

Q6 What is the outlook for business results for the fiscal year ending March 2013?

Although we expect the tough business environment to remain for the time being, we will continue to concentrate management resources in our toy business and work to construct a global business model through integration with the TI Group. We are pushing forward with structural reforms aimed at joining the ranks of the world's top three toymakers. These include starting an earnings improvement and business expansion plan within the new sales structure that was formed in Europe after the completion of integration, enhancing revenues by optimizing plant locations, developing products corresponding to the characteristics of each market and shoring up management.

We will be making efforts to grow sales during the fiscal year ending in March 2013, such as introducing new boys'

hobby products in Japan, expanding overseas sales of the TI Group's important *Chuggington* line and developing *Plarail* in Japan. Nonetheless, we foresee a decrease in exports of *Transformers* and *Beyblade* due to a pullback in what has been a strong trend during the current term, leading us to predict a 1.5% increase in consolidated sales over the previous year to ¥190,000 million. We expect a 1.8% decrease in operating income to ¥10,000 million and a 5.3% decline in ordinary income to ¥9,300 million due to enhanced investment in marketing in Japan and overseas, as well as expanded prior investment in future growth, such as new product R&D expenses. Net income is expected to grow 35.9% to ¥5,000 million as we do not anticipate one-time expenses such as those related to the flooding in Thailand.

Forecast for the year ending March 2013

Net Sales:	Operating Margin:
¥190.0 billion	5.3%
Operating Income:	EBITDA:
¥10.0 billion	¥17.1 billion
Net Income:	Net Income per Share:
¥5 billion	¥53.1



Q7 Please discuss returns to shareholders and your CSR approach.

The TOMY Group aims for sustainable growth by sharing value with all of our stakeholders, including shareholders. Concerning personnel, which is an important management resource, we seek to nurture a corporate culture befitting global toymaker standards. We strive to hire, cultivate and optimally place personnel who have the creativity and strong sense of play that enables them to anticipate the needs of the times, as well as global human resources who can be next-generation leaders. We are also strengthening internal controls and making continuous improvements to our internal CSR promotion systems to bolster the management structures that form the foundation for further growth. In addition to aiming for stronger and more thorough corporate governance, we are engaging in CSR activities suited to a toy manufacturer, while taking the global environment into consideration.

Our policy on returns to shareholders is based on distributing funds appropriately to maintain a balance between the provisions of stable returns to shareholders and investment in medium- to long-term growth sectors, such as global development, while taking financial stability into consideration. Therefore, based on this policy, we are maintaining a stable annual dividend of ¥14 per share for the fiscal year ended March 31, 2012.

The TOMY Group will continue to aim to increase enterprise value through active global development as a toymaker capable of playing an active role on the global stage. We thank everyone for their ongoing support.

TOMY'S GROWTH STORY

EVERYTHING STARTS WITH AN IDEA

In our bid to become a truly global company, we are targeting net sales of US\$3 billion, operating profit of US\$300 million and an international sales ratio of 50%. The key to achieving our targets lies in the creativity and ideas that provide a competitive advantage. We take the ideas generated in Japan that led to the birth of our hit Japanese toys and transform their shape and expression so as to add to their value in overseas markets. We will continue to build on the momentum we are developing in our overseas initiatives in 2012, so as to continue to grow.



IDEAS THAT ORIGINATE IN JAPAN



IDEAS EXTENDED TO A GLOBAL SCALE



IDEAS EVOLVING TO INCORPORATE A HOST OF VALUES



IDEAS THAT ORIGINATE IN JAPAN

The TOMY Group believes that the “essence of play” is the same around the world. Our hit toys, such as the *Transformers* robot toys and the *Beyblade* battle toys, are examples of optimizing the added value by understanding this essence and incorporating current trends and the needs of each region and country into our products. We believe that the fusion of the TOMY Group’s planning and development strengths and the Western market values of Hasbro, a leading U.S. toy company, have led these Japan-originated toys to become major global hits.

