

Hitmakers

TOMY COMPANY, LTD. ANNUAL REPORT 2014

FOR THE YEAR ENDED MARCH 31, 2014



**TAKARA
TOMY**

Introduction

TOMY Company, Ltd., established in 1924, is a global force in toys, infant & children's merchandise and entertainment, offering dreams and excitement to children and adults the world over. We manufacture products based on our own brands including TRANSFORMERS, TOMICA, LICCA, PLARAIL, ERTL and others, as well as distribute products under licensed brand names such as Disney, Chuggington and other world-famous brands.

Our company, which approaches its 90th anniversary this year, has succeeded in transforming itself every 30 years. As we face the next 30 years, we must further evolve ourselves to deal with a changing business environment. The 2014 Annual Report introduces the efforts we are making to meet the challenges of the future in light of our history as the "hitmakers" of a number of hit products.

Founding philosophy:
Driving force to challenge new reform

ENGAGING THE HITMAKERS

1st generation
LICCA doll

We at the TOMY Group believe that our profits constitute the returns on repeated efforts to bring smiles to the faces of children the world over through our excellent products. As “hitmakers,” we at the TOMY Group have produced a number of long-selling products and have accomplished several major transformations within the Japanese toy industry, including the toy materials revolution and being out in front of the trend toward export-based business.

As the TOMY Group approaches our 90th anniversary in an era in which the concept of “play” is changing with the times, we must hold fast to our founding spirit and take up the transformational challenge to surmount the era that is to come and make the leap to a global company within the toy industry.



4th generation
LICCA doll

History of Innovation

TOMY will continue reforming in response to changing times as before.

1ST

**GENERATION
BEGINNING
IN 1924**

TOMY's Focus

CRAFTSMANSHIP

Industry Trend

METAL AND MOTORS

Many tin toys were manufactured during this era, with TOMY garnering particular acclaim for our "Aero Plane TOMIYAMA." After the war, our friction toy "B-29" was a big hit in Japan and abroad, with TOMY taking the initiative in large-scale toy exports.

2ND

**GENERATION
BEGINNING IN
1954**

TOMY's Focus

**MASS DEVELOPMENT
AND PRODUCTION**

Industry Trend

MATERIAL REVOLUTION

Along with postwar economic growth, the toy industry rode a wave of materials and technological innovation characterized by great transformations, such as from metal to plastic and friction to electric. This era was marked by the advent of multiple product model development and mass production.

3RD

**GENERATION
BEGINNING IN
1984**

TOMY's Focus

MARKETING

Industry Trend

**PUBLIC INFORMATION
REVOLUTION**

Electronic game consoles such as the family computer and similar products offering data as added value hit the market during this era, which was marked by broad swings in toy sales caused by mass media marketing, mainly through TV and magazines. The Plaza Accord caused significant appreciation of the Japanese yen, resulting in dramatic changes in the domestic business, such as the closure of factories in Japan. The scale of our business expanded in 2006 through the merger of Takara and TOMY. The pace of our overseas expansion also accelerated in 2011 with the acquisition of a U.S. toymaker.

4TH

**GENERATION
BEGINNING IN
2014**

TOMY's Focus

**NEW
TECHNOLOGY**

Industry Trend

**THE PERSONAL
REVOLUTION**

This era is characterized by "new technologies" that fuse analog with digital. Products and modes of play are entering the "individual" era, and the market is turning from the promotion of individual products to the ascendancy of brands.

Business model:
Revenue-producing structures

HITMAKERS

DELIVER VALUE



The TOMY Group seeks to optimize each part of the process from planning and development through manufacture and sales as we build an efficient supply chain for overall optimization.

At the planning and development stage, we conduct thorough information gathering to monitor trends over a broad range of fields, including product materials and manufacturing technologies. At the production stage, we pursue safety and quality by establishing a quick and sure checking system that employs both external specialized agencies and TOMY's own inspection. At the marketing stage, we implement structures that put customer feedback to use in product development and develop promotional campaigns. In sales, we propose market expansion and the creation of sales outlets that employ the special characteristics of each sales channel. The dedication of the "hitmakers" at each stage in the process from planning and development through sales builds up the Group's knowledge, know-how and technical skills as important intellectual assets, forming a structure for offering customers high-value-added products.

For details, refer to the Special Feature on page 35.



Collaborative value creation with stakeholders

VALUE BRINGS SOLUTIONS

The TOMY Group is proud of and takes responsibility for the toy business we operate, and we have focused on growth by considering what constitutes value to our stakeholders and acting accordingly. Collaborative value creation with stakeholders forms the basis of the Corporate Guidelines shared throughout the company.

Creating Shared Value

THE TOMY GROUP WAY

1

Customers

We will bring dreams to reality through products which offer new forms of play value.

2

Employees

We will strive to offer a dynamic working environment which maximizes individual initiative and creativity.

3

Shareholders

We will satisfy expectations and earn trust through sound management and quality earnings growth.

4

Business Partners

We will deal fairly and honestly, aiming for mutual prosperity.

5

Society

TOMY Group will continue to be a faithful and trusted corporate citizen for the 21st century.



SOLUTIONS LEAD TO FUTURE GROWTH

The TOMY Group is increasing management decision-making speed and shoring up Group business control functions to improve the performance of our overseas business and enhance production in our domestic toy business. The Revitalization Plan, which is founded on three basic policies, has been driving the restoration of profitability and the streamlining of management.

For the year ending March 31, 2015, we will further clarify issues and move forward with the three reforms of the New Medium-Term Plan—"Revolution of mind," "Product revolution" and "Structural revolution of business"—over the near, medium and long term.

The Three Basic Policies of the Revitalization Plan

BASIC POLICY

NO. 1

"Build a stable revenue base in our Japan toy business"

- Develop collaboratively products linked to popular characters
- Expand the core products
- Strengthen the toy peripheral business
- Restrain personnel costs, reduce advertising costs and ensure the flexibility of fixed costs
- Realign the group to focus on the core business

BASIC POLICY

NO. 2

"Focus investment on U.S. and European markets and promote globalization"

- Increase sales synergies through cross-selling

BASIC POLICY

NO. 3

"Form our next-generation businesses through trial businesses in the growing Asian market"

- Launch business trials in Indonesia
- Restructure the China business
- Integrate the Hong Kong manufacturing subsidiary to form a global procurement center

Growth Strategy from the Year Ending March 31, 2015

REVOLUTION OF MIND

Willingness – Spirit of risk taking

PRODUCT REVOLUTION

Venturing into “White Space”
Developing brands that suit the age

STRUCTURAL REVOLUTION OF BUSINESS

Poor POA (Point of Availability)
Structure – Many organizations and layers

For details, see the “Message” on page 17.



Competitive strengths

FUTURE GROWTH ENHANCES OUR STRENGTHS

The TOMY Group is undertaking drastic management reform in accordance with market changes while holding fast to our unchanging corporate philosophy. The superior competitiveness yielded by this reform is building the management platform for further growth.

Based on the foregoing business model and the New Medium-Term Plan for growth, we are sharpening our Group's strengths, such as the manifold TOMY intellectual property strength and hit product power that have resulted in long-selling products, the global development strength that enables expansion of new business regions, and finally our passion for toy-making shared by everyone at TOMY. Harnessing these TOMY Group attributes will lead to sustained growth.



No.1

in the number of registered trademarks
(number of trademark registrations in 2012
as compiled by the Company.)

Hundreds of millions of
long-selling products shipped

TOMICA:

587

million products

PLARAIL:

150

million products

DUEL MASTERS:
approximately

5

billion cards

More than

130 countries and
regions

where TRANSFORMERS are launched

More than

60 leading
brands:

TOMICA, PLARAIL, LICCA doll, KOEDA-
CHAN, TRANSFORMERS and more

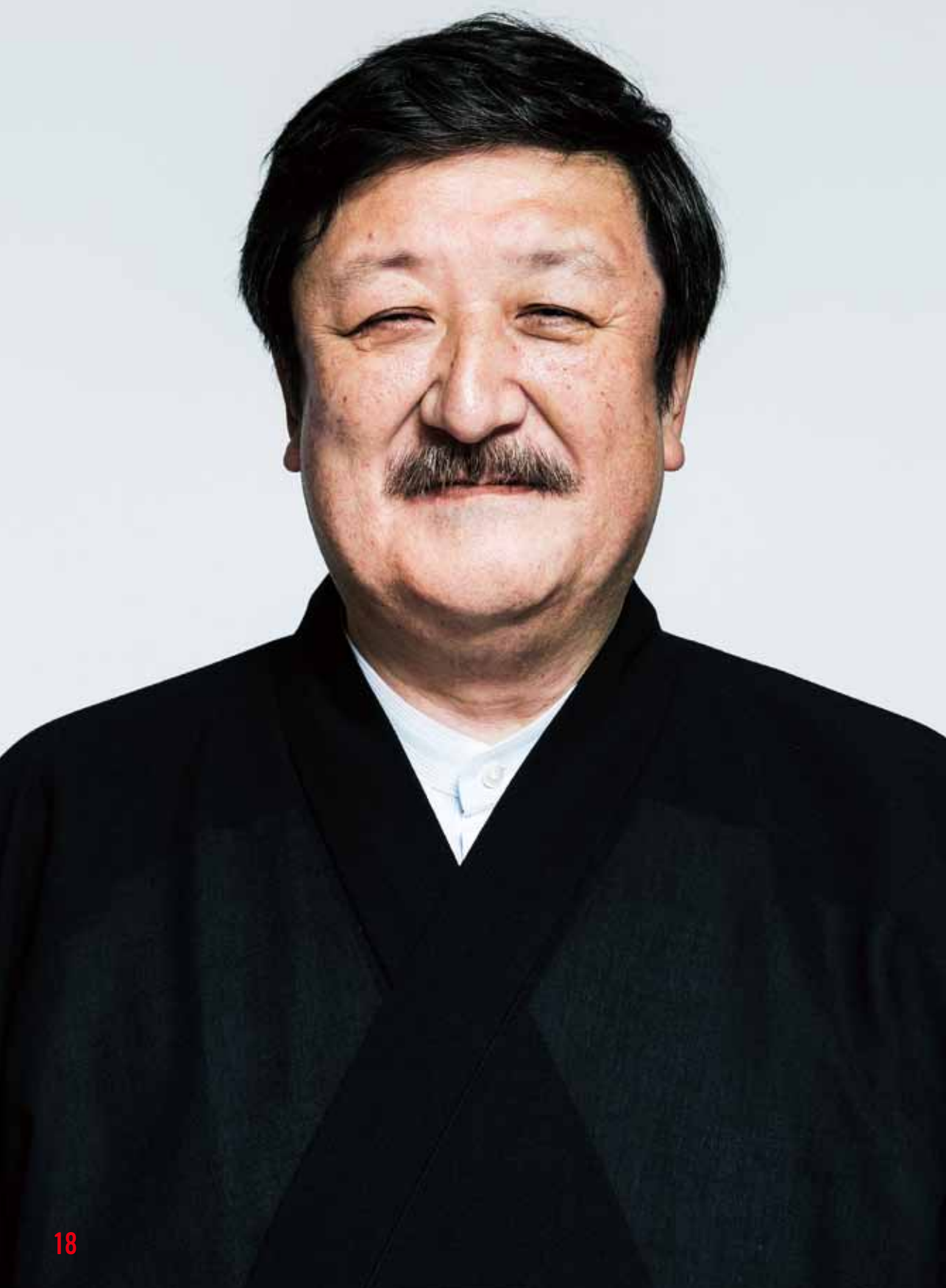
Product rollouts in 15 of the 16 toy
categories

CONTENTS

HIGHLIGHTS		P 02
	Founding Philosophy	P 02
	Business Model	P 06
	Collaborative Value Creation with Stakeholders	P 08
	Growth Strategy	P 10
	Competitive Strengths	P 14
MESSAGE		P 17
	Message from the President & CEO	P 18
	Message from the COO	P 22
MARKET & BUSINESS REVIEW		P 29
	Market Trends	P 30
	Group Performance	P 32
SPECIAL FEATURE		P 35
	Planning and Development (Japan)	P 36
	Quality Control and Manufacturing	P 39
	Sales	P 42
	Overseas Expansion (Localization)	P 44
	Creating New Hits	P 46
PRODUCTS		P 47
	Pre-School	P 48
	Boys	P 50
	Girls	P 52
	Baby	P 53
	Adult	P 54
RESPONSIBILITIES		P 55
	Corporate Social Responsibilities (CSR)	P 56
	Corporate Governance	P 59
	Board of Directors and Auditors	P 62
FINANCIAL DATA		P 66
	Six-Year Financial Summary	P 66
	Consolidated Balance Sheets	P 68
	Consolidated Statements of Income	P 72
	Consolidated Statements of Comprehensive Income	P 74
	Consolidated Statements of Changes in Net Assets	P 75
	Consolidated Statements of Cash Flows	P 77
CORPORATE		P 79
	Corporate Information	P 79
	Stock Information	P 79

Message

President Tomiyama looks back on the Revitalization Plan and explains our results and efforts for the term. Next, newly-appointed COO Harold George Meij introduces future strategies and management targets.



MESSAGE FROM THE PRESIDENT & CEO

We successfully promoted the TOMY Revitalization Plan announced in March 2013 focusing on three basic policies to restore profitability and further streamline management.

As a result, consolidated performance was marked by earnings growth despite a decrease in revenue, with a return to profitability in net income.

