



DRIVING TO NEW GROWTH



Annual Report 2018

TOMY Company, Ltd. (For the year ended March 31, 2018)



**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.

DRIVING TO NEW GROWTH

Annual Report 2018 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.

The 2018 edition of the annual report features an interview with top management providing a basic overview of the new Medium-Term Management Plan

that began in May of this year. The special feature introduces the new series of ZOIDS motorized kit toys first launched in the 1980s, highlighting the development team member expertise cultivated over 35 years and the new challenges TOMY will take on to achieve further growth, which is also the slogan of the new Medium-Term Management Plan. Please visit our website for more details about the TOMY Group.

www.takaratomy.co.jp/english

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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.

To Our Stakeholders

Inheriting TOMY Group founder Eiichiro Tomiyama's philosophy of toys, we have continued to engage in business activities with a belief in contributing to society through our core business of toys set forth in the founding philosophies 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." And, for roughly half a century, we have created a plethora of beloved products that transcend generations, countries and cultures, including core products TOMICA, PLARAIL and LICCA, as well as BEYBLADE, the modern version of the traditional Japanese spinning top game.

During more than 90 years of TOMY history, despite remarkable changes occurring in each generation, we have maintained an unwavering commitment to placing a priority on the smiles of all children in Japan and throughout the world and maintaining craftsmanship with an insistence on reliable and safe quality and detail. And, we have maintained a strong desire to ensure that our flexible powers of creativity, the source of toy creation, endure across the generations.

In the previous Medium-Term Management Plan, we engaged in three reforms: "revolution of mind," "product revolution" and "structural revolution of business" to continue advancing while adapting the universal essence of TOMY Group toys and carefully cultivated brand value to the changing times. As a result, performance has grown favorably, with net sales on an upward trend and all-time high operating income. Going forward, we will target sustainable growth by finally making a more full-fledged effort in our overseas business. We revamped our management structure on January 1, 2018, and will promote ongoing management reforms under this new structure. And, ahead of the 100th anniversary of the TOMY Group's founding in 2024, we continue taking on even more challenges to become an Outstanding Global Company. I hope for continued support and guidance from all our stakeholders.

富山 幹太郎

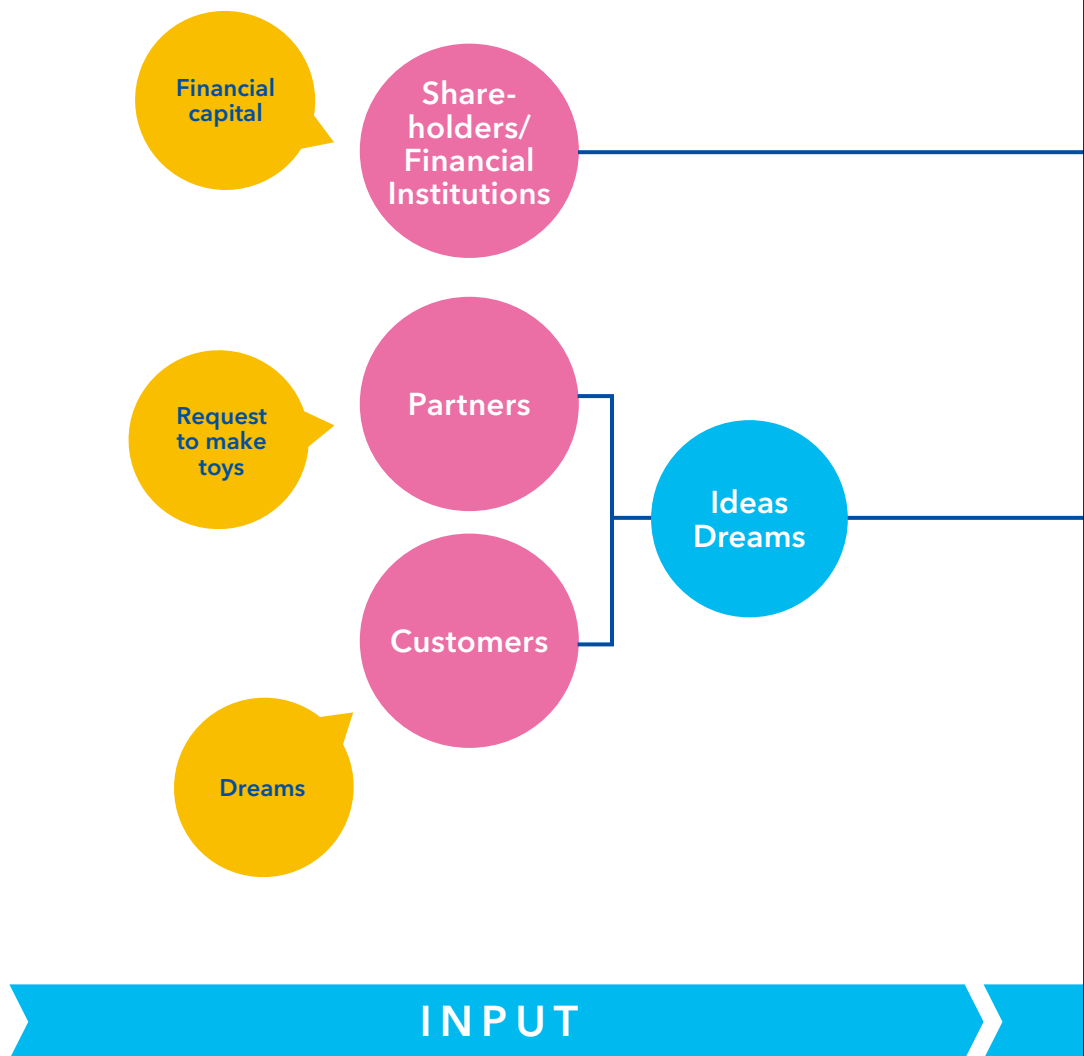
Kantaro Tomiyama

*Representative Director,
Chairman & CEO*



Business Model and Value Creation Process

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.



Partner

- Reward
- Increase know-how, knowledge
- Excitement to collaborate

Collaboration from planning to sales and promotion

WHAT WE DO

Product Planning

↓
Manufacturing

Quality control

• Sales

• Promotion

• After-Sales Service

CSR

Commitment to Quality Manufacturing /
Sound Management Execution /
Coexistence with Society and the Global Environment

TOMY
Know-How
Brand
Trust

Employees

Raw materials, energy
and infrastructure to
manufacture and sell

CSR Activities

Society and Global Environment

Financial
results

Share-
holders/
Financial
Institutions

Products

Customers

Excitement,
enjoyment,
dreams
realized

PROCESS

OUTPUT

History of Innovation and Core Product Evolution



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 as challengers continuously leading the times.

HISTORY OF INNOVATION

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

1

1st Generation
1924-

**Craftsmanship
Mid- and Post-war
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

2nd Generation
1954-

**Mass Development
And Production
Economic Growth
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

3rd Generation
1984-

**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

4th 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.



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 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 1,000 different types of cars, a total of more than 640 million cars loved by over 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-year old boys) as well as a wide range of other people without regard for age or gender.



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 1,430 types and more than 165 million products have been sold in Japan, acquiring a share of over 90% in the Japan rail toy market.

Licca®

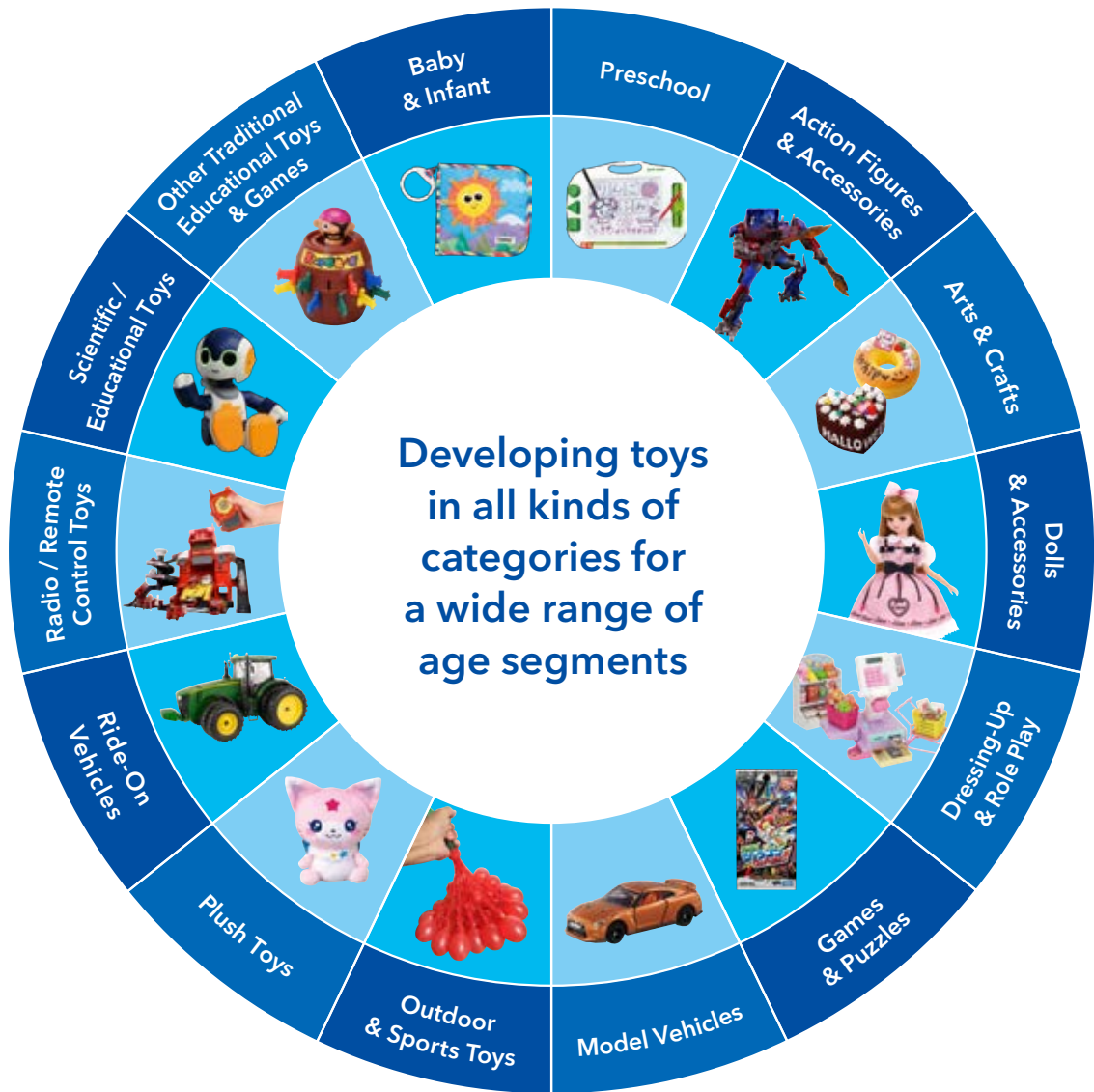
Celebrating her 50th anniversary in 2017, LICCA was born in 1967. Always reflecting the trends of the times, this product is sold as the embodiment of girls' hopes and dreams. Having already sold over 60 million units, in recent years, we have aimed to make this a brand loved by children as well as adults 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 200,000 followers as of March 31, 2018). 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.



