

We have further strengthened **OUR CORE TOY BUSINESS,** established **A SOLID MANAGEMENT FOUNDATION** and accelerated the **GLOBALIZATION to EVOLVE INTO A TRULY GLOBAL PLAYER.**



Q1 Give us your analysis of the business environment.

The Japanese toy market continues to be tough, with falling consumption due to a prolonged economic slump and the impact of the Great East Japan Earthquake. For the year ended March 31, 2012, the domestic toy market increased 3.4% to ¥692.1 billion from the previous year on a retail price basis (Japan Toy Association figures). Growth in the 3% range has been maintained for two consecutive years (3.5% in 2010), despite the difficulties of the economic environment after the Lehman Shock and the impact of the earthquake.

However, looking at the toy market overseas, conditions in the United States, which is the largest toy market in the world, worsened due to a lack of certainty about the economy, with the market there falling 1.9% year on year to US\$21.3 billion. Meanwhile, in Europe, despite improvement in England, France and Germany, the impact of the European sovereign debt crisis caused the toy markets in nearly all countries in southern Europe to be lower than the previous year, with great disparity in Europe overall (NPD Group analysis).

Q2 Tell us about the strategic efforts and business topics (for the year ended March 2012).

Amid this severe business environment, the Group continues to bolster our core business with the goal of joining the ranks of the world's top three toymakers.

A big step we took in that direction was the acquisition in April 2011 of RC2 Corporation and its subsidiaries (presently, "TOMY International Group," hereafter "the TI Group"), a NASDAQ-listed U.S. manufacturer of toys and infant products, to make the company our wholly owned subsidiary.

We are working to achieve synergies that include establishing a global management system, developing an internal sales network in North America, mutually developing both the TOMY Group and the TI brands, and strengthening our production and development structures.

For such purposes, we integrated our North American operation into the TI Group and acquired two companies, Boon, Inc. and Keen Distribution, LLC, both of which had

strong shares of the North American market, to strengthen the baby business.

In Europe, we restructured our sales network, including staff reductions, to achieve optimal marketing. Our efforts in Asia include integrating production and sales bases in Hong Kong, whereas in China, which is experiencing marked growth, we are expanding the business from both the sales and product sides by increasing ties with sales distributors and selling localized products with pricing and specifications that are relevant to the Chinese market.



Q3 Please comment on the business results from the aspect of both internal and external factors.

Our consolidated performance in Japan for the term improved despite the supply problems experienced by some of the *Tomica* and *Plarail* products as a result of the Thai floods, due to the gain in new users of the *Duel Masters* boys' card game, which extended sales growth. We also benefited in our overseas business from the sales contributions of the TI Group and strong overseas exports of products related to *Transformers* and *Beyblade*, resulting in net sales of ¥187,265 million, a 17.4% increase over the previous year.

Despite efforts to reduce costs and improve revenues, due to worsening revenues for European subsidiaries and the posting of the amortization of goodwill and intangible assets associated with the TI Group acquisition, operating

income was down 1.4% to ¥10,186 million, whereas ordinary income fell 3.2% due to foreign exchange losses. Net income declined 58.8% to ¥3,679 million due to extraordinary losses associated with Thai flood damage and overseas base restructuring costs.

Results for the year ended March 2012

Net Sales:	¥187,265 million (+17.4%)
Operating Income:	¥10,186 million (-1.4%)
Net Income:	¥3,679 million (-58.8%)

Q4 Please summarize the "Four Years of Reengineering and Globalization" begun in 2010.

The TOMY Group has designated the years from 2010 to 2013 as "Four Years of Reengineering," during which we have contemplated continuous growth, further strengthened our core toy business, established a solid management foundation and accelerated our international business development to evolve into a truly global company.

