

# *The Winning Game*

TOMY Company, Ltd.

ANNUAL REPORT 2013

FOR THE YEAR ENDED MARCH 31, 2013

1 to  
7,000,000,000

PLAYERS



Let's Play!



Start!!

TAKARA  
TOMY



## Introduction

TOMY Company, Ltd., established in 1924, is a global force in toys, infant & children's merchandise and entertainment, offering dreams and excitement to children and adults the world over. We manufacture products based on our own brands including *Transformers*, *Tomica*, *Licca*, *Plarail*, *ERTL* and others, as well as distribute products under licensed brand names such as *Disney*, *Chugginton* and other world-famous brands.

TOMY took action amid a persistently difficult business environment characterized by a graying society with a low birthrate, merging with Japanese toymaker Takara in 2006 to create Takara Tomy and then acquiring U.S. toy and infant goods manufacturer NASDAQ listed company RC2 in April 2011. Since then, we have made progress in rebuilding our Japanese toy business and creating a global management structure. Recognizing changes in the marketplace as an opportunity, in 2013 the TOMY Group united in an effort to execute the reforms to bring forth new growth. The TOMY Group has succeeded in management reform a number of times since our founding, with the view that reform is a "strategy for victory" that will bring future growth. In this year's Annual Report, we will hereby introduce an outline of our reforms and the actual measures to be taken, which constitutes what we call "The Winning Game."


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Enjoy  
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Dream

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Founding Philosophy  
Corporate Mission

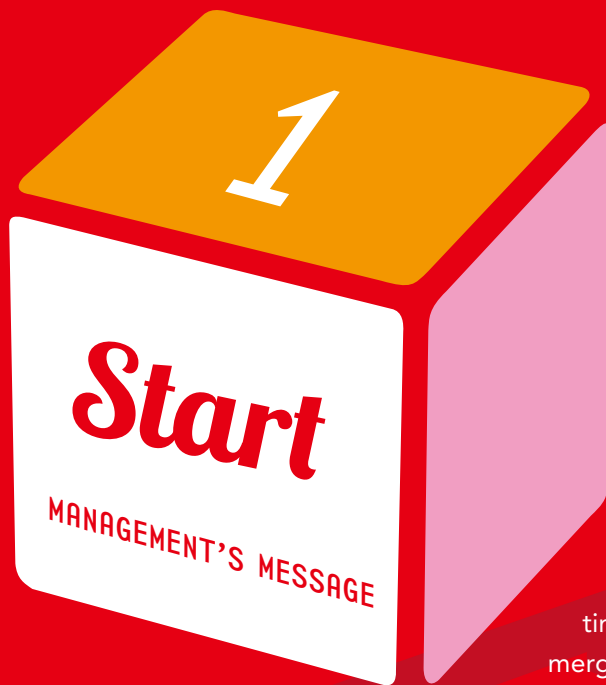
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## Chapter 6 Performance

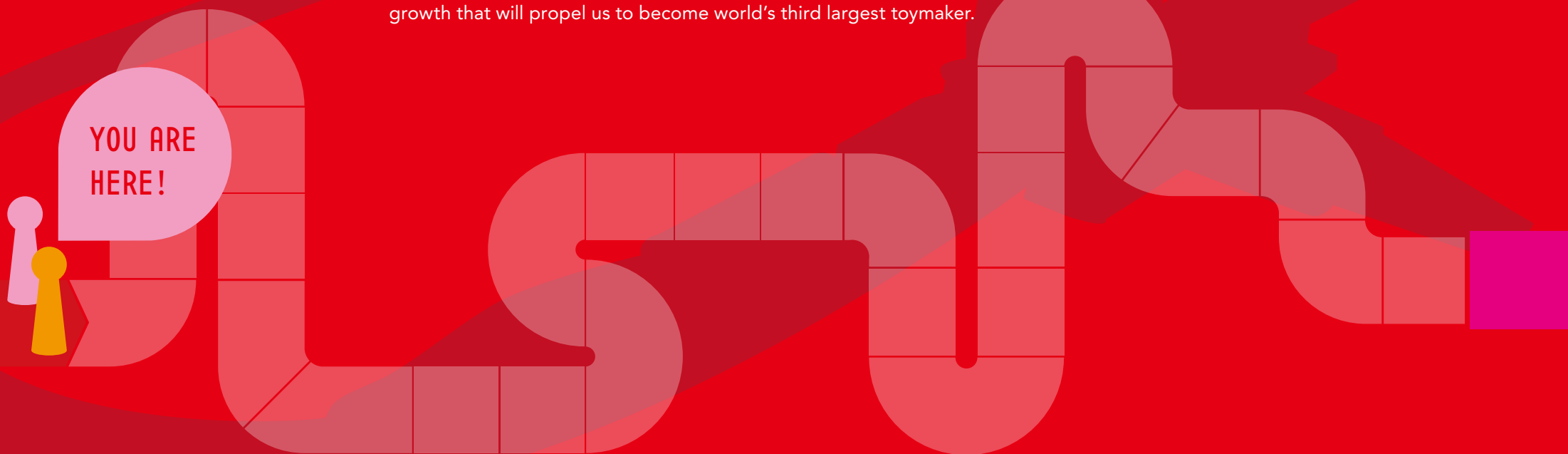


Downturn in hit products  
resulted in less income,  
with lower net profits  
due to structural reform costs



## Taking on structural reforms that will put us among the Top 3

Last year's market environment was marked by the shrinking of the Japanese toy market and tough overseas sales competition. We engaged in the necessary measures to deal with those developments in the second half by cutting costs, including personnel reductions and structural adjustments that would lead to increased sales, and in March of this year we announced the Revival Plan that will accelerate our pace on our current course. We regretfully posted revenue and profit declines in fiscal 2012 for the first time in three years. However, from the second half, the fruits of the merger with our U.S. subsidiary and new product development have been appearing gradually. We will continue to push hard for the further growth that will propel us to become world's third largest toymaker.



## Message from the President & CEO

*Pursuing Structural Reforms Rigorously  
Ahead of the Times, as We Approach  
Our 90th Anniversary*

### Results for the year ended March 2013

Net Sales:

**¥179.0** billion

Operating Income:

**¥2.5** billion

EBITDA:

**¥10.0** billion

Kantaro Tomiyama  
President & CEO  
TOMY Company, Ltd.

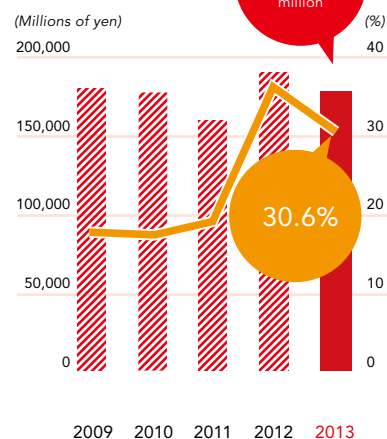
富山 幹太郎

August 2013

(Years to March 31)

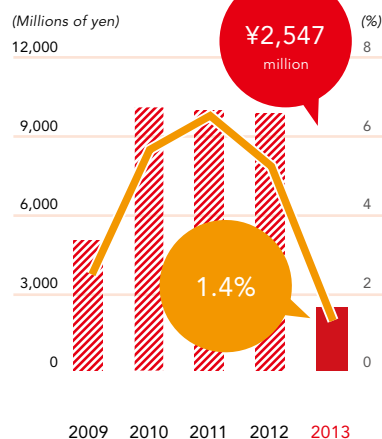
#### Net Sales

Overseas Sales Ratio

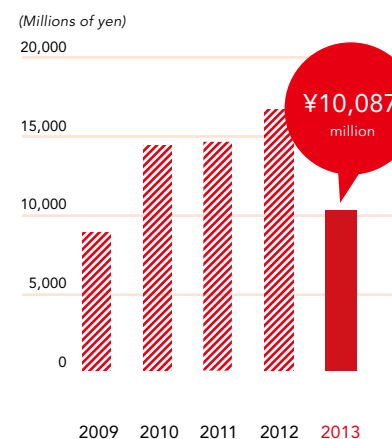


#### Operating Income

Operating Margin



#### EBITDA



# Review of Fiscal 2013

(Fiscal year ended March 31, 2013)

## Business Environment

As the Japanese toy market tended to shrink, the business environment remained tough.

The Japanese economy this term was characterized by hopes accompanying the credit easing policy launched by the new government, which took office in December last year.

Though the future outlook became brighter as the yen turned weak and the stock market kept rising, the toy business environment continued to be less optimistic.

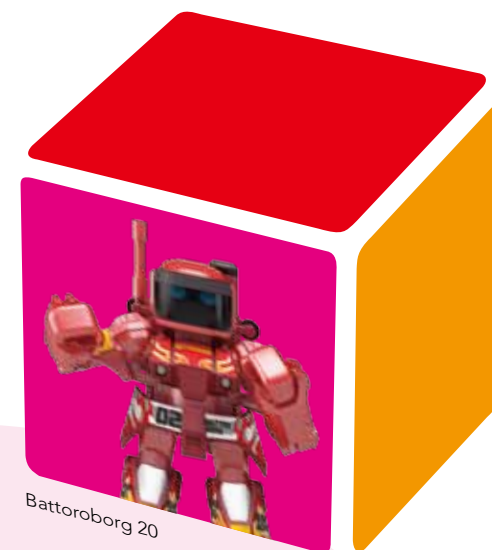
Looking overseas, the business environment remained sluggish due to the prolonged European debt problems and the slowing of the Chinese economy. Such factors had a strong impact on sales during peak toy industry seasons such as Christmas and the Chinese New Year, and the business environment remained severe.



## Consolidated Business Results

In contrast with strong core products performance, tough overseas sales competition and deteriorating apparel revenues caused a decrease in sales and profit.

In addition to a change to stronger sales of core products such as *Tomica* and *Plarail*, the *Battoroborg 20* battle hobby toys, new electronic pet products such as *Furby* and *PokémonTRETTA* amusement machines gained popularity, and the video game wholesale volume also increased. Nonetheless, our *Metal Fight Beyblade* and *Transformers* products, which were strong in Japan and overseas in the previous fiscal year, faced a reactionary fall, and our overseas subsidiaries experienced stiff competition. Consequently, net sales were down 4.4% YoY to ¥179,042 million. Regarding profits, although we continued to suppress selling, general and administrative expenses, operating income was down 75.0% to ¥2,547 million, gross profit decreased in tandem with the drop in sales in addition to the decreasing profitability of our apparel business. The bottom line was a net loss of ¥7,097 million in comparison with the previous fiscal year's net income of ¥3,679 million, due to the posting of an extraordinary loss of ¥7,939 million that includes expenses associated with an impairment loss on intangibles at TI International Group ("TI Group") and employees' voluntary resignation packages.



There was a gain in the popularity of new electronic pet products such as Furby and the Battoroborg 20 battle hobby toys.



## Major Efforts

We created a global management system and implemented structural reforms to make a breakthrough in a tough environment.

The TOMY Group worked within this difficult business environment to create a new global management system, as well as to reform its structure, so as to deal with the tough Japanese toy market and severe overseas sales competition.

While the building of a global system was intended to strengthen our core toy business, we also made progress in strengthening and expanding major project categories through cross-selling with TI, which we acquired in the previous term, as well as shoring up and streamlining our production bases.

We focused on restructuring founded on the following four policies in response to the tough toy market in Japan and severe overseas sales competition.

### PROGRESS IN STRUCTURAL REFORMS

#### 1. ADDITIONAL NEW PRODUCT LAUNCHES

We initiated sales of new products such as *Furby*, a smartphone-controlled electronic pet, *Battoroborg 20*, interactive battle robots, and *Keitai Wanko*, a remote-controlled stuffed animal toy for girls.

#### 2. STRENGTHENING PRODUCT GENERATION CAPABILITY

We used the opportunity provided by reorganization in October last year to furnish a system for driving product development that employs the specialized capabilities of a system made up of category-specific business departments. At the same time, we constructed a system for developing new, cross-category concept products, as well as products adapting to demands from clients and retailers. Furthermore, in addition to our China Business Strategy Office, we established Business Strategy Offices for Europe and Asia, creating a system capable of handling product launches tailored to regional needs.

#### 3. STRENGTHENING MAXIMUM SALES ABILITY

We integrated the domestic sales offices with the Head Office Sales Group, reorganized our sales functions by newly establishing TOMY Marketing Company, Ltd., streamlined business processes by eliminating redundancy and sought to unify sales strategies and tactics.