富山 幹太郎

President & CEO
Kantaro Tomiyama

Results for the year ended March 2014

Net Sales:
¥154.8 billion

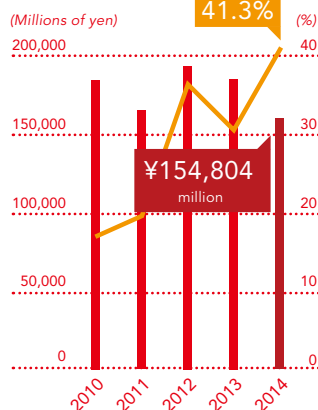
Operating Income:
¥3.3 billion

EBITDA:
¥11.5 billion

(Years to March 31)

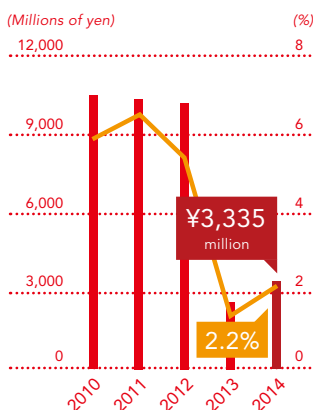
Net Sales

Overseas Sales Ratio

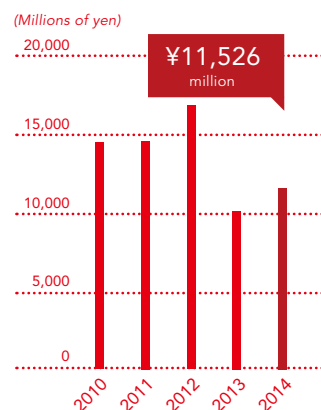


Operating Income

Operating Margin



EBITDA



Business Overview and Results

The Japanese economy this term was characterized by the continuation of a moderate recovery due to the effects of economic policies that caused a weakening of the yen and a recovery in share prices. In overseas markets, although the U.S. economy was on the road to recovery, economic growth in China and the emerging economies weakened, and the situation remains unpredictable.

Consolidated performance in this environment was marked by earnings growth despite a decrease in revenue, with a return to profitability in net income.

Among our core products, TOMICA toy cars and trading card games performed well, whereas the good reception given our new line of Transformer products resulted in growth in exports and our Pokémon Tretta amusement machines continued to gain popularity. Net sales were down 13.4% year on year to ¥154,804 million but would have increased without the effect of the removal of a subsidiary from the scope of consolidation. In July, as part of a strategic plan to strengthen the core toy business and streamline corporate management, all shares of wholly owned subsidiary TOYS UNION Co., Ltd., were transferred, with a resulting ¥30,773 million impact on net sales.

Operating income was ¥3,335 million, an increase of 30.9% year on year, owing to progress in the reduction of selling, general and administrative expenses including the streamlining of personnel associated with solicitation for voluntary retirement carried out in the previous year and a reduction in advertising expenses, despite a sales slump in China and the write-down of inventories.

In comparison with last year's bottom line net loss caused by the impairment loss at TOMY International, net income of ¥232 million was recorded for the year under review.

Major Efforts (Revitalization Plan progress)

The TOMY Revitalization Plan was announced in March 2013. The plan establishes three basic policies to restore profitability and further streamline management.

The first basic policy, "Build a stable revenue base in our Japan toy business," involves building our product lineup and strengthening marketing in addition to restructuring the Group to strengthen the toy business. In real terms, this has meant strengthening the revenue base of our core products by selling collaboration products linked to our popular content and the adding of new product lines, as well as aggressively developing trading card game marketing to increase new users. Our product development led to the creation of the Triple Color Change LICCA doll, whose hair color changes with the temperature, as well as the ANIA series of diverse, detailed animal figurines with moving parts, both of which took grand prizes at the Japan Toy Association Toy Awards. Five other products received Superiority Awards, reflecting the steady success of our products.

We have worked steadily to globalize our business to meet the aims of the second basic policy, "Focus investment resources on U.S. and European markets and promote globalization." In real terms, this has entailed full-scale cross-selling with Japan by the TOMY International Group, which forms the core of our overseas business in North America, Europe and Oceania, of Pokémon and other products, as it works to expand sales synergies with Pokémon-related goods and BATTROBORG 20.

Regarding the third basic policy, "Form our next-generation businesses through trial businesses in the growing Asia market," a start was made on exploring business opportunities in Indonesia with the trial launch of an original product, ANIMAL WHEELS, tailored to the purchasing standards and tastes of Indonesian customers. Moreover, while we aggressively developed store promotions of TOMICA and ANIA, we proceeded with the

closure of unprofitable stores in China and made progress in restructuring our business. We also made progress in building a global production and procurement structure, for example, by integrating our manufacturing subsidiary in Hong Kong to form a global procurement center.

Looking Back on the Occasion of Our 90th Anniversary: Our Fourth Generation and New COO Appointment

Our company, which approaches its 90th anniversary this year, has been transforming itself every 30 years. The first generation of our business was that of metal toys, the second generation began with the advent of plastic toys and the third was marked by the change to an export-driven business model and the challenge of creating toys that would not lose out to home game consoles, such as the Nintendo family computer. Now our environment is characterized by major lifestyle changes due to items such as smartphones, tablets and social networking services, and I believe that the fourth generation that lies before us will be marked by the start of a “personal revolution” in which we will develop globally and establish brands through the use of “new technologies” that fuse the analog of the past with digital. Among other things, this requires that we renovate our management structure, and to that end we have appointed Harold G. Meij, who combines rich marketing knowledge with a global perspective, as our COO. Armed with inventiveness, perception, energy, knowledge of other cultures and a proven record on the global stage, Mr. Meij will bring a sense of speed and impact as he leads our company to propel broad innovation as we start our fourth generation of business.

Returns to Shareholders

We recognize returns to shareholders as our most important management issue. Along with striving to strengthen our business foundation and increase profitability, our basic policy is to provide stable dividends continuously while taking into account factors such as results in determining the dividend amount. Our aim is to use retained earnings for investment in order to accomplish our medium- and long-term growth strategy while improving our financial position through the reduction of interest-bearing debt. Based on the above policy, we have set an annual dividend of ¥10 per share.

CSR

We at the TOMY Group remain aware that our mission is to inspire and fulfill the dreams of children and parents worldwide through our toys. For example, we spur children to consider the environment through our Eco-Toy program, offering toys made with fewer materials or recycled materials. TOMY led the way in advancing the concept of Accessible Design Toys, which makes our toys equally accessible to sight- and hearing-impaired children, and now that concept has spread throughout the toy industry. Our environmental efforts include our participation, which has been ongoing since the inception of the program, in the “3rd PLA-PLUS Project,” which was founded on the Ministry of the Environment’s directives to construct an efficiency system for product plastic collection and support for recycling.



MESSAGE FROM THE COO

Message on My Appointment as COO

My name is Harold G. Meij, and I was recently appointed Chief Operating Officer of TOMY Company, Ltd. Although I am a Dutchman born in Holland, I was raised internationally and have experienced living in countries such as Japan, Indonesia and the United States. I face no language or cultural barriers in Japan. I have previously worked for foreign-owned and Japanese enterprises, and joined TOMY Company, Ltd., in March with a strong desire to make broad changes at the company. My mission is threefold. The first aspect involves taking a close look at the many strengths

of TOMY and choosing those that must be focused on and improved. The second is to draw out TOMY's hidden potential. Finally, the third aspect of my mission is to foster strong growth at TOMY as a toymaker in a fiercely competitive market environment. The strong points of foreigners in business lie in having bold ideas, taking risks and making decisions promptly, whereas the strengths of the Japanese are craftsmanship, imagination and attention to detail. I believe that TOMY will take flight as a company if we fuse these attributes properly.



Representative Director &
Chief Operating Officer
Harold G. Meij

Analysis of the Current Situation

Our company cannot simply press on as we have been up to now if we wish to continue to grow amid an environment marked by dizzying technological and lifestyle changes. Instead, we must aim for dramatic growth through drastic reform, so in that sense we can be said to be at a turning point. Up to now, TOMY's core products have been analog, whereas our international strategy has been in development by region. It also cannot be denied that our business itself has taken the form of emulating our many past successes.

Naturally, even if we do carry out drastic reforms there are good aspects of our company that absolutely must not change. Aspects that we must by all means retain include the Corporate Mission, which has persisted since the company's founding; our dedication to and passion for our products and their safety; and our drive to bring excitement to children. Also, TOMY has many long-selling products, and the know-how that produced these long-sellers is an asset that has remained with us until now and which we must carefully safeguard. I might go further to say that our pride in having the most IP-registered products in the industry indicates the richness of imagination reflected in our products, and that our great strength lies not just in TOMY's products but also in our ability to offer ways to play with those products.

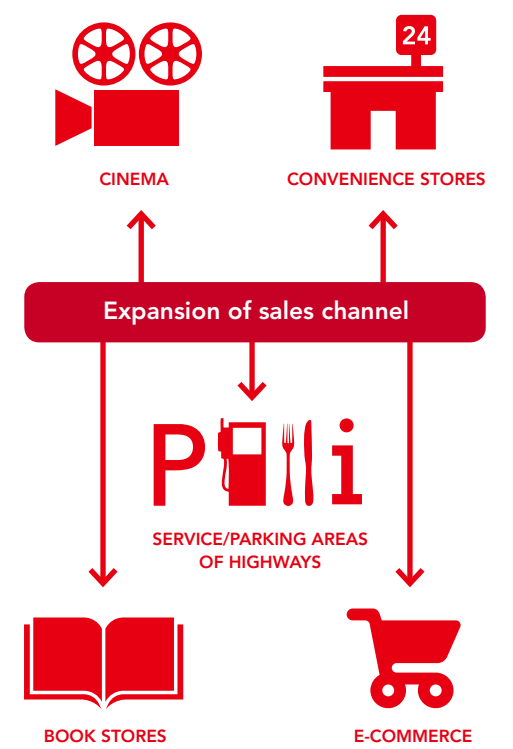
By employing these strengths to their fullest, we can proceed with drastic reforms that are in line with the times and aim for dramatic growth.

Our Strategy Henceforth

In considering our future strategy, we must first consider the toy market overall. Due to the impact of low birthrates and other factors, we cannot hope for growth in the Japanese market, but looking at the global market we can expect a trend toward expansion averaging 3% per year in the period 2013–2020.

1 Strengthen sales capability

Against that backdrop, in the short term I sense a lack of points of availability (POA) for TOMY's products in Japan, where there are only about 4,500 shops with satisfactory lineups of our products. Therefore, we will strengthen our sales capability by lining up products at shops that children visit with their parents.

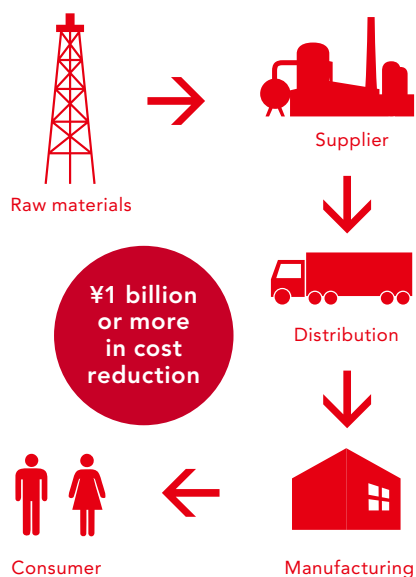


2

Strengthen planning and development, and streamline supply chain management

By strengthening our product planning personnel and putting new technologies to use by, for example, incorporating digital technologies into analog products, we will strengthen our product development capability. We will cut costs by streamlining SCM in production and other processes.

EFFECTIVE SUPPLY MANAGEMENT



3

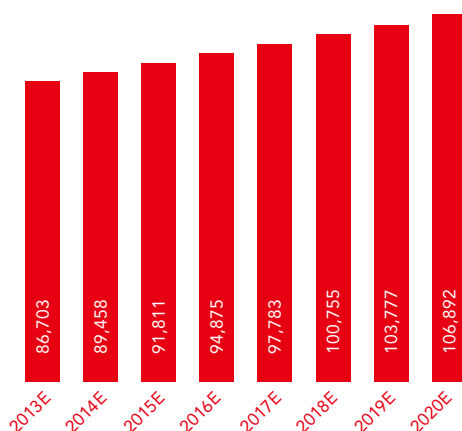
Develop globally in line with market characteristics

In the medium term, we will develop global markets by creating strategies for each individual market rather than by simply dividing the global market into regions. For example, the world population of 0-9-year-olds is predicted to grow 6.2% by 2020, whereas the scale of the Asia-Pacific region market, with the exception of Japan, is expected to grow 7% per year on average, becoming the world's biggest toy market at US\$23.1 billion by 2020. At the same time, the advanced economies, which are mainly in North America and Europe, are expected to grow 4.5% by 2020, driven by increasing purchasing power despite decreasing birthrates. Global development will hasten because Asia, where with the exception of Japan the number of children is growing, will demand "volume," whereas places such as Japan, North America and Europe, where purchasing power is increasing, will demand "quality."

GROWTH FORECASTS FOR THE GLOBAL TOY MARKET

2013 to 2020 Average annual growth rate 3.0%

Millions of U.S. dollars



Source: Euromonitor International and forecast by TOMY

4

Drive brand strategy

Another medium-term issue to be addressed concerns efforts to strengthen brand strategy based product development and promotion. The TOMY Group develops a large variety of products across 15 of the 16 toy categories, but henceforth we will seek to gain greater brand penetration for each product. Although some brands, such as the LICCA doll and TOMICA, enjoy a high degree of recognition, we will seek to shore up core brands by repairing the value of those that have lost their freshness. This will improve ROI through the cultivation of stable sources of revenue.

BRAND DEVELOPMENT



5

Streamline the organization to enhance management flexibility

The TAKARA and TOMY merger in 2006 and the purchase of U.S. company RC2 in 2011 have brought together a large number of personnel of differing backgrounds and corporate cultures, and the resulting over-stratification of our organization has become an issue. As we seek to cultivate a “One Company” consciousness, we will proceed with reforms to create a system capable of speedy decisions. We plan to increase the ratio of sales and development staff to strengthen new product creation.

