

**TAKARA
TOMY**

On the Right Track



Annual Report 2019

TOMY Company, Ltd.
(For the year ended March 31, 2019)

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On the Right Track



Annual Report 2019 Editorial Policy

The TOMY Group publishes annual reports summarizing our overall business, including our history and product lines, performance results and management strategies, and CSR and corporate governance initiatives targeting sustainable growth with the aim of providing our stakeholders with a deeper understanding of the Group's medium- to long-term value creation.

This edition of the annual report includes a message from the president providing an easily understandable commentary on the progress and issues related to the Medium-Term Management Plan launched in Fiscal 2018. In addition, the special feature covers the 60th anniversary of the sales launch of the PLARAIL train toy, introducing the reasons why this brand continues to be loved and trusted by customers along the value chain. Through this, we hope readers gain a clear understanding with regard to the future developments of the TOMY Group, which is on track for further growth. Please visit our website for more details.

www.takaratomy.co.jp/english

Disclaimer: This report contains forward-looking statements including prospects, targets, plans and strategies. These are based on judgment and assumption from the currently available information and will not guarantee nor warrant any financial estimates or business development.

Footprints of the Past, Path toward the Future

The philosophy of our founder, Eichiro Tomiyama, on toy manufacturing, “Creating truly excellent quality product with play value for children with infinite possibilities for the future,” is the foundation of our Company and shared throughout the entire TOMY Group.

We will contribute to the creation of healthy children's culture by delivering excellent products created for children around the world. This, we believe, will lead to the advance of human culture.

We will continue to pass on this Founding Philosophy throughout the TOMY Group as we strive toward the realization of our Corporate Mission.

Our Founding Philosophy is a fundamental and permanent component of the TOMY Group which has served us well.

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.



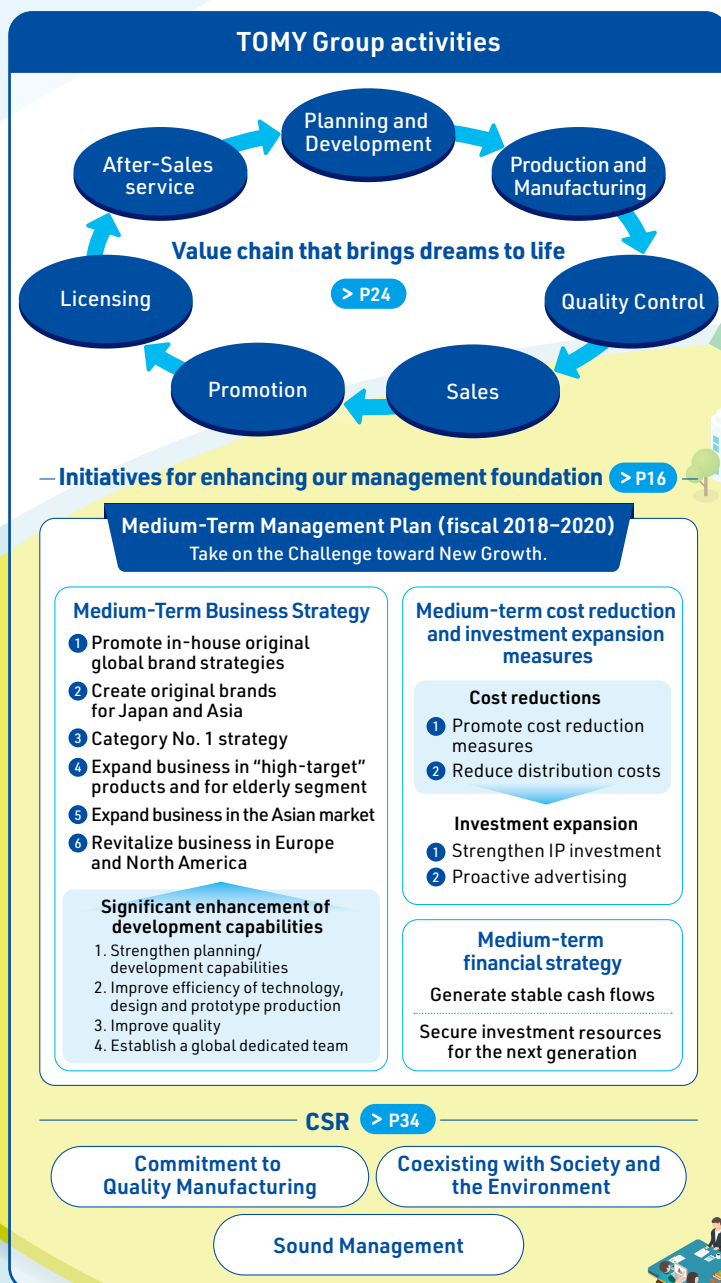
Our Corporate Mission is an enduring ideal toward which the Group strives.

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.



Founding Philosophy

Stakeholders

Output

Develop 14 categories of toys

Long-selling products

Domestic/Overseas Group products

> P7

Financial performance

Consolidated results for
the fiscal year ended March 31, 2019 > P12

Net sales	Operating profit	EBITDA
¥176.8 billion	¥14.4 billion	¥22.4 billion

CSR Highlights > P40

Commitment to Quality Manufacturing

- Safe and Reliable toy manufacturing
- Accessible design initiatives through toys
- Intellectual property strategy supporting brand growth

Coexisting with Society and the Environment

- Responding to Large-Scale Disasters Associated with Climate Change
- Environmental Activities
- Community Activities

Sound Management

- Compliance Promotion
- Realizing Comfortable workplaces
- Together with Our business partners
- Outside director interview
- Corporate Governance

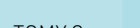
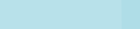
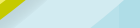
(Customers, Employees,
Shareholders, Partners, Society)

✓ Dream we want to realize ✓

Outstanding
Global
Company

✓ CSR Vision ✓

Become Friends with
Children Around the World



History of Innovation

Since our founding in 1924, the TOMY Group has firmly maintained the universal value that toys are able to provide while continuing to develop beloved products that span generations. We are a leading toy company that will continue to pursue new value in play continuously addressing new challenges.

1st Generation 1924-

Keyword

**Craftsmanship
Mid and Post-war
Metal and Motors**

Metal and motors

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

2nd Generation 1954-

Keyword

**Mass Development
and Production
Economic Growth
Material Revolution**

Material revolution

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

3rd Generation 1984-

Keyword

**Marketing Growth of
Mass
Media Public
Information Revolution**

Public information revolution

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

4th Generation 2014-

Keyword

**New Technology Analog
Toys with Digital
Elements The Personal
Revolution**

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.



We will continue reforming in response to changing times.

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.



Category overview: Euromonitor International

TOMY

TOMICA, PLARAIL and LICCA are core products that support the TOMY Group's 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.

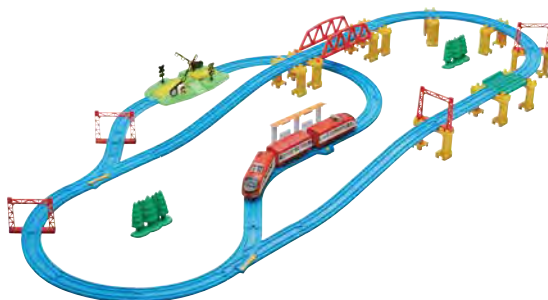
TOMICA



When foreign-made miniature cars were at the height of their popularity and customers asked for 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 1,000 different types of cars, a total of more than 640 million cars loved by more than three generations. 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.