©TOMY

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.



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.



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.



Magical x Heroine MagimajoPures!

A live action new special effects heroine story in which magicians use magic and dance to defeat evil and protect people's dreams and world peace. An original story created in collaboration with video production company OLM Inc., TOMY creates merchandise based on items and character items used in the show.



SHINKALION

SHINKALION is a real shinkansen that can transform into a robot, original character content created through a collaboration between East Japan Marketing & Communications, Shogakukan-Shueisha Productions Co., Ltd., and TOMY. These toys are developed under the PLARAIL brand.



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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.



TOMYTEC

TOMYTEC

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.



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

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, 2018

NET SALES

¥177.3
billion

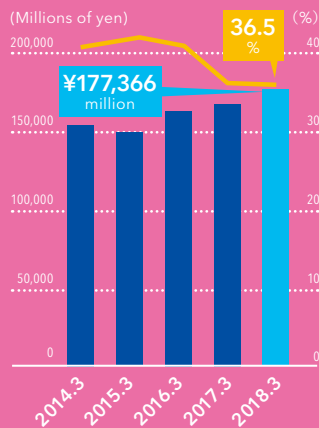
OPERATING
PROFIT

¥13.1
billion

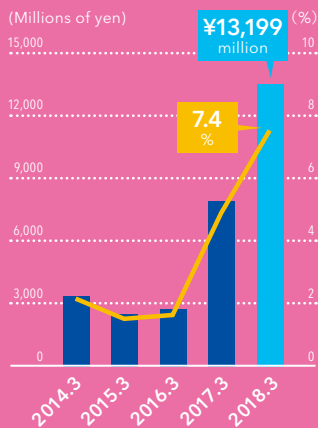
EBITDA

¥22.3
billion

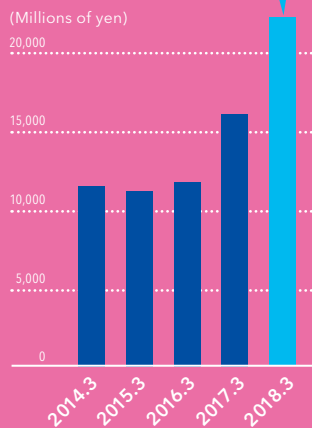
NET SALES (■) OVERSEAS SALES RATIO (—)



OPERATING PROFIT (■) OPERATING MARGIN (—)



EBITDA



Review of the Fiscal Year Ended March 31, 2018

Toy Market

In the fiscal year ended March 31, 2018, the Japanese toy market had a value of ¥800.0 billion, staying nearly the same at 99.7% of the previous year's value. Despite a struggling trading card game segment affected by new television game consoles, toys for girls performed favorably to support the market.

Performance Highlights

Net sales increased for the third consecutive year and operating profit reached an all-time high.

Net sales increased 5.8% to ¥177,366 million, driven by favorable toy sales in Japan and Asian markets, as well as increased exports of TRANSFORMERS and BEYBLADE BURST overseas.

Operating profit soared 70.4% to ¥13,199 million as gross profit increased due to higher sales and inventory write downs declined in addition to profitability improvements in overseas business. Ordinary profit rose 58.8% to ¥12,420 million due to the substantial increase in operating profit despite foreign exchange gains in the previous fiscal year that turned to foreign exchange losses. Net income increased 48.2% to ¥7,962 million despite extraordinary losses including an impairment loss on intangible assets in the Americas amounting to ¥2,692 million.

In Japan, core products and new products performed favorably. At the same time, although character-related toys and baby-related products struggled overseas, profitability improved due to a reduction in discounted sales of certain products conducted in the previous fiscal year.

Overview by Regional Segment

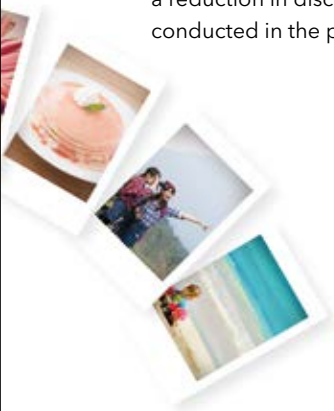
Japan

Favorable Performance of Core Products and New Products, Aggressive Launch of Popular Products and Locally Produced Animation Successful in Significantly Boosting Product Exports, Achieving Substantial Increases in Sales and Profit

In the Japanese market, products related to the 50th anniversary of LICCA in 2017 and TOMY's first original television anime "TOMICA HYPER RESCUE POLICE DRIVE HEAD" and other core products performed favorably. In January 2018, broadcasts commenced of a television animation based on the "SHINKALION" toys developed for PLARAIL. We proactively launched products related to THE SNACK WORLD, which is being developed across various media, including TV animation, comics, and game software, as well as the AI-equipped COZMO robot and PRINTOSS (KiiPix), which enables easy printing of photographs taken with a smartphone. During the year-end shopping season, sensational new pet toy *Umarete!* WOOMO (Hatchmals), which provides a fun egg-hatching experience, and next-generation spinning-top battle toy BEYBLADE BURST remained popular. With regard to new products, TOMY's first live action television series aimed at girls *Miracle Tunes!* and new products such as the fun, handmade balloon-art hobby toy OONIES were well received.

We achieved substantial growth in overseas-bound exports due to the release of a TRANSFORMERS movie in the summer of 2017 and the start of full-fledged development of BEYBLADE BURST with an animated television series broadcast in North America and Europe. With regard to T-ARTS Company, Ltd., capsule toy vending machines installed at airports and cooking toy-related products such as the Ultimate TKG garnered great deal of attention through frequent media coverage.

As a result, net sales increased 10.7% year on year, to ¥145,854 million. Operating profit jumped 42.1% year on year, to ¥14,255 million due to an increase in gross profit resulting from the growth in net sales and a decrease in a write-down of inventories, despite an increase in selling, general and administrative expenses.





Americas

Improved Profitability on Business Selection and Concentration

In the Americas, we continued to promote business selection and concentration aimed at improving profitability. Net sales declined 17.9% year on year to ¥23,415 million due to lower sales of character-related toys and baby products, despite solid sales of agricultural machinery toys. Operating profit increased 19.5% to ¥236 million, maintaining at a surplus due to cost reductions and other factors.

Europe

Profit Increases on Reduction in Discounted Sales of Certain Products as Operating Losses Improve

Net sales declined 14.6% year on year to ¥7,322 million due to lower sales of baby products and preschool-related products, despite firm sales of Pokémon-related toys. Operating loss improved to ¥239 million (compared to an operating loss of ¥581 million in the previous fiscal year) owing to increased gross profit resulting from a reduction in discounted sales of certain products sold in the previous fiscal year.

Oceania

Net Sales Declined Due to Lackluster Sales of Character-Related Toys

Net sales declined 17.6% year on year to ¥2,067 million reflecting lackluster sales in character-related toys, despite solid sales of THE FIRST YEARS and other baby products. An operating loss of ¥240 million was recorded (compared to operating profit of ¥57 million in the previous fiscal year) due to a decrease in gross profit arising mainly from inventory write-downs for certain products.

Asia (Excluding Japan)

Localized Marketing Efforts Drive Double-Digit Growth in Sales and Profit

Net sales rose 12.1% year on year to ¥53,542 million, while operating profit increased 10.3% to ¥800 million, reflecting favorable reception of next-generation spinning-top battle toy BEYBLADE BURST after the launch of BEYBLADE animated television series broadcasts throughout Southeast Asia following broadcast in South Korea, Hong Kong and Taiwan, as well as stronger in-store marketing efforts. Also, toys related to television animation TOMICA HYPER RESCUE POLICE DRIVE HEAD and Pokémon gained popularity, while shipments of TRANSFORMERS-related toys increased following the release of a TRANSFORMERS movie in summer 2017.

(Millions of yen)

	2017	2018	Change	Change (%)
Net sales	167,661	177,366	9,704	5.8
Japan	131,810	145,854	14,043	10.7
Americas	28,512	23,415	(5,096)	(17.9)
Europe	8,573	7,322	(1,250)	(14.6)
Oceania	2,509	2,067	(442)	(17.6)
Asia (other than Japan)	47,771	53,542	5,770	12.1
Eliminations and corporate	(51,515)	(54,836)	(3,320)	–
Operating profit (loss)	7,744	13,199	5,455	70.4
Japan	10,030	14,255	4,225	42.1
Americas	197	236	38	19.5
Europe	(581)	(239)	341	–
Oceania	57	(240)	(297)	–
Asia (other than Japan)	725	800	74	10.3
Eliminations and corporate	(2,685)	(1,612)	1,072	–



DRIVING TO NEW GROWTH

Taking on the Challenge of Achieving Further Growth

2018 marks the 94th year since our founding. Over the years, we have continued to perpetuate the founding philosophies 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" while promoting business aimed at becoming an "Outstanding Global Company" as we approach our 100th anniversary six years from now in 2024.

小島 一洋

Kazuhiro Kojima

*Representative Director,
President & COO*

Q**As the new President, what are your aims for TOMY going forward?****A****TOMY is a global corporation that has been focused on the world since its foundation. Going forward, we will make overseas business the driver of growth while ensuring stable growth in Japan.**

As indicated in our founding philosophy, TOMY is a global company that has always aimed to “excite the world’s markets.” We have grown substantially since our prewar beginnings in metallic toys, developing products for the world as a company contributing to Japan’s postwar export economy. Subsequently, even while experiencing a harsh period of yen appreciation after the Plaza Accord, TOMY has a history of moving resolutely forward with overseas development. For a company like ours, seeking a source of growth in global toy markets is a natural progression.

The toy market in Japan*1 is valued at approximately ¥800.0 billion (in 2017) *2 and remains stable. At the same time, the global toy market is valued at US\$85 billion (in fiscal 2017) *3 and is forecast to grow at around 2% annually going forward. We will continue efforts to expand sales in overseas markets where growth is expected and attempt to maintain and expand our market share in Japan.

*1 Excludes video game-related services
 *2 Source: The Japan Toy Association
 *3 Source: Euromonitor International

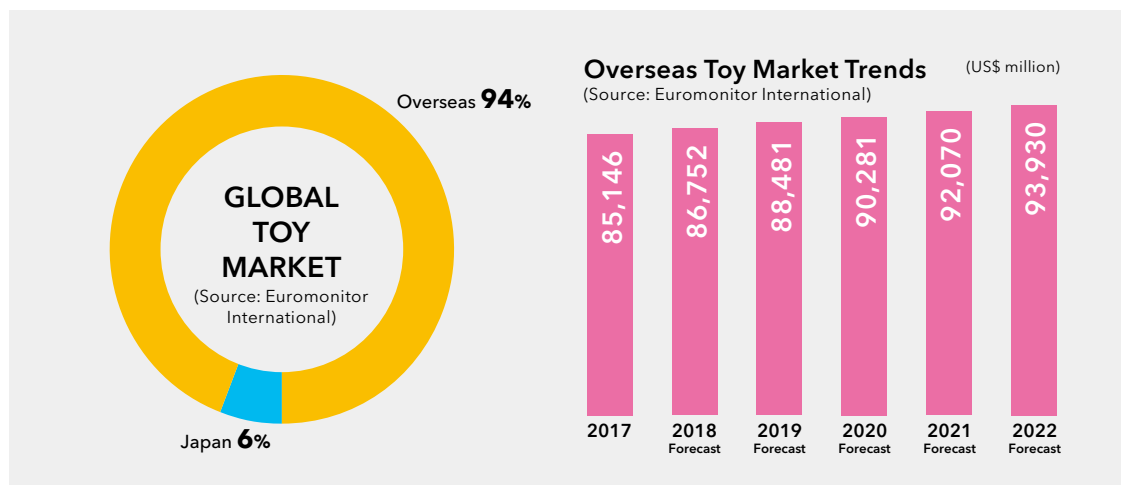
Q**What are the strengths that will enable TOMY to succeed in the Japan and overseas markets?****A****We believe product appeal is important. We will incorporate trends while advancing long-selling products.**

First of all, the reason we have been able to create long-selling products such as PLARAIL and attain our current position amid numerous competitor’s products in Japan is that we have a strong intention to continue making and selling them as long as they are valued as quality products and have evolved while continuously incorporating and advancing with changing technology and trends.

