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# Market & Business Review

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The domestic toy market increased slightly in FY2013. The global toy market also showed an upward trend. As for the TOMY Group's performance, domestic sales decreased 21.8% due to the transfer of subsidiary stock while the overseas market saw a double-digit increase: Net sales from North America, Europe and Oceania increased by 16.7% and net sales from Asia rose by 70.9%.

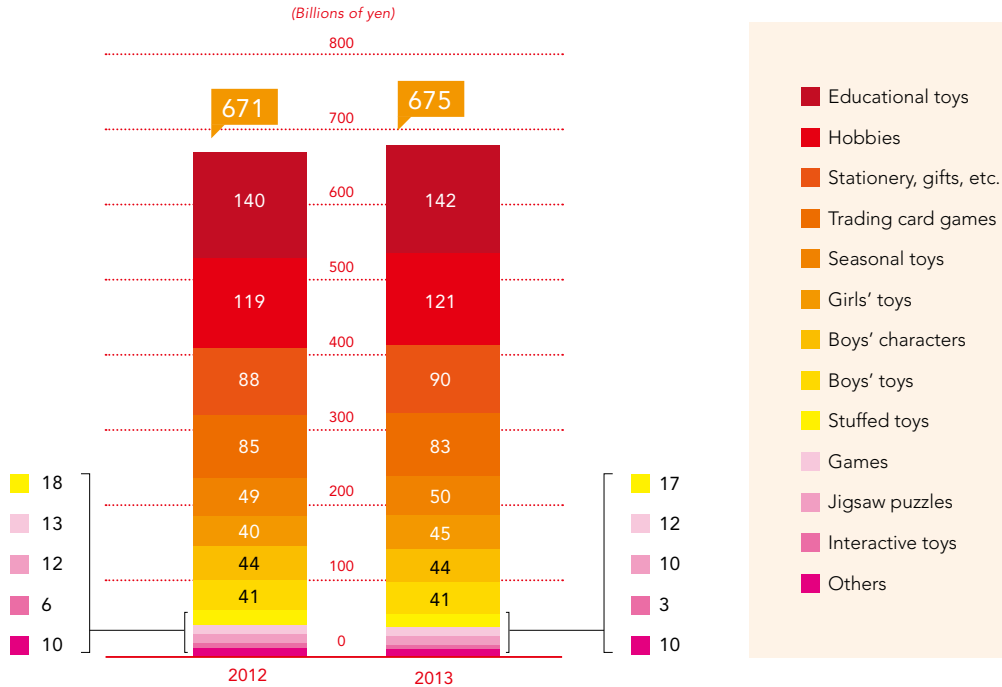
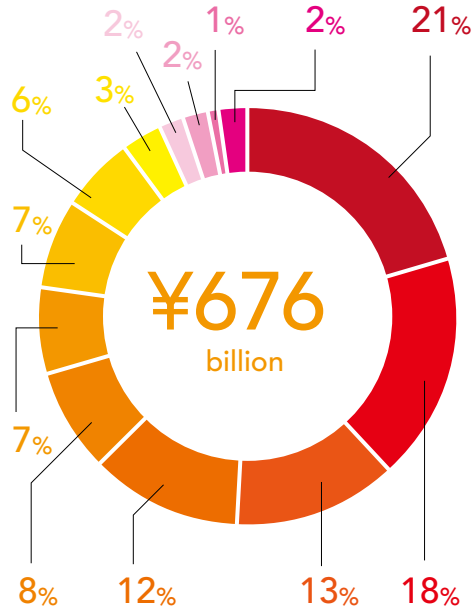
# MARKET TRENDS

The economic conditions in Japan and the major countries of Europe and North America remain opaque, and the toy industry remains in an unpredictable situation.

The domestic toy market in FY2013 (April 2013-March 2014) increased 0.6% to ¥675.6 billion from the previous year on a retail price basis.