In the 60 years 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 1,480 types and more than 169 million products have been sold in Japan, acquiring a share of more than 90% in the Japan rail toy market.

PLARAIL



Licca



Celebrating her 50th anniversary in 2017 and always reflecting the trends of the times, LICCA is sold as the embodiment of girls' hopes and dreams. Having already sold more than 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. LICCA also visits popular spots and creates a significant buzz on Twitter and Instagram where she enjoys interacting with her numerous fans (approximately 200,000 followers as of July 31, 2019). 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.



TRANSFORMERS

TRANSFORMERS is a global hit transformable robot series that started in the United States in 1984, with toys and animation launched in Japan in 1985. Celebrating its 35th anniversary in 2019, this series is loved by two generations of parents and children in more than 130 countries and regions throughout the world.



GIRLS X WARRIOR is a live-action TV drama and the theme of the third series is SECRET X HEROINE. In collaboration with video production company OLM, TOMY is in charge of the original and commercialized items and character items used in the show.



SECRET X HEROINE PHANTOMIRAGE!



ZOIDS WILD

The latest series of this original brand launched in 1983. Based on animal and dinosaur motifs, ZOIDS are called "classic examples of animal-type mechanical organisms as an assembled toy that moves and uses weapons via springs or motors.



DUEL MASTERS

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



BEYBLADE BURST

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

GROUP (DOMESTIC)



T-ARTS Company, Ltd.

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



TOMYTEC

TOMYTEC CO., LTD.

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 CO., LTD.

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.



BOON

Products that eliminate the inconveniences of childcare with simple and smart designs that also meet the desire for fashionableness among those raising children.

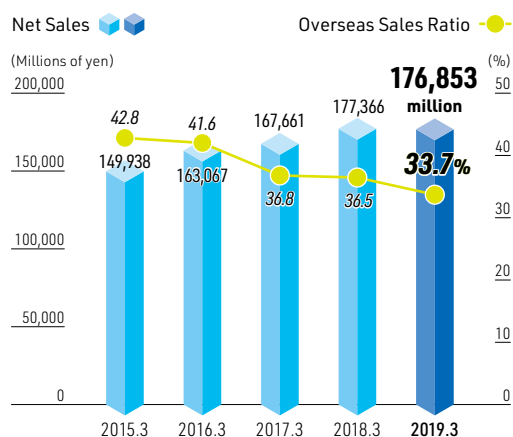
John Deere's products under license with Deere & Company. Lamaze® is a registered trademark of Lamaze International, Inc.

Performance Highlights

Consolidated Results for the year ended March 31, 2019

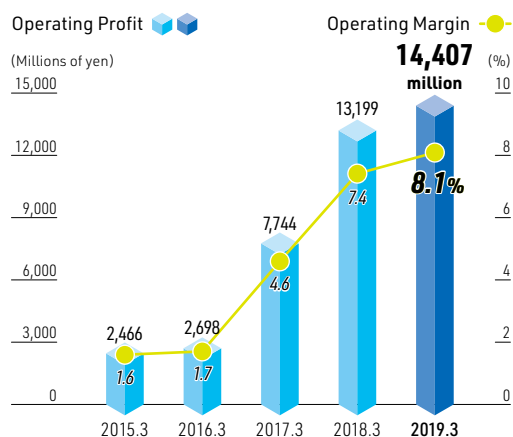
Net Sales

¥176.8 billion



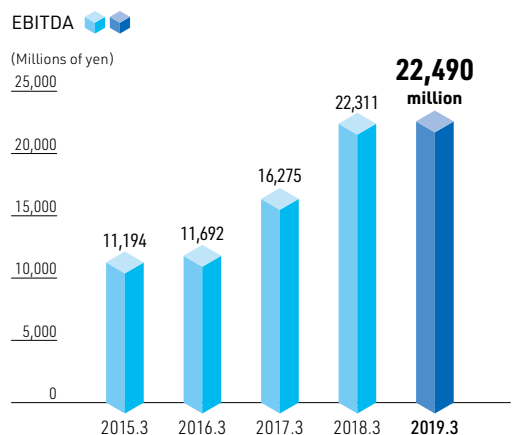
Operating Profit

¥14.4 billion



EBITDA

¥22.4 billion



Review of Fiscal 2018 (the fiscal year ended March 31, 2019)

Toy Market

In the fiscal year ended March 31, 2019, the Japanese toy market value grew 5.0% year on year, to ¥839.8 billion, the highest value since this survey began in the fiscal year ended March 31, 2002. Specifically, card games and trading card games grew 23.9% compared with the previous year as girls' toys, such as surprise toys and girl characters, also performed well, achieving double-digit growth of 14.2%. Despite the ongoing decline in birthrates, the toy market has continued to grow since the fiscal year ended March 31, 2010.

(Source: The Japan Toy Association)

Performance Highlights

Net Sales Matched the Previous Fiscal Year as Operating Profit, Ordinary Profit and Net Income Reached All-Time Highs

Despite favorable sales of core products and new product lines launched during the fiscal year, as well as an increase in overseas exports of BEYBLADE BURST and other products, overseas sales of character products declined, resulting in a 0.3% decrease in net sales, which amounted to ¥176,853 million, approximately the same level as in the previous fiscal year.

Operating profit increased 9.2% year on year to ¥14,407 million on higher gross profit due to net sales matching the previous fiscal year's level and product mix improvements. Ordinary profit rose 15.2% to ¥14,303 million due to the increase in operating profit and a decline in foreign exchange losses. Profit attributable to owners of parent rose 16.8% to ¥9,302 million due to the increase in ordinary profit.

As a result, in terms of profit, operating profit, ordinary profit and profit attributable to owners of parent reached all-time highs.

In Japan, sales of core products including PLARAIL and LICCA continued to be favorable. Successful enhancements to DUEL MASTERS product capabilities drove favorable sales and a new product L.O.L. SURPRISE! gained in popularity.

Overseas (TOMY International Group), sales of collectible agricultural machinery toys were robust. PRINTOSS (overseas product name: KiiPix), which was developed in Japan, was introduced into Europe, Americas and Oceania region to a positive reception. At the same time, character toys sales decreased, causing both net sales and profit to decline.

Overview by Regional Segment

Japan

Continued Favorable Performance of Core Products, the Launch of Noteworthy New Products and the Development of Proprietary Animation Content Led to Higher Sales and a Significant Profit Increase

Core product PLARAIL, which commemorates its 60th anniversary in 2019, and newly launched merchandise related to the television animation SHINKALION performed well. In February 2019, RYOGOKU PLARAIL STATION was opened for a limited time, and in March, a variety of newsworthy commemorative events were held, including a collaboration with the Kyoto Railway Museum. Favorable sales of LICCA, which celebrated her 50th anniversary in 2017, were driven by the beauty series of AQUA CURL dolls with hair that can be arranged and different dress sets. This series has been growing in popularity since the previous fiscal year. In terms of TOMICA, the TOMICA 4D created a buzz with its new gimmicks incorporating realistic idling engine sounds and vibrations.