#### 4. THOROUGH EXPENSE REDUCTION

In addition to reducing head office director compensation and salaries at the head office manager level and above, we made operations as low cost as possible by revising logistics costs through sales structure integration and adjusting inefficient advertising costs and distribution promotion costs.

*We focused on restructuring founded on the following four policies in response to the tough toy market in Japan and severe overseas sales competition.*



## Future Strategies

### Getting back on track to achieve our growth targets through steady progress in our Renewal Plan

The pace of changes in today's business environment is rapid, and making progress through globalization requires the ability to make decisions more swiftly than ever before. As we are now amid such a broadly changing environment, we can view it as an opportunity to change our perspective and reform ourselves.

In response to this situation, we executed the TOMY Group Revitalization Plan in March in which we outlined three basic policies. By driving such measures steadily, we will be able to build a foundation for future growth.

#### Three Basic Renewal Policies

1. Build a stable revenue base in our domestic toy business
2. Drive our global business by concentrating investment resources (gained in Japan) in North America and Europe
3. Form our next-generation businesses through trial projects in the growing Asia market

The three policies and the system that will drive them are explained below:

First, we will reduce the break-even point and stabilize growth in the Japan toy business, which is the Group's revenue base. Doing so will generate cash flow and provide investment resources. We will also generate market concept-type product lines that do not depend on large-scale investment, as well as nurture and develop global content under the guidance of the Head Office for Overseas Business Affairs.

Our efforts in the area of sales include merging TOMY Logistics, which had handled logistics in Japan, into TOMY Marketing on March 31 of this year. By consolidating product distribution and logistics management, and in addition providing a more flexible response to consumer needs by thoroughly strengthening field support functions, we can provide a maximum impetus to sales promotions adapted to retail sites.

Next, the first step regarding concentrating investment in Europe and North America is management team reshuffling. Growth overseas will be realized under the overall guidance of the Head Office for Overseas Business Affairs, in close contact with TI International (TI), which plays a central role overseas. In real terms, this means acquiring global content such as *Pokémon* and *Disney* and using that to steadily gain market share, as well as focusing on rebuilding the baby business under Greg Kilrea, the new TI CEO.

Furthermore, we are working to form our next-generation businesses through trial projects in the growing Asia market. Under the guidance of the Head Office for Overseas Business Affairs, we will conduct market trials in Asia using low-cost products developed for that market and develop a "reverse innovation strategy" aimed at global expansion. For example, we had some success in China during this term with the boys' character *Kibao*, and this case can be applied in conducting similar strategic trials not only in China but also in the ASEAN countries, leading to the formation of a next-generation business.

We are strengthening the system for overall consolidated control under the guidance of the Head Office for Corporate Administration to build and operate an efficient global management system. In practice, this means constructing a global financing system to deal with rapid exchange rate fluctuations, building a global system that would make figure management possible for the entire Group and global risk avoidance efforts to deal with legal risk.

We are strengthening our corporate governance system and its functions in order to support these efforts. As part

of our reform of Board of Directors meetings aimed at achieving swift, objective decision making, we are reducing the number of Directors from 13 to 10. Executive roles and duties have been clarified by making half of the Board members outside directors, with Kantaro Tomiyama as President & CEO, Osamu Mashimo as Executive Managing Officer in charge of Japan Business Affairs, Shigeki Yanagisawa as Executive Managing Officer in charge of Overseas Business and Kazuhiro Kojima as CFO and Senior Executive Officer in charge of Corporate Administration.

Through steady progress in executing the Renewal Plan, we aim to achieve net sales of ¥178,000 million, operating income of ¥5,000 million, ordinary income of ¥4,100 million and net income of ¥1,300 million for the fiscal year ending March 31, 2014. We will also build a solid business foundation to strengthen our core domestic toy business and drive our overseas development to transform TOMY into a truly global company.

**We executed the TOMY Group Revitalization Plan in which we outlined three basic policies.**



***We recognize returns to shareholders as our most important management issue.***

#### Returns to Shareholders

We recognize returns to shareholders as our most important management issue. In addition to posting a net loss in the fiscal year ending March 31, 2013, due to our provision of voluntary resignation packages as part of our restructuring efforts and other factors, we are regretfully reducing the annual dividend to ¥10 per share, a reduction of ¥4. We believe that execution of the policies stated in the Renewal Plan will lead to improved shareholder value, and we ask for your understanding in this matter.

#### CSR

We at the TOMY Group remain aware that our mission is to inspire and fulfill the dreams of children and parents worldwide through our toys. For example, we spur children to consider the environment through our Eco-Toy program, offering toys made with fewer raw materials or with recycled materials. TOMY led the way in advancing the concept of Accessible Design Toys, which makes our toys equally accessible to sight- and hearing-impaired children, and now that concept has spread throughout the toy industry. We intend to continue fulfilling our corporate social responsibilities through toys, our core business.

***The TOMY Group remains aware that our mission is to inspire and fulfill the dreams of children and parents worldwide through our toys.***

# Challenges

## Though the overall toy markets in Japan and overseas are shrinking, toys for boys are growing in Japan

Despite a mild recovery in the United States during the fiscal year ended March 31, 2013, the global economic situation remained unpredictable as the European financial crisis flared again and growth in the Chinese economy slowed. In Japan, the future appears brighter thanks to a weaker yen and the transition to a bullish stock market, but the depth of the impact on consumer spending due to next year's expected increase of the consumption tax, etc., is unpredictable. Although the toy markets in Japan and overseas were lower last year, our Group's core "toys for boys" category, which includes products such as toy trains, was up 9% YoY, a result that confirms we are pursuing the correct strategy in the tough environment.



YOU ARE  
HERE!

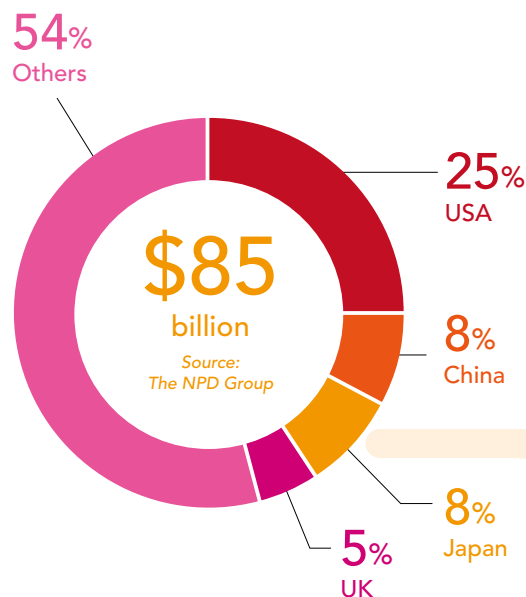
## Market Trends

The economic atmosphere in Japan, North America and major countries in Europe remains opaque, and without a real comeback in demand the overall economy was stagnant.

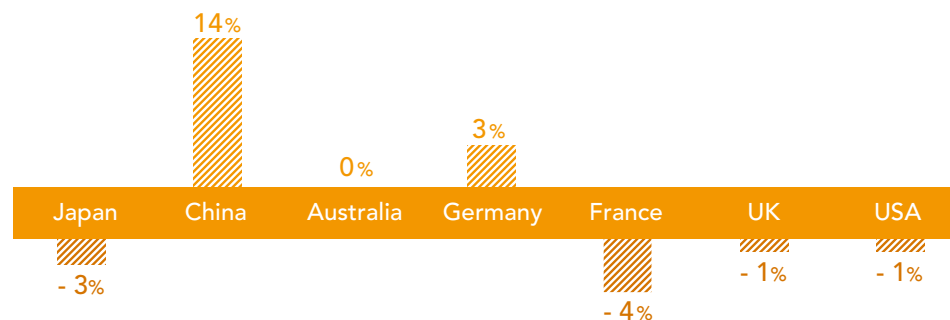
The fiscal 2012 (April 2011–March 2012) domestic market decreased 2.5% to ¥673 billion from the previous year on a retail price basis, due to fewer than usual hit products. By product segment, sales of trading card games declined 16.4% YoY and with the decrease in boys' hobby products, sales of boys' characters dropped 14.1%. On the other hand, the "toys for boys" category, which includes products such as toy trains, was up 9.0% YoY. (Source: The Japan Toy Association)

In the United States, the world's largest toy market, a longer than usual Christmas holiday provided more opportunities for purchasing, which led to an 18% YoY increase in Christmas season sales. Nonetheless, calendar year 2012 net sales were \$16.5 billion (approximately ¥1,305.5 billion), slightly lower than the previous year's \$16.6 billion. Meanwhile, fewer than usual new product launches in the top five European countries (the United Kingdom, France, Germany, Italy and Spain) resulted in a drop in net sales of 2% YoY to £9.88 billion (approximately ¥1,253 billion). (Source: The NPD Group)

Global Toy Market 2012



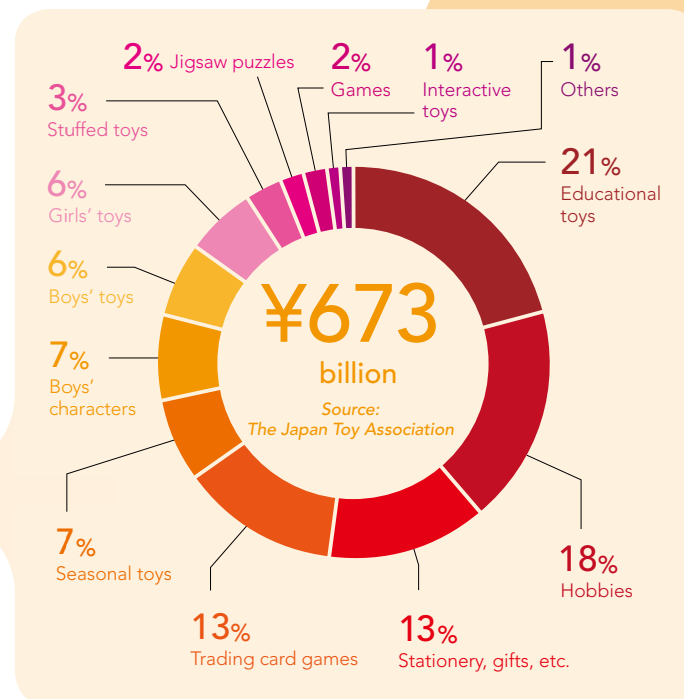
2012 vs. 2011 Market Growth by Country



Notes: 1. Foreign exchange is calculated at the following rates: £1 = ¥125; US\$1 = ¥79.

2. Sources: For Japan data, the Japan Toy Association; for China, Yano Research Institute Ltd.; for Australia, Europe and USA, The NPD Group. China's figure is forecast as of May 2012 by Yano Research Institute Ltd.

Japanese Toy Market 2012



# Group Performance

As noted earlier, the market environment continued to be tough during the fiscal year ended March 31, 2013, and consolidated net sales fell 4.4% YoY to ¥179,042 million. Despite continuous efforts to suppress selling, general and administrative expenses, operating income was down 75.0% to ¥2,547 million as a result of the decline in sales, as well as lower profitability in the apparel business. The bottom line was a net loss of ¥7,097 million (in comparison with net income the previous term of ¥3,679 million) due to the posting of an extraordinary loss of ¥7,939 million, a figure that includes expenses associated with certain intangible assets of overseas subsidiaries and voluntary resignation packages.

## PERFORMANCE BY REGION

From the current fiscal year, the Group is employing a tri-regional global organizational structure (Japan/North America, Europe and Oceania/Asia (other than Japan)) rather than the previous quad-regional structure (Japan/North America/Europe/Asia (other than Japan) and Oceania).

## JAPAN

Sales of newly launched high-end series trended strongly within the core *Plarail* toy train product line. We also sought to expand the target demographic for *Tomica* car toys and increase existing product variation through collaborations involving popular content. Sales of new products, such as interactive plush dog toys for girls, motion-interactive robots and next-generation electronic smartphone-controlled plush toys were strong, whereas amusement machines continued to gain popularity and video game wholesaling volume increased. Nonetheless, these successes were not sufficient to offset a drop in sales overseas of *Metal Fight Beyblade* and *Transformers*, which had sold strongly in Japan and overseas during the previous fiscal year, as well as sluggish sales in the trading card market.

As a result, total net sales decreased 5.3% YoY to ¥138,141 million. Operating income declined to ¥7,037 million (down 45.0%), reflecting the decline in gross profit associated with the decrease in net sales and a decline in apparel business profits.

