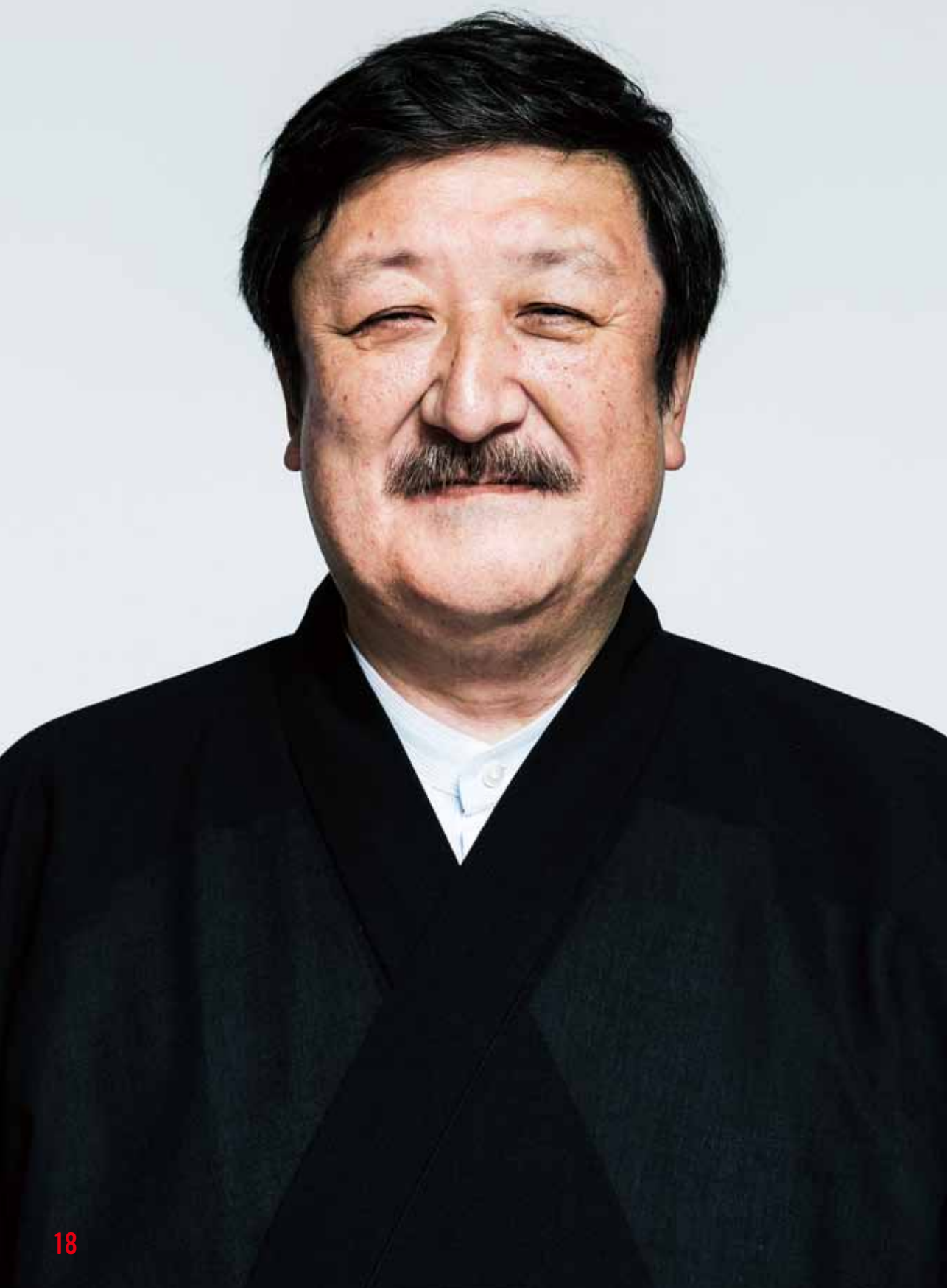


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# Message

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President Tomiyama looks back on the Revitalization Plan and explains our results and efforts for the term. Next, newly-appointed COO Harold George Meij introduces future strategies and management targets.