As for toys exported overseas, in November 2018, an international tournament was held in France for the next-generation spinning top BEYBLADE BURST that generated popularity for this toy overseas and led to increased sales. We enhanced the product capabilities of trading card game DUEL MASTERS by revising card content, while a tournament held in March 2019 successfully increased this product's popularity. Additionally, since the June 2018 launch of merchandise related to dinosaur and animal-themed ZOIDS WILD, we have proactively promoted related content development, including television animation broadcasts that began in July, an amusement machine that was released in January 2019, and in February, sales of video game software were launched.

Regarding new products, we continue to release merchandise for the series L.O.L. SURPRISE! launched in July 2018, which has led to this product becoming a major hit in the surprise toy category. In terms of live action TV drama series, the second series, MAGICAL x HEROINE MAGIMAJOPURES! was released and character recognition increased due to the television broadcasts, resulting in favorable sales of related merchandise.

With regard to T-ARTS Company, Ltd., additions were made to the Pokémon Ga-Olé and other amusement machine lineups as shipments of OEM merchandise grew. As a result, net sales edged up 2.0% year on year to ¥148,732 million, and operating profit grew significantly at 17.4% to ¥16,734 million.

Overseas

In Europe, the Americas and Oceania, Flagging Character Sales Adversely Affect Earnings.

In Asia, Proactive Introduction of Proprietary Content Including Movies and Toys Drive Higher Sales and Profit.

Americas

Agricultural machinery toy sales were robust due to the launch of a 100-year commemorative tractor model and collection merchandise. In addition, PRINTOSS (overseas product name: KiiPix), a popular app developed in Japan enabling the easy printing of smartphone pictures, was released in the United States, Mexico and Canada where it was well received. In terms of net sales, character toy sales declined and some baby product performance was lackluster, resulting in a 23.1% decline year on year to ¥17,998 million and an operating loss of ¥81 million (compared with operating profit of ¥236 million in the previous fiscal year).

Europe

In addition to solid sales of agricultural machinery toys and baby products, KiiPix was launched in eight countries including England, France and Germany where it gained strong popularity. At the same time, character toy sales declined, resulting in net sales of ¥5,325 million, down 27.3% compared with the previous fiscal year. Additionally, the discounted sales of some products led to a lower gross profit margin, resulting in an operating loss of ¥659 million (compared with operating profit of ¥239 million in the previous fiscal year).

Oceania

Agricultural machinery toy sales were strong due to the launch of a 100-year commemorative tractor model. Although the KiiPix release was greeted favorably, character toy sales struggled, resulting in a 13.8% year-on-year decline in net sales, which amounted

to ¥1,783 million. A decline in inventory valuation led to an operating loss of ¥21 million (compared with an operating loss of ¥240 million in the previous fiscal year).

Asia (excluding Japan)

Television animation based on next-generation spinning top BEYBLADE BURST began broadcasts in 10 Asian countries and regions, and in September 2018, we launched sales of limited merchandise in Asia. In South Korea, sales increased as a result of various marketing measures, such as event tie-ups with companies that run academic prep schools and collaborations with elementary schools in Hong Kong.

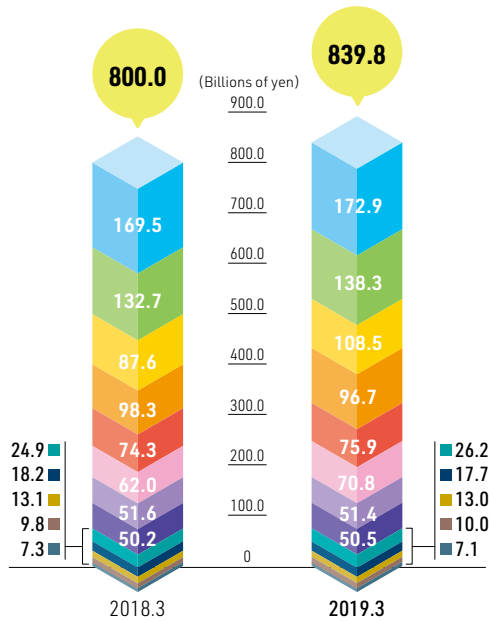
In October 2018, TOMICA held a sales promotion event for the TOMICA 4D, which features gimmicks incorporating realistic idling engine sounds and vibrations, in Taiwan, Hong Kong and Singapore. In addition to efforts aimed at strengthening brand power by exhibiting at a motor show in South Korea in November, PLARAIL sold *THOMAS & FRIENDS*-related products mainly in South Korea, where they were received favorably. LICCA dolls, which are available in Taiwan, Hong Kong, Thailand and Vietnam, went on sale in China in September 2018.

We also proactively developed proprietary content, including the broadcasting launch of live action television program MIRACLE TUNES! and animation program TOMICA HYPER RESCUE DRIVE HEAD. Additionally, the ZOIDS WILDS TV animation began broadcasting in South Korea in October 2018, then Hong Kong and Thailand in November and in Taiwan in December. In March 2019, movies were promoted in the Philippines and Vietnam in conjunction with the launch of toys in those markets. Although shipments from manufacturing subsidiary TOMY (Hong Kong) Ltd. to Europe and the United States declined, net sales rose 0.9% year on year to ¥54,033 million and operating profit was up 13.0% to ¥903 million.

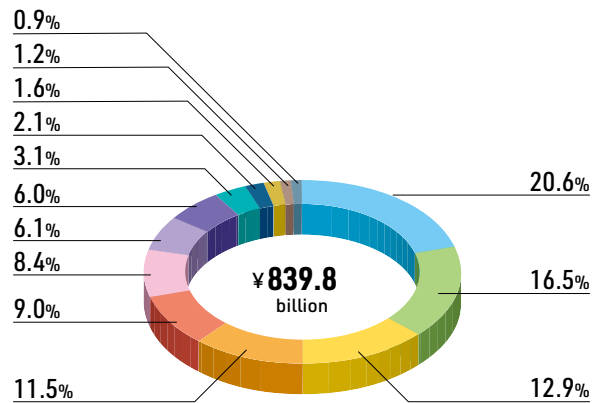
(Millions of yen)

	2018.3	2019.3	Change	Change (%)
Net sales	¥177,366	¥176,853	¥(512)	(0.3)
Japan	145,854	148,732	2,877	2.0
Americas	23,415	17,998	(5,417)	(23.1)
Europe	7,322	5,325	(1,996)	(27.3)
Oceania	2,067	1,783	(284)	(13.8)
Asia (other than Japan)	53,542	54,033	490	0.9
Eliminations and corporate	(54,836)	(51,018)	3,817	—
Operating profit (loss)	13,199	14,407	1,207	9.2
Japan	14,255	16,734	2,478	17.4
Americas	236	(81)	(317)	—
Europe	(239)	(659)	(419)	—
Oceania	(240)	(21)	218	—
Asia (other than Japan)	800	903	103	13.0
Eliminations and corporate	(1,612)	(2,468)	(855)	—

Japanese Toy Market



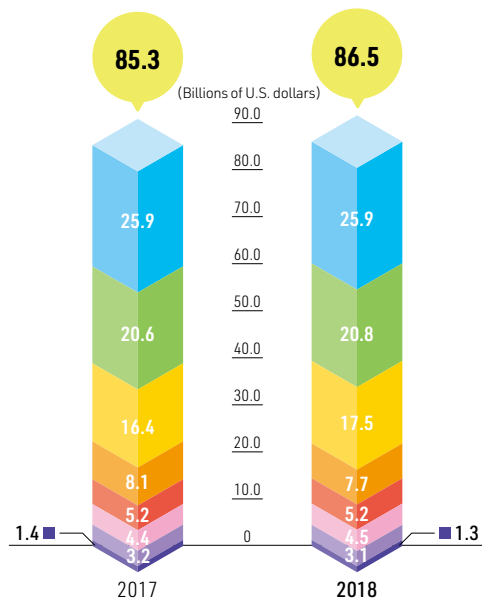
The survey period of each year is April 1 to March 31.



