

# 2011 ANNUAL REPORT

TOMY COMPANY, LTD.



# To make all dreams come true

## Founding Philosophy

Let's excite the world market with our outstanding products

Our sincerity and effort will profit others and become the basis of our happiness

## Corporate Mission

Our mission is to fulfill the dreams of our stakeholders, including

The dreams of children

The dreams of our employees

The dreams of our shareholders

The dreams of our business partners

The dreams of our society

## We will create new value from play.

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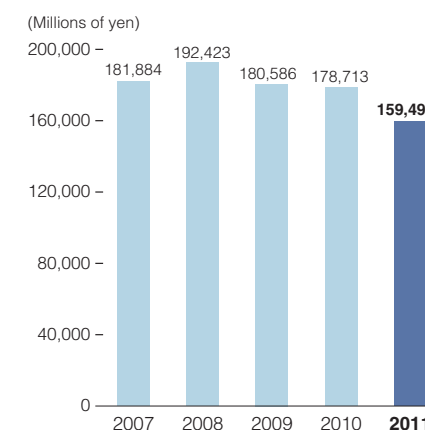


## Financial Highlights

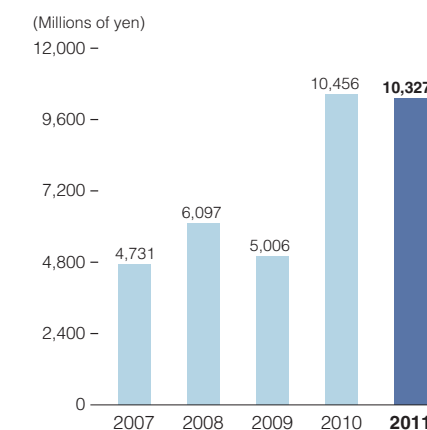
TOMY COMPANY, LTD. and its consolidated subsidiaries  
Years ended March 31, 2011, 2010, 2009, 2008 and 2007

	Millions of Yen				
	2011	2010	2009	2008	2007
Net sales	¥159,490	¥178,713	¥180,586	¥192,423	¥181,884
Operating income	10,327	10,456	5,006	6,097	4,731
Net income	8,929	8,978	1,377	5,748	1,772
Return on equity (ROE) (%)	20.3	25.5	4.4	17.8	6.1
Operating margin (%)	6.5	5.9	2.8	3.2	2.6
Total assets	94,597	95,880	91,600	98,251	95,338
Net assets	48,744	42,062	30,666	35,820	33,130
Equity ratio (%)	49.9	42.5	32.3	34.0	32.8
Net income per share (Yen)	94.85	96.60	14.95	60.22	19.00
Dividends per share (Yen)	14.00	12.00	10.00	8.75	7.50
Net assets per share (Yen)	501.54	432.90	329.41	350.44	327.85
Net cash provided by operating activities	8,486	16,857	5,577	13,174	3,274
Net cash provided by (used in) investing activities	1,169	(3,033)	(2,886)	(2,592)	(4,765)
Net cash provided by (used in) financing activities	(6,767)	(8,538)	(2,634)	(12,034)	124

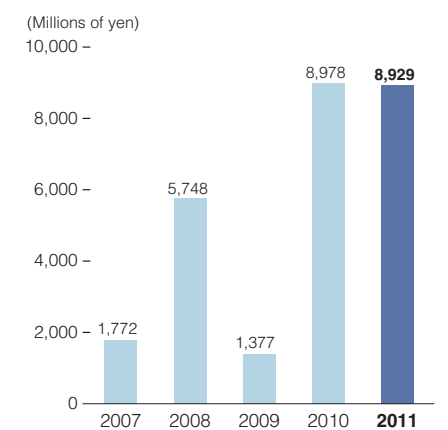
### Net Sales



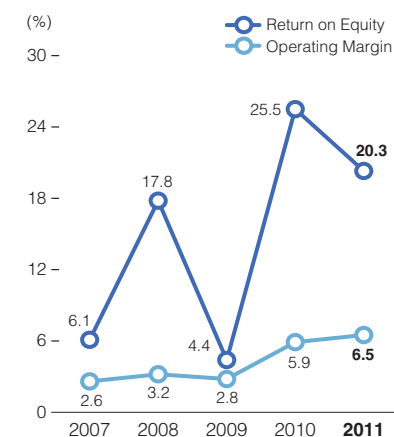
### Operating Income



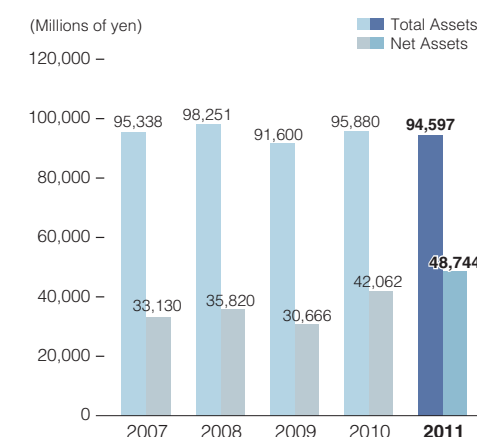
### Net Income



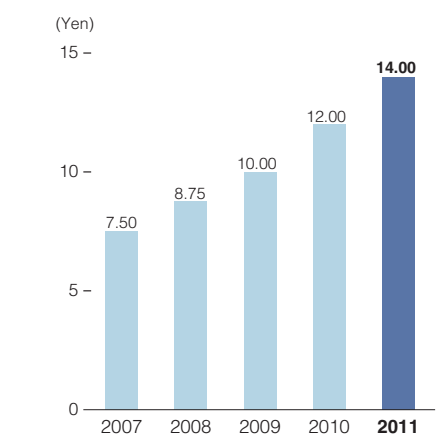
### Return on Equity / Operating Margin



### Total Assets / Net Assets



### Dividends per Share



### Forward-Looking Statements

Future forecasts and estimations regarding management and financial information in connection with TOMY COMPANY, LTD. that are stated in this Annual Report have been made at our own discretion on the basis of information that we were able to obtain at the time of preparing this document. Please be aware that these forecasts and estimations contain risks and uncertainties, and that actual results may differ as a result of economic circumstances or other changes.



## With pride and a sense of responsibility in having the toy industry as our livelihood, we at the TOMY Group aspire to see the Group grow together with society.

遊びをせんとや生まれけむ 戯れせんとや生まれけん

遊ぶこどもの声聞けば わが身さえこそ動がるれ

For play and sport we were born. Born for jesting and laughter, no doubt.  
For when I hear the voices of children playing, even my body begins to swing.

This poem from an anthology compiled in Japan around 1180 expresses just how much children's smiles and laughter are a treasure that empowers those around them. It reminds me that the feelings parents have for their children—regardless of social status, wealth, nationality or race, down through the ages—are all underpinned by the sole wish for their children's happiness. Through play, children learn many things and acquire the fortitude to live. Wishing for healthy emotional and physical growth of children, we at the TOMY Group are committed to contributing to society through toys. Heading now toward our 90th anniversary, we have set clear targets with the goal of becoming one of the top three toy companies in the world, and have made a major shift in course in the direction of globalization. By globalization, I mean that the toys provided by the TOMY Group and everything that we do are intended to bring big smiles to the faces of children throughout the world. And their smiles will spread to the adults around those children. That is why we are building a strong sales network which will enable the TOMY Group's outstanding products to excite the world's markets.

We are committed to doing everything we can to ensure that children's toys can be enjoyed safely and without worry. And most important of all is our determination to make toys that, once in a child's hands, will allow that child to play with absorbing interest and eyes aglow. Therefore, I want TOMY to be the kind of company where its employees, as toy makers, are filled with genuine excitement. Trust in the TOMY brand by as many people as possible is, I believe, the sure path toward becoming a truly global toy company.

Right now, we are in the midst of great change. And change begets great opportunities. We will move forward toward those opportunities with a steady stride, one step at a time, believing that the pathway will not fail to open for us as we do.

富山 幹太郎

Kantaro Tomiyama

President & CEO  
TOMY Company, Ltd.



## Interview with the President



### What is your assessment of the fiscal 2010 results?

(Please give a general overview of the fiscal 2010 results.)



I am pleased that we achieved operating income topping ¥10,000 million for the second year in a row.

This, I believe, is due to the firm and steady management structure we have put in place. It has already been five years since our merger with Takara in 2006. During this time, we have pursued consolidation and options in line with the reorganization of management resources and strived to boost management efficiency. Last year we announced a medium-term business plan, which we are pursuing vigorously now, and going forward we will aggressively expand our global business.

On the other hand, I also feel that we must examine critically the facts that net sales for fiscal 2010 declined compared to the previous year and that we did not achieve our planned targets for income.

Looking back over the year, our hit product *Metal Fight Beyblade* and long-standing products such as *Tomica*, *Plarail* and *Licca* performed well.

However, products besides the above did not perform as originally planned, with consumers showing two distinctly different purchasing trends on top of weak personal consumption caused by uncertainty in the overall Japanese economy. Also, a part of our toy peripheral business struggled with a decline in video game wholesaling volume at a subsidiary and a slump in sales in our apparel business. As a result, net sales declined year on year to ¥159,490 million.

At ¥10,327 million, operating income was about the same as the prior year thanks to strong sales of products with a high margin and as a result of our continuation of thorough cost control efforts, which we have been

pushing since last year. I believe that the fact that we maintained operating income at the ¥10,000 million level means that the year ended as a major accomplishment. We achieved a management structure that can secure stable earnings, and it was a year in which I felt that, from here on we cannot rely solely on the Japanese market and that our global business will become more important.



### What kind of edge does the TOMY Group have over its competitors?



TOMY has two major strengths.

First, we have long-standing original products and brands that we have planned and developed, such as *Tomica*, *Plarail*, and *Licca*.

These established products have all enjoyed the favor of customers for more than 40 years and have grown as products that continue to be cherished over multiple generations. Furthermore, we are now offering such original brands to the wider world; sales of *Tomica* began in Europe and North America last year.

Our other strength is that we have branded hit products such as *Transformers* and *Beyblade*, each of which can be globally marketed. The third Hollywood movie in the *Transformers* series, "Transformers: Dark of the Moon," was released during the fiscal year ending March 2012. Movie-related toys have a global sales volume of more than 80 million units, and *Transformers* characters are growing as internationally famous characters. With the *Beyblade* franchise as well, we own content originating from toys that are worldwide hits, including the expansion of toys sales to more than 70 countries and regions.

## Q What does your earnings forecast look like for the future?

**A** Our long-term vision is to be one of the top three toy companies in the world as a truly global company, and I think that we need \$3 billion in net sales to remain competitive.

Right now, we are working under a medium-term business plan that designates the fiscal years from 2009 to 2012 as “four years of reengineering and globalization.” Based on this plan, we have undertaken reforms to prepare for a new growth stage, focusing on the following three key issues to develop a management environment that can handle a serious globalization push: (1) expanding our toy business in Asia;

(2) globalizing boys’ category products; and (3) reinforcing and expanding our core businesses.

Furthermore, we acquired RC2 Corporation (now “TOMY International; hereinafter “RC2”), a company in the United States listed on the NASDAQ stock exchange, to accelerate our globalization drive. RC2 became a wholly owned consolidated subsidiary on April 29, 2011.

The acquisition of RC2’s vast global corporate platform will allow TOMY to grow sustainably as a truly global player through the creation of multiregional expansion centering on the No. 1 market of North America and No. 2 market of Japan in the toy industry. Our new business objectives are net sales of \$3 billion and operating income of \$300 million in 2015. To get in position for that, I anticipate consolidated net sales of ¥200 billion and operating income of ¥11.7 billion in the fiscal year ending March 2012.

## Q What specific measures are in your overseas strategy for the future?

**A** In addition to our business with Hasbro, Inc., I think that creating synergy with RC2 in the future is one of our important overseas strategies.

As a specific measure, we will utilize RC2’s distribution network which reaches 25,000 stores worldwide focusing on North America, as our own distribution network to sell toys and baby-related products.

In addition, there is the potential to spur the global expansion of both companies’ brands and contents. Besides existing brands, there is the possibility of creating new products and content through development

by both companies.

To strengthen our production structure, we will integrate our offices and logistics in China, which is a major production base for both companies. We will also utilize TOMY’s production structures in Thailand and Vietnam to carry out low-cost operations.

In the area of human assets and organizational structure, we welcomed Mr. Curtis Stoelting (the former CEO of RC2) as a board member at TOMY to make use of management with a record of achievement in global expansion. We will develop a global human resources organization through personnel exchanges between the two companies.

Furthermore, with little business overlap in our product lines and main sales regions, we will maximize both companies’ strengths, bringing out a synergy that makes “1 + 1 = 3” and taking a giant leap forward toward the world market.

## RC2 Acquisition Effect

### 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)

Acquisition synergy that makes “1 + 1 = 3”

## RC2 Fund-Raising, Goodwill and Other for the Acquisition

### Funds needed for the acquisition

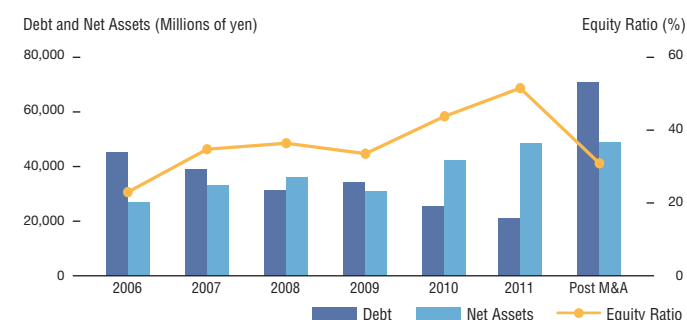
Purchasing amount: **Around \$640 million**  
Long-term borrowings: **¥50 billion**

#### Advantage

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

#### Debt repayment plan

- Early repayment from increasing cash flows from operating activities



### Goodwill / Intangible assets

Amounts below are calculated based on the estimated figures after the acquisition as of April 30, 2011. Amounts as of March 31, 2011 are not included.