## NORTH AMERICA, EUROPE AND OCEANIA

The TI Group launched full-scale sales of the globally licensed *Pokémon*-related products in January 2013. Although sales of toys based on vehicles made by multinational agriculture machinery maker *John Deere* were solid globally, toy sales were sluggish in Europe and baby product sales struggled in North America, therefore net sales in North America, Europe and Oceania declined 3.7% YoY to ¥36,104 million. The operating loss deteriorated to ¥1,637 million (compared with a loss of ¥2 million in the previous fiscal year), resulting from a decline in gross profit following the decrease in net sales, development expenses occurring from the result of the cancellation of new product launches, an increase in mold costs and a deterioration in the cost of sales ratio.

## ASIA (OTHER THAN JAPAN)

Net sales in Asia (other than Japan) were ¥28,970 million (down 16.3% YoY), whereas operating income was ¥1,445 million (down 4.2%).

In China, we increased sales of products related to the *Kibao* Chinese-created animated TV characters by setting product retail prices in line with local prices. The TI Group's *The First Years* baby products were launched in Thailand and Vietnam, in addition to existing sales in China. The decrease in net sales was the result of a snapback in shipments of *Metal Fight Beyblade* and *Transformers*-related products by manufacturing subsidiary TOMY (Hong Kong) Ltd., which handled increased shipment volume the previous fiscal year.

(Millions of yen)

	Net sales			Operating income (loss)		
	2013	2012	Change	2013	2012	Change
Japan	138,141	145,870	(7,729)	7,037	12,795	(5,757)
North America, Europe and Oceania	36,104	37,490	(1,385)	(1,637)	(2)	(1,634)
Asia (other than Japan)	28,970	34,602	(5,632)	1,445	1,508	(63)
Total	203,216	217,963	(14,747)	6,846	14,302	(7,455)
Eliminations and corporate	(24,173)	(30,698)	6,525	(4,299)	(4,116)	(183)
Consolidated	179,042	187,265	(8,222)	2,547	10,186	(7,638)



# Product Development

The TOMY Group's corporate mission is to create new value from play to fulfill the dreams of our stakeholders, and we seek to achieve our mission through R&D dedicated to creating products and content that will satisfy the dreams of the world's children.

During the fiscal year under review, the Group launched the new *Dream Tomica* series lineup through collaborations involving popular content to expand our target demographic and diversify the *Tomica* series. We conducted R&D into generating outside-the-box product concepts for more fun and a deeper sense of wonder, employing the latest in technology and current trends to launch series such as the *Battoroborg 20* motion-interactive robots, which provide realistic boxing fun and a sense of direct control through wireless operation, and *Keitai Wanko*, a plush dog with a dog-language translator that looks like a smartphone. Furthermore, in addition to cross-global development of internationally licensed *Pokémon* products in North America and Europe, as well as in Japan, China and other Asian countries, we increased sales of products related to the boy-oriented *Kibao* characters from Chinese-created and broadcast anime by setting retail prices in line with local market price needs. Our product development puts customer safety first, and we have bolstered our in-house testing system based on our own standards to improve product safety. We have also promoted full-scale value engineering (VE) initiatives to optimize function and cost from the product planning and development stage onward. We also conduct R&D into resource efficiency out of concern for the environment. One example is the Eco-Mark certification received by the *Plarail* "Eco Straight Track" and "Eco Curved Track" rails, in recognition of our commercialization of track that is not only composed of 50% or greater recycled plastic but also safer and more functional.



Our R&D seeks to create products and content that will satisfy the dreams and wishes of children the world over.



We adopt the latest trends and technologies in conducting deeper R&D of new kinds of play and amusement.



Our product development puts customer safety first.



3

STRATEGIES

Players

YOU ARE  
HERE!

## 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*



4

# Opportunity

## STRENGTHS

### Strengthening product planning and development aiming for new growth opportunities

The TOMY Group's core products and brands, such as *Tomica*, *Plarail* and *Licca*, have been loved by generations of consumers over several decades, and we also offer beloved global hits such as *Transformers* and *Beyblade*, which transcend ethnic and national boundaries. Since making our name with toy airplanes as the Tomiyama Toy Factory, we have gone on to launch plastic and motorized toys in the 1950s and popularized accessible design toys (toys for both non-handicapped and disabled persons) in the 1980s, always leading the way in the toy industry with our products constantly taking center stage in our management reforms. The TOMY Group will continue to strengthen the product planning and development that will be the source of further sales growth.

YOU ARE  
HERE!



## Key Brands

The TOMY Group's key brands are our main source of income. These include brands such as Japan's top-selling *Licca* dolls doll characters, the *Tomica* cars that hold a 70% share of the Japanese toy car market and the *Plarail* train sets with a more than 50-year track record of sales.



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### Tomica

These die-cast toy cars are easy to handle because they fit in the palm of a child's hand. More than 574 million have been sold since the line was launched 43 years ago.



© TOMY

### Licca dolls

*Licca* dolls were launched in 1967 as dolls that girls can dress as inspired by their dreams and aspirations. By keeping pace with the times, *Licca* dolls have been loved across three generations.

### Plarail

These long-selling toy trains were launched in 1959. The specs for the blue rails have not changed since then, with a total of 145 million units having been sold so far.

### Pokémon

*Pokémon* was born of video game software launched in 1996, and the *Pokémon* TV anime series, which is broadcast in 83 countries and regions, has established the brand as important hit media content. TOMY has so far produced about 500 different figures within our core "Monster Collection" line, and we have shipped a total of about 50 million units.



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## Duel Masters

Launched in 2002 as a full-fledged yet easy-to-play trading card game, more than 3 billion *Duel Masters* cards have been shipped, with events held annually worldwide making them ever more popular.



© TOMY

## Transformers

The *Transformers* were launched in the United States in 1984, with the toys and an animated feature a big hit in Japan the following year. The world's most famous shape-changing robot series, the *Transformers*' appeal transcends borders and generations in more than 130 countries.

## Newly Released Products and Others

We are engaged not only in the planning and development of new content and products that can be developed globally across age strata but also in the toy periphery business through capsule toys and apparel, image content, candy toys, amusement machines, etc.



© TOMY

## Auto Mee S

*Auto Mee S* is a robot LCD screen cleaner that automatically wipes away fingerprints and oily marks from smartphone and tablet screens. It is popular for its single-minded determination in screen cleaning. More than 20,000 units of this popular product were shipped in the first month after product launch.







© TOMY

### Home Kite

This indoor-use kite offers kite-flying fun inside simply by using a hand crank to power the fan (no batteries needed). TOMY has also launched a model in collaboration with Gayla kites, which are very popular sports kites in Japan.

### Keitai Wanko

When the mysterious "mobile phone" (keitai) is placed near this cute puppy (wanko), the barking puppy's feelings are translated into human language. The wanko can produce about 300 phrases, and kids have fun feeding him biscuits and decorating him with hearts.



© TOMY



### Amusement

TOMY launched PokémonTRETTE in July 2012, and as we approach our fourth year in this field we continue to create products and services that cater to kids' dreams and yearnings, such as the Pretty Rhythm arcade game extremely popular among the stylish "JS" (abbreviated name for joshi shogakusei, which means elementary schoolgirl).



### Battoroborg 20

These battling, motion-controlled hobby robots come equipped with a wireless remote for live-action control. Easy-to-operate and fun for the whole family, more than 300,000 of these units were sold in a mere six months since the product launch.



© TOMY

## Toy-Periphery Products and Strategy



## TI Products

In addition to our worldwide development of *Chuggington*, a popular animated TV character in shows broadcast in the United States, Great Britain and elsewhere worldwide, we are expanding sales in North America of Lamaze products, which are designed based on the advice of toddlers' growth development specialists, and John Deere agricultural equipment toys.



### Lamaze

The right toy at the right time. These are bright and whimsical high-quality toys for each stage of your baby's development.

### Chuggington\*

Classic train play based on the contemporary world of *Chuggington* offers imaginative, action-packed features.

\*Copyright owned by the TI Group



### John Deere

John Deere is the largest manufacturer of agricultural equipment in the world. TOMY produces several categories of John Deere toys including preschool, riding, radio control and die-cast replicas.





# Special Report

## Global expansion of *Pokémon* finally under way

### CREATING REAL SYNERGIES THROUGH CROSS-SELLING WITH U.S. SUBSIDIARY TOMY INTERNATIONAL

As the TOMY Group has accumulated strength and know-how in development, manufacturing and sales in Japan, we are now engaged in full-scale expansion overseas that exploits the synergies created with TOMY International (TI), our U.S. subsidiary.

In this case, we have acquired the global toy license for the internationally popular *Pokémon* from the brand management company (licensor), The Pokémon Company, which we are using to execute cross-development of the brand not only in Japan and other parts of Asia but also in Europe, North America, Oceania and elsewhere.



### SPREADING THE ATTRACTION OF *POKÉMON* OVERSEAS AS A GLOBAL TOY MASTER PARTNER

*Pokémon* was born from video game software launched in 1996, and since then has registered total global sales of more than 245 million units. The *Pokémon* TV anime series, which is broadcast in 83 countries and regions, has established the brand as hit media content. TOMY acquired the commercial license for *Pokémon* in 1997, the year after it was launched, and since then we have engaged in the planning, development and distribution of related toys and peripherals in Japan, while also conducting sales in Hong Kong, Taiwan and South Korea, achieving nearly two decades of strong performance in Japan and other parts of Asia.



As TI has entered into a licensing agreement covering Europe and North America with The Pokémon Company International, the U.S. subsidiary of the *Pokémon* brand management company, the TOMY Group is now able to market our Japan *Pokémon* merchandise simultaneously overseas, and we anticipate that this will expand our business.



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and character names are trademarks of Nintendo.

## 3-year total sales target: ¥30 billion

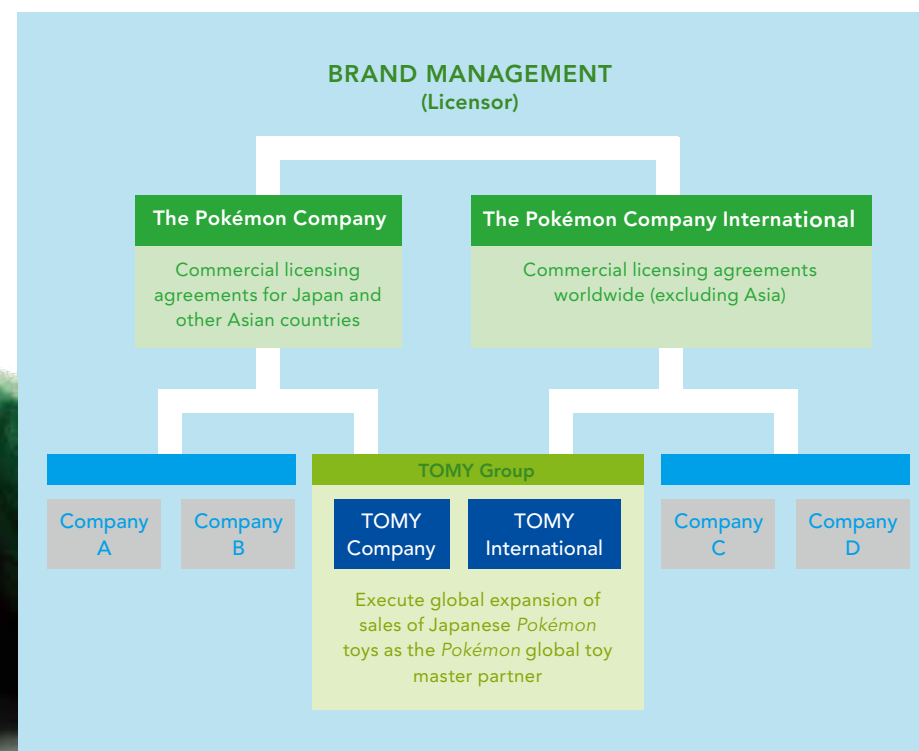
### SIMULTANEOUS INTERNATIONAL EXPANSION OF PRODUCT DEVELOPMENT AND SALES THROUGH GLOBAL LICENSE ACQUISITION

Global expansion of sales of toys developed in Japan is never easy because those toys must be adapted to local specifications and the launch timed accurately. However, given that *Pokémon* characters are already well-known and successful internationally, the global expansion of Japan-developed toys is expected to

lead to our business growth. Because the TOMY Group already has a record of performance in the development and sale of *Pokémon* toys in Japan and possesses assets such as manufacturing molds, acquiring a global license will enable us to unify product development and optimize the timing of their launch. Thus, we will be able to make production and sales more efficient, and conduct product deployment that is matched to the timing of animation and game deployment.



