



# GO BEYOND

## ANNUAL REPORT 2017

**TOMY Company, Ltd.** (For the year ended March 31, 2017)



This annual report cover incorporates augmented reality. See page 67 for details.



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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.



**International ARC Awards**  
Bronze in the Toy Manufacture and Sales/  
Summary Annual Review Category



**LACP「2015/16 Vision Awards」**  
7th among the Top 50 Worldwide;  
1st (Platinum) in the Consumer/Consumables Industry



**International ARC Awards**  
Grand Award in the Summary Annual Review Category/  
1st (Gold) in the Toy Manufacture and Sales/Grand Winner  
in the Specialized & Summary Annual Reports category



**LACP「2014/15 Vision Awards」**  
5th among the Top 50 Worldwide;  
1st (Platinum) in the Consumer/Consumables Industry



**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

# GO BEYOND<sup>1</sup>

## Aiming for New Value Creation

With more than 90 years of history since its founding, TOMY has always provided “new value from play” as a leading company in the toy industry. This is the fruition of swiftly executed transformations in management thinking and numerous measures implemented in anticipation of contemporary trends.

At present, we are being swept along with the massive wave of contemporary trends. Amid substantial changes in the concept of toys and how to play with them due to the spread of smartphones, digital devices and social media, the TOMY Group launched management reforms in 2014. In last year’s annual report, we introduced the aims, initiatives and achievements of these reforms under the keyword “evolution.”

In the 2017 annual report, we introduce four episodes featuring initiatives going beyond this evolution under the theme “New Value Creation—GO BEYOND.”

Episode 1 focuses on the value creation that is the basis for our mission, history and business activities. Episode 2 features the strategies linking new value and growth. Episode 3 details specific initiatives for creating new value. Episode 4 discusses value creation with stakeholders. In this way, we hope to gain your understanding of the TOMY Group developments going forward.

# TOP MESSAGE

## To Our Stakeholders

Three years have passed since celebrating the 90th anniversary of our founding in 2014, when we announced our New Medium-Term Management Plan and launched the three reforms: “revolution of mind,” “product revolution,” and “structural revolution of business.” Under this new management policy, we persuaded our employees to ignore their fears of failure and take on new challenges and instilled the necessity of globalization. We also enhanced our core product lines, promoted the expansion of branding and new product development while drastically revising our management structure in Japan and overseas as part of these reforms. Furthermore, in line with the four elements critical for the toy market going forward: “ENDLESS: Developing New Ways to Play in Step with the Changing Times,” “AGELESS: Incorporating New Age Groups,” “BORDERLESS: New Marketing” and “POA: New Selling Spaces and Product Deployment,” the Group will integrate the experience and know-how accumulated through the cultivation of products, brands and the development processes associated with each to pursue the path of evolution toward the next growth stage.

Our efforts on these various reforms are already creating major changes. One is that we were able to significantly improve our financial performance in the fiscal year ended March 31, 2017. Net sales and operating profit increased for the second consecutive fiscal year, with operating profit growing substantially over the previous fiscal year. Another point is that we were able to offer new propositions to consumers in terms of the role and definition of toys by creating new values different from the past through these reforms. The spread of new technologies used in toys and new values added to toys enable toys to be played in variety of roles, and expanding the toy target segment to include not only children, but also adults and seniors. We believe this trend of changing roles and definitions for toys will become an important element in the expansion of the existing toy market.

Leading the way into a new era, TOMY will continue striving to create new value in the global market.

H.G. Meij

Representative Director  
& President



Kantaro Tomiyama

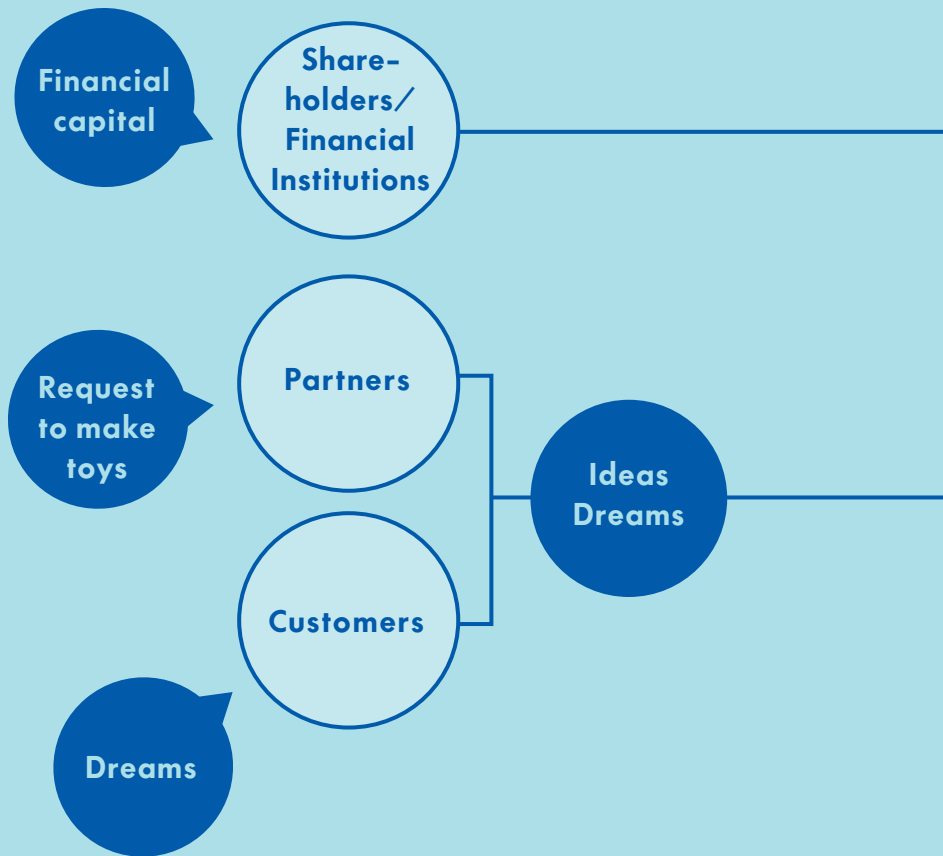
Representative Director  
& Chairman

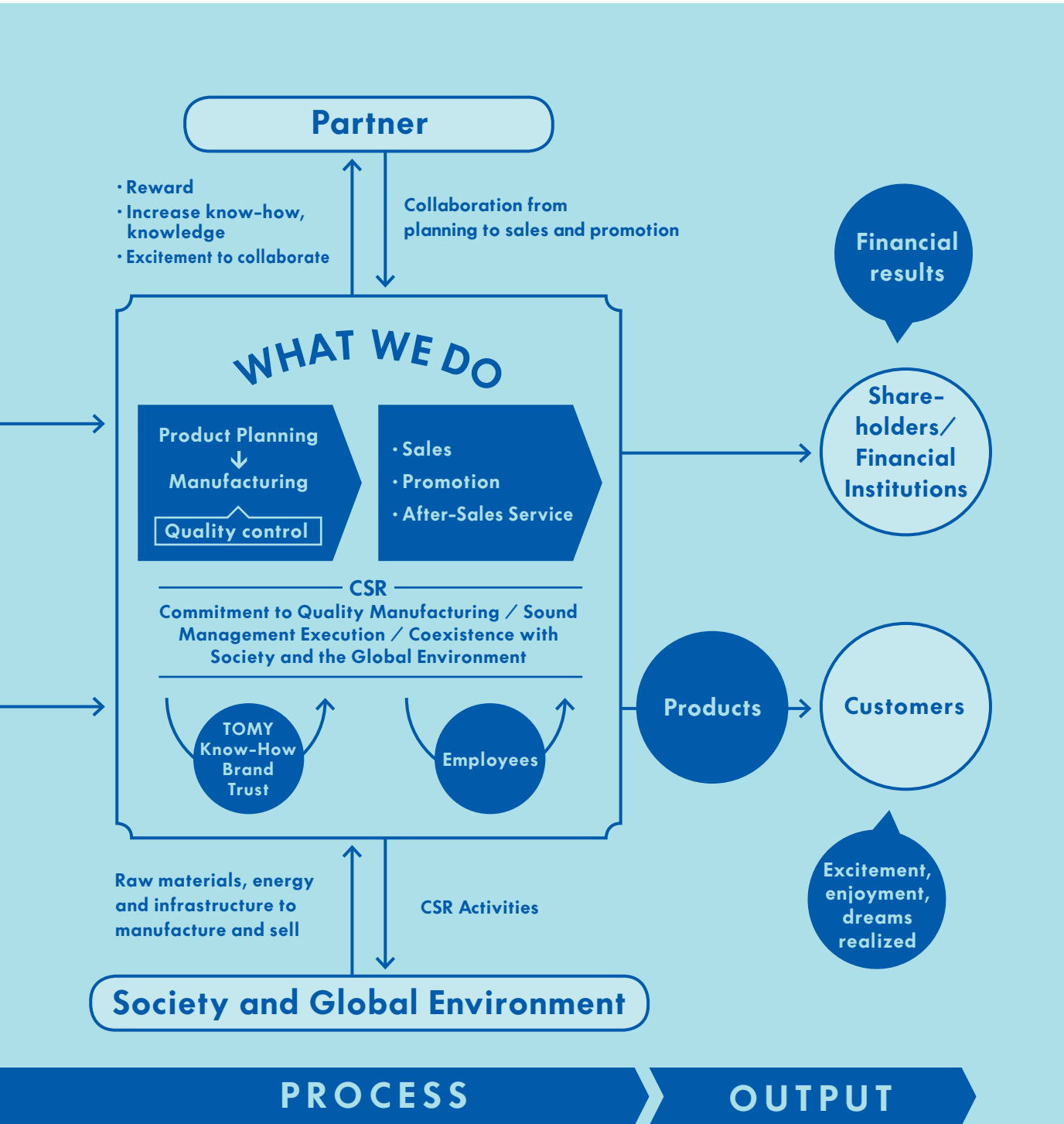
富山 幹太郎



# Business Model and Corporate Value Creation

TOMY Group toys come to life through business activities ranging from planning and development, to manufacturing, sales, promotion and after-sales service. Each one of these processes creates added value related to customer needs, a diverse array of human resources and partners, society and the environment, creating corporate value.





# EPISODE 1

## TOMY Group Philosophy, History and Business Activities

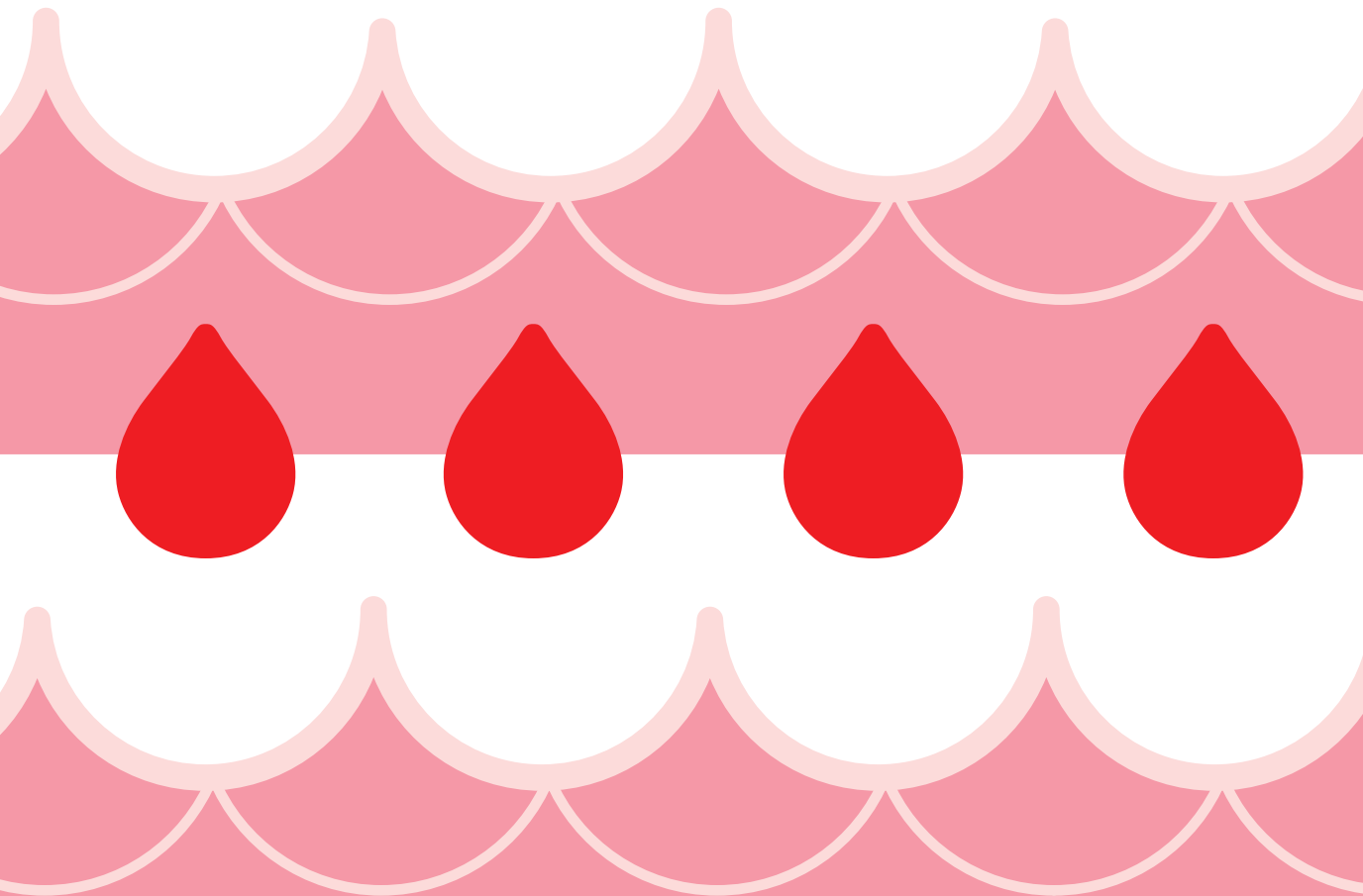
Through the constant promulgation of our founding concept "Let's excite the world's markets with our outstanding products," we have created numerous hit products. Our core products have evolved with the changing times while retaining all their fun, further providing new value as cherished brands responsible for the TOMY Group's current growth.

### **A Promise from 25 Years Ago: The LICCA 50th Anniversary Party**

25 years ago in 1992, we promised everyone who purchased one of the 2,500 "2017 Premium LICCA" limited edition dolls an invitation to a "Party in 25 Years." This was the LICCA 50th Anniversary Party held in July 2017. On this day, a ceremony expressing our appreciation and a LICCA exhibit were held. Comments from some of those who attended included "I was surprised they actually held the party," and "I came with my daughter who was an infant when I bought this," making the event a great opportunity to recall fond memories and tell stories.







