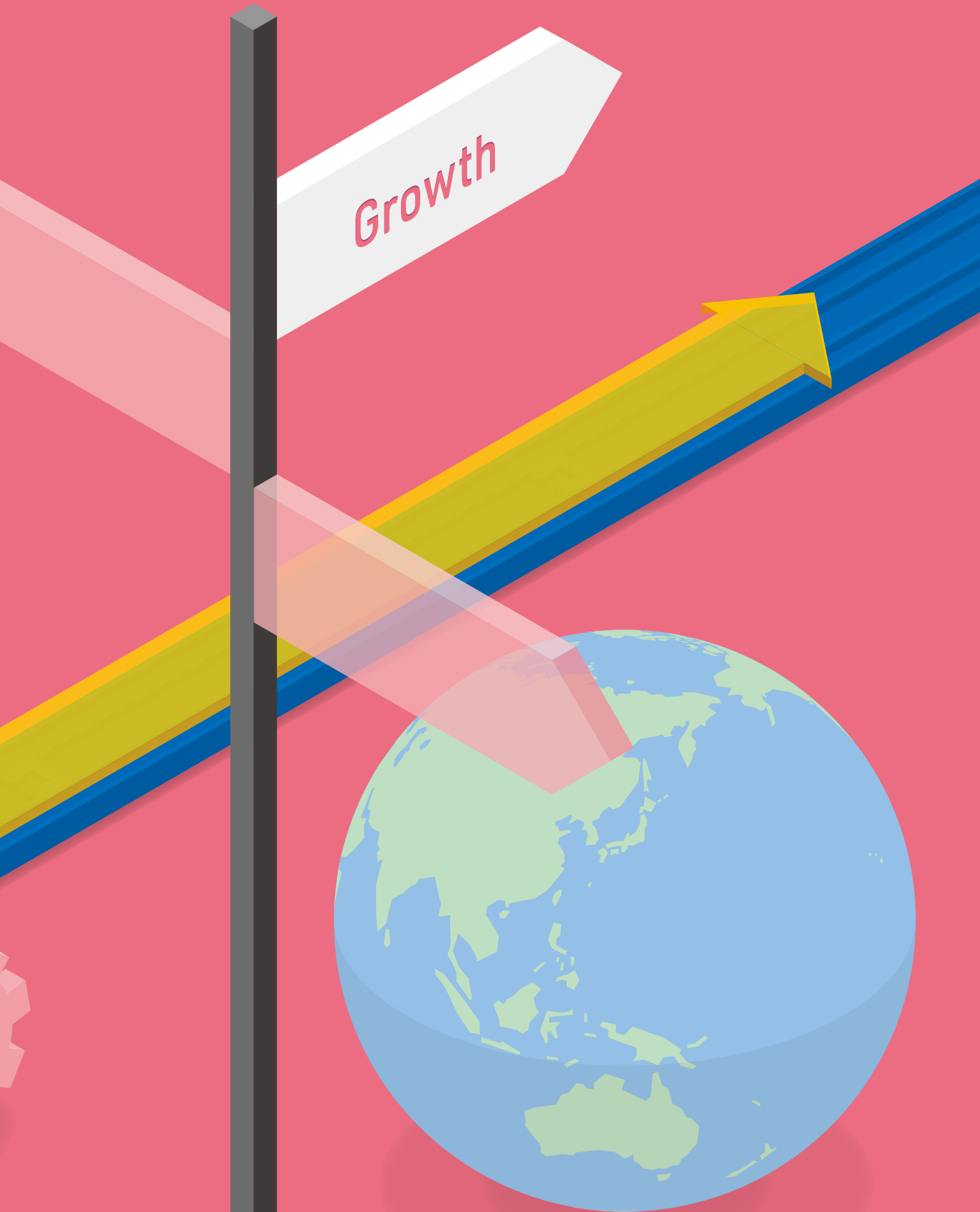


The Path toward the Future

Fiscal 2018 (ended March 31, 2019) was the first year of our new three-year medium-term management plan (fiscal 2018–2020) titled “Taking on the Challenge toward New Growth.” We achieved a very strong start, achieving targets for both net sales and profits. As we approach the 95th anniversary of our founding and the next milestone of our 100th anniversary comes into view, we aim to become an “Outstanding Global Company” and continue to take on further challenges as we forge a new path toward the future.





