Translation

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February 12, 2020

CONSOLIDATED FINANCIAL RESULTS
for the First Nine Months of the Fiscal Year Ending March 31, 2020
<under Japanese GAAP>

Company name: TOMY COMPANY, LTD.
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 7867
URL: www.takaratomy.co.jp
Representative: Kazuhiro Kojima, Representative Director, President & COO
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Scheduled date to file quarterly securities report: February 13, 2020
Scheduled date to commence dividend payments: –
Supplementary material on quarterly financial results: No
Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2020 (From April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	131,977	(6.8)	12,202	(19.2)	11,817	(21.3)	6,590	(36.6)
December 31, 2018	141,636	0.4	15,101	10.1	15,022	11.3	10,388	6.1

Note: Comprehensive income
Nine months ended December 31, 2019: 6,542 million yen [(48.7)%]
Nine months ended December 31, 2018: 12,748 million yen [24.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
December 31, 2019	69.12	69.05
December 31, 2018	109.34	109.05

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2019	141,209	70,780	49.6	733.85
March 31, 2019	143,364	67,315	46.5	700.26

Reference: Equity
As of December 31, 2019: 70,043 million yen
As of March 31, 2019: 66,692 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2019	–	7.00	–	17.00	24.00
Fiscal year ending March 31, 2020	–	15.00	–		
Fiscal year ending March 31, 2020 (Forecast)				15.00	30.00

Notes: 1. Revisions to the cash dividend forecasts most recently announced: None
2. Breakdown of year-end dividend for the fiscal year ended March 31, 2019: ordinary dividend 7.00 yen, commemorative dividend 10.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ending March 31, 2020	164,000	(7.3)	10,000	(30.6)	9,500	(33.6)	5,000	(46.2)	52.43

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 15 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

A. Changes in accounting policies due to revisions to accounting standards: Yes

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Changes in accounting policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 15 of the attached material.

(4) Number of issued shares (common shares)

A. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2019	96,290,850 shares
As of March 31, 2019	96,290,850 shares

B. Number of treasury shares at the end of the period

As of December 31, 2019	843,111 shares
As of March 31, 2019	1,051,473 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	95,354,766 shares
Nine months ended December 31, 2018	95,008,453 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or audit corporation.

[Attached Material]

1. Qualitative Information Regarding Consolidated Operating Results

(1) Explanation of Operating Results

(Highlights of First Nine Months of the Fiscal Year Ending March 31, 2020)

- Net sales were ¥131,977 million (down 6.8% year on year). The decline in net sales reflects factors including an absence of excitement throughout the entire toy market during the year-end shopping spree which is considered to be the largest annual shopping spree, a decrease in the sales of BEYBLADE BURST, and a reactionary drop in the movie TRANSFORMERS related product sales, in tandem with lower-than-expected sales in new products for boys, for which an animation was broadcasted on TV from April, and in globally strategic merchandise RIZMO, and no particular product becoming the new hit product. There was, however, strong growth in sales for products such as the long-standing TOMICA brand as well as products related to the movies Toy Story 4 and Frozen 2.
- Operating profit was ¥12,202 million (down 19.2% year on year). This was mainly attributable to a decrease in gross profit due to the decline in net sales, despite a decrease in selling, general and administrative expenses.
- Ordinary profit was ¥11,817 million (down 21.3% year on year). This was mainly attributable to the decline in operating profit and the recording of foreign exchange losses.
- Profit attributable to owners of parent was ¥6,590 million (down 36.6% year on year). The decline was due to recognizing extraordinary losses of ¥1,921 million, including impairment losses on the full amounts of goodwill and intangible assets held by the subsidiary of the TOMY International Group in Oceania and the partial amount of intangible assets held by a subsidiary in the United States.
- In Japan, sales increased for single-pack TOMICA vehicles and TOMICA PREMIUM for adults, among others, and PLARAIL series recorded robust sales, partly reflecting the effect of various events for the 60th anniversary of sales. The continuously being broadcasted ZOIDS WILD has started airing its new animation series from October and proved its popularity. The surprise doll L.O.L. SURPRISE! continued to sell favorably in the current year, and sales of the LCD toy Sumikkogurashi SUMIKKOSAGASHI, etc. gained popularity. In addition, sales of products related to the movie Toy Story 4 and Frozen 2 increased. On the other hand, there was a significant decline in sales in products for boys. Sales of BEYBLADE BURST, which has been on sale for five years as of this year, declined year on year despite maintaining better levels than expected and enjoying long-lasting popularity. Overseas-bound exports of TRANSFORMERS declined due to the reactionary drop in the sales of the movie-related products during the same period of the previous fiscal year, while the sales of DUEL MASTERS remained bearish in a shifting competitive environment. Sales for new products for boys, for which a TV animation started broadcasting from April, also struggled. Furthermore, despite launching RISMO as a globally strategic merchandise, its sales did not reach the forecasted targets.