Transformers: Born in Japan, raised overseas

Why has the *Transformers* series become such a huge global hit?

Based on a series of transforming toys that we developed, we worked with Hasbro and jointly developed a product series sharing the same story from a global perspective. That’s the *Transformers*. The magnificent story and the rich characters that were created based on Hasbro’s ideas and the innovative transformation gimmicks have captured the hearts of children. The brand eventually developed into comic books and an animated TV series, with the toy distribution expanding to European and other Asian countries, making the robot toys into a huge global hit having sold in more than 130 countries.

Prior to the *Transformers*, the U.S. toy market was focused on action figures and the concept of “transforming robots” did not exist. The “life form from another planet” concept of the *Transformers* was an innovative new approach. We researched stories and interests with universal appeal and further evolved them to keep the series exciting, thereby making the *Transformers* a global hit for more than 20 years.

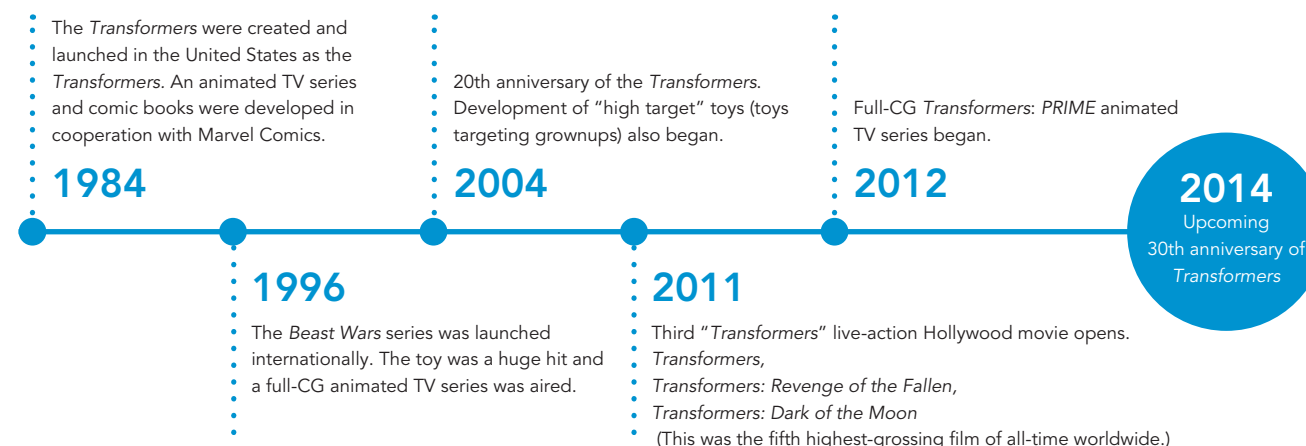
We had many engaging debates with Hasbro as we worked together to overcome the differences of nationalities and diverse values before the *Transformers* became a hit product. The brand concept, which consisted of an innovative transforming gimmick and a story, further evolved

with the imaginative input from the U.S. side. Although the *Transformers* story employs the simple conflict between good and evil, it takes place in the real world instead of the future. In renewing 40 to 50 items each year based on the movies and the TV series, we continue to create a “genuine feel” and “satisfying play value” as we work with Hasbro on character development. I believe this is how we were able to establish the brand value that we have today.

What is the potential for the *Transformers*?

In addition to the U.S. and European markets, we will develop the brand further in Asia, primarily focused on China, with various media franchises including an animated TV series, online games, video games and applications based on the brand power that we have created to date. Also, in the Japanese market, we plan to have products and packages that are exclusive to Japan, and with the media strength of the fourth movie, we aim to make the *Transformers* the top robot toy in Japan.

We will further leverage the *Transformers*-brand assets for our future development. We are reviewing ideas that could connect father and son with collective items that target the two generations, such as bringing back or revamping classic toys.



Metal Fight Beyblade World Cup Tournament 2012



The *Beyblade* battle toys introduce the excitement of battle to the world.