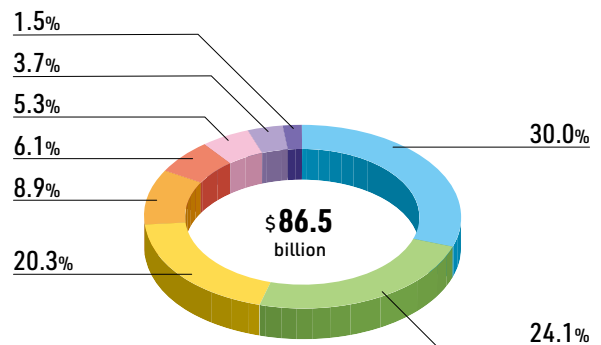
(Source: The Japan Toy Association)



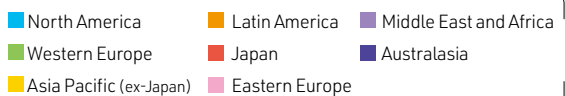
Global Toy Market



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



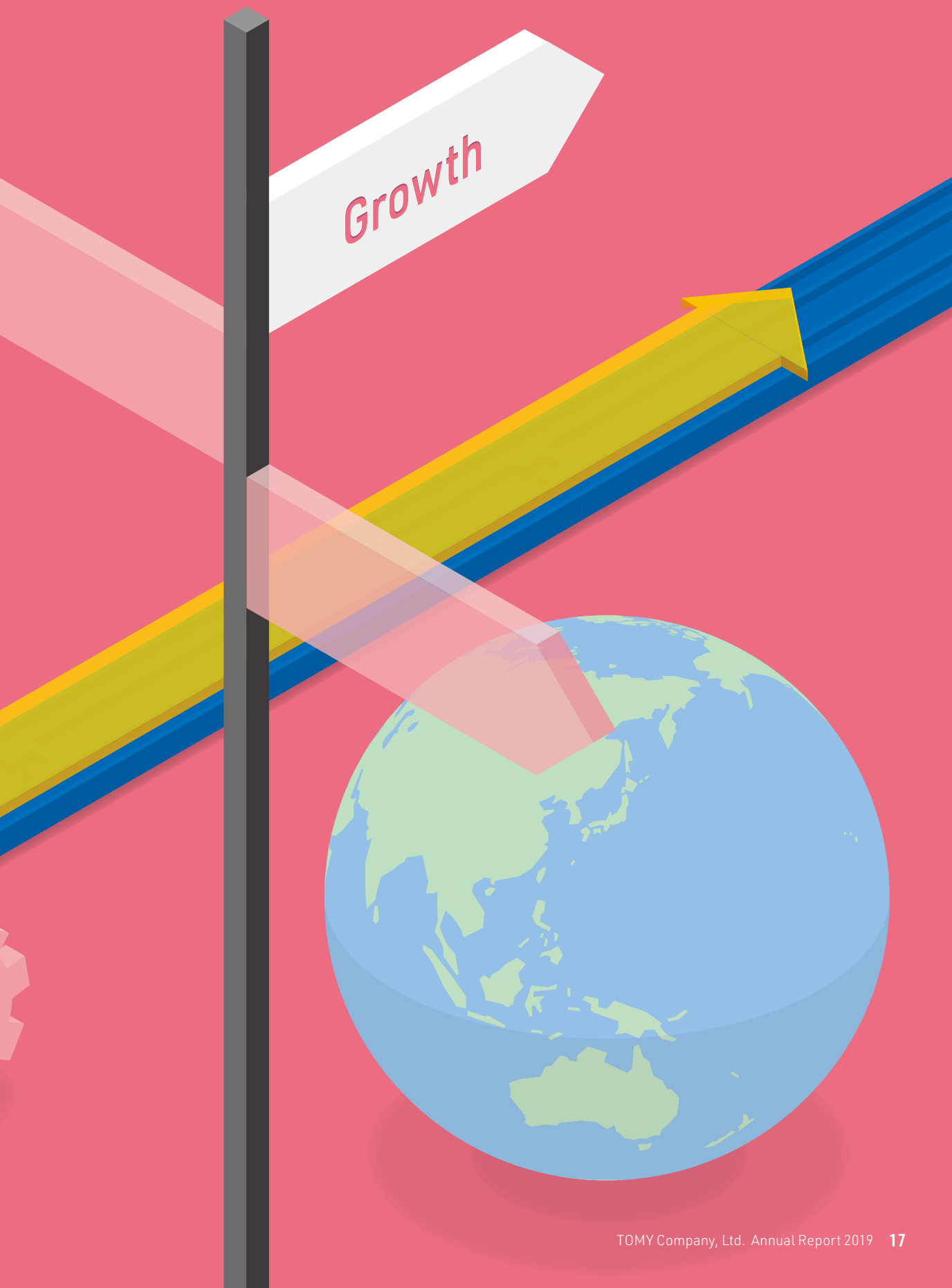
(Source: Euromonitor International)



The Path toward the Future

Fiscal 2018 (ended March 31, 2019) was the first year of our new three-year medium-term management plan (fiscal 2018–2020) titled “Taking on the Challenge toward New Growth.” We achieved a very strong start, achieving targets for both net sales and profits. As we approach the 95th anniversary of our founding and the next milestone of our 100th anniversary comes into view, we aim to become an “Outstanding Global Company” and continue to take on further challenges as we forge a new path toward the future.







Industry Environment

Toy Markets in Japan and Overseas Remain Steady

In 2018, the closing of all US stores belonging to a failed major American toy retail chain sent a massive shockwave throughout the industry, but in Japan, that same chain of stores did not close or withdraw, as the Japanese toy market itself achieved the fifth straight year of sales at the ¥800.0 billion level, driven by the strong performance of trading cards and toys for girls. The global toy market had a value of around \$85.0 billion in 2017, and is expected to continue growing at around 2% each year. Amid these conditions, the TOMY Group maintained its fighting spirit and took on challenges without fear of failure, launching a three-year medium-term management plan in fiscal 2018 under the slogan "Taking on the Challenge toward New Growth."

