

ACCESSIBLE  
TOYS

DREAM

Transformation

CHALLENGE

Value

NEW  
IDEAS

4th  
generation

Revolution

Inspire



# MESSAGE FROM THE CHAIRMAN

This past year was noteworthy for TOMY as it marked the 90th anniversary since our establishment. Our company has been transforming itself every 30 years in line with the changing times, and we are now positioning ourselves for another strategic change as we enter our fourth 30-year cycle.

In June 2015, I was appointed chairman, and H.G. Meij, a management professional brought on board last year, was appointed president and CEO. Under our new structure, led by a professional manager, we look forward to taking on the challenges of a new generation.

富山 幹太郎

Chairman  
Kantaro Tomiyama

## Results for the year ended March 2015

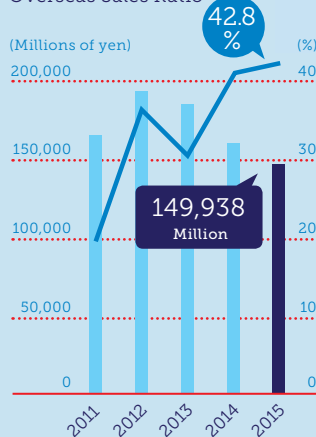
Net Sales:  
**¥149.9** billion

Operating Income:  
**¥2.4** billion

EBITDA:  
**¥11.1** billion

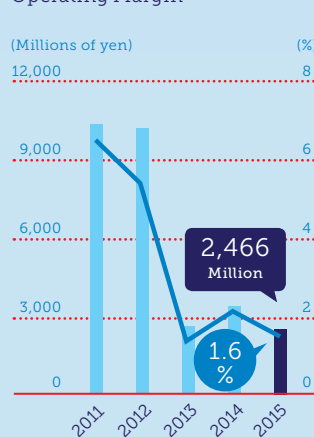
### Net Sales

Overseas Sales Ratio



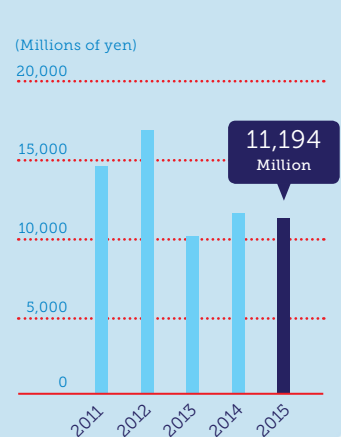
### Operating Income

Operating Margin



### EBITDA

(Millions of yen)





## MESSAGE FROM THE CHAIRMAN

### The Year in Review

Looking back on the fiscal year ended March 31, 2015, the Japanese economy was characterized by sluggish personal consumption due to the April 2014 consumption tax hike. Conditions were extremely severe in the toy market, as competitors came out with blockbuster hits in toys for elementary-school-age boys. Overseas, we faced an uphill battle in Europe, as key customers drew down their product inventories and price competition grew more intense. We were also hit hard on the exchange front, as the yen depreciated further against the U.S. dollar than we had anticipated.

### Business Results

Operating in this difficult business climate, we succeeded in creating a number of hit products. These included PRIPARA amusement machines, FROZEN-related and other toys for girls, the WIXOSS trading card game and TRANSFORMERS-related products. Compared with the previous year, sales decreased ¥4,865 million, or 3.1%, to ¥149,938 million mainly due to the transfer of shares in subsidiaries TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd., thereby removing them from the scope of consolidation. This move, which had an impact of ¥6,478 million, was part of our strategic plan to increase management efficiency by reinforcing our core toy business. Excluding the effect of this sale of subsidiaries, sales would have been up ¥1,612 million, or 1.1%, year on year, with revenues rising for four consecutive quarters.

Operating income fell 26.0% to ¥2,466 million. The foreign exchange effect of substantial yen depreciation caused the cost of sales to rise, so gross profit decreased. Advertising and R&D expenses also climbed, as we stepped up our strategic marketing and new product development activities. Ordinary income dropped 39.0% to ¥2,014 million due to a decrease in foreign exchange gains.