Following the tough market situation in FY2012, the domestic toy market continued to be difficult, but smartphone toys gained in popularity, and there were some hit products in the boys' character category. There was a resurgence to peak performance by Christmas products during that season of maximum demand, whereas the New Year's sale season also trended positively, with these factors leading to a slight improvement over the previous year. Trading card games and boys' characters edged down 1.9% and 1.1%, respectively, year on year, but smartphone and tablet toys surged 210.9% compared with the previous year. (Source: The Japan Toy Association)

Japanese Toy Market 2013

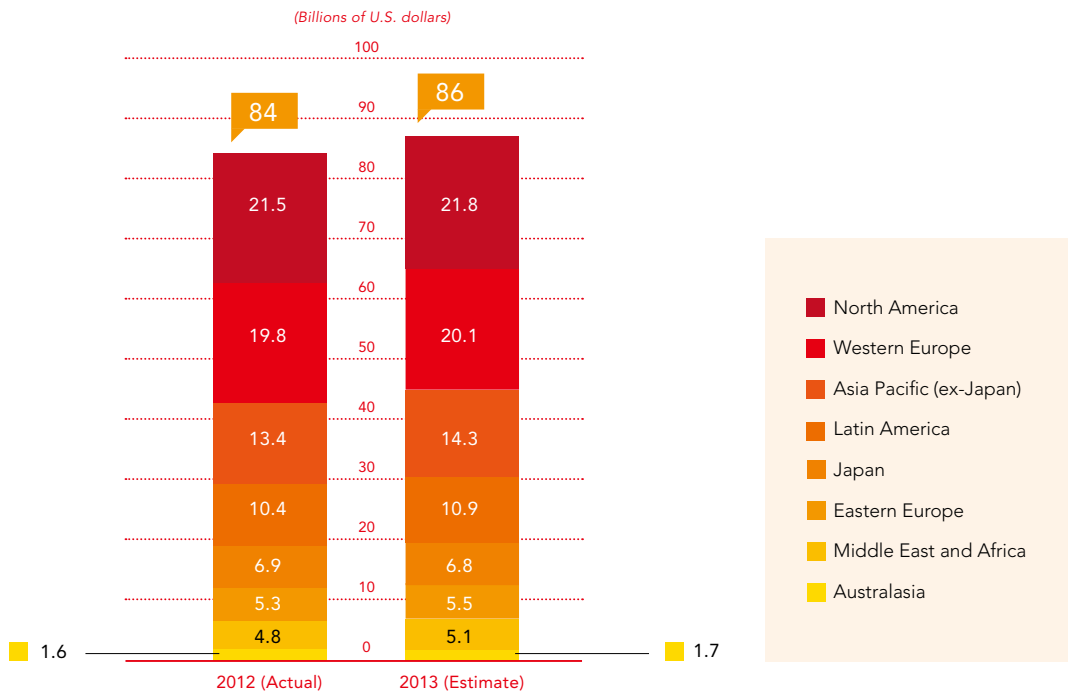
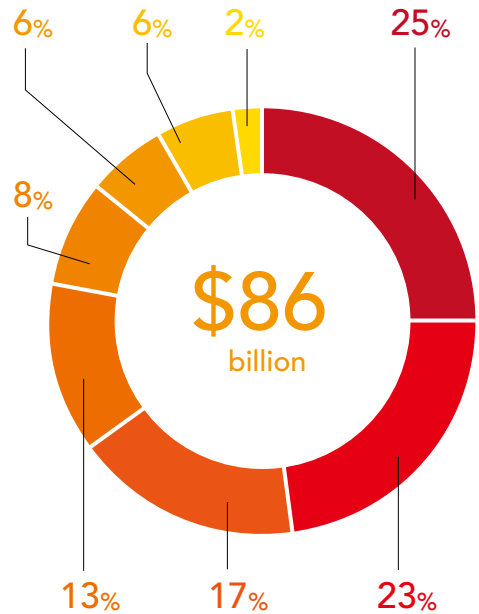


Source: The Japan Toy Association

During FY2013, the market volume in North America, which makes up about 25% of the global toy market, was estimated to be US\$21.8 billion (¥2,249.9 billion), growing 1.6% year on year. Also, the Western European market, which is estimated at US\$ 20.1 billion (¥2,077 billion), increased 1.1% year on year. (Source: Euromonitor International Ltd.)

U.S. dollar amounts have been translated at the rate of ¥102.92=US\$1, the approximate exchange rate at March 31, 2014.