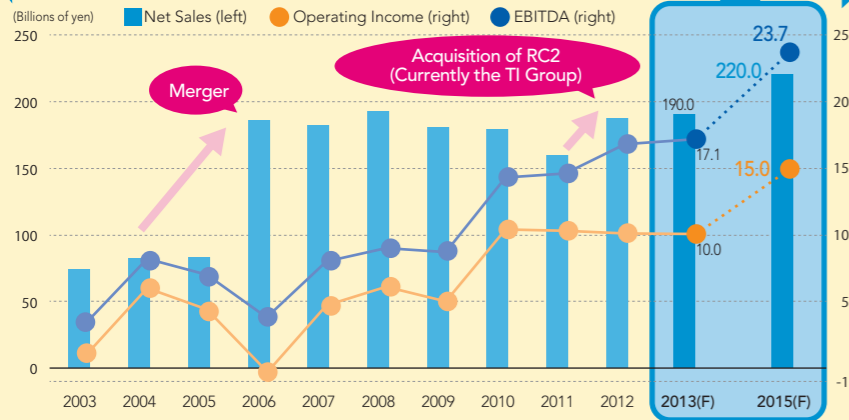
We will achieve these goals by maximizing product value through the overseas development of the core products, brands and global contents that are our company's strengths. Core products and brands such as *Tomica*, *Plarail* and *Licca* have been loved by generations of consumers over several

decades. Furthermore, we began launching the *Tomica* and *Plarail* brands in Europe and North America last year, whereas in China we launched the *Tomica* products with pricing and specifications localized for that market. The huge international hit toy *Transformers* has grown into a globally famous property with the third Hollywood movie released in 2011, and more than 500 million toys sold in more than 130 countries. In addition to strengthening our ties with Hasbro, we acquired the TI Group as subsidiaries to accelerate our overseas development.



MEDIUM-TERM GOALS

(Years to March 31)



2013 (forecast)

Net Sales: ¥190 billion
 Operating Income: ¥10 billion
 Operating Margin: 5.3%
 EBITDA: ¥17.1 billion

- + ¥20.3 billion: Top-line synergies through mutual utilization of brand content held by TOMY and the TI Group
- + ¥12.7 billion: Expanding existing businesses of TOMY and the TI Group and growing business in Asia
- + ¥1.8 billion: Sales synergy
- + ¥1.5 billion: Cost synergy
- + ¥1.7 billion: Expanding existing businesses

2015 TARGET

Net Sales: ¥220 billion
 Operating Income: ¥15 billion
 Operating Margin: 6.8%
 EBITDA: ¥23.7 billion

FUTURE GOALS TO BECOME A TRULY GLOBAL PLAYER

Net Sales: U.S. \$3 billion
 Operating Income: U.S. \$300 million
 Overseas Sales Ratio: 50%

1 Development of focus strategies by region (Years to March 31)

Region	Sales Target	Product rollout	Marketing	Organizational structure
Japan	¥119 billion (2012 Actual) → ¥140 billion (2015 Forecast)	1. Concentrate R&D at HQ; unify global management core (Vehicles, Boys, Girls); 2. Reinforce high-value-added product R&D; launch localized product lines; 3. Create new markets based on Japan success; 4. Max group synergies to accelerate product deployment; "Instant-hit" products to grow market	1. Reinforce brand management capability; 2. Promote HQ-led mass marketing approach; 3. Joint marketing/sales efforts to revitalize sales space	1. Global toy business structure; 2. New Planning Team for R&D
North America, Europe & Oceania	¥60 billion (2012 Actual) → ¥62 billion (2015 Forecast)	1. Concentrate R&D at TI; unify management core (Baby, Infant and Preschool); 2. Increase Europe/USA Baby, Infant and Preschool products for R&D efficiency; 3. Reinforce Vehicles and Boys products; 4. Product rollouts with business partners	1. Market localization/enhanced promotion for unique retail marketing; 2. Local marketing driven by sales companies in line with HQ-led mass marketing	1. Expand scale and synergy of TOMY Europe/TI Group merger to improve efficiency; 2. Optimize unified business structure integration for global TOMY Europe/TI product rollouts
Asia	¥7 billion (2012 Actual) → ¥18 billion (2015 Forecast)	1. Reinforce/expand core (Vehicles and Baby, Infant and Preschool); 2. Actively introduce localized products; 3. Introduce Boys products	1. China: Reinforce distribution/promote sales through new business in 46 areas; 2. Actively invest in TVMD; 3. Reinforce/expand emerging economy business	1. Strengthen TOMY (Shanghai); place sales staff at four China bases (North, East, Central and South); develop local demand-based sales; 2. Integrate with the TI Group to expand in growing markets

