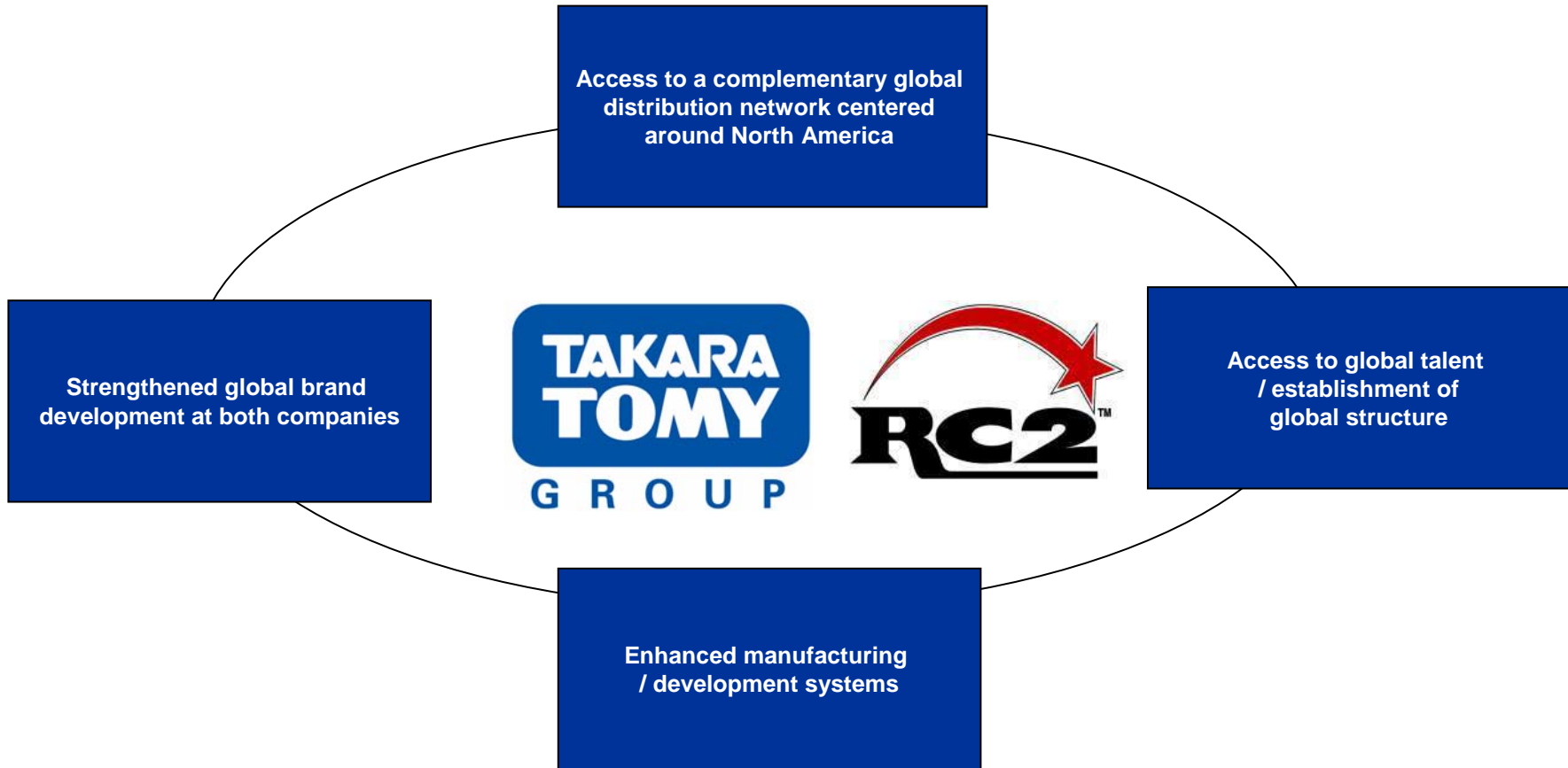
*In addition, There is less duplication (Product-line, Sales network)*

**Acquistion synergy that makes 1 + 1 = 3**

# RC2 Acquisition Effect ②



A strategical and meaningful acquisition for enhancing global deployment



※Please refer to presentation document page13~16 on 11<sup>th</sup> March 2011.

# RC2 Perception in abroad to the Acquisition

## High expectations and appraisals to the acquisition



With this move the company is transforming itself from a local giant into one with a decent presence in all major markets and a viable competitor to Mattel, Spin Master and Jakks.