The story of the transforming robots evolved with the American imaginative strength and became a major hit.

Noriaki Maeda
Manager, *Transformers*
Marketing Team, Global
Boys Business Division



The *Beyblade* battle toys were introduced in 1999. We created interest among kids through events and media, and the *Beyblade* series has become a popular standard toy for children around the world, with sales surpassing 150 million units in more than 80 regions and countries. I believe the key to the success of the *Beyblade* series is how it reflects boys’ aspirations for victory and empowerment. The top unit is composed of multilayered parts that can be differently combined and customized to change the duration of the spin and its force. I believe this feature stimulates the competitive instincts of boys. Another appeal of the toy is its “genuine” feel. We changed the material to metal and carefully developed the feel of the material, the weight, the solidity and the aesthetics. The metal material gave the toy a realistic dynamic and received strong support even from kids who are used to the 3-D effects used in animation. In addition to the installation of a point system by using an IC chip-implanted point card, our strategy of effective engagement through the media and in current trends on our Web site, at events and in stores has had a powerful effect. While we continue to maintain the toys’ brand value as a “spinning top” in overseas market development, we aim to expand sales and drive global brand penetration by providing localized product lines that meet local tastes and demand.



Optimus Prime G from *Transformers* (movie)

The key to *Beyblade*’s success is how it reflects boys’ aspirations for victory and empowerment.

Haruhisa Ujita
Senior Assistant Manager,
Product Development Team
Boys Group, Global Boys
Business Division



IDEAS EXTENDED TO A GLOBAL SCALE

As demand in Japan is weakening due to the lowering birthrate and a lackluster economy, the TOMY Group is seriously engaging in global development as the path toward new growth. Success in overseas markets requires that we develop products for those markets, strengthen our manufacturing and distribution processes, and build value strategies and marketing structures tailored to regional characteristics. To that end, we are maximizing our use of the superior management assets of the TI Group, which has a distribution network of 25,000 stores worldwide (mainly in the United States and Europe), to accelerate our global development.

Developing the global market with *Chuggington* products based on the popular British animated TV series

When the TOMY Group acquired RC2 (currently the TI Group) in April 2011, we acquired global merchandising rights (with some exceptions) to products based on the popular animated TV series *Chuggington* in more than 178 countries and regions. After launching the *Chuggington* products in 2010 in the United Kingdom, which has a railway culture, the products were marketed in other European countries including Germany and France. This was followed by full-scale marketing in North America in 2011, and sales in Japan were initiated by T-ARTS* in September.

The combination of popular train play and the story of the animated TV series have global appeal. We expect to activate the preschool market targeting children ages 2 to 4 and collect royalties from sales of *Chuggington*-licensed merchandise from third parties.

* T-ARTS is a wholly owned subsidiary that is responsible for the planning, manufacturing and sales of products such as toys, capsule toys, plush toys, general merchandise, amusement arcade machines and others.

Sales strategy

The *Chuggington* animated series first aired in Japan in 2009, and *Chuggington* products, mainly die-cast, motorized and wooden products, were launched in 2011 at Toys"R"Us, a large-scale retailer. Beginning in July 2012, we will strengthen our *Chuggington* business by launching a new *Chuggington* *Plarail* series as part of our long-selling *Plarail* line and launch drawing boards for preschoolers and a collectible die-cast series, bringing the number of *Chuggington* products to around 60 items for the year ending March 31, 2013. The broadcast area for the *Chuggington* animation, which had mainly been in the Tokyo area, expanded in spring 2012, so we can anticipate popularity nationwide. We therefore will engage in active promotion and expansion of sales by making effective use of our sales network.



Tomica models exclusive to the Chinese market



Retail space for toys in China



Business negotiations in China

Aggressively entering the rapidly growing China market with core products

The Asian market is growing at a 4.3% pace. China, in particular, is a massive market with a population of 1.3 billion and a high annual growth rate of 8.2%. The TOMY Group is working to boost the China business by scaling its distribution through the strengthening of its sales force, partnering with multiple local distributors and expanding the product portfolio.

