

**TOMY Company, Ltd.**  
**FY 2010 Results**  
**(April 1, 2010 – March 31, 2011)**

**May 31, 2011**  
**TSE Securities Code: 7867**

# **FY 2010**

# **Financial Highlights**

**(April 1, 2010 – March 31, 2011)**

May 31, 2011

Toshiki Miura  
Managing Director  
Chief Financial Officer  
TOMY Company, Ltd.

# FY2010 Consolidated Income Statements



(¥100million)

	FY 2010			FY 2009	Difference (Yr-to-Yr comparison)
	Actual	2 Nov. 2010 Revised estimates	11 May 2010 Original estimates	Actual	
Net sales	1,594	1,700	1,800	1,787	- 193
Operating income	103	110	110	104	- 1
Operating margin	6.5%	6.5%	6.1%	5.9%	+ 0.6
Ordinary income	101	108	108	103	- 2
Net income	89	90	90	89	0

※All figures have been rounded down to the nearest ¥100million.

# FY2010 Analysis of change in operating income

(¥100 million)

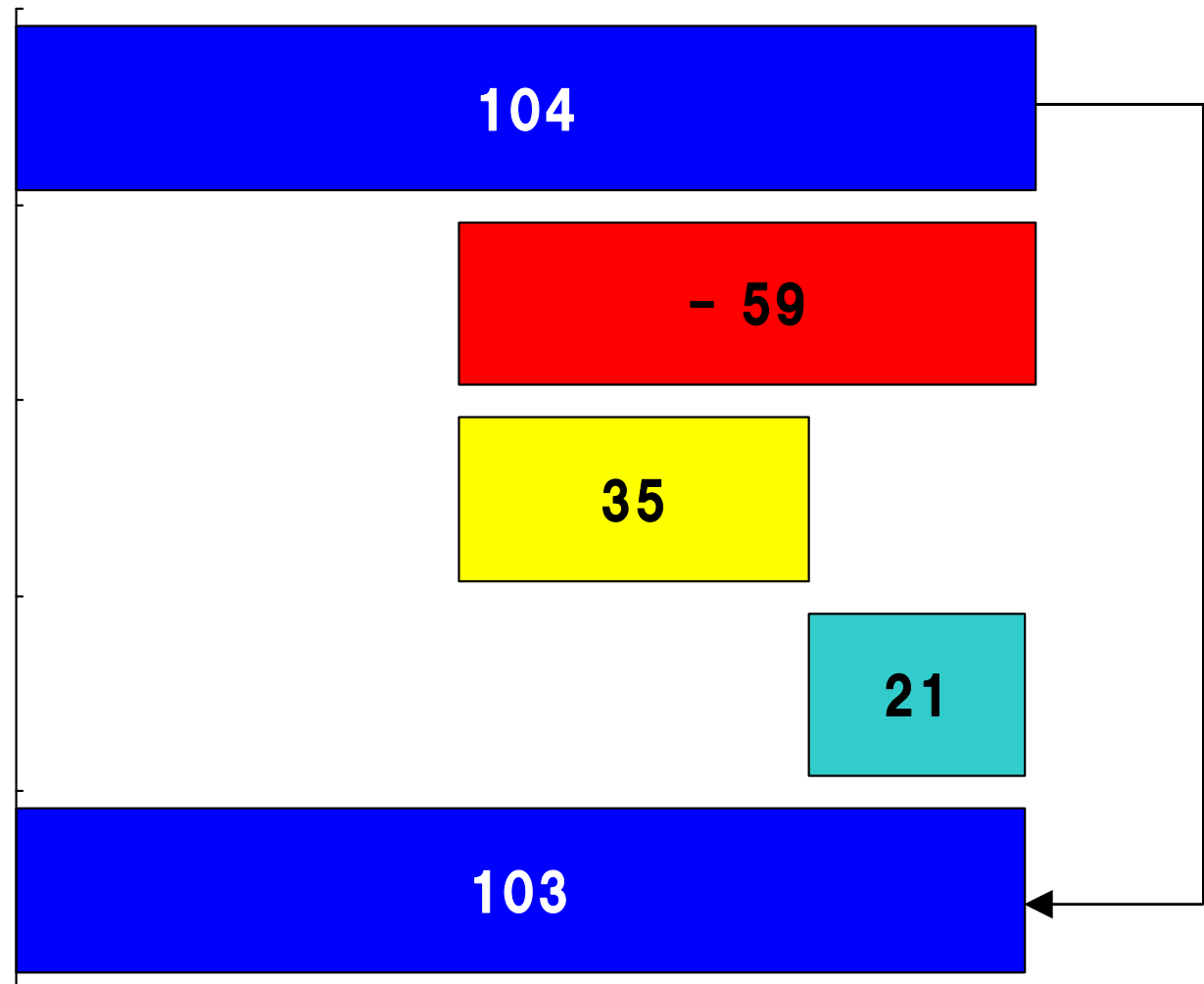
FY2009  
Results

Gross margin decreased  
by decline of sales

Gross margin increased  
by improved cost of sales  
ratio

Decrease in SG&A

FY 2010  
Results



※All figures have been rounded down to the nearest ¥100million.

# FY2010 Breakdown of SG&A



(¥100 million)

	FY 2010	Sales margin	FY 2009	Sales margin
Cost of Sales	1,068	67.0%	1,237	69.2%

SG&A (total)	423	26.6%	445	24.9%
Personnel expense	172	10.8%	169	9.5%
Advertising expense	83	5.2%	92	5.2%
R&D expenses	21	1.4%	27	1.6%
Distribution expenses	44	2.8%	48	2.7%

※All figures have been rounded down to the nearest ¥100million.

# FY2010 Breakdown of Extraordinary Loss



(¥100 million)

Item		Amount	Detail
Extraordinary Loss	Loss on sales and retirement of noncurrent assets	10	Sales of land in Harajuku Kiddyland
	Loss on valuation of investment securities	5	Stocks of affiliates not accounted for by the equity method 3,etc
	Impairment loss	1	Estate, etc
	Business structure improvement expenses	3	Apparel
	Other	5	
		26	

※All figures have been rounded down to the nearest ¥100million.

(¥100 million)

Area	FY 2010	FY 2009	Difference
Europe	114	118	- 4
North America	97	106	- 9
Asia	90	79	11
Others	10	7	3
Total	313	311	2
Ratio to Consolidated Net Sales	19.7%	17.4%	2.3%

※All figures have been rounded down to the nearest ¥100million.

# FY2010 Consolidated Balance Sheets



(¥100 million)

Subject	FY 2010	FY 2009	Difference
Current Assets	667	621	46
Noncurrent Assets	277	336	- 59
Total Assets	945	958	- 13

Current Liabilities	324	298	26
Noncurrent Liabilities	133	239	- 106
Total Liabilities	458	538	- 80
Total Net Assets	487	420	67

Shareholders' Equity	472	407	65
Shareholders' Equity Ratio	49.9%	42.5%	

Inventories	117	108	9
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Cash and deposits	293	269	24
Total Interest Bearing Debt	212	252	- 40
Loans payable	56	78	- 22
Bonds and convertible bonds	155	174	- 19

※All figures have been rounded down to the nearest ¥100million.