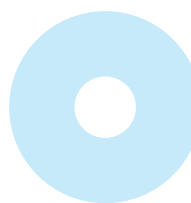
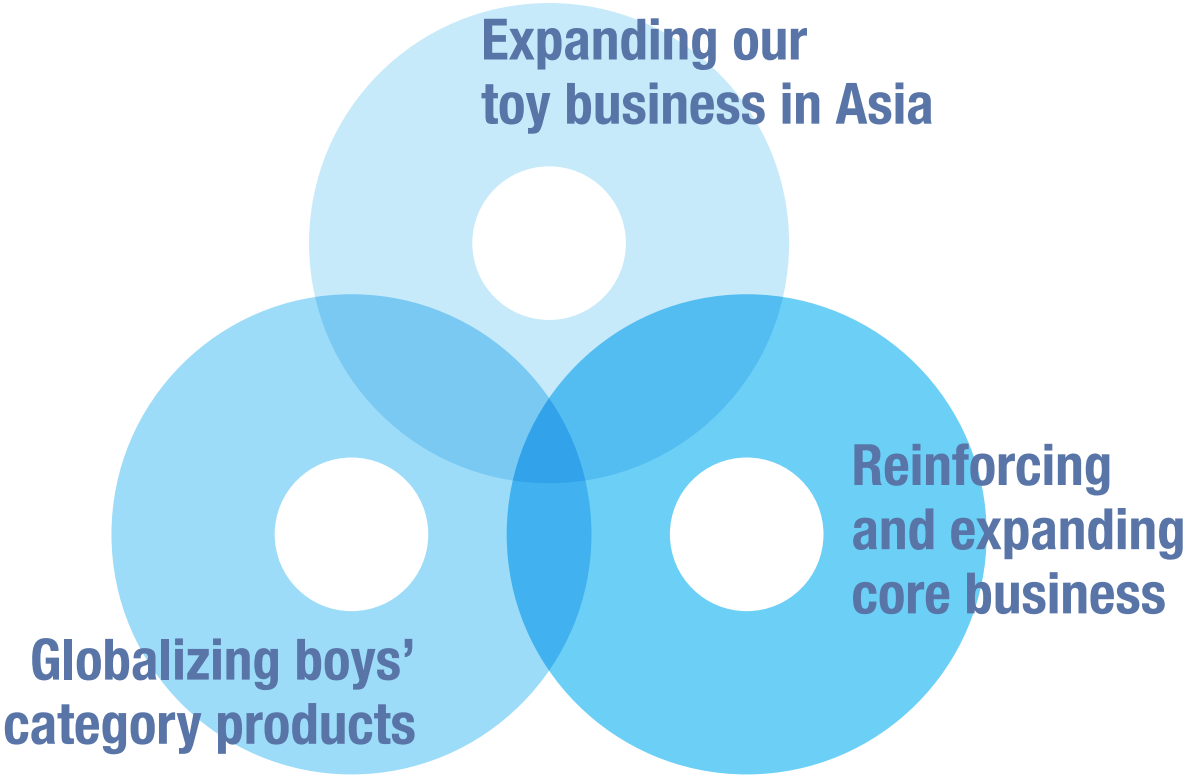
	Goodwill	Intangible assets	Total
<b>Amount</b> (Millions of yen)	23,000	20,000	43,000
<b>Depreciation period</b> (Years)	20	17 (Average)	—
<b>Yearly depreciation</b> (Millions of yen)	1,200	1,200	2,400





# Medium-Term Business Plan

The TOMY Group's corporate mission is to fulfill the dreams of all its stakeholders. With this mission in mind, we established a medium-term business plan that designates the fiscal years from 2009 to 2012 as "four years of reengineering and globalization." Based on this plan, we have undertaken reforms to prepare for a new stage of growth, underpinned by the concentration of business resources on the toy industry and by a drive for global expansion. In line with the medium-term business plan, we are focusing our efforts on three key issues:

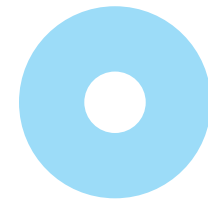


## Expanding our toy business in Asia

Owing to great cultural similarities with Japan, other countries in Asia are good places in which to make a marketing expansion push utilizing TOMY's brands and content with product appeal. In addition to expanding sales of long-standing products such as *Tomica* and *Plarail*, we will actively promote sales of products related to *Metal Fight Beyblade*, the modern version of Japan's traditional battling tops, which is enjoying great popularity in Japan, through the broadcast of this TV animation.

Further, on the distribution front we will expand our marketing outlets by opening *Tomica* specialty shops in China and Taiwan and by establishing dedicated sales spaces for toys such as *Tomica* and *Licca* in stores operated across China by Boshiwa International Holding Limited, the largest retailer of children's apparel in China, based on a business alliance formed with that company in July 2011.

- In August 2010, the *Metal Fight Beyblade* Asian Championship 2010 was held in Seoul, South Korea. About 4,000 children participated in the competition, where heated battles unfolded.
- In an effort to expand *Tomica* in the Chinese market, we revised the product's features and specifications and started selling products with Chinese specifications, which enhanced pricing power, in July 2011.



## Globalizing boys' category products

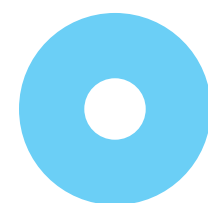
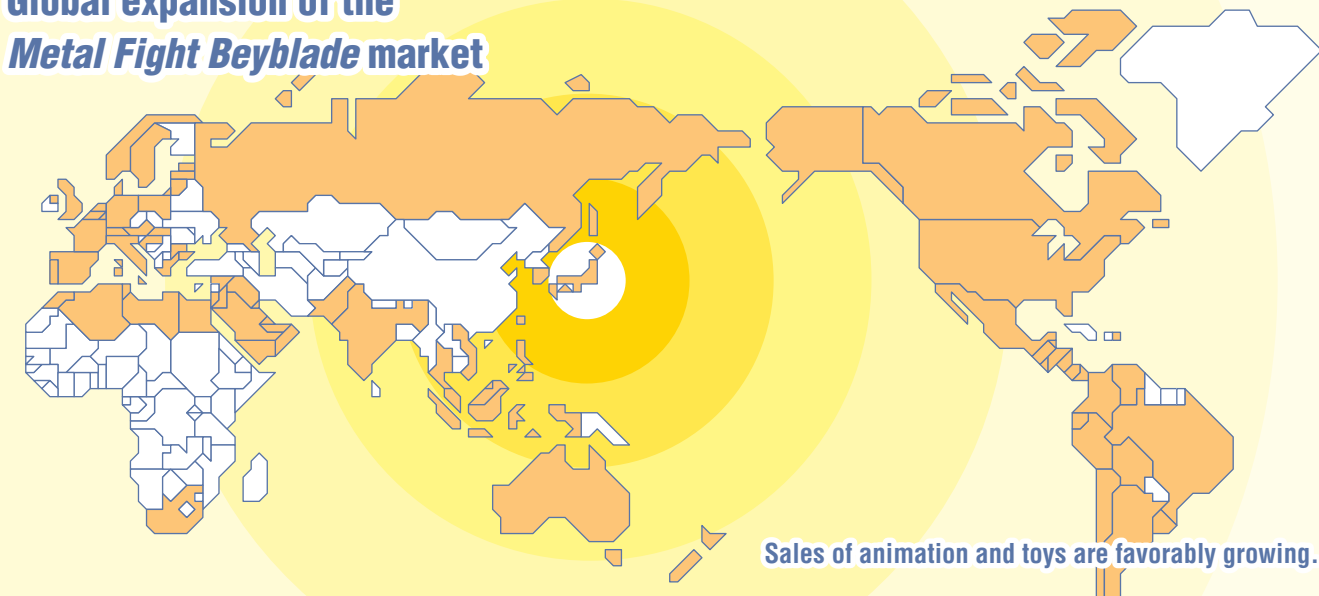
In fiscal 2010, TOMY began full-scale sales efforts of *Metal Fight Beyblade* toys for boys in Europe and the United States. The toys are now gaining popularity outside Japan. As in Japan, the TV animation is being broadcast and we are rolling out marketing that links the TV animation series with product sales. We have also already started efforts to create new products for boys that can take over the popularity of *Metal Fight Beyblade* in the future.

The *Transformers* movie that debuted in theaters in July 2011 is a film adaptation of toys originally created by TOMY. The Company sells the toys in Japan, while Hasbro, Inc. sells them outside Japan through a business alliance.

In this way, we are pushing the sale of products that leverage links with TV animation and movies and will aggressively drive our global expansion of toys for boys.



## Global expansion of the Metal Fight Beyblade market



## Reinforcing and expanding core business

We will further reinforce and expand the numerous core businesses that the TOMY Group has created, including *Tomica*, *Plarail*, and *Licca*. TOMY has many products that have been loved by children for the past 40 to 50 years. From now on, we will accelerate the expansion of our strong brands established through these products, not only in Japan but around the world.

We launched *Tomica* and *Plarail*, which enjoy a large share of the market in Japan for vehicle toys, in Europe in July 2010 and in North America in September. During the fiscal year ending March 2012 we plan to expand the market for these toys to 30 countries worldwide. Going forward, we will put the business know-how TOMY has cultivated over the years to use in the global market, as exemplified by the sale of unique products that unite *Tomica* cars and *Plarail* trains into a single product line, with marketing that effectively communicates the appeal of the Company's products.



© TOMY



# Driven to create exciting toys



That is why we are fastidious in each and every process, from concept through to sale.

At TOMY we pursue more efficient business processes, from planning & development through production to sales, while also carrying out production with a commitment to each section's fastidious demands. Through the collaboration of professionals in different areas and by gathering their unique strengths, we can first provide customers with toys bursting with excitement.



## IDEAS



We are planning content and products with worldwide appeal, targeted at people of all ages, from children to adults around the world. Moreover, we are developing ideas across a wide range while drawing on feedback from the market, as we move beyond toys and expand into mini-capsule toys, apparel, video content, and other associated areas.



## PRODUCTION

## SALES

While cutting costs with offshore production we have maintained the same quality as production in Japan by upgrading production facilities and processes. We are committed to safety and conduct careful inspections of each process. We have also established a stable supply system by introducing efficient logistics and information systems.

Through close collaboration with retail stores, we create dream-inspiring point-of-sale spaces, keeping the customer's point of view in mind. We are working actively to develop sales channels that will expand opportunities to encounter toys, and have enhanced our after-sales services to ensure customers can enjoy the toys they choose for a long time.



# IDEAS@

Even toys that stir feelings of excitement begin from small ideas.

Planning & development is the first step in drawing power from dreams. We constantly listen to and integrate the voice of the customer and we are vigilant to trends and new technologies and ideas with a spirit of fun that we can refine for the enjoyment of people of all ages, from children to adults.

We are also not limiting ourselves to physical products and are actively developing content in an effort to build a new world of fun beyond the boundaries of toys.



Driven to  
create exciting  
toys



Creating hit products through new viewpoints and ideas

## Planning & development

We want to deliver new surprises and enjoyment to people around the world, from children to adults. That feeling drives our day-to-day efforts to develop new products. Whether we are dealing with toys, materials or technologies, we gather a wide range of information, from current trends to future attention grabbers, and utilize it in our planning. We then push commercialization forward while repeatedly monitoring progress during development with prototypes. Moreover, we follow this plan not only in-house but also with partner companies in joint projects, ranging broadly from product planning to content development.



Incorporating voices of the market into product development

## Marketing

The greatest importance must be placed on the voice of the user to ensure that toys remain dream-inspiring products. That is why our product development efforts draw on analyses of buyers' questionnaires as well as feedback we get directly from people at retail locations and events. Furthermore, to maximize awareness for newly developed products we fully utilize our promotional network to roll out effective promotions. Planning & development, point of purchase policies and after-sales service all play a central role in the marketing of our wide range of products.



A meticulous attention to safety ensures that our toys remain fun

TOMY develops and produces products on a global scale. To provide products that can be enjoyed without worry by people throughout the world, we incorporate the safety standards of each country where our products are sold. What is more, we have established our own strict, independent safety standards for our children's products, such as requiring inspections designed to prevent accidental ingestion.



Bringing exciting products to the world through ideas and speed

## T-ARTS



T-ARTS plans, manufactures and sells a wide range of products including toys, widely popular Gatcha brand capsule toys, plush toys, accessories, amusement arcade machines and small toys that come packaged with candy.

Ideas and speed to meet user needs are T-ARTS' new strengths.



Comprehensive hobby goods manufacturer leading the model train market

## TOMY TEC



TOMY TEC is a comprehensive manufacturer of hobby goods that integrates the process from planning & development through production and marketing to after-sales service of models and other hobby goods, epitomized by the TOMIX model trains that have been long-sellers for more than 30 years. With fans including parents and their children, TOMY TEC enjoys an overwhelming share of the model train market.



TOMY TEC offers a wide range of hobby goods including character figures and realistic models such as TOMIX model trains and the Diorama Collection of scale models.



# PRODUCTION @

Children are the main users of toys. That is why it is more important that toys can be enjoyed safely and without worry than for them to just be fun to play with.

TOMY guarantees high product quality and safety based on its own strict quality standards.

We are also putting efforts into streamlining the supply of products in the market and have established a system to get safe products reliably and quickly into the hands of customers.



Driven to  
create exciting  
toys



For enjoyable and worry-free play

## Technology and production

Being able to play without worry is of utmost importance where a toy is concerned, and therefore at TOMY we pay the utmost attention to safety. Inspections to check for contamination with prohibited substances, which we previously commissioned to specialized facilities, were time consuming and costly, and so we developed our own inspection method that focuses only on the necessary items. In this way, we established a swift and reliable checking system while cutting costs. By actively following a policy of offshore production not solely in China but by setting up production facilities in Thailand and Vietnam, we achieve lower costs while maintaining product quality.



Faster and more efficiently

## Logistics Center

TOMY is making its logistics system and information system more efficient in order to handle myriad products and meet the diversifying needs of customers. Our new distribution base, the Ichikawa Logistics Center, began full-scale operations in May 2010 and has achieved high-quality, low-cost operations by serving as a logistics platform. We have established a supply system that gets products to customers quickly by sending the needed products at the needed time to sales locations.



## Making logistics eco-friendly: The possibilities of joint transportation

Aiming to improve logistics efficiency and reduce its environmental impact, TOMY collaborated with Panasonic in road-testing a compressed natural gas powered, long-haul, heavy-duty truck developed by the Next-Generation Low-Emission Vehicle Development Project organized by the Ministry of Land, Infrastructure, Transport and Tourism. With distribution bases located in close proximity, the two companies' joint transport effort in 2009, including use of conventional trucks, reduced CO<sub>2</sub> emissions by 18 tons.