Forecast

Through the efforts described above, we will aim for net sales of ¥170,000 million and operating income of ¥8,000 million three years from now in the year ending March 31, 2017, with a 2.5-percentage-point increase in the operating margin, from the current 2.2% to 4.7%. Furthermore, taking the large-scale acquisition of content planned over the next several years into consideration we are enthusiastically taking up the growth challenge, with management targets of net sales of ¥193,000 million, operating income of ¥10,800 million and an operating margin of 5.6%. In anticipation of achieving our medium-term goals, we are seeking to realize steadily increasing revenues and profits, with toy sales expansion in Japan and overseas for the year ended March 31, 2015 to ¥160,000 million in net sales, an increase of 3.4% year on year, with ¥4,000 million in operating income, up 19.9% year on year, and a 431.0% increase in the bottom line to ¥1,000 million. As our Corporate Mission states, we seek to fulfill the dreams of all of our stakeholders, including shareholders and investors, as well as customers, trading partners and our employees, and that purpose will drive us to make the broad reforms that will make us a truly global company. I hope for the understanding and support of everyone in reaching our goals.







MEDIUM-TERM MANAGEMENT TARGET (As of May 2014)

Billions of yen

(For the year ended March 31)	2014	2015 target	2016 target (A)	2016 target (B)	2017 target (A)	2017 target (B)
Net Sales	155.9	160.0	164.0	182.0	170.0	193.0
Operating Income	3.4	4.0	6.0	8.6	8.0	10.8
Operating Margin	2.2%	2.5%	3.6%	4.7%	4.7%	5.6%
EBITDA	11.5	12.6	14.9	17.4	16.4	19.8

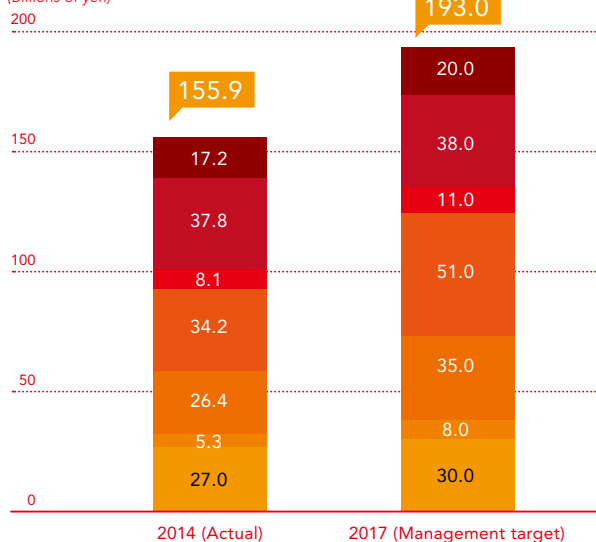
(A: base plan, B: management target)

STRATEGY BY PRODUCT CATEGORY

ADULT  Unique-to-Japan high target and ventures for "White Space" adult market (New multi-year material, high target characters and technology-utilizing robots)	BOYS  <ul style="list-style-type: none"> • To suit Boys' trends • Sustain revenues and exports • Rise during movie releases, etc 	GIRLS  <ul style="list-style-type: none"> • Expand sales of LICCA dolls • Domestic re-branding • Expansion of the Asia market
PRE-SCHOOL  Expansion of global content acquisition and sales / Branding of TOMICA and PLARAIL	BABY  Development and expansion of overseas baby brands, including in Japan and Asia	Events, OEM, Others  Stable growth of the group's business companies

SALES BY PRODUCT CATEGORY

(Billions of yen)



- Adult
- Boys'
- Girls'
- Pre-School
- Baby
- Events, OEM
- Others

As our Corporate Mission states, we seek to fulfill the dreams of all of our stakeholders, and that purpose will drive us to make the broad reforms that will make us a truly global company.

President & CEO,
Kantaro Tomiyama

I believe that the fourth generation that lies before us will be marked by the start of a “personal revolution” in which we will develop globally and establish brands through the use of “new technologies” that fuse the analog of the past with digital.

Representative Director &
Chief Operating Officer,
Harold G. Meij



Market & Business Review

The domestic toy market increased slightly in FY2013. The global toy market also showed an upward trend. As for the TOMY Group's performance, domestic sales decreased 21.8% due to the transfer of subsidiary stock while the overseas market saw a double-digit increase: Net sales from North America, Europe and Oceania increased by 16.7% and net sales from Asia rose by 70.9%.

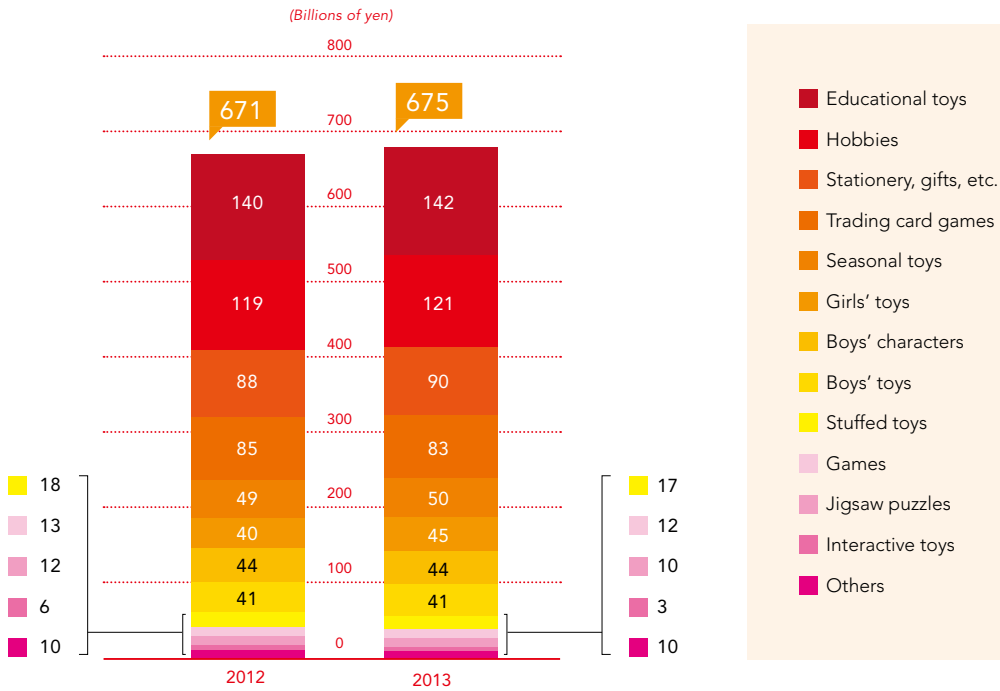
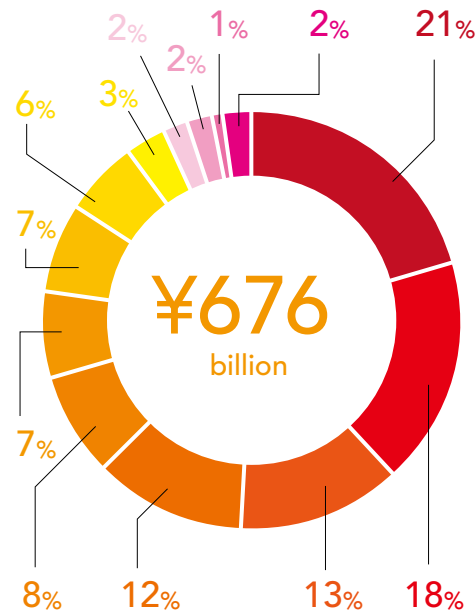
MARKET TRENDS

The economic conditions in Japan and the major countries of Europe and North America remain opaque, and the toy industry remains in an unpredictable situation.

The domestic toy market in FY2013 (April 2013-March 2014) increased 0.6% to ¥675.6 billion from the previous year on a retail price basis.

Following the tough market situation in FY2012, the domestic toy market continued to be difficult, but smartphone toys gained in popularity, and there were some hit products in the boys' character category. There was a resurgence to peak performance by Christmas products during that season of maximum demand, whereas the New Year's sale season also trended positively, with these factors leading to a slight improvement over the previous year. Trading card games and boys' characters edged down 1.9% and 1.1%, respectively, year on year, but smartphone and tablet toys surged 210.9% compared with the previous year. (Source: The Japan Toy Association)

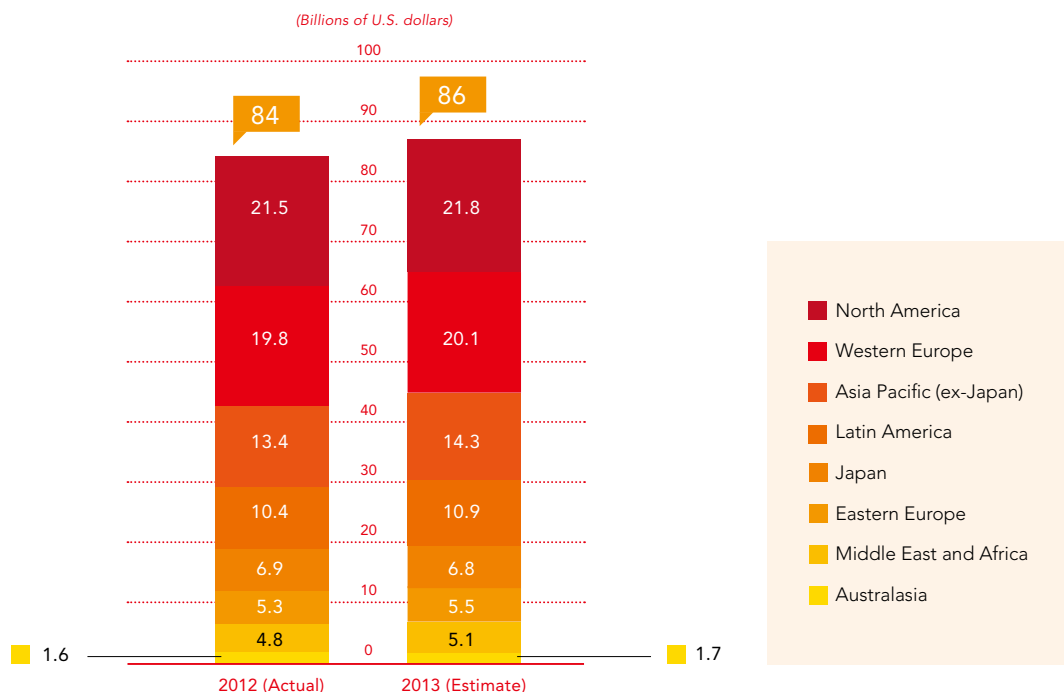
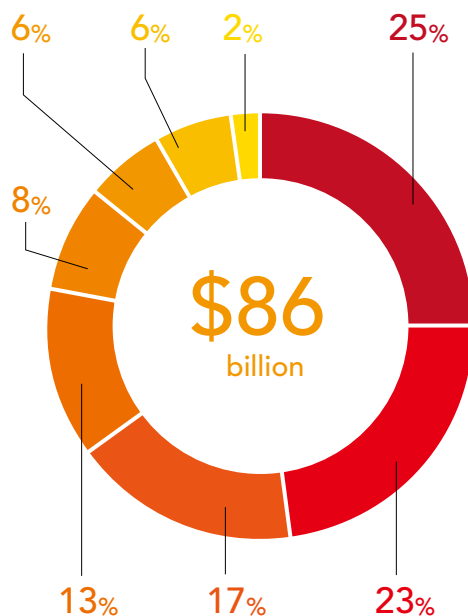
Japanese Toy Market 2013



During FY2013, the market volume in North America, which makes up about 25% of the global toy market, was estimated to be US\$21.8 billion (¥2,249.9 billion), growing 1.6% year on year. Also, the Western European market, which is estimated at US\$ 20.1 billion (¥2,077 billion), increased 1.1% year on year. (Source: Euromonitor International Ltd.)

U.S. dollar amounts have been translated at the rate of ¥102.92=US\$1, the approximate exchange rate at March 31, 2014.

Global Toy Market 2013 (Estimate)



Source: Euromonitor International Ltd.

GROUP PERFORMANCE

Performance by region

JAPAN

Sales of our TOMICA car toys were strong as collaborative product series linked to our popular content trended higher. Moreover, we have been aggressively developing trading card game marketing to increase new users, resulting in solid sales. Our new transforming robot TRANSFORMERS series product line has gained popularity, with overseas deliveries showing particular growth. Also, new product lines, including products with tie-ins to popular characters and content such as those linked to the LINE mobile messenger service and the new Disney animated feature PLANES, and smartphone toys that connect to game consoles, have gained in popularity. We have also sought to expand our lines of core products through sales of the ANIA series of animal figurines with moving parts. In our toy peripheral business, amusement machines continued to trend favorably. Our efforts to optimize our business portfolio to expand and strengthen the core toy business include the transfer of all shares of our wholly owned subsidiary TOYS UNION Co., Ltd., a wholesaler of video-game-related products, to HAPPINET CORPORATION in July 2013. We also transferred a portion of Tatsunoko Production, an animation company, to Nippon Television Holdings in January, after which that company became an equity-method affiliate. Due to the transfer of subsidiary stock, net sales were ¥107,777 million

(down 21.8% year on year), but by controlling selling, general and administrative expenses we succeeded in posting a gain in operating income to ¥7,355 million (up 4.5% year on year).