# (Reference) The Balance Sheets after RC2 Acquisition



The Balance Sheets after Acquisition as of end of April, 2011 (estimated)

(¥100million)

Subject	30 April 11	End of March 11	Difference
Current Assets	847	667	180
Noncurrent Assets	742	277	465
Total Assets	1590	945	645

Current Liabilities	420	324	96
Noncurrent Liabilities	679	133	546
Total Liabilities	1099	458	641
Total Net Assets	490	487	3

Shareholders' Equity	475	472	3
Shareholders' Equity Ratio	29.9%	49.9%	

Inventories	201	117	84
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Cash and deposits	321	293	28
Total Interest Bearing Debt	709	212	497
Loans payable	553	56	497
Bonds and convertible bonds	155	155	0

※All figures have been rounded down to the nearest ¥100million.

## RC2 Fund-raising, Goodwill and other for the Acquisition

### Funds needed for the Acquisition

**Purchasing amount : Around \$640million**

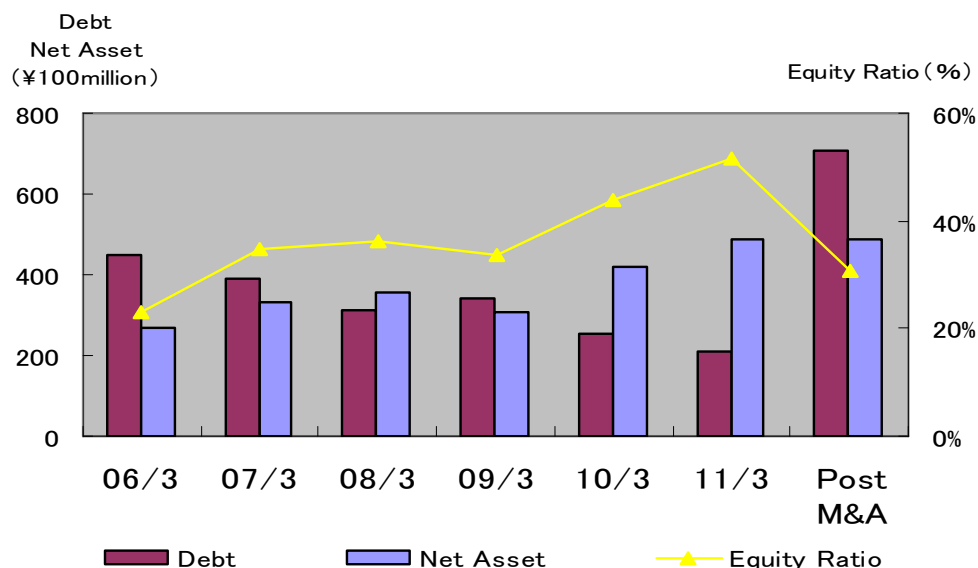
**Long-term borrowings : ¥50billion**

#### (Advantage)

- ✓ Low cost and stabilization borrowings in Japan
- ✓ Exchange risk hedge by borrowings in US\$

#### (Debt repayment plan)

- ✓ Early repayment from increasing cash flows from operating activities



### Goodwill / Intangible assets

**Calculated by estimated amount**

**as of end of April 2011**

**and without amount as of end of march 2011**

	Goodwill	Intangible assets	Total
<b>Amount (¥100mil)</b>	<b>230</b>	<b>200</b>	<b>430</b>
<b>Depreciation period (Years)</b>	<b>20</b>	<b>17</b> (Average)	—
<b>Yearly depreciation (¥100mil)</b>	<b>12</b>	<b>12</b>	<b>24</b>

# **Acquisition of RC2 Corporation and Management Goals**

**May 31, 2011**

**Kantaro Tomiyama  
President & CEO  
TOMY Company, Ltd.**

## ● Business Environment

External Environment (Toy Market)	Internal Environment		
		Toy Business	Group Companies
<ul style="list-style-type: none"> <li>• Sluggish personal consumption</li> <li>• Decline of sales price</li> <li>• Bipolarization of sales merchandize</li> </ul>	Japan	<ul style="list-style-type: none"> <li>• Success in hot selling of Beyblade</li> <li>• Solid sales of core merchandize</li> <li>• Slow sales of other than the above</li> </ul>	<ul style="list-style-type: none"> <li>• T-Arts Group: Performance improving</li> <li>• Apparel: Suffering in sales</li> <li>• Toys Union: Declining distribution of game soft and hardware</li> </ul>
	Overseas	<ul style="list-style-type: none"> <li>• Success in hot selling in Asia</li> <li>• European sales-subsidiaries suffering</li> </ul>	

Though the business environment was severe, achieved over ¥10 billion operating income

- May 2010 Medium Term Plan Announcement

Expanding Toy Business in Asia	Globalize Boys Category Products	Reinforcing and Expanding Core Business
<ul style="list-style-type: none"><li>▪ <i>Success in deployment of Beyblade in America, Europe and Asia</i></li></ul>	<ul style="list-style-type: none"><li>▪ <i>Transformers</i> <i>Started shipping MOVIE3 related goods</i></li><li>▪ <i>Post-Beyblade Deployment</i></li></ul>	<ul style="list-style-type: none"><li>▪ <i>Tomica</i> <i>Started global deployment</i></li></ul>
<ul style="list-style-type: none"><li>▪ <i>Tomica</i> <i>Opened shops in Taiwan &amp; Shanghai</i> <i>Ready for making localized goods in China</i></li></ul>		

We will keep on promoting steady global deployment aggressively

# FY2011 Medium Term Plan Main strategy

**TAKARA  
TOMY**

## Expanding Toy Business in Asia

- **Chinese Tomica first series: started merchandize deployment**  
Planning to deploy localized products considering price & cost



## Globalize Boys Category Products

- **Transformers MOVIE 3 Deploying related goods**  
Merchandize strategy: Differentiating price levels  
Expecting synergy effect of plays by interlocking  
OTC sales with Web



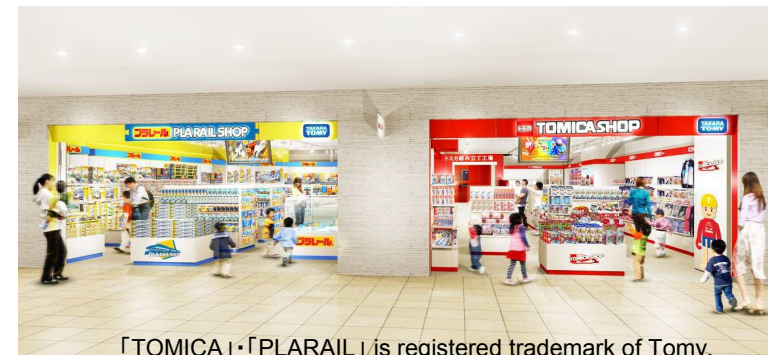
© 2010 DreamWorks. LLC & Paramount Pictures Corporation. &reg; and/or TM &  
© 2011 TOMY Company. Ltd. All Rights Reserved.