# MESSAGE FROM THE PRESIDENT & CEO

We successfully promoted the TOMY Revitalization Plan announced in March 2013 focusing on three basic policies to restore profitability and further streamline management.

As a result, consolidated performance was marked by earnings growth despite a decrease in revenue, with a return to profitability in net income.

富山 幹太郎

President & CEO  
Kantaro Tomiyama

## Results for the year ended March 2014

Net Sales:  
**¥154.8 billion**

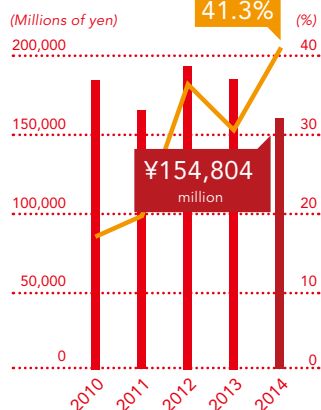
Operating Income:  
**¥3.3 billion**

EBITDA:  
**¥11.5 billion**

(Years to March 31)

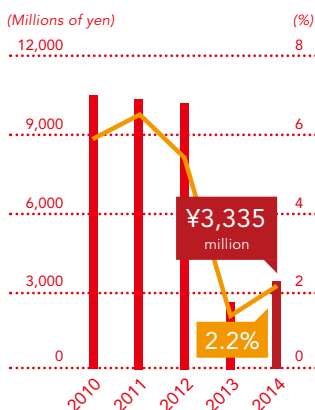
### Net Sales

Overseas Sales Ratio



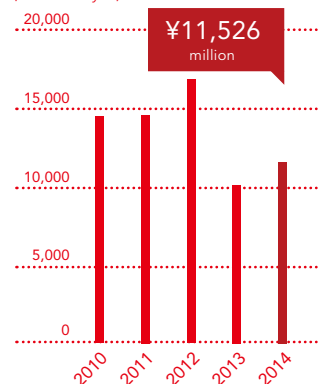
### Operating Income

Operating Margin



### EBITDA

(Millions of yen)



### Business Overview and Results

The Japanese economy this term was characterized by the continuation of a moderate recovery due to the effects of economic policies that caused a weakening of the yen and a recovery in share prices. In overseas markets, although the U.S. economy was on the road to recovery, economic growth in China and the emerging economies weakened, and the situation remains unpredictable.

Consolidated performance in this environment was marked by earnings growth despite a decrease in revenue, with a return to profitability in net income.

Among our core products, TOMICA toy cars and trading card games performed well, whereas the good reception given our new line of Transformer products resulted in growth in exports and our Pokémon TRETТА amusement machines continued to gain popularity. Net sales were down 13.4% year on year to ¥154,804 million but would have increased without the effect of the removal of a subsidiary from the scope of consolidation. In July, as part of a strategic plan to strengthen the core toy business and streamline corporate management, all shares of wholly owned subsidiary TOYS UNION Co., Ltd., were transferred, with a resulting ¥30,773 million impact on net sales.

Operating income was ¥3,335 million, an increase of 30.9% year on year, owing to progress in the reduction of selling, general and administrative expenses including the streamlining of personnel associated with solicitation for voluntary retirement carried out in the previous year and a reduction in advertising expenses, despite a sales slump in China and the write-down of inventories.

In comparison with last year's bottom line net loss caused by the impairment loss at TOMY International, net income of ¥232 million was recorded for the year under review.

### Major Efforts (Revitalization Plan progress)

The TOMY Revitalization Plan was announced in March 2013. The plan establishes three basic policies to restore profitability and further streamline management.