## Philosophy, Mission and History

### 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.

## HISTORY OF INNOVATION

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

**1<sup>ST</sup>**

**GENERATION**

**1924-1953**

Craftsmanship

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**

**1954-1983**

Mass Development  
And Production

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**

**1984-2013**

Marketing  
Growth of Mass  
Media

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**

**2014-**

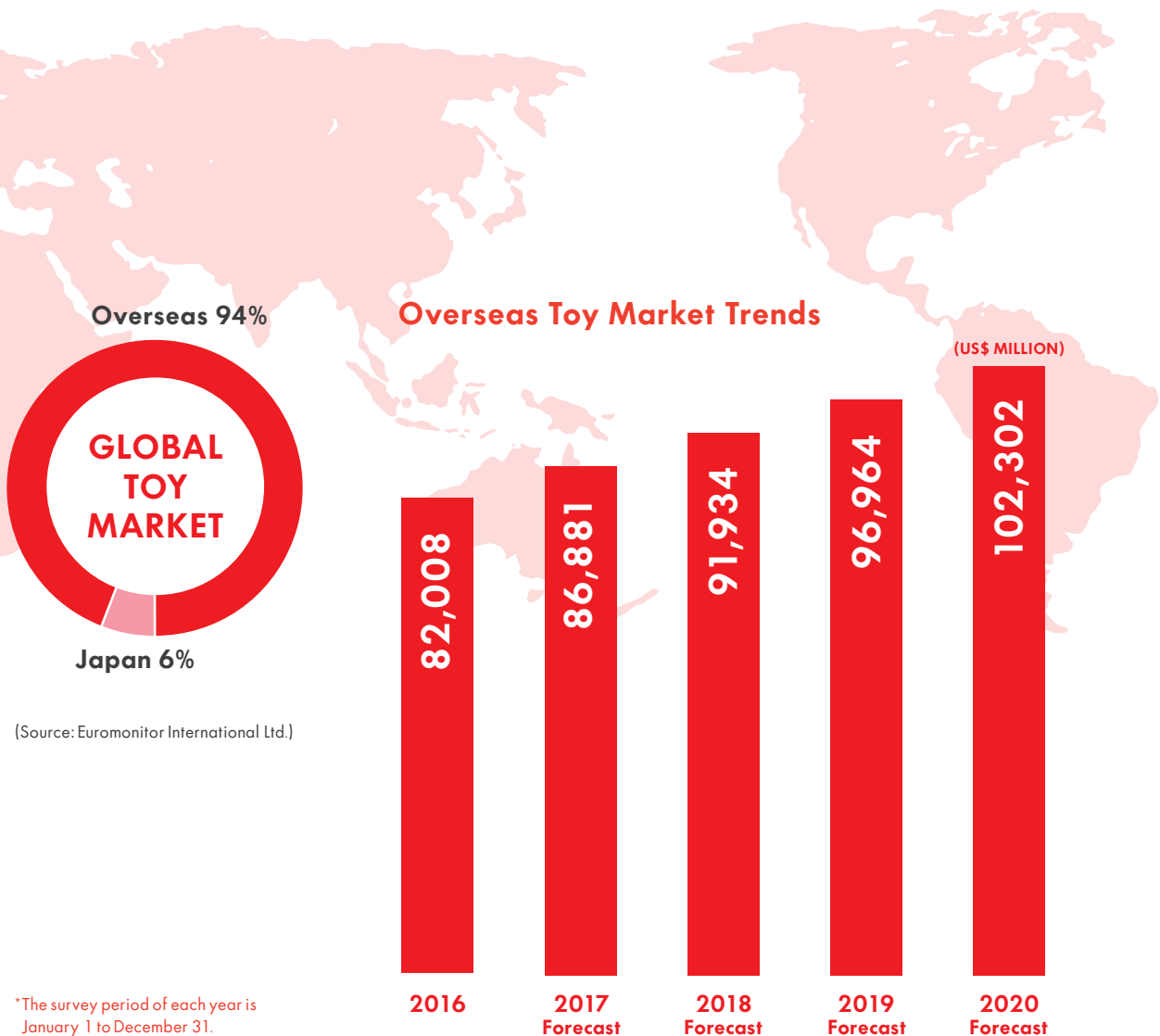
New Technology  
Analog Toys with  
Digital Elements

The Personal  
Revolution

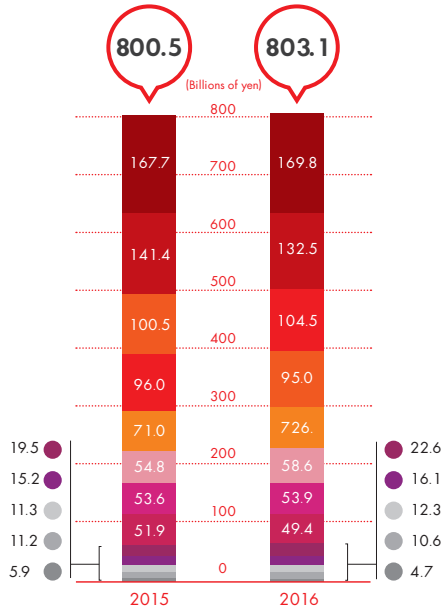
This era is characterized by "new technologies" that fuse analog with digital. Products and modes of play are entering the "individual" era, and the market is turning from the promotion of individual products to the ascendancy of brands.

## Our Business and the Toy Market

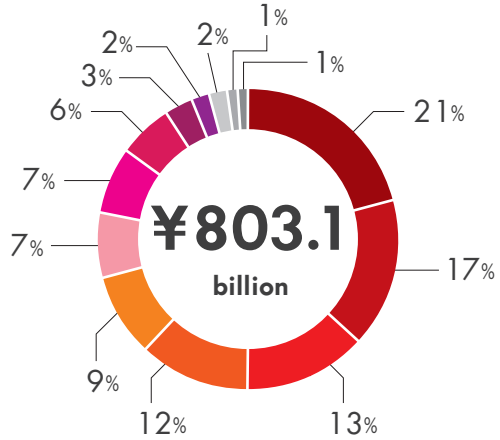
Although the Japanese toy market is sluggish due to low birth rates, the global toy market is expected to grow at an average of 5.7% annually, from \$80.0 billion in 2016, to \$100.0 billion in 2020. Japan accounts for 6% of the global toy market, and just 1% when viewed in terms of the global population aged 14 and under. For the TOMY Group, the key to earnings expansion going forward is further raising our overseas sales ratio composition, which currently stands at 36.8%.



## JAPANESE TOY MARKET



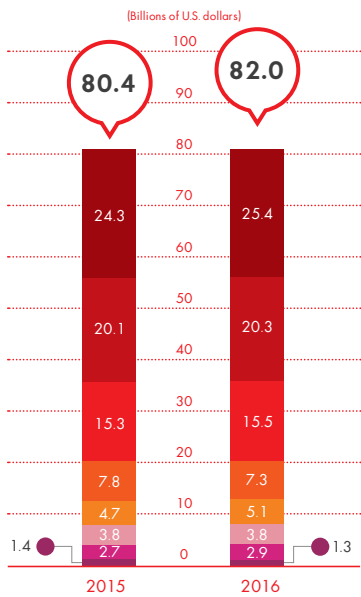
\*The survey period of each year is April 1 to March 31.



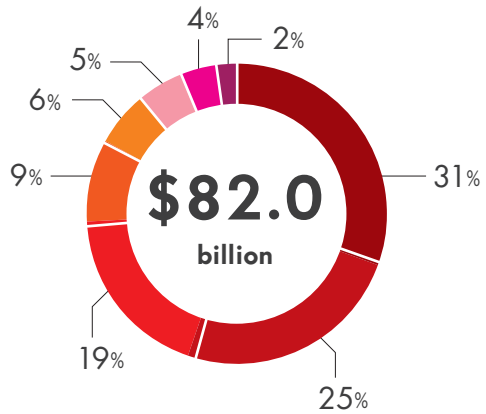
(Source: The Japan Toy Association)

- Educational toys
- Hobbies
- Card games, trading card games
- Stationery, gifts, etc.
- Boys' characters
- Girls' toys
- Seasonal toys
- Boys' toys
- Stuffed toys
- Games
- Others
- Jigsaw puzzles
- Interactive toys

## GLOBAL TOY MARKET



\*The survey period of each year is January 1 to December 31.



(Source: Euromonitor International)

- North America
- Western Europe
- Asia Pacific (ex-Japan)
- Latin America
- Japan
- Middle East and Africa
- Australasia
- Eastern Europe

## Our Assets: Products to Inherit and Evolve

TOMICA, PLARAIL and LICCA are core products that support TOMY growth. While preserving fun of the original toys that a multitude of children played with, we have evolved these toys in line with the times to create long-selling products that are always fresh and continue to be loved across generations.

# 160,000

people

## Licca®

Celebrating her 50th anniversary in 2017, LICCA was born in 1967. Always reflecting the trends of the times, this product is sold as the embodiment of girls' hopes and dreams. Having already sold over 60 million units, in recent years, we have aimed to make this a brand loved by children as well as adults who have grown up with LICCA over the years, developing the Licca Bijou Series, which is enjoyed by everyone from children to adults and the LiccA brand for adults. In addition to Licca dolls, we have also stepped up the licensing of miscellaneous goods, clothing and accessories to sell new product lines to a wide range of targets. LICCA also visits popular spots and creates a significant buzz on Twitter and Instagram where she enjoys interacting with her numerous fans (approximately 160,000 followers as of March 31, 2017). Her extraordinary ability to communicate led to LICCA being appointed the 2017 France Tourism Friendship Ambassador, and she is widely used as corporate PR talent.



Licca  
Bijou Series



4th  
generation  
1987—



1st generation  
1967—



2nd generation  
1972—



3rd generation  
1982—

# 625,000,000

**cars**

## TOMICA

When foreign-made miniature cars were at the height of popularity and customers asked for the Japanese cars, TOMY had a burning desire to see Japanese children playing with more familiar Japanese miniature cars. In 1970, we released Japan's first die-cast Japanese miniature car series that fit in the palm of a child's hand. Up to now, we have sold more than 930 different types of cars, a total of more than 625 million cars loved by over three generations (as of June 2017).

In addition, in April 2016, we launched full-scale licensing of the "tomica" brand for adults. We aim to further enhance this brand through the licensing of apparel, accessories and miscellaneous goods, stationery and everyday items designed to capture the interest of traditional TOMICA users (3–5 year old boys) as well as a wide range of other people without regard for age or gender.

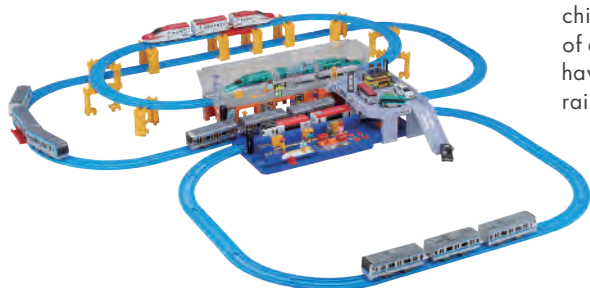


# 1,370

**variations**

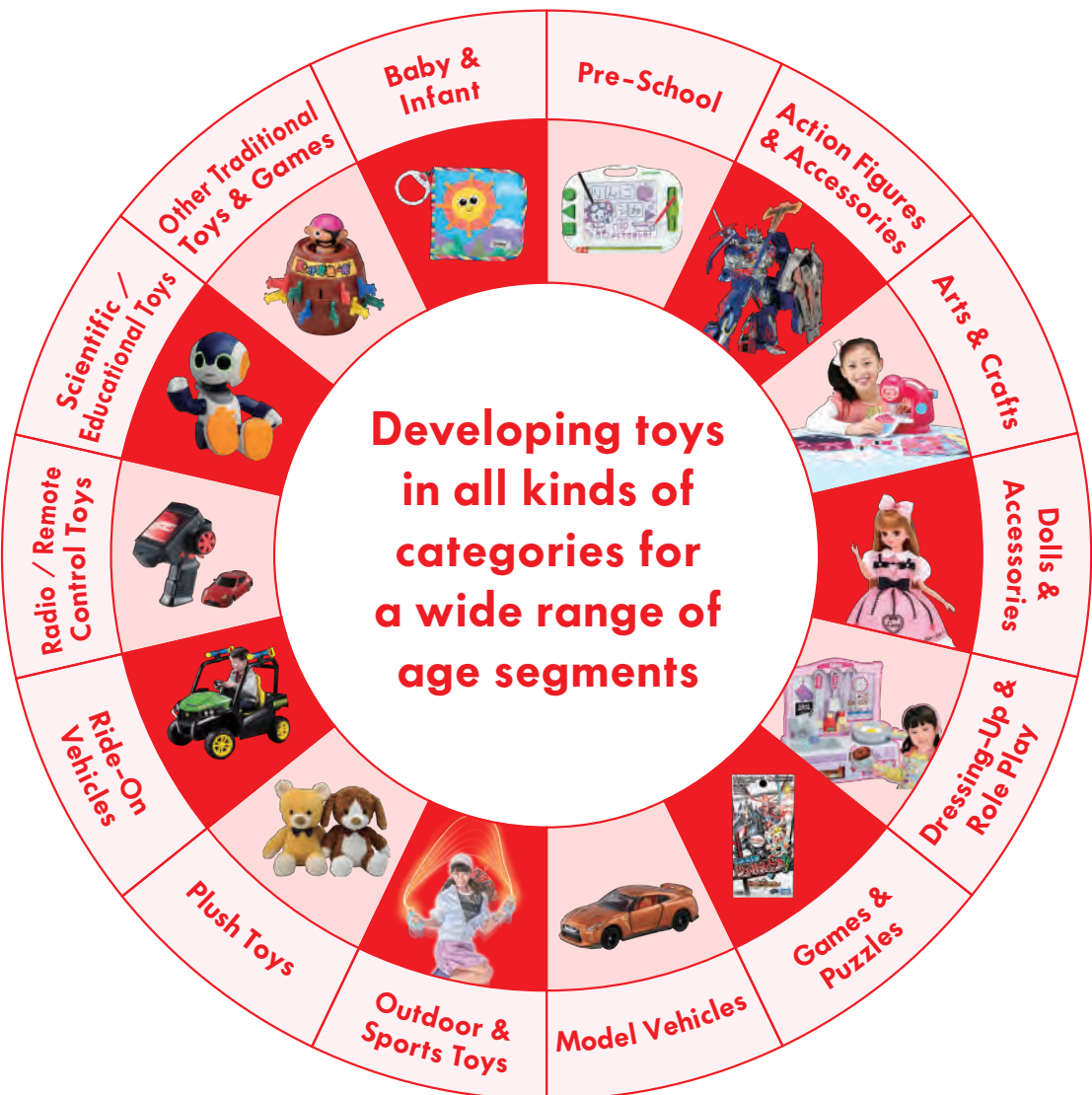
## PLARAIL

For more than half a century since the PLASTIC TRAIN AND RAIL SET, the prototype for PLARAIL, went on sale in 1959, children have continued to love PLARAIL as a toy that teaches children about society and nurtures imagination using a familiar "railway" theme. The blue rails, consistently standardized from initial sales launch until the present day, can be freely connected to make railway layouts on which three-car trains have been played with by children and their parents for three generations. Up to now, a total of approximately 1,370 types and more than 160 million products have been sold in Japan, acquiring a share of over 90% in the Japan rail toy market.



## Our Products

The TOMY Group owns more than 60 brands targeting children and adults. We develop a broad lineup comprising products in 14 of the 15 toy categories.



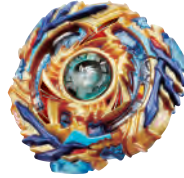


**TOMY**



**BEYBLADE BURST**

This competition-style next generation of spinning tops recorded cumulative shipments of more than 350 million units to over 80 countries and regions throughout the world. In the summer of 2015, we launched sales of the third-generation BEYBLADE BURST.



**SNACK WORLD**

In the summer of 2017, we began developing merchandise completely synchronized with LEVEL-5's SNACK WORLD TREJARERS sold for the Nintendo 3DS.



**DUEL MASTERS**

Launched in 2002 as a full-fledged trading card game easy for kids to play. This popular series has shipped over 6 billion units and every year numerous regional events are held.



