

**TAKARA  
TOMY**

# DEPARTURE FOR THE FUTURE

**TOMY COMPANY, LTD.  
ANNUAL REPORT 2015  
FOR THE YEAR ENDED MARCH 31, 2015**



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TOMY's annual report has received a number of awards, including in two leading U.S. annual report competitions, the LACP Vision Awards and the International ARC Awards, demonstrating that the report is well received overseas for its content and expression. We will continue to position dialogue with our stakeholders as the basis of a host of corporate activities and work to communicate information to our shareholders and investors in an easy-to-understand format.

2014



International ARC Awards  
1st (Gold) in the Summary  
Annual Review Category



LACP「2013/14 Vision Awards」  
6th among the Top 50 Worldwide;  
1st (Platinum) in the Consumer/  
Consumables industry

2013



LACP「2012/13 Vision Awards」  
19th among the Top 50 Worldwide;  
1st (Platinum) in the Consumer/  
Consumables industry



## Introduction

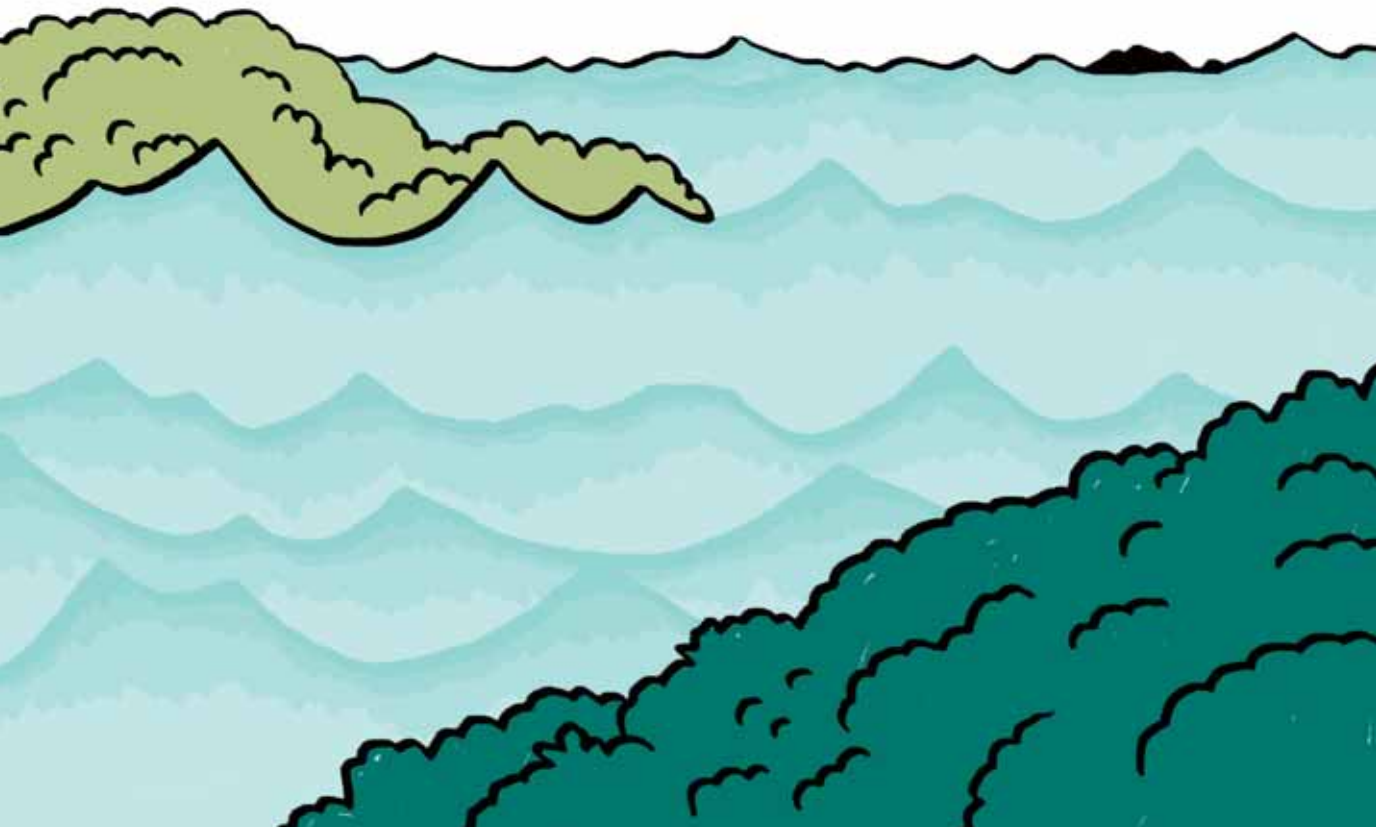


TOMY Company, Ltd., established in 1924, is a leading toymaker with such long-selling products as TOMICA, PLARAIL and the LICCA doll.

TOMY delights children around the world with these and such globally known brands as TRANSFORMERS and BEYBLADE. The TOMY Group set out a medium-term management policy in 2014, its 90th anniversary of establishment.

The new plan launches TOMY into its fourth generation and puts the Company on a path of growth.

Having moved forward with reforms on numerous fronts, TOMY has now essentially completed preparations for its next stage of growth. This annual report looks at the past year's successes and introduces initiatives that will define the Company's future.



# COMPASS

## The Mariner's Compass That Points the Direction

Corporate Mission >P.04

Our corporate mission acts as our mariner's compass, guiding us across the years and serving as a judgment criterion for our activities.

# CHARTS

## The Nautical Charts That Keep Us on Course

Our New Medium-Term Management Plan and Progress >P.10

Our new medium-term management plan serves as the nautical charts that keep us on our path, identifies risky shoals and points out opportunities en route to our goals.

# ENGINE

## The Engine That Generates Value

Business Model >P.06

Our business model is the motivating force that helps us generate value on a daily basis—our engine for future growth.



# Crew

## Creating Value Together with Our Crew Members

Collaborative Value Creation with Stakeholders >P.08

We think of all the TOMY Group's stakeholders as crew members. We are shipmates on a voyage to create shared value.

## Setting Off in Search of Our Dreams

The TOMY Group has begun implementing the three reforms set out in the new medium-term management plan announced last year with a sense of speed. The first of these, "revolution of mind," seeks to share the sense of values inherent in the founding philosophy and cultivate a mind-set that looks at overcoming risk as a challenge. In the "structural revolution of business," we have sought to slim down and rejuvenate our organization. And in the "product revolution," we are moving forward with product development under the concept of "Toys 4.0," integrating the analog and the digital. We have stepped up our branding efforts for longstanding products and are undertaking initiatives to introduce new products.

Over the past year, the TOMY Group has worked studiously to build its platform for growth. To achieve the major growth goals we have set for ourselves, we will need to take a firm grip on the wheel as we weather the heavy seas of the competitive marketplace.



# Treasure

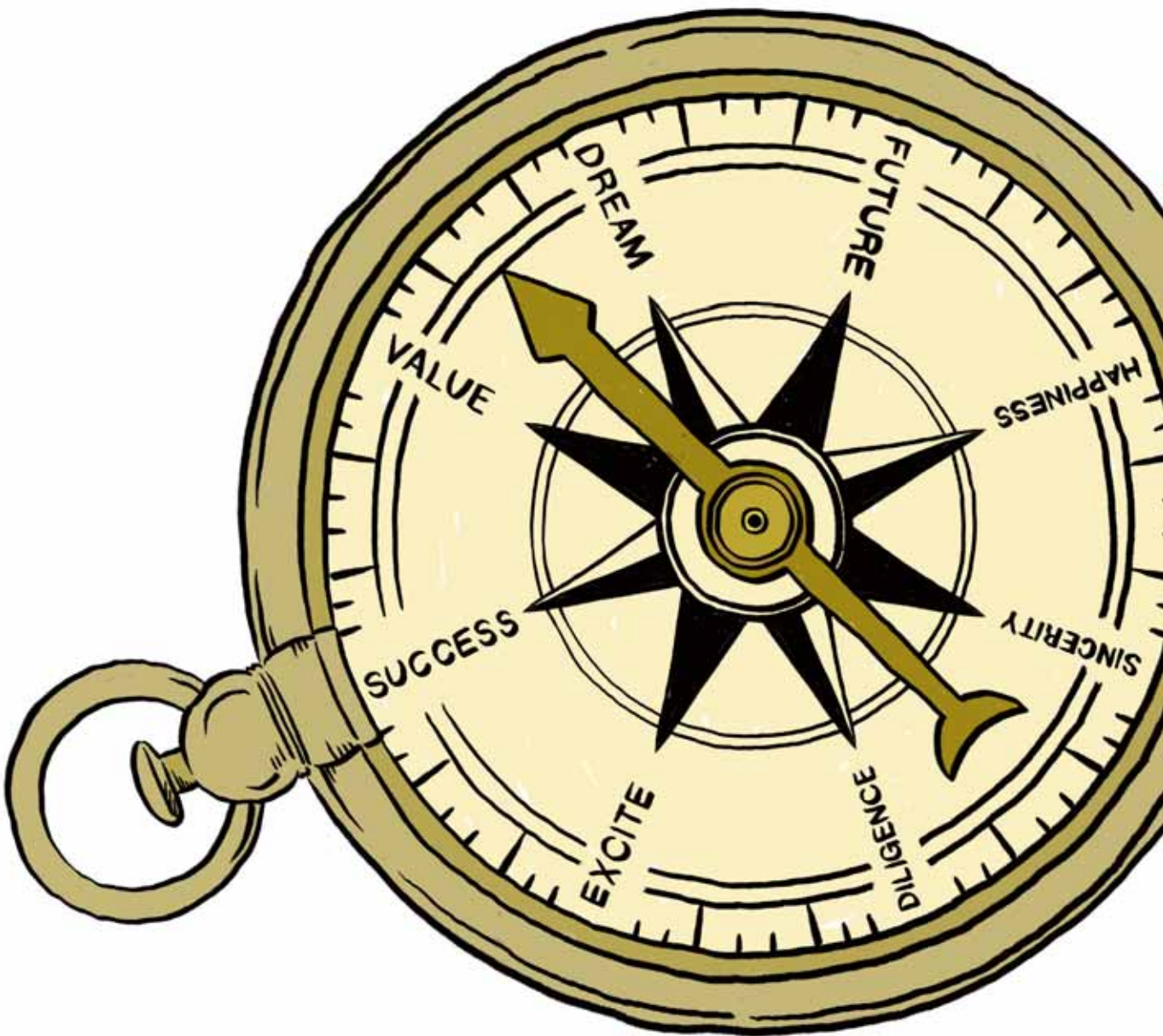
## The Treasure of Accelerating Growth

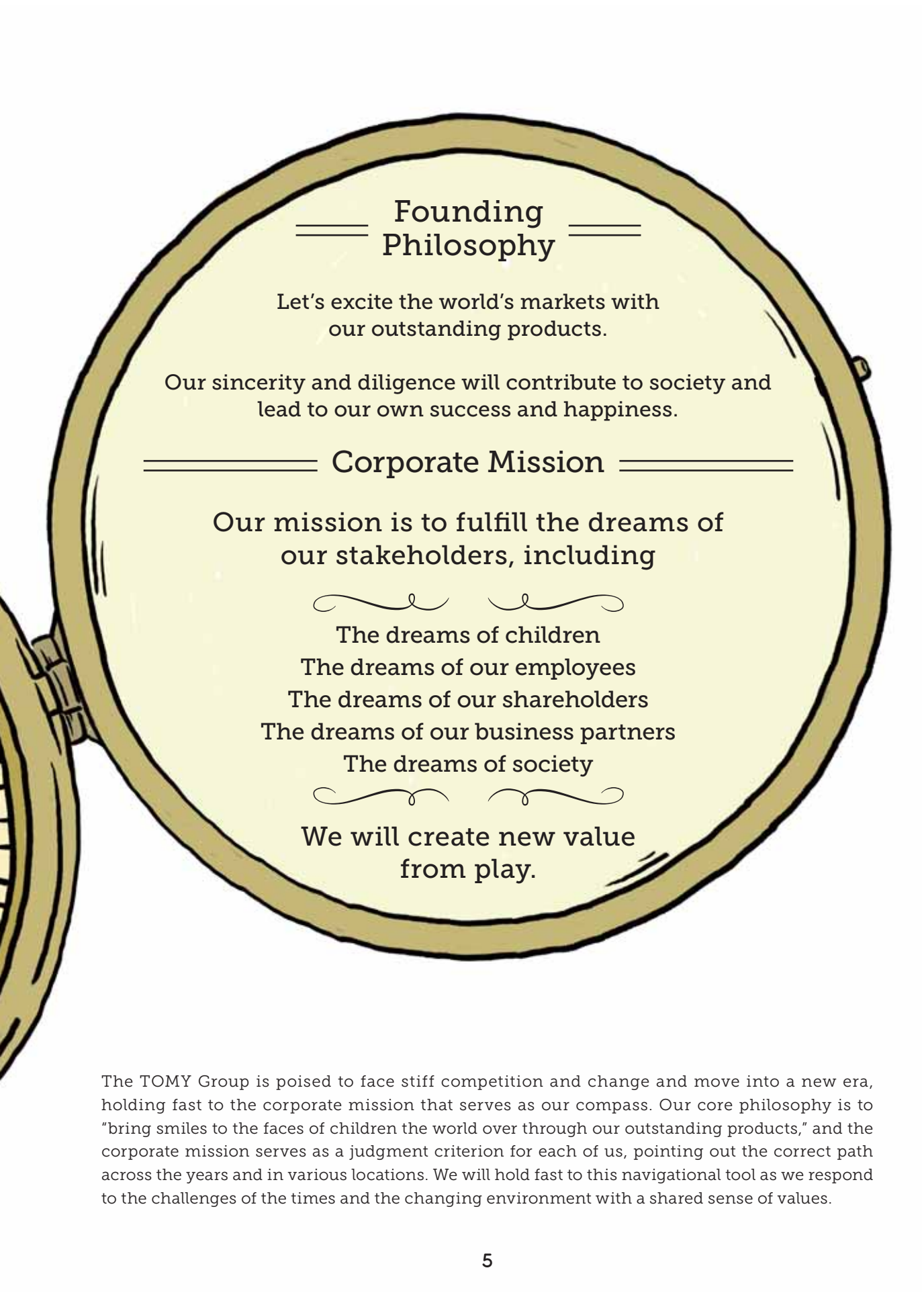
Competitive Strengths >P.12

Our treasure is multifaceted and includes the products we have cultivated and our brands, experience and expertise. These elements are essential to our growth.

