



BUSINESS MODEL IN THE VALUE CREATION PROCESS



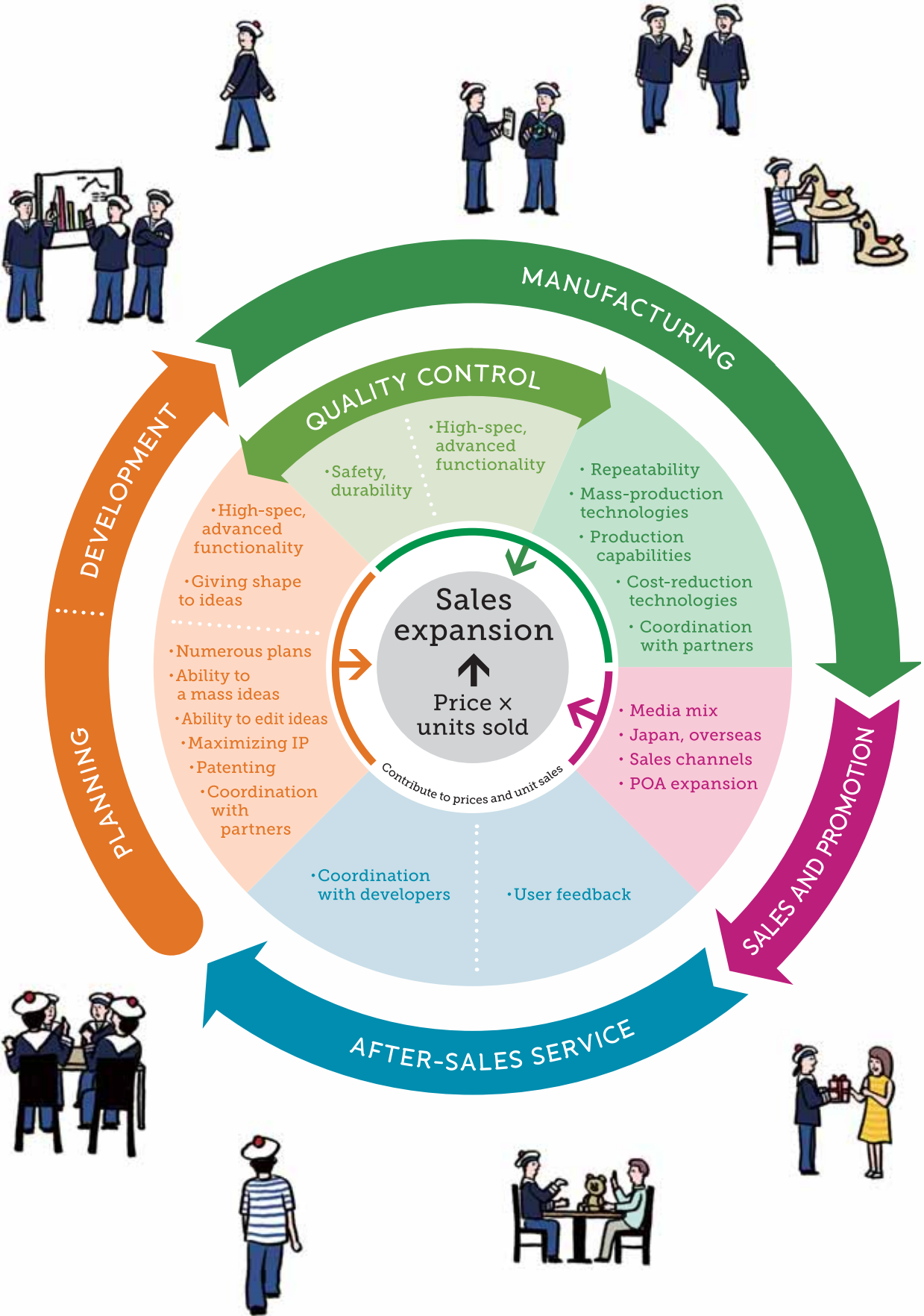
Creating Value at the TOMY Group

Building toys at TOMY is a joint effort, a collaborative process involving staff in planning and development, as well as the sales and marketing processes. BATTROBORG, a 2014 hit product we highlighted in last year's special feature, is an excellent example of the attention to detail that goes into creating attractive products.