The integration of RC2 will give Takara Tomy a much better presence in North America and Europe.

Whatever steps the Takara Tomy/RC2 Group takes, the national buyers at the large retailers will be watching it closely and not with unfriendly eyes. They think that RC2, with the backing it is now going to get, has considerable potential and buyers, for one, do not think that this is a bad thing at all.

本買収によって、タカラトミーは日本の巨人から、全ての有力市場で存在感をもつ企業へと変化を遂げて、マテル、スピンマスター、ジャックスパシフィックの競合となる。

RC2との統合によって、タカラトミーは北米と欧州でより大きな存在となる。タカラトミーとRC2グループの今後の動きに、全国の大型小売のバイヤーたちの注意深くも友好的なまなざしが注がれている。

RC2はタカラトミーという後ろ盾を得たことで大きなポテンシャルをもつことになり、バイヤーも期待を寄せている。

(Source: Toy News – April 2011 Edition )



it's clear that if it does come off, the combination of the two companies product lines will result in a formidable range that will offer TOMY great potential for expansion around the globe.

RC2's strength in the American market would certainly offer Tomy the chance to significantly increase the reach of its brands in that territory, whilst Tomy's influence in Japan and other Asian markets would be beneficial to the lines currently offered by RC2.

もし買収が成立すれば、二社の商品ラインの組み合わせは恐るべきラインアップとなり、タカラトミーが世界中で拡張する大きなチャンスとなる。RC2のアメリカ市場での力は、タカラトミーが自社ブランドの北米での販売力を大きく広げるチャンスとなる。

また、タカラトミーが日本とアジア市場でもつ影響力は、RC2の既存の商品ラインにもプラスに働く。

(Source: Toys 'N' Playthings – April 2011 Edition )

# RC2: Outline



## RC2 Corporation

Excellent management, endorsing good business results

- Consumer-Focused Strategy

To provide Parenting Solutions that help families learn & grow

- Preschool, Youth & Adult (PYA) business : TV favorite's Chuggington, Thomas related goods, etc.
- Mom, Infant & Toddler (MIT) business : baby bottles and accessories, toddler cups and plates, child seats, nursery toys, care and safety items.

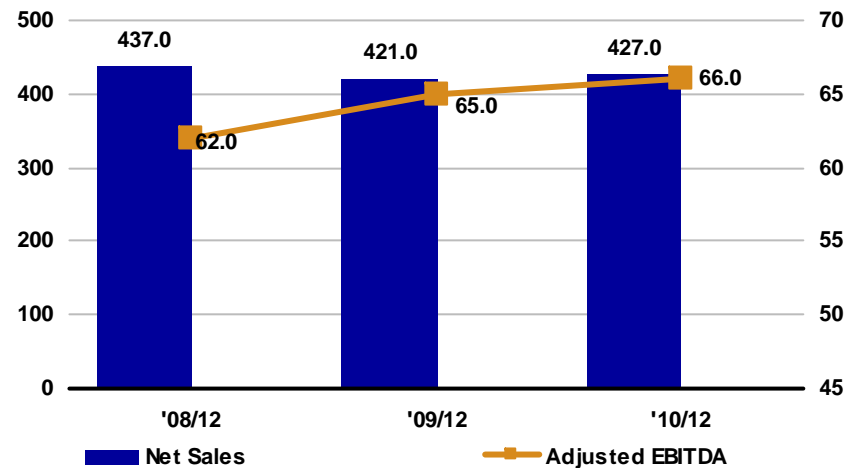
- Sales network of 25,000 shops worldwide centered in North America

- Net sales: \$427million, Operating income: \$45million, (Dec2010)

- Head office: Chicago, USA / 720 employees

- Shares previously listed on NASDAQ : Tomy bought the shares @\$27.90

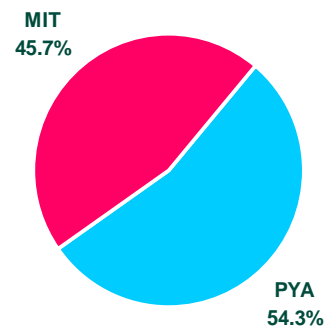
### Business Results graph (\$million)