The above regions reflect the locations of the TOMY entities that record the sales.

2 Reinforcement and expansion of focus categories (Years to March 31)

Category	Sales Target	Key Initiatives
Vehicles	¥21 billion (2012 Actual) → ¥40 billion (2015 Forecast)	<ul style="list-style-type: none"> Introduce <i>Plarail Chuggington</i> Maximize <i>Chuggington</i> business globally Expand localized <i>Tomica</i> in Asia
Baby, Infant and Preschool	¥22 billion (2012 Actual) → ¥35 billion (2015 Forecast)	<ul style="list-style-type: none"> Grow steadily as a core business in Europe and the United States Expand sales in China
Boys	¥43 billion (2012 Actual) → ¥50 billion (2015 Forecast)	<ul style="list-style-type: none"> Launch new products to boost sales in Europe and the United States, as well as China Keep the top position in the boys' category by creating post-<i>Beyblade</i> products

3 Review of production bases and reinforcement of production structure

- 1. Realignment of Production Bases**
Transform the China-dependent production structure to Vietnam and its neighboring countries → **Reduce** manufacturing costs including labor costs to cut costs of sales
- 2. Efficient Procurement**
Promote planned material procurement and joint procurement with vendors and business partners → **Cut Down** material costs

Q5 Please give us the background on the establishment of the new Medium-Term Management Plan and the details.

Although the external environment continues to get tougher, we at the TOMY Group, which aims to become a truly global player, have the task of strengthening our production structure and stabilizing product supply to bolster the domestic toy business and globalizing Japanese-made products corresponding to the rise in production costs in China.

The TOMY Group is continuing to move forward with our basic strategies of "strengthening the core toy business," "accelerating globalization" and "expanding the toy peripheral business" to expand profit and earnings. In addition, we are working to "secure and hire global human resources" to create a base for achieving those goals, as well as pushing forward with "bolstering our financial base" by building up internal reserves to compress the interest-bearing debt that has risen through our acquisitions and increase in capital.

We established our new medium-term management plan to meet these goals and are focused on "formulating key strategies by regional segments," "strengthening and expanding important categories" and "reviewing our production bases and strengthening that structure" through 2015.

In the area of "formulating key strategies by regional segments," Japan will continue to be the place we maintain the functions focused on the planning and development of high-added-value products for the world and the revitalization of our sales spaces. For North America, Europe and Oceania, the planning and development functions for core baby, infant and preschool products and their marketing considering the characteristics of each region will be concentrated

at the TI Group. In Asia, an area management structure will be formed, such as establishing marketing channels in China and promoting product development matching to regional characteristics.

Our strategies for strengthening and expanding important categories include the multi-country rollout of core products and the launch of new merchandise in the three main categories of Vehicles, Baby/Infant/Preschool and Boys.

In the area of "reviewing our production bases and strengthening their structure," we will shift our production structure, which is now heavily weighted toward China, to include neighboring countries, with Vietnam at the core. We will move forward with measures for thorough cost-competitiveness, product safety and quality controls.