The first basic policy, "Build a stable revenue base in our Japan toy business," involves building our product lineup and strengthening marketing in addition to restructuring the Group to strengthen the toy business. In real terms, this has meant strengthening the revenue base of our core products by selling collaboration products linked to our popular content and the adding of new product lines, as well as aggressively developing trading card game marketing to increase new users. Our product development led to the creation of the Triple Color Change LICCA doll, whose hair color changes with the temperature, as well as the ANIA series of diverse, detailed animal figurines with moving parts, both of which took grand prizes at the Japan Toy Association Toy Awards. Five other products received Superiority Awards, reflecting the steady success of our products.

We have worked steadily to globalize our business to meet the aims of the second basic policy, "Focus investment resources on U.S. and European markets and promote globalization." In real terms, this has entailed full-scale cross-selling with Japan by the TOMY International Group, which forms the core of our overseas business in North America, Europe and Oceania, of Pokémon and other products, as it works to expand sales synergies with Pokémon-related goods and BATTROBORG 20.

Regarding the third basic policy, "Form our next-generation businesses through trial businesses in the growing Asia market," a start was made on exploring business opportunities in Indonesia with the trial launch of an original product, ANIMAL WHEELS, tailored to the purchasing standards and tastes of Indonesian customers. Moreover, while we aggressively developed store promotions of TOMICA and ANIA, we proceeded with the

closure of unprofitable stores in China and made progress in restructuring our business. We also made progress in building a global production and procurement structure, for example, by integrating our manufacturing subsidiary in Hong Kong to form a global procurement center.

## Looking Back on the Occasion of Our 90th Anniversary: Our Fourth Generation and New COO Appointment

Our company, which approaches its 90th anniversary this year, has been transforming itself every 30 years. The first generation of our business was that of metal toys, the second generation began with the advent of plastic toys and the third was marked by the change to an export-driven business model and the challenge of creating toys that would not lose out to home game consoles, such as the Nintendo family computer. Now our environment is characterized by major lifestyle changes due to items such as smartphones, tablets and social networking services, and I believe that the fourth generation that lies before us will be marked by the start of a “personal revolution” in which we will develop globally and establish brands through the use of “new technologies” that fuse the analog of the past with digital. Among other things, this requires that we renovate our management structure, and to that end we have appointed Harold G. Meij, who combines rich marketing knowledge with a global perspective, as our COO. Armed with inventiveness, perception, energy, knowledge of other cultures and a proven record on the global stage, Mr. Meij will bring a sense of speed and impact as he leads our company to propel broad innovation as we start our fourth generation of business.

## Returns to Shareholders

We recognize returns to shareholders as our most important management issue. Along with striving to strengthen our business foundation and increase profitability, our basic policy is to provide stable dividends continuously while taking into account factors such as results in determining the dividend amount. Our aim is to use retained earnings for investment in order to accomplish our medium- and long-term growth strategy while improving our financial position through the reduction of interest-bearing debt. Based on the above policy, we have set an annual dividend of ¥10 per share.

## 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 materials or 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. Our environmental efforts include our participation, which has been ongoing since the inception of the program, in the “3rd PLA-PLUS Project,” which was founded on the Ministry of the Environment’s directives to construct an efficiency system for product plastic collection and support for recycling.



# MESSAGE FROM THE COO

## Message on My Appointment as COO

My name is Harold G. Meij, and I was recently appointed Chief Operating Officer of TOMY Company, Ltd. Although I am a Dutchman born in Holland, I was raised internationally and have experienced living in countries such as Japan, Indonesia and the United States. I face no language or cultural barriers in Japan. I have previously worked for foreign-owned and Japanese enterprises, and joined TOMY Company, Ltd., in March with a strong desire to make broad changes at the company. My mission is threefold. The first aspect involves taking a close look at the many strengths

of TOMY and choosing those that must be focused on and improved. The second is to draw out TOMY's hidden potential. Finally, the third aspect of my mission is to foster strong growth at TOMY as a toymaker in a fiercely competitive market environment. The strong points of foreigners in business lie in having bold ideas, taking risks and making decisions promptly, whereas the strengths of the Japanese are craftsmanship, imagination and attention to detail. I believe that TOMY will take flight as a company if we fuse these attributes properly.