Global Toy Market 2013 (Estimate)



Source: Euromonitor International Ltd.

# GROUP PERFORMANCE

## Performance by region

### JAPAN

Sales of our TOMICA car toys were strong as collaborative product series linked to our popular content trended higher. Moreover, we have been aggressively developing trading card game marketing to increase new users, resulting in solid sales. Our new transforming robot TRANSFORMERS series product line has gained popularity, with overseas deliveries showing particular growth. Also, new product lines, including products with tie-ins to popular characters and content such as those linked to the LINE mobile messenger service and the new Disney animated feature PLANES, and smartphone toys that connect to game consoles, have gained in popularity.

We have also sought to expand our lines of core products through sales of the ANIA series of animal figurines with moving parts. In our toy peripheral business, amusement machines continued to trend favorably. Our efforts to optimize our business portfolio to expand and strengthen the core toy business include the transfer of all shares of our wholly owned subsidiary TOYS UNION Co., Ltd., a wholesaler of video-game-related products, to HAPPINET CORPORATION in July 2013. We also transferred a portion of Tatsunoko Production, an animation company, to Nippon Television Holdings in January, after which that company became an equity-method affiliate. Due to the transfer of subsidiary stock, net sales were ¥107,777 million

(down 21.8% year on year), but by controlling selling, general and administrative expenses we succeeded in posting a gain in operating income to ¥7,355 million (up 4.5% year on year).



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ANIA © TOMY

(Millions of yen)

	Net sales			Operating income (loss)		
	2014	2013	Change	2014	2013	Change
Japan	107,777	137,844	(30,066)	7,355	7,037	317
North America, Europe and Oceania	42,127	36,104	6,023	(723)	(1,637)	913
Asia (other than Japan)	49,500	28,970	20,530	526	1,445	(919)
<b>Total</b>	<b>199,405</b>	<b>202,919</b>	<b>(3,513)</b>	<b>7,157</b>	<b>6,846</b>	<b>311</b>
Eliminations and corporate	(44,601)	(24,173)	(20,428)	(3,822)	(4,299)	476
<b>Consolidated</b>	<b>154,804</b>	<b>178,745</b>	<b>(23,941)</b>	<b>3,335</b>	<b>2,547</b>	<b>787</b>

## NORTH AMERICA, EUROPE AND OCEANIA

TOMY International Group launched full-scale cross-selling with Japan, and sales of the globally licensed Pokémon-related goods and interactive BATTROBORG, which have gained popularity in Japan, increased successfully. Although the licensing period for THOMAS the Tank Engine products expired during the previous fiscal year, sales of agricultural equipment maker JOHN DEERE-related goods and baby products trended positively. After adding in the effects of yen depreciation, net sales tallied ¥42,127 million (an increase of 16.7% year on year). An operating loss of ¥723 million (compared with an operating loss of ¥1,637 million the previous fiscal year) was posted due to an increase in advertising expenses for our priority products, as well as ¥757 million posted for the amortization of trademark right use.



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# BATTROBORG



## GROUP PERFORMANCE

### ASIA

In the ASEAN countries, we developed new products tailored to the purchasing standards and tastes of nations and regions. In Indonesia, we aggressively developed store promotions for TOMICA and ANIA, and developed ANIMAL WHEELS, a product that combines the cars and animals that local boys like, which sold well and became popular. In China, we proceeded with the closure of unprofitable stores and made progress in restructuring our business, focusing on TOMICA, PLARAIL, Pokémon and DISNEY-related products that can garner stable revenues after taking into consideration the difficult sales environment in that country and withdrawing from sales of other products.

We also integrated our manufacturing subsidiary in Hong Kong with the TOMY International Group manufacturing subsidiary with the goal of creating an efficient global procurement organization. Following that integration, we transferred to a system whereby the manufacturing subsidiaries can, as a global procurement center, share the process of placing orders at production outsourcing plants. Thanks to this integration of the ordering process, net sales reached ¥49,500 million (a year-on-year increase of 70.9%). Operating income, however, fell to ¥526 million (down 63.6% year on year) due to slack sales in China and a write-down of inventories.