- **Expanding Beyblade sales to approx. 45 countries in the world**

## Reinforcing and Expanding Core Business

- **Tomica (Europe & North America), keep on selling in the 2<sup>nd</sup> year**  
Expanding sales to approx. 30 countries

- **Plarail Shop Opened (20 May at Tokyo Station)**  
Following Tomica shop, 'brand shops' deployment started



- **Global Strategy**
- Post-Acquisition Management Goals
- Global Management

# New Management Goals

## Target for the 90th anniversary of founding (FY2014)

As true global player,

- Realization of a sustainable growth
- Achievement for Sales \$3billion, Operating income \$300million
- Achievement for international sales 50%

## Medium Term Plan

Continuation of 'Reform' in Toy Business

- Reinforcing and Expanding Core Business
- Expanding Toy Business in Asia
- Globalize Boys Category Products

## Acquisition of RC2

Acceleration & Maximization  
of global expansion

**TOMY (2011/03)**



# RC2 Acquisition Effect ①

**TAKARA  
TOMY**



## The strength of RC2 for TOMY

① Strong sales network  
in North America

② Solid management  
fundamentals

③ Reliable product-line

④ Global talent / establishment  
of global structure



## The strength of TOMY for RC2

① Capability of R&D

② Stable of  
exceptionally strong brands

③ Asian distribution network

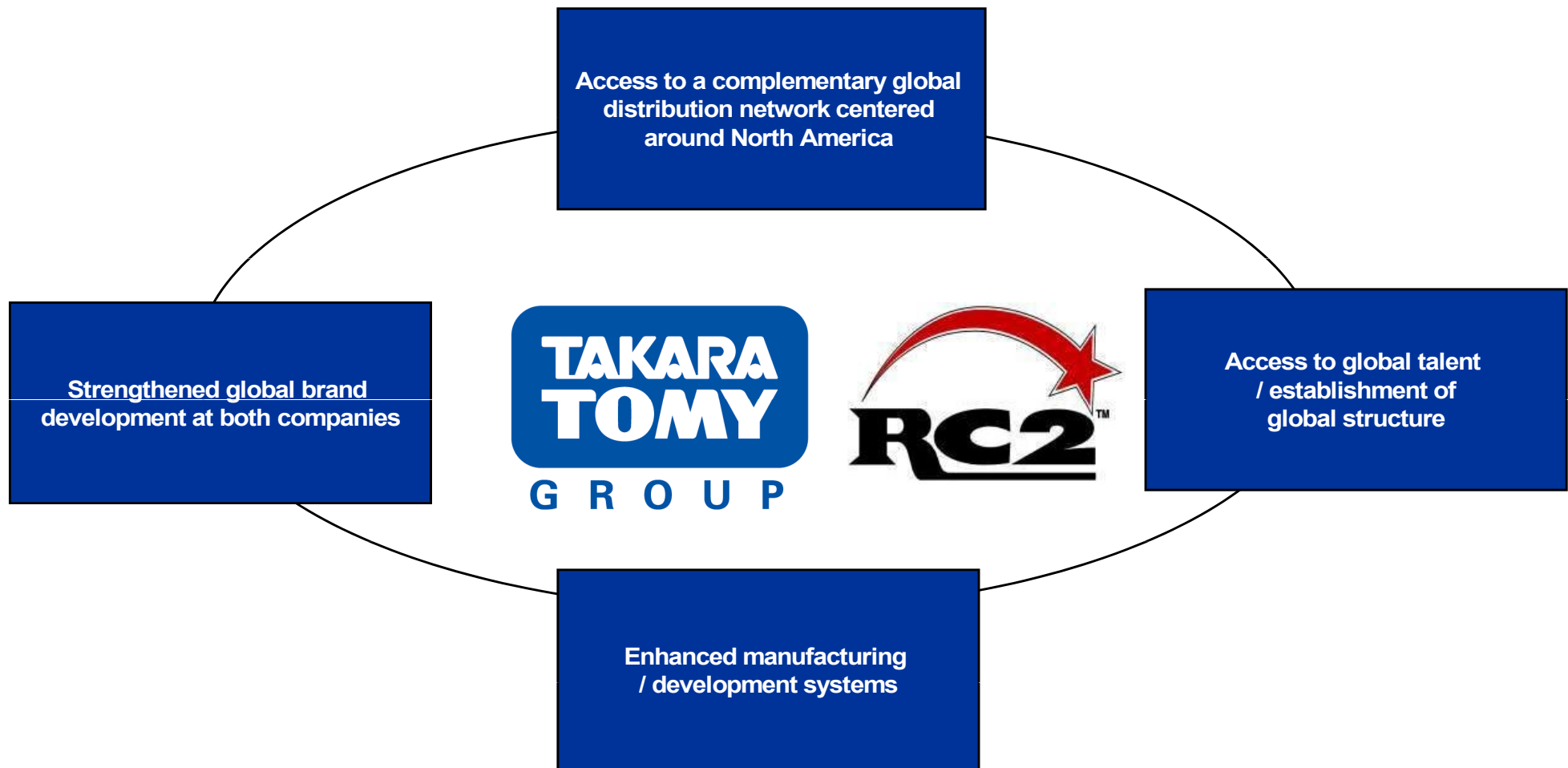
④ Sourcing and manufacturing  
other than China

*In addition, There is less duplication (Product-line, Sales network)*

**Acquistion synergy that makes  $1 + 1 = 3$**

# RC2 Acquisition Effect ②

A strategical and meaningful acquisition for enhancing global deployment



※Please refer to presentation document page13~16 on 11<sup>th</sup> March 2011.

# RC2 Perception in abroad to the Acquisition

## High expectations and appraisals to the acquisition



With this move the company is transforming itself from a local giant into one with a decent presence in all major markets and a viable competitor to Mattel, Spin Master and Jakks.

The integration of RC2 will give Takara Tomy a much better presence in North America and Europe.

Whatever steps the Takara Tomy/RC2 Group takes, the national buyers at the large retailers will be watching it closely and not with unfriendly eyes. They think that RC2, with the backing it is now going to get, has considerable potential and buyers, for one, do not think that this is a bad thing at all.

本買収によって、タカラトミーは日本の巨人から、全ての有力市場で存在感をもつ企業へと変化を遂げて、マテル、スピンマスター、ジャックスパシフィックの競合となる。

RC2との統合によって、タカラトミーは北米と欧州でより大きな存在となる。タカラトミーとRC2グループの今後の動きに、全国の大型小売のバイヤーたちの注意深くも友好的なまなざしが注がれている。

RC2はタカラトミーという後ろ盾を得たことで大きなポテンシャルをもつことになり、バイヤーも期待を寄せている。

(Source: Toy News – April 2011Edition )



it's clear that if it does come off, the combination of the two companies product lines will result in a formidable range that will offer TOMY great potential for expansion around the globe. RC2's strength in the American market would certainly offer Tomy the chance to significantly increase the reach of its brands in that territory, whilst Tomy's influence in Japan and other Asian markets would be beneficial to the lines currently offered by RC2.