Ascertaining needs in the toy market is considered to be extremely difficult. To boost our hit rate under these circumstances, we need to detect fluctuations, develop products swiftly in response and continually create products that entertain and surprise—all the while remaining a step ahead of the market.

This special feature focuses on the "engine" (business model) that is essential to creating value as we drive across the heavy seas into the next-generation toy market. We tune and refurbish this engine in response to market fluctuations and changes in the external environment and create value. In this section, we introduce the initiatives that keep us on the front lines of this ongoing effort.





SPECIAL
FEATURE



PRODUCT
PLANNING /
DEVELOPMENT



Linear Liner
JR東海承認済

Going Beyond Conventional Boundaries by Realizing “Anything Can Be a Toy”



Takuya Inoue

Product Planning Team, New Products Planning Group,
New Product Division

Q1 What is your role in corporate value creation?

My role is to consistently come up with a host of future-oriented ideas that go beyond the scope of traditional boundaries, while at the same time making use of technologies that have served us well in the past, to create new toys. For example, the desire to quickly introduce a “linear motor car” toy prompted the development of the Linear Liner. This development brought TOMY technologies together and led to the world’s first mass-produced toy employing both magnetic levitation and magnetic travel. TOMY is a pioneer in rail toys and railway models. For example, PLARAIL has a 56-year history, and TOMIX dates back 39 years. Transferring some of the technologies and expertise developed in this area to the Linear Liner brought together dyed-in-the-wool toy developers, young engineers with creative ideas and a wealth of other talent across the technology development team. I think this toy truly represents the fusion of TOMY’s toy development capabilities and technologies. We even made use of the coil and magnetic drive mechanism developed for Sunshine Buddies and Sunny People, although they might appear unrelated to the Linear Liner at first glance. Creating innovative technologies by seeing new relationships is one of the most important roles for someone involved in planning and development.

Q2 What are some specific measures for strengthening the planning and development function?

Coming up with an altogether new plan means not

just carrying forward the proprietary technologies we have built up with different products. In addition, you need to extract from and apply these methods and have the ability to reorganize them into new technologies. In the example of developing the Linear Liner, TOMY’s technology development team combined technologies that existed individually to come up with a world-first new technology. I believe the capabilities and sense required to achieve this are an intangible asset.

Another important aspect of strengthening this function is the ability to collaborate between departments. The manufacturing department working at the fundamental development level coordinated with the quality control department to quickly check on safety and functionality. This cooperation led to effective cost controls that made it possible to mass-produce the Linear Liner.

Q3 What are some of the changes that are under way with a view to the fourth generation?

I sense that by going beyond departmental boundaries and forging stronger relations with related departments, we are strengthening our ability to propagate ideas. Promoting the Linear Liner required thorough coordination among business and publicity departments and the next-generation team. Information was diffused as never before, which succeeded in generating broad media exposure. We received positive responses from a variety of quarters, with comments like “This is a toy children of three generations can enjoy.” and “I would like to use this as a tool for science education.”

Q4 What are some persistent traits of “planning and development”?

The desire to shake up the world a little and provide a thrill to many people is a big motivator for people who work at TOMY; it’s certainly a major source of inspiration for me. We build toys that are enjoyable to play with, of course, but they are also fun for the people who make them. I hope to always be able to apply this passion creatively to make exciting products.



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Nohonzoku,
solar bobble head figure
using a magnet



TOMIX

PRARAIL
Hokuriku Shinkansen
E7 Series Kagayaki



JR東日本商品化許諾済



SPECIAL
FEATURE



PRODUCTION /
MANUFACTURING

Manufacturing Toys That Are Safe While Maintaining Thorough Cost Awareness

Shun Harashima

Production Team 1, Production Engineering Group,
Production & Procurement Division



Q1 What is your role in corporate value creation?