Supporting toy manufacturing with development and production technology

## T2 ENGINEERING

T2 Engineering provides total support for design, development and production, which are the stages in which toys are given life. It plays a role as the backbone for TOMY's engineering department through such services as the groundwork for the design of samples and mass production of new products, and the provision of production technology support to factories in China and Thailand.



High-quality, efficient logistics platform established

## T2 LOGISTICS

T2 Logistics strives to improve logistics quality and efficiency while meeting diversifying needs, working with its core base at the Ichikawa Logistics Center, where cutting-edge logistics functions have been concentrated. T2 Logistics provides services with high satisfaction that add to the earnings of our clients.





# SALES @

Childhood toy memories last a lifetime. That is why it is so important that the customer's first impression of the toy in the toy store be a splendid one. And to garner the long-term loyalty of the customer, we consider the customer's point of view and listen closely to what the customer has to say. We strive to create a toy experience that is memorable and dream inspiring, where the customer easily understands the products and can easily get help when needed, encouraging the enjoyment of toys, every day.



## Expanding opportunities to encounter toys

### Sales

Our sales staff visits stores and obtains direct feedback. In this way, we learn what consumers and retailers want and work together with retailers to develop marketing measures which make the retail aisle appealing and fun. We are expanding our sales channels beyond existing outlets such as toy stores and department stores to convenience stores, major DVD/CD rental stores, and other outlets, and proposing display arrangements that make use of the unique aspects of each business type.



## Valuing communication with customers

### After-sales services

TOMY is dedicated to customer service. It established the TOMY Customer Service Center to ensure that its products are enjoyed and cherished for a long time. Customer questions, inquiries about repairs and products, and all voices of the customer are fed back into the Company. Customers' valuable opinions, requests, and even complaints and other negative information are treated as important assets in our business and put to use in product development, product refinement, and improvement of user manuals.



## Wishing to cherish memories forever

Letters of thanks from customers who have used our after-sales services are a testament to communication with customers. Each and every "thank you" is a source of vitality for our staff. These precious gifts from customers are stored for years, even decades.



Contributing to the Group's growth through sales and marketing

## TOMY SALES HOLDINGS

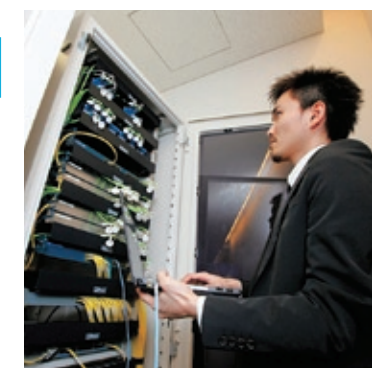
TOMY Sales Holdings' primary business is to make optimal use of the sales group's management resources and to plan business strategy. It has a group consisting of two operating companies, U-Ace Co., Ltd., and Toys Union Co., Ltd. Taking "customer creation" as its focus, U-Ace performs wholesaling services primarily for TOMY's merchandise, expands the TOMY brand's fan base, and operates Tomica Shops, which aim to maximize satisfaction. Toys Union is in charge of wholesaling services for Nintendo video games and consumer software, targeting entertainment companies.



Streamlining TOMY Group administration through shared services

## T2 BUSINESS SERVICE

T2 Business Service helps streamline TOMY Group administration through shared services that include areas such as customer service, systems development and operation, labor and accounting services, and the operation of online shopping sites. It also creates convenience for customers by independently operating the Coppepan online shopping site for Group merchandise.



Driven to create exciting toys







# GLOBALIZATION

## Bringing smiles to faces around the world

As the TOMY Group moves to accelerate the globalization of its business, it is focusing on the development of world-class content and brands. For example, *Beyblade* and *Transformers* have grown tremendously as global content in the international market.

Aiming for a more extensive expansion, we select the best partners in each country and region and are building synergistic relationships.

Going forward, we will continue to provide the world with “new value from play” based on Japanese sensibilities and Japanese culture.



## Aspiring to be a truly global toy company

TOMY has created a thorough process of product development, production and distribution for the global market, focusing on Asia, North America and Europe, and uses marketing adapted to regional characteristics with the aim being to provide exciting toys to as many people as possible, from children to adults, throughout the world.

### Asia

- Market development, leveraging products and content originating in Japan
- Venture into the movie and TV business in China
- Planning and sale of products localized for the region

### North America

- Expansion of the boys' hobby category through strong relationships with best partners
- Launch of an overseas version of *Tomica*

### Europe

- Planning, sale and brand building of baby products
- Launch of an overseas version of *Tomica*

## Speeding toward further globalization

TOMY acquired 100% ownership of U.S. toy and baby products manufacturer RC2 Corporation (now TOMY International) on April 29, 2011 in order to accelerate the TOMY Group's globalization. This move gives TOMY an established sales network centered on the United States and marks a big step forward as a global player.

Established sales network in the global market

Strengthened development of global brands

Strengthened production and development system

Global human resources and organizational structure

To inspire and fulfill the dreams of children and parents worldwide

**TOMY International**

What do customers want? TOMY International always begins with that question as it undertakes product planning & development. At present, the company offers a variety of brands, including baby products and character toys for markets ranging from maternity goods to products for preschoolers. Moreover, the company has strong sales networks in Europe and Australia in addition to North America, which is the world's biggest market for toys. In support of all families' child-rearing efforts, the company aims to sell products that assist child development in markets worldwide.





# STORY

## A part of children's lives, all through the ages

From marbles, to *menko* (a Japanese card game), dolls and board games to transforming robots, although the toys children play with may change through the ages, the irreplaceable memories they provide are universal.

Children and adults have played with TOMY from one generation to the next and in the years ahead TOMY will continue to create memorable times and be part of the dreams of each and every one of our customers.



How did children play?

## 1920s onward

On February 2, 1924, Eiichiro Tomiyama founded Tomiyama Toy Seisakusho, the predecessor of today's TOMY Company, Ltd. The company manufactured numerous toy airplanes, establishing a reputation in the industry linking the Tomiyama name with toy airplanes. Later, the company expanded its business through one industry-leading initiative after another, including the establishment of the first factory in the toy industry with an assembly line system and the creation of a toy research department.

Tomiyama also contributed greatly to the modernization of the toy industry through its determined efforts to improve the standing of toy manufacturers.

1924 *Aero Plane Breguet*  
1930 *Looping Plane*  
1935 *Air Man*  
1937 *Tank*



Appearance of plastic toys

## 1950s

After World War II, the company's U.S. B-29 Bomber friction toy became a major hit in and outside Japan, blazing the way for the export of large toys. In 1953 the company began its journey toward becoming a modern enterprise by incorporating, and in 1959 it established a sales subsidiary, which had been the founder's ardent wish since the founding. Around this time, waves of innovation in materials and technology rolled through the toy industry, ushering in a major turning point when metal was replaced with plastic and friction toys were succeeded by electric toys. Yasuta Sato founded Sato Vinyl Industries, a predecessor of Takara Co., Ltd., on September 17, 1955.

1951 *B-29*  
1953 *Speedway Racer No. 3*  
1957 *Bubble Blowing Elephant*  
1959 *Piggy Cook*  
1959 *Sky Ping-Pong*  
1959 *Plastic Train and Rail Set*



Consolidation of power  
in the toy industry

## 1960s

At a time when half of the toys it produced were exported, Tomy was quick to open representative offices in New York and Europe with the aim of making inroads directly. In Japan, the company established production bases in succession in Tokyo and Mibu, set up a development center—an unprecedented move in the industry—and took other steps to create a system uncompromisingly committed to good manufacturing.

Takara grew into a comprehensive toy manufacturer, propelled in its business expansion by hit products that made use of the company's vinyl processing technology.

1960 *Dakko-Chan*  
1964 *Ohanashi Miko-Chan*  
(Talking Miko)  
1967 *Licca*  
1968 *The Game of Life*  
(Japanese version)  
1969 *Tumble Robot*



Everyone engrossed  
with super cars

## 1970s

After commissioning production in Hong Kong, Tomy opened its first factory in Singapore, making it one of the early companies to embark on overseas production. Masanari Tomiyama was appointed the second president and CEO in 1974, the company's 50th anniversary. Tomy and Takara both released numerous long-selling products that remain popular to this day.

1970 *Tomica*  
1974 *Microman (Micronauts)*  
1975 *Pop Up Pirate*  
1975 *Pocket Mate*  
1976 *Water Game*  
1977 *Sensei*  
1977 *Koeda-Chan mini-dolls*  
(Treena & Her Forest Friends)



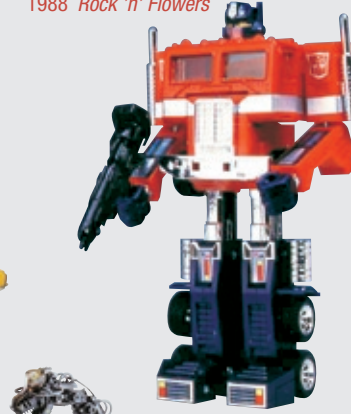
Appearance of electronic  
games

## 1980s

Tomy established the Handicap Toy Laboratory in 1980 and popularized efforts in the industry to create barrier-free toys. In 1985, the Plaza Accord threw the company into a sudden management crisis, and drastic reforms were implemented, including the closure of factories in Japan. The following year, Kantaro Tomiyama was appointed the third president and CEO in a shakeup of the management structure.

Takara went public in 1984 and steadily grew, being listed on the Second Section of the Tokyo Stock Exchange in 1986. In 1988, the company switched from a focus on its core business of toys to diversified operations, rolling out products aimed at a wide range of fields.

1980 *Choro-Q (Penny Racers)*  
1983 *Zoids*  
1984 *Transformers*  
1986 *Jenny*  
1987 *Palm Pets*  
1988 *Rock 'n' Flowers*



Acceleration of women's social  
advancement in Japan

## 1990s

Tomy prepared for regeneration with a new structure, shifting from pushing products out to the market to incorporating the needs of the market into products. With this, it announced a business diversification strategy focused on the three core areas of toys, general goods and multimedia products. It rolled out a stream of new measures, including the attempt to enter the character business and a business alliance with Hasbro, Inc. in the U.S. In 1997 Tomy went public and in 1999 it was listed on the Second Section of the Tokyo Stock Exchange.

From the second half of the 1980s, Takara continued to expand its Hearty Series for enriching people's lives and released products based on TV characters that became hits. With this aggressive product expansion, the company was listed on the First Section of the Tokyo Stock Exchange in 1991.

1990 *Musican*  
1991 *Breezy Singers*  
1993 *B-Daman*  
1994 *Magic Design Tracer*  
1997 *Pokémon* (toys)  
1999 *Furby*  
1999 *Beyblade*



The proliferation of games that  
can be played alone

## 2000s

Tomy concluded a comprehensive licensing agreement with Walt Disney International Japan Inc. in 2000, the same year its stock was transferred to the First Section of the Tokyo Stock Exchange. In pursuit of further growth, Tomy aimed for progress as a group, including the establishment of a development subsidiary and the founding of a new company for the planning and selling of plush toys and a company for utilizing new technology.

At Takara, Keita Satoh was appointed president in 2000 and advocated expansion of the toy business. The company aggressively moved forward with the rollout of products that broke the toy mold and leveraged its planning and marketing prowess to continue offering a succession of popular products.

In 2006, Takara and Tomy merged, becoming TOMY Company, Ltd., (known as TAKARATOMY in Japanese) with the aim of maximizing their respective strengths and becoming the world's top toy manufacturer.

2000 *Colorful Dakko-Chan*  
2000 *e-Kara*  
2002 *Nohohonzoku*  
2002 *Duel Masters*  
2002 *Bowlingual*  
2005 *Yumel*  
2006 *Jinsei Ginko (Life Bank)*  
2007 *Omnibot 17p i-SOBOT*



So, what's the next  
hit product?

## 2010s

Since 2010, TOMY has been accelerating its international expansion. It introduced an overseas version of *Tomica* in Europe and North America. It began marketing *Metal Fight Beyblade* toys worldwide in conjunction with the introduction of the new TV anime (Actual name of toys and anime differs by region). The toys are enjoying so much enthusiasm that an international competition was held in South Korea in summer 2010. In 2011, TOMY acquired U.S. toy manufacturer RC2, establishing a platform for global expansion. The entire TOMY Group has started to move into action together, aiming to be a truly global toy company.

Going forward,  
TOMY will continue  
growing with  
your dreams.





## What can we do? What should we do? For the dreams of the future.

TOMY's social mission is to continue providing dreams through toys equally to children and adults living in varied environments and under diverse conditions. Universalizing toys, improving the work-life balance, taking part in a range of citizens movements . . . as a member of society, TOMY is committed to reliably taking what it can do now and what must be done now and turning them one by one into reality with a view toward creating a prosperous future.

### Environmental and social contribution initiatives

TOMY is committed to working with great care on environmental and social contribution initiatives with the aim of being a company that wins the trust of society through its business.

#### 1. Initiatives to ensure the safety of products

In developing safe and worry-free products, based on our stringent company standards that meet or exceed all legal regulations, including Japan's Safety Toy (ST) standard and past empirical values, we conduct thorough screening for all processes, from the product planning stages all the way through to shipment. Each February, we establish a Safety Day to foster safety awareness. All group employees attend safety-related events on that day, which is a day to maintain awareness and reaffirm our mission to provide safe and worry-free toys. Furthermore, we continually tie feedback from our customers into product improvement efforts so that we can deliver toys that are attractive and high-quality on top of being safe.

#### 2. Compliance initiatives

Our Risk/Compliance Committee strives to ensure thorough adherence to corporate ethics and complete compliance. It has also strengthened our risk management system against unanticipated situations from the perspective of our business continuity plan.

#### 3. Environmental protection initiatives

To help pass on a healthy environment to our children, TOMY participates in Challenge 25, a Japanese government-promoted initiative for the prevention of global warming. As part of this initiative, we help to reduce greenhouse gas emissions through our product manufacturing and corporate practices. Additionally, we ascertained environmental performance measures for each group company in accordance with the revised Act on Rational Use of Energy, which went into force in April 2010, and the Act on Promotion of Global Warming Countermeasures. All measures cleared the law's regulation values obligating the submission of notifications. Going forward, we will continue our multifaceted efforts to reduce greenhouse gases.