# COMPASS

The Mariner's Compass That Points the Direction





## Founding Philosophy

Let's excite the world's markets with  
our outstanding products.

Our sincerity and diligence will contribute to society and  
lead to our own success and happiness.

## Corporate Mission

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

The dreams of children

The dreams of our employees

The dreams of our shareholders

The dreams of our business partners

The dreams of society

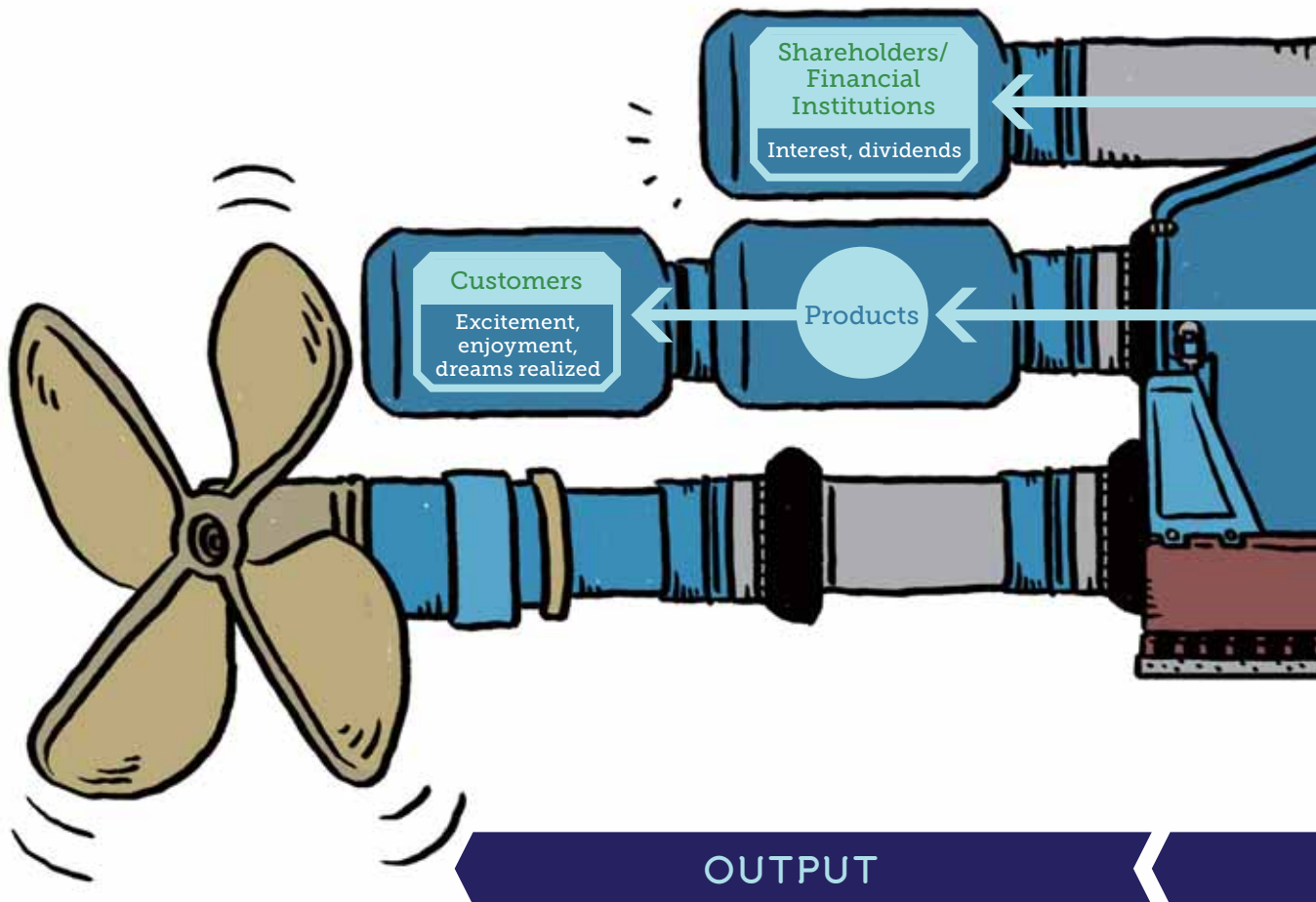
We will create new value  
from play.

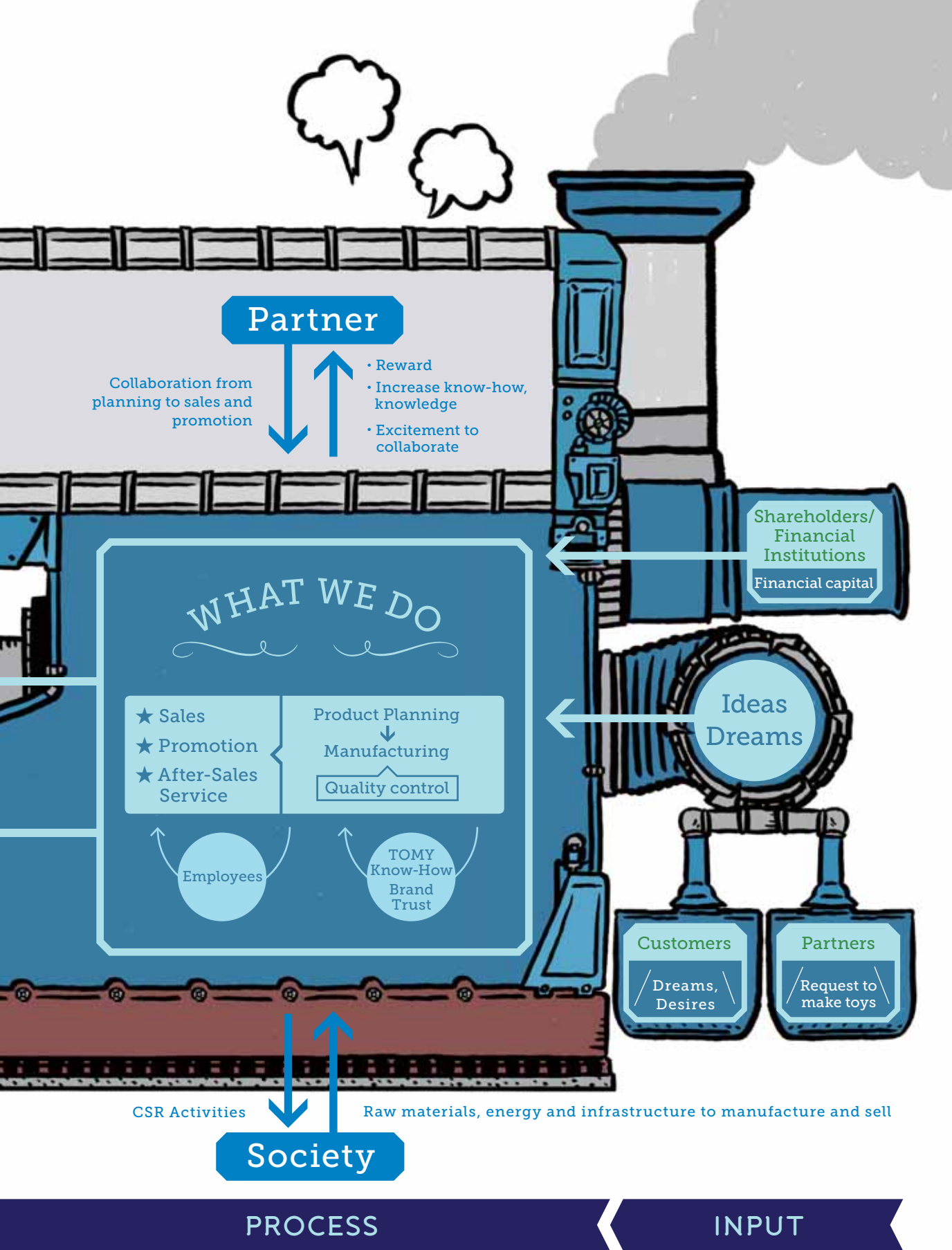
The TOMY Group is poised to face stiff competition and change and move into a new era, holding fast to the corporate mission that serves as our compass. Our core philosophy is to "bring smiles to the faces of children the world over through our outstanding products," and the corporate mission serves as a judgment criterion for each of us, pointing out the correct path across the years and in various locations. We will hold fast to this navigational tool as we respond to the challenges of the times and the changing environment with a shared sense of values.

# ENGINE

## The Engine That Generates Value

For the TOMY Group, the supply chain that stretches from planning and development to manufacturing, sales and after-sales service is the engine that generates value. By fine-tuning our numerous ideas, originality and development capabilities, and our safety and mass-production technologies, we can create high-value-added products. This is the origin of our products, the "engine" that generates the value we deliver to our stakeholders.





COLLABORATIVE VALUE CREATION WITH STAKEHOLDERS

# Crew

Creating Value Together with  
Our Crew Members



For the TOMY Group, stakeholders are like crew members: we grow together and share the fruits of a successful mission. We share the Corporate Guidelines throughout the Group, as they help orient our collaborative value creation with stakeholders as we target sustainable growth.

## Creating Shared Value

# THE TOMY GROUP WAY

### Customers

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

### Employees

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

### Shareholders

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

### Business Partners

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

### Society

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

# CHARTS

The Nautical Charts  
That Keep Us on Course

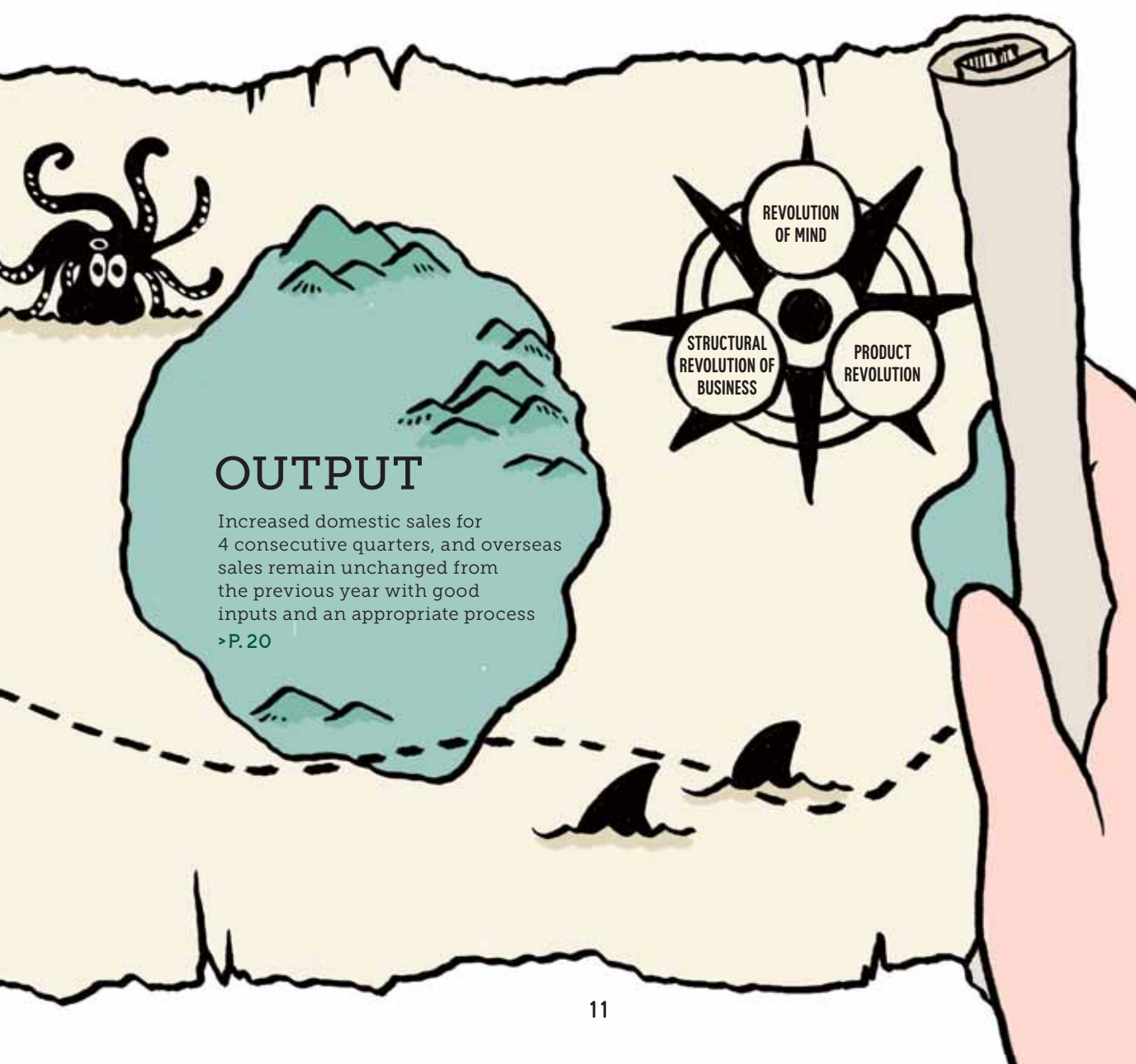
## INPUT

Input ideas and enhanced content to increase profit: doubled the number of development personnel; expanded TOMY original content; established new teams (adult and online markets); acquired content of 3 large franchises  
>P.20

## PROCESS

Reformed business process to revitalize the organization; decreased number of divisions/departments; rejuvenated executives; more equitable and transparent remuneration systems  
>P.20

The new medium-term management plan that we unveiled in May 2014 identified progress to be achieved in our three revolutions—"revolution of mind," "structural revolution of business" and "product revolution"—over the short, medium and long terms. In pursuit of these reforms, we have doubled the number of people in our development departments and set up new departments specializing in toys for adults and cultivating the Web and other markets. Through organizational reform and the use of next-generation marketing employing a variety of media, we have drastically revised our business processes. As a result, we have succeeded in increasing the amount of TOMY-original content and acquired content in three major areas, and net sales (excluding the impact of the share transfer of TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.) have grown over the past four consecutive quarters.