もし買収が成立すれば、二社の商品ラインの組合わせは恐るべきラインアップとなり、タカラトミーが世界中で拡張する大きなチャンスとなるRC2のアメリカ市場での力は、タカラトミーが自社ブランドの北米での販売力を大きく広げるチャンスとなる。

また、タカラトミーが日本とアジア市場でもつ影響力は、RC2の既存の商品ラインにもプラスに働く。

(Source: Toys'N'Playthings — April 2011Edition )

# RC2: Outline

**TAKARA  
TOMY**



Excellent management, endorsing good business results

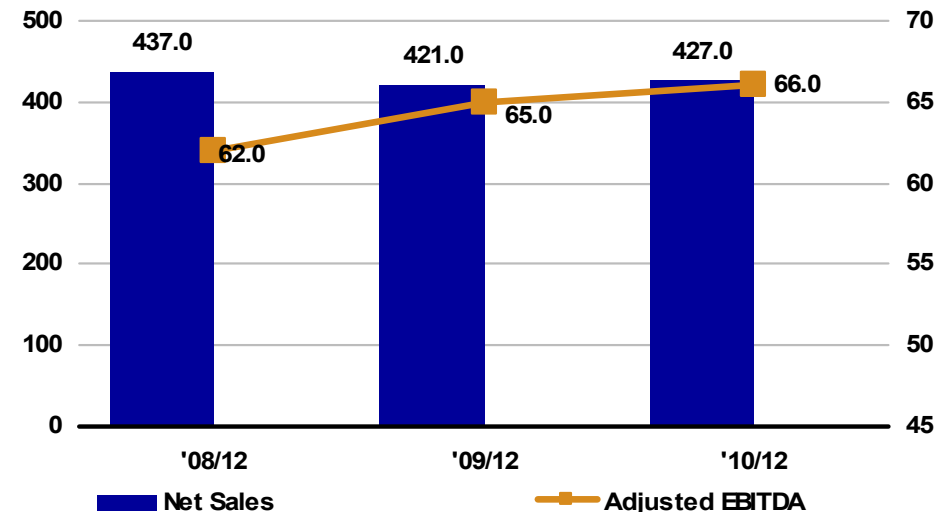
## RC2 Corporation

- **Consumer-Focused Strategy**

To provide Parenting Solutions that help families learn & grow

- **Preschool, Youth & Adult (PYA) business** : TV favorite's Chuggington, Thomas related goods, etc.
- **Mom, Infant & Toddler (MIT) business** : baby bottles and accessories, toddler cups and plates, child seats, nursery toys, care and safety items.
- **Sales network of 25,000 shops worldwide centered in North America**
- **Net sales: \$427million, Operating income: \$45million, (Dec2010)**
- **Head office: Chicago, USA**  
/ 720 employees
- **Shares previously listed on NASDAQ**  
: Tomy bought the shares @\$27.90

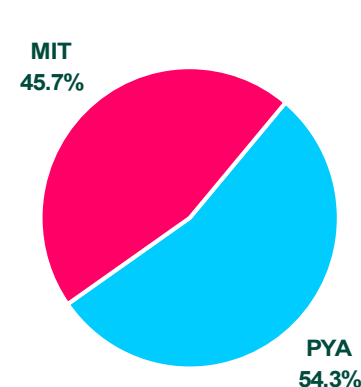
## Business Results graph (\$million)



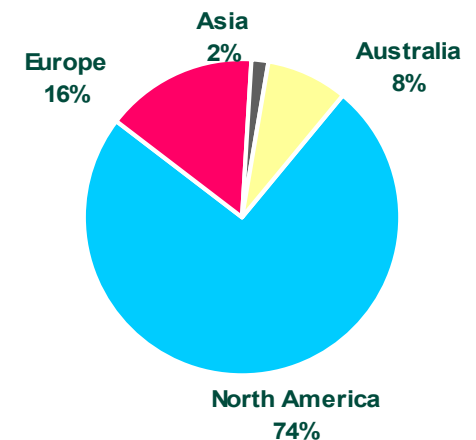
※EBITDA numbers represent the Adjusted EBITDA shown on RC2's 10-K

