



3

STRATEGIES

Players

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Full launch of the revival plan for returning to the growth track

As noted above, TOMY drew up the TOMY Revival Plan in March 2013 to deal with the difficult market environment. The three basic policies of this plan are as follows:

- Build a stable revenue base in our domestic toy business;
- Proceed with globalization, concentrating investment resources in North America and Europe; and
- Form our next-generation businesses through trial projects in the growing Asia market.

To hasten such structural reforms, our Head Office directors will be responsible for business in Japan, North America, Europe, Asia and our consolidated control structure, as well as the acceleration of structural reforms.

Domestic Business

Osamu Mashimo

Board Director, Executive Managing Officer
Chief Marketing Officer
Head of Toy Business Headquarters



To create a solid business infrastructure, we are proceeding with structural reforms to introduce an integrated control system initiated by the Toy Business Headquarters for strengthening the profitability of toys and the toy periphery business.

Q1. WHAT ISSUES DO YOU FACE IN JAPAN?

As domestic toy sales continue to decline, delays in launching hit products, lack of sales ability and delays in implementing countermeasures to strengthen profitability have lowered productivity.

In addition to reactionary falls in sales of *Metal Fight Beyblade* and *Transformers*, efforts to launch new products and introduce them to new customers and channels were inefficient. We must restore the domestic business, which is our group's core revenue source, and improve our cash-generating ability and garner investment capital resources.

Q2. WHAT ARE THE CONCRETE MEASURES UNDER WAY TO REFORM THE DOMESTIC TOY BUSINESS STRUCTURE?

We will reduce our break-even point by 10% with thorough cost reductions and KPI management. In seeking to streamline our personnel structure, we will apply variabilization by linking personnel costs to productivity.

We also aim to maximize operating cost effectiveness. Until now, we have developed products through prior investment; henceforth, we will variabilize advertising expenses in executing the effective investments necessary for product development. These steps should improve the break-even point in our domestic toy business.

We have integrated the domestic sales offices with the Head Office Sales Group and are strengthening relations between the Head Office and distributors through TOMY Marketing Company, Ltd., which was established in October of last year. TOMY Logistics, which had handled logistics in Japan, was merged into TOMY Marketing on March 31 of this year. We believe that consolidated product distribution and logistics management will improve cost effectiveness.

Q3. WHAT RESTRUCTURING MEASURES ARE PLANNED IN THE TOY PERIPHERY BUSINESS?

Measures to rebuild our apparel business include transferring character wear to T-ARTS Company, Ltd., in addition to seeking to broaden the appeal across age strata. By integrating management under the Head Office, we will steadily apply measures to improve performance.

The Head Office is currently guiding global content acquisition and the building of a globalized structure for our character business and aims to conduct efficient joint efforts with T-ARTS for maximum synergy.

Stable Revenue Base Building in the Domestic Toy Business

Contemplating Sales Expansion and Reinforcing the Profit Structure Through Reforms

Overseas Business

Shigeki Yanagisawa

Board Director, Executive Managing Officer
Chief Strategy Officer
Head of Global Business Headquarters



We are transitioning to overall consolidated control by the Global Business Headquarters and are creating a concentrated investment-based growth scenario for Europe and North America and a medium-term perspective growth scenario for Asia through trial projects. We also seek to employ effectively the investment resources gained through our Japan business in establishing a strong foothold for business expansion.

Q1. WHAT ISSUES DO YOU FACE OUTSIDE JAPAN?

Looking at business overseas, in addition to a lack of activity in the baby business, which is one of the main thrusts of TI (which has consolidated control of this segment), the European financial crisis has caused a major drop in sales in that market. Investment recovery has also not progressed in the China business, which had initially been forecast to be profitable, but has instead continued to be in the red. Therefore, the challenge is to increase efficiency by consolidating functions with the Head Office to enhance our responses to the external environment, which will produce synergies.

Q2. WHAT MEASURES ARE BEING TAKEN TO RESTORE THE EUROPEAN/NORTH AMERICAN GROWTH TRACK?

First, TOMY International (TI) has reshuffled its management team and appointed a new CEO with a strong background in operations. We are working to strengthen communications between TI and the Head Office to generate synergies.

The Head Office is working with TI to drive a toy business growth strategy centered on global content. This joint effort already seems to have found a hit through the *Pokémon*

venture. We are pushing through a distribution strategy aimed at stabilizing growth in our core *John Deere* series tractor toys, and we are seeking to maximize synergies through cross-selling of the Head Office-planned *Battoroborg* series, which has been a hit in Japan.

We are adjusting the distribution strategy in the baby business and pursuing a global sales strategy to grapple with the Chinese and other Asian markets. We are seeking to expand our luxury baby brands, such as *JJ Cole*, *Lamaze* and *Boon*, which have growth potential.

Q3. WHAT IS THE MEDIUM-TERM PERSPECTIVE FOR THE ASIAN GROWTH SCENARIO?

Rather than aiming at rapid growth in the Asian market, we are steadily building a revenue base by expanding brand recognition.

We aim for high efficiency with our China sales representatives, and seek to achieve profitability by winnowing the number of directly managed sales outlets to 150 from around 250. Also, we are strengthening the profit structure through full-scale launches of TI baby merchandise and through thorough progress management conducted by the Head Office business coordinator. In markets such as South Korea, Taiwan and Hong Kong, we are seeking to expand sales by developing cooperative relationships with sales agents (distributors) in those markets. The ASEAN countries' growth in coming years is expected to be strong; in Indonesia, sales outlets for core products such as *Tomica* have received a favorable reception, and we will employ that kind of trial project in our efforts to build a growth foundation for a subsequent high-growth stage.

Driving Globalization Through Investment Concentration in Europe and North America and Forming Next-Generation Businesses in the Growing Asian Market

Adjusting the European/North American Growth Track and Aiming for Medium- to Long-Term Growth in Asia

Consolidated Management System

Kazuhiro Kojima

Board Director, Senior Executive Officer
Chief Financial Officer



We seek to build and operate an efficient global management system.

Q1. WHAT ISSUES DOES GLOBALIZATION POSE REGARDING CORPORATE MANAGEMENT AND THE CONTROL SYSTEM?

As an inability to respond promptly to changes in the market environment in Europe, North America and China led to a deterioration in consolidated performance this term, it is necessary to create a system by which management can respond quickly to globalizing market movements and reach management decisions rapidly. As the revenue structure based on the prior investment model has also been pressuring profits, achieving steady revenue management through visualizing the business is another issue.

Q2. WHAT ARE SOME CONCRETE MEASURES UNDER WAY TO STRENGTHEN THE GLOBAL MANAGEMENT SYSTEM?

First, we are seeking to shore up our financing system, such as continuing to take steps to manage foreign exchange risk through foreign exchange contracts.

Also, we are initiating thorough performance management and developing a system to support new product creation through Group organizational restructuring and making the business visual.

Moreover, we have sent a legal affairs coordinator from Japan to the United States to reinforce our ability to cope with global legal risks.

Toward Building and Operating an Efficient Global Management System

*Strengthening Management's Ability
to Make Decisions, Execute and Supervise Group Business*