Performance Summary

The Japanese economy for the year ended March 31, 2012 was deeply affected by the Great East Japan Earthquake and subsequent nuclear plant accident. Although signs of recovery were seen after the disaster, as the impact of the prolonged European debt crisis and a slowdown among the emerging economies, including China, became clear, uncertainty grew about the direction of both the Japanese and global economies.

Although sales during the year under review were affected by a continuing shortage of some parts for the *Tomica* and *Plarail* products due to the floods in Thailand, exports of merchandise including *Metal Fight Beyblade* and *Transformers*, continued to trend higher, and due to factors such as the inclusion of sales of the TI Group products, net sales advanced to ¥187,265 million, a year-on-year increase of 17.4%. Regarding profits, operating income was down 1.4% to ¥10,186 million due to decreased revenue at existing European sales subsidiaries and the cost of acquiring RC2 (currently the TI Group). Net income was down 58.8% to ¥3,679 million due to an extraordinary loss on damage from the Thai floods and overseas business restructuring expenses.

Review by Geographic Segment

Japan

Net sales were negatively affected by a shortage of some products in our core lineups of mini-cars and railroad toys for boys as a result of the flooding in Thailand in October 2011. Meanwhile, sales of long-selling products for girls and original girls' character merchandise were on an upward trend, and we successfully reinvigorated the trading card game segment through the launch of a TV animated series and a comic book, which improved sales due to a gain of new users and the development of new lines of merchandise. Among our global boys' products, *Transformers* exports were strong due to the release of the new movie 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 Qualifying Tournament held in Canada in March 2012 led to substantially improved export sales.

Of our Group companies in Japan, the T-ARTS Group's amusement machine for girls garnered popularity, whereas the Group's capsule toy business saw firm sales.

As a result of the above efforts, net sales in Japan were up 0.6% to ¥145,870 million, with operating income up 2.2% to ¥12,795 million.

North America

Operations in North America were consolidated under the TI Group, and efforts were made to expand the main product lines. Also, efforts to grow the TI Group's baby product market and increase market share led to the acquisition in August 2011 of two companies involved in the design and development, as well as distribution, of baby products. Thus, net sales in North America surged 3,371.4% to ¥23,381 million due to the strong performance of the TI Group's baby products business. Meanwhile, factors such as a rise in the cost of goods purchased from China and the amortization of intangible assets associated with the TI Group acquisition resulted in an operating loss of ¥134 million (compared with operating profit of ¥1 million the previous year).

Europe

Sales in Europe of the newly added TI Group vehicle toys trended stronger, as did the TI Group's baby product business. As a result, net sales in Europe rose 33.9% to ¥11,665 million. Although we proceeded to reduce fixed costs through integration, including the downsizing of personnel, to optimize marketing and build the sales structure, income decreased due to lower sales by existing European subsidiaries, resulting in an operating loss of ¥133 million (compared with an operating loss of ¥205 million the previous year).

Asia/Oceania

We developed ties with toy sales representatives in China, building the market there, and launched sales in October of *Tomica* products with specifications and prices localized to meet the needs of that market. Shipments of *Metal Fight Beyblade* from TOMY (Hong Kong) Ltd., our production subsidiary, trended stronger, and after adding sales by the TI Group's Australian sales subsidiary, net sales for the region were ¥37,027 million, a year-on-year increase of 25.9%. As a result of compressing fixed costs by integrating our production control and sales bases in Hong Kong, operating income was up 41.0% to ¥1,776 million.

Income and Expenses

Operating income

Although the TI Group contributed to profits, due to decreased revenue at existing European sales subsidiaries, the cost of the TI Group acquisition and an increase in sales management costs, operating income was down 1.4% to ¥10,186 million.

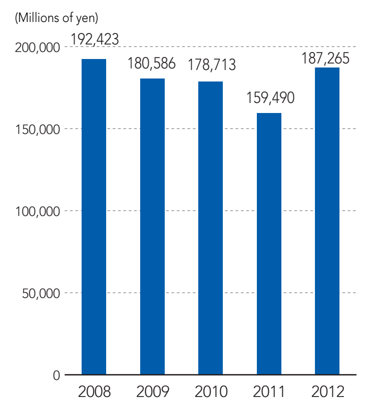
Non-operating income (expense)

Non-operating expenses were ¥363 million (net) due to the payment of interest on long-term debt associated with the TI Group acquisition, up from ¥184 million (net) in the previous year.

