

KEY BRANDS & LICENSES

TOMY

PLARAIL

These long-selling toy trains were launched in 1959. The specs for the blue rails have not changed since then, with a total of 136 million units having been sold so far.



LICCA DOLLS

Licca Dolls were launched in 1967 as dolls that girls can dress as inspired by their dreams and aspirations. By keeping pace with the times Licca Dolls have been loved across three generations.



TRANSFORMERS

The Transformers were launched in the United States in 1984, with the toys and animated feature a big hit in Japan the following year. The world's most famous shape-changing robot series, the Transformers' appeal transcends borders and generations in more than 130 countries.



TI Group

CHUGGINGTON*

Classic train play based on the contemporary world of Chuggington, with imaginative, action-packed features.

*Copyright owned by the TI Group



LAMAZE

The right toy at the right time. Bright and whimsical high-quality toys for each stage of your baby's development.



TOMICA

These die-cast toy cars are easy to handle because they fit in the palm of a child's hand. More than 564 million have been sold since the line was launched 40 years ago.



DUEL MASTERS

Launched in 2002 as a full-fledged yet easy-to-play trading card game, more than 3 billion Duel Masters cards have been shipped, with events held annually worldwide making them ever more popular.



METAL FIGHT BEYBLADE

This modern version of the traditional Japanese top combines the ageless appeal of tops fused with "battle," "customizing" and "collection" features. More than 150 million units have been shipped to more than 80 countries.



ERTL

The only off-road brand to offer the best of both worlds, with imaginative farm and construction vehicle play.



THE FIRST YEARS

Nursery products that help make the first years of life happier and easier for both babies and parents.



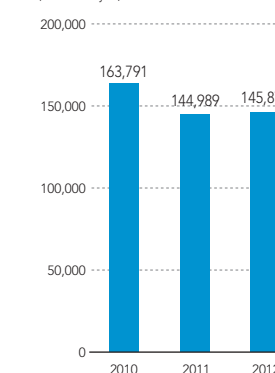
Review of Operations

Domestic Business

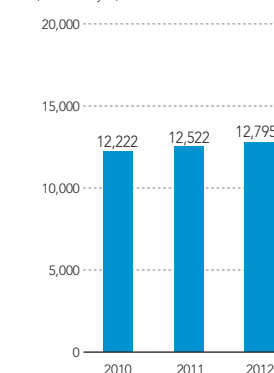
Year-on-Year Domestic Business Highlights
(Years to March 31)

Domestic Market	¥692.1 billion (+3.4%); enjoy strong performance of the trading card segment
Performance	Increase in sales and income
Topics	<ul style="list-style-type: none"> Impact of Thailand floods Core products, export merchandise, strong card game performance

Domestic Sales
(Millions of yen)



Domestic Operating Income
(Millions of yen)



Domestic Toy Markets

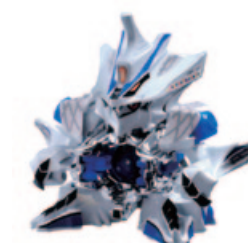
The domestic market increased 3.4% to ¥692.1 billion for the year ended March 31, 2012 from the previous year on a retail price basis (Japan Toy Association figures). Growth in the 3% range has been maintained for two consecutive years (3.5% in 2010), despite the difficulties of the economic environment after the financial crisis in 2008 and the impact of the Great East Japan Earthquake. The market was helped along in particular by the trading card segment, which reached ¥100 billion, the game segment, which reflects the increase in indoor play since the disaster, and the girls' toys segment, in which girl characters grew in popularity.

Strategy: Strengthen Core Business

Our strategy for increasing market share is to strengthen our group's core brands such as Tomica, Plarail and Licca, which are our proven products and character-related merchandise, and to expand our toy-related businesses that utilize the brands and characters built around our toys.



Disney-related merchandise "Cars"



B-Daman, a marble-shooting toy for boys



Pretty Rhythm arcade machine for girls



Trading card games for boys

Operations Summary

The domestic business during the year was marked by a large decrease in sales due to a scarcity of some items in our core Tomica and Plarail lines due to floods that occurred in Thailand in October. Meanwhile, Licca and Treena, our original girls' characters, merchandise was on an upward trend, while sales of Duel Masters, which was reinvigorated through the revamped TV animated series and comics in April, were broadly higher due to a gain of new users and the development of new lines of merchandise. Among our Disney-related merchandise, items from the "Cars" stories set in a world of motorcars increased in popularity. Among our global boys' products, Transformers-related exports were strong due to the premier of another in the film series, and despite a decrease in Metal Fight Beyblade sales in Japan, the great popularity generated outside Japan by the Metal Fight Beyblade World Cup Tournament held in Canada in March 2012 led to broadly improved export sales. In addition, B-Daman, through which marble play evolves into a modern form, was launched as an animated TV series from October, with the goal of increasing sales.

Of our Group companies in Japan, the T-ARTS Group's Pretty Rhythm arcade machines for girls garnered popularity, while our core capsule toy business was in a firm trend.



Original girls' character Treena



A fishing game, *Virtual Masters Real*

Infrared remote-controlled car, *Yubicon* A musical toy, *Human Instrument*

Impact of the Thailand Floods

Although the factory buildings and facilities at TOMY (Thailand) Ltd. were damaged in the floods, substitute production made rapid progress in China and also in Vietnam where we had already moved part of our production.