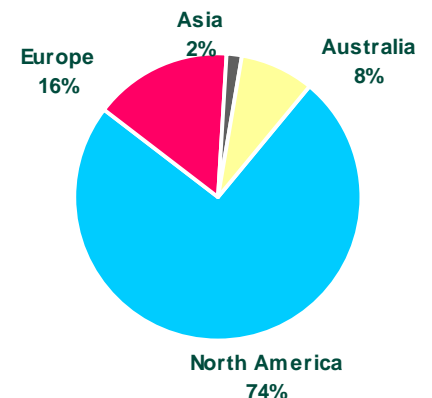
※EBITDA numbers represent the Adjusted EBITDA shown on RC2's 10-K

### Sales Breakdown (Dec. 2010)

#### By Segment



#### By Region



# RC2: Products & Brands



High quality brands covering prenatal to preschool plus



Preschool Plus

Toddler



Infant



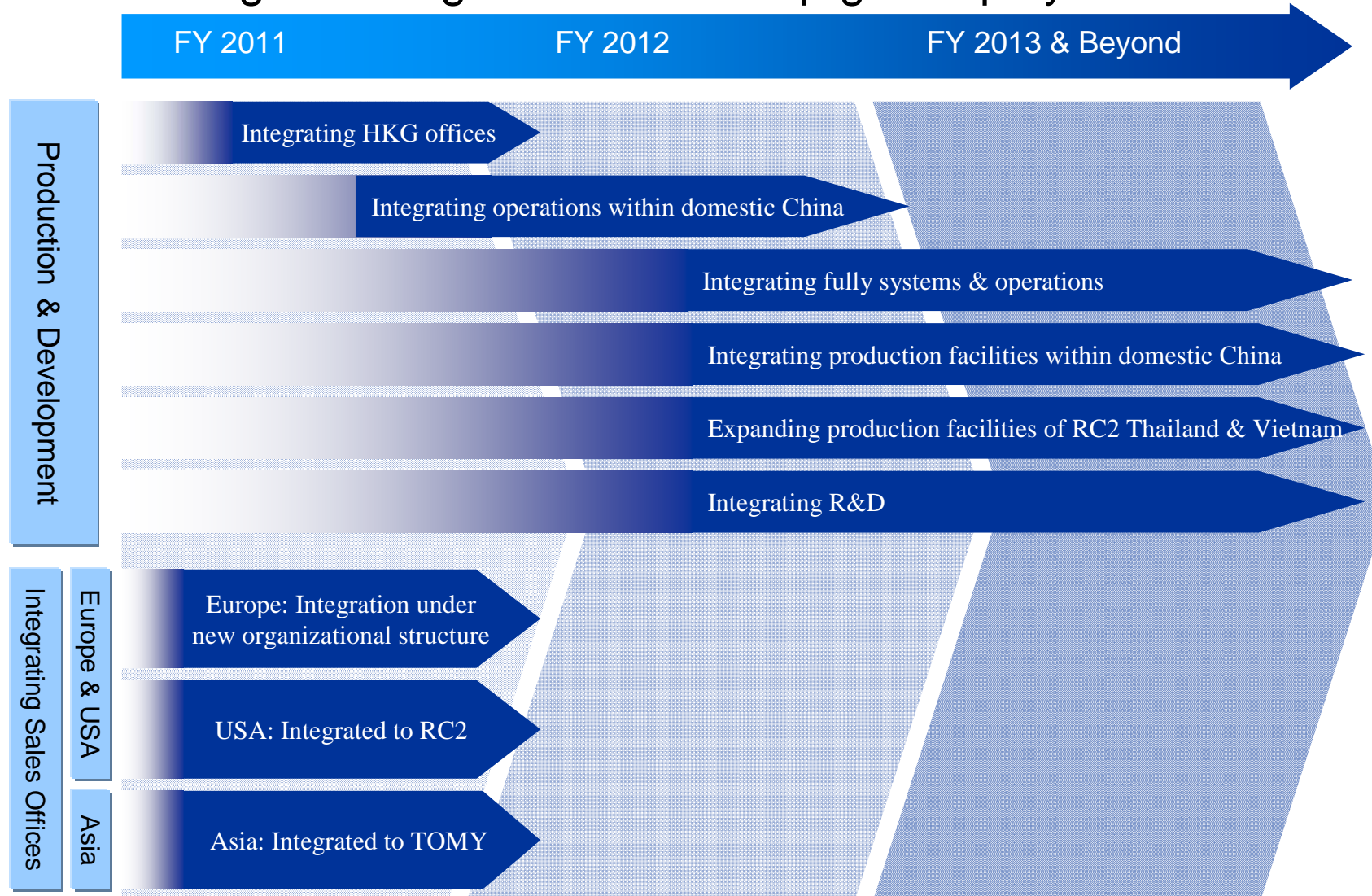
Prenatal



# Schedule of Integration



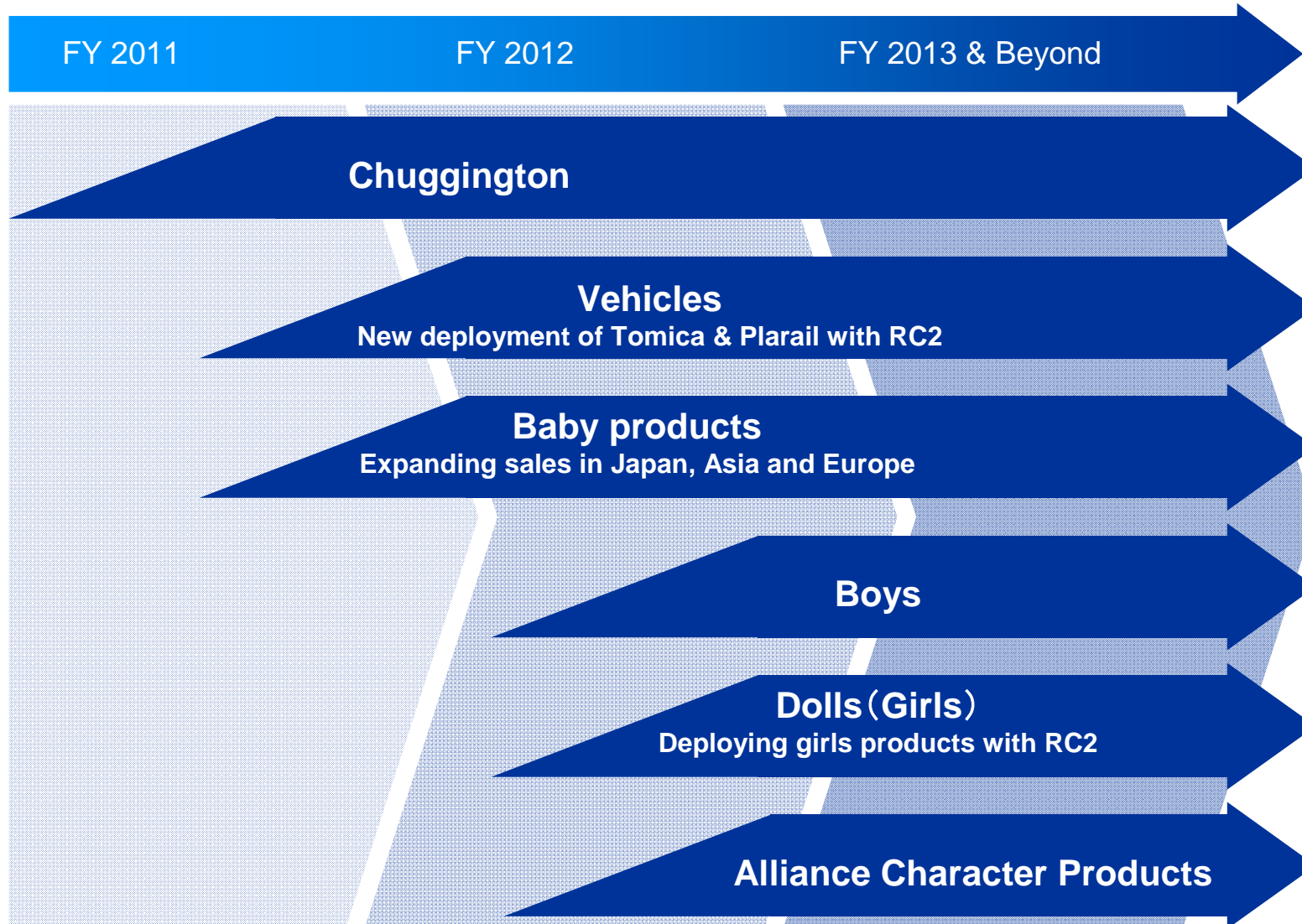
Accelerating the merger to become top global player