#### 4. Social contributions through accessible toys

TOMY supports the Accessible Design Foundation of Japan, which promotes the production of products designed with vision- and hearing-impaired children in mind and the spread of products and facilities that enable all people including the disabled to use ordinary products and function freely in society with fewer limitations or physical barriers. In December 2009, TOMY won a Minister of State award for excellence for the Barrier-Free, Universal Design Contributor sponsored by the Cabinet Office, in recognition of the Company's many years of endeavor in this area.

### So that we can all play together

## From “exclusive” to “accessible” Creating toys that expand circles of friendship

We refer to toys that children with visual or hearing disabilities can enjoy equally with children without disabilities as “accessible toys.” For example, would children with vision disabilities be able to recognize the On and Off of a switch more easily if we simply included a small bump on the On side of the switch? This is the kind of idea from which our efforts with accessible toys started.

The beginning of accessible toys goes back almost 30 years. The originals were toys developed exclusively for disabled children by TOMY's Handicap Toy Laboratory. However, after launch it became apparent that the market was small and that the effort would generate losses even with a hit product. And so, rather than make toys exclusively for disabled children, we decided to make accessible toys that all children could enjoy by devising a few changes to ordinary toys, such as adding small bumps. Thus the current concept came into being. Maintaining constant awareness of this accessible concept right from the development stage enables us to provide opportunities for everyone to play equally.

TOMY did not keep the expertise in this area to itself, but instead led the effort to popularize the accessible concept as an initiative within the entire industry. In recognition of its efforts, TOMY won the Cabinet Office's Award for Excellence in Barrier-Free and Universal Design in 2009. Moreover, the *Tomica Oshaberi A-I-U-E-O* (“*Tomica Talking Japanese ABCs*”) created out of our accessible toy efforts won the Grand Prize in the Accessible Toy Category and the Award for Excellence in the Educational Toy Category at

the 2010 Japan Toy Awards. This was followed in 2011 with the *Tomica Preschool Series, Yubi-Con R/C* car, which won the Grand Prize in the Accessible Toy Category and the Award for Excellence in the Innovative Toy Category. The qualities combining outstanding features as an educational toy with consideration for children with vision disabilities was thus highly recognized. Going forward, TOMY will continue working with the toy industry to promote the manufacture of toys that allow children with and without disabilities to play and grow together.



Tomica Preschool Series,  
Yubi-Con R/C car

### Helping children develop awareness of the environment through toys

## Resources are important. Play is important. Let's play for 100 years!

## TOMY starts the Eco Toy movement

Toys are a ubiquitous presence in the lives of children and change to suit their stage of development. TOMY wants to use toys to convey to children, who represent the next generation, a mindset of environmental stewardship. With that in mind, the TOMY Group started the Eco Toy initiative. If children know that the toys they ordinarily play with are in fact environmentally friendly, that could lead to them think, “What kinds of things are environmentally friendly and what can I do that is good for the environment?” Providing a trigger for them to take action is what the TOMY Group's Eco Toy initiative is all about. As part of this initiative, TOMY created a system for certifying as “Eco Toys” those products that satisfy one or more eco standards established by TOMY for the lifecycle of toys, including how toys are made and the ways in which they are played. Examples include the *Tecology Tomica* Series of toy cars that light up from electricity generated when the toys are pushed and the solar-powered

*Nohohon*. Many other toys also have resource or energy saving features. In June 2011, TOMY started displaying its Eco Toy mark on packages to communicate the initiative more clearly to consumers. The Eco Toy initiative has only just begun. In the years ahead, we will grow the TOMY Group's Eco Toy movement together with the growth of children.



The Eco Toy mark



Tecology Tomica





# Corporate Governance/Compliance/ Risk Management

## Importance of corporate governance

One of the most important management issues for TOMY today is maintaining the trust of its stakeholders while offering continual improvements in corporate value and achieving sound and transparent management practices. We will make every effort to achieve this by bolstering our corporate governance, including by enhancing self-checking functions and strengthening our risk management and compliance system, while improving operational efficiency.

## Corporate governance structure

As of August 1, 2011, TOMY's director and auditor system consists of 13 directors and five auditors, including five outside directors and four outside auditors.

As a company with an auditor system, TOMY appoints several outside directors and outside auditors who are independent of the executive team that carries out business operations, and implements various initiatives to strengthen corporate governance. TOMY has concluded that the current system is effective for putting the Company's corporate governance into practice, and for enabling the conduct of proper and efficient business administration.

### • Systems for performance of duties by directors

1. The Board of Directors is tasked with determining basic policies and strategies for the Group as a whole, as well as issuing decisions

concerning the performance of important business operations and supervising the performance of the business operations. As a general rule, meetings of the Board of Directors are convened once a month.

2. As a general rule, Management Committee are held once each week with the purpose of conducting the Group's business operations and management in a smoother and more efficient fashion. The members of the meetings decide flexibly on matters concerning the overall implementation of the Group's business management. The members of the meetings consist of executive directors including the president & CEO and standing auditors.
3. Delegation of authority and other steps associated with the adoption of the operating officer system have been taken to achieve greater speed and efficiency in the performance of business operations in all managing divisions, under the policies, strategies and supervision of the Board of Directors.
4. The Advisory Committee has been established as an advisory body to the president & CEO, and is requested to render a broad range of counsel pertaining to the effectiveness of business performance, the reliability of the Group's financial affairs and other important matters. The principal members of the Advisory Committee are the officers including the president & CEO, outside directors and outside auditors. Other appropriate and necessary members are chosen according to the topic of discussion.

### • Auditing system

1. As a general rule, the Board of Auditors meets once a month to oversee the directors' performance of the business operations, and to deliberate and determine important matters necessarily pertaining to auditing. Corporate auditors attend regular important meetings, irregular meetings and other occasions, and receive reports on

management conditions as well as the status of business performance, financial affairs, internal audit implementation, risk management, compliance and other matters.

2. Regarding internal audits, the Internal Control & Audit Group audits each department's performance of business and status of compliance, and reports to the president & CEO and Board of Auditors as needed.
3. Corporate auditors, accounting auditors, and the Internal Control & Audit Group exchange opinions and information with regard to important issues pertaining to auditing and other matters, collaborating mutually to monitor the Group's internal control conditions.
4. The Risk/Compliance Committee and the Internal Control & Audit Group are at the center of efforts to maintain and enhance a company-wide risk management system integrated with the internal control system (including compliance with the J-SOX Law). If unexpected circumstances occur, the Company will promptly establish a Crisis Management Headquarters and deal with the situation rapidly and appropriately to minimize losses and damages and will take effective measures devised to prevent recurrences of such situations. The Safety & Quality Assurance Division, which was established to deal exclusively with product safety, works to improve processes for the provision of quality products that can be used without worry.
5. In June 2011, the General Meeting of Shareholders selected KPMG AZSA LLC to handle accounting audits for TOMY, and the firm has conducted audits efficiently.

The following are the certified public accountants who conducted accounting audits for TOMY:

Tetsuya Yamamoto, Designated Partner & Managing Partner, KPMG AZSA

Naoya Miyaki, Designated Partner & Managing Partner, KPMG AZSA  
In addition, the assistance involved in accounting audits consisted of two certified public accountants and 16 others, for a total of 18 assistants.

and reports upon the results of those discussions to the Board of Directors to enhance and ensure thorough functioning of TOMY's compliance system and risk management system.

3. The Internal Control & Audit Group, an organization under direct control of the president & CEO, audits the status of TOMY's compliance and reports its results to the president & CEO and the Board of Auditors as deemed necessary.
4. TOMY maintains no relationships of any kind with anti-social groups or organizations that threaten social order or the sound activities of the Company, and will respond systematically with a firm stance to unreasonable demands and similar situations.

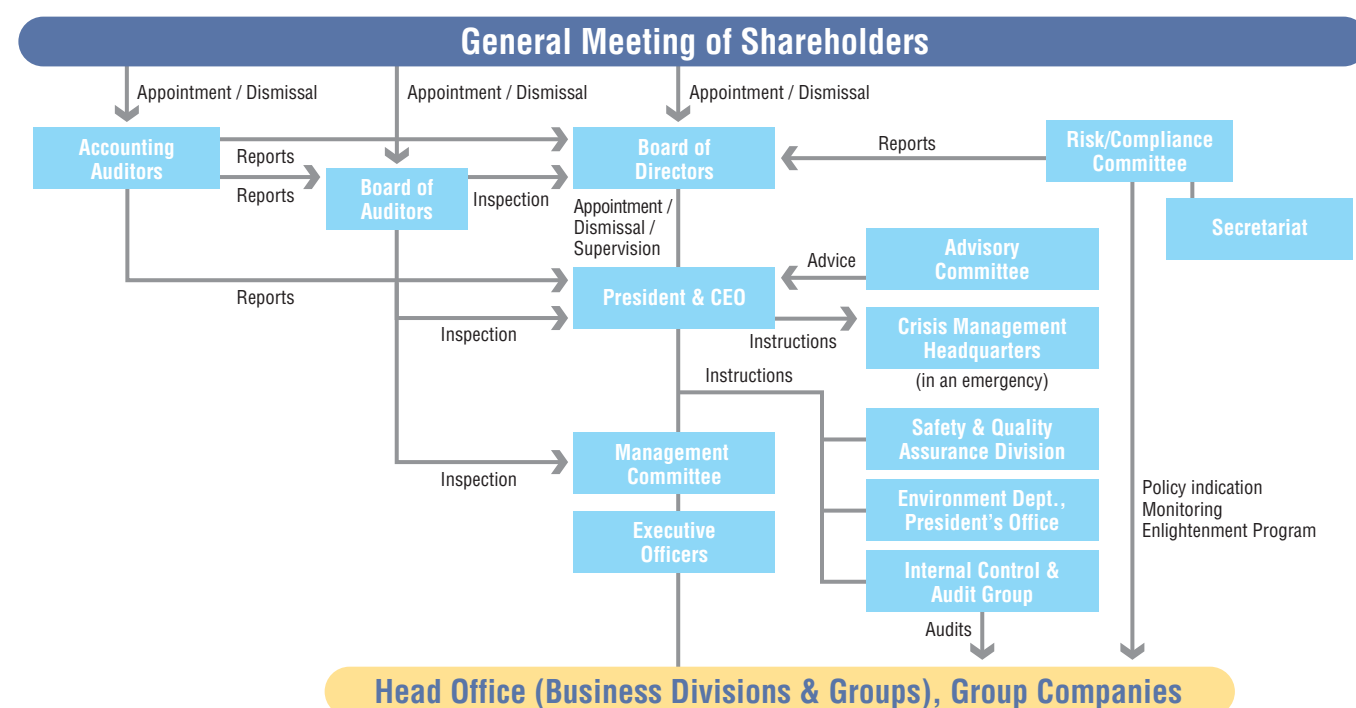
## Risk management system

1. The Risk/Compliance Committee and the Internal Control & Audit Group are at the center of efforts to maintain and enhance a company-wide risk management system integrated with the internal control system.
2. In the event of unexpected circumstances, the Company will promptly establish a Crisis Management Headquarters and deal with the situation rapidly and appropriately to minimize losses and damages and will take effective measures devised to prevent recurrences of such situations.
3. The Environment Department in the President's Office and the Safety & Quality Assurance Division, which were established to deal exclusively with the environment and product safety, lead efforts to improve processes to address environmental issues and provide quality products that can be used without worry.

## Adoption of a takeover defense plan

TOMY established a basic policy pertaining to the desirable type of party that should control the determination of policies on the Company's financial affairs and business. An Action Plan regarding Large-scale Purchasing of TOMY's Shares (Takeover Defense Plan) was adopted at the General Meeting of Shareholders held in June 2007 to prevent a party that is inappropriate in light of that basic policy from controlling the determining policies concerning the Company's financial affairs and business. The General Meeting of Shareholders held in June 2010 approved the continuance of the Takeover Defense Plan.

TOMY feels that defined rules are needed to defend against share purchasing that does not contribute to improving the Company's corporate value and that would be contrary to the common interests of shareholders. These rules, to be followed in the event of large-scale purchasing of TOMY's shares, include obtaining information so that shareholders can make an appropriate decision regarding whether to react to such purchasing, securing the time and information needed for the Company's Board of Directors to make an alternative proposal, or blocking purchases that, due to their nature, threaten the Company's corporate value.



### • Other matters relating to the corporate governance structure

In addition to the Advisory Committee and the Risk/Compliance Committee, the Compensation Committee, consisting mainly of outside directors and outside auditors, has been established to review and evaluate the rewards packages and evaluation system for managers to ensure management transparency.