TOMICA © 2014 Nintendo
BATMAN:TM& ©DC comics.
(s14)
© TOMY



ANIA © TOMY

(Millions of yen)

	Net sales			Operating income (loss)		
	2014	2013	Change	2014	2013	Change
Japan	107,777	137,844	(30,066)	7,355	7,037	317
North America, Europe and Oceania	42,127	36,104	6,023	(723)	(1,637)	913
Asia (other than Japan)	49,500	28,970	20,530	526	1,445	(919)
Total	199,405	202,919	(3,513)	7,157	6,846	311
Eliminations and corporate	(44,601)	(24,173)	(20,428)	(3,822)	(4,299)	476
Consolidated	154,804	178,745	(23,941)	3,335	2,547	787

NORTH AMERICA, EUROPE AND OCEANIA

TOMY International Group launched full-scale cross-selling with Japan, and sales of the globally licensed Pokémon-related goods and interactive BATTROBORG, which have gained popularity in Japan, increased successfully. Although the licensing period for THOMAS the Tank Engine products expired during the previous fiscal year, sales of agricultural equipment maker JOHN DEERE-related goods and baby products trended positively. After adding in the effects of yen depreciation, net sales tallied ¥42,127 million (an increase of 16.7% year on year). An operating loss of ¥723 million (compared with an operating loss of ¥1,637 million the previous fiscal year) was posted due to an increase in advertising expenses for our priority products, as well as ¥757 million posted for the amortization of trademark right use.



© 2013 Pokémon

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Manufactured by TOMY.



© TOMY

BATTROBORG



GROUP PERFORMANCE

ASIA

In the ASEAN countries, we developed new products tailored to the purchasing standards and tastes of nations and regions. In Indonesia, we aggressively developed store promotions for TOMICA and ANIA, and developed ANIMAL WHEELS, a product that combines the cars and animals that local boys like, which sold well and became popular. In China, we proceeded with the closure of unprofitable stores and made progress in restructuring our business, focusing on TOMICA, PLARAIL, Pokémon and DISNEY-related products that can garner stable revenues after taking into consideration the difficult sales environment in that country and withdrawing from sales of other products.

We also integrated our manufacturing subsidiary in Hong Kong with the TOMY International Group manufacturing subsidiary with the goal of creating an efficient global procurement organization. Following that integration, we transferred to a system whereby the manufacturing subsidiaries can, as a global procurement center, share the process of placing orders at production outsourcing plants. Thanks to this integration of the ordering process, net sales reached ¥49,500 million (a year-on-year increase of 70.9%). Operating income, however, fell to ¥526 million (down 63.6% year on year) due to slack sales in China and a write-down of inventories.



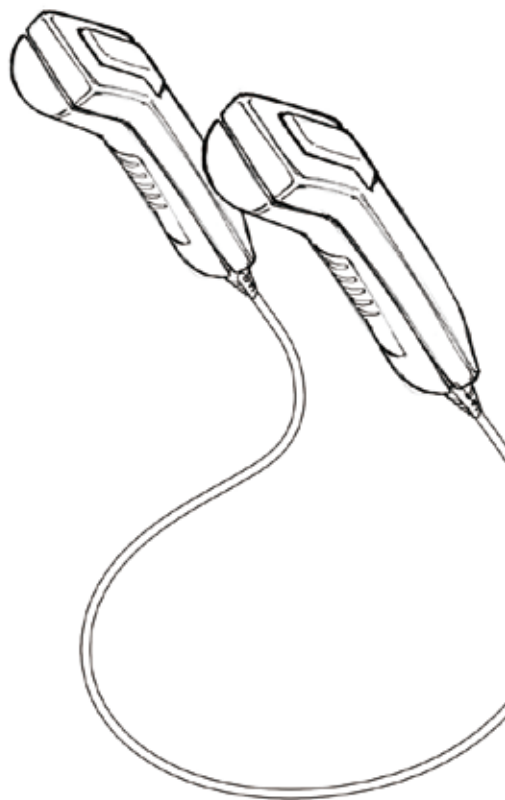
Special Feature

THE BATTROBORG HITMAKERS

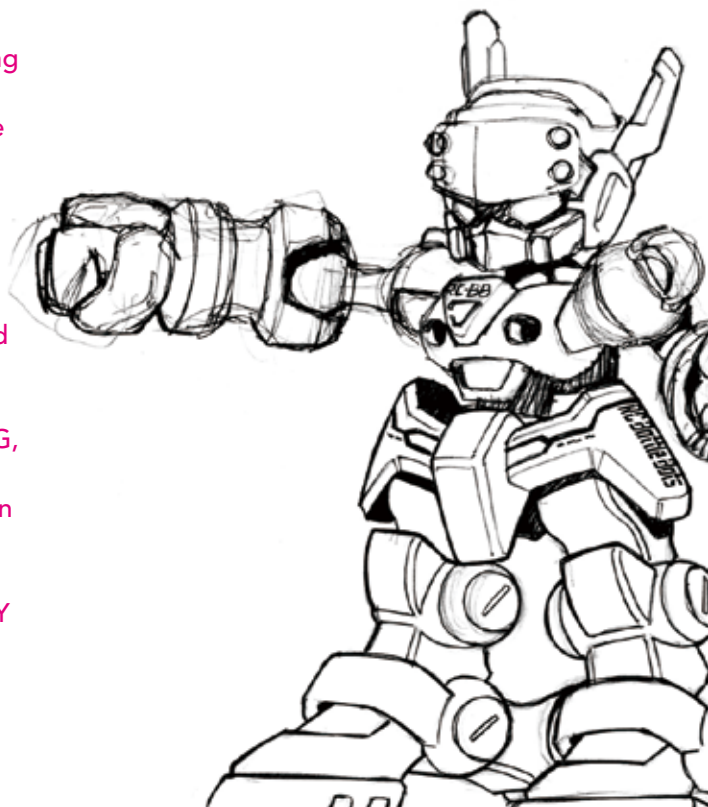
BATTROBORG is a robot toy that uses 21st century technology and imagination to fulfill every boy's dream of controlling a robot himself and entering it into combat. Tilt the right-hand controller to the right and throw a straight right, tilt it to the left and throw a left hook using the "motion-interactive" remote control that makes BATTROBORG, which went on sale in July 2012, a most attractive toy. This product has been a major hit, with 500,000 units already shipped in Japan.

How are hits born? In this Special Feature, we will introduce the process that extended through the production of BATTROBORG and its becoming a major hit by discussing the efforts of those engaged at each stage, including planning and development, quality control and manufacturing, sales and overseas expansion.

PLANNING AND DEVELOPMENT (JAPAN)



A broad variety of data is collected in product development, not only concerning toys but also about materials and technologies, as well as the items that are currently popular and those warranting attention henceforth. We make a direct effort to get "unvarnished opinions" from sales floors and at events and put these to use in drawing up plans. At the development stage, we conduct repeated monitoring reports of test models on the way to creating the finished product. Significant contributions to BATTROBORG, from the development through the final stages, were made through the perfection of the developer in his pursuit of the essence of play, as well as marketing that maximizes the kind of network that TOMY can access.





Ideas and
technologies for
cutting costs
without losing
play value



Comical
and cool
movements



“Real” feeling



Developer Contribution:

Planning Capability That Captures the Essence
of Play While Keeping Costs Down

From the developer's point of view, we could offer children fresh excitement and thrills by pursuing a “real” feeling not offered by portable game consoles or TV games. Next, the idea of creating a hobby that can give the feeling that many boys yearn for—experiencing a robot battle—formed the basis for the planning. The BATTROBORG development concept is threefold: “communication” between friends, as well as parents and children through the combat model; a “real” feeling through the uncomplicated and

intuitive “motion-interactive” control; and the “comical and cool movements” of the robots.

I think the origins of a hit lie in the pursuit of the essence of play and doing as much as possible to keep the cost down. For example, if more than one motor is used complex movements are possible, but this increases the cost. Therefore, creating a mechanism linking punches with the movement action allows for realistic motion-interactive control with only a single motor, keeping the price within everyone's range, even that of kids. The cultivation of a foundation for the production of ideas and technologies for cutting costs without losing play value is one thing that makes TOMY superior.

Parents and
kids can
play together

Emphasis on the
personal experience
of the product

Marketer Contribution:

A Focused Sales Strategy Based on Comprehensive Marketing, from Planning through Launch

When I saw an employee play with a prototype, the spectacle of an adult repeatedly engaging in battle with white-hot passion provided feedback for the “parents and kids can play together” theme. Our test marketing also showed that kids responded remarkably similarly to adults, assuring us of a hit.

We discovered latent needs from the children’s reactions in observing children’s play styles and design tastes through market surveys, and used that information in planning, development and promotion. For example, we observed scenes of children repeatedly pulling out the handheld portion of the BATTROBORG while playing at shop floor events. This enabled us to find a really minor latent need on the part of the children for conversion or replacement of that part. After this information was provided as feedback to the development unit, they actually strengthened the function in the second version, the BATTROBORG 4G, which makes it possible to replace the punch, gaining further popularity for the new, freely convertible BATTROBORG series.

According to my analysis, it is comprehensive marketing, from planning through launch, that makes a hit. I had faith in the blending of hit elements such as the “motion-interactive” control and “battling,” as well as in the strength of the product appeal created by the development unit.

We narrowed our promotion, which would make the appeal of the product better understood, down to two items—“emphasis on the personal experience of the product” and “increasing recognition by parents and children.” This course was shared with other units involved in promotion. We promoted the “parents and kids can play together” theme by running TV commercials not only during children’s programming but also during programs for adults. We also held events where the toys could be experienced firsthand, such as at store demonstration sales conducted by employees, toy shows and trade fairs, and broadcast promotion videos from volume sellers or large-scale sales floors, to great effect.



Promotion that emphasizes the personal experience by parents and children.

QUALITY CONTROL AND MANUFACTURING



Nothing is more important at TOMY than a high level of product quality and safety. While we, of course, comply with the toy safety standards of countries around the world, such as the ST standards (Japan), the ASTM F963 standards (US), the EN71 standards (EU) and ISO8124 (international), our efforts to offer safe and reliable toys also include the establishment of our own original safety standards devised based on the know-how we have cultivated in our 90-year history. In addition, we have developed testing methods focused only on the necessary categories in testing for prohibited substances, and have cut safety and testing costs by eliminating portions of the safety and quality testing and reliability tests by appropriating the molds used at the prototype stage, which creates a quick, reliable checking system. These kinds of manufacturing technologies and thorough quality controls are indispensable items in the background of a novel hit product such as BATTROBORG, with its many mechanisms and functions.

The BATTROBORG is
really an aggregation of
precision instruments

A small, light system
resulted in a product
that offers nimble and
comical movement

Manufacturing Coordinator Contribution:

*Achieving a Fine "Battle Balance" by Adjusting
Molds and Repeated Verification*

The stable quality of parts is an issue in manufacturing, so we work to create designs and assembly lines at the mass production stage that cover not only defective parts but also inconsistencies. We also worked to stabilize performance quality by creating 10 pendulum jigs that can re-create punches at the correct distance, angle and speed for all-points checking on the production line of the sensitivity adjustments for switching LED colors when punches land on the robot's face.

It is necessary to prepare the color molding, material properties and part sizes of each of the molds, which are the keys to mass production. At the BATTROBORG starting stage, we prepared nine molds, including rubber molds and metal molds, with each injection forming two of each kind of part. This enabled daily production of 3,000 units (60,000/month).

The BATTROBORG is really an aggregation of precision instruments. The punching and walking gimmick performed by the main body is controlled by a single motor, with the switch mounted on the face and a high-speed transmitter and small performance batteries mounted on the back. Achieving the construction of this small, light system itself resulted in a product that offers nimble and comical movement through motion-interactive control. I believe that the high marks given by customers to the BATTROBORG's particular movements resulted in it becoming a hit.



All-points checking on the production line of the sensitivity adjustments to stabilize performance quality.

Molds offered the benefit of allowing the omission of some product evaluations at the prototype stage

Finding all foreseeable product misuses

Quality Control Coordinator Contribution:

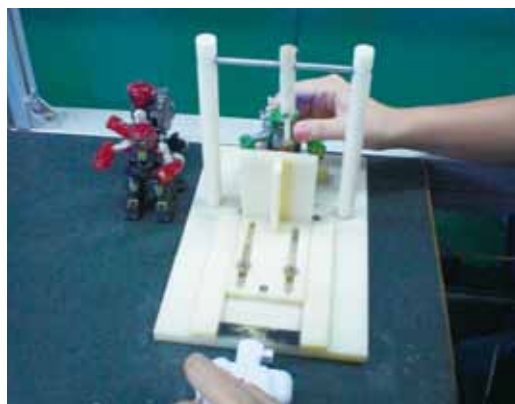
"Uncompromising Safety and Quality through Thorough Quality Control"

The BATTROBORG is a product with a variety of mechanisms and functions, such as a motor drive, a wireless control and the use of rechargeable batteries, so product safety and quality control are issues of maximum importance.

As a "remote-controlled battling robot toy," BATTROBORG is a novel toy, so we have taken sufficient safety measures to assure safe play for children. In practice, this meant finding all foreseeable product misuses, as well as the analysis and improvement of any bugs occurring at the development stage, information about which was provided to the manufacturing site as feedback to enable the mass production of safe products. These thorough quality controls allowed us to prevent the occurrence of any major safety or quality issues, which making a major hit product requires.

In addition, the appropriation of molds already used in Japan contributed to overseas deployment.

Using those molds offered the benefit of allowing the omission of some product evaluations at the prototype stage (e.g., safety and reliability testing). Also, molds must be repeatedly adjusted to achieve the same movement functions as those of the product developed in Japan, but appropriating the same molds eliminates this work, achieving greater efficiency in the quality control work for overseas product deployment.