Representative Director &  
Chief Operating Officer  
Harold G. Meij

## Analysis of the Current Situation

Our company cannot simply press on as we have been up to now if we wish to continue to grow amid an environment marked by dizzying technological and lifestyle changes. Instead, we must aim for dramatic growth through drastic reform, so in that sense we can be said to be at a turning point. Up to now, TOMY's core products have been analog, whereas our international strategy has been in development by region. It also cannot be denied that our business itself has taken the form of emulating our many past successes.

Naturally, even if we do carry out drastic reforms there are good aspects of our company that absolutely must not change. Aspects that we must by all means retain include the Corporate Mission, which has persisted since the company's founding; our dedication to and passion for our products and their safety; and our drive to bring excitement to children. Also, TOMY has many long-selling products, and the know-how that produced these long-sellers is an asset that has remained with us until now and which we must carefully safeguard. I might go further to say that our pride in having the most IP-registered products in the industry indicates the richness of imagination reflected in our products, and that our great strength lies not just in TOMY's products but also in our ability to offer ways to play with those products.

By employing these strengths to their fullest, we can proceed with drastic reforms that are in line with the times and aim for dramatic growth.

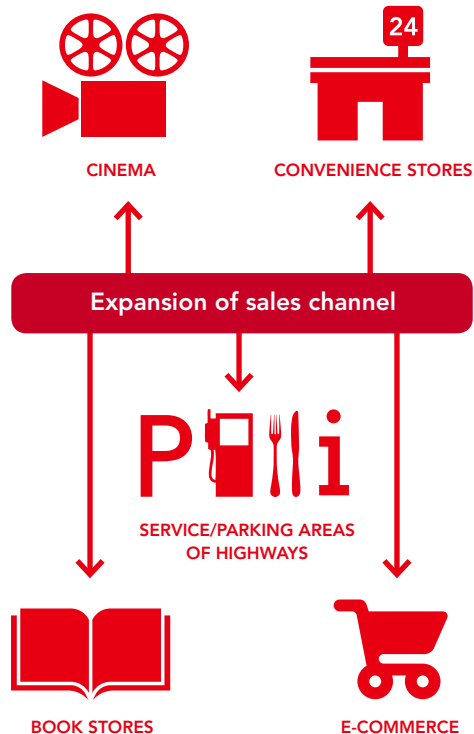
## Our Strategy Henceforth

In considering our future strategy, we must first consider the toy market overall. Due to the impact of low birthrates and other factors, we cannot hope for growth in the Japanese market, but looking at the global market we can expect a trend toward expansion averaging 3% per year in the period 2013–2020.

1

### Strengthen sales capability

Against that backdrop, in the short term I sense a lack of points of availability (POA) for TOMY's products in Japan, where there are only about 4,500 shops with satisfactory lineups of our products. Therefore, we will strengthen our sales capability by lining up products at shops that children visit with their parents.



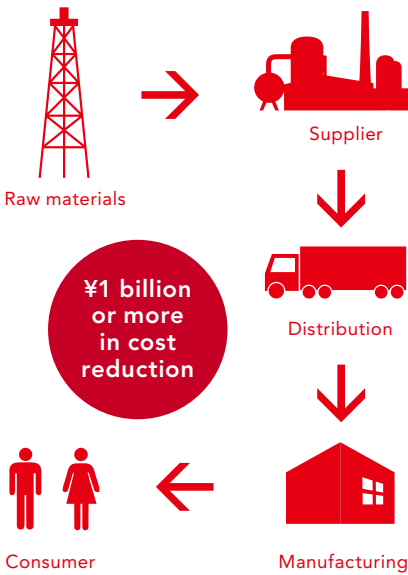


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**Strengthen planning and development, and streamline supply chain management**

By strengthening our product planning personnel and putting new technologies to use by, for example, incorporating digital technologies into analog products, we will strengthen our product development capability. We will cut costs by streamlining SCM in production and other processes.