Underlying the market stability in Japan despite declining birth rates is the fact that a segment of former children (adults) also purchase toys. Our products are developed not only for children, but

are also focused on the high-target (adults) and elderly segments, which we also hope will lead to invigoration in the Japan toy market.

At the same time, in the North American market, which is the largest in the world, trends such as creative products from small- and medium-sized manufacturers that become big hits are making waves the toy industry. I firmly believe that TOMY, which has also been able to create distinctive products that fulfill customer dreams has sufficient opportunities to compete on equal footing in global markets.





Looking back at the Medium-Term Management Plan that ended in fiscal 2017, can you sum up these initiatives and strategies?



From the stance of curtailing costs and generating profit, we took a positive turn towards taking on challenges without fear of failure. Our assessment is that the strategic change in direction toward topline growth was correct.

I will review and assess the significance of this Medium-Term Management Plan that started in fiscal 2014 in terms of TOMY's past trajectory.

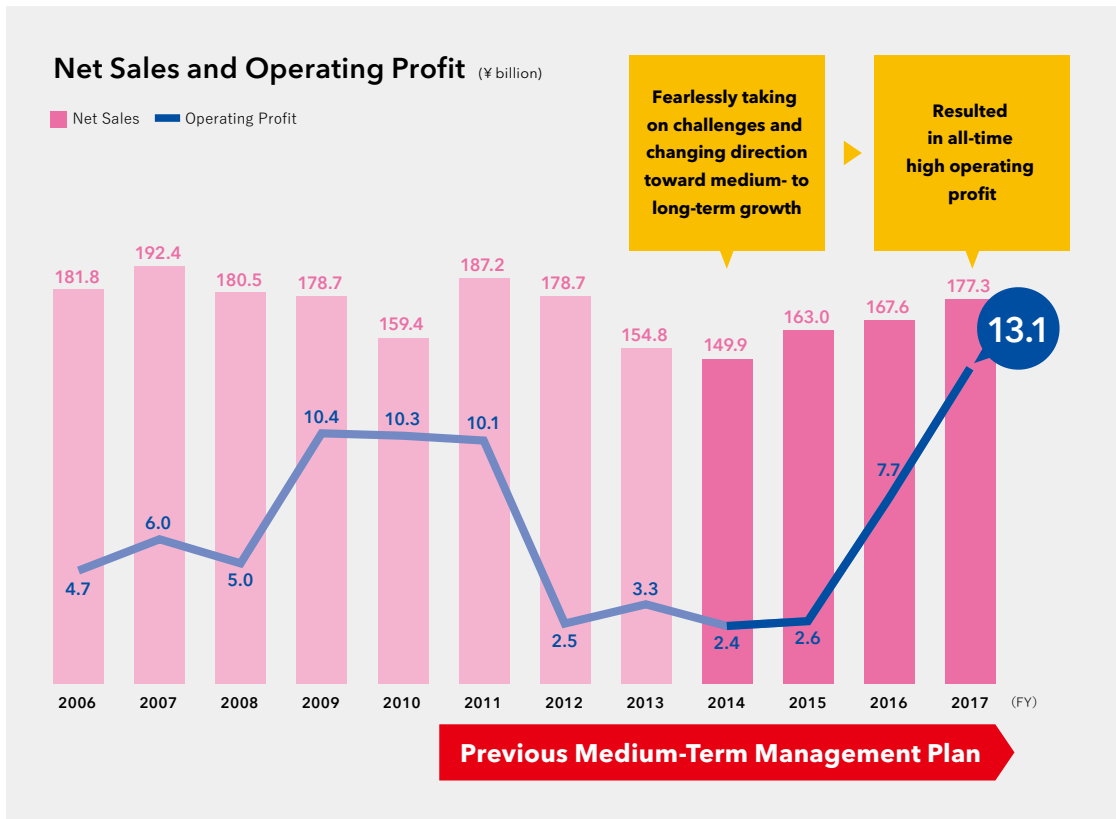
Proactive Investment Resulting in Sales and Profit Growth Trends

In fiscal 2012, we reported a loss attributable to owners of parent and faced an extremely difficult situation. Analyzing the three years prior to that, we had refrained from upfront investments targeting sales growth and maintained operating profit above ¥10.0 billion by reducing costs. Based on that reflection, the Medium-Term Management Plan after fiscal 2013 called for three reforms: "product revolution," "structural revolution of business" and "revolution of mind," thus we promoted initiatives aimed at increasing profit through sales growth.

In terms of specific initiatives, we engaged in advertising and R&D aimed at expanding sales and proactively invested capital, while at the same time continuously encouraged employees to take on challenges without fear of failure. In my assessment, the strategy of changing direction to focus on topline growth was correct. The impact of these efforts was significant in terms of performance figures, with sales and profits maintaining upward trends, leading to net sales of ¥177.3 billion and operating profit amounting to ¥13.1 billion in fiscal 2017.

Creating Numerous Core Products and New Products that Exceed Customer Expectations for Value

Under the previous Medium-Term Management Plan, we promoted advances in our core products while





“
The previous Medium-Term Management Plan focused on advancing core products, creating new products and promoting intellectual property strategy. Successful marketing efforts led to increases in store sales shares and sales in Asia.
”

simultaneously creating numerous new products, such as *Umarete!* WOOMO (Hatchimals), OONIES and PRINTOSS (KiiPix).

The key to raising the level of branding with regard to core products such as TOMICA, PLARAIL and LICCA, which already have extremely high recognition, is the degree to which we are able to continue surprising customers' by exceeding their expectations for value. Last year we commemorated the 50th anniversary of LICCA, using social media to disseminate information while promoting a variety of licensing alliances, making a tremendous leap forward from the world of "playing with dolls" to establish a presence among adults who played with LICCA long ago and once again became interested in the doll. Additionally, LICCA was appointed the fiscal 2017 France Tourism Friendship Ambassador and remains popular as we maintain a focus on constantly developing new ideas not only in products but also experience through products.

In 2018 we commemorate 50 years since the launch of THE GAME OF LIFE, next year we celebrate the 60th anniversary of PLARAIL and in 2020 we will commemorate the 50th anniversary of TOMICA. We will of course engage in commemorative activities and strive to continue creating new value that exceeds customer expectations.

Successful Deployment of the TOMY Brand in Japan and Asia

Under the previous Medium-Term Management Plan, we promoted the taking on of new challenges as our intellectual property strategy. For example, events related to MIRACLE TUNES! our first live action television series for young girls have grown to become content that attracts audiences of approximately 100,000 people each year, and we have begun developing the events in Asia as well. Also, after last year's launch of TOMICA HYPER RESCUE DRIVE HEAD television animation, this content will be developed for release as a movie in summer 2018. Further, in November 2018, an international contest is scheduled to be held in Paris, France for BEYBLADE BURST, which has exploded in popularity in Japan and overseas and generated a massive movement that can be seen in TOMY's performance figures.

In terms of marketing, we focused efforts on priority products and strengthened field marketing in stores, which resulted in a twofold increase in our share of store sales. Overseas, we enhanced local marketing efforts in South Korea, Hong Kong, Taiwan and other markets, leading to external customer sales in Asia nearly doubling in the past four years, reaching the highest level ever.

Q

Can you provide an overview of the strategic focus of the new Medium-Term Management Plan through the year 2020 that was announced in May 2018?

A

Under the slogan “taking on the challenge of achieving further growth,” we will focus on the promotion of six business strategies: (1) Promote in-house original global brand strategies, (2) Create original brands for Japan and Asia, (3) Category No. 1 strategy, (4) Expand business in “high-target” products for adults segment and for the elderly segments, (5) Expand business in Asia market and (6) Comprehensive strategy for business revitalization for Europe and North America.

Development of ZOIDS into a Global Brand 2018

Having already engaged in the global development of TRANSFORMERS and BEYBLADE, TOMY will develop ZOIDS, which commemorates its 35th anniversary this year and has already achieved shipments of over 44 million units worldwide. The TRANSFORMERS movie series and BEYBLADE television animation helped raise awareness among customers and expand sales. With ZOIDS, we will also develop marketing efforts such as television animation and utilize the internet and smartphone apps that we expect will cultivate this into a global brand on par with TRANSFORMERS and BEYBLADE in the future.

Horizontal Development of Japanese Intellectual Property in Asia

Popular Japanese intellectual property is easy to horizontally deploy in Asia, and we are on track with

the launch of TOMICA HYPER RESCUE DRIVE HEAD. We will also attempt to achieve sales growth through original brands including MIRACLE TUNES! and *MagiMajo* PURES!

Becoming Number One in Each Product Category and Expanding Customer Base

In addition to TOMY core products, several other products have gained the top share in their respective toy category, including BEYBLADE BURST and trading card game DUEL MASTERS in the boys’ hobby category. Going forward, we will expand this top share status to other categories. In addition, we will expand products such as entertainment robot OMNIBOT and trading card game WIXOSS to the high-target and elderly segments initially envisioned during development.

Expanding Business in the Asia Market, Comprehensive Restructuring of Business in Europe and North America

In Asia, we will strengthen TOMICA and BEYBLADE in all regions and launch the full-fledged deployment

“

Strengthening our marketing and development capabilities are the keys to creating original brands, becoming number one in product categories and completely restructuring our business in Europe and North America.

”





of ZOIDS. Specifically, in the China market where the expansion of the e-commerce business is remarkable, we will strengthen marketing using social media while also making a second attempt at deploying LICCA. In South Korea, we will take on the challenge of developing app-related toys such as SNACK WORLD through an alliance with a South Korean smartphone app developer.

In the Europe and North America businesses, we will attempt structural reorganization to enable the generation of profit through increased sales. To this end, we will introduce a virtuous cycle for future product planning, design, preparation and launch. We will begin with the United States, then Europe, attempting to shore up these businesses and launch the virtuous cycle from the middle of the Medium-Term Management Plan.

Q

What are your structural and financial capital strategies for promoting these efforts?

A

A. We will make wide-scale enhancements to our development function, optimize marketing, engage in the development of global human resources and establish a business foundation able to generate cash stably. At the same time, we will promote cost reductions to ensure investment resources and proactively invest in areas necessary for future growth.

Establishing a Foundation Aimed at Expanding Earnings

First, we will make wide-scale enhancements to our development capabilities aimed at expanding sales. In July 2018, we already launched the Planning and Development Headquarters, which includes a global Planning and Development Team. Going forward, we aim to enhance planning and development capabilities, streamline technologies, design and product prototype production, and further improve quality.