Growth Platform Strengthening Initiatives and Results in Fiscal 2018 (the fiscal year ended March 31, 2019)

Extremely Solid Progress in the First Fiscal Year of the Medium-Term Management Plan

Under the medium-term management plan, TOMY will:

1. Promote in-house original global brand strategies
2. Create original brands for Japan and Asia
3. Implement Category No. 1 strategy
4. Expand business in "high-target" products and the elderly segment
5. Expand business in the Asian market
6. Revitalize business in Europe and North America

In fiscal 2018, TOMY promoted various measures in accordance with these six medium-term business

小島 一洋

Kazuhiro Kojima

Representative Director,
President & COO

strategies. Among these, we are still in the process of expanding business in "high-target" products and the elderly segment and revitalizing business in Europe and North America, but in general, we have made extremely solid progress.

In terms of numbers, for the first fiscal year of the plan, we targeted net sales of ¥172.0 billion and operating profit of ¥10.0 billion. Actual performance exceeded both of these targets, with net sales of ¥176.8 billion, about the same amount as in the previous fiscal year, and operating profit of ¥14.4 billion, which surpassed the ¥14.0 billion target for the final year of the medium-term business plan in fiscal 2020. The operating margin improved 0.7 points compared to the previous fiscal year, to 8.1%, ROE increased 0.3 points to 15.2% and the equity ratio rose 6.5 points to 46.5%. These improvements bring us to within 50% of our target for the final fiscal year of the plan, demonstrating excellent progress.

Driving these achievements are the stable and steady expansion of core products such as PLARAIL and LICCA, as well as growth in overseas shipments of BEYBLADE BURST. Furthermore, in fiscal 2018 surprise doll L.O.L. SURPRISE!, ZOIDS WILD, a TOMY original making a comeback after 12 years, and other products launched trends that contributed to our performance.

Promoting Stable Growth in Sales of Core Products and Proactive Launch of New Products in Japan

¥190.0 billion, profit targets were revised upward. The target for operating profit was raised from ¥14.0 billion to ¥16.0 billion, EBITDA from ¥23.0 billion to ¥25.0 billion and the equity ratio from 50% to 55%.

In Japan, we plan to stably expand sales of core products and proactively launch new products. In Asia, we will grow TOMICA and PLARAIL and expand sales of character products, which we expect to generate the same levels of profit as in the first fiscal year of the management plan. In addition, the ¥2.0 billion in upward revisions will be achieved through our full-scale entrance into digital business from fiscal 2019 onward and profit from TOMY International developments in Europe, the Americas and Oceania.

In Japan, our business platform is generating stable profits. In terms of core products, sales of LICCA, which celebrated its 50th anniversary in 2017, achieved solid growth in fiscal 2018, the year after the anniversary project, and continues to grow steadily. As fiscal 2019 will mark the 60th anniversary of PLARAIL and fiscal 2020 the 50th anniversary of TOMICA, we will continue to conduct core product anniversary projects and strengthen these brands, which we think will enable us to steadily increase sales. We will also continue to develop television animation, movie and other media content for TOMICA and PLARAIL, which we expect to support these efforts.

Further more in addition to our core products, we will continuously launch new products. TOMY

In light of our strong performance in the first fiscal year of the management plan, we made upward revisions to the targets for the final fiscal year of the plan. Although net sales remained unchanged at

Second stage (FY2019-2020)

Previous
Medium-Term
Management Plan
financial strategy
(FY2020)
target figures

Net sales	Operating income	EBITDA	Equity ratio
¥190.0 billion	¥14 billion	¥23 billion	50%
Upward correction			
Net sales	Operating income	EBITDA	Equity ratio
¥190.0 billion	¥16 billion	¥25 billion	55%

plans to proactively launch of new products targeting hit content such as boy's hobby toy BAKUGAN, the third series, PHANTOMIRAGE! live-action television drama and popular movies *Toy Story 4* and *Frozen 2*. Already having global content including BEYBLADE and TRANSFORMERS, at present we are proactively developing ZOIDS to create the next new wave in the trough of sales generated by these businesses.

In addition, to strengthen planning and development capabilities and advance development focusing several years ahead, we established the Planning and Development Headquarters in July 2018, and will continue to introduce new products that will invigorate the market.

Efforts to Expand the Asian Market

In the Asian market, in addition to TOMICA and PLARAIL, we will proactively introduce content developed in Japan. Sales are growing steadily, so we will once again attempt a full-scale entry into the Chinese market while promoting character product development.

Full-Scale Deployment of the Digital Business Division

In terms of digital business, in fiscal 2018 we established the stand-alone Digital Business Division to promote planning and development as a separate organization from the toy divisions. During fiscal 2019, we plan to launch a new app targeting over one million people and will focus on developing it as a pillar of revenue. We will provide more information in the future as we move forward with development.

Reestablishing Our Position in Overseas Markets

The TOMY International Group, which develops business in Europe, the Americas, and Oceania, in addition to the ongoing investment of management resources in core brands such as agricultural vehicle toys and baby products, recognizes that it must launch and bring to market several new product lines, thus a dedicated global development team has been established within the Planning and Development Headquarters to promote global product planning and development. It already launched PRINTOSS (overseas product name: KiiPix) in 2018 and is preparing for additional launches in 2019 and beyond.

In the Americas, we are sequentially launching the sales of new products prepared up to now. In Europe, given economic conditions and market environments, we expect that it will take some time to recover performance, approximately 18 months longer than in North America. In England and Ireland, we acquired the sales rights for a long-established toy game brand that we will use to increase sales and stabilize earnings. In fiscal 2019, we will first realize profitable operations, and from fiscal 2020 onward, establish a system able to contribute to consolidated performance.



Medium-Term Management Plan Progress

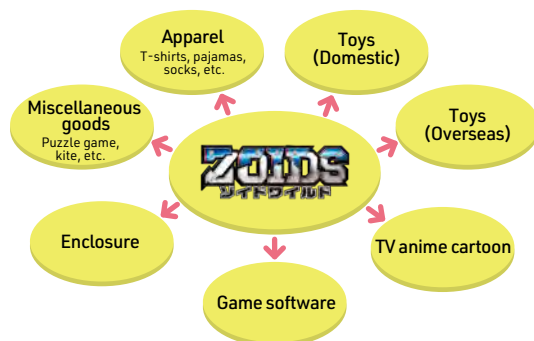
Progress and Issues Surrounding the Six Medium-Term Business Strategies



Promote In-House Original Global Brand Strategies

Cultivating ZOIDS WILD as a Third Pillar, Promoting Further Investment in New Content

We are focusing efforts on cultivating ZOIDS WILD as a third pillar after BEYBLADE and TRANSFORMERS. In terms of deployment, toys were released in Japan in July 2018, and animation broadcasts began. Overseas, animation broadcasts began in July 2018 in nine countries and regions, including China, South Korea, Hong Kong, Thailand, the Philippines, Vietnam, Singapore and Malaysia. During fiscal 2019, we are planning animation broadcasts and toys in Europe and the United States as we enter the stage where ZOIDS WILD toy sales and animation broadcasts will begin worldwide. As ZOIDS WILD is a TOMY original global brand IP, we will promote expansions into a variety of business areas, including toys, apparel, accessories, game machine cabinets and video game software.