# Treasure

## The Treasure of Accelerating Growth: Our Competitive Strengths

The products and brands the TOMY Group has built up to date, as well as the experience and expertise we have accumulated during the development process, constitute the “treasure” that will accelerate our growth going forward. Longstanding products, which account for around 25% of sales but generate 80% of earnings, have great potential because they help us with branding that generates products with new value. By nurturing the tangible and intangible assets we have accumulated, we will work to build toys for a new generation.



Industry leader in  
the number of  
registered  
trademarks

TOMICA:

More than  
**600** million  
products

Long-selling products shipped  
TOMICA/DUEL MASTERS/PLARAIL/TRANSFORMER

with  
more  
than **880** types in total

More than

**60** leading  
brands

DUEL  
MASTERS:

Approximately

**5** billion  
cards

PLARAIL:

More  
than

**150** million  
products

with  
more  
than

**1,200** types  
in total

Product rollouts in

**15**  
**16**

of the

toy  
categories

TRANS-  
FORMER:

More  
than

**130**

countries and regions  
where TRANSFORMERS  
are launched

More  
than

**500** million  
products  
sold



ACCESSIBLE  
TOYS

DREAM

Transformation

CHALLENGE

Value

NEW  
IDEAS

4th  
generation

Revolution

Inspire



# MESSAGE FROM THE CHAIRMAN

This past year was noteworthy for TOMY as it marked the 90th anniversary since our establishment. Our company has been transforming itself every 30 years in line with the changing times, and we are now positioning ourselves for another strategic change as we enter our fourth 30-year cycle.

In June 2015, I was appointed chairman, and H.G. Meij, a management professional brought on board last year, was appointed president and CEO. Under our new structure, led by a professional manager, we look forward to taking on the challenges of a new generation.

富山 幹太郎

Chairman  
Kantaro Tomiyama

## Results for the year ended March 2015

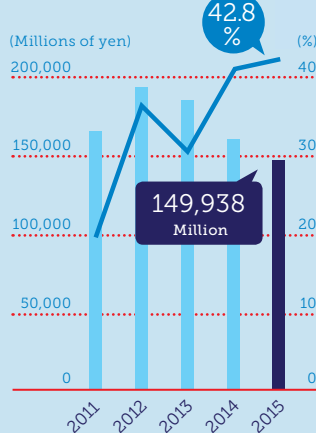
Net Sales:  
**¥149.9** billion

Operating Income:  
**¥2.4** billion

EBITDA:  
**¥11.1** billion

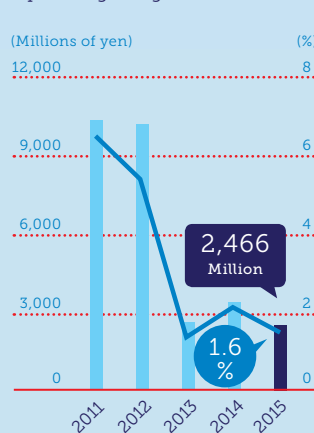
### Net Sales

Overseas Sales Ratio



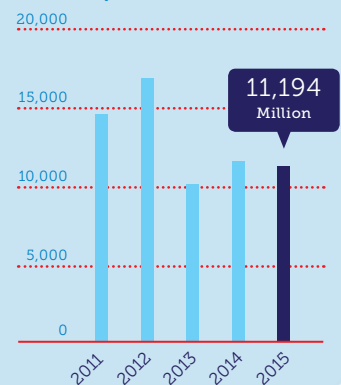
### Operating Income

Operating Margin



### EBITDA

(Millions of yen)





## MESSAGE FROM THE CHAIRMAN

### The Year in Review

Looking back on the fiscal year ended March 31, 2015, the Japanese economy was characterized by sluggish personal consumption due to the April 2014 consumption tax hike. Conditions were extremely severe in the toy market, as competitors came out with blockbuster hits in toys for elementary-school-age boys. Overseas, we faced an uphill battle in Europe, as key customers drew down their product inventories and price competition grew more intense. We were also hit hard on the exchange front, as the yen depreciated further against the U.S. dollar than we had anticipated.

### Business Results

Operating in this difficult business climate, we succeeded in creating a number of hit products. These included PRIPARA amusement machines, FROZEN-related and other toys for girls, the WIXOSS trading card game and TRANSFORMERS-related products. Compared with the previous year, sales decreased ¥4,865 million, or 3.1%, to ¥149,938 million mainly due to the transfer of shares in subsidiaries TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd., thereby removing them from the scope of consolidation. This move, which had an impact of ¥6,478 million, was part of our strategic plan to increase management efficiency by reinforcing our core toy business. Excluding the effect of this sale of subsidiaries, sales would have been up ¥1,612 million, or 1.1%, year on year, with revenues rising for four consecutive quarters.

Operating income fell 26.0% to ¥2,466 million. The foreign exchange effect of substantial yen depreciation caused the cost of sales to rise, so gross profit decreased. Advertising and R&D expenses also climbed, as we stepped up our strategic marketing and new product development activities. Ordinary income dropped 39.0% to ¥2,014 million due to a decrease in foreign exchange gains.

We posted an extraordinary loss of ¥1,852 million due to a settlement fee in a civil procedure against U.S. subsidiary T-ENTAMEDIA Co., Ltd., which was faced with fraud associated with improper accounting practices. Accordingly, the Company posted a net loss of ¥1,817 million compared with net income of ¥232 million in the previous term.

### Major Efforts

This past year was noteworthy for TOMY as it marked the 90th anniversary since our establishment. Our company has been transforming itself every 30 years in line with the changing times, and we are now positioning ourselves for another strategic change as we enter our fourth 30-year cycle. In May 2015, I worked with H.G. Meij, who was appointed president, to formulate a new medium-term management plan for the first three years of our fourth generation. This plan sets forth energetic initiatives themed on three revolutions: revolution of mind, product revolution and structural revolution of business.

The structural revolution of business generated particularly significant results. With the aim of making management more efficient and accelerating decision making, on October 1, 2014, we restructured our headquarters organization and in November we merged three domestic functional subsidiaries. We also transferred control of some businesses and functions. For example, we augmented the sales function of TOMY MARKETING COMPANY, LTD., and revised the activity scope of T-ENTAMEDIA Co., Ltd., to include the sales floor development and maintenance business.

Although our consolidated operating results during the year were severe, we began to see positive signs of numerous hit products emerging, and I am greatly heartened by the product developments under way. Working as a Group, we are undertaking thorough measures at our domestic subsidiaries to prevent the recurrence of the sort of inappropriate accounting activities that came to light this year. We will continue putting every effort into ensuring that the revolutions currently under way will translate to better operating performance in the upcoming fiscal years.

## Payout and Capital Policy

We recognize payouts to shareholders as our most important management issue. We set an annual dividend of ¥10 per share for the year under review, and we plan to maintain this level going forward. In December 2014, we dissolved a capital and business tie-up we entered into seven years ago with TPG Capital Management LP in the aim of enhancing business value. To prevent potential share dilution and avoid a decline in capital efficiency, we acquired and cancelled convertible bonds, as well as acquired our own shares.

Under our new medium-term management plan, we will continue to change in keeping with the times, and executing the three revolutions will be pivotal. As we pursue these transformations, we will undertake measures designed to augment shareholder value. In these endeavors, I ask for the ongoing understanding and support of our shareholders and investors.

## CSR

Our mission at the TOMY Group is to inspire and fulfill the dreams of people worldwide through our toys. For example, we pursue an Eco-Toy program, and we have led the way in developing “accessible toys” that children with disabilities can enjoy playing with. These moves have spread out broadly into the greater toy industry. We also continue to participate in the “PLA-PLUS Project” led by the Ministry of the Environment, an experimental recycling business involving the collection of plastic products at stores. Under this program, we promote the collection and recycling of stationery, toys and plastic products. Through our ongoing participation, we intend to continue fulfilling our corporate social responsibility through the toy business.

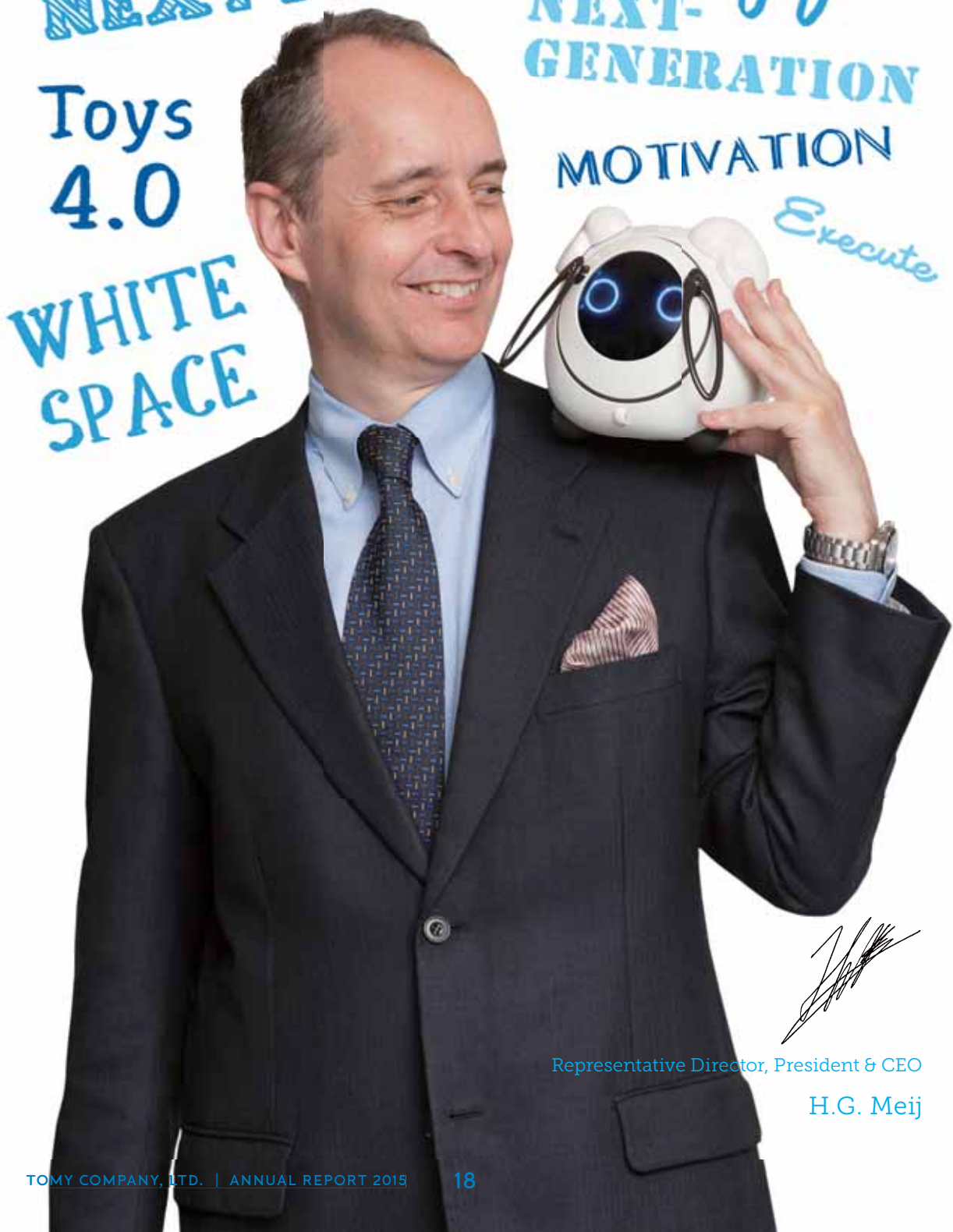
## A Change of President— Entering a New Generation of Toys

A resolution passed at the General Meeting of Shareholders in June 2015 confirmed my appointment as chairman, and H.G. Meij, a management professional brought on board last year, was appointed president and CEO. By clearly demarcating the management supervisory and execution functions, this move is designed to ensure effective governance. It also puts in place a structure for swifter decision making and more expeditious business execution. I plan to scrutinize management closely from my new position as chairman.

Serving as president for the past 29 years, I have seen the way people play change as time marched on. It is now time for someone younger and with new ideas to lead the charge. TOMY has changed along with the times in the past, and we will continue to transform ourselves, all the while retaining our toymaker spirit. Under our new structure, led by a professional manager, we look forward to taking on the challenges of a new generation.



Globalization Reenergize  
NEXT PHASE  
Toys 4.0  
WHITE SPACE  
NEXT-GENERATION  
MOTIVATION  
Execute



Representative Director, President & CEO

H.G. Meij

# MESSAGE FROM THE PRESIDENT & CEO

## The Next Phase—Execution

In my first year since being appointed CEO, we launched our new medium-term management plan and took a proactive stance on initiatives that are altogether new rather than extensions of past activities. We have also taken hold of some attractive new opportunities. We have proceeded with building business foundations centered on our core Japanese business; now is the time to execute.

