

# MARKET TRENDS AND GROUP PERFORMANCE

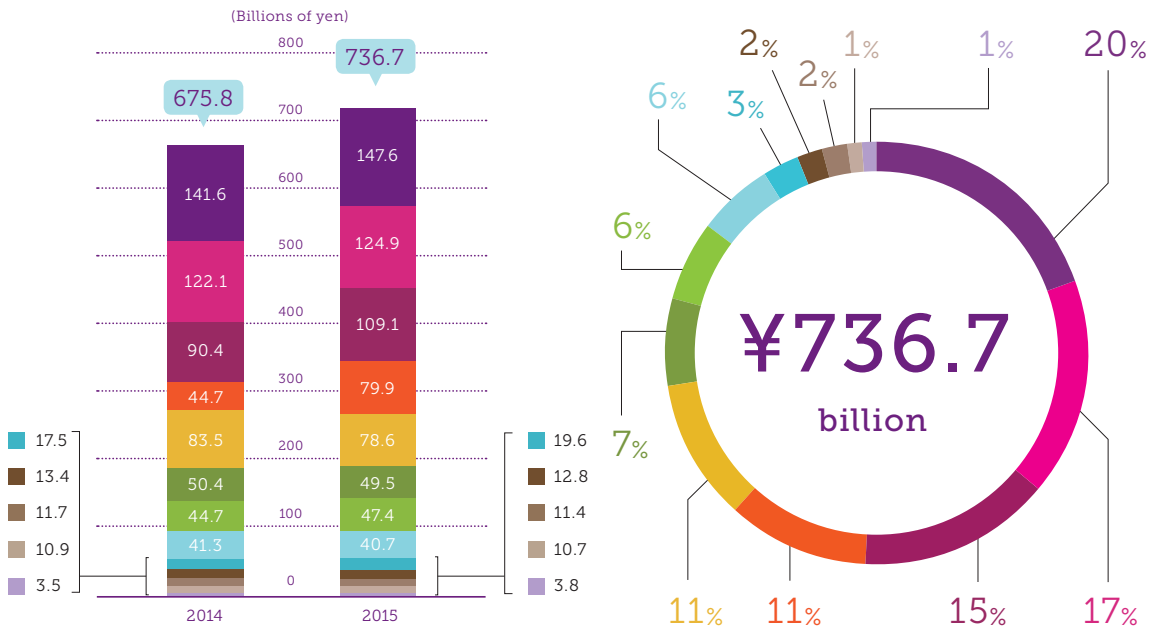
## Japanese Market Trends

For the year ended March 31, 2015, character and analog toys drove growth in the Japanese toy market, driving our net sales up 9% year on year to the highest level in a decade. Explosive hits among character toys for boys were a social phenomenon, and character toys related to the animated film FROZEN were popular. Craft-type accessory-making toys for girls, sand toys and cup-and-ball games were also popular.

By category, sales of boys' character toys surged 78.6% year on year, and sales of girls' toys were up 6.1%. Although sales of boys' toys were down 1.5%, the opening of the Hokuriku Shinkansen line spurred sales of rail-related toys.

Note: U.S. dollar amounts have been translated at the rate of ¥120.17 = US\$1, the approximate exchange rate at March 31, 2015.

## Japanese Toy Market 2015



- Educational toys
- Seasonal toys
- Jigsaw puzzles
- Hobbies
- Girls' toys
- Others
- Stationery, gifts, etc.
- Boys' toys
- Interactive toys
- Boys' characters
- Stuffed toys
- Games
- Trading card games
- Games

Source: The Japan Toy Association

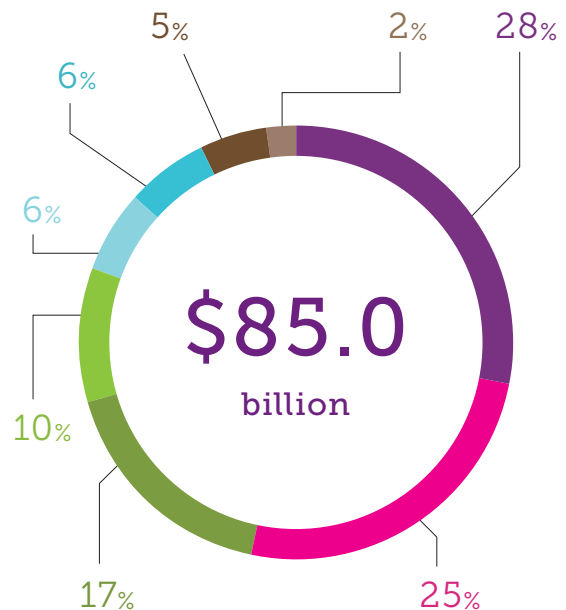
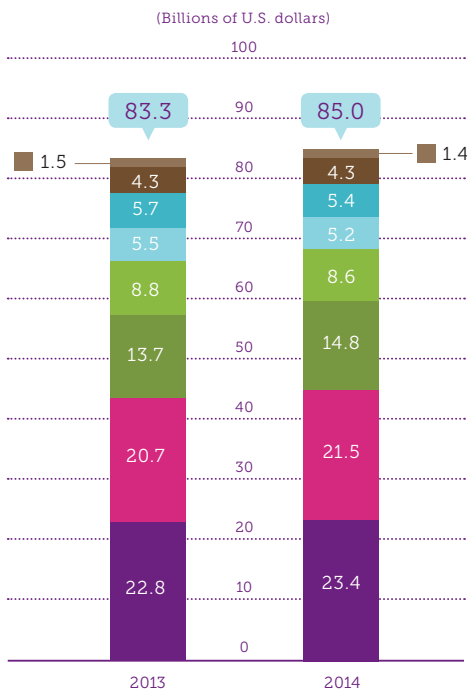