## Compliance system

1. The TOMY Group Code of Conduct was established to clarify that all officers and employees must not only comply with laws and ordinances, but also strive to fulfill social responsibilities through the conduct of sincere and fair corporate practices. Thorough efforts are taken to ensure that officers and employees are familiar with the Code.
2. The Risk/Compliance Committee, a body chaired by the president & CEO and comprised of outside directors and outside auditors, deliberates important issues pertaining to risk and compliance,





# Directors and Executive Officers

(As of August 1, 2011)

## Directors

<b>President &amp; CEO</b>	<b>Kantaro Tomiyama</b>
<b>Executive Vice President</b> Chief Marketing Officer Head of Toy Business HQ	<b>Keita Satoh</b>
<b>Executive Vice President</b> Chief Strategy Officer Head of Bureau of Corporate Strategy	<b>Shiryo Okuaki</b>
<b>Managing Director</b> Chief Financial Officer Head of Corporate Administration	<b>Toshiki Miura</b>
<b>Managing Director</b> Deputy Head, Bureau of Corporate Strategy Global Business Affairs	<b>Isamu Takahashi</b>
<b>Board Director</b> Senior Executive Officer Head of Global Products Strategy	<b>Osamu Mashimo</b>
<b>Board Director</b> Senior Executive Officer Deputy Head Bureau of Corporate Strategy Global Production & Procurement Safety & Quality Assurance	<b>Shigeki Yanagisawa</b>
<b>Board Director</b> CEO of TOMY International	<b>Curtis W. Stoelting</b>
<b>Outside Board Directors</b>	<b>Jun Tsusaka</b>
	<b>Akio Ishida</b>
	<b>Kakuei Miyagi</b>
	<b>Osamu Yasaka</b>
	<b>Kazuhiro Kojima</b>
<b>Corporate Auditor</b>	<b>Takeichi Nozawa</b>
<b>Outside Corporate Auditors</b>	<b>Tsunekazu Umeda</b>
	<b>Jun Nogami</b>
	<b>Shigeyuki Mito</b>
	<b>Toshi Yoshinari</b>

## Executive Officers

<b>Senior Executive Officer</b> Head of Japan & Asia Sales	<b>Minoru Rikiishi</b>
<b>Senior Executive Officer</b> Head of China Business Strategy	<b>Kenichi Kuroki</b>
<b>Senior Executive Officer</b> Head of Global Vehicle Business	<b>Masaya Sawada</b>
<b>Executive Officer</b> Head of Value Engineering	<b>Kenichi Susa</b>
<b>Executive Officer</b> Bureau of Corporate Strategy Head of Corporate Planning	<b>Yoshitaka Sako</b>
<b>Executive Officer</b> Head of Global Business	<b>Masaru Nakajima</b>
<b>Executive Officer</b> Head of R&D	<b>Masanori Mizunuma</b>
<b>Executive Officer</b> Head of Production & Procurement	<b>Yoshikazu Abe</b>
<b>Executive Officer</b> Head of Global Boys Business	<b>Tetsuya Ikeda</b>
<b>Executive Officer</b> Corporate Strategy	<b>Masayuki Nagatake</b>

# FINANCIAL SECTION

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30	Consolidated Balance Sheets
32	Consolidated Statements of Income
33	Consolidated Statements of Cash Flows
34	Consolidated Statements of Changes in Net Assets
36	Notes to Consolidated Financial Statements





# Management's Discussion and Analysis

## Overview of results

The Japanese economy in the fiscal year ended March 31, 2011 showed signs of a pickup in corporate earnings, particularly in the export industry, against a backdrop of economic measures implemented by the government and high economic growth in emerging countries. However, coming on top of the continuing strong yen, soaring oil prices due to political unrest in the Middle East, and weak personal consumption, the impact of the Great East Japan Earthquake that occurred in March caused the economic situation to deteriorate sharply. Although the global economy continued on a recovery path owing to the effect of additional monetary and fiscal measures in the U.S., financial problems in Europe remained unresolved, leaving the economy unable to reach a full-scale recovery.

The toy industry experienced two distinctly different purchasing trends by consumers. There were firm sales in long-standing products and some hit products, but revenue from these sales did not sufficiently cover for the overall slump in the toy market, which remained in a difficult business environment.

In this climate, the TOMY Group designated the fiscal years from 2009 to 2012 as “four years of reengineering and globalization,” and the Group is pushing forward with reforms for a new stage of growth, underpinned by the concentration of business resources in the toy business and by a drive for global expansion. As part of these efforts, on March 11, 2011 TOMY entered into an agreement with

RC2, a U.S. toy and baby products company listed on the NASDAQ stock exchange in the United States and on April 29, 2011, TOMY made RC2 a wholly owned consolidated subsidiary through a tender offer. The acquisition has provided TOMY with access to RC2’s vast global corporate platform including a robust global distribution network, an arsenal of exceptionally strong brands, and an outstanding management team and other human resources. Through the acquisition, TOMY has taken a giant step forward toward realizing its medium-term growth strategies centered on global expansion.

In the TOMY Group’s business, *Metal Fight Beyblade*, a modern version of Japan’s traditional battling tops that is being earnestly marketed overseas, and long-standing products such as *Tomica* and *Licca* dolls performed well. However, a part of the toy peripheral business struggled with a decline in video game wholesaling volume at a subsidiary and a slump in sales in the apparel business.

## Results

### Net sales

Consolidated net sales for the fiscal year under review were ¥159,490 million (down 10.8% year on year). Net sales by geographical segment were ¥143,863 million (down 11.4%) for Japan, ¥8,704 million (down 12.9%) for Europe, ¥665 million (down 34.6%) for North America, and ¥6,257 million (up 16.0%) for Asia.

### Cost of sales

The cost of sales was ¥106,822 million (down 13.7%) and the cost of sales ratio declined from 69.2% the previous year to 67.0%. This resulted in gross profit of ¥52,668 million and an increase in the gross profit margin from 30.8% the year before to 33.0%.

### Selling, general, and administrative (SG&A) expenses

SG&A expenses were ¥42,341 million (down 4.9%). The SG&A expense ratio, on the other hand, increased from 24.9% the previous year to 26.6%.

### Operating income

Operating income was ¥10,327 million (down 1.2%). The operating margin, however, increased from 5.9% the year before to 6.5%. Broken down by geographical segment, Japan had operating income of ¥12,522 million (up 2.5%), Europe posted an operating loss of ¥205 million (compared to operating income of ¥188 million a year earlier), North America recorded operating income of ¥1 million (down 95.9%), Asia had operating income of ¥1,259 million (up 15.6%), and there was an intercompany elimination of ¥3,250 million.

### Net income

Net income was ¥8,929 million (down 0.5%). Net income per share declined from ¥96.60 the previous year to ¥94.85.

## Business results by geographical segment\*

### Japan

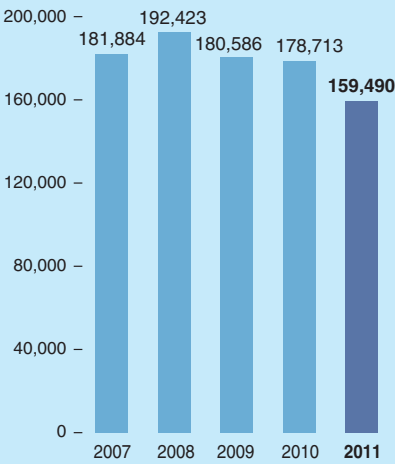
*Metal Fight Beyblade* remained popular owing to the introduction of a wider lineup of appealing products through a mix of media advertising, active expansion of in-store events, and the successful creation of hit products through their establishment as global products. *Transformers* enjoyed steady sales boosted by efforts to promote related products aimed at younger age groups, taking advantage of the broadcast of the TV animation series in Japan, and solid export sales due to the high popularity of *Transformers* characters in overseas markets. As for long-standing products, sales increased for *Tomica World* series products such as the Super Auto Tomica Building in the *Tomica* brand, which celebrated its 40th sales anniversary, for products related to *Thomas the Tank Engine* series in the *Plarail* brand, and for various dolls and dollhouses in the *Licca* brand.

In businesses operated by subsidiaries in Japan, firm sales were reported in the mini-capsule toy business and the plush toy business of T-ARTS Company, Ltd., and for model trains and other products of TOMY TEC CO., LTD. However, a part of the toy peripheral business struggled, with TOYS UNION CO., LTD., reporting a decline in video game wholesaling volume and the apparel business TINKERBELL INC. reporting a slump in sales.

Accordingly, net sales in Japan for the fiscal year under review were ¥144,989 million (down 11.5%) while operating income was ¥12,522 million (up 2.5%).

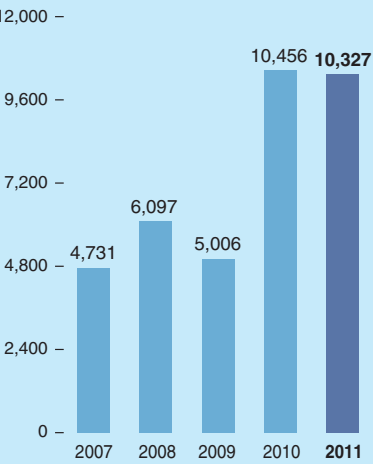
### Net Sales

(Millions of yen)



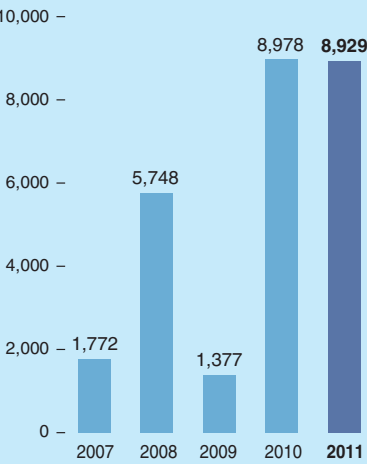
### Operating Income

(Millions of yen)



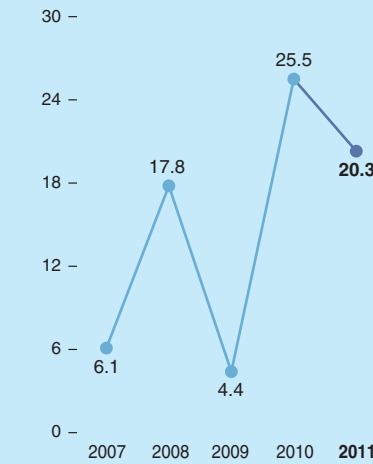
### Net Income

(Millions of yen)



### Return on Equity

(%)





## Europe

All businesses struggled in terms of sales and the business environment remained difficult as a result of weak personal consumption due to a general mood of stagnation in the European economy and a hike in the value-added tax. In particular, new replacement products were unable to cover the dip in sales caused by the expiry of the license for the *Thomas the Tank Engine* series. On the other hand, sales of *Tomica* toys in Europe started in July and efforts are being made to steadily put *Tomica* toys in position to become a long-standing brand in the future. However, since this was the initial year of introduction for *Tomica*, costs were incurred in areas such as advertising.

As a result, net sales in Europe were ¥8,710 million (down 12.8%) while there was an operating loss of ¥205 million, compared with operating income of ¥188 million in the previous fiscal year.

## North America

U.S. sales subsidiary TOMY Corporation, which undertook a corporate restructuring, began sales of *Tomica* in the North American market at the end of September. Meanwhile, it focused sales efforts in the TV game software business on existing titles.

Consequently, net sales in North America were ¥673 million (down 33.8%) while operating income was ¥1 million (down 95.9%).

## Asia

Regarding business development in Asia of *Metal Fight Beyblade*, the TOMY Group took an aggressive marketing approach, including expanding the broadcast of the TV animation and holding various events. Consequently, sales of related products were strong, and the actual products became hits in each country. As for long-standing products, *Tomica* model stores were opened in Shanghai, and Tomica Square, which brings together all the *Tomica* content at a single location, was opened in Taiwan. In the *Plarail* brand, a toy version of the CRH2 Hexiehao high-speed train was launched in China. These business efforts brought steady toy sales.

As a result, net sales in Asia were ¥29,404 million (up 13.2%) while operating income was ¥1,259 million (up 15.6%).

\* Discussion of net sales by geographical segment includes intersegment sales and transfers.

## Financial position

Current assets as of March 31, 2011 stood at ¥66,779 million, up ¥4,646 million from the end of the previous fiscal year ended March 31, 2010. This was mainly attributable to an increase in cash and deposits.

Noncurrent assets stood at ¥27,729 million, down ¥5,900 million from the end of the previous fiscal year. This mainly reflected sales of land.

Current liabilities stood at ¥32,483 million, up ¥2,642 million from the end of the previous fiscal year. This was mainly attributable to ¥7,000 million in the current portion of convertible bonds with subscription rights to shares being transferred from noncurrent assets to current assets on one hand and a decline in current portion of long-term loans payable and other accounts payable.

Noncurrent liabilities stood at ¥13,369 million, down ¥10,608 million from the end of the previous fiscal year. This mainly reflected the transfer of ¥7,000 million in the current portion of convertible bonds with subscription rights to shares to the current portion of bonds with subscription rights to shares as well as repayment of long-term loans payable and redemption of bonds.

Total net assets were ¥48,744 million, up ¥6,681 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings.

## Cash flows

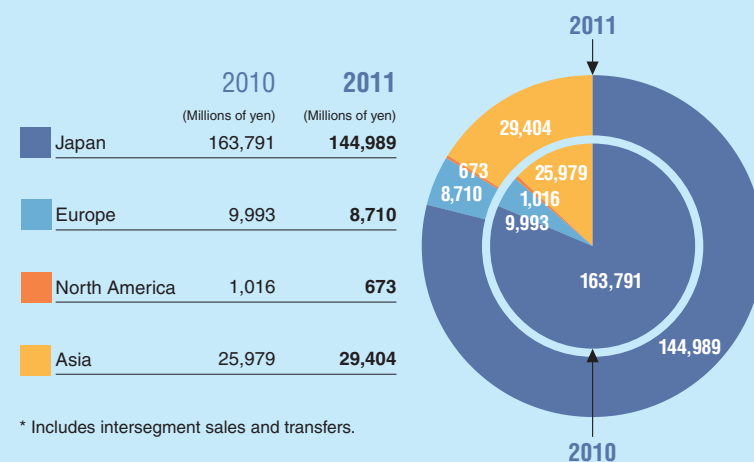
Cash and cash equivalents (hereafter “cash”) as of March 31, 2011 amounted to ¥29,038 million, an increase of ¥2,399 million compared with the end of the previous fiscal year ended March 31, 2010.

Net cash provided by operating activities totaled ¥8,486 million. Cash was mainly provided by income before income taxes and minority interests of ¥7,837 million and depreciation and amortization of ¥4,146 million, while cash was mainly used for an increase in notes and accounts receivable—trade of ¥1,158 million, an increase in inventories of ¥1,062 million, and income taxes paid of ¥992 million.

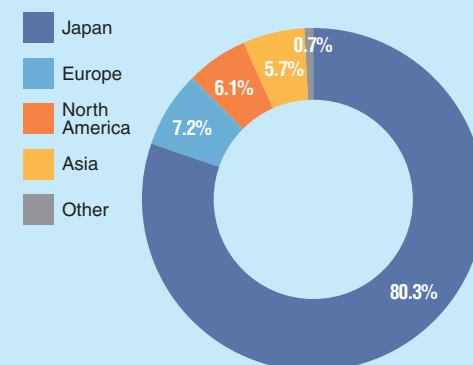
Net cash provided by investing activities amounted to ¥1,169 million. Cash was mainly provided by sales of property, plant and equipment of ¥4,264 million, while cash was mainly used for purchase of property, plant and equipment of ¥2,386 million and purchase of intangible assets of ¥1,153 million.

Net cash used in financing activities totaled ¥6,767 million. Cash was mainly provided by a net increase of ¥1,112 million in short-term loans payable, while cash was mainly used for repayment of long-term loans payable of ¥3,715 million, redemption of bonds of ¥1,850 million, repayments of finance lease obligations of ¥1,481 million, and cash dividends paid of ¥1,316 million.