## Sales Breakdown (Dec. 2010)

### By Segment



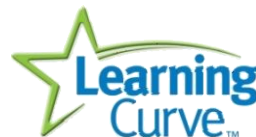
### By Region



# RC2: Products & Brands



High quality brands covering prenatal to preschool plus



JJ COLE, COLLECTIONS



Preschool  
Plus



Toddler



Infant

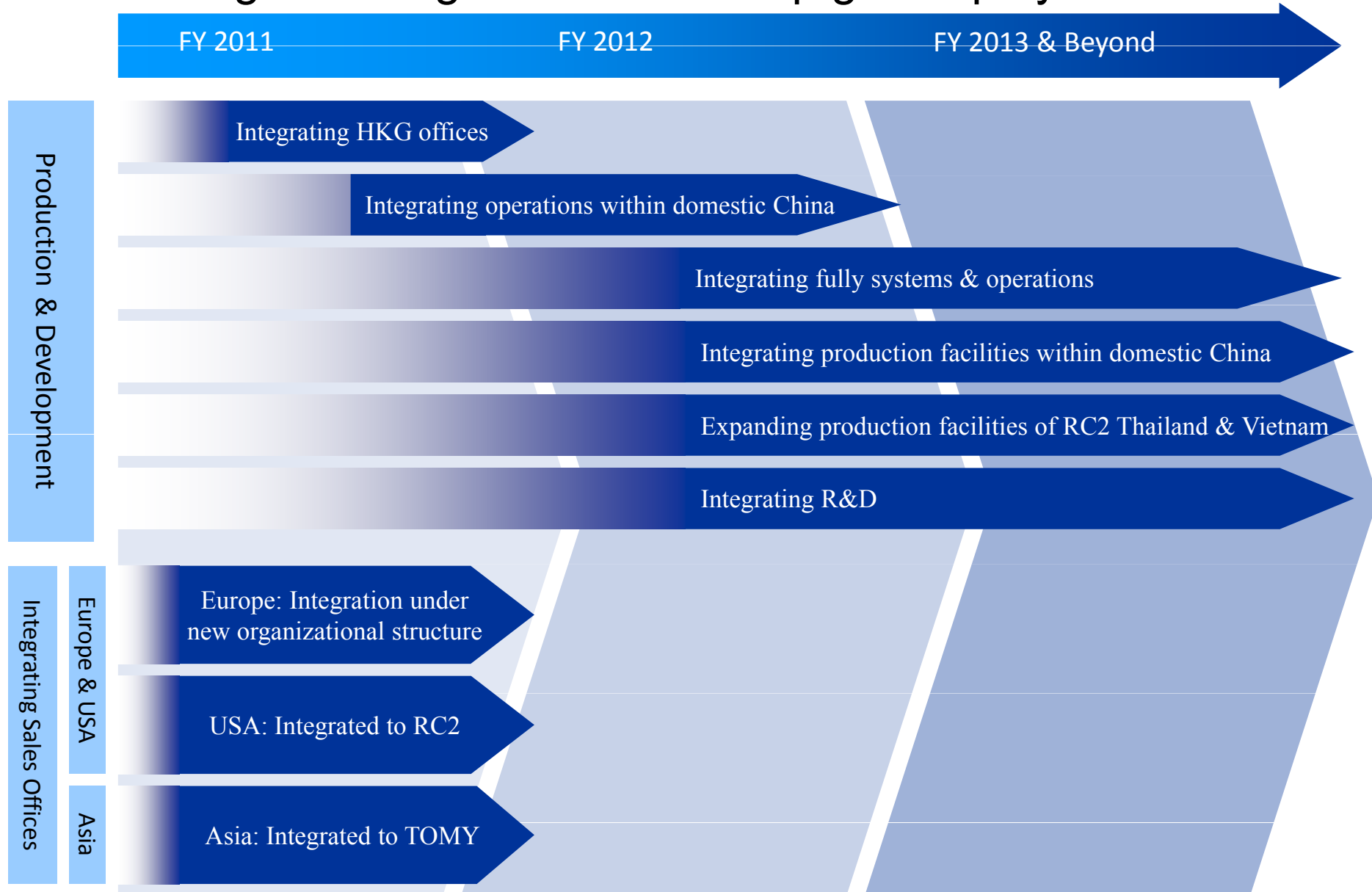


Prenatal

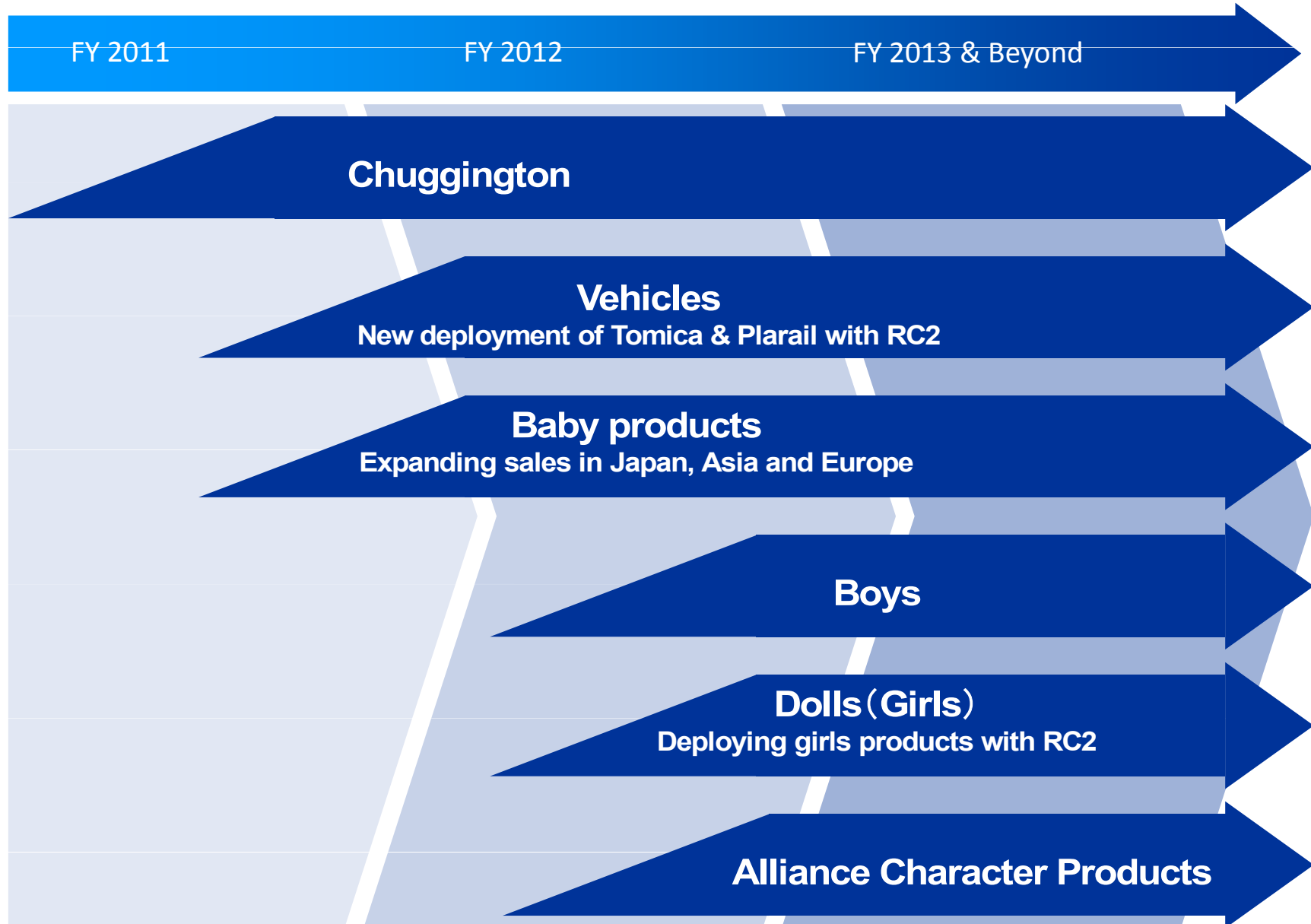


# Schedule of Integration

Accelerating the merger to become top global player



## Prioritizing high sales-synergy product categories



# Global Strategy by Regions

## North America



### “Prompt materialization of acquisition synergy in the largest toy market”

- ⇒ Unifying operations to RC2
- ⇒ Expanding sales of existing products using RC2’s own sales network
- ⇒ Developing new products jointly by Tomy and RC2
- ⇒ Mexican market cultivation in 2012

## Europe



### “Strategic expansion through existing production base and network”

- ⇒ Integrating operations under new organizational structure
- ⇒ Heightening operational efficiencies by making the best use of both companies
- ⇒ Establishing new offices as the sales volume expands

## Japan & Asia



### “Accelerated expansion in the growing market and improved production efficiency”

- ⇒ Swift deployment of RC2 products using TOMY’s sales & distribution channels
- ⇒ Heightening efficiencies by integrating production & development structures and also by introducing BOP※

## Oceania



### “Starting Business in New Market”

- ⇒ Expanding sales by bringing TOMY’s products into RC2’s Australian sales network



- Global Strategy
- **Post-Acquisition Management Goals**
- Global Management

# Post-Acquisition Management Goals①

Includes effect of Japan earthquake and earnings forecast of RC2 (for 11 months) in FY 2011