SALES

It is important to visit the shops and listen to customer opinions to get a handle on market needs and develop effective sales promotions while working with the sales outlets to create attractive sales floors and sales measures. In addition to sales promotions backed by the entire company, BATTROBORG sales efforts included two immediate post-launch sales campaigns conducted simultaneously followed by seasonally themed sales promotions. While it is said that sales of 100,000 units constitutes a hit, BATTROBORG reached 100,000 units shipped during the first month post-launch and became a major hit after 300,000 units shipped during its first six months on the market.

**“The family acceptance”
aspect aims at
increasing parent-child
communication**

**650 hands-on events
during the first month
post-launch**

Sales Coordinator Contribution:

Creating “Word of Mouth Appeal” through
Demonstrations, Hands-On Events and
Understanding of Product Features

The Sales Unit regards BATTROBORG as a top priority item, for which we actively conduct large-scale events and sales floor promotions.

For example, we made a strong appeal for the BATTROBORG at the International Tokyo Toy Show, highlighting the charms of an analog toy that gives a “real” feeling that TV games cannot offer and a “family acceptance” aspect aimed at increasing parent-child communication.

We also take care to select prime locations near the main pathways in stores to strengthen product recognition in stores, as well as through TV commercials and magazine ads.

We also held sales promotions at large stores, including holding 650 hands-on events during the first month post-launch at stores throughout Japan, where many TOMY employees conducted product demonstrations.

As described above, we established venues where many customers could experience the appeal of the “movement” that is a special characteristic of the product. We were able to expand the number of stores handling the product by demonstrating its attributes.



Large-scale events and sales floor promotions.

OVERSEAS EXPANSION (LOCALIZATION)



TOMY is accelerating globalization and has successfully created content and brands with worldwide recognition. We have up to now been cultivating global content through products such as BEYBLADE and TRANSFORMERS. With the goal of further constructive deployment, we are selecting the best partners in each region and country and building relationships that will yield synergies.

In our overseas deployment of BATTROBORG, we are activating Group synergies with TOMY International, our subsidiary which has powerful marketing ability and strong sales networks in Europe, Australia and especially North America, to follow on the success in Japan of BATTROBORG by making it a hit in North America.

Developing an overseas original set called the “Battle Arena Set”

Overseas Coordinator Contribution: Achieving Branding Success and Overseas Original Set Product Development

BATTROBORG is appealing in Japan because it packs the latest technologies into a compact package, but outside Japan, especially in North America, high-priced toy products are expected to have a size commensurate to price.

TOMY International has addressed this issue by developing an overseas original set called the “Battle Arena Set” that includes a battle arena with two robots, to gain the acceptance of a high unit cost product such as BATTROBORG by overseas consumers. The set has been a success.

There are two other reasons that TOMY’s original product is being marketed as a set overseas. The first is the successful branding of BATTROBORG through various types of marketing of appealing aspects of the product, such as the linkage of the controller and the robot’s movements or the ease of maneuverability afforded by the 2.4-GHz connection. The second is that the product’s success in Japan provides a foothold when seeking overseas distribution.



Fighting robots on a battle arena.

We used sales promotions that were successful in Japan

TOMY International Developer Contribution: Sales Promotions Based on In-Depth Local Surveys Created Success in Product Recognition

Our first step in conducting a full-scale overseas launch was to conduct user surveys of local children and then to adjust the BATTROBORG graphic design and packaging to make it more acceptable to the global market. Also, overseas markets are lacking in the product recognition channels available in Japan, such as children’s magazines, events and TV infomercials, with shop floor demonstration sales not being part of the culture. Therefore, we used sales promotions that were successful in Japan as a base in forming the promotion plan, with everyone, including sales, marketing and the brand management team, united in repeated discussion of effective sales promotions for international distribution and consumers. Those efforts resulted in greater product recognition. And, of course, the hit is also due to product functions such as the intuitive, easy-to-understand motion controller and the novelty of the previously unknown product concept.



Mobile application released in the United States to promote BATTROBORG.

CREATING NEW HITS

Using an internationally well-known “warrior” motif to build up our overseas product lineup

Developing ideas into attractive products using technology, bringing surprises and excitement to customers

The Launch of the BATTROBORG WARRIOR, which Evolved from the BATTROBORG

TOMY launched the BATTROBORG WARRIOR in 2014 as the latest in the BATTROBORG series. In addition to being based on the planning and development, as well as the quality control and manufacturing control know-how of the BATTROBORG, this product has been improved in a variety of ways for a broad range of play that means even more fun for the customer. Japanese culture is enjoying a global resurgence in popularity, so we developed this product based on the internationally well-known “warrior” motif,

to build up our overseas product lineup. The BATTROBORG WARRIOR delivers the motion-interactive control of the BATTROBORG through a new sword handle—shaped “slash attack” controller. Powerful sounds imitating the sound of blades on helmet and armor ring out in tandem with movement, while the sense of control has evolved for even more fun.

The TOMY hitmakers will continue to turn ideas into attractive products using technology that ensures safety, bringing surprises and excitement to customers around the world.



BATTROBORG WARRIOR

Products

TOMY Group products appeal to all ages, from babies and preschoolers to young boys and girls, as well as adults. Our key brands, such as TOMICA, PLARAIL and LICCA, have captured hearts the world over.

PRE-SCHOOL

TOMICA

Since 1970

TOMICA

These die-cast toy cars are easy to handle because they fit in the palm of a child's hand. We have broadly expanded the product line by adding longer models and engaging in a variety of content collaborations.

More than 587 million have been sold since the line was launched 44 years ago.



©1976,2014 SANRIO CO.,LTD. APPROVAL NO.S552416

SPEED RACER MOVIE:

© Warner Bros. Entertainment Inc. SPEED RACER: ™ Speed Racer Enterprises, Inc. (s14)



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 150 million units sold in Japan so far.

The specs for the blue rails have remained the same, with a total of around 1,160 individual railcar types offered and 150 million units sold in Japan so far.

Since 1959



E7系北陸新幹線かがやき立体レールセット
JR東日本商品化許諾済



プラレール



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JR東日本商品化許諾済



JOHN DEERE

Since 1946

TOMY International

JOHN DEERE

JOHN DEERE continues to be the largest manufacturer of agricultural equipment in the world. TOMY produces several categories of JOHN DEERE licensed products including pre-school, riding, radio control, toy vehicles and diecast replicas.

GEAR FORCE is a new line for JOHN DEERE in 2014. This line includes stylized vehicles, animals and figures to give children an entire play pattern in one purchase. Kids will love acting out their favorite farm adventures. This line is available at Walmart, Toys "R" Us, specialty stores and John Deere dealerships.



Since 2013

ANIA

This new animal-themed brand follows on the success of our TOMICA and PLARAIL lines. The brand name ANIA is short for "animal adventure." ANIA toys are single animal figurines that are small enough to fit in a child's hand, and have movement as an added feature.

These animal figurines are designed so that play involves simply the touch of a child, which causes the toy to move. The figurines are small enough to be held in the hand of a small child, and are all the same package size. The movement feature enables children to learn about the characteristic movements of different animals while playing. This toy took the Grand Prize at the 2013 Japan Toy Association Toy Awards.



© TOMY



TRANSFORMERS

TRANSFORMERS were launched in the United States in 1984, with the toys and an animated feature a big hit in Japan the following year. As we celebrate the 30th anniversary of the launch of the world’s most famous transforming robot brand in 2014, TRANSFORMERS’ appeal continues to transcend borders and generations in more than 130 countries, where they are loved by parents and children alike.

Marketed in more than 130 countries around the world



Since 1984

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DUEL MASTERS

Launched in 2002 as a full-fledged yet easy-to-play trading card game, more than 5 billion DUEL MASTERS cards have been shipped, with events held annually worldwide making them ever more popular.

More than 5 billion DUEL MASTERS cards shipped



Since 2000

TM & © Wizards of the Coast/Shogakukan/Mitsui-Kids



Since 1997

Pokémon

Pokémon was born of video game software launched in 1996, and the Pokémon TV anime series, which is broadcast in 93 countries and regional markets, has established the brand as important hit media content. TOMY has so far produced about 500 different figures within our core MONSTER COLLECTION line, and we have shipped about 50 million units.

A total of about 500 different MONSTER COLLECTION line figures, with 50 million units shipped



© Nintendo-Creatures-GAME FREAK-TV Tokyo-ShoPro-JR Kikaku
© Pokémon

Amusement

After the launch of Pokémon TRETТА in 2012, T-ARTS introduced various amusement machines, delivering electronic products and services, making kids' dreams and wishes come true. In 2014, we launched new amusement machines that print the game result and personalized data onto cards. The first two lineups are PRIPARA for girls, and all the new original game BUKIGAMI for boys.

PRIPARA and BUKIGAMI are the world's first separatable printed-ticket machines.

Since 2005

T-ARTS



© 2014 Pokemon. © 1995-2014 Nintendo/Creatures Inc./GAME FREAK inc.
Developed by T-ARTS and MARV
© T-ARTS / syn Sophia / テレビ東京 / PP 製作委員会
© T-ARTS



LICCA

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.

This is the best-known doll character in Japan, boasting a 95% recognition rate

Since 1967



1987
4th generation



1982
3rd generation



1972
2nd generation



1967
1st generation

© TOMY



KOEDA-CHAN

KOEDA-CHAN is a house toy series launched by Takara (prior to the merger) in 1977. The KOEDA-CHAN symbol is a tree house product that opens with a single push, which is a feature that offers a worldview full of appreciation of nature with a strong impact.

The main character, KOEDA-CHAN, is a tiny fairy who lives in the forest, and is of equal size with the doll product.

The doll can talk when she is in the tree house, which is the symbol product.

Since 1977



©TOMY/ designed by Suzuka Yoshida.

the first years™

THE FIRST YEARS

These products provide parents with innovative feeding, bathing, toy and potty training products to help them through the first years of their parenting journey.

THE FIRST YEARS products are sold in thousands of stores internationally including mass merchandising, drug, grocery, specialty and online retailers.

Since 2004
TOMY International



© TOMY
© Disney

Lamaze

lamazetoys.com

LAMAZE

The right toy at the right time.
Encouraging early development of the senses, LAMAZE toys spark creativity, introduce discovery and support healthy sensory development.

Since 1995
TOMY International



TOMIX

Since 1976
TOMYTEC

N GAUGE

The TOMIX concept was launched in 1976 with the goal of making it easier for first-timers to enjoy developing and building model street railways. Since then, the system has developed a full line of products, encompassing everything from railcars and rails to controllers, buildings and accessories. TOMIX will continue to develop the model railway world and offer more model train fun to our customers.

Focus on ease-of-use.

TOMIX developed the concept as a system.



JR 東日本商品化許諾済



GACHA

The GACHA capsule toy line was launched in 1988, with sales of vending machines and the toys they contain conducted worldwide, focusing on Asia. Currently we are launching more than 25 items monthly, totaling more than 300 items per year, with new brands, such as the creator collaboration "Panda's ana," becoming broadly popular with adults as well as with children.

Developing a variety of content that appeals to a broad range of users, from children through adults.



Since 1988
T-ARTS



© T-ARTS © Panda's ana

Responsibilities

The TOMY Group's goal is to achieve continuous growth by offering toys that create new value from play.

We believe that gaining the trust of all of our stakeholders by establishing guiding principles for sound business practices and fulfilling our social responsibilities is vital to our corporate goals.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Consumer Issues

Product Safety and Quality: Our Own Standards and Thorough In-House and Third-Party Testing

The basic quality policy of the TOMY Group is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide the high quality that they find appealing.

What this means in practice is that as we advance our products globally, in addition to working to ensure safety and quality through compliance with the laws and regulations of every country, we have also established even stricter original TOMY Group safety and quality standards that address potential problems and prevent their occurrence. Our controls on toxic heavy metals and plasticizers (phthalates) in our hit products include not only third-party testing but also in-house analysis using our own equipment to check for lead and other heavy metals as well as phthalates. If heavy metals or phthalates are found in any product we stop that product from going to market. After looking into the source of the trouble and making improvements we conduct new production and testing, with shipment proceeding only after confirmation that there are no problems with the product.

We hold annual meetings attended by all employees for discussions, led by the units in charge of product safety and quality, that are geared toward promoting awareness and understanding of the importance of safety and quality control.



Testing being conducted on in-house equipment.



Labor Practices

Keeping and Cultivating Human Resources for Continuous Growth

The TOMY Group takes a positive approach toward work-life balance and work-style innovation, maximizing the added value generated by our human resources at the individual and organizational levels. In August 2014, we introduced our Work-at-Home System, which provides structures that enable employees engaged in child care or nursing care to continue working from home, thereby increasing their motivation. In addition, we are moving forward with programs such as introducing iPads for greater efficiency through effective use of travel time and paperless meetings. TOMY has also been awarded the "Kurumin" certification in recognition of our having met certain child-raising standards established by the Ministry of Health, Labor and Welfare as measures to deal with the low birthrate issue.

We began holding our Management Cram School in July 2013 as an in-house study program aimed at activating and cultivating human resources, and over the subsequent seven-month period we engaged in cultivating next-generation leaders and formulating a vision to coincide with the 100th anniversary of our founding. We also conduct planning development training aimed at making us a richly imaginative company, as well as cross-cultural training aimed at sharing the diversity in values that is vital to development outside Japan and to the creation of new business, and cross-business training through collaboration with other companies.



"Kurumin" certification



In-house poster to promote work-life balance

Environment

Card-Game Format Eco-Activity Reports Befitting a Toy Company

The TOMY Group is creating card-game format eco-activity reports using the “My Earth” environmental card game. By adding a spirit of fun to activity reports that mainly take the form of pamphlets, children can have fun learning about ecology and develop awareness while playing.