# Product Strategy



Prioritizing high sales-synergy product categories



# Global Strategy by Regions



<p>North America</p> 	<p><b>“Prompt materialization of acquisition synergy in the largest toy market”</b></p> <ul style="list-style-type: none"><li>⇒ Unifying operations to RC2</li><li>⇒ Expanding sales of existing products using RC2’s own sales network</li><li>⇒ Developing new products jointly by Tomy and RC2</li><li>⇒ Mexican market cultivation in 2012</li></ul>
<p>Europe</p> 	<p><b>“Strategic expansion through existing production base and network”</b></p> <ul style="list-style-type: none"><li>⇒ Integrating operations under new organizational structure</li><li>⇒ Heightening operational efficiencies by making the best use of both companies</li><li>⇒ Establishing new offices as the sales volume expands</li></ul>
<p>Japan &amp; Asia</p> 	<p><b>“Accelerated expansion in the growing market and improved production efficiency”</b></p> <ul style="list-style-type: none"><li>⇒ Swift deployment of RC2 products using TOMY’s sales &amp; distribution channels</li><li>⇒ Heightening efficiencies by integrating production &amp; development structures and also by introducing BOP*</li></ul>
<p>Oceania</p> 	<p><b>“Starting Business in New Market”</b></p> <ul style="list-style-type: none"><li>⇒ Expanding sales by bringing TOMY’s products into RC2’s Australian sales network</li></ul>

\*BOP : Best Operation Practices

- Global Strategy
- **Post-Acquisition Management Goals**
- Global Management

# Post-Acquisition Management Goals①



Includes effect of Japan earthquake and earnings forecast of RC2 (for 11 months) in FY 2011

Seek for tremendous business growth in Fiscal 2014, owing to the buy-out synergy

	FY 2010 (Actual)	FY 2011 (Plan)		FY 2014 (Goal)	
Net Sales	1,594	2,000		2,500	\$30Bil
<i>International Sales Ratio (%)</i>	19.7%	37.6%		50.0%	↓ Operating Margin 10%
GW Amortization (buy-out)	—	22		24	
Operating Income before GW amort / Post	103 / —	139 / 117		250 / 226	\$3Mil
<i>Operating Margin (%)</i>	6.5% / —	7.0% / 5.9%		10.0% / 9.0%	
Net Income before GW amort / Post	89 / —	84 / 62		150 / 126	
( Reference )					
EPS* (Adjusted)	¥78	¥93		¥128	

※

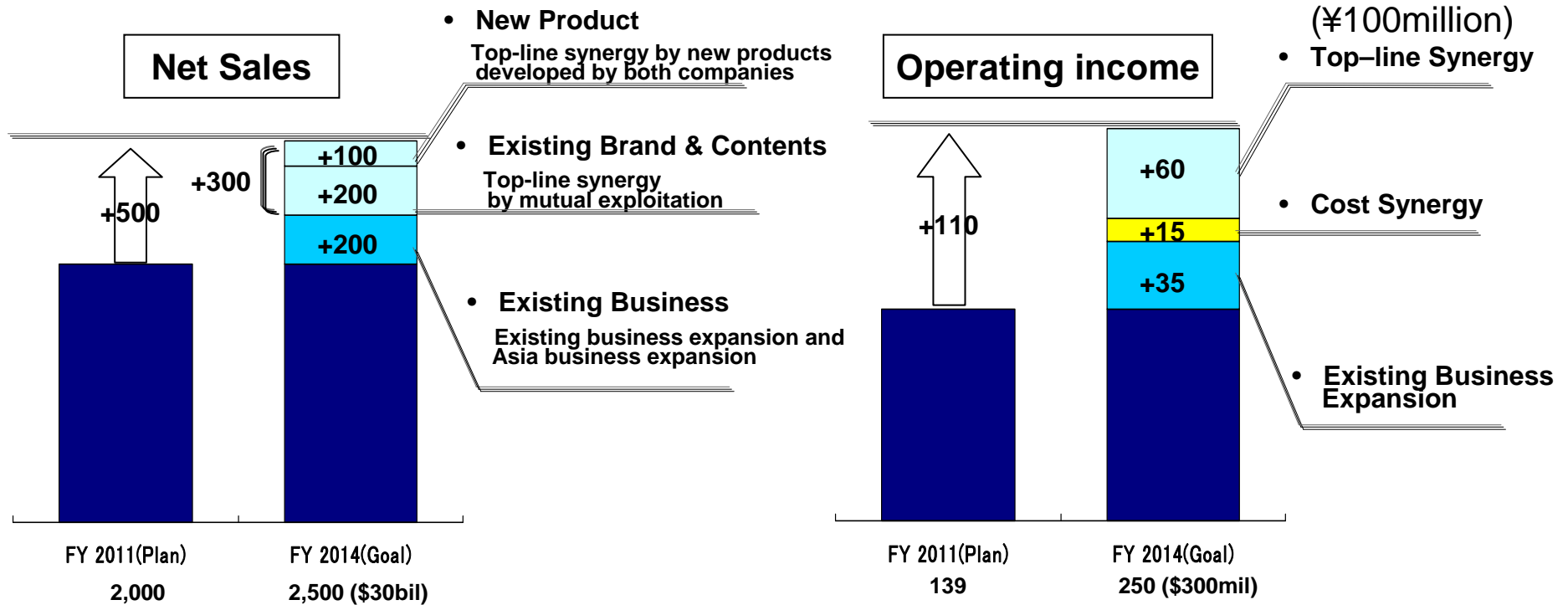
2012/03(Estimate) : Calculated by net income before GW amortization, reversal of the deferred tax assets and share fully diluted

