

Translation

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February 7, 2017

CONSOLIDATED FINANCIAL RESULTS for the First Nine Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

Company name: **TOMY COMPANY, LTD.**
 Listing: First Section of the Tokyo Stock Exchange
 Securities identification code: 7867
 URL: <http://www.takaratomy.co.jp/>
 Representative: Harold George Meij, Representative Director, President and CEO
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Scheduled date to file quarterly securities report: February 14, 2017
 Scheduled date to commence dividend payments: –
 Supplementary material on quarterly financial results: None
 Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2017 (From April 1, 2016 to December 31, 2016)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2016	131,707	2.8	10,280	82.1	10,542	99.2	7,865	–
December 31, 2015	128,097	9.0	5,646	54.2	5,291	52.5	(2,776)	–

Note: Comprehensive income
 Nine months ended December 31, 2016: 11,794 million yen [– %]
 Nine months ended December 31, 2015: (3,005) million yen [– %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
December 31, 2016	91.07	89.77
December 31, 2015	(32.65)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2016	161,573	49,474	30.3	562.41
March 31, 2016	145,652	37,824	25.5	432.87

Reference: Equity
 As of December 31, 2016: 48,911 million yen
 As of March 31, 2016: 37,146 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2016	–	5.00	–	5.00	10.00
Fiscal year ending March 31, 2017	–	5.00	–		
Fiscal year ending March 31, 2017 (Forecast)				5.00	10.00

Note: Revisions to the cash dividend forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ending March 31, 2017	164,000	0.6	7,000	159.4	7,000	379.5	4,000	–	46.31

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) **Changes in significant subsidiaries during the nine months under review** (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) **Application of specific accounting for preparing quarterly consolidated financial statements:** Yes

(3) **Changes in accounting policies, changes in accounting estimates, and restatement**

A. Changes in accounting policies due to revisions to accounting standards: Yes

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

(4) **Number of issued shares (common shares)**

A. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2016	96,290,850 shares
As of March 31, 2016	96,290,850 shares

B. Number of treasury shares at the end of the period

As of December 31, 2016	9,323,296 shares
As of March 31, 2016	10,476,617 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2016	86,370,261 shares
Nine months ended December 31, 2015	85,011,164 shares

* Indication regarding execution of quarterly review procedures

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the quarterly review procedures for the quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act were incomplete.

Quarterly Consolidated Financial Statements
(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	40,046	39,159
Notes and accounts receivable - trade	20,167	38,476
Merchandise and finished goods	18,437	16,726
Work in process	439	417
Raw materials and supplies	1,223	1,070
Deferred tax assets	2,103	1,790
Other	5,841	6,965
Allowance for doubtful accounts	(170)	(199)
Total current assets	88,089	104,408
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,608	13,743
Accumulated depreciation	(8,406)	(8,715)
Accumulated impairment loss	(457)	(447)
Buildings and structures, net	4,743	4,580
Machinery, equipment and vehicles	2,229	2,339
Accumulated depreciation	(1,495)	(1,599)
Accumulated impairment loss	(17)	(17)
Machinery, equipment and vehicles, net	716	722
Tools, furniture and fixtures	26,932	27,482
Accumulated depreciation	(23,068)	(23,842)
Accumulated impairment loss	(1,108)	(1,086)
Tools, furniture and fixtures, net	2,754	2,553
Land	4,309	4,317
Leased assets	6,250	7,771
Accumulated depreciation	(3,136)	(3,866)
Accumulated impairment loss	(0)	(0)
Leased assets, net	3,113	3,904
Construction in progress	303	351
Total property, plant and equipment	15,940	16,429
Intangible assets		
Goodwill	22,017	21,630
Other	14,534	14,060
Total intangible assets	36,552	35,691
Investments and other assets		
Investment securities	2,628	2,608
Deferred tax assets	80	87
Other	2,398	2,368
Allowance for doubtful accounts	(82)	(52)
Total investments and other assets	5,025	5,011
Total non-current assets	57,518	57,132
Deferred assets		
Bond issuance cost	44	33
Total deferred assets	44	33
Total assets	145,652	161,573

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,398	11,486
Short-term loans payable	11,636	7,896
Current portion of long-term loans payable	4,234	4,460
Lease obligations	2,370	2,538
Accounts payable - other	5,677	6,873
Accrued expenses	7,130	9,768
Income taxes payable	954	2,604
Provision	606	737
Other	1,646	1,429
Total current liabilities	42,654	47,796
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	45,904	44,665
Lease obligations	959	1,076
Deferred tax liabilities	2,520	2,322
Deferred tax liabilities for land revaluation	472	472
Provision for directors' retirement benefits	128	134
Net defined benefit liability	3,238	3,079
Other	1,949	2,551
Total non-current liabilities	65,173	64,302
Total liabilities	107,827	112,098
Net assets		
Shareholders' equity		
Capital stock	3,459	3,459
Capital surplus	6,423	6,534
Retained earnings	24,972	31,975
Treasury shares	(6,814)	(6,065)
Total shareholders' equity	28,040	35,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	738	760
Deferred gains or losses on hedges	(698)	1,706
Revaluation reserve for land	146	146
Foreign currency translation adjustment	9,846	11,312
Remeasurements of defined benefit plans	(928)	(918)
Total accumulated other comprehensive income	9,105	13,007
Subscription rights to shares	320	195
Non-controlling interests	357	368
Total net assets	37,824	49,474
Total liabilities and net assets	145,652	161,573