**TRANSFORMERS**

TRANSFORMERS became a big hit in the United States in 1984, with toys and animation launched in Japan in 1985. This global transforming robot series loved by two generations of parents and children in more than 130 countries and regions around the world commemorated its 30th anniversary in 2014.



**Koeda-Chan**

This house dolls toy series with original girls' character mini dolls celebrated its 40th anniversary in 2017. We have developed a variety of play worlds under the theme of "nature" as a product symbolized by Koeda-Chan's tree house.



## GROUP (DOMESTIC)

**TAKARA  
TOMY  
A.R.T.S**

### T-ARTS

Develops a wide range of products including amusement machines, capsule toys, miscellaneous goods and stuffed toys.



© Nintendo/HAL Laboratory, Inc.  
© T2A/S/TX/IPP  
© T-ARTS

## TOMYTEC

### TOMY TEC

Boasting the top domestic share in railway models in Japan, this comprehensive hobby manufacturer is responsible for product planning and development, manufacture, sales and service.



## KIDDY LAND®

### KIDDY LAND

This store specializes in toys, fancy goods, character merchandise and books. As the leader of the overall culture industry, it is sensitive to the times and constantly disseminates new information and trends.



## GROUP (OVERSEAS)



### THE FIRST YEARS

Baby products including baby bottles, dishes and strollers supporting child-rearing.



### JOHN DEERE

#### JOHN DEERE

Toy versions of global agricultural vehicles. This lineup includes a variety of products for preschoolers as well as detailed replicas.



### Lamaze

Educational toys for infants tailored to development level and age. Developed with the advice of an infant development specialist.



### Pokémon

Pokémon originated from a video game launched in 1996, becoming a massive hit as an animated TV program broadcast in over 90 countries and regions throughout the world.



# EPISODE 2

## Strategy Linking New Value and Growth

The three management reforms launched in 2014—"revolution of mind," "product revolution," and "structural revolution of business"—have steadily borne fruit, resulting in an increase in net sales and operating profit for the second consecutive year in the fiscal year ended March 2017. As we establish a structure able to quickly respond to risk-taking, globalization and other changing times, we are activating specific operations to expand business. In particular, we intend to expand earnings in overseas markets where growth is robust, namely, the Americas, Europe and Oceania.

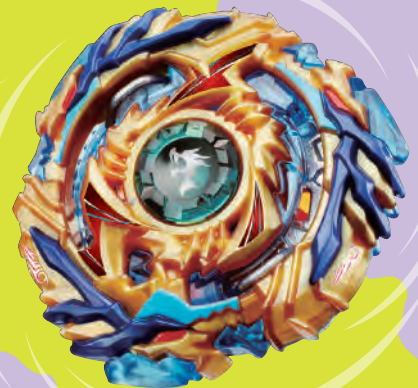
NORTH AMERICA

THE CARIBBEAN

CENTRAL AMERICA

### **BEYBLADE, Developing Hot Competitions in More Than 80 Countries and Regions**

Since its launch in 1998, BEYBLADE, the current generation of spinning tops, has fascinated children all over the world. The secret behind its global popularity lies in common global standards and rules. In 2002, the first-ever world championship was held in Japan comprising players from five countries and regions. In 2012, the feverish battle continued, when competitors from 25 countries and regions participated in the Canada Championships. Although BEYBLADE originated in Japan, this toy has spread beyond domains of toys, national borders and even overcome language barriers to fulfill the dreams of children around the world without regard for age or gender, building bridges of peace and friendship.



AFRICA

SOUTH AMERICA

# 80

EUROPE

ASIA

MIDDLE EAST

JAPAN



OCEANIA

## Business Highlights

### Net Sales

Net sales increased 2.8%, the second consecutive fiscal year of growth. In the Europe, America, and Oceania regions, although the release of movie content merchandise had run its course, toy sales in Japan and the Asian market remained robust.

### Profit

Operating profit grew substantially. Sales of high-margin domestic toys were firm and procurement costs decreased, resulting in a substantial increase in gross profit.

## CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2017

NET SALES:

**¥167.6** billion

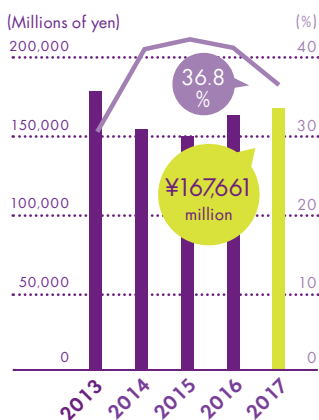
OPERATING PROFIT:

**¥7.7** billion

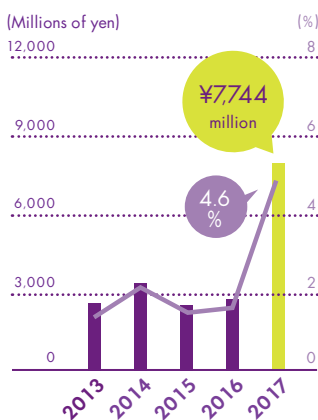
EBITDA:

**¥16.2** billion

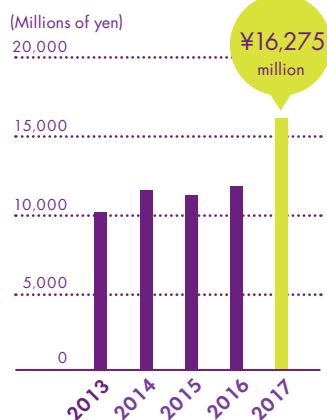
**NET SALES** (■) ■  
OVERSEAS SALES RATIO (—)



**OPERATING PROFIT** (■) ■  
OPERATING MARGIN (—)



**EBITDA**



## Review of the Fiscal Year Ended March 31, 2017

### Toy Market

In the fiscal year ended March 31, 2017, the Japanese toy market had a value of ¥803.1 billion, edging up slightly over the previous year by 0.3% and exceeding the ¥800 billion mark for the third consecutive year.

Compared to the previous fiscal year, when sales of core products grew significantly, in the fiscal year under review, sales of core products and core characters remained firm, with hit products and popular products contributing to market invigoration.

### Business Performance

Net sales increased 2.8% to ¥167,661 million, the second consecutive fiscal year of sales growth. Although the release of movie content merchandise had run its course in the Americas (North, Central and South America), Europe and Oceania, toy sales in Japan and the Asian market remained robust. In Japan, with respect to our TOMICA, PLARAIL and LICCA core products, we enhanced our existing product lines and promoted the expansion of each product line. At the same time, sales of next-generation spinning top BEYBLADE BURST, which has been developed into a television anime broadcast since April 2016, and trading card game DUEL MASTERS increased substantially. Sales of merchandise related to Pokémon that the TOMY International Group (hereinafter, "TI Group") is involved in overseas remained robust.

Sales of high-margin domestic toys were firm and procurement costs decreased, causing gross profit to rise substantially. Operating profit increased 187.0% year on year to ¥7,744 million. In the Americas, Europe and Oceania, the TI Group switched to direct management and administration led by the headquarters while concentrating and selecting businesses to successfully reorganize overseas business, leading to significant improvement in operating profit. As a result, overall operating margin improved substantially over the previous year to 4.6%. Foreign exchange gains recorded as non-operating income were added to operating profit, resulting in ordinary profit skyrocketing 435.9% over the previous year, to ¥7,823 million.

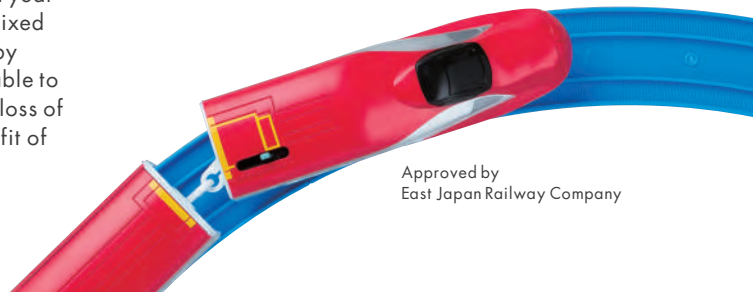
As part of the TI Group's business concentration and selection, in the second quarter of the fiscal year under review, an impairment loss on intangible fixed assets was recorded with respect to certain baby products in Oceania. As a result, profit attributable to owners of parent significantly improved from a loss of ¥6,703 million in the previous fiscal year to profit of ¥5,372 million.

### Japan

In the Japanese market, despite sluggish personal consumption, performance was solid as both earnings and profits increased. With respect to our core products, in addition to enhancing our existing product lines, we attempted to expand each product line. In our TOMICA product line, the TOMICA WORLD THRILLING MOUNTAIN gained in popularity, expanding the TOMICA world of driving fun, while single unit series such as TOMICA PREMIUM, a highly detailed collection of models that are realistically reproduced and also appeal to the adult sensibilities, sold well at convenience stores, bookshops and new points of availability (POA). In our PLARAIL product line, "Control with Smartphone! Double Camera Dr. Yellow," which enables the train to be driven using a smartphone displaying images from two cameras installed in the train, won the Japan Toy Grand Prize 2016 in the Innovative Toy category and created quite a buzz. In our LICCA product line, the "Big Shopping Mall," which enables shopping play using a realistic self-checkout mechanism responding to infrared light, gained popularity. In terms of new product lines, in June 2016 the Licca Bijou Series, which features clothing that is realistic and a bit grown up, launched sales and became very popular. To further enhance the LICCA brand value, we utilize social media including Twitter and Instagram to disseminate information and proactively develop corporate tie-ups.

Sales of BEYBLADE BURST, positioned as a BIG BET (highest priority products) were firm due to the launch of a television anime based on BEYBLADE and the effect of in-store events and other promotions conducted throughout Japan. In terms of the DUEL MASTERS trading card game, product and promotion revamps conducted in the previous fiscal year resulted in capturing new users and increased sales. In the year-end shopping season, the novel pet HATCHIMALS (Umarete! Woomo) became popular, as media coverage of the exciting experience of hatching eggs helped create a buzz.

We also engaged in the development of television anime created in-house and new character products.





T-ARTS Company, Ltd., installed GACHA at the Narita International Airport as a unique POA that has become popular mainly with international tourists. In addition, the Pokémon Ga-Olé amusement machine launched in July 2016 enabling Pokémon captured in the game to be printed out on the spot has also been received favorably.

As a result, net sales, which began to include shipments to the Americas due to changes in sales channels this fiscal year, were ¥131,810 million (up 21.5% YoY), a substantial increase over the previous fiscal year. Accordingly, gross profit also expanded significantly, resulting in operating profit of ¥10,030 million (up 20.9% YoY).

#### Americas (North, Central and South America)

The TI Group, divided into three regions: the Americas, Europe and Oceania, is directly managed and administrated under the guidance of headquarters. In the Americas, we continued to engage in business reorganization. One of these measures involved withdrawing from some unprofitable merchandise within baby products. We also focused management resources on six core brands, including The First Years and JJ Cole baby products and John Deere agricultural

vehicle toys. In addition, we released Japanese products to curtail investment when introducing these brands in an attempt to build a stable business foundation.

With regard to Pokémon, in addition to conventional products, we launched sales of 20th anniversary merchandise including stuffed toys and figures as well as the Pokémon Z-Ring, a bracelet-shaped item connected to the game. The popularity of Pokémon Go and other factors helped maintain solid sales for the series overall.

At the same time, the release of movie content merchandise had run its course, and agricultural vehicle toys, baby and preschool-related merchandise sales were lower, resulting in net sales of ¥28,512 million, down 17.6% year on year. However, reduced SG&A expenses resulted in operating profit of ¥197 million, an improvement from an operating loss of ¥1,586 million in the previous fiscal year.

#### Europe

We also engaged in business reorganization in the European region. We concentrated business in England, France and Germany, converting to authorized dealers in Russia and Poland, promoting management control of business risks and focusing the allocation of

(Millions of yen)

	2016	2017	Change	Change(%)
<b>Net sales</b>	163,067	167,661	4,594	2.8
Japan	108,519	131,810	23,291	21.5
Americas (North, Central and South America)	34,622	28,512	(6,110)	(17.6)
Europe	10,641	8,573	(2,068)	(19.4)
Oceania	2,509	2,509	0	0.0
Asia (other than Japan)	57,288	47,771	(9,516)	(16.6)
Eliminations and corporate	(50,513)	(51,515)	(1,002)	—
<b>Operating profit (loss)</b>	2,698	7,744	5,046	187.0
Japan	8,293	10,030	1,736	20.9
Americas	(1,586)	197	1,783	—
Europe	(2,418)	(581)	1,837	—
Oceania	(104)	57	161	—
Asia (other than Japan)	878	725	(153)	(17.4)
Eliminations and corporate	(2,364)	(2,685)	(320)	—



## Growth Strategy

management resources on eight core brands.

Pokémon 20th anniversary merchandise was popular, as the Pokémon Z-Ring and other products drove sales in the series overall. In addition to the impact of movie content merchandise having run its course, baby and preschool-related merchandise and agricultural vehicle toy sales were lower resulting in net sales of ¥8,573 million, down 19.4% year on year. However, sales cost reductions involved with business reorganization resulting in significant improvement in operating losses, which amounted to ¥581 million compared to ¥2,418 million in the previous fiscal year.

### Oceania

In Oceania, although movie content merchandise popular in the previous fiscal year had run its course, sales of Pokémon-related merchandise were robust. Also, leveraging our sales capabilities, we aggressively promoted the deployment of Japanese merchandise, enabling us to attain a top 10 share ranking among toy manufacturers for the first time. Net sales were on par with the previous fiscal year at ¥2,509 million, but a reduction in SG&A expenses resulted in operating profit of ¥57 million, a return to profitability after posting operating losses of ¥104 million in the previous fiscal year.

### Asia

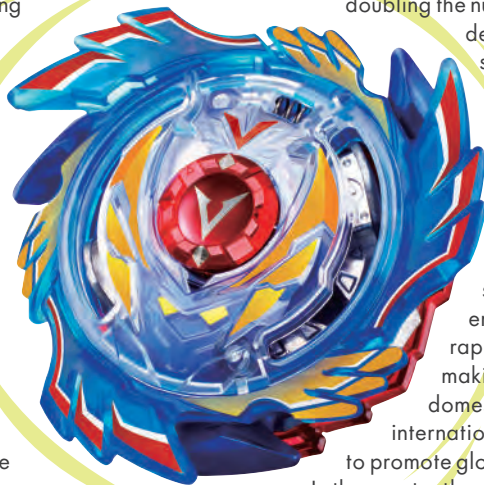
In the Asia region, we established TOMY SOUTHEAST ASIA PTE. LTD. in Singapore, and in November 2016, we commenced sales and marketing activities in Southeast Asia. Sales of popular TOMICA were firm due to efforts to create points of sale in collaboration with toy dealers and expand POA at convenience stores and bookshops. Also, TOMICA COOL DRIVE, reflecting country and region purchase levels and preferences of local children, was sold in five countries including China and Indonesia, while BEYBLADE BURST performed well due to television anime broadcasts launched in South Korea, Hong Kong and Taiwan. At the same time, lower shipments to the United States and Europe from production subsidiary TOMY (Hong Kong) Ltd., caused net sales to decline 16.6% year on year, to ¥47,771 million, while operating profit decreased 17.4%, to ¥725 million.