In 2013, these were distributed to around 11,000 children through lessons provided at elementary schools, company tours and a variety of events.

We were able through play to impart to children an understanding of environmental issues and the eco-activities in which we can engage.



An environmental card game designed and created by My Earth LLC.

The TOMY Group and the Ministry of the Environment Partnering in Two Test Programs for the Creation of a Recycling Society

The TOMY Group has teamed up with the Ministry of the Environment in the PLA-PLUS Project to test the collection and recycling of used toys.

The TOMY Group is the only member of the toy industry participating in this social experiment, which transcends the boundaries of the industry. In 2014 (the second round of the project), the total volume of plastic material collected at stores was 3,200 kg, which was also used in tests of new recycling technology.

We are also testing effective ways to use packaging and container waste as a resource. More than 50% of household waste is packaging and containers (according to the Ministry of the Environment). We are testing ways to use this

material to actually make toys, which presents challenges such as the removal of coloring and safety issues.

We will continue with such testing programs for the sake of the future of the world's children.



Our recycling efforts surpass all others in the industry. We participated in the PLA-PLUS Project, a social experiment concerning plastic product recycling.

Increasing Environmental Awareness of Children through Toys

The TOMY Group seeks to help children become more aware of the environment through the use of items nearest and dearest to them—their toys.

We launched the Eco-Toy Committee made up of members from throughout our organization and enlisted the advice of third-party organizations to establish environmental standards spanning the product life cycle, including during toy manufacturing and their use. Products meeting one or more of these standards are certified as Eco-Toys. In addition, our PLARAIL products, which are made with recycled materials, have been granted the Eco-Mark certification.

In recognition of our efforts to lead the industry in raising the awareness and understanding of environmental issues by children, we received the Superiority Prize at the 13th Green Purchasing Awards and the 2013 Eco-Mark Awards Gold Medal.



Receiving the Japan Environment Association 2013 Eco-Mark Awards Gold Medal.

Community Involvement and Participation

Development of Accessible Design Toys for Play Irrespective of Disability

The TOMY Group began developing products for physically challenged children in 1980 and currently is developing our toys for the general market as "Accessible Design Toys," which can be enjoyed irrespective of disability. Our efforts in this area have now spread throughout the toy industry.

Accessible Design Toys include design features benefitting the sight-impaired, such as placing a raised surface mark on the ON side of the switch, whereas for the hearing-impaired we include a variety of features in addition to sounds that contribute to fun playtime, such as light, vibration, movement, text and images.

In 2014, we began engaging in cooperative efforts to improve the existing application that replaces the voice in voice-activated toys to make them operable by the hearing-impaired.

Our HELLO! ZOOMER product, which features this application, won the Japan Toy Association Grand Prize in the Accessible Design Category this year. We hope that this application will become an effective tool for use in a variety of toys to create bonds between hearing-impaired and non-impaired children.



A Raised Dot on the Power Switch

A raised dot on the ON side of a power switch helps tactile recognition of ON/OFF.



Labeling Symbols for Accessible Toys

Guidedog Mark for labeling toys to enjoy with friends who cannot see; Rabbit Mark for labeling toys to enjoy with friends who are hard of hearing.

Post Great East Japan Earthquake Recovery Efforts

The TOMY Group has sought to use our toys to return smiles to the faces of those who suffered due to the Great East Japan Earthquake. We support recovery efforts by participating in events held by local governments and others in stricken areas.

In May 2013, we participated in the Koriyama Kids Fair. We also provided support to the children of Fukushima Prefecture, who two years after the disaster are still experiencing great anxiety, by participating in events during Golden Week in May designed to alleviate stress among evacuees by offering the opportunity to play freely with toys.

We also participated in the 3rd Tohoku Kids Fair in October 2013. This event was first held in October 2011 by the Japan Toy Association in conjunction with local governments and others with the goal of bringing smiles to everyone—children and adults alike. The theme in the third such event was also "Smiles for Everyone" and was attended by many children and their families.



The 3rd Tohoku Kids Fair held in October 2013

CORPORATE GOVERNANCE

Basic Policy

TOMY Company Ltd. ("TOMY") places great emphasis on continuous improvement of corporate value and highly transparent, sound management to gain the trust of all TOMY stakeholders. Our executive management team is united in promoting comprehensive corporate governance that encompasses management supervision functions to ensure management efficiency, as well as strong risk control and compliance structures.

Management Monitoring System

1. Outside Directors

TOMY has appointed outside directors to serve from 2006 to enhance corporate governance. Currently, half of our Board of Directors (five of 10) are outside directors.

2. System for Performance of Duties by Directors

a.1_ Regular meetings of the Board of Directors shall be convened once every month, while extraordinary meetings of said Board shall be held as necessary. At these meetings, the directors shall determine the basic policies and strategies for the TOMY Group as a whole and shall formulate strategy, make decisions concerning the performance of important business operations and supervise the performance of business operations.

a.2_ Each Officers Meeting (the "Toukatsuhonbu-Kaigi") has been established and shall be held, in principle, at least once each month with the purpose of conducting the Group's business operations and management in smoother and more efficient fashion. The Members of the Meeting shall engage in versatile decision-making on matters concerning the overall implementation of Group business management. The resolved matter of the Executive officers Meeting shall be reported to the Board of Directors / the Monthly Report meeting from Managing officers Executive (the "Keiei-Shikkou-Houkokukai"), composed of directors and audit & supervisory board members, as deemed necessary.

a.3_ The Advisory Committee, composed of outside directors and Audit & Supervisory

Board members, is established as an advisory body to the Representative Director for the provision of a broad range of counsel pertaining to the effectiveness of business performance, the reliability of financial reporting and other important matters.

a.4_ The Investment Committee, composed of outside directors, has been established as an advisory body to the Board of Directors to provide assessments and counsel concerning important investments.

5_ The Remuneration Committee, composed of outside directors and Audit & Supervisory Board members (outside), is established as an advisory body to the Representative Director for the provision of proposals and counsel concerning policy on matters such as director remuneration.

3. Auditing Function

a.1_ TOMY has an Audit & Supervisory Board, and in compliance with the law the five Audit & Supervisory Board members (four of whom are independent Audit & Supervisory Board members (outside)) perform audit engagements, as well as receive reports through the various committees concerning the status of management, management execution, finances, internal audit execution, risk management and compliance.

a.2_ To ensure a firm grasp of the status of important decisions and the performance of business operations, Audit & Supervisory Board members may attend meetings of the Board of Directors and other meetings, and may have access to the minutes of meeting proceedings, "circulated memos" for staff approvals and other documents concerning the performance of important business operations. Audit & Supervisory Board members may also, as necessary, request explanations of such matters from directors or employees.

a.3_ The Audit & Supervisory Board members individually or the Audit & Supervisory Board shall engage in exchanges of opinions and information with the accounting auditors and the Internal Control & Audit Group with regard to important auditing matters, with all parties collaborating in monitoring the TOMY Group's internal control status.

Implementation of Corporate Governance

1. Executive Officer System

TOMY has introduced the Executive Officer System to ensure the swift, efficient execution by officers of the business with which they are charged at their respective divisions based upon the policies, strategies and oversight of the Board of Directors. There are currently 8 Executive Officers.

2. Internal Controls

1_ Compliance System

TOMY has established the "TOMY Code of Conduct," which stipulates that all directors and employees are required to comply with laws and regulations, and furthermore clearly states that they must fulfill their social responsibilities through honest and fair business practices. Directors are made fully aware of the Code.

TOMY has in place a Risk/Compliance Committee, which is chaired by the President & CEO and composed of outside directors and Audit & Supervisory Board members (outside) and others, aimed at making the compliance system and risk management system more complete and thorough. This body deliberates important issues concerning risk and compliance, and reports the results of such deliberations to the Board of Directors.

The Internal Control & Audit Group, an organization under the direct control of the executive management team, audits the Group's compliance status and reports on the results to the Representative Director and the Audit & Supervisory Board as necessary.

2_ Risk Management

The Risk/Compliance Committee and the Internal Control & Audit Group have been established as the organizations coordinating all areas of risk management, thereby creating a company-wide risk management system integrated with the internal control system.

Risk Management Task Forces shall be promptly established when unforeseen situations arise to take prompt and appropriate actions to minimize losses and damage, as well as to devise effective measures to prevent any recurrence.

The President's Office Environment Department and the Safety & Quality Assurance Office have been established to deal exclusively with the environment and product safety, respectively.

These are the core organizations in our efforts to strengthen the response to environmental problems and ensure that TOMY continues to offer outstanding products that can be used with confidence.

3_ Group Business Management System

One or more of the Company's officers or employees shall be appointed to serve as non-executive directors or Audit & Supervisory Board members (part-time) of the TOMY Group companies to engage in monitoring and supervising the propriety of the performance of operations at each company, thereby striving to strengthen the risk management and compliance system of the TOMY Group as a whole.

With regard to the TOMY Group management system, a department has been established to coordinate Group company management. This department shall act in accordance with the Company's internal rules in providing management and guidance activities in accordance with the characteristics and status of each Group company.

3. Director Compensation

Director compensation as determined at the General Meeting of Shareholders is ¥400 million or less (fixed) for directors and ¥70 million or less (fixed) for Audit & Supervisory Board members. Also, the upper limit of compensation in the form of stock options as determined at the General Meeting of Shareholders is ¥200 million annually for directors and ¥15 million annually for Audit & Supervisory Board members to be issued within one year of the date of the General Meeting of Shareholders in each fiscal year.

The compensation granted directors and Audit & Supervisory Board members is deliberated on and reported at the Compensation Committee, which is made up of the outside directors and Audit & Supervisory Board members (outside), based on which the compensation of directors is determined at the Board of Directors meeting, with the compensation of auditors determined at the Audit & Supervisory Board Meeting.

4. Anti-Takeover Measures

TOMY is continuing our policy on responding to attempts to conduct the large-scale purchase, etc., of Company stock after having received shareholder approval (79.13% in agreement) at the 62nd Ordinary General Meeting of Shareholders held on June 26, 2013. This response policy consists of a “rights plan with prior warnings” providing for the allotment of stock acquisition rights without contribution (henceforth “the Countermeasures”).

Goal of the Countermeasures

The TOMY Group seeks to improve the value of the TOMY brand by seriously embracing our mission of creating new value from play and improving product quality to “nurture a sound

children’s culture” for children, who are our future. Therefore, in cases in which a purchase of a large volume of Company stock has been proposed, we must carefully look into whether that buyer will respect the TOMY Founding Philosophy and Corporate Mission, as well as contribute to enhancement of the corporate value of the Company and the interests of the shareholders. It is also necessary to ensure that the purchase is reasonable in terms of the feasibility and legality of the business plan proposed by the buyer, the impact on stakeholders, the impact on the enterprise value of the Company and the Group, and participation in the Company’s future plans.

For details, please refer to http://www.takaratomy.co.jp/english/release/pdf/i130514_4_en.pdf



Kakuei Miyagi
Board Director
(outside)

Message from an Outside Board Director

I have served as an outside director at TOMY for five years. TOMY can be summed up by our Corporate Mission—“Fulfilling the Dreams of Everyone”—and as a company we put our all into making that a reality. We seek to offer value in play to fulfill the dreams of all stakeholders, including children, employees, shareholders, our partners and everyone in society. We are convinced that close adherence to this Corporate Mission leads to superior business success.

TOMY’s Executive Team, which includes five outside directors and four Audit & Supervisory Board members (outside), is made up of individuals with truly diverse expertise and rich experience. The CEO pays close heed to the opinions of the outside directors, and those opinions are reflected in the management of the business. In addition, our employees have strong morale and at the same time take a flexible approach to work. Although the merger with Takara in 2005 and the acquisition of RC2 in 2011 greatly increased the scale of the company, our shared Corporate Mission has allowed the successful fusion of those different organizations.

While the approaching “Fourth Business Era” will require a major transformation, our two top executives, the CEO and the COO, are adhering to our Corporate Mission and listening to a variety of opinions as they establish new business strategies. I am certain that by taking up the challenge together with our flexible employees we will succeed in transforming the company.

I look forward to continuing to provide my honest opinions in my role as an Outside Executive Director, and I would like to enlist the support of all our stakeholders, including our shareholders, in safeguarding TOMY.