Seek for tremendous business growth in Fiscal 2014, owing to the buy-out synergy

	FY 2010 (Actual)	FY 2011 (Plan)		FY 2014 (Goal)	
Net Sales	1,594	2,000		2,500	\$30Bil
International Sales Ratio (%)	19.7%	37.6%		50.0%	
GW Amortization (buy-out)	—	22		24	
Operating Income before GW amort / Post	103 / —	139 / 117		250 / 226	\$3Mil
Operating Margin (%)	6.5% / —	7.0% / 5.9%		10.0% / 9.0%	
Net Income before GW amort / Post	89 / —	84 / 62		150 / 126	
( Reference )					
EPS ※ (Adjusted)	¥78	¥93		¥128	

(¥100million)

Operating  
Margin  
10%

※

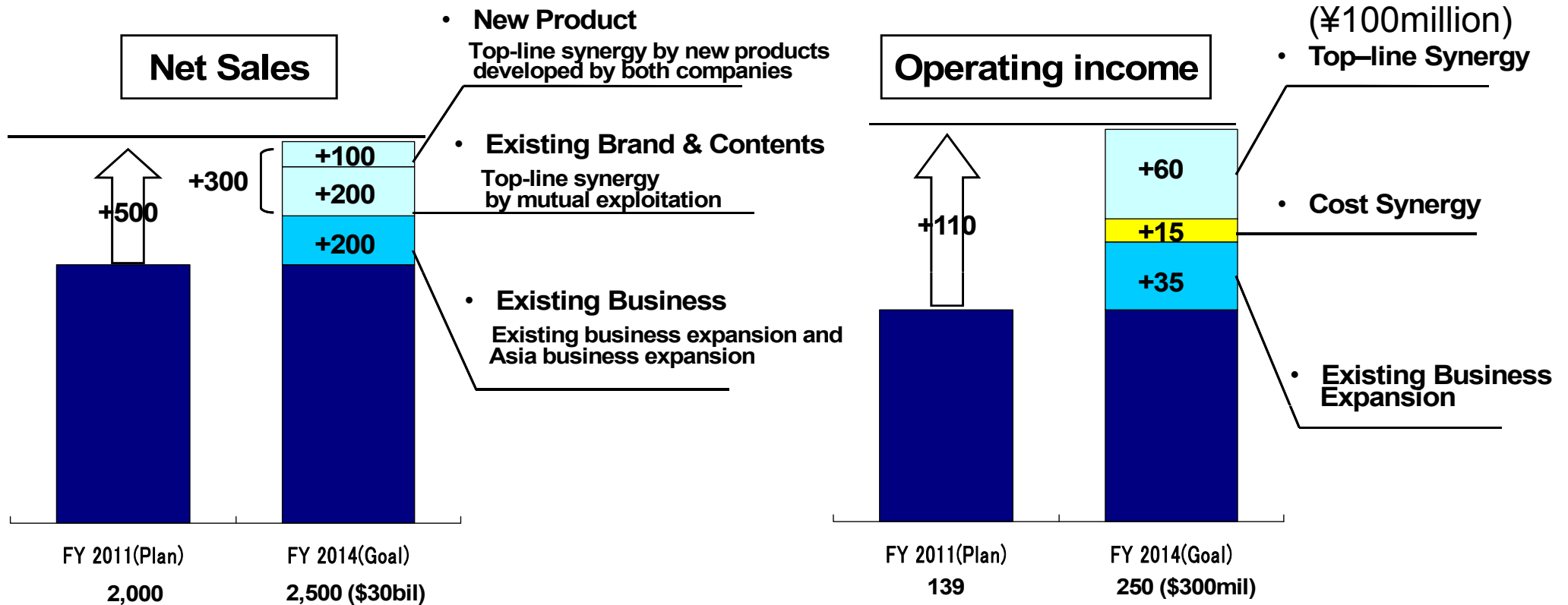
2012/03(Estimate) : Calculated by net income before GW amortization, reversal of the deferred tax assets and share fully diluted

2015/03(Forecast) : Calculated by net income before GW amortization and share fully diluted

# Post-Acquisition Management Goals②



**FY 2014 (Goal): Net Sales \$3billion, Operating income \$300 million**

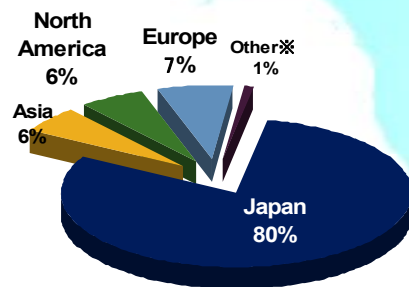


Types of Synergy	Net Sales	Operating Income
Top-line Synergy	300	60
Cost Synergy	—	15
Total Expected Synergy	300	75

# Post-Acquisition Management Goals③

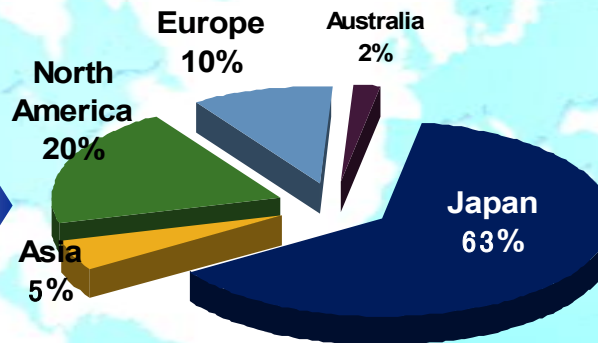
Increased overseas sales ratio to 50% by FYE March 2015

Sales by Region Breakdown  
(FY 2010)

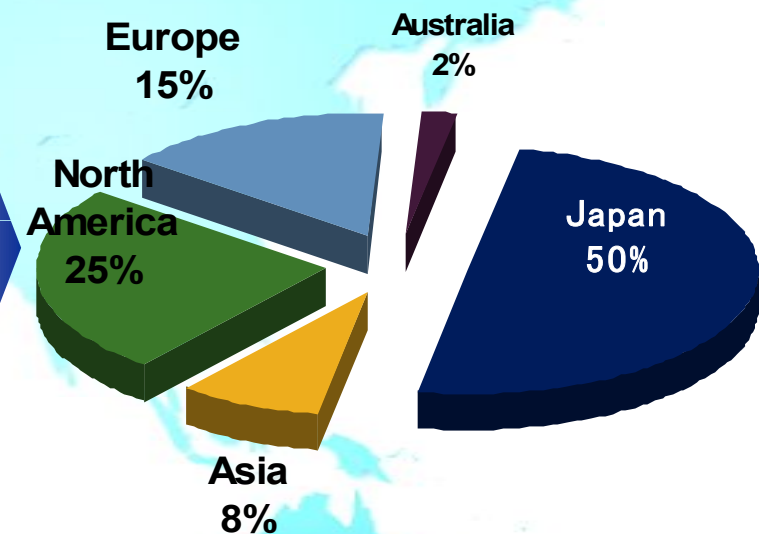


※ Other : Mainly Mexico

Planned Sales by Region Breakdown  
(FY 2011)