### New Medium-Term Management Plan Summary and Progress

The TOMY Group has undergone significant transformations three times, approximately every 30 years since its founding. When the Company was founded in 1924, tinplate toys were created by craftsmen. Our second founding occurred when mass production of plastic became possible. The third founding occurred when we began linking our products to anime and other mass media. Now, we are in the midst of our fourth founding, driven by globalization and digitization, progressing forward while visualizing our path for the next 30 years.

Our New Medium Term Management Plan announced in May 2014 focused on three reforms: "revolution of mind," "product revolution," and "structural revolution of business." "Revolution of mind" focused on instilling a risk-taking attitude, advocating the necessity of globalization and promoting a change in employee awareness. "Product revolution" involved

efforts to strengthen product appeal, including doubling the number of our



development staff. "Structural revolution of business" centered on major changes to our corporate structure enabling more rapid decision-making in our domestic and international operations to promote globalization.

In the constantly moving toy industry, markets in Japan and overseas change direction on an almost daily basis, so we reduced nearly 20% of internal layers to respond and be able to move quickly.

In our New Medium Term Management Plan, we promoted reform enhancements. Looking at performance in the fiscal year ended March 2017, even in the numbers we can see the solid progress of these reforms, with the embodiment of all these reforms culminating in the successful evolution of LICCA.



2017 marks the 50th anniversary of LICCA, who had strong name recognition when we launched these reforms in 2014, but sales were lackluster. To address this situation, we engaged in branding using social media to garner the support of adult women. We created a Twitter account for LICCA and shared information on her travels to various destinations, cafés where people queue for their turns and popular fashion trends targeting women in an effort to enhance brand value. This resulted in LICCA appearing in a cosmetics advertisement and her selection as a collaboration character, expanding opportunities for use in talent-related activities. In terms of merchandise, in June 2016, the Licca Bijou Series featuring a grown-up LICCA in realistic clothing was released garnering a favorable response. As a result of these efforts, LICCA sales grew dramatically compared to before the reforms began. In March 2017, LICCA, whose father was French, maintained her position as the 2017 France Tourism Friendship Ambassador.

Rather than selling individual products, we will promote the development of brands in a similar fashion as with LICCA.

### Businesses Driving Future Growth

The spread of smartphones and tablets and the expansion of social media and games are causing major changes in the concept of toys and how to play with them. TOMY is making an effort to constantly provide “new value from play” by responding to play that is evolving with the times with products and brands nurtured over a long history, while enhancing our management foundation to be able to respond to full-fledged globalization. This section focuses on the development of BEYBLADE BURST and SNACK WORLD as two examples of toy development that made significant strides in 2017 as businesses driving future growth.

Next-generation spinning top BEYBLADE BURST, which was launched in July 2015 as a BIG BET (highest priority products) and began broadcast as a television anime in April 2016, has become a massive hit, selling a total of more than 10 million units in Japan. Sales were launched simultaneously in Japan as well as Taiwan and Hong Kong and television anime and product sales have commenced sequentially across the Asia region. In the fall of 2016, television anime and product sales began in Canada, and at the end of that year, the television anime started broadcasts in the United States. In the summer of 2017, developments began in Europe, marking the full-fledged global development of BEYBLADE BURST.

SNACK WORLD (LEVEL-5 Inc.), which got its start in the December 2016 edition of monthly *CoroCoro Comic*, was made into a television anime launched in April 2017 with plans already underway on a movie, and in August 2017, SNACK WORLD TREJARERS for Nintendo 3DS went on sale. Amid this large-scale cross-media development, TOMY will promote the development of toys and amusement machines completely synchronized with games. In terms of toy development, we will comprehensively recreate the design used for the anime main characters while achieving a sense of being directly linked to the game through the integration of a small NFC chip supplied by Murata Manufacturing Co., Ltd., to create a toy collection unlike anything in the past.

In addition to these efforts, we will create product lineups able to contribute to growth going forward, including TRANSFORMERS, which have been made into movies for three years straight, JOY! VR SPACE TRAVELER, which garnered a massive amount of attention at home appliance and IT trade show CEATEC Japan 2016, where TOMY participated as the first toy manufacturer, and TOYS 4.0, which are analog toys with digital elements added.

## Future Outlook

In the fiscal year ending March 2018, we will focus the allocation of management resources on core brands constituting our ongoing earnings platform and promote the introduction of domestic products in overseas markets. In Japan, we will make an effort to enhance and expand product lines in ongoing core products TOMICA, PLARAIL and LICCA, including DX TOMICA PARKING, which imparts the fun of driving, and LICCA, which marks its 50th anniversary in 2017. We will also develop numerous character products, including "TOMICA Hyper Rescue Police Drive Head," a television anime based on TOMICA that TOMY was involved in creating, as well as MIRACLE TUNES!, a special effects television series for girls. Furthermore, in addition to the development of SNACK WORLD toys and amusement machines, we will continue strengthening promotions and products aimed at acquiring new user segments for trading card game DUEL MASTERS. Overseas, we will promote ongoing business reorganization in an attempt to further improve profitability. In terms of product development, we will develop business throughout the world, including launching BEYBLADE BURST development in Europe and products related to the third TRANSFORMERS movie in as many years scheduled for release in 2017.

Through these efforts, in the fiscal year ending March 31, 2018, as announced on May 10, 2017, we forecast increased earnings and profits, with net sales of ¥170,000 million (up 1.4% YoY), operating profit of ¥8,000 million (up 3.3% YoY), ordinary profit of ¥8,000 million (up 2.3% YoY) and profit attributable to owners of parent of ¥5,500 million (up 2.4% YoY).

To strengthen our smartphone app business and acquire funding for new content (including original content), such as television and movie characters we will be focused on going forward, as well as funding necessary for toy production including that related to new content, funds were procured via treasury stock disposal and stock offerings in the fourth quarter of the fiscal year ended March 31, 2017.

## To Our Stakeholders

Providing stable returns to shareholders is one of the most important issues for management. Along with striving to strengthen our business foundation and increase profitability, our basic policy remains to provide ongoing stable dividends in an amount commensurate with earnings and other considerations. An internal reserve is used to improve our financial position by reducing interest-bearing debt and for investment to accomplish global development and other medium- to long-term growth strategies. In the fiscal year ended March 2017, we provided a year-end dividend of ¥5 per share together with an interim dividend of ¥5 per share, for an annual total of ¥10 per share. In the fiscal year ending March 31, 2018, we plan to maintain dividends at this level.

Since our founding in 1924, we have made efforts toward our corporate mission of realizing the dreams of our stakeholders (children, ourselves, shareholders, business partners and society). Going forward, amid a new age of toy-making, we will continue to create new added value and brands and to grow alongside children who are experiencing the changing times. We sincerely appreciate your continued support.

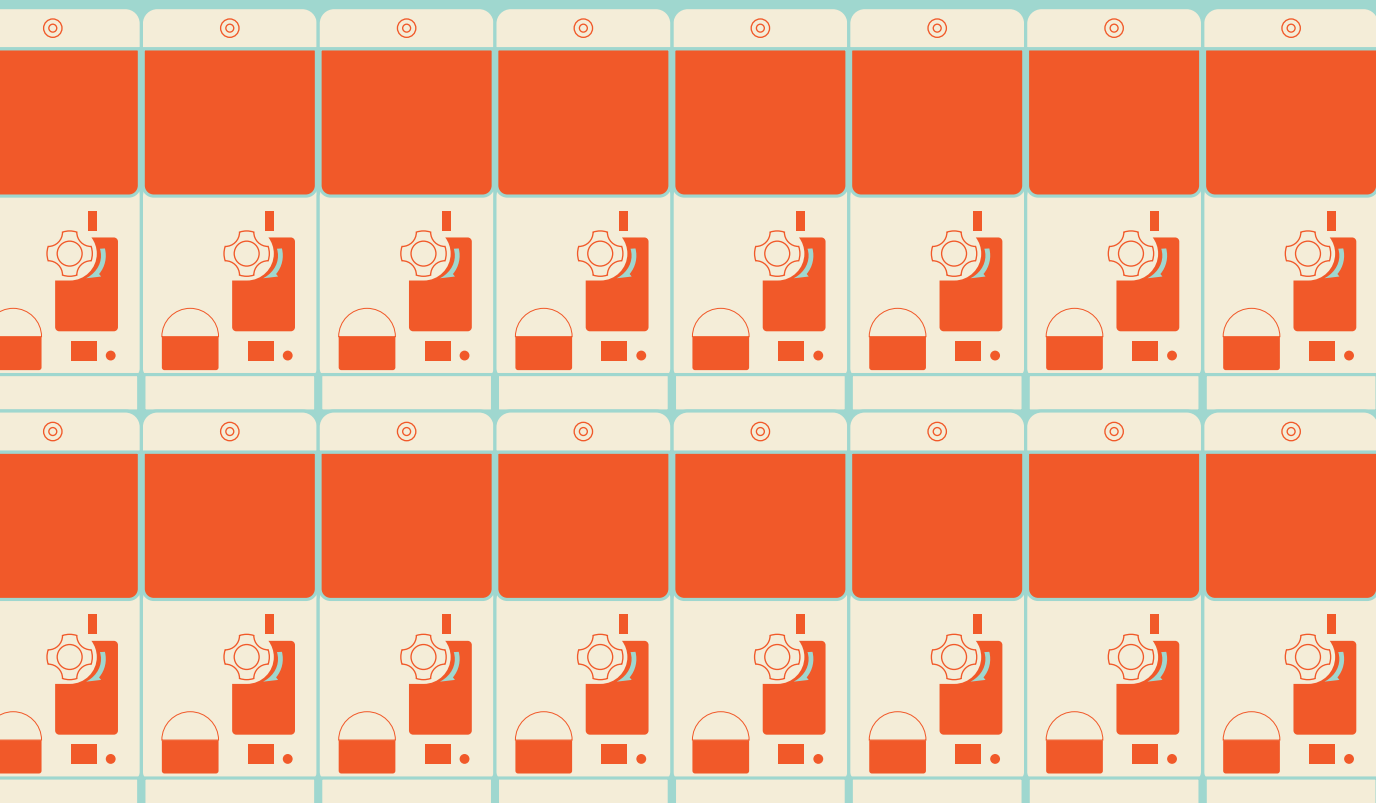


# EPISODE 3

*Special Feature*

## Initiatives for the Creation of New Value

What form will the TOMY Group take to create new value that differs from the past? This section introduces specific products from the perspectives of content creation, digitization and point of availability (POA), focusing on original television-linked content released in 2017, game apps for smartphones representing a new business opportunity in the Japanese market and the result of establishing new POA in Japan and overseas.

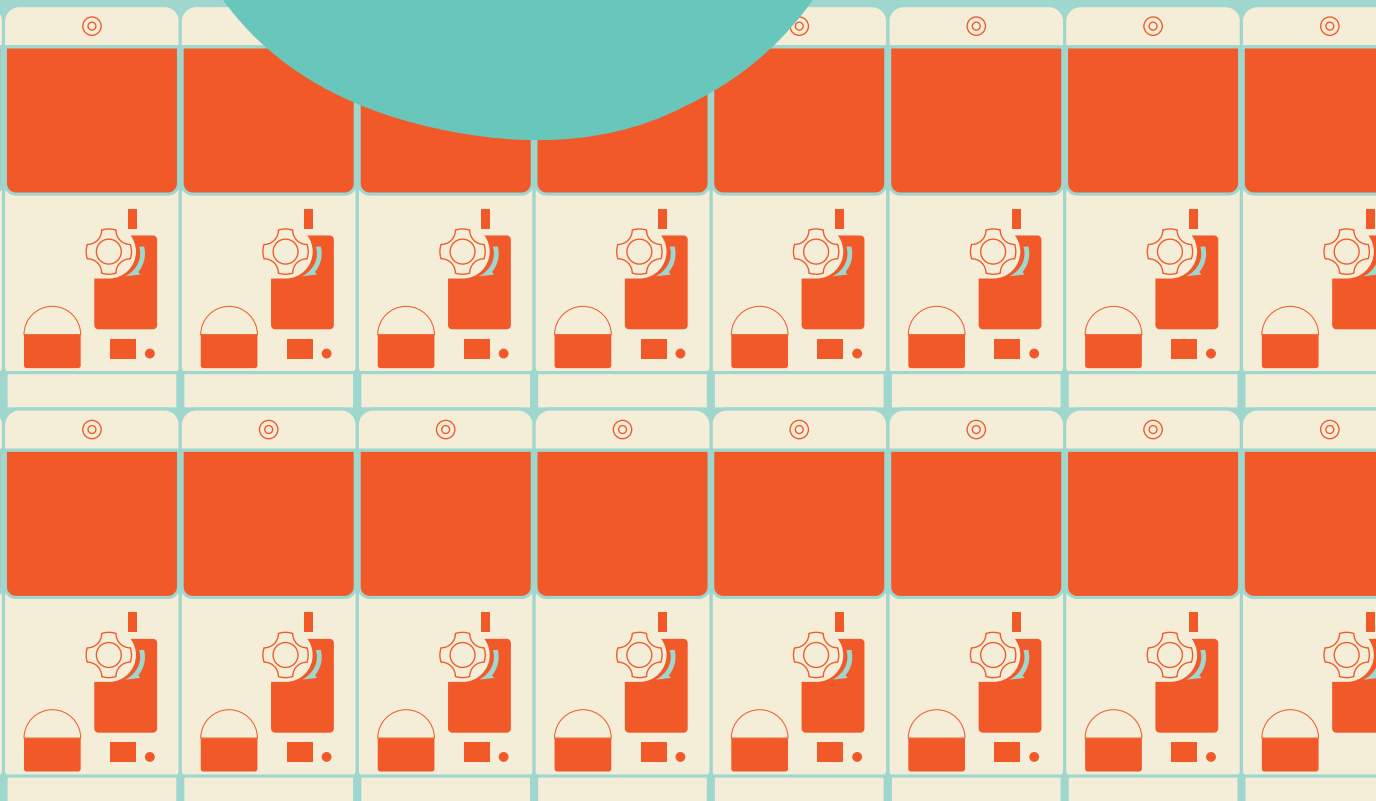




### **New Surprises Every Day! Creating 360 New GACHA Products Annually**

T-ARTS Company, Ltd., creates more than 360 new items sold in capsule toy GACHA every year. This works out to one new item sent out into the world every day. From original content including “pocket-sized TOMICA” and “capsule PLARAIL,” to keychains that look like candy and traffic lights, postboxes and functioning wristwatches created in through corporate collaborations, these capsules contain a big surprise from mini toys of every genre. We have also released GACHA-NAVI, a smartphone app and system for searching online for GACHA sales locations and popular items.

# 360



## Content Creation

### Collaboration with Live Action Television Series Going Beyond Anime

In April 2014, "IDOL × WARRIOR MIRACLE TUNES!", TOMY's first special effects television series for girls, commenced broadcasts and related toy sales were launched. MIRACLE TUNES! is about being a pop idol, which is a very popular career choice among young girls. The story involves the main characters using song and dance to defeat evil and defend world peace. Incorporating elements of highly popular "dance" from children as lessons and sports, the drama is the embodiment of a musical enabling cool and cute experiences that girls want to imitate. Since this is live action rather than anime, girls watching the drama are able to get the actual items used by the characters in the drama, such as the morphing item "miracle pod" and attack item "miracle baton," which makes the show feel more real and enables viewers to pretend they are morphing or attacking. We strove for a sense of realism in each of these products, which activate morphing or attacks using the same lines as the characters in the

drama, including the same light effects and sounds. The "sound jewel," which is key item in the drama, is equipped with a function that enhances the way in which the other MIRACLE TUNES! products are played with.