BOARD OF DIRECTORS

Kazuhiro Kojima

—
Board Director
Senior Executive Officer
Chief Financial Officer

Takashi Konosu

—
Board Director
Senior Executive Officer
Head of Toy Business HQ

Shiryo Okuaki

—
Board Director



Kantaro Tomiyama

—
President & CEO

Harold George Meij

—
Representative Director &
Chief Operating Officer

Takashi Yamamoto

—
Board Director (outside)

Jun Tsusaka

—
Board Director (outside)

Yoichi Tamagawa

—
Board Director (outside)



Akio Ishida

—
Board Director (outside)

Kakuei Miyagi

—
Board Director (outside)

PROFILE (BOARD OF DIRECTORS / AUDIT & SUPERVISORY BOARD MEMBERS)

BOARD OF DIRECTORS

Kantarō Tomiyama
Jul. 1982 Joined the Company
Jun. 2000 President and CEO (to present)

Harold George Meij
Mar. 2014 Management Advisor
Apr. 2014 Chief Operating Officer & Head of Global Business HQ
Jun. 2014 Representative Director; Chief Operating Officer; Head of Global Business HQ (to present)

Kazuhiro Kojima
Jun. 2009 Board Director (outside) of the Company
Jun. 2013 Board Director; Senior Executive Officer; CFO; Head of Corporate Administrations; Head of Internal Control & Audit Group (to present)

Takashi Konosu
Apr. 1976 Joined the Company
Jun. 2013 Board Director; Senior Executive Officer; Head of Toy Business HQ (to present)

Shiryō Okuaki
Sep. 1994 Joined the Company
Jun. 2013 Board Director of the Company (to present)

Akio Ishida
Mar. 2001 Vice Chairman of Merrill Lynch Japan Securities Company, Limited
Jun. 2006 Japan Vice Chairman of TPG Capital Co., Ltd.
Jun. 2007 Board Director (outside) of the Company (to present)
May 2012 Representative Trustee of Joint Corporation Co., LTD., and Joint Residential Fudosan
Dec. 2012 Chief Executive Officer of Joint Corporation Co., LTD. (to present)

Kakuei Miyagi
Jun. 1997 Director; Head of Corporate Secretariat of The Sakura Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
Jun. 2001 Managing Director; Senior Executive Officer; General Manager of Tokyo Corporate Sales Division III of Sumitomo Mitsui Banking Corporation
Jun. 2002 President and Representative Director of Yoei Holding Co., Ltd.; Director and Vice President of Yoei Housing (currently Yoei Co., Ltd.)
Jun. 2004 President and Representative Director of Yoei Holding Co., Ltd.; President and Representative Director of Yoei Housing (currently Yoei Co., Ltd.)
Jun. 2008 Outside Corporate Auditor of Mitsui Mining & Smelting Co., Ltd. (currently Nippon Coke & Engineering Co., Ltd.)
Jun. 2009 Board Director (outside) of the Company (to present)

Takashi Yamamoto
Apr. 1993 Joined Japan Development Bank (currently Development Bank of Japan Inc.)

Jul. 2007 Joined Mitsubishi Corporation
Sep. 2011 Director of Marunouchi Capital Co., Ltd.

Apr. 2012 Senior Director of Marunouchi Capital Co., Ltd. (to present)
Jun. 2012 Board Director (outside) of the Company (to present)

Jun Tsusaka
Sep. 1988 Vice President of Goldman Sachs & Co.

Jan. 1995 Managing Partner of Stenbeck Group Family Office
Apr. 2004 Chairman and CEO of GAB Robins, Inc.

Jun. 2006 Japan Head of TPG Capital Co., Ltd.

Jun. 2007 Board Director (outside) of the Company

May 2012 Outside Director of Joint Corporation Co., LTD. (to present); Outside Director of Joint Residential Fudosan (to present)

Jan. 2013 Chairman and Representative Director of AVON PRODUCTS Co., Ltd. (to present)

Mar. 2013 Representative Director of TPG Capital Co., Ltd. (to present)

Jun. 2013 Board Director (outside) of the Company (to present)
Jan. 2014 Chairman of Board Director of AVON PRODUCTS Co., Ltd. (to present)

Yoichi Tamagawa
Apr. 1988 Joined Mitsubishi Corporation
Jul. 2012 Managing Director of Marunouchi Capital Co., Ltd. (to present)
Jun. 2013 Board Director (outside) of the Company (to present)
Sep. 2013 Board Director (outside) of JOYFUL HONDA Co., Ltd. (to present)

AUDIT & SUPERVISORY BOARD MEMBERS

Takeichi Nozawa
Jun. 1996 Corporate Auditor of Takara Co., Ltd.

Jun. 1999 Director; Head of Corporate Administration and Finance of Takara Co., Ltd.

Jun. 2001 Corporate Auditor of Takara Co., Ltd.

Mar. 2006 Audit & Supervisory Board Member of the Company (to present)

Tsunekazu Umeda
Mar. 1974 Registered as Certified Public Accountant

Sep. 1987 Senior Partner of Arthur Andersen and Eiwa Audit Corporation (currently KPMG AZSA LLC.)

Apr. 1995 Opened Umeda Certified Public Accountant Office (to present)

Jun. 1995 Director and Vice President of Nihon Kaiheiki Ind. Co., Ltd. (currently NKK SWITCHES CO., LTD.)

Jan. 1999 Outside Corporate Auditor of H.I.S. Co., Ltd. (to present)

Jun. 2000 Outside Corporate Auditor of HABA Laboratories, Inc. (to present)

Jun. 2000 Audit & Supervisory Board Member (outside) of the Company (to present)

Jun. 2007 Outside Corporate Auditor of Sawada Holdings Co., Ltd. (to present)

Jun. 2010 Outside Director of Suzuden Corporation (to present)

Jun Nogami
Oct. 1985 Joined Nogami Tadashi Tax Accountant Office

Jun. 1991 Certified Tax Accountant and Opened Nogami Jun Tax Accountant Office (to present)

Jun. 2003 Outside Corporate Auditor of Takara Co., Ltd.

Mar. 2006 Audit & Supervisory Board Member (outside) of the Company (to present)

Aug. 2012 Outside Director of Network Co., Ltd. (to present)

Shigeyuki Mito
Apr. 1989 Registered as Attorney at Law of Dai-Ichi Tokyo Bar Association

Oct. 1990 Participated in Establishment of TMI Associates

Apr. 1999 Partner of TMI Associates (to present)

Jun. 2002 Outside Corporate Auditor of Takara Co., Ltd.

Dec. 2002 Outside Corporate Auditor of TYO Inc.

Mar. 2006 Audit & Supervisory Board Member (outside) of the Company (to present)

Apr. 2006 Instructor of Waseda University Graduate School of Sport Sciences (to present)

May 2006 Outside Corporate Auditor of Broccoli Co., Ltd. (to present)

Jun. 2006 Outside Corporate Auditor of Yoshimoto Kogyo Co., Ltd. (to present)

Jan. 2010 Director of Shonan Bellmare Co., Ltd. (to present)

Dec. 2013 Instructor of University of Tsukuba Graduate School of Business Sciences (Business Law) (to present)

Toshi Yoshinari
Apr. 1988 Registered as Attorney at Law of Tokyo Bar Association

Apr. 1988 Joined Yamamoto Eisoku Law Office

Apr. 1991 Established Yoshinari / Shirouchi Law Office (currently Akatsuki Law Office) (to present)

Jun. 1992 Audit & Supervisory Board Member (outside) of the Company (to present)

Dec. 2006 Outside Corporate Auditor of Fuhrmeister Electronics Co., Ltd. (to present)

(As of June 26, 2014)

AUDIT & SUPERVISORY BOARD MEMBERS

(As of June 26, 2014)

Jun Nogami

Audit & Supervisory
Board Member (outside)

Shigeyuki Mito

Audit & Supervisory
Board Member (outside)

Toshi Yoshinari

Audit & Supervisory
Board Member (outside)



Takeichi Nozawa

Audit & Supervisory
Board Member

Tsunekazu Umeda

Audit & Supervisory
Board Member (outside)

SIX-YEAR FINANCIAL SUMMARY

TOMY Company, Ltd., and its consolidated subsidiaries
Years ended March 31

Millions of yen

Thousands of
U.S. dollars²

	2014	2013	2012	2011	2010	2009	2014
Net sales	¥154,804	¥178,745	¥187,265	¥159,490	¥178,713	¥180,586	\$1,504,120
Gross profit	53,142	55,160	61,137	52,668	54,994	52,447	516,345
Total selling, general and administrative expenses	49,807	52,613	50,951	42,341	44,538	47,441	483,939
Operating income	3,335	2,547	10,186	10,327	10,456	5,006	32,405
Ordinary income	3,300	2,622	9,823	10,143	10,382	5,436	32,068
Income (loss) before income taxes and minority interests	2,607	(4,846)	7,976	7,837	8,673	1,077	25,337
Net income (loss)	232	(7,173)	3,679	8,929	8,978	1,377	2,261
EBITDA ¹	11,526	10,086	16,854	14,601	14,512	8,970	111,998
R&D expenses	2,498	2,978	2,722	2,205	2,457	2,498	24,280
Depreciation and amortization	8,191	7,539	6,667	4,274	4,055	3,964	79,592
Net cash provided by operating activities	12,429	6,701	16,046	8,486	16,857	5,577	120,772
Net cash provided by (used in) investing activities	(1,015)	(3,414)	(38,048)	1,169	(3,033)	(2,886)	(9,865)
Net cash provided by (used in) financing activities	1,735	(8,494)	29,718	(6,767)	(8,538)	(2,634)	16,865
(As of March 31)							
Total assets	156,467	152,732	156,654	94,597	95,880	91,600	1,520,279
Net assets	50,907	49,692	51,805	48,744	42,062	30,666	494,635
Interest-bearing debt	72,889	66,293	68,815	21,270	25,270	33,997	708,215
PER SHARE DATA (YEN)							
Net income (loss)	¥ 2.47	¥ (76.21)	¥ 39.09	¥ 94.85	¥ 96.60	¥ 14.95	\$ 0.02
Dividend	10.00	10.00	14.00	14.00	12.00	10.00	0.09
Net assets	526.49	506.41	525.46	501.54	432.90	329.41	5.11

The Company revised the numerical data and records for years ended March 2013 and March 2014 due to adjustments made to past financial results, which it provides in the Six-Year Financial Summary and Consolidated Financial Statements in this report.

	2014	2013	2012	2011	2010	2009
MAJOR FINANCIAL INDICES						
Operating margin (%)	2.2	1.4	5.4	6.5	5.9	2.8
Gross profit margin (%)	34.3	30.9	32.6	33.0	30.8	29.0
Overseas sales ratio (%)	41.3	30.7	36.2	19.7	17.4	17.9
Return on equity (ROE) (%) ³	0.5	—	7.6	20.3	25.5	4.4
Return on assets (ROA) (%) ⁴	2.1	1.7	7.8	10.7	11.1	5.7
Equity ratio (%)	31.7	31.2	31.6	49.9	42.5	32.3
Debt-to-equity ratio (%) ⁵	143.2	133.4	132.8	43.6	60.1	110.9
Dividend on equity (%)	1.9	1.9	2.7	2.8	2.8	3.0
Dividend payout ratio (%)	404.4	—	35.8	14.8	12.4	68.9
STOCK DATA						
Stock price at year-end (Yen)	478	478	605	630	728	382
Market capitalization (Millions of yen)	44,994	44,996	56,952	59,306	68,534	34,261
PER (Times)	193.3	—	15.5	6.6	7.5	25.6
PBR (Times)	0.9	0.9	1.2	1.3	1.7	1.2
Number of shares outstanding (Thousand shares) ⁶	94,130	94,134	94,136	94,138	94,140	89,689
COMPANY DATA						
Number of subsidiaries	40	45	49	29	34	42
Number of employees (Consolidated)	2,056	2,171	2,294	2,535	2,572	2,574
Number of employees (Non-consolidated)	486	516	642	667	649	631
Average age of employees (Non-consolidated)	39.3	38.7	40	39.8	39.3	39.1

Notes:

1. EBITDA=Operating income+Depreciation and amortization

2. U.S. dollar amounts have been translated at the rate of ¥102.92=US\$1, the approximate exchange rate at March 31, 2014.

3. Return on equity=Net income÷(Net assets–Subscription rights to shares–Minority interests)

4. Return on assets=Ordinary income÷Total assets

5. Debt to equity ratio=Interest-bearing debt÷Net assets

6. Treasury stock has been excluded from these figures.

CONSOLIDATED BALANCE SHEETS

TOMY Company, Ltd., and its consolidated subsidiaries
As of March 31, 2014 and 2013

Millions of yen

As of March 31,	2013	2014
ASSETS		
CURRENT ASSETS		
Cash and deposits	¥33,764	¥46,775
Notes and accounts receivable—trade	23,892	18,271
Securities	64	—
Merchandise and finished goods	19,214	17,142
Work in process	368	317
Raw materials and supplies	759	762
Deferred tax assets	2,057	1,993
Other	6,178	5,491
Allowance for doubtful accounts	(158)	(158)
Total current assets	86,142	90,595
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures	13,634	13,282
Accumulated depreciation	(7,935)	(7,967)
Accumulated impairment loss	(456)	(373)
Buildings and structures, net	5,242	4,942
Machinery, equipment and vehicles	2,038	1,931
Accumulated depreciation	(1,117)	(1,191)
Accumulated impairment loss	(0)	(0)
Machinery, equipment and vehicles, net	920	739
Tools, furniture and fixtures	25,608	25,614
Accumulated depreciation	(22,491)	(22,552)
Accumulated impairment loss	(273)	(421)
Tools, furniture and fixtures, net	2,843	2,639
Land	4,729	4,293
Lease assets	5,374	5,755
Accumulated depreciation	(2,182)	(2,929)
Lease assets, net	3,192	2,825
Construction in progress	243	1,323
Total property, plant and equipment	17,172	16,764

Millions of yen

As of March 31,	2013	2014
Intangible assets		
Goodwill	¥ 25,174	¥ 25,707
Right of using trademark	9,674	10,187
Other	7,532	7,578
Total intangible assets	42,382	43,473
Investments and other assets		
Investment securities	3,056	2,243
Deferred tax assets	517	103
Other	3,699	3,424
Allowance for doubtful accounts	(276)	(230)
Total investments and other assets	6,998	5,540
Total non-current assets	66,552	65,778
Deferred assets		
Bond issuance cost	37	93
Total deferred assets	37	93
Total assets	¥152,732	¥156,467