Growth



Industry Environment

Toy Markets in Japan and Overseas Remain Steady

In 2018, the closing of all US stores belonging to a failed major American toy retail chain sent a massive shockwave throughout the industry, but in Japan, that same chain of stores did not close or withdraw, as the Japanese toy market itself achieved the fifth straight year of sales at the ¥800.0 billion level, driven by the strong performance of trading cards and toys for girls. The global toy market had a value of around \$85.0 billion in 2017, and is expected to continue growing at around 2% each year. Amid these conditions, the TOMY Group maintained its fighting spirit and took on challenges without fear of failure, launching a three-year medium-term management plan in fiscal 2018 under the slogan "Taking on the Challenge toward New Growth."

Growth Platform Strengthening Initiatives and Results in Fiscal 2018 (the fiscal year ended March 31, 2019)

Extremely Solid Progress in the First Fiscal Year of the Medium-Term Management Plan

Under the medium-term management plan, TOMY will:

1. Promote in-house original global brand strategies
2. Create original brands for Japan and Asia
3. Implement Category No. 1 strategy
4. Expand business in "high-target" products and the elderly segment
5. Expand business in the Asian market
6. Revitalize business in Europe and North America

In fiscal 2018, TOMY promoted various measures in accordance with these six medium-term business

小島 一洋

Kazuhiro Kojima

Representative Director,
President & COO

strategies. Among these, we are still in the process of expanding business in “high-target” products and the elderly segment and revitalizing business in Europe and North America, but in general, we have made extremely solid progress.

In terms of numbers, for the first fiscal year of the plan, we targeted net sales of ¥172.0 billion and operating profit of ¥10.0 billion. Actual performance exceeded both of these targets, with net sales of ¥176.8 billion, about the same amount as in the previous fiscal year, and operating profit of ¥14.4 billion, which surpassed the ¥14.0 billion target for the final year of the medium-term business plan in fiscal 2020. The operating margin improved 0.7 points compared to the previous fiscal year, to 8.1%, ROE increased 0.3 points to 15.2% and the equity ratio rose 6.5 points to 46.5%. These improvements bring us to within 50% of our target for the final fiscal year of the plan, demonstrating excellent progress.

Driving these achievements are the stable and steady expansion of core products such as PLARAIL and LICCA, as well as growth in overseas shipments of BEYBLADE BURST. Furthermore, in fiscal 2018 surprise doll L.O.L. SURPRISE!, ZOIDS WILD, a TOMY original making a comeback after 12 years, and other products launched trends that contributed to our performance.

Upward Revision of Medium-Term Management Plan Targets

In light of our strong performance in the first fiscal year of the management plan, we made upward revisions to the targets for the final fiscal year of the plan. Although net sales remained unchanged at

¥190.0 billion, profit targets were revised upward. The target for operating profit was raised from ¥14.0 billion to ¥16.0 billion, EBITDA from ¥23.0 billion to ¥25.0 billion and the equity ratio from 50% to 55%.

In Japan, we plan to stably expand sales of core products and proactively launch new products. In Asia, we will grow TOMICA and PLARAIL and expand sales of character products, which we expect to generate the same levels of profit as in the first fiscal year of the management plan. In addition, the ¥2.0 billion in upward revisions will be achieved through our full-scale entrance into digital business from fiscal 2019 onward and profit from TOMY International developments in Europe, the Americas and Oceania.

Promoting Stable Growth in Sales of Core Products and Proactive Launch of New Products in Japan

In Japan, our business platform is generating stable profits. In terms of core products, sales of LICCA, which celebrated its 50th anniversary in 2017, achieved solid growth in fiscal 2018, the year after the anniversary project, and continues to grow steadily. As fiscal 2019 will mark the 60th anniversary of PLARAIL and fiscal 2020 the 50th anniversary of TOMICA, we will continue to conduct core product anniversary projects and strengthen these brands, which we think will enable us to steadily increase sales. We will also continue to develop television animation, movie and other media content for TOMICA and PLARAIL, which we expect to support these efforts.

Further more in addition to our core products, we will continuously launch new products. TOMY

Second stage (FY2019-2020)

Previous Medium-Term Management Plan financial strategy (FY2020) target figures

	Net sales	Operating income	EBITDA	Equity ratio
Previous Medium-Term Management Plan financial strategy (FY2020) target figures	¥190.0 billion	¥14 billion	¥23 billion	50%
Upward correction				
	Net sales	Operating income	EBITDA	Equity ratio
	¥190.0 billion	¥16 billion	¥25 billion	55%

plans to proactively launch of new products targeting hit content such as boy's hobby toy BAKUGAN, the third series, PHANTOMIRAGE! live-action television drama and popular movies *Toy Story 4* and *Frozen 2*. Already having global content including BEYBLADE and TRANSFORMERS, at present we are proactively developing ZOIDS to create the next new wave in the trough of sales generated by these businesses.