Sales by Region Breakdown Goal  
(FY 2014)



- Global Strategy
- Post-Acquisition Management Goals
- **Global Management**

# Global Management System



Expanding global managing system and strengthening corporate governance

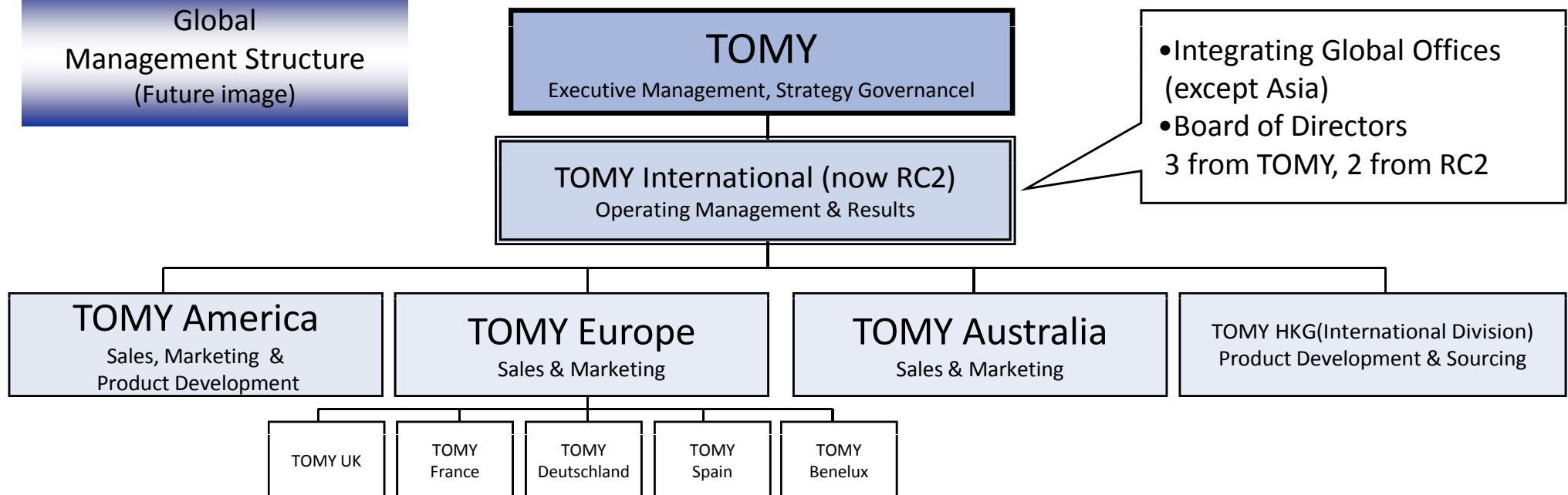
TOMY  
Board

**Curtis W. Stoelting** *(will be appointed as Board Director)*  
(Subject to TOMY's shareholders' meeting on June 24)






















Curtis W. Stoelting

Global  
Management Structure  
(Future image)



# Brand unification

Unifying brands for promoting global strategies

Corporate Name	  <b>TOMY International</b> ※To be changed in June-end
Corporate Brand ※Overseas	
Family Brand	 
Brand	 
Product Brand	            etc

※It is conferring now, it is likely to change.

# Crating system to realize unification effect

**Created a combined team to realize the unification effect as early as possible**

## **Steering Committee**

Monitoring of entire integration process, Approval of the integration plan, Making decisions on practical matters regarding integration



## **Project Management Office (PMO)**

Established in both companies, tackling with matters raised by business task force teams



## **Task Force Teams**



## 1. RC2's global platform

- Access to a complementary global distribution network centered around North America
- Strengthened global brand development at both companies
- Enhanced manufacturing / development systems
- Access to global talent / establishment of global structure

## 2. New management goal, as a true global player

- Achievement for Sales \$3billion, Operating income \$300million
- Achievement for international sales 50%
  - ⇒ EPS (Adjusted) is improving

## 3. Acquisition by low cost and stabilization borrowings

- Low cost and stabilization borrowings in Japan
- Exchange risk hedge by US\$ borrowings

## 4. Accelerating establishment of global management system

- RC2: Curtis W. Stoelting (CEO, *to be appointed*)

# FY2011 Major Product Topics

**TAKARA  
TOMY**

## Movie Contents

### Transformers

Movie 3 related products under way synergy effect of plays expected by interlocking product, OTC and web.



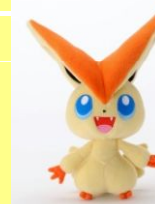
### Disney

Movie 'Cars 2' related goods under deployment



### Pokémon

Pokémon movie related goods under deployment



## Other Major Products

### Pretty Rhythm

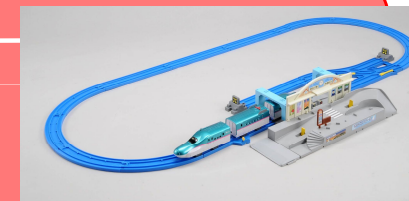
Started deploying domestic animation contemplating the deployment in Asia



### Tomica • Plarail

Plarail

Train trend goes to a climax



### Treena

Revival in the current FY

Expected product sales start in July



### Licca

Introducing New line 'Fantasy Licca'



### Duel Masters

Tenth anniversary since the launch.

Big event planned in June.

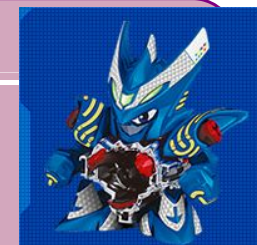
Attract new customer by reinforcing product power and media-mix.



### Beyblade • B-Daman

Beyblade : Big event included Asia planed.

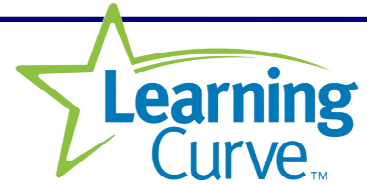
B-Daman : Animation starts in fall.