## MARKET TRENDS AND GROUP PERFORMANCE

### Overseas Market Trends

In calendar 2014 (January through December 2014), the overseas toy market had an estimated value of US\$85.0 billion (approximately ¥10.21 trillion) expanding from the previous year. The Asia Pacific, North American and European toy markets, which together account for around 70% of the world total, all trended upward to values of US\$20.0 billion (¥2.66 trillion), US\$23.4 billion (¥2,824.0 billion) and US\$21.5 billion (¥2,595.7 billion), respectively. (Source: Euromonitor International Ltd., a survey company based in the United Kingdom)

### Global Toy Market 2014



- North America
- Asia Pacific (ex-Japan)
- Japan
- Middle East and Africa
- Western Europe
- Latin America
- Eastern Europe
- Australasia

Source: Euromonitor International Ltd.

## Performance by Region

### Japan

Factors including the consumption tax hike caused a downturn in consumer confidence. Also, major changes in the competitive environment in toys for elementary school boys led to a drop in sales of products such as the DUEL MASTERS trading card game.

In girls' toys, registered members for our PRIPARA amusement machines in the eight months since we launched the business outpaced our expectations, reaching 1.2 million, and sales of FROZEN-related products were favorable, with doll dress sales exceeding 200,000. Taking advantage of tie-ups with late-night animated cartoons, sales of the WIXOSS trading card game outpaced our expectations by six times. Attention also focused on high-target (adult)

products such as the OMNIBOT series of next-generation entertainment robots, which was a hit in this genre. Longstanding products including our TOMICA and PLARAIL vehicle toys and the LICCA doll performed well. Overseas exports of TRANSFORMERS-related products were firm, helped by the global hit movie that screened in the summer of 2014.

Net sales decreased 4.6% during the year to ¥102,808 million. This drop mainly was due to the transfer of shares in subsidiaries TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd., which had an impact of ¥6,478 million. On the profit front, higher purchasing costs caused gross profit to decline. In addition, we aggressively invested in advertising and strategic R&D spending. Operating income accordingly dropped 13.0% to ¥6,402 million.



(Millions of yen)

Year to March 31	2014	2015	Change
Net Sales	¥154,804	¥149,938	¥(4,865)
Japan	107,777	102,808	(4,969)
North America, Europe and Oceania	42,127	41,843	(284)
Asia	49,500	53,850	4,349
Eliminations and corporate	(44,601)	(48,563)	(3,961)
Operating income	3,335	2,466	(868)
Japan	7,355	6,402	(953)
North America, Europe and Oceania	(723)	(610)	112
Asia	526	2,063	1,537
Eliminations and corporate	¥(3,822)	¥(5,387)	¥(1,565)



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### North America, Europe and Oceania

The TOMY International Group set up a new branch in Poland, opened a subsidiary in Russia and worked to expand sales routes by reinforcing business with toy distributors in individual countries and regions. In North America, sales were favorable for Pokémon-related products and feeding products such as baby bottles and cups. JOHN DEERE agricultural implement toys also remained popular, helping us to firm up our business foundations in this region. In Europe, however, product shipments were sluggish, due to key customers drawing down their inventory levels and intense price competition from other manufacturers.

Net sales in this region dipped 0.7% to ¥41,843 million. Our cost-to-sales ratio worsened because of discounted sales. These factors, plus pressure from selling, general and administrative expenses, led to an operating loss of ¥610 million, compared with an operating loss of ¥723 million in the preceding fiscal year.



Asia

In the ASEAN countries, we tailored products to the purchasing levels of individual countries and regions, developing new products to reflect the tastes of local children. In Singapore, we launched TAIL BATTLER, a reel-and-rod toy for boys that proved popular. We also began a rollout in nine Asian countries, including Indonesia, of BLAST FIGHTER, a battle robot toy.

Our production subsidiary, TOMY (Hong Kong) Ltd., generated sales of ¥53,850 million, up 8.8%, partly thanks to favorable shipments to Japan. Operating income soared 292.1% to ¥2,063 million, partly because of lower selling, general and administrative expenses as we retrenched a portion of our business in China.



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