We posted an extraordinary loss of ¥1,852 million due to a settlement fee in a civil procedure against U.S. subsidiary T-ENTAMEDIA Co., Ltd., which was faced with fraud associated with improper accounting practices. Accordingly, the Company posted a net loss of ¥1,817 million compared with net income of ¥232 million in the previous term.

### Major Efforts

This past year was noteworthy for TOMY as it marked the 90th anniversary since our establishment. Our company has been transforming itself every 30 years in line with the changing times, and we are now positioning ourselves for another strategic change as we enter our fourth 30-year cycle. In May 2015, I worked with H.G. Meij, who was appointed president, to formulate a new medium-term management plan for the first three years of our fourth generation. This plan sets forth energetic initiatives themed on three revolutions: revolution of mind, product revolution and structural revolution of business.

The structural revolution of business generated particularly significant results. With the aim of making management more efficient and accelerating decision making, on October 1, 2014, we restructured our headquarters organization and in November we merged three domestic functional subsidiaries. We also transferred control of some businesses and functions. For example, we augmented the sales function of TOMY MARKETING COMPANY, LTD., and revised the activity scope of T-ENTAMEDIA Co., Ltd., to include the sales floor development and maintenance business.

Although our consolidated operating results during the year were severe, we began to see positive signs of numerous hit products emerging, and I am greatly heartened by the product developments under way. Working as a Group, we are undertaking thorough measures at our domestic subsidiaries to prevent the recurrence of the sort of inappropriate accounting activities that came to light this year. We will continue putting every effort into ensuring that the revolutions currently under way will translate to better operating performance in the upcoming fiscal years.

## Payout and Capital Policy

We recognize payouts to shareholders as our most important management issue. We set an annual dividend of ¥10 per share for the year under review, and we plan to maintain this level going forward. In December 2014, we dissolved a capital and business tie-up we entered into seven years ago with TPG Capital Management LP in the aim of enhancing business value. To prevent potential share dilution and avoid a decline in capital efficiency, we acquired and cancelled convertible bonds, as well as acquired our own shares.

Under our new medium-term management plan, we will continue to change in keeping with the times, and executing the three revolutions will be pivotal. As we pursue these transformations, we will undertake measures designed to augment shareholder value. In these endeavors, I ask for the ongoing understanding and support of our shareholders and investors.