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	128,097	131,707
Cost of sales	80,990	80,216
Gross profit	47,106	51,490
Selling, general and administrative expenses		
Packing and transportation expenses	2,524	2,464
Warehousing expenses	3,033	2,997
Advertising expenses	8,551	9,608
Salaries, allowances and bonuses	11,333	11,113
Research and development expenses	1,983	2,173
Commission fee	2,156	2,189
Other	11,877	10,663
Total selling, general and administrative expenses	41,459	41,210
Operating income	5,646	10,280
Non-operating income		
Interest and dividend income	220	73
Foreign exchange gains	–	679
Rent income	109	116
Other	166	71
Total non-operating income	496	940
Non-operating expenses		
Interest expenses	628	470
Foreign exchange losses	98	–
Other	124	208
Total non-operating expenses	851	679
Ordinary income	5,291	10,542
Extraordinary income		
Gain on reversal of subscription rights to shares	332	55
Reversal of provision for contingent loss	–	29
Other	15	17
Total extraordinary income	347	102
Extraordinary losses		
Impairment loss	7,526	569
Loss on sales of shares of subsidiaries and associates	323	–
Business structure improvement expenses	239	–
Other	21	6
Total extraordinary losses	8,110	576
Profit (loss) before income taxes	(2,470)	10,068
Income taxes	260	2,175
Profit (loss)	(2,731)	7,892
Profit attributable to non-controlling interests	44	27
Profit (loss) attributable to owners of parent	(2,776)	7,865

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit (loss)	(2,731)	7,892
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	21
Deferred gains or losses on hedges	(506)	2,405
Foreign currency translation adjustment	257	1,465
Remeasurements of defined benefit plans, net of tax	40	9
Total other comprehensive income	(273)	3,902
Comprehensive income	(3,005)	11,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,050)	11,767
Comprehensive income attributable to non- controlling interests	45	27

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	(2,470)	10,068
Depreciation	5,541	5,412
Impairment loss	7,526	569
Amortization of goodwill	1,371	1,035
Gain on reversal of subscription rights to shares	(332)	(55)
Increase (decrease) in provision for contingent loss	–	(29)
Increase (decrease) in net defined benefit liability	(365)	(142)
Increase (decrease) in provision for directors' retirement benefits	(27)	6
Interest and dividend income	(220)	(73)
Interest expenses	628	470
Loss (gain) on sales of shares of subsidiaries and associates	323	–
Business structure improvement expenses	239	–
Foreign exchange losses (gains)	116	(120)
Decrease (increase) in notes and accounts receivable - trade	(15,974)	(17,932)
Decrease (increase) in inventories	(3,448)	1,653
Decrease (increase) in prepaid expenses	(78)	831
Increase (decrease) in notes and accounts payable - trade	4,525	2,904
Decrease (increase) in advance payments	464	710
Increase (decrease) in accounts payable - other	1,260	1,572
Increase (decrease) in accrued expenses	2,500	2,848
Other, net	136	801
Subtotal	1,716	10,531
Interest and dividend income received	219	71
Interest expenses paid	(615)	(462)
Extra retirement payments	–	(217)
Income taxes paid	(923)	(1,505)
Net cash provided by (used in) operating activities	396	8,418
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,491)	(3,285)
Purchase of intangible assets	(738)	(1,097)
Proceeds from fees for equipment	–	812
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(25)	–
Collection of loans receivable	31	1
Other, net	114	154
Net cash provided by (used in) investing activities	(3,109)	(3,415)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,330	(2,810)
Proceeds from long-term loans payable	–	2,000
Repayments of long-term loans payable	(4,378)	(3,261)
Cash dividends paid	(845)	(858)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(808)	(4)
Repayments of finance lease obligations	(2,129)	(3,121)
Proceeds from sales and leasebacks	–	1,625
Proceeds from sales of treasury shares	158	738
Other, net	(3)	(4)
Net cash provided by (used in) financing activities	(4,674)	(5,696)
Effect of exchange rate change on cash and cash equivalents	60	(142)
Net increase (decrease) in cash and cash equivalents	(7,327)	(836)
Cash and cash equivalents at beginning of period	41,972	39,902
Cash and cash equivalents at end of period	34,644	39,066