Active development of products with original Chinese specifications

We have been developing products in the Chinese market since 2004, and our core *Plarail* train play toys are highly popular. These toys were indispensable to our opening up of the Chinese market and market share growth. Although we were primarily offering products developed in Japan with the packaging translated into Chinese, we felt it was necessary to bridge the gap with Chinese kids and further satisfy them by developing replicas of the rolling stock that is used on Chinese railways. Therefore, in 2009 we spent one year working with the Shanghai Railway Association to develop a product with original Chinese specifications, the CRH No. 2

Hexiehao, based on a Chinese high-speed railcar. It became a hot-selling product in China.

In October 2011, we started distributing *Tomica* vehicles adapted to the Chinese market in terms of price and specifications. Also, in April 2012, we started the distribution of our baby products in China. We are also looking to introduce toys that integrate with media content (*Kibao*).

Strengthening our sales force and expanding the distribution network

Retail space must be secured and developed to overcome the competition from local toymakers in the Chinese market. We conducted exclusive business meetings in Shanghai in March 2012, which were attended by about 70 distributors. We had two trading partners as of the end of March but increased that to 21 partners as of the end of April. We have placed salespeople at four bases in China (i.e., North, East, Central and South) and are conducting sales development closely tied to local regions. By the end of March 2013, we aim to have a sales network of 1,000 stores nationwide excluding Tibet.



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Successful launches in Europe after the UK, which has a rich train culture



Started broadcasting in 2008

Existing sales channels led to an effective launch



Started broadcasting in 2009

Full-fledged start by leveraging success factors in other countries



Started broadcasting in 2009

Raise brand awareness with major retailers



Started broadcasting in 2010

ABOUT CHUGGINGTON

Chuggington is a British animated TV series produced by Ludorum plc and broadcast in more than 178 countries and regions around the world. It has achieved the No. 1 viewership among children's programming in the United Kingdom, Germany and Australia, accompanied by strong sales of toy and DVD merchandise. The TOMY Group owns the global merchandising rights (with some exceptions) and exclusive distribution rights to *Chuggington* toys.





IDEAS EVOLVING TO INCORPORATE A HOST OF VALUES

TOMY International Group (the TI Group) plays a leading role

The TI Group's dream, to inspire and fulfill the dreams of children and parents worldwide, is itself becoming fulfilled, thanks to the company's merger with TOMY in April 2011. According to Curtis W. Stoelting, CEO of TOMY Holdings, Ltd. (formerly RC2 Corporation), the power of the two combined companies enables TOMY to truly become a global company.

Curtis W. Stoelting

Board Director of TOMY Company, Ltd. and CEO of TOMY Holdings, Inc.



Q1. Please describe the deployment of management assets by the TI Group to facilitate the growth of the TOMY Group.

With the strength of TOMY, we can broaden our product categories, especially in toys. While the TI Group has a robust business in North America and has built a solid international business in Europe and Australia, TOMY's strength lay in Japan, China and elsewhere in Asia, in addition to having built a good sales and marketing organization in Europe. We are putting together our two organizations in Europe to create a business with more scale that can allow us to grow even faster. And, in North America, now we can represent TOMY content, product lines and intellectual properties (IPs) in the United States and Canada—two very large markets for those products.

We are a sales and marketing-focused organization which has grown to become a leading global designer, producer and marketer of innovative high-quality toys and infant products. At the TI Group, we market these products under strong consumer-focused brands that now include TOMY as well as *ERTL*, *The First Years*, *Lamaze*, *JJ Cole* and *Boon*. We also have strong licensing relationships which allow us to market licensed products such as *Chuggington*, *John Deere* and many great properties from Disney.

Q2. What is the current state of integration with the TOMY Group? To what extent is integration proceeding as initially intended?

A brand and multiyear integration road map was put together very early in the process. We are following that road map,

and many positive results have been achieved, for example, we are now marketing all of our products under the TOMY

banner. But despite having a good map, the road to combining the strengths of two worldwide toy leaders has not always been smooth.