As opposed to conventional television product projects, these products were realized through collaborations with specialists in various industries. Takashi Miike, who has announced over 80 works in a variety of genres, and supported by wide range of people, directs and supervises the drama. As for the songs and dancing integral to MIRACLE TUNES!, direction is provided by professional dance and vocal school expg Studio. In addition to the television drama, we develop toys and toy-related products, collaborations with manga and actual idol activities involving the appearance of characters from the drama in real life to achieve a borderless media mix development deeply connecting the drama world to real life.



## TOMICA First Ever Television Anime Content

In terms of content development, broadcast of TOMY television anime series "TOMICA Hyper Rescue Police Drive Head" began in April 2017. Based on the concept of "TOMICA large vehicles combining to transform" and in light of favorable assessments of the TOMICA Hyper Series 10th anniversary series from customers, this show is the realization of television anime content development completely synchronized with toys, a first

in the 47-year history of TOMICA. Rather than being focused mainly on rewarding good and punishing evil, this drama is about saving people from major disasters and serious crimes as succeeded in the TOMICA Hyper Series. By depicting the themes and vehicles important to the essence of TOMICA, we have made every effort to create a product that a multitude of fans will enjoy.



## Digital (Apps)

### Team Battle with Action Toys and Smartphone Games

In April 2017, smartphone app ZOIDS FIELD OF REBELLION was released as a new project for the action toys series ZOIDS based on a mecha organism motif. Anticipation was high with more than 500,000 people pre-registering for the app before release. The day after release, the app was ranked in the top 50 downloads on the App Store, with scores of users enjoying the game since it went on sale. One of the app's most important features is its use of a Multiplayer Online Battle Arena (MOBA) enabling multiple players connected online to form two teams to do battle. This is a game genre for which there are few titles in the Japanese app market, so

TOMY took on the challenge of becoming a frontrunner among its competitors to realize team battle on the ZOIDS world stage. While listening to user feedback, we made further improvements and strove to manage the app so that users would continue to enjoy it. We are also looking towards rolling this app out overseas in Asia and North America. In addition, given that the e-sports market is expected to grow in Japan, we are considering going beyond smartphones to deploy this as an online game for computers.

## ZOIDS FIELD OF REBELLION





## Launched Distribution of Full-Scale Digital Card Game for Smartphones

Recently, we have been engaged on one other digital initiative. Trading card games such as DUEL MASTERS and WIXOSS, which are popular with children and adults, underwent a digital transformation in December 2016 when we launched distribution of the WAR OF BRAINS full-scale digital card game app for smartphones. This strategic card battle app, developed in conjunction with Hobby JAPAN Co., Ltd., which has a proven track record in card games, involves building a “deck” of 40 kinds of digital cards from among over 300 variations reflecting characteristics that differ by country. The player does battle on behalf of their

country in the digital world. Based on the same concepts as conventional trading card games, this digital product whose output is a smartphone app features uses ingenuity enabling users to enjoy features available only to digital card games, including background music that changes when an extremely rare card enters the game, incorporating voice actor narration into game play and other effects and elements not possible with conventional paper card games. In August 2017 the game underwent a major update and acquired additional user segments as we turned our sights to overseas deployment.



In August 2017, a major update was rolled out and the title was updated to WAR OF BRAINS Re: Boot.



## POA

### Expanding Distribution Channels and Rolling Out Product Development and Pricing Strategies for Channels

Since 2015, we have promoted the expansion of points of availability (POA) for toys in Japan. First, in 2015 we conducted a detailed study of places where children younger than junior high school age go, and began approaching the kinds of businesses they frequented. Then, in 2016, we promoted marketing activities focused on further cultivating and developing business categories that succeeded in expanding POA. By promoting the development of original products meeting the distribution environments of convenience stores and bookshops and consumer attributes, we were able to achieve significant results in terms of both POA and sales. We also made proposals regarding low-priced products, storefront promotions and sales floor creation to restaurant chains and drugstores that led to

substantial expansion of POA and sales. Furthermore, we introduced and launched sales of general toys for children as well as parents and grandparents, on TV shopping channels and in baby specialty chain stores.



Deployment in bookshop in Japan



South Korea parking area sales corner



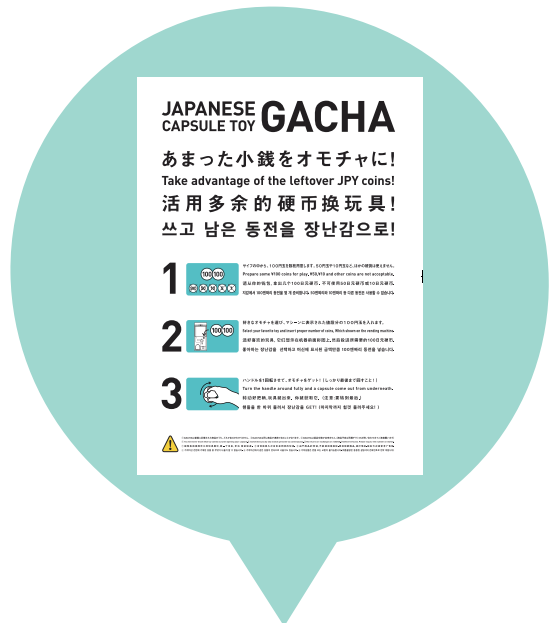
Singapore gas station sales area

## Developing Low-Priced GACHA Toys for Airports and Global Rollout

POA expansion is not limited to general toys. We are also promoting the POA expansion of GACHA capsule toys. Existing GACHA sales are conducted at supermarkets, GMS, home appliance stores, rental shops and restaurant chains. We have expanded GACHA sales to inside railway stations with the aim of increasing points of contact with the general public. In addition, we regularly hold events in an attempt to create new GACHA fans. Rollout in airports is also becoming a hot topic. The more than 100 GACHA machines installed at Narita International Airport and Kansai International Airport as Japanese culture souvenirs for international tourists are very popular. Based on this success, we are looking at expanding this POA to all airports in Japan.

At the same time, POA expansion is a major theme within our overseas developments mainly in Asia. While observing the differences in business customs by country, we are promoting product rollouts in line with customer segments and distribution networks in an effort to expand POA. We are engaged in promoting the introduction of products to over 30,000 shops, mainly convenience stores in Indonesia, Thailand, South Korea, China and Singapore. We are also continuously focusing efforts

on keeping acquired sales space all at once while simultaneously expanding POA, and by promoting the horizontal deployment of successful patterns, we will link these activities to further growth.



GACHA machines in the Narita International Airport

# EPISODE 4

## Stakeholders and Value Creation

TOMY Group toy manufacturing is realized through integrated business activities, from planning and development, to production, sales and after-sales services. In each of these processes, we generate added value while meeting a variety of customer needs supported by employees and business partners and interacting with society and the environment. Within this value creation process, we share issues with stakeholders and recognize the extreme importance that aiming to resolve these issues by promoting initiatives from a long-term perspective has on sustainable corporate growth.






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**Fiscal 2016 Third-Party Evaluation:  
10 Award-Winning Products**

The TOMY Group promotes initiatives aimed at creating value with stakeholders. We have been evaluated on our efforts in a wide range of areas, including manufacturing, environmental activities, next-generation education support activities, barrier-free activities (accessible toy design) and communication with shareholders and investors.

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## What Must Be Preserved in the Future

Last fiscal year, we launched a Group-wide CSR promotion project, once more reviewing various cases we commonly tackled within the scope of business activities as a corporate citizen up to now, and made an effort to summarize current conditions and disclose information as necessary. It is not a falsehood to say that we have dealt with the many issues that surround TOMY in all seriousness up to now. At the same time, it is also true that various issues have come to light, issues in the face of which we remain powerless, issues resulting from the changing times that require new responses and issues that affect us because we are a toy manufacturer.

In 1930, our founder and predecessors established an industry association for toy manufacturers. Within the document entitled "Tokyo Toy Industry Association Industry Guidance Principles" announced thereafter, an executive precept is written as a commandment for those engaged in the toy industry.

"Those who aspire to eternal prosperity must understand they can only prosper together with others."

They pledged to do their utmost to develop the world ahead through their livelihood of toy manufacturing. This was a time when phrases like "corporate social responsibility" and "sustainable societies" did not exist in the world.

Regardless of the age, I believe toys assist in the healthy growth of children. Thus, for those of us who make toys our livelihood, we must continue to maintain our sense of pride and duty in the mission undertaken by our industry.

"Bringing children of the world more fun, more smiles." This is a very simple thing we must preserve from the past, to the present, and into the future.

### Kantaro Tomiyama

Representative Director & Chairman  
CSR Promotion Project Owner



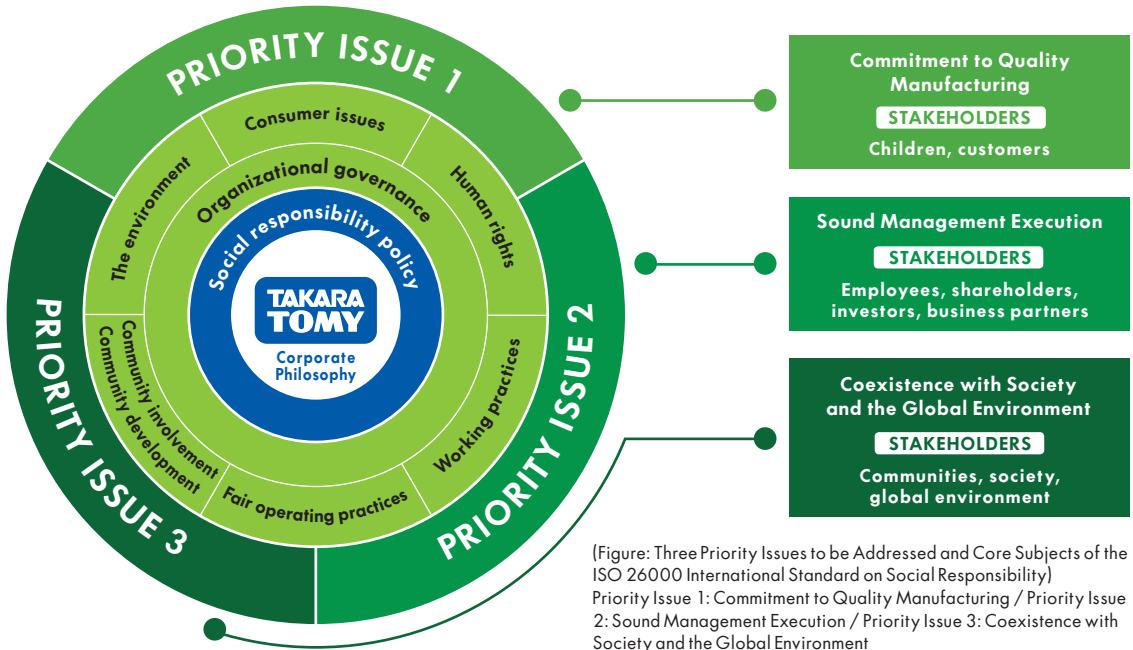
# CSR Policy

“ We Will Widely Contribute to Society through our Livelihood of Toys ”

TOMY’s founding philosophy of “Let’s excite the world’s markets with our outstanding products” and “Our sincerity and diligence will contribute to society and lead to our own success and happiness” has been passed down over many generations to become the tenets forming the foundation of our CSR policies.

The TOMY Group recognizes ISO 26000 as

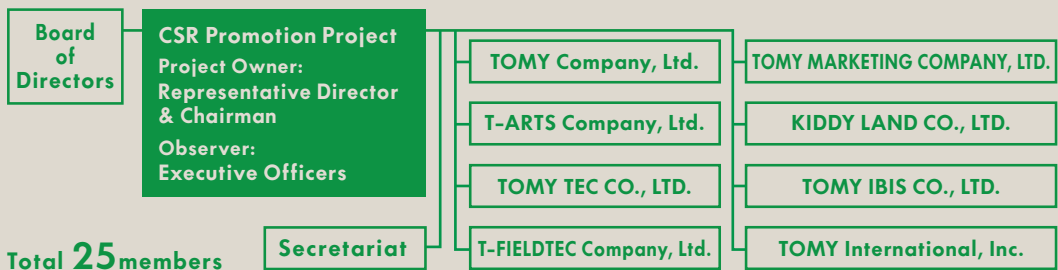
an important guideline for upholding our social responsibility. We have formulated three priority issues to be addressed in order to cover the seven core subjects of the guideline. We will identify medium- and long-term priorities to be addressed in our CSR Promotion Project, which is a Group-wide organization.



(Figure: Three Priority Issues to be Addressed and Core Subjects of the ISO 26000 International Standard on Social Responsibility)  
Priority Issue 1: Commitment to Quality Manufacturing / Priority Issue 2: Sound Management Execution / Priority Issue 3: Coexistence with Society and the Global Environment

## Project Organization Chart

Project comprising 25 members selected from each TOMY division and Group company worldwide



# Priority Issue: Commitment to Quality Manufacturing

## Toy Safety and Quality

Because children enjoy and play with toys, they must never cause injury or accidents. The TOMY Group's basic quality policy is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide high quality that they find appealing. Focusing on ensuring that toys are high-quality and safe in all processes, from planning and development to after-sales services, leads to creating toys that have a competitive advantage.

In line with the global rollout of products, we perform inspections demonstrating TOMY's strict independent safety standards, which are higher than toy industry safety standards, represented by the Safety Toy (ST) logo and safety standards in each country. We also formulated Product Safety and Quality Management Regulations, and by establishing a sequential flow from planning to production, we work to ensure safety and prevent problems. We also conduct in-house inspections and utilize third-party testing to prevent the inclusion of toxic heavy metals and plasticizers (phthalates) in our products. In the unlikely event that these substances are discovered in our products, we have a system in place that prevents those products from being released on the

market and we strive to thoroughly manage and ensure the ongoing safety and quality of all our products.

As toy safety considerations change along with the rise of new ways of playing in line with the times and technological advances, we make an effort to consistently and thoroughly manage safety and quality by updating regulations, safety standards and inspection details when necessary. In addition, we conduct "Safety Day" so that all employees can come together and think about the importance of safety and quality with the intention of educating and enlightening Group employees worldwide. Our Product Safety and Quality Management Regulations stipulate that this event is held once annually, and we strive to promote Company-wide recognition and understanding and reflect both in our products.



The TOMICA safety and quality checklist covers approximately 500 items



TOMY Quality Regulations

## Examples of Toy Safety and Quality Inspections

### CHECK 1

We inspect the size of parts using a small parts cylinder approximating the size of a child's mouth to ensure children cannot swallow toy parts.



### CHECK 2

We use a sharp point tester to inspect materials to prevent children from being injured by sharp points. When sharp points are detected, the instrument lights up.



### CHECK 3

We inspect items by putting them in inspection equipment that recreates environments inside transport ships, trucks and other shipping containers.



### CHECK 5

We conduct drop testing to determine whether products break into dangerous pieces when dropped.



### CHECK 4

We conduct inspections to determine whether products can be broken even when pulled using a machine called a tension gate.

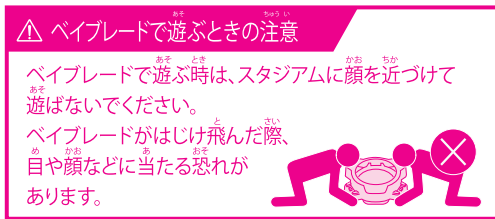


No light means the toy is safe!