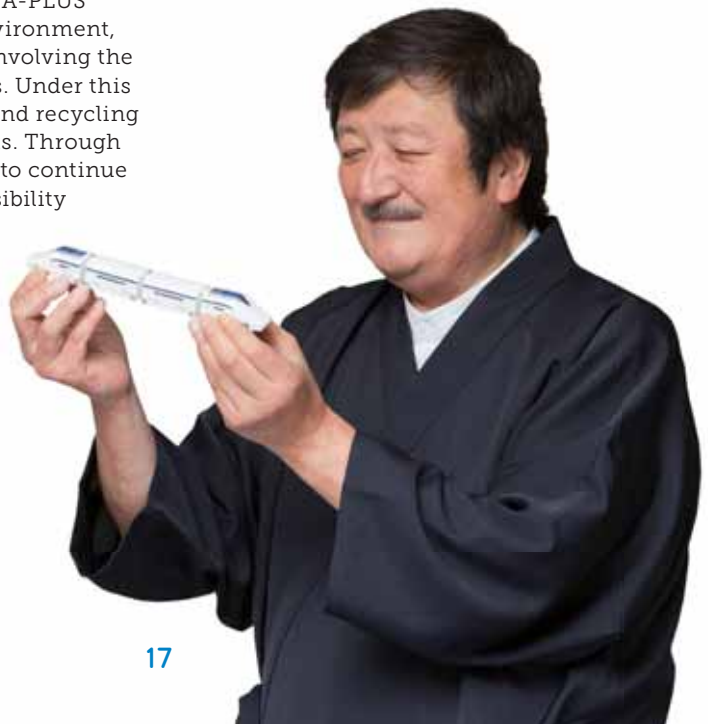
## CSR

Our mission at the TOMY Group is to inspire and fulfill the dreams of people worldwide through our toys. For example, we pursue an Eco-Toy program, and we have led the way in developing “accessible toys” that children with disabilities can enjoy playing with. These moves have spread out broadly into the greater toy industry. We also continue to participate in the “PLA-PLUS Project” led by the Ministry of the Environment, an experimental recycling business involving the collection of plastic products at stores. Under this program, we promote the collection and recycling of stationery, toys and plastic products. Through our ongoing participation, we intend to continue fulfilling our corporate social responsibility through the toy business.

## A Change of President— Entering a New Generation of Toys

A resolution passed at the General Meeting of Shareholders in June 2015 confirmed my appointment as chairman, and H.G. Meij, a management professional brought on board last year, was appointed president and CEO. By clearly demarcating the management supervisory and execution functions, this move is designed to ensure effective governance. It also puts in place a structure for swifter decision making and more expeditious business execution. I plan to scrutinize management closely from my new position as chairman.

Serving as president for the past 29 years, I have seen the way people play change as time marched on. It is now time for someone younger and with new ideas to lead the charge. TOMY has changed along with the times in the past, and we will continue to transform ourselves, all the while retaining our toymaker spirit. Under our new structure, led by a professional manager, we look forward to taking on the challenges of a new generation.