In addition, to strengthen planning and development capabilities and advance development focusing several years ahead, we established the Planning and Development Headquarters in July 2018, and will continue to introduce new products that will invigorate the market.

Efforts to Expand the Asian Market

In the Asian market, in addition to TOMICA and PLARAIL, we will proactively introduce content developed in Japan. Sales are growing steadily, so we will once again attempt a full-scale entry into the Chinese market while promoting character product development.

Full-Scale Deployment of the Digital Business Division

In terms of digital business, in fiscal 2018 we established the stand-alone Digital Business Division to promote planning and development as a separate organization from the toy divisions. During fiscal 2019, we plan to launch a new app targeting over one million people and will focus on developing it as a pillar of revenue. We will provide more information in the future as we move forward with development.

Reestablishing Our Position in Overseas Markets

The TOMY International Group, which develops business in Europe, the Americas, and Oceania, in addition to the ongoing investment of management resources in core brands such as agricultural vehicle toys and baby products, recognizes that it must launch and bring to market several new product lines, thus a dedicated global development team has been established within the Planning and Development Headquarters to promote global product planning and development. It already launched PRINTOSS (overseas product name: KiiPix) in 2018 and is preparing for additional launches in 2019 and beyond.

In the Americas, we are sequentially launching the sales of new products prepared up to now. In Europe, given economic conditions and market environments, we expect that it will take some time to recover performance, approximately 18 months longer than in North America. In England and Ireland, we acquired the sales rights for a long-established toy game brand that we will use to increase sales and stabilize earnings. In fiscal 2019, we will first realize profitable operations, and from fiscal 2020 onward, establish a system able to contribute to consolidated performance.



Medium-Term Management Plan Progress

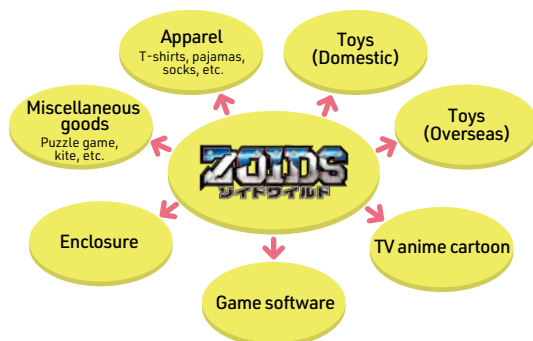
Progress and Issues Surrounding the Six Medium-Term Business Strategies



Promote In-House Original Global Brand Strategies

Cultivating ZOIDS WILD as a Third Pillar, Promoting Further Investment in New Content

We are focusing efforts on cultivating ZOIDS WILD as a third pillar after BEYBLADE and TRANSFORMERS. In terms of deployment, toys were released in Japan in July 2018, and animation broadcasts began. Overseas, animation broadcasts began in July 2018 in nine countries and regions, including China, South Korea, Hong Kong, Thailand, the Philippines, Vietnam, Singapore and Malaysia. During fiscal 2019, we are planning animation broadcasts and toys in Europe and the United States as we enter the stage where ZOIDS WILD toy sales and animation broadcasts will begin worldwide. As ZOIDS WILD is a TOMY original global brand IP, we will promote expansions into a variety of business areas, including toys, apparel, accessories, game machine cabinets and video game software.



Create Original Brands for Japan and Asia

Promoting the Expansion of Content Development

In Asia, which has a high cultural affinity with Japan, we are developing a variety of content, including TOMICA HYPER RESCUE POLICE DRIVE HEAD, SHINKALION and the GIRLS X WARRIOR series, which will be

developed with animation and live-action toys.

The GIRLS X WARRIOR series began in 2017 with MIRACLE TUNES! as the first series, then in 2018 MAGIMAJO PURES! as the second series, with attendees at annual events growing larger every year. The third series, PHANTOMIRAGE!, development drew on our accumulated know-how and has achieved a solid start as we continue to engage in these efforts throughout Asia.



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Implement the Category No. 1 Strategy

Establishment of the Sales Trinity Structure

At present, in the miniature car, rail toy, dolls, boy's hobby and trading card game categories, TOMY products have the No. 1 market share in Japan. Product power and sales capabilities are indispensable elements in creating high market share. The TOMY MARKETING COMPANY, LTD., conducts product sales in line with sales strategies established by TOMY Company, Ltd. T-FIELDTEC COMPANY, Ltd., provides store support to facilitate an extremely smooth sales trinity structure that is becoming an infrastructure-like strength.