When manufacturing toys, it is important to maintain a balance between safety and fun. To ensure that play is safe as well as exciting and fun, we display items customers must observe on packaging, in user manuals and on our website. We also focus efforts on safety measures from the children’s perspective, displaying target ages, usage warnings and cautions regarding predictable child behaviors, and pictograms that are easy for children to understand.

Safety efforts continue even after the toy arrives in the customers’ hands. The number of consultations, opinions and inquiries the Customer Service Department accepts totals nearly 240 thousand throughout the year. The details of these inquiries are carefully recorded and analyzed, with all beneficial and important information shared internally as appropriate feedback. Information that requires particular attention includes anything involving injury or accidents. Close call incidents where children used a toy in an unanticipated manner are meticulously reviewed by the Customer Service Department, then countermeasures are shared internally and incorporated into future production efforts.



Pictogram example



Customer support focused on safety considerations



Cautionary statement on the TOMY official website



Letters from customers displayed internally



In-house inspections using various inspection equipment

### Extending the Barrier-Free Spirit with Toys

As we must embody the idea our founder envisioned of “corporate management that contributes to the world,” the TOMY Group continues its efforts aiming to create “toys that can be enjoyed by everyone” regardless of physical ability.

The TOMY Group began developing toys for children with disabilities in 1980, later developing toys for the general market as Accessible Design toys that children with vision or hearing impairment could play with. At present, these efforts have spread throughout the toy industry, with general toy sales areas including easily recognizable seeing-eye dog marks and rabbit marks on product packaging that has passed screening by the Japan Toy Association’s Accessible Design Toy Committee.

Accessible Design Toys include design features benefitting people with visual disabilities, such as placing a raised surface mark on the ON side of power switches, 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, move and picture.

The TOMY Group continues to be proactively engaged in the planning and development of “toys that can be enjoyed by everyone,” leading the industry for the past 37 years up to now with more than 100 types of Accessible Design toys certified each year.

As a result of our successful efforts, we were recognized by a variety of third parties. In 2009, we received the Cabinet Office Extraordinary Minister Commendation Excellence Award for the Barrier-Free Universal Design Promotion Distinguished Service Award. In 2013, for the fourth consecutive year, we received the Japan Toy Awards Grand Prize in the Accessible Design Toys category, our eighth consecutive year of awards beginning in 2010.



うさぎマーク



もろとろけん  
盲導犬マーク



Raised surface switch

#### Accessible Design Toy Mark

Found on certified toys that can be played with and enjoyed by people with visual or hearing disabilities



HELLO! WOONYAN enables children with hearing disabilities to enjoy visual fun.



DO RE MI FA CAT series emphasizes the fun of listening.



ANIA series creatively utilizes the sense of touch so that visually impaired children can also enjoy playing.



HEALING PARTNER dolls that can talk are enjoyed by seniors.



At the same time, in addition to the children with visual and hearing disabilities targeted by Accessible Design toys, it is also necessary to consider providing even more people with enjoyment. To this end, we continue to conduct screenings and development focused not only on children with disabilities, but also senior citizens. We also publish a catalog of toys that cultivate kindness, which includes points for consideration and specialist suggestions regarding Accessible Design toys. We also promote the understanding of disabilities (the barrier-free spirit) through awareness activities at international assistive device exhibitions to inform as many people as possible about the activities TOMY is engaged in, as well as lectures at universities and school lesson visits for children.



Lecture by employee expert



International assistive device exhibition

カメラとゲームで ワクワク道ぼう。  
**小学館の図鑑 NEO Pad**  
しょうがく館の図鑑ネオパッド

The Shogakukan NEO Pad enables children with developmental disabilities to have fun together.

© TOMY © Shogakukan



Cooperation with the Fukushima Barrier-Free Toy Exhibition



University lecture collaboration



Various toy considerations compiled in one catalog introducing suggestions from specialists.

### Intellectual Property Strategy Supporting Brands Growth

The TOMY Group continues to manufacture ingenious products in an effort to create new play value. While promoting strategies to grow brands from products, we proactively execute intellectual property strategies as one measure to strengthen our core toy business.

Specifically, we aggressively acquire intellectual property rights related to the results of product planning and development and TOMY proprietary brands, creating brand value and supporting the sustainable growth of our brands by promoting the use and ownership of intellectual property.

### Acquiring Multiple Intellectual Property Rights

From the initial stages of planning and development, the TOMY Group’s Intellectual Property Division works closely with business divisions and the R&D Division proactively acquiring patent rights related to novel and inventive technologies in an effort to ensure business advantage. In addition to patent rights, we also acquire design rights on our original product designs and trademark rights on our proprietary brands and product names.

For example, in addition to the new play value offered by BEYBLADE BURST, centered on a gimmick whereby players burst and break their opponents’ BEYBLADE to win the game, we acquired patent rights regarding original inventions such as the bursting gimmick and the “BEY LOGGER” smartphone app, which enables players to record the outcome of battles. We also acquired design rights to accessory items such as the spinning top, launcher and winder, trademark rights to the brand name and each product name and we hold copyrights on package design and



other elements. In this way, we acquire and possess multiple intellectual property rights for individual brands and merchandise, which establishes brand value including technologies and play, and facilitates the sustainable growth of that brand.

This strategy is not limited to BEYBLADE BURST, but also executed with respect to other brands, including TOMICA, PLARAIL and LICCA. TOMY is a global leader in patent applications as a toy manufacturer. In 2016, we ranked in the top 20 in terms of the number of registered design patents, trademark patents and patent applications overall, with more patents acquired than any other toy manufacturer (ranked 16th in design patents acquired and 12th in trademark patents acquired. Source: Japan Patent Office Statistics Data in 2017).

Furthermore, in recent years, we have also been aggressively promoting improvements in the quality of patent rights and the early acquisition of rights, as well as the acquisition of intellectual property rights in foreign countries in line with business developments in Europe, the Americas and Asia.

### Intellectual Property Rights Infringement Countermeasures

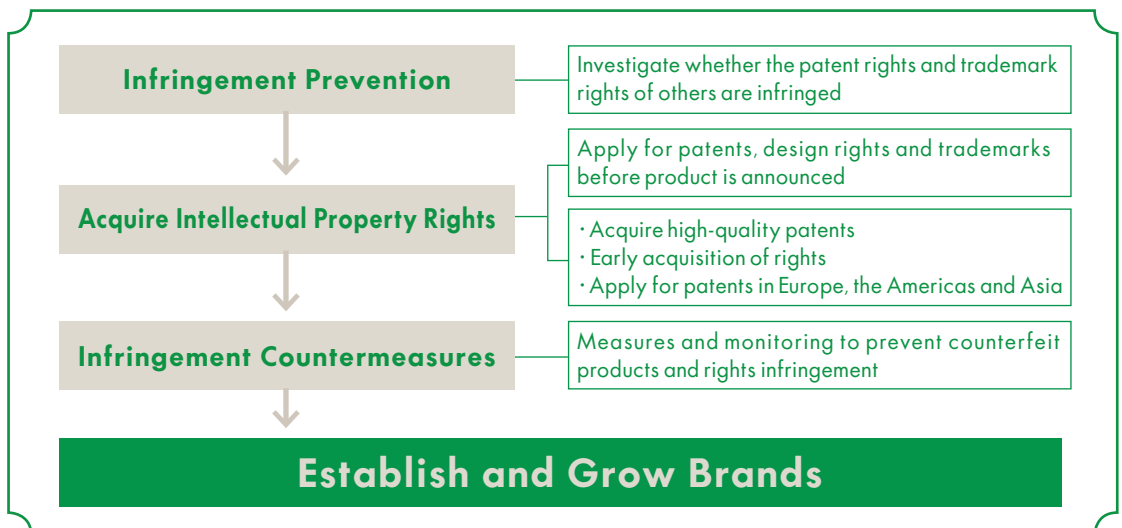
Actions that infringe TOMY Group intellectual property rights lead to Group financial losses and damage our brands. Specifically, the infringement of intellectual property rights involves actions such as

the manufacture and sales of counterfeit products and the posting on social media of copyrighted material without permission. To protect TOMY Group brands, we take appropriate measures and execute intellectual property rights to protect customers from counterfeit products and other damage.

As one example, to prevent the distribution of counterfeit products we regularly monitor Chinese e-commerce websites, and if we discover products that infringe intellectual property rights, we promptly notify the webmaster and request those products be removed from the website. We also work closely with e-commerce webmasters in Japan to prevent counterfeit products.

### Respecting the Intellectual Property Rights of Others

TOMY refuses to promote business that infringes on the intellectual property rights of others. To prevent the infringement of intellectual property rights, the TOMY Group meticulously researches patent rights, trademark rights and other intellectual property rights belonging to others throughout the product development process. Also, we make an effort to thoroughly inculcate awareness and respect for the intellectual property rights of others among all our employees through intellectual property rights education incorporating e-learning and other programs.



## Priority Issue: Coexistence with Society and the Global Environment

### Environmental Activities

The TOMY Group promotes environmentally 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 conduct "Eco-Toy" activities as the pillar of our environmental initiatives based on the concept of "100 Years of Play."

### Environmentally Friendly Toy Manufacturing

We make effective use of resources and engage in "Eco-Toy" development that is considerate of the environment. "Eco-Toys" are products that have cleared one or more of the eight environmentally conscious "Eco Toy standards" established by the Group-wide "Eco-Toy Committee" with advice from third-party institutions. The "Eco-Toy" mark is displayed on packaging to communicate environmentally friendly efforts to customers in an easily understandable way in an effort to spread green procurement initiatives in the toy market.

The new PLARAIL toy train SOUND SHINKANSEN SERIES E7 KAGAYAKI RAIL SET released in April 2017 incorporates eco-friendly ingenuity everywhere.

Energy-saving measures quadruple the train running time and environmental consideration was given not only to play time, but also in the effective use of materials in the manufacturing process. The set includes "Eco Straight-Line Rails," "Eco Curved Rails" and "Eco Block Bridge Piers" consisting of more than 50% recycled materials. In addition, vegetable oil ink is used on the packaging, and the paper scraps left over when the packaging is made are used for paper crafts among other environmental considerations.

Furthermore, in terms of reducing environmental burdens within our business activities, we strive to utilize waste generated from business activities as resources whenever possible, while of course observing the law and disposing of materials appropriately. For example, the TOMY TEC Co., Ltd., domestic factory pulverizes waste generated from plastic molds and recycles it. We also strive to mitigate environmental burdens through efforts to reduce the amount of cardboard and cushioning materials used while utilizing 100% recycled paper for cushioning materials and foldable containers that can be used repeatedly as well as sharing transportation with different industries.

### SOUND SHINKANSEN SERIES E7 KAGAYAKI RAIL SET



Energy-saving measures quadruple the train running time!

Rails and bridge piers made from more than 50% recycled materials!\*



Approved by East Japan Railway Company

**地球環境に配慮したおもちゃだよ!**

**eco toy おもちゃづくりがエコ**  
再生材料を使ったおもちゃ

タカラトミー安全基準に適合した

再生材料 50%以上配合しているレール

環境にやさしいおもちゃの再生材料を配合して、おもちゃの部品に再利用しています。

エコ直線レール、エコ曲線レール、エコブロック

**eco toy あそびがエコ**  
省エネルギー設計のおもちゃ

走行時間約4倍速く遊べる!

新開発のNEWシャーンは走行時間が長い!

国産電気のシャーン(積込型電池1室使用)と本製品の積込シャーン(単4形電池2室使用)との標準走行時間の比較です。(シャーン単体でサウンドスイッチがOFFの場合を比較しています。)\*  
\*走行時間は使用電池と走行環境によって変動します。

**eco toy**

**商品パッケージ**

①印刷用インク  
植物性インクを使用しています。

PRINTED WITH SOY INK

②ペーパークラフト  
パッケージを構成する箱、裏つた部分の紙を使用しています。

Eco-friendly package uses vegetable oil ink!

\*Eco Straight-Line Rails, Eco Curved Rails and Eco Block Bridge Piers

**Environmental Communication with Children**

The TOMY Group provides children with an opportunity to think about the environment through toys. In addition to participation with in-store events and the EcoPro environment and energy integrated exhibition, we cooperate with field trips for elementary, middle school and high school students. We also conduct elementary school visits to teach lessons on the theme of PLARAIL pertaining to the manufacture of toys that can be played with for a long time as well as recycling and green procurement. In addition, we engage in next-generation education support activities, and after lessons are finished, students are presented with completion certificates or Eco-Cards, an environmental report for children.

Our school visit program has gained a strong reputation as an opportunity to cultivate an awareness of environmental consideration and career consideration among children. In recognition of these efforts, TOMY has received the Jury Prize at the Youth Experience Activity Promoting Company Awards held by the Ministry of Education, Culture, Sports, Science and Technology twice in a row beginning in fiscal 2015.



**Eco-Cards, an Environmental Report for Children Who Learn While Playing**

Includes a Braille seal so that children with visual impairments can participate as card readers.

In fiscal 2016, TOMY received three awards from the third parties in recognition of our environmental activities



EcoPro 2016



School visit

### Community Activities

The TOMY Group participates in community activities at each of its bases throughout the world.

In Japan, KIDDY LAND Harajuku, which operates a toy and fancy goods specialty store, sponsors local events such as a Halloween parade. It also participates in the Red Light Up Project, a campaign aimed at gaining a wider understanding of Red Cross activities that consider the importance of humanity.

TOMY TEC Co., Ltd., located in Mibu, Tochigi Prefecture, conducts factory tours as part of local summer festival events. It also participates in regional contribution activities such as the zero trash movement sponsored by Toy Industrial Park, which collected enough trash in 2017 to fill a two-ton truck.

#### U.K.

In support of World Smile Day, we visit hospitals to deliver toys and message cards as well as participate in fundraising events aimed at supporting children with disabilities.

England: fundraising events aimed at supporting children with disabilities



#### Thailand

Initiatives to communicate Japanese factory culture to local university students and factory tours for local elementary school students



Thailand: Factory tour



U.K.: In support of World Smile Day, visiting hospitals with message cards



TOMY TEC Co., Ltd., factory tour



TOMY TEC Co., Ltd., zero trash movement





In Tokyo's Katsushika Ward, where the head office is located, we take part in social contribution activities sponsored by the ward and participate in and collaborate with events aimed at invigorating the region. To highlight the local toy-making industry, we support the Toy Idea Contest and we established the Eco-Toy Awards for innovative toy ideas conceived by elementary school students. Each year in September, we do *Uchimizu*, sprinkling water on Sakura Dori, the street in front of our head office, as part of our contribution to the community during the Tateishi Festival held in a local commercial district.

Overseas, the TOMY International (TI) Group supports

World Smile Day in England by visiting hospitals to deliver toys and message cards, and participates in fundraising events aimed at supporting children with disabilities through charity organizations created by toy companies. In the United States, the Community Service/Social Responsibility Committee was set up to conduct a variety of social activities, including support for cancer patients and their families, support for adoptions and support for organizations that try to rectify disparities from houses. In Thailand, we convey Japanese factory culture to local university students and conduct factory tours for employee children and local elementary school students.

**Japan**

Harajuku: Sponsors local Halloween parade and other events; participates in the Red Light Up Project

Mibu, Tochigi Prefecture: Participates in the zero trash movement and conducts factory tours

Katsushika Ward: Supports the Toy Idea Contest and established the Eco-Toy Awards; sprinkles water on the street during the Tateishi Festival

**United States**

Supports cancer patients and their families, adoption and organizations that try to rectify disparities from houses



Red Light Up Project



Toy Idea Contest Eco-Toy Award winners



More than 100 children participate in *Uchimizu*, sprinkling water in front of the TOMY head office during the Tateishi Festival

## Priority Issue: Sound Management Execution

### Comfortable Working Conditions and Systems

We engage in “work-life balance as a management strategy” and “workplace invigoration measures to stimulate the creation of ideas” to deliver “excellent toys” as two policies for retaining and cultivating human resources who are the source of corporate value creation. Rather than separating work and private life, we aim to create synergy by enriching both.