### TOMY Group Global *Pokémon* Expansion Scheme



### MAXIMIZING SYNERGIES IN GLOBAL EXPANSION THROUGH CROSS-SELLING WITH TI

TI has built a record of performance through its handling of a number of brand licenses, including *Disney*, *Chuggington* and *John Deere*, and has sales forces in place from Europe and North America to Oceania. In this sense, TI is pursuing the same goal as the licensor, which is "to continue to make *Pokémon* always fresh and attractive, beloved by people the world over." As the best partner for strengthening this worldview, TI is expected to play a role in driving market expansion. We also believe creating synergies with TI in the global *Pokémon* business will help the TOMY Group take a big step toward overseas expansion.

### HITTING OUR TARGETS THROUGH *POKÉMON* TOY DEVELOPMENT, MARKETING, SALES AND DISTRIBUTION

To hit our targets, we are maximizing the use of our management assets, such as our record of performance and share of the *Pokémon* business, as well as our product development capability and global distribution network.

We have been developing the *Pokémon* business throughout Asia, centering on Japan, since 1997, and have already gained a strong market share. We have added European and North American networks through the acquisition of TI and are aggressively expanding as one of the world's few toymakers able to employ a worldwide distribution network.

We also possess strengths in the form of a veteran *Pokémon* staff that is well-versed in the business, providing planning and development power, as well as marketing know-how accumulated through working with retailers. TOMY has faithfully reproduced *Pokémon*

game characters as toys and related products in three-dimensional shapes and so far has launched hundreds of such characters. We have developed attractive products such as the "Monster Collection" character figures, and we plan to expand sales through coordinated global launches of new games and related toys, such as our planned simultaneous release of products related to the *Pokémon X* and *Pokémon Y* game software when that is launched in October 2013.

As noted above, TOMY combines all of the attributes required by the licensor, such as the "ability to understand the *Pokémon* business," "product planning capability" and "sales and distribution strength." We will team up with the licensor to reap the benefits of our marketing efforts and have set a three-year aggregate sales target of ¥30 billion for *Pokémon* and its related products.





# 5

## Rule Book

### RESPONSIBILITIES

## Our approach to CSR

The TOMY Group's goal is to achieve sustainable growth by offering toys that create new value from play. We believe that gaining the trust of all of our stakeholders by establishing guiding principles for sound business practices and fulfilling our social responsibilities is vital to our corporate goals.

### THE TOMY GROUP'S GUIDING PRINCIPLES AND CSR APPROACH

**Customers:** To help people realize their dreams and provide new value through play

**Employees:** To provide a work environment that maximizes self-initiative and creativity

**Shareholders:** To offer high-quality growth and sound management

**Partners:** To offer fair and honest trading and mutual prosperity

**Communities:** To gain trust through honest business practices

YOU ARE  
HERE!



# Corporate Social Responsibility

## Customer Relations

### 1. PRODUCT SAFETY AND QUALITY

The TOMY Group has established original standards and complies with the regulations of each country in which we do business, and maintains thorough controls to ensure safety and quality through in-house and third-party testing.

The basic quality policy of the TOMY Group is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide the high quality that they will find appealing. This embodies the principles upon which our safety and quality efforts are founded. In our efforts to improve safety and quality, we comply with laws and regulations, establish our own strict standards, and exert controls on the use of heavy metals and phthalates.

Compliance with laws and regulations means working to maintain safety and quality in every country by complying with laws and regulations everywhere we operate as we advance our products globally. The TOMY Group has also put in place our own even stricter safety and quality standards to prevent problems from occurring.

To control heavy metals and phthalates, we not only use third-party test labs but also have installed in-house test equipment to analyze products for the presence of heavy metals, such as lead, and plasticizers (phthalates). If heavy metals or phthalates are found in any product, we immediately prevent it from going to market. The TOMY Group continuously strives to ensure product safety and quality and to implement thorough controls.



Testing being conducted on in-house equipment.



### 2. ACCESSIBLE DESIGN TOYS

Our toys are developed with functions, words, sound, light, vibration, movement, text, pictures, etc., that make them fun for all children regardless of physical impairment.

The TOMY Group began developing toys for the enjoyment of sight-impaired children 30 years ago. Although we initially emphasized developing toys made especially for physically challenged children, 10 years later we began including such features in our general toys as well. We later expanded those efforts to include considerations for hearing-impaired children, and consequently these efforts spread throughout the toy industry. Design features for the sight-impaired include using a raised surface mark on the ON side of the switch, and in addition to using sound to notify users of the movement or status of the toy, we design small items so they are distinguishable by touch or shape as well as sight. We also produce user manuals that are comprehensible based on text alone without referring to illustrations, and we make these manuals accessible via our Web site. In addition to using sound to assist the hearing-impaired, we employ design elements incorporating light, vibration, text and pictures for enhanced play.

These toys are gaining attention because they can be enjoyed together with sight- or hearing-impaired friends. Around 100 of the Group's product series are certified by the Japan Toy Association for use by the sight- and hearing-impaired. In the spring of 2013, we also launched a toy-sharing service, centering on our Customer Service Centers, for lending Tomica die-cast miniature cars to sight-impaired children so they might learn to distinguish them by shape.



#### A Raised Dot on the Power Switch

A raised dot on the ON side of a power switch helps tactile recognition of ON/OFF.



#### Labeling Symbols for Accessible Toys

Guidedog Mark for labeling toys to enjoy with friends who cannot see; Rabbit Mark for labeling toys to enjoy with friends who are hard of hearing.



#### Dragon Hunting Real

In addition to sounds, vibrations and virtual pulling motions make this game fun.

## Employee Relations

### REALIZING A GOOD WORK-LIFE BALANCE

The TOMY Group is making serious efforts to improve work habits and work-life balance, so as to maximize the added value created by individuals and organizations at a time when factors such as decreasing human resource availability and the impact on the toy industry of a declining birthrate and the growing proportion of elderly people are of concern.

One of these efforts is our participation since 2010 in the Tokyo Model Promotion Team Urgent Low-Birthrate Countermeasures promulgated by the Tokyo Metropolitan Government. By 2012, we had achieved successes such as the reduction of work hours through our “No Overtime Days,” a doubling of the number of employees taking childcare leave and the realization of workstyle diversity through trial work-at-home programs. Through such efforts, we seek to improve workforce motivation and stability, promote health, augment self-improvement and achieve similar beneficial effects on employee workstyles. In addition, we believe that maintaining top-notch human resources has a positive effect on business performance. This year, as a toymaker pursuing a “quantity to quality” transition, we continue to seek to create a fertile environment for improving the creativity and planning skills that produce global hits, as well as focusing on improving the per-hour productivity that leads to solid results. In addition, we are promoting diversity as we aim to become a truly global corporation.

TOKYO MODEL PROMOTION PROJECT SUMMARY		
5 TARGETS	TARGETS	RESULTS
1. Eliminate work outside regular hours	Achieve reduction by March-end 2013 of 10% in comparison with FY2010	10% reduction
2. Increase rate of paid leave taken	Achieve increase by March-end 2013 of 50% in comparison with FY2010	Of the 8 TOMY Group companies participating in this project, 2 reached this level.
3. Increase the rate of childcare leave taken by male and female workers	Achieve a 100% rate for females and an increase of five or more males by March-end 2013	100% rate achieved for the period 2010–February 2013. One new male participant.
4. Implement a work-from-home system, and encourage and expand its use	Achieve a total of 120 employees, including those from Group companies, using this system by March-end 2013	Total increase of 112 in the number of employees using home-office work devices. Number of iPad users up 73, for a total of 185.
5. Increase the ratio of female management-level employees	10% by March-end 2013	FY2010: 4.5% FY2012: 6.7%

## Community Relations

### 1. ENVIRONMENTAL EFFORTS THROUGH TOMY GROUP TOYS

In addition to manufacturing environmentally friendly toys, we seek to increase opportunities for children, who hold the key to our future, to get in touch with the environment through play.

### 2. JAPAN ENVIRONMENT ASSOCIATION 2012 ECO-MARK AWARDS GOLD MEDAL

In 2011, the TOMY Group began the Eco-Toy program for building environmental awareness through toys as a facet of the “100 Years of Play” concept.

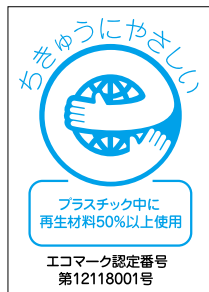
We have established original environmental standards that cover the stages of the life cycle, such as “production” and “play.” In addition to including clear labeling on toy packaging, we publish detailed toy information on our website.

Our efforts to use resources efficiently have resulted in our core *Plarail* products being the first in the toy industry to be granted Eco-Mark certification, in recognition of our use of 50% or greater recycled plastic to make some of the toy rails. We also conduct a program of events designed to nurture greater interest and understanding of ecology on the part of children. These events provide opportunities to learn about the environment while playing.

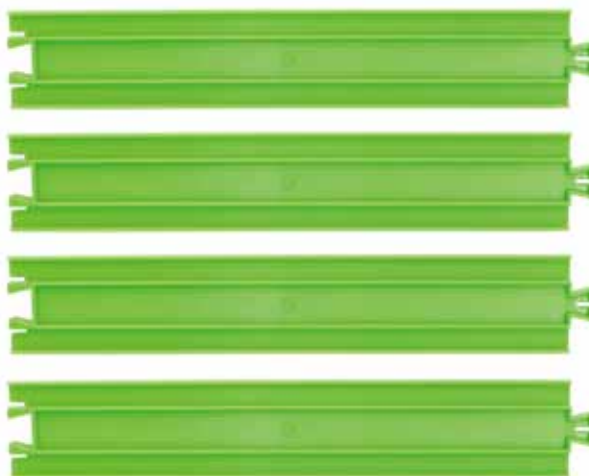
The efforts described above have received high marks, as demonstrated by our receipt in January 2013 of the Japan Environment Association 2012 Eco-Mark Awards Gold Medal, that organization’s highest award.



Receiving the Japan Environment Association 2012 Eco-Mark Awards Gold Medal



Eco-Mark certification



The Plarail “Eco Straight-Line Rail” and “Eco Curved Rail” are the first toys to receive Eco-Mark certification. These “green rails” are composed of 50% or more safe recycled materials, making effective use of recycled plastic resources.

### 3. PARTICIPATION IN THE MINISTRY OF THE ENVIRONMENT’S PLA-PLUS EXPERIMENTAL RECYCLING PROJECT

Many customers have requested we collect and recycle toys that are no longer played with, but given the special characteristics of the materials that go into toys and the many legal regulations involved the hurdles are too high for a single company to clear. Therefore, in 2012, we teamed up with the Ministry of the Environment to participate in the first round of the PLA-PLUS Project, a social experiment that transcends the boundaries of the industry in seeking to create a framework for 100% recycling of plastic products. In 2013 (the second round of the project), approximately 250 of the 600 kilograms of material collected consisted of toys. The project notably provided good opportunities to talk with the parents and children who participated.

The TOMY Group will continue to encourage the development of technologies to give new life to beloved toys after they have served their purpose.



Our recycling efforts surpass all others in the industry. We participated in the PLA-PLUS Project, a social experiment concerning plastic product recycling.

# Corporate Governance

## Corporate Governance System

### 1. SYSTEM FOR PERFORMANCE OF DUTIES BY DIRECTORS

The Company's director and auditor system consists of 10 directors and five audit & supervisory board members including five outside directors and four audit & supervisory board members (outside). The TOMY Group has determined that the structures described above are effective in the application of corporate governance necessary to appropriate, efficient corporate management.

Regular meetings of the Board of Directors shall be convened once each month, while extraordinary meetings of the said Board shall be held as deemed necessary. These meetings shall be used to determine basic policies and strategies for the TOMY Group as a whole, as well as issue decisions concerning the performance of important business operations, to audit and supervise the performance of business operations and take other relevant steps.

The Executive Directors Meetings (the "Jyomu-Kai") shall be held at least once each month with the purpose of conducting the TOMY Group's business operations and management in smoother and more efficient fashion. The members of the Meetings mainly consist of full-time directors, excluding the president and CEO, and full-time audit & supervisory board members and shall engage in versatile decision making on matters concerning the overall implementation of Group business management.

The Advisory Committee, composed of outside directors and/or audit & supervisory board members, has been established as an advisory body to the Representative Director and is requested to render a broad range of counsel pertaining to the effectiveness of business performance, the reliability of the TOMY Group's financial affairs and other important matters.

The Investment Committee, composed of outside directors, is established as an advisory body to the Board of Directors and is requested to provide assessments and counsel with regard to important investments.