  In December, we started the distribution of the card game app DUEL MASTERS PLAY’S for smartphone.
- In the TOMY International Group, we proceeded with the roll-out of new product lines, including the globally large-scale product RIZMO, which was planned and developed in conjunction with Japan; however, the sales did not reach our expectations. As a result, net sales declined due in part to the end of the sales of character toys that had been sold until the first quarter of the previous fiscal year.

(Overview of Reportable Segments)
<Overview of operating results by segment>

(Millions of yen)

		First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change	Rate of change (%)
Net sales		141,636	131,977	(9,659)	(6.8)
	Japan	119,471	112,637	(6,834)	(5.7)
	Americas	14,246	13,164	(1,082)	(7.6)
	Europe	4,467	4,699	232	5.2
	Oceania	1,526	1,167	(358)	(23.5)
	Asia (excl. Japan)	44,669	43,245	(1,424)	(3.2)
	Eliminations and corporate	(42,744)	(42,936)	(192)	–
Operating profit/(loss)		15,101	12,202	(2,899)	(19.2)
	Japan	16,597	14,162	(2,434)	(14.7)
	Americas	(94)	(39)	55	–
	Europe	(511)	(518)	(6)	–
	Oceania	32	(119)	(151)	–
	Asia (excl. Japan)	1,011	1,076	64	6.4
	Eliminations and corporate	(1,932)	(2,359)	(426)	–

Japan

(Millions of yen)

	First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change
Net sales	119,471	112,637	(6,834)
Operating profit	16,597	14,162	(2,434)

Net sales in Japan for the first nine months of the fiscal year were ¥112,637 million (down 5.7 % year on year), while operating profit was ¥14,162 million (down 14.7 % year on year). The toy market remained devoid of a big groundswell of the year-end shopping spree.
In the long-standing TOMICA brand, sales increased in areas such as single-pack TOMICA vehicles, which enhanced the product repertoire such as with the commercialization of popular overseas car models, and for the TOMICA PREMIUM line of highly detailed collectible models for adults, which marks its fifth anniversary in the current year. In addition, we undertook proactive initiatives in various marketing events associated with the 60th anniversary of PLARAIL, which was launched in 1959. Sales were robust due to the popularity of 60th anniversary commemorative edition products.
In products for boys, the dinosaur and animal-themed in-house content, ZOIDS WILD has drawn good reviews with the launch of terrestrial broadcasting in a brand-new world view from October, etc.
In products for girls, the surprise doll L.O.L. SURPRISE! sold favorably due to the effects of marketing using social media, and products related to the Secret×Heroine Phantomirage! live action TV drama for young girls and the LCD toy with a camera functionality, Sumikkogurashi SUMIKKOSAGASHI gained popularity.
In preschool products, sales of products related to the TV animation series PAW PATROL, which is very popular overseas and for which we acquired the sales rights in Japan, commenced from May and enjoyed popularity.
For Toy Story 4, a DISNEY/PIXAR animation movie released in July, related products such as movie character figures, plush toys and GACHA capsule toys were launched across the Group and sold favorably. Moreover, for the Disney movie Frozen 2 released in November, the related products such as the electronic learning toy, DREAM CAMERA TABLET and dresses attracted popularity.
At T-ARTS Company, Ltd., the amusement machine Pokémon Ga-Olé continued to be well received.
In December, we started the distribution of the card game app DUEL MASTERS PLAY’S for smartphone.
On the other hand, sales of BEYBLADE BURST, which has been on sale for five years as of this year, declined year on year despite maintaining better levels than expected and enjoying long-lasting popularity.
Overseas-bound exports of TRANSFORMERS declined due to the reactionary drop in the sales of the movie-related products during the same period of the previous fiscal year, while the sales of DUEL MASTERS remained weak in a shifting competitive environment. There were no new hit products to come from such contenders as new products for boys, for which a TV animation started broadcasting from April, or the globally strategic merchandise RIZMO. LICCA reversed its course to lower its sales, which compensated from the strong performance lasted for two years from the 50th anniversary of its birth.