With regard to marketing, if the characteristics of each customer differ, methods and business models must also change. We will gather information on customers while establishing optimized sales channels.

Additionally, we will strive to develop global human resources who lead marketing and product development. We cannot develop human resources able to grasp the needs of children throughout the world and develop products globally overnight, but we will develop and retain employees with a focus on the future.

Financial Capital Strategy Aimed at Future Growth

To achieve future growth, we aim to establish a financial foundation able to secure next-generation investment resources and large-scale business investment by reducing costs and stably generating cash.

Regarding cost reductions, we will engage in factor productivity improvements through labor productivity enhancements and automation at each factory and streamline logistics costs. Investment resources secured in this way will be invested in the creation of new intellectual properties and other future growth as well as used for advertising aimed at expanding sales.

Three years from now in fiscal 2020, our basic plan aims to achieve sales of ¥190.0 billion, operating profit of ¥14.0 billion, EBITDA of ¥23.0 billion and an equity ratio of 50%.



How do you envision TOMY 10 or 20 years from now?



We aim to become a global Company generating more than half of sales in overseas markets by the time we commemorate our 100th anniversary in 2024. In particular, we must pursue thorough quality management to realize children's dreams and smiles.

As we approach our 100th anniversary of our foundation in 2024, we aim to become an Outstanding Global Company and envision that, over the next 10 to 20 years, the ratio of overseas sales will increase to more than half of all sales. We must prepare a structure that conforms to this vision.

Additionally, as we continue to promote growth strategies going forward, sales volumes will increase, and as we expand overseas development to more areas, associated risks will also increase. TOMY creates toys with an awareness of the children who are the end-users, and although we have established an extremely high number of steps, amid the balance between quality, cost and delivery, I strongly believe that we must pay particular attention to ensuring we never put cost and delivery before quality. So that

there are never any quality issues with the toys that are the dream of children, going forward we will strengthen our management of quality and risks.

At the same time, our strength is the ability to tailor our manufacturing approach to products that touch customer hearts mainly through analog gimmicks and ingenious molding among other kinds of toys. Enhancing our business foundation and continuing to hone these strengths going forward will create products that satisfy customers, which I believe is linked to the happiness of employees, shareholders, business partners, society and all our stakeholders. As TOMY continues its efforts to achieve sustainable growth, I ask for the ongoing support of all our stakeholders.

Previous Medium-Term Management Plan



FY2020 Management Targets

New Medium-Term Management Plan (FY2018-2020)

Take on the Challenge toward New Growth

Medium-term business strategy

Medium-term cost reduction and investment expansion measures

Medium-term financial strategy

FY2018 Plan

Net sales	¥172 billion
Operating profit	¥10 billion
EBITDA	¥18 billion
Equity ratio	42%



FY2020 Targets

Net sales	¥190 billion
Operating profit	¥14 billion
EBITDA	¥23 billion
Equity ratio	50%



Self-Introduction

As someone who has always had a strong interest in creating new things I am fascinated with toymaking, which is why I joined TOMY. In my previous work as a venture capitalist, I have seen and experienced a variety of different business projects, much of which was applicable to corporate management. I will leverage this experience in pursuit of TOMY's sustainable growth.

PROFILE

Responsible for the fund business at a trading company and, based on that experience, active as a venture capitalist investing in various businesses and companies. Appointed to the TOMY Board of Directors as an outside director in 2009, after which he became Director and Senior Executive Officer and CFO, then Representative Director, Vice President, COO and CFO, and currently serves as Representative Director, President and COO.

2018

2019 95th anniversary

2020

2021-2024 100th anniversary

New Medium-Term Management Plan (FY2018-2020)

Four years toward 100th anniversary

Medium-term business strategy

Medium-term cost reduction and investment expansion measures

Medium-term financial strategy

Execute Three Plans Including the Medium-Term Business Strategy

Medium-term business strategy

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

Significant enhancement of development ability

1. Strengthen planning/development abilities
2. Improve efficiency of technology, design, prototype production
3. Improve quality
4. Establish global, dedicated team

Medium-term cost reduction and investment expansion measures

Cost reduction

- 1 Cost reduction measures
- 2 Reduction of distribution costs

Investment expansion

- 1 Strengthen IP investment
- 2 Active advertising

Medium-term financial strategy

Generate stable cash flows

Secure investment resources for the next generation



FROM JAPAN TO THE WORLD

First New Product in 12 Years Taking on New Challenge with ZOIDS WILD

Dinosaur and animal motif mechanical organism ZOIDS were born as motorized kit toys. The first phase was in the 1980s when kids were crazy about ZOIDS, the second phase was in 1999 when ZOIDS became a hit with its popular television animation and now a new beginning in June 2018 with the launch of ZOIDS WILD. How will ZOIDS, which built a market with more than 44 million cumulative units shipped and cumulative sales of over ¥83.0 billion, forge a new era? Mitsutoshi Tokuyama and Teruo Nikaido, in charge of ZOIDS launch and Toshio Hirai and Shu Katayama, core members of ZOIDS WILD development, discuss ZOIDS WILD.

« SHU KATAYAMA

Boys Group 1
Boys Business Division

∨ TOSHIO HIRAI

Assistant Manager
Boys Group 1
Boys Business Division

∨ TERUO NIKAIDO

Fellow
Boys Group 1

« MITSUTOSHI TOKUYAMA

Fellow
Media Strategy Division

N
R
L
D

FROM JAPAN TO THE WORLD

An Internal Contest Led to the Creation of ZOIDS

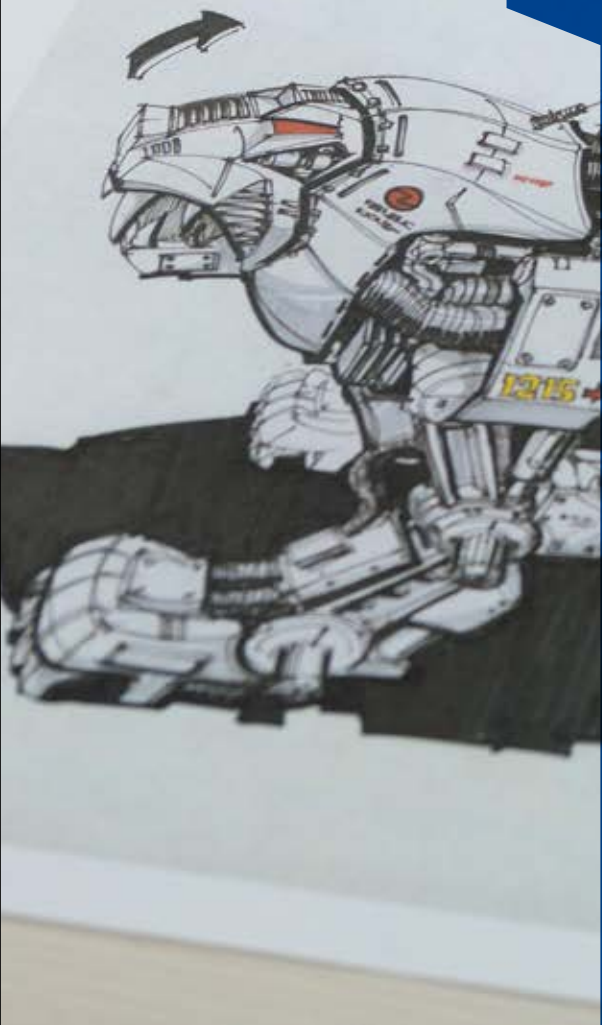
—First, what led to the creation of ZOIDS?

Tokuyama: Originally, before ZOIDS there was a toy called MECHABONICA. This was a dinosaur-shaped robot that moved using micro springs, which was really also a model for ZOIDS. I took charge of marketing for this product in the first year I joined TOMY, and initially, it did not sell well. However, I felt that the fact that it could be assembled and disassembled without glue, and that it moved when assembled, meant it had potential. I flashed on the idea of trying to apply an easily understandable “good and evil” worldview to MECHABONICA.

Nikaïdo: Mr. Tokuyama submitted that idea to an internal contest and ended up winning. That led to the launch of a project team in 1982 and I was appointed the team leader.

Tokuyama: The project team actually only consisted of three people (laughs). First, the team engaged in repeated discussions to create a friend versus enemy story in which there was a conflict between a “Republic” that coexisted with the ZOIDS and an “Empire” that forcibly tamed them to use as tools. TOMY launched this product before its merger with Takara. At that time, although TOMY was insistent on a high degree of perfection in the physical aspects of its products, its approach to the conceptual aspects such as the creation of a world for the toy was weak. Thus, ZOIDS were trailblazers in terms of being a toy with a world created around it.

Nikaïdo: GOJULAS, which was responsible for starting the fad, arrived in 1983. The year after that, RED HORN of the antagonist Imperial Army became the enemy of GOJULAS, setting the stage for the



friend versus foe conflict in the market. It was around that time that children became captivated with these toys.

—**What do you think were the factors that made these toys a hit?**

Tokuyama: I think it was probably because dinosaurs are universally popular with children. They are shown in picture books, and you can see their bones up close at museums. Although dinosaurs existed in the past, there is still much we do not know about them which lends a sense of adventure. I think they are rite of passage for nearly every child.

Hirai: Even now, there are still dinosaur-themed special television programs.

Tokuyama: We intuitively create dinosaur picture books and evolution charts based on these dinosaurs.

—**That was also when the Nintendo Entertainment System was released. Specifically, how did you promote ZOIDS?**

Nikaïdo: Salespeople went to toy stores throughout Japan and set up displays of ZOIDS already assembled and movable. Children who had only played video games discovered the fun of being able to assemble and move the toys on their own. I suppose that, in the children's eyes, ZOIDS appeared fresh and new. Even amid the slumping sales of toys in general, ZOIDS maintained solid sales that actually grew stronger.

—**What did you struggle with?**

Nikaïdo: ZOIDS are dinosaurs, animals and insects and there are certain types in each category that children tend to like.

Tokuyama: In the dinosaur category they like the Tyrannosaurus Rex and in the insect category, they like beetles.

Nikaïdo: If we use all their favorites in the first year, there will be nothing left to interest them from the second year forward. Thus, when we were planning for the third year, we had a tough time trying to figure out in what year we should release the coolest character, which made creating a roadmap a challenge. We really struggled from the fourth year in particular, wondering if that was the year a certain ZOID should



play the leading role. We were able to overcome this with a solid story and setting.

Tokuyama: If we had to do all that today, we would have a wider world than just toys to consider. For example, we could collaborate with animation, video games and social media. There was no ZOIDS animation in the initial phase, but I am confident that the world we created at that time could have stood up against other animation programs.

In the second phase, the ZOIDS we developed around animation were a hit. By the way, in my case, about the time the first phase was approaching its end, I left TOMY and jumped into the world of animation, and ultimately wound up creating concept art and image boards.

Nikaïdo: After that, you were fated to return and had the chance to develop content as a TOMY employee.

—**Sounds like you can't get away from ZOIDS anymore (laughs).**

Tokuyama: Right, I've come back to the beginning (laughs). Now I am involved in concept design for ZOIDS WILD. In any case, as ZOIDS require much more time than regular toys, including mold production, other companies absolutely won't do it—they can't do it. This is because of the 35 years of know-how TOMY has built up.