Globalization Reenergize  
NEXT PHASE NEXT-GENERATION

Online

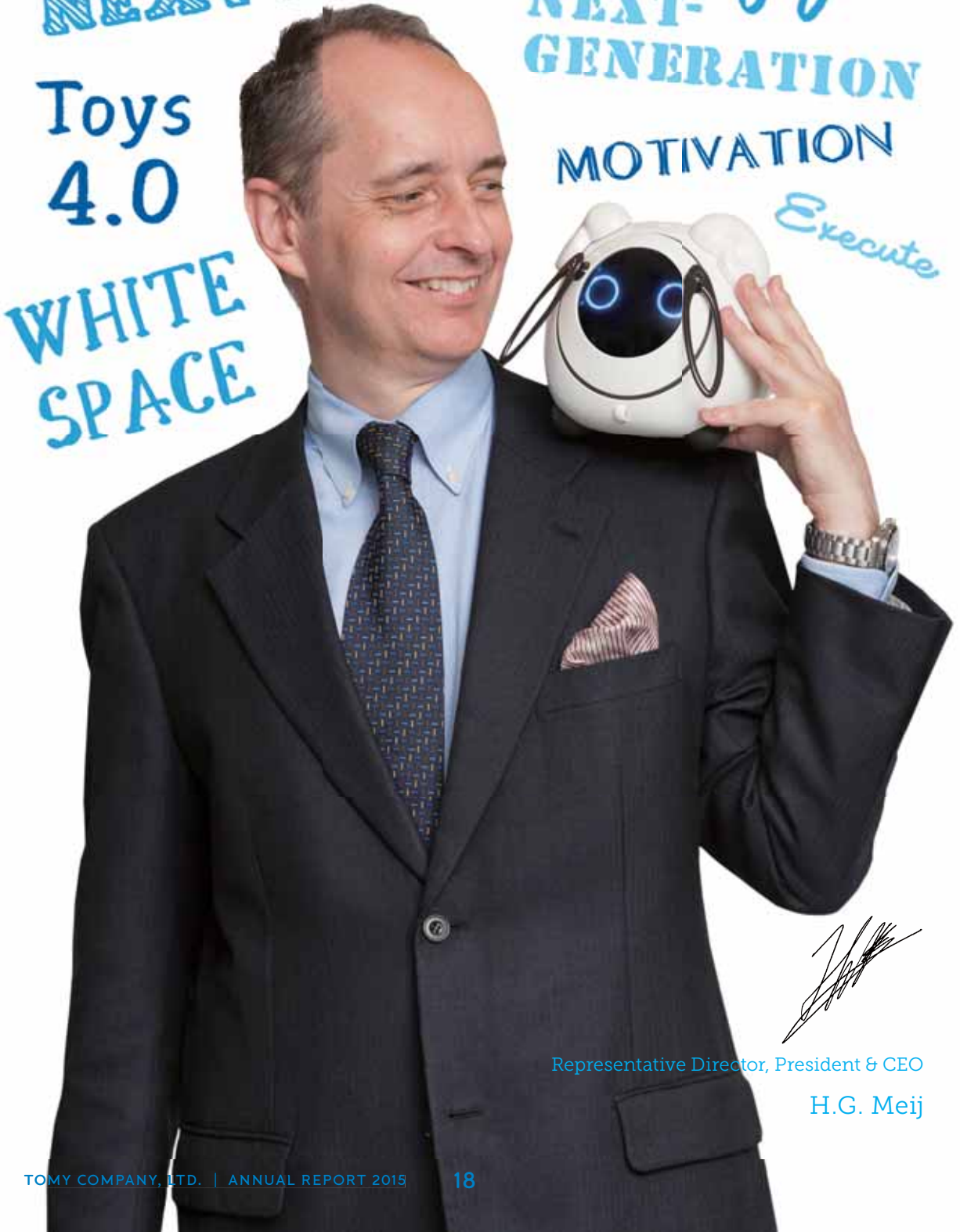
Toys  
4.0

NEXT-GENERATION

MOTIVATION

Execute

WHITE  
SPACE



Handwritten signature of H.G. Meij

Representative Director, President & CEO

H.G. Meij

# MESSAGE FROM THE PRESIDENT & CEO

## The Next Phase—Execution

In my first year since being appointed CEO, we launched our new medium-term management plan and took a proactive stance on initiatives that are altogether new rather than extensions of past activities. We have also taken hold of some attractive new opportunities. We have proceeded with building business foundations centered on our core Japanese business; now is the time to execute.

Last year, we defined the three revolutions that would be central to our operations in the fourth generation: revolution of mind, product revolution and structural revolution of business. Over the past year, these revolutions have picked up speed.

In terms of the “revolution of mind,” I have watched as we took on risks without fear of failure and saw employee motivation increase, and we have made progress in globalization. But I think some of the biggest changes in awareness have been in employee-driven revolution projects, with our people becoming ever more proactive in their statements and proposals. Our need for globalization is clear: The Japanese market, which accounts for less than 10% of the global toy market, generates around 60% of our sales. We have addressed this issue by building our overseas business through measures including the aggressive acquisition of toy product rights, such as for movie content.

Our “product revolution” is themed on core products that generate stable profits, both by expanding existing product lines and by steadily rolling out new ones. We have continued to pursue branding for the LICCA doll, creating a buzz through next-generation marketing whereby a

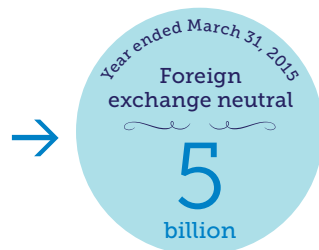
LICCA doll clad in trendy fashions communicates her world views via SNS. At the same time, we have attracted a great deal of interest in a new brand—a series of dolls targeting adults. We have also been active in developing new products in the “Toys 4.0” genre (new products that fuse analog toys and digital elements). In this category, we have prepared a number of next-generation products that lend themselves to multiple development angles, such as BEYBLADE BURST, the Linear Liner and OHaNAS.

One aspect of our “structural revolution of business” was the October 2014 restructuring of our headquarters organization. This move involved the optimization of divisions and departments, which were reduced by about 20%. In addition to the consolidating and restructuring that flattened the company into nine organizational units, we pursued greater management efficiencies by consolidating subsidiaries. We also made progress on rejuvenating the organization, lowering the average age of managers at the executive level or above by around five years. We optimized personnel; conducted 360-degree evaluations among superiors, colleagues and subordinates; introduced an internal recruiting system; and equalized compensation systems among headquarters and group companies.