Create Original Brands for Japan and Asia

Promoting the Expansion of Content Development

In Asia, which has a high cultural affinity with Japan, we are developing a variety of content, including TOMICA HYPER RESCUE POLICE DRIVE HEAD, SHINKALION and the GIRLS X WARRIOR series, which will be

developed with animation and live-action toys.

The GIRLS X WARRIOR series began in 2017 with MIRACLE TUNES! as the first series, then in 2018 MAGIMAJO PURES! as the second series, with attendees at annual events growing larger every year. the third series, PHANTOMIRAGE!, development drew on our accumulated know-how and has achieved a solid start as we continue to engage in these efforts throughout Asia.



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Implement the Category No. 1 Strategy

Establishment of the Sales Trinity Structure

At present, in the miniature car, rail toy, dolls, boy's hobby and trading card game categories, TOMY products have the No. 1 market share in Japan. Product power and sales capabilities are indispensable elements in creating high market share. The TOMY MARKETING COMPANY, LTD., conducts product sales in line with sales strategies established by TOMY Company, Ltd. T-FIELDTEC COMPANY, Ltd., provides store support to facilitate an extremely smooth sales trinity structure that is becoming an infrastructure-like strength.

In further pursuit of becoming category No. 1, we are launching one new product after another. BAKUGAN, introduced in the boy's hobby category in fiscal 2019, is a global brand that has achieved over \$1 billion in global sales up to now. TOMY acquired sales rights in Japan and Asia, and in April 2019, began selling toys and launched television animation broadcasts in Japan. In the girl's hobby category, we aim to acquire category No. 1 status through the development of surprise doll L.O.L. SURPRISE! and other products.



Expand Business in "High-Target" Products and the Elderly Segments

Deploy Groupwide

In addition to promoting commercialization targeting children, it is becoming increasingly important to develop products for high targets and older people who are more numerous than children. For example, TOMY TEC Co., Ltd., develops inventive high-target products such as hobby model railroads and a personal talking robot MY ROOM ROBI. We want to expand this field in the future with the addition of digital apps.



Expand Business in the Asian Market

Proactive Development of Core Products, ZOIDS WILD and BAKUGAN redundant

To further strengthen development in the Asian market, where sales have grown steadily in recent years, we will aggressively develop our own original content, including ZOIDS WILD and battle hobby toy BAKUGAN in addition to our core products. We will also proactively deploy visual content successful in Japan throughout Asia.



Revitalize Business in Europe and North America

Expand Sales by Strengthening Core Brands and Launching New Products

In the United States and Europe, at present sales are declining due to the end of character product sales and flagging sales of core baby products. To address this, PRINTOSS (overseas product name: KiiPix), which was launched in Japan at the end of 2017, global products developed in Japan and other new products are being proactively developed and sold in these regions. Global products developed in Japan for release are highly anticipated by distributors. In addition, we are working to rebuild by strengthening our core brand agricultural vehicle toys and branded baby products.



© TOMY

Future Topics

Content Development Promotion

In fiscal 2019, we will launch several television broadcasts, the content of which is focused on a particular effort. In April 2019, we began broadcasts of BAKUGAN and PHANTOMIRAGE! In May, broadcasts of the popular animation PAW PATROL began in over 160 countries and regions throughout the world. We also launched the sale of toys associated with each of these programs. In addition, as fiscal 2019 marks the 60th anniversary of PLARAIL, we will hold a variety of commemorative events.



In terms of movies, we have acquired toy licenses for Marvel, Disney/Pixar and Star Wars movies and will focus efforts on products related to the release of *Toy Story 4*, *Frozen 2* and *Star Wars: The Rise of Skywalker*.



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Realizing Sustainable Growth

Strengthening Our Management Foundation

TOMY is working to enhance corporate governance so that the Company can grow sustainably and realize sound management with a high degree of transparency. With the appointment of a woman director in fiscal 2018, we promoted diversity within the composition of our Board of Directors. In fiscal 2019, of our seven directors the majority (four) are outside directors, representing a further step forward from the perspective of enhancing management independence and objectivity.

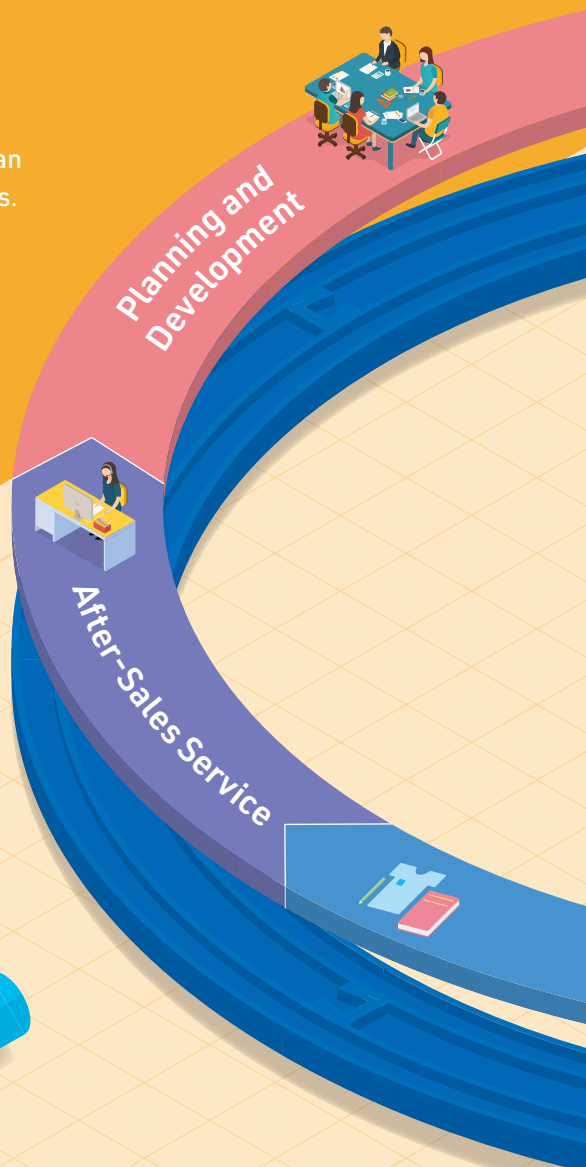
In addition, we are making steady progress with regard to CSR activities, which we have been actively engaged in across the Group. Until now, we have promoted the systematic organization and disclosure of our CSR initiatives, "Become friends with children around the world" and the "TOMY Group Social Responsibility Framework" as our ideal CSR stance, and identified six goals within the SDGs that we can contribute to through our business. In fiscal 2018, we identified material issues. I think that it is important to promote these CSR initiatives with both the commitment of management and the consciousness of each employee. For this reason, we have created a CSR Handbook that can be used to understand CSR in our daily work, reflect upon it and take concrete actions. This handbook is distributed to all Group employees throughout the world.

Through the achievement of our medium-term management plan and the enhancement of our management foundation, we will build a solid platform for realizing sustainable growth as we approach the milestones of our 95th and 100th anniversaries. As TOMY continues its efforts to achieve sustainable growth, I ask for the ongoing support of all our stakeholders.