# FY2011 RC2 Major Product Topics

**TAKARA  
TOMY**

Preschool, Youth & Adult



Mom, Infant & Toddler



JJ COLE  
COLLECTIONS

GUMDROP



bundleme

Breastflow®



Lamaze



American  
Red Cross





# Chuggington Toy Portfolio – “Train Play Plus”

**TAKARA  
TOMY**

## Product Line / Roll-Out Plans

### Launched in Europe & Australia in 2010

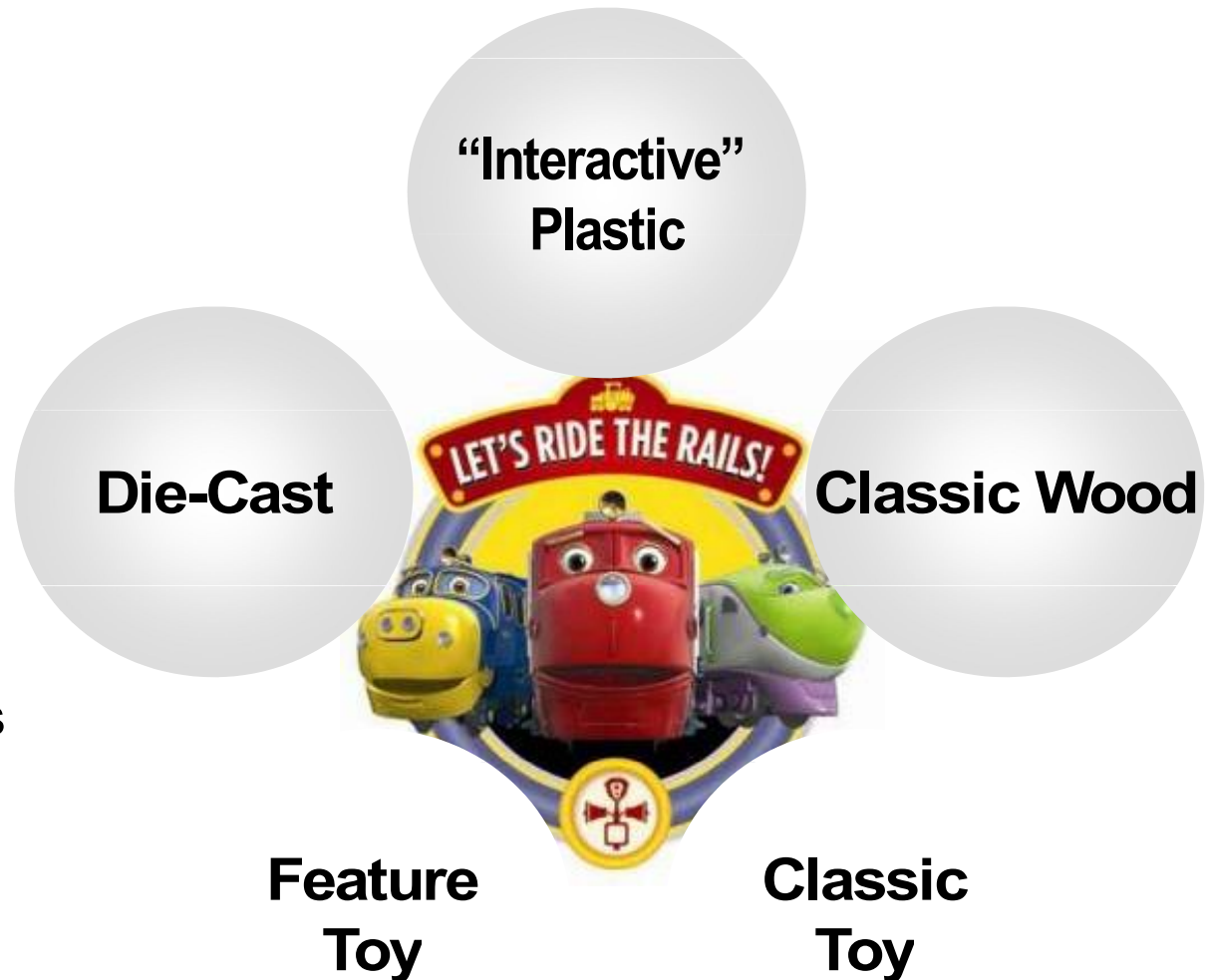
- Generated sales of over \$30 mill. in 2010

### Launching in U.S.

- U.S. “Sneak Peak” Die-cast launched in 2010 Q4 at Toys R Us
- Throughout 2011 launching all product lines at multiple U.S. retailers including Toys R Us, Target and Wal-mart

### Launching in Japan

- “Sneak Peak” planned for 2011 holiday season



# (Reference) Breakdown of Sales by Major Contents



【Non-Consolidated】

(¥ 100million)

	<b>FY 2011 Plan</b>	<b>FY 2010 Actual</b>	<b>FY 2009 Actual</b>
<b>Beyblade</b>	<b>167</b>	<b>189</b>	<b>79</b>
<b>Transformers</b>	<b>133</b>	<b>115</b>	<b>151</b>
<b>Duel Masters</b>	<b>67 ※</b>	<b>62</b>	<b>94</b>
<b>Tomica</b>	<b>74 ※</b>	<b>65</b>	<b>59</b>
<b>Pokémon</b>	<b>41※</b>	<b>29</b>	<b>34</b>
<b>Pokémon Battrio</b>	<b>16</b>	<b>15</b>	<b>25</b>
<b>Plarail</b>	<b>51 ※</b>	<b>38</b>	<b>35</b>
<b>Disney</b>	<b>43 ※</b>	<b>35</b>	<b>29</b>
<b>Licca</b>	<b>36 ※</b>	<b>30</b>	<b>24</b>

※ Includes sales to Asia as from FY 2011.

# (Reference) Major Group Companies' Business Results



(¥ million)

	Net sales			Operating income		
	FY 2011 Plan	FY 2010 Actual	FY 2009 Actual	FY 2011 Plan	FY 2010 Actual	FY 2009 Actual
<b>TOMY</b>	<b>70,000</b>	<b>71,574</b>	<b>75,746</b>	<b>6,700</b>	<b>8,832</b>	<b>7,384</b>
<b>TOMY TECH</b>	<b>5,900</b>	<b>5,794</b>	<b>5,886</b>	<b>400</b>	<b>352</b>	<b>201</b>
<b>TOMY International※1</b>	<b>47,900</b>	<b>—</b>	<b>—</b>	<b>4,900</b>	<b>—</b>	<b>—</b>
<b>TOMY Europe※2</b>	<b>—</b>	<b>8,772</b>	<b>10,053</b>	<b>—</b>	<b>-153</b>	<b>222</b>
<b>JPN SALES GROUP※3</b>	<b>66,900</b>	<b>67,421</b>	<b>81,708</b>	<b>260</b>	<b>347</b>	<b>951</b>
<b>T-ARTS GROUP</b>	<b>19,400</b>	<b>13,977</b>	<b>13,487</b>	<b>1,100</b>	<b>742</b>	<b>317</b>
<b>TINKERBELL GROUP (Apparel) ※4</b>	<b>5,100</b>	<b>4,947</b>	<b>5,345</b>	<b>40</b>	<b>-555</b>	<b>81</b>

※All figures have been rounded down to the nearest ¥million.

※1 Simple sum of RC2 (for 11 months) & TOMY UK, TOMY France and TOMY America

※2 Simple sum of TOMY UK and TOMY France

※3 Simple sum of Takaratomy sales, U-ace, Toys Union, Union Toy Marketing

※4 Simple sum of TINKERBELL and WAKO (Apparel)



This report contains forward-looking statements, targets, plans and strategies for the future. However, these are based on current information and will not guarantee nor warrant any financial estimates or any figures. Therefore, actual results could differ from this report. This is translation on original text in Japanese.