

**TOMY Company Ltd.**  
**Fiscal Year 2012 1<sup>st</sup> Half (6 months) Results**  
**(April 1, 2012 – September 30, 2012)**

**Nov 16, 2012**  
**TSE Securities Code: 7867**

**FY 2012 1<sup>st</sup> Half (6 months)**  
**Financial Highlights**  
**(April 1, 2012~September 30, 2012)**

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

# FY2012 First Half

## Consolidated Income statements



(¥100million)

	FY2012 1 <sup>st</sup> Half		FY2011 1 <sup>st</sup> Half	Difference (FY2012 Actual vs. FY2013 Actual)
	Actual	Forecast (May 10, 2012)	Actual	
Sales	834	870	892	-58
Operating Income	11	30	50	-39
Operating Profit Margin	1.3 %	3.4 %	5.7 %	-4.4 %
EBITDA	46	—	82	-43
EBITDA Margin	5.6 %	—	9.2 %	-4.4 %
Ordinary Income	7	26	44	-37
Net Income	-1	12	23	-24

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

- ※ Amortization of goodwill and intangible assets associated with acquisition of TOMY International:  
FY2012 ¥1.2bn, FY2011 ¥0.9bn
- ※ EBITDA=operating income + depreciation + amortization of goodwill
- ※ US\$ FX rate : FY2012 first 6 months ¥79.41, FY2012 full year ¥77.00, FY2011 actual ¥79.81

# FY2012 First Half Consolidated Operating Profit Analysis



[YoY comparison]

FY2011 First Half

Gross margin decreased by sales decline

Gross margin decreased  
by aggravated cost of sales ratio

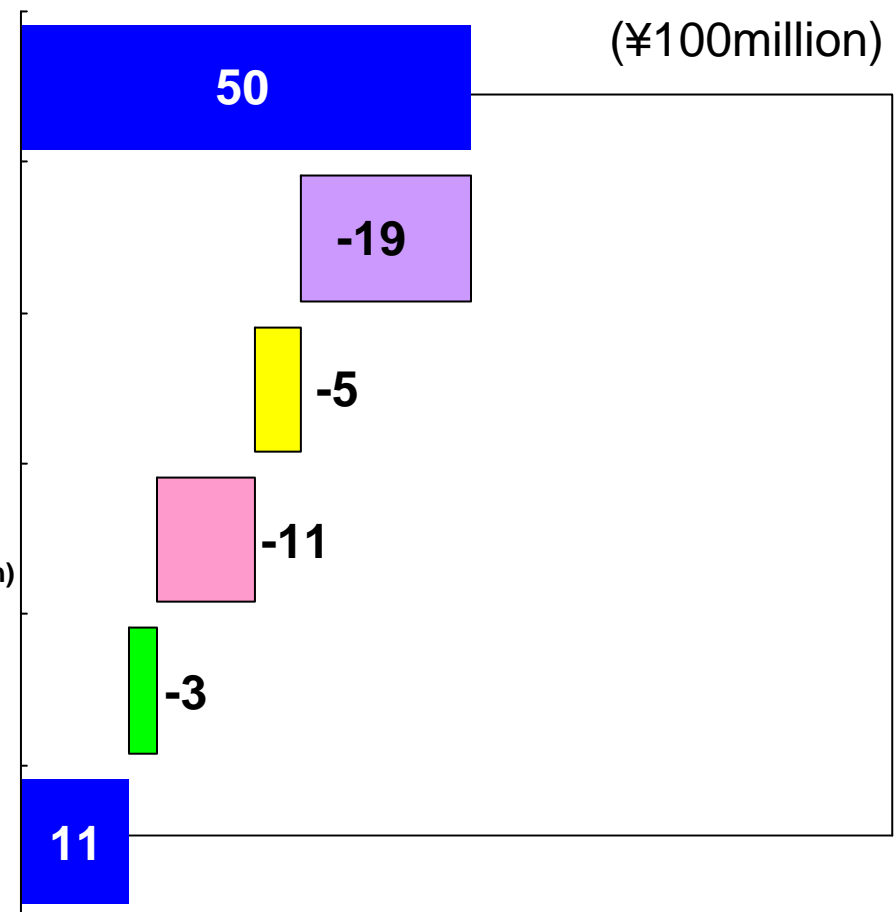
SG&A  
Increase

**SG&A**

(Excludes amortization of goodwill and  
intangible assets associated with TI acquisition)

**Amortization of goodwill and  
intangible assets associated  
with TI acquisition**

FY2012 First Half



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

# FY2012 First Half SG&A Breakdown



(¥100million)