While some functions will remain in Thailand, we will expand our Vietnam production system and are building a new production structure that includes other countries in the vicinity.

Product Development

We conduct product development based upon our corporate mission to create new value in play.

In addition to expanding our lineup of *B-Daman*, through which marble play evolves into a modern form, merchandise and that of our overseas hit *Beyblade*, we are also moving forward with development of the globally renowned *Transformers* by broadening the range of play possibilities through new transformation gimmicks and improved collectability. We are also shoring up core product lineups. For example, we introduced *Plarail Advance*, which is a line of smaller sized trains that uses the existing *Plarail* tracks as twin-track railroads, while bringing back our original girls' character, *Treena*, with a newly created story and product design. We also engaged in R&D that deepens play and fun through product concepts that are not stuck on preconceptions and are incorporating new trends and the latest technologies. Some examples of this are the *Human Instrument*, a musical toy that uses bio-electricity to perform a variety of sounds and melodies by touching one's partners' hands, cheeks or foreheads; the *Virtual Masters Real*, a fishing game that gives the sense of actually fishing through the use of augmented reality (AR) functions, and the *Yubicon* infrared remote-controlled car that uses a "smartphone-like" touch screen-type controller.

The TI Group has also been advancing development of the *Chuggington* train character merchandise and *The First Years* brand of baby products.

Our product development puts customer safety first, and we have been bolstering our in-house testing system based on our own safety standards to improve product safety. We have also launched full-scale value engineering (VE) initiatives to optimize function and cost from the product planning and development stage onward.



Overseas Business

Year-on-Year Overseas Business Highlights

(Years to March 31)

Overseas Market	World's largest U.S. market: \$21.3 billion (-1.9%)
Performance	Increase in sales and income
Topics	<ul style="list-style-type: none"> Acquisition of RC2 (currently the TI Group) Strengthening China business

Overseas Toy Markets

In 2011, conditions in the United States, which is the largest toy market in the world, also worsened due to a lack of certainty about the economy, with the market there falling 1.9% year-on-year, to US\$21.3 billion. Taken by category, block toys incorporating movie content have been up by double digits for three years in a row, while the plush category dropped in popularity and was down 21%.

The U.K. market, Europe's largest for toys, was at 3.0 billion pounds*, up 3% year-on-year. Similar to the United States, the block toy market grew 20%** for two consecutive years, while boys' action figures were down by double digits for two years in a row. The impact of the European debt crisis caused the toy markets in nearly all countries in southern Europe to be lower than last year, with great disparity in Europe overall.

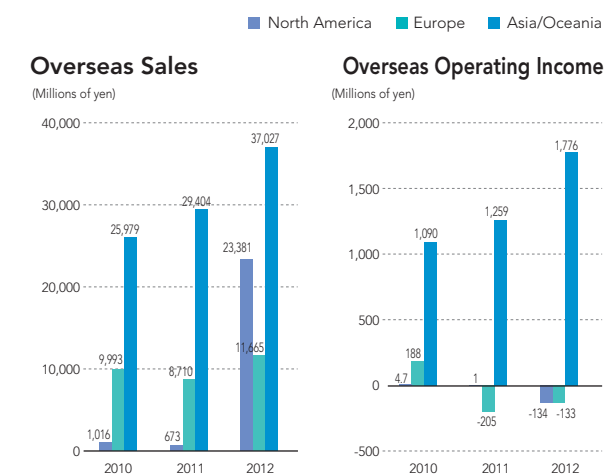
(Source: The NPD Group / Consumer Tracking Service)

*Source: The NPD Group / UK Consumer Tracking Service

**Source: The NPD Group / UK ePOS Tracking Service)

Strategy: The TI Group as the Hub of Global Growth Acceleration

The TI Group, our consolidated subsidiary, is at the hub of our efforts to drive our North American market growth strategy by expanding our own sales network in North America, increasing sales of core brands and content, and building an



optimal development and production structure. Our efforts in Asia include attempting to grow sales in China by moving forward with building a sales network and product development geared toward regional characteristics. Our production and procurement units are shifting from China, where production has been overly concentrated, to Vietnam, and we are pursuing thorough cost-competitiveness, product safety and quality controls.

Operations Summary

North America

Operations were integrated into the TI Group. We initiated a full-scale rollout of *Chuggington* toys in North America and made efforts to expand the core product lines. Also, efforts to grow the purchaser base and the portfolio of TI's baby business led to the acquisition of substantially all of the assets in August of two companies: Boon Inc., which is a producer of high-end design and function products with strong customer loyalty, and Keen Distribution, LLC, which is the exclusive distributor in the United States of the *Bumbo Baby Seat*, which has a high share of the global baby seat market.

Europe

We have worked on integration in Europe, including the downsizing of personnel, so as to optimize marketing and build the sales structure. In addition to strong sales of newly added *John Deere* vehicle toys and *Dinosaur Train* dinosaur-themed products, TI's baby product brands *Lamaze* and *JJ Cole Collection* merchandise began selling well.

Asia/Oceania

The integration of the production control and sales bases in Hong Kong proceeded. In China, we created ties with toy distributors and developed sales spaces at retail sites, and in October launched *Tomica* products with specifications and prices localized to meet the needs of that market. Preparations are also being made to launch sales of TI's baby products as part of our two-pronged China business expansion strategy that includes both sales and products.