Americas

(Millions of yen)

	First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change
Net sales	14,246	13,164	(1,082)
Operating loss	(94)	(39)	55

Net sales in the Americas were ¥13,164 million (down 7.6% year on year), while operating loss was ¥39 million, compared with an operating loss of ¥94 million in the same period a year earlier. We continued to market the plush toy MOCCHI- MOCCHI- (the overseas product name: Club Mocchi- Mocchi-) that pursued the finest touch and are also sold in Japan, and it has been well received. Despite the sequential roll-out of new items, including the roll-out of RIZMO, a surprise pet for children to take care of, in September, the sales faced an uphill battle. The decline in net sales reflects factors including the end of the sales of character-related toys that had been sold until the first quarter of the previous fiscal year, a reactionary dip in the sales of agricultural machinery toys developed in the previous fiscal year as centennial commemorative products, as well as the shrinkage of baby products sales.

Europe

(Millions of yen)

	First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change
Net sales	4,467	4,699	232
Operating loss	(511)	(518)	(6)

Net sales in Europe for the first nine months of the fiscal year were ¥4,699 million (up 5.2 % year on year). Operating loss was ¥518 million, compared with an operating loss of ¥511 million in the same period a year earlier, owning to an additional marketing investment injected for new product roll-out, etc. In this year, we rolled out DRUMOND PARK, for which we acquired the sales rights for board games in Europe, while launched RIZMO, a surprise pet for children to take care of, in September. In addition, agricultural machinery toys recorded strong sales. On the other hand, in addition to the end of sales of character-related toys that had been sold until the first quarter of the previous year, sales of preschool products declined.

Oceania

(Millions of yen)

	First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change
Net sales	1,526	1,167	(358)
Operating profit/(loss)	32	(119)	(151)

Net sales in Oceania were ¥1,167 million (down 23.5% year on year), while operating loss was ¥119 million, compared with an operating profit of ¥32 million in the same period a year earlier. The decline in net sales reflects the end of sales of character-related toys that had been sold until the first quarter of the previous fiscal year, a diminished expansion for PRINTOSS (the overseas product name: KiiPix), as well as a slowdown in baby products sales, amid the robust sales of agricultural machinery toys.

Asia (excl. Japan)

(Millions of yen)

	First nine months of the fiscal year ended March 31, 2019	First nine months of the fiscal year ending March 31, 2020	Change
Net sales	44,669	43,245	(1,424)
Operating profit	1,011	1,076	64

Net sales in Asia (excl. Japan) were ¥43,245 million (down 3.2% year on year), while operating profit was ¥1,076 million (up 6.4% year on year). The long-standing product TOMICA trended favorably, particularly for its single-pack products as a result of stepping up marketing efforts supported by measures including extensive launch lineup and holding events. In addition, sales of toys related to the DISNEY / PIXAR animation movie Toy Story 4, which was released at the beginning of summer performed briskly. Sales of products related to the next-generation spinning-top battle toy BEYBLADE, which had been popular in South Korea in the same period of the previous fiscal year, declined year on year.