Last year, we defined the three revolutions that would be central to our operations in the fourth generation: revolution of mind, product revolution and structural revolution of business. Over the past year, these revolutions have picked up speed.

In terms of the “revolution of mind,” I have watched as we took on risks without fear of failure and saw employee motivation increase, and we have made progress in globalization. But I think some of the biggest changes in awareness have been in employee-driven revolution projects, with our people becoming ever more proactive in their statements and proposals. Our need for globalization is clear: The Japanese market, which accounts for less than 10% of the global toy market, generates around 60% of our sales. We have addressed this issue by building our overseas business through measures including the aggressive acquisition of toy product rights, such as for movie content.

Our “product revolution” is themed on core products that generate stable profits, both by expanding existing product lines and by steadily rolling out new ones. We have continued to pursue branding for the LICCA doll, creating a buzz through next-generation marketing whereby a

LICCA doll clad in trendy fashions communicates her world views via SNS. At the same time, we have attracted a great deal of interest in a new brand—a series of dolls targeting adults. We have also been active in developing new products in the “Toys 4.0” genre (new products that fuse analog toys and digital elements). In this category, we have prepared a number of next-generation products that lend themselves to multiple development angles, such as BEYBLADE BURST, the Linear Liner and OHaNAS.

One aspect of our “structural revolution of business” was the October 2014 restructuring of our headquarters organization. This move involved the optimization of divisions and departments, which were reduced by about 20%. In addition to the consolidating and restructuring that flattened the company into nine organizational units, we pursued greater management efficiencies by consolidating subsidiaries. We also made progress on rejuvenating the organization, lowering the average age of managers at the executive level or above by around five years. We optimized personnel; conducted 360-degree evaluations among superiors, colleagues and subordinates; introduced an internal recruiting system; and equalized compensation systems among headquarters and group companies.

In all, we have pursued around 100 “revolution projects” to reenergize the Company in Japan and overseas. This year, we prioritized our top 10 projects. These were the integration of subsidiaries and organizational improvements, 360-degree personnel evaluations and the compensation system, increasing sale opportunities (point of availability, or POA),

(Billions of yen)














Year to March 31	2014 results	2015 results
Net sales	148.3	149.9
Operating income	3.2	2.4
Operating margin	2.2%	1.6%



2014 results excluding the impact of share transfers of TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.



## MESSAGE FROM THE PRESIDENT AND CEO

INPUT		PROCESS	OUTPUT
Idea + Contents		Business process	Sales
 Doubled the number of development personnel	 Expanded TOMY original content	 Flattened structure by “9 cells”	<b>Increased sales for 4 consecutive quarters</b>   <b>Japan</b> = Increased sales in 14 out of 32 group companies = Separated POA and POI teams = Affirmed actual POP results
		 Decreased number of divisions/departments by 20%	
		 Lowered the age of executives by 5 years	
		 Decreased number of subsidiaries from 38 to 35	
		 More equitable and transparent remuneration systems	
		 Next-generation marketing and IR	
		 Cost-cutting target increased from ¥1.0 billion to ¥1.5 billion	
 Established new teams (adult & online markets)	 Acquired content of 3 large franchises		 <b>Overseas</b> =Flat in America (lower EU sales) =New branch offices in Russia and Poland =New employees and new customers in South America

augmenting product development capabilities (Innovation Funnel), next-generation marketing, strengthening POP, strengthening profit/loss management by each brand item, strengthening online sales, making improvements on various business costs and enhancing the environment inside TOMY.

### Evaluating the First Year of Our New Medium-Term Management Plan

Good inputs, such as ideas and content, lead to good business processes. These successes are expressed in terms of better outputs—namely, business results. Unfortunately, we fell short of our numerical targets for the year under review. However, excluding external factors such as exchange rates, I would say that we steadily increased our ability to boost sales and income and profit rates.

With regard to inputs, focusing during the year on TOMY-original content resulted in several successes. In just the first eight months after launching the PRIPARA amusement machines business, registered users rose beyond our expectations and exceeded 1.2 million people. By forging links between the popularity of the WIXOSS trading card game and late-night anime, sales outpaced our expectations by six times. We also enjoyed solid performance among core products—our lifeline—such as TOMICA, PLARAIL and the LICCA doll. Exports of products related to the major hit film TRANSFORMERS, which aired in the summer of 2014, were robust. In these ways, we succeeded in generating hit products that responded to a changing competitive landscape. We

set the stage for expanding sales in overseas markets by acquiring three major Disney movie content properties. Furthermore, we doubled our number of development personnel and established new teams for planning and developing products for adults, as well for reinforcing sales in the online market.

In processes, we made progress on the revolution projects I mentioned earlier. As an output, we succeeded in boosting sales successively for four quarters in Japan, excluding the impact of changes in the scope of consolidation.

Looking overseas, in the North American market, which accounts for around 70% of our overseas business, John Deere agricultural implement toys continued to enjoy strong popularity. Sales were favorable for Pokémon-related products and feeding products, such as baby bottles and cups. Thus, we established a firm business foundation and maintained sales at the previous year's levels. In Europe, shipments fell as some of our principal customers drew down their inventories. We countered by employing seven new members of management to oversee departments, including sales and marketing. We established new bases in Russia and Poland as part of our ongoing process of globalization.

We regrettably had inappropriate accounting issues at a consolidated subsidiary, T-ENTAMEDIA Co., Ltd. To prevent a recurrence and bolster compliance, we have set aside a Compliance Day to concentrate specifically on raising awareness of compliance among all employees by training all employees worldwide annually with testing and certification programs, and we have reinforced our internal auditing functions.

## Future Strategy

Looking ahead at the products that constitute important inputs, we will concentrate on profitable core products that generate stable sales and profits. In addition, we will redouble our efforts targeting new products and partners, and further increase the sales of products overseas.

Among new products, we will develop more reasonably priced products for the Asian market. We will also concentrate on developing high-tech toys and toys for adults. Also, we will proactively pursue opportunities to forge partnerships, developing sourcing items and movie-related products.

We will introduce two major products from 2015. The first, BEYBLADE BURST, is a third-generation product in the Beyblade series. The first series generated revenues of ¥165 billion and the second generation more than ¥200 billion. This third generation (the burst gimmick) will have battle elements to test players' instincts and feature communication among players via the Internet, and we will offer integrated digital elements (RFID chip) and concentrate on global sales. We think the BEYBLADE BURST meets all the criteria for being an ideal toy. The BEYBLADE BURST will register battle

results in the cloud and offer shared functionality. These elements should help the third generation secure an even larger market than the previous generation. The second major product is The SNACK WORLD, a large-scale cross-media project created by LEVEL-5 Inc. that we will develop across the game, toy, television anime and manga genres.

## Future Numerical Targets

Our numerical targets for the year ending March 31, 2016, are sales of ¥170.0 billion, operating income of ¥4.0 billion, an operating margin of 2.4%, EBITDA of ¥13.5 million and ¥1.3 billion in net income. By implementing the host of initiatives described earlier, we intend to boost our operating margin further in the year ending March 31, 2017. 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. That purpose will drive TOMY to make the broad reforms that will make us a truly global company. I hope for your understanding and support in reaching our goals.

### Medium-Term Base Plan

(Billions of yen)

Year to March 31	2014 results	2015 targets	2016 targets	2017 targets
Net sales	154.8	160.0	164.0	170.0
Operating income	3.3	4.0	6.0	8.0
Operating margin	2.2%	2.5%	3.6%	4.7%
EBITDA	11.5	12.6	14.9	16.4



Year to March 31	2015 results	2016 targets
Net sales	149.9	170.0
Operating income	2.4	4.0
Operating margin	1.6%	2.4%
EBITDA	11.1	13.5



Foreign  
exchange  
neutral estimate

5.7  
billion



## TOWARD THE FUTURE

## On the New Management Structure

In June 2015, TOMY handed over its presidency outside of the founding family. Kantaro Tomiyama was appointed chairman and representative director, where he will serve in a management supervisory function. H.G. Meij was appointed president, representative director and CEO, taking a management execution role. This arrangement is aimed at clearly separating the roles, execution and supervision, and is designed to ensure more effective governance. TOMY continues to enhance governance through the inclusion of outside directors and outside Audit & Supervisory Board members, who attend Board of Directors and other important meetings and offer spirited opinions. In this manner, we are pursuing management that is both well balanced and transparent. Going forward, the president and CEO will concentrate on management execution in the interest of swift decision making and expeditious business execution. At the same time, the two will cooperate in transforming the Company in line with the changing times, all the while retaining the “toymaker spirit” of the founding family. They look forward to providing a new sense of fun as the company progresses.

TOYMAKER SPIRIT  
ENHANCE *Transparent*  
BALANCE



## MARKET TRENDS AND GROUP PERFORMANCE

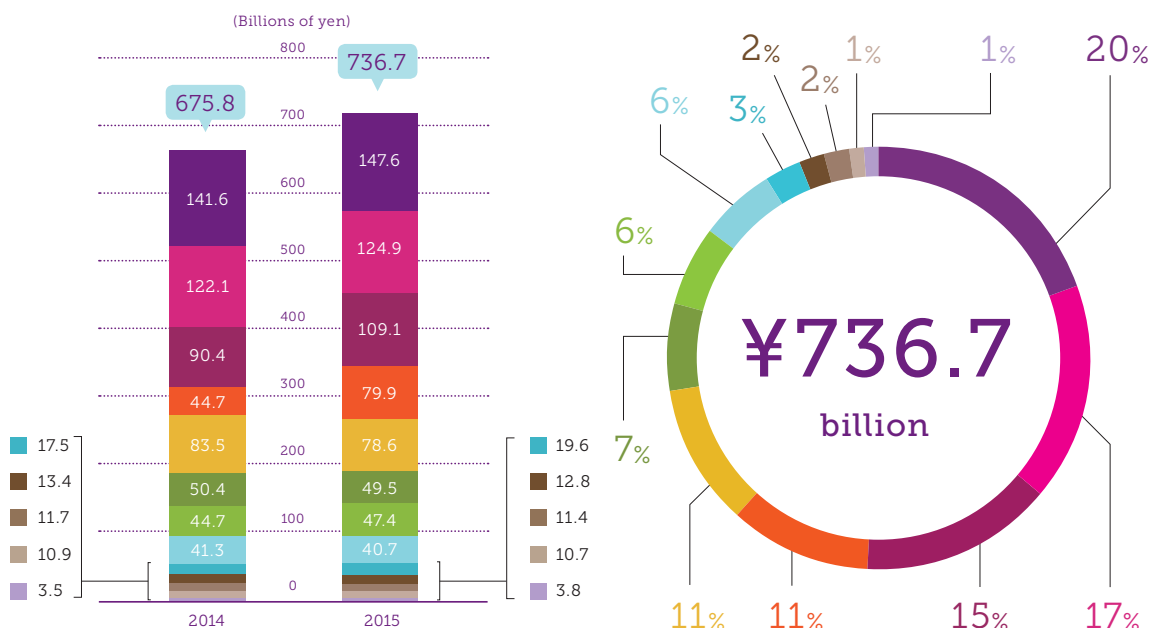
### Japanese Market Trends

For the year ended March 31, 2015, character and analog toys drove growth in the Japanese toy market, driving our net sales up 9% year on year to the highest level in a decade. Explosive hits among character toys for boys were a social phenomenon, and character toys related to the animated film FROZEN were popular. Craft-type accessory-making toys for girls, sand toys and cup-and-ball games were also popular.

By category, sales of boys' character toys surged 78.6% year on year, and sales of girls' toys were up 6.1%. Although sales of boys' toys were down 1.5%, the opening of the Hokuriku Shinkansen line spurred sales of rail-related toys.

Note: U.S. dollar amounts have been translated at the rate of ¥120.17 = US\$1, the approximate exchange rate at March 31, 2015.

### Japanese Toy Market 2015



- Educational toys
- Hobbies
- Stationery, gifts, etc.
- Boys' characters
- Trading card games

- Seasonal toys
- Girls' toys
- Boys' toys
- Stuffed toys
- Games

- Jigsaw puzzles
- Others
- Interactive toys

Source: The Japan Toy Association

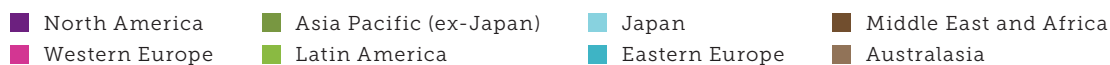
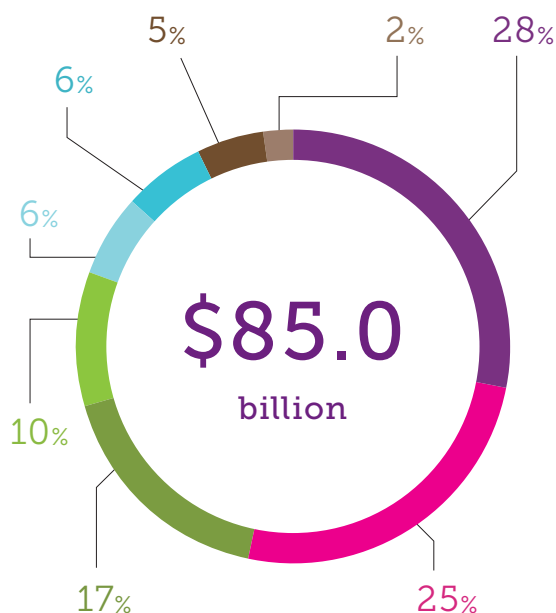
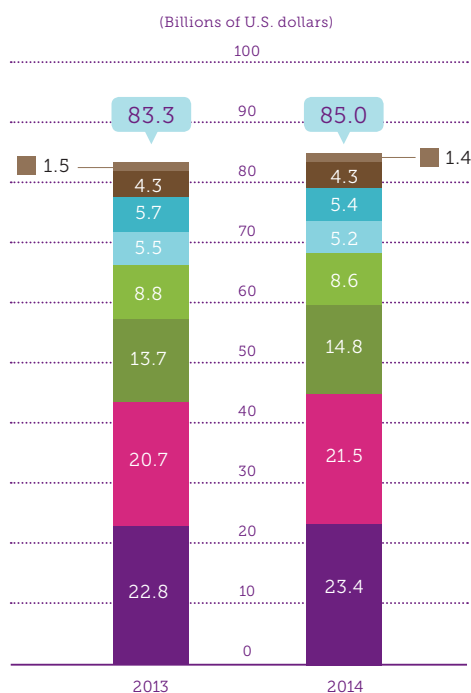


## MARKET TRENDS AND GROUP PERFORMANCE

### Overseas Market Trends

In calendar 2014 (January through December 2014), the overseas toy market had an estimated value of US\$85.0 billion (approximately ¥10.21 trillion) expanding from the previous year. The Asia Pacific, North American and European toy markets, which together account for around 70% of the world total, all trended upward to values of US\$20.0 billion (¥2.66 trillion), US\$23.4 billion (¥2,824.0 billion) and US\$21.5 billion (¥2,595.7 billion), respectively. (Source: Euromonitor International Ltd., a survey company based in the United Kingdom)

### Global Toy Market 2014



Source: Euromonitor International Ltd.