The role of the production and manufacturing processes in building competitive toys has to do with building structures that supply good-quality products inexpensively. To achieve this, we strive to achieve cost savings and eliminate defects. To achieve cost savings, we have stepped up production and manufacturing of the TOMICA in Vietnam, making effective use of the technologies and expertise that have been accumulated at our factory in Thailand. Because TOMICA in particular is an ongoing product line, we focus on achieving major cost reductions by strengthening our management across the supply chain, including warehouses in Japan and overseas, procurement and all logistics.

To eliminate defects, we are giving increased attention to design reviews* at the trial production stage. Thorough design reviews ensure that there are no problems with final trials. This reduces the amount of time and unnecessary expense spent at the mass-production stage. This approach also creates a system to ensure stable quality.

*Design reviews are meetings attended by members of production, development, quality control and other departments, as necessary. Members evaluate trial products from their own perspectives and provide their views.



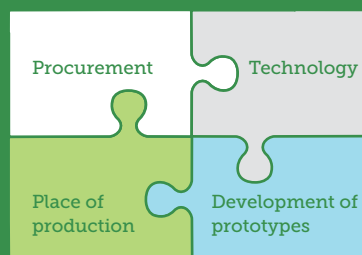
Q2 What are some specific measures for strengthening the production and manufacturing function?

Because the yen is weak at the moment, parts costs have risen, squeezing profits. One measure we are taking to address this from a cost-savings perspective is undertaking preparations to

cultivate new production bases. We have already begun producing some parts in Bangladesh, and we have our sights on India, Mexico and other locations. We are identifying country risks and considering ways to hedge that risk. Because of the recent sharp rise in personnel costs in China, we are conducting prior confirmation of process schedules in Japan. Also, we are working to control the quality of local processes and striving to maintain competitiveness on the technology and quality fronts.

Q3 What are some of the changes that are under way with a view to the fourth generation?

On April 1, 2015, we integrated the Production & Procurement Division. This is one visible change in our organizational structure. By bringing together the technology and production management departments, we have integrated our technical expertise and know-how in coordinating with related departments. This combination has enhanced our ability to predict and eliminate problems at the pre-production stage, which boosts operating efficiency.



Q4 What are some persistent traits of "production and manufacturing"?

For the people involved in production and manufacturing, ensuring customers receive products that are safe is the topmost priority. To achieve this, we need to continuously remind ourselves to look at things from the customer's perspective. We go right to work on repairing even niggling problems. To ensure customer satisfaction, we pay close attention even to trivial-seeming items.

SPECIAL
FEATURE



QUALITY
CONTROL



Strength testing of BEYBLADE sample at development stage

Boosting Added Value by Maintaining a Fine Balance between "Safe" and "Fun"



Ryohei Watanabe

Products Assurance Team, Safety & Quality Assurance Group

Q1 What is your role in corporate value creation?

Because we make toys that children play with, we must ensure that they pose no potential for injury or accident. Preventing such threats is our foremost, and unchanging, priority in quality control. On the other hand, exclusively pursuing the safety side of the equation makes it difficult to develop toys that are fun and thrilling to play with. For example, when planning the BEYBLADE BURST series, to ensure safety without losing the fun of the "burst," we had discussions in-house and considered in careful detail everything from development and materials procurement to manufacturing design and reminders in the instruction manual. I believe achieving this balance between "safe" and "fun" plays a key role in creating toys that are competitive.

Q2 What are some specific measures for strengthening the quality control function?

We hold new product review sessions three times a week, attended by all members of the Safety & Quality Assurance Office, to concentrate on identifying safety and quality concerns at an early stage and ensuring they are dealt with in a timely manner. Using prototypes of proposed new products and sometimes drafts of plans, numerous people take part in confirming and discussing whether any problems are present from the early stages. In addition to the early detection of problems, this approach shares information among all members of the department and leads to improvements.

Q3 What are some of the changes that are under way with a view to the fourth generation?