(2) Overview of Financial Position

Assets, Liabilities and Net Assets

<Assets>

At the end of the third quarter of the fiscal year ending March 31, 2020, current assets stood at ¥96,175 million, up ¥2,060 million from the end of the previous fiscal year ended March 31, 2019. This is mainly attributable to increases in notes and accounts receivable - trade and merchandise and finished goods, despite a decrease in cash and deposits.

Non-current assets stood at ¥45,033 million, down ¥4,216 million from the end of the previous fiscal year. This is mainly attributable to decreases in property, plant and equipment and intangible assets.

<Liabilities>

At the end of the third quarter, current liabilities stood at ¥43,473 million, down ¥15,845 million from the end of the previous fiscal year. This is mainly attributable to decreases in current portion of long-term borrowings, accrued expenses and income taxes payable, despite an increase in notes and accounts payable - trade.

Non-current liabilities stood at ¥26,954 million, up ¥10,224 million from the end of the previous fiscal year. This is mainly attributable to an increase in long-term borrowings, despite decreases in lease obligations and deferred tax liabilities.

<Net assets>

At the end of the third quarter, total net assets were ¥70,780 million, up ¥3,465 million from the end of the previous fiscal year. This is mainly attributable to increases in retained earnings and valuation difference on available-for-sale securities, despite a decrease in foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents (hereafter “cash”) at the end of the third quarter of the fiscal year ending March 31, 2020 was ¥37,633 million, a decrease of ¥16,184 million compared with the end of the previous fiscal year ended March 31, 2019.

Net cash used in operating activities was ¥4,178 million, compared with ¥8,052 million provided by the same period a year earlier. The main factors are an increase in trade receivables of ¥12,898 million, income taxes paid of ¥4,957 million and an increase in inventories of ¥3,944 million, despite profit before income taxes of ¥10,109 million and depreciation of ¥5,162 million and impairment loss of ¥1,914 million.

Net cash used in investing activities was ¥2,551 million, compared with ¥3,322 million used in the same period a year earlier. The main factors are purchase of intangible assets of ¥1,342 million and purchase of property, plant and equipment of ¥1,127 million.

Net cash used in financing activities was ¥9,269 million, compared with ¥8,246 million used in the same period a year earlier. The main factors are repayments of long-term borrowings of ¥19,714 million, dividends paid of ¥3,019 million and repayments of finance lease obligations of ¥2,456 million, despite proceeds from long-term borrowings of ¥16,500 million

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

In light of the recent business performance trends and other factors, we have revised today (February 12, 2020) the consolidated earnings forecasts for the fiscal year ending March 31, 2020, that was announced on May 10, 2019. Please refer to today’s press release “Notice Concerning Revisions of Earnings Forecasts” for details regarding the revisions of earnings forecasts.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	53,919	37,738
Notes and accounts receivable - trade	20,342	33,228
Merchandise and finished goods	12,487	16,544
Work in process	476	431
Raw materials and supplies	1,175	1,064
Other	5,901	7,407
Allowance for doubtful accounts	(187)	(239)
Total current assets	94,115	96,175
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,602	12,829
Accumulated depreciation	(8,087)	(8,335)
Accumulated impairment loss	(371)	(370)
Buildings and structures, net	4,144	4,123
Machinery, equipment and vehicles	2,546	2,597
Accumulated depreciation	(1,863)	(1,976)
Accumulated impairment loss	(17)	(35)
Machinery, equipment and vehicles, net	666	585
Tools, furniture and fixtures	22,825	23,082
Accumulated depreciation	(20,707)	(21,150)
Accumulated impairment loss	(677)	(660)
Tools, furniture and fixtures, net	1,439	1,272
Land	3,905	3,905
Leased assets	8,523	7,529
Accumulated depreciation	(4,604)	(3,893)
Accumulated impairment loss	(0)	(298)
Leased assets, net	3,919	3,337
Construction in progress	275	322
Total property, plant and equipment	14,349	13,546
Intangible assets		
Goodwill	17,373	15,207
Other	10,324	8,863
Total intangible assets	27,698	24,071
Investments and other assets		
Investment securities	3,245	3,533
Deferred tax assets	1,710	1,633
Other	2,611	2,277
Allowance for doubtful accounts	(364)	(28)
Total investments and other assets	7,202	7,415
Total non-current assets	49,249	45,033
Total assets	143,364	141,209