	FY2012 1 <sup>st</sup> Half	vs. Sales	FY2011 1 <sup>st</sup> Half	vs. Sales
Cost of Sales	<b>562</b>	<b>67.4%</b>	<b>595</b>	<b>66.7%</b>

SG&A (total)	<b>260</b>	<b>31.2%</b>	<b>246</b>	<b>27.6%</b>
Personnel Expense	<b>98</b>	<b>11.8%</b>	<b>96</b>	<b>10.8%</b>
Advertising Expense	<b>46</b>	<b>5.6%</b>	<b>42</b>	<b>4.8%</b>
R&D Expenses	<b>13</b>	<b>1.6%</b>	<b>11</b>	<b>1.3%</b>
Distribution Expenses	<b>32</b>	<b>3.9%</b>	<b>29</b>	<b>3.3%</b>
Amortization of goodwill and intangible assets associated with acquisition of TI	<b>12</b>	<b>1.5%</b>	<b>9</b>	<b>1.1%</b>

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

# FY2012 1<sup>st</sup> Half

## Net Sales by Region



(¥100million)

Regions	FY2012 1 <sup>st</sup> Half	FY2011 1 <sup>st</sup> Half	Difference
Japan	<b>554</b>	<b>520</b>	<b>34</b>
North America, Europe and Oceania	<b>235</b>	<b>325</b>	<b>-90</b>
Asia (excluding Japan)	<b>34</b>	<b>33</b>	<b>1</b>
Others	<b>10</b>	<b>12</b>	<b>-2</b>
Total	<b>834</b>	<b>892</b>	<b>-58</b>
Ratio of overseas sales	<b>33.6%</b>	<b>41.7%</b>	<b>-8.1%</b>

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

# FY2012 First Half

## Consolidated Balance Sheet



(¥100million)

Items	FY2012 1st Half	FY2011 1st Half	Difference
Current Assets	854	829	25
Noncurrent Assets	667	716	-49
Total Assets	1,522	1,547	-25

Current Liabilities	398	435	-37
Noncurrent Liabilities	651	646	5
Total Liabilities	1,050	1,082	-32
Total Net Assets	472	465	7

Shareholders' Equity	453	443	10
Shareholders' Equity Ratio	29.8%	28.7%	1.1%

Inventories	190	199	-9
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Cash and Deposits	304	253	51
Total Interest Bearing Debt	645	699	-54
Loans Payable	507	550	-43
Bonds and Convertible Bonds	138	149	-11

※ US\$ current rate : FY2012 1<sup>st</sup> half ¥77.60 FY2011 1<sup>st</sup> half ¥76.65

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

# **Business Updates for First Half and Revision of Year End Forecast**

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



# FY2012 First Half Business Review



## Positive factors (+)

- Solid sales of long-standing products (e.g. *Tomica* and *Plarail*)
- Steady sales of new products launched in Q2 (e.g. *BattroBorg 20* and *Keitai Wanko*)
- Positive performance of amusement machines (*Pokémon TRETTA* and *Pretty Rhythm*)
- Conclusion of global licensing agreement for *Pokémon* (slide p.9)
- Steady expansion of China business (slide p.10)

## Negative factors (-)

- Lackluster summer holiday shopping season for domestic toy market
- *Duel Masters* sales declined partly due to drastic weakening of trading card market
- *Transformers* and *Beyblade* sales has settled down after enjoying a boom in demand
- New products for boys categories are struggling.
- Establishment of optimal sales management structure for TOMY International (“TI”) is taking time and sales was slow especially in Europe.

## TI concluded a Pokémon license agreement for North America and Europe

- TOMY Group is now enabled to have access to North America, Europe and Australia as well as Asia including Japan.
- This global roll-out will bring about the following merits:
  - Centralized product development and launch timing management (previously carried out separately at each region)
  - increased production and sales efficiency, and
  - ability to launch products in line with the TV animation and movies launch timings.
- Product starts to roll-out in January 2013



■ Pokémon Town in Taiwan

**¥30 billion**  
(total of 3 years)



# Expansion of China Business



Business expanding from both sales channel and product portfolio point of view

**FY2012 forecast: ¥2.2B**  
**(FY2011 actual: ¥0.4B)**

※Comparison by department

## Sales channel expansion

- Expansion of sales distributors
  - Cooperating with distributors to create optimal sales spaces.
  - Out of 46 targeted cities, 30 are already covered



## Product portfolio expansion

- Launch of toys based on animated TV series produced by local companies
  - KIBAO TV broadcast started in August
  - Goods based on popular animated TV series *Happy Hamsterland* will launch in January 2013
- Cross-selling of TI products started with *The First Years* baby brand



■ KIBAO



■ Happy Hamsterland



## Other

- Impact from Japan/China situation has been minor to date.