We are now marketing all of our products under the TOMY banner. We still have product line brands, but TOMY will appear as part of all of our product lines, and that will help build TOMY into a truly global brand. We also benefit from the strong IP and content of TOMY, such as *Tomica* and *Plarail*, and have plans to increase sales of these owned brands throughout the TI Group markets.

The integration of the two teams in Europe—TOMY's former sales subsidiary and the TI Group's subsidiary—was completed in April, and we are now marketing globally, in the United States, Europe and Australia, under the TI banner. The company is progressing with the complex integration of production and supply chains in Hong Kong, mainland China and Southeast Asia.

We have made cutbacks in North America and Europe such as combining our redundant offices and integrating our sales, marketing and back-office teams. Australia is a very strong market for the TI Group, and integration there is nearly complete. TOMY was using a third-party distributor in Australia, but ultimately as we complete the transition, TOMY Australia will be selling directly all the TOMY and TI Group products in the Australian market.

In short, our integration is going well, but it's an ongoing process which takes time. We are dealing with a cross-border merger, and many different cultures, between the Japanese and Asian cultures, the U.S. and North American cultures, and the various European cultures, so it's never easy, but everybody has the same objectives, which is to build TOMY into a truly global company.

Q3: Please describe specific measures that you will take to maximize synergies with the TOMY Group going forward.

Examples of complementary brands include such infant product lines as *Lamaze* and *The First Years*. With the strength of the TOMY sales and marketing organization, we expect significant growth in those brands both in the established Japanese market and the high-growth markets within China. We are also enthusiastic to expand the market for the *Tomica* and *Plarail* product lines, which have a long and successful history in Japan.

There are differences between Japanese and U.S. consumers, with the former being more focused on precision and the latter on value, but I see this as an opportunity rather than a challenge. Our designers and marketers can adapt products to meet the requirements of various markets, giving TOMY the flexibility to create both localized and global products.

We are the only company in the industry that can sell direct in a meaningful way in the two largest toy markets in the world—the United States and Japan. No other company can do that. One view is that it is a challenge to make a global

product when your consumers are different, but on the other hand it is possible because we have strong teams in Japan, Europe and North America who can help us adapt the products for the different markets. So I think that even though it's a challenge, it's also an opportunity.

In the TI markets, consumers and retailers have different requirements so we are presenting our products differently—even though the play pattern is the same—the presentation of the product, the packaging and the pricing of the product must be adapted for the North American and European markets.

Beyond that, there are even bigger opportunities that I cannot even imagine. I like to tell younger people at the company that there are going to be great things in the future. I tell them, "It is really up to you to create that future. So give us your thoughts, give us your dreams, and then let's all work together to make those dreams happen."

Schedule of Integration

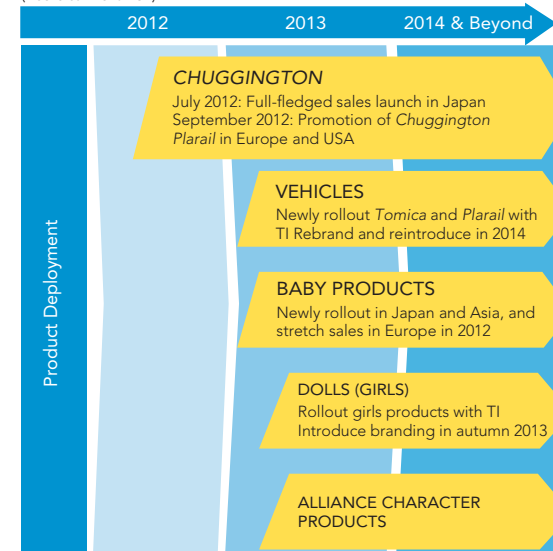
Accelerating the merger to become a top global player

(Years to March 31)



Prioritizing high sales synergy product categories

(Years to March 31)



Establishing the global management system through the effective integration of the TI Group's global operations