One Product Provides Two Types of Excitement

—**Mr. Hirai and Mr. Katayama, you are in charge of the third phase of ZOIDS WILD. Mr. Tokuyama and Mr. Nikaïdo, what are you particularly focused on in carrying on the vision of your predecessors?**

Hirai: I am thinking about how ZOIDS will evolve over the next three to five years to organize the project. And, it is important to utilize the world of ZOIDS they

FROM JAPAN TO THE WORLD

have built up to now while focusing on how we can incorporate ideas that match contemporary trends.

Tokuyama: On that note, my sense is that they will blow a breath of fresh air into ZOIDS WILD as only young people can. For example, long ago we used runner kits that required wire cutters to clip parts out, but with ZOIDS WILD, for the first time the parts will be provided loose in an “excavation bag” and an assembly manual called a “restoration book” will be provided for children to follow as they “restore” the ZOIDS. This is similar to the worldview that ZOIDS are excavated from inside the ground and restored, which is true to the spirit of ZOIDS. This maintains the origin story.

Katayama: We will utilize this worldview while going further into detail.

Hirai: Speaking from the perspective of development, we wanted to avoid making them too advanced. Yet, we thought it necessary to give their eyes a flashy appearance. The older ZOIDS pursued reality in movement, but do children today prefer detailed realism, or should we include a surprising gimmick? The development team members had numerous discussions about this.

Katayama: The result was the creation of the WILD BLAST killer techniques. We did monitor tests involving many children who assembled the ZOIDS, and the reaction was incredibly positive. When the ZOIDS were put together and started moving, the kids exclaimed “Wow!” in excitement, then when they saw the WILD BLAST they were once again surprised. In this day and age when we are surrounded with so many things and information, it is not at all easy to make children excited two times with one toy.





—Is there anything else you think is important?

Tokuyama: It is important that even mechanical organisms have the pulse of life in them. As the subject is dinosaurs, they must not depart from this theme and be real enough to allow children to play with imagination.

Katayama: This is what is “cool” from a designer’s perspective. A perfect 100 points are not enough. We are always aiming for 120 points. What is cool will change depending on age, the environment one is raised in and the prevailing times, so no one knows what the right answer is. But it is because we do not know that designers feel this work is worth doing. That is also what makes this work so challenging (laughs).

Hirai: This time, as a means of expanding on that coolness, we are also taking on a new challenge: the development of a dedicated photo and video shooting app. This app adds lightning, flames and other special effects to images and video shot using it. This is another idea born from discussions about what we can do to convey the appeal of ZOIDS in a cool and easily understandable way.

Katayama: In addition to these camera functions, we also plan to add other functions going forward, including battle games and videos showing how to assemble the ZOIDS.

Developing Content Strategies from Every Angle

—That is also something made possible by today’s technologies, right?

Hirai: ZOIDS are positioned as the opposite of our competition-style toy BEYBLADE BURST. In other words, they are enjoyed by immersing themselves in the action. We think maximizing this aspect will lead to making children happy.

—What is the outlook for ZOIDS going forward?

Hirai: As we said when talking about the looking ahead 3-5 years, we think ZOIDS will become established as a global brand. Ultimately, we want it to become a global hit enabling us to develop new products every year. I think this is incredibly difficult, but this is what we keep in mind as we work toward that goal every day.

Katayama: To that end, what first needs to be done is to establish this product in Japan.

Hirai: Right now, we are working under the keywords “ZOIDS everywhere children look,” and to accomplish this, we are developing content strategies from every angle through a mixture of media. Some of these include an animation program broadcast on terrestrial television through the 28 networks affiliated with MBS/TBS, as well as comics and articles appearing in CoroCoro Comic, a magazine for children published by Shogakukan Inc. In addition, we are promoting other means of embodying the ZOIDS worldview, including software for Nintendo Switch and arcade game cabinets. In terms of merchandise, we are considering a variety of options, from T-shirts to food products.

Nikaido: Currently we are researching overseas markets, and there are several entities outside Japan who have shown interest in getting involved. I want everyone to look forward to these future developments.

Hirai: Today’s children are being born and raised amid a variety of things and information. ZOIDS arouse the power of imagination while being played with using the hands, enabling children to immerse themselves for a time in their own world. And, for children, toys are something regarded as sacred. For this reason, we ourselves must never forget to have fun. I want to continue creating to make all children around the world exclaim “ZOIDS are cool!”

Carving Out a History That Will Last into the Future

Over the 94 years since founder Eiichiro Tomiyama selected toys as his profession, our work has always been rooted in the desire to “continue providing excellent products to children.” The social contribution of manufacturing companies involves simply the degree to which they are able to provide customers with superior products and the degree to which customers are satisfied with quality, safety and price. And in carrying on this desire, we can say with pride that up to this point, we have enthusiastically followed this path without pretense.

For the past three years, we have engaged in deep discussions about the TOMY Group’s approach to CSR, asking ourselves: How should we engage with society through our livelihood of toy creation? How do we see ourselves in the future? And what path should we take to realize our ideal selves? As a result, I think we were able to bring to light our activities from past to present.

So, what are the next steps we must take?

The toys that we produce assist the healthy growth of children. We must make every effort to do what naturally has to be done so that children throughout the world never lose their bright and smiling faces. Rather than keeping up appearances with lofty words when the occasion dictates, and without any falsehood, we want to carve out a history that will last into the future.

Today, everything is changing at a speed unlike anything in the past. Perhaps there are realities awaiting us in the future that we cannot imagine. The TOMY Group wants to create a progressive future that our stakeholders will think is fun and exciting. Surely, at the root of this are excellent toys that become the friends of children throughout the world and the smiling faces of children. There is nothing else but that.



富山 幹太郎

Kantaro Tomiyama

Representative Director,
Chairman & CEO
CSR Promotion Project Owner

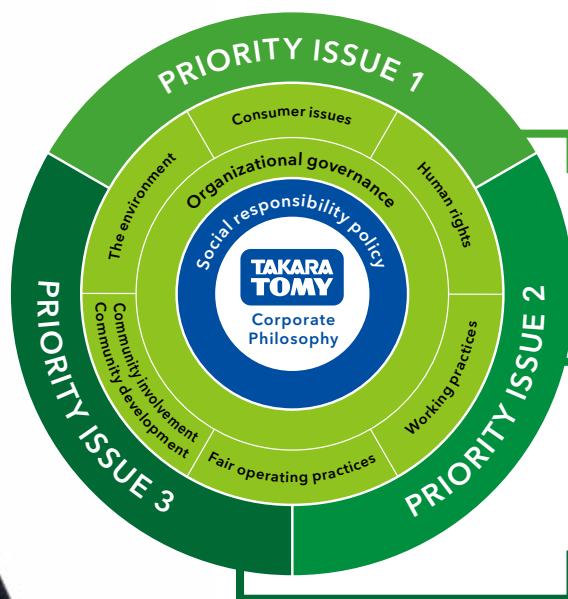


Figure: Three Priority Issues to be Addressed and Core Subjects of the ISO 26000 International Standard on Social Responsibility

Social Responsibility Policy

We strive to contribute to society comprehensively through our pillar business, the world 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 social responsibility policies.

The three pillars to be addressed within TOMY Group CSR were formulated to encompass the seven core subjects highlighted in ISO 26000, an important guideline for performing our social responsibility.

Formulating a Social Responsibility Framework for Promoting Enhanced CSR

In April 2018, TOMY formulated "Become Friends with Children Around the World" as the ideal stance for our CSR vision. To achieve this goal, we created the "TOMY Group Social Responsibility Framework" to summarize this approach. Focused on the 100th anniversary since our founding approaching in 2024 and the future of society beyond that, this framework summarizes how we should contribute to that future in consideration of the United Nations' Sustainable Development Goals (SDGs). These are goals shared by the international community and constitute the important policies that will create the future society in which children will grow up. Going forward, we will develop a variety of activities centered on this framework.

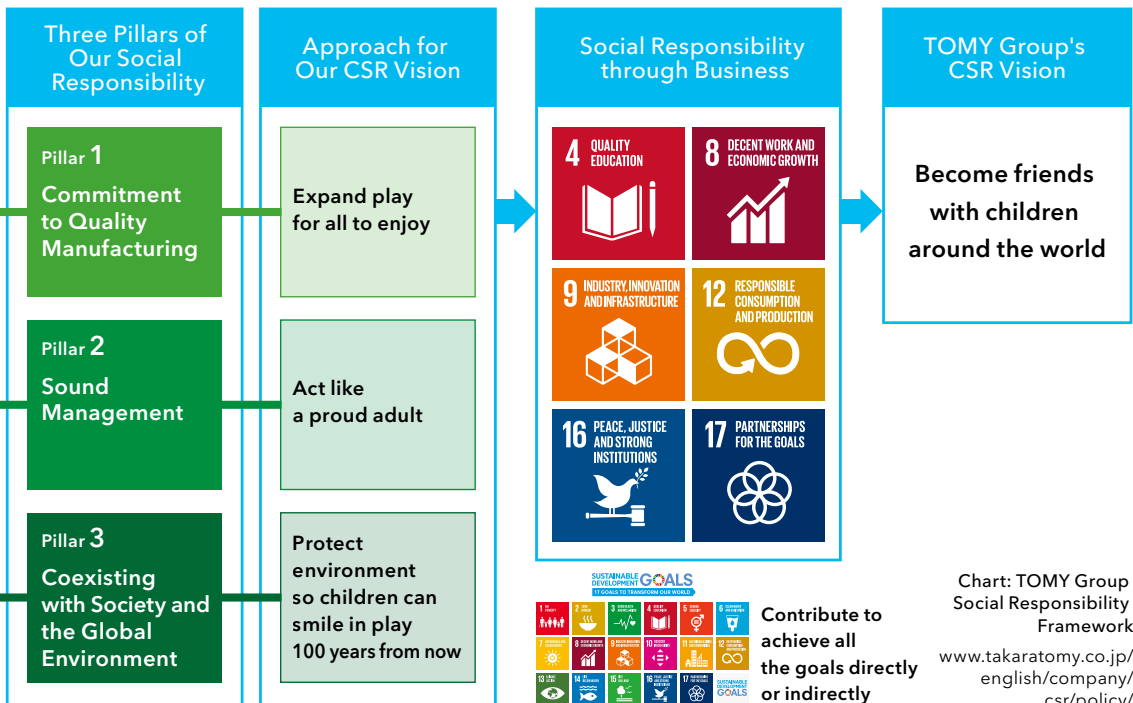


Chart: TOMY Group Social Responsibility Framework
www.takaratomy.co.jp/english/company/csr/policy/

Be it different cultures, genders, disabilities and abilities, lifestyles or values, we live in a diverse world. We seek to help children grow by providing safe and secure toys that reflect such diversity and expand play for children around the world to enjoy.

Toy Safety and Quality

At the TOMY Group, 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 (ST) and the laws and regulations in each country. We also formulated Product Safety and Quality Management Regulations, and work to ensure safety and prevent problems throughout planning to production. We also conduct in-house inspections and utilize third-party testing to prevent the inclusion of toxic heavy metals, plasticizers (phthalates) and other hazardous substances as defined in the Food Sanitation Act in our products. In the event these substances are discovered, we have a system in place that prevents affected products from being released to the market.