**EFFECTIVE SUPPLY MANAGEMENT**



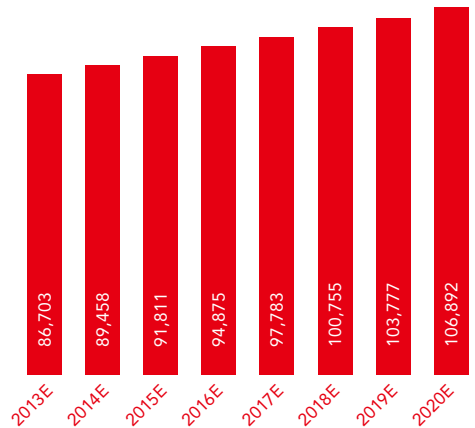
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**Develop globally in line with market characteristics**

In the medium term, we will develop global markets by creating strategies for each individual market rather than by simply dividing the global market into regions. For example, the world population of 0-9-year-olds is predicted to grow 6.2% by 2020, whereas the scale of the Asia-Pacific region market, with the exception of Japan, is expected to grow 7% per year on average, becoming the world's biggest toy market at US\$23.1 billion by 2020. At the same time, the advanced economies, which are mainly in North America and Europe, are expected to grow 4.5% by 2020, driven by increasing purchasing power despite decreasing birthrates. Global development will hasten because Asia, where with the exception of Japan the number of children is growing, will demand "volume," whereas places such as Japan, North America and Europe, where purchasing power is increasing, will demand "quality."

**GROWTH FORECASTS FOR THE GLOBAL TOY MARKET**  
2013 to 2020 Average annual growth rate 3.0%

Millions of U.S. dollars



Source: Euromonitor International and forecast by TOMY

4

### Drive brand strategy

Another medium-term issue to be addressed concerns efforts to strengthen brand strategy based product development and promotion. The TOMY Group develops a large variety of products across 15 of the 16 toy categories, but henceforth we will seek to gain greater brand penetration for each product. Although some brands, such as the LICCA doll and TOMICA, enjoy a high degree of recognition, we will seek to shore up core brands by repairing the value of those that have lost their freshness. This will improve ROI through the cultivation of stable sources of revenue.

#### BRAND DEVELOPMENT



5

### Streamline the organization to enhance management flexibility

The TAKARA and TOMY merger in 2006 and the purchase of U.S. company RC2 in 2011 have brought together a large number of personnel of differing backgrounds and corporate cultures, and the resulting over-stratification of our organization has become an issue. As we seek to cultivate a “One Company” consciousness, we will proceed with reforms to create a system capable of speedy decisions. We plan to increase the ratio of sales and development staff to strengthen new product creation.

### Forecast

Through the efforts described above, we will aim for net sales of ¥170,000 million and operating income of ¥8,000 million three years from now in the year ending March 31, 2017, with a 2.5-percentage-point increase in the operating margin, from the current 2.2% to 4.7%. Furthermore, taking the large-scale acquisition of content planned over the next several years into consideration we are enthusiastically taking up the growth challenge, with management targets of net sales of ¥193,000 million, operating income of ¥10,800 million and an operating margin of 5.6%. In anticipation of achieving our medium-term goals, we are seeking to realize steadily increasing revenues and profits, with toy sales expansion in Japan and overseas for the year ended March 31, 2015 to ¥160,000 million in net sales, an increase of 3.4% year on year, with ¥4,000 million in operating income, up 19.9% year on year, and a 431.0% increase in the bottom line to ¥1,000 million. As our Corporate Mission states, we seek to fulfill the dreams of all of our stakeholders, including shareholders and investors, as well as customers, trading partners and our employees, and that purpose will drive us to make the broad reforms that will make us a truly global company. I hope for the understanding and support of everyone in reaching our goals.