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,490	11,098
Short-term borrowings	7,250	6,411
Current portion of long-term borrowings	19,285	5,300
Lease obligations	2,851	2,731
Accounts payable - other	8,221	7,657
Accrued expenses	7,930	6,818
Income taxes payable	3,030	1,763
Provisions	433	342
Other	824	1,350
Total current liabilities	59,319	43,473
Non-current liabilities		
Long-term borrowings	8,929	19,700
Lease obligations	1,386	1,184
Deferred tax liabilities	1,056	650
Deferred tax liabilities for land revaluation	472	472
Provisions	522	548
Retirement benefit liability	2,754	2,747
Other	1,610	1,652
Total non-current liabilities	16,730	26,954
Total liabilities	76,049	70,428
Net assets		
Shareholders' equity		
Share capital	3,459	3,459
Capital surplus	9,152	9,204
Retained earnings	43,818	47,063
Treasury shares	(687)	(551)
Total shareholders' equity	55,743	59,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,179	1,371
Deferred gains or losses on hedges	434	488
Revaluation reserve for land	624	624
Foreign currency translation adjustment	9,505	9,122
Remeasurements of defined benefit plans	(793)	(738)
Total accumulated other comprehensive income	10,949	10,867
Share acquisition rights	211	296
Non-controlling interests	410	439
Total net assets	67,315	70,780
Total liabilities and net assets	143,364	141,209

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated statement of income)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	141,636	131,977
Cost of sales	82,099	77,287
Gross profit	59,536	54,690
Selling, general and administrative expenses	44,435	42,487
Operating profit	15,101	12,202
Non-operating income		
Interest and dividend income	174	175
Rental income	112	104
Other	129	74
Total non-operating income	416	354
Non-operating expenses		
Interest expenses	283	211
Foreign exchange losses	29	387
Other	182	141
Total non-operating expenses	495	740
Ordinary profit	15,022	11,817
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	29	–
Reversal of allowance for doubtful accounts	121	–
Gain on sale of receivables	–	23
Gain on reversal of share acquisition rights	16	1
Gain on sales of investments in capital	165	–
Received settlement fee	–	188
Other	2	–
Total extraordinary income	338	214
Extraordinary losses		
Impairment loss	108	1,914
Other	14	6
Total extraordinary losses	122	1,921
Profit before income taxes	15,237	10,109
Income taxes	4,813	3,486
Profit	10,424	6,623
Profit attributable to non-controlling interests	35	32
Profit attributable to owners of parent	10,388	6,590

(Consolidated statement of comprehensive income)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	10,424	6,623
Other comprehensive income		
Valuation difference on available-for-sale securities	(63)	192
Deferred gains or losses on hedges	520	53
Foreign currency translation adjustment	1,845	(382)
Remeasurements of defined benefit plans, net of tax	21	55
Total other comprehensive income	2,324	(80)
Comprehensive income	12,748	6,542
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,712	6,508
Comprehensive income attributable to non-controlling interests	35	33