### Net Sales by Geographical Segment\*

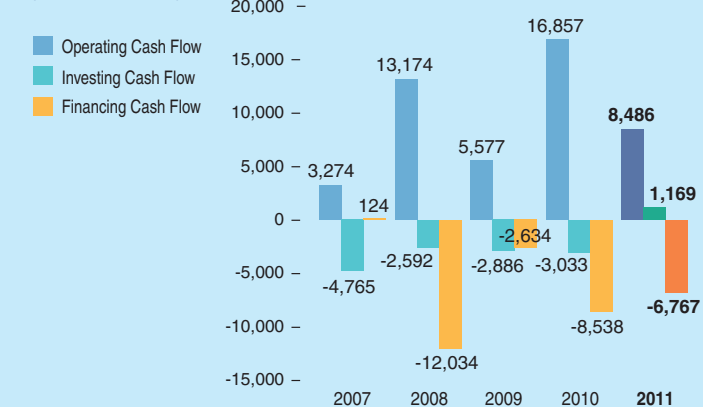


### Percentage of Net Sales by Market



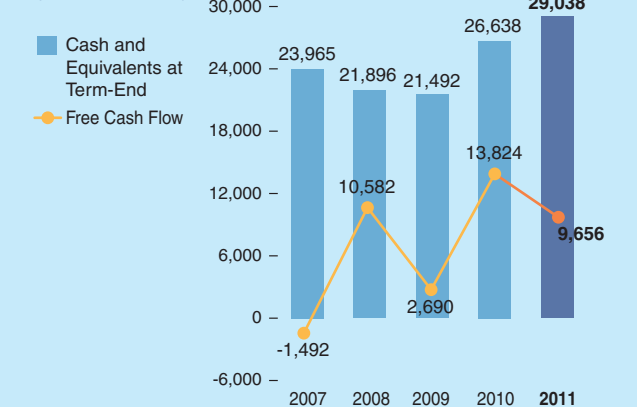
### Operating Cash Flow / Investing Cash Flow / Financing Cash Flow

(Millions of yen)



### Cash and Equivalents at Term-End / Free Cash Flow

(Millions of yen)







# Consolidated Balance Sheets (Unaudited)

TOMY COMPANY, LTD. and its consolidated subsidiaries  
As of March 31, 2011 and 2010

Millions of Yen

	2011	2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits (Note 4(2)).....	¥29,320	¥26,929
Notes and accounts receivable—trade .....	19,188	18,299
Short-term investment securities .....	264	264
Merchandise and finished goods .....	10,173	9,418
Work in process .....	561	306
Raw materials and supplies.....	1,026	1,080
Deferred tax assets.....	3,606	3,533
Other.....	2,938	2,654
Allowance for doubtful accounts .....	(301)	(354)
Total current assets.....	66,779	62,132
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures (Note 4(2)).....	13,005	13,363
Accumulated depreciation.....	(7,320)	(7,430)
Accumulated impairment loss .....	(422)	(453)
Buildings and structures, net.....	5,262	5,480
Machinery, equipment and vehicles .....	2,277	1,618
Accumulated depreciation.....	(1,405)	(1,350)
Accumulated impairment loss .....	(0)	(0)
Machinery, equipment and vehicles, net .....	871	267
Tools, furniture and fixtures .....	26,569	29,248
Accumulated depreciation.....	(25,124)	(27,642)
Accumulated impairment loss .....	(107)	(109)
Tools, furniture and fixtures, net.....	1,338	1,496
Land (Note 4(1)(2)).....	4,837	9,830
Lease assets .....	2,727	3,344
Accumulated depreciation.....	(1,380)	(1,733)
Accumulated impairment loss .....	(136)	(136)
Lease assets, net.....	1,210	1,475
Construction in progress .....	283	1,070
Total property, plant and equipment .....	13,803	19,620
<b>Intangible assets</b>		
Goodwill (Note 4(4)) .....	185	—
Other .....	2,001	1,809
Total intangible assets .....	2,186	1,809
<b>Investments and other assets</b>		
Investment securities (Note 4(2)(3)) .....	2,954	4,139
Deferred tax assets .....	5,586	4,634
Other .....	3,524	3,780
Allowance for doubtful accounts .....	(325)	(354)
Total investments and other assets .....	11,739	12,199
<b>Total noncurrent assets</b> .....	27,729	33,629
<b>Deferred assets</b>		
Bond issuance cost .....	88	118
Total deferred assets .....	88	118
<b>Total assets</b> .....	¥94,597	¥95,880

See notes to consolidated financial statements.

Millions of Yen

	2011	2010
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade (Note 4(2)) .....	¥ 9,804	¥10,627
Short-term loans payable (Note 4(2)) .....	4,090	3,031
Current portion of long-term loans payable (Note 4(2)) .....	604	2,410
Current portion of bonds.....	1,250	1,850
Current portion of bonds with subscription rights to shares.....	7,000	—
Lease obligations.....	907	1,205
Accounts payable—other (Note 4(2)) .....	3,613	4,956
Accrued expenses .....	3,812	4,073
Income taxes payable .....	54	518
Deferred tax liabilities .....	—	13
Provision for sales returns .....	41	239
Allowance for recall.....	89	97
Provision for directors' bonuses .....	185	225
Other.....	1,028	589
Total current liabilities .....	32,483	29,840
<b>Noncurrent liabilities</b>		
Bonds payable .....	2,040	3,290
Bonds with subscription rights to shares .....	5,300	12,300
Long-term loans payable (Note 4(2)) .....	986	2,388
Lease obligations.....	381	431
Deferred tax liabilities .....	—	1,097
Deferred tax liabilities for land revaluation (Note 4(1)).....	632	632
Provision for retirement benefits .....	2,504	2,276
Provision for directors' retirement benefits.....	256	239
Allowance for investment loss.....	10	—
Negative goodwill.....	—	79
Other.....	1,259	1,242
Total noncurrent liabilities .....	13,369	23,977
<b>Total liabilities</b> .....	45,852	53,818
<b>Net assets</b>		
Shareholders' equity		
Capital stock .....	3,459	3,459
Capital surplus .....	6,744	6,823
Retained earnings .....	41,970	34,344
Treasury stock .....	(1,320)	(1,318)
Total shareholders' equity .....	50,854	43,309
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	(27)	299
Deferred gains or losses on hedges.....	(372)	43
Revaluation reserve for land (Note 4(1)) .....	(7)	(6)
Foreign currency translation adjustment .....	(3,233)	(2,892)
Total accumulated other comprehensive income .....	(3,639)	(2,555)
Subscription rights to shares .....	409	230
Minority interests.....	1,120	1,078
Total net assets.....	48,744	42,062
<b>Total liabilities and net assets</b> .....	¥94,597	¥95,880





# Consolidated Statements of Income (Unaudited)

TOMY COMPANY, LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

Millions of Yen

	2011	2010
<b>Net sales</b> .....	<b>¥159,490</b>	<b>¥178,713</b>
<b>Cost of sales</b> (Note 5(1)(6)) .....	<b>106,822</b>	<b>123,718</b>
<b>Gross profit</b> .....	<b>52,668</b>	<b>54,994</b>
Selling, general and administrative expenses .....		
Packing and transportation expenses .....	1,798	2,435
Warehousing expenses .....	2,699	2,456
Advertising expenses .....	8,313	9,298
Directors' compensations .....	625	635
Salaries, allowances and bonuses .....	13,577	13,347
Provision for directors' bonuses .....	182	231
Retirement benefit expenses .....	844	842
Provision for directors' retirement benefits .....	59	54
Depreciation .....	1,255	1,017
Research and development expenses (Note 5(1)) .....	2,183	2,765
Commission fee .....	2,264	2,483
Provision of allowance for doubtful accounts .....	113	179
Other .....	8,424	8,791
<b>Total selling, general and administrative expenses</b> .....	<b>42,341</b>	<b>44,538</b>
<b>Operating income</b> .....	<b>10,327</b>	<b>10,456</b>
Non-operating income .....		
Interest and dividends income .....	67	79
Amortization of negative goodwill .....	486	435
Rent income .....	143	159
Purchase discounts .....	78	114
Other .....	232	255
<b>Total non-operating income</b> .....	<b>1,008</b>	<b>1,044</b>
Non-operating expenses .....		
Interest expenses .....	257	402
Sales discounts .....	11	14
Amortization of bond issuance cost .....	29	28
Foreign exchange losses .....	204	334
Equity in losses of affiliates .....	45	68
Commission fee .....	413	—
Other .....	231	269
<b>Total non-operating expenses</b> .....	<b>1,193</b>	<b>1,117</b>
<b>Ordinary income</b> .....	<b>10,143</b>	<b>10,382</b>
Extraordinary income .....		
Gain on sales of noncurrent assets (Note 5(2)) .....	27	7
Gain on sales of investment securities .....	—	48
Reversal of allowance for doubtful accounts .....	131	73
Reversal of provision for directors' retirement benefits .....	—	41
Gain on liquidation of subsidiaries and affiliates .....	115	—
Other .....	37	18
<b>Total extraordinary income</b> .....	<b>311</b>	<b>190</b>
Extraordinary loss .....		
Loss on sales of noncurrent assets (Note 5(3)) .....	737	3
Loss on retirement of noncurrent assets (Note 5(4)) .....	275	209
Loss on valuation of investment securities .....	565	358
Impairment loss (Note 5(5)) .....	120	602
Distribution restructuring expenses .....	—	353
Business structure improvement expenses .....	387	—
Other .....	530	373
<b>Total extraordinary losses</b> .....	<b>2,617</b>	<b>1,899</b>
<b>Income before income taxes and minority interests</b> .....	<b>7,837</b>	<b>8,673</b>
Income taxes—current .....	632	1,034
Income taxes—deferred .....	(1,807)	(1,392)
<b>Total income taxes</b> .....	<b>(1,175)</b>	<b>(358)</b>
Income before minority interests .....	9,012	—
Minority interests in income .....	82	53
<b>Net income</b> .....	<b>¥ 8,929</b>	<b>¥ 8,978</b>

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows (Unaudited)

TOMY COMPANY, LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

Millions of Yen

	2011	2010
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests .....	¥ 7,837	¥ 8,673
Depreciation and amortization .....	4,146	3,856
Impairment loss .....	120	602
Loss (gain) on valuation of investment securities .....	565	359
Increase (decrease) in allowance for doubtful accounts .....	(56)	(50)
Increase (decrease) in provision for retirement benefits .....	259	342
Increase (decrease) in allowance for investment loss .....	10	(257)
Interest and dividends income .....	(67)	(79)
Interest expenses .....	257	402
Loss (gain) on sales of property, plant and equipment .....	710	—
Decrease (increase) in notes and accounts receivable—trade .....	(1,158)	169
Decrease (increase) in inventories .....	(1,062)	978
Decrease (increase) in accounts receivable—other .....	(54)	323
Increase (decrease) in notes and accounts payable—trade .....	(715)	825
Increase (decrease) in accounts payable—other .....	(591)	279
Increase (decrease) in accrued expenses .....	(206)	206
Other, net .....	(321)	1,573
<b>Subtotal</b> .....	<b>9,674</b>	<b>18,207</b>
Interest and dividends income received .....	67	78
Interest expenses paid .....	(262)	(400)
Income taxes paid .....	(992)	(1,027)
<b>Net cash provided by (used in) operating activities</b> .....	<b>8,486</b>	<b>16,857</b>
<b>Net cash provided by (used in) investing activities</b>		
Payments into time deposits .....	—	(169)
Proceeds from withdrawal of time deposits .....	11	600
Purchase of property, plant and equipment .....	(2,386)	(1,741)
Proceeds from sales of property, plant and equipment .....	4,264	32
Purchase of intangible assets .....	(1,153)	(1,348)
Purchase of investment securities .....	(7)	(491)
Proceeds from sales of investment securities .....	42	28
Purchase of investments in subsidiaries .....	(4)	(7)
Other, net .....	402	62
<b>Net cash provided by (used in) investing activities</b> .....	<b>1,169</b>	<b>(3,033)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable .....	1,112	(10,911)
Proceeds from long-term loans payable .....	500	—
Repayment of long-term loans payable .....	(3,715)	(1,222)
Redemption of bonds .....	(1,850)	(1,873)
Proceeds from issuance of bonds with subscription rights to shares .....	—	5,246
Proceeds from stock issuance to minority shareholders .....	—	50
Cash dividends paid .....	(1,316)	(918)
Purchase of treasury stock .....	—	(5,834)
Proceeds from disposal of treasury stock .....	—	8,431
Repayments of finance lease obligations .....	(1,481)	(1,504)
Other, net .....	(15)	0
<b>Net cash provided by (used in) financing activities</b> .....	<b>(6,767)</b>	<b>(8,538)</b>
Effect of exchange rate change on cash and cash equivalents .....	(344)	(120)
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<b>2,543</b>	<b>5,165</b>
Cash and cash equivalents at beginning of period .....	26,638	21,492
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b> .....	<b>(155)</b>	<b>(18)</b>
<b>Increase in cash and cash equivalents resulting from merger</b> .....	<b>11</b>	<b>—</b>
<b>Cash and cash equivalents at end of period</b> .....	<b>¥29,038</b>	<b>¥26,638</b>





# Consolidated Statements of Changes in Net Assets (Unaudited)

TOMY COMPANY, LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of Yen	
	2011	2010
<b>Shareholders' equity</b>		
Capital stock		
Balance at the end of previous period .....	¥ 3,459	¥ 3,459
Changes of items during the period		
Total changes of items during the period .....	—	—
Balance at the end of current period.....	3,459	3,459
Capital surplus		
Balance at the end of previous period .....	6,823	7,252
Changes of items during the period		
Disposal of treasury stock .....	0	(429)
Change of scope of consolidation .....	(79)	—
Total changes of items during the period .....	(79)	(429)
Balance at the end of current period.....	6,744	6,823
Retained earnings		
Balance at the end of previous period .....	34,344	26,380
Changes of items during the period		
Dividends from surplus.....	(1,317)	(919)
Net income .....	8,929	8,978
Change of scope of consolidation .....	13	7
Change of scope of equity method.....	—	21
Reversal of revaluation reserve for land .....	1	(124)
Total changes of items during the period .....	7,626	7,963
Balance at the end of current period.....	41,970	34,344
Treasury stock		
Balance at the end of previous period .....	(1,318)	(4,343)
Changes of items during the period		
Purchase of treasury stock.....	(2)	(5,834)
Disposal of treasury stock .....	0	8,858
Total changes of items during the period .....	(1)	3,024
Balance at the end of current period.....	(1,320)	(1,318)
Total shareholders' equity		
Balance at the end of previous period .....	43,309	32,749
Changes of items during the period		
Dividends from surplus.....	(1,317)	(919)
Net income .....	8,929	8,978
Purchase of treasury stock.....	(2)	(5,834)
Disposal of treasury stock .....	0	8,429
Change of scope of consolidation .....	(66)	7
Change of scope of equity method.....	—	21
Reversal of revaluation reserve for land .....	1	(124)
Total changes of items during the period .....	7,544	10,559
Balance at the end of current period.....	¥50,854	¥43,309