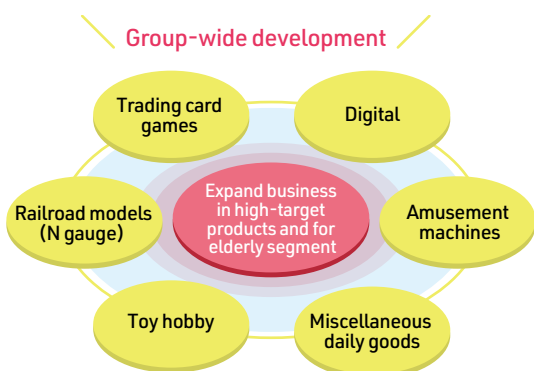
In further pursuit of becoming category No. 1, we are launching one new product after another. BAKUGAN, introduced in the boy's hobby category in fiscal 2019, is a global brand that has achieved over \$1 billion in global sales up to now. TOMY acquired sales rights in Japan and Asia, and in April 2019, began selling toys and launched television animation broadcasts in Japan. In the girl's hobby category, we aim to acquire category No. 1 status through the development of surprise doll L.O.L. SURPRISE! and other products.



Expand Business in “High-Target” Products and the Elderly Segments

Deploy Groupwide

In addition to promoting commercialization targeting children, it is becoming increasingly important to develop products for high targets and older people who are more numerous than children. For example, TOMY TEC Co., Ltd., develops inventive high-target products such as hobby model railroads and a personal talking robot MY ROOM ROBI. We want to expand this field in the future with the addition of digital apps.



Expand Business in the Asian Market

Proactive Development of Core Products, ZOIDS WILD and BAKUGAN redundant

To further strengthen development in the Asian market, where sales have grown steadily in recent years, we will aggressively develop our own original content, including ZOIDS WILD and battle hobby toy BAKUGAN in addition to our core products. We will also proactively deploy visual content successful in Japan throughout Asia.



Revitalize Business in Europe and North America

Expand Sales by Strengthening Core Brands and Launching New Products

In the United States and Europe, at present sales are declining due to the end of character product sales and flagging sales of core baby products. To address this, PRINTOSS (overseas product name: KiiPix), which was launched in Japan at the end of 2017, global products developed in Japan and other new products are being proactively developed and sold in these regions. Global products developed in Japan for release are highly anticipated by distributors. In addition, we are working to rebuild by strengthening our core brand agricultural vehicle toys and branded baby products.



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Future Topics

Content Development Promotion

In fiscal 2019, we will launch several television broadcasts, the content of which is focused on a particular effort. In April 2019, we began broadcasts of BAKUGAN and PHANTOMIRAGE! In May, broadcasts of the popular animation PAW PATROL began in over 160 countries and regions throughout the world. We also launched the sale of toys associated with each of these programs. In addition, as fiscal 2019 marks the 60th anniversary of PLARAIL, we will hold a variety of commemorative events.



In terms of movies, we have acquired toy licenses for Marvel, Disney/Pixar and Star Wars movies and will focus efforts on products related to the release of *Toy Story 4*, *Frozen 2* and *Star Wars: The Rise of Skywalker*.



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Realizing Sustainable Growth

Strengthening Our Management Foundation

TOMY is working to enhance corporate governance so that the Company can grow sustainably and realize sound management with a high degree of transparency. With the appointment of a woman director in fiscal 2018, we promoted diversity within the composition of our Board of Directors. In fiscal 2019, of our seven directors the majority (four) are outside directors, representing a further step forward from the perspective of enhancing management independence and objectivity.

In addition, we are making steady progress with regard to CSR activities, which we have been actively engaged in across the Group. Until now, we have promoted the systematic organization and disclosure of our CSR initiatives, "Become friends with children around the world" and the "TOMY Group Social Responsibility Framework" as our ideal CSR stance, and identified six goals within the SDGs that we can contribute to through our business. In fiscal 2018, we identified material issues. I think that it is important to promote these CSR initiatives with both the commitment of management and the consciousness of each employee. For this reason, we have created a CSR Handbook that can be used to understand CSR in our daily work, reflect upon it and take concrete actions. This handbook is distributed to all Group employees throughout the world.

Through the achievement of our medium-term management plan and the enhancement of our management foundation, we will build a solid platform for realizing sustainable growth as we approach the milestones of our 95th and 100th anniversaries. As TOMY continues its efforts to achieve sustainable growth, I ask for the ongoing support of all our stakeholders.

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