In fiscal 2016, we held a variety of in-house events planned by a project team led by the president centered on seasonal events such as the *Tanabata* Festival and Halloween to encourage employees to work together enjoyably as a means of workplace invigoration. Also, each year when children are on summer break, we conduct Family Day and invite employee family members to our workplace with the intention of understanding each other’s family situation and creating an atmosphere in which employees can

help one another when necessary. Through interactions at these events, we attempt to achieve smooth internal communication and cultivate a corporate culture with an atmosphere of natural cooperation.

To realize “work-life balance as a management strategy,” we create systems making it easy to work and a comfortable work environment for employees. In particular, we promote the creation of systems that make it easy for employees raising children while working. Under our Work-at-Home System, which began as a trial program in 2010 and was officially incorporated as policy in 2014, employees whose time is limited are able to work from home once per week to perform child care or nursing care. In addition to being able to use paid holidays that have been lost in the past due to prenatal care and hospitalization before maternity leave, we provide a full range of support systems, from pre-maternity leave to returning to work after paid holidays, enabling employees to return to

Halloween  
event



Tanabata  
festival



the workplace with peace of mind, including the ability to maintain the number of regular paid holidays in the event a child suddenly needs to be nursed back to health after returning to the workplace. Furthermore, we also provide access to two in-house counselors with experience in childcare. As a result of these initiatives, TOMY sees nearly 100% of its female employees utilizing childcare leave and returning to work.

In terms of promoting the active participation of women, we provide a work environment that motivates employees and promote further efforts we believe will lead to enhancing women's careers and an increase in the number of female managers. Systems making it easy to work and corporate culture initiatives linked to the retention and development of human resources indispensable for corporate value creation are also useful for the creation of toys children play with.

### Becoming an Even Better Company

Since 2014, the TOMY Group has regularly conducted employee satisfaction surveys that can be answered in Japanese, English and Chinese. Ascertaining employee thoughts and internal conditions enables us to identify issues and make efforts toward improvements, while at the same time the president himself reports the results of survey analysis and improvement points to employees.



Family Day



Childcare support Kurumin mark

## Organizational Governance, Compliance Training

The TOMY Group makes every effort to always conduct corporate activities based on our founding philosophy “let’s excite the world’s markets with our outstanding products” and “our sincerity and diligence will contribute to society and lead to our own success and happiness.” With “fulfilling dreams” as our corporate mission, we define as corporate guidelines our promise to each of our stakeholders. To fulfill the dreams of all our stakeholders in line with our corporate mission, each promise that each employee should keep is established as our “Code of Conduct,” and all officers and employees engage in daily operations based on this code of conduct.

To deepen understanding of our founding philosophy, corporate mission, corporate guidelines and code of conduct, we formulated the TOMY Group Code of

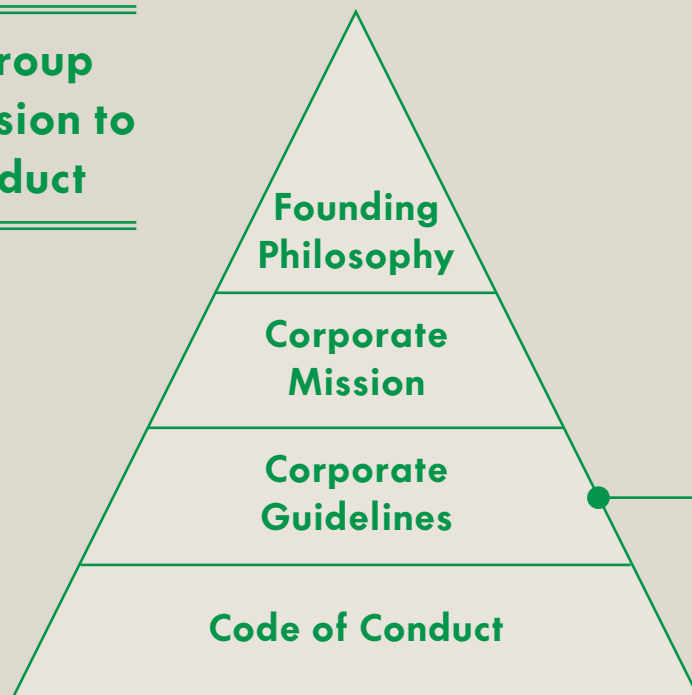
Business Conduct, which in addition to observing the founding philosophy, etc., strictly forbids any behavior that presents adults in an unseemly light in order to be a Company that children, our most important customers, continue looking up to.

We implement various measures to ensure that each employee engages in thorough compliance to clearly demonstrate that we will fulfill our social responsibilities through honest and fair corporate behavior and the observation of laws and regulations.

### Think About Compliance Day

We established Think About Compliance Day to acknowledge the importance of compliance. Japan Group company managers gather to share details pertaining to issues, including causes and countermeasures, the Group has dealt with in the past, and lectures are conducted by specialists on emerging social issues. These efforts heighten compliance

## The TOMY Group Corporate Mission to Code of Conduct



awareness and prevent improprieties. We provide video recordings of the day’s events to employees who were physically unable to attend or were absent.

**TOMY Group Code of Business Conduct Training**

We create educational materials in Japanese, English, Chinese, French, Thai, Vietnamese and Korean to facilitate understanding among all our Group company employees. We also conduct training for all Group company officers and employees.

**Various E-Learning Programs**

We conduct e-learning programs pertaining to the Personal Information Protection Law and a variety of other rules related to legal compliance and operations at all Group companies in Japan.

**Other Activities**

In addition to conducting a variety of other compliance measures such as displaying compliance posters internally and distributing an e-mail magazine, the TOMY Group Hotline (for internal reporting) was established to encourage the prompt identification of fraudulent activity.

Even with all these measures, if these initiatives are not properly understood, it is impossible to thoroughly inculcate compliance, thus we also conduct a Compliance Awareness Survey at all Group companies with the aim of revising measures enabling the implementation of more effective measures to ascertain the degree to which compliance is recognized and understood and identify issues in each Group company and business division.

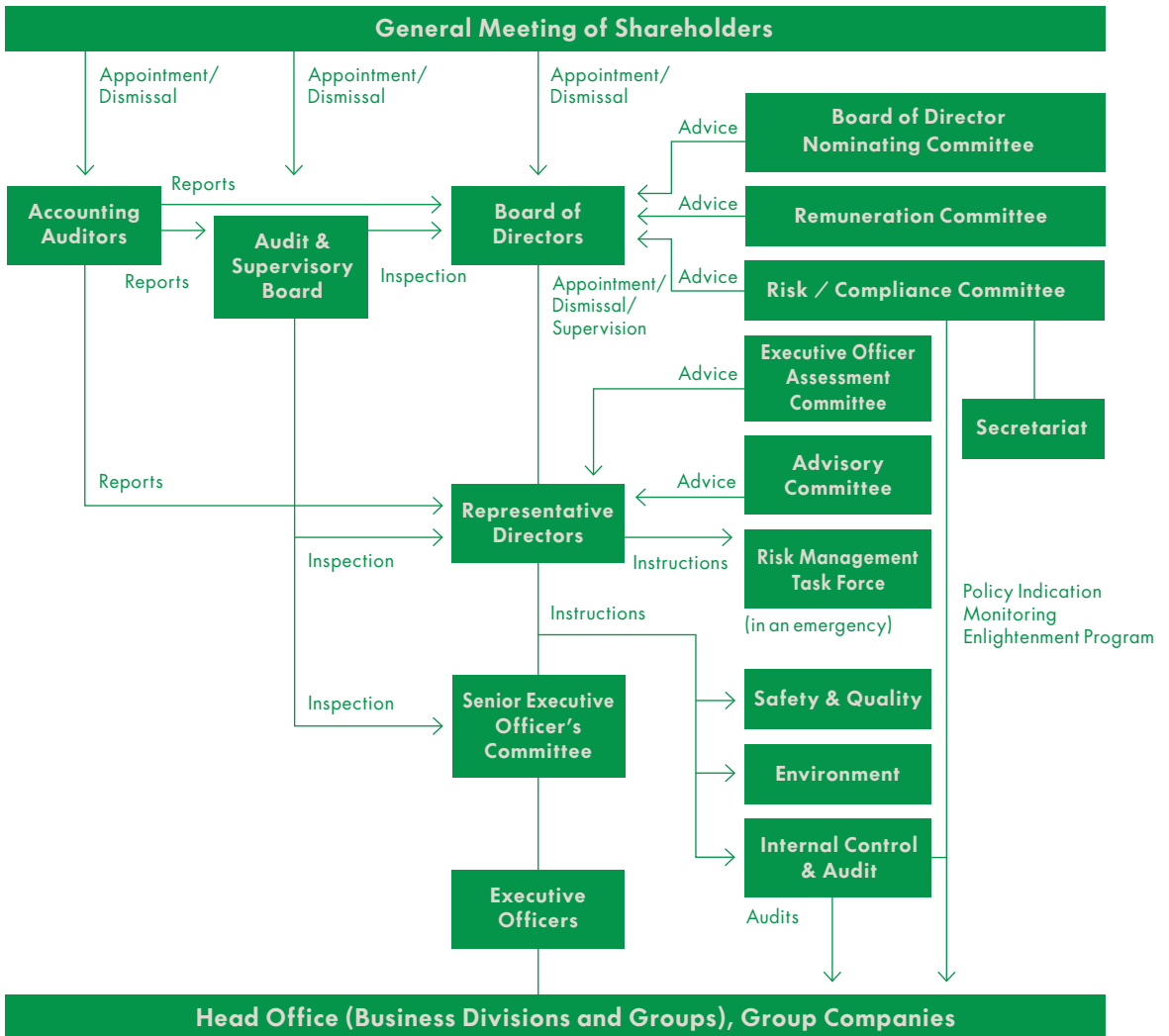
**THE TOMY GROUP WAY**

<b>Customers</b>	We will bring dreams to reality through products which offer new forms of play value.
<b>Employees</b>	We will strive to offer a dynamic working environment which maximizes individual initiative and creativity.
<b>Shareholders</b>	We will satisfy expectations and earn trust through sound management and quality earnings growth.
<b>Business Partners</b>	We will deal fairly and honestly, aiming for mutual prosperity.
<b>Society</b>	TOMY Group will continue to be a faithful and trusted corporate citizen for the 21st century.

# Corporate Governance

## Basic Policy

One of the most important management issues for TOMY Group today is maintaining 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 strong corporate governance including enhanced self-check functions, risk management and compliance system, even as we improve operational efficiency.



## Management Monitoring System

- 1) Regular meetings of the Board of Directors are convened once each month, whereas extraordinary meetings are held as necessary to determine basic policies and strategies for the TOMY Group as a whole, issue decisions concerning the performance of important business operations and audit and supervise the performance of business operations.
- 2) Officers Meetings are held in each division to facilitate smoother, more efficient Group business operations and management and engage in versatile decision making on matters concerning overall management.
- 3) The Board of Director Nominating Committee and the Remuneration Committee, composed of outside Directors and/or outside Audit & Supervisory Board Members, were established as advisory bodies to the Board of Directors and are requested to provide proposals and counsel with regard to policies relating to Director assessments, appointment and remuneration.
- 4) The Advisory Committee, composed of outside Directors and/or Audit & Supervisory Board Members was established as an advisory body to the Representative Directors, and is requested to provide a broad range of counsel pertaining to the effectiveness of business performance, the reliability of the TOMY Group's financial affairs and other important matters. Also, the Executive Officer Assessment Committee was established to provide proposals and counsel with regard to policies relating to Executive Officer assessment and other matters.

Please see the Company's website for further information:  
<http://www.takaratomy.co.jp/english/company/company/governance.html>

## Implementation of Corporate Governance

### 1. Executive Officer System

TOMY introduced the Executive Officer System to ensure 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.

## 2. Internal Controls

### 1) Compliance System

TOMY formulated the "TOMY Code of Conduct" stipulating 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. We ensure that all Directors and employees are made fully aware of the compliance issues through training. TOMY established a Risk/Compliance Committee chaired by the Representative Director and composed of outside Directors and Audit & Supervisory Board members who deliberate 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 Representative Director, audits the Group's compliance status and reports the results to the Representative Director, and the Audit & Supervisory Board.

### 2) Risk Management

The Risk/Compliance Committee and the Internal Control & Audit Group were established to create a Company-wide risk management system integrated with the internal control system.

Please see the Company's website for further information:

<http://www.takaratomy.co.jp/english/ir/risk/index.html>

### 3) Group Business Management System

One or more of the Company's officers or employees shall be appointed to serve as non-executive Directors or Audit & Supervisory Board members (part-time) of 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.

## Director and Audit & Supervisory Board Member 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.

### Total Amount of Compensation for Each Director Category, Type of Compensation and Number of Applicable Directors (in the Fiscal Year Ended March 31, 2017)

(Millions of yen)

Director category	Number of Applicable Directors	Compensation amount	Basic compensation	Stock options	Bonuses
Directors (excluding outside Directors)	4	211	92	17	101
Audit & Supervisory Board Member (excluding outside members)	1	19	15	0	4
Outside Directors	5	53	43	0	10

### Persons with Consolidated Remuneration of ¥100 Million or More

(Millions of yen)

Director category	Number of Applicable Directors	Compensation amount	Basic compensation	Stock options	Bonuses
H.G. Meij	1	121	54	9	57

## 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 (68.6% in agreement) at the 65th Ordinary

General Meeting of Shareholders held on June 24, 2016. This response policy consists of a "rights plan with prior warnings" providing for the allotment of stock acquisition rights without contribution.

### 〈Goal of the Countermeasures〉

TOMY's founding philosophy includes the messages "Let's excite the world's markets with our outstanding products" and "Our sincerity and diligence will contribute to society and lead to our own success and happiness." As these words suggest, since the time of our founding we have concentrated on providing quality, safe products, as well as ones that offer a sense of fun and cultivate a healthy childhood culture. We have formulated a corporate mission that serves as our compass for realizing this founding philosophy (see page 2 of this report).

Our corporate mission is to harness the Group's activities to fulfill the dreams of our stakeholders. We view this mission as a way to maximize both our corporate value going forward and, by extension, shareholder value. The TOMY Group is working to enhance the TOMY brand value 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. Through brand value management that highlights the TOMY brand, we are convinced that we can fulfill the dreams of all our stakeholders.

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 the 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.

Please see the Company's website for further information on these countermeasures:

[http://www.takaratomy.co.jp/english/ir/financial/pdf/160526p\\_en.pdf](http://www.takaratomy.co.jp/english/ir/financial/pdf/160526p_en.pdf)



## Status of Response to the Corporate Governance Code

TOMY is implementing all principles called for under the Corporate Governance Code.