## Performance by Region

### Japan

Factors including the consumption tax hike caused a downturn in consumer confidence. Also, major changes in the competitive environment in toys for elementary school boys led to a drop in sales of products such as the DUEL MASTERS trading card game.

In girls' toys, registered members for our PRIPARA amusement machines in the eight months since we launched the business outpaced our expectations, reaching 1.2 million, and sales of FROZEN-related products were favorable, with doll dress sales exceeding 200,000. Taking advantage of tie-ups with late-night animated cartoons, sales of the WIXOSS trading card game outpaced our expectations by six times. Attention also focused on high-target (adult)

products such as the OMNIBOT series of next-generation entertainment robots, which was a hit in this genre. Longstanding products including our TOMICA and PLARAIL vehicle toys and the LICCA doll performed well. Overseas exports of TRANSFORMERS-related products were firm, helped by the global hit movie that screened in the summer of 2014.

Net sales decreased 4.6% during the year to ¥102,808 million. This drop mainly was due to the transfer of shares in subsidiaries TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd., which had an impact of ¥6,478 million. On the profit front, higher purchasing costs caused gross profit to decline. In addition, we aggressively invested in advertising and strategic R&D spending. Operating income accordingly dropped 13.0% to ¥6,402 million.



(Millions of yen)

Year to March 31	2014	2015	Change
Net Sales	¥154,804	¥149,938	¥(4,865)
Japan	107,777	102,808	(4,969)
North America, Europe and Oceania	42,127	41,843	(284)
Asia	49,500	53,850	4,349
Eliminations and corporate	(44,601)	(48,563)	(3,961)
Operating income	3,335	2,466	(868)
Japan	7,355	6,402	(953)
North America, Europe and Oceania	(723)	(610)	112
Asia	526	2,063	1,537
Eliminations and corporate	¥(3,822)	¥(5,387)	¥(1,565)



## MARKET TRENDS AND GROUP PERFORMANCE

### North America, Europe and Oceania

The TOMY International Group set up a new branch in Poland, opened a subsidiary in Russia and worked to expand sales routes by reinforcing business with toy distributors in individual countries and regions. In North America, sales were favorable for Pokémon-related products and feeding products such as baby bottles and cups. JOHN DEERE agricultural implement toys also remained popular, helping us to firm up our business foundations in this region. In Europe, however, product shipments were sluggish, due to key customers drawing down their inventory levels and intense price competition from other manufacturers.

Net sales in this region dipped 0.7% to ¥41,843 million. Our cost-to-sales ratio worsened because of discounted sales. These factors, plus pressure from selling, general and administrative expenses, led to an operating loss of ¥610 million, compared with an operating loss of ¥723 million in the preceding fiscal year.



## Asia

In the ASEAN countries, we tailored products to the purchasing levels of individual countries and regions, developing new products to reflect the tastes of local children. In Singapore, we launched TAIL BATTLER, a reel-and-rod toy for boys that proved popular. We also began a rollout in nine Asian countries, including Indonesia, of BLAST FIGHTER, a battle robot toy.

Our production subsidiary, TOMY (Hong Kong) Ltd., generated sales of ¥53,850 million, up 8.8%, partly thanks to favorable shipments to Japan. Operating income soared 292.1% to ¥2,063 million, partly because of lower selling, general and administrative expenses as we retrenched a portion of our business in China.



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# BUSINESS MODEL IN THE VALUE CREATION PROCESS



## Creating Value at the TOMY Group

Building toys at TOMY is a joint effort, a collaborative process involving staff in planning and development, as well as the sales and marketing processes. BATTROBORG, a 2014 hit product we highlighted in last year's special feature, is an excellent example of the attention to detail that goes into creating attractive products.

Ascertaining needs in the toy market is considered to be extremely difficult. To boost our hit rate under these circumstances, we need to detect fluctuations, develop products swiftly in response and continually create products that entertain and surprise—all the while remaining a step ahead of the market.

This special feature focuses on the "engine" (business model) that is essential to creating value as we drive across the heavy seas into the next-generation toy market. We tune and refurbish this engine in response to market fluctuations and changes in the external environment and create value. In this section, we introduce the initiatives that keep us on the front lines of this ongoing effort.





SPECIAL  
FEATURE

#1

PRODUCT  
PLANNING /  
DEVELOPMENT



Linear Liner  
JR東海承認済

# Going Beyond Conventional Boundaries by Realizing “Anything Can Be a Toy”

## Takuya Inoue

Product Planning Team, New Products Planning Group,  
New Product Division



### Q1 What is your role in corporate value creation?

My role is to consistently come up with a host of future-oriented ideas that go beyond the scope of traditional boundaries, while at the same time making use of technologies that have served us well in the past, to create new toys. For example, the desire to quickly introduce a “linear motor car” toy prompted the development of the Linear Liner. This development brought TOMY technologies together and led to the world’s first mass-produced toy employing both magnetic levitation and magnetic travel. TOMY is a pioneer in rail toys and railway models. For example, PLARAIL has a 56-year history, and TOMIX dates back 39 years. Transferring some of the technologies and expertise developed in this area to the Linear Liner brought together dyed-in-the-wool toy developers, young engineers with creative ideas and a wealth of other talent across the technology development team. I think this toy truly represents the fusion of TOMY’s toy development capabilities and technologies. We even made use of the coil and magnetic drive mechanism developed for Sunshine Buddies and Sunny People, although they might appear unrelated to the Linear Liner at first glance. Creating innovative technologies by seeing new relationships is one of the most important roles for someone involved in planning and development.

### Q2 What are some specific measures for strengthening the planning and development function?

Coming up with an altogether new plan means not

just carrying forward the proprietary technologies we have built up with different products. In addition, you need to extract from and apply these methods and have the ability to reorganize them into new technologies. In the example of developing the Linear Liner, TOMY’s technology development team combined technologies that existed individually to come up with a world-first new technology. I believe the capabilities and sense required to achieve this are an intangible asset.

Another important aspect of strengthening this function is the ability to collaborate between departments. The manufacturing department working at the fundamental development level coordinated with the quality control department to quickly check on safety and functionality. This cooperation led to effective cost controls that made it possible to mass-produce the Linear Liner.

### Q3 What are some of the changes that are under way with a view to the fourth generation?

I sense that by going beyond departmental boundaries and forging stronger relations with related departments, we are strengthening our ability to propagate ideas. Promoting the Linear Liner required thorough coordination among business and publicity departments and the next-generation team. Information was diffused as never before, which succeeded in generating broad media exposure. We received positive responses from a variety of quarters, with comments like “This is a toy children of three generations can enjoy.” and “I would like to use this as a tool for science education.”

### Q4 What are some persistent traits of “planning and development”?

The desire to shake up the world a little and provide a thrill to many people is a big motivator for people who work at TOMY; it’s certainly a major source of inspiration for me. We build toys that are enjoyable to play with, of course, but they are also fun for the people who make them. I hope to always be able to apply this passion creatively to make exciting products.



© TOMY

Nohonzoku,  
solar bobble head figure  
using a magnet



TOMIX



PLARAIL  
Hokuriku Shinkansen  
E7 Series Kagayaki

JR東日本商品化許諾済



SPECIAL  
FEATURE



PRODUCTION /  
MANUFACTURING

# Manufacturing Toys That Are Safe While Maintaining Thorough Cost Awareness

## Shun Harashima

Production Team 1, Production Engineering Group,  
Production & Procurement Division



### Q1 What is your role in corporate value creation?

The role of the production and manufacturing processes in building competitive toys has to do with building structures that supply good-quality products inexpensively. To achieve this, we strive to achieve cost savings and eliminate defects. To achieve cost savings, we have stepped up production and manufacturing of the TOMICA in Vietnam, making effective use of the technologies and expertise that have been accumulated at our factory in Thailand. Because TOMICA in particular is an ongoing product line, we focus on achieving major cost reductions by strengthening our management across the supply chain, including warehouses in Japan and overseas, procurement and all logistics.

To eliminate defects, we are giving increased attention to design reviews\* at the trial production stage. Thorough design reviews ensure that there are no problems with final trials. This reduces the amount of time and unnecessary expense spent at the mass-production stage. This approach also creates a system to ensure stable quality.

\*Design reviews are meetings attended by members of production, development, quality control and other departments, as necessary. Members evaluate trial products from their own perspectives and provide their views.



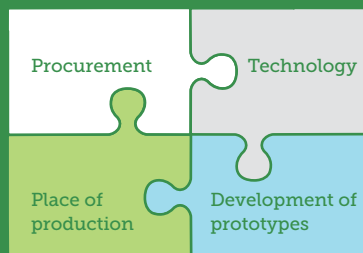
### Q2 What are some specific measures for strengthening the production and manufacturing function?

Because the yen is weak at the moment, parts costs have risen, squeezing profits. One measure we are taking to address this from a cost-savings perspective is undertaking preparations to

cultivate new production bases. We have already begun producing some parts in Bangladesh, and we have our sights on India, Mexico and other locations. We are identifying country risks and considering ways to hedge that risk. Because of the recent sharp rise in personnel costs in China, we are conducting prior confirmation of process schedules in Japan. Also, we are working to control the quality of local processes and striving to maintain competitiveness on the technology and quality fronts.

### Q3 What are some of the changes that are under way with a view to the fourth generation?

On April 1, 2015, we integrated the Production & Procurement Division. This is one visible change in our organizational structure. By bringing together the technology and production management departments, we have integrated our technical expertise and know-how in coordinating with related departments. This combination has enhanced our ability to predict and eliminate problems at the pre-production stage, which boosts operating efficiency.



### Q4 What are some persistent traits of "production and manufacturing"?

For the people involved in production and manufacturing, ensuring customers receive products that are safe is the topmost priority. To achieve this, we need to continuously remind ourselves to look at things from the customer's perspective. We go right to work on repairing even niggling problems. To ensure customer satisfaction, we pay close attention even to trivial-seeming items.

SPECIAL  
FEATURE



QUALITY  
CONTROL



Strength testing of BEYBLADE sample at development stage

# Boosting Added Value by Maintaining a Fine Balance between "Safe" and "Fun"

**Ryohei Watanabe**

Products Assurance Team, Safety & Quality Assurance Group



## Q1 What is your role in corporate value creation?

Because we make toys that children play with, we must ensure that they pose no potential for injury or accident. Preventing such threats is our foremost, and unchanging, priority in quality control. On the other hand, exclusively pursuing the safety side of the equation makes it difficult to develop toys that are fun and thrilling to play with. For example, when planning the BEYBLADE BURST series, to ensure safety without losing the fun of the "burst," we had discussions in-house and considered in careful detail everything from development and materials procurement to manufacturing design and reminders in the instruction manual. I believe achieving this balance between "safe" and "fun" plays a key role in creating toys that are competitive.

## STORY

The initial plan for the BEYBLADE BURST series came as a proposal for a top that would burst into pieces as it spun out of control. Because the flying pieces might fly up into someone's face and had the potential to cause injury, it was difficult to think of the initial proposal as "safe." To make the toy safe, as well as being something children could enjoy playing with, the proposal was revised, covering the platform so that exploding pieces would not fly up into a child's face or eyes. Others were concerned that covering the platform might take the fun out of playing with the toy. We used BEYBLADE development samples to test the degree to which the pieces would fly about, and after deliberation and testing we struck a good balance between "safe" and "fun."



## Q2 What are some specific measures for strengthening the quality control function?

We hold new product review sessions three times a week, attended by all members of the Safety & Quality Assurance Office, to concentrate on identifying safety and quality concerns at an early stage and ensuring they are dealt with in a timely manner. Using prototypes of proposed new products and sometimes drafts of plans, numerous people take part in confirming and discussing whether any problems are present from the early stages. In addition to the early detection of problems, this approach shares information among all members of the department and leads to improvements.

## Q3 What are some of the changes that are under way with a view to the fourth generation?

As the name suggests, "Toys 4.0" involves numerous toy proposals. Recent proposals include toys linked to smartphones and plans involving new technologies like the LINEAR LINER. Of course, these plans go beyond the scope of conventional industry standards and expertise accumulated to date in the safety and quality department as well, so we have to look at laws, ordinances and guidelines outside those pertaining to toys, which requires expertise in a wide range of fields. Responding to these changes means that we have to examine each new proposal carefully, but I believe this is essential for making "Toys 4.0" a success.