2015/03(Forecast) : Calculated by net income before GW amortization and share fully diluted

# Post-Acquisition Management Goals②



FY 2014 (Goal): Net Sales \$3billion, Operating income \$300 million



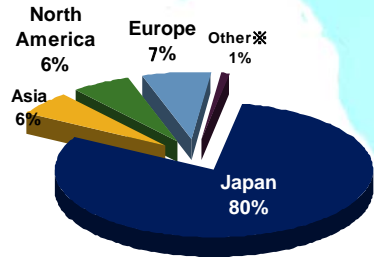
Types of Synergy	Net Sales	Operating Income
Top-line Synergy	300	60
Cost Synergy	—	15
<b>Total Expected Synergy</b>	<b>300</b>	<b>75</b>

# Post-Acquisition Management Goals③



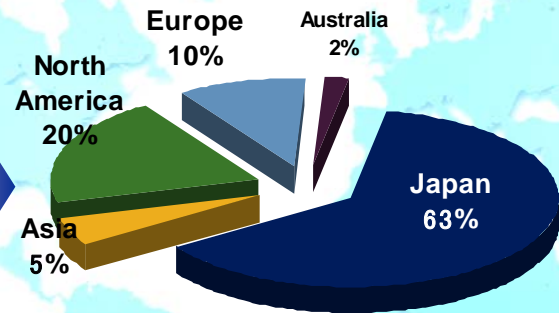
Increased overseas sales ratio to 50% by FYE March 2015

Sales by Region Breakdown (FY 2010)

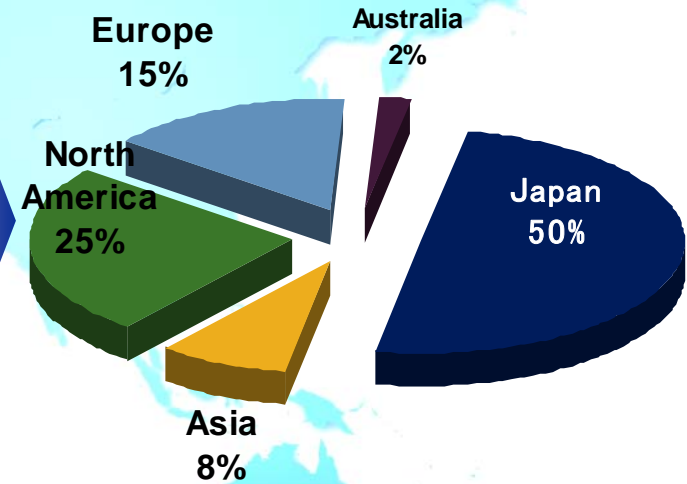


※ Other : Mainly Mexico

Planned Sales by Region Breakdown (FY 2011)



Sales by Region Breakdown Goal (FY 2014)