The Remuneration Committee, composed of outside directors and/or audit & supervisory board members (outside), is established as an advisory body to the Representative Director and is requested to provide proposals and counsel with regard to policy relating to matters such as the amounts of directors' remuneration.

Delegation of authority and other steps taken through the establishment of the "Executive Officer System" shall be advanced to achieve greater speed and efficiency in the performance of business operations in all managing divisions, under the policies, strategies and supervision of the Board of Directors.

The Medium-Term Management Plan shall be established to clarify the basic strategies and management goals over the medium term, with specific measures implemented for the purpose of achieving those goals based on the Business Plan (Budget) for each fiscal year.

### 2. AUDITING SYSTEM

The Audit & Supervisory Board is composed of five audit & supervisory board members, four of whom are audit & supervisory board members (outside). The Audit & Supervisory Board meets once a month in principle, at which it oversees the business conducted by the directors, as well as deliberates and makes decisions concerning important items necessary to auditing. The audit & supervisory board members also attend important regular meetings and non-scheduled meetings at which they receive reports concerning the management situation, execution of business, financial situation, status of internal audits, risk management and compliance. In addition, so as to strengthen the auditing function, one employee has been posted to the General Affairs Division to assist the audit & supervisory board members in their duties, and the independence of this employee from the directors is maintained.

Upon the occurrence of matters capable of causing serious losses to the TOMY Group (or the threat of the occurrence of such circumstances), the detection of illegal or dishonest actions perpetrated by officers or employees or other conditions requiring reports to the Audit & Supervisory Board, directors or employees shall promptly report upon the said situations to the Audit & Supervisory Board.

Audit & supervisory board members shall use attendance at regular important meetings, irregular meetings and other occasions to receive reports on management conditions, as well as the status of business performance, financial affairs, internal audit implementation, risk management, compliance and other matters.

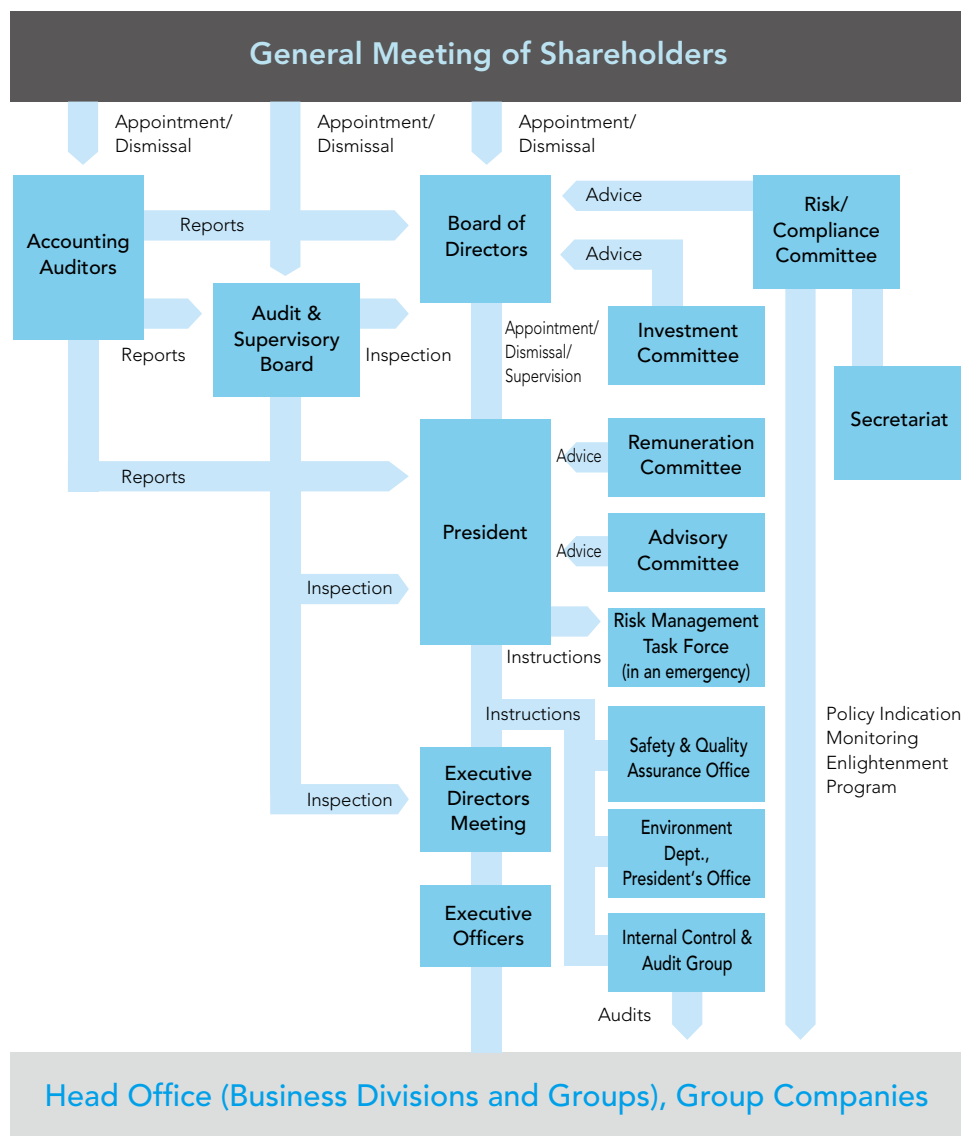
To ensure that audit & supervisory board members maintain a firm grasp of the status of important decision making and the performance of business operations, systems shall be adopted to enable audit & supervisory board members to attend meetings of the Board of Directors, the Executive Directors Meetings and other important conferences; have access to the minutes of meeting proceedings, circular memos for staff approvals and other documents concerning the performance of important business operations; and be able to request explanations of such matters from directors or employees as deemed necessary.

The audit & supervisory board members (or the Audit & Supervisory Board) shall engage in exchanges of opinions and information with the accounting auditors and the Internal Control & Audit Group and the TOMY Group Companies' audit divisions with regard to important themes pertaining to auditing and other matters, mutually collaborating to monitor the TOMY Group's internal control conditions.

### 3. ACCOUNTING AUDITS

KPMG AZSA LLC, a limited liability audit corporation, was appointed at a General Shareholders' Meeting to conduct accounting audits of the TOMY Group, which it continues to do effectively. Seven CPAs and eight others who have audited for seven or fewer years for the company executed the auditing.





## Appointment of Outside Directors: Independence and Director Remuneration

### 1. SELECTION AND INDEPENDENCE OF OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS (OUTSIDE)

The TOMY Group seeks to ensure that outside directors make judgments about management from a neutral perspective that is independent from the Group's executive management and that they make fair and just determinations that take the interests of shareholders into consideration in the process of making decisions about important business at Board of Directors meetings.

Therefore, in selecting outside directors TOMY chooses persons with rich experience who have demonstrated a high level of discernment as managers, as well as CPAs and attorneys possessing highly specialized knowledge and experience. Neither the outside directors nor the audit & supervisory board members (outside) have any direct interest in TOMY.

### 2. DIRECTOR REMUNERATION

Concerning remuneration for directors and audit & supervisory board members, it has been decided by resolution of the General Meeting of Shareholders that the amount of remuneration to directors as a group is capped at ¥400 million per annum (fixed remuneration) and the amount of remuneration to audit & supervisory board members as a group is capped at ¥70 million per annum (fixed remuneration).

In addition, it has been decided by resolution of the General Meeting of Shareholders that the maximum amounts of remuneration, etc., relating to subscription rights to shares issuable as stock options are ¥200 million per annum for directors as a group and ¥15 million per annum for audit & supervisory board members as a group for the one-year period beginning from the date of the General Meeting of Shareholders for each fiscal year.

The actual amount of remuneration, etc., to each director and each audit & supervisory board member shall be based on the deliberation and report of the Remuneration Committee, which consists of outside directors and audit & supervisory board members (outside), and decided by resolution of the Board of Directors for directors' remuneration or by consultation of the Audit & Supervisory Board for audit & supervisory board members' remuneration.

#### TOTAL REMUNERATION OF EACH CLASS OF DIRECTOR AND OTHERS

Director class	Total remuneration (Millions of yen)	Total amount of each type of remuneration (Millions of yen)				No. of directors and/or audit & supervisory board members
		Basic	Stock option	Bonus	Retirement bonus	
Directors (except outside directors)	219	185	34	—	—	9
Audit & supervisory board members (except outside members)	13	13	0	—	—	1
Outside directors and audit & supervisory board members (outside)	40	35	4	—	—	9

## Internal Controls and Compliance System

One of the most important management issues for the TOMY Group today is maintaining the trust of our stakeholders while offering continual improvements in corporate value built on sound and transparent management practices. We will make every effort to achieve this through enhancing corporate governance and continually improving internal control systems.

### 1. COMPLIANCE SYSTEM

The TOMY Group has established the Code of Conduct to clarify that all officers and employees in the organization must not only comply with existing laws and ordinances but also strive through the implementation of sincere and fair corporate activities to fulfill their social responsibilities. These rules are accompanied with thorough efforts to achieve the widest possible understanding of this stance on the part of officers and employees.

To both enhance and achieve greater thoroughness for the Group's compliance system and risk management system, an arrangement has been adopted in which the Risk/Compliance Committee, a body chaired by the President & CEO and composed of outside directors and audit & supervisory board members (outside) and others, has been established to deliberate on the important issues concerning risk and compliance, and report upon the results of those discussions to the Board of Directors.

The Internal Control & Audit Group, an organization under direct control of the President & CEO, shall audit the status of the Group's compliance and report on the results to the Representative Director and the Audit & Supervisory Board as deemed necessary.

No relationships of any kind shall be maintained with antisocial groups or organizations that threaten social order or the sound activities of the Company, while systematic responses shall be mounted with a firm stance to unreasonable demands and similar situations.

In the event of emergencies such as the occurrence of large-scale purchasing of the Company shares, the Board of Directors shall establish a Special Committee composed of outside directors and/or audit & supervisory board members (outside), shall give the utmost respect to each such Committee's investigation and evaluation of the nature of any such purchasing and to the Committee's advice as to the necessity for the initiation of countermeasures against the purchasers, and shall decide policy for addressing the situation.

### 2. RISK MANAGEMENT

The Risk/Compliance Committee and the Internal Control & Audit Group have been established as the organizations assigned to coordinate all areas of risk management, thereby creating a company-wide risk management system integrated with the internal control system.

To deal with the occurrence of unexpected circumstances, Risk Management Task Forces shall be promptly established, with prompt and precision actions taken to both minimize losses and damages and effective measures devised to prevent recurrences of such situations.

The Environment Dept., President's Office and the Safety & Environment Assurance Office have been established as organizations to deal exclusively with the environment and product safety, with efforts being advanced to strengthen the process of dealing with environmental problems and offering outstanding products that can be used with confidence.

### 3. INFORMATION MANAGEMENT SYSTEM

TOMY has established the Information Security Basic Rules pertaining to the management of information, with measures devised to ensure the reliable protection of information assets, including personal information. We further strengthen the disclosure system to be undertaken in the pursuit of speedy information disclosure and greater transparency throughout the Company's management.

### 4. GROUP BUSINESS MANAGEMENT SYSTEM

As a general rule, one or more of the Company's officers or employees shall be appointed as outside directors or audit & supervisory board members (outside) of the TOMY Group companies. In this capacity, these outside directors and audit & supervisory board members shall engage in monitoring and supervision of the appropriateness of the performance of the business operations at each such company, thereby striving to strengthen the risk management and compliance system of the TOMY Group as a whole.

With regard to the TOMY Group management system, a department shall be established to oversee Group company management. This department shall act in accordance with the Company's internal rules and guidelines in advancing management and guidance activities in response to the characteristics and conditions of each Group company.

Group-wide related rules shall be prepared with regard to compliance, risk management, information management and other areas, with efforts made to foster awareness of compliance throughout the entire Group and establish a risk management system in reflection of the company-wide perspectives, while such systems are being monitored by the Risk/Compliance Committee and the Internal Control & Audit Group.

### 5. ENSURING FINANCIAL REPORT RELIABILITY

To ensure the reliability of financial reports, a specific internal control system is being established for the purpose of preparing pertinent regulations and the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Law.

Continuing evaluations shall be conducted to ensure proper functioning of the internal control system, with implementation of required corrections in cases of deficiencies to uphold compliance with the Financial Instruments and Exchange Law and other related laws and ordinances.