A summary of the status of responses to the 11 principles listed in the Corporate Governance Report

are as follows. Please see the Company's website for the Corporate Governance Report revised in June 2017: [http://www.takaratomy.co.jp/english/company/company/pdf/gov\\_report2.pdf](http://www.takaratomy.co.jp/english/company/company/pdf/gov_report2.pdf)

1	<b>Cross-Shareholdings</b>	The Company holds shares of other listed companies as a policy only when it determines that cross-shareholdings are economically rational.
2	<b>Related Party Transactions</b>	The Company ensures transactions do not harm the interests of the Company or the common interests of its shareholders and prevent any concerns with respect to such harm.
3	<b>Full Disclosure</b>	The Company makes disclosures with respect to the five items called for in these principles, including information required by law and stock exchanges.
4	<b>Scope of Matters to Be Resolved by the Board of Directors and Scope of Matters Delegated to Management</b>	To increase agility and flexibility in the execution of business, the Board of Directors delegates to Directors decision making on the execution of business other than that pertaining to laws and regulations, the Articles of Incorporation and items listed in the "Regulations of the Board of Directors" and "List of Matters to Be Discussed at the Board of Directors Meeting."
5	<b>Effective Use of Independent Outside Directors</b>	The Company has appointed two independent outside Directors, comprising one-third of all Directors (six in total). Three of the four appointed Audit & Supervisory Board members are independent outside members.
6	<b>Independence Standards and Qualification for Independent Outside Directors and Audit &amp; Supervisory Board Members</b>	The General Meeting of Shareholders appoints outside Directors of the Company in accordance with requirements provided by the Companies Act and by independence standards established by the Tokyo Stock Exchange.
7	<b>Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, etc.</b>	In addition to possessing the knowledge and experience necessary for fulfilling the roles of Executive Director and Outside Director, the Company considers diverse perspectives to be indispensable for promoting business and appropriate oversights/audits, therefore the Company promotes diversity among its Officers.
8	<b>Concurrent Positions Held by Officers</b>	The Company discloses concurrent positions held by respective Officers in the "Notice of Convocation of General Meeting of Shareholders."
9	<b>Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole</b>	The Board of Directors periodically analyzes and evaluates its effectiveness as a whole, taking into consideration relevant matters, including the self-evaluations of each Director.
10	<b>Training Programs for Directors</b>	The Company provides Officers with training opportunities relevant to their respective roles and responsibilities.
11	<b>Policy for Constructive Dialogue with Shareholders</b>	The Company considers shareholders and investors to be stakeholders critical to improving corporate value and places emphasis on constructive dialogues with institutional investors and individual investors to deepen mutual understanding with respect to thinking and position, as well as the importance of formulating appropriate responses to both.

## Board of Directors

# LOOKING



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**Takashi Konosu**

Senior Managing Director  
Head of Toy Business HQ



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**Kazuhiro Kojima**

Representative Director,  
COO & CFO



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**H.G. Meij**

Representative Director  
& President

# G AHEAD



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**Kantaro Tomiyama**

Representative Director  
& Chairman



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**Kakuei Miyagi**

Board Director (outside)



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**Shigeyuki Mito**

Board Director (outside)

## Profile (Board of Directors / Audit & Supervisory Board Members)

### BOARD OF DIRECTORS

	<b>Kantaro Tomiyama</b>
Jul. 1982	Joined the Company
Jun. 2000	President and CEO
Jun. 2015	Representative Director & Chairman of the Board
Jun. 2017	Representative Director & Chairman (to present)
	<b>H.G. Meij</b>
Mar. 2014	Management Advisor
Apr. 2014	Chief Operating Officer & Head of Global Business HQ
Jun. 2014	Representative Director; Chief Operating Officer; Head of Global Business HQ
Jun. 2015	Representative Director, President & CEO (to present)
	<b>Kazuhiro Kojima</b>
Jun. 2009	Board Director (outside) of the Company
Oct. 2014	Board Director; Senior Executive Officer; Chief Financial Officer (to present)
Jun. 2017	Representative Director, COO & CFO (to present)
	<b>Takashi Konosu</b>
Apr. 1976	Joined the Company
Apr. 2015	Board Director; Senior Executive Officer; Head of Toy Business HQ
Apr. 2017	Board Director; Senior Managing Officer; Head of Toy Business HQ
Jun. 2017	Board Director; Senior Managing Director; Head of Toy Business HQ (to present)
	<b>Kakuei Miyagi</b>
Jun. 1997	Director; Head of Corporate Secretariat of The Sakura Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
Jun. 2001	Managing Director; Senior Executive Officer; General Manager of Tokyo Corporate Sales Division III of Sumitomo Mitsui Banking Corporation
Jun. 2002	President and Representative Director of Yoei Holding Co., Ltd.; Director and Vice President of Yoei Housing (currently Yoei Co., Ltd.)
Jun. 2004	President and Representative Director of Yoei Holding Co., Ltd.; President and Representative Director of Yoei Housing (currently Yoei Co., Ltd.)
Jun. 2008	Outside Corporate Auditor of Mitsui Mining & Smelting Co., Ltd. (currently Nippon Coke & Engineering Co., Ltd.)
Jun. 2009	Board Director (outside) of the Company (to present)
	<b>Shigeyuki Mito</b>
Apr. 1989	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

	<b>Takeichi Nozawa</b>
Jun. 1996	Corporate Auditor of Takara Co., Ltd.
Jun. 1999	Director; Head of Corporate Administration and Finance of Takara Co., Ltd.
Jun. 2001	Corporate Auditor of Takara Co., Ltd.
Mar. 2006	Audit & Supervisory Board Member of the Company (to present)
	<b>Tsunekazu Umeda</b>
Mar. 1974	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.
Jun. 2000	Outside Corporate Auditor of HABA Laboratories, Inc.
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)
	<b>Jun Nogami</b>
Oct. 1985	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)
	<b>Toshi Yoshinari</b>
Apr. 1988	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)
Apr. 2017	Outside Director of Value HR Co., Ltd. (to present)

(As of June 28, 2017)

## Audit & Supervisory Board Members

UPHOLDING TRUST



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**Jun Nogami**

Audit & Supervisory Board Member (outside)



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**Takeichi Nozawa**

Audit & Supervisory Board Member



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**Tsunekazu Umeda**

Audit & Supervisory Board Member (outside)



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**Toshi Yoshinari**

Audit & Supervisory Board Member (outside)

## Six-Year Financial Summary

TOMY Company, Ltd., and its consolidated subsidiaries

	Millions of yen					
	2017	2016	2015	2014	2013	2012
Net sales	¥167,661	¥163,067	¥149,938	¥154,804	¥178,745	¥187,265
Gross profit	63,736	57,339	52,704	53,142	55,160	61,137
Total selling, general and administrative expenses	55,992	54,641	50,237	49,807	52,613	50,951
Operating profit	7,744	2,698	2,466	3,335	2,547	10,186
Ordinary profit	7,823	1,459	2,014	3,300	2,622	9,823
Profit (loss) before income taxes	7,127	(6,711)	206	2,607	(4,846)	7,976
Profit (loss) attributable to owners of parent	5,372	(6,703)	(1,817)	232	(7,173)	3,679
EBITDA <sup>1</sup>	16,275	11,692	11,194	11,526	10,087	16,854
R&D expenses	3,225	3,144	2,598	2,498	2,978	2,722
Depreciation and amortization	8,531	8,994	8,728	8,191	7,539	6,667
Net cash provided by operating activities	24,896	8,675	6,827	12,429	6,701	16,046
Net cash provided by (used in) investing activities	(3,793)	(3,974)	(2,428)	(1,015)	(3,414)	(38,048)
Net cash provided by (used in) financing activities	(1,927)	(6,014)	(10,022)	1,735	(8,494)	29,718
(As of March 31)						
Total assets	157,693	145,652	159,638	156,467	152,732	156,654
Net assets	51,611	37,824	49,650	50,907	49,692	51,805
Interest-bearing debt	64,748	71,776	75,337	72,889	66,293	68,815
<b>PER SHARE DATA (YEN)</b>						
Earnings per share	¥ 61.88	¥ (78.74)	¥ (19.91)	¥ 2.47	¥ (76.21)	¥ 39.09
Dividend	10.00	10.00	10.00	10.00	10.00	14.00
Net assets	548.45	432.87	567.91	526.49	506.41	525.46

	2017	2016	2015	2014	2013	2012
<b>MAJOR FINANCIAL INDICES</b>						
Operating margin (%)	4.6	1.7	1.6	2.2	1.4	5.4
Overseas sales ratio (%)	36.8	41.6	42.8	41.3	30.7	36.2
Return on equity (ROE) (%) <sup>2</sup>	12.2	(15.7)	(3.7)	0.5	(14.8)	7.6
Return on assets (ROA) (%) <sup>3</sup>	5.2	1.0	1.3	2.1	1.7	7.8
Equity ratio (%) <sup>4</sup>	32.4	25.5	30.2	31.7	31.2	31.6
Dividend payout ratio (%) <sup>5</sup>	16.2	—	—	404.4	—	35.8
<b>STOCK DATA</b>						
Stock price at year-end (Yen)	1,113	822	714	478	478	605
PER (Times)	18.0	—	—	193.3	—	15.5
Number of shares outstanding (Thousand shares) <sup>6</sup>	93,103	85,814	84,856	94,130	94,134	94,136
<b>COMPANY DATA</b>						
Number of subsidiaries	35	34	38	40	45	49
Number of employees (Consolidated)	1,951	2,042	2,086	2,056	2,171	2,294
Number of employees (Non-consolidated)	495	491	490	486	516	642
Average age of employees (Non-consolidated)	41.3	40.9	40.4	39.3	38.7	40.0

## Notes:

1 EBITDA=Operating profit+Depreciation, amortization of goodwill

2 Profit attributable to owners of parent÷Average of total equity\*

\*Equity=Net assets-Subscription rights to shares-Non-controlling interests

3 Return on assets=Ordinary profit÷Total assets

4 Equity ratio=Equity÷Total assets ×100

5 Payout ratio = Dividend per share for common stock with the record date in the corresponding fiscal year (Total) ÷Earnings per share × 100

6 Treasury stock has been excluded from these figures.

# Product History

**1<sup>st</sup> generation 1924-** **TOMY'S FOCUS** Craftsmanship / Wartime and postwar  
**INDUSTRY TREND** Metal and motors

**2<sup>nd</sup> generation 1954-**

## 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



B-29



JOHN DEERE



THE GAME OF LIFE

## 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



Sky Ping-Pong



Pop Up Pirate



TOMICA

## 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





**TOMY'S FOCUS** Mass development and production  
**INDUSTRY TREND** Material revolution

**3<sup>rd</sup> generation 1984-**

## 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 (Treena & Her Forest Friends)
- 1978 Black Racer



GACHA\*



Rock 'n' Flowers



Musican



Lamaze



TOMIX  
Approved by  
East Japan Railway Company

## 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  
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 1989



Furby



Choro-Q

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 children  
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 represent those at the time of product launch.

# Product History

3<sup>rd</sup> generation 1984-

**TOMY'S FOCUS** Marketing/Growth of mass media  
**INDUSTRY TREND** Public information revolution

## 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	2005	Yumel Video game software, NARUTO Walkie Bits
2001	Bit Char-G Sweet Bambini DREAM FORCE 01	2006	Jinsei Ginko (Life Bank) Aero Soaer Akachan Kerotto Switch
2002	Bowlingual Nohohonzoku DUEL MASTERS Micro Pet Qi Choco Q	2007	Omnibot 17μ i-SOBOT le-Soba Home Soba Maker Air Guitar
2003	Meow-Lingual	2008	Pokémon Battrio
2004	Aero R/C Yumemi Kobo THE FIRST YEARS	2009	Tomica Hero Fresh Caramel Maker Clockman



Nohohonzoku



DUEL MASTERS



Jinsei Ginko



THE FIRST YEARS



Omnibot 17μ i-SOBOT



BATTROBORG 20

## 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  
Potechi No Te
- 2011 Battroborg 20  
Mimicry Pet
- 2012 Pokémon TRETTA
- 2013 ANIA



ANIA

WE WILL CREATE NEW VALUE FROM PLAY.

4<sup>th</sup> generation 2014-

**TOMY'S FOCUS** New technology/Analog toys with digital elements  
**INDUSTRY TREND** The personal revolution

2014 >

- 2014 PRIPARA  
WIXOSS
- 2015 BEYBLADE BURST  
SHINKALION  
OHaNAS  
Linear Liner
- 2016 Licca Stylish Doll collections  
Licca Bijou Series  
Pokémon Ga-Olé  
HATCHIMALS Umarete! Woomo



Licca Bijou Series



PRIPARA



Pokémon Ga-Olé



BEYBLADE BURST



HATCHIMALS  
Umarete! Woomo



Linear Liner

JR東海承認済



OHaNAS



SHINKALION

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## Corporate Information

(As of June 28, 2017)

### 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

¥3,459.53 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, 2017)

1,951 (consolidated)  
495 (non-consolidated)

### Number of Consolidated Subsidiaries: 35

### MAJOR GROUP COMPANIES

#### Japan

T-ARTS Company, Ltd.  
TOMY TEC CO., LTD.  
TOMY MARKETING COMPANY, LTD.  
KIDDY LAND CO., LTD.

### Overseas

TOMY International, Inc.  
TOMY Asia Limited  
TOMY SOUTHEAST ASIA PTE. LTD.  
TOMY (SHANGHAI) LTD.  
TOMY (HONG KONG) LTD.  
TOMY (SHENZHEN) LTD.  
TOMY (THAILAND) LTD.

## Stock Information

(As of March 31, 2017)

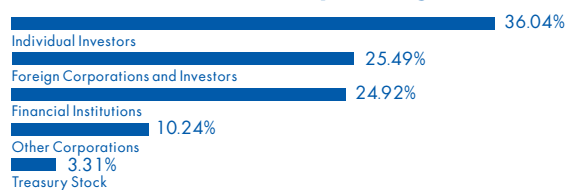
Number of Shares Authorized: 384,000,000

Number of Shares Issued: 96,290,850

Trading Unit of Shares: 100

Number of Shareholders: 86,825

### Distribution of Ownership among Shareholders



### MAJOR SHAREHOLDERS

Name	Number of Shares Held	%
Tsukasa Fudosan	7,565,312	8.13
Japan Trustee Services Bank, Ltd. (Trust Account)	7,107,400	7.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,718,300	6.14
Kantarō Tomiyama	2,727,464	2.93
JUNIPER (Standing Proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	2,275,800	2.44
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM (Standing proxy: Custody Service, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	1,911,800	2.05
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,718,100	1.85
Fumie Tomiyama	1,483,101	1.59
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,428,200	1.53
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT (Standing proxy agent: Credit Suisse Securities (Japan) Limited)	1,359,900	1.46

Note: Percentage of shares held is calculated after the exclusion of 3,186,873 shares of treasury stock.

A pop-up message video clip can be viewed.

### How to view the video clip

#### STEP 1

Download the "SATC VIEWER" augmented reality (AR) application using one of the following methods.

- ① Download "SATC VIEWER" from the App Store or from Google Play.
- ② Access the Download page directly by scanning the QR code.

※The application can be downloaded free of charge.  
※Please note that the application may not function properly depending on the terminal device used and the operating environment.  
※App Store is a registered service mark of Apple Inc.  
※iPhone is a registered trademark of Apple Inc.  
※Android and Google Play are trademarks or registered trademarks of Google Inc.  
※This application is designed for use with smartphones.  
"SATC VIEWER" is compatible with Android 4.2 or later, and with iOS 8 or later.  
Please note that "SATC VIEWER" cannot be used with some smartphone models.



App Store



Google Play

#### STEP 2

Open the "SATC VIEWER" application, and tap on "Scan Now."  
Hold your smartphone so that the annual report cover is in-frame for your smartphone camera.  
Tap on the screen for scanning then the message video will start.

※Please note that the message video may stop suddenly without warning.



**TOMY Company, Ltd.**

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