Further, as toy safety concerns change with the advent of new types of play and technological advances, standards and inspection details defined in the TOMY Quality Rules are repeatedly updated in response to the changing times to incorporate the best safety measures. In fiscal 2017, we confirmed standards, regulations and trends in each country and published the 10th edition of the TOMY Quality Rules in April 2018. We also make efforts in terms of education and awareness regarding safety and quality, including "Safety Day" held once each year during which all Group employees throughout the world meet to think about the importance of quality and safety.

Also, to ensure children enjoy safe playtime, usage warnings and cautions based on the anticipated behavior of children are displayed on merchandise packaging, in user manuals and on our website among other efforts focused on safety measures from the children's perspective. In addition, our Customer Service Department receives approximately 300,000 inquiries per year. We analyze these consultations, opinions and questions to provide internal feedback. Close call incidents in particular are shared throughout the Company so this information can be utilized in the creation of subsequent products.



Customer Service Department operator



Letters from customers posted inside the Company

An example of toy safety and quality tests

SAFETY CHECK



CHECK-1

We use a Sharp Point Tester to check for any sharp corners or edges on a toy to prevent injury. The device lights up when it detects a sharp point.



CHECK-2



We determine fixed degrees of hardness for the materials used in some toy parts to avoid injury. We use a Rigidmeter to gauge hardness.

CHECK-3



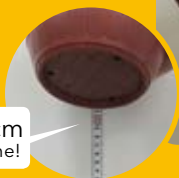
We soak a toy in boiling water to check if any dye or pigment would run when children put the toy in their mouths.

CHECK-4

We drop a toy multiple times from a specific height.



100 cm this time!



CHECK-5



We put products into a testing device that imitates conditions in a transportation container to ensure products are not damaged or altered during transportation by ship or truck.

Passing on Technologies and Expertise to the Next Generation

Quality management, design and manufacturing technologies are pivotal for the creation of excellent toys. How well can we transform cutting-edge technologies and trends in the adult world to reproduce toys at an affordable price, with technologies and know-how unique to toys? This is how toymakers like TOMY demonstrate our skills. Passing on to the next generation experience accumulated over TOMY's more than 90-year history is key to developing business sustainably.

Teaching the Next Generation

With the aim of passing on to the next generation experiences accumulated through a variety of business operations including design, manufacturing, quality, after-sales service, overseas production supervision and management in Japan and throughout the world, TOMY appointed three Fellows* in fiscal 2017. In addition to guidance in response to consultations from younger employees dealing with issues related to safety, quality and production, Fellows identify issues during the product design stage and regularly revise the design and technologies of products already available for sale. Further, they review inspection items and systems at overseas manufacturing sites and prevent the shipment of defective products through technological advice. With the aim of further improvements in safety, quality and technology standards, from January to March 2018 visits were made to overseas manufacturing bases in Vietnam and other countries.

*Fellow: An employee possessing specific skills deemed necessary by the TOMY Group.



Conduct design and technical review for existing products

Three Fellows with a Variety of Experience in Japan and Overseas Striving to Pass on Technologies and Know-How

FELLOW



Susumu Sugawara

I have engaged in a wide range of duties, including procurement, manufacturing, design, engineering, safety and quality, the Customer Service Department, overseas factories and management. I want to use what I have learned to guide the development of junior employees able to control production from a wider perspective.

FELLOW



Toru Yoshimura

I was involved in operations including, design, assignments at overseas manufacturing bases, Group company management, manufacturing including production strategy and procurement logistics. Going forward, I will do my utmost to augment and accumulate the know-how from these experiences and to make sure to convey this knowledge to the next generation by creating the TOMY Toy Technology Thinktank.

FELLOW



Yoh Ito

I was involved with quality, overseas production management and cost management related to toys. To pursue "true quality" we must pass on quality know-how. I will share my know-how, successes and failures to bring together business divisions, safety and quality and technology and convey this to the next generation.

(As of July 2018)

Giving Structure to Tacit Knowledge

The TOMY Group conducts training schools involving lectures by veteran engineers, factory tours and other activities to nurture the next generation. In line with these efforts, the three Fellows pass on technologies and know-how to the Company and manage in a structured manner to operate easy for employees to utilize. They are working on the creation of a framework to nurture next-generation human resources responsible for quality control, design and production technologies, including the establishment of a consultation desk for young engineers and the archiving of technologies and know-how. Furthermore, as a structure for sharing and promoting this inherited technology and know-how within the Company, we created various tools including a glossary, checklists in multiple languages as well as the *TOMY Toy Technology Thinktank* brochure in which such information is compiled as know-how for use when setting up manufacturing bases.



TOMY Toy Technology Thinktank brochures



Receiving guidance in a molding factory (China)



Toy manufacturing facility inspection (China)

Intellectual Property Strategy Supporting Brand 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.

Acquiring Multiple Intellectual Property Rights

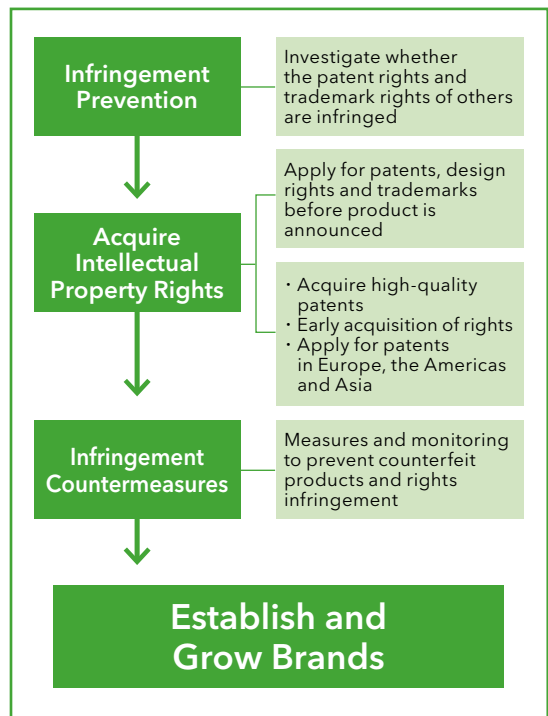
The TOMY Group aggressively acquires intellectual property rights related to the results of product planning and development and TOMY proprietary brands, leading the industry in number of patents held. We acquire and own multiple intellectual property rights for each brand and product, establishing brand value that includes both technologies and playstyles leading to the sustainable growth of brands. In recent years, we are aggressively promoting improvement of patent rights quality, early stage rights as well as the acquisition of intellectual property rights in other countries in accordance with the development of overseas business in the United States, Europe and Asia. We disseminate information internally regarding ownership of intellectual property rights to promote their use and protection in support of the development of products with creativity.

Intellectual Property Rights Infringement Countermeasures

The TOMY Group strives to remove counterfeit products to protect our brands. We exercise intellectual property rights and take appropriate measures in response to the production and sales of counterfeit products, the unauthorized use of copyrighted material on social media, damage to our brand value and other actions associated with the risks that counterfeit products pose to our customers. Specifically, in addition to regularly monitoring overseas e-commerce websites to prevent the distribution of counterfeit products, we request that website operators promptly delete any material constituting copyright infringement and work closely with e-commerce website operators in Japan to promote counterfeit product countermeasures.

Respecting the Intellectual Property Rights of Others

To prevent infringement of the intellectual property rights of others, the TOMY Group meticulously researches patent rights, trademark rights and other intellectual property rights belonging to others throughout the product development process. We also conduct training for our employees through intellectual property rights education incorporating e-learning and other programs to inculcate a respect for the intellectual property rights of others.



Universal Design Initiatives through Our Toys

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

Accessible Design Toys Initiatives

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 disabilities could play with. At present, these efforts have spread throughout the toy industry. Accessible Design toys are easily recognizable even where general toys are sold as they have seeing-eye dog and rabbit logos displayed on their packaging indicating they have 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, movement and pictures.

Sixth Consecutive Year of 100 Types of Accessible Design Certified Toys

As a manufacturer driving the promotion of Accessible Design in the toy industry, the TOMY Group is engaged in applying for the certification of products in a wide range of categories. For the sixth consecutive year since 2012, more than 100 of our products have been certified as Accessible Design toys.

As a result of our successful efforts, in 2009, we received the Cabinet Office Extraordinary Minister Commendation Excellence Award for the Barrier-Free Universal Design Promotion Distinguished Service Award. We also received the Japan Toy Awards in the Accessible Design Toys category, our ninth consecutive year of awards beginning in 2010, which also includes winning the Grand Prize. Further, in 2018, TOMY was first in the toy industry to win the International Association of Universal Design (IAUD) Gold Award 2017 in recognition of our efforts to coexist with society through the development of Accessible Design toys.

Providing a Greater Number of People with More Fun

In addition to children with visual and hearing disabilities targeted by Accessible Design toys, we also engage in the development of ingenious and stylish products that can be enjoyed by seniors and a variety of other people. These activities and products are introduced in the ISSHONI ASOBO toy catalogue published by TOMY. We also promote society’s understanding of disabilities through participation at International Home Care and Rehabilitation Exhibitions, lectures at universities and school lesson visits for children.



Meeting between TOMICA developers and an Accessible Design Toy representative

TOMICA
4D
トミカフォーディー



© TOMY

Coexisting with Society and the Global Environment

Today's society faces multiple pressing problems including the depletion of resources, climate change, and environmental issues. We seek to minimize the negative impact of our business, contribute to regional development and protect the environment to help preserve sustainable communities and the Earth for future generations of children to smile and play with toys.

Initiatives to Reduce Environmental Burdens through Business

To reduce 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.



①TOMY TEC (Tochigi) ②Equipment that makes TOMIX train wheels ③Metal scraps left over after cutting train wheels are recycled ④Runners discarded during plastic molding

Eco-Toy Activities

The TOMY Group makes effective use of resources and engages 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.



"Eco-Toy" mark

アプリで
おえがきせんせい



The screen on which pictures are drawn can be replaced enabling longer playtime.

KiiPix™



Printing images taken on a smartphone without the need for batteries.

Environmental Communication with Children

The TOMY Group is engaged in environmental education focused on children who will lead the next-generation through playtime with toys and lectures, including in-store events and the EcoPro environment and energy integrated exhibition, as well as welcoming visits from elementary, middle and high school students and elementary school visits to teach lessons. Among these activities, our program teaching lessons at elementary schools were recognized as



an excellent opportunity for raising environmental awareness and concern among children and providing children with a perspective on working life, leading to TOMY receiving the 2017 Environment Minister's Award for Global Warming Prevention Activity (Next-Generation Education Support Using Eco Toys category).

After lessons and playtime are finished, students are presented with completion certificates in the form of Eco-Toy Member certification and Eco-Cards, an environmental report in a card game format. Between June 2011 and March 2018, approximately 55,000 children became Eco-Toy Members.



Elementary school visits



Welcoming visitors to the head office

Community Activities

The TOMY Group participates in community activities at its bases in Japan and in each of countries where it develops business throughout the world.

Japan

Participation in Various Types of Events Aimed at Regional Revitalization

Each store owned by KIDDY LAND, which operates specialty stores carrying toys, fancy goods, character merchandise and books, is a member of regional retail associations that participate in community activities. TOMY TEC, located in Mibu, Tochigi Prefecture, participates in a zero-trash movement sponsored by Toy Industrial Park, in which 125 volunteers from 51 local businesses participated to collect enough trash in 2017 to fill a two-ton truck.