	Millions of Yen	
	2011	2010
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period .....	¥ 299	¥ (257)
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(326)	556
Total changes of items during the period .....	(326)	556
Balance at the end of current period.....	(27)	299
Deferred gains or losses on hedges		
Balance at the end of previous period .....	43	(138)
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(416)	182
Total changes of items during the period .....	(416)	182
Balance at the end of current period.....	(372)	43
Revaluation reserve for land		
Balance at the end of previous period .....	(6)	(131)
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(1)	124
Total changes of items during the period .....	(1)	124
Balance at the end of current period.....	(7)	(6)
Foreign currency translation adjustment		
Balance at the end of previous period .....	(2,892)	(2,678)
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(340)	(214)
Total changes of items during the period .....	(340)	(214)
Balance at the end of current period.....	(3,233)	(2,892)
Total accumulated other comprehensive income		
Balance at the end of previous period .....	(2,555)	(3,205)
Changes of items during the period		
Net changes of items other than shareholders' equity .....	(1,083)	649
Total changes of items during the period .....	(1,083)	649
Balance at the end of current period.....	(3,639)	(2,555)
Subscription rights to shares		
Balance at the end of previous period.....	230	111
Changes of items during the period		
Net changes of items other than shareholders' equity.....	179	118
Total changes of items during the period .....	179	118
Balance at the end of current period .....	409	230
Minority interests		
Balance at the end of previous period.....	1,078	1,010
Changes of items during the period		
Net changes of items other than shareholders' equity.....	41	68
Total changes of items during the period .....	41	68
Balance at the end of current period .....	1,120	1,078
<b>Total net assets</b>		
Balance at the end of previous period.....	42,062	30,666
Changes of items during the period		
Dividends from surplus .....	(1,317)	(919)
Net income.....	8,929	8,978
Purchase of treasury stock .....	(2)	(5,834)
Disposal of treasury stock.....	0	8,429
Change of scope of consolidation.....	(66)	7
Change of scope of equity method .....	—	21
Reversal of revaluation reserve for land .....	1	(124)
Net changes of items other than shareholders' equity.....	(862)	836
Total changes of items during the period .....	6,681	11,396
Balance at the end of current period.....	¥48,744	¥42,062



# Notes to Consolidated Financial Statements

TOMY COMPANY, LTD. and its consolidated subsidiaries  
For the fiscal year ended March 31, 2011

## 1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOMY COMPANY, LTD. (the “Company”) is incorporated and operates.

## 2. Scope of Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and 24 significant subsidiaries (together, the “Group”).

### (1) Number of consolidated subsidiaries: 24

Names of significant consolidated subsidiaries are as follows:

T-ARTS Company, Ltd.	TOMY TEC CO., LTD.
U-ACE COMPANY, LTD.	TOYS UNION CO., LTD.
KIDDY LAND CO., LTD.	TOMY UK LTD.
TOMY FRANCE SARL.	TOMY (HONG KONG) LTD.
TOMY (THAILAND) LTD.	

### (2) Number of unconsolidated subsidiaries: 5

### (3) Number of affiliates which are accounted for by the equity method: nil

### (4) Number of affiliates which are not accounted for by the equity method: 4

## 3. Significant Accounting Policies

### (1) Valuation standard and valuation method applicable to important assets

#### a. Short-term investment securities

##### *Held-to-maturity securities:*

Held-to-maturity securities are stated at amortized cost using the straight-line method.

##### *Available-for-sale securities:*

Securities with quoted market values

Securities with quoted market values are stated at fair value on the consolidated account settlement date. (Net unrealized gains and losses on available-for-sale securities are reported directly to net assets. The costs of these securities are calculated based on the moving-average cost method.)

Securities without quoted market values

Securities without quoted market values are stated on a cost basis using the moving-average cost method.

In addition, equity investments in business investment and other associations are based on the most recent financial statements available to management with adjustments made to investment securities for gains or losses from investment in anonymous associations attributable to the Company and net unrealized gains or losses in available-for-sale securities included in gains or losses in business investment and other association and unrealized gains or losses of other securities.

#### b. Derivatives

Derivative financial instruments are stated at fair value.

#### c. Inventory

##### *The Company and domestic consolidated subsidiaries:*

Inventory is stated principally at cost, cost being determined by the gross average method. (The balance sheet amounts are determined by writing down the book value according to the decrease in profitability.) The inventory of certain subsidiaries, however, is stated at cost, cost being determined by the retail inventory method. (The balance sheet amounts are determined by writing down the book value according to the decrease in profitability.)

##### *Foreign consolidated subsidiaries:*

The inventory of foreign consolidated subsidiaries is stated at the lower of cost or market using the first-in, first-out method.

### (2) Depreciation of important depreciable assets

#### a. Property, plant and equipment (excluding lease assets)

##### *The Company and domestic consolidated subsidiaries:*

Depreciation of property, plant and equipment (excluding lease assets) is calculated by the declining-balance method. (However, depreciation of buildings (excluding structures), acquired on or after April 1, 1998, is calculated by the straight-line method.)

Estimated useful lives of principal assets are presented as follows:

Buildings	2 to 65 years
Tools, furniture and fixtures	2 to 20 years

##### *Foreign consolidated subsidiaries:*

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of each asset.

#### b. Intangible assets (excluding lease assets)

Amortization of intangible assets (excluding lease assets) is calculated by the straight-line method.

In addition, amortization of internal-use software is calculated by the straight-line method over the useful life of the asset estimated by the Company (within five years).

#### c. Lease assets

Depreciation of lease assets is calculated using the straight-line method with the lease periods as their useful lives and no residual value. Finance leases that do not involve the transfer of ownership of leased property to the lessee and for which the commencement date of the lease transaction is prior to March 31, 2008 are accounted for in the same manner as ordinary rental transactions.

### (3) Accounting policies for important deferred assets

#### Bond issuance cost

Amortization of bond issuance cost is calculated by the straight-line method based on the bond redemption period.

### (4) Accounting policies for important provisions

#### a. Allowance for doubtful accounts

##### *The Company and domestic consolidated subsidiaries:*

The Company and its domestic consolidated subsidiaries provide for doubtful accounts relating to monetary receivables held as of the end of the consolidated fiscal year based on the historical bad-debt rate for normal receivables, and the amount deemed necessary to cover individual accounts estimated to be uncollectible.

##### *Foreign consolidated subsidiaries:*

Foreign consolidated subsidiaries provide for doubtful individual accounts based on the amount deemed necessary to cover individual accounts estimated to be uncollectible taking into consideration collectability.

#### b. Provision for directors' bonuses

##### *The Company and domestic consolidated subsidiaries:*

The Company and domestic consolidated subsidiaries provide for directors' bonus payments at an estimated amount to be paid for the consolidated fiscal year under review.

#### c. Provision for retirement benefits

The Company provides for retirement benefits for employees based on the calculated amount of retirement benefit obligations and accrued pension assets as of the end of the consolidated fiscal year under review. Actuarial gains or losses are amortized in the consolidated fiscal year following the consolidated fiscal year in which the gain or loss is recognized primarily by the straight-line method over the periods which are shorter than the average remaining years of service (five years) of the eligible employees.

#### d. Provision for directors retirement benefits

Domestic consolidated subsidiaries provide for accrued directors' retirement benefits at an estimated amount deemed necessary as of the end of the consolidated fiscal year according to internal regulations.

#### e. Provision for sales returns

Domestic consolidated subsidiaries provide for losses due to sales returns after the end of the consolidated fiscal year to an estimated amount deemed necessary based on past sales return data.

#### f. Allowance for recall

The Company provides for an allowance for the voluntary recall of products to an amount that is reasonably estimated and deemed as necessary as of the end of the consolidated fiscal year.

#### g. Allowance for investment loss

The Company provides for an allowance for investment loss relating to investments in affiliated companies to an amount deemed necessary after taking into account subject assets and other details.

### (5) Standards for the translation of important assets and liabilities denominated in foreign currencies into Japanese yen

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing as of the consolidated account settlement date. The resulting transaction gains or losses are included in the determination of net income. Assets and liabilities of foreign and other subsidiaries are translated into Japanese yen based on the exchange rates prevailing as of the consolidated account settlement date. Revenue and expenses of foreign and other subsidiaries are translated into Japanese yen based on the average exchanges rates over the term. Differences arising from such translations are included in both foreign currency translation adjustment and minority interests in the net assets section of the balance sheet.

### (6) Important hedge accounting methods

#### a. Methods of hedge accounting

In principle, deferred hedge accounting has been adopted. Interest rate swap transactions that qualify for special treatment are accounted for by the special accounting method.

#### b. Hedging instruments and hedged items

##### *Hedging instruments:*

- Forward exchange contracts
- Currency options
- Currency swaps
- Interest rate swaps

##### *Hedging items:*

- Monetary assets and liabilities denominated in foreign currencies
- Variable interest rate debt

#### c. Hedging policy

Hedging with a certain range is undertaken to mitigate foreign exchange and interest rate volatility risks.

#### d. Methods of assessing hedging effectiveness

Steps are taken to assess the hedging effectiveness of hedging instruments and hedged items. However, details of hedging effectiveness are omitted in those instances where there is a high correlation between hedging instruments and related hedged items with respect to important terms and conditions including principal, interest rate and term.

### (7) Goodwill amortization method and period

Goodwill and negative goodwill are amortized using the straight-line method over a period of five to 10 years. For immaterial amounts, goodwill and negative goodwill are charged in full to income at the time they occur.

### (8) The scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, readily available deposits and short-term investments with original maturities not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.

### (9) Important items in the preparation of other consolidated financial statements

#### Accounting methods for consumption and other taxes

Consumption taxes are excluded from items in the consolidated financial statements.

## 4. Notes to Consolidated Balance Sheet

### (1) Land revaluation

In accordance with the Law Concerning Land Revaluation (Law No. 34 promulgated on March 31, 1998 and last revised on March 31, 2001) land used for business activities was revalued on March 31, 2002.

Pursuant to the partial revision of the Law Concerning Land Revaluation (Law No. 24 promulgated on March 31, 1999), the income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as deferred tax liabilities for land revaluation, and the amount of deduction has been presented under net assets as revaluation reserve for land.

#### Revaluation method

Under Article 2, Paragraph 4 of the Ordinance Implementing the Law Concerning land Revaluation (Article 119 of the 1998 Cabinet Order promulgated on March 31, 1998), the land price for revaluation was determined based on the official notice prices assessed and published by the Chief Officer of the National Tax Administration, as provided for by Article 16 of the Law Concerning Public Notification of Land Prices. The appropriate adjustments were made to reflect these official notice prices.  
Date of revaluation ..... March 31, 2002

The fair value of land used for business activities after revaluation as of the end of the period was below the book value of land used for business activities after revaluation by ¥699 million.



(2) Assets pledged as collateral and collateralized liabilities

Assets pledged as collateral and the relevant liabilities are presented as follows:

a. Assets pledged as collateral

Time deposits	¥ 410 million
Buildings and structures	¥ 203 million
Land	¥ 444 million
Investment securities	¥ 272 million
Total	¥1,330 million

b. Liabilities for which the above assets are pledged as collateral

Notes and accounts payable—trade	¥1,417 million
Short-term loans payable	¥1,000 million
Current portion of long-term loans payable	¥ 114 million
Accounts payable—other	¥ 0 million
Long-term loans payable	¥ 337 million
Total	¥2,869 million

(3) Assets relating to unconsolidated subsidiaries and affiliated companies

Investment securities (shares)	¥57 million
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(4) Goodwill and negative goodwill are presented as offsetting items.

Goodwill	¥ 652 million
Negative goodwill	¥(467) million
After offset	¥ 185 million

(5) The Company has entered into an agreement with four banks under which it will be provided with a commitment line of credit. This initiative was undertaken to ensure the efficient procurement of working capital. The unused balance under this commitment line of credit as of the end of the fiscal year under review was as follows:

Total commitment line of credit	¥5,000 million
Amount drawn (used)	¥ — million
Difference	¥5,000 million

## 5. Notes to Consolidated Statement of Income

(1) Selling, general and administrative (SG&A) expenses and research and development (R&D) expenses included in manufacturing expenses for the period under review

	¥2,205 million
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(2) Breakdown of gain on sales of noncurrent assets is presented as follows:

Buildings and structures	¥ 2 million
Machinery, equipment and vehicles	¥21 million
Tools, furniture and fixtures	¥ 1 million
Land	¥ 2 million
Total	¥27 million

(3) Breakdown of loss on sales of noncurrent assets is presented as follows:

Machinery, equipment and vehicles	¥ 0 million
Tools, furniture and fixtures	¥ 6 million
Land	¥731 million
Total	¥737 million

(4) Breakdown of loss on retirement of noncurrent assets is presented as follows:

Buildings and structures	¥151 million
Tools, furniture and fixtures	¥ 69 million
Intangible assets	¥ 54 million
Total	¥275 million

(5) Impairment loss

The Group reported an impairment loss in connection with the following asset groups:

Millions of yen			
Application	Type	Location	Impairment loss
Retail stores included in assets used in business activities	Buildings and structures; tools, furniture and fixtures; other	Yokohama, Kanagawa Prefecture; Hamamatsu, Shizuoka Prefecture; other	45
Assets for lease	Buildings and structures	Tamura-gun, Fukushima Prefecture	52
Idle assets	Buildings and structures; land	Shimotsuga-gun, Tochigi Prefecture; Fukuoka, Fukuoka Prefecture	22

Assets used for business activities are grouped according to their connection with each business and according to each individual property with respect to stores and assets for lease. For idle assets, the smallest units are the individual properties themselves.

With respect to the aforementioned stores used for business activities as well as assets for lease, the Group continues to incur operating losses. At the same time, estimated future cash flows fall below the book values of each asset. Accordingly, book values have been written down to their recoverable amounts with the amount of write-down (impairment loss) totaling ¥120 million recorded as an extraordinary loss.