As the name suggests, "Toys 4.0" involves numerous toy proposals. Recent proposals include toys linked to smartphones and plans involving new technologies like the LINEAR LINER. Of course, these plans go beyond the scope of conventional industry standards and expertise accumulated to date in the safety and quality department as well, so we have to look at laws, ordinances and guidelines outside those pertaining to toys, which requires expertise in a wide range of fields. Responding to these changes means that we have to examine each new proposal carefully, but I believe this is essential for making "Toys 4.0" a success.

Q4 What are some persistent traits of "quality control"?

Our founding philosophy states "Let's excite the world's markets with our outstanding products." I think "outstanding products" can mean many things, but before anything else, it goes without saying that they must be safe. While maintaining this attitude that safety is simply a matter of course, I look forward to the growth and success of the fourth generation that balances this safety carefully with "fun."

STORY

The initial plan for the BEYBLADE BURST series came as a proposal for a top that would burst into pieces as it spun out of control. Because the flying pieces might fly up into someone's face and had the potential to cause injury, it was difficult to think of the initial proposal as "safe." To make the toy safe, as well as being something children could enjoy playing with, the proposal was revised, covering the platform so that exploding pieces would not fly up into a child's face or eyes. Others were concerned that covering the platform might take the fun out of playing with the toy. We used BEYBLADE development samples to test the degree to which the pieces would fly about, and after deliberation and testing we struck a good balance between "safe" and "fun."





SPECIAL
FEATURE



SALES

Providing Appealing Toys around the World through Stronger Coordination with Partners

Ed Young

Vice President for Sales



Q1 What is your role in corporate value creation?

Sales has two primary roles: strengthening ties with existing retailers and developing new sales channels. Personally, I am involved in sales to the major U.S. retailers Target and Amazon, along with other specialty and mid-tier accounts. I work with multiple existing retailing customers on a daily basis to enhance our product position in their stores and expand our selling areas. Sometimes we develop retailer-specific products to help expand our display areas and take advantage of sales promotion opportunities, working in tandem with our marketing department to flesh out selling strategies. When cultivating new retailer relationships, we pay attention to boosting the point of availability (POA) of all our products.

Q2 What are some specific measures for strengthening the sales function?

Expanding our brand portfolio to include Disney, Pokémon and other intellectual properties (IP) has caused retailers to view us as an important strategic marketing partner. Working in collaboration with such strong partners will help expand our business domains and boost the global reach of our products. In the near future, we will offer game platforms such as Pop-up Pirate and impulse products (inexpensive items that children can buy with their pocket money) at places like dollar stores and convenience stores. Over the long term, by selling to leading retailers that take a global perspective (like Target, Walmart and Toys“R“Us), we will work to expand the POA of our products in the global market.

Q3 What are some of the changes that are under way with a view to the fourth generation?

We have reconfigured our sales structure along two axes: a TOMY sales team and a retailer sales planning team. This approach has enabled us to centrally manage inventories for each channel and optimize the product mix. In addition, we collaborate closely with our licensor partners on the sales and marketing fronts to maximize retail placement and drive consumer demand. Expanding our brand portfolio with new IP strengthens our operations in two ways, as it enables us to cultivate new sales channels and strengthen collaboration with existing retailers.

Q4 What are some persistent traits of “sales?”

As our product lineup and roster of powerful brands increases, the work of selling to retailers and the consumers beyond them has taken on more strategic importance than ever before. Along with this increased importance, I feel a greater sense of satisfaction in my role of working to bring TOMY magic to as many people as possible throughout the world.



SPECIAL
FEATURE

#5

PROMOTION

Delving Beyond “Interesting” in Pursuit of Stronger User Relationships Not Rooted in the Past

Shinichiro Oba

Production Section 2, Amusement Business Division



Q1 What is your role in corporate value creation?

I am involved in the entire process on PRIPARA amusement machines for girls, from development to promotion. Collaboration with numerous companies is essential, as this business links games and anime, as well as music and event planning and other types of promotion. PRIPARA has been a big hit, with more than 1 million registered users in the first six months after launch. I think this success is the cumulative effect of a great deal of low-key effort. The role of promotion in creating competitive content is to follow a carefully designed annual operation schedule and hold detailed discussions and deliberations to ensure that all the parties involved are on the same course.