# Revision of FY2012 year end forecast



## ■ Year end earnings forecast (announced on November 13<sup>th</sup>)

	Revised forecast (announced on Nov. 13)	Initial plan (announced on May 10)	Diff.
Sales	1,700	1,900	-200
Operating Profit	51	100	-49
Ordinary Profit	43	93	-50
Net Profit	6	50	-44

Dividend per Share	14 yen/year	14 yen/year	-
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Unit: Oku-yen  
(100MM yen)

# Revision of FY2012 year end forecast

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- Japan

Long-standing products continue to show solid sales but sales of boys hobby and trading card products dropped and Japanese toy market remains bearish. We expect our year end results to be significantly lower than our initial plan for sales growth.

- Asia

Sales are expected to exceed the previous year but below initial plan, partly due to the delayed launch of baby products in China.

- North America, Europe and Oceania

There was some level of confusion from European integration for the first six months but TI earnings are expected to top last year results.

Export sales are expected to drop sharply from previous year but exceed the initial forecast.

# Revision of FY2012 year end forecast



## ■ TI: Integration Synergy and Business Updates

### FY2012

- \* Cost synergy forecast: US\$13MM. Dis-synergy forecast: US\$3MM.
  - With US\$10MM synergy above, TI is expected to have US\$28MM operating profit.
  - European business slowed during the first six months from confusion in the operation following integration which is expected to resolve by the end of November. Year-end earnings forecast exceed last year's results.
  - Sales power in Europe will be strengthened

### FY2013

- \* Brands generating sales synergies with Tokyo office are planned for launch:

- ① New line of TOMICA with focus on US and European markets
- ② Pokémon
- ③ BattroBorg
- ④ New girls toy

Annual sales for above 4 items are expected to be US\$100MM.



# Revision of FY2012 year end forecast



## Efficient management and reduction of SG&A expenses (¥3.9B below second half budget and ¥1.2B below FY2011 second half actual)

- Personnel expenses (¥0.6B below budget and ¥0.2B below FY2011)
  - Salary cuts for head office officers and executives
  - Reduction of business-performance-related bonuses
- Advertising expenses (¥1.4B below budget and ¥0.3 below FY2011)
  - Partial reduction of catalogs and magazine ads that are not effective
  - Reduce trade promotion fee by eliminating duplicate expenses
- Distribution costs (¥0.7B below budget and ¥0.3B above FY2011)
  - Reduction from lower sales and reduction from unification of domestic toy sales structure
  - Reduction resulting from sales decline and streamlining of domestic toy sales system
- R&D expenses (¥0.6B below budget and ¥0.2B below FY2011)
  - Improve green-lighting process at planning and development stage (business and sales teams will coordinate to achieve this)
- Other expenses (¥0.5B below budget and ¥0.8B below FY2011)
  - Reduction from thorough efficient operation and elimination of unproductive spending mainly at the head office.



# Approach for FY2012 Second Half

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- Strengthening of “Creative Powers” (slide p. 16)
- Strengthening of “Sales Powers” through integration of sales functions to newly established TOMY Marketing Company (slide p. 17)
- Thoroughly reduce spending including SG&A to improve earnings and secure finance for investment towards next fiscal year (slide p. 18)
- Additional new products for New Year and Spring (slides p. 20-22)



# Strengthening of “Creative Powers”



## ■ Development of region-based product planning structure on a global level

- Clarification of roles and responsibilities of operations in Japan and international regions and visualization of business at each region
- Development of regional product planning/development structure that is in coordination with the trading companies in Japan and international regions.