## Q4 What are some persistent traits of "quality control"?

Our founding philosophy states "Let's excite the world's markets with our outstanding products." I think "outstanding products" can mean many things, but before anything else, it goes without saying that they must be safe. While maintaining this attitude that safety is simply a matter of course, I look forward to the growth and success of the fourth generation that balances this safety carefully with "fun."



SPECIAL  
FEATURE



SALES

# Providing Appealing Toys around the World through Stronger Coordination with Partners

**Ed Young**

Vice President for Sales



## **Q1** What is your role in corporate value creation?

Sales has two primary roles: strengthening ties with existing retailers and developing new sales channels. Personally, I am involved in sales to the major U.S. retailers Target and Amazon, along with other specialty and mid-tier accounts. I work with multiple existing retailing customers on a daily basis to enhance our product position in their stores and expand our selling areas. Sometimes we develop retailer-specific products to help expand our display areas and take advantage of sales promotion opportunities, working in tandem with our marketing department to flesh out selling strategies. When cultivating new retailer relationships, we pay attention to boosting the point of availability (POA) of all our products.

## **Q2** What are some specific measures for strengthening the sales function?

Expanding our brand portfolio to include Disney, Pokémon and other intellectual properties (IP) has caused retailers to view us as an important strategic marketing partner. Working in collaboration with such strong partners will help expand our business domains and boost the global reach of our products. In the near future, we will offer game platforms such as Pop-up Pirate and impulse products (inexpensive items that children can buy with their pocket money) at places like dollar stores and convenience stores. Over the long term, by selling to leading retailers that take a global perspective (like Target, Walmart and Toys“R“Us), we will work to expand the POA of our products in the global market.

## **Q3** What are some of the changes that are under way with a view to the fourth generation?

We have reconfigured our sales structure along two axes: a TOMY sales team and a retailer sales planning team. This approach has enabled us to centrally manage inventories for each channel and optimize the product mix. In addition, we collaborate closely with our licensor partners on the sales and marketing fronts to maximize retail placement and drive consumer demand. Expanding our brand portfolio with new IP strengthens our operations in two ways, as it enables us to cultivate new sales channels and strengthen collaboration with existing retailers.

## **Q4** What are some persistent traits of “sales?”

As our product lineup and roster of powerful brands increases, the work of selling to retailers and the consumers beyond them has taken on more strategic importance than ever before. Along with this increased importance, I feel a greater sense of satisfaction in my role of working to bring TOMY magic to as many people as possible throughout the world.



SPECIAL  
FEATURE



PROMOTION

# Delving Beyond “Interesting” in Pursuit of Stronger User Relationships Not Rooted in the Past

Shinichiro Oba

Production Section 2, Amusement Business Division



## Q1 What is your role in corporate value creation?

I am involved in the entire process on PRIPARA amusement machines for girls, from development to promotion. Collaboration with numerous companies is essential, as this business links games and anime, as well as music and event planning and other types of promotion. PRIPARA has been a big hit, with more than 1 million registered users in the first six months after launch. I think this success is the cumulative effect of a great deal of low-key effort. The role of promotion in creating competitive content is to follow a carefully designed annual operation schedule and hold detailed discussions and deliberations to ensure that all the parties involved are on the same course.

## Q2 What are some specific measures for strengthening the promotion function?

When thinking up new relationships between users and content, in addition to learning from past lessons it is important to be prepared for new insights incorporating elements that go beyond the merely “interesting.” To keep ourselves from being overly caught up in the game and anime aspects, PRIPARA promotions include live events featuring voice actors. This gradual approach of forging links with the physical world has been well received. From the launch of the PRIPARA business, we have been working with collaborating companies on a Lala PRIPARA Debut One Year Commemorative Project to create new user relationships and provide inspiration.

## Q3 What are some of the changes that are under way with a view to the fourth generation?

New technology that fuses conventional analog with digital is key to the fourth generation. I believe PRIPARA epitomizes and is at the forefront of this fourth-generation “change.” Digitally, this is the first of our amusement machines to come with communication functionality. Allowing for frequent updating, this feature ensures that there is always

something new to enjoy. At the same time, the Friend Ticket the game dispenses that can be traded among friends is an analog element that girls enjoy. PRIPARA also offers the fun digital experience of posing with friends on the game’s screen. As a result, Friend Ticket trading has exceeded our expectations and become a movement in its own right.



## Q4 What are some persistent traits of “promotion”?

Internal teamwork is of course essential, but we are also working on promotions with numerous other collaborating companies. Ensuring that these operations are successfully in sync has proven more enjoyable than I had expected. I look forward to continuing with various promotions that help girls’ dreams come through with PRIPARA.

© T2A / S / TX / PP2

SPECIAL  
FEATURE

#6

AFTER-SALES  
SERVICE



# Incorporating Customer Feedback and Evaluations, and Fine-Tuning Our Entire Business from the Customer Perspective

Toshie Hirano

Customer Service Department, TOMY IBIS



## **Q1** What is your role in corporate value creation?

Even among new employees, the Customer Service Department requires its staff to respond to customers as TOMY representatives. We are also required to make decisions and respond from a customer perspective. To achieve this, we are all thoroughly drilled in four key principles: (1) speed, (2) politeness, (3) courtesy and (4) fairness and candor.

We also play an important role in applying the opinions we receive directly from customers to corporate activities. We listen carefully to what customers are saying and record the content of these conversations carefully. Through the ability to analyze information and understand issues, we provide appropriate internal feedback about problems. These activities have an important role in the process of building competitive toys.

## **Q2** What are some specific measures for strengthening the after-sales service function?

Because we come into direct contact with customers, our members need to hone their communication skills, their capabilities for analyzing information and understanding issues and their ability to frame problems. At the same time, taking on such challenges as multichannel analysis and SNS response are essential in terms of improving organizational efficiency and strengthening our functions.

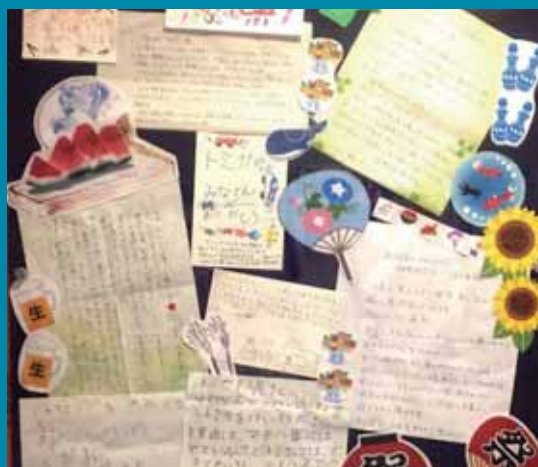
## **Q3** What are some of the changes that are under way with a view to the fourth generation?

Even for so-called longstanding products like PLARAIL, TOMICA and the LICCA doll, we are linking up products with mobile and Web-based tools. Now that smartphones are even becoming commonplace among children, the number of e-mail inquiries and responses to Web FAQs are growing sharply. In response to these changes, the Customer Service Department is strengthening its response in the areas of IT and distinctive products. We hold study sessions in advance to replicate customer environments, making a real effort to share and accumulate

knowledge. I believe it is important to respond quickly to the changing times in such areas as our organizational structure, the expertise that individual members maintain and system designs.

## **Q4** What are some persistent traits of "after-sales service"?

Customer satisfaction appears to be increasing, but my goal is for the Customer Service Department to do more than just satisfy customers. I think we need to exceed their expectations to truly inspire them. Because our department receives external input and evaluations on a wide variety of topics covering everything from products to customer response, providing faithful internal feedback based on the points customers have made and opinions they have offered has the potential to affect change in the Company. I intend to continue working to detect any changes in the evaluations we are receiving from outside the Company and maintain a customer perspective as I go about my work.



Letters from customers posted on the in-house bulletin board



# ORGANIZATION AND HUMAN RESOURCES

## Retaining and Cultivating Human Resources Who Create Value

To create value and survive in the rapidly changing toy market, the human resources of the TOMY Group have led revolutions three times in the past. Now the global toy market, which has grown to a value of around ¥10 trillion, is offering an increasing wealth of possibilities, engendered by progress in digital technologies and the creativity of Japanese manufacturing. Against this backdrop, our next toys will not be simply digital. Rather, we will combine digital technologies with our expertise in developing analog products that are warm and pleasant to touch, creating products with a brand that has a global perspective.

To engender this new value, the TOMY Group will give product development opportunities both to new recruits and veteran employees. We will encourage friendly competition among personnel who have various values, sharing their expertise and experiences. Furthermore, we will provide the workplace and systems that encourage people to take on new challenges without fear of failure.



## Two Policies for Retaining and Cultivating Human Resources

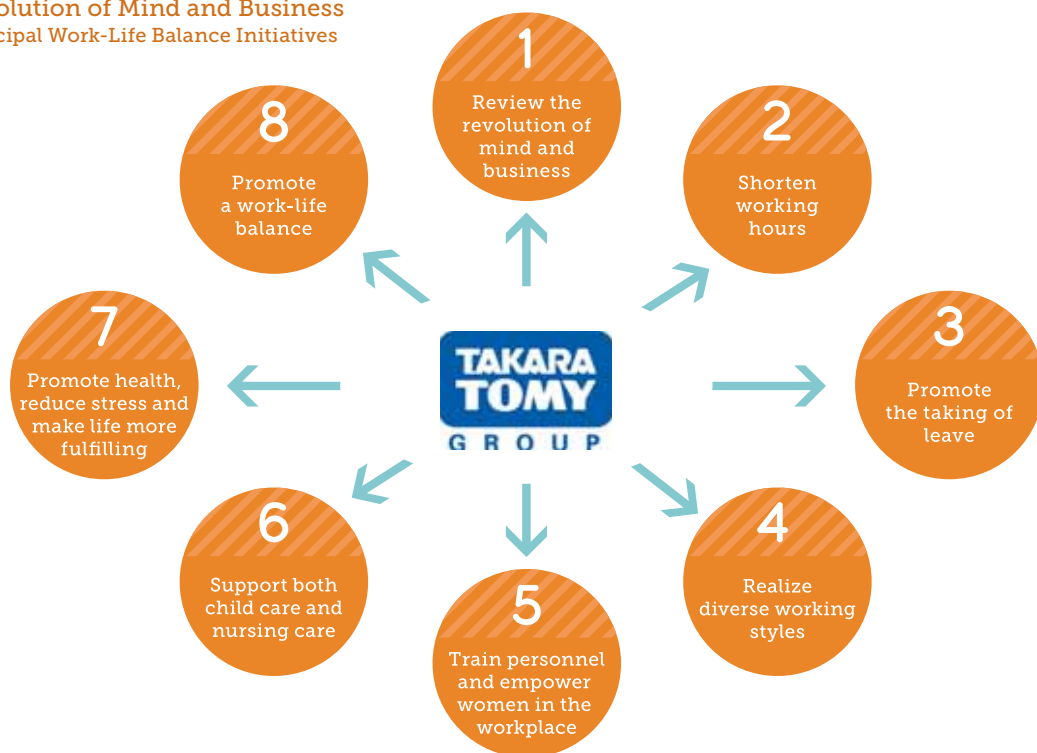
The TOMY Group maintains two policies for retaining and cultivating the human resources who are the source of corporate value creation. These are “work-life balance as a management strategy” and “workplace invigoration measures to stimulate the creation of ideas.” For us, a work-life balance is not about making a clear division between work and private time. Instead, we aim for the two to be mutually reinforcing. In other words, increasing the amount of time spent away from work enables employees to spend more time with their families and maintain their mental and physical health. Active participation in outside activities fosters interaction with others and promotes self-improvement, which in turn leads to better work efficiency. In this sense, our approach is more about “work-life integration.” At the same time, we are increasing a number of workplace invigoration measures that achieve the desired effect of combining work with private life.

## Work-Life Balance as a Management Strategy

The TOMY Group takes a positive approach toward a 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 whose working time is limited due to child care or nursing care to work at home, thereby increasing their motivation. We also hold multiple seminars to support a balance between child/nursing care and work. We have extended our internal consulting system to include four in-house counselors, including people with experience working and raising children. Attesting to the success of our efforts, in addition to seeing an increase in the number of people taking child-care leave, we maintain a return rate of nearly 100%.

## Revolution of Mind and Business Principal Work-Life Balance Initiatives



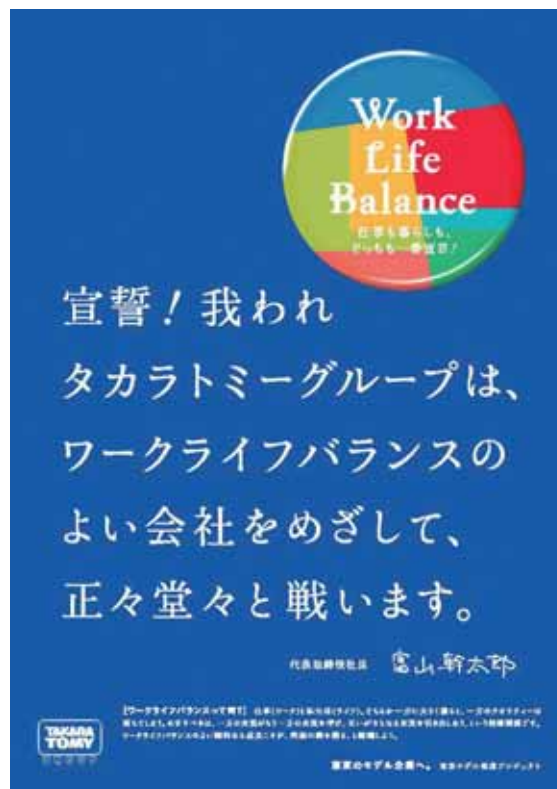
## ORGANIZATION AND HUMAN RESOURCES

We have also introduced iPads to allow employees to check their e-mail, conduct presentations and participate in video conferences from outside the Company. We promote mobile work that makes effective use of commuting time and reduces the use of paper, as well as improving employees' working efficiency. We encourage people to take regular time off work to refresh their minds and bodies, and we have a leave system for special days such as birthdays and wedding anniversaries, promoting an overall culture of leave-taking.