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The PLARAIL Product Development Story

There are many PLARAIL products, for example, "rails," "scenery parts" such as station buildings and tunnels, "railcars" and "sets" containing all these items together in one package. There is also licensed merchandise other than toys such as apparel, everyday items and printed materials. And now, at this very moment, TOMY is developing new products. In this special feature, we introduce how TOMY engages in PLARAIL product development.





Preserving and Evolving

There are aspects of PLARAIL product development that we are preserving as well as evolving.

PLARAIL has its roots in the PLASTIC TRAIN AND RAIL SET, which first went on sale 60 years ago in 1959. The curvature* of the curved rail and the shape of the rail connector used today were decided at that time, with the size of the train based on the optimum distance between the front and rear train wheels used as the standard for running smoothly on the curved rail. We have preserved these and other aspects as the PLARAIL standard for the past 60 years. Additionally, since the introduction of motorized trains in 1961, the "three-car train powered by one battery" has become the standard.

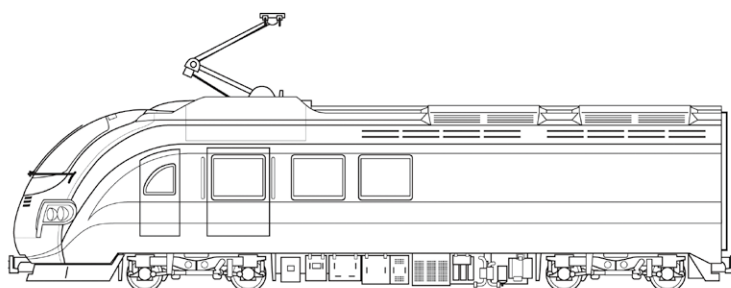
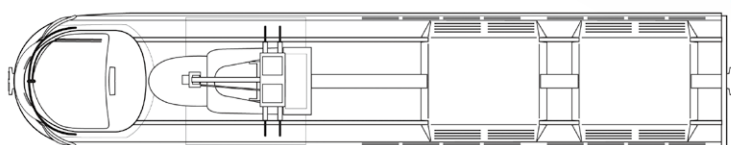
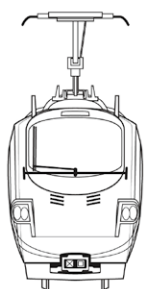
At the same time, we are also constantly evolving PLARAIL. For example, we quickly incorporate societal changes and changes in the railway transportation system into product development. We are also making continual efforts to incorporate the latest technologies into PLARAIL, as we continue to improve PLARAIL as a toy that children can enjoy playing with peace of mind.

For 60 years, we have continued to preserve and evolve PLARAIL product development, and we will continue to maintain this basic spirit of product development as we move forward.

* At that time, families spent most of their time around a *chabudai* (low, Japanese-style dining table). When connected, the eight curved rails created a full circle 47 cm in diameter, enabling tabletop play.

Making Ideas and Dreams a Reality

Planning and Development



There are many appealing aspects of PLARAIL. For example, familiar trains and popular new railcars we often see and ride in become PLARAIL railcars. When commercializing railcars that exist in the real world (actual railcars), we endeavor to ensure that the actual railcar is integrated into the PLARAIL world without any sense of incongruity. In terms of railcar size, there are strict standards for running on a layout comprising rails and scenery parts. Conforming to these has been key to the planning and development of realistic, deformable railcars. It also helps to prevent any sense of incongruity with products released in the past. For example, when reproducing the distinctive “long nose” of the Shinkansen lead car, the size of nose section is reduced just enough so that it does not hit scenery parts during operation, or alternatively, the passenger car, which determines overall length, is shortened. In this case, the length of the train nose is given priority.

Another substantially appealing aspect of PLARAIL is that it is a configurable toy*. Thus, we take great care with the rails, which are the important parts that make PLARAIL a configurable toy. It may sound overdramatic, but the rails must strictly adhere to standards related to width and curvature.

While taking care of what must be preserved, we also make ongoing improvements to rail materials and railcar connectors to make them easier to play with, we incorporate the changing times in new product planning and development by trying out new technologies and materials, and we establish new brands and content within the PLARAIL series in an attempt to proactively take on new challenges.

For example, we have incorporated new technologies that include railcars equipped with cameras that can be driven while watching the video on a smartphone, station buildings that play announcements and platform doors. A representative example of this new content is SHINKALION.

Going forward, we will take care to preserve PLARAIL core elements, while promoting the evolution of PLARAIL in line with modern needs.

* Toys that make something by combining parts of different shapes or materials. With PLARAIL, children can combine rail and scenery parts to freely create a world of their own imagining.

COLUMN

New PLARAIL Content: SHINKALION

SHINKALION is a project originally proposed by JR East Marketing & Communications, Inc., Shogakukan-Shueisha Productions Co., Ltd., and TOMY in 2015. The objective was to create a new character consisting of a “real Shinkansen that changes into a robot.”

The SHINKALION product planning concept aimed to create a transformable robot that children could play with using their PLARAIL sets. Not only would the robot be changeable, but it could also actually run on the PLARAIL rails. To develop a product meeting the concept required a tremendous amount of hard work. The size of the robot vehicle was limited due to the railcar size restrictions of the rails, and the motif of the robot vehicle had to conform to those of an actual Shinkansen. However, after multiple prototypes and repeated testing, we finally succeeded in creating this product.

Since this content was created, we have promoted it through videos posted on the official SHINKALION website as well as information disseminated on the Internet, in magazines, on television and at various events. In January 2018, broadcasts of a SHINKALION television animation began. We are also accelerating developments beyond Japan into Asia.



The P001 RED FLINER, an original PLARAIL railcar



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Preserving and Evolving

Production and Manufacturing



The production department starts with technical considerations when planning a new product, confirms the 3D design data necessary for creating molds, monitors manufacturing progress from initial samples through mass production, and is also in charge of receiving product orders and ordering molds and production management.

In the manufacturing phase, there is a stricter demand for quality maintenance and improvement, cost reductions and on-time delivery—three elements also known as QCD. In particular, producing safe and reliable products is the top priority within QCD. Thus, in addition to meetings from the new product planning phase, opinions are expressed from the perspective of “producing safe products that can be used with peace of mind.”

Also, while QCD is involved in all phases, careful attention is also paid to design so that products can be easily assembled in the factory during mass production.

Furthermore, production progress is strictly managed to ensure the products are available in stores for the scheduled sales launch date.

When developing new products for PLARAIL, recommendations for the production of safe and reliable products are made from the planning phase, while designs are created on the basis of ensuring easy assembly during mass production and production progress is strictly managed to ensure on-time deliveries.

While preserving standards that must be preserved, we are taking on the challenge of acquiring new technologies and introducing new production methods to ensure there is no damage to the value of the PLARAIL brand built by our predecessors.