- Global Strategy
- Post-Acquisition Management Goals
- **Global Management**


# Global Management System



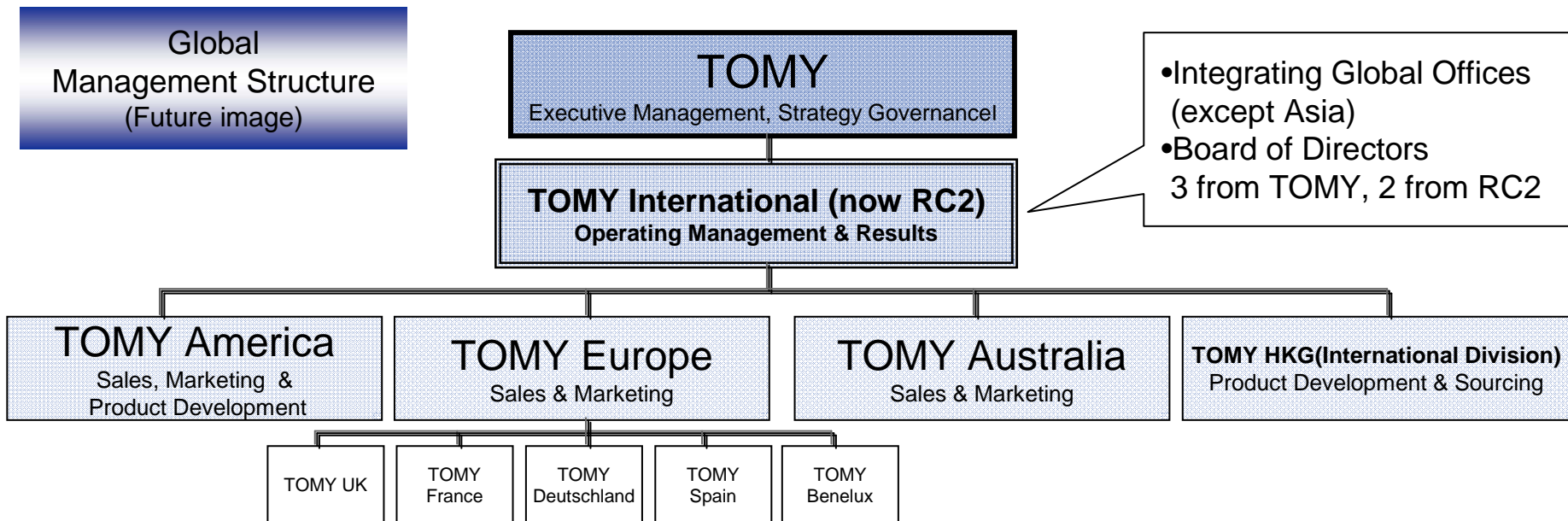
Expanding global managing system and strengthening corporate governance

**TOMY  
Board**

**Curtis W. Stoelting** *(will be appointed as Board Director)*  
 (Subject to TOMY's shareholders' meeting on June 24)






Curtis W. Stoelting



# Brand unification



Unifying brands for promoting global strategies

<p>Corporate Name</p>	 <p><b>TOMY International</b></p> <p>※To be changed in June-end</p>
<p>Corporate Brand ※Overseas</p>	<p><b>TOMY®</b></p>
<p>Family Brand</p>	
<p>Product Brand</p>	

# Crating system to realize unification effect



**Created a combined team to realize the unification effect as early as possible**

**Steering Committee**

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



**Project Management Office (PMO)**

Established in both companies, tackling with matters raised by business task force teams



**Task Force Teams**



## 1. RC2's global platform

- Access to a complementary global distribution network centered around North America
- Strengthened global brand development at both companies
- Enhanced manufacturing / development systems
- Access to global talent / establishment of global structure

## 2. New management goal, as a true global player

- Achievement for Sales \$3billion, Operating income \$300million
  - Achievement for international sales 50%
- ⇒ EPS (Adjusted) is improving

## 3. Acquisition by low cost and stabilization borrowings

- Low cost and stabilization borrowings in Japan
- Exchange risk hedge by US\$ borrowings

## 4. Accelerating establishment of global management system

- RC2: Curtis W. Stoelting (CEO, *to be appointed*)

# FY2011 Major Product Topics



## ◆ Movie Contents

### Transformers

Movie 3 related products under way synergy effect of plays expected by interlocking product, OTC and web.



### Disney

Movie 'Cars 2' related goods under deployment



### Pokémon

Pokémon movie related goods under deployment



## ◆ Other Major Products

### Pretty Rhythm

Started deploying domestic animation contemplating the deployment in Asia



### Tomica • Plarail

Plarail  
Train trend goes to a climax



### Treena

Revival in the current FY  
Expected product sales start in July



### Licca

Introducing New line 'Fantasy Licca'



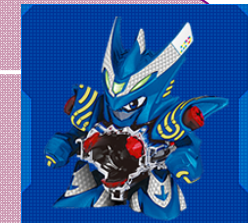
### Duel Masters

Tenth anniversary since the launch.  
Big event planned in June.  
Attract new customer by reinforcing product power and media-mix .