### LICCA Doll's Father Wins "Ikumen of the Year 2014"

Pierre Kayama, the father of our LICCA doll with clothing that can be changed, won the Ikumen of the Year 2014 award (Ikumen refers to fathers who are actively involved in child-raising) on October 16, 2014, naming him the father who most enjoyed and worked hardest at child-rearing during the year. This event, which is aimed at freeing women from the responsibility of child care, encouraging more men to participate in child care and boosting the awareness of child-care leave, is run by the Ikumen of the Year Executive Committee and supported by the Ministry of Health, Labour and Welfare and the ministry's Commissioned Ikumen Project.

This award was presented to Pierre Kayama in recognition of the importance he accords to time with children and his proactive involvement in child-rearing and household chores. Scenes from Kayama's time on child-care leave were introduced via @bonjour\_licca, the LICCA doll's public Twitter account. The activity aimed to encourage men who want to take a more proactive role in child-rearing and to provide hints on optimizing the relationship between child-rearing and families.



In-house poster to boost awareness of the work-life balance



"Kurumin" certification

## Workplace Invigoration Measures Utilizing Diversity to Create Ideas

In May 2014, we launched the “TO¥SYSTEM” to stimulate the voluntary creation of ideas across a broad range of employees, regardless of departmental affiliation or position. We set up an in-house suggestion box that elicits a broad range of suggestions, ranging from product plans to proposals for operational improvements. People who supply these ideas are awarded a certain number of TO¥s, an in-house currency, and receive a motivational boost when their proposals are implemented.



TO¥SYSTEM

## Utilizing and Training Human Resources

We provide training for next-generation leaders, rank-based training and training designed to develop specific skills, centering on elective training.

To encourage an abundance of corporate creativity, we also conduct regularly planned training and collaborate with other companies on different types of training programs.



Lounge for employees to exchange opinions freely



# PRODUCT AND HISTORY

## Embracing the Challenge of Offering New Toys to Match the Changing Times

Throughout its history reaching back more than 90 years, TOMY has aligned the universal essence of toys and its carefully nurtured brand value with the changing times. In the first generation of our business, the world market was one of tin toys. In the second generation, tin gave way to plastics. The third generation was characterized by toys that added value through information—the so-called information revolution. Now, the industry is making another major step, this time toward the development of toys for the individual. As this new era unfolds, we will apply the experience and expertise we have nurtured as a leading toy company as we aim for further growth.



# HISTORY OF INNOVATION

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

1<sup>st</sup>

## 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.

2<sup>nd</sup>

## 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.

3<sup>rd</sup>

## 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.

4<sup>th</sup>

## 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.

## 1<sup>st</sup> generation 1924~

### 1920>

**Founded Tomiyama Toy Seisakusho, the predecessor of today's TOMY**

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

- 1924 AERO PLANE BREGUET
- 1930 LOOPING PLANE
- 1935 AIR MAN
- 1937 TANK
- 1946 JOHN DEERE



AERO PLANE BREGUET



JOHN DEERE\*



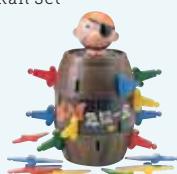
B-29



The Game Of Life



Sky Ping-Pong



Pop Up Pirate



Tomica

### 1950>

**Transferred from metal to plastic**

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

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



Plastic Train and Rail Set

## 2<sup>nd</sup> generation 1954~

### 1960>

**Early success in expanding overseas during the export boom**

At a time when half of the toys it produced were exported, TOMY was quick to open representative offices in New York and Europe with the aim of making inroads directly. In Japan, the company established production bases, set up a development center—an unprecedented move in the industry—and took other steps to create a system uncompromisingly committed to good manufacturing. TAKARA grew into a comprehensive toy manufacturer, propelled in its business expansion by hit products that made use of the company's vinyl processing technology.

- 1960 Dakko-Chan
- 1964 Ohanashi Miko-Chan (Talking Miko)
- 1967 Licca doll
- 1968 The Game Of Life (Japanese Version)
- Magic Skyrail
- 1969 Tumble Robot



Water Game



ZOIDS



Sensei



Koeda-Chan mini dolls



Licca doll

## 1970>

### Start-up of overseas production

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

- 1970 Tomica  
G.I. Joe
- 1972 Henshin Cyborg
- 1974 Microman (Micronauts)
- 1975 Pop Up Pirate  
Pocket Mate  
Tuneyville Choo Choo  
Kotetsu Jeeg
- 1976 Water Game  
Amikko Knit Stitcher  
Born Free  
TOMIX
- 1977 Sensei  
Koeda-Chan mini dolls (Treana & Her Forest Friends)
- 1978 Black Racer



Rock 'n' Flowers

Musican



LAMAZE\*



TOMIX

JR東日本商品化許諾済

## 1980>

### Ongoing reform and expansion of sales channels

TOMY established the Handicap Toy Laboratory in 1980 and popularized efforts in the industry to create barrier-free toys. In 1985, the Plaza Accord threw the company into a sudden management crisis, and drastic reforms were implemented, including the closure of factories in Japan. The following year, Kantaro Tomiyama was appointed the third president and CEO in a shakeup of the management structure. TAKARA went public in 1984 and grew steadily, being listed on the Second Section of the Tokyo Stock Exchange in 1986. In 1988, the company switched from a focus on its core business of toys to diversified operations, rolling out products aimed at a wide range of fields.

- 1980 Choro-Q (Penny Racers)  
Diaclone
- 1981 Pac-Man  
UNO
- 1982 Japanese version Barbie  
Tomy Tutor (Pyuta)  
Orihime Weaving Machine  
Mechabonica
- 1983 ZOIDS
- 1984 Transformers  
Omnibot
- 1986 Jenny doll  
Cotton Candy Maker
- 1987 Palm Pets  
Norakurokun Rock'n plush
- 1988 Rock 'n' Flowers  
Mashin Hero Wataru character products  
Gacha  
Jenga
- 1989 Kentoshi Boxing Ring  
Plush Goma-chan from Shonen Ashibe  
Monopoly

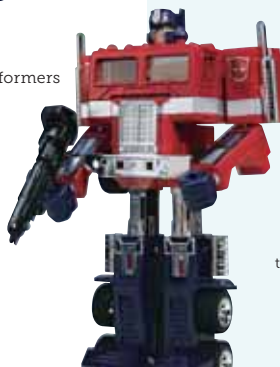


Choro-Q



Furby

Transformers



## 1990>

### From "product out" to "market in"

TOMY prepared for regeneration with a new structure. With this, it announced a business diversification strategy focused on the three core areas of toys, general goods and multimedia products. It rolled out a stream of new measures, including entry into the character business and a business alliance with HASBRO, Inc., in the United States. In 1997, TOMY went public and in 1999 it was listed on the Second Section of the Tokyo Stock Exchange. From the second half of the 1980s, TAKARA expanded its Hearty Series for enriching people's lives and released products based on TV characters that became hits. With this aggressive product expansion, the company was listed on the First Section of the Tokyo Stock Exchange in 1991.

- 1990 Musican  
Dear Word Processor for child  
Chibi Maruko-chan character products
- 1991 Healing Birds
- 1992 Thomas and Friends  
Super Famicon software Legend of the Hungry Wolf
- 1993 B-Daman  
Pinkish
- 1994 Perfect Picture Maker
- 1995 Toshinden  
LAMAZE
- 1996 Cella Sticker Machine  
Lullaby Home Theater
- 1997 Pokémon (Toys)  
Beast Wars: Transformers
- 1998 Polaroid Pocket Xiao
- 1999 Furby  
Beyblade  
Twister



Beyblade



Pokémon

\* The photographs do not present those at the time of product launch.

## 3rd generation 1984~

### 2000>

#### Beginning of a new era in the toy industry

TOMY concluded a comprehensive licensing agreement with Walt Disney International Japan Inc. in 2000, the same year its stock was transferred to the First Section of the Tokyo Stock Exchange. In pursuit of further growth, TOMY aimed for progress as a group, including the establishment of a development subsidiary and the founding of a new company for the planning and selling of stuffed toys and a company for utilizing new technology. In 2000, TAKARA advocated expansion of the toy business and aggressively moved forward with the rollout of products and leveraged its planning and marketing prowess to continue offering a succession of popular products. In 2006, TAKARA and TOMY merged, becoming TOMY Company, Ltd. (known as TAKARATOMY in Japanese), with the aim of maximizing their respective strengths and becoming the world's top toy manufacturer.

2000 e-kara  
Colorful Dakko-Chan  
Nanchatte Phone  
Aquaroid  
2001 Bit Char-G  
Sweet Bambini  
DREAM FORCE 01  
2002 Bowlingual  
Nohohonzoku  
Duel Masters  
Micro Pet  
Qi  
Choco Q  
2003 Meow-Lingual  
2004 Aero R/C  
Yumemi Kobo  
THE FIRST YEARS

2005 Yumel  
Video game  
software, NARUTO  
Walkie Bits  
2006 Jinsei Ginko  
(Life Bank)  
Aero Soaer  
Baby Cheroot Switch  
2007 Omnibot  
17μ i-SOBOT  
Ie-Soba  
Home Soba Maker  
Air Guitar  
Pokémon Battrio  
2008 Tomica Hero  
2009 Fresh Caramel Maker  
Clockman



Nohohonzoku



Duel Masters



Jinsei Ginko



THE FIRST YEARS



Omnibot 17μ i-SOBOT



Ania

### 2010>

#### Toward tomorrow's hit products

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

2010 Pretty Rhythm  
Furu Chara Sorbet  
Maker  
Potech No Te  
2011 Battroborg 20  
Mimicry Pet  
2012 Pokémon TRETТА  
2013 Ania



Battroborg 20

# 2014>

- 2014 PRIPARA  
WIXOSS
- 2015 SHINKALION  
OHaNAS  
Linear Liner  
Licca Stylish Doll collections



WIXOSS



PRIPARA



OHaNAS



Pokémon TRETТА



Licca Stylish Doll collections



Linear Liner

JR東海承認済



SHINKALION

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# CORPORATE SOCIAL RESPONSIBILITIES/ CORPORATE GOVERNANCE

## A Management Structure That Supports Corporate Value Enhancement

The TOMY Group is proud of the toy business it operates and strives never to forget its corporate responsibilities. For the benefit of all our stakeholders, we continue to create new value from play. Our fundamental philosophy of bringing smiles to the faces of children around the world is also the starting point for our social and environmental activities and responsible actions.



## CONTRIBUTING TO SOCIETY THROUGH OUR BUSINESS

### Product Safety and Quality

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.

#### Our Own Standards and Thorough In-House and Third-Party Testing

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.



Product strength testing  
(Tomica tests involve more than 500 items.)

### Environment

The TOMY Group promotes eco-friendly toy manufacturing. We also aim to cultivate a sustainable society by encouraging environmental awareness through the toys that children hold dear. In line with these aims, we are pursuing environmental initiatives through three approaches creating on the concept of "100 Years of Play."

#### APPROACH 1

##### Environmentally Friendly Toy Manufacturing

We conduct our manufacturing in a manner that makes effective use of resources and is considerate to the global environment. For example, we have taken an industry lead in introducing Type II environmental labeling. We have designated toys that meet our specific environmental standards as "Eco-Toys." These standards are set by the Eco-Toy Committee, comprising members from throughout our organization, and the third-party Green Procurement Network, of which we are a member. We also accept guidance from the Eco Mark Office in establishing environmental standards spanning the product life cycle, including toy manufacturing and use. In the year ended March 31, 2015, we introduced a new way to play with Eco-Toys with the Tomica Mecha Action Car Factory, which requires no batteries.



Playing is Eco



Tomica Mecha Action Car Factory

## CONTRIBUTING TO SOCIETY THROUGH OUR BUSINESS

### APPROACH 2

#### Environmental Communication through Toys

We provide children with opportunities to think about the global environment and help cultivate their imagination. Specifically, at in-store and various other events we conduct awareness activities where children can learn about the environment through play. We also conduct school visits and host Company tours for elementary, junior high and high school students, where TOMY employees talk to children about their work in building toys and environmentally friendly activities. This sort of “educational CSR” raises children’s environmental awareness and gives them a chance to learn about occupations at the same time.



The Eco Life Fair in cooperation with the Ministry of the Environment



Participation in the Green Power Festival sponsored by the Ministry of Economy, Trade and Industry Agency for Natural Resources and Energy



The visiting lesson at a primary school



A summer lecture on the environment for parents and children

### APPROACH 3

#### Environmental Activities Suited to a Toy-Friendly Society

In Tokyo’s Katsushika-ku, where the Company was founded and the head office is located, we take part in social contribution activities sponsored by the ward and actively participate in and collaborate with events aimed at stimulating the region. To highlight the local toy-making industry and encourage an interest in craftsmanship, since 1992 we have cooperated in the Toy Idea Contest sponsored by Katsushika-ku for elementary schools within the ward, and we have established the Eco-Toy Awards for innovative toy ideas. We are also cooperating with companies from other industries and broadening our environmental activities in collaboration with other organizations and the Japanese government on awareness efforts to reach an even greater number of people.