## Anti-Takeover Measures

TOMY has implemented anti-takeover measures which, in the event that an offer to buy a large volume of the Company's shares has been made, provide for us to obtain the information necessary for our shareholders to determine whether to respond to said purchase offer, and ensures that we have the time and information needed for the Board of Directors to offer an alternative proposal. We also created these measures because of a need to establish fixed rules to prevent share purchase offers that by their nature threaten TOMY's enterprise value, in that they do not raise enterprise value and are counter to the mutual interests of our shareholders. Whether these measures are implemented or eliminated is determined through approval at the General Meeting of Shareholders, and the decision to proceed with them is placed before a Special Committee composed of outside directors and audit & supervisory board members (outside) for an objective determination. Therefore, we have determined that the anti-takeover measures damage neither enterprise value nor the mutual interests of shareholders, nor are they intended to maintain the positions of the directors.

(For more details, please refer to P. 34 of the Annual Report 2013 Financial Section.)

## Information Disclosure System

TOMY engages in appropriate, fair disclosure so as to maintain management transparency and gain the understanding and fair assessment of our stakeholders through accountability.

<b>DISCLOSURE POLICY</b>	Our IR Policy stipulates our disclosure standards, internal system for appropriate disclosure timing, means for increasing IR opportunities, etc. For details, please see our home page: <a href="http://www.takaratomy.co.jp/english/ir/etc/policy.html">http://www.takaratomy.co.jp/english/ir/etc/policy.html</a>
<b>INCREASING IR OPPORTUNITIES</b>	In addition to semiannual meetings to explain earnings to analysts and institutional investors, we hold about 200 IR meetings a year mainly with analysts and institutional investors in Japan. We also conduct seminars for individual investors.
<b>DEPARTMENT IN CHARGE</b>	IR Section, Corporate Communications Division, Phone: +81-3-5654-1548

For details of TOMY's corporate governance, please refer to the "Corporate Governance Report" submitted to the Tokyo Stock Exchange.

# Board of Directors



**Kantaro Tomiyama**  
President & CEO



**Osamu Mashimo**  
Board Director  
Executive Managing Officer  
Chief Marketing Officer  
Head of Toy Business HQ



**Shigeki Yanagisawa**  
Board Director  
Executive Managing Officer  
Chief Strategy Officer  
Head of Global Business HQ



**Kazuhiro Kojima**  
Board Director  
Senior Executive Officer  
Chief Financial Officer



**Shiryo Okuaki**  
Board Director  
President  
TOMY Marketing Company,  
Ltd.



**Akio Ishida**  
Board Director (outside)



**Kakuei Miyagi**  
Board Director (outside)



**Takashi Yamamoto**  
Board Director (outside)

**Kantaro Tomiyama**  
Jul. 1982 Joined the Company  
May 1983 Board Director  
May 1985 Executive Vice President  
Dec. 1986 President  
Jun. 2000 President and CEO (to present)

**Osamu Mashimo**  
Apr. 1986 Joined Takara Co., Ltd.  
Jun. 2001 Director of Takara Co., Ltd.  
Jun. 2003 Senior Executive Officer of Takara Co., Ltd.  
Jun. 2004 Director of Takara Co., Ltd.  
Jan. 2005 Director; Senior Executive Officer of Takara Co., Ltd.  
Mar. 2006 Board Director; Head of Takara Toy Business  
Oct. 2006 Board Director; Senior Executive Officer; Deputy Head of Marketing Control; Head of Next Toy Marketing  
Jun. 2012 Senior Managing Director; Head of Toy Business HQ; Head of New Products Planning Group  
Oct. 2012 Senior Managing Director; Head of Toy Business HQ; Head of New Products Planning Group 1  
Jun. 2013 Board Director; Executive Managing Officer; Chief Marketing Officer; Head of Toy Business HQ (to present)

**Shigeki Yanagisawa**  
Apr. 1977 Joined the Company  
Oct. 1996 Board Director of the Company; Head of Entertainment Business  
Jun. 2000 Senior Executive Officer; Head of Entertainment Business  
Apr. 2002 Executive Officer; Head of Planning  
Oct. 2003 Senior Executive Officer; Head of Toy Business  
Jun. 2004 Board Director; Head of Toy Business  
Apr. 2006 Senior Executive Officer; Head of TOMY Toy Business  
Jun. 2008 Board Director; Senior Executive Officer; Head of Digital Business HQ  
Nov. 2009 Board Director; Senior Executive Officer; Deputy Head of Bureau of Corporate Strategy; Production & Procurement and Safety & Quality Assurance Division  
Jun. 2012 Senior Managing Director; Bureau of Corporate Strategy; Marketing, R&D, Global Sales, Production & Procurement and Safety & Quality Assurance Division  
Oct. 2012 Senior Managing Director; Head of Bureau of Corporate Strategy; Production & Procurement and Safety & Quality Assurance Division  
Jun. 2013 Board Director; Executive Managing Officer; Head

of Global Business HQ; Production & Procurement and Safety & Quality Assurance Division (to present)

**Kazuhiro Kojima**  
Apr. 1983 Joined Mitsubishi Corporation  
Apr. 2008 Executive Officer of Marunouchi Capital Co., Ltd.  
Jun. 2009 Board Director (outside) of the Company  
Apr. 2012 Board Director; Senior Executive Officer; Deputy Head of Bureau of Corporate Strategy  
Jun. 2012 Managing Director; Deputy Head of Bureau of Corporate Strategy  
Mar. 2013 President and Representative Director of TINKERBELL Inc. (to present)  
Apr. 2013 Managing Director; Deputy Head of Corporate Administrations  
Jun. 2013 Board Director; Senior Executive Officer; CFO; Head of Corporate Administrations; Head of Internal Control & Audit Group (to present)

**Shiryo Okuaki**  
Sep. 1994 Joined the Company  
Jun. 1995 Managing Director; Head of Sales  
Jun. 2000 Senior Managing Director  
Nov. 2009 Executive Vice President; Head of Bureau of Corporate Strategy; Marketing, R&D and Japan Sales

Jun. 2012 Chairman and Representative Director of U-Ace  
Oct. 2012 President and Representative Director of TOMY Marketing Company, Ltd. (to present)  
Jun. 2013 Board Director of the Company (to present)

**Akio Ishida**  
Mar. 2001 Vice Chairman of Merrill Lynch Japan Securities Company, Limited  
Jun. 2006 Japan Vice Chairman of TPG Capital Co., Ltd.  
Jun. 2007 Board Director (outside) of the Company (to present)  
May 2012 Representative Trustee of Joint Corporation Co., LTD. and Joint Residential Fudosan  
Dec. 2012 Chief Executive Officer of Joint Corporation Co., LTD. (to present)

**Kakuei Miyagi**  
Jun. 1997 Director; Head of Corporate Secretariat of The Sakura Bank, Limited (currently Sumitomo Mitsui Banking Corporation)  
Jun. 2001 Managing Director; Senior Executive Officer; General Manager of Tokyo Corporate Sales Division III of Sumitomo Mitsui Banking Corporation  
Jun. 2002 President and Representative Director of Yoei Holding Co., Ltd.; Director and Vice President of

# Audit & Supervisory Board Members



**Jun Tsusaka**  
Board Director (outside)



**Yoichi Tamagawa**  
Board Director (outside)



**Takeichi Nozawa**  
Audit & Supervisory  
Board Member



**Tsunekazu Umeda**  
Audit & Supervisory  
Board Member (outside)



**Jun Nogami**  
Audit & Supervisory  
Board Member (outside)



**Shigeyuki Mito**  
Audit & Supervisory  
Board Member (outside)



**Toshi Yoshinari**  
Audit & Supervisory  
Board Member (outside)

Jun. 2004 Yoei Housing (currently Yoei Co., Ltd.)  
President and Representative Director of Yoei  
Holding Co., Ltd.; President and Representative  
Director of Yoei Housing (currently Yoei Co., Ltd.)  
Jun. 2008 Outside Corporate Auditor of Mitsui Mining &  
Smelting Co., Ltd. (currently Nippon Coke &  
Engineering Co., Ltd.)  
Jun. 2009 Board Director (outside) of the Company (to present)

**Takashi Yamamoto**  
Apr. 1993 Joined Japan Development Bank  
(currently Development Bank of Japan Inc.)  
Jul. 2007 Joined Mitsubishi Corporation  
Sep. 2011 Director of Marunouchi Capital Co., Ltd.  
Apr. 2012 Senior Director of Marunouchi Capital Co., Ltd. (to present)  
Jun. 2012 Board Director (outside) of the Company (to present)

**Jun Tsusaka**  
Sep. 1988 Vice President of Goldman Sachs & Co.  
Jan. 1995 Managing Partner of Stenbeck Group Family Office  
Apr. 2004 Chairman and CEO of GAB Robins, Inc.  
Jun. 2006 Japan Head of TPG Capital Co., Ltd.  
Jun. 2007 Board Director (outside) of the Company  
May 2012 Outside Director of Joint Corporation Co., LTD. (to  
present); Outside Director of Joint Residential

Mar. 2013 Fudosan (to present)  
Representative Director of TPG Capital Co., Ltd.  
(to present)  
Jun. 2013 Board Director (outside) of the Company (to present)

**Yoichi Tamagawa**  
Apr. 1988 Joined Mitsubishi Corporation  
Jul. 2012 Managing Director of Marunouchi Capital Co., Ltd.  
(to present)  
Jun. 2013 Board Director (outside) of the Company (to present)

**Takeichi Nozawa**  
Jun. 1996 Corporate Auditor of Takara Co., Ltd.  
Jun. 1999 Director; Head of Corporate Administration and  
Finance of Takara Co., Ltd.  
Jun. 2001 Corporate Auditor of Takara Co., Ltd.  
Mar. 2006 Audit & Supervisory Board Member of the  
Company (to present)

**Tsunekazu Umeda**  
Mar. 1974 Registered as Certified Public Accountant  
Sep. 1987 Senior Partner of Arthur Andersen and Eiwa  
Auditing Corporation (currently KPMG AZSA LLC.)  
Apr. 1995 Established Umeda Certified Public Accountant  
Office (to present)

Jun. 1995 Director and Vice President of Nihon Kaiheiki Ind.  
Co., Ltd.  
Jan. 1999 Outside Corporate Auditor of H.I.S. Co., Ltd.  
(to present)  
Jun. 2000 Outside Corporate Auditor of HABA Laboratories,  
Inc. (to present)  
Jun. 2000 Audit & Supervisory Board Member (outside) of the  
Company (to present)  
Jun. 2007 Outside Corporate Auditor of Sawada Holdings  
Co., Ltd. (to present)  
Jun. 2010 Outside Director of Suzuden Corporation (to present)

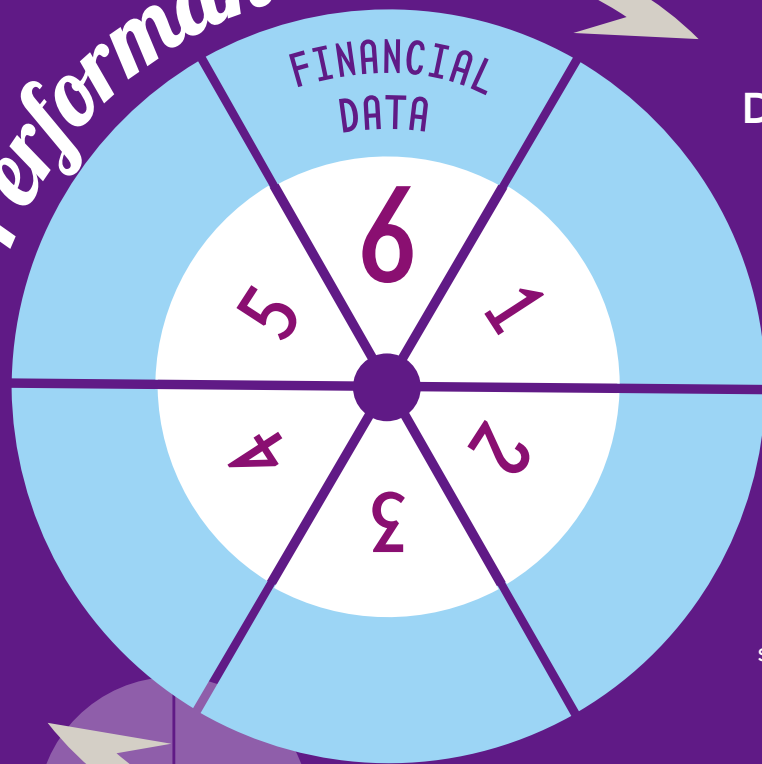
**Jun Nogami**  
Oct. 1885 Joined Nogami Tadashi Licensed Tax Accountant  
Office  
Jun. 1991 Registered as Licensed Tax Accountant and  
Established Nogami Jun Licensed Tax Accountant  
Office (to present)  
Jun. 2003 Outside Corporate Auditor of Takara Co., Ltd.  
Mar. 2006 Audit & Supervisory Board Member (outside) of the  
Company (to present)  
Aug. 2012 Outside Director of Network Co., Ltd. (to present)