Q2 What are some specific measures for strengthening the promotion function?

When thinking up new relationships between users and content, in addition to learning from past lessons it is important to be prepared for new insights incorporating elements that go beyond the merely “interesting.” To keep ourselves from being overly caught up in the game and anime aspects, PRIPARA promotions include live events featuring voice actors. This gradual approach of forging links with the physical world has been well received. From the launch of the PRIPARA business, we have been working with collaborating companies on a Lala PRIPARA Debut One Year Commemorative Project to create new user relationships and provide inspiration.

Q3 What are some of the changes that are under way with a view to the fourth generation?

New technology that fuses conventional analog with digital is key to the fourth generation. I believe PRIPARA epitomizes and is at the forefront of this fourth-generation “change.” Digitally, this is the first of our amusement machines to come with communication functionality. Allowing for frequent updating, this feature ensures that there is always

something new to enjoy. At the same time, the Friend Ticket the game dispenses that can be traded among friends is an analog element that girls enjoy. PRIPARA also offers the fun digital experience of posing with friends on the game’s screen. As a result, Friend Ticket trading has exceeded our expectations and become a movement in its own right.



Q4 What are some persistent traits of “promotion”?

Internal teamwork is of course essential, but we are also working on promotions with numerous other collaborating companies. Ensuring that these operations are successfully in sync has proven more enjoyable than I had expected. I look forward to continuing with various promotions that help girls’ dreams come through with PRIPARA.

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SPECIAL
FEATURE

#6

AFTER-SALES
SERVICE



Incorporating Customer Feedback and Evaluations, and Fine-Tuning Our Entire Business from the Customer Perspective

Toshie Hirano

Customer Service Department, TOMY IBIS



Q1 What is your role in corporate value creation?

Even among new employees, the Customer Service Department requires its staff to respond to customers as TOMY representatives. We are also required to make decisions and respond from a customer perspective. To achieve this, we are all thoroughly drilled in four key principles: (1) speed, (2) politeness, (3) courtesy and (4) fairness and candor.

We also play an important role in applying the opinions we receive directly from customers to corporate activities. We listen carefully to what customers are saying and record the content of these conversations carefully. Through the ability to analyze information and understand issues, we provide appropriate internal feedback about problems. These activities have an important role in the process of building competitive toys.

Q2 What are some specific measures for strengthening the after-sales service function?

Because we come into direct contact with customers, our members need to hone their communication skills, their capabilities for analyzing information and understanding issues and their ability to frame problems. At the same time, taking on such challenges as multichannel analysis and SNS response are essential in terms of improving organizational efficiency and strengthening our functions.

Q3 What are some of the changes that are under way with a view to the fourth generation?

Even for so-called longstanding products like PLARAIL, TOMICA and the LICCA doll, we are linking up products with mobile and Web-based tools. Now that smartphones are even becoming commonplace among children, the number of e-mail inquiries and responses to Web FAQs are growing sharply. In response to these changes, the Customer Service Department is strengthening its response in the areas of IT and distinctive products. We hold study sessions in advance to replicate customer environments, making a real effort to share and accumulate

knowledge. I believe it is important to respond quickly to the changing times in such areas as our organizational structure, the expertise that individual members maintain and system designs.

Q4 What are some persistent traits of "after-sales service"?

Customer satisfaction appears to be increasing, but my goal is for the Customer Service Department to do more than just satisfy customers. I think we need to exceed their expectations to truly inspire them. Because our department receives external input and evaluations on a wide variety of topics covering everything from products to customer response, providing faithful internal feedback based on the points customers have made and opinions they have offered has the potential to affect change in the Company. I intend to continue working to detect any changes in the evaluations we are receiving from outside the Company and maintain a customer perspective as I go about my work.



Letters from customers posted on the in-house bulletin board