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	15,237	10,109
Depreciation	5,144	5,162
Impairment loss	108	1,914
Amortization of goodwill	1,079	1,055
Gain on reversal of share acquisition rights	(16)	(1)
Gain on sales of investments in capital	(165)	–
Received settlement fee	–	(188)
Increase (decrease) in allowance for doubtful accounts	(121)	(274)
Increase (decrease) in provision	(142)	(62)
Increase (decrease) in retirement benefit liability	(45)	63
Interest and dividend income	(174)	(175)
Interest expenses	283	211
Foreign exchange losses (gains)	83	164
Loss (gain) on sales of property, plant and equipment	(3)	0
Loss (gain) on sales of investment securities	(29)	–
Decrease (increase) in trade receivables	(10,058)	(12,898)
Decrease (increase) in inventories	(1,253)	(3,944)
Decrease (increase) in prepaid expenses	(933)	(1,005)
Increase (decrease) in trade payables	1,546	1,600
Increase (decrease) in accounts payable - other	315	(637)
Increase (decrease) in accrued expenses	(11)	(1,010)
Other, net	71	560
Subtotal	10,916	643
Interest and dividends received	172	175
Interest paid	(272)	(229)
The receipt of settlement fee	–	188
Income taxes paid	(2,762)	(4,957)
Net cash provided by (used in) operating activities	8,052	(4,178)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,516)	(1,127)
Purchase of intangible assets	(976)	(1,342)
Proceeds from sales of investments in capital	165	–
Other, net	4	(81)
Net cash provided by (used in) investing activities	(3,322)	(2,551)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	600	(850)
Proceeds from long-term borrowings	–	16,500
Repayments of long-term borrowings	(6,875)	(19,714)
Dividends paid	(1,306)	(3,019)
Repayments of finance lease obligations	(2,447)	(2,456)
Proceeds from disposal of treasury shares	558	157
Proceeds from sale and leaseback transactions	1,229	213
Other, net	(4)	(99)
Net cash provided by (used in) financing activities	(8,246)	(9,269)
Effect of exchange rate change on cash and cash equivalents	175	(184)
Net increase (decrease) in cash and cash equivalents	(3,340)	(16,184)
Cash and cash equivalents at beginning of period	46,206	53,817
Cash and cash equivalents at end of period	42,865	37,633

(4) Notes Regarding Consolidated Financial Statements

(Notes regarding assumption of going concern)

Nothing to note.

(Notes on significant changes in the amount of shareholders' equity)

Nothing to note.

(Application of specific accounting for preparing quarterly consolidated financial statements)

Tax expense calculation

Tax expenses on profit before income taxes for the nine months under review are calculated by multiplying profit before income taxes for the nine months under review by the reasonably estimated effective tax rate for the fiscal year including the third quarter under review after applying tax effect accounting.

(Changes in accounting policies)

Application of ASU 2014-09 Revenue from Contracts with Customers

At consolidated subsidiaries outside Japan adopting US GAAP, ASU 2014-09 Revenue from Contracts with Customers has been applied from the first quarter of the fiscal year ending March 31, 2020. Due to this application, these subsidiaries now recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effect of applying this accounting standard on the consolidated financial statements for the first nine months ended December 31, 2019 is immaterial.

Application of IFRS 16 "Leases"

At consolidated subsidiaries outside Japan adopting the International Financial Reporting Standards, IFRS 16 "Leases" (hereinafter "IFRS 16") has been applied from the first quarter of the fiscal year ending March 31, 2020. Due to this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In applying IFRS 16, the relevant items are subject to transitional measures, and the cumulative effect of accounting change is recorded in the opening balance of retained earnings for the first quarter of the fiscal year ending March 31, 2020.

As a result, as of December 31, 2019, the end of the third quarter of the fiscal year ending March 31, 2020, "leased assets, net" in property, plant and equipment increased by ¥78 million, "lease obligations" in current liabilities increased by ¥129 million and "lease obligations" in non-current liabilities increased by ¥197 million. The impact on profit/loss during the first nine months under review was immaterial. In addition, the opening balance of retained earnings decreased by ¥296 million. In the consolidated statement of cash flows for the first nine months under review, there was a decrease in cash outflow from operating activities of ¥96 million and an increase in cash outflow from financing activities of ¥96 million.

(Consolidated statement of income)

Impairment Losses

During the first nine months of the fiscal year ending March 31, 2020, the TOMY Group recorded impairment loss on the following asset groups.