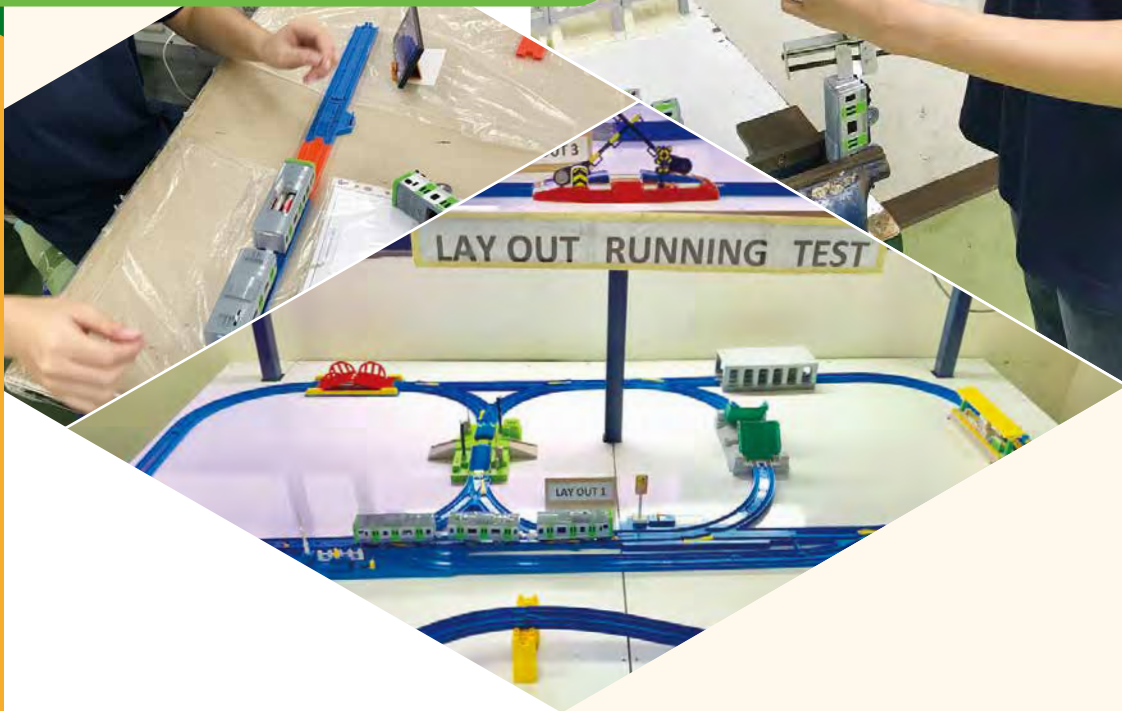
The quality control department strictly manages all processes, from the product planning phase to actual manufacturing and shipment to ensure that products satisfy the quality standards established by TOMY. Specifically, quality standards are established for each individual product in accordance with the TOMY Quality Regulations, and in addition to structural aspects, the materials themselves and the chemical substances that adhere to products during the manufacturing process are strictly controlled so that

the product meets these quality standards.

We are convinced that we will never stain the fine reputation of the PLARAIL brand, which has a 60-year history. This is because we have taken safety and peace of mind into consideration and taken on board the expertise related to quality and technology passed down to us from our predecessors, as well as an approach to safety and quality from the perspective of the user—children—from the new product planning phase.

／ Safety First ／

Quality Control





Shining on the Sales floor



For sales-related operations, three Group companies work in unison. TOMY formulates sales strategies, TOMY MARKETING conducts sales activities targeting toy wholesalers and GMS, and T-FIELDTEC Company, Ltd., provides support for retail stores.

Sales strategy planning involves formulating actual sales strategies for each product based on the product plan (product, price, sales floor display, promotion, etc.) created by the planning department. Sales activities toward distribution partners include business negotiations and wholesale products as well as proposals for actual in-store sales promotion measures.

In-store support involves a series of operations including visits to toy stores in order to create displays that attract customers to want the products they see on

the sales floor. Specifically, sales floors are customized using various sales promotion tools (displays, POP, posters, catalogues, etc.) to create and maintain optimal sales floor configurations. In addition, events are held to enhance interest in products.

PLARAIL is a long-selling toy that has been supported by three generations of customers and is sold at almost all toy dealers. The TOMY Group also operates PLARAIL SHOP specialty stores. Looking at the wider world, there are not many countries like Japan where it is possible to see a wide variety of trains up close, thus we think we can better convey the appeal of PLARAIL by selling products reflecting the distinctive aspects of each region. We are working to expand sales through new channels such as railroad events, station shops, and DIY home centers. We strive to maintain the “freshness” of our products and make them shine even brighter through steady sales support activities. We will continue to proactively conduct sales proposals and improve our services. We believe the repetition of these efforts will lead to the establishment of a long-selling brand.

Capturing Customer Hearts



Employees in charge of marketing formulate and execute marketing plans centered on promotions. These involve two major focus areas, the first of which is the formulation of a plan with numerical targets (number of units sold, sales, costs, profit, etc.) for

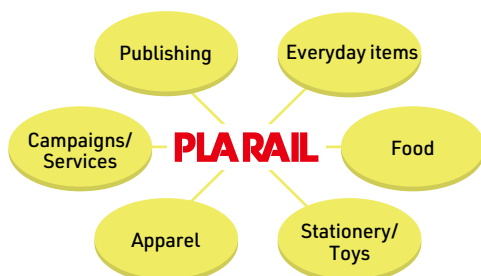
actual new product sales. The other focus is on the creation and implementation of a product promotion plan. A specific example of a product plan includes the production of advertisements including television commercials and catalogs, collaborations with other companies, sales promotion activities at stores and a variety of other campaigns.

As PLARAIL is based on actual railcars, we conduct events including tie-ups with railway companies and railway museums, as well as the PLARAIL EXPO event conducted by TOMY that enables visitor to see, touch and enjoy PLARAIL up close, among other promotions that resonate in the hearts of children, who love trains. In addition, because PLARAIL is a long-seller, awareness is high among children as well as their parents, thus we place importance on communicating the positive aspects of the brand, such as the fact that the standards for our rails and other parts are the same now as in the past and that this is still a toy providing a wide range of possibilities for play that develops sociability and imagination.



Expanding the Brand

Licensing



We have also developed a wide range of commercial licenses for PLARAIL, including apparel, everyday items, food, stationery and printed material targeting children between the ages of three and six who play with toys. PLARAIL is used for merchandise as well as in corporate advertising campaigns. The benefits of licensing PLARAIL, which is widely recognized across three generations of users, include the ability to commercialize national railway lines and the latest railcars, as well as naturally combine railcars from different companies into the same play scenario.

Going forward, TOMY will continue to promote licensing in a variety of categories while ensuring there is no damage to the brand image that has been cultivated over many years to create, nurture and expand the ranks of PLARAIL fans.



The Customer Service Department, which listens directly to the voice of the customer, is considered to be the department closest to the customer. TOMY strives to build relationships of trust with customers through caring and sincere interactions.

Customer Service Department operations begin with consultations and store introductions before purchases. In addition to selling PLARAIL, we also provide telephone and e-mail support, including consultations related to layouts, post-purchase information on use, and repair availability. We want customers to enjoy PLARAIL for a long time, thus we strive to provide store information enabling customers

to easily purchase connecting and other parts they can replace on their own. We are also improving the FAQ contents posted on our website.

We will continue to study products so that we can provide quick solutions to customer consultations and suggestions. Furthermore, actual and potential needs gleaned through valuable customer comments are provided to relevant departments as feedback, reflected in product development and marketing, and used to improve operations. We would be happy if these activities led to the creation of even just one fan of the TOMY Group.

Discovering the Next Evolution

After-Sales Service