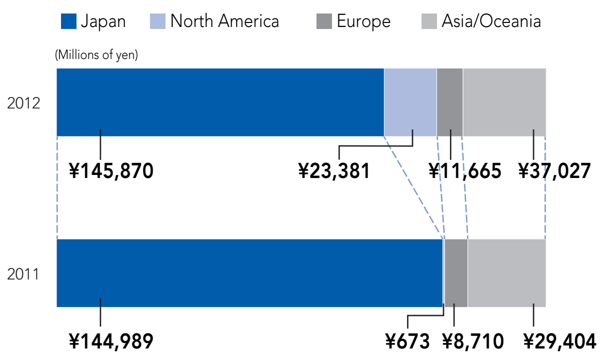
Net income

In addition to recording an extraordinary loss of ¥2,658 million, including items such as the loss on retirement of noncurrent assets, a valuation loss on inventories because of the Thai floods and overseas restructuring expenses associated with the TI Group acquisition, due to an increase in income taxes—deferred resulting from a decrease in the net operating loss carried forward on non-consolidated earnings, net income was down 58.8% to ¥3,679 million.

Net Sales

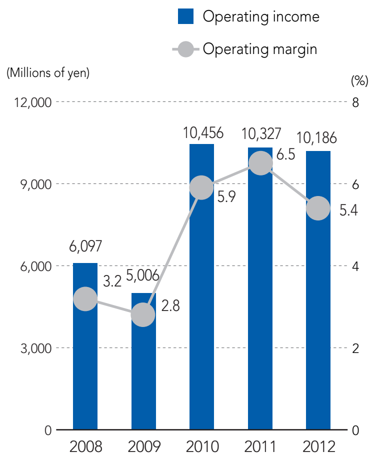


Net Sales by Geographic Segment

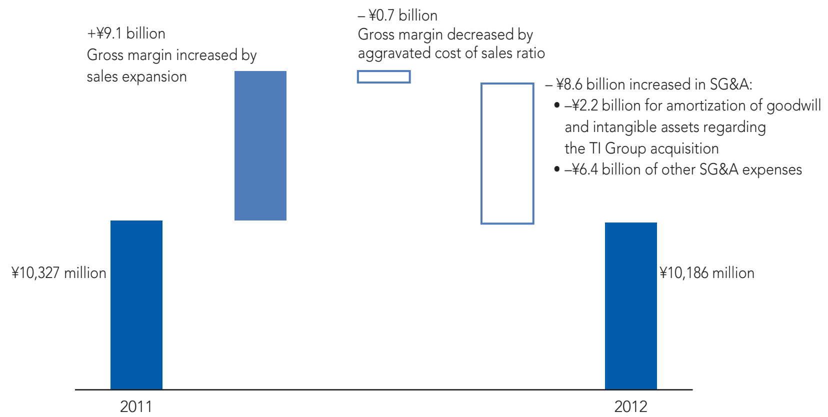


Note: Net sales by geographic region is the total of sales to outside customers and intersegment sales and transfers. Please refer to page 45 for more details.

Operating Income
Operating Margin



Analysis of Change in Operating Income



Financial Position

Assets

Current assets rose ¥20,124 million from the previous year-end to ¥86,904 million mainly due to increases in cash and deposits, merchandise and finished goods, and notes and accounts receivable—trade associated with said acquisition.

Noncurrent assets rose ¥41,960 million to ¥69,689 million mainly due to an increase in intangible assets, including goodwill, associated with said acquisition, etc.

Liabilities

Current liabilities rose ¥2,743 million to ¥35,226 million mainly due to an increase in accrued expenses, notes and accounts payable—trade and accounts payable—other, in addition to an increase in the current portion of long-term loans payable associated with the acquisition, and despite a decrease in the current portion of bonds with subscription rights to shares due to an extension of the redemption date.

Noncurrent liabilities rose ¥56,253 million to ¥69,623 million mainly due to an increase in long-term loans payable, as well as a transfer from current liabilities due to the extension of the redemption date of the current portion of bonds with subscription rights to shares, associated with the acquisition.