In Tokyo's Katsushika Ward, where TOMY's head office is located, 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.

Overseas

Community Support Activities

TOMY International, which is responsible for overseas business, conducts a variety of activities rooted in local communities in the United States and Europe.

In England, we visit hospitals to deliver toys, and participate in fundraising events aimed at supporting children with disabilities through charity organizations created by toy companies. In the United States, we are engaged in a variety of activities, including efforts supporting cancer patients and their families and activities aimed at rectifying disparities through toy donations. At TOMY Thailand, we convey Japanese factory culture to local university students and conduct factory tours for employee children and local elementary school students.

Our operational environment is greatly influenced by globalization and the technological revolution, and the responsibility to conduct fair, honest business is growing as companies play an increasingly influential role in society. We should act as proud, respected role models for children and seek to create fun, comfortable working environments across the TOMY Group.

Realizing Comfortable Workplaces

The TOMY Group engages in “work-life balance as a management strategy” and “workplace invigoration measures to stimulate the creation of ideas” 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.

Family Day

The TOMY Group conducts Family Day once every year, inviting the children and family of employees to visit our workplace and observe the work we do. Having families experience the work and daily activities of our employees helps deepen their understanding of the workplace, while at the same time, employees are able to gain a better understanding of one another’s family life, making it easier to work together. We aim to create workplace atmosphere that values family.

In fiscal 2017, 178 children and 119 adults, a total of 297 people, visited during Family Day.

Work-Life Balance

In 2014, we officially introduced the Work-at-Home System, under which employees whose time is limited are able to work from home once per week to perform child care or nursing care. We provide a full range of support systems, from pre-maternity leave to returning to work after paid holidays, enabling employees to return to the workplace with peace of mind, including access to in-house counselors. As a result of these initiatives, TOMY sees nearly 100% of its female employees utilizing childcare leave and returning to work.



Family Day

Together with Our Business Partners

Along with our business partners, the TOMY Group aims to maintain and improve appropriate working environments at all our production facilities.

TOMY COC Team and TOMY Shenzhen Initiatives

Based on the TOMY Code of Conduct (COC) Program, TOMY Shenzhen, which is engaged in the production management of toys and other merchandise, works with business partners to support the protection of human rights, ensuring the health and safety of employees, and strives for environmental sustainability in the ongoing management and operation of production facilities. When conducting inspections, we engage in a process based on the

TOMY COC Program that includes a kickoff meeting, visiting facilities, interviewing employees, reviewing documentation, and a concluding meetings.

In April 2018, the TOMY Shenzhen COC Team Leader conducted a briefing on COC at the TOMY Head Office to increase awareness among employees. This briefing was attended by approximately 100 staff members involved in production, from product managers to general managers, who developed a deeper understanding with regard to codes of conduct.



Kickoff meeting



Documentation review



Employee interviews

Inspection Procedure based on the TOMY's Code of Conduct (COC)



Facility visit



Concluding meeting

Organizational Governance

The TOMY Group conducts corporate activities that are always based on our founding philosophy. To fulfill the dreams of all our stakeholders in line with our corporate mission, each promise that employees should keep is established as our “Code of Conduct.” All officers and employees engage in daily operations based on this code of conduct.

TOMY Group Code of Business Conduct

The TOMY Group formulated the TOMY Group Code of Business Conduct based on our founding philosophy, corporate mission, corporate guidelines and code of conduct to ensure appropriate conduct. In addition to observing the founding philosophy, this code specifically defines and 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. In the event of a compliance violation or when there are concerns about potential violations, we encourage

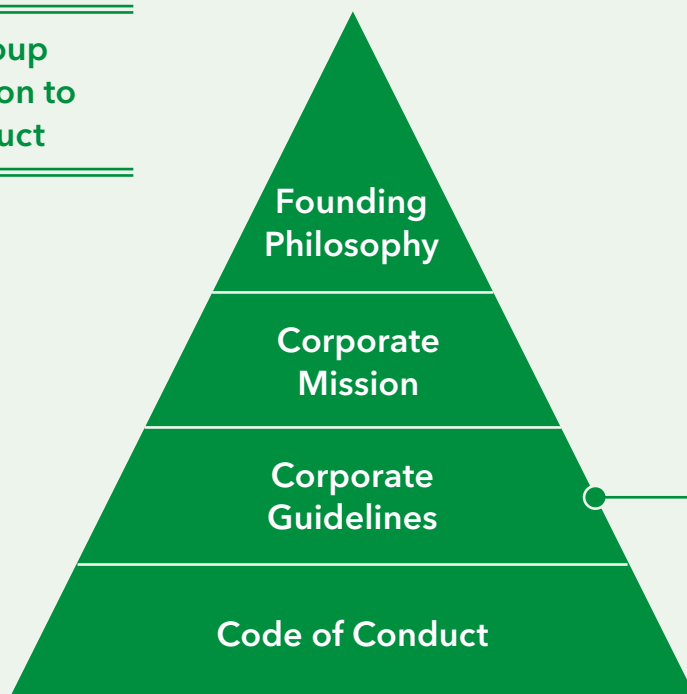
employees to consult with their supervisor or a person in charge and to utilize the TOMY Group Hotline.

Compliance Education

Regarding the TOMY Group Code of Business Conduct, we create multilingual educational materials (in Japanese, English, Chinese, Vietnamese, Thai, Korean and French) and conduct training to facilitate a proper understanding among all Group company officers and employees.

Every year, we conduct “Think About Compliance Day” for officers and employees during which we

The TOMY Group Corporate Mission to Code of Conduct



discuss the details and causes of any problems that may have occurred within the Group and share countermeasures to prevent recurrence. A video of this meeting is provided to officers and employees unable to attend, as well as overseas Group companies, in an effort to improve compliance throughout the entire Group. Further, in fiscal 2017, we introduced a Compliance Leader system with the aim of enhancing awareness and establishing a structure of compliance. We appointed 40 managers comprising mainly TOMY general managers and domestic Group company directors, and to ensure appropriate judgments and conduct within daily corporate activities, we invited lawyers and other outside specialists to conduct four training sessions related to laws that must be observed and other knowledge.

Additionally, based on the results of the Compliance Awareness Survey conducted prior to the introduction of this system, each leader identified

problems in the workplace and took the initiative to ensure compliance by utilizing the PDCA cycle to make improvements. The improvement activities conducted by leaders in each workplace during the year were reported on "Think About Compliance Day."

To ensure all officers and employees possess understanding and empathy with regard to compliance, we conducted a variety of awareness measures, including displaying posters inside the Company, and distributed an email magazine introducing familiar examples using four panel comics.

We also conduct compliance education using e-learning for a variety of original programs on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, diversity, harassment and rectifying long working hours.

Corporate Guidelines

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

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) The Senior Executive Officer's Committee was established and officers meetings are held more than once per month in principle 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:

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:

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, 2018)

(Millions of yen)

Director category	Number of Applicable Directors	Compensation amount	Basic compensation	Stock options	Bonuses
Directors (excluding outside Directors)	4	312	189	35	87
Audit & Supervisory Board Member (excluding outside members)	1	21	15	-	5
Outside Directors	5	57	43	-	14

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	131	100	30	-

Note: Mr. Harold George Meij resigned from the position of the Representative Director, Director and President of TOMY effective December 31, 2017.

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.

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:

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 2018:

www.takaratomy.co.jp/english/company/company/pdf/gov_report2.pdf

1	Cross-Shareholdings	The Company holds shares of other listed companies as a policy only when it determines that cross-shareholdings are economically rational.
2	Related Party Transactions	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	Full Disclosure	The Company makes disclosures with respect to the five items called for in these principles, including information required by law and stock exchanges.
4	Scope of Matters to Be Resolved by the Board of Directors and Scope of Matters Delegated to Management	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	Effective Use of Independent Outside Directors	The Company has appointed three independent outside Directors, comprising one-third of all Directors (seven in total). Three of the four appointed Audit & Supervisory Board members are independent outside members.
6	Independence Standards and Qualification for Independent Outside Directors and Audit & Supervisory Board Members	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	Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, etc.	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	Concurrent Positions Held by Officers	The Company discloses concurrent positions held by respective Officers in the "Notice of Convocation of General Meeting of Shareholders."
9	Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole	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	Training Programs for Directors	The Company provides Officers with training opportunities relevant to their respective roles and responsibilities.
11	Policy for Constructive Dialogue with Shareholders	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.

*We will implement requirement called for under the Corporate Governance Code revised on June 1, 2018.

Directors

(As of June 27, 2018)



Kantaro Tomiyama

*Representative Director,
Chairman & CEO*

Kazuhiro Kojima

*Representative Director,
President & COO*

Takashi Konosu

*Board Director,
Executive Vice President
Toy Business HQ*



**Hiroya
Kutsuzawa**

*Board Director,
Senior Executive Officer & CFO
Head of Corporate Administrations*

**Kakuei
Miyagi**

Board Director (outside)

**Shigeyuki
Mito**

Board Director (outside)

**Mariko
Mimura**

Board Director (outside)

Profile (Board of Directors / Audit & Supervisory Board Members) (As of June 27, 2018)

BOARD OF DIRECTORS

Kantaro Tomiyama

Jul. 1982 Joined the Company
May 1983 Board Director
May 1985 Board Director and Vice President
Dec. 1986 Representative Director & President
Jun. 2000 Representative Director, President & CEO
Jun. 2015 Representative Director & Chairman of the Board
Jun. 2017 Representative Director, Chairman & CEO (to present)

Kazuhiro Kojima

Apr. 1983 Joined Mitsubishi Corporation
Apr. 2008 Executive Officer of Marunouchi Capital Inc.
Jun. 2009 Board Director (outside) of the Company
Apr. 2012 Board Director; Senior Executive Officer; Deputy Head of Bureau of Corporate Strategy
Jun. 2012 Managing Director; Deputy Head of Bureau of Corporate Strategy
Apr. 2013 Managing Director; Deputy Head of Corporate Administrations
Jun. 2013 Board Director; Senior Executive Officer; CFO; Head of Corporate Administrations; Head of Internal Control & Audit Group
Oct. 2014 Board Director; Senior Executive Officer; CFO; Head of Corporate Administrations
Apr. 2017 Board Director; Senior Managing Officer; CFO; Head of Corporate Administrations
Jun. 2017 Representative Director and Vice President; COO & CFO
Jan. 2018 Representative Director, President & COO (to present)

Takashi Konosu

Apr. 1976 Joined the Company
Oct. 1997 General Manager of Entertainment Business HQ
Apr. 2012 Representative Director & President of T-ARTS Company Ltd.
Apr. 2013 Senior Executive Officer; Head of Character Business HQ
Apr. 2014 Senior Executive Officer; Head of Domestic Toy Business HQ
Jun. 2014 Board Director; Senior Executive Officer; Head of Domestic Toy Business HQ; General Manager of New Toy Business
Oct. 2014 Board Director; Senior Executive Officer; Head of Domestic Toy Business HQ
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 Senior Managing Director; Head of Toy Business HQ
Jun. 2018 Board Director, Executive Vice President, Toy Business HQ (to present)