#### PLA-PLUS Project (Ministry of the Environment)

We take part in the PLA-PLUS Project to test the collection and recycling of used toys. Often, toys that are no longer played with are retained in family homes as memories of happy times. Although many people are reluctant to part with toys, a growing number are willing to participate in recycling efforts if this means making effective use of the toys.

The TOMY Group is the only member of the toy industry participating in this project. We selected Kiddyland Harajuku as our initial collection point. In 2014, the project’s third round, the total volume of plastic products collected at stores, around 3,200 kg, was also used in tests of new recycling technology.



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

#### Contributing to Children’s Eco-Activities Again This Year at the Low-Carbon Cup 2015

The TOMY Group encourages children’s eco-activities in a variety of locations, including at school and home. We support the Low-Carbon Cup (sponsored by the Low-Carbon Cup Executive Committee) to broaden the ecological circle. Of all the organizations taking part, this year’s Outstanding Next-Generation Award was won by Kawasaki Daishi Nursery School for “Interacting with Nature, Environmental Childcare,” which was an enjoyable presentation on the school’s efforts to bring smiles to the next generation.



Receiving the Japan Environment Association 2012 Eco-Mark Awards Gold Medal.



Receiving the GP Award in September 2015 by the Japan Federation of Printing Industries

## Community Involvement

The TOMY Group believes in “corporate management that contributes to the world.” Accordingly, we create and develop “Accessible Design Toys,” which can be enjoyed irrespective of disability.

### A 25-Year History of Accessible Design Toys That Can Be Enjoyed Irrespective of Disability

The TOMY Group began developing toys for children with disabilities in 1980, and in 1990 we began offering these toys for the general market as Accessible Design Toys, which can be enjoyed irrespective of disability. These efforts have now spread throughout the toy industry.

Accessible Design Toys include design features benefitting people with visual disabilities, such as placing a raised surface mark on the ON side of the switch, whereas for people with hearing disabilities we include a variety of features instead of sounds that contribute to fun playtime, such as light, vibrations and text.

Accessible Design Toys are sold in the general toy market, so we do everything possible to make their packaging easily recognizable. For example, toys for children with visual disabilities bear a seeing-eye dog mark, and those for children with hearing disabilities are marked with a rabbit.

To use these marks, toys must pass screening by the Japan Toy Association’s Accessible Design Toy Committee.



**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.

### The TOMY Group’s Accessible Design Toys

As of August 2015, the TOMY Group had Accessible Design Toys recognized in around 100 categories.

Given the growing number of opportunities for children with and without disabilities to play together at nursery schools and kindergartens, we believe demand for Accessible Design Toys will increase further.

### For three consecutive years, TOMY has won the grand prize in the Accessible Design Toys division in the Toy Awards sponsored by the Japan Toy Association

In 2015, our JOUJOU Look for the Color Catch Pen product won the Japan Toy Association Grand Prize in the Accessible Design Category. This toy has sensors capable of detecting some 24 colors and communicates using lights and sound. The use of color increases the level of enjoyment for people with vision difficulties and helps them get a better sense of their surroundings. A free downloadable tablet app allows the sounds emitted by the pen to indicate text, making the toy fun to play with for people with hearing disabilities as well.

TOMY plans to continue promoting Accessible Design Toys going forward.



JOUJOU Look for the Color Catch Pen campaign

# CORPORATE GOVERNANCE

## Basic Policy

TOMY Company Ltd. ("TOMY") today maintains the trust of our stakeholders while offering continual improvements in corporate value and building on sound and transparent management practices. We will make every effort to achieve this through enhancing corporate governance and continually improving internal control systems. 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. Method of Appointing Directors and Audit & Supervisory Board Members

As an advisory body to the Board of Directors, we have established the Board Director Nominating Committee, composed of outside directors and outside members of the Audit & Supervisory Board. This committee evaluates and provides recommendations and advice on the appointment of directors.

### 2. Outside Directors

TOMY appoints two independent outside directors, making up at least one-third of its total number of directors (six).

### 3. System for Performance of Duties by Directors

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.

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 matters of the Executive Officers Meeting shall be reported to the Board of Directors as deemed necessary.

3\_ The Advisory Committee, composed of outside directors and Audit & Supervisory Corporate Governance 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.

4\_ 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.

### 4. Auditing Function

1\_ TOMY has an Audit & Supervisory Board, and in compliance with the law the four Audit & Supervisory Board members (three 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.

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.

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 share them with 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 companywide 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 Corporate Human Resources & General Affairs Division, General Affairs Group, Environment Team 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 nonexecutive 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 or less annually for directors 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.

## **5. Response to the Corporate Governance Code**

In accordance with the tenor and the purpose of the Corporate Governance Code, the Company makes a sincere effort to fulfill its duty of accountability to stakeholders. The Company's corporate governance report, filed with the Tokyo Stock Exchange, discloses information regarding decisions and implementation status. For details, please see the Company's website or refer to the Tokyo Stock Exchange's listed company information.



## BOARD OF DIRECTORS

(As of June 24, 2015)

### Takashi Konosu

Board Director  
Senior Executive Officer  
Head of Toy Business HQ

### Kazuhiro Kojima

Board Director  
Senior Executive Officer  
Chief Financial Officer

### H.G. Meij

Representative Director  
President & CEO



**Kantaro Tomiyama**  
Chairman

**Kakuei Miyagi**  
Board Director (outside)

**Shigeyuki Mito**  
Board Director (outside)



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

(As of June 24, 2015)

## BOARD OF DIRECTORS

Jul. 1982	<b>Kantaro Tomiyama</b> Joined the Company
Jun. 2000	President and CEO
Jun. 2015	Chairman (to present)
Mar. 2014	<b>Harold George Meij</b> Management Advisor
Apr. 2014	Chief Operating Officer & Head of Global Business HQ
Jun. 2014	Representative Director; Chief Operating Officer; Head of Global Business HQ
Jun. 2015	Representative Director, President & CEO (to present)
Jun. 2009	<b>Kazuhiro Kojima</b> Board Director (outside) of the Company
Oct. 2014	Board Director; Senior Executive Officer; CFO; Head of Corporate Administrations (to present)
Apr. 1976	<b>Takashi Konosu</b> Joined the Company
Apr. 2015	Board Director; Senior Executive Officer; Head of Toy Business HQ (to present)
Jun. 1997	<b>Kakuei Miyagi</b> 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)
Apr. 1989	<b>Shigeyuki Mito</b> Registered as Attorney at Law of Dai-Ichi Tokyo Bar Association
Oct. 1990	Participated in the 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)
Jun. 2015	Board Director (outside) of the Company (to present)

## AUDIT & SUPERVISORY BOARD MEMBERS

Jun. 1996	<b>Takeichi Nozawa</b> 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)
Mar. 1974	<b>Tsunekazu Umeda</b> Registered as Certified Public Accountant
Sep. 1987	Senior Partner of Arthur Andersen Partners and Eiwa Auditing 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 Corporate Auditor of Suzuden Corporation (to present)
Jun. 2015	Audit and Supervisory Committee Member of HABA Laboratories, Inc. (to present)
Oct. 1985	<b>Jun Nogami</b> Joined Nogami Tadashi Certified Tax Accountant Office
Jun. 1991	Registered as Certified Tax Accountant and Opened Nogami Jun Certified 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)
Apr. 1988	<b>Toshi Yoshinari</b> Registered as Attorney at Law of Tokyo Bar Association
Apr. 1988	Joined Yamamoto Eisoku Law Office
Apr. 1991	Opened Yoshinari/Jonai 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)



## AUDIT & SUPERVISORY BOARD MEMBERS

(As of June 24, 2015)

**Takeichi Nozawa**

Audit & Supervisory  
Board Member

**Tsunekazu Umeda**

Audit & Supervisory  
Board Member (outside)

**Jun Nogami**

Audit & Supervisory  
Board Member (outside)

**Toshi Yoshinari**

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. dollars <sup>1</sup>
	2015	2014	2013	2012	2011	2010	2015
Net sales	¥149,938	¥154,804	¥178,745	¥187,265	¥159,490	¥178,713	\$1,247,717
Net sales <sup>2</sup>	149,938	148,325	—	—	—	—	1,247,717
Gross profit	52,704	53,142	55,160	61,137	52,668	54,994	438,581
Total selling, general and administrative expenses	50,237	49,807	52,613	50,951	42,341	44,538	418,055
Operating income	2,466	3,335	2,547	10,186	10,327	10,456	20,526
Ordinary income	2,014	3,300	2,622	9,823	10,143	10,382	16,764
Income (loss) before income taxes and minority interests	206	2,607	(4,846)	7,976	7,837	8,673	1,716
Net income (loss)	(1,817)	232	(7,173)	3,679	8,929	8,978	(15,122)
(EBITDA) <sup>3</sup>	11,194	11,526	10,086	16,854	14,601	14,512	93,157
R&D expenses	2,598	2,498	2,978	2,722	2,205	2,457	21,620
Depreciation and amortization	8,728	8,191	7,539	6,667	4,274	4,055	72,630
Net cash provided by operating activities	6,827	12,429	6,701	16,046	8,486	16,857	56,815
Net cash provided by (used in) investing activities	(2,428)	(1,015)	(3,414)	(38,048)	1,169	(3,033)	(20,210)
Net cash provided by (used in) financing activities	(10,022)	1,735	(8,494)	29,718	(6,767)	(8,538)	(83,399)
(As of March 31)							
Total assets	159,638	156,467	152,732	156,654	94,597	95,880	1,328,437
Net assets	49,650	50,907	49,692	51,805	48,744	42,062	413,167
Interest-bearing debt	75,337	72,889	66,293	68,815	21,270	25,270	626,928
PER SHARE DATA (YEN)							(U.S. dollars)
Net income (loss)	¥ (19.91)	¥ 2.47	¥ (76.21)	¥ 39.09	¥ 94.85	¥ 96.60	\$ (0.17)
Dividend	10.00	10.00	10.00	14.00	14.00	12.00	0.08
Net assets	567.91	526.49	506.41	525.46	501.54	432.90	4.73

	2015	2014	2013	2012	2011	2010
<b>MAJOR FINANCIAL INDICES</b>						
Operating margin (%)	1.6	2.2	1.4	5.4	6.5	5.9
Gross profit margin (%)	35.2	34.3	30.9	32.6	33.0	30.8
Overseas sales ratio (%)	42.8	41.3	(14.8)	36.2	19.7	17.4
Return on equity (ROE) (%) <sup>4</sup>	(3.7)	0.5	—	7.6	20.3	25.5
Return on assets (ROA) (%) <sup>5</sup>	1.3	2.1	1.7	7.8	10.7	11.1
Equity ratio (%)	30.2	31.7	31.2	31.6	49.9	42.5
Debt-to-equity ratio (%) <sup>6</sup>	47.2	143.2	133.4	132.8	43.6	60.1
Dividend on equity (%)	1.7	1.9	1.9	2.7	2.8	2.8
Dividend payout ratio (%)	—	404.4	—	35.8	14.8	12.4
<b>STOCK DATA</b>						
Stock price at year-end (Yen)	714	478	478	605	630	728
Market capitalization (Millions of yen)	60,587	44,994	44,996	56,952	59,306	68,534
PER (Times)	—	193.3	—	15.5	6.6	7.5
PBR (Times)	1.3	0.9	0.9	1.2	1.3	1.7
Number of shares outstanding (Thousand shares) <sup>7</sup>	84,856	94,130	94,134	94,136	94,138	94,140
<b>COMPANY DATA</b>						
Number of subsidiaries	38	40	45	49	29	34
Number of employees (Consolidated)	2,086	2,056	2,171	2,294	2,535	2,572
Number of employees (Non-consolidated)	490	486	516	642	667	649
Average age of employees (Non-consolidated)	40.4	39.3	38.7	40	39.8	39.3

Notes:

1. U.S. dollar amounts have been translated at the rate of ¥102.17=US\$1, the approximate exchange rate at March 31, 2015.

2. Net sales excluding the impact of share transfers of TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.

3. EBITDA=Operating income+Depreciation and amortization

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

5. Return on assets=Ordinary income÷Total assets

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

7. Treasury stock has been excluded from these figures.



## CORPORATE INFORMATION

(As of June 24, 2015)

### 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 (As of March 31, 2015)

2,086 (consolidated)

490 (non-consolidated)

### MAJOR GROUP COMPANIES

#### 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, 2015)

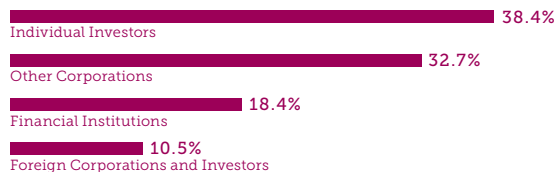
Number of Shares Authorized: 384,000,000

Number of Shares Issued: 96,290,850

Trading Unit of Shares: 100

Number of Shareholders: 86,816

### Distribution of Ownership among Shareholders



### MAJOR SHAREHOLDERS

Name	Number of shares held	%
Marunouchi Capital Fund 1	10,271,800	12.10
Japan Trustee Services Bank, Ltd. (Trust Account)	4,808,100	5.67
TOMY Insurance Ltd.	4,619,952	5.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,102,200	4.83
Tsukasa Fudosan	2,945,360	3.47
Kantaro Tomiyama	2,746,886	3.24
Akie Tomiyama	1,483,101	1.75
State Street Bank and Trust Company 505223	1,285,672	1.52
Japan Trustee Services Bank, Ltd. (Shares retrusted to Sumitomo Mitsui Trust Bank, Limited, and shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	900,000	1.06
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	853,100	1.01

Note: Percentage of shares held is calculated after exclusion of 11,434,356 shares of treasury stock.





TOMY Company, Ltd.

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

<http://www.takaratomy.co.jp>