Furthermore, recoverable values were measured using their net sale values. Net sale values are calculated using projected sales amounts.

(6) The period-end amount of inventories is the amount after writing down the book value in line with the decline in profitability. The amount of reversal of the loss on valuation of inventories (¥269 million) is included in the cost of sales.

## 6. Lease Transactions

Finance lease transactions (lessees' accounting)

Finance leases that do not involve the transfer of ownership of leased property to the lessee

Lease assets

Property, plant and equipment

Mainly molds for manufacturing use in the toy business

## 7. Financial Instruments

Matters relating to the status of financial instruments

Approach toward financial instruments

In addition to borrowing from banks, the Group issues bonds and bonds with subscription rights to shares to fund the essential requirements of mainly its toy business operations. At the same time, the Group invests temporary surplus funds in safe and secure financial assets. The Group utilizes derivatives to offset the risk of interest rate fluctuation with respect to its borrowings as well as the risk of foreign currency exchange rate fluctuation at the time of claim and obligation settlement. The Group does not use derivatives for speculative purposes.

## 8. Short-Term Investment Securities

(1) Available-for-sale securities

Millions of yen				
	Type	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	(1) Stock	751	427	323
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	751	427	323
Securities whose carrying value does not exceed their acquisition cost	(1) Stock	1,370	1,712	(342)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,370	1,712	(342)
	Total	2,121	2,140	(19)

Note: Short-term investment securities with no market value for which it is deemed difficult to measure a fair value and accordingly carried at their acquisition cost not included in available-for-sale securities in the table above are presented as follows:

Millions of yen	
	Carrying value
Unlisted stocks	775

(2) Short-term investment securities for which an impairment loss was recognized

Acquisition cost data presented in the table is the book value after recognizing an impairment loss. An impairment loss was recognized during the fiscal year under review and loss on valuation of investment securities recorded totaling ¥565 million (representing ¥47 million applicable to available-for-sale securities including stocks with fair values and ¥517 million in stocks without fair values).

With respect to impairment losses, in the event that the fair value as of the end of the period falls by 50% or more of the acquisition cost, the total amount is recorded as an impairment loss. In the event that the fair value as of the end of the period falls by between 30% and 50% of the acquisition cost, an amount deemed necessary is recognized as an impairment loss taking into consideration collectability.

## 9. Derivative Transactions

(1) Derivative transactions for which hedge accounting has not been adopted

Not applicable

(2) Derivative transactions for which hedge accounting has been adopted

Contract amounts or amounts equivalent to the principal identified in each contract as of the consolidated account settlement date by hedge accounting method are presented as follows:

a. Currency-related transactions

Millions of yen					
Method of hedge accounting	Type of transaction	Major hedged items	Contract amount	Contract amount exceeding one year	Fair value
Appropriation treatment	Forward foreign exchange contracts:				
	Buy: USD	Foreign currency	14,559	2,943	(672)
	Sterling pound	denominated	32	—	(1)
	EUR	claims and	29	—	(1)
	Thai baht	obligation	1,100	—	5
	Sell: USD	(accounts, receivable, accounts payable, other)	623	—	23
Deferral hedge accounting	Currency option transactions				
	Buy: USD		33,260	—	92
Total			49,604	2,943	(553)

Note: Calculation method for fair value

Fair value is calculated based on the fair value identified by the financial institution counterparty.

b. Interest-related transactions

Millions of yen					
Method of hedge accounting	Type of transaction	Major hedged items	Contract amount	Contract amount exceeding one year	Fair value
Special treatment	Interest rate swap transactions Pay fixed / receive floating	Long-term loans payable	175	175	(Note)

Note: The fair value of interest rate swaps which are accounted for using the special treatment is included in that of the corresponding hedged long-term loans payable.

## 10. Retirement Benefits

(1) Overview of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries maintain employees' pension fund and retirement lump sum plans as defined benefit plans.

In addition, the Company has adopted an approved retirement annuity plan.

Certain consolidated subsidiaries have adopted defined contribution pension plans.

(2) Amounts of retirement benefit obligation

Retirement benefit obligation	¥(3,004) million
Pension assets	¥ 339 million
Unfunded retirement benefit obligation	¥(2,664) million
Unrecognized actuarial gain or loss	¥ 159 million
Provision for retirement benefits	¥(2,504) million

The Company and domestic consolidated subsidiaries have adopted a comprehensively established employees' pension fund. The amount of pension assets has not been included in the aforementioned data because of the difficulty in reasonably calculating the amount corresponding to the own contributions.

In addition, the simplified method has been adopted to calculate the retirement benefit obligation at consolidated subsidiaries.

(3) Matters relating to multiple business proprietor plans

a. Matters relating to the status of overall plan reserves (as of March 31, 2010)

Millions of yen			
	Tokyo Jitsugyo Kosei Nenkin Kikin	EAST JAPAN PLASTIC INDUSTRY Pension Fund	Other
Pension assets	136,596	77,362	167,029
Amount of calculated pension financing benefit obligation	191,928	112,083	196,877
Difference	(55,331)	(34,721)	(29,848)

b. The Group's premium contribution ratio as a proportion of the overall plan (as of March 31, 2010)

Tokyo Jitsugyo Kosei Nenkin Kikin	4.66%
EAST JAPAN PLASTIC INDUSTRY Pension Fund	1.82%
Other	0.27%

(4) Retirement benefit expense	¥488 million
Service cost	¥425 million
Interest cost	¥ 31 million
Expected return on plan assets	¥ (8) million
Amortization of actuarial gain or loss	¥ 39 million

Note: Employee pension fund is not included.

Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are recorded as service cost.

(5) Assumptions used in accounting for retirement benefit obligations  
Attribution of retirement benefit obligation: the straight-line method over the estimated years of service of the eligible employees  
Discount rate .....2.0%  
Expected rate of return on plan assets .....2.5%  
Amortization period of actuarial gain or loss .....5 years

### 11. Stock Options

(1) The account and the amount of stock options charged as expenses for the fiscal year ended March 31, 2011  
Selling, general and administrative expenses .....¥179 million

(2) The amount of stock options charged as income due to their forfeiture resulting from non-use  
Extraordinary income .....¥0 million

### 12. Tax-Effect Accounting

(1) Significant components of deferred tax assets and liabilities  
Deferred tax assets:  
Loss on valuation of inventories .....¥ 577 million  
Allowance for doubtful accounts .....¥ 406 million  
Income taxes payable .....¥ 17 million  
Accrued bonuses .....¥ 663 million  
Provision for retirement benefits .....¥ 993 million  
Provision for directors' retirement benefits .....¥ 248 million  
Retirement of unrealized inventory profit .....¥ 24 million  
Loss carryforwards .....¥ 9,977 million  
Depreciation and amortization .....¥ 334 million  
Loss on valuation of investment securities .....¥ 1,849 million  
Impairment loss .....¥ 164 million  
Other .....¥ 1,222 million  
Total gross deferred tax assets .....¥16,479 million  
Valuation allowance .....¥ (6,955) million  
Total deferred tax assets .....¥ 9,523 million

Deferred tax liabilities:  
Reserve for advanced depreciation of noncurrent assets .....¥ (130) million  
Valuation difference on available-for-sale securities .....¥ (27) million  
Other .....¥ (176) million  
Deferred tax liabilities for land revaluation .....¥ (632) million  
Total deferred tax liabilities .....¥ (966) million  
Net deferred tax assets .....¥8,557 million  
Note: Net deferred tax assets as of March 31, 2011 are reflected in the following accounts in the consolidated balance sheet:

Current assets — deferred tax assets .....¥3,606 million  
Noncurrent assets — deferred tax assets .....¥5,586 million  
Current liabilities — deferred tax liabilities .....¥ (2) million  
Noncurrent liabilities — deferred tax liabilities .....¥ (0) million  
Noncurrent liabilities — Deferred tax liabilities for land revaluation .....¥ (632) million

(2) The reconciliation between the effective tax rates reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

Statutory tax rate of the Company .....40.5 %  
(Reconciliation)  
Permanent nondeductible expenses such as entertainment expenses .....3.5 %  
Nondeductible income such as dividends received .....(3.3)%  
Increase (decrease) in valuation allowance .....(56.5)%  
Inhabitants' tax lump-sum payments .....0.7 %  
Other .....0.2 %  
Effective tax rates after adoption of tax-effect accounting .....(15.0)%

### 13. Segment Information

(1) Net sales by geographical segment

Millions of yen					
	Japan	Europe	North America	Asia	Total
Net sales					
Sales to outside customers	143,863	8,704	665	6,257	159,490
Intersegment sales and transfers	1,126	6	7	23,147	24,288
Total	144,989	8,710	673	29,404	183,778
Segment income (loss)	12,522	(205)	1	1,259	13,578
Segment assets	55,622	3,286	170	8,958	68,037
Other items	3,383	39	17	109	3,549
Depreciation Increase in property, plant and equipment as well as intangible assets	2,981	265	5	103	3,355

Note: The amount of liabilities by segment is determined by the Board of Directors meeting as appropriate, but is not disclosed periodically.

(2) Net sales by market

Millions of yen					
Japan	Europe	North America	Asia	Other	Total
128,110	11,455	9,790	9,060	1,083	159,490

### 14. Per Share Information

The fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	
Net assets per share	¥501.54
Earnings per share	¥ 94.85
Earnings per diluted share	¥ 78.26

Note: Earnings per share and earnings per diluted share are calculated on the following basis.

The fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)	
Earnings per share	
Net income (millions of yen)	8,929
Amount not applicable to shareholders of common stock (millions of yen)	—
Net income applicable to common stock (millions of yen)	8,929
Average number of shares for the period (thousand shares)	94,139
Earnings per diluted share	
Net income adjustment amount (millions of yen)	3
(Of which is interest expense after deducting the amount equivalent to tax)	(3)
Increase in the number of common stock (thousand shares)	20,009
Overview of diluted stock is not included in calculations for earnings per diluted share due to the absence of stock with a potential dilutive effect.	The Company Six series of new share subscription rights Number of diluted stock 4,685 thousand shares



## Corporate/Stock Information

(As of March 31, 2011)

### Corporate Information

Company Name	TOMY COMPANY, LTD.	Number of Employees	2,535 (consolidated), 667 (non-consolidated)
Head Office	7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan	Banks	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Bank of Tokyo-Mitsubishi UFJ, Ltd., The Shoko Chukin Bank, Ltd., Resona Bank, Limited, The Chuo Mitsui Trust and Banking Company, Limited, Mizuho Trust & Banking Co., Ltd., Shinsei Bank, Limited, The Norinchukin Bank, The Tokyo Tomin Bank, Limited, The Ashikaga Bank, Ltd.
Date of Establishment	January 17, 1953		
Paid-in Capital	¥3,459 million		
Business Domain	Planning, manufacturing and selling of products such as toys, general merchandise, card games, and baby care products, etc.		

### Stock Information

Number of Shares Authorized	384,000,000
Number of Shares Issued	96,290,850
Trading Unit of Shares	100
Number of Shareholders	72,694

#### Major Shareholders

Name	Number of shares held	%
Marunouchi Capital Fund I	14,443,700	15.34
Kantaro Tomiyama	4,800,108	5.10
Index Corporation	4,707,996	5.00
Tomy Insurance, Ltd.	4,619,952	4.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,567,600	4.85
TPG Richmond I, L. P.	4,450,100	4.73
Japan Trustee Services Bank, Ltd. (Trust Account)	2,218,800	2.36
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,608,100	1.71
Akie Tomiyama	1,483,101	1.58
Trust and Custody Services Bank, Ltd. Pension Trust Account	982,400	1.04

Note: Percentage of shares held is calculated after the exclusion of 2,152,810 shares of treasury stock.

#### Bonds with Subscription Rights to New Shares

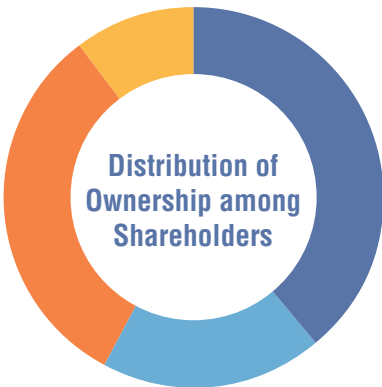
Bonds	Class of shares to be issued	Issue price of subscription rights	Issue price of share (Yen)	Total amount of issue price (Millions of yen)	Total amount of shares issued through exercise of subscription rights (Millions of yen)	Ratio of the grant of subscription rights (%)	Exercise period of subscription rights
Yen-denominated convertible bond due 2012	TOMY Company, Ltd. common stock	Gratis	616	7,000	—	100	From March 23, 2008 to March 23, 2012
Convertible bond due 2014	TOMY Company, Ltd. common stock	Gratis	613	4,900	—	100	From June 11, 2010 to June 10, 2014
Unsecured convertible bond due 2024	TOMY Company, Ltd. common stock	Gratis	613	400	—	100	From June 11, 2010 to June 10, 2024

### Group Companies

(As of August 1, 2011)

#### Japan

T-ARTS Company, Ltd.	U-ACE COMPANY, LTD.
TOMY TEC CO., LTD.	TOYS UNION CO., LTD.
TINKERBELL INC.	KIDDY LAND CO., LTD.
WAKO COMPANY, LTD.	T2 ENGINEERING CO., LTD.
TATSUNOKO PRODUCTION COMPANY, LTD.	Tomy Logistics Co., Ltd.
T-ENTAMEDIA Company, Ltd.	TOMY BUSINESS SERVICE*
TOMY KOSAN CO., LTD.	*Abbreviated name of the company
TOMY MARKETING COMPANY, LTD.	



Individual Investors	39.00%
Financial Institutions	18.89%
Other Corporations	31.89%
Foreign Corporations and Investors	10.22%

#### Overseas

TOMY International, Inc.  
TOMY EUROPE\*  
TOMY Australia PTY., LTD.  
TOMY (SHANGHAI) LTD.  
TOMY (HONG KONG) LTD.  
TOMY (SHENZHEN) LTD.  
TOMY (THAILAND) LTD.

\*Refers to the TOMY Group's companies in Europe.  
Note: Only significant subsidiaries are listed.



**TOMY COMPANY, LTD.**  
<http://www.takaratomy.co.jp/english>