Hiroya Kutsuzawa

Jan. 2000 Joined the Company
Mar. 2006 Head of Corporate Planning Division
Jun. 2006 Representative Director & President of TINKERBELL Inc.
Feb. 2011 Deputy Head of Corporate Administrations
Oct. 2012 Head of Corporate Planning Division; General Manager of Affiliate Company Control Division
Jul. 2014 Executive Officer; Head of Corporate Planning Division; General Manager of Affiliate Company Control Division
Jun. 2017 Senior Managing Officer; Head of Corporate Administrations
Jan. 2018 Senior Managing Officer; Chief Financial Officer; Head of Corporate Administrations
Jun. 2018 Board Director, Senior Executive Officer & CFO Head of Corporate Administrations (to present)

Kakuei Miyagi

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

Shigeyuki Mito

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
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.
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)
Jun. 2016 Outside Director of Yoshimoto Kogyo Co., Ltd. (to present)
Jun. 2016 Audit & Supervisory Board Member (Outside) of Nippon Columbia Co., Ltd.
Apr. 2018 Visiting Professor of Graduate School of Law, Musashino University (to present)
Jun. 2018 Outside Director of Faith, Inc. (to present)

Mariko Mimura

Apr. 1992 Joined Braun Moriya Kubota & Fukuda Law Firm
Sep. 1993 Joined Takaiishi Law Firm
Apr. 1995 Joined Nishimura Sanada Law Firm (currently Nishimura Asahi Law Firm)
Jan. 2005 Joined GE Yokogawa Medical Systems Ltd. (currently GE Healthcare Japan Corporation)
Jun. 2006 Executive Officer of GE Yokogawa Medical Systems Ltd.
Jan. 2010 Director of Novartis Holding Japan K.K.
Jul. 2015 Director of GlaxoSmithKline K.K. (to present)
Jun. 2018 Board Director (outside) of the Company (to present)

AUDIT & SUPERVISORY BOARD MEMBERS

Hajime Matsuki

Apr. 1980 Joined the Company
Apr. 2012 Head of Corporate Administrations of T-ARTS Company, Ltd.
Jun. 2012 Director; Head of Corporate Administrations of T-ARTS Company, Ltd.
Jun. 2014 Managing Director; Head of Corporate Administrations of T-ARTS Company, Ltd.
Apr. 2017 Managing Director; Manager of Corporate Administrations of T-ARTS Company, Ltd.
Jun. 2018 Audit & Supervisory Board Member (to present)

Tsunekazu Umeda

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
Jun. 2015 Audit and Supervisory Committee Member of HABA Laboratories, Inc. (to present)
Jan. 2016 Director Audit & Supervisory Committee Member of H.I.S. Co., Ltd. (to present)

Toshi Yoshinari

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)
Mar. 2017 Outside Director; Audit and Supervisory Committee Member of Value HR Co., Ltd. (to present)
Jun. 2018 Audit & Supervisory Board Member (outside) of Ad-Sol Nissin Corporation (to present)

Koichiro Watanabe

Apr. 1978 Joined Arthur Andersen LLP
Sep. 1989 Joined Century Audit Corporation (currently ERNST & YOUNG SHINNIHON LLC)
May 2003 Senior Partner of the above Audit Corporation
Jan. 2011 General Manager, 7th Audit Division of the above Audit Corporation
Jun. 2017 Retired from the above Audit Corporation
Jul. 2017 Opened Watanabe Koichiro Public Accountant Office (to present)
Jun. 2018 Audit & Supervisory Board Member (outside) of the Company (to present)

Audit & Supervisory Board Members (As of June 27, 2018)



**Hajime
Matsuki**

*Audit & Supervisory Board
Member*

**Tsunekazu
Umeda**

*Audit & Supervisory Board
Member (outside)*

**Toshi
Yoshinari**

*Audit & Supervisory Board
Member (outside)*

**Koichiro
Watanabe**

*Audit & Supervisory Board
Member (outside)*

Six-Year Financial Summary

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

	Millions of yen					
	2018	2017	2016	2015	2014	2013
Net sales	¥177,366	¥167,661	¥163,067	¥149,938	¥154,804	¥178,745
Gross profit	72,217	63,736	57,339	52,704	53,142	55,160
Total selling, general and administrative expenses	59,018	55,992	54,641	50,237	49,807	52,613
Operating profit	13,199	7,744	2,698	2,466	3,335	2,547
Ordinary profit	12,420	7,823	1,459	2,014	3,300	2,622
Profit (loss) before income taxes	9,967	7,127	(6,711)	206	2,607	(4,846)
Profit (loss) attributable to owners of parent	7,962	5,372	(6,703)	(1,817)	232	(7,173)
EBITDA ¹	22,311	16,275	11,692	11,194	11,526	10,087
R&D expenses	3,533	3,225	3,144	2,598	2,498	2,978
Depreciation and amortization	9,111	8,531	8,994	8,728	8,191	7,539
Net cash provided by operating activities	16,346	24,896	8,675	6,827	12,429	6,701
Net cash provided by (used in) investing activities	(3,692)	(3,793)	(3,974)	(2,428)	(1,015)	(3,414)
Net cash provided by (used in) financing activities	(24,670)	(1,927)	(6,014)	(10,022)	1,735	(8,494)
(As of March 31)						
Total assets	139,815	157,693	145,652	159,638	156,467	152,732
Net assets	56,322	51,611	37,824	49,650	50,907	49,692
Interest-bearing debt	42,793	64,748	71,776	75,337	72,889	66,293
PER SHARE DATA (YEN)						
Earnings per share	¥ 84.74	¥ 61.88	¥ (78.74)	¥ (19.91)	¥ 2.47	¥ (76.21)
Dividend per share	14.00	10.00	10.00	10.00	10.00	10.00
Net assets per share	591.00	548.45	432.87	567.91	526.49	506.41

	2018	2017	2016	2015	2014	2013
MAJOR FINANCIAL INDICES						
Operating margin (%)	7.4	4.6	1.7	1.6	2.2	1.4
Overseas sales ratio (%)	36.5	36.8	41.6	42.8	41.3	30.7
Return on equity (ROE) (%) ²	14.9	12.2	(15.7)	(3.7)	0.5	(14.8)
Return on assets (ROA) (%) ³	8.3	5.2	1.0	1.3	2.1	1.7
Equity ratio (%) ⁴	39.9	32.4	25.5	30.2	31.7	31.2
Dividend payout ratio (%) ⁵	16.5	16.2	-	-	404.4	-
STOCK DATA						
Stock price at year-end (Yen)	1,092	1,113	822	714	478	478
PER (Times)	12.9	18.0	-	-	193.3	-
Number of shares outstanding (Thousand shares) ⁶	94,343	93,103	85,814	84,856	94,130	94,134
COMPANY DATA						
Number of subsidiaries	34	35	34	38	40	45
Number of employees (Consolidated)	2,199	1,951	2,042	2,086	2,056	2,171
Number of employees (Non-consolidated)	504	495	491	490	486	516
Average age of employees (Non-consolidated)	41.8	41.3	40.9	40.4	39.3	38.7

Notes:

1 EBITDA=Operating profit+Depreciation, amortization of goodwill

2 Return on Equity=Profit attributable to owners of parent÷Average of total equity* × 100

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

3 Return on assets=Ordinary profit÷Total assets × 100

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

1st generation 1924-

TOMY'S FOCUS Craftsmanship/Wartime and postwar
INDUSTRY TREND Metal and motors

2nd 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



JOHN DEERE*



B-29



Sky Ping-Pong

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



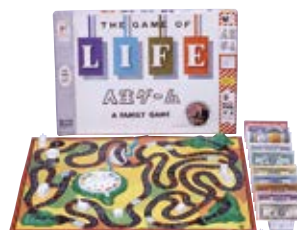
LICCA doll

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



THE GAME OF LIFE



TOMICA



Water Game



Pop Up Pirate

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



TOMIX
Approved by East Japan Railway Company



Koeda-Chan mini dolls



Sensei



Choro-Q
(Penny Racers)



ZOIDS

1980 >

Ongoing reform and expansion of sales channels

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

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



TRANSFORMERS



Rock 'n' Flowers

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 Famicom software Legend
of the Hungry Wolf
- 1993 B-Daman
Pinkish
- 1994 Perfect Picture Maker
Toshinden
- 1995 LAMAZE
- 1996 Cella Sticker Machine
Lullaby Home Theater
- 1997 Pokémon (Toys)
BEAST WARS: TRANSFORMERS
- 1998 Polaroid Pocket Xiao
- 1999 Furby
BEYBLADE
Twister



Musican



LAMAZE*



GACHA*

BEYBLADE



Pokémon

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

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 Pokémon Battrio
2003	Meow-Lingual	2008	Tomica Hero
2004	Aero R/C Yumemi Kobo THE FIRST YEARS	2009	Fresh Caramel Maker Clockman



Nohohonzoku



DUEL MASTERS



Jinsei Ginko



THE FIRST YEARS



Omnibot 17μ i-SOBOT

2010 >

Toward tomorrow's hit products

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

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



ANIA



BATTROBORG 20

4th 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
Licca Stylish Doll collections
- 2016 Licca Bijou Series
Pokémon Ga-Olé
HATCHIMALS Umaretel Woomo
- 2017 DRIVE HEAD
Miracle Tunes!
PRINTOSS (KiiPix)



Licca Bijou Series



DRIVE HEAD



Miracle Tunes!



PRIPARA



Pokémon Ga-Olé



BEYBLADE BURST



PRINTOSS (KiiPix)



HATCHIMALS
Umaretel Woomo



Linear Liner

JR東海承認済



OHANAS



SHINKALION

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Corporate Information

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, 2018)

2,199 (consolidated)

504 (non-consolidated)

Number of Consolidated Subsidiaries: 34

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, 2018)

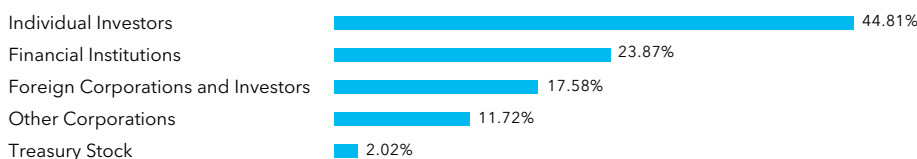
Number of Shares Authorized: 384,000,000

Number of Shares Issued: 96,290,850

Trading Unit of Shares: 100

Number of Shareholders: 109,959

Distribution of Ownership among Shareholders



MAJOR SHAREHOLDERS

Name	Number of Shares Held	%
Tsukasa Fudosan	7,565,312	8.02
Japan Trustee Services Bank, Ltd. (Trust Account)	5,122,500	5.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,703,400	4.99
Kantaro Tomiyama	2,727,637	2.89
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,649,600	2.81
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,599,400	1.70
GOVERNMENT OF NORWAY (Custodian: Citibank, N.A., Tokyo Branch)	1,558,900	1.65
Fumie Tomiyama	1,483,101	1.57
JP MORGAN CHASE BANK 385151 (Custodian: Mizuho Bank, Settlement & Clearing Services Department)	1,234,614	1.31
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,182,600	1.25

Note: Percentage of shares held is calculated after the exclusion of 1,947,313 shares of treasury stock.

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.

2017



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

LACP 「2016/17 Vision Awards」
83rd among the Top 100 Worldwide;
Gold in the Consumer/Consumables Industry

2016



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

2015



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

2014



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

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



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