Use	Type	Location	Impairment loss (millions of yen)
Business assets	Intangible assets (other)	Dyersville, Iowa USA	606
Business assets	Intangible assets (other)	Katsushika, Tokyo	109
Business assets	Buildings, Machinery, equipment and vehicles, Tools, furniture and fixtures, Intangible assets (other)	Dandenong, Victoria, Australia	320
Business assets	Leased assets	Exeter, Devon, England, etc.	4
Idle assets	Land	Mibu, Tochigi	1
Stores among rental assets	Land	Mibu, Tochigi	0
–	Goodwill	Dandenong, Victoria, Australia	871

The TOMY Group classifies its business assets into groups by management account, which is based on associations according to location and type of business. For rental assets and idle assets, individual properties are grouped in the smallest units possible.

Regarding the assets groups of the above Australia business assets and goodwill, we have continuously recorded operating losses, and because the estimated amount of total future cash flow falls below the book value of the individual assets, we reduced the book value to the recoverable value and recorded the amount of the reduction (¥1,191 million) as impairment loss in extraordinary losses. The breakdown of this impairment loss was ¥871 million in goodwill, ¥298 million in intangible assets (other), ¥17 million in machinery, equipment and vehicles, ¥3 million in tools, furniture and fixtures and ¥0 million in buildings. Furthermore, the utility value was used to measure the recoverable value, and because no future cash flow is expected, the utility value is valued at zero.

Regarding the above US business assets, due to the fact that the relevant assets' recoverability for certain licenses, etc. is not expected, we reduced the book value to the recoverable value and recorded the amount of the reduction (¥606 million) as impairment loss in extraordinary losses. The breakdown of this impairment loss was ¥606 million in intangible assets (other). Furthermore, the utility value was used to measure the recoverable value, and because no future cash flow is expected, the utility value is valued at zero.

Regarding the above business assets of Tokyo, due to a decrease in profitability of services using intangible assets, we reduced the book value to the recoverable value and recorded the amount of the reduction (¥109 million) as impairment loss in extraordinary losses. The breakdown of this impairment loss was ¥109 million in intangible assets (other). Furthermore, the utility value was used to measure the recoverable value, and because no future cash flow is expected, the utility value is valued at zero.

Regarding the above leased assets in England, the utility value was used to measure the recoverable value, and because no future cash flow is expected, the utility value is valued at zero.

Regarding the above idle assets and rental assets in Tochigi, we reduced the book value to the recoverable value and recorded the amount of the reduction (¥1 million) as impairment loss in extraordinary losses. The breakdown of this impairment loss was ¥1 million in land. Furthermore, the net sale value was used to measure the recoverable value.

For the first nine months of the fiscal year ended March 31, 2019, this information is omitted due to its immateriality.

Segment information

I. First nine months of the fiscal year ended March 31, 2019 (April 1, 2018 to December 31, 2018)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	111,181	14,173	4,448	1,488	10,344	141,636
Inter-segment sales and transfers	8,290	72	18	37	34,325	42,744
Total	119,471	14,246	4,467	1,526	44,669	184,380
Segment profit (loss)	16,597	(94)	(511)	32	1,011	17,034

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	17,034
Inter-segment eliminations	278
Corporate expenses (Note)	(2,211)
Operating profit on the quarterly consolidated statement of income	15,101

(Note) Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	93,156	24,445	22,630	24,034	141,636

(Note) Net sales are categorized into a country or region based on the customer's location.

II. First nine months of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	104,203	13,112	4,699	1,167	8,794	131,977
Inter-segment sales and transfers	8,434	51	–	–	34,450	42,936
Total	112,637	13,164	4,699	1,167	43,245	174,913
Segment profit (loss)	14,162	(39)	(518)	(119)	1,076	14,561

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	14,561
Inter-segment eliminations	158
Corporate expenses (Note)	(2,517)
Operating profit on the quarterly consolidated statement of income	12,202

(Note) Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	88,738	21,609	20,001	21,629	131,977

(Note) Net sales are categorized into a country or region based on the customer’s location.