In all, we have pursued around 100 “revolution projects” to reenergize the Company in Japan and overseas. This year, we prioritized our top 10 projects. These were the integration of subsidiaries and organizational improvements, 360-degree personnel evaluations and the compensation system, increasing sale opportunities (point of availability, or POA),

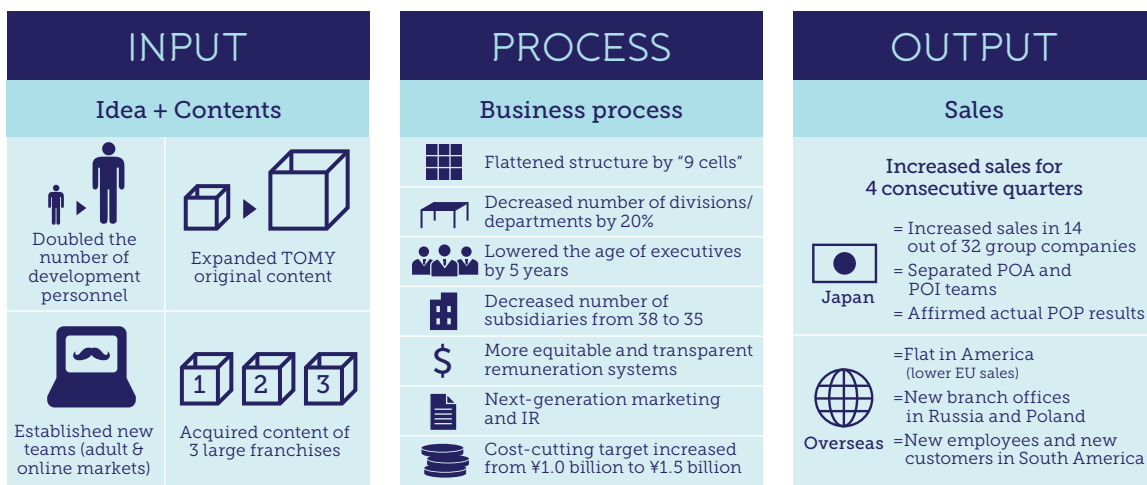
(Billions of yen)

Year to March 31	2014 results	2015 results
Net sales	148.3	149.9
Operating income	3.2	2.4
Operating margin	2.2%	1.6%



2014 results excluding the impact of share transfers of TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.

## MESSAGE FROM THE PRESIDENT AND CEO



augmenting product development capabilities (Innovation Funnel), next-generation marketing, strengthening POP, strengthening profit/loss management by each brand item, strengthening online sales, making improvements on various business costs and enhancing the environment inside TOMY.

### Evaluating the First Year of Our New Medium-Term Management Plan

Good inputs, such as ideas and content, lead to good business processes. These successes are expressed in terms of better outputs—namely, business results. Unfortunately, we fell short of our numerical targets for the year under review. However, excluding external factors such as exchange rates, I would say that we steadily increased our ability to boost sales and income and profit rates.

With regard to inputs, focusing during the year on TOMY-original content resulted in several successes. In just the first eight months after launching the PRIPARA amusement machines business, registered users rose beyond our expectations and exceeded 1.2 million people. By forging links between the popularity of the WIXOSS trading card game and late-night anime, sales outpaced our expectations by six times. We also enjoyed solid performance among core products—our lifeline—such as TOMICA, PLARAIL and the LICCA doll. Exports of products related to the major hit film TRANSFORMERS, which aired in the summer of 2014, were robust. In these ways, we succeeded in generating hit products that responded to a changing competitive landscape. We

set the stage for expanding sales in overseas markets by acquiring three major Disney movie content properties. Furthermore, we doubled our number of development personnel and established new teams for planning and developing products for adults, as well for reinforcing sales in the online market.

In processes, we made progress on the revolution projects I mentioned earlier. As an output, we succeeded in boosting sales successively for four quarters in Japan, excluding the impact of changes in the scope of consolidation.