**Shigeyuki Mito**  
Apr. 1989 Registered as Attorney at Law of Dai-ichi Tokyo

Bar Association  
Oct. 1990 Participated the Establishment of TMI Associates  
Apr. 1999 Partner of TMI Associates (to present)  
Jun. 2002 Outside Corporate Auditor of Takara Co., Ltd.  
Dec. 2002 Outside Corporate Auditor of TYO Inc.  
Apr. 2004 Instructor of Keio University Law School (to present)  
Mar. 2006 Audit & Supervisory Board Member (outside) of  
the Company (to present)  
Apr. 2006 Instructor of Waseda University Graduate  
School of Sport Sciences (to present)  
May 2006 Outside Corporate Auditor of Broccoli Co., Ltd. (to present)  
Jun. 2006 Outside Corporate Auditor of Yoshimoto Kogyo  
Co., Ltd. (to present)  
Jan. 2010 Director of Shonan Bellmare Co., Ltd. (to present)

**Toshi Yoshinari**  
Apr. 1988 Registered as Attorney at Law of Tokyo Bar Association  
Apr. 1988 Joined Yamamoto Eisoku Law Office  
Apr. 1991 Established Yoshinari/Shirouchi Law Office  
(currently Akatsuki Law Office) (to present)  
Jun. 1992 Audit & Supervisory Board Member (outside) of  
the Company (to present)  
Dec. 2006 Outside Corporate Auditor of Fuhrmeister  
Electronics Co., Ltd. (to present)

# Performance



## Downturn in hit products resulted in less income, with lower net profits due to the posting of structural reform costs

Consolidated net sales for the year declined 4.4% YoY. Sales of long-standing products and others were solid, whereas sales of *Metal Fight Beyblade* and *Transformers* declined after enjoying a boom in demand overseas and in Japan in the previous year, and sales struggled at overseas subsidiaries (TI). Operating income fell 75.0% reflecting a fall in net sales, despite a reduction in selling, general and administrative expenses. As for the bottom line, a net loss was recorded by reporting extraordinary losses that included an impairment loss on certain intangible assets of TI and the cost associated with a solicitation for voluntary retirement.

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# Six-Year Financial Summary

TOMY Company, Ltd., and its consolidated subsidiaries  
Years ended March 31, 2013, 2012, 2011, 2010, 2009 and 2008

	Millions of yen						Thousands of U.S. dollars <sup>6</sup>
	2013	2012	2011	2010	2009	2008	2013
Net sales	¥179,042	¥187,265	¥159,490	¥178,713	¥180,586	¥192,423	\$1,903,700
Gross profit	55,160	61,137	52,668	54,994	52,447	53,923	586,503
Total selling, general and administrative expenses	52,613	50,951	42,341	44,538	47,441	47,825	559,419
Operating income	2,547	10,186	10,327	10,456	5,006	6,097	27,083
Ordinary income	2,622	9,823	10,143	10,382	5,436	5,498	27,880
Income before income (loss) taxes and minority interests	(4,766)	7,976	7,837	8,673	1,077	5,700	(50,677)
Net income (loss)	(7,097)	3,679	8,929	8,978	1,377	5,748	(75,467)
EBITDA <sup>*1</sup>	10,087	16,854	14,601	14,512	8,970	9,356	107,253
Depreciation and amortization	7,539	6,667	4,274	4,055	3,964	3,259	80,170
Net cash provided by operating activities	6,701	16,046	8,486	16,857	5,577	13,174	71,257
Net cash provided by (used in) investing activities	(3,414)	(38,048)	1,169	(3,033)	(2,886)	(2,592)	(36,306)
Net cash provided by (used in) financing activities	(8,494)	29,718	(6,767)	(8,538)	(2,634)	(12,034)	(90,315)
Net increase (decrease) in cash and cash equivalents	(3,939)	7,484	2,543	5,165	(363)	(2,068)	(41,883)
Cash and cash equivalents at end of period	32,583	36,522	29,038	26,638	21,492	21,896	346,449
(As of March 31)							
Total assets	152,812	156,654	94,597	95,880	91,600	98,251	1,624,802
Net assets	49,772	51,805	48,744	42,062	30,666	35,820	529,218
Interest-bearing debt	66,293	68,815	21,270	25,270	33,997	31,329	704,876

	Millions of yen						Thousands of U.S. dollars <sup>6</sup>
	2013	2012	2011	2010	2009	2008	2013
<b>PER SHARE DATA (YEN)</b>							
Net income (loss)	¥(75.40)	¥39.09	¥94.85	¥96.60	¥14.95	¥60.22	\$(0.80)
Dividend	10.00	14.00	14.00	12.00	10.00	8.75	0.11
Net assets	507.21	525.46	501.54	432.90	329.41	350.44	5.39
<b>MAJOR FINANCIAL INDICES</b>							
Operating margin (%)	1.4	5.4	6.5	5.9	2.8	3.2	1.4
Overseas sales ratio (%)	30.6	36.2	19.7	17.4	17.9	20.8	30.6
SG&A to sales ratio (%)	29.4	27.2	26.5	24.9	26.3	24.9	29.4
Return on equity (ROE) (%) <sup>*2</sup>	—	7.6	20.3	25.5	4.4	17.8	—
Return on assets (ROA) (%) <sup>*3</sup>	1.7	7.8	10.7	11.1	5.7	5.7	1.7
Equity ratio (%)	31.2	31.6	49.9	42.5	32.3	34.0	31.2
Debt-to-equity ratio (%) <sup>*4</sup>	133.2	132.8	43.6	60.1	110.9	87.5	133.2
<b>STOCK DATA</b>							
Stock price at year-end (Yen)	478	605	630	728	382	739	5.08
Market capitalization (Millions of yen)	44,996	56,952	59,306	68,534	34,261	70,553	478,431
PER (Times)	—	15.5	6.6	7.5	25.6	12.3	—
Number of shares outstanding (Thousand shares) <sup>*5</sup>	94,134	94,136	94,138	94,140	89,689	95,472	94,134

\*1 EBITDA=Operating income+Depreciation and amortization

\*2 Return on equity=Net income÷(Net assets–Subscription rights to shares–Minority interests)

\*3 Return on assets=Ordinary income÷Total assets

\*4 Debt to equity ratio=Interest-bearing debt÷Net assets

\*5 Treasury stock has been excluded from these figures.

\*6 U.S. dollar amounts have been translated at the rate of ¥94.05=US\$1, the approximate exchange rate at March 31, 2013.



## Consolidated Balance Sheets

TOMY Company, Ltd., and its consolidated subsidiaries  
As of March 31, 2013 and 2012

	Millions of yen	
As of March 31,	2012	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and deposits	¥37,684	¥33,764
Notes and accounts receivable—trade	23,597	23,972
Securities	264	64
Merchandise and finished goods	15,850	19,214
Work in process	328	368
Raw materials and supplies	845	759
Deferred tax assets	3,165	2,057
Other	5,388	6,178
Allowance for doubtful accounts	(221)	(158)
Total current assets	86,904	86,222
<b>NONCURRENT ASSETS</b>		
Property, plant and equipment		
Buildings and structures	13,223	13,634
Accumulated depreciation	(7,515)	(7,935)
Accumulated impairment loss	(353)	(456)
Buildings and structures, net	5,355	5,242
Machinery, equipment and vehicles	1,750	2,038
Accumulated depreciation	(865)	(1,117)
Accumulated impairment loss	(0)	(0)
Machinery, equipment and vehicles, net	884	920
Tools, furniture and fixtures	25,192	25,608
Accumulated depreciation	(22,461)	(22,491)
Accumulated impairment loss	(83)	(273)
Tools, furniture and fixtures, net	2,647	2,843
Land	4,861	4,729
Lease assets	2,994	5,374
Accumulated depreciation	(1,432)	(2,182)
Lease assets, net	1,562	3,192
Construction in progress	185	243
Total property, plant and equipment	15,498	17,172

	Millions of yen	
As of March 31,	2012	2013
Intangible assets		
Goodwill	¥ 23,388	¥ 25,174
Right of using trademark	14,067	9,674
Other	7,023	7,532
Total intangible assets	44,478	42,382
Investments and other assets		
Investment securities	2,574	3,056
Deferred tax assets	2,774	517
Other	4,663	3,699
Allowance for doubtful accounts	(299)	(276)
Total investments and other assets	9,713	6,998
Total noncurrent assets	69,689	66,552
Deferred assets		
Bond issuance cost	60	37
Total deferred assets	60	37
Total assets	¥156,654	¥152,812



	Millions of yen	
As of March 31,	2012	2013
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Notes and accounts payable–trade	¥ 11,374	¥ 10,708
Short-term loans payable	3,798	5,971
Current portion of long-term loans payable	5,510	5,497
Current portion of bonds	1,050	990
Lease obligations	1,213	1,935
Accounts payable–other	4,864	6,479
Accrued expenses	5,627	5,439
Income taxes payable	579	478
Provision for sales returns	253	375
Allowance for recall	84	57
Provision for directors' bonuses	269	418
Other	601	1,023
Total current liabilities	35,226	39,376
<b>NONCURRENT LIABILITIES</b>		
Bonds payable	990	—
Bonds with subscription rights to shares	12,300	12,300
Long-term loans payable	45,166	41,534
Lease obligations	506	1,186
Deferred tax liabilities	4,992	2,800
Deferred tax liabilities for land revaluation	553	551
Provision for retirement benefits	2,947	2,982
Provision for directors' retirement benefits	245	228
Allowance for investment loss	10	10
Other	1,910	2,069
Total noncurrent liabilities	69,623	63,663
Total liabilities	104,849	103,039

	Millions of yen	
As of March 31,	2012	2013
<b>NET ASSETS</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	¥ 3,459	¥ 3,459
Capital surplus	6,744	6,744
Retained earnings	44,336	35,916
Treasury stock	(1,321)	(1,322)
Total shareholders' equity	53,219	44,798
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Valuation difference on available-for-sale securities	222	529
Deferred gains or losses on hedges	41	828
Revaluation reserve for land	63	68
Foreign currency translation adjustment	(4,081)	1,522
Total accumulated other comprehensive income	(3,754)	2,948
<b>SUBSCRIPTION RIGHTS TO SHARES</b>	594	729
<b>MINORITY INTERESTS</b>	1,745	1,296
Total net assets	51,805	49,772
Total liabilities and net assets	¥156,654	¥152,812

# Consolidated Statements of Income

TOMY Company, Ltd., and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen	
Years ended March 31,	2012	2013
NET SALES	¥187,265	¥179,042
COST OF SALES	126,127	123,882
GROSS PROFIT	61,137	55,160
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Packing and transportation expenses	2,692	2,877
Warehousing expenses	3,667	4,213
Advertising expenses	8,918	9,600
Directors' compensations	807	821
Salaries, allowances and bonuses	14,952	14,146
Provision for directors' bonuses	168	236
Retirement benefit expenses	1,089	1,220
Provision for directors' retirement benefits	63	77
Depreciation	2,491	2,609
Research and development expenses	2,540	2,709
Commission fee	2,665	2,578
Provision of allowance for doubtful accounts	(167)	(25)
Other	11,062	11,545
Total selling, general and administrative expenses	50,951	52,613
OPERATING INCOME	10,186	2,547
NON-OPERATING INCOME		
Interest and dividend income	107	130
Amortization of negative goodwill	390	58
Rent income	170	195
Purchase discounts	66	90
Foreign exchange gains	—	358
Other	153	304
Total non-operating income	889	1,136
NON-OPERATING EXPENSES		
Interest expenses	734	830
Sales discounts	8	9
Amortization of bond issuance cost	27	22
Foreign exchange losses	246	—