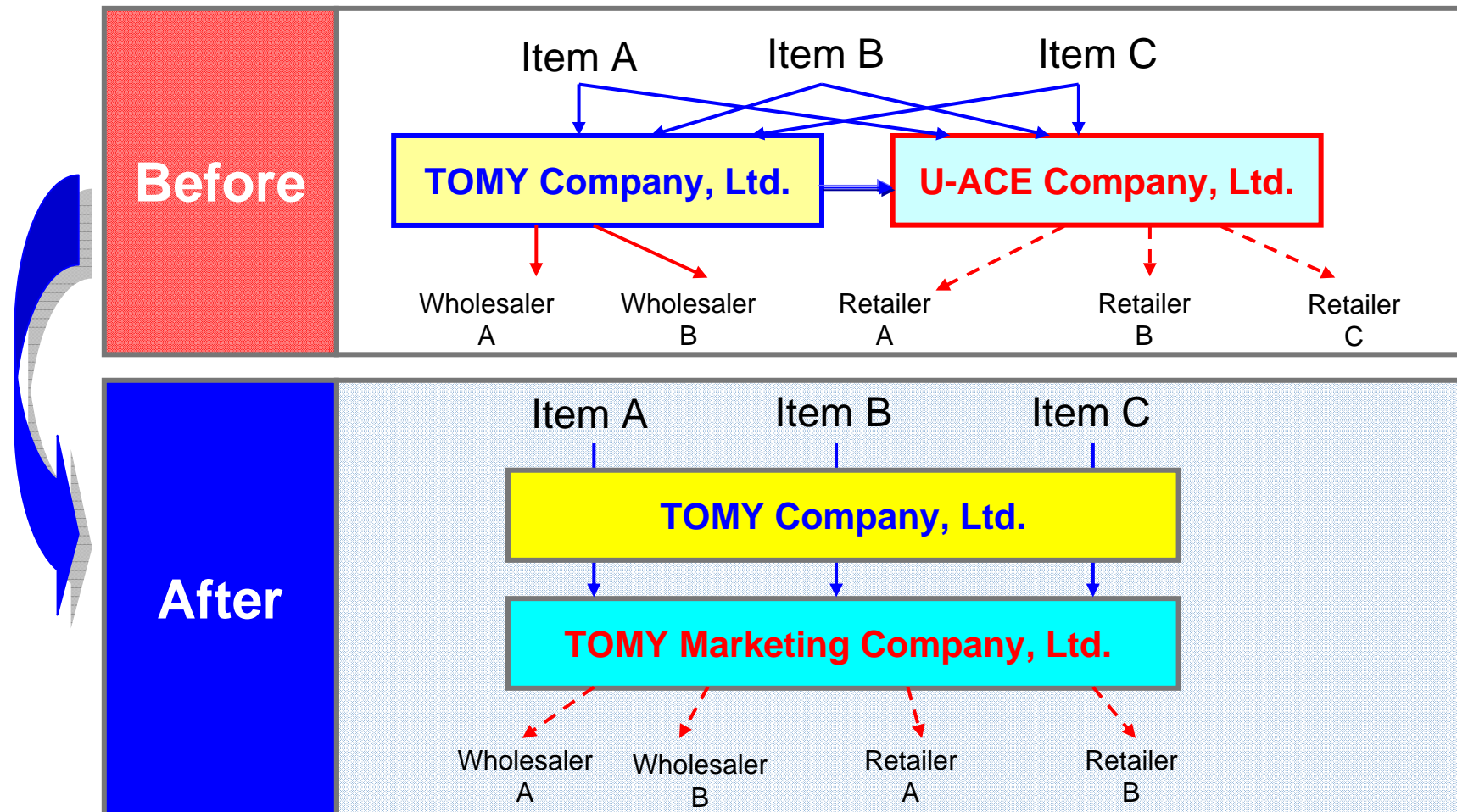


# Strengthening of “Sales Powers”



## ■ Sales System Integration

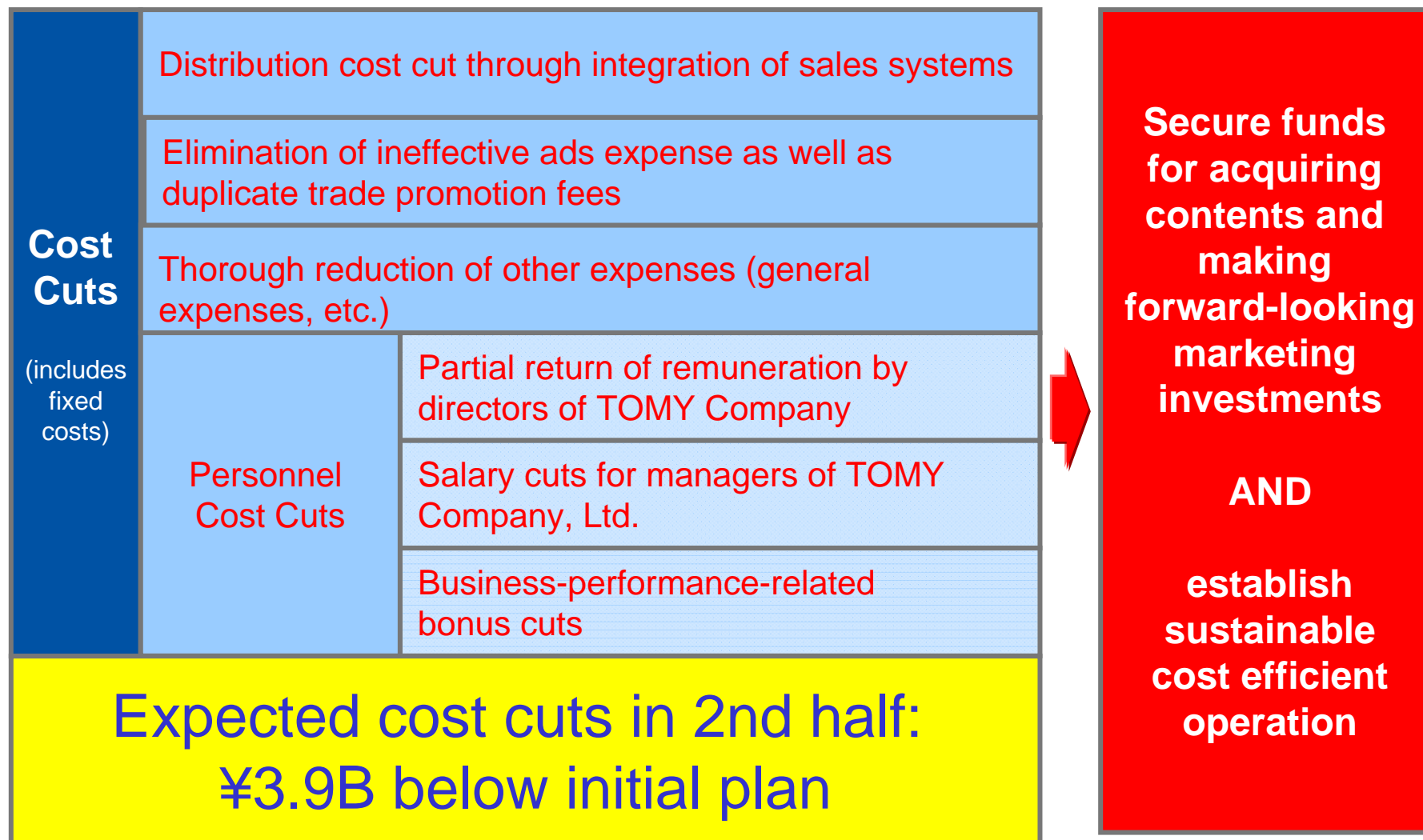
Integrate duplicate sales functions within head office and domestic trading company to TOMY Marketing Company.



# Thorough Cost Cuts



## ■ Areas of action



## 1. Focus on core business

- (1) Boost both “quantity” and “quality” of toy ideas for domestic market
- (2) Acquire/create new product categories and contents
- (3) Expand to new channels

## 2. Continue to develop globally

- (1) Acquire/create contents with global appeal
- (2) Further enhance relationship with “best partners”

## 3. Dramatically optimize gross margin per man-hour

- (1) Introduce annual salary system: change fixed cost to variable cost
- (2) Clarify business KPIs and enhance visibility of business
- (3) Thoroughly rewards good work and punish poor work

# FY2012 Second Half: Product Highlights for Japanese market



## Chuggington Plarail

Big playset for year-end launch



## Vehicles

## Tomica Hyper Rescue

Large sized vehicle for Hyper Rescue line



## Lamaze

## Baby, Infant and Preschool

Baby toy brand popular around the world. We will launch the brand in Japan from start of 2013.





# FY2012 Second Half: Product Highlights for Japanese market



## BattroBorg 20

Battle set with two sets of robots and controllers were launched for immediate boxing fun.

This product was ranked in top 30 hit products list selected by Nikkei Trendy magazine.



## Boys

## Transformers

Launched Arms Micron Series. The weapons also transform.



## Furby

Hit product that has sold approx. 40 million units around the world makes a come back.



## Other toys to watch out for

## Keitai Wanko

Newly launched with added functions.



## Sky Pen

Product that can be used with the popular i-Phone



# New products: Jan-Mar 2013 Launch Items for Japanese Market

**TAKARA  
TOMY**





This document contains forward-looking forecast, target, plan and strategy related to TOMY Group that are based on our knowledge and assumptions made on the basis of information. They do not guarantee nor warrantee the group's actual earnings as well as the business development. Actual results could differ from this report.

\*This document is a translation of the original text in Japanese.