Looking overseas, in the North American market, which accounts for around 70% of our overseas business, John Deere agricultural implement toys continued to enjoy strong popularity. Sales were favorable for Pokémon-related products and feeding products, such as baby bottles and cups. Thus, we established a firm business foundation and maintained sales at the previous year's levels. In Europe, shipments fell as some of our principal customers drew down their inventories. We countered by employing seven new members of management to oversee departments, including sales and marketing. We established new bases in Russia and Poland as part of our ongoing process of globalization.

We regrettably had inappropriate accounting issues at a consolidated subsidiary, T-ENTAMEDIA Co., Ltd. To prevent a recurrence and bolster compliance, we have set aside a Compliance Day to concentrate specifically on raising awareness of compliance among all employees by training all employees worldwide annually with testing and certification programs, and we have reinforced our internal auditing functions.

## Future Strategy

Looking ahead at the products that constitute important inputs, we will concentrate on profitable core products that generate stable sales and profits. In addition, we will redouble our efforts targeting new products and partners, and further increase the sales of products overseas.

Among new products, we will develop more reasonably priced products for the Asian market. We will also concentrate on developing high-tech toys and toys for adults. Also, we will proactively pursue opportunities to forge partnerships, developing sourcing items and movie-related products.

We will introduce two major products from 2015. The first, BEYBLADE BURST, is a third-generation product in the Beyblade series. The first series generated revenues of ¥165 billion and the second generation more than ¥200 billion. This third generation (the burst gimmick) will have battle elements to test players' instincts and feature communication among players via the Internet, and we will offer integrated digital elements (RFID chip) and concentrate on global sales. We think the BEYBLADE BURST meets all the criteria for being an ideal toy. The BEYBLADE BURST will register battle

results in the cloud and offer shared functionality. These elements should help the third generation secure an even larger market than the previous generation. The second major product is The SNACK WORLD, a large-scale cross-media project created by LEVEL-5 Inc. that we will develop across the game, toy, television anime and manga genres.

## Future Numerical Targets

Our numerical targets for the year ending March 31, 2016, are sales of ¥170.0 billion, operating income of ¥4.0 billion, an operating margin of 2.4%, EBITDA of ¥13.5 million and ¥1.3 billion in net income. By implementing the host of initiatives described earlier, we intend to boost our operating margin further in the year ending March 31, 2017.

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. That purpose will drive TOMY to make the broad reforms that will make us a truly global company. I hope for your understanding and support in reaching our goals.

## Medium-Term Base Plan

(Billions of yen)

Year to March 31	2014 results	2015 targets	2016 targets	2017 targets
Net sales	154.8	160.0	164.0	170.0
Operating income	3.3	4.0	6.0	8.0
Operating margin	2.2%	2.5%	3.6%	4.7%
EBITDA	11.5	12.6	14.9	16.4

Year to March 31	2015 results	2016 targets
Net sales	149.9	170.0
Operating income	2.4	4.0
Operating margin	1.6%	2.4%
EBITDA	11.1	13.5

Foreign exchange neutral estimate

5.7 billion





# TOWARD THE FUTURE

## On the New Management Structure

In June 2015, TOMY handed over its presidency outside of the founding family. Kantaro Tomiyama was appointed chairman and representative director, where he will serve in a management supervisory function. H.G. Meij was appointed president, representative director and CEO, taking a management execution role. This arrangement is aimed at clearly separating the roles, execution and supervision, and is designed to ensure more effective governance. TOMY continues to enhance governance through the inclusion of outside directors and outside Audit & Supervisory Board members, who attend Board of Directors and other important meetings and offer spirited opinions. In this manner, we are pursuing management that is both well balanced and transparent. Going forward, the president and CEO will concentrate on management execution in the interest of swift decision making and expeditious business execution. At the same time, the two will cooperate in transforming the Company in line with the changing times, all the while retaining the “toymaker spirit” of the founding family. They look forward to providing a new sense of fun as the company progresses.

TOYMAKER SPIRIT  
ENHANCE *Transparent*  
BALANCE