Net assets/Shareholders' equity

Net assets rose ¥3,060 million to ¥51,805 million mainly due to an increase in retained earnings from the posting of net income.

Shareholders' equity (net assets minus subscription rights to shares and minority interests) rose ¥2,251 million to ¥49,466 million. The equity ratio went to 31.6% from 49.9% the previous year due to an increase in total assets as a result of acquisitions. ROE went to 7.6% from 20.3% the previous year due to the decrease in net income.

Cash Flow

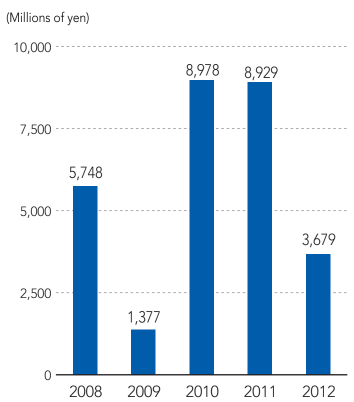
Cash and cash equivalents at the end of the year were up ¥7,484 million to ¥36,522 million.

Net cash provided by operating activities rose ¥7,560 million to ¥16,046 million mainly due to an increase in income before income taxes and minority interests of ¥7,976 million, depreciation and amortization of ¥5,692 million and a decrease of ¥2,791 million in inventories and others.

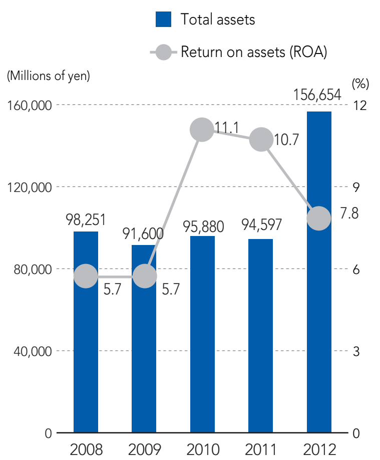
Net cash used in investing activities decreased ¥39,217 million to ¥38,048 million mainly due to a decrease in funds from purchases of ¥33,579 million associated with the acquisition.

Net cash provided by financing activities rose ¥36,486 million to ¥29,718 million mainly due to an increase in funds from ¥35,259 million in financing through long-term loans associated with the acquisition.

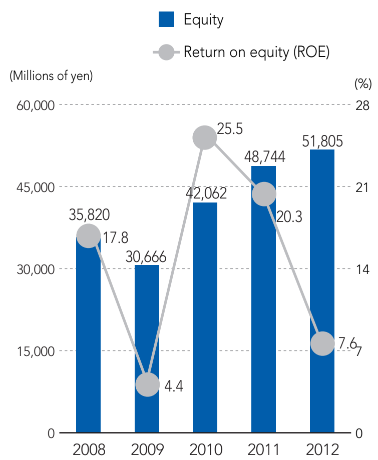
Net Income



Total Assets
Return on Assets (ROA)



Net Assets
Return on Equity (ROE)



R&D/Capital Investment

In addition to developing products in our boys' hobby and transforming robot lineups, and developing products to expand the range of play possibilities, we engaged in R&D on product concepts incorporating current trends and the latest technologies, rather than fixating on preconceived notions, so as to provide play and fun with increased depth. R&D expenses for the term were ¥2,722 million, a ¥517 million increase over last year's ¥2,205 million.

Capital investment consisted of investment in the facilities needed to develop and produce new products, mainly in Japan, and investment in distribution facilities. Capital investment during the year under review in Japan amounted to ¥1,851 million, for the purchase of metal molds and dies, and ¥400 million for amusement equipment. Capital investment in North America was ¥538 million, for the purchase of metal molds and dies.

Business Risks

The major risks to the TOMY Group that could affect its consolidated operating results or financial position are described below. Recognizing that the following risks could potentially occur, the TOMY Group will continue to strengthen its risk management system, which includes measures to avoid the occurrence of such risks and response plans in the case such risks occur.

1. Effect of hit products
2. Fluctuation of quarterly operating results
3. Fluctuation of exchange rates
4. Overseas business expansion
5. Effect of price fluctuations of raw materials
6. Product safety
7. Important business contracts
8. Leakage of information
9. Disaster risk

For further information, please refer to our Web site (http://www.takaratomy.co.jp/english/ir/risk/index.html).

Analysis of Change in Cash Flows