## MEDIUM-TERM MANAGEMENT TARGET (As of May 2014)

Billions of yen

(For the year ended March 31)	2014	2015 target	2016 target (A)	2016 target (B)	2017 target (A)	2017 target (B)
Net Sales	155.9	160.0	164.0	182.0	170.0	193.0
Operating Income	3.4	4.0	6.0	8.6	8.0	10.8
Operating Margin	2.2%	2.5%	3.6%	4.7%	4.7%	5.6%
EBITDA	11.5	12.6	14.9	17.4	16.4	19.8

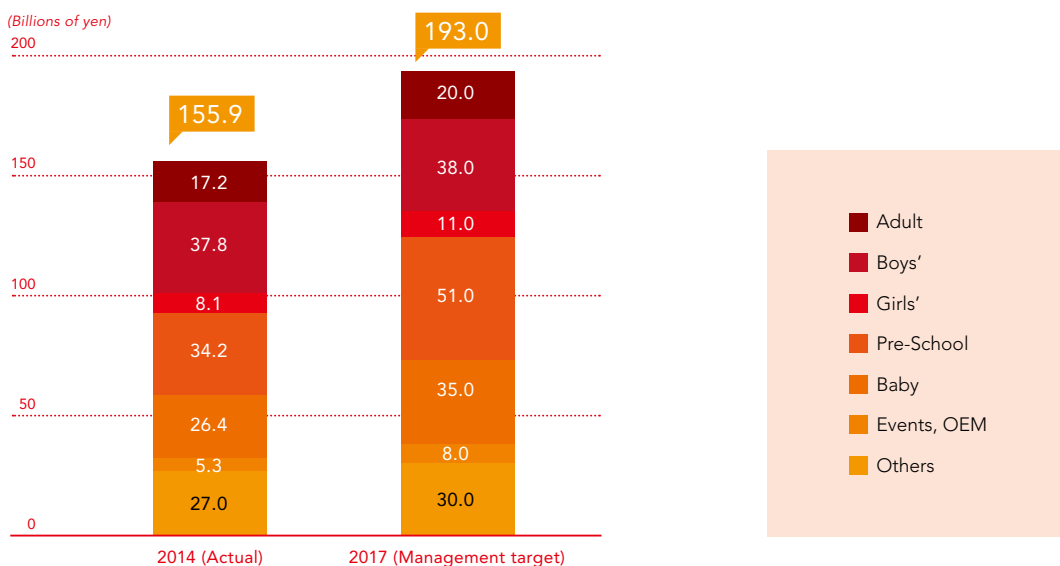
(A: base plan, B: management target)

## STRATEGY BY PRODUCT CATEGORY

<p><b>ADULT</b></p> <p>Unique-to-Japan high target and ventures for "White Space" adult market (New multi-year material, high target characters and technology-utilizing robots)</p> 	<p><b>BOYS</b></p> <ul style="list-style-type: none"> <li>To suit Boys' trends</li> <li>Sustain revenues and exports</li> <li>Rise during movie releases, etc</li> </ul> 	<p><b>GIRLS</b></p> <ul style="list-style-type: none"> <li>Expand sales of LICCA dolls</li> <li>Domestic re-branding</li> <li>Expansion of the Asia market</li> </ul> 
<p><b>PRE-SCHOOL</b></p> <p>Expansion of global content acquisition and sales / Branding of TOMICA and PLARAIL</p> 	<p><b>BABY</b></p> <p>Development and expansion of overseas baby brands, including in Japan and Asia</p> 	<p><b>Events, OEM, Others</b></p> <p>Stable growth of the group's business companies</p> 

## SALES BY PRODUCT CATEGORY

(Billions of yen)



As our Corporate Mission states, we seek to fulfill the dreams of all of our stakeholders, and that purpose will drive us to make the broad reforms that will make us a truly global company.

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President & CEO,  
Kantaro Tomiyama

I believe that the fourth generation that lies before us will be marked by the start of a “personal revolution” in which we will develop globally and establish brands through the use of “new technologies” that fuse the analog of the past with digital.

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Representative Director &  
Chief Operating Officer,  
Harold G. Meij