We have positioned the fiscal year ending in March 2013 as the period in which we will extend prior investment in future products, such as expanding marketing expenses within and outside Japan and R&D costs for new product development. Taking into account external events including the earthquake and the flooding in Thailand, we have changed our March 2015 performance targets to net sales of ¥220 billion, operating income of ¥15 billion and an operating margin of 6.8%, and are targeting the steady growth that has been a common thread throughout our company's history. To become a true global player, we are targeting net sales of US\$3 billion, operating profit of US\$0.3 billion and an international sales ratio of 50%.

Q6 What is the outlook for business results for the fiscal year ending March 2013?

Although we expect the tough business environment to remain for the time being, we will continue to concentrate management resources in our toy business and work to construct a global business model through integration with the TI Group. We are pushing forward with structural reforms aimed at joining the ranks of the world's top three toymakers. These include starting an earnings improvement and business expansion plan within the new sales structure that was formed in Europe after the completion of integration, enhancing revenues by optimizing plant locations, developing products corresponding to the characteristics of each market and shoring up management.

We will be making efforts to grow sales during the fiscal year ending in March 2013, such as introducing new boys'

hobby products in Japan, expanding overseas sales of the TI Group's important *Chuggington* line and developing *Plarail* in Japan. Nonetheless, we foresee a decrease in exports of *Transformers* and *Beyblade* due to a pullback in what has been a strong trend during the current term, leading us to predict a 1.5% increase in consolidated sales over the previous year to ¥190,000 million. We expect a 1.8% decrease in operating income to ¥10,000 million and a 5.3% decline in ordinary income to ¥9,300 million due to enhanced investment in marketing in Japan and overseas, as well as expanded prior investment in future growth, such as new product R&D expenses. Net income is expected to grow 35.9% to ¥5,000 million as we do not anticipate one-time expenses such as those related to the flooding in Thailand.

Forecast for the year ending March 2013

Net Sales: ¥190.0 billion	Operating Margin: 5.3%
Operating Income: ¥10.0 billion	EBITDA: ¥17.1 billion
Net Income: ¥5 billion	Net Income per Share: ¥53.1



Q7 Please discuss returns to shareholders and your CSR approach.

The TOMY Group aims for sustainable growth by sharing value with all of our stakeholders, including shareholders. Concerning personnel, which is an important management resource, we seek to nurture a corporate culture befitting global toymaker standards. We strive to hire, cultivate and optimally place personnel who have the creativity and strong sense of play that enables them to anticipate the needs of the times, as well as global human resources who can be next-generation leaders. We are also strengthening internal controls and making continuous improvements to our internal CSR promotion systems to bolster the management structures that form the foundation for further growth. In addition to aiming for stronger and more thorough corporate governance, we are engaging in CSR activities suited to a toy manufacturer, while taking the global environment into consideration.

Our policy on returns to shareholders is based on distributing funds appropriately to maintain a balance between the provisions of stable returns to shareholders and investment in medium- to long-term growth sectors, such as global development, while taking financial stability into consideration. Therefore, based on this policy, we are maintaining a stable annual dividend of ¥14 per share for the fiscal year ended March 31, 2012.

The TOMY Group will continue to aim to increase enterprise value through active global development as a toymaker capable of playing an active role on the global stage. We thank everyone for their ongoing support.

TOMY'S GROWTH STORY

EVERYTHING STARTS WITH AN IDEA

In our bid to become a truly global company, we are targeting net sales of US\$3 billion, operating profit of US\$300 million and an international sales ratio of 50%. The key to achieving our targets lies in the creativity and ideas that provide a competitive advantage. We take the ideas generated in Japan that led to the birth of our hit Japanese toys and transform their shape and expression so as to add to their value in overseas markets. We will continue to build on the momentum we are developing in our overseas initiatives in 2012, so as to continue to grow.

- 1 IDEAS THAT ORIGINATE IN JAPAN**
- 2 IDEAS EXTENDED TO A GLOBAL SCALE**
- 3 IDEAS EVOLVING TO INCORPORATE A HOST OF VALUES**