### Beyblade • B-Daman

Beyblade : Big event included Asia planed.  
B-Daman : Animation starts in fall.

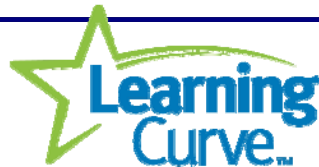


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# FY2011 RC2 Major Product Topics



## Preschool, Youth & Adult



## Mom, Infant & Toddler



American Red Cross



# Chuggington Toy Portfolio – “Train Play Plus”



## Product Line / Roll-Out Plans

### Launched in Europe & Australia in 2010

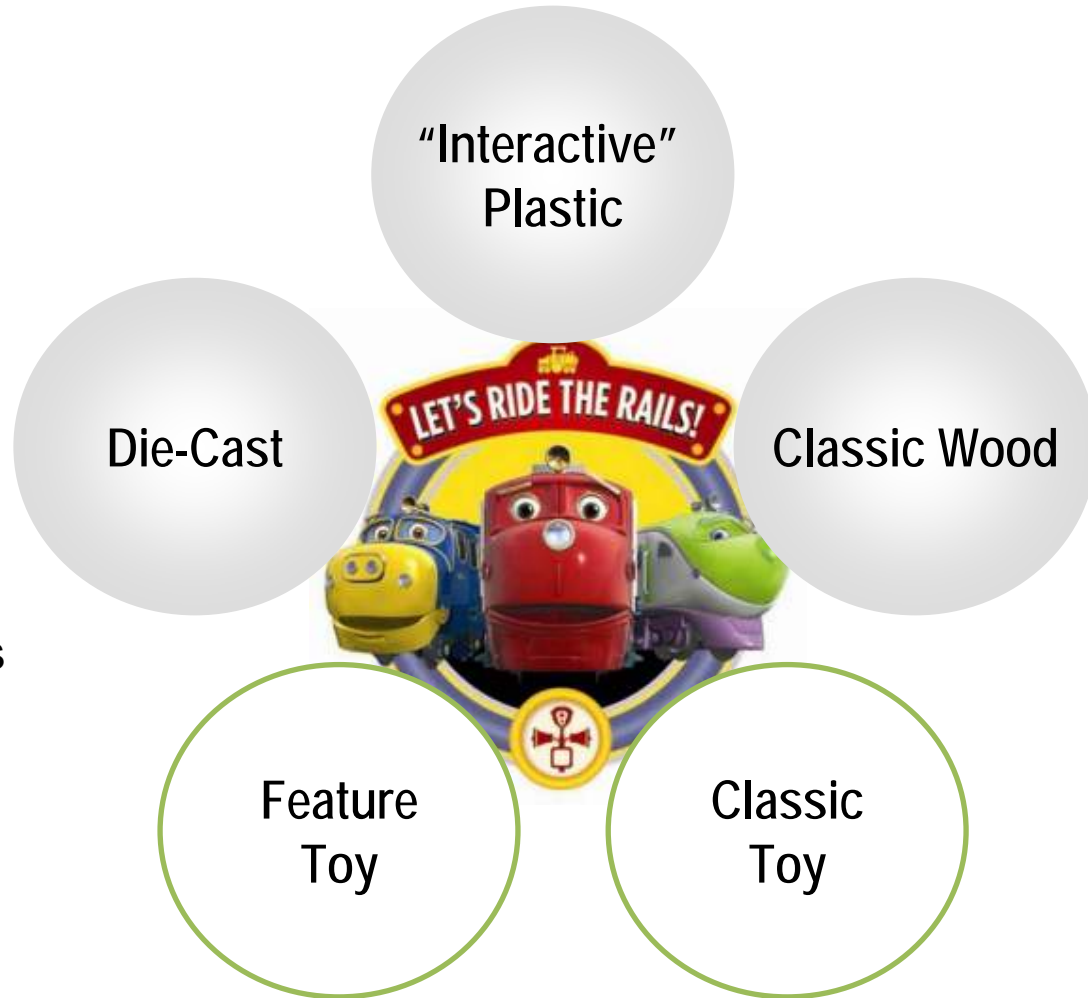
- Generated sales of over \$30 mill. in 2010

### Launching in U.S.

- U.S. “Sneak Peak” Die-cast launched in 2010 Q4 at Toys R Us
- Throughout 2011 launching all product lines at multiple U.S. retailers including Toys R Us, Target and Wal-mart

### Launching in Japan

- “Sneak Peak” planned for 2011 holiday season





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.