	Millions of yen	
Years ended March 31,	2012	2013
(NON-OPERATING EXPENSES continued)		
Other	¥ 236	¥ 199
Total non-operating expenses	1,253	1,061
ORDINARY INCOME	9,823	2,622
EXTRAORDINARY INCOME		
Gain on sales of noncurrent assets	124	6
Gain on sales of investment securities	14	—
Insurance income	669	197
Gain on bargain purchase	—	318
Other	2	29
Total extraordinary income	811	551
EXTRAORDINARY LOSS		
Loss on sales of noncurrent assets	60	2
Loss on retirement of noncurrent assets	103	114
Loss on sales of investment securities	52	—
Loss on valuation of investment securities	482	9
Impairment loss	130	6,233
Loss on disaster	1,259	—
Business structure improvement expenses	569	487
Special extra retirement payments	—	860
Other	—	232
Total extraordinary losses	2,658	7,939
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	7,976	(4,766)
INCOME TAXES—CURRENT	859	503
REFUND OF INCOME TAXES	(872)	(7)
INCOME TAXES—DEFERRED	4,273	1,764
TOTAL INCOME TAXES	4,260	2,259
INCOME (LOSS) BEFORE MINORITY INTERESTS	3,715	(7,026)
MINORITY INTERESTS IN INCOME	36	71
NET INCOME (LOSS)	¥3,679	¥(7,097)

## Consolidated Statements of Comprehensive Income

TOMY Company, Ltd., and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen	
Years ended March 31,	2012	2013
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥3,715	¥(7,026)
OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	250	307
Deferred gains or losses on hedges	413	787
Revaluation reserve for land	75	—
Foreign currency translation adjustment	(848)	5,603
Total other comprehensive income	(108)	6,698
COMPREHENSIVE INCOME	3,607	(327)
Comprehensive income attributable to owners of the parent	3,569	(399)
Comprehensive income attributable to minority interests	37	72

## Consolidated Statements of Changes in Net Assets

TOMY Company, Ltd., and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen	
Years ended March 31,	2012	2013
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
Balance at the beginning of current period	¥ 3,459	¥ 3,459
Balance at the end of current period	3,459	3,459
<b>CAPITAL SURPLUS</b>		
Balance at the beginning of current period	6,744	6,744
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	6,744	6,744
<b>RETAINED EARNINGS</b>		
Balance at the beginning of current period	41,970	44,336
Changes of items during the period		
Dividends from surplus	(1,317)	(1,317)
Net income (loss)	3,679	(7,097)
Reversal of revaluation reserve for land	4	(4)
Total changes of items during the period	2,366	(8,420)
Balance at the end of current period	44,336	35,916
<b>TREASURY STOCK</b>		
Balance at the beginning of current period	(1,320)	(1,321)
Changes of items during the period		
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(1,321)	(1,322)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
Balance at the beginning of current period	50,854	53,219
Changes of items during the period		
Dividends from surplus	(1,317)	(1,317)
Net income (loss)	3,679	(7,097)

## Consolidated Statements of Changes in Net Assets (continued)

	Millions of yen	
Years ended March 31,	2012	2013
(TOTAL SHAREHOLDERS' EQUITY continued)		
Purchase of treasury stock	¥ (1)	¥ (1)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	4	(4)
Total changes of items during the period	2,365	(8,420)
Balance at the end of current period	53,219	44,798
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>		
Balance at the beginning of current period	(27)	222
Changes of items during the period		
Net changes of items other than shareholders' equity	249	306
Total changes of items during the period	249	306
Balance at the end of current period	222	529
<b>DEFERRED GAINS OR LOSSES ON HEDGES</b>		
Balance at the beginning of current period	(372)	41
Changes of items during the period		
Net changes of items other than shareholders' equity	413	787
Total changes of items during the period	413	787
Balance at the end of current period	41	828
<b>REVALUATION RESERVE FOR LAND</b>		
Balance at the beginning of current period	(7)	63
Changes of items during the period		
Net changes of items other than shareholders' equity	71	4
Total changes of items during the period	71	4
Balance at the end of current period	63	68
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>		
Balance at the beginning of current period	(3,233)	(4,081)
Changes of items during the period		
Net changes of items other than shareholders' equity	(848)	5,603
Total changes of items during the period	(848)	5,603
Balance at the end of current period	(4,081)	1,522

	Millions of yen	
Years ended March 31,	2012	2013
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Balance at the beginning of current period	¥(3,639)	¥(3,754)
Changes of items during the period		
Net changes of items other than shareholders' equity	(114)	6,702
Total changes of items during the period	(114)	6,702
Balance at the end of current period	(3,754)	2,948
<b>SUBSCRIPTION RIGHTS TO SHARES</b>		
Balance at the beginning of current period	409	594
Changes of items during the period		
Net changes of items other than shareholders' equity	185	135
Total changes of items during the period	185	135
Balance at the end of current period	594	729
<b>MINORITY INTERESTS</b>		
Balance at the beginning of current period	1,120	1,745
Changes of items during the period		
Net changes of items other than shareholders' equity	624	(448)
Total changes of items during the period	624	(448)
Balance at the end of current period	1,745	1,296
<b>TOTAL NET ASSETS</b>		
Balance at the beginning of current period	48,744	51,805
Changes of items during the period		
Dividends from surplus	(1,317)	(1,317)
Net income (loss)	3,679	(7,097)
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	4	(4)
Net changes of items other than shareholders' equity	695	6,388
Total changes of items during the period	3,060	(2,032)
Balance at the end of current period	¥51,805	¥49,772

# Consolidated Statements of Cash Flows

TOMY Company, Ltd., and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen	
Years ended March 31,	2012	2013
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Income (loss) before income taxes and minority interests	¥ 7,976	¥(4,766)
Depreciation and amortization	5,692	6,275
Impairment loss	130	6,233
Loss on disaster	1,259	—
Loss (gain) on valuation of investment securities	482	9
Amortization of goodwill	1,266	1,424
Amortization of negative goodwill	(390)	(58)
Gain on bargain purchase	—	(318)
Increase (decrease) in allowance for doubtful accounts	(207)	(104)
Increase (decrease) in provision for retirement benefits	52	17
Interest and dividend income	(107)	(130)
Interest expense	734	830
Loss (gain) on sales of property, plant and equipment	(64)	(3)
Decrease (increase) in notes and accounts receivable-trade	1,113	755
Decrease (increase) in inventories	2,791	(2,029)
Decrease (increase) in accounts receivable-other	(424)	527
Increase (decrease) in notes and accounts payable-trade	(293)	(1,160)
Increase (decrease) in accounts payable-other	(2,617)	1,277
Increase (decrease) in accrued expenses	(1,182)	(663)
Other, net	1,308	26
<b>Subtotal</b>	<b>17,518</b>	<b>8,142</b>
Interest and dividend income received	103	114
Interest expense paid	(720)	(794)
Income taxes paid	(854)	(761)
<b>Net cash provided by (used in) operating activities</b>	<b>16,046</b>	<b>6,701</b>

	Millions of yen	
Years ended March 31,	2012	2013
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Payments into time deposits	¥ (847)	¥ (111)
Purchase of property, plant and equipment	(2,531)	(2,457)
Proceeds from sales of property, plant and equipment	825	155
Purchase of intangible assets	(773)	(920)
Purchase of investment securities	(7)	(12)
Proceeds from sales of investment securities	206	2
Purchase of investments in subsidiaries	(33,579)	(8)
Purchase of treasury stock of subsidiaries in consolidation	—	(280)
Other, net	(1,340)	217
<b>Net cash provided by (used in) investing activities</b>	<b>(38,048)</b>	<b>(3,414)</b>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	(669)	1,827
Proceeds from long-term loans payable	35,259	—
Repayment of long-term loans payable	(870)	(5,522)
Redemption of bonds	(1,250)	(1,050)
Cash dividends paid	(1,318)	(1,313)
Repayments of finance lease obligations	(1,425)	(2,430)
Other, net	(6)	(5)
<b>Net cash provided by (used in) financing activities</b>	<b>29,718</b>	<b>(8,494)</b>
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<b>(232)</b>	<b>1,267</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,484</b>	<b>(3,939)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>29,038</b>	<b>36,522</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>¥36,522</b>	<b>¥32,583</b>

## Corporate Information

(As of March 31, 2013)

### Company Name

TOMY Company, Ltd.

### Head Office

7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan

### Date of Establishment

January 17, 1953

### Paid-in Capital

¥3,459 million

### Business Domain

Planning, manufacturing and selling of products such as toys, general merchandise, card games and baby care products, etc.

### Number of Employees

2,171 (consolidated)

516 (non-consolidated)

## MAJOR GROUP COMPANIES

(As of July 31, 2013)

### Number of consolidated subsidiaries: 44

#### Japan

T-ARTS Company, Ltd.

TOMY TEC Co., Ltd.

TOMY MARKETING COMPANY, LTD.

KIDDY LAND Co., Ltd.

#### Overseas

TOMY Holdings, Inc.

TOMY International, Inc.

TOMY (SHANGHAI) Ltd.

TOMY (HONG KONG) Ltd.

TOMY (SHENZHEN) Ltd.

TOMY (THAILAND) Ltd.

## Stock Information

(As of March 31, 2013)

Number of Shares Authorized 384,000,000

Number of Shares Issued 96,290,850

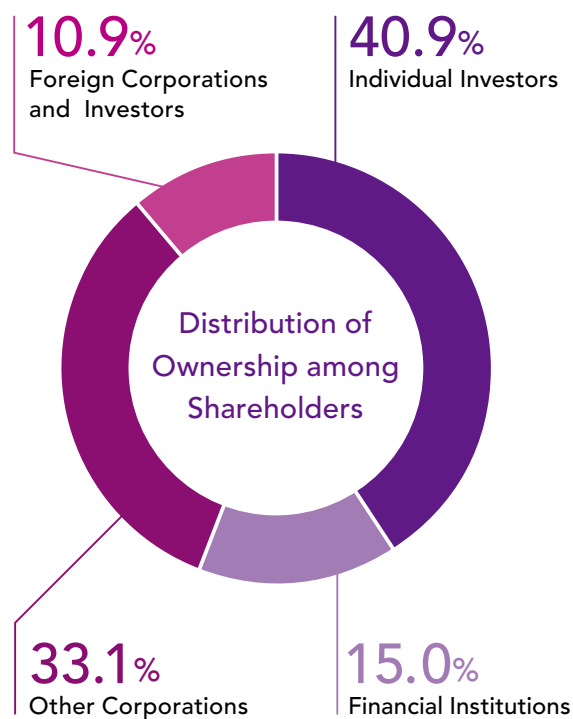
Trading Unit of Shares 100

Number of Shareholders 83,816

### MAJOR SHAREHOLDERS

Name	Number of shares held	%
Marunouchi Capital Fund 1	14,443,700	15.34
Index Corporation	4,707,996	5.00
TOMY Insurance Ltd.	4,619,952	4.91
TPG Richmond I, L.P.	4,450,100	4.73
Japan Trustee Services Bank, Ltd. (Trust Account)	3,310,200	3.52
Tsukasa Fudosan	2,945,360	3.13
Kantaro Tomiyama	2,765,992	2.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,623,900	2.79
Chase Manhattan Bank N.A. London S.L. Omnibus Account	1,527,400	1.62
Akie Tomiyama	1,483,101	1.58

Note: Percentage of shares held is calculated after exclusion of 2,156,023 shares of treasury stock.



### BONDS WITH SUBSCRIPTION RIGHTS TO NEW SHARES

Bonds	Class of shares to be issued	Issue price of subscription rights	Issue price of share (Yen)	Total amount of issue price (Millions of yen)	Total amount of shares issued through exercise of subscription rights (Millions of yen)	Ratio of the grant of subscription rights (%)	Exercise period of subscription rights
Yen-denominated convertible bond due 2014	TOMY Company, Ltd., common stock	Gratis	565.70*	4,900	—	100	From June 11, 2010, to June 10, 2014
Yen-denominated convertible bond due 2016	TOMY Company, Ltd., common stock	Gratis	616*	7,000	—	100	From March 23, 2008, to February 12, 2016
Yen-denominated convertible bond due 2024	TOMY Company, Ltd., common stock	Gratis	613*	400	—	100	From June 11, 2010, to June 10, 2024

\* The conversion price changed to ¥565.70 as of June 11, 2013.



## *Founding Philosophy*

- > Let's excite the world's markets with our outstanding products.
- > Our sincerity and diligence will contribute to society and lead to our own success and happiness.

## *Corporate Mission*

Our mission is to fulfill the dreams of our stakeholders, including

- > The dreams of children
- > The dreams of our employees
- > The dreams of our shareholders
- > The dreams of our business partners
- > The dreams of society

We will create new value from play.



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TOMY Company, Ltd.

7-9-10 Tateishi, Katsushika-ku,

Tokyo 124-8511, Japan

<http://www.takaratomy.co.jp/>



Printed in Japan