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Millions of yen

As of March 31,	2013	2014
LIABILITIES		
CURRENT LIABILITIES		
Notes and accounts payable–trade	¥ 10,655	¥ 8,224
Short-term loans payable	5,971	7,335
Current portion of long-term loans payable	5,497	5,533
Current portion of bonds	990	—
Current portion of bonds with subscription rights to shares	—	4,900
Lease obligations	1,935	2,172
Accounts payable–other	6,479	4,365
Accrued expenses	5,439	6,297
Income taxes payable	478	453
Provision for sales returns	375	698
Allowance for recall	57	54
Sublease loss reserve	—	133
Provision for directors' bonuses	418	114
Provision for contingent loss	53	258
Other	1,023	624
Total current liabilities	39,376	41,166
NON-CURRENT LIABILITIES		
Bonds payable	—	10,000
Bonds with subscription rights to shares	12,300	7,400
Long-term loans payable	41,534	37,719
Lease obligations	1,186	640
Deferred tax liabilities	2,800	2,810
Deferred tax liabilities for land revaluation	551	551
Provision for retirement benefits	2,982	—
Net defined benefit liability	—	3,084
Provision for directors' retirement benefits	228	206
Allowance for investment loss	10	10
Other	2,069	1,970
Total non-current liabilities	63,663	64,393
Total liabilities	103,039	105,559

Millions of yen

As of March 31,	2013	2014
NET ASSETS		
SHAREHOLDERS' EQUITY		
Capital stock	¥ 3,459	¥ 3,459
Capital surplus	6,744	6,743
Retained earnings	35,840	35,320
Treasury shares	(1,322)	(1,323)
Total shareholders' equity	44,722	44,200
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	529	433
Deferred gains or losses on hedges	828	216
Revaluation reserve for land	68	68
Foreign currency translation adjustment	1,522	4,999
Remeasurements of defined benefit plans	—	(360)
Total accumulated other comprehensive income	2,948	5,358
SUBSCRIPTION RIGHTS TO SHARES	729	644
MINORITY INTERESTS	1,292	704
Total net assets	49,692	50,907
Total liabilities and net assets	¥152,732	¥156,467

CONSOLIDATED STATEMENTS OF INCOME

TOMY Company, Ltd., and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

Years ended March 31,	2013	2014
NET SALES	¥178,745	¥154,804
COST OF SALES	123,585	101,661
GROSS PROFIT	55,160	53,142
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Packing and transportation expenses	2,877	3,044
Warehousing expenses	4,213	3,920
Advertising expenses	9,600	8,262
Directors' compensations	821	664
Salaries, allowances and bonuses	14,146	14,142
Provision for directors' bonuses	236	82
Retirement benefit expenses	1,220	1,202
Provision for directors' retirement benefits	77	66
Depreciation	2,609	2,150
Research and development expenses	2,709	2,243
Commission fee	2,578	2,787
Provision of allowance for doubtful accounts	(25)	24
Other	11,545	11,214
Total selling, general and administrative expenses	52,613	49,807
OPERATING INCOME	2,547	3,335
NON-OPERATING INCOME		
Interest and dividend income	130	119
Amortization of negative goodwill	58	18
Rent income	195	202
Purchase discounts	90	10
Foreign exchange gains	358	533
Other	304	213
Total non-operating income	1,136	1,097
NON-OPERATING EXPENSES		
Interest expenses	830	818
Sales discounts	9	1
Amortization of bond issuance cost	22	20
Sublease loss reserve	—	133

Millions of yen

Years ended March 31,	2013	2014
<i>(NON-OPERATING EXPENSES continued)</i>		
Other	¥ 199	¥ 159
Total non-operating expenses	1,061	1,132
ORDINARY INCOME	2,622	3,300
EXTRAORDINARY INCOME		
Gain on sales of non-current assets	6	70
Gain on sales of investment securities	—	839
Gain on bargain purchase	318	69
Gain on reversal of subscription rights to shares	29	170
Insurance income	197	—
Total extraordinary income	551	1,150
EXTRAORDINARY LOSSES		
Loss on sales of non-current assets	2	20
Loss on retirement of non-current assets	114	72
Loss on sales of investment securities	—	547
Loss on valuation of investment securities	9	132
Impairment loss	6,233	242
Business structure improvement expenses	487	442
Loss on business withdrawal	—	241
Special extra retirement payments	860	—
Loss from fraud	80	143
Other	232	—
Total extraordinary losses	8,019	1,842
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(4,846)	2,607
INCOME TAXES—CURRENT	503	1,607
REFUND OF INCOME TAXES	(7)	(2)
INCOME TAXES—DEFERRED	1,764	728
TOTAL INCOME TAXES	2,259	2,333
INCOME (LOSS) BEFORE MINORITY INTERESTS	(7,106)	274
MINORITY INTERESTS IN INCOME	67	41
NET INCOME (LOSS)	¥(7,173)	¥ 232

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

TOMY Company, Ltd., and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

Years ended March 31,	2013	2014
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥(7,106)	¥ 274
OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	307	(85)
Deferred gains or losses on hedges	787	(611)
Foreign currency translation adjustment	5,603	3,477
Total other comprehensive income	6,698	2,780
COMPREHENSIVE INCOME	(407)	3,054
Comprehensive income attributable to owners of the parent	(475)	3,012
Comprehensive income attributable to minority interests	68	42

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOMY Company, Ltd., and its consolidated subsidiaries
For the year ended March 31, 2013

Millions of yen

SHAREHOLDERS' EQUITY									
	Capital stock		Capital surplus		Retained earnings		Treasury shares		Total shareholders' equity
Balance at the beginning of current period	¥3,459		¥6,744		¥44,336		¥(1,321)		¥53,219
Changes of items during the period									
Dividends of surplus					(1,317)				(1,317)
Net income (loss)					(7,173)				(7,173)
Purchase of treasury shares							(1)		(1)
Disposal of treasury shares			(0)				0		0
Reversal of revaluation reserve for land					(4)				(4)
Net changes of items other than shareholders' equity									
Total changes of items during the period	—		(0)		(8,496)		(0)		(8,496)
Balance at the end of current period	3,459		6,744		35,840		(1,322)		44,722
Accumulated other comprehensive income									
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Re-valuation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Sub- scription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	¥222	¥41	¥63	¥(4,081)	¥ —	¥(3,754)	¥594	¥1,745	¥51,805
Changes of items during the period									
Dividends of surplus									(1,317)
Net income (loss)									(7,173)
Purchase of treasury shares									(1)
Disposal of treasury shares									0
Reversal of revaluation reserve for land									(4)
Net changes of items other than shareholders' equity	306	787	4	5,603	—	6,702	135	(452)	6,384
Total changes of items during the period	306	787	4	5,603	—	6,702	135	(452)	(2,112)
Balance at the end of current period	529	828	68	1,522	—	2,948	729	1,292	49,692

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

TOMY Company, Ltd., and its consolidated subsidiaries
For the year ended March 31, 2014

Millions of yen

SHAREHOLDERS' EQUITY									
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity				
Balance at the beginning of current period	¥3,459	¥6,744	¥35,840	¥(1,322)	¥44,722				
Changes of items during the period									
Dividends of surplus			(753)		(753)				
Net income (loss)			232		232				
Purchase of treasury shares				(2)	(2)				
Disposal of treasury shares		(0)		0	0				
Reversal of revaluation reserve for land					—				
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	(0)	(520)	(1)	(522)				
Balance at the end of current period	3,459	6,743	35,320	(1,323)	44,200				
Accumulated other comprehensive income							Sub- scription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Re- valuation reserve for land	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	¥529	¥828	¥68	¥1,522	¥ —	¥2,948	¥729	¥1,292	¥49,692
Changes of items during the period									
Dividends of surplus									(753)
Net income (loss)									232
Purchase of treasury shares									(2)
Disposal of treasury shares									0
Reversal of revaluation reserve for land									—
Net changes of items other than shareholders' equity	(95)	(611)	—	3,477	(360)	2,410	(85)	(587)	1,737
Total changes of items during the period	(95)	(611)	—	3,477	(360)	2,410	(85)	(587)	1,214
Balance at the end of current period	433	216	68	4,999	(360)	5,358	644	704	50,907

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOMY Company, Ltd., and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

Years ended March 31,	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income taxes and minority interests	¥(4,846)	¥ 2,607
Depreciation	6,275	6,630
Impairment loss	6,233	242
Loss (gain) on valuation of investment securities	9	132
Amortization of goodwill	1,424	1,615
Amortization of negative goodwill	(58)	(18)
Gain on bargain purchase	(318)	(69)
Increase (decrease) in allowance for doubtful accounts	(104)	0
Increase (decrease) in provision for retirement benefits	17	—
Increase (decrease) in net defined benefit liability	—	(39)
Interest and dividend income	(130)	(119)
Interest expense	830	818
Loss (gain) on sales of property, plant and equipment	(3)	(49)
Decrease (increase) in notes and accounts receivable—trade	835	4,279
Decrease (increase) in inventories	(2,029)	2,031
Decrease (increase) in accounts receivable—other	527	32
Increase (decrease) in notes and accounts payable—trade	(1,213)	(1,448)
Increase (decrease) in accounts payable—other	1,277	(2,077)
Increase (decrease) in accrued expenses	(663)	532
Other, net	79	(359)
Subtotal	8,142	14,742
Interest and dividend income received	114	94
Interest expense paid	(794)	(834)
Income taxes paid	(761)	(1,571)
Net cash provided by (used in) operating activities	6,701	12,429

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

TOMY Company, Ltd., and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

Years ended March 31,	2013	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments into time deposits	¥ (111)	¥ (0)
Purchase of property, plant and equipment	(2,457)	(2,914)
Proceeds from sales of property, plant and equipment	155	398
Purchase of intangible assets	(920)	(780)
Purchase of investment securities	(12)	(4)
Proceeds from sales of investment securities	2	459
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	810
Purchase of shares of subsidiaries	(8)	(374)
Purchase of treasury stock of subsidiaries	(280)	—
Collection of short-term loans receivable	37	1,198
Other, net	180	191
Net cash provided by (used in) investing activities	(3,414)	(1,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	1,827	1,646
Proceeds from long-term loans payable	—	400
Repayment of long-term loans payable	(5,522)	(5,653)
Proceeds from issuance of bonds	—	9,923
Redemption of bonds	(1,050)	(990)
Cash dividends paid	(1,313)	(759)
Repayments of finance lease obligations	(2,430)	(2,828)
Other, net	(5)	(3)
Net cash provided by (used in) financing activities	(8,494)	1,735
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	1,267	591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,939)	13,741
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,522	32,583
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥32,583	¥46,325

CORPORATE INFORMATION

(As of March 31, 2014)

Company Name

TOMY Company, Ltd.

Head Office

7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan

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.

Number of Employees

2,056 (consolidated)

486 (non-consolidated)

MAJOR GROUP COMPANIES

(As of July 31, 2014)

Number of consolidated subsidiaries: 38

Japan

T-ARTS Company, Ltd.

TOMY TEC Co., Ltd.

TOMY MARKETING COMPANY, LTD.

KIDDY LAND Co., Ltd.

Overseas

TOMY International, Inc.

TOMY (SHANGHAI) LTD.

TOMY (HONG KONG) LTD.

TOMY (SHENZHEN) LTD.

TOMY (THAILAND) LTD.

STOCK INFORMATION

(As of March 31, 2014)

Number of Shares Authorized: 384,000,000

Number of Shares Issued: 96,290,850

Trading Unit of Shares: 100

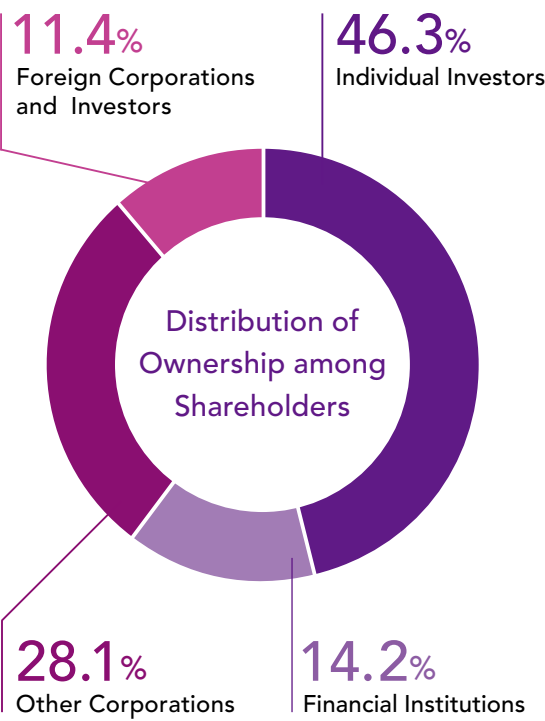
Number of Shareholders: 93,449

MAJOR SHAREHOLDERS

Name	Number of shares held	%
Marunouchi Capital Fund 1	14,443,700	15.34
TOMY Insurance Ltd.	4,619,952	4.91
TPG Richmond I, L.P.	4,450,100	4.73
Tsukasa Fudosan	2,945,360	3.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,775,200	2.95
Kantaro Tomiyama	2,746,489	2.92
Japan Trustee Services Bank, Ltd. (Trust Account)	2,661,500	2.83
Akie Tomiyama	1,483,101	1.58
Japan Trustee Services Bank, Ltd.	900,000	0.96
(shares reentrusted to Sumitomo Mitsui Trust Bank, Limited, and shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)		
Kayoko Tsukatani	820,833	0.87

Note: Percentage of shares held is calculated after exclusion of 2,159,947 shares of treasury stock.

STOCK INFORMATION (CONTINUED)



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 2014	TOMY Company, Ltd., common stock	Gratis	565.70*	4,900	—	100	From June 11, 2010, to June 10, 2014
Yen-denominated convertible bond due 2016	TOMY Company, Ltd., common stock	Gratis	616*	7,000	—	100	From March 23, 2008, to February 12, 2016
Yen-denominated convertible bond due 2024	TOMY Company, Ltd., common stock	Gratis	613*	400	—	100	From June 11, 2010, to June 10, 2024

*The conversion price changed to ¥565.70 as of June 11, 2012.

TOMY Company, Ltd.
7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan
<http://www.takaratomy.co.jp>



Printed in Japan

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